

VOLUME 1

DESCRIPTION AND JUSTIFICATION

I. Introduction

A. Background

Puerto Rico Telephone Company, Inc. ("PRTC") hereby submits this filing in support of the upcoming 2012 Annual Access Charge Tariff Filing. This information is being filed pursuant to the Federal Communications Commission's ("Commission") decisions In the Matter of *July 3, 2012 Annual Access Charge Tariff Filings, WCB/Pricing* File No. 12-07, DA 12-482, released March 28, 2012, 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.

C. New Services

PRTC has no new services to report for the 2012 Annual Access Tariff Filing.

II. Index and Rate Development

A. Exogenous Costs

PRTC developed exogenous cost changes according to the Price Cap Rules. These exogenous costs were measured at 2011 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 calculations of the regulatory fees to be paid in the 2012 tariff year are based on the factor of 0.00375 as referenced in Attachment C of the *Assessment and Collection of Regulatory Fees for Fiscal Year 2011*, MD Docket No. 11-76, Report and Order, FCC 11-114, released July 22, 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 2012 tariff year, the fee will be based on the factor of 0.01058 as set forth in the *In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, Order, FCC 11-104, released June 30, 2011.

3) North American Numbering Plan Fee

In the North American Numbering Plan Administration (“NANPA”) Order, the Commission required all telecommunications carriers to contribute to the cost recovery for numbering administration. To remain consistent in the price cap treatment of such fees, i.e. Regulatory Fee and Telecommunications Relay Services Fee, the NANPA fee is treated as an exogenous change. For the

2012 tariff year, the fee will be based on the factor of 0.0000220 as set forth in Public Notice, CC Docket No. 92-237, DA 11-884, released May 16, 2011.

B. Excluded Services

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