

1. Introduction

Citizens Telecommunications Companies ("Citizens") submits herewith its Description and Justification ("D&J") in support of its Annual 2006 Price Cap Tariff Review Plan Filing, made under letter dated May 1, 2006, 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 2006 Annual Access Charge Tariff Filings, released March 24, 2006, DA 06-649 ("*2006 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2006 Annual Tariff Filings, DA 06-650, released March 24, 2006 ("*2006 TRP Order*").

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2006

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 1, 2006

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 2006 is proposed to be \$0.00256 per interstate end user revenue dollar.³ The funding base to which this factor is applied is the interstate end user revenues for 2005 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 3/27/06, "Assessment and Collection of

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2006

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 June 28, 2005, the Commission released an *Order* in CC Docket 98-67 and CG docket 03-123, Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, FCC 05-135 ("*2005 TRS Order*"). In the 2005 TRS Order, the Commission set the Telecommunications Relay Services ("TRS") contribution factor at 0.00564 for the July 2005 to June 2006 funding period. The TRS contribution factor for the July 2006 to June 2007 funding period is not yet available. For purposes of this filing, Citizens assumes that the actual factor to be used for the July 2006 to June 2007 period

Regulatory Fees for Fiscal Year 2006", FCC 06-38.

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2006

will be the same as that for the July 2005 to June 2006 period.

Citizens anticipates that the actual factor to be used for the July 2006 to June 2007 rate period will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2006.

The funding base to which the this factor is applied is the interstate end user revenues for 2005 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 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.

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.

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2006

On June 1, 2005, the Commission released a *Public Notice*, DA 05-1565, setting a contribution factor of 0.0000052 times interstate end user revenues to support the North American Numbering Plan Administration (NANPA) for the July 2005 to June 2006 funding period. The prospective contribution factor for the July 2006 to June 2007 rate period is not yet available. For purposes of this filing, Citizens assumes that the actual factor to be used for the July 2006 to June 2007 rate period will be the same as the factor applied to the July 2005 to June 2006 rate period. Citizens anticipates that the actual factor to be used for the July 2006 to June 2007 rate period will be available in time for the Annual Interstate Access Tariff Filings that must be made in June 2006.

The funding base to which this factor is applied is the interstate end user revenues for 2005 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 May 1, 2006 TRP for the four Rate Groups. Citizens identifies the transmittals in which the current index levels became effective

Citizens Telecommunications Companies
Tariff F.C.C. No. 1
Description and Justification
Tariff Review Plan Letter Filing
May 1, 2006

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 *2006 TRP Order*. Exhibits 4-1 and 4-2 display the services that have been removed from price caps, as required by ¶20 of the *2006 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.

Citizens submits TRPs in the format specified by the *2006 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.