

Telecommunication Carriers Methodology

The Ministry's independent contractor supplied the year over year construction cost changes based on typical configurations and material found in Telecommunication Carriers system. The independent contractor supplied a cost change based on an inflation rate for labour (specific to telecommunication workers) on an increases in material costs of for inside plant. (see attachment 2006 Cost Modifier).

The 5.997% construction cost change was used to calculate the 2006 AYM for Telecommunication Carriers systems.

Aug 11, 2006

Alberta Municipal Affairs
Mr. Larry Collins.
Director – Regulated Assessment Policy
15th Floor, Commerce Place
10155 – 102 Street
Edmonton, Alberta, T5L 4L4

Dear Mr. Collins:

Telecommunication System Cost Modifiers to June 30, 2006

In accordance with our contract to provide cost modifiers for the Provinces' telecommunication plant, has calculated the revised cost basis and developed the cost modifiers as indicated in this memo.

I have developed Cost Modifiers to bring the assessment values to a June 30, 2006, cost base. The following modifier is based on a modifier for inside plant of 1.0264 and outside plant of 1.0637, as the outside plant is much more susceptible to the fluctuations of the Canadian Dollar exchange rate. The overall cost modifier is as follows:

- Telecommunication Plant - 1.05997

The above cost modifier is based on an June 2005 to June 2006 inflation rate for labour (specific to telecommunication workers) of 6.5% and on increases in material costs of for inside plant of 6.9%. However, the cost increases associated with the outside plant have been largely contained due to the strong performance of the Canadian dollar over the July 1, 2005 through June 30, 2006, and in fact have experienced a cost decrease for most of the outside cable plant. These decreases have been offset against the cost increases for the non cable outside plant categories. The inside plant components have witnessed a number of large inflationary related cost increases, which has led to the larger cost modifier as identified above.

If you have any questions with regard to these cost modifiers, please call me at .

Respectfully submitted,

Valuation and Rate Division