

	<b>Problem</b>	<b>Possible Adjustment</b>	<b>Advantages</b>	<b>Possible Disadvantages</b>
1	Many states no longer regulate rates	Give each state commission the option to continue the freeze for LECs in its state	Reduced regulatory overhead.	Loss of national uniformity; pooling issues
2	Special access investment has not been updated during the freeze	Direct assignment of private lines and special access circuits	Better cost-revenue match; better jurisdictional match; better § 254(k) compliance; more accurate cost signals; reduced risk of local rate increases.	Higher interstate special access rates possible
3	Joint Use DSL adds to state expense and makes no contribution to loop investment	Change fixed (75-25) factor for joint DSL loop costs	Same as #2	Higher rates for joint use DSL; reduced deployment incentive for small companies possible; SLC increases or decreases possible
4	Naked DSL adds to state expense and state investment, and all revenues are moved to interstate	Direct assignment of all naked DSL loop costs	Same as #2; could reduce local rates. Many companies are already doing this.	Reduced incentive to offer naked DSL possible
5	FTTH increases state investment and expense	Direct assign FTTH	Same as #2, could reduce local rates.	Higher rates for FTTH; reduced deployment incentive for small companies possible; SLC increase possible
6a	ISP-bound traffic and VoIP termination services are interstate, but costs and revenues (if any) are state	Adjust DEM factor globally (e.g. 5% shift) for ISP-bound traffic & VoIP termination	Same as #2 for Central Office Equipment	Higher interstate access rates likely
6b		Change 25-75 fixed factor globally for ISP-bound traffic & VoIP termination	Same as #2 for loops and loop circuit equipment.	SLC increase likely
7	Cost-revenue mismatches for UNEs	Establish uniform UNE accounting & separations rules	Same as #2	Rate effects will depend on current company practices.
8	Excluding wireline broadband facilities after separations can give states too many expenses	Recalculate separations factors after Part 64 exclusion of wireline broadband	Better cost-revenue match when separations rules apply only to regulated operations.	States may not be interested in this issue
9a	New LECs do not have a year 2000 usage base.	For new companies connecting to tandems, develop new categories and factors rules, based on expected market size and NECA averages.	Allows new companies to form under the existing dual jurisdiction system.	Complex task
9b		For new fully VoIP companies, assign all costs and revenues (incl. all outside plant) to interstate.	Allows new companies to form using all-IP; facilitates bundling of toll and local.	States cannot regulate any rates or impose any service quality standards; higher pooling costs