

3. The access rates of the 5 largest non-pool members were weighted by their volumes to derive a composite non-pooled traffic-sensitive rate. The relationship of the composite non-pooled member traffic-sensitive rates to the NECA rates was then derived. The relation of the non-pooled traffic-sensitive rates was then used against the NECA rate to develop an estimate of the non-pooled traffic-sensitive revenue.

4. The total non-pooled ROR traffic-sensitive revenue requirements and access rates were then derived by using the results of step 3 as a surrogate for all non-pooled traffic-sensitive rates and revenue requirements.

5. The pooled and non-pooled ROR traffic-sensitive revenue requirements were then summed to produce an estimate of the total ROR traffic-sensitive revenue requirement.

The final step was to adjust the NECA pooled common line and the composite traffic-sensitive revenue requirements to reflect the implementation of the *Access Reform* and *GSF Orders*.

Impact Summaries

A summary of the impacts of access reform on each of the major revenue requirement classifications and on estimated access rates is shown on Tables 1 and 2. The following briefly describes each table.

Table 1.

Table 1 summarizes the major access reform items and their impacts on ROR LEC CCL, local switching, transport, and marketing revenues. For example, the implementation of revised EUCL rate caps would be expected to increase EUCL revenues and decrease CCL rates by approximately \$86.4 million. The establishment of a PICC charge would reduce common line usage rates by approximately \$129.5 million. The total usage related impact for each major reform item is summarized in the total column.

Table 2.

Table 2 displays the current and projected difference between the large price cap LECs and the ROR LEC usage rates. The ROR LEC average access rates, based on composite estimates of ROR LEC common line and traffic-sensitive rates, were compared to AT&T's estimate of the weighted average of the largest price cap LEC rates.

The column labeled "ROR Access Rates Pre Reform" displays the average ROR LEC usage rate prior to access reform. The column labeled "ROR Access Rates Post Reform" displays the projected ROR LEC usage rates. Both columns then compare the usage rates

of the price cap LECs to the usage rates of the ROR LECs. The dollar magnitude of the rate differential is estimated to be approximately \$803.7 million dollars prior to ROR LEC access reform and approximately \$564.8 million after the implementation of ROR LEC access reform.

Notes

- Only seven ROR LECs do not participate in the NECA Common Line pool. The seven LECs are ALLTEL-Georgia Communications, Georgia-ALLTEL, Century-Ohio, Great Plains Communications, Ogden Telephone-New York, and Warwick Valley Telephone of NY and NJ.
- Approximately 47 percent the ROR traffic-sensitive volume is part of the NECA Traffic-Sensitive pool.
- AT&T assumed that 10 percent of the current single line customers are non-primary residential access lines. The EUCL and PICC rate cap were set to equal the current caps, *e.g.*, the multiline EUCL cap equals \$9.00 per line and the multiline PICC equals \$2.75 per line.
- The five largest non-NECA Traffic-Sensitive participants selected on the basis of their traffic-sensitive revenue requirements are Puerto Rico, ALLTEL-Georgia, Anchorage Telephone, Telephone Utilities-Washington, and Telephone Utilities-Eagle. In total, NECA Traffic-Sensitive pool LECs represent approximately 53 percent of the total traffic-sensitive volume and non-NECA traffic-sensitive pooling LECs approximately 47 percent of the total traffic-sensitive volumes.
- Marketing expense was removed from the Common Line and Traffic-Sensitive Revenue Requirements and moved to a separate revenue requirement category. Similarly, GSF was removed from the interstate access revenue requirement. The line port revenue and revenue requirement was assumed to be 25 percent of the interstate local switching revenue. Twenty-five percent of the local switching revenue requirement was moved to the Common Line Revenue Requirement.

TABLE 1

Summary of Estimated Annual Access Reform Impacts to ROR LECs

Access Reform Issue	CCL	LS	Transport & S	Marketing	Total
	(1)	(2)	(3)	(4)	
EUCL Impact	(86,435,263)	-	-	-	(86,435,263)
PICCs	(129,534,440)	-	-	-	(129,534,440)
Marketing	(13,517,000)	(4,993,855)	(2,946,488)	21,457,343	-
Remove Line Port Costs from LS & Reco	114,953,731	(114,953,731)	-	-	-
Reassign TIC to CCL subsidy element*	265,643,150	-	(265,643,150)	-	-
GSF Allocation Factor Change	(15,045,471)	(4,590,144)	(5,865,184)	-	(25,500,799)
Total Usage Impact	136,064,706	(124,537,730)	(274,454,821)	21,457,343	(241,470,502)
Total IXC impact	265,599,146	(124,537,730)	(274,454,821)	21,457,343	(111,936,062)

* includes the estimated impact of the January 1, 1999 movement of an additional 1/3 tandem switching from the TIC.

(1) Carrier Common Line Access Usage Revenue

(2) Local Switching

(3) Composite Transport including Local Transport Other and Special Access

(4) Marketing reflects the projected movement of marketing expenses to its own expense category

TABLE 2
Estimated ROR and Price Cap LEC Access Rates

	ROR Access Rates Pre Reform	ROR Access Rates Post Reform
ROR LEC Average (T.S.)	0.030844	0.017890
ROR LEC Carrier Common Line	0.010966	0.015616
Total ROR LEC Usage per AMOU	0.041810	0.033506
RBOC & GTOC Usage Composite Rate ¹	0.013872	0.013872
Dollar Magnitude of Rate Differential²	(803,743,170)	(564,843,786)

¹Based on current 1998 tariffs.

²Based on total NECA volumes of 28.768 billion AMOU.