

THE FAIRPOINT TELEPHONE COMPANIES

**2010 PRICE CAP REVISIONS
&
FUSF Rate Revisions**

September 24, 2010

Transmittal No. 19

Description and Justification

FairPoint Telephone Companies (FairPoint) hereby submits its revisions to F.C.C. Tariff No. 1 and F.C.C. Tariff No. 2 with the required supporting documentation in accordance with Sections 61.38 through 61.49 of the Commission Rules and regulations.

This filing is being made on 7 days' notice under the Commission's filing procedures and proposes revisions to FCC tariff No.1 and No. 2 End-User Common Line Charge resulting from a reduction in exogenous costs associated with a reduction in Telecommunications Relay Services (TRS) expense and Regulatory Fees. In addition, rate revisions are proposed in FCC No. 2 to the special access services to reflect the exogenous cost reduction outlined above. No rate changes are proposed to the special access basket of services tariffed in FCC No.1 as the Actual Price Index (API) for this category of services is less than the Price Cap Index (PCI) after the exogenous cost reduction is applied to the PCI.

FairPoint is proposing changes to the rates associated with the Federal Universal Service Fund (FUSF) Factor. These proposed changes include necessary supporting material and is in compliance with the Commission's rules, the CALLS Order released in 2000 (*15 FCC Rcd 12,962 (2000)*), the Contribution Order released in 2002 (*17 FCC Rcd 24,952 (2002)*), and the Waiver Order released in 2003 and modified in 2008 (*18 FCC Rcd 4818 (2003) as modified by Federal-State Joint Board on Universal Service, Order on Reconsideration, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 (rel. Feb. 14, 2008)*).

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.

Exogenous Cost Allocations

In this filing, FairPoint proposes the following general exogenous cost adjustments: 1) Regulatory Fee, and 2) Telecommunications Relay Service, Each of the incremental exogenous cost amounts in this filing is allocated based on Price Cap revenues. None of the exogenous cost amounts are allocated to the Traffic Sensitive (other than 800 DB and BNA) and Trunking baskets so as to not allow the Average Traffic Sensitive rate to recover any exogenous cost amounts according to 61.45(d)(3). The Regulatory Fee and TRS expense are allocated to Common Line and Special Access baskets based on the 499A revenues.

The amount of prospective exogenous costs are calculated based on the contribution factor and compared to the exogenous cost currently recovered in FairPoint's rates. The difference is then grossed up by 12/9 to be recovered over the remaining 9 billing months for 2010 annual filing period. Exhibit 1 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 2010 tariff year is based on the application of the Commission prescribed factor of 0.00349 to 499A Price Cap revenues. This factor is set forth in Assessment and Collection of Regulatory Fees for Fiscal Year 2010, FCC 10-123, Report and Order, (released July 9, 2010).

TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) fee is based on the annual cost recovery factor of 0.00585 as released June 28, 2010 in Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities Order FCC 10-115. Exhibit 1 details the calculations of the TRS exogenous costs.

Rate Detail

Included with the filing is a rate detail schedule. This detail shows the current and proposed rates in EXCEL spreadsheet format.

FUSF Rates

The proposed changes to the FUSF rates are attributed to the proposed changes to the EUCL rates outlined in this filing and the change in the FCC prescribed contribution factor between the 3rd quarter and the 4th quarter 2010 from 0.136 to 0.129 per CC Docket No. 96-45 (rel. September 10, 2010). In addition, the multi-line FUSF proposed rates in FCC No. 1 are adjusted to reflect updated multi-line demand associated with the multi-line equivalency calculation. Exhibit 2 provides a listing of the proposed FUSF rate changes and Exhibit 3 provides supporting documentation for the proposed rate changes found in Exhibit 2.

CONCLUSION

The FairPoint Telephone Companies hereby submit the accompanying TRP, proposed rate changes and exhibits consistent with the Commission's price cap regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable.

EXHIBIT INDEX

The FairPoint Telephone Companies provides the necessary detail to support the calculations of indices, exogenous costs and FUSF rates in various workpapers. The following is the index of such workpapers.

Certification

Tariff Review Plan

TRP Rate Detail

Exhibit 1

Exhibit 2

Exhibit 3

Rates and Revenues Detail

Exogenous Cost Calculations

Proposed FUSF Rate Changes

Calculation of the Proposed FUSF Rates