

Kennard Law Offices LLC

Attorneys At Law

116 Pine Street, 5th Floor, Harrisburg PA 17101

Tel: (717) 635-2320 Fax: (717) 238-2390

Email: [njc@kennard-law.com](mailto:njk@kennard-law.com)

Norman J. Kennard

Direct Dial: (717) 635-7372

June 26, 2007

VIA HAND DELIVERY

Marlene H. Dortch, Secretary
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *In the Matter of 2007 annual Access Tariff Filings*
WCB/File No. Pricing 07-10

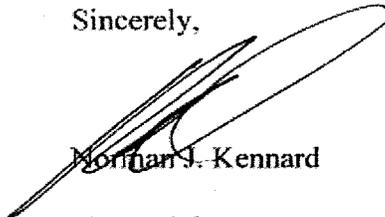
Dear Ms. Dortch:

Jordan-Soldier Valley Telephone Company, Arthur Mutual Telephone Company, Bascom Mutual Telephone Company, Benton Ridge Telephone Company, Buckland Telephone Company, Fort Jennings Telephone Company, Glandorf Telephone Company, Inc., Kalida Telephone Company, Inc., Middle Point Home Telephone Company, Ottoville Mutual Telephone Company, Ridgeville Telephone Company, Sherwood Mutual Telephone Association, Inc., Vaughnsville Telephone Company, Killduff Telephone Company, Lynnville Telephone Company, Northeast Iowa Telephone Company, Inc., Sully Telephone Association, Inc., and Reasnor Telephone Company, LLC, by their attorney, hereby file an original and four (4) copies of their Consolidated Reply to the Petitions to Suspend and Investigate filed by Qwest Communications Corporation, AT&T Corp., Sprint Nextel Corporation and Verizon in the above-captioned proceeding.

Acknowledgement and date of receipt of this filing is requested. A duplicate copy of this filing is provided for this purpose.

Please contact the undersigned if you have any questions.

Sincerely,



Norman J. Kennard

Counsel for
Jordan-Soldier Valley Telephone Company, Arthur
Mutual Telephone Company, Bascom Mutual

Marlene H. Dortch, Secretary
June 26, 2007
Page 2

Telephone Company, Benton Ridge Telephone Company, Buckland Telephone Company, Fort Jennings Telephone Company, Glandorf Telephone Company, Inc., Kalida Telephone Company, Inc., Middle Point Home Telephone Company, Ottoville Mutual Telephone Company, Ridgeville Telephone Company, Sherwood Mutual Telephone Association, Inc., Vaughnsville Telephone Company, Killduff Telephone Company, Lynnville Telephone Company, Northeast Iowa Telephone Company, Inc., Sully Telephone Association, Inc., and Reasnor Telephone Company, LLC

Enclosure

cc: Service List

STAMP AND RETURN

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

FILED/ACCEPTED
JUN 26 2007
Federal Communications Commission
Office of the Secretary

| | | |
|---------------------------------------|---|----------------------------|
| In the Matters of |) | |
| |) | |
| July 2007 Annual Access Charge |) | WCB/Pricing File No. 07-10 |
| Tariff Filings |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Arthur Mutual Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Bascom Mutual Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Benton Ridge Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Buckland Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Fort Jennings Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Glandorf Telephone Company, Inc. |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Kalida Telephone Company, Inc. |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Middle Point Home Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Ottoville Mutual Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Ridgeville Telephone Company |) | |

| | | |
|---|---|--------------------|
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Sherwood Mutual Telephone Association, Inc. |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Vaughnsville Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Jordan-Soldier Valley Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Killduff Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Lynnville Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Northeast Iowa Telephone Company, Inc. |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Sully Telephone Association, Inc. |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Reasnor Telephone Company, LLC |) | |
| |) | |

To: Pricing Policy Division
Wireless Competition Bureau

**CONSOLIDATED REPLY TO THE PETITIONS TO SUSPEND AND
INVESTIGATE FILED BY QWEST COMMUNICATIONS CORPORATION,
AT&T CORP., SPRINT NEXTEL CORPORATION AND VERIZON**

Norman J. Kennard
Kennard Law Offices LLC
116 Pine Street, 5th Floor
Harrisburg, PA 17101
Office: (717) 635-2320

June 26, 2007

TABLE OF CONTENTS

SUMMARY iv

I. THE PETITIONS FAIL TO SATISFY THE FOUR CRITERIA FOR
SUSPENSION OF THE PRIMA FACIE LAWFUL TARIFFS FILED BY
THE AVERAGE SCHEDULE COMPANIES.3

 A. The Tariff Rates Are Lawful Because They Do Not Exceed The Rate
 Levels Established By Section 61.39(b)(2).4

 1. Reasnor Telephone Company's Proposed Rates Are Just And
 Reasonable.12

 B. Irreparable Injury Will Not Result Because Any Unreasonable Rates
 Will Be Corrected In Subsequent Tariff Filings.13

 C. Suspension Of The Tariffs Would Be Contrary To The Public Interest.....16

II. THE INVESTIGATION AND CERTIFICATION SOUGHT IN THE
PETITIONS WOULD VIOLATE THE APA17

III. CONCLUSION.....18

SUMMARY

The tariff rates filed by the Average Schedule Companies are prima facie lawful under Section 1.773(a)(1)(iii) of the Commission's rules. Only under "extraordinary circumstances" and after a Petition has proven that all four parts of the stringent test for suspension has been satisfied should a prima facie lawful tariff be suspended. Such "extraordinary circumstances" do not exist with respect to these prima facie lawful tariffs and not even one of the criteria for a suspension has been satisfied. Therefore, the Petitions should be denied.

The Average Schedule Companies' tariff rates are not related to their individual costs or an individual rate of return because they were calculated in accordance with Section 61.39(b)(2) of the Commission's rules on the basis of their average schedule settlements and historical demand. Allegations in the Petitions that the Average Schedule Companies provided misleading or inaccurate information to the Commission because they did not engage in demand projections are frivolous and completely meritless. Section 61.39(b)(2) required the Average Schedule Companies to use historical demand data in the calculation of their tariff rates and expressly prohibited them from using estimates of projected demand. As the Commission correctly concluded, adopting Section 61.39(b)(2), the use of actual historical data is far less likely to lead to excessive earnings than the use of forecasts.

The Average Schedule Companies' rates are lawful because, with the exception of a minor error related to Reasnor Telephone Company's rates, they do not exceed the rates mandated by Section 61.39(b)(2). Average schedule settlements and the Section 61.39(b)(2) rates they produce are a form of incentive regulation. Because Section 61.39(b)(2) regulates the rate, companies electing this incentive regulation are encouraged to become more efficient and realize productivity gains. Productivity gains occur when the value of outputs is greater than the cost of inputs. To realize productivity gains, a local exchange carrier can cut costs, increase

production, or both. It would be unconscionable to punish the Average Schedule Companies with an investigation for doing what the Commission's rules required in lieu of engaging in unlawful demand forecasts.

The Average Schedule Companies were primarily motivated to file their own tariffs in order to avoid large losses in revenue that would have resulted from NECA's recent modifications to the average schedule formulas. In addition, some of the Average Schedule Companies would like to enter into commercial arrangements with conference call companies like that authorized by the Commission in *Jefferson Telephone*. Such efforts should continue to be supported and encouraged by the Commission in order to increase the revenue available to upgrade rural exchanges with innovative broadband services and to avoid further local rate increases as federal USF is capped and access lines are lost to wireless and VOIP competition.

The Petitions use inappropriate inflammatory rhetoric and factual misstatements to attack the legitimate efforts by small rural carriers to realize productivity gains. There is no such thing called "traffic pumping", which is a term that the Petitions often bandy about. They completely ignore the FCC's policies adopted in *Jefferson Telephone* and its progeny, which expressly found that there is nothing unlawful about commercial arrangements between small rural telephone companies and conference call companies that increase the productive use of terminating access facilities to generate additional revenue that can be re-invested in this country's rural telecommunications infrastructure. The use of the term "kickbacks" in the Petitions is equally frivolous, as a conference call company does not even make a payment for access service that could be "kicked back".

Section 61.39(b)(2) is working as originally intended by self-correcting rates over time. Should one or more of the Average Schedule Companies experience an increase in future demand, any theoretical inaccuracies in their rates will self-correct when they revise their rates,

as required by Sections 61.39(b)(2) and 69.3(a) of the Commission's rules. Therefore, any injury to the major interexchange carriers would be "reparable", not "irreparable", as required to justify a tariff suspension.

It would be the public that would ultimately suffer from a suspension and investigation. Suspending the tariffs and initiating a investigation would create extreme uncertainty regarding the availability of funds for these small companies to maintain current facilities or upgrade to broadband service in the rural areas they serve. Until any investigation is complete and the lawfulness of the tariff rates is confirmed, the Average Schedule Companies will be unable to invest money in their networks that may become subject to a refund, even if that possibility is remote.

This precarious position would likely be made worse as the large interexchange carriers refuse to render any payment for the interstate access services provided by the Average Schedule Companies. The major interexchange carriers are already engaged in illegal self-help by withholding full payment of access service bills. These large telecommunications companies would likely interpret a suspension by the Commission of prima facie lawful tariffs as support for their illegal activities and encourage them to withhold any payment whatsoever to the Average Schedule Companies.

The public interest, therefore, is far better served by denying the Petitions.

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

| | | |
|--|---|----------------------------|
| In the Matters of |) | |
| |) | |
| July 2007 Annual Access Charge Tariff Filings |) | WCB/Pricing File No. 07-10 |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Arthur Mutual Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Bascom Mutual Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Benton Ridge Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Buckland Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Fort Jennings Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Glandorf Telephone Company, Inc. |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Kalida Telephone Company, Inc. |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Middle Point Home Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Ottoville Mutual Telephone Company |) | |
| |) | |

| | | |
|---|---|--------------------|
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Ridgeville Telephone Company |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Sherwood Mutual Telephone Association, Inc. |) | |
| |) | |
| Broadband Network Group |) | Transmittal No. 1 |
| F.C.C. Tariff No. 1 |) | |
| Vaughnsville Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Jordan-Soldier Valley Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Killduff Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Lynnville Telephone Company |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Northeast Iowa Telephone Company, Inc. |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Sully Telephone Association, Inc. |) | |
| |) | |
| ICORE, Inc. |) | Transmittal No. 80 |
| F.C.C. Tariff No. 2 |) | |
| Reasnor Telephone Company, LLC |) | |
| |) | |

To: Pricing Policy Division
Wireless Competition Bureau

**CONSOLIDATED REPLY TO THE PETITIONS
TO SUSPEND AND INVESTIGATE FILED BY
QWEST COMMUNICATIONS CORPORATION, AT&T CORP.,
SPRINT NEXTEL CORPORATION AND VERIZON**

Jordan-Soldier Valley Telephone Company, Northeast Iowa Telephone Company, Inc., Sully Telephone Association, Inc., Lynnville Telephone Company, Killduff Telephone Company, Reasnor Telephone Company, LLC, Arthur Mutual Telephone Company, Bascom Mutual Telephone Company, Benton Ridge Telephone Company, Buckland Telephone Company, Fort Jennings Telephone Company, Glandorf Telephone Company, Inc., Kalida Telephone Company, Inc., Middle Point Home Telephone Company, Ottoville Mutual Telephone Company, Ridgeville Telephone Company, Sherwood Mutual Telephone Association, Inc., and Vaughnsville Telephone Company (collectively the "Average Schedule Companies"), pursuant to Section 1.773(b) of the Commission's rules and the Commission's March 29, 2007 Public Notice,¹ hereby submit their Consolidated Reply to the petitions to suspend and investigate filed by Qwest Communications Corporation, AT&T Corp., Sprint Nextel Corporation and Verizon ("Petitions"). For the reasons set forth below, the Petitions should be denied.

I. THE PETITIONS FAIL TO SATISFY THE FOUR CRITERIA FOR SUSPENSION OF THE PRIMA FACIE LAWFUL TARIFFS FILED BY THE AVERAGE SCHEDULE COMPANIES.

The Average Schedule Companies have each filed their interstate access service tariffs in full compliance with the Commission's prescribed rules and regulations, with the exception of a minor inadvertent error made in the 2005 demand used to calculate Reasnor Telephone Company's rates.² A Section 61.39(b)(2) tariff, such as is the subject here, is prima facie lawful if average schedule information was provided to interexchange carriers upon reasonable request.

¹ 47 C.F.R. § 1.773(b); *In the Matter of July 2007 Annual Access Charge Tariff Filings, Public Notice*, DA 07-1483, 22 FCC Rcd 5621 (released March 29, 2007).

² Declaration of Christina Bobbyn ¶ 3 ("Bobbyn Decl."), attached hereto as Exhibit A.

The Average Schedule Companies provided average schedule information to each interexchange carrier that requested it,³ and therefore their tariffs are prima facie lawful.

A prima facie lawful tariff may only be suspended if the Petitioners, as the parties with the burden of proof, meet all of the following standards:

- (A) That there is a high probability the tariff would be found unlawful after investigation;
- (B) That any unreasonable rate would not be corrected in a subsequent filing;
- (C) That irreparable injury will result if the tariff filing is not suspended; and
- (D) That the suspension would not otherwise be contrary to the public interest.⁴

This stringent four part test establishes a "no-suspension zone" for tariffs like that upheld in *Advanced Micro Devices*, which requires a person challenging a rate within the zone to establish "extraordinary circumstances" to justify suspension.⁵

The Petitions filed by Verizon, Sprint, AT&T and Qwest fail to satisfy even one of these criteria, and certainly not the entire stringent four part test. They have not met their burden of proving that "extraordinary circumstances" exist, and therefore the Petitions should be denied.

A. The Tariff Rates Are Lawful Because They Do Not Exceed The Rate Levels Established By Section 61.39(b)(2).

Except for a minor error in the calculation of Reasnor Telephone Company's rates, the Average Schedule Companies' tariff rates were based on each company's traffic sensitive settlements from the NECA average schedule pool in full compliance with Section 61.39(b)(2)⁶

³ *Id.* ¶ 4.

⁴ 47 C.F.R. § 1.773(a)(1)(iii).

⁵ *Policy and Rules Concerning Rates for Dominant Carriers, Further Notice of Proposed Rulemaking*, 3 FCC Rcd 3195, 3303 ¶ 201 (1988), citing *Advanced Micro Devices v. Civil Aeronautics Board*, 742 F.2d 1520, 1533 (DC Cir. 1984). "In large measure this standard parallels the one courts use in determining whether to issue stays or preliminary injunctions." *Advanced Micro Devices*, 742 F.2d at 1533, citing *Virginia Petroleum Jobbers Ass'n v. FPC*, 259 F.2d 921 925 (DC Cir. 1958).

⁶ All of the Average Schedule Companies serve less than 50,000 access lines and, hence, § 61.39 applies.

of the Commission's rules and historical demand.⁷ Such compliance with the Commission's rules is by definition a reasonable practice. The use of historical demand data to calculate rates also cannot be considered false or misleading because that is precisely what is required by Section 61.39(b)(2), and the Commission has expressly prohibited the use of projections. The Average Schedule Companies' tariff filings fully comply with these requirements.

In adopting Section 61.39(b)(2), the Commission determined that tariff rates based on actual historical traffic, rather than projections, would result in more efficient rates.⁸ The Petitions, instead, mount an inappropriate collateral attack on those Commission conclusions in an effort to inject the use of demand projections in evaluating Section 61.39(b)(2) rates. The Commission also recognized that an average schedule company's rates calculated pursuant to Section 61.39(b)(2) may differ from the NECA pooled rates.⁹ Northeast Iowa Telephone Company and Reasnor Telephone Company, for example, have proposed tariff rates that, in the aggregate, are less than those proposed by NECA for the pool.¹⁰

The Petitioners, instead, seek to set rates based on future demand in complete contravention of the incentive regulation established by Section 61.39(b)(2) of setting rates on the basis of only historical demand. The fact is that Section 61.39(b)(2) prohibits the Average Schedule Companies from calculating their rates on the basis of demand projections.¹¹

In previously rejecting this forecasting approach, the Commission has concluded that the use of historical data is far less likely to lead to excessive earnings than the use of forecasts.

A carrier such as AT&T for example, which has excessive earnings in one period as a result of faulty forecasting, may also have excessive earnings in the next

⁷ 47 C.F.R. § 61.39(b)(2); Bobbyn Decl. ¶¶ 3 and 6.

⁸ *In the Matter of Regulation of Small Telephone Companies, Report and Order*, 2 FCC Rcd 3811 ¶ 12 (released June 29, 1987) ("*Historical Tariff Order*").

⁹ *Id.* ¶ 25.

¹⁰ Bobbyn Decl. ¶ 16.

¹¹ *Historical Tariff Order* ¶¶ 15-16 (rejecting the use of projected data "to account for known and measurable changes expected to occur in the upcoming rate period").

period if its new forecasts are also defective. The process is not self-correcting in such ratemaking.¹²

Calculating Section 61.39(b)(2) tariff rates on the basis of a projected number of calls not only violates the Commission's regulations, but, had the Average Schedule Companies done so, would have caused them to engage in the type of speculative forecasting that Section 61.39(b)(2) was designed to avoid.

The Average Schedule Companies' rates are lawful because they do not exceed the rates mandated by Section 61.39(b)(2). It would be unconscionable to punish the Average Schedule Companies with an investigation for doing what the Commission's rules required in lieu of engaging in unlawful demand forecasts.

NECA's recent revisions to the average schedule formulas have significantly reduced the compensation that will be received by the Average Schedule Companies from the provision of interstate access service.¹³ This revenue is critical for a small carrier to fund high-speed broadband, wireless, and video services in rural areas.¹⁴ The Average Schedule Companies therefore had to leave the NECA pool in order to recover the costs of network maintenance and upgrades without further increases in local rates.¹⁵ For example, since 2006, Northeast Iowa Telephone Company has expended \$3 million to upgrade its telephone operations, and it recently increased its local rates between 50% to 55%.¹⁶ However, NECA's recent revisions to the average schedule formulas would have reduced its compensation from interstate access service by \$100,000 if it had not filed its 61.39(b)(2) tariff.¹⁷ Furthermore, as calculated by AT&T, Reasnor Telephone Company's compensation under the modified NECA average schedule

¹² *Id.* at n. 28.

¹³ Bobbyn Decl. ¶ 5.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Bobbyn Decl. ¶ 5.; *see also*, Exhibit B attached hereto.

¹⁷ Bobbyn Decl. ¶ 5.

formulas would decline by \$626,700.¹⁸ Avoiding the significant loss in revenue that would be wrought by NECA's modifications to the average schedule formulas was the primary motivating factor for many small carriers to file their own tariffs and exit the NECA pool.

The Petitions' requests for cost studies to determine individual rates of return are inappropriate. The Average Schedule Companies' tariff rates are not related to their individual costs because they were calculated in accordance with Section 61.39(b)(2) of the Commission's rules on the basis of their average schedule settlements.¹⁹ Those average schedule settlements are calculated using the average schedule formulas approved by the Commission.²⁰ The calculation of an individual rate of return for each of the Average Schedule Companies "would be inconsistent with the purpose of having interstate average schedule formulas," average schedule companies are exempt from the Commission's accounting regulations;²¹ and any inquiry into their actual costs would be "a meaningless exercise" and "have no resulting impact on interstate rates."²² *Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities, Order on Reconsideration*, 2 FCC Rcd 6283, ¶ 155 (1987).

An individual rate of return analysis is also inapplicable to an average schedule company's Section 61.39(b)(2) tariff rates. Local exchange carriers "retain their status as average schedule companies" when they file Section 61.39(b)(2) tariffs.²³ When the Commission referred to rate of return enforcement in adopting Section 61.39(b)(2), it applied individual rate

¹⁸ AT&T Petition, Exhibit 3-a, comparing column c to column f.

¹⁹ Bobbyn Decl. ¶ 6

²⁰ *Id.*

²¹ *Mid-Plains Telephone Co., Memorandum Opinion and Order*, 5 FCC Rcd 7050 ¶ 35 (1990); *Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services, Notice of Proposed Rulemaking*, 11 FCC Rcd 17211 n. 23 (1996).

²² *Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities, Order on Reconsideration*, 2 FCC Rcd 6283, ¶ 155 (1987).

²³ 47 C.F.R. § 61.39(e).

of return regulation to only "companies electing to use the historical cost approach",²⁴ which is not at all comparable to the election made by the companies here to use the historical average schedule settlement approach. The Average Schedule Companies therefore have fully complied with the authorized rate of return by calculating their access service rates on the basis of the average schedule formulas approved by the Commission to earn the authorized rate of return.²⁵

Nor is a high return, if one is realized, a basis for objection by Petitioners. As shown in Exhibit B attached hereto, price cap carriers such as Verizon, have profited with very high rates of return as a result of retaining their own productivity gains.²⁶ Similarly, with Section 61.39(b)(2) incentive regulation, a high rate of return resulting from productivity gains is not in itself unlawful. The Commission "is empowered to ensure just and reasonable rates ("charges"), not rates of return."²⁷

Average schedule settlements and the Section 61.39(b)(2) rates that they produce are a form of incentive regulation. Because Section 61.39(b)(2) regulates the rate, companies electing this incentive regulation are encouraged to become more efficient and realize productivity gains.²⁸ Productivity gains occur when the value of outputs is greater than the cost of inputs.²⁹ To realize productivity gains, a local exchange carrier can cut costs, increase production, or both.³⁰ The Average Schedule Companies' tariff rates are just and reasonable because they do not exceed the rates required by Section 61.39(b)(2).³¹

The Petitions ask the Commission to speculate about the Average Schedule Companies' potential business plans, plans that would compete with their own retail conferencing products.

²⁴ *Historical Tariff Order*, 2 FCC Rcd at 3813 n. 27.

²⁵ Bobbyn Decl. ¶ 8.

²⁶ *Id.* ¶ 10.

²⁷ *ACS of Anchorage, Inc. v. FCC*, 290 F.3d 403, 411 (DC Cir. 2002).

²⁸ Bobbyn Decl. ¶ 9.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

The companies owe the Petitioners no such obligation to disclose their competitive plans and do not do so here. Petitioners pejoratively label what some other local companies have done as “traffic pumping.”

Even were the Petitioner’s conjecture later demonstrated to be true, however, it forms no basis to lawfully suspend the tariffs here. There has been no demonstration by Petitioners that expanding services and applying lawful rates is wrong. Small carriers are simply meeting customer demand for conferencing services and expanding traffic through new, expanded service offerings. There is nothing wrong with companies attempting, in this highly competitive market, to expand their business offerings with the objective of maintaining revenues and keeping local rates low in order to maintain the universal availability of service. The Commission has expressly ruled in three previous cases that locating high volume customers in rural communities to promote and expand the use of rural telephone plant is a reasonable and lawful means of increasing the production of terminating access service.³²

Nor is the Petition’s premise, that increased access traffic (even assuming *arguendo* that the rural LECs here intend to expand their conferencing services) automatically results in an excessive rate of return. The industry is more complicated than a single variable equation. There has been no presentation by Petitioners that even attempts to suggest that the Average Schedule Companies’ earnings would be excessive other than the simplistic point that, if the companies were to offer conferencing services, then their revenues will increase.

Simply increasing one aspect of a business, does not automatically equate, as Petitioners suggest, into excessive earnings on a total company or even jurisdictional basis. This would be single issue ratemaking and wrong.

³² *AT&T Corp. v. Jefferson Telephone Co., Memorandum Opinion and Order*, 16 FCC Rcd 16130 (2001); *AT&T Corp. v. Frontier Communications of Mt. Pulaski, Inc.*, 17 FCC Rcd 4041 (2002); *AT&T v. Beehive Telephone Company, Inc., Memorandum Opinion and Order*, 17 FCC Rcd 11641 ¶ 29 (2002).

Rural local landline carrier revenues across the country have been negatively affected by loss of business to cellular service providers, cable interconnected VoIP and other competitors (including Verizon, Qwest, AT&T and Sprint). Year-over-year diminishing dial tone subscription, local service revenues, and toll and access revenues is now the established trend. This financial diminution occurs at a critical time when capital budgets are increasing to meet broadband availability targets. If the rural companies can find a way to expand some aspect of their business, this effort should be supported, not condemned. Certainly it cannot be found improper as a matter of law such that the “highly probable” standard has been met.

The Petitions propose a certification requirement for small carriers that would limit the growth in their access service traffic if they want to avoid the burden of an FCC investigation. However, they fail to propose a similar certification requirement for large carriers, even though: (1) the average schedule Section 61.39(b)(2) rates and price caps are both forms of incentive regulation, (2) large carriers are competing with small carriers for conference call traffic, and (3) Section 61.39(b)(2) rates will eventually decline over time to the same level of the access charges billed by price cap carriers as conference call traffic increases. Therefore, should the Commission impose traffic growth certification upon small carriers subject to Section 61.39(b)(2) incentive regulation, it should also impose exactly the same certification requirements upon large price cap carriers.

The Petitions use inappropriate inflammatory rhetoric and factual misstatements to attack the legitimate efforts by small rural carriers to realize productivity gains. There is no acknowledged practice called “traffic pumping,”³³ which is a term that the Petitions repeat to excess. They completely ignore the FCC's policies adopted in *Jefferson Telephone* and its progeny, which expressly found that there is nothing unlawful about commercial arrangements

³³ Bobbyn Decl. ¶ 11.

between small rural telephone companies and conference call companies that increase the productive use of terminating access facilities to generate additional revenue that can be re-invested in this country's rural telecommunications infrastructure.

The use of the term "kickbacks" in the Petitions is equally frivolous. A "kickback" is defined as a "payment back of a portion of the purchase price."³⁴ To the extent a commission is paid to a conference call company from access service revenue, like the commission authorized in *Jefferson Telephone*, it cannot be a "kickback" because interexchange carriers pay the purchase price for access service, not the conference call company.³⁵ There is nothing to "kickback." Moreover, commissions or marketing fees are legitimate incentives used both in the telecommunications industry as well as other industries to increase production.³⁶ The Petitions also contain false allegations regarding ownership affiliations with Sully Telephone Association that do not exist and the legitimate arms-length sales of the Reasnor and Killduff exchanges, which were separately approved by both the Commission and the Iowa Utilities Board.³⁷

The Average Schedule Companies were primarily motivated to file their own tariffs in order to avoid large losses in revenue that would have resulted from NECA's modifications to the average schedule formulas.³⁸ In addition, some of the Average Schedule Companies would like to enter into commercial arrangements with conference call companies like that authorized by the Commission in *Jefferson Telephone*.³⁹ Such efforts should continue to be supported and encouraged by the Commission in order to increase the revenue available to upgrade rural exchanges with innovative broadband services and to avoid further local rate increases as federal

³⁴ Black's Law Dictionary 449 (5th ed. 1983).

³⁵ Bobbyn Decl. ¶ 11.

³⁶ *Id.*

³⁷ See e.g., AT&T Petition, pp. 12, 21; Bobbyn Decl. ¶ 12.

³⁸ Bobbyn Decl. ¶ 13.

³⁹ *Id.*

USF is capped and access lines are lost to wireless and VOIP competition. The Commission should also deny the unprecedented requests in the Petitions that would require small carriers to disclose their potential business plans to the large carriers, especially when Qwest, AT&T, Sprint and Verizon offer competing conference call services to the public. Since the Average Schedule Companies are proposing rates that are less than those required by the Commission's rules, further regulation is unwarranted and would thwart the legitimate efforts of small carriers to generate additional revenue for rural areas.⁴⁰

1. Reasnor Telephone Company's Proposed Rates Are Just And Reasonable.

AT&T's challenges to Reasnor Telephone Company's proposed tandem switched transport rates are frivolous and unfounded.⁴¹ AT&T concedes that "Reasnor may have technically complied with the Commission's rules", and expresses its dissatisfaction with the Commission's rules themselves.⁴² However, compliance with the Commission's rules is no justification for a tariff suspension, regardless of AT&T's misguided opinion about the rules themselves. AT&T also would have preferred if Reasnor Telephone Company had not used the current average schedule formulas to calculate its rates.⁴³ However, in using the current average schedule formulas, Reasnor Telephone Company used the correct formulas under Section 61.39(b)(2) for calculating rates based on historical demand.⁴⁴ NECA's modified average schedule formulas do not become effective until July 1, 2007, following the June 30, 2007 effective date for the annual 2007 access tariff filings.⁴⁵

⁴⁰ *Id.*

⁴¹ AT&T Petition, p. 22.

⁴² *Id.* at 23.

⁴³ *Id.* at n. 35.

⁴⁴ Bobbyn Decl. ¶ 18.

⁴⁵ *Id.*

AT&T indicates that Reasnor Telephone Company used the same 2005 demand as Readlyn Telephone Company.⁴⁶ This was an inadvertent error that did not have a material impact on the calculation of Reasnor Telephone Company's rates. Reasnor's 2005 minutes were mistakenly never updated after using Readlyn's worksheet as a template.⁴⁷ The following rates would result if the correct Reasnor 2005 demand and circuits are used in the calculations:

| | <u>Filed 6/15</u> | Revised |
|-----------------------------|-------------------|---------------------|
| Tandem Switched Termination | .007670 | .004761 |
| Tandem Switched Facility | .001556 | .000966 |
| Local Switching | .001687 | .001516 |
| Directory Assistance | .0037 | .0033 ⁴⁸ |

Given that Reasnor Telephone Company has proposed a major price reduction of 79% from its current rates, and the small discrepancy caused by this minor miscalculation, the rates proposed by Reasnor Telephone Company remain just and reasonable.⁴⁹ Reasnor Telephone Company commits to correct this minor error in a subsequent tariff filing that will be filed soon.⁵⁰ Therefore, this inadvertent error does not warrant the suspension of the major reduction in the rates proposed by Reasnor Telephone Company.

B. Irreparable Injury Will Not Result Because Any Unreasonable Rates Will Be Corrected In Subsequent Tariff Filings.

The Petitions also fail to satisfy the second and third criteria required for suspension of a prima facie lawful tariff. The Commission based these requirements on the standard used by courts to determine whether to issue stays or preliminary injunctions.⁵¹ The "irreparable injury" standard adopted by the Commission has been described as follows:

⁴⁶ AT&T Petition, p. 24.

⁴⁷ Bobbyn Decl. ¶ 19.

⁴⁸ *Id.*

⁴⁹ *Id.* ¶ 25.

⁵⁰ *Id.*

⁵¹ *Policy and Rules Concerning Rates for Dominant Carriers, Further Notice of Proposed Rulemaking*, 3 FCC Rcd at 3303, n. 377.

The key word in this consideration is irreparable. Mere injuries, however substantial, in terms of money, time and energy necessarily expended in the absence of a stay, are not enough.⁵²

Qwest, AT&T, Sprint and Verizon fail to demonstrate how they would be irreparably injured if the tariffs are not suspended. Increases in demand, if any occur, after the rates become effective will cause a rate to decrease in subsequent filings, as originally intended by the historical lag and self-correcting nature of the Section 61.39(b)(2) tariff filing regime.⁵³ Any unreasonable rates would therefore be corrected in subsequent tariff filings and such a subsequent correction means any alleged injury is "reparable". The payment of higher rates until they self-correct involves the expenditure of money, but does not constitute "irreparable injury". In addition, AT&T and Qwest will collect additional revenue from consumers using their long distance services if demand increases.

The Commission described the self-correcting nature of Section 61.39(b)(2) tariff rates as follows:

Although rates might theoretically be inaccurate because of changed circumstances, they should also be self-correcting and thus rate neutral over time because current actuals would be used in subsequent periods to set rates. Carriers using this ratemaking process thus should neither gain nor lose revenue in the long run as a result of using actual historical data.⁵⁴

Section 61.39(b)(2) is working as originally intended, and the rates proposed by the Average Schedule Companies will be self-correcting over time.⁵⁵

Section 69.3(a) of the Commission's rules requires every carrier operating under the Section 61.39(b)(2) tariff regime to revise their rates at least every two years. Section 61.39(b)(2) rates have declined as conference call traffic has increased.⁵⁶ As an example,

⁵² *Virginia Petroleum Jobbers Assoc., v. Federal Power Commission*, 259 F.2d at 925.

⁵³ Bobbyn Decl. ¶ 26.

⁵⁴ *Historical Tariff Order* ¶ 12.

⁵⁵ Bobbyn Decl. ¶ 26.

⁵⁶ *Id.*

Exhibit C attached hereto illustrates the changes in rates over time of Reasnor Telephone Company and Readlyn Telephone Company.⁵⁷ The tariff rates of these two small average schedule companies were established pursuant to Section 61.39(b)(2).⁵⁸ Over time, Reasnor and Readlyn have relied upon revenue from increases in conference call traffic to maintain and upgrade their rural infrastructure.⁵⁹ As that increase in historical demand is reflected in Section 61.39(b)(2) ratemaking, Reasnor's interstate access rates will decline by 79% on June 30, 2007, far below the rates for the NECA pool.⁶⁰

Should one or more of the Average Schedule Companies experience an increase in future demand, any theoretical inaccuracies in their rates will self-correct when they revise their rates, as required by Sections 61.39(b)(2) and 69.3(a) of the Commission's rules.⁶¹ Therefore, any injury to Qwest or AT&T would be "reparable," not "irreparable."⁶²

Nor do the Petitioners demonstrate, as a factual matter, that irreparable harm will occur or is not avoidable or is unavoidable because of their own actions. The entire argument is premised on Petitioners' costs only, with no discussion of the revenue impact of their customers' increased calling. As presented, the case for harm ignores completely the fact each Petitioner is its customers' retail service provider and the recipient of toll revenue from those end users. Nowhere does the Petition describe the revenue effects that would occur if the "traffic pumping" allegations are correct. More dialing minutes means more toll revenue for the interexchange carriers. Alternatively, if the long distance companies have contractually bound themselves to a fixed rate price for unlimited toll calling, while at the same time failing to control consumption

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.* ¶ 28.

⁶² *Id.*

by carefully defining the calling that customer can expect, that is a self-created harm and not properly solved by limiting the Average Schedule Companies' rates and services.

C. Suspension Of The Tariffs Would Be Contrary To The Public Interest.

Suspending the tariffs and initiating a investigation would also be contrary to the public interest because it would create extreme uncertainty regarding the availability of funds for these small companies to maintain current facilities or upgrade to broadband service in the rural areas they serve.⁶³ Until any investigation is complete and the lawfulness of the tariff rates is confirmed, the Average Schedule Companies will be unable to invest money in their networks that may become subject to a refund, even if that possibility is remote.⁶⁴

This precarious position would likely be made worse as Qwest, AT&T, Sprint and Verizon refuse to render any payment for the interstate access services provided by the Average Schedule Companies.⁶⁵ AT&T and Qwest are already engaged in illegal self-help by withholding full payment of access service bills⁶⁶. These large telecommunications companies would likely interpret a suspension by the Commission of prima facie lawful tariffs as support for their illegal activities and encourage them to withhold any payment whatsoever to the Average Schedule Companies.⁶⁷

Moreover, the result is anti-competitive. Limiting the calls to rural companies by restricting their revenues and subjecting them to refund would foreclose, or at the very least severely limit, the Average Schedule Companies' opportunity to introduce and expand a service offering, if they choose to do so, that is in competition with the Petitioners' own "conference

⁶³ *Id.* ¶ 29.

⁶⁴ *Id.*

⁶⁵ *Id.* ¶ 30.

⁶⁶ *Id.*

⁶⁷ *Id.*

blocks.” Thus, the IXCs’ position would deny the benefits of a competitive conferencing alternative to their own captive (by contract) customers.

The rates proposed by the Average Schedule Companies are reasonable when compared to the rates that the large price cap carriers charge for conferencing services.⁶⁸ The largest telecommunications providers in the country, including AT&T, Qwest and Verizon, offer conferencing services at far higher rates than the terminating access service rates that the Average Schedule Companies would charge for completing those conference calls.⁶⁹ See Exhibit D attached hereto. AT&T offers rates “as low as \$0.14 per minute per connection for caller paid (i.e. 1+) toll.”⁷⁰ Verizon offers packages ranging from \$0.11 to \$0.16 per minute when subscribers purchase various blocks of conferencing usage.⁷¹ In addition, AT&T and Verizon collect terminating access charges on these calls.⁷²

It would be the public that would ultimately suffer from a suspension and investigation.⁷³ As the Average Schedule Companies suffer financially, their ability to provide service will deteriorate and telephone service in their rural communities will degrade.⁷⁴ Such an outcome is certainly contrary to the public interest when, as here, rates are self-correcting and suspension is not warranted.⁷⁵

II. THE INVESTIGATION AND CERTIFICATION SOUGHT IN THE PETITIONS WOULD VIOLATE THE APA.

Finally, the Petitions impermissibly attempt to impose duties not currently required by Section 61.39(b)(2) and substitute, a tariff investigation to make a legislative rule change to

⁶⁸ *Id.* ¶ 14.

⁶⁹ *Id.*

⁷⁰ *Id.* ¶ 14; *see also*, Exhibit C.

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.* ¶ 31.

⁷⁴ *Id.*

⁷⁵ *Id.*

Section 61.39(b)(2). This violates, the notice-and-comment rulemaking procedures of Section 553(b) of the Administrative Procedure Act ("APA"), 5 U.S.C. § 553(a). When the Commission as here has given Section 61.39(b)(2) a definitive interpretation, it cannot, by subsequent re-interpretation, so completely amend Section 61.39(b)(2) without notice and comment. *United States Telecom Association v. FCC*, 400 F.3d 29, 35 n. 12 (DC Cir. 2005).

When the Commission adopted Section 61.39(b)(2), it clearly and expressly determined that the use of historical demand to calculate rates was more efficient than using projections, and definitively interpreted that regulation as precluding the use of projected demand estimates. The Petitions now ask the Commission to suspend and investigate all Section 61.39(b)(2) tariff rates that are not calculated on the basis of known and measurable changes in future demand. The certification as to future demand requested by the Petitions would similarly have the effect of amending Section 61.39(b)(2) by adding a new duty not currently required by the Commission's regulations. Furthermore, the Petitions seek to impose new reporting requirements upon small carriers without OMB approval, in violation of the Paperwork Reduction Act,⁷⁶ and without a regulatory flexibility analysis, in violation of the Regulatory Flexibility Act.⁷⁷

The Commission should therefore reject the attempt by the Petitions to bypass the APA procedures to add demand forecasts to the Section 61.39(b)(2) tariff regime, when, by previous rulemaking, the rules upon which the Average Schedule Companies now rely, expressly declined to do so.

III. CONCLUSION.

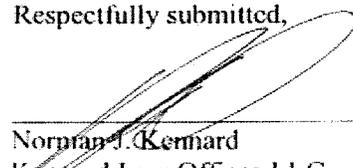
For the foregoing reasons, the Commission should deny the Petitions. The Petitions do not satisfy the stringent four part test for suspending the prima facie lawful tariff rates of the

⁷⁶ 44 U.S.C. § 3507.

⁷⁷ 5 U.S.C. § 604; *United State Telecom Assoc. v. FCC*, 400 F.3d. at 42.

Average Schedule Companies. Those tariff rates were calculated in full compliance with Section 61.39(b)(2), with the exception of one minor error related to the major reduction in rates proposed by Reasnor Telephone Company. The proposed tariff rates are therefore just and reasonable. The claim that the companies here will realize excessive profits by adopting their currently effective rates is unproved and speculative. Qwest, AT&T, Sprint and Verizon will not be irreparably harmed because Section 61.39(b)(2) requires rates to self-correct over time and the claim of harm is not factually supported. Furthermore, suspension and investigation is contrary to the public interest in maintaining reliable telephone service and promoting broadband service in rural areas.

Respectfully submitted,



Norman J. Kennard
Kennard Law Offices LLC
116 Pine Street, 5th Floor
Harrisburg, PA 17101
Office: (717) 635-2320
Facsimile: (717) 238-2390
Email: [njc@kennard-law.com](mailto:njk@kennard-law.com)

*Counsel for
Jordan-Soldier Valley Telephone Company, Arthur
Mutual Telephone Company, Bascom Mutual
Telephone Company, Benton Ridge Telephone
Company, Buckland Telephone Company, Fort
Jennings Telephone Company, Glandorf Telephone
Company, Inc., Kalida Telephone Company, Inc.,
Middle Point Home Telephone Company, Ottoville
Mutual Telephone Company, Ridgeville Telephone
Company, Sherwood Mutual Telephone
Association, Inc., Vaughnsville Telephone
Company, Killduff Telephone Company, Lynnville
Telephone Company, Northeast Iowa Telephone
Company, Inc., Sully Telephone Association, Inc.,
and Reasnor Telephone Company, LLC*

June 26, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have on this 26th day of June, 2007, served the foregoing Consolidated Reply to the Petitions to Suspend and Investigate filed by Qwest Communications Corporation, AT&T Corp., Sprint Nextel Corporation and Verizon on the following parties:

Thomas Navin
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W. – Room 5-A225
Washington, DC 20554
(via electronic mail – Pamela.arluk@fcc.gov & hand-delivery)

Albert Lewis
Chief, Pricing Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554
(via hand-delivery)

Raj Kannan,
Pricing Policy Division
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W. – Room 5-A221
Washington, DC 20554
(via electronic mail - raj.kannan@fcc.gov & hand-delivery- 3 copies)

Best Copy and Printing, Inc.
Federal Communications Commission
445 12th Street, S.W. – Room CY-B402
Washington, DC 20554
(via electronic mail – fcc@bcpiweb.com & hand-delivery)

David L. Lawson
Christopher T. Shenk
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, D.C. 20005
Attorneys for AT&T Corp.
(via facsimile: 202-736-8711)

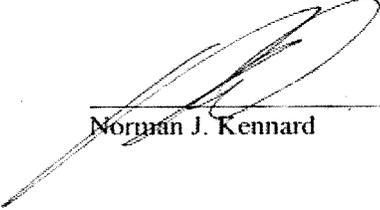
Peter Jacoby
Gary L. Phillips
Paul K. Mancini
AT&T Inc.
1120 20th Street, N.W.
Suite 1000
Washington, DC 20036
(via facsimile: 202-457-3073)

Sean A. Lev
Evan T. Leo
KELLOGG, HUBER, HANSEN, TODD,
EVANS & FIGEL, P.L.L.C
1615 M Street, N.W., Suite 400
Washington, DC 20036
Attorneys for Verizon
(via facsimile: 202-326-7999)

Craig J. Brown
Robert B. McKenna
607 14th Street, N.W., Suite 950
Washington, DC 20005
Attorneys for Qwest Communications Corp.
(via facsimile: 303-896-1107)

David H. Solomon
Russell P. Hanser
Wilkinson Barker Knauer, LLP
2300 N Street, N.W., Suite 700
Washington, DC 20037
Attorneys for Qwest Communications Corp.
(via facsimile: 202-783-5851)

Laura H. Carter
Norina Moy
SPRINT NEXTEL CORPORATION
2001 Edmund Halley Drive
Reston, VA 20191
(via facsimile: 703-433-4804)



Norman J. Kennard

EXHIBIT A

DECLARATON OF CHRISTINA BOBBYN

1. My name is Christina Bobbyn. My business address is ICORE, Inc., 326 South 2nd Street, Emmaus, PA 18049. I am Senior Vice President of ICORE, Inc. with overall responsibility for monthly settlements administration; interpretation of NECA tariff and pool procedures; and settlements and CABS reviews. I am responsible for a variety of CABS activities, including ICORE's service bureau functions and OPTICABS billing and maintenance; analyses of state and interstate compensation plans; network services; CLEC and other competitive activities; and a variety of special projects. My specific knowledge includes interstate average schedule settlements and pooling procedures; access, resale, operator service and other tariffs; Equal Access Implementation; Billing and Collection issues; contractual arrangements; and I interface with NECA, AT&T and connecting companies on a wide range of issues.

2. This declaration was prepared in support of the Consolidated Reply to the petitions to suspend and investigate the July 2007 annual access charge tariff filings of Northeast Iowa Telephone Company, Inc., Sully Telephone Association, Inc., Lynnville Telephone Company, Killduff Telephone Company, Reasnor Telephone Company, LLC, Arthur Mutual Telephone Company, Bascom Mutual Telephone Company, Benton Ridge Telephone Company, Buckland Telephone Company, Fort Jennings Telephone Company, Glandorf Telephone Company, Inc., Kalida Telephone Company, Inc., Middle Point Home Telephone Company, Ottoville Mutual Telephone Company, Ridgeville Telephone Company, Sherwood Mutual Telephone Association, Inc., and Vaughnsville

Telephone Company (collectively the "Average Schedule Companies"). While employed by ICORE, I along with my staff was responsible for the calculation of the interstate access tariff rates for the Average Schedule Companies. I make the statements in this declaration based upon my personal knowledge and my review of the records of the Average Schedule Companies maintained in the ordinary course of business and prepared in anticipation of this litigation.

3. The Average Schedule Companies are very small incumbent local exchange carriers serving rural areas of the United States. They each filed their interstate access service tariffs in full compliance with the Commission's rules, with the exception of a minor inadvertent error made in the 2005 demand used to calculate Reasnor Telephone Company's rates.

4. The Average Schedule Companies provided average schedule information to each interexchange carrier that requested it. I supplied supporting data for all the companies in the ICORE tariff to the two interexchange carriers that requested it, Verizon and AT&T. Files were e-mailed to both on Friday, June 15th.

5. NECA's recent revisions to the average schedule formulas have significantly reduced the compensation that will be received by the Average Schedule Companies from the provision of interstate access service. This revenue is critical for a small carrier to fund high-speed broadband, wireless, and video services in rural areas. The Average Schedule Companies therefore had to leave the NECA pool in order to recover the costs of network maintenance and upgrades without further increases in local rates. For example, since 2006, Northeast Iowa Telephone Company has expended \$3

million to upgrade its telephone operations, and it recently increased its local rates between 50% to 55%. However, NECA's recent revisions to the average schedule formulas would have reduced its compensation from interstate access service by \$100,000 if had not filed its 61.39(b)(2) tariff. Avoiding the significant loss in revenue that would be wrought by NECA's modifications to the average schedule formulas was the primary motivating factor for many small carriers to file their own tariffs and exit the NECA pool.

6. The Average Schedule Companies' tariff rates are not related to their individual costs because they were calculated in accordance with Section 61.39(b)(2) of the Commission's rules on the basis of their average schedule settlements and historical demand. Those average schedule settlements were calculated using the average schedule formulas approved by the Commission. The average schedule formulas are designed to reflect future shifts in costs and demand through an econometric model applied to cost and demand data that NECA obtains from a sample of average schedule companies. The Commission approved averaged schedule formulas are also calculated to reflect the authorized rate of return, projected growth in traffic volume, and the increase in traffic sensitive costs that results from an increase in traffic volume for an "average" company.

7. Because the compensation received by an average schedule company is based on "averages", an individual rate of return analysis is inapplicable to average schedule companies. The calculation of an individual rate of return for each of the Average Schedule Companies would be inconsistent with the purpose of having interstate average schedule formulas. Average schedule companies are exempt from the

Commission's accounting regulations; and any inquiry into their actual costs would be a meaningless exercise and have no resulting impact on interstate rates.

8. An individual rate of return analysis is also inapplicable to an average schedule company's Section 61.39(b)(2) tariff rates. Local exchange carriers retain their status as average schedule companies when they file Section 61.39(b)(2) tariffs. When the Commission referred to rate of return enforcement in adopting Section 61.39(b)(2), it applied individual rate of return regulation to only companies electing to use the historical cost approach, rather than companies as here electing to use the historical average schedule settlement approach. The Average Schedule Companies have therefore fully complied with the authorized rate of return by calculating their access service rates on the basis of the average schedule formulas approved by the Commission to earn the authorized rate of return.

9. The Average Schedule Companies' tariff rates are just and reasonable because they do not exceed the rates required by Section 61.39(b)(2). Average schedule settlements and the Section 61.39(b)(2) rates they produce are a form of incentive regulation. Because Section 61.39(b)(2) regulates the rate, companies electing this incentive regulation are encouraged to become more efficient and realize productivity gains. Productivity gains occur when the value of outputs is greater than the cost of inputs. To realize productivity gains, a local exchange carrier can cut costs, increase production, or both.

10. As shown in Exhibit B attached hereto, price cap carriers have proven that very high rates of return have resulted from their productivity gains. Similarly, with

incentive regulation like Section 61.39(b)(2), a high rate of return resulting from productivity gains is not in itself unlawful.

11. The Petitions use inappropriate inflammatory rhetoric and factual misstatements to attack the legitimate efforts by small rural carriers to realize productivity gains. There is no such thing called "traffic pumping", which is a term that the Petitions often bandy about. They completely ignore the FCC's policies adopted in *Jefferson Telephone* and its progeny, which expressly found that there is nothing unlawful about commercial arrangements between small rural telephone companies and conference call companies that increase the productive use of terminating access facilities to generate additional revenue that can be re-invested in this country's rural telecommunications infrastructure. The use of the term "kickbacks" in the Petitions is equally frivolous. A "kickback" is defined as a "payment back of a portion of the purchase price". To the extent a commission is paid to a conference call company from access service revenue, like the commission authorized in *Jefferson Telephone*, it cannot be a "kickback" because interexchange carriers pay the purchase price for access service, not the conference call company. Moreover, commissions or marketing fees are legitimate incentives used both in the telecommunications industry as well as other industries to increase production.

12. The Petitions also contain false allegations regarding ownership affiliations with Sully Telephone Association that do not exist and the legitimate arms-length sales of the Reasnor and Killduff exchanges, which were separately approved by both the Commission and the Iowa Utilities Board. There is no ownership affiliation between Reasnor Telephone Company and Sully Telephone Association. There is also

no ownership affiliation between Sully Telephone Association and either Killduff Telephone Company or Searsboro Telephone Company.

13. The Average Schedule Companies were primarily motivated to file their own tariffs in order to avoid large losses in revenue that would have resulted from NECA's modifications to the average schedule formulas. In addition, some of the Average Schedule Companies would like to enter into commercial arrangements with conference call companies like that authorized by the Commission in *Jefferson Telephone*. Such efforts should continue to be supported and encouraged by the Commission in order to increase the revenue available to upgrade rural exchanges with innovative broadband services and to avoid further local rate increases as federal USF is capped and access lines are lost to wireless and VOIP competition. The Commission should also deny the unprecedented requests in the Petitions that would require small carriers to disclose their potential business plans to the large carriers, especially when the large carriers offer competing conference call services to the public. Since the Average Schedule Companies are proposing rates that are less than those required by the Commission's rules, further regulation is unwarranted and would thwart the legitimate efforts of small carriers to generate additional revenue for rural areas.

14. The rates proposed by the Average Schedule Companies are reasonable when compared to the rates that the large price cap carriers charge for conferencing services. The largest telecommunications providers in the country, including AT&T, Qwest and Verizon, offer conferencing services at far higher rates than the terminating access service rates that the Average Schedule Companies would charge for completing those conference calls. See Exhibit D attached hereto. AT&T offers rates "as low as

\$0.14 per minute per connection for caller paid (i.e. 1+) toll." Verizon offers packages ranging from \$0.11 to \$0.16 per minute when subscribers purchase various blocks of conferencing usage. In addition, AT&T and Verizon collect terminating access charges on these calls.

15. The Petitions' requests for an investigation should be rejected, as they seek to set rates based on future demand in complete contravention of the incentive regulation established by Section 61.39(b)(2) setting rates on the basis of only historical demand. The fact is that Section 61.39(b)(2) prohibits the Average Schedule Companies from calculating their rates on the basis of demand projections. Furthermore, the Commission has concluded that the use of historical data is far less likely to lead to excessive earnings than the use of forecasts. Calculating the Section 61.39(b)(2) tariff rates on the basis of a projected number of calls would not only have violated the Commission's regulations, but would have caused the Average Schedule Companies to engage in the type of speculative forecasting that Section 61.39(b)(2) was designed to avoid.

16. The Average Schedule Companies' rates are lawful because they do not exceed the rates mandated by Section 61.39(b)(2). Northeast Iowa Telephone Company and Reasnor Telephone Company, for example, have proposed tariff rates that in the aggregate are less than those proposed by NECA for the pool. It would be unconscionable to punish the Average Schedule Companies with an investigation for doing what the Commission's rules required in lieu of engaging in unlawful demand forecasts.

17. Except for a minor error in the calculation of Reasnor Telephone Company's rates, the Average Schedule Companies' tariff rates were calculated in full

compliance with Section 61.39(b)(2) of the Commission's rules based on each company's traffic sensitive settlement from the NECA pool and historical demand.

18. AT&T's challenges to Reasnor Telephone Company's proposed tandem switched transport rates are frivolous and unfounded. AT&T concedes that "Reasnor may have technically complied with the Commission's rules", and expresses its dissatisfaction with the Commission's rules themselves. However, compliance with the Commission's rules is no justification for a tariff suspension, regardless of AT&T's misguided opinion about the rules themselves. AT&T also would have preferred if Reasnor Telephone Company had not used the current average schedule formulas to calculate its rates. However, in using the current average schedule formulas, Reasnor Telephone Company used the correct formulas under Section 61.39(b)(2) for calculating rates based on historical demand. NECA's modified average schedule formulas do not become effective until July 1, 2007, following the June 30, 2007 effective date for the annual 2007 access tariff filings.

19. AT&T indicates that Reasnor Telephone Company used the same 2005 demand as Readlyn Telephone Company. This was an inadvertent error that did not have a material impact on the calculation of Reasnor Telephone Company's rates. Reasnor's 2005 minutes were mistakenly never updated after using Readlyn's worksheet as a template. The following rates would result if the correct Reasnor 2005 demand and circuits are used in the calculations:

| | | <u>Filed 6/15</u> | <u>Revised</u> |
|-----|-----------------------------|-------------------|----------------|
| 20. | | | |
| 21. | Tandem Switched Termination | .007670 | .004761 |
| 22. | Tandem Switched Facility | .001556 | .000966 |
| 23. | Local Switching | .001687 | .001516 |
| 24. | Directory Assistance | .0037 | .0033 |

25. Given that Reasnor Telephone Company has proposed a major price reduction of 79% from its current rates, and the small discrepancy caused by this minor miscalculation, the rates proposed by Reasnor Telephone Company remain just and reasonable. Reasnor Telephone Company commits to correct this minor error in a subsequent tariff filing. Therefore, this inadvertent error does not warrant the suspension of the major reduction in the rates proposed by Reasnor Telephone Company.

26. Qwest and AT&T would not be irreparably injured if the tariffs are not suspended. Increases in demand will cause rates to decrease in subsequent filings, as originally intended by the historical lag and self-correcting nature of the Section 61.39(b)(2) tariff filing regime. Any unreasonable rates would therefore be corrected in subsequent tariff filings and such a subsequent correction means any alleged injury is "reparable". The payment of higher rates until they self-correct involves the expenditure of money, but does not constitute "irreparable injury". In addition, AT&T and Qwest will collect additional revenue from consumers using their long distance services if demand increases. Section 61.39(b)(2) is working as originally intended, and the rates proposed by the Average Schedule Companies will be self-correcting over time.

27. Section 69.3(a) of the Commission's rules requires every carrier operating under the Section 61.39(b)(2) tariff regime to revise their rates at least every two years. Section 61.39(b)(2) rates have declined as conference call traffic has increased. As an example, Exhibit C attached hereto illustrates the changes in rates over time of Reasnor Telephone Company and Readlyn Telephone Company. The tariff rates of these two small average schedule companies were established pursuant to Section 61.39(b)(2).

Over time, Reasnor and Readlyn have relied upon revenue from increases in conference call traffic to maintain and upgrade their rural infrastructure. As that increase in historical demand is reflected in Section 61.39(b)(2) ratemaking, Reasnor's interstate access rates will decline by 79% on June 30, 2007, far below the rates for the NECA pool.

28. Should one or more of the Average Schedule Companies experience an increase in future demand, any theoretical inaccuracies in their rates will self-correct when they revise their rates, as required by Sections 61.39(b)(2) and 69.3(a) of the Commission's rules. Therefore, any injury to interexchange carriers would be "reparable", not "irreparable".

29. Suspending the tariffs and initiating an investigation would also be contrary to the public interest because it would create extreme uncertainty regarding the availability of funds for these small companies to maintain current facilities or upgrade to broadband service in the rural areas they serve. Until any investigation is complete and the lawfulness of the tariff rates is confirmed, the Average Schedule Companies will be unable to invest money in their networks that may become subject to a refund, even if that possibility is remote.

30. This precarious position would likely be made worse as the major interexchange carriers refuse to render any payment for the interstate access services provided by the Average Schedule Companies. The large interexchange carriers are already engaged in illegal self-help by withholding full payment of access service bills. These large telecommunications companies would likely interpret a suspension by the Commission of prima facie lawful tariffs as support for their illegal activities and

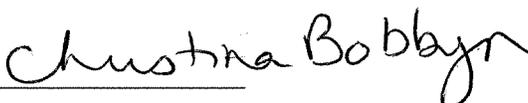
encourage them to withhold any payment whatsoever to the Average Schedule Companies.

31. It would be the public that would ultimately suffer from a suspension and investigation. As the Average Schedule Companies suffer financially, their ability to provide service will deteriorate and telephone service in their rural communities will degrade. Such an outcome is certainly contrary to the public interest when, as here, rates are self-correcting and suspension is not warranted.

32. As demonstrated above, Section 61.39(b)(2) is working as originally intended by self-correcting rates over time. The Commission's decision to reject demand projections remains sound, as such forecasting can lead to excessive rates that are not self-correcting. The Commission should therefore reject the attempt by the Petitions to add demand forecasts to the Section 61.39(b)(2) tariff regime.

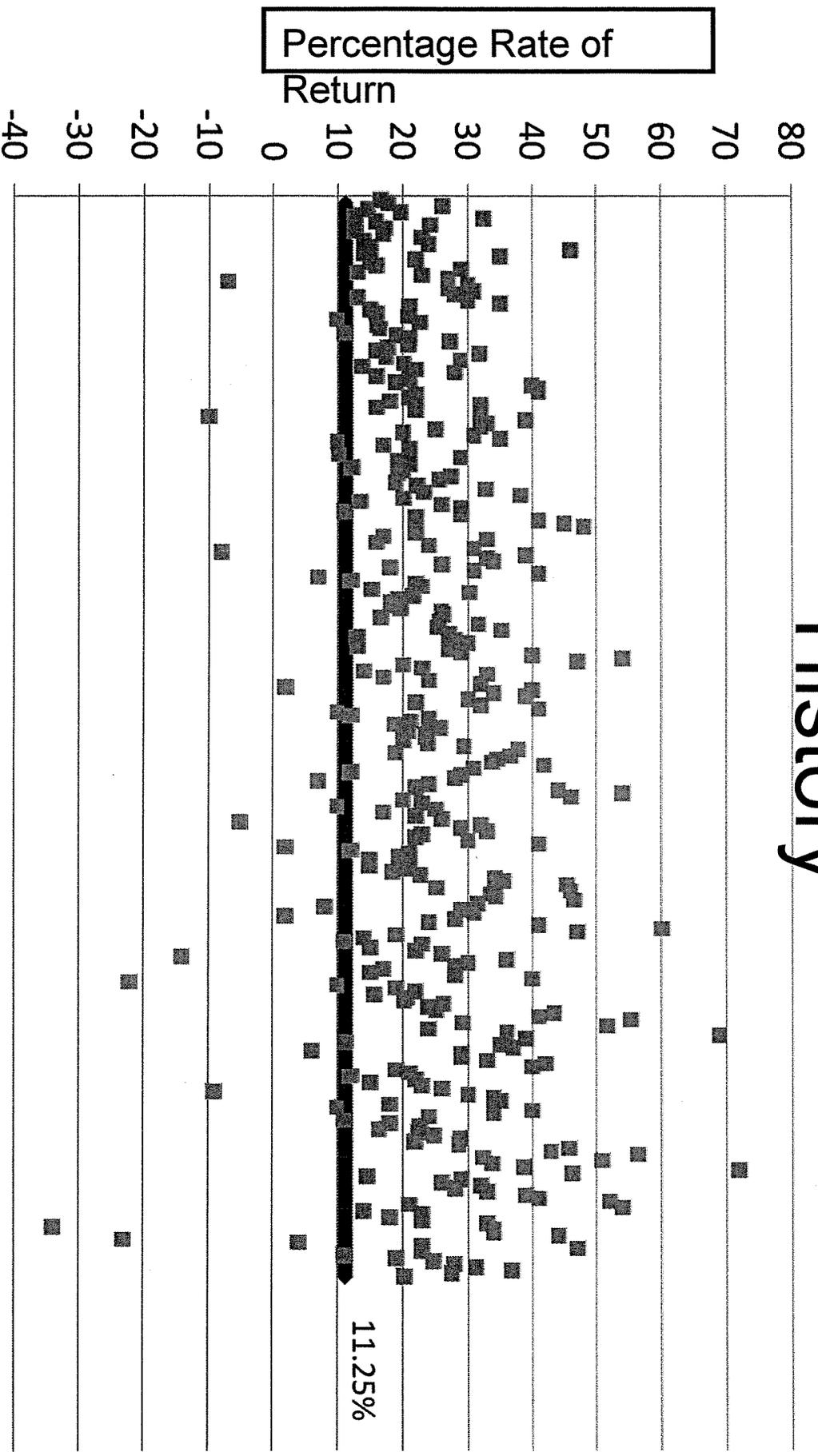
33. This concludes this Declaration.

I, Christina Bobbyn, declare under penalty of perjury that, to the best of my knowledge, the foregoing is true and correct.


Christina Bobbyn
Christina Bobbyn

June 26, 2007

RBOC Interstate Rate of Return History



Source: Trends In Telephone Service, February 2007

Trends in Telephone Service

*Industry Analysis and Technology Division
Wireline Competition Bureau*

February 2007

This report is available for reference in the FCC's Information Center at 445 12th Street, S.W., Courtyard Level. Copies may be purchased by calling Best Copy and Printing, Inc., Portals II, 445 12th Street S.W., Room CY-B402, Washington DC 20554 at 800-378-3160, facsimile 202-488-5563, or via e-mail fcc@bcpiweb.com. The report can also be downloaded from the Wireline Competition Bureau Statistical Reports Internet site at: www.fcc.gov/wcb/iatd/trends.html.

Table 4.1
Interstate Rate of Return Summary *
Years 1998 through 2005
Price-Cap Companies Reporting FCC Form 492A
(Final Reports for 1998 Through 2004 and Initial Report for 2005) ¹

| Reporting Entity | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|--|---------|--------------------|---------|---------|---------|---------|---------|---------|
| 1 BellSouth Telecommunications, Inc. | 24.71 % | 22.68 % | 21.93 % | 19.35 % | 21.25 % | 22.83 % | 20.99 % | 20.80 % |
| 2 Qwest Corporation, Including Malheur and El Paso | 28.60 | 25.07 | 22.74 | 20.08 | 19.14 | 19.93 | 19.06 | 16.56 |
| SBC Communications, Inc. | | | | | | | | |
| 3 Southwestern Bell Telephone Company L.P. | 27.92 | 16.38 ⁶ | 15.60 | 14.88 | 18.81 | 15.17 | 10.22 | 9.91 |
| 4 Ameritech Operating Companies | 31.29 | 22.51 | 20.55 | 20.24 | 25.72 | 30.24 | 28.93 | 22.59 |
| 5 Nevada Bell Telephone Company | 36.81 | 24.76 | 20.16 | 14.86 | 20.86 | 21.55 | 19.26 | 16.02 |
| 6 Pacific Bell Telephone Company | 27.47 | 28.77 | 26.23 | 21.00 | 23.79 | 19.20 | 21.01 | 16.50 |
| 7 Southern New England Telephone Company, The | 20.27 | 21.82 ⁶ | 23.93 | 18.47 | 23.57 | 18.21 | 12.12 | 10.99 |
| Verizon Telephone Companies | | | | | | | | |
| 8 Verizon Telephone Companies (Verizon FCC Tariff No. 1) (Former Bell Atlantic Companies) | 14.51 | 11.24 | 8.00 | 11.95 | 12.93 | 13.36 | 13.66 | |
| Bell Atlantic | | | | | | | | 13.88 |
| Bell Atlantic (NYNEX) | | | | | | | | 11.40 |
| New England Telephone and Telegraph Co. | | | | | | | | |
| New York Telephone | | | | | | | | |
| 9 Verizon California Inc. (California - GTCA) | 28.91 | 34.99 | 29.17 | 28.50 | 28.48 | 25.87 | 22.01 | 17.19 |
| 10 Verizon California Inc. (California - COCA) | 26.02 | 36.93 | 30.64 | 28.22 | 29.80 | 28.74 | 28.28 | 22.71 |
| 11 Verizon California Inc. (Arizona - COAZ) | 32.00 | 6.17 | 2.05 | 6.99 | 13.25 | 10.9 | 15.57 | 13.80 |
| 12 Verizon California Inc. (Nevada - CONV) | 28.08 | 28.79 | 28.51 | 24.08 | 26.66 | 28.82 | 20.57 | 24.01 |
| 13 Verizon Florida Inc. (Florida - GTFL) | 32.57 | 28.96 | 24.46 | 22.03 | 29.23 | 21.90 | 18.93 | 14.58 |
| 14 Verizon North Inc. (COPA + COQS = COPT) | 39.10 | 32.88 ⁶ | 40.74 | 43.61 | 39.71 | 41.05 | 39.58 | 45.97 |
| 15 Verizon North Inc. (Illinois - COIL) | 41.49 | 41.72 | 60.34 | 54.09 | 53.67 | 44.51 | 41.03 | 14.11 |
| 16 Verizon North Inc. (Indiana - COIN) | 51.58 | 40.36 | 47.34 | 46.06 | 46.55 | 47.67 | 41.40 | 34.61 |
| 17 Verizon North Inc. (Ohio - GTOH) | 21.17 | 18.58 | 19.39 | 19.53 | 20.45 | 21.88 | 21.7 | 21.83 |
| 18 Verizon North Inc. (Pennsylvania - GTPA) | 54.03 | 20.50 | 13.76 | 22.50 | 23.17 | 21.95 | 21.41 | 14.67 |
| 19 Verizon North Inc. (Wisconsin - GTWI) | 13.99 | 11.53 ⁶ | 10.85 | 9.90 | 14.16 | 16.99 | 17.85 | 16.08 |
| 20 Verizon North/Verizon South (GTIN + GLIN = GAIN) | 23.19 | 22.34 | 22.64 | 24.75 | 32.82 | 33.00 | 32.47 | 29.06 |
| 21 Verizon North/Contel South (GTMI + GLMI = GAMI) | 18.01 | 14.83 ⁶ | 15.10 | 16.64 | 17.49 | 16.45 | 15.75 | 13.17 |
| 22 Verizon North/Verizon South (GTIL + GLIL = GAIL) | 23.20 | 23.29 | 21.99 | 21.54 | 23.67 | 23.90 | 22.35 | 23.07 |
| 23 Verizon Northwest Inc. (Oregon - GTOR) | 32.91 | 25.44 | 26.28 | 26.10 | 31.69 | 30.95 | 31.56 | 27.03 |
| 24 Verizon Northwest Inc. (West Coast CA - GNCA) | (33.60) | (9.44) | (13.80) | (5.17) | 1.91 | (8.35) | (9.93) | (6.85) |
| 25 Verizon Northwest Inc. (Washington - COWA) | 33.62 | 30.44 | 36.20 | 31.57 | 40.06 | 39.49 | 39.17 | 30.41 |
| 26 Verizon Northwest Inc. (Washington - GTWA) | 33.60 | 33.91 | 29.82 | 28.97 | 34.03 | 33.26 | 32.91 | 27.33 |
| 27 Verizon Northwest Inc. (Idaho - GTID) | 44.03 | 34.53 | 28.20 | 33.01 | 38.74 | 34.17 | 32.24 | 30.89 |
| 28 Verizon South Inc. (North Carolina - GTNC) | (22.63) | 17.52 | 16.74 | 23.45 | 30.08 | 26.44 | 24.85 | 27.92 |
| 29 Verizon South Inc. (N. Carolina - CONC) | 4.39 | 10.10 | 14.77 | 21.97 | 22.17 | 17.75 | 19.87 | 12.78 |
| 30 Verizon South Inc. (GTSC + COSC = GTST) | 23.47 | 39.63 | 28.19 | 29.82 | 32.44 | 31.19 | 30.70 | |
| Verizon South Inc. (Alabama - GTAL) | | | | | 24.02 | 20.24 | 22.23 | 17.59 |
| Verizon South Inc. (Kentucky - COKY) | | | | | 30.95 | 20.60 | 9.55 | 5.97 |
| Verizon South Inc. (Kentucky - GTKY) | | | | | 27.21 | 25.07 | 24.03 | 22.34 |
| GTE South Inc. (South Carolina - GTSC) | | | | | | | | 30.62 |
| GTE South Inc. (South Carolina - COSC) | | | | | | | | 26.14 |
| 31 Verizon South Inc. (Virginia - COVA) | 46.97 | 33.50 | 39.52 | 40.41 | 40.69 | 40.85 | 34.74 | 35.19 |
| 32 Verizon South Inc. (Virginia - GTVA) | 22.83 | 24.17 | (22.01) | 1.76 | 9.53 | 6.62 | 9.94 | 20.56 |
| 33 GTE Southwest Inc. dba Verizon Southwest (Texas - COTX) | 11.26 | 11.23 | 10.05 | 12.46 | 11.9 | 12.17 | 17.13 | 14.96 |
| 34 GTE Southwest Inc. dba Verizon Southwest (Texas - GTTX) | 18.63 | 18.21 | 18.74 | 20.47 | 24.35 | 21.65 | 21.42 | 16.43 |
| GTE Midwest Inc. (Missouri - COMO + COCM + COEM = COMT) | | | | | 20.33 | 17.06 | 15.29 | 12.56 |
| GTE Midwest Inc. (Missouri - GTMO) | | | | | 23.92 | 19.15 | 11.82 | 16.08 |
| GTE Systems of The South (Alabama - COAL) | | | | | 15.77 | 14.93 | 10.88 | 7.97 |

Table 4.1
Interstate Rate of Return Summary *
Years 1998 through 2005
Price-Cap Companies Reporting FCC Form 492A - Continued
(Final Reports for 1998 Through 2004 and Initial Report for 2005) ¹

| Reporting Entity | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---------|----------------------|--------------------|--------------------|---------|---------|---------|---------|
| Sprint | | | | | | | | |
| 37 Central Telephone Company - Nevada Division | 45.68 % | 43.37 % | 34.16 % | 23.80 % | 19.61 % | 19.29 % | 21.15 % | 17.79 % |
| 38 Sprint - Florida Incorporated | 42.94 | 40.98 ⁶ | 35.54 | 29.41 | 25.89 | 27.38 | 27.17 | 26.14 |
| 39 Sprint Local Telephone Cos. - Eastern (NJ & PA) | 56.33 | 55.14 ⁶ | 45.38 | 37.78 | 26.21 | 25.62 | 20.87 | 14.59 |
| 40 Sprint Local Telephone Cos. - Midwest (MO, KS, MN, NE, WY, TX) | 32.3 | 29.17 ⁶ | 25.24 | 18.89 | 16.63 | 18.88 | 17.69 | 19.66 |
| 41 Sprint Local Telephone Cos. - North Carolina | 50.81 | 51.62 ⁶ | 45.89 | 36.64 | 25.56 | 22.23 | 15.92 | 12.55 |
| 42 Sprint Local Telephone Cos. - Northwest (OR & WA) | 33.81 | 23.90 ⁶ | 33.51 | 34.62 | 31.55 | 32.77 | 31.86 | 32.54 |
| 43 Sprint Local Telephone Cos. - Southeast (TN, VA & SC) | 38.73 | 36.14 ⁶ | 34.34 | 33.76 | 25.33 | 23.32 | 17.50 | 15.87 |
| 44 United Telephone Co. of Indiana, Inc. | 71.84 | 68.80 ⁶ | 46.47 | 41.75 | 35.19 | 38.21 | 28.98 | 24.19 |
| 45 United Telephone Co. of Ohio | 46.2 | 39.01 ⁶ | 31.50 | 30.89 | 27.13 | 20.03 | 20.16 | 17.33 |
| All Other Companies | | | | | | | | |
| 46 ALLTEL Nebraska, Inc. | 28.40 | 14.25 ⁶ | 13.43 | 12.20 | 12.57 | 12.99 | 19.27 | 15.02 |
| 47 Kentucky ALLTEL - Lexington, Inc. | 38.10 | 33.40 ⁶ | 26.75 | 27.78 | | | | |
| 48 Kentucky ALLTEL - London, Inc. | 23.37 | 25.50 ⁶ | 26.26 | 28.76 | | | | |
| 49 CenturyTel of Belle-Hermann/So Missouri/Sw Missouri (CNMO) | 28.36 | 22.94 | 14.53 | 4.69 ² | | | | |
| 50 CenturyTel of Central Missouri (CNMC) | 44.95 | 37.88 ⁶ | 32.54 | 11.83 ² | | | | |
| 51 CenturyTel of Northern Alabama (CNAN) | 21.54 | 11.97 | 8.23 | 7.49 ³ | | | | |
| 52 CenturyTel of Southern Alabama (CNAS) | 27.84 | 23.21 | 24.13 | 15.78 ³ | | | | |
| 53 Cincinnati Bell Telephone Company | 34.47 | 33.71 ⁶ | 32.48 | 28.64 ⁴ | 30.09 | 28.95 | 25.45 | 17.81 |
| 54 Citizens Comms Cos. dba Citizens Comms FCC Tariff 1 (CTC1) | 32.31 | 34.99 ⁶ | 24.40 | 19.27 | 15.73 | 19.68 | 16.71 | 17.87 |
| 55 Citizens Comms Cos. dba Citizens Comms FCC Tariff 2 (CTC2) | 29.13 | 37.75 ⁶ | 16.14 | 20.67 | 17.30 | 24.05 | 15.74 | 14.29 |
| 56 Citizens Comms Cos. dba Citizens Comms FCC Tariff 3 (CTC3) | 16.24 | 12.19 ⁶ | 10.40 | 8.94 | 4.52 | 16.12 | 15.56 | |
| 57 Citizens Comms Cos. dba Citizens Comms FCC Tariff 4 (CTC4) | 49.91 | 42.79 ⁶ | 35.38 | 23.31 | 13.08 | 30.94 | | |
| 58 Frontier Telephone of Rochester | 14.03 | 55.89 ⁶ | 10.67 | 11.47 | 12.32 | 18.91 | 16.77 | 18.37 |
| 59 Frontier Tier 2 Concurring Companies | 50.77 | 11.45 ⁶ | 38.49 | 33.34 | 38.12 | 38.95 | 43.42 | 45.45 |
| 60 Frontier Comms of Minnesota & Frontier Comms of Iowa | 25.12 | 33.67 ⁶ | 32.16 | 31.15 | 25.24 | 33.16 | 35.40 | 29.28 |
| 61 Citizens Telecommunications Cos. (CTCS) | | | 40.37 | 4.90 | 0.86 | (11.23) | | |
| 62 Hawaiian Telecom | 21.88 | 9.44 ⁷ | 16.96 | 15.30 | 16.72 | 17.87 | 17.62 | 15.64 |
| 63 Iowa Telecom Service Group | 19.36 | 17.30 ⁶ | 17.58 ⁵ | 14.26 ⁴ | 13.07 | | | |
| 64 Iowa Telecom Systems Service Group | 19.14 | 20.16 | 23.97 ⁵ | 20.47 ⁴ | 18.45 | | | |
| 65 Micronesian Telecommunications Corp. | 37.67 | 43.52 ^{6 7} | 33.91 | 32.75 | 21.83 | 23.58 | 29.24 | 34.45 |
| 66 Valor New Mexico #1164 | 28.25 | 22.96 ⁶ | 18.45 | 16.86 | 11.45 | 20.67 | | |
| 67 Valor New Mexico #1193 | 17.77 | 21.16 ⁶ | 20.41 | 15.88 | 8.39 | 13.35 | | |
| 68 Valor Oklahoma | 19.38 | 15.29 ⁶ | 8.69 | 9.31 | 11.65 | 11.22 | | |
| 69 Valor Texas | 18.08 | 13.47 ⁶ | 15.21 | 10.66 | 5.70 | 5.24 | | |
| Maximum Rate of Return | 71.84 % | 68.80 % | 59.89 % | 54.09 % | 53.67 % | 47.67 % | 43.42 % | 48.69 % |
| Minimum Rate of Return | (33.60) | (9.44) | (17.50) | (5.17) | 0.86 | (11.23) | (9.93) | (25.83) |
| Weighted Arithmetic Mean | 23.48 | 20.44 | 18.06 | 17.69 | 19.62 | 18.04 | 18.50 | 15.60 |
| Standard Deviation | 9.13 | 9.00 | 8.63 | 5.69 | 5.80 | 5.17 | 5.96 | 3.96 |

* The interstate rates of return reported by carriers on the FCC Form 492A may not necessarily agree with the interstate rates of return reported by the carriers on other Commission forms. For example, price-cap carriers also report interstate rates of return on the Commission's Automated Reporting Management Information System's (ARMIS) 43-01 report. The interstate rates of return reported by carriers on the ARMIS 43-01 include revenues and costs for non-price-cap services.

¹ For years 1991 - 1997, see Industry Analysis Division, Common Carrier Bureau, *Trends in Telephone Service* (August 2001).

² For the reporting period 9/1/02 - 12/31/02.

³ For the reporting period 7/1/02 - 12/31/02.

⁴ For final 2002, there were no changes to the preliminary.

⁵ For final 2003, there were no changes to the preliminary.

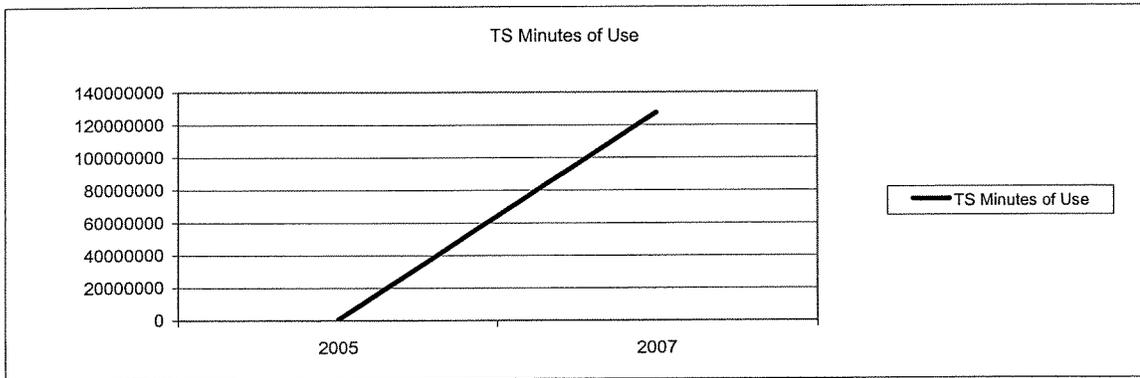
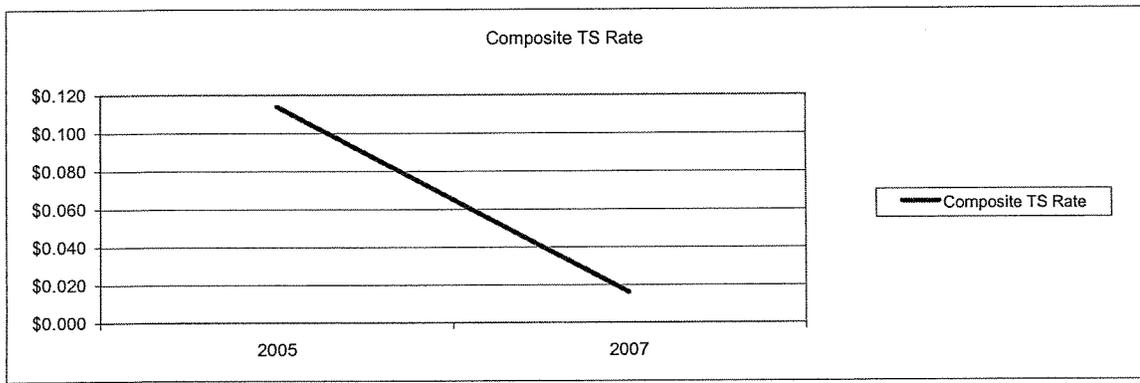
⁶ For final 2004, there were no changes to the preliminary.

⁷ Verizon sold these companies in 2005.

TS Access Charge Comparison

Reasnor Telephone Company

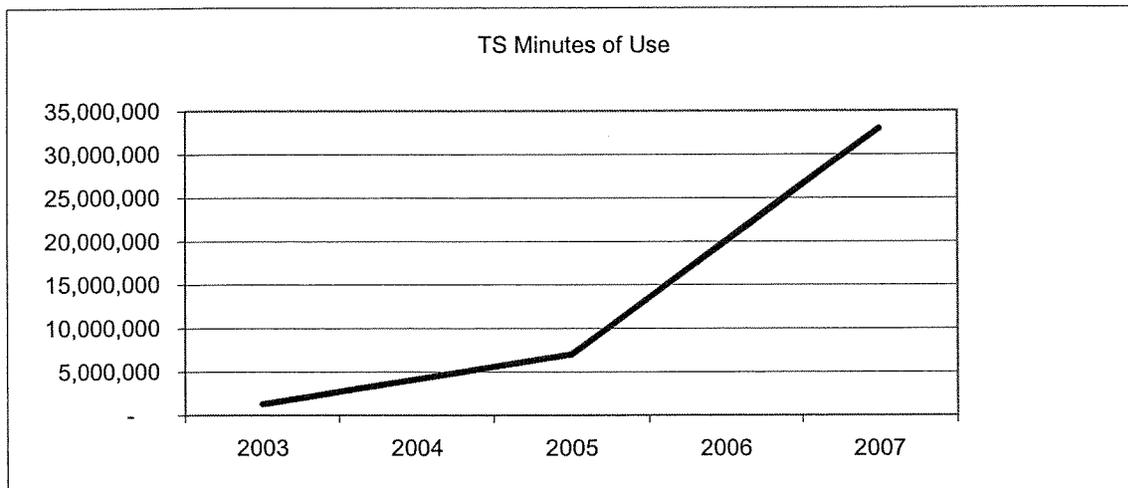
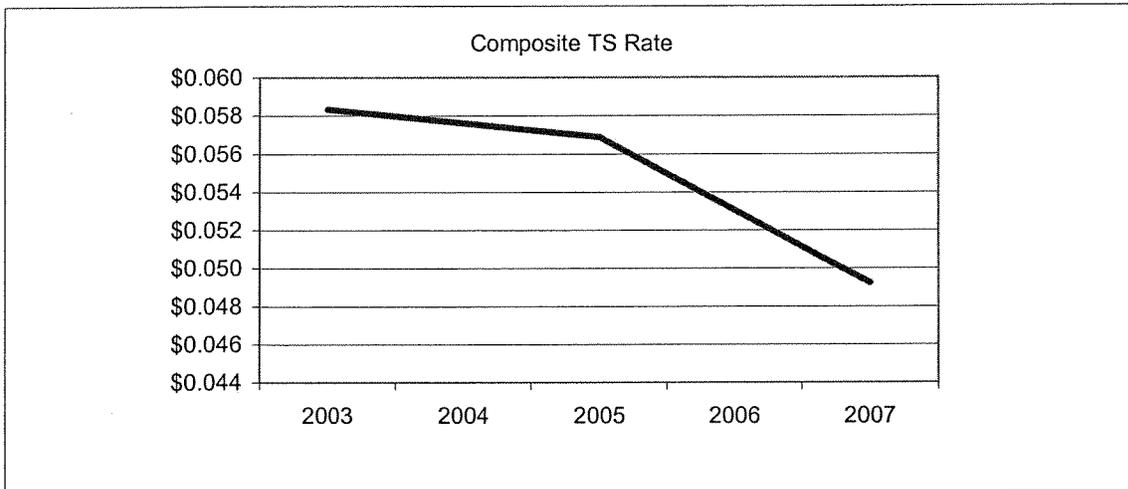
| Rates | Corrected To Be Filed 7/1/2007 | As Filed 7/1/2007 | 7/1/2005 | 2007 vs 2005 Difference |
|--------------------------|--------------------------------------|----------------------|-------------------|----------------------------|
| Tandem Switched Term | \$0.004761 | \$0.007670 | \$0.000687 | \$0.004074 |
| Tandem Switched Facility | \$0.000966 | \$0.001556 | \$0.000139 | \$0.000827 |
| Local Switching | \$0.001516 | \$0.001687 | \$0.104906 | -\$0.103390 |
| DA | \$0.003300 | \$0.003700 | \$0.228200 | -\$0.224900 |
| Composite TS Rate | \$0.015901 | \$0.024844 | \$0.109257 | -\$0.093356 |
| Data Period | 2006-2005 | 2006-2005 | 2004 | 2007 vs 2005 Difference |
| TS Minutes of Use | 127,500,197 | 115,470,665 | 450,469 | 127,049,728 |



TS Access Charge Comparison

Readlyn Telephone Company

| Rates | 7/1/2007 | 7/1/2005 | Difference 2007 vs 2005 | 7/1/2003 | Difference 2005 vs 2003 |
|--------------------------|-------------------|-------------------|----------------------------|-------------------|----------------------------|
| Tandem Switched Term | \$0.003843 | \$0.003270 | \$0.000573 | \$0.002857 | \$0.000413 |
| Tandem Switched Facility | \$0.000327 | \$0.000663 | -\$0.000337 | \$0.000187 | \$0.000476 |
| Local Switching | \$0.007065 | \$0.020696 | -\$0.013631 | \$0.043103 | -\$0.022407 |
| DA | \$0.015370 | \$0.045024 | -\$0.029654 | \$0.126449 | -\$0.081425 |
| Composite TS Rate | \$0.049208 | \$0.056871 | -\$0.007662 | \$0.058318 | -\$0.001447 |
| Tariff Effective Date | 7/1/2007 | 7/1/2005 | Difference | 7/1/2003 | Difference |
| Data Period | 2006-2005 | 2004-2003 | 2007 vs 2005 | 2002 | 2005 vs 2003 |
| TS Minutes of Use | 32,947,444 | 7,009,174 | 25,938,270 | 1,234,540 | 5,774,634 |





Region / Language

SEARCH

AT&T TeleConference & Web Meeting

 Business Center

 Integrated Offers

 Long Distance

 Toll-Free

 Local

 Calling Card

 TeleConference &
Web Meeting

 Voice Over IP

 Secure E-Mail Gateway

 Dial-Up Internet

 DSL Service

 Managed Internet Service
(T1)

 Data Services

 Request a Consultation

 AT&T Solution Assistant®

Hold Conference Calls & Web Meetings on Demand

This service allows you to conduct teleconferences anytime, day or night, without ever having to make a reservation. Simply use your own personal dial-in number and access code when you want to set up a call - there's no need to ever contact customer service. And now you can just as conveniently add a visual dimension to conference calls with Web Meeting Service capabilities. It's a great enhancement that allows you to present and collaborate with virtually any software application on your PC, in real-time over the Internet. And anyone can view or participate from just about anywhere, because only a standard browser and Web connection are needed.

This Service is Available for Online Ordering!

| | |
|--|------------------|
| TeleConferencing Rates start as low as \$.14 per minute! | ORDER NOW |
|--|------------------|

Types of TeleConference Calls and Prices

Reservationless Automatic Dial-In

All participants dial in to the conference and are "automatically" joined together.

\$.14 per minute, per connection with toll-free dial-in number

\$.14 per minute, per connection with caller paid dial-in number

Operator Dialed

An Operator-Dialed TeleConference is ideal when you want to "meet with a call" and have AT&T handle the arrangements for you. The AT&T TeleConference Specialist dials out to each participant, including the host, and adds them to the call. International locations will incur additional international long distance charges.

\$.28 per minute, per connection

Operator Assisted Dial-In

This call type will benefit customers who are looking for a personal customer service touch and security features for their conference calls.

\$.22 per minute, per connection with toll-free dial-in number

\$.20 per minute, per connection with caller paid dial-in

Web Meeting

Each participant that logs in to the web meeting is "automatically" joined together.

\$.25 per minute, per connection

Benefits of AT&T Reservationless TeleConference Service

One convenient dial-in number for all services

You'll receive just one dial-in number and access code when you order. Use it at your convenience for any service - audio, Web, or both!

Only pay for what you use

There are no set up fees or carrying charges. Pay only for the conference calls you make.

No long-term commitments

You can cancel your account at any time. Please note, if your account is inactive for a 6 month period, the account will be closed.

Multiple service options

You'll find multiple options to fit your needs, including toll-free or caller-paid numbers for dialing, and Automatic Dial-in or Operated Assisted.

Reliability and quality

AT&T carries all calls on the AT&T World Wide Intelligent Network.


[LOCAL PHONE SERVICE](#)
[INTERNET](#)
[WIRELESS](#)
[LONG DISTANCE](#)
[DIGITAL TV](#)

[CUSTOMER SERVICE](#)
[SEARCH](#)
[HOME](#)
[RESIDENTIAL](#)
[SMALL BUSINESS](#)
[LARGE BUSINESS](#)
[PARTNERS](#)
[WHOLESALE](#)
[Products & Services](#)
[Solutions by Industry](#)
[Request Information](#)
[Manage Your Account](#)
[Customer Service](#)

LARGE BUSINESS

Products & Services

Lines & Services

For more information call
1 800-860-1020

Audio Conferencing

Qwest® Conferencing Services is the preferred way for a virtual enterprise to conduct important meetings. We offer a complete suite of products for all your conferencing needs, including Reservationless, Operator Assist conferencing, Document Sharing and Streaming. Our conferencing services move on the Qwest robust, reliable fiber network so you get solid, secure, dependable, crystal clear connections - whether you are calling or using your Web browser across the street or around the world. View online document sharing web conferencing tutorial.

Your conferencing moves on the Qwest robust, reliable fiber network so you get solid, dependable, crystal clear connections - whether you are calling or using your Web browser across the street or around the world.

Qwest Audio Conferencing

- Reservationless Conferencing - no reservations are needed, your conference bridge is available 24/7; participants dial a toll-free number, enter a room number and are automatically connected into conference on a moments notice.
- Operator Assisted Conferencing - use when you have a critical announcement to make to hundreds or even thousands of remote participants or calls that require the personal touch of an operator

Qwest Web Conferencing

- Qwest Document Sharing Web Conferencing - brings a rich visual presentation. It will maximize the flow of information via the Internet in conjunction with audio conferencing services (MORE).
- Audio Streaming* - broadcast your conference live to an unlimited number of participants using the Internet

Benefits

Qwest Audio and Web Conferencing Services offers an extensive array of conferencing features:

| | | |
|-------------------------|-------------------------------|--------------------------|
| Broadcast service | Full time operator monitoring | Roll call |
| Cassette recording* | Hold music | RSVP line |
| Communication line* | Language translation* | Streaming |
| Digital replay* | Listen only | Sub-conferencing |
| Electronic polling* | Participant list | Time and charges summary |
| Electronic Q&A | Recording/replay* | Transcription |
| Entrance and exit tones | Reservation confirmation | |

* Available for an additional fee

Get what you pay for

Rely on Qwest audioconferencing for your virtual business:

- No cancellation or overbooking charges
- No usage minimums
- No contract or term agreements
- No setup fees

Qwest audioconferencing is available nationwide, however, direct dial calls will be carried by your long distance provider.

Qwest Audio Conferencing is available nationwide, however, direct dial calls will be carried by the selected long-distance provider.

ABOUT QWEST | CAREERS AT QWEST

Copyright © 2007 Qwest | All Rights Reserved | Legal Notices | Privacy Policy



- ▼ **Audio Conferencing**
- ▶ **Web Conferencing**
- ▶ **Monthly Plans**
- ▶ **Buy Single Conference**
- ▶ **Join Web Conference**
- ▶ **Manage My Account**
- ▶ **Conferencing Help**

Audio Conferencing

Sign up for a monthly plan and receive a personal dial-in number and security passcodes that are good for the life of the account.

- Instant meetings without a reservation
- Access from any U.S. phone number, 24 hours a day, 7 days a week
- Separate passcodes for you and your participants
- Manage your conference from your phone or on the Web
- Up to 20 phone lines in a conference



Consider adding a Web Conference
 Add a guided presentation to your Audio Conference or collaborate on documents right from your PC.
 → [Learn More](#)

Two Ways to Pay for Audio Conferencing

Flexible Monthly Plans

Monthly plans allow you to keep the same dial-in number and passcodes for convenient recurring meetings. You can start impromptu meetings without a reservation.

| | |
|--------------------|-------|
| 250 minutes/month | \$ 40 |
| 500 minutes/month | \$ 70 |
| 750 minutes/month | \$ 95 |
| 1000 minutes/month | \$110 |

[Sign Up Now](#)

Buy a Single Conference

Buy a single conference call now and pay only for the minutes you use.

[Order Now](#)

MORE INFORMATION

- [Audio Conferencing FAQs](#)
- [Audio Conferencing User's Guide](#)
- [Audio Conferencing Web Moderator's Guide](#)

Are your conferencing needs complex? → [Verizon Conferencing Solutions for Enterprise](#) can help.




Service Terms & Rates

▶ [Audio Conferencing](#)

▶ [Web Conferencing](#)

▶ [Monthly Plans](#)

▶ [Buy Single Conference](#)

▶ [Join Web Conference](#)

▶ [Manage My Account](#)

▼ [Conferencing Help](#)

▶ [Audio Conferencing FAQ](#)

▶ [Web Conferencing FAQ](#)

Audioconferencing Packaged Minutes:

Customers may pay a fee for a package of minutes that can be used via Instant Meeting for 30 days. Each package allows leaders to conduct an Instant Meeting Audioconference with up to 20 participants or attendees. The total package fee is due immediately and gives the customer the right to use up to the total number of minutes of the package selected without additional charge. Customers exceeding the number of minutes in their package will be charged a per-minute per connection fee based on the overage charge listed below. No refund or carry-over of minutes from one month to the next is permitted. Customers must pay for the packages of minutes via credit card on line. The Audioconferencing Package Minutes will be automatically renewed at the beginning of the next 30 days unless the customer cancels the service.

Package A - U.S. Toll Access

- 250 minutes- \$30 a month
- 500 minutes- \$50 a month
- 750 minutes- \$70 a month
- 1,000 minutes- \$85 a month
- Overage fee- \$0.13 per minute per participant

Package B - U.S. Full Access

- 250 minutes- \$40 a month
- 500 minutes- \$70 a month
- 750 minutes- \$95 a month
- 1,000 minutes- \$110 a month
- Overage fee- \$0.18 per minute per participant

Other Conditions:

If a Customer selects either Instant Meeting Service Option A or Option B as defined under this Offer, the Customer will be billed for the Option selected within 24 hours and will be able to use the service immediately. The customer will start incurring monthly charges on the date of the initial set-up.

Web Conferencing Packaged Minutes:

Customers may pay a fee for a package of minutes that can be used via Instant Net Conference for 30 days. Each package allows leaders to conduct an Instant Net Conference with up to 100 total participants. The total package fee is due immediately and gives the customer the right to use up to the total number of minutes allotted for that package without additional charge. Customers exceeding the number of minutes in their package will be charged a per-minute, per-connection fee based on the overage charge listed below. No refund or carry-over of minutes from one month to the next is permitted. Customers must pay for the package of minutes via credit card on line. The package will be automatically renewed at the beginning of the next 30 days unless the customer cancels the service.

- 250 minutes- \$70 a month
- 500 minutes- \$135 a month
- 750 minutes- \$195 a month
- 1,000 minutes- \$250 a month
- Overage fee- \$0.35 per minute per participant

Pay-Per-Call Conferencing:

Customers may schedule a standalone Instant Meeting (audioconference) or an Instant Meeting with an Instant Net Conference (Web conference) as a one-time event. Up to 20 participants may attend the Instant Meeting and up to 250 participants may attend the Instant Net Conference. Customers will only be charged for the minutes actually used. An online estimate of the cost will be supplied at the time of scheduling. The customer's credit card will be charged after the call is completed. There is no overage charge and no recurring monthly commitment. Both the audio and web rate are based on a per-minute, per-connection fee at the rate listed below.

- 18¢ per minute per participant (audio)
- 32¢ per minute per participant (Web)

Payment Terms, Taxes, and Cancellation:

By using the audio and net conferencing services and related features of Verizon Business (the "Services"), you ("Customer") agree to abide by the following Terms and Conditions (the "Agreement").

1. Services

Customer is responsible for all uses of the Services in association with Customer's account, whether or not authorized by Customer. Verizon Conferencing may reclaim any access numbers provided to Customer for Services upon cancellation of the Service by Customer or Verizon Business.

2. Rates and Payment Terms

All prices and fees, unless stated otherwise, are calculated on a per-minute, per-participant basis. The Service is purchased in monthly package(s) with a set price per package and an overage price per minute, or fraction thereof, over the purchased monthly package. The prices and fees for the monthly Service package(s) ordered by Customer will be charged to Customer's credit card on the date of order. The same Service package will be renewed monthly on the anniversary of the date of order and billed to the same credit card, until Customer cancels the Service. Overage minutes are charged to Customer's credit card on the date(s) the Service causing the overage occurred. Charges for Pay-Per-Call conferences will be charged to Customer's credit card on the day the call occurs. Customer affirms that, if the credit card used by Customer is a corporate credit card, Customer has the proper authorization and authority to use such corporate credit card to order Services.

3. Taxes

Prices and fees for the Service are exclusive of all federal, state, municipal, or other government, excise, sales, use, occupational, or like taxes now in force or enacted in the future. Customer agrees to pay any tax Verizon Conferencing may be required to collect or pay now or at any time in the future (including interest and penalties imposed by any governmental authority) which are imposed upon the Service.

4. Termination

The Service package(s) can be cancelled on the website to be effective at the completion of current month's cycle. Customer will be able to use the remaining minutes contained in the Service package during the month the Service is cancelled. Verizon Conferencing reserves the right to cancel Service at any time for reasons including, but not limited to, non-payment.

|