

## 1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2009 Access Tariff Filing, made under Transmittal No. 179, pursuant to sections 61.41 through 61.49 of the Commission's Rules and relevant Commission orders.<sup>1</sup> 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.

## 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

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<sup>1</sup> See, *Order*, July 2009 Annual Access Charge Tariff Filings, released March 26, 2009, DA 09-683 ("*2009 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2009 Annual Tariff Filings, released March 26, 2009, DA 09-684 ("*2009 TRP Order*").

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 Exhibits 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 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 five Citizens rate groups achieved their ATS target rates in prior filings, the Traffic Sensitive and Trunking PCI values reflect no ATS targeting. 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 Citizens achieved its ATS target rates in prior filings, there will be no ATS targeting. For purposes of populating the TRP, a zero g factor is used.

### 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

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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.

As permitted by the Commission<sup>2</sup>, Citizens is including the impact of changes in Federal Regulatory Fees as an exogenous cost with this annual filing. The fee for Fiscal Year 2009 is proposed to be \$0.00342 per interstate end user revenue dollar.<sup>3</sup>

The funding base to which this factor is applied is the interstate end user revenues for 2008 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 attributable to price caps is computed by multiplying the price cap

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<sup>2</sup> Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act, *Order*, DA 94-1119 (October 7, 1994).

<sup>3</sup> See, *Notice of Proposed Rulemaking and Order*, released 5/14/09, "Assessment and

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 price cap funding base between the prior base period and the current base period. This adjustment is necessary to accurately capture the amount of Federal Regulatory Fee cost embedded in the current rates. The calculation of the exogenous cost 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.

On May 14, 2009, the Commission released a *Public Notice and Notice of Proposed Rulemaking* in CG docket 03-123,

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Collection of Regulatory Fees for Fiscal Year 2009", FCC 09-38.

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Telecommunications Relay sServices and Speech-to-Speech  
Services for Individuals with Hearing and Speech Disabilities, FCC  
09-39 ("*2009 TRS Public Notice*"). In the *2009 TRS Public Notice*,  
the Commission notes that NECA proposes a Telecommunications  
Relay Services ("TRS") contribution factor at 0.01137 for the July  
2009 to June 2010 funding period.

The funding base to which the this factor is applied is the interstate  
end user revenues for 2008 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

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rate groups is calculated by adjusting the amount from the previous exogenous cost filing by the percentage change in price cap funding base between the prior base period and the current base period. This adjustment is necessary to accurately capture the amount of TRS cost embedded in the current rates. 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 June 2, 2009, the Commission released a *Public Notice*, DA 09-1232, setting a contribution factor of \$0.0000107 per interstate end user revenue dollar to support the North American Numbering Plan Administration (NANPA) for the July 2009 to June 2010 funding period.

The funding base to which this factor is applied is the interstate end user revenues for 2008 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 price cap contribution base 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. 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. ATS Rate and ATS Targeting

Citizens computes its current ATS rates as the sum of the



Switching Component and the Transport Component, which are each computed by dividing the appropriate revenues by their respective minutes. Because the five Citizens rate groups achieved the target rates in prior filings, no targeted reductions are made to the ATS rates.

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, 2.2-5, 2.3-5, 2.4-5, and 2.5-5 display the calculation of the current ATS rate and the aggregate target for the five Rate Groups. Exhibits 2.1-6, 2.2-6, 2.3-6, 2.4-6, and 2.5-6 display the calculation of the initial targeting amount for the five Rate Groups. Exhibits 2.1-7, 2.2-7, 2.3-7, 2.4-7, and 2.5-7 display the actual targeting amount selected for the four Rate Groups.

##### 5. Development of Proposed EUCL, PICC, and CCL Rates

Initial EUCL, PICC, and CCL rates are computed on Exhibits 2.1-8,

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2.2-8, 2.3-8, 2.4-8, and 2.5-8 for the five Rate Groups.<sup>4</sup> Any adjustments to EUCL rates needed to avoid over-recovery of the allowed CMT per line are made on Exhibits 2.1-9, 2.2-9, 2.3-9, 2.4-9, and 2.5-9 for the five Rate Groups.

As allowed by §61.48(m)(1)(ii) of the Commission's rules, Citizens pools a portion of the July, 2001 reductions to Local Switching revenues in its multi line business EUCL and PICC rates. The calculation of the maximum allowable multi line business EUCL and PICC rates including pooled revenues is shown on Exhibits 2.1-10, 2.2-10, 2.3-10, 2.4-10, and 2.5-10 for the five Rate Groups. The calculation of pooled revenue for use in this computation is shown on Exhibits 2.1-11, 2.2-11, 2.3-11, 2.4-11, and 2.5-11 for the five Rate Groups. A holding company level computation of the amount

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<sup>4</sup> On May 6, 2008, the Commission released an Order in WC Dockets No. 07-292, 070291, and 08-18, DA 08-1026 ("*Price Cap Waiver Order*") granting certain waivers to facilitate the conversion of Global Valley Networks, Inc. from rate of return to price cap regulation. One of the conditions of the *Price Cap Waiver Order* (at ¶18) was that Global Valley (now Rate Group 5) would forego the recovery of any PICC or CCL charge. If necessary, there would be a voluntary reduction made for Rate Group 5 to ensure that no PICC or CCL rates are created; this was not necessary for the 2009 Annual Filing.

of available pooling revenue, how much may be recovered at each tariff unit, and how much is unrecoverable is shown on Exhibit H-1.

#### 6. Other Rates and Exhibits

Exhibits 3.1-1 through 3.1-19, 3.2-1 through 3.2-19, 3.3-1 through 3.3-19, 3.4-1 through 3.4-19, and 3.5-1 through 3.5-19 display demand quantities, rates at last PCI update, current rates, and proposed rates, and the associated revenue quantities for the five Rate Groups. In the case of the CMT Basket, maximum allowed rates and the corresponding revenues are also shown. For the non-CMT baskets, PCI, SBI, and sub-index calculations are shown.

Citizens identifies the transmittals in which the current index levels became effective on Exhibits 4.1-1, 4.2-1, 4.3-1, 4.4-1, and 4.5-1 for the five Rate Groups, as required by ¶10 of the *2009 TRP Order*. Exhibits 5-1 and 5-2 show services excluded from Price Caps, as required by ¶20 of the *2009 TRP Order*. Calculation of

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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.

The *2009 TRP Order*, at ¶ 22, requires price cap ILECs to include a list of currently applicable Part 69 waivers. For Rate Group 5, Citizens relies on waivers granted in the *Order* in WC Dockets No. 07-292, 07-291, and 08-18, released May 6, 2008, DA 08-1026 ("*Price Cap Waiver Order*"). These waivers include a waiver of §69.3(qq)(2) permitting the use of an ATS target of \$0.0095. That target was achieved in the 2008 Annual Filing.

As required by ¶19 of the *2009 TRP Order*, Citizens supplies rate detail files for the five Rate Groups in similar format to that provided in previous years. Citizens submits TRPs in the format specified by the *2009 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.

#### 7. USF Recovery Charge

On June 12, 2009, the Commission released a *Public Notice*, Proposed Third Quarter 2009 Universal Service Contribution Factor, DA 09-1322 ("*3Q09 USF Notice*"). The *3Q09 USF Notice* proposes a universal service contribution factor of 12.9% for the third quarter of 2009. In this filing, Citizens changes its USF Recovery Charge rate element to 12.9% in keeping with the change in the underlying contribution factor.