Frontier Corporation

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BY OVERNIGHT MAIL

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 97-149

Dear Mr. Caton:

Enclosed for filing please find an original plus six (6) paper copies of the Direct Case of the Frontier Telephone Companies.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,

Michael J. Shortley, III

cc: Competitive Pricing Division (2 paper and electronic)

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
1997 Annual Access Tariff Filings	)	**CC Docket No. 97-149**
	)	

DIRECT CASE OF THE FRONTIER TELEPHONE COMPANIES

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August 29,1997

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Summary

1. The 1997/98 tariff year forecasts of end user common line demand and base factor portion revenue requirements of the Frontier Telephone Companies are reasonable and should not be disturbed.

2. The Commission's proposed R-factor adjustment to the removal of equal access amortization costs is inconsistent with prior Commission practice and would constitute retroactive ratemaking in any event.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
1997 Annual Access Tariff Filings	)	**CC Docket No. 97-149**
	)	

DIRECT CASE OF THE FRONTIER TELEPHONE COMPANIES

Introduction

Rochester Telephone Corp. and its Tier 2 affiliates that concur in its Tariff FCC No. 1 (collectively, "Rochester") and Frontier Communications of Minnesota, Inc. and Frontier Communications of Iowa, Inc. (collectively, "Frontier") (all of whom collectively are referred to herein as the "Frontier Telephone Companies") submit this Direct Case in response to the Commission's Designation Order initiating this proceeding.[1] In the Designation Order, the Commission designates for investigation the reasonableness of the price cap exchange carriers' end user common line demand and base factor portion ("BFP") revenue requirement forecasts for the 1997/98 tariff year and the treatment of the exogenous cost adjustments to account for the expiration of the equal access amortization.

The Designation Order requests an enormous amount of data and calculations -- much of which, in the view of the Frontier Telephone Companies,

[1] *1997 Annual Access Tariff Filings*, CC Dkt. 97-149, Order Designating Issues for Investigation, Memorandum Opinion and Order on Reconsideration, DA 97-1609 (Com. Car. Bur. July 28, 1997) ("Designation Order").

is of questionable relevance to the issues designated for investigation. The Frontier Telephone Companies, for example, are at a loss to understand how *post hoc* judgments of the accuracy of forecasts made over six years ago have any relevance to the accuracy of their end user common line demand and BFP revenue requirement forecasts for the 1997/98 tariff year. This is particularly true where, at least in the case of the Frontier Telephone Companies, their prior tariff year forecasts were never challenged and where they provided a reasoned explanation for the forecasts submitted this year.[2]

Organization of the Data

The Frontier Telephone Companies, as permitted by the Designation Order, submit the requested data at the tariff filing entity level.[3] Attachment A consists of a brief narrative description and associated worksheets for Rochester and Attachment B consists of a brief narrative description and associated worksheets for Frontier.

In certain cases, the data requested in the Designation Order is simply not available. In particular, historical revenue requirement data for 1991 and 1992

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2 *See Rochester Telephone Corp., 1997 Price Cap Revisions,* Reply to Oppositions at 1-4 (April 29, 1997).

In this year's annual access tariff filing cycle, AT&T and MCI challenged the forecasts submitted on behalf of Rochester Telephone Corp. *1997 Annual Access Tariff Filings*, MCI Petition To Reject in Part or, in the Alternative, To Suspend and Investigate (June 23, 1997); *id.*, Petition of AT&T Corp. on Price Cap LEC Tariff Filings (June 23, 1997). Despite the fact that the forecasts of the other Frontier Telephone Companies were not challenged, the Designation Order sweeps their filings within its ambit. The Frontier Telephone Companies are mystified by this treatment.

3 *See* Designation Order, ¶¶ 18, 33. As does the Commission (*id.*, ¶ 1 n.2), this Direct Case treats Rochester and Frontier as separate companies.

for the Tier 2 companies no longer exists and, therefore, cannot be supplied. In these circumstances, where actual data is available, it is supplied. Nonetheless, the lack of availability of 1991 and 1992 data, combined with the Commission's forecasting methodology -- which relies upon percentage change of growth comparisons -- means that Rochester is only able to supply four data points for the times series, rather than the requested six. Despite this lack of availability of certain data, Rochester believes that the results that it presents remain statistically valid.

The information that the Commission requests may be found in the Attachments. However, because the core issues that the Commission has designated for investigation are narrow and only a fraction of the requested data is relevant to those issues, this Direct Case briefly comments on those issues on the basis of relevant, supporting data.

Argument

I. THE FRONTIER TELEPHONE COMPANIES ACCURATELY PROJECTED THEIR 1997/98 TARIFF YEAR END USER DEMAND AND BASE FACTOR PORTION REVENUE REQUIREMENTS.

The core issue designated for investigation is the reasonableness of the end user common line demand and BFP revenue requirement forecasts for the 1997/98 tariff year. Projections are, obviously, predictive in nature. A variety of events may intervene that affect projections. Such deviations do not mean that the projections, when made, were unrealistic or unreliable. It simply means that events did not pan out completely as projected.[4] Accordingly, the fact that a projection, in retrospect, was understated or overstated does not mean that the projection was wrong or that the resulting rates were unjust or unreasonable -- the basic legal standard governing a tariff investigation.[5]

Nonetheless, if the Commission wishes to rely upon history to judge the reasonableness of the Frontier Telephone Companies' projections for the 1997/98 tariff year, that history demonstrates the Frontier Telephone Companies' proven track record.

<u>Rochester</u>

The trend results for its 1997/98 end user demand forecast fall within the Commission's acceptable margin of error.[6] Moreover, its historical batting average for actual-versus-projected end user demand -- when judged against any acceptable standard of reasonable -- is quite good, ranging from a -1.39% to a +0.19%, projected versus actual tariff year.[7]

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4 The Commission's concern about reliance on projections merely underscores the need for the Commission to utilize historical data, rather than projections, in the annual access tariff filing cycle for computing BFP revenue requirements, as it does with virtually every other aspect of its price cap rules.

5 *See* 47 U.S.C. § 204.

6 Att. A, Ex. 15, line 18.

The Commission's methodology for defining a significant change -- "if the projected *percentage* change is greater or less than 10% of the *percentage* actually realized" (Designation Order, ¶ 17 (emphasis added)) -- is patently unreasonable. What matters is the end result, *i.e.*, how the actual line counts or revenue requirements compared to the corresponding projections. In terms of the accuracy of forecasts of common line rates, year-over-year percentage changes in growth are meaningless.

7 Att. A, Ex. 14 (2 of 2), lines 31-36.

Similarly, historical results for its BFP revenue requirement forecasts fall within any meaningful measure of accuracy -- ranging from -2.98% to +2.02%,[8] and, measured against the Commission's benchmark, pass muster for the 1996/97 tariff year.[9]

Frontier

Frontier's access line projections-versus-actuals were within the significant upper and lower limits in four of the six tariff years, were over one year and under one year.[10] Frontier's actual versus projected BFP revenue requirement per line ranged from -5% to 6%, with no consistent patterns of under of over-forecasting.[11] Similarly, its BFP revenue requirement forecasts have fallen within an acceptable range of reasonableness and have no discernible trend of consistent underforecasting or overforecasting.

Based upon the historical trend and Frontier's forecasting methodology, its line forecasts for 1997/98 tariff year are accurate. The total forecasted line count of 164,750 is composed of 163,884 lines pre-payphone order forecast and adding 686 payphones. The 163,884 forecast was obtained by first taking into account growth between May 1996 and May 1997 (154,773 vs. 160,673). This 3.87% was applied to the May 1997 count to arrive at an additional 6,222 lines anticipated through May 1998, plus an additional 19 lines through the end of

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8 Att. A, Ex. 8 (2 of 3), lines 29-32.

9 *Id.*, line 48.

10 *See* Att. B, Ex. 9.

11 *See* Att. B, Ex. 10.

June 1998. The difference between the June 1998 year-to-date forecast -- 167,004 -- and May 1997 actuals -- 160,673 -- is 6,241. This number was divided in half and added to May 1997 actuals, resulting in a tariff year forecast of 163,884.

Frontier's access line count grew by 3% in the tariff years through 1995-1996, but increased to 4% in the 1996-97 tariff year. The 1997/98 forecast reflects the current trend, which is mainly caused by continued growth in multi-line business lines and residential customers' requests for second lines.

As a consequence, Frontier's projected BFP revenue requirement is reasonable. Frontier projects a slight increase in BFP revenue requirement, despite slight actual decreases over the last two years.[12] The slight increase projected -- 2.3% -- is fully consistent with Frontier's projected increase in common line demand.[13]

<u>Conclusion</u>

It is notable that this investigation originated with claims by AT&T and MCI that Rochester Telephone Corp. underforecast its BFP revenue requirement and, therefore, overstated its carrier common line charges.[14] Since this is a zero-sum game,[15] the Frontier Telephone Companies have no incentive to underforecast

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12 *See* Att. B, Ex. 5, lines 4, 9.

13 *See supra* at 5-6.

14 *See supra* at 2 n.2.

15 So long as the overall common line revenue requirement forecasts of the Frontier Telephone Companies are reasonable -- and there is no basis to conclude otherwise -- they will recover that revenue requirement either from end users or from carriers. Thus, if the Commission concludes that the Frontier Telephone Companies' carrier common lines are overstated, it must also logically conclude

their BFP revenue requirement. Moreover, the historical data demonstrates the falsity of these claims. On a per line basis for the last two tariff years, Rochester and Frontier actually overforecast their BFP revenue requirement.[16] Had the Frontier Telephone Companies possessed perfect foresight, AT&T and MCI would have actually paid more in carrier common line charges than they actually did. That the Commission would commence an investigation of this magnitude on this basis is, frankly, hard to comprehend.

Based upon the historical data -- together with the justifications provided by the Frontier Telephone Companies for their 1997/98 tariff year BFP projections -- there is no basis for the Commission to upset those projections.

II. THE COMMISSION MAY NOT UTILIZE ITS PROPOSED R-FACTOR ADJUSTMENT.

The Commission tentatively concludes that it should require the price cap exchange carriers to make an R-factor adjustment in connection with the exogenous cost removal of equal access amortization costs from the price cap indices.[17] Whatever the merits of the proposed adjustment, the simple fact remains that the Commission may not require the adjustment in connection with the 1997 annual access tariff filings. Neither the Commission's rules nor relevant Commission orders required such an adjustment. Indeed, the only circumstance

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that their end user common line rates are understated by a precisely offsetting amount.

16 *See* Att. A, Ex. 8 (2 of 2), lines 31-32; Att. B, Ex. 10, lines 3, 8.

17 Designation Order, ¶ 41.

in which the Commission requires such an adjustment is in connection with the removal of sharing.[18]

The Commission has at least implicitly recognized that it could not require such an adjustment in other contexts. In connection with the 1995 Annual Access Tariff Filings, the Commission refused to require application of the R-factor adjustment advocated by AT&T and MCI to the reversal costs associated with Other-Post-Employment-Benefits ("OPEBs"). There, the Commission held that:

> Since the Commission did not specifically require the LECs to follow the approach advocated by AT&T and MCI, we will not require the LECs to "true-up" the removal of OPEB accounts in their 1995 annual access tariff filings at this time....We therefore conclude that AT&T and MCI have failed to make a compelling argument that the LECs' procedures for removing OPEB costs are patently unlawful or that they warrant investigation at this time.[19]

Indeed, although the Commission expressly reserved the right to require R-factor adjustments in the future,[20] it did not do so in either the Access Charge Reform[21] or Price Cap Reform[22] orders.

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18 *See Commission Requirements for Cost Support Material To Be Filed with 1997 Annual Access Tariffs,* 8 FCC Rcd. 1936, 1939 n.30 (Com. Car. Bur. 1993); *Commission Requirements for Cost Support Material To Be Filed with 1994 Annual Access Tariffs and for Other Cost Support Material*, 9 FCC Rcd. 1060, 1063 n.29 (Com. Car. Bur. 1994).

19 *1995 Annual Access Tariff Filings*, DA 95-1631, Memorandum Opinion and Order, 11 FCC Rcd. 5461, 5471-72, ¶ 15 (Com. Car. Bur. 1995).

20 *Id.*

21 *Access Charge Reform*, CC Dkt. 96-262, First Report and Order, FCC 97-158 (May 16, 1997).

Not only should the Commission follow its past practice here,[23] the Commission is legally compelled to do so. If the Commission wishes to require the use of the R-factor adjustment, it may do so only prospectively and only after conducting a properly noticed rulemaking proceeding. As the Supreme Court has held:

> Congressional enactments and administrative rules will not be construed to have retroactive effect unless their language requires this result....By the same principle, a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms....Even where some substantial justification for retroactive rulemaking is presented, courts should be reluctant to find such authority absent an express statutory grant.[24]

Thus, while the Commission may examine the reasonableness of carriers' rates in light of currently-existing rules, it may not alter those rules so as to impose new duties and new obligations with respect to past transactions.[25] That is the essence of retroactive ratemaking -- a practice in which the Commission in not empowered to engage.

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22 *Price Cap Performance Review for Local Exchange Carriers*, CC Dkt. 94-1, Second Report and Order in CC Docket No. 94-1 and Fourth Report and Order in CC Docket No. 96-262, FCC 97-159 (May 17, 1997).

23 The removal of equal access costs and the removal of OPEB costs are conceptually identical. Both involve the removal of previously-incurred costs and neither involve sharing.

24 *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 208-09 (1988) (internal citations omitted). See also *Bell Atlantic Tel. Cos. v. FCC*, 79 F.3d 1195, 1205 (D.C. Cir. 1996) (rulemaking permissible where charges affect future rates only and were not intended to reclaim revenues carriers had earned in previous years.

25 *See Landsgraf v. USI Film Prodcuts*, 114 S. Ct. 1483, 1487 (1994).

Conclusion

For the foregoing reasons the Commission should confirm the correctness of the Frontier Telephone Companies' 1997 annual access tariff filings and close this investigation.

Respectfully submitted,

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August 29,1997

ATTACHMENT A

Explanation of Adjusted Revenue Requirement Series

The Designation Order (at ¶21-22) asks for two series of adjusted BFP revenue requirements ("RRQ"). The first series is to be adjusted for GSF, SPF and DEM, and revision of OB&C expenses to reflect a 5% allocation to Common Line, to the extent that this was not done historically. The second series is to include the changes in the first series and all other identified ruled changes affecting BFP RRQ, specificallly including changes to treatment of Account 4310 for rate base purposes.

Rochester is providing only one series because the two series are identical for Rochester and its affiliated Tier 2 carriers. Specifically, Rochester adjusts its 1993 RRQ for GSF and adjusts its 1992 and 1991 RRQ's for GSF and changes to SPF and DEM. No adjustment is made for OB&C expenses because Rochester and its affiliates consistently allocated 5% of OB&C expenses to Common Line for the historical period under consideration. Rochester has examined the effect of the rule changes associated with Account 4310 and found that there is no historical impact to the relevant years due to the fact that Rochester and its affiliates had a zero balance in Account 4310 during the periods that would be affected by this adjustment. Rochester has not identified any other rule change occurring prior to December 31, 1996 that would affect the BFP RRQ.

Explanation of variance between actual and projected BFP Revenue

91/92: Actuals not available for RTO for 91 or 92.

92/93: Actuals not available for RTO for 92.

93/94: Increase from projected of about 1% ($435K) due to larger than expected General Support expenses as the company expanded its computer operations.

94/95: Increase from projections of about 3% ($1234K) due to higher than expected General Support expenses associated with cost overruns related to computer projects.

95/96: Decrease from projections of about 2% ($877K) due to cost savings not in keeping with historical cost growth used to make projections, i.e. the computer expenses were brought under control.

96/97: Decrease from projections of less than half a percent ($165K) due to costs growth being close to the historical growth used to project costs.

Explanation of projection methods used for BFP RRQ

Rochester started from the latest available estimate of base period BFP Revenue Requirement available at the time that projections had to be made. This revenue requirement was adjusted for the effect of the change in rules regarding payphones that became effective April 14, 1997. The resulting revenue requirement, expressed at the individual company level, was grown by the same percentage used for growth in End User Common Line demand. The practice of assuming the same growth rate for BFP revenue requirement as for End User Common Line demand ensures that the resulting End User Common Line rates are reasonably consistent with real, historical data.

Rochester used the same methodology (absent the payphone adjustment) in its 1995 and 1996 annual access tariff filings.

Identified Reasons for Differences between Actual and Projected Subscriber Line Charge Demand Quantities

1991/1992: Marketing forecasts were used to project access lines. The forecasts were overly optimistic for business lines and overly conservative for residential lines. This resulted in an overforecast of multi-line business and total access lines, while residential and single line business lines were slightly underforecast. Because data for the 1990 base period is not available, the FCC reasonableness check cannot be computed. However, a comparison of projected to actual total lines give a percentage difference less (in absolute value) than 1996/1997, which fell within the FCC defined band of reasonableness.

1992/1993: Marketing forecasts were used to project access lines. The forecasts were overly optimistic for business lines and overly conservative for residential lines. This resulted in an overforecast of multi-line business lines and an underforecast of residential and single line business lines. The net effect was an underforecast of total access lines.

1994/1995: Marketing forecasts were used to project access lines. The forecasts were overly conservative for business and very accurate for residential lines. This resulted in multi-line business and total lines being underforecast.

1995/1996: Lines were not forecast by category. Total lines were forecast by using a growth rate derived from December 1995 compared to December 1994, applied to a base of billable lines for calendar 1995 at the company level. This resulted in a forecast within the FCC defined band of reasonableness.

1996/1997: Lines were not forecast by category. Total lines were forecast by using a growth rate derived from December 1996 compared to December 1995, applied to a base of billable lines for calendar 1996 at the company level. This resulted in a forecast within the FCC defined band of reasonableness.

Projection Methodology Used for the 1997-1997 Subscriber Line Charge Demand

Lines were not forecast by category. Total lines were forecast by using a growth rate derived from December 1996 compared to December 1995, applied to a base of billable lines for calendar 1996 at the company level. The base period demand used as a base was adjusted for changes in FCC rules regarding how Subscriber Line Charges will be billed in the 1997-1998 tariff period. This resulted in the addition of 6,395 public payphone lines and the subtraction of 395 lines representing the difference between billing PRI ISDN 23 multi-line business SLCs (the historical practice) and billing PRI ISDN a rate equivalent to 5 multi-line business SLCs (effective 7/1/97). An average of 988 semi-public lines in 1996 would have changed from being billed the single line business rate to being billed the multi-line business rate. This number has no impact on total forecasted lines, no impact on the computed SLC rates, and would appear to be irrelevant to this proceeding. Rochester is reporting the number of semi-public lines converting from single line business to multi-line business rates only because the Commission requires that this quantity be identified.[1]

Rochester believes that the projection methodology used for the 1997/1998 tariff year, which is consistent with that used for the 1995/1996 and 1996/1997 tariff years, is reasonable. This is borne out by the analysis shown on Exhibit 15, which shows that the filed growth rate is within 10% of the growth rate generated by the FCC-required regression of natural logarithms of lines from 1991 to 1996.

[1] Designation Order at ¶33.

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Estimated BFP Revenue Requirement for 1st Half of 1997

Exhibit 1

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	preliminary separations est.	14,737
2	Total Other Taxes	preliminary separations est.	1,367
3	Net Federal Income Tax	Line 22	2,472
4	Average Net Investment	preliminary separations est.	76,348
5	Rate of Return	Authorized RoR / 2	5.625%
6	Return on Investment	Line 4 * Line 5	4,295
7	Uncollectible Revenue	preliminary separations est.	157
8	Miscellaneous Revenue	preliminary separations est.	0
9	Other Operating Income/Loss	preliminary separations est.	0
10	Total Non-Operating Items	preliminary separations est.	(103)
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	22,925
	Federal Income Tax Items:		
12	Return on Investment	Line 6	4,295
13	Fixed Charges	preliminary separations est.	274
14	IRS Income Adjustments	preliminary separations est.	791
15	FCC Taxable Income Adjustments	preliminary separations est.	0
16	ITC Amortization	preliminary separations est.	77
17	FCC ITC Adjustment	preliminary separations est.	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	4,734
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	2,549
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	2,472

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Actual BFP Revenue Requirement for 1996

Exhibit 2

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	ARMIS and records	27,561
2	Total Other Taxes	ARMIS and records	3,020
3	Net Federal Income Tax	Line 22	4,938
4	Average Net Investment	ARMIS and records	75,608
5	Rate of Return	Authorized RoR	11.25%
6	Return on Investment	Line 4 * Line 5	8,506
7	Uncollectible Revenue	ARMIS and records	222
8	Miscellaneous Revenue	ARMIS and records	0
9	Other Operating Income/Loss	ARMIS and records	0
10	Total Non-Operating Items	ARMIS and records	(17)
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	44,230
	Federal Income Tax Items:		
12	Return on Investment	Line 6	8,506
13	Fixed Charges	ARMIS and records	737
14	IRS Income Adjustments	ARMIS and records	1,865
15	FCC Taxable Income Adjustments	ARMIS and records	0
16	ITC Amortization	ARMIS and records	162
17	FCC ITC Adjustment	ARMIS and records	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	9,472
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	5,100
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	4,938

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Actual BFP Revenue Requirement for 1995

Exhibit 3

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	ARMIS and records	25,648
2	Total Other Taxes	ARMIS and records	3,307
3	Net Federal Income Tax	Line 22	4,887
4	Average Net Investment	ARMIS and records	74,128
5	Rate of Return	Authorized RoR	11.25%
6	Return on Investment	Line 4 * Line 5	8,339
7	Uncollectible Revenue	ARMIS and records	130
8	Miscellaneous Revenue	ARMIS and records	0
9	Other Operating Income/Loss	ARMIS and records	0
10	Total Non-Operating Items	ARMIS and records	171
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	42,483
	Federal Income Tax Items:		
12	Return on Investment	Line 6	8,339
13	Fixed Charges	ARMIS and records	926
14	IRS Income Adjustments	ARMIS and records	2,149
15	FCC Taxable Income Adjustments	ARMIS and records	0
16	ITC Amortization	ARMIS and records	170
17	FCC ITC Adjustment	ARMIS and records	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	9,392
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	5,057
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	4,887

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Actual BFP Revenue Requirement for 1994

Exhibit 4

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	ARMIS and records	24,653
2	Total Other Taxes	ARMIS and records	3,339
3	Net Federal Income Tax	Line 22	4,393
4	Average Net Investment	ARMIS and records	77,555
5	Rate of Return	Authorized RoR	11.25%
6	Return on Investment	Line 4 * Line 5	8,725
7	Uncollectible Revenue	ARMIS and records	155
8	Miscellaneous Revenue	ARMIS and records	0
9	Other Operating Income/Loss	ARMIS and records	0
10	Total Non-Operating Items	ARMIS and records	141
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	41,406
	Federal Income Tax Items:		
12	Return on Investment	Line 6	8,725
13	Fixed Charges	ARMIS and records	2,206
14	IRS Income Adjustments	ARMIS and records	2,256
15	FCC Taxable Income Adjustments	ARMIS and records	0
16	ITC Amortization	ARMIS and records	216
17	FCC ITC Adjustment	ARMIS and records	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	8,559
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	4,609
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	4,393

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Actual BFP Revenue Requirement for 1993

Exhibit 5

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	ARMIS and records	23,736
2	Total Other Taxes	ARMIS and records	3,858
3	Net Federal Income Tax	Line 22	3,986
4	Average Net Investment	ARMIS and records	79,957
5	Rate of Return	Authorized RoR	11.25%
6	Return on Investment	Line 4 * Line 5	8,995
7	Uncollectible Revenue	ARMIS and records	179
8	Miscellaneous Revenue	ARMIS and records	0
9	Other Operating Income/Loss	ARMIS and records	0
10	Total Non-Operating Items	ARMIS and records	184
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	40,938
	Federal Income Tax Items:		
12	Return on Investment	Line 6	8,995
13	Fixed Charges	ARMIS and records	2,836
14	IRS Income Adjustments	ARMIS and records	1,855
15	FCC Taxable Income Adjustments	ARMIS and records	0
16	ITC Amortization	ARMIS and records	214
17	FCC ITC Adjustment	ARMIS and records	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	7,800
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	4,200
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	3,986

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Actual BFP Revenue Requirement for 1992: Rochester study area only

Exhibit 6

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	ARMIS and records	13,482
2	Total Other Taxes	ARMIS and records	2,281
3	Net Federal Income Tax	Line 22	2,246
4	Average Net Investment	ARMIS and records	44,990
5	Rate of Return	Authorized RoR	11.25%
6	Return on Investment	Line 4 * Line 5	5,061
7	Uncollectible Revenue	ARMIS and records	61
8	Miscellaneous Revenue	ARMIS and records	0
9	Other Operating Income/Loss	ARMIS and records	0
10	Total Non-Operating Items	ARMIS and records	55
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	23,186
	Federal Income Tax Items:		
12	Return on Investment	Line 6	5,061
13	Fixed Charges	ARMIS and records	1,625
14	IRS Income Adjustments	ARMIS and records	1,071
15	FCC Taxable Income Adjustments	ARMIS and records	0
16	ITC Amortization	ARMIS and records	118
17	FCC ITC Adjustment	ARMIS and records	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	4,389
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	2,364
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	2,246

Rochester Telephone Corp.
Direct Case in CC Docket 97-149
Actual BFP Revenue Requirement for 1991: Rochester study area only

Exhibit 7

Line	Description	Source / Comments	Quantity ($000's)
	Revenue Requirement Items:		
1	Total Operating Expenses	ARMIS and records	11,554
2	Total Other Taxes	ARMIS and records	2,323
3	Net Federal Income Tax	Line 22	2,257
4	Average Net Investment	ARMIS and records	45,410
5	Rate of Return	Authorized RoR	11.25%
6	Return on Investment	Line 4 * Line 5	5,109
7	Uncollectible Revenue	ARMIS and records	35
8	Miscellaneous Revenue	ARMIS and records	0
9	Other Operating Income/Loss	ARMIS and records	0
10	Total Non-Operating Items	ARMIS and records	53
11	BFP Revenue Requirement	Lines 1,2,3,6,7,10 - Lines 8,9	21,331
	Federal Income Tax Items:		
12	Return on Investment	Line 6	5,109
13	Fixed Charges	ARMIS and records	1,612
14	IRS Income Adjustments	ARMIS and records	1,093
15	FCC Taxable Income Adjustments	ARMIS and records	0
16	ITC Amortization	ARMIS and records	139
17	FCC ITC Adjustment	ARMIS and records	0
18	Basis for Federal Income Tax	Lns 12,14,15 - Lns 13,16,17	4,451
19	Statutory Federal Tax Rate	App. B of Designation Order	35.00%
20	Gross-Up Tax Rate	Line 19 / (1 - Line 19)	53.85%
21	Gross Federal Income Tax	Line 18 * Line 20	2,396
22	Net Federal Income Tax	Line 21 - Line 16- Line 17	2,257