

studies from access rates. In the case of billing and collection, rates are market based. Again, these rates do not change directly as a result of changes in Part 69 cost allocations. Through the GSF Order, however, the Commission has established a link to Part 69 cost allocations which is arbitrary and capricious. Effectively, the Commission requires Part 69 cost reductions, related to ordered rule changes, to be reflected in access rates. At the same time, the SBC companies cannot recoup Part 69 cost changes from their billing and collection rates.

If adjustments are made to Part 36 and 69 cost studies (unrelated to rule changes) and costs are reallocated from billing and collection services to access services, the SBC Companies cannot recoup or recover the reallocated costs from access services. Access services remain subject to price cap regulation that does not allow for recovery of cost shifts associated with changes in Part 36 and Part 69 studies. Thus, if the SBC Companies lose billing and collection contracts and future studies shift costs to access services, these costs cannot be recouped. The only recourse for recovering the additional B&C costs are through renegotiated contractual arrangements. This will have to occur over time as contracts expire and are replaced. The impact of the Commission's rule change, however, is an immediate reduction to access service rates. As was the case with the SBC Companies' loss of the AT&T billing contract, it is possible that other B&C contracts will be lost and resulting Part 69 cost shifts from billing and collection services to access services will not be recovered.

Due to the immediate impact of the GSF Order, and since recovery of billing and collection costs are subject to contractual arrangements, recovery of the GSF costs allocated to billing and collection services is not likely. The impact to the SBC Companies is an annual access revenue reduction of approximately \$45 million with no immediate offsetting revenue increases from billing and collection services.

The SBC Companies' Part 69 cost allocations, prior to the GSF rule change, allocated amounts to billing and collection services that were substantially larger than the marketplace revenues generated from these services. While there were no GSF costs allocated to billing and collection services, the overall allocation of costs to billing and collection was more than a sufficient amount to account for the incurring of these types of costs by billing and collection activities. Thus, for the SBC Companies, the lack of allocation of GSF costs to billing and collection was not a "significant problem", as alleged by the Commission.³ The piecemeal approach by the Commission simply allocated more costs to billing and collection services, thus creating a further disparity and shortfall between billing and collection revenues and costs for the SBC Companies. The Table below summarizes the 1996 B&C revenue and shows the related B&C costs before and after the GSF Rule change.

³ The GSF Order stated that: "[t]he data cited in the Further Notice and included in several comments disclose that the LEC allocation of nonregulated billing and collection cost attributable to general purpose computers and other support assets is a significant problem." (GSF Order at 17) In justifying its conclusion the Commission explained that "[t]he RBOCs and GTE report interstate billing and collection operating revenues of about \$536 million and related operating expenses of about \$439 million during 1996. These recent revenue and expense figures support a finding that the LECs' billing and collection activities are significant, and, therefore, that a portion of the GSF costs associated with these activities properly should be allocated to the nonregulated billing and collection category." (GSF Order at 18)

Company	1996 B&C Revenue	1996 B&C Cost Before GSF Rule Change	1996 B&C Cost After GSF Rule Change
SWBT	\$54,341,973	\$67,233,000	\$85,875,000
Pacific Bell	\$39,972,125	\$74,717,000	\$100,723,000
Nevada Bell	\$1,808,440	\$1,399,000	\$1,742,000
Total	\$96,122,538	\$143,349,000	\$188,340,000

Prior to the rule change, the SBC Companies' B&C costs, based on allocations defined in the Commission's Part 69 Rules, in the aggregate, exceeded revenue by approximately \$47 million or 49 percent. Subsequent to the rule change, the costs exceed revenues by approximately 96 percent. For the SBC Companies there was obviously no compelling need to allocate additional costs in Part 69 to the billing and collection category, other than to penalize the SBC Companies by requiring immediate access rate reductions.

The Commission failed to consider changes to other sections of the Part 69 rules that allocate costs to the billing and collection category. For example, is it reasonable for Part 69 Rules to allocate "All other customer service expenses in Account 6620" (Section 69.408) based on the allocation of operator service expenses, published directory expenses, local business office expenses, and revenue accounting expenses. Clearly, all other customer service expenses include amounts that are not related to the provision of billing and collection services. For instance, all other expenses (Separations Category 3) include amounts associated with telephone operator commissions. These costs are associated with Southwestern Bell's operator services and not billing and collection services. However, the Commission did not consider changes to other

categories of costs allocated to billing and collection services.⁴ The SBC Companies warned the Commission that a piecemeal approach to Part 69 changes was not appropriate, however, the Commission went forward with the GSF change, claiming that billing and collection service remains a significant activity and GSF costs should be allocated to it.⁵ The Commission should have investigated the allocations of customer services expenses to billing and collection services and determined whether related amounts are appropriate. The Commission simply allocated additional costs to billing and collection services and penalized LECs.

This combination of circumstances makes the rule change particularly unfair. Since the change was required so quickly, the SBC Companies were not allowed any time to phase in any rate change to their customers of B&C.

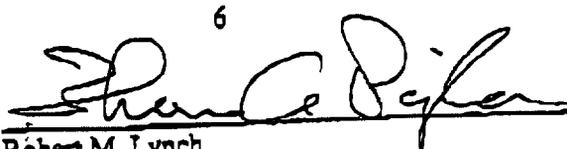
If the change had been phased in over time, or if it had been accomplished through an overall plan for separations reform, the SBC Companies may have been able to modify their contractual arrangements in time. Under the current implementation, however, the SBC Companies must forsake these legitimate costs.

CONCLUSION

For the foregoing reasons, the SBC Companies respectfully request that the Commission reconsider and vacate the GSF Order.

⁴ Thus, contrary to paragraph 21 of the GSF Order, costs are assigned to the billing and collection category that are not related to that activity.

⁵ GSF Order at 18

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I, Katie M. Turner, hereby certify that the foregoing, "PETITION FOR RECONSIDERATION OF THE SBC COMPANIES" in CC Docket No.96-262 has been filed this 14th day of January, 1998 to the Parties of Record.

A handwritten signature in cursive script that reads "Katie M. Turner". The signature is written in black ink and is positioned above a horizontal line.

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