

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

DA 97-1202

In the Matter of)
Material to be Filed in Support of)
1997 Annual Access Tariff Filings)
for Price Cap Companies)

**TARIFF REVIEW PLAN
FURTHER REVISIONS**

Adopted: June 5, 1997; Released: June 5, 1997

By the Chief, Competitive Pricing Division:

I. INTRODUCTION

1. We herein further clarify the *May 22 Revisions* to the *1997 TRP*,¹ that were made to incorporate the changes to the price cap plan in the Commission's *Price Cap Fourth Report and Order*² and *Access Reform First Report and Order*.³ Each price cap local exchange carrier (LEC) must file these revisions to the tariff review plan (TRP) by June 9, 1997.

II. REVISIONS TO THE PRICE CAP TRP

A. Revisions to Existing and Proposed PCIs

2. The *May 22 Revisions* established a method to reduce the price cap indices (PCIs) to the levels that would have resulted had the Commission adopted the 6.5 percent X-Factor on July 1, 1996.⁴ The price cap LECs first recalibrate the PCIs by recalculating the old PCIs on

¹ Material to be Filed in Support of 1997 Annual Access Tariff Filings, Tariff Review Plans, DA 97-593 (rel. March 21, 1997) (*1997 TRP*); and Tariff Review Plan Revisions, DA 97-1081, (rel. May 22, 1997) (*May 22 Revisions*).

² Price Cap Performance Review for Local Exchange Carriers, Fourth Report and Order, CC Docket No 94-1, FCC 97-159 (rel. May 16, 1997) (*Price Cap Fourth Report and Order*).

³ Access Charge Reform, First Report and Order, CC Docket No. 96-262, FCC 97-158 (rel. May 22, 1997) (*Access Reform First Report and Order*).

⁴ *Price Cap Fourth Report and Order* at para. 161.

July 1, 1996, substituting the 6.5 percent X-Factor for the interim factor. The LECs then carry forward those recalibrated PCIs to the next PCI revision in the period from July 1, 1996 through June 30, 1997. This process is repeated until the June 30, 1997 PCIs are calibrated to the 6.5 percent X-Factor.⁵

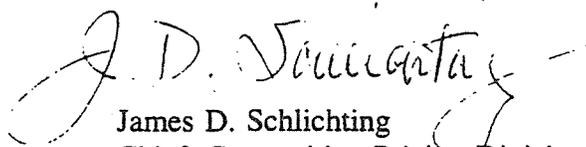
3. We herein clarify that the July 1, 1996 PCIs that were corrected pursuant to the *Docket 93-193 Order*⁶ are the PCIs to be recalibrated as discussed, *supra*, in paragraph 2. If at any step of the required recalculations the actual price index (API) exceeds the recalibrated PCI, then LECs should reduce the basket revenue (R) used in calculating the API until the API equals the PCI.⁷ For example, if the July 1, 1996 API exceeds its recalibrated July 1, 1996 PCI, then reduce the basket revenue, and therefore the API, and carry forward these recalculated values to the next PCI revision.

B. Targeted PCIs

4. The *May 22 Revisions* established a method to target PCI reductions to the transport interconnection charge (TIC) category. Targeting takes place until such time the TIC is no longer recovered on a per minute basis.⁸ LECs should not target the TIC revenues anticipated to be recovered in the future through rate elements other than the TIC.

5. We herein clarify that the PCI reductions to be targeted include the reductions due to the X-Factor (X), inflation (GDP-PI) and growth in minutes per line (g) as these pertain to the trunking, common line, and traffic sensitive baskets. In other words, LECs should not target the PCI changes attributable to exogenous cost changes (Z) or any PCI reduction in the interexchange basket. In addition, the X minus GDP-PI reductions in the trunking basket should be targeted before the X minus GDP-PI and g reductions in the common line and traffic sensitive baskets. Further, the targeted amount from the common line basket is derived from the change in the maximum carrier common line revenue. Finally, the X, GDP-PI and g reductions to be targeted include the reductions made in Section II.A, *supra*, from substituting the 6.5 percent X-Factor.

FEDERAL COMMUNICATIONS COMMISSION


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⁵ The development of those PCIs are to be shown in a workpaper.

⁶ 1993 through 1996 Annual Access Tariff Filings, Memorandum Opinion and Order, CC Docket No. 93-193 and CC Docket No. 94-64 (rel. April 17, 1997) (*Docket 93-193 Order*) at para. 99.

⁷ 47 C.F.R. § 61.45(a).

⁸ *Access Reform First Report and Order* at para. 220.