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Eugene J. Baldrate
Vice President - Regulatory Affairs

December 17, 1997

RECEIVED

DEC 17 1997

Federal Communications Commission
Office of Secretary

Ms. Maglie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D. C. 20554

In the Matter of	)	
	)	
Support Material For Carriers to File	)	DA 97-2358
to Implement Access Reform	)	
Effective January 1, 1998	)	

97-249 ✓
97-250

Dear Ms. Salas:

Enclosed are an original plus two extra public copies of the Reply of Cincinnati Bell Telephone Company in response to comments filed in regard to Cincinnati Bell Telephone's November 26, 1997 filing of its Tariff Review Plan pursuant to the above referenced proceeding.

A duplicate original copy of this letter and attached Reply is also provided. Please date stamp this as acknowledgment of its receipt and return it.

Questions regarding this Reply may be directed to Ted Heckmann at the above address, by telephone on (513) 397-1375 or via fax at (513) 241-9115.

Sincerely,

Eugene J. Baldrate

Eugene J. Baldrate

Enclosure

cc: Competitive Pricing Division
International Transcription Services, Inc.

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DEC 17 1997

Federal Communications Commission
Office of Secretary

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

In the Matter of	)
	)
Support Materials for Carriers to	)
File to Implement Access Charge	)
Reform Effective January 1, 1998	)

REPLY COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company ("CBT"), pursuant to the Commission's November 7, 1997 Order in the above-captioned proceeding, hereby submits its reply to the comments of AT&T Corp. ("AT&T") and MCI Telecommunications Corporation ("MCI") addressing CBT's Tariff Review Plan.

A. Introduction

By these reply comments, CBT shows that AT&T and MCI have improperly included CBT in their generalized comments. Specifically, CBT demonstrates herein that: (1) it has not engaged in anticompetitive tactics with regard to AT&T's entry into the local market; (2) CBT's line and trunk port exogenous adjustments were calculated correctly; and (3) CBT's TIC rates are not overstated.

B. AT&T's accusation that ILECs have engaged in anticompetitive tactics and its statement that access reductions are necessary in order for customers to see rate reductions are without merit.

AT&T accuses incumbent price cap LECs of continuing to engage in anti-competitive tactics which have stymied entrants' efforts to offer local services through unbundled network elements. AT&T also suggests that the only way for consumers to see some rate reductions as promised by the 1996 Act is to make downward adjustments

to the LECs' price cap indices.[1]

CBT strongly objects to AT&T's charge that all price cap LECs, including CBT, are engaging in anti-competitive tactics which have stymied its local entry strategy. As a point in fact, AT&T has not, to date, made a bona fide request to CBT for interconnection. AT&T's blanket accusation is totally inapplicable to CBT. In addition, AT&T's suggestion that the only way for consumers to receive the price reductions envisioned by the 1996 Act is for price cap LECs to make downward adjustments, is without merit. AT&T is free to lower its long distance rates at any time to provide consumers with rate reductions. However, AT&T has not had a very good track record with regard to lowering its toll rates since passage of the 1996 Act. In fact, AT&T has implemented at least two rate increases since the passage of the Act. In February 1996 and December 1996, AT&T raised rates by 4.3% and 5.9% respectively.[2]

C. **AT&T and MCI incorrectly calculated the Line Port and Trunk Port costs to be removed from Local Switching.**

AT&T[3] and MCI[4] have accused all price cap LECs of incorrectly calculating the amount of **cost** to be removed from the local switching element on the following grounds:

1. Price Cap LECs have not provided adequate cost support;
2. Price Cap LECs removed line port and trunk port cost from local switching element versus removing revenue adjustment; and
3. Price Cap LECs actual results reported are below FCC expectations.

As an initial matter, CBT submits that the generalized statements of AT&T and MCI on this topic do not apply to CBT since neither company included CBT in their analyses for

[1] AT&T Petition and Comments, Summary p. iv.
[2] See, Telephony, December 9, 1996.
[3] AT&T Petition and Comments, pp. 3 –14.
[4] MCI Comments, pp. 2 – 6.

line and trunk port costs.[5] In any event, CBT addresses each of these accusations below.

1. **CBT has provided complete cost support in accordance with the Commission's rules.**

First, CBT has provided complete cost support and explanations for its calculations in its Description and Justification filed on November 26, 1997. Second, CBT provided, in its transmittal letter, the name, telephone number and fax number of a person for carriers to contact if they had any questions concerning CBT's filing. CBT received no calls or inquiries from AT&T, MCI or others concerning CBT's cost support. Further, CBT received no requests to assist commenters in their analyses relative to CBT's line port or trunk port cost calculations. Therefore, AT&T's and MCI's blanket objections are irrelevant as to CBT.

2. **CBT has properly removed Line Port and Trunk Port costs as an exogenous adjustment in accordance with the Commission's rules.**

AT&T and MCI object that price cap LECs developed an exogenous cost adjustment for the line port and trunk port shifts from the local switching element versus a revenue adjustment.[6] CBT submits that these parties have incorrectly concluded that the Access Reform Order mandates a revenue adjustment versus a cost adjustment. AT&T, at page 5, and MCI, at page 2, of their comments specifically refer to paragraphs 128 and 125 of the Commission's Access Reform Order, which require price cap LECs to develop costs for line ports and trunk ports to be shifted from the local switching element. In addition, §61.45(d) of the Commission's rules refers to "exogenous costs" and not revenue adjustments to be utilized in the index calculation process. The exogenous cost

[5] AT&T Petition and Comments, Exhibits A and B; MCI Comments, Attachment A.
[6] AT&T Petition and Comments, pp. 9 – 12; MCI Comments, pp. 3 – 6.

adjustments are represented in the PCI formula as Delta "Z". The "Z" change is converted into a percentage format by dividing the $Z by the base period revenue.

AT&T, at page 11 of its comments, states that the use of forward-looking costs will understate the embedded costs that the separations process has assigned to the local switching element. In addition, on page 12 of its comments, AT&T readily admits that the Separations process has allocated the costs of line ports to the interstate jurisdiction and that the LECs were required to identify these costs already assigned to the interstate jurisdiction from the Local Switching element. Given the Commission's rules, and AT&T's admission, CBT appropriately used the revenue requirement for local switching as the basis for determining its line port and trunk port cost shifts. As fully explained in its D&J, CBT properly used its SCIS cost model to determine the percent relationships of line port and trunk port investment to total switching investment. These percentages, shown in Exhibits EXG-LP and EXG-TP, were used to determine the appropriate line port cost and trunk port cost to be removed from the local switching element revenue requirement.

AT&T's proposed "revenue" method for determining the exogenous cost adjustment is contrary to the Commission's Part 36 Jurisdictional Separations Rules as well as the Commission's Part 69 Access Rules. These rules specify how to develop revenue requirements for ARMIS reporting, exogenous adjustments for Part 36 and 69 rule changes, etc.

AT&T's method is also contrary to the Commission's Access Reform Order (see ¶125 and ¶128), that required the identification of cost to be removed from the local switching element. Finally, AT&T's proposed method would in essence render the

Jurisdictional Separations rules and the Access rules (and any reports derived from them) meaningless. For example, the COE Maintenance exogenous cost adjustment, Marketing Expense exogenous cost adjustment, and the GSF exogenous cost adjustment were all determined using the Part 69 Access Rules. To ignore the use of the revenue requirement process for the line port and trunk port cost determination would create an inconsistency of rule applications. Thus, CBT submits that the Commission should accept CBT's line port and trunk port cost shifts as filed.

MCI on page 4 of its comments raises the same objection as AT&T relative to the use of the Part 69 revenue requirement as the appropriate basis for determining the line port cost shift and the trunk port cost shift. For the same reasons discussed above, the Commission should disregard MCI's objection.

3. **CBT's Line and Trunk Port costs are calculated correctly.**

AT&T, at page 10, and MCI, at page 3, object to the actual results of LECs' line port and trunk port costs as not meeting the Commission's expectations. However, the Commission has stated that " ... we require each price cap LEC to conduct a cost study to determine the geographically-averaged portion of local switching costs that is attributable to the line-side ports as defined above and to dedicated trunk side ports." (Access Reform Order at ¶128). This paragraph obviously supports the Commission's desire for a more accurate determination of the cost levels for line ports and trunk ports. The Commission, therefore, ordered each LEC to conduct its own cost study to determine the proper cost levels for line ports and trunk ports to be shifted from the local switching element. The Commission should disregard the objections of AT&T and MCI on this issue. CBT has complied with the Access Reform Order and developed

a cost study that reasonably determines the line port and trunk port costs to be shifted from the local switching element.

D. Overestimated TIC Rates

AT&T and MCI in their comments accuse price cap LECs generally, and CBT specifically, of mishandling the required adjustments for the TIC. For the reasons set forth below, CBT submits that the Commission should disregard these accusations to the extent they are directed toward CBT.

1. CBT has correctly removed one-third of the tandem revenue requirement from the TIC.

AT&T, at page 15 of its comments, makes a generic statement that price cap LECs have made mathematical and methodological errors in implementing the one-third transfer of the 80% of tandem revenue requirement from the TIC, and, as a result, overstate the TIC revenue. As depicted in its D&J (see, Exhibit EXG – TDM), CBT has properly followed the methodology described by AT&T on page 15 of its comments in determining the one-third transfer of the 80% tandem revenue requirement.

2. CBT correctly determined the impact on TIC from actual volumes of MOU.

Both AT&T and MCI object to the shift of costs back to the TIC from the recalculation of common transport rates utilizing actual MOU and relative number of DS1 and DS3 circuits. (AT&T at pp. 18-19 and Exhibit E; MCI at pp. 12-13). AT&T believes that this shift of dollars back to the TIC results in the TIC financing the common transport reductions. In addition, MCI states that the new results are at odds with the Commission's earlier expectations, and concludes that the new results must be wrong. AT&T and MCI are mistaken in their analyses of this issue. In establishing the TIC rate

for the July 1, 1997 annual filing, CBT was required to value the residual TIC at 55% of the current TIC revenue.[7] The Commission viewed the 55% as a conservative estimate.[8] However, for the January 1, 1998 filing, the Commission required all price cap LECs to develop actual cost data to reflect the actual facilities-based levels which were intended to replace the estimates used in the July 1, 1997 filing.[9] It is obvious from the Access Reform Order that the Commission intended for a true-up to occur since it required some price cap LECs to use estimates. Therefore, since CBT is merely adhering to the Commission's methodology in implementing this portion of the Access Reform Order, the objections of AT&T and MCI are clearly without merit.

3. **CBT correctly recalculated the residual and facilities-based TIC amounts**

In its comments, AT&T states that CBT failed to provide any documentation regarding its TIC true-up calculations. (AT&T comments at Exhibit J). CBT submits that AT&T's objection is premature. CBT on November 26, 1997 filed the cost portion of the Access Reform filing. The rate portion of the filing is not due until December 17, 1997. CBT was not required to provide the CAP-1 form as part of this filing.[10] Therefore, since CBT will be filing the CAP-1 TRP form and a TIC true-up

[7] In the Matter of Access Charge Reform, CC Docket No. 96-262, Order, released May 16, 1997, at ¶235.
[8] Id.
[9] The Commission at ¶237-238 of the Access Reform order specifically states, "... any price cap incumbent LEC determines that its use of the applicable residual TIC estimate, above, resulted in more PCI reductions being targeted to the interconnection charge in its tariff filing to become effective on July 1, 1997, than were required to eliminate the per-minute interconnection charge, then that price cap LEC shall make necessary exogenous adjustments to its PCIs and SBIs to reverse the effects of the excess targeting. For tariff filings to become effective July 1, 1998, and annually in July thereafter, all price cap LECs will have actual cost data reflecting the facilities-based components of the TIC and will be able to target the reductions to actual residual per-minute TIC amounts without resort to the percentage estimates prescribed above."
[10] Erratum, In the Matter of Support Material For Carriers to File Implement Access Charge Reform Effective January 1, 1998, released November 19, 1997.

exhibit in its December 17, 1997 rate filing, the Commission should disregard this objection relative to CBT.

AT&T also states that CBT has failed to identify the remaining facilities-based portion of the TIC. (AT&T comments at p. 30). Again, AT&T is premature with its objection. This filing was not the full rate filing and not all of the TRP forms were required. As stated above, CBT will be filing all necessary exhibits and explanations, which should allow the Commission and other parties to see that it has properly calculated the residual TIC and the remaining facilities-based portion of the TIC. Thus, the FCC should ignore AT&T's objection relative to CBT.

4. **The Commission should require LECs to apportion the Marketing and COE Maintenance exogenous cost changes to the residual TIC**

AT&T, at page 32 of its comments, states that the price cap LECs have not applied both the COE Maintenance and Marketing exogenous cost adjustments to the TIC. AT&T's objection is premature. In its rate filing on December 17, 1997, CBT will have made downward adjustments to the TIC for Marketing and COE Maintenance. Since CBT has made appropriate downward exogenous adjustments to the TIC for Marketing and COE Maintenance, the Commission should disregard this objection relative to CBT.

5. **CBT correctly adjusted tandem revenue requirements for tandem trunk ports and SS7**

MCI, at page 7 of its comments, states that all LECs have made a key error relative to adjusting the tandem switching revenue requirement for Tandem Trunk Ports and SS7. In its D&J at page 7, CBT explained that its SS7 investment and costs have always been categorized to the Local Switching Access Element. Therefore, CBT's SS7

is already being recovered from the Traffic Sensitive Basket. CBT in its D&J, at pages 6 – 7 and Exhibit EXG-TTP, properly illustrated that it has removed the appropriate 80% of the Tandem Trunk Port costs which were previously assigned to the TIC. In its December 17, 1997 rate filing, CBT will establish a new rate element in the Tandem Switched Transport Service Category to recover the shifted costs. Therefore, the Commission should disregard MCI's objection relative to CBT.

6. **CBT implemented the three-part rate structure in 1993**

MCI at page 9 of its comments makes a general objection that all LECs should use base period demand in computing the revenue effects on the interconnection charge. CBT at page 9 of its D&J filed on November 26, 1997 states that CBT implemented the three part rate structure as part of the Local Transport Restructure made on August 31, 1993. Therefore, this objection should be ignored relative to CBT.

E. **End User Common Line (EUCL) demand is not underestimated**

AT&T, at page 34 of its comments, states that price cap LECs have committed a serious error by underestimating end user common line demand. AT&T's objection is premature relative to CBT. CBT followed the filing requirements as set forth in the Commission's November 7, 1997 Order in this proceeding, and the Erratum released November 19,1997. In accordance with these orders, EUCL demands that are on the RTE-1 form were not required to be filed in the cost support filing. When CBT makes its rate filing on December 17, 1997, it will submit its EUCL demand using base period quantities. Therefore, the Commission should ignore this objection relative to CBT.

F. PICC Demand Quantities

MCI states that the PICC demand figure on TRP Form CAP-1 does not equal the EUCL demand figure for all price cap LECs. (MCI comments at pp. 13-14). As previously stated, CBT was not required to file the CAP-1 form as part of the November 26, 1997 cost support filing. When CBT makes its rate filing on December 17, 1997, it will submit its PICC demand using base period quantities. Therefore, the Commission should ignore this objection relative to CBT.

G. Improper Non-Primary Residential Line Counts

AT&T, at pages 38 through 40 of its comments, accuses all price cap LECs of understating their Non-Primary residential demand. As a result of this alleged understatement, AT&T recommends that the Commission suspend and investigate the price cap LECs' EUCL demands. As CBT has previously stated, it has not provided any EUCL demand as part of its November 26, 1997 cost support filing. When CBT makes its rate filing on December 17, 1997, it will submit its EUCL demand using base period quantities. Therefore, the Commission should ignore this objection relative to CBT.

H. Misallocation of USF Exogenous Cost Among Price Cap Baskets

AT&T, at page 43 of its comments, objects to CBT's allocation of USF contributions to the price cap baskets. CBT appropriately used its retail revenues from its FCC Form 457 as the basis for allocating its USF contributions to the price cap baskets (CBT D&J, Exhibit EXG-USF). The FCC Form 457 is the retail revenue reporting form used by USAC to determine the overall contribution factor and amounts to be assessed against each eligible carrier. Since the revenues from this form provide the basis for determining the total level of contribution by carrier, it is only appropriate that the

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing Reply Comments of Cincinnati Bell Telephone Company have been sent by first class United States Mail, postage prepaid, by hand delivery, or via fax on December 17, 1997, to the persons listed on the attached service list.

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