

1401 H Street, N.W.
Suite 1020
Washington, D.C. 20005
Office 202/326-3822



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Anthony M. Alessi
Director
Federal Relations

September 11, 1997

EX PARTE OR LATE FILED

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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SEP 11 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: **Ex Parte Presentation**
CC Docket 96-262

Dear Mr. Caton:

Attached is a corrected version of material that was used in the course of a meeting on Tuesday, September 9, 1997 of Ameritech representatives Mr. Steve Oswald, Mr. Karl Wardin and I with Mr. James Schlichting, Chief, Competitive Pricing Division and members of his staff. The purpose of the meeting was to discuss Ameritech's position on reconsideration in the above referenced docket.

Sincerely,

Attachment

cc: Mr. James Schlichting
Ms. Jane Jackson
Mr. Richard Lerner
Mr. Jay Atkinson
Mr. Aaron Goldschmidt
Ms. Dana Bradford

Mr. James Schlichting
10/1/97



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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE CLERK

AMERITECH
ACCESS REFORM RECONSIDERATION
DOCKET 96-262

September 9, 1997

Corrected 9/11/97

PICC should be charged on a trunk equivalency basis for Centrex lines

- Business Multiline PICC is recovering subsidies for (1) loop and line port of Primary Residential lines and Single line business and (2) Universal Service
- There is no basis for charging IXC serving Centrex customers excessive PICC charges relative to those IXC serving PBX customers

<u>Stations Served</u>	<u>Centrex PICC</u>	<u>PBX PICC</u>	<u>Times Higher</u>
70	\$ 2,310	\$ 264	9x
2,500	\$ 82,500	\$ 4,950	17x
10,000	\$330,000	\$18,678	18x

- Government, Education and Health Care facilities that primarily use Centrex will be most heavily impacted
- Strong disincentive for customers to choose Centrex systems due to regulations, not due to economically competitive efficient alternatives
- Calculating PICC on a trunk equivalency basis for Centrex lines will not undermine the overall access reform restructure; the results include a minimally higher MOU rate in 1998 and slightly higher multi-line PICC rate in 1999.

Illinois Trunk Equivalency Tariff

<u># Lines</u>	<u>Trunk Equivalency</u>
2-19	2
20-28	3
29-38	4
39-47	5
48-57	6
58-66	7
67-76	8
77-85	9
86-95	10
96-104	11
105-114	12
115-123	13
124-132	14
133-142	15
143-151	16
152-161	17
162-170	18
171-180	19
181-189	20
190-199	21
200-207	22
208-225	23
226-243	24
244-262	25
263-281	26
282-300	27

1 additional trunk for each 18 stations over 300

Marketing Expenses Should be Recovered by all Lines

- Ameritech incurs marketing expense not only for multi-line business and non-primary customers, but also for residential and single line business customers.
- More than \$20 million was spent on advertising to residential and single line business customers.
- Shifting the marketing expense recovery solely to multi-line business and non-primary line residential customers would increase the SLC by approximately \$0.50 a month. If the marketing expenses were recovered by all lines, then the SLC would increase by approximately \$0.13 a month.
- There will be no additional burden placed on primary residential and single line business customers in 1998 since the SLC cap remains at \$3.50.
- Marketing expenses allocated to primary residential and single line business customers will initially be recovered through a MOU charge and, over time, will be shifted to the PICC.

Universal Service Fund Contributions Should Be Excluded From the Productivity Factor

Paragraph 379 of the May 16, 1997 First Report and Order permits Price Cap LECs to treat their contributions to the universal service mechanism as exogenous changes to their PCIs.

- The Commission needs to adopt the revision to the price cap formula proposed by USTA that keeps the basket PCIs whole and does not undermine Ameritech's ability to fully recover USF contributions.
- Application of the X-factor to USF contributions is contrary to the intent of the order.
- USF contributions, like NECA LTS payments, are by definition a subsidy and are not subject to the X-factor.

The Tandem Rate Restructure is creating efficient alternatives

- The FCC should reject efforts to modify the access reform order in regards to Tandem Access.
- The following tandem provisions are the key to creating efficient alternatives
 - Transitioning costs from TIC to Tandem over three years
 - Establishing tandem trunk port and mux charges on 1/1/98
 - Eliminating unitary rate structure on 7/1/98
- The tandem changes are not detrimental to the small IXC business
 - The Tandem is a relatively small piece of the total costs structure for a small IXCs
 - Small IXCs already buy transport through larger IXCs and not directly from the LECs
 - Overall tandem price increases of 400-500% are grossly exaggerated
 - Tandem increases are offset by reductions in local switching and carrier common line elements moved to Subscriber Line Charges and reductions in the TIC.

PICC Billing Methods and Cap Levels

PICC is a Monthly Billing Element

- Monthly billing elements are billed in advance and PICC should be treated no differently. PICC should not be billed in arrears.
- PICC should be billed based on a monthly PIC snapshot - no prorating for PIC changes
- The OBF is specifying the format of the CABS bill which will include telephone number for each PIC and the type of PICC (i.e., single line business...)
- Ameritech is planning to take a snapshot around the 1st of the month and bill the IXCs on the 13th of the month for the monthly PICC
ex: Monthly snapshot around the 1st of the month
Bill on 1/13/98 for 1/1 - 1/31/98
Payment due 2/12/98

Residential PICC CAPS initially set too low

- The residential PICC cap level should be higher than currently set. The business multi-line PICC cap level should be lower than currently set
- The differential of \$2.75 vs. \$0.53 or 5X, increases the existing implicit subsidy from business customers to residence customers. Current average CCL Minute of Use between business lines and residence lines is significantly less than 5X.