

THE FAIRPOINT TELEPHONE COMPANIES

2009 PRICE CAP REVISIONS Short Form Filing

May 1, 2009

Description and Justification

INTRODUCTION

In connection with the May 1, 2009 Annual Filing early submission, FairPoint Telephone Companies (FairPoint) hereby submits limited Tariff Review Plan (TRP) revisions to F.C.C. Tariff No. 1 and the required supporting documentation. This information is being filed in accordance with the *Commission's 2009 TRP Notice* released March 26, 2009 (DA09-683 and DA09-684) and fulfills the requirements established in Sections 61.41 through 61.49 of the Commission Rules.

FairPoint purchased Verizon's ILEC operations in Maine, New Hampshire and Vermont on April 1, 2008. Local exchange service, exchange access and related services are provided to customers through its affiliates Northern New England Telephone Operations LLC and Telephone Operating Company of Vermont LLC. Information in this filing is provided for all three COSA's associated with those properties. Exhibit 1 lists the COSAs' associated with each company.

This filing reflects the effects of the exogenous cost adjustments associated with Telecommunication Relay Service (TRS) and Regulatory Fee Obligations. The total effect on the Price Cap Indices (PCI) in this filing is an overall increase of approximately \$88,219, which reflects the change in exogenous costs and demand impacts.

PCI DEVELOPMENT

PCIs for each basket were calculated in accordance with Commission Rules. A GDP-PI factor of 2.0695% was used in calculating the PCIs and is based on the percentage change in the Gross Domestic Product Price Index (GDP-PI) between the quarter ending December 31, 2007 and the corresponding quarter of the 2008 GDP-PI. A productivity offset equal to the GDP-PI was applied in calculating PCIs for the common line, traffic sensitive, and trunking baskets. A 3.0% productivity factor was used for the interexchange basket. Information on the GDP-PI calculation is provided in Exhibit 2.

COMPLIANCE WITH INDICES

In this filing, the Commission requires FairPoint to compute the appropriate adjustments to the Price Cap Index (PCI) or CMT for each Price Cap basket. The PCI calculations are set forth in the Tariff Review Plan, form PCI-1. The sources for the existing necessary indices are found in Exhibit 3, IND-1 References. Proposed changes to existing indices and CMT will be included in the June 16, 2009 Annual Filing submission.

EXOGENOUS COST ALLOCATIONS

The Tariff Review Plan (TRP) guidelines provide for consideration of exogenous cost changes between filing periods. In this filing, FairPoint proposes exogenous cost adjustments for Regulatory Fees and Telecommunications Relay Service. Each of the incremental exogenous cost amounts in this filing was allocated to Common Line and Special Access baskets based on the 499A revenues.

Exhibit 4 shows the incremental exogenous costs calculations and allocations that are included in this filing.

REGULATORY FEE

The calculation of change in regulatory fees to be reflected in the 2009 tariff year is based on the application of the Commission prescribed factor of 0.00314 to 499A Price Cap revenues. This factor was set forth in Assessment and Collection of Regulatory Fees for Fiscal Year 2008, MD 08-65, Notice of Proposed Rulemaking, (released August 8, 2008).

During the 2008 tariff year, FairPoint did not update their Regulatory Fee factor to reflect change in Regulatory Fees released by the Commission on August 8, 2008 per FCC DA 08-65. Therefore, an adjustment will be made to reduce the Regulatory Fee amount to be collected over 2009 tariff year. Exhibit 4 details the calculations of the Regulatory Fee exogenous costs. The exogenous cost amount in this filing is preliminary; FairPoint will update the Regulatory Fee exogenous costs if the proposed factor changes. Exhibit 4 details the calculations of the Regulatory Fee.

TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) fee is based on the annual cost recovery factor of .01012 as released May 2, 2008 in FCC DA08-1055. The exogenous cost amount in this filing is preliminary; FairPoint will update the TRS exogenous costs if the proposed factor changes.

AVERAGE TRAFFIC SENSITIVE (ATS) MOU DEMAND

The demand associated with the ATS charge per minute of use (MOU) is calculated per 47 C.F.R. §§ 61.3 (e). The ATS demand associated with the local switching component of the ATS charge/MOU is FairPoint's total Local Switching interstate access MOUs, which are shown in respective TGT-1 forms. The ATS demand associated with the Trunking Basket component of the ATS charge per MOU includes all interstate access MOUs that utilize FairPoint's transport facilities to deliver interstate traffic to/from Interexchange Carriers (IXCs). These MOUs exclude usage routed via

switched transport Entrance Facilities and Direct Trunk Transport (DTT) facilities recently removed from Price Caps in all MSAs that qualify for pricing flexibility as well as end office direct trunk transport facilities provided by service providers other than FairPoint (e.g. CLECs). The ATS transport MOUs includes the following:

- 1) Interstate access MOUs between IXCs and Independent Telephone Company's (ITCs), CLECs, and/or wireless providers that route via a FairPoint access tandem;
- 2) ITC DTT services to IXCs where FairPoint is involved in the joint provisioning of such services to the IXC (i.e. traffic carried on FairPoint DTT and/or switched Entrance Facilities); and
- 3) Interstate MOUs to/from UNE-P lines to an IXC that are routed via switched access DTT services provided (and billed) by FairPoint to IXCs.

The FairPoint switched transport MOU calculations are shown in Exhibit 5.

NEW SERVICES

Commission Rules require new service offerings to be included in the first price cap filing following the completion of the base year in which the new services become effective. Exhibit 6 identifies the new services introduced by FairPoint during the 2008 base period, including the price cap basket and service category to which these services have been added. Exhibit 6 also shows the new price cap services eligible for pricing flexibility relief introduced since the 2008 Annual Filing, as well as the basket and service category designation.

EXHIBIT INDEX

The FairPoint Telephone Companies have provided the necessary detail to support the calculations of indices and exogenous costs in various workpapers. The following is the index of such workpapers.

Tariff Review Plan (Short Form)

IND-1	Price Cap Indices Display
TGT	Targeting
PCI-1	Price Cap Index Calculations
EXG-1	Exogenous Cost Summary
Exhibit 1	Affiliate and COSA Information
Exhibit 2	GDP-PI Factor Development
Exhibit 3	IND-1 Transmittal Documentation
Exhibit 4	Exogenous Cost Calculations
Exhibit 5	Detailed calculation of Total Transport Minutes of Use
Exhibit 6	New Services and Pricing Flexibility Introduced in 2008