

## 1. Introduction

Frontier Telephone of Rochester, Inc. ("FTR") submits herewith its Description and Justification ("D&J") in support of its Tariff Review Plans (TRPs) filed under letter dated 9/16/2008. This filing is made on behalf of FTR and the exchange carriers that concur in FTR's Tariff F.C.C. No. 1 ("Frontier Tier 2's") (collectively, "Frontier"). As in prior filings, two separate rate schedules are maintained. One is applicable to FTR, and the other is applicable to the Frontier Tier 2's. Separate Price Cap Indices are maintained for FTR and the Frontier Tier 2's. In this filing, Frontier incorporates an exogenous change for Federal Regulatory Fees into its Price Cap Indices. This filing is being made under letter rather than transmittal because no changes to tariff material are required.

## 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

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, Frontier 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. Frontier 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.

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.

Frontier makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. The calculation of the exogenous cost change for Federal Regulatory Fees is shown on Exhibits 1.1-4 and 1.2-4 for FTR and the Frontier Tier 2's, respectively.

### 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. Frontier 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.