

FIDELITY TELEPHONE COMPANY

***DESCRIPTION AND JUSTIFICATION
&
SUPPORTING MATERIAL***

2003 BIENNIAL ACCESS CHARGE TARIFF FILING

EFFECTIVE: JULY 1, 2003

FIDELITY TELEPHONE COMPANY
INTERSTATE ACCESS TARIFF FILING

EFFECTIVE JULY 1, 2003

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FIDELITY TELEPHONE COMPANY

INTERSTATE ACCESS TARIFF FILING

SECTION 1

INTRODUCTION, OVERVIEW AND RATE DEVELOPMENT

INTRODUCTION

This filing supports Fidelity Telephone Company's Tariff F.C.C. No. 1, and is submitted in accordance with the Federal Communications Commission's Order, *July 1, 2003 Annual Access Charge Tariff Filings*, WCB/Pricing 03-15, DA 03-1175 (WCB/Pricing rel. Apr. 18, 2003).

This documentation volume contains the preceding transmittal letter, introduction, overview, rate development narrative, access rate development and corresponding cost support material for the combined 2001 and 2002 test period reflecting a rate of return of 11.25% on interstate investment.¹ Historical costs and demand were determined at a study area level and combined for developing rates in this filing. Jurisdictional costs have been determined in accordance with cost allocation rules contained in Parts 36 and 69 of the Code of Federal Regulations ("CFR"). The jurisdictional costs have been adjusted to comply with rules mandated by the FCC in the *Access Charge Reform Proceedings*, CC Docket No. 96-262, et al., and the *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Second Report and Order, CC Docket No. 00-256 (rel. Nov. 8, 2001) ("MAG Access Charge Reform Order").

The proposed rates of Fidelity Telephone Company contained in this filing are scheduled to become effective July 1, 2003.

OVERVIEW

Schedule A contained in this section presents a summary comparison between current rates and the proposed switched and special access rates to become effective July 1, 2003. The proposed access service tariff maintains the method of charging for interstate access by major rate elements, i.e., common line, end user access, switched access and special access. No revisions in the method of charging from the currently effective tariff have been made.

¹ The cost support material and rate development for Fidelity Telephone Company have been developed pursuant to the requirements of 47 C.F.R. § 61.39 applicable to small telephone companies. The cost support material has been developed using the historic test period encompassing the calendar years of 2001 and 2002.

The proposed tariff rates of Fidelity Telephone Company have been developed using procedures prescribed by the Federal Communications Commission as follows:

- A) Financial reporting is in accordance with the Uniform System of Accounts and Financial Reporting Requirements of Class A and Class B Telephone Companies (Part 32 of Title 47 of the Code of Federal Regulations).
- B) Jurisdictional separations procedures have been applied in accordance with Part 36 of Title 47 of the Code of Federal Regulations.
- C) Interstate access rate development is performed in accordance with Part 69 of Title 47 of the Code of Federal Regulations. Further adjustments have been applied to Part 69 cost allocations to comply with rule changes mandated by the FCC in the *MAG Access Charge Reform Order*.

Pursuant to Special Permission No. 98-249, Fidelity Telephone Company concurs in the Rules and Regulations contained in NECA's Tariff FCC No. 5 and in the common line rates contained therein.

RATE DEVELOPMENT

Development of the access charge rates as contained in the tariff was accomplished as follows:

- 1) The Company used the historic test period for the years 2001 and 2002 to determine its annual interstate revenue requirement and access charge rates.
- 2) Investments in telephone plant, operating expenses and traffic factors used to determine test period revenue requirements are from the Company's 2001 and 2002 toll cost studies.
- 3) Determination of the 2001 and 2002 interstate revenue requirements was accomplished using separations procedures set forth in Part 36 of Title 47 of the Code of Federal Regulations.
- 4) Determination of the test period interstate access revenue requirement by access component was accomplished using Part 69 of Title 47 of the Code of Federal Regulations, as modified by the *MAG Access Charge Reform Order*. Summaries of the Part 69 interstate access revenue requirements for the years 2001 and 2002 are presented in Sections 4 and 5 of the cost support material.
- 5) Test period switched access and special access demand quantities were summarized from 2001 and 2002 carrier access bills by exchange to be used as test year demand volumes. The demand volumes are from the same period used in determining the access revenue requirement.

- 6) Access charges were determined by dividing the interstate access revenue requirements determined in Step 4 above by the test period demand volumes determined in Step 5 above.

Section 2 of this documentation volume contains the development of interstate access charge rates for the test period 2001 and 2002. In that section Schedule 1 presents a summary of the interstate access revenue requirements for the years 2001 and 2002 by access component. Schedule 2 presents a summary of the test period access minutes and transport minute miles. Schedule 3 presents the development of the Tandem Switched Transport charges. Schedule 4 presents the development of Switching and Information Surcharge rates. Schedule 5 presents the rate development for Special Access Channel Termination, Channel Mileage Termination, Channel Mileage Facility and Optional Features and Functions.

SUMMARY

The 2003 annual access tariff filing is supported by the enclosed material which targets the interstate access rates to produce revenues for the test period that would generate a 11.25% rate of return on investment.

Fidelity Telephone Company continues to use the procedures contained in the Small Company Biennial Tariff Order, CC Docket No. 86-467, to develop interstate access rates to be effective July 1, 2003. These rates are developed based on the historic test period January 1, 2001 through December 31, 2002. Supporting material for the proposed access charge rates is included with this filing. The supporting material is comprised of summary schedules depicting investment and expense data, demand quantities, jurisdictional and access allocation ratios and rate calculations. A summary of the proposed charges for interstate access services provided by Fidelity Telephone Company is presented on Schedule A following.