

## **Resolution Concerning Rate Design For Access**

**WHEREAS**, Part 69 of the Code of Federal Regulations contains the Federal Communications Commission's (FCC's) rules for how local exchange carriers are to design their interstate rates; and

**WHEREAS**, Those rules were developed prior to the AT&T divestiture and have not undergone a comprehensive review since that time, but have recently been amended to accommodate price caps and the interstate tariffing of ONA services; and

**WHEREAS**, The telecommunications industry and regulatory policies have significantly changed since Part 69 was developed, some of those changes being: (1) expanded interconnection and collocation for competitive access providers and others; (2) the deployment of new digital technologies such as SS7 that provide services not contemplated in Part 69; and (3) the lifting of the MFJ information services line of business restriction; and

**WHEREAS**, Part 69 is not suited to many of these changes because, among other reasons: (1) costs are averaged by study area and some local exchange companies have even elected to average their rates by region; (2) rate elements for expanded interconnection do not exist; and (3) the rules focus on the provision of circuit switched minutes of use and dedicated circuits and do not mention other types of services such as signalling based and message switched services; and

**WHEREAS**, Other industry and regulatory changes are on the horizon that may be incompatible with the existing Part 69 rules, some of those changes being: (1) the decreasing distinction between switched services and dedicated circuits; (2) bandwidth on demand; (3) the decreasing ability to identify the jurisdictional nature of traffic; (4) the decreasing ability to identify the customer class of the customer; and (5) video dial tone; and

**WHEREAS**, The Finance and Accounting Policy Subcommittee of the Committee on Communications has undertaken as a study project a review of Part 69 and is holding open forums on the issues with all parties that are willing to join in the discussions, and several industry groups, carriers, and the FCC have participated in the discussions; and

**WHEREAS**, These discussions are important to assisting the industry, users, and Federal and State regulators to gain a common understanding of industry and regulatory trends, and how Part 69 fits or does not fit with those trends; and

**WHEREAS**, This understanding is important to future satisfactory resolution of Part 69 issues and the development of

State positions on the issues; and

**WHEREAS**, A current issue in Part 69 is the equal charge rule for local transport, and, on August 30, 1991, the FCC issued an Order and Further Notice of Proposed Rulemaking (FNPR) instituting further proceedings concerning the local transport rate structure and pricing issues, maintaining the current equal charge rule waiver, closing CC docket 78-72, and proposing that its eventual decision on these issues would be guided by the balancing of three potentially conflicting goals: promotion of efficient use of transport facilities through cost-based pricing; allowance of full and fair interexchange competition; and, avoidance of interference with the development of interstate switched access competition; and

**WHEREAS**, In the FNPR, the FCC tentatively concluded: (1) that it would adopt a 3-part transport rate structure to include a flat-rate dedicated transport element, a usage-sensitive common transport element, and a usage-sensitive interconnection element; (2) that the dedicated and common elements would be cost-based, although a measure of cost was not specified, and that the interconnection element would be residually priced so that the proposed rate structure would recover the same costs as the current structure; (3) under price caps, rate revisions for the dedicated and common rate elements would each be afforded the 5% price flexibility, but increases in the interconnection rate element would be limited to the increase in the price cap index; and

**WHEREAS**, Part of the FCC's rationale for residually pricing the interconnection element is a belief that there has been a historical over-assignment of costs to local transport, but the FCC provides no evidence of such over-assignment; and

**WHEREAS**, There are other issues being discussed in the FNPR, such as the distance sensitivity of transport rates, the resolution of which could effect competition in the interexchange markets and access services not yet contemplated in Part 69; and

**WHEREAS**, The Part 69 changes contemplated by the FCC in the FNPR would have separations effects; for example, providing dedicated transport could move interstate minutes off of the toll tandems, causing a shift of tandem costs to intrastate, and could cause a shift of central office costs to local switching, causing a further shift of costs to intrastate; now, therefore, be it

**RESOLVED**, That the National Association of Regulatory Utility Commissioners (NARUC), convened at its 103rd Annual Convention and Regulatory Symposium in San Antonio, Texas, compliments those who are participating in the discussions on Part 69 being held by the Committee on Communications and encourages them to continue to do so and encourages others to join them; and

be it further

**RESOLVED,** That the NARUC encourages the FCC to eventually begin its own comprehensive review of Part 69, but to also use the NARUC forum to openly discuss the issues with all parties before starting a formal proceeding; and be it further

**RESOLVED,** That the NARUC encourages the FCC to adopt, as an interim measure pending the comprehensive review of Part 69, the three rate elements for local transport proposed in the FNPR; namely, the dedicated, common, and interconnection rate elements; and be it further

**RESOLVED,** That, if rate flexibility is allowed under price caps for these rate elements, that the FCC should adopt rules that ensure that the flexibility is not used to disadvantage competitors of the local exchange companies; and be it further

**RESOLVED,** That all separations effects of the FCC's decisions must be referred to the Federal/State Joint Board.

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Sponsored by the Committee on Communications  
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