

VOLUME 1

DESCRIPTION AND JUSTIFICATION

I. Introduction

A. Background

This filing represents Aliant Communications Co.'s ("Aliant") support filing for the upcoming 2002 Annual Access Charge Tariff Filing. This filing is being made on not less than 45 days notice in accordance with the Commission's 2002 TRP Notice, DA 02-970, released April 26, 2002.

Aliant has an operating territory in the 958 LATA, which lies primarily in southeastern Nebraska with a few subscribers in Kansas and Iowa. Aliant has over 250,000 access lines in service.

This filing is being made in compliance with the following:

- Second Report and Order, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Released October 4, 1990;
- Order on Reconsideration, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Released April 17, 1991;

- First Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, Released April 7, 1995;
- Report and Order, *In the Matter of Price Cap Regulation of Local Exchange Carriers, Rate-of-Return Sharing and Lower Formula Adjustment*, CC Docket No. 93-179, Released April 14, 1995;
- Fourth Report and Order, *In the Matter of Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1, Released May 21, 1997;
- First Report and Order, *In the Matter of Access Charge Reform*, CC Docket No. 96-262, Released May 16, 1997;
- Second Order on Reconsideration and Memorandum Opinion and Order, *In the Matter of Access Charge Reform*, CC Docket No. 96-262, Released October 9, 1997;
- Third Report and Order, *In the Matter of Access Charge Reform*, CC Docket No. 96-262, Released November 26, 1997;
- Report and Order & Further Notice of Proposed Rulemaking, *In the Matter of Defining Primary Lines*, CC Docket No. 97-181, Released March 10, 1999;
- Public Notice, DA 99-584, Released March 25, 1999;
- Public Notice, DA99-1091, released June 4, 1999;
- Sixth Report and Order, *In the Matter of Access Charge Reform*, CC Docket 92-262, Released May 31, 2000 (CALLS);
- And in accordance with Commission Rules in 47 C.F.R. § 61.38 and § 61.41 through § 61.49;

Herein referred to collectively as the “Price Cap Rules”;

- And with Commission Rules in 47 C.F.R., Part 61, generally.

B. Waivers

Aliant lists below all currently applicable waivers that permit rate elements different than those specified in 47 C.F.R., Part 69.

The Commission in Memorandum Opinion and Order, *In the Matter of Annual 1989 Access Tariff Filings*, DA 88-1872, Released December 2, 1988, extended indefinitely the waiver allowing carriers to bill \$25.00 for a special access surcharge. This element is included in Aliant's Common Line basket.

The Commission in Memorandum Opinion and Order, *In the Matter of Lincoln Telephone and Telegraph Company Petition for Waiver of Part 69*, DA 89-654, Released June 21, 1989, granted a waiver allowing (then) Lincoln to establish a separate rate element for 900 Access Service. This element is included in Aliant's Local Switching service category within the Traffic Sensitive Basket.

The Commission in Memorandum Opinion and Order, *In the Matter of Lincoln Telephone and Telegraph Company Petition for Waiver of the Commission's Rules To Establish 500 Access Service*, DA 95-115, Released January 26, 1995, granted a waiver allowing (then) Lincoln to establish a separate rate element for 500 Access Service. This element is included in Aliant's Local Switching Service category within the Traffic Sensitive Basket.

The Commission in Memorandum Opinion and Order, *In the Matter of United States Telephone Association Petition for Waiver of Section 69.152 (b) and*

69.153 (c) (1) of the Commissions Rules, DA 99-1122, released June 8, 1999, granted a waiver to allow price cap LECs to use USTA's proposed interim calculations only when necessary to compensate for an anomaly that produces negative multi-line business PICCs.

C. New Services

Not applicable for this filing.

II. Index and Rate Development

A. Existing Indices

The existing indices are those indices that will be in effect on June 30, 2002. See Exhibit INDREF for transmittal numbers under which existing indices became effective.

B. PCI Development

Aliant calculated its Price Cap Indices ("PCIs") for existing baskets in accordance with the Price Cap Rules. See Exhibit RDEV.

1. GDP-PI

Aliant developed a value of 1.8742% for GDP-PI by dividing the most recent estimate of the 4th quarter 2001 chain weighted GDP-PI by the current 4th quarter 2000 chain weighted weight GDP-PI and then subtracting one.

2. Productivity Factor

Aliant is using a productivity factor of 6.5% for the Common Line, Traffic Sensitive, Trunking Baskets and Special Access Basket and 3.0 for the interexchange basket.

3. Exogenous Costs

Aliant developed exogenous cost changes according to the Price Cap Rules. These dollar effects were measured at 2001 base period level of operations and apportioned on a cost-causative basis between the price cap baskets. See Exhibit RDEV. In addition, a final 2000 and initial 2001 Form 492A are provided as Exhibit 492A,

a) Regulatory Fees

Local Exchange Companies are allowed to recover the impact of regulatory fees as an exogenous cost. The impact of regulatory fees is shown in Exhibit RDEV.

b) Telecommunications Relay Service

All common carriers providing interstate telecommunications services are required to contribute to a fund designated to support telecommunications relay services. TRS contributions are treated as exogenous costs and their impact is shown in Exhibit RDEV.

c) North American Numbering Plan Fee

In the North American Numbering Plan (NANP) Order, the Commission required all telecommunications carriers to contribute to the cost recovery for numbering administration. Previously, Aliant was not a contributor to the fund; therefore, the cost of such fees was not included in Aliant's rates when Aliant converted to price cap regulation in 1993. To remain consistent in the price cap treatment of such fees, i.e. Regulatory Fee and Telecommunications Relay Services Fee, Aliant is treating the NANP fee as an exogenous change.

The impact for NANP fees for Aliant can be found in Exhibit RDEV.

d) Universal Service Fund

In the CALLS Order, the Commission established an end user charge to recover all Universal Service Fund (USF) contributions. These contributions were previously treated as an exogenous cost. Consistent with the Commission's decision in CALLS, Aliant

removed all USF contributions from the exogenous cost calculations and established a rate element to be applied on a per line basis to recover all USF contributions.

4. CMT Per Line Revenue

Part 61.3(d) of the Commission's Rules discuss the calculation of the maximum SLC for the residential and single-line business, non-primary residential and multi-line business service categories based on the average common line, marketing and transport interconnection charge revenues (CMT revenue) per line. Exhibit CMT displays the current CMT per line rate for Aliant and calculates the adjusted CMT per line rate based upon 2001 access lines.

5. Excluded Services

Exhibit OUTPC-1 provided a detailed listing of those services which are not included under price cap regulation.

6. Base Period Demand

Base period demand is the actual demand for each rate element during calendar year 2001.

7. Existing Rates

Existing rates are those rates that will be in effect on June 30, 2001.

8. CCL Minute Growth Per Access Line

Aliant calculated CCL Minute Growth Per Access Line by first dividing 2001 base period demand by 2000 base period demand, then by 2001 base period access lines divided by 2000 base period access lines and subtracting one.

C. Pricing Bands

Aliant Calculated its applicable upper pricing bands in accordance with the Price Cap Rules. See TRP Form RTE-1.

D. API and SBI Development

Aliant calculated the applicable APIs and SBIs in accordance with Price Cap Rules. See TRP form RTE-1. Aliant's APIs do not exceed the applicable PCIs and its SBIs do not violate the applicable upper pricing bands. See TRP form IND-1 and RTE-1.

E. Common Line

1. Subscriber Line Charges

a) Subscriber Line Charge Development

The Subscriber Line Charge (SLC) was developed for Primary & Non-Primary Residence, Multiline Business, Single Line Business and Centrex according to the Price Cap Rules. Per CALLS, effective July 1, 2001, the caps for primary residence and SLB SLCs were increased to \$5.00 per line. See TRP Form CAP-1.

2. Per-Minute Rates

Aliant developed per-minute rates that recover any residual dollars not recovered by SLCs and PICCs according to the Price Cap Rules. See TRP Form CAP-1.