

CONSOLIDATED COMMUNICATIONS COMPANIES
FCC No. 1, 2, 3, 4, 7, 8 & 9

September 16, 2019

Transmittal No. 95

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 and Incentive Regulation Companies regulated under Tariff Nos. 1, 2, 3, 4, 7, 8 and 9 with the required supporting documentation. This filing fulfills the requirements established in Sections 61.41 through 61.50 of the Commission Rules. Exhibit 1 lists the COSAs' associated with each Consolidated Communications company and the associated study area included in this filing.

In addition to the mid-year BDS filing for rate adjustments based on changes in exogenous costs, Consolidated Communications is proposing changes to the Access Recovery Charge (ARC) and the Federal Universal Service Fund (FUSF) Factor and associated rates. The proposed changes to the ARC comply with the requirements found in Part 51 Subpart J of the Commission Rules. Consolidated Communications' FCC Tariff No. 7 also proposes FUSF rate 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 BDS regulated special access and Price Cap 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). 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 BDS baskets.

B. Compliance with Indices

Consolidated Communications is required 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 Orders¹. PICC and CCL rates continue to be capped at zero for all Consolidated Companies.

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 (TRS), and 3) North American Number Plan Administration (NANPA). Each of the incremental exogenous cost in this filing is allocated based on Common Line and BDS revenues. Exogenous costs allocated to competitive BDS services are excluded from the TRP.

For the Consolidated Communications companies opting into the Rate of Return Incentive Regulation Plan, the costs contained in the 2018 Cost Study was the basis for establishing the BDS rates in the annual filing. At the time of the annual filing, there was no change in any of the exogenous cost factors. The exogenous costs that were utilized to establish the BDS rates for the Incentive Regulation Plan were not grossed-up to account for any mid-year change in the exogenous cost factors. Therefore, unlike the Price Cap carriers, there was no need to make any exogenous cost adjustments in the annual filing.

However, the mid-year filing requires an exogenous cost adjustment to the Incentive Regulation BDS rates. In order to determine the allocation of exogenous costs to non-competitive BDS services, the revenue reported to National Exchange Carriers Association (NECA) for the period of July through December 2018 was utilized. A ratio calculation of non-competitive special access revenue to the total special access reported to NECA yields the factor necessary to parse the exogenous costs to be included in the filing. This factor will be utilized going forward in the allocation of exogenous costs for ratemaking in FCC #9.

The Regulatory Fee and TRS expense are allocated to Common Line and Special Access baskets of the Price Cap BDS filing based on the 499A Interstate revenues. The NANPA expense is calculated on the Total 499A Interstate revenues and also allocated to these two baskets of services. Common Line services are excluded

from the TRP for the Incentive Regulation Plan per Section 61.50 of the Commission rules; thus, the exogenous costs allocated to the Common Line basket are excluded from the TRP.

Consolidated Communications has also adjusted the exogenous amounts to reflect any shift in revenue growth for the Rate of Return Incentive Regulation TRP. The result is that no exogenous adjustment is made if the expense factor has not changed. In other words, the rate per dollar of revenue remains unchanged if the factor is unchanged. Adjustments for revenue shifts in the Price Cap carriers were calculated in the annual filing.

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 2019-2020 tariff year is based on the application of the Commission prescribed factor of 0.00317 to 499A revenues. This factor is set forth in the Notice of Proposed Rulemaking, FCC 19-83, released August 27, 2019.

TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) fee is based on the annual cost recovery factor of 0.02779, FCC Order DA 19-607, released on June 28, 2019.

NORTH AMERICAN NUMBER PLAN ADMINISTRATION

Pursuant to Public Notice, DA 19-810, released August 22, 2019, the contribution factor of 0.0000908 is applied total 499A interstate revenues to fund the 2019 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. FCC Tariff #9 contains many study areas with four rate bands. For convenience, Exhibit 1 contains a list of the study areas and the band that applies to each study area. 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 2019 from 0.244 to 0.250 per CC Docket No. 96-45 (rel. September 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 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 ARC Adjustment

Adjustments to the ARC in FCC Tariff #7 and #8 have been made due to unrecoverable exogenous costs through the Common Line rate elements and an error in the projection of access lines. The Eligible Recovery was adjusted to include the change in exogenous costs in compliance with the FCC's USF/ICC Transformation Order. In addition to the change in the Eligible Recovery, Consolidated Communications revises

projections in the Rate Ceiling and Tariff Rate Comparison Forms to appropriately adjust the ARC. Confidential and redacted versions of all CAF-ICC forms are attached.

Consolidated's supporting calculations utilize the templates released by the Federal Communications Commission ("FCC") on May 1, 2019 (DA19-313).

CONCLUSION

Consolidated Communications hereby submits for FCC Tariff No. 1, 2, 3, 4, 7, 8 and 9 the accompanying TRP, proposed rate changes and exhibits consistent with the Commission's regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable.

EXHIBIT INDEX

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	
2019 Rate Ceiling	
Eligible Recovery	
Tariff Rate Comp	
2019 Summary Eligible Recovery TRP	
2019 True Up	
Tariff Review Plan (Long Form)	
TRP Rate Detail	
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