

**Union Telephone Company**

**TARIFF F.C.C. NO. 2 (ACCESS SERVICE)**

**TRANSMITTAL NO. 74**

**ISSUED: June 16, 2003**

**EFFECTIVE: July 1, 2003**

**COST SUPPORT**

## Overview

In accordance with Federal Communications Commissions' (Commission) rules and pursuant to the MAG Order, CC Docket No. 00-256/FCC 01-304, Union Telephone Company (Union) submits the information below in support of proposed changes to access service, effective July 1, 2003.

This filing is made pursuant to Section 61.39 of the Commission's rules. Union submitted the last major tariff filing for Tariff F.C.C. No. 2 on December 17, 2001, with an effective January 1, 2002 pursuant to the Access Charge Reform Order.<sup>1</sup> Union is filing under Section 61.39 with traffic sensitive cost of service determined under Section 61.39(b)(1)(ii).<sup>2</sup>

Pursuant to Section 61.39, Union is not submitting detailed cost support with this filing under Section 61.39. As it has done in the past, Union will make cost support information available to interested parties upon reasonable request. The discussion below more completely details the methodologies employed in developing the rates filed in this transmittal.

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<sup>1</sup> Union filed revisions to access charges in Union's Tariff F.C.C. No. 2, as directed by the FCC in the *Access Charge Reform Order*, CC Docket No. 96-262; *Price Cap Performance Review for Local Exchange Carriers*, CC Docket No. 94-1; *Transport Rate Structure and Pricing*, CC Docket No. 91-213; *End User Common Line Charges*, CC Docket No. 95-72, First Report and Order, 12 FCC Rcd 15928 (1997) FCC 97-157 (released May 16, 1997) (*Access Charge Reform Order*).

<sup>2</sup> 47 C.F.R. § 61.39(b)(1)(ii).

## **Revenue Requirements**

Union has determined revenue requirement amounts for the rates filed in this transmittal based on cost studies performed pursuant to the Commission's Part 36 rules for jurisdictional separations procedures<sup>3</sup> and Part 69 rules for access charges.<sup>4</sup> These cost studies are based on audited financial statements reflecting operating results accounted for consistent with the Part 32 Uniform System of Accounts.<sup>5</sup> Union has determined the nonregulated portions of financial data used for Part 36 jurisdictional separations based on application of Part 64 cost allocation rules.<sup>6</sup> Careful consideration has been given to remove nonregulated investment and expenses from the cost studies. Union has used the resulting regulated expense and investment "Subject to Separation" amounts as input to their respective individual company cost study, in most cases performed utilizing the company's Part 36/69 Allocation Model. The traffic sensitive revenue requirements developed from Union's individual study revenue requirement comprise four major components. These components are:

1. Local Switching
2. Local Transport
3. Information Surcharge

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<sup>3</sup> 47 C.F.R. Part 36, §§ 36.1 – 36.741.

<sup>4</sup> 47 C.F.R. Part 69, §§ 69.1 – 69.622.

<sup>5</sup> 47 C.F.R. Part 32 §§ 32.1 – 32.9000. Union is a Class B telephone companies under Sections 32.11 and 32.9000, respectively 47 C.F.R. § 32.11 and 47 C.F.R. § 32.9000. Accordingly, the company utilizes the Part 32 USOA accounts prescribed for Class B telephone companies.

<sup>6</sup> 47 C.F.R. Part 64, Subpart I, §§ 64.901 – 64.902.

#### 4. Special Access

Union calculated cost of service under Section 61.39(b)(1)(ii), data for two years has been averaged to provide a historical annual revenue requirement.

##### **Demand**

Union regularly tracks access minutes on behalf of many of the Issuing Carriers. These minutes have been gathered by month for both originating and terminating and have been summarized into annual amounts. In addition, Union has gathered data related to interexchange carriers that purchase direct trunking from each Issuing Carrier. This has been done in order to capture the base minutes utilized for development of the transport switched termination rate element. Finally, a special access inventory has been gathered for 2001 and 2002. The average counts from this inventory have been utilized for pricing of special access services.

##### **Rate Development**

Upon successful production of revenue requirements and gathering of interstate access demand, the following methodologies have been utilized to develop access rates.

##### **Local Switching**

For local switching rates, the average annual local switching revenue requirement has been utilized as the starting point. From this starting point, Union has subtracted its estimated local switching support in order to calculate a net-local switching revenue requirement for recovery from access charges. This net amount has been divided by the average annual minutes for 2001 and 2002 in order to produce the local switching rate.

### **Information Surcharge**

For calculation of the information surcharge, the average annual information revenue requirement has been utilized as the starting point. This amount has been divided by the average annual minutes for 2001 and 2002 to produce the information surcharge per-minute rate. Since Union charges this rate element on a per 100 minute basis, the resulting rate has been divided by 100 to produce the information surcharge rate.

### **Transport**

Special Access rates (channel mileage termination and channel mileage facility rates) have been utilized as the starting point for development of transport switched termination (TST) rates. Union has performed a special study<sup>7</sup> in order to determine the average number of minutes transported over a voice-grade trunk. The company has calculated the "A" component of its TST rate by dividing the average cost per voice-grade, special access circuit by the average minutes per voice-grade trunk. The "B" component, as directed by the FCC in its *Access Charge Reform Order*, consists of an amount equal to the cost to provide host-remote facilities divided by the remote minutes utilizing those facilities. The addition of the "A" and "B" components equal the TST rate. Revenue resulting from multiplying the common transport minutes by the TST rate has, in turn, been subtracted from the total transport revenue requirement to produce a residual amount. Miscellaneous revenues from 800 data base query charges<sup>8</sup> and flat rated direct trunks have been

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<sup>7</sup> Union have utilized the same special study utilized for the January 1, 1998 access filing. However, some Issuing Carriers have performed updated studies for this annual filing.

<sup>8</sup> These rates are set at the connecting company's charges, as of 5/1/2001. These amounts are simple pass-through and amount to less than 2% of Union's transport revenue requirement.

subtracted from this residual amount to determine a remaining net-amount.<sup>9</sup> This net-amount was divided by total transport minutes and added to or subtracted from the TST rate.

### Special Access

The average annual special access revenue requirement has been utilized as the starting point for special access rate elements. Union has utilized the relationship between the NECA rate elements (channel termination, channel mileage terminations and channel mileage facilities) to divide its special access revenue requirement into sub-element revenue requirements. Union has, in turn, divided this sub-element revenue requirement by the sub-element average inventory to come up with a base 2W service price. Utilization of the NECA relationships to divide the revenue requirement among the different services (Voice Grade 2W and 4W, digital data, program audio and high capacity) produces the rate elements for each sub-element and service. Upon completion, the demand has been multiplied by the rates to ensure revenues will equal the revenue requirement. Union meets the Commission's 1:1.6 crossover for 2-wire to 4-wire CT pricing and is within the Commission mandated 4:8 cross over between voice grade service and high capacity service.

### End User Common Line Rates

The foregoing discussion of cost support focuses on traffic sensitive revenue requirements. In addition to traffic sensitive rates, Union's Tariff F.C.C. No. 2 also file rates with respect to end

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<sup>9</sup> These rates are set at the connecting company's charges. These amounts are simple pass-through and amount to less than 2% of each company's transport revenue requirement.

user common line in Union's Tariff F.C.C. No. 2.<sup>10</sup> Pursuant MAG Access Charge Tariff Filings, CCB/CPD 01-23, Union has filed to increase the residential and single-line Subscriber Line Charges (SLC) to \$6.50 per line. Union has evaluated their end user common line costs under Section 69.104.<sup>11</sup> Based on Union's review, it will maintain its end user multi-line business SLC rate at its current rate.

### **Conclusion**

Union's Tariff F.C.C. No. 2 has utilized historical costs and demand, as Commission's rules dictate. Based on Union's calculation of all access rates pursuant to the Commission's prescribed procedures, Union believes its rates are just and reasonable. As required by the Commission's rules, Union will make available, on behalf of all Issuing Carriers, supporting documentation to interested parties upon reasonable request from such parties. Requests for information can be made to:

GVMW Consulting, Inc.  
Attention: Ron Ottaway  
3220 Pleasant Run  
Springfield, IL 62707  
Phone: (217) 698-2700  
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<sup>10</sup> Union, is a member of the NECA common line pool, is an issuing carriers in the National Exchange Carrier Association, Inc. F.C.C. Tariff No. 5 with respect to carrier common line only.

<sup>11</sup> See Section 69.104. 47 C.F.R. § 69.104.