

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2004 Price Cap Tariff Review Plan Filing, made under letter dated April 30, 2004, 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, 2004 Annual Access Charge Tariff Filings, released April 19, 2004, DA 04-1049 ("*2004 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2004 Annual Tariff Filings, DA 04-1048, released April 19, 2004 ("*2004 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

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 Citizens anticipates a zero CCL rate for all Rate Groups 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.

3. Exogenous Cost Changes

Citizens has identified exogenous cost changes for changes in Federal Regulatory Fees, Telecommunications Relay Service (TRS) costs, and North American Numbering Plan (NANPA)

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

funding. The amounts that Citizens pays for these obligations are based on percentages of interstate end user revenues. In addition, Citizens has identified an exogenous cost adjustments for Reversal of Low End Adjustment made in the 2003 Annual Access Tariff Filing for Rate Group 3. 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 2004 is proposed to be \$0.00218 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 2003 as reported on Form 499-A. This obligation is reduced by the

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 3/29/03, "Assessment and Collection of

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

percentage of interstate end user 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 February 24, 2004, the Commission released an *Order*⁴ retroactively setting the Telecommunications Relay Services ("TRS") contribution factor at 0.00220 for the July 2003 to June 2004 funding period. This contribution factor replaced the 0.00149 contribution factor which was used to set rates for the July 2003 to June 2004 rate period. The prospective contribution factor for the July 2004 to June 2005 rate period is not yet available. For

Regulatory Fees for Fiscal Year 2004", FCC 04-66.

⁴ See, *Order*, release February 24, 2004, "Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities", DA 04-465 ("2003 Retroactive TRS Order")

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

purposes of this filing, Citizens assumes that the contribution factor for the July 2004 to June 2005 rate period will be the same as the factor retroactively applied to the July 2003 to June 2004 rate period. Citizens anticipates that the actual factor to be used for the July 2004 to June 2005 rate period will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2004.

Citizens computes the amount of its TRS obligation to recover in rates in two parts. The portion attributable to the retroactive factor for the July 2003 to June 2004 rate period is computed as the difference in contribution ratios times the interstate end user revenues for 2002 as reported on Form 499-A. This obligation is reduced by the percentage of 2002 interstate end user revenues outside of price caps to get the amount which is recoverable through price cap rates. The portion attributable to the July 2004 to June 2005 period is computed as the contribution factor from the

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

2003 Retroactive TRS Order times the interstate end user revenues for 2003 as reported on Form 499-A. This obligation is reduced by the percentage of 2003 interstate end user revenues outside of price caps to get the amount which is recoverable through price cap rates.

The sum of the retroactive TRS obligation and the forward looking TRS obligation is the amount Citizens must recover in its 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 24, 2003, the Commission released an *Order*, DA 03-2062, setting a contribution factor of 0.000036 times interstate end user revenues to support the North American Numbering Plan Administration (NANPA). The proposed 2004 contribution factor is not yet known. Citizens computes the amount of its NANPA

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

obligation as the contribution ratio times the interstate end user revenues for 2003 as reported on Form 499-A. This obligation is reduced by the percentage of interstate end user 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 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 2003 Annual Access Tariff Filing, Citizens implemented an exogenous cost change for Low End Adjustment for Rate Group 3. In its 2004 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.

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 April 30, 2004 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, as required by ¶10 of the *2004 TRP Order*. Exhibits 4-1 and 4-2 display the services that have been removed from price caps, as required by ¶9 of the *2004 TRP Order*. 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 required by ¶21 of the *2004 TRP Order*, Citizens submits copies

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
April 30, 2004

of its initial Forms 492A for 2003 and its final Forms 492A for 2002.

Citizens submits TRPs in the format specified by the *2004 TRP*

Order for the four 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.