

1. Introduction

Frontier Telephone of Rochester, Inc. ("FTR") submits herewith its Description and Justification ("D&J") in support of its Annual 2007 Access Charge Filing, made under letter dated June 15, 2007, 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 FTR and the exchange carriers that concur in FTR's Tariff F.C.C. No. 1 ("Frontier Tier 2's") (collectively, "Frontier"). As in prior filings, two separate rate schedules are maintained. One is applicable to FTR, and the other is applicable to the Frontier Tier 2's. Separate Price Cap Indices are maintained for FTR and the Frontier Tier 2's. This filing is being made under letter rather than transmittal because no changes to tariff material are required.

2. Development of Proposed CMT Revenue per Line and PCI Values

¹ See, *Order*, July 2007 Annual Access Charge Tariff Filings, released March 29, 2007, DA 07-1483 ("*2007 Filing Order*"); and *Tariff Review Plans*, Material to be Filed in Support of 2007 Annual Tariff Filings, DA 07-1484, released March 29, 2007 ("*2007 TRP Order*").

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Frontier 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 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 Exhibits 2.1.-1 and 2.2-1 for FTR and the Frontier Tier 2's, respectively.

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 Frontier 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 and 2.2-2 for FTR and the Frontier Tier 2's, respectively.

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. Frontier calculates g factors on Exhibits 2.1-3 and 2.2-3 for FTR and the Frontier Tier 2's, respectively. Because Frontier 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 for FTR and the Frontier Tier 2's.

3. Exogenous Cost Changes

Frontier has identified exogenous cost changes for changes in Federal Regulatory Fees, Telecommunications Relay Service

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(TRS) costs, and North American Numbering Plan (NANPA) funding. The amounts that Frontier pays for these obligations are based on percentages of interstate end user revenues. The exogenous cost changes by basket are summarized on Exhibits 1.1-1 to 1.1-2 and 1.2-1 to 1.2-2 for FTR and the Frontier Tier 2's, respectively.

As permitted by the Commission², Frontier is including the impact of changes in Federal Regulatory Fees as an exogenous cost with this annual filing. The fee for Fiscal Year 2007 is proposed to be \$0.00266 per interstate end user revenue dollar.³ The funding base to which this factor is applied is the interstate end user revenues for 2006 as reported on Form 499-A. Frontier 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

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 4/18/07, "Assessment and Collection of

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. Frontier 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 and 1.2-4 for FTR and the Frontier Tier 2's, respectively.

On June 29, 2006, the Commission released an *Order* in CG docket 03-123, Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, DA 06-1345 ("*2006 TRS Order*"). In the 2006 TRS Order, the Commission set the Telecommunications Relay Services ("TRS") contribution factor at 0.00535 for the July 2006 to June 2007 funding period. Because the TRS contribution factor for the

Regulatory Fees for Fiscal Year 2007", FCC 07-55.

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July 2007 to June 2008 funding period is not yet available, Frontier assumes that the actual factor to be used for the July 2007 to June 2008 period will be the same as that for the July 2006 to June 2007 period.

The funding base to which this factor is applied is the interstate end user revenues for 2006 as reported on Form 499-A. Frontier 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. Frontier 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 and 1.2-5 for FTR and the Frontier Tier 2's, respectively.

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On May 15, 2007, the Commission released a *Public Notice*, DA 06-1000, setting a contribution factor of \$0.0000193 per interstate end user revenue dollar to support the North American Numbering Plan Administration (NANPA) for the July 2007 to June 2008 funding period.

The funding base to which this factor is applied is the interstate end user revenues for 2006 as reported on Form 499-A. Frontier 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. Frontier 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 and 1.2-6 for FTR and the Frontier Tier 2's, respectively.

4. ATS Rate and ATS Targeting

Frontier 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 Frontier achieved the target rates in prior filings, no targeted reductions are made to the ATS rates.

Frontier supplies the calculation of Transport Minutes used for the calculation of the Average Traffic Sensitive (ATS) rate on Exhibits 2.1-4, and 2.2-4 for FTR and the Frontier Tier 2's, respectively.

Exhibits 2.1-5 and 2.2.5 display the calculation of the current ATS rate and the aggregate target for FTR and the Frontier Tier 2's, respectively. Exhibits 2.1-6 and 2.2-6 display the calculation of the initial targeting amount for FTR and the Frontier Tier 2's, respectively. Exhibits 2.1-7 and 2.2-7 display the actual targeting amount selected by FTR and the Frontier Tier 2's, respectively.

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

Initial EUCL, PICC, and CCL rates are computed on Exhibits 2.1-8 and 2.2-8 for FTR and the Frontier Tier 2's, respectively. Any adjustments to EUCL rates needed to avoid over-recovery of the allowed CMT per line are made on Exhibits 2.1-9 and 2.2-9 for FTR and the Frontier Tier 2's, respectively.

As allowed by §61.48(m)(1)(ii) of the Commission's rules, Frontier 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 and 2.2-10 for FTR and the Frontier Tier 2's, respectively. The calculation of pooled revenue for use in this computation is shown on Exhibits 2.1-11 and 2.2-11 for FTR and the Frontier Tier 2's, respectively. 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

Exhibits 3.1-1 through 3.1-19 and 3.2-1 through 3.2-19 display demand quantities, rates at last PCI update, current rates, and proposed rates, and the associated revenue quantities for FTR and the Frontier Tier 2's, respectively. 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.

Frontier identifies the transmittals in which the current index levels became effective on Exhibits 4.1-1 and 4.2-1 for FTR and the Frontier Tier 2's, respectively, as required by ¶10 of the *2007 TRP Order*. Exhibits 5-1 and 5-2 show services excluded from Price Caps, as required by ¶20 of the *2007 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

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commonly owned with Frontier.

As required by ¶19 of the *2007 TRP Order*, Frontier supplies rate detail files for FTR and the Frontier Tier 2's in similar format to that provided in previous years. Frontier submits TRPs in the format specified by the *2007 TRP Order* for FTR and the Frontier Tier 2's. 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.