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

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of	)	
	)	
Access Reform Tariff Filings	)	
	)	
Ameritech Operating Companies	)	
Tariff F. C. C. No. 2	)	Transmittal No. 1135

97-249 ✓
97-257

AMERITECH OPPOSITION TO PETITIONS TO SUSPEND AND INVESTIGATE AND REPLY TO COMMENTS ON TARIFF REVIEW PLAN

Ameritech[1] submits this opposition to petitions to suspend and investigate its access reform filing, Transmittal No. 1135 and this reply to comments submitted with respect to its tariff review plan ("TRP"). On November 26, 1997, Ameritech filed tariff modifications to implement the requirements of the Commission's access reform orders.[2] At the same time, Ameritech filed its TRP pursuant to the Bureau's order.[3] In response to these and other local exchange carriers' filings, AT&T and Sprint each filed a single pleading containing a

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[1] Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

[2] *In the Matter of Access Charge Reform*, CC Docket No. 96-262, First Report and Order FCC 97-158 (released May 16, 1997) ("Access Reform Order"); *Order on Reconsideration*, FCC 97-247 (released July 10, 1997) ("Reconsideration Order"); *Second Order on Reconsideration*, FCC 97-368 (released October 9, 1997) ("Second Reconsideration Order").

[3] *In the Matter of Support Material for Carriers to File to Implement Access Charge Reform Effective January 1, 1998*, Order, DA 97-2358 (released November 7, 1997) ("TRP Order").

petition to suspend and investigate the tariff filings and comments on the TRPs, and MCI filed separate comments on the TRP and a petition to suspend and investigate.

I. AMERITECH PROVIDED ADEQUATE COST SUPPORT.

AT&T complains generally that none of the price cap local exchange carriers ("LECs") has provided adequate cost support for their tariff filings.[4] In addition, AT&T complains that line port investment rates vary widely and requests that LECs be required to justify line port investments by switch type and manufacturer.[5] In response, Ameritech would note that it has provided, under a separate cover with respect for confidential treatment, similar level of cost support detail that was required by the price cap/open network architecture ("ONA") order.[6] This level of cost support is greater than that which has been provided with many other tariff filings which were permitted to take effect. Particularly, Ameritech provided the following data:

- unit investments by technology type, where appropriate, by state,
- technology mixes by state which were used to develop a weighted investment by state,
- total annual charge factors by state and the individual components which comprise the total annual charge factor, *i.e.*, depreciation, cost of

[4] AT&T at 5-8.

[5] *Id.* at 10.

[6] *In the Matter of Amendment of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture, Policy and Rules Concerning Rates for Dominant Carriers,* CC Docket Nos. 89-79, 87-313, Report and Order, FCC 91-186 (released July 11, 1991).

money, income tax, maintenance, administrative overhead, incremental expense, other recurring expense, and ad valorem tax,

- total monthly cost by state which was derived by applying the appropriate annual charge factor to technology specific investment,
- weighting factors which were derived from the total lines served by each state,
- weighted unit costs which were developed by applying the state specific weighting factors to state specific costs, and
- overhead loading factors developed from ARMIS data consistent with the methodology employed in rate setting in previous tariff filings.

Ameritech developed its line and trunk port ratios based on the current technology mix and applied the ratio to embedded cost as a reasonable proxy for determining the non-traffic sensitive costs of the switch.

II. AMERITECH CORRECTLY APPLIED INVESTMENT RATIOS TO REVENUE REQUIREMENT FIGURES TO MAKE APPROPRIATE ADJUSTMENTS FOR PORT CHARGES.

Both AT&T and MCI complain that the LECs have underallocated amounts to line port charges. They both claim that investment ratios should be applied to the local switching band revenue rather than to revenue requirements in order to determine the amounts to be assigned to the line port charges.[7]

Ameritech has developed its exogenous cost shifts for line and trunk ports in accordance with the Commission's directives in the Access Reform Order:

> For price cap LECs, the NTS costs associated with line ports will no longer be included in the local switching charge, and instead will be recovered through the flat-rated common line charges discussed above. . . Costs of

[7] *Id.* at 10, MCI petition at 3-4.

> local switching attributable to trunk ports are moved to a separate service category within the traffic-sensitive basket.[8]

To accomplish this, Ameritech has developed factors which reflect the percentage of local switching investment attributable to line port and trunk port costs, respectively. These factors were then applied to the 1996 ARMIS local switching revenue requirement to correctly identify the amount of port costs, or revenue requirement, to be reassigned, consistent with the Commission's order. This treatment is also entirely consistent with the fact that line port costs will now be recovered in the common line rate elements and the fact that the line port exogenous change is input into the CAP-1 form when determining the maximum end user common line ("EUCL") charges. Section 69.104(c) of the Commission's rules directs that common line recovery be based upon a determination of common line Base Factor Portion ("BFP") revenue requirement per line. Thus, the line port shift to the common line price cap basket must be done on a revenue requirement basis to be consistent with common line rate development rules. Development of this amount on a revenue basis would be entirely inconsistent with its ultimate application as a revenue requirement, per Commission rules.

Moreover, the calculation of cost-based exogenous shifts on a revenue requirement basis is nothing new. The exogenous adjustments for excess deferred taxes and the investment tax credit have been calculated on a revenue

[8] Access Reform Order at ¶62.

requirement basis and accepted by the Commission. The calculation of line and trunk port cost shifts on a revenue requirement basis is also consistent with the revenue requirement treatment given to Central Office Equipment ("COE") maintenance expense adjustment in this tariff filing and the revised allocation of General Support Facilities ("GSF") costs as ordered by the Commission in its GSF Order[9] which is being made in Ameritech's modification tariff filing this date.[10]

Further, AT&T has misrepresented Ameritech's filed results in Exhibit A of its petition. AT&T labels column A of its exhibit "Current LS Band Revenues" when the Ameritech data shown in column A is neither current nor local switching. Instead, the figure AT&T uses represents the entire Traffic Sensitive revenue as it existed prior to the 1997 Annual Filing. Thus, the line port and trunk port percentage exogenous changes resulting from AT&T's calculations are in error and, in fact, understated.

Finally, MCI incorrectly alleges that Ameritech has understated its ISDN-PRI and ISDN-BRI line port costs.[11] The $10.11 ISDN-PRI line port value cited by MCI represents the interstate differential line port rate, not the interstate line port cost. Since the interstate differential line port costs are not reflected in Exhibit 20, MCI mistakenly assumed that the costs displayed were the interstate

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[9] *In the Matter of Access Charge Reform, Access Rate Structure and Pricing,* CC Docket Nos. 96-262 and 91-213, Third Report and Order, FCC 97-401 (released November 26, 1997).

[10] Transmittal No. 1136.

[11] MCI petition at 5-6.

differential line port costs and used them as a basis for comparing the rates to the costs.

Per the Access Reform Order,[12] Ameritech established complex line port rates based on the differentials between the port costs of those of the more complex services, and that of a basic analog service. Basic analog line port costs -- including the corresponding portion of complex line port costs -- shifted out of the traffic sensitive price cap basket (local switching rate element) and into the Common Line price cap basket. These costs are to be recovered first from the EUCL charge and then from the Primary Interexchange Carrier Charge ("PICC").

Since the ISDN-PRI service is assessed a EUCL rate equal to five times the rate of one multi-line business EUCL, Ameritech's ISDN-PRI line port rate excludes five times the basic analog line port cost. Consequently, there can be no direct comparison between the cost MCI cited and the rate established in Ameritech's filing.

A similar calculation was performed on ISDN-BRI line ports, the difference being that since only one EUCL is assessed per ISDN-BRI, only one times the basic analog cost was removed from the ISDN-BRI cost. Again, no direct comparison can be made between the cost noted by MCI and the proposed Ameritech ISDN-BRI rate. One is a direct cost and the other represents a cost differential.

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[12] At ¶126.

III. AMERITECH'S DEVELOPMENT OF TANDEM SWITCHING REVENUES IS PROPER -- WITH THE EXCEPTION OF A MINOR ERROR THAT WILL BE CORRECTED WITH THE TARIFF REVISION FILING THIS DATE.

As a result of the Commission's Access Reform Order, Ameritech began the transition of the reallocation of tandem switching costs currently recovered in the transport interconnection charge ("TIC") to the tandem switching rate elements.[13]

AT&T complained that Ameritech erred in the development of its tandem switching-to-total RC factor.[14] AT&T's "error" calculation results, in part, from a discrepancy between its assumed original 1993 RC revenue requirement (column D) that it took from data included in the TRP filed with Transmittal No. 764 ($314.5M) and the RC revenue requirement information included in Transmittal No. 1135 ($343.5M). Ameritech is including herewith original Exhibits 9 and 10 from its Transmittal No. 764 which implemented the Commission's local transport restructure order.[15] That order established the TIC as the difference between the revenues based on the rate structure that existed prior to the interim switched transport rate structure and the revenues that would result with the implementation of the then newly established rate structure.[16] The $343.5M

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[13] Access Reform Order at ¶¶196-197, 218. Note that Ameritech's tariff refers to the TIC as the residual charge ("RC").

[14] AT&T at 17, Exhibit D.

[15] *In the Matter of Transport Rate Structure and Pricing,* CC Docket No. 91-213, Report and Order, FCC 92-442 (released October 16, 1992).

[16] *Id.* at ¶61.

displayed in Exhibit 10 represents the difference and is the total original RC revenue requirement that the Commission directed to be used in this calculation.[17] In implementing its original RC, however, Ameritech agreed with the Commission to establish an RC rate below the one that would have actually been justified by the RC revenue requirement. This lower rate multiplied times demand results in a lower original RC revenue figure than the original RC revenue requirement. Hence the discrepancy articulated by AT&T. Nonetheless, the use of the original RC revenue requirement figure is appropriate in this context for the determination of original cost ratio for the reallocation of tandem switching costs.

In addition, its June 30, 1997, "Rev. Req." as displayed in column F is incorrect for Ameritech.

However, MCI is correct in stating that Ameritech inappropriately included signal transfer point ("STP") port termination revenue in the calculation of tandem switching revenue requirement reallocated to tandem switching.[18] This inclusion was inadvertent and will be corrected with the tariff revisions filed this date. On the other hand, MCI's allegation that Ameritech should only deduct $1.8M as cost transferred from the RC when Ameritech created its SS7 rate structure is incorrect.[19] With the establishment of the unbundled rate structure,

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[17] Access Reform Order at ¶197.

[18] MCI petition at 10.

[19] *Id.*

Ameritech removed $4.1M from its RC, representing STP costs, and placed this revenue in the signaling interconnection band. Ameritech is including herewith Exhibit 3 from Transmittal No. 982 which implemented its unbundled SS7 rate structure. This shows the revenue that was removed from the RC and placed in the signaling interconnection band. This $4.1M represented the STP portion of the revenue from the Signal Transport, Signal Tandem Switching, and Signal Switching rate elements. Each of these rate elements either consists entirely of STP costs or has STP costs as a major component. This is clearly reflected in Exhibit 9, page 2 of 3, from Transmittal No. 1135.

MCI further complains that all LECs have not adjusted the revenue requirements of tandem trunk ports and SS7 in the same fashion in which the overall tandem switching requirement was adjusted.[20] It should be noted, that in the case of Ameritech, SS7 costs had previously been removed from the RC with the establishment of Ameritech's unbundled SS7 rate structure in 1996 and the Commission did not require an adjustment to those costs at that time. Consistent with that treatment of SS7 costs, Ameritech made the changes required in this access reform tariff filing by equating SS7 costs with the SS7 revenues currently recovered in its unbundled SS7 rate elements. Further, the Commission did not require that adjustments be made to tandem trunk port costs in a manner similar to those required for total tandem switching.

[20] MCI comments at 7.

IV. AMERITECH'S DEDICATED TANDEM TRUNK PORT DEMAND IS CORRECT.

MCI claims that Ameritech's tandem trunk port demand figure is inflated and that it reflects total demand, not just interstate demand.[21] That is not correct. Ameritech's dedicated trunk port demand, as noted on Exhibit 8 of Transmittal No. 1135, correctly represents only interstate demand. Ameritech's total company demand was obtained from its carrier access billing system ("CABS"). A percent interstate usage ("PIU") factor of 70% was then applied to the data yielding a total of 10,578 per month.

MCI's objection is curious since it admitted "while some LECs, such as Ameritech and Bell Atlantic, state that their demand figures reflect only interstate demand, others do not."[22]

[21] MCI petition at 11.

[22] MCI comments at 9.

V. AMERITECH CORRECTLY RECALCULATED ITS TANDEM-SWITCHED TRANSPORT RATES BASED ON ACTUAL MINUTES OF USE AND ADJUSTED ITS RC RATES ACCORDINGLY.

As required by the Access Reform Order,[23] Ameritech has recalculated its tandem-switched transport rates based on the actual minutes of use ("MOUs") per circuit rather than an assumed 9000 MOUs and on a revised weighted average of DS1 and DS3 rates reflecting the relative numbers of DS1 and DS3 circuits (copper/fiber mix) in the tandem to end office link. Using current network records, Ameritech determined that its current average MOU per trunk is 7332, while the percentage of DS1 circuits provisioned over copper is 3% while 97% are provisioned over fiber facilities. In 1993, 25% of Ameritech's DS1 circuits were provisioned over copper while 75% were provisioned over fiber. Using actual MOUs, current DS1 and DS3 rates and a new copper/fiber mix, Ameritech's recalculated tandem-switched transport rates turned out to be lower than existing rates. As a result, Ameritech has made an exogenous adjustment to its RC, adding the tandem-switched transport revenue shortfall into it. AT&T now complains generally that the revenue shortfall adjustment to the TIC is contrary to the Access Reform Order and that the Commission's expectation was that recalculated tandem-switched transport rates would lead to a reduction in the TIC.[24]

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[23] At ¶¶206-209.

[24] AT&T at 18-19.

Although the Commission's expectation may have been that the recalculation of tandem-switched transport rates would result in higher transport rates, the lower rates are the logical result of a higher fiber-to-copper circuit weighting and lower DS1 and DS3 rates than were the case in the 1993 tariff filing implementing local transport restructure. Adding the resulting revenue shortfall to the RC is completely consistent with maintaining the revenue neutrality of the filing and with the corresponding function of the RC in that regard. It must be remembered that the RC (of which it is assumed that this increment would be a part) is subject to elimination in accordance with the mechanism described by the Commission in the Access Reform Order.[25]

VI. AMERITECH'S METHOD OF DEVELOPING THE RATE FOR DS3/DS1 COMMON MULTIPLEXER ELEMENT WAS REASONABLE.

AT&T complains that Ameritech has used a formula in developing the rate for the new DS3/DS1 common multiplexer element that is different from that used by the other LECs.[26] While Ameritech may have developed the rate differently from the other LECs, the Commission did not prescribe the method to be used. The method used by Ameritech in developing the new DS3/DS1 common multiplexer rate is reasonable.

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[25] At ¶234.

[26] AT&T at 23.

Specifically, Ameritech determined the unit investments underlying the DS3/DS1 multiplexer and applied the appropriate annual charge factors and overhead loadings to the investments to determine the associated revenue requirement for the multiplexer.

AT&T indicates that other LECs have developed their DS3/DS1 multiplexing rates using two multiplexers, removing the cost of one DS3/DS1 multiplexer from the tandem-switched transport per minute rate, which has included the cost of an embedded multiplexer since the local transport restructure filings. However, Ameritech's new DS3/DS1 common multiplexer rate contains only one multiplexer. The second multiplexer will continue to be recovered in Ameritech's tandem-switched termination rate element.

VII. AMERITECH WILL CORRECT THE UNDERESTIMATION OF REVENUE EFFECT OF THE TRANSITION TO THE THREE-PART RATE STRUCTURE.

MCI correctly noted that Ameritech has underestimated the effect of the transition to the three-part rate structure by computing the difference in revenue between the unitary and three-part rate structures for only half a year.[27] Correction to this inadvertent error will be made in Ameritech's modification tariff filing this date.

[27] MCI petition at 11-12, MCI comments at page 11.

VIII. AMERITECH'S TREATMENT OF THE TIC EXEMPTION FOR COMPETITIVE ACCESS PROVIDER TRANSPORTED MINUTES IS APPROPRIATE.

MCI complains about Ameritech's decision to use an RC "credit" when transport is provided by a competitive access provider ("CAP") rather than assessing a lower rate. The use of a credit mechanism, however, is not unreasonable; nor is the concept new.[28] By using a credit in this case, Ameritech can bill a single RC on all switched access minutes, as it does today. Ameritech can review usage data to identify usage routed over CAP transport outside of the normal billing cycle and then issue a credit. This would simplify changes to the billing system. The per MOU recovery of the RC will only be short-lived in Ameritech. With this filing, Ameritech has eliminated it in Illinois and expects to eliminate it in the other states soon. Implementing massive billing system changes now to accommodate a separate rate would be unreasonable when the revenue involved is minimal and the rate is expected to be eliminated soon.

Moreover, a few months ago, Ameritech polled its largest IXC customers regarding the RC application to CAP-provided transport. MCI specifically requested that Ameritech issue credits and not bill a reduced rate. MCI cited reasons such as bill reconciliation and project tracking. Other IXC customers echoed MCI's preference. Thus, Ameritech's proposed credit process

[28] The "Readyline" credit was established to take into account that some 800 services were not configured in the traditional way, with one open end and one closed end. LECs were required to bill terminating CCL rates on the originating end of 800 services. However, since some 800 services have two open ends, LECs were then required to issue a credit for the difference between the originating and terminating rates for those particular 800 MOUs.

accommodates its customers' requests. Even if Ameritech were to implement MCI's proposed lower billing rate proposal, it would be contrary to the requests of its other IXC customers.

In addition, MCI further complains that Ameritech's proposed tariff language restricts the application of the TIC exemption in a manner not authorized by the Commission.[29] Ameritech's proposed tariff specifies that the competitive access provider transport residual credit applies only when CAP transport is provided using a DS1 cross-connect directly from the end office switch to the CAP's "collocation cage."[30]

Ameritech interprets the proper application of the RC credit as being only in those circumstances in which the CAP provides the multiplexers and interoffice transport. The CAP must supply all the transport facilities (including multiplexing) between the serving wire center and the end office in order for the credit to apply. Providing transport to the tandem switch will not qualify for the credit since a component of the RC includes tandem-switched transport subsidies.

Ameritech defines CAP-provided interoffice transport when the facility between the serving wire center and end office and any requested multiplexing is owned and operated by the CAP or other third party and the CAP has purchased a

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[29] MCI petition at 13.

[30] Note that, with the modification tariff filing this date, Ameritech is correcting the language replacing the term "collocation cage" with "collocation arrangement" to acknowledge that a CAP could interconnect via either physical collocation or virtual collocation.

collocation arrangement in the Ameritech end office and connects its fiber to that arrangement.

CAP-provided interoffice transport is identified by DS1 cross-connects purchased to connect trunks from Ameritech end office switches to CAP collocation arrangements. In Ameritech inventory systems, trunk groups are assigned connecting facility assignments/codes. When trunks move from switches to collocation arrangements, it is the collocation arrangement that becomes the connecting facility assignment. Ameritech identifies this connecting facility with a DS1 cross-connect USOC - DS1x.

For DS3 cross-connects, Ameritech provides a mulitplexer and LT1 inter-office transport facilities; LT1 facilities are required regardless of whether the facility routes 0 miles or 100 miles. Therefore, RC credit does not apply.

IX. AMERITECH MADE APPROPRIATE RC ADJUSTMENTS FOR MARKETING AND COE MAINTENANCE EXPENSE.

AT&T complains that Ameritech and other LECs have not applied both the COE maintenance and marketing exogenous cost adjustments to the TIC.[31] That is not the case. Ameritech has made cost adjustments for both COE maintenance and marketing expense as demonstrated in Exhibit 25 SUPP-EXG2. The exhibit shows downward RC adjustments of $13.1M for marketing and a total trunking basket adjustment of $36.2M for COE maintenance. Per the Commission-released

[31] AT&T at 32.

TRP, every service band category's SBI upper limit is affected. The RC impact would be 27% or $9.9M based on the percentage of RC PCI revenues to the trunking basket found in the Exhibit 25 SUM-1.

X. AMERITECH APPROPRIATELY DETERMINED THAT NO RC "TRUE-UP" WAS REQUIRED.

AT&T complains that many LECs did not perform TIC calculations to determine the remaining facilities-based portion of the TIC to determine whether there may have been excess targeting of PCI adjustments to the residual TIC.[32] However, Ameritech did not perform a separate true-up calculation because one was not necessary. A comparison of Exhibit 26, which shows a facilities-based cost of $51.8M in the RC to the proposed RC revenues of $148.1M (Exhibit 25 SUM-1) demonstrates there has been no excess targeting of reductions to the RC and that there is almost $100M of non-facilities-based cost still remaining.

XI. THERE ARE NO INCONSISTENCIES IN AMERITECH'S EUCL AND PICC DEMAND COUNTS.

First, AT&T inexplicably complains about the multi-line business end user common line ("MLB EUCL") reduction being characterized as a move to the non-primary residential ("NPRES") ISDN-BRI category.[33] However §69.152(l)(1) of the Commission's rules adopted by the Access Reform Order provides that ISDN-

[32] AT&T at 26-27, and at 32, note 26.

[33] AT&T at 36 and Exhibit K.

BRI service shall be assessed a non-primary EUCL as determined in §69.152(e) of the rules. Since historically these lines were assessed a multi-line EUCL because most ISDN-BRI customers were either Centrex or other multi-line customers, beginning January 1 there will be a natural shift of those multi-line EUCLs to the NPRES category. Exhibit 23 of Ameritech's Transmittal No. 1135 shows the counts of ISDN-BRI by state and by type of service.

AT&T complains that PICC counts differ from EUCL counts.[34] Similarly, MCI complains that Ameritech shows significantly fewer Centrex PICCs than Centrex EUCLs and fewer Lifeline PICCs than Lifeline EUCLs.[35] Both these commenters, however, ignored some very elemental aspects about the Commission's directives on the applications of PICCs that naturally result in PICC counts lower than EUCL counts.

First, the Commission has already tentatively concluded that Lifeline customers who are not presubscribed to an IXC because they have elected toll-blocking should not be assessed the PICC.[36] Thus, Lifeline end user lines that are not presubscribed to an IXC were not included in PICC primary residence demand.

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[34] AT&T at 37 and Exhibit L.

[35] MCI comments at 13.

[36] *See, Second Further Notice of Proposed Rulemaking*, CC Docket Nos. 96-45, 96-262, FCC 97-317 (released September 4, 1997).

Second, despite MCI's allegations to the contrary, Ameritech's demand for Centrex EUCLs and its demand for Centrex PICCs are equal. MCI may have missed the fact that Centrex PICC demand is divided between Centrex with eight or fewer lines and Centrex with more than eight lines.[37] The sum of these two PICC numbers equals the EUCL demand for Centrex; the Centrex demand shown in lines 130 and 135 of the CAP-1 forms of the TRP is equal for EUCL and PICC. Also, for multi-line business, EUCL demand is higher than PICC demand because, as described in Ameritech's proposed tariff provisions on page 70.2.1, and in the Description and Justification of Transmittal No. 1135 on page 3, Ameritech will not assess PICC charges for those services that are inward only. These services do not receive dial tone and cannot originate calls. The lines are not presubscribed to IXCs -- but it is not because of the end user's choice, but rather it is due to the nature of the service. Under the circumstances, it would be unreasonable to assess a PICC charge on a service that for which the end user cannot select a primary IXC.

Further, Sprint notes that Ameritech's MLB and ISDN-PRI PICC lines are significantly lower than the corresponding EUCL line counts.[38] This is simply due to the fact that each ISDN-PRI service application is assessed five EUCLs but one PICC.

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[37] See, Exhibit 23 of Transmittal No. 1135.

[38] Sprint at 3.

Finally, AT&T challenges Ameritech's methodology for determining the PICC for a three number ISDN-BRI customer.[39] Ameritech's methodology, however, is reasonable. ISDN-BRI provides two "B" channels. Each of these channels may have two primary telephone numbers, which can be presubscribed to an IXC. Thus, a single ISDN-BRI could have four different PICs. In actuality, most services have one phone number, one PIC. Ameritech studied various ways of assessing PICCs, so that the appropriate IXC is billed, whether the service has one PIC or four.

Given the short time between the release of the Commission's orders and required implementation, it was not feasible to set the PICC rate at $1.50 per service in a manner that would somehow have to be split among all presubscribed carriers by BRI.

By setting the PICC rate based on the average number of telephone numbers, Ameritech has attempted to strike a balance. Very few, if any, IXCs serve only one ISDN customer. Billing for PICCs is aggregated each month for a carrier by state. Within any state, therefore, a carrier will serve ISDN customers with both single and multiple telephone number systems. On average, the amount billed for PICCs for each carrier should approximate the $1.50 maximum rate per service. Ameritech has attempted to develop a billing methodology that is reasonable since no IXC will actually be overcharged in the aggregate.

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[39] AT&T at 37.

XII. AMERITECH HAS ALLOCATED USF EXOGENOUS COSTS APPROPRIATELY AMONG THE PRICE CAP BASKETS.

AT&T erroneously claims that Ameritech has underestimated its end user revenues in the trunking basket for the purposes of distributing USF exogenous costs to that basket.[40] AT&T claims that "Ameritech has used only $2,451,070 of its $67,653,747 Trunking basket revenues for purposes of USF exogenous cost distribution."[41] AT&T clearly does not understand Ameritech's Transmittal No. 1135 Exhibit 4. It shows that Ameritech has $67,653,747 of total interstate end-user revenue and it is displayed by service category. It is this revenue which is used to allocate the trunking basket portion of the USF exogenous cost. The Access Reform Order[42] specifically instructs the price cap LECs to apply the full amount of the exogenous cost adjustment among the common line, interexchange and trunking baskets. It further states that to reflect the exogenous adjustment to the trunking basket, the LECs should increase the SBIs in appropriate categories based on relative end-user interstate revenues. This is what Ameritech has done.

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[40] AT&T at 42.

[41] *Id.*

[42] At ¶375.

XIII. PICCs ARE APPROPRIATELY ASSESSED WITH RESPECT TO INFORMATION SERVICE PROVIDER LINES.

Sprint takes issue with Ameritech's tariff provision that specifies that "The types of lines for which the PICC applies corresponds to the types of lines for which End User Common Line charges apply."[43] Sprint maintains that because ISPs do pay subscriber line charges, Ameritech's tariff should be revised to specify that ISP lines are exempt from the PICC.[44]

Sprint's claims are misguided. It is clear that the Commission's exemption for ISPs from access charges was not meant to exempt ISPs from those charges that would normally be applicable to any purchaser of local exchange services. Clearly EUCL charges do apply to ISP lines purchased out of state tariffs. Similarly, the PICC charge should apply to any ISP line for which there is no presubscribed carrier just as it would apply to any end user purchaser of services out of the state tariffs. In all other cases, the assessment of a PICC with respect to an ISP line would be to an IXC, so the ISP exemption would not apply in that case in any event. In other words, treating ISP-subscribed exchange lines the

[43] Section 3.5.2.

[44] Sprint at 2.

same as other end user exchange lines for the purposes of assessing PICCs does not violate the Commission's exemption of IXCs from the payment of access charges anymore than would the assessment of the EUCL on those lines.

Respectfully submitted,

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Dated: December 17, 1997

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Ameritech
Tandem Switching Rate Calculation

1	Total Access Tandem Revenue Requirement	ARMIS	56,128,605
2	Revenue Requirement for Tandem–Switching Rate	L1 x 20%	11,225,721
3	Transport Minutes of Use	Trans No. 735	40,877,285,799
4	Percent Tandem–Routed		28.15%
5	Tandem–Switching Demand		11,506,955,952
6	Tandem–Switching Rate		0.000976

Ameritech
Residual Charge Calculation

1	Revenues, Current Structure Trans 726		446,042,035
2	Revenues, Proposed Structure (less Residual) Restructure Demand x Proposed Rates		102,497,058
3	Differences in Revenues	L1 – L2	343,544,977
4	Base Period Demand Local Switching Minutes Premium		37,546,087,899
5	Base Period Demand Local Switching Minutes Non–Premium		50,252,421
6	DA Transport Messages		106,380,438
7	Minutes/Message Factor	Exhibit 11	0.7145
8	DA Transport Minutes	L6 x L7	76,008,823
9	Calculated Switched Transport Residual Premium	L3/(L4+L8+(L5*.45))	0.009126
10	Calculated Switched Transport Residual Non–Premium	L9*.45	0.004107
11	Calculated DA Transport Residual	L9 x L7	0.006521
12	Proposed Switched Transport Residual Premium		0.008354
13	Proposed Switched Transport Residual Non–Premium	L12*.45	0.003759
14	Proposed DA Transport Residual		0.005969