

THE CHILLICOTHE TELEPHONE COMPANY  
INTERSTATE ACCESS TARIFF REVISIONS  
Effective June 1, 2004

## **DESCRIPTION AND JUSTIFICATION**

The Chillicothe Telephone Company (Chillicothe) submits the accompanying access tariff revisions to its Access Service Tariff FCC No. 1. The purpose of this filing is to reflect the addition of Local Number portability (LNP) End User Charges. In addition, Chillicothe is proposing to adjust Asymmetrical Digital Subscriber Line rates in Section 8, and add a new Section 17 for all rates and charges. Finally, Chillicothe removed some outdated language for regulations previously removed in other filings.

### ***LNP Cost, Demand and Rate Development***

The demand for LNP capable access lines, including PBX trunks and PRI-ISDN lines were projected over 5 years. In calculating LNP End User Charges, PRI-ISDN lines were assigned a weight of five, and PBX trunks were assigned a weight of nine.

Costs provided by the company include switch upgrade costs required for LNP capability, and projected ongoing charges over 5 years. LNP End User Charges were set to equate the present value of revenues to the present value of cost outlays. Present values of total costs were obtained using a discount factor of 15.21%, which is the after-tax cost of money (11.25%) grossed up for the tax rate of 35%.

The circuit switching costs used in the development of the LNP End User Charges are only those direct costs required to implement LNP. In identifying which of these LNP costs could be included in the rate, the company used two criteria to isolate LNP costs, based on the FCC guidelines: (1) the costs would not have been incurred by the telephone company if number portability were not implemented, and (2) the costs were incurred "for the provision of" number portability. The investment amount is \$74,400 for the Chillicothe exchange.

Expenses recovered by the LNP End User Charge average about \$60,000 a year and cover projected charges to be paid to the query provider, and for training, planning, programming, customer notification, and billing and collection costs.

The demand and costs used to develop LNP End User Charges for the company are detailed in Exhibit 1. The rate development for LNP End User Basic Charge, LNP End User PBX Charge and LNP End User PRI-ISDN Charge are also in Exhibit 1.

### ***Asymmetrical Digital Subscriber Line***

Asymmetric Digital Subscriber Line (ADSL) Access Service enables data traffic generated by the customer's equipment to be transported to a DSL Access Service Connection Point using the customer's local exchange service facilities. The current basic service packages, per line, include service for 128 Kbps, 256 Kbps, 384 Kbps, 768 Kbps, and 1.5Mbps downstream speeds. Chillicothe is proposing to eliminate the 128 Kbps service package. In addition, the costs for the 256 Kbps, 384 Kbps, 768 Kbps, and the 1.5 Mbps have been ratcheted downward. The monthly rates are based on market sensitive pricing and reflect the current market conditions.

### ***Non-switched Transport on OC-48 Dedicated Ring Service***

This service option allows non-switched transport over SONET shared fiber rings. A SONET terminal (node) manages traffic and allows pass through traffic (minutes) to continue through the service area on the fiber ring(s). Currently the cost of the equipment used to manage this traffic is not recovered through transport charges and thus, no charge is applied to this type of pass through traffic. A per minute of use charge will be applied to pass through traffic. The regulation is set forth in Tariff Section 6.2.4(B)(4) as a chargeable optional feature. The cost support and rate development is provided in Exhibit 2.

### ***Rates and Charges Section 17***

Chillicothe has created a new Section 17, Rates and Charges, and has moved all of its rates and charges to this section. This format is easier for finding rates and charges and is similar to other industry tariffs.

## Exhibit 1

		Year to Apply Charges					
	Base Value	1	2	3	4	5	6
		[half year]					[half year]
<b><u>Investment</u></b>							
LNP End User Investment	\$74,400	na	na	na	na	na	na
<b><u>Expenses</u></b>							
LNP End User Expenses	\$306,101	\$ 33,187	\$64,239	\$62,089	\$60,108	\$58,206	\$28,272
Present Value Factors		1.0000	0.8680	0.7534	0.6539	0.5676	0.4927
Present Value of Expenses	\$221,995	\$ 33,187	\$55,758	\$46,777	\$39,306	\$33,037	\$13,928
<b><u>Total Costs</u></b>							
	\$296,395						
<b><u>Access Lines</u></b>							
PBX		403	388	372	357	343	330
Gross Up by 9		3,627	3,492	3,348	3,213	3,087	2,970
ISDN- PRI		65	65	65	65	65	65
Gross Up by 5		325	325	325	325	325	325
Other		35,375	34,037	32,631	31,336	30,092	28,946
Total Chargeable Lines		39,327	37,854	36,304	34,874	33,504	32,241
Present Value of Chargeable Lines		39,327	32,857	27,351	22,805	19,017	15,884
Sum of Chargeable Lines	157,240						
<b><u>Charges</u></b>							
LNP End User Basic Charge	\$ 0.20						
LNP End User PBX Charge	\$ 1.80						
LNP End User PRI-ISDN Charge	\$ 1.00						

Exhibit 2

	<b><i>Total Company</i></b>	<b><i>Interstate</i></b>
Investment	\$ 179,291.80	
Interstate Allocation Percent	<u>42%</u>	
Interstate Circuit Investment		\$ 75,791.13
Common Investment Allocation Gross-up		1.80
Interstate Transport Investment		\$ 136,424.03
Rate of Return		<u>11.25%</u>
Return on Investment		\$ 15,347.70
Expense and Taxes Factor		<u>27.16%</u>
Related Expenses and Taxes		\$ 37,054.30
<b><i>Total Revenue Requirement</i></b>		<b><u>\$ 52,402.00</u></b>
Interstate Transport Minutes of Use <sup>1</sup>		<u>96,652,836</u>
<b><i>Rate</i></b>		<b><u>\$ 0.000542</u></b>

<sup>1</sup> Multiple companies carrying IXC traffic