
SECTION 7 SPECIAL ARRANGEMENTS

7.1 Special Construction

7.1.1 Basis for Charges

Where the Company furnishes a facility or service for which a rate or charge is not specified in the Company's tariffs, charges will be based on the costs incurred by the Company and may include: (1) Nonrecurring type charges; (2) recurring type charges; (3) termination liabilities; or (4) combinations thereof.

7.1.2 Basis for Cost Computation

The costs referred to in 7.1.1 preceding may include one or more of the following items to the extent they are applicable:

A) cost installed of the facilities to be provided including estimated costs for the rearrangements of existing facilities. Cost installed includes:

- 1) equipment and materials provided or used,
- 2) engineering, labor and supervision,
- 3) transportation, and
- 4) rights-of-way;

B) cost of maintenance;

C) depreciation on the estimated cost installed of any facilities provided, based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;

D) administration, taxes and uncollectible revenue on the basis of reasonable average costs for these items;

SECTION 7 SPECIAL ARRANGEMENTS (cont'd)

7.1 Special Construction (cont'd)

7.1.2 Basis for Cost Computation (cont'd)

- E)** license preparation, processing and related fees;
- F)** tariff preparation, processing and related fees;
- G)** any other identifiable costs related to the facilities provided; or
- H)** an amount for return and contingencies.

7.1.3 Termination Liability

To the extent that there is no other requirement for use by the Company, a termination liability may apply for facilities specially constructed at the request of the Customer.

A) The termination liability period is the estimated service life of the facilities provided.

B) The amount of the maximum termination liability is equal to the estimated amounts for:

- 1) Cost installed of the facilities provided including estimated costs for rearrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Cost installed includes the cost of:
 - a) equipment and materials provided or used,
 - b) engineering, labor and supervision,
 - c) transportation, and
 - d) rights-of-way;

SECTION 7 SPECIAL ARRANGEMENTS (cont'd)

7.1 Special Construction (cont'd)

7.1.3 Termination Liability (cont'd)

B) (cont'd)

- 2) license preparation, processing and related fees;
- 3) tariff preparation, processing and related fees;
- 4) cost of removal and restoration, where appropriate; and
- 5) any other identifiable costs related to the specially constructed or rearranged facilities.

C) The applicable termination liability method for calculating the unpaid balance of a term obligation. The amount of such charge is obtained by multiplying the sum of the amounts determined as set forth in Section 7.1.3(B) preceding by a factor related to the unexpired period of liability and the discount rate for return and contingencies. The amount determined in Section 7.1.3(B) preceding shall be adjusted to reflect the redetermined estimate net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.

7.2 Customer Specific Offerings (CSOs)

Customer Specific Offerings are available for those services which are considered competitive. Services are competitive when a functionally similar service or equipment alternative is reasonably available from more than one supplier. Customer Specific Offerings shall not be made for those services which are not competitive, as determined from time to time by the IURC, and currently includes basic exchange services, exchange access services and intraLATA message toll services. To the extent any non-competitive services are provided in connection with competitive services offered under a Customer Specific Offering, the rates and charges for such non-competitive services shall be those set forth in the Company's tariff on file with and approved by the Commission. The CSO shall separately disclose the non-competitive services being provided in connection with the competitive services and the rates and charges for said non-competitive services.

Rates, charges and regulations for the competitive services provided under a CSO will be developed on an individual case basis. Each CSO will include at a minimum all relevant costs. This provision will enable the Company to reflect new technology and economies of scale in the pricing of services to meet the specific communication requirements of an individual customer and to respond to offerings by alternative providers of service.

SECTION 7 SPECIAL ARRANGEMENTS (cont'd)

7.2 Customer Specific Offerings (CSOs) (cont'd)

7.2.1 Information filed with the IURC's Chief Engineer

Details of the individual offerings will not be specified in this tariff. The Company will file, with the IURC's Chief Engineer for review by the IURC's staff within 30 days of Customer's acceptance of a CSO, the following information:

A. Customer Information

1. The name, address and nature of Customer's business;
2. Whether the Customer is a new Customer or an existing Customer;
3. The number of the Customer's access lines.

B. Service Information

1. A functional description of the service;
2. A description of the service configuration — a technical explanation of the service and/or its major components;
3. A description of the inclusion of advanced technical capabilities;
4. A description of the provision of the service in combination with the installation of customer premises equipment.

C. Service Costs

1. The amount associated with disaggregated capital investment put in place and/or allocated for the provision of the service, including central office equipment, land, buildings, and outside plant;
2. The amount of disaggregated annual costs associated with fixed costs, such as depreciation, rate of return and taxes; and variable costs, including operation and maintenance, commercial and administrative costs.

SECTION 7 SPECIAL ARRANGEMENTS (cont'd)

7.2 Customer Specific Offerings (CSOs) (cont'd)

7.2.1 Information filed with the IURC's Chief Engineer (cont'd)

D. Contract, Service Price and Revenues

1. A complete copy or a substantive summary of the CSO contract;
2. An explanation of contract price and terms of payment, including whether such charges are in the form of monthly rates, nonrecurring charges, termination charges, or a combination of the above;
3. An analysis of foregone revenues, including annual revenues lost because of CSO introduction and the potential revenue loss if customer was to "leave the network."
4. An explanation of the items in CSO that will continue to be priced "under tariff";
5. An explanation of the CSO provisions governing price "escalation: and "stabilization."

E. Existence of Competition

1. Identification of "unregulated" competitors, including the name, number and credibility of such competitors;
2. Analysis of "unregulated" competitive response;
3. Explanation of the party and circumstances governing initiation of CSO negotiations.

7.2.2 Confidential Information

All information submitted will be considered preliminarily confidential and will NOT be open to inspection by the public, except as provided for in Ind. Code 5-14-3.

7.2.3 Effective Date and Pricing of CSO

The price levels set forth in each CSO will remain in effect until a new CSO is submitted to the IURC's Chief Engineer. Increases in monthly rates for services under tariff are subject to the regulatory hearing process of the IURC. Services provided under contract with payment periods of longer than one month cannot be changed until the expiration of the contract period. Charges for CSOs may be in the form of monthly rates, nonrecurring charges and termination charges, either singly or in any combination.

SECTION 7 SPECIAL ARRANGEMENTS (cont'd)

7.2 Customer Specific Offerings (CSOs) (cont'd)

7.2.4 Pricing Requirements

A. Each CSO must be priced at a minimum of 1% above the calculated long-run incremental costs as provided in the CSO guidelines set forth in the IURC's Order in Cause No. 38561. The revenues received in excess of the incremental costs will provide a contribution toward the joint and common costs caused by all services provided by the Company, and will benefit the customers of these other services.

B. In the aggregate, the calculated revenues for all CSOs during a specified twelve-month period must exceed the calculated long-run incremental costs by at least 10%.

C. Tariffed rates for business Touch-Tone and DID services shall be specifically included as costs in all CSOs which provide such services.

7.2.5 Reasonableness of Rates

The Company acknowledges the statutory authority of the IURC under Ind. Code 8-1-2-58 to investigate, at any time, the reasonableness of any CSO provided to a Customer under this tariff. The Company further acknowledges its obligation under Ind. Code 8-1-2-52 to provide the IURC with any and all information requested by the IURC in connection with such an investigation, subject only to a reservation of its right to request proprietary and confidential treatment of such information provided.

The Company acknowledges that its shareholders, not its ratepayers, are at risk in connection with each CSO. If a CSO is shown by the IURC to generate insufficient revenues, the burden of such a revenue shortfall shall be placed upon the Company's shareholders.

SECTION 7 SPECIAL ARRANGEMENTS (cont'd)

7.3 Special Promotions

The Company may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new Customers or to increase Customer awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Company's tariff as an addendum.

7.4 Discounts

The Company may, from time to time as reflected in the tariff, offer discounts based on monthly volume (or, when appropriate, "monthly revenue commitment" and/or "time of day" may also be included in the tariff).