STATE OF MARYLAND

DOCKET FILE COPY ORIGINAL

MICHAEL J. TRAVIESO
PEOPLE'S COUNSEL

SANDRA MINCH GUTHORN
DEPUTY PEOPLE'S COUNSEL

DONALD F. ROGERS
PAULA M. CARMODY
CYNTHIA GREEN-WARREN
THERESA V. CZARSKI
WILLIAM F. FIELDS
LUANNE P. McKENNA
RICHARD T. MILLER

MARYLAND PEOPLE'S COUNSEL

WILLIAM DONALD SCHAEFER TOWER
6 ST. PAUL STREET, SUITE 2102
BALTIMORE, MARYLAND 21202
(410) 767-8150
(800) 207-4055
FAX (410) 333-3616

RECEIVED
FEB 14 2002
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 14, 2002

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-B204
Washington, D.C. 20554

Re: SLC Cost Review Proceeding for Residential and Single Line Business Subscriber Line Charge
Common Carrier Docket Nos. 96-262, 94-1, and 96-45

Dear Ms. Salas:

Enclosed please find Reply Comments of the National Association of State Utility Consumer Advocates dated February 14, 2002 in the SLC Cost Review Proceeding for Residential and Single Line Business Subscriber Line Charges. Pursuant to the Commission's filing procedures, I have enclosed an original and four (4) copies. I have also enclosed an additional copy of the first page of the proprietary and nonproprietary version of the document for receipt-stamp which I ask that you return to me in the enclosed postage-paid envelop.

This filing does not contain any proprietary information and, therefore, confidential treatment is not requested. However, there is a set of seven (7) CD-ROMS associated with this filing. These CD-ROMS do contain proprietary information and, therefore, NASUCA requests that they be accorded confidential treatment. We will be filing these CDs contemporaneously, but with a separate cover letter specifying why confidential treatment should be giving to these CDs.

No. of Copies rec'd 0+4
List A B C D E

Thank you for your cooperation. Should you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Michael J. Travieso
People's Counsel

MJT:sd
Enclosures
cc: Qualex, International
Chief, Competitive Pricing Division
Parties who have filed comments in this proceeding

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

RECEIVED

FEB 14 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45

REPLY COMMENTS OF THE NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES (NASUCA)

Prepared by:
David Gabel, PhD
Professor, Queens College

Submitted by:
Michael J. Travieso
Maryland People's Counsel
6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
(410) 767-8150

Attorney for National Association
of State Utility Consumer Advocates
8300 Colesville Road, Suite 101
Silver Spring, Maryland 20910
(301) 589-6313

February 14, 2002

Table of Contents

1 Introduction 3

2 Many Parties Agree that the ILEC Cost Submissions Cannot be Used to Justify Increases in the SLC 3

3 The Sparse Documentation Submitted By The ILECs Does Not Hide The Infirmities Of Their Cost Studies 4

4 The Rate Comparison Provided By The FPSC Highlights The Inaccuracy Of The ILECs Cost Estimates 5

5 The Arguments Presented By Parties In Favor Of Raising SLC Caps Are Faulty And Disingenuous 6

6 WorldCom Incorrectly Argues That The FCC Can Reject The ILEC Cost Studies Yet Still Approve An Increase To The SLC Caps 6

7 The Arguments Presented By Ad Hoc In Support Of Raising The SLC Cap Are Faulty And Should Be Rejected 7

8 Raising the Subscriber Line Charge will Move Prices Further Away from Their Economic Costs, and thus Violate One of the Principle Tenets of Economic Efficiency 10

9 Ad Hoc Incorrectly Uses The Outputs Of The Synthesis Model To Justify The Increase In The Residential And Single Line Business SLCs 12

10 Ad Hoc Incorrectly Transforms UNE Rates Into SLC Costs 14

11 The Arguments Presented By The General Services Administration In Support Of Raising The SLC Cap Are Without Merit And Should Be Rejected 16

12 Non-Primary Lines Pay A SLC That Is Greater Than $5 Per Month 17

information provided by the ILECs in this proceeding. Relying on the ILECs cost studies would constitute arbitrary and capricious decision-making.[6]

Furthermore, the assurance given by CALLS members to consumers that basic telephone service will remain just and reasonable under the CALLS plan, based on a comprehensive cost review of SLC charges, rings hollow if the cost studies submitted by the ILECs are deemed adequate.[7] This assurance is a fundamental principle of CALLS that was cited by the Fifth Circuit in upholding the CALLS order on appeal.[8] The FCC cannot allow the ILECs to renege on their promise. To do so would undermine the decision of the Fifth Circuit to uphold the CALLS order and the goal of FCC to rationalize access charges.

3 The Sparse Documentation Submitted By The ILECs Does Not Hide The Infirmities Of Their Cost Studies

NASUCA demonstrated in its initial comments that the ILECs sought to mask the infirmity of their cost studies by denying interested parties access to their cost models and inputs.[9] The comments of WorldCom, the CPUC, and Ad Hoc indicate that these parties also recognized and disregarded this attempted cover up. For example, WorldCom aptly noted:

> "Even if the lack of documentation were not sufficient to justify rejection of the ILECs' cost submissions, the Commission would have to reject those submissions because the ILECs have used methodologies and inputs that are inconsistent with Commission standards governing forward-looking cost models."[10]

Similarly, based on the sparse information provided by the ILECs, the CPUC identified a number of significant flaws in the ILECs' cost studies.[11] The CPUC also

---

[6] Ad Hoc Comments at Page 11.

[7] CPUC Comments at Page 18.

[8] United States Court of Appeals: Fifth District, Texas Office of Public Utility Counsel vs. FCC, No. 00-60434, October 1, 2001, Slip op. at 9.

[9] See NASUCA Comments at Section 3.4

[10] WorldCom Comments at Page 8. WorldCom singles out Verizon's improper use of financial depreciation even though the FCC and most State Commissions explicitly rejected cost models based on the use of financial depreciation rates.

[11] CPUC Comments at Page 10. Although the CPUC limited its discussion to the models submitted by ILECs in California (Verizon and SBC) their criticism is equally applicable to the cost submissions of all the ILECs. As illustrated by Appendix C, column G of our initial submission, the State Commissions have

1 Introduction

NASUCA has already shown in its initial comments that there is no legal or economic basis that justifies the scheduled increase to the residential and single line business SLC caps. The arguments presented by NASUCA are fully supported by record evidence and publicly available data, and need not be repeated here. Rather, in its Reply Comments, NASUCA takes the opportunity to respond to the comments submitted by other parties to this proceeding.

2 Many Parties Agree that the ILEC Cost Submissions Cannot be Used to Justify Increases in the SLC

The comments submitted by the Ad Hoc Telecommunications Users Committee ("Ad Hoc"), the California Public Utilities Commission ("CPUC"), the Florida Public Service Commission ("FPSC"), and WorldCom demonstrate agreement that the ILEC's cost submissions categorically fail to justify the scheduled increase to residential and single line business SLC caps above $5.00.

Each of these parties makes note of the fact that the ILEC cost submissions lack sufficient documentation to allow the FCC or interested parties to fully inspect the ILECs' cost studies.[1] For example, Ad Hoc notes that the cost studies lack the detail necessary for the FCC to complete a thorough cost review. It states that the "incomplete nature of the price cap LECs' cost data renders it moot".[2] WorldCom argues that the FCC should give no weight to the ILECs' cost submissions because the ILECs have failed to provide their cost models or inputs for parties to review.[3] Similarly, the CPUC argues that the ILECs cost submissions are unacceptable because they have provided parties nothing more than black boxes whose outputs are wholly dependent upon unknown inputs.[4]

The CPUC and WorldCom also argue that the FCC cannot accept the ILEC's cost submissions because the FCC has historically declined to give any weight to cost model outputs derived from undisclosed models and unidentified inputs.[5] NASUCA is in full agreement with the arguments offered by these parties. The FCC cannot reasonably conclude that the scheduled increase to the SLC cap is justified based upon the scant

[1] See, Ad Hoc Comments at Page 4, CPUC Comments at Page 5, FPSC Comments at Page 3, and WorldCom Comments at Page 7.

[2] Ad Hoc Comments at Page 3.

[3] WorldCom Comments at Page 7.

[4] See CPUC Comments at Page 6.

[5] See WorldCom Comments at Page 7 and CPUC Comments at Page 6.

demonstrates that the ILECs cost models suffer several fundamental shortcomings because of the inputs used within their models.[12] NASUCA agrees with the CPUC and urges the FCC to reject the ILECs cost submissions as they are unsubstantiated and do not justify the proposed increase to SLC caps.

NASUCA also agrees with Ad Hoc that the ILECs cost submissions are severely lacking with regard to key cost model inputs. Strikingly absent from the ILECs' cost submissions is any discussion of how DLC investment, specifically GR-303, affects the cost structure of the loop.[13] In the CALLS proceeding the ILECs and IXCs implicitly contend that all loop costs are non-traffic sensitive and should be recovered through an end-user charge. However, in State TELRIC proceedings, the same parties disagree about the level of concentration between the digital line carrier remote terminal and the central office. Therefore, these parties do not dispute that the investment is traffic sensitive or that the level of busy-hour traffic determines the amount of facilities deployed.[14]

Whereas the use of GR-303 technology has changed the cost structure of the loop, the FCC should order LECs to recover the traffic sensitive fiber feeder and DLC costs through a usage sensitive rate structure rather than through the SLC.

4 The Rate Comparison Provided By The FPSC Highlights The Inaccuracy Of The ILECs Cost Estimates

In its comments the FPSC demonstrated that BellSouth's cost submission overstates the cost of providing access to the telecommunications network based on a comparison with UNE rates in Florida.[15] NASUCA concurs with the conclusions drawn by the FPSC. The comparison it provides shows the inaccuracy of ILEC cost estimates in one study area and supports the comparison provided in NASUCA's initial comments indicating that the ILECs have systematically overestimated the cost of access relative

concluded that the cost providing the loop and port is significantly less than the estimates provided by the ILECs in this proceeding.

[12] CPUC Comments at Pages 10-15.

[13] "None of the seven carriers identified the relevant shares of UDLC, IDLC or NGDLC shares that were used in their respective cost studies." Ad Hoc Comments at 7

[14] For example in a recent proceeding before the New York Public Service Commission, WorldCom advocated that a 6:1 concentration ratio be used between the switch and digital line carrier. On the other hand, Verizon advocated "a 3:1 concentration ratio, which it says represents the judgment and experience of its network engineers on the best way to balance the countervailing interests in minimizing port costs per loop through a higher concentration ratio and avoiding the call blocking that would result if a free switch port were unavailable when needed because the ratio was too high." See: New York Public Service Commission Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements, CASE 98-C-1357, January 28, 2002, Page 91.

[15] FPSC Comments at Page 3.

to the rates established by the State Commissions in their TELRIC proceedings. NASUCA showed in its initial comments that without exception the ILECs have submitted cost estimates in this proceeding that exceed the TELRIC rates established by the State Utility Commissions.[16]

5 The Arguments Presented By Parties In Favor Of Raising SLC Caps Are Faulty And Disingenuous

There is little disagreement among parties that the ILECs cost submissions are inadequate and fail to justify an increase to the SLC caps. However, some parties contend that the FCC should nevertheless adopt the proposed increases to the SLC cap. NASUCA has already demonstrated in its initial comments that such a proposal is contrary to the CALLS order as well as sound economic theory and must be rejected.[17]

6 WorldCom Incorrectly Argues That The FCC Can Reject The ILEC Cost Studies Yet Still Approve An Increase To The SLC Caps

Although WorldCom urges the FCC to reject the ILECs cost submissions because they are grossly inaccurate, WorldCom inexplicably states that this should not interfere with the scheduled increase to the SLC caps.[18] Apparently WorldCom forgets that the sole purpose of this proceeding is to review forward-looking cost information to determine if an increase to the residential and single-line business SLC cap is justified.[19] Therefore, if the cost submissions do not support higher SLCs the FCC cannot approve the scheduled increase because there is no basis for such a conclusion.

WorldCom's argument here also fails to make any economic sense. WorldCom argues in favor of raising the residential SLC above cost because it would strike a reasonable balance between customer classes by eliminating much of the multi-line business PICC. Worldcom contends that residential and single-line business customers should pay a larger share of the ILEC's legacy costs.[20] The solution to the PICC is not to

---

[16] See Appendix C, Column G of NASUCA's initial comments for the ILEC's monthly overstatement of access costs.

[17] NASUCA Comments at Section 3.

[18] WorldCom Comments at Page 2.

[19] See, for example, CALLS Order, Paragraphs 64, 70, and 80. See, also, DA 01-2547, November 1, 2001: "we initiated a cost review proceeding to determine the appropriate residential and single-line business subscriber line charge (SLC) caps for price cap local exchange carriers (LECs)." The Commission's initial notice in this proceeding clearly states that it will only be reviewing forward-looking economic cost data in this proceeding. DA 01-2163, September 17, 2001.

[20] WorldCom Comments at Pages 3, 6.

further distort the market through an increase in the subsidies provided by residential and sing-line business customers. The price increase would drive residential prices farther away from the economic cost of production, contrary to the FCC's policy. The concern of Worldcom regarding the PICC should be addressed through the more economically rational pricing policies proposed by NASUCA in its Initial Comments. More specifically, the Commission's pricing policy should be adjusted to reflect the traffic-sensitive investments in the feeder portion of the loop-and the fact that the loop is a joint input used to provide data and voice services.[21]

Furthermore, as highlighted by Table A of NASUCA's initial submission, the Commission should not consider compensating the ILECs for their embedded costs without simultaneously undertaking a comprehensive rate case. The ILECs rate-of-return greatly exceeds the authorized rate-of-return, 11.25%. It would be unjust to raise the residential SLC on the grounds that the ILECs should be compensated for their embedded costs, without simultaneously considering if the current rates are already excessive.[22] For example, why should the SLC of Michigan Bell be raised when its realized rate of return is 34.29% and the interstate economic cost is approximately $3.45? Or why should Florida Bell be permitted to raise its SLC when its realized return is 24.61%, and the interstate economic cost of access is approximately $4.73? Or consider the case of North Dakota. Its authorized rate-of-return is 11.25% and its return on investment is 33.55%. Why would it be just and reasonable to raise the SLC in North Dakota in light of the firm's current earnings and the support that is available from the CALLS USF?

7 The Arguments Presented By Ad Hoc In Support Of Raising The SLC Cap Are Faulty And Should Be Rejected

While NASUCA will demonstrate below that Ad Hoc's SLC estimates are incorrect and should not be used, in this section we show that Ad Hoc's simple comparison of it's estimated SLC cost to the current SLC cap is conceptually flawed.

---

[21] NASUCA's Comments at Section 8.

[22] The analysis of embedded costs would need to include an investigation of the degree to which reported assets are not phantom assets. As pointed out by the Commission, the Common Carrier auditors found "that the carrier's CPRs (continuing property records) contained deficiencies and did not comply with the Commission's rules. The auditors further reported that certain equipment described in the CPRs could not be found by the Bureau auditors or by company personnel during the field audits. Also, the auditors reported that the CPRs included records and accounting entries that had no description of the equipment or its location and were described as 'undetailed investment' or 'unallocated other costs.'" FCC, *In The Matter Of 1998 Biennial Regulatory Review -- Review Of Depreciation Requirements For Incumbent Local Exchange Carriers*, Second Report and Order in CC Docket No. 99-137 and Order in CC Docket No. 99-117 and AAD File No. 98-26, Released November 7, 2000.

It would be unjust and unreasonable to raise the SLC to compensate the ILECs for assets that the Commission's auditors were unable to locate.

Ad Hoc uses cost estimates to justify an increase in the Residential and Single-line business SLC. In its comments, Ad Hoc compares its estimated SLC costs to the current $5.00 SLC cap. It notes that for the majority of states, its estimated SLC cost is greater than $5.00, and that this result justifies the increase in the SLC cap.[23] Ad Hoc does not seem to understand that looking at the relationship between its estimated costs and the SLC ignores the important policy objective that some high cost areas are intended to receive explicit subsidies under the USF support mechanism. That is, not each single rate needs to cover its costs in order for pricing to be economically efficient and to achieve its public policy objectives.

Ad Hoc's comparison is unreasonable because it fails to consider the purpose of universal service, and because it fails to consider whether increasing the SLC cap will generate significant implicit subsidies from residential and single-line business customers in those areas where the CMT revenue is greater than the forward-looking economic cost of service. Ad Hoc fails to make the distinction between implicit subsidies which are discouraged by the FCC, and the explicit subsidy for high-cost areas which is justified under the USF support mechanism.

The universal service fund exists to help carriers provide affordable service in high cost areas – i.e., it is an explicit subsidy. The amount required to perform this task depends on the number of lines in high cost areas and the cost in those areas. If the required support amount is low, then it is reasonable to maintain the current SLC and allow the universal service fund to support the costs that are above revenues. Merely counting the states that have costs above revenues will not indicate whether the universal service fund can meet the demands that a $5.00 SLC cap would put on it. To answer that question is necessary to examine the number of lines per state and the magnitude of the difference between cost and revenue. This is an exercise that Ad Hoc does not perform, and it results in Ad Hoc reaching incorrect conclusions.

An increase in the SLC caps not only decreases the USF support received by high cost residential and single-line business customers, but it also will increase the implicit subsidies paid by and collected from low-cost residential and single-line business customers to the carrier and its other customers. This occurs when the forward-looking cost is below the allowed CMT revenue and the allowed CMT revenue is greater than the current $5.00 SLC cap. Because decreasing and possibly eliminating implicit subsidies is the goal of the FCC, any change that significantly increases implicit subsidies should be avoided. However, by ignoring the impact of SLC increases on customers where the allowed CMT revenue is greater than the forward-looking cost of service, Ad Hoc fails to investigate this situation. Thus, its simple comparison does not properly address the issue of implicit subsidies.

To illustrate these issues, NASUCA calculated the amount of implicit subsidy paid by residential and single-line business customers and the USF support that should be received by them at the current $5.00 SLC and if the SLC were allowed to increase to

[23] Ad Hoc Comments, Pages 15, 17.

$6.50. An implicit subsidy is paid when the SLC is greater than the economic cost allocated to the interstate jurisdiction. USF support should be received where the economic cost allocated to the interstate jurisdiction is greater than $5.00.

For example, for New Jersey Bell, Ad Hoc reports that the allocated interstate cost is $3.49.[24] The current SLC in New Jersey is $5.00 and the CMT is $6.21. There are over 3,000,000 residential access lines in New Jersey. Each subscriber is paying an implicit subsidy of $1.51 (5-3.49) per month through the subscriber line charge. Hence, at today's $5.00 SLC, residential access customers in New Jersey pay an annual implicit subsidy of over $54m (3,000,000 x 12 x [5 – 3.49]). The Ad Hoc supports raising the residential SLC to the CMT of $6.21. This would result in New Jersey residential customers paying an annual subsidy of $98m (3,000,000 x 12 x [6.21 – 3.49]).

USF support should be received where the economic cost allocated to the interstate jurisdiction is greater than $5.00. For West Virginia, Ad Hoc reports that the allocated interstate cost is $7.47.[25] The current SLC in West Virginia is $5.00 and the CMT is $8.21. There are over 600,000 residential access lines in West Virginia. If the SLC remains at $5.00, Verizon West Virginia should receive approximately $18m in explicit support (600,000 x 12 x (7.45 – 5)).[26] If the SLC is increased to $6.50, West Virginia would need approximately $7m in universal service support (600,000 x 12 x (7.45 – 6.50)).

These two simple examples highlight the conceptual flaw in Ad Hoc's analysis. Ad Hoc implicitly contends that it is economically efficient to require New Jersey to provide an additional $44m in implicit subsidies ($98 - $54) in order to reduce the required support in West Virginia by $11m ($18 - $7). Simultaneously, Ad Hoc totally neglects the explicit support that is provided through the CALLS plan.

In order to understand the magnitude of Ad Hoc's errors on a national scale, we have undertaken the same calculations for each of the companies included in Ad Hoc's TELRIC Table. These calculations were made using Ad Hoc's estimated TELRIC UNE SLC cost. While NASUCA will show below that these SLC cost estimates are too high, for the sake of simplicity we used these estimates in this instance to show the importance of properly calculating implicit subsidy flows and explicit USF support requirements.

At the $5.00 SLC cap, residential and single-line business customers should receive $303 million in explicit USF support.[27] This value is well below the $650 million USF

[24] Ad Hoc Comments, page 16.
[25] Ad Hoc Comments, page 16.
[26] This calculation does not take into account that non-primary lines pay a SLC that is greater than $5.00 per month. Therefore the required support is less than $18m.
[27] See Attachment A, Table 1. The proprietary information used to generate Tables 1 and 2 have been provided to the FCC under a protective agreement. See Confidential Attachment diskette – "adhoc_revised.xls".

support amount that was adopted in the CALLS order. However, it is still indicative of the fact that USF support requirements are not exorbitant. If the SLC is allowed to increase to $6.50, then the implicit subsidies paid by the residential and single-line business customers will increase from $284 million to $950 million.[28] This significant increase in implicit subsidies clearly defies the FCC's mandate to reduce or eliminate implicit subsidies, and plainly does not comport with the principles of economic efficiency.

8 Raising the Subscriber Line Charge will Move Prices Further Away from Their Economic Costs, and thus Violate One of the Principle Tenets of Economic Efficiency

One of the justifications of CALLS was that it "moves toward cost-based rates"[29] so that rates are closer to the economic cost of service. Increasing the Subscriber Line Charge, as proposed by Worldcom, GSA, and Ad Hoc, at this time would do just the opposite since NASUCA's cost evidence suggests that increasing the SLC would move rates away from cost. Moreover, the Commission has indicated that the economic cost of service would be a rate ceiling for the SLC:

> "As set forth in the CALLS Proposal, we shall review any increases to residential and single-line business SLC caps above $5.00 to verify that any such increases are appropriate and **reflect higher costs where they are to be applied**."[30] (Emphasis added).
>
> "The proposal also calls for the Commission to initiate a proceeding after the SLC cap reaches $5.00 to examine whether increases to the SLC cap for residential and single-line businesses above $5.00 are appropriate, and **reflect the costs in the UNE zone or zones where they would apply**."[31] (Emphasis added).

Thus, raising the SLC at this time based on embedded revenue requirement, as suggested by GSA and Ad Hoc, rather than economic cost data, would be in direct contradiction to what the FCC said it would do in the CALLS Order.

Five years ago the Commission stated that it would propose rates at forward-looking economic cost levels. Therefore, no consideration should be given to further SLC price

---

[28] See Attachment A, Tables 1 and 2.

[29] CALLS Order, Paragraph 81.

[30] CALLS Order, Paragraph 83.

[31] CALLS Order, Paragraph 70.

increases since, as illustrated below, the higher charges would violate its previously established methodology and position:

> "As competition emerges, the market-based approach will permit access charges to move towards the levels that will prevail in competitive markets. During the transition to competitive markets, access services not subject to competition will remain subject to price cap regulation, and we will eventually prescribe rates for those services at forward-looking economic cost levels, to ensure that all consumers reap the benefits of economically-efficient prices."[32]

We would like to emphasize that NASUCA is not advocating that the SLC be reduced at this time so that it equals the economic cost of service. Such a proposal would call for a rate reduction of no less than $1.113 billion.[33] Instead, we are arguing for the reasonable compromise position that rates should not be increased further away from economic costs than they already are. We would like to ensure that FCC decisions and public policy do not further increase the economic distortions by further moving the SLC away from the economic cost of service.

In fact, in the CALLS Order, the FCC specifically noted the possibility that a decrease in the SLC might be justified in order to move the price towards the economic cost of production:

> "We will address in that proceeding whether an increase in the SLC cap above $5.00 is warranted and, if not, whether a decrease in common line charges is warranted."[34]

Common line charges include the SLC. The rules adopted in 1983 apportioned charges for common line costs between a monthly flat-rated SLC assessed on end users, and a per-minute CCL charge assessed on IXCs.[35] Therefore, it is clear that the FCC was aware of the possibility that the SLC might need to be reduced rather than increased based on its findings in this cost proceeding. The Commission's commitment to possibly lower the SLC based on its review of the evidence provided in this proceeding

[32] First Report and Order (Access Order), In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure, and Pricing End User Common Line Charges (CC Docket No. 96-262) (CC Docket No. 94-1) (CC Docket No. 91-213) (CC Docket No. 95-72), May 16, 1997, Paragraph 274.

[33] NASUCA's Initial Comments, January 24, 2002, Page 43. The $1.113 billion is an understatement of the total implicit support currently provided by residential and single-line business customers since it does not take into account the higher SLC charge for non-primary lines.

[34] CALLS Order, Paragraph 64.

[35] CALLS Order, Paragraph 83.

illustrates its intention to prospectively set rates based on the economic cost of service, rather than the CMT.

Finally, the FCC has also made it clear that changes in the SLC should be based on forward-looking cost studies to be provided by the ILECs, and not embedded cost methodology.

> "To implement our backstop to market-based access charge reform, we require each incumbent price cap LEC to file a cost study no later than February 8, 2001, demonstrating the cost of providing those interstate access services that remain subject to price cap regulation because they do not face substantial competition. The Commission will require submission of such studies before that date if competition is not developing sufficiently for our market-based approach to work. **Studies should identify and quantify forward-looking costs, short-run and long-run, that are incremental to providing each such service, and also costs that are common as between various services**."[36] (Emphasis added).

The FCC said that the economic cost studies filed in this proceeding were effectively a continuation of what they said they would do in 1997.[37] That is, in markets where there was insufficient competition, they would use the estimated economic cost of service to protect consumer interests. If the Commission sets rates on the embedded revenue requirement, they are not providing the "backstop." Rather the Commission would be driving prices away from the economic cost of service, and requiring captive monopoly customers to provide an increased implicit subsidy.

Clearly, the studies submitted by the ILECS under this proceeding have not satisfied this basic requirement outlined by the FCC with regard to the cost studies it would receive from the ILECs by February 8, 2001. Although the deadline for these studies was extended, the ILECs have still not submitted studies that provide forward-looking cost estimates. Therefore, as shown in our initial cost submission, the SLC should remain at $5.00 in order to ensure that implicit subsidies are not increased.

9 Ad Hoc Incorrectly Uses The Outputs Of The Synthesis Model To Justify The Increase In The Residential And Single Line Business SLCs

Ad Hoc is correct that the Synthesis Model is a reliable forward-looking cost model. This model has been thoroughly analyzed and critiqued by numerous parties and adopted by the FCC as an accurate representation of forward-looking cost.[38] As such,

[36] Access Order, Paragraph 267.

[37] Brief of the FCC in the CALLS case, US Court of Appeals for the Fifth Circuit (0060434), at Page 51.

[38] Ad Hoc Comments, Page 12.

it is a model that the FCC can use to determine if an SLC increase is warranted. However, Ad Hoc incorrectly states that model produces statewide results that are not distinguished by carrier.[39]

Ad Hoc's assertions are incorrect because the Synthesis Model calculates the cost of service at the wire center level. The model contains a table that assigns each wire center to the carrier that owns and operates the wire center. Summing across all wire centers that a carrier owns will provide the carrier specific forward-looking cost. It is also possible to sum the wire centers by the UNE zones of the carrier to determine the carrier specific UNE zone cost

Ad Hoc thus completely misrepresents the values provided in the USAC quarterly report and incorrectly separates interstate costs from total company costs. As such, its claim that the Synthesis Model supports an increase in the residential and single-line business SLC is not justified.

The proper SLC cost is the sum of interstate allocated loop and port costs. However, the Synthesis Model results presented in Ad Hoc Table 3, in the column identified as "Statewide Average Monthly Forward-looking Cost", is the total cost of service. The total cost is the sum of loop, port, end office usage, transport, signaling, and local number portability. Ad Hoc's estimates of SLC costs are too high because they improperly include the cost of end-office usage, transport, signaling, and local number portability. Therefore, the FCC cannot rely on these estimates because they are not SLC costs estimates.

Ad Hoc then attempts to transform these excessive total company costs into interstate cost by multiplying the total cost by 25 percent. Separating costs in this manner is incorrect because it ignores the fact that the port is separated on the basis of interstate DEM factor. Because the national DEM factor averages approximately thirteen percent, using the twenty-five percent factor over-estimates the SLC cost by twelve percent of the unseparated port cost.[40]

Ad Hoc argues that the FCC can use embedded cost of service estimates to justify increases to SLC cap because the FCC did not exclude such a possibility. Rather, the FCC merely "requested" that carriers supply their forward-looking costs. According to Ad Hoc, after accepting forward-looking cost submissions, the FCC has the prerogative to review not only forward-looking cost estimates but also embedded cost estimates and any other information it may deem to be reasonable.

---

[39] Id., Page 12.

[40] For trends in the national average see The Universal Service Monitoring Report, CC Docket No. 98-202, Prepared by the Federal and State Staff for the Federal-State Joint Board on Universal Service in CC Docket No. 96-45, Table 8.3 Dial Equipment Minutes. The study area specific factor is available in ARMIS 43-04, row 1213.

This proposal should be rejected because using embedded cost to justify any rate that affects either universal service or market conditions is in direct conflict with the findings of the FCC and the recommendations of the Federal-State Joint Board on Universal Service. The FCC agreed with the Joint Board when it found that the forward-looking economic cost of service should be used to determine universal service support. As part of this decision, it noted that the forward-looking economic cost best approximates the outcome of market actions.[41]

Moreover, the FCC and the Joint-Board on Universal Service explicitly condemned the use of embedded costs. They stated that the use of embedded cost would direct carriers to make inefficient investments, erect barriers to entry and potentially lead to financial disasters.[42] In addition, using embedded cost as a standard for pricing does not allow the FCC to make any determination regarding whether implicit subsidies have been eliminated or increased. The economic community has concluded that subsidies are measured as difference between rates and economic costs, not the difference between rates and embedded costs.[43] Therefore, the FCC cannot reach its goal of eliminating implicit subsidies through a policy decision justified on the relationship between rates and embedded costs.

10 Ad Hoc Incorrectly Transforms UNE Rates Into SLC Costs

Ad HOC is correct that UNE rates provide reliable forward-looking cost estimates. This is because state Commissions have thoroughly investigated the model platform and model inputs as their basis for approving UNE rates. This review is necessary because it is widely known that any analysis can increase or decrease the forward-looking cost of service by changing the inputs or manipulating the model algorithms. For these reasons, Ad Hoc has correctly argued that the FCC should declare the ILEC filed studies to be moot and unusable.

Since UNE rates do not include retail costs and are total company rather than interstate costs these data must be adjusted to provide the desired comparison. That is, it is necessary to separate interstate costs from the total cost of service and to add reasonable retail costs to the UNE costs. Ad Hoc, however, has incorrectly assigned costs to the interstate jurisdiction and has not identified the reasonable amount of retail cost that should be added to the UNE cost.

For example, Ad Hoc separates interstate cost from the total cost of service by multiplying both loop and port costs by twenty five percent. While it is correct to multiply

---

[41] Universal Service Order, Paragraphs 224-226.

[42] Universal Service Order, Paragraphs 227-229.

[43] See in general, William J. Baumol and J. Gregory Sidak, Toward Competition in Local Telephony, MIT Press, 1994.

the loop by twenty-five percent to determine the interstate component, port costs should be multiplied by the carrier specific interstate DEM factor found in ARMIS report 43-04. Again, Ad Hoc failed to perform this calculation correctly and it has resulted in an overstatement of interstate port costs.

Ad Hoc estimates the retail cost to be $3.71. It claims that this the amount of retail cost used by the Synthesis Model. While the $3.71 can be identified as part of the retail cost in the Synthesis Model, this value is incomplete. First, it does not include an additional six cents of access retail cost. Second, it does not account for operating taxes and an allowance for uncollectible revenues. The proper amount of retail identified in the Synthesis Model is $3.77.[44] Adjusting this amount for operating taxes and uncollectibles increases the $3.77 to $4.01.

Next, Ad Hoc allocates the retail rate to the interstate jurisdiction by multiplying this cost by 25 percent. This allocation is incorrect because it fails to assign any retail cost to transport signaling and end-office usage. In addition, it continues the incorrect allocation of port costs. The retail costs allocated to port cost must be assigned to the interstate jurisdiction using the interstate DEM factor.

NASUCA has correctly calculated a SLC cost based on the UNE rates. In Attachment A - Table 3,, NASUCA translates the UNE zone loop and port rates into interstate jurisdictional costs and adds the proper amount of retail cost to the loop and port costs.[45] The UNE loop costs are multiplied by twenty-five percent to determine the interstate loop cost and UNE port costs are multiplied by the carrier specific interstate DEM factor to determine the interstate port cost. The retail cost is estimated in Attachment A - Table 4.[46] These estimates begin with the $4.01 total company cost. These costs are allocated to each cost basket (loop, port, end-office, and transport) based on the relative model investment in each cost basket. Then the retail costs assigned to loop and port are allocated to the interstate jurisdiction using the twenty-five percent gross allocator and the interstate DEM factor. Finally, in Attachment A - Table 5, the carrier specific rates are calculated as the weighted average of UNE zone rates.[47] What these data clearly shows is that a UNE rate comparison does not support the scheduled increase to the SLC caps.

---

[44] Inputs Order Appendix D, and Letter from Robert Quinn, AT&T, to Magalie Roman Salas, FCC, CC Docket No. 01-9, dated February 1, 2001.

[45] The proprietary information used to generate Table 3 has been provided to the FCC under a protective agreement. See Confidential Attachment diskette – "une_retail.xls" tab "slc" at cells B1:J167.

[46] The proprietary information used to generate Table 4 has been provided to the FCC under a protective agreement. See Confidential Attachment diskette – "une_retail.xls" tab "retail" at cells A1:J83.

[47] The proprietary information used to generate Table 5 has been provided to the FCC under a protective agreement. See Confidential Attachment diskette – "une_retail.xls" tab "slc" at cells X6:AC48.

11 The Arguments Presented By The General Services Administration In Support Of Raising The SLC Cap Are Without Merit And Should Be Rejected

As with the comments filed by WorldCom and Ad Hoc the comments submitted by the General Services Administration ("GSA") attempt to support an increase to the residential and single-line business SLC caps based on flawed economic analysis.

In its comments the GSA demonstrates that it does not grasp the fundamental principles of cost modeling. For example, the GSA argues that if the ILECs have not excluded the cost of facilities used to serve multi-line business customers from their cost models the ILECs cost estimates understate the true cost of providing interstate access to residential and single-line businesses and offers further justification for an increase to the SLC cap for these customers.[48] This argument is without merit. The purpose of the cost studies filed in this proceeding is to estimate the forward-looking cost of providing interstate access on an efficient telecommunications network. In order to properly estimate this cost an analysis must include the demand for all types of customers in its calculations.[49] Excluding multi-line business facilities from these calculations would improperly assume that multi-line business facilities do not share poles, conduit, cables, and other facilities with other customers. The GSA does not explain why it considers this assumption to be reasonable because it cannot. Essentially, the GSA has advocated a cost methodology that has no support in economic theory and would result in an overstatement of the cost of voice grade residential and single-line business access.[50]

The GSA also argues strongly in favor of approving the proposed increase to the SLC cap so that the FCC can simultaneously reduce the multi-line business SLC.[51] This proposal does not make economic sense. That is, while the GSA discusses "rationalizing" the system of interstate access charges they do not explain why it would be appropriate to reduce the alleged subsidy provided by multi-line business customers

[48] GSA Comments at Page 7.

[49] The FCC requires the use of total, not incremental demand, in the development of forward-looking cost estimates. "The per-unit costs associated with a particular element must be derived by dividing the total cost associated with the element by a reasonable projection of the actual total usage of the element. Before the Federal Communications Commission, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 and Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Docket Nos. 96-98 and 95-185, First Report and Order, FCC 96-325, Adopted: August 1, 1996, Released: August 8, 1996, at ¶682.

[50] GSA has proposed that the residential SLC be based on the stand-alone cost of serving non-multi-line customers. The stand-alone cost of service is of course a rate ceiling, as recognized by the Commission in its First Report and Order. Id. at ¶698. GSA has not explained why residential customers should be denied the opportunity to share in any of the economies of scope and scale that are achieved through sharing the network with multi-line customers.

[51] GSA Comments at Page 6.

by requiring an increase in the implicit subsidy already collected from residential customers. The GSA's argument demonstrates that it is absolutely oblivious to the FCC's effort to rationalize access charges by moving them towards the economic cost of production. The GSA's proposal to merely shift costs away from itself and on to other users is unfounded, inefficient, and must be rejected by the FCC.

Non-Primary Lines Pay A SLC That Is Greater Than $5 Per Month

The initial comments of parties have been based on the assumption that the residential SLC is no higher than $5 per month.[52] In Appendix C of our initial submission we estimated the monthly and yearly over-recovery of interstate access costs based on the current SLC cap of $5.00, and the scheduled increases to $6.00 and $6.50. However, the estimates provided in Appendix C, as well as in our other Tables, were based on the assumption that the SLC cap for non-primary residential lines is identical to the SLC cap for primary residential lines. This assumption is incorrect. In some states the non-primary residential line SLC charge is as high as $7.00 per month. As a result Appendix C represents an understatement of the implicit support provided to the ILECs by CALLS. NASUCA has corrected this oversight in its Reply Comments.

Table 6 of these Reply Comments is a revised version of Appendix C of NASUCA's January 24, 2002 filing in this proceeding. The new table includes the over-recovery attributable to the SLC charges for non-primary residential lines.[53] This new table shows that when UNE rates are used to estimate the economic cost of service, the RBOCs are collecting almost $940 Million annually in implicit support through current subscriber line charges.[54] If the SLC caps are increased as scheduled by the CALLS Order the annual implicit support will climb past $1.6 Billion, based on a SLC cap of $6.00, and approach $2.0 Billion per year if the SLC cap is allowed to rise to $6.50.[55]

The higher charges for non-primary lines provides the ILECs with approximately $173m per annum in additional revenue that was not taken into account in our January 24,

[52] See, for example, Ad Hoc, page 9; NASUCA Comments, Appendix C.

[53] The following steps were taken to estimate the number of non-primary lines. PNR data provided the number of residential access lines and the number of households in the United States. NASUCA then used telephone penetration rate data from the FCC's Monitoring Report to estimate the number of homes with telephone service. This was done by multiplying the total number of homes by the percentage of homes in each state with telephone service. Finally the number of non-primary lines was derived by subtracting the number of homes with phone service from the total number of residential access lines.

The Table has been modified to reflect the new UNE rates adopted by the New York Public Service Commission. New York Public Service Commission Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements, CASE 98-C-1357, January 28, 2002, This rate change increased the level of implicit support derived from the SLC by approximately $99m per annum ($4.70 - $3.98) * 11,408,026 * 12.

[54] NASUCA's earlier estimate was just over $667 Million. $99m of this $271m change is due to the lower UNE rates recently adopted in New York. See, *supra*, footnote 53.

[55] NASUCA's earlier estimates were approximately $1.5 and $1.8 Billion

2002 submission. This additional revenue should be considered by the Commission in its determination of the required level of universal service support.

Again, as NASUCA pointed out at page 25 of its initial comments, this comparison likely understates the over-recovery allowed by the CALLS Order because existing UNE loop and port rates established by the state commissions very likely overstate the actual forward-looking cost of providing voice grade residential and single-line business connection to the network. This is because UNE rates are based upon network configurations that assume more expensive materials for the provision of advanced services, such as additional fiber optic cables and universal digital line carrier systems, which are not necessary for basic voice services. Therefore, without such assumptions, the cost of providing a voice only network would result in lower UNE loop and port rates, further widening the gap between CALLS and efficient cost recovery.[56]

[56] NASUCA also noted at page 25 of its initial comments that the FCC has long-recognized that the cost of providing voice services is less than the cost of constructing a network for advanced telecommunications services. See In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, FCC 98-279, October 28, 1998, Paragraph 70.

Attachment A

Table 1

State	SAC	Study Area Name	Support	Over Payment	Net Over Payment
AL	250281	Contel Of The South Dba Gte South	-	-	-
AL	250293	Gte And Contel Of Alabama	-	-	-
AL	255181	South Central Bell-Al	(22,981,257)	-	(22,981,257)
AR	405211	Southwestern Bell-Arkansas	(10,280,228)	-	(10,280,228)
CA	542302	Contel Of California-California	-	-	-
CA	542319	Gte Of California	-	-	-
CA	545170	Pacific Bell	-	32,741,436	32,741,436
CT	135200	Southern New England Tel	-	2,399,126	2,399,126
DC	575020	C And P Telephone Company Of Wa Dc	(825,040)	-	(825,040)
DE	565010	Diamond State Tel Co	-	2,312,814	2,312,814
FL	210328	GTE Floridainc	-	-	-
FL	215191	Southern Bell-FL	-	13,165,062	13,165,062
GA	225192	Southern Bell-Ga	(18,066,460)	-	(18,066,460)
HI	623100	Gte Hawaiian Telephone Co Inc	-	-	-
IA	355141	Northwestern Bell-Ia	(11,381,430)	-	(11,381,430)
ID	475103	Mountain Bell-Idaho	(11,528,035)	-	(11,528,035)
IL	341036	Contel Of Illinois Inc Dba Gte - Illinois	-	-	-
IL	341015	Gte Of Illinois	-	-	-
IL	345070	Illinois Bell Tel Co	(8,333,902)	-	(8,333,902)
IN	320779	Contel Of Indiana Inc Dba Gte - Indiana	-	-	-
IN	320772	Gte Of Indiana	-	-	-
IN	325080	Indiana Bell Tel Co	-	12,446,571	12,446,571
KS	415214	Southwestern Bell-Kansas	-	1,710,649	1,710,649
KY	265061	Cincinnati Bell-Ky	-	-	-
KY	260407	Gte South Inc - Kentucky	-	-	-
KY	265182	South Central Bell-Ky	(17,617,556)	-	(17,617,556)
LA	275183	South Central Bell-La	(27,696,763)	-	(27,696,763)
MA	115112	New England Tel-Ma	(6,382,819)	-	(6,382,819)
MD	185030	C And P Tel Co Of Md	(867,971)	-	(867,971)
ME	105111	New England Tel-Maine	(5,796,820)	-	(5,796,820)
MI	310695	Gte North Inc-Mi	-	-	-
MI	315090	Michigan Bell Tel Co	-	38,941,690	38,941,690
MN	365142	Northwestern Bell-Minnesota	(11,999,081)	-	(11,999,081)
MO	421922	Contel Missouri Dba Gte Missouri	-	-	-
MO	421186	Gte North Inc - Missouri	-	-	-
MO	425213	Southwestern Bell-Missouri	-	9,019,045	9,019,045
MS	285184	South Central Bell-Mississippi	(7,491,295)	-	(7,491,295)
NC	230509	Contel Of North Carolina Dba Gte No Carolina	-	-	-
NC	230479	Gte South Inc - North Carolina	-	-	-
NC	235193	Southern Bell-Nc	(13,404,823)	-	(13,404,823)

Table 1 (cont.)

State	SAC	Study Area Name	Support	Over Payment	Net Over Payment
ND	385144	Northwestern Bell-North Dakota	(704,941)	-	(704,941)
NE	371568	Lincoln Tel And Tele Co	-	-	-
NE	375143	Northwestern Bell-Nebraska	-	664,004	664,004
NH	125113	New England Tel-Nh	(7,160,782)	-	(7,160,782)
NJ	165120	New Jersey Bell	-	75,314,657	75,314,657
NM	495105	Mountain Bell-New Mexico	(5,217,520)	-	(5,217,520)
NV	552348	Central Telephone Company - Nevada	-	-	-
NV	555173	Nevada Bell	(3,430,863)	-	(3,430,863)
NY	155130	New York Tel	(25,148,479)	-	(25,148,479)
NY	150121	Rochester Telephone Corp	-	-	-
OH	305062	Cincinnati Bell-Ohio	-	-	-
OH	300615	Gte North Inc-Oh	-	-	-
OH	305150	Ohio Bell Tel Co	-	49,310,101	49,310,101
OK	435215	Southwestern Bell-Oklahoma	(6,364,300)	-	(6,364,300)
OR	532416	Gte Of The Northwest	-	-	-
OR	535163	Pacific Northwest Bell-Oregon	-	471,117	471,117
PA	175000	Bell Of Pennsylvania	-	4,194,827	4,194,827
PA	170169	Gte North Inc-Pa And Contel	-	-	-
RI	585114	New England Tel-Ri	(402,818)	-	(402,818)
SC	240479	Gte South Inc - South Carolina	-	-	-
SC	245194	Southern Bell-Sc	(14,788,956)	-	(14,788,956)
SD	395145	Northwestern Bell-South Dakota	-	4,317,000	4,317,000
TN	295185	South Central Bell-Tn	(22,136,382)	-	(22,136,382)
TX	442154	Contel Of Texas Inc Dba Gte Texas	-	-	-
TX	442080	Gte Southwest Inc - Texas	-	-	-
TX	445216	Southwestern Bell-Texas	(13,415,572)	-	(13,415,572)
UT	505107	Mountain Bell-Utah	(10,486,054)	-	(10,486,054)
VA	195040	C And P Tel Co Of Va	-	9,400,154	9,400,154
VA	190233	Contel Of Virginia Inc Dba Gte Virginia	-	-	-
VT	145115	New England Tel-Vt	-	676,998	676,998
WA	522416	Gte Northwest Inc - Washington	-	-	-
WA	525161	Pacific Northwest Bell-Washington	-	19,198,534	19,198,534
WA	522449	GTE NW-WA (Contel)	-	-	-
WI	330886	Gte North Inc-Wi	-	-	-
WI	335220	Wisconsin Bell	-	7,470,011	7,470,011
WV	205050	C And P Tel Co Of W Va	(18,931,038)	-	(18,931,038)
			(302,841,186)	283,753,794	(19,087,392)

Table 2

State	SAC	Study Area Name	Support	Over Payment	Net Over Payment
AL	250281	Contel Of The South Dba Gte South	-	-	-
AL	250293	Gte And Contel Of Alabama	-	-	-
AL	255181	South Central Bell-Al	-	3,333,159	3,333,159
AR	405211	Southwestern Bell-Arkansas	(4,981,957)	-	(4,981,957)
CA	542302	Contel Of California-California	-	-	-
CA	542319	Gte Of California	-	-	-
CA	545170	Pacific Bell	-	32,741,436	32,741,436
CT	135200	Southern New England Tel	-	16,593,958	16,593,958
DC	575020	C And P Telephone Company Of Wa Dc	(825,040)	-	(825,040)
DE	565010	Diamond State Tel Co	-	8,834,949	8,834,949
FL	210328	GTE Floridainc	-	-	-
FL	215191	Southern Bell-FL	-	99,024,162	99,024,162
GA	225192	Southern Bell-Ga	-	34,048,328	34,048,328
HI	623100	Gte Hawaiian Telephone Co Inc	-	-	-
IA	355141	Northwestern Bell-Ia	-	2,276,286	2,276,286
ID	475103	Mountain Bell-Idaho	(4,978,015)	-	(4,978,015)
IL	341036	Contel Of Illinois Inc Dba Gte - Illinois	-	-	-
IL	341015	Gte Of Illinois	-	-	-
IL	345070	Illinois Bell Tel Co	(8,333,902)	-	(8,333,902)
IN	320779	Contel Of Indiana Inc Dba Gte - Indiana	-	-	-
IN	320772	Gte Of Indiana	-	-	-
IN	325080	Indiana Bell Tel Co	-	22,006,980	22,006,980
KS	415214	Southwestern Bell-Kansas	-	4,597,369	4,597,369
KY	265061	Cincinnati Bell-Ky	-	-	-
KY	260407	Gte South Inc - Kentucky	-	-	-
KY	265182	South Central Bell-Ky	(892,028)	-	(892,028)
LA	275183	South Central Bell-La	-	3,776,831	3,776,831
MA	115112	New England Tel-Ma	-	46,557,035	46,557,035
MD	185030	C And P Tel Co Of Md	-	18,806,042	18,806,042
ME	105111	New England Tel-Maine	-	3,598,026	3,598,026
MI	310695	Gte North Inc-Mi	-	-	-
MI	315090	Michigan Bell Tel Co	-	52,787,624	52,787,624
MN	365142	Northwestern Bell-Minnesota	-	14,864,533	14,864,533
MO	421922	Contel Missouri Dba Gte Missouri	-	-	-
MO	421186	Gte North Inc - Missouri	-	-	-
MO	425213	Southwestern Bell-Missouri	-	10,979,707	10,979,707
MS	285184	South Central Bell-Mississippi	-	10,345,121	10,345,121
NC	230509	Contel Of North Carolina Dba Gte No Carolina	-	-	-
NC	230479	Gte South Inc - North Carolina	-	-	-
NC	235193	Southern Bell-Nc	-	17,529,383	17,529,383

Table 2 (cont.)

State	SAC	Study Area Name	Support	Over Payment	Net Over Payment
ND	385144	Northwestern Bell-North Dakota	-	2,316,233	2,316,233
NE	371568	Lincoln Tel And Tele Co	-	-	-
NE	375143	Northwestern Bell-Nebraska	-	7,304,042	7,304,042
NH	125113	New England Tel-Nh	-	3,141,976	3,141,976
NJ	165120	New Jersey Bell	-	135,666,136	135,666,136
NM	495105	Mountain Bell-New Mexico	-	5,805,410	5,805,410
NV	552348	Central Telephone Company - Nevada	-	-	-
NV	555173	Nevada Bell	(638,300)	-	(638,300)
NY	155130	New York Tel	-	111,233,658	111,233,658
NY	150121	Rochester Telephone Corp	-	-	-
OH	305062	Cincinnati Bell-Ohio	-	-	-
OH	300615	Gte North Inc-Oh	-	-	-
OH	305150	Ohio Bell Tel Co	-	62,068,658	62,068,658
OK	435215	Southwestern Bell-Oklahoma	(6,364,300)	-	(6,364,300)
OR	532416	Gte Of The Northwest	-	-	-
OR	535163	Pacific Northwest Bell-Oregon	-	18,137,991	18,137,991
PA	175000	Bell Of Pennsylvania	-	56,630,159	56,630,159
PA	170169	Gte North Inc-Pa And Contel	-	-	-
RI	585114	New England Tel-Ri	-	9,063,398	9,063,398
SC	240479	Gte South Inc - South Carolina	-	-	-
SC	245194	Southern Bell-Sc	-	4,670,196	4,670,196
SD	395145	Northwestern Bell-South Dakota	-	7,798,452	7,798,452
TN	295185	South Central Bell-Tn	-	14,757,588	14,757,588
TX	442154	Contel Of Texas Inc Dba Gte Texas	-	-	-
TX	442080	Gte Southwest Inc - Texas	-	-	-
TX	445216	Southwestern Bell-Texas	-	12,709,490	12,709,490
UT	505107	Mountain Bell-Utah	(6,382,816)	-	(6,382,816)
VA	195040	C And P Tel Co Of Va	-	49,686,530	49,686,530
VA	190233	Contel Of Virginia Inc Dba Gte Virginia	-	-	-
VT	145115	New England Tel-Vt	-	5,222,556	5,222,556
WA	522416	Gte Northwest Inc - Washington	-	-	-
WA	525161	Pacific Northwest Bell-Washington	-	32,850,824	32,850,824
WA	522449	GTE NW-WA (Contel)	-	-	-
WI	330886	Gte North Inc-Wi	-	-	-
WI	335220	Wisconsin Bell	-	8,715,013	8,715,013
WV	205050	C And P Tel Co Of W Va	(7,434,456)	-	(7,434,456)
			(40,830,815)	950,479,241	909,648,426

Table 3

State Access Lines	Company	Density Zones	Loop Rate (Per Month)	Port Rate (Per Month)	Interstate Loop	Interstate Port	Retail Cost Not In UNE
Alabama	BS	1	$15.24	$2.07	$3.81	$0.16	$0.81
		2	$24.75	$2.07	$6.19	$0.16	$0.81
		3	$44.85	$2.07	$11.21	$0.16	$0.81
Arizona	USW	1	$18.96	$1.61	$4.74	$0.26	$0.79
		2	$34.94	$1.61	$8.74	$0.26	$0.79
		3	$56.53	$1.61	$14.13	$0.26	$0.79
Arkansas	SBC	3	$11.86	$1.61	$2.97	$0.33	$0.78
		2	$13.64	$1.61	$3.41	$0.33	$0.78
		1	$23.34	$1.61	$5.84	$0.33	$0.78
California	SBC	1	$10.03	$2.88	$2.51	$0.31	$0.69
		2	$13.51	$2.88	$3.38	$0.31	$0.69
		3	$25.53	$2.88	$6.38	$0.31	$0.69
Colorado	USW	BRA	$19.65	$1.15	$4.91	$0.19	$0.78
		1	$26.65	$1.15	$6.66	$0.19	$0.78
		2	$38.65	$1.15	$9.66	$0.19	$0.78
		3	$84.65	$1.15	$21.16	$0.19	$0.78
Connecticut	SBC	1A	$8.95	$3.31	$2.24	$0.59	$0.82
		B	$12.03	$3.31	$3.01	$0.59	$0.82
		C	$13.28	$3.31	$3.32	$0.59	$0.82
		D	$19.69	$3.31	$4.92	$0.59	$0.82
D.C.	VZ	1	$10.81	$1.55	$2.70	$0.32	$0.73
Delaware	VZ	1	$10.07	$2.23	$2.52	$0.43	$0.81
		2	$13.13	$2.23	$3.28	$0.43	$0.81
		3	$16.67	$2.23	$4.17	$0.43	$0.81
Florida	BS	1	$12.79	$1.40	$3.20	$0.15	$0.80
		2	$17.27	$1.40	$4.32	$0.15	$0.80
		3	$33.36	$1.40	$8.34	$0.15	$0.80
Georgia	BS	1	$14.21	$1.85	$3.55	$0.18	$0.80
		2	$16.41	$1.85	$4.10	$0.18	$0.80
		3	$26.08	$1.85	$6.52	$0.18	$0.80
Hawaii	VZ	Oahu	$10.44	$2.69	$2.61	$0.29	$0.69
		Maui	$17.23	$2.69	$4.31	$0.29	$0.69
		Hawaii	$21.91	$2.69	$5.48	$0.29	$0.69
Idaho	USW	1	$25.52	$1.34	$6.38	$0.22	$0.76
Illinois	AIT	1A	$2.59	$5.01	$0.65	$0.78	$0.79
		1B	$7.07	$5.01	$1.77	$0.78	$0.79
		1C	$11.40	$5.01	$2.85	$0.78	$0.79
		2C	$11.40	$5.01	$2.85	$0.78	$0.79
Indiana	AIT	3	$8.03	$5.34	$2.01	$0.67	$0.78
		2	$8.15	$5.34	$2.04	$0.67	$0.78
		1	$8.99	$5.34	$2.25	$0.67	$0.78

Table 3 (cont.)

State Access Lines	Company	Density Zones	Loop Rate (Per Month)	Port Rate (Per Month)	Interstate Loop	Interstate Port	Retail Cost Not In UNE
Iowa	USW	1	$16.04	$1.15	$4.01	$0.15	$0.73
		2	$19.14	$1.15	$4.79	$0.15	$0.73
		3	$33.36	$1.15	$8.34	$0.15	$0.73
Kansas	SBC	3	$11.86	$1.61	$2.97	$0.36	$0.73
		2	$13.64	$1.61	$3.41	$0.36	$0.73
		1	$23.34	$1.61	$5.84	$0.36	$0.73
Kentucky	VZ	1	$17.44	$4.02	$4.36	$0.39	$0.80
		2	$22.23	$4.02	$5.56	$0.39	$0.80
		3	$25.84	$4.02	$6.46	$0.39	$0.80
Kentucky	BS	1	$13.54	$2.61	$3.39	$0.22	$0.79
		2	$19.73	$2.61	$4.93	$0.22	$0.79
		3	$28.27	$2.61	$7.07	$0.22	$0.79
Louisiana	BS	1	$14.05	$2.55	$3.51	$0.21	$0.79
		2	$24.14	$2.55	$6.04	$0.21	$0.79
		3	$49.30	$2.55	$12.33	$0.21	$0.79
Maine	VZ	1	$12.67	$2.24	$3.17	$0.34	$0.78
		2	$15.59	$2.07	$3.90	$0.31	$0.78
		3	$23.00	$1.82	$5.75	$0.28	$0.78
Maryland	VZ	A1	$12.11	$1.90	$3.03	$0.27	$0.79
		A2	$12.85	$1.90	$3.21	$0.27	$0.79
		B1	$25.96	$1.90	$6.49	$0.27	$0.79
		B2	$18.40	$1.90	$4.60	$0.27	$0.79
Massachusetts	VZ	1	$7.54	$2.00	$1.89	$0.32	$0.80
		2	$14.11	$2.00	$3.53	$0.32	$0.80
		3	$16.12	$2.00	$4.03	$0.32	$0.80
		4	$20.04	$2.00	$5.01	$0.32	$0.80
Michigan	AIT	A	$8.47	$2.53	$2.12	$0.28	$0.79
		B	$8.73	$2.53	$2.18	$0.28	$0.79
		C	$12.54	$2.53	$3.14	$0.28	$0.79
Minnesota	USW	1	$8.81	$1.08	$2.20	$0.14	$0.75
		2	$12.33	$1.08	$3.08	$0.14	$0.75
		3	$14.48	$1.08	$3.62	$0.14	$0.75
		4	$21.91	$1.08	$5.48	$0.14	$0.75
Mississippi	BS	1	$15.58	$2.11	$3.90	$0.22	$0.81
		2	$20.65	$2.11	$5.16	$0.22	$0.81
		3	$29.51	$2.11	$7.38	$0.22	$0.81
		4	$38.94	$2.11	$9.74	$0.22	$0.81
Missouri	SBC	1	$12.71	$1.74	$3.18	$0.32	$0.78
		2	$18.64	$1.97	$4.66	$0.36	$0.78
		3	$19.74	$2.47	$4.94	$0.45	$0.78
		4	$16.41	$2.25	$4.10	$0.41	$0.78

Table 3 (cont.)

State Access Lines	Company	Density Zones	Loop Rate (Per Month)	Port Rate (Per Month)	Interstate Loop	Interstate Port	Retail Cost Not In UNE
Montana	USW	Base	$26.69	$1.45	$6.67	$0.23	$0.68
		1	$27.62	$1.45	$6.91	$0.23	$0.68
		2	$31.36	$1.45	$7.84	$0.23	$0.68
		3	$33.85	$1.45	$8.46	$0.23	$0.68
Nebraska	USW	1	$13.74	$1.37	$3.44	$0.21	$0.69
		2	$27.48	$1.37	$6.87	$0.21	$0.69
		3	$54.98	$1.37	$13.75	$0.21	$0.69
Nevada	SBC	1	$11.75	$1.63	$2.94	$0.28	$0.66
		2	$22.66	$1.63	$5.67	$0.28	$0.66
		3	$66.31	$1.63	$16.58	$0.28	$0.66
New Hampshire	VZ	1	$14.01	$2.51	$3.50	$0.60	$0.81
		2	$15.87	$2.20	$3.97	$0.52	$0.81
		3	$24.09	$2.21	$6.02	$0.53	$0.81
New Jersey	VZ	1	$8.12	$0.73	$2.03	$0.13	$0.81
		2	$9.59	$0.73	$2.40	$0.13	$0.81
		3	$10.92	$0.73	$2.73	$0.13	$0.81
New Mexico	USW	1	$17.75	$1.38	$4.44	$0.23	$0.76
		2	$20.30	$1.38	$5.08	$0.23	$0.76
		3	$26.23	$1.38	$6.56	$0.23	$0.76
New York	VZ	1	$11.83	$2.50	$2.96	$0.32	$0.79
		2	$12.49	$2.50	$3.12	$0.32	$0.79
		3	$19.24	$2.50	$4.81	$0.32	$0.79
North Carolina	BS	1	$12.11	$2.19	$3.03	$0.22	$0.80
		2	$21.24	$2.19	$5.31	$0.22	$0.80
		3	$33.65	$2.19	$8.41	$0.22	$0.80
North Dakota	USW	1	$16.41	$1.27	$4.10	$0.17	$0.69
		2	$27.66	$1.27	$6.92	$0.17	$0.69
		3	$62.66	$1.27	$15.67	$0.17	$0.69
Ohio	AIT	B	$5.93	$4.63	$1.48	$0.52	$0.77
		C	$7.97	$4.63	$1.99	$0.52	$0.77
		D	$9.52	$4.63	$2.38	$0.52	$0.77
Oklahoma	SBC	3	$12.14	$2.18	$3.04	$0.46	$0.77
		2	$13.65	$2.21	$3.41	$0.47	$0.77
		1	$26.25	$2.58	$6.56	$0.55	$0.77
Oregon	USW	1	$13.95	$1.26	$3.49	$0.18	$0.77
		2	$25.20	$1.26	$6.30	$0.18	$0.77
		3	$56.21	$1.26	$14.05	$0.18	$0.77
Pennsylvania	VZ	1	$10.25	$2.67	$2.56	$0.33	$0.79
		2	$11.00	$2.67	$2.75	$0.33	$0.79
		3	$14.00	$2.67	$3.50	$0.33	$0.79
		4	$16.75	$2.67	$4.19	$0.33	$0.79

Table 3 (cont.)

State Access Lines	Company	Density Zones	Loop Rate (Per Month)	Port Rate (Per Month)	Interstate Loop	Interstate Port	Retail Cost Not In UNE
Rhode Island	VZ	1	$11.19	$3.58	$2.80	$0.63	$0.82
		2	$15.44	$4.47	$3.86	$0.79	$0.82
		3	$19.13	$4.04	$4.78	$0.71	$0.82
South Carolina	BS	1	$14.94	$1.65	$3.74	$0.17	$0.82
		2	$21.39	$1.65	$5.35	$0.17	$0.82
		3	$26.72	$1.65	$6.68	$0.17	$0.82
South Dakota	USW	1	$17.01	$1.84	$4.25	$0.50	$0.69
		2	$18.54	$1.84	$4.64	$0.50	$0.69
		3	$24.37	$1.84	$6.09	$0.50	$0.69
Tennessee	BS	1	$13.19	$1.89	$3.30	$0.16	$0.81
		2	$17.23	$1.89	$4.31	$0.16	$0.81
		3	$22.53	$1.89	$5.63	$0.16	$0.81
Texas	SBC	3	$12.14	$1.58	$3.04	$0.23	$0.77
		2	$13.65	$2.47	$3.41	$0.36	$0.77
		1	$18.98	$4.21	$4.75	$0.62	$0.77
Utah	USW	1	$14.41	$0.89	$3.60	$0.13	$0.73
		2	$17.47	$0.90	$4.37	$0.13	$0.73
		3	$24.14	$1.02	$6.04	$0.15	$0.73
Vermont	VZ	1	$7.72	$1.03	$1.93	$0.22	$0.79
		2	$8.35	$1.03	$2.09	$0.22	$0.79
		3	$21.63	$1.03	$5.41	$0.22	$0.79
Virginia	VZ	1	$10.74	$1.30	$2.69	$0.19	$0.79
		2	$16.45	$1.30	$4.11	$0.19	$0.79
		3	$29.40	$1.30	$7.35	$0.19	$0.79
Washington	USW	1	$7.91	$1.34	$1.98	$0.10	$0.78
		2	$14.13	$1.34	$3.53	$0.10	$0.78
		3	$15.90	$1.34	$3.98	$0.10	$0.78
		4	$17.85	$1.34	$4.46	$0.10	$0.78
		5	$23.82	$1.34	$5.96	$0.10	$0.78
West Virginia	VZ	1	$14.99	$1.60	$3.75	$0.20	$0.81
		2	$22.04	$1.60	$5.51	$0.20	$0.81
		3	$43.44	$1.60	$10.86	$0.20	$0.81
Wisconsin	AIT	1	$10.90	$3.71	$2.73	$0.44	$0.79
Wyoming	USW	BRA	$19.05	$1.53	$4.76	$0.38	$0.74
		1	$31.83	$1.53	$7.96	$0.38	$0.74
		2	$40.11	$1.53	$10.03	$0.38	$0.74
		3	$58.43	$1.53	$14.61	$0.38	$0.74

Table 4

State	SAC	Study Area Name	Retail Cost Not In UNEs	Loop Retail	Interstate Loop Retail	Switch Retail	Interstate Switch Retail	Port Retail	SLC Retail
AL	250281	Contel Of The South Dba Gte South	$4.01	$3.24	$0.81	$0.35	$0.04	$0.01	$0.82
AL	250293	Gte And Contel Of Alabama	$4.01	$2.99	$0.75	$0.35	$0.04	$0.01	$0.76
AL	255181	South Central Bell-Al	$4.01	$3.21	$0.80	$0.41	$0.03	$0.01	$0.81
AR	405211	Southwestern Bell-Arkansas	$4.01	$3.02	$0.75	$0.43	$0.09	$0.03	$0.78
AZ	455101	Mountain Bell-Arizona	$4.01	$3.04	$0.76	$0.53	$0.09	$0.03	$0.79
CA	542302	Contel Of California-California	$4.01	$2.64	$0.66	$0.33	$0.03	$0.01	$0.67
CA	542319	Gte Of California	$4.01	$3.01	$0.75	$0.71	$0.06	$0.02	$0.77
CA	545170	Pacific Bell	$4.01	$2.67	$0.67	$0.65	$0.07	$0.02	$0.69
CO	465102	Mountain Bell-Colorado	$4.01	$3.01	$0.75	$0.51	$0.08	$0.02	$0.78
CT	135200	Southern New England Tel	$4.01	$3.15	$0.79	$0.60	$0.11	$0.03	$0.82
DC	575020	C And P Telephone Company Of Wa Dc	$4.01	$2.69	$0.67	$0.90	$0.18	$0.06	$0.73
DE	565010	Diamond State Tel Co	$4.01	$3.09	$0.77	$0.60	$0.11	$0.03	$0.81
FL	210328	GTE Floridainc	$4.01	$3.17	$0.79	$0.60	$0.08	$0.02	$0.82
FL	215191	Southern Bell-FL	$4.01	$3.14	$0.78	$0.59	$0.06	$0.02	$0.80
GA	225192	Southern Bell-Ga	$4.01	$3.13	$0.78	$0.51	$0.05	$0.01	$0.80
HI	623100	Gte Hawaiian Telephone Co Inc	$4.01	$2.67	$0.67	$0.73	$0.08	$0.02	$0.69
IA	355141	Northwestern Bell-Ia	$4.01	$2.84	$0.71	$0.43	$0.06	$0.02	$0.73
ID	475103	Mountain Bell-Idaho	$4.01	$2.95	$0.74	$0.37	$0.06	$0.02	$0.76
IL	341036	Contel Of Illinois Inc Dba Gte - Illinois	$4.01	$2.50	$0.62	$0.44	$0.05	$0.01	$0.64
IL	341015	Gte Of Illinois	$4.01	$2.65	$0.66	$0.51	$0.04	$0.01	$0.68
IL	345070	Illinois Bell Tel Co	$4.01	$3.02	$0.76	$0.68	$0.10	$0.03	$0.79
IN	320779	Contel Of Indiana Inc Dba Gte - Indiana	$4.01	$2.98	$0.75	$0.38	$0.03	$0.01	$0.76
IN	320772	Gte Of Indiana	$4.01	$2.99	$0.75	$0.50	$0.05	$0.01	$0.76
IN	325080	Indiana Bell Tel Co	$4.01	$3.04	$0.76	$0.54	$0.07	$0.02	$0.78
KS	415214	Southwestern Bell-Kansas	$4.01	$2.80	$0.70	$0.48	$0.11	$0.03	$0.73
KY	265061	Cincinnati Bell-Ky	$4.01	$3.11	$0.78	$0.52	$0.00	$0.00	$0.78
KY	260407	Gte South Inc - Kentucky	$4.01	$3.14	$0.78	$0.42	$0.04	$0.01	$0.80
KY	265182	South Central Bell-Ky	$4.01	$3.13	$0.78	$0.40	$0.03	$0.01	$0.79
LA	275183	South Central Bell-La	$4.01	$3.12	$0.78	$0.47	$0.04	$0.01	$0.79
MA	115112	New England Tel-Ma	$4.01	$3.07	$0.77	$0.67	$0.11	$0.03	$0.80
MD	185030	C And P Tel Co Of Md	$4.01	$3.06	$0.76	$0.64	$0.09	$0.03	$0.79
ME	105111	New England Tel-Maine	$4.01	$3.06	$0.77	$0.40	$0.06	$0.02	$0.78
MI	310695	Gte North Inc-Mi	$4.01	$3.07	$0.77	$0.43	$0.04	$0.01	$0.78
MI	315090	Michigan Bell Tel Co	$4.01	$3.09	$0.77	$0.54	$0.06	$0.02	$0.79
MN	365142	Northwestern Bell-Minnesota	$4.01	$2.94	$0.74	$0.44	$0.06	$0.02	$0.75
MO	421922	Contel Missouri Dba Gte Missouri	$4.01	$2.88	$0.72	$0.39	$0.04	$0.01	$0.73
MO	421186	Gte North Inc - Missouri	$4.01	$2.78	$0.69	$0.32	$0.03	$0.01	$0.70
MO	425213	Southwestern Bell-Missouri	$4.01	$3.03	$0.76	$0.52	$0.10	$0.03	$0.78
MS	285184	South Central Bell-Mississippi	$4.01	$3.20	$0.80	$0.35	$0.04	$0.01	$0.81
MT	485104	Mountain Bell-Montana	$4.01	$2.67	$0.67	$0.33	$0.05	$0.02	$0.68

Table 4 (cont.)

State	SAC	Study Area Name	Retail Cost Not In UNEs	Loop Retail	Interstate Loop Retail	Switch Retail	Interstate Switch Retail	Port Retail	SLC Retail
NC	230509	Contel Of North Carolina Dba Gte No Carolina	$4.01	$2.94	$0.73	$0.29	$0.03	$0.01	$0.74
NC	230479	Gte South Inc - North Carolina	$4.01	$2.92	$0.73	$0.52	$0.06	$0.02	$0.75
NC	235193	Southern Bell-Nc	$4.01	$3.12	$0.78	$0.53	$0.05	$0.02	$0.80
ND	385144	Northwestern Bell-North Dakota	$4.01	$2.68	$0.67	$0.38	$0.05	$0.02	$0.69
NE	371568	Lincoln Tel And Tele Co	$4.01	$2.58	$0.64	$0.52	$0.09	$0.03	$0.67
NE	375143	Northwestern Bell-Nebraska	$4.01	$2.67	$0.67	$0.41	$0.06	$0.02	$0.69
NH	125113	New England Tel-Nh	$4.01	$3.12	$0.78	$0.47	$0.11	$0.03	$0.81
NJ	165120	New Jersey Bell	$4.01	$3.09	$0.77	$0.70	$0.12	$0.04	$0.81
NM	495105	Mountain Bell-New Mexico	$4.01	$2.96	$0.74	$0.43	$0.07	$0.02	$0.76
NV	552348	Central Telephone Company - Nevada	$4.01	$2.89	$0.72	$0.62	$0.10	$0.03	$0.75
NV	555173	Nevada Bell	$4.01	$2.58	$0.64	$0.37	$0.06	$0.02	$0.66
NY	155130	New York Tel	$4.01	$3.07	$0.77	$0.66	$0.08	$0.03	$0.79
NY	150121	Rochester Telephone Corp	$4.01	$2.97	$0.74	$0.54	$0.06	$0.02	$0.76
OH	305062	Cincinnati Bell-Ohio	$4.01	$3.11	$0.78	$0.66	$0.07	$0.02	$0.80
OH	300615	Gte North Inc-Oh	$4.01	$3.02	$0.75	$0.43	$0.03	$0.01	$0.76
OH	305150	Ohio Bell Tel Co	$4.01	$3.02	$0.75	$0.57	$0.06	$0.02	$0.77
OK	435215	Southwestern Bell-Oklahoma	$4.01	$2.96	$0.74	$0.46	$0.10	$0.03	$0.77
OR	532416	Gte Of The Northwest	$4.01	$2.94	$0.74	$0.50	$0.06	$0.02	$0.75
OR	535163	Pacific Northwest Bell-Oregon	$4.01	$3.02	$0.75	$0.48	$0.07	$0.02	$0.77
PA	175000	Bell Of Pennsylvania	$4.01	$3.07	$0.77	$0.64	$0.08	$0.02	$0.79
PA	170169	Gte North Inc-Pa And Contel	$4.01	$3.05	$0.76	$0.47	$0.04	$0.01	$0.77
RI	585114	New England Tel-Ri	$4.01	$3.13	$0.78	$0.64	$0.11	$0.03	$0.82
SC	240479	Gte South Inc - South Carolina	$4.01	$2.77	$0.69	$0.45	$0.06	$0.02	$0.71
SC	245194	Southern Bell-Sc	$4.01	$3.21	$0.80	$0.44	$0.05	$0.01	$0.82
SD	395145	Northwestern Bell-South Dakota	$4.01	$2.67	$0.67	$0.28	$0.08	$0.02	$0.69
TN	295185	South Central Bell-Tn	$4.01	$3.20	$0.80	$0.45	$0.04	$0.01	$0.81
TX	442154	Contel Of Texas Inc Dba Gte Texas	$4.01	$2.45	$0.61	$0.36	$0.03	$0.01	$0.62
TX	442080	Gte Southwest Inc - Texas	$4.01	$2.71	$0.68	$0.51	$0.05	$0.01	$0.69
TX	445216	Southwestern Bell-Texas	$4.01	$2.99	$0.75	$0.57	$0.08	$0.03	$0.77
UT	505107	Mountain Bell-Utah	$4.01	$2.84	$0.71	$0.54	$0.08	$0.02	$0.73
VA	195040	C And P Tel Co Of Va	$4.01	$3.06	$0.77	$0.56	$0.08	$0.02	$0.79
VA	190233	Contel Of Virginia Inc Dba Gte Virginia	$4.01	$3.10	$0.77	$0.37	$0.04	$0.01	$0.79
VT	145115	New England Tel-Vt	$4.01	$3.06	$0.76	$0.40	$0.09	$0.03	$0.79
WA	522416	Gte Northwest Inc - Washington	$4.01	$2.96	$0.74	$0.50	$0.05	$0.01	$0.75
WA	525161	Pacific Northwest Bell-Washington	$4.01	$3.07	$0.77	$0.56	$0.04	$0.01	$0.78
WA	522449	GTE NW-WA (Contel)	$4.01	$2.57	$0.64	$0.32	$0.04	$0.01	$0.65
WI	330886	Gte North Inc-Wi	$4.01	$2.92	$0.73	$0.37	$0.04	$0.01	$0.74
WI	335220	Wisconsin Bell	$4.01	$3.08	$0.77	$0.55	$0.07	$0.02	$0.79
WV	205050	C And P Tel Co Of W Va	$4.01	$3.18	$0.79	$0.37	$0.04	$0.01	$0.81
WY	515108	Mountain Bell-Wyoming	$4.01	$2.86	$0.71	$0.29	$0.07	$0.02	$0.74

Table 5

State	SAC	Company	Lines	TELRIC Total Cost	TELRIC SLC
AL	255181	South Central Bell-Al	$ 1,958,846.00	$ 11,346,764.58	$5.79
AR	405211	Southwestern Bell-Arkansas	$ 1,018,030.00	$ 4,710,672.75	$4.63
CA	545170	Pacific Bell	$ 17,123,290.00	$ 69,169,209.82	$4.04
CT	135200	Southern New England Tel	$ 2,402,153.00	$ 10,936,554.09	$4.55
DC	575020	C And P Telephone Company Of Wa Dc	$ 727,822.00	$ 2,726,425.50	$3.75
DE	565010	Diamond State Tel Co	$ 582,725.00	$ 2,498,351.75	$4.29
FL	215191	Southern Bell-FL	$ 6,683,940.00	$ 31,592,430.75	$4.73
GA	225192	Southern Bell-Ga	$ 4,337,216.00	$ 22,141,472.47	$5.10
IA	355141	Northwestern Bell-Ia	$ 1,083,752.00	$ 6,463,751.12	$5.96
ID	475103	Mountain Bell-Idaho	$ 496,122.00	$ 3,650,398.85	$7.36
IN	325080	Indiana Bell Tel Co	$ 2,280,482.00	$ 8,062,074.95	$3.54
KS	415214	Southwestern Bell-Kansas	$ 1,429,945.00	$ 6,425,684.16	$4.49
KY	260407	Gte South Inc - Kentucky	$ 441,720.00	$ 2,640,689.71	$5.98
KY	265182	South Central Bell-Ky	$ 1,240,313.00	$ 6,305,592.86	$5.08
LA	275183	South Central Bell-La	$ 2,395,670.00	$ 13,492,565.91	$5.63
MA	115112	New England Tel-Ma	$ 4,404,502.00	$ 21,771,453.22	$4.94
MD	185030	C And P Tel Co Of Md	$ 3,664,355.00	$ 17,375,389.83	$4.74
ME	105111	New England Tel-Maine	$ 702,726.00	$ 4,176,966.32	$5.94
MI	315090	Michigan Bell Tel Co	$ 5,391,358.00	$ 18,573,993.39	$3.45
MO	425213	Southwestern Bell-Missouri	$ 2,691,468.00	$ 13,415,448.05	$4.98
MS	285184	South Central Bell-Mississippi	$ 1,325,864.00	$ 8,557,659.13	$6.45
ND	385144	Northwestern Bell-North Dakota	$ 236,467.00	$ 1,333,750.74	$5.64
NE	375143	Northwestern Bell-Nebraska	$ 509,689.00	$ 2,718,512.67	$5.33
NH	125113	New England Tel-Nh	$ 828,170.00	$ 4,860,972.26	$5.87
NJ	165120	New Jersey Bell	$ 6,424,617.00	$ 21,341,812.54	$3.32
NM	495105	Mountain Bell-New Mexico	$ 811,451.00	$ 5,021,418.52	$6.19
NV	555173	Nevada Bell	$ 338,418.00	$ 1,786,817.80	$5.28
NY	155130	New York Tel	$ 11,408,062.00	$ 53,618,918.45	$4.70
OH	305150	Ohio Bell Tel Co	$ 4,132,649.00	$ 12,543,024.52	$3.04
OK	435215	Southwestern Bell-Oklahoma	$ 1,705,544.00	$ 8,839,043.06	$5.18
OR	535163	Pacific Northwest Bell-Oregon	$ 1,380,903.00	$ 6,576,050.28	$4.76
PA	175000	Bell Of Pennsylvania	$ 6,421,421.00	$ 29,596,032.56	$4.61
RI	585114	New England Tel-Ri	$ 705,885.00	$ 3,549,162.79	$5.03
SC	245194	Southern Bell-Sc	$ 1,492,788.00	$ 8,021,946.34	$5.37
SD	395145	Northwestern Bell-South Dakota	$ 276,608.00	$ 1,781,388.41	$6.44
TN	295185	South Central Bell-Tn	$ 2,743,818.00	$ 13,001,628.72	$4.74
TX	445216	Southwestern Bell-Texas	$ 10,165,710.00	$ 47,276,398.67	$4.65
UT	505107	Mountain Bell-Utah	$ 1,082,091.00	$ 5,397,260.15	$4.99
VA	195040	C And P Tel Co Of Va	$ 3,587,418.00	$ 15,979,059.85	$4.45
VT	145115	New England Tel-Vt	$ 354,368.00	$ 1,472,514.20	$4.16
WA	525161	Pacific Northwest Bell-Washington	$ 2,487,443.00	$ 12,330,849.82	$4.96
WV	205050	C And P Tel Co Of W Va	$ 842,646.00	$ 6,048,342.83	$7.18

Table 6

A	B	C	D	E	F	G	H	I	J	K	L
State [Note 1]	Company [Note 2]	CMT [Note 3]	Number of Lines [Note 4]	Number of Non-Primary Residential Lines [Note 4]	Average Per-line Interstate UNE Cost	RBOC Interstate Loop + Port Cost Estimates [Note 5]	Overcollection Per Primary Line Per-Month at $5 [Min ($5 or C) - F]	Overcollection Per Non-Primary Line Per-Month ["SecondSLC" - F]	Overcollection Per-State Per-Month at $5 [H * (D - E) + E * I]	Overcollection Per State Per-Month at $6	Overcollection Per State Per-Month at $6.50
Alabama	BS	$7.84	1,958,846	359,164	$5.79	$7.49	$0.00	$1.16	$348,043	$696,393	$1,525,797
Arkansas	SBC	$5.67	1,018,030	115,030	$4.63	$7.33	$0.37	$0.39	$378,972	$983,982	$983,982
California	SBC	$4.41	17,123,290	3,629,307	$4.04	$5.97	$0.37	$0.36	$6,311,737	$6,311,737	$6,311,737
Connecticut	SBC	$5.71	2,402,153	366,639	$4.55	$5.71	$0.45	$1.51	$1,469,606	$2,914,821	$2,914,821
D.C.	VZ	$3.81	727,822	85,554	$3.75	$6.05	$0.06	$0.06	$43,669	$43,669	$43,669
Delaware	VZ	$6.41	582,725	92,386	$4.29	$6.01	$0.71	$2.12	$543,999	$1,034,338	$1,235,377
Florida	BS	$7.84	6,683,940	1,452,670	$4.73	$6.05	$0.27	$2.22	$3,920,509	$9,519,400	$12,318,846
Georgia	BS	$7.84	4,337,216	680,455	$5.10	$6.40	$0.00	$1.85	$1,258,842	$4,549,927	$6,378,307
Idaho-South	USW	$8.48	496,122	53,073	$7.36	$8.25	$0.00	$0.00	$0	$0	$0
Indiana	AIT	$5.53	2,280,482	477,233	$3.54	$6.14	$1.46	$2.13	$3,533,944	$4,580,878	$4,580,878
Iowa	USW	$7.08	1,083,752	100,654	$5.96	$6.77	$0.00	$0.00	$0	$39,324	$530,873
Kansas	SBC	$5.27	1,429,945	128,258	$4.49	$8.39	$0.51	$0.53	$731,837	$1,083,293	$1,083,293
Kentucky	BS	$7.84	1,240,313	258,191	$5.08	$8.21	$0.00	$1.87	$299,406	$1,293,192	$1,833,294
Louisiana	BS	$7.84	2,395,670	322,413	$5.63	$7.61	$0.00	$1.32	$425,585	$1,192,690	$2,229,319
Maine	VZ	$6.41	702,726	109,355	$5.94	$6.24	$0.00	$0.47	$51,397	$86,999	$330,281
Maryland	VZ	$5.68	3,664,355	505,820	$4.74	$7.08	$0.26	$1.33	$1,493,960	$3,641,764	$3,641,764
Massachusetts	VZ	$6.41	4,404,502	588,216	$4.94	$6.24	$0.06	$1.47	$1,093,655	$4,909,941	$6,474,618
Michigan	AIT	$5.32	5,391,358	793,970	$3.45	$6.85	$1.55	$1.85	$8,556,862	$10,068,489	$10,068,489
Mississippi	BS	$7.84	2,691,468	187,665	$4.98	$9.78	$0.02	$2.02	$429,159	$2,932,962	$4,184,864
Missouri	SBC	$5.10	1,325,864	233,701	$6.45	$6.66	$0.00	$0.00	$0	$0	$0
Nebraska	USW	$7.29	509,689	71,106	$5.33	$6.93	$0.00	$0.74	$26,912	$344,037	$580,698
Nevada	SBC	$6.05	338,418	244,468	$5.28	$7.15	$0.00	$0.04	$2,566	$200,033	$213,746
New Hampshire	VZ	$6.41	828,170	116,139	$5.87	$6.24	$0.00	$0.54	$62,715	$155,279	$447,212
New Jersey	VZ	$6.21	6,424,617	1,127,407	$3.32	$7.33	$1.68	$2.89	$12,157,519	$17,454,729	$18,567,143
New Mexico	USW	$8.24	811,451	139,226	$6.19	$7.74	$0.00	$0.81	$112,773	$112,773	$321,163
New York	VZ	$6.41	11,408,062	1,520,559	$3.98	$6.24	$1.02	$2.43	$13,632,623	$23,624,799	$27,721,591
North Dakota	USW	$8.45	236,467	20,948	$5.64	$7.98	$0.00	$0.00	$0	$77,587	$185,346
Ohio	AIT	$5.37	4,132,649	766,469	$3.04	$6.01	$1.96	$2.30	$8,270,528	$9,614,025	$9,614,025
Oklahoma	SBC	$4.71	1,705,544	134,250	$5.18	$7.86	$0.00	$0.00	$0	$0	$0
Oregon	USW	$7.60	1,380,903	217,506	$4.76	$7.17	$0.24	$2.01	$580,314	$1,820,597	$2,440,739

Table 6 (cont.)

A	B	C	D	E	F	G	H	I	J	K	L
State [Note 1]	Company [Note 2]	CMT [Note 3]	Number of Lines [Note 4]	Number of Non-Primary Residential Lines [Note 4]	Average Per-line Interstate UNE Cost	RBOC Interstate Loop + Port Cost Estimates [Note 5]	Overcollection Per Primary Line Per-Month at $5 [Min ($5 or C) - F]	Overcollection Per Non-Primary Line Per-Month ["SecondSLC" - F]	Overcollection Per-State Per-Month at $5 [H * (D - E) + E * I]	Overcollection Per State Per-Month at $6	Overcollection Per State Per-Month at $6.50
Pennsylvania	VZ	$6.00	6,421,421	795,679	$4.61	$8.45	$0.39	$1.40	$3,220,424	$8,932,865	$8,932,865
Rhode Island	VZ	$6.41	705,885	176,576	$5.03	$6.24	$0.00	$1.38	$243,675	$757,105	$974,121
South Carolina	BS	$7.84	1,492,788	205,810	$5.37	$7.48	$0.00	$1.58	$280,537	$1,109,134	$1,766,750
South Dakota	USW	$9.00	276,608	31,062	$6.44	$8.59	$0.00	$0.00	$0	$0	$14,733
Tennessee	BS	$7.84	2,743,818	329,969	$4.74	$6.81	$0.26	$2.21	$1,356,832	$3,770,681	$4,977,606
Texas	SBC	$5.37	10,165,710	1,432,126	$4.65	$7.86	$0.35	$0.37	$3,577,579	$6,976,655	$6,976,655
Utah	USW	$5.45	1,082,091	164,643	$4.99	$5.04	$0.01	$1.42	$242,968	$655,819	$655,819
Vermont	VZ	$6.41	354,368	61,039	$4.16	$6.24	$0.84	$2.25	$383,734	$677,063	$797,328
Virginia	VZ	$6.53	3,587,418	621,011	$4.45	$7.55	$0.55	$2.08	$2,730,248	$5,822,785	$7,369,053
Washington	USW	$5.64	2,487,443	417,196	$4.96	$5.26	$0.04	$1.11	$408,873	$1,815,790	$1,815,790
West Virginia	VZ	$8.21	842,646	111,037	$7.18	$12.39	$0.00	$0.00	$0	$0	$0
						Weighted Average $4.49		Weighted Average $2.39			
								Percent of True Costs 53%			

SLC Cap	$5.00	$6.00	$6.50
Monthly Totals	$78,182,001	$139,805,554	$161,042,590
Monthly Second Line SLC Impact	$14,446,542	$5,520,335	$2,249,062
Yearly Totals	$938,184,014	$1,677,666,649	$1,932,511,086
Yearly Second Line SLC Impact	$173,358,507	$66,244,019	$26,988,742

Note 1: The Study was limited to the continental United States. Also dropped were states with (a) more than 4 UNE zones or (b) UNE rates below wire center level.

Note 2: SBC Communications "AIT" or "SBC"; Verizon - "VZ"; Bellsouth - "BS"; Qwest - "QW".

Note 3: CMT Data derived from: SBC Attachment 5; Verizon Attachment B; "Trends in Telephone Service" Table 1.3 August 2001(For Bellsouth), and; Qwest from Qwest Attachment 1.

Note 4: Number of lines was from the Armis reports.

Note 5: Loop & Port cost estimates are derived from: SBC Study, Attachment 5; Verizon Study Attachment D; Bell South Study *Filename Summary1.xls*, and; Qwest Study Attachment 1.

APPENDIX C

Comparison of UNE Costs to ILEC Estimates of the Costs of Interstate Loop and Port Costs

A State [Note 1]	B Company [Note 2]	C CMT [Note 3]	D Number of Lines [Note 4]	E Average Per-line Interstate UNE Cost	F RBOC Interstate Loop + Port Cost Estimates [Note 5]	G Monthly Interstate Overstatement [F - E]	H Overcollection Per-line Per-Month at $5 [Min ($5 or C) - E]	I Overcollection Per-State Per-Month at $5 [H * D]	J Overcollection Per-line Per-Month at $6 [Min ($6 or C) - E]	K Overcollection Per State Per-Month at $6 [J * D]	L Overcollection Per-line Per-Month at $6.50 [Min ($6.5 or C) - E]	M Overcollection Per State Per-Month at $6.50 [L * D]
Indiana	AIT	$5.53	2,280,482	$3.54	$6.14	$2.60	$1.46	$3,340,335	$1.99	$4,548,991	$1.99	$4,548,991
Michigan	AIT	$5.32	5,391,358	$3.45	$6.85	$3.40	$1.55	$8,382,797	$1.87	$10,108,031	$1.87	$10,108,031
Ohio	AIT	$5.37	4,132,649	$3.04	$6.01	$2.97	$1.96	$8,120,220	$2.33	$9,649,301	$2.33	$9,649,301
Alabama	BS	$7.84	1,958,846	$5.79	$7.49	$1.70	$0.00	$0	$0.21	$406,311	$0.71	$1,385,734
Florida	BS	$7.84	6,683,940	$4.73	$6.05	$1.32	$0.27	$1,827,269	$1.27	$8,511,209	$1.77	$11,853,179
Georgia	BS	$7.84	4,337,216	$5.10	$6.40	$1.30	$0.00	$0	$0.90	$3,881,824	$1.40	$6,050,432
Kentucky	BS	$7.84	1,240,313	$5.08	$8.21	$3.13	$0.00	$0	$0.92	$1,136,285	$1.42	$1,756,442
Louisiana	BS	$7.84	2,395,670	$5.63	$7.61	$1.96	$0.00	$0	$0.37	$881,454	$0.87	$2,079,289
Mississippi	BS	$7.84	2,691,468	$4.98	$9.78	$4.80	$0.02	$41,892	$1.02	$2,733,360	$1.52	$4,079,094
South Carolina	BS	$7.84	1,492,788	$5.37	$7.48	$2.11	$0.00	$0	$0.63	$934,782	$1.13	$1,681,176
Tennessee	BS	$7.84	2,743,818	$4.74	$6.81	$2.07	$0.26	$717,461	$1.26	$3,461,279	$1.76	$4,833,168
Arkansas	SBC	$5.67	1,018,030	$4.63	$7.33	$2.70	$0.37	$379,477	$1.04	$1,061,557	$1.04	$1,061,557
California	SBC	$4.41	17,123,290	$4.04	$5.97	$1.93	$0.37	$6,344,499	$0.37	$6,344,499	$0.37	$6,344,499
Connecticut	SBC	$5.71	2,402,153	$4.55	$5.71	$1.16	$0.45	$1,074,211	$1.16	$2,779,740	$1.16	$2,779,740
Kansas	SBC	$5.27	1,429,945	$4.49	$8.39	$3.90	$0.51	$724,041	$0.78	$1,110,126	$0.78	$1,110,126
Missouri	SBC	$5.10	1,325,864	$6.45	$6.66	$0.21	$0.00	$0	$0.00	$0	$0.00	$0
Nevada	SBC	$6.05	338,418	$5.28	$7.15	$1.87	$0.00	$0	$0.72	$243,690	$0.77	$260,611
Oklahoma	SBC	$4.71	1,705,544	$5.18	$7.86	$2.68	$0.00	$0	$0.00	$0	$0.00	$0
Texas	SBC	$5.37	10,165,710	$4.65	$7.86	$3.21	$0.35	$3,552,151	$0.72	$7,313,464	$0.72	$7,313,464
Idaho-South	USW	$8.48	496,122	$7.36	$8.25	$0.89	$0.00	$0	$0.00	$0	$0.00	$0
Iowa	USW	$7.08	1,083,752	$5.96	$6.77	$0.81	$0.00	$0	$0.04	$38,761	$0.54	$580,637
Nebraska	USW	$7.29	509,689	$5.33	$6.93	$1.60	$0.00	$0	$0.67	$339,621	$1.17	$594,466
New Mexico	USW	$8.24	811,451	$6.19	$7.74	$1.55	$0.00	$0	$0.00	$0	$0.31	$253,013
North Dakota	USW	$8.45	236,467	$5.64	$7.98	$2.34	$0.00	$0	$0.36	$85,051	$0.86	$203,285
Oregon	USW	$7.60	1,380,903	$4.76	$7.17	$2.41	$0.24	$328,465	$1.24	$1,709,368	$1.74	$2,399,819
South Dakota	USW	$9.00	276,608	$6.44	$8.59	$2.15	$0.00	$0	$0.00	$0	$0.06	$16,564
Utah	USW	$5.45	1,082,091	$4.99	$5.04	$0.05	$0.01	$13,195	$0.46	$500,136	$0.46	$500,136
Washington	USW	$5.64	2,487,443	$4.96	$5.26	$0.30	$0.04	$106,365	$0.68	$1,698,329	$0.68	$1,698,329
D.C.	VZ	$3.81	727,822	$3.75	$6.05	$2.30	$0.06	$46,576	$0.06	$46,576	$0.06	$46,576
Delaware	VZ	$6.41	582,725	$4.29	$6.01	$1.72	$0.71	$415,273	$1.71	$997,998	$2.12	$1,236,915
Maine	VZ	$6.41	702,726	$5.94	$6.24	$0.30	$0.00	$0	$0.06	$39,390	$0.47	$327,507
Maryland	VZ	$5.68	3,664,355	$4.74	$7.08	$2.34	$0.26	$946,385	$0.94	$3,438,147	$0.94	$3,438,147
Massachusetts	VZ	$6.41	4,404,502	$4.94	$6.24	$1.30	$0.06	$251,057	$1.06	$4,655,559	$1.47	$6,481,405
New Hampshire	VZ	$6.41	828,170	$5.87	$6.24	$0.37	$0.00	$0	$0.13	$108,048	$0.54	$447,597
New Jersey	VZ	$6.21	6,424,617	$3.32	$7.33	$4.01	$1.68	$10,781,272	$2.68	$17,205,889	$2.89	$18,555,059
New York	VZ	$6.41	11,408,062	$4.70	$6.24	$1.54	$0.30	$3,421,392	$1.30	$14,829,454	$1.71	$19,506,759
Pennsylvania	VZ	$6.00	6,421,421	$4.61	$8.45	$3.84	$0.39	$2,511,072	$1.39	$8,932,493	$1.39	$8,932,493
Rhode Island	VZ	$6.41	705,885	$5.03	$6.24	$1.21	$0.00	$0	$0.97	$686,147	$1.38	$975,560
Vermont	VZ	$6.41	354,368	$4.16	$6.24	$2.08	$0.84	$299,326	$1.84	$653,694	$2.25	$796,985
Virginia	VZ	$6.53	3,587,418	$4.45	$7.55	$3.09	$0.55	$1,958,030	$1.55	$5,545,448	$2.05	$7,339,157
West Virginia	VZ	$8.21	842,646	$7.18	$12.39	$5.21	$0.00	$0	$0.00	$0	$0.00	$0

Weighted Average	$4.56
Weighted Average	$2.32
Percent of True Costs	51%

SLC Cap	$5.00	$6.00	$6.50
Monthly Totals	$55,582,763	$126,616,011	$151,207,262
Yearly Totals	$666,993,152	$1,519,392,137	$1,814,487,145
Number of States Under the Cap	23	36	39
Percentage of States Under the Cap	55%	86%	93%

Note 1	Note 2	Note 3	Note 4	Note 5
Study limited to continental United States. Also dropped were states with (a) more than 4 UNE zones or (b) UNE rates below wire center level	SBC Communications "AIT" or "SBC"	SBC Attachment 5	Line count from Armis data.	From SBC Study Attachment 5
	Verizon - "VZ"	Verizon Attachment B		From Verizon Study Attachment D
	Bellsouth - "BS"	"Trends in Telephone Service" Table 1.3 August 2001		From Bell South Study "Filename Summary1.xls"
	Qwest - "QW"	Qwest Attachment 1		From Qwest Study Attachment 1