DOCKET FILE COPY ORIGINAL

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

RECEIVED
SEP 28 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Bell South and Bell Atlantic	)	RM-9341
Petition for Rulemaking to Amend	)	
Part 32 of the Commission's	)	
Rules to Adopt the Accounting	)	
For Software Required by SOP 98-1	)	

REPLY COMMENTS OF AMERITECH

Ameritech[1] respectfully submits its reply comments in the above captioned proceeding.

All commenters except for MCI supported the timely issuance of an order allowing all carriers to implement for regulatory reporting purposes Statement of Position 98-1 ("SOP 98-1"), Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, as well as the waiver of any revenue requirement study for price cap carriers.[2]

MCI, notwithstanding their agreement with commenters that no exogenous price cap treatment is warranted, opposes the waiver of a revenue requirement study and proposes changes to the Commission's Part 32 Uniform System of Accounts that effectively result in denying carriers' requests to adopt SOP 98-1. Specifically, MCI proposes to (i) retain the capitalization and expense distinction between operating system and application system software in order to not upset the Part 64 cost allocations and

---

[1] Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company and Wisconsin Bell, Inc.
[2] See Comments of The United States Telephone Association, GTE, and Cincinnati Bell. See also, Comments of Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell that the Commission through rulemaking, forbearance, waiver, or otherwise, permit carriers to adopt SOP 98-1 for Part 32 purposes.

No. of Copies rec'd 0+4
List A B C D E

service cost studies (ii) use the amortization parameters based on Commission prescribed projection lives and economic lives for operating system and application system software, respectively (iii) continue to include PC software in the $500 expense limit in order to prevent cross-subsidization.[3] MCI's comments are unpersuasive.

SOP 98-1 does not provide for the distinctions relating to operating or application system software, amortization , or the inclusion of PC software in any expense limit as proposed by MCI. MCI's assertions that the classification of software as an intangible asset would severely disturb the Part 64 cost allocations or service cost studies are unexplained. Since Account 2690, Intangible Assets, is a Part 32 account subject to the Commission's Part 64 allocation rules and investment balances would be available for service cost studies, MCI's concerns are misplaced. Moreover, service cost studies, contrary to MCI, do not begin with an analysis of booked investment balances. Rather, service cost studies are developed on the basis of forward looking economic costs.

Similarly, the Commission should not define any specific amortization period because SOP 98-1 provides sufficient guidance which is already consistent with Section 32.2000 (h), Amortization Accounting, of the Commission's rules. What MCI suggests simply serves to create costly and complex accounting requirements which serve no meaningful purpose.

MCI's concern that there is a need to include PC software in the $500 expense limit to prevent cross-subsidy is faulty, since both asset transfers and the provision of services are subject to the Commission's affiliate transaction rules. Carriers could not circumvent the asset transfer rules through an abuse of the expense limit since services

[3] See Comments of MCI.

are also subject to such rules. Moreover, materiality thresholds were dismissed by the Accounting Standards Executive Committee (AcSEC) in the application of SOP 98-1. Specifically, at Paragraph 92 of SOP 98-1, AcSEC states:

> AcSEC considered whether it should provide materiality thresholds to determine when an entity should follow the guidance in the SOP. AcSEC decided not to do so because it believes an entity can best determine the materiality of internal-use computer software costs in its individual circumstances.

Finally, contrary to MCI, the Commission should grant a waiver of the revenue requirement study for price cap carriers because the timing of the recovery of a capitalized asset, as is the case with the adoption of SOP 98-1, has no impact on the rates of a price cap carrier.

For the foregoing reasons, the Commission should amend the Part 32 rules in a timely manner to allow all carriers to implement SOP 98-1 by January 1, 1999, and grant a waiver of the revenue requirement study.

Respectfully submitted

Leander R. Valent

Leander R. Valent
Counsel for Ameritech
9525 W. Bryn Mawr, Suite 600
Rosemont, Illinois 60018
(847) 928-4275

Dated: September 28, 1998

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing REPLY COMMENTS OF AMERITECH in File RM-9341 have been mailed by first class United States mail, postage prepaid, on September 28, 1998 to the following:

Secretary,
Federal Communications Commission*
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Brent Kissel*
Accounting Systems Branch
ASD-Common Carrier Bureau
1919 M Street, N.W.,
Washington, D.C. 20554

International Transcription Service*
1231 20th Street, N.W.
Washington, D.C. 20036

Edward Shakin
Bell Atlantic Telephone Companies
8th Floor
1320 N. Court House Road
Arlington, VA 22201

M. Robert Sutherland
Stephen L. Earnest
BellSouth Corporation
Suite 1700
1155 Peachtree Street, N.E.
Atlanta, GA 30309-3610

Frost and Jacobs LLP
2500 PNC Center
201 East Fifth Street
Cincinnati, Ohio 45202
Attn: Robert D. Shank

Andre J. Lachance
GTE Service Corporation
1850 M Street, N.W.
Washington, D.C. 20036

Don Sussman
MCI
1801 Pennsylvania Ave. NW
Washington, D.C. 20006

Jonathan W. Royston
Southwestern Bell LECs
One Bell Plaza, Room 3022
Dallas, Texas 75202

Linda L. Kent
USTA
1401 H Street NW, Suite 600
Washington, D.C. 20005

*HAND DELIVERED

Debbie J. Krocka (AL)

Debbie J. Krocka