Frontier Telephone Companies
Tariffs FCC Nos. 1, 2, 3, 4, 5, 6, and 10
Description and Justification
Transmittal No. 46
September 16, 2013

1. Introduction

Frontier Telephone Companies ("Frontier") submits herewith its Description and Justification ("D&J") in support of changes to its Access Tariffs made under Transmittal No. 46. This filing is made on behalf of the exchange carriers issuing Frontier Telephone Companies Tariffs FCC Nos. 1, 2, 3, 4, 5, 6, and 10.

Frontier Telephone Companies Tariff FCC No. 1 contains five separate rate schedules referred to as Rate Group 1 through Rate Group 5, corresponding to the COSA codes CTC1 through CTC5. Frontier Telephone Companies Tariff FCC No. 2 contains two rate schedules applicable to Frontier Telephone of Rochester, Inc. ("Rochester") and the other issuing carries of this tariff ("All Other Carriers"). These two rate schedules correspond to the COSA codes RTNY and RTCS. Frontier Telephone Companies Tariff FCC No. 3 contains a single rate schedule corresponding to the COSA code VITC. Frontier Telephone Companies Tariff FCC No. 10 contains a single rate schedule corresponding to the COSA code FCCS. Frontier Telephone Companies Tariffs FCC Nos. 4, 5, and 6 are consolidated into a single set of Price Cap Indices, filed under the COSA code FVTR.

2. Development of Proposed CMT Revenue per Line and PCI Values

The proposed CMT per line and PCI Values are calculated on Forms CAP-1 and PCI-1, respectively, of the Tariff Review Plans for the ten Frontier COSAs. Frontier 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 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 CMT-EXG CTC1 through CMT-EXG FVTR for the ten Frontier COSAs.

3. Exogenous Cost Changes

Frontier has identified exogenous cost changes for changes in Federal Regulatory Fees and Telecommunications Relay Service (TRS) costs..

The amounts that Frontier pays for Federal Regulatory Fees, TRS costs, and NANPA funding are based on percentages of interstate end user revenues. The exogenous cost changes by basket are summarized on Exhibits EXG-TOT CTC1 through EXG-TOT FVTR for the ten Frontier COSAs.

On August 12, 2013, the Commission released a *Report and Order,* released 8/12/2013, "Assessment and Collection of Regulatory Fees for Fiscal Year 2013; Procedures for Assessment and Collection of Regulatory Fees; Assessment and Collection of Regulatory Fees for Fiscal Year 2008", FCC 13-11 (*2013 Reg Fees Order*). The *2013 Reg Fees Order* set the fee for Fiscal Year 2013 at 0.00347 per interstate revenue dollar. Because this differs from the estimated fee of 0.00375 that was used in the 2013 Annual Access Tariff Fiings, Frontier makes an exogenous change to recognize the changed level of Federal Regulatory Fees with this filing. The exogenous change includes a tru-up for the amount of Regulatory Fees recovered for the third quarter of 2013 using the estimated factor.

The funding base to which this factor is applied is the interstate end user revenues for 2012 as reported on Form 499-A. Frontier 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 portion of the funding base by the contribution factor.

The difference between the amount of Regulatory Fees attributable to price caps and the amount embedded in current rates represents the excess Regulatory Fees included in rates in the annual filing.

One quarter of this excess must be removed from rates over the remaining three quarters of the tariff year. Accordingly, and annualized true-up is computed by multiplying one quarter of this difference by 4/3 to reflect the allocation of this amount over a period of three quarters. The sum of the annualized true-up and the amount of Regulatory Fees attributable to price caps is the amount of Regulatory Fees that should be included in rates in this filing.

Frontier makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. The calculation of the exogenous cost change for Federal Regulatory Fees is shown on Exhibits EXG-RegFees CTC1 through EXG-RegFees FVTR for the ten Frontier COSAs.

On July 1, 2013, the Commission released an *Order* in CG Dockets 03-123 and 10-51, DA 13-1483 ("*2013 TRS Order* "). In the *2013 TRS Order*, the Commission adopted a TRS contribution factor of

0.01484 for the July 2013 to June 2014 funding period. Because this differs from the proposed factor of 0.0233 that was used in the 2013 Annual Access Tariff Filings, Frontier makes an exogenous cost change to recognize the changed level of Federal TRS costs with this filing. The exogenous change includes a true-up for the amount of TRS costs recovered for the third quarter of 2013 using the proposed factor.

The funding base to which the the TRS contribution factor is applied is the interstate end user revenues for 2012 as reported on Form 499-A. Frontier 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.

The difference between the amount of TRS obligation attributable to price caps and the amount embedded in current rates represents the excess TRS costs included in rates in the annual filing. One quarter of this excess must be removed from rates over the remaining three quarters of the tariff year. Accordingly, and annualized true-up is computed by multiplying one quarter of this difference by 4/3 to reflect the allocation of this amount over a period of three quarters. The sum of the annualized true-up and the amount of TRS costs attributable to price caps is the amount of TRS costs that should be included in rates in this filing.

Frontier makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. Calculation of exogenous change for TRS costs is shown on Exhibits EXG-TRS CTC1 through EXT-TRS FVTR for the ten Frontier COSAs.

4. Development of Proposed EUCL, PICC, and CCL Rates

Initial EUCL, PICC, and CCL rates are computed on Form CAP-1 of the Tariff Review Plans for the appropriate properties. Any adjustments to EUCL rates needed to avoid over-recovery of the allowed CMT per line are shown on Form CAP-2 of the Tariff Review Plans for the appropriate properties.

As allowed by §61.48(m)(1)(ii) of the Commission's rules, Frontier 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 Form CAP-4 Tariff Review Plans for the appropriate properties. Computation of the amount of available pooling revenue, how much may be recovered at each tariff unit, how much is unrecoverable, and how much is allocated to each tariff unit is shown on Exhibit POOL FTTC.

5. Other Price Cap Rates and Exhibits

Frontier supplies exhibits that display demand quantities, rates at last PCI update, current rates, and proposed rates, and the associated revenue quantities for nine of the ten Frontier COSAs. For the COSA FVTR, similar Exhibits display summary information for revenue quantities by price cap basket and band. Rate detail for FVTR is displayed on separate Exhibits organized by basket and jurisdiction.

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.

6. State Access Rate Reductions

As required by section 51.907 of the Commission's rules, Frontier reduced its rates for Transitional Intrastate Access Service where those rates were higher than interstate rates as of December 29, 2011. These reductions became effective on July 1 or July 2, depending on how the various state regulatory bodies ruled. Frontier filed Access Reduction TRPs for the various Frontier study areas and companies under its Transmittal No. 40, the 2013 Annual

Access Tariff Filing. Since that filing, Frontier has discovered two minor corrections to Access Reduction TRPS. For COSA GTWI, incorrect interstate and intrastate Local Switching rates were displayed on the Access Reduction TRP. This did not affect the amount of access reduction, which is zero because Frontier North in Wisconsin had intrastate rates at interstate levels prior to 2013. For COSA GTOR, there was a formula error in the calculation of Tandem Switching revenue for reciprocal compensation. Because the relevant reciprocal compensation rates were already below terminating interstate access rates, this error did not affect rates.

Both errors have been corrected, and updated Access Reduction TRPs are supplied with this filing. For the sake of completeness, Frontier also provides copies of the Access Reduction TRPs which have not changed since the 2013 Annual Access Tariff Filings.

7. Access Recovery Charge (ARC) and Connect America Fund (CAF) Calculations

Frontier's Price Cap ARC/CAF calculations were computed on a total consolidated holding company basis and filed with the Commission in Transmittal No. 40. The revised exogenous costs included with this filing change the amount of Eligible Recovery, making it necessary to restate the Eligible Recovery for ARC and CAF.

The ARC calculations were computed on an exchange-by-exchange basis for all of the company’s 91 Price Cap Study Areas operating over 27 States consistent with the §51.915 of the Commission's rules and the industry’s approved ARC/CAF model. The results of these calculations are shown on the Eligible Recovery TRP form, the Rate Ceiling - CAF TRP form, the Recip Comp TRP form, the Tariff Rate Comparison TRP form, and the Summary of Eligible Recovery TRP form.

Tariff rates as of January 1, 2013 for each of the rate ceiling component elements as defined in the FCC rules were used to develop the total monthly equivalent flat rate per line for local residential service. The higher of these numbers or the corresponding numbers from January 1, 2012 were then compared against the residential rate ceiling cap of $30 per month, per line to determine which residential access lines by exchange would qualify for the application of full or partial residential ARC tariff charge. Based on the total amount of Eligible Access Recovery at the holding company level, Frontier qualified to use the full maximum allowable end user ARC rates per the FCC rules. The ARC rate used by Frontier in the ARC/CAF model for residential lines was the lower of $1.00 per line, per month or the amount the rate ceiling calculation fell below the rate ceiling cap. For all single-line business lines the ARC rate used was $1.00 and for all multi-line business lines the ARC rate used was $2.00 per month, per line. This results in no change to the existing ARC rates in Frontier's tariffs.

The difference between the aggregate maximum allowable ARC dollars and the total Eligible Recovery dollars as computed at the holding company level, represents the amount of dollars which qualify for CAF recovery under the FCC rules. A 12-month annual demand forecast was computed using the average access line demand reductions experienced by Frontier over the last two years. All residential lifeline access lines were excluded from all the computations in accordance with the rules.

Frontier computed an uncollectible factor based on actual experience of collected revenues and billed revenues. Billed revenues used consisted of revenues from usage sensitive and dedicated switched access services provided from October 2010 through September 2011. Late payment charges, special access billing, and PICC charges were excluded from the analysis.

Billed revenues were reduced by adjustments, write-offs and ongoing open disputes to arrive at collected revenues. Disputes and collections were reviewed through March 2012. Late payment charges and adjustments to late payment charges were excluded from the calculation.

Partial payments were reflected in the collected revenue, while the unpaid portions of invoices that were partially paid were included as part of open disputes. In the case of partial payment of bills that were for a combination of special access and dedicated switched access, the unpaid portions were assigned to special access and excluded from the analysis because over 99% of disputes on this type of bill are for special access. Disputes for switched access are overwhelmingly disputes of usage sensitive charges, which are billed separately from non-switched services.

The sum of the adjustments, write-offs and open disputes account for a collection rate of approximately 96.7% of Frontier's billed revenues. This results in an uncollectible factor of 3.3%. This factor was applied against all TRP intrastate access reduction calculations on the Eligible Recovery TRP form.

8. USF Recovery Charge and FUSF Surcharge

On September XX, 2013, the Commission released a *Public Notice*, Proposed Fourth Quarter 2013 Universal Service Contribution Factor, DA 13-1880 ("*4Q13 USF Notice*"). The *4Q13 USF Notice* proposes a universal service contribution factor of 15.6% for the fourth quarter of 2013. In this filing, Frontier changes its USF Recovery Charge[1] rate element for Tariffs FCC Nos. 1, 2, 3, 4, 5, 6, and 10 to 15.6% in keeping with the change in the underlying contribution factor.

[1] This rate element is called "Universal Service Fund (USF) Recovery Charge" in Tariffs FCC Nos. 1, 2, and 3; "Federal Universal Service Fund (FUSF) Surcharge" in Tariffs FCC Nos. 4, 5, and 6; and "Federal Universal Service Charge (FUSC)" in Tariff FCC No. 10.