(b) Explain how this technology is the least-cost, most-efficient, and reasonable technology currently being deployed for providing the supported services that are reflected in your study. Are technology determinations based on engineering practice rules of thumb or explicit optimization processes? If relying on engineering practices, provide any studies that show that these practices result in a least-cost network. Describe any optimization routines or engineering rules of thumb that are used in the study to achieve a least-cost, most-efficient, and reasonable network design. In your response, please answer the following questions:

(1) Describe how the study determines whether feeder, sub-feeder, and distribution plant should consist of fiber or copper, and whether electronics, such as a T-1 carrier system, are used in the feeder and sub-feeder plant. Also, please describe the gauge(s) of copper considered in the study.

Response:

Ameritech's loop cost model, AFAM, examines different loop architectures such as fiber vs. copper, based on Ameritech engineering guidelines. By following these loop engineering guidelines, it is assumed that AFAM selects the least cost alternative.

AFAM uses an approach based on detailed network data for feeder, and a combination of the detailed and theoretical approaches for DAs. For feeder routes, the data can be extracted from network engineering systems. For DAs, the same level of network data is not available. Therefore, AFAM collects as much detailed information as possible for each DA, and augments it with DA design criteria, subject matter expert information, Census Block Group data, etc.

Because the basis of the model is network data, a more accurate result for specific areas can be obtained than through a purely theoretical approach.

Ameritech's fiber vs. copper engineering practice which is based on the network organization's optimal design has a maximum cross-over point of feet above which fiber is exclusively used in the feeder plant, a minimum cross-over point of feet below which copper is exclusively used in the feeder plant, and an intermediate range that uses fiber in the feeder plant wherever the requirements for voice-grade loops exceeds loops for a specific cable route. The operational goals for Ameritech's loop network architecture are to promote standard operating environment (SOE) systems that permit improved operational efficiencies, especially installation and repair, and that are supported by the evolving operational support system (OSS) infrastructure, to use architectures that support improved administration of the grooming functions required by unbundling, to use architectures that support improved switch port utilization, to limit dependency on the MDF and its labor intensive operations, and to mitigate natural aging effects of copper plant, cross boxes, connectors, etc. When copper facilities are used by AFAM, they reflect a 26 gauge, non-loaded design.

(2) Describe how the model determines the feeder and subfeeder paths that connect distribution areas to the wire center. Does the model rely on current feeder paths or does the model choose a different path? If the study or model determines feeder paths, describe the algorithm that determines the feeder path. Similarly, a model will connect customers locations within a distribution area to the serving area interface. Does the model employ an optimization routine or employ a rule of thumb for determining distribution routes?

Response:

AFAM's feeder information is based upon actual cable routing information from Ameritech network systems. Therefore, routing algorithms are not necessary because actual routes are used. They employ the least cost, most efficient, and reasonable technology because they are based on actual geographical, population, and political boundary constraints.

The feeder model extracts data from the planning module of the Loop Engineering Information System (LEIS/PLAN). This system is used by planners to keep a current inventory of feeder route facilities, and to plan for their expansion as demand increases. This means that ultimately, every feeder route in Ameritech can be included in the feeder model instead of a small sample of loops. Detailed information for each cable section such as cable size, length, gauge, equipment types and sizes, etc. are loaded into AFAM from LEIS/PLAN. This data gives AFAM the advantage of knowing how the feeder network is actually constructed.

The database structure of AFAM allows for the redesign of all loops in the system in order to meet the design criteria of the Ameritech Operating Environment (AOE). These criteria are contained in the AFAM documentation on Diskette one and are identified as being from the AOE principles. This means that entire feeder routes can be redesigned within AFAM to be optimally sized and to use newer forward-looking designs, technologies (Litespan 2000, fiber, etc.) and investments.

As AFAM redesigns a route to meet the AOE guidelines, cable types, sizes and quantities of equipment are determined to provide the service capacity required for each DA. As the loop components are determined, the investment for each component is looked up in AFAM's cable or equipment investment tables. These tables contain current Total Installed Costs for all cables and equipment.

The investments and characteristics by Field Reporting Code (FRC), and circuit counts that are computed by AFAM in the previous steps, are then totaled for the entire route, and for each DA within the route. This process is repeated for each route. This information can be accumulated for all routes within a given wire center or grouping of wire centers. The investments and characteristic totals are then divided by the quantity of circuits to develop an average investment and length by account by study area.

The DA model extracts all service addresses in each DA from the Loop Engineering Assignment Data (LEIS/LEAD) and then supplements incomplete addresses with data from the Ameritech Integrated Marketing System (AIMS). The source of the LEIS/LEAD data is the Facility Assignment and Control System (FACS). These addresses are geo-coded (MapMarker software from MapInfo) to develop DA boundaries.

After the boundaries are determined, the optimum location of the Serving Area Interface (SAI), also known as a crossbox, is determined. With the location of the SAI defined, the average air distance from the SAI to all customers in the DA can be calculated. This air distance can be multiplied by a route-to-air ratio to develop the average route distance for all customers in the DA.

The boundary of the DA and the quantity of customers are used to calculate the density of the DA. The density is used in the effort to determine the average cable size and cost per pair foot for each DA.

As AFAM redesigns the DA to meet the AOE guidelines, cable types, sizes, and quantities of equipment are determined to provide the service capacity required for each DA. As the loop components are determined, the investment for each component is looked up in AFAM's cable or equipment investment tables.

The investments and characteristics by Field Reporting Code (FRC), and circuit counts that are computed by AFAM in the previous steps, are then totaled for each DA. This information can then be accumulated for all DAs within a given category (for example DAs within wire centers). The investments and characteristic totals are then divided by the quantity of circuits to develop an average investment and length by account by study area.

(3) Describe how the study determines whether cable should be placed as either aerial, underground (conduit), or buried. Please identify whether the study assumes that plant mix decisions will be affected by zoning restrictions and, if so, how.

Response:

Ameritech's study reflects the existing mix of aerial, buried and underground cable facilities found in the geographic area under study. The FCC tentatively concluded that the mix of aerial, buried and underground cable should reflect both terrain factors and line density zones. More specifically, the FCC has tentatively concluded the aerial cable should be assigned more frequently for all population density groups in wire centers characterized by "hard rock" conditions compared with wire centers having other terrain conditions.

A basic premise for these conclusions is that "plant mix is determined by the geographic distribution of population as well as terrain and weather conditions." While these factors may play a role in determining the appropriate plant mix for any geographic area, other factors may be more important.

First, the efficient network architecture for loop plant will impact the plant mix. Specifically, plant mix will be different for feeder plant as compared to distribution plant. Feeder plant connects the central office to a serving area interface (SAI) that supports a distribution area (DA), and distribution plant normally connects the SAI to a customer's drop. The serving area concept (SAC) as implemented through carrier serving areas (CSAs) is the foundation of the forward-looking network architecture for loop plant currently used by Ameritech for providing the loop portion of supported services. This distinction between feeder and distribution plant is fundamental to an efficient network architecture based on SAC. Feeder plant is built to be growable, while distribution plant is built on ultimate requirements. Hence, buried cable is the least preferred cable type for feeder plant, because buried cable is the least flexible plant type to expand efficiently after it has been installed. Underground plant is the most preferred type for feeder plant. On the other hand, the permanency of buried cable makes it attractive for distribution plant. However, more dense areas should generally have more underground distribution plant.

Second, while terrain conditions can impact the attractiveness of buried cable, other environmental conditions may also come into play. For example, rodents such as gophers and squirrels can damage cable.

Hence, cable manufacturers provide sheaths with armor protection. Of course, cable with armor protection is more expensive than cable without such protection. Hence, underground and buried cable will be more attractive in areas that are infested with animals that tend to damage ordinary aerial cables. Similarly, underground and aerial cable will be more attractive in areas that are infested with animals that tend to damage ordinary buried cables.

Finally, local politics may favor one type of plant over another. In particular, aerial cable can be seen as an eye sore. Consequently, more recently placed plant will have a bias toward being buried cable rather than aerial cable. However, once an area has aerial cable, adding or replacing cable on poles tends to have no further political constraints. While political constraints may be difficult to model, the average age of structures in an area such as a DA is probably positively correlated with the relative share of aerial plant. Hence, further distinctions in plant mix can be captured by using the average age of housing and business structures in a specific area.

Given the large variety of circumstances that impact the efficient plant mix, the fact that these circumstances have existed over long periods of time, and that telephone companies have adapted their plant mixes over time to accommodate such circumstances, the relative plant mix in any specific geographic area should be regarded as prima facie evidence as measuring the efficient plant mix.

(4) Does the study incorporate wireless technology? If so, please describe how.

Response:

Currently, Ameritech does not deploy wireless local loops. Ameritech's experiences in Hungary are consistent with the view that conditions do not currently exist for the deployment of wireless local loops. Ameritech has a technology trial underway to make new wireless technologies operationally and technically feasible.

(5) Does the study incorporate host-remote switching configurations? If so, how? In your explanation, please discuss how host locations are identified and how costs are allocated among customers in wire centers that are part of host-remote relationships.

Response:

The cost study does incorporate all host-remote switching configurations in Ameritech-Michigan. AFAM treats a remote switch as simply another wire center for purposes of the cost analysis. In other words, costs for any loops that terminate directly on a remote switch are assigned to the customers served by that remote switch.

(c) Describe how the study incorporates assumptions that the incumbent LECs' wire centers are the center of the loop network and that the outside plant terminates at the incumbent LECs' current wire centers.

Response:

Ameritech's cost study is based on a semi-desert start starting point. Under this concept, the cost study begins with the assumption that the current locations of Ameritech Michigan's wire centers and feeder routes do not change but that the technology used and sizing of the feeder routes are optimized on a forward-looking basis.

(d) Describe how the loop design incorporated into the study does not impede the provision of advanced services while still meeting the criterion in (b), above.

Response:

As discussed in responses to question (b)(1) to (b)(5) under Criterion 1, Ameritech Michigan's cost study is based on forward-looking technologies for supported services that do not impede the provision of advanced services. These technologies include 26 gauge, non-loaded copper facilities, fiber optic facilities used in conjunction with Litespan 2000 digital loop carrier facilities and digital central office switching equipment.

(e) Describe how distances are measured in the model (e.g., does the model use airline distances, adjusted airline distances, rectilinear distances, or road distances)? Please identify in each portion of the model in which a particular distance metric is used and why that metric was selected.

Response:

AFAM's feeder calculations rely on actual feeder route inventories and actual route feet. Thus, there is no need to use a ratio that converts air distance to route distance. Any model that does not rely on an actual inventory of cable route distances must estimate route distances. Many theoretical models (e.g., BCPM) rely on something similar to a theoretical right angle cable design to connect the central office to the customer location. This inherently develops a relationship between route and air distance. In the DA portion of AFAM, a similar ratio is used to develop route distance based on air distance.

(f) Do wire center line counts equal actual incumbent LEC wire center line counts? If so, and if a closing factor is used to achieve this equality, describe the size of the closing factor and how it is used in the study. If the study's wire center line counts do not equal actual incumbent LEC wire center line counts, explain why not.

Response:

Yes.

(g) Does the study's average loop length reflect the incumbent LEC's actual average loop length? If not, explain why not.

Response:

Yes.

(h) Please describe how the study determines customer location. Specify the data that were used to determine the number and location of customers.
In addition, please describe in detail if the study locates customers in grids, clusters, census blocks, census block groups, or other areas smaller than a wire center. How does the study identify serving areas

Response:

The manner in which the study determines customer location is described in response to question (b)(2) under Criterion 1. More detailed information can also be found in the distribution area portion of the AFAM documentation provided on Diskette #1.

(i) How does the cost study determine the cost of the outside plant from the wire center to the customer locations identified in (g)? Does the cost study estimate the costs of a forward-looking network, or does the cost study rely on a loop length study? If the cost study relies on a loop length study, please describe how the cost study relies on the loop length study and provide the loop length study as part of the documentation provided in response to II.(7)(a), above, including a discussion of the sampling methods used in the loop length study. Also, if a loop length study is used to estimate forward-looking costs, please compare the mix of loop technologies in the loop length study sample to the mix of technologies in the loops assumed by the cost study. If the mix of loop technologies assumed in the cost study is based on the mix of technologies in the sample, please justify the use of this assumption.

Response:

The cost study estimates the outside plant cost of a forward-looking network as described in response to questions (b)(1) to (b)(3) under Criterion 1. More detailed information can be found in the AFAM documentation included on Diskette #1.

In general, this documentation described how Ameritech Michigan has tapped its day-to-day operating systems to obtain all the customer addresses for all of the loops for each distribution area of Ameritech Michigan. These customer addresses are converted into a longitude and latitude. AFAM has been updated to use this location information to redesign the distribution plant in each distribution area. Distribution costs are then aggregated into Ameritech Michigan's wire centers.

(j) If the cost study meets criterion 1 in any way not captured by (a) through (h), please explain.

Response:

Not Applicable.

Criterion 2: ***Any network function or element, such as loop, switching, transport, or signaling, necessary to produce supported services must have an associated cost.***

(a) Does the study contain costs associated with all network functions or elements (such as loop, switching, transport, or signaling) necessary to produce supported services?

Response:

As described in response to Part A, 7(a), Ameritech Michigan's cost study contains only costs for those network functions or elements necessary to produce supported services.

(b) What non-supported services, if any, are currently included in your cost study, and are the costs associated with provision of advanced services included in your calculation of cost?

Response:

Costs for both non-supported services and advanced services are not included in the cost study.

(c) If the cost study meets criterion 2 in any way not captured by (a) and (b), please explain.

Response:

Not Applicable.

Criterion 3: ***Only long-run forward-looking economic cost may be included. The long-run period used must be a period long enough that all costs may be treated as variable and avoidable. The costs must not be the embedded cost of the facilities, functions, or elements. The study or model, however, must be based upon an examination of the current cost of purchasing facilities and equipment, such as switches and digital loop carriers (rather than list prices).***

Describe how the costs used in the study represent long-run, forward-looking costs. In particular, describe and verify how the costs of facilities and equipment used in the study reflect the current costs of purchasing those facilities and equipment.

Response:

See response to question (d) under Criterion 1 regarding the issue of long-rung, forward-looking costs.

See response to Part A, 7(a) regarding the use of current costs for facilities and equipment.

Criterion 4: ***The rate of return should be either the authorized federal rate of return on interstate services, currently 11.25 percent, or the state's prescribed rate of return for intrastate services.***

(a) What rate of return is used in the cost study?

Response:

The cost of capital used in the cost study is 10.6%.

(b) Please provide an explanation of the basis for the rate of return used if it is different from the authorized federal rate of return on interstate services. If available, please identify any documents, (e.g., commission orders) supporting the value used in the study.

Response:

The cost of capital used in the cost study is the cost of capital that was ordered to be used in all TSLRIC studies by the Michigan Commission in Case No. U-11280 .

(c) If the cost study meets criterion 4 in any way not captured by (a) and (b), please explain.

Response:

Not Applicable.

Criterion 5: ***Economic lives and future net salvage percentages used in calculating depreciation expense should be within the FCC-authorized range and use currently authorized depreciation lives.***

Please identify the depreciation rates and future net salvage percentages used in the cost study.

Response:

The economic lives and future net salvage percentage used in the cost study are the depreciation lives and future net salvage percentages requested by Ameritech Michigan and approved by the Michigan Commission in Case No. U-11280 for use in TSLRIC/TELRIC cost studies. While all of these future net salvage percentages fall within the FCC's authorized range, most depreciation lives fall outside the range. Of the fifteen account types identified by the FCC, eleven have lives approved in U-11280 that are outside the FCC range.

Criterion 6: ***The cost study or model must estimate the cost of providing service for all businesses and households within a geographic region. This includes the provision of multi-line business services, special access, private lines, and multiple residential lines. The inclusion of multi-line business services and multiple residential lines will permit the cost study or model to reflect the economies of scale associated with the provision of these services.***

Describe how the study takes into account the cost of providing service for all businesses and households within a geographic region, including the provision of multi-line business services, special access, private lines, and multiple residential lines per household.

Response:

The AFAM model captures the loop costs for all businesses and households served by a given wire center. No attempt is made to exclude certain types of access lines, e.g., multi-line businesses.

Criterion 7: ***A reasonable allocation of joint and common costs should be assigned to the cost of supported services.***

Describe how the study's methodology assigns a reasonable allocation of joint and common costs to the cost of supported services. What is the amount of common costs attributed to supported services, and what percentage does this represent of total common costs as identified in the study or model? Please explain how this amount was determined. Specifically, please identify how line-side or port costs are identified as a portion of total switching costs.

Response:

As explained in response to Part A, 7(a), an analysis of Ameritech's final 1997 budgets to determine the shared and common costs of retail services and unbundled network elements ("UNEs") was performed by Ameritech's Regulatory Policy organization, in conjunction with Arthur Andersen.The Arthur Andersen study analyzed the costs of the retail business units and the unbundling segment to categorize costs into four categories: (1) Product-Specific Costs; (2) Product-Family Shared Costs; (3) Shared Costs; and (4) Common Costs.

Product-specific or direct costs represent the forward-looking costs directly associated with the providing of a product, service or UNE. Product-family shared costs are those costs which are incurred to provide products or services within a single product family such as local usage or vertical services. Shared or joint costs are those which support two or more product families but not all the families. Finally, common costs are incurred to operate the business as a whole and are not directly associated with individual products or services or any groups thereof.

The retail business units which were examined for developing product-family shared costs and shared costs are Consumer, Small Business, Custom Business, and Enhanced Business as well as the product management organization that supports retail services. Product-families for residence local access, residence local usage, business local access, and business local usage for each of the retail business units are used to develop the product-family shared costs for supports services. A product-family shared cost factor is calculated using these product-family shared costs and the loop, port and local usage costs for supported services.

A retail-unit shared cost factor is calculated by using the regulated, tariffed services portion of retail shared costs for these units and the TSLRICs of these same services. The product-family shared cost factor and shared cost factor are added together to yield a total shared cost factor. Finally, a common cost factor is similarly calculated using the common costs and its associated TSLRICs.

The Michigan Commission, in Case No. U-11280, adopted the shared and common cost analysis for Unbundled Network Elements presented by MCI/AT&T's witness. His analysis modified the original Ameritech UNE shared and common cost analysis for numerous items. Ameritech Michigan's retail shared and common cost analysis for supported services, incorporates those modifications that also pertain to the retail environment.

On May 11,1998, the Michigan Commission issued an order in Case No. U-11635 which directed Ameritech Michigan to make additional adjustments to its proposed retail shared and common costs. Regarding common costs, the Michigan Commission ordered that the common cost mark-up should be set at 7.58% or the same level as that approved for unbundled network elements in Case No. U-11280.

The Michigan Commission also ordered a 20% reduction to the shared costs initially proposed by Ameritech Michigan to account for increased efficiencies of the Company's operations as required by the TSLRIC concepts of optimum and efficient operation.

Ameritech Michigan's cost study being submitted for supported services is in compliance with the U-11635 Commission order.

The annual amount of common costs attributed to supported services is $ This equates to % of the total common costs.

These amounts were calculated in the following manner: First the total annual common costs for all retail services that result from the Michigan Commission's order in Case No. U-11635 are identified. These total $.

Second, the total annual common costs for supported services are identified. These total $. This amount represents % of the total annual common costs for all retail services.

As explained in response to Part A, 7(a), the line side port costs are determined using SCIS, the Bellcore model used by Ameritech Michigan to develop switching investments. SCIS identifies the specific investment in the line side ports. This investment is then translated to an annual or monthly cost using the ECONS model.

Criterion 8: ***The cost study or model and all underlying data, formulae, computations, and software associated with the model should be available to all interested parties for review and comment. All underlying data should be verifiable, engineering assumptions reasonable, and outputs plausible.***

(a) Please identify any underlying data, formulae, computations, or software used in the study that are not available for review and comment, and explain why they are unavailable.

Response:

All of the data, formulae, computations and software used in the study are proprietary to Ameritech Michigan and have historically been treated by Ameritech Michigan as confidential in cost related proceedings such as U-11280 and U-11635. In such proceedings, the parties have had access to the proprietary models, cost studies and workpapers pursuant to a signed non-disclosure agreement.

Accordingly, Ameritech Michigan's cost study will satisfy FCC Criterion No. 8. For example, Ameritech Michigan has arranged for any interested party to have complete access to all of Ameritech Michigan's cost models and documentation in Case Nos. U-11280 and U-11635 provided that a signed non-disclosure agreement was in force. This same arrangement will be used to provide access to the FCC's Staff or any other interested party as relates to the cost study for supported services.

(b) Please describe what steps were taken to determine that the study's outputs are plausible.

The feeder analysis portion of AFAM, which has been in use for several years, has been tested at every stage of development and scrutinized in different state cost proceedings throughout the Ameritech Region. The distribution analysis portion of AFAM developed this past year was also tested at each development stage. In addition, the results have been compared with prior study results for reasonableness. The ECONS, SCIS, NCAT and CCSCIS models have also been used for many years throughout the Ameritech Region and examined in various state cost proceedings. The results of the cost study for supported services that are developed with the assistance of these cost models are consistent with the results of prior cost studies for the same or similar services.

(c) <u>Standard presentation of outputs</u>. If the state cost study is based on a version of the HAI model, please file: the universal service calculation, cost summary, cost of network elements, and USOA detail breakdown (HAI 5.0 only) reports. If the state cost study is based on a version of BCPM, please file: the area-wide summary, key elements, aggregate support summary and plant summary reports. If the state cost study is based on neither BCPM nor HAI, please provide outputs in either of the BCPM or HAI formats just mentioned, or provide investment and expenses per study area by USOA accounts or ARMIS rows, and show whether and how cost calculations differ across geographic areas.

Response:

The output of the cost study is found in the Universal Service Accumulator spreadsheet contained on Diskette #2.

(d) **If the cost study meets criterion 8 in any way not captured by (a) through (c), please explain.**

Response:

Not Applicable.

Criterion 9: ***The cost study or model should include the capability to examine and modify the critical assumptions and engineering principles. These assumptions and principles include, but are not limited to, the cost of capital, depreciation rates, fill factors, input costs, overhead adjustments, retail costs, structure sharing percentages, fiber-copper cross-over points, and terrain factors.***

(a) Please describe the extent to which and how the user can examine and modify the cost study's critical assumptions and engineering principles.

Response:

Assumptions regarding cost of capital, depreciation rates, fill factors, input costs, overhead adjustments, retail costs, structure sharing factors and fiber cross-over points are able to be examined or modified in the cost models used by Ameritech Michigan for this cost study.

An example of an assumption that is not able to be modified is the location of the wire centers. Since the analysis uses a scorched node but not a scorched earth approach that begins with the existing location of wire centers, it can not be modified to reflect some hypothetical network that includes different locations of central office switches.

(b) <u>Standardized presentation of inputs</u>. Please provide the input values used in your cost study using the attached Excel spreadsheet document. If your study uses input values that are not identified in the Excel document, please add them to the end of the list in the appropriate category. You may also provide the standard presentation of inputs in electronic form in an identical spreadsheet prepared using any other commercially-available spreadsheet software.

Response:

The input values to Ameritech Michigan's cost study are contained in the attached Excel spreadsheet. Where the study uses input values that are not identified in the Excel document, these inputs have been added to the end of the list in the appropriate spreadsheet category.

Additional inputs such as cable investments and costs, port investments and costs are provided in the AFAM documentation and Universal Service Accumulator spreadsheet provided on the Diskettes.

(c) If the cost study meets criterion 9 in any way not captured by (a) and (b), please explain.

Response:

Not Applicable.

Criterion 10: ***The cost study or model must deaverage support calculations to the wire center serving area level at least, and, if feasible, to even smaller areas such as a Census Block Group, Census Block, or grid cell in order to target universal service support efficiently.***

(a) Describe the manner in which the study disaggregates investment calculations to small geographic areas, such as wire centers, census block groups, census blocks, or grid cells and identify the level to which cost calculations are disaggregated. For example, please describe how costs that are shared among customers in different geographic areas, such as feeder structures, are allocated.

Response:

The manner in which the cost study disaggregates investment calculations is described in response to questions Part A, 7(a) and Part B, Criterion 1, (b)(1) and (b)(2).

An allocation of supporting structure costs for poles and conduit are assigned to the costs developed via AFAM for aerial and underground cable, respectively, through the use of supporting structure factors. For example, the pole supporting structure factor is developed by dividing the investment in poles by the investment in aerial cable. This factor is then multiplied by the aerial cable investment developed in the AFAM model to obtain a pole investment which is then used in the cost study.

In order to eliminate extreme fluctuations, supporting structure factors are developed based on gross additions to investments over a three year period which is brought forward to a current year basis.

C. DEMONSTRATION THAT THE COST STUDY FULFILLS OTHER REQUIREMENTS OF THE *UNIVERSAL SERVICE ORDER*

1. *"In order for the Commission to accept a state cost study submitted to [the Commission] for the purposes of calculating federal universal service support, that study must be the same cost study that is used by the state to determine intrastate universal service support levels pursuant to section 254(f)."*

If your state has an intrastate universal service support mechanism for non-rural LECs, please demonstrate that the cost study being submitted for the purpose of calculating federal universal service support is the same cost study that will be used by your state to determine intrastate universal service support levels pursuant to Section 254(f) of the Telecommunications Act of 1996.

Response:

Michigan presently does not have an intrastate universal service support mechanism. However, since the cost study Ameritech Michigan utilized to calculate federal universal service support was based on state specific data, to the greatest extent possible, the same models and information will be employed by Ameritech Michigan to calculate any costs used to determine intrastate universal support levels pursuant to Section 254(f) of the Telecommunications Act of 1996.

2. *"We also encourage a state, to the extent possible and consistent with the above criteria, to use its ongoing proceedings to develop permanent unbundled network element prices as a basis for its universal service cost study"*

Please explain the interrelationship, if any, between this universal service cost study and the cost study that will be used by your state in developing permanent prices for unbundled network elements.

Response:

Most recently, in Case No. U-11280, Ameritech Michigan has submitted cost studies for unbundled network elements. The costs in these studies, known as TELRICs, are consistent with the FCC's terminology used in CC Docket 96-98 and follow the same cost methodology as used in TSLRIC studies. Ameritech Michigan is using the same cost principles in its cost study for universal service that were used in complying with the Commission's order in Case No. U-11280.