



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 2015 PRICE CAP SHORT FORM FILING

May 18, 2015

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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 2015 TRP Notices released March 27, 2015 and April 14, 2015 (DA 15-368 and DA 15-458 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 price cap companies pursuant to FCC Order DA 08-1026¹ 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.

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 78,000 customers in two distinct market areas: Conroe and Lufkin. The 16 communities served include: Alto, Apple Springs, Central, Conroe, Cut-N-Shoot,

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

² See, Order, July 2015 Annual Access Charge Tariff Filings, released March 27, 2015, DA 15-368 ("2015 Filing Order"); and Tariff Review Plans, Material to be filed in support of 2015 Annual filings, DA 15-458, released April 14, 2015 ("2014 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 49,000 customers, primarily in Montgomery County.

The Lufkin market area serves 9 exchanges and 29,000 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 28,000 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. 15-75, July, 2015 Annual Access Charge Tariff Filings released March 27, 2015, and Tariff Review Plans issued in WC Docket No. 15-75, Material to be Filed in Support of 2015 Annual Access Tariff Filings, released April 14, 2015.

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 CCTXas15.xls and CCFBas15.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 2013 (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 0.0000365⁴. 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 2014 fiscal year (July 2014 to June 2015). 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

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 2014 through June 2015 (filed June 13, 2014) Public Notice, DA 14-792, 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).

.00343 as prescribed in the Commission's *Regulatory Fee Order*,⁶ and has been used as an estimate and included as an exogenous cost in this filing and is shown in Exhibit 2, RDEV-1. 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 factor of .01219 as prescribed in the Commission's revised *TRS Order*⁸ and is displayed on Exhibit 2, RDEV-1. This exogenous allocation can be seen in RDEV-1, Page 2 of 2.

⁶ *In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2014, Report and Order*, (filed August 29, 2014) FCC Order 14-129, MD Docket 14-92 (*Regulatory Fee Order*).

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 *In the Matter of Telecommunications Relay Services and Speech to Speech Services for Individuals with Hearing and Speech Disabilities Notice of Proposed Rulemaking*, (filed June 30, 2014, DA 14-946, CG Docket 03-123 (*TRS Order*)).

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 2013 Price Cap Interstate End User Revenue	35,387,350.08	6,804,214			
FCC 2014 Price Cap Interstate End User Revenue	35,072,421.27	5,180,535			
Revenue Change (Line Loss)	-0.9%	-23.9%			
	<u>7/12-6/13</u>	<u>7/13-6/14</u>	<u>Exogenous</u>		
	(A)	(B)	(C)=B-A		
<u>Telecommunications Relay Service Support:</u>	82,943 \$	63,151 \$	63,151		
	1,292 \$	1,280	1,280		
	23,338 \$	17,769	17,769		

North American Numbering Plan Administration:

Regulatory Fee Support:

	2014 Annual				
Total End User Revenues	Interstate	Regulatory Fee	Telecom Relay Service	North American Numbering Plan Administration	
(499A)	(499A)	(C)=B * 0.00343	(D) = B * 0.01219	(E) = A * 0.0000365	
(A)	(B)				
Exogenous Amount	35,072,421	17,769	63,151	1,280	

	Common Line	Database Access	Billing Name and Address	Special	Excluded Revenues	Total Revenue
2014 End User Rev - FCC 499	\$ 5,038,797	\$ -	\$ -	\$ 141,737	\$ -	\$ 5,180,535
Allocation Basis	97.26%	0.00%	0.00%	2.74%	0.00%	100.00%
Telecom. Relay Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NANPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Fee Support:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation - See Attached Forms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess Deferred Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total Exogenous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CCFB

Exhibit 2

Exogenous Cost Changes

Exogenous Cost Changes Detail

	Total	Interstate	7/11-6/12 (A)	Adj. for Rev Change	7/12-6/13 (B)	Exogenous (C)=B-A
FCC 2012 Price Cap Interstate End User Revenue	13,160,899.07	2,330,364	28,407	20,512	20,512	-
FCC 2013 Price Cap Interstate End User Revenue	13,068,926.72	1,682,727				
Revenue Change (Line Loss)	-0.7%	-27.8%				

Telecommunications Relay Service Support:

North American Numbering Plan Administration:

Regulatory Fee Support:

	2014 Total End User Revenues (499A)	Interstate (499A) (B)	Regulatory Fee (C)=B * 0.00343	Telecom Relay Service (D) = B * 0.01219	North American Numbering Plan Administration (E) = A * 0.0000365
Exogenous Amount	13,068,927	1,682,727	5,772	20,512	477
Regulatory Fee Support:			7,993	5,772	
North American Numbering Plan Administration:			480	477	
Telecommunications Relay Service Support:					5,772

	Common Line	Database Access	Billing Name and Address	Special	Excluded Revenues	Total Revenue
2014 End User Rev - FCC 499 Allocation Basis	\$ 1,664,599	\$ -	\$ -	\$ 18,128	\$ -	\$ 1,682,727
Thousand Block Numbering	98.92%	0.00%	0.00%	1.08%	0.00%	100.00%
Telecom. Relay Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NANPA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Fee Support:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Allocation - See Attached Forms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ITC Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Excess Deferred Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total Exogenous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -