

recovery of the so-called "gap") or (2) assurance of recovering their claimed embedded investment through some regulated amortization process substantially similar to traditional RORR, in which earnings would be capped at or close to the authorized level.⁴⁶ Adoption of this proposal, as detailed below, squarely resolves any "takings" concerns, since it lets the ILECs themselves choose between:

- a *make whole* approach, in which responsibility for risks and rewards of ILEC investment are shifted back to ratepayers, as they were under RORR; or
- a *make money* approach, in which the ILECs would be required to treat the "gap" as any ordinary capital investment, like any non-regulated company operating in a competitive market, in exchange for the opportunity to exploit their asset base and retain any earnings generated therefrom, subject only to the reasonableness standard.⁴⁷

As the Ad Hoc Committee noted in its initial comments, the Commission cannot confer upon the ILECs the security of rate of return regulation (*i.e.*, guaranteed recovery of embedded costs) while concurrently granting them the pricing and earnings flexibility enjoyed by non-regulated firms.⁴⁸ What the ILECs are seeking is a paradigm in which they enjoy all of the *protections* traditionally provided under RORR while retaining all of the *benefits* of a price cap system with no sharing or earnings cap.

The traditional RORR model created a "social contract" between the utility and the public whereby the utility received an exclusive franchise to act as monopoly provider of the regulated service (and assured recovery of investments

⁴⁶ NPRM at ¶ 265.

⁴⁷ See *supra* note 45.

⁴⁸ Ad Hoc Initial Comments at 56.

they incurred to provide regulated services) in exchange for limiting its prices to those necessary to produce a "fair return" for shareholders. In short, the ILECs traded the opportunity to enhance earnings in exchange for a nearly risk-free earnings stream. It is against the backdrop of this traditional regulatory regime that ILEC confiscation arguments should be framed.

The Ad Hoc Committee's option-driven proposal would allow each ILEC to decide whether it or its ratepayers are to bear the risks and burdens and reap the rewards and benefits of the ILEC's investment decisions. Since an ILEC has the option of electing to be *made whole*, if it did not exercise that option, but instead chose to *make money* under the unregulated earnings option, but then failed to recover its costs and embedded investment, it could not later claim an unlawful taking. The Committee's review of the comments in this proceeding indicates that no party has opposed this proposal.⁴⁹ Accordingly, the Commission should adopt this proposal and thereby hold the ILECs accountable for the investment decisions they make.

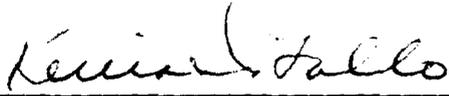
⁴⁹ Given the abbreviated time for reviewing comments and preparing reply comments, and the voluminous nature of the comments that were filed, any claims as to the contents of other comments, whether by the Ad Hoc Committee or other parties, should be qualified.

CONCLUSION

For the foregoing reasons, the Commission should adopt the Ad Hoc Committee's proposal that ILECs be given the option of choosing between a *make whole* approach to regulation or a *make money* approach to regulation, that further, the Commission should take such other action as is consistent with the view expressed above.

Respectfully submitted,

AD HOC TELECOMMUNICATIONS
USERS COMMITTEE

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February 14, 1997

ATTACHMENT C

**February 3, 1997 Press Release: "Local Phone
Companies Show Interconnection Agreements in
Virtually Every State."**

**USTA Homepage
<http://www.usta.org/rls97-8.html>**

FOR IMMEDIATE RELEASE

February 3, 1997

CONTACT: Jocelyn Miceli

(202) 326-7279

Local Phone Companies Show Interconnection Agreements
in Virtually Every State

USTA Announces more than 440 markets ripe for competition at Anniversary of
Telecom Act

WASHINGTON, D.C. -- Just five days away from the anniversary of the historical passage of the Telecommunications Act of 1996, the United States Telephone Association released its second Competition Report which shows more than 440 local markets are ripe for competition.

"Despite conventional wisdom that the stay of the FCC's interconnection order would stifle local competition, America's local telephone companies have opened more than 440 markets to competitors in virtually every state of the nation," said Roy Neel, president and chief executive officer of the USTA. "The markets are ripe, and it's now up to new entrants to bring competitive choices to each and every local telephone service customer, not just the lucrative business markets.

"In fact competition has been rampant in the most lucrative local telephone service markets. In 1995, losses in high capacity local business service were 39% in Philadelphia, 35% in Pittsburgh, 32% in Washington, DC, 27% in Baltimore, 39% in Los Angeles, 37% in San Francisco, 50% in New York City and 37% in Boston. Considering that nearly two-thirds of a local exchange carriers revenues come from the business market, this is a considerable showing of competition taking hold."

Since the release of USTA's first Competition Report, interconnection agreements have almost doubled, up from 250 reported in October of 1996.

"Clearly competition is happening the way Congress intended without unnecessary regulatory burdens," Neel said.

Celebrating a century of service to its members, USTA is the nation's only forum for the small, mid-size and large companies of the local exchange carrier industry. The association represents more than 1,200 companies nationwide.

#

ATTACHMENT D

**"Review of TELRIC Loop Costs and Overall SLC
Revenue Levels."**

Economics and Technology, Inc.

Table 1

**TOTAL SLC Revenues Collected Today Are Sufficient to Cover a
 TELRIC-Based Interstate NTS Assignment without CCLCs**

<i>Approximate Annual SLC Revenues Today</i>	<i>\$7.05 Billion</i>
Approximate Annual TELRIC-Default Interstate NTS Assignment Loop Only	\$6.18 Billion

Res and Bus Access Lines	
Total	145-million
In States where Existing SLC revenues recover TELRIC-BASED NTS Assignment	109-million
In States where SLC revenues would recover TELRIC-BASED NTS Assignment if raised to CAP	119-million
Percentage of lines for which no additional NTS recovery is required	82%

Table 2
ANALYSIS OF RELATIONSHIP BETWEEN EXISTING SLC REVENUES AND FORWARD LOOKING TELRIC CC

		(A)	(B)	(C)
<u>State</u>	<u>Carrier</u>	<u>Monthly SLC Revs</u>	<u>Monthly TELRIC NTS Assignment</u>	<u>Monthly Shortfall Differences</u>
Alabama	BSOU	\$8,001,713	\$8,508,101	(\$506,388)
Arizona	USWS	\$9,249,317	\$7,190,160	
Arkansas	SWBT	\$3,738,459	\$4,854,117	(\$1,115,659)
California	PACB	\$75,344,707	\$53,580,960	
Colorado	USWS	\$9,339,337	\$8,297,137	
Connecticut	SNET	\$8,084,341	\$6,505,085	
Delaware	BLAT	\$1,575,906	\$1,566,822	
District of Colum	BLAT	\$4,300,608	\$2,290,539	
Florida	BSOU	\$37,774,009	\$31,284,043	
Georgia	BSOU	\$15,735,663	\$14,914,243	
Idaho	USWS	\$2,270,719	\$2,812,653	(\$541,934)
Illinois	AMER	\$25,827,659	\$23,158,496	
Indiana	AMER	\$12,064,599	\$9,922,015	
Iowa	USWS	\$4,682,369	\$4,979,532	(\$297,163)
Kansas	SWBT	\$4,888,518	\$5,831,980	(\$943,462)
Kentucky	BSOU	\$7,775,244	\$8,315,206	(\$539,962)
Louisiana	BSOU	\$8,421,624	\$8,721,157	(\$299,533)
Maine	NYNX	\$2,416,423	\$2,814,971	(\$398,548)
Maryland	BLAT	\$13,282,134	\$10,552,780	
Massachusetts	NYNX	\$16,581,331	\$9,769,130	
Michigan	AMER	\$21,708,151	\$20,831,246	
Minnesota	USWS	\$8,254,583	\$7,597,841	
Mississippi	BSOU	\$4,546,705	\$6,184,593	(\$1,637,889)
Missouri	SWBT	\$11,596,579	\$12,908,551	(\$1,311,973)
Montana	USWS	\$1,303,317	\$2,028,022	(\$724,706)
Nebraska	USWS	\$3,294,204	\$3,607,852	(\$313,648)
Nevada	NEVB	\$3,824,398	\$4,610,469	(\$786,070)
New Hampshire	NYNX	\$2,747,959	\$2,691,356	
New Jersey	BLAT	\$21,795,532	\$17,170,242	
New Mexico	USWS	\$3,205,742	\$3,675,306	(\$469,564)
New York	NYNX	\$46,686,456	\$32,412,134	
North Carolina	BSOU	\$14,506,754	\$14,830,234	(\$323,480)
North Dakota	USWS	\$1,026,450	\$1,598,897	(\$572,448)
Ohio	AMER	\$23,515,004	\$23,523,358	(\$8,354)
Oklahoma	SWBT	\$6,211,414	\$6,676,873	(\$465,459)
Oregon	USWS	\$6,787,263	\$6,347,249	
Pennsylvania	BLAT	\$28,229,247	\$21,396,440	
Rhode Island	NYNX	\$2,353,218	\$1,676,826	
South Carolina	BSOU	\$5,896,942	\$6,128,885	(\$231,943)
South Dakota	USWS	\$1,154,392	\$1,878,929	(\$724,536)
Tennessee	BSOU	\$10,672,465	\$11,323,769	(\$651,304)
Texas	SWBT	\$40,677,490	\$37,383,895	
Utah	USWS	\$3,817,586	\$3,454,602	
Vermont	NYNX	\$1,227,761	\$4,599,282	(\$3,371,522)
Virginia	BLAT	\$16,144,145	\$10,303,896	
Washington	USWS	\$11,699,831	\$9,749,688	
West Virginia	BLAT	\$2,919,413	\$3,519,959	(\$600,546)
Wisconsin	AMER	\$9,309,654	\$9,611,912	(\$302,258)
Wyoming	USWS	\$906,287	\$1,367,327	(\$461,041)
Total Monthly		\$587,373,614	\$514,958,763	(\$17,599,391)
Total Annual		\$7,048,483,370	\$6,179,505,154	(\$211,192,692)

**Table 2
ANALYSIS OF RELATIONSHIP BETWEEN EXISTING SLC REVENUES AND FORWARD-
LOOKING TELRIC COSTS**

<u>State</u>	<u>Carrier</u>	(A) <u>Monthly SLC Revs</u>	(B) <u>Monthly TELRIC NTS Assignment</u>	(C) <u>Monthly Shortfall Differences</u>
Alabama	BSOU	\$8,001,713	\$8,508,101	(\$506,388)
Arizona	USWS	\$9,249,317	\$7,190,160	
Arkansas	SWBT	\$3,738,459	\$4,854,117	(\$1,115,659)
California	PACB	\$75,344,707	\$53,580,960	
Colorado	USWS	\$9,339,337	\$8,297,137	
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Kansas	SWBT	\$4,888,518	\$5,831,980	(\$943,462)
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Minnesota	USWS	\$8,254,583	\$7,597,841	
Mississippi	BSOU	\$4,546,705	\$6,184,593	(\$1,637,889)
Missouri	SWBT	\$11,596,579	\$12,908,551	(\$1,311,973)
Montana	USWS	\$1,303,317	\$2,028,022	(\$724,706)
Nebraska	USWS	\$3,294,204	\$3,607,852	(\$313,648)
Nevada	NEVB	\$3,824,398	\$4,610,469	(\$786,070)
New Hampshire	NYNX	\$2,747,959	\$2,691,356	
New Jersey	BLAT	\$21,795,532	\$17,170,242	
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North Dakota	USWS	\$1,026,450	\$1,598,897	(\$572,448)
Ohio	AMER	\$23,515,004	\$23,523,358	(\$8,354)
Oklahoma	SWBT	\$6,211,414	\$6,676,873	(\$465,459)
Oregon	USWS	\$6,787,263	\$6,347,249	
Pennsylvania	BLAT	\$28,229,247	\$21,396,440	
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South Carolina	BSOU	\$5,896,942	\$6,128,885	(\$231,943)
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Utah	USWS	\$3,817,586	\$3,454,602	
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Washington	USWS	\$11,699,831	\$9,749,688	
West Virginia	BLAT	\$2,919,413	\$3,519,959	(\$600,546)
Wisconsin	AMER	\$9,309,654	\$9,611,912	(\$302,258)
Wyoming	USWS	\$906,287	\$1,367,327	(\$461,041)
Total Monthly		\$587,373,614	\$514,958,763	(\$17,599,391)
Total Annual		\$7,048,483,370	\$6,179,505,154	(\$211,192,692)

Table 3
Access Line Data

State	Carrier	Business Access Lines:		Residential Access Lines:		
		(A) Single Line	(B) Multi Line	(C) Regular	(D) Lifeline	(E) TOTAL
Alabama	BSOU	58,279	438,635	1,471,624	4,355	1,972,893
Arizona	USWS	42,803	566,272	1,619,548	9,559	2,238,182
Arkansas	SWBT	29,621	211,953	666,500	8,662	916,736
California	PACB	533,245	6,313,104	9,663,576	2,798,529	19,308,454
Colorado	USWS	55,981	631,929	1,513,814	15,280	2,217,004
Connecticut	SNET	69,630	482,190	1,351,545	63,403	1,966,768
Delaware	BLAT	13,276	147,007	313,077	0	473,360
District of Co	BLAT	7,554	553,584	276,251	10,174	847,563
Florida	BSOU	241,998	2,303,270	6,493,537	108,576	9,147,381
Georgia	BSOU	119,666	1,103,478	2,404,155	80,406	3,707,705
Idaho	USWS	20,193	126,995	404,506	6,372	558,066
Illinois	AMER	320,847	2,187,940	4,551,730	0	7,060,517
Indiana	AMER	86,896	775,247	2,124,167	0	2,986,310
Iowa	USWS	41,412	263,998	944,159	0	1,249,569
Kansas	SWBT	32,982	310,113	832,115	0	1,175,210
Kentucky	BSOU	52,326	321,765	1,617,575	0	1,991,666
Louisiana	BSOU	53,145	492,414	1,508,895	0	2,054,454
Maine	NYNX	28,376	123,132	399,124	51,823	602,455
Maryland	BLAT	66,361	1,001,726	2,086,861	4,567	3,159,515
Massachuse	NYNX	201,521	1,067,209	2,542,909	163,592	3,975,231
Michigan	AMER	244,790	1,465,973	3,611,966	134,048	5,456,777
Minnesota	USWS	41,364	609,255	1,367,082	34,383	2,052,084
Mississippi	BSOU	43,653	242,272	830,306	9,776	1,126,007
Missouri	SWBT	82,301	692,786	2,029,586	13,788	2,818,461
Montana	USWS	12,797	70,297	233,862	5,208	322,164
Nebraska	USWS	26,290	198,348	574,886	0	799,524
Nevada	NEVB	76,930	243,167	644,447	8,642	973,186
Hew Hamps	NYNX	31,504	157,209	484,126	0	672,839
New Jersey	BLAT	134,440	1,656,971	3,716,285	0	5,507,696
New Mexico	USWS	23,065	179,311	554,594	30,877	787,847
New York	NYNX	339,912	3,227,097	6,767,196	699,713	11,033,918
North Caroli	BSOU	184,845	832,665	2,511,599	20,917	3,550,026
North Dakot	USWS	9,133	57,511	177,868	7,680	252,192
Ohio	AMER	245,022	1,416,905	4,275,053	44,802	5,981,782
Oklahoma	SWBT	47,242	363,721	1,103,909	17	1,514,889
Oregon	USWS	53,394	412,794	1,145,466	32,711	1,644,365
Pennsylvania	BLAT	256,463	1,845,512	4,856,217	0	6,958,192
Rhode Islan	NYNX	33,964	123,323	385,665	41,308	584,260
South Caroli	BSOU	48,070	348,129	1,028,074	11,904	1,436,177
South Dakot	USWS	13,058	70,671	209,274	3,709	296,712
Tennessee	BSOU	74,621	626,648	1,881,099	19,302	2,601,670
Texas	SWBT	228,625	2,755,837	6,500,860	168,363	9,653,685
Utah	USWS	21,262	247,552	620,170	24,932	913,916
Vermont	NYNX	16,327	68,650	195,903	20,873	301,753
Virginia	BLAT	103,849	1,161,158	2,524,160	20,588	3,809,755
Washington	USWS	79,867	716,699	2,037,922	82,397	2,916,885
West Virgini	BLAT	22,766	143,777	561,204	3,673	731,420
Wisconsin	AMER	68,023	652,311	1,680,398	11,291	2,412,023
Wyoming	USWS	8,769	57,575	150,699	771	217,814
		4,648,458	40,066,085	95,445,544	4,776,971	144,937,058

Table 4
Calculation of TELRIC-Based Interstate NTS Assignment

		(A) Local Loop	(B)	(C) (A) * (B) * 25%	(D) (A) * 25%
		State Proxy Rate:	Total Loops	Interstate Allocation (Total)	Interstate Allocation (Per Line)
<u>State</u>	<u>Carrier</u>	<u>Proxy Ceiling</u>	<u>All Types</u>	<u>Loop Only</u>	<u>Loop Only</u>
Alabama	BSOU	\$17.25	1,972,893	\$8,508,101	\$4.31
Arizona	USWS	\$12.85	2,238,182	\$7,190,160	\$3.21
Arkansas	SWBT	\$21.18	916,736	\$4,854,117	\$5.30
California	PACB	\$11.10	19,308,454	\$53,580,960	\$2.78
Colorado	USWS	\$14.97	2,217,004	\$8,297,137	\$3.74
Connecticut	SNET	\$13.23	1,966,768	\$6,505,085	\$3.31
Delaware	BLAT	\$13.24	473,360	\$1,566,822	\$3.31
District of Columbia	BLAT	\$10.81	847,563	\$2,290,539	\$2.70
Florida	BSOU	\$13.68	9,147,381	\$31,284,043	\$3.42
Georgia	BSOU	\$16.09	3,707,705	\$14,914,243	\$4.02
Idaho	USWS	\$20.16	558,066	\$2,812,653	\$5.04
Illinois	AMER	\$13.12	7,060,517	\$23,158,496	\$3.28
Indiana	AMER	\$13.29	2,986,310	\$9,922,015	\$3.32
Iowa	USWS	\$15.94	1,249,569	\$4,979,532	\$3.99
Kansas	SWBT	\$19.85	1,175,210	\$5,831,980	\$4.96
Kentucky	BSOU	\$16.70	1,991,666	\$8,315,206	\$4.18
Louisiana	BSOU	\$16.98	2,054,454	\$8,721,157	\$4.25
Maine	NYNX	\$18.69	602,455	\$2,814,971	\$4.67
Maryland	BLAT	\$13.36	3,159,515	\$10,552,780	\$3.34
Massachusetts	NYNX	\$9.83	3,975,231	\$9,769,130	\$2.46
Michigan	AMER	\$15.27	5,456,777	\$20,831,246	\$3.82
Minnesota	USWS	\$14.81	2,052,084	\$7,597,841	\$3.70
Mississippi	SWBT	\$21.97	1,126,007	\$6,184,593	\$5.49
Missouri	BSOU	\$18.32	2,818,461	\$12,908,551	\$4.58
Montana	USWS	\$25.18	322,164	\$2,028,022	\$6.30
Nebraska	USWS	\$18.05	799,524	\$3,607,852	\$4.51
Nevada	NEVB	\$18.95	973,186	\$4,610,469	\$4.74
New Hampshire	NYNX	\$16.00	672,839	\$2,691,356	\$4.00
New Jersey	BLAT	\$12.47	5,507,696	\$17,170,242	\$3.12
New Mexico	USWS	\$18.66	787,847	\$3,675,306	\$4.67
New York	NYNX	\$11.75	11,033,918	\$32,412,134	\$2.94
North Carolina	BSOU	\$16.71	3,550,026	\$14,830,234	\$4.18
North Dakota	USWS	\$25.36	252,192	\$1,598,897	\$6.34
Ohio	AMER	\$15.73	5,981,782	\$23,523,358	\$3.93
Oklahoma	SWBT	\$17.63	1,514,889	\$6,676,873	\$4.41
Oregon	USWS	\$15.44	1,644,365	\$6,347,249	\$3.86
Pennsylvania	BLAT	\$12.30	6,958,192	\$21,396,440	\$3.08
Rhode Island	NYNX	\$11.48	584,260	\$1,676,826	\$2.87
South Carolina	BSOU	\$17.07	1,436,177	\$6,128,885	\$4.27
South Dakota	USWS	\$25.33	296,712	\$1,878,929	\$6.33
Tennessee	BSOU	\$17.41	2,601,670	\$11,323,769	\$4.35
Texas	SWBT	\$15.49	9,653,685	\$37,383,895	\$3.87
Utah	USWS	\$15.12	913,916	\$3,454,602	\$3.78
Vermont	NYNX	\$20.13	301,753	\$4,599,282	\$15.24
Virginia	BLAT	\$14.13	3,809,755	\$10,303,896	\$2.70
Washington	USWS	\$13.37	2,916,885	\$9,749,688	\$3.34
West Virginia	BLAT	\$19.25	731,420	\$3,519,959	\$4.81
Wisconsin	AMER	\$15.94	2,412,023	\$9,611,912	\$3.99
Wyoming	USWS	\$25.11	217,814	\$1,367,327	\$6.28
Total Monthly			144,937,058	\$514,958,763	\$3.55
Total Annual				\$6,179,505,154	

Table 5

Analysis of Subscriber Line Charge Recovery of Forward Looking NTS Costs

<u>State</u>	<u>Carrier</u>	<u>Residence SLC</u>	<u>Business Multiline SLC</u>	<u>Weighted Average SLC Per Line</u>	<u>TELRIC-Default Interstate NTS Assignment Per Line</u>	<u>Does Existing SLC Recover Full NTS?</u>
Alabama	BSOU	\$3.50	\$6.00	\$4.06	\$4.31	
Arizona	USWS	\$3.50	\$6.00	\$4.13	\$3.21	Yes
Arkansas	SWBT	\$3.50	\$6.00	\$4.08	\$5.30	
California	PACB	\$3.50	\$4.73	\$3.90	\$2.78	Yes
Colorado	USWS	\$3.50	\$6.00	\$4.21	\$3.74	Yes
Connecticut	SNET	\$3.50	\$5.99	\$4.11	\$3.31	Yes
Delaware	BLAT	\$3.50	\$2.95	\$3.33	\$3.31	Yes
District of Columbia	BLAT	\$3.50	\$5.91	\$5.07	\$2.70	Yes
Florida	BSOU	\$3.50	\$6.00	\$4.13	\$3.42	Yes
Georgia	BSOU	\$3.50	\$6.00	\$4.24	\$4.02	Yes
Idaho	USWS	\$3.50	\$6.00	\$4.07	\$5.04	
Illinois	AMER	\$3.50	\$4.01	\$3.66	\$3.28	Yes
Indiana	AMER	\$3.50	\$5.58	\$4.04	\$3.32	Yes
Iowa	USWS	\$3.50	\$4.67	\$3.75	\$3.99	
Kansas	SWBT	\$3.50	\$6.00	\$4.16	\$4.96	
Kentucky	BSOU	\$3.50	\$6.00	\$3.90	\$4.18	
Louisiana	BSOU	\$3.50	\$6.00	\$4.10	\$4.25	
Maine	NYNX	\$3.50	\$6.00	\$4.01	\$4.67	
Maryland	BLAT	\$3.50	\$5.72	\$4.20	\$3.34	Yes
Massachusetts	NYNX	\$3.50	\$6.00	\$4.17	\$2.46	Yes
Michigan	AMER	\$3.50	\$5.28	\$3.98	\$3.82	Yes
Minnesota	USWS	\$3.50	\$5.26	\$4.02	\$3.70	Yes
Mississippi	BSOU	\$3.50	\$6.00	\$4.04	\$5.49	
Missouri	SWBT	\$3.50	\$6.00	\$4.11	\$4.58	
Montana	USWS	\$3.50	\$6.00	\$4.05	\$6.30	
Nebraska	USWS	\$3.50	\$6.00	\$4.12	\$4.51	
Nevada	NEVB	\$3.50	\$5.22	\$3.93	\$4.74	
New Hampshire	NYNX	\$3.50	\$6.00	\$4.08	\$4.00	Yes
New Jersey	BLAT	\$3.50	\$5.02	\$3.96	\$3.12	Yes
New Mexico	USWS	\$3.50	\$6.00	\$4.07	\$4.67	
New York	NYNX	\$3.50	\$6.00	\$4.23	\$2.94	Yes
North Carolina	BSOU	\$3.50	\$6.00	\$4.09	\$4.18	
North Dakota	USWS	\$3.50	\$6.00	\$4.07	\$6.34	
Ohio	AMER	\$3.50	\$5.32	\$3.93	\$3.93	
Oklahoma	SWBT	\$3.50	\$6.00	\$4.10	\$4.41	
Oregon	USWS	\$3.50	\$6.00	\$4.13	\$3.86	Yes
Pennsylvania	BLAT	\$3.50	\$5.60	\$4.06	\$3.08	Yes
Rhode Island	NYNX	\$3.50	\$6.00	\$4.03	\$2.87	Yes
South Carolina	BSOU	\$3.50	\$6.00	\$4.11	\$4.27	
South Dakota	USWS	\$3.50	\$5.14	\$3.89	\$6.33	
Tennessee	BSOU	\$3.50	\$6.00	\$4.10	\$4.35	
Texas	SWBT	\$3.50	\$6.00	\$4.21	\$3.87	Yes
Utah	USWS	\$3.50	\$6.00	\$4.18	\$3.78	Yes
Vermont	NYNX	\$3.50	\$6.00	\$4.07	\$15.24	
Virginia	BLAT	\$3.50	\$5.92	\$4.24	\$2.70	Yes
Washington	USWS	\$3.50	\$5.58	\$4.01	\$3.34	Yes
West Virginia	BLAT	\$3.50	\$6.00	\$3.99	\$4.81	
Wisconsin	AMER	\$3.50	\$4.83	\$3.86	\$3.99	
Wyoming	USWS	\$3.50	\$6.00	\$4.16	\$6.28	
Weighted Average		\$3.34	\$5.91	\$4.05	\$3.55	Yes

Table 6
Calculation of Monthly Subscriber Line Charge Recovery By State

<u>State</u>	<u>Carrier</u>	(A) <u>Residence SLC</u>	(B) <u>Business Multiline SLC</u>	(C) <u>Business Access Line Single Line</u>	(D) <u>Business Access Line Multi Line</u>	(E) <u>Residential Access Line Regular</u>	(F) <u>Residential Access Line Lifeline</u>	(G) <u>Total Residential SLC Revs</u>	(H) <u>Total Business SLC Revs</u>	(I) <u>Total SLC Revs</u>
Alabama	BSOU	\$3.50	\$6.00	58,279	438,635	1,471,624	4,355	\$5,165,927	\$2,835,787	\$8,001,713
Arizona	USWS	\$3.50	\$6.00	42,803	566,272	1,619,548	9,559	\$5,701,875	\$3,547,443	\$9,249,317
Arkansas	SWBT	\$3.50	\$6.00	29,621	211,953	668,500	8,662	\$2,363,067	\$1,375,392	\$3,738,459
California	PACB	\$3.50	\$4.73	533,245	6,313,104	9,663,576	2,798,529	\$43,617,368	\$31,727,339	\$75,344,707
Colorado	USWS	\$3.50	\$6.00	55,981	631,929	1,513,814	15,280	\$5,351,829	\$3,987,508	\$9,339,337
Connecticut	SNET	\$3.50	\$5.99	69,630	482,190	1,351,545	63,403	\$4,952,318	\$3,132,023	\$8,084,341
Delaware	BLAT	\$3.50	\$2.95	13,276	147,007	313,077	0	\$1,095,770	\$480,137	\$1,575,906
District of Coli	BLAT	\$3.50	\$5.91	7,554	553,584	276,251	10,174	\$1,002,488	\$3,298,120	\$4,300,608
Florida	BSOU	\$3.50	\$6.00	241,998	2,303,270	6,493,537	108,576	\$23,107,396	\$14,666,613	\$37,774,009
Georgia	BSOU	\$3.50	\$6.00	119,666	1,103,478	2,404,155	80,406	\$8,695,964	\$7,039,699	\$15,735,663
Idaho	USWS	\$3.50	\$6.00	20,193	126,995	404,506	6,372	\$1,438,073	\$832,646	\$2,270,719
Illinois	AMER	\$3.50	\$4.01	320,847	2,187,940	4,551,730	0	\$15,931,055	\$9,896,604	\$25,827,659
Indiana	AMER	\$3.50	\$5.58	86,896	775,247	2,124,167	0	\$7,434,585	\$4,630,014	\$12,064,599
Iowa	USWS	\$3.50	\$4.67	41,412	263,998	944,159	0	\$3,304,557	\$1,377,813	\$4,682,369
Kansas	SWBT	\$3.50	\$6.00	32,982	310,113	832,115	0	\$2,912,403	\$1,976,115	\$4,888,518
Kentucky	BSOU	\$3.50	\$6.00	52,326	321,785	1,617,575	0	\$5,861,513	\$2,113,731	\$7,775,244
Louisiana	BSOU	\$3.50	\$6.00	53,145	492,414	1,508,895	0	\$5,281,133	\$3,140,492	\$8,421,624
Maine	NYNX	\$3.50	\$6.00	28,376	123,132	399,124	51,823	\$1,578,315	\$838,106	\$2,416,423
Maryland	BLAT	\$3.50	\$5.72	66,361	1,001,726	2,086,861	4,567	\$7,319,998	\$5,962,136	\$13,282,134
Massachusetts	NYNX	\$3.50	\$6.00	201,521	1,067,209	2,542,909	163,592	\$9,472,754	\$7,108,578	\$16,581,331
Michigan	AMER	\$3.50	\$5.28	244,790	1,465,973	3,611,966	134,048	\$13,111,049	\$8,597,102	\$21,708,151
Minnesota	USWS	\$3.50	\$5.26	41,364	609,255	1,367,082	34,383	\$4,905,128	\$3,349,455	\$8,254,583
Mississippi	BSOU	\$3.50	\$6.00	43,653	242,272	830,306	9,776	\$2,940,287	\$1,606,418	\$4,546,705
Missouri	SWBT	\$3.50	\$6.00	82,301	692,786	2,029,586	13,788	\$7,151,809	\$4,444,770	\$11,596,579
Montana	USWS	\$3.50	\$6.00	12,797	70,297	233,862	5,208	\$836,745	\$468,572	\$1,303,317
Nebaska	USWS	\$3.50	\$6.00	26,290	198,348	574,886	0	\$2,012,101	\$1,282,103	\$3,294,204
Nevada	NEVB	\$3.50	\$5.22	76,930	243,167	644,447	8,642	\$2,285,812	\$1,538,587	\$3,824,398
New Hampshl	NYNX	\$3.50	\$6.00	31,504	157,209	484,126	0	\$1,694,441	\$1,053,518	\$2,747,959
New Jersey	BLAT	\$3.50	\$5.02	134,440	1,656,971	3,716,285	0	\$13,006,998	\$8,788,534	\$21,795,532
New Mexico	USWS	\$3.50	\$6.00	23,065	179,311	554,594	30,877	\$2,049,149	\$1,156,594	\$3,205,742
New York	NYNX	\$3.50	\$6.00	339,912	3,227,097	6,767,196	699,713	\$26,134,182	\$20,552,274	\$46,686,456
North Carolin	BSOU	\$3.50	\$6.00	184,845	832,685	2,511,599	20,917	\$8,863,806	\$5,642,948	\$14,506,754
North Dakota	USWS	\$3.50	\$6.00	9,133	57,511	177,868	7,680	\$649,418	\$377,032	\$1,026,450
Ohio	AMER	\$3.50	\$5.32	245,022	1,416,905	4,275,053	44,802	\$15,119,493	\$8,395,512	\$23,515,004
Oklahoma	SWBT	\$3.50	\$6.00	47,242	383,721	1,103,909	17	\$3,863,741	\$2,347,673	\$6,211,414
Oregon	USWS	\$3.50	\$6.00	53,394	412,794	1,145,466	32,711	\$4,123,620	\$2,663,643	\$6,787,263
Pennsylvania	BLAT	\$3.50	\$5.80	256,463	1,845,512	4,856,217	0	\$16,996,760	\$11,232,488	\$28,229,247
Rhode Island	NYNX	\$3.50	\$6.00	33,964	123,323	385,665	41,308	\$1,494,406	\$858,812	\$2,353,218
South Carolin	BSOU	\$3.50	\$6.00	48,070	348,129	1,028,074	11,904	\$3,639,923	\$2,257,019	\$5,896,942
South Dakota	USWS	\$3.50	\$5.14	13,058	70,671	209,274	3,709	\$745,441	\$408,952	\$1,154,392
Tennessee	BSOU	\$3.50	\$6.00	74,621	626,648	1,881,099	19,302	\$6,651,404	\$4,021,062	\$10,672,465
Texas	SWBT	\$3.50	\$6.00	228,625	2,755,837	6,500,860	168,363	\$23,342,281	\$17,335,210	\$40,677,490
Utah	USWS	\$3.50	\$6.00	21,282	247,552	820,170	24,932	\$2,257,857	\$1,559,729	\$3,817,586
Vermont	NYNX	\$3.50	\$6.00	16,327	68,650	195,903	20,873	\$758,716	\$469,045	\$1,227,761
Virginia	BLAT	\$3.50	\$5.92	103,849	1,161,158	2,524,160	20,588	\$8,906,618	\$7,237,527	\$16,144,145
Washington	USWS	\$3.50	\$5.58	79,867	716,699	2,037,922	82,397	\$7,421,117	\$4,278,715	\$11,699,831
West Virginia	BLAT	\$3.50	\$6.00	22,766	143,777	561,204	3,673	\$1,977,070	\$942,343	\$2,919,413
Wisconsin	AMER	\$3.50	\$4.83	68,023	652,311	1,680,398	11,291	\$5,920,912	\$3,388,743	\$9,309,654
Wyoming	USWS	\$3.50	\$6.00	8,769	57,575	150,699	771	\$530,145	\$376,142	\$906,287
Monthly Total				4,648,458	40,066,085	95,445,544	4,776,971	\$350,778,803	\$236,594,812	\$587,373,614

NOTES AND SOURCES:
 (A) and (B): RBOC FCC Tariffs
 (C), (D), (E), and (F): Table 3
 (G): ((A) * ((E)+(F)))
 (H): ((A)*(C)) + ((B)*(D))
 (I): (G) + (H)