

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
July 1, 2004)	WCB/Pricing 04-18
Annual Access Charge Filings)	
)	
John Staurulakis, Inc.,)	
Tariff FCC No. 1)	Transmittal No. 97
)	
Fort Mill Telephone Company)	
)	
Lancaster Telephone Company)	
)	
Rock Hill Telephone Company)	

REPLY

John Staurulakis, Inc. (JSI), pursuant to section 1.773 of the Commission's rules,¹ submits this Reply to a petition (Petition) from AT&T Corp. (AT&T) requesting suspension of revisions filed by JSI on behalf of the issuing carriers referenced above for the 2004 annual access charge filing made by JSI on behalf of the carriers pursuant to Section 38 of the Commission's rules as part of the above-captioned tariff filing.²

Fort Mill Telephone Company (Fort Mill), Lancaster Telephone Company (Lancaster) and Rock Hill Telephone Company (Rock Hill) (collectively "Comporium" or "the Comporium Companies") file interstate access rates subject to section 61.38 of

¹ 47 C.F.R. § 1.773

² See Petition of AT&T Corp. Addressing July 1, 2004 Annual Access Charge Tariff Filings, WCB 04-18, (June 28, 2004) (*AT&T Petition or Petition*).

the Commission's rules.³ Section 61.38 of the Commission's rules requires carriers filing pursuant thereto to make mandatory filings every two years effective on July 1 of even-numbered years. The filings made by JSI on behalf of these carriers under JSI Transmittal No. 97 were for the purpose of meeting the even-numbered year annual access charge filing for these carriers under Section 61.38 and in accordance with the Commission's *2004 Annual Access Filing Order*⁴ together with the *Commission's 2004 TRP Order*.⁵ These carriers represent three of the ten issuing carriers for JSI Tariff FCC No. 1 who file pursuant to Section 61.38.⁶

In its Petition, AT&T raises several separate issues as bases for suspension of the filings of various rate-of-return carriers making filings on June 24, 2004. Three of these issues include reference to the Comporium Companies. With respect to AT&T's request under Section II of its Petition that the Commission should suspend and investigate the tariffs of LECs with a long history of overearnings, AT&T includes Fort Mill. With respect to AT&T's request under Section III of its Petition that the Commission should require certain LECs to make mid-course adjustments to account for substantial overearnings during the first year of the current monitoring period, AT&T names all three Comporium Companies. Finally, AT&T includes the Comporium Companies under Section VI of its Petition as carriers filing excessive cash working capital (CWC) requirements.

³ 47 C.F.R. § 61.38.

⁴ In the Matter of July 1, 2004 Annual Access Charge Tariff Filings, WCB/Pricing 04-18, Order, DA 04-1048 (Rel. Apr. 19, 2004) (*2004 Access Filing Order*),

⁵ In the Matter of Material to be Filed in Support of 2004 Annual Access Charge Tariff Filings, Tariff Review Plans, WCB/Pricing, DA 04-1048 (Rel. Apr. 19, 2004) (*2004 TRP Order*),

⁶ The three carriers filed June 24, 2004 under JSI Transmittal No. 97 on seven days notice pursuant to Section 204(a)(3) of the Communications Act, as Amended, 47 USC § 204(a)(3). One additional issuing carrier filed under Transmittal No. 97. The remaining six Section 61.38 issuing carriers, filed on June 16 on 15 days notice pursuant to Section 204(a)(3). Fort Mill, Lancaster and Rock Hill are affiliates controlled by Comporium Communications (Comporium).

JSI believes that none of the issues raised by AT&T with respect to any Comporium Company support suspension and investigation of the proposed July 1 tariff for the respective companies. Following is the response by JSI on behalf of the Comporium Companies.

I. Given the Significant Decreases in Switched Access Rates Proposed by Concord, Together with Complete Justification of Those Rates, There Is No Basis for AT&T's Request for the Commission to Suspend And Investigate The Tariff of Fort Mill because of a "History Of Overearnings"

AT&T requests that the Commission suspend and investigate the tariff filing of certain carriers, including Fort Mill, merely because they have a "history of overearnings." AT&T's request for a suspension of a tariff filing based solely on historical earnings is unsupported by Commission precedent, ignores the substantial reductions in Fort Mill's filing and is not otherwise justified by the circumstances. To support its filing for Fort Mill, JSI presented as part of JSI Transmittal No. 97 detailed supporting documentation that demonstrates with reasonable certainty that the proposed switched access rates for Fort Mill will produce an approximate 11.25% return on Fort Mill's switched access revenue requirement. AT&T has presented nothing more than a lesson on *recent* history.

AT&T's request to suspend the proposed rates is based entirely on its allegation that the rates will produce a return in excess of the allowed rate because rates in some, but not all, prior years have produced excessive earnings. These historical achieved rates of return were realized under rates that were filed under Section 204(a)(3) and therefore "deemed lawful." Fort Mill developed and implemented its past rate revisions under

different market circumstances than those extant today and are therefore not a valid basis for prediction of future earnings patterns including those that will arise out of the rates proposed to become effective July 1, 2004 for Fort Mill as filed under JSI Transmittal No. 97 on 7 days notice pursuant to Section 204(a)(3). Moreover, the prior rates for Fort Mill are higher than those proposed to become effective July 1, 2004.

Contrary to AT&T's suggestion, this Commission has not suspended a tariff merely due to historical rates of return. The Commission precedent cited by AT&T consists of instances where specific identifiable projections in the subject companies' tariff filing were viewed as flawed by the Commission.⁷ Unlike the proceedings cited in its Petition, AT&T's elementary "statistical analyses" does not show the projections in Fort Mill's 2004 annual filing result in "systematic errors in rates."⁸ Fort Mill's 2004 annual filing does not present the same projections utilized in past years, and AT&T is unable to mount any sustainable substantive challenges to the cost and demand data reflected in Fort Mill's 2004 annual filing. In fact, AT&T has made only a single challenge to any substantive matter, that for cash working capital (CWC) included in Fort Mill's 2004 annual filing.

⁷ See *1997 Annual Access Tariff Filings*, CC Docket No. 97-149, Memorandum Opinion and Order, FCC 97-403 ("1997 Tariff Order"). In this docket the Commission did use a previously adopted statistical analysis that relied on historical data to aid it in evaluating the reasonableness of the carriers' base factor portion of their revenue requirement. See *1997 Annual Access Tariff Filings*, CC Docket No. 97-149, Memorandum Opinion and Order, DA 97-1609, ¶¶ 7-34 (Com. Car. Bur., released July 28, 1997). The FCC's rationale for this approach was the inconsistent methods used by carriers to develop their demand projections, the lack of supporting analysis for such projections and the deviation of the projections from the current trend. *Id.* The demand projections at issue resulted in a substantial impact on the CCL and EUCL rates charged by the carriers. *Id.* As discussed in this Response, AT&T has not identified any errors or suspect projections (in demand or otherwise) in Fort Mill's filing that, if changed even to the level proposed by AT&T, would result in a material change to the rates proposed by Fort Mill in its filing. .

⁸ 1997 Tariff Order, at ¶¶ 19-21.

AT&T's complaint of insufficient time and data to review the filing rings hollow. Contrary to AT&T's assertions, AT&T has ample data to test Fort Mill's filing, and has not requested or identified a single piece of data that it requires to more fully analyze the reasonableness of Fort Mill's projections. In addition, based on the apparently arcane nature of AT&T's specific challenges to Fort Mill's data, AT&T appears to have had more than sufficient time and resources to review Fort Mill's filing and prepare its Petition.

Based on the foregoing, AT&T's call for suspension of Fort Mill's 2004 annual filing is without merit. JSI and Fort Mill are confident that the projected costs and demand meet the requirements of, and are consistent with, Section 61.38 and Section 204(a)(3) of the Act. AT&T has failed to raise any sustainable substantive issues involving these projections or any other data submitted in Fort Mill's 2004 annual filing. In addition, significant rate reductions that will significantly mitigate potential overearnings have either taken place already in 2004 or are proposed in the annual filing now at issue. Accordingly, not only is suspension of Fort Mill's tariff for historical overearnings not justified by the Act or Commission rules and regulations, it is unnecessary.

II. Requiring Carriers to Make Mid-Course Adjustments To Account For Overearnings During The First Year Of The Monitoring Period Would Violate the Communications Act and Commission Rules and Create an Accelerated and Chaotic Cycle of Midcourse Filings.

AT&T's second attempt at reinventing the streamlined tariff filing process under Section 204(a)(3) and the prospective filing regime under Section 61.38 is embodied in its request for the Commission to require carriers to make mid-course adjustments to

account for overearnings during the first year of the monitoring period so that earnings for the current 2003-2004 earnings monitoring period will fall within the 11.25 percent rate of return. This request is contrary to the subject carriers' clear rights under Section 204(a)(3) of the Act and the Commission's rules and precedent. Moreover, the request undermines the prospective filing procedures followed for annual tariff filings including those for JSI Tariff FCC No. 1. The JSI Tariff FCC No. 1 issuing carriers to which AT&T directs this request include all three Comporium Companies: Fort Mill, Lancaster and Rock Hill.

In essence, it appears that AT&T is proposing that rather than target rates to earn 11.25%, these carriers should have filed rates to be effective July, 1, 2004, targeted to earn sufficiently below 11.25%, so that on the conclusion of the two-year monitoring period ending December 31, 2004, the earnings for the monitoring period will be at 11.25%. AT&T's request is inconsistent with the Act and the FCC's rules and policies. AT&T's arguments for "mid-course adjustments" are, in effect, arguments for refunds for access charges billed at rates that were deemed lawful under Section 204(a)(3). AT&T's wish to undo the effect of the ACS decision,⁹ thereby rolling back the clock, brings to mind the desperate complaint of AT&T's wish to undo the effect of the ACS decision,¹⁰ thereby rolling back the clock, brings to mind the desperate cry of Richard II in the Shakespeare play of the same name: "O! call back yesterday, bid time return." As circumstances prevented Richard II from defying time, so do Commission rules prevent AT&T from succeeding in changing prospective filings into "post-course filings."

⁹ *ACS of Anchorage, Inc. v. FCC*, 290 F.3d 403, 410-412 (D.C. Cir. 2002)

¹⁰ *ACS of Anchorage, Inc. v. FCC*, 290 F.3d 403, 410-412 (D.C. Cir. 2002)

AT&T's request for the Commission to direct carriers to make mid-course adjustments to account in a prospective filing half way through the second year of a monitoring period for overearnings during the first year of the monitoring period belies the current controlling law with respect to this issue. The Commission cannot order revisions to rates for a prospective period for the purpose of reducing prior earnings. The Commission has acknowledged that it cannot order refunds related in any way to charges billed pursuant to rates deemed lawful under earlier filings.

...[S]ection 204(a)(3) does preclude the Commission from subjecting a carrier to liability for damages in a section 208 complaint proceeding for charging such a rate ...during the period that the streamlined tariff was in effect and prior to the determination of unlawfulness.¹¹

To support its misguided notion that the Commission can effect a refund of access charges billed at rates deemed lawful by mandating a mid-course correction or, more obtusely, reduced rates in a prospective filing under Section 61.38, AT&T quotes (inaccurately)¹² from a 2001 Commission order.

Rate-of-return carriers estimate their costs of providing exchange access services and project their demand for such services for a two year period in the future (i.e., the monitoring or enforcement period). They then file tariffs containing the rates for their access services that they believe, given their estimates of costs and demand, will result in earnings within the prescribed rate of return at the end of the two year forecast period. During the course of the two-year period, rate of return carriers must review how their actual costs and demand calculations compare to their earlier projections, and make rate adjustments, if necessary, to ensure that they do not exceed their prescribed rate of return. If a rate-of-return carrier ultimately exceeds its rate of return at the end of the two-year monitoring period, the Commission may then require refunds of any such overearnings to affected customers.¹³

¹¹ *GCI v. ACS Holdings, Inc., et al.*, 16 FCC Rcd 2834, 2855 (2001) (“*GCI v. ACS*”).

¹² The passage quoted correctly reads as shown below, including the last sentence which AT&T omitted entirely.

¹³ See Petition at page 4. AT&T cites as follows: *In the Matter of General Communications Inc., Complainant, v. Alaska Communications, Inc. and Alaska Communications Systems, Inc. d/b/a ATU Telecommunications ATU Telecommunications d/b/a Anchorage Telephone Utility*, EB-00-MD-016, Memorandum Opinion and Order, 16 FCC Rcd. 2834, 5 (2001) (“*GCI v. ACS*”) (emphasis added) *citing*

The last sentence is what the Court found to be in error. To the extent this passage accurately represents the Commission's understanding of the Act prior to the ACS decision, the passage does not establish even then that the Commission believed the obligation to compare results with projections entailed any more than a requirement to revise rates prospectively to address prospective earnings. When the Commission went on to find that where rates were deemed lawful, but resulted in overearnings, the carrier had a refund obligation, the Court of Appeals reversed, finding that the rate of return is not separable from the rate and a deemed lawful rate cannot be subject to refund liability. Cognizant of the result in ACS, AT&T's request acknowledges that "retroactive refunds are no longer available" in the case of "deemed lawful" rates. Seeking a means to "end run" Congress and the ACS decision, AT&T argues that the FCC should mandate that prospective rates be decreased to lower earnings for a two-year monitoring period that overlaps the expected two-year effective period by six months.

Such a mandate would violate Section 204(a)(3) by ignoring the deemed lawful status of the rates charged through June 30, 2004, and would be inconsistent with Section 61.38, which does not provide for adjusting rates for past overearnings.

Were the Commission to order mid-course filings for the purpose of bringing earnings down for the monitoring period, the Commission would inadvertently be effecting a new era of concatenated tariff filings to effect frequent modifications in rates. Such a regime would drastically increase ILEC cost study and tariff filing administrative

MCI, 59 F.3d at 1415; see *In the Matter of Amendment of Part 65, Interstate Rate of Return Prescription: Procedures and Methodologies to Establish Reporting Requirements, Report and Order*, 1 FCC Rcd. 952, 954, ¶ 10 (1986).

burden and costs and, in turn, access charges. Furthermore, because such a regime would also necessarily be available where carriers underearned, the result could be as many increased rates as decreased rates.

The *reductio ad absurdum* of AT&T's request is that were it the case that carriers had to reduce prospective rates to address current monitoring period overearnings, JSI would also take action to file increases in rates for carriers underearning for the current earnings monitoring period either in total or for a specific rate category. For example, AT&T omitted Hargray from Schedule B-1 of its June 23, 2004 Petition regarding the annual filings made on 15-Days notice. Hargray's earnings for 2003 were 9.61% total including Common Line at 11.25% (indicating the return for interstate net of Common Line was even lower than 9.61%). For Horry, included on Exhibit B to the June 23, 2004 Petition of AT&T, the net effect of reducing special access rates to target achieving 11.25% for the two-year monitoring period would be more than offset by the increases in switched access charges necessary to overcome the 2003 traffic sensitive rate of return for Horry of 4.4%. Moreover, it is necessary to keep in mind that for Hargray and Horry these underearning issues have carried forward into the first half of 2004 – increasing the extent to which proposed rates for July 1, 2004 would need to be increased to achieve 11.25%.

For the instant Petition, AT&T omits reference to Home Telephone Company included in JSI Transmittal 97. Home's earnings for 2003 on an overall interstate basis were 4.06%. All elements other than the stolidly predictable common line at 11.25% were all well below 11.25%, with local transport and special access indicating losses. If

anything, JSI is indicting itself for not being more aggressive in meeting the level of mid-course filing activity for the purpose of increasing rates that AT&T assigns to us.

In any event, even where a carrier's first year report indicates overearnings, that fact alone does not support a firm conclusion that the second year earnings will also exceed the prescribed rate. The first year report is necessarily a preliminary report, which must be adjusted upon completion of the carrier's cost studies in the second year. Second, economic and market conditions may well change from one year to the next. The Court of Appeals addressed this very concern in its *Vitelco* decision¹⁴ in which it likened requiring a mid-course refund to a parent who restricts a child to one candy bar a day, then admonishes the child when it eats half the candy bar in the next minute.

AT&T's request that the Commission require Fort Mill, Lancaster and Rock Hill (in addition to carriers other than these issuing carriers for JSI Tariff FCC No. 1) to make mid-course adjustments to account for overearnings during the first year of the monitoring period should not be granted by the Commission as doing so would be inconsistent with Section 204(a)(3) and the construct for prospective filing represented by Section 61.38.

III. AT&T's Interpretation that Fort Mill, Lancaster and Rock Hill Rates Reflect Cash Working Capital in Excess of the 15-day Allowance Is Incorrect

AT&T requests that the Commission suspend or order adjustments for the proposed rates filed by Fort Mill, Lancaster and Rock Hill due to alleged overstatement of the cash working capital allowance by each carrier. Each of the Comporium Companies include a cash working capital (CWC) allowance in their revenue

¹⁴ *Virgin Islands Telephone Corporation v. FCC*, 989 F.2d 1231, (D.C. Cir. 1993) ("*Vitelco*")

requirement based on application of a factor developed by a full lead lag study pursuant to Section 65.820 of the Commission's rules.¹⁵ The Comporium Companies relied on full lead lag studies for their 2000 and 2002 filings also. The factor for use in the 2003 Prior Year Cost of Service (PYCOS) revenue requirement and the Test Year Cost of Service (TYCOS) for the 2004 annual filing reflect factors developed in the most recent lead/lag studies completed in December of 2003 for the respective Comporium Companies. The Comporium Companies apply the factor developed in the respective Company's lead/lag study to unseparated total company expenses (adjusted for non-cash expenses) and, in turn, allocate a portion of the total company CWC allowance to interstate based on the relative interstate expenses less non-cash items pursuant to Section 36.182.¹⁶ JSI has attached Exhibits A-1, A-2 and A-3 respectively for Fort Mill, Lancaster and Rock Hill to summarize calculation of the CWC allowance for each company under the total company approach at the lead/lag study factor as used for the annual filing with comparison to AT&T's calculations.

The total company approach to calculation of CWC conforms to FCC rules and is specifically supported as an acceptable method by the National Exchange Carrier Association (NECA).¹⁷ Although issuing carriers for JSI Tariff FCC No. 1 under which they bill traffic sensitive and special access, Concord, Coastal and Horry are members of the NECA common line pool and bill common line charges based on reference to NECA Tariff FCC No. 5.¹⁸ Thus, these carriers submit annual cost studies to NECA for

¹⁵ 47 CFR § 56.820(d).

¹⁶ 47 CFR § 36.182(a) "The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items."

¹⁷ NECA Cost Issues Manual – Separations Cost Issue 7.2, Revised June, 1998.

¹⁸ Concord Telephone Company references NECA Tariff FCC No.5 for all common line rate elements other than Multiline Business End User Common Line (EUCL) charges. Concord files Multiline

purposes of settlement of revenue requirement against billed common line revenues. Because these carriers submit cost studies to NECA, they are subject to review of cost studies by NECA and direction by NECA regarding application of FCC rules, procedures and policies to the performance of cost studies for the purpose of determining interstate common line revenue requirements.

Following is an excerpt from NECA Cost Issues Manual-Separations Cost Issue No. 7.2 supporting the reasonableness of the total company approach.

Analysis

A total company approach to the Simplified Lead-Lag or the Standard Allowance method is not mentioned in Part 65. However, Section 36.182(a) of the Commission's rules discusses the apportionment of total company CWC. "The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items. 47 C.F.R. § 36.182(a) NECA supports the Simplified Formula method and the Standard Allowance method using a total company expense base. There are two advantages associated with the total company approach. First, a total company approach is easier to calculate, since it allows readily available total company "cash" income tax and expense information to be used. Second, the circular problem that arises from using normalized income taxes is eliminated since only current period income tax amounts are included. In addition, analysis indicates that the total company approach yields results similar to those obtained under the current Standard Allowance method.¹⁹

Based on the foregoing, JSI believes that the total company approach to calculation of CWC is accepted industry practice, not inconsistent with the Commission's rules and otherwise reasonable. Therefore, the Commission should not take any action directed at the Comporium Companies with respect to AT&T's CWC allegations.

As JSI mentioned in its reply to AT&T's June 23 Petition directed at those carriers filing on 15-days notice, our research indicates that in some cases the total

EUCL rates in JSI Tariff FCC No. 1 because its EUCL costs are below the Multiline-Business cap. Nonetheless, Concord is accountable to the NECA Common Line Pool for all EUCL charges billed.

¹⁹ NECA Cost Issues Manual, Separations Cost Issue No. 7.2, Cash Working Capital, Page 4.

company approach generates higher CWC and some cases it produces a lower CWC. Should the FCC determine that the total company approach JSI, on behalf of all of the issuing carriers for JSI Tariff FCC No. 1, requests the right to refile rates for those carriers not identified by AT&T in its petition for whom the total company approach produces a lower CWC allowance for interstate than the separated interstate approach suggested by AT&T.

Respectfully submitted,

John Staurulakis, Inc.
On behalf of:

Fort Mill Telephone Company
Lancaster Telephone Company
Rock Hill Telephone Company
Home Telephone Company

June 29, 2003

By



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Source		Total Company Approach Used for TY Ending June 30, 2005	Source	Separated Interstate Approach	AT&T Calculation
A		B	C	D	E
1. CASH OPERATING EXPENSES					
Total Operating Expenses & Taxes - Including a/c 7240 and 7370					
a.	Part 36, Line 188	\$13,316,242	TRP COS(P) Col E. Line300	\$5,365,777	\$5,365,777
b.	Part 36, Line 138	\$3,197,112	TRP COS(P) Col E. Line190	\$1,011,725	\$1,011,725
c.	Part 36, Line 186	\$532,866	Included in Line a	\$0	
d.	Part 36, Line 200	\$0	Included in Line a	\$0	
e.		\$0	Included in Line a	\$0	
f.		\$1,107,093	Included in Line a	\$0	
g.		\$166,480	Included in Line a	\$0	
j.		\$594,750	Included in Line a	\$0	
i.		\$9,000	Included in Line a	\$0	
j.	(a - b - c + d + e + f + g + h + i)	\$11,463,587	(a-b)	\$4,354,052	\$4,354,052
2.	(22.7956/365)	6.2454%		6.2454%	4.1096%
3. TOTAL CASH WORKING CAPITAL					
4.	Per Exhibit I-1, Page 2	38.64%		n/a	n/a
5.	Line 3 * Line 4	\$276,630		\$271,928	\$178,934
6.	Per AT&T Petition Exhibit F-1	\$178,934		\$178,934	\$178,934
7.		\$97,696		\$92,994	
Lag Factor Calculation					
Lag Days - Per 2002 Lead Lag Study		22.79571			
Total Year Days		365.0000			
CWC Allowance Factor		6.2454%			

Allocation of Total Company Cash Working Capital Based on Relative Total Operating Expenses and Taxes less Non-Cash Ex

Ln	Description	Part 36 - Attachment 3 Line Number	Total Company	Interstate InterLATA Message	Interstate InterLATA P/L	Total Interstate	Intrastate InterLATA Message	Intrastate InterLATA P/L	Intrastate IntraLATA Message	Intrastate IntraLATA P/L	EAS
189	Total Operating Exp & Taxes (Less Non Cash Expenses) Percentage Allocation	L188 Less 138-142	<u>10,119,130</u>	<u>3,376,785</u>	<u>533,071</u>	<u>3,909,856</u>	<u>902,477</u>	<u>13,127</u>	<u>260,136</u>	<u>65,451</u>	<u>62,439</u>
			100.00%	33.37%	5.27%	38.64%	8.92%	0.13%	2.57%	0.65%	0.62%
25	Cash Working Capital (Allocated based on Line 188)	L189	715,947	239,914	37,716	277,630	63,852	929	18,405	4,631	4,418

Note: Per Section 36.182(a)

The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items. [The allocation basis is Line 189 in the 2005 TYCOS]

Expenses

Local

4,905,644

48.48%

347,082

Source		Total Company Approach Used for TY Ending June 30, 2005	Source	Separated Interstate Approach	AT&T Calculation
A		B	C	D	E
1. CASH OPERATING EXPENSES					
Total Operating Expenses & Taxes - Including a/c 7240 and 7370					
a.	Part 36, Line 188	\$17,878,626	TRP COS(P) Col E. Line300	\$6,151,355	\$6,151,355
b.	Part 36, Line 138	\$5,201,493	TRP COS(P) Col E. Line190	\$1,490,406	\$1,490,406
c.	Part 36, Line 186	\$712,952	Included in Line a	\$0	
d.	Part 36, Line 200	\$0	Included in Line a	\$0	
e.		\$0	Included in Line a	\$0	
f.		\$906,117	Included in Line a	\$0	
g.		\$82,617	Included in Line a	\$0	
j.		\$823,700	Included in Line a	\$0	
i.		\$10,000	Included in Line a	\$0	
j.	(a - b - c + d + e + f + g + h + i)	\$13,786,615	(a-b)	\$4,660,949	\$4,660,949
2.	(21.6503/365)	5.9316%		5.9316%	4.1096%
3.		\$817,767		\$276,469	\$191,546
4.	Per Exhibit A-1, Page 2	33.21%		n/a	n/a
5.	Line 3 * Line 4	\$271,597		\$276,469	\$191,545
6.	Per AT&T Petition Exhibit F-1	\$191,546		\$191,546	\$191,546
7.		\$80,051		\$84,923	
Lag Factor Calculation					
Lag Days - Per 2002 Lead Lag Study		21.6503			
Total Year Days		365.0000			
CWC Allowance Factor		5.9316%			

Allocation of Total Company Cash Working Capital Based on Relative Total Operating Expenses and Taxes less Non-Cash Ex

Ln	Description	Part 36 - Attachment 3 Line Number	Total Company	Interstate InterLATA Message	Interstate InterLATA P/L	Total Interstate	Intrastate InterLATA Message	Intrastate InterLATA P/L	Intrastate IntraLATA Message	Intrastate IntraLATA P/L	EAS
189	Total Operating Exp & Taxes (Less Non Cash Expenses) Percentage Allocation	L188 Less 138-142	<u>12,677,133</u>	<u>3,756,151</u>	<u>454,178</u>	<u>4,210,329</u>	<u>1,217,511</u>	<u>35,494</u>	<u>440,369</u>	<u>72,518</u>	<u>63,957</u>
			100.00%	29.63%	3.58%	33.21%	9.60%	0.28%	3.47%	0.57%	0.50%
25	Cash Working Capital (Allocated based on Line 188)	L189	817,767	242,299	29,298	271,597	78,538	2,290	28,407	4,678	4,126

Note: Per Section 36.182(a)

The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items. [The allocation basis is Line 189 in the 2005 TYCOS]

Expenses

Local

6,636,955

52.35%

428,131

Source		Total Company Approach Used for TY Ending June 30, 2005	Source	Separated Interstate Approach	AT&T Calculation
A		B	C	D	E
1. CASH OPERATING EXPENSES					
Total Operating Expenses & Taxes - Including a/c 7240 and 7370					
a.	Part 36, Line 188	\$34,538,785	TRP COS(P) Col E. Line300	\$11,811,351	\$11,811,351
b.	Part 36, Line 138	\$11,213,133	TRP COS(P) Col E. Line190	\$3,323,838	\$3,323,838
c.	Part 36, Line 186	\$1,996,025	Included in Line a	\$0	
d.	Part 36, Line 200	\$241,018	Included in Line a	\$0	
e.		\$0	Included in Line a	\$0	
f.		\$2,550,499	Included in Line a	\$0	
g.		\$288,652	Included in Line a	\$0	
j.		\$2,212,198	Included in Line a	\$0	
i.		\$36,000	Included in Line a	\$0	
j.	(a - b - c + d + e + f + g + h + i)	\$26,657,994	(a-b)	\$8,487,513	\$8,487,513
2.	(19.8133/365)	5.4283%		5.4283%	4.1096%
3.		\$1,447,076		\$460,728	\$348,803
4.	Per Exhibit I-1, Page 2	31.82%		n/a	n/a
5.	Line 3 * Line 4	\$460,481		\$460,728	\$348,803
6.	Per AT&T Petition Exhibit F-1	\$348,802		\$348,802	\$348,802
7.		\$111,679		\$111,926	
Lag Factor Calculation					
Lag Days - Per 2002 Lead Lag Study		19.81330			
Total Year Days		365.0000			
CWC Allowance Factor		5.4283%			

Allocation of Total Company Cash Working Capital Based on Relative Total Operating Expenses and Taxes less Non-Cash Expenses

Description	Part 36 - Attachment 3 Line Number	Total Company	Interstate InterLATA Message	Interstate InterLATA P/L	Total Interstate	Intrastate InterLATA Message	Intrastate InterLATA P/L	Intrastate IntraLATA Message	Intrastate IntraLATA P/L	EAS	Local
Total Operating Exp & Taxes (Less Non Cash Expenses)	L188 Less 138-142	23,325,652	6,178,746	1,243,812	7,422,558	1,848,797	14,633	1,663,172	152,414	228,828	11,995,250
Percentage Allocation		100.00%	26.49%	5.33%	31.82%	7.93%	0.06%	7.13%	0.65%	0.98%	51.43%
Cash Working Capital (Allocated based on Line 188)	L189	1,447,076	383,317	77,164	460,481	114,696	908	103,180	9,455	141,496	744,160

Note: Per Section 36.182(a)

The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items. [The allocation basis is Line 189 in the 2005 TYCOS]