

NECA DIRECT CASE

WC DOCKET NO. 02-340

EXHIBIT A

Special Data Request

FCC Order Regarding NECA's Customer Deposit Filing

Instruction:
 On October 31, 2002 the Commission released its order designating certain issues for investigation associated with NECA's filing that proposed tariff revisions that would strengthen the customer deposit requirements for customers with a proven history of late payments or established credit. While NECA is able to respond to a number of the Commission's requests, NECA urgently needs your response to the questions below to be able to respond to all of the additional information that was requested. Please complete the following data request and forward your results to NECA no later than Tuesday, November 12th.

Data Entry: Responses to each question should be entered in the blue-shaded cell to the right of each question. Cells have been formatted to match the context of the question. For example, data reported as a "percent" should be entered as a percent rather than as decimal.

If you have any questions, please contact Bill Cook on 973-884- 8077 or Carl Parzanese on 973-884-8406. Please return the completed data request by E-Mail to: cparzan@neca.org by November 12th.

Company and Contact Information

Company Name		
SAC (Study Area Code)		
If completing this request for other than the company listed above or for a subset of companies under a holding company, please name or provide the SACs for the companies from which the data reported below applies.		
Contact Information: Please provide the name of the person we should contact if we have questions regarding the data submitted below.		
Name (First, Last)		
Telephone Number		
E-Mail		

Data Request

Question	Response	Reference *								
1a. For Carriers (IXC & CLEC), what is the total dollar amount of security deposits held by your company that are attributable to interstate (IS) access services? 1b. For End Users, what is the total dollar amount of security deposits held by your company that are attributable to interstate (IS) access services? 1c. For the total of lines 1a & 1b, what is the percentage relationship of this amount to average monthly interstate access service billings?		Para. 11								
2. Explain any changes to your company's billing and collection procedures or the accounting treatment of disputed amounts on bills within the past two years that could have affected the level of uncollectibles.		Para. 12								
3a. What is the average length of time from the bill date until the bill is sent to the carrier customer? (# of days) 3b. What percent of those bills reported in 3a are sent electronically? (%) 3c. What percent of the total amount billed for 3a is sent electronically? (%)		Para. 12								
4. How many customers have been sent the following types of notification letters and for each type indicate the average length of time from a bill's being delinquent until the letter was sent? Non-payment = Discontinuance of service = Refusal of new orders =	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Number of Customers</th> <th style="text-align: center;">Average Length of Time (Days)</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e0f0ff;"></td> <td style="background-color: #e0f0ff;"></td> </tr> <tr> <td style="background-color: #e0f0ff;"></td> <td style="background-color: #e0f0ff;"></td> </tr> <tr> <td style="background-color: #e0f0ff;"></td> <td style="background-color: #e0f0ff;"></td> </tr> </tbody> </table>	Number of Customers	Average Length of Time (Days)							Para. 12
Number of Customers	Average Length of Time (Days)									
5. For the billing periods between January 2000 and October, 2002, provide: Percent of carrier bills disputed = Percent of carrier-billed revenues disputed = Percentage of the disputed amounts that were successfully disputed by the carrier =	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Percent</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e0f0ff;"></td> </tr> <tr> <td style="background-color: #e0f0ff;"></td> </tr> <tr> <td style="background-color: #e0f0ff;"></td> </tr> </tbody> </table>	Percent				Para. 12				
Percent										

6 Are disputed amounts deducted from overdue charges for purposes of determining whether a carrier has complied with a payment deadline?		Para. 12
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7a. Does your company, or any of your affiliate operations (such as ISP, CLEC, Long-Distance Carrier), have a "debtor" relationship with any of your interstate access customers? If yes, explain the "debtor" relationship.		Para. 13
7b. If yes, how does that relationship affect those access customers' credit risk?		

8a. For Carriers, what is the dollar amount of unpaid bills of defaulting customers that have gone into bankruptcy since January 2000?			Para. 13
8b. For End Users, what is the dollar amount of unpaid bills of defaulting customers that have gone into bankruptcy since January 2000?			
8c. For the total of lines 8a and 8b, what percentage of this amount has been recovered through bankruptcy proceedings?			

9a. Have you required any security deposits for your affiliated companies (i.e., long distance or competitive LEC)?		Para. 18
9b. How would your affiliates score under the NECA proposed credit-rating procedures? (List each one separately) Click Here to view the NECA Proposed Credit-Rating Procedures		
9c. Assuming the proposed changes that allow a deposit for a company that does not have a "commercially acceptable level of credit worthiness" are approved, what actions do you anticipate your company would take in response to your affiliate's ratings?		
9d. How would your company (ILEC) score under the NECA proposed credit-rating procedures?		

10a. For the period January 2000 to October 2002, identify the total number of interstate access customers that filed for bankruptcy and had an overdue account more than 90 days old at the time of bankruptcy.			Para. 19
10b. For each of the customers in 10a, show its number of late payments during the year prior to the time the account became 90 days overdue. If more than ten customers had defaults, identify the additional customers in the space provided in question 12, below.		No. of Late Payments	
Customer 1			
Customer 2			
Customer 3			
Customer 4			
Customer 5			
Customer 6			
Customer 7			
Customer 8			
Customer 9			
Customer 10			

11. If applicable, please describe why you were not able to answer each or any of the above questions.	
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12. Enter any additional comments here.	
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* This column indicates the paragraph in the Commission Order where the question was derived. See DA 02-2948. A copy of this Order was provided in the e-mail included with this data request.

Return By E-Mail To: cparzan@neca.org

NECA DIRECT CASE

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EXHIBIT B

Derivation of NECA's Uncollectible Estimates for Global Crossing and WorldCom

This write-up describes the derivation of NECA's estimate of over \$70 million in uncollectibles caused by the bankruptcies of Global Crossing and WorldCom, as referenced in NECA's August 30, 2002, rate revision filing (See Transmittal 952).

Global Crossing and WorldCom Uncollectibles Estimates

Though they were two separate data collections, NECA followed the same approach to estimate uncollectibles for both Global Crossing and WorldCom:

- Sample Collection
 - NECA regional managers were instructed to gather uncollectibles estimates from companies directly or from their Carrier Access Billing vendors who bill on behalf of pool members.
 - The sample had to include study areas from three line size categories
 - Greater than 50,000 lines
 - Greater than 5000 lines but fewer than 50,000 lines
 - Fewer than 5000 lines.
 - The total sample size had to be more than 50 percent of a pool's total access lines.
 - The estimates should be split into calendar years 2001 and 2002.
- Derivation of CL and TS Pool Estimates
 - For each pool, an average uncollectibles per line for the combined 2001 and 2002 periods was derived by summing the uncollectibles estimates reported for study areas in the sample and dividing it by the sample's access lines.
 - Multiplying the uncollectibles per line estimate by total pool access lines yielded total pool uncollectibles estimates.
 - Pool estimates were split into calendar year estimates using the same proportions of the sample.
- Results
 - The tables below summarize the data collected and the derivation of uncollectibles estimates for the total Common Line and Traffic Sensitive pools.

TABLE 1							
COMMON LINE SAMPLE DATA							
GLOBAL CROSSING				WORLDCOM			
COL1	COL2	COL3	COL3/COL2	COL4	COL5	COL6	COL6/COL5
Study Areas	Lines	Sample	Unc/Line	Study Areas	Lines	Sample	Unc/Line
499	6,605,621	\$3,029,064	\$0.46	362	6,659,861	\$15,602,024	\$2.34

TABLE 2							
COMMON LINE TOTAL POOL ESTIMATES							
GLOBAL CROSSING				WORLDCOM			
COL1	COL2	COL3	COL2*COL3	COL4	COL5	COL6	COL6*COL5
Study Areas 1/02	Lines Total Pool 1/02	Unc/Line From Sample	Unc Estimate	Study Areas 7/02	Lines Total Pool 7/02	Unc/Line From Sample	Unc Estimate
1,243	12,435,529	\$0.46	\$5,702,418	1,241	12,567,066	\$2.34	\$29,440,804

TABLE 3							
TRAFFIC SENSITIVE SAMPLE DATA							
GLOBAL CROSSING				WORLDCOM			
COL1	COL2	COL3	COL3/COL2	COL4	COL5	COL6	COL6/COL5
Study Areas	Lines	Sample	Unc/Line	Study Areas	Lines	Sample	Unc/Line
499	3,149,599	\$4,103,528	\$1.30	331	4,606,098	\$19,804,973	\$4.30

TABLE 4							
TRAFFIC SENSITIVE TOTAL POOL ESTIMATES							
GLOBAL CROSSING				WORLDCOM			
COL1	COL2	COL3	COL2*COL3	COL4	COL5	COL6	COL6*COL5
Study Areas 1/02	Lines Total Pool 1/02	Unc/Line From Sample	Unc Estimate	Study Areas 7/02	Lines Total Pool 7/02	Unc/Line From Sample	Unc Estimate
1,091	6,859,429	\$1.30	\$8,936,966	1,095	6,952,309	\$4.30	\$29,893,044

¹ *Default and Recovery Rates of Corporate Bond Issuers: A Statistical Review of Moody's Rating Performance 1970-2001*. Moody's Investor Services. p.4.

² *Ibid.*, p. 6.

³ *Ibid.*, pp. 6-7.

⁴ *Ibid.*, p. 5.

⁵ *Ibid.*, p. 7.

⁶ NECA's Transmittal No. 952, August 30, 2002, p. 2 of 4.

⁷ The \$712 million projection includes Traffic Sensitive access elements only.

Projected Uncollectibles for the 2002/2003 Test Period

This write-up explains NECA's estimate of the additional \$15 million in uncollectibles forecast for the 2002/2003 Test Period, as referenced in the August 30, 2002, rate revision filing (See Transmittal 952).

According to Moody's, 2001 resulted in one of the most intense years of credit pressure around the globe¹. The default rate was more than two standard deviations from the mean for only the second time since 1980.² The two largest defaulting industry categories by dollar volume were deregulated in recent years. They were the telecommunications and energy industries.³ The big defaulter in telecommunications was PSINet Inc. at \$3.1 billion.⁴ Moody's concluded the fallout from the disintegration of the New Economy is likely to continue and be acutely felt, but said that the default rate for speculative grade bond issuers should decline from 10.2 per cent in 2001 to 6.8 percent in 2002.⁵ Then in January, Global Crossing declared bankruptcy and WorldCom followed suit in July.

We are clearly operating in a new, highly volatile environment, especially in the telecommunications industry. Long distance carriers have built huge speculative networks with enormous capacity without having enough customers to fill even a fraction of their fiber pipelines. The Precursor Group's document shown in Appendix 1 displays the significant financial deterioration in the Telecommunications sector between 1Q02 and 2Q02. The "Bankruptcy possible" category includes virtually every IXC and many ILECs.

NECA has already shown the sharp decline in the bond ratings for AT&T, Global Crossing, Qwest Communications, Sprint, and WorldCom. Between April and July 2002, WorldCom's bond rating dropped from BBB to D.⁶ Then the company defaulted. Qwest's ratings are dropping almost as fast. It is not inconceivable that companies will be forced to declare bankruptcy in response to the competitive advantage that companies already in Chapter 11 have. They have effectively reduced their debt structure, which allows them to charge lower retail rates.

With all these risks looming, NECA has selected a default rate of about 11 percent, roughly the default rate prediction for speculative bond issuers in 2001, as a reasonable prediction for the 2002/2003 test period. Multiplying this projected default rate by \$712 million, the projected total interstate traffic sensitive access revenues for the test period, then by 19.2 %, which translates into 70 days⁷ of lost revenue due to defaults, yields NECA's \$15 million uncollectibles estimate.⁸

¹ *Default and Recovery Rates of Corporate Bond Issuers: A Statistical Review of Moody's Rating Performance 1970-2001*. Moody's Investor Services. p.4.

² *Ibid.*, p. 6.

³ *Ibid.*, pp. 6-7.

⁴ *Ibid.*, p. 5.

⁵ *Ibid.*, p. 7.

⁶ NECA's Transmittal No. 952, August 30, 2002, p. 2 of 4.

⁷ Approximately 70 days of outstanding payments were due to NECA pooling companies providing data for the WorldCom bankruptcies.

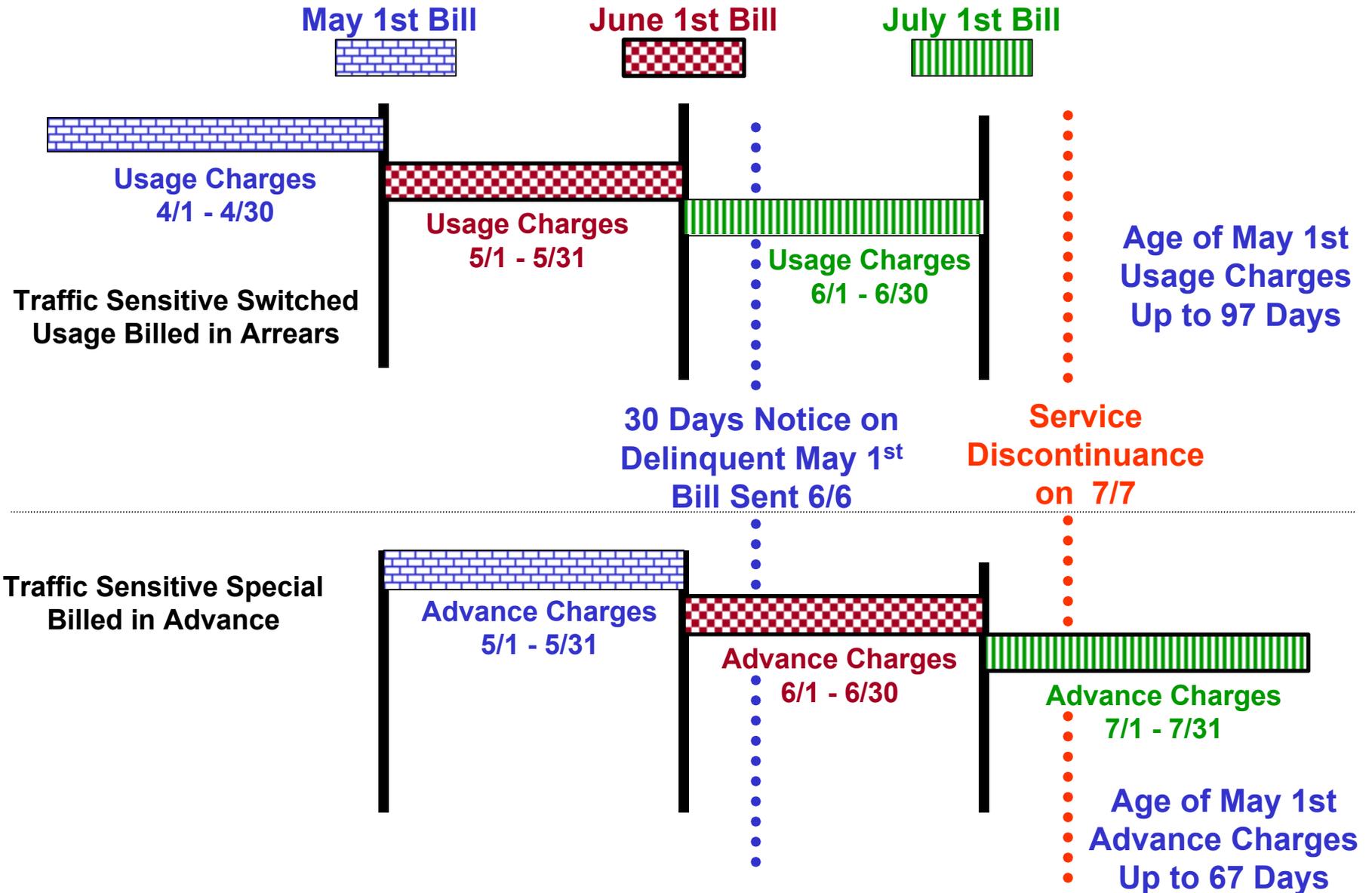
⁸ The \$712 million projection includes Traffic Sensitive access elements only.

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EXHIBIT C

Access Bill Timeline



Switched Access Usage Bill Illustration (Billed in arrears):

- April's usage bill preparation begins on May 1.
- Bill received by customer on or about May 10.
- Payment due by June 1, for usage back to April 1 (Age of charges – 60 days).
- If payment not received by June 1, balance shows an overdue amount.
- 30 day notice of refusal/discontinuance mailed on 6/6.
- On 7/7, the thirty notice period has elapsed. Service terminated if payment not received.
- Bills for May usage (billed June 1) and June usage (billed July 1) also outstanding on 7/7.
- Total of 97 outstanding usage days (April 1 through July 7).

Special Access Bill Illustration (Recurring charges billed in advance):

- Bill preparation for May's charges begins on May 1.
- Bill received by customer on or about May 10.
- Payment due by June 1, for May's service (Age of charges – 30 days).
- If payment not received by June 1, balance shows an overdue amount.
- 30 day notice of refusal/discontinuance mailed on 6/6.
- On 7/7, the thirty notice period has elapsed. Service terminated if payment not received.
- Bills for June service (billed June 1) and July service (billed July 1) also outstanding on 7/7.
- Total of 67 outstanding days (May 1 through July 7).

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EXHIBIT D

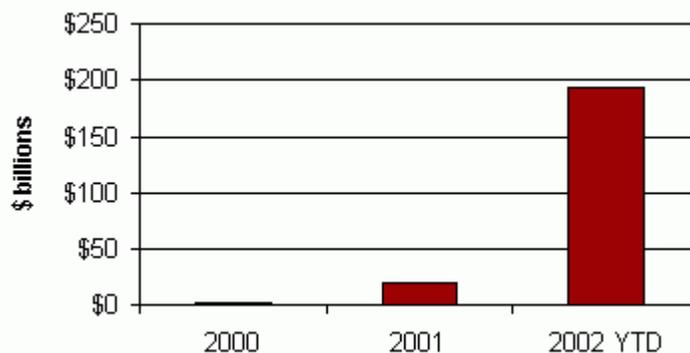
PR Contact ■**Distressed Assets Could Pose a Threat to IXCs***By Daniel Hanover, Melanie Swan, TEP program**Melanie Swan*

Emerging inter-exchange carriers (EIXCs) restructuring in the wake of bankruptcy could continue to drive traffic prices down in order to obtain traffic volume and revenue. If widespread, this practice could pose a threat to incumbent IXCs, especially since ILECs are now winning a substantial share of consumer long-distance traffic and contracting with EIXCs to transport this traffic.

In this way, EIXCs with no debt and idle network capacity may continue to keep the telecom industry in a state of overcapacity. Some distressed carriers are convincing their new owners (the creditors) to invest enough additional capital to allow them to run their businesses and obtain traffic with aggressive price competition. The market will test this approach, and there may be a second round of EIXC bankruptcies in the next two years.

Since the beginning of 2002, there were more than fifteen major telecom bankruptcy announcements in North America versus a total of twenty-two for all of 2001. However, the bankruptcies so far in 2002 represent a total net asset value of \$193 billion (WorldCom accounts for more than half), compared with less than \$20 billion for the 2001 bankruptcies (Figure 1). It is important to realize that the actual value of the assets in the market now may be quite different than the net asset value in the bankruptcy filing; for example, about \$60 billion of WorldCom's \$104 billion in net asset value is goodwill from acquisitions—not an asset that can be easily resold.

Figure 1: Net asset value of bankrupt North American carriers, 2000–2002 YTD



Source: RHK Inc.

Though the bankruptcy process takes several months to more than a year, EIXCs and CLECs in bankruptcy may be able to obtain the necessary financing to reemerge and continue operations. Reemerging EIXCs could pose a threat to IXCs because of their ability to significantly underprice the commodity long-haul transport market. Emerging CLECs pose much less of a challenge to ILECs due to their niche customer focus and smaller size. The large number of assets mired in bankruptcy leads us to believe that some of them will ultimately be left for liquidation.

The Bankrupt Companies: Where Are They Now?

Some of the earliest bankruptcies are beginning to gain reorganization approval from their bondholders, notably ICG Communications, McLeodUSA, and Global Crossing. However, the company valuations are extremely low. For example, in July Global Crossing announced that Hutchison Whampoa would be bailing it out at a cost of \$250 million (\$0.02 on the dollar for Global Crossing's \$12 billion in PP&E). This price was much lower than earlier offers from Hutchison Whampoa (which offered \$750 million in spring 2002 for about 79% of the company) and others, and lower than Global Crossing hoped to achieve with its \$4 billion annual revenue (see full report for a profile of Global Crossing).

The reasons telecom assets are being highly discounted are: the large number of companies available for sale; the aging technology of the networks; and the difficulty of integrating networks built with different equipment. Other bankrupt carriers are likely to be plagued by similarly low valuations. In these deals, equity shareholders are being totally wiped out, significant sums of debt are being forgiven (60-90% in recent cases), and new investors are almost guaranteed a nice profit due to the low cost of gaining ownership. The likelihood of these financial returns has lured savvy investors such as Warren Buffett into the industry.

RHK's report, ***Distressed Assets Could Pose a Limited Threat to IXCs***, provides in-depth analysis of the impact of bankruptcies by service provider sector – CLECs, EIXCs, ILECs and IXCs. This report includes a status report on nine service providers that have filed for bankruptcy and an assessment of their prospects for restructuring. For more information, please contact info@rhk.com

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RHK provides strategic advisory services to the world's leading telecom companies through research programs, consulting services, executive programs, and strategic advisory services. At every level of the industry value chain, RHK brings solutions to the business, product, market, and technology challenges of service providers, equipment vendors, software vendors, component vendors, and financial institutions. For more than 10 years, integrity, quality, and expertise have been the hallmarks of RHK's unique mixture of business experience and deep industry knowledge. For more information about our services, email info@rhk.com.

North America: +1.800.755.2990 Europe & ROW: +44.1462.485440 Japan: +81.3.3492.1341

A blue oval button with the word "Back" in bold black text.A blue oval button with the text "Back to Index" in bold black text.

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webmaster@rhk.com

Telecom’s Debt Spiral: Why Some Will Survive—The Game Will Change

(Part Eight in a Telecom Debt Spiral Series)

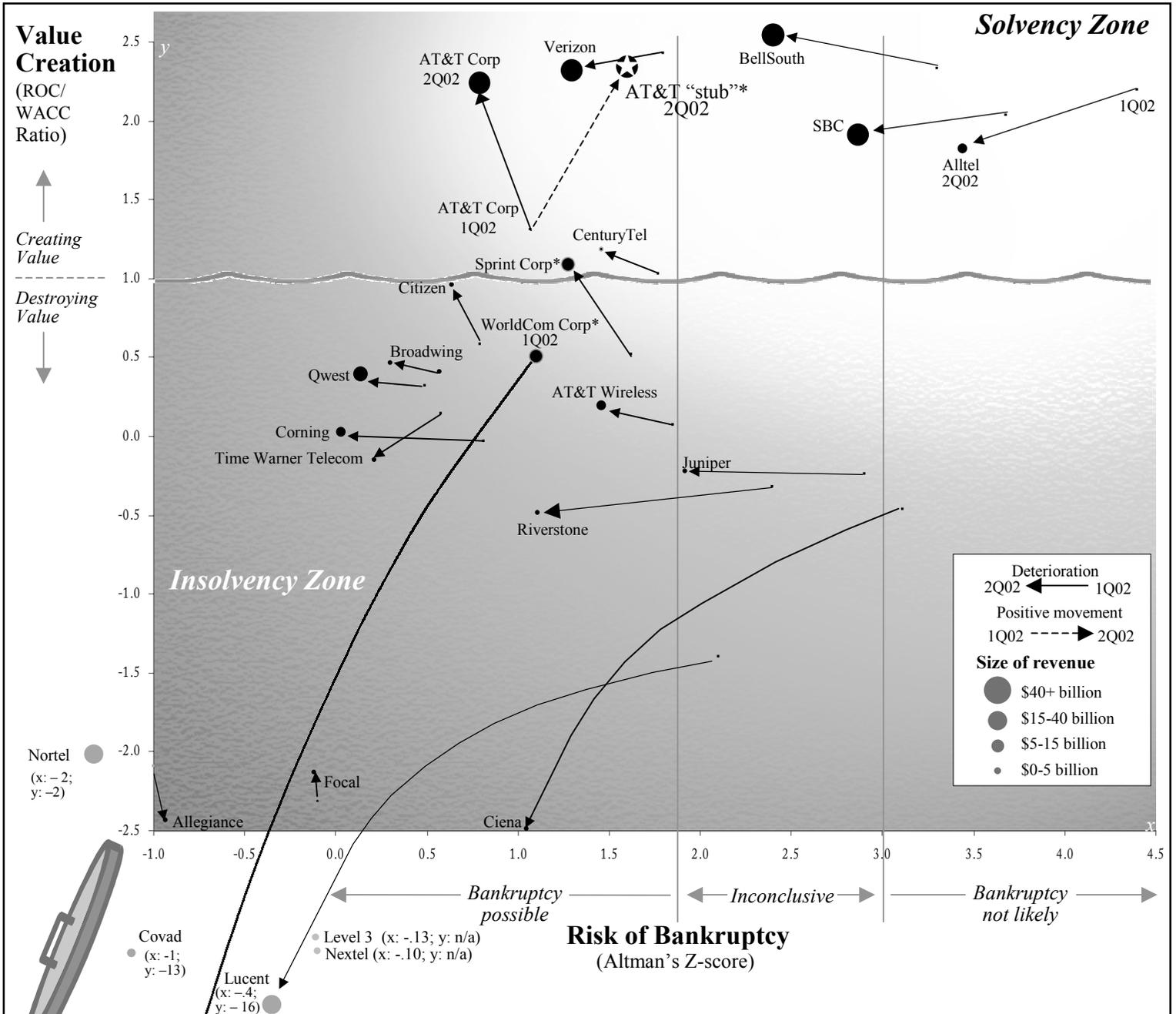
Summary: Precursor believes that **telecom has NOT yet bottomed fundamentally** (see attached chart). **Core telecom, including the Bells, could continue to weaken from worsening fundamentals for the next few quarters. However,** Precursor alerts investors to **some emerging signs of long term stabilization developing** in portions of telecom, potentially signaling that **telecom may be bottoming psychologically for investors.** Long term it is becoming clearer that a few (**SBC, VZ, BLS, AT&T “stub,” and Alltel**) ultimately will survive this debt spiral. However, the weak likely will stay weak from the ongoing effects of the debt spiral (Q, FON/PCS, and all the CLECs). *Assuming the 4Q02 spin-off of AT&T Broadband to Comcast,* Precursor expects a subsequent announcement of an **AT&T merger with SBC or BLS, the single biggest potential mood-affecting telecom catalyst on the near horizon.** The likelihood of an AT&T-Bell merger, combined with the AT&T “stub’s” stabilizing financial situation, earns the AT&T “stub” the *first positive outlook from Precursor in several years.* As for **telecom equipment,** the fundamental outlook remains very poor, except for the metro area, which offers the best relative opportunity. Any light at the end of the tunnel could affect these high beta stocks.

Why some will survive—the game will change. Precursor now believes the current debt spiral trajectory is unacceptable for the largest telecom companies who want to survive and for the government that wants to end the carnage and restore economic growth, job creation, and investment. This government-drawn market structure is an unsustainable, failed competitive experiment. AT&T’s disgorgement of its cable assets to Comcast ends a ten-year, six attempt, failed experiment to cross breed telecom and cable. AT&T will be purely telecom focused for the first time in years. Continued war between the Bell and long distance superpowers is mutually assured destruction. Precursor believes both the market structure and underlying competition regulations are poised for transforming change. **(1) AT&T-Bell Merger, From “Unthinkable” to Inevitable?** Precursor now believes SBC or BLS is the most likely to merge with AT&T after completion of the AT&T Broadband spin-off to Comcast and that Verizon eventually is most likely to acquire a substantially restructured WorldCom. **Precursor views these mergers as more inevitable than unthinkable.** (A) Why now approvable? (i) Telecom today is very different from 1982 or 1996. AT&T has lost 62% share, and the Bells 10%. The telecom-tech sector is in a depression. The Internet/data/email, cable telephony, and wireless compete for AT&T/Bell voice revenues. (ii) Telecom is in a debt spiral with: dozens of telecom bankruptcies, telecom companies financial condition worsening, and over 500,000 jobs lost. (iii) The Government is becoming

increasingly resigned that major consolidation is the most viable solution. (iv) Precursor believes this merger would have a **65% chance of government approval** by this DOJ and FCC with significant local divestitures by AT&T in the Bell’s region. (v) Investors may not have connected the dots that an IRS ruling in April quietly relaxed the relevant Morris Trust requirements (355e) for a tax-free transaction, effectively **enabling AT&T to immediately turn around after the Comcast closing and do a tax free merger with a Bell.** (B) Why AT&T-Bell merger makes sense? (i) An AT&T-Bell merger would generate **extraordinarily high cost savings, scale and vertical efficiencies and synergies** more than enough to offset data, wireless, and regulatory substitution of core voice revenues. (ii) Note on the attached chart, that **the AT&T “stub” is the only telecom company with an improving solvency situation.** That means these transactions may be the only ones that could actually improve these companies’: debt to revenue ratios, ability to service their remaining debt, and debt ratings. **(2) Restoring Economically Rational Regulation & Investment.** The ugly unraveling of the WCOM “competitive” model and near total failure of the CLEC model are encouraging the Government to look for ways to let market forces, and not Government, find equilibrium. The FCC’s expected absolution of the \$16b wireless auction liability will be a concrete example of this trend. In the December to February timeframe, the FCC plans to vote on the Triennial Review of unbundling rules and its Broadband Services rulemaking. These critical decisions will spur more economically rational investment long term. Precursor believes the Powell FCC has the votes to overhaul the FCC’s competition rules, to de-emphasize the Hundt FCC’s resale/UNE-P vision of government-managed competition that the market has completely de-funded, and to emphasize the Powell FCC’s vision of promoting market forces and more economically sustainable facilities-based competition that would encourage investment in telecom again. (The Hundt FCC invented UNE-P so that AT&T and MCI could compete when the Bells entered long distance and to create an alternative to Bell/long distance mergers.) **(3) Market Forces Are Slowly Working.** Precursor has found little actual evidence of bankrupt providers emerging stronger or financially capable of pricing disruptively. **WorldCom’s big lie has been a brutal reality check for creditors.** If WCOM, by far the largest and most successful telecom competitor, has not been able to earn a true profit for the last three years with its scale and resources, it’s awfully damning for wannabe competitors. WCOM’s business need for deceit has provided a bay window view into the financial futility of most competitive telecom business models. As creditors become more informed, they are becoming less willing to continue feeding these starving businesses. Behind the scenes market forces appear to be slowly working. * * * * *

AT&T "Stub" Only One Improving, Bells Strongest, Rest Remain Weak

This is Part II in the Insolvency Zone analysis showing companies' Altman's Z and ROC/WACC movements from 1Q02 to 2Q02. Companies in the "Insolvency Zone" are at risk of going bankrupt because of a combination of a low Altman's Z-score (x-axis) and lack of value creation (y-axis).



- Bankruptcies**
- WorldCom
 - Williams XO
 - Flag Telecom
 - Adelphia Bus. Solutions
 - McLeodUSA
 - Global Crossing
 - Rhythms
 - 360networks
 - PSINet
 - Winstar
 - Teligent
 - E.spire
 - Northpoint
 - ICG

*Precursor estimates Sources: Bloomberg; Precursor analysis; 1Q02 Values from April 1, 2002; 2Q02 Values from End of August 2002

Insolvency Zone analysis not applicable for Cisco, JDS Uniphase and Sycamore. They have no debt.

Altman's Z-score – Widely accepted measure utilized to predict the probability of a company's bankruptcy within the next two years. The Z-score is comprised of the sum of five financial ratios multiplied by coefficients:

$$Z\text{-score} = (1.2 \times \text{Working capital/Total assets} + 1.4 \times \text{Retained earnings/Total assets} + 3.3 \times \text{EBIT/Total assets} + 0.6 \times \text{Market value of equity/Book value of total debt} + 1.0 \times \text{Revenues/Total assets})$$

Risk of Bankruptcy: -5.0 to +1.8 Bankruptcy possible / +1.8 to +3.0 Results not meaningful predictor / +3.0 to +20.0 Bankruptcy not likely

ROC/WACC Ratio – The ratio of return on capital to the weighted average cost of capital. A ratio above 1 indicates that return on capital is more than the weighted average cost of its capital. A ratio of less than 1 indicates that a return on capital is less than cost of capital, implying that a firm is a value-losing concern.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO TARIFF F.C.C. NO. 5
AUGUST 30, 2002

1. INTRODUCTION

The National Exchange Carrier Association, Inc. (NECA) herein files increases to its Traffic Sensitive (TS) switched and special access rates in NECA Tariff F.C.C. No. 5. The revisions reflect a reassessment of the uncollectible revenue forecast included in the 2002 Annual Access Tariff Filing¹ based on increased uncollectible revenues reported by traffic sensitive pool participants and the current financial turmoil in the telecommunications industry.

The recent bankruptcies of Global Crossing Ltd. and WorldCom, Inc. highlight the financial stress currently facing the telecommunications industry. Virtually every day there are one or more news reports about worsening financial conditions facing firms in the industry. As a result, concerns about the financial health of the remaining access customers has prompted NECA to reevaluate the sufficiency of the uncollectible reserves included in the revenue requirements underlying the 2002 Annual Access Tariff Filing. Bankruptcies and failure to make timely payments have become an unfortunate reality of doing business today.

On August 21, NECA filed revisions to its customer deposit regulations to add some additional protections that would help pooling companies minimize the impacts of customer payment defaults². Although prompt implementation of these revisions will help reduce the need for rate adjustments on a prospective basis, they will not be sufficient to cover projected increases in uncollectible amounts.

Most Incumbent Local Exchange Carriers (ILECs) in the NECA pools are rural ILECs that derive a much larger portion of their total revenue stream from interstate access services than do non-rural ILECs.³ As a result, although the relative amount of uncollectible revenues for NECA's pooling companies on any individual customer's default may be small when compared with the amounts for the larger price-cap carriers, the impact is much more significant. The proposed tariff rate revisions will help provide the revenues necessary to achieve the authorized rate of return for the remainder of the 2002/2003 test period.

¹ See National Exchange Carrier Association, Inc., Tariff Transmittal 939, filed June 17, 2002 (2002 Annual Access Tariff Filing).

² See National Exchange Carrier Association, Inc., Tariff Transmittal 951.

³ See Reply Comments of the National Exchange Carrier Association, Inc. In the Matter of Developing a Unified Intercarrier Compensation Regime (CC Docket No. 01-92) filed November 5, 2001, at 4.

2. JUSTIFICATION FOR ADJUSTMENTS TO REVENUE REQUIREMENT

In the first half of 2002 alone, NECA has observed an increase in uncollectibles that is unprecedented in its history. The WorldCom and Global Crossing bankruptcies alone have accounted for estimated uncollectible revenues of over \$70 million⁴. These experiences have shown that customers with little or no history of late payments can quickly succumb to the financial instability currently permeating the telecommunications industry, putting NECA pooling companies at significant risk for millions of dollars.

The following table demonstrates that the financial turmoil facing the telecommunication industry is not isolated to WorldCom and Global Crossing alone, but is affecting all of the largest access customers. The table shows the latest Standard and Poor's Issuer Credit rating, as well as selected previous ratings.

Company ⁵	Date of S&P Rating	S&P Rating ⁶
AT&T	10/29/2001	A-
	12/20/2001	BBB+
Global Crossing	11/15/2001	B-
	12/14/2001	CCC-
	1/28/2002	D
	2/18/2002	Withdrawn
Qwest Communications	2/14/2002	BBB
	4/19/2002	BBB-
	7/17/2002	B+
	8/27/2002	B-
Sprint	4/21/1999	BBB+
	6/14/2002	BBB-
WorldCom	4/22/2002	BBB
	5/10/2002	BB
	7/17/2002	D

It is difficult to estimate the additional amount of uncollectible reserve necessary to protect traffic sensitive pool members for the remainder of the 2002/2003 test

⁴ This shortfall is due to uncollectible revenue from both TS and Common Line (CL) access. The TS portion of this amount is approximately \$40 million. CL rates are not being adjusted in this filing because Interstate Common Line Support will make up any difference between the revenue and the CL revenue requirement, beginning July 1, 2002.

⁵ The carriers are the largest Toll Service carriers based on FCC *Trends in Telephone Service* report, May 2002. See Table 10.1.

⁶ See Standard and Poor's Long-Term Issuer Credit Rating definitions at: <http://www.standardandpoors.com/ResourceCenter/RatingsDefinitions.html>.

period. However, based on experience to date, it is obvious that the \$15,000 amount included in the traffic sensitive revenue requirement underlying the 2002 Annual Access Tariff Filing⁷ is grossly inadequate.

The increased financial risk of doing business within the telecommunications industry is obvious from the downward trend in ratings of all of the companies listed in the above table. In light of this increased financial risk, NECA is increasing the traffic sensitive revenue requirement for the current test period by \$15 million⁸. This increased amount is solely attributable to anticipated increases in uncollectible revenues.

3. DESCRIPTION OF REVENUE REQUIREMENT CHANGES

The uncollectible portion of the traffic sensitive test period revenue requirements reported in the 2002 Annual Access Tariff Filing was increased by \$15 million in aggregate. It was distributed across all traffic sensitive switched and special Access recurring rate elements based on each element's total projected revenue requirement less universal service support. Exhibit 1 shows the original revenue requirements included in the 2002 Annual Access Tariff Filing and the proposed revenue requirements.

4. RATE DEVELOPMENT

Traffic sensitive switched and special access rate element charges are displayed in Exhibits 2 and 3, respectively. Revised rate levels for Local Switching, Information Surcharge, and Special Access were computed by applying a rate adjustment factor to existing rate levels using the following methodology:

- Subtract from the revised revenue requirement (which includes the proposed additional uncollectible revenue requirement) any applicable universal service support and revenue from any rates that are not being changed.⁹
- Divide the remaining revenue requirement calculated above by the original revenue projections in the category less any revenue from rates that are not being changed.
- For each category, the rate adjustment factor is then multiplied by the current rates subject to change.

⁷ See 2002 Annual Access Tariff Filing, Volume 2, Exhibit 2, page 4 of 4.

⁸ As proposed, approximately \$12 million of the \$15 million will be recovered through the remainder of the 2002/2003 test period.

⁹ NECA chose not to increase Nonrecurring and Optional Features and Functions rates to reduce the administrative burden of these rate changes on its pooling members. In addition, certain DS3 capacity discount rates with zero demand were not adjusted because they are no longer an available service and will be removed from the tariff in a subsequent filing.

For Transport, the process was slightly modified to first set Direct Trunked Transport (DTT) and Entrance Facility (EF) rates equal to their functionally equivalent special access rates as proposed in Exhibit 3. After setting DTT/EF rates, the following modified process was used to develop a Transport rate adjustment factor:

- Subtract from the revised Transport revenue requirement the revised DTT/EF revenue and Transport revenue from rates that are not being changed.
- Divide the remaining Transport revenue requirement by the original projected Transport revenue projections less the original DTT/EF Transport revenue less the revenue from rates that are not being changed.
- The rate adjustment factor is then multiplied by each of the current Tandem Switched Transport rates subject to change.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
FORECASTED REVENUE REQUIREMENT
REVISED TEST PERIOD JULY 1, 2002 THROUGH JUNE 30, 2003
(Data in \$000)

<u>NECA's COMMON LINE POOL PARTICIPANTS</u>	<u>Original Test Period*</u>	<u>Proposed Test Period**</u>
PAY TELEPHONE	\$0	\$0
INSIDE WIRE	\$0	\$0
BASE FACTOR PORTION	\$1,879,831	\$1,879,831
UNIVERSAL SERVICE CONTRIBUTIONS	\$66,555	\$66,555
TOTAL COMMON LINE	\$1,946,387	\$1,946,387
 <u>NECA's TRAFFIC SENSITIVE POOL PARTICIPANTS</u>		
LOCAL SWITCHING	\$562,912	\$568,386
LOCAL TRANSPORT	\$169,210	\$172,772
INFORMATION	\$3,697	\$3,775
TOTAL SWITCHED ACCESS	\$735,819	\$744,933
SPECIAL ACCESS	\$279,587	\$285,473

NOTE: REVENUE REQUIREMENTS INCLUDE NECA EXPENSES.

* Based upon NECA's June 17, 2002 Annual Tariff Filing, Transmittal No. 939. (See Volume 2, Exhibit 1 Workpaper 1).

** Includes additional uncollectible amount of \$15M for Traffic Sensitive pool participants.

**August 30, 2002 NECA Access Charge Filing
Proposed Local Switching Rate Adjustment Factor**

**EXHIBIT 2
WORKPAPER 1 OF 5**

<u>LINE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SOURCE</u>
1	REVISED 7/1/02 - 6/30/03 LOCAL SWITCHING REVENUE REQUIREMENT	\$568,386,456	Exhibit 1
2	FILED 7/1/02 - 6/30/03 LOCAL SWITCHING REVENUES	\$251,443,960	Annual Filing 2002, Vol 5, Ex 3
3	FILED 7/1/02 - 6/30/03 800 DATA BASE REVENUE	\$8,516,029	Annual Filing 2002, Vol 5, Ex 2, WP 1
4	FILED LOCAL SWITCHING SUPPORT	\$302,895,345	Annual Filing 2002, Vol 5, Ex 2, WP 1
5	LOCAL SWITCHING/800 DB RATE ADJUSTMENT FACTOR	1.021277	(Ln 1 - Ln 4)/(Ln 2 + Ln 3)

**August 30, 2002 NECA Access Charge Filing
Proposed Local Switching Rates**

**EXHIBIT 2
WORKPAPER 2 OF 5**

<u>LINE</u>	<u>RATE ELEMENTS</u>	<u>CURRENT RATES</u>	<u>RAF</u>	<u>PROPOSED RATES*</u>
1	UNIFORM LOCAL SWITCHING RATE	\$0.0142	1.021277	\$0.0145
<i>PREMIUM RATES</i>				
2	LS RATE BAND 1	\$0.006139		\$0.006269
3	LS RATE BAND 2	\$0.008185		\$0.008359
4	LS RATE BAND 3	\$0.010231		\$0.010449
5	LS RATE BAND 4	\$0.012277		\$0.012538
6	LS RATE BAND 5	\$0.014323		\$0.014628
7	LS RATE BAND 6	\$0.016370		\$0.016718
8	LS RATE BAND 7	\$0.018416		\$0.018807
9	LS RATE BAND 8	\$0.020462		\$0.020897
<i>NON PREMIUM RATES</i>				
10	LS RATE BAND 1	\$0.002763		\$0.002821
11	LS RATE BAND 2	\$0.003683		\$0.003762
12	LS RATE BAND 3	\$0.004604		\$0.004702
13	LS RATE BAND 4	\$0.005525		\$0.005642
14	LS RATE BAND 5	\$0.006445		\$0.006583
15	LS RATE BAND 6	\$0.007367		\$0.007523
16	LS RATE BAND 7	\$0.008287		\$0.008463
17	LS RATE BAND 8	\$0.009208		\$0.009404
<i>800 DATABASE RATES</i>				
18	800 DATA BASE BASIC	\$0.0054		\$0.0055
19	800 DATA BASE - VERTICAL	\$0.0060		\$0.0061

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor (RAF is calculated on Ex 2 WP1).

**August 30, 2002 NECA Access Charge Filing
Proposed Information Surcharge Rates**

**EXHIBIT 2
WORKPAPER 3 OF 5**

<u>LINE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SOURCE</u>
1	REVISED 7/1/02 - 6/30/03 INFORMATION SURCHARGE REVENUE REQUIREMENT	\$3,774,936	Exhibit 1
2	FILED 7/1/02 - 6/30/03 INFORMATION SURCHARGE REVENUES	\$3,689,433	Annual Filing 2002, Vol 5, Ex 2, WP 8 (Ln 6 x Ln 9 + Ln 7 x Ln 10)/100
3	INFORMATION SURCHARGE RATE ADJUSTMENT FACTOR	1.023175	Ln 1 / Ln 2

<u>LINE</u>	<u>RATE ELEMENTS</u>	<u>CURRENT RATES</u>	<u>RAF</u>	<u>PROPOSED RATES*</u>
4	INFO SURCHARGE - PREM	\$0.0208	1.023175	\$0.0213
5	INFO SURCHARGE - NON PREM	\$0.0094		\$0.0096

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor (RAF).

**August 30, 2002 NECA Access Charge Filing
Proposed Common Transport Rates**

**EXHIBIT 2
WORKPAPER 4 OF 5**

<u>LINE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SOURCE</u>
1	REVISED 7/1/02 - 6/30/03 TRANSPORT REVENUE REQUIREMENT	\$172,771,881	Exhibit 1
2	FILED 7/1/02 - 6/30/03 TRANSPORT REVENUES	\$169,209,626	Annual Filing 2002, Vol 5, Ex 2, WP 7 (Sum of Ln 2 thru Ln 6)
3	FILED 7/1/02 - 6/30/03 SWITCHED ACCESS NON RECURRING REVENUES	\$1,171,883	Annual Filing 2002, Vol 5, Ex 2, WP 3
4	FILED 7/1/02- 6/30/03 DIRECT TRANSPORT REVENUE	\$46,005,040	Annual Filing 2002, Vol 5, Ex 2, WP 7
5	SPECIAL ACCESS RATE ADJUSTMENT FACTOR	1.021837	Exhibit 3, WP 1
6	ADJUSTED DIRECT TRANSPORT REVENUE	\$47,009,652	Ln 4 x Ln 5
8	TRANSPORT RATE ADJUSTMENT FACTOR	1.020959	(Ln1 - Ln3 - Ln 6) / (Ln 2 - Ln 3 - Ln 4)

<u>LINE</u>	<u>RATE ELEMENTS</u>	<u>CURRENT RATES</u>	<u>RAF</u>	<u>PROPOSED RATES*</u>
9	TANDEM SWITCHING	\$0.004206	1.020959	\$0.004294
10	TANDEM SWITCHED TERMINATION	\$0.001228		\$0.001254
11	TANDEM SWITCHED FACILITY	\$0.000249		\$0.000254

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor (RAF).

August 30, 2002 NECA Access Charge Filing
Proposed Entrance Facility and Direct Trunked Service Rates

Exhibit 2
WORKPAPER 5 of 5

LINE	SERVICE OFFERING: SPECIAL / SWITCHED	PROPOSED SPECIAL ACCESS RATES ¹	PROPOSED TRANSPORT RATES
<i>CHANNEL TERMINATION / ENTRANCE FACILITY</i>			
1	VOICE GRADE 2 - WIRE	\$42.63	\$42.63
2	VOICE GRADE 4 - WIRE	\$68.20	\$68.20
3	HIGH CAPACITY 1.544 MBPS - M/M (DS1)	\$182.53	\$182.53
4	HIGH CAPACITY 44.736 MBPS - CAP 1, M/M (DS3)	\$2,117.35	\$2,117.35
5	OC3 155.52 MBPS	\$1,400.23	\$1,400.23
6	OC12 622.08 MBPS	\$2,733.01	\$2,733.01
<i>CHANNEL MILEAGE TERMINATION / DIRECT TRUNKED TERMINATION</i>			
7	VOICE GRADE 2-W & 4-W	\$30.51	\$30.51
8	HIGH CAPACITY 1.544 MBPS - M/M	\$97.42	\$97.42
9	HIGH CAPACITY 44.736 MBPS - CAP 1, M/M	\$542.60	\$542.60
10	OC3 155.52 MBPS	\$498.39	\$498.39
11	OC12 622.08 MBPS	\$1,858.83	\$1,858.83
<i>CHANNEL MILEAGE FACILITY / DIRECT TRUNKED FACILITY</i>			
12	VOICE GRADE 2-W & 4-W	\$3.03	\$3.03
13	HIGH CAPACITY 1.544 MBPS - M/M	\$19.76	\$19.76
14	HIGH CAPACITY 44.736 MBPS - CAP 1, M/M	\$136.03	\$136.03
15	OC3 155.52 MBPS	\$144.02	\$144.02
16	OC12 622.08 MBPS	\$288.04	\$288.04

¹ See Exhibit 3, Workpaper 2

**August 30, 2002 NECA Access Charge Filing
Proposed Special Access Rate Adjustment Factor**

**EXHIBIT 3
WORKPAPER 1 of 5**

<u>LINE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>SOURCE</u>
1	REVISED 7/1/01 - 6/30/03 SPECIAL ACCESS REVENUE REQUIREMENT	\$285,472,603	Exhibit 1
2	FILED 7/1/02 - 6/30/03 SPECIAL ACCESS REVENUES	\$279,588,998	Annual Filing 2002, Vol 5, Ex 12, WP 11
3	FILED 7/1/02 - 6/30/03 OPTIONAL FEATURES & FUNCTIONS REVENUES	\$4,565,021	Annual Filing 2002, Vol 5, Ex12, WP 2
4	FILED 7/1/02 - 6/30/03 NON-RECURRING REVENUES	\$5,587,348	(Ln5 + Ln6 + Ln7 + Ln8 + Ln9)
5	VOICE GRADE TO DS3 NON-RECURRING REVENUES	\$5,167,566	Annual Filing 2002, Vol 5, Ex12, WP 1
6	DSL NON-RECURRING REVENUES	\$258,518	Annual Filing 2002, Vol 5, Ex9, WP 10
7	FRAME RELAY SERVICE NON-RECURRING REVENUES	\$46,705	Annual Filing 2002, Vol 5, Ex9, WP 2
8	ATM NON-RECURRING REVENUES	\$98,358	Annual Filing 2002, Vol 5, Ex10, WP 4 & 5
9	SONET NON-RECURRING REVENUES	\$16,201	Annual Filing 2002, Vol 5, Ex9, WP 5
10	SPECIAL ACCESS RATE ADJUSTMENT FACTOR (APPLIED TO ALL RATES EXCEPT OFFs and NRCs)	1.021837	(Ln1 - Ln3 - Ln4) / (Ln2 - Ln3 - Ln4)

**August 30, 2002 NECA Access Charge Filing
Proposed Special Access Rates**

**EXHIBIT 3
WORKPAPER 2 of 5**

A. SPECIAL ACCESS RATE ADJUSTMENT FACTOR (See Ex3 WP1, Ln10)

1.021837

LINE	RATE ELEMENT	<u>CHANNEL TERMINATION</u>		<u>CHANNEL MILEAGE FACILITY</u>		<u>CHANNEL MILEAGE TERMINATION</u>	
		CURRENT RATE	PROPOSED* RATE	CURRENT RATE	PROPOSED* RATE	CURRENT RATE	PROPOSED* RATE
1	METALLIC SERVICE	\$24.83	\$25.37	\$35.73	\$36.51	\$2.49	\$2.54
2	TELEGRAPH 2-WIRE	\$24.83	\$25.37	\$2.97	\$3.03	\$29.86	\$30.51
3	TELEGRAPH 4-WIRE	\$49.67	\$50.75	\$2.97	\$3.03	\$29.86	\$30.51
4	VOICE GRADE 2-WIRE	\$41.71	\$42.63	\$2.97	\$3.03	\$29.86	\$30.51
5	VOICE GRADE 4-WIRE	\$66.74	\$68.20	\$2.97	\$3.03	\$29.86	\$30.51
6	PROG AUDIO 200-3500HZ	\$44.21	\$45.18	\$2.97	\$3.03	\$29.86	\$30.51
7	PROG AUDIO 100-5000HZ	\$76.98	\$78.66	\$5.95	\$6.08	\$59.71	\$61.02
8	PROG AUDIO 50-8000HZ	\$76.98	\$78.66	\$8.92	\$9.11	\$89.57	\$91.53
9	PROG AUDIO 50-15000HZ	\$76.98	\$78.66	\$11.89	\$12.15	\$119.43	\$122.04
10	TV 1&2 FT CHAN TERM	\$456.77	\$466.74	\$388.78	\$397.27	\$414.23	\$423.28
11	4 TV-5 FT CHAN TERM	\$456.77	\$466.74	\$388.78	\$397.27	\$414.23	\$423.28
12	6 TV-5 FT CHAN TERM	\$456.77	\$466.74	\$388.78	\$397.27	\$414.23	\$423.28
13	TV 15 FT CHAN TERM	\$456.77	\$466.74	\$388.78	\$397.27	\$414.23	\$423.28
14	DDS CHAN TERM1 2.4KBPS	\$76.98	\$78.66	\$2.82	\$2.88	\$28.36	\$28.98
15	DDS CHAN TERM2 4.8KBPS	\$76.98	\$78.66	\$2.82	\$2.88	\$28.36	\$28.98
16	DDS CHAN TERM3 9.6KBPS	\$76.98	\$78.66	\$2.82	\$2.88	\$28.36	\$28.98
17	DDS CHAN TERM4 19.2KBPS	\$76.98	\$78.66	\$2.82	\$2.88	\$28.36	\$28.98
18	DDS CHAN TERM5 56KBPS	\$76.98	\$78.66	\$4.00	\$4.09	\$40.20	\$41.08
19	DDS CHAN TERM6 64KBPS	\$76.98	\$78.66	\$4.00	\$4.09	\$40.20	\$41.08
20	HIGH CAPACITY 1.544 MBPS M/M	\$178.63	\$182.53	\$19.34	\$19.76	\$95.34	\$97.42
21	3-YEAR TERM	\$160.76	\$164.28	\$17.40	\$17.78	\$85.81	\$87.68
22	5-YEAR TERM	\$142.90	\$146.02	\$15.47	\$15.81	\$76.28	\$77.94
23	HIGH CAPACITY 44.736 MBPS - CAP 1 - INTERFACE - M/M	\$2,072.10	\$2,117.35	\$133.12	\$136.03	\$531.00	\$542.60
24	3-YEAR TERM	\$1,864.89	\$1,905.62	\$119.80	\$122.43	\$477.90	\$488.34
25	5-YEAR TERM	\$1,657.68	\$1,693.88	\$106.49	\$108.82	\$424.80	\$434.08
26	OC3/OC3c 155.52 MBPS	\$1,370.31	\$1,400.23	\$140.94	\$144.02	\$487.74	\$498.39
27	OC12 622.08 MBPS	\$2,674.60	\$2,733.01	\$281.88	\$288.04	\$1,819.11	\$1,858.83

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor on Line A.

**August 30, 2002 NECA Access Charge Filing
Proposed Special Access Rates
Digital Subscriber Line**

EXHIBIT 3
WORKPAPER 3 of 5

A. SPECIAL ACCESS RATE ADJUSTMENT FACTOR (See Ex3 WP1, Ln10)

1.021837

LINE	RATE ELEMENT	CURRENT RATE	PROPOSED* RATE
1	<u>Type of DSL Service Without Discount</u>		
2	ADSL	\$32.95	\$33.70
3	SDSL 768 Kbps Voice-Data	\$32.95	\$33.70
4	SDSL 768 Kbps Data-Only	\$99.00	\$101.00
5	SDSL 144 Kbps Data-Only	\$67.00	\$68.00
6	<u>Type of DSL Service with DSL DPA Monthly Plan</u>		
7	ADSL	\$30.95	\$31.60
8	SDSL 768 Kbps Voice-Data	\$30.95	\$31.60
9	SDSL 768 Kbps Data-Only	\$95.00	\$97.00
10	SDSL 144 Kbps Data-Only	\$64.00	\$65.00
11	<u>PRICING OPTION 1</u>		
12	<u>Option 1 with DSL DPA 1 Year Term</u>		
13	ADSL	\$27.95	\$28.60
14	SDSL 768 Kbps Voice-Data	\$27.95	\$28.60
15	SDSL 768 Kbps Data-Only	\$90.00	\$92.00
16	SDSL 144 Kbps Data-Only	\$60.00	\$61.00
17	Term Plan Charge (Per WC)	\$75.00	\$77.00
18	<u>Option 1 with DSL DPA 3 Year Term</u>		
19	ADSL	\$24.95	\$25.50
20	SDSL 768 Kbps Voice-Data	\$24.95	\$25.50
21	SDSL 768 Kbps Data-Only	\$85.00	\$87.00
22	SDSL 144 Kbps Data-Only	\$56.00	\$57.00
23	Term Plan Charge (Per WC)	\$75.00	\$77.00
24	<u>PRICING OPTION 2</u>		
25	ADSL	\$24.95	\$25.50
26	SDSL 768 Kbps Voice-Data	\$24.95	\$25.50
27	SDSL 768 Kbps Data-Only	\$85.00	\$87.00
28	SDSL 144 Kbps Data-Only	\$56.00	\$57.00
29	Term Plan Charge (Per WC)	\$150.00	\$153.00
30	<u>Option 2 with DSL DPA 3 Year Term</u>		
31	ADSL	\$20.95	\$21.40
32	SDSL 768 Kbps Voice-Data	\$20.95	\$21.40
33	SDSL 768 Kbps Data-Only	\$83.00	\$85.00
34	SDSL 144 Kbps Data-Only	\$54.00	\$55.00
35	Term Plan Charge (Per WC)	\$150.00	\$153.00
36	<u>Special Access Connection Points</u>		
37	DS1 Connection Point (Recurring)	\$180.00	\$184.00
38	DS3 Connection Point (Recurring)	\$1,250.00	\$1,277.00
39	OC3 Connection Point (Recurring)	\$2,190.00	\$2,238.00
40	10BASE-T Connection Point (Recurring)	\$180.00	\$184.00
41	100BASE-T Connection Point (Recurring)	\$1,250.00	\$1,277.00
42	<u>DSL Extended Transport</u>		
43	Chargeable Miles of Extended Transport	\$15.47	\$15.81

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor on Line A.
DSL line charges are rounded to the nearest dime or dollar where applicable.

**August 30, 2002 NECA Access Charge Filing
Proposed Special Access Rates
Frame Relay Service**

EXHIBIT 3
WORKPAPER 4 of 5

A. SPECIAL ACCESS RATE ADJUSTMENT FACTOR (See Ex3 WP1, Ln10) 1.021837

LINE	RATE ELEMENT	CURRENT RATE	PROPOSED* RATE
1	<u>Frame Relay Access Connections (FRAC)</u>		
2	56/64 kbps FRAC - Monthly	\$135.00	\$137.90
3	56/64 kbps FRAC - 3 Year	\$121.50	\$124.10
4	56/64 kbps FRAC - 5 Year	\$108.00	\$110.30
5	1.544 Mbps FRAC - Monthly	\$340.00	\$347.40
6	1.544 Mbps FRAC - 3 Year	\$306.00	\$312.70
7	1.544 Mbps FRAC - 5 Year	\$272.00	\$277.90
8	44.736 Mbps FRAC - Monthly	\$2,710.00	\$2,769.20
9	44.736 Mbps FRAC - 3 Year	\$2,439.00	\$2,492.30
10	44.736 Mbps FRAC - 5 Year	\$1,951.20	\$2,215.40
11	<u>Frame Relay Inter-network Connection (FRIC)</u>		
12	1.544 Mbps FRIC - Monthly	\$340.00	\$347.40
13	1.544 Mbps FRIC - 3 Year	\$306.00	\$312.70
14	1.544 Mbps FRIC - 5 Year	\$272.00	\$277.90
15	44.736 Mbps FRIC - Monthly	\$2,710.00	\$2,769.20
16	44.736 Mbps FRIC - 3 Year	\$2,439.00	\$2,492.30
17	44.736 Mbps FRIC - 5 Year	\$1,951.20	\$2,215.40
18	<u>Frame Relay Ports</u>		
19	End User Port - 56 Kbps	\$70.00	\$71.50
20	End User Port - 64 Kbps	\$70.00	\$71.50
21	End User Port - 1.544 Mbps	\$163.00	\$166.60
22	End User Port - 44.736 Mbps	\$1,140.00	\$1,164.90
23	Inter-network Customer Port (1.544 Mbps)	\$163.00	\$166.60
24	Inter-network Customer Port (44.736 Mbps)	\$1,140.00	\$1,164.90
25	<u>Committed Information Rate</u>		
26	8/16 Kbps.	\$5.00	\$5.10
27	28/32 Kbps.	\$6.00	\$6.10
28	56/64 Kbps.	\$7.00	\$7.20
29	128 Kbps.	\$9.00	\$9.20
30	192 Kbps	\$12.00	\$12.30
31	256 Kbps.	\$14.00	\$14.30
32	384 Kbps.	\$20.00	\$20.40
33	512 Kbps.	\$28.00	\$28.60
34	768 Kbps.	\$36.00	\$36.80
35	<u>Extended PVC</u>		
36	8/16 Kbps.	\$6.00	\$6.10
37	28/32 Kbps.	\$7.00	\$7.20
38	56/64 Kbps.	\$8.00	\$8.20
39	128 Kbps.	\$15.00	\$15.30
40	192 Kbps	\$25.00	\$25.50
41	256 Kbps.	\$30.00	\$30.70
42	384 Kbps.	\$45.00	\$46.00
43	512 Kbps.	\$60.00	\$61.30
44	768 Kbps.	\$90.00	\$92.00

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor on Line A. FRS charges are rounded to the nearest dime.

**August 30, 2002 NECA Access Charge Filing
Proposed Special Access Rates
ATM- CRS**

**EXHIBIT 3
WORKPAPER 5 of 5**

A. SPECIAL ACCESS RATE ADJUSTMENT FACTOR (See Ex3 WP1, Ln10)

1.021837

LINE	RATE ELEMENT	CURRENT RATE	PROPOSED* RATE
1	DS 1 Port	\$360.00	\$367.90
2	DS 3 Port	\$2,000.00	\$2,043.70
3	OC 3 Port	\$4,100.00	\$4,189.50
4	OC 12 Port	\$8,100.00	\$8,276.90
5	<u>Ethernet Port</u>		
6	10 Base F	\$1,200.00	\$1,226.20
7	100 Base F	\$4,500.00	\$4,598.30
8	1000 Base X	\$15,000.00	\$15,327.60
9	<u>Quality of Service Channel</u>		
10	Constant Bit Rate	\$5.00	\$5.10
11	Variable Bit Rate - Real Time	\$5.00	\$5.10
12	Variable Bit Rate - Non-real Time	\$5.00	\$5.10
13	Unspecified Bit Rate	\$5.00	\$5.10
14	Virtual Circuit Channel	\$5.00	\$5.10
15	<u>Quality of Service Bandwidth</u>		
16	Constant Bit Rate (Bandwidth 1-50M)	\$25.00	\$25.50
17	Constant Bit Rate (Bandwidth 51-150M)	\$22.50	\$23.00
18	Constant Bit Rate (Bandwidth 150+M)	\$17.50	\$17.90
19	Variable Bit Rate - Real Time (Bandwidth 1-50M)	\$20.00	\$20.40
20	Variable Bit Rate - Real Time (Bandwidth 51-150M)	\$17.50	\$17.90
21	Variable Bit Rate - Real Time (Bandwidth 150+M)	\$12.50	\$12.80
22	Variable Bit Rate - Non-real Time (Bandwidth 1-50M)	\$15.00	\$15.30
23	Variable Bit Rate - Non-real Time (Bandwidth 51-150M)	\$12.50	\$12.80
24	Variable Bit Rate - Non-real Time (Bandwidth 150+M)	\$10.00	\$10.20
25	Unspecified Bit Rate (Bandwidth 1-50M)	\$12.50	\$12.80
26	Unspecified Bit Rate (Bandwidth 51-150M)	\$10.00	\$10.20
27	Unspecified Bit Rate (Bandwidth 150+M)	\$7.50	\$7.70
28	DSL - Virtual Circuit Channel (Bandwidth 1-50M)	\$30.00	\$30.70

* NOTE: Proposed Rate equals current rate multiplied by the Rate Adjustment Factor on Line A.
ATM charges are rounded to the nearest dime.