MILLER & MARTIN PLLC
ATTORNEYS AT LAW

1200 ONE NASHVILLE PLACE
150 FOURTH AVENUE, NORTH
NASHVILLE, TENNESSEE 37219-2433
(615) 244-9270
FAX (615) 256-8197 OR (615) 744-8466

Melvin J. Malone
Direct Dial (615) 744-8572
mmalone@millermartin.com

August 31, 2005

HAND DELIVERY

Honorable Ron Jones, Chairman
c/o Sharla Dillon, Docket & Records Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Petition of Cellco Partnership d/b/a/ Verizon Wireless for Arbitration Under the Telecommunications Act of 1996
TRA Consolidated Docket No. 03-00585

Dear Chairman Jones:

Enclosed please find an original and thirteen (13) copies of the *Response of CMRS Providers to Cost Study Methodologies Proposed by Rural Coalition* in the above-captioned matter.

The enclosed documents have been served on counsel for the Rural Independent Coalition and other parties of record.

Also enclosed is an additional copy to be "Filed Stamped" for our records. If you have any questions or require additional information, please let us know.

Very truly yours,

Melvin J. Malone

MJM:cgb

Enclosure

cc: William T. Ramsey, Esq.
Stephen G. Kraskin, Esq.
Paul Walters, Jr., Esq.
Mark J. Ashby, Esq.
Edward Phillips
Charles W. McKee
Elaine Critides
Dan Menser
Marin Fettman
Leon M. Bloomfield

BEFORE THE
TENNESSEE REGULATORY AUTHORITY

Petition of:	)	
	)	**Consolidated Docket**
Cellco Partnership d/b/a Verizon Wireless	)	**No. 03-00585**
For Arbitration Under the	)	
Telecommunications Act of 1996	)	
	)	

RESPONSE OF CMRS PROVIDERS TO COST STUDY METHODOLOGIES PROPOSED BY THE RURAL COALITION

Pursuant to the July 21, 2005, Status Conference, and the *Order Establishing Procedural Schedule for Rate Phase of Proceeding*, Cellco Partnership d/b/a Verizon Wireless, New Cingular Wireless PCS, LLC, Sprint Spectrum L.P d/b/a Sprint PCS and T-Mobile USA, Inc. (collectively referred to herein as the "CMRS Providers"), hereby respectfully submit this response to the Description of Cost Study Methodology Proposed by the Members of the Rural Coalition of Small LECs and Cooperatives (the "*ICO Filing*"), which was filed on August 11, 2005.

In sum, the *ICO Filing* essentially reasserts the ICOs' previous position that they are not subject to the requirements of the Act, including, but not limited to, the obligation to submit forward-looking cost studies consistent with TELRIC However, as previously determined by the Tennessee Regulatory Authority (the "TRA"), and as the CMRS Providers have maintained since the outset of these proceedings, the reciprocal compensation rates set in these arbitrations must be based on forward-looking costs developed in a manner consistent with established TELRIC principles. It is well settled that the six (6) cost methodologies submitted as part of the

ICO Filing – as well as the actual cost studies yet to be filed - must be evaluated pursuant to these requirements.

I.

BACKGROUND

During the January 12, 2005, deliberations, the TRA concluded, among other things, that the appropriate pricing methodology for establishing a reciprocal compensation rate for the exchange of indirect or direct traffic is TELRIC.[1] In rejecting the non-TELRIC rates proposed by the ICOs during the arbitration proceeding last fall,[2] the TRA adopted an interim rate equivalent to the TELRIC rate established for BellSouth Telecommunications, Inc ("BellSouth") in TRA Docket 97-01262,[3] which interim rate would apply until such time as a formal cost proceeding determined the appropriate TELRIC-based rates for each ICO.[4]

On June 14, 2005, Director Miller, then Chairman, acting in his capacity as the Hearing Officer in the cost proceeding phase of this docket, held a Status Conference to adopt procedures for moving forward. At this Status Conference, Director Miller set a second Status Conference to establish a procedural schedule for the cost proceeding phase of this consolidated arbitration and, in the interim, asked the parties to brief the following issues: (a) whether the rates for

---

1 See TRA Transcript of Proceedings, In Re. Cellco Partnership d/b/a Verizon Wireless for Arbitration Under the Telecommunications Act of 1996, TRA Consolidated Docket No 03-00585 at 38-40 (Jan 12, 2005) ("January Transcript of Proceedings") At the January 12, 2005, deliberations, the Panel concluded that the rates proposed by the ICOs were not TELRIC compliant because the rates offered by the ICOs were derived from their "interstate access" studies Id at 39 Moreover, the Panel determined that the ICOs' proposed rates were "not compliant with the required TELRIC methodology " Id

2 In addition to arguing that the TRA did not have jurisdiction to conduct the arbitration proceeding in the first place, the ICOs argued that the reciprocal compensation mandate of section 251(b)(5), and the related cost requirements of section 252(d)(2), did not apply to traffic indirectly exchanged between an ICO and CMRS providers As discussed above, the TRA rejected the ICOs' assertions on both counts

3 In Re Petition of BellSouth Telecommunications, Inc to Convene a Contested Case Proceeding to Establish Permanent Prices for Interconnection and Unbundled Network Elements, TRA Docket No 97-01262 ("TRA Permanent Prices Docket")

4 *January Transcript of Proceedings* at 38-40

reciprocal compensation must be symmetrical; and (b) whether the rate for each ICO must be based on each ICO's particular forward-looking costs (as opposed to one rate for all of the ICOs).[5] In addition, Director Miller reiterated that the interim rate adopted by the Panel in the deliberations is to be used by the parties pending the resolution of permanent rates in the cost phase of this proceeding.[6]

Among other things, at the July 21, 2005, Status Conference it was determined that the ICOs would file their proposed cost methodologies (not cost studies) on August 11, 2005, and that the CMRS Providers would file responses thereto on August 31, 2005. Pursuant to the *Order Establishing Procedural Schedule for Rate Phase of Proceeding*, each ICO was to file "a description of its proposed TELRIC cost study methodology, specifying in detail how the company proposes to perform the study."[7]

On August 11, 2005, the ICOs submitted their proposed cost methodologies (each of which is discussed more thoroughly below in Section IV,) as well as a brief in support of their position that TERLIC does not apply

---

[5] The briefs ultimately filed by both the CMRS Providers and the ICOs confirmed that there was no dispute between the parties, that the rates for reciprocal compensation must be symmetrical, and that the rate for each ICO must be based on its particular forward-looking costs *See* Post-Status Conference Brief of the Rural Coalition of Small LECs and Cooperatives and CMRS Providers' Joint Brief Regarding Statutory Requirements for Symmetrical Rates Based on Each ICO's Forward-Looking Costs, *In Re Cellco Partnership d/b/a Verizon Wireless for Arbitration Under the Telecommunications Act of 1996*, TRA Consolidated Docket No 03-00585 at 38-40 (June 28, 2005)

[6] *See* TRA Transcript of Proceedings, June 14, 2005, Status Conference, *In Re Cellco Partnership d/b/a Verizon Wireless for Arbitration Under the Telecommunications Act of 1996*, TRA Consolidated Docket No 03-00585 at 14-15

The CMRS Providers note that as of the filing of this pleading, no individual ICO has agreed to accept or pay compensation at the interim rate previously set by the TRA in this docket In fact, several of the ICOs have expressly refused to accept those interim rates

[7] *Order Establishing Procedural Schedule for Rate of Proceeding*, TRA Consolidated Docket No 03-00585 Aug 24, 2005) The CMRS Providers remain hopeful that the submission of the ICOs' proposed cost methodologies, and this response to those submissions, will streamline the actual cost proceeding However, the CMRS Providers do not hereby waive their rights to raise objections to any cost study ultimately presented that is not based on a forward-looking TELRIC methodology or to otherwise engage in discovery regarding any cost study ultimately submitted by the ICOs

II.

TELRIC IS THE APPROPRIATE METHODOLOGY FOR DETERMINING THE RATES FOR TRANSPORT AND TERMINATION UNDER THE ACT

In essence, the ICOs' August 11, 2005, filing is not much more that a reassertion of their previous position - which was completely rejected by the TRA after the arbitration - that the provisions of section 251(b) and the related cost requirements of section 252(d)(2) do not apply to them. Indeed, the ICOs (re)argue that "as a matter of law and policy, the imposition of TELRIC cost methodology on the Independents is inappropriate and contrary to public interest "[8] In their filing, the ICOs also reserved their rights to challenge any finding that would impose TELRIC on them and "urge[d] the Authority to review and modify on its motion any action that would impose TELRIC costing methodology on the Independents."[9]

The ICOs' position, however, is wholly without merit. The question of whether TELRIC is the appropriate cost methodology to be used for the determination of transport and termination rates under sections 251(b)(5), and 252(d)(2) of the Act is well settled law that has been considered by the Federal Communications Commission (the "FCC"), the U.S. Supreme Court and the TRA in its deliberations in this case [10] All three of these authorities have ruled, under the existing law, that the rates for transport and termination must be based on TELRIC. In fact, not only did the FCC establish TERLIC as the proper cost methodology and incorporate it into its rules, it considered and rejected the approach of having one costing methodology for larger

---

[8] Description of Cost Study Methodology Proposed by the Members of the Rural Coalition of Small LEC's and Cooperatives, *In Re Cellco Partnership d/b/a Verizon Wireless for Arbitration Under the Telecommunications Act of 1996*, TRA Consolidated Docket No 03-00585 at 2 (Aug 11, 2005) ("*ICO Filing*")

[9] *Id* at 5

[10] *See Verizon Corp v FCC*, 531 U S 1124, 122 S Ct 1646 (2002) (the Supreme Court upheld the FCC's authority to set a nationwide pricing methodology), Interim Order on Phase I of Proceeding to Establish Prices for Interconnection and Unbundled Network Elements, *TRA Permanent Prices Docket* at 8 (Jan 25, 1999) ("*January 25, 1999 Phase I Order*) (the TRA specifically held, in establishing interconnection and UNE rates for BellSouth, that "prices should be established using the forward-looking economic cost methodology as defined by the FCC's TELRIC methodology, including an appropriate markup for the recovery of shared and common costs ")

ILECS and a different methodology for smaller LECS.[11] Therefore, it is clear that any cost model utilized by the ICOs must be consistent with the forward-looking cost principles of TELRIC.

III.

BASIC TELRIC COSTING STANDARDS

In 1996, the FCC implemented sections 251(b)(5) and 252(d)(2) by adopting rules that require reciprocal compensation rates be based on forward looking costs.[12] Section 51.705 of those rules specifies that a state commission must evaluate the rates, based on, "[t]he forward-looking economic costs of such offerings, using a cost study pursuant to §§ 51.505 and 51.511." The FCC defines "forward-looking costs" in section 51 505 as the sum of total element long-run incremental cost ("TELRIC") and a reasonable allocation of forward-looking common costs. The rules also clarify that incumbents must establish that their proposed rates do not exceed the forward-looking economic costs of the elements required for transport and termination.[13]

The basic concept of reciprocal compensation for transport and termination is straightforward: *when parties exchange telecommunications traffic (as defined by the Act) with one another, they are entitled to be compensated for the forward-looking costs they incur when*

---

[11] *See In Re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, 11 FCC Rcd 15499 (1996) at ¶ ¶ 1045 et seq (the "*Local Competition Order*") ("CMRS providers, including small entities and LECs including small incumbent LECs and small entity competitive LECs, will receive reciprocal compensation for termination certain traffic that originates on the networks of other carriers, and will pay such compensation for certain traffic that they transmit and send to other carriers ") In the *Local Competition Order*, the FCC imposed the same reciprocal compensation requirements on all LECs regardless of their size

[12] *See* e g , 47 C F R §§ 51 705, 51 505 and 51 511

[13] See 47 C F R § 51 505(e)

Cost study requirements An incumbent LEC must prove to the state commission that the rates for each element it offers do not exceed the forward-looking economic cost per unit of providing the element, using a cost study that complies with the methodology set forth in this section and § 51 511 of this part

See also, Local Competition Order at ¶ 680 (" we find that incumbent LECs must prove to the state commission the nature and magnitude of any forward-looking cost that it seeks to recover in the prices of interconnection and unbundled networks ")

terminating the other party's traffic.[14] Those costs are can generally be categorized in three main elements:

1 Common Transport (i.e., the forward-looking costs of transporting the traffic from the point of interconnection with the originating carrier to the terminating carrier's end office, or equivalent facility);

2 Tandem Switching (i.e., the forward-looking costs of switching the traffic at a tandem, where a tandem is used); and

3. End Office Switching (i e., the forward-looking costs of switching the traffic at the end office).

TELRIC methodology requires that the following principles, among others, be employed in determining the above three rate elements.

A. Transport and Termination Rates Are Not the Same as Access Charges and Cannot Be Calculated Using Access Methodologies.

FCC regulations are very clear that transport and termination rates are not the same as access charges. 47 CFR section 51.515(a) specifically states: "Neither the interstate access charges described in part 69 of this chapter nor comparable intrastate access charges shall be assessed by an incumbent LEC on purchasers of elements that offer telephone exchange or exchange access services." Moreover, 47 CFR section 51 505(d) makes clear that the subsidies contained in access charges must not be included in transport and termination rates That regulation specifically excludes embedded costs, retail costs, opportunity costs and "revenues to subsidize other services."

---

[14] As noted previously by the parties, the incumbents forward-looking costs of terminating traffic are used a proxy for the CMRS provider's costs of terminating land-originated traffic unless the CMRS carrier provider attempts to establish that its forward looking costs are higher *See* Post-Status Conference Brief of the Rural Coalition of Small LECs and Cooperatives and CMRS Providers' Joint Brief Regarding Statutory Requirements for Symmetrical Rates Based on Each ICO's Forward-Looking Costs, *In Re Cellco Partnership d/b/a Verizon Wireless for Arbitration Under the Telecommunications Act of 1996*, TRA Consolidated Docket No 03-00585

B. Recoverable Costs Must Be Forward-Looking and Efficient.

In order to promote a competitive marketplace on a "reasonable and efficient basis", the FCC allows an incumbent to recover only the "forward-looking" costs involved in transport and termination.[15] In this context, "forward-looking" means "the costs that a carrier would incur in the future . . . based on the most efficient network architecture, sizing, technology, and operating decisions that are operationally feasible and currently available to the industry."[16] For example, if the cost of switching has gone down in the past 10 years, then switching costs must be based not on what an incumbent paid for a switch ten years ago but rather upon what an incumbent would pay today. In other words, transport and termination rates may not recover historical ("embedded") costs.[17] In addition, factors such as the cost of capital must also be determined on a forward-looking basis [18]

C. Recoverable Costs Must Be Causally Related to Transport and Termination.

The costs recovered in transport and termination rates must be causally related to the end office switching, tandem switching or common transport functions described above. The cost must be "incurred as a direct result of providing the network elements, or can be avoided, in the long run, when the company ceases to provide them."[19] For example, retail-marketing costs are not recoverable in transport and termination rates, because such costs are not necessary to

---

[15] *See e g , Local Competition Order* at ¶ 679 ("We believe that our adoption of a forward-looking cost-based pricing methodology should facilitate competition on a reasonable and efficient basis by all firms in the industry by establishing prices for interconnection and unbundled elements based on costs similar to those incurred by the incumbents, which may be expected to reduce the regulatory burdens and economic impact of our decision for many parties, including both small entities seeking to enter the local exchange markets and small incumbent LECs ")

[16] Local Competition Order, ¶ 683

[17] *See* 47 CFR § 51 505(b)(2) ("The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers ")

[18] *See also January 25, 1999 Phase I Order* at 15 (TRA clarified that TELRIC cost studies should "adopt forward-looking estimates of the cost of capital ")

[19] *Local Competition Order* at ¶ 691

perform those functions. In sum, forward-looking costs other than those required to transport and terminate telecommunications traffic exchanged pursuant to section 251(b)(5) of the Act must be excluded as inputs to TELRIC-based cost models.

D. TELRIC-Based Switching Excludes the Cost of the Loop.

The TELRIC standard for any network element is defined as the total cost of that network element divided by the total unit demand for that element. Specifically, the FCC has determined that:

> ... the per-unit costs associated with a particular element must be derived by dividing the total cost associated with the element by a reasonable projection of the actual total usage of the element.[20]

The FCC also states that the cost of any network element should be recovered in the manner in which the cost is incurred. Specifically, the FCC states that loop costs must be recovered through flat-rated charges, not usage-based charges.[21] The TELRIC standard for switching requires that the cost of switching be equal to the total traffic sensitive cost of providing the switching function divided by the total demand of switching. Thus, for example, it is not proper to include the cost of the non-traffic sensitive loop in the TELRIC rate for switching.

---

[20] *See Local Competition Order* at ¶ 682

[21] *See* 47 CFR § 51 509 which states:

(a) *Local Loops* Loop costs shall be recovered through flat-rated charges

(b) *Local switching* Local switching costs shall be recovered through a combination of a flat-rated charge for line ports and one or more flat-rated or per-minute usage charges for the switching matrix and for trunk ports

See also Local Competition Order at ¶ 744, 47 CFR § 51 707

E. TELRIC Requires Efficient Network Design and Reasonable Fill Factors.

The TERLIC standard for all network elements requires the use of an efficiently designed network assuming actual usage and reasonable fill factors. Specifically, the FCC states,

> Per-unit costs shall be derived from total costs using reasonably accurate "fill factors" (estimates of the proportion of a facility that will be "filled" with network usage); that is, the per unit costs associated with a particular element must be derived by dividing the total cost associated with the element by a reasonable projection of the actual total usage of the element.[22]

In addition, as discussed above, the regulations provide:

> *Efficient network configuration* The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration.[23]

In brief, as the FCC has made clear, TELRIC cost studies must be focused appropriately on the forward-looking costs of what would constitute the most efficient technology currently available and not on the technology as it existed, for example, 10 years ago.

IV.

COST STUDY METHODOLOGIES PROPOSED BY RURAL ICOS

The *ICO Filing* included descriptions of six (6) different cost study methodologies. As discussed below, and based on the information provided, two (2) of the six (6) proposed methodologies are inconsistent, either in whole or in part, with TELRIC principles (as well as the Procedural Schedule for Rate Phase of Proceeding. As for the other four (4) proposed methodologies, they do not provide enough detail to determine whether they are TELRIC compliant or not. Accordingly, if the ICO cost studies are prepared pursuant to these

---

22 *Local Competition Order* at ¶ 682

23 47 CFR § 51 505 (b)(1)

methodologies, the CMRS Providers are concerned that the TRA will likely be faced with the same type of unacceptable cost studies it previously rejected in this proceeding.[24]

1. John Staurulakis, Inc. (JSI) Cost Study Methodology

A. Use of Surrogate Cost Studies.

As an initial matter, the JSI cost methodology reveals that some of the ICOs do not intend to comply with the procedural schedule proposed jointly by the parties and recently approved by the TRA. In particular, the Procedural Schedule for the Rate Phase of Proceeding requires "each Rural Independent Telephone Company to file its own separate cost study, based on each company's specific costs.. "[25]

Nonetheless, JSI indicates that it intends to perform only two (2) company-specific cost studies, for Millington Telephone Company ("Millington") and Loretto Telephone Company, Inc. ("Loretto"). The Millington cost study would apparently be used as a surrogate for two other "large" ICOs, while the Loretto cost study would be used as a surrogate for one other "small" company. This is in direct conflict with the Procedural Schedule for the Rate Phase of Proceeding and the FCC requirements in this regard.[26]

B. The JSI Filing is not TELRIC Compliant.

The JSI Filing does not appear to be consistent with TELRIC for several reasons including, but not necessarily limited to the following·

---

[24] The CMRS Provider discussion of the deficiencies in the six (6) "descriptions" are presented in an effort to aid the Panel in its evaluation of the information provided by the ICOs and should not be construed as a waiver of the CMRS Providers rights to request any other information pursuant to discovery or their right to otherwise object to the ICO cost studies that will be filed in the coming months

[25] *See Order Establishing Procedural Schedule Rate Phase of Proceeding*, TRA Consolidated Docket No 03-00585 (Aug 24, 2005) *See also July 21, 2005, Status Conference Transcript of Proceedings*, TRA Consolidated Docket 03-00585 at 4

[26] In addition, although the JSI Filing indicates that ten ICOs will use the JSI cost model, the text of the Filing refers to only five ICOs (Ben Lomand, Highland, Loretto, Millington, and Yorkville) It is unclear how JSI intends to address cost studies for the remaining five ICOs (Ardmore, Crockett, Peoples, United, and West Tennessee)

- JSI proposes to include a portion of the loop in the costs of termination As discussed above, this is contrary to FCC requirements.

    - JSI makes reference to paragraph 1057 of the First Report and Order to support its position that the cost associated with fiber-fed digital loop carrier ("DLC") is appropriately included in the rate for termination. That paragraph, however, explicitly prohibits the recovery of loop costs through usage-sensitive rates for terminating traffic.[27]

    - JSI also makes reference to the HCPM utilization of digital loop carrier (DLC) to support its position to include the cost of fiber-fed DLC in the rate for termination. In fact, the HCPM treats all fiber-fed DLC investment as NTS loop plant. The FCC's USF Order, for which the HCPM was developed, assigns 100% of the loop cost (including fiber-fed DLC) to basic service. No loop costs are assigned to usage-based services and thus they cannot be included in a TELRIC-based cost study.

- JSI notes that its methodology intends to recover embedded costs which is completely contrary to basic TELRIC principles

- JSI intends to use a cost of capital was first established in 1990 To comply with the FCC requirements, the JSI cost studies must include an analysis of current, rural ILEC costs of debt and a range of reasonableness for the current cost of equity based on bona fide sources.

- JSI indicates that it may use average vendor prices for switching and transmission equipment from other RLECs. This is not appropriate, since vendor prices from other RLECs may not be current or representative of the ILECs in this case.

C. Other Issues.

The JSI proposal also raises a number of other issues. For example, JSI proposes to include the costs associated with billing and recording messages. While such costs may be appropriate, it is important to limit the analysis to the cost of providing these services on a wholesale basis, which are much lower than providing them on a retail basis. JSI also apparently

---

[27] Paragraph 1057 states, in part, as follows

> The costs of local loops and line ports associated with local switches do not vary in proportion to the number of calls terminated over these facilities We conclude that such non-traffic sensitive costs should not be considered "additional costs" when a LEC terminates a call that originated on the network of a competing carrier For the purposes of setting rates under section 252(d)(2), only that portion of the forward-looking, economic cost of end-office switching that is recovered on a usage-sensitive basis constitutes an "additional cost" to be recovered through termination charges

intends to include the ICOs' transit costs incurred from a third-party provider to provide transit services for land-originated traffic. However, such costs are not a function of transporting and terminating traffic delivered to the ICO, and as such should not be included in development of the ICOs' reciprocal compensation rates.

JSI also proposes to use FCC economic lives for digital switching, circuit equipment and cable and wire facilities, and RLEC lives for support plant (buildings, motor vehicles, etc.). JSI should provide a comparison of FCC and RLEC lives for all plant accounts and provide the rationale for using lives from different sources for different plant accounts. This rationale should address why the selected lives are indeed forward-looking, ICO-specific and reasonable.

The CMRS Providers also note that JSI proposes to base the shared and common cost factor as a percentage of investment. Common costs should not be allocated on the basis of investment. The FCC rules at 47 CFR 51 505 call for forward-looking economic costs to include a "reasonable allocation of forward-looking common costs," which it defines as "costs efficiently incurred in providing a group of elements or services (which may include all element or services provided by the incumbent LEC) that cannot be attributed directly to individual elements or services." A more appropriate basis for computing a common cost factor is total revenues or total capital costs and operating expenses for all ILEC services. The common cost factor can then be multiplied times the TELRIC (revenue requirement before common costs) of transport and termination to allocate a pro rata share of these costs.

2. CHR Solutions Cost Study Methodology

One ICO, North Central Telephone Cooperative, Inc., proposes to use the CHR cost model. CHR provides only a one-half page summary of the proposed cost study methodology

But this brief description is enough to reveal that CHR does not even attempt to be TELRIC-compliant, despite being titled "TELRIC STUDY DESCRIPTION."

For example, the CHR summary concludes with the following: "Rate Development: ADDITIONAL switching and transport cost divided by ADDITIONAL demand." [Underscore and capitals as in original.] In addition, footnote one of the summary states that:

> The additional capacity assumes full additional construction costs, e g., new cable and electronics will be priced independent of existing capacity.

By analyzing "ADDITIONAL demand" and "ADDITIONAL cost," the CHR cost methodology assures that the resulting termination rates will not reflect the economies associated with total demand on the ICO's network. Thus, the CHR cost study methodology is not TELRIC-compliant given that the purpose of the TELRIC standard is, among other things, to assure that the benefits of the economies associated with the total demand on the ILEC's network are reflected in its rates.[28]

In addition, CHR proposes to develop direct operating expense ratios and common cost overhead allocations "using a representative sample of other similarly situated ILECs using public data ...". This is inappropriate per the FCC and per the Procedural Schedule adopted in this proceeding. Actual company data and costs must be used. Also, net present value calculations should be over plant lives, not a truncated, five-year planning period as CHR proposes. The CHR Filing would result in higher capital cost factors due to lower depreciation reserves in early years

3. HAI Cost Study Methodology

Three (3) Century Telephone-affiliated companies, Adamsville, Claiborne, and Ooltewah-Collegedale, propose to use the HAI proxy model with default input values Like any

[28] *See e g* , 47 CFR § 51 505(b), *see also Local Competition Order* at ¶ 682

model, the HAI model results are a function of both the quality of the internal model calculations and the appropriateness of the inputs used in the model. These three (3) companies provide only a one-half page summary of their cost study methodology, which is not sufficient to determine whether the methodology is TELRIC-compliant.

Also, the three (3) companies do not state which version of the HAI proxy model they plan to use. If, for example, CenturyTel is proposing to use the HAI 5.0a model and its default values, the resulting study will not meet the FCC requirements for TELRIC and forward-looking economic costs The model was developed in 1998 and contains plant and other cost data from the mid- to early-1990s Thus, the cost data are not current or forward-looking. Furthermore, using default values, does not assure that the costs represent the ICO's own costs Such a study would be unusable in establishing reciprocal compensation rates.

4. Parrish, Blessing & Associates (PBI) Cost Study Methodology

Two (2) ICOs, Bledsoe Telephone Cooperative and DeKalb Telephone Cooperative, Inc., propose to use the PBI cost model PBI provides only a one-half page summary of a proposed cost study methodology which is simply insufficient to determine whether a cost-study prepared under this model would be TELRIC-compliant.

5. TDS Internal Model Cost Study Methodology

Four (4) TDS-affiliated companies, Concord, Humphreys, Tellico and Tennessee, propose to use an internal TDS cost model TDS provides only a one-page summary of its cost study methodology which is simply insufficient to determine whether a cost-study prepared under this model would be TELRIC-compliant

6. Totherow, Haile & Welch and Lee Olch Consulting (THW / LO) Cost Study Methodology

One (1) Coalition Member, Twin Lakes Telephone Cooperative Corporation, proposes to use the THW / LO cost model. THW / LO provides only a two page summary of the proposed cost study methodology which is simply insufficient to determine whether a cost-study prepared under this model would be TELRIC-compliant

V.

CONCLUSION

For the reasons discussed above, the CMRS Providers respectfully submit that the TRA order each ICO to submit a cost study based on forward-looking costs consistent with the TELRIC principles adopted by the FCC, which are discussed, in part, above.

Respectfully submitted this 31st day of August, 2005.

Melvin J. Malone
J. Barclay Phillips
Miller & Martin, PLLC
1200 One Nashville Place
150 4th Avenue North
Nashville, Tennessee 37219-2433
(615) 244-9270

Counsel for Cellco Partnership d/b/a
Verizon Wireless

Dan Menser
Marin Fettman
Corporate Counsel
T-Mobile USA, Inc.
12920 SE 38th Street
Bellevue, WA 98006

Leon M. Bloomfield
Wilson & Bloomfield, LLP
1901 Harrison St., Suite 1630
Oakland, CA 94610
510-625-8250

Attorneys for T-Mobile USA, Inc.

Edward Phillips
Sprint
14111 Capital Blvd.
Mail Stop: NCWKFR0313
Wake Forrest, NC 27587
919-554-3161

Charles McKee
Sprint
6450 Sprint Parkway
Mailstop KSOPHN0212-2A553
Overland Park, KS 66251
913-315-9098

Attorneys for Sprint PCS

Mark J Ashby
Senior Attorney
Cingular Wireless
5565 Glenridge Connector
Suite 1700
Atlanta, GA 30342

Paul Walters, Jr.
15 E. First St.
Edmond, OK 73034
405-359-1718

Attorneys for New Cingular Wireless PCS

CERTIFICATE OF SERVICE

I hereby certify that on August 31, 2005, a true and correct copy of the foregoing has been served on the parties of record, via the method indicated:

[ ] Hand [ ] Mail [ ] Facsimile [ ] Overnight [X] Electronically	Stephen G. Kraskin Kraskin, Lesse & Cosson, LLC 2120 L Street NW, Suite 520 Washington, D.C. 20037
[X] Hand [ ] Mail [ ] Facsimile [ ] Overnight	William T. Ramsey Neal & Harwell, PLC 2000 One Nashville Place 150 Fourth Avenue North Nashville, TN 37219
[X] Hand [ ] Mail [ ] Facsimile [ ] Overnight	J. Gray Sasser J. Barclay Phillips Melvin Malone Miller & Martin PLLC 1200 One Nashville Place 150 Fourth Avenue North Nashville, Tennessee 37219
[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Edward Phillips Sprint 14111 Capital Blvd. Wake Forest, NC 27587-5900
[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Elaine D. Critides Verizon Wireless 13001 Street, NW Ste. 400 West Washington, DC 20005
[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Paul Walters, Jr. 15 East 1st Street Edmond, OK 73034

[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Mark J. Ashby Cingular Wireless 5565 Glenridge Connector Suite 1700 Atlanta, GA 30342
[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Dan Menser, Sr. Corp. Counsel Marin Fettman, Corp. Counsel Reg. Affairs T-Mobile USA, Inc. 12920 SE 38th Street Bellevue, WA 98006
[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Leon M. Bloomfield Wilson & Bloomfield, LLP 1901 Harrison St., Suite 1630 Oakland, CA 94612
[ ] Hand [X] Mail [ ] Facsimile [ ] Overnight	Charles McKee Sprint Spectrum L.P. d/b/a Sprint PCS 6450 Sprint Parkway MailStop 2A553 Overland Park, KS 66251

Melvin J. Malone