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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 Charge Reform	)	CC Docket No. 96-262
Transport Rate Structure and Pricing	)	CC Docket No. 91-213

AT&T OPPOSITION TO PETITIONS FOR RECONSIDERATION

Pursuant to the Commission's Public Notice, Report No. 2255, released February 5, 1998,[1] and Section 1.429 of the Commission's Rules, 47 C.F.R. § 1.429, AT&T Corp. ("AT&T") hereby opposes the petitions for reconsideration filed by the SBC Companies ("SBC") and U S WEST, Inc. ("U S WEST") of the Commission's Third Report and Order in the above proceedings. In that order, the Commission reformed the allocation of general support facilities ("GSF") in the interstate jurisdiction to ensure incumbent local exchange carriers ("LECs") could no longer recover through access charges the costs associated with their nonregulated billing and collection functions. Contrary to SBC's and U S WEST's positions, the Commission properly decided to eliminate this

1 Access Charge Reform, CC Docket Nos. 96-262, 91-213, Third Report and Order, FCC 97-401, released November 26, 1997 ("Third Report and Order").

patent cross-subsidy that permitted LECs to recover nonregulated billing and collection costs through interstate access charges.

THE COMMISSION SHOULD NOT RECONSIDER ITS DECISION TO MODIFY THE ALLOCATION OF GENERAL SUPPORT FACILITIES.

In the Third Report and Order, the Commission concluded that its existing rules failed to allocate any GSF investment, including general computer equipment, to the billing and collection category, despite the fact that LECs utilize general purpose computers in providing nonregulated billing and collection services to other carriers.[2] Notwithstanding their opposition to the ruling, U S WEST and SBC do not dispute this fact.

As the Commission noted, the "data cited in the *Further Notice* and included in several comments disclose that the LEC allocation of nonregulated billing and collection costs attributable to general purpose computers and other support assets is a significant problem. Under our current rules, no portion of the costs of general purpose computers is assigned to the billing and collection category even though such

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2 Third Report and Order, para. 17. To correct this problem, the Commission required the LECs to allocate a portion of the general purpose computer investment (Account 2124) to the billing and collection category on the basis of the Big Three Expense Factors allocator, modified to exclude expenses apportioned using allocators that include GSF investment. Because computers occupy land and buildings, and rely on office equipment, the Commission required a similar allocation of investment in Land (Account 2111), Buildings (Account 2121) and Office Equipment (Account 2123).

computers are clearly used in that activity." Third Report and Order, para. 17. Accordingly, the Commission modified the allocation mechanism and required "each price cap LEC that uses regulated assets to provide nonregulated billing and collection services to make a downward exogenous adjustment to its January 1, 1998 PCIs [price cap indices] and related indices. [] By making this change . . ., we can eliminate most of the impact of the GSF cost misallocations on each of these LECs' current PCIs so that prospectively these costs are not recovered from interstate access ratepayers." *Id.*, para. 48.

Not only do U S WEST (at 5) and SBC (at 5) concede that the preexisting rules did not assign GSF costs to the billing and collection category, neither petitioner advances any valid basis for reconsidering and overturning the Commission's sound decision or "phasing-in" the impact of the ruling over a transition period.

U S WEST's entire petition (at 1, 4) is premised on the notion that the GSF rule changes adopted by the Commission will force it to raise prices for its billing and collection services, with the result that those increases may be "beyond the means of small interexchange carriers" and that these increases could put the service into a "death spiral" ultimately precluding U S WEST from offering the service at all. U S WEST's petition should be rejected on several grounds. For one, U S WEST offers no evidence to support its dire predictions. Moreover, in the comment cycle preceding adoption of the Third Report and Order, there was not one word of concern expressed by any small IXCs or IXC associations regarding anticipated problems due to shifts of GSF costs from interstate access to nonregulated billing and collection. By contrast, the Third Report and Order (para. 22) documents the existence of a cross-subsidy problem under the prior rules which required access customers to underwrite nonregulated billing and collection costs.

SBC's rationale for opposing the rule change appears to be that although there were no GSF costs allocated to the billing and collection category, there were other overallocations to that category which, in its case, were sufficient to account for costs incurred by billing and collection. Whatever these purported misallocations may be, SBC certainly offers no evidence about them. SBC does proffer some 1996 data estimating that its billing and collection costs will exceed its billing and collection revenues, leaving it with a negative net. Whether or not this is so, it was reasonable for the Commission to focus on total interstate operating revenues from billing and collection activities and it concluded that the filed data show that the RBOCs and GTE report interstate billing and collection revenues of about $536 million and related operating expenses of $439 million for 1996. Third Report and Order, para. 18.

In short, neither U S WEST nor SBC has shown any basis for reconsideration or a phase-in of the GSF rule change over a multi-year period. Indeed, even the suggestion of a subsidizing nonregulated billing and collection activities since 1988 -- ten years. That is surely long enough.

GSF is a real cost that, prior to the Commission's ruling in the Third Report and Order, was being improperly recovered through access charges. The recovery of these costs, which are clearly associated with nonregulated billing and collection services, through access charges is contrary to the Commission's explicit goal of preventing carriers from using their regulated services to support their nonregulated operations. This burdening of regulated access with the costs of billing and collection is fundamentally inconsistent with the Commission's objective of ensuring full cost separation between regulated and nonregulated activities.[3] The Commission recognized that problem and resolved it.

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[3] Separation of Costs of Regulated Telephone Services from Costs of Nonregulated Activities, 2 FCC Rcd. 1298, para. 37 (1987) ("Joint Cost Order").

CONCLUSION

For the reasons stated above, the Commission should not reconsider or modify its decision to reallocate GSF costs to the billing and collection category.

Respectfully submitted,

AT&T CORP.

By /s/ Judy Sello

Mark C. Rosenblum
Peter H. Jacoby
Judy Sello

Room 3245I1
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984

Its Attorneys

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CERTIFICATE OF SERVICE

I, Viola J. Carlone, do hereby certify that on this 26th day of February, 1998, a copy of the foregoing AT&T Opposition to Petitions for Reconsideration was served by U.S. first class mail, postage prepaid, to the parties listed below.

Robert M. Lynch
Durward D. Dupre
Thomas A. Pajda
Room 2403
One Bell Plaza
Dallas, TX 75202
Attorneys for
Southwestern Bell Telephone Co.
Pacific Bell
Nevada Bell

Richard A. Karre
U S WEST, Inc.
Suite 700
1020 19th Street, NW
Washington, DC 20036

Viola J. Carlone

Viola J. Carlone