

**KIN Network, Inc.**

**TARIFF F.C.C. NO. 1**

**DESCRIPTION AND JUSTIFICATION**

**Transmittal No. 05**

**January 25, 2001**

<b>SECTION</b>	<b>DESCRIPTION</b>
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## **SECTION 1**

### **DESCRIPTION and JUSTIFICATION**

#### **DESCRIPTION**

This filing is being made to decrease both the switched access and access transport rates in KIN Network, Inc. F.C.C. No. 1.

#### **JUSTIFICATION**

This filing is being made subject to §61.38 (b)(2) of the Annotated F.C.C Rules as revised February 1, 1998.

## **SECTION 2**

### **COST DEVELOPMENT**

#### **Switched Access**

The direct investment required to switch the traffic was determined from discussions with our outside plant and engineering departments. The cost of this equipment was developed based on ALLTEL's purchase price at the time the investment was put into service.

After the direct investment was determined for the service ALLTEL calculated an indirect investment factor using data from 3<sup>rd</sup> quarter 2000 costs as a ratio of indirect investment to total investment. This ratio was applied to the direct investment to develop a total investment for the service.

ALLTEL then applied the effective tax rate to a rate of return to develop a before tax rate of return to use with the contract life to determine an annual amortized cost.

Next, an operating expense percentage, developed as a percent of investment from 3<sup>rd</sup> quarter 2000 costs to the total investment, was applied to determine an annual operating expense amount.

The annual revenue was then divided by a forecasted annual demand to arrive at the per minute rate.

The calculation of the switched access rate can be found in Exhibit Switched Access.

#### **Access Transport**

The direct investment required to transport the traffic was determined from discussions with our outside plant and engineering departments. The cost of this equipment was developed based on ALLTEL's purchase price at the time the investment was put into service.

After the direct investment was determined for the service ALLTEL calculated an indirect investment factor using data from 3<sup>rd</sup> quarter 2000 costs as a ratio to total investment. This ratio was applied to the direct investment to develop a total investment for the service.

ALLTEL then applied the effective tax rate to a rate of return to develop a before tax rate of return to use with the contract life to determine an annual amortized cost.

Next, an operating expense percentage, developed as a percent of investment from 3<sup>rd</sup> quarter 2000 costs to the total investment, was applied to determine an annual operating expense amount.

The annual revenue was then divided by a forecasted annual demand to arrive at the per minute rate.

The calculation of the access transport rate can be found in Exhibit Access Transport.

## Exhibit Switched Access

### Calculation of Kin Network Switched Access Rate

1.	Direct Investment		\$ 6,142,000.00
2.	Indirect Investment Factor	12.00%	\$ 737,040.00
3.	Total Investment	(Ln 1 + Ln2)	\$ 6,879,040.00
4.	Rate of Return	11.25%	
5.	Effective Tax Rate	35.00%	
6.	Before Tax Rate of Return	$\text{Ln } 4 / (1 - \text{Ln}5)$	17.31%
7.	Economic Life (Years)	20	
8.	Annual Payment	$\text{Pmt}(\text{Ln } 6, 7, 3)$	\$1,241,588.72
9.	Operating Expense Factor	17.50%	
10.	Annual Operating Expense	$\text{Ln } 3 * \text{Ln } 9$	\$ 1,203,832.00
11.	Total Annual Revenue	$\text{Ln } 8 + \text{Ln } 10$	\$ 2,445,420.72
12.	Annual Demand		194,087,628
13.	Rate per MOU	$\text{Ln } 11 / \text{Ln } 12$	\$ 0.012600

## Exhibit Access Transport

### Calculation of Kin Network Access Transport Rate

1.	Direct Investment		\$ 2,242,600.00
2.	Indirect Investment Factor	12.00%	\$ 269,112.00
3.	Total Investment	(Ln 1 + Ln2)	\$ 2,511,712.00
4.	Rate of Return	11.25%	
5.	Effective Tax Rate	35.00%	
6.	Before Tax Rate of Return	$\text{Ln } 4 / (1 - \text{Ln } 5)$	17.31%
7.	Economic Life (Years)	20	
8.	Annual Payment	$\text{Pmt}(\text{Ln } 6, 7, 3)$	\$453,335.54
9.	Operating Expense Factor	17.50%	
10.	Annual Operating Expense	$\text{Ln } 3 * \text{Ln } 9$	\$ 439,549.60
11.	Total Annual Revenue	$\text{Ln } 8 + \text{Ln } 10$	\$ 892,885.14
12.	Annual Demand		194,087,628
13.	Rate per MOU	$\text{Ln } 11 / \text{Ln } 12$	\$ 0.004600