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FEDERAL COMMUNICATIONS COMMISSION
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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	
Access Charge Reform	CC Docket No. 96-262
Price Cap Performance Review for Local Exchange Carriers	CC Docket No. 94-1
Transport Rate Structure and Pricing	CC Docket No. 91-213
Usage of the Public Switched Network by Information Service and Internet Access Providers	CC Docket No. 96-263

COMMENTS OF THE PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

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January 27, 1997

COMMENTS OF THE
PUBLIC SERVICE COMMISSION OF THE
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I. INTRODUCTION

On December 23, 1996, the Federal Communications Commission ("FCC" or "Commission") adopted a Notice of Proposed Rulemaking[1] ("NPRM") seeking comment on specific questions relating to proposals designed "to reform [the] system of interstate access charges to make it more compatible with the competitive paradigm" established by the Telecommunications Act of 1996 ("1996 Act")[2] and with State actions to open local networks to competition.[3] The Public Service Commission of the District of Columbia ("DC PSC"), pursuant to the Commission's Rules of Practice and Procedure, 47 C.F.R. §§ 1.49, 1.41, and 1.415 (1995), hereby submits comments in response to the Notice of Proposed Rulemaking.

II. COMMENTS

The DC PSC generally supports the FCC's efforts in its comprehensive review of its interstate access charge regime, with the goals of eliminating inefficiencies and achieving access charge rate structures that a competitive market for access services would produce.[4]

In these comments, the DC PSC addresses two issues: the FCC`s approach to access charge reform; and alternative methods of recovery of the common carrier line ("CCL") portion of subscriber loop costs. The DC PSC recommends that the FCC adopt a combination of both the prescriptive and the market approaches to reform the access charge structure. Secondly, the DC PSC is of the opinion that the CCL charge is an economically inefficient mechanism for recovery of a portion of the common line costs, and it should therefore be replaced with a non-traffic-sensitive recovery method.

A. Approaches to Access Reform

In the NPRM, the FCC outlines two possible approaches for addressing claims that existing access charge levels are excessive,

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[1] Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry, CC Docket Nos. 96-262 et al., released December 24, 1996 ("NPRM").

[2] Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, *to be codified at* 47 U.S.C. §§ 151 *et seq.* (1996 Act).

[3] NPRM at para. 1.

[4] Id. at para. 13.

for establishing a transition to access charges that more closely reflect economic costs, and for deregulating exchange access services of incumbent local exchange carriers ("ILECs") as competition develops in the local exchange and exchange access market.[5] Under the first approach to access reform — the "market-based" approach — the Commission would rely on potential and actual competition from new facilities-based providers and entrants purchasing unbundled elements to drive prices for interstate access services toward economic cost.[6] Under the second access reform proposal — the "prescriptive" approach — the Commission would specify the nature and timing of changes to the existing rate levels.[7]

The NPRM indicates that the approaches could be employed singly or in combination, so long as the ultimate goal remains to revise access charge rules so as to "foster competition for these services and enable marketplace forces to eliminate the need for price regulation of these services."[8] Comments are requested on whether and when one approach or the other is preferable, or if a combination of these approaches should be used.[9]

The DC PSC recommends that the FCC should continue the use of the prescriptive rules as an interim measure only, until such time as there is evidence that actual competition has developed in the various segments of the market for telecommunications services. During the transition to actual competition, a combination of the prescriptive and market-based approaches could be employed, and the prescriptive rules can be relaxed as substantial competition exists, especially in the local exchange market. The prescriptive rules should continue to be phased out as competition develops and the market becomes sufficient to control prices.

The DC PSC concurs with the rationale underlying the prescriptive approach — that "marketplace forces alone may not be sufficient to drive access rates to forward-looking economic costs,"[10] at least in the interim. Competitors should be actually offering services to all segments of a market before the ILECs are freed from controls. The DC PSC is of the opinion that the removal of controls should not be rushed faster than the existence of

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[5] Id. at para. 14.

[6] Id. at paras. 14, 161-167.

[7] Id. at paras. 14, 218-222.

[8] Id. at para. 14.

[9] Id. at para. 17.

[10] Id. at para. 16.

actual competition in each market segment.

Employment of a combination of the prescriptive and market-based approaches would require a means to verify the existence of actual competition in a given market segment. The DC PSC favors an approach which would allow the States to make the determination of whether actual competition exists in a given market segment, and therefore when the prescriptive rules should be phased out for that segment.

Finally, the DC PSC favors an approach whereby the FCC would be able to reimpose controls if actual competition disappears in a given market; for example, if an ILEC manipulates a market to drive out competitors. The rules adopted by the FCC in reforming access charges should therefore provide a means to reassert control, if necessary.

B. Alternative Methods of Recovery of the CCL Portion of Subscriber Loop Costs

In the NPRM, the FCC notes that the Federal-State Joint Board on Universal Service recognized in its Recommended Decision[11] that the current, traffic-sensitive CCL charge structure[12] is economically inefficient because the charge requires ILECs to recover a non-usage-sensitive cost in part through a usage-sensitive charge.[13] The FCC requests comment on possible revisions to the current CCL charge structure so that price cap ILECs are no longer required to recover any of the non-traffic-sensitive costs of the loop from interexchange carriers ("IXCs") on a traffic-sensitive basis.

The DC PSC agrees that it is economically inefficient to recover these non-traffic-sensitive costs through traffic-sensitive charges such as the CCL charge. Costs should be

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[11] Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, FCC 96J-3 (rel. November 8, 1996) ("Joint Board Recommended Decision").

[12] The common line costs are non-traffic-sensitive costs associated with the line connecting the customer premises with the local switch assigned to the interstate jurisdiction. See Par. 57. A portion of these costs is paid by the subscriber line charge ("SLC"), which has been limited to $3.50 per month for residential and single-line business customers and $6.00 per month for multi-line business customers. Any excess cost not paid by the SLC is recovered via the CCL charge, a per-minute rate paid by the access customers.

[13] Id. para. 59, citing Joint Board Recommended Decision at para. 776.

recovered, to the extent possible, in the manner in which they are incurred, consistent with the competitive goal envisioned in the 1996 Act.

Thus, the DC PSC recommends that the FCC adopt the "flat, per-line" approach as the best alternative method of recovery of the CCL portion of the common line costs.[14] The flat, per-line method will encourage a more efficient use of facilities while providing a more secure revenue source to cover the CCL portion of the common line cost. The DC PSC also concurs that the per-line method is an administratively simple way to collect this flat rate charge, and the information required to implement it can be easily available.

Accordingly, the DC PSC agrees with the proposal to assess the resulting flat, per-line charge against each customer's presubscribed interexchange carrier ("PIC"). The DC PSC also supports the proposal to directly assess this charge to any customer that does not select a PIC.

However, the DC PSC recognizes that the flat rate method is plagued by the potential problem created when customers who initially select a PIC "dial around" their PIC. This problem could be resolved by allowing the IXC the latitude to charge a dial around customer an amount equal to the flat rate charged to the IXC by the LEC. The DC PSC insists that such charge to the dial around customer must be on a flat rate basis only, to be consistent with the manner in which the costs are incurred.

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[14] In its NPRM, the FCC proposes the following four alternative methods and seeks comments on which method should be adopted to replace the current CCL charge structure: 1) a flat rate (per-line) charge assessed against each customer's presubscribed interexchange carrier ("PIC"), or charged directly to the customer who does not select a PIC; 2) Bulk billing, i.e. assessing the IXC a charge based on its percentage share of the interstate minutes of use or revenue; 3) Capacity charge assessed on the IXCs based on the number and types of trunks the IXC purchases from the LECs; and 4) Trunk port charge assessed on the IXCs based on the number of trunk-side ports or connections to the local switch. See NPRM at paras. 59-63.

WHEREFORE, the DC PSC respectfully submits these comments in response to the Notice of Proposed Rulemaking released December 24, 1997 by the Federal Communications Commission in its proceeding on Access Charge Reform.

Respectfully submitted:

By: _____

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Dated: January 27, 1997

CERTIFICATE OF SERVICE

I hereby certify that copies of the aforementioned "Comments of the Public Service Commission of the District of Columbia" were mailed, postage prepaid, this 27th day of January, 1997, to:

Office of Advocacy
U.S. Small Business Administration
409 Third Street, S.W.
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