



## 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 2016 PRICE CAP SHORT FORM FILING

May 17, 2016

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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 2016 TRP Notices released March 16, 2016 and April 13, 2016 (DA 16-274 and DA 16-399 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 08-1026<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 73,000 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 2016 Annual Access Charge Tariff Filings, released March 16, 2016, DA 16-274 ("2016 Filing Order"); and Tariff Review Plans, Material to be filed in support of 2016 Annual filings, DA 16-399, released April 13, 2016 ("2016 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 46,000 customers, primarily in Montgomery County.

The Lufkin market area serves 9 exchanges and 27,000 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 26,000 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. 16-71, July, 2016 Annual Access Charge Tariff Filings released March 16, 2016, and Tariff Review Plans issued in WC Docket No. 16-71, Material to be Filed in Support of 2016 Annual Access Tariff Filings, released April 13, 2016.

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 CCTXas16.xls and CCFBas16.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 2014 (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 0.0000387<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 2015 fiscal year (July 2015 to June 2016). The impact of the NANPA support has been included as an exogenous cost in this filing as shown in Exhibit 2, RDEV-1.

#### 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 2015 – June 2016 fiscal year was calculated using a factor of .00331 as prescribed in the Commission's *Regulatory Fee NRPM*,<sup>6</sup> and has been used as

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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 2015 through June 2016 (filed June 8, 2015) Public Notice, DA 15-670, 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).

<sup>6</sup> *In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2015*, Notice of Proposed Rulemaking, (filed September 2nd, 2015) FCC 15-108, MD Docket 15-121 (*Regulatory Fee Order*).

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 factor of .01862 as prescribed in FCC DA16-518, Rolka Loube Associates TRS estimate for the 2016-17 funding year<sup>8</sup> and is displayed on Exhibit 2 , RDEV-1.

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<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 Associates submits payment formulas and funding requirement for the interstate telecommunications relay services fund for the 2016 - 17 fund year, FCC Public Notice, (filed May 9, 2016, DA 16-518, CG Docket 03-123 (*TRS Order*)).

## Exhibit 1

### Consolidated Communications Operating Companies and Study Area Designators

**Consolidated Communications Operating Companies  
And Study Areas**

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

CCTX

Exhibit 2

Exogenous Cost Changes

Filing Date: 05/17/2016  
Filing Entity: Consolidated Communications of Texas Company  
Transmittal Number: Letter

May 17, 2016 Short Form Annual Price Cap Filing (CCTxas16.XLS)  
Exogenous Cost Changes Detail

	2014 Annual		2015 Annual		2016 Annual	
	Total	Interstate	Total	Interstate	Total	Interstate
End User Revenues	(499A)	(499A)	End User Revenues	(499A)	End User Revenues	(499A)
(A)	35,072,421	5,180,535	(A)	35,072,421	5,180,535	5,180,535
Exogenous Amount			Exogenous Amount		Exogenous Amount	
Excluded Revenue			Excluded Revenue		Excluded Revenue	
Price Cap Revenue Percentage	100.00%	100.00%	Price Cap Revenue Percentage	100.00%	Price Cap Revenue Percentage	100.00%

	2015 Annual		2016 Annual		2017 Annual	
	Total	Interstate	Total	Interstate	Total	Interstate
End User Revenues	(499A)	(499A)	End User Revenues	(499A)	End User Revenues	(499A)
(A)	34,602,375	5,388,520	(A)	34,602,375	5,388,520	5,388,520
Exogenous Amount			Exogenous Amount		Exogenous Amount	
Excluded Revenue			Excluded Revenue		Excluded Revenue	
Price Cap Revenue Percentage	100.00%	100.00%	Price Cap Revenue Percentage	100.00%	Price Cap Revenue Percentage	100.00%

Telecommunications Relay Service Support:  
DA 15-612 - 0.01635 Factor 2014 Revenue - D  
DA 14-946 - 0.0 = F  
DA 15-612 - 0.01662 Factor 2015 Revenue - D

% Price Cap Allocation  
Price Cap Exogenous Amount  
FCC 2014 Price Cap Interstate End User Revenue  
FCC 2015 Price Cap Interstate End User Revenue  
Revenue Change (R)  
Price Cap Only with R Adj

North American Numbering Plan Administration:  
DA 15-670 - 0.0000387 Factor 2014 Revenue - E  
DA 14-792 - 0.0000 = F  
DA 15-670 - 0.0000387 Factor 2015 Revenue - E

% Price Cap Allocation  
Price Cap Exogenous Amount  
FCC 2014 Total End User Revenue  
FCC 2015 Total End User Revenue  
Revenue Change (R)  
Price Cap Only with R Adj

Regulatory Fee Support:  
FCC 15-59 - 0.00329 Factor 2014 Revenue - C  
FCC 14-129 - 0.000 = F  
FCC 15-108 - 0.00331 Factor 2015 Revenue - C

% Price Cap Allocation  
Price Cap Exogenous Amount  
FCC 2014 Price Cap Interstate End User Revenue  
FCC 2015 Price Cap Interstate End User Revenue  
Revenue Change (R)  
Price Cap Only with R Adj

499A 2015 Interstate End User Revenues  
Allocation Basis  
Telecom. Relay Support  
NANPA  
Regulatory Fee Support:

Common Line	Special	Price Cap Revenue
\$ 5,238,254	\$ 150,265	\$ 5,388,520
\$ 97.21%	\$ 2.79%	
\$ 11,891	\$ 341	\$ 12,232
\$ 105	\$ 3	\$ 108
\$ 11,996	\$ 344	\$ 12,340

FCC 15-108	DA 15-612	DA 15-670
9/2/2015	5/20/2015	6/8/2015
Reg Fee	TRF	NANPA
(C) = B * 0.00329	(D) = B * 0.01635	(E) = A * 0.0000387
17,044	84,702	1,357

Exogenous

7/15 - 6/16	7/16 - 6/17	Exogenous
\$ 84,702	\$ 100,334	
100.00%	100.00%	
\$ 84,702	\$ 100,334	
5,180,535	5,388,520	
4.01%		
\$ 88,102	\$ 100,334	\$ 12,232

Exogenous

7/15 - 6/16	7/16 - 6/17	Exogenous
\$ 1,357	\$ 1,339	
100.00%	100.00%	
\$ 1,357	\$ 1,339	
35,072,421	34,602,375	
-1.34%		
\$ 1,339	\$ 1,339	\$ -

Exogenous

7/15 - 6/16	7/16 - 6/17	Exogenous
\$ 17,044	\$ 17,836	
100.00%	100.00%	
\$ 17,044	\$ 17,836	
5,180,535	5,388,520	
4.01%		
\$ 17,728	\$ 17,836	\$ 108

CCFB

Exhibit 2

Exogenous Cost Changes

Filing Date: 05/17/2016  
Filing Entity: Consolidated Communications of Fort Bend Company  
Transmittal Number: Letter

May 17, 2016 Short Form Annual Price Cap Filing (CCFBast6.XLS)  
Exogenous Cost Changes Detail

2014 Annual		2015 Annual		2016 Annual	
Total	Interstate	FCC 15-59	DA 15-612	DA 15-612	DA 15-670
End User Revenues	End User Revenues	5/21/2015	5/21/2015	5/21/2015	6/8/2015
(499A)	(499A)	Reg Fee	Telecom Relay	Telecom Relay	MANPA
(A)	(B)	(C) = B * 0.00329	(D) = B * 0.01635	(E) = A * 0.0000387	
\$ 13,068,927	\$ 1,682,727	\$ 5,536	\$ 27,513	\$ 506	
\$ -	\$ -				
100.00%	100.00%				

Exogenous Amount  
Excluded Revenue  
Price Cap Revenue Percentage

2015 Annual		2016 Annual		2017 Annual	
Total	Interstate	FCC 15-108	DA 15-612	DA 15-612	DA 15-670
End User Revenues	End User Revenues	9/2/2015	5/21/2015	5/21/2015	6/8/2015
(499A)	(499A)	Reg Fee	TRF	TRF	MANPA
(A)	(B)	(C) = B * 0.00331	(D) = B * 0.01662	(E) = A * 0.0000387	
\$ 12,559,354	\$ 1,767,304	\$ 5,650	\$ 32,907	\$ 486	
\$ -	\$ -				
100.00%	100.00%				

Exogenous Amount  
Excluded Revenue  
Price Cap Revenue Percentage

Telecommunications Relay Service Support:  
DA 15-612 - 0.01635 Factor 2014 Revenue - D  
DA 14-946 - 0.0 = F  
DA 15-612 - 0.01662 Factor 2015 Revenue - D

% Price Cap Allocation  
Price Cap Exogenous Amount  
FCC 2014 Price Cap Interstate End User Revenue  
FCC 2015 Price Cap Interstate End User Revenue  
Revenue Change (R)  
Price Cap Only with R Adj

North American Numbering Plan Administration:  
DA 15-670 - 0.0000387 Factor 2014 Revenue - E  
DA 14-792 - 0.0000 = F  
DA 15-670 - 0.0000387 Factor 2015 Revenue - E

% Price Cap Allocation  
Price Cap Exogenous Amount  
FCC 2014 Total End User Revenue  
FCC 2015 Total End User Revenue  
Revenue Change (R)  
Price Cap Only with R Adj

Regulatory Fee Support:  
FCC 15-59 - 0.00329 Factor 2014 Revenue - C  
FCC 14-129 - 0.00 = F  
FCC 15-108 - 0.00331 Factor 2015 Revenue - C

% Price Cap Allocation  
Price Cap Exogenous Amount  
FCC 2014 Price Cap Interstate End User Revenue  
FCC 2015 Price Cap Interstate End User Revenue  
Revenue Change (R)  
Price Cap Only with R Adj

499A 2015 Interstate End User Revenues  
Allocation Basis  
Telecom Relay Support  
MANPA  
Regulatory Fee Support:

Common Line	Special	Price Cap Revenue
\$ 1,758,959	\$ 8,345	\$ 1,767,304
\$ 99.53%	\$ 0.47%	
\$ 3,993	\$ 19	\$ 4,012
\$ -	\$ -	\$ -
\$ 35	\$ 0	\$ 35
\$ 4,028	\$ 19	\$ 4,047