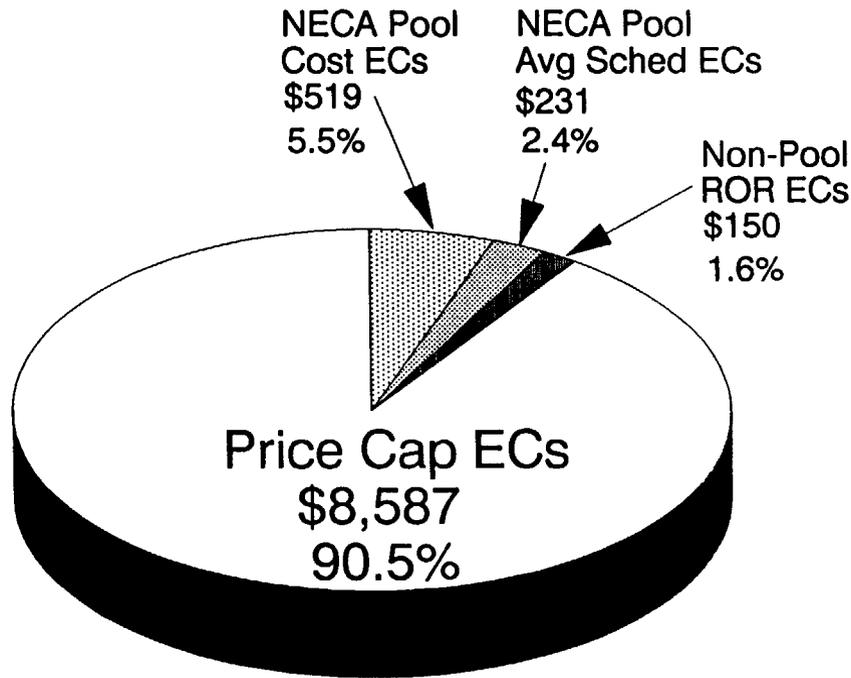
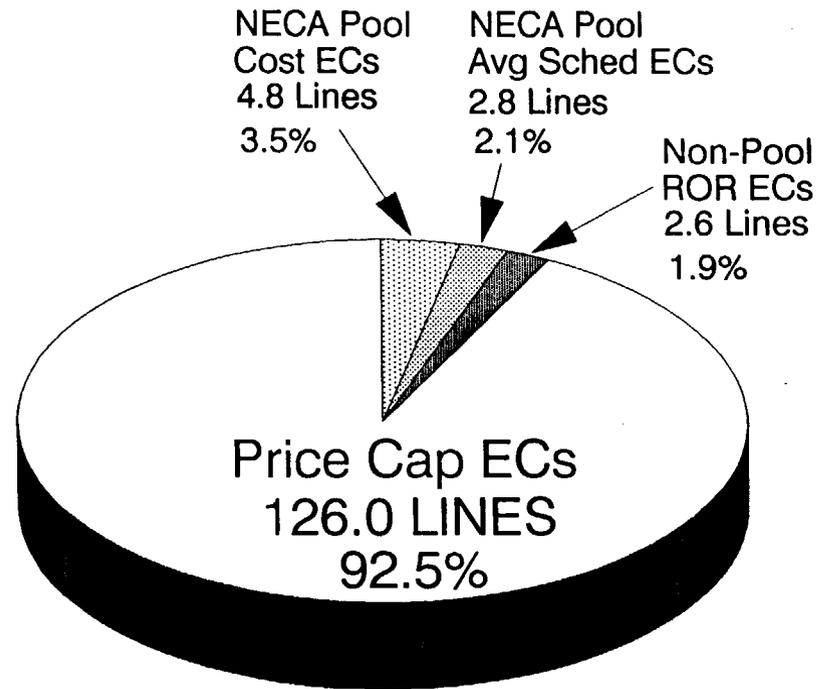


# INDUSTRY STATISTICS



INDUSTRY COMMON LINE  
REVENUE REQUIREMENT (4/2/91)  
(\$9,487 MILLION)



INDUSTRY ACCESS LINES  
USF LOOPS (12/90)  
(136.2 MILLION)

Source: National Exchange Carrier Association (NECA)

3/18/92

**USTA SMALL AND MIDSIZE TELEPHONE COMPANY REGULATORY REFORM  
PLAN PARAMETERS  
JANUARY 31, 1992**

PARAMETER	CURRENT ROR	BASELINE ROR REVISED	61.39 ENHANCEMENTS	OPTIONAL AIR PLAN
TERM	ANNUAL	ANNUAL	BIENNIAL	BIENNIAL
FILING OPTIONS	PROSPECTIVE	PROSPECTIVE	HISTORICAL	HISTORICAL
TARIFF ADJUSTMENTS	N/A	N/A	NONE	<ul style="list-style-type: none"> <li>• EXOGENOUS AS DEFINED IN PC RULES</li> <li>• KNOWN &amp; MEASURABLE - 100/+ 200 BP TRIGGER</li> </ul>
RENEWAL/RECERTIFICATION	NO	YES	NO	NO
EARNINGS	25 BP	100 BP TOTAL INTERSTATE ACCESS	CURRENT RULES TOTAL INTERSTATE ACCESS	200 BP UP 100 BP DOWN TOTAL INTERSTATE ACCESS OR/DEPOOLED INTERSTATE ACCESS
EARNINGS MONITORING NOTE: CONSIDERATION OF REALIGNING MONITORING PERIOD TO TARIFF PERIODS	2 YR W/492	2 YR W/492	CURRENT RULES	2 YR W/492
PRICING FLEXIBILITY	PART 69	PART 69	PART 69	+ 10% REVENUE NEUTRAL, NO FLOOR
NEW SERVICES	PART 69	2% DE MINIMIS STD OR \$200,000 W/BENCHMARK	CURRENT RULES	2% DE MINIMIS OR \$200,000 W/ BENCHMARK
RATE ADJUSTMENTS	MID-COURSE	MID-COURSE	MID-COURSE	RETARGET TO RANGE EXTREMES
COMMON LINE ADJUSTMENT	NONE	NONE	$(g - X\%)/2$	$(g - X\%)/2$

**USTA SMALL AND MIDSIZE TELEPHONE COMPANY REGULATORY REFORM  
 PLAN PARAMETERS  
 JANUARY 31, 1992**

<b>PARAMETER</b>	<b>CURRENT ROR</b>	<b>BASELINE ROR REVISED</b>	<b>61.39 ENHANCEMENTS</b>	<b>OPTIONAL AIR PLAN</b>
ELIGIBILITY	ALL	ALL	CURRENT RULES	ALL COST AFFILIATES EXCLUDING AVERAGE SCHEDULES
ELECTIONS	TS ONLY OR/ CL & TS	TS ONLY OR CL & TS	TS ONLY OR CL & TS	DEPOOLED TS ONLY OR DEPOOLED CL & TS
TRP SIMPLIFICATION	YEAR TO YEAR	CODIFY	CURRENT RULES	CODIFY
POOL REENTRY (50K LINE LIMIT PER COMPANY FOR CL POOL)	TS ONLY	TS & CL	TS & CL	TS & CL
REPORTING: INFRASTRUCTURE SERVICE QUALITY	NO NO	NO NO	NO NO	ANNUAL ANNUAL

CERTIFICATION

I am [title] of [\_\_\_\_\_ Telephone Company]. In this capacity, I have ultimate responsibility for determining the Company's rates for interstate access services, and for preparing and filing with the Federal Communications Commission the Company's Tariff F.C.C. No. \_\_\_ containing those rates.

I have performed [or someone under my direction has performed] projections of the cost of providing, and demand for, the Company's interstate access services for the one-year period beginning [date]. Those projections show that the currently effective rates for such services are not likely to produce earnings for that period which exceed the Commission's maximum allowable rate-of-return for total interstate access services.

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[name]  
[title]

[date]

9/20/91

## USTA Proposal on

# INFRASTRUCTURE SHARING - LEGISLATION/REGULATION

### Preamble

Public policy can promote innovation and competition by recognizing the unique status of LECs and enhancing their unique role in providing the public switched network infrastructure.

- LECs, as common carriers, have a different status from many other players in that they are governmentally recognized as being "affected with a public interest".
  - ▶ Public switched network services provided by LECs are subject to regulation with respect to rates, terms and conditions.
  - ▶ LEC services must be offered on non-discriminatory terms to all customers.
  - ▶ LECs must provide network access to their own competitors, on non-discriminatory rates, terms and conditions.
  - ▶ LECs are suppliers of last resort to customers in their respective serving areas.
- LECs have a unique role in the marketplace which serves the public interest:
  - ▶ LECs have universal service obligations for geographically specific serving areas for which they must construct a ubiquitous infrastructure.
  - ▶ LECs provide the public switched network infrastructure that is used by other players, including interexchange carriers, cellular mobile carriers, private networks, information service providers, enhanced service providers and others either to reach their customers or to permit their customers to communicate with the public at large.
  - ▶ The LEC public switched network provides a foundation of standards and interconnectivity that permits rapid and effective deployment of networks, systems and services by multiple, competitive vendors. (As a general rule, any network or system that is compatible with the LEC public switched network is automatically compatible with all other networks and systems that interconnect with the LEC public switched network.)

Recognition and enhancement of the unique LEC role in the marketplace by promoting infrastructure sharing well serves pro-competition public policy goals. Mechanisms for joint planning, coordination and sharing of network functionality among LECs promote the broad availability of advanced network infrastructure and advanced access services. The ubiquity of the LEC public switched network means that networks, systems and services provided by other vendors also can achieve "instant" ubiquitous connectivity. Advancement of the LEC public switched network means that competitive offerings also can be advanced. A public policy framework that promotes the ubiquity of the LEC public switched network and its continuing evolution to an advanced, intelligent level is pro-infrastructure, pro-competitive and pro-customer.

The nation's LECs are a certain number of entities that plan and coordinate the public switched network infrastructure. Such planning and coordination may entail the sharing of certain proprietary information. The fact that each LEC serves a different geographic area promotes a common interest in developing the public switched network infrastructure and assuring its ubiquity - and, accordingly, in submitting to the sharing of proprietary information and the discipline of joint planning and development. The establishment of standard access interfaces by appropriate standards-setting bodies can assure interoperability and connectivity between the public switched network infrastructure and the networks, systems and services of multiple vendors, without the need for sharing of proprietary information by the multiple vendors, either with LECs or with each other. This simplifies direct coordination and the sharing of proprietary information, and leaves the multiple vendors of other networks, systems and services complete freedom to pursue their independent business objectives.

### **Background**

Independent telephone companies recognize that they must be able to provide to customers in their local franchise areas a full range of telecommunications services at competitive prices to ensure provision of advanced services to residents of areas that otherwise would not enjoy sufficient economies of scale or scope to permit provision of such advanced services. Therefore, independents have supported RBOC entry into advanced information type services as well as current services such as cable television with the expectation that both marketing and technological progress will occur in such service offerings and that public switched network infrastructure and/or functionalities used to provide these services requiring scale or scope economies would be made available to independents or other LECs which serve areas in which they are unable to provide such economies.

In order to accomplish the above goals, inter-LEC cooperation is required. To assure adequate flexibility, a federal statute must be adopted granting LECs sufficient flexibility under antitrust law to enable necessary inter-LEC cooperation in the deployment of an evolved public network. The flexibility must be limited to that necessary to deploy an operationally integrated public network.

### **Objective**

Promote the public interest by forming a consensus of all LEC stakeholders for the enactment of legislation which will assure the cost-effective provision of an advanced telecommunications infrastructure in areas that otherwise would not enjoy sufficient economies of scale or scope to permit provision of such advanced services. LECs serving such areas are defined as those who serve geographic areas for which they lack reasonable access to self-provided economies of scale or scope for the particular required network functionality. Obtain a legislative mandate of broad public policy goals that grants limited antitrust immunity to LECs, conditioned on LECs operating within the specific rules established by the federal regulators.

### **Legislation**

The general public policy goals to be incorporated in statutory language are as follows:

- o preserve and enhance universal service at reasonable rates;
- o achieve universal availability of advanced network capabilities and information services;
- o assure a seamless nationwide distribution network through joint planning, coordination and service arrangements between and among local exchange companies;

- o maintain high standards of quality for advanced network services; and
- o assure adequate communication for the public health, safety, defense and security.

Specific statutory language to be carried out by federal regulators must assure the cost-effective provision of public switched network infrastructure and/or functionality in all areas served by all LECs by mandating:

- o joint coordinated network planning, design and cooperative implementation among all LECs in the provision of public switched network infrastructure and services, and
- o development of standards for LEC networks by appropriate standards - setting bodies.

Legislation should also permit a BOC to transport and process signalling and information for another LEC in adjoining or reasonably proximate service areas upon request of that LEC, to the extent the BOC is allowed to engage in such activities for itself.

In order to encourage the cost effective provision of telecommunications infrastructure and/or functionality in areas that otherwise would not enjoy sufficient economies of scale or scope to permit provision of such services, specific statutory language must mandate federal regulators to issue rules that will provide for sharing public switched network telecommunications infrastructure and/or functionality between or among LECs lacking economies of scale or scope and other LECs under business arrangements unique to LECs. LEC's lacking economies of scale or scope are defined as those who serve geographic areas for which they lack reasonable access to self-provided economies of scale or scope for the particular required network functionality.

These business arrangements must be governed by regulations establishing conditions that promote cooperation between LECs, and

- o promote economically efficient decision making and do not require LECs to make uneconomic decisions or decisions adverse to the public interest, and
- o permit, but not prescribe, LEC to LEC joint ownership and/or joint operations of public switched network infrastructure and/or services by LECs, and
- o stipulate that the terms and conditions of these arrangements are unique to LECs and do not constitute common carrier services that would be available to other parties.

Arrangements between or among LECs and LEC operations conducted in accordance with the regulations established pursuant to this legislation shall be deemed to comply with antitrust law.

Legislation shall maintain the authority of each state to regulate intrastate communications service. Legislation shall not codify existing support mechanisms nor shall it codify a ban on new support mechanisms. It shall not call into question or undermine existing support mechanisms.

### Legislative Strategy

Adoption of the above proposal is critical for the uniform evolution of the public switched network. USTA shall use all appropriate means to promote this position and USTA members shall seek to enact the same position in their state(s).

RULE CHANGES IMPLEMENTING  
USTA PROPOSAL ON REGULATORY REFORM FOR  
SMALL AND MIDSIZED TELEPHONE COMPANIES

PART 61

Subpart B - General Filing Requirements;  
Supporting Information

§ 61.38 Supporting information to be submitted with letters of transmittal.

(a) Scope. This section applies to dominant carriers whose gross annual revenues exceed ~~\$500,000~~ \$2,000,000 for the most recent 12 month period of operations or are estimated to exceed ~~\$500,000~~ \$2,000,000 for a representative 12 month period. Local exchange carriers serving 50,000 or fewer access lines in a given study area that are described as subset 3 carriers in § 69.602 may submit Access Tariff filings for that study area pursuant to either this section or § 61.39. However, the Commission may require any carrier to submit such information as may be necessary for review of a tariff filing. This section (other than the preceding sentence of this paragraph) shall not apply to the following:

(1) Tariff filings proposing rates for services identified in § 61.42(a), (b), (d), (e), and (g), which filings are submitted by carriers subject to price cap regulation; and

(2) tariff filings submitted pursuant to § 61.50 for carriers electing alternative incentive regulation.

(b) Explanation and data supporting either changes or new tariff offerings. \*\*\*

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(2) Except as provided in (b)(3) below, for a tariff filing offering a new service the carrier must submit the following, including complete explanations of the bases for the estimates.

\*\*\*\*\*

(3) For a tariff filing made pursuant to § 69.1(e), a local exchange carrier must submit the following:

(i) sufficient data to establish that the annualized projected service revenues during the tariff period will be less than two percent of the carrier's total interstate

access revenues during the most recent test period, or \$200,000, whichever is greater; and

(ii) sufficient information to show that the rate(s) for the service covered by the tariff filing is no greater than a rate(s) on file with the Commission for a comparable service offered by another local exchange carrier. This information need not be submitted if a comparable service is not offered by another local exchange carrier.

\*\*\*\*\*

§ 61.39 Optional supporting information to be submitted with letters of transmittal for Access Tariff filings effective on or after April 1, 1989, by local exchange carriers serving 50,000 or fewer access lines in a given study area that are described as subset 3 carriers in § 69.602.

(a) Scope. This Section provides for an optional method of filing for any local exchange carrier that is described as subset 3 carrier in § 69.602, which elects to issue its own access tariff for all of its services not included in any association tariff, for a period commencing on or after April 1, 1989, and which serves 50,000 or fewer access lines in a study area as determined under § 36.611(a)(8) of the Commission's Rules. However, the Commission may require any carrier to submit such information as may be necessary for review of a tariff filing. This section (other than the preceding sentence of this paragraph) shall not apply to tariff filings proposing rates for services identified in § 61.42(d), (e), and (g), which filings are submitted by carrier subject to price cap regulation, or to tariff filings submitted pursuant to § 61.50.

(b) Explanation and data supporting tariff changes. The material to be submitted for either a tariff change or a new tariff which affects rates or charges must include an explanation of the filing in the transmittal as required by § 61.33. The basis for rate making must comply with the following requirements. Except as provided in (b)(3) below, it is not necessary to submit this supporting data at the time of the filing. \*\*\*

\*\*\*\*\*

(3) For End User Common Line charges, if included in a tariff filed pursuant to this section, the local exchange carrier must show that rates were derived pursuant to the requirements of § 69.104 and § 69.203.

(4) For Carrier Common Line charges, if included in a tariff filed pursuant to this section, the charges shall be computed pursuant to the formula set forth in § 61.50(h).

\*\*\*\*\*

### § 61.50 Alternative Incentive Regulation

(a) This section contains the rules for alternative incentive regulation which may be elected for traffic sensitive rates alone, or for traffic sensitive and common line rates together, by local exchange carriers that are not subject to price cap regulation as that term is defined in § 61.3(v). If a local exchange carrier elects alternative incentive regulation, the carrier and its affiliates must file an access tariff complying with the requirements of this section, and the requirements of Part 69 of this chapter as may be applicable, for all rates not included in an association tariff, and for all study areas, except to the extent that (1) the carrier or its affiliates are average schedule companies, or (2) the carrier or its affiliates elect to file a tariff for a new service under the provisions of § 69.1(e) and § 61.38(b)(3). The carrier and its affiliates may not participate in any association tariff for any rate contained in an access tariff filed pursuant to this section. Initial election of alternative incentive regulation by a local exchange carrier shall be made by submitting a tariff filing with an effective date coinciding with the start of any two-year period defined in paragraph (b) below. A carrier may elect to continue under alternative incentive regulation for each succeeding two-year period by submitting a new tariff filing in accordance with the terms of the previous sentence. A local exchange carrier which does not elect to continue under alternative incentive regulation at the end of any two-year period defined in paragraph (b) must submit an access tariff filing which complies with the requirements of § 61.38, except that if the carrier serves 50,000 or fewer access lines in any given study area and is described as a subset 3 carrier in § 69.602, the carrier may submit an access tariff filing for that study area which complies with the requirements of either

§ 61.38 or § 61.39. Notwithstanding any other provision in this paragraph to the contrary, a carrier which does not elect to continue under alternative incentive regulation at the end of any two-year period defined in paragraph (b), and instead elects to submit an access tariff filing pursuant to § 61.38, may not file a tariff pursuant to this section until at least three years after the conclusion of the two-year period during which the carrier last participated under alternative incentive regulation.

(b) Access tariffs filed under this section shall be effective for a two-year period. The initial two-year period under this section shall commence on July 1, 19 . Subsequent two-year periods shall commence on July 1 of each year thereafter. Nothing in this paragraph shall be construed to prohibit a local exchange carrier which has elected alternative incentive regulation from filing revisions to its access tariff, consistent with the provisions of this section, during any two-year period defined in this paragraph.

(c) Each tariff filed to take effect at the start of any two-year period defined in paragraph (b) shall be accompanied by historic cost and demand data sufficient to establish that the rates proposed in the tariff are targeted to produce earnings from total interstate access services subject to this section that are no greater than the exchange carrier prescribed rate-of-return. This cost and demand data shall include the following:

(1) For the first period, a cost of service study for the most recent 12 month period with related demand for the same period.

(2) For subsequent tariff periods, a cost of service study for the total period since the local exchange carrier's last filing with related demand for the same period.

(3) For End User Common Line charges if included in tariffs filed under this section, a showing that rates were derived pursuant to the requirements of § 69.104 and § 69.203.

The carrier shall also include in the calculation of the proposed rates, any known and measurable changes to the historic data that will occur during the tariff period, but only if the aggregate of such known and measurable changes would, if excluded from the calculation of the rates proposed in the tariff, cause the carrier to earn a return during the first year of the

tariff period that would be more than 200 basis points above or 100 basis points below the exchange carrier prescribed rate-of-return. For purposes of this section, known and measurable changes shall not include exogenous cost changes as set forth in paragraph (i) below.

(d) Notwithstanding other provisions in this chapter and absent other justification, a local exchange carrier that earns above the maximum allowable rate of return, calculated pursuant to § 65.700(b) and based on the carrier's most recent cost study for the first year of any two-year period defined in paragraph (b), shall file no later than 90 days after the end of that first year, revised rates, calculated pursuant to paragraph (f) below, that are targeted to earn no greater than the maximum allowable rate of return for the remainder of the two-year period.

(e) A local exchange carrier that earns, from total interstate access services subject to this section, more than one percent below the exchange carrier prescribed rate of return for the first year of any two-year period defined in paragraph (b), may file within 90 days after the end of the first year, revised rates, calculated pursuant to paragraph (f) below, that are targeted to earn no greater than one percent less than the exchange carrier prescribed rate of return for the remainder of the two-year period.

(f) The rate revisions described in paragraphs (d) and (e) shall be calculated by the application of a rate adjustment factor (RAF), which shall be derived by the following formula:

If  $ROR > ROR_c$  or  $\leq ROR_f$ , then:

$$\text{RAF} = 1 + \frac{((\text{RBAS} * \text{ROR}_{c/f}) - \text{OPI}) * \text{TAXF}}{\text{REV}}$$

Where  $ROR$  = rate of return.

$ROR_{c/f}$  = maximum allowable rate of return calculated pursuant to § 65.700(b), or rate of return floor calculated pursuant to paragraph (e) of this section, whichever may be applicable.

$RBAS$  = rate base.

$OPI$  = operating income.

TAXF = income tax gross-up factor.

REV = total revenues.

Each revised rate shall be calculated as follows:

$$\text{Rate}_{i1} = \text{Rate}_{i0} * \text{RAF}$$

Where Rate<sub>i1</sub> is the next period's rate for rate element<sub>i</sub>, and Rate<sub>i0</sub> is the current period's rate for rate element<sub>i</sub>.

(g) The level of charge for any rate element filed as part of an access tariff to become effective at the start of any two-year period defined in paragraph (b), may be changed by a tariff revision filed without supporting cost or demand data under the following conditions:

(1) The level of charge for any individual rate element shall not increase by more than ten percent from its initial level over the period for which the tariff was filed.

(2) Any change or set of changes in the level of charges for rate elements made pursuant to this section shall not increase the local exchange carrier's total revenues from any rate grouping(s) containing the rate elements whose charges were changed. For purposes of this section, the carrier shall establish the following rate groupings:

(i) a grouping for common line interstate access elements as described in §§ 69.103, 69.104, 69.105 and 69.115 of this chapter;

(ii) a grouping for traffic sensitive switched interstate access elements; and

(iii) a grouping for special access services as described in § 69.114 of this chapter.

(3) [Application of rate grouping adjustment factor-TO BE SUPPLIED]

(h) The carrier common line charge, if included in a tariff filed pursuant to this section, shall be computed in accordance with the following formulas:

$$\text{RATE}_{\text{CCL}} = \text{COST}_{\text{HIST}} / \text{CCL}_{\text{ADJ}}$$

where  $\text{COST}_{\text{HIST}}$  is the historic test period carrier common line revenue requirement, and

$$\text{CCL}_{\text{ADJ}} = \text{CCL}_{\text{HIST}} * [1 + [(g-1.x)/2]]$$

where  $\text{CCL}_{\text{ADJ}}$  is the adjusted historic CCL MOU demand for the next biennial period,  $\text{CCL}_{\text{HIST}}$  is the historic CCL MOU demand, g is the ratio of MOU per access line during the base period to the MOU during the previous base period, and x is the Commission specified MOU growth threshold.

(i) A local exchange carrier filing an access tariff pursuant to this section, shall file, at any time during the period in which the tariff remains in effect (including prior to the start of the tariff period to take effect with the tariff), revisions to the tariff to reflect the impact on rates resulting from exogenous cost changes as defined in § 61.45 (d)(1).

#### **§ 61.58 Notice Requirements**

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(d) Carriers subject to alternative incentive regulation. This paragraph applies only to local exchange carriers subject to alternative incentive regulation. Such carriers must file tariffs according to the following notice periods.

(1) For initial and renewal tariff filings whose effective date coincides with the start of any two-year period defined in § 61.50(b), filings must be made on not less than 90 days' notice.

(2) For rate revisions made pursuant to § 61.50 (d), (e), (g) or (i), tariff filings must be made on not less than 14 days' notice.

(de) Other carriers.

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PART 65

Subpart F - Maximum Allowable Rates of Return

§ 65.700 Determining the maximum allowable rate of return.

~~(a) The maximum allowable rate of return for any exchange carrier's earnings on any access service category shall be determined by adding a fixed increment of four tenths of one percent of the exchange carrier prescribed rate of return.~~

(ba) For any exchange carrier filing tariff supporting information pursuant to § 61.38, the maximum allowable rate of return for any exchange the carrier's overall interstate earnings for all access services included in the tariff categories shall be determined by adding a fixed increment of one quarter of one percent to the exchange carrier prescribed rate of return.

(b) For any exchange carrier filing a tariff pursuant to § 61.50, the maximum allowable rate of return for the carrier's overall interstate earnings for all access services included in that tariff shall be determined by adding a fixed increment of two percent to the exchange carrier prescribed rate of return.

\*\*\*\*

§ 65.701 Period of review.

(a) Except as provided in the next sentence, for both exchange and interexchange carriers subject to this part, interstate earnings shall be measured over a two-year period to determine compliance with the maximum allowable rate of return. Prior to 1993, the review periods shall commence on January 1 in odd-numbered years and shall end on December 31 in even-numbered years, except that the review period for exchange carriers that otherwise would have ended on December 31, 1992, shall end on June 31, 1993. Starting in 1993, the review period for any exchange carrier that files a tariff under § 61.38 or § 61.50 shall commence on July 1 of the year that the carrier first files such tariff, and shall end on June 30 two years thereafter. Subsequent review periods for the carrier shall commence on the next July 1 and on every second July 1 thereafter, and shall end on

every second June 30 following the start of each review period.

\*\*\*\*

**§ 65.702 Measurement of interstate service earnings.**

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(b) For exchange carriers, ~~earnings shall be measured separately for each access service category for purposes of determining compliance with the maximum allowable rate of return. The access service categories shall be Special Access, § 69.113; Common Line, § 69.104-69.105; and an aggregate category consisting of Line Termination, § 69.106, Intercept, § 69.108, Local Switching, § 69.107, Transport, §§ 69.111-69.112, and Information § 69.109. The Billing and Collection access element shall not be included in any access service category for purposes of this part. the Commission will also separately shall review exchange carrier overall interstate access earnings subject to this part for determining compliance with the maximum allowable rate of return determined by § 65.700(ba).~~

(c) For exchange carriers, earnings shall be measured for purposes of determining compliance with the maximum allowable rates of return separately for each study area; \*\*\*

**§ 65.703 Refunds.**

(a) For carriers not subject to §§ 61.41 through 61.49, refunds shall be effected automatically if a carrier's earnings for any category of overall interstate access services, as set forth in § 65.702, exceed the maximum allowable rate of return. In determining whether a carrier's earnings exceed the maximum allowable rate of return, the reports filed by a carrier shall be deemed conclusively binding on the carrier.

(b) Notwithstanding § 69.2(b), refunds shall be effected by subsequent period reductions in the carrier's revenue requirements ~~for the access elements that earned in excess of the maximum allowable rate of return for overall interstate access services~~; provided, however, that a carrier may, at its option, make payments directly to the customers responsible for the over-earnings as a means of providing refunds. A carrier making refunds directly to customers shall distribute the refund to each customer in proportion to the revenues ~~for that category~~

paid by each customer for interstate access services during the review period.

(c) The base amount of the refund shall be computed ~~for interexchange service categories or Special Access or Common Line service categories~~ by determining the dollar amount of revenues that resulted in earnings that exceed the carriers' average net investment for overall interstate access services during the review period multiplied by the maximum allowable rate of return. In addition, \*\*\*

~~(d) The amount of the refund shall be computed for the exchange carriers overall earnings or for the Switched Traffic Sensitive category using the methodology specified in § 65.703(c), except that the base amount of the refund shall be determined by computing the proportionate dollar reductions for each subcategory earning in excess of the maximum allowable rate of return, that when refunded, are sufficient to bring the earnings of the category as a whole down to the maximum allowable rate of return.~~

(ed) For exchange carriers tariffs reflecting the revenue requirement reductions effectuating the refund shall be filed by the carrier to become effective not later than January 1 of the year following the submission of the final report for the earnings review period.

(fe) For interexchange carriers subject to this part, but not subject to §§ 61.41 through 61.49, tariffs reflecting the revenue requirement reductions effectuating the refund shall be filed on 45 days' notice no later than 60 days after submission of the final report for the earnings review period.

(gf) For interexchange carriers subject to §§ 61.41 through 61.49 of this chapter, \*\*\*

PART 69

Subpart A - General

§ 69.1 Application of Access Charges

\*\*\*\*\*

(b) Except as provided § 69.1(c), (d) and (e), charges for such access services shall be computed, assessed and collected and revenues from such charges shall be distributed as provided in this Part. Access service tariffs shall be filed and supported as provided under Part 61 of this chapter, except as modified herein.

\*\*\*\*\*

(d) The provisions of this part shall not apply to local exchange carriers that elect alternative incentive regulation under § 61.50, to the extent that the computation of rates for such carriers are governed by the provisions of § 61.50 (d), (e), (f), (g) or (i).

(e) The provisions of this part shall not apply to tariff filings offering a new service where the local exchange carrier elects to file the supporting information specified in § 61.38(b)(3). The rates for such new service offerings shall be considered presumptively lawful during the initial tariff period. The rates for the service shall continue to be considered presumptively lawful during any subsequent period for which the carrier elects to renew the showing specified in § 61.38(b)(3).

§ 69.2 Definitions.

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(ii) "Test Period" means for local exchange carriers submitting supporting tariff information under § 61.38(b)(1) or (2), or § 61.49(h)(1), the 12 month period for which the carrier makes the required projection of cost, traffic and revenue data. For local exchange carriers submitting optional supporting tariff information under § 61.39 or filing tariffs pursuant to § 61.50, "Test Period" means the period for which the carrier supplies historical cost and demand data, including any future known and measurable changes as may be permitted by this chapter.

(~~ii~~jj) "Transitional Support" (TRS) means funds provided by telephone companies that are not association Common Line tariff participants, but were net contributors to the association Common Line pool in 1988, to telephone companies that are not association common line tariff participants and were net receivers from the association Common Line pool in 1988.

(~~jj~~kk) "Unit of Capacity" means the capability to transmit one conversation;

(~~kk~~ll) "WATS Access Line" means a line or trunk that is used exclusively for WATS service.

(~~ll~~mm) "Equal access investment and equal access expenses" mean equal access investment and expenses as defined for purposes of the Part 36 separations rules.

### § 69.3 Filing of access service tariffs.

(a) Except as provided in paragraphs (f), (g), (i) and (j) of this ~~chapter~~ section, a tariff for access service shall be filed with this Commission for an annual period. Such tariffs shall be filed on a minimum of 90 days notice with a scheduled effective date of July 1. Such tariff filing shall be limited to rate level changes.

\*\*\*\*\*

(e) A telephone company or group of telephone companies may file a tariff that is not an association tariff. Such a tariff may cross-reference the association tariff for some access elements and include separately computed charges of such company or companies for other elements. Any such tariff must comply with the requirements hereinafter provided:

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\*\*\*\*\*

(9) A telephone company or group of affiliated telephone companies that elects to file its own Carrier Common Line tariff effective April 1, 1989 shall notify the association no later than August 30 of the preceding year that it will no longer participate in the association tariff. A telephone company or group of affiliated telephone companies that elects to file its own Carrier Common Line tariff effective July 1, 1990, or

thereafter pursuant to § 69.3(a), shall notify the association not later than December 31 of the preceding year that it will no longer participate in the association tariff. A telephone company or group of affiliated telephone companies that elects to file its own Carrier Common Line tariff for one of its study areas shall file its own Carrier Common Line tariff(s) for all of its study areas. The provisions of this paragraph (9) shall be subject to the following:

(i) except to the extent that they make a prior election to convert to cost company status, average schedule affiliates of telephone companies that establish rates based on cost, may not elect to file their own Carrier Common Line tariff; and

(ii) a telephone company with 50,000 or fewer total access lines, which was previously a participant in the association's Carrier Common Line tariff, may elect to return as a participant in the association's Carrier Common Line tariff if it notifies the association, by December 31 of the final year of the current tariff period, of its election and decision not to file a tariff for the next tariff period. Such election must be made for all study areas of the telephone company and the company must retain its long term support obligations, calculated pursuant to § 69.612. Nothing in this sub-paragraph shall be construed to permit a telephone company or an affiliate that had converted to cost company status to reconvert to average schedule status.

\*\*\*\*\*

(f) A tariff for access service provided by a telephone company that may file an access tariff pursuant to § 61.39 may be filed for a biennial period with a minimum of 90 days' notice and scheduled effective date of July 1 ~~of any odd numbered year~~. An eligible telephone company that does not elect to file an access tariff pursuant to the § 61.39 procedures may elect to file a biennial tariff pursuant this section. For purposes of computing charges for access elements other than Common Line elements to be effective on July 1 of any ~~even numbered~~ year, the association may compute rate changes based upon statistical methods which represent a

reasonable equivalent to the cost support information otherwise required under Part 61 of this chapter.

\*\*\*\*\*

(i) Local exchange carriers which elect alternative incentive regulation pursuant to § 61.50, shall file access tariffs for a two-year period defined in § 61.50(b). The requirements of this paragraph shall not preclude the filing of revisions to those tariffs that will become effective on dates other than the start of a two-year period defined in § 61.50(b).

(j) An annual tariff for access service submitted with the supporting information required by § 61.38, may remain in effect for an additional annual period if an officer of the local exchange carrier, with personal knowledge of the relevant facts, elects to certify no later than 90 days prior to the end of any annual period, in a form prescribed by the Commission, that the rates then in effect are projected to earn no greater than the exchange carrier rate of return during the next annual period.

(i)k The following rules apply to withdrawal from Association tariffs under provisions of paragraphs (e) (6) or (e) (9) of this section or both by telephone companies electing to file price cap tariffs pursuant to § 69.3(h).

\*\*\*\*\*

#### Subpart B - Computation of Charges

§ 69.103 Limited pay telephone (public telephones that can access the services of only one interexchange carrier).

\*\*\*\*\*

(b) The per line charge shall be computed by dividing one-twelfth equal monthly share of the projected annual test period revenue requirement for the Limited Pay Telephone element by the projected test period average number of public telephones which can access the services of only one interexchange carrier.

§ 69.104 End user common line.

\*\*\*\*\*

(c) Except as provided in subsections 69.104(d)-(h), the single line rate or charge shall be computed by dividing ~~one-twelfth~~ equal monthly share of the ~~projected annual test period~~ revenue requirement for the End User Common Line element by the projected test period average number of local exchange service subscriber lines in use during such ~~annual-period~~ test period.

\*\*\*\*\*

(l) In connection with the filing of access tariffs pursuant to § 69.3(a), telephone companies shall calculate for the association their projected test period revenue requirement attributable to the operation of § 69.104(j) through (k). The projected test period amount will be adjusted by the association to reflect the actual lifeline assistance benefits paid in the previous period. If the actual benefits exceeded the projected test period amount for the period, the differential will be added to the projection test period amount for the ensuing period. If the actual benefits were less than the projected test period amount for that period, the differential will be subtracted from the projection test period amount for the ensuing period. \*\*\*

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§ 69.105 Carrier common line.

\*\*\*\*\*

(b) \*\*\*\*\*

(4) \*\*\*\*\*

(ii) The premium terminating Carrier Common Line charge shall be computed by subtracting the projected test period revenues generated by the originating Carrier Common Line charges (both premium and non-premium) from the Carrier Common Line revenue requirement for the companies participating in that tariff, and dividing the remainder by the sum of the projected test period premium terminating minutes and a number equal to .45 multiplied by the projected test period non-premium terminating minutes for such companies.

(5) If the calculations described in § 69.105(b)(4) result in a per minute charge on premium terminating minutes that is less than one cent, both the originating and terminating premium charges for the companies participating in said Carrier Common Line tariff shall be computed by dividing the projected test period Carrier Common Line revenue requirement for such companies by the sum of the projected test period premium minutes and a number equal to .45 multiplied by the projected test period non-premium minutes for such companies.

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**§ 69.106 Local switching.**

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(b) A per minute charge shall be computed by dividing the projected annual test period revenue requirement for the Local Switching element by the projected annual test period access minutes of use for all interstate or foreign services that use local exchange switching facilities.

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**§ 69.107 Equal access.**

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(b) A monthly charge per Feature Group D trunk or per trunk line that is receiving from a local exchange switch service that is substantially equivalent to the access provided for MRS or WATS shall be computed by dividing the projected annual test period revenue requirement for the Equal Access element by the number of months in the test period ~~twelve~~ times the projected annual test period average number of the total of interstate and foreign Feature Group D access service trunks and interstate and foreign access service trunk lines receiving service substantially equivalent to the access provided for MTS or WATS from a local exchange switch.

(c) A monthly charge per presubscribed equal access line shall be computed by dividing the projected annual test period revenue requirement for the Equal Access element by the number of months in the test period ~~twelve~~

times the ~~projected annual~~ test period average number of presubscribed equal access lines.

**§ 69.109 Information.**

\*\*\*\*\*

(b) Except as provided in § 69.118, if such connections are maintained exclusively by carriers that offer MTS, the ~~projected annual~~ test period revenue requirement for the Information element shall be divided by the number of months in the test period ~~to~~ to compute the monthly assessment to such carriers.

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**§ 69.111 Common transport.**

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(c) Charges shall be designed to produce annual test period revenue that is equal to the ~~projected annual test period~~ revenue requirement for the Common Transport element.

**§ 69.112 Dedicated transport.**

(a) The ~~projected annual~~ test period revenue requirement for Dedicated Transport shall be divided into three parts. \*\*\*

\*\*\*\*\*

(b) Appropriate subelements shall be established for the use of interface arrangements. Except as provided in § 69.118, charges for such subelements shall be assessed and computed as follows:

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(2) Charges for all such subelements shall be designed to produce total annual test period revenues that are equal to the portion of the ~~projected annual test period~~ revenue requirement for Dedicated Transport that has been apportioned to the interface arrangements subelements; and

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