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

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1998 Biennial Review --)
Review of ARMIS Reporting Requirements) CC Docket No. 98-117
_____)

COMMENTS OF AT&T CORP.

Pursuant to the Commission's Notice of Proposed Rulemaking, FCC 98-147, released July 17, 1998 ("NPRM"), AT&T Corp. ("AT&T") submits these comments on the Commission's proposal to revise its Automated Reporting Management Information System ("ARMIS") requirements for incumbent local exchange carriers ("LECs").¹

I. THE COMMISSION SHOULD ADOPT ITS PROPOSALS TO ELIMINATE PAPER FILING OF ARMIS REPORTS AND TO ELIMINATE FROM THOSE REPORTS UNNECESSARY DATA CONCERNING EQUAL ACCESS, INSIDE WIRE AND PAYPHONE COSTS.

AT&T supports the Commission's proposal to eliminate the requirement that LECs file both paper and electronic copies of ARMIS reports and instead require electronic filing only (para. 2), as long as adequate procedures are developed to make ARMIS data available to the public. As the Commission points out, it relies on the electronic versions of the reports for regulatory review and, to the extent that it had previously made the paper copies available to the public, it

¹ Unless otherwise noted, all cites are to the NPRM.

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could accomplish this more efficiently by posting the LEC ARMIS reports on the Internet (paras. 2-3).

AT&T notes that the Electronic Tariff Filing System ("ETFS") is proving to be effective for tariffs and thus consideration should be given to developing such a system for ARMIS or incorporating ARMIS data into the ETFS. Features such as "browse and search" should be inherent in the system to enable quick and easy access to the ARMIS data for analysis purposes. The Commission should also require the LECs to submit their ARMIS reports in LOTUS spreadsheets so that industry members, including interexchange carriers ("IXCs") who frequently rely on these reports for access intervention and other purposes, can readily utilize the data contained in the reports. The costs of posting ARMIS reports on the Internet could be held to a minimum by applying the current features of ETFS.

AT&T also supports the Commission's proposal (para. 4) to modify the ARMIS 43-04 Access Report to eliminate data pertaining to equal access, inside wire, and payphone investment. Inside wire and payphone are treated as nonregulated and the conversion to equal access is virtually complete. Therefore, discrete information concerning these matters is no longer necessary.

II. THE COMMISSION SHOULD NOT ADOPT ITS PROPOSALS TO STREAMLINE ARMIS REPORTING FOR MID-SIZE LECs.

The Commission proposes to streamline ARMIS reporting requirements for mid-size LECs, i.e., all LECs currently subject to ARMIS filing obligations other than the

BOCs and GTE. For mid-size companies, which include SNET, CBT, Aliant, AllTel, Frontier and the Sprint LTCs, among others, the NPRM proposes to eliminate 21 of the 27 tables in the ARMIS 43-02 USOA Report that currently provides the annual operating results for every Part 32 USOA account (paras. 8-9). In addition, the FCC proposes to allow mid-size LECs to base their ARMIS reports on Class B system of account level detail, which would further reduce the amount of information provided in the ARMIS reports, including the ARMIS 43-03 Joint Cost Report and the ARMIS 495A Forecast Report and 495B Actual Usage Report (paras. 11-12).² AT&T opposes these proposed changes.³

² See 1998 Biennial Regulatory Review -- Review of Accounting and Cost Allocation Requirements and United States Telephone Association Petition for Rulemaking, CC Docket No. 98-81 and ASD File No. 98-64, Notice of Proposed Rulemaking, FCC 98-108, released June 17, 1998 (proposing Class B accounting and less frequent biennial audits for LECs other than the BOCs and GTE). As AT&T showed in its Comments, filed May 4, 1998 in AAD 98-43, DA 98-480, on the Petition for Forbearance filed by the Independent Telephone & Telecommunications Alliance on behalf of mid-size LECs, the Commission should not forbear from Class A Part 32 accounting requirements, CAM filings and audits, and ARMIS reports for these carriers. AT&T incorporates by reference those Comments herein.

³ AT&T strongly disagrees, for example, with the Commission's proposal (para. 8) to eliminate Tables B-3, B-5 through B-15, I-6 and I-7 of ARMIS 43-02, and row 1216 of ARMIS 43-04. Table B-5 (Analysis of Entries in Accumulated Depreciation) provides an analysis of the activities in Account 32.100, accumulated depreciation, by depreciable plant account and assists AT&T in reviewing the appropriateness of LECs' accumulated depreciation and depreciation expense. AT&T reviews Schedules I-6 and I-7 for extraordinary charges. Also,

(footnote continued on following page)

The NPRM fails to set forth any valid basis for relieving mid-sized LECs from detailed ARMIS filing obligations. The primary basis for this streamlining proposal is the Commission's observation that "it appears that the carriers' costs of implementing [the ARMIS reporting system] are largely fixed with respect to the number of access lines served," and "[t]his implies that, on a per-access-line basis, the cost of complying with the full ARMIS reporting requirements is substantially higher for mid-size incumbent LECs" than for larger ILECs (para. 6). Whether or not the Commission's conclusion is correct, the regulatory benefits of maintaining ARMIS reports in their current form outweigh the costs imposed on mid-size LECs of preparing these reports.

Until recently, the Commission had in place a \$100 million revenue threshold for determining which carriers would be subject to ARMIS filing requirements, a figure that has now been indexed to inflation as required by Section 402(c) of the 1996 Telecommunications Act, with a current \$112 million threshold.⁴ The Commission now proposes

(footnote continued from previous page)

AT&T uses ARMIS Report 43-04, row 1216, Dial Equipment Minutes [DEM] for Total Company (intrastate and interstate) in verifying the DEM factor development.

⁴ Implementation of the Telecommunications Act of 1996: Reform of Filing Requirements and Carrier Classifications, CC Docket No. 96-193, Order and Notice of Proposed Rulemaking, 11 FCC Rcd. 11716, paras. 7-12 (1996); Report and Order, 12 FCC Rcd. 8088 (1997) ("Reform of Filing Requirements Order").

to lift this threshold substantially so that if the aggregate revenues of the LEC and any LEC that it controls, is controlled by, or with which it is under common control are less than \$7 billion, then each LEC within that affiliate group would be eligible for streamlined ARMIS filing.

Although, as the Commission observes, the \$7 billion threshold will still provide it with detailed ARMIS data for nearly 90% of the LEC industry, as measured by annual operating revenues (para. 7), the threshold is so high that LECs of significant size would no longer be required to comply with these filing requirements. This is inconsistent with the fact that under the 1996 Act Congress established a uniform threshold calibrated to inflation for determining which carriers would be subject to full ARMIS financial reporting obligations and did not in this respect differentiate mid-size carriers from larger ones, as it did in other contexts (for example, under Section 251(f) of the Act).

Moreover, the Commission's proposal is inconsistent with its own findings in implementing the \$112 million indexed threshold that "for carriers with annual revenues in excess of this threshold . . . , the benefits to ratepayers outweigh the cost to those carriers of requiring compliance."⁵ The ruling was issued only last year and there are no relevant changed circumstances that would warrant the Commission creating an

⁵ *Id.*, 12 FCC Rcd. 8088, para. 70.

exponentially higher \$7 billion threshold, thereby exempting all mid-size LECs from detailed ARMIS reporting requirements.

Most fundamentally, the Commission specifically concluded that ARMIS reports are "necessary to provide us with the financial and operating data we need to administer our accounting, cost allocation, jurisdictional separations, and access charge rules, and to preserve our ability to monitor industry developments and quantify the effects of alternative regulatory proposals."⁶ The Commission also noted the need to detect improper cross-subsidization of nonregulated services, stating that "ARMIS reports enable us to monitor whether all costs have been properly allocated to regulated and nonregulated products and services."⁷ Additionally, "ARMIS reports have been a valuable source of cost information to the Commission in its evaluation of tariffs filed under rate-of-return regulation. Cost information from these reports has also played an important role in tariff investigations, certain rulemakings concerning cost issues, and in the evaluation of exogenous cost adjustments under the price cap rules (for example, in determining the cost effects of property transfers)."⁸

⁶ *Id.*, 11 FCC Rcd. 11716, para. 32.

⁷ *Id.*, 12 FCC Rcd. 8088, para. 53.

⁸ *Id.*, 12 FCC Rcd. 8088, n.135.

Many of the mid-size companies, including Sprint (the third largest long distance carrier in the nation), CBT, Rochester, Aliant and SNET, are active players in the in-region long distance market and clearly have an incentive to cross-subsidize their long distance operations. Moreover, many of the mid-size LECs are non-rural carriers whose universal service support will be calculated on a proxy cost model basis under the Commission's rulings in CC Docket Nos. 96-45 and 97-160. Class A ARMIS data have been significant components of the cost assessments in the modeling process.

In short, whether or not the compliance costs of the mid-size LECs are likely to be relatively higher than those of larger carriers, the Commission's ARMIS reporting requirements are part of the Commission's regulatory tools to ensure that prices are just, reasonable and nondiscriminatory in order to protect consumers. The need for these reports has not been supplanted by emergence of robust competition in the local markets of mid-size LECs. Thus, there is no basis for disturbing the Commission's findings that ARMIS reports at the Class A level of account detail remain useful and necessary tools to safeguard consumer interests.

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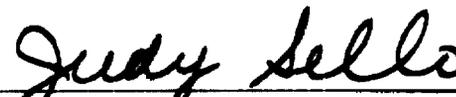
CONCLUSION

For the reasons stated above, the Commission should not adopt its proposal to streamline ARMIS reports for mid-size LECs.

Respectfully submitted,

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By /s/



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