

**LEXCOM TELEPHONE COMPANY
REVISIONS TO ACCESS TARIFF FCC NO. 1
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 12
May 28, 2004**

DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

Lexcom Telephone Company (Lexcom) proposes to modify its Access Tariff F.C.C. No. 1 to reflect the addition of Local Number Portability (LNP) End User Charges and Query Service Charges. Lexcom has received a bonafide request for number portability. Lexcom is also processing LNP database queries on behalf of other carriers.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

The demand for LNP capable access lines, including PBX trunks and PRI-ISDN lines, and queried calls 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 Lexcom 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%). This gross-up is only applied to the equity portion of the cost of money, because the debt portion is already tax-deductible, but the equity portion is taxable.

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 was not implemented, and (2) the costs were incurred "for the provision of" number portability. Using these criteria yielded an investment amount of \$431,556. This amount includes switch manufacturer LNP software costs, database engineering for LNP load, LNP translations.

Expenses recovered by the End User Charge average \$37,900 per year. The majority of these costs are projected charges to be paid to the query provider for queries that Lexcom initiates in its capacity as an N-1 carrier. Query expenses are only for queries necessary to complete local and Extended Area Service calls originated from

Lexcom's end users. End User query expenses were obtained by multiplying query projections by the per query rate paid by Lexcom to its query provider.

The demand and costs used to develop LNP End User Charges for Lexcom are detailed in Exhibit 1. (See Exhibit 1 attached.)

Allocation of investments and expenses to the LNP Query Service Charge are based on the ratio of prearranged N-1 queries to total queries. Expenses include charges for queries performed on behalf of N-1 carriers. Demand for LNP Query Service is the total projected demand for prearranged N-1 queries. The development of the Query Service Charge is detailed in Exhibit 2. (See Exhibit 2 attached.)

A one time LNP Order Charge (per order) applies to N-1 Carriers who prearrange to have Lexcom perform queries on their behalf. Cost support for the LNP Order Charge is shown in Exhibit 3. (See Exhibit 3 attached.)

A one time LNP Billing Charge (per account) applies to N-1 Carriers who terminate non-queried traffic in Lexcom's network and have not prearranged with Lexcom to perform LNP queries. Cost support for the LNP Billing Charge is shown in Exhibit 4. (See Exhibit 4 attached.)