

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2004 Access Charge Filing, made under Transmittal No. 151, 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 values. The exogenous cost changes allocated to the CMT basket

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*").

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. 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 for these Rate Groups.

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) 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

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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 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.

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 3/29/04, "Assessment and Collection of

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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. On May 4, 2004 the Commission release a Public Notice, DA 04-1258, showing the proposed contribution factor for Interstate Telecommunications Relay Service (TRS) Fund as 000356 for the period July 1, 2004 to June 30, 2005.

Citizens computes the amount of its TRS obligation to recover in

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*")

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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 proposed contribution factor 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

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Exhibits 1.1-5, 1.2-5, 1.3-5, and 1.4-5 for the four Rate Groups.

On May 28, 2004, the Commission released a *Public Notice*, DA 04-1582, proposing a contribution factor of 0.000021 times interstate end user revenues to support the North American Numbering Plan Administration (NANPA) for the period July 1, 2004 through June 30, 2005. Citizens computes the amount of its NANPA obligation as the proposed 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. ATS Rate and ATS Targeting

Citizens computes its current ATS rates as the sum of the Switching Component and the Transport Component, which are each computed by dividing the appropriate revenues by their respective minutes. Because Rate Groups 3 and 4 achieved the target rate in prior filings, no targeted reductions are made to the ATS rate for these tariff units. Rate Groups 1 and 2 have not yet achieved their target rate, so it is necessary to compute targeted reductions for the ATS rate. The targeted reductions are computed as the GDPPI – X and "g" impacts from the relevant baskets as provide by the Commission's rules. Local Switching must be

reduced by at least its proportionate share of the target amount; the remaining amount to be targeted may be applied at Citizens' discretion. After the targeted reductions are taken, proposed ATS rates are calculated. The current tariff filing results in Rate Groups 1 and 2 achieving the target ATS rate.

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, 2.2-5, 2.3-5, and 2.4-5 display the calculation of the current ATS rate and the aggregate target for the four Rate Groups. Exhibits 2.1-6, 2.2-6, 2.3-6, and 2.4-6 display the calculation of the initial targeting amount for the four Rate Groups. Exhibits 2.1-7, 2.2-7, 2.3-7, and 2.4-7 display the actual targeting amount selected for the four Rate Groups.

5. Development of Proposed EUCL, PICC, and CCL Rates

Initial EUCL, PICC, and CCL rates are computed on Exhibits 2.1-8,

2.2-8, 2.3-8, and 2.4-8 for the four Rate Groups. Any adjustments to EUCL rates needed to avoid over-recovery of the allowed CMT per line are made on Exhibits 2.1-9, 2.2-9, 2.3-9, and 2.4-9 for the four Rate Groups.

As allowed by §61.48(m)(1)(ii) of the Commission's rules, Citizens 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 Exhibits 2.1-10, 2.2-10, 2.3-10, and 2.4-10 for the four Rate Groups. The calculation of pooled revenue for use in this computation is shown on Exhibits 2.1-11, 2.2-11, 2.3-11, and 2.4-11 for the four Rate Groups. A holding company level computation of the amount of available pooling revenue, how much may be recovered at each tariff unit, and how much is unrecoverable is shown on Exhibit H-1.

6. Other Rates and Exhibits

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Exhibits 3.1-1 through 3.1-19, 3.2-1 through 3.2-19, 3.3-1 through 3.3-19, and 3.4-1 through 3.4-19 display demand quantities, rates at last PCI update, current rates, and proposed rates, and the associated revenue quantities for the four Rate Groups. 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.

Citizens identifies the transmittals in which the current index levels became effective on Exhibits 4.1-1, 4.2-1, 4.3-1, and 4.4-1 for the four Rate Groups, as required by ¶10 of the *2004 TRP Order*.

Exhibits 5-1 and 5-2 show services excluded 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

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

As required by ¶19 of the *2004 TRP Order*, Citizens supplies rate detail files for the four Rate Groups in similar format to that provided in previous years. 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.

7. USF Recovery Charge

On June 7, 2004, the Commission released a *Public Notice*, Proposed Third Quarter 2004 Universal Service Contribution Factor, DA 04-1613 ("*4Q03 USF Notice*"). The *4Q03 USF Notice* proposes a universal service contribution factor of 8.9% for the third quarter of 2004. In this filing, Citizens changes its USF Recovery Charge rate element to 8.9% in keeping with the change in the underlying contribution factor.