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June 27, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

RE: Ex Parte Presentation
CC Docket No. 96-98

Dear Mr. Caton:

On June 26, 1996, I met with Anthony Bush and William Sharkey of the Commission staff. At this meeting, I provided them with unit cost output sheets from several alternative run scenarios that they had requested of the Hatfield TSLRIC model that AT&T and MCI placed into the record of this proceeding on June 23.

These runs were performed using data for Pacific Bell's operations in California that were contained in an Expense Module file for the Hatfield Model that I provided to the Commission. These "Base" data are the same as were used to generate the Pacific Bell output sheet that comprised table page 4 of Appendix D in AT&T's Reply Comments in this proceeding.

The scenarios were as follows.

1) Alternative Nominal Costs of Capital

a) Adjust the cost of debt and equity each to 10%, yielding a weighted average cost of capital of 10%. This 10% figure has been demonstrated to approximate the LECs' actual nominal cost of capital by AT&T and MCI in submissions on CC Docket No. 94-1.

b) Adjust the cost of debt and equity each to 11.25%, yielding a weighted average cost of capital of 11.25%. The 11.25% figure was determined by the Commission to be the LECs' nominal cost of capital in CC Docket No. 89-624 in September 1990.

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These alternative scenarios were modeled by altering the user-adjustable entries for cost of debt and cost of equity in cells C35 and C37 respectively of the "Input" sheet of the Expense Module.

2) Alternative Service Lives

Alternative capital service lives as given in the attached sheet were substituted. AT&T noted that some of these alternative service lives, particularly for switch-type facilities, appear to be unrealistically short.

These service life adjustments were performed by substituting the indicated service lives into cell range H37:H55 of the "Input" sheet of the Expense Module.

3) Alternative Variable Overhead Factors

a) Adjust Variable Corporate Overhead factor to 13% -- which is the proportion that the LECs currently exhibit for corporate operations in their ARMIS data -- as derived by the attached regression analysis (which also demonstrates that the equivalent overhead factor exhibited by AT&T in the competitive interexchange business is, roughly, 10%).

b) Adjust overhead factor to 15%.

Both adjustments were performed by substituting the alternative figures of 13% and 15% into cell C42 of the "Input" sheet of the expense module.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules. Also submitted are copies of the unit cost output sheets and diskettes of the Expense Module. Copies of the diskette are available from ITS. Because of the late hour of this meeting, this notice is being submitted on the following business day.

Sincerely,

Richard N. Clarke

Richard N. Clarke

Attachments

cc: A. Bush
W. Sharkey

"Base"

Unit Cost by Network Element

California ***PACIFIC BELL - CA***

A. Loop elements

	0 - 5 hh/mi2	5 - 200 hh/mi2	200 - 650 hh/mi2	650 - 850 hh/mi2	850 - 2550 hh/mi2	> 2550 hh/mi2	Totals
Loop Distribution							
Annual Cost	$ 33,785,614	$ 130,590,774	$ 102,881,531	$ 41,801,191	$ 391,287,294	$ 595,829,294	$ 1,296,175,698
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 46.24	$ 13.00	$ 7.00	$ 5.97	$ 5.55	$ 5.04	$ 5.86
Loop Concentration							
Annual Cost	$ 6,799,099	$ 41,605,915	$ 45,559,654	$ 18,093,008	$ 128,671,487	$ 116,349,379	$ 357,078,542
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 9.31	$ 4.14	$ 3.10	$ 2.58	$ 1.82	$ 0.98	$ 1.61
Loop Feeder							
Annual Cost	$ 2,181,163	$ 5,131,312	$ 5,168,758	$ 2,743,387	$ 52,013,078	$ 107,196,085	$ 174,433,783
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 2.99	$ 0.51	$ 0.35	$ 0.39	$ 0.74	$ 0.91	$ 0.79
Total Loop							
Annual Cost	$ 42,765,877	$ 177,328,001	$ 153,609,943	$ 62,637,586	$ 571,971,858	$ 819,374,758	$ 1,827,688,023
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 58.53	$ 17.65	$ 10.45	$ 8.94	$ 8.11	$ 6.93	$ 8.26
Total lines	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Total lines served by DLC	60,848	802,911	893,294	353,755	2,467,586	2,194,934	6,773,330

	Annual Cost	Units		Unit Cost	
End office switching	$ 707,674,707				
1. Port	$ 212,302,412	15,479,277	switched lines	$ 1.14	per line/month
2. Usage	$ 495,372,295	230,141,339,661	minutes	$ 0.0022	per minute
Signaling network elements	$ 47,349,868				
links	$ 328,809		link	$ 16.94	per link per month
STP	$ 35,778,983	184,177,295,101	TCAP + ISUP messages	$ 0.00019	per message
SCP	$ 11,243,876	12,480,864,000	TCAP messages	$ 0.00090	per message
Transport network elements					
1. Dedicated	$ 590,992,983	3,944,988	trunks	$ 12.48	per DS-0 equivalent/month
Switched	$ 147,667,331	965,707			
Special	$ 443,325,652	2,959,281			
				$ 0.00124	per minute
2. Common	$ 35,223,697	21,345,730,186	minutes	$ 0.00170	per minute per leg (orig or term)
3. Tandem switch	$ 12,574,383	18,491,963,305	minutes	$ 0.0008	per minute
Operator systems	$ 21,384,178	n/a			
Total	$ 3,151,620,241				
Total cost per switched line	$ 13.49				

Alternative Cost of Capital (a)

Cost of debt = 10%
Cost of equity = 10%
WACC = 10%

Unit Cost by Network Element

California *PACIFIC BELL - CA*

A. Loop elements

	0 - 5 hh/mi2	5 - 200 hh/mi2	200 - 650 hh/mi2	650 - 850 hh/mi2	850 - 2550 hh/mi2	> 2550 hh/mi2	Totals
Loop Distribution							
Annual Cost	$ 36,222,872	$ 138,006,620	$ 107,412,046	$ 43,529,524	$ 406,403,866	$ 617,160,873	$ 1,348,735,800
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 49.57	$ 13.74	$ 7.31	$ 6.22	$ 5.76	$ 5.22	$ 6.10
Loop Concentration							
Annual Cost	$ 7,163,498	$ 43,682,092	$ 47,736,301	$ 18,941,016	$ 134,612,750	$ 121,576,046	$ 373,711,693
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 9.80	$ 4.35	$ 3.25	$ 2.70	$ 1.91	$ 1.03	$ 1.69
Loop Feeder							
Annual Cost	$ 2,323,541	$ 5,470,532	$ 5,560,574	$ 2,968,351	$ 56,065,213	$ 115,952,181	$ 188,340,391
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 3.18	$ 0.54	$ 0.38	$ 0.42	$ 0.79	$ 0.98	$ 0.85
Total Loop							
Annual Cost	$ 45,709,899	$ 187,159,244	$ 160,708,920	$ 65,438,891	$ 597,081,829	$ 854,689,102	$ 1,910,787,884
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 62.56	$ 18.63	$ 10.93	$ 9.34	$ 8.47	$ 7.23	$ 8.64
Total lines	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Total lines served by DLC	60,848	802,911	893,294	353,755	2,467,588	2,194,934	6,773,330

	Annual Cost	Units		Unit Cost	
End office switching	$ 761,133,751				
1. Port	$ 228,340,125	15,479,277	switched lines	$ 1.23	per line/month
2. Usage	$ 532,793,626	230,141,339,661	minutes	$ 0.0023	per minute
Signaling network elements	$ 50,253,018				
links	$ 346,848		link	$ 17.98	per link per month
STP	$ 37,972,851	184,177,295,101	TCAP+ISUP messages	$ 0.00021	per message
SCP	$ 11,933,319	12,480,864,000	TCAP messages	$ 0.00096	per message
Transport network elements					
1. Dedicated	$ 628,605,787	3,944,988	trunks	$ 13.28	per DS-0 equivalent/month
Switched	$ 157,065,383	985,707			
Special	$ 471,540,405	2,959,281			
				$ 0.00132	per minute
2. Common	$ 37,480,726	21,345,730,186	minutes	$ 0.00181	per minute per leg (orig or term)
3. Tandem switch	$ 13,307,544	16,491,963,305	minutes	$ 0.0008	per minute
Operator systems	$ 22,271,845	n/a			
Total	$ 3,326,764,588				
Total cost per switched line	$ 14.24				

Alternative Cost of Capitals (b)

Cost of debt = 11.25%
Cost of equity = 11.25%
WACC = 11.25%

Unit Cost by Network Element

California ***PACIFIC BELL - CA***

A. Loop elements

	0 - 5 hh/mi2	5 - 200 hh/mi2	200 - 650 hh/mi2	650 - 850 hh/mi2	850 - 2550 hh/mi2	> 2550 hh/mi2	Totals
Loop Distribution							
Annual Cost	$ 38,256,669	$ 144,206,188	$ 111,217,485	$ 44,984,210	$ 419,157,928	$ 635,222,895	$ 1,393,045,375
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 52.36	$ 14.35	$ 7.56	$ 6.42	$ 5.94	$ 5.37	$ 6.30
Loop Concentration							
Annual Cost	$ 7,466,612	$ 45,409,474	$ 49,544,782	$ 19,645,824	$ 139,552,043	$ 125,924,867	$ 387,542,603
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 10.22	$ 4.52	$ 3.37	$ 2.81	$ 1.98	$ 1.06	$ 1.75
Loop Feeder							
Annual Cost	$ 2,442,236	$ 5,752,574	$ 5,884,858	$ 3,154,183	$ 59,413,750	$ 123,176,360	$ 199,823,961
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 3.34	$ 0.57	$ 0.40	$ 0.45	$ 0.84	$ 1.04	$ 0.90
Total Loop							
Annual Cost	$ 48,165,517	$ 195,367,236	$ 166,647,125	$ 67,784,218	$ 618,123,721	$ 884,324,122	$ 1,980,411,938
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 65.92	$ 19.45	$ 11.33	$ 9.68	$ 8.76	$ 7.48	$ 8.95
Total lines	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Total lines served by DLC	60,848	802,911	893,294	353,755	2,467,598	2,194,934	6,773,330

	Annual Cost	Units		Unit Cost	
End office switching	$ 805,458,892				
1. Port	$ 241,637,668	15,479,277	switched lines	$ 1.30	per line/month
2. Usage	$ 563,821,224	230,141,339,661	minutes	$ 0.0024	per minute
Signaling network elements	$ 52,664,046				
links	$ 363,488		link	$ 18.84	per link per month
STP	$ 39,794,705	184,177,295,101	TCAP+ISUP messages	$ 0.00022	per message
SCP	$ 12,505,853	12,480,864,000	TCAP messages	$ 0.00100	per message
Transport network elements					
1. Dedicated	$ 659,885,171	3,944,988	trunks	$ 13.94	per DS-0 equivalent/month
Switched	$ 164,890,946	985,707			
Special	$ 495,004,225	2,959,281			
				$ 0.00139	per minute
2. Common	$ 39,357,956	21,345,730,186	minutes	$ 0.00190	per minute per leg (orig or term)
3. Tandem switch	$ 13,917,803	16,491,963,305	minutes	$ 0.0008	per minute
Operator systems	$ 23,016,408	n/a			
Total	$ 3,472,805,754				
Total cost per switched line	$ 14.87				

Alternative Service Lives @ attached schedule

Unit Cost by Network Element

California ***PACIFIC BELL - CA***

A. Loop elements

	0 - 5 hh/mi2	5 - 200 hh/mi2	200 - 650 hh/mi2	650 - 950 hh/mi2	950 - 2550 hh/mi2	> 2550 hh/mi2	Totals
Loop Distribution							
Annual Cost	$ 33,703,200	$ 127,770,827	$ 99,712,798	$ 40,388,602	$ 377,672,947	$ 573,262,246	$ 1,252,510,620
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 46.13	$ 12.72	$ 6.78	$ 5.77	$ 5.36	$ 4.85	$ 5.66
Loop Concentration							
Annual Cost	$ 7,374,871	$ 44,068,722	$ 47,608,822	$ 18,834,627	$ 133,701,922	$ 120,435,287	$ 372,020,050
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 10.09	$ 4.39	$ 3.24	$ 2.69	$ 1.90	$ 1.02	$ 1.68
Loop Feeder							
Annual Cost	$ 2,220,403	$ 5,097,448	$ 5,057,486	$ 2,671,580	$ 50,583,713	$ 103,780,978	$ 169,411,608
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 3.04	$ 0.51	$ 0.34	$ 0.38	$ 0.72	$ 0.88	$ 0.77
Total Loop							
Annual Cost	$ 43,298,474	$ 176,934,997	$ 152,376,906	$ 61,894,809	$ 561,958,582	$ 797,478,511	$ 1,793,942,279
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 59.26	$ 17.61	$ 10.36	$ 8.84	$ 7.97	$ 6.74	$ 8.11
Total lines	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Total lines served by DLC	60,848	802,911	893,294	353,755	2,467,588	2,194,934	6,773,330

	Annual Cost	Units		Unit Cost	
End office switching	$ 929,913,126				
1. Port	$ 278,973,938	15,479,277	switched lines	$ 1.50	per line/month
2. Usage	$ 650,939,188	230,141,339,661	minutes	$ 0.0028	per minute
Signaling network elements	$ 56,530,404				
links	$ 390,174		link	$ 20.22	per link per month
STP	$ 42,716,254	184,177,295,101	TCAP+ISUP messages	$ 0.00023	per message
SCP	$ 13,423,977	12,480,864,000	TCAP messages	$ 0.00108	per message
Transport network elements					
1. Dedicated	$ 737,104,351	3,944,988	trunks	$ 15.57	per DS-0 equivalent/month
Switched	$ 184,175,169	965,707			
Special	$ 552,929,182	2,959,281			
				$ 0.00155	per minute
2. Common	$ 44,012,253	21,345,730,186	minutes	$ 0.00213	per minute per leg (orig or term)
3. Tandem switch	$ 15,137,855	16,491,963,305	minutes	$ 0.0009	per minute
Operator systems	$ 24,040,982	n/a			
Total	$ 3,486,849,786				
Total cost per switched line	$ 14.96				

Inputs

Schedule of Alternative Service Lives

economic life	
loop distribution	32
loop feeder	32
loop concentrator	9
end office switching	9
wire center	
tandem switching	9
OS investment	9
transport facilities	9
STP	9
SCP	9
links	9
public telephones	7
general support	7

Variable overhead factor @ 13%

Unit Cost by Network Element

California ***PACIFIC BELL - CA***

A. Loop elements

	0 - 5 hh/mi2	5 - 200 hh/mi2	200 - 650 hh/mi2	650 - 850 hh/mi2	850 - 2550 hh/mi2	> 2550 hh/mi2	Totals
Loop Distribution							
Annual Cost	$ 34,707,040	$ 134,152,341	$ 105,887,391	$ 42,941,223	$ 401,958,766	$ 612,079,184	$ 1,331,525,944
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 47.50	$ 13.35	$ 7.19	$ 6.13	$ 5.70	$ 5.18	$ 6.02
Loop Concentration							
Annual Cost	$ 6,984,529	$ 42,740,622	$ 48,802,190	$ 18,586,454	$ 132,180,709	$ 119,522,544	$ 368,817,048
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 9.56	$ 4.25	$ 3.18	$ 2.65	$ 1.87	$ 1.01	$ 1.66
Loop Feeder							
Annual Cost	$ 2,240,650	$ 5,271,257	$ 5,309,724	$ 2,818,207	$ 53,431,616	$ 110,119,614	$ 179,191,068
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 3.07	$ 0.52	$ 0.36	$ 0.40	$ 0.76	$ 0.93	$ 0.81
Total Loop							
Annual Cost	$ 43,932,219	$ 182,164,220	$ 157,799,305	$ 64,345,884	$ 587,571,091	$ 841,721,342	$ 1,877,534,060
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 60.13	$ 18.13	$ 10.73	$ 9.19	$ 8.33	$ 7.12	$ 8.49
Total lines	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Total lines served by DLC	60,848	802,911	893,294	353,755	2,467,588	2,194,934	6,773,330

	Annual Cost	Units		Unit Cost	
End office switching	$ 726,974,927				
1. Port	$ 218,092,478	15,479,277	switched lines	$ 1.17	per line/month
2. Usage	$ 508,882,449	230,141,339,661	minutes	$ 0.0022	per minute
Signaling network elements	$ 48,641,021				
links	$ 335,721		link	$ 17.40	per link per month
STP	$ 36,754,773	184,177,295,101	TCAP+ISUP messages	$ 0.00020	per message
SCP	$ 11,550,526	12,480,864,000	TCAP messages	$ 0.00093	per message
Transport network elements					
1. Dedicated	$ 607,110,974	3,944,988	trunks	$ 12.82	per DS-0 equivalent/month
Switched	$ 151,694,622	985,707			
Special	$ 455,416,352	2,959,281			
				$ 0.00128	per minute
2. Common	$ 36,184,344	21,345,730,186	minutes	$ 0.00175	per minute per leg (orig or term)
3. Tandem switch	$ 12,917,321	16,491,963,305	minutes	$ 0.0008	per minute
Operator systems	$ 21,967,383	n/a			
Total	$ 3,237,573,520				
Total cost per switched line	$ 13.86				

Variable - Overhead factor @ 15%.

Unit Cost by Network Element

California ***PACIFIC BELL - CA***

A. Loop elements

	0 - 5 hh/mi2	5 - 200 hh/mi2	200 - 650 hh/mi2	650 - 850 hh/mi2	850 - 2550 hh/mi2	> 2550 hh/mi2	Totals
Loop Distribution							
Annual Cost	$ 35,321,324	$ 136,526,718	$ 107,557,964	$ 43,701,245	$ 409,073,080	$ 622,912,444	$ 1,355,092,775
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 48.34	$ 13.59	$ 7.32	$ 6.24	$ 5.80	$ 5.27	$ 6.12
Loop Concentration							
Annual Cost	$ 7,108,149	$ 43,497,083	$ 47,630,548	$ 18,915,417	$ 134,520,191	$ 121,637,987	$ 373,309,385
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 9.73	$ 4.33	$ 3.24	$ 2.70	$ 1.91	$ 1.03	$ 1.69
Loop Feeder							
Annual Cost	$ 2,280,307	$ 5,364,554	$ 5,403,702	$ 2,868,087	$ 54,377,308	$ 112,068,634	$ 182,362,592
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 3.12	$ 0.53	$ 0.37	$ 0.41	$ 0.77	$ 0.95	$ 0.82
Total Loop							
Annual Cost	$ 44,709,780	$ 185,388,365	$ 160,592,213	$ 65,484,749	$ 597,970,579	$ 856,619,065	$ 1,910,764,752
Units	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Unit Cost/month	$ 61.19	$ 18.45	$ 10.92	$ 9.35	$ 8.48	$ 7.24	$ 8.64
Total lines	60,890	837,189	1,225,277	583,576	5,877,073	9,854,553	18,438,558
Total lines served by DLC	60,848	802,911	893,294	353,755	2,467,589	2,194,934	6,773,330

	Annual Cost	Units		Unit Cost	
End office switching	$ 739,841,739				
1. Port	$ 221,952,522	15,479,277	switched lines	$ 1.19	per line/month
2. Usage	$ 517,889,218	230,141,339,661	minutes	$ 0.0023	per minute
Signaling network elements	$ 49,501,924				
links	$ 341,663		link	$ 17.71	per link per month
STP	$ 37,405,300	184,177,295,101	TCAP + ISUP messages	$ 0.00020	per message
SCP	$ 11,754,961	12,480,864,000	TCAP messages	$ 0.00094	per message
Transport network elements					
1. Dedicated	$ 617,856,301	3,944,988	trunks	$ 13.05	per DS-0 equivalent/month
Switched	$ 154,379,483	995,707			
Special	$ 463,476,818	2,959,281			
				$ 0.00130	per minute
2. Common	$ 36,924,774	21,345,730,186	minutes	$ 0.00178	per minute per leg (orig or term)
3. Tandem switch	$ 13,145,946	16,491,963,305	minutes	$ 0.0008	per minute
Operator systems	$ 22,356,186	n/a			
Total	$ 3,294,875,706				
Total cost per switched line	$ 14.11				

Variable Support Regression Analysis:

In order to investigate the statistical significance of the relationship between the operating expenses classified in the USOA as corporate operations and the other costs incurred by the LECs, a regression analysis was undertaken utilizing 1995 ARMIS 43-02 Holding Company data regressing Corporate operations (dependent variable)as a function of revenues (a surrogate for total costs) less corporate operations (independent variable).

the ordinary least squares (OLS) analysis revealed that:

1) the R-square was 87% (87 % of the variation in corporate operation could be explained by the regression)

2) The t-statistic associated with the intercept was 0.33 (the intercept coefficient was not statistically significant from zero -- i.e., virtually none of the corporate overhead is fixed)

3) The t-statistic (=10.2) associated with the independent variable's coefficient of 0.13 was highly significant.

Analysis of the data (see x-y plot) reveals that there is heteroskedasticity (increasing variance with increasing independent variable). re-running the regression with the data log-transformed stabilizes the variance (see log(x)-log(y) plot)and increases the R-square to 95%. While this is theoretically correct formularization, the non-transformed model results are simpler to interpret and apply.

Regression Statistics: corp ops = f(rev - corp ops)

Multiple R	0.93
R Square	0.87
Adjusted R Squ	0.87
Standard Error	241,613
Observations	17

is of Variance

	df	Sum of Squares	Mean Square	F	Significance F
Regression	1	6,057,177,581,138	6,057,177,581,138	104	0.00
Residual	15	875,649,591,835	58,376,639,456		
Total	16	6,932,827,172,972			

	Coefficients	Standard Error	t Statistic	P-value	Lower 95%	Upper 95%
Intercept	28,442	86,248	0.33	0.75	(155,392)	212,277
x1	0.130	0.01	10.19	0.00	0.10	0.16

	rev less corp ops	corp ops
Ameritech	9,917,636	878,030
Bell Atlantic	10,954,448	1,208,897
BellSouth	12,374,760	1,525,850
Nynex	10,267,146	1,832,481
Pacific Telesis	6,472,863	1,352,899
Southwestern Bell	8,043,247	817,736
US West	8,108,696	1,105,602
Cincinnati Bell	450,689	166,442
SNET	1,215,436	256,833
Lincoln Telephone	166,598	17,782
Puerto Rico Telephone	999,097	84,879
Rochester Telephone	286,070	28,701
Commonwealth Telephone	121,369	17,736
Central Telephone Co.	886,302	111,748
United Tel. System	2,881,711	331,251
GTE/Contel	10,644,110	1,663,737
ALLTEL	409,134	41,606

	AT&T 1994				
		$M	**Source**		
A	Revenue Net of Settlements	36,877	Form M		
B	Settlement Payout	4,238	Intl Traffic Data 1/19/96		
C	Gross Revenues	41,115	A + B		
D	Corporate Operations	3,726	Form M		
E	Revenue less Corporate Operations	37,389	C - D		
F	Ratio	10.0%	D / E		

Attachment A

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