

Cost Issues to be Decided for RLEC Cost Studies

Cost Issue	Issue	Recommendation
1.1	What switch investments (by switch category and exchange) should be used in the RLEC cost studies?	The RLECs should provide sufficient documentation to review switch investments, including types of equipment, quantities of equipment based on capacities and demand, and unit costs (e.g. material prices). This information should be used to compute switch investments with consideration given to specific questions that determine appropriate investments to be included in the cost studies. (See section of testimony for this cost issue.)
1.2	What switching annual cost factors should be used?	McCook, Santel and West River should use their current switching ACFs (██████████). Alliance, Beresford and Kennebec should recompute ACFs. The ACFs should be no greater than ██████████. This allows approximately ██████ percent for the capital cost factor, ██████ percent for direct switching expenses, ██████ percent for other operating expenses and ██████ percent as the corporate operations expenses loading.
1.3	What percentage or portion of the switch investments is usage-sensitive and recoverable in transport and termination rates?	RLEC trunk card investment per line, after adjustments for Cost Issue 1.1, should be used to compute switching costs per minute. Unless the RLECs demonstrate that the common category of equipment for the switch technology reflected in their cost studies is exhausted by usage, common switch investment should not be included in transport and termination costs.
1.4	What annual minutes per switch trunk card should be used?	Per Issue 1.3, the switching cost calculation should be modified to compute costs per minute based on switch trunk card annual costs per trunk and annual minutes per voice trunk. The recommended annual minutes per voice trunk are given below for Issue 2.6.
1.5	What are the forward-looking economic costs per minute for switching?	<u>Forward-looking economic costs per minute for switching are expected to be ██████████ or less, assuming only trunk card equipment is usage-sensitive.</u> (The cost per minute of \$██████████ is based on the highest switching costs of the RLECs (██████████) after excluding common switch costs and adjusting annual cost factor to ██████ percent, as necessary. See Exhibit WCC-5.5.)
2.1	What transport electronics base, line and tributary investments should be used in the RLEC cost studies?	The RLECs should provide sufficient documentation on transport electronics investments, including types of equipment, quantities of equipment based on

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		capacities and demand, and unit costs. This information should be used to compute investments reflecting efficient configuration of transport electronics.
2.2	Should forward-looking economic costs per unit be based on total equivalent DS-1 circuits?	Yes. The use by the RLECs of "paths" to measure transport demand overstates the costs of voice trunks and transport costs per minute. Equivalent DS-1 circuits are a better measure of transport equipment capacity consumption and cost causation.
2.3	Should transit circuits be included in total demand for transport?	Yes. FCC Rule §51.511 requires that forward-looking economic costs per unit be based on total demand, and transit circuits are part of total demand for transport electronics base and line equipment. The RLECs already include transit circuits in the calculation of transport outside plant costs.
2.4	What equivalent DS-1 circuits should be used for the RLEC's own voice trunks and special circuits, and transit circuits?	The equivalent DS-1 circuits for the RLEC's own voice trunks and special circuits are [REDACTED]. The additional equivalent DS-1 circuits for transit are [REDACTED]. Additional information is required to compute other RLEC equivalent DS-1 circuits for transit.
2.5	What transport electronics annual cost factors should be used?	McCook and Santel should use their current transport electronics ACFs [REDACTED]. Alliance, Beresford, Kennebec and West River should recompute ACFs. The ACFs should be no greater than [REDACTED] percent. This allows approximately [REDACTED] percent for the capital cost factor, [REDACTED] percent for direct switching expenses, [REDACTED] percent for other operating expenses and [REDACTED] percent as the corporate operations expenses loading.
2.6	What annual minutes per voice trunk should be used?	Annual minutes per voice trunk should be established consistent with FCC Rule §51.513(c)(4). This rule specifies 108,000 annual minutes per voice circuit. After adjusting for a minute of traffic taking either one or two voice circuits for termination, the recommended minutes per voice trunk are [REDACTED].
2.7	What are the forward-looking economic costs per minute for transport electronics?	McCook and West River costs per minute are [REDACTED] and [REDACTED] respectively. The costs of the other RLECs after adjustments for the issues above are expected to be [REDACTED] cent per minute, or less.

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3.1	What interoffice mileages should be used in the RLEC cost studies?	Existing mileages of interoffice cable routes used to transport Alltel traffic should be used, unless the RLECs can prove that longer mileages over different cable routes are more efficient.
3.2	What transport outside plant annual cost factors should be used?	Santel and West River should use their current transport outside plant ACFs (██████████). Beresford should use a ██████ percent factor. Alliance, Kennebec and McCook should recompute ACFs. The ACFs should be no greater than ██████ percent. This allows approximately ██████ percent for the capital cost factor, ██████ percent for direct transport outside plant expenses, ██████ percent for other operating expenses and ██████ percent as the corporate operations expenses loading.
3.3	Should transport outside plant cost calculations be modified to be based on equivalent DS-1 circuits?	Yes, equivalent DS-1 circuits should be used as in the recommendation for Cost Issue 2.2. Equivalent DS-1 circuit quantities should be the same as those for the RLEC's own voice trunks and special circuits, and transit circuits as given in the recommendation for Cost Issue 2.4.
3.4	What annual minutes per voice trunk should be used?	The annual minutes per voice trunk recommended for Cost Issue 2.6 should be used.
3.5	What are the forward-looking economic costs per minute for transport outside plant?	<u>McCook and West River costs per minute are ██████████ and ██████████ respectively. The costs of the other RLECs after adjustments for the issues above are expected to be ██████████ per minute, or less.</u>
4	What are the forward-looking economic costs per minute for transport and termination?	<u>Total transport and termination costs, based on costs per minute recommended for Cost Issues 1.5, 2.7 and 3.5, are expected to be ██████████ per minute or less.</u>