BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE PETITION OF MCCOOK COOPERATIVE TELEPHONE COMPANY FOR ARBITRATION PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996 TO RESOLVE ISSUES RELATING TO AN INTERCONNECTION AGREEMENT WITH ALLTEL COMMUNICATIONS, INC.	))))))	**SECOND DECISION AND ORDER; FINDINGS OF FACT, CONCLUSIONS OF LAW; NOTICE OF ENTRY OF ORDER** **TC07-112**

PUBLIC VERSION

On October 19, 2007, McCook Cooperative Telephone Company ("McCook") filed with the Public Utilities Commission ("Commission") a petition for arbitration of certain unresolved terms and conditions of a proposed Interconnection Agreement between McCook and Alltel Communications, Inc. ("Alltel"), pursuant to section 252 of the Telecommunications Act of 1996 ("Act"), SDCL 49-31-81, and ARSD 20:10:32:29. McCook filed a list of unresolved issues consisting of:

(1) Is the reciprocal compensation rate for IntraMTA Traffic proposed by McCook appropriate pursuant to 47 U.S.C. section 252(d)(2)?
(2) What is the appropriate Percent InterMTA Use factor to be applied to non-IntraMTA traffic exchanged between the parties?
(3) What is the appropriate manner by which the minutes of use of IntraMTA Traffic terminated by the parties, one to the other, should be calculated and billed?
(4) What is the obligation of the parties with respect to dialing parity?
(5) What is the appropriate effective date and term of the Agreement?

In accordance with ARSD 20:10:32:30, a non-petitioning party may respond to the petition for arbitration and provide additional information within 25 days after the Commission receives the petition. On November 13, 2007, the Commission received a Response of Alltel Communications, Inc. to Petition for Arbitration of McCook Cooperative Telephone Company. Alltel included two additional issues for resolution:

(6) What is the appropriate definition of intraMTA and interMTA traffic?

(7) Which party can initiate a direct interconnection request?

A hearing on this matter was held July 29, 2008 through July 31, 2008. Briefs were subsequently filed by the parties. On November 14, 2008, the Commission received a Stipulation to Supplement Record of Consolidated Arbitration Hearing signed by the parties. At its regularly scheduled meeting of November 25, 2008, the Commission unanimously voted to approve the Stipulation to Supplement Record of Consolidated Arbitration Hearing. At its January 27, 2009, meeting, the Commission decided the unresolved issues as presented by the parties. On February 27, 2009, the Commission issued its Findings of Fact; Conclusions of Law; Notice of Entry of Order (*"February 2009 Decision"*). In its order, the Commission decided all of the issues except for the first issue regarding the reciprocal compensation rate for intraMTA traffic. The Commission required McCook to revise and refile its cost study reflecting the following: (1) the elimination of the costs associated with the Web-Self Care

system, including the Web Self-Care License and Web Self-Care system-non-NEVS, the CALEA license, and the Centrex license; (2) the use of a rate equivalency method basis of cost assignment for transport costs; and (3) a new forecasted demand.

On March 30, 2009, the Commission received a Petition for Reconsideration from Alltel. On April 14, 2009, the Commission received Petitioner's Opposition to Alltel's Petition for Reconsideration. At its May 19, 2009, meeting, the Commission voted unanimously to deny the Petition for Reconsideration. Pursuant to ARSD 20:10:01:29, the Commission found Alltel failed to provide sufficient reasons for granting reconsideration.

On June 9, 2009, the Commission received a Motion to Compel from Alltel. On June 12, 2009, the Commission received a Stipulation for Amended Scheduling Order signed by the parties. At its June 23, 2009, meeting, the Commission voted unanimously to approve the Stipulation for Amended Scheduling Order. On July 13, 2009, the Commission received a Response to Alltel's Motion to Compel from McCook. At its July 14, 2009, meeting, the Commission voted unanimously to grant the Motion to Compel in part as it related to cost information for CALEA, Centrex and Web Self-Care, that such information shall be handled confidentially, and that McCook shall work with the vendors to make sure that Alltel receives the information it needs.

The second hearing was held as scheduled on August 3, 2009. The issue to be determined by the Commission concerned the appropriate reciprocal compensation rate for intraMTA traffic.

Following the hearing, the parties submitted briefs. Oral arguments were heard by the Commission on November 24, 2009. At its January 5, 2010 meeting, the Commission considered this matter. The Commission unanimously voted to find the following: (1) McCook correctly eliminated the costs associated with the Web-Self Care system, including the Web Self-Care License and Web Self-Care system-non-NEVS, the CALEA license, and the Centrex license; (2) accepted Alltel's revisions to McCook's latest cost study reflecting a forecasted demand with the demand levelized over the seven year forecast period for transport electronics costs; (3) accepted Alltel's revisions to transport outside plant demand by projecting demand of 12 fibers in service for a 24-fiber cable; (4) adopted a rate equivalency method whereby a voice trunk is considered equivalent to a DS-0 special circuit for 15% of the total number of voice trunks with the remaining 85% of voice trunks treated consistent with Alltel's version of the rate equivalency method; and (5) rejected Alltel's request to exclude the switch processor costs.

Having reviewed the evidence of record, the Commission makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. On October 19, 2007, McCook filed a Petition for Arbitration of certain unresolved terms and conditions of a proposed Interconnection Agreement between McCook and Alltel. McCook filed the following list of unresolved issues:

(1) Is the reciprocal compensation rate for IntraMTA Traffic proposed by McCook appropriate pursuant to 47 U.S.C. section 252(d)(2)?
(2) What is the appropriate Percent InterMTA Use factor to be applied to non-IntraMTA traffic exchanged between the parties?

(3) What is the appropriate manner by which the minutes of use of IntraMTA Traffic terminated by the parties, one to the other, should be calculated and billed?
(4) What is the obligation of the parties with respect to dialing parity?
(5) What is the appropriate effective date and term of the Agreement?

2. On November 13, 2007, the Commission received the Response of Alltel Communications, Inc. to Petition for Arbitration of McCook Cooperative Telephone Company. Alltel included two additional issues for resolution:

(6) What is the appropriate definition of intraMTA and interMTA traffic?
(7) Which party can initiate a direct interconnection request?

3. The hearing was held as scheduled on July 29-31, 2008. For the purposes of the evidentiary record, this docket was consolidated with dockets TC07-113, TC07-114, TC07-115, and TC07-116. Due to the consolidation, the exhibits are referred to as the Petitioners' exhibits ("Pet. Ex."). At the time of the first hearing, the remaining issues were issues one, two, three, six, and seven.

4. On February 27, 2009, the Commission issued its *February 2009 Decision*. In its order, the Commission decided all of the issues except for the first issue regarding the reciprocal compensation rate for intraMTA traffic. The Commission required McCook to revise and refile its cost study reflecting the following: (1) the elimination of the costs associated with the Web-Self Care system, including the Web Self-Care License and Web Self-Care system-non-NEVS, the CALEA license, and the Centrex license; (2) the use of a rate equivalency method basis of cost assignment for transport costs; and (3) a new forecasted demand.

5. Additional prefiled testimony and exhibits were submitted by the parties. A hearing was held on August 3, 2009, regarding the remaining issues affecting the reciprocal compensation rate for intraMTA traffic. An explanation of intraMTA calls and reciprocal compensation is found in findings five through seven of the Commission's *February 2009 Decision*.

6. As stated previously, the Commission required three revisions to McCook's cost study. The Commission will first discuss its requirement to eliminate the costs associated with the Web-Self Care system, including the Web Self-Care License and Web Self-Care system-non-NEVS, the CALEA license, and the Centrex license. The Commission required the removal of these costs because it found that these components are not necessary for the termination of a call and do not meet the requirement of being usage sensitive. McCook developed revised cost estimates for the proposed switching network which removed the costs associated with these items. Pet. Ex. 78 at 3, attached exhibit NW-S-1.The Commission finds that McCook correctly eliminated the costs associated with the Web-Self-Care License and Web Self-Care system-non-NEVS, the CALEA license, and the Centrex license.

7. The Commission will next address its requirement that McCook provide a new forecasted demand. In its prior decision, the Commission found that McCook failed to "show that the use of 2006 demand should be considered to be McCook's 'forward-looking' demand." *See February 2009 Decision*, Finding 23. The Commission found that the record did not "contain a credible projection of forward-looking demand and the use of 2006 demand is inconsistent with the proposed use of an OC-192 network." *Id.* The Commission required McCook to file a new projection of forward-looking demand. *Id.*

8. McCook subsequently filed two FLEC studies with revised forecasted demand. The first FLEC study was filed in McCook's testimony filed in April of 2009 ("April 2009 FLEC study"). Pet. Ex. 80. The second FLEC study was contained in McCook's testimony filed in July of 2009 ("July 2009 FLEC study"). Pet. Ex. 81.

9. For the revised forecasted demand, McCook's witness, Tim Eklund, "analyzed transport demand data (transport circuits and transport minutes) that was available from the year 2006 through the year 2008." Pet. Ex. 80 at 6. Eklund projected forward looking demand based on the trends of circuits and minutes during those years. *Id.* Eklund also stated that in cases "where it was judged that the growth rate would not be sustainable, the projected demand was adjusted to result in a more sustainable and reasonable projection." *Id.* Even though this revised forecasted demand was done in 2009, the projected demand ran only through 2010. Pet. Ex. 81 at 8; Tr. at 103-04. McCook did not forecast transport outside plant costs. Tr. at 175.

10. In its April 2009 FLEC study, McCook used an OC-192 network and 48 fiber cable. An OC-192 has the capacity of 5,376 DS-1s. Alltel Ex. 18 at 53. Demand for transit circuits was still measured in terms of paths, not by rate equivalency, and were not forecasted. *Id.* at 18-19; Alltel Ex. 19 at 12. By contrast, in its July 2009 FLEC study, McCook used an OC-48 network and 24 fiber cable. Pet. Ex. 81 at 12-14. An OC-48 has a capacity of 1,344 DS-1s. Alltel Ex. 18 at 53. McCook made these changes in response to Alltel's claims that an OC-192 transport system was not consistent with the demand forecasted by McCook. Pet. Ex. 81 at 12-14. Another difference between the two studies was that in its July 2009 FLEC study, McCook forecasted its transit circuits to zero. *Id.* at 13-14; Tr. at 119.

11. Both of the revised cost studies continued to reflect a very low utilization of the transport networks. Based on McCook's forecasted demand in its April 2009 FLEC study, a study that used an OC-192 network, McCook would use [CONFIDENTIAL] of its transport system capacity. Alltel Ex. 18 at 58. In McCook's July 2009 FLEC study, a study that used an OC-48 network, the level increased [CONFIDENTIAL]. Alltel Ex. 19 at 27.

12. In its supplemental rebuttal testimony, Alltel made revisions to the forecasted demand in McCook's July 2009 FLEC study. First, Alltel extended the forecast period for transport from 2010 to 2016. Alltel Ex. 19 at 26. Alltel levelized its forecasted transport demand over that seven year measuring period. *Id.* A levelized demand value computes costs per unit of demand that reflect the time value of money. Alltel Ex. 18 at 67. Levelized demand takes into consideration the risks of forecasting by giving demand in the later years less weight than demand in the earlier years. *Id.* The result is that by the seventh year demand carries about half the weight of demand in the first year. *Id.* Alltel's levelized demand showed a [CONFIDENTIAL]. Alltel Ex. 19 at 26; Tr. at 172-173.

13. Alltel's second change to the forecasted demand used in McCook's July 2009 FLEC study was to the transport outside plant. McCook did not forecast the fibers and based the fibers on 2006 quantities. Tr. at 175. Alltel extended the forecast for cable fibers in service to achieve a 50% utilization of a 24-fiber cable. Alltel Ex. 19 at 27.

14. The Commission finds that McCook's revised forecasted demand continues to suffer from the same deficiency as its first forecasted demand -- namely, conflicting witness testimony. One McCook witness, Nathan Weber, stated that based on reasonable projections, the total capacity demand will be an OC-192. Tr. at 49, 84. Another McCook witness, Eklund, forecasted demand [CONFIDENTIAL]. *See* Finding 11.

15. The Commission finds that one of the weaknesses of McCook's forecasted demand lies in the fact that McCook continually chose to not forecast demand for a credible period. In its first forecasted demand presented at the 2008 hearing, McCook claimed that the *actual* demand for 2006 reflected "forecasted" demand. See *February 2009 Decision*, Findings 21-23. The Commission found that the use of 2006 demand as forward looking demand was not credible and ordered McCook to file a new projection of forecasted demand. *Id.* McCook's revised forecasted demand was conducted in 2009. The forecast was based on actual data from 2006 to 2008. However, McCook then forecasted demand only to 2010. *See* Finding 12. The failure to forecast a reasonable time period results in future trends being inadequately represented. McCook's witness stated that he fully believed that McCook will "need to have an OC-192 for the next 7 to 10 years of useful life of that equipment." Tr. at 84. Given that McCook's forecasted demand for switched access trended downward, a short measuring period that fails to take into account the expected life of the transport network will not adequately apportion the increased use of the network to special services. The Commission finds that McCook's forecasted demand is not reasonable.

16. The Commission finds that Alltel's projected demand is reasonable. Alltel projected demand to 2016, which reflects a more reasonable measuring period for the useful life of transport electronics. In addition, Alltel's levelized demand gives demand in the later years less weight than demand in the earlier years, resulting in a demand forecast that takes into consideration the risks of forecasting into the future. The reasonableness of this levelized demand is demonstrated by the fact that it shows a [CONFIDENTIAL] utilization of an OC-48 and, for an OC-192, which is the transport system that one of McCook's witnesses stated McCook would need in the future, the levelized demand shows a [CONFIDENTIAL] utilization of an OC-192. Alltel Ex. 19 at 26; Tr. at 172-173. In addition, the Commission finds that Alltel's proposed revision that extends the forecast for cable fibers in service to achieve a 50% utilization of a 24-fiber cable is also reasonable. *See* Alltel Ex. 19 at 27. The Commission directs McCook to make these changes to its July 2009 FLEC study.

17. Another issue was how to calculate and apportion demand among users. McCook advocated the use of the path method. The Commission explained the path method in finding 24 of its *February 2009 Decision*:

> This method counts each DS-0 as a path, each DS-1 as a path, and each DS-3 as a path. Tr. at 270. A DS-1 is equivalent to 24 DS-0s and a DS-3 is equivalent to 28 DS-1s. Tr. at 271; Alltel Ex. 2 at 56. A path may consist of a voice trunk or a special circuit. Alltel Ex. 2 at 56. Thus under the path method, a path is considered to be one circuit regardless of the bandwidth of the circuit. *Id.*

18. Alltel opposed the path method and instead advocated the use of the DS-1 equivalent method in which DS-0 voice trunks would be converted to a DS-1 level by taking the total DS-0 voice trunks and dividing by 24. *See February 2009 Decision*, Finding 25; Alltel Ex. 9.

19. The Commission rejected both methods as flawed, finding they either over-allocated or under-allocated special circuits. *See February 2009 Decision*, Finding 27. The Commission required McCook to revise its cost study to reflect a rate equivalency method. *Id.* The rate equivalency method allocates costs based on the ratio of rates for the services. *See February 2009 Decision*, Finding 26; Pet. Ex. 56 at 21.

20. McCook subsequently filed a revised cost study that used a rate equivalency method. McCook explained the rate equivalency method it used as follows:

> The Rate Equivalency method allocates the circuit cost between switched service and special service based upon the relative price of circuits of different bandwidths. For example, in the allocation that was used as a result of the Commission's directive to rerun the FLEC study, the Rural LECs used for their weighting, the ratio of the price of a DS1 circuit to the price of a DS0 circuit. The prices used were from the Qwest SGAT filing in the State of South Dakota. These rates were used since the SGAT rates are wholesale rates that were developed pursuant to Section 252 of the Act and approved by the Commission.

Pet. Ex. 80 at 4. Under McCook's proposal a DS-0 special circuit would have the same rate equivalency as a voice trunk with a DS-0 bandwidth. A DS-1 special circuit is represented as costing [CONFIDENTIAL] times a DS-0 circuit. Pet. Ex. 83 at 15. A DS-3 special circuit is represented as costing [CONFIDENTIAL] times more than a DS-0 circuit. *Id.*

21. Alltel agreed with McCook's rate equivalency method with one exception. Alltel opposed treating a DS-0 special circuit as rate equivalent to a DS-0 voice trunk, asserting that a DS-0 special circuit costs more than a DS-0 voice trunk. Alltel Ex. 18 at 23-24. Alltel explained that a DS-0 special circuit does not pass through the switch. Alltel Ex. 18 at 23. A DS-0 special circuit requires circuit conditioning and multiplexing which requires additional transport electronics equipment. *Id.* The result is additional costs. *Id.* By contrast, voice traffic is directed by the switch to voice trunks. *Id.* These voice trunks are then combined to the DS-1 level by the switch without the need for additional electronics equipment. *Id.* at 23-24. Given this cost differential, Alltel revised McCook's rate equivalency method by dividing the number of voice trunks by 24 to express switched circuit demand in terms of DS-1 circuits. Alltel Ex. 19 at 9-11. After dividing the number of voice trunks by 24 to obtain the corresponding DS-1 common transport circuits, this quantity is then multiplied by the DS-1 to DS-0 rate equivalent. *Id.* at 9. Alltel's rationale for converting voice trunks to corresponding DS-1 circuits is that this approach "is consistent with how local exchange carrier networks are actually deployed in design and practice (i.e., voice trunks are consolidated to DS-1 circuits at the switch." *Id.* Alltel posited that acceptance of McCook's proposal would result in special services being subsidized by voice traffic. *Id.*

22. In response to Alltel's assertion that a voice trunk costs less than a DS-0 special circuit, McCook asserted that some DS-1 circuits contain both switched traffic and special circuits. Pet. Ex. 79 at 3. In these instances, McCook stated that circuit conditioning and multiplexing equipment is needed resulting in additional costs. *Id.* When questioned on how often this would occur, McCook's witness stated that out of 20 DS-1s, the witness would expect that 2 to 4 would contain mixed traffic. Tr. at 80.

23. The Commission finds that McCook's proposed rate equivalency method is reasonable with the exception of how the proposed method treats voice trunks. The Commission finds that the evidence demonstrates that, in most instances, a DS-0 special circuit is more expensive than a DS-0 voice trunk. Thus, as a general rule, a DS-0 special circuit costs more than a voice trunk. Given the cost differential between a voice trunk and a DS-0 special circuit, the question then becomes whether there is a way to use the rate equivalency method that more accurately reflects the cost of a voice trunk. The Commission finds that Alltel's solution of taking the number of voice trunks and dividing the voice trunks by 24 to obtain the corresponding DS-1 common transport circuit produces, in most instances, a more accurate rate equivalency method. Moreover, Alltel's solution reflects how networks are generally deployed by recognizing that voice trunks are consolidated to DS-1 circuits at the switch. Alltel Ex. 19 at 11.

24. The Commission will also take into account the evidence presented by McCook that, in a few instances, voice trunks and DS-0 special circuits may be combined resulting in mixed traffic on a DS-1 circuit. McCook's witness stated that he would expect that 2 to 4 out of 20 DS-1s would be mixed traffic. Tr. at 80. Using three as the median number, the Commission finds that for 15% of voice trunks, a voice trunk will be considered equivalent to a DS-0 special circuit. The remaining 85% of voice trunks will be treated consistent with Alltel's proposed treatment of voice trunks. The result is that for 85% of voice trunks, the number of voice trunks will be divided by 24 to express switched circuits demand in terms of DS-1 circuits. The resulting DS-1 circuit quantity will then be multiplied by the DS-1 to DS-0 rate equivalent. The Commission directs McCook to make these changes to its July 2009 FLEC study.

25. Following the hearing, Alltel filed a Motion to Reconsider Inclusion of Getting Started Costs and Non-Sensitive Switch Costs as Part of the Reciprocal Compensation Charges. Alltel's basis for the motion was that when McCook filed its revised FLEC study, the number of switched access minutes was forecasted to decrease. Alltel argued that since no changes were made to the switch processor costs, this supported its position that the switch processor costs were not usage sensitive. McCook noted that a decrease in switched access minutes is not new evidence as it was brought up in the first hearing. McCook's witness also stated that "the switch was designed off of usage-sensitive basis of the number of concurrent call attempts it could handle, not necessarily minutes of use. So while minutes of use may decline, that's not indicative of the requirements for the concurrent call attempts." Tr. at 69.

26. The Commission finds that Alltel has failed to show that a forecasted decline in switched access minutes must lead to the conclusion that the switch is not usage sensitive. The fact that switched access minutes are declining is not new evidence that would justify reconsideration since it was discussed at the first hearing. Further, in its first decision the Commission carefully considered what costs were usage sensitive and, after careful consideration, the Commission required McCook to eliminate additional costs that the Commission found were not usage sensitive. Further, as stated by McCook's witness the switch is also sized to handle the number of concurrent call attempts.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction in this matter pursuant to SDCL chapters 1-26 and 49-31, including 49-31-3 and 49-31-81, and 47 U.S.C. sections 251 and 252. Pursuant to section 252 of the federal Act and SDCL 49-31-81, the Commission is required to resolve the unresolved issues presented by McCook and Alltel.

2. Pursuant to 47 C.F.R. § 51.705(a)(1), a state commission is to establish the incumbent local exchange carrier's rates for transport and termination of telecommunications traffic on the basis of the forward-looking economic costs by using a cost study pursuant to sections 51.505 and 51.511.

3. Section 51.505 provides as follows:

> (a) In general. The forward-looking economic cost of an element equals the sum of:
> (1) The total element long-run incremental cost of the element, as described in paragraph (b); and
>
> (2) A reasonable allocation of forward-looking common costs, as described in paragraph (c).

(b) Total element long-run incremental cost. The total element long-run incremental cost of an element is the forward-looking cost over the long run of the total quantity of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, such element, calculated taking as a given the incumbent LEC's provision of other elements.

(1) 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, given the existing location of the incumbent LEC's wire centers.

(2) Forward-looking cost of capital. The forward-looking cost of capital shall be used in calculating the total element long-run incremental cost of an element.

(3) Depreciation rates. The depreciation rates used in calculating forward-looking economic costs of elements shall be economic depreciation rates.

(c) Reasonable allocation of forward-looking common costs--(1) Forward-looking common costs. Forward-looking common costs are economic costs efficiently incurred in providing a group of elements or services (which may include all elements or services provided by the incumbent LEC) that cannot be attributed directly to individual elements or services.

(2) Reasonable allocation. (i) The sum of a reasonable allocation of forward-looking common costs and the total element long-run incremental cost of an element shall not exceed the stand-alone costs associated with the element. In this context, stand-alone costs are the total forward-looking costs, including corporate costs, that would be incurred to produce a given element if that element were provided by an efficient firm that produced nothing but the given element.

(ii) The sum of the allocation of forward-looking common costs for all elements and services shall equal the total forward-looking common costs, exclusive of retail costs, attributable to operating the incumbent LEC's total network, so as to provide all the elements and services offered.

(d) Factors that may not be considered. The following factors shall not be considered in a calculation of the forward-looking economic cost of an element:

(1) Embedded costs. Embedded costs are the costs that the incumbent LEC incurred in the past and that are recorded in the incumbent LEC's books of accounts;

(2) Retail costs. Retail costs include the costs of marketing, billing, collection, and other costs associated with offering retail telecommunications services to subscribers who are not telecommunications carriers, described in Sec. 51.609;

(3) Opportunity costs. Opportunity costs include the revenues that the incumbent LEC would have received for the sale of telecommunications services, in the absence of competition from telecommunications carriers that purchase elements; and

(4) Revenues to subsidize other services. Revenues to subsidize other services include revenues associated with elements or telecommunications service offerings other than the element for which a rate is being established.

4. Section 51.511(a) provides as follows:

> The forward-looking economic cost per unit of an element equals the forward-looking economic cost of the element, as defined in Sec. 51.505, divided by a reasonable projection of the sum of the total number of units of the element that the incumbent LEC is likely to provide to requesting telecommunications carriers and the total number of units of the element that the incumbent LEC is likely to use in offering its own services, during a reasonable measuring period.

5. In its *February 2009 Decision* the Commission required three revisions to McCook's cost study. The first revision was to eliminate the costs associated with the Web-Self Care system, including the Web Self-Care License and Web Self-Care system-non-NEVS, the CALEA license, and the Centrex license. The Commission finds that McCook correctly developed revised cost estimates for the proposed switching network and removed the costs associated with these items. *See* Finding 6.

6. The Commission further required McCook to provide a new forecasted demand. McCook filed two FLEC studies with revised forecasted demand. The Commission concludes that McCook's forecasted demand is not reasonable. *See* Findings 9-15. Alltel revised McCook's forecasted demand. The Commission accepts Alltel's revisions to McCook's July 2009 FLEC study. The Commission concludes that Alltel's projected demand is reasonable. *See* Findings 12 to 16. The Commission directs McCook to make these changes to its July 2009 FLEC study.

7. The Commission also required McCook to use the rate equivalency method to calculate and apportion demand among users. The Commission finds that for 15% of voice trunks, a voice trunk will be considered equivalent to a DS-0 special circuit. The remaining 85% of voice trunks will be treated consistent with Alltel's proposed treatment of voice trunks. The result is that for 85% of voice trunks, the number of voice trunks will be divided by 24 to express switched circuits demand in terms of DS-1 circuits. The resulting DS-1 circuit quantity will then be multiplied by the DS-1 to DS-0 rate equivalent. *See* Findings 23-24. The Commission directs McCook to make these changes to its July 2009 FLEC study.

8. The Commission rejects Alltel's request to reconsider the Commission's prior finding that the switch processor is usage sensitive. *See* Finding 26. The Commission concludes that Alltel has failed to show that the Commission's prior decision on this matter was erroneous or that new evidence was presented that justifies the Commission's reconsideration of this issue.

It is therefore

ORDERED, that McCook shall make the revisions as set forth above to its July 2009 FLEC study and incorporate the changes in the interconnection agreement; and it is

FURTHER ORDERED, that Alltel's Motion for Reconsideration is denied; and it is

FURTHER ORDERED, that the parties shall submit the interconnection agreement for approval by the Commission in accordance with ARSD 20:10:32:33.

NOTICE OF ENTRY OF ORDER

PLEASE TAKE NOTICE that this Order was duly entered on the 15th day of January, 2010. Pursuant to SDCL 1-26-32, this Order will take effect 10 days after the date of receipt or failure to accept delivery of the decision by the parties.

Dated at Pierre, South Dakota, this 15th day of January, 2010.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, electronically.

By: Demaris Althelm

Date: 1-15-10

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

Dustin M. Johnson PA

DUSTIN M. JOHNSON, Chairman

Steve Kolbeck

STEVE KOLBECK, Commissioner

Gary Hanson

GARY HANSON, Commissioner