

Gallatin River Communications, LLC
Cost Support for the July 1, 2000, Interstate Traffic Sensitive Tariff Filing

Overview

Gallatin River Communications, LLC (“Gallatin” or “The Company”) is filing Traffic Sensitive Interstate Access rates to be effective July 1, 2000. This tariff is based on prospective costs and demand for the tariff year July 1, 2000 through June 30, 2001. The filing conforms to FCC rules and regulations and is filed under Part 61.38 rules, which requires rate development to be based on prospective costs and demand for the tariff period.

Costs are kept in accordance with FCC Part 32 rules. Company accounting procedures conform to Part 32 requirements, including proper plant accounting, conformance to Generally Accepted Accounting Principles (GAAP), use of continuous property records, revenue accounting and expense accounting.

Appropriate allocations of costs to affiliated operations are in accordance with FCC Part 64 rules.

Allocation of costs between the state and interstate jurisdictions are in accordance with FCC Part 36 procedures.

Allocation of Interstate costs to access elements and development of Traffic Sensitive access rates are in accordance with FCC Part 69 procedures.

The company categorizes its cable and wire facilities based on accepted industry procedures. Interexchange cable and wire facility costs are identified through maps and accounting records. All cable and wire facilities not identified as interexchange plant are classified as subscriber plant. Subscriber cable and wire facilities associated with special access services is identified based on equivalencies of voice grade service. Loop counts for Joint Message, Special Access and Local Private Line services are based on analysis of billing records. Circuit mile studies are based on analysis of engineering and central office switching records. Circuit termination counts are based on analysis of engineering and central office circuit records.

Circuit mile studies are based on the actual circuits and mileage associated with each interexchange route the company serves.

Central office equipment categorized balances are based on continuing property records established by bay and by shelf, with equipment categorized in accordance with separations rules and Responsible Accounting Officer rulings issued by the FCC. For example, the categorization of remote switching units is fully in accordance with FCC rules. A complete inventory of the central office equipment was performed during the first quarter of the year 2000, with inventory amounts reconciled to book balances.

The expenses of the Company associated with Commercial Operations are recorded in conformance with the FCC-prescribed Uniform System of Accounts (USOA). Since the USOA does not contain the detail required for categorization of expenses in accordance with jurisdictional separations requirements, a commercial office time analysis was used to allocate the costs to appropriate commercial office separations categories. Summaries of billing records were used, in accordance with jurisdictional separations procedures, to allocate certain commercial expenses between jurisdictions.

Traffic studies were performed at all Company host central office switches. Holding time studies were performed to determine the average switching equipment usage for purposes of developing the: Dial Equipment Minutes (DEM) Factor for allocation of local switching costs; Tandem Switching Factor for allocation of Tandem Switching costs; Host Remote Factor for allocation of Host/Remote costs; Conversation Minutes Factor for allocation of Toll Circuit Equipment; Conversation Minute Mile Factor for allocation of interexchange cable and wire costs; and Subscriber Line Usage Factor for use of allocation of subscriber listing costs. As Gallatin River Communications, LLC study area exceeds 50,000 loops, a DEM weighting factor of 1.0 was used in the development of the interstate DEM Factor.

Prospective Costs

Trending for costs is based on company impact of inflation, capital budgets and expected growth in services and changes in personnel.

Calendar year budgets for the years 2000 and 2001 were averaged in order to develop the

Attachment #1 shows the development of the Interstate Traffic Sensitive Revenue

Attachment #2 shows the Interstate Part 69 – Access Element Distribution for the twelve

Attachment #3 shows the Part 36 Interstate Jurisdictional Separation of Costs for the

Attachment #4 shows the unseparated Cost Information for the twelve months ended June 30, 2001.

Historical costs are shown for the twelve months ending December 31, 1999. Historical costs are based on conformance to Part 32 accounting, Part 64 regulated/deregulated cost

Attachment #5 summarizes the development of the Interstate Traffic Sensitive Revenue

Attachment #6 shows the complete Interstate Part 69 Access Element Cost of Service study for the twelve months ended December 31, 1999.

twelve months ended December 31, 1999.

Attachment #8 shows the unseparated cost information for the twelve months ended

Cost of Service Support Documentation:
Attachments for Gallatin River Communications, LLC

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| Attachment #1 | Interstate Traffic Sensitive Revenue Requirement for the twelve months ended June 30, 2001. |
| Attachment #2 | Part 69 – Access Element Distribution for the twelve months ended June 30, 2001. |
| Attachment #3 | Part 36 – Jurisdictional Separation of Costs for the twelve months ended June 30, 2001 |
| Attachment #4 | Unseparated Cost Information for the twelve months ended June 30, 2001. |
| Attachment #5 | Interstate Traffic Sensitive Revenue Requirement for the twelve months ended December 31, 1999. |
| Attachment #6 | Part 69 – Access Element Distribution for the twelve months ended December 31, 1999. |
| Attachment #7 | Part 36 – Jurisdictional Separation of Costs for the twelve months ended December 31, 1999. |
| Attachment #8 | Unseparated Cost Information for the twelve months ended December 31, 1999. |