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USWEST

BB Nugent
Executive Director
Federal Regulatory

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

November 9, 1998

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222, SC-1170
Washington, DC 20554

RE: CC Docket No. 98-131, 1998 Biennial Regulatory Review -
Part 61 of the Commission's Rules and Related Tariffing
Requirements

Dear Ms. Salas:

On Friday, November 6, 1998, Perin Hurewitz of Bellcore and I, representing U S WEST, met with Steve Spaeth, Jay Atkinson and John Scott of the FCC's Competitive Pricing Division regarding the item captioned above. The attached material, representing Attachment A of U S WEST comments filed on this docket on October 16, 1998, served as the basis for the discussion.

In accordance with Section 1.1206(a)(2) of the Commission's rules, an original and one copy of this letter and the attachment are being filed with your office for inclusion in the record of this proceeding.

Acknowledgment and date of receipt of this submission is requested. A duplicate of this letter is provided for this purpose.

Any questions on this filing should be directed to me at either the address or the telephone number shown above.

Sincerely,

BB Nugent

Attachment

cc: Mr. Steve Spaeth
Mr. Jay Atkinson
Mr. John Scott

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ATTACHMENT A

Changes to Part 61 Biennial Regulatory Review NPRM Rules in Appendix A

Item 20. As written, § 61.33(a) does not accommodate electronic filing of tariffs.

Revise as follows:

§61.33(a) Except as specified in § 61.32(b), all publications filed with the Commission must be numbered consecutively by the issuing carrier beginning with Number 1, and must be accompanied by a letter of transmittal, **either filed electronically or** (21 cm x 29.7 cm) or 8 ½ by 11 inches (21.6 cm x 27.9 cm) in size.

Item 38. As written, in § 61.45(b)(1) the definition of R is incorrect when it tries to add the appropriate PICC quantity.

Revise as follows:

R = an amount calculated by multiplying base period quantities for each rate element in the basket by the price for that rate element at the time the PCI was updated to PCI_{t-1} , summing the results **including the portion of the EUCL and PICC revenues associated with the basket and adding the products of base period quantities for each PICC established in Section 69.153 of this Chapter and the portion of that PICC that is associated with the basket.**

Item 38. As written, in § 61.45(b)(1) the “w” formula is incorrect by including the calculation for imputed revenues for the interexchange basket.

Revise as follows:

$W = R$ ~~—(access rate in effect at the time the PCI was updated to PCI_{t-1} , multiplied by base period demand)~~ + ΔZ , all divided by R.

Item 38. As written, in § 61.45(b)(2) the rule language after the first sentence is left over from AT&T price regulation. It should be deleted with only the first sentence remaining.

Revise as follows:

(2) The “w(GDP-PI - X)” component of the PCI formula specified in paragraph (b)(1) of this section shall be employed only in the adjustment made in connection with the annual price cap filing. ~~In calculating the “w” variable in the formula detailed in paragraph (b)(1) of this section, the access costs that must be subtracted from the “R” variable shall be apportioned among the baskets specified in Sections 61.42(d)(2), (3), (4), and (6) as follows:~~

~~(i) The net change in total non traffic sensitive access costs for all capped services (in all baskets), calculated at base period demand, shall be allocated among the baskets in proportion to each basket's share of total base period non-traffic sensitive minutes of access (both originating and terminating);~~

~~(ii) The net change in total traffic sensitive access costs for all capped services (in all baskets), calculated at base period demand, shall be allocated among the baskets in proportion to each basket's share of total base period traffic sensitive minutes of access;~~

~~(iii) Changes in special access costs, calculated at base period demand, shall be assigned directly to the trunking basket specified in Section 61.42(d)(3).~~

Item 38. As written, in § 61.45(b)(4), the PCI formula leaves out the adjustment for the imputation of access charges (ΔY).

Revise as follows:

Adjustments to local exchange carrier PCIs for the interexchange basket designated in Section 61.42(d)(4) shall be made pursuant to the following formula set forth in paragraphs (b)(1) and (2) of this Section. Notwithstanding that formula, the value of X for this basket shall be 3.0 percent :

$$PCI_t = PCI_{t-1} [1 + w(GDP-PI - X) + \Delta Y/R + \Delta Z/R]$$

where

GDP-PI = the percentage change in the GDP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year,

X = productivity factor of 3%,

ΔY = (new access rate - access rate at the time the PCI was updated to PCI_{t-1}) x (base period demand),

ΔZ = the dollar effect of current regulatory changes when compared to the regulations in effect at the time the PCI was updated to PCI_{t-1} , measured at base period level of operations,

R = base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1} ,

$w = R - (\text{access rate in effect at the time the PCI was updated to } PCI_{t-1} \times \text{base period demand}) + \Delta Z, \text{ all divided by } R,$

PCI_t = the new PCI value, and

PCI_{t-1} = the immediately preceding PCI value.

Item 40. As written, in § 61.45(c)(1) the definition of R is incorrect when it tries to add the appropriate PICC quantity.

Revise as follows:

R = an amount calculated by multiplying base period quantities for each rate element in the basket by the price for that rate element at the time the PCI was updated to PCI_{t-1} , summing the results **including the portion of the EUCL and PICC revenues associated with the basket and adding the products of base period quantities for each PICC established in Section 69.153 of this Chapter and the portion of that PICC that is associated with the common line basket,**

Item 41. As written, § 61.45(c)(2) should be revised to clarify that g will equal 0 in non-annual tariff filings or there will be rate impacts in the CAP-1 calculations.

Revise as follows:

(c)(2) The " $w[(GDP-PI - X - (g/2))/(1 + (g/2))]$ " component of the PCI formula contained in paragraph (c)(1) of this section shall be employed only in the adjustment made in connection with the annual price cap filing. **In non-annual price cap filings, g will be equal to 0.**

Item 45. § 61.45(i)(1) should state explicitly that reductions to the PCI associated with "w", "GDP-PI" and "X" will not be applied to the common line and traffic sensitive baskets in the annual filing to the extent that the price cap LEC is recovering residual interconnection charge revenues through per-minute rates. In addition, the rule as currently written does not allow the recovery of exogenous costs in the calculations.

Revise the rule as follows:

(i)(1) Notwithstanding the provisions of paragraphs (b) and (c) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering interconnection charge revenues through per-minute rates pursuant to § 69.124 or § 69.155 of this chapter shall target, to the extent necessary to eliminate the recovery of any residual interconnection charge revenues through per-minute rates, any PCI reductions associated with the baskets designated in § 61.42(d)(1) and (2) that result from the application of the formulas in § **61.45(b)(1) and**

(c)(1) but excluding from the calculations the $\Delta Z/R$ component of the PCI for the basket designated in § 61.42(d)(3), with no adjustment being made to the PCIs for the baskets designated in § 61.42(d)(1) and (2) as a result of the application of the formulas in § 61.45(b)(1) and (c)(1) but excluding from the calculations the $\Delta Z/R$ component. These reductions are to be made after the adjustment is made to the PCI for the basket designated in § 61.42(d)(3) resulting from the application of those formulas. Any PCI changes associated with the baskets designated in § 61.42(d)(1) and (2) shall include the $\Delta Z/R$ component but exclude the “w”, “GDP-PI”, and “X” components to the extent that they have been targeted to the basket designated in § 61.42(d)(3).

Item 45. § 61.45(i)(2) should state explicitly that reductions to the PCI associated with “w”, “GDP-PI” and “X” will not be applied to the marketing basket in the annual filing to the extent that the price cap LEC is recovering residual interconnection charge revenues through per-minute rates.

Revise as follows:

(i)(2) Notwithstanding the provisions of paragraph (b) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering interconnection charge revenues through per-minute rates pursuant to § 69.155 of this chapter shall target, to the extent necessary to eliminate the recovery of any residual interconnection charge revenues through per-minute rates, any PCI reductions associated with the basket designated in § 61.42(d)(6) that result from the application of the formula in § 61.45(b) but excluding from the calculations the $\Delta Z/R$ component, with no adjustment being made to the PCIs for the basket designated in § 61.42(d)(6). This adjustment, including any adjustment due to the $\Delta Z/R$ component, will be made after any adjustment made pursuant to paragraph (i)(1) of this section.

Item 45. § 61.45(i)(4) should be clarified to reflect a ratio of the sum of the dollar effects of the PCI reductions (excluding reductions due to exogenous adjustments) that would have applied to the common line, traffic-sensitive, and marketing expense baskets to the revenues applicable to the trunking basket. **NOT correcting this error could incorrectly force the trunking basket PCI to zero in the next annual filing.**

Revise as follows:

(4) Effective January 1, 1998, the reduction in the PCI for the trunking basket designated in Section 61.42(d)(3) that results from paragraphs (i)(1) and (i)(2) of this section shall be determined by multiplying the PCI for the trunking basket by one minus the ratio of the sum of the dollar effects of the PCI reductions otherwise applicable to the common line, traffic-sensitive, and marketing expense baskets, to the revenues applicable to ~~dollar effect of the PCI reduction for the trunking basket.~~

Item 46. § 61.45(j)(2) should be revised to reflect the ΔZ component of the formulas, including the marketing basket. The rule should clarify that all such exogenous adjustments should be reflected in the PCIs and SBIs as they would be if there were no targeting.

Revise as follows:

(2) exclude the amount of any exogenous adjustments in the ΔZ component of the formulas permitted or required for the common line, and traffic sensitive, and marketing baskets, defined in Sections 61.42(d)(1), and (d)(2), and (d)(6), from the retargeting adjustment to the PCI for the trunking basket defined in Section 61.42(d)(3). Any such exogenous adjustments shall be reflected in the PCIs and SBIs in the same manner as they would have been reflected if there were no targeting.

Item 49. §§ 61.47(i)(2)(i), (ii) and (iii) should be revised to add SBI formulas for annual access tariff filings. Currently, only SBI formulas for non-annual access tariff filings are displayed. In addition, all references in the current SBI formulas to exogenous cost “reductions” should be changed to exogenous cost “adjustments” since exogenous adjustments can be either positive or negative.

Revise as follows:

61.47 (i)(2) Any exogenous cost change that is untargeted within the meaning of Section 61.45(d)(4) of this Chapter shall be reflected in other service band indices for service categories in the traffic sensitive and trunking baskets as follows:

(i) For annual access tariff filings:

(A) For annual access tariff filings, the following formula will be used to calculate the upper pricing limit for the Local Switching, Database, Information, and Billing Name and Address service categories in the Traffic Sensitive Basket, and for the Voice Grade, Audio/Video, total High Capacity, Wideband, Tandem-Switched Transport, Interconnection, and Signalling for Tandem Switching service categories in the Trunking basket. The upper pricing band for these service categories shall limit the annual SBI upward pricing flexibility to the percents defined in (e), above.

$$SBI_{ul} = \frac{PCI_t}{PCI_{t-1}} * SBI_{t-1} * (1 + ul\%) * \left(1 + \frac{\left(T + \frac{R_{Svc,t-1} * U_{bst}}{R_{Bsk,t-1}} \right)}{R_{Svc,t}} \right)$$

where :

SBI_{ul} = the new SBI upper limit

$SBI_{ul,t-1}$ = the immediately preceding SBI upper limit

$tPCI_t$ = the targeting-PCI for the basket, as defined in paragraph 61.45(m) of this chapter

PCI_{t-1} = the immediately preceding PCI for the basket

SBI_{t-1} = the immediately preceding SBI for the service category

$ul\%$ = the upper limit percentage for a given service category, subservice category, or density zone

T = the sum of the exogenous charges targeted to the specific service category, subservice category, or density zone

$RBskt_{t-1}$ = the R-value for the basket, calculated as base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1}

$RSvc_{t-1}$ = the R-value for the service category, calculated as base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1}

U_{Bskt} = the untargeted exogenous adjustment associated with the basket.

(B) For annual access tariff filings, the following formula will be used to calculate the upper pricing limit for 800 Database Vertical Services subservice in the Traffic Sensitive basket, the DS1 and DS3 subservices in the Trunking basket, and the density pricing zones for voice grade services and tandem-switched transport permitted by Sections 61.47(h)(1)(iii) and (iv). The upper pricing band for these subservice categories shall limit the annual SBI upward pricing flexibility to the percents defined in (e), above.

$$SBI_{ul} = \frac{t PCI_t}{PCI_{t-1}} * SBI_{t-1} * (1 + ul\%) * \left(1 + \frac{\left(T + \frac{R_{SbSvc_{t-1}}}{R_{Bskt_{t-1}}} * U_{Bskt} + \frac{R_{SbSvc_{t-1}}}{R_{Svc_{t-1}}} * U_{Svc} \right)}{R_{SbSvc_{t-1}}} \right)$$

where:

$RSbSvc_{t-1}$ = the R-value for the subservice category, calculated as base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1}

U_{Svc} = the untargeted exogenous adjustment associated with the service category of which the subservice or density zone is a part

(C) For annual access tariff filings, the following formula will be used to calculate the upper pricing limit for DS1 and DS3 Density Zones in the Trunking basket. The upper pricing band for these density zones shall limit the annual SBI upward pricing flexibility to the percents defined in (e), above.

$$SBI_{it} = \frac{tPCI_t}{PCI_{t-1}} * SBI_{t-1} * (1 + ul\%) * \left(1 + \frac{\left(T + \frac{R_{DZ_{t-1}}}{R_{bskt_{t-1}}} * U_{bskt} + \frac{R_{DZ_{t-1}}}{R_{Svc_{t-1}}} * U_{Svc} + \frac{R_{DZ_{t-1}}}{R_{SbSvc_{t-1}}} * U_{SbSvc} \right)}{R_{DZ_{t-1}}} \right)$$

where:

RDZ_{t-1} = the R value for the Density Zone, calculated as base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1}

U_{SbSvc} = the untargeted exogenous adjustment associated with the subservice category of which the density zone is a part

(i) For non-annual access tariff filings:

..... (unchanged except for section numbers)

(2)(i) * * * Change section number to 61.47(i)(2)(ii)(A)

U_{bskt} = the untargeted exogenous cost adjustment ~~reduction~~ to be associated with the basket.

(2)(ii) * * * Change section number to 61.47(i)(2)(ii)(B)

U_{svc} = the untargeted exogenous cost adjustment ~~reduction~~ to be associated with the service category.

(2)(iii) * * * Change section number to 61.47(i)(2)(ii)(C)

U_{subsvc} = the untargeted exogenous cost adjustment ~~reduction~~ to be associated with the service subcategory.

In addition, a new Section 61.45(m) should be added detailing a "targeting PCI", as referenced in Section 61.47(i)(2)(i)(A). The new Section 61.45(m) should read as follows:

61.45(m) For annual access tariff filings only, a second form of PCI, to be called a “targeting PCI”, will be developed. This targeting PCI will be used as the means of developing upper limits for service bands, subservice bands, and/or density zones. The targeting PCI (tPCI_t) is calculated as a PCI without exogenous changes, using the following formula:

(i) Until targeting to the TIC (as described in xx.xx) is completed, the formula for this calculation will be:

$$tPCI_t = PCI_{t-1} * \left(1 + \frac{(InitialTargetedReduction - ActualTargetedReduction)}{R_{t-1}} \right)$$

where:

tPCI_t = the new targeting PCI for the basket, as defined above,
 PCI_{t-1} = the immediately preceding PCI value,
 Initial Targeted Reduction = the total possible dollar value of the (GDP-PI - X) reductions,
 Actual Targeted Reduction = the actual dollar value of the (GDP-PI - X) reductions that will be targeted to the TIC (as defined in paragraph XX.XX).

Item 55. Delete the new Section 61.49 (l) requirement to indicate the transmittal number above the bottom margin of each page of cost support material. This new requirement is burdensome and difficult to administer. If a standard is required, the Transmittal Number should be placed in the upper left hand corner of each page, to be consistent with the TRP.

Revise as follows:

~~(l) Above the bottom margin of each page of cost support material submitted pursuant to this section, the carrier shall indicate the transmittal number under which that page was submitted.~~

Item 65. § 61.58(a)(2)(i) should be revised to clarify that Section 204(a)(3) is the streamlined tariff provisions of the Communications Act.

Revise as follows:

(i) Local exchange carriers may file tariffs pursuant to the **streamlined tariff provisions of Section 204(a)(3) of the Communications Act**

Item 68. § 61.58(c) should be revised to make clear that the notice requirements contained in these rules apply to price cap LECs not choosing to file tariffs pursuant to the streamlined tariff provisions of Section 204(a)(3) of the Communications Act.

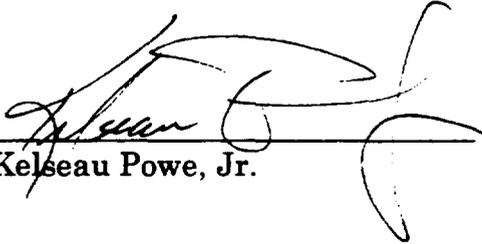
Revise as follows:

(c) Carriers subject to price cap regulation not choosing to file tariffs pursuant to the streamlined tariff provisions of Section 204(a)(3) of the Communications Act. This paragraph applies only to carriers subject to price cap regulation which choose not to file tariffs pursuant to the provisions of Section 204(a)(3) of the Communications Act. Such carriers must file tariffs according to the following notice periods.

Item 75. In describing the renumbering revision, Section 61.58(e)(3) should be redesignated as Section 61.58(e)(4).

CERTIFICATE OF SERVICE

I, Kelseau Powe Jr., do hereby certify that on this 16th day of October, 1998, I have caused a copy of the foregoing **COMMENTS OF U S WEST COMMUNICATIONS, INC.** to be served, via hand-delivery, upon the persons listed on the attached service list.


Kelseau Powe, Jr.

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