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February 27, 2003

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St. SW  
Washington, DC 20554

Re: **Notice of Ex Parte Presentation** – National Exchange Carrier Association, Inc. Petition for Rulemaking to Amend Section 69.104 of the FCC Rules. RM No. 10603

Dear Ms. Dortch:

On January 31, 2003, representatives of NECA, NTCA, OPASTCO, and USTA met with Pricing Policy Division staff to discuss the Petition filed in the aforementioned proceeding. The attached follow-up presentation was submitted electronically to Policy Pricing Division staff of the FCC's Wireline Competition Bureau today.

In Accordance with the Commission's rules, a copy of this Notice has been filed electronically in the above referenced docket.

Regards,

/s/

Colin Sandy

cc: Tamara Preiss  
Judith Nitsche  
Jay Atkinson  
Douglas Slotten  
Jeremy Marcus  
Gene Gold



# **Application of SLCs on Derived Channel T1 Services**

Ex Parte Presentation on NECA's Petition to  
Amend Section 69.104 of the FCC Rules.

February 27, 2003

# Overview

- NECA Studies confirm a 5:1 cost relationship between T1 and POTs is reasonable for pooling members.
- Independent TDS studies also confirm 5:1 relationship
- Network provisioning diagrams for DTS and ISDN-PRI Service are equivalent for all types of networks
  - Copper example using HDSL
  - Copper example using standard T1 repeaters
  - Fiber/Copper hybrid example
- Rate Development Task Force (RDTF) members confirm ISDN provisioning and DTS provisioning are identical.
  - 63% of RDTF provide ISDN and DTS and all confirm provisioning and costs are identical
- While loop costs are identical, interstate charges related to the loop are three times higher, or \$150 per month) for a typical DTS vs. ISDN-PRI

## Average Cost of a POTS Loop vs. T1 Channel Termination Using Cost Data From NECA Annual Filing

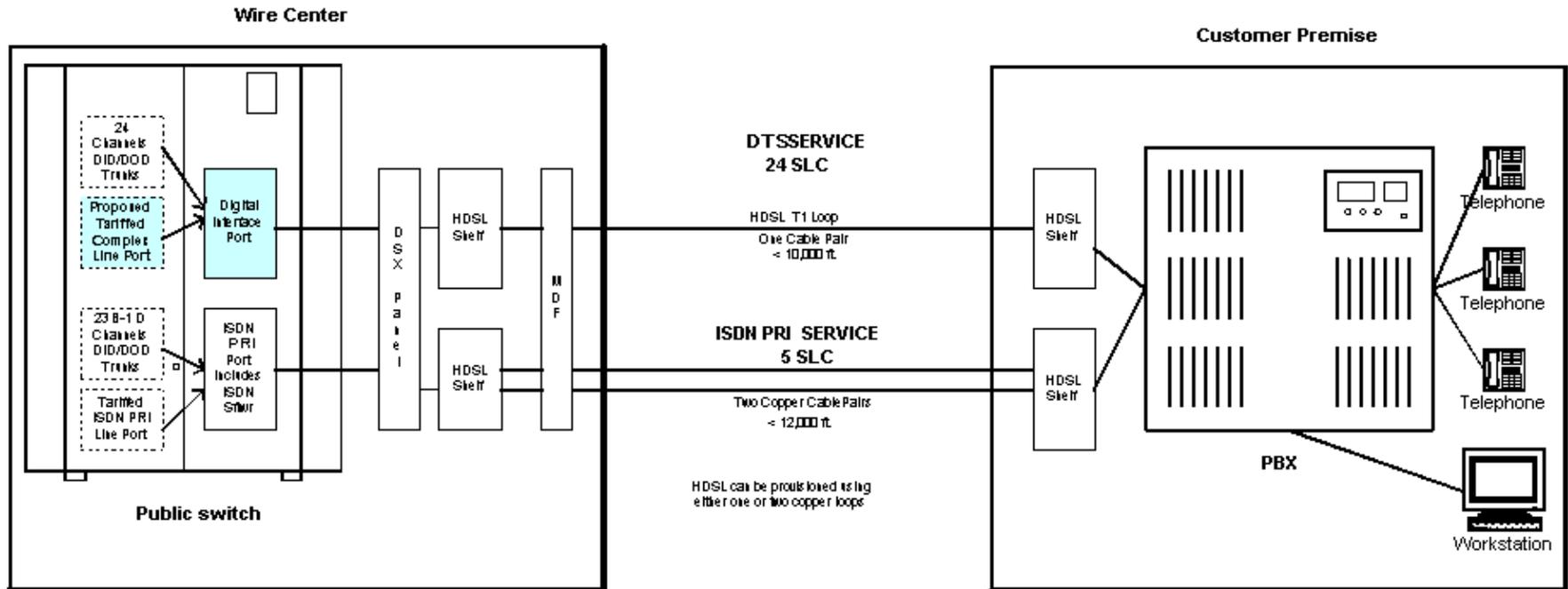
Line	Description	Amount	Source <sup>*</sup>
1	CL Revenue Requirement (incl Line Ports)	\$1,946,387,000	Vol 2, Ex1, WP 1
2	Line Port Revenue Requirement	\$141,235,000	Vol 1-2, 61.38 ACR-1 TRP
3	CL Revenue Requirement less Line Ports	\$1,805,152,000	Line 1 - Line 2
4	CL Lines	12,681,814	Vol 3, Ex1, WP 1
5	Monthly Cost per loop, excl. Port	\$11.86	Line 3/ Line 4 / 12
6	T1 Channel Term Rate	\$178.63	Vol 5, Ex 12, Wp 9, Line 3180
7	SPF Factor	0.25	Separations
8	Monthly subscriber cost	\$44.66	Line 6 X Line 7
9	T1:Pots Ratio	3.76	Line 8 / Line 5
*	Volume references are from NECA Annual Filing, June 17, 2002, Trans 939.		

# TDS Cost Study – DTS vs. POTS

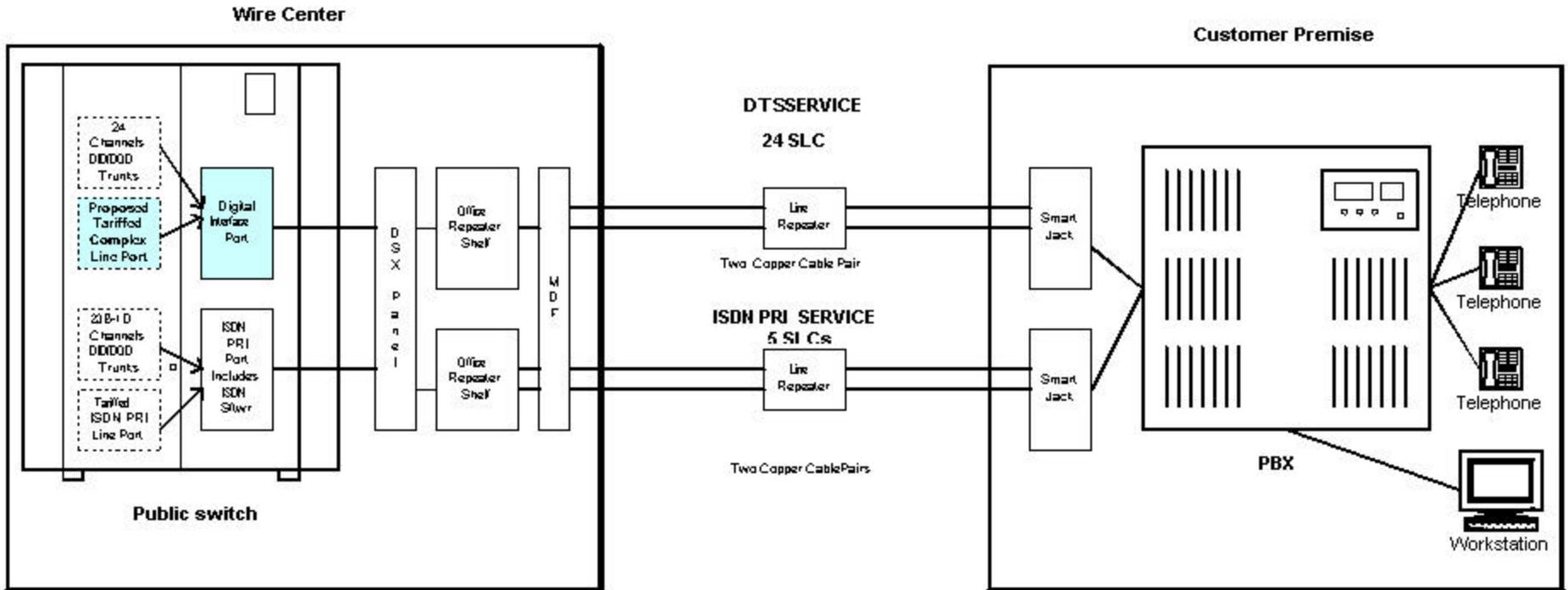
Study based on 300 sample loops in Tennessee and Michigan

- Included all loops < 12 kft
  - Avg loop length of sample 6319 ft
- Avg inv per loop was \$445
  - Or \$14.46 monthly cost per loop
- Cost of adding HDSL equipment to service
  - \$504 at wire center, or monthly cost of \$17.35
  - \$554 at Customer Premises, or monthly cost of \$19.07
  - Loop investment for HDSL is \$668 or \$21.71 per month
- Total HDSL Monthly costs are \$58.12
- T1:POTs Cost Relationship is 4.02 : 1
- 58% of ISDN and DTS services are provisioned using HDSL

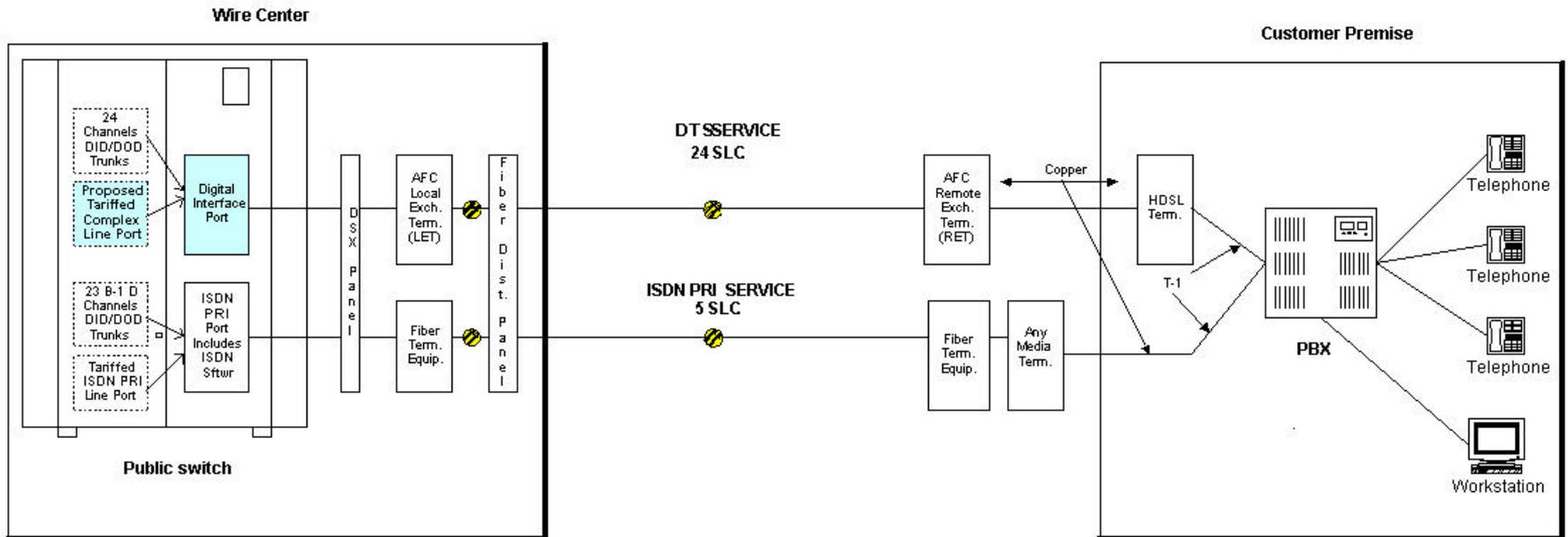
### COMPARISON OF ISDN PRI AND DIGITAL TRANSPORT SERVICE (DTS) PROVISIONING



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DTS or ISDN PRI can be provisioned using either AFC or AnyMedia equipment

# RDTF Response Summary

## Outside Plant Provisioning of ISDN-PRI and DS1 DTS

Company	Transport Technology	Comment	Access Lines	% Lines
<b>TDS</b>	DTS: HDSL (one or two pairs) PRI: HDSL (one or two pairs)	Same technology for both PRI and DTS. One pair version most common. Two pair can use repeaters to reach beyond 12kft.	653,414	11.8%
<b>North State</b>	HDSL (2 pair) < 12 kft. HDSL (with repeaters) >12 kft SONET more than 8 circuits	Same technology for both PRI and DTS.	133,077	2.4%
<b>KPU (Ketchikan Public Utility)</b>	HDSL HDSL + Fiber; across town	Little cost difference. Local tariff rates about the same for PRI and DTS.	3,165	0.1%
<b>D &amp; E Connestoga Tel. Buffalo Valley Tel.</b>	HDSL	Same as TDS	61,631	1.1%
<b>Otelco Tel. Hopper Tel. Brindlee Mountain</b>	HDSL (2 pairs)	Same technology for both PRI and DTS.	31,133	0.6%
<b>Century</b>	4-Wire loop with repeaters <18 kft	Same technology for both PRI and DTS.	1,668,027	30.0%
<b>Commonwealth Tel. Enterprises</b>	HDSL (2 pair with doublers) <36 kft Fiber to 35 miles	Same technology for both PRI and DTS	326,096	5.9%
<b>Mantanuska Tel. Assoc.</b>	HDSL (one or two 2 pairs)	Same technology for both PRI and DTS	60,131	1.1%
<b>North Pittsburgh</b>	HDSL, HDSL2 and HDSL4 SONET	Same technology for both PRI and DTS	78,056	1.4%
<b>Park Region</b>	Both PRI and DTS through AFC Remote (details and diagram not yet available)	Different plug-ins at remote but costs are about the same.	5,456	0.1%
<b>Alaska Comm. Sys. (ACS)</b>	PRI over HDSL or standard T1	Same technology for both PRI and DTS	274,726	4.9%
<b>South Central Rural</b>		Same technology for both PRI and DTS	28,977	0.5%
<b>Madison River Tel.</b>		Outside plant facilities are the same.	188,612	3.4%
<b>ENMR</b>	NA	Does not offer ISDN PRI or DTS	12,695	0.2%
<b>Kerrville Tel.</b>	NA	Does not offer ISDN PRI	26,565	0.5%
<b>Toledo Tel.</b>	NA	Does not offer ISDN PRI.	2,307	0.0%
<b>Blackfoot</b>	NA	No PRI customers.	17,568	0.3%
<b>PTSI</b>	NA	PRI not installed in switch.	56,577	1.0%
<b>YCOM Networks</b>	NA	Confirmed company does not offer PRI.	242,742	4.4%
<b>Have not responded:</b>				
<b>Bav Springs</b>			35,252	0.6%
<b>Ace Communications</b>			23,215	0.4%
<b>Alltel</b>			1,630,655	29.3%
<b>TOTAL</b>			<b>5,560,077</b>	<b>100%</b>

## Monthly End User Charge Comparison

PRI ISDN	Digital Transport Service
Capacity typically 23 or 24 individual lines	Capacity of 24 individual lines
SLC Charges = 5 X \$9.20 = \$46.00	SLC Charges = 24 X \$9.20 = \$220.80
Port Charge = 1 X \$ 23.51 = \$23.51	Port Charge = \$0.00                      \$ 0.00
Total Monthly Charge =                      \$69.51	Total Monthly Charge =                      \$220.80

# Summary

- Derived channel T-1 services and PRI have identical underlying loop configurations. Supported by Rate Development Task Force studies.
- Unequal treatment of functionally equivalent services create artificial incentives for customers to subscribe to certain services.
- Equal regulatory treatment of comparable services provides carriers with the ability to manage their networks efficiently.
  - ◆ Also provides consumers access to comparable services at comparable prices.
- NTS costs are adequately recovered by no more than five SLCs.
  - ◆ Comparison between T1 Service and POTS shows cost relationship is less than 5:1; Based on NECA Annual Filing data and TDS Study.

# Conclusion

- NECA's petition discloses sufficient reasons in support of amending Section 69.104
- NECA's petition has received broad industry support
- The FCC should accordingly issue an NPRM