

**DESCRIPTION AND JUSTIFICATION  
CONSOLIDATED COMMUNICATIONS COMPANIES (CCC)  
CONSISTING OF CONSOLIDATED COMMUNICATIONS OF TEXAS (CCTX)  
AND CONSOLIDATED COMMUNICATIONS OF FORT BEND (CCFB)  
d/b/a CONSOLIDATED COMMUNICATIONS**

**CCC TARIFF FCC No. 1**

**TRANSMITTAL No. 8, MAY 27, 2005**

**DESCRIPTION**

The competitive landscape for broadband services has been and is changing rapidly. The Consolidated Communications Companies' (CCC) customers are requesting faster broadband service at a lower cost and with no or minimal obligations. This tariff filing proposes to satisfy this request by doing the following:

- (1) Discontinuing all term payment plans (TPPs); current customers will be "grandfathered" in their current plans until the plans run out
- (2) Eliminating all speed limitations on ADSL service
- (3) Reducing the ADSL monthly rate to the level of the current TPP rate

Along with these changes, the list of technical references has been expanded to cover the new ADSL service.

Additionally, the changing competitive and traffic situation necessitates CCC changing its Tandem Switched Transport rates, since the Company has become a tandem provider in the Katy switch (CCFB).

Term Payment Plans (TPPs)

Customers have been reluctant to sign up for ADSL, because of the need to commit to a one year TPP in order to receive the \$22.00 ADSL rate. The current month-to-month rate of \$45.00 is above ADSL rates in nearby areas. In order to meet our customers' needs, all TPPs are being discontinued. The Company will provide ADSL only on the basis of no term commitment and at the prior TPP rate of \$22.00. This should greatly incent customers to sign up for ADSL. Current customers on TPPs will be grandfathered. No rate increases will be imposed on customers with existing term plans until what would have been the end of the term on currently existing term plans.

Nonrecurring Charges for ADSL

The nonrecurring installation and service order charges for Speedlink ADSL have been set to \$0.000 to make it easier for customers to sign up for ADSL service. The nonrecurring costs associated with this service will be recovered in the monthly ADSL rate.

### “Open Pipe” ADSL Service

Furthermore, the Company is opening up the speeds carried over its ADSL service to the maximum possible speeds based on the technical specifications of the installed equipment and the condition and geography of the facilities and equipment available. The Company will provide the best available speeds, both upstream (to the serving wire center) and downstream (from the serving wire center to the customer) in an “open pipe” mode. Loop length limitations still remain for some customers who do not meet the technical specifications of the ADSL equipment. With this change, only one variation of ADSL will be available -- the “open pipe” Speedlink ADSL. Signals in both directions will meet a minimum guaranteed speed of 128 Kbps. Current ADSL technical standards offer a maximum of 6 Mbps downstream and 640 Kbps upstream, according to the International Engineering Consortium. The Company expects that service will approach these technically available speeds, except where distance reduces the maximum speeds. Future technical standards (VDSL, SHDSL, etc.) will increase this and be provided to the Company’s customers as soon as customer demand requires and the equipment installation can occur. The Company plans to have no rate increase when the new faster speeds are introduced; it plans, instead, to retain the current rate.

No customer will experience any diminution of service and customers who currently obtain service based on various speeds, will be able to obtain the same functionality that is currently provided and at least the current bandwidth/speed. There will be no impact on customer premises equipment currently being used.

The most significant limitation on the throughput speed will be imposed by the application provider (normally an ISP – internet service provider).

The cost support for ADSL was filed in TXU Communications Telephone Company’s Transmittal No. 18, and remains valid.

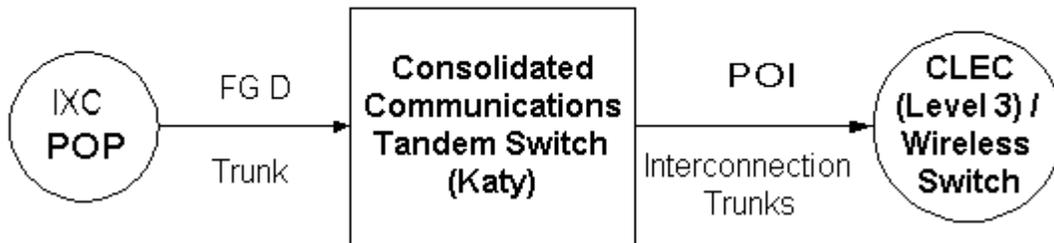
### Increased Tandem Switching Rate

The Tandem Switching rate for CCFB is currently \$0.0000 (CCTX currently has a rate of \$0.000141). With the advent of wireless and wireline competition, other carriers are now getting number blocks and direct trunks to CCC’s wire centers. They are then showing Consolidated Communications in the LERG as their tandem provider for those number blocks. This forces CCC into a position of either blocking that traffic or putting a Tandem Switching rate in place so that we can recover for the function the Company is providing to carriers sending traffic to us that is destined for a third party.

The CCFB Tandem Switching rate is an access charge and will be charged only to access customers and only on access minutes, just like the Tandem Switching rate in CCTX.

The switch in the Katy (CCFB) office is a Lucent 5ESS. Consolidated purchased and is now using the 5E16 software load, which includes the tandem switching functionality to perform call routing for the tandem traffic. The transiting tandem traffic generally originates outside the local calling scope of CCFB. It is then routed through the Katy tandem to another customer. The diagram below identifies traffic being delivered by an IXC, which is then routed to a CLEC (such as Level 3’s switch) or wireless switch.

## Tandem Transiting Example - Level 3 Communications



The LERG used by the Company is a large flat file which includes multiple companies and situations. Reproducing the entire LERG would be nearly impossible. A CCFB LERG extract showing the above example of Level 3 Communications provides an example of the information in question:

<b>SWITCH</b>
HSTQTX02DS0
<b>OCN</b>
6114
<b>OCN NAME</b>
LEVEL 3 COMMUNICATIONS, LLC - TX
<b>SHA INDICATOR</b>
07

ORIG FGB	ORIG FGD	TERM FGB	TERM FGD
KATYTXXA03T	KATYTXXA03T	KATYTXXA03T	KATYTXXA03T

NPA	NXX	BLOCK ID	RATECENT
281	394	0	KATY
281	394	1	KATY
281	394	3	KATY
281	394	4	KATY
979	246	4	NEEDVILLE

The transiting tandem switched traffic was taken from the Katy switch usage measurements. An extract of this data for the inbound transiting traffic during the month of March 2005 follows. This monthly data was annualized by multiplying the monthly total by 12.

KATY – TRANSITING TANDEM TRAFFIC

SWITCH	USE	WORK	INBOUND TRANSIT
KATY	INTERCONNECTELC	KATYINTERCONNECTELC	0
KATY	INTERCONNECTEMS	KATYINTERCONNECTEMS	6,873
KATY	INTERCONNECTEAS	KATYINTERCONNECTEAS	77
KATY	INTERCONNECTSBC L/T	KATYINTERCONNECTSBC L/T	1
KATY	INTERCONNECTTOLL	KATYINTERCONNECTTOLL	66,697
KATY	IXC	KATYIXC	956
KATY	WIRELESS	KATYWIRELESS	0
KATY	CLEC	KATYCLEC	0

KATY TOTAL **74,604**

ANNUALIZED KATY **895,248**

Calculation of Tandem Switching Rate

In order to calculate the new rates, the CCFB revenues from 2004 were calculated from the monthly management reports. This is found in Attachment A to this Description & Justification (D&J). After applying the Tandem Switched Transport rates for the year (there were 2 major rate changes over the course of the year due to the 2004 Annual Filing, including a mid-month change which required using a blended rate), the demand was calculated.

The calculated actual demand for 2004 was applied against the December 2004 rates to yield the revenues for 2004 at the end-of year rates – this constitutes a reasonable projection of 2005 revenues with no forecast usage or rate changes. This revenue was used as a basis for determining the proposed rates and revenue. The Tandem Switched Facility (TSF) rate was reduced to that of CCTX and simplified. The Tandem Switched Termination (TST) rate was essentially divided into 2 rates and simplified where possible. For the Tandem Switching rate,

the calculated demand for 2004/2005 was increased by the inbound Tandem Transiting minutes for the Katy switch (an increase of approximately 0.6%) and then multiplied by the proposed rate of \$0.0005.

The Tandem Switched Termination (TST) was set at a rate of \$0.0003 and multiplied by the 2004/2005 usage (without the tandem transiting traffic). These 3 rates will recover the projected 2005 revenue. The sum total of the rate changes was a revenue-neutral rate change. The calculations are found in detail in Attachment A and are summarized below:

	<u>Calculated Demand</u>	<u>2004 Revenue</u>	<u>Dec 2004 Rates</u>	<u>Revenue @ Dec 04 Rates</u>	<b><u>Proposed Rates</u></b>	<u>Revenue @ Prop Rates</u>	<u>CCTX Rates</u>
TSF	491,501,127	\$96,357	\$0.000181	\$88,962	<b>\$0.000140</b>	\$68,810	\$0.000141
TST	151,371,366	\$110,912	\$0.000668	\$101,116	<b>\$0.000300</b>	\$45,411	\$0.000654
TS	152,266,614	\$ 0	\$0.000000	\$ 0	<b>\$0.000500</b>	\$76,133	\$0.001477
Total		\$207,269		<b><u>\$190,078</u></b>		<b><u>\$190,355</u></b>	

## JUSTIFICATION

The Federal Communications Commission has identified a goal of increasing the broadband penetration in the country. This filing intends to do exactly that for the Company's exchanges.

This tariff change responds to our customers' desires for higher speeds, lower prices and no commitments on CCC's ADSL service. All of these issues are being addressed in the changes and new rates. Additionally, the Company is eliminating the term payment plans and nonrecurring charges for instituting ADSL service. No customer will experience any diminution of service and customers who currently obtain service based on various speeds, will be able to obtain the same functionality that is currently provided. There will be no impact on customer premises equipment currently being used.

To respond to the new use of its Katy switch as a tandem switch by CLECs, Internet Service Providers, and other customers, the 5ESS switch has been upgraded to activate the tandem switching functionality. In line with this change in function, CCC proposes to institute a Tandem Switching Rate, which will permit the Company to recover its cost of providing tandem service to competitive carriers.

**Rate Development -- CCFB**

Rate Element	2004 Revenues	2004 Demand	Average 2004 Rate	2004 EoY Rate	Revenues @ EoY Rate
Tandem Switched Facility (per min per mile)	\$96,357	491,501,127	\$0.0001960	\$0.000181	\$88,962
Tandem Switched Termination (per min)	\$110,912	151,371,366	\$0.0007327	\$0.000668	\$101,116
Tandem Switching (per min)	\$0	N/A	\$0.0000000	\$0.0000000	\$0
<b>Total</b>	<b>\$207,269</b>				<b>\$190,078</b>

2004 with Tandem Switching Rate	2004 Demand, except Tandem Switching which is April 2005 Annualized	2004 EoY Rate	Revenues @ EoY Rate	Revised TS Rates	Revised TS Revenues	CCTX Rates	SBC Rates
Tandem Switched Facility (per min per mile)	491,501,127	\$0.000181	\$88,962	\$0.000140	\$68,810	\$0.000141	\$0.000003
Tandem Switched Termination (per min)	151,371,366	\$0.000668	\$101,116	\$0.000300	\$45,411	\$0.000654	\$0.000058
Tandem Switching (per min) (plus additional 895,248 MOUs for transiting traffic)	152,266,614	\$0.000000	\$0	\$0.000500	\$76,133	\$0.001477	\$0.000315
<b>Total</b>			<b>\$190,078</b>		<b>\$190,355</b>		
					<b>\$190,078</b>		

**CCFB 2004 Interstate Local Transport Demand**

Local Transport - MOU		Revenues	Rate	Facility Demand	Termination Demand			
				per min/per mile	per min/per term			
January 2004	Tandem Switched Facility (TSF)	\$9,430.74	\$0.000211	44,695,450				
	Tandem Switched Termination (TST)	\$10,837.54	\$0.000780		13,894,282			
February 2004	Tandem Switched Facility (TSF)	\$6,915.99	\$0.000211	32,777,204				
	Tandem Switched Termination (TST)	\$7,913.82	\$0.000780		10,145,923			
March 2004	Tandem Switched Facility (TSF)	\$9,284.50	\$0.000211	44,002,370				
	Tandem Switched Termination (TST)	\$10,450.12	\$0.000780		13,397,590			
April 2004	Tandem Switched Facility (TSF)	\$8,971.03	\$0.000211	42,516,730				
	Tandem Switched Termination (TST)	\$10,167.82	\$0.000780		13,035,667			
May 2004	Tandem Switched Facility (TSF)	\$8,056.84	\$0.000211	38,184,076				
	Tandem Switched Termination (TST)	\$9,162.04	\$0.000780		11,746,205			
June 2004	Tandem Switched Facility (TSF)	\$8,910.73	\$0.000211	42,230,948				
	Tandem Switched Termination (TST)	\$10,102.24	\$0.000780		12,951,590			
July 2004	Tandem Switched Facility (TSF)	\$8,233.24	\$0.000182	45,237,582				
	Tandem Switched Termination (TST)	\$9,885.72	\$0.000741		13,341,053			
August 2004	Tandem Switched Facility (TSF)	\$7,607.57	0.0001814 *	41,933,618				
	Tandem Switched Termination (TST)	\$9,201.14	0.0006986 *		13,170,584			
September 2004	Tandem Switched Facility (TSF)	\$7,312.86	\$0.000181	40,402,541				
	Tandem Switched Termination (TST)	\$8,343.96	\$0.000668		12,490,958			
October 2004	Tandem Switched Facility (TSF)	\$6,852.11	\$0.000181	37,856,961		119,520,608	4	478,082,431
	Tandem Switched Termination (TST)	\$7,870.82	\$0.000668		11,782,665	37,197,515	4	148,790,060
November 2004	Tandem Switched Facility (TSF)	\$6,694.33	\$0.000181	36,985,249				
	Tandem Switched Termination (TST)	\$7,699.92	\$0.000668		11,526,826			
December 2004	Tandem Switched Facility (TSF)	\$8,086.79	\$0.000181	44,678,398				
	Tandem Switched Termination (TST)	\$9,277.20	\$0.000668		13,888,024			

Total 2004	Total 2004 Rev	Average Rate	Total 2004 Min-Mi	Total 2004 Min
Tandem Switched Facility (TSF)	\$96,356.73	\$0.000196	491,501,127	
Tandem Switched Termination (TST)	\$110,912.34	\$0.000733		151,371,366
	\$207,269.07			

Blended Rate for August 2004		Factor	Rate	Blended Rate
*	Blended Rate - Aug 1 - Aug 13 = 13/31 days	LTF	0.419354839	0.000182
	Aug 14 - Aug 31 = 18/31 days	LTF	0.580645161	0.000181
				<b>0.0001814 TS Facility</b>
		LTT	0.419354839	0.000741
		LTT	0.580645161	0.000668
				<b>0.0006986 TS Termination</b>

KATY - TRANSITING TANDEM TRAFFIC

SWITCH	USE	WORK	INBOUND TRANSIT	OUTBOUND TRANSIT
KATY	INTERCON	KATYINTERCONNECTELC	0	404
KATY	INTERCON	KATYINTERCONNECTEMS	6,873	19,203
KATY	INTERCON	KATYINTERCONNECTEAS	77	102,307
KATY	INTERCON	KATYINTERCONNECTSBC L/T	1	31,764
KATY	INTERCON	KATYINTERCONNECTTOLL	66,697	432,690
KATY	IXC	KATYIXC	956	12,732
KATY	WIRELESS	KATYWIRELESS	0	34,753
KATY	CLEC	KATYCLEC	0	4,526

**KATY TOTAL 74,604 638,379**

**ANNUALIZED KATY 895,248 7,660,548**