

VOLUME 1
2011 PRICE CAP REVISIONS
Short Form Tariff Review Plan Filing
May 17, 2011
Description and Justification

I. Introduction

A. Background

Puerto Rico Telephone Company, Inc. ("PRTC") hereby submits this filing in support of the upcoming 2011 Annual Access Charge Tariff Filing. This information is being filed pursuant to the Federal Communications Commission's ("FCC" or "Commission") decisions *July 1, 2011 Annual Access Charge Tariff Filings*, WCB/Pricing File No. 11-04, DA 11-569 (Wireline Competition Bur., rel. Mar. 29, 2011) and *Material to be Filed in Support of 2011 Annual Access Tariff Filings*, WCB/Pricing File No. 11-05, DA-570 (Wireline Competition Bur. rel. Mar. 29, 2011) (collectively, the "TRP Orders") and includes adjustments consistent with the requirements of Sections 61.41 through 61.49 of the Commission's Rules.

B. 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, 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 convert its companies subject to rate-of-return regulation to price cap regulation and establish initial price cap indexes ("PCIs") for price cap baskets.

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C. New Services

PRTC has no new services to report for the 2011 Annual Access Tariff Filing.

II. Index and Rate Development

A. Existing Indices

The existing indices are those indices that will be in effect on June 30, 2011. See IND-REF for transmittal numbers under which existing indices became effective.

B. PCI/ATS Development

In accordance with the Commission's Rules, PRTC will target its Average Traffic Sensitive ("ATS") rate to 0.0065. The proposed ATS reductions and PCIs were developed with a GDP-PI factor of 1.3674%. The GDP-PI factor is based on the percentage change in the Gross Domestic Product Price Index ("GDP-PI") between the quarter ending December 31, 2010 and the corresponding quarter of the 2009 GDP-PI. See Exhibit PCI-DEV.

C. Exogenous Costs

PRTC developed exogenous cost changes according to the Commission's price cap rules. These exogenous costs were measured at 2010 base period level of operations and apportioned on a cost-causative basis among the price cap baskets. Exogenous cost changes and allocations are shown in Exhibit EXG.

1) Regulatory Fees

Local Exchange Companies are allowed to recover the impact of regulatory fees as an exogenous cost. The impact of regulatory fees can be found on PCI-DEV. The calculations of the regulatory fees to be paid in the 2011 tariff

year are based on the factor of 0.00361 as referenced in Appendix B of *Assessment and Collection of Regulatory Fees for Fiscal Year 2011*, MD Docket No. 11-76, Notice of Proposed Rulemaking, FCC 11-68 (rel. May 3, 2011).

2) Telecommunications Relay Service Fee

All common carriers providing interstate telecommunications services are required to contribute to a fund designated to support telecommunications relay services. For the 2011 tariff year, the fee will be based on the factor of .01056 as set forth in the Commission's Public Notice, CG Docket No. 03-123, DA 11-826, released May 4, 2011.

3) North American Numbering Plan Fee

The Commission requires all telecommunications carriers to contribute to the cost recovery for the administration of the North American Numbering Plan numbering ("NANPA"). To remain consistent in the price cap treatment of such fees, i.e. Regulatory Fees and Telecommunications Relay Service Fees, the NANPA fee is treated as an exogenous change.

4) Reversal of October 1, 2010 Exogenous Cost Annualization

On October 1, 2010, through Transmittal No. 80 PRTC implemented exogenous changes related to Regulatory Fees and Telecommunications Relay Service Fees. These changes served to ensure the appropriate costs for the entire tariff year were applied during the remaining nine month period (October 2010 through June 2011) of the tariff year. In doing so, the exogenous changes were increased in order that a full year's effect was passed through in the nine month period from October 2010 through June 2011. The amount of the increases, adjusted for changes in base period revenues, are being removed from the applicable price cap indices.

D. CMT Per Line Revenue

Rule 47 CFR 61.3(d) of the Commission's Rules sets forth the calculation of the maximum subscriber line charge ("SLC") for residential and single-line business customers, 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 CMT depicts the CMT per line calculation.

E. Excluded Services

Exhibit OUTPC provides a detailed listing of those services which are excluded from price cap regulation.