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Federal Communications Commission
Office of Secretary

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
800 Data Base Access Tariffs and the 800 Service Management System Tariff	)	CC Docket No. 93-129
	)	
and	)	CC Docket No. 86-10
	)	
Provision of 800 Services	)	

AMERITECH REPLY

The Ameritech Operating Companies respectfully submit this reply to the comments of AT&T and MCI on Ameritech's refund plan, submitted May 14, 1997, in the above-captioned proceeding.

Both AT&T and MCI argue that headroom is irrelevant to the calculation of 800 database refunds. They argue that, under price caps, the only relevant parameters are the price cap index (PCI) and band limits.

These arguments are devoid of any merit. The purpose of the refund at issue here is to compensate local exchange carrier (LEC) customers for the difference between what they paid and what they should have paid for 800 access service. The only way to calculate that difference is to assess the impact a correct exogenous cost adjustment would have had on LEC rates during the period for which the refund is required. It is impossible to calculate this impact without taking into account headroom. For example, suppose the PCI was 98 during a portion of the relevant period, but would have been 96 had the correct exogenous cost adjustments been made. Suppose, further, that the actual price index API was 95.5 during this period. In this example, for the period in question, the overstatement of exogenous costs was immaterial because it had no effect on rates: even if the PCI had been correctly set at 96, the API still could have been 95.5. Therefore, if the Commission ignores headroom and requires a refund based solely on the difference between 98 and 96, it will bestow an undue windfall on LEC customers for overcharges they never paid.

AT&T and MCI argue that consideration of headroom is antithetical to the price cap regime. In support of this argument, they note that LECs are not permitted to apply a credit to their annual price cap index (PCI) adjustment based on past headroom. This attempt to compare the annual filing process to the refund process is completely bogus. The very purpose of a refund is to make customers whole; that is why headroom must be taken into account in calculating refund liability. In contrast, the purpose of an annual filing is to set price cap indices at their proper levels, in accordance with the price caps formula; that is why headroom is not considered in the annual filing process.

More to the point, the claim by AT&T and MCI that the Commission has never given credit for headroom in calculating price cap adjustments is just plain wrong. It in the only instance in which the Commission has directly addressed the calculation of refunds by price cap carriers, the Commission prescribed a refund methodology that did incorporate headroom into the analysis.[1]

AT&T argues, further, that LECs should be required to issue refunds through a one-time PCI exogenous cost reduction. While this is an option that should be available to LECs, there is no reason why LECs should not, as an alternative, be permitted to mail refund checks. Indeed, this is a more accurate way of issuing a refund than adjusting rates prospectively, since each carrier receives the precise amount it is due, regardless of its future access purchases.

Respectfully Submitted,

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June 13, 1997

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[1] 1993 Annual Access Tariff Filings, GSF Order Compliance Filings, 1994 Annual Access Tariff Filings, 1995 Annual Access Tariff Filings, !996 Annual Access Tariff Filings, CC Docket Nos. 93-193 and 94-65, FCC 97-139, released April 17, 1997.

CERTIFICATE OF SERVICE

I, Halley Shoenberg, do hereby certify that a copy of the foregoing Ameritech Comments has been mailed, by first class mail, to the party listed below on this 13th day of June 1997.

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