SNET SUMMARY
BFP Revenue Requirement Growth Comparisons
By Tariff Year

July 1992 - June 1993

SNET's BFP revenue requirement growth was projected to decline by 2.11%; however, on an actuals basis the BFP revenue requirement grew by 5.00% from the previous year. SNET's non-management success sharing pay-out,coupled with separation, benefits, overtime payments and higher medical claims were factors contributing to the variance. The FCC's depreciation represcription retroactive to January 1993 also played a major role.

July 1993 - June 1994

BFP revenue requirement growth was projected to decline 1.79%, but actual BFP increased by 28.18%. The variance is due to a myriad of reasons. Expenditures for central office assets and computer equipment were above projections in 1993. General and administative expenses were high mainly due to a writeoff for calling card fraud charges in connection with a reciprocal calling card agreement with a major carrier. In 1994 severance payouts, contracted services and overtime contributed to overruns.

July 1994 - June 1995

BFP revenue requirement growth was projected to decline 5.98%; actual BFP only declined 1.21%. Expense overruns were caused by overtime due to lower employee levels, higher workloads due to storms and reengineering delays.

July 1995 - June 1996

Projected BFP revenue requirement growth was 3.71%. Reductions in capital spending and underruns in basic wages and related benefits due to lower force levels, resulted in actual BFP growth of only 1.53%. SNET's decision not to file for an FCC technical update of its depreciation rates also contributed to lower actual BFP growth.

July 1996 - June 1997

BFP growth projection was -1.38%, actual growth was 3.58%. This was due primarily to special wage payments related to separation offers and vacation pay termination. Higher workloads, lower employee levels and increased EDP costs were also contributing factors.

SNET SUMMARY
Actual Calender BFP
Adjusted for FCC Rule Changes
($000)

	Source	1991	1992	1993	1994	1995	1996
1 Actual BFP Revenue Requiement	1\	120,728	110,415	132,682	145,705	144,280	146,978
2 SPF Adjustment	2\	(4,518)	(5,353)				
3 BFP Restated for Completion of SPF Transition	Sum Ln 1 - 2	116,210	105,062	132,682	145,705	144,280	146,978

1\ Reflects ARMIS 43-01 data.
2\ 1991 Reflects SPF exogenous amounts reported on EXG-1 of SNET's TRP for Trans. 525 - effective 7/1/91
1992 Reflects SPF exogenous amounts reported on EXG-1 of SNET's TRP for Trans. 541 - effective 7/1/92

SNET SUMMARY
Actual Calender BFP
Adjusted for FCC Rule Changes
($000)

	Source	1991	1992	1993	1994	1995	1996
1 Actual BFP Revenue Requiement	1\	120,728	110,415	132,682	145,705	144,280	146,978
2 GSF Adjustment	2\	14,974	13,695	16,456			
3 BFP Restated for Completion of SPF Transition	Sum Ln 1 - 2	135,702	124,110	149,138	145,705	144,280	146,978

1\ Reflects ARMIS 43-01 data.
2\ Reflects GSF amounts reported on Workpaper 1 associated with CC Docket No. 92-222 for Trans. 567
GSF Rule change became effective on 7/1/93

Workpaper BFP-5

SNET SUMMARY
Actual Calender BFP
Adjusted for FCC Rule Changes
($000)

	Source	1991	1992	1993	1994	1995	1996
1 Actual BFP Revenue Requiement	1\	120,728	110,415	132,682	145,705	144,280	146,978
2 SPF Adjustment	2\	(4,518)	(5,353)				
3 GSF Adjustment	3\	14,974	13,695	16,456			
5 BFP Restated for Completion of SPF Transition	Sum Ln 1 - 4	131,184	118,757	149,138	145,705	144,280	146,978

1\ Reflects ARMIS 43-01 data.
2\ 1991 Reflects SPF exogenous amounts reported on EXG-1 of SNET's TRP for Trans. 525 - effective 7/1/91
1992 Reflects SPF exogenous amounts reported on EXG-1 of SNET's TRP for Trans. 541 - effective 7/1/92
3\ Reflects GSF amounts reported on Workpaper 1 associated with CC Docket No. 92-222 for Trans. 567
GSF Rule change became effective on 7/1/93

SNET SUMMARY
PAYPHONE IMPACT
ADJUSTED FOR PAYPHONE LOOP FCC RULE CHANGE
($000)

		Source	
1	Actual 1996 Revenue Requirement	Workpaper BFP-5	146,978
2	Payphone 1996 Loop Revenue Requirement	WP - Payphone	1,831
3	Actual 1996 BFP Revenue Requirement - Adjusted	L1 + L2	148,809
4	Ratio: 1996 Adjusted BFP to 1996 BFP	L3/L1	1.01
5	1997/1998 Projected BFP (Absent Payphone Loops)		140,215
6	1997/1998 Projected BFP Projected BFP - Adjusted for Payphone Loops	L5*L4	141,962

SNET's 1997 BFP Revenue Requirement Development

The projection of SNET's BFP revenue requirement costs was developed based upon the total company budget and separations allocators in accordance with the Commission's Part 36 and Part 69 Rules. The development of the 1997-1998 Test Year Total Company Budget required a corporate effort in establishing the level of expense and construction requirements. Operating units estimated functional workload based on unit objectives, the expected operational environment and corporate approved forecasts of demand and economic conditions. Capital requirements were developed based on forecasts of relevant business conditions and resulting projections of demand levels.

Economic and demographic projections are primary drivers in the development of both the expense and capital budgets. Overall, the Connecticut economy is improving, albeit lethargically. The Connecticut Economic Indicator, which rose 1.6% in 1996, is projected to increase 2.1% in 1997 and 1.8% in 1998. Connecticut's unemployment rate is projected to be 5.0% in 1997 and 5.3% in 1998. By the end of 1997, Connecticut is expected to have recovered 54% of the jobs that were lost due to the recession. The number of companies anticipating job cuts over the next year has declined.

SNET's capital requirements are driven by the economic outlook as well as by the impact on the evolving telecommunications market with new types of customer demand. Over three-quarters of the 1997-1998 capital requirements are for growth of existing services and replacement of obsolete plant. As growth in demand absorbs existing capacity, additional plant investment is required in the form of additions to switching equipment and the placement of more cable in outside plant.

Additional capital expenditures are planned which will modernize the network, provide new services, and implement the corporate strategy of being a low-cost provider through operational improvements and efficiencies which result in future expense savings. SNET's digital switching modernization program has a major impact on the 1997-1998 construction program requirements.

Operational requirements and productivity-enhancing initiatives were also reflected in the budget. A review of the total capital budget was performed at the corporate level before development of depreciation projections. Department heads and corporate officers assessed the overall impact of the results against financial objectives and, where necessary, make appropriate changes to estimated spending levels on a departmental basis.

The budget, including revenue, non-depreciation expense forecasts and capital requirements, was reviewed and approved by SNET's officers as part of the five-year strategic planning process.

SNET's Total Company Budget was adjusted to exclude costs associated with certain non-access contracts and non-regulated activities under procedures outlined in SNET's Cost Allocation Manual (CAM) to arrive at a Total Company Budget Subject to Jurisdictional Separations.

The separations and access cost allocation process and system used to develop prospective interstate revenue requirements is the same as that used in SNET's previous access tariff filings. Part 32 test period budget data is first categorized into applicable separations categories. This data is combined with usage and other data necessary for

jurisdictional separations of costs and then processed in conjunction with Part 36 interstate allocators. These allocators apportion the total company categorized investments and expenses between message interstate, private line interstate, and other services utilizing the usage, loop, mile, and other input data as appropriate for jurisdictional separations. In the final step, categorized interstate message and private line data are then allocated among the access cost categories in accordance with the appropriate Part 69 rules. This data is then utilized to calculate the access cost category revenue requirements.

SNET SUMMARY
Comparison of BFP Forecast Included in 1997 Annual Flling
To Forecast Based on Regression Analysis
($000)

Ln		Source	
1	1996 Actual BFP	Workpaper BFP-5	146,978
2	1997/98 BFP Forecast	Workpaper BFP - 6	141,962
3	Forecasted Growth Rate	(Ln 2 - Ln 1)/ Ln 1 * 12/18	-2.28%
4	Growth Rate Forecast Based on 3 Year Trend	WP - Regression 2	1.29%
5	Growth Rate Forecast Based on 5 Year Trend	WP - Regression 3	3.68%
6	Impact of FCC Rule Changes Included on Line 2	1\	(5,618)
7	ITC and EDT Included on Line 2	2\	225
8	BFP Forecast Based on 3 Year Growth	(Ln 1 + Ln 6 + Ln 7)*[1 +(Ln 4 * 18/12)]	144,318
9	BFP Forecast Based on 5 Year Growth	(Ln 1 + Ln 6 + Ln 7)*[1 +(Ln 5 * 18/12)]	149,392
10	Excess BFP Cost When Compared to 3 Year Historical Growth	Ln 2 - Ln 8	(2,356)
11	Excess BFP Cost When Compared to 5 Year Historical Growth	Ln 2 - Ln 9	(7,430)

1/ Reflects impact of Pay Tel Deregulation; Part 65 Rate Base Change for Account 4310; and Part 36 OB&C Separations Change.
2/ From SNET Advance TRP filed April 1, 1997.

SNET SUMMARY
BFP Revenue Requirement
Regression Analysis
($000)

	Year	Actual BFP Revenue Requirement Adjusted for SPF Transition and GSF As Reflected on Workpaper BFP-5	BFP Revenue Requirement Growth
	1991	131,184	
1	1992	118,757	-9.47%
2	1993	149,138	25.58%
3	1994	145,705	-2.30%
4	1995	144,280	-0.98%
5	1996	146,978	1.87%
6	Est. 1997 Based on Regression of '94 - '96 Growth		1.29%

Regression Output Based on 1994 - 1996 Growth Rates

7	Constant	0.025767
8	Std Err of Y Est	0.009022
9	R Squared	0.101989
10	No. of Observations	3
11	Degrees of Freedom	1
12	X Coefficient(s)	-0.002150
13	Std Err of Coef.	0.006380

SNET SUMMARY
BFP Revenue Requirement
Regression Analysis
($000)

	Year	Actual BFP Revenue Requirement Adjusted for SPF Transition and GSF As Reflected on Workpaper	BFP-5	BFP Revenue Requirement Growth
	1991		131,184	
1	1992		118,757	-9.47%
2	1993		149,138	25.58%
3	1994		145,705	-2.30%
4	1995		144,280	-0.98%
5	1996		146,978	1.87%
6	Est. 1997 Based on Regression of '92 - '96 Growth			3.68%

Regression Output Based on 1992 - 1996 Growth Rates

7	Constant	0.048280
8	Std Err of Y Est	0.148661
9	R Squared	0.000556
10	No. of Observations	5
11	Degrees of Freedom	3
12	X Coefficient(s)	-0.001920
13	Std Err of Coef.	0.047011

SNET SUMMARY
PAY TELPHONE REVENUE REQUIREMENT
1996
($000)

			(A)* PAY TELEPHONE TOTAL COST (A= B+C)	(B) PAY TELEPHONE STATION COST	(C) PAY TELEPHONE LOOP COST	(D) ALLOCATION
L1	IOT Equipment	ARMIS L 1424	6,096	6,096	-	69.303(a) pay telephone equip to CL; assign to CPE
L2	CO Equipment	ARMIS L 1290	971	-	971	69.306(e) same proportion as CWF; assign to loop
L3	C&WF	ARMIS L 1530	3,745	-	3,745	69.304(c) pay tel lines to CL; assign to loop
L4	OTHER Investment	ARMIS L 2260-L1-L2-L3	2,907	1,639	1,268	L 2260: sum L1540..L2250
L5	Reserves	ARMIS L 3430	6,869	3,670	3,199	69.302 related primary plant, assoc. investment
L6	Average Net Investm	L1+L2+L3+L4-L5	6,850	4,065	2,785	
L7	Authorized Rate of Return		0.1125	0.1125	0.1125	
L8	Net Return	L6 x L7	771	457	313	
L9	Fixed Charges	ARMIS L 8010	171	95	76	69.402 combined investment
L1	FIT Taxable Income	L8-L9-ARMIS L 8015+ARMIS L 8013+8014	580	351	228	L8013 & L8014: 69.402 combined investment
L1	Gross FIT	L10*(.35/(1-.35))	312	189	123	
L1	Net FIT	L11-ARMIS L 8015	296	180	116	L8015: 69.402 combined investment
L1	Other State & Local	ARMIS L 8005	324	183	141	69.402 combined investment
L1	SIT Taxable Income	L10+L11	892	540	351	
L1	SIT	L14*(.1125/1-.1125)	113	69	45	
L1	Depreciation Expens	ARMIS L 6260	1,571	1,177	394	69.401(f) associated investment
L1	Expenses Less Depr	ARMIS L 7351-L 6260	4,668	3,859	809	L 7351: sum L5080+L6270+L7320+L7334+L7350
L1	Miscellaneous Reve	ARMIS L 4033	-	-	-	CL total allocated on investment
L1	Uncollectible Reven	ARMIS L4040	-	-	-	CL total allocated on investment
L2	Other Operating Inco	ARMIS L 4066	(7)	(4)	(3)	69.411 combined investment
L2	Non-Operating Items	ARMIS L 4076	24	14	10	69.411 combined investment
L2	Revenue Requireme	L8+L12+L13+L15+L16+L17-L18+L19-L20+L21	7,774	5,943	1,831	
L2	Long Term Support	ARMIS L 9001	-	-	-	
L2	Revenue Requirement		7,774	5,943	1,831	

* SOURCE: ARMIS 43-04, Filed

Exhibit 1

SNET Response to Paragraph 31

Introduction

1) SNET utilized data underlying ARMIS in this Direct Case. ARMIS data is in-service data for end of period. The data presented in the Direct Case is based on the same definitions as ARMIS, but is based on average in-service to more appropriately correspond to forecasted tariff year quantities.

2) The matrix showing where the deviations occur by type and year is Exhibit 2, which is on diskette, file name fcc897.xls.

Explanations of Deviations

1) July 91-June 92
Residence: The difference misses the 10% parameter by .01%. The actual underran the forecast by 1,724 lines, or .1%, on a 1.3 million line base. The difference is not significant.

Single Line Business: On target (i.e., within 10% parameter).

Multi-Line Business: The difference misses the 10% parameter by .55%. The actual underran the forecast by 3,051 lines, or .8%, on a 389 thousand line base. Growth was slightly less than forecasted and is not significant.

Total: The total billable access lines misses the 10% parameter by .13%. The actual underran the forecast by 4,709 lines, or .3%, on a 1.8 million line base. The difference is not significant.

2) July 92-June 93
Residence: The difference misses the 10% parameter by .02%. The actual underran the forecast by 1,689 lines, or .1%, on a 1.3 million line base. The difference is not significant.

Single Line Business: The difference misses the 10% parameter by 1.49%. The actual underran the forecast by 933 lines, or 1.5%, on a 61 thousand line base. The economy was projected to recover to a greater extent than what was achieved in the first quarter of 1993.

SNET Response to Paragraph 31 (cont'd):

Multi-Line Business: The difference misses the 10% parameter by 2.23%. The actual overran the forecast by 9,065 lines, or 2.3%, on a 392 thousand line base. This was due primarily to a large Centrex addition (7,000 lines) in the third quarter 1992.

Total: The total billable access lines misses the 10% parameter by .2%. The actual overran the forecast by 6,442 lines, or .4%, on a 1.8 million line base. The difference is due primarily to the Centrex addition mentioned above, offset slightly by the slower than projected economic recovery.

3) July 93-June 94
Residence: The difference misses the 10% parameter by .32%. The actual overran the forecast by 5,265 lines, or .4%, on a 1.4 million line base. College student lines experienced an increase in the second half of 1993.

Single Line Business: The difference misses the 10% parameter by 4.49%. The actual underran the forecast by 3,051 lines, or 4.8%, on a 64 thousand line base. This was due in part to the slower than projected economic recovery. The other factor is that some single line businesses migrated to CentraLink 2100, or provided new growth for CentraLink 2100, which was forecasted to be in single line business.

Multi-Line Business: The difference misses the 10% parameter by 3.15%. The actual overran the forecast by 13,792 lines, or 3.4%, on a 411 thousand line base. There was significant unanticipated growth due to marketing campaigns for CentraLink 2100.

Total: The total billable access lines misses the 10% parameter by .77%. The actual overran the forecast by 16,006 lines, or .9%, on a 1.8 million line base. The reasons are explained in the above three categories.

4) July 94-June 95
Residence: The difference misses the 10% parameter by 1.13%. The actual overran the forecast by 16,302 lines, or 1.2%, on a 1.4 million line base. This is due primarily to the introduction of Home Office and the gradual increase in auxiliary lines as fax machines and the Internet increased in popularity. These items were not included in the forecast.

SNET Response to Paragraph 31 (cont'd):

Single Line Business: The difference misses the 10% parameter by 5.52%. The actual underran the forecast by 4,288 lines, or 6.2%, on a 70 thousand line base. Some single line businesses migrated to CentraLink 2100, or provided new growth for CentraLink 2100, which was forecasted to be in single line business.

Multi-Line Business: The difference misses the 10% parameter by 4.22%. The actual overran the forecast by 18,596 lines, or 4.3%, on a 433 thousand line base. There was significant unanticipated growth due to marketing campaigns for CentraLink 2100.

Total: The total billable access lines misses the 10% parameter by 1.56%. The actual overran the forecast by 30,610 lines, or 1.6%, on a 1.9 million line base. The reasons are explained in the above three categories.

5) July 95-June 96
Residence: The difference misses the 10% parameter by 1.94%. The actual overran the forecast by 27,355 lines, or 2.0%, on a 1.4 million line base. The main reason for the overrun is the much greater than expected demand for auxiliary lines.

Single Line Business: The difference misses the 10% parameter by 8.99%. The actual underran the forecast by 5,871 lines, or 9.0%, on a 65 thousand line base. This was due primarily to a loss of business auxiliary lines due to migration to CentraLink 1100, where a second line is not required. This new service was not in the forecast and was marketed aggressively starting in February, 1996.

Multi-Line Business: The difference misses the 10% parameter by 6.38%. The actual overran the forecast by 29,911 lines, or 6.5%, on a 461 thousand line base. There was significant unanticipated growth due to marketing campaigns for CentraLink 2100 and 3100.

Total: The total billable access lines misses the 10% parameter by 2.71%. The actual overran the forecast by 51,395 lines, or 2.7%, on a 1.9 million line base. As stated above, this was due primarily to unanticipated consumer auxiliary line growth and the introduction of the CentraLink 1100 service.

SNET Response to Paragraph 31 (cont'd):

6) July 96-June 97
Residence: On target (i.e., within 10% parameter).

Single Line Business: The difference misses the 10% parameter by 46.24%. The actual underran the forecast by 29,109 lines, or 38.1%, on a 76 thousand line base. This was due primarily to a loss of business auxiliary lines due to migration to CentraLink 1100, where a second line is not needed. The 1997 forecast assumed that the market for CentraLink 1100 was close to saturation, but this has not proven to be true. Customers have continued to migrate to this service.

Multi-Line Business: The difference misses the 10% parameter by 5.42%. The actual overran the forecast by 27,034 lines, or 5.5%, on a 495 thousand line base. This is primarily due to the unanticipated demand for CentraLink 2100 and 3100.

Total: On target (i.e., within 10% parameter).

SNET Response to Paragraph 32

Introduction:

1) Econometric models were developed in support of consumer and single line business demand forecasts. Models were developed for inward movement and gain, with outward movement as the residual.

2) Forecasts for multi-line business demand were developed using historical data and information from the marketing groups about new products, promotions, and expected trends.

Explanation of Deviations

1) July 91-June 92
Residence: The difference misses the 10% parameter by .01%. This difference is not significant.

Single Line Business: On target (i.e., within 10% parameter).

Multi-Line Business: The difference misses the 10% parameter by .55%. Growth was slightly less than forecasted and is not significant.

Total: The total billable access lines misses the 10% parameter by .13%. The difference is not significant.

2) July 92-June 93
Residence: The difference misses the 10% parameter by .02%. The difference is not significant.

Single Line Business: The difference misses the 10% parameter by 1.49%. Building permit activity and non-agricultural employment were below projections (-6% and -7% respectively) used in the forecast model.

Multi-Line Business: The difference misses the parameter by 2.23%. This was due primarily to a large Centrex addition. This was included in the trend for end user demand as these types of additions are periodically expected.

Total: The total billable access lines misses the 10% parameter by 0.2%. The difference is due to the reasons outlined above for single and multi-line business lines and are included in the trend for end user demand.

SNET Response to Paragraph 32 (cont'd)

3) July 93-June 94
Residence: The difference misses the 10% parameter by .32%. The main reason was an increase in lines for college students which was included in the trend for end user demand.

Single Line Business: The difference misses the 10% parameter by 4.49%. Building permit activity and non-agricultural employment were below projections (-6% and -8% respectively) used in the forecast model. The other factor was the growth in CentraLink 2100, affecting multi-line business, some of which was forecasted in single line business. These were included in the trend for end user demand.

Multi-Line Business: The difference misses the 10% parameter by 3.15%. There was significant unanticipated growth due to marketing campaigns for CentraLink 2100. This was included in the trend for end user demand.

Total: The total billable access lines misses the 10% parameter by .77%. The reasons are explained in the above three categories and are included in the trend for end user demand.

4) July 94-June 95
Residence: The difference misses the 10% parameter by 1.13%. This is due primarily to the introduction of Home Office and the gradual increase in auxiliary lines as fax machines and the Internet increased in popularity. These were included in the trend for end user demand.

Single Line Business: The difference misses the 10% parameter by 5.52%. Building permit activity and non-agricultural employment were below projections (-10% and -8% respectively) used in the forecast model. The other factor was the growth in CentraLink 2100, affecting multi-line business, some of which was forecasted in single line business. These were included in the trend for end user demand.

Multi-Line Business: The difference misses the 10% parameter by 4.22%. There was significant unanticipated growth due to marketing campaigns for CentraLink 2100. This was included in the trend for end user demand.

SNET Response to Paragraph 32 (cont'd)

Total: The total billable access lines misses the 10% parameter by 1.56%. The reasons are explained in the above three categories and are included in the trend for end user demand.

5) July 95-June 96
Residence: The difference misses the 10% parameter by 1.94%. The main reason for the overrun is the much greater than expected demand for auxiliary lines. This was included in the trend for end user demand.

Single Line Business: The difference misses the 10% parameter by 8.99%. This was due primarily a loss of business auxiliary lines due to migration to CentraLink 1100, where a second line is not needed. This new service was not in the forecast and was marketed aggressively starting in February, 1996. This was included in the trend for end user demand.

Multi-Line Business: The difference misses the 10% parameter by 6.38%. The main drivers were CentraLink 2100 and 3100 due to unanticipated growth. This was included in the trend for end user demand.

Total: The total billable access lines misses the 10% parameter by 2.71%. The reasons are explained in the above three categories and are included in the trend for end user demand.

6) July 96-June 97
Residence: On target (i.e., within 10% parameter).

Single Line Business: The difference misses the 10% parameter by 46.24%. This was due primarily to a loss of business auxiliary lines due to migration to CentraLink 1100, where a second line is not needed. The 1997 forecast assumed that the market for CentraLink 1100 was close to saturation, but this has not proven to be true. Customers have continued to migrate to this service. The extent of the underrun was not known at the time of forecast preparation for the July 97-June 98 tariff year.

Multi-Line Business: The difference misses the 10% parameter by 5.42%. This is primarily due to the unanticipated demand for CentraLink 2100 and 3100. The extent of the overrun was not known at the time of forecast preparation for the July 97-June 98 tariff year.

Total: On target (i.e., within 10% parameter).

SNET Response to Paragraph 33

Introduction

1) Switched access lines include Basic Rate Interface ("BRI") ISDN lines. Primary Rate Interface ("PRI") ISDN lines are included in Multi-Line. (See also Workpaper ISDN in response to Paragraph 34).

2) The trend analyses using the actual number of lines and logarithm of the number of lines for residence, single line business, multi-line business, and total billable access lines are shown on Exhibits 3 - 10, which are on diskette, file name fccregr.xls.

3) The 10 percent difference defined as significant is very arbitrary. This is especially true for SNET where our base is so small compared to other companies.

SNET Regression Analysis

1) Residence: The trend for residence for the actual number of lines (Exhibit 3) shows an increasing year over year growth percentage, due primarily to the auxiliary line impact. This must be tempered with the anticipation of increased competition and is better shown in the percent change in the logarithm of the number of lines (Exhibit 4). This is more consistent with the forecast for the 1997-1998 tariff year. The tariff year forecast is lower due to the assumption that competition was going to occur earlier.

2) Single Line Business: The trend for single line business for the actual number of lines (Exhibit 5) and for the logarithm of the number of lines (Exhibit 6) show a downward trend in the annual percent change. This is consistent with the forecast provided for the 1997-1998 tariff year. The tariff year forecast is slightly lower due to the assumption that competition was going to occur earlier.

3) Multi-Line Business: The trend for multi-line business for the actual number of lines (Exhibit 7) and for the logarithm of the number of lines (Exhibit 8) show a downward trend in the annual percent change. This is consistent with the forecast for the 1997-1998 tariff year. The tariff year forecast is lower due to the assumption that competition was expected to occur earlier in the tariff period.

4) Total: The trend for total billable access lines for the actual number of lines (Exhibit 9) and for the logarithm of the number of lines (Exhibit 10) show a downward trend in the annual percent change. This is consistent with the forecast for the 1997-1998 tariff year. The tariff year forecast is lower due to the assumption that competition was expected to occur earlier in the tariff period.

END USER ACCESS LINES IN-SERVICE FORECASTS VS. ACTUALS

	Residence					Single Line Business					Multi-Line Business & Centrex				
	Avge In-Svc Residence Total Frcst	Avge In-Svc Residence Total Act	Act to fcst Yr/Yr % Diff	10% of Fcsted % Diff	Act Yr/Yr % Diff	Avge In-Svc Single Line Forecast	Avge In-Svc Single Line Actual	Act to fcst Yr/Yr % Diff	10% of Fcsted % Diff	Act Yr/Yr % Diff	Avge In-Svc Multi-Line&Ctx Forecast	Avge In-Svc Multi-Line&Ctx Actual	Act to fcst Yr/Yr % Diff	10% of Fcsted % Diff	Act Yr/Yr % Diff
Jul 90 - Jun 91		1,321,003					57,172					375,514			
Jul 91 - Jun 92	1,332,702	1,330,978	0.9%	0.09%	**0.8%**	61,492	61,558	7.6%	0.76%	7.7%	388,505	385,454	3.5%	0.35%	**2.6%**
Jul 92 - Jun 93	1,341,781	1,340,092	0.8%	0.08%	**0.7%**	61,526	60,593	-0.1%	-0.01%	**-1.6%**	392,174	401,239	1.7%	0.17%	**4.1%**
Jul 93 - Jun 94	1,350,392	1,355,657	0.8%	0.08%	**1.2%**	63,677	60,626	5.1%	0.51%	**0.1%**	411,291	425,083	2.5%	0.25%	**5.9%**
Jul 94 - Jun 95	1,365,405	1,381,707	0.7%	0.07%	**1.9%**	69,621	65,333	14.8%	1.48%	**7.8%**	432,881	451,477	1.8%	0.18%	**6.2%**
Jul 95 - Jun 96	1,389,906	1,417,261	0.6%	0.06%	**2.6%**	65,243	59,372	-0.1%	-0.01%	**-9.1%**	461,323	491,234	2.2%	0.22%	**8.8%**
Jul 96 - Jun 97	1,445,147	1,448,688	2.0%	0.20%	2.2%	76,337	47,228	28.6%	2.86%	**-20.5%**	494,926	521,960	0.8%	0.08%	**6.3%**
Jul 97 - Jun 98	1,418,036	0	-2.1%	-0.21%		41,306	0	-12.5%	-1.25%		494,664		-5.2%	-0.52%	

	Total Business					Total Billable Access Lines				
	Avge In-Svc Total Bus Forecast	Avge In-Svc Total Bus Actual	Act to fcst Yr/Yr % Diff	10% of Fcsted % Diff	Act Yr/Yr % Diff	Avge In-Svc Total Forecast	Avge In-Svc Total Actual	Act to fcst Yr/Yr % Diff	10% of Fcsted % Diff	Act Yr/Yr % Diff
Jul 90 - Jun 91		432,686				0	1,753,690			
Jul 91 - Jun 92	449,997	447,012	4.0%	0.40%	**3.3%**	1,782,699	1,777,990	1.7%	0.17%	**1.4%**
Jul 92 - Jun 93	453,700	461,832	1.5%	0.15%	**3.3%**	1,795,481	1,801,923	1.0%	0.10%	**1.3%**
Jul 93 - Jun 94	474,968	485,709	2.8%	0.28%	**5.2%**	1,825,360	1,841,366	1.3%	0.13%	**2.2%**
Jul 94 - Jun 95	502,502	516,810	3.5%	0.35%	**6.4%**	1,867,907	1,898,517	1.4%	0.14%	**3.1%**
Jul 95 - Jun 96	526,566	550,606	1.9%	0.19%	**6.5%**	1,916,472	1,967,867	0.9%	0.09%	**3.7%**
Jul 96 - Jun 97	571,263	569,188	3.8%	0.38%	3.4%	2,016,410	2,017,876	2.5%	0.25%	2.5%
Jul 97 - Jun 98	535,970	0	-5.8%	-0.58%		1,954,006	0	-3.2%	-0.32%	

Notes:
- Forecasts represent average in-service levels reported to the FCC.
- Actuals represent average in-service levels for the same time period using the same methodology.
- Sources: Access Line and Station Classification Worksheet (Form 150), Product Information Tracking System (PITS)

- ** Percentages that are outlined and are in bold represent the in-service levels where the projected percentage change is greater than 10 percent of the actual percentage change.

SOUTHERN NEW ENGLAND TELEPHONE
BILLABLE ACCESS LINES
REGRESSION ANALYSIS

RESIDENCE SWITCHED ACCESS LINES

Year	Lines In-Service	Year/Year Growth
Actual 1990	1,322,102	
Actual 1991	1,331,217	0.69%
Actual 1992	1,339,991	0.66%
Actual 1993	1,354,670	1.10%
Actual 1994	1,378,871	1.79%
Actual 1995	1,414,948	2.62%
Actual 1996	1,443,731	2.03%
Forecast 1997	1,481,348	2.61%

Regression Output Based on 1991-1996 growth rates:

Constant	1308158
Standard Error of Y Estimate	12748.71
R Squared	0.934812
No. of Observations	7
Degrees of Freedom	5
X Coefficient	20401.04
Standard Error of Coefficient	2409.28

Note: The forecast is based on a regression of the year end lines against a time trend and a constant.

SOUTHERN NEW ENGLAND TELEPHONE
BILLABLE ACCESS LINES
REGRESSION ANALYSIS

RESIDENCE SWITCHED ACCESS LINES - LOGGED

Year	Lines In-Service	Year/Year Growth
Actual 1990	1,322,102	
Actual 1991	1,331,217	0.69%
Actual 1992	1,339,991	0.66%
Actual 1993	1,354,670	1.10%
Actual 1994	1,378,871	1.79%
Actual 1995	1,414,948	2.62%
Actual 1996	1,443,731	2.03%
Forecast 1997	1,452,240	0.59%

Regression Output Based on 1991-1996 growth rates:

Constant	14.08496
Standard Error of Y Estimate	0.008878
R Squared	0.939685
No. of Observations	7
Degrees of Freedom	5
X Coefficient	0.014808
Standard Error of Coefficient	0.001678

Note: The forecast is based on a regression of the log of the year end lines against a time trend and a constant.