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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
) CC Docket No. 97-149
1997 Annual Access)
Tariff Filings)

DIRECT CASE OF
THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

I. INTRODUCTION

The Southern New England Telephone Company ("SNET") submits this Direct Case in response to the Common Carrier Bureau of the Federal Communications Commission's ("Commission's") Designation Order.¹

In this Direct Case, SNET provides detailed information on investigation issues regarding common line costs and equal access exogenous cost changes. SNET also demonstrates that its equal access exogenous cost adjustment has been calculated correctly, as required by the Commission.² In addition, SNET demonstrates the accuracy of its base factor portion ("BFP") projections, in conjunction with projected end user common line ("EUCL") demand, used in part to determine the interstate subscriber line charge ("SLC"). The Direct Case explains fully any forecast that deviates from the

¹ In the Matter of 1997 Annual Access Tariff Filings, Order Designating Issues for Investigation; Memorandum Opinion and Order on Reconsideration, CC Docket No. 97-149, DA 97-1609 (Common Carrier Bureau), released July 28, 1997, ("Designation Order"). See also Public Notice, "Common Carrier Bureau Grants United States Telephone Association Petition for Extension of Time in 1997 Annual Access Tariff Filings," DA 97-1724, released August 13, 1997.

² Designation Order at para. 44. See also 1997 Annual Access Suspension Order at paras. 23 - 36.

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historical cost or demand trend, as well as significant differences between the actual result and predictions produced by forecast models used in recent annual filings.³

II. SNET CALCULATED ITS BFP REVENUE REQUIREMENTS PROPERLY.

SNET's projected BFP revenue requirements used in its 1997 Annual Access tariff filing is fully consistent with the trend of SNET's actual BFP revenue requirements. Pursuant to Paragraph 16 of the Designation Order, this Direct Case presents the following information: 1) SNET's actual BFP revenue requirements for each calendar year and tariff year between the 1991-1992 tariff and calendar years and the 1996-1997 tariff and calendar years,⁴ and projected BFP revenue requirements filed in each year's TRP for the same period;⁵ 2) a BFP revenue requirement comparison by tariff year;⁶ 3) a summary of actual calendar year BFP adjusted for FCC rule changes;⁷ and 4) documentation explaining the methodology that SNET used to compute its BFP revenue requirement projection for tariff year 1997-1998.⁸

The Commission also requires SNET to explain fully any significant differences between each annual BFP revenue requirement projection and SNET's actual annual BFP revenue requirement.⁹ The Commission had determined that "significant" means a

³ In the Matter of 1997 Annual Access Tariff Filings, National Exchange Carrier Association Universal Service Fund and Lifeline Assistance Rates, CC Docket No. 97-149, Memorandum Opinion and Order, DA 97-1350 (Common Carrier Bureau), released June 27, 1997 ("1997 Annual Access Suspension Order"), paras. 3 - 7.

⁴ See Workpapers BFP-1 and BFP-2.

⁵ See Workpaper BFP-3.

⁶ Id.

⁷ See Workpapers BFP-4 and BFP-6.

⁸ See Workpaper BFP-7.

⁹ Designation Order at paras. 17 - 18. See Workpaper BFP-3.

difference of 10% of the percentage change actually realized.¹⁰ In this Direct Case, SNET provides statistical test results demonstrating that its forecast deviations are not statistically significant.

As required by the Commission, SNET also provides the required explanation of any deviations in Exhibit 1.¹¹ SNET includes information that fully explains such deviations as being insignificant (i.e., only 0.1% beyond the 10% threshold), or as being the result of: 1) specific year-by-year factors such as marketing campaigns for particular customer services (e.g., Centralink 2100); or 2) the introduction of new end-user services such as Home Office which has increased second lines. The separate explanations required by the Commission for each individual class of lines demonstrate that SNET's projections are consistent with historical trends. Therefore, the BFP and access line estimates underlying the Common Line rate development are reasonable and fully substantiated.

III. END USER DEMAND

Exhibits 2-10, Exhibit 13, and Exhibit 14 provide further information required by the Commission in the Designation Order. Specifically, SNET provides information on: 1) the past actual average number of total billable access lines, multi-line business lines, residential and single-line business lines, for the past six tariff years, and the projections of these lines filed for each of these tariff years; 2) the number of semi-public payphones that, prior to the Payphone Reconsideration Order,¹² SNET charged single-line business

¹⁰ Id. at para. 31. This number is simply an arbitrary threshold, which is especially inappropriate as applied to small and medium sized price cap Local Exchange Companies ("LECs") whose base is much smaller than that of the Regional Bell Operating Companies ("BOCs"). In addition, it is not reasonable for the Commission to categorize any small variation beyond 10% (or even as little as 10.01%) as outside the bounds of reasonableness.

¹¹ Designation Order, paras. 31 - 33.

¹² 11 FCC Rcd at 21323-21324.

EUCL charges, but will now charge multi-line business EUCL charges; and 3) the manner in which SNET is treating ISDN lines in its 1997-1998 projections.

IV. SNET PROPERLY ACCOUNTED FOR THE COMPLETED AMORTIZATION OF EQUAL ACCESS EXPENSES AND CORRECTLY CALCULATED EQUAL ACCESS EXOGENOUS COSTS.

AT&T alleges that, based on the data in the 1990 Cost of Service No. 5 Report (COS-5), SNET understated its equal access exogenous cost adjustment by approximately \$2.1 million. As explained fully below, it appears that the discrepancy between SNET's 1990 COS-5 form and its stated exogenous cost can be explained by SNET's specific circumstances relative to its equal access mandate and the manner in which SNET completed the 1990 report. Although, technically, SNET's 1990 COS-5 Report may have been non-standard, it is clear that SNET's equal access exogenous cost is correct as filed in Transmittal 692.

In its Recommended Decision and Order, released October 8, 1985, the Federal-State Joint Board recommended that "that equal access costs be defined for separations purposes, to include only initial incremental presubscription costs, and initial incremental expenditures for hardware and software related directly to the provision of equal access which would not be required to upgrade the switching capabilities of the office involved absent the provision of equal access"¹³ The Board went on to state that

¹³ In the Matter of MTS and WATS Market Structure, CC Docket No. 78-72; In the Matter of Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, Recommended Decision and Order, at 1 (released Oct. 8, 1985) ("Recommended Decision and Order").

“(e)xpenditures for equal access related software and hardware not associated with the initial conversion to equal access will . . . be excluded from the separate equal access category.”¹⁴ SNET’s equal access mandate and initial equal access implementation expenses were limited to the conversion of lines served by then-existing stored program control offices. On April 22, 1987, the Commission issued a Memorandum Opinion and Order,¹⁵ accepting SNET’s equal access conversion schedule for stored program control lines.

SNET completed the conversion of its stored program controlled lines to equal access by March 31, 1988 and submitted its final initial equal access report to the Commission. On April 14, 1988 the Commission released a public notice stating, in effect, that SNET had fulfilled the Commission’s requirements for equal access conversion. Even though expenses associated with this mandated equal access conversion of stored program control lines were amortized over an eight year period ending December 31, 1993,¹⁶ expenses were no longer incurred for this initial conversion after 1988 (100% of SNET’s stored program control lines had been converted as of March 31, 1988). Upon fulfillment of the Commission’s initial equal access conversion requirements, and as part of its overall modernization program, SNET

¹⁴ Id. at 1, fn. 1.

¹⁵ In the Matter of Implementation of Equal Access by The Southern New England Telephone Company, Memorandum Opinion and Order, FCC 87-128 (released April 22, 1987) (“Memorandum Opinion and Order”).

¹⁶ See Memorandum Opinion and Order.

converted non stored program controlled offices to equal access. Costs associated with this subsequent equal access conversion were expensed in the year in which they were incurred.

In calculating its initial equal access exogenous cost revenue requirement, SNET included only equal access expenses from prior periods because those costs were associated with its initial equal access conversion and were amortized, as instructed by the Commission in its Access Reform Order.¹⁷ The equal access costs associated with its overall modernization program that were expensed in the year in which they were incurred were entered as “current” period in the COS-5.

The instructions for completing the COS-5 clearly identify the line on which to report amortized expenses from prior periods. SNET complied by providing the amortized expenses mandated by the Commission for initial equal access conversion of its stored program control offices. In its zeal to fully disclose all equal access expenses (initial and subsequent), SNET also reported the directly expensed costs associated with the conversion of its non stored program control offices on the “current period” line of the COS-5.

SNET is in compliance and has properly computed its initial equal access exogenous cost revenue requirement. In its Access Charge Reform Order, the Commission directs “price cap LECs to make a downward exogenous adjustment . . . to account for the completed amortization of equal access expenses.” (emphasis added).

¹⁷ In the Matter of Access Charge Reform, First Report and Order, CC Docket No. 96-262 (released May 16, 1997) (“Access Charge Order”).

SNET calculated its initial equal access exogenous cost revenue requirement per the Commission's directive. All amortized non-capitalized expenses associated with SNET's initial equal access conversion, completed in 1988, have been reflected in the calculation of SNET's initial equal access exogenous cost revenue requirement. The Commission ordered the removal of amortized equal access expenses, not expenses that were directly expensed in the year in which they were incurred and were part of the normal cost of doing business. There has been no miscalculation.

V. A PRICE CAP INDEX ADJUSTMENT RATHER THAN THE PROPOSED "R" OR REVENUE ADJUSTMENT IS THE PROPER METHOD AND MORE REASONABLE TO FULLY REMOVE AMORTIZED EQUAL ACCESS EXPENSES FROM CURRENT RATES.

As part of SNET's 1997 Annual Access Tariff filing, Transmittal No. 692, filed June 16, 1997, SNET adjusted its equal access cost by multiplying the equal access revenue requirement by the ratio of the current (i.e., the recalibrated June 30, 1997) Traffic Sensitive Price Cap Index ("PCI") over SNET's initial 1991 Traffic Sensitive PCI.¹⁸ This adjustment was both necessary and appropriate to account for the significant reduction in SNET's local switching prices and revenues driven by the application of the Commission's annual productivity offsets ("X-factors").¹⁹ Indeed, since SNET's election into price caps, SNET's local switching per minute revenues have continued to decline in concert with a reduction in SNET's Traffic Sensitive ("TS") PCI of almost 20%.

¹⁸ SNET Transmittal No. 692, June 16, 1997, Workpaper EACR-1 and Description and Justification 2-2.

¹⁹ See Petition of The Southern New England Telephone Company for Waiver and/or Amendment of Part 61 of the Commission's Rules Establishing an "X-Factor" of 6.5%, filed August 13, 1997.

The proposal to use the initial equal access revenue requirement as a “Delta Z” adjustment²⁰ applied against the current-year, significantly reduced PCI value would force an inappropriately large percentage reduction in SNET’s TS PCI. In any event, SNET should not be required to increase its original equal access exogenous cost requirement by revenue growth without an offsetting adjustment for SNET’s PCI reductions since 1991.²¹ AT&T argues that SNET must remove and forego any revenue the same percentage of its current TS revenues that its 1990 equal access costs represented to its 1990 TS revenues.²² This proposal lacks both logic and fairness. LECs should not be penalized by negative adjustments for mandated PCI reductions and revenue growth. As shown in the attached example, the use of a higher Delta Z amount applied to the existing PCI (t-1) of 82.7337 (as contrasted with SNET’s 1991 PCI (t-1) of 100.0), requires a significantly larger PCI reduction in both nominal and percentage terms.²³

While the use of an “R” value adjustment is appropriate for the reversal of sharing and for a lower formula adjustment (“LFAM”), it is not appropriate to remove amortized costs.²⁴ As AT&T has noted, LECs are required to reverse the effects of LFAM and

²⁰ 47 C. F. R. § 61.45

²¹ Exhibit 15 responds to the request in the Designation Order at para. 43 to provide local switching revenue from the initial price cap filing in 1991 and June 1997.

²² Designation Order at para. 39.

²³ See Exhibit 11.

²⁴ Designation Order at paras. 39 - 42.

sharing adjustments “to restore the status quo.” (emphasis added).²⁵ That is precisely the point: sharing and LFAM adjustments are temporary, one-time events. LEC PCIs are, in effect, modified by these adjustments without any assumptions about prior periods’ sharing or LFAM adjustments. In contrast, removal of equal access expenses is intended to change the status quo and remove the effect of such expenses from LEC rates once and for all. This change is permanent and is comparable to other cost amortizations approved by the Commission (e.g., inside wire and depreciation reserve deficiencies). It is not comparable to a sharing or LFAM adjustment.

²⁵ Opposition filing by AT&T to SNET’s 1997 Annual Access Tariff Filing, Transmittal No. 692, June 23, 1997, p. 11 and fn. 14.

VI. CONCLUSION

SNET has fully substantiated the supporting data used in its 1997 Annual Access Tariff filing for its BFP estimates underlying Common Line rate development and has correctly calculated equal access amortization costs associated with exogenous cost changes. Therefore, SNET's 1997 Annual Access Tariff filing, Transmittal No. 692 is in compliance with the Commission's rules.

Respectfully submitted,

THE SOUTHERN NEW ENGLAND
TELEPHONE COMPANY

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September 2, 1997

List of Exhibits

Workpaper BFP-1	Actual BFP Revenue Requirement by Calendar Year - 1991
Workpaper BFP-2	Actual BFP Revenue Requirement by Tariff Year - 1991
Workpaper BFP-3	BFP Revenue Requirement Comparison by Tariff Year
Workpaper BFP-4	Actual Calendar BFP Adjusted for FCC Rule Changes SNET's 1997 BFP Revenue Requirement Development
Workpaper BFP-5	Actual Calendar BFP Adjusted for FCC Rule Changes
Workpaper BFP-6	Payphone Impact Adjusted for Payphone Loop FCC Rule Change
WP - Regression 1	Comparison of BFP Forecase Included in 1997 Annual Filing to Forecast Based on Regression Analysis
WP - Regression 2	BFP Revenue Requirement Regression Analysis - Actual BFP Revenue Requirement Adjusted for SPF Transition and GSF as Reflected on Workpaper BFP-5 (1994-1996)
WP - Regression 3	BFP Revenue Requirement Regression Analysis - Actual BFP Revenue Requirement Adjusted for SPF Transition and GSF as Reflected on Workpaper BFP-5 (1992-1996)
WP - Payphone	Pay Telephone Revenue Requirement - 1996
Exhibit 1	SNET's Response to Paragraphs 31 -33 of <u>Designation Order</u> (includes explanation of deviations)
Exhibit 2	End User Access Lines In-Service Forecasts vs. Actuals
Exhibit 3	Billable Access Lines Regression Analysis: Residence Switched Access Lines
Exhibit 4	Billable Access Lines Regression Analysis: Residence Switched Access Lines - Logged
Exhibit 5	Billable Access Lines Regression Analysis: Single Line Business Switched Access Lines

Exhibit 6	Billable Access Lines Regression Analysis: Single Line Business Switched Access Lines - Logged
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Exhibit 8	Billable Access Lines Regression Analysis: Multi-Business Switched Access Lines - Logged
Exhibit 9	Billable Access Lines Regression Analysis: Total Switched Access Lines
Exhibit 10	Billable Access Lines Regression Analysis: Total Switched Access Lines - Logged
Exhibit 11	Summary illustrating use of Higher Delta Z
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Exhibit 13	Semi-Public Payphone SLC Charge
Exhibit 14	Total 1997 - 1998 Forecasted ISDN Lines
Exhibit 15	Local Switching Band Revenue

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY CALENDAR YEAR
1991

WORKPAPER BFP - 1

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		COMMON LINE		
		(K)	(M)	
		91	91	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 209,651,000	\$ 214,754,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 X L2	\$ 23,585,738	\$ 24,159,825
L4	Fixed Charges	ARMIS L 1510	\$ 7,701,000	\$ 7,921,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,501,000)	\$ (1,537,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,352,000	\$ 1,396,000
L7	ITC Amortization	ARMIS L 1540	\$ 746,000	\$ 772,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 6,975,986	\$ 7,123,122
L10	State and Local Income	See Note B	\$ 3,691,922	\$ 3,774,699
L11	Other State and Local	ARMIS L 1420	\$ 5,270,112	\$ 5,663,000
L12	Total Other Taxes	L10 + L11	\$ 8,962,034	\$ 9,437,699
L13	Plant Specific Expenses	ARMIS L 1120	\$ 24,770,000	\$ 28,039,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 16,860,000	\$ 17,350,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 3,503,000	\$ 3,618,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 2,697,000	\$ 2,907,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 11,638,000	\$ 12,641,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 21,246,000	\$ 22,179,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 37,000	\$ 37,000
L20	Total Operating Expenses	L13 TO L19	\$ 80,751,000	\$ 86,771,000
L21	Expenses Less Depreciation	L20 - L18	\$ 59,505,000	\$ 64,592,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 788,237	\$ 847,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 1,056,256	\$ 1,135,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ (11,000)	\$ (11,000)
L25	Non-Operating Items	ARMIS L 1390	\$ 174,000	\$ 178,000
L26	Revenue Requirement	L20+L12+L9+L3+L23-L22-L24+L25	\$ 120,727,776	\$ 127,968,646
L27	Long Term Support	ARMIS L 1970	\$ -	\$ (6,549,000)
L28	Revenue Requirement	L26 - L27	\$ 120,727,776	\$ 134,517,646

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)]-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY CALENDAR YEAR
1992

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		COMMON LINE		
		(K)	(M)	
		92	92	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$201,880,000	\$ 207,466,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 X L2	\$ 22,711,500	\$ 23,339,925
L4	Fixed Charges	ARMIS L 1510	\$ 6,867,000	\$ 7,093,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,569,000)	\$ (1,613,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,227,000	\$ 1,268,000
L7	ITC Amortization	ARMIS L 1540	\$ 740,000	\$ 766,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 6,864,924	\$ 7,031,295
L10	State and Local Income	See Note B	\$ 3,289,078	\$ 3,372,277
L11	Other State and Local	ARMIS L 1420	\$ 4,844,634	\$ 5,225,000
L12	Total Other Taxes	L10 + L11	\$ 8,133,712	\$ 8,597,277
L13	Plant Specific Expenses	ARMIS L 1120	\$ 21,680,000	\$ 24,732,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 14,435,000	\$ 14,856,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 3,793,000	\$ 3,918,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 2,831,000	\$ 3,078,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 9,399,000	\$ 10,260,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 19,674,000	\$ 20,611,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 87,000	\$ 89,000
L20	Total Operating Expenses	L13 TO L19	\$ 71,899,000	\$ 77,544,000
L21	Expenses Less Depreciation	L20 - L18	\$ 52,225,000	\$ 56,933,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 593,410	\$ 640,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 1,087,609	\$ 1,173,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ 51,000	\$ 53,000
L25	Non-Operating Items	ARMIS L 1390	\$ 363,000	\$ 375,000
L26	Revenue Requirement	L20+L12+L9+L3+L23-L22-L24+L25	\$110,415,335	\$ 117,367,497
L27	Long Term Support	ARMIS L 1970	\$ -	\$ (7,358,000)
L28	Revenue Requirement	L26 - L27	\$110,415,335	\$ 124,725,497

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)]-L7-L8

Note B: L10 = [(L3 -L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY CALENDAR YEAR
1993

WORKPAPER BFP - 1

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		COMMON LINE	
		(K)	(M)
		93	93
		BFP	TOTAL
L1 Average Net Investment	ARMIS L 1910	\$ 229,164,000	\$ 234,493,000
L2 Authorized Rate of Return		0.1125	0.1125
L3 Net Return	L1 X L2	\$ 25,780,950	\$ 26,380,463
L4 Fixed Charges	ARMIS L 1510	\$ 7,335,000	\$ 7,534,000
L5 IRS Income Adjustment	ARMIS L 1520	\$ (2,472,000)	\$ (2,529,000)
L6 FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,852,000	\$ 1,901,000
L7 ITC Amortization	ARMIS L 1540	\$ 985,000	\$ 1,011,000
L8 FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9 Total Federal Income Taxes	See Note A	\$ 7,690,641	\$ 7,853,450
L10 State and Local Income	See Note B	\$ 3,366,726	\$ 3,439,997
L11 Other State and Local	ARMIS L 1420	\$ 5,724,419	\$ 6,061,000
L12 Total Other Taxes	L10 + L11	\$ 9,091,145	\$ 9,500,997
L13 Plant Specific Expenses	ARMIS L 1120	\$ 28,911,000	\$ 31,735,000
L14 Plant Non-specific Expenses	ARMIS L 1130	\$ 14,579,000	\$ 14,973,000
L15 Customer Operations Marketing Expenses	ARMIS L 1140	\$ 5,163,000	\$ 5,303,000
L16 Customer Operations Services Expenses	ARMIS L 1150	\$ 3,304,000	\$ 3,540,000
L17 Corporate Operations Expenses	ARMIS L 1160	\$ 11,962,000	\$ 12,808,000
L18 Depreciation/Amortization Expenses	ARMIS L 1180	\$ 25,995,000	\$ 26,843,000
L19 FCC Expenses Adjustment	ARMIS L 1185	\$ 22,000	\$ 22,000
L20 Total Operating Expenses	L13 TO L19	\$ 89,936,000	\$ 95,224,000
L21 Expenses Less Depreciation	L20 - L18	\$ 63,941,000	\$ 68,381,000
L22 Miscellaneous Revenues	ARMIS L 1040	\$ 515,679	\$ 546,000
L23 Uncollectible Revenues	ARMIS L 1060	\$ 806,575	\$ 854,000
L24 Other Operating Income/Loss	ARMIS L 1290	\$ 234,000	\$ 241,000
L25 Non-Operating Items	ARMIS L 1390	\$ 126,000	\$ 130,000
L26 Revenue Requirement	L20+L12+L9+L3+L23-L22-L24+L25	\$ 132,681,632	\$ 139,155,910
L27 Long Term Support	ARMIS L 1970	\$ -	\$ (6,107,000)
L28 Revenue Requirement	L26 - L27	\$ 132,681,632	\$ 145,262,910

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY CALENDAR YEAR
1994

WORKPAPER BFP - 1

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		COMMON LINE		
		(K)	(M)	
		94	94	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 239,424,000	\$ 245,613,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 X L2	\$ 26,935,200	\$ 27,631,463
L4	Fixed Charges	ARMIS L 1510	\$ 6,108,000	\$ 6,287,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,073,000)	\$ (1,099,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,610,000	\$ 1,658,000
L7	ITC Amortization	ARMIS L 1540	\$ 921,000	\$ 949,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 9,610,345	\$ 9,845,723
L10	State and Local Income	See Note B	\$ 4,086,863	\$ 4,189,071
L11	Other State and Local	ARMIS L 1420	\$ 5,552,733	\$ 5,898,000
L12	Total Other Taxes	L10 + L11	\$ 9,639,596	\$ 10,087,071
L13	Plant Specific Expenses	ARMIS L 1120	\$ 30,668,000	\$ 33,912,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 15,086,000	\$ 15,529,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 6,197,000	\$ 6,379,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 3,838,000	\$ 4,040,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 14,991,000	\$ 16,105,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 28,496,000	\$ 29,484,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 1,000	\$ 1,000
L20	Total Operating Expenses	L13 TO L19	\$ 99,277,000	\$ 105,450,000
L21	Expenses Less Depreciation	L20 - L18	\$ 70,781,000	\$ 75,966,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 581,823	\$ 618,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 719,276	\$ 764,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ 17,000	\$ 17,000
L25	Non-Operating Items	ARMIS L 1390	\$ 122,000	\$ 126,000
L26	Revenue Requirement	L20+L12+L9+L3+L23-L22-L24+L25	\$ 145,704,595	\$ 153,269,257
L27	Long Term Support	ARMIS L 1970	\$ -	\$ (5,293,000)
L28	Revenue Requirement	L26 - L27	\$ 145,704,595	\$ 158,562,257

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY CALENDAR YEAR
1995

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		COMMON LINE		
		(K)	(M)	
		95	95	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 219,097,000	\$225,613,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 X L2	\$ 24,648,413	\$ 25,381,463
L4	Fixed Charges	ARMIS L 1510	\$ 5,897,000	\$ 6,068,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,633,000)	\$ (1,678,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,606,000	\$ 1,652,000
L7	ITC Amortization	ARMIS L 1540	\$ 762,000	\$ 784,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 8,910,068	\$ 9,179,403
L10	State and Local Income	See Note B	\$ 3,328,523	\$ 3,428,782
L11	Other State and Local	ARMIS L 1420	\$ 5,390,811	\$ 5,717,000
L12	Total Other Taxes	L10 + L11	\$ 8,719,334	\$ 9,145,782
L13	Plant Specific Expenses	ARMIS L 1120	\$ 29,288,000	\$ 32,458,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 13,650,000	\$ 14,049,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 6,540,000	\$ 6,731,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 5,429,000	\$ 5,585,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 17,455,000	\$ 18,669,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 28,777,000	\$ 29,767,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 4,000	\$ 4,000
L20	Total Operating Expenses	L13 TO L19	\$ 101,143,000	\$ 107,263,000
L21	Expenses Less Depreciation	L20 - L18	\$ 72,366,000	\$ 77,496,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 650,631	\$ 690,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 565,766	\$ 600,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ (773,000)	\$ (795,000)
L25	Non-Operating Items	ARMIS L 1390	\$ 171,000	\$ 176,000
L26	Revenue Requirement	L20+L12+L9+L3+L23-L22-L24+L25	\$ 144,279,950	\$ 151,850,647
L27	Long Term Support	ARMIS L 1970	\$ -	\$ (5,089,000)
L28	Revenue Requirement	L26 - L27	\$ 144,279,950	\$ 156,939,647

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)]-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operatoring Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY CALENDAR YEAR
1996

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		COMMON LINE		
		(I)	(K)	(M)
		96	96	96
		PAYPHONE	BFP	TOTAL
L1 Average Net Investment	ARMIS L 1910	\$ 6,783,000	\$ 220,664,000	\$ 227,447,000
L2 Authorized Rate of Return		0.1125	0.1125	0.1125
L3 Net Return	L1 X L2	\$ 763,088	\$ 24,824,700	\$ 25,587,788
L4 Fixed Charges	ARMIS L 1510	\$ 166,000	\$ 5,780,000	\$ 5,946,000
L5 IRS Income Adjustment	ARMIS L 1520	\$ (45,000)	\$ (1,431,000)	\$ (1,476,000)
L6 FCC Taxable Income Adjustment	ARMIS L 1530	\$ 41,000	\$ 1,428,000	\$ 1,469,000
L7 ITC Amortization	ARMIS L 1540	\$ 17,000	\$ 555,000	\$ 572,000
L8 FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -	\$ -
L9 Total Federal Income Taxes	See Note A	\$ 293,201	\$ 9,399,377	\$ 9,692,578
L10 State and Local Income	See Note B	\$ 112,346	\$ 3,605,207	\$ 3,717,553
L11 Other State and Local	ARMIS L 1420	\$ 342,999	\$ 5,689,001	\$ 6,032,000
L12 Total Other Taxes	L10 + L11	\$ 455,345	\$ 9,294,208	\$ 9,749,553
L13 Plant Specific Expenses	ARMIS L 1120	\$ 3,198,000	\$ 34,249,000	\$ 37,447,000
L14 Plant Non-specific Expenses	ARMIS L 1130	\$ 412,000	\$ 14,386,000	\$ 14,798,000
L15 Customer Operations Marketing Expenses	ARMIS L 1140	\$ 194,000	\$ 6,721,000	\$ 6,915,000
L16 Customer Operations Services Expenses	ARMIS L 1150	\$ 47,000	\$ 4,321,000	\$ 4,368,000
L17 Corporate Operations Expenses	ARMIS L 1160	\$ 818,000	\$ 11,780,000	\$ 12,598,000
L18 Depreciation/Amortization Expenses	ARMIS L 1180	\$ 1,571,000	\$ 32,035,000	\$ 33,606,000
L19 FCC Expenses Adjustment	ARMIS L 1185	\$ -	\$ 5,000	\$ 5,000
L20 Total Operating Expenses	L13 TO L19	\$ 6,240,000	\$ 103,497,000	\$ 109,737,000
L21 Expenses Less Depreciation	L20 - L18	\$ 4,669,000	\$ 71,462,000	\$ 76,131,000
L22 Miscellaneous Revenues	ARMIS L 1040	\$ 59,763	\$ 991,237	\$ 1,051,000
L23 Uncollectible Revenues	ARMIS L 1060	\$ 90,697	\$ 1,504,303	\$ 1,595,000
L24 Other Operating Income/Loss	ARMIS L 1290	\$ (8,000)	\$ (239,000)	\$ (247,000)
L25 Non-Operating Items	ARMIS L 1390	\$ (23,000)	\$ (789,000)	\$ (812,000)
L26 Revenue Requirement	L20+L12+L9+L3+L23-L22-L24+L25	\$ 7,767,568	\$ 146,978,351	\$ 154,745,919
L27 Long Term Support	ARMIS L 1970	\$ -	\$ -	\$ (5,544,000)
L28 Revenue Requirement	L26 - L27	\$ 7,767,568	\$ 146,978,351	\$ 160,289,919

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY TARIFF YEAR
1991 - 1992

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		COMMON LINE	
		(K)	(M)
		91-92	91-92
		BFP	TOTAL
L1 Average Net Investment	ARMIS L 1910	\$ 206,553,000	\$ 211,937,000
L2 Authorized Rate of Return		0.1125	0.1125
L3 Net Return	L1 x L2	\$ 23,237,213	\$ 23,842,913
L4 Fixed Charges	ARMIS L 1510	\$ 7,346,000	\$ 7,588,000
L5 IRS Income Adjustment	ARMIS L 1520	\$ (1,523,000)	\$ (1,563,000)
L6 FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,182,000	\$ 1,221,000
L7 ITC Amortization	ARMIS L 1540	\$ 685,000	\$ 709,000
L8 FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9 Total Federal Income Taxes	See Note A	\$ 6,972,837	\$ 7,123,319
L10 State & Local Taxes	See Note B	\$ 3,605,778	\$ 3,687,935
L11 Other State & Local Taxes	ARMIS L 1420	\$ 4,681,716	\$ 5,612,000
L12 Total State Income Taxes	L10+L11	\$ 8,287,494	\$ 9,299,935
L13 Plant Specific Expenses	ARMIS L 1120	\$ 15,728,000	\$ 26,821,000
L14 Plant Non-specific Expenses	ARMIS L 1130	\$ 15,732,000	\$ 16,189,000
L15 Customer Operations Marketing Expenses	ARMIS L 1140	\$ 3,643,000	\$ 3,763,000
L16 Customer Operations Services Expenses	ARMIS L 1150	\$ 2,774,000	\$ 3,006,000
L17 Corporate Operations Expenses	ARMIS L 1160	\$ 10,680,000	\$ 11,632,000
L18 Depreciation/Amortization Expenses	ARMIS L 1180	\$ 20,745,000	\$ 21,677,000
L19 FCC Expenses Adjustment	ARMIS L 1185	\$ 87,000	\$ 89,000
L20 Total Operations Expenses	Sum of L13 to L19	\$ 69,389,000	\$ 83,177,000
L21 Expenses Less Depreciation	L20-L18	\$ 48,644,000	\$ 61,500,000
L22 Miscellaneous Revenues	ARMIS L 1040	\$ 669,055	\$ 802,000
L23 Uncollectible Revenues	ARMIS L 1060	\$ 1,243,841	\$ 1,491,000
L24 Other Operating Income/Loss	ARMIS L 1290	\$ (11,000)	\$ (11,000)
L25 Total Non-operating Items	ARMIS L 1390	\$ 334,000	\$ 345,000
L26 Revenue Requirement	L3+L9+L12+L20-L22+L23-L24+L25	\$ 108,806,330	\$ 124,488,166
L27 Long Term Support	ARMIS L1970	\$ -	\$ (6,778,000)
L28 Revenue Requirement		\$ 108,806,330	\$ 117,710,166

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY TARIFF YEAR
1992 - 1993

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		COMMON LINE		
		(K)	(M)	
		92-93	92-93	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 215,942,000	\$ 221,318,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 x L2	\$ 24,293,475	\$ 24,898,275
L4	Fixed Charges	ARMIS L 1510	\$ 6,558,000	\$ 6,763,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,790,000)	\$ (1,837,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,195,000	\$ 1,233,000
L7	ITC Amortization	ARMIS L 1540	\$ 848,000	\$ 875,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 7,545,093	\$ 7,705,505
L10	State & Local Taxes	See Note B	\$ 3,183,548	\$ 3,254,635
L11	Other State & Local Taxes	ARMIS L 1420	\$ 4,702,559	\$ 5,039,000
L12	Total State Income Taxes	L10+L11	\$ 7,886,107	\$ 8,293,635
L13	Plant Specific Expenses	ARMIS L 1120	\$ 21,724,000	\$ 24,560,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 14,796,000	\$ 15,207,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 3,962,000	\$ 4,086,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 3,035,000	\$ 3,298,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 9,460,000	\$ 10,261,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 21,091,000	\$ 21,957,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 26,000	\$ 26,000
L20	Total Operations Expenses	Sum of L13 to L19	\$ 74,094,000	\$ 79,395,000
L21	Expenses Less Depreciation	L20-L18	\$ 53,003,000	\$ 57,438,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 548,741	\$ 588,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 821,245	\$ 880,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ 205,000	\$ 212,000
L25	Total Non-operating Items	ARMIS L 1390	\$ 358,000	\$ 370,000
L26	Revenue Requirement	L3+L9+L12+L20-L22+L23-L24+L25	\$ 114,244,179	\$ 120,742,415
L27	Long Term Support	ARMIS L1970	\$ -	\$ (7,241,000)
L28	Revenue Requirement		\$ 114,244,179	\$ 113,501,415

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY TARIFF YEAR
1993 - 1994

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		COMMON LINE		
		(K)	(M)	
		93-94	93-94	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 236,520,000	\$ 242,664,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 x L2	\$ 26,608,500	\$ 27,299,700
L4	Fixed Charges	ARMIS L 1510	\$ 7,227,000	\$ 7,421,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,405,000)	\$ (1,435,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,977,000	\$ 2,030,000
L7	ITC Amortization	ARMIS L 1540	\$ 999,000	\$ 1,026,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 9,207,269	\$ 9,445,838
L10	State & Local Taxes	See Note B	\$ 3,731,840	\$ 3,828,943
L11	Other State & Local Taxes	ARMIS L 1420	\$ 6,008,971	\$ 6,356,000
L12	Total State Income Taxes	L10+L11	\$ 9,740,811	\$ 10,184,943
L13	Plant Specific Expenses	ARMIS L 1120	\$ 33,112,000	\$ 36,232,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 14,979,000	\$ 15,407,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 6,140,000	\$ 6,308,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 3,630,000	\$ 3,836,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 13,452,000	\$ 14,393,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 29,229,000	\$ 30,173,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 9,000	\$ 9,000
L20	Total Operations Expenses	Sum of L13 to L19	\$ 100,551,000	\$ 106,358,000
L21	Expenses Less Depreciation	L20-L18	\$ 71,322,000	\$ 76,185,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 506,735	\$ 536,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 765,775	\$ 810,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ 60,000	\$ 52,000
L25	Total Non-operating Items	ARMIS L 1390	\$ 133,000	\$ 137,000
L26	Revenue Requirement	L3+L9+L12+L20-L22+L23-L24+L25	\$ 146,439,620	\$ 153,647,481
L27	Long Term Support	ARMIS L1970	\$ -	\$ (5,673,000)
L28	Revenue Requirement		\$ 146,439,620	\$ 147,974,481

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)]-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY TARIFF YEAR
1994 - 1995

WORKPAPER BFP - 2

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		COMMON LINE		
		(K)	(M)	
		94-95	94-95	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 227,059,000	\$ 233,445,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 x L2	\$ 25,544,138	\$ 26,262,563
L4	Fixed Charges	ARMIS L 1510	\$ 5,990,000	\$ 6,169,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,017,000)	\$ (1,042,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,693,000	\$ 1,743,000
L7	ITC Amortization	ARMIS L 1540	\$ 849,000	\$ 875,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 9,586,997	\$ 9,850,918
L10	State & Local Taxes	See Note B	\$ 3,815,838	\$ 3,921,845
L11	Other State & Local Taxes	ARMIS L 1420	\$ 5,429,137	\$ 5,781,000
L12	Total State Income Taxes	L10+L11	\$ 9,244,975	\$ 9,702,845
L13	Plant Specific Expenses	ARMIS L 1120	\$ 30,534,000	\$ 33,822,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 14,106,000	\$ 14,528,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 6,286,000	\$ 6,698,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 4,575,000	\$ 4,763,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 14,921,000	\$ 16,029,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 28,976,000	\$ 30,000,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ -	\$ -
L20	Total Operations Expenses	Sum of L13 to L19	\$ 99,398,000	\$ 105,840,000
L21	Expenses Less Depreciation	L20-L18	\$ 70,422,000	\$ 75,840,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 604,803	\$ 644,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 664,907	\$ 708,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ (706,000)	\$ (727,000)
L25	Total Non-operating Items	ARMIS L 1390	\$ 133,000	\$ 137,000
L26	Revenue Requirement	L3+L9+L12+L20-L22+L23-L24+L25	\$ 144,673,214	\$ 152,584,326
L27	Long Term Support	ARMIS L1970	\$ -	\$ (4,910,000)
L28	Revenue Requirement		\$ 144,673,214	\$ 147,674,326

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)]-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY TARIFF YEAR
1995 - 1996

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		COMMON LINE		
		(K)	(M)	
		95-96	95-96	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 220,820,000	\$ 227,242,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 x L2	\$ 24,842,250	\$ 25,564,725
L4	Fixed Charges	ARMIS L 1510	\$ 5,793,000	\$ 5,954,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (1,761,000)	\$ (1,811,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 1,513,000	\$ 1,555,000
L7	ITC Amortization	ARMIS L 1540	\$ 640,000	\$ 658,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 9,139,135	\$ 9,409,467
L10	State & Local Taxes	See Note B	\$ 3,488,076	\$ 3,590,920
L11	Other State & Local Taxes	ARMIS L 1420	\$ 5,595,095	\$ 5,940,000
L12	Total State Income Taxes	L10+L11	\$ 9,083,171	\$ 9,530,920
L13	Plant Specific Expenses	ARMIS L 1120	\$ 29,855,000	\$ 33,221,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 13,773,000	\$ 14,157,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 6,344,000	\$ 6,521,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 5,713,000	\$ 5,833,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 20,089,000	\$ 21,524,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 28,218,000	\$ 29,147,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 8,000	\$ 8,000
L20	Total Operations Expenses	Sum of L13 to L19	\$ 104,000,000	\$ 110,411,000
L21	Expenses Less Depreciation	L20-L18	\$ 75,782,000	\$ 81,264,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 794,051	\$ 843,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 685,729	\$ 728,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ (167,000)	\$ (172,000)
L25	Total Non-operating Items	ARMIS L 1390	\$ (240,000)	\$ (247,000)
L26	Revenue Requirement	L3+L9+L12+L20-L22+L23-L24+L25	\$ 146,883,233	\$ 154,726,113
L27	Long Term Support	ARMIS L1970	\$ -	\$ (5,303,000)
L28	Revenue Requirement		\$ 146,883,233	\$ 149,423,113

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor]-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
ACTUAL BFP REVENUE REQUIREMENT
BY TARIFF YEAR
1996 - 1997

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		COMMON LINE		
		(K)	(M)	
		96-97	96-97	
		BFP	TOTAL	
L1	Average Net Investment	ARMIS L 1910	\$ 229,685,000	\$ 234,834,000
L2	Authorized Rate of Return		0.1125	0.1125
L3	Net Return	L1 x L2	\$ 25,839,563	\$ 26,418,825
L4	Fixed Charges	ARMIS L 1510	\$ 5,652,000	\$ 5,794,000
L5	IRS Income Adjustment	ARMIS L 1520	\$ (317,000)	\$ (314,000)
L6	FCC Taxable Income Adjustment	ARMIS L 1530	\$ 921,000	\$ 947,000
L7	ITC Amortization	ARMIS L 1540	\$ 497,000	\$ 510,000
L8	FCC ITC Adjustment	ARMIS L 1550	\$ -	\$ -
L9	Total Federal Income Taxes	See Note A	\$ 10,430,841	\$ 10,661,906
L10	State & Local Taxes	See Note B	\$ 3,703,702	\$ 3,786,421
L11	Other State & Local Taxes	ARMIS L 1420	\$ 5,619,873	\$ 5,898,000
L12	Total State Income Taxes	L10+L11	\$ 9,323,575	\$ 9,684,421
L13	Plant Specific Expenses	ARMIS L 1120	\$ 35,054,000	\$ 37,572,000
L14	Plant Non-specific Expenses	ARMIS L 1130	\$ 14,253,000	\$ 14,611,000
L15	Customer Operations Marketing Expenses	ARMIS L 1140	\$ 7,262,000	\$ 7,445,000
L16	Customer Operations Services Expenses	ARMIS L 1150	\$ 3,008,000	\$ 3,007,000
L17	Corporate Operations Expenses	ARMIS L 1160	\$ 10,607,000	\$ 11,110,000
L18	Depreciation/Amortization Expenses	ARMIS L 1180	\$ 35,190,000	\$ 36,844,000
L19	FCC Expenses Adjustment	ARMIS L 1185	\$ 1,000	\$ 1,000
L20	Total Operations Expenses	Sum of L13 to L19	\$ 105,375,000	\$ 110,590,000
L21	Expenses Less Depreciation	L20-L18	\$ 70,185,000	\$ 73,746,000
L22	Miscellaneous Revenues	ARMIS L 1040	\$ 1,329,217	\$ 1,395,000
L23	Uncollectible Revenues	ARMIS L 1060	\$ 2,892,834	\$ 3,036,000
L24	Other Operating Income/Loss	ARMIS L 1290	\$ (222,000)	\$ (228,000)
L25	Total Non-operating Items	ARMIS L 1390	\$ (616,000)	\$ (633,000)
L26	Revenue Requirement	L3+L9+L12+L20-L22+L23-L24+L25	\$ 152,138,595	\$ 158,591,152
L27	Long Term Support	ARMIS L1970	\$ -	\$ (2,903,700)
L28	Revenue Requirement		\$ 152,138,595	\$ 155,687,452

Note: Data based on ARMIS 43-01

Note A: L9 = [(L3 -L4+L5+L6-L7-L8)*(FIT Gross up Factor)]-L7-L8

Note B: L10 =[(L3-L4+L5+L6-L7-L8) + {(L3 -L4+L5+L6-L7-L8)*(FIT Gros up Factor)}] * (SIT Gross up Factor)

Note C: L11, L22, & L23 Col. K amounts are based on the ratio of BFP Total Operating Expenses to CCL Total Operating Expenses.

SNET SUMMARY
BFP REVENUE REQUIREMENT COMPARISON
BY TARIFF YEAR

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<u>TARIFF YEAR</u>		(A) PROJECTED (Filed)	(B) ACTUAL	C=(A2-B1)/B1 ACT TO PROJ Yr/Yr	D=(B2-B1)/B1 ACT TO ACT Yr/Yr	E=D*1.1 ACTUAL +10%	F=D*.90 ACTUAL -10%
1	JUL 91 - JUN 92	110,177,906	108,806,330				
2	JUL 92 - JUN 93	106,509,937	114,244,179	-2.11%	5.00%	5.50%	4.50%
3	JUL 93 - JUN 94	112,196,062	146,439,620	-1.79%	28.18%	31.00%	25.36%
4	JUL 94 - JUN 95	137,679,454	144,673,214	-5.98%	-1.21%	-1.33%	-1.09%
5	JUL 95 - JUN 96	150,035,600	146,883,233	3.71%	1.53%	1.68%	1.37%
6	JUL 96 - JUN 97	144,850,697	152,138,595	-1.38%	3.58%	3.94%	3.22%