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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Implementation of the)
Telecommunications Act of 1996:)
)
Reform of Filing Requirements)
and Carrier Classifications)
)

CC Docket No. 96-193

MCI OPPOSITION TO SBC PETITION FOR RECONSIDERATION

MCI Telecommunications Corporation (MCI) hereby submits its opposition to the Petition for Reconsideration filed by Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell (SBC) on August 25, 1997 in the above-captioned docket. Consistent with Section 402(b)(2)(B) of the Telecommunications Act of 1996, the Report and Order eliminates the quarterly CAM filing requirement and replaces it with an annual filing requirement. However, the Commission rejects the argument of several LECs that requiring LECs to file changes to their cost allocation and time reporting procedures prior to implementation is contrary to the intent of the 1996 Act.¹ The

¹Report and Order at ¶30.

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Commission notes that “[t]he formal amendment filings do not constitute CAMs; they are merely notice of CAM changes.”²

SBC disputes the Commission’s conclusion that the amendment filings are merely notice of CAM changes and requests that the Commission reconsider its decision to continue requiring LECs to make formal amendment filings.³ SBC argues that, since the Commission has employed similar procedures for the quarterly and formal amendment filings in the past, the Commission cannot logically eliminate the quarterly filing requirement without eliminating the formal amendment filing requirement as well.⁴

Regardless of the particular procedures that the Commission has employed in the past, Section 402(b)(2)(B) provides only that “[t]he Commission shall permit any common carrier . . . to file cost allocation manuals annually, to the extent such carrier is required to file such manuals.”⁵ Nothing in Section 402(b)(2)(B) prevents the Commission from exercising its authority to require incumbent LECs to submit changes to their cost allocation procedures for Commission approval prior to implementation. The Commission may continue to require incumbent LECs to provide notice of changes to their cost allocation procedures, either in the form of the formal amendment filings or via any other mechanism that the Commission chooses. Here, the Commission has

²Id.

³SBC Petition at 1.

⁴Id. at 3-4.

⁵1996 Act, §402(b)(2)(B).

chosen to continue using formal amendment filings, and has rejected SBC's proposal to use an informal consultation process.⁶

The requirement that LECs submit changes to their cost allocation procedures for approval is, moreover, fully consistent with the goals of the 1996 Act. Several provisions of the 1996 Act prohibit Bell Operating Companies or, in some cases, all incumbent local exchange carriers from using their telephone exchange service and exchange access operations to subsidize their competitive ventures. Given the key role that accounting safeguards will play in ensuring that cross-subsidy does not occur, it remains essential for the Commission to review and approve changes to incumbent LEC cost allocation procedures before they take effect. While SBC argues that the Commission cannot apply the prior approval requirement only to cost pool and employee time reporting changes, the Commission has consistently employed a higher level of scrutiny to evaluate these changes.⁷

⁶See SBC Petition at 6.

⁷See In the Matter of Nevada Bell's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs and Pacific Bell's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd 287, 301.

For the reasons stated herein, MCI recommends that the Commission deny
SBC's Petition for Reconsideration.

Respectfully submitted,
MCI TELECOMMUNICATIONS
CORPORATION

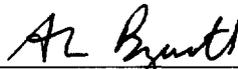


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September 25, 1997

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on September 25, 1997.



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CERTIFICATE OF SERVICE

I, Barbara Nowlin, do hereby certify that copies of the foregoing "MCI Opposition to Petition for Reconsideration" were sent via first class mail, postage paid, to the following on this 25th day of September, 1997.

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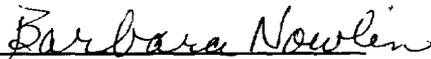
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