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

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Forward-Looking Mechanism for High Support for Non-Rural LECs	)	CC Docket No. 97-160
	)	
State Forward-Looking Cost Studies	)	ADP No. 98-1
	)	DA 98-1055

REPLY OF AMERITECH

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REPLY OF AMERITECH

I. INTRODUCTION AND SUMMARY.

The Commission has established a process that permits states to submit their own forward-looking economic cost studies for use in calculating federal support for non-rural eligible telecommunications carriers' rural, insular, and high cost areas to be distributed beginning on January 1, 1999.[1] Subsequently, the Commission set forth the uniform cost study review plan that would standardize the format for presentation of cost studies in order to facilitate review by interested parties and by the Commission.[2] On May 26, 1996, three of these states served by Ameritech— Illinois, Indiana and Michigan— sponsored cost studies for areas served by Ameritech. The Common Carrier Bureau sought comments on whether these and other state-sponsored cost met the criteria specified in the Universal Service Order. Also, the Bureau sought comments on whether the Commission should grant Ameritech Michigan's

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[1] *In the Matter of Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, Report and Order, FCC 97-157 (released May 8, 1997)("Universal Service Order") at ¶ 248.

[2] See, State Forward-Looking Cost Studies for Federal Universal Service Support, CC Docket Nos. 96-45 and 97-160, DA 98-217, (released February 27, 1998).

request for a waiver to the requirement established in criterion 5 of the Universal Service Order that economic lives and future net salvage percentages used to calculate depreciation expenses must be within Commission authorized ranges.[3]

While many parties filed comments by the Bureau's deadline, only two parties, AT&T and MCI, directly or indirectly, criticized the cost studies applicable to areas served by Ameritech. Consequently, Ameritech will restrict this reply to the specific criticisms of AT&T and MCI that appear to be directed, at least in part, toward the three cost studies that are applicable to Ameritech. In addition, because Indiana's submitted study relied on BCPM, Ameritech will primarily focus on the Illinois and Michigan studies.

II. ILLINOIS AND MICHIGAN STUDIES PROVIDE REASONABLE ESTIMATES OF FORWARD-LOOKING COSTS.

AT&T claims that Illinois' and Michigan's "smorgasbord" approach makes it next to impossible to review these state-sponsored studies.[4] As BellSouth noted in their comments in this proceeding, "State commissions bring decades of experience to this determination of real world costs."[5] Specifically, the commissions of both Illinois and Michigan have long histories for reviewing, criticizing and approving long-run incremental economic cost studies for retail services.

In particular, both commissions have had long and detailed proceedings dealing with TELRICs for unbundled network elements. AT&T and MCI were active participants in these

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[3] See, Common Carrier Bureau Seeks Comment on State Forward-Looking Cost Studies for Universal Service Support, CC Docket Nos. 96-45 and 97-160, APD No. 98-1, DA 98-1055 (released June 4, 1998)

[4] AT&T at p. 17.

[5] BellSouth at p. 2.

proceedings as well as the universal service cost proceedings for each state. The litany of cost models that underlie the Illinois and Michigan submissions have been made available to interested parties in each state's universal service cost proceeding comparable to the access provided in each TELRIC proceeding. Given the time frames required to develop universal service cost studies and to gain state commission approval, it is not surprising that these commissions took to heart the FCC's encouragement to use the experience gained from the TELRIC proceedings.[6] Consequently, the Illinois and Michigan commissions each embraced a cost estimation framework consistent with its own TELRIC proceeding as well as the relevant portions of the Universal Service Order. Given this reliance on the TELRIC proceedings and the additional evidence gathered during the corresponding proceedings on universal service costs, both the Illinois and Michigan commissions had sufficient evidence and justifications to judge that Ameritech's cost studies should be approved for their intended use by the FCC.

With respect to AT&T and MCI's claim that the Michigan study is deficient because Ameritech used "closure factors" to align costs with those of Case No. U-11280, Ameritech Michigan's TELRIC proceeding,[7] the Michigan Public Service Commission ("MPSC") was aware the using closure factors have both benefits and costs. An understanding of the basic history of Ameritech's application in Michigan should help explain the context in which the MPSC balanced opposing views regarding closing factors. On January 28, 1998, the MSPC dismissed Case No. U-11573, Ameritech Michigan's original application for universal service costs, because it was not consistent with an order in Case No. U-11280 issued on the same day. Nevertheless, the MPSC indicated that all substantive issues were determined in Case

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[6] Universal Service Order at ¶251.

No. U-11280, except for reviewing Ameritech's retail shared and common cost analysis and the geographic disaggregation of loop costs, and directed Ameritech to resubmit its study consistent with the most recent TELRIC order.[8] In other words, the MPSC desired that Ameritech's universal service cost study rely on the findings of the TELRIC proceeding. Subsequently, Ameritech did re-file its application with a cost study that was consistent with the most recent TELRIC order. The parties in the Michigan proceeding were well aware of the use of "closure factors" in both Ameritech's original and subsequent studies. The use of closing factors in Michigan lowered the FLECs for all Ameritech Michigan wire centers. The MPSC clearly and directly examined their use:

> Absent these factors, Ameritech Michigan could not disaggregate its network in a manner that had the sum of network parts equal the entirety of the network. In effect, Ameritech Michigan has created costs or network synergy where the sum of the network parts exceeds the network as a whole. Closing factors essentially scale down the disaggregated study results to a level equal that in Case No. U-11280. The Commission is concerned with the existence and use of closing factors, but that concern must be tempered with the realization that the FCC's new FLEC study filing deadline provides little time for a comprehensive recalculation of Ameritech Michigan's FLECs. Additionally, the Commission does not intend to revisit its TSLRIC methods approved in Case No. U-11280 prior to the normal biennial review.[9]

In other words, the MPSC was cognizant of the basic tradeoffs associated with using closing factors and did not conclude that "the closing factor approach Ameritech did use in Michigan was obviously wrong."[10] Hence, despite the concerns expressed by AT&T and MCI, the

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[7] AT&T at 18-19; MCI at 37.

[8] See the ordering clauses in the MPSC order "In the Matter of the Application of Ameritech Michigan for Approval of its Forward-Looking Economic Cost Study for Use in Determining Federal Universal Service Support," Case No. U-11573, January 28, 1998, ("January 28 Order"), a copy of which was attached to Ameritech Michigan's Request for Waiver.

[9] See the MPSC order "In the Matter of the Application of Ameritech Michigan for Approval of its Forward-Looking Economic Cost Study for Use in Determining Federal Universal Service Support," Case No. U-11635, May 11, 1998, p. 9 ("May 11 Order"), a copy of which was attached to Ameritech Michigan's Request for Waiver.

[10] AT&T at 18.

MPSC found that "the use of Ameritech Michigan's closing factors for this case is reasonable and will be permitted "[11] In addition, the use of closure factors as used in the Michigan study does not violate any of the criteria described in ¶ 250 of the Universal Service Order.

However, AT&T's claim that Ameritech's results for Illinois must be in error because no such closing factors were used in the Illinois study[12] is based on the misguided belief that "a unified universal service cost estimation framework" requires all state commissions to adopt a single model with the same inputs. The logical extension of AT&T's argument is that the FCC did not give state commissions the independent opportunity to develop FLECs for universal service that might differ from the ultimate results that the FCC will reach for the default federal cost model. Not only does this approach go beyond the criteria of the Universal Service Order, it nullifies the process that the FCC established in ¶ 248 of the Universal Service Order. Rather, the Illinois and Michigan studies legitimately relied on different TELRIC proceedings. The Illinois study relies substantially on the methodology, models and inputs established in the Illinois TELRIC proceeding for the universal service cost study. The Michigan study puts a major reliance on using the cost numbers that were the outcomes of Case No. U-11280, which ultimately reflected costs for both retail services and UNEs. Consequently, the lack of using closure factors in Illinois is neither an error nor inconsistent with the FCC criteria found in ¶ 250 of the Universal Service Order.

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[11] May 11 Order at 9.

[12] AT&T at 18.

III. THE COST STUDIES APPLICABLE TO AMERITECH AREAS SATISFY CRITERION 1.

AT&T and MCI make several arguments claiming that the Illinois and Michigan cost studies did not reflect the least-cost, most-efficient, and reasonable technology for providing the supported services that is currently being deployed. Specifically, AT&T and MCI claim that the placement of the Serving Area Interface ("SAI") in the Ameritech Facilities Analysis Model ("AFAM") is not efficient.[13] Also, AT&T and MCI claim that AFAM overestimated the efficient use of aerial cable.[14] Because MCI comments were more extensive, Ameritech's response to AT&T's criticism will be subsumed in its response to MCI's.

These same arguments were made before each state commission and were rejected. The Illinois Commerce Commission ("ICC") summarized MCI's criticisms.[15] The MPSC noted these issues as well.[16] The engineering placement rule for the SAI and the usage of aerial cable as incorporated in AFAM are consistent with the development of unbundled loop costs from the corresponding TELRIC proceedings.

First, AFAM is not the tool used by Ameritech's engineers to determine the placement of the SAI nor is it intended to be used for that purpose. AFAM measures the forward-looking economic investments for loops by using a standard engineering rule regarding the placement of the SAI. Consequently, the lack of an optimization process is not an error of omission, as

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[13] AT&T at 19; MCI at 36-42.

[14] AT&T at 19; MCI at 37, 42-43.

[15] Illinois Commerce Commission, "Investigation into Forward-Looking Economic Cost Studies for Non-Rural Local Exchange Carriers," Docket 97-0515, May 6, 1998.

[16] May 11 Order at 8.

implied by MCI.[17] Fundamentally, MCI has oversimplified and has inappropriately applied the Carrier Serving Area ("CSA") concept that underlies Ameritech's forward-looking engineering loop design.

MCI claims that AFAM only minimizes the length of the feeder facilities and neglects the consequences on the distribution cable.[18] In fact, MCI claims that distribution facilities should be minimized and the use of feeder facilities should be maximized. Of course, engineers designing and operating real networks wish to minimize the total costs for offered services given real world constraints. For example, part of Ameritech's standard forward-looking feeder design is to use a common path to serve many distribution areas ("DAs"). Such a design maintains the flexibility and reliability desired for feeder plant. Moving the SAI in a particular distribution area not only impacts the cost of feeder plant service that area, but it also impacts the amount of feeder serving different distribution areas. In addition, the shape of the distribution area, which takes into account the geographic dispersion as well as locations of customers' premises, influences the location of the SAI. Public rights of way and available space also impact the location of the SAI. Thus, placing the SAI inside the distribution area, such as at its center or centroid, will not result in an overall cost saving.[19] Rather, the engineering rule that places the SAI on the distribution boundary closest to the feeder route, based on years of applying the SAI concept, adequately captures the complex set of circumstances for locating the SAI.

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[17] MCI at 39.

[18] *Id.*

[19] MCI claims (at 40) that sensitivity runs in Wisconsin showed substantial cost savings when placing the SAI at the centroid for fiber-based loops. Ameritech disputes this interpretation of those sensitivity runs. These sensitivity runs do not represent the results of an optimization process that incorporates the full complexity of determining the

MCI also claims that AFAM overestimates the amount of aerial cable used in distribution facilities, resulting in an inefficient use of resources.[20] MCI's assertion is incorrect. AFAM, as used for developing the costs of unbundled loops, assumes a mixture of cable types that are reflective of actual DA conditions. This mixture was determined by the cable types placed, based on engineering guidelines in effect at the time the DA was constructed. New construction today in that same area would use approximately the same cable mix. In other words, if there are poles in alleys today, they will be there in the future; and, therefore, aerial cable would be the forward-looking cable type in that DA. Ameritech or any new entrant will not normally dig up streets and alleys to bury cable in an environment that is predominantly aerial. Cost models would have to be adjusted to show the high cost of installing buried cables in this environment. This would result in aerial being the least cost technology in areas that currently employ aerial cable. The AFAM cable type selection methodology appropriately reflects the forward-looking cable mix in each area, contrary to the claim made by MCI.[21]

IV. THE COST STUDIES APPLICABLE TO AMERITECH AREAS SATISFY CRITERION 3.

MCI claims that several inputs in the Illinois and Michigan cost studies are not forward-looking. Specifically, MCI claims that inputs for structure sharing, switch prices, and depreciation lives are not appropriately set.[22] AT&T asserts that there is no justification to deviate from the traditional depreciation determination process.[23] Also, AT&T alleges that

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SAI location.

[20] MCI at 42.

[21] Also see the Response to Question 3 found in Ameritech's uniform cost study review plan.

[22] MCI at 44-46.

[23] AT&T at 12.

Ameritech's cost studies suffer an undue reliance on Bellcore's Switching Cost Information System ("SCIS").[24] Further, AT&T claims that Ameritech's cost studies rely on non-forward-looking fill factors.[25] Many of these issues arose in the TELRIC proceedings in Illinois and Michigan. All of these claims arose in the state universal service cost proceedings. Once again, both state commissions rejected the analysis of MCI and AT&T.

The cost development for supported services in Illinois and Michigan is predicated upon a single supplier of those supported services and the resulting economies of scale that will be achieved by this single supplier. Consequently, under the background conditions underlying the development of FLECs for supported services, there are no other telephone companies with whom the ILEC may share its structure costs. The notion of sharing must then stem from the recognition that the ILEC may not need to build and own all of the structure necessary to provide universal service, but may rent pole or conduit space from other non-telephone utilities operating in the same area as the ILEC is providing service. The structure costs included in Ameritech's FLEC studies include only the costs of the structure that Ameritech would build and own in its forward-looking network. Ameritech's FLEC studies do not include an estimate of the rental payments that Ameritech would pay to electric utilities and cable utilities for the additional poles and conduit space owned by these utilities that Ameritech would also need to provide supported services. Ameritech makes substantial rental payments to such utilities for the existing network. In addition, an ILEC may receive additional revenues by renting pole or conduit space to these and other utilities when the ILEC has its own facilities. Of course, rent receipts that Ameritech may receive for its own structure are revenues, not costs, and, therefore, are not part of the costs

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[24] *Id.* at 17.

[25] *Id.* at 19.

of universal service.

In contrast, proxy models such as BCPM do not recognize at the beginning of their analyses the existence of these other non-telephone utilities when constructing the FLECs for supported services. BCPM relies on public data, which does not identify poles and conduit space provided by other utilities. BCPM, thus, constructs a forward-looking network that includes all poles and conduct space needed to provide universal service. The costs of this network include the costs that the ILEC would incur for that portion of structure that it would build and own as well as the hypothetical portion of structure costs as if the ILEC would build the structure of the other utilities for them. Consequently, because other utilities have built and would own some of the poles and conduit space which BCPM has initially attributed to the ILEC, a tail-end adjustment for structure sharing is a necessary requirement for BCPM to remove some structure costs in order not to overestimate the FLECs of supported services provided by the ILEC. Finally, as was the case for Ameritech Wisconsin's company-specific study, if any rental payments to other utilities for the structure costs are not included in this tail-end adjustment, then the costs would be understated.

Because Ameritech's FLEC studies do not need the tail-end adjustment to calculate the forward-looking investments of loop plant, the sharing inputs found in proxy models are not applicable to Ameritech's studies. Therefore, contrary to MCI's claim that Ameritech's structure sharing is not forward-looking, Ameritech has reflected in its FLEC studies the forward-looking investments for poles and conduit space that would be incurred by Ameritech.

Next, Ameritech updated in Illinois vendor prices and labor rates with the most current information, where that new information would be a simple substitution for the old. However, the vendor price information used in the TELRIC proceedings and more recent vendor contracts have significantly different structures. Since Ameritech did use the most current information that followed the same cost methodology used in its TELRIC proceeding, these inputs satisfy the third criteria.

Ameritech has also submitted new switching cost information in a new docket, in which the ICC will investigate these costs. Ameritech plans to update its switching cost information in Illinois once the ICC has completed its investigation, as indicated in the response to Question 7(a) of the uniform cost study review plan. Similarly, Michigan has a biennial review of TSLRIC and TELRIC. Ameritech does not expect that the accepted state-sponsored cost studies that will begin to be used for calculating federal support on January 1, 1999, will never be changed from the original submissions. Rather, Ameritech expects that circumstances will permit states to submit updated studies to the FCC.

Ameritech and other parties, including AT&T and MCI jointly, provided evidence in Michigan's TELRIC proceeding, Case No. U-11280, regarding economic lives to be used in TELRIC cost studies. Part of the evidence provided by Ameritech included depreciation lives used by competitors in the telecommunication industry, including cable television. The MPSC concluded that Ameritech's proposed lives should be used in TELRIC studies. In addition, the MPSC concluded that these lives "are more reasonable than the FCC prescription lives, which more closely resemble cost-based regulation than TSLRIC principles."[26] Also, the MPSC agreed with its Staff as well that, in a more competitive environment, the development of new technologies and a greater sensitivity to customers' needs can be expected to stimulate new investment and hasten the obsolescence of existing equipment. Hence, the Commission found

[26] January 28 Order at 7.

that Ameritech Michigan's proposal was a reasonable means of recognizing this trend.[27] Thus, contrary to the claim made by MCI, evidence was provided in the TELRIC proceeding that justified the MPSC's conclusions that these lives are forward-looking.

The fill factors used in Ameritech FLEC studies are the same as used in the corresponding state's TELRIC studies. This also applies to Indiana. These fills do not represent actual fills for Ameritech's existing network nor actual fills for a forward-looking network designed to provide service for current demand. Each state commission adopted fill factors that were consistent with that state's experiences and the evidence in its TELRIC proceeding. Consequently, the fill factors used in Ameritech's FLEC satisfy criterion 3.

V. THE COST STUDIES APPLICABLE TO AMERITECH AREAS SATISFY CRITERION 7.

MCI claims that Ameritech's retail shared and common cost study used in the Illinois study is not forward-looking.[28] In addition, MCI asserts that the shared and common cost study performed by Arthur Andersen was just too big for interested parties to evaluate[29] Of course, a state wishing to submit its own study had a deadline and all parties in that state, including Ameritech, had to put things on a fast track. Consequently, using cost methods and models from TELRIC proceedings was an indispensable aid in meeting the deadline. The Arthur Andersen study was no exception. While it examines Ameritech's retail operations rather than the wholesale operations covered in the TELRIC proceeding, the study follows the analysis and experience gained from the TELRIC proceeding in which MCI acknowledged that

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[27] *Id.*

[28] MCI at 46

[29] *Id.* at 46-48.

it vigorously participated. The retail Arthur Andersen study was provided to MCI for its examination and review. Moreover, MCI should have become aware of this study in the fall of 1997 during the rehearing phase in Michigan's Case No. U-11280.[30]

The ICC concluded in Docket Nos. 96-0486/96-0569 that the use of budget data to determine shared and common costs for UNEs is a reasonable balance of estimating future shared and common costs without inherently speculative projections.[31] In addition, the ICC noted that this budget information is inherently reliable, because "a successful company would not stay successful very long if it had a vastly inaccurate budgeting process."[32] Because the identification of retail shared and common costs used the same process as used in the TELRIC proceeding but with more recent budget information, the budget data used in the universal service cost study is a reasonable method for identifying forward-looking shared and common costs.[33] Also, the ICC made several adjustments to the Illinois TELRIC analysis where it felt that insufficient justification and support existed on the record. Finally, the ICC modified some allocations that it considered unacceptable. The retail shared and common cost analysis used in the Illinois FLEC study follows this guidance set forth in the TELRIC proceeding. Consequently, the retail shared and common cost analysis used in Illinois satisfies criterion 7 as well as criterion 3.

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[30] The retail Arthur Andersen study was discussed in the affidavit of Ms. Ruth Ann Cartee, MPSC Case No. U-11280, October 20, 1997.

[31] See ICC TELRIC Second Interim Order, Section II.C, Commission Analysis and Conclusion, February 17, 1998.

[32] *Id.*

[33] A description of the basic steps taken in the retail shared and common cost analysis are found in response to Question 7(a) of the uniform cost study review plan for Illinois and Michigan.

VI. THE COST STUDIES APPLICABLE TO AMERITECH AREAS SATISFY CRITERION 8.

Both AT&T and MCI make general claims that the state-sponsored cost studies do not use open and verifiable data and algorithms.[34] Specifically, MCI asserts that the use of proprietary cost models such as Bellcore's SCIS violates this requirement.[35] MCI also states that the BCPM proponents never have included models such as SCIS in their individual state filings, nor have they documented the inputs used by such models.[36]

While Ameritech is not a sponsor of BCPM, all cost models used in developing Ameritech's FLECs in Illinois, Indiana, and Michigan were available to interested parties for their review and comment in both Ameritech's TELRIC proceedings as well as the universal service cost proceedings. In fact, AT&T and MCI representatives examined SCIS documentation or sat down in front of a computer screen running SCIS using Ameritech's data in both TELRIC and FLEC proceedings. Consequently, contrary to the generic assertions made by AT&T and MCI, Ameritech's studies satisfy the Universal Service Order's eighth criterion.

VII. AMERITECH MICHIGAN'S WAIVER REQUEST REGARDING CRITERION 5 IS REASONABLE.

Only MCI made a specific recommendation that the FCC reject Ameritech Michigan's waiver request concerning the fifth criterion.[37] As discussed above, AT&T and MCI claimed that economic lives used in Michigan are not all forward-looking. MCI argues that the "current

[34] AT&T at 3; MCI at 21-24.

[35] MCI at 22.

[36] *Id.* at 23.

[37] *Id.* at 46.

range of prescribed depreciation lives are the result of on-going triennial reviews involving the Commission, the state commissions, and the LEC, of the LEC's plant retirement practices, taking into account planned changes and expected changes in the LEC's situation."[38] Consequently, MCI argues that a single party to this process should not unilaterally substitute its judgment for the results of this process. Finally, MCI argues that the apparent lack of endorsement of these lives by the MPSC provides additional justification for rejecting Ameritech Michigan's waiver request. These arguments are misplaced.

As discussed above, the MPSC concluded that the economic lives used in Michigan's FLEC study are forward-looking and are used in developing TELRICs for unbundled network elements. Moreover, the range of depreciation lives following Criteria 5 of the Universal Service Order is not the result of a triennial review process. Rather these lives are the current result of the FCC's decisions in its simplification of the depreciation process. Fundamentally, MCI's argument rests on a concern that one of the parties to the triennial review process will game the system for purposes of receiving funds for high cost support. However, using the same lives that are used to develop costs for unbundled network elements eliminates such concerns. Finally, the use of the same lives used for TELRIC studies is consistent with satisfying the concerns expressed by the Commission in ¶ 251 of the Universal Service Order. Therefore, the Commission should grant Ameritech Michigan's waiver request.

VIII. CONCLUSION.

Illinois, Indiana and Michigan conducted extensive proceedings on universal service costs that provided an adequate record for the conclusions of each state commission. The state-sponsored FLEC studies submitted for areas served by Ameritech in Illinois, Indiana and

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[38] *Id.* at 45.

range of prescribed depreciation lives are the result of on-going triennial reviews involving the Commission, the state commissions, and the LEC, of the LEC's plant retirement practices, taking into account planned changes and expected changes in the LEC's situation."[38] Consequently, MCI argues that a single party to this process should not unilaterally substitute its judgment for the results of this process. Finally, MCI argues that the apparent lack of endorsement of these lives by the MPSC provides additional justification for rejecting Ameritech Michigan's waiver request. These arguments are misplaced.

As discussed above, the MPSC concluded that the economic lives used in Michigan's FLEC study are forward-looking and are used in developing TELRICs for unbundled network elements. Moreover, the range of depreciation lives following Criteria 5 of the Universal Service Order is not the result of a triennial review process. Rather these lives are the current result of the FCC's decisions in its simplification of the depreciation process. Fundamentally, MCI's argument rests on a concern that one of the parties to the triennial review process will game the system for purposes of receiving funds for high cost support. However, using the same lives that are used to develop costs for unbundled network elements eliminates such concerns. Finally, the use of the same lives used for TELRIC studies is consistent with satisfying the concerns expressed by the Commission in ¶ 251 of the Universal Service Order. Therefore, the Commission should grant Ameritech Michigan's waiver request.

VIII. <u>CONCLUSION</u>.

Illinois, Indiana and Michigan conducted extensive proceedings on universal service costs that provided an adequate record for the conclusions of each state commission. The state-sponsored FLEC studies submitted for areas served by Ameritech in Illinois, Indiana and

[38] *Id.* at 45.

Michigan satisfy the requirements of the Universal Service Order with the exception of the conditions that underlie Ameritech Michigan's waiver request. Each of the state-sponsored studies followed the uniform cost study review plan so that other parties, particularly those not involved in the state proceedings, could review these studies and make appropriate comments. The Commission should approve these studies for their intended use. In addition, the Commission should grant Ameritech Michigan's waiver request.

Respectfully submitted,

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Dated: July 9, 1998
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CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Reply of Ameritech has been served on the parties listed on the attached service list, via first class mail postage prepaid, on this 9th day of July, 1998.

By: Todd H. Bond

Todd H. Bond

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