

CONSOLIDATED COMMUNICATIONS COMPANIES FCC No. 7

June 17, 2019

Transmittal No. 91

Description and Justification

DESCRIPTION

In connection with the June 17, 2019 Annual Filing, Consolidated Communications Companies ("CCI") hereby submits its Tariff Review Plan (TRP) revisions to the Federal Communications Commission ("FCC") for its Price Cap Companies regulated under Tariff No. 7 with the required supporting documentation. This information is being filed in accordance with the Commission's 2019 TRP Notices released April 4, 2019 (DA19-246) and May 1, 2019 (DA19-313). 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 CCI company included in this filing.

In addition to the annual Price Cap filing, CCI 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 CCI in this transmittal.

A. Demand

Demand data for the Price Cap regulated special access and common line services reflects 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). 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.

B. PCI Development

PCIs for each basket are calculated in accordance with Commission Rules. A GDP-PI factor of 2.1140% is 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 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 CCI 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, and 2) Telecommunications Relay Service. Each of the incremental exogenous cost amounts 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. 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.

The amount of 499A revenue generated from competitive services, thus excluded from the exogenous cost allocations, was overstated in last year's annual and mid-year TRP filings for FCC Tariff 7. These calculations have been corrected in this annual filing and are reflected in our allocation of exogenous expense. Exhibit 4 shows the incremental exogenous costs calculations and allocations that are included in this filing.

E. Elimination of IAS Support

The Interstate Access Support (IAS) is excluded in the TRP CAP schedules in deriving the EUCL rates as all of the study areas regulated under FCC Tariff 7 are no longer receiving CAF Phase I support. The IAS support was frozen per FCC 11-161 released November 18, 2011. FCC 11-161 Paragraph 152 states:

“while carriers receive support under CAF Phase I, the amount of their frozen high cost support equal to the amount of IAS for which each carrier was eligible in 2011 as being received under IAS, including, but not limited to, for the purposes of calculating interstate rates will be treated as IAS for purposes of our existing rules”.

Commission rule §61.46(d) specifies the methodology to calculate rates in the common line basket and outlines that the rates within the common line basket are to consider the IAS support per §54.807. Section §54.807 no longer exists in the FCC Rules and IAS effectively terminated when these study areas elected the CAF II Right of First Refusal Support. Therefore, IAS is zero and should not be imputed in calculating the maximum allowable carrier common line revenue.

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 9 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 2019 from 0.188 to 0.244 per CC Docket No. 96-45 (rel. June 12, 2019). 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 7 provides a listing of the proposed FUSF rate changes for FCC Tariff No. 7. Exhibit 8 provides supporting documentation for the proposed rate changes found in Exhibit 7.

CONCLUSION

The Consolidated Communications Companies hereby submits for FCC Tariff No. 7 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, Eligible Recovery, ARC and FUSF rates in various workpapers. The following is the index of such workpapers.

Certification

Tariff Review Plan (Long Form)

TRP Rate Detail

Exhibit 1

Exhibit 2

Exhibit 3

Exhibit 4

Exhibit 5

Exhibit 6

Exhibit 7

Exhibit 8

Exhibit 9

Rates and Revenues Detail

Affiliate and COSA Information

GDP-PI Factor Development

IND-1 Transmittal Documentation

Exogenous Cost Calculations

New Services

Excluded Services

Proposed FUSF Rate Changes

Calculation of the Proposed FUSF Rates

Revenue Impact Summary