DOCKET FILE COPY ORIGINAL

RECEIVED

JAN 29 1997

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
TCA, INC. - TELECOMMUNICATIONS CONSULTANTS

TABLE OF CONTENTS

I. Introduction and Summary

Tca, Inc. - Telecommunications Consultants is a consulting group that serves small rural local exchange carriers (Small LECs). These comments address the concerns of Small LECs. The Commission has proposed several improvements to the current access charge mechanism, however some changes and questions are premature. Small LECs welcome efforts to correct uneconomic pricing structures like those that impose more cost on high volume users for non traffic sensitive costs. The Commission should also address the problems inherent in average rates, while assuring that services and end user prices remain comparable between urban and rural areas. Making a distinction between "supported loops" and "unsupported loops" is not appropriate in this or any other proceeding. Increasing the SLC for multiline business and second line residential customers is contrary to the 1996 Act's[1] universal service goals.

II. Access Reform for Incumbent Local Exchange Carriers

A. Application of Reforms to Price Cap Carriers

The Commission appropriately limited most of the proposed changes to price cap LECs. The Commission's apparent justification for excluding Small LECs is their size and the small proportion of total access lines they serve, and the fact that competition in Small LEC areas is not as imminent as in areas served by price cap LECs . An additional reason to look into rate of return LEC issues separately are universal service issues.

B. Applicability of Part 69 to Unbundled Elements

To the extent that the prices for unbundled elements recover the cost of providing the services, and there are other universal service support mechanisms to replace those incorporated in the current separations and access system, Part 69 rate elements should not apply to unbundled elements. However to the extent that the support mechanisms inherent in the separations and access costing and pricing method have not been addressed through other mechanisms, access charges, or certain rate elements may be appropriately applied to Unbundled Elements. For example, to the extent that a flat rate CCL charge[2] includes average costs to support high cost loops within a study area, the CCL charge should continue to apply to an unbundled loop, unless the unbundled loop charge also includes the average cost of a loop in the study area.

---

[1] 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).

[2] See paragraph III. A. Alternative Methods of Recovery of CCL Portion of Subscriber Loop Costs

III. Rate Structure Modifications

A. Common Line

1. Alternative Methods of Recovery of CCL Portion of Subscriber Loop Costs

Flat rate pricing for the CCL portion of subscriber loop costs will only partially address the uneconomic assignment of cost to a high toll user. If the flat rate CCL charge is based on the average cost of providing loops throughout a study area, then the costs assigned to the high toll user may still be higher than actual cost. In addition, to the extent that the customer is served through unbundled rate elements, the contribution to support high cost local loops may be lost.

Small LECs have already experienced the negative impacts of average and volume-based pricing for non traffic sensitive costs. Efforts to correct the uneconomic pricing structures, while maintaining universal service support are welcome. However, the added cost of a more complex billing system must be weighed against the likely benefit. "Bulk billing" on the basis of the carrier's share of interstate minutes of use or revenues suggested by the Competition Policy Institute[3] would add complexity without a corresponding benefit. Other proposals are not workable for Small LECs. For example, many Small LECs exchange traffic with interexchange carriers over a common trunk group. Assessing the "bulk billing" on the basis of trunks is not appropriate for these LECs. A charge based on presubscribed lines, while imperfect, appears to be the best alternative.

It seems likely that IXCs' would try to deaverage their rates to end users by passing on the flat rate access charge to end users. The Commission can preclude this deaveraging by reaffirming that rates may not be deaveraged, including services that the IXC purchases from LECs on a non usage sensitive basis. IXCs must continue to be precluded from geographically deaveraging their rates. If they begin to assess a flat rate in addition to or instead of measured rate service charges, they must charge the same rate to all of their customers.

2. Alternative Methods of Recovery of SLC Portion of Subscriber Loop Costs

Costs related to the SLC portion of subscriber loop costs for "non-supported" lines are very significant in Small LEC serving areas. The Joint Board, and the Commission should recognize that the requirement to provide comparable services between urban and rural areas does not stop with a single access line. The 1996 Act defines universal service to include "...access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that area available at rates that are reasonably comparable to rates charged for similar services in urban areas."[4] The Act does not define universal service as the first access line to a home or business.

In an analysis of several Small LECs, TCA found that the SLC portion of loop costs for "non-supported" lines can approach $50 per line per month. Increasing the SLC to recover all

[3] FCC 96-488 Notice of Proposed Rulemaking, Third Report and Order, And Notice of Inquiry, paragraph 61.

[4] 1996 Act, Sec. 254 (b)(3).

of this cost would fall short of the requirement to provide comparable services at comparable prices between urban and rural areas. Universal service would be jeopardized when customers discontinue taking second lines. As there are fewer customers on the network, the per loop cost of each remaining line will increase, either driving up the demands on the universal service support mechanism, or jeopardizing the viability of the universal service provider.

Universal service support must extend beyond the first line. SLC charges must be comparable between urban and rural areas for all access lines. Average SLC charges create a subsidy between higher cost and lower cost areas, however the charges should not be deaveraged. Any costs not recovered from a national average SLC should be recovered through the Universal Service Fund.

3. Assessment of SLCs on Derived Channels

In general, SLC charges should be assessed to more closely relate to costs. However, as previously noted, charges for services must be comparable between urban and rural areas. SLC charges should not be assessed on the basis of derived channels.

B. Local Switching

Efforts to address uneconomic averaging of costs between high volume users and low volume users is welcomed, as long as universal service and comparability issues are adequately addressed. The Commission has not suggested requiring changes in the local switching element for rate of return LECs, however Small LECs would like the option of adopting the changes that are appropriate and cost effective.

C. Transport

Any changes in the Transport Interconnection Charge (TIC) must be made by specifically identifying costs and transferring them to other rate elements, or new rate elements. Most costs included in the TIC can easily be identified and more appropriately assigned. All LECs should be given greater flexibility to add rate elements and change rates as portions of the TIC are more clearly identified, and reallocated to appropriate rate elements. No mandatory phase-out period should be implemented.

IV. Market-Based Approach to Access Reform

Geographic deaveraging is required to address economic realities in a competitive environment, and to more accurately target Universal Service Support in high cost areas. The support must be sufficient to ensure that comparable services are available in all areas at comparable rates to end users. If deaveraging is not accompanied by appropriate Universal Service Support, then the result will be detrimental to high cost areas.

V. Transition Issues

A. Double recovery issues cannot be unraveled until the universal service support mechanism is established. Until a cost proxy model or another mechanism is adopted and tested, it is premature to comment on or address double recovery or reductions to access charges based on a new USF support mechanism. The proxy models currently being considered include simplifying assumptions and are populated primarily with data from large Regional Bell Operating Companies (RBOCs). The proposed benchmark is to include revenues based on urban levels that are well above the revenue levels achieved in rural areas. These issues call into question the sufficiency of the support that will be provided to Small LECs under the new mechanism. If the support is not sufficient to maintain universal service, it would not be appropriate to reduce access charges.

Universal Service Support cannot be targeted only to interstate revenue requirements. The Universal Service Fund was created in part to address the fact that revenue requirements were transferred from the interstate jurisdiction to local through the phased down subscriber plant factor (SPF). Until the Joint board reaches a conclusion on separations issues, we will not know if the additional revenue requirements that must be covered by USF will remain in the interstate jurisdiction, or move to the local jurisdiction. USF must never be limited to interstate revenue requirements, because the funding mechanism was created to maintain unviversal service, not to reduce access charges. USF is currently accounted for as local revenue to keep local rates affordable. Universal service funding for local revenue requirements must not be overlooked, or decreased through any new support mechanism.

B. Recovery of Remaining Interstate-Allocated Embedded Costs

Small LECs should be compensated for any difference between revenues generated by rates based on embedded costs and revenues produced by rates based on forward-looking costs through the Universal Service Fund. Small LECs are generally efficient. Their networks and operations are just sufficient to provide high quality, dependable services. Depreciation rates, however, have not been sufficient to keep up with the changing technology, and the demands of the network. Technological obsolescence occurs at the same rate in rural and urban areas, because manufacturers of equipment discontinue support for older versions of their switches, and because network requirements apply nearly equally to rural and urban areas (e.g. Equal access, SS7, and E911). If support is not sufficient to cover the embedded costs, Small LECs' ability to provide universal services will be compromised.

VI. Other Issues

A. Internet service providers and other enhanced service providers (ESPs) are generating large traffic volumes that are having an impact on the cost separations of Small LECs. Allowing ESPs to obtain access without paying access charges is economically inefficient because users who do not use the services are ultimately subsidizing those who are using ESP services. This subsidy develops as costs assigned to the local jurisdiction increase as "local" call volumes for Internet users increase. Since many states prohibit mandatory local measured service, the LECs cannot address this economic inefficiency. Calls to the ESP usually result in the transfer of information across state boundaries. The FCC should address this interstate traffic by applying access charges to ESPs like any other Feature Group A interexchange carrier.

B. Other Part 69 Revisions

The equal access elements should not be removed because some Small LECs have not received a bona fide request to convert to equal access. When they make the conversion, they should be allowed the same treatment of their equal access costs as other LECs.

VII. Third Report and Order - Waiver Requirement for Introduction of New Services

Incumbent LECs, including rate of return LECs, should be allowed to introduce a new service through an expedited process. It is not appropriate to provide this benefit to price cap LECs and continue to impose the burden of filing a waiver on rate of return LECs.

VIII. Conclusion

Small LECs should be given the option of adopting proposed changes that reduce uneconomic volume-based charges for non traffic sensitive costs. Proposed changes to reflect the new Universal Service Funding are premature. Enhanced Service Providers should be subject to access charges like any other interexchange carrier. While Small LECs may support some of the ideas proposed in the NPRM, there were no specific rules provided to evaluate how the ideas might be put into practice. Rules developed based on these ideas must be sensitive to the concerns of Small LECs.

Respectfully submitted,

J. Stephen Lamb / cgas

F. Stephen Lamb
MAS Manager
TCA, Inc.-Telecommunications Consultants
3617 Betty Drive, Suite I
Colorado Springs, CO 80917

January 28, 1997

APPENDIX A
SERVICE LIST

The Honorable Reed E. Hundt, Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

The Honorable Rachelle B. Chong, Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

The Honorable Susan Ness, Commissioner
Federal Communications Commission
1919 M Street, N.W., Room 832
Washington, D.C. 20554

The Honorable Julia Johnson, Commissioner
Florida Public Service Commission
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, FL 32399-0850

The Honorable Kenneth McClure, Commissioner
Missouri Public Service Commission
301 W. High Street, Suite 530
Jefferson City, MO 65101

The Honorable Sharon L. Nelson, Chairman
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

The Honorable Laska Schoenfelder, Commissioner
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol Street
Pierre, SD 57501-5070

Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Jefferson City, MO 65102

Anna Gomez
Federal Staff Chair
Federal Communications Commission
2100 M Street, N.W., Room 8617
Washington, D.C. 20036

Paul E. Pederson
State Staff Chair
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Lisa Boehley
Federal Communications Commission
2100 M Street, N.W., Room 8605
Washington, D.C. 20554

Charles Bolle
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol Street
Pierre, SD 57501-5070

Deonne Bruning
Nebraska Public Service Commission
300 The Atrium
1200 N Street, P.O. Box 94927
Lincoln, NE 68509-4927

James Casserly
Senior Legal Advisor
Office of Commissioner Susan Ness
Federal Communications Commission
1919 M Street, Room 832
Washington, D.C. 20554

John Clark
Federal Communications Commission
2100 M Street, N.W., Room 8619
Washington, D.C. 20554

Bryan Clopton
Federal Communications Commission
2100 M Street, N.W., Room 8615
Washington, D.C. 20554

Irene Flannery
Federal Communications Commission
2100 M Street, N.W., Room 8922
Washington, D.C. 20554

Daniel Gonzalez
Legal Advisor
Office of Commissioner Rachelle B. Chong
Federal Communications Commission
1919 M Street, N.W., Room 844
Washington, D.C. 20554

Emily Hoffnar
Federal Communications Commission
2100 M Street, N.W., Room 8623
Washington, D.C. 20554

L. Charles Keller
Federal Communications Commission
2100 M Street, N.W., Room 8918
Washington, D.C. 20554

Lori Kenyon
Alaska Public Utilities Commission
1016 West Sixth Avenue, Suite 400
Anchorage, AK 99501

David Krech
Federal Communications Commission
2025 M Street, N.W., Room 7130
Washington, D.C. 20554

Debra M. Kriete
Pennsylvania Public Utilities Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Diane Law
Federal Communications Commission
2100 M Street, N.W., Room 8920
Washington, D.C. 20554

Mark Long
Florida Public Service Commission
2540 Shumard Oak Blvd.
Gerald Gunter Building
Tallahassee, FL 32399

Robert Loube
Federal Communications Commission
2100 M Street, N.W., Room 8914
Washington, D.C. 20554

Samuel Loudenslager
Arkansas Public Service Commission
P.O. Box 400
Little Rock, AR 72203-0400

Sandra Makeeff
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

Philip F. McClelland
Pennsylvania Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, Pennsylvania 17120

Michael A. McRae
D.C. Office of the People's Counsel
1133 15th Street, N.W. -- Suite 500
Washington, D.C. 20005

Tejal Mehta
Federal Communications Commission
2100 M Street, N.W., Room 8625
Washington, D.C. 20554

Terry Monroe
New York Public Service Commission
3 Empire Plaza

Albany, NY 12223

John Morabito
Deputy Chief, Accounting and Audits Division
Common Carrier Bureau
Federal Communications Commission
2000 L Street, N.W., Suite 812
Washington, D.C. 20554

Mark Nadel
Federal Communications Commission
2100 M Street, N.W., Room 8916
Washington, D.C. 20554

John Nakahata
Senior Legal Advisor
Office of Chairman Reed E. Hundt
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

Lee Palagyi
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive S.W.
Olympia, WA 98504

Kimberly Parker
Federal Communications Commission
2100 M Street, N.W., Room 8609
Washington, D.C. 20554

Barry Payne
Indiana Office of the Consumer Counsel
100 North Senate Avenue, Room N501
Indianapolis, IN 46204-2208

Jeanine Poltronieri
Federal Communications Commission
2100 M Street, N.W., Room 8924
Washington, D.C. 20554

Michael Pryor
Federal Communications Commission
2100 M Street, N.W., Room 8905
Washington, D.C. 20554

James Bradford Ramsay
National Association of Regulatory Utility Commissioners
P.O. Box 684
Washington, D.C. 20044-0684

Brian Roberts
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Gary Seigel
Federal Communications Commission
2000 L Street, N.W., Suite 812
Washington, D.C. 20554

Richard D. Smith
Federal Communications Commission
2100 M Street, N.W., Room 8605
Washington, D.C. 20554

Pamela Szymczak
Federal Communications Commission
2100 M Street, N.W., Room 8912
Washington, D.C. 20554

Lori Wright
Federal Communications Commission
2100 M Street, N.W., Room 8603
Washington, D.C. 20554