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July 16, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

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RE: CC Dockets 91-213 and 96-262

Dear Mr. Caton:

On July 15, 1997, Mr. F. Gumper and myself, representing the NYNEX Telephone Companies, met with Mr. T Boasberg, Legal Advisor to Chairman Hundt. The purpose of the meeting was to discuss the impacts certain aspects of the FCC's Access Reform Order on the NYNEX Telephone Companies. Specifically, the NYNEX representatives discussed the non application of the Transport Interconnect charge (TIC) when competitors provide transport from the NYNEX end office to an interexchange carrier's point of presence (POP) which results in NYNEX not being able to recover the revenues associated with the non - transported related costs. The attached materials were used as a discussion guide.

Any questions on the above should be directed to me at either the address or telephone number shown above.

Sincerely,



attachment

cc: Mr. T. Boasberg

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ACCESS REFORM

TIC Recovery Issue

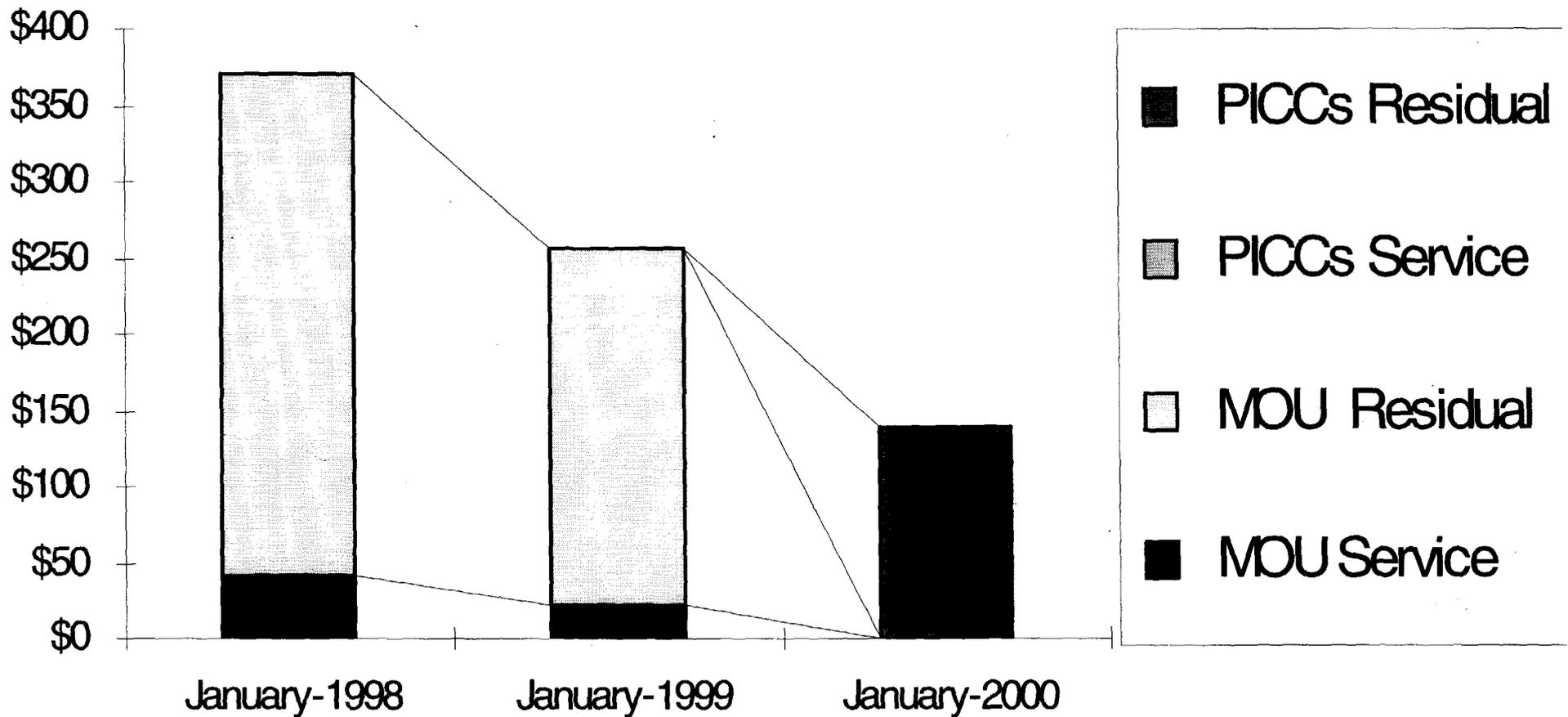
Access Reform - TIC Recovery Issue

- The FCC decision not to apply per minute TIC when alternative transport is provided -
 - » Does not allow LECs opportunity to recover non-transport costs in the TIC
 - » Disadvantages a LEC which has opened up its markets, and has more transport competition, because only that usage carried over competitive transport is at risk
 - » Most severely disadvantages NYNEX because of level of
 - Residual per minute TIC for NYNEX
 - Level of transport competition

Access Reform - TIC Recovery Issue

- The Commission recognizes that the residual TIC contains costs that are traffic sensitive or non-traffic sensitive that may be associated with common line, transport or switching services (par 232)
- In concluding that recovery of the Residual TIC from IXCs should be on a per line basis, the Commission recognizes that “at least some amount of the residual TIC represents NTS costs...” (par 233)
- BUT
 - » Only NYNEX will ever recover non-service related residual TIC costs on a per line basis
 - » And - after 7/1/98, only two LECs have non-service related residual TIC recovered in usage charges.

NYNEX's TIC Recovery



NYNEX is Disproportionally Affected by TIC Rule

P e r M O U January-1998 January-1999 January-2000

I n d u s t r y

| | | | |
|----------|------------|------------|------|
| Service | \$ 2 5 5 M | \$ 7 7 M | \$ 0 |
| Residual | \$ 5 2 0 M | \$ 2 7 1 M | \$ 0 |

N Y N E X

| | | | |
|----------|------------|------------|------|
| Service | \$ 4 1 M | \$ 2 1 M | \$ 0 |
| Residual | \$ 3 2 9 M | \$ 2 3 6 M | \$ 0 |

P I C C s

January-1998 January-1999 January-2000

I n d u s t r y

| | | | |
|----------|----------|----------|------------|
| Service | \$ 5 0 M | \$ 5 5 M | \$ 0 M |
| Residual | \$ 0 M | \$. 7 M | \$ 1 3 9 M |

N Y N E X

| | | | |
|----------|------|------|------------|
| Service | \$ 0 | \$ 0 | \$ 0 M |
| Residual | \$ 0 | \$ 0 | \$ 1 3 9 M |

Impact of TIC Rule on Competitive Services

Pricing Incentives in the Marketplace \$000

LATA 132, Zone 1

- Per DS3 Costs with NYNEX
 - » Facility \$ 44
 - » TIC/MOU \$ 145*
 - » Total \$ 189
- Per DS3 Costs with CAP
 - » Facility \$ 41**
 - » LEC Conn. \$ 2 (1 per DS1)
 - » Total \$ 43
- **Annual Savings \$146**

All Other Zones

- Per DS3 Costs with NYNEX
 - » Facility \$ 44
 - » TIC/MOU \$ 471*
 - » Total \$ 515
- Per DS3 Costs with CAP
 - » Facility \$ 41**
 - » LEC Conn. \$ 2 (1 per DS1)
 - » Total \$ 43
- **Annual Savings \$ 472**

* Assumes 9,000 MOUs per trunk with a fully loaded DS3 of 672 trunks.

** Assumes a 10% discount off NYNEX's rates. In addition, in zone 1 offices in New York a \$400 NRC applies.