

date of Transmittal No. 70, the non-chargeable CCSA option ceased to be available. The NTCs' CCSA service thus possesses the attributes of a restructured service and was filed as such, rather than as a new service, under the Commission's Price Cap Rules.

The Commission's Rules require that in connection with any price cap tariff filing proposing rate changes, the carrier must calculate an Actual Price Index ("API") for each affected basket, and that filings proposing a restructure include the appropriate adjustment to the API.³⁵ The rules also require calculation of a Service Band Index ("SBI") and, for restructures, an appropriate adjustment to the SBI.³⁶ Finally, Section 61.49(f) of the rules requires that:

Each price cap tariff filing that proposes restructuring of existing rates must be accompanied by supporting materials sufficient to make the adjustments to each affected API and SBI required by §§ 61.46(c) and 61.47(d), respectively.

Appendix B of the Description and Justification³⁷ shows the API and Price Cap Index ("PCI") for the Traffic Sensitive services basket before and after the proposed CCSA restructure. Appendix B also shows the revenue impact of the restructure based on demand during the base period (1990). The demand for the base period is zero, and the revenue impact is,

35 47 C.F.R. §61.46(a),(c).

36 47 C.F.R. §61.47(a),(d).

37 Transmittal No. 70, dated December 13, 1991, Description and Justification, Appendix B, page 1.

therefore, also zero. Thus, the API, PCI and SBI for the Traffic Sensitive services basket remain unchanged as a result of the restructure. Since the API for the Traffic Sensitive services basket remains below the PCI, no rate adjustments are necessary.³⁸ The NTCs' CCSA interconnection filing thus complies with Section 61.49(f) of the Commission's rules.

V. CONCLUSION

In sum, the NTCs have adequately described their LIDB Access Service in the tariff. Virtually all of the information described by the Bureau in the Designation Order,³⁹ such as call gapping procedures and the latest date of referenced technical publications, is already contained in the tariff. Furthermore, the NTCs have also addressed the issue of liability for fraud and erroneous validation data through a limitation of liability provision that is reasonable in scope, and absolutely necessary to provide LIDB Access Service to their customers at reasonable rates. Finally, the NTCs will amend their LIDB Access Service tariff to include information, discussed above, concerning the frequency, nature and priority of data base updates.

³⁸ Even if the projected 1991 revenue for CCSA interconnection (\$171,538.56, calculated in Section 8, Workpaper 3 of the Description and Justification) is added to the 1990 revenue used to calculate the API, this hypothetical adjustment would increase the API for the Traffic Sensitive services basket from 99.90 to 99.91. The API would still be less than the current PCI of 99.94.

³⁹ Designation Order, ¶ 2 (I).

The NTCS have also demonstrated that their tariff for CCSA interconnection contains a level of detail concerning the technical parameters for the CCSA STP Link which is comparable to the technical description of 56 kbps special access lines found elsewhere in the NTCs' tariffs and, furthermore, that incorporation by reference of the technical publication describing the technical parameters of the STP Link in the CCSA tariff provides a sufficient description of those parameters.

Finally, the NTCs have shown in this Direct Case, and in the other pleadings filed in connection with their LIDB Access Service and CCSA interconnection tariffs, that the rates for these services are not excessive. With respect to LIDB Access Service, the NTCs have provided the necessary cost data, information concerning the net revenue test and ratios of direct unit cost to unit investment and direct unit cost to unit price for both the LIDB Transport and LIDB Validation rate elements, as required by the Commission's rules.⁴⁰ The NTCs also noted that the proposed rates for LIDB Access Service are comparable to, or less than, the rates for credit card validation charged by other credit card and calling card issuers, and that LIDB Access Service rates cover the direct

⁴⁰ See Description and Justification, Section 2, Workpapers 1, 2 and 3; Section 3, Workpapers 4 and 5.

cost of providing the service.⁴¹ With respect to CCSA interconnection, the NTCs have demonstrated that the rates meet the requirements for restructured services contained in the Commission's rules.

Respectfully submitted,
New York Telephone Company
and
New England Telephone and
Telegraph Company

By: 
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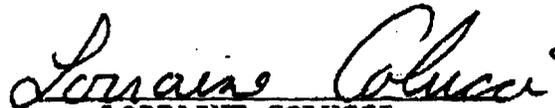
Their Attorneys

Dated: April 21, 1992

⁴¹ See Opposition to Petitions to Reject or Suspend, December 12, 1991, p. 11.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing DIRECT
CASE OF THE NYNEX TELEPHONE COMPANIES, was served by first
class United States mail, postage prepaid, on each of the
parties listed below, this 21st day of April, 1992.


LORRAINE COLUCCI

H. Richard Juhnke, Esq.
US Sprint Communications Company
Limited Partnership
1850 M Street, N.W., Suite 1112
Washington, D.C. 20036

Elizabeth Dickerson
Manager, Regulatory Analysis
MCI Telecommunications Corporation
1133 19th Street, N.W.
Washington, D.C. 20036

TOTAL INVESTMENTS

| (A) RATE ELEMENT | (B) UNIT INVESTMENT | (C) SOURCE FOR COL. B EXPLANATION NO. | (D) DEMAND | (E) SOURCE FOR COL. D EXPLANATION NO. | (D) TOTAL INVESTMENT (B*D) |
|---------------------|------------------------|---|---------------|---|----------------------------------|
| 1. LIDB | | | | | |
| TRANSPORT CHARGE | 0.00058 | 1 | 200,000,000 | 5 | \$116,000 |
| 2. LIDB VALIDATION | | | | | |
| SCP | 0.01961 | 2 | | | |
| DBAS COMPUTER | 0.00102 | 3 | | | |
| TOTAL | 0.02063 | | 200,000,000 | 6 | \$4,126,000 |
| 3. STP PORT | | | | | |
| NET | \$13,688.97 | 4 | 4 | 7 | \$54,756 |
| NYT | \$19,040.10 | | 20 | | \$380,802 |
| TOTAL STP PORT | | | | | \$435,558 |

SOURCE EXPLANATION NUMBERS

1. ATTACHMENT B, EXHIBIT 5, PAGE 2
SUM OF COLUMN TITLED INVESTMENT PER CALL
2. ATTACHMENT B, EXHIBIT 5, PAGE 1
INV PER CALL
3. .00049 ATTACHMENT B, EXHIBIT 5, PAGE 1, DBAS COMPUTER EXPENSE
DIVIDED BY .480330 (TOTAL DIRECT AND INDIRECT LOCAL SWITCH COST FACTOR)
FROM ATTACHMENT B, EXHIBIT 5, PAGE 3
4. ATTACHMENT B, EXHIBIT 6, PAGE 1
TOTAL COLUMN A, NET AND TOTAL COLUMN A, NYT
5. LIDB TRANSMITTAL NO. 67, DECEMBER 11, 1991 D&J SECT. 3 WORKPAPER 1, DEMAND
LIDB TRANSPORT YEAR 1 DEMAND
6. LIDB TRANSMITTAL NO. 67, DECEMBER 11, 1991 D&J SECT. 3 WORKPAPER 1, DEMAND
LIDB VALIDATION YEAR 1 DEMAND
7. CCSA TRANSMITTAL NO. 70, DECEMBER 13, 1991 D&J SECT. 8 WORKPAPER 1
TOTAL LINKS/PORTS

PART 32 ACCOUNTS

ATTACHMENT A
PAGE 2

| RATE ELEMENT | PART 32 ACCOUNT |
|--------------------------|----------------------|
| 1. LIDB TRANSPORT CHARGE | 2232 2422 2441 |
| 2. LIDB VALIDATION | 2212 2124 |
| 3. STP PORT | 2212 |

As explained in the NTC's ONA Tariff Filing Description and Justification, data used to develop cost factors contained within were derived from the NTC's Integrated Separations and Access Cost System ("ISAACS"), using an annualized 1991 seven month study. References have been made to the annual ARMIS 43-04 Report but the actual data will not be found there because we utilized an annualized seven month study. Due to the rounding mechanism used in the ISAACS process, figures contained in this filing may differ slightly from the manual calculations shown in the attached workpapers.

DEPRECIATION

PAGE 1

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|----|--------------------|--------------------|--------------------------|--------------------|
| 1. | 41,521,000 | ISAACS | COE DEPRECIATION EXPENSE | ROW 6030/COL J |
| 2. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 0.101514 | LINE 1/ LINE 2 | CARRYING CHARGE FACTOR | |

RETURN ON INVESTMENT

PAGE 2

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---------------------------------|-------------------------|
| 1. | 3,057,000 | ISAACS | COE SWITCH TPUC | ROW 2192/COL J |
| 2. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 3. | 0.006464 | LINE 1 /LINE 2 | SUBCOMPONENT OF FACTOR | |
| 4. | 2,879,000 | ISAACS | COE SWITCH CASH WORKING CAPITAL | ROW 2230/COL J |
| 5. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 6. | 0.006088 | LINE 4 /LINE 5 | SUBCOMPONENT OF FACTOR | |
| 7. | 3,638,000 | ISAACS | COE SWITCH MATERIAL & SUPPLIES | ROW 2224/COL J |
| 8. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 9. | 0.007693 | LINE 7 /LINE 8 | SUBCOMPONENT OF FACTOR | |
| 10. | (3,130,000) | ISAACS | COE SWITCH FCC INVEST. ADJ. | ROW 2250/COL J |
| 11. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 12. | -0.006619 | LINE 10 /LINE 11 | SUBCOMPONENT OF FACTOR | |
| 13. | 156,191,000 | ISAACS | ACCUM DEP. RESERVES | ROW 3020+3030+3040/COLJ |
| 14. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 15. | 0.381870 | LINE 13 /LINE 14 | SUBCOMPONENT OF FACTOR | |
| 16. | 59,303,000 | ISAACS | COE SWITCH DEFERRED TAX | ROW 3360+3370+3380/COLJ |
| 17. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 18. | 0.144989 | LINE 16 /LINE 17 | SUBCOMPONENT OF FACTOR | |
| 19. | 367,000 | ISAACS | COE SWITCH CUSTOMER DEPOSITS | ROW 3422/COL J |
| 20. | 5,321,000 | ISAACS | FCC RESERVE ADJUSTMENT | ROW 3421+3423/COL J |
| 21. | 5,688,000 | LINE 19 + LINE 20 | TOTAL | |
| 22. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 23. | 0.012028 | LINE 21 / LINE 22 | SUBCOMPONENT OF FACTOR | |

RETURN ON INVESTMENT - CONT.

PAGE 2.1

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> |
|-----|--------------------|----------------------|------------------------|
| 24. | 0.013627 | LINES 3+6+9+12 | INTERIM CALCULATION |
| 25. | 0.538888 | LINES 15+18+23 | INTERIM CALCULATION |
| 26. | 0.474739 | 1+ LINE 24 - LINE 25 | INTERIM CALCULATION |
| 27. | 0.1125 | | ALLOWED RATE OF RETURN |
| 28. | 0.053408 | LINES 26 * L 27 | CARRYING CHARGE FACTOR |

FEDERAL INCOME TAXES

PAGE 3

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---------------------------------------|--------------------|
| 1. | 0.474743 | PAGE 2.1, LINE 26 | SEE RETURN ON INVESTMENT CALCULATION | |
| 2. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 3,057,000 | ISAACS | LONG TERM PLANT UNDER CONSTRUCTION | ROW 2192/COL J |
| 4. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 5. | 0.006464 | LINE 3 / LINE 4 | | |
| 6. | 2,879,000 | ISAACS | CASH WORKING CAPITAL | ROW 2230/COL J |
| 7. | 0.006088 | LINE 6 / LINE 4 | | |
| 8. | 3,638,000 | ISAACS | MATERIALS AND SUPPLIES | ROW 2224/COL J |
| 9. | 0.007693 | LINE 8 / LINE 4 | | |
| 10. | (3,130,000) | ISAACS | FCC INVESTMENT ADJUSTMENT | ROW 2250/COL J |
| 11. | -0.006619 | LINE 10/ LINE 4 | | |
| 12. | 27,358,000 | ISAACS | RESERVES - GENERAL SUPPORT FACILITIES | ROW 3010/COL J |
| 13. | 63,876,000 | ISAACS | GENERAL SUPPORT INVESTMENT | ROW 1004/COL J |
| 14. | 0.428299 | LINE 12/ LINE 13 | | |
| 15. | 5,641,000 | ISAACS | DEFERRED TAXES - GENERAL SUPPORT | ROW 3350/COL J |
| 16. | 0.088312 | LINE 15/ LINE 13 | | |

FEDERAL INCOME TAXES - CONTINUED

PAGE 3.1

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------------------------|--------------------------|---------------------|
| 17. | 367,000 | ISAACS | CUSTOMER DEPOSITS | ROW 3422/COL J |
| 18. | 2,560,000 | ISAACS | ACCUMULATED AMORTIZATION | ROW 3230/COL J |
| 19. | 4,455,000 | ISAACS | TANGIBLE ASSETS | ROW 2150/COL J |
| 20. | 0.574635 | LINE 18/LINE 19 | | |
| 22. | 0.425365 | 1 - LINE 20 | | |
| 23. | 5,321,000 | ISAACS | FCC RESERVE ADJUSTMENT | ROW 3421+3423/COL J |
| 24. | 0.012028 | $((L17/L4) + (L23/L4))$ | | |
| 25. | 0.484988 | $((1+L5+L7+L9+L11) - (L14+L16+L24))$ | | |
| 26. | 227,051,600 | $(L1*L2)+(L19*L22)+(L13*L25)$ | | |
| 27. | 7,004,818 | ISAACS | FEDERAL INCOME TAX | |
| 28. | 0.014646 | $((L2*L1)/L26)*L27/L2$ | CARRYING CHARGE FACTOR | |

MAINTENANCE

PAGE 4

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---------------------------|---------------------|
| 1. | 420,000 | ISAACS | NETWORK SUPPORT EXPENSE | ROW 5013/COL J |
| 2. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 3. | 0.000888 | LINE 1/ LINE 2 | SUB-COMPONENT OF FACTOR | |
| 4. | 9,105,300 | ISAACS | COE EXPENSE | ROW 5026/COL J |
| 5. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 6. | 0.022261 | LINE 4 / LINE 5 | SUB-COMPONENT OF FACTOR | |
| 7. | 12,571,000 | ISAACS | PLT NON-SPECIFIC EXPENSE | ROW 6000+6010/COL J |
| 8. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 9. | 0.030735 | LINE 7/ LINE 8 | SUB-COMPONENT OF FACTOR | |
| 10. | 0.053884 | LINES 3+6+9 | CARRYING CHARGE FACTOR | |

ADMINISTRATION

PAGE 5

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|----------------------|---|---------------------|
| 1. | 186,000 | ISAACS | CUSTOMER OPERATIONS EXPENSE - OPERATOR SERVICE | ROW 7060/COL J |
| 2. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 0.000455 | LINE 1/ LINE 2 | SUB-COMPONENT OF FACTOR | |
| 4. | 2,306,000 | ISAACS | CUSTOMER OPERATIONS EXPENSE - LOCAL BUSINESS OFFICE | ROW 7220/COL J |
| 5. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 6. | 0.004876 | LINE 4/ LINE 5 | | |
| 7. | 227,000 | ISAACS | CUSTOMER OPERATIONS EXPENSE - REV ACCT. - OTHER | ROW 7290/COL J |
| 8. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 7310/COL J |
| 9. | 0.000555 | LINE 7/ LINE 8 | SUB-COMPONENT OF FACTOR | |
| 10. | 186,000 | ISAACS | CUSTOMER OPERATIONS EXPENSE - OPERATOR SERVICE | ROW 7060/COL J |
| 11. | 9,608,000 | ISAACS | CUSTOMER OPERATIONS EXPENSE - SUB CAT 3 OTHER | ROW 7310/COL J |
| 12. | 0.019359 | LINE 10/ LINE 11 | SUB-COMPONENT OF FACTOR | |
| 13. | 101,000 | ISAACS | CUSTOMER OPERATIONS EXPENSE LESS SUB CAT 3 OTHER | ROW 7370-7310/COL J |
| 14. | 1,955 | LINE 12 * 13 | | |
| 15. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 16. | 0.000005 | LINE 14/ LINE 15 | SUB-COMPONENT OF FACTOR | |
| 17. | 7,074,000 | ISAACS | CUSTOMER OPERATION - MARKETING | ROW 7000/COL J |
| 18. | 0.000157 | $((L17/L11)*L13)/L5$ | INTERIM CALCULATION | |
| 19. | 0.000051 | $((L4/L11)*L13)/L5$ | INTERIM CALCULATION | |
| 20. | 0.000006 | $((L7/L11)*L13)/L8$ | INTERIM CALCULATION | |
| 21. | 0.000211 | L18+L19+L20 | SUB-COMPONENT OF FACTOR | |
| 22. | 0.006102 | L3+L6+L9+L16+L21 | CARRYING CHARGE FACTOR | |

OTHER (AD VAL, MOR, UNCOLL)

PAGE 6

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---|--------------------|
| 1. | 0.474743 | PAGE 2.1, LINE 26 | SEE RETURN ON INVESTMENT CALCULATION | |
| 2. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 194,177,483 | LINE 1* LINE 2 | SUB-COMPONENT OF FACTOR | |
| 4. | 227,051,157 | PAGE 3.1, LINE 26 | SEE FEDERAL INCOME TAX CALC | |
| 5. | 0.855215 | LINE 3/LINE 4 | | |
| 6. | 3,345,159 | ISAACS | OTHER TAXES | SEE FOOTNOTE * * |
| 7. | 4,272,000 | ISAACS | OPERATING TAXES | ROW 8005/COL J |
| 8. | (926,841) | LINE 6- LINE 7 | TOTAL OTHER/OPERATING TAXES | |
| 9. | -0.002266 | LINE 8 / LINE 2 | | |
| 10. | -0.001938 | LINE 5 * LINE 9 | | |
| 11. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 12. | 0.009034 | LINE 7 / LINE 11 | | |
| 13. | 0.007096 | LINE 12 + LINE 10 | SUB-COMPONENT OF FACTOR - OTHER TAXES | |
| 14. | 1,118,537 | ISAACS | STATE AND LOCAL TAX | SEE FOOTNOTE * * |
| 15. | 0.002339 | ((L14*L5)/L2) | SUB-COMPONENT OF FACTOR - STATE & LOCAL TAX | |
| 16. | 678,413 | ISAACS | REVENUE RELATED ITEMS - UNCOLLECTIBLES | ROW 4040/COL J |
| 17. | 0.001435 | LINE 16 / LINE 11 | SUB-COMPONENT OF FACTOR - UNCOLLECTIBLES | |
| 18. | 196,250 | ISAACS | MISCELLANEOUS REVENUES | ROW 4033/COL J |
| 19. | 472,892,505 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 20. | 0.000415 | LINE 18 / LINE 19 | SUB-COMPONENT OF FACTOR - MISC. REVENUES | |
| 21. | 0.011284 | L13+L15+L17+L20 | CARRYING CHARGE FACTOR | |

* * ARMIS DISPLAYS BOOKED OTHER AND SLIT WHERE LINES 6 & 14 REPRESENTS CALCULATED REVENUE REQUIREMENT

PROOF OF OVERHEAD LOADINGS

PAGE 7

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|----------------------|----------------------------------|---------------------|
| 1. | 26,010,000 | ISAACS | NET RETURN | ROW 8041/COL J |
| 2. | 7,005,000 | ISAACS | FEDERAL INCOME TAX | ROW 8020/COL J |
| 3. | 120,419,000 | ISAACS | TOTAL EXPENSES AND OTH TAXES | ROW 7351+8007/COL J |
| 4. | 153,434,000 | LINES 1+2+3 | TOTAL | |
| 5. | 409,016,000 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 6. | 0.375130 | LINE 4/ LINE 5 | TOTAL DIRECT AND INDIRECT COSTS | |
| 7. | 0.101514 | PAGE 1, LINE 3 | DEPRECIATION COST FACTOR | |
| 8. | 0.053408 | PAGE 2.1, LINE 28 | RETURN ON INVESTMENT COST FACTOR | |
| 9. | 0.014646 | PAGE 3.1, LINE 28 | FEDERAL INCOME TAX COST FACTOR | |
| 10. | 0.053884 | PAGE 4, LINE 10 | MAINTENANCE COST FACTOR | |
| 11. | 0.006102 | PAGE 5, LINE 22 | ADMINISTRATION COST FACTOR | |
| 12. | 0.011284 | PAGE 6, LINE 21 | OTHER COST FACTOR | |
| 13. | 0.240840 | LINES 7+8+9+10+11+12 | TOTAL DIRECT COSTS | |
| 14. | 0.134290 | LINE 6 - LINE 13 | OVERHEAD LOADING FACTOR | |

DEPRECIATION

PAGE 1

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|----|--------------------|--------------------|--------------------------|--------------------------|
| 1. | 65,866,572 | ISAACS | COE DEPRECIATION EXPENSE | ROW 6030+6040+6050/COL J |
| 2. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 0.095227 | LINE 1/ LINE 2 | CARRYING CHARGE FACTOR | |

RETURN ON INVESTMENT

| | ACTUAL DATA | DATA SOURCE | DESCRIPTION | ARMIS 43-04 |
|-----|-------------|-------------------|---------------------------------|--------------------------|
| 1. | 5,594,263 | ISAACS | COE SWITCH TPUC | ROW 2192/COL J |
| 2. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 3. | 0.006568 | LINE 1 /LINE 2 | SUBCOMPONENT OF FACTOR | |
| 4. | 21,079,410 | ISAACS | COE SWITCH CASH WORKING CAPITAL | ROW 2230/COL J |
| 5. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 6. | 0.024748 | LINE 4 /LINE 5 | SUBCOMPONENT OF FACTOR | |
| 7. | 7,141,000 | ISAACS | COE SWITCH MATERIAL & SUPPLIES | ROW 2224/COL J |
| 8. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 9. | 0.008384 | LINE 7 /LINE 8 | SUBCOMPONENT OF FACTOR | |
| 10. | (6,803,068) | ISAACS | COE SWITCH FCC INVEST. ADJ. | ROW 2250/COL J |
| 11. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 12. | -0.007987 | LINE 10 /LINE 11 | SUBCOMPONENT OF FACTOR | |
| 13. | 254,837,745 | ISAACS | ACCUM DEP. RESERVES | ROW 3020+3030+3040/COL J |
| 14. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 15. | 0.368434 | LINE 13 /LINE 14 | SUBCOMPONENT OF FACTOR | |
| 16. | 94,166,407 | ISAACS | COE SWITCH DEFERRED TAX | ROW 3360+3370+3380/COL J |
| 17. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 18. | 0.136142 | LINE 16 /LINE 17 | SUBCOMPONENT OF FACTOR | |
| 19. | 3,075,772 | ISAACS | COE SWITCH CUSTOMER DEPOSITS | ROW 3422/COL J |
| 20. | 11,392,145 | ISAACS | FCC RESERVE ADJUSTMENT | ROW 3421+3423/COL J |
| 21. | 14,467,917 | LINE 19 + LINE 20 | TOTAL | |
| 22. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 23. | 0.016986 | LINE 21 / LINE 22 | SUBCOMPONENT OF FACTOR | |

RETURN ON INVESTMENT - CONT.

| | ACTUAL DATA | DATA SOURCE | DESCRIPTION |
|-----|-------------|----------------------|------------------------|
| 24. | 0.031712 | LINES 3+6+9+12 | INTERIM CALCULATION |
| 25. | 0.521562 | LINES 15+18+23 | INTERIM CALCULATION |
| 26. | 0.510150 | 1+ LINE 24 - LINE 25 | INTERIM CALCULATION |
| 27. | 0.1125 | | ALLOWED RATE OF RETURN |
| 28. | 0.057392 | LINES 26 * L 27 | CARRYING CHARGE FACTOR |

FEDERAL INCOME TAXES

PAGE 3

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---------------------------------------|--------------------|
| 1. | 0.510150 | PAGE 2.1, LINE 26 | SEE RETURN ON INVESTMENT CALCULATION | |
| 2. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 5,594,263 | ISAACS | LONG TERM PLANT UNDER CONSTRUCTION | ROW 2192/COL J |
| 4. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 5. | 0.006568 | LINE 3 / LINE 4 | | |
| 6. | 21,079,410 | ISAACS | CASH WORKING CAPITAL | ROW 2230/COL J |
| 7. | 0.024748 | LINE 6 / LINE 4 | | |
| 8. | 7,141,000 | ISAACS | MATERIALS AND SUPPLIES | ROW 2224/COL J |
| 9. | 0.008384 | LINE 8 / LINE 4 | | |
| 10. | (6,803,068) | ISAACS | FCC INVESTMENT ADJUSTMENT | ROW 2250/COL J |
| 11. | -0.007987 | LINE 10/ LINE 4 | | |
| 12. | 57,436,149 | ISAACS | RESERVES - GENERAL SUPPORT FACILITIES | ROW 3010/COL J |
| 13. | 160,083,059 | ISAACS | GENERAL SUPPORT INVESTMENT | ROW 1004/COL J |
| 14. | 0.358790 | LINE 12/ LINE 13 | | |
| 15. | 16,225,530 | ISAACS | DEFERRED TAXES - GENERAL SUPPORT | ROW 3350/COL J |
| 16. | 0.101357 | LINE 15/ LINE 13 | | |

FEDERAL INCOME TAXES - CONTINUED

| | ACTUAL DATA | DATA SOURCE | DESCRIPTION | ARMIS 43-04 |
|-----|-------------|--------------------------------------|--------------------------|----------------------|
| 17. | 3,075,772 | ISAACS | CUSTOMER DEPOSITS | ROW 3422/COL J |
| 18. | 7,974,901 | ISAACS | ACCUMULATED AMORTIZATION | ROW 3230/COL J |
| 19. | 23,396,904 | ISAACS | TANGIBLE ASSETS | ROW 2150/COL J |
| 20. | 0.340853 | LINE 18/LINE 19 | | |
| 22. | 0.659147 | 1 - LINE 20 | | |
| 23. | 11,392,145 | ISAACS | FCC RESERVE ADJUSTMENT | ROW 3421 +3423/COL J |
| 24. | 0.016986 | ((L17/L4) + (L23/L4) | | |
| 25. | 0.554580 | ((1+L5+L7+L9+L11) -(L14+L16+L24)) | | |
| 26. | 457,060,305 | 1*L2)+(L19*L22)+(L13*L25) | | |
| 27. | 13,721,544 | ISAACS | FEDERAL INCOME TAX | ** SEE NOTE |
| 28. | 0.015315 | ((L2*L1)/L26)*L27)/L2 | CARRYING CHARGE FACTOR * | |

* THIS FACTOR DIFFERS FROM THE FILED FACTOR DUE TO THE DISCOVERY OF A CALCULATION ERROR MADE DURING ITS DEVELOPMENT. IT HAS BEEN CORRECTED AND THE RESULT OF THIS CORRECTION IS DISPLAYED ON LINE 28.

**ARMIS 43-04 USES FIT AS BOOKED. LINE 27 SHOWS A CALCULATED REVENUE REQUIREMENT FIT.

MAINTENANCE

PAGE 4

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---------------------------|-----------------------|
| 1. | 246,418 | ISAACS | NETWORK SUPPORT EXPENSE | ROW 5013/COL J |
| 2. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 3. | 0.000289 | LINE 1/ LINE 2 | SUB-COMPONENT OF FACTOR | |
| 4. | 6,729,788 | ISAACS | COE EXPENSE | ROW 5026/COL J |
| 5. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 6. | 0.009730 | LINE 4 / LINE 5 | SUB-COMPONENT OF FACTOR | |
| 7. | 28,281,623 | ISAACS | PLT NON-SPECIFIC EXPENSE | ROW 6000 + 6010/COL J |
| 8. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 9. | 0.040888 | LINE 7/ LINE 8 | SUB-COMPONENT OF FACTOR | |
| 10. | 0.050907 | LINES 3+6+9 | CARRYING CHARGE FACTOR | |

ADMINISTRATION

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|----------------------|--|---------------------|
| 1. | 113,338 | ISAACS | CUSTOMER OPERATIONS EXPENSE - OPERATOR SERVICE | ROW 7060/COL J |
| 2. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 0.000164 | LINE 1/ LINE 2 | SUB-COMPONENT OF FACTOR | |
| 4. | 4,501,121 | ISAACS | CUSTOMER OPERATIONS EXPENSE - LOCAL BUSINESS OFFIC | ROW 7226/COL J |
| 5. | 851,777,385 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 6. | 0.005284 | LINE 4/ LINE 5 | | |
| 7. | 134,381 | ISAACS | CUSTOMER OPERATIONS EXPENSE - REV ACCT -OTHER | ROW 7290/COL J |
| 8. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 9. | 0.000194 | LINE 7/ LINE 8 | SUB-COMPONENT OF FACTOR | |
| 10. | 113,338 | ISAACS | CUSTOMER OPERATIONS EXPENSE - OPERATOR SERVICE | ROW 7060/COL J |
| 11. | 18,608,947 | ISAACS | CUSTOMER OPERATIONS EXPENSE - SUB CAT 3 OTHER | ROW 7310/COL J |
| 12. | 0.006091 | LINE 10/ LINE 11 | SUB-COMPONENT OF FACTOR | |
| 13. | 159,358 | ISAACS | CUSTOMER OPERATIONS EXPENSE LESS SUB CAT 3 OTHER | ROW 7370-7310/COL J |
| 14. | 971 | LINE 12 * 13 | | |
| 15. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 16. | 0.000001 | LINE 14/ LINE 15 | SUB-COMPONENT OF FACTOR | |
| 17. | 13,860,694 | ISAACS | CUSTOMER OPERATION - MARKETING | ROW 7000/COL J |
| 18. | 0.000139 | (((L17/L11)*L13)/L5) | INTERIM CALCULATION | |
| 19. | 0.000045 | (((L4/L11)*L13)/L5) | INTERIM CALCULATION | |
| 20. | 0.000002 | (((L7/L11)*L13)/L8) | INTERIM CALCULATION | |
| 21. | 0.000186 | L18+L19+L20 | SUB-COMPONENT OF FACTOR | |
| 22. | 0.005830 | L3+L6+L9+L16+L21 | CARRYING CHARGE FACTOR | |

OTHER (AD VAL, MOR, UNCOLL)

| | <u>ACTUAL DATA</u> | <u>DATA SOURCE</u> | <u>DESCRIPTION</u> | <u>ARMIS 43-04</u> |
|-----|--------------------|--------------------|---|--------------------|
| 1. | 0.510150 | PAGE 2.1, LINE 26 | SEE RETURN ON INVESTMENT CALCULATION | |
| 2. | 691,677,862 | ISAACS | COE SWITCH INVESTMENT | ROW 1410/COL J |
| 3. | 352,859,461 | LINE 1 * LINE 2 | | |
| 4. | 457,060,305 | PAGE 3.1, LINE 26 | SEE FEDERAL INCOME TAX CALC | |
| 5. | 0.772019 | LINE 3/LINE 4 | | |
| 6. | 40,237,364 | ISAACS | OTHER TAXES | ** SEE NOTE |
| 7. | 23,661,164 | ISAACS | OPERATING TAXES | ROW 8005/COL J |
| 8. | 16,576,200 | LINE 6- LINE 7 | TOTAL OTHER/OPERATING TAXES | |
| 9. | 0.023965 | LINE 8 / LINE 2 | | |
| 10. | 0.018502 | LINE 5 * LINE 8 | | |
| 11. | 851,760,921 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 12. | 0.027779 | LINE 7 / LINE 11 | | |
| 13. | 0.046281 | LINE 12 + LINE 10 | SUB-COMPONENT OF FACTOR - OTHER TAXES | |
| 14. | 0 | ISAACS | STATE AND LOCAL TAX | N/A |
| 15. | 0.000000 | ((L14*L5)/L2) | SUB-COMPONENT OF FACTOR - STATE & LOCAL TAX | |
| 16. | 1,814,393 | ISAACS | REVENUE RELATED ITEMS - UNCOLLECTIBLES | ROW 4040/COL J |
| 17. | 0.002130 | LINE 16 / LINE 11 | SUB-COMPONENT OF FACTOR - UNCOLLECTIBLES | |
| 18. | 1,341,057 | ISAACS | MISCELLANEOUS REVENUES | ROW 4033/COL J |
| 19. | 851,760,921 | ISAACS | TPIS LESS TANGIBLE ASSETS | ROW 1540/COL J |
| 20. | 0.001574 | LINE 18 / LINE 19 | SUB-COMPONENT OF FACTOR - MISC. REVENUES | |
| 21. | 0.049985 | L13+L15+L17+L20 | CARRYING CHARGE FACTOR * | |

* DUE TO THE CHANGE IN THE CALCULATION OF THE FEDERAL INCOME TAX COST FACTOR AS EXPLAINED IN THE FOOTNOTE ON PAGE 3.1, THE COMPUTATION OF THIS FACTOR ALSO CHANGED.

** ARMIS 43-04 USES BOOKED OTHER TAXES. LINE 6 SHOWS A CALCULATED REVENUE REQUIREMENT AMOUNT.