we have completed our evaluation of what underlying costs are recovered in the interconnection charge and how the interconnection charge revenues should be reallocated or otherwise disposed of, we conclude that the interconnection charge service category should be included in the trunking basket.

12. Finally, we decline to price the tandem switching element incrementally, or to eliminate that element. We conclude that such measures would not be in the public interest.

2. Price Cap Service Categories and Pricing Bands

13. In our 1994 Second Transport Order (Transport Rate Structure and Pricing, Second Report and Order, 59 FR 10300 (March 4, 1994)), we specifically placed tandem-switched transport, DS1, and DS3 flat-rated services into separate service categories and service subcategories in order to prevent the LECs from offsetting lower rates for services subject to more competition with higher rates for less competitive services. We concluded in that order, and continue to believe, that separate price cap service categories and pricing bands are sufficient to protect against potential anti-competitive behavior. Accordingly, we decline to eliminate the separate service categories and subcategories that apply to transport services.

14. We also decline to put entrance facilities and interoffice facilities into separate service categories. No sufficient reason exists to place entrance facilities and interoffice facilities in separate service categories and to restrict the LECs' pricing flexibility between these services. We decline to eliminate the limited upward pricing flexibility permitted for tandem-switched transport.

## D. The Interconnection Charge

1. Mid-Course Adjustment to the Interconnection Charge

15. We clarify that the period to be used in calculating the amount of any mid-course adjustment to the interconnection charge is from the effective date of the initial transport tariffs (December 30, 1993) through December 31, 1994. This calculation will define the amount that will prospectively establish the appropriate level for the interconnection charge. We further clarify that the mid-course adjustment to the interconnection charge permits recoupment of underrecovered interconnection charge revenues from December 30, 1993 to the effective date of the tariff implementing

the mid-course adjustment. We intended that the interconnection charge yield only an initial rate restructure that was revenue-neutral. We interpret "initial" to apply to the first year after the implementation of the new rates. Subsequent changes to the interconnection charge will be governed by the price cap rules. LECs must file requests for mid-course adjustments to the interconnection charge no later than March 31, 1995. We delegate authority to the Chief, Common Carrier Bureau, to specify the format and content of such filings.

16. The mid-course adjustment to the interconnection charge, should any LEC choose to avail itself of the adjustment, does not constitute retroactive ratemaking. The adjustment will affect only rates in effect after the date of the adjustment. It will not retroactively change the interconnection charge rates that customers already paid before the adjustment date. Nor will the adjustment require recoupment of revenues from customers or refunds to customers without suspension and an accounting order pursuant to Section 204(a) of the Communications Act, 47 U.S.C. 204(a).

17. That the mid-course adjustment will take into account revenues the LECs under-recovered before the date of the adjustment does not convert the adjustment into retroactive ratemaking. All interested parties were on notice prior to the effective date of the transport tariffs that the interconnection charge was subject to adjustment and that the purpose of that adjustment was to achieve more fully our objective of revenue neutrality during the transition from the old to the new rate structure. Therefore, any adjustment at a later date merely constitutes the implementation of a prospectively established obligation affecting the LECs and all access customers. The prior notice that the interconnection charge would be subject to adjustment, and the unique nature of the interconnection charge mid-course adjustment in the context of the major, Commission-required transport rate restructure, distinguish this case from cases in which a carrier generally seeks to adjust its rates prospectively to recoup costs from an earlier period. We do not address whether or not such cases would constitute retroactive ratemaking.

## 2. Burden of Proof for the Mid-Course Adjustment

18. We decline to modify the burden of proof associated with the mid-course adjustment. The LECs have the burden of demonstrating a significant underrecovery of revenues that justifies an adjustment to the interconnection charge. We affirm our determination that the LECs must prove the extent to which they have not been able to reuse facilities no longer needed after IXC reconfigurations.

19. We clarify, however, that the burden of proving that facilities could not be reused does not apply to facilities that are reused as a result of the transport restructure itself. For example, if a customer reconfigures its LEC entrance facility from 25 DS1 circuits to a lower-priced DS3 circuit running over the same physical facility, the "reuse" of that facility in providing DS3 service instead of DS1 service is not excluded from the computation of the interconnection charge. In such a case, the interconnection charge may reasonably include recovery of the difference between the price of the 25 DS1 circuits and the price of the DS3 circuit. The requirement that LECs show that they have been unable to reuse facilities applies to situations in which facilities are no longer used for interstate switched transport, and the LECs have not been able to put the facilities to any alternative uses. For example, if the customer terminates its use of the 25 DS1 circuits because, due to the transport restructure, it has decided to consolidate its points of presence, and the LEC is unable to put the entrance facility to any alternative uses in its network, then the LEC may reasonably include recovery of the lost DS1 revenues in the interconnection charge.

20. We also affirm our determination that the LECs should have the burden of proving that demand losses result from the transport rate restructure rather than competition. While we intend that the transport rate restructure be revenueneutral to the LECs, competition in the provision of switched transport is likely to result in revenue losses to the LECs. The interconnection charge should not be used to shield LECs from the risks of revenue loss associated with growing competition.

## 3. Waiver of Non-Recurring Charges

21. We decline to modify the scope of the NRC waiver. As a general matter, we conclude that to broaden the scope of the NRC waiver to include network reconfigurations not related to the rate restructure would be unfair to the LECs and beyond the scope of this proceeding. Specifically, we conclude that six months was ample time for the mandated waiver to be held open, especially since IXCs had more than one year to plan any network reconfigurations before the new rate structure became effective. We reject