Regulations, rates and charges applying to the special construction of facilities in connection with the provision of interstate services within the operating territory of:

HAWAIIAN TELCOM, INC.

In the State of Hawaii (HI)

Issued under authority of Special Permission No. 05-047.

CHECK SHEET

All pages inclusive of this Tariff, pages 1 through 8-2 are effective as of the date shown.

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ISSUING CARRIERS

HAWAIIAN TELCOM, INC.

CONCURRING CARRIERS

No Concurring Carriers

CONNECTING CARRIERS

No Connecting Carriers

OTHER PARTICIPATING CARRIERS

No Other Participating Carriers

EXPLANATION OF SYMBOLS

(C)	-	To signify changed regulation
(D)	-	To signify discontinued rate or regulation
(I)	-	To signify increase
(M)	-	To signify matter relocated without change
(N)	-	To signify new rate or regulation
(R)	-	To signify reduction
(S)	-	To signify reissued matter
(T)	-	To signify a change in text but no change in rate or regulation
(Z)	-	To signify a correction

EXPLANATION OF ABBREVIATIONS

AUL	-	Annual Underutilization Liability
Cont'd	-	Continued
F.C.C.	-	Federal Communications Commission
FIA	-	Facilities for Interstate Access
HI	-	Hawaii
HTI	-	Hawaiian Telcom, Inc.
ILP	-	Initial Liability Period
MTL	-	Maximum Termination Liability
NRC	-	Nonrecurring Charge
OCC	-	Other Common Carrier
RMC	-	Recurring Monthly Charge

REFERENCE TO OTHER TARIFFS

Whenever reference is made in this tariff to other tariffs of the Telephone Company, the reference is to the tariffs in force as of the effective date of this tariff, and to amendments thereto and successive issues thereof.

SECTION 1 - APPLICATION OF TARIFF

1.1 This tariff contains regulations, rates, charges, and liabilities applicable for the special construction of interstate facilities provided by the Issuing Carriers of this tariff, hereinafter referred to as the Telephone Company.

When special construction of facilities is required, the provisions of this tariff apply in addition to all regulations, rates, and charges set forth in the appropriate service tariff.

SECTION 2 - REGULATIONS

2.1 Filing of Charges

All special construction cases will be filed subject to the regulations specified in this section, except as indicated in Section 3, following. The rates, charges, and liabilities for special construction to provide facilities for use for one month or more are filed in the following sections, as appropriate.

Rates, charges, and liabilities for the construction of facilities for use for less than one month are filed in supplements to this tariff.

2.2 Ownership of Facilities

The Telephone Company providing specially constructed facilities under the provisions of this tariff retains ownership of all such facilities.

2.3 Interval to Provide Facilities

Based on available information and the type of service ordered, the Telephone Company will establish a completion date for the specially constructed facilities. If the scheduled completion date cannot be met due to circumstances beyond the control of the Telephone Company, a new completion date will be established and the customer will be notified.

2.4 Special Construction Involving Both Interstate and Intrastate Facilities

When special construction involves facilities to be used to provide both interstate and intrastate services, charges for the portion of the construction used to provide interstate service shall be in accordance with this tariff. Charges for the portion of the construction used to provide intrastate service shall be in accordance with the appropriate intrastate tariff.

SECTION 2 - REGULATIONS, (cont'd.)

2.5 Payments for Special Construction

2.5.1 Payments of Charges

All bills associated with special construction charges are due in accordance with the appropriate regulations in the service tariff under which service is being provided.

2.5.2 Start/End of Billing

Billing of recurring charges for specially constructed facilities starts on the day after the facilities are made available for use. Billing accrues through and includes the day that the specially constructed facilities are discontinued. Recurring charges will be billed in accordance with the appropriate regulations in the service tariff under which service is being provided.

2.5.3 Credit Allowance for Service Interruptions

In the event of a service interruption involving a specially constructed facility, the customer shall receive a recurring monthly charge credit in accordance with the credit allowance provisions in the appropriate service tariff associated with the affected service.

When an interruption continues due to the failure of the customer to authorize the replacement of facilities subject to a Replacement Charge, as specified in 2.6.4(A)(4) following, the credit allowance will be terminated on the seventh calendar day after the Telephone Company has provided the customer with written notification of the need for replacement. The credit allowance will resume on the day after the Telephone Company receives written authorization for the replacement from the customer.

2.6 Liabilities and Charges for Special Construction

2.6.1 General

This section describes the various charges and liabilities that may apply when the Telephone Company provides special construction of facilities in accordance with an order for service. Written approval of all liabilities and charges must be provided to the Telephone Company prior to the start of construction.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.2 Conditions Requiring Special Construction

Special construction is required when 1) facilities are not available to meet an order for service, and 2) the Telephone Company constructs facilities, and 3) one or more of the following conditions exist:

- The Telephone Company has no other requirement for the facilities requested.

- It is requested that service be furnished using a type of facility, or via a route, other than that which the Telephone Company would normally utilize in furnishing the requested service.

- More facilities are requested than would normally be required to satisfy an order.

- It is requested that construction be expedited, resulting in added cost to the Telephone Company.

- The Telephone Company determines that alternative facilities must be used because the safety of customers or Telephone Company employees would be in jeopardy if standard facilities were placed, or if potential damage to both Telephone Company and customer-provided equipment could occur. If a high voltage or electrical hazard exists, standard conductive facilities will not be used, and special non-conductive facilities must be placed. For example, dangerous conditions would exist when providing standard copper facilities to high voltage transmission power towers where potential "Ground Potential Rise" hazard exists, or where voltage could be conducted away from the tower.

2.6.3 Development of Liabilities and Charges

Special construction charges and liabilities will be developed based on estimated costs, except when actual costs are requested in writing prior to the start of special construction.

In order to meet a scheduled service date when actual costs are requested, an initial special construction filing may be made based on estimated costs. Such a filing will be revised when actual costs are available.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges

Depending on the specifics associated with each individual case, one or more of the following special construction charges and/or liabilities may be applicable:

(A) Nonrecurring Charge

A nonrecurring charge always applies and includes one or more of the following components:

(1) Case Preparation Charge

A nonrecurring charge always includes a case preparation charge component to cover the administrative expenses associated with preparing a special construction case and the associated tariff filing.

(2) Expediting Charge

A nonrecurring charge may include an expediting charge when it is requested that special construction be completed on an expedited basis. The charge equals the difference in estimated cost between expedited and nonexpedited construction.

(3) Optional Payment

An optional payment charge may be included in the nonrecurring charge in association with a type of facility or route other than that which the Telephone Company would normally use in furnishing the requested service if lower recurring monthly charges are desired for the specially constructed facilities. This charge is equal to the excess installed cost or the total nonrecoverable cost, whichever is less. This election must be made in writing before special construction starts. If this election is coupled with the actual cost option, the optional payment charge will reflect the actual cost of the specially constructed facilities.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(A) Nonrecurring Charge, (cont'd.)

(4) Replacement Charge

If any portion of specially constructed facilities for which an optional payment charge has been paid requires replacement involving capital investment, a replacement charge will apply. This charge will be in the same ratio to the total replacement cost as the initial optional payment charge was to the installed cost of the original specially constructed facilities. If any portion of the facilities subject to the replacement charge fails, service will not be restored until notification is provided in writing that replacement is required and such replacement is ordered.

(5) Rearrangement Charge

If the Telephone Company is requested to rearrange existing specially constructed facilities, a nonrecurring charge equal to the cost of any additional special construction will apply.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(A) Nonrecurring Charge, (cont'd.)

(6) Special Construction of Facilities for Use for Less than One Month

When the Telephone Company is requested to construct facilities to provide service for less than one month, a nonrecurring charge only applies. In addition to the case preparation charge component, this nonrecurring charge recovers all elements of cost, including engineering, shipping of equipment, equipment installation, line-up, equipment leasing, space rental, equipment removal, and any other costs associated with the construction of the facilities.

(B) Maximum Termination Liability and Termination Charge

A Maximum Termination Liability is equal to the nonrecoverable costs associated with specially constructed facilities and is the maximum amount which could be applied as a Termination Charge if all specially constructed facilities were discontinued before the Maximum Termination Liability expires.

The liability period is equal to the average life of the account associated with the specially constructed facilities. The liability period is generally expressed in terms of an effective and expiration date.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(B) Maximum Termination Liability and Termination Charge, (cont'd.)

The Maximum Termination Liability is filed with the initial tariff filing in decreasing amounts at ten-year intervals over the average account life of the facilities. In the event that the average account life of the facilities is not an even multiple of ten, the last increment will reflect the appropriate number of years remaining.

Example Illustrating a 27-Year Average Account Life

Maximum Termination Liability	Effective Date	Expiration Date
$10,000	6/1/84	6/1/94
$7,000	6/1/94	6/1/04
$3,000	6/1/04	6/1/11

Prior to the expiration of each liability period, the customer has the option to (A) terminate the special construction case and pay the appropriate charges or (B) extend the use of the specially constructed facilities for the new liability period.

The Telephone Company will notify the customer six months in advance of the expiration date of each ten-year liability period. The customer must provide the Telephone Company with written notification at least 30 days prior to the expiration of the liability period if termination is elected. Failure to do so will result in an automatic extension of the special construction case to the next liability period at the filed Maximum Termination Liability amount.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(B) Maximum-Termination Liability and Termination Charge, (cont'd.)

A Termination Charge may apply when all services using specially constructed facilities which have a tariffed Maximum Termination Liability are discontinued prior to the expiration of the liability period. The charge reflects the unamortized portion of the nonrecoverable costs at the time of termination, adjusted for net salvage and possible reuse. Administrative costs associated with the specific case of special construction and any cost for restoring a location to its original condition are also included. A Termination Charge may never exceed the filed Maximum Termination Liability.

A partial termination of specially constructed facilities will be provided, at the election of the customer. The amount of the Termination Charge associated with such partial termination is determined by multiplying the termination charge which would result if all services using the specially constructed facilities were discontinued, at the time partial termination is elected, by the percentage of specially constructed facilities to be partially terminated. A tariff filing will be made following a partial termination to list remaining Maximum Termination Liability amounts and the number of specially constructed facilities the customer will remain liable for.

Example:

A customer with a filed Maximum Termination Liability of $100,000 for 3600 specially constructed facilities requests a partial termination of 900 facilities. The Termination Charge for all facilities, at the time of election, is $60,000. The partial termination charge, in this example, is $60,000 X 900/3600, or $15,000.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(C) Annual Underutilization Liability and Underutilization Charge

Prior to the start of special construction, the Telephone Company and the customer will agree on (1) the quantity of facilities to be provided, and (2) the length of the planning period during which the customer expects to place the facilities in service. The planning period is hereinafter referred to as the Initial Liability Period (ILP). The ILP is listed in the tariff with an effective and expiration date.

Underutilization occurs only if, at the expiration date of the ILP and annually thereafter, less than 70 percent of the specially constructed facilities are in service at filed tariff service rates.

An annual underutilization liability amount is filed on a per unit basis (e.g., per cable pair) for each case of special construction. This amount is equal to the annual per unit cost and includes depreciation, maintenance, administration, return taxes, and any other costs identified in the supporting documentation provided at the time the special construction case is filed.

Upon the expiration of the ILP, the number of underutilized facilities, if any, are multiplied by the annual underutilization liability amount. This product is then multiplied by the number of years (including any fraction thereof) in the ILP to determine the underutilization charge.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(C) Annual Underutilization Liability and Underutilization Charge, (cont'd.)

Annually thereafter, the number of underutilized facilities, if any, existing on the anniversary of the ILP expiration date will be multiplied by the annual underutilization liability amount to determine the underutilization charge for the preceding 12 month period.

Example:

A customer orders 100 services and the special construction of a 600 pair building riser cable is agreed to, based on the customer's 5 year facility requirements. The ILP, in this example, would be filed at 5 years. The annual underutilization liability is filed at $2.00 per pair. If 400 pairs were in service at the end of the ILP, there would be an underutilization of 20 pairs, i.e., 420 (70% of 600) - 400 = 20. The total underutilization charge for the first 5 years would be $200.00, or $2.00 per pair x 20 pairs x 5 years.

If 420 pairs are in service at the end of the 6th year, there is no underutilization, i.e., 420 - 420 = 0.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(D) Recurring Monthly Charges

(1) Charge for Route or Type other than Normal

When special construction is requested using a route or type of facility other than that which the Telephone Company would normally use, a recurring monthly charge, in addition to the monthly rates for service, is applicable. The charge is equal to the difference between the recurring costs of the specially constructed facilities and the recurring costs of the facilities the Telephone Company would have normally used.

(a) When an Optional Payment Charge as set forth in 2.6.4(A)(3) preceding has been elected, the recurring monthly charge will be reduced to include specially constructed facility operating expenses only.

(b) If the actual cost option as set forth in 2.6.3 preceding has been elected, the recurring charge will be adjusted to reflect the actual cost of the new construction when the costs have been determined. This adjusted recurring charge is applicable from the start of service.

SECTION 2 - REGULATIONS, (cont'd.)

2.6 Liabilities and Charges for Special Construction, (cont'd.)

2.6.4 Types of Liabilities and Charges, (cont'd.)

(E) Lease Charge

This charge applies when the Telephone Company leases equipment in order to meet service requirements. The amount of the charge is equal to the net added cost to the Telephone Company caused by the lease.

(F) Cancellation Charge

If a service order with which special construction is associated is cancelled prior to the start of service, a cancellation charge will apply. The charge will include all nonrecoverable costs incurred by the Telephone Company in association with the special construction up to and including the time of cancellation.

SECTION 2 - REGULATIONS, (cont'd.)

2.7 Deferral of Start of Service

The Telephone Company may be requested to defer the start of service which will use specially constructed facilities subject to the provisions set forth in the service tariff under which service is being provided. Requests for special construction deferral must be in writing and are subject to the following regulations:

2.7.1 Construction Has Not Begun

If the Telephone Company has not incurred any installation costs before receiving a request for deferral, no charge applies.

2.7.2 Construction Has Begun

If the construction of facilities has begun before the Telephone Company receives a request for deferral, charges will vary as follows:

(A) All Services Are Deferred

When all services which will use specially constructed facilities are deferred, a charge based on the costs incurred by the Telephone Company during each month of the deferral will apply. Those costs include the recurring costs for that portion of the facilities already completed and any other costs associated with the deferral. The cost of any components of the nonrecurring charge which have been completed at the time of deferral will also apply.

(B) Some Services Are Deferred

When some services which will use specially constructed facilities are deferred, the construction case will be completed and all special construction charges will apply.

2.7.3 Construction Complete

If the construction of facilities has been completed before the Telephone Company receives a request for deferral, all special construction charges will apply.

SECTION 2 - REGULATIONS, (cont'd.)

2.8 Definitions

Actual Cost - The term "Actual Cost" denotes all costs charged against a specific case of special construction, including any appropriate taxes.

Annual Underutilization Liability - The term "Annual Underutilization Liability" denotes a per unit amount which may be billed annually if fewer services are in use utilizing specially constructed facilities at filed tariff rates than were originally specially constructed.

Average Account Life - The term "Average Account Life" denotes the depreciation life prescribed by the Federal Communications Commission for each class of telephone plant.

Estimated Cost - The term "Estimated Cost" denotes all estimated costs that will be incurred in providing a specific case of special construction, including any appropriate taxes.

Facilities - The term "Facilities" denotes any cable, poles, conduit, microwave or carrier equipment, wire center distribution frames, central office switching equipment, etc., utilized to provide interstate services offered under the tariffs referenced by this tariff.

Initial Liability Period - The term "Initial Liability Period" denotes the initial planning period during which the customer expects to place specially constructed facilities in service.

Installed Cost - The term "Installed Cost" denotes the total investment (estimated or actual) required by the Telephone Company to provide specially constructed facilities.

SECTION 2 - REGULATIONS, (cont'd.)

2.8 Definitions, (cont'd.)

Maximum Termination Liability - The term "Maximum Termination Liability" denotes the maximum amount which may be billed if all services using specially constructed facilities are terminated prior to the expiration of the Maximum Termination Liability Period.

Maximum Termination Liability Period - The term "Maximum Termination Liability Period" denotes the length of time during which a termination charge may apply if all services using specially constructed facilities are terminated. The liability period is equal to the average account life of the specially constructed facilities. When the construction involves multiple classes of plant with differing lives, the liability period is equal to the weighted average of the account lives involved in the special construction case, using nonrecoverable investment as the basis for weighting.

Example:

$20,000, $10,000 and $5,000 nonrecoverable investments with average account lives of 8, 18 and 25 years, respectively, are involved in the same special construction case. The maximum termination liability period would be 13.3 years.

20,000	x	8	=	160,000	<u>465,000</u>	= 13.3
10,000	x	18	=	180,000	35,000	
<u>5,000</u>	x	25	=	<u>125,000</u>		
35,000				465,000		

The duration of the maximum termination liability period will be specified in the tariff.

SECTION 2 - REGULATIONS, (cont'd.)

2.8 Definitions, (cont'd.)

Net salvage - The term "Net Salvage" denotes the estimated scrap, sale, or trade-in value, less the estimated cost of removal. Cost of removal includes the costs of demolishing, tearing down, or otherwise disposing of the material and any other applicable costs. Since the cost of removal may exceed salvage value, net salvage may be negative.

Nonrecoverable Cost - The term "Nonrecoverable Cost" denotes the cost of specially constructed facilities for which the Telephone Company has no foreseeable use should the service be terminated.

Normal Construction - The term "Normal Construction" denotes all facilities the Telephone Company would normally use to provide service in the absence of a requirement for special construction.

Normal Cost - The term "Normal Cost" denotes the estimated cost to provide services using normal construction.

Permanent Facilities - The term "Permanent Facilities" denotes facilities providing service for one month or more.

Recoverable Cost - The term "Recoverable Cost" denotes the cost of the specially constructed facilities for which the Telephone Company has a foreseeable reuse, either in place or elsewhere should the service be terminated.

Termination Charge - The term "Termination Charge" denotes the portion of the Maximum Termination Liability that is applied as a nonrecurring charge when all services are discontinued prior to the expiration of the specified liability period.

SECTION 3 - SPECIAL CONSTRUCTION CASES

3.1 Charges to Provide Permanent Facilities

None at this time.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES

4.1 General

The regulations, rates and charges contained in this section are grandfathered, effective April 13, 2002. Special construction cases filed with an effective date on or after April 13, 2002, are subject to the regulations contained in Section 2, preceding.

4.1.1 Conditions Requiring Special Construction

Special Construction is required when facilities are not available to meet a customer's ASR (Access Service Request) and one or more of the following conditions exist:

(A) The Telephone Company has no other requirement for the facilities constructed at the customer's request;

(B) The customer requests that FIA be furnished using a type of facility, or via a route, other than that which the Telephone Company would otherwise utilize in furnishing the requested FIA;

(C) The customer requests the construction of more facilities than is required to satisfy its ASR;

(D) The customer requests construction be expedited resulting in added cost to the Telephone Company;

(E) The customer requests that temporary facilities be constructed until permanent facilities are available;

(F) The customer requests construction of permanent facilities to be used for temporary Video broadcast service.

4.1.2 Filing of Charges

When Special Construction is required under conditions that preclude the filing of charges in full accordance with the FCC's Rules and Regulations (e.g., unavailability of cost details, short notice service date):

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.1 General, (cont'd.).

4.1.2 Filing of Charges, (cont'd.)

(A) Notification will be made to the FCC that Special Construction will be provided in accordance with Special Permission No. 83-867.

(B) After charges have been filed and have become effective they will apply from the date that the Special Construction was provided.

(C) Charges and/or Maximum Termination Liabilities for Special Construction of facilities provided by a Connecting Carrier are developed by the Connecting Carrier and are filed by the Telephone Company in this tariff on its behalf.

(D) Regulations and charges for Special Construction of facilities provided by Other Participating Carriers are filed in their tariffs.

4.1.3 Ownership of Facilities

The Telephone Company retains ownership of all specially constructed facilities, except for those facilities constructed by connecting companies or carriers, even though the customer may be required to pay Special Construction charges.

4.1.4 Interval to Provide FIA (Facilities for Interstate Access)

Based on available information and the type of FIA ordered, the Telephone Company will establish a scheduled date for the installation of necessary facilities. The date will be established on an Individual Case Basis and provided to the customer. The Telephone Company will make every reasonable effort to assure that the date is met. However, circumstances beyond the Telephone Company's control (e.g., backorder of components) may force a reschedule, and a new completion date will be established with the customer when appropriate.

4.1.5 Special Construction Involving Interstate and Intrastate FIA

When Special Construction involves facilities used to provide both interstate and intrastate FIA, charges for the portion of the construction used to provide interstate FIA shall be in accordance with this tariff. Charges for the portion of the construction used to provide intrastate FIA shall be in accordance with the appropriate Verizon Telephone Company state tariff providing Facilities for Intrastate Access.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments

4.2.1 General

This section describes the various charges and liabilities that apply when the Telephone Company provides Special Construction of FIA, as outlined in 4.1.1 preceding, in accordance with a customer's specific request. Once the customer is notified of all charges and liabilities, the customer must provide the Telephone Company with written approval prior to the start of construction. If more than one condition requiring Special Construction is involved, charges for each condition apply (see Conditions Requiring Special Construction, 4.1.1 preceding).

4.2.2 Payment of Charges

Payment is due upon presentation of a bill for the specially constructed facilities.

4.2.3 Start/End of Billing

Billing of recurring charges for specially constructed FIA starts on the day after the FIA are provided. Billing accrues through and includes the day that the specially constructed FIA are discontinued. Monthly charges will be billed one month in advance.

4.2.4 Partial Payments

The Telephone Company will require a customer which has a proven history of late payments to the Telephone Company, or does not have established credit, to make a partial payment for the portion of the estimated cost of the Special Construction for which the customer is subject to a nonrecurring charge. Partial payments will be requested as costs are incurred and will be credited to the customer's account. Partial payments will not exceed the total nonrecurring charge to the customer for the Special Construction.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.5 Development of Liabilities and Charges

The customer has the option of accepting the liabilities and charges based on estimated or actual costs. Estimated costs will be used unless the customer notifies the Telephone Company of the selection of the actual cost option in writing prior to the start of Special Construction.

Under the estimated cost option, Special Construction liabilities and charges are developed based on estimated costs and will be filed in this tariff.

Under the actual cost option, if all actual costs are not available prior to the in-service date of the FIA, estimated Special Construction charges will be filed in this tariff. As soon as the actual costs, including costs of maintaining and filing these costs, are subsequently determined, the estimated charges will be adjusted to reflect the actual costs. The filed charges will then reflect actual costs existing at the time the FIA are provided.

4.2.6 Types of Contingent Liabilities

Depending on the specifics associated with each individual case the following Maximum Termination Liability may be applicable for Special Construction.

(A) Maximum Termination Liability (USOC - MLY)

A MTL has two components, an amount and a specified period of time.

The amount is equal to all nonrecoverable costs less the net salvage value (e.g., depreciation, return, income tax associated with the specially constructed facilities). The amount will be amortized over the average account life of the specially constructed facilities. The standard liability period is the average account life of the Specially Constructed facilities expressed in years.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.6 Types of Contingent Liabilities, (cont'd.)

(A) Maximum Termination Liability (USOC - MLY), (cont'd.)

At the customer's option, an optional liability period shorter than the average account life may be established. If the customer chooses an optional liability period, the MTL amortization schedule will not change. The remaining MTL amount for the period between the expiration of the optional liability period and the expiration of the amortization schedule will be due as a lump sum payment (LS) at the time the optional liability period expires unless the case of Special Construction is extended.

Prior to the expiration of an optional liability period the customer has the option to (A) extend the use of the specially constructed FIA establishing a new liability period, or (B) terminate the case of Special Construction and pay the lump sum payment.

The Telephone Company will notify the customer six months in advance of the expiration date of the optional liability period. The customer must provide the Telephone Company with written notification of its intentions to be received one month prior to expiration of the optional liability period. Failure to do so, and payment of the next month's charges, will result in extension of the case of the Special Construction and the establishment of a new liability period equal to the remaining amortization period. A Case Preparation Charge will always apply if the Special Construction case is extended.

The MTL and the liability period applicable to specific cases of Special Construction are as set forth in 24 through 30 following.

(B) Reduction on Maximum Termination Liability

The time frames for MTL for Special Construction are expressed by an effective date and an expiration date. The MTL will be reduced for each month the Special Construction FIA is in service. For example, if the MTL period is 10 years, for each month in service the MTL would be reduced 1/120th.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges

Two categories of charges may be applicable for Special Construction. These charges are nonrecurring charges and recurring charges. These categories are described below.

(A) Nonrecurring Charges

One or more of the following nonrecurring charges may apply for each case of Special Construction: case preparation, termination, cancellation, expediting the construction, or optional payment charges.

(1) Case Preparation Charge (USOC - QPA)

The charge for case preparation includes the administrative expense associated with preparing and listing the charges in the tariff. This expense includes such items as: (a) tariff preparation and processing and (b) gross receipts and surcharge taxes.

(2) Termination Charge (USOC - MLY)

A Termination Charge applies when, at the customer's request, FIA provided on specially constructed facilities which have a tariffed Maximum Termination Liability are discontinued prior to the expiration of the liability period.

The charge reflects the unamortized portion of the nonrecoverable cost at the time of termination of the specially constructed FIA adjusted for tax effects, for net salvage and for possible reuse. Administrative costs associated with the specific case of Special Construction and any cost for restoring a location to its original condition are also included. Termination Charges will never exceed the MTL.

(3) Cancellation Charge

If the customer cancels an ASR with which Special Construction is associated prior to the in-service date of the FIA, a Cancellation Charge will apply. The charge will include all nonrecoverable costs less the net salvage value incurred by the Telephone Company up to and including the time of cancellation.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd)

(A) Nonrecurring Charges, (cont'd)

(4) Expediting Charge

An Expediting Charge applies when a customer requests that Special Construction be completed on an expedited basis. The charge is equal to the difference in the estimated cost of construction on an expedited basis and construction without expediting.

(5) Optional Payment Charge (USOC - FPAPP)

The customer may elect to pay an Optional Payment Charge when it requests Special Construction of facilities utilizing (1) a type of facilities or (2) a route other than that which the Telephone Company would otherwise utilize in furnishing the requested service. Payment of this charge will result in a lower recurring charge for the Special Construction. This election must be made in writing, before Special Construction starts.

If this election is coupled with the actual cost option, the Optional Payment Charge will reflect the actual cost of the specially constructed facilities.

(a) Development of Optional Payment Charge

This charge is equal to the excess installed cost or the total nonrecoverable cost, whichever is less (based on estimated or actual costs as elected by the customer).

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd)

4.2.7 Types of Charges, (cont'd)

(A) Nonrecurring Charges, (cont'd)

(5) Optional Payment Charge, (cont'd)

(a) Development of Optional Payment Charge, (cont'd)

Example 1:

Total Installed Cost	$30,000
Nonrecoverable	$20,000
Normal Installed Cost	$17,000
Total Installed Cost	$30,000
Minus Normal Installed Cost	$17,000
Equals Excess Installed Cost	$13,000
Optional Payment Charge	$13,000
Nonrecoverable Cost	$20,000
Minus Optional Payment Charge	$13,000
Equals Investment for MTL Computation	$7,000
Remaining Recoverable Excess Installed Cost	$0

Since the total installed cost is $30,000 and the normal installed cost would have been $17,000, the nonrecurring charge (optional payment) is limited to the difference (i.e., $13,000). A Maximum Termination Liability would then be established to protect the remaining nonrecoverable cost of $7,000 which is the difference between the total nonrecoverable cost ($20,000) and the nonrecurring charge ($13,000). The remaining excess installed cost in this example is zero. In addition, a recurring charge will be developed as set forth in 4.2.7 (B) following.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(A) Nonrecurring Charges, (cont'd.)

(5) Optional Payment Charge, (cont'd.)

(a) Development of Optional Payment Charge, (cont'd.)

Example 2:

Total Installed Cost	$30,000
Nonrecoverable Cost	$10,000
Normal Installed Cost	$17,000
Total Installed Cost	$30,000
Minus Normal Installed Cost	$17,000
Equals Excess Installed Cost	$13,000
Optional Payment Charge	$10,000
Nonrecoverable Cost	$10,000
Minus Optional Payment Charge	$10,000
Equals Investment for MTL Computation	$0
Remaining Recoverable Excess Installed Cost	$3,000

The Optional Payment Charge is limited to the nonrecoverable cost. In this example the Optional Payment Charge equals the nonrecoverable cost. Therefore, there is no Maximum Termination Liability. In addition, a recurring charge will be developed as set forth in 4.2.7 (B) following.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(A) Nonrecurring Charges, (cont'd.)

(5) Optional Payment Charge, (cont'd.)

(b) Replacement Charge (GSEC) NESCR

Example:

If any portion of the specially constructed FIA, for which an Optional Payment Charge has been paid, requires replacement involving capital investment, a charge for replacement will apply. This charge will be in the same ratio as the initial Optional Payment Charge was to the installed cost of the specially constructed FIA. The customer will be notified in writing that the replacement is required. Replacement will not be made without the customer's ASR. If any portion of the FIA subject to the replacement charge fails, the FIA will not be restored until the customer orders the replacement.

Example:

Original Total Installed Cost	\$30,000
Original Optional Payment Charge	\$15,000
Subsequent Cost of Replacement	\$ 2,000

$$\frac{\text{Original Optional Payment Charge X Replacement Cost}}{\text{Total Installed Cost}}$$

$$\frac{\$15{,}000 \text{ x } \$2{,}000}{\$30{,}000} = \$\ 1{,}000$$

Replacement Charge \$1,000

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(B) Recurring Charges

(1) General

(a) These charges apply on a monthly or annual basis for specially constructed FIA. There are three conditions for which recurring charges apply:

(1) When a customer requests the construction of more facilities than are necessary to provide the FIA currently ordered.

(2) When a customer requests a facility route or type other than that which the Telephone Company would utilize to provide FIA.

(3) When a customer's request results in the Telephone Company leasing transmission or other equipment from private vendors to provide FIA (Lease Charge).

(b) In some cases, the customer may request that the Special Construction nonrecurring charge be amortized over the life of the Special Construction contract. In such cases, the Telephone Company will note the expiration of the recurring charge.

(2) Excess Capacity Charge

An Excess Capacity Charge applies when the customer requests more facilities be constructed than are required to satisfy the customer's ASR. The charge is based on the estimated cost difference between the facilities constructed at the customer's request and the facilities actually required to meet the customer's ASR.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(B) Recurring Charges, (cont'd.)

(2) Excess Capacity Charge, (cont'd.)

Example:
A customer has an immediate FIA requirement that would require a 100 pair cable but requests the installation of a 300 pair cable to allow for growth.

Total Installed Cost (300 Pair)	$2,500
Estimated Annual Cost	$920
Estimated Installed Cost (100 Pair)	$1,000
Estimated Annual Cost	$368

Excess Recurring Charge: Annually $920 - $368 = $552

Monthly $552 ÷ 12 = $46

This charge applies until such time as the customer orders sufficient FIA to necessitate use of a larger size cable (e.g., 200 pair cable). At that time the recurring charge is adjusted as indicated in the following example:

Total Installed Cost (300 Pair)	$2,500
Estimated Annual Cost	$ 920
Estimated Installed Cost (200 Pair)	$1,900
Estimated Annual Cost	$ 683

Excess Recurring Charge: Annually $920 - $683 = $237

Monthly $237 ÷ 12 = $19.75

The charge is revised in this manner until the number of FIA being provided would require a 300 pair cable, at which time the Excess Capacity Charge is no longer applied. The charge would be reapplied if the number of FIA declined to a level that would not require a 300 pair cable.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(B) Recurring Charges, (cont'd.)

(2) Excess Capacity Charge, (cont'd.)

Such charges will continue to apply to all facilities held in abeyance until the period of termination liability expires. If facilities are still held in abeyance after the termination liability expires, a new schedule of rates will be calculated and such rates will apply as long as facilities are held in abeyance for the customer.

(3) Charge for Route or Type Other Than Normal

When the customer requests Special Construction using a route or type of FIA other than that which the Telephone Company would normally use, a recurring charge is applicable. The charge is the difference between the estimated recurring costs of the specially constructed FIA and the estimated recurring costs of the FIA the Telephone Company would normally use. The charge will be no greater than the recurring costs of the specially constructed FIA.

(a) If the customer elects to pay an Optional Payment Charge, the portion of the recurring charge for the excess investment covered by the optional payment excludes capital cost items (depreciation, return on investment and Federal income tax on that return). The remaining recurring expense cost items associated with the optional payment (maintenance, administration, and other taxes) are increased by a ten percent management fee and will be included in the recurring charge.

The portion of any recurring charge associated with any remaining Special Construction investment will include both capital and expense costs. The ten percent management fee is not applied to this portion of the recurring charge.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(B) Recurring Charges, (cont'd.)

(3) Charge for Route or Type Other Than Normal, (cont'd.)

(a) (cont'd.)

DEVELOPMENT OF RECURRING MONTHLY CHARGE FOR OPTIONAL PAYMENTS
For Example 1 see 4.2.7(A)(5)(a) preceding

		SPECIAL ROUTE OR TYPE OF FIA			NORMAL
		A	B	C	D
		Optional Payment Nonrecurring Charge for Special Const. FIA	Specially Constructed FIA less Nonrecurring Charges	Existing Facilities	Normal Route/Type Facilities
		$13,000	$17,000		$17,000
1.	Depreciation	—	1,122		408
2.	Federal Income Tax and Return	—	2,142		2,346
3.	Maintenance	1,131	1,479		799
4.	Administration	455	595		595
5.	Other Taxes	286	37		374
6.	Sub Total	1,872	—	—	—
7.	10% x Line 6	187	—	—	—
8.	Totals	(A) $2,059	(B) $5,712	(C)	(D) $4,522

A+B=$7,771
A+B+C=7,771
(A+B+C)-D=3,249

Excess Recurring Charge:# Annually $3,249.00
Monthly $ 270.75

The lower of (A+B+C)-D, or (A+B)

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(B) Recurring Charges, (cont'd.)

(3) Charge for Route or Type Other Than Normal, (cont'd.)

(a) (cont'd.)

DEVELOPMENT OF RECURRING MONTHLY CHARGE FOR OPTIONAL PAYMENTS
For Example 1 see 4.2.7(A)(5)(a) preceding

		SPECIAL ROUTE OR TYPE OF FIA			NORMAL
		A	B	C	D
		Optional Payment Nonrecurring Charge for Special Const. FIA	Specially Constructed FIA less Nonrecurring Charges	Existing Facilities	Normal Route/Type Facilities
		$10,000	$20,000		$17,000
1.	Depreciation	—	1,320		408
2.	Federal Income Tax and Return	—	2,520		2,346
3.	Maintenance	870	1,740		799
4.	Administration	350	700		595
5.	Other Taxes	220	440		374
6.	Sub Total	1,440	—	—	—
7.	10% x Line 6	144	—	—	—
8.	Totals	(A) $2,059	(B) $6,720	(C)	(D) $4,522

A+B=$8,304
A+B+C=8,304
(A+B+C)-D=3,782

Excess Recurring Charge:# Annually $3,782.00
Monthly $ 315.17

\# The lower of (A+B+C)-D, or (A+B)

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.7 Types of Charges, (cont'd.)

(B) Recurring Charges, (cont'd.)

(3) Charge for Route or Type Other Than Normal, (cont'd.)

(b) If the customer has elected the actual cost option, the recurring charge will be adjusted to reflect the actual cost of the new construction when the cost is determined. This adjusted recurring charge is applicable from the start of FIA.

(4) Lease Charge

A Lease Charge applies when the Telephone Company leases equipment (e.g., portable microwave equipment) in order to provide FIA to meet the customer's requirements. The amount of the charge is the net added cost to the Telephone Company caused by the lease.

4.2.8 Application of Charges

The charges for Special Construction are those charges which are in effect for the period that the Special Construction is furnished. If the charges for a period covered by a bill change after the bill has been rendered, the bill will be adjusted to reflect the new charges. Charges are based on Special Construction of (A) permanent FIA or (B) temporary FIA.

(A) Special Construction of Permanent FIA

(1) Special Construction When Not Available and There is No Other Requirement for Them

When permanent FIA are not available and the Telephone Company constructs them and there is no other Telephone Company need for the specially constructed FIA, a nonrecurring charge, and a Maximum Termination Liability may be applicable.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.2 Liabilities, Charges and Payments, (cont'd.)

4.2.8 Application of Charges, (cont'd.)

(A) Special Construction of Permanent FIA, (cont'd.)

(2) Special Construction Using a Route or Type of FIA Other Than Normal

When the specially constructed FIA involve a route or type of FIA other then that which the Telephone Company would ordinarily use, charges are based on the difference between the estimated costs of the specially constructed FIA and those the Telephone Company would ordinarily use. A nonrecurring charge, a recurring charge, and a Maximum Termination Liability may be applicable.

(3) Special Construction of a Greater Quantity of FIA Than Necessary to Satisfy the Customer's Order for Service

When the Telephone Company constructs more FIA than is required to satisfy the customer's ASR, additional charges will apply. These charges may include a nonrecurring charge, a recurring charge, and a Maximum Termination Liability.

(4) Special Construction Expedited at Greater Cost Than Would Otherwise be Incurred.

When construction is expedited resulting in added costs, a nonrecurring Expediting Charge applies.

(B) Special Construction of Temporary FIA Order

When permanent FIA are not available and temporary FIA are constructed pending the construction of permanent FIA, a nonrecurring charge, and a Maximum Termination Liability may be applicable.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.3 Deferral of the In-Service Date of FIA

4.3.1 General

The customer may request the Telephone Company to defer the in-service date of FIA on specially constructed FIA subject to the provisions as set forth in Section 3.2.2(A) of the Telephone Company's Tariff F.C.C. No. 1. If the deferral is not in compliance with the provisions as set forth in Section 3.2.2(A) of the Telephone Company's Tariff F.C.C. No. 1, the Special Construction case is considered to be cancelled and cancellation charges apply. Requests for deferral must be in writing and are subject to the following regulations.

4.3.2 Construction Has Not Started

If the Telephone Company has not incurred any costs (e.g., engineering and/or installation) before receiving the customer's request for deferral, no charge applies other than the Case Preparation Charge. However, the original quotation is subject to Telephone Company review at the time of reinstatement to determine if the original charges are still valid. Any change in liabilities and charges requires the concurrence of the customer in writing. Additional Case Preparation Charges will also apply.

4.3.3 Construction Has Started But Is Not Complete

If the construction of FIA has started, but has not been completed, before the Telephone Company receives the customer's request for deferral, charges apply. The charges vary depending on whether all or some of the FIA ordered are deferred.

(A) All FIA Are Deferred

When all FIA involving Special Construction are deferred, a charge equal to the costs incurred during each month of the deferral applies. Those costs include the recurring costs for that portion of the FIA already completed and any other costs associated with the deferral. The Case Preparation Charge also applies.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.3 Deferral of the In-Service Date of FIA, (cont'd.)

4.3.3 Construction Has Started But Is Not Complete, (cont'd.)

(B) Some But Not All FIA Are Deferred

When some, but not all, FIA utilizing the specially constructed FIA are deferred, the Special Construction case will be completed. Maximum Termination Liability will apply in addition to Case Preparation Charges and any Construction.

4.3.4 Construction Complete

If the construction of FIA has been completed before the Telephone Company receives the customer's request for deferral, the Case Preparation Charge as originally determined, will apply and any recurring charges associated with the Special Construction. The maximum termination liability period will begin when the customer accepts the service.

SECTION 4 - GRANDFATHERED REGULATIONS, RATES AND CHARGES, (cont'd.)

4.4 Charges

4.4.1 Charges for Customers Choosing the Optional Liability Period to Provide Permanent FIA (cont'd.)

Customer Name/ Effective Date	Description and Location	MTL/NRC MRC	Expiration Date
None	None	None	None

4.4.2 Charges for Customers Choosing the Standard Liability Period to Provide Permanent FIA

Customer Name/ Effective Date	Description and Location	MTL/NRC MRC	Expiration Date
(A) AT&T Wireless ID#HI0101608	Special Construction for a OC-48 Sonet ring facility from the CDL at 500 Kahelu Av., Millilani, HI., to the Millalani Central Office (MILNHICO).	MTL: $0 NRC: $325,000 MRC: $0	-------------

4.4.3 Charges to Provide Temporary FIA

Customer Name/ Effective Date	Description and Location	MTL/NRC MRC	Expiration Date
None	None	None	None