

		NYNEX 1994 Annual Filing Trans No. 309 (A)	1994 AF with Actual BFP EUCL (B)		
100	Terminating CCL Prem MOU	25,171,581,345	25,171,581,345		
110	Term CCL Non-Prem MOU	23,143,991	23,143,991		
120	Chargeable Term CCL Prem MOU	25,181,996,141	25,181,996,141		
130	Originating CCL Prem MOU	19,464,730,827	19,464,730,827		
140	Originating CCL NonPrem MOU	2,795,378	2,795,378		
150	Chargeable Originating CCL Prem MOU	19,465,988,747	19,465,988,747		
160	Term CCL Prem Capped Rates at last PCI	0.008269	0.007938		
170	Orig CCL Prem Capped Rates at last PCI	0.008269	0.007938		
180	Multiline Business EUCL lines	47,984,882	47,984,882		
190	Res & Single Business EUCL lines	124,994,146	124,994,146		
200	Lifeline Lines	9,097,858	9,097,858		
210	Special Access Surcharge Lines	139,812	139,812		
220	Multiline Bus EUCL Rates at last PCI update	5.576479	5.906080		
230	Res & Single Bus EUCL lines at last PCI	3.50	3.50		
240	LineLine Rates at last PCI update	3.50	3.50		
250	Sp. Acc. Srch. at last PCI update	25	25		
255	Other CCL Revenues	29,756,874	29,756,874	NYNEX - AT&T	
260	CL Revenue at Capped t-1 Rates	1,139,355,062	1,140,392,452	(1,037,390)	
270	CCL Revenue at Capped t-1 Rates	1,139,355,062	1,140,392,452		
280	CCL MOU for base year	44,662,251,541	44,662,251,541		
290	CL Rev/MOU t-1	0.025510	0.025534		
300	CL PCI(t)	101.0872%	101.0872%		
310	CL PC(t-1)	99.0530%	99.0530%		
320	1 + % Change CL PCI	1.020536	1.020536		
330	CL Rev/MOU(t)	0.026034	0.026058		
340	Base Demand * Proposed SLCs + GIT	785,341,176	788,484,742		
350	CCL MOU for Base Year	44,662,251,541	44,662,251,541		
360	1 + g/2	1.011146	1.011146		
370	SLC REV/MOU(t)	0.017390	0.017460		
380	CCL Rev/MOU(t)	0.008644	0.008598		
390	CCL MOU for Base Year	44,662,251,541	44,662,251,541		
400	CCL Rev at CCL Rev/MOU(t)	386,052,804	384,018,932		
410	Chargeable Origin MOU	19,465,988,747	19,465,988,747		
420	Originating CCL Rev (rate = .01)	194,659,887	194,659,887		
430	Residual CCL Rev	191,392,916	189,359,045		
440	Chargeable Terminating MOU	25,181,996,141	25,181,996,141		
450	Hypothetical Prem Term Rate Cap#1(Prem Orig= .01)	0.007600	0.007520		
460	Total Chargeable MOU	44,647,984,888	44,647,984,888		
470	Hypothetical Prem Term Rate Cap#2(if #1<.01)	0.008647	0.008601		
480	Premium Terminating Rate Cap	0.008647	0.008601		
	Charged Premium Rate	0.008269			
	INPUT FOR LINE 340 (RTE-1, line 100, col. D)	220 5.905311	5.970823		
		230 3.50	3.50		
		240 3.50	3.50		
		250 25.00	25.00	NYNEX - AT&T	
	Total CL Basket Proposed Revenues (at CCL cap)	1,171,393,979	1,172,503,674	(1,109,695)	

  

		NYNEX MLB revenue	AT&T MLB revenue	AT&T prior proposed	NYNEX prior proposed	EUCL True-up factor	AT&T adj existing
1,248,590	existing	7,491,540	7,491,540	6	6	1	6
11,071,468	4.97	55,025,196	63,550,226	5.740000	4.97	1	5.740000
1,563,574	6	9,381,444	9,381,444	6	6	1	6
1,361,907	4.16	5,665,533	6,543,292	4.804507	4.16	1	4.804507
673,899	6	4,043,394	4,043,394	6	6	1	6
32,065,444	5.8	185,979,575	192,392,664	6	5.80	1	6
47,984,882		267,586,682	283,402,560				
	5.576479						5.906080
		NYNEX MLB revenue	AT&T MLB revenue	AT&T adj (page 5)	AT&T adj proposed		
1,248,590	proposed	7,491,540	7,491,540	4.49%	6		
11,071,468	5.72	63,328,797	66,170,474	4.49%	5.976667		
1,563,574	6	9,381,444	9,381,444	4.49%	6		
1,361,907	4.94	6,727,821	7,029,710	4.49%	5.161667		
673,899	6	4,043,394	4,043,394	4.49%	6		
32,065,444	6	192,392,664	192,392,664	4.49%	6		
47,984,882		283,365,660	286,509,226				
	5.905311				5.970823		





			NYNEX 1997 Annual Filing Trans No. 461 (A)	1997 AF with Actual BFP EUCL (B)				
100	Terminating CCL Prem MOU		32,811,827,985	32,811,827,985				
110	Term CCL Non-Prem MOU		0	0				
120	Chargeable Term CCL Prem MOU		32,811,827,985	32,811,827,985				
130	Originating CCL Prem MOU		20,870,354,694	20,870,354,694				
140	Originating CCL NonPrem MOU		0	0				
150	Chargeable Originating CCL Prem MOU		20,870,354,694	20,870,354,694				
160	Term CCL Prem Capped Rates at last PCI		0.005987	0.006193				
170	Orig CCL Prem Capped Rates at last PCI		0.005987	0.006193				
180	Multiline Business EUCL lines		59,814,433	59,814,433				
190	Res & Single Business EUCL lines		130,524,523	130,524,523				
200	Lifeline Lines		11,949,753	11,949,753				
210	Special Access Surcharge Lines		111,244	111,244				
220	Multiline Bus EUCL Rates at last PCI update		6.00	5.80				
230	Res & Single Bus EUCL Rates at last PCI		3.50	3.50				
240	Line Line Rates at last PCI update		3.50	3.50				
250	Sp. Acc. Srch. at last PCI update		25	25				
255	Other CCL Revenues		0	0	NYNEX - AT&T			
260	CL Revenue at Capped t-1 Rates		1,181,722,892	1,180,803,421	919,471			
270	CCL Revenue at Capped t-1 Rates		1,181,722,892	1,180,803,421				
280	CCL MOU for base year		53,682,182,679	53,682,182,679				
290	CL Rev/MOU t-1		0.022013	0.021996				
300	CL PCI(t)		87.7382%	87.7382%				
310	CL PCI(t-1)		87.1219%	87.1219%				
320	1 + % Change CL PCI		1.007074	1.007074				
330	CL Rev/MOU(t)		0.022169	0.022152				
340	Base Demand * Proposed SLCs*		886,439,807	886,439,807				
350	CCL MOU for Base Year		53,682,182,679	53,682,182,679				
360	1 + g/2		1.000000	1.000000				
370	SLC REV/MOU(t)		0.016513	0.016513				
380	CCL Rev/MOU(t)		0.005656	0.005639				
390	CCL MOU for Base Year		53,682,182,679	53,682,182,679				
400	CCL Rev at CCL Rev/MOU(t)		303,642,588	302,716,613				
410	Chargeable Origin MOU		20,870,354,694	20,870,354,694				
420	Originating CCL Rev (rate = .01)		208,703,547	208,703,547				
430	Residual CCL Rev		94,939,041	94,013,066				
440	Chargeable Terminating MOU		32,811,827,985	32,811,827,985				
450	Hypothetical Prem Term Rate Cap#1(Prem Orig=.01)		0.002893	0.002865				
460	Total Chargeable MOU		53,682,182,679	53,682,182,679				
470	Hypothetical Prem Term Rate Cap#2(if #1<.01)		0.005656	0.005639				
480	Premium Terminating Rate Cap		0.005656	0.005639				
INPUT FOR LINE 340, FCC PRESCRIBED		1997	6.48	6.48				
			3.50	3.50				
			3.50	3.50				
			25.00	25.00	NYNEX - AT&T			
Total CL Basket Proposed Revenues			1,190,082,395	1,189,156,420	925,975			
* Reflects change in PRI ISDN Services charge to 5 times the MLB rate								
			NYNEX	AT&T	AT&T	NYNEX	EUCL	AT&T
1996 MLB demand	existing	MLB revenue	MLB revenue	prior proposed	prior proposed	True-up factor	adj existing	
1,631,939	6	9,791,634	9,465,246	5.80	6	1	5.80	
14,245,215	6	85,471,290	82,622,247	5.80	6	1	5.80	
2,040,849	6	12,245,094	11,836,924	5.80	6	1	5.80	
1,598,555	6	9,591,330	9,271,619	5.80	6	1	5.80	
869,578	6	5,217,468	5,043,552	5.80	6	1	5.80	
39,027,250	6	234,163,500	226,358,050	5.80	6	1	5.80	
59,413,386		356,480,316	344,597,639					5.800000
	6.000000							
			NYNEX	AT&T	AT&T EUCL	AT&T		
	proposed**	MLB revenue	MLB revenue	adj (page 5)	adj proposed			
1,631,939	6.48	10,574,965	10,574,965		6.48			
14,245,215	6.48	92,308,993	92,308,993		6.48			
2,040,849	6.48	13,224,702	13,224,702		6.48			
1,598,555	6.48	10,358,636	10,358,636		6.48			
869,578	6.48	5,634,865	5,634,865		6.48			
39,027,250	6.48	252,896,580	252,896,580		6.48			
59,413,386		384,998,741	384,998,741					
** FCC Prescribed EUCL Rate	6.480000				6.480000			

CCL RATE TRUE-UP CHART									
	1991/1992 =====	1992/1993 =====	1993 Annual 1993/1994 =====		GSF Filing 1993/1994 =====	1994/1995 =====	1995/1996 =====	1996/1997 =====	1997/1998 =====
NYNEX Proposed CCL Rate Cap	0.007367	0.006846	0.006010	###	0.008250	0.008647	0.007788	0.007111	0.005656
NYNEX Actual CCL Rate Cap*	0.007075	0.006850 #	0.006011	**	0.008269	0.009061	0.007788	0.005987	na
True-up Factor	0.960405	1.0006	1.0001		1.0023	1.0479	1.0000	0.8754 @	na
AT&T Calculated CCL Rate Cap	0.007045	0.006375	0.005176	####	0.007919	0.008601	0.007807	0.007336	0.005639
AT&T Calculated CCL Rate Cap with True-up	0.006766	0.006378 ##	0.005177	***	0.007938	0.009013	0.007807	0.006193 @@	na
* Actual CCL Rate Cap Source: next tariff period, NYNEX, CCL-1 Line 160									
# Page 1c Supplemental, Line 160, Col A									
## Page 1c Supplemental, Line 160, Col B									
### Page 1c Supplemental, Line 480, Col A									
** Page 1c, Line 160, Col A									
#### Page 1c Supplemental, Line 480, Col B									
*** Page 1c, Line 160, Col B									
@ Page 2 Supplemental, Line 8									
@@ Page 2 Supplemental, Line 17									

CALCULATION of 1996/1997 TRUE-UP FACTOR WITHOUT PAYPHONE:					
	1996/1997 (A)	1995 Demand (B)	CCL Revenue (C = A * B)		
1. NYNEX Proposed CCL Rate Cap	0.007111	51,119,449,277	363,510,404		
2. NYNEX Actual CCL Rate Cap	0.005987	51,119,449,277	306,052,143		
3. Difference (In 2 - In 1)			(57,458,261)		
4. Payphone EUCL Revenue Change (In 11 col C)			12,152,218		
5. Rate Change Due to Filings (excluding Payphone) (In 3 + In 4)			(45,306,043)		
6. Change in CCL Rate Due to Payphone (In 4 / In 1 col B)			0.000238		
7. Actual CCL Rate Cap (excluding Payphone) (In 2 col A + In 6)			0.006225		
8. True-up Factor to Reflect Filings (excluding Payphone) (In 7 / In 1 col A)			0.8754		
CALCULATION of AT&T PAYPHONE CCL ADJUSTMENT for AT&T 1996/1997 CALCULATED CCL RATE CAP:					
(Col A, B, & C NYNEX Trans. No. 443, App. C, WP SLCREV)	1995 Demand (A)	NYNEX Change in SLC Rate (B)	NYNEX Increase in SLC Revenue (C = A * B)	AT&T Change in SLC Rate (based on \$5.80) (D)	AT&T Increase in SLC Revenue (E = A * D)
9. 1995 NYNEX Public Payphone Lines	1,872,520	6.00	11,235,120	5.80	10,860,616
10. 1995 NYNEX Semi-Public Payphone Lines	366,839	2.50	917,098	2.30	843,730
11. Total Additional Payphone Revenue			12,152,218		11,704,346
12. AT&T Calculated CCL Payphone Adjustment (In 11 col E / In 1 col B)					0.000229
CALCULATION of AT&T 1996/1997 CCL RATE CAP for PAYPHONE:					
	1996/1997 w/o Payphone				
13. AT&T Calculated CCL Rate Cap (Bell Atlantic North, Exhibit B1, Page 1f, col B, row 480)	0.007336				
14. True-up Factor to Reflect Filings (excluding Payphone) (In 8)	0.8754				
15. AT&T Calculated CCL Rate Cap with True-up (excluding Payphone) (In 13 * In 14)	0.006422				
16. AT&T Calculated Payphone CCL Adjustment (In 12)	0.000229				
17. AT&T Calculated CCL Rate Cap with True-up (excluding Payphone) and AT&T Calculated Payphone CCL Adjustment for Bell Atlantic North, Exhibit B1, Page 1g, col B, row 160 (In 15 - In 16)	0.006193				

CALCULATION OF EUCL CHANGE FOR CCL RATE DEVELOPMENT							
	1991/1992 =====	1992/1993 =====	1993 Annual 1993/1994 =====	GSF Filing 1993/1994 =====	1994/1995 =====	1995/1996 =====	1996/1997 =====
NYNEX Actual per Line EUCL Calculated*	5.72	5.54	5.88 #	6.56	6.52	7.02	5.80
NYNEX Forecasted per Line EUCL Calculated*	5.29	5.05	5.00 #	5.68	6.24	6.16	6.13
Percent Under Forecast	8.13%	9.70%	17.60%	15.49%	4.49%	13.96%	-5.38%
EUCL Used For CCL Rate** Development	5.16	4.98	4.93	5.58	5.91	6.00	6.00
Adjusted EUCL Used By AT&T For CCL Rate Development***	5.603400	5.420141	5.726939 #	5.906188	5.970823	6.000000	5.800000
* See FCC 97-403, Memorandum Opinion and Order, Table 1							
** See Bell Atlantic North, Exhibit B1, Pages 1b-1g, Line 220, Column A							
*** Calculated using percent change Total Company EUCL applied to per COSA rates, multiplied by (percent COSA line volumes to total line volumes); determined using 1991 -1996 Annual Filings							
# 1993/1994 restated to remove impact of GSF filing							

EXHIBIT CCL-REFUND FOOTNOTES			
Page	Line	Column	Note:
1a	300 & 310	A & B	Unified indices from NYNEX Trans. No. 69.
1b to 1g	220	B	Reflects change in base period demand.
1b	220	B	Reflects true-up for the change in NY MLB EUCL from \$5.69 to \$5.48 due to removal of GIT.
1c Suppl	340	B	Proposed MLB EUCL rate based on a 17.60% underforecast for the BFP, which does not include the reallocation of GSF impact.
1c	340	B	Proposed MLB EUCL rate based on a 15.49% underforecast for the BFP, which includes the reallocation of GSF impact.
1g	160	B	True-up factor and AT&T (t-1) proposed CCL rate adjusted to reflect impact of imputed MLB revenues for the Payphone filing. (calculation details shown on EXHIBIT CCL-REFUND, Page 4 Supplemental)
4 Suppl			The Payphone Filing, NYNEX Trans. No. 443, effective 4/15/97 included a reduction to the CCL rate due to an increase in MLB revenues for imputed payphones. This was done without changing the base period payphone line count. The true-up factor based on the actual CCL rates would overstate the reduction to AT&T's calculated CCL rate. This supplemental workpaper adjusts AT&T's calculated CCL rate going into the 1997 Annual Access Tariff Filing to reflect the comparable NYNEX rate.

**BELL ATLANTIC SOUTH**

**EXHIBIT B2**

BELL ATLANTIC SOUTH				EXHIBIT B2		
				Page 1a		
				BA South	1996 AF	
				1996	with	
				Annual Filing	Actual BFP	
				Trans No. 890	EUCL	
<b>CALCULATION OF CARRIER COMMON LINE RATE CAP</b>				(A)	(B)	
					(C) = (A) - (B)	
100	Terminating CCL Prem MOU		28,817,798,459	28,817,798,459		
110	Term CCL Non-Prem MOU		2,824,451	2,824,451		
120	Chargeable Term CCL Prem MOU		28,819,069,462	28,819,069,462		
130	Originating CCL Prem MOU		32,801,310,600	32,801,310,600		
140	Originating CCL NonPrem MOU		881,082	881,082		
150	Chargeable Originating CCL Prem MOU		32,801,707,087	32,801,707,087		
160	Term CCL Prem Capped Rates at last PCI		0.005708	0.005778		
170	Orig CCL Prem Capped Rates at last PCI		0.005708	0.005778		
180	Multiline Business EUCL lines		73,564,140	73,564,140		
190	Res & Single Business EUCL lines		155,721,396	155,028,080		
200	Lifeline Lines		306,684	306,684		
210	Special Access Surcharge Lines		270,384	270,384		
220	Multiline Bus EUCL Rates at last PCI update		5,249,750	5,168,797		
230	Res & Single Bus EUCL Rates at last PCI		3,469,163	3,467,350		
240	Lineline Rates at last PCI update		2,938,692	2,938,692		
250	Sp. Acc. Srch. at last PCI update		25	25		
255	Other CCL Revenues		0	0		
260	CL Revenue at Capped t-1 Rates		1,285,808,492	1,284,947,716	860,776	
270	CCL Revenue at Capped t-1 Rates		1,285,808,492	1,284,947,716		
280	CCL MOU for base year		61,622,814,592	61,622,814,592		
290	CL Rev/MOU t-1		0.020866	0.020852		
300	CL PCI(t)		77.79%	77.79%		
310	CL PCI(t-1)		78.95%	78.95%		
320	1 + % Change CL PCI		0.985308	0.985308		
330	CL Rev/MOU(t)		0.020559	0.020545		
340	Base Demand * Proposed SLCs		940,521,471	932,805,770		
350	CCL MOU for Base Year		61,622,814,592	61,622,814,592		
360	1 + g/2		1.016400	1.016400		
370	SLC REV/MOU(t)		0.015016	0.014893		
380	CCL Rev/MOU(t)		0.005543	0.005652		
390	CCL MOU for Base Year		61,622,814,592	61,622,814,592		
400	CCL Rev at CCL Rev/MOU(t)		341,571,594	348,314,669		
410	Chargeable Origin MOU		32,801,707,087	32,801,707,087		
420	Originating CCL Rev (rate = .01)		328,017,071	328,017,071		
430	Residual CCL Rev		13,554,523	20,297,598		
440	Chargeable Terminating MOU		28,819,069,462	28,819,069,462		
450	Hypothetical Prem Term Rate Cap#1(Prem Orig=.01)		0.000470	0.000704		
460	Total Chargeable MOU		61,620,776,549	61,620,776,549		
470	Hypothetical Prem Term Rate Cap#2(if #1<.01)		0.005543	0.005653		
480	Premium Terminating Rate Cap		0.005543	0.005653		
		1997				
INPUT FOR LINE 340		220	5.29640513	5.19403593		
		230	3.48797138	3.48624032		
		240	3.21050200	0.00000000		
		250	25.00	25.00		
	Proposed CL Cap Revenue		1,282,085,435	1,281,148,020	937,415	
		AT&T prior	AT&T prior	AT&T prior prop.	AT&T prior prop.	
	1995 MLB demand	proposed MLB	prop MLB revenue	1995 Res/SLB demand	Res/SLB	Res/SLB revenue
DC	6,643,008	2.06	13,657,519	3,527,748	2.06	7,252,781
MD	12,020,712	5.40	64,917,724	25,893,468	3.50	90,627,138
VA	12,046,608	5.83	70,271,662	23,664,744	3.50	82,826,604
WV	1,725,324	6.00	10,351,944	7,051,716	3.50	24,681,006
DE	1,764,084	6.00	10,584,504	3,916,236	3.50	13,706,826
NJ	19,420,896	5.35	103,927,125	44,613,888	3.50	156,148,608
PA	19,943,508	5.34	106,527,598	47,360,280	3.50	165,760,980
TOTA	73,564,140		380,238,076	156,028,080		541,003,943
Comp. Rates		5.16879659			3.467349874	
		proposed	BA Revenues	AT&T EUCL	AT&T adj.	AT&T adj
				adj (page 5)	adj proposed	proposed MLB
DC	6,643,008	2.95	19,596,874	-1.99%	2.89	19,207,766
MD	12,020,712	5.72	68,758,473	-1.99%	5.61	67,393,232
VA	12,046,608	5.92	71,315,919	-1.99%	5.80	69,899,899
WV	1,725,324	6.00	10,351,944		6.00	10,351,944
DE	1,764,084	5.91	10,425,736	-1.99%	5.79	10,218,727
NJ	19,420,896	5.02	97,492,898	-1.99%	4.92	95,557,118
PA	19,943,508	5.60	111,683,645	-1.99%	5.49	109,466,100
TOTA	73,564,140		389,625,489			382,094,787
Comp. Rates		5.296405134			5.194035934	
		1995 Res/SLB demand				
DC	3,527,748	2.95	10,406,857	-1.99%	2.89	10,200,222
MD	25,893,468	3.50	90,627,138		3.50	90,627,138
VA	23,664,744	3.50	82,826,604		3.50	82,826,604
WV	7,051,716	3.50	24,681,006		3.50	24,681,006
DE	3,916,236	3.50	13,706,826		3.50	13,706,826
NJ	44,613,888	3.50	156,148,608		3.50	156,148,608
PA	47,360,280	3.50	165,760,980		3.50	165,760,980
TOTA	156,028,080		544,158,019			543,951,384
Comp. Rates		3.487564665			3.486240325	

	BA South TM 909, 902, & Reg Fee Ltr (A)	Recalc Actual BFP EUCL (B)	(C) = (A) - (B)
<b>CALCULATION OF CARRIER COMMON LINE RATE CAP</b>			
100 Terminating CCL Prem MOU	28,817,798,459	28,817,798,459	
110 Term CCL Non-Prem MOU	2,824,451	2,824,451	
120 Chargeable Term CCL Prem MOU	28,819,069,462	28,819,069,462	
130 Originating CCL Prem MOU	32,801,310,600	32,801,310,600	
140 Originating CCL NonPrem MOU	881,082	881,082	
150 Chargeable Originating CCL Prem MOU	32,801,707,087	32,801,707,087	
160 Term CCL Prem Capped Rates at last PCI	0.005543	0.005653	
170 Orig CCL Prem Capped Rates at last PCI	0.005543	0.005653	
180 Multiline Business EUCL lines	73,564,140	73,564,140	
190 Res & Single Business EUCL lines	155,721,396	156,028,080	156,028,080
200 Lifeline Lines	306,684	0	
210 Special Access Surcharge Lines	270,384	270,384	
220 Multiline Bus EUCL Rates at last PCI update	5.296405	5.194036	
230 Res & Single Bus EUCL Rates at last PCI	3.487971	3.486240	
240 Linline Rates at last PCI update	3.281050	0.000000	
250 Sp. Acc. Srch. at last PCI update	25	25	
255 Other CCL Revenues	0	0	
260 CL Revenue at Capped t-1 Rates	1,282,107,002	1,281,148,020	958,982
270 CCL Revenue at Capped t-1 Rates	1,282,107,002	1,281,148,020	
280 CCL MOU for base year	61,622,814,592	61,622,814,592	
290 CL Rev/MOU t-1	0.020806	0.020790	
300 CL PCI(t)	77.40%	77.40%	
310 CL PCI(t-1)	77.79%	77.79%	
320 1 + % Change CL PCI	0.995110	0.995110	
330 CL Rev/MOU(t)	0.020704	0.020688	
340 Base Demand * Proposed SLCs	940,543,038	928,001,619	
350 CCL MOU for Base Year	61,622,814,592	61,622,814,592	
360 1 + g/2	1.000000	1.000000	
370 SLC REV/MOU(t)	0.015263	0.015059	
380 CCL Rev/MOU(t)	0.005441	0.005629	
390 CCL MOU for Base Year	61,622,814,592	61,622,814,592	
400 CCL Rev at CCL Rev/MOU(t)	335,293,952	346,881,079	
410 Chargeable Origin MOU	32,801,707,087	32,801,707,087	
420 Originating CCL Rev (rate = .01)	328,017,071	328,017,071	
430 Residual CCL Rev	7,276,882	18,864,008	
440 Chargeable Terminating MOU	28,819,069,462	28,819,069,462	
450 Hypothetical Prem Term Rate Cap#1(Prem Orig=.01)	0.000253	0.000655	
460 Total Chargeable MOU	61,620,776,549	61,620,776,549	
470 Hypothetical Prem Term Rate Cap#2(if #1<.01)	0.005441	0.005629	
480 Premium Terminating Rate Cap	0.005441	0.005629	
	1997		
INPUT FOR LINE 340	220	5.29640500	5.16879659
	230	3.48797100	3.46734987
	240	3.28105000	0.00000000
	250	25.00	25.00
Proposed CL Cap Revenue	1,275,821,683	1,274,864,970	956,713

	BA South Paytel Trans No. 931	Paytel with Actual BFP EUCL	(C) = (A) - (B)
	(A)	(B)	
<b>CALCULATION OF CARRIER COMMON LINE RATE CAP</b>			
100 Terminating CCL Prem MOU	28,817,798,459	28,817,798,459	
110 Term CCL Non-Prem MOU	2,824,451	2,824,451	
120 Chargeable Term CCL Prem MOU	28,819,069,462	28,819,069,462	
130 Originating CCL Prem MOU	32,801,310,600	32,801,310,600	
140 Originating CCL NonPrem MOU	881,082	881,082	
150 Chargeable Originating CCL Prem MOU	32,801,707,087	32,801,707,087	
160 Term CCL Prem Capped Rates at last PCI	0.005440	0.005629	
170 Orig CCL Prem Capped Rates at last PCI	0.005440	0.005629	
180 Multiline Business EUCL lines	73,564,140	73,564,140	
190 Res & Single Business EUCL lines	155,721,396	156,028,080	
200 Lifeline Lines	306,684	0	
210 Special Access Surcharge Lines	270,384	270,384	
220 Multiline Bus EUCL Rates at last PCI update	5.296405	5.168797	
230 Res & Single Bus EUCL Rates at last PCI	3.487971	3.467350	
240 Linline Rates at last PCI update	3.281050	0.000000	
250 Sp. Acc. Srch. at last PCI update	25	25	
255 Other CCL Revenues	0	0	
260 CL Revenue at Capped t-1 Rates	1,275,760,062	1,274,864,970	895,092
270 CCL Revenue at Capped t-1 Rates	1,275,760,062	1,274,864,970	
280 CCL MOU for base year	61,622,814,592	61,622,814,592	
290 CL Rev/MOU t-1	0.020703	0.020688	
300 CL PCI(t)	75.30%	75.30%	
310 CL PCI(t-1)	77.40%	77.40%	
320 1 + % Change CL PCI	0.972826	0.972826	
330 CL Rev/MOU(t)	0.020140	0.020126	
340 Base Demand * Proposed SLCs	952,203,660	944,214,840	
350 CCL MOU for Base Year	61,622,814,592	61,622,814,592	
360 1 + g/2	1.000000	1.000000	
370 SLC REV/MOU(t)	0.015452	0.015322	
380 CCL Rev/MOU(t)	0.004688	0.004804	
390 CCL MOU for Base Year	61,622,814,592	61,622,814,592	
400 CCL Rev at CCL Rev/MOU(t)	288,888,821	296,006,872	
410 Chargeable Origin MOU	32,801,707,087	32,801,707,087	
420 Originating CCL Rev (rate = .01)	328,017,071	328,017,071	
430 Residual CCL Rev	(39,128,250)	(32,010,199)	
440 Chargeable Terminating MOU	28,819,069,462	28,819,069,462	
450 Hypothetical Prem Term Rate Cap#1(Prem Orig=.01)	-0.001358	-0.001111	
460 Total Chargeable MOU	61,620,776,549	61,620,776,549	
470 Hypothetical Prem Term Rate Cap#2(if #1<.01)	0.004688	0.004804	
480 Premium Terminating Rate Cap	0.004688	0.004804	
1997			
INPUT FOR LINE 340 *	220 5.29947400	5.19712050	
	230 3.48798720	3.48625639	
	240 3.28105020	0.00000000	
	250 25.00	25.00	
Proposed CL Cap Revenue	1,241,081,860	1,240,241,051	840,810

See attached XX Supplemental.

BELL ATLANTIC SOUTH			EXHIBIT B2	
				Page 1d
		BA South	1996 AF	
		LTS, OB&C	with	
		Trans No. 955	Actual BFP	
CALCULATION OF CARRIER COMMON LINE RATE CAP		Trans No. 975	EUCL	
		(A)	(B)	(C) = (A) - (B)
100	Terminating CCL Prem MOU	28,817,798,459	28,817,798,459	
110	Term CCL Non-Prem MOU	2,824,451	2,824,451	
120	Chargeable Term CCL Prem MOU	28,819,069,462	28,819,069,462	
130	Originating CCL Prem MOU	32,801,310,600	32,801,310,600	
140	Originating CCL NonPrem MOU	881,082	881,082	
150	Chargeable Originating CCL Prem MOU	32,801,707,087	32,801,707,087	
160	Term CCL Prem Capped Rates at last PCI	0.004688	0.004804	
170	Orig CCL Prem Capped Rates at last PCI	0.004688	0.004804	
180	Multiline Business EUCL lines	76,041,348	76,041,348	
190	Res & Single Business EUCL lines	155,235,288	155,541,972	
200	Lifeline Lines	306,684	0	
210	Special Access Surcharge Lines	270,384	270,384	
220	Multiline Bus EUCL Rates at last PCI update	5.299474	5.19712050	
230	Res & Single Bus EUCL Rates at last PCI	3.487987	3.48625639	
240	Lifetime Rates at last PCI update	3.281050	0.00000000	
250	Sp. Acc. Srch. at last PCI update	25	25.00	
255	Other CCL Revenues	0	0	
260	CL Revenue at Capped t-1 Rates	1,241,081,859	1,240,241,052	840,807
270	CCL Revenue at Capped t-1 Rates	1,241,081,859	1,240,241,052	
280	CCL MOU for base year	61,622,814,592	61,622,814,592	
290	CL Rev/MOU t-1	0.020140	0.020126	
300	CL PCI(t)	74.81%	74.81%	
310	CL PCI(t-1)	75.30%	75.30%	
320	1 + % Change CL PCI	0.993454	0.993454	
330	CL Rev/MOU(t)	0.020008	0.019995	
340	Base Demand * Proposed SLCs	952,203,690	944,214,842	
350	CCL MOU for Base Year	61,622,814,592	61,622,814,592	
360	1 + g/2	1.000000	1.000000	
370	SLC REV/MOU(t)	0.015452	0.015322	
380	CCL Rev/MOU(t)	0.004556	0.004672	
390	CCL MOU for Base Year	61,622,814,592	61,622,814,592	
400	CCL Rev at CCL Rev/MOU(t)	280,754,415	287,907,960	
410	Chargeable Origin MOU	32,801,707,087	32,801,707,087	
420	Originating CCL Rev (rate = .01)	328,017,071	328,017,071	
430	Residual CCL Rev	(47,262,656)	(40,109,111)	
440	Chargeable Terminating MOU	28,819,069,462	28,819,069,462	
450	Hypothetical Prem Term Rate Cap#1(Prem Orig=.01)	-0.001640	-0.001392	
460	Total Chargeable MOU	61,620,776,549	61,620,776,549	
470	Hypothetical Prem Term Rate Cap#2(if #1<.01)	0.004556	0.004672	
480	Premium Terminating Rate Cap	0.004556	0.004672	
		1997		
INPUT FOR LINE 340		220	5.29947400	5.19712050
		230	3.48798720	3.48625639
		240	3.28105020	0.00000000
		250	25.00	25.00
	Proposed CL Cap Revenue	1,232,947,948	1,232,107,110	840,838

BELL ATLANTIC SOUTH				EXHIBIT B2		
				Page 1e		
				BA South	1997 AF	
				1997	with	
				Annual Filing	Actual BFP	
CALCULATION OF CARRIER COMMON LINE RATE CAP				Trans No. 977	EUCL	
				(A)	(B)	
				(C) = (A) - (B)		
100	Terminating CCL Prem MOU	43,657,059,290	43,657,059,290			
110	Term CCL Non-Prem MOU	2,021,920	2,021,920			
120	Chargeable Term CCL Prem MOU	43,657,969,154	43,657,969,154			
130	Originating CCL Prem MOU	23,188,256,482	23,188,256,482			
140	Originating CCL NonPrem MOU	837,556	837,556			
150	Chargeable Originating CCL Prem MOU	23,188,633,382	23,188,633,382			
160	Term CCL Prem Capped Rates at last PCI	0.004590	0.004707	** See true-up		
170	Orig CCL Prem Capped Rates at last PCI	0.004590	0.004707	calculation, below		
180	Multiline Business EUCL lines	80,648,352	80,648,352			
190	Res & Single Business EUCL lines	159,278,484	159,278,484			
200	Lifeline Lines	0	0			
210	Special Access Surcharge Lines	250,452	250,452			
220	Multiline Bus EUCL Rates at last PCI update	5,304,344	5,201,943			
230	Res & Single Bus EUCL Rates at last PCI	3,488,492	3,486,594			
240	Lineline Rates at last PCI update	0.000000	0.000000			
250	Sp. Acc. Srch. at last PCI update	25	25			
255	Other CCL Revenues	0	0			
260	CL Revenue at Capped t-1 Rates	1,296,515,563	1,295,775,819	739,744		
270	CCL Revenue at Capped t-1 Rates	1,296,515,563	1,295,775,819			
280	CCL MOU for base year	66,848,475,247	66,848,475,247			
290	CL Rev/MOU t-1	0.019395	0.019394			
300	CL PCI(t)	72.90%	72.90%			
310	CL PCI(t-1)	74.65%	74.65%			
320	1 + % Change CL PCI	0.976517	0.976517			
330	CL Rev/MOU(t)	0.018939	0.018929			
340	Base Demand * Proposed SLCs	979,138,531	979,138,531			
350	CCL MOU for Base Year	66,848,175,248	66,848,175,248			
360	1 + g/2	1.000000	1.000000			
370	SLC REV/MOU(t)	0.014647	0.014647			
380	CCL Rev/MOU(t)	0.004292	0.004281			
390	CCL MOU for Base Year	66,848,175,248	66,848,175,248			
400	CCL Rev at CCL Rev/MOU(t)	286,925,276	286,202,908			
410	Chargeable Origin MOU	23,188,633,382	23,188,633,382			
420	Originating CCL Rev (rate = .01)	231,886,334	231,886,334			
430	Residual CCL Rev	55,038,942	54,316,572			
440	Chargeable Terminating MOU	43,657,969,154	43,657,969,154			
450	Hypothetical Prem Term Rate Cap#1(Prem Orig=.01)	0.001281	0.001244			
460	Total Chargeable MOU	66,848,802,536	66,848,802,536			
470	Hypothetical Prem Term Rate Cap#2(if #1<.01)	0.004293	0.004281			
480	Premium Terminating Rate Cap	0.004293	0.004281			
INPUT FOR LINE 340				5.19290024	5.19290024	
				3.47867691	3.47867691	
				3.03687971	3.03687971	
				25.00	25.00	
Proposed CL Cap Revenue				1,266,110,996	1,265,308,836	
					802,159	
				AT&T prior	AT&T prior	
				proposed MLB	prop. MLB revenue	
1996 MLB demand				1996 Res/SLB demand	AT&T prior prop.	
				Res/SLB	AT&T prior prop.	
				Res/SLB revenue		
DC - MLB/Centrex	6,947,184	2.89	20,087,268	3,508,668	2.89	10,145,054
MD - MLB/Centrex	13,010,484	5.61	72,942,316	28,601,948	3.50	93,106,816
VA - MLB/Centrex	13,306,440	5.80	77,210,018	24,189,704	3.50	84,593,964
WV - MLB/Centrex	1,975,932	6.00	11,855,592	7,104,216	3.50	24,864,756
DE - MLB/Centrex	1,948,404	5.79	11,286,429	4,044,240	3.50	14,154,840
NJ - MLB/Centrex	21,775,988	4.92	107,144,838	45,522,636	3.50	159,329,226
PA - MLB/Centrex	21,620,592	5.49	118,071,293	48,327,072	3.50	169,144,752
DC - - ISDN PRI	6,192	2.89	17,904	159,278,484		555,339,410
MD - - ISDN PRI	15,072	5.61	84,500		3.48659402	
VA - - ISDN PRI	16,008	5.80	92,886			
WV - - ISDN PRI	1,164	6.00	6,984			
DE - - ISDN PRI	1,044	5.79	6,048			
NJ - - ISDN PRI	15,708	4.92	77,288			
PA - - ISDN PRI	8,160	5.49	44,789			
TOTAL	80,648,352		419,528,151			
Comp. Rate		5.20194326				
				1996 Res/SLB demand	proposed	
DC	3,508,668	2.49	8,736,583			
MD	28,601,948	3.50	93,106,816			
VA	24,189,704	3.50	84,593,964			
WV	7,104,216	3.50	24,864,756			
DE	4,044,240	3.50	14,154,840			
NJ	45,522,636	3.50	159,329,226			
PA	48,327,072	3.50	169,144,752			
TOTAL	159,278,484		553,930,939			
Comp. Rate		3.47775120				
* Recalculated in Bell Atlantic Trans. 977 in compliance with FCC 97-139.						
** True-up Calculation:						
Proposed CCL Rate Cap		0.004556				
Actual CCL Rate Cap		0.004590				
True-Up Factor		1.007462687				
Recalculated CCL Rate Cap		0.004672				
Recalculated CCL Rate Cap with True-Up		0.004707				



**Subject: Methodology for Calculating Exogenous Cost Changes for Line Ports and for End Office Trunk Ports**

**Issue 1:** Should the price cap carriers use revenues, rather than Part 69 revenue requirements, to determine the “costs” recovered through a particular rate element in developing exogenous cost adjustments? (¶¶ 48, 50)

**Response:**

The Bureau should not prescribe this methodology. Part 69 revenue requirements are the best measure of the “costs” that are recovered through a particular rate element, and the Access Charge Reform Order clearly required the carriers to shift “costs,” not revenues, among the Part 69 rate elements. As the Bureau recognizes, price cap regulation has severed the link between the rates and costs of any particular service. For this reason, the revenues that are recovered through a rate element do not necessarily represent the costs of the services provided through that rate element.

Moreover, as shown below in the list of previous exogenous cost reallocations (Issue 4), the Commission has never required carriers to develop exogenous adjustments for Part 69 cost allocation rule changes based on revenues. In addition, all of the exogenous adjustments related to revisions of the Commission’s Part 36 separations rules were based on revenue requirements shifts and calculated at the 11.25% authorized rate of return.

In the Designation Order, the Bureau tentatively concluded that revenues, and not Part 69 revenue requirements, are the best measure of costs recovered through a particular price cap rate element. Designation Order, ¶ 48. This conclusion does not follow from the Access Charge Reform Order, which clearly required the local exchange carriers to

reassign “costs”<sup>1</sup> and to make exogenous adjustments to recover those costs.<sup>2</sup> When the Commission has required the local exchange carriers to shift revenues, rather than costs, it has made this explicit.<sup>3</sup>

For example, in paragraphs 125 and 126 of the Access Charge Reform Order, the Commission states:

“Accordingly, for price cap LECs, we reassign all line-side port costs from the Local Switching rate element to the Common Line rate elements. For price cap companies, these costs will be recovered through common line rate elements, including the SLC and flat-rated PICC...LECs incur differing costs for line ports used in the provision of different services. The SLC and PICC cost recovery mechanisms will recover only the cost of a line port used to provide basic analog service. To the extent that the costs of ISDN line ports, and line ports associated with other services, exceed the costs of a port used for basic, analog service, price cap LECs will recover this excess amount through a separate end-user charge.”  
[emphasis added]

Part 69.106(f)(1) of the Commission’s rules further states:

Price cap local exchange carriers shall separate from the projected annual revenues for the Local Switching element those costs projected to be incurred for ports... [emphasis added]

Clearly, this refers to costs – costs can be “incurred,” revenues cannot.

Moreover, although the Access Charge Reform Order does not specifically define the term “cost,” it is clear that the Commission’s definition of cost for purposes of reallocating switch port costs is Part 69 revenue requirements rather than revenue. The

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<sup>1</sup> See Access Charge Reform Order, ¶ 125.

<sup>2</sup> See id., ¶ 129.

<sup>3</sup> See, e.g., Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, 11 FCC Rcd 20541, ¶ 183 (1996).

Commission modified Subpart E of Part 69, which governs the allocation of interstate investment among price cap categories, to state that;

COE Category 3 (Local Switching Equipment) shall be assigned to the Local Switching element except as provided in paragraph (a) of this section; and that, for telephone companies subject to price cap regulation set forth in Part 61 of this chapter, line-side port costs shall be assigned to the Common Line rate element.<sup>4</sup>

Once these investments are assigned to Common Line, Part 69 requires associated expenses to be allocated among categories on the same basis.<sup>5</sup> The Access Charge Reform Order also modified Section 69.1(c) to make it clear that the price cap carriers should follow this Subpart E as modified to “comput[e] initial charges for new rate elements.” This applies to the new line and trunk port charges that the order requires the local exchange carriers to develop. Clearly, this requires the price cap carriers to develop traditional revenue requirements to shift port costs from local switching to the common line category.

Furthermore, the Commission never states or implies, in the Access Charge Reform Order or in its rules, that the term “cost” can be used interchangeably with revenues. Accordingly, there is no basis for the Bureau to require the local exchange carriers to reallocate revenues, rather than costs, among price cap baskets.

Nonetheless, given the magnitude of the rate changes that would be required if the Bureau affirmed its tentative conclusion to use revenues to reallocate port costs from

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<sup>4</sup> 47 C.F.R. § 69.306(d).

<sup>5</sup> *See* 47 C.F.R. § 69.401(b).

local switching,<sup>6</sup> and the rate churn and potential for refund liability if the Bureau applied this methodology retroactively to January 1, 1998 without allowing offsets for rates that were too low, Bell Atlantic may decided to file an interim tariff that will incorporate the Bureau's methodology.

**Issue 2:** Should the price cap carriers use actual basket earnings to determine the "costs" recovered through a particular rate element in developing exogenous cost adjustments? (¶¶ 49-50, 52)

**Response:**

No. It would be unprecedented to require the local exchange carriers to use basket earnings to determine exogenous cost adjustments for Part 69 changes. The cost of capital has always been based on the authorized rate of return (currently 11.25%) when developing costs for exogenous changes.<sup>7</sup> Actual basket earnings, whether they are above or below 11.25%, have nothing to do with the cost of capital.

Actual basket earnings do not represent "costs," because price cap regulation has severed the link between rates and costs. Carriers may earn more or less than their cost of capital from the rates in any particular service category or basket.<sup>8</sup> For this reason, use of actual basket earnings to represent the cost of capital would be completely arbitrary.

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<sup>6</sup> As is shown in Exhibit C-1, the impact on local switching rates is a reduction of almost \$200 million.

<sup>7</sup> *See, e.g.*, the list of previous Part 69 changes in Issue 4 below.

<sup>8</sup> The Commission relies on the actual rate of return under price caps only to determine when a lower formula adjustment is needed because earnings are so far below a carrier's costs as to imperil its ability to provide service. *See Policy and Rules Concerning Rates for Dominant Carriers*, 5 FCC Rcd 6786, 6802 (1990).

The local exchange carriers' cost of capital is best represented by the authorized rate of return. In its Rate of Return Represcription Order, the Commission authorized an overall return on investment of 11.25% for the interstate access services of local exchange carriers.<sup>9</sup> This was based on the Commission's evaluation of the carriers' cost of attracting debt and equity capital. Use of any other rate of return to determine exogenous costs would be inconsistent with the Commission's findings.

Because earnings in the local switching category are generally above the authorized rate of return, reallocation of line port "costs" at the local switching basket earnings level would shift substantially more costs to the common line category. This would produce a much higher carrier common line rate, substantially delaying the phase-out of the usage-based carrier common line charge. This would be contrary to the Commission's understanding that access charge reform would cause the carrier common line charge to fall to zero within the near future.<sup>10</sup>

Moreover, use of actual basket earnings to calculate exogenous cost changes would be inconsistent with the manner in which end user common line rates are developed. End user common line rates are based upon a forecast of base factor portion revenue requirements assuming the authorized 11.25% rate-of-return rather than basket earnings. As is shown in Exhibit C-2, Bell Atlantic's rate-of-return for the common line basket has been below 11.25% since the inception of price cap regulation. Nonetheless,

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<sup>9</sup> Represcribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, 5 FCC Rcd 7507 (1990). As required by the Commission, this authorized rate of return will remain in effect until it is replaced or superseded. *Id.* at 7508.

<sup>10</sup> See Access Charge Reform Order, ¶ 60.

the authorized rate of return has been used consistently to develop base factor portion costs to develop the subscriber line charge.

The same methodology should apply to the transfer of costs from the local switching basket to the common line basket, regardless of the actual earnings in local switching. The Bureau's proposal to continue using the authorized rate of return to calculate the base factor portion (Designation Order, ¶ 52) does not resolve the fundamental inconsistency between basing end user common line charges on costs at the authorized rate of return and reallocating port "costs" from local switching that reflect actual basket earnings. It would simply mean that the carrier common line charge would receive the full impact of the over-assignment of local switching costs to the common line category.

The Bureau expresses the concern that, if the Commission moved rate elements or services out of a basket based on the authorized rate of return, rather than actual basket earnings, there might be a residual left over after a carrier removed all of the services out of a basket. Designation Order, ¶ 50. Removing services from a basket is an entirely different issue from taking costs out of an existing rate element and moving them to another or new rate element. When services are moved between baskets or taken out of price caps, the rate elements are multiplied by demand to shift the services or to take them out of the price cap indexes. This leaves no residue.

However, here we are dealing with cost reallocations, not service shifts. For example, the Commission has required the local exchange carriers to remove the costs of line and trunk ports from the local switching category and place them in common line, or

in new rate elements such as rates for trunk ports and line ports in excess of basic line ports. The local switching category will still exist. If the Commission were to remove local switching from price caps, in contrast, the entire revenue stream would be removed. Again, there would be no residue.

**Issue 3:** Should either of the methodologies described above be used for the other reallocations required by the Access Charge Reform Order? Quantify the results of using these methodologies for all such reallocations. (¶ 51)

**Response:**

For the reasons discussed above, neither of the Bureau's proposed methodologies should be used for all of the other cost reallocations required by the Access Charge Reform Order. In that order, the Commission required the price cap carriers to identify certain costs, such as the SS7 costs, that should be recovered through rates paid by customers that purchase the associated services. Shifting costs based on revenues or on revenue requirements at basket rates of return would not produce cost-based rates for the new rate elements. In addition, in many cases it would have exactly the opposite effect that the Bureau may be anticipating. For example, Bell Atlantic currently earns less than the authorized rate of return in the transport basket. Accordingly, as is shown in Exhibit C-1, if Bell Atlantic used actual earnings to shift costs between the TIC and other service categories, such as SS7, it would cause more costs to remain in the TIC than Bell Atlantic included in its tariff filing. This would cause the TIC to increase by about \$9.4 million.

It also would be inappropriate to use revenues or costs at the actual rate of return to calculate cost shifts that result from changes in Part 69 allocation rules, such as the

rules for assigning general support facilities costs, central office equipment maintenance expenses, and marketing expenses. These rule changes apply to the amount of expenses and investments that are assigned to interstate accounts by the Commission's separations and Part 69 rules. Basket earnings have nothing to do with the changes in cost allocations that are caused by changes in the separations and Part 69 rules.

As required by the Designation Order, Bell Atlantic has quantified the cost adjustments that would be made using revenues or actual basket earnings to reallocate costs. *See* Exhibit C-3.

**Issue 4:** Provide a comprehensive list of all the exogenous adjustments made since the establishment of price caps that had the purpose of reallocating costs among baskets, categories, rate elements, or between price cap and non-price cap services. List the method used in each instance. (¶ 51)

**Response:**

Subscriber Plant Factor (SPF) Transition - Parts 36 and 69 used to calculate incremental revenue basket revenue requirements at 11.25%. (7/91, 7/92, 7/93).

Dial Equipment Minutes (DEM) Transition - Parts 36 and 69 used to calculate incremental revenue basket revenue requirements at 11.25%. (7/91, 7/92, 7/93).

Inside Wire Amortization - Incremental common line revenue requirement at 11.25%. (7/91, 7/92, 7/93).

Depreciation Reserve Deficiency Amortization - Incremental basket revenue requirement at 11.25% (7/91, 7/92, 7/93).

Excess Deferred Taxes (EDT) - Incremental interstate revenue requirement at 11.25% allocated to baskets based on percentage of investment for base period (7/91, 7/92, 7/93, 7/94, 7/95, 7/96, 7/97).

Reallocation of Investment from Regulated to NonRegulated Use - Incremental regulated revenue requirements removed from price caps due to underforecast of nonregulated investment in shared facilities, based on investment and carrying charge factors at the 11.25% rate of return. (7/92, 7/93, 7/94, 7/95, 7/96, 7/97).

General Support Facilities (GSF) - Parts 36 and 69 used to reallocate revenue requirements among baskets and billing and collection at 11.25% (7/93, 1/98).

Local Transport Restructure - Revenues removed from per-minute rates based on rates times restated base period demand and tandem switching costs at 11.25% rate of return. (12/93).

Payphone Customer Premises Equipment Deregulation - Part 69 used to calculate payphone and common line revenue requirements at 11.25%. Percentage payphone multiplied times total common line base period revenues, net of NECA LTS (11/96, 4/97).

Line Information Data Base Compliance - Reallocation of line information database service between baskets based on rates times demand (7/97).

Other Billing and Collection Change on Secondary Access Allocation - Part 36 rule change based on revenue requirements at 11.25% (7/97).

**Issue 5:** Should the Commission require the local exchange carriers to use local switching revenues to determine the amount of exogenous adjustments to the Traffic-Sensitive and Common Line baskets, but use their Part 69 revenue requirements to recalculate the Base Factor Portion? (§ 52)

**Response:**

No. This would simply place all of the excessive cost reallocation into the carrier common line rate, which would delay the phase-out of the usage-based carrier common line charge and the transition to full recovery of common line costs through subscriber line charges and presubscribed interexchange carrier charges.

On the other hand, any change in the Part 69 rules for calculating the base factor portion would be beyond the scope of this proceeding, as it would require a rulemaking proceeding to change Section 69.152(b), which requires the subscriber line charge to be based on “the projected annual revenue requirement” for the base factor portion. It also

would make little sense. If the Commission changed the rule to calculate base factor portion costs based on local switching basket earnings, it would produce subscriber line charges that would be far greater than the interstate costs of a subscriber line. This points out why, to be consistent with the method of calculating the end user common line charge, costs should be reallocated from local switching to the common line basket based on the authorized rate of return.