

(2) The second subset shall consist of all other telephone companies with annual operating revenues in excess of forty million dollars;

(3) The third subset shall consist of all other telephone companies. All commonly controlled companies shall be deemed to be one company for purposes of this Section.

(b) There shall be fifteen directors of the association.

(c) Until 1996, three directors shall represent the first subset, three directors shall represent the second subset, and nine directors shall represent the third subset. In 1996 and thereafter, two directors shall represent the first subset, two directors shall represent the second subset, six directors shall represent the third subset, and five directors shall represent all three subsets.

(d) No director who represents all three subsets shall be a current or former officer or employee of the association or of any association member, or have a business relationship or other interest that could interfere with his or her exercise of independent judgment.

(e) Each subset shall select the directors who will represent it individually through an annual election in which each member of the subset shall be entitled to vote for the number of directors that will represent such member's subset.

(f) The association membership shall select the directors for the following calendar year who will represent all three subsets through an annual election in which each member of the association shall be entitled to one vote for each director position. There shall be at least two candidates meeting the qualifications in paragraph (d) of this section for each such director position:

(1) in any election in which the most recently elected director for such position is not a qualified candidate;

(2) if there has been no election for such position having more than one qualified candidate during the present and the two preceding calendar years; and

(3) in any election for which the ballot lists two or more qualified candidates.

(g) At least one director representing all three subsets shall be a member of each committee of association directors.

(h) For each access element or group of access elements for which voluntary pooling is permitted, there shall be a committee that is responsible for the preparation of charges for the associated access elements that comply with all applicable sections in this Part.

(i) Directors shall serve for a term of one year commencing January 1 and concluding on December 31 of each year.

§ 69.403 Association functions.

(a) The association shall not engage in any activity that is not related to the preparation of access charge tariffs or the collection and distribution of access charge revenues or the operation of a billing and collection pool on an untariffed basis unless such activity is expressly authorized by order of the Commission.

(b) Participation in Commission or court proceedings relating to access charge tariffs, the billing and collection of access charges, the distribution of access charge revenues, or the operation of a billing and collection pool on an untariffed basis shall be deemed to be authorized association activities.

(c) The association shall also prepare and file an access charge tariff containing terms and conditions for access service and a form for the filing of rate schedules by telephone companies that choose to reference these terms and conditions while filing their own access rates.

(d) The association shall divide the expenses of its operations into two categories. The first category ("Category I Expenses") shall consist of those expenses that are associated with the preparation, defense, and modification of association tariffs, those expenses that are associated with the administration of pooled receipts and distributions of exchange carrier revenues resulting from association tariffs, those expenses that are associated with association functions pursuant to §§ 69.404(c)-(g), and those expenses that pertain to Commission proceedings involving Subpart D of Part 69 of the Commission's rules. The second category ("Category II Expenses") shall consist of all other association expenses. Category I Expenses shall be sub-divided into three components in proportion to the revenues associated with each component. The first component ("Category I.A Expenses") shall be in proportion to the Universal Service Fund and Lifeline Assistance revenues. The second component ("Category I.B Expenses") shall be in proportion to the sum of the association End User Common Line revenues, the association Carrier Common Line revenues, the association Special Access Surcharge revenues, the Long Term Support payments and the Transitional Support payments. The third component ("Category I.C Expenses") shall be in proportion to the revenues from all other association interstate access charges.

(e)(1) The revenue requirement for association tariffs shall not include any association expenses other than Category I.A Expenses.

(2) The revenue requirement for association tariffs shall not include any Association expenses other than Category I.B Expenses.

(3) The revenue requirement for association tariffs shall not include any association expenses other than Category I.C Expenses.

(4) No distribution to an exchange carrier of Universal Service Fund and Lifeline Assistance revenues shall include adjustments for association expenses other than Category I.A Expenses.

(5) No distribution to an exchange carrier of revenues from association End User Common Lines Or Carrier Common Line charges, Special Access Surcharges, or Long Term Support or Transitional Support payments shall include adjustments for association expenses other than Category I.B Expenses.

(6) No distribution to an exchange carrier of revenues from association interstate access charges other than End User Common Line and Carrier Common Line charges and Special Access Surcharges shall include adjustments for association expenses other than Category I.C Expenses.

(7) The association shall separately identify all Category I.A, I.B and I.C Expenses in cost support materials filed with each annual association access tariff filing.

§ 69.404 Billing and collection of access charges.

(a) Telephone companies shall bill and collect all access charges except those charges specified in Part 54.

(b) All access charges shall be billed monthly.

§ 69.405 Reporting and distribution of pool access revenues.

(a) Access revenues and cost data shall be reported by participants in association tariffs to the association for computation of monthly pool revenues distributions in accordance with this Subpart.

(b) Association expenses incurred during the month that are allowable access charge expenses shall be reimbursed before any other funds are disbursed.

(c) Except as provided in paragraph (b) of this Section, payments to average schedule companies that are computed in accordance with § 69.407 shall be disbursed before any other funds are disbursed. For purposes of this Part, a telephone company that was participating in average schedule settlements on December 1, 1982, shall be deemed to be an average schedule company except that any company that does not join in association tariffs for all access elements shall not be deemed to be an average schedule company.

(d) The residue shall be disbursed to telephone companies that are not average schedule companies in accordance with §§ 69.408 through 69.411.

(e) The association shall submit a report on or before February 1 of each calendar year describing the association's cost study review

process for the preceding calendar year as well as the results of that process. For any revisions to cost study results made or recommended by the association that would change the respective carrier's calculated annual common line or traffic sensitive revenue requirement by ten percent or more, the report shall include the following information:

- (1) the name of the carrier;
- (2) a detailed description of the revisions;
- (3) the amount of the revisions;
- (4) the impact of the revisions on the carrier's calculated common line and traffic sensitive revenue requirements; and
- (5) the carrier's total annual common line and traffic sensitive revenue requirement.

§ 69.406 Computation of average schedule company payments.

(a) Payments shall be made in accordance with a formula approved or modified by the Commission. Such formula shall be designed to produce disbursements to an average schedule company that simulate the disbursements that would be received pursuant to § 69.408 by a company that is representative of average schedule companies.

(b) The association shall submit a proposed revision of the formula for each annual period subsequent to December 31, 1986, or certify that a majority of the directors of the association believe that no revisions are warranted for such period on or before December 31 of the preceding year.

§ 69.407 Disbursement of carrier common line residue.

(a) The association shall compute a monthly net balance for each member telephone company that is not an average schedule company. If such a company has a negative net balance, the association shall bill that amount to such company. If such a company has a positive net balance, the association shall disburse that amount to such company.

(b) The net balance for such a company shall be computed by multiplying a hypothetical net balance for such a company by a factor that is computed by dividing the Carrier Common Line residue by the sum of the hypothetical net balances for such companies.

(c) The hypothetical net balance for each company shall be the sum of the hypothetical net balances for each access element. Such hypothetical net balances shall be computed in accordance with § 69.409 - § 69.411.

§ 69.408 Carrier common line hypothetical net balance.

The hypothetical net balance shall be equal to a Carrier Common Line revenue requirement for each such company.

§ 69.409 End user common line hypothetical net balances.

(a) If the company does not participate in the association tariff for such element, the hypothetical net balance shall be zero.

(b) If the company does participate in the association tariff for such element, the hypothetical net balance shall be computed by multiplying an amount that is computed by deducting access revenues collected by such company for such element from an End User Common Line revenue requirement for such company by a factor that is computed by dividing access revenues collected by all such companies for such element by an End User Common Line revenue requirement for all such companies.

§ 69.410 Other hypothetical net balances.

(a) The hypothetical net balance for an access element other than a Common Line element shall be computed as provided in this Section.

(b) If the company does not participate in the association tariff for such element, the hypothetical net balance shall be zero.

(c) If the company does participate in the association tariff for such element, the hypothetical net balance shall be computed by deducting access revenues collected for such element from the sum of expense attributable to such element and the element residue apportioned to such company. The element residue shall be apportioned among such companies in the same proportions as the net investment attributable to such element.

(d) The element residue shall be computed by deducting expenses of all participating companies attributable to such element from revenues collected by all participating companies for such element.

Subpart F - Competitive Responses By Non-Price Cap ILECs

§ 69.501 Voluntary network opening by non-price cap incumbent local exchange carriers.

(a) This section applies only to non-price cap incumbent local exchange carriers (referred to herein for purposes of this section as non-price cap ILECs).

(b) A non-price cap ILEC may elect to open its network to competitive entry consistent with subsection (c) hereunder, before receiving a request from a telecommunications carrier pursuant to sections 251(b) or (c) of the Communications Act. Once a non-price cap ILEC provides notice of such network opening pursuant to subsection (d) hereunder, it shall be afforded competitive pricing flexibility as defined in subsection (e) hereunder.

(c) A non-price cap ILEC is considered to have elected to open its network to competitive entry for purposes of this section if, before receiving a request from a telecommunications carrier pursuant to sections 251(b) or (c) of the Communications Act:

(1) The non-price cap ILEC publishes a list of unbundled network elements consistent with the unbundling requirements of §§ 51.305 through 51.321 of this chapter (excluding §§ 51.305(a)(4), 51.311(c), 51.315(c)-(f), and 51.317), with prices therefore that are reasonably related to prices for such elements offered by similarly situated ILECs. Such unbundled network elements must be available to telecommunications carriers at the time of such publication.

(2) The non-price cap ILEC commits to provide local number portability to any competitive entrant in a timely manner consistent with a state commission's approval of an interconnection agreement between the non-price cap ILEC and that entrant pursuant to section 252 of the Communications Act.

(3) A cable company provides telephone and equivalent services within its franchise area in the same geographic area as the ILEC.

(d) The non-price cap ILEC must notify the Commission, the affected state commission(s), and the general public in writing of its election to open its network as described in subsection (c) above. Notification to the Commission and the state commission(s) should include a copy of the publication described in subsection (c)(1) above and a general description of compliance with subsection (c) above.

(e) In all areas for which the non-price cap ILEC complies with subsections (c) and (d) of this section, it shall be permitted to engage in tariffing and pricing of interstate telecommunications services on an individual case basis, and it shall be permitted to file contract-based tariffs for such services. For purposes of this section, a contract-based tariff is defined in § 61.2(i) of this chapter.

§ 69.502 Regulatory status of non-price cap incumbent local exchange carriers subject to competition

A non-price cap ILEC that has obtained state commission approval of one or more interconnection agreements in any portion of its service territory shall be treated as a nondominant carrier by the Commission. Alternatively, if a cable company provides telephone and equivalent services within its franchise area in the same geographic area as the ILEC, the non-price cap ILEC shall be treated as a nondominant carrier by the Commission. Such treatment shall be the same as that accorded to other nondominant local exchange carriers by the Commission prior to the effective date of this rule so that such non-price cap ILECs shall not be required to base tariffs on the rate of return principles described in this chapter.

PART XX

USTA
BIENNIAL REVIEW PETITION
AUGUST 11, 1999

Rule	Action	Justification
New	PART XX - RULES FOR INCUMBENT LOCAL EXCHANGE CARRIERS SUBJECT TO PRICE CAP REGULATION	New Part XX is created from existing sections of Part 61 and Part 69 to combine price management and appropriate access charges for Incumbent Local Exchange Carriers subject to price cap regulation.
New	Subpart A - General Creates new section. Also incorporates the following: 1. Eliminates study area averaging rule for price cap LECs.	General rules for LECs subject to price cap regulation are duplicated and moved from Parts 61 and 69, and then revised. Section 61.41 moved to XX.1 and revised. Revisions made due to the competitive environment and to incorporate previous USTA positions.

Rule	Action	Justification
<p>New</p>	<p>Subpart B - Price Cap Regulation and Computation of Charges for Price Cap LECs Creates new section and includes the following:</p> <ol style="list-style-type: none"> 1. Incorporates USTA proposed price cap basket/band structure: <ol style="list-style-type: none"> a. Network Services Basket <ol style="list-style-type: none"> i. Service Categories <ol style="list-style-type: none"> a. Tandem Switching and Analog Special Access b. Local Switching c. Database Services d. Common Line and Marketing ii. Pricing zones for Tandem Switching and Analog Special Access, Local Switching, Common Line and other service categories, as appropriate. 2. Eliminates codified rate structure requirements for all price cap services. <ol style="list-style-type: none"> a. Models new language after special access rule (current 69.114). 3. Exogenous adjustments limited to those permitted or required by rule, waiver, or declaratory ruling. Includes LFAM, USF. 4. Eliminates CCL charge and revises max. SLC calculation to be common line revenue per line. PICC charge revised to be difference between max. SLC and any SLC cap imposed. PICC caps deleted. 5. Residual TIC now recovered through a new flat-rated trunk port charge. 	<p>The following sections form Part 61 are consolidated in Part XX, Subpart B: 61.42, 61.45, 61.46 and 61.47. Subpart C is moved from Part 69 and consolidated in Part XX, Subpart B and then greatly revised. Revisions are made due to the competitive environment and to incorporate previous USTA positions.</p>

Rule	Action	Justification
New	Subpart C - Pricing Flexibility This rules developed in this section will be consistent with the pricing flexibility order adopted by the FCC on August 5, 1999 in the Access Charge Reform proceeding.	The FCC adopted a Pricing Flexibility Order on August 5, 1999 in the Access Charge Reform proceeding, CC Docket No. 96-262.

USTA BIENNIAL REVIEW PROPOSAL

CODE OF FEDERAL REGULATIONS

TITLE 47 - TELECOMMUNICATIONS

CHAPTER I

FEDERAL COMMUNICATIONS COMMISSION

PART XX - RULES FOR INCUMBENT LOCAL EXCHANGE CARRIERS

SUBJECT TO PRICE CAP REGULATION

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SUBJECT TO PRICE CAP REGULATION**

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Subpart C - Pricing Flexibility

[Will be consistent with FCC Pricing Flexibility Order adopted on August 5, 1999 in CC Docket No. 96-262.]

Subpart A - General

§ XX.1 Application of Rules for Incumbent Local Exchange Carriers Subject to Price Cap Regulation.

(a) Charges for access services provided by incumbent local exchange carriers (ILECs) subject to price cap regulation shall be computed, assessed and collected as provided in this Part. Access service tariffs shall be filed and supported as provided under Part 61 of this chapter.

(b) Section XX.1 shall apply as follows:

(1) Only to such ILECs, as defined in Section 251(h)(1) and as specified by Commission Order and only to services offered in non-competitive areas.

(2) On an elective basis, to ILECs, other than those specified in paragraph (b)(1) of this section, that are neither participants in any Association tariff, nor affiliated with any such participants, except that affiliation with average schedule companies shall not bar a carrier from electing price cap regulation provided the carrier is otherwise eligible.

(c) If an ILEC, or any one of a group of ILEC affiliates, files a price cap tariff in one study area, that ILEC and its ILEC affiliates, except its average schedule affiliates, must file price cap tariffs in all their study areas.

(d) The following rules apply to ILECs subject to price cap regulation which are involved in mergers, acquisitions, or similar transactions.

(1) Any ILEC subject to price cap regulation that is a party to a merger, acquisition, or similar transaction shall continue to be subject to price cap regulation notwithstanding such transaction.

(2) Where an ILEC subject to price cap regulation acquires, is acquired by, merges with, or otherwise becomes affiliated with an ILEC that is not subject to price cap regulation, the latter ILEC shall become subject to price cap regulation no later than one year following the effective date of such merger, acquisition, or similar transaction and shall accordingly file price cap tariffs to be effective no later than that date in accordance with the applicable provisions of Part 61.

(3) Notwithstanding the provisions of § XX.1(d)(2) above, when an ILEC subject to price cap regulation acquires, is acquired by, merges with, or otherwise becomes affiliated with an ILEC that qualifies as an average schedule company, the latter company may retain its average schedule status or become subject to price cap regulation in accordance with § 61.51(e)(3) and the requirements referenced in that section.

§ XX.2 Definitions.

(a) *Access Minutes* or *Access Minutes of Use* is that usage of exchange facilities in interstate or foreign service for the purpose of calculating chargeable usage. On the originating end of an interstate or foreign call, usage is to be measured from the time the originating end user's call is delivered by the telephone company and acknowledged as received by the interexchange carrier's facilities connected with the originating exchange. On the terminating end of an interstate or foreign call, usage is to be measured from the time the call is received by the end user in the terminating exchange. Timing of usage at both the originating and terminating end of an interstate or foreign call shall terminate when the calling or called party disconnects, whichever event is recognized first in the originating and terminating end exchanges as applicable;

(b) *Access Service* includes services and facilities provided for the origination or termination of any interstate or foreign telecommunication;

(c) *Act*. The Communications Act of 1934 (48 Stat. 1004; 47 U.S.C. chapter 5), as amended.

(d) *Actual Price Index (API)*. An index of the level of aggregate rate element rates in a basket, which index is calculated pursuant to § XX.105.

(e) *Band*. A zone of pricing flexibility for a service category, which zone is calculated pursuant to § XX.106.

(f) *Base period*. For ILECs subject to price cap regulation, the 12-month period ending six months prior to the effective date of annual price cap tariffs. Base year or base period earnings shall not include amounts associated with exogenous adjustments to the PCI for the lower formula adjustment mechanism.

(g) *Basket*. Any class or category of tariffed service or charge:
(1) Which is established by the Commission pursuant to price cap regulation;

(2) The rates of which are reflected in an Actual Price Index;
and

(3) The related costs of which are reflected in a Price Cap Index.

(h) *Change in rate structure*. A restructuring or other alternation of the rate components for an existing service.

(i) *Charges*. The price for service based on tariffed rates.

(j) *Commission*. The Federal Communications Commission.

(k) *Concurring carrier*. A carrier (other than a connecting carrier) subject to the Act which concurs in and assents to schedules of rates and regulations filed on its behalf by an issuing carrier or carriers.

(l) *Connecting carrier*. A carrier engaged in interstate or foreign communication solely through physical connection with the facilities of another carrier not directly or indirectly controlling or controlled by, or under direct or indirect common control with, such carrier.

(m) *End Office* means the ILEC office from which the end user receives exchange service.

(n) *End User* means any customer of an interstate or foreign telecommunications service that is not a carrier except that a carrier other than an ILEC shall be deemed to be an "end user" when such carrier uses a telecommunications service for administrative purposes and a person or entity that offers telecommunications services exclusively as a reseller shall be deemed to be an "end user" if all resale transmissions offered by such reseller originate on the premises of such reseller;

(o) *Expenses* include allowable expenses in the Uniform System of Accounts, Part 32, apportioned to interstate or international services pursuant to the Separations Manual and allowable income charges apportioned to interstate and international services pursuant to the Separations Manual;

(p) *GDP Price Index (GDP-PI)*. The estimate of the Fixed Weight Price Index for Gross Domestic Product, 1997 Weights published by the United States Department of Commerce, which the Commission designates by Order.

- (q) *Incumbent Local Exchange Carrier (ILEC)*. Any carrier that is engaged in the provision of telephone exchange service or exchange access as defined in Section 251(h)(1) of the Act.
- (r) *Line or Trunk* includes, but is not limited to, transmission media such as radio, satellite, wire, cable and fiber optic means of transmission;
- (s) *Local interconnection trunk*. A trunk which connects the networks of two competing local exchange carriers for the purpose of exchanging switched traffic (originating and terminating).
- (t) *Price Cap Index (PCI)*. An index of costs applying to carriers subject to price cap regulation, which index is calculated for the Network Services basket pursuant to § XX.104.
- (u) *Price cap tariff*. Any tariff filing involving a service that is within the Network Services price cap basket, or that requires calculations pursuant to § XX.104, XX.105 and XX.106.
- (v) *Productivity factor*. An adjustment factor used to make annual adjustments to the Price Cap Index to reflect the margin by which a carrier subject to price cap regulation is expected to improve its productivity relative to the economy as a whole.
- (w) *Rate*. The tariffed price per unit of service.
- (x) *Regulations*. The body of carrier prescribed rules in a tariff governing the offering of service in that tariff, including rules, practices, classifications, and definitions.
- (y) *Restructured service*. An offering which represents the modification of a method of charging or provisioning a service; or the introduction of a new method of charging or provisioning that does not result in a net increase in options available to customers.
- (z) *Service Band Index (SBI)*. An index of the level of aggregate rate element rates in a service category, which index is calculated pursuant to § XX.106.
- (aa) *Service category*. Any group of rate elements subject to price cap regulation, which group may be subject to a band.
- (bb) *Serving Wire Center* means the telephone company central office designated by the telephone company to serve the geographic area in which the interexchange carrier or other person's point of demarcation is located.

(cc) *Tariff*. Schedules of rates and regulations filed by common carriers.

(dd) *Tariff year*. The period from the day in a calendar year on which a carrier's annual access tariff filing is scheduled to become effective through the preceding day of the subsequent calendar year.

(ee) *United States*. The several States and Territories, the District of Columbia, and the possessions of the United States.

(ff) *WATS Access Line* means a line or trunk that is used exclusively for WATS service.

**Subpart B - Price Cap Regulation and Computation of
Charges for Price Cap Local Exchange Carriers**

§ XX.101 Applicability.

(a) This subpart shall apply only to local exchange carriers (LECs) which are subject to the price cap regulations set forth in this chapter.

(b) Each ILEC subject to price cap regulation shall exclude from the Network Services basket, described in § XX.102 below, such services or portions of such services as the Commission has designated or may hereafter designate by order; new services; and those services removed from price cap regulation pursuant to Subpart C in this chapter.

§ XX.102 Price Cap Basket and Service Categories.

(a) Each local exchange carrier subject to price cap regulation shall establish a Network Services price cap basket with the following service categories:

(1) A service category for common line interstate access charges including those in §§ XX.108 and XX.109 of this chapter, and that portion of the interstate access charge described in § XX.111 of this chapter that recovers common line interstate access revenues;

(2) A service category for Database interstate access charges, including charges for the use of equipment or facilities that are associated with Information, Database access services, Line Information Database (LIDB), and Billing Name and Address (BNA) services.

(3) A service category for local switching interstate access charges for the use of equipment or facilities that are associated with local switching services and local switching trunk ports.

(4) A service category for tandem switching, analog special access (including Voice Grade, WATS, Audio/Video and Wideband) interstate access charges and that portion of the interstate access charge described in § XX.110 of this chapter that recovers residual interconnection charge revenues;

(b) Pricing zones, as described in § XX.113, may be established for individual services or appropriate service categories.

§ XX.103 Exogenous Adjustments.

(a) Exogenous Adjustments are included as a term in Price Cap Index (PCI) and Service Band Index (SBI) formulas. The exogenous changes represented by the term ΔZ in the formula detailed in §§ XX.104 of this section shall be limited to those changes that the Commission shall permit or require by rule, rule waiver, or declaratory ruling.

(1) Subject to further order of the Commission, those exogenous changes shall include changes caused by:

(i) Retargeting the PCI to the level specified by the Commission for carriers whose base year earnings are below the level of the lower adjustment mark.

(ii) Universal Service Fund Contributions, as further described in § XX.104.

(2) Exogenous changes within the Network Services price cap basket shall be apportioned on a cost-causative basis between the appropriate service categories.

(b) ILECs subject to price cap regulation shall file adjustments to the PCI for the Network Services basket as part of the annual price cap tariff filing, and shall maintain an updated PCI to reflect the effect of any mid-year exogenous changes.

§ XX.104 Adjustments to the PCI for the Network Services Basket.

(a) Subject to paragraphs (b) and (c) of this section, adjustments to the ILEC Network Services basket PCI shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} [1 + w(\text{GDPPI} - X) + \Delta Z/R_u + U/R_u]$$

where:

GDPPI = the percentage change in the GDPPI between the quarter ending six months prior to the effective date of the new

annual tariff and the corresponding quarter of the previous year,

X = productivity factor of 6.5%,

ΔZ = the dollar effect of current regulatory changes when compared to the regulations in effect at the time the PCI was updated to PCI_{t-1} , measured at base period level of operations,

R = an amount calculated by multiplying base period quantities for each rate element i by the price for that rate element at the time the PCI was updated to PCI_{t-1} ,

R_u = R minus the Universal Service Contributions for the price cap LEC,

U = the Universal Service Contribution exogenous adjustment for the price cap LEC,

w = $R + \Delta Z$, all divided by R,

PCI_t = the new PCI value, and

PCI_{t-1} = the immediately preceding PCI value.

(b) The w(GDPPI-X) component of the PCI formula shall be employed only in the adjustment made in connection with the annual price cap filing.

(c) In the event that a price cap tariff becomes effective, which tariff results in an API value (calculated pursuant to § XX.105) that exceeds the currently applicable PCI value, the PCI value shall be adjusted upward to equal the API value.

§ XX.105 Adjustments to the API for the Network Services Basket.

(a) Except as provided in paragraph (b) of this section, in connection with any price cap tariff filing proposing rate changes, the carrier must calculate an API for the Network Services basket pursuant to the following formula:

$$API_t = API_{t-1} \frac{\sum_i (r_t)_i}{\sum_i (r_{t-1})_i}$$

where:

API_t = the proposed API value,
 API_{t-1} = the existing API value,
 r_t = the proposed revenue for rate element i,
 r_{t-1} = the existing revenue for rate element i.

(b) Any price cap tariff filing proposing rate restructuring shall require an adjustment to the API pursuant to the general

methodology described in paragraph (a) of this section. This adjustment requires the conversion of existing rates into rates of equivalent value under the proposed structure, and then the comparison of the existing rates that have been converted to reflect restructuring to the proposed restructured rates. This calculation may require use of carrier data and estimation techniques to assign customers of the preexisting service to those services (including the new restructured service) that will remain or become available after restructuring.

**§ XX.106 Adjustments to SBIs in the Network Services Basket;
Service Bands.**

(a) In connection with any price cap tariff filing proposing changes in the rates of each affected service category or pricing zone, the price cap ILEC must calculate an SBI value for each affected service category or pricing zone pursuant to the following formula:

$$SBI_t = SBI_{t-1} \frac{\sum_i (r_t)_i}{\sum_i (r_{t-1})_i}$$

where:

SBI_t = the proposed SBI value,

SBI_{t-1} = the existing SBI value,

r_t = the proposed revenue for rate element i ,

r_{t-1} = the existing revenue for rate element i .

(b) Any price cap tariff filing proposing rate restructuring shall require an adjustment to the affected SBI pursuant to the general methodology described in paragraph (a) of this section in the same manner described in § XX.105(b).

(c) Service bands shall be established each tariff year for each affected service category and pricing zone within the Network Services basket as specified below. Each service band shall limit the pricing flexibility of the service category or pricing zone, as reflected in the SBI, to an annual increase of a specified percent (listed below), relative to the percentage change in the PCI for the Network Services basket, measured from the levels in effect on the last day of the preceding tariff year. Service bands are not required at the service category level when pricing zones are implemented.

(1) No lower service band limit for all service categories and pricing zones.

(2) 10% upper service band limit for all service categories, except for common line, and for all pricing zones.

§ XX.107 Allowable Common Line Revenues

Allowable common line revenues are calculated as follows:

$$R_t = ((R_{t-1}) (PCI_t/PCI_{t-1}))$$

where:

R_t = the proposed revenue for the service category, and
 R_{t-1} = the existing revenue for the service category.

§ XX.108 End User Common Line Charges.

(a) A charge that is expressed in dollars and cents per line per month shall be assessed upon end users that subscribe to local exchange telephone service. Such charge shall be assessed for each line between the premises of an end user, or public telephone location, and a Class 5 office that is or may be used for local exchange service transmissions.

(b) Except as provided in paragraphs (d) through (h) of this section, the maximum subscriber line rate or charge shall be computed:

(1) By dividing the allowable common line revenue, as calculated in § XX.107, by the total number of local exchange service subscriber lines in use during the the base period.

(2) Provided, however, that the charge for each local exchange service subscriber line shall not exceed \$9.00 as adjusted by the inflation factor computed under paragraph (j) of this section.

(c) The charge for each subscriber line associated with a public telephone shall be equal to the monthly charge computed in accordance with paragraph (b) of this section.

(d) Beginning January 1, 1998, the maximum monthly charge for each primary residential or single line business local exchange service subscriber line shall be the charge computed in

accordance with paragraph (b) of this section, or \$3.50, whichever is lower.

(e) The maximum monthly charge for each non-primary residential local exchange service subscriber line shall be the lower of:

(1) The maximum charge computed in accordance with paragraph (b) of this section; or

(2) \$5.00. On January 1, 1999, this amount shall be adjusted by the inflation factor computed under paragraph (j) of this section, and increased by \$1.00. On July 1, 2000, and on each subsequent July 1 thereafter, this amount shall be adjusted by the inflation factor computed under paragraph (j) of this section, and increased by \$1.00.

(3) Where the ILEC provides a residential line to another carrier so that the other carrier may resell that residential line to a residence that already receives a primary residential line, the ILEC may collect the non-primary residential charge described in paragraph (e)(1) and (e)(2) above from the other carrier.

(f) The charge for each primary residential local exchange service subscriber line shall be the same as the charge for each single line business local exchange service subscriber line.

(g) Only one of the residential subscriber lines a price cap LEC provides to a location shall be deemed to be a primary residential line.

(1) For purposes of § XX.108(g), residential subscriber line includes residential lines that a price cap LEC provides to a competitive LEC that resells the line and on which the price cap LEC may assess access charges.

(2) If a customer subscribes to residential lines from a price cap LEC and at least one reseller of the price cap LEC's lines, the line sold by the price cap LEC shall be the primary line, except that if a resold price cap LEC line is already the primary line, the resold line will remain the primary line should a price cap LEC subsequently sell an additional line to that residence.

(h) A line shall be deemed to be a single line business subscriber line if the subscriber pays a rate that is not described as a residential rate in the local exchange service tariff and does not obtain more than one such line from a particular ILEC.

(i) No charge shall be assessed for any WATS access line.

(j) (1) On January 1, 1999:

(i) The ceiling for multi-line business subscriber lines under paragraph (b)(2) of this section will be adjusted to reflect inflation as measured by the change in GDPPI for the 18 months ending September 30, 1998.

(ii) The ceiling for non-primary residential subscriber lines under paragraph (e)(2) of this section will be adjusted to reflect inflation as measured by the change in GDPPI for the 12 months ending September 30, 1998.

(2) On July 1, 2000, the ceiling for multi-line business subscriber lines and non-primary residential subscriber lines will be adjusted to reflect inflation as measured by the change in GDPPI for the 18 months ending on Dec 31, 1999.

(3) On July 1 of each subsequent year, the ceiling for multi-line business subscriber lines and non-primary residential subscriber lines will be adjusted to reflect inflation as measured by the change in GDPPI for the 12 months ending on Dec 31 of the year prior to the year the adjustment is made.

(k) (1) ILECs shall assess no more than one end user common line charge as calculated under the applicable method under paragraph (e) of this section for Basic Rate Interface integrated services digital network (ISDN) service.

(2) ILECs shall assess no more than five end user common line charges as calculated under paragraph (b) of this section for Primary Rate Interface ISDN service.