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INTRASTATE LOCAL SERVICE

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SECTION 8. SPECIAL ARRANGEMENTS

8.1 Special Construction (Continued)

B Basis for Cost Computation (Continued)

- (6) Tariff preparation, processing and related fees;
- (7) Any other identifiable costs related to the facilities provided; or
- (8) An amount for return and contingencies.

C. Termination Liability

To the extent that there is no other requirement for use by the Company, termination liability may apply for facilities specially constructed at the request of the Customer. The termination liability period is the estimated service life of the facilities provided.

The amount of the maximum termination liability is equal to the estimated amounts for: cost installed of the facilities provided including estimated cost for rearrangements of existing facilities and/or construction of new facilities as appropriate, less net salvage. Costs installed include the costs of: equipment and materials provided or used; engineering, labor, supervision, transportation, and rights of way. Other costs include: license preparation, processing; tariff preparation and processing, cost of removal and restoration, and any other related fees or identifiable costs related to specially constructed or rearranged facilities.

The applicable termination liability method for calculating the unpaid balance of a term obligation is: the sum of the amounts determined as set forth above, multiplied by a factor related to the unexpired period of liability, multiplied by the discount rate of return and contingencies. The amount determined shall be adjusted to reflect the predetermined estimated net salvage, including any reuse of the facilities provided. This product is adjusted to reflect applicable taxes.