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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Petition for Rulemaking Regarding	)	CCB/CPD 01-12
Presubscribed Interexchange Carrier Charges	)	RM No. 10131

OPPOSITION OF VERIZON TO PETITION FOR RULEMAKING[1]

The Competitive Telecommunications Association ("CompTel") has not proffered a *prima facie* case demonstrating that the current tariffed charges for changing a customer's primary interexchange carrier ("PIC") is unreasonable. Although it claims that the costs and technology have changed since the Commission adopted the $5.00 rate, and that the rate should be reduced, CompTel has presented no facts or evidence whatsoever to support that allegation. Instead CompTel's case is based entirely upon speculation and erroneous premises, and upon a claim that a lower PIC change charge by one carrier that the Commission has never even investigated should become the industry standard. Therefore, CompTel has not presented sufficient evidence to justify its rulemaking request, and the Commission should deny the petition.

CompTel's petition is premised on several erroneous assumptions. First, CompTel speculates, without support, that "[o]ther than some computer time, the ILEC incurs no direct costs to process these automated PIC changes." Petition for Rulemaking ("Pet.") at 8. CompTel

No. of Copies rec'd 0+5
List A B C D E

[1] The Verizon telephone companies ("Verizon") are the local exchange carriers affiliated with Verizon Communications Inc. identified in Attachment A.

is simply wrong. As shown below, both federal and state filings and state decisions show that both automated and manual PIC changes carry significant costs.

Second, CompTel claims that PIC change charges that are above cost "translate directly into higher long distance rates" and reduced demand. Pet. at 5. However, a $5.00 PIC change charge, when amortized over all long distance calls that a customer places during the period when the customer is presubscribed to the carrier, could have at best a negligible effect on long distance costs. And CompTel has presented no evidence whatever to support its claim that those minimal cost increases would "suppress[] demand for long distance service and reduc[e] consumer welfare." *Id.*

Moreover, it is well known that some interexchange carriers routinely send end users checks for $100 and more and provide other incentives, such as "free" minutes and waivers of fixed charges to encourage consumers and small businesses to change to their long distance service. The cost of these incentives far exceed the PIC change charge. If the small increase in cost from the allegedly excessive $5.00 PIC change charge increased long distance rates enough to suppress demand, as CompTel claims, an extra $100 customer acquisition cost should have twenty times the impact and should cause huge increases in long distance rates and similar reductions in demand, yet that has not been the case, and there is no evidence long distance calling volumes have been "suppressed," as CompTel would lead the Commission to believe.

Third, CompTel claims that above-cost PIC change charges will enable incumbent local exchange carriers with long distance relief to "implement a price squeeze that will provide an unfair competitive advantage to the ILECs' long distance affiliates." *Id.* This is an oft-repeated claim that the Commission has uniformly rejected. *See, e.g.*, *Applications of Pacific Telesis Group and SBC Communications, Inc.*, 12 FCC Rcd 2624, ¶ 54 (1997) ("As long as the

incumbent LEC is required to offer unbundled network elements and resale of retail services, an attempted price squeeze is unlikely to be an effective antic-competitive tool"). *See also, Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace*, 12 FCC Rcd 15756, ¶ 129 (1997); *Access Charge Reform*, 12 FCC Rcd 15982, ¶ 278 (1997). The only way that a PIC change charge could possibly result in a price squeeze would be that the incumbent would be able to reduce long distance charges at the same time as it charges other carriers an excessive PIC change charge. But, without the ability to make captive ratepayers bankroll a predatory strategy, such a course of action is entirely implausible. Here, the incumbent local exchange carrier assesses the PIC change charge, and its long distance affiliate pays the same PIC change charges as any other interexchange carrier. That affiliate is fully separated from the local exchange carrier, with separate books of account, so there is no possibility that local ratepayers could bankroll lower long distance rates. Even if it could, it is inconceivable that the incumbents could use the small amount of excess revenue from allegedly-excessive PIC change charges to reduce long distance rates sufficiently to drive competing long distance providers out of business. There is, therefore, no conceivable way that a PIC change charge could result in a rival's price squeeze.

Fourth, CompTel asserts that reduced PIC change costs will promote competition by encouraging customers to select the carrier of their choice and promote competition in the long distance market. Pet. at 7. This clearly would not be true where the long distance carrier pays the charge – which is typically the case – because the customer does not pay to change carriers. In the relatively few cases where the end user pays the charge, any chilling effect of a higher charge would be reflected in different carrier change rates in states with different PIC change

charges. Yet CompTel provides no evidence that change rates are higher in the states with a lower PIC change charge than in states with a higher charge. Logically, however, customers will generally switch carriers because the pricing structure of the new carrier is significantly more favorable and would save them a considerable amount on long distance calling. In that event, a one-time charge of $5.00 is unlikely to keep them from changing. Moreover, even if a high PIC change charge discouraged customers from switching carriers, that would injure the incumbent local exchange carrier, not other long distance companies, because it is the local exchange carriers who are the new entrants.

Verizon's Federal and state filings and decisions fully support a PIC change rate of at least $5.00. For example, Verizon's most recent cost-supported federal tariff for the PIC change, submitted by pre-merger Bell Atlantic in 1993, showed that the weighted cost of a PIC change (taking both automated and manual PIC changes into account) was $4.96. This cost support was submitted in the record of the MCI complaint against Bell Atlantic and is reproduced in Attachment B.[2] As a result, the most recent evidence that Verizon submitted before this Commission fully supports a $5.00 charge.

A more recent decision in Massachusetts affirmatively approved a $5.00 charge for local PIC charges, based upon cost information that showed the costs of both automated and manual changes.[3] Dismissing allegations that the costs were overstated, the Massachusetts Department

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[2] The $4.96 rate was the weighted average of the business and residential PIC change costs in the seven pre-merger Bell Atlantic jurisdictions. The resulting weighted average cost appears in Workpaper 9 of that filing.

[3] The costs of making an interstate and a local PIC change are comparable.

of Public Utilities found "that Bell Atlantic's $5.00 charge is reasonable and thus [we] approve it."[4] A copy of this decision appears in Attachment C.

Similarly, evidence presented this year before the Maryland Public Service Commission supports a PIC change rate of at least $5.00.[5] Indeed, when loadings to cover joint and common costs at levels that the Commission has found to be reasonable are applied to the Maryland direct costs, the results support a rate well over $5.00.[6]

CompTel has not provided any evidence whatsoever to show that any carrier's PIC change charge is unjust and unreasonable – because those charges are all within the range of reasonableness. Therefore, the Commission should deny CompTel's Petition for Rulemaking.

Respectfully submitted,

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(703) 974-4862

Attorney for the Verizon
telephone companies

Michael E. Glover
Edward Shakin
Of Counsel

June 18, 2001

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[4] *Investigation by the Department as to the proprietary rates and charges set forth in the following tariffs: M.D.P.U. Nos. 10 and 15, filed with the Department on August 18, 1997, to become effective October 10, 1997, by New England Telephone and Telegraph Company d/b/a/ Bell Atlantic-Massachusetts*, D.P.U. 96-106-A at 23 (MA DPU, rel. Apr. 9, 1998).

[5] *Investigation Into the Appropriate Level of the PIC Change Charge*, Case No. 8862.

[6] *See, e.g., Local Exchange Carriers' Payphone Functions and Features*, 12 FCC Rcd 17996, ¶ 13 (1997) (declining to investigate a tariff that contained loading factors of 3.4 times direct costs); *Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport, Second Report and Order*, 12 FCC Rcd 18730 (1997), Appendix D (prescribing overhead loadings for collocation tariffs).

ATTACHMENT A

THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the affiliated local telephone companies of Bell Atlantic Corporation (d/b/a Verizon Communications), including the telephone companies formerly affiliated with GTE Corporation. These are:

Contel of the South, Inc. d/b/a Verizon South Systems
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.

ATTACHMENT B

Bell Atlantic

Bell Atlantic Network Services, Inc.
One Bell Atlantic Plaza
1310 North Court House Road
4th Floor
Arlington, Virginia 22201
703 974-5995

Michael R. McCullough
Director, Rates & Tariffs
External Affairs

March 15, 1993

Transmittal No. 562

Secretary
Federal Communications Commission
Washington, D.C. 20554

Attention: Common Carrier Bureau

The accompanying tariff material, issued by The Bell Atlantic Telephone Companies and bearing Tariff F.C.C. No. 1, Access Service, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended. This material, filed on less than statutory notice, is scheduled to become effective March 17, 1993 and consists of tariff pages as indicated on the following check sheets:

Tariff F.C.C. No.	Check Sheet Revision No.
1	544th Revised Page 1
	139th Revised Page 1.1

This filing, made under the authority of Special Permission No. 93-226 of the Federal Communications Commission, proposes to amend Transmittal No. 541. On December 22, 1992, Bell Atlantic filed Transmittal No. 541, which included revised tariff pages and necessary support documentation to introduce the PIC Switchback Option in the F.C.C. Tariff No. 1. In this filing, Bell Atlantic proposes to amend the information filed in Transmittal No. 541 by providing revised tariff language and additional cost support to address issues raised during the comment cycle as well as by the Commission's Staff.

Support information as specified in Section 61.38 of the Commission's Rules is included with this filing.

As agreed to in discussions held with the Commission's Staff, Bell Atlantic is refiling this rate in accordance with Section 61.38 of the Commission's rules. In addition, Bell Atlantic plans to remove all effective Unauthorized PIC charges from Section 61.49 and include under Section 61.38 of the Commission's rules as part of it's Annual Price Cap filing which will be filed on April 2, 1993.

We have enclosed a check in the amount of $490.00 in accordance with the fee program procedures.

The original of this Transmittal letter is being delivered today to the Mellon Bank in Pittsburgh, Pennsylvania, via a same day courier service.

Copies of this transmittal have been hand-delivered today to the Commercial Contractor and the Chief, Tariff Review Branch.

Acknowledgement and date of receipt of this filing are requested. A duplicate letter of transmittal is attached for this purpose.

All correspondence and inquiries in connection with this filing should be forwarded to Marie Johns, Executive Director, Regulatory and Industry Relations, at 1133 20th Street, N.W., 8th Floor, Washington, D.C. 20036.

Michael R. McCullough (lg)

Attachments to the Original:
- Duplicate Letter
- Payment Fee
- F.C.C. Form 155

Attachments to the Copies:
- Duplicate Letter
- Tariff Pages
- Support Documentation

ACCESS SERVICE CHECK SHEET

Title Pages 1 and 2 and Pages 1 to 979 inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement Nos. 18, 19, 20, 21, 22, 23, 24, 25, 25A, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 80A, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103 and 104(N) contain all changes from the original tariff that are in effect on the date hereof.

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
Title 1	2nd	17	7th	43.1	Original
Title 2	1st	18	13th	44	5th
1	544th*	18.1	Original	45	2nd
1.1	139th*	19	8th	46	Original
1.2	116th	20	12th	47	3rd
1.2.1	9th	20.1	5th	47.1	2nd
1.3	156th	20.2	3rd	47.2	2nd
1.4	90th	21	1st	48	2nd
1.5	104th	22	Original	49	1st
1.6	34th	23	1st	50	1st
1.7	43rd	24	4th	51	6th
1.8	165th	25	Original	52	5th
1.9	60th	26	Original	53	12th
1.10	30th	27	1st	54	3rd
1.11	6th	28	2nd	55	Original
1.12	18th	28.1	Original	56	3rd
2	Original	29	2nd	56.1	7th
3	4th	30	Original	57	13th
4	7th	31	Original	57.1	2nd
5	10th	32	Original	58	10th
6	7th	33	Original	59	7th
6.1	6th	34	Original	60	9th
6.2	Original	35	7th	61	5th
7	9th	35.1	2nd	62	4th
8	8th	36	3rd	62.1	4th
9	8th	37	5th	63	7th
10	10th	38	1st	64	Original
11	8th	39	4th	65	2nd
12	2nd	39.1	6th	66	2nd
13	1st	40	3rd	67	6th
14	3rd	41	6th	67.1	1st
15	2nd	42	6th	68	2nd
15.1	3rd	43	2nd	69	5th
15.2	Original				
16	4th				

(This page filed under Transmittal No. 562)

*New or Revised Pages

Issued: March 15, 1993 Effective: March 17, 1993

James R. Young, Vice President
1310 North Court House Road, Arlington, Virginia 22201

ACCESS SERVICE CHECK SHEET (Cont'd)

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
69.1	2nd	83.20	1st	106	11th
70	1st	83.21	1st	106.1	4th
71	6th	83.22	1st	106.2	4th
72	Original	83.23	2nd	106.3	2nd
72.1	Original	83.24	31st	107	2nd
73	Original	84	3rd	108	3rd
74	Original	85	2nd	109	Original
75	3rd	86	3rd	110	4th
76	6th	87	1st	111	10th
77	2nd	88	3rd	112	1st
78	3rd	89	5th	113	7th
78.1	3rd	90	16th	113.1	2nd
78.2	2nd	91	19th	114	7th
79	9th	92	20th	115	2nd
80	7th	93	21st	116	3rd
80.1	1st	94	19th	117	2nd
81	8th	95	23rd	118	16th
81.1	1st	96	20th	119	1st
82	4th	97	6th	120	1st
82.1	4th	98	3rd	121	1st
82.2	Original	98.1	2nd	122	1st
83	4th	98.2	1st	123	1st
83.1	3rd	99	2nd	124	1st
83.2	1st	99.1	3rd	125	Original
83.3	3rd	99.2	2nd	126	5th
83.4	1st	99.3	6th	127	6th
83.5	Original	99.4	Original	128	4th
83.6	Original	99.5	1st*	129	7th
83.7	Original	100	6th	129.1	2nd
83.8	Original	100.1	3rd	130	7th
83.9	Original	100.2	3rd	131	7th
83.10	Original	100.3	3rd	132	3rd
83.11	Original	101	14th	132.1	3rd
83.12	Original	101.1	Original	133	5th
83.13	1st	101.2	5th*	134	13th
83.14	Original	102	2nd	135	11th
83.15	1st	103	1st	135.1	11th
83.16	1st	104	6th	135.2	5th
83.17	1st	105	12th	136	11th
83.18	1st	105.1	15th		
83.19	1st	105.2	2nd		
		105.3	Original		

(This page filed under Transmittal No. 562)

*New or Revised Pages

Issued: March 15, 1993 Effective: March 17, 1993

James R. Young, Vice President
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4. End User Access Service and Presubscription (Cont'd)

4.2 Presubscription (Cont'd)

(B) (Cont'd)

(3) End User/Public and Semipublic Pay Telephone Agent Charge Discrepancy (Cont'd)

(g) PIC Switchback Option-Business/Residence (C)(x)(*)

PIC Switchback is an option under which no investigation activities are performed by the Telephone Company when an end user denies requesting a change in primary carrier submitted by that IC. The IC participating in PIC Switchback will be billed the PIC Switchback Charge, as specified in section 4.2(J) following, to switch the end user to the end user's previous carrier. In addition, the IC participating in this option must submit PIC changes to the Telephone Company via an Equal Access Mechanized Interface (EAMI) link using the Industry Standard Interface (ISI) Customer Account record Exchange (CARE) record format. The EAMI/CARE system provides a mechanized format for the exchange of PIC data (customer information) between ICs and Bell Atlantic. The most recent PIC change must also have been submitted via EAMI.

When the Telephone Company is contacted by an end user who denies requesting a change in primary IC, the end user will be credited the charge assessed for the disputed change in primary IC, and will be switched back to the previous carrier at no charge. A Letter of Authorization from the IC will not be requested or accepted at a later date in the event of a dispute of the charges assessed under the PIC Switchback option.

This option in no way relieves the IC of the Commission's Requirements for:

a) Verifying all PIC orders obtained by Telemarketing prior to submitting those orders, or
b) Instituting steps to obtain LOAs on all PIC orders submitted to Bell Atlantic.

In addition, the end user has the option of initiating a complaint to the Commission concerning unauthorized changes in primary IC. (C)(x)(*)

(x) Filed under the authority of Special Permission No. 93-226 of the Federal Communications Commission.
(*) The PIC Switchback option expires March 30, 1994 unless changed, cancelled, or extended.

(This page filed under Transmittal No. 562)

4. End User Access Service and Presubscription (Cont'd)

4.2 Presubscription (Cont'd)

		RATE	USOC	
(F)	The charge for a change in Presubscription.	$ 5.00+ ++	-	
(G)	The charge for a Business or Residence Carrier PIC Guaranteed Satisfaction change in Presubscription.	$ 5.00	RSBJX	(T)
(H)	The charge for an unauthorized Business or Residence service change in Presubscription.	$23.05	PUAUX	(T)
(I)	The charge for an unauthorized Public and Semipublic Pay Telephone change in Presubscription.	$39.28	PUAPX	(T)
(J)	The charge for a Business/Residence PIC Switchback change in Presubscription.	$ 7.59	RSBHX	(T)(x)(*) | | | (T)(x)(*)

* The PIC Switchback option expires March 30, 1994 unless changed, cancelled or extended. (C)(x)
(C)(x)

\+ These charges may be billed to either the subscriber to the Telephone Exchange Service, or to an IC submitting a choice of carrier change on behalf of a Telephone Exchange Service subscriber or end user.

++ This charge will be waived for all Carrier Identification Codes returned to Bellcore's North American Numbering Plan Administrator on a national basis for reassignment prior January 1, 1993.

(x) Filed under the authority of Special Permission No. 93-226 of the Federal Communications Commission.
(This page filed under Transmittal No. 562)

BELL ATLANTIC TARIFF F.C.C. NO. 1

TRANSMITTAL NO. 562

MARCH 15, 1993

AMENDMENT TO TRANSMITTAL NO. 541,
PIC SWITCHBACK OPTION

SECTION	DESCRIPTION
1	Description and Justification
2	Compliance With Commission Rules
3	Cost Development
4	Demand, Rates and Revenues
5	Workpapers

SECTION 1

DESCRIPTION AND JUSTIFICATION

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1.1 Background	1-1
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1.3 Justification	1-3

SECTION 1

DESCRIPTION AND JUSTIFICATION

1.0 Introduction

The Bell Atlantic telephone companies[1] hereby submit tariff pages and supporting documentation to supplement Transmittal No. 541 which introduced the Primary Interexchange Carrier Switchback option ("PIC Switchback") as a 12-month trial offering. PIC Switchback is a new "no fault" way for Bell Atlantic and participating interexchange carriers ("ICs") to handle unauthorized PIC disputes ("UPICs") for business and residence lines.

1.1 Background

Bell Atlantic processes many PIC changes per year. Of these, a relatively small percentage of customers deny authorizing any change in their primary carrier. Customers usually learn of an unauthorized switch when they receive a telephone bill or try to use their long distance calling card. Bell Atlantic learns of the situation when a customer calls a Bell Atlantic service center to complain. At that time, Bell Atlantic initiates an investigation, advises the customer that the $5.00 PIC change charge is suspended pending investigation,

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[1] The Bell Atlantic telephone companies ("Bell Atlantic") are The Bell Telephone Company of Pennsylvania, the Diamond State Telephone Company, the four Chesapeake and Potomac telephone companies and New Jersey Bell Telephone Company.

informs the customer that Bell Atlantic will reconnect the preferred IC, and advises the customer that if the IC produces a valid letter of authorization ("LOA") signed by the customer, then the PIC change charge will be reinstated.[2]

1.2 Service Description

PIC Switchback is an arrangement between Bell Atlantic and an IC under which no investigation activities are performed by either Bell Atlantic or the IC when an end user disputes a PIC change.

The PIC Switchback option applies when an end user calls one of Bell Atlantic's service centers to complain of an unauthorized PIC change. The customer's record will be checked to confirm that the customer's current carrier participates in PIC Switchback, and that the disputed PIC change had been submitted via the Equal Access Mechanized Interface (EAMI). If these conditions are met, the subsequent change is categorized as a Switchback. Bell Atlantic performs no investigation activities, and instead, immediately credits the end user $5.00 and initiates an order to return the end user to his or her previous carrier. The participating IC will be billed a total of $7.59, which recovers the costs of the first mechanized PIC change submitted

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[2] *See* Bell Atlantic Tariff F.C.C. No. 1, Transmittal No. 351, Unauthorized PIC Change Charge, Description and Justification, Section 3, Figures 3-2 and 3-3. These two figures outline current PIC dispute investigation and resolution procedures.

via the EAMI, the second manual PIC change to return the end user to the previous carrier, and the administrative costs. No charges will be billed to the end user under the PIC Switchback option.

The PIC Switchback option is available to all carriers; however, the offering is limited to 12 months starting from the tariff effective date. In order to test and evaluate this new no fault option, Bell Atlantic plans to file quarterly reports, as well as a final report shortly after the conclusion of the one-year period. These reports will be used to evaluate the success of the option by Bell Atlantic, its regulators and its customers. The reports will contain data on the number of participating carriers, the number of switchbacks, the number of UPICs and other relevant data to facilitate analysis.

If the PIC Switchback option is successful and reduces investigation activities without increasing disputes, Bell Atlantic proposes that the 12-month limitation be removed at the end of the 12 months, and that PIC Switchback become an ongoing service.

1.3 Justification

Bell Atlantic is proposing these tariff changes for PIC Switchback in response to several large carriers' requests for a more efficient and effective means of settling PIC disputes

for residential and business customers. Neither Bell Atlantic nor interexchange carriers undertake an expensive and time-consuming investigation to determine responsibility for the PIC change. The end user's dispute is not questioned, and the account is credited permanently (not just temporarily pending investigation). Bell Atlantic is committed to providing quality service and meeting customer requirements. The PIC Switchback option demonstrates Bell Atlantic's commitment to both groups of customers - end users and interexchange carriers.

SECTION 2

COMPLIANCE WITH COMMISSION RULES

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SECTION 2

COMPLIANCE WITH COMMISSION RULES

2.0 Overview

This section outlines the Bell Atlantic telephone companies' compliance with the Commission's Part 61 Rules as they apply to this filing. Explanation and supporting data are hereby submitted as required.[3]

2.1 Compliance with Part 61

Section 61.38 of the Commission's Rules specifies the supporting information to be submitted with letters of transmittal for tariffs of dominant carriers. Section 61.38(b) identifies the material to be submitted for a rate-effecting tariff change, and section 61.38(b)(1) requires that each filing include 1) a service cost study, 2) a projection of costs for a twelve-month period, and 3) a demand projection for a twelve-month period. This material is provided in Section 3, Cost Development; Section 4, Demand, Rate and Revenues; and Section 5, Workpapers.

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[3] Per discussions with Commission staff, Bell Atlantic will remove all unauthorized PIC change charges from Price Cap baskets in its upcoming Annual Price Cap Filing, to be submitted April 2, 1993.

SECTION 3

COST DEVELOPMENT

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3.3 Total Bell Atlantic PIC Switchback Option Costs	3-3
3.4 Ratios	3-3

SECTION 3

COST DEVELOPMENT

3.0 Introduction

This section describes the underlying costs and methodology used to determine Bell Atlantic's costs for the PIC Switchback option.

3.1 PIC Change Charge

The PIC change cost is a tariffed rate element assessed when an end-user changes his or her presubscribed IC.[4] Although this rate has been set equal to cost, it is a component of the cost development for the PIC Switchback Option and therefore Bell Atlantic is providing detailed support for the PIC change portion of the total costs.

The PIC change charge is calculated using the following cost categories: business and residence end user, first or additional line, and manual or mechanized handling procedure.[5] These costs are weighted by demand to reflect the characteristics of previous PIC change activity. The manual and mechanized costs for business lines, both first and additional, are weighted and shown on Page 1 of Workpapers 1 through 7. The same methodology is

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[4] Bell Atlantic Tariff F.C.C. No. 1, Section 4.2.

[5] Mechanized handling procedures refer to those PIC changes that are handled via the EAMI system.

followed on Page 2 for residence lines. The business and residence line costs are weighted on Page 3 to arrive at a jurisdiction-specific cost for PIC changes.

3.2 PIC Switchback Costs

In order to qualify for a PIC Switchback, participating ICs must have submitted the original IC change via the EAMI system. Therefore the costs for this portion of the service are the costs of performing a mechanized PIC change. By processing these requests on a mechanized basis, Bell Atlantic avoids the higher costs that result when the PIC change is taken verbally by a Bell Atlantic service representative or when the PIC change request must be worked manually by service representatives in Bell Atlantic's Equal Access Point of Contact (EAPOC) centers.

To quantify the costs incurred in processing a mechanized PIC change request, the following components were identified:

1) the clerical and network costs of the service order to update the customer's account with new PIC information;

2) the costs incurred to update the central office switch serving the end user in question;

3) the clerical costs incurred to update the customer's record at the Recent Change Memory Administration Center ("RCMAC") unit.

These costs are shown on Page 4 of the Workpapers for each jusrisdiction.

In addition, there are administrative costs that are

incurred for the calculation, monitoring and tracking of the data on a monthly basis and preparation of the FCC quarterly reports. The administrative tracking costs did not need to be weighted since they represent regional staff activities. These costs are shown on Workpaper 8.

3.3 Total Bell Atlantic PIC Switchback Option Costs

The weighted Bell Atlantic costs are calculated and shown on Workpaper 9. The costs for the PIC Switchback option are calculated by adding the PIC change costs and the PIC switchback costs. The jurisdiction-specific costs are weighted by demand to arrive at a Bell Atlantic total. The addition of the administrative costs provides the total costs of the PIC Switchback option. The total costs vary by three cents from the service costs filed in Transmittal No. 541. This variance is due to the fact that the tariffed rate for a PIC change, $5.00, was used as the cost in the original transmittal[6] instead of the cost calculated in this filing, $4.96 (Workpaper 9, L2). Additionally, the PIC Switchback costs are rounded from $2.52 to $2.53.

3.4 Ratios

Because there are no investment-related expenses incurred in the provision of the PIC Switchback option, a cost/investment

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[6] Transmittal No. 541, filed December 22, 1992, Workpaper 5-1, L5.

ratio is not applicable. The nonrecurring unit cost is equivalent to the unit price; therefore, the direct unit cost/price ratio is equal to 1.0. These ratios are shown on Workpaper 9.

SECTION 4

DEMAND, RATES AND REVENUES

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SECTION 4

DEMAND, RATES AND REVENUES

4.0 Introduction

This section describes the process used to develop the demand and revenue forecast and proposed rate for the PIC Switchback Option.

4.1 Demand Forecast

Demand for the PIC Switchback option is based on inquiries and discussions with large ICs, and is expected to make up a portion of total unauthorized PICs that Bell Atlantic processes each year. Based on interexchange carrier input, Bell Atlantic expects that 50% of unauthorized PICs will be handled as Switchbacks. Workpaper 10 contains the Switchback demand forecast.

4.2 Rate Development

Consistent with the Nonrecurring Charge Order[7], Bell Atlantic set its PIC Switchback rate equal to its cost. The revised switchback costs of $7.56 are equivalent to the the PIC Switchback rate of $7.59 for business and residence lines.

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[7] *In the Matter of Investigation of Interstate Access Tariff Nonrecurring Charges,* Memorandum Opinion and Order, 2 FCC Rcd 3498 (1987) ("Nonrecurring Charge Order").

4.3 Revenue Forecast

The projected revenues were calculated by multiplying the proposed PIC Switchback charge for Business/Residence lines by the projected demand. The projected revenues are shown in Workpaper 11.

Bell Atlantic anticipates that, because Switchback is an alternate means of handling PIC disputes, there will be a cross elastic effect on the existing unauthorized PIC charge. However, because each rate element recovers the associated costs, any revenue decrease will be offset by a proportional cost savings. Therefore, this offering will be revenue and cost neutral.