7. Access Recovery Charge (ARC) Calculations

Frontier's Price Cap ARC rate calculations for the tariff year beginning 7/1/16 were based on a consolidated holding company basis. For the tariff year beginning 7/1/16 Frontier has included the Eligible Recovery and ARC rate calculations for the acquired Verizon ILEC properties in California, Texas and Florida in its consolidated totals. That acquisition was completed on March 31, 2016. The tariffed ARC rate calculations were computed on an exchange-by-exchange basis for all of the company's 97 Price Cap Study Areas operating in 29 States consistent with §51.915 of the Commission's rules and the industry's approved ARC model. End user Access Recovery Charges (ARCs) are applied to the same base of subscriber access lines that qualify for Federal SLC charges, subject to the residential rate ceiling limitations imposed under §51.915. Frontier does not qualify for any Connect America Funds (ICC-CAF) for the current tariff year beginning 7/1/16 because the expected tariffed ARC revenues from the maximum allowable ARC rates for residential, single line business and multi-line business lines would have exceeded the company's consolidated Eligible Access Recovery. As a result, the tariffed ARC rates per line as proposed in this filing are all set at levels below the maximum annual allowable ARC rates per line, such that the cumulative expected revenues from the application of these ARC rates do not exceed Frontier's consolidated Eligible Access Recovery. The results of these ARC rate calculations are shown on Exhibit **"FTTC-TRCNOCAF-061616"** included with this filing.

Frontier reviewed all local residential tariff rates by exchange to determine the extent to which a residential ARC rate could be applied given the total of the residential rate ceiling charges for each exchange. Tariff rates effective as of January 1, 2016 for each of the rate ceiling component charges as defined in the FCC rules under §51.915(b)(11) were used to develop the total monthly equivalent residential flat rate charge per access line for local residential service. The highest equivalent monthly residential flat rate charge per line from all prior periods was 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 either a full or reduced residential ARC tariff charge. Based on the total amount of Frontier's Eligible Recovery at the holding company level for the tariff year beginning on 7/1/16 and the current access line demand, it was determined Frontier does not qualify to apply the maximum annual allowable end user ARC rate increases per the FCC rules.

As shown on Exhibit **"FTTC-ER-061616",** Frontier's Eligible Recovery for the current tariff year of $96.3M is based on the following components:

(A) The amount of Intrastate and Interstate Switched Access Revenue reductions determined pursuant to §51.907(e) multiplied by the Price Cap Carrier Traffic Demand Factor and CALLs Base Factor;

(B) Net CMRS Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor and CALLs Base factor;

(C) Net Non-CMRS Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor and CALLs Base Factor;

(D) An amount equal to the True-up Revenues for Access Recovery Charges for the year beginning July 1, 2014; and

(E) The amount of Exogenous Costs attributable to the current tariff year not recoverable through other price cap rates.

Frontier established its tariffed ARC rates for residential, single line business and multi-line business in compliance with §51.915(e)(4) which establishes a maximum limitation ratio among the line types to assure the company does not recover a higher fraction of its total revenue recovery from ARCs imposed on residential and single line business lines. Per that rule, Frontier may not recover a higher fraction of its total eligible revenue recovery from ARCs assessed on Residential and Single Line Business lines than their share of Total Weighted Lines where Multi-Line Business lines gets twice the weight (i.e.,Total Weighted Lines = Residential Lines + Single-Line Business Lines+ (2 X Multi-Line Business Lines)). For purposes of distribution of ARC among different types of lines, Frontier's Residential and Single Line Business lines are the same lines (excluding lines of Lifeline Customers) which are assessed the residential primary and non-primary and single line business end user common line charges. Frontier's Multi-Line Business Lines are the same lines which are assessed the multi-line business end user common line charge. Frontier's total Eligible Recovery Revenue pursuant to 51.915(d)(1)(v) of the rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is $96.3M.

Per Paragraph 911 of the USF/ICC Transformation Order (FCC 11-161) which establishes maximum limits as to the distribution of ARC charges among lines of different types, Frontier could have allocated up to 46.03% or $44.3M of its total Eligible Recovery of $96.3M to Residential and Single-Line Business Lines and 53.97% or $52.0M to Multi-Line Business Lines. However, due to residential rate ceiling constraints, the actual expected ARC Revenue from Residential and Single-Line Business Lines is 37.77% or $36.3M, and the expected ARC Revenue from Multi-Line Business is 62.23% or $59.9M. Therefore, given the ARC rates filed with this tariff and projected line count for this tariff period, Frontier's total expected ARC revenues are $99.2M, with $36.3M expected from residential and single-line business lines and $59.9M expected from Multi-Line Business Lines.

Because Frontier can recover all of its Eligible Access Recovery through current year tariffed ARC rate increases, which are below the maximum annual increase allowed per line, Frontier does not qualify for any ICC-CAF recovery for the current tariff year. The reason the tariffed amount of total ARC revenue as computed in this filing ($96.2M) is slightly under the consolidated Eligible Access

Recovery ($96.3M) is because the tariffed ARC rates were rounded down to the nearest cent to assure the cumulative ARC revenue does not exceed the consolidated Eligible Recovery. Regarding the forecast of line counts, a 12-month annual demand forecast was computed using the average access line demand reductions experienced by Frontier over the last year. All residential lifeline lines were excluded from all the computations in accordance with the rules. In addition to the line demand forecast, an ARC revenue true-up calculation for the tariff year beginning 7/1/14 was computed and has been included in Frontier's consolidated Eligible Access Recovery computations in accordance with the FCC rules under §51.915. The ARC revenue true-up calculation compares the actual line counts for the tariff year beginning July 1, 2014 against the forecast of line counts used to develop the ARC rates for that same period. The difference between the actual line counts and the forecast line counts by wire center was multiplied by the effective ARC tariffed rate applicable to each specific line type in the wire center to compute the ARC revenue true-up for the current year.

8. Uncollectible Adjustments for Eligible Recovery

For all of Frontier's 97 Study Areas, excluding Frontier Connecticut, an uncollectible factor was developed based on Frontier's actual experience of collected revenues as related to billed revenues. Billed revenues 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 resulted in an uncollectible factor of 3.3%. This factor was applied against all Frontier TRP study area interstate and intrastate access reduction calculations, with the exception of the Frontier Connecticut study area, resulting in a net reduction to the cumulative interstate and intrastate TRP access revenue reductions as reflected on the Eligible Recovery TRP form.

The Frontier Connecticut study area (Southern New England Telephone) purchase from AT&T was officially completed and incorporated into Frontier Communications results on October 24,

2014. As a result of this acquisition, the uncollectible factor previously developed and used by AT&T for its Connecticut ILEC operations was used by Frontier in this TRP filing. The methodology for computing AT&T's uncollectible factor was similar to that of Frontier, except AT&T applied the calculated reduction of the switched access revenues attributable to uncollectibles back against the switched minutes-of-use demand quantities. As a result the demand units on the Frontier Connecticut access reduction TRP reflects the net allowable revenue reductions and no further uncollectible factor adjustment was required based on the TRP calculations. The methodology AT&T used to compute its uncollectible factor reduction is described here. To help determine the billed demand quantities for which payment was collected by March 31, 2012, calculations were completed to determine an "uncollected" experience and produce a factor that could be used to determine billed but not collected quantities. This experience was determined by reviewing twelve months of billed Switched Access revenue data in the aggregate for all six AT&T ILECs. These

Switched Access revenues were compared to the negative revenue adjustments created by service center adjustments or settlements that reduce revenue (contra revenue). This produced a factor of 3.84 percent. This represents in a revenue format what was billed but not collected. The uncollected factor was employed in adjusting billed quantities to estimate the billed quantities which were collected. The intrastate demand quantities adjusted for these uncollected quantities were used to calculate the intrastate revenue based on intrastate rates and the intrastate revenue based on interstate rates.