2. Regulations

2.1 Filing of Charges

Rates, charges and liabilities for special construction to provide facilities for use for one month or more are filed in Sections 3., 4., and 5. following, as appropriate.

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

2.2 Ownership of Facilities

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

2.3 Interval to Provide Facilities

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

2.4 Special Construction Involving Both Interstate and Intrastate Facilities

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

2.5 Payments for Special Construction

2.5.1 Payment of Charges

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

SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.5 Payments for Special Construction (Cont'd)

2.5.2 Credit Allowance for Service Interruptions

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

2.6 Liabilities and Charges for Special Construction

2.6.1 General

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

2.6.2 Conditions Requiring Special Construction

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

(a) The Telephone Company has no other planned use for the facilities requested.

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

(c) More facilities are requested than would normally be required to satisfy an order.

(d) It is requested that planned construction be advanced, resulting in added cost to the Telephone Company.

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.3 Development of Liabilities and Charges

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

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

2.6.4 Types of Liabilities and Charges

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

(A) Nonrecurring Charge for Special Construction of Facilities for Use for More Than One Month

Except as otherwise specified in 2.6.4.D. following, when special construction of a facility is requested for use for more than one month a nonrecurring charge will apply. This charge will be composed of several components as described below based on the criteria listed in 2.6.2 preceding.

(1) Case Preparation Charge Component - This component will always apply and covers the cost of administrative expenses associated with preparing a special construction case and the associated tariff filing.

(2) Nonrecoverable Cost Component - This component may apply to specially constructed facilities for use for more than one month, and is equal to the present worth of the capital costs of the nonrecoverable facilities installed to provide service and will be calculated based on the average life of the facility.

(3) Expediting Charge Component - This component may apply when the customer requests completion of the special construction on an expedited basis. The amount equals the difference in estimated cost between expedited and nonexpedited construction.

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2. Regulations (Cont'd)

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(A) Nonrecurring Charge for Special Construction of Facilities for Use for More Than One Month (Cont'd)

(4) Lease Charge Component - This component may apply when the Telephone Company leases equipment in order to meet service requirements. The amount is equal to the net added cost to the Telephone Company caused by the lease.

(5) Advancement Charge Component - This component may apply when the customer requests that planned construction be started and completed earlier than scheduled. The charge equals the difference in estimated cost between advanced and planned construction.

An Optional Payment Arrangement may apply as specified in 2.6.6 following for specially constructed facilities placed for use for more than one month.

(B) Nonrecurring Charge for Special Construction of Facilities for Use for Less Than One Month

(1) In addition to the nonrecurring charge components listed in 2.6.4(A) preceding, all non-capital types of costs incurred to install the specially constructed facility will apply, i.e., circuit engineering, shipping of equipment, equipment installation, line-up, space rental, equipment removal, etc.

The Optional Payment Arrangement described in 2.6.6 following will not apply for specially constructed facilities placed for use for less than one month.

(C) Cancellation Charge

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

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2. Regulations (Cont'd)

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(D) Maximum Termination and Annual Underutilization Liabilities

The Maximum Termination Liability and Termination Charge and Annual Underutilization Liability and Underutilization Charge will no longer be applied for new special construction cases filed on or after November 7, 1993. A nonrecurring charge as outlined in 2.6.4(A) and (B) preceding will be used in lieu of the Maximum Termination Liability and Termination Charge and the Annual Underutilization Liability and Underutilization Charge. For cases filed prior to November 7, 1993, for which Maximum Termination and Annual Underutilization Liabilities are applicable the following provisions continue to apply subject to 2.6.5 following.

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

The liability period will not exceed 10 years, and is generally expressed in terms of an effective and expiration date.

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

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2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(D) Maximum Termination and Annual Underutilization Liabilities (Cont'd)

(1) (Cont'd)

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

Example

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

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

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

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SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(D) Maximum Termination and Annual Underutilization Liability (Cont'd)

(1) (Cont'd)

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

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

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

Example

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

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

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SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(D) Maximum Termination and Annual Underutilization Liability (Cont'd)

(2) Pair Equivalents

Where the AUL for a specially constructed facility is stated on a "per pair" basis, and the facility has been designed to provide high capacity transmission, credit will be given as described below for pair equivalents when calculating utilization on that facility. If the AUL for the facility is stated on a "per pair equivalent" basis, the pair equivalents described below will also apply.

(3) Pair Equivalents on Non-Leased High Capacity Transmission Systems

For non-leased high capacity transmission systems, i.e., where the Telephone Company has designed the specially constructed facility for high capacity transmission but the customer continues to pay for individual channels, pair equivalent credit will be given for each working channel. When calculating utilization, the Telephone Company will determine the number of two-wire equivalent and four-wire equivalent channels provided on the specially constructed facility. Two-wire equivalent channels will be credited toward the customer's utilization as one working pair, and four-wire equivalent channels will be credited toward the customer's utilization as two working pairs.

(4) Pair Equivalents Example with Non-Leased High Capacity Transmission Systems

A customer agrees to the special construction of a 400 pair copper cable, based on the customer's five year facility requirements. The ILP would be filed at five years. The customer's utilization requirement is 280 pairs (70 percent of 400 = 280). The annual underutilization liability is filed at $2.00 per pair. At the end of the ILP, the customer has 230 pairs in service. Two of the working pairs have been conditioned for T-Carrier, and the customer is paying for individual voice grade channels being provided over

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2. Regulations (Cont'd)

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(D) Maximum Termination and Annual Underutilization Liability Cont'd)

(4) Pair Equivalents Example with Non-Leased High Capacity Transmission Systems (Cont'd)

the conditioned pairs. The customer is paying for 6 two-wire circuits, and for 8 four-wire circuits being provided on the conditioned pairs. Counting the two-wire circuits as equivalent to one pair each, and the four wire circuits as equivalent to two pairs each, and subtracting the two pairs used to provide the high capacity transmission, the customer is utilizing the equivalent of 250 pairs, i.e. [230 + (6 X 1) + (8 X 2) - 2 = 250]. There is an underutilization of 30 pairs. The total underutilization charge for the first five years would be $300.00, or $2.00 per pair X 30 pairs X 5 years.

In this example, if 280 pairs (including pair equivalents) are in service at the end of the sixth year, there is no underutilization.

(5) Pair Equivalents on Leased High Capacity Services

Where the customer leases a high capacity service provided on a specially constructed facility, and the AUL for that facility is stated on a "per pair" or "per pair equivalent" basis, utilization credit will be given based on the DS0 level channel capacity of the leased service. A DS1 service will be credited as 24 pair equivalents. A DS3 service will be credited as 672 pair equivalents.

(6) Pair Equivalents Example with Leased High Capacity Service

A customer agrees to the special construction of a 400 pair copper cable, based on the customer's five year facility requirements. The ILP would be filed at five years. The customer's utilization requirement is 280 pairs (70 percent of 400 = 280). The annual underutilization liability is filed at $2.00 per pair. At the end of the ILP, the customer has 230 pairs in service. Two of the

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2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.4 Types of Liabilities and Charges (Cont'd)

(D) Maximum Termination and Annual Underutilization Liability (Cont'd)

(6) Pair Equivalents Example with Leased High Capacity Service (Cont'd)

working pairs have been conditioned for T-Carrier, and the customer is leasing a DS1 high capacity service being provided over the conditioned pairs. Counting the DS1 high capacity service as 24 pair equivalents, and subtracting the two pairs used to provide the high capacity transmission, the customer receives utilization credit for 252 pairs, i.e., [230 + 24 - 2 = 252]. There is an underutilization of 28 pairs. The total underutilization charge for the first five years would be $280.00, or $2.00 per pair X 28 pairs X 5 years.

In this example, if 280 pairs (including pair equivalents) are in service at the end of the sixth year, there is no underutilization.

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2. Regulations (Cont'd)

2.6 Liabilities and Charges for Special Construction (Cont'd)

2.6.5 Waiver Condition for Maximum Termination Liability (MTL) and Annual Underutilization Liability (AUL)

The MTL/AUL will be waived when the Telephone Company deems it appropriate to replace specially constructed copper facilities with a fiber arrangement.

2.6.6 Optional Payment Arrangement for Nonrecurring Charge

As an alternative to a lump sum payment of the entire nonrecurring charge as specified in 2.6.4(A) preceding, an optional payment arrangement may be elected by the customer. This arrangement provides for amortizing all or a portion of the nonrecurring charge over a payment period, to be specified by the customer, not to exceed ten years, with any portion of the nonrecurring charge which is not amortized due and payable in an up-front lump sum amount. If the customer discontinues use of the specially constructed facilities prior to the end of the chosen payment period, the unpaid principle shall become due and payable in lump sum.

The Telephone Company may reasonably require that the customer provide security for payment of the amount amortized as a precondition to the customer's use of the Optional Payment Arrangement.

SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.7 Deferral of Start of Service

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

2.7.1 Construction Has Not Begun

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

2.7.2 Construction Has Begun

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

(A) All Services Are Deferred

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

(B) Some Services Are Deferred

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

2.7.3 Construction Complete

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

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SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.8 Definitions

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

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

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

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

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

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

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

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

SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.8 Definitions (Cont'd)

Maximum Termination Liability Period - The term "Maximum Termination Liability Period" denotes the length of time for which a termination charge may apply if all services using specially constructed facilities are terminated. The liability period will not exceed ten years.

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

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

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

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SPECIAL CONSTRUCTION

2. Regulations (Cont'd)

2.8 Definitions (Cont'd)

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

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

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

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