TXU COMMUNICATIONS TELEPHONE COMPANY

Interstate Access Services
Tariff FCC No. 1

TRANSMITTAL NO. 7

DESCRIPTION & JUSTIFICATION
ACCESS CHARGE REFORM TARIFF FILING
December 17, 2001

TXU COMMUNICATIONS TELEPHONE COMPANY

INTERSTATE ACCESS SERVICES

TARIFF FCC NO. 1

REVISION

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Description and Justification

I. Introduction and Summary

This Description and Justification is provided in support of TXU Communications Telephone Company (TXU Communications) revisions to its 2001 Annual Interstate Access Services Tariff FCC No. 1. The attached worksheets are provided to explain the revisions made in response to the recent Federal Communication Commission's *Rate-of-Return Access Charge Reform Order*[1] (the "Order") to reform the interstate access charge system for rural carriers. The revised access charges developed in this filing will be effective beginning January 1, 2002 through June 30, 2002 as required by the Order.

The demand quantities, revenue requirements, revenues and calculations in the attachments are based on the 2001 Annual Access Services Tariff filing annual amounts. The TIC revenues were pulled from the Carrier Access Billing System ("CABS") records. The annual amounts were used to produce revenue neutral calculations after making the adjustments specified in the Order. Attachment 1, Page 1 of 6 summarizes the revenues and compares it to the adjusted revenue requirement to show revenue neutrality. Attachment 1, Page 6 of 6 also depicts the revenue requirement neutrality of this filing if line 24, (Total Adjusted January 1, 2002 Revenue Requirement), column "TS Tariff Total" is compared to line 8, (Revenue Requirement), column "TS Tariff Total". These numbers match after making all adjustments and redistribution of revenue requirement and revenues per the Order.

II. Discussion

In this filing, TXU Communications implements the section of the Order requiring rate of return carriers to make modifications to their local switching and transport rate structures. In particular, we have shifted the non-traffic sensitive costs of local switch line ports to the common line category and reallocated the Transport Interconnection Charge (TIC) revenues across all access elements. Also, TXU Communications has researched the issue in the Order of assigning General Support Facilities (GSF) investment to the billing and collection category to see if any of our general-purpose computer investment is used for non-regulated billing and collection services.

A. Shift of Local Switching Line Port Costs to Common Line Category

In lieu of conducting a specific line port cost study for this filing, TXU Communications will implement the 30% default option permitted in the Order. TXU Communications reduced its 2001 Annual Access Tariff filing Local Switch revenue requirement by 30% and assigned $627,692 to its Common Line revenue requirement. Since TXU Communications is also in the National Exchange Carrier Association (NECA) Common Line Pool, this data has been provided to the pool in order to revise the Common Line cost support for pooling, effective January 1, 2002.

B. Distribution of Transport Interconnection Charge Revenues across the Access Categories

TXU Communications identified $266,381 in TIC revenues for the 12-month period ending June 30, 2001. The revenue requirement identified in the 2001 Annual Access Tariff filing was $449,184. Per the instructions in the Declaratory Ruling[2], TXU Communications used the lesser amount of the two values, $266,381, and distributed it to all access categories. The revenues recovered through the TIC rate element were

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[1] MAG Order and FNPRM, adopted October 11, 2001 and released, November 8, 2001 (CC Docket No. 00-256, 96-45, 98-77 and 98-166)

[2] F.C.C Declaratory Ruling DA 01-2871, adopted December 11, 2001 and released, December 11, 2001 (CC Docket No. 00-256, 96-45, 98-77, 98-166, and CCB/CPD 01-23

eliminated from the Transport category revenue requirement and then proportionally reallocated across all access categories – common line, local switch, information, transport and special access. The allocation factors used for reassigning the TIC revenues to the access categories were developed based on the adjusted access category revenue requirements. The adjusted access category revenue requirements are calculated by the reallocation of 30% of Local Switch to Common Line, the reduction of Transport by the total TIC revenues and the reduction of Common Line by the amount of Universal Service Fund contribution paid by TXU Communications.

C. General Support Facilities assignment to Billing and Collection

TXU Communications will not need to revise its General Support Facilities allocation process. Since we do not have any general purpose computer investment related to the billing and collection activity, TXU Communications will continue allocating the GSF based on the current Part 69 rules, section 307(c). All personal computers currently in use by the company are leased. Therefore, after the cost allocations process, the expenses assigned to TXU Communications are 100% regulated.

III. Worksheet Discussion

A. Attachment #1, Page 1 of 6, Summary Sheet

Line 3 of this worksheet summarizes revenues calculated on Attachment 1, Pages 2, 4 and 5 and compares them to the redistributed revenue requirement from Attachment 1, Page 6, line 24. Line 5 of this worksheet depicts the variance between the calculated revenues and the redistributed revenue requirement. Any difference would mean that the new rates are not calculated to be revenue neutral.

Line 8 of this worksheet summarizes all increases (decreases) in revenues from Attachment 1, Pages 2, 4 and 5. This number represents the amount of revenue requirement that has been redistributed from the Local Switch and Transport categories to the Common Line Category.

B. Attachment 1, Page 2 of 6, Switched Access Service Revenue

This attachment calculates the new Local Switch and Information rates by multiplying current rates by the rate adjustment factor calculated on Attachment 1, Page 6 of 6. The new rates are then multiplied by the forecast demand from the 2001 Annual Access Services Tariff filing to calculate the new revenues. These calculated revenues must equal the redistributed revenue requirement on Attachment 1, Page 6 of 6. The total revenue for Switched Access Service is calculated by adding the revenues calculated on this page and the revenues from Attachment 1, Page 3 of 6, Local Transport. The impact summarizes the total revenues that are redistributed to or from Switched Access Services categories to Common Line.

C. Attachment 1, Page 3 of 6, Switched Access Service Revenue (Local Transport)

This attachment calculates new Local Transport rates by multiplying current rates by the rate adjustment factor calculated on Attachment 1, Page 6 of 6. The new rates are then multiplied by the forecast demand from the 2001 Annual Access Services Tariff filing to calculate the new revenues. These calculated revenues must equal the redistributed revenue requirement on Attachment 1, Page 6 of 6. The total revenue for Switched Access Service on Attachment 1, Page 2 of 6 is calculated by adding the revenues calculated on this page and the revenues on Attachment 1, Page 2 of 6, Switched Access Service Revenue. The impact summarizes the total revenues that are redistributed to or from Local Transport to Common Line.

D. Attachment 1, Page 4 & 5 of 6, Special Access Service Revenue

This attachment calculates new Special Access Service rates by multiplying current rates by the rate adjustment factor calculated on Attachment 1, Page 6 of 6. The new rates are then multiplied by the forecast demand from the 2001 Annual Access Services Tariff filing to calculate the new revenues. These calculated revenues must equal the redistributed revenue requirement on Attachment 1, Page 6 of 6. The impact summarizes the total revenues that are redistributed to or from Special Access Services to Common Line.

E. Attachment 1, Page 6 of 6, Calculation of Interstate Access Service Factors

This attachment takes the original revenue requirement from the 2001 Annual Access Services Tariff filing and makes the adjustments specified in the Order to redistribute non-traffic sensitive costs from Local Switch to Common Line. It also removes annual TIC revenues, for the period ending June 30, 2001, from Local Transport and redistributes to all access categories including Local Transport.

Line 1 lists the original revenue requirements from the 2001 Annual Access Services Tariff filing.

Line 2 subtracts the original Annual Access Services Tariff filing TIC revenue requirement from Common Transport and TS Tariff total.

Line 3 calculates the revenue requirement less the original TIC revenue requirement.

Lines 4, 5 and 6 list the Special Access non-recurring, ADSL and Frame Relay revenues. The removal of these revenue requirements removes services generally sold to local end users and one-time charges from the rate adjustment factor.

Line 7 sums lines 3, 4, 5 and 6 to develop a baseline adjusted revenue requirement to calculate the rate adjustment factor.

Line 8 lists the original revenue requirements from the 2001 Annual Access Services Tariff filing.

Line 9 adjusts out 30% of Local Switch category and assigns it to the Common Line category. This is the proxy percentage allowed in the Order.

Line 10 is the sum of line 8 and line 9.

Line 11 adjusts the July 1, 2000 to June 30, 2001 billed revenues out of Local Transport and Total TS revenue requirement.

Line 12 sums line 10 and line11.

Line 13 Removes the Universal Service Fund contribution expense from both Common Line and Total TS Tariff revenue requirement.

Line 14 sums lines 12 and line 13 to provide the revenue requirement base used to distribute the TIC revenue to all access categories.

Line 15 calculates the TIC allocation factor by dividing each revenue requirement category on line 14 by the total TS Tariff revenue requirement on line 14.

Line 16 redistributes the TIC revenue on line 11 by the factor calculated on line 15.

Line 17 adds back the Universal Service Fund contribution expense removed on line 13.

Line 18 totals line 14, line 16 and line 17. This line is the new adjusted revenue requirement.

Lines 19, 20 and 21 remove the non-recurring revenue requirement (Special Access, Local Switch and Transport), ADSL and Frame Relay revenue requirements. The removal of these revenue requirements removes services generally sold to local end users and one-time charges from the rate adjustment factor.

Line 22 totals line 18, line 19, line 20 and line 21. This revenue requirement provides the new baseline to calculate the rate adjustment factor.

Line 23 calculates the rate adjustment factor for applicable categories by dividing line 38 by line 16. This factor will be used to multiply the current rates and to calculate the new proposed rates used on Attachment 1, Pages 2, 3 and 4.

Line 24 is the adjusted revenue requirement with all adjustments applicable from the Order and is from line 18.

Line 25 is the new revenue calculated on Attachment 1, Pages 2, 3 and 4. The rates for recovery of the residual revenue requirement after reduction from subscriber line charge revenues will be set by NECA.

Line 26 shows the difference between the new redistributed revenue requirement and the revenues generated by the adjusted rates. These revenues are calculated by multiplying the adjusted rates times the demand from the 2001 Annual Access Services Tariff filing.