

# THE FAIRPOINT TELEPHONE COMPANIES

November 16, 2017

Transmittal No. 65

## Description and Justification

### DESCRIPTION

In accordance with the requirements of DA17-1009, released on October 13, 2017, FairPoint Telephone Companies (FairPoint) hereby submits its Tariff Review Plan (TRP) revisions to F.C.C. Tariff No. 1 and 2 with the required supporting documentation. Exhibit 1 lists the COSAs' associated with each FairPoint company included in this filing.

### JUSTIFICATION

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

#### **A. Demand**

Demand data for the Price Cap regulated special access and common line services reflects the period January 1 through December 31, 2016 and is used in the calculations of the Price Cap Index (PCIs), Actual Price Index (APIs), and Service Band Index (SBIs) as outlined in *Business Data Services Order*.<sup>1</sup> Pursuant to paragraph 61.42(f) of the Commission's rules, only the demand for services that have not obtained pricing flexibility relief and have not been removed from Price Cap regulation per the *Business Data Services Order* are included in the appropriate Price Cap baskets.

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<sup>1</sup> See *Business Data Services in an Internet Protocol Environment et al.*, WC Docket No. 16-143 et al., Report and Order, 32 FCC Rcd 3459 (2017) (*Business Data Services Order*).

All exchanges within the Study Areas regulated under FCC No. 2 have been deemed competitive except for one exchange in FairPoint Vermont, Inc. Therefore, in compliance with DA17-1009, the Special Access basket has been removed from the TRPs filed for Study Area Codes 100004, 103313, and 100025.

## **B. PCI Development**

PCIs for each basket are calculated in accordance with Commission Rules. A GDP-PI factor of 1.5385% was used in calculating the PCIs and is based on the percentage change in the Gross Domestic Product Price Index (GDP-PI) between the quarter ending December 31, 2016 and the corresponding quarter of the 2015. A productivity offset equal to the GDP-PI was applied in calculating PCIs for the common line basket. A productivity offset in the amount of 2% was applied to the GDP-PI in calculating the Special Access PCI. Information on the GDP-PI calculation is provided in Exhibit 2.

## **C. Compliance with Indices**

In this filing, the Commission requires FairPoint to compute the appropriate adjustments to the Price Cap Index (PCI) or CMT for each Price Cap basket. The PCI calculations are set forth in the Tariff Review Plan, form PCI-1. The sources for the existing indices are found in Exhibit 3, IND-1 References.

## **D. Exogenous Cost Allocations**

FairPoint proposes the following general exogenous cost adjustments: 1) Regulatory Fee, 2) Telecommunications Relay Service, and 3) North American Number Plan Administration. Each of the incremental exogenous cost amount in this filing is allocated based on Price Cap revenues. The Regulatory Fee and TRS expense are allocated to Common Line and Special Access baskets based on the 499A Interstate revenues. The NANPA expense is calculated on the Total 499A Interstate revenues.

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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 4 shows the incremental exogenous costs calculations and allocations that are included in this filing.

#### REGULATORY FEE

The calculation of change in regulatory fees to be reflected in the 2017-2018 tariff year is based on the application of the Commission prescribed factor of 0.00302 to 499A Price Cap revenues. This factor is set forth in the Notice of Proposed Rulemaking, FCC 17-111, released September 5, 2017.

#### TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) fee is based on the proposed annual cost recovery factor of 0.02289, DA 17-642 (released June 30, 2017).

#### NORTH AMERICAN NUMBER PLAN ADMINISTRATION

Pursuant to Public Notice, DA 17-783, released August 17, 2017, the contribution factor of 0.0000518 is applied total 499A interstate revenues to fund the 2017 numbering plan.

Exhibit 4 details the calculations of the REG FEE, TRS & NANPA exogenous costs.

#### **E. Explicit USAC Support**

The impact of 2011 explicit USAC Interstate Access Support (IAS) is utilized to develop the EUCL rates and is included in the TRP CAP schedules. This support was frozen per FCC 11-161 released November 18, 2011. Per verbal direction from the FCC on June 13, 2013, FairPoint calculated the frozen amount of IAS support per access line that is to be utilized in the CAP-1 form to reduce the EUCL rates. Exhibit 5 provides the calculation of the frozen IAS amount per access line and the total support dollars utilized to offset the EUCL rates.

## **F. Rate Detail**

Included with the filing is a rate detail schedule. This detail shows the current and proposed common line and special access rates in EXCEL spreadsheet format. In addition to the rate detail schedule, a revenue summary is provided to ensure that the rate detail calculations agree with the SUM-1 and the RTE-1.

## **G. Revised Tariff Pages**

In order to implement the BDS Order, revisions to FCC#1 and FCC #2 reflect the following:

- Definitions were added for Competitive County, End User Channel Termination, Non-Competitive County and Non-End User Channel Termination.
- A description was added for the application of competitive and non-competitive rates to Special Access Services based on FCC BDS order and added illustrative diagrams.
- Due to the Phase II Pricing Flexibility granted to FairPoint, Competitive and Non-Competitive rate sections were established in FCC #1.
- End User Channel Terminations were bifurcated to reflect rates for those End User Channel Terminations served by wire centers in non-competitive counties that are subject to price cap regulation and the productivity offset.

## **CONCLUSION**

The FairPoint Telephone Companies hereby submits the accompanying TRP and exhibits consistent with the Commission's price cap regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable.

## **EXHIBIT INDEX**

The FairPoint Telephone Companies provides the necessary detail to support the calculations of indices, exogenous cost adjustments, and rate changes in various workpapers. The following is the index of such workpapers.

## **Certification Tariff Review Plan (Long Form)**

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**TRP Rate Detail & Revenue Summary**

**Exhibit 1**

**Exhibit 2**

**Exhibit 3**

**Exhibit 4**

**Exhibit 5**

Rates and Revenues Detail

Affiliate and COSA Information

GDP-PI Factor Development

IND-1 Transmittal Documentation

Exogenous Cost Calculations

Total USAC Receipt Calculations