List of Replies in CC Docket Nos. 96-262, 94-1, 91-213

ACC Long Distance Corp. (ACC Long Distance)
Ad Hoc Telecommunications Users Committee (Ad Hoc)
Alarm Industry Communications Committee
[State of] Alaska (Alaska Commission)
Aliant Communications Co., formerly Lincoln Telephone (Aliant)
Alliance for Public Technology
ALLTEL Telephone Services Corporation (ALLTEL)
American Association for Adult and Continuing Education, *et al.*
American Assocation for Retired Persons, *et al.* (AARP, *et al.*)
America On-Line, Inc. (America On-Line)
American Communications Services, Inc.
American Petroleum Institute (API)
Ameritech
Arch Communications Group, Inc. (Arch Communications)
Association for Local Telecommunications Services (ALTS)
AT&T Corp. (AT&T)
Bankers Clearing House, *et al.*
Bell Atlantic Telephone Companies and NYNEX (BA/NYNEX)
BellSouth Corporation, BellSouth Telecommunications, Inc. (BellSouth)
[People of the State of] California and the Public Utility Commission of the State of California (California Commission)
Colorado Library Education and Healthcare Telecommunications Coalition
Commercial Internet Exchange Association (CIEA)
Competitive Telecommunications Association (CompTel)
CompuServe, Inc. and Prodigy Services Corporation (CompuServe/Prodigy)
Consumer Project on Technology (Consumer Project)
Cox Communications, Inc. (Cox)
General Communication, Inc. (GCI)
General Services Administration/United States Department of Defense (GSA/DOD)
Georgia Public Service Commission (Georgia Commission)
Consumers' Utility Counsel Division, (Georgia) Governor's Office of Consumer Affairs (Georgia Consumers' Utility Counsel)
GVNW Inc./Management (GVNW)
GTE Service Corporation (GTE)
State of Hawaii (Hawaii Commission)
ICG Telecom Group, Inc. (ICG)
Internet Access Coalition
IXC Long Distance, Inc.
LCI International Telecom Corp. (LCI)
Maine Public Utilities Commission (Maine Commission)

MCI Telecommunications Corporation (MCI)
Media Access Project, *et al.* (MAP, *et al.*)
Minnesota Independent Coalition
Minnesota Internet Services Trade Association
National Cable Television Association, Inc. (NCTA)
National Exchange Carrier Association, Inc. (NECA)
[Public Utilities Commission of] Ohio (Ohio Commission)
Ohio Consumers' Counsel
Pacific Telesis Group (PacTel)
Personal Communications Industry Association (PCIA)
PSINet, Inc. (PSINet)
Puerto Rico Telephone Company (Puerto Rico Tel.)
Roseville Telephone Company (Roseville Tel.)
Rural Telephone Coalition (Rural Tel. Coalition)
Southern New England Telephone Company (SNET)
Southwestern Bell Telephone Company (SWBT)
Sprint Corporation (Sprint)
State Consumer Advocates
TDS Telecommunications Corporation (TDS)
Telco Communications Group, Inc. (Telco Communications Group)
Tele-Communications, Inc. (TCI)
Teleport Communications Group Inc. (Teleport)
Texas Association of Broadcasters
Texas Office of Public Utility Counsel (Texas Public Utility Counsel)
Time Warner Communications Holdings, Inc. (Time Warner)
United States Telephone Association (USTA)
U S West, Inc. (U S West)
WorldCom, Inc. (WorldCom)

APPENDIX B
COMMENT SUMMARY[1]

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III. RATE STRUCTURE MODIFICATIONS

A. Common Line

2. Subscriber Line Charge

1. *Raising or eliminating the SLC cap on non-primary residential lines and multi-line business lines.* Several commenters, including incumbent LECs, IXCs, and cable companies support the proposal to raise or eliminate the SLC cap for multi-line business customers and for residential lines beyond the primary connection to the level necessary to recover the full per-line loop costs assigned to the interstate jurisdiction.[2] Several incumbent LECs are not opposed to raising the SLC for multi-line businesses, but are opposed to increasing the SLC for non-primary residential lines.[3] BA/NYNEX states that raising the SLC cap for multi-line business lines is an appropriate, but small step towards correct recovery of NTS costs.[4] Ad Hoc supports increasing the SLC cap for multi-line business and non-primary residential lines as long as users of those lines do not pay more than the costs the incumbent LEC incurs to

[2] *See, e.g.,* Ameritech Comments at 11-12; American Carriers Telecommunication Association (ACTA) Comments at 7; Telecommunications Resellers Association (TRA) Comments at 34-35; Association for Local Telecommunications Services (ALTS) Comments at 24-25; Teleport Communications Group Inc. (Teleport) Comments at 24-25, Reply at 14-16; Time Warner Communications Holdings, Inc. (Time Warner) Comments at 8; Tele-Communications, Inc. (TCI) Comments at 10. *See also* BellSouth Corporation and BellSouth Telecommunications, Inc. (BellSouth) Comments at 69-70 (stating that if the Commission does not provide universal support for second lines, SLC cap for unsupported lines should be removed, giving incumbent LECs the flexibility to raise the SLC on those lines).

[3] *See, e.g.,* United States Telephone Association (USTA) Comments at 56; Bell Atlantic Telephone Companies and NYNEX (BA/NYNEX) Comments at 33; U S West, Inc. (U S West) Comments at 56-57; Southern New England Telephone Company (SNET) Comments at 35; Pacific Telesis Group (PacTel) Comments at 6, 63.

[4] BA/NYNEX Comments at 33.

provide those lines.[5] SWBT, PacTel and GSA/DOD support raising the SLC to recover NTS common line costs, but argue that because loop costs are the same for residential and business lines, there is no economic justification for imposing different SLCs for these lines.[6]

2. Several LECs opposing the proposal to raise the SLC on non-primary residential lines contend that in addition to imposing new charges on the end-user, this method of cost recovery would be administratively burdensome, because no practical way exists to identify second residential lines or lines into second homes.[7] BA/NYNEX argues that charging different SLCs on second lines would require information collection and verification procedures that are not in place today.[8] Other parties also argue that eliminating or raising the SLC cap on additional residential lines will create the incentive for customers to "game" the system by reporting their additional lines under different names or by obtaining additional lines from competitors to avoid paying an additional SLC.[9] BA/NYNEX, PacTel, and Citizens Utilities argue that if the Commission adopts a cost-recovery mechanism that raises the SLC on second residential lines, it should be optional.[10]

3. Most non-price cap LECs and several state commissions and consumer groups oppose increasing or eliminating the SLC cap for multi-line business lines and for residential lines beyond the primary connection.[11] Rural carriers and Internet providers are concerned

[5] Ad Hoc Telecommunications Users Committee (Ad Hoc) Comments at 10-11; Reply at 4.

[6] Southwestern Bell Telephone Company (SWBT) Comments at 12; PacTel Comments at 61-62; General Services Administration/United States Department of Defense (GSA/DOD) Comments at 11.

[7] *See, e.g.*, USTA Comments at 56, Reply at 33; BA/NYNEX Comments at 33; BellSouth Comments at 69; PacTel Comments at 63, Reply at 21; Cincinnati Bell Telephone Company (Cincinnati Bell) Comments at 7-8; National Exchange Carrier Association, Inc. (NECA) Reply at 7-8; Rural Telephone Coalition (Rural Tel. Coalition) Reply at 12-13.

[8] BA/NYNEX Comments at 33.

[9] *See, e.g.*, PacTel Comments at 63, Reply at 21-22; Cincinnati Bell Comments at 7; John Staurulakis, Inc. (Staurulakis) Comments at 8; NECA Comments at 13; Roseville Telephone Company (Roseville Tel.) Comments at 9-10; Minnesota Independent Coalition Comments at 13; Washington Independent Telephone Association (WITA) Comments at 5; Illinois Commerce Commission (Illinois Commission) Comments at 9.

[10] BA/NYNEX Comments at 33-34 (arguing that those LECs that choose not raise SLCs on additional residential lines should retain their CCL recovery); PacTel Reply at 22; Citizens Utilities Company (Citizens Utilities) Comments at 28-29.

[11] *See, e.g.*, Staurulakis Comments at 8-9; GVNW Inc./Management (GVNW) Comments at 6-7, Reply at 6; Roseville Tel. Comments at 9-10; Harris, Skrivan & Associates, LLC (Harris, Skrivan & Associates) Comments at 6; ITCs, Inc. (ITC) Comments at 3; WITA Comments at 5; State Consumer Advocates Comments at 21-22; Rural Tel. Coalition Comments at 7-8; Reply at 12-13; Public Utilities Commission of Ohio (Ohio Commission)

about the potential negative impact that raising or eliminating the SLC cap on second and additional residential lines and multi-line business lines will have on rural areas. These commenters argue that by reducing demand for additional access lines, this proposal would have a negative impact on Internet usage and economic growth in rural areas.[12] TCA asserts that a reduction in demand for additional access lines will increase the cost of remaining lines, placing an additional burden on the Universal Service fund.[13] Parties opposed to raising the SLC cap also argue that, especially in light of the Universal Service Joint Board's recommendation not to support multi-line business lines and residential lines beyond the primary connection, raising SLCs for these lines will make them unaffordable in rural communities, violating section 254(b) which requires that all consumers have access to rates and services that are "reasonably comparable" with those provided in urban areas.[14]

4. Frontier, Sprint, and AT&T contend that raising the SLC cap only for additional residential lines and multi-line business lines will not solve the problem of uneconomic recovery of loop costs.[15] These IXCs and other commenters, including LECs, consumer groups, and wireless and cable companies, urge the Commission to raise or eliminate the SLC caps on all lines, thus permitting LECs to recover all of the interstate allocated costs of the local loop from end-users.[16] Some of these parties argue that because IXCs do not cause the costs associated with the local loop, assigning any portion of the costs associated with the

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Comments at 3, Reply at 3; Public Utility Commission of Texas (Texas Commission) Comments at 6-7; Minnesota Independent Coalition Comments at 12-13; TDS Telecommunications Corporation (TDS) Comments at 3-4, 20-21, Reply at 4; Georgia Public Service Commission (Georgia Commission) Reply at 12-13; Missouri Public Service Commission (Missouri Commission) Comments at 3; Western Alliance Comments at 22-24; Commercial Internet Exchange Company (CIEA) Comments at 13, Reply at 9-11; Competition Policy Institute Comments at 18; Microsoft Corporation (Microsoft) Comments at 5.

[12] *See, e.g.*, Harris, Skrivan & Associates Comments at 6; TCA Telecommunications Corporation (TCA) Comments at 4; GVNW Comments at 7; Staurulakis Comments at 7-9; Western Alliance Comments at 22-24; ITC Comments at 3; NECA Comments at 13, Reply at 7-9; Rural Tel. Coalition Comments at 8; Pennsylvania Internet Service Providers Comments at 8-9;
CIEA Comments at 13; Reply at 10.

[13] TCA Comments at 4.

[14] *See, e.g.*, ITC Comments at 3; Rural Tel. Coalition Comments at 8, Reply at 11; TDS Comments at 3-4, Reply at 4; Western Alliance Comments at 23; TCA Comments at 3-4.

[15] Frontier Corporation (Frontier) Comments at 6-8; Sprint Corporation (Sprint) Comments at 11-12, 17; AT&T Corp. (AT&T) Reply at 27.

[16] *See, e.g.*, GTE Service Corporation (GTE) Comments at 26-29; SWBT Comments at 37-38; Cincinnati Bell Comments at 6-7; AT&T Comments 51-54, Reply at 25-26; Frontier Comments at 4, 5-7; Sprint Comments at 11-15; 50-51; Ad Hoc Reply at 4; GSA/DOD Comments at 9-11, Reply at 5, 7; TCI Comments at 10; Time Warner Comments at 4-5; WorldCom, Inc. (WorldCom) Comments at 30-31.

loop to the IXCs is economically inefficient.[17] Sprint contends that raising the SLC cap for residential users is unlikely to have a significant effect on subscribership.[18] WorldCom states that a subscriber loop is a fixed facility dedicated to the end user and that once the loop has been ordered and installed, the incumbent LEC incurs no additional costs for additional traffic passing over that loop.[19]

5. Several parties that oppose raising the SLC cap argue that the common line is a joint and common or shared cost that should be recovered from IXCs and other service providers, as well as from the end user.[20] The Texas Public Utility Counsel disagrees with Sprint's assertion that raising the SLC cap will have minimal effect on subscribership.[21] State consumer advocates and the Oregon Commission favor eliminating the SLC entirely and allowing all common line costs to be recovered from the IXCs.[22]

6. USTA and J. Staurulakis argue that because the common line revenue requirement is a much larger percentage of total costs for rate-of-return LECs than it is for most price cap LECs, any changes in the SLC cap adopted for price cap LECs should not be extended to rate-of-return LECs.[23] Roseville argues that any change to the SLC should be optional for rate-of-return LECs.[24]

7. The Illinois Commission, U S West, and Pennsylvania Internet Service Providers argue that if the Commission raises the SLC cap, the increase should be phased in over time.[25]

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[17] *See, e.g.*, AT&T Comments at 51-54, Reply at 28; Frontier Comments at 5; Sprint Comments at 11.

[18] Sprint Comments at 12.

[19] WorldCom Comments at 28-29.

[20] *See, e.g.*, American Association for Adult and Continuing Education, *et al.* Comments at 13, Reply at 7-8; Georgia Commission Reply at 11; Rural Tel. Coalition Reply at 4-5; National Association of Regulatory Utility Commissioners (NARUC) Comments at 3, 13.

[21] Texas Office of Public Utility Counsel (Texas Public Utility Counsel) Reply at 4-10.

[22] *See, e.g.*, State Consumer Advocates Comments at 24-27; Texas Public Utility Counsel Comments at 11, Reply at 15; Public Utility Commission of Oregon (Oregon Commission) Comments at 4-5.

[23] USTA Comments at 56-57; Staurulakis Comments at 7-8.

[24] Roseville Tel. Comments at 9-10. *See also* Minnesota Independent Coalition Comments at 5 (arguing that any change to the CCL rate structure should be optional).

[25] Illinois Commission Comments at 10; U S West Comments at 53-55; Pennsylvania Internet Service Providers Comments at 11-12.

WorldCom and Ad Hoc oppose any transition period for a rate structure change.[26] Ad Hoc states that because an increase in the SLC for second and additional residential lines and multi-line business lines would not result in service disruptions, a transition period is not needed and would delay implementation of an efficient common line rate structure.[27] GVNW asserts that a three-year transition period would not be sufficient in a number of cases.[28]

8. *Geographic Deaveraging of the SLC.* The Illinois Commission and several incumbent LECs argue in favor of allowing LECs to deaverage SLCs.[29] They argue that an averaged SLC creates cross-subsidies between high-cost and low-cost areas, in violation of the 1996 Act and that deaveraging the SLC is economically efficient and consistent with cost-causation principles. Several of these parties state that the Commission should permit SLC deaveraging to the same extent that unbundled network elements or network access lines are deaveraged, *i.e.*, within the same geographic areas.[30] Sprint contends that LECs should be required to deaverage the SLC.[31] BA/NYNEX and US West argue that geographic deaveraging should be optional.[32] The Ohio Commission argues that although it may be necessary to deaverage the SLC based on differing loop costs among the individual service areas in an incumbent LEC's service territory, the deaveraged rates must not exceed the current SLC caps.[33]

9. The Washington Utilities and Transportation Commission and BA/NYNEX argue that section 254(e) does not require deaveraged SLC rates.[34] State Consumer Advocates and the New York Commission argue that geographic averaging of the SLC is not an implicit

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[26] WorldCom Comments at 32; Ad Hoc Comments at 11-12.

[27] Ad Hoc Comments at 11-12.

[28] GVNW Comments at 7.

[29] Illinois Commission Comments at 10; U S West Comments at 56, Reply at 28; Ameritech Comments at 12-13, Attachment B at 19; BellSouth Comments at 32; GTE Comments at 30-31; PacTel Comments at 62-63. See *also* Sprint Comments at 17, 42.

[30] Illinois Commission Comments at 10-11; Ameritech Comments at 12; BA/NYNEX Comments at 46, n.105. *See also* ALLTEL Comments at 11 (supporting geographic deaveraging of SLC based on a minimum of three pricing zones).

[31] Sprint Comments at 17, 42.

[32] BA/NYNEX Comments at 34; U S West Comments at 56, Reply at 28.

[33] Ohio Commission Comments at 5, Reply at 5.

[34] Washington Utilities and Transportation Commission (Washington Commission) Comments at 5; BA/NYNEX Comments at 34.

subsidy that is inconsistent with the requirements of section 254(e).[35] BA/NYNEX explains that rates should not be considered subsidized simply because they are averaged, because any rate that is not developed on a customer-specific basis involves averaging.[36] BA/NYNEX also states, however, that if the SLC is deaveraged, it should be subject to the existing $6.00 and $3.50 caps.[37] The Washington Commission states that deaveraged rates may be appropriate in the future, if adequate universal service mechanisms are in place.[38]

10. Several commenters oppose deaveraging the SLC.[39] These parties argue that deaveraging the SLC violates the "comparable services and comparable rates" requirement of section 254 and will increase local rates in high-cost areas or increase the burden on the Universal Service Fund. The Texas Public Utility Counsel argues that deaveraging rates is inconsistent with market practices and the social policy embodied in the 1996 Act.[40] It argues further that deaveraging SLC costs would complicate the calculations of Universal Service subsidies and make it more difficult for long distance companies to maintain geographically averaged rates, as required by section 254(g).[41] Time Warner agues that the Commission should not permit geographic deaveraging of SLCs at this time because it will give incumbent LECs opportunity to engage in anticompetitive conduct.[42]

3. Carrier Common Line Charge

11. Most commenters agree that the per-minute CCL charge is economically inefficient because it does not reflect the way in which underlying loop costs are incurred and sends incorrect signals into the marketplace, encouraging inefficient use of

[35] State Consumer Advocates Comments at 48-49; New York State Department of Public Service (New York Commission) Comments at 7-8.

[36] BA/NYNEX Comments at 34.

[37] *Id.* at 46, n. 105.

[38] Washington Commission Comments at 5.

[39] See, e.g., Minnesota Independent Coalition Comments at 14; TDS Comments at 3, 20; Rural Tel. Coalition Reply at 10; State of Hawaii (Hawaii Commission) Reply at 3, 12-14; Pennsylvania Internet Service Providers Comments at 12-13.

[40] Texas Public Utility Counsel Comments at 13.

[41] *Id.* at 14.

[42] Time Warner Comments at 8-9.

telecommunications services and uneconomic bypass of incumbent LEC facilities.[43] BellSouth states that recovering more common line costs through NTS per-line charges "would greatly enhance economic welfare primarily because it would reduce the marginal cost of interstate long-distance calls and therefore would greatly expand interstate long-distance calling."[44] Some commenters state that the CCL charge functions as an implicit cross-subsidy from long distance access to local service, and from high-volume users to low-volume users.[45] Although most parties agree that the CCL charge structure should be revised so that incumbent LECs are no longer required to recover any of the NTS costs of the loop from IXCs on a traffic-sensitive basis, they disagree on the best approach to use for assessing that charge.

12. *Flat Per-Line Charge.* Many commenters, including both price cap and non-price cap incumbent LECs, IXCs, and some state commissions support recovering all common line costs or the common line costs not recovered through the SLCs through a flat, per-line charge assessed against the customer's PIC.[46] Several of these parties also support the proposal to bill the customer directly in cases where the customer has not chosen a PIC.[47] Supporters of

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[43] *See, e.g.,* Ameritech Comments at 9; BA/NYNEX Comments at 32; PacTel Comments at 58-64, Reply at 21; SWBT Comments at 35-36; Rural Tel. Coalition Comments at 6; ACC Long Distance Corp. (ACC Long Distance) Comments at 10-11; AT&T Comments at 51-54, Reply at 25-26; MCI Telecommunications Corporation (MCI) Comments at 77; LCI International Telecom Corp. (LCI) Comments at 20-21; WorldCom Comments at 28-29; Frontier Comments at 4; NECA Comments at 10; Ad Hoc Comments at 8-11; Time Warner Comments at 2-4; Winstar Communications (WinStar) Comments 3-5; Teleport Comments at 22-24; GSA/DOD Comments at 7-8; Competition Policy Institute Comments at 1-7; California Cable Television Association Comments at 10; NARUC Comments at 11-12; Public Service Commission of the District of Columbia (District of Columbia Commission) Comments at 3-4; U.S. Department of Justice (DOJ) Comments at 11, 14-15. *But see,* Evans Telephone Company, *et al.* (Evans, *et al.*) Comments at 4-5 (stating that current mix of recovery mechanisms is an appropriate compromise).

[44] *See* Letter from Robert T. Blau, BellSouth, to Mr. William F. Caton, Acting Secretary, FCC (filed April 25, 1997) at Attachment 1: "Economically-Efficient Access Reform" by Robert W. Crandall, The Brookings Institution, at 1.

[45] WorldCom Comments at 30; Ameritech Comments at 9; GTE Comments at 18, 26.

[46] *See, e.g.,* USTA Comments at 55-56; BA/NYNEX Comments at 35-36; BellSouth Comments at 68, Reply at 10-11; PacTel Comments at 64, Reply at 21; U S West Comments at 54-55; Citizens Utilities Comments at 27-28; Roseville Tel. Comments at 4, 8; Rural Tel. Coalition Comments at 6, Reply at 9; CompTel Comments at 29; Cable & Wireless, Inc. (Cable & Wireless) Comments at 10; Excel Telecommunications, Inc. (Excel) Comments at 11; LCI Comments at 20-21, Reply at 6; MCI Comments at 77; District of Columbia Commission Comments at 3-4; South Dakota Public Utilities Commission (South Dakota Commission) Comments at 3; NARUC Comments at 13; National Cable Television Association, Inc. (NCTA) Comments at 26; American Communications Services, Inc. Reply at 17.

[47] *See, e.g.,* USTA Comments at 55-56, Reply at 32; BA/NYNEX Comments at 36; U S West Comments at 54-55; Citizens Utilities Comments at 27-28; Roseville Tel. Comments at 8; WorldCom Comments at 37; District of Columbia Commission Comments at 3-4; Ad Hoc Reply at 4-5.

this approach state that converting the common line charge to a per-line flat charge paid by the customer's IXC is administratively simple and will allow IXCs to recover their costs through a variety of pricing plans, as the market will allow.[48] USTA and BA/NYNEX state that recovering the common line costs through a flat, per-line charge paid by the IXCs will improve economic efficiency and will rebalance rates so that high-volume customers do not overpay, and low-usage customers do not underpay, for interstate use of the local loop.[49] BA/NYNEX, SWBT, and U S West support the flat, per-line charge but argue that if the Commission adopts such a rate structure, it would need to adjust the price cap formula because the existing formula assumes the ability of the LECs to apply usage-based rates to recover network costs that are largely non-traffic sensitive.[50] The Rural Telephone Coalition and Minnesota Independent Coalition assert that a flat-rated, non-traffic sensitive common line charge would be feasible for rate-of-return LECs.[51]

13. Several parties support the proposal to recover common line costs through a flat, per-line charge assessed against the PIC but are opposed to permitting LECs to bill end-users who have not selected a PIC.[52] Cincinnati Bell argues that billing end users who have not selected a PIC would create administrative difficulties because it would require the LEC to prorate charges for both the end user and the IXC when the customer leaves an IXC in the middle of a billing cycle.[53] NARUC suggests that if a customer uses another carrier for other services, a per line charge could be divided among all carriers using the common line on the basis of relative use by the carrier.[54] NARUC opposes any solution that would effectively impose additional flat charges on the end-user.[55]

14. Others commenters state that they support the proposal to assess IXCs a flat, per-line charge as a second-best approach in the event the Commission declines to increase or eliminate the SLC cap, or if increasing the SLC is insufficient to allow incumbent LECs to

[48] *See, e.g.* BA/NYNEX Comments at 35-36; BellSouth Comments at 68 and Attachment 2 at 21-22, Reply at 11; Roseville Tel. Comments at 8; State Consumer Advocates Reply at 6; NARUC Comments at 13.

[49] USTA Comments, Attachment 1 at 7; BA/NYNEX Comments at 35.

[50] BA/NYNEX Comments at 36; SWBT Comments at 58-59; U S West Comments at 55.

[51] Rural Tel. Coalition Comments at 7; Minnesota Independent Coalition Comments at 6.

[52] *See, e.g.*, Cincinnati Bell Comments at 9-10; Puerto Rico Telephone Company (Puerto Rico Tel.) Comments at 10-13; Rural Tel. Coalition Comments at 6-7.

[53] Cincinnati Bell Comments at 9.

[54] NARUC Comments at 13.

[55] *Id.* at 12.

recover all of their interstate loop costs.[56] PacTel advocates recovering residual loop costs not recovered from an increase in the SLC through bulk billing IXCs on the basis of presubscribed lines.[57] TCI supports the proposal to assess IXCs a flat, per-line rate as a temporary measure, stating that to ensure economic efficiency, common line costs should be directly assigned to the SLC.[58]

15. The Competition Policy Institute and AARP *et al.* argue that the common line costs should be recovered from all telecommunications providers including wireless, enhanced service, and "dial around" providers based on the amount of carriage.[59] Similarly, Alliance for Public Technology proposes that the carrier common line charge and subscriber line charge be replaced with a "common facilities" charge imposed on all telecommunication carriers who use the local network to deliver services.[60] PacTel opposes the proposals made by Competition Policy Institute and Alliance because they would require a usage-sensitive charge.[61]

16. Parties opposed to the flat, per-line charge assessed on IXCs argue that recovering common line costs on a flat-rate basis from IXCs will allow IXCs to pass the cost on to customers as higher rates, reducing demand for long distance service. They further argue that this type of cost recovery will distort the market by encouraging IXCs to bypass the switched network using competitive access providers and by creating a disincentive for IXCs to compete for low-volume long distance users.[62] Other parties argue that the proposal imposes an additional administrative burden on LECs and does not adequately address the problem of

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[56] *See, e.g.,* Ad Hoc at 11-13, Reply 4-5; Cincinnati Bell Comments at 9, Reply at 5-7; Sprint Comments at 14; WorldCom Comments at 30-33; Time Warner Reply at 28.

[57] PacTel Comments at 6, 64. *See also* SWBT Reply at 8-9 (arguing that CCL remaining after adjustments for universal service, LTS, payphone, marketing expense and reallocations to reduce the TIC should be recovered on a flat-rated basis billed to IXCs on a presubscribed line basis as a "public policy element").

[58] TCI Comments at 10-11; Reply 4-5

[59] Competition Policy Institute Comments at 14-17; American Association for Retired Persons, *et al.* (AARP, *et al.*) Comments at 13-14.

[60] Alliance for Public Technology Comments at 5.

[61] PacTel Reply at 22. *See also* Personal Communications Industry Association (PCIA) Reply at 4 (stating that Alliance's facility charge proposal is inconsistent with the cost-causative principles set forth in the NPRM).

[62] *See, e.g.,* GTE Comments at 29; GSA/DOD Comments at 9-10, Reply at 6.

"dialing around" the switched network.[63] AT&T and Sprint claim that assessing a flat, presubscribed line charge on IXCs would not eliminate the inefficiencies or the implicit cross-subsidies embedded in the CCL charge.[64] These carriers assert that a flat-rated per-line recovery mechanism would force IXCs to subsidize other service providers, including LECs, wireless carriers, ISPs, and resellers that originate or terminate traffic over the loop but are not subject to the charge. They contend that this would be inconsistent with section 254(b) which requires "equitable and nondiscriminatory contribution to universal service" by all telecommunications providers.[65] Sprint asserts that a flat-rated charge assessed on IXCs will force IXCs to adopt two-part tariffs to avoid being undercut by the usage-based rates of carriers that rely on 10XXX dial-around traffic for their business, but that would not be assessed common line charges.[66]

17. *Alternative Recovery Methods.* Several state commissions and incumbent non-price cap LECs support the proposal to recover the CCL charge through bulk billing.[67] The Oregon Commission, ACTA, and the Florida Commission favor recovering the interstate portion of loop costs through a capacity charge assessed on carriers based upon the number of switch trunk ports purchased from the incumbent LEC.[68] The Missouri Commission, the Texas Commission, and the Alabama Commission favor the proposal to assess common line charges based on the number of trunk port and line port connections an IXC has to the switched network.[69] NECA requests flexibility for pool members to recover the CCL charge through either a per-line charge and/or a bulk billing method.[70] Specifically, NECA proposes a

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[63] ALLTEL Comments at 11; Illinois Commission Comments at 6-7; Ameritech Comments at 10-11; ACTA Comments at 6.

[64] AT&T Reply at 28; Sprint Comments at 15-16.

[65] AT&T Reply at 28-29; Sprint Comments at 15-16.

[66] Sprint Comments at 16.

[67] *See, e.g.,* Ohio Commission Comments at 4; Florida Public Service Commission (Florida Commission) Comments at 2; Illinois Commission Comments at 7; Alaska Telephone Association Comments at 10; ALLTEL Comments at 12; Frederick & Warinner, L.L.C. (Frederick & Warinner) Comments at 4; GVNW Comments at 6; Harris, Skrivan & Associates Comments at 6; Roseville Tel. Comments at 8; Puerto Rico Tel. Comments at 11-12; WITA Comments at 4-5.

[68] Oregon Commission Comments at 4-5; ACTA Comments at 5; Florida Commission Comments at 2.

[69] Missouri Commission Comments at 3; Texas Commission Comments at 4-5; Alabama Public Service Commission (Alabama Commission) Comments at 6.

[70] NECA Comments at 10.

method allowing the pool members to charge a nationwide average CCL per-line rate and bulk bill any residual amount.[71]

18. Cable & Wireless, MCI, Teleport, and others oppose the bulk billing, capacity charge, and trunk port charge alternatives because they are based on minutes of use and do not accurately reflect costs.[72] ACTA asserts that bulk billing causes operational and administrative problems.[73] According to Teleport and GCI, bulk billing ensures total recovery for the LEC because the LEC receives the same revenues whether it faces no competition or substantial competition.[74] Several commenters oppose these alternative recovery mechanisms because they are based on historical usage or revenue data.[75] Sprint argues that if a cost recovery mechanism is based on historical usage or revenue data, an interexchange carrier that is losing market share will be penalized, while a carrier whose market share is growing will receive a windfall.[76]

19. The Minnesota Independent Coalition and TCA argue that a capacity charge based on trunks is not feasible for smaller LECs because most IXCs serving smaller LECs do not use dedicated trunks.[77] MCI and the Minnesota Independent Coalition argue that imposing NTS costs based on the relative number of trunks or ports may encourage IXCs to use fewer trunks or ports than are needed, leading to adverse impacts on service quality.[78]

20. Ameritech proposes to recover common line costs via a Loop/Port recovery charge that it would assess as a single, aggregate charge per carrier on IXCs based upon their

[71] *Id. See also* NECA Reply at 6-7.

[72] *See, e.g.,* Cable & Wireless Comments at 10; MCI Comments at 77; Sprint Comments at 13-14; Teleport Comments at 28; People of the State of California and the Public Utility Commission of the State of California (California Commission) Comments at 4.

[73] ACTA Comments at 6.

[74] Teleport Comments at 28; General Communication, Inc. (GCI) Reply at 10.

[75] Sprint Comments at 13; ALTS Comments at 24-25, Reply at 23; American Communications Services, Inc. Reply at 17.

[76] Sprint Comments at 13.

[77] Minnesota Independent Coalition Comments at 6-7; TCA Comments at 3.

[78] Minnesota Independent Coalition Comments at 7; MCI Comments at 77.

percentage share of state- or region-wide interstate retail revenues.[79] Sprint and Time Warner oppose Ameritech's proposal, stating that such an approach would insulate incumbent LECs from the forces of competition.[80] According to Sprint, long distance carriers entering the local market through unbundled network elements or their own facilities or that purchased access from new entrants would be required to pay Ameritech regardless of the extent to which they utilized Ameritech's loops or switching.[81] Time Warner states that Ameritech's proposal ensures the survival of the local loop bottleneck by eliminating opportunities for low-cost new entrants to compete in the provisioning of local loops.[82]

21. *Impact of 254(g) on Carrier Common Line Charge Recovery.* Excel and the Alaska Commission argue that section 254(g) does not impose any limitations on the Commission's authority to assess flat-rated CCL charges on IXCs because the section pertains to rates charged to "subscribers" or the ultimate end-user, not other carriers.[83] The majority of commenters responding to this inquiry argue that section 254(g) prohibits IXCs from passing their flat-rated charges through to end users on a deaveraged basis.[84] USTA argues that although the flat-rate CCL charged to the IXCs should be deaveraged by customer and by region to be consistent with cost-causation principles, it will not conflict with section 254(g) because IXCs can average any disparate flat-rate CCL charges into their rate structure as they have averaged disparate per-minute CCL charges.[85] Sprint and WorldCom argue that forbearance from Section 254(g) would be warranted.[86] Sprint asserts that if incumbent LECs continue to recover NTS costs, particularly common line costs, from the IXCs and these costs are recovered through deaveraged rates charged to the IXCs, forbearance from section 254(g)

[79] Ameritech Comments at 9-10. Ameritech states that it would initially set its LPR at the revenues from the CCL charge, less payphone and long-term support, plus line-side port costs from local switching plus the information charge, and would transition the LPR to cost over 5 years. *Id.*

[80] Sprint Reply at 12-13; Time Warner Reply at 16-17.

[81] Sprint Reply at 12-13.

[82] Time Warner Reply at 16-17.

[83] Excel Comments at 11; State of Alaska (Alaska Commission) Reply at 3-4;

[84] *See, e.g.,* State Consumer Advocates Comments at 49-51; Rural Tel. Coalition Comments at 27-30; Minnesota Independent Coalition Comments at 8-9,11; Harris, Skrivan & Associates Comments at 7; TDS Comments at 3, 19-20, Reply at 21; Alaska Commission Reply at 3-4; Hawaii Commission Reply at 2.

[85] USTA Comments, Attachment 1 at 7-8, Reply at 33. *See also* Tennessee Regulatory Authority (Tennessee Commission) Comments at 3.

[86] Sprint Reply at 27; WorldCom Comments at 34.

would be warranted because of the magnitude and variability of these costs.[87] WorldCom argues that IXCs should be free to recover subscriber loop costs assessed by incumbent LECs through a flat charge per line or through any other rate recovery mechanism the long distance market will allow.[88] WorldCom argues further that unless the Commission forbears with respect to application of section 254(g), IXCs will be forced to average common line costs and recover them through long distance rates--a cross-subsidy that runs counter to the overall policies of section 254(b) and (c).[89] Several parties oppose forbearance.[90]

4. Common Line PCI Formula

22. Incumbent LECs argue that TFP incorporates growth into the X-Factor, and that retaining the current separate common line formula would tend to double-count growth.[91] Some of those incumbent LECs assert that a separate common line formula might impede certain access reforms that they support.[92] Lincoln claims that common line demand growth output would be reflected as common line output growth in a TFP calculation, and so would transfer the benefits of demand growth to IXCs.[93] Sprint and AT&T maintain that the Commission must retain a separate common line formula, regardless of how the X-Factor is calculated.[94] AT&T argues that a separate common line formula is necessary to avoid giving

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[87] Sprint Reply at 27.

[88] WorldCom Comments at 34-35.

[89] *Id.*

[90] Harris, Skrivan and Associates Comments at 7; Minnesota Independent Coalition Comments at 11; Rural Tel. Coalition Comments at 28-30.

[91] USTA Comments in Price Cap Fourth Further NPRM at 44-45; GTE Comments in Price Cap Fourth Further NPRM at 41-42; Southwestern Bell Comments in *Price Cap Fourth Further NPRM* at 35-36; BellSouth Comments in Price Cap Fourth Further NPRM at 42; Bell Atlantic Comments in Price Cap Fourth Further NPRM at 14; Frontier Comments in Price Cap Fourth Further NPRM at 10; Ameritech Comments in Price Cap Fourth Further NPRM at 8-9; Lincoln Telephone (Lincoln) Comments in *Price Cap Fourth Further NPRM* at 15; U S West Comments in Price Cap Fourth Further NPRM at 25-26; NYNEX Comments in Price Cap Fourth Further NPRM at 29; PacTel Comments in Price Cap Fourth Further NPRM at 15; USTA Reply in Price Cap Fourth Further NPRM at 27-28; U S West Reply in Price Cap Fourth Further NPRM at 34; Frontier Reply in Price Cap Fourth Further NPRM at 5-6; Ameritech Reply in Price Cap Fourth Further NPRM at 3.

[92] NYNEX Comments in Price Cap Fourth Further NPRM at 31; Ameritech Reply in Price Cap Fourth Further NPRM at 3; USTA Reply in Price Cap Fourth Further NPRM at 28.

[93] Lincoln Reply in Price Cap Fourth Further NPRM at 9-10 and Attachment A.

[94] Sprint Comments in Price Cap Fourth Further NPRM at 12; AT&T Comments in Price Cap Fourth Further NPRM at 43.

more revenues to the LECs with the highest common line costs, and to recognize the IXCs' role in promoting common line demand growth.[95] AT&T also asserts that the LECs' claims of double-counting growth have not been adequately substantiated.[96]

23. Southwestern Bell argues that the g/2 term should be removed from the common line formula because common line minutes of use grow more quickly than number of access lines. Southwestern Bell asserts that flat CCL charges would reduce incumbent LECs' revenue growth by about 0.5 percent per year.[97]

5. Assessment of SLCs on Derived Channels

24. *Pleadings filed in response to the ISDN SLC NPRM.*[98] Only one commenter, AT&T, favors retaining the current approach for PRI ISDN service. AT&T does not support assessing a SLC per derived channel for BRI service, but instead favors assessing a SLC for each BRI facility. All of the other parties, including the other IXCs, oppose it. ISDN users, LECs, and equipment manufacturers argue that retaining the current rule will deter ISDN deployment, and will discourage development of new technologies.[99] Almost all of the LECs, user groups, equipment manufacturers, IXCs, and other commenters support a rule that would assess a SLC for each pair of copper wires,[100] or a SLC for each ISDN facility.[101]

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[95] AT&T Reply in Price Cap Fourth Further NPRM at 57-60.

[96] *Id.* at 59.

[97] SWBT Comments at 58-59. According to Southwestern Bell, for the incumbent price cap LECs, CCL minutes of use grew at an average annual rate of 6.8 percent from 1991 to 1995, while access lines grew at an average of 3.0 percent. *Id.* at 59. *See also* BA/NYNEX Comments at 36; U S West Comments at 55; USTA Reply, Attachment 3 at 9-10.

[98] Comments filed in response to our ISDN SLC NPRM, End User Common Line Charges, CC Docket No. 95-72, Notice of Proposed Rulemaking, 10 FCC Rcd 8565 (1995), will be referred to as ISDN Comments and ISDN Reply.

[99] America Online Incorporated, CompuServe Incorporated, GE Information Services, Inc., and Prodigy Services Company (America Online) ISDN Comments at 8-10 (citing *U.S. Industrial Outlook* 1994, U.S. Department of Commerce at 25-1, January 1994, and citing Bell Atlantic Waiver Petition at 7-8, which estimates that requiring a SLC per derived channel would reduce demand for BRI service by about 60 percent and demand for PRI service by about 35 percent). *See also* Cable & Wireless ISDN Comments at 3-4; Microsoft Corporation (Microsoft) ISDN Comments at 4; West Virginia University ISDN Comments at 1; TCA ISDN Comments at 4; Information Technology Industry Council (ITIC) ISDN Reply at 3; Roseville Tel. ISDN Reply at 4; Northern Telecom Inc. (Nortel) ISDN Reply at 5; The Bell Atlantic Telephone Companies (Bell Atlantic) ISDN Reply at 3.

[100] *See, e.g.*, Roseville Tel. ISDN Comments at 2; TCA ISDN Comments at 1; Tennessee Commission ISDN Comments at 2-3.

Some commenters express a preference for one of these approaches, but urge the Commission to adopt one or the other of the two options.[102] Some parties further assert that, if the Commission fails to adopt a rule that assesses a SLC per copper pair or per service, it should adopt a rule based on the actual non-traffic-sensitive costs of providing derived channel services compared to costs of providing conventional local loops.[103] Numerous trade groups, ISDN users, and LECs assert that a SLC per pair of copper wires or a SLC per facility approach would encourage use of advanced services, such as ISDN, that offer numerous potential benefits.[104]

25. The parties also assert that assessing a SLC per facility or pair of copper wires would best reflect the underlying purpose of the SLC, which is to recover non-traffic-sensitive loop costs.[105] Some parties also assert that charging a SLC per facility is consistent with the Commission's goals of eliminating unreasonable discrimination and undue preferences among rates for interstate services, using the local network efficiently, preventing uneconomic bypass, and preserving universal service.[106] Others argue that this approach is administratively

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[101] *See e.g.*, Ameritech ISDN Comments at 2; BellSouth ISDN Comments at 4-5; Cincinnati Bell ISDN Comments at 3, 6; NTCA ISDN Comments at 1-2; NYNEX ISDN Comments at 16; SWBT ISDN Comments at 3; USTA ISDN Comments at 2; 3Com Corp. ISDN Reply at 6.

[102] GTE ISDN Comments at 9-10; ITIC ISDN Comments at 2; NTCA ISDN Comments at 2; Northern Arkansas Telephone Company ISDN Comments at 2-4; CIEA ISDN Reply at 1; 3Com Corporation ISDN Reply at 6-7.

[103] Rural Tel. Coalition ISDN Comments at 4-5; American Petroleum Institute (API) ISDN Comments at 6. *See also* Northern Arkansas Telephone Company ISDN Comments at 2-3 (suggesting that assessing 7 or 8 SLCs for PRI service might be reasonable, based on costs).

[104] America Online ISDN Comments at ii, 1-3; ITIC ISDN Comments at 3-4; Center for Democracy and Technology ISDN Comments at 3; National Public Radio ISDN Comments at 3-4; Microsoft ISDN Comments at 2; Pacific Bell ISDN Comments at 1-2; TCA ISDN Comments at 3. Some parties assert that ISDN will set the new telecommunications standard, competing with, or even replacing, plain old telephone service (POTS). Pacific Bell ISDN Comments at 3; ITIC ISDN Comments at 3. *See also* Northern Arkansas Telephone Company ISDN Comments at 3-4; Center for Democracy and Technology ISDN Comments at 3. Others describe ISDN as a significant but interim step in the development of an advanced communications network. Microsoft ISDN Comments at 2; TCA ISDN Comments at 3-4.

[105] Roseville Tel. ISDN Comments at 2; USTA ISDN Comments at 9; NYNEX ISDN Comments at 3; BellSouth ISDN Comments at 4-5; Pacific Bell ISDN Comments at 4-5; Roseville Tel. ISDN Reply at 3 (asserting that any charge beyond one SLC per service over-recovers non-traffic-sensitive costs).

[106] USTA ISDN Comments at 8; Roseville Tel. ISDN Comments at 2; Cable & Wireless ISDN Reply at 2.

simple,[107] that it will reduce the opportunity for uneconomical pricing by competitors,[108] and that it will reduce the likelihood of migration from switched access to dedicated service.[109]

26. Many parties, including LECs and ISDN users, argue that any method for assessing SLCs should be based on the costs of providing ISDN service.[110] Parties opposing the proposal to assess SLCs for derived channel services based on the cost ratio allege that such an approach is too complicated,[111] and that the potential benefits of this approach are outweighed by the substantial effort required to make such a cost comparison.[112] Others object that the proposal set forth in the ISDN SLC NPRM would not take into account the relevant costs. Some companies assert that ISDN service does not increase the average loop costs.[113] Others contend that the additional costs incurred to provide ISDN service are switching costs rather than common line costs.[114]

27. Few parties commented on our proposal to impose a SLC for every two derived channels. Those who did generally opposed it for many of the same reasons they opposed

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[107] GTE ISDN Comments at 9-10; SWBT ISDN Comments at 3-4; TCA ISDN Comments at 2; ITIC ISDN Comments at 1-2.

[108] USTA ISDN Comments at 15-16.

[109] API ISDN Comments at 4; Microsoft ISDN Comments at 3; USTA ISDN Comments at 14.

[110] U S West ISDN Comments at 4; California Bankers' Clearing House ISDN Comments at 3-4;Texas Commission ISDN Comments at 6. Some parties that support a cost-based approach contend that assessing one or two SLCs are adequate to recover non-traffic-sensitive line costs of derived channel services. *See* Pacific Bell ISDN Comments at 4; Rochester Telephone Corp. ISDN Comments at 3; TCA ISDN Comments at 2; Tennessee Commission ISDN Comments at 3-4.

[111] USTA ISDN Comments at 12 (urging that it would be difficult to break down average subscriber loop costs without doing the same for other categories of subscribers); AT&T ISDN Comments at 6-7; GTE ISDN Comments at 17.

[112] America Online ISDN Comments at 6-7 (the Commission has discretion to balance strict cost-causation with the need to avoid imposing costs on new technologies that could undermine the economic viability of those technologies); Time Warner ISDN Comments at 5.

[113] SWBT ISDN Comments at 9. *But see* Bell Atlantic Comments at 4-5 and n.13 (recognizing that PRI ISDN service may increase common line costs). *See also* Tennessee Public Service Commission ISDN Comments at 3 (digital upgrades should be considered to be normal part of network evolution, and extra SLCs should not be assessed as a result of such normal network upgrades).

[114] TCA ISDN Comments at 5 and Time Warner ISDN Comments at 5. *See also* NYNEX ISDN Comments at 8-9; Sprint ISDN Reply at 1-2 (U S West proposal improperly includes non-loop plant costs such as line cards, and SLCs are based on average costs rather than service-specific costs. U S West's proposal would necessitate a fundamental reworking of the Commission's Part 69 rules).

assessing a SLC per derived channel. For example, parties asserted that such a rule would bear no relationship to the cost of providing service, and would discourage subscription to derived channel services:[115]

28. Several parties also filed comments regarding other modifications to access charges and our price cap rules.[116] In addition, NYNEX asserts that the Commission should not apply the rule we adopt to derived channel technologies that are not apparent to the end user and that are exclusively in the LEC's network infrastructure.[117] NYNEX claims that it would be impossible to identify the subscribers served by such technology, and that it would be inappropriate to treat those subscribers differently.

29. The BOCs subsequently provided data on the relative non-traffic-sensitive costs of single and derived channel services, in response to our request for information.[118] As shown in Table 1 below, the cost data submitted in response to the *ISDN SLC NPRM* indicates that the ratio of NTS loop costs of BRI ISDN to standard analog service is approximately 1 to 1. The ratio of NTS loop costs of PRI ISDN to standard analog service, excluding NYNEX's data, is roughly 5 to 1. As shown in Table 2, NYNEX's data appear to be outliers and are therefore excluded from the calculation of the average ratio for PRI ISDN to standard analog service because the ratios of its outside plant and NTS costs for PRI ISDN to standard analog service are almost twice those of other incumbent LECs.

[115] SWBT ISDN Comments at 9.

[116] *See, e.g.,* SWBT ISDN Comments at 3, 10; Roseville Tel. ISDN Comments at 4; MCI ISDN Comments at 5; NYNEX ISDN Comments at 5; USTA ISDN Comments at 12-13; Time Warner ISDN Comments at 4; America Online ISDN Reply at 8; Pacific Bell ISDN Comments at 5, 7.

[117] NYNEX ISDN Comments at 14.

[118] In their responses, three of the BOCs, BellSouth, NYNEX, and SWBT, asked for confidential treatment of portions of the information submitted. NYNEX publicly filed the information we requested, but submitted as confidential additional information that contained more detailed cost data. The confidential data were not necessary to perform our analysis, and the following tables only include data that was filed on the public record. We have returned to the respective companies data for which confidential treatment was sought.

TABLE 1

Ratio of costs of standard analog service to BRI ISDN service

	Outside Plant (loop only) costs	All NTS costs
Ameritech	1:1.07	1:1.45
Bell Atlantic	1:1.01	1:1.36
NYNEX	1:0.85	1:1.23
Pacific Bell	1:1.05	1:1.13
US West	1:0.80	1:1.07
Average ratio of costs	**1:0.96***	**1:1.24***

TABLE 2

Ratio of costs of standard analog service to PRI ISDN service

	Outside Plant (loop only) costs	Outside Plant (loop only) costs (excluding NYNEX	All NTS costs	All NTS costs (excluding NYNEX data)
Ameritech	1:5.68	1:5.68	1:8.9	1:8.9
Bell Atlantic	1:4.13	1:4.13	1:15.80	1:15.80
NYNEX	1:10.94	excluded	1:27.74	excluded
Pacific Bell	1:4.67	1:4.67	1:8.70	1:8.70
US West	1:5.33	1:5.33	1:10.60	1:10.60
Average ratio of costs	**1:6.5***	**1:4.95***	**1:15.13***	**1:10.5***

*Averages may differ due to rounding.

30. GTE and MCI filed comments, and America Online, NYNEX, Pacific Bell, Southwestern Bell, and US West filed reply comments in response to the cost data. Several of those parties contend that cost ratios should not be used to determine the number of SLCs to be assessed for derived channel services, because SLCs currently are set at arbitrary levels, and do not reflect the actual costs of providing any particular service.[119] Several parties also contend that, even if we decide to assess SLCs for derived channel services based on the relative non-traffic-sensitive costs of those services, we should not include switching costs such as trunk or line cards in our assessment of costs.[120] They argue that a cost-based ratio would be complex to develop, and would create substantial and unnecessary recordkeeping burdens.[121] Many parties also assert that the cost data demonstrate that there is no difference between the non-traffic-sensitive loop costs for standard analog service and BRI service, and that there is not a significant difference in the non-traffic-sensitive loop costs between standard analog service and PRI service,[122] or between digital PBX trunks and PRI service.[123]

31. *Comments filed in response to the Access Reform NPRM.* Comments filed in the current proceeding are consistent with those filed in response to the ISDN SLC NPRM. The majority of commenters support a rate structure that assesses one SLC per ISDN facility,[124] or

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[119] GTE ISDN Comments regarding cost data at 3; America Online ISDN Reply regarding cost data at 2; NYNEX ISDN Reply regarding cost data at 3-4.

[120] GTE ISDN Comments regarding cost data at 4; America Online ISDN Reply regarding cost data at 2; ISDN NYNEX Reply regarding cost data at 3-4.

[121] GTE ISDN Comments regarding cost data at 4-7; NYNEX ISDN Reply regarding cost data at 4; SWBT ISDN Reply regarding cost data at 3.

[122] GTE ISDN Comments regarding cost data at 8-10; America Online ISDN Reply regarding cost data at 2 (any difference between providing PRI service and single channel service "is not large and principally is attributable to the fact that PRI ISDN is provided using two twisted copper pairs" rather than one); SWBT ISDN Reply regarding cost data at 3-4 (urging the Commission to assess one SLC per service as an interim rule, pending a separate proceeding on access charge reform). *Accord* Pacific Bell ISDN Reply regarding cost data at 3-4. *See also* U S West ISDN Reply regarding cost data at 1-2 (urging the Commission to bifurcate the treatment of BRI and PRI service, and to issue a decision immediately that would require LECs to assess no more than one SLC for BRI service).

[123] MCI ISDN Comments regarding cost data at 2; NYNEX ISDN Reply regarding cost data at 4.

[124] *See, e.g.,* USTA Comments at 56, Reply at 34; Ameritech Comments at 13; PacTel Comments at 65; GTE Comments at 33; Cincinnati Bell Comments at 8; Sprint Comments at 18; API Comments at 30-32; Compuserve Comments at 19-21, Reply at 9; Microsoft Comments at 7; PSINet Reply at 11; CIEA Comments at 12, Reply at 12; Alarm Industry Communications Committee Reply at 13.

per pair of copper wires.[125]
State Consumer Advocates, argues that assessing SLC based on pairs of wires would inhibit the introduction of new technologies and service because LECs would have a financial incentive to keep customers on conventional service.[126] TDS recommends assessing one SLC charge on a BRI ISDN line and no more than two SLCs on a PRI ISDN line.[127] Ad Hoc argues that although assessing SLCs based on derived channels should recover the costs of providing such channels, the Commission has not provided sufficient information to determine whether a ratio of 1.24 to 1 for BRI, and 10.5 to 1 for PRI accurately reflect the costs of those services.[128] PacTel argues that ISDN service is not an interstate service and, therefore, not within the Commission's jurisdiction.[129]

32. Those commenters that oppose assessing a SLC per derived channel argue that imposing one SLC per channel discourages demand for advanced services and inhibits technological development.[130] USTA states that the current multiple SLC rule imposes disproportionate burdens of cost recovery on ISDN users and that changing to a single SLC per facility would be consistent with the objectives of this proceeding.[131]

B. Local Switching

1. Non-Traffic Sensitive Charges

33. The majority of commenters agree with our tentative conclusion that cost-causative principles indicate that costs associated with line cards, line-side ports, and those trunk ports associated with dedicated transport should be recovered through flat-rated

[125] ACTA Comments at 7; Frontier Comments at 7, n.12; Alarm Industry Communications Committee Reply at 13.

[126] State Consumer Advocates Comments at 64-66.

[127] TDS Comments at 22.

[128] Ad Hoc Comments at 13-14.

[129] PacTecl Comments at 65.

[130] *See, e.g.*, SWBT Comments at 13; TCA Comments at 4; ACTA Comments at 7; CompTel Comments at 29-30; Interactive Services Association Comments at 3.

[131] USTA Comments at 56, Reply at 34.

charges.[132] Several incumbent LECs argue that there is no need to codify specific rate elements for local switching costs and, instead, advocate flexibility in the rate structure for local switching.[133] BA/NYNEX amplifies this argument by stating that it may be both difficult to quantify the NTS portion of local switching costs, and burdensome to separately charge for trunk ports based on the type of transport used by an IXC.[134] BellSouth claims that an adequately-sized universal service fund could replace all implicit support currently provided through interstate access charges that recover NTS costs, thereby reducing the carrier common line charge to zero and recovering fully the NTS portion of local switching charges.[135] The Georgia Commission argues that the assertion that NTS local switching costs are related to the provision of universal service is tantamount to saying that most costs are related to universal service and that the USF should not be the first place to look for recovery of any cost element.[136]

34. Several small LECs and the State Consumer Advocates argue that changes to the rate structure to recover NTS local switching costs on a NTS basis should be left to the Joint Board on Separations.[137] These commenters state that local switching costs formerly were recovered through a combination of TS and NTS charges and that new Parts 32 and 36, when adopted, consolidated these mechanisms because of difficulties in separating the TS and NTS costs of digital switches.[138] Therefore, these commenters argue that, if part of the costs of local switching are to recovered through NTS flat-rated charges, the Joint Board should first expand Part 36 and 69 categories related to NTS local switching equipment.[139] Otherwise, the inconsistent treatment of some local switching costs as TS for purposes of Part 36 but NTS

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[132] *See, e.g.,* CompTel Comments at 31; USTA Comments, Attachment 1 at 8; AT&T Comments at 55; LCI Comments at 21; PacTel Comments at 66; Rural Tel. Coalition Comments at 9; Alabama Commission Comments at 7-8; Florida Commission Comments at 2; Texas Commission Comments at 8; TCI Reply at 7.

[133] *See, e.g.,* USTA Reply at 34-35; SNET Comments at 37; BA/NYNEX Comments at 39.

[134] BA/NYNEX Reply at 35.

[135] BellSouth Reply at 10; *see also* USTA Reply at 34.

[136] Georgia Commission Reply at 21.

[137] Frederick & Warinner Comments at 5; Harris, Skrivan & Associates Comments at 6; State Consumer Advocates Comments at 31-32.

[138] *E.g.,* Frederick & Warinner Comments at 5-6; Harris, Skrivan & Associates Comments at 6.

[139] Frederick & Warinner Comments at 5; State Consumer Advocates Comments at 31-32.

for purposes of Part 69 would improperly transfer costs from the interstate to the intrastate jurisdictions.[140]

35. U S West, Sprint and other commenters argue that to the extent that NTS line-side costs are attributable to the end user, they ought to be recovered from end users.[141] Others, such as TCI, favor an increased SLC, but support a PIC-based charge as a second-best option for recovering NTS local switching costs.[142] Ameritech and ALLTEL propose that NTS local switching costs be recovered by a charge assessed on IXCs on the basis of interstate retail service revenues or minutes of use.[143] Sprint responds that such proposals do not recover these costs on a cost-causative basis, and insulate the incumbent LEC from competition.[144] TCI maintains that the cost of the trunk side ports dedicated to an individual IXC varies directly with the number of trunks dedicated to that IXC.[145] TCI also states, however, that the costs of trunk ports associated with dedicated transport need to be recovered through a separate rate element because an IXC may use a trunk port supplied by the incumbent LEC without using the incumbent LEC's dedicated transport.[146]

36. MCI notes that identifying TS and NTS costs of local switching is not simple, and supports adoption of the proposed rate structure only if cost studies allocating costs between TS and NTS can be performed.[147] The record reflects widely varying estimates of the portion of local switching costs that are NTS. USTA estimates that the NTS portion of local switching costs ranges from 6% for analog switches to 51% for modern, digital switches.[148] ALLTEL reports that NTS local switching costs make up 31 percent of its interstate local

[140] State Consumer Advocates Comments at 31-32.

[141] *See, e.g.*, U S West Reply at 29; Sprint Comments at 18; Illinois Commission Comments at 11; SWBT Comments at 8; AT&T Reply at 29 (line cards that terminate a subscriber's loop should be flat-rated and charged to the subscriber via the SLC).

[142] TCI Reply at 7; *see also* BellSouth Reply at 11-12 (the mere possibility, speculative at best, that per line charges assessed on IXCs will encourage "dial-around" services, is insufficient reason for the Commission not to establish per line NTS recovery of NTS costs); Sprint Reply at 12-13.

[143] Ameritech Comments at 14; ALLTEL Comments at 12.

[144] Sprint Reply at 12-13.

[145] TCI Comments at 12.

[146] *Id.*

[147] MCI Comments at 81-82; *see also* BA/NYNEX Reply at 35 (it may be difficult to quantify the NTS portion of these costs).

[148] USTA Comments, Attachment 2 at 31.