



Consolidated[®]
communications

DESCRIPTION AND JUSTIFICATION

CONSOLIDATED COMMUNICATIONS COMPANIES

ELIGIBLE RECOVERY CALCULATION FOR RATE OF RETURN
COMPANIES

(Consolidated Communications Company of Pennsylvania)

Letter Filing

December 20, 2012

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SECTION 1 INTRODUCTION AND SUMMARY

Introduction

Consolidated Communications Companies, hereby provides a Description and Justification for its calculation of eligible recovery for Consolidated Communications of Pennsylvania Company. This information is being filed in accordance with the Commission's order on the Joint Petition of Price Cap Holding Companies for conversion of Average Schedule affiliates to Price Cap Regulation and for limited Waiver Relief (FCC 12-154, WC Docket No. 12-63)¹ and fulfills the requirements established for the Rate of Return transitional period of July 3, 2012 to December 31, 2012. This filing is a subsequent filing to CCPA's July 17, 2012 filing which was related to the application for Special Permission (12-027) to withdraw from the NECA pools. The withdrawal required the company to cease participating in NECA Tariff FCC No. 5 effective August 1 and file their own new access tariff, operating temporarily under the provisions of §61.39.

Description of the Consolidated Communications of Pennsylvania Company Operations

The Consolidated Communications of Pennsylvania Company (CCPA) was an Average Schedule Company through July 2012, participating in the NECA Traffic Sensitive and Common Line Pools. It provides local service, toll, private line services, access services, DSL, CLASS services, and other modern telecommunications services to its customers.

CCPA is an incumbent Local Exchange Carrier (ILEC) that serves several suburban communities north of Pittsburgh, PA. In 1906, several of the leading citizens of the community of Gibsonia and the vicinity met to discuss plans for obtaining telephone service. After discussing the matter with the Central District Printing and Telegraph Company, Pittsburgh, Pennsylvania (later Bell of Pennsylvania), certain officials of that Company suggested that those interested in telephone service North of Pittsburgh should organize a local company which could be connected to the Telephone Company by trunk lines. On November 1, 1906 a perpetual charter was secured in the name of North Pittsburgh Telephone Company operating under the laws of the Commonwealth of Pennsylvania.

Within a period of two years from the inception of telephone service the company installed 258 telephones or certificates by bequest. On December 4, 1909 a new building was ready for occupancy. A new Western Electric switchboard was installed and the new exchange named "Gibsonia." The Wexford exchange was installed on July 1, 1910, and Curtisville during World War I, to serve the coal industry. Telephone lines were then extended north from Warrendale and west from Mars into Cranberry Township.

In the mid 1980s, North Pittsburgh formed a holding company and became part of North Pittsburgh Systems, Inc. (NPSI). NPSI is a holding company and through its subsidiaries,

¹ See, Order, Joint Petition of Price Cap Holding Companies for conversion of Average Schedule affiliates to Price Cap Regulation and for limited Waiver Relief (FCC 12-154, WC Docket No. 12-63)

provided telecommunication services and equipment in western Pennsylvania and Pittsburgh. Its subsidiaries primarily included North Pittsburgh Telephone Company (NASDAQ: [NPSI](#)); Penn Telecom, Inc.; and Pinnatech, Inc.

North Pittsburgh Telephone operated as an incumbent local exchange carrier (ILEC) that provided various services to business and residential telephone lines in southwestern Pennsylvania (northern Allegheny & southern Butler counties, and a small portion of Westmoreland county).

It also provided digital subscriber line (DSL) services. Penn Telecom, through its optical fiber cable network, offered broadband services, competitive local exchange carrier (CLEC) services and long distance services, as well as provided traditional key and private branch exchange (PBX) systems to business customers. Pinnatech principally provided Internet and broadband-related services primarily through their Naticom brand. North Pittsburgh Systems provided directory advertising and billing, as well as sells telecommunications equipment.

North Pittsburgh Systems, Inc. (parent company) was sold to [Consolidated Communications](#) of Mattoon, Illinois in 2007, who also owns and operates telephone services in Illinois and Texas. The sale and acquisition was completed in January 2008.

CCPA currently provides services to residential and business customers in several counties in western Pennsylvania. The CCPA territory consists of eight exchanges and covers 285 square miles, serving portions of Allegheny, Armstrong, Butler and Westmorland Counties in western Pennsylvania. The 8 exchanges served include: Cooperstown, Criders Corners, Curtisville, Freeport, Gibsonia, Mars, Saxonburg, and Wexford. The southernmost point of the ILEC territory is 12 miles north of the city of Pittsburgh. CCPA provides basic telephone services in this territory, with 47,615 local access lines (averaging 171.9 lines per square mile) as of June 30, 2012. Approximately 48.4% of it's Pennsylvania local access lines in this territory serve residential customers and the remainder service business customers.

SECTION 2 OVERVIEW OF FILING PACKAGE

Tariff Support Material

This support material is submitted pursuant to Part 61.39 of the Federal Communications Commission (Commission) Rules and Regulations and structured similarly to the filings of CCPA affiliates 2012 annual filings per the Order issued in WCB/Pricing 12-07, July, 2012 Annual Access Charge Tariff Filings released March 28, 2012, and Tariff Review Plans issued in WCB/Pricing 12-08, Material to be Filed in Support of 2012 Annual Access Tariff Filings, released April 19, 2012.

In addition to the description and justification contained in this volume, the following information is submitted to provide specific support data at the proposed Eligible Recovery calculation of detail for the issuing carrier.

Description and Justification

Confidential Files:

Rate of Return ILEC ICC Data (Excel file ROR-ILEC-ICC-Data CCPA)

Access Reduction Spreadsheet (Excel file CCPAAR12.xls)

Recip Comp Spreadsheet (Excel file CCPARC12.xls)

ARC Spreadsheet (Excel file CCPAARC12.xls)

Tariff Rate Comparison (Excel file CCPATRC12.xls)

July 2012 Settlement Adjustment (Excel file July Settlement Adjustment – CCPA.xls)

SECTION 3

Rate of Return Eligible Recovery Calculation

In compliance with the Price Cap Conversion Order, Consolidated is filing the ROR ILEC ICC data model which includes worksheets supporting its Eligible Recovery for the period from July 3, 2012 through December 31, 2012. Spreadsheets included in the ROR ILEC ICC data model include the Eligible Recovery Summary, ROR ILEC Interstate Rates, ROR ILEC Intrastate Rates, and ROR ILEC Reciprocal Compensation.

Eligible Recovery Summary – Included in this worksheet is a rollup of other spreadsheet eligible recovery amounts and exogenous costs. Exogenous costs were assumed to be zero for this filing.

ROR ILEC Interstate Rates (CONFIDENTIAL) – This spreadsheet is used to calculate the TY 2012-2013 Interstate Expected Maximum Revenues. Consolidated used the rates and demand previously filed in Consolidated Communications Companies FCC Tariff No. 2, under transmittal No. 41, issued July 17, 2012 pursuant to Special Permission No. 12-027. Additionally, in accordance with the *Price Cap Conversion Order*, Consolidated has calculated an adjustment to the Interstate Eligible Recovery on its July realized revenues prior to exiting the NECA pool. Consolidated calculated the July NECA settlement Adjustment shown on row 12 of the ROR ILEC Interstate Rates Worksheet by multiplying the new FCC No. 2 rates effective August 1, 2012 to the July 2012 interstate demand and then applying the July NECA interstate switched access revenue settlement. The details of this calculation are included in a separate file labeled *July Settlement Adjustment – CCPA.xls*.

ROR ILEC Intrastate Rates (CONFIDENTIAL) – The ROR ILEC Intrastate rates spreadsheet identifies the rates that are required to be reduced pursuant to the Commission's rules and calculates the amount of the reductions. The ROR ILEC Intrastate Rates Spreadsheet establishes the baseline rates for both its intrastate and interstate components. To determine "billed" and "collected" revenue, Consolidated used the following review and analyses:

Billed Revenue

To determine the FY2011 revenue, Consolidated downloaded monthly billing details for the period of 10/1/2010 through 9/30/2011. Using the monthly reports, Consolidated performed several data filters to extrapolate demand and revenue by carrier, jurisdiction and rate element. Consolidated filtered out any prior period billing from these data exports. The filtered data was then copied into the fiscal year summary.

Collected Revenue

To determine the actual collected revenue as of March 31, 2012, Consolidated evaluated the Carrier Aging Report as of April 1, 2012. Using this report Consolidated was able to identify any carrier with unpaid balances of that date. From there, Consolidated reviewed the actual

carrier bills to determine to any unpaid balance that was specific to the fiscal year billed revenue for the intrastate jurisdiction. To achieve this result, a monthly CABS report was reviewed to determine what invoices, between the bill period October 2010 to September 2011, had an unpaid balance as of March 31, 2012. The CABS report is automatically generated by the billing system, and lists all the balances due by carrier and by invoice month. The report from the April 2012 billing was the source of the unpaid balance analysis. The report contains a column that has the original billed amount and another column that shows the current unpaid balance for that invoice, Using the two columns a percentage of revenues collected compared to revenues billed was calculated. Consolidated excluded all Late Payment Charges (LPC) in the analysis.

Consolidated then developed a percentage split between originating and terminating collected revenues based on relative intrastate terminating MOU demand divided by the total intrastate MOU demand (both originating and terminating) for the period. Making an assessment of “collected only” terminating revenues to collected intrastate terminating demand, Consolidated calculates the price out of intrastate terminating demand using both intrastate and interstate rates. A calculation is then made to determine the amount equal to 50% of the difference between the price out columns. Proposed intrastate terminating rates are then input. The spreadsheet template provides the methodology for calculating the rate reductions and identifies in detail the intrastate access rates that are required to be reduced consistent with the rules. The required rate reductions are taken to meet reduction obligations and the eligible recovery amount is determined. The proposed rates have been previously established based on state proceedings and are currently effective in the company’s intrastate access tariffs.

Reciprocal Compensation Spreadsheet (CONFIDENTIAL) – The Reciprocal Compensation spreadsheet demonstrates the calculations necessary to comply with Commission’s rules and calculates the eligible recovery for reciprocal compensation rate reductions. This is a new spreadsheet in the TRP created to comply with Commission’s rules.

ARC Spreadsheet (CONFIDENTIAL) – The ARC Spreadsheet demonstrates the calculations necessary to arrive at an ARC rate for filing carriers. This is a new spreadsheet in the TRP created to comply with Commission’s rules. No ARC rate changes resulted from the recalculation of Eligible recovery from the prior filing.

Tariff Rate Comparison (CONFIDENTIAL) – The Tariff Rate Comparison sheet is created to show the implementation of ARC rates in exchanges in relation to the FCC revenue benchmark restrictions if the ICC Transformation Order.