

**Dr. Loube mis-allocated \$18.45 in incremental cost (i.e. \$39.54 - \$21.09) or about 47%). Correcting just one of Dr. Loube's errors and using FCC's 75% Separation Factor yields \$39.54, not the \$21.09 that Dr. Loube calculated.**

		Dr. Loube's Analysis (Contravenes FCC's Separation Rules)	AT&T's Alternate View Using Required FCC Separation Rules	Formula	AT&T Comments
Line 1	Switching Cost for VZ-PA & VZ-GTE	\$ 2.14	\$ 2.14		Adopted from FCC's 2000 HCPM results
Line 2	Total Network Cost	\$ 52.00	\$ 52.00		Adopted FCC's CAM results. Loube says majority of population in wirecenters included in VZ petition are in the census blocks that corresponds to \$52 cost or less
Line 3	Common Network Cost	\$ 49.86	\$ 49.86	Line 2 - Line 1	Total Network Cost minus Switching Cost
Line 4	Relative Usage Voice	1%	n/a		Dr. Loube claims that's voice relative usage. Relied on Anna-Maria Kovac's study.
Line 5	Proportion of Voice Customers vs. Data	37%	n/a		Loube Cites FCC Internet Access Report: Voice only 37%, Data 63%
Line 6	Weighted Allocation Factor	38%	75%	63%*Line 4 + 37%*100%	Data customer proportion times Data Relative Usage, plus Voice customer proportion times Voice Relative Usage. Alternate View uses FCC's 75/25 Separation Rules.
Line 7	Common Cost Allocation to BLES	\$ 18.76	\$ 37.40	Line 3*Line 6	38% times \$49.86, figures slightly different due to rounding 38% to full percentage.
<b>Line 8</b>	<b>Final Incremental Cost Calculation</b>	<b>\$ 20.90</b>	<b>\$ 39.54</b>	<b>Line 1 + Line 7</b>	Common cost plus switching. Dr. Loube's result was \$21.09 - figure off due to rounding.