APPENDIX A
Parties Filing Pleadings[1]

I. CALLS NPRM

A. Comments

1. Ad Hoc Telecommunications Users Committee (Ad Hoc)
2. Alliance for Public Technology (APT)
3. American Association of Retired Persons (AARP)
4. American Petroleum Institute (API)
5. Association For Local Telecommunications Services (ALTS)
6. AT&T Corp. (AT&T)
7. Cable and Wireless USA, Inc. (Cable & Wireless)
8. California Public Utilities Commission (California Commission)
9. Cincinnati Telephone Company (Cincinnati Bell)
10. Coalition for Affordable Local and Long Distance Service (CALLS)
11. Competition Policy Institute (CPI)
12. Competitive Telecommunications Assoc. (CompTel)
13. Florida Public Service Commission (Florida Commission)
14. General Services Administration (GSA)
15. State of Hawaii (Hawaii)
16. Intermedia Communications Inc. (Intermedia)
17. Texas – Office of Public Utilities Counsel; Consumer Federation of America; and Consumer Union (Joint Consumer Commenters)
18. Level 3 Communications, LLC (Level 3)
19. Massachusetts Department of Telecommunications and Energy (Mass. DTE)
20. MCI WorldCom, Inc. (MCI)
21. National Association of Regulatory Utilities Commission (NARUC)
22. National Assoc. of State Utility Consumer Advocates (NASUCA)
23. National Rural Telecom Assoc. (NRTA) and National Telephone Cooperative Assoc. (NTCA) (NRTA/NTCA)
24. New Jersey Division of the Ratepayer Advocate (New Jersey Div.)
25. Oncor Communications, Inc. (Oncor)
26. One Call Communications, Inc. (One Call)
27. Pathfinder Communications, Inc. (Pathfinder)
28. Public Utilities Commission of Ohio (Ohio Commission)
29. Qwest Communications Corp. (Qwest)
30. SBC Communications, Inc. (SBC)
31. The Small Company Committee of Wisconsin State Telecommunications

[1] We note that, in addition to the listed commenters, the Commission has received in excess of 15,000 "form" postcards identical in their wording from individuals in opposition to CALLS.

Assoc. (WSTA-SCC)

32. Smithville Telephone Company, Inc. (Smithville)
33. Telecommunication Resellers Assoc. (TRA)
34. Time Warner Telecom (Time Warner)
35. United States Telecom Association (USTA)
36. Washington Utilities and Transportation Commission (Washington Commission)

B. Reply Comments

1. Ad Hoc
2. ALTS
3. APT
4. Bell Atlantic Telephone Companies (Bell Atlantic)
5. BellSouth Corporation (BellSouth)
6. Frank Bowe
7. Cable & Wireless
8. Cincinnati Bell
9. CALLS
10. CPI
11. Florida Commission
12. GSA
13. GTE Service Corporation (GTE)
14. Harlem Consumer Education Council, Inc.
15. Illinois Commerce Commission (Illinois Commission)
16. Iowa Utilities Board (Iowa Board)
17. Joint Consumer Commenters
18. League of United Latin American Citizens
19. Level 3
20. Michigan Public Service Commission (Michigan Commission)
21. National Association for the Advancement of Colored People (Washington Bureau) (NAACP)
22. National Association of Development Organizations (NADO)
23. NASUCA
24. Oncor
25. One Call
26. Personal Communications Industry Assoc. (PCIA)
27. Sprint Corporation (Sprint)
28. Vermont Department of Public Service (Vermont Dept.)
29. Western Wireless Corporation (Western Wireless)

II. *CALLS Public Notice*

A. Comments

1. Ad Hoc
2. Allegiance Telecom, Inc.
3. ALTS and Time Warner
4. American Public Communications Council (APCC)
5. API
6. APT
7. California Commission
8. CALLS
9. Cincinnati Bell
10. Citizens Utility Company (Citizens)
11. CompTel
12. CPI
13. Enterprise Networking Technologies Users Association (ENTUA)
14. Florida Commission
15. Focal Communications Corporation (Focal)
16. Global Crossing North America, Inc. (Global Crossing)
17. Independent Telephone and Telecommunications Alliance (ITTA)
18. Iowa Board
19. Joint Consumer Commenters
20. Level 3
21. MCI
22. Michigan Public Service Commission (Michigan Commission)
23. Missouri Public Service Commission (Missouri Commission)
24. Montana Public Service Commission (Montana Commission)
25. NARUC
26. NASUCA
27. New Jersey Division of Ratepayer Advocate (New Jersey Div.)
28. NTCA/NRTA
29. Oncor
30. One Call
31. Public Utilities Commission of Texas (Texas Commission)
32. Public Service Commission of Wisconsin (Wisconsin Commission)
33. Qwest
34. Rainbow/PUSH Coalition and Citizenship Education Fund (Rainbow/PUSH)
35. Rural Independent Competitive Alliance (RICA)
36. Shonah P. Jefferson
37. State Members of the Federal-State Joint Board on Universal Service (Joint Board)
38. TRA
39. United States Hispanic Chamber of Congress
40. USTA

41. U S West Communications, Inc. (U S West)
42. Valor Telecommunications Southwest, LLC (VALOR)
43. Wyoming Public Services Commission (Wyoming Commission)

B. Reply Comments

1. AARP
2. Ad Hoc
3. Allegiance
4. ALTS and Time Warner
5. APCC
6. AT&T
7. Bell Atlantic
8. BellSouth
9. CALLS
10. CompTel
11. CPI
12. Florida Commission
13. Focal
14. Global Crossing
15. GTE
16. ITTA
17. Indiana Commission
18. Maine Public Utilities Commission (Maine Commission), Massachusetts Dept., and Oregon Public Utilities Commission (Oregon Commission) (collectively, Maine Joint Commenters)
19. Maryland Commission
20. MCI
21. NASUCA
22. National Consumers League (NCL) and Consumer Action (CA)
23. National Hispanic Council on Aging (NHCA)
24. Eliot Spitzer, Attorney General of the State of New York (New York Atty. Gen.)
25. One Call
26. Smithville
27. Sprint
28. Telefónica Larga Distancia de Puerto Rico, Inc. (TLD)
29. United Seniors Health Cooperative (United Seniors)
30. U S West
31. VALOR
32. Washington Utilities and Transportation Commission (Washington Commission)

III. *Low-Volume Notice of Inquiry Proceeding*

A. Comments

1. AARP
2. Ad Hoc
3. Ameritech
4. AT&T
5. Bell Atlantic
6. Bell South
7. City of New York
8. CompTel
9. Excel Communications, Inc.
10. GSA
11. GTE
12. Congressman Baron P. Hill
13. Joint Consumer Commenters
14. Kentucky Payphone Assoc., Michigan Payphone Assoc., and Payphone Assoc. of Ohio (collectively, Kentucky Joint Commenters)
15. MCI
16. Michigan Commission.
17. Pennsylvania Office of Consumer Advocate, Maryland Office of People's Counsel, New Mexico Attorney General, Missouri Office of the Public Counsel, the Connecticut Office of Consumer Counsel, the New Hampshire Office of Consumer Advocate, the Washington D.C. Office of People's Counsel, and the Washington Office of Attorney General) (collectively, Joint Consumer Advocates)
18. Qwest
19. RTC
20. Sprint
21. The Utility Reform Network (TURN)
22. USTA
23. Wisconsin Public Service Commission (Wisconsin Commission)

B. Reply Comments

1. AT&T
2. Bell Atlantic
3. GTE
4. Individual Commenters[2]

[2] Richard A. Arsinow, Bob Beaudoin, Mr. And Mrs. James Besenger, Fred Bethke, Nancy T. Clark, Robert W. Cooper, Jr., Allan DeSmet, Sandra Farrell,D.D.S., Jonathan Freidin, Barbara N. Gibbons, Ms. Frances Gizerian, Frank Griffith, Donald G. Hyatt, Barry D. Johnson, David Krauser, Robert Lehr, Roger Merel, Ruth J. Pelt, Gwen Petitjean, Mark Plemmons, R. Rivera, Paul Schaeffer, Michael Schneider, Robert Sullivan, Richard Stallworthy.

5. Joint Consumer Commenters
6. MCI
7. Pathfinder
8. SBC
9. TRA
10. TURN

APPENDIX B
AMENDMENTS TO THE CODE OF FEDERAL REGULATIONS

PART 54

Subpart E - Universal Service Support for Low-Income Consumers

§ 54.403 Lifeline support amount.

(a) The federal Lifeline support amount for all eligible telecommunications carriers shall equal:

(1) *Tier One.* The tariffed rate in effect for the primary residential End User Common Line charge of the incumbent local exchange carrier serving the area in which the qualifying low-income consumer receives service, as determined in accordance with § 69.104 or § 69.152(d) and (q), whichever is applicable;

(2) *Tier Two.* If the state commission approves an additional reduction of $1.75 in the amount paid by consumers, additional federal Lifeline support in the amount of $1.75 will be made available to the carrier providing Lifeline service to that consumer; and

(3) *Tier Three.* Additional federal Lifeline support in an amount equal to one-half the amount of any state Lifeline support will be made available to the carrier providing Lifeline service to a qualifying low-income consumer if the state commission approves an additional reduction in the amount paid by that consumer equal to the state support multiplied by 1.5.

(b) For the qualifying low-income consumer, the federal Lifeline support amount shall not exceed $3.50 plus the tariffed rate in effect for the primary residential End User Common Line charge of the incumbent local exchange carrier serving the area in which the qualifying low-income consumer receives service, as determined in accordance with § 69.104 or § 69.152(d) and (q), whichever is applicable Eligible telecommunications carriers that charge federal End-User Common Line charges or equivalent federal charges shall apply Tier One federal Lifeline support to waive Lifeline consumers' federal End-User Common Line charges. Such carriers shall apply any additional federal support amount to a qualifying low-income consumer's intrastate rate, if the state has approved of such additional support. Other eligible telecommunications carriers shall apply Tier One federal Lifeline support amount, plus any additional federal support amount, to reduce their lowest tariffed (or otherwise generally available) residential rate for the services enumerated in § 54.101(a)(1) through (a)(9), and charge Lifeline consumers the resulting amount.

(c) Lifeline support for providing toll limitation shall equal the eligible telecommunications carrier's incremental cost of providing either toll blocking or toll control, whichever is selected by the particular consumer.

Subpart H—Administration

§ 54.701 Administrator of universal service support mechanisms.

(a) The Universal Service Administrative Company is appointed the permanent Administrator of the federal universal service support mechanisms, subject to a review after one year by the Federal Communications Commission to determine that the Administrator is administering the universal service support mechanisms in an efficient, effective, and competitively neutral manner.

(b) The Schools and Libraries Corporation and the Rural Health Care Corporation shall merge into the Universal Service Administrative Company by January 1, 1999; provided, however, that the merger shall not take place until the Common Carrier Bureau, acting pursuant to delegated authority, has approved the merger documents, the amended by-laws, and the amended articles of incorporation, as set forth in paragraphs (c) and (d) of this section.

(c) By December 1, 1998, the Schools and Libraries Corporation, the Rural Health Care Corporation and the Universal Service Administrative Company shall file with the Federal Communications Commission draft copies of all documents necessary to effectuate the merger.

(d) By December 1, 1998, the Universal Service Administrative Company shall file with the Federal Communications Commission draft copies of amended by-laws and amended articles of incorporation.

(e) Upon consummation of the merger of the Schools and Libraries Corporation and the Rural Health Care Corporation into the Universal Service Administrative Company, the Schools and Libraries Corporation and the Rural Health Care Corporation shall take all steps necessary to dissolve such corporations.

(f) The Administrator shall establish a nineteen (19) member Board of Directors, as set forth in § 54.703. The Administrator's Board of Directors shall establish three Committees of the Board of Directors, as set forth in § 54.705: (1) the Schools and Libraries Committee, which shall oversee the schools and libraries support mechanism; (2) the Rural Health Care Committee, which shall oversee the rural health care support mechanism; and (3) the High Cost and Low Income Committee, which shall oversee the high cost and low income support mechanism. The Board of Directors shall not modify substantially the power or authority of the Committees of the Board without prior approval from the Federal Communications Commission.

(g) The Administrator shall establish three divisions: (1) the Schools and Libraries Division, which shall perform duties and functions in connection with the schools and libraries support mechanism under the direction of the Schools and Libraries Committee of the Board, as set forth in § 54.705(a); (2) the Rural Health Care Division, which shall perform duties and functions in connection with the rural health care support mechanism under the

direction of the Rural Health Care Committee of the Board, as set forth in § 54.705(b); and (3) the High Cost and Low Income Division, which shall perform duties and functions in connection with the high cost and low income support mechanism, and the interstate access universal service support mechanism described in Subpart I of this Part, under the direction of the High Cost and Low Income Committee of the Board, as set forth in § 54.705(c). As directed by the Committees of the Board set forth in § 54.705, these divisions shall perform the duties and functions unique to their respective support mechanisms.

(h) The Administrator shall be managed by a Chief Executive Officer, as set forth in § 54.704. The Chief Executive Officer shall serve on the Committees of the Board established in § 54.705.

Sec. 54.702 Administrator's functions and responsibilities.

(a) The Administrator, and the divisions therein, shall be responsible for administering the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, the low income support mechanism, and the interstate access universal service support mechanism described in Subpart I of this Part.

(b) The Administrator shall be responsible for billing contributors, collecting contributions to the universal service support mechanisms, and disbursing universal service support funds.

(c) The Administrator may not make policy, interpret unclear provisions of the statute or rules, or interpret the intent of Congress. Where the Act or the Commission's rules are unclear, or do not address a particular situation, the Administrator shall seek guidance from the Commission.

(d) The Administrator may advocate positions before the Commission and its staff only on administrative matters relating to the universal service support mechanisms.

(e) The Administrator shall maintain books of account separate from those of the National Exchange Carrier Association, of which the Administrator is an independent subsidiary. The Administrator's books of account shall be maintained in accordance with generally accepted accounting principles. The Administrator may borrow start up funds from the National Exchange Carrier Association. Such funds may not be drawn from the Telecommunications Relay Services (TRS) fund or TRS administrative expense accounts.

(f) Pursuant to its responsibility for billing and collecting contributions, the Administrator shall compare periodically information collected by the administrator of the TRS Fund from TRS Fund Worksheets with information submitted by contributors on Universal Service Worksheets to verify the accuracy of information submitted on Universal Service Worksheets. When performing a comparison of contributor information as provided by this paragraph, the Administrator must undertake company-by-company comparisons for all entities filing Universal Service and TRS Fund Worksheets.

(g) The Administrator shall create and maintain a website, as defined in Sec. 54.5, on which applications for services will be posted on behalf of schools, libraries and rural health care providers.

(h) The Administrator shall file with the Commission and Congress an annual report by March 31 of each year. The report shall detail the Administrator's operations, activities, and accomplishments for the prior year, including information about participation in each of the universal service support mechanisms and administrative action intended to prevent waste, fraud, and abuse. The report also shall include an assessment of subcontractors' performance, and an itemization of monthly administrative costs that shall include all expenses, receipts, and payments associated with the administration of the universal service support programs. The Administrator shall consult each year with Commission staff to determine the scope and content of the annual report.

(i) The Administrator shall report quarterly to the Commission on the disbursement of universal service support program funds. The Administrator shall keep separate accounts for the amounts of money collected and disbursed for eligible schools and libraries, rural health care providers, low-income consumers, interstate access universal service support, and high cost and insular areas.

(j) Information based on the Administrator's reports will be made public by the Commission at least once a year as part of a Monitoring Report.

(k) The Administrator shall provide the Commission full access to the data collected pursuant to the administration of the universal service support programs.

(l) Pursuant to Sec. 64.903 of this chapter, the Administrator shall file with the Commission a cost allocation manual (CAM) that describes the accounts and procedures the Administrator will use to allocate the shared costs of administering the universal service support mechanisms and its other operations.

(m) The Administrator shall make available to whomever the Commission directs, free of charge, any and all intellectual property, including, but not limited to, all records and information generated by or resulting from its role in administering the support mechanisms, if its participation in administering the universal service support mechanisms ends.

(n) If its participation in administering the universal service support mechanisms ends, the Administrator shall be subject to close-out audits at the end of its term.

Sec. 54.703 and Sec. 54.704 remain unchanged.

Sec. 54.705 Committees of the Administrator's Board of Directors.

(a) Schools and Libraries Committee.--

(1) Committee functions. The Schools and Libraries Committee shall oversee the administration of the schools and libraries support mechanism by the Schools and Libraries Division. The Schools and Libraries Committee shall have the authority to make decisions concerning:

(A) How the Administrator projects demand for the schools and libraries support mechanism;

(B) Development of applications and associated instructions as needed for the schools and libraries support mechanism;

(C) Administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations;

(D) Performance of outreach and education functions;

(E) Review of bills for services that are submitted by schools and libraries;

(F) Monitoring demand for the purpose of determining when the $2 billion trigger has been reached;

(G) Implementation of the rules of priority in accordance with § 54.507(g) of this chapter;

(H) Review and certification of technology plans when a state agency has indicated that it will not be able to review such plans within a reasonable time;

(I) The classification of schools and libraries as urban or rural and the use of the discount matrix established in § 54.505(c) of this chapter to set the discount rate to be applied to services purchased by eligible schools and libraries;

(J) Performance of audits of beneficiaries under the schools and libraries support mechanism; and

(K) Development and implementation of other functions unique to the schools and libraries support mechanism.

(2) Committee composition. The Schools and Libraries Committee shall consist of the following members of the Administrator's Board of Directors:

(A) Three school representatives;

(B) One library representative;

(C) One service provider representative;

(D) One at-large representative elected by the Administrator's Board of Directors; and

(E) The Administrator's Chief Executive Officer.

(b) Rural Health Care Committee.--

(1) Committee functions. The Rural Health Care Committee shall oversee the administration of the rural health care support mechanism by the Rural Health Care Division. The Rural Health Care Committee shall have authority to make decisions concerning:

(A) How the Administrator projects demand for the rural health care support mechanism;

(B) Development of applications and associated instructions as needed for the rural health care support mechanism;

(C) Administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations;

(D) Calculation of support levels under § 54.609;

(E) Performance of outreach and education functions;

(F) Review of bills for services that are submitted by rural health care providers;

(G) Monitoring demand for the purpose of determining when the $400 million cap has been reached;

(H) Performance of audits of beneficiaries under the rural health care support mechanism; and

(I) Development and implementation of other functions unique to the rural health care support mechanism.

(2) Committee composition. The Rural Health Care Committee shall consist of the following members of the Administrator's Board of Directors:

(A) Two rural health care representatives;

(B) One service provider representative;

(C) Two at-large representatives elected by the Administrator's Board of Directors;

(D) One State telecommunications regulator, one state consumer advocate; and

(E) The Administrator's Chief Executive Officer.

(c) High Cost and Low Income Committee.--

(1) Committee functions. The High Cost and Low Income Committee shall oversee the administration of the high cost and low income support mechanisms and the interstate access universal service support mechanism described in Subpart I of this Part, by the High Cost and Low Income Division. The High Cost and Low Income Committee shall have the authority to make decisions concerning:

(A) How the Administrator projects demand for the high cost, low income, and interstate access universal service support mechanisms;

(B) Development of applications and associated instructions as needed for the high cost, low income, and interstate access universal service support mechanisms;

(C) Administration of the application process, including activities to ensure compliance with Federal Communications Commission rules and regulations;

(D) Performance of audits of beneficiaries under the high cost, low income, and interstate access universal service support mechanisms; and

(E) Development and implementation of other functions unique to the high cost, low income, and interstate access universal service support mechanisms.

(2) Committee composition. The High Cost and Low Income Committee shall consist of the following members of the Administrator's Board of Directors:

(A) One low income representative;

(B) One state telecommunications regulator;

(C) One state consumer advocate;

(D) Two incumbent local exchange carrier representatives (one shall represent rural telephone companies, as that term is defined in 47 U.S.C. 153(37) and one shall represent non-rural telephone companies);

(E) One interexchange carrier representative;

(F) One competing local exchange carrier representative;

(G) One commercial mobile radio service representative; and

(H) The Administrator's Chief Executive Officer.

(d) Binding Authority of Committees of the Board.

(1) Any action taken by the Committees of the Board established in paragraphs (a) through (c) of this section shall be binding on the Board of Directors of the Administrator, unless such action is presented for review to the Board by the Administrator's Chief Executive Officer and the Board disapproves of such action by a two-thirds vote of a quorum of directors, as defined in the Administrator's by-laws.

(2) The budgets prepared by each Committee shall be subject to Board review as part of the Administrator's combined budget. The Board shall not modify the budgets prepared by the Committees of the Board unless such modification is approved by a two-thirds vote of a quorum of the Board, as defined in the Administrator's by-laws.

Secs. 54.706 – 54.714 remain unchanged.

Sec. 54.715 Administrative expenses of the Administrator.

(a) The annual administrative expenses of the Administrator should be commensurate with the administrative expenses of programs of similar size, with the exception of the salary levels for officers and employees of the Administrator described in paragraph (b) of this section. The annual administrative expenses may include, but are not limited to, salaries of officers and operations personnel, the costs of borrowing funds, equipment costs, operating expenses, directors' expenses, and costs associated with auditing contributors of support recipients.

(b) All officers and employees of the Administrator may be compensated at an annual rate of pay, including any non-regular payments, bonuses, or other compensation, in an amount not to exceed the rate of basic pay in effect for Level I of the Executive Schedule under 5 U.S.C. 5312.

(c) The Administrator shall submit to the Commission projected quarterly budgets at least sixty (60) days prior to the start of every quarter. The Commission must approve the projected quarterly budgets before the Administrator disburses funds under the federal universal service support mechanisms. The administrative expenses incurred by the Administrator in connection with the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, the low income support mechanism, and the interstate access universal service support mechanism shall be deducted from the annual funding of each respective support mechanism. The expenses deducted from the annual funding for each support mechanism also shall include the Administrator's joint and common costs allocated to each support mechanism pursuant to the cost allocation manual filed by the Administrator under § 64.903 of this chapter.

Sec. 54.717 remains unchanged.

Subpart I - Interstate Access Universal Service Support Mechanism [All New]

§ 54.800 Terms and Definitions

(a) *Average Price Cap CMT Revenue Per Line Per Month*$_{Study\ Area}$ has the same meaning as that term is defined in § 61.3(d), except that it includes exogenous changes in effect prior to the effective date of a calculation made pursuant to § 54.808 and exogenous changes not yet effective related to the sale or acquisition of exchanges, but excludes any other exogenous changes or other changes made pursuant to § 61.45(i)(4) not yet effective.

(b) *Base Period Lines* –For purposes of calculations pursuant to this Subpart, Base Period Lines are the number of lines for a given study area or zone as of the end of the quarter ending 6 months prior to the effective date of a calculation pursuant to § 54.808.

(c) *Interstate Access Universal Service Support Benchmark* shall mean, for residential and single line business lines, $7.00, and for multi-line business lines, $9.20.

(d) *Minimum Adjustment Amount (MAA)* is defined in § 54.806(f).

(e) *MAA Phase In Percentage* is:

50% as of July 1, 2000,
75% as of July 1, 2001
100% as of July 1, 2002.

(f) *Minimum Delta (MD)* is defined in § 54.806(d).

(g) *Minimum Support Requirement (MSR)* is defined in § 54.806(g).

(h) *Nationwide Total Above Benchmark Revenues* is defined in § 54.806(b).

(i) *Price cap LEC* is defined in § 54.802(c).

(j) *Preliminary Minimum Access Universal Service Support*$_{study\ area}$ is the amount calculated pursuant to § 54.804.

(k) *Preliminary Study Area Universal Service Support (PSAUSS)* is defined in § 54.806(c).

(l) *Study Area Above Benchmark Revenues* is the sum of all Zone Above Benchmark Revenues for all zones in the study area.

(m) *Study Area Access Universal Service Support (SAAUS)* is defined in § 54.806(i) and (j).

(n) *Total National Minimum Delta (TNMD)* is the nationwide sum of all study area Minimum Deltas.

(o) *Total National Minimum Support Requirement (TNMSR)* is the sum of the MSR for all

price cap incumbent LEC study areas.

(p) *Zone Above Benchmark Revenues* is defined in § 54.805(a)(2).

(q) *Zone Average Revenue per Line.* The amount calculated as follows:

Zone Average Revenue Per Line = (25% * ($Loop_{zone\ price}$ + $(Port)_{price}$))+ U (Uniform revenue per line adjustment) where,

U = [(Average Price Cap CMT Revenue Per Line Per $Month_{study\ area}$ * ILEC Base Period Lines) – (25% * Σ (ILEC Base Period $Lines_{UNE\ Zone}$ x (($Loop_{zone\ price}$ + $Port_{Price}$) for all zones)))] ÷ ILEC Base Period $Lines_{Study\ Area(s)}$

§ 54.801 General

(a) The total amount of universal service support under this Subpart, excluding administrative expenses, for areas served by price cap incumbent LECs as of June 30, 2000, is targeted to be $650 million per year, if no exchanges, other than those offered for sale prior to July 1, 2000, are sold to non-price-cap LECs or purchased from non-price cap LECs by price cap LECs.

(b) In the event that all or a portion of a study area served by a price cap LEC is sold to an entity other than a price cap LEC, and the study area or portion thereof was not offered for sale prior to July 1, 2000, then the support that would otherwise be provided under this Subpart, had such study area or portion thereof not been sold, will not be distributed or collected. Subsequent calculations will use the last reported data for the study area or portion thereof that was sold to determine the amount that will not be distributed or collected.

(c) In the event that a price cap LEC acquires additional exchanges, from an entity other than a price cap LEC, that acquisition should be reported to the Administrator pursuant to § 54.802 and included in the determination of study area support pursuant to § 54.806 for the areas served by the acquiring price cap LEC, beginning with the next support recalculation pursuant to § 54.808.

(d) In the event that a price cap LEC acquires additional exchanges from an entity that is also a price cap LEC, the acquiring price cap LEC will receive support under this Subpart at the same level as the selling price cap LEC formerly received, and both carriers will adjust their line counts accordingly beginning with the next quarterly report to the Fund Administrator. At the subsequent report to the Fund Administrator for purposes of recalculating support as required by section 54.808, the acquiring and selling price cap LECs will reflect the acquired and sold lines, and will adjust the average CMT Revenue per Line per Month for the affected study areas accordingly.

(e) The Fund Administrator for the fund created by this subpart shall be the Universal Service Administrative Company.

§ 54.802 Obligations of LECs and the Fund Administrator

(a) Each Eligible Telecommunications Carrier that is providing service within an area served by a price cap LEC shall submit to the Fund Administrator, on a quarterly basis on the last business day of March, June, September, and December of each year line count data showing the number of lines it serves for the period ending three months prior to the reporting date, within each price cap LEC study area disaggregated by UNE Zone if UNE Zones have been established within that study area, showing residential/single line business and multi-line business line counts separately. For purposes of this report, and for purposes of computing support under this Subpart, the aggregated residence/single line business class lines reported include single and non-primary residence lines, single line business lines, ISDN BRI and other related residence class lines. Similarly, the multi-line business class lines reported include multi-line business, centrex, ISDN PRI and other related business class lines assessed the End User Common Line charge pursuant to § 69.152. For purposes of this report and for purposes of computing support under this Subpart, lines served using resale of the price cap LEC's service pursuant to Section 251(c)(4) of the Communications Act of 1934, as amended, shall be considered lines served by the price cap LEC only and must be reported accordingly.

(b) In addition to the information submitted pursuant to paragraph (a), each price cap LEC must submit to the Fund Administrator, on June 30, 2000, October 15, 2000, and April 16, 2001 and annually thereafter or as determined by the Fund Administrator according to Section 54.808:

(1) Average Price Cap CMT Revenue Per Line Per $\text{Month}_{\text{Study Area}}$ for each of its study areas;

(2) The rates established for UNE Loops and UNE Line Ports, by zone in those study areas where UNE Zones have been established as of the date of filing; and

(3) Make available information sufficient to determine the boundaries of each UNE Zone within each of its study areas where such zones have been established;

provided, however, that after the June 30, 2000 filing, if there have been no changes since its previous filing a company may submit a statement that there have been no changes in lieu of such information, and further provided that, for study areas in which UNE Zones have been newly established since the last filing pursuant to this paragraph, the price cap LEC shall also report the information required by subparagraph (2) and (3) to the Fund Administrator on July 15, 2000, or January 15, 2001, as required.

(d) An eligible telecommunications carrier shall be eligible for support pursuant to this Subpart only after it has filed all of the information required by paragraphs (a) through (c) of this section, where applicable. An eligible telecommunications carrier shall receive payment of support pursuant to this Subpart only for such months the carrier is actually providing service to the end user. The Administrator shall ensure that there is periodic reconciliation of support payments.

(e) Upon receiving the information required to be filed in paragraphs (a) and (b) of this section, the Fund Administrator shall:

(1) Perform the calculations described in sections 54.804 through 54.807 of this section;

(2) Publish the results of these calculations showing Interstate Access Universal Service

Support Per Line available in each price cap LEC study area, by UNE Zone and customer class;

(3) Collect the funds necessary to provide support pursuant to this Subpart in accordance with Subpart H; and

(4) Distribute support calculated pursuant to the rules contained in this Subpart; and

(5) Report quarterly to the Commission on the collection and distribution of funds under this Subpart as described in 54.701(g). Fund distribution reporting will be by state and by eligible telecommunications carrier within the state.

§ 54.803 Universal Service Zones

(a) The zones used for determining interstate access universal service support shall be the same zones that would be used for EUCL deaveraging as described in §69.152(q)(2).

(b) In a price cap study area where the price cap LEC has not established state-approved prices for UNE loops by zone, the fund administrator shall develop an estimate of the ILEC's Zone Above Benchmark Revenues for transitional purposes, in order to reserve a portion of the fund for that study area. This estimate will be included by the Administrator in the Nationwide Study Area Above Benchmark Revenues calculated pursuant to §54.806.

(1) For the purpose of developing this transitional estimate, the loop and port costs estimated by the FCC cost model, or other substitute method if no model is available, shall be used.

(2) For the purpose of developing this transitional estimate, the administrator shall construct three zones. Wire centers within the study area will be grouped into these zones in such a way that each zone is assigned approximately one third of ILEC base period lines in the study area, with the lowest cost wire centers assigned to Zone 1, the highest cost wire centers assigned to Zone 3, and the remainder to Zone 2.

§ 54.804 Preliminary Minimum Access Univeral Service Support$_{\text{Study Area}}$ Calculated by the Fund Administrator.

(a) If Average Price Cap CMT Revenue Per Line Per Month$_{\text{Study Area}}$ is greater than $9.20 then: Preliminary Minimum Access Universal Service Support$_{\text{study area}}$ = (Average Price Cap CMT Revenue Per Line Per Month$_{\text{study area}}$ x ILEC Base Period Lines x 12) - (($7.00 x ILEC Base Period Residential & Single Line Business Lines$_{\text{study area}}$ x 12) + ($9.20 x ILEC Base Period Multi-line Business Lines$_{\text{study area}}$ x 12))

(b) If Average Price Cap CMT Revenue Per Line Per Month$_{\text{Study Area}}$ is greater than $7.00 but less than $9.20 then: Preliminary Minimum Access Universal Service Support$_{\text{study area}}$ = (Average Price Cap CMT Revenue Per Line Per Month$_{\text{Study Area}}$ - $7.00) x (ILEC Base Period Residential & Single Line Business Lines$_{\text{study area}}$ x 12)

(c) If Average Price Cap CMT Revenue Per Line Per Month$_{\text{Study Area}}$ is less than $7.00 then the

Preliminary Minimum Access Universal Service $\text{Support}_{\text{study area}}$ is zero.

§54.805 Zone and Study Area Above Benchmark Revenues Calculated by the Fund Administrator.

(a) The following steps shall be performed by the Fund Administrator to determine Zone Above Benchmark Revenues for each price cap LEC.

(1) Calculate Zone Average Revenue Per Line.

(2) Calculate Zone Above Benchmark Revenues. Zone Above Benchmark Revenues is the sum of Zone Above Benchmark $\text{Revenues}_{\text{Residence\&SingleLineBusiness}}$ and Zone Above Benchmark $\text{Revenues}_{\text{Multi-lineBusiness}}$. Zone Above Benchmark $\text{Revenues}_{\text{Residence\&SingleLineBusiness}}$ is, within each zone, the product of Zone Average Revenue Per Line minus $7.00 multiplied by all eligible telecommunications carrier Base Period $\text{Line}_{\text{Residence and Single Line Business}}$ times 12. If negative, the Zone Above Benchmark $\text{Revenues}_{\text{Residence\&SingleLineBusiness}}$ for the zone is zero. Zone Above Benchmark $\text{Revenues}_{\text{Multi-lineBusiness}}$ is, within each zone, the product of Zone Average Revenue Per Line minus $9.20 multiplied by all eligible telecommunications carrier zone Base Period $\text{Lines}_{\text{Multi-lineBusiness}}$ times 12. If negative, the Zone Above Benchmark $\text{Revenues}_{\text{Multi-lineBusiness}}$ for the zone is zero.

(b) Study Area Above Benchmark Revenues is the sum of Zone Above Benchmark Revenues for all zones in the study area.

§ 54.806 Calculation by the Fund Administrator of Interstate Access Universal Service Support for Areas Served by Price cap LECs

(a) The Fund Administrator, based on the calculations performed in sections 54.804 and 54.805, shall calculate the Interstate Access Universal Service Support for areas served by price cap LECs according to the following methodology:

(b) Calculate Nationwide Total Above Benchmark Revenues. Nationwide Total Above Benchmark Revenues is the sum of all Study Area Above Benchmark Revenues for all study areas served by price cap ILECs,

(c) Calculate Preliminary Study Area Universal Service Support (PSAUSS).

(1) If the Nationwide Total Above Benchmark Revenues is greater than $650 million, then the Preliminary Study Area Universal Service Support (PSAUSS) equals the Study Area Above Benchmark Revenues multiplied by the ratio of $650 million to Nationwide Total Above Benchmark Revenues (i.e. Preliminary Study Area Universal Service Support = Study Area Above Benchmark Revenues X ($650 Million / Nationwide Total Above Benchmark Revenues).

(2) If the Nationwide Total Above Benchmark Revenues is not greater than $650 million, PSAUSS equals the Study Area Above Benchmark Revenues.

(d) Calculate the Minimum Delta (MD) by study area. Within each study area the Minimum Delta will be equal to the Preliminary Minimum Access Universal Service $\text{Support}_{\text{Study Area}}$ less the PSAUSS, if the difference is greater than zero. If the difference is less than or equal to zero, the MD is equal to zero.

(e) Calculate the Total National Minimum Delta (TNMD) by summing all study are Minimum Deltas nationwide.

(f) Calculate the Minimum Adjustment Amount.

(1) If the TNMD is greater than $75 million, then the Minimum Adjustment Amount (MAA) equals the product of the MAA Phase In Percentage times the MD by study area times the ratio of $75 million to TNMD Or:

Minimum Adjustment Amount = (MAA Phase In Percentage) X (Minimum Delta) X ($75 million / Total National Minimum Delta).

(2) If the TNMD is less than $75 million, then the MAA equals the product of the MAA Phase In Percentage and the MD by study area.

(g) Calculate the Minimum Support Requirement (MSR). The Minimum Support Requirement for a study area equals the PSAUSS plus the MAA.

(h) Calculate the Total National Minimum Support Requirement (TNMSR), which equals the sum of the MSR for all study areas in which the Preliminary Minimum Access Universal Service Support is greater than or equal to the PSAUSS.

(i) Calculate Study Area Access Universal Service Support (SAAUS) for a study area in which the price cap incumbent LEC has geographically deaveraged state-approved rates for UNE loops:

(1) For study areas in which the Preliminary Minimum Access Universal Service Support is greater than PSAUSS, and within which the price cap incumbent LEC has established geographically deaveraged state-approved rates for UNE loops, the SAAUS for that study area is the MSR.

(2) For study areas in which the Preliminary Minimum Access Universal Service Support is less than PSAUSS, and within which the price cap incumbent LEC has established geographically deaveraged state-approved rates for UNE loops, the SAAUS for that study area is equal to:

Preliminary Study Area Universal Service Support x ($650 million – TNMSR) ÷ (the sum of PSAUSS of study areas where the Preliminary Minimum Access Universal Service Support is less than PSAUSS).

(j) Calculate Study Area Access Universal Service Support (SAAUS) for a price cap incumbent LEC that has not established geographically deaveraged state-approved rates for UNE loops. In such study areas, the SAAUS shall be the lesser of the Preliminary Minimum Access Universal Service Support or:

(1) For study areas in which the Preliminary Minimum Access Universal Service Support is greater than PSAUSS, and for which an estimate has been made for deaveraged UNE loop costs, the SAAUS for that study area is the MSR.

(2) For study areas in which the Preliminary Minimum Access Universal Service Support is less than PSAUSS, and for which an estimate has been made for deaveraged UNE loop costs, the SAAUS for that study area is equal to:

Preliminary Study Area Universal Service Support x ($650 million – TNMSR) ÷ (the sum of PSAUSS of study areas where the Preliminary Minimum Access Universal Service Support is less than PSAUSS).

§ 54.807 Interstate Access Universal Service Support

(a) Each Eligible Telecommunication Carrier (ETC) that provides supported service within the study area of a price cap LEC shall receive Interstate Access Universal Service Support for each line that it serves within that study area.

(b) In any study area within which the incumbent LEC has not established state approved geographically deaveraged rates for UNE loops, the Fund Administrator shall calculate the Interstate Access Universal Service Support Per Line by dividing Study Area Access Universal Service Support by twelve times all eligible telecommunications carriers' base period lines in that study area adjusted for growth during the relevant support period based on the average nationwide annual growth in eligible lines during the three previous years. For the purpose of calculating growth, the Fund Administrator shall use a simple average of annual growth rates for total switched access lines for the three most recent years as reported in the Common Carrier Bureau Report, Statistics of Communications Common Carriers, Table 6.10 – Selected Operating Statistics.

(c) In any study area within which the incumbent LEC has established state approved geographically deaveraged rates for UNE loops, the Fund Administrator shall calculate the Interstate Access Universal Service Support Per Line for each customer class and zone using all eligible telecommunications carriers' base period lines by customer class and zone adjusted for growth during the relevant support period based on the average nationwide annual growth in eligible lines during the three previous years. For the purpose of calculating growth, the Fund Administrator shall use a simple average of annual growth rates for total switched access lines for the three most recent years as reported in the Common Carrier Bureau Report, Statistics of Communications Common Carriers, Table 6.10 – Selected Operating Statistics. Support shall be allocated to lines in the highest cost UNE zone first, and will "cascade" to lines in lower cost UNE zones to the extent that sufficient funding is available. Beginning with the zone with the highest Zone Average Revenue Per Line, support will be applied in the following order of priority:

(1) To all lines in the highest zone, to eliminate the amount per line by which Zone Average Revenue Per Line exceeds the higher of $9.20 or the Average Revenue Per Line in the next highest zone;

(2) If the Zone Average Revenue Per Line in the next highest zone is greater than $9.20, then to all lines in both zones to eliminate the amount per line by which Zone Average Revenue per Line exceeds $9.20 or the Zone Average Revenue Per Line in the third highest zone. This application of support will continue to additional zones in the same fashion until the amount per line by which Zone Average Revenue Per Line exceeds $9.20 has been eliminated in all zones, or until the available support has been exhausted;

(3) To all residential and single line business lines in the highest zone, to eliminate the remaining amount per line that Zone Average Revenue Per Line for these lines exceeds the higher of $7.00 or Zone Average Revenue Per Line in the next highest zone;

(4) If the Zone Average Revenue per Line in the next highest zone is greater than $7.00, then to all residential and single line business lines in both zones to eliminate the remaining amount per line by which Zone Average Revenue Per Line exceeds $7.00. This application of support will continue to additional zones in the same fashion until the difference between Zone Average Revenue Per Line and $7.00 has been eliminated in all zones, or until the available support has been exhausted.

(d) Notwithstanding the provisions of 54.307(a)(2), the per-line support amount determined within each zone by applicable customer class under paragraph (b) or (c) above is portable among all eligible telecommunications carriers providing service within that zone.

§ 54.808 Transition Provisions and Periodic Calculation.

Study Area Access Universal Service Support amounts for the area served by each price cap incumbent LEC will be calculated as of July 1, 2000, January 1, 2001, July 1, 2001 and thereafter as determined by the Administrator, but at least annually.

§ 54.809 Carrier Certification

(a) *Certification.* Carriers that desire to receive support pursuant to section 54.807 must file a certification with the Administrator and the Commission stating that all interstate access universal service support provided to such carrier will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Support provided pursuant to section 54.807 shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

(b) *Certification Format.* A certification pursuant to this section may be filed in the form of a letter from an authorized representative for the carrier, and must be filed with both the Office of the Secretary of the Commission clearly referencing CC Docket No. 96-45, and with the Administrator of the interstate access universal service support mechanism, on or before the filing deadlines set forth below in subsection (c). All of the certifications filed by carriers pursuant to this section shall become part of the public record maintained by the Commission.

(c) *Filing Deadlines.* In order for a price cap local exchange carrier, and/or an eligible telecommunications carriers serving lines in the service area of a price cap local exchange carrier, to receive interstate access universal service support, such carrier must file an annual certification, as described in subsection (b), on the date that it first files its line count information pursuant to section 54.802, and thereafter on June 30th of each year.

PART 61 – TARIFFS

§ 61.3 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 § 61.46.

(c) ***Association.*** This term has the meaning given it in § 69.2(d).

(d) ***Average Price Cap CMT Revenue per Line month.*** Price Cap Common Line, and Marketing Per Residual Interconnection Charge Revenue (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 61.45(d).

Average Price Cap CMT Revenues Per Line month may also be adjusted pursuant to 61.45 (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 (LS) component will be calculated by dividing the proposed Local Switching revenues (End Office Switch, LS trunk ports, Information Surcharge, and signalling transfer point (STP) port) by the base period LS minutes of use (MOUs); and

(B) The Transport component will be calculated by dividing the proposed Transport revenues (Switched Direct Trunk Transport, Signalling for Switched

Direct Trunk Transport, Entrance Facilities for Switched Access traffic, Tandem Switched Transport, Signalling for Tandem Switching and residual per minute Transport Interconnection Charge (TIC) pursuant to §69.155 by incumbent LEC only base period 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 as set forth in 61.3(qq), the calculations should include all the relevant revenues and minutes for services provided under generally available tariffs.

(f) ***Band***. A zone of pricing flexibility for a service category, which zone is calculated pursuant to § 61.47.

(g) ***Base period***. For carriers subject to §§ 61.41-61.49, 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 § 61.45(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 alteration 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 Chain-Type Price Index for Gross Domestic Product 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 local exchange carriers 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) ***Price cap LEC***. *See* Part 54.802(c).

(bb) ***Local Switching Pooled Revenue***, for certain qualified companies as set forth in §61.48 (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 § 69.152, Presubscribed Interexchange Carrier charges (PICCs) under § 69.153, Carrier Common Line charges under § 69.154, and Marketing under 69.156, 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 § 61.3 (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 § 61.45.

(ee) ***Price cap regulation.*** A method of regulation of dominant carriers provided in §§ 61.41 through 61.49 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 §§ 61.45, 61.46, or 61.47.

(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 company that, as of December 31, 1999, was certified to the Commission as a rural telephone company.

(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 § 61.47.

(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 canceling that tariff, or tariff publication and numbered independently from the tariff page series.

(qq) ***Target Rate.*** The applicable Target Rate 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 Switched Access 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:

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

U(Uniform revenue per line adjustment) =

[(Average Price Cap CMT Revenue Per Line Month $_{\text{study area}}$ * ILEC Base Period Lines) – (25% * Σ (ILEC Base Period $\text{Lines}_{\text{UNE Zone}}$ x (($\text{Loop}_{\text{zone price}}$ + Port $_{\text{Price}}$) for all zones)))] ÷ ILEC Base Period $\text{Lines}_{\text{Study Area(s)}}$

where:

$Loop_{zone\ price}$ = the price for unbundled loop in a UNE zone.

$Port_{Price}$ = price for switch ports in that UNE zone.

§ 61.41 Price cap requirements generally.

(a) Sections 61.42 through 61.49 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.

(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 § 61.3(ee), 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 61.

(3) Notwithstanding the provisions of § 61.41(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 § 69.3(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 § 61.3(ee) of this chapter shall not be eligible to withdraw from such regulation.

§ 61.42 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 §§ 69.115, 69.152, 69.153, 69.154, 69.155, 69.156, and 69.157 of this chapter. For purposes of §§ 61.41 through 61.49 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 §§ 61.41 through 61.49 of this chapter, this basket shall be referred to as the "traffic-sensitive basket."

(3) A basket for trunking services as described in §§ 69.110, 69.111, 69.112, 69.125(b), and 69.129 of this chapter. For purposes of §§ 61.41 through 61.49 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 § 61.41(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 §§ 61.41 through 61.49 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 §§69.114 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 § 69.106(f) of this chapter;

(ii.) Information, as described in § 69.109 of this chapter;

(iii.) Data base access services;

(iv.) Billing name and address, as described in § 69.128 of this chapter;

(v.) Local switching trunk ports, as described in § 69.106(f)(1) of this chapter; and

(vi.) Signalling transfer point port termination, as described in § 69.125(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 signalling transport, and

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

(iii.) Tandem-switched transport, as described in § 69.111 of this chapter; and

(iv.) Signalling for tandem switching, as described in § 69.129 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.

§ 61.45 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 CMT basket as described in § 61.42(d)(i), the traffic-sensitive basket described in § 61.42(d)(2), the trunking basket described in § 61.42(d)(3), the Special Access basket described in § 61.42(d)(5) and the Interexchange Basket described in § 61.42(d)(4), shall be made pursuant to the following formula:

$$PCIt = PCIt\text{-}1[1+w[(GDP\text{-}PI - X\,(g/2))/(1+(g/2))] + Z/R]$$

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)(v). For the special access basket, the factor is set at the level prescribed in subsection (b)(1)(iv). For all other filings, the value is zero.

g = For annual filings for the CMT basket 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 61.45(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 § 61.42(d)(1), (2), and (3), shall be 6.5%, to the extent necessary to reduce a tariff entity's ATS Charge to its Target Rate as set forth in § 61.33 (qq). Once an ILEC tariff entity's ATS Charge is equal to the Target Rate as set forth in § 61.33 (qq) 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 as set forth in § 61.33 (qq), the amount of X-factor reduction applied that year will be the amount necessary to reach the Target Rate as set forth in § 61.33 (qq)). A filing entity does not reach the Target Rate as set forth in 61.3(qq) in any year in which it exercises an exogenous adjustment pursuant to § 61.45(d)(vii). For companies with separate tariff entities under a single price cap, the following rules shall apply:

(A) Targeting amounts as defined in § 61.45(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 as set forth in § 61.33 (qq).

(b)(1)(iii)(A) Except as provided in subparagraph (B), once the Tariff Entity's Target Rate as set forth in § 61.33 (qq) 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 § 61.48(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 carrier common line (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 § 61.45(i)(4) 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 § 61.42(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 § 61.42(d)(4), the value of X shall be 3.0% for all annual filings.

(b)(2) Adjustments to local exchange carrier PCIs and average price cap CMT revenue per line, in tariff filings other than the annual access tariff filing, for the CMT basket described in § 61.42(d)(1), the traffic-sensitive basket described in § 61.42(d)(2), the trunking basket described in § 61.42(d)(3), the interexchange basket described in § 61.42(d)(4), and the special access basket described in § 61.42(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 § 69.115 and line ports in excess of basic under § 69.157, 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) 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.) [removed and reserved];

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

(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 § 69.731 of this chapter. The allocation of LFAM amounts will be allocated pursuant to §61.45(d)(3). This subsection shall not be applicable to tariff filings during the tariff year beginning July 1, 2000, but is applicable in subsequent years;

(viii.) Inside wire amortizations;

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

(2) Local exchange carriers specified in § 61.41(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 § 61.45(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 § 61.46) 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 §§ 69.106, 69.108, 69.109, 69.110, 69.111, 69.112, 69.113, 69.118, 69.123, 69.124, 69.125, 69.129, or § 69.155 of this chapter shall target, to the extent necessary to reduce the ATS Charge to the Target Rate as set forth in § 61.33 (qq) for the first time, any PCI reductions associated with the dollar impact of application of the (GDPPI-X) portion of the formula in 61.45(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 as set forth in 61.3(qq). 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 as set forth in § 61.33 (qq), and shall not be applied to reduce the PCIs in any other basket or to reduced average price cap CMT Revenue per line, except as provided in § 61.45(i)(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 § 61.45(b)(1)(i) above.

(2) Until a tariff entity's ATS Charge equals the Target Rate as set forth in § 61.33 (qq) 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 as set forth in § 61.3(qq) 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 a price cap LEC reaches the Target Rate as set forth in § 61.3(qq) level, the ATS Rate will be recalculated each subsequent Annual Filing. 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 § 61.48(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 § 61.46(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 Switched Access End User Common Line Charge lines.

§ 61.46 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 = CMT – EUCL – Interstate Access Universal Service Support Mechanism Per Line – PICC

where

CMT =Price Cap CMT Revenue as defined in § 61.3(cc).

EUCL = Maximum allowable EUCL rates established pursuant to § 69.152

multiplied by base period lines.

Interstate Access Universal Service Support Per Line = the amount 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 § 69.153 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.

§ 61.47 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 § 61.49. 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 § 61.47. 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 § 61.3(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 § 69.123 of this chapter, for any service in the trunking and special access baskets, other than the interconnection charge set forth in § 69.124 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, if a local exchange carrier is recovering interconnection charge revenues through per-minute rates pursuant to § 69.155 of this chapter, any reductions to the PCI for the basket designated in § 61.42(d)(3) resulting from the application of the provisions of § 61.45(b)(1)(i) and from the application of the provisions of § 61.45 (i)(1) and (i)(2) shall be directed to the SBI of the service category designated in § 61.42(d)(i).

(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 § 61.45 (i)(1) and (i)(2), by the dollar amount associated with the SBI for the service category designated in § 61.42(e)(2)(vi), and multiplying the SBI for the service category designated in § 61.42(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 § 61.45(i), if a local exchange carrier is recovering an ATS Charge greater than its Target Rate as set forth in 61.3(qq), any reductions to the PCI for the Traffic Sensitive or Trunking baskets designated in §§ 61.42(d)(2) and (3) resulting from the application of the provisions of § 61.45(b), and the formula in § 61.45(b) and from the application of the provisions of §§ 61.45(i)(1), and (i)(2) shall be directed to the SBIs of the service categories designated in §§ 61.42(e)(1) and (2).

(j) The calculation of the SBI for the service category designated in § 61.42(d)(i) shall include any residual interconnection charge revenues recovered pursuant to §§ 69.153 and 69.155 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.