410(c), that the issues relating to interim amendments to Part 36, Subpart F of the Commission's Rules, 47 C.F.R. Part 36, Subpart F, as described in the Notice of Proposed Rulemaking, shall be and hereby are referred to the Federal State Joint Board established in this proceeding for a recommended decision.

List of Subjects in 47 CFR Part 36

Communications commoncarriers; Reporting and recordkeeping requirements; Telephone; Uniform System of Accounts.

Federal Communications Commission.

William F. Caton,

Acting Secretary.

Federal-State Joint Board Service List

The Honorable Sharon L. Nelson, Chairman; Washington Utilities and Transportation Commission; Chandler Plaza Building; 1300 South Evergeen Park Drive, S.W.; Olympia, Washington 98504–7250

The Honorable Cheryl L. Parrino, Chair; Wisconsin Public Service Commission; Post Office Box 7854; Madison, Wisconsin 53707–7854

The Honorable Stephen O. Hewlett, Commissioner; Tennessee Public Service Commission; 460 James Robertson Parkway; Nashville, Tennessee 37243–0505

The Honorable Laska Schoenfelder, Chairman; South Dakota Public Utilities Commission; State Capitol Building; Pierre, South Dakota 57501–5070

The Honorable Reed E. Hundt, Chairman; Federal Communications Commission; 1919 M Street, N.W.—Room 814; Washington, D.C. 20554

The Honorable Andrew C. Barrett, Commissioner; Federal Communications Commission; 1919 M Street, N.W.—Room 826, Stop 0105; Washington, D.C. 20554

The Honorable Susan Ness, Commissioner; Federal Communications Commission; 1919 M Street, N.W.—Room 832; Washington, D.C. 20554

Deborah A. Dupont, FCC Joint Board Staff Chair; Federal Communications Commission; Common Carrier Bureau—Accounting & Audits Div.; 2000 L Street, N.W.—Room 257; Washington, D.C. 20036

Teresa Pitts, State Joint Board Staff Chair; Washington Utilities and Transportation Commission; 1300 South Evergreen Park Drive, S.W.; Olympia, Washington 98504–7250

Charles Bolles; South Dakota Public Utilities Commission; State Capitol Building; Pierre, South Dakota 57501–5070

Elton Calder; Georgia Public Service Commission; 162 State Office Building; 244 Washington Street, S.W.; Atlanta, Georgia 30334

Ronald Choura; Michigan Public Service Commission; 6545 Mercantile Way; Lansing, Michigan 48910

Rowland Curry; Texas Public Utility Commission; 7800 Shoal Creek Blvd.—Suite 400N; Austin, Texas 78757

Ann Dean; Maryland Public Service Commission; 6 St. Paul Centre; Baltimore, Maryland 21202

Dean Evans; California Public Utilities Commission; 505 Van Ness Avenue—Room 4004; San Francisco, California 94102

William Howden; Federal Communications Commission; Common Carrier Bureau—Accounting & Audits Div.; 2000 L Street, N.W.—Room 812; Washington, D.C. 20036

George Johnson; Federal Communications Commission; Common Carrier Bureau—Accounting & Audits Div.; 2000 L Street, N.W.—Room 257; Washington, D.C. 20036

Chris Klein; Tennessee Public Service Commission; 460 James Robertson Parkway; Nashville, Tennessee 37243–0505

Robert Loube; Public Service Commission of District of Columbia; 450 Fifth Street, N.W.; Washington, D.C. 20001

Sam Loudenslager; Arkansas Public Service Commission; 1000 Center Street; Post Office Box C–400; Little Rock, Arkansas 72203

Rafi Mohammed; Federal Communications Commission; Common Carrier Bureau—Accounting and Audits Div.; 2000 L Street—Room 812; Washington, D.C. 20036

Paul Pederson; Missouri Public Service Commission; Post Office Box 360; Jefferson City, Missouri 65102

James Bradford Ramsay; National Association of Regulatory Utility Commissioners; 1102 ICC Building; Constitution Avenue & 12th Street, N.W.; Post Office Box 684; Washington, D.C. 20044

Jonathan Reel; Federal Communications Commission; Common Carrier Bureau—Accounting and Audits Div.; 2000 L Street, N.W.—Room 257; Washington, D.C. 20036

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Joel B. Shifman; Maine Public Utilities Commission; State House Station # 18; Augusta, Maine 04333

Fred Sistarenik; New York Public Service Commission; 3 Empire State Plaza; Albany, New York 12223

Mary Steele; North Carolina Utilities Commission; Box 29510; Raleigh, North Carolina 27626–0510

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47 CFR Part 61

[CC Docket No. 94–1; FCC 95–406]

Price Cap Performance Review for Local Exchange Carriers

AGENCY: Federal Communications Commission.

ACTION: Further notice of proposed rulemaking.

SUMMARY: On March 30, 1995, the Federal Communications Commission adopted a First Report and Order in this docket, revising its price cap regulations applicable to local exchange carriers (LECs). In that Order, the Commission also stated that it would consider adopting further rule revisions in the near future.

In this Further Notice, the Commission seeks comment on revising its rules governing calculation of the ''X-Factor'' in the price cap index (PCI) formula, and revising the rules governing sharing obligations. The Commission also seeks comment on revising the rules governing the price cap common line formula, and the rules governing treatment of exogenous costs. In a previous further notice of proposed rulemaking, the Commission sought comment on how the price cap rules should be adjusted as the competition faced by local exchange carriers (LECs) develops in the future. The intended effect of this action is to revise the price cap rules to strengthen the existing incentives for LECs to become efficient and innovative.

DATES: Comments must be submitted on or before November 27, 1995. Reply Comments must be submitted on or before December 27, 1995.

ADDRESSES: Tariff Division, Common Carrier Bureau, Room 518, 1919 M Street, NW., Washington, D.C. 20554.

FOR FURTHER INFORMATION CONTACT: Steven Spaeth or C. Anthony Bush, Tariff Division, Common Carrier Bureau, (202) 418–1530.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Fourth Further Notice adopted September 27, 1995, and released September 27, 1995. The full text of this Commission decision is available for inspection and copying during normal business hours

in the FCC Public Reference Room (Room 230), 1919 M St., N.W., Washington, DC. The complete text of this decision may also be purchased from the Commission's copy contractor, International Transcription Service, Suite 140, 2100 M Street, N.W., Washington, D.C. 20037.

Regulatory Flexibility Analysis

We have determined that section 605(b) of the Regulatory Flexibility Act of 1980, 5 U.S.C. 605(b), does not apply to these rules because they do not have a significant economic impact on a substantial number of small entities. The definition of a ''small entity'' in section 3 of the Small Business Act excludes any business that is dominant in its field of operation. Local exchange carriers do not qualify as small entities because they have a nationwide monopoly on ubiquitous access to the subscribers in their service area. The Commission also has found all exchange carriers to be dominant in its competitive carrier proceeding. *See* 85 FCC 2d 1, 23–24 (1980). To the extent that small telephone companies will be affected by these rules, we hereby certify that these rules will not have a significant effect on a substantial number of ''small entities.''

Summary of Report and Order

In this Further Notice, we seek comment on a number of possible rule revisions. The first set of rules we consider revising is related to the calculation of the ''X-Factor.'' The productivity factor, or X-Factor, was included in the LEC price cap plan adopted in 1990 to reflect the fact that productivity growth in the telecommunications industry historically was greater than productivity growth in the economy as a whole. This Further Notice invites comments on three alternative X-Factor calculation methods. The first is Total Factor Productivity (TFP). A TFP method would base the X-Factor on the ratio of an index of total outputs to an index of total inputs. The output index would represent the quantities of goods or services produced, and the input index would represent the quantities of goods or services consumed. The second X-Factor calculation method under consideration is the Historical Revenue Method, which would set the X-Factor at the level necessary to reprice cap LECs' access services so that those LECs would earn a rate of return of 11.25 percent. The third X-Factor calculation method under consideration is the Historical Price Method. This is basically the method used by the Commission to set the X-Factor when it adopted LEC price cap regulation originally in 1990. It would set the X-Factor so that the historical difference between telecommunications price trends and economy-wide price trends will continue in the future.

The Commission invites comment on a number of other X-Factor issues, such as whether the X-Factor should include a consumer productivity dividend. The Commission also seeks comment on the number of X-Factors that should be established in the price cap plan, to reflect the fact that each LEC serves regions with different economic conditions and population densities, and so cannot be reasonably expected to achieve the same level of productivity growth. In addition, this Further Notice solicits comment on whether the Commission should adopt X-Factors that would remain fixed until the next scheduled performance review, as the Commission did in the initial price cap plan. Alternatively, the Commission could adopt X-Factors based on a moving average of past productivity measures, which would be updated on a periodic basis, such as in the annual access tariff filings.

The Commission also seeks comment on whether the sharing mechanism can be eliminated. In the *First Report and Order* in this Docket, 60 FR 19526, Apr. 19, 1995, the Commission found that the sharing requirement blunts the efficiency incentives otherwise created by the price cap plan. Therefore, the Commission tentatively concluded that one of the X-Factors in the long-term price cap plan should have no sharing obligations, and established a goal in the *First Report and Order* to eliminate sharing eventually. Sharing serves three beneficial functions, however: (1) A ''backstop'' mechanism, in case the X-Factor was substantially in error, or in case a particular LEC's productivity varied substantially from the average; (2) a ''flow-through'' mechanism, to flow through to customers gains made by carriers in reducing their unit costs in excess of specified levels, as measured by interstate earnings; and (3) a ''matching'' mechanism, to encourage LECs to choose the X-Factor that most closely matches their actual rate of productivity growth. This Further Notice seeks comment on the extent to which the Commission can establish other mechanisms to replace the functions served by sharing. Specifically, the Commission seeks comment on whether a moving average X-Factor, together with multiple X-Factors, could replace the backstop function and the flow-through function of sharing. To replace the matching function, the Commission could develop a mechanism to assign an appropriate X-Factor to each LEC. Alternatively, the Commission could permit additional pricing flexibility to LECs electing higher X-Factors.

Finally, the Commission seeks comment on a number of related issues. First, based on the method of calculation of the X-Factor, can the Commission eliminate the separate price cap formula for the common line basket? Second, based on the method of calculation of the X-Factor, would it still be necessary for the Commission to treat some costs as exogenous?

Ordering Clauses

Accordingly, it is ordered that notice is hereby given of the rulemaking described above and that comment is sought on these issues.

It is further ordered that pursuant to applicable procedures set forth in § 1.399 and 1.411 *et seq.* of the Commission's rules, 47 CFR 1.399, 1.411 *et seq.*, comments shall be filed with the Secretary, Federal Communications Commission, Washington, D.C. 20554 no later than November 27, 1995. Reply comments shall be filed no later than December 27, 1995. To file formally in this proceeding, participants must file an original and four copies of all comments, reply comments, and supporting comments. If participants want each Commissioner to receive a personal copy of their comments, an original plus nine copies must be filed. In addition, parties should file two copies of any such pleading with the Tariff Division, Common Carrier Bureau, Room 518, 1919 M Street, NW., Washington, DC 20554, and one copy of any pleadings should be submitted on computer disk to the Industry Analysis Division, Common Carrier Bureau, Room 534, 1919 M Street, NW., Washington, DC 20554. Comments and reply comments will be available for public inspection during regular business hours in the FCC Reference Center, Room 239, 1919 M Street, NW., Washington, DC 20554.

List of Subjects in 47 CFR Part 61

Communications common carriers, Tariffs.

Federal Communications Commission.

William F. Caton,

Acting Secretary.

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