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

September 14, 2018

Transmittal No. 86

Description and Justification

DESCRIPTION

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 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 mid-year Price Cap filing, Consolidated Communications is proposing changes to the CAF-ICC funds based on a reduction in the exogenous costs. There are also proposed rate changes 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). 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).

B. Compliance with Indices

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 Subscriber Line Charges in FCC #1-4 are set at the current capped levels pursuant to Consolidated's Price Cap Orders[1]. PICC and CCL rates continue to be capped at zero for all Consolidated Companies.

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[1] See, Orders, Consolidated Communications Petition for Conversion to Price Cap Regulation and for Limited Waiver Relief, DA 08-1026 para 17; 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) para 31; SureWest Telephone Petition for Conversion from Rate of Return to Price Cap Regulation and for Limited Waiver Relief (DA 13-1253, WC Docket No. 13-71) para 19.

C. 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 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 2 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 0.00291 to 499A Price Cap revenues. This factor is set forth in the Notice of Proposed Rulemaking, FCC 18-126, released August 29, 2018.

TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) fee is based on the annual cost recovery factor of 0.02801, FCC Order DA 18-680, released on June 29, 2018.

NORTH AMERICAN NUMBER PLAN ADMINISTRATION

Pursuant to Public Notice, DA 18-727, released July 13, 2018, the contribution factor of 0.0000427 is applied total 499A interstate revenues to fund the 2018 numbering plan.

D. 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 5 contains the Revenue Impact Summary.

E. FUSF Rates

The proposed changes to the FUSF rates are attributed to the change in the FCC prescribed contribution factor between the 3rd quarter and the 4th quarter 2018 from 0.179 to 0.201 per CC Docket No. 96-45 (rel. September 12, 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 3 provides a listing of the proposed FUSF rate changes for FCC Tariff No. 7 and Exhibit 4 provides supporting documentation for the proposed rate changes found in Exhibit 3. FCC Tariff Nos. 1, 2, 3, 4, and 8 applies the new factor to all eligible interstate revenues.

F. CAF ICC Affects

The change in regulatory expense resulted in unrecovered exogenous cost dollars in the Common Line rates, thus this shortfall was included in the Eligible Recovery dollars. In compliance with the FCC's USF/ICC Transformation Order, the 2018 Annual Access Filing (TR 82) Eligible Recovery Worksheet has been adjusted to reflect the mid-year change in unrecoverable exogenous costs. In addition to the Eligible Recovery Workbook, Consolidated Communications hereby submits the Rate Ceiling-CAF, Tariff Rate Comparison-CAF and the CAF Summary workbooks in this filing to reflect the adjustments to the unrecovered exogenous costs.

The Rate Ceiling-CAF workbook is utilized by Consolidated to calculate the Access Recovery Charge (“ARC”) allowed by 47 C.F.R. §51.915(e). The Eligible Recovery exceeds the Maximum ARC Revenue, therefore, Consolidated is eligible for CAF ICC per 47 C.F.R. §51.915(f). There are no changes to the ARC.

Consolidated’s supporting calculations utilize the templates released by the Federal Communications Commission ("FCC") on April 25, 2018 and has prepared redacted and non-redacted versions of the workbooks.

CONCLUSION

The Consolidated Communications Companies hereby submits for FCC Tariff No. 1, 2, 3, 4, 7, and 8 the accompanying TRP, proposed 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, and rates in various workpapers. The following is the index of such workpapers.

Certification	
Tariff Review Plan	
TRP Rate Detail	
2018 Rate Ceiling CAF	
Eligible Recovery	
Tariff Rate Comp CAF	
2018 Summary Eligible Recovery TRP	
Exhibit 1	Affiliate and COSA Information
Exhibit 2	Exogenous Cost Calculations
Exhibit 3	Proposed FUSF Rate Changes
Exhibit 4	Calculation of the Proposed FUSF Rates
Exhibit 5	Revenue Impact Summary