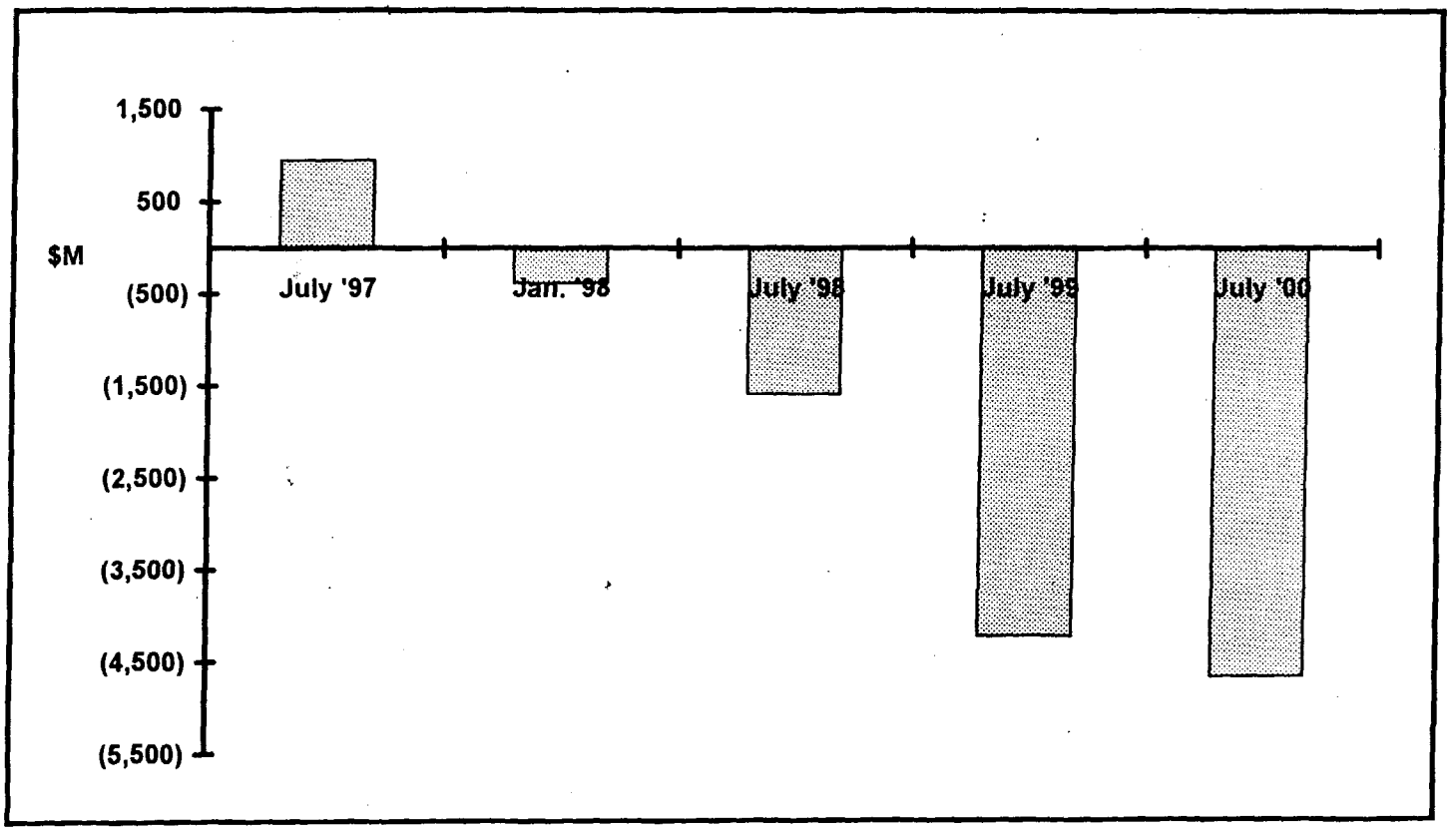
Universal Service/Access Reform
Estimated Impact on IXC
Cumulative Annual View

Chart 2

Assumptions: **Base Case**



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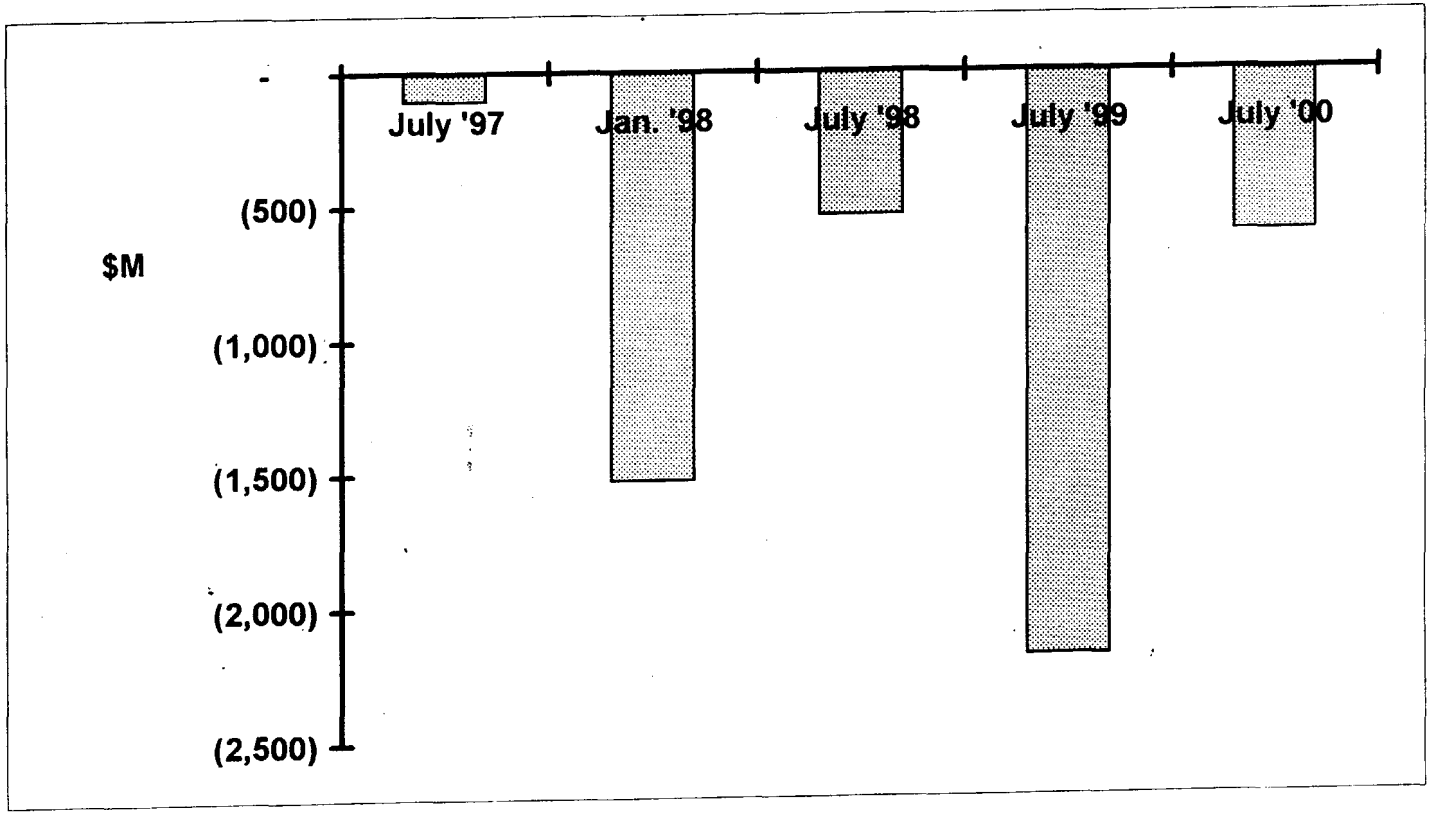
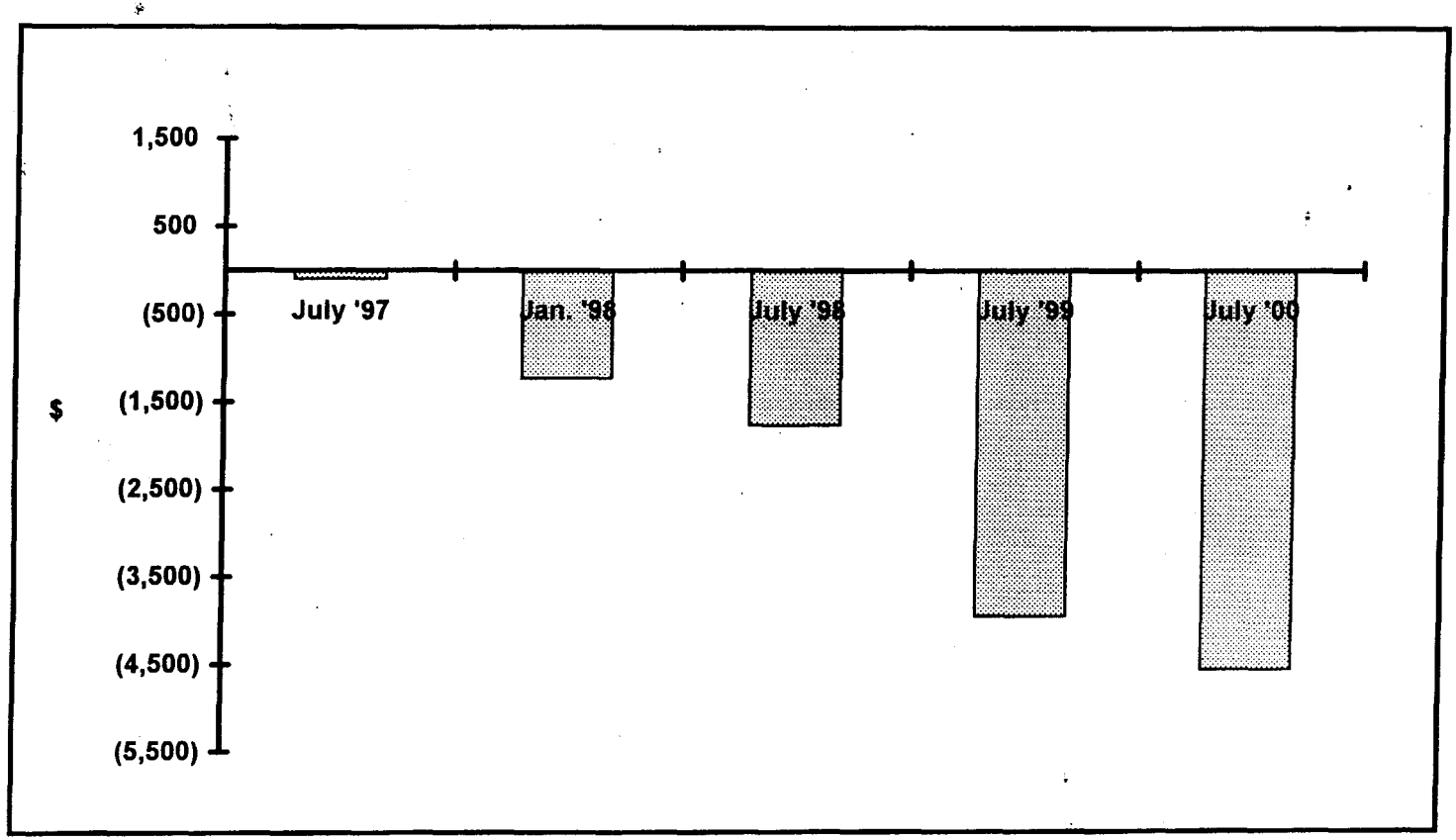
Universal Service/Access Reform
Estimated Impact on IXCs
Incremental View

Assumption: **Transition Proposal**



Universal Service/Access Reform
Estimated Impact on IXC
Cumulative Annual View

Assumptions: **Transition Proposal**



Universal Service/Access Reform
Estimated Impact on IXCs
Incremental View

($ Millions)

Worksheet 1

Assumptions: **Base Case**

July 1997

	Total	IXC	Toll	Net Impact
Social Funds	2,650	1,018	732	
LEC Flowback		946	946	
Price Cap	(729)	(729)	(729)	
Net Impact	1,921	1,235	949	
				949

Jan. 1998 *(Changes from July 1997)*

	Total	IXC	Toll	
Lifeline	320	204	146	
High Cost		(350)	(251)	
LEC Flowback		200	200	
SLC Change	(866)	(866)	(866)	
Net Change	(546)	(812)	(771)	
PIC pass-through			(561)	(1,332)

July 1998 *(Changes from Jan. 1998)*

	Total	IXC	Toll	
Social Funds	-	-	-	
LEC Flowback		(9)	(9)	
Price Cap	(599)	(599)	(599)	
SLC Change	(17)	(17)	(17)	
Net Change	(616)	(625)	(625)	
PIC pass-through			(569)	(1,194)

July 1999 *(Changes from July 1998)*

	Total	IXC	Toll	
Social Funds	-	-	-	
High Cost	2,500	(446)	(321)	
LEC Flowback		(1,391)	(1,391)	
Price Cap	(612)	(612)	(612)	
SLC Change	(155)	(155)	(155)	
Net Change	1,733	(2,604)	(2,478)	
PIC pass-through			(164)	(2,642)

July 2000 *(Changes from July 1999)*

	Total	IXC	Toll	
Social Funds	-	-	-	
High Cost		(169)	(122)	
LEC Flowback		40	40	
Price Cap	(621)	(621)	(621)	
SLC	(150)	(150)	(150)	
Net Change	(771)	(900)	(853)	
PIC pass-through			414	(439)

Universal Service/Access Reform
Estimated Impact on IXCs
Cumulative Annual View
($ Millions)

Worksheet 2

Assumptions: **Base Case**

	July '97	Jan. '98	July '98	July '99	July '00
Universal Service					
- Schools & Libraries	864	857	853	848	844
- Rural Healthcare	154	152	152	151	150
- Lifeline/Link-up	180	384	382	120	101
- Large LEC High Cost	300	230	229	601	507
- Rural LEC High Cost	1,200	920	917	361	304
Total Obligation	2,698	2,544	2,532	2,081	1,907
Add: Access Flowback	946	1,146	1,137	(254)	(214)
Less: Current Payment	(1,680)	(1,680)	(1,680)	(1,680)	(1,680)
Net Obligation	1,964	2,009	1,989	147	13
Offsets:					
- Price Cap	(729)	(729)	(1,328)	(1,940)	(2,561)
- SLC Change	-	(866)	(883)	(1,038)	(1,188)
- PIC Pass-Through		(561)	(1,130)	(1,294)	(880)
Total Offsets	(729)	(2,156)	(3,341)	(4,272)	(4,629)
Net IXC Impact	1,235	(147)	(1,352)	(4,124)	(4,616)
Toll Only Impact	**949**	**(389)**	**(1,592)**	**(4,237)**	**(4,680)**

Universal Service/Access Reform
Estimated Impact on IXCs
Incremental View

Worksheet 3

($ Millions)

Assumptions: **Transition Proposal**

July 1997

	Total	IXC	Toll	Net Impact
Social Funds	1,300	499	359	
LEC Flowback		464	464	
Price Cap	(929)	(929)	(929)	
Net Impact	371	34	(106)	
				(106)

Jan. 1998 *(Changes from July 1997)*

	Total	IXC	Toll	
Lifeline	320	204	146	
High Cost		(350)	(251)	
LEC Flowback		205	205	
SLC Change	(1,066)	(1,066)	(1,066)	
Net Change	(746)	(1,007)	(966)	
PIC pass-through			(561)	(1,527)

July 1998 *(Changes from Jan. 1998)*

	Total	IXC	Toll	
Social Funds	1,050	398	286	
LEC Flowback		362	362	
Price Cap	(599)	(599)	(599)	
SLC Change	(17)	(17)	(17)	
Net Change	434	144	33	
PIC pass-through			(569)	(536)

July 1999 *(Changes from July 1998)*

	Total	IXC	Toll	
Social Funds	550	207	149	
High Cost	2,500	(446)	(321)	
LEC Flowback		(1,087)	(1,087)	
Price Cap	(612)	(612)	(612)	
SLC Change	(155)	(155)	(155)	
Net Change	2,283	(2,092)	(2,025)	
PIC pass-through			(164)	(2,188)

July 2000 *(Changes from July 1999)*

	Total	IXC	Toll	
Social Funds	50	19	13	
High Cost		(169)	(122)	
LEC Flowback		(141)	(141)	
Price Cap	(621)	(621)	(621)	
SLC	(150)	(150)	(150)	
Net Change	(721)	(1,063)	(1,021)	
PIC pass-through			414	(607)

Universal Service/Access Reform
Estimated Impact on IXCs
Cumulative Annual View

($ Millions)

Worksheet 4

Assumptions: **Transition Proposal**

	July '97	Jan. '98	July '98	July '99	July '00
Universal Service					
- Schools & Libraries	480	476	853	1,037	1,031
- Rural Healthcare	19	19	38	57	75
- Lifeline/Link-up	180	384	382	120	101
- Large LEC High Cost	300	230	229	601	507
- Rural LEC High Cost	1,200	920	917	361	304
Total Obligation	2,179	2,029	2,419	2,176	2,019
Add: Access Flowback	464	669	1,032	(55)	(196)
Less: Current Payment	(1,680)	(1,680)	(1,680)	(1,680)	(1,680)
Net Obligation	963	1,019	1,770	441	143
Offsets:					
- Price Cap	(729)	(729)	(1,328)	(1,940)	(2,561)
- SLC Change	(200)	(866)	(883)	(1,038)	(1,188)
- PIC Pass-Through		(561)	(1,130)	(1,294)	(880)
Total Offsets	(929)	(2,156)	(3,341)	(4,272)	(4,629)
Net IXC Impact	34	(1,137)	(1,571)	(3,831)	(4,485)
Toll Only Impact	**(106)**	**(1,235)**	**(1,778)**	**(3,970)**	**(4,581)**

6. Implementation of Universal Service

To insure a competitively neutral assessment of the Universal Service Fund requirements among all telecommunications providers, the Commission intends to base these contributions on either interstate end user revenues or a combination of interstate and intrastate end user revenues, depending upon the particular Universal Service elements. The LECs, in turn, will collect their assessment from only their interstate customers through exogenous adjustments (for price cap LECs) to their price cap baskets. The LEC collections would be distributed among the price cap baskets using the ratio of their interstate end user revenues. The Common Line Basket would be based on SLC revenue, the Transport Basket would be based on end user special access revenue, and the IXC basket would be based on total IXC retail revenue.

Since the money will be collected from all carriers on a current basis, the LECs will need to project their end user revenues, both interstate and intrastate, in order to determine both the magnitude of their total assessment to the USF and the distribution of that assessment among the various price cap baskets. These projections would cover the twelve month period between price cap filings, e.g., July 1, 1997 to June 30, 1998. In addition, for the access restructure scheduled for implementation on January 1, 1998, a projection of the year 1998 will be required.

The fund administrator or the Commission will have to provide to the industry an estimate of the percent assessment for both interstate and intrastate end user revenues to assure consistent methodology and to lessen potential concerns of parties "gaming" the system. These projected assessment rates should be provided to the industry at least 30 days prior to their effective date. Since the LECs will have to file tariffs for Commission review in order to implement these assessments, the release date of these projected assessment rates should be keyed to coincide with LEC tariff filing requirements.

In order to develop these percentages, either the fund administrator or the Commission will have to project anticipated USF requirements by USF element for the next twelve months, along with projecting total interstate end user charges and total intrastate end user charges. These figures can then be used to develop and make available to the industry for their planning purposes the actual percentages of end user revenue to be remitted to the fund administrator commencing with a specific date, e.g., July 1, 1997.

Given the amount of money to be collected, and the uncertainty associated with this new process, we recommend that the Commission require a quarterly review by the fund administrator, especially during the first few years of implementation. This review would include monitoring both USF assessments and distribution to determine whether the projected assessment percentages are yielding the appropriate level of revenues to meet fund requirements. Each quarter the fund administrator would either reaffirm the assessment percentages or announce a modification.

Similarly, the LECs would track their actual assessment to the USF versus the projections made at the time of either their price cap filings or the rate restructure change. Corrections to their exogenous adjustments would be made each quarter to reflect either required changes of the assessment percentage calculated by the fund administrator and announced by the FCC or a correction of the projected revenues to be assessed. These reviews will ensure that the Fund has adequate revenues to cover the USF requirements and that the LECs collect via price cap exogenous adjustments only the money required to meet their USF assessments.

7. Productivity Factors

It has been demonstrated previously in this document that there need not be any adverse consumer impacts if the current price cap productivity factor options remain in place for the July 1997 price cap filing. If the Commission believes that increases to the productivity factor are warranted, the following elements need to be incorporated into any plan. The two elements are:

A) a mechanism to insure that no company's rates would be adjusted such that the company's earnings would be reduced below 10.25%. and;
B) a process that allows LECs to request downward productivity factor adjustments on an individual company basis.

A) Any Access Rate Level Reduction Should Not Drive Returns Below 10.25%

While the Commission believes it is appropriate to bring per-minute charges down, those benefits will be illusory if the rate changes impair the ability of LECs to support and invest in the local network. In particular, if the Commission were to order a cut in overall rate levels -- a decision that is not justified under the facts in the record in this proceeding -- it should in no event mandate cuts that would force returns down to below a point that the Commission has already found to be a floor.[6]

Under current rules the Commission has recognized that interstate returns below 10.25% should trigger the ability to raise rates. In the price cap review order, the Commission rejected arguments that the 11.25% benchmark and the 10.25% floor be adjusted downward. Based on interest rates at that time, the Commission found that "represcription of the rate of return is not indicated."[7] The economic evidence in the current record also does not support any change. Dr. Randall Billingsley offered testimony that as of January 1997, the average yield on 30-year Treasury bonds did not support any decrease in the allowed rate of return.[8] Since then, the Federal Reserve Board has raised short-term interest rates and the average yield on long term bonds has risen.[9] In addition, the passage of the Telecommunications Act and the increase in LEC competition has increased the business risk faced by LECs, and thereby increased their economic cost of capital.[10] In sum, there is no basis to suggest that the 10.25% floor should be lowered.

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6 ***Price Cap Performance Review for Local Exchange Carriers***, 10 FCC Rcd 8961, 9050 (1995).

7 *Id.* at ¶ 231-232.

8 The yield at the time was 6.82%. Statement of Dr. Randall S. Billingsley at 7-9, Attachment 13 to USTA Reply Comments (filed Feb. 14, 1997).

9 The Washington Post's Report of the Lehman Brothers Treasury Bond Index as of April 28, 1997 was 7.21%.

10 Statement of Dr. Randall S. Billingsley at 4-7.

In order to avoid pushing rates below that point, the Commission should require that any reductions should be capped, such that using the most recent annual results (1996) as a base year, no companies' earnings would be reduced below 10.25%. In particular, the following mechanism could be put in place:

STEP 1:
Companies will calculate new indices in their 1997 Annual Filing using the new rules.

STEP 2:
Calculate the impact of the price cap filing on the revenues of the regulated company. For each price cap basket (except common line which is dealt with in Step 3), subtract the new 1997 annual filing price cap index from the index just prior to that filing ("old index"). Divide the result by the old index. This percentage change is then multiplied by the revenues for that basket (1996 demand times existing rates, also known as the R value).

STEP 3:

Calculate the impact on revenues for the Common Line basket. This calculation is slightly different because price cap rules require that the values for the carrier common line charges in the Common Line basket must be adjusted to remove half of the per-minute growth. For the Carrier Common Line amount, subtract the old price cap index from the new 1997 annual filing price cap index and divide by the old price cap index to arrive at a percentage change. Multiply the result by the Carrier Common Line revenues only. This is the Carrier Common Line revenue impact.

Next, to calculate the subscriber line charge ("SLC") revenue impact, the company will need to re-run their annual filing Common Line price cap index calculation assuming no growth in minutes of use per line (set "g" to zero). Take this "no-growth price cap index" and subtract it from the old Common Line price cap index. Divide this result by the old price cap index. Multiply the resulting percentage change by the 1996 SLC revenue.

For the total common line revenue impact add the above Carrier Common Line impact with the SLC revenue impact.

STEP 4:

Calculate the total impact of the price cap filing on revenues. Add all of the basket results calculated in steps 2 and 3.

STEP 5:

Recalculate the company's rate of return to reflect the revenue impacts. The company should take 1996 revenues and subtract the impact of the 1997 annual filing as calculated in step 4. These are the adjusted revenues. Next, take the revenue impact (from step 4)

and multiply it by the effective composite (state and federal) tax rate for the company. Subtract this result from 1996 expenses and taxes. This is the adjusted expenses and taxes. Adjusted net income is calculated by subtracting the adjusted expenses and taxes from the adjusted revenue. Recalculate rate of return using this adjusted net income.

STEP 6:

Companies then must determine if the adjusted Rate of Return is below the 10.25% floor. For those companies who fall below 10.25%, an exogenous cost change is required to be made to each of the baskets to get the company's adjusted net income to equal 10.25%

In order to develop an exogenous amount needed to raise the company to the 10.25% return level, the following steps are needed:

A) Subtract the adjusted return from 10.25%.
B) Multiply the result by the rate base (as per 1996 Form 492). This amount is the net income change need to arrive at the 10.25% level.
C) Divide the amount calculated in step B by the effective tax rate used in step 5.
D) The amount calculated in step C is the total amount exogenous cost change needed. This is then distributed to the baskets based on revenue impact weights. To calculate the weights, divide each of the basket amounts developed in steps 2 and 3 by the total impact amount (step 4). Multiply the weights by the exogenous cost change amount in step C.

STEP 7:

New price cap indices are run with the new exogenous cost changes reflected in the index.

B) Downward Productivity Factor Adjustment Process

The Commission, in its Order, should provide a way by which companies can petition for a lower productivity factor to reflect the inevitable impacts that major industry changes will have on the opportunity companies will have to achieve productivity gains in the future. As part of its further proceeding in this docket, the Commission should determine specific criteria for such a petition. Some of the market factors which should be considered are:

- The rate structure changes that the Commission orders as part of this access reform proceeding. All LECs will be recovering a substantially greater portion of their access cost through flat charges rather than usage sensitive rates. Dr. Christensen has estimated that on an industry basis this change could impact industry average TFP (i.e., 2.7%) by -.4%. Furthermore Dr. Christensen points out that interstate revenue growth could decline by 1.4% which would be an appropriate adjustment if the Commission chooses a productivity offset greater

than TFP, as it has in the past. However, some companies' will be recovering a much greater proportion of their costs through slower growing flat rates than others.

- Increased local competition will reduce the opportunity for LECs to achieve historical rates of productivity gain. As described by Dr. Christensen LECs can expect to experience a decrease in total output growth due to competition which leads to a reduction in TFP growth (i.e., a 1% decline in output results in a .3 to .5% reduction in TFP) The rate at which local competition develops for a company will vary by the markets the company serves. Some markets are more attractive to competitors because of the customer usage demographics. Some markets are less costly for competitors to enter because of lower entry costs and economies of scope. Finally, some markets may be easier for competitors to enter because of the capabilities they are provided by LECs to use unbundled network elements and resale. Therefore, as the California Commission has recognized, increased competition merits a downward adjustment in productivity. Individual companies, therefore, should have the opportunity to demonstrate a similar adjustment.

- Basic market characteristics limit the opportunity of individual companies to improve productivity. It can be demonstrated that markets with greater customer density and higher access line penetration rates have limited ability to improve productivity, since scale economies have already been achieved. Furthermore, slower growing firms will have more difficulty in increasing their productivity. As a result there is less opportunity for companies serving those markets to achieve productivity gains comparable to companies serving markets that are less dense and faster growing. This characteristic will have a more prominent impact on individual companies as the Commission implements access rate restructuring plans.

- Finally, individual LECs have different opportunities to improve productivity. Some companies were substantially more efficient than the average when price cap regulation was introduced in 1991. For example, some companies did not begin major reengineering projects or systems upgrades to improve productivity until after 1991 while other companies were well down this road at the time price cap regulation was implemented. The rate of productivity gain for these companies may slow even as these companies remain much better than average in overall efficiency.

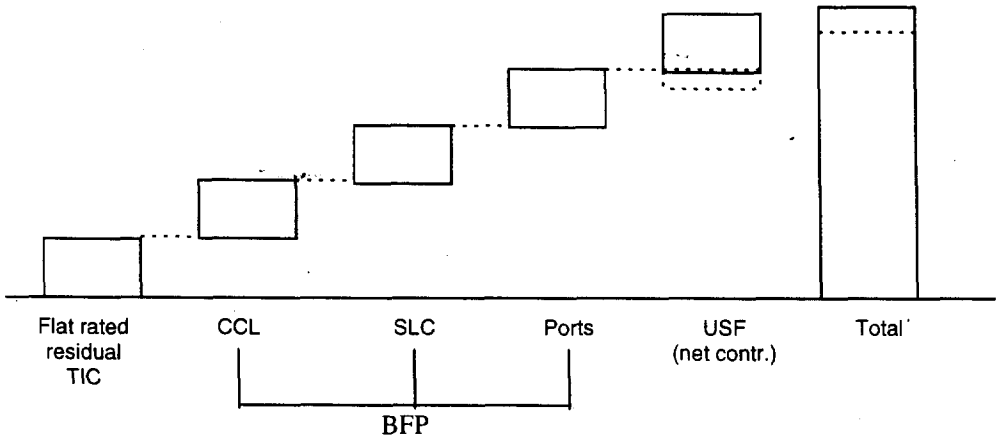
Notes for Appendices A, B & C
Description of Bell Atlantic/NYNEX Model Based on the FCC Staff Proposal Base Case

The following is a summary of the key components and assumptions underlying the FCC Staff proposal on access rate structure and those that were incorporated into the Bell Atlantic/NYNEX Model (BA/NYN Model). In addition, other assumption are listed that were included in the BA/NYN Model.

The chart below shows the revenues included in the flat rated "pool" and were therefore removed from per minute access rates. Assumptions:

- TIC - 30% reallocated to other services, 70% included in the flat rate pool
- Flat rate ports estimated at 33% of Local Switching rate element revenues, the removal of port costs were applied equally to originating and terminating Local Switching rates
- CCL (excluding payphone and LTS) and SLC
- Net contributions into USF
- The BFPs were recalculated to include the CCL, SLC and ports

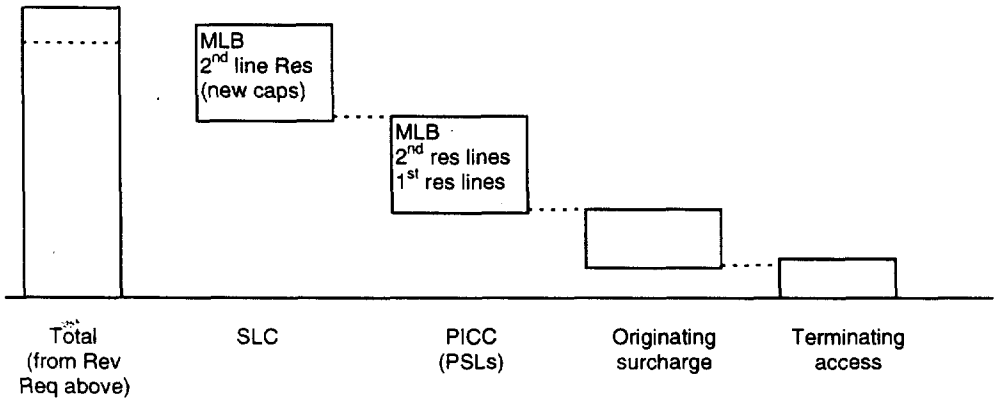
Current Revenue Requirement of "flat rate pool":



Revenue requirement recovery order:

1. SLC charges resulting from the increased caps and BFPs
2. PICC charges to IXCs (PICC charges were first recovered from primary residential lines, then 2nd residential lines and finally from multiline business lines)
3. Any remaining revenues were recovered as an originating surcharge up to the current average switched access rate.
4. Any remaining revenues that exceeded the originating cap were recovered as a surcharge on terminating access.

New revenue requirement recovery plan:



Baseline rules:

The following baseline rules from the FCC Staff Proposal were incorporated in the BA/NYNEX Model.

SLCs	1998	1999 - 2002 *
Primary res lines	no change	no change
Res 2nd lines	Rise to min of $5 or interstate allocated cost	increases by inflation + $1/year up to $9.50 (or allocated cost)
SLB	capped at $3.50	No change
MLB	rises to min of $9.50 or allocated cost	increases by inflation
PICCs (or PSL)		
Primary res lines	$.75	inflation + $.50
Res 2nd lines	$1.50	inflation + $1.00
SLB	$.75	inflation + $.50
MLB	$4.50	inflation + $1.50

* assumes 2.7% inflation factor (2.1% in 1997)

The combined PICC plus SLC charge for residential primary and 2nd lines cannot exceed the recalculated BFP.

The initial BFPs were calculated as the weighted average BFP from each LEC's 1996 annual price cap TRP and were adjusted annually for inflation and a productivity offset of 3.1%. These were used as the basis of recalculating the new BFP that includes the CCL, SLC and ports.

Universal Service:

	1998	1999 - 2002
Fund size	$2.65B for Education & Healthcare; $2B high cost & lifeline	$2.65B for Education & Healthcare; $4.5B for high cost & lifeline
Allocation	Inter + intra state retail revenues	Based on $1.00 per line and then Interstate retail revenues
Collection	charge on interstate end users revenues	charge on interstate end user revenues

LEC USF costs were allocated to all retail revenues that include IX, end-user special access and common line. End user special access was estimated at 33% of total special access.

The estimate of the high cost funds the LECs' receive from the high cost USF in 1999 and 2000 were estimated based on the Benchmark Cost Model 2.

Line growth:

The BA/NYNEX Model includes the line growth assumptions of the FCC Staff Proposal that were based on census projections for households.

Compound annual growth rate

	Units	95 - 98	1999	2000	2001	2002
Primary Res lines		1.3	1.1	1.13	1.09	1.09
Res 2nd lines		11.87	13	11	11	10
SLB		5.67	5	5	5	5
MLB		5.67	5	5	5	5

In addition, the BA/NYNEX Model estimated Residential 2nd lines at 15% of total Residential lines. It is further assumed that 30% of these lines will rollover to primary residential lines to avoid the increased charges.

Lines for cellular and other carriers were estimated at 55M in 1996 with annual growth of 15%.

Access Minutes (billions):

The FCC Staff Proposal estimated MOUs as follows;

	1998	1999	2000	2001	2002
Total access MOUs	503.948	546.531	590.631	635.052	680.839
Per min. price	.024	.023	.022	.021	.020

The BA/NYNEX Model assumes MOU growth at 7% annually and initial demand was based on the 1996 Annual Access Price Cap Filings.

IX and special access revenues were assumed to grow at an annual rate of 7%.

The 1997 price cap reductions were targeted to reduce the TIC. Future price cap reductions were targeted to the "flat rate pool."

Demand and revenue were developed from Bellcores' May 20, 1996 roll-up of the 1996 annual price cap filing TRPs.

Scenarios
Projected Demand

Summary					Scenario Modeled	
				Prod. Factor	5.3%	
				ML PSL Cap	$4.50	

Originating Usage Rates:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	0.02365	0.02333	0.02048	0.01179	0.00986	0.00972
BA	0.02035	0.02048	0.01527	0.01269	0.00795	0.00784
NYNEX	0.03516	0.03551	0.03343	0.03343	0.02684	0.01578
BS	0.02580	0.02715	0.02523	0.02499	0.01167	0.00844
SBC	0.02393	0.02499	0.02197	0.01873	0.00895	0.00881
PAC	0.02165	0.02267	0.00973	0.00966	0.00953	0.00881
USW	0.02607	0.02480	0.02331	0.02102	0.01011	0.00991
GTE	0.03661	0.03765	0.03527	0.03527	0.01581	0.01220
Industry	0.02702	0.02745	0.02552	0.02347	0.01249	0.00994

LEC Price Cap Reductions:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	112.5	112.5	0.0	70.6	72.3	73.8
BA	97.8	97.8	0.0	85.0	87.1	88.7
NYNEX	90.4	90.4	0.0	93.2	95.9	97.9
BS	42.7	42.7	0.0	97.1	99.6	101.3
SBC	36.2	36.2	0.0	61.7	63.3	64.4
PAC	46.9	46.9	0.0	48.3	49.4	50.6
USW	146.4	146.4	0.0	69.4	71.1	72.2
GTE	83.5	83.5	0.0	78.2	80.3	75.5
Industry	704.4	704.4	0.0	654.4	671.0	672.3

Terminating Usage Rates:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	0.02365	0.02333	0.01009	0.01001	0.00986	0.00972
BA	0.02035	0.02048	0.00814	0.00807	0.00795	0.00784
NYNEX	0.03516	0.03551	0.02037	0.01748	0.01397	0.01379
BS	0.02580	0.02715	0.01099	0.00870	0.00857	0.00844
SBC	0.02393	0.02499	0.00915	0.00908	0.00895	0.00881
PAC	0.02165	0.02267	0.00973	0.00966	0.00953	0.00881
USW	0.02607	0.02480	0.01068	0.01025	0.01008	0.00991
GTE	0.03661	0.03765	0.02012	0.01717	0.01231	0.01220
Industry	0.02702	0.02745	0.01107	0.01038	0.00991	0.00969

PSL Charge - SL Res/Bus:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	0	0	0.75	0.75	1.27	1.80
BA	0	0	0.75	0.75	1.27	1.80
NYNEX	0	0	0.75	0.75	1.27	1.80
BS	0	0	0.75	0.75	1.27	1.80
SBC	0	0	0.75	0.75	1.27	1.80
PAC	0	0	0.75	0.75	1.27	1.78
USW	0	0	0.75	0.75	1.27	1.80
GTE	0	0	0.75	0.75	1.27	1.80
Industry	0	0	0.75	0.75	1.27	1.71

Net USF Contribution:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	0	122.9	149.4	148.2	215.1	219.7
BA	0	123.5	154.8	153.6	220.0	224.9
NYNEX	0	136.7	161.2	159.9	154.7	158.8
BS	0	151.1	182.9	181.5	41.0	45.7
SBC	0	87.9	109.3	108.5	83.4	86.5
PAC	0	94.4	112.6	111.7	198.2	202.0
USW	0	95.5	117.9	117.0	54.6	57.9
GTE	0	120.9	144.2	143.0	(222.4)	(218.9)
Industry	0	1,012.8	1,226.5	1,216.8	572.0	606.1

PSL Charge - Res 2nd lines:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	0	0	1.50	1.50	2.54	3.61
BA	0	0	1.50	1.50	2.54	3.61
NYNEX	0	0	1.50	1.50	2.54	3.61
BS	0	0	1.50	1.50	2.54	3.61
SBC	0	0	1.50	1.50	2.54	3.61
PAC	0	0	1.50	1.50	2.54	3.61
USW	0	0	1.50	1.50	2.54	3.61
GTE	0	0	1.50	1.50	2.54	2.78
Industry	0	0	1.50	1.50	2.54	3.27

SLC Charge - Res 2nd lines:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	3.50	3.50	5.00	5.00	5.40	5.38
BA	3.50	3.50	5.00	5.00	5.97	5.95
NYNEX	3.50	3.50	5.00	5.00	6.14	7.30
BS	3.50	3.50	5.00	5.00	6.14	7.30
SBC	3.50	3.50	5.00	5.00	6.14	6.50
PAC	3.50	3.50	5.00	5.00	5.31	5.28
USW	3.50	3.50	5.00	5.00	6.14	7.23
GTE	3.50	3.50	5.00	5.00	6.14	7.30
Industry	3.50	3.50	5.00	5.00	5.96	6.62

PSL Charge - MLB:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	0	0	4.50	4.50	3.45	1.17
BA	0	0	4.50	4.50	4.54	2.21
NYNEX	0	0	4.50	4.50	6.12	7.79
BS	0	0	4.50	4.50	6.12	4.20
SBC	0	0	4.50	4.50	5.02	2.17
PAC	0	0	4.24	3.56	3.01	1.52
USW	0	0	4.50	4.50	6.12	2.73
GTE	0	0	4.50	4.50	6.12	0
Industry	0	0	4.47	4.38	4.93	2.69

SLC Charge - MLB:

	Current	July '97	Jan '98	July '98	July '99	July '00
AM	4.81	4.80	5.44	5.42	5.40	5.38
BA	5.30	5.30	6.02	6.00	5.97	5.95
NYNEX	6.00	6.00	7.44	7.41	7.38	7.35
BS	6.00	6.00	7.96	7.93	7.90	7.87
SBC	6.00	5.98	6.58	6.56	6.53	6.50
PAC	4.80	4.69	5.35	5.33	5.31	5.28
USW	5.72	5.72	7.32	7.29	7.26	7.23
GTE	5.99	5.99	8.32	8.29	8.25	8.22
Industry	5.53	5.51	6.71	6.68	6.65	6.63

July 1997
Projected Demand

7/1/97	Summary	Scenario Modeled	Prod. Factor =	5.3%				
	Ameritech	BA	NYNEX	BS	SBC	PAC	USW	Citizens
Revenues								
Usage	$1,019,327,319	$1,254,709,335	$1,841,905,953	$1,670,530,360	$881,700,275	$685,545,713	$1,206,954,221	$119,438,374
PSL	$0	$0	$0	$0	$0	$0	$0	$0
EUCL	$872,737,079	$974,844,178	$846,478,548	$1,045,384,527	$701,052,199	$735,810,850	$721,084,423	$38,053,167
Sub Total	$1,892,064,398	$2,229,553,513	$2,688,384,502	$2,715,914,887	$1,582,752,473	$1,421,356,563	$1,928,038,644	$157,491,540
Other Interstate Access	$539,618,940	$672,516,641	$497,755,342	$605,610,770	$528,460,451	$333,358,577	$445,375,474	$16,250,015
Total Access	$2,431,683,338	$2,902,070,155	$3,186,139,844	$3,321,525,656	$2,111,212,924	$1,754,715,140	$2,373,414,119	$173,741,556
PC Reduction	$112,500,000	$97,842,239	$90,433,531	$42,699,672	$36,157,651	$46,937,408	$146,420,212	$5,380,124
Universal Service Obligation								
Net USF Funding	$122,884,105	$123,509,318	$136,668,561	$151,063,344	$87,901,955	$94,362,489	$95,493,826	$8,142,654
Access Flowback	$97,980,102	$95,117,750	$114,435,320	$126,806,558	$69,395,745	$82,819,053	$77,354,089	$7,266,798
Rates								
EUCL								
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
MLB	$4.80	$5.30	$6.00	$6.00	$5.98	$4.69	$5.72	$6.00
BFP	$4.80	$5.38	$6.07	$7.29	$5.98	$4.69	$6.48	$6.03
PSL								
SL Res/Bus	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2nd Line/home	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
MLB	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Orig MOU	$0.0233	$0.0205	$0.0355	$0.0271	$0.0250	$0.0227	$0.0248	$0.0560
Term MOU	$0.0233	$0.0205	$0.0355	$0.0271	$0.0250	$0.0227	$0.0248	$0.0560
Average MOU Rate	$0.0233	$0.0205	$0.0355	$0.0271	$0.0250	$0.0227	$0.0248	$0.0560

July 1997
Projected Demand

7/1/97	GTE	Aliant (Lincoln)	Frontier (Rochester)	SNET	Sprint	Total
Revenues						
Usage	$1,573,068,393	$18,068,892	$72,879,744	$204,918,130	$578,572,492	$11,127,619,199
PSL	$0	$0	$0	$0	$0	$0
EUCL	$812,152,070	$11,374,515	$39,548,370	$98,754,545	$313,991,748	$7,211,266,219
Sub Total	$2,385,220,463	$29,443,407	$112,428,114	$303,672,675	$892,564,240	$18,338,885,419
Other Interstate Access	$297,570,930	$4,234,131	$16,669,941	$56,066,990	$149,059,983	$4,162,548,186
Total Access	$2,682,791,393	$33,677,538	$129,098,054	$359,739,664	$1,041,624,223	$22,501,433,605
PC Reduction	$83,486,440	$70,771	$3,998,315	$6,338,910	$32,161,783	$704,427,056
Universal Service Obligation						
Net USF Funding	$120,904,265	$1,771,437	$3,632,189	$17,997,200	$48,498,657	$1,012,830,000
Access Flowback	$106,288,064	$1,592,292	$3,211,285	$15,250,172	$41,813,008	$839,330,236
Rates						
EUCL						
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
MLB	$5.99	$4.42	$4.72	$5.93	$5.63	$5.51
BFP	$7.32	$4.48	$4.72	$5.93	$6.29	$6.01
PSL						
SL Res/Bus	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2nd Line/home	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
MLB	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Orig MOU	$0.0376	$0.0298	$0.0329	$0.0282	$0.0318	$0.0274
Term MOU	$0.0376	$0.0298	$0.0329	$0.0282	$0.0318	$0.0274
Average MOU Rate	$0.0376	$0.0298	$0.0329	$0.0282	$0.0318	$0.0274

1/1/98	Summary	Scenario Modeled	Prod. Factor =	5.3%				
	Ameritech	BA	NYNEX	BS	SBC	PAC	USW	Citizens
Revenues								
Usage	$553,213,515	$736,062,512	$1,519,863,716	$1,163,237,345	$563,758,762	$377,616,780	$873,703,309	$114,517,270
PSL	$469,466,369	$532,599,098	$405,639,477	$492,081,258	$341,764,902	$294,098,525	$345,568,266	$15,027,328
EUCL	$1,014,173,042	$1,152,866,186	$999,684,763	$1,298,240,825	$805,597,471	$760,735,390	$875,134,166	$44,780,842
Sub Total	$2,036,852,926	$2,421,527,796	$2,925,187,956	$2,953,559,428	$1,711,121,135	$1,432,450,694	$2,094,405,741	$174,325,440
Other Interstate Access	$617,809,725	$769,964,303	$569,880,091	$693,363,770	$605,034,370	$381,662,234	$509,910,381	$18,604,642
Total Access	$2,654,662,651	$3,191,492,099	$3,495,068,047	$3,646,923,198	$2,316,155,505	$1,814,112,929	$2,604,316,121	$192,930,082
PC Reduction	$0	$0	$0	$0	$0	$0	$0	$0
Universal Service Obligation								
Net USF Funding	$149,357,853	$154,775,122	$161,212,127	$182,908,276	$109,317,770	$112,584,497	$117,900,719	$9,147,899
Access Flowback	$119,446,084	$120,076,658	$135,660,600	$155,487,734	$86,369,712	$97,530,694	$96,543,295	$8,187,787
Rates								
EUCL								
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
MLB	$5.44	$6.02	$7.44	$7.96	$6.58	$5.35	$7.32	$7.31
BFP	$5.44	$6.02	$7.44	$7.96	$6.58	$5.35	$7.32	$7.31
PSL								
SL Res/Bus	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75
2nd Line/home	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
MLB	$4.50	$4.50	$4.50	$4.50	$4.50	$4.24	$4.50	$4.50
Orig MOU	$0.0148	$0.0153	$0.0334	$0.0252	$0.0220	$0.0097	$0.0233	$0.0528
Term MOU	$0.0101	$0.0081	$0.0204	$0.0110	$0.0092	$0.0097	$0.0107	$0.0430
Average MOU Rate	$0.0122	$0.0113	$0.0262	$0.0174	$0.0149	$0.0097	$0.0164	$0.0474

Jan. 1998
Projected Demand

1/1/98	GTE	Aliant (Lincoln)	Frontier (Rochester)	SNET	Sprint	Total
Revenues						
Usage	$1,247,818,496	$12,135,185	$57,399,149	$168,967,423	$464,413,750	$7,852,707,213
PSL	$352,086,378	$5,800,131	$17,964,531	$45,378,057	$134,232,076	$3,451,706,395
EUCL	$993,268,509	$13,617,722	$46,548,217	$116,937,536	$375,050,096	$8,496,634,764
Sub Total	$2,593,173,383	$31,553,037	$121,911,897	$331,283,016	$973,695,922	$19,801,048,371
Other Interstate Access	$340,688,958	$4,847,657	$19,085,415	$64,191,097	$170,658,775	$4,765,701,418
Total Access	$2,933,862,341	$36,400,694	$140,997,313	$395,474,112	$1,144,354,697	$24,566,749,790
PC Reduction	$0	$0	$0	$0	$0	$0
Universal Service Obligation						
Net USF Funding	$144,163,047	$2,082,617	$4,745,126	$20,807,694	$57,449,751	$1,226,452,500
Access Flowback	$127,721,179	$1,880,313	$4,208,551	$17,721,280	$49,815,092	$1,020,648,978
Rates						
EUCL						
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
MLB	$8.32	$5.52	$6.15	$7.39	$7.19	$6.71
BFP	$8.32	$5.52	$6.15	$7.39	$7.19	$6.83
PSL						
SL Res/Bus	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75
2nd Line/home	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
MLB	$4.50	$4.50	$4.50	$4.50	$4.50	$4.47
Orig MOU	$0.0353	$0.0230	$0.0315	$0.0262	$0.0296	$0.0255
Term MOU	$0.0201	$0.0149	$0.0165	$0.0165	$0.0176	$0.0111
Average MOU Rate	$0.0269	$0.0186	$0.0232	$0.0209	$0.0230	$0.0176

July 1998
Projected Demand

7/1/98	Summary	Scenario Modeled	Prod. Factor =	5.3%				
	Ameritech	BA	NYNEX	BS	SBC	PAC	USW	Citizens
Revenues								
Usage	$568,082,881	$674,059,385	$1,475,438,575	$1,103,827,662	$519,996,818	$388,107,817	$830,921,901	$113,075,155
PSL	$409,301,803	$542,709,396	$413,105,695	$500,851,291	$348,042,015	$252,941,905	$351,751,232	$15,237,789
EUCL	$1,028,428,256	$1,169,600,473	$1,014,725,081	$1,316,981,464	$817,039,782	$772,338,222	$887,584,241	$45,319,452
Sub Total	$2,005,812,939	$2,386,369,253	$2,903,269,351	$2,921,660,416	$1,685,078,614	$1,413,387,945	$2,070,257,374	$173,632,396
Other Interstate Access	$639,433,065	$796,913,053	$589,825,895	$717,631,502	$626,210,573	$395,020,413	$527,757,244	$19,255,805
Total Access	$2,645,246,005	$3,183,282,307	$3,493,095,245	$3,639,291,918	$2,311,289,187	$1,808,408,357	$2,598,014,618	$192,888,201
PC Reduction	$70,612,316	$84,974,682	$93,244,842	$97,147,423	$61,697,658	$48,273,734	$69,351,520	$5,148,966
TIC Reduction Complete	TIC Eliminated					TIC Eliminated		
Universal Service Obligation								
Net USF Funding	$148,193,081	$153,636,762	$159,922,460	$181,460,360	$108,494,002	$111,692,269	$116,993,085	$9,066,126
Access Flowback	$118,064,945	$118,705,193	$134,197,948	$153,831,685	$85,383,009	$96,533,556	$95,476,396	$8,096,272
Rates								
EUCL								
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
MLB	$5.42	$6.00	$7.41	$7.93	$6.56	$5.33	$7.29	$7.28
BFP	$5.42	$6.00	$7.41	$7.93	$6.56	$5.33	$7.29	$7.28
PSL								
SL Res/Bus	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75
2nd Line/home	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
MLB	$4.50	$4.50	$4.50	$4.50	$4.50	$3.56	$4.50	$4.50
Orig MOU	$0.0118	$0.0127	$0.0334	$0.0250	$0.0187	$0.0097	$0.0210	$0.0528
Term MOU	$0.0100	$0.0081	$0.0175	$0.0087	$0.0091	$0.0097	$0.0103	$0.0390
Average MOU Rate	$0.0108	$0.0101	$0.0247	$0.0160	$0.0134	$0.0097	$0.0151	$0.0452

July 1998
Projected Demand

7/1/98	GTE	Aliant (Lincoln)	Frontier (Rochester)	SNET	Sprint	Total
Revenues						
Usage	$1,211,614,045	$11,607,267	$55,529,594	$163,862,581	$449,069,276	$7,565,192,957
PSL	$357,984,104	$5,822,896	$18,254,093	$46,182,601	$136,352,304	$3,398,537,123
EUCL	$1,007,134,471	$13,797,808	$47,140,061	$118,600,701	$379,959,355	$8,618,649,365
Sub Total	$2,576,732,620	$31,227,971	$120,923,748	$328,645,883	$965,380,935	$19,582,379,445
Other Interstate Access	$352,613,072	$5,017,325	$19,753,405	$66,437,785	$176,631,832	$4,932,500,968
Total Access	$2,929,345,692	$36,245,295	$140,677,153	$395,083,668	$1,142,012,767	$24,514,880,413
PC Reduction	$78,196,086	$967,534	$3,755,242	$10,546,381	$30,484,940	$654,401,325
TIC Reduction Complete	TIC Eliminated		TIC Eliminated		TIC Eliminated	
Universal Service Obligation						
Net USF Funding	$142,974,474	$2,064,844	$4,707,149	$20,634,556	$56,967,333	$1,216,806,500
Access Flowback	$126,392,919	$1,860,632	$4,165,110	$17,525,050	$49,263,966	$1,009,496,680
Rates						
EUCL						
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
MLB	$8.29	$5.50	$6.12	$7.36	$7.16	$6.68
BFP	$8.29	$5.50	$6.12	$7.36	$7.16	$6.80
PSL						
SL Res/Bus	$0.75	$0.75	$0.75	$0.75	$0.75	$0.75
2nd Line/home	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
MLB	$4.50	$4.50	$4.50	$4.50	$4.50	$4.38
Orig MOU	$0.0353	$0.0199	$0.0291	$0.0262	$0.0296	$0.0235
Term MOU	$0.0172	$0.0148	$0.0158	$0.0142	$0.0149	$0.0104
Average MOU Rate	$0.0253	$0.0171	$0.0218	$0.0196	$0.0215	$0.0163

7/1/99	Summary	Scenario Modeled	Prod. Factor =	5.3%				
	Ameritech	BA	NYNEX	BS	SBC	PAC	USW	Citizens
Revenues								
Usage	$598,727,675	$664,767,227	$1,250,904,950	$801,645,015	$431,723,940	$409,742,497	$661,833,077	$56,320,188
PSL	$350,097,589	$507,556,795	$630,524,243	$768,337,225	$403,078,100	$213,999,706	$495,587,583	$24,152,655
EUCL	$1,073,850,014	$1,237,040,078	$1,078,710,852	$1,393,674,726	$864,961,914	$805,391,586	$939,617,340	$48,156,430
Sub Total	$2,022,675,278	$2,409,364,099	$2,960,140,045	$2,963,656,966	$1,699,763,955	$1,429,133,788	$2,097,038,000	$128,629,272
Other Interstate Access	$684,193,380	$852,696,967	$631,113,707	$767,865,707	$670,045,313	$422,671,842	$564,700,251	$20,603,711
Total Access	$2,706,868,658	$3,262,061,066	$3,591,253,753	$3,731,522,673	$2,369,809,268	$1,851,805,630	$2,661,738,251	$149,232,984
PC Reduction	$72,257,274	$87,077,605	$95,865,090	$99,609,435	$63,259,796	$49,432,183	$71,052,561	$5,295,360
TIC Reduction Complete	TIC Eliminated	TIC Eliminated		TIC Eliminated		TIC Eliminated	TIC Eliminated	
Universal Service Obligation								
Net USF Funding	$215,141,138	$220,008,737	$154,670,531	$41,033,141	$83,399,688	$198,195,192	$54,637,836	($49,139,351)
Access Flowback	$170,487,626	$169,466,471	$129,615,148	$34,717,145	$65,460,297	$170,643,661	$44,486,890	($43,844,727)
Rates								
EUCL								
SL Res/Bus	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50	$3.50
2nd Line/Home	$5.40	$5.97	$6.14	$6.14	$6.14	$5.31	$6.14	$6.14
MLB	$5.40	$5.97	$7.38	$7.90	$6.53	$5.31	$7.26	$7.25
BFP	$5.40	$5.97	$7.38	$7.90	$6.53	$5.31	$7.26	$7.25
PSL								
SL Res/Bus	$1.27	$1.27	$1.27	$1.27	$1.27	$1.27	$1.27	$1.27
2nd Line/home	$2.54	$2.54	$2.54	$2.54	$2.54	$2.54	$2.54	$2.54
MLB	$3.45	$4.54	$6.12	$6.12	$5.02	$3.01	$6.12	$6.12
Orig MOU	$0.0099	$0.0080	$0.0268	$0.0117	$0.0089	$0.0095	$0.0101	$0.0222
Term MOU	$0.0099	$0.0080	$0.0140	$0.0086	$0.0089	$0.0095	$0.0101	$0.0175
Average MOU Rate	$0.0099	$0.0080	$0.0198	$0.0100	$0.0089	$0.0095	$0.0101	$0.0196