BELL ATLANTIC DIRECT CASE
CC DOCKET No. 97-149

Paragraph 22-1

After determining the effect that changes in the Commission's rules had on BFP revenue requirements for calendar years 1991-1996, report the BFP as adjusted for (1) changes to the allocation of GSF [costs]; (2) the phase-in of the SPF and DEM separations allocation rule changes; and (3) revision of the allocation of OB&C expenses to reflect five percent of these expenses to the common line revenue requirement, if the LEC has not consistently allocated five percent of these expenses to the common line revenue requirement in the past.

RESPONSE - Combined Company

See Exhibits 22N-1-A through 22N-1-F and 22S-1-A through 22S-1-F.

Paragraph 22-2

After determining the effect that changes in the Commission's rules had on BFP revenue requirements for calendar years 1991-1996, report the BFP as adjusted for all changes to the Commission's rules.

RESPONSE

See Exhibits 22N-2-A through 22N-2-F and 22S-2-A through 22S-2-F.

Paragraph 23-1

LECs must file all data underlying their computed revenue requirements, and must fully explain the data assumptions and methodology used to compute the BFP revenue requirement and projections and to adjust the revenue requirements for changes in Commission rules.

RESPONSE - Combined Company

SPF & DEM:

The Company's SPF & DEM adjustments are based on data filed as part of the Company's 1992 and 1993 Price Cap Tariff Filings. Since the phase-in of SPF & DEM was complete effective 1/1/93, the Company restated its 1991 and 1992 calendar year data as if the phase-in was completed effective 1/1/91. That is, 1991 data reflects two SPF & DEM adjustments - The first reflects amounts reported in the Company's 1992 annual tariff filing adjusted for the ratio of BFP costs to total common line costs; the second reflects twice the amounts reported in 1993 tariff filing (the 1993 tariff filing reflected a six month SPF & DEM adjustment) adjusted for the ratio of BFP costs to total common line costs. The SPF & DEM adjustment for calendar year 1992 reflects twice the BFP portion of amounts reported in the Company's' 1993 annual tariff filing.

OB&C:

Pursuant to paragraph 22 of the Commission's 1997 Tariff Investigation Designation Order, Bell Atlantic - South's 1991 through 1996 adjusted calendar year revenue requirements reflect the impact of revising the allocation of Other Billing & Collection expenses (ARMIS 43-04 row number 7259) to reflect a five percent allocation to common

line. The OB&C revenue requirement adjustments reflected in the exhibits associated with paragraph 22 will be slightly different than amounts included in the Company's BFP forecast. The amounts included in the Company's BFP forecast include the impact of both the Commission's Part 36 OB&C rule change (which change the interstate allocator for these expenses to a fixed thirty three and one-third percent), as well as the Part 69 impact of allocating five percent of OB&C expenses to common line.

SFAS-106:
Bell Atlantic - South adopted SFAS-106 accounting on January 1, 1991, and Bell Atlantic - North adopted it on January 1, 1993. SFAS-106 required companies to change from a pay as you go method of accounting for postretirement benefits other than pensions to an accrual method. This increased booked expenses for companies that adopted SFAS-106, and as a result, increased their BFP revenue requirements. Since these costs were not in BFP revenue requirements for Bell Atlantic - North until calendar year 1993, they are being added to 1991 and 1992 in order to make those years comparable to later years. The amounts added to those years were calculated by multiplying the total annual exogenous amount for the common line basket by the ratio of BFP telephone plant in service to total common line telephone plant in service for those years.

In Addition, the combined Company adjusted its BFP rate base amounts for the years 1991 through 1996 to reflect deduction of account 4310. Account 4310 is allocated in Part 36 based on the ratio of interstate to subject-to-separations corporate operations expense and in Part 69 based on the Big 5 Investment allocator.

GENERAL SUPPORT FACILITIES (GSF):
Effective July 1, 1993 Bell Atlantic implemented the Commission's Part 69 rule change associated with allocation of GSF to access categories. Before this, GSF investments were allocated among the access categories based on investments for Central Office Equipment, Information Origination/Termination equipment, and Cable and Wire facilities excluding Category 1.3, Cable and Wire Facilities. Effective July 1, 1993, Category 1.3 was included in the Part 69 GSF investment, which increased the BFP revenue requirement. In order to make calendar year 1991, 1992, and 1993 comparable to later years, amounts must be added to the earlier years. Therefore, 1993 calendar year results were recalculated. 1993 results were first recalculated to totally excluded the Part 69 GSF rule change and then recalculated again under the assumption that the GSF rule change was effective 1/1/93. The difference between the recalculations established the annual 1993 impact of the rule change. Since the Part 69 GSF rule change was actually effective on 7/1/93, the 1993 GSF amounts reported in the exhibits associated with paragraph 22 reflect fifty percent of the annual impact. 1991 and 1992 actual calendar year results were also restated to reflect the annual impact of the GSF rule change.

BELL ATLANTIC DIRECT CASE
CC DOCKET No. 97-149

Paragraph 24-1

We also require these LECs to explain in detail any relatively "large" year-to-year changes that emerge in each adjusted series of actual BFP revenue requirements.

RESPONSE - Bell Atlantic - North

The largest changes are an increase of 11.14% from $1,150M in 1993 to $1,278M in 1994 and a decrease of 12.53% from $1,390M in 1995 to $1,216M in 1996. These large changes are due to the higher revenue requirements that occurred in 1994 and 1995.

1994 includes $111M in one-time nonrecurring special pension enhancement expenses. Absent these expenses, The Company's BFP revenue requirement for 1994 would have been $1,167M, which represents only a $20M or 1.5% normalized increase over adjusted 1993.

1995 includes $62M in one-time special pension enhancement expenses and 1996 includes $42M in one-time expenses. 1995 also includes $106M in expenses and other taxes related to audit settlements and contingent liabilities. Absent these expenses, the Company's BFP revenue requirements would have been $1,222M for 1995 and $1,174M in 1996, which represents a $48M or 3.9% normalized reduction from adjusted 1995.

RESPONSE - Bell Atlantic - South

As displayed on line 2 of Exhibit 24S-1-A, the growth in the Company's adjusted BFP revenue requirement for calendar year 1993 exceeded 6%, and was significantly higher than growth in other years. This relatively high growth rate is due to costs associated with the adoption of SFAS 112 in 1993. As detailed in Exhibit 24S-1-B, these costs increased 1993 BFP revenue requirement by $12.8M. Adjusting 1993 BFP revenue requirement for removal of SFAS 112 adoption (Transition Obligation) costs results in a 1993 growth rate in BFP revenue requirement that is consistent with most other years.

1996 BFP revenue requirement growth (3.14%) is relatively low compared to growth for most other years. The Company has not identified any factor that significantly impacted 1996 costs relative to other years. Therefore, as shown in Exhibit 24S-1-A, the Company provides two trend estimates of 1997/98 BFP revenue requirement - one including the 3.14% growth rate in 1996; the other excluding this rate.

Paragraph 24-2

We require each LEC to identify actual BFP revenue requirements that appear to be outliers, and furnish an explanation for the deviations.

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10 See Appendix B of the 1997 Annual Tariff Investigation Designation Order.

RESPONSE - Combined Company

Company's response to paragraph 24-1 furnishes an explanation for apparent outliers. However, since the number of data points are insufficient to form a statistical trend, there is no basis to identify an outlier.

Paragraph 24-3

At a minimum, LECs are required to justify inclusion of BFP revenue requirements that are associated with the highest and the lowest percentage changes in BFP revenue requirements for the 1991-1996 period by showing that these results reflect a change in the BFP revenue requirement trend that is likely to continue over time.

RESPONSE - Combined Company

See Company's response to paragraph 24-1.

Paragraph 24-4

If a particular percentage change is the result of a one-time event or other isolated occurrence, the LECs must explain the event and its impact, and calculate their BFP revenue requirements excluding the effects of the event.

RESPONSE - Combined Company

See Company's response to paragraph 24-1.

Paragraph 25-1

We seek information on alternative methods to forecast BFP revenue requirements.

RESPONSE - Combined Company

Bell Atlantic's method of forecasting BFP revenue requirements (detailed in Bell Atlantic's response to paragraph 16-3) is reasonable. The method mimics the price cap formula, i.e., BFP(t) = [BFP(t-1) + growth in base period costs (which includes historical productivity gains) + or - exogenous adjustments]. However, the Company believes the Commission should require LECs to use actual base period costs (and demand) in lieu of forecasts for purposes of setting SLC rates for at least two reasons. First, Subscriber line charges (SLCs) are the only price cap rate elements that are set based upon forecasted costs and demand. Second, each year for the last several years, these forecasts have been issues of contention between LECs and IXCs, culminating in this Commission investigation.

Paragraph 25-2

We seek comment on determining the average [BFP revenue requirement growth] trend in the industry. By pooling the data, we would increase the number of observations, making statistical methods more reliable.

RESPONSE - Combined Company

To the extent the Commission continues to require LECs to develop their SLC rates based on projected costs, it would be inappropriate for the Commission to rely upon pooled data. Loop costs vary significantly from company to company, as evidenced by the need for a high cost universal support mechanism . The proposal would ignore company specific factors that contribute to differences in loop costs, such as the extent and rate of growth of competition in each LECs study area, population density, etc. The Commission would be better served by reliance on actual historic data. Over time growth would be fully captured and parties would avoid regulatory disputes concerning the projection methodology.

III) Justification of 1997 BFP Revenue Requirement

Paragraph 26-1

All price cap LECs must explain and document fully the data, assumptions, and methodologies used to derive BFP revenue requirement projections contained in the price cap LECs' access tariff revisions filed to become effective July 1, 1997.

RESPONSE - Combined Company

See Company's response to paragraph 16-3.

Paragraph 26-2

Each price cap LEC must also explain whether its projection is consistent with the historical pattern. If the LEC believes that its projection is consistent with the historical pattern, it must explain in detail this conclusion and its basis.

RESPONSE - Combined Company

Bell Atlantic's methodology is correctly based on historical growth rates. Over time the annual projection acts as a self correcting mechanism, picking up historical patterns. The Company's forecast is reasonable as demonstrated by the closeness of Bell Atlantic's projections relative to actuals.

While a trend analysis does not provide a superior projection method, it does give further evidence against AT&T's claim that Bell Atlantic's BFP forecast is too low.

RESPONSE - Bell Atlantic - North

As shown in Exhibit 24N-1-A, the average adjusted year to year growth rate is 1.96%. Applying this growth rate to 1996/1997 actuals of $1,191M yields a 1997/1998 forecast

of $1,215M. Even after adding in $11M for payphone, the forecast is $1,226M, which is close to the 1997 Annual Filing forecast of $1,247M. If anything, the 1997/1998 Annual Filing forecast is lower than the historical trend. Also, as seen in Exhibit 16N-1-B, the average unadjusted tariff year revenue requirement is $1,167M, which is also lower than the forecast of $1,247M.

RESPONSE - Bell Atlantic - South

As detailed in Exhibit 24S-1-A, the Company's BFP revenue requirement forecast included in the 1997 Annual Price Cap Tariff filing is consistent with historical trends. Forecasts of BFP revenue requirement based on trends of the Company's adjusted actual BFP revenue requirements (Series 2 data) suggest that the Company's forecast is only slightly overstated by $28.2M (2.2%) or $4.6M (.4%), depending on whether apparent outliers are excluded. A forecast based on a trend of BFP revenue requirement growth for calendar years 1992 through 1995 (1996 is excluded, as growth in this year is relatively low), calculates a 1997/98 calendar period revenue requirement of $1,293,245K (or 2.29% growth over tariff period 1996/97), compared to the Company's forecast of $1,328,901K (or 2.76% growth over tariff period 1996/97).

Paragraph 26-3

If a LEC projection is not consistent with the historical trend, the LEC must fully explain its reasons for the deviation from the historical pattern.

RESPONSE - Combined Company

See Company's response to paragraph 26-2.

Paragraph 27-1

Each price cap LEC shall show separately the adjustments for the recent OB&C Order and the Pay phone Reconsideration Order, that were reflected in its recent BFP revenue requirement projections.

RESPONSE

See Exhibit 16N-3-A and 16S-3-A.

Paragraph 27-2

Each price cap LEC shall indicate whether it has followed the same methodology to derive its BFP revenue requirement for each year between 1991 and 1997, and if not, must (1) explain why it changed methodologies in each case; (2) provide complete explanations of the ways in which any previous methodologies differ from the methodology used in preparing the BFP revenue requirement projection for the 1997 annual access tariff filing;

and (3) explain the effect these changes had on their projections for the 1997-98 tariff year.

RESPONSE - Bell Atlantic - North

The Company has used the same methodology to derive its BFP revenue requirements for each year between 1992/1993 and 1997/1998. For the 1991/1992 BFP forecast, the Company followed the multi-step process below in determining the forecast:

1. The 1991 Total Company Budget (for both New England Telephone and New York telephone companies) was used as the starting point.
2. In order to project this budget to the test period, a normalized 1990/1991 growth rate was developed and applied to the 1991 costs in order to project the first half of 1992.
3. The costs for the last half of 1991 were added to the first half of 1992 to create the test period budget.
4. The test period budget was processed according to Part 36 and Part 69 rules.
5. This process produced the forecasted revenue requirement for the Common Line -BFP to be used in the development of the EUCL rates. After reviewing methodologies from the 1991 Annual Filing, Bell Atlantic - North (formerly NYNEX) decided to adopt a methodology similar to that used by Bell Atlantic - South. The major difference from the earlier methodology is that the starting point is no longer an interstate company budget but rather historical data from ARMIS. Since the methodology for the 1997 Annual Filing has been used for the last six years, there is no reliable means of determining what effect the change in methodology in 1992 would have had on the 1997/1998 forecast.

RESPONSE - Bell Atlantic - South

The Company has used the same methodology to derive its BFP revenue requirements for each year between 1991 and 1997. As explained in the Company's response to paragraph 16-3, the Company's forecast is based on historical costs with adjustments for known events (e.g., Commission rule changes). In 1995, a Commission order required slight adjustments to the manner in which the Company calculated its historical growth. On March 7, 1996, the Commission released its Memorandum Opinion and Order in CC Docket No. 96-22, rescinding the rate base treatment portion of RAO 20. RAO 20 required LECs to deduct the accrued OPEB liability (recorded in account 4310) from the rate base. Since the Company's 1994 reserves were high relative to its 1995 reserves (which did not reflect OPEB related account 4310 amounts), the Company assumed its 1995/96 reserves would be consistent with 1994 levels.

In its 1996/97 projection, the Company used Table III ARMIS data (rows 3020 and 3070), rather than Table I to calculate its historical growth rates for total operating expenses and telephone plant in service. This was done in response to Mr. Kenneth P. Moran's (Chief, Accounting and Audits Division) December 7, 1995 letter addressed to Mr. Gerald Asch (Bell Atlantic, Director - FCC Relations) which allowed Bell Atlantic - South to record $57M in ongoing SFAS 112 related expenses in account 6728 (Other General & Administrative). The $57M reflected 1994 expenses that, prior to Mr. Moran's letter, were recorded in non ratemaking accounts. Since these expenses were not

reflected in 1994 Table I data, pursuant to Commission requirements imposed by RAO Letter #24, to compute its historic growth rates, the Company utilized 1995 Table III data, which reflected these costs.

Also, due to one year reserve growth rates that were not consistent with prior year growth rates, the Company assumed forecasted 1996/97 reserve levels would be consistent with 1995 levels.

These adjustments do not reflect changes in the Company's methodology for computing BFP costs; rather, they reflect attempts to capture Commission rule changes/interpretations in the forecast of BFP costs. Exhibit 27S-2 projects 1995/96 and 1996/97 BFP revenue requirements using historic growth rates as calculated using Table I, ARMIS 43-01 data. The revised 1995/96 projection ($1,135,836K) is $124,007K below the Company's projection included in its 1995 tariff filing and a $99,289K below the Company's actual BFP revenue requirement for this period. Similarly, the revised 1996/97 projection is $29,412K below the Company's projection included in its 1996 tariff filing and $17,946K below the Company's actual BFP revenue requirement for this period. In both cases, the revised projections would have widened the difference between actual and projected revenue requirements.

Paragraph 30-1

LECs that have adjusted their methodology [of projecting BFP revenue requirement] over time must provide the same information regarding their projection methodology for 1995-96 and 1996-97 tariff years that we require for their most recent BFP revenue requirement projections.

RESPONSE - Bell Atlantic - North

Since the Company did not use the same methodology for each year between 1991 and 1997, it is providing information for 1995/1996 and 1996/1997 similar to that provided in response to paragraph 26. The overall methodology for those years is the same as 1997/1998, except that adjustments were made to the 1995/1996 forecast for reducing forecasted expenses for force reduction. The revenue requirement calculations are shown on Exhibit 16N-1-C.

RESPONSE - Bell Atlantic - South

See Exhibit 27S-2.

BELL ATLANTIC DIRECT CASE
CC DOCKET No. 97-149

IV) End-User Demand

Paragraph 31-1

All price cap LECs must provide 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 (beginning with the 1991-1992 tariff year), using ARMIS data, and the projections of these lines filed for each of these tariff years.

RESPONSE

See Exhibits 31N-1 and 31S-1.

Paragraph 31-2

For periods where the difference between the actual number of lines and the projected number of lines is significant, we require LECs to explain in detail the difference between their projection and the actual number of lines.

RESPONSE - Introduction

Many different factors can shape the actual growth in access lines, including market programs, competitive influences and economic conditions. Notwithstanding these factors, as provided in Exhibits 31N-1 and 31S-1, the Company's methodology has consistently provided reasonable results. In every year, except 1992/93, Bell Atlantic's forecast of residential and single line business demand was within .7% of actual demand. Similarly, total billable lines (which are the only lines used to develop SLC rates) were within 1.4% of actual demand. Indeed, in the most recently completed tariff period, the demand projection for the combined company varied from actuals by only .89%. Despite the accuracy of the Company's forecast, the Commission has defined these results as significant variances. Below, Bell Atlantic attempts to explain "significant" variances between actual and forecasted access lines.

Multi-line business and residential and single line business EUCL charges are set based on total BFP costs per loop, subject to applicable caps. Therefore, total lines, not the individual classes of lines, are used in the development of EUCL charges.

RESPONSE - Bell Atlantic - North

Total Billable Lines

According to the definition of a significant difference as a change greater than 10% of the actual percentage change, there was a "significant" difference for every year except the 95/96 tariff year. The highest absolute difference is in the 92/93 year, and this is only a 1.38% difference in the projected growth rate compared with the actual growth rate of 1%. The forecast for 92/93 did not pick up the recessionary trend that occurred in access

line growth. In the economic downturn, the 92/93 growth rate was over-forecasted, and in the economic recovery, the growth rate was under-forecasted.

Residence and Single Line Business
The variance in Residence and Single Line Business projected growth rates meet the Commission's 10% criteria in the 93/94, 95/96, and 96/97 tariff periods. The 92/93 overforecast is attributable to the economic downturn which caused growth in residential lines to be negative. In the 94/95 year, the difference between actual and forecasted growth rates was only 0.4%.

Multi Line Business
Multi Line Business growth has been more robust than expected in every year except the 95/96 tariff year; however, the difference between projected and actual end-user demand never exceeded 3.3%. The development of the access line growth forecasts which are the basis of the EUCL demand forecasts are developed at a product level, e.g., Centrex, 1MB, etc., and do not coincide one to one with Single and Multi line categories, and thus contributed to some of the variation in the Single and Multi line forecasts. Also, the 96/97 tariff year is influenced by the increase in the second quarter of 1997 due to the inclusion of Public and Charge-a-Call stations in the EUCL demand.

RESPONSE - Bell Atlantic - South

As explained in the Company's response to paragraph 32-1, the Company's forecast of each class of access lines is based on historical growth.

Total Billable Lines
For tariff periods 1992/93 and 1994/95 through 1996/97, demand growth for these lines exceeded projected growth. These differences are entirely due to the factors (identified below) that contributed to the differences in actual and forecasted growth for multi-line business lines and residential and single line business lines.

Residence and Single Line Business
In 1992/93 and 1994/95 through 1996/97, actual demand growth overran projected growth. These overruns are largely due to increasingly stronger demand for residential access lines.

In 1993/94, growth in actual demand underran projections due a decrease in single line business demand. This decrease was driven by a relatively large migration from single line business demand to multi-line business demand.

Multi-Line Business
Growth in actual demand overran projections in every year; however, the overruns never exceeded 1.9%. Two factors contributed significantly to these small overruns - 1) increasing demand for Centrex services; and 2) in 1993 and 1996, significant migration from single line business demand to multi-line business demand.

Paragraph 32

For each individual class of lines and for total lines:

Paragraph 32-1

We require each LEC that had a significant difference between its projection of lines and the actual number of lines in any tariff year (1991-1996) to identify separately for those years the variables used to forecast end-user demand, and the weight given to each variable.

RESPONSE - Bell Atlantic - North

The forecast for EUCL lines is driven by the forecasted access line growth. The access line view is prepared once a year and is based on historical growth trends; econometric regression models using variables such as employment growth, GDP growth, households, interest rates and a few other economic variables; and judgment. Some of these economic variables such as employment are forecasted internally. Others are obtained from a service such as DRI or WEFA. No one weighting factor is used for each economic variable, neither is the result of one model alone used for the forecast. A reconciliation process was in place between area level forecasts (i.e., Brooklyn, Central Upstate, etc.) and wire center forecasts in the early years which took into account construction reports and other very localized data sources.

The final view is then the basis of the EUCL demand. The access line forecast does not include separate forecasts for Lifeline, non-Lifeline, Single Line Business or Multi Line Business. These are estimated from the total residence and total business forecasts. The derived EUCL demand is based on revenue divided by price ($3.50 or $6.00 as appropriate). The growth of this derived EUCL demand is then based on the access line view.

RESPONSE - Bell Atlantic - South

Consistent with its methodology used to forecast BFP costs, the Company forecasted subscriber line demand based on historical growth for each class of access lines (i.e., residence, single line business, and multi-line business). That is, the Company projected average tariff period demand for each class of line to be equal to base period demand (as reported in Bell Atlantic - South's fourth quarter ARMIS 43-01 report) adjusted for base period demand growth. Base period demand growth for each class of access line was

calculated as fourth quarter ARMIS 43-01 demand in the base period divided by fourth quarter ARMIS 43-01 demand in the prior period.

Paragraph 32-2

Additionally, each such LEC must provide information concerning, at least, the two most significant individual variables that did not change as expected and thus resulted in an inaccurate projection of end-user demand.

RESPONSE - Bell Atlantic - North

Over time, the Company's method captures any trends that may underlie end-user demand growth because time series models are one of the inputs to the access line forecast. In recent years, multi-line business demand has increased steadily and resulted in slight underforecasts of demand. In addition to time series trends, the business demand is modeled against employment growth and GDP growth.

RESPONSE - Bell Atlantic - South

As explained in Bell Atlantic - South's response to paragraph 32-1, Bell Atlantic - South's forecast of end-user demand is based on prior year growth. This use of prior year growth has consistently produced reasonable results. This method assumes future demand will be consistent with historical demand and thus, may at times result in differences between projections and actual demand. However, over time, the Company's method captures any trends that may underlie end-user demand growth. In recent years, as mentioned above, residential and multi-line business demand has increased steadily and resulted in slight underforecasts of demand.

Paragraph 32-3

We also require these LECs to explain whether, and why, they expect such unexpected changes to be evidence of a change in the underlying trend of end-user demand, or a one-time event that does not affect the overall trend of end-user demand.

RESPONSE - Combined Company

Due to the Telecommunications Act of 1996, and FCC proceedings that have facilitated the opening of ILECs' networks, it is difficult for the company to definitively predict the future trend of end-user demand. Future growth in end-user demand will depend on several factors, including the timing and success of competitors in our markets, as well as the timing and success of the Company's new business opportunities resulting from the Act. Considering this uncertainty, the Commission should require LECs to use historical demand (and costs) in the development of EUCL charges.

BELL ATLANTIC DIRECT CASE
CC DOCKET No. 97-149

Paragraph 33-1

We also require each LEC either: (1) demonstrate that the projection for the 1997-1998 tariff year is consistent with the value predicted by the historical trend of end-user demand; or (2) state specifically the underlying factor or factors that they expect will change, and the projected effect(s) of the expected change(s), expressed in a numerical prediction.

RESPONSE - Bell Atlantic - North

Exhibit 33N-1-B compares the Company's end-user demand forecast to forecasts based on 1) a trend of end-user demand for the period 1991/92 through 1996/97; 2) a trend of the natural logarithm of this demand; and 3) a trend of the annual growth in this demand. All three trends suggest the Company's end user demand projection is just slightly underforecasted. Moreover, the percent difference between the tariff projection and the demand trend projection based on the natural logarithm of lines is 0.01% for Residence and Single Line Business, 0.09% for Multi Line Business and 0.02% for Total Billable Lines which meets the significance threshold established by the Commission.

RESPONSE - Bell Atlantic - South

Exhibit 33S-1-B compares the Company's end-user demand forecast to forecasts based on 1) a trend of end-user demand for the period 1991/92 through 1996/97; 2) a trend of the natural logarithm of this demand; and 3) a trend of the annual growth in this demand. The first trend suggest that the Company's forecast of total billable lines (which are the only lines used in the development of EUCL rates) may be overstated by 206,391 lines. This represents a possible overstatement of only 1.0%. The third trend suggest that the Company's forecast may be understated by 125,538 lines (or .60%). While the second trend suggests the Company's forecast is on target.

The 4.90% projected growth in total billable lines (based on the third trend analysis) is about 10.4% above the Company's projected growth rate of 4.39%. The 10.4% difference is just slightly above the significance threshold established by the Commission.

Paragraph 33-2

To demonstrate whether projections are consistent with historical trends, LECs must provide trend analyses using the actual number of lines and the natural logarithm of the number of lines, as reported in ARMIS. These trends must be estimated separately for total billable lines, residential lines, multi-line business lines, and singe-line business lines, using calendar year data from 1991-1996.

RESPONSE - Combined Company

See Exhibits 33N-1-C and 33S-1-C for trend estimates based on calendar year data. However, the Company believes it is inappropriate to compare these calendar year trend estimates to projected tariff period demand, as the trend estimates do not reflect actual changes in demand that have occurred during the first and second quarter of 1997. Therefore, in Exhibits 33N-1-A and 33S-1-B for Bell Atlantic - North and Exhibits 33S-1-A and 33S-1-B for Bell Atlantic - South, the Company also provides trend estimates based on tariff period demand through 1996/97.

Paragraph 33-3

We also require LECs to explain any significant differences between the projection filed in their 1997-98 Annual Access Tariffs, and the forecast derived from the trend analysis we are requiring.

RESPONSE - Combined Company

See the Company's response to paragraph 33-1.

Paragraph 33-4

Those price cap LECs that are unable to demonstrate that their projections for tariff year 1997-1998 are consistent with the historical trend must also explain and document the data and methodology used to derive their EUCL demand projections filed in their 1997-1998 TRP.

RESPONSE - Combined Company

See Company's response to paragraph 32-1.

Paragraph 33-5

LECs should also explicitly show the number of public Pay phone lines they are projecting for tariff year 1997-98.

RESPONSE - Bell Atlantic - North

The Company adjusted its line forecast to reflect the recent payphone order. Since LECs will now be assessing an end user common line charge to lines that were previously company lines, it is increasing its demand forecast (which has not previously included these lines) by the public and coinless portion of its total payphone forecast. See Exhibits 33N-1-B for the number of pay phone lines included in the forecasts.

RESPONSE - Bell Atlantic - South

The Company did not separately forecast public payphone lines, but rather assumed that the growth in public payphone lines would be consistent with the year-over-year growth in

all multi-line business lines. See Exhibit 33S-1-B for the number of pay phone lines included in the forecasts.

Paragraph 33-6

In addition, each LEC must indicate the number of semi-public pay phones that, prior to the Pay phone Reconsideration Order, it charged single-line business EUCL charges, but will now charge multi-line business EUCL charges. These projections must be compared with historical counts of public and semi-public Pay phone lines.

RESPONSE - Combined Company

See Exhibits 33N-6 and 33S-6.

Paragraph 33-7

Additionally, LECs must explicitly show how they are treating ISDN lines in their 1997-98 projections.

RESPONSE - Bell Atlantic - North

Bell Atlantic - North did not separately forecast the number of lines, but it did estimate the change in Commission rules regarding the charging of EUCLs for derived channel services. Since this ruling reduces the number of EUCLs being charged for ISDN-PRI service from 23 (or 24 with some customers) to 5, an adjustment was made to the demand forecast. The adjustment was calculated by multiplying the estimated number of ISDN systems times 18 (23 minus 5)..Absent this adjustment, the per line charge would have been two cents lower.

RESPONSE - Bell Atlantic - South

Bell Atlantic - South did not separately forecast demand for ISDN lines, rather the Company assumed growth in these lines would be consistent with the overall growth for the particular class of line (multi-line business or residential and single line business) associated with the ISDN service. As provided in Exhibit 31S-1, this methodology has consistently produced accurate forecasts.

Bell Atlantic - South has never reported ISDN-PRI lines on a voice-grade equivalency. Therefore, unlike Bell Atlantic - North, there was no need for Bell Atlantic - South to adjust its forecast downward.

V) Per-Line BFP Revenue Requirements

Paragraph 34-1

Finally, price cap LECs must file their actual and projected BFP revenue requirements on a per-line basis for each tariff year between 1991 and 1996. These revenue requirements must be calculated by dividing the actual BFP revenue requirement by total billable lines.

RESPONSE - Combined Company

See Exhibits 34N-1 and 34S-1.

Paragraph 34-2

The price cap LECs must then explain any differences between these actual per-line BFP revenue requirements and their per-line BFP revenue requirements projected in their Annual Access Tariff filing for each year.

RESPONSE - Combined Company

See Exhibits 34N-1 and 34S-1 for a comparison of actual and projected per-line BFP revenue requirements.

RESPONSE - Bell Atlantic - North

For 1992/1993 actual BFP revenue requirement per-line overran the forecast. This is because forecasted revenue requirement was below the actuals and the forecasted number of lines was above the actuals, both of which had a downward effect on the per line forecast as compared to the actuals.

For 1993/1994 actual BFP revenue requirement per-line overran the forecast. This is because the downward impact of the underforecasted revenue requirement was greater than the upward impact on the underforecasted number of lines.

For 1994/1995 actual BFP revenue requirement per-line overran the forecast. This is because the downward impact of the underforecasted revenue requirement was greater than the upward impact on the underforecasted number of lines.

For 1995/1996 actual BFP revenue requirement per-line overran the forecast. This is mainly because of the downward impact of the underforecasted revenue requirement. The number of lines, although slightly underforecast, was within the Commission's acceptability parameters.

For 1996/1997 actual BFP revenue requirement per-line underran the forecast. This is because of both the upward impact of the overforecasted revenue requirement and the upward impact of the underforecasted number of lines.

Explanations for the differences between actual and forecasted revenue requirements and lines are provided in the Company's responses to paragraphs 17-1 and 31-2, respectively.

RESPONSE - Bell Atlantic - South

During the 1992/1993 tariff period actual BFP revenue requirement per-line overran the forecast (by 1.85%) due to an overrun in BFP revenue requirement relative to the Company's forecast.

During the 1993/1994 tariff period actual BFP revenue requirement per-line underran the forecast (by 1.89%) due to an underrun in BFP revenue requirement.

During the 1994/1995 tariff period, actual BFP revenue requirement per-line overran the forecast (by 3.25%) due to an overrun in BFP revenue requirement.

During the 1995/1996 tariff period actual BFP revenue requirement per-line underran the forecast (by 2.57%) due to an underrun in BFP revenue requirement coupled with an overrun in end user-demand.

During the 1996/1997 tariff period actual BFP revenue requirement per-line underran the forecast (by 1.98%) due to a combination of an underrun in BFP revenue requirement and an overrun in end-user demand.

Explanations for the differences between actual and forecasted revenue requirements and lines are provided in the Company's responses to paragraphs 17-1 and 31-2, respectively.

Issue B: Equal Access Exogenous Cost Changes

RESPONSE - Combined Company

See generally, Bell Atlantic's introductory brief, Section II.

Paragraph 43-1

We direct LECs to submit data on the local switching revenue of their traffic sensitive basket as reflected in their initial price cap filings.

RESPONSE - Combined Company

In the initial price cap filings, local switching revenues for Bell Atlantic - North and Bell Atlantic - South were $528,877K and $353,070K, respectively. Just before their respective equal access rates were reduced to zero, local switching revenues were $696,230K (6/30/93) and $398,972K (6/30/92) for Bell Atlantic - North and Bell Atlantic - South, respectively (See Exhbit 43-1-A).

EXHIBITS

Bell Atlantic-North
Calendar Year BFP Revenue Requirements

Exhibit 16N-1-A

RMIS 43-01 Row		SOURCE	(A) 91 BFP	(B) 92 BFP -3.51%	(C) 93 BFP 9.96%	(D) 94 BFP 17.05%	(E) 95 BFP 8.75%	(F) 96 BFP -12.53%	(G) 97 BFP* -3.82%	(H) AVG BFP
1020	Network Access Services Revenues	Line 1190+1490+1590+1915+1060-1040-1290+1390	1,029,189	993,049	1,091,941	1,278,092	1,389,911	1,215,765	1,169,283	1,166,747
1040	Miscellaneous Revenues	4th Q ARMIS 43-01	6,679	9,057	13,926	18,656	20,139	18,315	18,760	
1060	Uncollectible Revenues	4th Q ARMIS 43-01	2,615	4,109	5,586	3,516	4,182	4,150	4,497	
1090	Net Revenues	Line 1020+1040-1060	1,033,253	997,997	1,100,281	1,293,232	1,405,868	1,229,930	1,183,545	
1190	Total Operating Expenses	4th Q ARMIS 43-01	733,799	686,542	784,451	939,773	981,515	894,726	912,014	
1290	Other Operating Income/Loss	4th Q ARMIS 43-01	(945)	(4,759)	(1,530)	(6,592)	(5,918)	(2,152)	1,687	
1390	Total Non-Operating Items	4th Q ARMIS 43-01	1,173	1,277	1,421	1,438	258	(2,140)	(1,495)	
1490	Total Other Taxes	4th Q ARMIS 43-01	89,513	85,652	86,408	90,846	163,839	88,298	44,550	
1510	Fixed Charges	4th Q ARMIS 43-01	52,002	53,177	52,650	49,388	50,775	47,832	53,496	
1520	IRS Income Adjustments	4th Q ARMIS 43-01	(8,372)	(3,919)	(2,212)	(1,369)	2,532	10,262	3,869	
1530	FCC Taxable Income Adjustments	4th Q ARMIS 43-01	863	929	816	809	588	251	199	
1540	ITC Amortization	4th Q ARMIS 43-01	7,165	7,957	8,329	6,496	3,937	2,914	2,366	
1550	FCC ITC Adjustment	4th Q ARMIS 43-01	0	0	0	0	0	0	0	
1590	Net FIT	Line ((1915-1510+1520+1530-1540-1550) x .35/.65)-1540-1550	44,744	49,303	52,020	65,126	68,402	70,437	60,891	
1910	Average Net Investment	Average of 4 Quarters	1,449,585	1,515,234	1,550,681	1,684,062	1,652,761	1,568,503	1,504,641	
1915	Net Return	Line 1910 x 11.25%	163,078	170,464	174,452	189,457	185,936	176,457	169,272	

*Based on Jan-May 1997 annualized

Bell Atlantic-North
Tariff Year BFP Revenue Requirements

Exhibit 16N-1-B

ARMIS 43-01 Row		SOURCE	1991/92 Tariff Year	1992/93 Tariff Year	1993/94 Tariff Year	1994/95 Tariff Year	1995/96 Tariff Year	1996/97 Tariff Year
1020	Network Access Services Revenues	Line 1190+1490+1590+1915+1060-1040-1290+1390	1,035,201	1,013,484	1,236,393	1,273,159	1,378,490	1,191,331
1040	Miscellaneous Revenues	Note 1	7,911	10,014	18,056	19,985	18,093	19,392
1060	Uncollectible Revenues	Note 1	1,271	4,027	5,655	3,802	3,942	4,292
1090	Net Revenues	Line 1020+1040-1060	1,041,841	1,019,471	1,248,794	1,289,342	1,392,641	1,206,431
1190	Total Operating Expenses	Note 1	729,367	716,976	904,158	938,151	979,147	881,006
1290	Other Operating Income/Loss	Note 1	(4,597)	(699)	(9,977)	(3,739)	(1,546)	(494)
1390	Total Non-Operating Items	Note 1	1,109	1,410	1,329	1,454	(1,634)	(1,841)
1490	Total Other Taxes	Note 1	90,486	81,901	88,135	94,202	158,181	90,022
1510	Fixed Charges	Note 1	53,209	52,402	51,260	51,016	48,931	50,510
1520	IRS Income Adjustments	Note 1	(6,240)	(5,859)	375	(341)	7,495	6,709
1530	FCC Taxable Income Adjustments	Note 1	945	910	699	877	313	215
1540	ITC Amortization	Note 1	7,211	8,480	7,540	5,323	3,313	2,717
1550	FCC ITC Adjustment	Note 1	0	0	0	0	0	0
1590	Net FIT	Line ((1915-1510+1520+1530-1540-1550) x .35/.65)-1540-1550	48,011	47,917	60,713	65,137	71,684	64,890
1910	Average Net Investment	Average of 4 Quarters	1,495,741	1,516,161	1,639,834	1,659,183	1,633,032	1,527,642
1915	Net Return	Line 1910 x 11.25%	168,271	170,568	184,481	186,658	183,716	171,860

Note 1 - First half of tariff period reflects the difference between 4th and 2nd quarter ARMIS 43-01 data; Second half of tariff period reflects 2nd quarter ARMIS 43-01 data.

BELL ATLANTIC - NORTH
PROJECTED REVENUE REQUIREMENT
FOR BFP
($000)

Exhibit 16N-1-C

ISAACS REPORT 15 ROW	DESCRIPTION	NYNEX Trans. # 24 1991/92 Tariff Year	NYNEX Trans. # 89 1992/93 Tariff Year	NYNEX Trans. # 201 1993/94 Tariff Year	NYNEX Trans. # 294 1994/95 Tariff Year	NYNEX Trans. # 389 1995/96 Tariff Year	NYNEX Trans. # 420 1996/97 Tariff Year	NYNEX Trans. # 455 1997/98 Tariff Year
1	Revenue Requirement	944,967	914,476	1,037,579	1,174,429	1,211,303	1,243,341	1,247,153
15	Expenses (Less Dep) and Other Taxes	551,985	553,890	513,867	674,560	807,229	764,236	744,770
16	Depreciation Expense	191,699	174,593	192,309	251,004	227,550	238,635	256,869
27	Federal Income Tax	42,906	42,622	42,812	56,315	69,755	70,784	78,388
50	Average Net Investment	1,454,525	1,430,699	1,448,074	1,680,991	1,623,127	1,672,168	1,620,058
28	Return	163,635	160,954	162,908	189,111	182,602	188,119	182,257
5-3	Uncollectable - Misc. Oper. Revenue	(3,599)	(4,195)	(6,122)	(15,168)	(11,635)	(13,016)	(16,236)
	Exogenous Changes	(15,491)	(13,387)	7,591	1,970	6,694	2,443	1,104

NOTES:
1993/1994 revenue requirement includes $124,214 added for GSF.

Bell Atlantic - South
Calendar Year BFP Revenue Requirements

Exhibit 16S-1-A

ARMIS 43-01 Row		SOURCE	(A) 91 BFP	(B) 92 BFP	(C) 93 BFP	(D) 94 BFP	(E) 95 BFP	(F) 96 BFP	(G) 97 BFP
1020	Network Access Services Revenues	Line 1190+1490+1590+1915+1060-1040-1290+1390	866,951	951,642	1,052,785	1,171,924	1,225,754	1,272,638	1,300,851
1040	Miscellaneous Revenues	4th Q ARMIS 43-01	27,277	24,564	30,766	32,876	35,529	36,720	40,660
1060	Uncollectible Revenues	4th Q ARMIS 43-01	5,361	5,236	6,951	14,844	11,794	9,857	6,722
1090	Net Revenues	Line 1020+1040-1060	888,868	970,970	1,076,599	1,189,956	1,249,489	1,299,501	1,334,789
1190	Total Operating Expenses	4th Q ARMIS 43-01	602,747	672,190	750,016	868,598	883,455	926,086	947,108
1290	Other Operating Income/Loss	4th Q ARMIS 43-01	(734)	33	20	513	93	345	(34)
1390	Total Non-Operating Items	4th Q ARMIS 43-01	891	1,257	1,262	1,184	(4,719)	(2,480)	(2,134)
1490	Total Other Taxes	4th Q ARMIS 43-01	55,315	53,871	60,723	33,450	62,709	61,407	65,434
1510	Fixed Charges	4th Q ARMIS 43-01	54,000	53,749	52,457	55,178	56,681	52,695	55,536
1520	IRS Income Adjustments	4th Q ARMIS 43-01	(7,491)	(5,201)	(4,987)	(3,770)	779	2,934	2,010
1530	FCC Taxable Income Adjustments	4th Q ARMIS 43-01	0	0	0	0	0	0	0
1540	ITC Amortization	4th Q ARMIS 43-01	6,237	7,985	7,253	8,257	7,694	7,371	5,958
1550	FCC ITC Adjustment	4th Q ARMIS 43-01	0	0	0	0	0	0	0
1590	Net FIT*	Line ((1915-1510+1520+1530-1540-1550) x .35/.65)-1540-1550	50,778	54,825	65,258	71,644	80,588	85,404	88,830
1690	Total Plant-In-Service	Average of 4 Quarters / 4	2,813,983	3,018,567	3,225,945	3,656,025	3,979,981	4,041,146	4,477,474
1790	Total Other Investment	Average of 4 Quarters / 4	38,743	40,790	47,465	54,414	87,995	94,083	73,674
1890	Total Reserves	Average of 4 Quarters / 4	1,266,918	1,380,599	1,501,318	1,794,058	2,045,318	2,095,861	2,457,655
1910	Average Net Investment	Line 1690 + 1790 - 1890	1,585,808	1,678,758	1,772,092	1,916,382	2,022,658	2,039,368	2,093,493
1915	Net Return	Line 1910 x 11.25%	178,403	188,860	199,360	215,593	227,549	229,429	235,518

* FIT rate applicable to calendar years 1991-92 is 34.0%; FIT rate applicable to calendar years 1993-96 is 35.0%.

Bell Atlantic - South
Tariff Year BFP Revenue Requirements

Exhibit 16S-1-B

ARMIS 43-01 Row		SOURCE	1991/92 Tariff Year	1992/93 Tariff Year	1993/94 Tariff Year	1994/95 Tariff Year	1995/96 Tariff Year	1996/97 Tariff Year
1020	Network Access Services Revenues	Line 1190+1490+1590+1915+1060-1040-1290+1390	886,609	942,392	1,111,974	1,204,652	1,235,126	1,293,245
1040	Miscellaneous Revenues	Note 1	24,193	19,404	36,480	33,753	33,315	40,487
1060	Uncollectible Revenues	Note 1	4,794	6,138	15,296	7,662	10,838	8,400
1090	Net Revenues	Line 1020+1040-1060	906,009	955,658	1,133,158	1,230,744	1,257,603	1,325,332
1190	Total Operating Expenses	Note 1	642,570	678,751	813,997	898,163	903,932	947,837
1290	Other Operating Income/Loss	Note 1	(377)	29	66	489	139	254
1390	Total Non-Operating Items	Note 1	1,122	1,215	1,134	1,304	(7,003)	(1,969)
1490	Total Other Taxes	Note 1	23,912	19,343	36,448	33,725	48,323	62,553
1510	Fixed Charges	Note 1	55,247	52,248	52,753	57,792	55,218	53,215
1520	IRS Income Adjustments	Note 1	(8,840)	(5,100)	(4,304)	(1,926)	2,302	2,424
1530	FCC Taxable Income Adjustments	Note 1	0	0	0	0	0	0
1540	ITC Amortization	Note 1	4,631	5,764	5,057	5,846	7,300	7,413
1550	FCC ITC Adjustment	Note 1	0	0	0	0	0	0
1590	Net FIT*	Line ((1915-1510+1520+1530-1540-1550) x .35/.65)-1540-1550	54,509	61,906	73,549	77,567	83,551	85,818
1690	Total Plant-In-Service	Average Calculated as 4 Tariff Period Quarters / 4	2,915,929	3,118,054	3,434,638	3,843,540	4,013,737	4,258,777
1790	Total Other Investment	Average Calculated as 4 Tariff Period Quarters / 4	38,784	46,168	48,588	62,426	98,241	78,805
1890	Total Reserves	Average Calculated as 4 Tariff Period Quarters / 4	1,323,437	1,435,583	1,633,482	1,946,199	2,076,964	2,281,163
1910	Average Net Investment	Line 1690 + 1790 - 1890	1,631,276	1,728,639	1,849,744	1,959,768	2,035,013	2,056,419
1915	Net Return	Line 1910 x 11.25%	183,519	194,472	208,096	220,474	228,939	231,347

Note 1 - First half of tariff period reflects the difference between 4th and 2nd quarter ARMIS 43-01 data; Second half of tariff period reflects 2nd quarter ARMIS 43-01 data.

* FIT rate applicable to tariff periods1991/92 and 1992/93 tariff years is 34.0%.
FIT rate applicable to tariff periods 1993/94-1996/97 is 35.0%.

BELL ATLANTIC - South
Projected BFP Revenue Requirement
(000s)

Exhibit 16S-1-C

ARMIS 43-01 ROW	DESCRIPTION	SOURCE	BA Transmittal 436 1991/92 Tariff Year	BA Transmittal 505 1992/93 Tariff Year	BA Transmittal 577 1993/94 Tariff Year	BA Transmittal 644 1994/95 Tariff Year	BA Transmittal 777 1995/96 Tariff Year	BA Transmittal 867 1996/97 Tariff Year	BA Transmittal 970 1997/98 Tariff Year
1020	Network Access Services Revenues	Line 1190+1490+1590+1915+1060-1040-1290+1390**	851,092	915,634	1,130,894	1,159,884	1,259,843	1,304,709	1,328,901
1040	Miscellaneous Revenues	Company Records	20,506	32,363	37,104	28,288	32,569	35,529	37,205
1060	Uncollectible Revenues	Company Records	6,596	8,840	14,744	16,900	14,844	11,794	9,989
1090	Net Revenues	Line 1020+1040-1060	865,002	939,157	1,153,254	1,170,242	1,274,616	1,326,322	1,355,405
1190	Total Operating Expenses	Company Records	598,426	654,426	811,578	821,572	900,638	908,847	991,308
1290	Other Operating Income/Loss	Company Records	0	(767)	37	20	513	93	350
1390	Total Non-Operating Items	Company Records	0	933	1,452	1,344	1,184	(4,719)	(2,519)
1490	Total Other Taxes	Company Records	42,617	42,879	50,391	53,804	33,450	62,709	62,260
1510	Fixed Charges	Company Records	54,325	52,923	51,979	52,196	55,178	56,681	53,390
1520	IRS Income Adjustments	Company Records	(10,738)	(7,742)	(6,378)	(5,692)	(3,770)	779	2,971
1530	FCC Taxable Income Adjustments	Company Records	214	0	0	0	0	0	1
1540	ITC Amortization	Company Records	6,027	6,472	9,268	7,624	8,257	7,694	7,468
1550	FCC ITC Adjustment	Company Records	0	0	0	0	0	0	0
1590	Net FIT*	Line (1915-1510+1520+1530-1540-1550) x .35/.65-1540-1550	52,137	57,785	68,438	74,855	90,061	98,592	81,533
1690	Total Plant-In-Service	Company Records	2,928,746	3,062,413	3,496,542	3,454,439	4,132,427	4,239,552	4,320,317
1790	Total Other Investment	Company Records	31,161	45,071	48,828	50,014	62,600	123,123	76,471
1890	Total Reserves	Company Records	1,326,284	1,401,948	1,603,444	1,560,565	1,974,620	2,042,804	2,413,022
1910	Average Net Investment	Line 1690+1790-1890	1,633,623	1,705,536	1,941,926	1,943,888	2,220,407	2,319,871	1,983,766
1915	Net Return	Line 1910 x 11.25%	183,783	191,873	218,467	218,687	249,796	260,985	223,174
*Tax Rate changed from 34% to 35% in		EDT	525	1,458	1,477	163	2,195	466	383
1994		ITC	0	657	1,488	396	757	1,658	328
**Adjustments for EDT, ITC, REG FEE &		REG FEE				471			
RDA are added in to Line 1020		RDA	(12,486)	(11,621)					

Bell Atlantic - North

Exhibit 16N-2

Commission Rule Changes that affected BFP Revenue Requirement

	Item	Source	Effective Date	Revenue Requirement Impact in Initial Year
1.	SPF & DEM Transition			
	1/192 Transition	Exhibit 22N-1-A	1/1/92	($37.2M)
	1/1/93 Transition	Exhibit 22N-1-B	1/1/93	($19.1M)
2.	Part 65 Rule Change Concerning SFAS 106	Exhibit 22N-2-A	1/1/93	$13.1M
3.	Part 69 Rule Change Concerning Allocation of General Support Facilities	Exhibit 22N-1-A	7/1/93	$58.1M
4.	Part 36 Rule Change Concerning Allocation of OB&C Expense	Exhibit 16N-3E	4/30/97	$.7M
5.	Deregulation of Pay Telephone	Exhibit 16N-3C	4/15/97	$11.3M