

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2008

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2008 Price Cap Tariff Review Plan Filing, made under letter dated May 1, 2008, pursuant to sections 61.41 through 61.49 of the Commission's Rules and relevant Commission orders.¹ This filing is made on behalf of the exchange carriers issuing Citizens Tariff F.C.C. No. 1. In this tariff, four separate rate schedules are maintained. These rate schedules are referred to as Rate Group 1 through Rate Group 4, and correspond to the COSA codes CTC1 through CTC4.

Effective July 1, 2008, Citizens plans to introduce Rate Group 5, which will consist of Global Valley Networks, Inc. ("GVN"), a company acquired by Citizens Communication Company, the

¹ See, *Order*, July 2008 Annual Access Charge Tariff Filings, released March 28, 2008, DA 08-758 ("*2008 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2008 Annual Tariff Filings, DA 08-759, released March 28, 2008 ("*2008 TRP Order*").

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parent of the Frontier and Citizens local exchange carriers ("Frontier"), on October 31, 2007². GVN is converting to price cap regulation effective 7/1/2008, coincident with exiting the NECA pools.

Because GVN is a new entrant to price caps and currently participates in the NECA pools, it is necessary to develop GVN's initial CMT per line and rates based on its 2007 Revenue Requirement. GVN's 2007 Revenue Requirement is shown on Exhibit GVN-1, and development of GVN's initial CMT per line is shown on Exhibit GVN-2. Because GVN will not be providing DSL service under tariff, it is necessary to allocate GVN's Special Access Revenue Requirement between traditional Special Access and DSL. This allocation is shown on Exhibit GVN-DSL. Copies of

² Frontier has an outstanding Petition for Limited Waiver in WC Docket No. 08-382 with respect to receipt of ICLS in lieu of IAS and the treatment of GVN upon entry to price caps. Because the outstanding Petition has not yet been acted on, this filing assumes that the current rules apply to GVN. If the requested waivers are granted in whole or in part, the treatment of GVN will be different for the 2008 Annual Filing that will be made in June.

GVN's 2007 Part 36 and Part 69 cost studies are included with this filing. As a new entrant to price caps, GVN initializes its PCI, API, and SBI values at 100.

2. Development of Proposed CMT Revenue per Line and PCI Values

Citizens develops the proposed CMT revenue per line values by applying exogenous cost changes to the current CMT per line values. The exogenous cost changes allocated to the CMT basket are divided by total EUCL lines to yield an exogenous change per line. The exogenous change per line is then divided by the existing CMT per line to yield an exogenous cost change factor. This factor is multiplied by the existing CMT revenue per line to get the proposed CMT revenue per line. These calculations are shown on Exhibit 2.1-1, 2.2-1, 2.3-1, 2.4-1, and 2.5-1 for the five Rate Groups.

Because the effects of $GDP-PI - X$ and g are targeted to the Average Traffic Sensitive Rate, the prospective PCI values for the

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Traffic Sensitive and Trunking Baskets are calculated by adjusting the existing PCI values for the effects of exogenous cost changes allocated to those baskets plus the amount of ATS targeting allocated to those baskets. Because the four existing Citizens rate groups achieved their ATS target rates in prior filings, the Traffic Sensitive and Trunking PCI values for these rate groups reflect no ATS targeting. Initial data shows that Rate Group 5's initial revenue requirement based rates will result in an ATS rate at a level below target rate, making ATS targeting unnecessary. The prospective PCI values for the Special Access Basket are calculated using formula found in §61.45(b) of the Commission's rules. Calculation of PCI values is shown on Exhibits 2.1-2, 2.2-2, 2.3-2, 2.4-2, and 2.5-2 for the five Rate Groups.

Calculation of a "g" factor has in the past been associated with the development of PCIs. The g factor is now used only in ATS targeting, because the CMT basket is measured on the basis of revenues per line. Citizens calculates g factors on Exhibits 2.1-3,

2.2-3, 2.3-3, 2.4-3, and 2.5-3 for the five Rate Groups. Because the four existing Citizens rate groups achieved their ATS target rates in prior filings, and Rate Group 5's initial revenue requirement based rates will result in an ATS rate below the target, there will be no ATS targeting. For purposes of populating the TRP, a zero g factor is used for the four existing Citizens rate groups.

3. Exogenous Cost Changes

Citizens has identified exogenous cost changes for changes in Federal Regulatory Fees, Telecommunications Relay Service (TRS) costs, and North American Numbering Plan (NANPA) funding. The amounts that Citizens pays for these obligations are based on percentages of interstate end user revenues. The exogenous cost changes by basket are summarized on Exhibits 1.1-1 to 1.1-2, 1.2-1 to 1.2-2, 1.3-1 to 1.3-2, 1.4-1 to 1.4-2, and 1.5-1 to 1.5-2 for the five Rate Groups.

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As permitted by the Commission³, Citizens is including the impact of changes in Federal Regulatory Fees as an exogenous cost with this annual filing. The fee for Fiscal Year 2007 is \$0.00266 per interstate end user revenue dollar.⁴ The fee for Fiscal Year 2008 is not yet available. For purposes of this filing, Citizens assumes that the fee for Fiscal Year 2008 will be the same as for Fiscal Year 2007. Citizens anticipates that the actual fee for Fiscal 2008 will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2008.

The funding base to which this factor is applied is the interstate end user revenues for 2007 as reported on Form 499-A. Citizens reduces the funding base by its percentage of non-price cap end user revenues to get the price cap portion of the funding base. The annualized amount of current Federal Regulatory obligation

³ Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act, *Order*, DA 94-1119 (October 7, 1994).

⁴ See, *Report and Order and Further Notice of Proposed Rulemaking*, released 8/6/07,

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attributable to price caps is computed by multiplying the price cap portion of the funding base by the contribution factor.

Citizens makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. The amount embedded in current rates for the existing four Citizens rate groups is calculated by adjusting the amount from the previous exogenous cost filing by the percentage change in access lines between the prior base period and the current base period. This adjustment is necessary to accurately capture the amount of Federal Regulatory Fee cost per access line embedded in the current rates. For Rate Group 5, the amount of Federal Regulatory Fees embedded in the initial revenue requirement based rates is estimated by multiplying the Regulatory Fee rate for Fiscal 2007 by the price cap portion of the funding base. The calculation of the exogenous cost change for Federal Regulatory Fees is shown on

"Assessment and Collection of Regulatory Fees for Fiscal Year 2007", FCC 07-140.

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Exhibits 1.1-4, 1.2-4, 1.3-4, 1.4-4, and 1.5-4 for the five Rate Groups.

On February 6, 2008, the Commission released an *Order* in CG docket 03-123, Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, DA 08-303 ("*2007 TRS Retro Order*"). In the *2007 TRS Retro Order*, the Commission retroactively set the Telecommunications Relay Services ("TRS") contribution factor at 0.00819 for the July 2007 to June 2008 funding period. The TRS contribution factor for the July 2008 to June 2009 funding period is not yet available. For purposes of this filing, Citizens assumes that the actual factor to be used for the July 2008 to June 2009 period will be the same as the factor from the *2007 TRS Retro Order*. Citizens anticipates that the actual factor to be used for the July 2008 to June 2009 rate period will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2008.

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The funding base to which the this factor is applied is the interstate end user revenues for 2007 as reported on Form 499-A. Citizens reduces the funding base by its percentage of non-price cap end user revenues to get the price cap portion of the funding base. The annualized amount of current TRS obligation attributable to price caps is computed by multiplying the price cap portion of the funding base by the contribution factor.

Citizens makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. The amount embedded in current rates for the existing four Citizens rate groups is calculated by adjusting the amount from the previous exogenous cost filing by the percentage change in access lines between the prior base period and the current base period. This adjustment is necessary to accurately capture the amount of TRS cost per access line embedded in the current rates. For Rate Group 5, the amount of TRS embedded in the initial revenue

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requirement based rates is estimated by multiplying the TRS Contribution Factor that was actually used in 2007⁵ by the price cap portion of the funding base. Calculation of exogenous change for TRS costs is shown on Exhibits 1.1-5, 1.2-5, 1.3-5, 1.4-5, and 1.5-5 for the five Rate Groups.

On May 15, 2007, the Commission released a *Public Notice*, DA 07-2078, setting a contribution factor of 0.0000193 times interstate end user revenues to support the North American Numbering Plan Administration (NANPA) for the July 2007 to June 2008 funding period. The prospective contribution factor for the July 2008 to June 2009 rate period is not yet available. For purposes of this filing, Citizens assumes that the actual factor to be used for the July 2008 to June 2009 rate period will be the same as the factor applied to the July 2007 to June 2008 rate period. Citizens

⁵ This factor, 0.007200, was published in an *Order* in CG docket 03-123, Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, released June 29, 2007, DA 07-2904 ("*2007 TRS Order*").

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anticipates that the actual factor to be used for the July 2008 to June 2009 rate period will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2008.

The funding base to which this factor is applied is the interstate end user revenues for 2007 as reported on Form 499-A. Citizens reduces the funding base by its percentage of non-price cap end user revenues to get the price cap portion of the funding base. The annualized amount of current NANPA obligation attributable to price caps is computed by multiplying the price cap portion of the funding base by the contribution factor.

Citizens makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. The amount embedded in current rates for the existing four Citizens rate groups is calculated by adjusting the amount from the previous exogenous cost filing by the percentage change in access lines

between the prior base period and the current base period. This adjustment is necessary to accurately capture the amount of NANPA cost per access line embedded in the current rates. For Rate Group 5, the amount of Federal Regulatory Fees embedded in the initial revenue requirement based rates is estimated by multiplying the NANPA contribution factor for Fiscal 2007 by the price cap portion of the funding base. Calculation of the exogenous cost change for NANPA payments is shown on Exhibits 1.1-6, 1.2-6, 1.3-6, 1.4-6, and 1.5-6 for the five Rate Groups.

4. Other Exhibits

Citizens supplies the calculation of Transport Minutes used for the calculation of the Average Traffic Sensitive (ATS) rate on Exhibits 2.1-4, 2.2-4, 2.3-4, 2.4-4, and 2.5-4 for the five Rate Groups. Exhibits 2.1-5 to 2.1-6, 2.2-5 to 2.2-6, 2.3-5 to 2.3-6, 2.4-5 to 2.4-6, and 2.5-5 to 2.5-6 display the calculations needed to populate the TGT series forms of the May 1, 2008 TRP for the four Rate Groups. Citizens identifies the transmittals in which the current index levels

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became effective on Exhibits 3.1-1, 3.2-1, 3.3-1, 3.4-1, and 3.5-1 for the five Rate Groups, as required by ¶10 of the *2008 TRP Order*. Exhibits 4-1 and 4-2 display the services that have been removed from price caps, as required by ¶20 of the *2008 TRP Order*. Calculation of the Pooling Reversal quantities needed for Row 540 of Form TGT-2 of the TRP are developed on Exhibit H-1 for all tariff units commonly owned with Citizens.

Citizens submits TRPs in the format specified by the *2008 TRP Order* for the five Rate Groups. As with all filings, electronic copies of TRPs are uploaded to the Commission's electronic filing system, which allows any interested person to obtain a copy of the original file submitted.