

Contract No. 1364ICB New X Renewal Amendment

480-80-142

7(b) (iii)

Demonstrate, at a minimum, that the contract charges cover the company's cost of providing the service. Costs will be determined under a long-run incremental cost analysis, including as part of the incremental cost, the price charged by the offering company to other telecommunications companies for any essential function used to provide the service, or any other commission-approved cost method.

This is a new multi-state agreement that provides analog CentraNet lines in Washington for a term of thirty-six (36) months. The attached confidential cost documentation demonstrates the contract charges cover the company's cost of providing this service.

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7 (b) (iv)

Summarize the basis of the charge(s) proposed in the contract and explain the derivation of the proposed charge(s) including all cost computations involved.

The underlying costs of the individual component elements are identified in the confidential cost documentation filed with this contract. See Exhibit M to the contract document for the detailed list of Washington services and rates subscribed to under the agreement.

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7 (v) Indicate the basis for using a contract rather than a filed tariff for the specific service involved.

The services are offered on a contract basis due to competitive market and customer-specific demands that cannot be met with tariffed offerings.

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(2) Duration of contract. All contracts shall be for a stated time period.

The contract term is thirty-six (36) months.

