



DESCRIPTION AND JUSTIFICATION

CONSOLIDATED COMMUNICATIONS COMPANIES

CONSISTING OF

CONSOLIDATED COMMUNICATIONS OF TEXAS COMPANY  
(CCTX) d/b/a CONSOLIDATED COMMUNICATIONS

AND

CONSOLIDATED COMMUNICATIONS OF FORT BEND COMPANY  
(CCFB) d/b/a CONSOLIDATED COMMUNICATIONS

INTERSTATE ACCESS SERVICES

CONSOLIDATED COMMUNICATIONS COMPANIES  
TARIFF FCC No. 1

ANNUAL 2013 PRICE CAP SHORT FORM FILING

May 17, 2013

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## **SECTION 1 INTRODUCTION AND SUMMARY**

### **Introduction**

The Consolidated Communications Companies, consisting of Consolidated Communications of Texas Company d/b/a Consolidated Communications and Consolidated Communications of Fort Bend Company d/b/a Consolidated Communications, hereby provide a Description and Justification for its limited Tariff Review Plan revisions to F.C.C. Tariff No. 1 along with supporting documentation. This information is being filed in accordance with the Commission's 2013 TRP Notice released March 26, 2013 and April 19, 2013 (DA 13-553 and DA 13-789 respectively) and fulfills the requirements established in Sections 61.41 through 61.49 of the Commission rules.

### **Description of the Consolidated Communications Companies Operations**

The Consolidated Communications Companies (CCC) consists of two separate legal entities: Consolidated Communications of Texas Company (CCTX) d/b/a Consolidated Communications and Consolidated Communications of Fort Bend Company (CCFB) d/b/a Consolidated Communications. Both of these entities are now price cap companies pursuant to FCC Order DA 08-1026<sup>1</sup> that fall under Sections 61.41 through 61.49 of the Commission's Rules and relevant Commission Orders.<sup>2</sup> They provide local service, toll, private line services, access services, DSL, CLASS services, and other modern telecommunications services to their customers.

CCTX originated with three separate telephone companies that merged over the years. Lufkin Telephone Exchange officially began business in 1898 and was incorporated in the state of Texas in 1910. Conroe Communications Company began providing service in the Conroe area in 1899 and was purchased by the owners of Lufkin Telephone Exchange and incorporated as the Conroe Telephone Company in 1929. The Alto Telephone Company was purchased in 1963. Ownership of the 3 entities was consolidated in 1969 to form Lufkin-Conroe Communications Company. In 1997, Lufkin-Conroe Communications Company and its subsidiaries were purchased by Texas Utilities Company and became TXU Communications Telephone Company. In April 2004, Consolidated Communications, Inc. purchased the company, changing the name to Consolidated Communications of Texas Company (CCTX).

CCTX is a rural East Texas telecommunications carrier providing service to approximately 85,000 customers in two distinct market areas: Conroe and Lufkin. The 16 communities served include: Alto, Apple Springs, Central, Conroe, Cut-N-Shoot,

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<sup>1</sup> See, Order, Consolidated communications Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief, DA 08-1026.

<sup>2</sup> See, Order, July 2013 Annual Access Charge Tariff Filings, released March 26, 2013, DA 13-553 ("2013 Filing Order"); and Tariff Review Plans, Material to be filed in support of 2013 Annual filings, DA 13-789, released April 19, 2013 ("2013 TRP Order").

Diboll, Etoile, Fuller Springs, Grangerland, Hudson, Lake Conroe, Lufkin, Montgomery, Riverbrook, Walden, and Wells. The 7 exchanges of the Conroe market area contain approximately 53,000 customers, primarily in Montgomery County.

The Lufkin market area serves 9 exchanges and 32,000 access lines in a separate area 85 miles north of the Conroe area, centered on the city of Lufkin. The area economy is supported primarily through manufacturing of paper and metal products, retail sales, service companies, government entities, and farming.

CCFB began business in 1898 as Fort Bend Telephone Company and was incorporated in Texas in 1910. In May 2000, Fort Bend Telephone Company and its affiliates were purchased by Texas Utilities Company and became Fort Bend Telephone Company d/b/a TXU Communications. In April 2004, TXU Communications, including Fort Bend Telephone Company, was purchased by Consolidated Communications, Inc., which changed the name to Consolidated Communications of Fort Bend Company (CCFB).

CCFB is also a rural carrier with approximately 32,000 access lines in 5 East Texas exchanges: Beasley, Brookshire, Damon, Katy, and Needville. CCFB possesses the same rural characteristics as CCTX, providing service in Brazoria, Harris, Fort Bend and Waller counties.

## **SECTION 2 OVERVIEW OF FILING PACKAGE**

### **Tariff Support Material**

This support material is submitted pursuant to Part 61.49 of the Federal Communications Commission (Commission) Rules and Regulations and the Order issued in WC Docket No. 13-76, July, 2013 Annual Access Charge Tariff Filings released March 26, 2013, and Tariff Review Plans issued in WC Docket No. 13-76, Material to be Filed in Support of 2013 Annual Access Tariff Filings, released April 19, 2013.

In addition to the description and justification contained in this volume, the following information is submitted to provide specific support data at the proposed tariff level of detail for the Consolidated local operating companies.

#### ***Description and Justification***

Exhibit 1 – Consolidation Local Operating Companies and Study Area  
Designators

Exhibit 2 – Exogenous Cost Changes

***Tariff Review Plan (Excel files CCTXas13.xls and CCFBas13.xls)***

## SECTION 3 TARIFF SUPPORT

### Determination of Exogenous Changes

In Accordance with the Commission's Rules, Consolidated developed certain exogenous changes for inclusion in the price cap formula. These changes include: (1) North American Number Plan Administration; (2) Regulatory Fees; and (3) Telecommunications Relay Service Fees.

Exogenous cost changes were individually developed for each of the items outlined above, and in the aggregate for all changes. Consolidated used base year 2011 (time of its last tariff filing) to estimate exogenous costs embedded in rates. Consolidated has also normalized the exogenous amounts to reflect any shift in revenue growth. The result is that no exogenous adjustment is made if the support rate has not changed. In other words the rate per line remains unchanged if the factor is unchanged. A brief description of each change follows and a summary of the exogenous changes is shown in Exhibit 2, RDEV-1.

#### North American Numbering Plan Administration

On June 27, 2001, the Federal Communications Commission release an order approving the compensation plan for the North American Numbering Plan Administration (NANPA) for fiscal year 2001.<sup>3</sup> The Commission reviewed and accepted the North American Numbering Plan Administrator submission and ordered that a contribution factor of 0.0000254<sup>4</sup>. This factor is used as an estimate for application to end user revenues of each telecommunications carrier in the United States to fund the program for the 2013 fiscal year (July 2013 to June 2014). The impact of the NANPA support has been included as an exogenous cost in this filing as shown in Exhibit 2, RDEV-1.. No updated factor has been used for this filing.

#### Regulatory Fees

Earlier Commission decisions<sup>5</sup> allow local exchange companies to reflect the impact of regulatory fees as an exogenous cost in annual price cap filings. The impact of regulatory fee changes for the July 2012 – June 2013 fiscal year was calculated using a factor of

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<sup>3</sup> *In the Matter of Administration of the North American Number Plan*, CC Docket No. 92-237 and *North American Number Plan Cost Recovery Contribution Factor and Fund Size*, NDS File No. L-00-72, Order (DA 01-1524), released June 7, 2001 (NANP Order)

<sup>4</sup> *In the Matter of Administration of the North American Numbering Plan*, Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution Factor for July 2012 through June 2013 (filed May 21, 2012) Public Notice, DA 12-799, CC Docket No. 92-237.

<sup>5</sup> *Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act*, 9 FCC 6060 (1994), erratum (November 2, 1994).

.00375 as prescribed in the Commission's *Regulatory Fee Order*,<sup>6</sup> and has been used as an estimate and included as an exogenous cost in this filing and is shown in Exhibit 2, RDEV-1.

#### Telecommunications Relay Service

The Americans with Disabilities Act (ADA) required that all common carriers providing interstate voice telecommunications provide Telecommunications Relay Service (TRS) to customers effective July 26, 1993. In its *Third Report and Order* in CC Docket No. 90-571,<sup>7</sup> the Commission required that all common carriers providing interstate telecommunications services contribute to an interstate shared fund to support the TRS function. The impact of the TRS exogenous cost for this filing is calculated using the .00233 as estimated in the May 1, 2013 FCC submission by Rolka Loube Saltzer Assoc. (RLSA)<sup>8</sup> and is displayed on Exhibit 2 , RDEV-1.

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<sup>6</sup> *In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2012*, Notice of Proposed Rulemaking, (filed July 19, 2012) FCC Order 12-76, MD Docket 12-116 (*Regulatory Fee Order*).

<sup>7</sup> *In the Matter of Telecommunications Relay Services and the Americans with Disabilities Act of 1990*, Third Report and Order, CC Docket No. 90-571, released July 20, 1993 (*Third Report and Order*).

<sup>8</sup> *Rolka Loube Saltzer Associates LLC submits payment formulas and funding requirements estimates for the Interstate Telecommunications Relay Service Fund for the July 2013 through June 2014 fund year* , CG Docket No. 03-123, Released May 1, 2013

## Exhibit 1

### Consolidated Communications Operating Companies and Study Area Designators



**Consolidated Communications Operating Companies  
And Study Areas**

<u>Operating Company</u>	<u>COSA</u>
Consolidated Communications of Texas Company (442109)	CCTX
Consolidated Communications of Fort Bend Company (442072)	CCFB

CCTX

Exhibit 2

Exogenous Cost Changes

**Exogenous Cost Changes Detail**

	Total	Interstate
FCC 2011 Price Cap Interstate End User Revenue	35,458,056.98	8,445,353
FCC 2012 Price Cap Interstate End User Revenue	36,761,481.75	9,048,363
Revenue Change (Line Loss)	3.7%	7.1%

	<u>7/10-6/11</u> (A)	Adj. for Rev Change	<u>7/11-6/12</u> (B)	From EXG Allocate	<u>Exogenous</u> (C)=B-A
<b><u>Telecommunications Relay Service Support:</u></b>	88,930	\$ 95,279	\$ 210,827	-	115,548

**North American Numbering Plan Administration:**

	901	\$ 934	934	0	-
<b><u>Regulatory Fee Support:</u></b>	31,670	\$ 33,931	33,931	-	-

	2012 Annual		
	Total	Interstate	Regulatory
	End User Revenues	(499A)	Fee
	(A)	(B)	(C)=B * 0.00375
Exogenous Amount	36,761,482	9,048,363	33,931
			210,827
			934

	<u>Common Line</u>	Database	Billing Name	<u>Special</u>	Excluded	Total
	Access	and Address	Revenues	Revenue	Revenue	Revenue
2012 End User Rev - FCC 499	\$ 8,909,247	\$ -	\$ -	\$ 139,115	\$ -	\$ 9,048,363
Allocation Basis	98.46%	0.00%	0.00%	1.54%	0.00%	100.00%
Thousand Block Numbering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Telecom. Relay Support	\$ 113,771.49	\$ -	\$ -	\$ 1,776.51	\$ -	\$ 115,548
NANPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Fee Support:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 113,771.49	\$ -	\$ -	\$ 1,776.51	\$ -	\$ 115,548

CCFB

Exhibit 2

Exogenous Cost Changes

**Exogenous Cost Changes Detail**

	Total	Interstate
FCC 2011 Price Cap Interstate End User Revenue	13,559,686.16	3,043,139
FCC 2012 Price Cap Interstate End User Revenue	13,582,542.86	3,220,324
Revenue Change (Line Loss)	0.2%	5.8%

	7/10-6/11 (A)	Adj. for Rev Change	7/11-6/12 (B)	From EXG Allocate	Exogenous (C)=B-A
<b>Telecommunications Relay Service Support:</b>	32,044	\$ 33,910	75,034	-	41,124

**North American Numbering Plan Administration:**

	344	\$	345	345	-
<b>Regulatory Fee Support:</b>	11,412	\$ 12,076	12,076	-	-

	2012 Annual				
	Total End User Revenues (499A) (A)	Interstate (499A) (B)	Regulatory Fee (C)=B * 0.00375	Telecom Relay Service (D) = B * 0.0233	North American Numbering Plan Administration (E) = A * 0.0000254
Exogenous Amount	13,582,543	3,220,324	12,076	75,034	345

	Common Line	Database Access	Billing Name and Address	Special	Excluded Revenues	Total Revenue
2009 End User Rev - FCC 499	\$ 3,198,840	\$ -	\$ -	21,484	\$ -	\$ 3,220,324
Allocation Basis	99.33%	0.00%	0.00%	0.67%	0.00%	100.00%
Thousand Block Numbering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Telecom. Relay Support	\$ 40,849.64	\$ -	\$ -	274.36	\$ -	\$ 41,124
NANPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Fee Support:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 40,849.64	\$ -	\$ -	274.36	\$ -	\$ 41,124