

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Transmittal No. 181
September 16, 2008

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support changes to its Tariff F.C.C. No. 1 filed under Transmittal No. 181. This filing is made on behalf of the exchange carriers issuing Citizens Tariff F.C.C. No. 1. In this tariff, five separate rate schedules are maintained. These rate schedules are referred to as Rate Group 1 through Rate Group 5, and correspond to the COSA codes CTC1 through CTC5. In this filing, Citizens incorporates an exogenous change for Federal Regulatory Fees into its Price Cap Indices. This filing is being made on a streamlined basis on 15 days' notice under Section 204(a)(3) of the Communications Act of 1934, as amended.

2. Exogenous Cost Change

On August 8, 2008, the Commission released a *Report and Order and Further Notice of Proposed Rulemaking* in MD Docket 08-65, *Assessment and Collection of Regulatory Fees for Fiscal Year*

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2008, FCC 08-182 ("*2008 Reg Fees Order*"). In the *2008 Reg Fees Order*, the Commission set the fee for Fiscal Year 2008 at 0.00314 per interstate end user revenue dollar. Because this differs from the proposed fee of 0.00317 used in the 2008 Annual Access Tariff Filings, Citizens makes an exogenous change to recognize the changed level of Federal Regulatory Fees with this filing. The exogenous change includes a true-up for the amount of Regulatory Fees recovered for the third quarter of 2008 using the proposed factor.

The funding base to which the Federal Regulatory Fees 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 Regulatory Fees obligation attributable to price caps is computed by multiplying the price cap portion of the funding base by the contribution factor.

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The difference between this amount and the amount included in price caps in the 2008 annual filing represents the excess Regulatory Fees included in rates in the annual filing. One quarter of this excess must be removed from rates over the remaining three quarters of the tariff year. Accordingly, an annualized true-up is computed by multiplying one quarter of this difference by $4/3$ to reflect the allocation of this amount over a period of three quarters. The sum of the annualized true-up and the amount of Regulatory Fees attributable to price caps is the amount of Regulatory Fees that should be included in rates in this filing.

Citizens makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. Calculation of exogenous change for Federal Regulatory Fees is shown on Exhibits 1.1-4, 1.2-4, 1.3-4, 1.4-4 and 1.5-4 for the five Rate Groups.

3. Price Cap Ratemaking

End User Common Line (EUCL), Presubscribed Interexchange Carrier Charge (PICC), and Carrier Common Line (CCL) rates are developed in accordance with the Commission's rules applicable to price cap carriers. No changes are proposed to the rate elements comprising the Average Traffic Sensitive rate. All other rates subject to price cap regulation are set to achieve a below-cap, within-band filing. Citizens supplies exhibits detailing the various price cap rate calculations, including exhibits detailing price cap revenues at a rate element level. Tariff Review Plans ("TRPs") in the format prescribed by the Commission are included to demonstrate compliance with the relevant price cap rules.