

price cap tariff filing following completion of the base period in which they are introduced. To the extent that such new services are permitted or required to be included in new or existing service categories within the assigned basket, they shall be so included at the first annual price cap tariff filing following completion of the base period in which they are introduced.

[54 FR 19842, May 8, 1989, as amended at 55 FR 42382, Oct. 19, 1990; 55 FR 50558, Dec. 7, 1990; 56 FR 5956, Feb. 14, 1991; 56 FR 55239, Oct. 25, 1991; 57 FR 54718, Nov. 20, 1992; 58 FR 7868, Feb. 10, 1993; 58 FR 29552, May 21, 1993; 58 FR 31914, June 7, 1993; 58 FR 36145, July 6, 1993; 59 FR 10301, Mar. 4, 1994; 59 FR 32930, June 27, 1994; 60 FR 4569, Jan. 24, 1995; 60 FR 13639, Mar. 14, 1995; 60 FR 52346, Oct. 6, 1995; 62 FR 31930, June 11, 1997]

EFFECTIVE DATE NOTE: At 62 FR 31930, June 11, 1997, § 61.42 was amended by revising paragraphs (d)(1), (d)(2), and (d)(3), adding paragraph (d)(6), and revising paragraphs (e)(1) and (e)(2)(vi), effective Jan. 1, 1998. For the convenience of the user, the superseded text is set forth as follows:

§ 61.42 Price cap baskets and service categories.

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(d) * * *

(1) A basket for the common line interstate access elements as described in §§ 69.103, 69.104, 69.105, and 69.115 of this chapter;

(2) A basket for traffic sensitive switched interstate access elements;

(3) A basket for trunkin services as described in §§ 69.110, 69.111, 69.112, 69.114, 69.124, and 69.125 of this chapter;

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(e)(1) The traffic sensitive switched interstate access basket shall contain such services as the Commission shall require, including the following service categories:

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(vi) Interconnection charge, as described in § 69.124 of this chapter.

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§ 61.43 Annual price cap filings required.

Carriers subject to price cap regulation shall submit annual price cap tariff filings that propose rates for the upcoming year, that make appropriate

adjustments to their PCI, API, and SBI values pursuant to §§ 61.44 through 61.47, and that incorporate the costs and rates of new services into the PCI, API, or SBI calculations pursuant to §§ 61.44(g), 61.45(g), 61.46(b), and 61.47 (b) and (c). Carriers may propose rate or other tariff changes more often than annually, consistent with the requirements of § 61.59.

[54 FR 19842, May 8, 1989, as amended at 55 FR 42383, Oct. 19, 1990]

§ 61.44 Adjustments to the PCI for Dominant Interexchange Carriers.

(a) Dominant interexchange carriers subject to price cap regulation shall file adjustments to the PCI for each basket as part of the annual price cap tariff filing, and shall maintain updated PCIs to reflect the effect of mid-year access and exogenous cost changes.

(b) Subject to paragraph (d) of this section, adjustments to each PCI of dominant interexchange carriers subject to price cap regulation shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} [1 + w(GNP-PI - X) + \Delta Y/R + \Delta Z/R]$$

where

GNP-PI = the percentage change in the GNP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year,

X = productivity factor of 3.0%,

ΔY = (new access rate - access rate at the time the PCI was updated to PCI_{t-1}) \times (base period demand),

ΔZ = the dollar effect of current regulatory changes when compared to the regulations in effect at the time the PCI was updated to PCI_{t-1} , measured at base period level of operations,

R = base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1} ,

w = R - (access rate in effect at the time the PCI was updated to PCI_{t-1} \times base period demand) + ΔZ , all divided by R,

PCI_t = the new PCI value, and

PCI_{t-1} = the immediately preceding PCI value.

(c) The exogenous cost changes represented by the term " ΔZ " in the formula detailed in paragraph (b) of this section, shall be limited to those cost

changes that the Commission shall permit or require, and include those caused by:

- (1) The completion of the amortization of depreciation reserve deficiencies;
- (2) Changes in the Uniform System of Accounts;
- (3) Changes in the Separations Manual;
- (4) The reallocation of investment from regulated to nonregulated activities pursuant to §64.901; and
- (5) Such tax law changes and other extraordinary exogenous cost changes as the Commission shall permit or require.

These exogenous cost changes shall be apportioned on a cost-causative basis between price cap services as a group, and excluded services as a group. Exogenous cost changes thus attributed to price cap services shall be further apportioned on a cost-causative basis among price cap baskets.

(d) In calculating the “ ΔY ” variable in the formula detailed in paragraph (b) of this section:

(1) The net change in total non-traffic sensitive access costs for all capped services (in all baskets), calculated at base period demand, shall be allocated among the baskets in proportion to each basket’s share of total base period non-traffic sensitive minutes of access (both originating and terminating);

(2) The net change in total traffic sensitive access costs for all capped services (in all baskets), calculated at base period demand, shall be allocated among the baskets in proportion to each basket’s share of total base period traffic sensitive minutes of access; and

(3) Changes in special access costs in each basket, calculated at base period demand, shall be assigned directly to the baskets in which such costs are incurred.

(e) In calculating the “ w ” variable in the formula detailed in paragraph (b) of this section, the access costs that must be subtracted from the “ R ” variable shall be apportioned among the baskets in a manner that is consistent with the methodology provided in paragraph (d) of this section for calculating the “ ΔY ” in each basket.

(f) The “ $w(\text{GNP-PI} - X)$ ” component of the PCI formula shall be employed

only in the adjustment made in connection with the annual price cap filing.

(g) The exogenous cost changes and changes in access costs caused by new services subject to price cap regulation must be included in the appropriate PCI calculations under paragraph (b) of this section beginning at the first annual price cap tariff filing following completion of the base period in which they are introduced.

(h) In the event that a price cap tariff becomes effective, which tariff results in an API value (calculated pursuant to §61.46) that exceeds the currently applicable PCI value, the PCI value shall be adjusted upward to equal the API value.

[54 FR 19842, May 8, 1989, as amended at 55 FR 42383, Oct. 19, 1990]

§61.45 Adjustments to the PCI for Local Exchange Carriers.

(a) Local exchange carriers subject to price cap regulation shall file adjustments to the PCI for each basket as part of the annual price cap tariff filing, and shall maintain updated PCIs to reflect the effect of mid-year exogenous cost changes.

(b) Adjustments to local exchange carrier PCIs for the baskets designated in §61.42(d) (2), (3), (4), (5), and (6) shall be made pursuant to the formula set forth in §61.44(b), and as further explained in §61.44 (e), (f), (g), and (h).

(1) Notwithstanding the value of X defined in §61.44(b), the X value applicable to the baskets specified in §61.42(d) (2), (3), and (6) shall be 6.5%.

(2) For the basket specified in §61.42(d)(4), the value of X , for all local exchange carriers subject to price cap regulation, shall be 3.0%.

(3) Notwithstanding the value of X defined in §61.44(b), the value of X applicable to the basket specified in §61.42(d)(5) shall be 0%.

(c)(1) Subject to paragraphs (c)(2) and (e) of this section, adjustments to local exchange carrier PCIs for the basket designated in §61.42(d)(1) shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} [1 + w \{ (\text{GDP-PI-X} - (g/2)) / (1 + (g/2)) \}] + \Delta Z/R$$

where