



DESCRIPTION AND JUSTIFICATION

CONSOLIDATED COMMUNICATIONS COMPANIES

INTERSTATE ACCESS SERVICES

TARIFF FCC No. 2

(Consolidated Communications Company of Pennsylvania)

ANNUAL 2014 PRICE CAP SHORT FORM FILING

May 19, 2014

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SECTION 1 INTRODUCTION AND SUMMARY

Introduction

The Consolidated Communications Companies, hereby provide a Description and Justification for its limited Tariff Review Plan revisions to F.C.C. Tariff No. 2 (Consolidated Communications of Pennsylvania Company) along with supporting documentation. This information is being filed in accordance with the Commission's 2014 TRP Notices released March 25, 2014 and April 14, 2014 (DA 14-404 and DA 14-494 respectively) and fulfills the requirements established in Sections 61.41 through 61.49 of the Commission rules.

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 now a price cap company pursuant to FCC Order 12-154¹ that fall under Sections 61.41 through 61.49 of the Commission's Rules and relevant Commission Orders.² They provide local service, toll, private line services, access services, DSL, CLASS services, and other modern telecommunications services to their 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 operatin 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,

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)

² See, Order, July 2014 Annual Access Charge Tariff Filings, released March 25, 2014, DA 14-404 ("2014 Filing Order"); and Tariff Review Plans, Material to be filed in support of 2014 Annual filings, DA 14-494, released April 14, 2014 ("2014 TRP Order").

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 was a holding company and through its subsidiaries provided telecommunications services and equipment in western Pennsylvania and Pittsburgh. Its subsidiaries primarily included North Pittsburgh Telephone Company (NASDAQ: NPSI); Penn Telecom, Inc; and Pinntech 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).

The Company 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 providing 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 sale of telecommunications equipment.

North Pittsburgh Systems, Inc. (parent company) was sold to Consolidated Communications, headquartered in Mattoon, Illinois in 2007. Consolidated also owns and operates telephone services in Illinois, Texas, California, Kansas, and Missouri. The sale 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 Westmoreland 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 42,738 local access lines (averaging 154.3 lines per square mile) as of June 30, 2012. Approximately 44.8% 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 61.49 of the Federal Communications Commission (Commission) Rules and Regulations and the Order issued in WC Docket No. 14-48, July, 2014 Annual Access Charge Tariff Filings released March 25, 2014, and Tariff Review Plans issued in WC Docket No. 14-48, Material to be Filed in Support of 2014 Annual Access Tariff Filings, released April 14, 2014.

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 file CCPAas14.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 2001.³ The Commission reviewed and accepted the North American Numbering Plan Administrator submission and ordered that a contribution factor of 0.0000302⁴. 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 decisions⁵ 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 .00347 as prescribed in the Commission's *Regulatory Fee Order*,⁶ and has been used as

³ *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)

⁴ *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 2013 through June 2014 (filed May 28, 2013) Public Notice, DA 13-1215, CC Docket No. 92-237.

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

⁶ *In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2013*, Report and Order, (filed August 12, 2013) FCC Order 13-110, MD Docket 13-140 (*Regulatory Fee Order*).

an estimate and included as an exogenous cost in this filing and is shown in Exhibit 2, RDEV-1. In addition, because of the timing of last year's regulatory fee order, CCC elected to leave its last annual filing unchanged and reflect the difference in this year's filing. Because of this event, it is now necessary to normalize the exogenous rate over the full year thereby reversing the accelerated ratemaking. This exogenous allocation can be seen in RDEV-1, Page 2 of 2.

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. 90-571,⁷ 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 .01174 as estimated in the May 1, 2014 FCC submission by Rolka Loube Saltzer Assoc. (RLSA)⁸ and is displayed on Exhibit 2 , RDEV-1.

In addition, because of the timing of last year's TRS order, CCC elected to leave its last annual filing unchanged and reflect the difference in this year's filing. Because of this event, it is now necessary to normalize the exogenous rate over the full year thereby reversing the accelerated ratemaking. This exogenous allocation can be seen in RDEV-1, Page 2 of 2.

⁷ 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*).

⁸ *Rolka Loube Saltzer Associates LLC submits payment formulas and funding requirements estimates for the Interstate Telecommunications Relay Service Fund for the July 2014 through June 2015 fund year* , FCC Report DA 14-627, CG Docket 03-123, Released May 9, 2014

Exhibit 1

Consolidated Communications Operating Companies and Study Area Designators

**Consolidated Communications Operating Companies
And Study Areas**

Operating Company

COSA

Consolidated Communications of Pennsylvania Company (170193)

CCPA

Exhibit 2

Exogenous Cost Changes

Exogenous Cost Changes Detail

	Total	Interstate
FCC 2012 Price Cap Interstate End User Revenue	21,449,038.04	4,630,567
FCC 2013 Price Cap Interstate End User Revenue	19,154,571.77	4,710,847
Revenue Change (Line Loss)	-10.7%	1.7%

	7/11-6/12 (A)	Adj. for Rev Change	7/12-6/13 (B)	From EXG Allocate	Exogenous (C)=B-A
<u>Telecommunications Relay Service Support:</u>	68,718	\$ 69,909	55,305	13,284.6	(1,319)
<u>North American Numbering Plan Administration:</u>	648	\$ 578	578	0	-
<u>Regulatory Fee Support:</u>	16,068	\$ 16,347	16,347	440	440

2013 Annual		Telecom Relay Service (D) = B * 0.01174	North American Numbering Plan Administration (E) = A * 0.0000302
Total End User Revenues (499A)	19,154,572	55,305	578
(A)	4,710,847	16,347	440

	Common Line	Database Access	Billing Name and Address	Special	Excluded Revenues	Total Revenue
2013 End User Rev - FCC 499	\$ 4,710,847	\$ -	\$ -	\$ -	\$ -	\$ 4,710,847
Allocation Basis	100.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Thousand Block Numbering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Telecom. Relay Support	\$ (1,319.41)	\$ -	\$ -	\$ -	\$ -	\$ (1,319)
NANPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Fee Support:	\$ 439.68	\$ -	\$ -	\$ -	\$ -	\$ 440
Sub-Total	\$ (879.73)	\$ -	\$ -	\$ -	\$ -	\$ (880)

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Exogenous Cost Changes Detail

	2012 Annual		FCC 12-76	DA 13-1137	DA 13-1215
	Total	Interstate	7/19/2012	5/17/2013	5/28/2013
	End User Revenues (499A) (A)	End User Revenues (499A) (B)	Reg Fee (C) = B * 0.00375	Telecom Relay (D) = B * 0.02330	NANPA (E) = A * 0.0000302
Exogenous Amount	\$ 21,449,038	\$ 4,630,567	\$ 17,365	\$ 107,892	\$ 648
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

	FCC 12-76	FCC 13-110	Difference	Annualized
	7/19/2012	8/12/2013		Reversal
	Reg Fee (C') = B'' * 0.00375	Reg Fee (D') = B * 0.00347		(E') = (D') - (C')
Exogenous Amount	\$ 17,365	\$ 16,068	\$ (1,297)	\$ (1,729)

	DA 13-1137	DA 13-1483	Difference	Annualized
	5/17/2013	7/1/2013		Reversal
	Telecom Relay (C'') = B * 0.02330	Telecom Relay (D'') = B * 0.01484		(E'') = (D'') - (C'')
Exogenous Amount	\$ 107,892	\$ 68,718	\$ (39,175)	\$ (52,233)

	2013 Annual		FCC 13-110	DA 13-1483	DA 13-1215
	Total	Interstate	8/12/2013	7/1/2013	5/28/2013
	End User Revenues (499A) (A''')	End User Revenues (499A) (B''')	Reg Fee (C''') = B''' * 0.00347	TRS (D''') = B''' * 0.01484	NANPA (E''') = A''' * 0.0000302
Exogenous Amount	\$ 19,154,572	\$ 4,710,847	\$ 16,347	\$ 69,909	\$ 578
Excluded Revenue	\$ -	\$ -			
Price Cap Revenue Percentage	100.00%	100.00%			

	7/13 - 6/14	7/14 - 6/15	Exogenous
DA 13-1137 - 0.02330 Factor 2012 Revenue - D	\$ 107,892		
DA 13-1483 - 0.01484 = F''	\$ (52,233)		
DA 13-1483 - 0.01484 Factor 2013 Revenue - D'''		\$ 69,909	
% Price Cap Allocation	\$ 55,659	\$ 69,909	
Price Cap Exogenous Amount	\$ 55,659	\$ 69,909	
FCC 2012 Price Cap Interstate End User Revenue	\$ 4,630,567		
FCC 2013 Price Cap Interstate End User Revenue	\$ 4,710,847		
Revenue Change (R)	1.73%		
Price Cap Only with R Adj	\$ 56,624	\$ 69,909	\$ 13,285

	0	0	Exogenous
North American Numbering Plan Administration:			
DA 13-1215 - 0.0000302 Factor 2012 Revenue - E	\$ 648		
DA 13-1215 - 0.0000302 Factor 2013 Revenue - E'''		\$ 578	
% Price Cap Allocation	\$ 648	\$ 578	
Price Cap Exogenous Amount	\$ 648	\$ 578	
FCC 2012 Total End User Revenue	\$ 21,449,038		
FCC 2013 Total End User Revenue	\$ 19,154,572		
Revenue Change (R)	-10.70%		
Price Cap Only with R Adj	\$ 578	\$ 578	\$ -

	0	0	Exogenous
Regulatory Fee Support:			
FCC 12-76 - 0.00375 Factor 2012 Revenue - C	\$ 17,365		
FCC 13-110 - 0.00347 = F''	\$ (1,729)		
FCC 13-110 - 0.00347 Factor 2013 Revenue - C'''		\$ 16,347	
% Price Cap Allocation	\$ 15,636	\$ 16,347	
Price Cap Exogenous Amount	\$ 15,636	\$ 16,347	
FCC 2012 Price Cap Interstate End User Revenue	\$ 4,630,567		
FCC 2013 Price Cap Interstate End User Revenue	\$ 4,710,847		
Revenue Change (R)	1.73%		
Price Cap Only with R Adj	\$ 15,907	\$ 16,347	\$ 440

	Common Line	Special	Price Cap Revenue
499A 2013 Interstate End User Revenues	\$ 4,710,847	\$ -	\$ 4,710,847
Allocation Basis	100.00%	0.00%	
Telecom. Relay Support	\$ 13,285	\$ -	\$ 13,285
NANPA	\$ -	\$ -	\$ -
Regulatory Fee Support:	\$ 440	\$ -	\$ 440
	\$ 13,724	\$ -	\$ 13,724