

AT&T also claims that Bell Atlantic's Lifeline EUCL counts decreased.<sup>48</sup> This is not correct. As is shown in AT&T's Exhibit K, Bell Atlantic increased its Lifeline EUCL demand in this filing by 182,244 lines in the south and by 33,094 lines in the north. Under the Commission's new universal service rules, Bell Atlantic will initiate Lifeline service on January 1, 1998 in New Jersey, Delaware, and New Hampshire. Lifeline customers in these states are currently charged the full residential EUCL, but will be included in Lifeline demand in the future.

**B. The Commenters Are Wrong In Assuming That PICC Counts Should Equal EUCL Counts.**

The commenters complain that none of the local exchange carriers' filings show the same demand levels for presubscribed interexchange carrier charges ("PICCs") as for EUCLs.<sup>49</sup> However, as they note, this difference is due to the fact that the LECs do not charge EUCLs to themselves on official lines or to their employees on concession services.<sup>50</sup> In addition, EUCLs do not apply to Feature Group A lines. However, official lines, concession service lines, and Feature Group A lines can be, and are, presubscribed to interexchange carriers. The Commission's rules require the LECs to assess PICCs on

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<sup>48</sup> *See id.*

<sup>49</sup> *See* MCI, pp. 13-14; AT&T, pp. 37-38; Sprint, pp. 2-4.

<sup>50</sup> *See* MCI, p. 14; AT&T, p. 38. The differences between EUCL and PICC counts on pages 3 and 4 of Sprint's comments are due to the exclusion of official lines from the EUCL charges.

all presubscribed lines.<sup>51</sup> For this reason, the count of PICCs will always exceed the count of EUCLs.<sup>52</sup>

The commenters argue that the Commission should order the LECs to treat official/employee lines the same for EUCL and PICC purposes by applying a EUCL charge on all lines that are assessed a PICC.<sup>53</sup> There is no merit to this argument. Since access charges were first established, the LECs have never assessed EUCLs on these lines. The Commission's rules have not changed in this regard. Moreover, such an imputation would have no effect on the LECs' overall rate level, as the "cost" of paying the EUCLs to themselves would be exactly matched by the additional "revenues."

**C. The Commenters Have Demonstrated No Errors In The Estimates Of Non-Primary Lines.**

AT&T requests suspension and investigation of all of the LECs' tariff filings because the projections of non-primary residential lines are below AT&T's

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<sup>51</sup> See 47 C.F.R. 69.153.

<sup>52</sup> In preparing this reply, Bell Atlantic did discover one computational error in the worksheet it used to develop the PICC demand forecast. The number on CAP-1, line 100 "Total Primary Res & SLB PICCs" for Bell Atlantic- South should have been 145,783,722 instead of 146,726,094. This error was corrected in the December 17, 1997 tariff filing, reducing the difference between the PICC and EUCL counts by 942,372.

<sup>53</sup> See MCI, p. 14; AT&T, p. 38.

expectations.<sup>54</sup> AT&T expected non-primary lines to run between 10 to 20 percent of total residential lines, while the LECs reported percentages generally below 10 percent.<sup>55</sup>

AT&T has provided no evidence to back up its "expectations," or to impugn the validity the LECs' line counts. AT&T makes a generalized reference to "ex parte presentations, Census Bureau data, and figures from Hatfield Model 4.0 national runs," but notably fails to submit these data for scrutiny by the Commission or the LECs.<sup>56</sup> This is understandable, since none of AT&T's data has proven to be reliable. Despite years of development, the Hatfield Model still produces grossly inaccurate estimates of subscriber lines, which is remarkable considering that the actual line counts are readily available.<sup>57</sup> If the designers cannot produce a model that mirrors actual data when they know the right answer in advance, they cannot validly claim to produce an accurate picture of second lines, for which there are no historical data on the record. In addition, AT&T does not explain what definition of non-primary lines it used in developing its estimates of nationwide totals. Since, as AT&T notes, the Commission has not defined non-primary lines, the LECs have had to develop their own definitions. For example, Bell Atlantic

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<sup>54</sup> *See* AT&T, pp. 38-40.

<sup>55</sup> *See id.*, Exhibit M.

<sup>56</sup> All of the references to other sources of data are likely to be the same, since Hatfield derives its line counts from Census Bureau data, and since AT&T's own ex parte submissions have relied upon Hatfield data. *Cf. Defining Primary Lines*, 12 FCC Rcd 13647 (1997), para. 19.

<sup>57</sup> *See* Comments of Bell Atlantic on Hybrid Cost Proxy Model, CC Docket Nos. 96-45, 97-160, filed Nov. 16, 1997, Attachment.

defines a non-primary line as a second line at a single service address that has the same billing name as the primary line.<sup>58</sup> If AT&T defined non-primary lines as second lines at the same billing address, even if billed to a different subscriber name, its percentage of non-primary lines would be different than Bell Atlantic's.

Moreover, statistical analyses like the Patfield Model are inherently inferior to actual billed data. To develop its estimate of non-primary lines, Bell Atlantic relied on actual billing data using a sample of all subscriber lines in the State of New Jersey. Therefore, Bell Atlantic's study should provide a reliable estimate of the percentage of non-primary lines in the Bell Atlantic region, and it is far more accurate than the output of a theoretical model.

Nonetheless, Bell Atlantic recognizes three facts. First, customers may try to avoid the higher non-primary line rates by changing billing names or by taking other actions that would make it difficult to enforce the definition of second lines. Second, any new billing system change of this scale can produce unexpected problems. And third, the Commission may adopt a much different definition of second lines in its pending rulemaking proceeding. All of these factors will impact the ability of Bell Atlantic and the other LECs to implement the two-tiered structure for residential EUCLs and PICCs. For these reasons, Bell Atlantic supports the proposal of AT&T and Sprint to eliminate the distinction between primary and non-primary residential lines. The Commission should also consider a true-up process within a certain period of time after sufficient billing data are available. Bell Atlantic desires neither a windfall due to an overestimate

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<sup>58</sup> See TRP D&J, p. 40.

of non-primary lines nor a shortfall due to an underestimate. The Commission should set a date by which the LECs would true-up their revenues for both fixed rate charges and usage charges to account for any significant variations between projections of non-primary lines and actual billed data.

**D. There Is No Basis For Excluding Information Service Provider Lines From PICCs.**

Sprint argues that the LECs' tariffs should exclude lines provided to information service providers ("ISPs") from application of PICCs.<sup>59</sup> There is no merit to this proposal. As Sprint recognizes, the Commission has exempted ISP lines from assessment of interstate carrier access charges, and it has allowed ISPs to pay end user rates instead.<sup>60</sup> The Access Charge Reform Order made it clear that "ISPs should remain classified as end users for purposes of the access charge system."<sup>61</sup> Under the Commission's rules, all end user lines are to be assessed PICCs, payable either by the end user's presubscribed carrier, or by the end user if no carrier has been presubscribed.<sup>62</sup> Any change in this rule would require a rulemaking proceeding.

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<sup>59</sup> *See* Sprint, p. 2.

<sup>60</sup> *See id.*

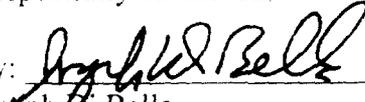
<sup>61</sup> *See* Access Charge Reform Order, para. 348 (emphasis added).

<sup>62</sup> *See* 47 C.F.R. 69.153.

## V. Conclusion

Bell Atlantic's TRP demonstrates that it has correctly calculated the rate changes needed to implement the Commission's Access Charge Reform Order. The Commission should reject the requests to suspend and investigate Bell Atlantic's access restructure tariffs. If the Commission nonetheless investigates the tariffs, it should protect ratepayers and carriers alike by putting the parties on notice that it will require a true-up at a later date to correct both revenue shortfalls and over-recoveries.

Respectfully submitted,

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ATTACHMENT A  
(Information submitted under separate cover with  
request for confidential treatment.)

TIC RECALCULATION - PER AT&T  
Bell Atlantic - North

(\$ in Thousands)

100	June 30, 1997 TIC (1997 Annual Filing SUM-1 Ln 171b)	647,053
	<b>TIC REMOVAL COSTS</b>	
200	EOS/STP SS7 Link	422
210	Tandem Switch Trunk Port	16,114
220	Tandem SS7 Signalling	4,263
230	Tandem Switch Revenue	9,347
240	Switch Host/Remote	21,773
250	Actual vs. 9000 Reinitialization (inc tdm mux)	1,731
260	Zone Differentiation	44
270	Marketing	32,086
280	COE Maintenance	23,227
290	EO/Tandem Switched Mux (analog)	1,229
295	TOTAL TIC REMOVAL COSTS (Sum Ln 200 to 290)	110,236
300	RECALCULATED TIC (Ln 100 minus Ln 295)	536,817
	<b>FACILITIES BASED PORTION OF TIC</b>	
400	Unitary Transport Price Restructure	10,944
410	2/3 Tandem Switch Reallocation	18,695
430	TOTAL FACILITIES BASED PORTION OF TIC (Ln 400+Ln 410)	29,639
500	NEW RESIDUAL TIC (Ln 300 minus Ln 430)	507,178
600	TARGETED TIC (Annual Filing PCI-1 sum across line 237)*	177,931
700	Excess Targeted TIC (If Ln 600<Ln 500, then 0)	0

\*AT&T's form mistakenly referenced form SUM-1, line 237c

## TIC RECALCULATION - PER AT&amp;T

Bell Atlantic - South

(\$ in Thousands)

100	June 30, 1997 TIC (1997 Annual Filing SUM-1 Ln 171b)	367,726
	<b>TIC REMOVAL COSTS</b>	
200	EOS/STP SS7 Link	81
210	Tandem Switch Trunk Port	18,828
220	Tandem SS7 Signalling	11,247
230	Tandem Switch Revenue	3,554
240	Switch Host/Remote	14,332
250	Actual vs. 9000 Reinitialization (inc tdm mux)	8,367
260	Zone Differentiation	62
270	Marketing	9,719
280	COE Maintenance	18,126
290	EO/Tandem Switched Mux (analog)	3,129
295	TOTAL TIC REMOVAL COSTS (Sum Ln 200 to 290)	87,445
300	RECALCULATED TIC (Ln 100 minus Ln 295)	280,281
	<b>FACILITIES BASED PORTION OF TIC</b>	
400	Unitary Transport Price Restructure	8,270
410	2/3 Tandem Switch Reallocation	7,108
430	TOTAL FACILITIES BASED PORTION OF TIC (Ln 400+Ln 410)	15,378
500	NEW RESIDUAL TIC (Ln 300 minus Ln 430)	264,903
600	TARGETED TIC (Annual Filing PCI-1 sum across line 237)*	169,318
700	Excess Targeted TIC (If Ln 600<Ln 500, then 0)	0

\*AT&amp;T's form mistakenly referenced form SUM-1, line 237c

**IMPACT OF UNITARY RATE STRUCTURE  
BELL ATLANTIC NORTH**

**ATTACHMENT C**

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(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)=(F+I)x12
LATA	TRUNKS	VG	DS1	DS3	MONTHLY DTT IMPACT	MOU	MOU*MILE DIFFERENCE	MONTHLY LTF IMPACT	ANNUAL NET IMPACT
120	17	0	1	0	\$75	43,149,742	190,548,796	\$5,716	\$69,492
122	5,250	10	69	10	\$80,066	78,858,431	-208,265,400	(\$6,248)	\$885,816
124	3,016	3	47	5	\$86,692	45,269,709	-269,631,487	(\$8,089)	\$943,236
126	43	0	3	0	\$434	34,934,763	0	\$0	\$5,208
128	26,509	21	475	36	\$303,800	228,237,682	-684,179,346	(\$20,525)	\$3,399,300
130	119	0	7	0	\$898	36,906,520	-22,881	(\$1)	\$10,764
132	59,274	26	1,123	68	\$442,706	462,778,394	-1,398,254,423	(\$41,948)	\$4,809,096
133	1,534	0	30	2	\$10,279	20,334,725	7,919,802	\$238	\$126,204
134	421	1	9	1	\$22,697	36,913,178	173,098,709	\$5,193	\$334,680
136	1,310	0	11	2	\$16,843	37,342,695	38,279,485	\$1,148	\$215,892
138	174	0	3	1	\$6,122	14,006,647	21,324,784	\$640	\$81,144
140	993	1	25	1	\$4,711	38,277,500	14,176,415	\$425	\$61,632
TOTAL	98,659	61	1,802	125	\$975,323	1,077,009,986	-2,115,005,546	(\$63,450)	\$10,942,476

**IMPACT OF UNITARY RATE STRUCTURE  
BELL ATLANTIC SOUTH**

Bell Atlantic		Attachment 6				
Calculation of DTT to Tandem						
		End Office	Tandem	Total	% EO	% TAN
<b>No. of Trunks (Dec '96 data)</b>						
1	Voice Grade	29,299	1,588	30,887	94.86%	5.14%
2	DS1	101,711	104,970	206,681	49.21%	50.79%
3	DS3	322,234	184,471	506,705	63.59%	36.41%
4	Total L1..L3	453,244	291,029	744,273		
<b>MOU/Trunk</b>		96 MOUs	Monthly MOUs	No. Trunks	MOU/trunk	
5	End Office L7-L5	64,642,708,201	5,386,892,350	453,244	11,885	
6	Tandem 96 billed Mo	19,211,291,799	1,600,940,983	291,029	5,501	
7	Total 96 billed MO	83,854,000,000	6,987,833,333	744,273	9,389	
<b>% Direct and % Tandem applied to 1996 DS1 and DS3 EF Demand</b>						
Inputs		Month-to-Month	5-year			
8	DS1 - fixed	\$60.00	\$45.00			
9	DS1 - per mile	\$17.70	\$10.50			
10	DS3 - fixed	\$900.00	\$750.00			
11	DS3 - per mile	\$180.00	\$80.00			
12	Ave. mileag Note 1	10	10			
13	DS3/1 mux	\$525.00	\$425.00			
1996 Price Cap Demand		Month-to-Month	5-Year			
14	DS1 Ent. Fac.	42,985	42,985			
15	DS3 Ent. Fac.	6,947	6,947			
% Tandem routed						
16	DS1 Ent. Fa L2	50.79%	50.79%			
17	DS3 Ent. Fa L3	36.41%	36.41%			
18	DS1 EF - Ta L14*L16	21,831	21,831			
19	DS3 EF - Ta L15*L17	2,529	2,529			
20	DS1 fixed re L18*L8	1,309,884	982,413			
21	DS3 fixed re L19*L10	2,276,212	1,896,843			
22	DS3 mux re L19*L13	1,327,790	1,074,878			
23	DS1 per mil L18*L9*L12	3,864,158	2,292,297			
24	DS3 per mil L19*L11*L1	4,552,424	2,023,300			
25	Total revenu L20.L24	13,330,468	8,269,731			

Note 1: Average mileage to tandem based on 96 billed tandem mile minutes divided by fixed minutes = 18.  
Used 10 as estimate for SWC to Tandem portion

**METHODOLOGY FOR DETERMINING THE  
EFFECT OF ELIMINATING THE UNITARY RATE STRUCTURE**

The attached analysis quantifies the estimated annual financial impact that the elimination of the unitary tandem switched transport ("TST") rate option would cause in the Bell Atlantic region.

The Bell Atlantic-north analysis is the sum of two pieces: (1) the increased revenue for direct trunked transport ("DTT") for the facility between the serving wire center ("SWC") and the tandem; and (2) the reduction in Local Transport Facility revenue which would result from changing the mileage measurement component of this rate element from an end office-to-SWC mileage measurement to an end office-to-tandem mileage measurement. The estimate was derived through a detailed analysis (by customer, by network route) of historical tandem routed traffic and a set of reasonable assumptions.

For the DTT portion of this analysis, an inventory of existing customer trunks at each access tandem was converted to the transport facilities that would be required under a three-part structure. Only non 0-mile routes were quantified since there are no DTT charges for 0-mile tandem-to-SWC routes. The conversion assumed that customers would choose the most economic mode of DTT; VG, DS1, or DS3. The conversion and resulting financial impact also assumed that customers would continue to exhibit historical purchasing habits by taking advantage of term discount plans. The financial impact and DTT demand was also multiplied by the historical PIU for the minutes routed over these facilities in order to compute the interstate revenue impact.

The estimate for Bell Atlantic-south was performed differently, because actual trunk counts from the tandem office to the serving wire center were not available. Bell Atlantic-south first determined the percentage of total transport trunks that terminate at access tandems. This percentage was then applied to actual billed DS1 and DS3 direct trunked entrance facility ("DTEF") demand from the carrier access billing system ("CABS") to determine estimated DS1 and DS3 tandem switched transport ("TST") trunking demand from the access tandem to the serving wire center under the three-part structure. Finally, the estimated TST demand was priced out using 5 year term discount plan prices. The price-out assumed that customers will continue to exhibit historical purchasing habits by taking advantage of term discount plans. No change was made to the end office-to-tandem revenues.

These analyses do not take into account the competitive losses or network rearrangements from tandem to direct routing which will certainly result from the dramatic shift in pricing between direct and tandem-routed traffic.