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

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Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Access Charge Reform	CC Docket No. 96-262
Price Cap Performance Review for Local Exchange Carriers	CC Docket No. 94-1
Transport Rate Structure and Pricing	CC Docket No. 91-213
End User Common Line Charges	CC Docket No. 95-72

AT&T REPLY COMMENTS ON SECOND FURTHER NOTICE OF PROPOSED RULEMAKING

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October 9, 1997

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Pursuant to Section 1.415 of the Commission's Rules, 47 C.F.R. § 1.415, and its Second Further Notice of Proposed Rulemaking, FCC 97-317, released September 4, 1997 ("SFNPRM") in the above-captioned proceedings, AT&T Corp. ("AT&T") submits these replies to other parties' comments on issues related to recovery of presubscribed interexchange carrier charges ("PICCs") when a Lifeline customer has elected toll blocking.[1]

[1] A list of the parties filing comments and the abbreviations used to identify them herein is attached as Appendix A.

ARGUMENT

The comments overwhelmingly support the Commission's proposal to waive the PICC when a Lifeline customer has elected toll blocking.[2] Accordingly, the Commission should adopt its proposal to waive the $0.53 PICC for Lifeline customers who elect toll blocking and, because these waived charges are associated with the recovery of interstate loop costs from Lifeline customers, as the Commission has proposed, they should be supported by the low-income program of the federal universal service support mechanisms and recovered in a competitively neutral manner through contributions from all telecommunications carriers. SFNPRM, para. 5.

As AT&T showed in its comments, to ensure competitive neutrality and to avoid providing disincentives for Lifeline customers to elect toll blocking, the Commission should waive the PICC when a Lifeline customer elects toll blocking (irrespective of whether he or she has presubscribed to an interexchange carrier) and allow the carrier (whether the incumbent local exchange carrier ("LEC") or a new entrant otherwise permitted to collect access charges) that provides local service to the customer to recover the PICC associated with these customers from the Lifeline program of the federal

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[2] AT&T at 3; Bell Atlantic at 1; BellSouth at 2; FPSC at 2-3; MCI at 2; RTC at 3-4; SBC at 2-3; USCC at 1, 3-4; USTA at 2; U S WEST at 2.

universal service support fund ("USF"). Some parties disagree with certain aspects of AT&T's position.

While supporting the Commission's overall approach, a few commenters seek to impose inappropriate restrictions on the PICC waiver when a Lifeline customer elects toll blocking. Bell Atlantic (at 1 n.2), for example, contends that the PICC should not be waived if the Lifeline customer with toll blocking is presubscribed to an interexchange carrier ("IXC") because then the IXC would be charged the PICC and the customer would not have a disincentive against toll blocking. To the contrary, as AT&T (at 5-6) showed, even if a Lifeline customer has presubscribed to an IXC, if the customer elects toll blocking, the PICC should be waived.[3] In this instance waiver is appropriate because, by electing toll blocking, the customer has indicated that he or she will not be placing long distance calls and thus will not be generating long distance revenue for the IXC. As RTC (at 3-4) points out, "[c]ustomers who select toll blocking have no access to IXC services, so the assignment of a PICC in such cases would not be justified, as the Commission has recognized." Accordingly, in this circumstance, waiver of the PICC and recovery in the amount of the PICC from the universal service fund's low-income support program recognizes that a subsidy to defray loop costs for

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[3] *See also* AT&T Opposition to Petitions for Reconsideration in Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed August 18, 1997, at 25.

this subscriber should be borne by all telecommunications carriers in a competitively neutral manner rather than from a single IXC to which the customer has presubscribed but for which it will not be generating long distance revenue.[4]

For the same reasons, the FPSC's suggestion (at 2-3) that recovery of the waived PICCs from IXCs rather than from the USF is preferable because IXCs benefit from higher subscriber line charges ("SLCs") and lower carrier common line charges ("CCLCs") under the Commission Access Reform Order is misplaced. IXCs should not be paying access charges, namely, PICCs, for Lifeline customers with toll blocking who will not be generating long distance revenues. Rather, the competitively neutral approach, as the Commission recognizes, is to permit recovery of the waived PICC from the USF.

Indeed, as SBC (at 8-9) points out, any PICC waiver rule should apply irrespective of whether the Lifeline customer voluntarily elects toll blocking or is subject to involuntary toll blocking. In either case, the local service provider is entitled to recover the PICC, yet because the end

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[4] As the Commission explained in the Access Reform Order, the new flat-rate PICC was designed to permit LECs to recover common line revenues not recovered because of caps on the SLC on a flat-rate basis from the IXC to which the line is presubscribed. Access Charge Reform, CC Docket Nos. 96-262, 94-1, 91-213, 95-72, First Report and Order, FCC 97-158, released May 16, 1997, paras. 6, 38, and published in the Federal Register on June 11, 1997 (62 Fed. Reg. 31868) pets. for review pending sub nom. Southwestern Bell Tel. Co. v. FCC, Nos. 97-2618 *et al.* (8th Cir.) ("Access Reform Order"), id., Order on Reconsideration, FCC 97-247, released July 10, 1997.

user customer is not generating toll revenue, the PICC should not be recovered from the IXC. Moreover, there is no apparent justification for disparate treatment as to whether the PICC could be recovered from a Lifeline customer depending on whether toll blocking is elective or involuntary.

On the other hand, the Commission should reject SBC's (at 5-6) and USTA's (at 2) suggestion that only price cap incumbent LECs who are required to charge the PICC should be allowed to recover the PICC from the USF. To the contrary, to ensure competitive neutrality, whenever a competitive local exchange carrier ("CLEC") provides Lifeline service to an eligible end user in circumstances where it would otherwise be entitled to charge IXCs for access (*i.e.*, if the CLEC provides the Lifeline service using its own facilities, including unbundled network elements ("UNEs"), or a combination of its own facilities and resale), then the CLEC must be permitted to recover the PICC from the USF, just as the incumbent LEC could do, if the Lifeline customer elects toll blocking.[5] Otherwise, the CLEC would be forced to recover the PICC from Lifeline customers (contrary to USF goals), IXCs (who do not obtain toll revenues from Lifeline customers with toll

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[5] The Commission has exempted UNE purchasers from payment of access charges, because the payment of cost-based rates represents full compensation to the incumbent LEC for the use of the UNEs, which may be used by the UNE purchaser to provide access services to others. Access Reform Order, paras. 337-340. By contrast, CLECs providing local service through total service resale do

(footnote continued on following page)

blocking), or non-Lifeline end user customers. Any of these options could place the CLEC at a competitive disadvantage *vis-à-vis* the ILEC that would be able to recover this charge from the USF, which is broadly supported by contributions from all telecommunications carriers.

(footnote continued from previous page)

not provide access to IXCs, rather the incumbent LEC continues to do so.

CONCLUSION

For the reasons stated above and in AT&T's Comments, the Commission should adopt its proposal to waive the PICC for Lifeline customers who elect toll blocking and authorize the carrier providing local service to that customer and otherwise entitled to collect access charges to recover the PICC from the federal universal service fund.

Respectfully submitted,

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October 9, 1997

Appendix A

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BellSouth Corporation and BellSouth Telecommunications Inc. ("BellSouth")

Florida Public Service Commission ("FPSC")

MCI Telecommunications Corporation ("MCI")

Rural Telephone Coalition (NRTA, NTCA, OPASTCO) (collectively, "RTC")

Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell (collectively, "SBC")

Sprint Corporation ("Sprint")

United States Catholic Conference, et al. ("USCC")

United States Telephone Association ("USTA")

U S WEST, Inc. ("U S WEST")

CERTIFICATE OF SERVICE

I, Viola J. Carlone, do hereby certify that on this 9th day of October, 1997, a copy of the foregoing AT&T Reply Comments on Second Further Notice of Proposed Rulemaking was served by U.S. first class mail, postage prepaid, to the parties listed on the attached Service List.

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