DESCRIPTION AND JUSTIFICATION
John Staurulakis, Inc. Tariff F.C.C. No. 1
Transmittal No. 130
TDS Telecom Companies

TDS Telecom, through its consultant John Staurulakis, Inc. ("JSI"), hereby provides a Description and Justification for its individual rates proposed under JSI Transmittal No. 130 for JSI Tariff F.C.C. No. 1 (JSI Tariff). Under JSI Transmittal No. 130, the four TDS Telecom study areas listed below are becoming issuing carriers for JSI Tariff F.C.C. No. 1. These four study areas will be known collectively as the "TDS Telecom Companies" in JSI Tariff F.C.C. No. 1. Any reference to "TDS Telecom Companies" in this description and Justification and the proposed revised tariff pages for JSI Tariff F.C.C. No. 1 does not include or otherwise apply to any TDS Telecom study area not included in the list below.[1]

Study Area Company Name	***Study Area State***	***Study Area Code***	***Abbreviation for Cost Support***
Camden Telephone and Telegraph Company, Inc. d/b/a TDS Telecom	Georgia	220351	CTT
Mt. Vernon Telephone Company d/b/a TDS Telecom	Wisconsin	330917	MVT
Oklahoma Communication Systems, Inc. d/b/a TDS Telecom	Oklahoma	431984	OCSI
Tennessee Telephone Company d/b/a TDS Telecom	Tennessee	290575	TTC

Concurrent with this transmittal, the National Exchange Carrier Association ("NECA") is cancelling these carriers as issuing carrier for NECA Tariff F.C.C. No. 5 effective June 30, 2007. Beginning June 30, 2007, the four study areas will no longer participate in the NECA Traffic Sensitive Pool. However, the four study areas will remain as participants in the NECA Common Line Pool and rates in JSI Tariff F.C.C. No. 1 for End User Common Line, ISDN Ports, T-1 Channel Service and Federal Universal Service Contribution (FUSC) charges will reference the corresponding rates in NECA Tariff F.C.C. No. 5 consistent with the carriers' duties as members of the NECA Common Line Pool.

[1] The TDS Telecom system of companies includes over 113 study areas. The remaining TDS Telecom study areas continue as issuing carriers for NECA Tariff F.C.C. No. 5.

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2007 Annual Access Filing –TDS Telecom Companies

1. DESCRIPTION OF FILING

This summary together with the accompanying revised tariff material has been filed by JSI on behalf of the TDS Telecom Companies in order to comply with the rules and regulations of the Federal Communications Commission ("Commission") with respect to annual access charge filings. Effective June 30, 2007, JSI Tariff F.C.C. No. 1 will govern the provision by the TDS Telecom Companies of interstate Switched Access, Special Access, Miscellaneous and Public Packet Data Network Services. The instant filing establishes rates for these services to replace the NECA Tariff F.C.C. No. 5 rates currently charged by the TDS Telecom Companies.

The filing is made in accordance with the Commission's March 29, 2007 release entitled In the Matter of July, 2007 Annual Access Charge Tariff Filings, WCB/Pricing File No. 07-10, Order, DA 07-1483, the instant filing includes proposed revised rates for the provision of the applicable Switched Access, Special Access, Miscellaneous and Public Packet Data Network services offered by the issuing carriers. Additionally, material required pursuant to In the Matter of Material to be Filed in Support of 2007 Annual Access Tariff Filings, WCB/Pricing File No. 07-11, Tariff Review Plans, DA 07-1484 is included in this filing.

The rates being filed for the TDS Telecom Companies are average rates based on the combined prospective cost and combined prospective demand for the June 30, 2007 to June 30, 2008 Test Year ("TY").

Justification for Cost Support and Rate Development

In addition to the summary information provided herein, the cost support data associated with this filing comprising, in addition to the Tariff Review Plan (TRP) schedules for the respective study areas together with a composite TRP.

In accordance with Section 61.38(b)(1)(ii) of the Commission's rules and regulations, a projection of the TDS Telecom Companies' costs has been made for the fiscal year ending June 30, 2007 (also referred to herein as the July 1, 2007-June 30, 2008 Test Year Cost of Service or "TYCOS"). The costs for the twelve (12) month period ending June 30, 2008 (TYCOS) have been based on financial estimates and projections.

TYCOS COST SUPPORT ATTACHMENTS				
Summary Development of Traffic Sensitive Revenue Requirement.......	Attach #1-CTC	Attach #1-MVT	Attach #1-OCSI	Attach #1-TTC
Part 69 - Access Charge Development.....................	Attach #2-CTC	Attach #2-MVT	Attach #2-OCSI	Attach #2-TTC
Part 36 – Separations of Costs	Attach #3-CTC	Attach #3-MVT	Attach #3-OCSI	Attach #3-TTC

In accordance with Section 61.38(b)(1)(i) of the Commission's rules and regulations, attached is a cost of service study for the most recent twelve (12) month period ending December 31, 2006, identified as follows (also referred to herein as the 2006 Prior Year Cost of Service or "PYCOS"):

PYCOS COST SUPPORT ATTACHMENTS				
Summary Development of Traffic Sensitive Revenue Requirement.......	Attach #4-CTC	Attach #4-MVT	Attach #4-OCSI	Attach #4-TTC
Part 69 - Access Charge Development.....................	Attach #5-CTC	Attach #5-MVT	Attach #5-OCSI	Attach #5-TTC
Part 36 – Separations of Costs	Attach #6-CTC	Attach #6-MVT	Attach #6-OCSI	Attach #6-TTC

Additionally, the Company has included as Attachment 7 schedules analyzing revenue impacts of the filing. Finally, Attachment 8 comprises the required certification.

2. INTERSTATE RATE DEVELOPMENT PROCESS

The Company follows the Commission's multi-step process to identify the cost of providing interstate access service by an incumbent local exchange carrier (ILEC). First, the rules require an ILEC to record all of its expenses, investments, and revenues in accordance with accounting rules set forth in the Commission's regulations [Uniform System of Accounts, Part 32 of the FCC's rules, 47 CFR §§ 32.1-.9000]. Second, the rules divide these costs between those associated with regulated telecommunications services and those associated with nonregulated activities [The Part 64 Cost Allocation Rules, 47 CFR §§ 64.901-.904]. Third, the rules determine the fraction of the incumbent LEC's regulated expenses and investment that should be allocated to the interstate jurisdiction [Part 36 of the FCC's rules, 47 CFR §§ 36.1-.741]. After the total amount of interstate cost is identified, the access charge rules translate these interstate costs into charges for the specific interstate access services and rate elements. Part 69 specifies in detail the rate structure for recovering those costs [47 CFR §§ 69.1-.612]. That is, the rules tell ILECs the precise manner in which they may assess charges on interexchange carriers and end users. The Company refers to the Part 36 and Part 69 cost studies collectively as the "cost study."

Compliance with Commission Orders

In addition to following the Commission's prescribed rules, carriers reflect various Commission orders in development of interstate access revenue requirements. Further, certain options, elections or interpretations may apply. Following is a summary of major prescriptions, elections or interpretations reflected in development of the interstate access revenue requirement and, in turn, interstate access rates for the Company.

Common Line — This filing does not include rates for the TDS Telecom Companies for Common Line rate elements such as End User Common Line charges. The TDS Telecom Companies are continuing as members of the National Exchange Carrier Association (NECA) Common Line Pool. The Company's rate pages in JSI Tariff FCC No. 1 reference NECA Tariff FCC No. 5 for Common Line Rates including End User Common Line ("EUCL"), ISDN Port, T-1 Channel Service and Federal Universal Service Charge (FUSC) rates.

Traffic Sensitive — Effective June 30, 2007, concurrent with the effective date of the proposed tariff pages, the TDS Telecom Companies will no longer be members of the NECA Traffic Sensitive Pool and thus are filing rates for Traffic Sensitive, Special Access, Miscellaneous and Public Packet Data Services as an issuing carrier for JSI Tariff FCC No. 1.

Composite Rates — The TDS Telecom Companies have pooled TYCOS projected demand and cost for development of composite rates applicable to all four study areas comprising the TDS Telecom Companies in JSI Tariff F.C.C. No. 1.

Wireline Broadband — Effective June 30, 2007, TDS Telecom has elected to provide Wireline Broadband Internet Access Service ("WBIAS') on a permissively detariffed,

Internet Access Service	common-carriage basis under Title II of the Communications Act, as Amended. 47 U.S.C § 151-161. The Company made the election pursuant to *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers*, CC Docket No. 02-33, WC Docket No. 05-271, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005), FCC 05-150 (Rel. Sep 23, 2005), (*Wireline Broadband Order*). Because WBIAS is a common-carriage service, apportionment of costs to WBIAS are based on Part 36 and Part 69. For Part 36, WBIAS plant investment is assigned to interstate. For Part 69, WBIAS plant investment is assigned to a new element in the access cost study, "WBI," along with expenses identified as WBIAS-specific and apportioned expenses. Supporting cost study and TRP materials indicate the new category WBI. The TDS Telecom Companies rate development for this filing excludes the WBIAS revenue requirement otherwise identified in the cost support. The WBIAS revenue requirement is recovered through charges to users of the WBIAS services.
Rate Development and Cost Support	The Company is a mandatory Section 61.38 filer, 47 C.F.R. § 38, and thus will make future mandatory annual filings in even-numbered years with provision to the Commission of the cost support described in Section 61.38. Section 61.38 prescribes development of rates based on TYCOS and Test Year demand. The current test year is prospective, comprising the twelve months ending June 30, 2008.
Part 36 Traffic Factors Freeze – Section 36.3(a)	The Company's Part 36 allocations reflect use of the Company's frozen traffic factors based on the 2000 separations study pursuant to Section 36.3(a) of the Commission's rules. 47 C.F.R. § 36.3(a). The Commission adopted Section 36.3(a) in the 2001 Separations Freeze Order. See *Jurisdictional Separations and Referral to the Federal-State Joint Board,* CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382, FCC 01-162 (rel. May 22, 2001). On May 16, 2006, the Commission released an Order in which it extended, on an interim basis, the freeze of Part 36 category relationships. See *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, FCC 06-70 (rel. May 16, 2006).
Part 36 Category Relationships-Section 36.3(b)	The Company has not elected to be subject to the provisions of Section 36.3(b), 47 C.F.R. § 36.3(b), which allows for assignment of costs from the Part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated Part 32 accounts for the twelve month period ending December 31, 2000.
MAG Order –	The Company uses a 30 percent factor for allocation of switching costs to the

Port Costs

common line category pursuant to paragraph 95 of the *MAG Order*. See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers,* CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613, FCC 01-304 (rel. Nov. 8, 2001) (*MAG Order*).

***MAG Order*-Transport Inter-connection Charge (TIC)**

Reallocation of the TIC has been made pursuant to Section 69.415, 47 C.F.R. § 415, in accordance with the Commission's Declaratory Ruling in DA 01-2871, released December 11, 2001. See *MAG Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Declaratory Ruling, DA 01-2871 (rel. Dec. 11, 2001).

Cash Working Capital

For cash working capital (CWC) included in net investment, the company has not changed its election under Section 65.820(d) and continues to use the currently prescribed Wireline Competition Bureau B Company standard allowance of 15 days.

The Company develops "total-company" CWC and apportions it among interstate and intrastate operations based on the basis of total expenses less non-cash expense items consistent with Section 36.182(a) of the Commission's rules. *See* 47 CFR § 36.182(a). In response to the AT&T petition respecting the 2004 JSI annual filing, JSI defended the reasonableness of the "total company" approach in its response to AT&T. See John Staurulakis, Inc. See *Petition of AT&T Corp. Addressing July 1, 2004 Annual Access Charge Tariff Filings*, WCB 04-18, (June 28, 2004) (*AT&T Petition or Petition*) and John Staurulakis, Inc. Reply, *July 1, 2004 Annual Access Charge Tariff Filings*, WCB 04-18, (June 29, 2004). The Pricing Policy Division has not addressed the "total company approach" in any of its post-filing orders respecting the 2004 annual access filing.

3. REVENUE IMPACT

A. Billed Revenue Impact

Following is a summary analysis of the billed revenue impact of the proposed rates. The data in the table is based on Attachment 7 for the combined TDS Telecom Companies. Because through June 29, 2007 the four study areas comprising the TDS Telecom Companies were participants in the NECA Traffic Sensitive Pool, actual revenues for the companies were based on actual historical cost study amounts at the NECA achieved rate of return. The decreases shown below are the impact on billings to access customers. The impact of the filing on the TDS Telecom Companies actual booked interstate revenues is presented below under comparison of TYCOS with PYCOS realized revenues.

	Current Rate(1)	Proposed Rate	Decrease in Rate	Projected TYCOS Demand (1,000s)	Revenue at Current Rate (1,000s)	Revenue at Proposed Rate (1,000s)	Decrease in Revenue	% Decrease
Local Switching per minute	$0.00589	$0.005128	-$0.000762	356,068	$ 2,097	$ 1,826	$ (271)	-13%
Info Surcharge (Per 100 Minutes)	$0.01960	$0.005688	-$0.013912	356,068	70	20	(50)	-71%
Transport					1,169	604	(565)	-48%
Total Switched Access					3,336	2,451	(885)	-27%
Special Access					7,541	4,302	(3,239)	-43%
Total Interstate Traffic Sensitive					$ 10,877	$ 6,752	$ (4,125)	-38%

(1) The current Local Switching rate is a composite of the rates charged by the TDS Telecom Companies under NECA Tariff F.C.C. No. 5's the respective NECA tiers for Local Switching to which they were assigned by NECA.

The following table serves to reconcile the Billed Revenue Impact Analysis above to the Realized Revenue Analysis following with respect to the TYCOS Switched Access revenues.

		Local Switching	Infor-mation	Local Transport	Total Switched	LSS	Total SA Less LSS
	TRP Column -->	(M)	(P)	(R)	(T)		(T) - LSS
CTC	Per TRP	1,775,691	6,840	175,056	1,957,587	1,141,628	815,959
MVT	Per TRP	559,311	1,534	166,324	727,169	395,706	331,463
OCSI	Per TRP	571,102	1,989	59,441	632,532	384,194	248,338
TTC	Per TRP	930,580	9,890	203,653	1,144,123		1,144,123
Combined	Sum	3,836,684	20,253	604,474	4,461,411	1,921,528	2,539,883
Less LSS		(1,921,528)					
Billed Access Per TRP		1,915,156	20,253	604,474	4,461,411	1,921,528	2,539,883
Less PIC Change, Other		(89,242)					
Billed Access	Per Attachment 7	$1,825,914	$20,253	$604,379			$2,450,546

B. <u>Realized Revenue Analysis</u>

			Total Interstate Access (Including LSS)	Total Common Line	Total Switched Traffic Sensitive	Special Access
		Column on TRP	(H)	(L)	(T)	(U)
	PYCOS					
1	CTC	Per TRP	$6,304,842	$2,844,336	$2,008,332	$1,452,173
2	MVT	Per TRP	3,264,730	2,191,589	789,336	283,806
3	OCSI	Per TRP	4,267,695	2,628,243	869,289	770,162
4	TTC	Per TRP	11,325,403	7,918,182	1,519,121	1,888,100
5	Combined	Sum	$25,162,670	$15,582,350	$5,186,078	$4,394,241
6	Combined	Per TRP	$25,162,670	$15,582,350	$5,186,078	$4,394,241
	TYCOS					
8	CTC	Per TRP	$6,387,660	3,315,276	1,957,587	1,114,797
9	MVT	Per TRP	3,825,203	2,407,540	727,169	690,494
10	OCSI	Per TRP	4,080,801	2,784,875	632,532	663,394
11	TTC	Per TRP	11,487,210	8,510,040	1,144,123	1,833,047
12	Combined	Sum	$25,780,874	$17,017,731	$4,461,411	$4,301,732
13	Combined	Per TRP	$25,780,779	$17,017,731	$4,461,316	$4,301,732
	TYCOS Over/(Under) PYCOS					
14	CTC	Line 8 - Line 1	$82,818	$470,940	$ (50,745)	$ (337,376)
15	% Change	Line 14/Line 1	1.31%	16.56%	-2.53%	-23.23%
16	MVT	Line 9 - Line 2	$560,473	$215,951	$ (62,167)	$406,688
17	% Change	Line 16 / Line 2	17.17%	9.85%	-7.88%	143.30%
18	OCSI	Line 10 - Line 3	$ (186,894)	$156,632	$ (236,757)	$ (106,768)
19	% Change	Line 18/ Line 4	-4.38%	5.96%	-27.24%	-13.86%
20	TTC	Line 11 - Line 4	$161,807	$591,858	$ (374,998)	$ (55,053)
21	% Change	Line 20 / Line 4	1.43%	7.47%	-24.69%	-2.92%
22	Combined	Line 12 - Line 5	$618,204	$1,435,381	$ (724,667)	$ (92,509)
23	% Change	Line 22 / Line 5	2.46%	9.21%	-13.97%	-2.11%

The above summary compares the overall interstate revenues realized for PYCOS and TYCOS. With respect to realized revenue amounts reflected in the annual filing (Switched-Traffic Sensitive and Special Access), the projected revenue for the TYCOS are <u>decreasing</u> from those for the PYCOS by 13.97% and 2.11% respectively (see Lines 22 and 23).

4. DEMAND – SWITCHED ACCESS

A. Camden Telephone & Telegraph Company ("CTT")

Traffic Sensitive switched access (SWA) demand quantities projected for the tariff period for the Camden Telephone & Telegraph Study Area were determined by initially reviewing historical SWA rate element per access line relationships for the period January 2004 through April 2007. Based on this review a representative historical period was determined on which to project future SWA demand per access line growth through the tariff period. The forecasted SWA demand per access line was then applied to forecasted company access lines to derive the SWA demand used in this filing. The projected tariff period Local Switching access minutes represent an 8.7% decrease compared to actual 2006 billed Local Switching access minutes. The main reason for this decrease is a significant downward trend in originating minutes per access line, particularly Originating 800 minutes, experienced by the company over the last year and a half.

An analysis of January – April 2007 data compared to same period 2006 shows that Originating 800 minutes per access line decreased by 11.3% while other originating minutes per access line decreased by 3.6%. Terminating minutes per access line, for these same comparison periods, showed a slight positive 0.3% growth, however the company has experienced a 1.5% reduction in terminating minutes per access line over the last eight months. The downward trend in originating and terminating minutes per access line coupled with the forecasted reductions in company access lines due to competition was carried forward into the tariff period demand forecast. This results in a tariff period 11% reduction in originating SWA demand minutes and 6.4% reduction in terminating SWA demand minutes when compared to 2006 volumes.

Overall, Camden Telephone & Telegraph Company believes the projecting decreases in switched access demand for the tariff period are representative when viewed against the reductions the company has experienced.

B. Mt. Vernon Telephone Company ("MVT")

Traffic Sensitive switched access (SWA) demand quantities projected for Mt. Vernon Telephone Company for the tariff period were determined by initially reviewing historical SWA rate element demand per access line relationships for the period January 2004 through April 2007 for each exchange of Mt. Vernon Telephone Company. Based on this review a representative historical period was determined on which to project on an individual exchange basis the future SWA demand per access line growth through the tariff period. The forecasted SWA demand per access line was then applied to forecasted exchange access lines to derive the SWA demand per exchange. The company roll up of exchange level forecasted SWA demand is used in this filing. The projected tariff period Local Switching access minutes represent an 11.7% decrease compared to actual 2006 billed Local Switching access minutes. The main reason for this decrease is a significant downward trend in both originating and terminating minutes per access line experienced by the company over the last twelve to eighteen, particularly in the largest exchange Verona which accounts for 80% of the company's SWA minutes.
An analysis of total company SWA minutes comparing January – April 2007 and 2006 actual SWA demand data shows significant decline in terminating minutes per access line.

> Originating 800 minutes per access line – Down 7.1% (Verona Exchange – Down 11.2%)
>
> Other Originating minutes per access line – Down 8.7% (Verona Exchange - Down 10.7%)
>
> Terminating minutes per access line – Down 14.6% (Verona Exchange – Down 16.8%)

More recent total company SWA data comparing January – April 2007 to September – December 2006 shows similar significant declines in access minutes per access line.

> Originating 800 minutes per access line - Down 6.3% (Verona Exchange – Down 6.5%)
>
> Other Originating minutes per access line – Down 4.6% (Verona Exchange – Down 6.1%)
>
> Terminating minutes per access line – Down 8.9% (Verona Exchange – Down 9.9%)

The downward trends in originating and terminating minutes per access line coupled with the forecasted reductions in company access lines due to competition was carried forward into the tariff period demand forecast. This results in a tariff period 10.7% reduction in originating SWA demand minutes and a 12.7% reduction in terminating SWA demand minutes when compared to 2006 volumes.

Overall, Mt. Vernon Telephone Company believes the projected decreases in switched access demand for the tariff period are representative when viewed against the reductions the company has already experienced

C. Oklahoma Communication Systems, Inc. ("OCSI")

Traffic Sensitive switched access (SWA) demand quantities projected for the tariff period for Oklahoma Communication System, Inc. were determined by initially reviewing historical historical SWA rate element demand per access line relationships for the period January 2004 through April 2007 for each exchange of Oklahoma Communication Systems, Inc. It should be noted that due to the loss of a major source of originating access minutes at end of year 2006, the historical SWA demand was adjusted to exclude those discontinued demand quantities in order to provide a representative base from which to forecast anticipated SWA demand for the tariff period. Based on exchange level review, a representative historical period was determined on which to project on an individual exchange basis the projected SWA demand per access line growth through the tariff period. The exchange level forecasted SWA demand per access line was then applied to forecasted exchange access lines to derive the SWA demand per exchange. The company roll up of exchange level forecasted SWA demand is used in this filing. The projected tariff period Local Switching access minutes represent a 7.3% decrease as compared to adjusted 2006 billed Local Switching access minutes. The main reason for this decrease is a downward trend in SWA demand per access line experienced by the company and projected through the tariff period.

An analysis of the total company SWA demand comparing January – April 2007 to same period 2006 shows a decline in originating minutes, other than for originating 800, per access line and a decrease in terminating minutes per access line:

Originating 800 minutes per access line - Up 7.1%

Other Originating minutes per access line – Down 6.0%

Terminating minutes per access line – Down 9.5%

The individual exchange trends in originating and terminating minutes per access line were multiplied by forecasted company access lines to derive exchange level tariff period SWA demand and rolled up to the total study areas demand level. This resulted in a tariff period 5.6% reduction in total originating SWA demand minutes and an 8.9% reduction in terminating SWA demand minutes, when compared to 2006 volumes.

Overall, Oklahoma Communication Systems, Inc. believes the projected decreases in switched access demand for the tariff period are representative when viewed against the overall demand trends of the company.

D. Tennessee Telephone Company ("TTC")

Traffic Sensitive switched access (SWA) demand quantities projected for the tariff period for Tennessee Telephone Company were determined by initially reviewing historical SWA rate element demand per access line relationships for the period January 2004 through April 2007 for each exchange of Tennessee Telephone Company. Based on this review a representative historical period was determined on which to project on an individual exchange basis the future SWA demand per access line growth through the tariff period. The forecasted SWA demand per access line was then applied to forecasted exchange access lines to derive the SWA demand per exchange. The company roll up of exchange level forecasted SWA demand is used in this filing. The projected tariff period Local Switching access minutes represent a 4.4% decrease as compared to actual 2006 billed Local Switching access minutes. The main reason for this decrease is a downward trend in originating SWA demand per access line experienced by the company and projected through the tariff period. The company is projecting a slight reduction in the volume of terminating SWA demand.

An analysis of the total company SWA demand comparing January – April 2007 to same period 2006 shows decline in originating minutes per access line with a modest increase in terminating minutes per access:

Originating 800 minutes per access line – Up 6.4%

Other Originating minutes per access line – Down 6.5%

Terminating minutes per access line – Up 5.1%

More recent total company data comparing January – April 2007 to September – December 2006 shows similar trends:

Originating 800 minutes per access line - Down 5.3%

Other Originating minutes per access line – Down 3.9%

Terminating minutes per access line – Up 1.3%

The individual exchange trends in originating and terminating minutes per access line were multiplied by forecasted company access lines to derive exchange level tariff period SWA demand and rolled up to the total study areas demand level. This resulted in a tariff period 7.6% reduction in total originating SWA demand minutes and a 1.2% reduction in terminating SWA demand minutes, when compared to 2006 volumes.

Overall, Tennessee Telephone Company believes the projected decreases in switched access demand for the tariff period are representative when viewed against the overall demand trends the company has already experienced.

5. DEMAND – SPECIAL ACCESS

A. Camden Telephone & Telegraph Company ("CTT") Oklahoma Communication Systems, Inc. ("OCSI") Tennessee Telephone Company ("TTC")

Special access (SPA) demand quantities for the projected tariff period were determined by review of historical end of year demand from 2004 to 2006. Based on this historical data, demand trends were developed to project end of year demand for 2007 and 2008. This projected demand was then compared to March 2007 actual demand and adjustments to demand were made when current demand deviated from the demand trend. Forecasted demand for Voice Grade and Digital Data circuits were left flat or declining as the Company believes demand for these services is diminishing. Channel Mileage Facility (CMF) forecasted demand is based on the ratio between CMF and Channel Mileage Terms (CMT) in 2006. 2007 CMF demand was calculated by multiplying the CMF/CMT ratio by the forecasted CMT demand.

Some Interexchange carriers have been inquiring about term discounts on High Capacity circuits. The Company believes that carriers will move a majority of their circuits from month to month billing to 5-year term pricing. To account for this expected shift the Company reviewed carrier specific demand for these circuits and made adjustments to the 2007 and 2008 forecasted demand.

Developing the final rate design demand was a multiple step process. First year-end (YE) 2006 demand and 2007 forecasted demand were averaged to determine demand as of July 1, 2007. Next YE 2007 and 2008 forecasted demand were averaged to determine June 30, 2008 forecasted demand. The two average amounts were then averaged to provide projected monthly demand which was then annualized to show projected demand for the tariff period.

Continuing now well into the third decade of the Commission's access regime, demand for telegraph, video and program audio remains nonexistent.

B. Mt. Vernon Telephone Company ("MVT")

Special access (SPA) demand quantities for the projected tariff period were determined by review of historical end of year demand from 2004 to 2006. Based on this historical data, demand trends were developed to project end of year demand for 2007 and 2008. This projected demand was then compared to March 2007 actual demand and adjustments to demand were made when current demand deviated from the demand trend. Forecasted demand for Voice Grade and Digital Data circuits were left flat or declining as the Company believes demand for these services is diminishing.

Some Interexchange carriers have been inquiring about term discounts on High Capacity circuits. The Company believes that carriers will move a majority of their circuits from month to month billing to 5-year term pricing. To account for this expected shift the Company reviewed carrier specific demand for these circuits and made adjustments to the 2007 and 2008 forecasted demand.

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