

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

**In the Matter of**  
**Direct Access to the INTELSAT System**

IB Docket No. 98-192  
File No. 60-SAT-ISP-97

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**To: The Commission**

**REPLY OF MCI WORLDCOM, INC.**  
**ON PETITION FOR LIMITED RECONSIDERATION**

MCI WorldCom, Inc. ("MCI WorldCom"), pursuant to 47 C.F.R. § 1.429(g) and the Federal Register notice of MCI WorldCom's Petition for Limited Reconsideration ("Petition"),<sup>1</sup> hereby replies to the Opposition of COMSAT Corporation to Petitions for Reconsideration ("Opposition").

COMSAT Corporation ("COMSAT") devotes much of its brief response to the Petition to discussing the Petition's brevity,<sup>2</sup> arguing that the Petition does not adequately explain MCI WorldCom's arguments,<sup>3</sup> and attacking MCI WorldCom's motives.<sup>4</sup> COMSAT

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<sup>1</sup> Correction; Petitions for Reconsideration and Clarification of Action in Rulemaking Proceeding, 64 Fed. Reg. 70028 (Dec. 15, 1999).

<sup>2</sup> See Opposition at 2 ("MCI Worldcom's argument is ... as thin as the petition's two pages of text would suggest"), 11 ("MCI Worldcom, in a two-paragraph Petition").

<sup>3</sup> See id. at 11 ("Nor does the petition explain MCI Worldcom's own calculations."), 12 ("MCI Worldcom's petition provides insufficient information to permit reconciliation of its results with those of the Commission.").

<sup>4</sup> See id. at 12 ("the quibble raised by MCI Worldcom appears to be neither substantial nor seriously advanced").

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apparently seeks to divert the Commission's attention from the straightforward argument set forth in the Petition because Comsat lacks a substantive response to that argument.

In the Petition, MCI WorldCom made only one argument – that the Commission's calculation of COMSAT's capitalized insurance expense should be corrected to reflect “the actual amount of COMSAT's INTELSAT-related insurance expense that will not have been depreciated as of the start of direct access in December 1999.”<sup>5</sup> As Exhibit A to the Petition illustrates, such a correction requires only one change to the Commission's depreciation calculation, which COMSAT recognizes when it notes only “[o]ne clearly discernible difference” between the Commission's calculation and MCI WorldCom's calculation.<sup>6</sup> Specifically, the corrected calculation adjusts the values for “Remaining Life Years” to be mathematically accurate – based upon the Commission's data on “Launch Date” and “Depreciation Period” and the fact that direct access began in December 1999.<sup>7</sup>

COMSAT does not challenge the fundamental point of the Petition that the start date of direct access should start the period during which COMSAT is permitted to recover capitalized insurance through its direct access tariff. COMSAT argues only that “choosing such a later date ... does not mean that the FCC's result is erroneous.”<sup>8</sup> However, COMSAT does not explain (nor could it) why it should be entitled to recover depreciation prior to the start of direct

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<sup>5</sup> Petition at 2.

<sup>6</sup> Opposition at 11.

<sup>7</sup> See Petition, Exhibit A.

<sup>8</sup> Opposition at 12.

access. The Commission should reconsider and revise the Direct Access Order<sup>9</sup> to avoid such an anomalous result.

COMSAT does raise one substantive challenge to the calculation in the Petition – that the reduction in satellite depreciation periods means that COMSAT should be permitted to recover its capitalized insurance expense over a shorter period of time.<sup>10</sup> To the contrary, it was reasonable for the Commission to “depreciat[e] the capitalized insurance over four years, using a straight line depreciation method,”<sup>11</sup> and such a depreciation method remains reasonable after the correction explained by MCI WorldCom in the Petition. However, if the Commission accepts COMSAT’s argument, it should simply use a weighted-average depreciation period – i.e., an average depreciation period calculated by weighting the remaining depreciation period for each satellite by the amount of undepreciated insurance for that satellite. As illustrated in Exhibit A to this Reply, the level of the direct access surcharge attributable to capitalized insurance expense would then decline from the 3.59 percent in the Direct Access Order to 2.11 percent. Accordingly, the total amount of the surcharge would decline from 5.58 percent to 4.10 percent.<sup>12</sup>

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<sup>9</sup> Direct Access to the INTELSAT System, FCC 99-236, IB Docket No. 98-192 (rel. Sept. 16, 1999) (“Direct Access Order”).

<sup>10</sup> See Opposition at 12.

<sup>11</sup> Direct Access Order, Appendix B at 1.

<sup>12</sup> See Direct Access Order, ¶ 72, Appendix A.

For the reasons set forth above and in the Petition, the Commission should reconsider the Direct Access Order, and revise its calculation of the portion of the direct access surcharge covering COMSAT's capitalized insurance expense.

Respectfully submitted,

/s/ Robert S. Koppel

Alfred M. Mamlet  
Maury D. Shenk  
**Stephoe & Johnson LLP**  
1330 Connecticut Avenue, N.W.  
Washington, DC 20036  
(202) 429-3000

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Robert S. Koppel  
**MCI WorldCom, Inc.**  
1801 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
(202) 887-2248

*Of Counsel*

Dated: January 21, 2000

**Exhibit A -- Alternative Corrected Calculation of COMSAT's INTELSAT-Related Insurance Expense**

Start Date of Direct Access: Dec-99  
 COMSAT 1998 IUC Revenue (\$ millions): \$154.77

Satellite	Launch Date (Table C, col. 1)	Depreciation Period (Years) (Table C, col. 7)	Annual Depreciation (\$ millions) (Table C, col. 10)	Remaining Life Years (Table C, col. 11)	Remaining Life Years (Corrected)	Undepreciated Insurance (\$ millions) (Table C, col. 12)	Undepreciated Insurance (\$ millions) (Corrected)	
601	Oct-91							
602	Oct-89							
603	Mar-90							
603 Reboost	May-92							
604	Jun-90							
605	Aug-91							
6 Series Total (using avg launch date)	Dec-90	10	\$4.682	3	1.08	\$14.047	\$5.070	
INTELSAT K	Jun-92	10	\$0.770	4	2.50	\$3.080	\$1.926	
701	Oct-93	11	\$0.061	6	4.83	\$0.363	\$0.295	
702	Jun-94	11	\$0.060	6.5	5.50	\$0.392	\$0.330	
703	Oct-94	11	\$0.063	7	5.83	\$0.438	\$0.368	
704	Jan-95	11	\$0.062	7	6.09	\$0.437	\$0.377	
705	Mar-95	11	\$0.064	7	6.25	\$0.451	\$0.400	
706	May-95	11	\$0.103	7.5	6.41	\$0.776	\$0.661	
707	Mar-96	11	\$0.107	8.5	7.25	\$0.912	\$0.776	
709	Jun-96	11	\$0.081	8.5	7.50	\$0.685	\$0.608	
801	Mar-97	11	\$0.047	9	8.25	\$0.419	\$0.388	
802	Jun-97	11	\$0.018	9.5	8.50	\$0.175	\$0.153	
803	Sep-97	11	\$0.000	10	8.75	\$0.000	\$0.000	
804	Dec-97	11	\$0.000	10	9.00	\$0.000	\$0.000	
805	Jun-98	11	\$0.000	10.5	9.50	\$0.000	\$0.000	
806	Feb-98	11	\$0.004	10	9.17	\$0.036	\$0.037	
			<b>Weighted Average:</b>	4.22	3.49			
						<b>Total:</b>	\$22.212	\$11.386
						<b>Insurance Surcharge (4 Year Depreciation Period):</b>	3.59%	1.84%
						<b>Insurance Surcharge (Weighted Average Depreciation Period):</b>	3.40%	2.11%

CERTIFICATE OF SERVICE

I hereby certify that on this 21<sup>st</sup> day of January, 2000, a true and correct copy of the foregoing REPLY OF MCI WORLDCOM, INC. ON PETITION FOR LIMITED RECONSIDERATION was served via hand-delivery (except where indicated) upon the following:

Don Abelson  
Chief International Bureau  
Federal Communications Commission  
The Portals – Rm. 6-B722  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Ari Fitzgerald  
Office of Chairman Kennard  
Federal Communications Commission  
The Portals - Rm. 8-B201  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Peter Pappas  
International Bureau  
Federal Communications Commission  
The Portals - Rm. 6-C716  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

James Ball  
Federal Communications Commission  
The Portals - Rm. 6-C749  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Cathy Hsu  
Federal Communications Commission  
The Portals – Rm. 6-C804  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Michael McCoin  
Federal Communications Commission  
The Portals – Rm. 6-B510  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Douglas Webbink  
Federal Communications Commission  
The Portals – Rm. 6-C730  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Robert S. Koppel  
William Single  
MCI WorldCom, Inc.  
1801 Pennsylvania Avenue, NW  
Washington, DC 20006

\*Lawrence J. Lafaro  
Teresa Marrero  
AT&T Corporation  
295 N. Maple Avenue  
Basking Ridge, NJ 07920

\*Warren Y. Zeger  
Howard D. Polsky  
Keith H. Fagan  
Comsat Corporation  
6560 Rock Spring Drive  
Bethesda, MD 20817

\*Kent Nakamura  
James W. Hedlund  
Sprint Communications Company L.P.  
1850 M Street, N.W., 11<sup>th</sup> Floor  
Washington, DC 20036

\*Richard E. Wiley  
Lawrence W. Secret III  
Rosemary C. Harold  
Martha E. Heller  
Wiley, Rein & Fielding  
1776 K Street, N.W.  
Washington, DC 20006

  
Weldrena Jones-Bean

\* Delivered by first-class mail, postage prepaid