

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 6, 2007**

<b>IN RE:</b>	)	
	)	
<b>CITIZENS TELECOMMUNICATIONS COMPANY</b>	)	<b>DOCKET NO.</b>
<b>OF TENNESSEE, LLC D/B/A FRONTIER</b>	)	<b>07-00088</b>
<b>COMMUNICATIONS OF TENNESSEE, LLC</b>	)	
<b>2007 PRICE REGULATION FILING FOR THE</b>	)	
<b>PERIOD ENDING DECEMBER 2005</b>	)	

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**ORDER APPROVING PRICE REGULATION FILING**

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This matter came before Chairman Sara Kyle, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 25, 2007 for consideration of the 2007 Annual Price Regulation Filing (the "Filing") filed by Citizens Telecommunications Company of Tennessee, LLC d/b/a Frontier Communications of Tennessee, LLC ("Citizens" or the "Company").

**Citizens' Filing**

On April 9, 2007, Citizens submitted its 2007 Filing to identify the headroom available to Citizens for potential future rate increases and to obtain review and approval of same by the Authority. This Filing is for the year ending December 2005. Although Citizens was granted entry into price regulation in 1996,<sup>1</sup> this is the initial price regulation filing submitted by

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<sup>1</sup> See *In re: Application of Citizens Telecommunications Company of Tennessee LLC for a Price Regulation Plan*, Docket No. 96-00010, *Order* (April 12, 1996).

Citizens. The Company states that its Filing encompasses and calculates the cumulative revenue headroom that has been created from June 1996 through December 2005. Citizens contends that its deferral of rate increases over this period has allowed it to accumulate revenue headroom.<sup>2</sup> The Authority's treatment of revenue headroom in past price regulation filings of BellSouth Telecommunications, Inc. and United Telephone-Southeast, Inc. ("UTSE") also supports Citizens' contention that it should be allowed to increase future rates to recover the cumulative headroom created under the statutory formula since 1996.<sup>3</sup>

### **Findings and Conclusions**

Tenn. Code Ann § 65-5-109 (2004) governs price regulation plans. The Authority reviewed Citizens' Filing pursuant to statutory requirements at its regularly scheduled Authority Conference held on June 25, 2005 and made the following findings:

1. The Company has properly separated its services into basic and non-basic categories in accordance with the provisions of Tenn. Code Ann. § 65-5-108 (2004).
2. Citizens has correctly calculated the Price Regulation Index ("PRI") and its Service Price Index ("SPI")

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<sup>2</sup> In support of its contention, Citizens referenced *In re: United Telephone-Southeast Inc., Tariff to Reflect Proposed Changes Under Price Regulation Plan*, Docket No. 98-00626 *Order Reflecting the Decision Regarding the 1998 Price Regulation Plan Adjustment for United Telephone-Southeast, Inc.*, p. 13 (October 13, 1999) where the Authority found that: "No evidence has been presented to demonstrate that Tenn. Code Ann. § 65-5-209 requires a forfeiture for any given annual period in which a company elects not to seek a rate increase. A finding to the contrary would suggest that price-regulated companies must raise consumers' rates each year or otherwise forever lose the opportunity to seek such an increase, which is obviously contrary to the public interest." (Tenn. Code Ann. § 65-5-209 is now cited as Tenn. Code Ann. § 65-5-109).

<sup>3</sup> See *In re: United Telephone Southeast Tariff No. 96-201 to Reflect Annual Price Cap Adjustment*, Docket No. 96-01423, *Order Approving in Part and Denying in Part Tariff No. 96-201* (September 4, 1997) where at the Authority's request, UTSE and the Consumer Advocate Division of the Office of the Attorney General ("Consumer Advocate") filed a joint stipulation on January 27, 1997 in which they agreed to a methodology and formula for use in calculating the amount of any price increases by UTSE under its price regulation plan. The stipulation was signed by representatives of the Consumer Advocate and UTSE as well as Citizens Telecommunications of Tennessee, Inc., BellSouth Telecommunications, Inc., and AT&T of the South Central States, Inc.

3. Citizens' Filing demonstrates that its overall current prices and revenues are less than the maximum prices allowed under Tenn. Code Ann. § 65-5-109 (2004), and Citizens has headroom from which future rate increases may be made.

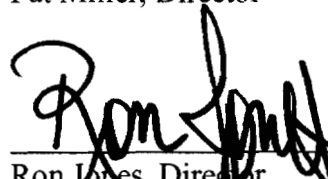
Based on these findings, the panel voted unanimously to approve Citizens' filing.

**IT IS THEREFORE ORDERED THAT:**

The 2007 Annual Price Regulation Filing of Citizens Telecommunications Company of Tennessee, LLC d/b/a Frontier Communications of Tennessee, LLC, for the period ending December 2005, is approved.

  
Sara Kyle, Chairman

 11-29-07  
Pat Miller, Director

  
Ron Jones, Director