

VOLUME 1

DESCRIPTION AND JUSTIFICATION

I. Introduction

Puerto Rico Telephone Company, Inc. (PRTC) hereby submits the following information in support of the accompanying revisions to PRTC Tariff FCC No. 1. This information is being filed on 15 days' notice in accordance with the Commission's 2009 TRP Notice¹, and includes price cap adjustments consistent with the requirements of Sections 61.41 through 61.49 of the Federal Communication Commission's Rules.

In addition to the description and justification contained in this volume, the following information is submitted to provide specific support of detail for the PRTC local operating company.

Description and Justification

- Exhibit 1 - PCI Development
- Exhibit 2 - Transport Minutes of Use
- Exhibit 3 - CMT Per Line Composite Rate
- Exhibit 4 - Price Cap Revenue Impact
- Exhibit 5 - Excluded Services

Tariff Review Plan Rate Detail

This information replaces the Description and Justification and Tariff Review Plan documentation filed May 1, 2009 in its entirety.

In addition, in this filing the Federal Universal Service Charge (FUSC) surcharge factor is set equal to the Federal Communications Commission's 2009 Third Quarter contribution factor.²

II. Waivers

PRTC lists below all currently applicable waivers that permit rate elements different than those specified in 47 C.F.R., Part 69.

The Commission in Order, *In the Matter of Petition of Puerto Rico Telephone Company, Inc., for Election of Price Cap Regulation and Limited Waiver of Pricing and Universal Service Rules*, DA 08-1026, Released May 6, 2008, provided PRTC with the requested relief to allow PRTC to convert its rate-of-

¹ *In the Matter of Material to be Filed in Support of 2009 Annual Access Tariff Filings*, WCB/Pricing File No. 09-02 (DA 09-683), released March 26, 2009 (TRP Notice)

² Proposed Third Quarter 2009 Universal Service Contribution, Public Notice DA 09-1322, released June 12, 2009

return regulation to price cap regulation and establish initial price cap indexes (PCIs) for price cap baskets.

III. Index and Rate Development

A. PCI Development

In accordance with the Commission's Rules, the PCIs for each service basket were calculated as shown in Exhibit 1. A Gross Domestic Product Price Index (GDP-PI) factor of 2.0695%³ was used in calculating the PCIs and is based on the percentage change in the GDP-PI between the quarter ending December 31, 2008 and the corresponding quarter of the 2007 GDP-PI.

As directed by the Commission⁴, a workpaper identifying the transmittal or letter filing where the last index changes were implemented for the price cap categories has been included as Exhibit 1, Page 1 of 3, Line 11.

B. Exogenous Costs

PRTC developed exogenous cost changes according to the Price Cap Rules. These dollar effects were measured at 2008 base period level of operations and apportioned on a cost-causative basis between the price cap baskets. Exogenous cost changes and allocations are shown in Exhibit 1.

1) Regulatory Fees

Local Exchange Companies are allowed to recover the impact of regulatory fees as an exogenous cost. The impact of regulatory fees is shown in Exhibit 1.

2) Telecommunications Relay Service

All common carriers providing interstate telecommunications services are required to contribute to a fund designated to support telecommunications relay services. The impact of the TRS exogenous cost for this filing is calculated using the .01012 contribution factor prescribed in the DA 08-1055 released May 2, 2008 (contribution year July 1, 2008 to June 30, 2009) and .01137 contribution factor prescribed in the FCC 09-39 released May 14, 2009 (contribution year July 1, 2009 to June 30, 2010). The impact of TRS fees is shown in Exhibit 1.

3) North American Numbering Plan

In the North American Numbering Plan (NANP) Order, the Commission required all telecommunications carriers to contribute

³ GDP-PI is rounded to four decimal places on all exhibits for presentation purposes.

⁴ 2009 TRP Notice, *Supra.*, Paragraph 10

to the cost recovery for numbering administration. To remain consistent in the price cap treatment of such fees, i.e. Regulatory Fees and Telecommunications Relay Services Fees, PRTC is treating the NANP fee as an exogenous change. The impact of the NANP exogenous cost for this filing is calculated using the .0000165 contribution factor prescribed in the DA 08-1201 released May 22, 2008 (contribution year July 1, 2008 to June 30, 2009) and .0000107 contribution factor prescribed in the DA 09-1232 released June 2, 2009 (contribution year July 1, 2009 to June 30, 2010). The impact for NANP fees for PRTC can be found in Exhibit 1.

C. CMT Per Line Revenue

Part 61.3(d) of the Commission's Rules discuss the calculation of the maximum SLC for the residential and single-line business, non-primary residential, and multi-line business service categories based on the average common line, marketing and transport interconnection charge revenue (CMT revenue) per line Exhibit 3 depicts the current CMT per line calculation based on 2008 access lines.

D. Transport Minutes of Use

As discussed in Part 61.3(e) of the Commission's Rules, the average traffic sensitive charge is the sum of the local switching and transport component. The transport component is calculated by dividing the proposed transport revenues by base period transport minute of use, which are derived from ILEC-only interconnection minutes of use, plus meet point and wireless minutes of use, as shown in Exhibit 2.

E. Price Cap Revenue Impact

Exhibit 4 is included as required by the Commission's Rules, and depicts the change in revenues associated with the rate adjustments resulting from the price cap revisions included in this filing. This exhibit details end user, along with the impacts for recurring and nonrecurring traffic sensitive, trunking, special access, and miscellaneous charges.

F. Excluded Services

Exhibit 5 provides a detailed listing of those services which are not included under price cap regulation.