

THE CHILLICOTHE TELEPHONE COMPANY
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2019-2020

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Section 1 INTRODUCTION AND SUMMARY

This Description and Justification (D&J) is designed to provide an overview of The Chillicothe Telephone Company (Chillicothe) tariff. The following will discuss, in general, tariff support material.

I. **Tariff Support Material**

Prior to July 1, 2016, rate-of-return incumbent LECs using projected cost and demand data pursuant to section 61.38 filed access tariff revisions only in even-numbered years and carriers using historical cost and demand data pursuant to section 61.39 filed only in odd-numbered years.¹ Beginning July 1, 2016, however, all rate-of-return incumbent LECs must file access service tariff revisions each year in order to implement the required annual reductions to the authorized rate of return.² In addition, pursuant to the *USF/ICC Transformation Order*, all rate-of-return incumbent LECs must file a TRP this year to comply with the requirements of sections 51.909(i), 51.917(d)(iv), and 51.917(e) of the Commission's rules.

Chillicothe will file this year pursuant to section 61.38. In addition to filing a TRP, The Company will submit the 2018-2019 tariff filing period cost support with the revised rate-of-return of 10.25 percent. The revised cost support will be displayed in the updated TRP.

¹ 47 CFR §§ 61.38-61.39, 69.3(f)(1), (2).

² *Rate-of-Return Reform Order*, 31 FCC Rcd at 3212, para. 326.

Section 2

DESCRIPTION OF TARIFF

I. Filing Information

Under Special Permission No. 86-696, dated September 19, 1986; Chillicothe established and filed its own interstate access service tariff. This tariff, developed in accordance with selected sections of Part 61 of Chapter 1 of TITLE 47 of the Code of Federal Regulations, is entitled The Chillicothe Telephone Company Tariff F.C.C. No. 1 (hereinafter referred to as the Chillicothe tariff). The effective date of Chillicothe's tariff is January 1, 1987. It was established for the provision of interstate access services to customers within Chillicothe's operating territory. Revisions to tariff language and rates filed June 17, 2019 will be effective July 2, 2019.

The Chillicothe tariff establishes a comprehensive rate structure for the provision of access services to all Interexchange Carriers (ICs) and End Users. The Chillicothe tariff is designed to offer interstate access services to all ICs on a nondiscriminatory basis.

II. Intercarrier Compensation Reform

On November 18, 2011, the FCC comprehensively reformed the Intercarrier compensation system. The FCC adopted bill-and-keep as the default methodology for all Intercarrier compensation traffic. Rate-of-return carriers have nine years to transition to bill-and-keep.

Per paragraph 778 of the Order, the FCC adopted transition rules only with respect to terminating access. Meanwhile, there is a cap on interstate originating and terminating access rates at their current level, pending a FNPRM. The following Intercarrier Compensation Reform Timeline identifies adopted rules affecting the June 17, 2019 interstate access tariff filing.

Effective Date	For Rate-of-Return Carriers and CLECs that benchmark access rates to rate-of-return carriers
Effective Date of the rules	All interstate switched access rate elements, including all originating and terminating rates and reciprocal compensation rates are capped. Intrastate terminating rates are also capped.
July 1, 2017	Terminating switched end office and reciprocal compensation rates are reduced from \$.005 to \$.0007 in equal increments over the next three years.

III. Developing a Unified Intercarrier Compensation Regime

In WC Docket No. 01-92, "Developing a Unified Intercarrier Compensation Regime", released March 31, 2014 the FCC discusses Section 51.907(d) and 51.909(d) of the Commission's rules specifying the access charge rate reductions that price cap and rate-of-return carriers, respectively, must make to terminating end office access rates in

2019. The process is for carriers to calculate the “2011 Baseline Composite Terminating End Office Access Rate,” which is calculated in using Fiscal Year 2011 demand and the End Office Access Service rates at the levels in effect on December 29, 2011. Chillicothe has complied with this requirement. The calculation is identified in the “2019 RoR ILEC ICC Data” workbook: “2019 Eligible Recovery Summary” Excel sheet. The CAF ICC charts are filed concurrently with the interstate access tariff filing.

Furthermore, per paragraph 17, *Single Per-Minute Rate Element for Terminating End Office Access Service*, the FCC clarifies that rate-of-return carriers may tariff the single composite rate as a terminating local switching access rate, consistent with the ICC transition, as long as all other rate elements associated with terminating end office access service are reduced to zero. Chillicothe has elected a single terminating end office rate and it is identified as local switching – per terminating access minute in the tariff sheet Page 365. The information surcharge – per terminating access minute rate is zero.

IV. **Connect America Fund**

WC Docket No. 10-90, Connect America Fund, released November 18, 2011 the FCC adopted a transitional recovery mechanism to facilitate incumbent LECs’ gradual transition away from ICC revenues reduced as part of this Order. This mechanism allows LECs to recover ICC revenues reduced as part of Intercarrier compensation reforms, up to a defined baseline, from alternate revenue sources: incremental, and limited increases in end user rates and, where appropriate, universal service support through the Connect America Fund (CAF). The recovery mechanism is limited in time and carefully balances the benefits of certainty and a gradual transition with the goal of keeping the federal universal service fund on a budget and minimizing the overall burden on end users.

The recovery mechanism has two basic components. First the revenue incumbent LECs are eligible to recover, which is referred to as “Eligible Recovery.” Second, the FCC specifies how incumbent LECs may recover Eligible Recovery through limited end-user charges and, where eligible and if a carrier elects to receive it, CAF support.

The Chillicothe Telephone Company is eligible for CAF support and in this tariff filing, hereby elects to continue receiving CAF support.

The 2019-2020 Eligible Recovery revenue includes a true-up for 2017-2018 maximum intrastate revenues (excluding disputed revenues) and proposed 2019-2020 intrastate units excluding forecast demand identified as intra-MTA traffic. In addition, Tariffed Access Recovery Charge (ARC) revenue and Expected CAF ICC support have been provided with this filing. The data is provided using the following TRP Excel workbooks:

- RoR ICC Data 2019 (2019 Eligible Recovery Summary, 2019 RoR ILEC Interstate Rates, 2019 RoR ILEC Intrastate Rates, and 2019 RoR Rec. Comp Rates)
- Rate Ceiling CAF RoR ILEC 2019 (ARC-CAF 1, ARC-CAF-2, and ARC-CAF-3)
- Tariff Rate Comp CAF RoR ILEC 2019 (Exchange Level ARC)
- True-up RoR ILEC 2019 (ARC True Up Calc and ARC True Up Summary)
- RoR ILEC Summary 2019 (Non-NECA ROR Sum)

In addition, the appropriate certifications have been provided at the end of this Description and Justification.

V. Access Charge Recovery

As discussed above, incumbent LECs may recover Eligible Recovery through limited end-user charges. Consistent with past ICC reforms, the FCC permits carriers to recover a limited portion of their Eligible Recovery from their end users through a monthly fixed charge called an ARC.

1. Limit the annual increase in consumer ARCs to \$0.50. Carriers may not charge an ARC on any Lifeline customers. This charge is calculated independently from, and has no bearing on, existing SLCs, although for administrative and billing efficiencies carriers are permitted to combine the charges as a single line item on a bill.
2. There is a Residential Rate Ceiling that prohibits imposing an ARC on any consumer paying an inclusive local monthly phone rate of \$30 or more.
3. Although the FCC does not adopt a business rate ceiling, the FCC does take measures to ensure that multi-line businesses' total SLC plus ARC line items are just and reasonable. The current multi-line business SLC is capped at \$9.20. To minimize the burden on multi-line businesses, the FCC will not permit LECs to charge a multi-line business ARC where the SLC plus ARC would exceed \$12.20 per line. This limits the ARC for multi-line businesses for entities at the current \$9.20 cap to \$3.00.

In summary, to recover Eligible Recovery, rate-of-return incumbent LECs are permitted to implement monthly end user ARCs with six annual increases of no more than \$0.50 (per month) for residential/single-line business consumers, for a total ARC of no more than \$3.00 in the sixth year; and \$1.00 (per month) per line for multi-line business customers for a total of \$6.00 per line in the sixth year, provided that: (1) such increases would not result in regulated residential end-user rates that exceed the \$30 Residential Rate Ceiling; and (2) any multi-line business customer's total SLC plus ARC does not exceed \$12.20.

The residential, single line and multi-line business ARC rates are no longer eligible for increases.

VI. Rate-of-Return Reform Order

On March 16, 2016, the Commission released the *Rate-of-Return Reform Order*, which, among other things, re-prescribed the authorized rate of return from 11.25 percent to 9.75 percent. Beginning July 1, 2016, the 11.25 percent rate of return will be reduced by 25 basis points per year until July 1, 2021, when it stops at the 9.75 percent rate-of-return. The 2019-2020 rate-of-return is 10.25 percent.

Section 3 TARIFF MATRIX

I. **Overview**

The following is a tariff matrix denoting any Chillicothe tariff text and rate changes effective July 2, 2019, and a brief description explaining such changes. The matrix is formatted by sequential Chillicothe tariff sections and has been developed to simplify the Commission's review efforts. The following table contains analyses of Tariff Section 17.

Table 1

Current Version			Version to be Effective July 2, 2019			Description
Page	Section	Version	Page	Section	Version	
365	17.1.2(A)and(B)	16th Revised	365	17.1.2(A)and(B)	17th Revised	Revised Rates
367	17.2.2(A)and(B)	18th Revised	367	17.2.2(A)and(B)	19th Revised	Revised Rates
370	17.2.4(A)and(B)	18th Revised	370	17.2.4(A)and(B)	19th Revised	Revised Rates
371	17.2.5(A)and(B)	19th Revised	371	17.2.5(A)and(B)	20th Revised	Revised Rates

Section 4
CERTIFICATIONS

CERTIFICATION

I am the Chief Financial Officer of The Chillicothe Telephone Company. I hereby certify that I have reviewed the preparation of all data supporting The Chillicothe Telephone Company June 17, 2019 Interstate Access Tariff filing and that I am authorized to execute this certification. Based upon information provided to me by employees responsible for the preparation of, or for supervision of the preparation of, the data submitted in support of the rates contained in the proposed tariff, I hereby certify that the data have been examined and reviewed and are true, correct and complete.

Date: 6.10.19



Mr. Pete Holland
Chief Financial Officer

Certification of Officer as to the Accuracy of the Data Reported -

Program Year 2019-2020

☒ I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the actual data reported; and, to the best of my knowledge, the information reported on this form is accurate.

Name of Reporting Carrier

The Chillicothe Telephone Company

Signature of Authorized Officer



Signature Date:

6/10/2019

Printed Name of Authorized Officer:

Mr. Pete Holland

Title or position of Authorized Officer:

CFO

Telephone number of Authorized Officer:

740.772.8547

Study Area Code of Reporting Carrier:

300597

Filing Due Date:

06/17/2019

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Certification of Officer for Rate-of-Return Carrier Eligibility for CAF/ICC Recovery

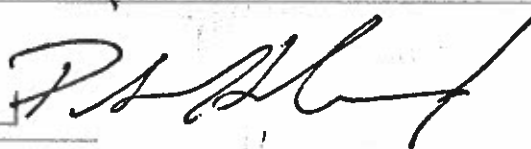
Program Year 2019-2020

☒ I certify that I am an officer of the reporting carrier and that, to the best of my knowledge, the reporting carrier on this form certifies that it has complied with Eligible Recovery §51.917(d) and Access Recovery Charge §51.917(e) and is eligible to receive the CAF ICC support requested pursuant to §51.917(f).

Name of Reporting Carrier

The Chillicothe Telephone Company

Signature of Authorized Officer



Signature Date:

6/10/2019

Printed Name of Authorized Officer:

Mr. Pete Holland

Title or position of Authorized Officer:

CFO

Telephone number of Authorized Officer:

740.772.8547

Study Area Code of Reporting Carrier:

300597

Filing Due Date:

06/17/2019

Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.

Certification of Officer for Rate-of-Return Carrier Not Seeking Duplicative Recovery

Program Year 2019-2020

☒ I certify that I am an officer of the reporting carrier and that, to the best of my knowledge, this reporting carrier is not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism as per §51.917(d)(vii).

Name of Reporting Carrier

The Chillicothe Telephone Company

Signature of Authorized Officer



Signature Date:

6/10/2019

Printed Name of Authorized Officer:

Mr. Pete Holland

Title or position of Authorized Officer:

CFO

Telephone number of Authorized Officer:

740.772.8547

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