

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

August 18, 2008

IN RE:

**CITIZENS TELECOMMUNICATIONS COMPANY OF
TENNESSEE, LLC D/B/A FRONTIER COMMUNICATIONS
OF TENNESSEE, LLC TARIFF FILING TO INCREASE
LOCAL SERVICE AND CUSTOM CALLING SERVICE
RATES**

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**DOCKET NO.
08-00097**

ORDER APPROVING TARIFF

This matter came before Chairman Tre Hargett, Director Sara Kyle and Director Mary W. Freeman of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on July 28, 2008 for consideration of Tariff 2008-0197 filed by Citizens Telecommunications Company of Tennessee, LLC d/b/a Frontier Communications of Tennessee, LLC (“Citizens” or “Company”) on June 6, 2008 and amended on July 9, 2008.

BACKGROUND

The Company’s June 6, 2008 filing sought to increase numerous custom calling feature rates and to increase monthly basic local exchange rates for business and residential service. The increases for custom calling features ranged from \$1.00 to \$2.99 per feature. The tariff also proposed to increase monthly local business rates from \$31.25 to \$33.25 and residential monthly rates from \$9.85 to \$11.85. At the June 23, 2008 Authority Conference, the Panel suspended the

tariff for sixty days in order to allow TRA Staff time to work with the Company and obtain necessary information.

On July 3, 2008, the Consumer Advocate and Protection Division of the Office of the Attorney General (“Consumer Advocate”) filed a *Petition to Intervene* in this docket. The Consumer Advocate stated that the tariff, as filed, appeared to exceed the annual inflation index limit permitted under Citizens’ price regulation plan but did not contain information necessary to determine whether the proposed rate increases exceeded allowable total revenues or statutory inflationary indexes. The Consumer Advocate stated further that additional investigation and discovery would be needed.

On July 9, 2008, Citizens filed a revised tariff in which the residential local rates would increase from \$9.85 to \$10.25 rather than \$11.85 as initially proposed. The revised tariff maintains the proposal to increase business rates from \$31.25 to \$33.25. The revised tariff would also increase rates for more optional features than originally proposed. Citizens requested an effective date of September 1, 2008 to allow sufficient time for the Company to provide the required thirty days notice to customers.

FINDINGS AND CONCLUSIONS

As a price-regulated telecommunications carrier, Citizens’ proposed increase to residential local rates is governed by Tenn. Code Ann. § 65-5-109(f) (2007 Supp.) which prevents price regulated companies from increasing residential basic local telephone rates by more than the rate of inflation in any one year.¹ Tenn. Code Ann. § 65-5-109(e) provides that

¹ Tenn. Code Ann. § 65-5-109(f) (2007 Supp.) states that: “At the expiration of the four-year price period, an incumbent local exchange telephone company is permitted to adjust annually its rates for basic local exchange services in accordance with the method set forth in subsection (e) provided that in no event shall the rate for residential basic local exchange telephone service be increased in any one (1) year by more than the percentage change in inflation for the United States using the gross domestic product-index (GDP-PI) from the preceding year as the measure of inflation.”

the proposed increases to both basic and non-basic services may not exceed the Company's maximum revenue headroom as determined in the latest price regulation filing.²

Citizens' original filing proposed to increase basic local residential rates over twenty percent, which is above the inflation rate of 4.2% approved by the Authority in Citizens' most recent price regulation filing.³ Additionally, Citizens failed to file any revenue information to indicate that its proposed revenue increases will not exceed the maximum revenue headroom. Citizens also failed to provide copies of any customer notification of the proposed rate increases.

Under Citizens' revised tariff filed on July 9, 2008, residential local rates would increase from \$9.85 to \$10.25 rather than \$11.85 as initially proposed. This represents an increase of \$.40 per month which is less than the inflation rate of 4.2%. The Company's revised filing would also increase rates for more optional features than originally proposed. The supporting information filed by the Company in the revised tariff indicates that the Company has sufficient revenue headroom for the increased rates in both basic and non-basic services.

In light of finding that the revised tariff meets the statutory criteria under Tenn. Code Ann. §§ 65-5-109(e) and (f), the panel unanimously voted to approve the revised tariff filing submitted by Citizens on July 9, 2008, to become effective September 1, 2008, as proposed by Citizens. The panel further voted to allow the Consumer Advocate to supplement its *Petition to Intervene* regarding the revised tariff within ten days and allow the Company to respond within ten days of the filing of the supplement to the Consumer Advocate's *Petition to Intervene*.

² Tenn. Code Ann. § 65-5-109(e) (2007 Supp.) states that “. . . [a]n incumbent local exchange telephone company may adjust its rates for basic local exchange telephone services or non-basic services only so long as its aggregate revenues generated by such changes do not exceed the aggregate revenues generated by the maximum rates permitted by the price regulation plan.”

³ *In re: Citizens Telecommunications Company of Tennessee, LLC d/b/a Frontier Communications of Tennessee, LLC 2007 Price Regulation Filing*, Docket No. 08-00011, *Order Approving Price Regulation Filing* (March 19, 2008).

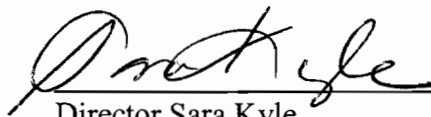
IT IS THEREFORE ORDERED:

1. Citizens Telecommunications Company of Tennessee, LLC d/b/a Frontier Communications of Tennessee, LLC's revised Tariff 2008-0197 filed on July 9, 2008 is approved to become effective September 1, 2008.

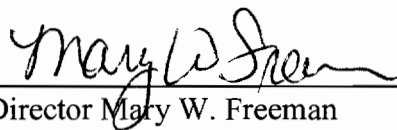
2. The Consumer Advocate and Protection Division of the Attorney General's Office is permitted to supplement its *Petition to Intervene* within ten days and the Company shall respond within ten days of the supplemental filing



Chairman Tre Hargett



Director Sara Kyle



Director Mary W. Freeman