



The Voice of Rural Telecommunications

EX PARTE OR LATE FILED

August 3, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Re: Ex Parte Notice
CC Docket No. 96-115 -
Telecommunications Carriers' Use of
Customer Proprietary Network Information
(CPNI)

Dear Ms. Salas:

The National Telephone Cooperative Association (NTCA) submits this letter in response to the FCC's request for information regarding the costs associated with Section 64.2009 of its Rules. NTCA is a national association of approximately 500 local exchange carriers that provide service primarily in rural areas. All NTCA members are small carriers that are "rural telephone companies" as defined in the Telecommunications Act of 1996. NTCA has continually participated in this proceeding. It filed a Petition for Reconsideration of the CPNI rules ("NTCA's Petition") and recently joined others in requesting a stay of the auditing and tracking requirements pending resolution of the outstanding Petitions for Reconsideration. This letter serves to reiterate and expand upon the information put forth in NTCA's Petition.

In response to the CPNI rules, in April of 1998 NTCA surveyed its members. The association asked its members about their current state of technology and the costs associated with implementing the FCC's newly adopted auditing and tracking requirements. As was stated in NTCA's Petition, three hundred and fourteen of its members responded, a better than 60 percent response.¹

NTCA Members were asked how they currently maintain their customer service records. More than 25 percent of companies with less than 1000 lines told us that they were not mechanized. That is, a significant minority of the most rural telcos maintain their customer

¹ NTCA's Petition, p. 9.

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service records in some other manner (i.e., manually). Of all of the companies that were automated, less than 10 percent had the ability to add a field to indicate CPNI approval status. Therefore, in order to comply with the new rules requiring that a customer's CPNI approval status appear on the first line of a computer screen, 90 percent of NTCA's responding members will have to significantly upgrade their systems or software. The cost of this upgrade was estimated to be \$40-60K per company.

Only 6 percent of NTCA's responding members had electronic audit capability and not one had the capability to track access to customer accounts, including when a customer's record is opened, by whom, and for what purpose as is required by the FCC Order. The cost to implement the FCC's required tracking system was estimated at between \$60-70K per company.

Even when already mechanized, the average cost for the responding companies to comply with the CPNI auditing and tracking requirements was estimated at near \$100,000 per company. This comes to more than \$300 per line for a 300-line company.

NTCA in its Petition asked the FCC to forbear from applying the "safeguard" requirements on rural telcos. NTCA reasoned that the auditing and tracking requirements were unnecessary to protect consumers' interests in rural areas and that the costs associated with the rules would have a disproportionate adverse effect on small companies.

Included herewith are some graphs prepared by NTCA utilizing the survey results. These graphs demonstrate the extreme hardship the costs associated with the auditing and tracking requirements will have on small and rural telcos.

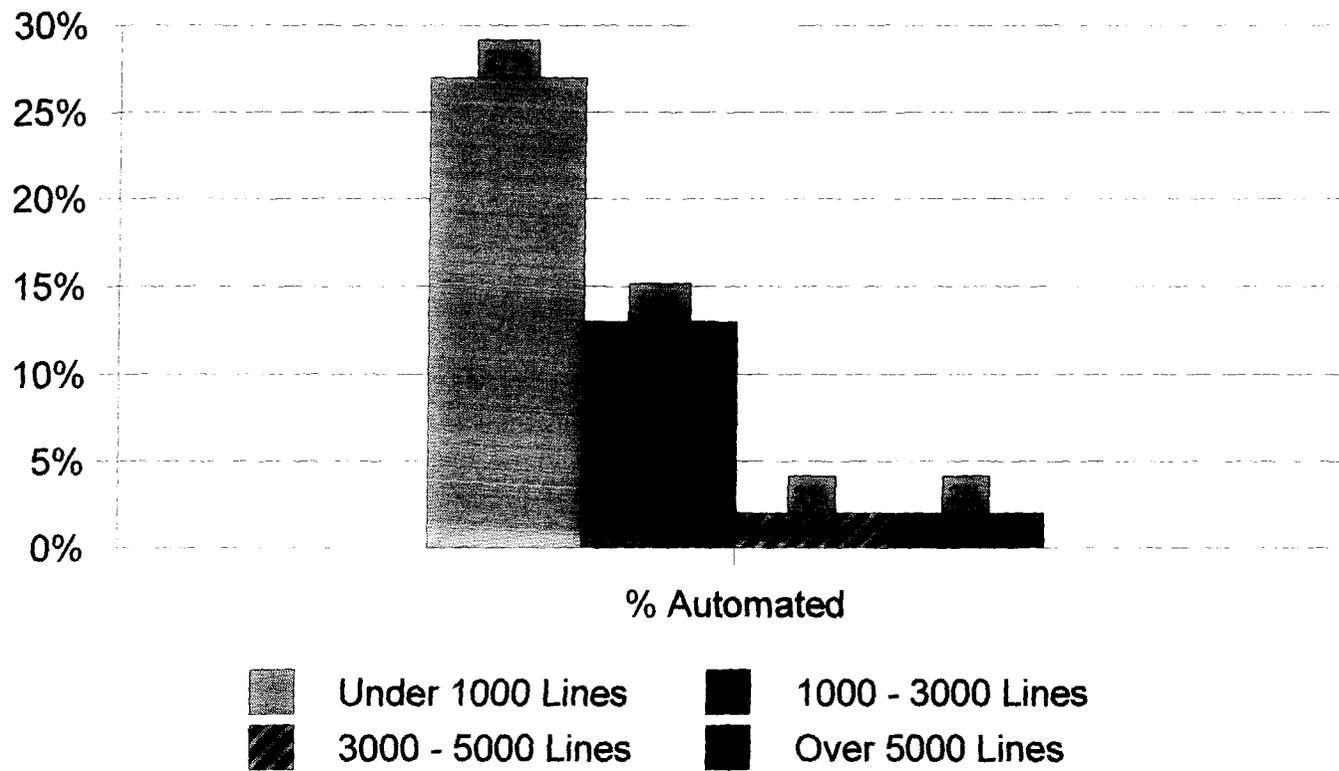
NTCA respectfully urges the FCC to stay the CPNI "safeguards" until it has had an opportunity to sufficiently review all of the information regarding its necessity and associated costs.

Sincerely,



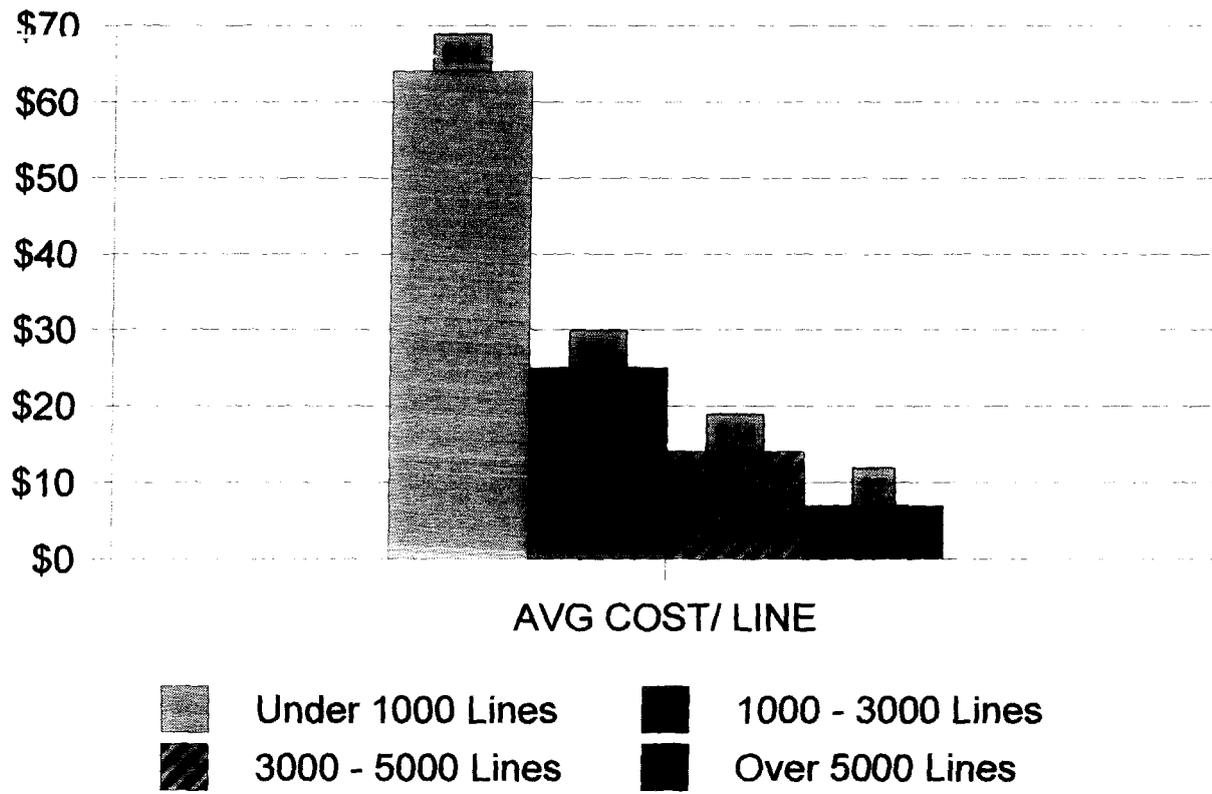
Jill Canfield
Regulatory Counsel
Legal and Industry

Enclosures



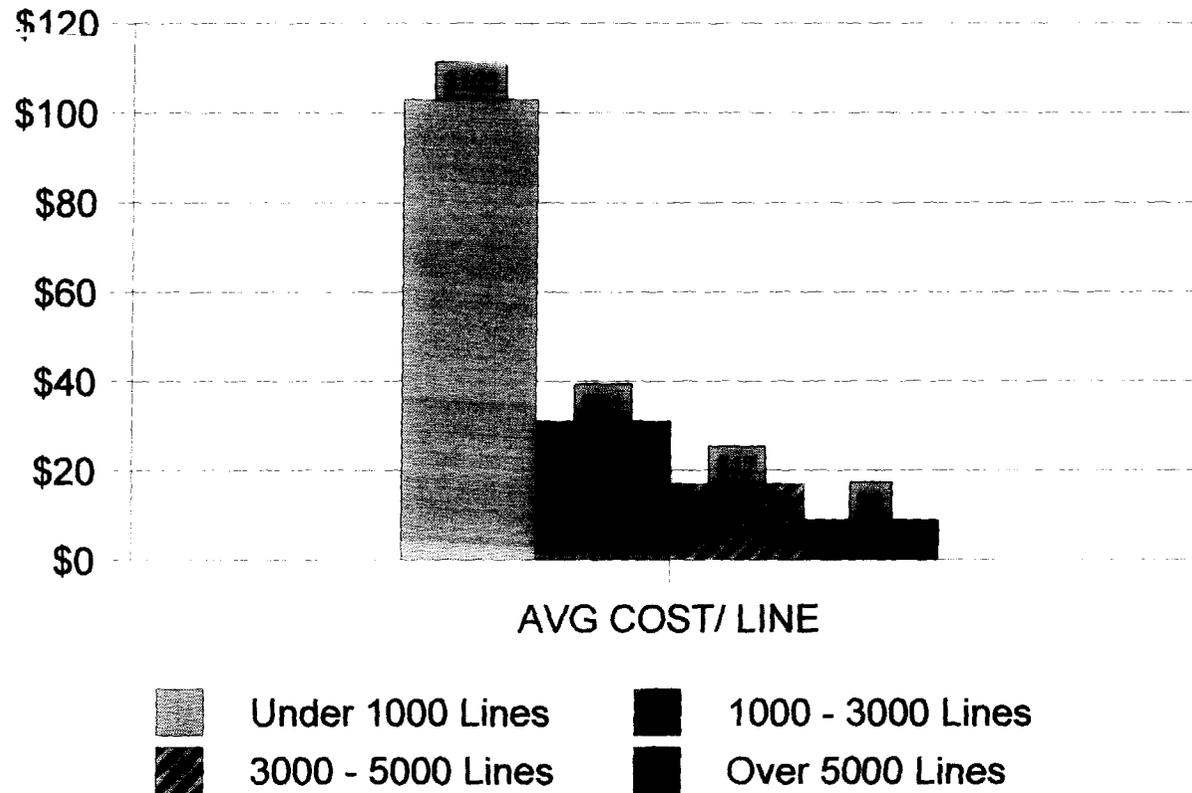
PERCENT OF COMPANIES WITHOUT MECHANIZED CUSTOMER SERVICE RECORDS

Source: NTCA Member Survey, April 1998



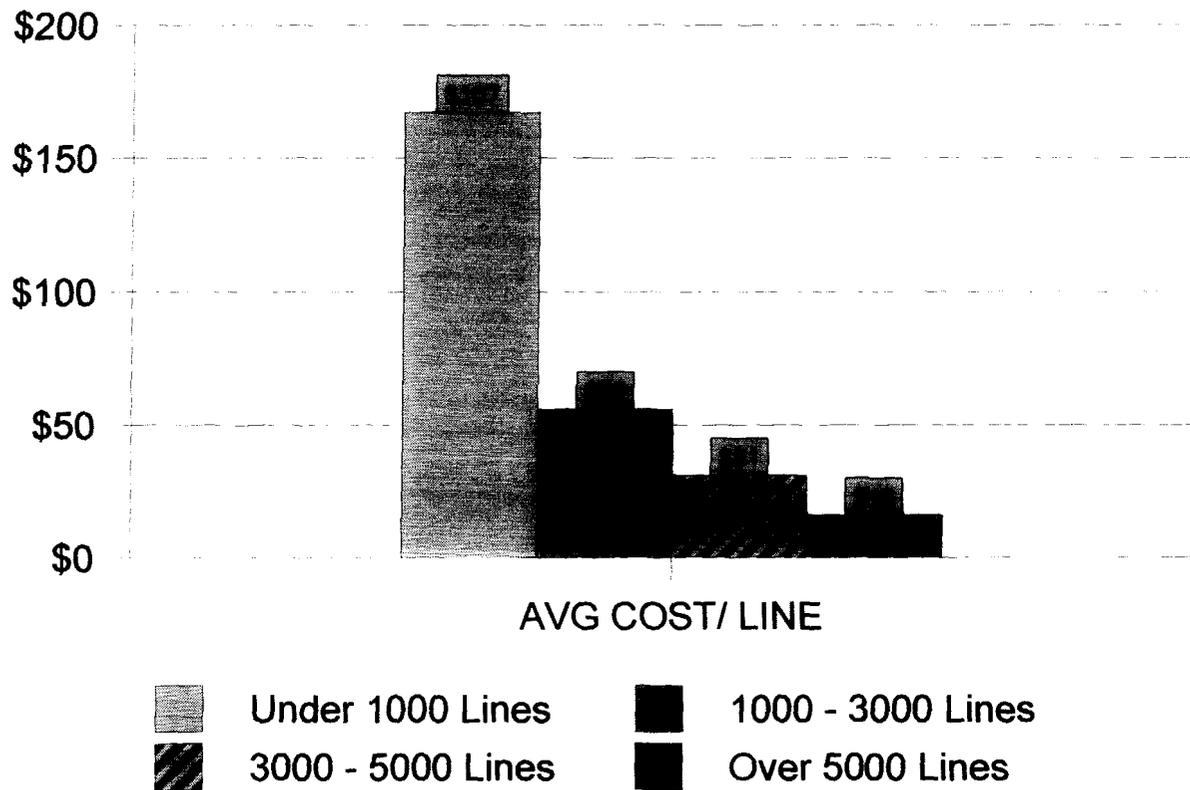
ESTIMATED AVERAGE COST / LINE TO ADD CPNI APPROVAL STATUS FIELD

Source: NTCA Member Survey, April 1998



**ESTIMATED AVERAGE COST / LINE TO
IMPLEMENT ELECTRONIC AUDIT CAPABILITY
(assumes already automated)**

Source: NTCA Member Survey, April 1998



TOTAL ESTIMATED AVERAGE COST / LINE TO COMPLY WITH CPNI ORDER

Source: NTCA Member Survey, April 1998