

**SWBT--MISSOURI**

**SUMMARY OF SUPPORT AMOUNTS PER LINE**

Exchange #	Switched Lines	Local Cost /Ln/Mo	Local Revenue /Ln/Mo	Local Support Req	IS CCL Rev/Ln/Mo	ST CCL Rev/Ln/Mo	Toll/Other Support	Support Generated	Net Support
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = b - c</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h = e + f + g</i>	<i>i = d + h</i>
28	1,890	120.30	21.17	(99.13)	1.25	0.88	1.48	3.61	(95.52)
29	277	114.05	18.81	(95.24)	0.50	1.13	0.98	2.61	(92.62)
30	473	114.40	21.30	(93.10)	1.25	0.64	1.43	3.32	(89.79)
31	405	116.92	27.35	(89.57)	1.82	0.47	1.97	4.26	(85.31)
32	442	109.94	21.66	(88.28)	1.03	1.95	1.95	4.93	(83.35)
33	1,278	106.79	22.38	(84.41)	1.37	0.71	1.57	3.65	(80.75)
34	677	104.01	20.78	(83.22)	1.08	0.71	1.22	3.01	(80.21)
35	634	105.11	20.12	(84.98)	1.74	1.34	2.17	5.25	(79.73)
36	1,014	105.17	19.66	(85.52)	1.17	3.17	2.68	7.01	(78.51)
37	630	104.12	22.63	(81.49)	1.23	0.53	1.39	3.16	(78.32)
38	1,762	106.44	25.06	(81.38)	1.34	0.66	1.69	3.68	(77.70)
39	1,778	102.33	21.50	(80.83)	1.32	0.99	1.51	3.82	(77.00)
40	712	100.19	20.59	(79.60)	1.12	0.77	1.48	3.37	(76.23)
41	615	98.90	20.02	(78.88)	0.89	1.59	1.65	4.14	(74.74)
42	2,412	97.96	19.96	(77.99)	1.20	0.81	1.39	3.39	(74.60)
43	462	97.09	21.92	(75.17)	1.08	0.49	1.23	2.80	(72.37)
44	2,546	100.41	21.82	(78.59)	1.79	1.94	2.71	6.44	(72.15)
45	837	98.15	23.70	(74.45)	1.30	0.57	1.49	3.36	(71.09)
46	3,357	95.94	21.42	(74.53)	1.20	1.02	1.68	3.90	(70.62)
47	685	96.61	23.63	(72.98)	1.31	0.55	1.46	3.32	(69.66)
48	1,073	94.17	22.42	(71.75)	1.20	0.55	1.41	3.16	(68.60)
49	885	91.55	21.68	(69.87)	1.19	1.22	1.85	4.26	(65.60)
50	2,138	95.07	25.29	(69.77)	1.54	0.79	1.95	4.28	(65.50)
51	609	95.07	26.83	(68.24)	1.06	0.55	1.32	2.93	(65.32)
52	1,972	91.96	21.99	(69.97)	1.57	1.39	2.14	5.11	(64.86)
53	828	88.12	19.13	(68.99)	1.25	1.26	1.81	4.32	(64.67)
54	2,118	90.85	23.68	(67.16)	1.12	0.90	1.52	3.54	(63.63)

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	<b>a</b>	<b>b</b>	<b>c</b>	<b>d = b - c</b>	<b>e</b>	<b>f</b>	<b>g</b>	<b>h = e + f + g</b>	<b>i = d + h</b>
55	943	87.57	19.78	(67.79)	1.72	0.98	2.12	4.82	(62.97)
56	2,419	89.61	21.60	(68.00)	0.99	2.12	1.99	5.10	(62.90)
57	425	86.61	20.88	(65.73)	1.52	0.51	1.69	3.72	(62.01)
58	2,768	87.99	21.92	(66.06)	1.63	1.01	2.03	4.67	(61.40)
59	5,234	97.82	34.75	(63.07)	1.15	0.52	1.33	3.00	(60.08)
60	4,742	84.58	21.83	(62.75)	1.28	0.74	1.46	3.48	(59.27)
61	5,993	84.26	21.54	(62.72)	1.36	1.01	1.81	4.18	(58.55)
62	541	87.06	23.84	(63.22)	1.96	1.24	2.29	5.49	(57.73)
63	1,437	81.92	21.62	(60.30)	1.02	0.68	1.18	2.88	(57.41)
64	4,732	85.65	24.65	(61.00)	1.65	1.14	2.10	4.89	(56.10)
65	1,810	78.56	19.84	(58.72)	1.24	0.71	1.46	3.40	(55.32)
66	2,730	81.73	22.87	(58.85)	1.37	0.71	1.76	3.84	(55.01)
67	898	83.23	25.07	(58.16)	1.66	0.57	1.89	4.12	(54.04)
68	921	82.88	24.36	(58.51)	1.20	1.43	2.06	4.69	(53.82)
69	4,331	79.21	22.30	(56.90)	1.10	0.71	1.29	3.11	(53.79)
70	1,089	80.44	23.71	(56.74)	1.55	0.83	1.80	4.18	(52.55)
71	1,803	79.37	22.19	(57.17)	1.56	1.07	2.02	4.64	(52.53)
72	1,259	76.04	20.74	(55.30)	0.99	0.72	1.15	2.85	(52.45)
73	5,519	80.52	23.96	(56.57)	1.46	1.00	1.74	4.20	(52.37)
74	846	76.44	20.27	(56.17)	1.65	0.79	2.01	4.44	(51.73)
75	1,312	77.06	20.82	(56.24)	1.67	0.87	1.98	4.52	(51.72)
76	889	76.12	20.10	(56.02)	1.53	1.17	2.00	4.70	(51.32)
77	1,156	75.64	20.86	(54.78)	1.34	0.68	1.51	3.54	(51.24)
78	389	78.68	24.75	(53.93)	1.33	0.45	1.51	3.30	(50.63)
79	651	75.06	21.96	(53.10)	1.93	0.47	2.12	4.51	(48.58)
80	863	71.24	19.84	(51.40)	1.25	0.80	1.46	3.51	(47.89)
81	597	73.81	22.41	(51.40)	1.49	0.46	1.65	3.59	(47.81)

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**SUMMARY OF SUPPORT AMOUNTS PER LINE**

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	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = b - c</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h = e + f + g</i>	<i>i = d + h</i>
82	6,230	80.37	26.61	(53.77)	1.96	1.63	2.71	6.30	(47.47)
83	1,824	72.73	22.47	(50.26)	1.24	0.63	1.46	3.34	(46.92)
84	2,858	71.66	21.70	(49.95)	1.27	1.00	1.67	3.94	(46.01)
85	753	71.33	23.10	(48.22)	1.15	0.43	1.30	2.88	(45.34)
86	8,178	73.50	25.11	(48.39)	1.48	0.66	1.69	3.83	(44.56)
87	2,589	69.50	21.97	(47.53)	1.47	0.51	1.66	3.64	(43.89)
88	6,435	71.85	23.86	(47.98)	1.56	0.82	1.79	4.17	(43.81)
89	1,967	73.72	22.80	(50.92)	1.93	2.08	3.10	7.11	(43.81)
90	3,642	80.22	32.78	(47.44)	1.61	0.78	1.89	4.28	(43.16)
91	1,166	73.29	26.97	(46.32)	1.19	0.66	1.53	3.38	(42.94)
92	3,218	81.04	34.75	(46.29)	1.31	0.84	1.54	3.69	(42.61)
93	8,072	74.22	24.49	(49.74)	2.28	2.29	3.43	7.99	(41.74)
94	6,596	76.57	28.62	(47.95)	2.05	1.57	2.75	6.37	(41.58)
95	7,456	69.34	25.00	(44.34)	1.08	0.57	1.29	2.94	(41.39)
96	2,773	78.16	33.59	(44.57)	1.58	0.67	1.91	4.16	(40.41)
97	879	67.51	22.38	(45.13)	2.32	0.46	2.52	5.30	(39.82)
98	3,604	72.44	24.56	(47.88)	3.64	1.66	4.13	9.43	(38.46)
99	1,071	63.23	20.87	(42.37)	1.43	1.11	2.04	4.57	(37.79)
100	9,042	68.20	26.56	(41.64)	1.60	1.07	1.90	4.57	(37.06)
101	3,406	64.20	21.89	(42.31)	1.96	1.19	2.49	5.63	(36.68)
102	1,232	60.17	20.11	(40.07)	0.99	1.02	1.38	3.39	(36.67)
103	5,992	70.69	28.73	(41.96)	2.31	1.16	2.94	6.41	(35.55)
104	2,591	64.11	23.42	(40.69)	1.91	1.01	2.27	5.19	(35.51)
105	5,622	63.75	24.14	(39.61)	1.62	1.71	2.44	5.77	(33.84)
106	3,831	58.89	23.25	(35.65)	1.35	1.10	1.57	4.03	(31.62)
107	543	73.66	33.95	(39.70)	3.46	1.23	3.94	8.63	(31.07)
108	1,137	52.69	21.49	(31.20)	1.34	0.60	1.53	3.47	(27.73)

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	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = b - c</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h = e + f + g</i>	<i>i = d + h</i>
109	6,761	79.12	43.85	(35.27)	3.19	0.85	3.63	7.67	(27.61)
110	4,184	77.01	44.93	(32.08)	1.76	0.67	2.06	4.49	(27.59)
111	1,642	59.43	25.22	(34.21)	2.39	1.18	3.06	6.63	(27.58)
112	2,008	70.86	40.47	(30.39)	1.11	0.48	1.28	2.87	(27.52)
113	5,674	56.55	23.91	(32.64)	1.88	0.86	2.38	5.13	(27.52)
114	1,694	51.06	20.01	(31.05)	1.45	1.07	1.85	4.37	(26.68)
115	1,232	50.26	22.02	(28.24)	1.18	0.45	1.36	2.99	(25.25)
116	1,136	53.47	24.44	(29.02)	1.67	0.40	1.83	3.90	(25.12)
117	1,084	56.72	28.06	(28.67)	1.43	0.77	1.81	4.01	(24.66)
118	1,255	47.34	19.89	(27.45)	1.47	0.57	1.68	3.72	(23.73)
119	5,764	55.26	27.31	(27.96)	1.61	1.29	1.96	4.87	(23.09)
120	4,116	48.66	22.10	(26.56)	1.24	0.78	1.51	3.54	(23.02)
121	4,643	60.53	34.21	(26.32)	1.64	0.74	1.90	4.28	(22.04)
122	11,148	52.70	28.25	(24.44)	1.46	0.73	1.69	3.88	(20.56)
123	5,791	48.28	24.81	(23.47)	1.43	0.52	1.63	3.58	(19.89)
124	1,377	45.68	21.65	(24.03)	1.50	0.80	1.87	4.17	(19.86)
125	7,711	51.05	25.54	(25.51)	2.15	1.12	2.57	5.83	(19.67)
126	3,088	48.90	24.29	(24.62)	2.18	0.78	2.46	5.41	(19.20)
127	8,034	50.09	24.75	(25.34)	1.88	1.83	2.77	6.47	(18.87)
128	15,027	52.62	30.42	(22.20)	1.59	0.64	1.94	4.17	(18.03)
129	3,473	44.34	22.89	(21.45)	1.67	0.69	1.91	4.27	(17.18)
130	15,304	46.76	24.48	(22.28)	1.61	1.46	2.12	5.19	(17.09)
131	2,865	42.00	21.59	(20.40)	1.31	0.54	1.50	3.35	(17.05)
132	6,721	52.70	33.01	(19.69)	1.38	0.63	1.67	3.67	(16.02)
133	9,047	46.24	25.23	(21.01)	2.17	1.14	2.64	5.96	(15.06)
134	3,051	67.97	50.31	(17.66)	0.98	0.48	1.19	2.65	(15.00)
135	6,313	44.46	25.31	(19.15)	1.60	0.84	1.86	4.30	(14.85)

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136	4,194	44.43	22.38	(22.06)	2.04	2.08	3.13	7.25	(14.81)
137	4,352	44.07	25.24	(18.83)	1.52	0.81	1.93	4.26	(14.56)
138	3,924	40.65	22.32	(18.33)	1.45	0.88	1.78	4.11	(14.22)
139	1,952	42.18	23.24	(18.94)	1.86	0.83	2.07	4.76	(14.18)
140	3,190	39.63	21.46	(18.18)	1.45	1.10	1.89	4.45	(13.73)
141	5,983	45.00	26.66	(18.34)	2.14	0.69	2.42	5.25	(13.09)
142	14,275	50.19	32.19	(17.99)	1.94	0.75	2.32	5.01	(12.98)
143	1,501	39.20	22.92	(16.28)	2.06	0.78	2.45	5.29	(11.00)
144	15,593	42.79	27.03	(15.77)	1.84	0.87	2.15	4.86	(10.90)
145	1,667	39.41	24.25	(15.16)	1.73	0.85	2.02	4.60	(10.56)
146	2,129	42.22	26.48	(15.74)	2.42	0.70	2.70	5.82	(9.93)
147	5,349	37.41	23.18	(14.24)	1.67	0.72	2.01	4.40	(9.84)
148	1,691	35.30	22.44	(12.85)	1.25	0.56	1.44	3.24	(9.61)
149	11,217	39.72	24.94	(14.79)	2.04	1.00	2.51	5.54	(9.24)
150	9,309	40.88	28.71	(12.16)	1.31	0.51	1.58	3.41	(8.75)
151	35,785	42.85	27.18	(15.67)	2.64	1.11	3.17	6.92	(8.75)
152	8,615	40.45	26.82	(13.63)	1.94	1.34	2.15	5.43	(8.19)
153	4,889	37.28	23.85	(13.42)	2.07	1.26	2.52	5.86	(7.56)
154	3,466	36.24	23.92	(12.32)	2.16	0.71	2.42	5.29	(7.03)
155	15,584	44.33	31.77	(12.56)	2.19	0.75	2.61	5.55	(7.01)
156	3,678	44.46	34.38	(10.08)	1.27	0.57	1.45	3.30	(6.78)
157	6,586	36.30	24.92	(11.38)	1.68	1.50	2.27	5.46	(5.93)
158	6,195	37.26	25.30	(11.96)	2.06	1.34	2.75	6.14	(5.82)
159	8,110	47.92	41.35	(6.57)	1.25	0.48	1.45	3.18	(3.39)
160	32,054	38.14	32.27	(5.87)	1.81	0.63	2.15	4.60	(1.27)
161	49,581	36.79	28.66	(8.12)	2.38	1.43	3.14	6.96	(1.17)
162	23,033	36.17	31.98	(4.19)	1.42	0.40	1.64	3.46	(0.73)

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163	17,402	36.16	30.40	(5.76)	1.98	0.76	2.40	5.14	(0.62)
164	35,511	30.51	26.43	(4.08)	1.67	0.71	1.93	4.31	0.23
165	23,422	35.72	31.81	(3.91)	1.84	0.77	2.25	4.86	0.95
166	25,880	38.69	32.30	(6.39)	2.96	0.93	3.46	7.35	0.97
167	13,709	38.65	37.43	(1.22)	1.18	0.48	1.35	3.02	1.80
168	13,953	45.83	42.11	(3.72)	2.43	0.75	2.68	5.87	2.15
169	18,197	32.81	30.83	(1.98)	1.80	0.41	2.03	4.23	2.26
170	22,532	32.99	29.15	(3.84)	2.42	1.12	2.69	6.23	2.39
171	52,030	35.86	31.40	(4.46)	2.37	1.48	3.15	7.00	2.54
172	16,899	30.68	29.12	(1.56)	1.91	0.67	2.27	4.85	3.29
173	7,039	28.28	28.77	0.50	1.15	0.71	1.35	3.21	3.71
174	26,254	37.01	35.86	(1.15)	2.05	0.84	2.51	5.39	4.24
175	18,729	49.58	44.80	(4.78)	3.78	1.07	4.27	9.12	4.34
176	6,895	40.49	42.86	2.37	1.18	0.44	1.39	3.01	5.38
177	5,949	26.44	27.00	0.56	1.67	1.28	2.11	5.07	5.62
178	31,058	28.74	30.51	1.77	1.52	0.59	1.82	3.93	5.69
179	34,803	26.25	29.55	3.30	1.26	0.50	1.52	3.27	6.57
180	33,578	27.46	29.69	2.23	1.75	0.62	2.07	4.44	6.67
181	37,543	25.09	28.59	3.50	1.44	0.43	1.61	3.48	6.98
182	19,305	27.83	32.02	4.19	1.48	0.39	1.68	3.54	7.73
183	12,275	23.48	25.76	2.28	1.96	1.19	2.58	5.73	8.01
184	27,494	23.95	29.17	5.23	1.18	0.30	1.34	2.82	8.04
185	22,231	20.75	26.60	5.85	1.02	0.31	1.14	2.47	8.32
186	24,819	26.26	31.03	4.78	1.63	0.48	1.82	3.92	8.70
187	11,306	33.39	36.94	3.55	2.13	0.65	2.43	5.21	8.76
188	32,310	37.49	41.60	4.11	2.11	0.68	2.44	5.23	9.34
189	47,526	26.54	32.97	6.43	1.32	0.32	1.44	3.08	9.51

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**SUMMARY OF SUPPORT AMOUNTS PER LINE**

<b>Exchange #</b>	<b>Switched Lines</b>	<b>Local Cost /Ln/Mo</b>	<b>Local Revenue /Ln/Mo</b>	<b>Local Support Req</b>	<b>IS CCL Rev/Ln/Mo</b>	<b>ST CCL Rev/Ln/Mo</b>	<b>Toll/Other Support</b>	<b>Support Generated</b>	<b>Net Support</b>
	<b>a</b>	<b>b</b>	<b>c</b>	<b>d = b - c</b>	<b>e</b>	<b>f</b>	<b>g</b>	<b>h = e + f + g</b>	<b>i = d + h</b>
190	45,563	21.98	29.12	7.14	1.36	0.39	1.57	3.32	10.46
191	8,299	22.57	26.85	4.28	1.91	1.93	2.97	6.80	11.08
192	47,805	17.60	26.93	9.32	1.04	0.29	1.15	2.47	11.79
193	34,917	30.12	36.56	6.44	2.35	0.64	2.58	5.57	12.01
194	25,907	25.77	34.01	8.24	1.88	0.63	2.20	4.71	12.95
195	31,501	24.05	33.15	9.10	1.71	0.48	1.89	4.08	13.18
196	44,028	23.95	33.78	9.83	1.95	0.61	2.29	4.85	14.68
197	40,980	27.01	36.46	9.45	2.28	0.61	2.59	5.48	14.93
198	50,645	33.75	41.60	7.85	3.08	0.79	3.39	7.26	15.11
199	27,336	32.60	40.85	8.25	2.92	0.82	3.30	7.04	15.29
200	38,515	24.39	34.08	9.69	2.38	0.66	2.66	5.69	15.38
201	12,499	17.41	27.65	10.24	2.14	0.93	2.39	5.45	15.69
202	8,737	39.44	48.96	9.52	3.29	0.97	3.75	8.00	17.52
203	39,159	19.52	33.51	13.99	1.60	0.40	1.78	3.79	17.77
204	32,306	25.12	38.57	13.45	1.79	0.63	2.08	4.51	17.95
205	48,750	23.86	36.63	12.78	2.54	0.58	2.77	5.89	18.67
206	41,318	28.65	40.31	11.67	3.20	0.79	3.60	7.59	19.26
207	45,934	36.19	47.30	11.11	3.56	0.97	3.82	8.34	19.45
208	28,188	17.54	32.20	14.66	2.19	0.56	2.47	5.22	19.88
209	18,585	21.92	37.14	15.22	2.20	0.45	2.39	5.04	20.26
210	38,038	21.62	39.41	17.80	2.49	0.76	2.91	6.17	23.96
211	34,140	14.77	39.06	24.28	1.81	1.97	2.83	6.61	30.90
212	46,854	25.93	50.16	24.23	4.14	1.66	4.93	10.73	34.96

# MISSOURI - SUMMARY OF SUPPORT WHICH MAY BE LOST DUE TO FCC INTERCONNECTION ORDER

	<u>Missouri</u>
1. Support from other (primarily toll and access) services to maintain reasonable local rates	\$205M *
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.	\$ 33M
3. Amounts within average access rates to support reasonable rate levels in high cost areas.	\$ 55M
4. Support within local services	
- Business to Residence	Not Analyzed
- Vertical svcs to Basic svcs	\$135M

*		Missouri
Interstate		\$ 54M
Intrastate		\$ 151M



## **PROXY COST MODELS ARE UNNECESSARY** **AND INAPPROPRIATE**

**UNIVERSAL SERVICE SUPPORT SHOULD BE EVALUATED BASED ON ACTUAL COSTS FOR LOCAL EXCHANGE NETWORK ACCESS AND THE REVENUES WHICH SUPPORT THESE COSTS. PROXY MODELS PRODUCE HYPOTHETICAL COSTS UNRELATED TO THE ACTUAL COSTS AND REVENUES TO PROVIDE NETWORK ACCESS.**

- Models are not based on real world experience. They produce costs for a hypothetical network which will never be built (and very likely could not be built at the TSLRIC proxy cost) and which will never process a call.
- Models are continuously being revised to incorporate new assumptions, correct errors, etc. When are they correct?
- Models are built on differing sets of inappropriate assumptions about network architecture, network technology, costs to be included, etc.
- Different models (U.S. West Benchmark Cost Model, Hatfield Model, Pacific Bell Cost Proxy Model) produce different results. Each model overstates or understates the necessary costs to deploy a universally available network.

# **PROXY COST MODELS ARE UNNECESSARY** **AND INAPPROPRIATE**

(continued)

**PROXIES NEED TO REASONABLY REPLICATE VARIATIONS IN ACTUAL COST FROM STATE TO STATE, WIRE CENTER TO WIRE CENTER, AND BETWEEN COMPANIES.**

- Models do not accomplish this result.
- Before they can be used, they should reasonably replicate actual costs.

**PROXIES MISASSIGN COSTS TO EXISTING LECS.**

- The priceouts use census blocks which do not conform to ownership.

## WHICH COST IS RIGHT ?

LOCAL EXCHANGE COSTS	Actual Costs (per loop, per month)	WHICH COST IS RIGHT ?							
		Hatfield Models				Benchmark Cost Models			California Cost Proxy Model (per line, per month)
		Original (per household, per month)	AT&T Version 2.2 Release 1 (per line, per month)	MCI Version 2.2 Release 1 (per line, per month)	AT&T Version 2.2 Release 2 (per line, per month)	BCM (per household, per month)		BCM2 (per line, per month)	
Expenses based on ARMIS	Hatfield					Expenses based on ARMIS			
Nationwide		\$21.36				\$23.04	\$16.71	\$29.98	
SWBT - Arkansas	\$39.59					\$24.40	\$17.69	\$34.24	
TOTAL - Arkansas			\$21.76	\$20.82		\$33.56	\$24.34	\$40.97	
SWBT - Kansas	\$35.27				\$20.99	\$23.23	\$16.85	\$29.28	
TOTAL - Kansas			\$20.02	\$19.19		\$33.01	\$23.94	\$35.37	
SWBT - Missouri	\$36.83					\$20.66	\$14.98	\$28.11	
TOTAL - Missouri			\$19.15	\$18.34		\$28.43	\$20.61	\$34.17	
SWBT - Oklahoma	\$36.05					\$19.38	\$14.05	\$30.60	
TOTAL - Oklahoma			\$19.62	\$18.77		\$26.59	\$19.29	\$35.06	
SWBT - Texas	\$37.03				\$15.41	\$20.73	\$15.03	\$27.25	\$34.00 EST.
TOTAL - Texas			\$16.11	\$15.41		\$25.14	\$18.23	\$29.98	
	1993 Data from USF Data Submission of September, 1995; SWBT Wire Center Study of October, 1995	MCI Hatfield Study July, 1994	AT&T Filing 7/3/96 CC Dkt No. 96-98	MCI Filing 7/7/96 CC Docket Nos. 96-45 & 96-98	AT&T Filing 8/5/96 Kansas Docket No. 190,492-U; AT&T Filing 8/19/96 Texas Dkt # 16226	Joint Sponsors (US West/SPRINT /NYNEX/MCI), 12/1/95 Filing in CC Docket No. 80-286 and SWBT Ex Parte Dated 2/22/96 (default input & output values)	US West/Sprint Ex Parte, 7/3/96 CC Docket No. 96-45 (default input & output values)	reference: Pacific Telesis Filing, 6/3/96 CC Docket No. 96-45; also Data Request response due 8/15/96	

# **HATFIELD/TSLRIC MODEL IS INAPPROPRIATE AND SUBSTANTIALLY UNDERSTATES ACTUAL COSTS**

## **COMPLETE INFORMATION ON MODEL HAS NOT BEEN READILY AVAILABLE.**

- Original Hatfield model provided only nationwide results.
- Later, Hatfield Version 2.2, Release 1 produced only a total state result.
- The newest version, Hatfield Version 2.2, Release 2, was filed by AT&T on August 27, 1996 in FCC Docket 96-45. The model, its results and assumptions are currently being analyzed by SWBT.

## **INVESTMENT IS SUBSTANTIALLY UNDERSTATED.**

- Network elements necessary to provide service are omitted.
  - ▶ The model excludes investments related to motor vehicles and work equipment, and investments associated with plant under construction and materials & supplies.
  - ▶ The model only identifies land and building costs for switching-related facilities. The model excludes necessary land and building costs (for central office circuit facilities, etc.).
  - ▶ The BCM model, which the Hatfield model uses, to this point has omitted the cable connection costs from the distribution plant to the customer's house (the drop). AT&T claims that in their latest version presumably filed with the FCC (which is unavailable to SWBT for analysis), drop costs are included. It is unclear, consequently, if an appropriate amount is included. Exclusion of these costs could amount to approximately \$400 million in investment for SWBT in Missouri.

**HATFIELD/TSLRIC MODEL IS INAPPROPRIATE**  
**AND SUBSTANTIALLY UNDERSTATES**  
**ACTUAL COSTS**  
(continued)

- **Costs for installation and support structures are understated. For instance, in reality, trenching cost is essentially the same for large, medium, and small cable sizes. The model loads an average trenching cost per cable pair, understating the placement costs of SWBT's cables.**
- **The Hatfield model relies on the Benchmark Cost Model (BCM) for various elements including fill or capacity utilization. The fill factors are not realistic and can and have been utilized to understate investment in the Hatfield model. Release 2.2 of the Hatfield model used a lower fill factor than the BCM, resulting in higher investment. Finally, the model has not been updated with the latest BCM2 fill which would substantially raise investments.**
- **The model uses a very conservative rate of return --- well below (125 basis points) the authorized 11.25% federal return.**
- **The capital recovery assumptions in the model are incorrect. The model does not account for replacement of plant which understates net investment and the related capital costs (depreciation, return and income taxes).**
- **The model relies on incorrect input assumptions. For instance, the model assigns entire CBG costs to one LEC, when in fact CBGs are often served by different LECs, and costs should be split among LECs.**

**HATFIELD/TSLRIC MODEL IS INAPPROPRIATE**  
**AND SUBSTANTIALLY UNDERSTATES**  
**ACTUAL COSTS**  
(continued)

**EXPENSES ARE SUBSTANTIALLY UNDERSTATED.**

- Maintenance and depreciation expense are calculated based on investment levels. Because investments are understated, the expenses are understated.
- Release 2.2 of the model excludes customer service expenses from its cost calculation, even though customers (including competitors) would still have to order service, inquire about bills, etc.
- The model excludes marketing expenses even though these expenses are required by the Federal Act to advertise the availability of universal services.

**SOUTHWESTERN BELL TELEPHONE COMPANY—MISSOURI**  
**LOCAL EXCHANGE COSTS (SWITCHED SERVICES)**  
**COMPARISON OF HATFIELD MODEL VER 2.2 RELEASE 1 COSTS WITH SWBT 1995 ACTUAL COSTS**

	TOTAL EXCLUDING PRIVATE LINE	TOTAL LOCAL	LOOP	SWITCH	TRANSPORT
<b>Direct Facility Invest.</b>					
2	COE	(326,443,833)	(221,190,824)	(126,196,350)	20,943,341
3	C&WF	(1,016,761,185)	(977,907,510)	NA	(38,853,675)
4	IOT	0	NA	NA	0
5	Operator Systems	(10,938,195)	NA	(10,938,195)	0
6	Total Direct Facility Investment	(1,390,606,201)	(1,235,561,323)	(137,134,545)	(17,910,334)
7	COE Reserves	(98,656,127)	(82,701,210)	(25,288,289)	9,333,372
8	C&WF Reserves	(476,671,299)	(463,895,728)	NA	(12,775,570)
9	IOT Reserves	0	NA	NA	0
10	Oper Sys Reserves	(3,818,139)	NA	(3,818,139)	0
11	COE Deferred Taxes	(179,633,813)	(51,685,525)	(111,789,432)	(16,158,856)
12	C&WF Deferred Taxes	(126,187,550)	(120,061,968)	NA	(6,125,582)
13	IOT Deferred Taxes	0	NA	NA	0
14	Oper Sys Deferred Taxes	(1,708,367)	NA	(1,708,367)	0
15	Total Direct Facility Reserves	(918,947,904)	(750,617,041)	(142,604,227)	(25,726,636)
16	Net Investment	(471,658,297)	(484,944,282)	5,469,682	7,816,303
17	<b>Direct Return and Tax</b>	<b>(96,303,174)</b>	<b>(90,923,748)</b>	<b>(6,628,906)</b>	<b>249,480</b>
<b>Direct Facility Exp.</b>					
18	COE Maint.	(27,983,677)	(5,821,371)	(24,293,654)	2,131,347
19	C&WF Maint.	64,961,372	67,023,041	NA	(2,061,669)
20	IOT Maint.	0	NA	NA	0
21	OS Maint.	(840,582)	NA	(840,582)	0
22	COE Depreciation	(45,720,202)	(18,308,048)	(25,603,769)	(1,808,385)
23	C&WF Depreciation	(54,586,204)	(53,919,569)	NA	(666,635)
24	IOT Depreciation	0	NA	NA	0
25	OS Depreciation	(776,697)	NA	(776,697)	0
26	Network Operations	(22,725,187)	(20,063,867)	(3,048,799)	387,479
27	Property Tax				
28	<b>Total Direct Expense</b>	<b>(136,496,182)</b>	<b>(64,929,295)</b>	<b>(65,651,149)</b>	<b>(6,915,738)</b>
29	<b>Total Direct Cost</b>	<b>(232,799,356)</b>	<b>(155,853,043)</b>	<b>(71,280,055)</b>	<b>(5,666,258)</b>
<b>Customer Service Related Expense</b>					
30	Customer Service Exp. (1)	(58,728,955)	(42,442,006)	(12,451,537)	(3,835,412)
31	Operator Services (1)	(24,698,115)	(17,848,735)	(5,236,420)	(1,612,960)
32	<b>Total Customer Services Expenses</b>	<b>(83,427,070)</b>	<b>(60,290,741)</b>	<b>(17,687,957)</b>	<b>(6,448,372)</b>
<b>Network and Service Support Investments</b>					
33	Gen. Sup. Fac. Inv.	(588,568,726)	(519,784,706)	(54,605,198)	(14,178,822)
34	Oth. Investment	(56,278,360)	(44,210,094)	(8,529,571)	(3,538,695)
35	Gen. Sup.-Def. Taxes	(100,090,797)	(73,459,306)	(20,697,682)	(5,933,809)
36	GSF Reserves	(118,448,117)	(123,161,341)	(467,891)	5,181,115
37	Other Reserves	(5,938,786)	(4,343,136)	(1,194,392)	(401,258)
38	Net Investment	(420,369,386)	(363,031,018)	(40,774,804)	(16,563,565)
39	<b>Support Investment Return and Tax</b>	<b>(71,848,472)</b>	<b>(60,263,781)</b>	<b>(7,969,677)</b>	<b>(3,725,014)</b>
<b>Network and Service Support Expenses</b>					
40	Depreciation (GSF)	(37,920,357)	(32,137,607)	(4,029,286)	(1,753,465)
41	Amortization	(4,785,314)	(3,499,583)	(962,409)	(323,322)
42	GSF Expenses	16,463,357	12,458,870	3,059,310	945,177
43	Other	(3,091,947)	(2,268,672)	(638,100)	(185,175)
44	Other Taxes	15,988,570	10,191,168	3,632,901	2,164,501
45	<b>Total Support Expenses</b>	<b>(13,345,691)</b>	<b>(15,255,824)</b>	<b>1,062,417</b>	<b>647,716</b>
<b>Common Costs</b>					
46	Marketing	(23,279,585)	(16,823,597)	(4,935,668)	(1,520,320)
47	Corporate	(40,579,791)	(31,575,224)	(8,496,578)	(507,988)
48	<b>Total Common Costs</b>	<b>(63,859,376)</b>	<b>(48,398,821)</b>	<b>(13,432,246)</b>	<b>(2,028,308)</b>
49	<b>Total Costs</b>	<b>(466,379,963)</b>	<b>(340,062,211)</b>	<b>(109,297,519)</b>	<b>(16,020,235)</b>

**SOUTHWESTERN BELL TELEPHONE COMPANY—MISSOURI**  
**LOCAL EXCHANGE COSTS (SWITCHED SERVICES)**  
**COMPARISON OF HATFIELD MODEL VER 2.2 RELEASE 1 COSTS WITH SWBT 1996 ACTUAL COSTS**

	HATFIELD	SWBT	DIFFERENCE
<b>Direct Facility Invest.</b>			
2 COE	772,590,262	1,099,034,095	(326,443,833)
3 C&WF	606,769,695	1,623,530,880	(1,016,761,185)
4 IOT	38,576,200	75,039,189	(36,462,989)
5 Operator Systems	0	10,938,195	(10,938,195)
6 Total Direct Facility Investment	1,417,936,158	2,808,542,359	(1,390,606,201)
7 COE Reserves	315,663,602	414,319,729	(98,656,127)
8 C&WF Reserves	214,442,005	691,113,304	(476,671,299)
9 IOT Reserves	18,738,464	41,755,355	(23,016,891)
10 Oper Sys Reserves	0	3,818,139	(3,818,139)
11 COE Deferred Taxes	0	179,633,813	(179,633,813)
12 C&WF Deferred Taxes	0	126,187,550	(126,187,550)
13 IOT Deferred Taxes	0	9,255,719	(9,255,719)
14 Oper Sys Deferred Taxes	0	1,708,367	(1,708,367)
15 Total Direct Facility Reserves	548,844,072	1,467,791,976	(918,947,904)
16 Net Investment	869,092,086	1,340,750,383	(471,658,297)
<b>17 Direct Return and Tax</b>	<b>120,305,170</b>	<b>218,646,859</b>	<b>(98,341,689)</b>
<b>Direct Facility Exp.</b>			
18 COE Maint.	23,517,983	51,501,860	(27,983,877)
19 C&WF Maint.	165,606,094	100,644,722	64,961,372
20 IOT Maint.	32,436,533	24,167,753	8,268,780
21 OS Maint.	0	840,582	(840,582)
22 COE Depreciation	51,180,253	96,900,455	(45,720,202)
23 C&WF Depreciation	26,445,107	81,031,311	(54,586,204)
24 IOT Depreciation	4,286,244	5,770,891	(1,484,647)
25 OS Depreciation	0	776,697	(776,697)
26 Network Operations	58,689,208	81,414,395	(22,725,187)
27 Property Tax	0	55,609,139	(55,609,139)
28 Total Direct Expense	362,161,423	498,657,606	(136,496,182)
<b>29 Total Direct Cost</b>	<b>482,466,593</b>	<b>717,304,464</b>	<b>(234,837,871)</b>
<b>Customer Service Related Expense</b>			
30 Customer Service Exp. (1)	0	58,728,955	(58,728,955)
31 Operator Services (1)	0	24,698,115	(24,698,115)
<b>32 Total Customer Services Expenses</b>	<b>0</b>	<b>83,427,069</b>	<b>(83,427,069)</b>
<b>Network and Service Support Investments</b>			
33 Gen. Sup. Fac. Inv.	268,955,188	857,523,914	(588,568,726)
34 Oth. Investment	0	56,278,360	(56,278,360)
35 Gen. Sup.-Def. Taxes	0	100,090,797	(100,090,797)
36 GSF Reserves	136,786,018	255,234,135	(118,448,117)
37 Other Reserves	0	5,938,786	(5,938,786)
38 Net Investment	132,169,170	552,538,556	(420,369,386)
<b>39 Support Investment Return and Tax</b>	<b>20,196,888</b>	<b>90,106,844</b>	<b>(69,909,956)</b>
<b>Network and Service Support Expenses</b>			
40 Depreciation (GSF)	12,921,738	50,842,095	(37,920,357)
41 Amortization	0	4,785,314	(4,785,314)
42 GSF Expenses	(1,104,628)	(17,567,984)	16,463,356
43 Other	0	3,091,947	(3,091,947)
44 Other Taxes	27,804,995	11,816,425	15,988,570
<b>45 Total Support Expenses</b>	<b>39,622,105</b>	<b>62,967,795</b>	<b>(13,345,690)</b>
<b>Common Costs</b>			
46 Marketing	0	23,279,585	(23,279,585)
47 Corporate	54,166,028	94,745,819	(40,579,791)
<b>48 Total Common Costs</b>	<b>54,166,028</b>	<b>118,025,404</b>	<b>(63,859,376)</b>
<b>49 Total Costs</b>	<b>596,451,614</b>	<b>1,061,831,577</b>	<b>(465,379,963)</b>

**SOUTHWESTERN BELL TELEPHONE COMPANY—MISSOURI  
LOCAL EXCHANGE COSTS (SWITCHED SERVICES)  
HATFIELD MODEL VER 2.2 RELEASE 1 RESULTS**

	TOTAL EXCLUDING PRIVATE LINE	TOTAL LOCAL	LOOP	SWITCH	TRANSPORT
<b>Direct Facility Invest.</b>					
2	COE	772,590,262	210,748,650	422,847,655	138,993,957
3	C&WF	606,769,695	566,811,547	NA	39,958,148
4	IOT	38,576,200	38,576,200	NA	NA
5	Operator Systems	0	NA	0	NA
6	<b>Total Direct Facility Investment</b>	<b>1,417,936,158</b>	<b>816,136,397</b>	<b>422,847,655</b>	<b>178,952,105</b>
7	COE Reserves	315,663,602	99,573,337	159,030,159	57,060,106
8	C&WF Reserves	214,442,005	193,668,538	NA	20,773,468
9	IOT Reserves	18,738,464	18,738,464	NA	NA
10	Oper Sys Reserves	0	NA	0	NA
11	COE Deferred Taxes	0	0	0	0
12	C&WF Deferred Taxes	0	0	NA	0
13	IOT Deferred Taxes	0	0	NA	NA
14	Oper Sys Deferred Taxes	0	NA	0	NA
15	<b>Total Direct Facility Reserves</b>	<b>548,844,072</b>	<b>311,980,339</b>	<b>159,030,159</b>	<b>77,833,574</b>
16	Net Investment	869,092,086	504,156,058	263,817,496	101,118,532
17	<b>Direct Return and Tax</b>	<b>120,305,170</b>	<b>68,970,229</b>	<b>36,091,113</b>	<b>15,243,828</b>
<b>Direct Facility Exp.</b>					
18	COE Maint.	23,517,983	5,748,207	11,544,332	6,225,443
19	C&WF Maint.	165,606,094	162,782,119	0	2,823,975
20	IOT Maint.	32,436,533	32,436,533	NA	NA
21	OS Maint.	0	NA	NA	NA
22	COE Depreciation	51,180,253	21,074,865	21,289,947	8,815,441
23	C&WF Depreciation	26,445,107	23,178,201	0	3,266,906
24	IOT Depreciation	4,286,244	4,286,244	NA	NA
25	OS Depreciation	0	NA	NA	NA
26	Network Operations	58,689,208	39,411,016	13,184,039	6,094,153
27	Property Tax	0			
28	<b>Total Direct Expense</b>	<b>362,161,423</b>	<b>288,917,186</b>	<b>46,018,318</b>	<b>27,225,919</b>
29	<b>Total Direct Cost</b>	<b>482,466,593</b>	<b>357,887,415</b>	<b>82,109,431</b>	<b>42,469,747</b>
<b>Customer Service Related Expense</b>					
30	Customer Service Exp. (1)	0	0	0	0
31	Operator Services (1)	0	0	0	0
32	<b>Total Customer Services Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Network and Service Support Investments</b>					
33	Gen. Sup. Fac. Inv.	268,955,188	109,574,974	122,721,360	36,658,854
34	Oth. Investment	0	0	0	0
35	Gen. Sup.-Def. Taxes	0	0	0	0
36	GSF Reserves	136,786,018	64,161,801	52,311,734	20,312,483
37	Other Reserves	0	0	0	0
38	Net Investment	132,169,170	45,413,172	70,409,626	16,346,371
39	<b>Support Investment Return and Tax</b>	<b>20,196,988</b>	<b>7,830,183</b>	<b>10,606,787</b>	<b>1,759,918</b>
<b>Network and Service Support Expenses</b>					
40	Depreciation (GSF)	12,921,738	5,176,763	6,484,303	1,260,671
41	Amortization	0	0	0	0
42	GSF Expenses	(1,104,628)	(434,743)	(573,557)	(96,328)
43	Other	0	0	0	0
44	Other Taxes	27,804,995	18,877,029	6,105,690	2,822,276
45	<b>Total Support Expenses</b>	<b>39,622,105</b>	<b>23,619,049</b>	<b>12,016,436</b>	<b>3,986,620</b>
<b>Common Costs</b>					
46	Marketing	0	0	0	0
47	Corporate	54,166,028	37,961,261	11,095,820	5,108,948
48	<b>Total Common Costs</b>	<b>54,166,028</b>	<b>37,961,261</b>	<b>11,095,820</b>	<b>5,108,948</b>
49	<b>Total Costs</b>	<b>596,451,614</b>	<b>427,297,907</b>	<b>115,828,473</b>	<b>63,325,234</b>

\* Property Tax not identifiable in study, probably included in other taxes.

**SOUTHWESTERN BELL TELEPHONE COMPANY—MISSOURI**  
**LOCAL EXCHANGE COSTS (SWITCHED SERVICES)**  
**MISSOURI 1995 WIRE CENTER COST STUDY**

	TOTAL EXCLUDING PRIVATE LINE	TOTAL LOCAL	LOOP	SWITCH	TRANSPORT
<b>Direct Facility Invest.</b>					
2	COE	1,099,034,095	431,939,474	549,044,005	118,050,616
3	C&WF	1,623,530,880	1,544,719,057	NA	78,811,823
4	IOT	75,039,189	75,039,189	NA	NA
5	Operator Systems	10,938,195	NA	10,938,195	NA
6	Total Direct Facility Investment	2,808,542,359	2,051,697,720	559,982,200	196,862,439
7	COE Reserves	414,319,729	182,274,547	184,318,448	47,726,734
8	C&WF Reserves	691,113,304	657,564,266	NA	33,549,038
9	IOT Reserves	41,755,355	41,755,355	NA	NA
10	Oper Sys Reserves	3,818,139	NA	3,818,139	NA
11	COE Deferred Taxes	179,633,813	51,685,525	111,789,432	16,158,856
12	C&WF Deferred Taxes	126,187,550	120,061,968	NA	6,125,582
13	IOT Deferred Taxes	9,255,719	9,255,719	NA	NA
14	Oper Sys Deferred Taxes	1,708,367	NA	1,708,367	NA
15	Total Direct Facility Reserves	1,467,791,976	1,062,597,380	301,634,386	103,560,210
16	Net Investment	1,340,750,383	989,100,340	258,347,814	93,302,229
17	<b>Direct Return and Tax</b>	<b>218,646,859</b>	<b>159,893,977</b>	<b>41,720,019</b>	<b>14,994,348</b>
<b>Direct Facility Exp.</b>					
18	COE Maint.	51,501,660	11,569,578	35,837,986	4,094,096
19	C&WF Maint.	100,644,722	95,759,078	NA	4,885,644
20	IOT Maint.	24,167,753	24,167,753	NA	NA
21	OS Maint.	840,582	NA	840,582	NA
22	COE Depreciation	96,900,455	39,382,913	46,893,716	10,623,826
23	C&WF Depreciation	81,031,311	77,097,770	NA	3,933,541
24	IOT Depreciation	5,770,891	5,770,891	NA	NA
25	OS Depreciation	776,697	NA	776,697	NA
26	Network Operations	81,414,395	59,474,883	16,232,838	5,706,674
27	Property Tax	55,609,139	40,623,615	11,087,648	3,897,876
28	<b>Total Direct Expense</b>	<b>498,657,605</b>	<b>353,846,481</b>	<b>111,669,467</b>	<b>33,141,667</b>
29	<b>Total Direct Cost</b>	<b>717,304,464</b>	<b>513,740,458</b>	<b>153,389,486</b>	<b>48,136,005</b>
<b>Customer Service Related Expense</b>					
30	Customer Service Exp. (1)	58,728,955	42,442,006	12,451,537	3,835,412
31	Operator Services (1)	24,698,115	17,848,735	5,236,420	1,612,960
32	<b>Total Customer Services Expenses</b>	<b>83,427,069</b>	<b>60,290,741</b>	<b>17,687,957</b>	<b>6,448,372</b>
<b>Network and Service Support Investments</b>					
33	Gen. Sup. Fac. Inv.	857,523,914	629,359,680	177,326,558	50,837,676
34	Oth. Investment	56,278,360	44,210,094	8,529,571	3,538,695
35	Gen. Sup.-Def. Taxes	100,090,797	73,459,306	20,697,682	5,933,809
36	GSF Reserves	255,234,135	187,323,142	52,779,625	15,131,368
37	Other Reserves	5,938,786	4,343,136	1,194,392	401,258
38	Net Investment	552,538,556	408,444,190	111,184,430	32,909,936
39	<b>Support Investment Return and Tax</b>	<b>90,106,844</b>	<b>68,093,964</b>	<b>18,566,464</b>	<b>6,484,932</b>
<b>Network and Service Support Expenses</b>					
40	Depreciation (GSF)	50,842,095	37,314,370	10,513,589	3,014,136
41	Amortization	4,785,314	3,499,583	962,409	323,322
42	GSF Expenses	(17,567,984)	(12,893,613)	(3,632,867)	(1,041,505)
43	Other	3,091,947	2,268,672	638,100	185,175
44	Other Taxes	11,816,425	8,685,861	2,472,789	657,775
45	<b>Total Support Expenses</b>	<b>62,967,795</b>	<b>38,874,873</b>	<b>10,954,019</b>	<b>3,138,904</b>
<b>Common Costs</b>					
46	Marketing	23,279,585	16,823,597	4,935,668	1,520,320
47	Corporate	94,745,819	69,536,485	19,592,398	5,616,936
48	<b>Total Common Costs</b>	<b>118,025,404</b>	<b>86,360,082</b>	<b>24,528,066</b>	<b>7,137,256</b>
49	<b>Total Costs</b>	<b>1,061,831,577</b>	<b>767,360,118</b>	<b>226,126,992</b>	<b>69,345,469</b>

Unit Cost by Network Element

Missouri

SOUTHWESTERN BELL - MO

A. Loop elements

	0 - 5	5 - 200	200 - 850	850 - 850	850 - 2550	> 2550	Totals
<b>Loop Distribution</b>							
Annual Cost	\$ 10,499,628	\$ 89,874,139	\$ 58,270,454	\$ 19,125,523	\$ 147,132,260	\$ 71,827,322	\$ 396,529,326
Units	25,700	408,542	397,780	144,215	1,195,388	643,380	2,812,984
Unit Cost/month	\$ 34.05	\$ 18.42	\$ 12.21	\$ 11.05	\$ 10.26	\$ 9.28	\$ 11.75
<b>Loop Concentration</b>							
Annual Cost	\$ 2,938,877	\$ 20,288,318	\$ 14,418,790	\$ 4,285,941	\$ 25,332,570	\$ 7,361,840	\$ 74,606,134
Units	25,700	408,542	397,780	144,215	1,195,388	643,380	2,812,984
Unit Cost/month	\$ 9.53	\$ 4.15	\$ 3.02	\$ 2.48	\$ 1.77	\$ 0.95	\$ 2.21
<b>Loop Feeder</b>							
Annual Cost	\$ 587,848	\$ 3,194,361	\$ 2,381,887	\$ 929,988	\$ 11,850,711	\$ 7,631,528	\$ 26,376,123
Units	25,700	408,542	397,780	144,215	1,195,388	643,380	2,812,984
Unit Cost/month	\$ 1.91	\$ 0.85	\$ 0.50	\$ 0.54	\$ 0.81	\$ 0.99	\$ 0.78
<b>Total Loop</b>							
Annual Cost	\$ 14,026,953	\$ 113,336,816	\$ 75,071,131	\$ 24,341,452	\$ 184,115,540	\$ 86,820,690	\$ 497,511,593
Units	25,700	408,542	397,780	144,215	1,195,388	643,380	2,812,984
Unit Cost/month	\$ 45.48	\$ 23.23	\$ 15.73	\$ 14.07	\$ 12.84	\$ 11.22	\$ 14.74
<b>Total lines</b>	25,700	408,542	397,780	144,215	1,195,388	643,380	2,812,984
<b>Total lines served by DLC</b>	25,700	382,098	278,758	82,397	485,442	135,555	1,389,949

	Annual Cost	Units	Unit Cost
<b>End office switching</b>	\$ 119,824,883		
1. Port	\$ 35,947,389	2,284,835 switched lines	\$ 1.32 per line/month
2. Usage	\$ 83,877,264	39,498,811,389 minutes	\$ 0.0021 per minute
<b>Signaling network elements</b>	\$ 12,170,810		
links	\$ 102,645	link	\$ 19.09 per link per month
STP	\$ 10,461,718	3,620,952,112 TCAP + ISUP messages	\$ 0.00289 per message
SCP	\$ 1,606,447	201,149,200 TCAP messages	\$ 0.00799 per message
<b>Transport network elements</b>			
1. Dedicated	\$ 112,944,888	712,848 trunks	\$ 13.21 per DS-0 equivalent/month
Switched	\$ 26,070,629	164,498	
Special	\$ 86,874,039	548,150	
2. Common	\$ 12,981,152	2,520,851,122 minutes	\$ 0.00528 per minute per leg (orig or term)
3. Tandem switch inv	\$ 3,781,801	2,140,824,776 minutes	\$ 0.0018 per minute
<b>Operator systems</b>	\$ 7,342,807	n/a	
<b>Total</b>	\$ 749,543,857		
<b>Total wholesale cost per switched line</b>	\$ 21.44		

From AT&T  
 Comments filed  
 7/3/96 in FCC  
 Docket No. 96-98

Tab 3, Page 11

## **U.S. WEST BENCHMARK (BCM) OR THE BCM2 MODELS ARE INAPPROPRIATE AND MISSTATE ACTUAL COSTS**

**DESPITE THEIR CLAIMS, NEITHER MODEL ACTUALLY USE CENSUS BLOCK GROUPS (CBGs).**

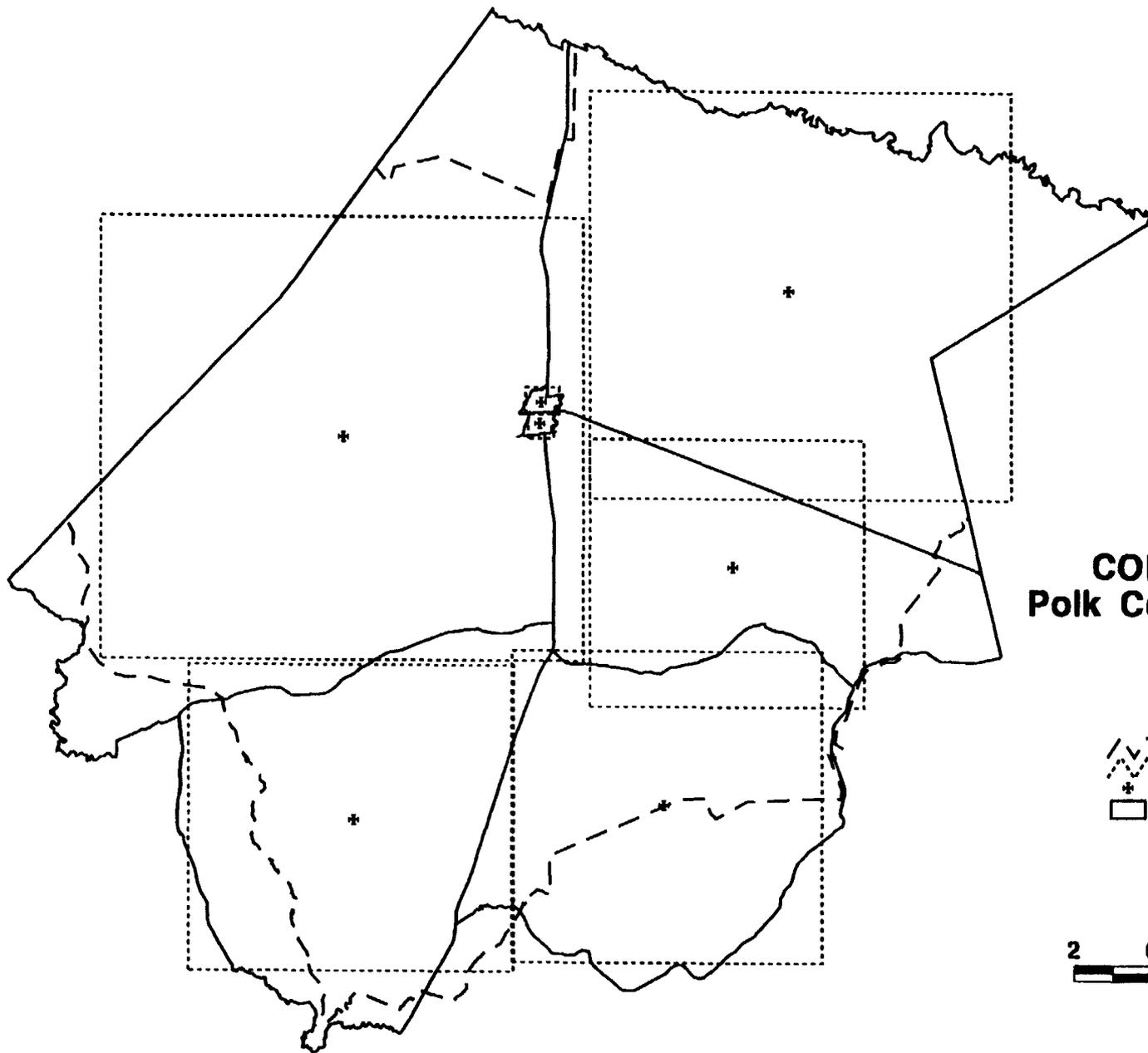
- These models assume that the CBG boundaries are square in order to facilitate calculations. Most CBGs are irregular in shape. Both voids and overlaps are created when assumed CBG boundaries are actually mapped to the true CBG boundaries. These voids and overlaps result in the costs being determined on an assumed equivalent square CBG, thereby distorting the level of support necessary for the actual service area. Further misallocation of costs among LECs results from the fact that LECs service areas/customer locations may be significantly different than the area mapped by the CBG. All CBG costs are assigned to a LEC, not multiple LECs serving a CBG.
- The CBG boundaries do not coincide with existing LEC serving areas, nor are they likely to coincide with the service areas of new entrants. As a result, any proxy that employs a CBG approach would require that the serving eligible carriers all map their customers to the CBG boundaries described in the particular model, in order to determine the support per customer. SWBT, and presumptively most other LECs, do not presently have this detailed customer mapping. This would be an expense that would have to be incurred in connection with this hypothetical approach.
- Many of the concerns expressed in the previous section on the Hatfield model regarding investment assumptions, fill factors, expense loadings, etc. also apply to the BCM models, and are not repeated here.

**U.S. WEST BENCHMARK (BCM) OR THE  
BCM2 MODELS ARE INAPPROPRIATE AND  
MISSTATE ACTUAL COSTS**

(continued)

**PROXY RESULTS VARY SIGNIFICANTLY FROM ACTUAL COSTS.**

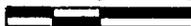
- **Comparison of South Dakota Company Results**
  - ▶ For 1 Company (5%) BCM2 Cost Is from 75% to 100% of Estimated Actual Cost
  - ▶ For 7 Companies (33%) BCM2 Cost Is from 100% to 125% of Estimated Actual Cost
  - ▶ For 13 Companies (62%) BCM2 Cost Is More than 125% of Estimated Actual Cost
  
- **Comparison of Southwestern Bell - Missouri Wire Center Results**
  - ▶ For 2 Wire Centers (1%) BCM2 Cost Is less than 25% of Estimated Actual Cost
  - ▶ For 30 Wire Centers (14%) BCM2 Cost Is from 25% to 50% of Estimated Actual Cost
  - ▶ For 95 Wire Centers (46%) BCM2 Cost Is from 50% to 75% of Estimated Actual Cost
  - ▶ For 56 Wire Centers (27%) BCM2 Cost Is from 75% to 100% of Estimated Actual Cost
  - ▶ For 18 Wire Centers (9%) BCM2 Cost Is from 100% to 125% of Estimated Actual Cost
  - ▶ For 7 Wire Centers (3%) BCM2 Cost Is More than 125% of Estimated Actual Cost



**CORRIGAN Wire Center  
Polk County Texas FIPS 48373**

-  Wire Center Boundary
-  Square Area of Block Group
-  Block Group Centroid
-  Block Group Boundary

2 0 2 Miles



**COMPARISON OF ACTUAL COSTS TO BCM2 COSTS BY LEC**

	<u>SWBT Study - Estimated Actual</u>		<u>Proxy BCM2 Costs</u>		<u>Proxy</u>
	<u>USF Loops</u>	<u>per Loop, Per Mo.</u>	<u>Lines</u>	<u>per Line, Per Mo.</u>	<u>HATFIELD Study</u>
					<u>Release 2.2,</u>
					<u>Version1,</u>
					<u>AT&amp;T - 7/3/96</u>
<b><u>SOUTH DAKOTA</u></b>					
ARMOUR IND TEL CO	NA **	NA **	811	\$52.80	NA
BALTIC TELECOM COOP	1,342	\$37.84	4,895	\$41.15	NA
BERESFORD MUNCPL TEL	NA **	NA **	970	\$32.22	NA
CHEYENNE RIVER SIOX	2,258	\$61.52	2,916	\$95.77	NA
CTY BRKNGS MUNICIPAL	NA **	NA **	6,726	\$34.27	NA
DAKOTA COOP TELECOMM	5,687	\$46.42	6,723	\$68.76	NA
GOLDEN WEST COMM INC	NA **	NA **	10,570	\$61.97	NA
GOLDEN WEST TEL COOP	12,503	\$52.38	15,053	\$77.58	NA
HANSON COUNTY TEL CO	NA **	NA **	627	\$68.50	NA
HILLS TEL CO INC	NA **	NA **	588	\$61.05	NA
INTERSTATE TELECOMM	7,031	\$48.42	10,861	\$49.97	NA
JAMES VALLEY COOP	2,034	\$59.98	3,427	\$83.07	NA
JEFFERSON TEL CO	524	\$44.14	1,245	\$56.47	NA
KADOKA TELEPHONE CO	557	\$53.13	380	\$88.38	NA
KENNEBEC TEL COMPANY	271	\$125.67	930	\$89.65	NA
MCCOOK COOP TEL CO	755	\$66.27	1,532	\$97.24	NA
MIDSTATE TEL CO - SD	2,673	\$56.69	4,330	\$90.28	NA
MT RUSHMORE TEL CO	NA **	NA **	556	\$82.57	NA
ROBERTS CNTY TEL COP	419	\$72.63	638	\$90.47	NA
S D NETWORK METRO SD	NA **	NA **	13,814	\$24.55	NA
SANBORN TEL COOP	2,489	\$51.56	3,034	\$89.36	NA
SIOUX VALLEY TEL CO	4,858	\$41.59	4,230	\$68.14	NA
SPLITROCK TEL COOP	3,309	\$37.84	4,001	\$47.05	NA
STOCKHOLM-STRANDBURG	210	\$77.68	486	\$88.73	NA
SULLY BUTTES TEL	3,999	\$60.64	4,880	\$107.03	NA
TRI-CNTY MUTUAL TEL	424	\$63.81	658	\$93.97	NA
UNION TELEPHONE CO	NA **	NA **	1,844	\$63.13	NA
US WEST NW BELL	282,838	\$35.62	320,571	\$38.01	NA
VALLEY TEL COOP ASSN	1,964	\$52.03	2,315	\$98.04	NA
VIVIAN TELEPHONE CO	NA **	NA **	393	\$103.91	NA
W RIVER COOPERATIVE	1,439	\$95.43	1,825	\$107.54	NA
W RIVER MUTUAL AID	NA **	NA **	735	\$68.47	NA
WESTERN TEL COMPANY	NA **	NA **	1,349	\$76.99	NA
<b><u>TOTAL SOUTH DAKOTA</u></b>	<b>337,584</b>	<b>\$38.34</b>	<b>433,913</b>	<b>\$44.81</b>	<b>\$21.36</b>

\* Estimated based on the following data sources:

- USF Data - 1993 Data
- Joint Board Data Request - 1993 Data
- ARMIS Data - 1993 Data
- Monitoring Report for Traffic Data (DEM) - 1993 Data
- REA Financial Data - 1993 Data

\*\* Could not estimate because REA Total Cost information was not available

**SWBT--MISSOURI  
COMPARISON OF ACTUAL SWBT LOCAL EXCHANGE COST  
BY WIRE CENTER TO BCM 2 COSTS BY WIRE CENTER**

<b>Exchange #</b>	<b>SWBT Study per Line, per Mo.</b>	<b>BCM2 Study per Line, per Mo.</b>
1	\$294.41	\$34.14
2	\$249.01	n/a
3	\$226.16	\$60.99
4	\$195.93	\$112.87
5	\$179.93	\$63.65
6	\$175.51	\$61.59
7	\$169.12	\$87.19
8	\$170.59	\$67.37
9	\$171.85	\$66.73
10	\$182.19	\$26.18
11	\$155.03	\$89.73
12	\$156.09	\$63.05
13	\$152.37	\$65.30
14	\$154.85	\$94.03
15	\$150.44	n/a
16	\$140.78	\$60.88
17	\$137.35	\$70.89
18	\$139.08	\$63.80
19	\$137.41	\$67.47
20	\$135.93	\$61.19
21	\$132.12	\$54.08
22	\$135.61	\$47.09
23	\$126.89	\$104.89
24	\$139.83	\$36.35
25	\$137.90	\$54.16
26	\$130.29	\$83.11
27	\$119.89	\$53.69
28	\$120.30	\$40.94
29	\$114.05	\$43.95
30	\$114.40	\$58.41
31	\$116.92	\$78.47
32	\$109.94	\$91.21
33	\$106.79	\$64.92
34	\$104.01	\$49.63
35	\$105.11	\$57.32
36	\$105.17	\$63.80
37	\$104.12	\$63.69
38	\$106.44	\$83.37
39	\$102.33	\$58.30