

the TIC as it existed on July 1, 1997 have allocated less of these adjustments from the TIC than they would have if they had used the ratios that existed on June 30, 1997.

122. We find that the calculations made by the price cap LECs based on the July 1, 1997 TIC amounts unreasonably underallocated COE maintenance and marketing exogenous costs from the TIC to other facilities-based rate elements. As noted above, our residual TIC reduction plan required price cap LECs to target the GDP-PI minus X adjustment solely to the non-facilities-based residual TIC. That residual TIC is developed by excluding from the TIC those revenues that were expected to be reassigned to facilities-based charges in the future.²¹² Thus, COE maintenance and marketing expenses, like all other TIC revenues that were expected to be reassigned to facilities-based charges, were not intended to be subject to the targeting. Determining the amount of the exogenous adjustments to the TIC due to COE maintenance and marketing expenses based on post-June 30, 1997 trunking basket revenues has the practical effect of applying some of the targeting to revenues that were reassigned to facilities-based charges on January 1, 1998 and that were intended to be exempt from targeting. By contrast, use of June 30, 1997 relative revenues equitably distributes a share of the exogenous COE maintenance and marketing costs adjustments to service categories in the Trunking basket.

123. Several of the price cap LECs disagree with the Bureau's tentative conclusion that the price cap LECs must allocate the exogenous COE maintenance and marketing cost adjustments from the TIC as it existed prior to July 1, 1997. GTE and BellSouth contend that the Bureau's tentative conclusion is inconsistent with the methodology for allocating "undesigned" exogenous costs contained in the Bureau's revised 1997 Tariff Review Plan (TRP).²¹³ This argument is based on a fundamental misconception of the legal status of a TRP and the role of the TRP in our tariff review process. The TRP is a reporting requirement released by the Bureau that sets forth summary material that LECs should file to support the revisions to the rates in their interstate access service tariff filings. The TRP contains only reporting requirements. Carriers must file the TRP in the specified format, but the TRP does not set forth, independently of this Commission's rules and orders, additional substantive standards that the Commission must follow in resolving the issues in a tariff investigation.

124. Ameritech argues that the use of the pre-July 1 date for purposes of allocating exogenous costs to the TIC is inconsistent with sections 61.45 and 61.47 of the Commission's rules,²¹⁴ which provide that exogenous changes that are applied to the price cap LECs' basket PCIs and sub-band SBIs are to be based on the current (t-1) index values.²¹⁵ We disagree with Ameritech that allocating these exogenous cost adjustments from the TIC as it existed prior to July 1, 1997 is inconsistent with our price cap rules. We require the price cap LECs to use June 30, 1997 TIC and trunking basket revenues only to identify the ratio of TIC revenues to total trunking basket revenues. That ratio is still applied to the current (t-1) index value pursuant to section 61.45 and 61.47 of our rules.

²¹² *Id.* at 16083.

²¹³ GTE Direct Case 10; BellSouth Direct Case at 24-25.

²¹⁴ 47 C.F.R. §§ 61.45, 61.47.

²¹⁵ Ameritech Direct Case at 12-13.

125. All the price cap LECs except for CBT, Citizens, and U S West allocated their exogenous cost adjustments for COE maintenance and marketing from the TIC as it existed on or after July 1, 1997. We order these LECs to allocate the COE maintenance exogenous cost adjustments they make to their Trunking baskets among Trunking basket services on the basis of ratios of the June 30, 1997 revenues in each service category in the Trunking basket to June 30, 1997 total Trunking basket revenues. We order these LECs to allocate the marketing exogenous cost adjustments they make to their Trunking baskets among Trunking basket services on the basis of ratios of the June 30, 1997 switched access revenues in each service category in the Trunking basket to June 30, 1997 total Trunking basket switched access revenues.

126. All price cap LECs must recalculate the Trunking basket PCI and SBI upper limit for each service category in the Trunking basket to reflect the requirements set forth in this section for calculating exogenous COE maintenance and marketing cost adjustments. The revised PCIs and SBIs must reflect use of permitted revenues to calculate exogenous cost adjustments to the Trunking basket due to COE maintenance and marketing expenses. The revised SBIs also must reflect allocations of the COE maintenance exogenous cost adjustment among Trunking basket services that are based on ratios of the June 30, 1997 revenues in each service category in the Trunking basket to June 30, 1997 total Trunking basket revenues. In addition, the revised SBIs must reflect allocations of the marketing exogenous cost adjustment among Trunking basket services that are based on ratios of the June 30, 1997 switched access revenues in each service category in the Trunking basket to June 30, 1997 total Trunking basket switched access revenues. After recalculating the trunking basket PCI and the SBI upper limit for each Trunking basket service category, they must revise their tariffs to establish rates for each service in each such category such that the SBI for each category does not exceed the SBI upper limit.

C. Impact on the TIC Arising from the Use of Actual Minutes of Use Rather than Assumed 9,000 Minutes of Use

1. Background

127. The *Access Charge Reform Order* directed all incumbent LECs, both price cap carriers and rate-of-return carriers, to use actual MOU per circuit rather than an assumed 9,000 MOU to develop their tandem-switched transport rates.²¹⁶ In reviewing the interim rate structure for tandem-switched transport rates in accordance with the *CompTel* remand,²¹⁷ the Commission found that its assumption that voice-grade common transport circuits experience uniform loadings of 9,000 MOU was no longer reasonable based on evidence in the record presented by the LECs showing that for many LECs the actual traffic levels were substantially lower than 9,000 MOU per month.²¹⁸ The Commission found that, as a result, in those cases, use of the 9,000-minute assumption had caused revenues to be assigned to the TIC that would have been assigned to switched transport rates if actual MOU had been used to develop those rates in 1993. The incumbent LECs were therefore directed "to develop common transport rates based on the relative number of DS1 and DS3 circuits in use in the

²¹⁶ *Access Charge Reform Order*, 12 FCC Rcd at 16071-72.

²¹⁷ *See Competitive Telecommunications Ass's v. FCC*, 87 F.3d 522 (D.C. Cir. 1996) ("*CompTel*").

²¹⁸ *Access Charge Reform Order*, 12 FCC Rcd at 16070-71.

tandem-to-end office link, and using actual voice-grade circuit loadings, geographically averaged on a study-area-wide basis, that the incumbent LEC experienced based on the prior year's annual use."²¹⁹ As the incumbent LECs developed transport rates based on actual MOU, they were directed to use any increase in tandem-switched transport revenues to decrease the TIC.²²⁰

128. Before the *Access Charge Reform Order*, section 69.111(c) stated that:

"tandem-switched transport rates generally shall be presumed reasonable if the telephone company bases the charges on a weighted per-minute equivalent of direct-trunked transport DS1 and DS3 rates that reflect the relative number of DS1 and DS3 circuits used in the tandem-to-end office links . . . , calculated using a *loading factor of 9000 minutes of use* per month per voice-grade circuit."²²¹

Section 69.111(c)(1) now states that:

"[t]hrough June 30, 1998, tandem-switched transport transmission charges generally shall be presumed reasonable if the telephone company bases the charges on a weighted per-minute equivalent of direct-trunked transport DS1 and DS3 circuits used in the tandem-to-end office links . . . , calculated using the *total actual voice-grade minutes of use*, geographically averaged on a study-area-wide basis, that the incumbent local exchange carrier experiences based on the prior year's annual use."²²²

129. The majority of the price cap LECs' tariff filings revealed that tandem usage in their study areas exceeded 9,000 minutes per trunk for 1996.²²³ The recalculated transport rates for the price cap LECs were lower than their previously-existing rates. The price cap LECs attributed the lower rates to the use of circuit loadings greater than 9,000 minutes; to their use of current DS1 and DS3 rates, which are generally lower than they were in 1993 when the initial common transport rates were developed; and to lower transport costs resulting from new technology. Consequently, the price cap LECs made exogenous adjustments that removed revenue from the tandem-switched transport category and added that revenue to the TIC in the amount of \$57.3 million. The tariff filings for most small rate-of-return carriers showed that use of actual MOU resulted in increased transport rates and a decreased TIC.

²¹⁹ *Id.*

²²⁰ *Id.*

²²¹ 47 C.F.R. § 69.111(c) (emphasis added).

²²² 47 C.F.R. § 69.111(c)(1) (emphasis added).

²²³ See e.g., *Access Reform Tariffs Designation Order*, 13 FCC Rcd at 2276.

130. In the *Access Reform Tariffs Designation Order*, the Bureau observed that in the *Access Charge Reform Order*, the Commission expected that the price cap LECs' use of actual MOU would cause an increase in tandem-switched transport rates. The Commission therefore directed the price cap LECs to use any increase in common transport revenues to decrease the TIC.²²⁴ The Bureau emphasized that the *Access Charge Reform Order* did not contemplate that price cap LECs would adjust any other inputs into the calculation to reflect current data, and that it was not the Commission's intention to generate additional TIC.²²⁵

131. The Bureau tentatively concluded that price cap carriers should not recalculate their tandem-switched transport rates pursuant to section 69.111(c). The Bureau noted that Section 69.111(c) of the Commission's rules²²⁶ must be read in context with section 69.1(c)²²⁷ of the Commission's rules, which states that section 69.111(c) applies to price cap LECs only for purposes of computing initial charges for new rate elements. The Bureau concluded that the amendment to section 69.111(c) applies only to rate-of-return carriers, which recalculate their tandem-switched transport rates each year with updated data. The Bureau sought comment on this conclusion.²²⁸

132. The Bureau tentatively concluded that to satisfy the *Access Charge Reform Order*, the price cap LECs should recalculate tandem-switched transport rates using the same data that was used when those rates were first established in 1993, except using actual minutes of use for circuit loading, rather than assuming 9,000 minutes of use per month.²²⁹ The Bureau stated that, based on its tentative conclusion, the price cap LECs should compare those rates to the 1993 rates to determine the amount of the TIC that was attributable to using the 9,000 MOU assumption. The Bureau tentatively concluded that the price cap LECs should determine what percentage of the original TIC was therefore attributable to the 9,000 MOU assumption and make an exogenous adjustment to their June 30, 1997 TIC SBI by that percentage. The price cap LECs should then make a corresponding exogenous adjustment to their tandem-switched transport SBIs, based on the percentage of tandem-switched transport revenue attributable to the 9,000 minutes of use assumption. The Bureau sought comment on this approach, or on any other alternative approach a company requested the Commission consider.²³⁰ The Bureau also sought comment on whether price cap LECs should be permitted to increase their TIC, or whether they should only be permitted to reduce their TIC.²³¹

²²⁴ *Id.* at 2278.

²²⁵ *Id.* at 2279.

²²⁶ 47 C.F.R. § 69.111(c).

²²⁷ 47 C.F.R. § 69.1(c).

²²⁸ *Access Reform Tariffs Designation Order*, 13 FCC Rcd at 2279.

²²⁹ *Id.* at 2279-80.

²³⁰ *Id.*

²³¹ *Id.*

133. In addition, the Bureau sought comment on whether multiplexer costs are relevant in the computation of the tandem-switch transport rate and required that price cap LECs demonstrate that the weighted (by total DS1 and DS3 lines) average of DS1 and DS3 rates divided by actual minutes of use per voice-grade circuit is affected by the multiplexers at the tandem switch.²³²

2. Discussion

134. We adopt the Bureau's tentative conclusion that, with the exception of the MOU variable, price cap LECs must use 1993 data for the purpose of making exogenous cost adjustments to the TIC and the tandem switched transport category. With regard to MOU, price cap LECs must use actual MOU in lieu of 9,000 MOU as required by the *Access Charge Reform Order*. We also adopt the Bureau's tentative conclusion that price cap LECs must compare the rates that result from this methodology to the 1993 rates in order to determine the amount of the TIC that was attributable to the assumption of 9,000 MOU. After determining the percentage of the original TIC that was attributable to the assumption of 9,000 MOU, price cap LECs must make an exogenous adjustment to their June 30, 1997 TIC SBI by that percentage. Further, price cap LECs must make a corresponding exogenous adjustment to their tandem switched transport SBIs based on the percentage of tandem switched transport revenues attributable to the assumption of 9,000 MOU. Price cap LECs may not, however, make any adjustment to the TIC if their actual MOU exceed 9,000. In other words, in situations where the 9,000 MOU assumption did not cause revenues to be collected as part of the TIC, no adjustment to a price cap LEC's rates is necessary or reasonable.

135. When we ordered price cap LECs to make exogenous adjustments to the TIC and the tandem-switched transport category using actual MOU to determine the amount of revenues that should have been assigned to tandem-switched transport rates, it was for the express purpose of removing from the TIC any revenues attributable solely to the use of the 9,000 MOU assumption when the TIC was first established.²³³ While the *Access Charge Reform Order* discussed in detail the rationale for modifying the assumption of 9,000 MOU, it made no findings concerning the other inputs that were used in the calculation of initial TST rates pursuant to Section 69.111(c). The Order cannot therefore be reasonably interpreted as authorizing price cap LECs to reinitialize tandem-switched transport rates using current inputs in the section 69.111(c) rate formula.

136. The *Access Charge Reform Order* amended section 69.111(c) because rate of return carriers adjust their tandem-switched transport rates annually pursuant to that rule. The rule amendment was necessary to ensure that rate-of-return carriers would implement our findings with respect to the 9,000 MOU assumption. Price cap LECs, however, do not set new rates each year pursuant to section 69.111(c). Instead, once an initial rate is established, price cap LECs rates are governed by the price cap formula. Price cap LECs are permitted to use all new current data to calculate rates under two circumstances only: to set the price of a new service and to support a rate that causes the API to exceed the PCI.²³⁴ The *Access Charge Reform Order* did not change this pricing methodology. SNET, Ameritech, and the other price cap LECs who rely on section 69.111(c)

²³² *Id.* at 2280.

²³³ *Access Charge Reform Order*, 12 FCC Rcd at 16070-72.

²³⁴ *See* 47 C.F.R. § 61.49.

to support their use of current data for the purpose of recalculating tandem-switched transport rates are in error. Section 69.111(c) of the Commission's rules must be read in context with section 69.1(c), which states that 69.111(c) applies to price cap carriers only for the limited purpose of computing initial charges for new rate elements.²³⁵ Because section 69.111(c) applies to price cap carriers only for the purpose of computing initial tandem-switched transport rates, it is inappropriate for the price cap LECs to follow section 69.111(c) in the recalculation of the tandem-switched transport rates.²³⁶ We also reject BellSouth's attempt to characterize tandem-switched transport as a new rate element and the recalculation of these rates as the establishment of initial rates.²³⁷ If the recalculated tandem-switched transport rates were indeed new rate elements, then the earlier tandem-switched transport rates that are based on the 9,000 MOU assumption would continue to be valid, which we have already decided is not the case.

137. The formula for computing the initial common transport TST revenues depends on the following variables: the rates for DS1 and DS3 direct-trunked transport, the proportion of DS1 to DS3 circuits used to provide the common transport portion of TST, the rate for the one DS3 to DS1 multiplexer needed to interconnect DS3 transmission facilities with the end-office switch, the MOU used as a loading factor; and the demand for common transport. The methodology outlined above isolates the difference in TIC revenues arising solely from using 9,000 MOU rather than the actual MOU when the TIC was first established by changing only the value of one variable, *i.e.*, changing the value of MOU from 9,000 MOU to actual MOU. When the MOU are changed from 9,000 to actual MOU while holding constant variables other than MOU that determine the level of the common transport portion of TST revenues at the levels they were at when the TIC was first established, the resulting change in the TST revenues is due solely to the MOU change. Conversely, if some or all of the variables that determine the level of the common transport portion of TST revenues are changed simultaneously from the levels they were at the time the TIC was created, then the effect of the change of any of one these variables on the common transport portion of TST revenue cannot be ascertained.

138. While we adopt the Bureau's tentative conclusion regarding the methodology price cap LECs must use to compute the exogenous cost adjustments to the TIC and the TST service categories to correct for use of the 9,000 MOU assumption when the TIC was established, we clarify the final step of the methodology outlined in the *Access Reform Tariffs Designation Order*. The final step of the methodology proposed in the *Access Reform Tariffs Designation Order* accounts for the effects of past GDP-PI minus X-factor reductions to TIC revenues attributable solely to the use of the 9,000 MOU assumption when the TIC was first established. We agree with the Bureau's tentative conclusion that this step is necessary because TST customers would otherwise be denied the continuing benefits of past GDP-PI minus X-factor reductions under price caps. This methodology determines the percentage of the original TIC that was attributable to the assumption of 9,000 MOU and adjusts the June 30, 1997 TIC SBI by that percentage. We now clarify that the dollar amount associated with the percentage change to the June 30, 1997 SBI is the dollar amount of the exogenous adjustments to the TIC and the TST service category. Price cap LECs must calculate this dollar

²³⁵ See, e.g., SNET Direct Case at 8; Ameritech Direct Case at 15-16; BellSouth Direct Case at 30-31.

²³⁶ 47 C.F.R. § 69.111(c).

²³⁷ BellSouth Direct Case at 29.

amount by: (1) dividing the original TIC revenues into TIC revenues attributable solely to the use of the 9,000 MOU assumption when the TIC was first established; and (2) multiplying the result of the division in the first calculation by the June 30, 1997 TIC revenues. This dollar amount accounts accurately for past GDP-PI minus X-factor reductions to TIC revenues, as well as demand changes, after the TIC was established.

139. The Bureau's proposed methodology calculates the difference between original common transport TST revenues and common transport TST revenues calculating those revenues using actual MOU. Use of 1992 actual MOU, *i.e.*, MOU for the year prior to the year in which TST rates were established, would provide for the most accurate measurement of TIC revenues attributable solely to the use of the 9,000 MOU assumption when the TIC was first established. For two reasons, however, we will not require the price cap LECs to use 1992 MOU when they calculate TIC revenues attributable solely to the use of the assumption of 9,000 MOU when the TIC was first established. First, some price cap LECs contend that they do not have data on 1992 actual MOU.²³⁸ Second, 1996 actual MOU is a reasonable proxy for 1992 actual MOU. Actual MOU is a loading factor that reflects the average traffic utilization of the trunks that a LEC uses to provide common transport throughout its network. LECs typically aim to utilize their network at a certain percentage of its capacity. Operating the network below its capacity provides an allowance for growth and for breakage. No party has provided any evidence in the record of this proceeding indicating that any LEC utilizes a different percentage of the capacity of the trunks it uses to provide common transport now than it did when the TIC was established. While the absolute amount of TST traffic a LEC carries on its network may have increased over time, we would expect that the absolute number of trunks carrying that traffic also would have increased. Accordingly, we will allow price cap LECs to calculate their exogenous changes to the TIC and the TST service category using 1996 MOU, unless the 1996 MOU exceed 9,000 MOU. For the reasons we set forth below, if any price cap LEC's actual MOU exceed 9,000 MOU, the LEC may not make any exogenous cost adjustments to the TIC or TST service band.

140. We reject the claim by Bell Atlantic and other price cap LECs that they should not be required to make this adjustment using the Bureau's proposed methodology because the *Access Charge Reform Order* does not specify this methodology and the Commission may not require such adjustments absent a rulemaking.²³⁹ First, the action we take here does not change any of the decisions we made in the *Access Charge Reform Order* regarding the impact of the 9,000 MOU assumption on the TIC. We decided in that rulemaking proceeding that any amounts in the TIC that were attributable to the 9,000 MOU assumption should be removed from the TIC. In this tariff investigation order we are merely interpreting and implementing that decision. Further, the Commission has previously determined that a tariff investigation "is a rulemaking of particular applicability" under the Administrative Procedure Act (APA).²⁴⁰ In the *Access Reform Tariffs Designation Order*, the Bureau specified the carriers whose tariffs were subject to investigation with

²³⁸ See, *e.g.*, Bell Atlantic Direct Case, Attachment F at 3; U S West Rebuttal at 7; GTE Rebuttal at 8.

²³⁹ See, *e.g.*, Bell Atlantic Direct Case, Attachment F at 3.

²⁴⁰ *Investigation of Special Access Tariffs of Local Exchange Carriers*, Memorandum Opinion and Order, 5 FCC Rcd 4861 (1990), citing 5 U.S.C. § 551(4); *Cincinnati Bell Telephone Company Tariff FCC No. 35*, Memorandum Opinion and Order on Reconsideration, 8 FCC Rcd 4409, 4413 n.54 (1993).

respect to these TIC adjustments and sought comment on its proposed and tentative conclusions.²⁴¹ In response to the *Access Reform Tariffs Designation Order*, Bell Atlantic and other price cap LECs submitted direct cases presenting their arguments on the proposed approach, other parties addressed these issues in their comments on the direct cases, and price cap LECs provided further comment in their rebuttals. Accordingly, our decision to require the price cap LECs to follow the methodology adopted in this Order is fully consistent with the notice and comment requirements of the APA.²⁴²

141. We agree with the price cap LECs that the initial calculation of TST rates included the cost of one DS3 to DS1 multiplexer.²⁴³ This finding is consistent with the statement in the *Local Transport Order* that common transport TST rates would recover the mutiplexing equipment needed to interconnect DS3 transmission facilities with the end office switch.²⁴⁴ It is also consistent with the Bureau's *Local Transport Restructure Tariffs Order*, which concluded that LECs should include the cost of one multiplexer in developing their common transport TST rates.²⁴⁵ Accordingly, we find that when the price cap LECs compute the impact on the TIC of the 9,000 MOU assumption by comparing original TST revenues with TST revenues calculated using the data they used when the TIC was established, except using actual MOU, both of these TST revenue amounts must include revenues from one DS3 to DS1 multiplexer. When price cap LECs determine the difference between original TST revenues and common transport TST revenues calculated using the data they used when the TIC was established, except using actual MOU, the impact of the 9,000 MOU will be isolated because identical revenues reflecting the same demand and the same rate for one DS3 to DS1 mutiplexer will be reflected in both TST revenues.

142. As we indicated earlier, if a price cap LEC's actual MOU exceed 9,000, we prohibit the LEC from increasing the TIC. In the *Access Charge Reform Order*, the Commission stated that one of the goals of the Access Charge Reform proceeding was to reduce, and ultimately eliminate, the TIC in a manner that fosters competition while, at the same time implementing a cost-based rate structure.²⁴⁶ Consistent with those objectives, the Commission determined in the *Access Charge Reform Order* that some costs in the TIC should be reallocated to other access elements.²⁴⁷ As an example, in reviewing the interim rate structure for tandem-switched transport rates in accordance with the *CompTel* remand,²⁴⁸ the Commission found that its assumption that voice-grade common transport circuits

²⁴¹ *Access Reform Tariffs Designation Order*, 13 FCC Rcd at 2279-80.

²⁴² 5 U.S.C. § 553(b).

²⁴³ See e.g., BellSouth Direct Case at 26-29; U S West Direct Case at 23; Southwestern Bell Direct Case at 16-17.

²⁴⁴ *Local Transport Order*, 7 FCC Rcd at 7036-37 n.113.

²⁴⁵ *Local Exchange Carrier Switched Local Transport Restructure Tariffs*, Order, 9 FCC Rcd 400, 416 (Com. Car. Bur. 1993) (*Local Transport Restructure Tariffs Order*).

²⁴⁶ *Access Charge Reform Order*, 12 FCC Rcd at 16073.

²⁴⁷ *Id.* at 16075.

²⁴⁸ See *CompTel*, 87 F.3d 522.

experience uniform loadings of 9,000 minutes of use was no longer reasonable based on evidence in the record presented by the LECs showing that for many LECs the actual traffic levels was substantially lower than 9,000 minutes of use per month.²⁴⁹ The Commission found that, as a result, in those cases, use of the 9,000-minute assumption had caused revenues to be assigned to the TIC that would have been assigned to switched transport rates if actual MOU had been used to develop those rates in 1993. Thus, when the *Access Charge Reform Order* ordered price cap LECs to recalculate rates for the common transport portion of tandem-switched transport using actual minutes of use for circuit loading rather than assuming 9,000 minutes of use per month, it was for the purpose of removing from the TIC any revenues attributable to the use of that particular assumption when the TIC was first established.²⁵⁰ We find it unjust and unreasonable for a price cap LEC to make those recalculations in situations where it is demonstrated that the 9,000 MOU assumption did no lead to additional revenues being collected through the TIC.

143. We disagree with Ameritech and the other LECs who claim that the price cap LECs should be permitted to increase the TIC because there is nothing in the *Access Charge Reform Order* that prohibits such an increase.²⁵¹ While the *Access Charge Reform Order* did not specifically state that the price cap LECs were prohibited from increasing the TIC, neither did the *Order* state that they could increase the TIC. Indeed, allowing such an increase would be contrary to the Commission's goals of eliminating the TIC in a manner that fosters competition.²⁵²

144. We reject the alternative methodologies proposed by the price cap LECs to recalculate tandem-switched transport rates using actual minutes of use for circuit loading rather than assuming 9,000 MOU per month. Bell Atlantic's proposed methodology uses actual base year minutes of use circuit loadings, an updated mix of fiber and copper transport facilities, and the most current rates for DS3 and DS1 transport, *i.e.*, July 1, 1997 rates for termination, facility and DS3/DS1 muxes, in order to match the usage data with the facilities and rates for the same time period.²⁵³ We reject this methodology because it does not isolate the impact on the TIC of using 9,000 MOU to calculate TST rates when the TIC was established.

145. Frontier proposes that the Bureau's proposed methodology be modified to identify the exogenous change to the TIC as a dollar amount and create an offsetting exogenous change of the same dollar amount to the tandem transport band.²⁵⁴ As we clarify above, the methodology we adopt by this Order does compute the exogenous cost change to the TIC as a dollar amount. Moreover, if actual MOU are less than 9,000 MOU, we agree with Frontier that price cap LECs should make an offsetting exogenous cost change to the tandem transport band that is equal to the dollar amount of the

²⁴⁹ *Access Charge Reform Order*, 12 FCC Rcd at 16070-71.

²⁵⁰ *See Access Reform Tariffs Designation Order*, 13 FCC Rcd at 2279.

²⁵¹ *See, e.g.*, Ameritech Direct Case at 15-16 and Aliant Direct Case at 6.

²⁵² *See Access Charge Reform Order*, 12 FCC Rcd at 16073-74.

²⁵³ Bell Atlantic Direct Case at p. 4 of Attachment F.

²⁵⁴ Frontier Direct Case at 22.

exogenous change to the TIC that they calculate using our methodology. In this case, the TIC would decrease, a result consistent with the goals of the *Access Reform Order*. As discussed above, we disagree with Frontier, however, that price cap LECs should compute an offsetting exogenous cost change to the tandem transport band that is equal to the dollar amount of the exogenous change to the TIC if actual MOU are greater than 9,000 MOU. In those circumstances, the 9,000 MOU assumption did not contribute to TIC revenues.

146. We have reviewed the calculations the price cap LECs made using the methodology proposed by the Bureau and we find that Bell Atlantic, BellSouth, and GTE have made these calculations correctly. GTE, however, has made these calculations for some of its companies using actual MOU that exceed 9,000 MOU. For the companies for which GTE made these calculations using actual 1996 MOU that exceed 9,000 MOU, GTE shall not make any exogenous cost adjustments to the TIC or the TST service categories on account of the circuit loading factor.

147. The other price cap LECs either did not use the correct methodology or did not submit calculations based on this methodology. We order these price cap LECs to submit calculations of the TIC and TST exogenous cost adjustments in accordance with the methodology we adopt in this Order. We order these price cap LECs to submit these calculations on a worksheet with a format identical to the worksheet BellSouth used to make these calculations.

148. All price cap LECs also must revise their tariffs to reflect these adjustments. Specifically, they must recalculate the SBI upper limit for the TIC and the TST service category in the trunking basket to reflect exogenous cost adjustments for the impact of the 9,000 MOU based on the methodology we adopt in this Order. After recalculating the SBI upper limit for the TIC and the TST service category, they must revise their tariffs to establish rates for the rate elements corresponding to the TIC and the TST service categories such that the SBI for each category does not exceed the SBI upper limit.

D. Residual and Facilities-Based TIC

1. Background

149. As part of the TIC reduction plan outlined in the *Access Charge Reform Order*, price cap LECs were required to separate their TIC revenues between the portion of the TIC that is facilities-related, and that portion of the TIC that cannot be associated with any identifiable cost element -- the residual TIC.²⁵⁵ Reassignment of the facilities-related TIC revenue to facilities-based charges will occur in three stages, beginning with the incumbent LEC tariffs that became effective on January 1, 1998. Price cap LECs were required to target to the residual TIC the price cap reductions arising in any price cap basket as a result of the application of the "GDP-PI minus X-factor" formula until the per-minute TIC is eliminated.²⁵⁶ This targeting approach was adopted to eliminate the anti-competitive aspects of the TIC.

²⁵⁵ *Access Charge Reform Order*, 12 FCC Rcd at 16081-86.

²⁵⁶ *Access Charge Reform Order*, 12 FCC Rcd at 16081.

150. The Commission requires the price cap LECs to compute their anticipated residual TIC by excluding revenues that were expected to be reassigned to facilities-based charges in the future.²⁵⁷ In the July 1, 1997 tariff filings, price cap LECs applied "GDP-PI minus X-factor" adjustments to their anticipated residual TIC. Price cap LECs that did not submit actual percentage estimates for their residual TIC amounts on the record in the *Access Reform Proceeding* were required to use an amount equal to 55 percent of their current TIC.²⁵⁸ This percentage was based upon the lowest residual TIC percentage identified in the rulemaking record.²⁵⁹ For tariffs that became effective on January 1, 1998, the price cap LECs were required to: (1) recalculate the residual TIC targeted in their July 1, 1997 tariffs; (2) eliminate any excess targeting that resulted in a larger PCI reduction to the TIC SBI than was required to eliminate the per-minute non-facilities-based residual TIC; and (3) direct all necessary exogenous adjustments to their PCIs and SBIs to reverse the effects of any excess targeting.

151. In the *Access Reform Tariffs Designation Order*, the Bureau tentatively concluded that a worksheet created by AT&T for the TIC recalculation would properly determine the allowance for recovery of transport costs that price cap LECs are required to remove from the TIC and from the facilities-based portion of the TIC. The Bureau identified Pacific Bell, and certain of the Sprint LTCs, Frontier, and GTE operating companies as companies that no longer have a non-facilities-based residual TIC, and thus could have overtargeted their July 1, 1997 X-factor reduction to the TIC. The Bureau ordered these companies to recalculate the removal of allowances for the recovery of costs from the TIC using the AT&T worksheet.²⁶⁰

2. Discussion

152. Although the Bureau tentatively concluded that Pacific Bell no longer has a non-facilities-based residual TIC, on further investigation we find that, although Pacific Bell no longer has a per-minute TIC, it still has a non-facilities-based residual TIC that is being recovered in its PICC. Therefore, it could not have overtargeted its X-factor reduction to the TIC.²⁶¹

153. In this Order, we adopt AT&T's worksheet with certain modifications to account for changes to TIC revenues that resulted from exogenous cost adjustments reflected in the price cap LECs' 1997 annual access filings. AT&T's worksheet calculates the amount by which a price cap LEC overtargeted its July 1, 1997 "GDP-PI minus X-factor" to the non-facilities-based residual TIC by: (1) calculating the "recalculated TIC" by subtracting from the June 30, 1997 TIC revenues allowances for the recovery of actual facilities-based costs that the price cap LECs reallocated to facilities-based rates on January 1, 1998; (2) calculating the "new residual TIC" by subtracting from

²⁵⁷ *Access Charge Reform Order*, 12 FCC Rcd at 16081.

²⁵⁸ *Access Charge Reform Order*, 12 FCC Rcd at 16083.

²⁵⁹ *Access Charge Reform Order*, 12 FCC Rcd at 16083.

²⁶⁰ *Access Reform Tariffs Designation Order*, 13 FCC Rcd at 2283.

²⁶¹ SBC Direct Case at 19-20. *See, also*, Pacific Bell Transmittal No. 1959, tariff review plan CAP-1 form, (dated December 17, 1997). SBC explains that Pacific Bell's total remaining TIC on line 670 is \$33,732,293 and the facilities-based TIC on line 690 is \$21,258,398, leaving a non-facilities-based TIC of \$12,473,895.

the recalculated TIC the portion of the TIC that represents the allowance for facilities-based costs that the price cap LEC is required to reallocate to facilities-based rates in the future; and (3) subtracting the dollar amount of the "GDP-PI minus X-factor" targeting from the new residual TIC if the "GDP-PI minus X-factor" targeting exceeds the new residual TIC.²⁶²

154. We agree with AT&T that the amount by which price cap LECs overtargeted their July 1, 1997 "GDP-PI minus X-factor" to the residual TIC must be determined by first computing the recalculated TIC by subtracting from the June 30, 1997 TIC revenues the allowances for the recovery of actual facilities-based costs that the price cap LECs reallocated to facilities-based rates on January 1, 1998. In particular, price cap LECs must use June 30, 1997 revenues in this calculation because they computed the residual TIC that they targeted in their July 1, 1997 annual access tariff filings based on June 30, 1997 TIC revenues. More specifically, they developed the non-facilities-based residual TIC estimates they targeted in their July 1, 1997 annual access tariff filings by multiplying June 30, 1997 TIC revenues by percentages prescribed in the *Access Charge Reform Order*. Computing the recalculated TIC by subtracting from June 30, 1997 TIC revenues allowances for actual facilities-based costs is logically the first step in determining whether the price cap LECs actually overtargeted June 30, 1997 TIC revenues when they subtracted from these same revenues their estimates of the allowances for these costs in their July 1, 1997 annual access tariff filings.

155. We find, however, that the worksheet should also subtract from June 30, 1997 TIC revenues any changes to TIC revenues reflected in the price cap LECs' July 1, 1997 annual access filings that were in addition to the change due to the "GDP-PI minus X-factor" targeting. Actual TIC revenues may have changed as a result of these other changes in the July 1, 1997 annual access tariff filing. The AT&T worksheet underestimates or overestimates the recalculated TIC depending on whether these other changes increased or decreased the TIC. This, in turn, results in an underestimate or an overestimate of the new residual TIC on the AT&T worksheet. By comparing an overestimate or an underestimate of the new residual TIC to the dollar amount of the "GDP-PI minus X-factor" targeting, the AT&T worksheet correspondingly overestimates or underestimates the amount by which price cap LECs overtargeted their July 1, 1997 "GDP-PI minus X-factor" to the non-facilities-based residual TIC.

156. Accordingly, we modify the AT&T worksheet to correctly compute the recalculated TIC. We modify the calculation of the recalculated TIC on the AT&T worksheet as follows: (1) subtract from June 30, 1997 TIC revenues the absolute value of the sum of the allowances for recovery of actual facilities-based costs price cap LECs were required to reallocate to facilities-based rates on January 1, 1998; (2) sum the actual targeted revenue differential for the common line, traffic sensitive, and trunking baskets on PCI-1 line 237c, columns (A), (B), and (C) in the TRP supporting the July 1, 1997 annual access tariff filing; (3) subtract from the absolute value of the result in (2) above the absolute value of the entire TIC revenue change on SUM-1, line 171, column E in the TRP supporting the July 1, 1997 annual access tariff filing; (4) add to the result in (1) above the result from (3) above.

157. We note that both SBC and Frontier suggested using as the dollar amount of the "GDP-PI minus X-factor" targeting, the entire TIC revenue change on SUM-1, line 171, column E in the

²⁶² Based on the AT&T worksheet, LECs did not overtarget the residual TIC if the dollar amount of the "GDP-PI minus X-factor" targeting is less than the new residual TIC.

TRP supporting the July 1, 1997 annual access tariff filing. The revision we make here to the AT&T worksheet is mathematically equivalent to SBC's proposal.

158. We disagree with Frontier that use of data from the July 1, 1997 annual access tariff filing imposes an undue burden on the price cap LECs. We find that these data should be readily available because price cap LECs used these data to compute their price cap indices less than one year ago. Nor do we agree with Frontier that the AT&T worksheet is overly complex. It contains no more calculations than are needed to clearly identify all of the exogenous costs adjustments to the TIC that the *Access Charge Reform Order* required the price cap LECs to make to the TIC on January 1, 1998, and those that it requires the price cap LECs to make in the future.²⁶³

159. Accordingly, we order GTE, the Sprint LTCs, Frontier and Nevada Bell to recalculate the amount by which they overtargeted their July 1, 1997 "GDP-PI minus X-factor" to the non-facilities-based residual TIC using the AT&T worksheet as modified by this Order. We have attached to this order the AT&T worksheet modified pursuant to the requirements in this section. These LECs also must recalculate the PCIs for each price cap basket other than the interexchange basket and the SBI upper limit for each service category in these price cap baskets to reflect the calculations they make on the modified AT&T worksheet. After recalculating the SBI upper limit for each service category in these price cap baskets, they must revise their tariffs to establish rates for each service in each such category such that the SBI for each category does not exceed the SBI upper limit. We do not require these LECs to pay refunds to customers to which they would have charged a lower rate had they not overtargeted the non-facilities-based residual TIC because we prescribed the ratios the LEC used to estimate the amount of the non-facilities-based residual TIC, and any overtargeting resulted from overestimating that amount using those prescribed ratios.

V. Recovery of New Universal Support Obligations

A. Background

160. The *Universal Service Order* established a new funding mechanism for universal service. Contributions to the universal service fund are made by all telecommunications carriers, and the amount of the contribution is a percentage of end-user revenues. Incumbent LECs may recover universal service contributions via interstate mechanisms.²⁶⁴ In the *Access Charge Reform Order*, the Commission stated that price cap LECs may treat their contributions to the new universal service mechanisms as exogenous changes to their price cap indices (PCIs).²⁶⁵ Price cap LECs electing to recover their universal service obligation through interstate access charges must apportion the amount of the exogenous adjustment among the baskets that contain end-user interstate revenues. These

²⁶³ Furthermore, the calculations on the worksheet require only basic mathematical operations such as addition and subtraction.

²⁶⁴ *Universal Service Order*, 12 FCC Rcd at 9171.

²⁶⁵ *Access Charge Reform Order*, 12 FCC Rcd at 16147.

baskets are the Common Line, Interexchange, and Trunking baskets.²⁶⁶ In the *Access Charge Reform Order*, the Commission concluded that in the Trunking basket, the service band indices for services that do not recover end-user revenues should not be increased to reflect the exogenous adjustment to the PCI for the Trunking basket.²⁶⁷ To reflect the exogenous adjustment to the Trunking basket PCI, price cap LECs were ordered to increase the service band indices for the remaining service categories in the Trunking basket based on the relative end-user interstate revenues generated in each service category.²⁶⁸

161. The tariffs filed by price cap LECs effective on January 1, 1998, contained universal service contributions based on actual end-user revenue received by price cap LECs in the first six months of calendar year 1997. In the *Access Reform Tariffs Designation Order*, the Bureau concluded that the price cap LECs' allocations of universal service fund (USF) contributions among the Common Line, Interexchange, and Trunking baskets warranted further review.²⁶⁹ For each price cap LEC, the Bureau calculated ratios of the USF contribution allocated to the Common Line, Interexchange, and Trunking baskets to its total USF contribution. The Bureau's calculations demonstrated a large variance in the ratios among the price cap LECs. The Bureau also noted that the price cap LECs used three different methodologies to allocate their universal service obligations across price cap baskets. Under the first method, price cap LECs relied solely on the interstate end-user revenues reported in column C of lines 34-47 of FCC Form 457, the Universal Fund Worksheet, to determine price cap basket allocation factors. Price cap LECs that use the second method derived price cap basket allocation factors by using the interstate end-user service category revenue figures summarized on Chart SUM-1 of the Tariff Review Plan and internal company billing records. The internal company billing records were used to determine the amount of interstate end-user revenues generated by service categories within the Trunking basket, while Chart SUM-1 was the bases for all other interstate end-user revenues. Under the third method, price cap LECs used internal company billing records to determine the allocation of the universal service obligation for all three affected price cap baskets.

162. GTE, Bell Atlantic, SBC, U S West, Citizens, Aliant, and SNET used Chart SUM-1 and internal billing records to allocate USF exogenous costs; Ameritech, CBT, Frontier, and Sprint used

²⁶⁶ The end-user charges assessed on services in the Common Line basket were recovered through the SLC (starting on January 1, 1998, some end-user revenues are also recovered through PICCs on lines that are not presubscribed to an IXC); in the Interexchange basket, end-user charges are recovered through per-minute toll charges; and in the Trunking basket, end-user charges are recovered through special access service provided directly to end-users. We note that starting January 1, 1998, the Marketing basket also recovers end-user revenues in the SLC, and that price cap LECs will apportion exogenous adjustments for USF contributions assessed in those revenues to the Marketing basket as well.

²⁶⁷ Rates for tandem-switched transport, interconnection, and tandem switch signalling do not recover end-user revenues. 47 C.F.R. §§ 61.42(e)(2)(v), (vi), and (vii).

²⁶⁸ The four remaining service categories in the Trunking basket are: (1) voice grade entrance facilities, voice grade direct-trunked transport, voice grade dedicated signalling transport, voice grade special access, WATS special access, metallic special access, and telegraph special access services; (2) audio and video service; (3) high capacity flat-rated transport, high capacity special access, and DDS services; and (4) wideband data and wideband analog services. See 47 C.F.R. §§ 61.42(e)(2)(i), (ii), (iii), (iv).

²⁶⁹ *Access Reform Tariffs Designation Order* at 2265.

FCC Form 457 to allocate USF exogenous costs; and BellSouth used internal billing records to report the amount of interstate end-user revenues generated within the three affected price cap baskets.

163. The Bureau designated for investigation the methodology employed by price cap LECs to calculate and allocate their universal service contributions across eligible price cap baskets for recovery purposes. The Bureau required all price cap LECs to submit explanations detailing why the methodologies they used reasonably reflect the distribution of interstate end-user revenues across baskets.

164. In addition, the Bureau required Citizens to explain why it allocated a portion of its USF contribution to the traffic sensitive basket, given the Commission's finding in the *Access Charge Reform Order* that none of the service categories in this basket generates interstate end-user revenues.²⁷⁰ The Bureau also required Ameritech to explain the discrepancy between the interstate end-user revenue figures Ameritech reports for Trunking basket interstate end-user revenues in two places. On FCC Form 457, Ameritech reports Trunking basket interstate end-user revenues of \$1.2 million, whereas, Ameritech's company records show interstate end-user revenues generated within the Trunking basket of \$67.7 million.²⁷¹

B. Discussion

165. We find generally that each of the three methods utilized by the price cap LECs reasonably allocates their USF exogenous adjustment among the baskets. We do require, however, those price cap LECs that calculate USF allocation factors across price cap baskets by using revenue figures reported in Chart SUM-1 for the Common Line and Interexchange baskets and internal company billing records for the Trunking basket to use the internal billing record method to calculate the percentage of Trunking basket revenues that are attributable to end-user services and apply this percentage to the Trunking basket revenues reported on Chart SUM-1 of the TRP. Price cap LECs must also use this methodology to allocate the exogenous adjustment to the Trunking basket among the service categories that generate end-user revenues.²⁷²

166. Price cap LECs using FCC Form 457 for the Common Line and Interexchange baskets and internal billing records for the Trunking basket must each use billing records for the Trunking basket from the same time period for which the Form 457 reports revenues. For price cap LECs utilizing internal billing records to report the amount of interstate end-user revenues generated within all three of the price cap baskets, the billing records must correspond to the same period of time for which revenue figures are reported on FCC Form 457.

167. We are unable to verify the source of interstate Trunking basket end-user revenues reported by Aliant, Citizens, GTE, SBC, and U S West for purposes of allocating the universal service obligation to and within that basket, because these companies have failed to provide or identify

²⁷⁰ *Access Reform Tariffs Designation Order* at 2286.

²⁷¹ *Access Reform Tariffs Designation Order* at 2285.

²⁷² Special access interstate end-user revenues are recovered in the following three Trunking basket service categories: (1) Voice Grade, WATS, Metallic & Telegraph; (2) Audio & Video; and, (3) High Caps & DDS.

adequately the time period covered by their Trunking basket internal billing records. We, therefore, require these price cap LECs to submit a summary of company billing records from January 1, 1997 - June 30, 1997, and calculate allocation factors in accordance with the requirements outlined above.

168. As we stated above, price cap LECs that use Form 457 method to allocate the costs associated with their USF obligations must calculate allocations within the trunking basket by filing billing records from the same period of time reported on the most recently filed USF Worksheet used to calculate the universal service obligation. Although Ameritech's Form 457 reports 1997 revenues, it uses trunking billing records from 1996. We, therefore, require Ameritech to reallocate its universal service obligation within the Trunking basket on the basis of January 1, 1997 - June 30, 1997, billing records. Moreover, Frontier and Sprint fail to provide 1997 billing records to justify the intra-Trunking basket allocation of their universal service obligation. We, therefore, require Frontier and Sprint to submit a summary of January 1, 1997, - June 30, 1997, company billing records to justify their intra-Trunking basket allocations.

169. BellSouth used billing records to allocate its universal service obligation. Although BellSouth calculated its universal service obligation using actual billed revenues for the first six month of 1997 summarized on Form 457, it used 1996 billing records to construct interbasket allocation factors. We, therefore, require BellSouth to submit a summary of the relevant January 1, 1997 - June 30, 1997, billing records and to recalculate its interbasket allocation factors using these revenue figures.

170. Aliant's allocation of its USF contribution to the Trunking basket based on total interstate special access revenues is unjust and unreasonable because the *Access Charge Reform Order* explicitly requires carriers to use only interstate end-user revenues to construct price cap basket recovery allocation factors.²⁷³ Special access revenues collected from sources other than end-users may not be included in the development of the allocation factors that distribute the USF obligation among price cap baskets. Aliant's inclusion of total special access revenues to allocate the USF contribution to the Trunking basket, therefore, results in an overallocation to the Trunking basket and underallocations to the Common Line and Interexchange baskets. Accordingly, we order Aliant to recalculate its first quarter 1998 USF contribution price cap basket allocation by reallocating its USF obligation among the price cap baskets based strictly on the ratio of interstate end-user revenues within each basket to the total amount of interstate end-user revenues generated by all three price cap baskets and revise its tariffed rates to reflect this adjustment.

171. In the *Access Reform Tariffs Designation Order*, the Bureau required Citizens to justify allocating a portion of its USF contribution to the Traffic Sensitive basket. On March 16, 1998, Citizens revised its tariff by limiting the allocation of its USF contribution to interstate end-user revenues reported in Chart SUM-1 to calculate its USF obligation allocation factors. We find that this revision reasonably reflects the requirements of the *Access Charge Reform Order*.

172. The Bureau also required Ameritech to justify the discrepancy between the interstate end-user revenue figures Ameritech reported for Trunking basket interstate end-user revenues in two places. On FCC Form 457, Ameritech reported Trunking basket interstate end-user revenues of \$1.2 million, while Ameritech's company records show interstate end-user revenues generated within the

²⁷³ *Access Charge Reform Order*, 12 FCC Rcd at 16147.

Trunking basket of \$67.7 million. Ameritech explained that it did not include all of the Trunking basket end-user revenues identified in its billing records as end-user revenues on Form 457 because the end-user had an option of whether it or its long distance carrier should receive those bills. This may indicate that Ameritech underreported its end-user revenues in Form 457, and therefore, paid a smaller USF contribution than it should have. This proceeding, however, is limited to determining whether the amount it did contribute was allocated correctly among its price cap baskets. Accordingly, we may initiate a separate proceeding to determine whether Ameritech underreported its USF revenue amount. We find, however, that Ameritech's use of the billing records to allocate the USF contribution among the Trunking basket service categories is reasonable because it is the best available data for making the allocation.

VI. Refund Liability

A. Background

173. In the *Access Reform Tariffs Suspension Order*, the Bureau put customers on notice that, due to the unusual nature and scope of the *Access Charge Reform* tariff filings, the rates at issue in this investigation were provisional and might be subject to a special, two-way adjustment.²⁷⁴ The Bureau stated that if these provisional rates are found at the conclusion of this investigation to be above those permitted by our rules, and thus unreasonably high, we may require the LECs to make refunds to their customers. The Bureau also stated that at the conclusion of this investigation we may in some instances allow carriers prospectively to charge higher rates for some elements to reflect the fact that they were charging less than would have been permitted for those elements during the pendency of the investigation. In addition, the Bureau noted that in cases in which the same customer has paid charges that were found to be too high and charges that could have been higher, refunds could be offset by amounts allowed for recoupment.²⁷⁵

B. Discussion

1. Generally

174. In Sections II - V above, we find that certain of the price cap LECs' methods of implementing requirements of the *Access Charge Reform Order* are unreasonable, and resulted in rates that are higher than justified. We also find that, in some of these cases, these same methods produced other rates that are lower than otherwise would have been permitted. Under Section 204(a) of the Communications Act, as amended, we have authority to impose refund liability on the price cap LECs for overcharges.²⁷⁶ The Commission does not allow carriers, at the end of a Section 204 investigation, to recoup past undercharges or to offset revenues foregone from one rate element against refunds owed

²⁷⁴ *Access Reform Tariffs Suspension Order*, 13 FCC Rcd at 166-67.

²⁷⁵ *Access Reform Tariffs Suspension Order*, 13 FCC Rcd at 166-67.

²⁷⁶ 47 U.S.C. § 204(a).

for overcharges, absent unusual circumstances and prior notice to customers.²⁷⁷ We find that due to the unusual nature and scope of the *Access Charge Reform* tariff filings, however, we must consider permitting such recoupment, pursuant to our authority under Section 4(i).²⁷⁸ As the Bureau noted in the *Access Reform Tariffs Suspension Order*, the *Access Charge Reform Order* involved a fundamental restructuring of incumbent LEC interstate switched access service offerings.²⁷⁹ The tariff revisions required to implement this restructuring are far more extensive than any that the Commission has ordered since it first instituted its system of tariffed access charges. In addition, most of the changes affect multiple rate elements, price cap baskets, and service categories. We note that in the *Access Reform Tariffs Suspension Order*, the Bureau put customers on notice that under these unusual circumstances, in which the Commission has ordered a massive restructuring of many interrelated rates, it may not be possible to achieve a fair balance of ratepayer and shareholder interests without also allowing LECs some measure of recoupment, where appropriate.²⁸⁰

175. Thus, for each of the price cap LECs' methods found unreasonable in this Order, we have three options for addressing the resulting provisional rates: (1) order the price cap LECs to make refunds for overcharges; (2) order the price cap LECs to make refunds for overcharges but permit these LECs to offset refunds with amounts allowed for recoupment of rates that were lower than they could have been; or (3) decline to order refunds (and thus no recoupment permitted). In determining which option to select, we will consider for each issue addressed in this Order the following factors: (a) whether the particular price cap LEC method found unreasonable resulted in one rate that is higher than justified and another rate that is lower than it could have been, other than as a result of the constraints generally imposed by the PCIs and SBIs under price cap regulation;²⁸¹ (b) if there are such corresponding high and low rates, whether the same general group of customers were affected by both rates;²⁸² (c) the administrative costs of implementing refund plans; and (d) other equities applicable to a particular case.

176. The manner in which we will consider these factors can be illustrated as follows. If the price cap LECs' method simply produces an unreasonably high rate, without a correspondingly low rate, then offsetting compensation is not applicable. In that case, we will require refunds unless administrative costs or other equities weigh in favor of refraining from ordering refunds. On the other hand, if the price cap LECs' method results in one rate that is higher than justified and another rate

²⁷⁷ 1997 *Annual Access Reconsideration Order* at ¶ 8, discussing *FPC v. Tennessee Gas Trans. Co.*, 371 U.S. 145, 152-53 (1962). See also *Local Exchange Carriers' Individual Case Basis DS3 Service Offerings*, CC Docket No. 88-166, Memorandum Opinion and Order, 6 FCC Rcd 4776, 4778 (1991) (affirming Bureau denial, in suspension order, of request for retroactive adjustments to rates under investigation).

²⁷⁸ 47 U.S.C. § 154(i). See *Lincoln Telephone and Telegraph's Duty to Furnish Interconnection Facilities to MCI Telecommunications Corporation, Declaratory Order*, 72 F.C.C. 2d 724, 728-29 (1979), *aff'd* 659 F.2d 1092 (D.C. Cir. 1981) (*Lincoln Telephone*).

²⁷⁹ *Access Reform Tariffs Suspension Order*, 13 FCC Rcd at 166.

²⁸⁰ *Access Reform Tariffs Suspension Order*, 13 FCC Rcd at 166.

²⁸¹ See *U S West Direct Case* at 12.

²⁸² See *Bell Atlantic Direct Case* at 9.

that is lower than it could have been, we will consider whether the same general group of customers were affected by both rates. If it is the same general group of customers affected by both rates, we may permit the price cap LECs to offset any refunds to a customer to reflect the fact that other charges to that customer were lower than they could have been, unless administrative costs or other equities weigh in favor of refraining from ordering refunds or offsets. If it is not the same general group of customers affected by both rates, we may not require refunds if administrative costs or other equities warrant not requiring refunds, or we may require a refund to one group and permit or deny recoupment from the other. Below, we apply these factors to each issue in this investigation where we have found that price cap LECs must adjust their rates to correct an unreasonable methodology.

177. Each company required to make the refunds specified below must submit plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority within 90 days of the release of this Order. Refunds shall be payable with interest on the principal amount owed computed on a daily compounded basis at the underpayment rate(s) established by the U.S. Internal Revenue Service pursuant to section 6621(a)(2) of the Internal Revenue Code of 1986, as amended, 26 U.S.C § 6621(a)(2), for the period between January 1, 1998 until the date of payment. These companies' refund plans must contain full explanations of how they have complied with the findings of this Order.

2. Adjustments based on Our Adoption of a Permitted Revenue Methodology for Exogenous Cost Changes

178. As discussed in Section III, we find that the price cap LECs' use of a revenue requirement methodology to calculate the exogenous cost changes implemented in their January 1, 1998 tariff filings is unreasonable because it does not fully allocate the permitted revenues in price cap baskets. As a result of the price cap LECs' use of a revenue requirement methodology, some rates were higher than justified, such as local switching and the TIC, and other rates were lower than they could have been, such as the CCL, PICCs (for carriers with MLB PICC below the \$2.75 cap), and rate elements for end office trunk ports, tandem trunk ports, and multiplexers.²⁸³ Moreover, the rates that were higher than justified and the rates that were lower than they could have been generally were paid by the same group of customers, the IXCs. Because generally the same group of customers that were harmed by unreasonably high rates benefitted from correspondingly lower rates and the *Access Charge Reform Order* involved a unique and fundamental restructuring of access rates, we find that equity warrants some measure of recoupment to the price cap LECs. Rather than requiring price cap LECs to calculate refunds and a surcharge or offsetting the refunds by the amount of charges that were lower than they could have been, we conclude that the price cap LECs' recoupment should be accomplished by not ordering any refunds. We recognize that for each particular IXC, the additional payment

²⁸³ For example, the price cap LECs' methodology for calculating the exogenous cost change for line ports resulted in local switching rates that were higher than justified and CCL rates or PICCs (for carriers with MLB PICC below the \$2.75 cap) that were lower than the price cap LECs otherwise would have been permitted to charge. In addition, the price cap LECs' methodology for calculating the exogenous cost change for end office trunk ports resulted in local switching rates that were higher than justified and rates for dedicated and shared end office trunk ports that were lower than the price cap LECs otherwise would have been permitted to charge.

caused by unreasonably high rates did not exactly equal the savings from correspondingly lower rates.²⁸⁴ We find, however, that the significant administrative costs -- both to industry and to the Commission -- of implementing a plan for refunds and either a surcharge or an offset outweighs the benefit that would be gained from determining precisely which particular IXC paid more in some rates than it saved in other rates and which paid less than it saved. Accordingly, we will not order the price cap LECs to make refunds for overcharges resulting from the LECs' use of a revenue requirement methodology to make the exogenous cost changes implemented in their January 1, 1998 tariff filings.

3. Common Line Adjustments

179. Non-Primary Line Counts. As discussed in Section II.A, we find that Pacific Bell and GTE underestimated their non-primary residential line counts. Consequently, during the course of this investigation these price cap LECs assessed upon the end users of some non-primary lines a SLC of \$3.50 instead of \$5.00. In addition, Pacific Bell and GTE assessed upon the presubscribed IXCs for these non-primary residential lines a \$0.53 PICC instead of \$1.50 PICC. As a result of these companies' undercount of their non-primary residential lines, any residual charges assessed by these companies were increased.²⁸⁵ In the case of Pacific Bell, this undercount produced MLB PICCs, and possibly non-primary residential PICCs, that were higher than our rules permit. In the case of GTE, this undercount produced residual per-minute rates that were higher than our rules permit. We order Pacific Bell and GTE to make refunds for any overcharges in MLB PICCs, non-primary residential PICCs, or residual per-minute rates that resulted from the undercount of their non-primary residential lines. We note that, although IXCs were disadvantaged by these overcharges, they also benefitted by paying the primary residential PICC instead of the higher non-primary residential PICC for those lines that were not correctly identified. It is not possible, however, to determine the amount that any particular IXC saved by paying the primary residential PICC instead of the higher non-primary residential PICC because Pacific Bell and GTE have not identified these lines. Thus, we will not permit Pacific Bell and GTE to offset refunds to an IXC for MLB PICC, non-primary residential PICC, or residual per-minute overcharges by the amount that the IXC saved by paying the primary residential PICC instead of the higher non-primary residential PICC. In addition, we do not permit these price cap LECs to recover from end users the difference between the primary residential SLC and the higher non-primary residential SLC for several reasons. First, the charges are already at their cap. Second, these customers were less likely to be aware of the notice in the *Access Reform Tariffs Suspension Order* that we might order recoupment. Finally, end users are a different class of customers from the IXCs that were overcharged. As we noted in the *1997 Annual Access Reconsideration Order*, our general policy to not allow carriers at the end of a tariff investigation to offset revenues foregone from one rate element against refunds ordered for overcharges absent unusual circumstances and prior notice to customers is particularly applicable where "a different class of

²⁸⁴ For example, in the case of line ports, the additional payment caused by unreasonably high local switching rates did not exactly equal the savings from correspondingly lower CCL rates because each IXC has a different mix of originating and terminating minutes subject to the CCL rates. In the case of end office trunk ports, the additional payment caused by unreasonably high local switching rates did not exactly equal the savings from correspondingly lower end office trunk port rates because dedicated end office trunk port costs now are recovered through a flat rate, rather than the per-minute local switching rate. Those IXCs with a high number of minutes per dedicated trunk may have paid more in switching than they saved in end office trunk ports, while those IXCs with fewer minutes per dedicated trunk may have paid less than they saved.

²⁸⁵ See 47 C.F.R. §§ 69.153, 69.154, 69.155, 69.156(d)(e).

customers received the benefits of the low rate from the one that was subjected to the unlawfully high rate."²⁸⁶ It was within the control of Pacific Bell and GTE to identify their non-primary residential lines. We find no equities in favor of permitting them to recover foregone revenues from their end users in this instance.

180. Inward Only Lines. Ameritech chose not to include inward-only lines in its PICC counts for the January 1, 1998 tariff filing, thus increasing its per-minute residual charges²⁸⁷ in all jurisdictions except Illinois and its MLB PICC in Illinois.²⁸⁸ This was a clear violation of our price cap rules.²⁸⁹ There is no provision in the *Access Charge Reform Order* that exempts inward-only lines from being included in either the SLC or PICC count.²⁹⁰ Although Ameritech assesses a SLC on inward-only lines, it chose not to assess an MLB PICC on these lines. Accordingly, we require Ameritech to make refunds to IXCs for overcharges that resulted from Ameritech's failure to include inward-only lines in its PICC counts and to any of its Illinois multi-line business customers that paid the PICC themselves.²⁹¹ Presumably, none of the inward-only lines are presubscribed to an IXC. We recognize that customers with inward-only lines could have been assessed a PICC. Ameritech's decision to forego recovery from PICCs on inward-only lines, however, was entirely voluntary. We find no equities that favor permitting Ameritech to recoup their foregone revenues from their inward-only line customers. In the event that there exist some inward-only lines that are presubscribed to an IXC, Ameritech may not recoup any of their foregone revenues from IXCs to whom these lines are presubscribed. We note that, as discussed above, Ameritech filed tariff revisions on March 17, 1998 which recalculated its CCL rates for the period starting April 1, 1998.²⁹² Thus, Ameritech only is liable for refunds for the period from January 1, 1998 to April 1, 1998, the effective date of Ameritech's tariff revision.

181. Historic Understatement of BFP. As discussed in Section II.D, we find that Bell Atlantic, the Sprint LTCs, GTE, SWBT, and U S West historically have understated their BFP. As a result of the understatement of the BFP, these companies assessed upon IXCs CCL rates that were higher than justified during the course of this investigation. We order Bell Atlantic, the Sprint LTCs, GTE, SWBT, and U S West to refund the difference between the new CCL rate they calculate and the rate that was in effect during this investigation. The correction we have ordered will eliminate the lingering impact of historic understatement of BFP in CCL rates. Any increase in maximum SLC rates that resulted from the *1997 Annual Access Investigation Order*, however, have already been

²⁸⁶ *1997 Annual Access Reconsideration Order* at ¶ 8.

²⁸⁷ See 47 C.F.R. §§ 69.154, 69.155, 69.156(d)(e).

²⁸⁸ In Illinois, Ameritech did not exceed the MLB PICC cap of \$2.75.

²⁸⁹ See Section II.C, *supra*.

²⁹⁰ We note that these lines are assessed a SLC, pursuant to section 69.152(a), which states that a SLC is assessed upon end users that subscribe to local exchange service. See 47 U.S.C. § 69.152(a).

²⁹¹ See 47 C.F.R. § 69.153(b).

²⁹² Ameritech Transmittal No. 1146, *Access Reform Revision, Description and Justification*, page 1 (March 17, 1998).

implemented. This Order, therefore, will not result in any increase in the maximum SLC rates that these companies could charge. Therefore, no customers were charged less than they might have been, and there is no recoupment issue. Bell Atlantic and U S West argue that if the Commission were to require price cap LECs to make refunds based on an adjustment of CCL rates to eliminate any lingering effect of previous understatements of the BFP, such action would constitute an impermissible retroactive application of a new rule.²⁹³ As discussed in Section II.D.2 *supra*, however, our requirement that price cap LECs adjust their CCL rates to eliminate any lingering impact of historic understatements of the BFP does not represent a new rule, but rather an exercise of our authority under Section 201(b) of our rules, 47 U.S.C. § 201(b), to ensure that price cap LEC rates are just and reasonable.

4. Trunking Basket Adjustments

182. As discussed in Section IV, we find that price cap LECs' calculations of the following changes to the trunking basket are unreasonable: (1) the removal of SS7 costs from the TIC; (2) the use of actual minutes as an allocator for the TST common transport rate element; (3) the targeting of productivity factor reductions to the residual TIC; and (4) the allocation of marketing and COE maintenance costs among service categories in the trunking basket. In some cases, these calculations produced rates that were higher than justified, such as the rates for CCL, MLB PICC (for carriers with MLB PICC below the \$2.75 cap), local switching, and unbundled signalling. At the same time, these calculations correspondingly produced rates that were lower than they could have been, such as the rates for TST common transport. In some cases, these calculations caused the TIC to be higher than our rules permit, while others resulted in the TIC being less than it otherwise could have been. The rates affected by these calculations generally are paid by the same class of customers, the IXCs. Because generally the same class of customers that was harmed by unreasonably high rates benefitted from correspondingly lower rates and the *Access Charge Reform Order* involved a unique restructuring of access rates, we find that equity warrants some measure of recoupment to the price cap LECs. We conclude that it would not be in the public interest to permit recoupment by requiring price cap LECs to calculate refunds and a surcharge or offsetting the refunds by the amount rates were lower than they could have been. Instead, we find that the price cap LECs recoupment should be accomplished by not ordering refunds. We recognize that for each particular IXC, the additional payment caused by rates that were higher than justified as a result of the calculations at issue did not exactly equal the savings from rates that were lower than they could have been as a result of the calculations at issue. We find, however, that the significant administrative costs -- both to industry and to the Commission -- of implementing a plan for refunds and either a surcharge or an offset outweighs the benefit that would be gained from determining precisely which particular IXC paid more in some rates than it saved in others and which paid less than it saved. Accordingly, we will not order the price cap LECs to make refunds for overcharges resulting from the changes to the trunking basket listed above.

5. USF Adjustments

183. As discussed in Section V, we require some price cap LECs to revise their calculations of the inter-basket allocation of USF recovery. We expect that these revisions will produce only minor changes in the allocation of USF recovery among CCL rates, PICCs (where the MLB PICC is less than the \$2.75 cap), the interexchange basket, direct-trunked transport and special access rates.

²⁹³ See Bell Atlantic Direct Case at 3; U S West Direct Case at 5-6.

IXCs pay rates for CCL, direct-trunked transport, and some special access; end users pay rates for interexchange and some special access. It is not clear at this time which rates will increase and which ones will decrease after the price cap LECs implement the USF revisions that we order. We find that the significant administrative costs to industry and to the Commission of implementing a plan for refunds and either a surcharge or an offset outweighs the benefit that would be gained from determining which customers were affected by overcharges and which ones benefitted from rates that were lower than they could have been, particularly in light of the fact that we expect that the USF revisions required in this Order will have only a minor effect on rates. Accordingly, we will not order the price cap LECs to make refunds to reflect the difference in rates resulting from the revisions that we require in this Order for USF recovery.

VII. Compliance Filings

184. We order Aliant Communications Company, Ameritech Operating Companies, Bell Atlantic Operating Companies, BellSouth Telecommunications, Inc., Cincinnati Bell Telephone Company, Citizens Telecommunications Companies, Frontier Communications of Minnesota and Iowa, Frontier Telephone of Rochester, GTE System Telephone Companies, GTE Telephone Operating Companies, Nevada Bell, Pacific Bell, Southern New England Telephone Company, Southwestern Bell Telephone Company, Sprint Local Telephone Companies, and U S West Communications, Inc. to revise their tariffs to establish their rates in accordance with the requirements of this Order. These LECs must submit tariff revisions establishing new rates, effective July 1, 1998. They may file these revisions as a part of their 1998 annual access tariff filings or through separate tariff filings. The tariff revisions filed by these price cap LECs must include full explanations of how they have complied with the requirements of this Order. Their explanations must include complete descriptions of the data, assumptions, and the methodologies used for all adjustments required by this Order. These LECs also must submit, as a part of this documentation, worksheets showing the data and calculations that underlie all adjustments.

VIII. Ordering Clauses

185. Accordingly, IT IS ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), 205, and 405, Pacific Bell, GTE System Telephone Companies, and GTE Telephone Operating Companies SHALL FILE REVISED RATES to be effective July 1, 1998, and SHALL ISSUE REFUNDS, plus interest, for the period from January 1, 1998 through July 1, 1998, reflecting adjustments to their non-primary residential lines as prescribed in Section II.A of this Memorandum Opinion and Order. These companies ARE ORDERED to submit plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority under Section 0.291 of the Commission's rules, 47 C.F.R. § 0.291, within 90 days of the release of this Memorandum Opinion and Order. Refunds shall be calculated in accordance with the requirements of Section VI of this Memorandum Opinion and Order.

186. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, BellSouth Telecommunications, Inc. and Southern New England Telephone Company shall revise their tariffs, effective July 1, 1998, to include a new

definition of non-primary line counts as required by Section II.B of this Memorandum Opinion and Order.

187. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Cincinnati Bell Telephone Company shall revise its tariff, effective July 1, 1998, to exclude the statement that it does not include inward-only lines in its subscriber line and presubscribed interexchange carrier line count as required by Section II.C of this Memorandum Opinion and Order.

188. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that the Ameritech Operating Companies SHALL ISSUE REFUNDS, plus interest, for the period from January 1, 1998 through March 31, 1998, reflecting the inclusion of inward-only lines in its subscriber line and presubscribed interexchange carrier line count as required by Section II.C of this Memorandum Opinion and Order. The Ameritech Operating Companies ARE ORDERED to submit plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority under Section 0.291 of the Commission's rules, 47 C.F.R. § 0.291, within 90 days of the release of this Memorandum Opinion and Order. Refunds shall be calculated in accordance with the requirements of Section VI of this Memorandum Opinion and Order.

189. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Bell Atlantic Operating Companies, the Sprint Local Telephone Companies, GTE System Telephone Companies, GTE Telephone Operating Companies, Southwestern Bell Telephone Company, and U S West Communications, Inc. SHALL FILE REVISED CARRIER COMMON LINE RATES to be effective July 1, 1998, and SHALL ISSUE REFUNDS, plus interest, for the period from January 1, 1998 through July 1, 1998, reflecting removal of the past effects that understating their BFP revenue requirements has had on their carrier common line rates as required by Section II.D of this Memorandum Opinion and Order. These companies ARE ORDERED to submit plans for issuing refunds to the Common Carrier Bureau for review and approval pursuant to our delegation of authority under Section 0.291 of the Commission's rules, 47 C.F.R. § 0.291, within 90 days of the release of this Memorandum Opinion and Order. Refunds shall be calculated in accordance with the requirements of Section VI of this Memorandum Opinion and Order.

190. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Aliant Communications Company, Ameritech Operating Companies, Bell Atlantic Operating Companies, BellSouth Telecommunications, Inc., Cincinnati Bell Telephone Company, Citizens Telecommunications Companies, Frontier Communications of Minnesota and Iowa, Frontier Telephone of Rochester, GTE System Telephone Companies, GTE Telephone Operating Companies, Nevada Bell, Pacific Bell, Southern New England Telephone Company, Southwestern Bell Telephone Company, Sprint Local Telephone Companies, and U S West Communications, Inc. SHALL FILE REVISED RATES to be effective July 1, 1998, reflecting exogenous adjustments for recovery of reallocations identified in Section III of this

Memorandum Opinion and Order and using the permitted revenue methodology as required by Section III.

191. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Aliant Communications Company, Ameritech Operating Companies, Bell Atlantic Operating Companies, BellSouth Telecommunications, Inc., Cincinnati Bell Telephone Company, Citizens Telecommunications Companies, Frontier Communications of Minnesota and Iowa, Frontier Telephone of Rochester, GTE System Telephone Companies, GTE Telephone Operating Companies, Nevada Bell, Pacific Bell, Southern New England Telephone Company, Southwestern Bell Telephone Company, Sprint Local Telephone Companies, and U S West Communications, Inc. SHALL FILE REVISED RATES to be effective July 1, 1998, reflecting the methodology for making the exogenous adjustments for recovery of SS7-STP costs as required by Section IV.A of this Memorandum Opinion and Order.

192. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Nevada Bell, Pacific Bell, and Southwestern Bell Telephone Company SHALL FILE REVISED RATES to be effective July 1, 1998, reflecting the requirement in Section IV.A of this Memorandum Opinion and Order that these companies exclude STP port revenues from the calculation of their SS7 exogenous adjustments to the TIC and the Traffic Sensitive basket.

193. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that U S West Communications, Inc. SHALL FILE REVISED RATES to be effective July 1, 1998, reflecting the requirement in Section IV.A of this Memorandum Opinion and Order that the Company exclude SS7-STP costs associated with contracted and separately tariffed STP Services when adjusting its reallocation of the tandem switching revenue requirement.

194. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Aliant Communications Company SHALL FILE REVISED RATES to be effective July 1, 1998, reflecting the requirement in Section IV.B of this Memorandum Opinion and Order that the Company allocate the entire amount of its central office equipment maintenance expense adjustment among all seven Trunking basket service categories on the basis of relative revenues.

195. IT IS FURTHER ORDERED, that, pursuant to Sections 4(i), 4(j), 201(b), 202(a), 203(a), 204(a), 205, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 201(b), 202(a), 203(a), 204(b), and 205, that Cincinnati Bell Telephone Company SHALL FILE REVISED RATES to be effective July 1, 1998, reflecting the requirement in Section IV.B of this Memorandum Opinion and Order that the Company remove marketing expenses from the transport interconnection charge based on the ratio of transport interconnection charge revenues to total Trunking basket switched access revenues.