

ACS OF ANCHORAGE, INC.

2004 Annual Access Tariff Filing

**Tariff FCC No. 1
Transmittal No. 22**

DESCRIPTION & JUSTIFICATION

ACS OF ANCHORAGE, INC.

**INTERSTATE ACCESS TARIFF
2004 Access Tariff Filing**

DESCRIPTION AND JUSTIFICATION

TABLE OF CONTENTS

	<u>Page</u>
OVERVIEW	1
SECTION 1. <u>INTRODUCTION AND BACKGROUND</u>	2
SECTION 2. <u>DESCRIPTION OF TARIFF</u>	
I. Filing Information	3
II. Tariff Support Material	3
III. Summary of Cost and Rate Development	5
SECTION 3. <u>RATE SECTION SIDE BY SIDE COMPARISON</u>	
I. Overview	6
Rate Comparison	7
SECTION 4. <u>REVENUE REQUIREMENT DEVELOPMENT</u>	
I. Jurisdictional Cost Allocations	
A. Uniform System of Accounts	17
B. Test Year Budget	17
C. Regulated/Nonregulated Cost Allocations (FCC Part 64)	17
D. Separations Cost Study (FCC Part 36)	18
II. Access Allocation Study (FCC Part 69)	20

ACS OF ANCHORAGE, INC.

**INTERSTATE ACCESS TARIFF
2004 Access Tariff Filing**

DESCRIPTION AND JUSTIFICATION

SECTION 5. DEMAND QUANTIFICATIONS

I.	Overview	
	A. Economic Conditions Supporting ACS-ANC's Switched Minutes Of Use Forecast	25
II.	Switched Access Demand Forecasting	
	A. Compilation of Historical Data	26
	B. Switched Access Minutes of Use Forecasting Methodology	27
	C. Local Transport	
	1. Entrance Facility	27
	2. Direct Trunked Transport	27
	3. Tandem Switched Transport	27
	4. Transport Interconnection (TIC)	27
	D. Information Surcharge	27
	E. Directory Assistance	28
	F. 800 Database	28
III.	Special Access	
	A. Special Access Demand Forecasting Methodology	28
IV.	Nonrecurring Charges	
	A. Switched & Special Access Nonrecurring Demand	28

SECTION 6. RATE DEVELOPMENT

I.	Switched Access	
	A. Local Transport	29
	1. Entrance Facility	30
	2. Direct Trunked Transport Facility	30
	3. Direct Trunked Transport Termination	31
	4. Tandem Switched Transport	31
	5. Transport Interconnection Charge (TIC)	34
	B. End Office	
	1. Local Switching	35
	2. Information Surcharge/Directory Assistance	35

ACS OF ANCHORAGE, INC.

**INTERSTATE ACCESS TARIFF
2004 Access Tariff Filing**

DESCRIPTION AND JUSTIFICATION

SECTION 6. RATE DEVELOPMENT (Cont'd):

II.	Special Access Service	
A.	Channel Termination	36
B.	Channel Mileage	36
C.	Special Access Surcharge	36
D.	Nonrecurring Charges	36
E.	Optional Features & Functions	36

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

OVERVIEW

The Description and Justification ("D&J") which supports this filing is comprised of six (6) sections. The Overview outlines the contents of the D&J and the information development process involved with the tariff filing.

Section 1 the "Introduction and Background" provides an overview of ACS of Anchorage, Inc.'s ("ACS-ANC's") service area and a description of its operating environment.

Section 2 the "Description of Tariff" includes tariff background, tariff support material, and a summary of cost and rate development.

Section 3 is a Rate Comparison Schedule that provides a side-by-side comparison of ACS-ANC's current and proposed switched and special access rates.

Section 4 includes the detailed description of the "Revenue Requirement Development." Included is the outline of ACS-ANC's nonregulated cost allocations made to nonregulated services per ACS-ANC's Cost Allocation Manual ("CAM") system, the jurisdictional cost allocation using FCC 47 CFR Part 36, and the allocation to access elements using FCC 47 CFR Part 69 rules.

Section 5 describes the process used to forecast demand.

Section 6 describes the rate development process used to determine traffic sensitive switched and special access rates. This section contains the workpapers using the revenue requirements from Section 4 divided by the demand in Section 5. The cost support materials contained in Cost Support, Attachments A through I (hereinafter referred to as Attachments) provide the detailed computations required to develop rates.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 1

INTRODUCTION AND BACKGROUND

ACS-ANC is owned and operated by Alaska Communications Systems Holdings, Inc. The company serves the Anchorage metropolitan area including the surrounding areas of Elmendorf AFB, Fort Richardson, Girdwood, and Hope and offers extended area service to the Eagle River/Chugiak area.

Anchorage is the largest city in the state. The city is considered the focal point for business activity, industry, trade, tourism, and many cultural events with virtually all contacts with the lower 48 states funneled through Anchorage.

The Company's central office equipment is 100% digital and has provided equal access service to the interstate jurisdiction since 1986. Since mid-year 1997, competition for local phone service has existed in ACS-ANC's service area. Currently, there is a facility based alternative provider and a wholesale-based alternative provider. Their presence significantly impacts ACS-ANC's demand for access services.

This is ACS-ANC's fourth consecutive year under the ACS-ANC Tariff Federal Communications Commission (FCC) No. 1, Access Service. The rates contained in this filing are based upon projected costs and demand for the tariff period beginning July 1, 2004.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 2

DESCRIPTION OF TARIFF

I. Filing Information:

This tariff was developed in accordance with applicable provisions of Part 61 of Chapter 1 of Title 47 of the Code of Federal Regulations and is entitled the ACS of Anchorage, Inc. Tariff FCC No. 1, hereinafter referred to as the ACS-ANC Tariff. ACS-ANC has assigned all internet service provider minutes of use to the local jurisdiction and counted intraoffice calls twice in its calculation of dial equipment minutes used to allocate switching costs in compliance to the FCC order #EB-00-MD-016. ACS-ANC has also complied with the FCC's Rate of Return Access Charge Reform Order and has allocated line port costs and transport interconnection charges accordingly. The ACS-ANC Tariff is established for the provision of interstate access services to customers within ACS-ANC's serving area.

The ACS-ANC Tariff establishes a comprehensive rate structure for the nondiscriminatory provision of access services to all Interexchange Carriers (IXCs) and end users.

II. Tariff Support Material:

The supporting material that follows is submitted pursuant to Part 61.38 of the Commission's Rules and Regulations, including the following:

- Revenue Requirement Development - This section contains a Projected Cost Study for a representative twelve-month period (Test Year) [61.38(b)(1)(ii)] and includes a description of the cost methodology employed, the projection of costs in the July 1, 2004, through June 30, 2005 test year (hereinafter referred to as 2004/05) and the development of interstate investment and revenue requirements on a jurisdictional basis.
- Demand Quantification [61.38(b)(1)(iii)] - Covered in this section are the description and development of the test year demand quantities for switched and special access. Demand quantities include switched access minutes and special access quantities.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 2 - DESCRIPTION OF TARIFF (Cont'd):

II. Tariff Support Material (Cont'd):

- Rate Development [61.38(b)(1)(iii)] - This section provides descriptions of the access rate elements along with the various types of applicable rates.
- In addition, pursuant to the provisions of the Commission's Order DA 04-1048, released April 19, 2004, we have included the Tariff Review Plan (TRP) data required for Tier 2a companies. The TRP contains the following completed schedules. Since ACS-ANC is still under the NECA's Carrier Common Line pool, the Utility has completed only those forms for which cost and demand data are applicable.

Cost Support

RORCOS-1(P)
RORCOS-1(H)
RORCOS-2

Demand Analysis

RORDMD-1
RORDMD-2
RORDMD-3
RORDMD-4
RORDMD-5

Rate Analysis

RORRTE-1
RORRTE-2
RORRTE-3

Earnings Analysis

RORERN-1
RORBSF-1
RORDEM-1

Review Analysis

RORREV-1
RORREV-2

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 2 - DESCRIPTION OF TARIFF (Cont'd):

II. Tariff Support Material (Cont'd):

ACR Adjustment
RORARC-1H
RORARC-1P

III. Summary of Cost and Rate Development:

ACS-ANC uses a multi-step process in determining its interstate revenue requirement for the test year. The Utility first prepared a test year budget using FCC Part 32 Rules. The budget was then input into cost study models in accordance with Parts 64, 36, and 69 of the Commission's Rules. Demand projections were also completed to accurately develop ACS-ANC's cost-based rates. Detailed descriptions of each step and the supporting documentation are included in the remaining sections of this Description and Justification document.

ACS OF ANCHORAGE
INTERSTATE ACCESS TARIFF
2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 3

RATE SECTION SIDE BY SIDE COMPARISON

I. Overview:

The following is a rate section comparison identifying the ACS-ANC switched and special access rates for 2004/05 compared to current switched and special access rates.

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC. RATE COMPARISON

Description	Current Rates	Proposed Rates	Difference Increase (Decrease)
Switching			
Switching	\$0.006358	\$0.005441	(\$0.000917)
Directory Assistance	0.840194	0.840065	(0.000129)
Information Surcharge	0.028691	0.023532	(0.005159)
800 Query - Basic	0.000763	0.000750	(0.000013)
800 Query – Vertical	0.000763	0.000750	(0.000013)
Common Channel Signaling			
Signal Mileage Facility	\$2.29	\$2.13	(\$0.16)
Signal Mileage Termination	23.11	21.51	(1.60)
Signal Entrance Facility	63.00	58.63	(4.37)
Signal Entrance Facility NRC	267.46	248.81	(18.65)
STP Port per Port	801.24	745.60	(55.64)
Tandem Switched Transport			
Tandem Switching	\$0.024545	\$0.024357	(\$0.000188)
Tandem Facility Mileage	0.000387	0.000365	(0.000022)
Tandem Facility Termination	0.001606	0.001516	(0.000090)
Transport Interconnection Charge	\$0.000000	\$0.000000	\$0.000000
Entrance Facility			
EF - DS-3 Facility	\$1,180.15	\$1,098.30	(\$81.85)
EF - DS-3 Interface	1,974.51	1,837.57	(136.94)
EF - DS-1 Interface	134.01	124.72	(9.29)
EF - VG-4	49.97	46.51	(3.46)
EF - VG-2	27.79	25.86	(1.93)
EF - Install - DS3	866.48	806.06	(60.42)
EF - Install - DS1	434.16	403.89	(30.27)
EF - Install - VG	190.52	177.24	(13.28)
Direct Trunk Transport			
DTT Facility DS-3	\$223.70	\$208.18	(\$15.52)
DTT Facility DS-1	23.30	21.69	(1.61)
DTT Facility VG	1.15	1.07	(0.08)
DTT Terms DS-3	435.47	405.26	(30.21)
DTT Terms DS-1	96.77	90.06	(6.71)
DTT Terms VG	11.57	10.76	(0.81)
DTT Activation	77.63	72.22	(5.41)

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description	Current Rates	Proposed Rates	Difference Increase (Decrease)
Switched NRC's			
Access Order Charge	\$77.63	\$72.22	(\$5.41)
PIC Changes	5.00	5.00	-
Basic Engr.	41.69	41.69	-
Miscellaneous Service Order	36.09	33.57	(2.52)
Service Date Change	36.09	33.57	(2.52)
Design Change	36.09	33.57	(2.52)
Other Switched Services			
Credit Allowance for Uncomp. DA Calls	\$0.0107	\$0.0107	\$0.0000
Telephone Service Priority, per service	54.63	54.63	0.00
Interim 900 NXX Translation	87.92	87.92	0.00
Conv. Multifreq. Add. Sgnl. to SS7 Sgnl, per order	444.00	444.00	0.00
Network Blocking Per Blocked Call	0.0354	0.0354	0.0000
Automatic Testing per Transmission Path	2.89	2.89	0.00
Billing Name & Address, first billed number	41.06	41.06	0.00
Billing Name & Address, every subseq.billed number	0.0870	0.0870	0.0000
Unauthorized PIC Change (Res/Bus)	35.65	35.65	0.00
Unauthorized PIC Change (Payphones)	57.57	57.57	0.00
International Blocking Service	9.77	9.77	0.00
Pay-Per-Call Toll Restore	10.00	10.00	0.00
Surcharge for Special Access Service	\$25.00	\$25.00	\$0.00
Special Access Voice Grade			
A) Channel Termination			
(1) Two-Wire	\$27.79	\$25.86	(\$1.93)
(2) Four-Wire	49.97	46.51	(3.46)
Channel Termination, NRC Installation			
(1) Two-Wire	\$190.52	\$177.24	(\$13.28)
(2) Four-Wire	190.52	177.24	(13.28)
B) Channel Mileage			
(1) Channel Mileage Facility	\$1.15	\$1.07	(\$0.08)
(2) Channel Mileage Termination	11.57	10.76	(0.81)
C) Optional Features and Functions			
Bridging per Port			
(1) Two-Wire	\$3.57	\$3.32	(\$0.25)
(2) Four-Wire	6.05	5.63	(0.42)
Conditioning C-type	6.50	6.05	(0.45)
Data Capability	6.50	6.05	(0.45)
Improved Return Loss	6.50	6.05	(0.45)
Signaling	21.89	20.36	(1.53)

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description	Current Rates	Proposed Rates	Difference Increase (Decrease)
Special Access Program Audio			
A) Channel Termination			
200 - 3500 Hz	\$24.16	\$22.49	(\$1.67)
100 - 5000 Hz	35.19	32.75	(2.44)
50 - 8000 Hz	35.19	32.75	(2.44)
50 - 15000 Hz	35.19	32.75	(2.44)
Channel Termination, NRC Installation			
200 - 3500 Hz	\$359.05	\$334.01	(\$25.04)
100 - 5000 Hz	359.05	334.01	(25.04)
50 - 8000 Hz	359.05	334.01	(25.04)
50 - 15000 Hz	359.05	334.01	(25.04)
B) Channel Mileage			
(1) Channel Mileage Facility			
200 - 3500 Hz	\$1.15	\$1.07	(\$0.08)
100 - 5000 Hz	2.29	2.13	(0.16)
50 - 8000 Hz	3.33	3.10	(0.23)
50 - 15000 Hz	4.57	4.25	(0.32)
(2) Channel Mileage Termination			
200 - 3500 Hz	\$11.57	\$10.76	(\$0.81)
100 - 5000 Hz	23.11	21.51	(1.60)
50 - 8000 Hz	33.80	31.44	(2.36)
50 - 15000 Hz	46.26	43.05	(3.21)
Special Access Video			
A) Channel Termination	\$134.01	\$124.72	(\$9.29)
Channel Termination, NRC Installation	700.70	651.84	(48.86)
B) Channel Mileage			
(1) Channel Mileage Facility	\$23.30	\$21.69	(\$1.61)
(2) Channel Mileage Termination	96.77	90.06	(6.71)
Special Access Digital Data			
A) Channel Termination			
2.4 kbps	\$63.00	\$58.63	(\$4.37)
4.8 kbps	63.00	58.63	(4.37)
9.6 kbps	63.00	58.63	(4.37)
19.2 kbps	63.00	58.63	(4.37)
56.0 kbps	63.00	58.63	(4.37)
64.0 kbps	63.00	58.63	(4.37)
Channel Termination, NRC Installation			
2.4 kbps	\$267.46	\$248.81	(\$18.65)
4.8 kbps	267.46	248.81	(18.65)
9.6 kbps	267.46	248.81	(18.65)
19.2 kbps	267.46	248.81	(18.65)
56.0 kbps	267.46	248.81	(18.65)
64.0 kbps	267.46	248.81	(18.65)

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description	Current Rates	Proposed Rates	Difference Increase (Decrease)
B) Channel Mileage			
(1) Channel Mileage Facility			
2.4 kbps	\$1.15	\$1.07	(\$0.08)
4.8 kbps	1.15	1.07	(0.08)
9.6 kbps	1.15	1.07	(0.08)
19.2 kbps	1.39	1.29	(0.10)
56.0 kbps	2.29	2.13	(0.16)
64.0 kbps	2.48	2.31	(0.17)
(2) Channel Mileage Termination			
2.4 kbps	\$11.57	\$10.76	(\$0.81)
4.8 kbps	11.57	10.76	(0.81)
9.6 kbps	11.57	10.76	(0.81)
19.2 kbps	13.96	13.00	(0.96)
56.0 kbps	23.11	21.51	(1.60)
64.0 kbps	25.11	23.37	(1.74)
C) Optional Features and Functions			
(1) Bridging	\$6.59	\$6.13	(\$0.46)
Special Access High Capacity			
A) Channel Termination			
1.544 mbps	\$134.01	\$124.72	(\$9.29)
44.736 mbps Facility	1,180.15	1,098.30	(81.85)
44.736 mbps Connection	1,974.51	1,837.57	(136.94)
Channel Termination, NRC Installation			
1.544 mbps	\$434.16	\$403.89	(\$30.27)
44.736 mbps	866.48	806.06	(60.42)
B) Channel Mileage			
(1) Channel Mileage Facility			
1.544 mbps	\$23.30	\$21.69	(\$1.61)
44.736 mbps	223.70	208.18	(15.52)
(2) Channel Mileage Termination			
1.544 mbps	\$96.77	\$90.06	(\$6.71)
44.736 mbps	435.47	405.26	(30.21)
D) Optional Features and Functions			
(1) Multiplexing			
DS3 to DS1	\$394.77	\$367.24	(\$27.53)
DS1 to Voice	382.04	355.40	(26.64)
DS1 to DS0	387.17	360.17	(27.00)
DS0 to Subrates			
2.4 kbps	\$530.70	\$493.69	(\$37.01)
4.8 kbps	289.80	269.59	(20.21)
9.6 kbps	169.36	157.55	(11.81)
(2) Automatic Loop Transfer	28.67	26.67	(2.00)

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description	Current Rates	Proposed Rates	Difference Increase (Decrease)
Consumer Digital Subscriber Line Service			
A) CDSL Line Charge	\$19.31	\$17.97	(\$1.34)
B) Loop Qualification Test - NRC	155.69	144.83	(10.86)
C) DSL Access Service Connection	970.90	903.56	(67.34)
Transparent LAN Service High Speed ("TLS")			
A) Contract Term - 1 Year - Per Port			
(1) 10 Mbps 1 To 5 Ports	\$500.00	\$500.00	\$0.00
10 Mbps 6 To 7 Ports	475.00	475.00	0.00
10 Mbps 8 To 10 Ports	450.00	450.00	0.00
10 Mbps 11 To 13 Ports	425.00	425.00	0.00
10 Mbps 14 Ports	400.00	400.00	0.00
(2) 100 Mbps 1 To 5 Ports	1,900.00	1,900.00	0.00
100 Mbps 6 To 7 Ports	1,650.00	1,650.00	0.00
100 Mbps 8 To 9 Ports	1,400.00	1,400.00	0.00
100 Mbps 10 To 11 Ports	1,200.00	1,200.00	0.00
100 Mbps 12 To 13 Ports	1,100.00	1,100.00	0.00
100 Mbps 14 Ports	950.00	950.00	0.00
(3) 1 Gbps 1 To 6 Ports	8,800.00	8,800.00	0.00
1 Gbps 7 To 11 Ports	8,250.00	8,250.00	0.00
1 Gbps 12 To 14 Ports	7,700.00	7,700.00	0.00
(4) Port Connection - Per Port (NRC)	750.00	750.00	0.00
B) Contract Term - 3 Year - Per Port			
(1) 10 Mbps 1 To 5 Ports	\$450.00	\$450.00	\$0.00
10 Mbps 6 To 7 Ports	425.00	425.00	0.00
10 Mbps 8 To 10 Ports	400.00	400.00	0.00
10 Mbps 11 To 13 Ports	375.00	375.00	0.00
10 Mbps 14 Ports	350.00	350.00	0.00
(2) 100 Mbps 1 To 5 Ports	1,725.00	1,725.00	0.00
100 Mbps 6 To 7 Ports	1,450.00	1,450.00	0.00
100 Mbps 8 To 9 Ports	1,225.00	1,225.00	0.00
100 Mbps 10 To 11 Ports	1,000.00	1,000.00	0.00
100 Mbps 12 To 13 Ports	900.00	900.00	0.00
100 Mbps 14 Ports	800.00	800.00	0.00
(3) 1 Gbps 1 To 6 Ports	7,700.00	7,700.00	0.00
1 Gbps 7 To 11 Ports	7,150.00	7,150.00	0.00
1 Gbps 12 To 14 Ports	6,600.00	6,600.00	0.00
(4) Port Connection - Per Port (NRC)	750.00	750.00	0.00
C) Contract Term - 5 Year - Per Port			
(1) 10 Mbps 1 To 5 Ports	\$400.00	\$400.00	\$0.00
10 Mbps 6 To 7 Ports	375.00	375.00	0.00
10 Mbps 8 To 10 Ports	350.00	350.00	0.00
10 Mbps 11 To 13 Ports	325.00	325.00	0.00
10 Mbps 14 Ports	300.00	300.00	0.00

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC. RATE COMPARISON

Description		Current Rates	Proposed Rates	Difference Increase (Decrease)
(2)	100 Mbps 1 To 3 Ports	1,400.00	1,400.00	0.00
	100 Mbps 4 To 5 Ports	1,200.00	1,200.00	0.00
	100 Mbps 6 To 7 Ports	1,050.00	1,050.00	0.00
	100 Mbps 8 To 9 Ports	900.00	900.00	0.00
	100 Mbps 10 To 11 Ports	800.00	800.00	0.00
	100 Mbps 12 To 13 Ports	750.00	750.00	0.00
	100 Mbps 14 Ports	700.00	700.00	0.00
(3)	1 Gbps 1 To 6 Ports	6,000.00	6,000.00	0.00
	1 Gbps 7 To 11 Ports	5,500.00	5,500.00	0.00
	1 Gbps 12 To 14 Ports	5,000.00	5,000.00	0.00
(4)	Port Connection - Per Port (NRC)	750.00	750.00	0.00
D)	Contract Term - 1 Year - Four 1 Year Renewals			
	10 Mbps 16+ Ports	\$357.00	\$357.00	\$0.00
	100 Mbps 16+ Ports	825.00	825.00	0.00
	1 Gbps 16+ Ports	5,000.00	5,000.00	0.00
Transparent LAN Service-Lite ("TLS-Lite")				
A)	Contract Term - 1 Year - Per Port 768 Kbps			
(1)	1 To 3 Ports	245.00	245.00	0.00
	4 To 5 Ports	220.00	220.00	0.00
	6 To 8 Ports	190.00	190.00	0.00
	9 To 11 Ports	170.00	170.00	0.00
	12 To 14+ Ports	150.00	150.00	0.00
B)	Contract Term - 3 Year - Per Port 768 Kbps			
(1)	1 To 3 Ports	220.50	220.50	0.00
	4 To 5 Ports	198.00	198.00	0.00
	6 To 8 Ports	171.00	171.00	0.00
	9 To 11 Ports	153.00	153.00	0.00
	12 To 14+ Ports	135.00	135.00	0.00
C)	Contract Term - 5 Year - Per Port 768 Kbps			
(1)	1 To 3 Ports	196.00	196.00	0.00
	4 To 5 Ports	176.00	176.00	0.00
	6 To 8 Ports	152.00	152.00	0.00
	9 To 11 Ports	136.00	136.00	0.00
	12 To 14+ Ports	120.00	120.00	0.00
D)	Contract Term - 1 Year - Per Port 1-9 Mbps			
(1)	1 Mbps 1 To 3 Ports	255.00	255.00	0.00
	1 Mbps 4 To 5 Ports	230.00	230.00	0.00
	1 Mbps 6 To 8 Ports	200.00	200.00	0.00
	1 Mbps 9 To 11 Ports	180.00	180.00	0.00
	1 Mbps 12 To 14+ Ports	160.00	160.00	0.00
(2)	2 Mbps 1 To 3 Ports	270.00	270.00	0.00
	2 Mbps 4 To 5 Ports	245.00	245.00	0.00
	2 Mbps 6 To 8 Ports	215.00	215.00	0.00
	2 Mbps 9 To 11 Ports	195.00	195.00	0.00
	2 Mbps 12 To 14+ Ports	175.00	175.00	0.00

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description		Current Rates	Proposed Rates	Difference Increase (Decrease)
(3)	3 Mbps 1 To 3 Ports	320.00	320.00	0.00
	3 Mbps 4 To 5 Ports	310.00	310.00	0.00
	3 Mbps 6 To 8 Ports	285.00	285.00	0.00
	3 Mbps 9 To 11 Ports	265.00	265.00	0.00
	3 Mbps 12 To 14+ Ports	245.00	245.00	0.00
(4)	4 Mbps 1 To 3 Ports	340.00	340.00	0.00
	4 Mbps 4 To 5 Ports	330.00	330.00	0.00
	4 Mbps 6 To 8 Ports	305.00	305.00	0.00
	4 Mbps 9 To 11 Ports	285.00	285.00	0.00
	4 Mbps 12 To 14+ Ports	265.00	265.00	0.00
(5)	5 Mbps 1 To 3 Ports	360.00	360.00	0.00
	5 Mbps 4 To 5 Ports	355.00	355.00	0.00
	5 Mbps 6 To 8 Ports	330.00	330.00	0.00
	5 Mbps 9 To 11 Ports	310.00	310.00	0.00
	5 Mbps 12 To 14+ Ports	290.00	290.00	0.00
(6)	6 Mbps 1 To 3 Ports	380.00	380.00	0.00
	6 Mbps 4 To 5 Ports	375.00	375.00	0.00
	6 Mbps 6 To 8 Ports	355.00	355.00	0.00
	6 Mbps 9 To 11 Ports	335.00	335.00	0.00
	6 Mbps 12 To 14+ Ports	315.00	315.00	0.00
(7)	7 Mbps 1 To 5 Ports	400.00	400.00	0.00
	7 Mbps 6 To 8 Ports	380.00	380.00	0.00
	7 Mbps 9 To 10 Ports	360.00	360.00	0.00
	7 Mbps 11 Ports	355.00	355.00	0.00
	7 Mbps 12 To 13 Ports	340.00	340.00	0.00
	7 Mbps 14+ Ports	330.00	330.00	0.00
(8)	8 Mbps 1 To 5 Ports	440.00	440.00	0.00
	8 Mbps 6 To 7 Ports	415.00	415.00	0.00
	8 Mbps 8 To 10 Ports	390.00	390.00	0.00
	8 Mbps 11 To 13 Ports	365.00	365.00	0.00
	8 Mbps 14+ Ports	340.00	340.00	0.00
(9)	9 Mbps 1 To 5 Ports	445.00	445.00	0.00
	9 Mbps 6 To 7 Ports	420.00	420.00	0.00
	9 Mbps 8 To 10 Ports	395.00	395.00	0.00
	9 Mbps 11 To 13 Ports	370.00	370.00	0.00
	9 Mbps 14+ Ports	355.00	355.00	0.00
E)	Contract Term - 3 Year - Per Port 1-9 Mbps			
(1)	1 Mbps 1 To 3 Ports	229.50	229.50	0.00
	1 Mbps 4 To 5 Ports	207.00	207.00	0.00
	1 Mbps 6 To 8 Ports	180.00	180.00	0.00
	1 Mbps 9 To 11 Ports	162.00	162.00	0.00
	1 Mbps 12 To 14+ Ports	144.00	144.00	0.00
(2)	2 Mbps 1 To 3 Ports	243.00	243.00	0.00
	2 Mbps 4 To 5 Ports	220.50	220.50	0.00
	2 Mbps 6 To 8 Ports	193.50	193.50	0.00
	2 Mbps 9 To 11 Ports	175.50	175.50	0.00
	2 Mbps 12 To 14+ Ports	157.50	157.50	0.00

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description		Current Rates	Proposed Rates	Difference Increase (Decrease)
(3)	3 Mbps 1 To 3 Ports	288.00	288.00	0.00
	3 Mbps 4 To 5 Ports	279.00	279.00	0.00
	3 Mbps 6 To 8 Ports	256.50	256.50	0.00
	3 Mbps 9 To 11 Ports	238.50	238.50	0.00
	3 Mbps 12 To 14+ Ports	220.50	220.50	0.00
(4)	4 Mbps 1 To 3 Ports	306.00	306.00	0.00
	4 Mbps 4 To 5 Ports	297.00	297.00	0.00
	4 Mbps 6 To 8 Ports	274.50	274.50	0.00
	4 Mbps 9 To 11 Ports	256.50	256.50	0.00
	4 Mbps 12 To 14+ Ports	238.50	238.50	0.00
(5)	5 Mbps 1 To 3 Ports	324.00	324.00	0.00
	5 Mbps 4 To 5 Ports	319.50	319.50	0.00
	5 Mbps 6 To 8 Ports	297.00	297.00	0.00
	5 Mbps 9 To 11 Ports	279.00	279.00	0.00
	5 Mbps 12 To 14+ Ports	261.00	261.00	0.00
(6)	6 Mbps 1 To 3 Ports	342.00	342.00	0.00
	6 Mbps 4 To 5 Ports	337.50	337.50	0.00
	6 Mbps 6 To 8 Ports	319.50	319.50	0.00
	6 Mbps 9 To 11 Ports	301.50	301.50	0.00
	6 Mbps 12 To 14+ Ports	283.50	283.50	0.00
(7)	7 Mbps 1 To 5 Ports	360.00	360.00	0.00
	7 Mbps 6 To 8 Ports	372.00	372.00	0.00
	7 Mbps 9 To 10 Ports	324.00	324.00	0.00
	7 Mbps 11 Ports	319.50	319.50	0.00
	7 Mbps 12 To 13 Ports	306.00	306.00	0.00
	7 Mbps 14+ Ports	297.00	297.00	0.00
(8)	8 Mbps 1 To 5 Ports	396.00	396.00	0.00
	8 Mbps 6 To 7 Ports	373.50	373.50	0.00
	8 Mbps 8 To 10 Ports	351.00	351.00	0.00
	8 Mbps 11 To 13 Ports	328.50	328.50	0.00
	8 Mbps 14+ Ports	306.00	306.00	0.00
(9)	9 Mbps 1 To 5 Ports	400.50	400.50	0.00
	9 Mbps 6 To 7 Ports	378.00	378.00	0.00
	9 Mbps 8 To 10 Ports	355.50	355.50	0.00
	9 Mbps 11 To 13 Ports	333.00	333.00	0.00
	9 Mbps 14+ Ports	319.50	319.50	0.00
F)	Contract Term - 5 Year - Per Port 1-9 Mbps			
(1)	1 Mbps 1 To 3 Ports	204.00	204.00	0.00
	1 Mbps 4 To 5 Ports	184.00	184.00	0.00
	1 Mbps 6 To 8 Ports	160.00	160.00	0.00
	1 Mbps 9 To 11 Ports	144.00	144.00	0.00
	1 Mbps 12 To 14+ Ports	128.00	128.00	0.00
(2)	2 Mbps 1 To 3 Ports	216.00	216.00	0.00
	2 Mbps 4 To 5 Ports	196.00	196.00	0.00
	2 Mbps 6 To 8 Ports	172.00	172.00	0.00
	2 Mbps 9 To 11 Ports	156.00	156.00	0.00
	2 Mbps 12 To 14+ Ports	140.00	140.00	0.00
(3)	3 Mbps 1 To 3 Ports	256.00	256.00	0.00

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description		Current Rates	Proposed Rates	Difference Increase (Decrease)
	3 Mbps 4 To 5 Ports	248.00	248.00	0.00
	3 Mbps 6 To 8 Ports	228.00	228.00	0.00
	3 Mbps 9 To 11 Ports	212.00	212.00	0.00
	3 Mbps 12 To 14+ Ports	196.00	196.00	0.00
(4)	4 Mbps 1 To 3 Ports	272.00	272.00	0.00
	4 Mbps 4 To 5 Ports	264.00	264.00	0.00
	4 Mbps 6 To 8 Ports	244.00	244.00	0.00
	4 Mbps 9 To 11 Ports	228.00	228.00	0.00
	4 Mbps 12 To 14+ Ports	212.00	212.00	0.00
(5)	5 Mbps 1 To 3 Ports	288.00	288.00	0.00
	5 Mbps 4 To 5 Ports	284.00	284.00	0.00
	5 Mbps 6 To 8 Ports	264.00	264.00	0.00
	5 Mbps 9 To 11 Ports	248.00	248.00	0.00
	5 Mbps 12 To 14+ Ports	232.00	232.00	0.00
(6)	6 Mbps 1 To 3 Ports	304.00	304.00	0.00
	6 Mbps 4 To 5 Ports	300.00	300.00	0.00
	6 Mbps 6 To 8 Ports	284.00	284.00	0.00
	6 Mbps 9 To 11 Ports	268.00	268.00	0.00
	6 Mbps 12 To 14+ Ports	252.00	252.00	0.00
(7)	7 Mbps 1 To 5 Ports	320.00	320.00	0.00
	7 Mbps 6 To 8 Ports	304.00	304.00	0.00
	7 Mbps 9 To 10 Ports	288.00	288.00	0.00
	7 Mbps 11 Ports	284.00	284.00	0.00
	7 Mbps 12 To 13 Ports	272.00	272.00	0.00
	7 Mbps 14+ Ports	264.00	264.00	0.00
(8)	8 Mbps 1 To 5 Ports	352.00	352.00	0.00
	8 Mbps 6 To 7 Ports	332.00	332.00	0.00
	8 Mbps 8 To 10 Ports	315.00	315.00	0.00
	8 Mbps 11 To 13 Ports	292.20	292.20	0.00
	8 Mbps 14+ Ports	272.00	272.00	0.00
(9)	9 Mbps 1 To 5 Ports	356.00	356.00	0.00
	9 Mbps 6 To 7 Ports	336.00	336.00	0.00
	9 Mbps 8 To 10 Ports	316.00	316.00	0.00
	9 Mbps 11 To 13 Ports	296.00	296.00	0.00
	9 Mbps 14+ Ports	284.00	284.00	0.00
G)	Line Loop Extender Per Unit (NRC)			
(1)	1 Yr Term	550.00	550.00	0.00
(2)	3 Yr Term	350.00	350.00	0.00
(3)	5 Yr Term	250.00	250.00	0.00
H)	Port Connection Per Port (NRC)	300.00	300.00	0.00
I)	Contract Term - 1 Year - Four 1 Year Renewals			
	16+ Ports	102.40	102.40	0.00

DESCRIPTION AND JUSTIFICATION

ACS OF ANCHORAGE, INC.
RATE COMPARISON

Description	Current Rates	Proposed Rates	Difference Increase (Decrease)
Service Order NRCs Per Order			
A) Access Order Charge	\$77.63	\$72.22	(\$5.41)
B) Service Date Change	36.09	33.57	(2.52)
C) Design Change	36.09	33.57	(2.52)
D) Miscellaneous Service	36.09	33.57	(2.52)
Additional Engineering, Per 1/2 Hour			
A) Basic Time	\$41.69	\$41.69	\$0.00
B) Overtime	62.54	62.54	0.00
C) Premium Time	83.38	83.38	0.00
Additional Labor, Per 1/2 Hour			
A) Installation & Repair			
Basic Time	\$41.35	\$41.35	\$0.00
Overtime	62.02	62.02	0.00
Premium	82.70	82.70	0.00
B) Stand by			
Basic	\$42.38	\$42.38	\$0.00
Overtime	63.58	63.58	0.00
Premium	84.77	84.77	0.00
C) Testing and Maintenance			
Basic	\$42.44	\$42.44	\$0.00
Overtime	63.66	63.66	0.00
Premium	84.88	84.88	0.00
D) Testing and Maintenance - Other Companies			
(1) I/R Technician			
Basic	\$41.35	\$41.35	\$0.00
Overtime	62.02	62.02	0.00
Premium	82.70	82.70	0.00
(2) CO Technician			
Basic	\$42.44	\$42.44	\$0.00
Overtime	63.66	63.66	0.00
Premium	84.88	84.88	0.00

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4

REVENUE REQUIREMENT DEVELOPMENT

I. Jurisdictional Cost Allocations:

A. Uniform System of Accounts

ACS-ANC's proposed interstate access tariff reflects the current Part 32 Uniform System of Accounts rules and the associated separations procedures, and cost allocations.

The Part 32 accounting rules provide for a two-tiered system that enables smaller "Class B" companies to avoid the expense and accounting complexity of the system required of "Class A" companies (those with annual revenues in excess of one hundred million dollars {\$100,000,000}). ACS-ANC has elected to maintain "Class A" level of detail for internal reporting purposes.

B. Test Year Budget

Per Section 61.38 of the Commission's Rules, ACS-ANC follows a July 1, 2004 through June 30, 2005 test year for rates. ACS-ANC has complied with this Section in preparing its projected operating budget, which was formatted in the Part 32 account structure. Budget data was developed on a company wide basis for prospective test year projections of operations. The budget was then processed with direct and indirect overhead costs of operation applied to both plant investment and operating expenses consistent with the Part 32 account format.

C. Regulated/Nonregulated Cost Allocations (FCC Part 64)

Concurrent with the development of the Part 32 budget was an analysis pertaining to regulated/nonregulated activities. The Commission's CC Docket No. 86-111 (Part 64) prescribes principles and guidelines for allocating the costs of providing telecommunications services between the Utility's regulated and nonregulated activities.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

I. Jurisdictional Cost Allocations (Cont'd):

C. Regulated/Nonregulated Cost Allocations (FCC Part 64) (Cont'd):

ACS-ANC has determined which business activities are regulated and which are nonregulated. Operating functions, which could not be directly assigned or identified to regulated or nonregulated activities, were termed as being "common" or "joint." Such common or joint costs were, in turn, allocated to the appropriate activity based on the relative distribution of associated direct assignments. The result of this analysis was a percentage relationship of regulated activity to total Company activity for each common or joint Part 32 account. The ACS-ANC CAM documents ACS-ANC's Part 64 allocation. The Regulatory Commission of Alaska ("RCA") has reviewed ACS-ANC's CAM in various state and local rate proceedings.

CAM methodology was applied to the applicable test year budgeted plant investment and expense to obtain total regulated Company balances subject to separations. A summary of the total company amounts, the Part 64 amounts, the amounts used in separations and the complete Part 36 model's input section is contained in Attachment A.

D. Separations Cost Study (FCC Part 36)

Having developed the regulated test year projected balances under the Part 32 format and applied Part 64 allocation procedures; ACS-ANC calculated its interstate Part 36 rate base, expense summary, and resulting revenue requirement. In calculating the interstate revenue requirement, ACS-ANC used its internal Part 36 model to perform jurisdictional separations. This computer model quantitatively incorporates all of the Commission's current separations procedures prescribed by Part 36 Rules. The model has been reviewed by the RCA for both local and intrastate rate proceedings, incorporates the NECA's treatment of Part 36 rules, and is consistent with the model filed with the FCC for the past seven years as Anchorage Telephone Utility Interstate Access Tariff filings and four years as ACS of Anchorage, Inc. Interstate Access Tariff filings. ACS-ANC leases most general support facilities from ACS Holdings, Inc. including billing and

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

I. Jurisdictional Cost Allocations (Cont'd):

D. Separations Cost Study (FCC Part 36) (Cont'd):

collection services, therefore general support facilities investments were not reapportioned as a result of the Rate of Return Access Charge Reform Order.

The ACS-ANC model's output is organized by schedules as follows:

INDEX TO SEPARATIONS FORMS:

SCHEDULES

Revenue Requirement Summary	S-1
Net Telephone Plant, M&S and CWC Summary	S-2
Other Telephone Plant	S-3
Central Office Equipment Separations	S-4
IOT and Cable and Wire Facilities Separations	S-5
Other Telephone Plant Separations	S-6
Accumulated Depreciation and Amortization Separations	S-7
Plant Specific Operations Expense Separations	S-8
Plant Nonspecific Operating Expense Separations	S-9
Customer Operations Expense Separations	S-10
Corporate and Other Operating Expense and Tax Separations	S-11
Operating Expense and Tax Summary	S-12

A Copy of the ACS-ANC Part 36 separations model containing the development of the projected test year's interstate revenue requirement is contained in Attachment B.

In general, each schedule shows the account number, account title, category, if applicable, total Company balance and the apportionment of the total Company balance to each jurisdiction.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

I. Jurisdictional Cost Allocations (Cont'd):

D. Separations Cost Study (FCC Part 36) (Cont'd):

An example of a typical separations schedule is the Information Origination/Termination and Cable and Wire Facilities analysis on Schedule 5 (S-5) of Attachment B. This schedule is divided into two segments: the upper half of the schedule is separations factors and the lower half is investment description and quantitative distribution detail.

II. Access Allocation Study (FCC Part 69):

The projection of test year costs was performed in order to comply with Section 61.38(b)(1)(ii) of the FCC Rules. The ACS-ANC model program provides allocation procedures to meet the requirements of FCC Part 69 Rules. The Part 36 model interstate jurisdictional revenue requirement is divided into the four major access components: Common Line, Traffic Sensitive, Billing and Collection, and Interexchange. These components were further subdivided into specific Part 69 rate elements. These elemental revenue requirements were then divided by projected demand quantities to produce access service rates per element.

For purposes of this filing, ACS-ANC has used the following rate elements for the determination of its revenue requirements and rates per service offering:

<u>Rate Element</u>	<u>Description</u>
Switched Access	
a. Local Switching	The cost for the local end office switching functions necessary to complete the switched access communications to and from end users served by the local end office.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

II. Access Allocation Study (FCC Part 69): (Cont'd):

<u>Rate Element</u>	<u>Description</u>
b. Information	The cost for ACS-ANC operators to provide directory services to terminating IXC customer traffic.
c. Local Transport	The cost for transmission facilities between the Utility's end office wire centers and the serving wire center used by an IXC. Local transport is billed using the following rate elements: Entrance Facility, Direct Trunked Transport, Tandem Switched Transport (where applicable).
Special Access	Special access service includes all exchange access arrangements which generally do not use local end office switching, and thus involve basic transmission facilities. Special access service also includes supplemental features to improve the quality and utility of the transmission between such points. There are three basic Special Access rate elements -- Channel Termination, Channel Mileage Termination and Channel Mileage Facility.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

II. Access Allocation Study (FCC Part 69): (Cont'd)

ACS-ANC's Part 69 access model output is organized by schedules as follows:

<u>INDEX TO ACCESS FORMS:</u>	<u>SCHEDULES</u>
Summary Telephone Plant by Primary Element	A-1
Revenue Requirements by Subelement	A-2
Summary of Telephone Plant	A-3
General Support Facilities and Miscellaneous Plant Allocations	A-4
Central Office Equipment Allocations	A-5
Information Origination/Termination and Cable and Wire Facilities Allocations	A-6
Other Telephone Plant Allocations	A-7
Depreciation and Amortization Allocations	A-8
Plant Specific Expense Allocations	A-9
Plant Nonspecific Expense Allocations	A-10
Customer Operations Expense Allocations	A-11
Corporate Operations Expense and Other Expense and Taxes Allocations	A-12
Summary Operating Expenses and Taxes	A-13

A copy of the ACS-ANC Part 69 model, which developed access revenue requirements for the test period, is contained in Attachment C.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

II. Access Allocation Study (FCC Part 69): (Cont'd)

In general, each schedule shows the account number, account title, appropriate Part 69 balances and the allocation to three access rate elements and two nonaccess categories. The access rate elements are Common Line, Switched Access, and Special Access. The nonaccess categories are Billing and Collection and Interexchange.

The ACS-ANC Part 69 model provides cost allocations for the interstate-interlata and intrastate-intralata jurisdictions as required. Depending on the selection made, the corresponding jurisdictional balances developed in Part 36 for each account are pulled forward into the jurisdictional "Total Company" column in Part 69.

These jurisdictional total Company balances are then allocated to the appropriate access elements based on the Part 69 allocation procedures. Within each access element the balances are further allocated to the specific rate categories.

For example, Account 2410, Cable & Wire Facilities (C&WF), is shown on page A-6, lines 10 through 25 (see example A-6 in Attachment C). For the interstate jurisdiction, the balances for Account 2410 are pulled from the appropriate columns of Part 36, S-5 so that the total message telephone component and private line component are allocated in Part 69.

The A-6 columns include; column (a) page line numbers; column (b) category and account description; column (c) source which allocates "Total Company" dollars to access elements; column (d) "Total Company" dollars associated with jurisdictional message telephone and private line services; column (e) Pay Telephone rate element; column (f) Base Factor Portion (BFP) rate element; column (g) Switching rate element; column (h) Information rate element; column (i) Equal Access rate element; column (j) Common Transport Termination rate element; column (k) Common Transport Facility rate element; column (l)

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 4 - REVENUE REQUIREMENT DEVELOPMENT (Cont'd):

II. Access Allocation Study (FCC Part 69): (Cont'd)

Dedicated Transport rate element; columns (m), (n), and (o) the breakdown of Special Access rate element; columns (p) and (q) two Billing and Collection categories; and columns (r) and (s) two Interexchange categories.

Using the A-6 schedule as an example, the Account 2410 balances that are jurisdictionally allocated in Part 36 on S-5 are brought forward into Part 69, A-6. The amounts are allocated to the various rate elements based on the methodology found in the source column. Line 11, Basic Subscriber Line C&WF, is assigned directly to the common line element. Line 12, Special Subscriber Line C&WF, is assigned to the special access element. Lines 13 through 15, Exchange Trunk C&WF, are directly assigned to the access rate elements. Lines 17 and 18, interexchange carrier wideband, are directly assigned to the access elements. Line 19, interexchange access basic, is allocated among the access elements based on interexchange circuit miles contained on line 1. The remaining categories, lines 20 through 24, are directly assigned to the rate elements.

The other Part 69 schedules contained in Attachment C are similar to this format. The allocation factors are located at the top of the page and the account balances are distributed based on these factors. Schedule A-1 summarizes Schedule A-2 by primary elements. Schedule A-2 develops the revenue requirement for each access element and adds bottom-line adjustments. Schedules A-3 through A-13 contain the Company's interstate Part 69 allocation detail by access element.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 5

DEMAND QUANTIFICATIONS

I. Overview:

This section describes the forecasting process used to establish the proposed rates for Switched and Special Access Service. The demand quantities utilized in the development of the access charges were switched access minutes of use and access lines. The required data were developed by forecasting demand for the period July 1, 2004 through June 30, 2005, based on a linear regression model. Sources for the required historical demand data include carrier access billing records, end user billing records, access service requests, and other ACS-ANC records.

This section will also describe the compilation of historical demand data and its use in forecasting. This data was used to develop rates for Local Switching, Local Transport, Information Surcharge, Directory Assistance, Special Access, and Nonrecurring Charges. The resulting demand forecasts, shown in Attachments H & I, are used in the rate development set forth in Section 6.

A. Economic Conditions Supporting ACS-ANC's Switched Minutes of Use Forecast

ACS-ANC faces competition in the Anchorage market from two large carriers, AT&T Alascom, and General Communications, Inc. As of April 30, 2004, General Communications, Inc. has turned up over 88,000 access lines. Of those 88,000 lines, 69,000 are via unbundled network elements and wholesale purchase of ACS-ANC's lines. As of April 30, 2004, AT&T Alascom represented it had over 8,000 local service customers. This totals over 96,000 access lines served by ACS-ANC's competitors. ACS-ANC has seen a reduction of switched access minutes that it believes is related to both the loss of access lines and a shift to wireless technology. The reduction from calendar year 2002 to 2003 was over 9.5%. However, ACS-ANC has a renewed vigor to attract and retain loyal customers and to position itself in the Anchorage market as the leading telecommunications service provider. ACS-ANC does not anticipate the decline in switched access minutes to continue at the current rate.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 5 - DEMAND QUANTIFICATIONS (Cont'd):

II. Switched Access Demand Forecasting:

A. Compilation of Historical Data :

Access service usage records are maintained on a calendar month basis and compiled by carrier and feature group. Any retroactive billing adjustments were reflected in these records. The ACS-ANC access minutes are stated on a premium minute basis, as ACS-ANC became 100% equal access for the interstate jurisdiction in 1986.

B. Switched Access Minutes of Use Forecasting Methodology

ACS-ANC uses the same approach to forecasting switched access minutes of use as used in prior years access charge filings. A linear regression model using access lines as an independent variable was used to forecast Traffic sensitive switched access minutes of use.

C. Local Transport

1. Entrance Facility:

The Entrance Facility demand is measured by assessing the C&WF currently used to transport originating and terminating Interstate traffic between the IXC's point of presence and ACS-ANC's serving wire center.

2. Direct Trunked Transport:

The Direct Trunked Transport demand is measured by assessing the IXC's use of the Utility's cable and wire, and central office facilities from ACS-ANC's serving wire center to its end office locations. A facility charge, based on a flat rate Special Access

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 5 - DEMAND QUANTIFICATIONS (Cont'd):

II. Switched Access Demand Forecasting (Cont'd):

C. Local Transport (Cont'd):

2. Direct Trunked Transport (Cont'd):

Channel Mileage Facility (CMF) rate, and a termination charge, based on a flat rate Special Access Channel Mileage Termination (CMT) rate, are applied to recover this portion of ACS-ANC's local transport revenue requirement.

3. Tandem Switched Transport:

The developed Tandem Switched Transport rate requires the analysis of demand for three rate elements: Tandem Switching, Tandem Facility, and Tandem Transport. The demand for all three rate elements was based on a linear regression model to forecast demand, with some judgmental modifications to the Tandem Switching rate element.

5. Transport Interconnection Charge (TIC):

The residual transport revenue requirement is no longer charged as an access rate element, rather it was reallocated according to the FCC's "Rate-of-Return Access Charge Reform Order".

D. Information Surcharge

The Information Surcharge is applied per 100 access MOU. Since ACS-ANC is using the same access MOU used to develop its switching rate, the demand has therefore been forecasted using a linear regression model.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 5 - DEMAND QUANTIFICATIONS (Cont'd):

II. Switched Access Demand Forecasting (Cont'd):

E. Directory Assistance

Directory Assistance charges are applied on a per call basis for the use of ACS-ANC operators in the provision of terminating directory assistance services. Demand for Directory Assistance was based on linear regression. Historical Directory Assistance MOU and messages, by month, are used to develop the regressed demand for the test period.

F. 800 Data Base

ACS-ANC developed its 800 data base demand using a linear regression model based upon historical billable queries. The regression model used historical Carrier Access Billing information by month as the basis for the forecasted demand.

III. Special Access:

This section describes the method used to develop forecasts of the special access demand quantities.

A. Special Access Demand Forecasting Methodology

Forecasted demand was based on historical demand quantities. Sources for the required historical demand data include carrier access billing records, end user billing records, and other Utility records.

IV. Nonrecurring Charges:

Nonrecurring charges apply for the installation of various switched and special access services, and for moves and changes to services.

A. Switched & Special Access Nonrecurring Demand

The number of installations and other chargeable items were derived from market forecasts in demand based on actual, recent, demand from Utility records. Annualized estimates of the number of these events that will occur in the test year were then prepared based on the level of activity in the recent period.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6

RATE DEVELOPMENT

This section describes the development of the rates for the individual access service rate elements. Rate development is based upon Part 69 Rules. Specifically, test year revenue requirements contained in Attachment C are divided by the applicable demand quantities, which are identified in Attachments H & I adjusted for the allocation of line port costs to common line and transport interconnection charges to other rate elements per the FCC's Rate of Return Access Charge Reform Order.

I. Switched Access:

Switched access service provides for point-to-point communications paths between an interexchange carrier terminal location and telephone exchange service locations. The costs and rates for switched access apply to the use of common terminating, switching and trunking facilities of the Utility's network by interexchange carriers for their use in providing MTS/WATS and MTS/WATS-like services.

Switched access service is provided in various feature group arrangements which are differentiated by the type of connection (i.e., line-side or trunk-side connection) and the access dialing pattern (e.g., 0xxxx, etc.).

The two general rate categories, which apply to traffic sensitive switched access service, are Local Transport and End Office. Local Transport rates are assessed for Entrance Facility, Direct Trunked Transport, Tandem Switched Transport, Transport Interconnection Charge, Common Channel Signaling, and 800 Data Base Queries. End Office rates are for Local Switching, Information Surcharge, and Directory Assistance services.

A. Local Transport

This section describes the development of the individual transport rate elements to be in effect July 1, 2004. Rate development was based upon Part 69 rules and all applicable Reports and Orders issued by the Commission concerning access.

As shown Attachment F page 10, ACS-ANC combines the common termination, dedicated transport and transport facility Part 69 rate elements into a single transport revenue requirement. The total transport revenue

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6 - RATE DEVELOPMENT (Cont'd):

I. Switched Access (Cont'd):

A. Local Transport (Cont'd):

requirement was reduced by revenue from non-recurring charges and SS7 trunking costs included in the interstate transport revenue requirement. The result is a net local transport revenue requirement to be used in developing the transport.

ACS-ANC allocates its net transport revenue requirement among the individual transport rate elements that include entrance facility, direct trunked transport, tandem switching, and a Transport Interconnection Charge (TIC). The TIC is then reallocated to other rate elements in accordance to the FCC's Rate of Return Access Charge Reform Order. Each rate element, and the amount of net transport revenue requirement utilized per element, is discussed below.

1. Entrance Facility:

The entrance facility will recover the transport revenue requirement from the interexchange carrier's point of presence to ACS-ANC's serving wire center. ACS-ANC applies its proposed 2004/05 Special Access Channel Termination rates calculated before TIC allocations, multiplied by the prospective demand to yield a revenue requirement that is netted from ACS-ANC's combined transport revenue requirement for development of transport interconnection charge (TIC) to be allocated to all other rate elements. (See Attachment F page 11 for the calculations of Entrance Facility revenue and Attachment F pages 15 and 16 for the calculation of (TIC) allocated to this rate element.).

2. Direct Trunked Transport Facility:

The Direct Trunked Transport Facility rate utilizes ACS-ANC's proposed 2004/05 Special Access CMF rates to recover the revenue requirement for the C&WF between the serving wire center used by the IXC and end office locations. Since this rate element is mileage sensitive, ACS-ANC uses V&H mileage coordinates between the serving wire center and end office multiplied by the historic demand to derive total trunk miles.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6 - RATE DEVELOPMENT (Cont'd):

I. Switched Access (Cont'd):

A. Local Transport (Cont'd):

2. Direct Trunked Transport Facility (Cont'd):

Total trunk mileage is multiplied by the CMF rate calculated before TIC allocations to yield a revenue requirement that is removed from the remaining transport revenue requirement for development of the TIC to be allocated to the other rate elements. (See Attachment F page 11 for the calculation of Direct Trunked facility revenue and Attachment F pages 15 and 16 for the calculation of TIC allocated to this rate element.)

3. Direct Trunked Transport Termination:

The Direct Trunked Transport Termination rate uses ACS-ANC's proposed 2004/05 Special Access CMT rates to recover the revenue requirement for central office facilities between the serving wire center used by the IXC and end office locations. Each direct trunk between the serving wire center and end office has two termination charges applied. ACS-ANC accumulates the total trunks between its serving wire center and multiplies the result by 2 to arrive at a basis for demand. ACS-ANC applies the CMT rate calculated before TIC allocations, multiplied by the prospective demand to yield a revenue level which is again removed from the remaining transport revenue requirement for development of the TIC be allocated to the other rate elements. (See Attachment F page 11 for the calculation of Direct Trunked facility revenue and Attachment F pages 15 and 16 for the calculation of TIC allocated to this rate element.)

4. Tandem Switched Transport:

The Tandem Switched Transport rate structure is segregated into three sub-elements comprised of switching charge, facility charge, and termination charge. Each individual rate calculation is discussed below:

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6 - RATE DEVELOPMENT (Cont'd):

I. Switched Access (Cont'd):

A. Local Transport (Cont'd):

4. Tandem Switched Transport (Cont'd):

- a. The Tandem switching charge is a charge per minute of use and is set to recover the interstate transport revenue requirement for ACS-ANC's tandem switch based on the number of minutes of use switched at the tandem. ACS-ANC divides the factored revenue requirement for its tandem switch by the forecasted minutes of use for its tandem to derive a MOU rate for the tandem switching. ACS-ANC then recalculated the rate by adding the allocated TIC revenues to the revenue requirement, divided by the demand. (Attachment F page 12 presents the development of the tandem switching rate and Attachment F pages 15 and 16 reflect the calculation of TIC allocated to this rate element.)
- b. The Tandem Switch Transport Facility charge is a charge per MOU mile and is set to recover the Utility's revenue requirement for cable and wire facilities from the tandem to the end office. Per guidelines established by the FCC, the Tandem Switched Transport facility charge is developed based on the Utility's rate for special access service converted to a charge per MOU mile using actual minutes of use per circuit times the average miles per minute for switched traffic. ACS-ANC determined the average miles per minute of switched traffic based on the relationship of the Utility's conversation minutes and conversation minute miles generated from traffic engineering records. In order to arrive at a rate per minute mile, ACS-ANC used its special access CMF rate for DS-1 service calculated before TIC allocations, divided by the average equivalent voice grade circuits utilized in a DS-1 facility. Since ACS-ANC does not provision its tandem transport facilities over any other facility other than a DS-1 facility, a weighted average of the various special access service rates was not considered necessary because there is no corresponding demand. By dividing the CMF rate for DS-1 service by the equivalent number of voice

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6 - RATE DEVELOPMENT (Cont'd):

I. Switched Access (Cont'd):

A. Local Transport (Cont'd):

4. Tandem Switched Transport (Cont'd):

- b. grade circuits in a DS-1 facility, ACS-ANC is able to generate an equivalent cost per voice grade circuit in accordance with the commission's directives. The cost per voice grade circuit was divided by the assumed MOU miles per voice grade circuit to arrive at Tandem Switched Transport Facility Mileage Charge per MOU mile. (Attachment F page 13 presents the development of the Tandem Switched Transport Facility Mileage Charge.)

The Tandem Switched Transport Facility Mileage charge times the applicable demand for MOU miles is used to yield a revenue requirement that is removed from the remaining transport revenue requirement for development of the TIC to be allocated to the other rate elements. ACS-ANC then recalculated the Tandem Switched Transport Facility Mileage Charge by adding the allocated TIC revenues to the revenue requirement, divided by the demand. (See Attachment F pages 15 and 16 for the calculation of (TIC) allocated to this rate element.)

- c. The Tandem Switched Transport Termination charge is a charge per MOU and is set to recover ACS-ANC's revenue requirement for central office facilities in the tandem and end offices. Per guidelines established by the FCC, the Tandem Switched Transport Termination charge is developed based on the cost per equivalent voice grade special access service divided by actual minutes of use per voice grade circuit. In order to arrive at a rate per minute, ACS-ANC used its special access CMT rate for DS-1 service calculated before TIC allocations, divided by the average equivalent voice grade circuits utilized in a DS-1 facility to determine an equivalent cost per voice grade circuit in accordance with FCC guidelines. Since ACS-ANC only provisions its switched tandem transport facilities over DS-1 facilities, a weighted average of the various

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6 - RATE DEVELOPMENT (Cont'd):

I. Switched Access (Cont'd):

A. Local Transport (Cont'd):

special access service rates was not necessary. The cost per voice grade circuit is then divided by the minutes of use per voice grade circuit to arrive at the Tandem Switched Transport Termination Charge per MOU. (Attachment F page 13 presents the development of the Tandem Switched Transport Termination Charge.) This rate multiplied by the applicable prospective demand results in a revenue amount that is removed from the remaining transport revenue requirement for development of the TIC to be allocated to the other rate elements. ACS-ANC then recalculated the Tandem Switched Termination Charge by adding the allocated TIC revenues to the revenue requirement, divided by the demand. (See Attachment F pages 15 and 16 for the calculation of (TIC) allocated to this rate element.)

5. Transport Interconnection Charge (TIC):

The residual transport revenue requirement is derived by reducing the Utility's total test period local transport revenue requirement for revenues from non recurring installation charges, SS7 charges, and transport revenue derived from entrance facility charges, direct trunked transport charges, tandem switching charges and tandem switched transport charges. The residual was reallocated to all other rate elements per the FCC's "Rate-of-Return Access Charge Reform Order". (Attachment F page 11 presents the development of the residual and Attachment F pages 15 and 16 reflect the allocation of the residual (TIC) to all other rate elements.)

B. End Office

The End Office rate category provides the local end office switching and end user termination functions necessary to complete the transmission of switched access communications to and from the end users served by the local end office. The end office rate category includes local switching and the information rate elements.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

SECTION 6 - RATE DEVELOPMENT (Cont'd):

I. Switched Access (Cont'd):

B. End Office (Cont'd)

1. Local Switching

ACS-ANC has allocated its cost for the test period using Parts 36 and 69 separations procedures to determine a local switching revenue requirement. ACS-ANC used year end 2000 dial equipment minutes with internet service providers minutes of use assigned to the local jurisdiction. ACS-ANC's Local Switching rate was determined by the local switching revenue requirement, less line port costs shifted to common line, plus allocated TIC revenues divided by test period access minutes resulting in a rate per access minute. ACS-ANC used a default of 30% for the allocation of line port costs to the common line category. (See Attachment F page 14 for the switched access rate development and Attachment F pages 15 and 16 for the allocation of line port costs and TIC revenues).

2. Information Surcharge/Directory Assistance

The Information rate is comprised of two components dealing specifically with directory assistance and other directory functions. Information surcharge rates are assessed to a customer based on per 100 access minutes. Directory assistance rates are charged on a message (per call) basis for information services provided to customers terminating at the ACS-ANC directory operator location (See Attachment F page 14 for the Information access rate development and Attachment F pages 15 and 16 for the allocation of line port costs and TIC revenues).

II. Special Access Service:

Special access service includes all exchange access arrangements which generally do not utilize local end office switching, and thus involve basic transmission facilities. Special access service also includes supplemental features to improve the quality and utility of the transmission between such points. The development of the special access rates is contained in Attachment G to ACS-ANC's Cost Support filing.

ACS OF ANCHORAGE

INTERSTATE ACCESS TARIFF 2004 Access Tariff Filing

DESCRIPTION AND JUSTIFICATION

II. Special Access Service (Cont'd):

Special access service consists of two basic rate categories: (1) Channel Termination, and (2) Channel Mileage.

A. Channel Termination

The Channel Termination rate category provides for the communications path between a customer designated premises and the serving wire center of that premises. One channel termination charge applies per customer designated premises at which the channel is terminated.

B. Channel Mileage

The Channel Mileage rate category provides for the end office equipment and the transmission facilities between the serving wire centers associated with two customer designated premises, and between a serving wire center associated with a customer designated premises and a Utility hub.

C. Special Access Surcharge

The Special Access Surcharge applies to all jurisdictionally interstate special access facilities that connect the special access facility with local exchange lines or trunks. The \$25.00 surcharge is a monthly charge applied to each special access facility on a per voice equivalent basis. (The Special Access Surcharge is a part of the Carrier Common Line element, not "Other Charges.")

D. Nonrecurring Charges

These rates are applied based on an occurrence basis. They are assessed for such things as service installation, service order processing, date changes, and design changes; all of which affect the provision of special access service. The Special Access rate structure is designed to meet the demands of the market for these services, and to be simple and easily understood.

E. Optional Features and Functions

The provision for optional features and functions allows for customizing service arrangements to meet individual needs.