PART 61 A

§ 61A.3 Definitions.

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

(b) ***Actual Price Index (API)***. An index of the level of aggregate rate element rates in a basket, which index is calculated pursuant to § 61A.46.

(c) ***Association***. This term has the meaning given it in § 69A.2(d).

(d) ***Average Price Cap CMT Revenue per Line month.*** Price Cap CMT Revenue per month as of July 1, 2000 (adjusted to remove Universal Service Contributions assessed to Local Exchange Carriers pursuant to 54.702) using 2000 annual filing base period demand, divided by the 2000 annual filing base period demand. In filing entities with multiple study areas, if it becomes necessary to calculate the Price Cap CMT Revenue Per Line for a specific study area, then the Price Cap CMT Revenue Per Line for that study area is determined as follows, using base period demand revenues (adjusted to remove Universal Service Contributions assessed to Local Exchange Carriers pursuant to 54.702), Base Factor Portion (BFP) and 2000 annual filing base period lines:

$$PriceCapCMTRevenuePerLineMonth_{StudyArea} =$$

$$PriceCapCMTRevenue_{FilingEntity} \times (BFP_{StudyArea} \div BFP_{FilingEntity}) \div Lines_{StudyArea}$$

Nothing in this definition precludes a price cap local exchange carrier from continuing to average rates across filing entities containing multiple study areas, where permitted under existing rules.

Average Price Cap CMT Revenues Per Line month may be adjusted after July 1, 2000 to reflect exogenous costs pursuant to 61A.45(d).

Average Price Cap CMT Revenues Per Line month may also be adjusted pursuant to 61A.45 (b)(1)(iii).

(e) ***Average Traffic Sensitive Charge.***

(1) The Average Traffic Sensitive Charge ("ATS charge") is the sum of the following two components:

(A) The Local Switching component will be calculated by dividing the proposed Local Switching revenues (End Office Switch, LS trunk ports, Information Surchage, and STP Port) by the base period Local Switching MOUs; and

(B) The Transport component will be calculated by dividing the proposed Transport revenues (Switched Direct Trunk Transport, Signaling for Switched Direct Trunk Transport, Entrance Facilities for Switched Access traffic, Tandem Switched Transport, Signaling for Tandem Switching and Per Minute Residual Interconnection Charge pursuant to §69A.155 (TIC) by ILEC only base period Transport Minutes of Use (MOUs) (including meet-point billing arrangements for jointly-provided interstate access by an incumbent LEC and any other LEC).

(2) For the purposes of determining whether the ATS charge has reached the target rate, the calculations should include all the relevant revenues and minutes for services provided under generally available tariffs and services provided under contract tariffs. If in the future an access customer can use unbundled network elements ("UNEs," defined as network elements required to

be unbundled pursuant to Part 51) in lieu of switched access service for service other than to its local service end user, the revenues and demand for UNEs used to provide switched access services would be included in the calculation of the ATS rate. To the extent that UNEs are used to provide interstate access for Competitive Local Exchange Company (CLEC) end users for whom the CLEC is not also providing local service, the ILEC will measure such traffic or obtain from the CLEC a CLEC self-report of that demand and associated revenues.

(f) ***Band***. A zone of pricing flexibility for a service category, which zone is calculated pursuant to § 61A.47.

(g) ***Base period***. For carriers subject to §§ 61A.41-61A.49, the 12-month period ending six months prior to the effective date of annual price cap tariffs. Base year or base period earnings shall exclude amounts associated with exogenous adjustments to the PCI for the lower formula adjustment mechanism permitted by § 61A.45(d)(1)(vii).

(h) ***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 revenues of which are reflected in a Price Cap Index.

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

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

(k) ***Commercial contractor***. The commercial firm to whom the Commission annually awards a contract to make copies of Commission records for sale to the public.

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

(m) ***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 an issuing carrier or carriers.

(n) ***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.

(o) ***Contract-based tariff***. A tariff based on a service contract entered into between a non-dominant carrier and a customer, or between a customer and a price cap local exchange carrier which has obtained permission to offer contract-based tariff services pursuant to Part 69, Subpart H, of this chapter.

(p) ***Corrections***. The remedy of errors in typing, spelling, or punctuations.

(q) ***Dominant carrier***. A carrier found by the Commission to have market power (i.e., power to control prices).

(r) ***GDP Price Index (GDP-PI)***. The estimate of the "Fixed Weight Price Index for Gross Domestic Product, 1987 Weights" published by the United States Department of Commerce, which the Commission designates by Order.

(s) ***GNP Price Index (GNP-PI)***. The estimate of the "Fixed-Weighted Price Index for Gross National Product, 1982 Weights" published by the United States Department of Commerce, which the Commission designates by Order.

(t) ***Issuing carrier***. A carrier subject to the Act that publishes and files a tariff or tariffs with the Commission.

(u) ***Line Month.*** Line demand per month multiplied by twelve.

(v) ***Local Exchange Carrier***. Any person that is engaged in the provision of telephone exchange service or exchange access as defined in section 3(26) of the Act.

(w) ***Mid-size Company***. All price cap companies other than the Regional Bell Operating Companies and GTE.

(x) ***New service offering***. A tariff filing that provides for a class or sub-class of service not previously offered by the carrier involved and that enlarges the range of service options available to ratepayers.

(y) ***Non-dominant carrier***. A carrier not found to be dominant.

(z) ***Other participating carrier***. A carrier subject to the Act that publishes a tariff containing rates and regulations applicable to the portion or through service it furnishes in conjunction with another subject carrier.

(aa) ***Participating Price Cap LEC***. *See* Part 54.802(c).

(bb) ***Local Switching Pooled Revenue***, for certain qualified companies as set forth in §61A.48 (m), is the amount of additional Local Switching reductions in the July 2000 Annual filing allowed to be moved and recovered in the Common Line Basket.

(cc) ***Price Cap CMT Revenue***. The maximum total revenue a filing entity would be permitted to receive from End User Common Line charges under § 69A.152, Presubscribed Interexchange Carrier charges (PICCs) under § 69A.153, Carrier Common Line charges under § 69A.154, and Marketing under 69A.156, using Base Period lines. Price Cap CMT Revenue does not include the local exchange carrier universal service contributions as of July 1, 2000. The Price Cap CMT revenue does not include the Local Switching Pooled revenue outlined in 61A.3 (bb), above.

(dd) ***Price Cap Index (PCI)***. An index of prices applying to each basket of services of each carrier subject to price cap regulation, and calculated pursuant to § 61A.45.

(ee) ***Price cap regulation***. A method of regulation of dominant carriers provided in §§ 61A.41 through 61A.49 or §§ 61.41 through 61.49.

(ff) ***Price cap tariff filing***. Any tariff filing involving a service subject to price cap regulation, or that requires calculations pursuant to §§ 61A.45, 61A.46, or 61A.47.

(gg) ***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.

(hh) ***Rate***. The tariffed price per unit of service.

(ii) ***Rate increase***. Any change in a tariff which results in an increased rate or charge to any of the filing carrier's customers.

(jj) ***Rate level change***. A tariff change that only affects the actual rate associated with a rate element, and does not affect any tariff regulations or any other wording of tariff language.

(kk) ***Regulations***. The body of carrier prescribed rules in a tariff governing the offering of service in that tariff, including rules, practices, classifications, and definitions.

(ll) ***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.

(mm) ***Rural Company***. A "rural telephone company" as defined in 47 U.S.C. § 153 (37).

(nn) ***Service Band Index (SBI)***. An index of the level of aggregate rate element rates in a service category, which index is calculated pursuant to § 61A.47.

(oo) ***Service category***. Any group of rate elements subject to price cap regulation, which group is subject to a band.

(pp) ***Supplement***. A publication filed as part of a tariff for the purpose of suspending or cancelling that tariff, or tariff publication and numbered independently from the tariff page series.

(qq) ***Target Rate***. The applicable Target Rates shall be defined as follows:

(1) For regional Bell Operating Companies and GTE, $0.0055 per ATS minute of use;

(2) For a holding company with a holding company average of less than 19 End User Common Line charge lines per square mile served such company may elect to use a target rate of $0.0095 with respect to all exchanges owned by that holding company on July 1, 2000, or which that holding company is, as of April 1, 2000, under a binding and executed contract to purchase;

(3) For other price cap local exchange carriers, $0.0065 per ATS minute of use.

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

(ss) ***Tariff publication, or publication.*** A tariff, supplement, revised page, additional page, concurrence, notice of revocation, adoption notice, or any other schedule of rates or regulations filed by common carriers.

(tt) ***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.

(uu) ***Text change.*** A change in the text of a tariff which does not result in a change in any rate or regulation.

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

(ww) ***Corridor service.*** "Corridor service" refers to interLATA services offered in the "limited corridors" established by the District Court in United States v. Western Electric Co., Inc., 569 F. Supp. 1057, 1107 (D.D.C. 1983).

(xx) ***Toll dialing parity.*** "Toll dialing parity" exists when there is dialing parity, as defined in § 51.5 of this chapter, for toll services.

(yy) ***Loop-based services.*** Loop-based services are services that employ Subcategory 1.3 facilities, as defined in § 36.154 of this chapter.

(zz) ***Zone Average Revenue per Line.*** The Price Cap CMT Revenue per Line allocated to a particular state-defined zone used for deaveraging of UNE loop prices. The Zone Average Revenue per Line is computed according to the following formula:

$$\text{Zone Average Revenue Per Line} = (25\% * (\text{Loop}_{\text{zone price}} + (\text{Port})_{\text{price}})) + U \quad \text{where,}$$

$$U(\text{Uniform revenue per line adjustment}) = [(\text{Average Price Cap CMT Revenue PerLine Month}_{\text{study area}} * \text{ILEC Base Period Lines}) - (25\% * \Sigma\,(\text{ILEC Base Period Lines}_{\text{UNE Zone}} \times ((\text{Loop}_{\text{zone price}} + \text{Port}_{\text{Price}}) \text{ for all zones})))] \div \text{ILEC Base Period Lines}_{\text{Study Area(s)}}$$

where:

$\text{Loop}_{\text{zone price}}$ = the price for unbundled loop in a UNE zone.

$\text{Port}_{\text{Price}}$ = price for switch ports in that UNE zone.

PART 61 A

§ 61A.41 Price cap requirements generally.

(a) Sections 61A.42 through 61A.49 shall apply as follows:

(1) [reserved]

(2) To such local exchange carriers as specified by Commission order, and to all local exchange carriers, other than average schedule companies, that are affiliated with such carriers; and

(3) On an elective basis, to local exchange carriers, other than those specified in paragraph (a)(2) 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.

(4) Local exchange carriers specified in paragraphs (a)(2) and (3) of this Section that are Participating Price Cap LECs shall apply the rules in Parts 61A and 69A rather than the rules in Parts 61A and 69A.

(b) If a telephone company, or any one of a group of affiliated telephone companies, files a price cap tariff in one study area, that telephone company and its affiliates, except its average schedule affiliates, must file price cap tariffs in all their study areas.

(c) The following rules apply to telephone companies subject to price cap regulation, as that term is defined in § 61A.3(ff), which are involved in mergers, acquisitions, or similar transactions.

(1) Any telephone company 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 a telephone company subject to price cap regulation acquires, is acquired by, merges with, or otherwise becomes affiliated with a telephone company that is not subject to price cap regulation, the latter telephone company 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 this part 61A.

(3) Notwithstanding the provisions of § 61A.41(c)(2) above, when a telephone company subject to price cap regulation acquires, is acquired by, merges with, or otherwise becomes affiliated with a telephone company 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 § 69A.3(i)(3) and the requirements referenced in that section.

(d) Local exchange carriers that become subject to price cap regulation as that term is defined in § 61A.3(ee) of this chapter shall not be eligible to withdraw from such regulation.

PART 61 A

§ 61A.42 Price cap baskets and service categories.

(a)-(c) [reserved]

(d) Each local exchange carrier subject to price cap regulation shall establish baskets of services as follows:

(1) A basket for the common line, marketing, and certain residual interconnection charge interstate access elements as described in §§ 69A.115, 69A.152, 69A.153, 69A.154, 69.155, 69A.156, and 69A.157 of this chapter. For purposes of §§ 61A.41 through 61A.49 of this chapter, this basket shall be referred to as the "CMT basket."

(2) A basket for traffic sensitive switched interstate access elements. For purposes of §§ 61A.41 through 61A.49 of this chapter, this basket shall be referred to as the "traffic-sensitive basket."

(3) A basket for trunking services as described in §§ 69A.110, 69A.111, 69A.112, 69A.125(b), and 69A.129 of this chapter. For purposes of §§ 61A.41 through 61A.49 of this chapter, this basket shall be referred to as the "trunking basket."

(4)

(i.) To the extent that a local exchange carrier specified in § 61A.41(a) (2) or (3) offers interstate interexchange services that are not classified as access services for the purpose of part 69 of this chapter, such exchange carrier shall establish a fourth basket for such services. For purposes of §§ 61A.41 through 61A.49 of this chapter, this basket shall be referred to as the "interexchange basket."

(ii.) If a price cap carrier has implemented interLATA and intraLATA toll dialing parity everywhere it provides local exchange services at the holding company level, that price cap carrier may file a tariff revision to remove corridor and interstate intraLATA toll services from its interexchange basket.

(5) A basket for special access services as described in §§69A.114 of this chapter.

(e)(1) The traffic sensitive switched interstate access basket shall contain such services as the Commission shall permit or require, including the following service categories:

(i.) Local switching as described in § 69A.106(f) of this chapter;

(ii.) Information, as described in § 69A.109 of this chapter;

(iii.) Data base access services;

(iv.) Billing name and address, as described in § 69A.128 of this chapter;

(v.) Local switching trunk ports, as described in § 69A.106(f)(1) of this chapter; and

(vi.) Signalling transfer point port termination, as described in § 69A.125(c) of this chapter.

(2) The trunking basket shall contain such switched transport as the Commission shall permit or require, including the following service categories and subcategories:

(i.) Voice grade entrance facilities, voice grade direct-trunked transport, voice grade dedicated signalling transport,

(ii.) High capacity flat-rated transport, including the following service subcategories:

(A) DS1 entrance facilities, DS1 direct-trunked transport, DS1 dedicated signaling transport, and

(B) DS3 entrance facilities, DS3 direct-trunked transport, DS3 dedicated signaling transport.

(iii.) Tandem-switched transport, as described in § 69A.111 of this chapter; and

(iv.) Signalling for tandem switching, as described in § 69A.129 of this chapter.

(3) The Special Access basket shall contain special access services as the Commission shall permit or require, including the following service categories and subcategories:

(i.) Voice grade special access, WATS special access, metallic special access, and telegraph special access services;

(ii.) Audio and video services;

(iii.) High capacity special access, and DDS services, including the following service subcategories:

(A) DS1 special access services; and

(B) DS3 special access services;

(iv.) Wideband data and wideband analog services;

(f) Each local exchange carrier subject to price cap regulation shall exclude from its price cap baskets such services or portions of such services as the Commission has designated or may hereafter designate by order.

(g) New services, other than those within the scope of paragraph (f) of this section, must be included in the affected basket at the first annual price cap tariff filing following completion of the base period in which they are introduced. To the extent that such new services are permitted or required to be included in new or existing service categories within the assigned basket, they shall be so included at the first annual price cap tariff filing following completion of the base period in which they are introduced.

PART 61 A

§ 61A.45 Adjustments to the PCI for Local Exchange Carriers.

(a) Local exchange carriers subject to price cap regulation shall file adjustments to the PCI for each basket as part of the annual price cap tariff filing, and shall maintain updated PCIs to reflect the effect of mid-year exogenous cost changes.

(b)(1)(i) Adjustments to local exchange carrier PCIs, in those carriers' annual access tariff filings, for the traffic-sensitive basket described in § 61A.42A(d)(2), the trunking basket described in § 61A.42A(d)(3), the Special Access basket described in § 61A.42A(d)(5) and the Interexchange Basket described in § 61A.42A(d)(4), shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1}[1+w[(GDP\text{-}PI - X) + Z/R]$$

where the terms in the equation are described:

GDP-PI = For annual filings only, the percentage change in the GDP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year. For all other filings, the value is zero.

X = For the CMT, traffic sensitive, and trunking baskets, for annual filings only, the factor is set at the level prescribed in subsection (b)(1)(ii) and (iii). For the interexchange basket, for annual filings only, the factor is set at the level prescribed in subsection (b)(1)(iv). For the special access basket, the factor is set at the level prescribed in subsection (b)(1)(v). For all other filings, the value is zero.

g = For annual filings targeting and § 61A.45(c)(4) only, the ratio of minutes of use per access line during the base period, to minutes of use per access line during the previous base period, all minus 1.

Z = 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.

Targeted Reduction = the actual possible dollar value of the (GDP-PI-X) reductions that will be targeted to the ATS Charge pursuant to 61A.45(i)(3). The reductions calculated by applying the (GDP-PI-X) portion of the formula to the CCL element within the CMT basket will contain the "g" component, as defined above.

R = base period quantities for each rate element "I", multiplied by the price for each rate element "I" at the time the PCI was updated to PCI_{t-1}.

w = R + Z, all divided by R (used for the CMT, traffic sensitive, trunking, and special access baskets).

w_{ix} = R - (access rate in effect at the time the PCI was updated to PCI_{t-1} x base period demand) + Z, all divided by R.

PCI_t = the new PCI value.

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

(b)(1)(ii) The X value applicable to the baskets specified in § 61A.42A(d)(1), (2), and (3), shall be 6.5%, to the extent necessary to reduce a tariff entity's ATS Charge to the Target Rate for the first time. Once an ILEC tariff entity's ATS Charge is equal to the Target Rate for the first time (the former NYNEX telephone companies may be treated as a separate tariff entity), then, except as provided in paragraph (b)(1)(iii), X is equal to GDP-PI and no further reductions will be mandated (i.e. if applying the full X-factor reduction for a given year would reduce the ATS Charge below the Target Rate, the amount of X-factor reduction applied that year will be the amount necessary to reach the Target Rate). For companies with separate tariff entities under a single price cap, the following rules shall apply:

(A) Targeting amounts as defined in § 61A.45(i)(1) shall be identified separately, using the revenue for each of the tariff entities under the cap.

(B) Each tariff entity shall only be required to use the amount of targeting necessary to get to the Target Rate.

(b)(1)(iii)(A) Except as provided in subparagraph (B), once the Tariff Entity's Target Rate is achieved, the X-factor for the CMT basket will equal GDP-PI as long as GDP-PI is less than or equal to 6.5% and greater than 0%. If GDP-PI is greater than 6.5%, and an entity has eliminated its CCL and multi-line business PICCs charges, the X-factor for the CMT basket will equal 6.5%, and all End User Common Line charges, rates and nominal caps, will be increased by the difference between GDP-PI and the 6.5% X-factor. If GDP-PI is less than 0, the X-factor for the CMT basket will be 0.

(B) For tariff filing entities with a target rate of $0.0095, or for the portion of a filing entity consolidated pursuant to § 61A.48(o) that, prior to such consolidation, had a target rate of $0.0095, in which the ATS charge has achieved the target rate but in which the CCL charge has not been eliminated, the X-factor for the CMT basket will be 6.5% until the earlier of June 30, 2004, or until CCL charges are eliminated pursuant to (c)(2) below. Thereafter, in any filing entity in which a CCL charge remains after July 1, 2004, the X-factor for the CMT basket will be determined pursuant to subparagraph (A) as if CCL charges were eliminated.

(b)(1)(iv) For the special access basket specified in § 61A.42 (d)(5), the value of X shall be 3.0% for the 2000 annual filing. The value of X shall be 6.5% for the 2001, 2002 and 2003 annual filings. Starting in the 2004 annual filing, X shall be equal to GDP-PI for the special access basket.

(b)(1)(v) For the interexchange basket specified § 61A.42(d)(4), the value of X shall be 3.0% for all annual filings.

(b)(2) Adjustments to local exchange carrier PCIs, in tariff filings other than the annual access tariff filing, for the CMT basket described in § 61A.42(d)(1), for the traffic-sensitive basket described in § 61A.42(d)(2), the trunking basket described in § 61A.42(d)(3), the interexchange basket described in § 61A.42(d)(4), and the special access basket described in § 61A.42(d)(5), shall be made pursuant to the formulas set forth in paragraph (b)(1) of this section, except that the "w(GDP-PI-X)" component of those PCI formulas shall not be employed.

(c) Effective July 1, 2000, the prices of the CMT basket rate elements, excluding special access surcharges under § 69A.115 and line ports in excess of basic under § 69A.157, shall be set based upon Average Price Cap CMT revenue per line month.

(d) The exogenous cost changes represented by the term "Z" in the formula detailed in paragraphs (b) and (c) of this section shall be limited to those cost 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 cost changes caused by:

(i.) The completion of the amortization of depreciation reserve deficiencies;

(ii.) Such changes in the Uniform System of Accounts, including changes in the Uniform System of Accounts requirements made pursuant to § 32.16 of this chapter, as the Commission shall permit or require be treated as exogenous by rule, rule waiver, or declaratory ruling;

(iii.) Changes in the Separations Manual;

(iv.) Changes to the level of obligation associated with the Universal Service Fund obligation described in Part 54 of this chapter;

(v.) The reallocation of investment from regulated to nonregulated activities pursuant to § 64.901;

(vi.) (vi) Such tax law changes and other extraordinary cost changes as the Commission shall permit or require be treated as exogenous by rule, rule waiver, or declaratory ruling;

(vii.) 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, subject to the limitation in § 69A.731 of this chapter. The allocation of LFAM amounts will be allocated pursuant to §61A.45(d)(3). This subsection shall not be applicable to tariff filings during the tariff year beginning July 1, 2000, but will be applicable in subsequent years;

(viii.) Inside wire amortizations;

(ix.) The completion of amortization of equal access expenses.

(2) Local exchange carriers specified in § 61A.41(a)(2) or (a)(3) of this part shall, in their annual access tariff filing, recognize all exogenous cost changes attributable to modifications during the coming tariff year in the obligations specified in § 61A.45(d)(1)(iv) as well as those changes attributable to alterations in their Subscriber Plant Factor and the Dial Equipment Minutes factor, and completions of inside wire amortizations and reserve deficiency amortizations.

(3) Exogenous cost changes shall be apportioned on a cost-causative basis between price cap services as a group, and excluded services as a group. Total exogenous cost changes thus

attributed to price cap services shall be recovered from services other than those used to calculate the ATS charge.

(e) [reserved]

(f) The exogenous costs caused by new services subject to price cap regulation must be included in the appropriate PCI calculations under paragraphs (b) and (c) of this section beginning at the first annual price cap tariff filing following completion of the base period in which such services are introduced.

(g) In the event that a price cap tariff becomes effective, which tariff results in an API value (calculated pursuant to § 61A.46) that exceeds the currently applicable PCI value, the PCI value shall be adjusted upward to equal the API value.

(h) [reserved]

(i)(1)(A) Price cap local exchange carriers that are recovering revenues through rates pursuant to §§ 69A.106, 69A.108, 69A.109, 69A.110, 69A.111, 69A.112, 69A.113, 69A.118, 69A.123, 69A.124, 69A.125, 69A.129, or § 69A.155 of this chapter shall target, to the extent necessary to reduce the ATS Charge to the Target Rate for the first time, any PCI reductions associated with the dollar impact of application of the (GDPPI-X) portion of the formula in 61A.45A(b) to the CMT, traffic sensitive, and trunking baskets. In order to calculate the actual dollars to transfer to the trunking and traffic sensitive baskets, carriers will first determine the "Targeted Revenue Differential" that will be transferred to the trunking and traffic sensitive baskets to reduce the ATS Charge to the target rate. The Targeted Revenue Differential shall be applied only to the trunking and traffic sensitive baskets to the extent necessary to reduce the ATS charge to the Target Rate, and shall not be applied to reduce the PCIs in any other basket or to reduced CMT Revenue per line, except as provided in § 61A.45(c)(4).

(B) For the purposes of paragraph (A), Targeted Revenue Differential will be determined by adding together the following amounts:

(i.) R * (GDP-PI – X) for the traffic sensitive basket, trunking basket, and the CMT basket excluding CCL revenues; and

(ii.) CCL Revenues * [(GDP-PI – X – (g/2)]/ [1 + (g/2)]

Where g is defined in § 61A.45(b)(1)(i) above.

(2) Until a tariff entity's ATS Charge equals the Target Rate for the first time, the Targeted Revenue Differential will be targeted to reduce the following rates for that tariff filing entity, in order of priority:

(i) To the residual per minute Transport Interconnection Charge, until that rate is $0.00; then

(ii) To the Information Surcharge, until that rate is $0.00; then

(iii) To the other Local Switching charges and Switched Transport charges until the tariff entity's ATS Rate equals the Target Rate for the first time. In making these reductions, the reductions to Local Switching rates as a percentage of total X-factor reductions must be greater than or equal to the percentage proportion of Local Switching revenues to the

total sum of revenues for Local Switching, Local Switching Trunk Ports, Signalling Transfer Point Port Termination, Switched Direct Trunked Transport, Signalling for Switched Direct Trunked Transport, Entrance Facilities for switched access traffic, Tandem Switched Transport, and Signalling for Tandem Switching (i.e., Local Switching gets at least its proportionate share of reductions).

(3) After an ILEC reaches the Target Rate level, the ATS Rate will be recalculated each Annual Filing following. This process will identify the new ATS Charge for the new base period level. Due to change in base period demand and inclusion of new services for that annual filing, the absolute level of a tariff entity's ATS Charge may change. The resulting new ATS Charge level will be what that tariff entity will be measured against during that base period. For example, if a company whose target is $0.0055 reached the target rate during the 2000 annual filing, that level may change to $0.0058 in the 2001 annual filing due to change in demand and inclusion of new services. Therefore, it will be the $0.0058 average rate that the tariff entity will be measured against for all non-annual filings. Likewise, if that same company was at the target rate during the 2000 filing, that level may change to $0.0053 average rate in the 2001 annual filing due to change in demand and inclusion of new services. In that case, it will be at the $0.0053 average rate that the tariff entity will be measured.

(4) A company electing a $0.0095 target rate will, in the tariff year it reaches the target rate, apply any Targeted Revenue Differential remaining after reaching the target rate to reduce Average Price Cap CMT Revenue per Line month until the CCL charge is eliminated. In subsequent years, until the earlier of June 30, 2004 or when the CCL charge is eliminated, tariff filing entities with a target rate of $0.0095, or the portion of a filing entity consolidated pursuant to § 61A.48(o) that, prior to such consolidation, had a target rate of $0.0095, will reduce Average Price Cap CMT Revenue per Line month according to the following method:

(i.) Filing entity calculates the maximum allowable carrier common line revenue, as defined in § 61A.46(d), that would be permitted in the absence of further adjustment pursuant to this paragraph;

(ii.) Filing entity identifies maximum amount of dollars available to reduce Average Price Cap CMT Revenue per Line month by the following:

$$(\text{CMT revenue}_{.0095\ \text{Area}} \text{ less CCL revenue}_{.0095\ \text{Area}}) * (\text{GDPPI-X}) +$$

$$(\text{CCL Revenue}_{.0095\ \text{Area}}) * [\text{GDPPI-X} - (g/2)]/[1+(g/2)]$$

(iii.) The Average Price Cap CMT Revenue per Line month shall then be reduced by the lesser of the amount described in clause (i) and the amount described in clause (ii), divided by base period End User Common Line Charge lines.

§ 61A.46 Adjustments to the API.

(a) Except as provided in paragraphs (d) and (e) of this section, in connection with any price cap tariff filing proposing rate changes, the carrier must calculate an API for each affected basket pursuant to the following methodology:

$API_t = API_{t-1}[S_1 v_i,(p_t/p_{t-1})i]$
where

API[t] = the proposed API value,

API[t-1] = the existing API value,

P[t] = the proposed price for rate element "i,"

P[t-1] = the existing price for rate element "i," and

v[i] = the current estimated revenue weight for rate element "i," calculated as the ratio of the base period demand for the rate element "i" priced at the existing rate, to the base period demand for the entire basket of services priced at existing rates.

(b) New services subject to price cap regulation must be included in the appropriate API calculations under paragraph (a) of this section beginning at the first annual price cap tariff filing following completion of the base period in which they are introduced. This index adjustment requires that the demand for the new service during the base period must be included in determining the weights used in calculating the API.

(c) 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.

(d) The maximum allowable carrier common line (CCL) revenue shall be computed pursuant to the following methodology:

$CCL_{mou} = CMT - EUCL - USAC - PICC$

where

CMT = Price Cap CMT Revenue as defined in § 61A.3(cc).

EUCL = Maximum allowable EUCL rates established pursuant to § 69A.152 multiplied by base period lines.

USAC = Interstate Access USF Support Per Line as determined by the Fund Administrator pursuant to §54.807 times the number of base period lines for each customer class and zone receiving Interstate Access USF support pursuant to Part 54, Subpart I.

PICC = Maximum allowable PICC rates established pursuant to § 69A.153 multiplied by base period lines.

(e) In no case shall a price cap local exchange carrier include data associated with services offered pursuant to contract tariff in the calculations required by this section.

§ 61A.47 Adjustments to the SBI; pricing bands.

[PUBLISHER'S NOTE: 64 FR 46584, 46590, Aug. 26, 1999, effective Sept. 27, 1999, purported to remove and reserve paragraph (i)(1) in § 61A.49. However, this instruction could not be implemented, because the text does not exist within the section. Upon calling the agency, it was determined that the amendment should instead be implemented in § 61A.47. In accordance with the apparent intent of the agency, the amendment has been implemented. It is expected that the agency will issue a correction in the Federal Register.]

(a) In connection with any price cap tariff filing proposing changes in the rates of services in service categories, subcategories, or density zones, the carrier must calculate an SBI value for each affected service category, subcategory, or density zone pursuant to the following methodology:

$$SBI_t = SBI_{t-1}[S_i v_i (p_t/p_{t-1})i]$$

where

SBI[t] = the proposed SBI value,

SBI[t-1] = the existing SBI value,

P[t] = the proposed price for rate element "i,"

P[t-1] = the existing price for rate element "i," and

v[i] = the current estimated revenue weight for rate element "i," calculated as the ratio of the base period demand for the rate element "i" priced at the existing rate, to the base period demand for the entire group of rate elements comprising the service category priced at existing rates.

(b) New services that are added to existing service categories or subcategories must be included in the appropriate SBI calculations under paragraph (a) of this section beginning at the first annual price cap tariff filing following completion of the base period in which they are introduced. This index adjustment requires that the demand for the new service during the base period must be included in determining the weights used in calculating the SBI.

(c) In the event that the introduction of a new service requires the creation of a new service category or subcategory, a new SBI must be established for that service category or subcategory beginning at the first annual price cap tariff filing following completion of the base period in which the new service is introduced. The new SBI should be initialized at a value of 100, corresponding to the service category or subcategory rates in effect the last day of the base period, and thereafter should be adjusted as provided in paragraph (a) of this section.

(d) 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. This adjustment requires the conversion of existing rates in the rate element group 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.

(e) Pricing bands shall be established each tariff year for each service category and subcategory within a basket. Each band shall limit the pricing flexibility of the service category, subcategory, as reflected in the SBI, to an annual increase of a specified percent listed in this paragraph, relative to the percentage change in the PCI for that basket, measured from the levels in effect on the last day of the preceding tariff year. For local exchange carriers subject to price cap regulation as that term is defined in § 61A.3(ee), there shall be no lower pricing band for any service category or subcategory.

(1) Five percent:

(i.) Local switching (traffic sensitive basket)

(ii.) Information (traffic sensitive basket)

(iii.) Database Access services (traffic sensitive basket)

(iv.) 800 Database Vertical Services subservice (traffic sensitive basket)

(v.) Billing Name and Address (traffic sensitive basket)

(vi.) Local switching trunk ports (traffic sensitive basket)

(vii.) Signalling Transfer Point Port Termination (traffic sensitive basket)

(viii.) Voice grade (trunking and Special Access basket)

(ix.) Audio/Video (special access basket)

(x.) Total High Capacity (trunking and special access baskets)

(xi.) DS1 subservice (trunking and special access baskets)

(xii.) DS3 subservice (trunking and special access baskets)

(xiii.) Wideband (special access basket)

(2) Two percent:

(i.) Tandem-Switched Transport (trunking basket)

(ii.) Signalling for Tandem Switching (trunking basket)

(f) A local exchange carrier subject to price cap regulation may establish density zones pursuant to the requirements set forth in § 69A.123 of this chapter, for any service in the trunking and special access

baskets, other than the interconnection charge set forth in § 69A.124 of this chapter. The pricing flexibility of each zone shall be limited to an annual increase of 15 percent, relative to the percentage change in the PCI for that basket, measured from the levels in effect on the last day of the preceding tariff year. There shall be no lower pricing band for any density zone.

(g)-(h) [reserved]

(i)(l) [reserved]

(2) Effective January 1, 1998, notwithstanding the requirements of paragraph (a) of this section, and subject to the limitations of § 61A.45(j) if a local exchange carrier is recovering interconnection charge revenues through per-minute rates pursuant to § 69A.155 of this chapter, any reductions to the PCI for the basket designated in § 61A.42(d)(3) resulting from the application of the provisions of § 61A.45(b) and the formula in § 61A.44(b) and from the application of the provisions of § 61A.45 (i)(1) and (i)(2) shall be directed to the SBI of the service category designated in § 61A.42(e)(2)(vi).

(3) [removed and reserved]

(4) Effective January 1, 1998, the SBI reduction required by paragraph (i)(2) of this section shall be determined by dividing the sum of the dollar amount of any PCI reduction required by § 61A.45 (i)(1) and (i)(2), by the dollar amount associated with the SBI for the service category designated in § 61A.42(e)(2)(vi), and multiplying the SBI for the service category designated in § 61A.42(e)(2)(vi) by one minus the resulting ratio.

(5) Effective July 1, 2000, notwithstanding the requirements of paragraph (a) of this section and subject to the limitations of § 61A.45(i), if a local exchange carrier is recovering an ATS Charge greater than its Target Rate, any reductions to the PCI for the Traffic Sensitive or Trunking baskets designated in §§ 61A.42(d)(2) and (3) resulting from the application of the provisions of § 61A.45(b), and the formula in § 61A.45(b) and from the application of the provisions of §§ 61A.45(i)(1), and (i)(2) shall be directed to the SBIs of the service categories designated in §§ 61A.42(e)(1) and (2).

(j) The calculation of the SBI for the service category designated in § 61A.42(e)(2)(vi) shall include any residual interconnection charge revenues recovered pursuant to §§ 69A.153 and 69A.155 of this chapter.

(k) In no case shall a price cap local exchange carrier include data associated with services offered pursuant to contract tariff in the calculations required by this section.

47 CFR 61A.48 Transition rules for price cap formula calculations.

(a)-(h) [reserved]

(i) Transport and Special Access Density Pricing Zone Transition Rules.

(1) Definitions. The following definitions apply for purposes of paragraph (i) of this section:

Earlier date is the earlier of the special access zone date and the transport zone date.

Earlier service is special access if the special access zone date precedes the transport zone date, and is transport if the transport zone date precedes the special access zone date.

Later date is the later of the special access zone date and the transport zone date.

Later service is transport if the special access zone date precedes the transport zone date, and is special access if the transport zone date precedes the special access zone date.

Revenue weight of a given group of services included in a zone category is the ratio of base period demand for the given service rate elements included in the category priced at existing rates, to the base period demand for the entire group of rate elements comprising the category priced at existing rates.

Special access zone date is the date on which a local exchange carrier tariff establishing divergent special access rates in different zones, as described in § 69A.123(c) of this chapter, becomes effective.

Transport zone date is the date on which a local exchange carrier tariff establishing divergent switched transport rates in different zones, as described in § 69A.123(d) of this chapter, becomes effective.

(2) Simultaneous Introduction of Special Access and Transport Zones. Local exchange carriers subject to price cap regulation that have established density pricing zones pursuant to § 69A.123 of this chapter, and whose special access zone date and transport zone date occur on the same date, shall initially establish density pricing zone SBIs and bands pursuant to the methodology in § 61A.47(e-f).

(3) Sequential Introduction of Zones in the Same Tariff Year. Notwithstanding § 61A.47(e-f), local exchange carriers subject to price cap regulation that have established density pricing zones pursuant to § 69A.123 of this chapter, and whose special access zone date and transport zone date occur on different dates during the same tariff year, shall, on the earlier date, establish density pricing zone SBIs and pricing bands using the methodology described in § 61A.47(e-f), but applicable to the earlier service only. On the later date, such carriers shall recalculate the SBIs and pricing bands to limit the pricing flexibility of the services included in each density pricing zone category, as reflected in its SBI, as follows:

(i.) The upper pricing band shall be a weighted average of the following:

(A) The upper pricing band that applied to the earlier services included in the zone category on the day preceding the later date, weighted by the revenue weight of the earlier services included in the zone category; and

(B) 1.05 times the SBI value for the services included in the zone category on the day preceding the later date, weighted by the revenue weight of the later services included in the zone category.

(ii.) [reserved]

(iii.) On the later date, the SBI value for the zone category shall be equal to the SBI value for the category on the day preceding the later date.

(4) Introduction of Zones in Different Tariff Years. Notwithstanding § 61A.47(e-f), those local exchange carriers subject to price cap regulation that have established density pricing zones pursuant to § 69A.123 of this chapter, and whose special access zone date and transport zone date do not occur within the same tariff year, shall, on the earlier date, establish density pricing zone SBIs and pricing bands using the methodology described in § 61A.47(e-f), but applicable to the earlier service only.

(i.) On the later date, such carriers shall use the methodology set forth in paragraphs (a) through (d) of § 61A.47 to calculate separate SBIs in each zone for each of the following groups of services:

(A) DS1 special access services;

(B) DS3 special access services;

(C) DS1 entrance facilities, DS1 direct-trunked transport, and DS1 dedicated signalling transport;

(D) DS3 entrance facilities, DS3 direct-trunked transport, and DS3 dedicated signalling transport;

(E) Voice grade entrance facilities, voice grade direct-trunked transport, and voice grade dedicated signalling transport;

(F) Tandem-switched transport; and

(G) Such other special access services as the Commission may designate by order.

(ii.) From the later date through the end of the following tariff year, the annual pricing flexibility for each of the subindexes specified in paragraph (i)(4)(i) of this section shall be limited to an annual increase of five percent or an annual decrease of fifteen percent, relative to the percentage change in the PCI for the trunking basket, measured from the levels in effect on the last day of the tariff year preceding the tariff year in which the later date occurs.

(iii.) On the first day of the second tariff year following the tariff year during which the later date occurs, the local exchange carriers to which this paragraph applies shall establish the separate subindexes provided in § 61A.47(e), and shall set the initial SBIs for those density pricing zone categories that are combined (specified in paragraphs (i)(4)(i)(A) and (i)(4)(i)(C), (i)(4)(i)(B) and (i)(4)(i)(D), and (i)(4)(i)(E) and (i)(4)(i)(G) of this section) by computing the weighted averages of the SBIs that applied to the formerly separate zone categories, weighted by the revenue weights of the respective services included in the zone categories.

(j) [removed and reserved]

(k) [removed and reserved]

(l) AverageTraffic Sensitive Revenues.

(1) In the July 1, 2000 annual filing, Participating Price Cap LECs will make an additional reduction to rates comprising ATS Charge, and to associated SBI upper limits and PCIs. This reduction will be calculated to be the amount that would be necessary, when calculated as if all price cap LECs elect to be Participating Price Cap LECs, to achieve a total $2.1 billion reduction in carrier common line and ATS rates by all price cap LECs, compared with those rates as they existed on June 30, 2000 using 2000 annual filing base period demand. If some Price Cap companies do not elect to be Participating Price Cap LECs, estimates of the reductions that would have been made by those companies, had they elected to be Participating Price Cap LECs, will be included in the calculation of the $2.1 billion amount. These estimates are subject to revision after companies that are not Participating Price Cap LECs have filed their rates and annual filing data. The $2.1 billion reduction will be the sum of the following components for all price cap LECs, whether or not they are Participating Price Cap LECs, and shall be calculated as if all price cap LECs are Participating Price Cap LECs:

(i.) The net change in revenue associated with Carrier Common Line rate elements resulting from:

(A) the removal from access of ILEC contributions to the Federal universal service mechanisms;

(B) ILEC receipts of Interstate Access USF pursuant to Subpart I of Part 54;

(C) Changes in End User Common Line Charges and PICC rates.

(ii.) Reductions in Average Traffic Sensitive charges resulting from:

(A) Targeting of the application of the (GDPPI-X) portion of the formula in § 61A.45(b), and any applicable "g" adjustments;

(B) The removal from access of ILEC contributions to the Federal universal service mechanisms;

(C) Additional ATS charge reductions defined in subparagraph (2) below.

(2) Once the reductions in paragraph (i) and subparagraphs (ii)(A)-(B) are identified, the difference between those reductions and $2.1 billion is the total amount of additional reductions that would be made to ATS rates of Participating Price Cap LECs if all price cap LECs were Participating Price Cap LECs. This amount will then be restated as the percentage of total price cap LEC Local Switching revenues as of June 30, 2000 using 2000 annual filing base period demand ("June 30 Local Switching revenues") necessary to yield the total amount of additional reductions and taking into account the fact that, if participating, a Price Cap LEC would not reduce ATS rates below its target rate. Each participating Price Cap LEC then reduces ATS rate elements, and associated SBI upper limits and PCIs, by a dollar amount equivalent to the percentage times the June 30 Local Switching revenues for that filing entity, provided that no Participating Price Cap LEC shall be required to reduce its ATS rates below its Target Rate. In no event is any Participating Price Cap LEC required to reduce rates to offset additional reductions that would have been made by price cap LECs that elected not to be Participating Price Cap LECs. Each carrier can take its additional reductions against any of the ATS rate elements, provided that at least a proportional share must be taken against Local Switching rates.

(m) Local Switching Pooled Revenues.

(1) Price cap companies are permitted to pool local switching revenues in their common line basket under one of the following conditions.

(i) Any price cap company that would otherwise have July 1, 2000 price cap reductions as a percentage of Base Period Price Cap Revenues at the holding company level greater than the industry wide total July 1, 2000 price cap revenue reduction as a percentage of Base Period Price Cap Revenues may elect temporarily to pool the amount of the additional reductions above 25% of the Local Switching element revenues necessary to yield that carrier's proportionate share of a total $2.1 billion reduction in switched access usage rates on July 1, 2000. The basis of the reduction calculation will be R at $PCI_{(t-1)}$ for the upcoming tariff year. The percentage reductions per line amounts will be calculated as follows:

(Total Price Cap Revenue Reduction / Base Period Price Cap Revenues)

Pooled local switching revenue for each filing entity within a holding company that qualifies under this subparagraph (i) will continue until such pooled revenues are eliminated under this subparagraph. Not withstanding the provisions of section 61A.45(b)(1), once the Average Traffic Sensitive (ATS) rate reaches the applicable target rate, the dollar impact of PCI reductions associated with the CMT, traffic sensitive, and trunking baskets' X-factor of 6.5% shall be targeted to reducing pooled local switching revenue until the pooled local switching revenue is eliminated. Thereafter, the X-factor for these baskets will be determined in accordance with 61A.45(b)(1).

(ii) Price cap companies other than the Bell Companies and GTE with at least 20% of total holding company lines operated by rural companies, as defined in § 61A.49(mm), may elect to pool up to the following amounts:

(A) for a price cap holding company's predominantly non-rural filing entities (i.e. filing entities within which more than 50% of all lines are operated by telephone companies other than rural telephone companies as defined in 47 U.S.C. §153(37), the amount of the additional reductions to Average Traffic Sensitive Charge rates as defined in 61A.48(l)(2), to the extent such reductions exceed 25% of the Local Switching element revenues (measured in terms of June 30, 2000 rates times 1999 base period demand);

(B) for a price cap holding company's predominantly rural filing entities (i.e. filing entities with greater than 50% of lines operated by telephone companies that are rural telephone companies as defined in 47 U.S.C. §153(37)), the amount of the additional reductions to Average Traffic Sensitive Charge rates as defined in 61A.48(l)(2).

(2) Allocation of Pooled Local Switching Revenue to Certain Common Line Elements

(i) The pooled local switching revenue for each filing entity is shifted to the common line basket within price caps. Pooled local switching revenue will not be included in calculations to determine the eligibility for interstate access universal service funding.

(ii) Pooled local switching revenue will be capped on a revenue per line basis.

(iii) Pooled local switching revenue is included in the total revenue for the common line basket in calculating the X-factor reduction targeted to the traffic sensitive rate elements, and for companies quailified under (m)(1)(i), to pooled elements after the Average Traffic Sensitive Charge reaches the target level. For the purpose of targeting X-factor reductions, companies that allocate pooled local switching revenue to other filing entities pursuant to 61A.48(m)(2)(vii) shall include pooled local switching revenue in the total revenue of the common line basket of the filing entity from which the pooled local switching revenue originated.

(iv) Pooled local switching revenue shall be kept separate from CMT revenue in the CMT basket. CMT rate elements for each filing entity shall first be set based on CMT revenue per line without regard to the presence of pooled local switching revenue for each filing entity.

(v) If the rates generated without regard to the presence of pooled local switching revenue for multi-line business (MLB) PICC and/or MLB SLC are below the nominal caps of $4.31 and $9.20, respectively, pooled amounts can be added to these rate elements to the extent permitted by the nominal caps.

(vi) Notwithstanding the provisions of § 69A.152(k), pooled local switching revenue is first added to the MLB SLC until the rate equals the nominal cap ($9.20) or the pooled local switching revenue is fully allocated. If pooled local switching revenue remains after applying amounts to the MLB SLC, notwithstanding the provisions of § 69A.153, the remaining pooled local switching revenue may be added to the MLB PICC until the rate equals the nominal cap ($4.31) or the pooled local switching revenue is fully allocated. Unallocated pooled local switching revenue may still remain. For companies pooling pursuant to 61A.48(m)(1)(i), these unallocated amounts may not be recovered from the CCL charge, the primary residential and single-line business SLC, a non-primary residential SLC, or from CMT elements in any other filing entity.

(vii) For companies pooling pursuant to 61A.48(m)(1)(ii), pooled local switching revenue that can not be allocated to the MLB PICC and MLB SLC rates within an individual filing entity may not be recovered from the CCL charge, primary residential and single-line business SLC or residential/single line business SLC charges, but may be allocated to other filing entities within the holding company, and collected by adding these amounts to the MLB PICC and MLB SLC rates. The allocation of pooled local switching revenue among filing entities will be re-calculated at each annual filing. In subsequent annual filings, pooled local switching revenue that was allocated to another filing entity will be reallocated to the filing entity from where it originated, to the full extent permitted by the nominal caps of $9.20 and $4.31.

(viii) Notwithstanding the provisions of §69A.152(k), these unallocated local switching revenues that cannot be recovered fully pursuant to (vii) are first added to the MLB SLC of other filing entities until the resulting rate equals the nominal cap ($9.20) or the pooled local switching revenue for the holding company is fully allocated. If the pooled local switching revenue can be fully allocated to the MLB SLC, the amount is distributed to each filing entity with a rate below the nominal cap ($9.20) based on its below-cap MLB SLC revenue as a percentage of the total holding company's below-cap MLB SLC revenue.

(ix) If pooled local switching revenue remains after applying amounts to the MLB SLC of all filing entities in the holding company, pooled local switching revenue may be added to the MLB PICC of other filing entities. Notwithstanding the provisions of § 69A.153, the remaining pooled local switching revenue is distributed to each filing entity with a rate below the nominal cap ($4.31) based on its below-cap MLB PICC revenue as a percentage of the total holding company's below-cap MLB PICC revenue.

(x) If pooled local switching is added to the MLB SLC but not to the MLB PICC for a filing entity that qualified to de-average SLCs without regard to pooled local switching, the resulting SLC rates can still be de-averaged. Total pooled local switching is added to the de-

averaged zone 1 MLB SLC rate until the per line rate in zone 1 equals the rate in zone 2 or until the pooled local switching is fully allocated to the de-averaged MLB SLC rate for zone 1. If pooled local switching revenue remains after the rate in zone 1 equals zone 2, the de-averaged rates of zone 1 and zone 2 are increased until the pooled local switching is fully allocated to the de-averaged MLB SLC rates of zone 1 and 2 or until those rates reaches zone 3 MLB SLC rate level. This process continues until pooled local switching revenue is fully allocated to the zone de-averaged rates.

(n) Establishment of the special access basket, effective July 1, 2000.

(1) On the effective date, the PCI value for the special access basket, as defined in 61A.42(d)(5) shall be equal to the PCI for the trunking basket on the day preceding the establishment of the special access basket.

(2) On the effective date, the API value for the special access basket, as defined in 61A.42(d)(5) shall be equal to the API for the trunking basket on the day preceding the establishment of the special access basket.

(3) Service Category, Subcategory, and Density Zone SBIs and Upper Limits

(i) Interconnection, Tandem Switched Transport, and Signalling Interconnection will retain the SBIs and upper limits and remain in the trunking basket.

(ii) Audio/Video and Wideband will retain the SBIs and upper limits and be moved into the Special Access basket.

(iii) For VoiceGrade, the SBIs and upper limits in both baskets will be equal to the SBIs and upper limits in the existing trunking basket on the day preceding the establishment of the special access basket. VoiceGrade density zones in the trunking basket will retain their indices and upper limits. VoiceGrade density zones will be initialized in the special access basket when services are first offered in them.

(iv) For High Cap/DDS, DS1, and DS3 category and subcategories, the SBIs and upper limits in both baskets will be equal to the SBIs and upper limits in the existing trunking basket on the day preceding the establishment of the Special Access basket. SBIs and upper limits for services that are in both combined density zones and either DTT/EF or Special density zones will be calculated by using weighted averages of the indices in the affected zones.

(v) For each DTT/EF-related zone remaining in the trunking basket, the values will be calculated by taking the sum of the products of the DTT/EF revenues times the DTT/EF index (or upper limit) and the DTT/EF-related revenues in the combined zone times the combined index (or upper limit), and dividing by the total DTT/EF-related revenues for that zone.

(vi) For each Special-related zone remaining in the trunking basket, the values will be calculated by taking the sum of the products of the Special revenues times the Special index (or upper limit) and the Special-related revenues in the combined zone times the combined index (or upper limit), and dividing by the total Special-related revenues for that zone.

(o) Treatment of acquisitions of exchanges with different ATS target rates:

(1) In the event of that a Participating Price Cap LEC acquires a filing entity or portion thereof from a price cap LEC after July 1, 2000, and the acquiring Participating Price Cap LEC did not have a binding and executed contract to purchase that filing entity or portion thereof as of April 1, 2000, those properties retain their pre-existing target rate. If those properties are merged into a filing entity with a different target rate, the target rate for the merged filing entity will be the weighted average of the target rates for the properties being combined into a single filing entity, with the average weighted by local switching minutes. When a property acquired as a result of a contract for purchase executed after April 1, 2000 is merged with .0095 target rate properties, the obligation to apply price-cap reductions to reduce CCL, pursuant to Section 61A.45(b)(iii) does not apply to the properties purchased under contracts executed after April 1, 2000, but continues to apply to the other properties.

(2) For sale of properties for which a holding company was, as of April 1, 2000, under a binding and executed contract to purchase but which close after June 30, 2000, but during tariff year 2000, and that are subject to the $0.0095 target rate, the Average Traffic Sensitive Rate charged by the purchaser for that property will be the greater of $0.0095 or the Average Traffic Sensitive Rate for that property.