

**The FairPoint Telephone Companies**

**TARIFF FCC No. 2**

**2011 PRICE CAP REVISIONS  
Long Form Filing  
&  
FUSF Rate Revisions**

**June 16, 2011**

**TRANSMITTAL No. 22**

**Introduction**

In connection with the June 16, 2011 Annual Filing, FairPoint Telephone Companies (FairPoint) hereby submits its Tariff Review Plan (TRP) revisions to F.C.C. Tariff No. 2 with the required supporting documentation and the 3rd Quarter Federal Universal Service Fund (FUSF) rates. This information is being filed in accordance with the Commission's 2011 TRP Notice released March 29, 2011 (DA11-570 and DA11-569) and fulfills the requirements established in Sections 61.41 through 61.49 of the Commission Rules. This information is also being filed pursuant to FairPoint's petition for election of Price Cap Regulation and for Limited Waiver of Pricing and Universal Service Rules, as indicated in its February 18, 2010 filing and approved on May 10, 2010 in DA 10-802 (WC Docket No. 10-47). Also attached is the FairPoint Form 492A (Exhibit 8).

Information in this filing is provided for the FairPoint COSAs approved for Price Cap election in DA 10-802. Exhibit 1 lists the COSAs associated with each company.

This filing reflects the effects of the exogenous cost adjustments associated with North American Number Plan Administration (NANPA), Telecommunication Relay Service (TRS) and Regulatory Fee Obligations. This filing also provides documentation required for the Average Traffic Sensitive reduction to meet the target of 0.0065.

In addition, there are two tariff corrections. The tariff reflects two corrections for rate elements that were captured in the 2010 TRPs but erroneously omitted from the tariff. The revenue from these two rate elements is insignificant. Omitted was the end office direct trunk port rate for China Telephone (China) and the tandem switching rate for Standish Telephone (Standish). This filing reflects no 2010 demand for Standish's Tandem switching rate and 21 units for China's end office direct trunk port (at \$5.00).

## **Justification**

The following justification is provided for the proposed rates filed by FairPoint:

### **A. Demand**

Demand data reflects the period January 1 through December 31, 2010 and is used in the calculations of the Price Cap Index (PCIs), Actual Price Cap Index (API), and the Service Band Index (SBIs).

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. As shown in Exhibit 2, no new services were introduced in the base period. Pursuant to paragraph 61.42(g) of the Commission's rules, only the demand for services that have not obtained pricing flexibility relief and have not been removed from Price Caps are included in the appropriate Price Caps baskets. Services outside of Price Caps and services removed from Price Caps are listed in Exhibit 3.

### **B. Compliance with Indices**

The Price Cap Index (PCI) for each basket was calculated in accordance with the Commission Rules. A Gross Domestic Product Price Index (GDP-PI) factor of 1.3674% was used in calculating the PCIs and is based on the GDP-PI between the quarter ending December 31, 2009 and the corresponding quarter of the 2010 GDP-PI, as shown in Exhibit 4. A productivity offset equal to 6.5% was applied in calculating proposed PCIs for the traffic sensitive and trunking baskets. Calculations for this offset are provided in schedule PCI-1. The sources for the existing necessary indices are found in Exhibit 3, IND-1 References.

### **C. Exogenous Cost Changes**

The TRP guidelines provide for consideration of exogenous cost changes between filing periods. Exogenous cost changes include the following: (1) Regulatory Fees, (2) Telecommunications Relay Service (TRS), and (3) North American Number Plan Administration (NANPA). Prescribed factors are multiplied against Form 499A revenues to determine the amounts owed for the various exogenous assessments. None of the exogenous costs have been allocated to the Traffic Sensitive and Trunking baskets to avoid any recovery by the Average Traffic Sensitive rate per Commission rule 61.45(d)(3). FairPoint has also adjusted the exogenous amounts to reflect any shift in revenue growth. The result is that no exogenous adjustment is made if the support rate has not changed. In other words, the rate per dollar of revenue remains unchanged if the factor is unchanged. Exhibit 5 shows the incremental exogenous costs included in the filing.

#### **Regulatory Fee**

The calculation of change in regulatory fees to be reflected in the 2011-2012 tariff year is based on the application of the Commission prescribed factor of 0.00361 to 499A Price Cap revenues. This factor is set forth in Assessment and Collection of Regulatory Fees for Fiscal Year 2011, MD 11-76, Notice of Proposed Rulemaking, (released May 3, 2011).

#### **Telecommunications Relay Service**

The Telecommunications Relay Service (TRS) fee is based on the annual cost recovery factor of 0.01056 as released May 4, 2011 in FCC DA11-826.

#### **North American Numbering Plan Administration**

Pursuant to Public Notice, DA 11-884, released May 24, 2010, the contribution factor of 0.000022 is applied total 499A interstate revenues to fund the 2011 numbering plan.

### **D. Rate Detail**

Included with the filing is a summary rate schedule of each COSA and supporting detail. This detail shows the current and proposed rates.

#### **E. Average Traffic Sensitive (ATS) Transport Minutes of Use**

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 Inter-exchange Carriers (IXCs) 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.

Exhibit 9, Transport MOU Demand details the derivation of the ATS Transport Minutes-of-use.

#### **F. CMT per Line Revenue**

An integral part of the CALLS Order and certain subsequent rate calculations is the use of the average common line, marketing, and transport interconnection charge revenue (CMT revenue) per line. Exhibit 7 lists the CMT per line.

#### **G. Universal Service Contribution Factor**

The Federal Universal Service Factor is updated to reflect the quarterly contribution factor of 0.144 prescribed in CC Docket No. 96-45 (rel. June 14, 2011).

#### **H. Conclusion**

FairPoint hereby submits the accompanying TRPs, and exhibits consistent with the Commission's price cap regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable, and are in compliance with universal service decisions as demonstrated by the filed information.

#### **I. 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 (Long Form)**

**TRP Rate Detail**

**Rates and Revenues Detail**

**Exhibit 1**

**Affiliate and COSA Information**

**Exhibit 2**

**New Services**

**Exhibit 3**

**Excluded Services**

**Exhibit 4**

**GDP-PI Factor Calculations**

**Exhibit 5**

**Development Exogenous Cost Detailed calculation of  
Total Transport Minutes of Use**

**Exhibit 6**

**IND-1 Transmittal Documentation**

**Exhibit 7**

**CMT per line**

**Exhibit 8**

**Form 492A**

**Exhibit 9**

**Detailed calculation of Total Transport Minutes of Use**