

Each wire center's annual interstate BFP costs were divided by that wire center's total line count. Dividing that result by twelve produced wire center specific monthly interstate BFP costs per line which were used to determine the wire center EUCL charge.

Calculating Wire Center Interstate High Cost Support

Explicit interstate high cost support is provided for a wire center when its annual interstate BFP costs exceed its annual EUCL revenues that would be generated by the interstate affordability benchmark of \$6.00. When a wire center's annual EUCL revenues that would be generated by the interstate affordability benchmark are greater than or equal to its annual interstate BFP costs, interstate high cost support is not required. The amount of interstate high cost support for each wire center was determined as follows:

$$\text{Wire center interstate BFP costs} - \left(\text{Wire center lines} * \$6.00 * 12 \right) = \text{Total wire center interstate high cost support}$$

Calculating Carrier Common Line (CCL)

During the transition period, non-pooling LECs will recover the difference between the revenues generated by the application of the transitional EUCL cap and the interstate affordability benchmark through the CCL charge. Pooling LECs will recover this difference through a combination of the nationwide average CCL charge and LTS. CCL and LTS charges will be zero in the fourth year of the transition period.

Due to the short period of time available to develop this price out, CCL charges for price cap LECs were calculated as a residual rather than using actual price cap mechanics. The amount of CCL recovery required each year of the transition period was determined for each wire center as follows:

LECs Filing Common Line Tariffs

If monthly wire center BFP costs per line < transitional EUCL cap, then CCL is not required for the wire center

If monthly wire center BFP costs per line > transitional EUCL cap, then CCL for the wire center is calculated as follows:

$$\begin{array}{r}
 \text{Total wire} \\
 \text{center} \\
 \text{interstate BFP} \\
 \text{costs}
 \end{array}
 -
 \begin{array}{r}
 \text{Total wire} \\
 \text{center} \\
 \text{EUCL} \\
 \text{revenues}
 \end{array}
 -
 \begin{array}{r}
 \text{Total wire center} \\
 \text{interstate high cost} \\
 \text{support}
 \end{array}
 =
 \begin{array}{r}
 \text{Total wire} \\
 \text{center} \\
 \text{CCL}
 \end{array}$$

Common Line Pooling Companies

For each year of the transition period, a nationwide average CCL rate was determined.⁵ Each common line pooling company's CCL recovery was determined by multiplying that company's interstate access MOU by the nationwide average interstate CCL rate.

$$\begin{array}{r}
 \text{Nationwide} \\
 \text{average CCL rate}
 \end{array}
 *
 \begin{array}{r}
 \text{Company's} \\
 \text{interstate CCL} \\
 \text{MOUs}
 \end{array}
 =
 \begin{array}{r}
 \text{Company's CCL} \\
 \text{recovery}
 \end{array}$$

Calculating Long Term Support (LTS)

Long term support will continue for common line pooling companies throughout the transition period. LTS was calculated by study area for each year of the transition period as follows:

- Interstate BFP costs for common line pooling LECs*
- *EUCL revenues for common line pooling LECs*
- *CCL revenues (at the nationwide average CCL rate) for common line pooling LECs*
- *Interstate high cost support for common line pooling LECs*

LTS

⁵Interstate access minutes of use provided from NECA's comprehensive Annual Access Charge filing effective July 1, 1994 were used to calculate the nationwide average CCL rate.

Universal Service Fund (USF)

USF expense adjustment was identified for all recipients from the original view of the 1994 cost levels reported in 1995 which will be paid out in 1996. The USF expense adjustment amounts were held constant for all years of the price out.

Dial Equipment Minutes (DEM) Weighting

The DEM weighting assistance amount was identified for all recipients based on NECA's estimate of 1993 switching costs attributed to DEM weighting. The DEM weighting assistance amounts were held constant for all years of the price out.

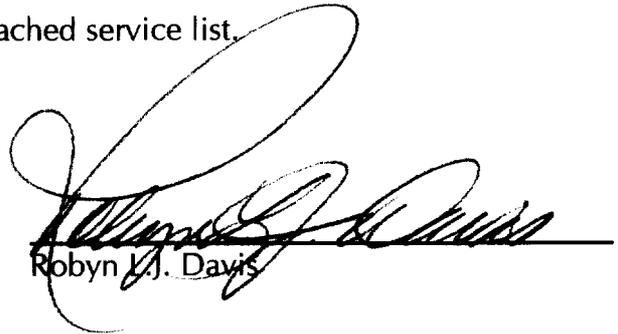
USTA INTERSTATE HIGH COST FUND PRICE OUT

<u>LN</u>		<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
1	Total Interstate BFP Costs	\$10,770M	\$10,770M	\$10,770M	\$10,770M
2	Total EUCL Revenues	\$6,417M	\$6,719M	\$6,981M	\$7,211M
3	Total Interstate CCL Revenues	\$734M	\$453M	\$211M	\$0
4	Total LTS	\$63M	\$41M	\$20M	\$0
5	Total Interstate High Cost Support	\$3,559M	\$3,559M	\$3,559M	\$3,559M
6	Total USF Support	\$735M	\$735M	\$735M	\$735M
7	Total DEM Weighting Support	\$311M	\$311M	\$311M	\$311M
8	Total Interstate High Cost Fund ⁶ (Sum of lines 5 through 7)	\$4,605M	\$4,605M	\$4,605M	\$4,605M

⁶At the end of the transition period the Total Interstate High Cost Fund will decrease because USF and DEM Weighting for non-rural telephone companies will be eliminated.

CERTIFICATE OF SERVICE

I, Robyn L.J. Davis, do certify that on April 12, 1996 comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.



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