

To determine the proportion of indirect expense to be removed from access an indirect allocation factor was calculated consistent with the Commission's criteria.⁶

Inappropriate Direct Retail Expenses/ Big 3 Expense

Big Three Expenses are the combined expense groups comprising: Plant Specific Operations expense; Plant Nonspecific Operations expense; and Customer Operations expense.

INPUT DATA

The input data used to derive the retail expense in interstate switched access are from the 1995 Automated Report Management Information System (ARMIS) reports that ILECs file annually with the FCC. The analysis uses two data sources from ARMIS:

~ **ARMIS 43-04 (Access Report)** This report provides regulated financial and operating data that is separated between state and interstate jurisdictions in accordance with Part 36. The interstate data is further allocated to tariff access elements pursuant to Part 69 of the FCC's rules.

~ **ARMIS 43-03 (Joint Cost Report)** This report provides the regulated annual operating results for every account in the Commission's Part 32 Uniform System of Accounts. These data are used to supplement the data from ARMIS 43-04.

⁶ Indirect expenses are "presumed to be avoided in proportion to the avoided direct expenses."

**Identification Of Inappropriate Retail Expenses in
Interstate Switched Carrier Access
All ARMIS Reporting Companies**

(\$ in thousands)

Inappropriate Direct Retail Expenses	\$633,990
Marketing	
Customer Service	
 Inappropriate Indirect Retail Expenses	 \$289,943
General Support	
Corporate Operations	
Uncollectible Revenue	<hr/>
 Total	 \$923,933

Information Source: ARMIS 43-04 Jan-Dec 1995 Report.