

31. 2007

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, 2007

In accordance with our contract to provide cost modifiers for the Provinces' telecommunication plant, The Contractor has calculated the revised cost basis and developed the cost modifiers as indicated in this memo. This cost modifier has been calculated in accordance with the procedures as set out in the procedures document entitled "Procedures followed in the Development of the Annual Update – Telecommunications Property" provided to Alberta Municipal Affairs in June 2006.

I have developed Cost Modifiers to bring the assessment values to a June 30, 2007, cost base. The following modifier is based on a modifier for inside plant of 0.95999 and outside plant of 0.9944, 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 - 0.9989648

The above cost modifier is based on an June 2006 to June 2007 inflation rate for labour (specific to telecommunication workers) of 2.0% and on increases in material costs of for inside plant of 4.25%. However, the cost increases associated with the outside plant have been largely contained due to the continued strong performance of the Canadian dollar over the July 1, 2006 through June 30, 2007, 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, particularly in the Alberta marketplace, which has led to the larger cost modifier as identified above.

Respectfully submitted,