

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2003

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2003 Price Cap Tariff Review Plan Filing, made under letter dated May 1, 2003, pursuant to sections 61.41 through 61.49 of the Commission's Rules and relevant Commission orders.¹ This filing is made on behalf of the exchange carriers issuing Citizens Tariff F.C.C. No. 1. In this tariff, four separate rate schedules are maintained. These rate schedules are referred to as Rate Group 1 through Rate Group 4, and correspond to the COSA codes CTC1 through CTC4.

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

Citizens develops the proposed CMT revenue per line values by applying exogenous cost changes to the current CMT per line

¹ See, *Order*, July 1, 2003 Annual Access Charge Tariff Filings, released April 18, 2003, DA 03-1175 ("*2003 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2003 Annual Tariff Filings, DA 03-1176, released April 18, 2002 ("*2003 TRP Order*").

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 Exhibit 2.1-1, 2.2-1, 2.3-1, and 2.4-1 for the four Rate Groups.

Because the effects of GDP-PI – X and g are targeted to the Average Traffic Sensitive Rate, the prospective PCI values for the Traffic Sensitive and Trunking Baskets are calculated by adjusting the existing PCI values for the effects of exogenous cost changes allocated to those baskets plus the amount of ATS targeting allocated to those baskets. Because the amount of ATS targeting that will be allocated to each of these baskets is not known at this point, the displayed PCIs reflect no ATS targeting. The PCIs which will be filed in June will incorporate the actual level of ATS targeting allocated to each basket. The prospective PCI values for the

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Special Access Basket are calculated using formula found in §61.45(b) of the Commission's rules. Calculation of PCI values is shown on Exhibits 2.1-2, 2.2-2, 2.3-2, and 2.4-2, for the four Rate Groups.

Calculation of a "g" factor has in the past been associated with the development of PCIs. The g factor is now used only in ATS targeting, because the CMT basket is measured on the basis of revenues per line. Citizens calculates g factors on Exhibits 2.1-3, 2.2-3, 2.3-3, and 2.4-3 for the four Rate Groups. Because Rate Groups 1, 3, and 4 anticipate a zero CCL rate as a result of the annual filing, a g value of zero is used for ATS targeting purposes. For purposes of populating the TRP, a zero g factor is used for these Rate Groups.

3. Exogenous Cost Changes

Citizens has identified exogenous cost changes for changes in Federal Regulatory Fees, Telecommunications Relay Service

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(TRS) costs, and North American Numbering Plan (NANPA) funding. The amounts that Citizens pays for these obligations are based on percentages of interstate end user revenues. In addition, Citizens has identified exogenous cost adjustments for Reversal of Low End Adjustment made in the 2002 Annual Access Tariff Filing, and Low End Adjustment. The exogenous cost changes by basket are summarized on Exhibits 1.1-1 to 1.1-2, 1.2-1 to 1.2-2, 1.3-1 to 1.3-2, and 1.4-1 to 1.4-2 for the four Rate Groups.

As permitted by the Commission², Citizens is including the impact of changes in Federal Regulatory Fees as an exogenous cost with this annual filing. The fee for Fiscal Year 2003 is proposed to be \$0.00198 per interstate end user revenue dollar.³ The annualized amount of current Federal Regulatory Fees obligation is computed by multiplying this factor times the interstate end user revenues for

² Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act, *Order*, DA 94-1119 (October 7, 1994).

³ See, *Notice of Proposed Rulemaking*, released 3/26/03, "Assessment and Collection of

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2002 as reported on Form 499-A. This obligation is reduced by the percentage of revenues outside of price caps to get the amount which is recoverable through price cap rates. Citizens 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 1.1-4, 1.2-4, 1.3-4, and 1.4-4 for the four Rate Groups.

On May 1, 2002, the National Carrier Exchange Association submitted an *Annual Submission of TRS Payment and Revenue Requirements* ("*NECA TRS Fund Size Estimate*") which proposed a contribution factor of 0.0080 times interstate end user revenues. This contribution factor was subsequently adopted by the Commission in a *Public Notice* released June 22, 2002, DA 02-1422. The 2003 estimate of the TRS fund size is not yet available. Citizens computes the amount of its TRS contribution obligation as

Regulatory Fees for Fiscal Year 2003", FCC 03-64.

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the contribution ratio times the interstate end user revenues for 2002 as reported on Form 499-A. This obligation is reduced by the percentage of revenues outside of price caps to get the amount which is recoverable through price cap rates. Citizens 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 1.1-5, 1.2-5, 1.3-5, and 1.4-5 for the four Rate Groups.

On June 17, 2002, the Commission released a *Public Notice*, DA 02-1167, setting a contribution factor of 0.000043 times interstate end user revenues to support the North American Numbering Plan Administration (NANPA). The proposed 2003 contribution factor is not yet known. Citizens computes the amount of its NANPA obligation as the contribution ratio times the interstate end user revenues for 2002 as reported on Form 499-A. This obligation is reduced by the percentage of revenues outside of price caps to get the amount which is recoverable through price cap rates. Citizens

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makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates. Calculation of the exogenous cost change for NANPA payments is shown on Exhibits 1.1-6, 1.2-6, 1.3-6, 1.4-6 for the four Rate Groups.

In its 2002 Annual Access Tariff Filing, Citizens implemented an exogenous cost change for Low End Adjustment for Rate Group 3. In its 2003 Annual Access Tariff Filing, this exogenous cost change must be reversed. The amount to reverse is calculated as the same proportion of the current R value as the original adjustment was to the R value of that time. The calculation of the Reversal of Low End Adjustment is shown on Exhibit 1.3-7.

Because Rate Groups 3 earned less than 10.25%, Citizens seeks to implement a Low End Adjustment for this rate group. The Low End Adjustment is computed to be the additional revenue which would be required to bring the price cap rate of return to 10.25% for calendar 2002. This includes additional operating income needed

to produce the target rate of return and the additional income tax obligation generated by the additional operating income. The calculation of the Low End Adjustment is shown on Exhibit 1.3-8.

4. Other Exhibits

Citizens supplies the calculation of Transport Minutes used for the calculation of the Average Traffic Sensitive (ATS) rate on Exhibits 2.1-4, 2.2-4, 2.3-4, and 2.4-4 for the four Rate Groups. Exhibits 2.1-5 to 2.1-6, 2.2-5 to 2.2-6, 2.3-5 to 2.3-6, and 2.4-5 to 2.4-6 display the calculations needed to populate the TGT series forms of the May 1, 2003 TRP for the four Rate Groups. Citizens identifies the transmittals in which the current index levels became effective on Exhibits 3.1-1, 3.2-1, 3.3-1, and 3.4-1 for the four Rate Groups. Calculation of the Pooling Reversal quantities needed for Row 540 of Form TGT-2 of the TRP are developed on Exhibit H-1 for all tariff units commonly owned with Citizens.

As has been done in past years, Citizens submits copies of its initial

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Forms 492A for 2002 and its final Forms 492A for 2001. Citizens submits TRPs in the format specified by the *2003 TRP Order* for the five Rate Groups. As with all filings, electronic copies of TRPs are uploaded to the Commission's electronic filing system, which allows any interested person to obtain a copy of the original file submitted.