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November 15, 1999

VIA HAND-DELIVERY

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Comments of Roseville Telephone Company
RM-9707
USTA Petition for Rulemaking
2000 Biennial Regulatory Review

Dear Ms. Salas:

Enclosed please find an original and four copies of the Comments of Roseville Telephone Company supporting USTA's Petition for Rulemaking in RM-9707.

If there are any questions regarding this matter, please contact me.

Sincerely,



Paul J. Feldman
Counsel for Roseville Telephone Company

Enclosure

cc: Certificate of Service

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
United States Telephone Association)
Petition for Rulemaking) RM-9707
2000 Biennial Regulatory Review)

COMMENTS OF ROSEVILLE TELEPHONE COMPANY

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

In the Matter of)	
)	
United States Telephone Association)	
Petition for Rulemaking)	RM-9707
2000 Biennial Regulatory Review)	

COMMENTS OF ROSEVILLE TELEPHONE COMPANY

Roseville Telephone Company ("RTC"), by its attorneys, hereby files these comments in support of the Petition for Rulemaking, filed by the United States Telephone Association ("USTA") in the above-captioned proceeding, on August 11, 1999. RTC believes that the public interest would best be served by initiating a Section 11(a) rulemaking proceeding directed towards granting the regulatory relief sought in the Petition. While RTC supports the entire scope of regulatory reform proposed by USTA, RTC is particularly concerned with promoting reforms that would eliminate or minimize the unnecessary regulatory burden imposed on mid-sized carriers by Part 32, Part 43 and Part 64 cost allocation manual ("CAM") and Automated Reporting Management Information System ("ARMIS") requirements. As part of a Section 11 proceeding, the Commission should seek comments on rule revisions that could remedy these unnecessary burdens by reducing the number of carriers subject to the CAM and ARMIS requirements. One such revision could be modifying the threshold for CAM/ARMIS compliance by increasing the Section 32.11 baseline figure which (as adjusted annually for inflation) currently determines the threshold for commencement of compliance with CAM and ARMIS requirements. Alternatively, the Commission could

use other criteria which limit the CAM/ARMIS obligations, for example, to companies that are larger than the definition of "small business" as defined by the Small Business Administration, or which serve more than two percent of the nation's access lines. The result would be that carriers the size of RTC which are currently (or will shortly be) subject to CAM and ARMIS requirements would no longer be subject to those requirements, which would promote the public interest as the burden imposed on those carriers far outweighs any benefits to the public or to the Commission.

I. **Introduction**

RTC is an incumbent local exchange carrier ("ILEC") serving subscribers in 83 square miles, with central office locations serving the Roseville and Citrus Heights, California area. Roseville has been providing high quality communications services to its subscribers for over 85 years, and currently serves approximately 128,000 access lines. Like USTA, RTC has become concerned about the impact of increasing federal regulation on its operations. In the Telecommunications Act of 1996, Congress sought to "provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapid private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition."¹ Yet, as RTC attempts to provide more advanced services to its subscribers, and respond to growing competition in its service area, it finds that it is increasingly burdened and distracted instead by the need to devote resources to complying with increased federal regulation.

¹ S. Conf. Rep. No. 104-230, 104th Cong., 2d Sess. 1 (1996).

II. The Commission Should Use a Section 11(a) Proceeding to Reduce or Eliminate Unnecessary CAM and ARMIS Requirements for Certain ILECS.

A substantial part of the increased unnecessary regulatory burden on RTC results from commencement of compliance with CAM and ARMIS regulations. Section 64.903(a) of the Commission's Rules states that LECs with annual operating revenues that equal or exceed the indexed revenue threshold in Part 32 of the Rules must file a CAM with the Commission within 90 days after publication of that threshold in the *Federal Register*. Similarly, Section 43.21(a) of the Commission's Rules states that LECs with annual operating revenues that equal or exceed the indexed revenue threshold in Part 32 of the Rules must commence the process of collecting data for and filing annual ARMIS reports. The indexed threshold amount for 1998 was \$112 million, which RTC exceeded for the first time in 1998. Thus, RTC is now subject to the CAM and ARMIS requirements. The costs of such compliance will be very substantial, for a company of RTC's size.

RTC's cost allocation policies currently comply with the requirements of Sections 64.901, 64.902 and 32.27 of the Commission's rules, as well as the respective appropriate rules of the California Public Utilities Commission ("CPUC"). Nevertheless, in order to comply with the requirement to file an initial CAM, RTC will have to perform a comprehensive review of the Commission's cost allocation rules. In addition, RTC will have to perform a review of the Commission's RAO Letters and Orders on CAMs, as well as of the existing CAMs approved by the Commission. RTC will also have to set up new systems for compiling information in a manner specific to FCC CAM requirements. Lastly, RTC will have to set up new systems for formatting, publishing and revising CAMs for FCC purposes.

The burden for commencing compliance with ARMIS will be even greater. First, in order to prepare for installation and operation of the systems necessary to collect data and produce ARMIS reports, RTC will have to perform a review of the Commission's Orders on ARMIS, in conjunction with any software available from providers. Second, after the initial preparation is completed, RTC will then have to complete the numerous tasks involved in installing the software, and training its personnel in use of this software. Even after the ARMIS software is installed, and the personnel trained, there will be substantial costs for set up and performing the tasks associated with collecting data and populating the ARMIS reports for the first time. While the Commission publishes the "average" annual burden in hours to develop the ARMIS reports, as the Commission well knows, these "averages" account for the fact that most companies performing the tasks will have significant experience in doing so, and thus can perform them at peak efficiency. For a company performing these complex tasks for the first time, the amount of time required will be significantly greater than "average". After consulting with other companies regarding their initial experience complying with ARMIS requirements, and performing its own internal analysis, RTC believes that a conservative estimate of the actual time necessary to initially perform the mandated ARMIS tasks would be a minimum of 4,690 hours. This is the equivalent of more than two additional full time employees, not including managerial time, at a stage when RTC is attempting to develop greater efficiencies to meet competition. When salaries, costs and benefits are included, the loaded hourly cost of this work is \$58, with the total cost of ARMIS alone thus equaling \$272,000, or over \$2.00 per

access line. The cost of CAM compliance and a CAM audit would be in addition to that amount.

The regulatory burdens described above are very substantial for a company the size of RTC. While RTC's access line count is a mere 28,000 access lines above the definition of "rural telephone company", and is among the smallest of the non-rural LECs. To the extent that larger companies can use their size to create greater cost savings, a company like RTC is in fact closer to rural companies than to non-rural companies, for the purposes of evaluating the impact of regulatory burdens. Similarly, while the Commission defines any company whose revenues exceed the indexed threshold of \$112 million as a "mid-sized carrier", because the revenue range of the Commission's definition includes carriers with revenues up to \$7 billion,² carriers initially crossing over the threshold are by definition among the smallest of the mid-sized carriers.

The burden of CAM and ARMIS compliance for a company just crossing the current threshold is not only substantial, it is unnecessary. While the Commission has found that the CAM and ARMIS requirements generally serve the public interest by assisting the Commission in administering accounting, cost allocation, jurisdictional separations and access charge rules, as noted in the USTA Petition, much of the information necessary for such regulatory oversight is already available in other required filings or publicly available sources. Furthermore, any gain in information, in the case of a carrier the size of RTC, provides an extremely limited tool for regulating

² See Report and Order in CC Docket No. 98-81, FCC 99-106 (rel. June 30, 1999) at paras. 12-14.

rates for subscribers, on a nationwide basis: RTC serves only 0.077 percent (seventy seven thousandths of a percent) of the nation's access lines.³ Indeed, imposition of the CAM and ARMIS requirements on carriers the size of RTC is contrary to the public interest because these significant regulatory costs must be recovered through rates charged to end-users and access charge customers. These additional costs, which are not imposed on CLECs, constitute a burden on true competition. In addition, the resources devoted to initial compliance with CAM and ARMIS could instead be used to assist in the provision of new, advanced services to the public.

In sum, the public interest would be served by eliminating and/or minimizing the burdens associated with unnecessary CAM and ARMIS requirements. RTC recognizes that the Commission has recently attempted to relieve some of the burdens of CAM and ARMIS on mid-sized carriers⁴, however, RTC believes that those changes will in fact have only a minimal impact on mid-sized carriers. Furthermore, while the Commission has proposed to engage (in CC Docket 99-253) in a "comprehensive review" of accounting and ARMIS requirements, as suggested in pages 6-8 of USTA's Petition, it may be more productive for the Commission to address relief from unnecessary CAM and ARMIS requirements in the broader context of a comprehensive review.

Accordingly, RTC strongly supports the proposals in the USTA Petition, including the specific rule changes proposed for Parts 32, 43 and 64. Such proposals would

³ RTC currently serves approximately 128,000 access lines. As of December 31, 1998, there were 166,748,760 access lines in the U.S. See, Phone Facts 1999 (USTA).

⁴ See Report and Order in CC Docket 99-81, FCC 99-106 (released June 30, 1999) and Report and Order in CC Docket 98-117, FCC 99-107 (released June 30, 1999).

significantly streamline the CAM and ARMIS burdens imposed on all eligible ILECs. In addition, however, the Commission should seek comments on rule revisions that could remedy these unnecessary burdens by reducing the number of carriers subject to the CAM and ARMIS requirements. One such revision could be modifying the threshold for CAM/ARMIS compliance by substantially increasing the Section 32.11 baseline figure which (as adjusted annually for inflation) determines the threshold for commencement of compliance with CAM and ARMIS requirements.⁵ Thus, rather than multiplying the inflation index against a baseline of \$100 million, the index would be multiplied against a figure greater than \$100 million. Alternatively, the Commission could use other criteria which limit the CAM/ARMIS obligations, for example, to companies that are larger than the definition of “small business” as defined by the Small Business Administration, or which serve more than two percent of the nation’s access lines. The result would be that carriers the size of RTC which are currently (or will shortly be) subject to subject to CAM and ARMIS requirements would no longer be subject to those requirements, which would promote the public interest since the burden imposed on those carriers far outweighs any benefits to the public or to the Commission.

⁵ While Section 402(c) of the 1996 Telecommunications Act required the Commission to adjust the Section 32.11 baseline figure annually for inflation, nothing in the 1996 Act or the Communications Act generally appears to prohibit the Commission from also adjusting the baseline figure on a one-time or non-annual basis, in furtherance of the 1996 Act’s deregulatory goals.

WHEREFORE, Roseville Telephone Company requests that the Commission initiate a rulemaking proceeding as requested by the USTA Petition, and that such proceeding also propose to modify the criteria establishing which carriers are subject to CAM and ARMIS obligations, as described above.

Respectfully submitted,

ROSEVILLE TELEPHONE COMPANY


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November 15, 1999

CERTIFICATE OF SERVICE

I, Stacy R. Eveslage, a secretary in the law firm of Fletcher, Heald & Hildreth, P.L.C., hereby certify that true copies of the foregoing Comments of Roseville Telephone Company was served this 15th day of November, 1999, upon:

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