

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2005 Price Cap Tariff Review Plan Filing, made under letter dated May 2, 2005, 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, 2005 Annual Access Charge Tariff Filings, released April 8, 2005, DA 05-1039 ("*2005 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2005 Annual Tariff Filings, DA 05-1038, released April 8, 2005 ("*2005 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 Citizens achieved its ATS target rates in prior filings, the Traffic Sensitive and Trunking PCI values reflect no ATS targeting. 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 achieved its ATS target rates in prior filings, there will be no ATS targeting. 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) funding. The amounts that Citizens pays for these obligations are based on percentages of interstate end user revenues. The

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

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 2005 is proposed to be \$0.00243 per interstate end user revenue dollar.³ The funding base to which this factor is applied is the interstate end user revenues for 2004 as reported on Form 499-A. Citizens 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. Citizens

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 2/15/05, "Assessment and Collection of

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

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 April 25, 2005, the National Exchange Carrier Association, Inc. ("NECA") submitted a Payment Formula and Fund Size Estimate, Interstate Telecommunications Relay Service (TRS) Fund, For July 2005 through June 2006 ("NECA TRS Fund Size Estimate"). In the NECA TRS Fund Size Estimate, NECA proposes setting the Telecommunications Relay Services ("TRS") contribution factor at 0.00528 for the July 2005 to June 2006 funding period. For purposes of this filing, Citizens assumes that the contribution factor proposed by NECA for the July 2005 to June 2006 rate period will be adopted by the Commission. Citizens anticipates that the

Regulatory Fees for Fiscal Year 2005", FCC 05-35.

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

Commission will act on the NECA TRS Fund Size Estimate prior to the Annual Interstate Access Tariff Filings that must be made in June 2005. If the Commission adopts a different TRS Contribution Factor than the one proposed by NECA, Citizens will incorporate the factor the Commission adopts into its annual filing.

Citizens computes the amount of its TRS obligation to recover in rates in two parts. In the Annual 2004 Access Tariff Filings, the Commission allowed ILECs, including Citizens, to recover a retroactive increase in their TRS obligation for the July 2003 to June 2004 rate period. The amount of TRS obligation attributable to this retroactive recovery is grossed up for the change in funding base before being reversed.

The funding base to which the current contribution factor is applied is the interstate end user revenues for 2004 as reported on Form 499-A. Citizens reduces the funding base by its percentage of non-price cap end user revenues to get the price cap portion of the

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

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. Citizens makes an exogenous adjustment for the difference between this amount and the amount embedded in current rates.

The sum of the reversal of the retroactive TRS obligation and the forward looking TRS exogenous change is the total exogenous change for Citizens's TRS obligation. 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 May 28, 2004, the Commission released a *Public Notice*, DA 04-1582, setting a contribution factor of 0.000021 times interstate end user revenues to support the North American Numbering Plan Administration (NANPA) for the July 2004 to June 2005 funding

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

period. The prospective contribution factor for the July 2005 to June 2006 rate period is not yet available. For purposes of this filing, Citizens assumes that the actual factor to be used for the July 2005 to June 2006 rate period will be the same as the factor applied to the July 2004 to June 2005 rate period. Citizens anticipates that the actual factor to be used for the July 2005 to June 2006 rate period will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2005.

The funding base to which this factor is applied is the interstate end user revenues for 2004 as reported on Form 499-A. Citizens 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 NANPA obligation attributable to price caps is computed by multiplying the price cap portion of the funding base by the contribution factor. 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.

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 *2005 TRP Order*. Exhibits 4-1 and 4-2 display the services that have been removed from price caps, as required by ¶19 of the *2005 TRP Order*. Calculation of the Pooling Reversal quantities needed for Row 540 of Form TGT-2 of the TRP

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 2, 2005

are developed on Exhibit H-1 for all tariff units commonly owned with Citizens.

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.