

2.1 Answer Supervision - Lineside

Answer Supervision - Lineside (ASLS) provides the capability to deliver "off-hook" supervisory signals from the terminating central office switch to a lineside interface at the originating central office switch. The feature indicates when the called party has answered the incoming call.

ASLS was originally deployed at the request of an enhanced service provider with a service that would make use of this feature. Later, it was determined that pay telephone providers might have a use for this service in order to know the exact timing for determining call duration. The demand from the enhanced service provider never materialized. In addition, as smart pay telephones became even more sophisticated, they arrived with the capability to detect the "off-hook" condition based on their ability to recognize fast and slow busy signals, the special information tones (SIT tones) that precede intercept messages, the human voice, etc. Rather than just a timing algorithm based on the amount of time that the pay telephone end user had the pay telephone in an "off-hook" condition, there were now numerous triggers recognizable by the smart phone to trigger a determination as to whether charges should commence based on a completed call. As a consequence, the expected demand for ASLS by payphone service providers (PSPs) did not materialize due to the fact that the service could add only marginal value beyond that already resident within the smart pay telephone itself. In fact, today, out of the approximately 24,600 lines equipped with this feature, independent pay telephone providers have purchased this feature on only 188 PAL lines. USWC does not expect any demand at the interstate level as this service is purchased as a feature on services obtained under state exchange service tariffs.

USWC is proposing the same nonrecurring and recurring rates per equipped line for this service that are approved and effective in thirteen of its fourteen states.

ASLS is only available in 5ESS and DMS switches. All of these switches are not currently equipped with this capability nor does USWC intend to equip the remaining offices with the capability due to lack of demand. When this service was introduced in USWC's state tariffs, enough demand was anticipated to plan deployment in all 5ESS and DMS switches. The costs for such deployment and demand supported the rate levels currently in effect in our state tariffs. As can be seen in Workpapers 14 and 17, the current nonrecurring costs more than support the nonrecurring charge proposed. The new recurring cost support foresees essentially static demand, most of which is demand from the USWC pay telephone operation, and does not include the expansion of the service into additional switches. Any additions to service in switches would result in significant additional costs not reflected in the attached recurring cost workpaper.

2.2 Billed Number Screening

Billed Number Screening (BNS) prohibits collect and/or third number billing calls from being charged to BNS equipped numbers. Callers attempting to place collect or third number billed calls to a BNS equipped number will be advised by the operator that such billing is unauthorized. This service is available to customers at no charge. USWC expects no demand for this service at the interstate level.

2.3 CUSTOMNET Service

CUSTOMNET Service provides toll access screening options that allow customers to restrict the classes of chargeable calls originating over their lines. CUSTOMNET allows pay telephone providers, by means of USWC operator identification, to provide toll access but restrict 0/0+ outgoing toll calls to only those calls that are charged to the called number, a third number, and/or a calling card. Two options are provided. In Option 1, all local and non chargeable calls (800 type, company repair, 911, etc.) are permitted. Calls dialed 0/0+ are permitted if alternate billing is used. Calls dialed 1+, including calls to Directory Assistance, are not permitted. With Option 2, local calls, non chargeable calls and calls dialed 1+ are permitted.

Both a nonrecurring and recurring charge will apply to the CUSTOMNET feature on a per line basis. The rates for this service are based on rates currently approved and effective in USWC's fourteen states. Alternatives to this service are resident within smart pay telephones. CUSTOMNET is not required to provide service from a smart pay telephone.

2.4 Blocking for 10XXX1+/10XXX011+

Blocking for 10XXX1+/10XXX011+ prevents 10XXX1+ and 10XXX011+ calls from being completed. Such calls will be routed to an announcement. Rates are based on rates currently approved and charged in USWC's fourteen states and include both nonrecurring and recurring elements.

3. Rate Development for Unbundled Features

USWC developed direct recurring and nonrecurring costs for the rate elements for ASLS, CUSTOMNET Service, and Blocking for 10XXX1+/10XXX011+ Service. Next, internal and external conditions which impact the new service were evaluated to determine the price of the service. Factors considered included the pricing of and relationship to existing services offered by USWC (i.e., rates for these services charged in each state), the competitive alternatives available to the customer, market willingness to pay, and other information on the value of the service to the customer. The charges for each of these unbundled features are above direct cost.⁴

After establishing the price, the ratio of price to direct cost was developed and compared to the ratio of total Part 69 expenses to the total cost for interstate services. Total Part 69 expenses were developed for service categories by using the ARMIS Report 43-01 data for the period January 1995 through December 1995. Workpaper 13 details the detailed Part 69 comparisons. In addition to the price/direct cost ratio, Workpaper 13 provides the direct cost/price and direct cost/unit investment ratios, as required in the Part 69 ONA Order. The direct cost to unit investment is not displayed for the nonrecurring charge elements, as there is no unit investment associated with those elements.

⁴Some of the direct nonrecurring costs of ASLS are recovered in the recurring rate, although this recovery is not reflected in the cost support for the recurring rate element.

4. Demand and Revenue Impacts for Unbundled Features

4.1 Demand

USWC does not expect the introduction of these unbundled features to change the jurisdictional requirements of services provided to pay telephone providers. All pay telephone service provider customers are served by intrastate service offerings. Consequently, the demand forecast for these features in the interstate jurisdiction is zero.

4.2 Revenue

No revenue projections can be calculated because there is no forecasted interstate demand.

5. Unit Costs for Unbundled Features

5.1 Overview

This section describes the development of regional unit costs in support of the unbundled features' rate elements. Included is a description of the rate elements being proposed for the unbundled features, the processes used to develop the recurring and nonrecurring unit costs, and the workpapers attached.

5.2 Development of Recurring Unit Costs

The recurring unit costs consist of ongoing costs to provide these services. The investments include the material price of equipment, software feature costs, engineering costs and labor to install the features and miscellaneous minor material loadings.

After all components of investment were identified, a per unit investment was derived by dividing by the total inter/intrastate demand figures. Various factors were applied to this unit investment to identify the appropriate capital and operating costs associated with offering each feature. Each factor, when applied to the unit investment or expense (administrative and business fees are applied to expenses rather than investment), produces a per unit amount which should be recovered each year to appropriately cover those costs. The total figure was then divided by twelve to produce a monthly unit cost.

Capital costs are covered through the use of factors which, when applied to investment, produce the annual costs associated with depreciation, earnings and income tax. Depreciation is applied by account code, reflecting the different economic lives of the various types of equipment and plant used to provide services. The earnings or "cost of money" factor represents the return that USWC must pay its investors for the use of their capital. Finally, income tax is the expense associated with taxes that will be incurred on the income earned on the new service.

Operating costs are covered through the use of factors which when applied to investment or expense, produce the annual costs of associated maintenance, right to

use, Ad Valorem taxes, administrative expenses and business fees. Right to use fees cover the ongoing costs of feature use of switch software after the initial investment. Ad Valorem taxes are state level taxes applied at the investment level. Administrative expenses include the costs associated with the line and staff operations which support the new service. Business fees include state level franchise taxes, municipal license fees, occupation taxes and gross receipts taxes.

5.3 Development of Nonrecurring Unit Cost

When a customer requests each of the unbundled features, a one time cost to provision the service is incurred. The nonrecurring provisioning rate element recovers these costs as well as the associated cost to disconnect the service at some later date.⁵

The first step taken in developing a nonrecurring cost was to identify the various work groups and tasks required to install and disconnect the service. Next, USWC estimates were used to develop average labor times per task. Once identified, the average labor times were multiplied by the appropriate labor rates to produce the cost per work group. The sum of all the work group costs produces the total nonrecurring cost.

The labor rates used in this study were developed by applying additional factors to cover administrative expense and business fees that are incurred with the new offering. Administrative expenses include the costs associated with the line and staff

⁵In the case of ASLS, a portion of the nonrecurring cost is recovered in the recurring rate element.

operations which support the new service. Business fees include state level franchise taxes, municipal license fees, occupation taxes and gross receipts taxes.

5.4 Description of Workpapers

The recurring unit costs were developed at a regional level. The recurring unit costs are displayed in Workpapers 14 (ASLS), 15 (CUSTOMNET), and 16 (Blocking for 10XXX1+/10XXX011+). Each of these costs is developed on a per line basis. These workpapers display the total unit investment, the capital costs and operating expenses, the total direct unit costs attributable to unit investment, and the total direct unit costs divided by the total unit investment.

Nonrecurring unit costs were developed at a regional level. The nonrecurring unit costs are displayed in Workpapers 17 (ASLS), 18 (CUSTOMNET), and 19 (Blocking for 10XXX1+/10XXX011+).

6. Workpapers

Workpaper 1 - Calculation of Pay Telephone Set Deregulation Costs

Workpaper 2 - Summary of Pay Telephone Cost Allocator and Exogenous Adjustment

Workpaper 3 - Pay Telephone Cost Allocation and Restructure Detail

Workpaper 4 - NECA Long Term Support Workpaper

Workpaper 5 - Carrier Common Line Maximum Rate Calculation

Workpaper 6 - End User Common Line Restated BFP Forecast

Workpaper 7 - Common Line Base Factor Portion Revenue Requirement Detail

Workpaper 8 - Apportionment of BFP of Common Line Revenue Requirement

Workpaper 9 - Multi Line Business Current and Proposed Rates

Workpaper 10 - Single Line Residence/Business Current and Proposed Rates

Workpaper 11 - Carrier Common Line Current and Proposed Rates

Workpaper 12 - Common Line Revenues

Workpaper 13 - Part 69 Expense Ratios

Workpaper 14 - ASLS Recurring Costs

Workpaper 15 - CUSTOMNET Recurring Costs

Workpaper 16 - Blocking for 10XXX1+/10XXX011+ Recurring Costs

Workpaper 17 - ASLS Nonrecurring Costs

Workpaper 18 - CUSTOMNET Nonrecurring Costs

Workpaper 19 - Blocking for 10XXX1+/10XXX011+ Nonrecurring Costs

RECURRING COST

CUSTOMNET, per line

A.	Total Unit Investment	\$	0.22
B.	Capital Expenses		
	Depreciation	\$	0.02
	Cost of Money	\$	0.01
	Income Tax	\$	0.01
	Total	\$	0.04
C.	Operating Expenses		
	Maintenance	\$	0.01
	Ad Valorem	\$	0.00
	Administrative	\$	0.02
	Business Fees	\$	0.00
	Total	\$	0.03
D.	Total Annual Direct Unit Cost (B + C)	\$	0.07
E.	Total Monthly Direct Unit Cost (D/12)	\$	0.01
F.	Total Direct Unit Cost/Total Investment (D/A)		0.318

NONRECURRING COSTS

CUSTOMNET, per line

<u>Labor Group</u>	<u>Time in Minutes</u>	<u>Labor Rate/Hour</u>	<u>Costs</u>
Inward Costs:			
Central Office Administration	1.84	\$46.20	\$ 1.41
Central Mntnc/Spec Svcs	4.10	\$57.19	\$ 3.91
Business Service Center	0.53	\$36.76	\$ 0.32
Service Order Entry Center	2.07	\$38.94	\$ 1.34
Inward Subtotal			\$ 6.98
Outward Costs:			
Business Service Center	0.17	\$36.76	\$ 0.10
Service Order Entry Center	1.45	\$38.94	\$ 0.94
Outward Subtotal			\$ 1.04
Total Nonrecurring Costs			\$ 8.02

Certificate of Service

I hereby certify that on May 21, 1997, I caused a copy of the foregoing
Opposition Of the American Public Communications Council to U S West's Amendment
To Its CEI Plan to be sent by first class mail, postage prepaid, to:

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