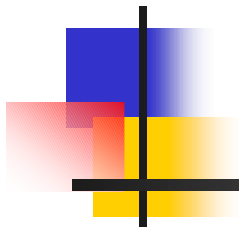


Office of Consumer Counsel Access Charge Briefing



Presented by Pat Parker and Ron Binz
September 6 & 10, 2002



Proposed Schedule and Topics

- **Friday, September 6, 9 till noon**
 - Network primer
 - Exchange access basics
 - Background on access regulation
 - Cost methodology overview

- **Tuesday, September 10, 9 till noon**
 - Common arguments concerning access reform
 - Positions and interests of the parties
 - Legal and policy considerations
 - OCC's strategic options



A brief history of access regulation

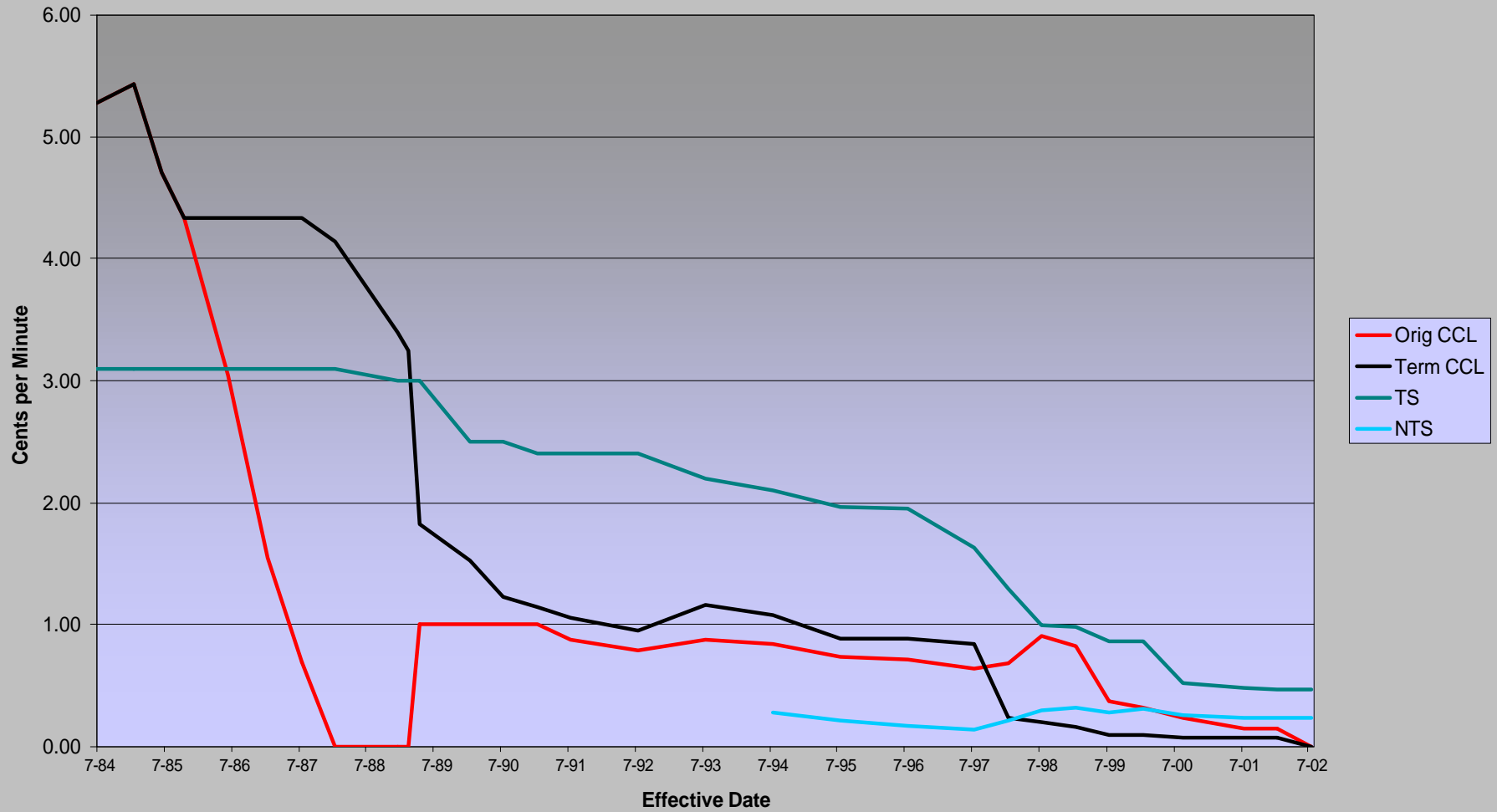
- Separations and Settlements
- ENFIA tariffs (1979)
 - Non-premium access
- Divestiture and MFJ
- Equal Access requirements (1984)
- Price Cap Regulation
- ESP exemption
- 1996 Telecom Act
 - IXC arguments re TELRIC and access
 - §254(k)
 - Impact of the UNE regime



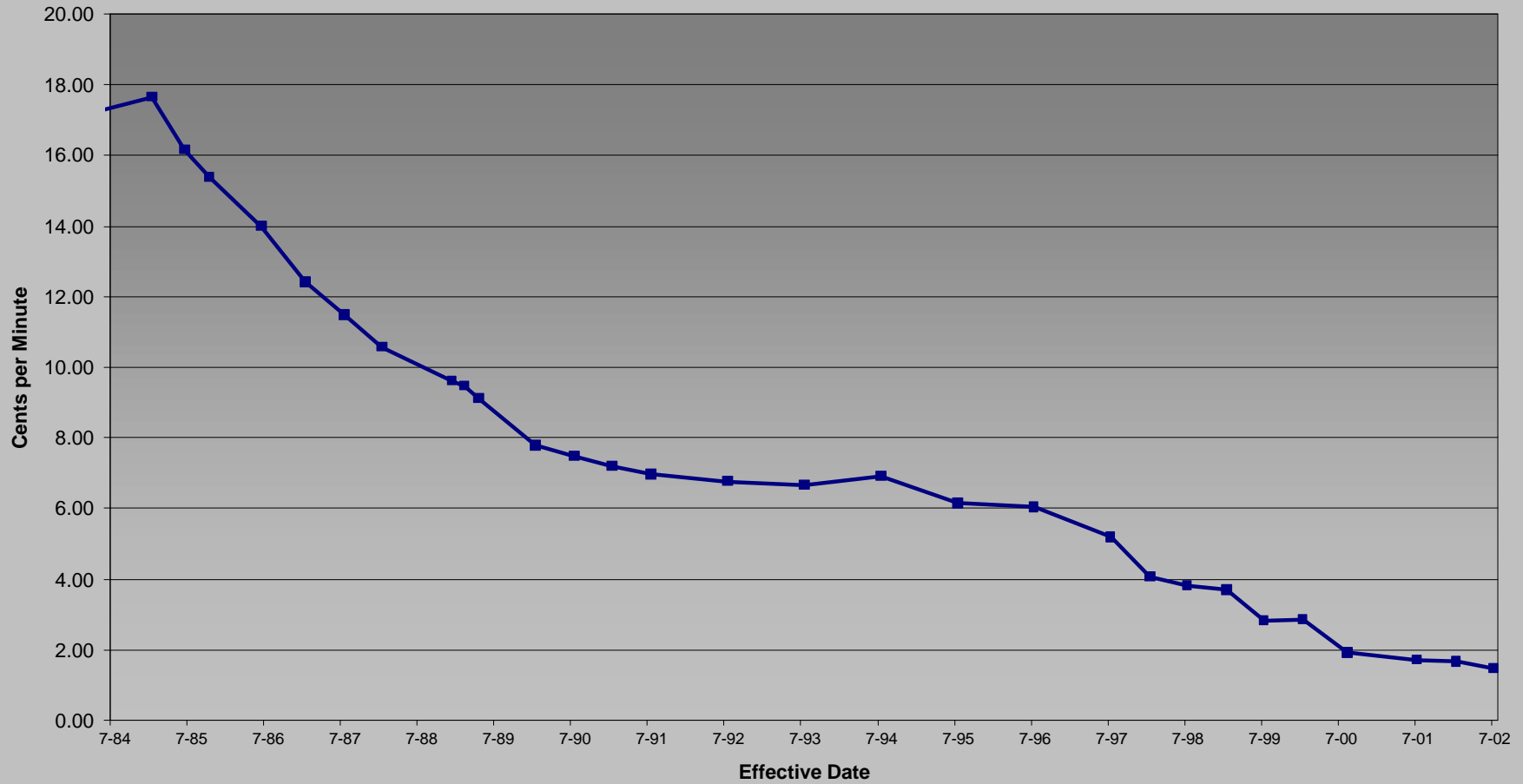
A brief history of access regulation, cont'd.

- 1997 *Access Reform Order*
 - PICCs
- ISP Exemption
- *Southwestern Bell v. FCC* (8th Circuit 1998)
- *CALLS Order* (June 2000)
- TOPUC 5th Circuit Appeal
- FCC decision on recip comp for ISP-bound traffic
- MAG Plan (November 2001)
- CLEC provision of access
- FCC Intercarrier Compensation Docket

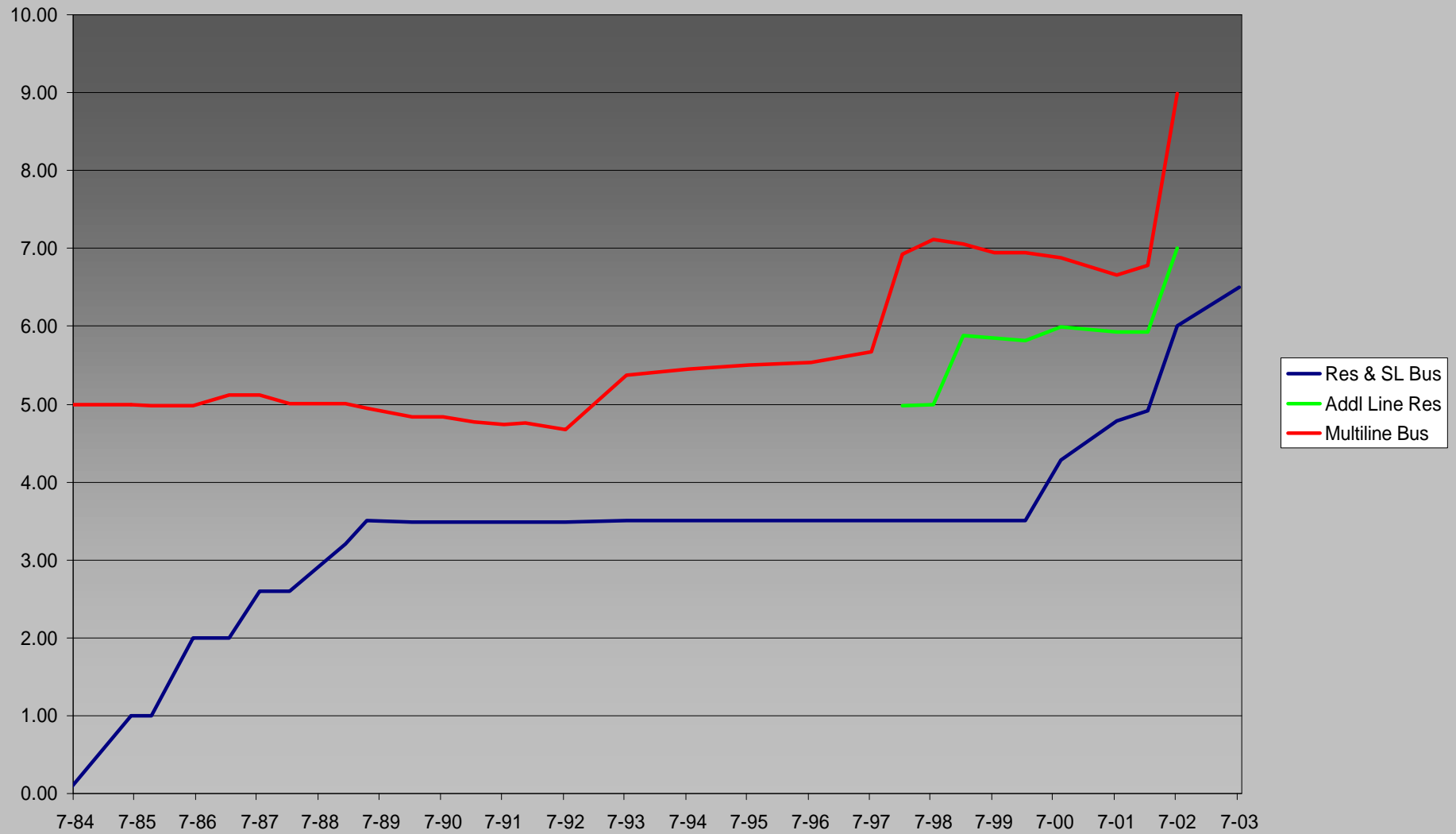
Interstate Switched Access Per Minute Charges by Rate Element



Interstate Switched Access Total Charge Per Conversation Minute (Loop and Switching)



Interstate SLCs





State vs. Interstate Access Rates (excluding Transport)

<i>Qwest</i>	Interstate	Intrastate
CCL Orig	0.00	0.010633
CCL Term	0.00	0.024541
TS Costs	0.001968	0.012362
NTS Costs	0.000747	0.0013
Cost per Conversation Minute (cents)	.56 ¢	6.41 ¢



§254(k)

(k) Subsidy of Competitive Services Prohibited.--A telecommunications carrier may not use services that are not competitive to subsidize services that are subject to competition. The Commission, with respect to interstate services, and the States, with respect to intrastate services, shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide those services.



From *SW Bell v. FCC* (8th Circuit, 1998)

Likewise without merit is Texas Counsel's argument that an increase in the SLC price cap violates the second sentence of § 254(k) by causing services included in the definition of universal service to bear more than a reasonable share of the joint and common costs of facilities used to provide those services. Section 254(k) separates telecommunications services into those that are supported by universal service, and those that are not. The statute empowers the FCC to establish rules to prevent LECs from overallocating to supported services the costs of facilities that are used to provide services in both categories. See id. ¶ 8. Because the SLC is a method of recovering loop costs, not an allocation of those costs between supported and unsupported services, §254(k) is not implicated.



From *TOPUC v. FCC* (5th Circuit, 2001)

The Petitioners also challenge the CALLS Order on the ground that it recovers an unreasonably disproportionate amount of joint and common costs of universal service from end-users. At dispute is the meaning of § 254(k), which states that the FCC "shall establish any necessary cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common costs of facilities used to provide these services." 47 U.S.C. § 254(k). By abolishing the PICC fee assessed against IXC's and increasing the SLC cap on end-users, the FCC unreasonably recovers 100 percent of joint and common costs of universal service from end-users, according to the Petitioners.



From *TOPUC v. FCC* (5th Circuit, 2001), cont'd

One of the Petitioners, TOPUC, had presented this very same argument in challenging the Access Charge Reform Order, which had increased the SLC price cap on multi-line businesses. The Eighth Circuit wholly rejected that argument in *Southwestern Bell*. It noted that "[b]ecause the SLC is a method of recovering loop costs, not an allocation of those costs between supported and unsupported services, § 254(k) is not implicated." *Southwestern Bell*, 153 F.3d at 559. We agree with the Eighth Circuit. Section 254(k) concerns cost allocation of joint and common costs, while the SLC and the PICC involve the recovery of such costs. Thus, § 254(k) does not implicate the SLC or the PICC: cost recovery involves how and from whom the funds are collected, while cost allocation refers to how the costs are disbursed.



Exchange Access in §272

(e) FULFILLMENT OF CERTAIN REQUESTS.--A Bell operating company and an affiliate that is subject to the requirements of section 251(c)--

(1) shall fulfill any requests from an unaffiliated entity for telephone exchange service and exchange access within a period no longer than the period in which it provides such telephone exchange service and exchange access to itself or to its affiliates;

(2) shall not provide any facilities, services, or information concerning its provision of exchange access to the affiliate described in subsection (a) unless such facilities, services, or information are made available to other providers of interLATA services in that market on the same terms and conditions;

(3) shall charge the affiliate described in subsection (a), or impute to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service; and

(4) may provide any interLATA or intraLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, and so long as the costs are appropriately allocated.



Terms and Topics

■Carrier Common Line Charge		■ISP Exemption
■End User Common Line Charge	■Bill and Keep for Access	
■PICC Charge		■UNE-based provision of access
■Traffic Sensitive Costs	■Settlements	■Local Switching
■Non-traffic Sensitive Costs	■Separations	■Tandem Switching
■Joint and Common Costs	■Subscriber Plant Factor (SPF)	■Transport
	■Interstate/Intrastate Minutes	■Shared Transport
■Collocation		
■Interconnection	■EDA, FDC	
■Access vs. Interconnection	■LRIC, TSLRIC, TELRIC	■Originating vs. Terminating Access
■Price Caps and Access Rates	■Access Rates and Universal Service	