

CONSOLIDATED COMMUNICATIONS COMPANIES
FCC No. 1, 2, 3, 4, 7 & 8

June 18, 2018

Transmittal No. 82

Description and Justification

DESCRIPTION

In connection with the June 18, 2018 Annual Filing, Consolidated Communications Companies (Consolidated Communications) hereby submits its Tariff Review Plan (TRP) revisions to Federal Communications Commission ("FCC") for its Price Cap Companies regulated under Tariff Nos. 1, 2, 3, 4, 7 and 8 with the required supporting documentation. This information is being filed in accordance with the Commission's 2018 TRP Notices released April 5, 2018 (DA18-335) and April 25, 2018 (DA18-404). This filing fulfills the requirements established in Sections 61.41 through 61.49 of the Commission Rules. Exhibit 1 lists the COSAs' associated with each Consolidated Communications company included in this filing.

In addition to the annual Price Cap filing, Consolidated Communications is proposing changes to the rates associated with the Federal Universal Service Fund (FUSF) Factor. These proposed changes include necessary supporting material and is in compliance with the Commission's rules. Consolidated Communications' FCC Tariff No. 7 proposes changes in compliance with the CALLS Order released in 2000 (*15 FCC Rcd 12,962 (2000)*), the Contribution Order released in 2002 (*17 FCC Rcd 24,952 (2002)*), and the Waiver Order released in 2003 and modified in 2008 (*18 FCC Rcd 4818 (2003)*) as modified by *Federal-State Joint Board on Universal Service, Order on*

Reconsideration, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170 (rel. Feb. 14, 2008)).

JUSTIFICATION

The following justification is provided for the proposed rates filed by Consolidated Communications:

A. Demand

Demand data for the Price Cap regulated special access and common line services reflects the period January 1 through December 31, 2017 and is used in the calculations of the *Price Cap Index* (PCIs), *Actual Price Index* (APIs), and *Service Band Index* (SBIs). Commission Rules require new service offerings to be included in the first price cap filing following the completion of the base year in which the new services become effective. Exhibit 5 provides a listing of the new services that were introduced in the base period. Pursuant to paragraph 61.42(g) of the Commission's rules, only the demand for services that have not received regulatory relief pursuant to 61.42(f) are included in the appropriate Price Cap baskets. Consolidated Communications has received price cap regulatory relief under FCC 17-43 (released April 28, 2017).

The TRP Order requires a detailed listing of services excluded from price cap regulation. These excluded services are listed in Exhibit 6.

Demand data for the Fiscal Year (FY) 2012 Base Period Revenues used in determining the Inter-carrier Compensation Access Reduction, ARC and CAF ICC are for the period of October 2010 through September 2011 as defined in § 51.903(e) and § 51.915(c).

B. PCI Development

PCIs for each basket are calculated in accordance with Commission Rules. A GDP-PI factor of 1.8717% was used in calculating the PCIs and is based on the

percentage change in the Gross Domestic Product Price Index (GDP-PI) between the quarter ending December 31, 2017 and the corresponding quarter of 2016. Pursuant to FCC 17-43, a productivity offset equal to 2% was applied in calculating PCIs for the special access basket. Information on the GDP-PI calculation is provided in Exhibit 2.

C. Compliance with Indices

In this filing, the Commission requires Consolidated Communications to compute the appropriate adjustments to the current indices or CMT for each Price Cap basket. The adjustments to the Indices are set forth in the Tariff Review Plan, form IND-1. The sources for the existing indices are found in Exhibit 3, IND-1 References.

D. Exogenous Cost Allocations

Consolidated Communications proposes the following general exogenous cost adjustments: 1) Regulatory Fee, 2) Telecommunications Relay Service, and 3) North American Number Plan Administration. Each of the incremental exogenous cost amount in this filing is allocated based on Price Cap revenues. The Regulatory Fee and TRS expense are allocated to Common Line and Special Access baskets based on the 499A Interstate revenues. The NANPA expense is calculated on the Total 499A Interstate revenues. Consolidated Communications has also adjusted 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 dollar of revenue remains unchanged if the factor is unchanged. Exhibit 4 shows the incremental exogenous costs calculations and allocations that are included in this filing.

REGULATORY FEE

The calculation of change in regulatory fees to be reflected in the 2018-2019 tariff year is based on the application of the Commission prescribed factor of 0.00276 to 499A Price Cap revenues. This factor is set forth in the Notice of Proposed Rulemaking, FCC 18-65, released May 22, 2018.

TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) fee is based on the proposed annual cost recovery factor of 0.03034, FCC Order DA 18-494.

NORTH AMERICAN NUMBER PLAN ADMINISTRATION

Pursuant to Public Notice, DA 17-783, released August 17, 2017, the contribution factor of 0.0000518 is applied total 499A interstate revenues to fund the 2018 numbering plan.

Exhibit 4 details the calculations of the TRS exogenous costs.

E. Explicit USAC Support

The impact of 2011 explicit USAC Interstate Access Support (IAS) is utilized to develop the EUCL rates and is included in the TRP CAP schedules for adjustments to the EUCL rates in FCC No 7. This support was frozen per FCC 11-161 released November 18, 2011. Per verbal direction from the FCC on June 13, 2013, Consolidated Communications calculated the frozen amount of IAS support per access line that is to be utilized in the CAP-1 form to reduce the EUCL rates. Exhibit 7 provides the calculation of the frozen IAS amount per access line and the total support dollars utilized to offset the EUCL rates found in Tariff No. 7. Also, pursuant to previous Price Cap Transition orders, Consolidated has excluded ICLS receipts from its CMT PCI calculations in FCC No. 1, 2, 3, 4, and 7.

F. Rate Detail & Revenue Impact Summary

Included with the filing is a rate detail schedule. This detail shows the current and proposed rates in EXCEL spreadsheet format. In addition to the rate detail schedule, a revenue impact summary is provided to ensure that the rate detail calculations agree with the SUM-1 and the RTE-1. Exhibit 10 contains the Revenue Impact Summary.

G. FUSF Rates

The proposed changes to the FUSF rates are attributed to the change in the FCC prescribed contribution factor between the 2nd quarter and the 3rd quarter 2018 from 0.184 to 0.179 per CC Docket No. 96-45 (rel. June 13, 2018). In addition, FCC Tariff No. 7, in compliance with the CALLS, the Contribution Order released in 2002, and the Waiver Order released in 2003 and modified in 2008, as outlined above, has proposed multi-line FUSF rates that are adjusted to reflect updated multi-line demand associated with the multi-line equivalency calculation. Exhibit 8 provides a listing of the proposed FUSF rate changes for FCC Tariff No. 7 and Exhibit 9 provides supporting documentation for the proposed rate changes found in Exhibit 8. FCC Tariff Nos. 1, 2, 3, 4, and 8 applies the new factor to all eligible interstate revenues.

H. Access Reduction Worksheet

In compliance with the FCC's USF/ICC Transformation Order, Consolidated Communications utilizes the "2018 ICC Access Reduction" templates (standalone and regional versions) released by the Federal Communications Commission on April 25, 2018, for calculating the 2018 access rate changes required in Step 7 of 47 C.F.R. §51.907(h). The FCC template provides the methodology for calculating the rate reductions and identifies the access rate elements that are required to be reduced consistent with the rules. Consolidated Communications has prepared redacted and non-redacted versions of the template workbooks.

I. Reciprocal Compensation

Consolidated Communications determined the amount of eligible recovery from CMRS (Commercial Mobile Radio Service) Net Reciprocal Compensation revenues allowed by 47 C.F.R. §51.915. Consolidated Communications' supporting calculations utilize the "2018 Recip-Comp-Calc" template released by the FCC on April 25, 2018.

The FCC spreadsheet template provides the methodology for calculating the CMRS Net Reciprocal Compensation revenues. For each study area, Consolidated Communications' FY 2011 CMRS revenues for intraMTA non-transit usage based traffic are reduced by Consolidated Communications' 2011 FY expenses for intraMTA non-transit usage based traffic. The total CMRS Net Reciprocal Compensation Revenues for Consolidated Communications as a Price Cap holding company are then included in the Eligible Recovery Form.

Per §51.915, Consolidated Communications has elected to forgo net non-CMRS reciprocal compensation reductions.

J. True Up Calculation

Consolidated Communications determined the 2016-17 Access Recovery Charge (ARC) True Up amount allowed by 47 C.F.R. §51.915(B)(13) utilizing the "2018 True Up" template released by the FCC on April 25, 2018.

The FCC spreadsheet template provides the methodology for calculating the ARC True Up revenues. The total 2016-17 ARC True-up Revenues for Consolidated Communications are then included in the Eligible Recovery Form.

K. Access Recovery Charge (ARC)-Rate Ceiling Worksheet

Consolidated Communications calculates the Access Recovery Charge allowed by 47 C.F.R. §51.915 utilizing the "2018 Rate Ceiling CAF" template released by the Federal Communications Commission ("FCC") on April 25, 2018. The FCC template provides the methodology for calculating expected Access Recovery Charge revenues in compliance with §51.915.

L. Eligible Recovery Worksheet

The Eligible Recovery Form allowed by 47 C.F.R. §51.915 outlines the methodology used by Consolidated Communications to calculate its eligible recovery. Consolidated Communications' supporting calculations utilize the "Eligible Recovery"

template released by the Federal Communications Commission ("FCC") on April 25, 2018.

The FCC template accumulates, at a Study Area level, the Transitional Intrastate and Interstate revenue reduction found in the "ICC Access Reduction" template, the "2018 Recip-Comp-Calc" template, and the "2018 True Up" templates as described above. Each Study Area reduction is multiplied first by the Traffic Demand Factor as defined at 47 C.F.R. §51.915(b)(10) and then by the CALLS Study Area Factor (§51.915(b)(2)) or the Non-Calls Study Area Factor (§51.915(b)(9)). Next, if applicable, the Exogenous Cost ARC Recoverable amount is included in the Eligible Recovery calculation as found in Cap 5, line 610, of the included Tariff Review Plan along with any true-up amount calculated in the "2018 True Up" template. The final step is to add the amounts together resulting in the Eligible Recovery that is used in the "2018 Rate Ceiling No CAF" template as described above.

Consolidated Communications has prepared redacted and non-redacted versions of the template workbooks.

CONCLUSION

The Consolidated Communications Companies hereby submits for FCC Tariff No. 1, 2, 3, 4, 7, and 8 the accompanying TRP, proposed FUSF rate changes and exhibits consistent with the Commission's price cap regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable.

EXHIBIT INDEX

The Consolidated Communications Companies provides the necessary detail to support the calculations of indices, exogenous costs, Transitional Access rate

reductions, Eligible Recovery, ARC and FUSF rates in various workpapers. The following is the index of such workpapers.

Certification

2018 Access Reduction TRP

2018 Recip-Comp Calc

2018 Rate Ceiling CAF

Eligible Recovery

Tariff Rate Comp CAF

2018 Summary Eligible Recovery TRP

Tariff Review Plan (Long Form)

2018 True Up

TRP Rate Detail

Exhibit 1

Exhibit 2

Exhibit 3

Exhibit 4

Exhibit 5

Exhibit 6

Exhibit 7

Exhibit 8

Exhibit 9

Exhibit 10

Rates and Revenues Detail

Affiliate and COSA Information

GDP-PI Factor Development

IND-1 Transmittal Documentation

Exogenous Cost Calculations

New Services

Excluded Services

Total USAC Receipt Calculations

Proposed FUSF Rate Changes

Calculation of the Proposed FUSF Rates

Revenue Impact Summary