

M E M O R A N D U M

DATE: January 7, 2003
TO: RMS Users
FROM: Bill Warinner
RE: RMS Modifications

We have modified RMS for two changes recently brought to our attention by RMS Users. First, we have corrected a cell formula error in the LSS algorithm. The referenced cell is LSS data line 140. The existing formula sums data lines 115, 120 and 130. The formula should sum data lines 110, 120 and 130. This error may overstate the calculation of LSS support and the resulting interstate Local Switching revenue requirement on Part 69. When corrected, this change will most likely reduce the calculated amount of interstate Local Switching Support on the LSS algorithm. This change will also cause a reduction in the interstate local switching revenue requirement caused by a larger allocation of the local switching revenue requirement to the common line element in accordance with the MAG rules change effective January 1, 2002.

The second change involves the allocation of interest expense to regulated operations and between the state and interstate jurisdictions on the basis of net telephone plant investment. In defining net telephone plant, NECA excludes Accounts 4040, Customer Deposits, and 4310, Other Long-Term Liabilities – Post Retirement Benefits. RMS has been modified to remove these accounts from the calculation of net telephone plant used for the allocation of interest expense on RMS Schedule S-12, Line 18. For those companies who direct assign Accounts 4040 and/or 4310 to exchange operations, this change will result in a decrease in interest expense allocated to the interstate jurisdiction. A reduction in interest expense allocated to the interstate jurisdiction will cause an increase in the amount of income tax expense recovery calculated for the interstate jurisdiction. WGA does not expect any significant change in interstate revenue requirements as a result of this formula change.

The revised RMS program (Version 2.14) is available through the Website of WGA at www.wgacpa.com. Further questions can be directed to Bill Warinner or Andy Denzer at 913-599-3236.

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