Frontier Telephone Companies
Tariffs FCC Nos. 1, 2, 3, 4, 5, 6, 10, 11, 13, and 14
Description and Justification
Transmittal No. 90
September 14, 2018

1. Introduction

Frontier Telephone Companies ("Frontier") submits herewith its Description and Justification ("D&J") in support of changes to its Access Tariff Filing, made under Transmittal No. 90. This filing is made on behalf of the exchange carriers issuing Frontier Telephone Companies Tariffs FCC Nos. 1, 2, 3, 4, 5, 6, 10, 11, 13, and 14.

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 Tariffs FCC

Nos. 4, 5, and 6 are consolidated into a single set of Price Cap Indices, filed under the COSA code FVTR. Frontier Telephone Companies Tariff FCC No. 10 contains a single rate schedule corresponding to the COSA code FCCS. Frontier Telephone Companies Tariff FCC No. 11 contains a single rate schedule corresponding to the COSA code SNCT. Frontier Telephone Companies Tariffs FCC Nos. 13 and 14 are consolidated into a single set of Price Cap Indices, filed under the COSA code FCTF.

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 twelve 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 FCTF for the twelve Frontier COSAs.

3. Exogenous Cost Changes

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

The amounts that Frontier pays for Federal Regulatory Fees, NANPA funding and TRS costs 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 FCTF for the twelve Frontier COSAs.

On August 28, 2018, the Commission released a Report and Order, “Assessment and Collection of Regulatory Fees for Fiscal Year

2018" in MD Docket No. 18-175, FCC 18-65 ("*2018 Reg Fees NPRM*"). The *2018 Reg Fees NPRM* set the fee for Fiscal 2018 at $0.00291 per interstate end user revenue dollar. Because this differs from the estimated fee of $0.00276 that was used in the 2018 Annual Access Tariff Filings, Frontier makes an exogenous change to recognize the changed level of Federal Regulatory Fees with this filing. The exogenous change includes a true-up for the amount of Regulatory Fees recovered for the third quarter of 2018 using the estimated factor.

The funding base to which this factor is applied is the interstate end user revenues for 2017 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, an annualized true-up is computed by multiplying one quarter of this difference by four-thirds 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 FCTF for the twelve Frontier COSAs.

On June 29, 2018, the Commission released an Order regarding the TRS factor in CG Docket Nos. 03-123 and 10-51, DA 18-680 ("2018 TRS Order"). In the 2018 TRS Order, the Commission adopted a TRS contribution factor of 0.02801 for the July 2018 to June 2019 funding period. Because this differs from the proposed factor of 0.03034 that was used in the 2018 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 2018 using the proposed factor.

The funding base to which the factor is applied is the interstate end user revenues for 2017 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.

Frontier makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. The amount embedded in current rates is calculated by adjusting the amount from the previous exogenous cost filing by the percentage change in price cap funding base between the prior base period and the current base period. This adjustment is necessary to accurately capture the amount of TRS cost embedded in the current rates. Calculation of exogenous change for TRS costs is shown on Exhibits EXG-TRS CTC1 through EXT-TRS FCTF for the twelve 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.

One of the components in the calculation of EUCL, PICC, and CCL rates is USAC receipts, formerly known as Interstate Access Support ("IAS"). Historically, IAS was computed as a per line amount for residential or business lines in high cost study areas. On January 1, 2012, this support was frozen at the study area level as a flat dollar amount. On January 1, 2015, IAS was consolidated into CAF and no longer exists as a separate support mechanism for CMT rates. For ratemaking purposes, Frontier uses an average per line amount of frozen IAS by study area, calculated by dividing the frozen support for each study area by that study area's 2011 lines.

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.

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. Access Recovery Charge (ARC) Calculations

Frontier's Price Cap ARC rate calculations for the tariff year were based on a consolidated holding company basis. The revised exogenous costs included with this filing change the amount of Eligible Recovery, making it necessary to restate the Eligible Recovery and all associated forms for ARC and CAF. 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 Intercarrier Compensation Connect America Funds (ICC-CAF) for the current tariff year 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 revised 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 revised Eligible Access Recovery. The results of these ARC rate calculations are shown on Exhibit **"FTTC-TRCNOCAF-091418"** 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, 2018 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 revised Eligible Recovery at the holding company level for the tariff year 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-091418",** Frontier's revised Eligible Recovery for the current tariff year of $89.8M is based on the following components:

(A) The amount of Net 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, 2016; 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 revised Eligible Recovery Revenue pursuant to § 51.915(d)(1)(i) of the rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is $89.8M.

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 is allowed to recover no more than 43.82% or $39.3M of its total Eligible

Recovery of $89.8M from Residential and Single-Line Business Lines. However, due to residential rate ceiling constraints, the ARC Revenue Forecast based on the proposed tariffed ARC rates on Residential and Single-Line Business Lines is 32.87% or $29.6M, and the ARC Revenue Forecast based on the proposed tariffed ARC rates on Multi-Line Business is 67.10% or $60.2M.

Because Frontier can recover all of its revised Eligible Access Recovery through current year tariffed ARC rate increases, which are below the maximum annual increases 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 ($89.8M) is slightly under the consolidated revised Eligible Access Recovery ($89.8M) is because the tariffed ARC rates were rounded down to the nearest cent to assure the cumulative ARC revenue forecast does not exceed the consolidated revised 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 7/1/15 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, 2016 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.

7. USF Recovery Charge

On September 12, 2018, the Commission released a *Public Notice*, Proposed Fourth Quarter 2018 Universal Service Contribution Factor, DA 18-944 ("*4Q18 USF Notice*"). The *4Q18 USF Notice* proposes a universal service contribution factor of 20.1% for the fourth quarter of 2018. In this filing, Frontier changes its USF Recovery Charge[1] rate element for Tariffs FCC Nos. 1, 2, 3, 4, 5, 6, 10, 11, 13 and 14 to 20.1% 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, 6, 11, 13 and 14; and "Federal Universal Service Charge (FUSC)" in Tariff FCC No. 10.