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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review	)	**CC Docket No. 00-199**
Comprehensive Review of the Accounting	)	
Requirements and ARMIS Reporting	)	
Requirements for Incumbent Local Exchange	)	
Carriers: Phase 2 and Phase 3	)	

WORLDCOM PHASE III COMMENTS

It is premature for the Commission to adopt specific "triggers" that would permit the ILECs to escape the Part 32 or Part 64 accounting rules. The available evidence shows that it will be many years before competition has developed sufficiently to supplant federal and state regulation as the primary constraint on the ILECs' pricing and practices.[1] Under these circumstances, the regulatory mechanisms that the Commission and state regulators use to ensure just and reasonable rates -- including the Part 32 and Part 64 accounting rules -- will remain necessary for the foreseeable future. Accordingly, the Commission need not, and should not, establish a specific framework or timetable for the elimination or significant modification of its accounting rules.

If the Commission were to establish specific triggers at this time, it would risk the premature elimination of necessary accounting and reporting requirements. Because the development of local competition is at such an early stage, the Commission cannot reliably

[1] See, e.g., Notice at ¶ 88 n.138.

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predict the course that local market entry will take and, consequently, cannot reliably predict the circumstances under which particular accounting and reporting requirements will no longer be necessary in the public interest.

The better approach at this time is to continue the Phase II process of streamlining and modifying the accounting rules periodically as market conditions evolve and the Commission and state regulators gain experience with the implementation of the local competition and universal service provisions of the Telecommunications Act of 1996. The Commission should make clear that it will not make significant "Phase III" modifications to the core requirements of Part 32 or Part 64 before there is clear evidence that an ILEC is operating in a robustly competitive local exchange and exchange access market.

In particular, the Commission should make clear that it will not contemplate the elimination of the core requirements of Part 32 or Part 64 until an ILEC has been declared nondominant for all services.[2] As long as an ILEC remains dominant in the provision of interstate services, i.e., possesses market power, the accounting rules remain necessary to ensuring that rates remain just and reasonable. Among other things, the Part 32 USOA restrains an incumbent LEC's ability to charge monopoly prices because it provides ratepayers with information that can be used to pursue a complaint against unjust and unreasonable rates. A policy of retaining the core requirements of Part 32 and Part 64 as long as an ILEC remains classified as a dominant carrier would be consistent with the Commission's treatment of AT&T.

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[2]Determinations of nondominance should employ the framework used by the Commission in the AT&T Nondominance Order, 11 FCC Rcd 3271.

Furthermore, the Commission should make clear that it will not contemplate the elimination of the core requirements of Part 32 or Part 64 unless it has first determined that Sections 251(c) and 271 of the Act have been fully implemented.[3] The Part 32 and Part 64 accounting rules play an essential role in the implementation of both Section 251(c) and the Section 271/272 framework that governs RBOC in-region interLATA services. In the case of Section 251, the Commission has noted that Part 32 accounting data has often been used on a comparative basis in state UNE pricing proceedings.[4] In the case of Sections 271 and 272, the Commission has determined that its Part 32 and 64 rules are necessary to the implementation of Section 272.[5]

Finally, in evaluating whether to significantly modify the core requirements of Part 32 and Part 64, the Commission should give significant weight to the requirements of state commissions. Section 220(i) of the Communications Act requires the Commission to "receive and consider" the views of state commissions having jurisdiction with respect to the carrier involved before modifying the applicable accounting requirements.[6] Any

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[3]47 U.S.C. § 160(d).

[4]Notice at ¶ 19.

[5]Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996, Report and Order, CC Docket No. 96-150,11 FCC Rcd 17539 (1996). Furthermore, the Commission has determined that it lacks the authority to forbear from application of section 272 to any service for which a BOC must obtain prior authorization under section 271. Bell Operating Companies; Petitions for Forbearance from the Application of Section 272 of the Communications Act, as Amended, to Certain Activities, Memorandum Opinion and Order, 13 FCC Rcd 2627, 2641 (1998).

[6]47 U.S.C. § 220(i).

significant modifications to the accounting rules would have a direct impact on the states because (1) the states generally use the USOA for intrastate ratemaking; (2) the Part 32 accounts are the starting point for the separations process; and (3) the Commission's cost allocation rules and affiliate transactions rules are applied pre-separations. Consequently, premature relaxation of the core requirements of Part 32 and Part 64 could undermine state regulators' ability to ensure that the rates charged for local residential telephone service and other less-competitive services remain reasonable.

The Commission should only begin to consider the establishment of a Phase III framework once these prerequisites – reclassification of the ILEC as nondominant, full implementation of Sections 251(c) and 271, and review of state commission requirements – have been satisfied. Until then, the Commission should make only periodic Phase II modifications to the Part 32 and Part 64 accounting rules.

Respectfully submitted,
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February 13, 2001

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on February 13, 2001.

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CERTIFICATE OF SERVICE

I, Vivian I. Lee, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 13th Day of February, 2001.

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