

CONSOLIDATED COMMUNICATIONS COMPANIES

FCC No. 9

June 17, 2019

Transmittal No. 89

Description and Justification

DESCRIPTION

In connection with the June 17, 2019 Annual Filing, Consolidated Communications Companies ("CCI") hereby submits its Tariff Review Plan (TRP) to the Federal Communications Commission ("FCC") for its Rate of Return Carriers that are converting business data services ("BDS") to Incentive Regulation pursuant to §61.50 of the Commission Rules with the required supporting documentation. This information is being filed in accordance with the Commission's 2019 TRP Notices released May 1, 2019 (DA19-313) and April 4, 2019 (DA19-246) and fulfills the requirements established in Sections §61.41 through §61.49 of the Commission Rules. Exhibit 1 lists the Consolidated Communications operating companies and the associated study areas included in this filing.

In accord with §61.50(d) and §61.50(e), CCI has withdrawn all BDS for the operating companies listed in Exhibit 1 from the NECA Traffic-Sensitive Pool and initialized its rates as outlined in Exhibit 5. The annual Incentive Regulation filing supports Consolidated Communications new FCC Tariff No. 9 which provides common line and BDS rates, terms and conditions for the carriers listed in Exhibit 1. Per guidance from the FCC, common line rate elements are excluded from the Incentive Regulation

TRP. The carriers listed in Exhibit 1 will continue to participate in the National Exchange Carriers Association Traffic Sensitive Pool and Tariff for Switched Access services.

JUSTIFICATION

A. RATE INITIALIZATION

The January 1, 2019 rate elements were used to calculate the rate adjustment for each study area (SAC) based on half of the 2018 Cost Study Revenue Requirement and the July – Dec 2018 Revenues reported to NECA as defined in the FCC Order 18-146 (Released October 24, 2018). Exhibit 5 reflects the initial rates, calculated at a study area level, producing a billing reduction of \$1.2 million based on the rates billed on Jan 1, 2019.

The SAC initial rates were then imported into the TRP and the adjustment for inflation and productivity were applied to the initial rates. Utilizing a revenue neutral methodology, CCI is proposing four rate bands as opposed to 23 rate bands. All but two of our SAC's have an overall reduction in their billing.

For services eligible for 3 and 5 year term discount plans, which are fixed percentages off of the Monthly rates (3 year is discounted 10% and 5 year by 20%), the fixed percentage was applied to the monthly rate to yield the 3 and 5 year rates. In summary, CCI will have 23 SACs in one new tariff (CCI No. 9) with four rate bands. All services deemed competitive effective July 2, 2019 will be de-tariffed.

B. Demand

Demand data for the regulated special access rate elements reflect the period January 1 through December 31, 2018 and is used in the calculations of the *Price Cap Index* (PCIs), *Actual Price Index* (APIs), and *Service Band Index* (SBIs). Only the demand for services that have not received regulatory relief pursuant to §61.50 are included in the appropriate Incentive Regulation baskets. End User Channel

Terminations in the SAC's of Berkshire Telephone Corp, Consolidated Communications of Maine – Community Services, and Consolidated Communications of Ohio – Germantown have been deemed competitive and are omitted from the TRP and Tariff No. 9.

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 Incentive Regulation baskets. The TRP Order requires a detailed listing of services excluded from Incentive Regulation. These excluded services are listed in Exhibit 3.

C. PCI Development

PCIs for each basket are calculated in accordance with Commission Rules. A GDP-PI factor of 2.114% 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, 2018 and the corresponding quarter of 2017. Pursuant to FCC 18-146, 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.

D. Compliance with Indices

In this filing, the Commission requires CCI to compute the appropriate adjustments to the current indices for each Incentive Regulation basket. The adjustments to the Indices are set forth in the Tariff Review Plan, form IND-1.

E. Exogenous Cost Allocations

Consolidated Communications proposes the following general exogenous cost adjustments: 1) Regulatory Fee, 2) Telecommunications Relay Service (TRS), and 3) North American Number Plan Administration. Each of the incremental exogenous cost amounts in this filing is allocated based on Incentive Regulation 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. 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. The revenue requirement utilized to determine the current rates in the TRP contain exogenous costs at the current factors; therefore, no incremental exogenous costs are included in this filing.

F. Rate Detail & Revenue Impact Summary

Included with the filing is a rate detail schedule. This detail shows the current and proposed rates in an 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 4 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 0.188 to 0.244 per CC Docket No. 96-45 (rel. June 12, 2019). FCC Tariff No. 9 applies the new factor to all eligible interstate revenues.

CONCLUSION

The Consolidated Communications Companies hereby submits for FCC Tariff No. 9 the accompanying TRP, proposed FUSF rate changes and exhibits consistent with the Commission's Incentive Regulation rules 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 FUSF rates in various workpapers. The following is the index of such workpapers.

Certification

TRP Rate Detail

Exhibit 1

Exhibit 2

Exhibit 3

Exhibit 4

Exhibit 5

Rates and Revenues Detail

Affiliate and COSA Information

GDP-PI Factor Development

Excluded Services

Revenue Impact Summary

Rate Initialization