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October 3, 1997

William F. Caton
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RE: In the Matter of Federal-State Joint Board on Universal Service -- CC Docket No. 96-45 / In the Matter of Forward-Looking Mechanism for High Cost Support for Non-Rural LECs -- CC Docket No. 97-160

Dear Secretary Caton:

Enclosed for filing please find an original and four (4) copies of the reply comments of the New York State Department of Public Service submitted in the above-captioned matter.

In addition, eight copies of the comments are being provided to Ms. Sheryl Todd of the Universal Service Branch and one copy is being sent to the Commission's document contractor, ITS.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence G. Malone".

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

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In the Matter of)	
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Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
Forward-Looking Mechanism)	CC Docket No. 97-160
for High Cost Support for)	
Non-Rural LECs)	

REPLY COMMENTS OF THE
NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE

Dated: October 2, 1997
Albany, New York

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

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
Forward-Looking Mechanism)	CC Docket No. 97-160
for High Cost Support for)	
Non-Rural LECs)	

REPLY COMMENTS OF
THE NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE

INTRODUCTION AND SUMMARY

The New York State Department of Public Service (NYDPS) submits these reply comments in the above-captioned proceeding in response to the Initial Comments of GTE Service Corp. (GTE). The Federal Communications Commission's (the Commission) Further Notice of Proposed Rulemaking (FNPR) requested comments on issues involving the modeling of costs related to the outside plant network. These comments reply to the recommendations of GTE for determining the appropriate mix of optical fiber and copper technologies in the local exchange network (i.e., the fiber-copper crossover point). A cost model that allows the fiber-copper crossover to be varied to accommodate the full range of reasonable design choices more accurately projects the costs for loop design in New York.

The Cost Model Adopted By The
Commission Should Allow A
Fiber-Copper Crossover Point That
Recognizes 100% Fiber In The Feeder

NYDPS believes that, generally, the most economic, cost-efficient, forward-looking network design, even for a narrowband network, is one that uses 100% fiber in the feeder.

Such a network design offers greater flexibility for the provision of telecommunications services (including interconnectability), reliability, and ultimately savings with respect to maintenance and growth.¹ The New York Public Service Commission (NYPSC) has found that fiber's flexibility, reliability and lower total costs made it the medium of choice when developing a forward-looking network design for New York Telephone Company (New York Telephone).² In determining the appropriate network design for New York Telephone's forward-looking costs, the NYPSC stated:

While New York Telephone's embedded telephone plant incorporates substantial amounts of copper feeder, virtually none is being installed on a going-forward basis, and fiber is clearly the forward-looking medium of choice (footnote omitted). This can be attributed to fiber's superiority with respect to its initial cost, its ongoing operation and maintenance expense, and its flexibility and reliability.

With respect, first, to initial costs (incorporating both material and installation), fiber's material costs are lower for the same capacity. Factoring in the cost of fiber's electronics (even those needed solely for narrowband) can, to be sure, reverse that advantage, making copper

¹ Although any fiber-based network would have potential broadband capability, the Commission's cost models need only reflect the cost of fiber and electronics necessary to provide narrowband services. The additional cost for both fiber and electronics required to upgrade a narrowband fiber network to a fully broadband fiber network need not be included in the cost model.

² See NYPSC Cases 95-C-0657, 94-C-0095 and 91-C-1144, Opinion No. 97-2, pp. 82-84 and 114-120 (Attachment 1) and NYPSC Opinion No. 97-14 (Attachment 2) for a discussion of the advantages of deploying fiber technology in New York.

appear cheaper for short loops; but the comparison does not end there. For one thing, copper's greater weight and volume cause its installation to require heavier equipment and more labor, and the labor costs may further be increased by the greater number and shorter length of the individual copper conductors. Particularly in large metropolitan areas, both media are installed in conduit, a very costly process, (footnote omitted) but the far smaller space taken up by fiber per unit of capacity means that these costs will be substantially less when fiber offers similar advantages, albeit to a lesser degree, when it is buried or placed overhead.

On an ongoing basis, fiber's maintenance costs have been substantially less on an historical basis than those of copper, by factors of roughly two for buried and underground plant and at least four for aerial plant. Those factors, fully reflected in the different maintenance carrying charge factors for copper and fiber, (footnote omitted) may in fact be understated on a going-forward basis, inasmuch as maintenance encompasses repairs and rearrangements, and those activities tend to be increased when plant is first installed and "bugs" need to be worked out. Because there is more newly installed fiber than newly-installed copper, fiber's current maintenance costs, though already lower than copper's, may fall further in the future, particularly when one recognizes that fiber/DLC rearrangements can often be executed electronically, avoiding the cost of dispatching a technician to the site. And fiber's effectively unlimited capacity can produce further savings in customer provisioning, which can be accomplished by the addition of electronics rather than additional cabling or network reconfiguration. The historical savings, as noted, are already reflected in the CCF's; they may also be taken into account, in the Phase 2 decision, in setting the non-recurring charges (NRCs) associated with customer provisioning activities. And to the extent additional savings are realized in the future, the CCF's and NRCs can be further adjusted (footnote omitted).

Finally, fiber offers numerous operational advantages in comparison with copper. Its ability to have its performance monitored on a real-time basis permits faults to be detected and remedied more quickly. In addition, it permits the use of SONET ring networks, which route traffic around faults automatically. Fiber's added reliability is an important public good in a society whose safety and economic well-being depend heavily on reliable telecommunications, and greater reliability tends to reduce costs as well.

NYPSC Opinion No. 97-14, pp. 24-26. The NYDPS therefore recommends that the Commission adopt a cost model that allows the fiber-copper crossover to be varied to accommodate the full range of reasonable network design choices, including 100% fiber feeder.

Respectfully submitted,

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Dated: October 2, 1997
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CC Docket No. 96-45

In the Matter of

Federal-State Joint Board on
Universal Service

CC Docket No. 97-160

In the Matter of

Forward-Looking Mechanism for High Cost
Support for Non-Rural LECs

Reply Comments of New York State
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CERTIFICATE OF SERVICE

I, Cheryl L. Callahan, hereby certify that an original and four (4) copies of comments in the above-captioned proceeding were sent via Airborne Express to William Caton, Acting Secretary to the Federal Communications Commission, on October 2, 1997. Eight copies plus a diskette were sent via Airborne Express to Ms. Sheryl Todd, Universal Service Branch of the Federal Communications Commission, on October 2, 1997. In addition, on October 3, 1997, copies are being sent by First Class Mail, postage prepaid, to all parties on the attached service list.



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Original

OPINION NO. 97-2

- CASE 95-C-0657 - Joint Complaint of AT&T Communications of New York, Inc., MCI Telecommunications Corporation, WorldCom, Inc. d/b/a LDDS WorldCom and the Empire Association of Long Distance Telephone Companies, Inc. Against New York Telephone Company Concerning Wholesale Provisioning of Local Exchange Service by New York Telephone Company and Sections of New York Telephone Company's Tariff No. 900.
- CASE 94-C-0095 - Proceeding on Motion of the Commission to Examine Issues Related to the Continuing Provision of Universal Service and to Develop a Regulatory Framework for the Transition to Competition in the Local Exchange Market.
- CASE 91-C-1144 - Proceeding on Motion of the Commission Regarding Comparably Efficient Interconnection Arrangements for Residential and Business Links.

OPINION AND ORDER SETTING RATES
FOR FIRST GROUP OF NETWORK ELEMENTS

Issued and Effective: April 1, 1997

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CASE 91-C-1144 - Proceeding on Motion of the Commission Regarding Comparably Efficient Interconnection Arrangements for Residential and Business Links.

OPINION NO. 97-2

OPINION AND ORDER SETTING RATES
FOR FIRST GROUP OF NETWORK ELEMENTS

(Issued and Effective April 1, 1997)

BY THE COMMISSION:

INTRODUCTION

In this opinion,¹ we set permanent rate levels for the sale by New York Telephone Company (New York Telephone) of the following unbundled network elements: local loops, local switching, tandem switching, interoffice transport, signaling

¹ This opinion is the second in a series of costing and pricing opinions contemplated in this proceeding. The first, Opinion No. 96-30 (issued November 27, 1996), dealt with the sale of telephone service at wholesale for resale. The third will deal with network elements that are not considered here and with all network elements for Rochester Telephone Corp. (Rochester Telephone).

links, signal transfer points (STPs), and signal control points (SCPs). These network elements constitute some (but not all) of the elements the FCC has identified, in its rules under the Telecommunications Act of 1996 (the Act), as those that must be made available by incumbent local exchange carriers (LECs),¹ on an unbundled basis, to any requesting telecommunications carrier.²

The genesis and early procedural history of this proceeding are described in Opinion No. 96-30 and will not be repeated here. But even the more recent procedural history is tortuous enough to require the lengthier than usual account that follows.

As recounted in Opinion No. 96-30, the hearings held in July 1996 considered not only wholesale rates but also rates for unbundled links and ports. Following the close of those hearings, the FCC issued the First Report and Order, and its requirements, including those pertaining to pricing, were considered in the ensuing briefs. Nevertheless, initial consideration of the record in light of the FCC's requirements disclosed some concerns about its adequacy, and a conference was convened on September 4, 1996, at which the parties were asked their views on the need, if any, to reopen the record.

On September 9, 1996, Administrative Law Judge Joel A. Linsider ruled, among other things, that the record on links should be reopened and that pricing of the other network elements specified in the FCC's rules should be considered at the reopened

¹ A list of acronyms used in this analysis is set forth in Attachment A.

² 47 C.F.R. §51.319, adopted in the FCC's CC Docket Nos. 96-98 and 95-105, First Report and Order (released August 8, 1996) (First Report and Order). This section of the rules remains in force, not being among those stayed by the Eighth Circuit Court of Appeals in Iowa Utilities Bd. et al. v. FCC.

hearings as well.¹ The Judge authorized all parties to supplement or modify their previous studies with respect to links as they believed necessary to satisfy the FCC's requirements; directed New York Telephone and Rochester Telephone, and authorized other parties, to submit, by September 30, cost studies with respect to other elements; and set October 29 as the date for hearings. An ensuing ruling, in response to New York Telephone's clarification of its statement at the September 4 conference, limited the studies New York Telephone was required to file on September 30 to those respecting the elements listed above and, in response to Rochester Telephone's motion, extended that company's deadline for all studies to December 31, 1996.²

The September 9 Ruling also specified that in the studies to be submitted, incremental costs were to be developed in a manner consistent with both the FCC's rules (47 C.F.R. §§51.505 and 51.511) and our cost manuals for Subscriber Loop Services and Toll and Carrier Access Services and were to be deaveraged with respect to at least three geographic zones:

¹ Cases 95-C-0657 et al., Ruling Reopening Record for Limited Purposes (issued September 9, 1996) (the September 9 Ruling). Ports, which also had been considered at the July hearings, were subsumed within the broader switching network element under the FCC's rules.

² Ruling on Motions (issued September 18, 1996). Judge Linsider also directed New York Telephone to state, in its September 30 filing, the date by which it would be able to file its remaining cost studies. That date was initially set at December 31, 1996. Later motions and rulings not pertinent here extended that date to January 10 or January 31, 1997 for various groups of New York Telephone's elements; similarly extended the deadline for Rochester Telephone's filings; and added studies of cost onsets and related proposed charges to the material required to be filed. All of those matters will be dealt with in a later opinion. (Rochester Telephone's previously submitted study of links and ports, as updated pursuant to the FCC's standards, also was considered at the hearings here discussed. Nevertheless, for convenience and simplicity, and in the absence of compelling need for an earlier decision, all Rochester Telephone related issues will be considered together, in the later opinion. The present opinion, therefore, is limited to New York Telephone.)