

John E. Selent
(502) 540-2315 (direct)
(502) 585-2207; (502) 581-8111 (faxes)
john.selent@dinsmore.com

RECEIVED

JUN 11 2013

PUBLIC SERVICE
COMMISSION

June 10, 2013

VIA HAND DELIVERY

Hon. Jeff R. Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort KY 40601-8294

Re: Tariff Filing of Mountain Rural Telephone Cooperative Corporation, Inc.
Case No. 2013-00194 before the Public Service Commission of the
Commonwealth of Kentucky

Dear Mr. Derouen:

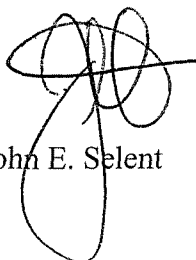
Enclosed for filing with the Public Service of the Commonwealth of Kentucky is one original and ten (10) copies of the following documents.

- 1) Application
- 2) Motion for Waiver of Certain Rate Application Filing Requirements
- 3) Petition for Confidential Treatment

Thank you, and if you have any questions with regard to this matter, please call me.

Very truly yours,

DINSMORE & SHOHL LLP



John E. Selent

JES/bmt
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 11 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

**TARIFF FILING OF MOUNTAIN RURAL) CASE NO.
TELEPHONE COOPERATIVE CORPORATION, INC.) 2013-00194**

APPLICATION

Applicant Mountain Rural Telephone Cooperative Corporation, Inc. ("**Mountain Rural**"), by counsel, pursuant to KRS 278.180, Sections 14 and 16 of 807 KAR 5:001, Section 6 of 807 KAR 5:011, and the Public Service Commission of the Commonwealth of Kentucky's (the "**Commission**") May 29, 2013 Order in this case (the "**Order**," attached hereto as "**Exhibit 1**"), applies for authority to adjust its rates and charges for basic local exchange service and gives notice of its intention to increase the same rates and charges effective May 31, 2013.

INTRODUCTION

This application for a rate increase is necessitated by an order from the Federal Communications Commission that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those Mountain Rural serves. *See In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011) ("**Transformation Order**"). For decades prior to that Order, high-cost carriers had received subsidies from the federal government's "Universal Service Fund" ("USF"). Those USF subsidies were intended to fulfill the Federal Communications Act's requirement that "[c]onsumers in all regions of the Nation, including . . . those in rural, insular, and high cost areas, should have access to telecommunications and information services . . . that are available at rates that are reasonably comparable to rates charged for similar services in urban areas."

47 U.S.C. § 254(b)(3). The Commission found, however, that many rural consumers were paying rates that were less than those paid by consumers in urban areas. Transformation Order ¶ 235. In consequence, the FCC Transformation Order sets a rate floor equal to the national average of local rates plus state regulated fees. *Id.* ¶ 238. The Transformation Order also “limit[s] high-cost support where local end-user rates plus state regulated fees” do not meet that national rate floor; those carriers’ federal subsidies will be reduced “on a dollar-for-dollar basis . . . to the extent that [the] carrier’s local rates (plus state regulated fees) do not meet the urban rate floor.” *Id.* ¶ 239.

Mountain Rural’s proposed rate increase is thus necessary to preserve its ability to receive these important USF subsidies. Without a minimum rate sufficient to meet the FCC’s new rate floor, high-cost carriers will lose significant federal subsidies that have historically allowed these carriers to provide service to the most costly, rural customers. That loss of federal funding will threaten the financial existence of these rural carriers, who have important obligations under federal and state law as carriers of last resort. Moreover, the loss of those subsidies could portend even larger rate increases in the future, as these carriers would need to raise their rates dramatically to reflect the full, unsubsidized cost of providing service in high-cost rural areas. And, as explained in the attached exhibits, Mountain Rural believes that this rate increase will be effectively revenue-neutral, as a substantial percentage of its customers will qualify for an offset that negates virtually all of the proposed rate change.

* * * * *

In support of its Application, Mountain Rural states as follows.

1. Pursuant to Section 14(1) of 807 KAR 5:001, (i) the full name of the applicant is Mountain Rural Telephone Cooperative, Corporation, Inc.; (ii) the address of the applicant is 425

Main Street, P.O. Box 399, West Liberty, Kentucky 41472; and (iii) the electronic mailing address of the applicant is service@mountaintelephone.com.

2. Mountain Rural is a rural incumbent local exchange carrier serving Elliott, Morgan, Menifee, and Wolfe Counties, as well as part of Bath County (the “**Service Territory**”). Mountain Rural was established in 1950 as a member-owned cooperative with the purpose of providing local telephone service to business and individual members within the exchanges of Jephtha, Hazel Green, Campton, Ezel, Sandy Hook, West Liberty, and Frenchburg. Mountain Rural provides approximately Eleven Thousand Seven Hundred Eighty-Five (11,785) residential lines and Three Thousand Three Hundred Thirty-Four (3,334) business lines. Mountain Rural is an eligible telecommunications carrier (“**ETC**”) in the communities it serves and is also the carrier of last resort (“**COLR**”) in its Service Territory. In 2012, Mountain Rural received approximately One Million Four Hundred Seventy-One Thousand And 00/100 Dollars (\$1,471,000.00) from the High Cost Loop Support (“**HCLS**”) Fund to support its COLR responsibilities in its Service Territory.

3. This proceeding was motivated by an Order of the Federal Communications Commission (“**FCC**”) that implemented “a rule to limit high-cost support where end-user rates do not meet a specified local rate floor.” *See* Transformation Order at ¶ 235.

4. Under the rule, local exchange carriers such as Mountain Rural must meet a specified rate floor on June 1 of each subsequent year in order to be eligible to receive the maximum amount of HCLS from the FCC. Failure to meet the rate floor will result in forfeiture of the HCLS that the carrier could have otherwise received for that year. Transformation Order at ¶¶ 133, 238-40.

5. In addition to HCLS reform, the Transformation Order also established a glide path to reduce access charges to zero.

6. In order to meet the rate floor necessary to avoid a reduction in HCLS, Mountain Rural Mountain Rural filed with the Commission on April 18, 2013 revised tariff sheets that contained a general adjustment of rates for basic local exchange service. Mountain Rural informed the Commission of its intent to place its proposed rates into effect on and after May 31, 2013.

7. The Commission subsequently released the Order, which allowed Mountain Rural's new rates to become effective on June 1, 2013, subject to refund. The Order requested that Mountain Rural file an application to support its proposed new rates in compliance with Section 16 of 807 KAR 5:001, except for any waivers that may be granted.

* * * * *

8. Pursuant to Section 4 of 807 KAR 5:006, Mountain Rural's annual reports, including the annual report for fiscal year ended December 31, 2012, are on file with the Commission.

9. Pursuant to Section 14(2)(a) of 807 KAR 5:001, a certified copy of Mountain Rural's Articles of Incorporation and all amendments thereto are attached hereto as "**Exhibit 2**".

10. Pursuant to Section 16(1)(a)(1) of 807 KAR 5:001, Mountain Rural's Application is supported by a twelve-month historical test period of January 1, 2012 to December 31, 2012. Mountain Rural's annual reports, including the annual report for 2012, are on file with the Commission.

11. Pursuant to Section 16(1)(b)(1) of 807 KAR 5:001, Mountain Rural states that it requires an adjustment of its rates to maintain eligibility for the maximum amount of HCLS funding.

12. Pursuant to Section 16(1)(b)(2) of 807 KAR 5:001, a Certificate of Existence for Mountain Rural, dated within sixty (60) days of the date this Application is filed, is attached hereto as "**Exhibit 3**".

13. Mountain Rural does not operate under an assumed name pursuant to KRS 365.015. Accordingly, no Certificate of Assumed Name is required pursuant to Section 16(b)(3) of 807 KAR 5:001.

14. Pursuant to Section 16(1)(b)(4) of 807 KAR 5:001, Mountain Rural's proposed tariff, in such form as is required by 807 KAR 5:011, is attached hereto as "**Exhibit 4**". The proposed effective date of the proposed tariff is May 31, 2013, and the rate is currently effective as of June 1, 2013 pursuant to the Order. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks partial waiver of Section 16(1)(b)(4) of 807 KAR 5:001, the requiring that the effective date be not less than thirty (30) days from the date the application is filed.

15. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of the requirements set forth in Section 16(1)(b)(5) of 807 KAR 5:001, requiring that the present and proposed tariff sheets be shown in comparative form or that the proposed tariff use italicizing, underscoring, and strikethroughs to show revisions.

16. Pursuant to Section 16(1)(b)(6) of 807 KAR 5:001, the notice sent to customers is attached hereto as "**Exhibit 5**". As more fully described in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks a waiver from the Commission of the requirement that customer notice be given in compliance with Section 16(3)-(4) of 807 KAR 5:001.

17. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural

seeks waiver of Section 16(2) of 807 KAR 5:001, requiring notice of intent to file an application for a rate adjustment.

18. Pursuant to Section 16(9)(a) of 807 KAR 5:001, a narrative summary of the particular circumstances that justify and support Mountain Rural's application, including a description of and quantified explanation for all proposed adjustments is attached hereto as "**Exhibit 6**" and is incorporated herein. Exhibit 6 is filed in conjunction with a Petition for Confidential Treatment pursuant to Section 13 of 807 KAR 5:001 filed contemporaneously with this Application.

19. Mountain Rural has gross annual revenues in excess of Five Million And 00/100 Dollars (\$5,000,000.00). As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(b) of 807 KAR 5:001, requiring Mountain Rural's prepared testimony.

20. Mountain Rural has gross annual revenues in excess of Five Million And 00/100 Dollars (\$5,000,000.00). Accordingly, the requirements of Section 16(9)(c) of 807 KAR 5:001 are inapplicable.

21. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks partial waiver of Section 16(9)(d) of 807 KAR 5:001, requiring total revenues and the percentage of the increase or decrease.

22. Mountain Rural is not an electric, gas, sewage, or water utility. Accordingly, the requirements of Section 16(9)(e) of 807 KAR 5:001 are inapplicable.

23. As more fully explained in Mountain Rural’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks partial waiver of Section 16(9)(f) of 807 KAR 5:001, requiring a description of the effect upon the average bill for a change in basic local service.

24. As more fully explained in Mountain Rural’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(g) of 807 KAR 5:001, requiring an analysis of customers’ bills.

25. Pursuant to Section 16(9)(h) of 807 KAR 5:001, Mountain Rural’s TIER calculations for the preceding two years are attached as “**Exhibit 7**” and is incorporated herein. Exhibit 7 is filed in conjunction with a Petition for Confidential Treatment pursuant to Section 13 of 807 KAR 5:001 filed contemporaneously with this Application.

26. As more fully explained in Mountain Rural’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(i) of 807 KAR 5:001, requiring a reconciliation of the rate base and capital used to determine revenue requirements.

27. As more fully explained in Mountain Rural’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(j) of 807 KAR 5:001, requiring a current chart of accounts.

28. As more fully explained in Mountain Rural’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(k) of 807 KAR 5:001, requiring an auditor’s annual opinion report.

29. Mountain Rural has not been audited by the FCC. Accordingly, the requirements in Section 16(9)(l) of 807 KAR 5:001 are inapplicable.

30. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(m) of 807 KAR 5:001, requiring the most recent PSC Form T.

31. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(n) of 807 KAR 5:001, requiring a summary of the latest depreciation study.

32. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(o) of 807 KAR 5:001, requiring a schedule of detailed information regarding all software, programs, and models used to prepare the application.

33. Mountain Rural has never made a stock or bond offering. Accordingly, the requirements of Section 16(9)(p) of 807 KAR 5:001 are inapplicable.

34. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(q) of 807 KAR 5:001, requiring the annual report to shareholders or members with statistical supplements.

35. As more fully explained in Mountain Rural's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Mountain Rural seeks waiver of Section 16(9)(r) of 807 KAR 5:001, requiring monthly managerial reports.

36. Mountain Rural is not required to file the U.S. Securities and Exchange Commission's Form 10-K, Form 8-K, or Form 10-Q. Accordingly, the requirements of Section 16(9)(s) of 807 KAR 5:001 are inapplicable.

37. Mountain Rural has not had any amounts charged or allocated to it by an affiliate or general or home office, and has not paid any monies to an affiliate or a general or home office during the test period or during the previous three (3) calendar years. Accordingly, the requirements of Section 16(9)(t) of 807 KAR 5:001 are inapplicable.

38. Mountain Rural is not an electric, gas, sewage, or water utility. Accordingly, the requirements of Section 16(9)(u) of 807 KAR 5:001 are inapplicable.

39. Mountain Rural has fewer than Fifty Thousand (50,000) access lines. Accordingly, the requirements of Section 16(9)(v) of 807 KAR 5:001 are inapplicable.

40. Pursuant to ¶ 3.a. of the Order, Exhibit 6 contains an estimate of the annual revenue to be received from HCLS beginning July 1, 2013.

41. Pursuant to ¶ 3.b. of the Order, Exhibit 6 contains an estimate of the annual revenue to be lost due to adjustment of terminating access rates effective July 1, 2013.

42. Pursuant to ¶ 3.c. of the Order, Exhibit 6 contains an estimate of the annual revenue to be generated by the tariff changes.


43. Pursuant to ¶ 3.d. of the Order, "**Exhibit 8**" contains an historical and projected line counts.

44. Pursuant to ¶ 3.e. of the Order, "**Exhibit 9**" contains the quarterly universal service from 1Q2011 to 3Q2013 projected amounts. As is certified annually to the Commission, these funds

are used by Mountain Rural to provide voice and advanced data services to our customers, thereby providing our communities with access to critical communications services.

WHEREFORE, Mountain Rural Telephone Cooperative Corporation, Inc. requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving Mountain Rural Telephone Cooperative Corporation, Inc.'s revisions to the applicable tariffs.

Respectfully submitted,




John E. Selent
Edward T. Depp
Joseph A. Newberg, II
DINSMORE & SHOHL LLP
101 South Fifth Street
Suite 2500
Louisville, KY 40202
Phone: (502) 540-2300
Fax: (502) 585-2207
*Counsel to Mountain Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Application was filed or served with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed below.

On this the 10th day of June, 2013.



*Counsel for Mountain Rural Telephone
Cooperative Corporation, Inc.*

Honorable Jack Conway
Capitol Suite 118
700 Capitol Avenue
Frankfort, Kentucky 40601-3449

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 11 2013

In the Matter of:

PUBLIC SERVICE
COMMISSION

TARIFF FILING OF MOUNTAIN RURAL) CASE NO.
TELEPHONE COOPERATIVE CORPORATION, INC.) 2013-00194

**MOTION FOR WAIVER OF CERTAIN RATE
APPLICATION FILING REQUIREMENTS**

Mountain Rural Telephone Cooperative Corporation, Inc. ("**Mountain Rural**"), by counsel, and pursuant to Section 16(15) of 807 KAR 5:001, hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "**Commission**") for waiver, for good cause, of certain filing requirements set forth in Section 16 of 807 KAR 5:001 and the Commission's May 29, 2013 Order in this case (the "**Order**"). In support of its request, Mountain Rural states as follows.

I. Introduction

In the Order, the Commission requested that Mountain Rural file an application pursuant to Section 16 of 807 KAR 5:001 in order to obtain the rate adjustments that it seeks. The Commission recognized "the mandatory and time-sensitive nature of the FCC's rate floor, and that all of the information specified in Section 16 of 807 KAR 5:001 may not be necessary to support an increase in basic local exchange rates under these circumstances." Order at 2. Accordingly, the Commission provided a list of those specific requirements in 807 KAR 5:001 that are necessary to allow the Commission to evaluate Mountain Rural's Application. Mountain Rural now moves for waiver of certain filing requirements of Section 16 of 807 KAR 5:001 and the Order.

II. Argument

Upon good cause shown, the Commission shall grant “[a] request for waiver of any of the provisions of [the] filing requirements.” 807 KAR 5:001, Section 16(15). In determining whether good cause exists, the Commission shall consider:

(a) Whether other information provided by the utility is sufficient to allow the Commission to effectively and efficiently review the rate application;

(b) Whether the information for which waiver is requested is normally maintained by the utility or reasonably available from the information the utility does maintain; and

(c) The expense in providing the information which is the subject of the waiver request.

Id.

Because of the expedited nature of these proceedings (which is required due to the time-sensitive nature of the rate floor) and the relatively small size of the utility, it is not feasible for Mountain Rural to compile some of the information required by Section 16 by the application deadline established in the Order. Furthermore, Mountain Rural’s Application is simply a response to the regulatory pronouncement of the FCC as opposed to a financial need for additional revenue from its ratepayers, and the Commission acknowledged in its Order that “all of the information specified in Section 16 of 807 KAR 5:001 may not be necessary to support an increase in basic local exchange rates under these circumstances.” Order at 2.

Wherefore, Mountain Rural requests waiver of the following filing requirements. A brief supporting narrative is included for each of these provisions.

A. Filing Requirements Not Specified in the Order

The information required by the following regulations was not requested by the Commission in the Order. *See* Order at 3.

807 KAR 5:001 Section 16(1)(b)(5)

New or revised tariff sheets shown by either providing the present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side, or providing a copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions.

Mountain Rural does not have this information readily available and accordingly seeks waiver of Section 16(1)(b)(5) of 807 KAR 5:001.

807 KAR 5:001 Section 16(2)

File written notice of intent to file a rate application at least thirty days, but not more than sixty days, prior to filing the application; state in such notice whether the application will be supported by a historical or forecast test period; serve a copy of the notice upon the Attorney General.

Mountain Rural files its Application pursuant to the Order, which established a deadline of ten days from entry of the Order. Furthermore, Mountain Rural will serve a copy of the Application upon the Attorney General contemporaneous with its filing. Therefore, in light of the unique circumstances of this case, Mountain Rural seeks waiver of Section 16(2) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(b)

Prepared testimony of each witness used to support its application.

Mountain Rural's filing is in response to the Transformation Order and is not driven by a financial need to obtain more revenue from its ratepayers or achieve a higher rate of return.

Mountain Rural asserts that the information provided in the Application does not require further explication through prepared testimony. Furthermore, it is not feasible for Mountain Rural to prepare testimony in the timeframe prescribed by the Commission for this filing. Accordingly, Mountain Rural seeks waiver of Section 16(9)(b) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(g)

Analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.

Mountain Rural's financial report, containing its 2012 revenues under the rates in effect prior to the filing of this application, and its proposed tariff are on file with the Commission. This information should be sufficient to allow the Commission to effectively and efficiently review the rate application, and Mountain Rural accordingly seeks waiver of Section 16(9)(g) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(i)

Reconciliation of rate base and capital used to determine revenue requirements.

Mountain Rural's application is filed for the purpose of implementing rates to secure the maximum amount of High Cost Loop Support ("HCLS") possible, and not because of a financial need to obtain more revenue from its customers. The new rate for basic local exchange service was determined based on the rate floor set pursuant to the Transformation Order, and not based on rate base and capital. This data is thus irrelevant to the proposed rate increase and will not aid the Commission in evaluating Mountain Rural's application. Accordingly, Mountain Rural seeks waiver of Section 16(9)(i) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(j)

Current chart of accounts, if more detailed than the Uniform System of Accounts.

Mountain Rural's financial reports are on file with the Commission and should be sufficient to efficiently evaluate the Application. Accordingly, Mountain Rural seeks waiver of Section 16(9)(j) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(k)

Independent auditor's annual opinion report, with any written communication from auditor which indicates existence of material weakness in internal controls.

Mountain Rural's rate application is filed merely to avoid any reductions in HCLS and is not driven by financial weakness in the company or a need to secure more revenue from its ratepayers. Reports that otherwise detail Mountain Rural's financials are on file with the Commission. Accordingly, Mountain Rural seeks waiver of Section 16(9)(k) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(m)

The most recent PSC Form T.

Subscriber information similar to that which appears in the PSC Form T is included in Exhibit 6 to the Application. This information should allow the Commission the ability to efficiently evaluate the Application under the circumstances of this case, and Mountain Rural thus seeks waiver of Section 16(9)(m) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(n)

Summary of latest depreciation study with schedules by major plan accounts, except that telecommunications utilities adopting the Commission's average depreciation rates shall provide a schedule identifying current and test

period depreciation rates used by major plant accounts.

Mountain Rural's annual financial report for 2012, which covers the test period, is on file with the Commission. Because this information should be sufficient to allow the Commission to efficiently evaluate the application, Mountain Rural seeks waiver of Section 16(9)(r) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(o)

A list of all commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of the utility's application.

Because of the unique circumstances of this case, Mountain Rural believes the information contained in Exhibit 6 is sufficient to evaluate the Application. Accordingly, Mountain Rural seeks waiver of Section 16(9)(o) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(q)

Annual report to shareholders, or members, and statistical supplements covering the two most recent years from the application filing date.

Mountain Rural's annual financial report for 2012, which covers the test period, is on file with the Commission. Because this information should be sufficient to allow the Commission to efficiently evaluate the application, Mountain Rural seeks waiver of 807 KAR 5:001 Section 16(9)(q).

807 KAR 5:001 Section 16(9)(r)

Monthly managerial reports providing financial results for twelve months in

test period.

Mountain Rural's annual financial report for 2012, which covers the test period, is on file with the Commission. Because this information should be sufficient to allow the Commission to efficiently evaluate the application, Mountain Rural seeks waiver of Section 16(9)(r) of 807 KAR 5:001.

B. Filing Requirements Specified in the Order

807 KAR 5:001 Section 16(1)(b)(4) **New or revised tariff sheets must have an effective date not less than thirty days from the date the application is filed**

Because of the time-sensitive nature of the FCC-mandated rate floor, the effective date is within the thirty-day horizon required by Section 16(1)(b)(4), and Mountain Rural accordingly requests waiver of 807 KAR 5:001, Section 16(1)(b)(4) so that it may comply with the Transformation Order.

807 KAR 5:001, Section 16(1)(b)(6) **A statement that notice has been given in compliance with subsections (3) and (4) of 807 KAR 5:001 Section 16, with a copy of the notice.**

Mountain Rural has provided a copy of the customer notice at Exhibit 5 of its application. However, Mountain Rural requests partial waiver of 807 KAR 5:001 Section 16(1)(b)(6) insofar as it requires strict compliance with 807 KAR 5:001 Section 16(3)-(4). Mountain Rural targeted the notice in a manner that was most appropriate to reach its customers with the pertinent information. The notice that was provided as a bill insert to all customers and a newspaper notice, states that basic local rates will increase, and explains the necessity under the new FCC

rules to meet the \$14.00 rate floor for basic local service to avoid reduction in HCLS funding. Accordingly, Mountain Rural requests waiver of Section 16(1)(b)(6) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(d) Effect of each new rate on revenues of utility.

Mountain Rural provided in Exhibit 6 the total revenues that will result from the rate adjustment. Mountain Rural believes this information is sufficient to efficiently and effectively evaluate the Application, and Mountain Rural accordingly seeks waiver of Section 16(9)(d) of 807 KAR 5:001.

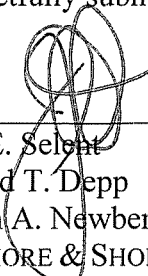
807 KAR 5:001 Section 16(9)(f) Effect upon the average bill for each customer class for change in basic local service.

Mountain Rural provided in Exhibit 6 the amount of the rate increase to which its customers will be subject. Mountain Rural believes this information is sufficient to efficiently and effectively evaluate the Application, and Mountain Rural accordingly seeks waiver of Section 16(9)(f) of 807 KAR 5:001.

III. Conclusion

Mountain Rural has demonstrated good cause for granting each of the requests for waiver or deviation identified above. In each case, Mountain Rural does not prepare the requested reports or budgets or otherwise have the information readily available. In addition, it would be prohibitively expensive for Mountain Rural to prepare the reports in the timeframe of this case. Accordingly, Mountain Rural Telephone Cooperative Corporation, Inc. has demonstrated good cause and the Public Service Commission of the Commonwealth of Kentucky should grant the requested waivers.

Respectfully submitted,




John E. Selent
Edward T. Depp
Joseph A. Newberg, II
DINSMORE & SHOHL LLP
101 South Fifth Street
Suite 2500
Louisville, KY 40202
Phone: 502.540.2300
Fax: 502.585.2207
*Counsel to Mountain Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Motion for Waiver of Certain Rate Application Filing Requirements was filed or served with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed below.

On this the 10th day of June, 2013.



*Counsel for Mountain Rural Telephone
Cooperative Corporation, Inc.*

Honorable Jack Conway
Capitol Suite 118
700 Capitol Avenue
Frankfort, Kentucky 40601-3449

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 11 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

TARIFF FILING OF MOUNTAIN RURAL) CASE NO.
TELEPHONE COOPERATIVE CORPORATION, INC.) 2013-00194

**PETITION OF MOUNTAIN RURAL TELEPHONE COOPERATIVE
CORPORATION, INC. FOR CONFIDENTIAL TREATMENT**

Mountain Rural Telephone Cooperative Corporation, Inc. ("Mountain Rural") hereby petitions the Kentucky Public Service Commission ("Commission"), pursuant to Section 13 of 807 KAR 5:001 and KRS 61.878, to grant confidential treatment to certain information Mountain Rural is contemporaneously filing with its application for a general adjustment in rates. The information Mountain Rural seeks to protect as confidential is hereinafter referred to as the "Confidential Information."

Pursuant to Sections 13(2)(a)(3) and 13(2)(b) of 807 KAR 5:001, one (1) copy of the hardcopy pages containing Confidential Information, with the Confidential Information highlighted with transparent ink, printed on yellow paper, or otherwise marked "CONFIDENTIAL," is being filed with this petition. A copy of those pages with the Confidential Information redacted is being filed with the original and each of the ten (10) copies of the application filed with this petition.

The Confidential Information is not publicly available, is not disseminated within Mountain Rural except to those employees and professionals with a legitimate business need to know and act upon the information, and is not disseminated to others without a legitimate need to know and act upon the information.

If and to the extent the Confidential Information becomes generally available to the public, whether through filings required by other agencies or otherwise, Mountain Rural will notify the Commission and have the information's confidential status removed pursuant to Section 13(10)(b) of 807 KAR 5:001.

As discussed below, the Confidential Information is entitled to confidential treatment based upon KRS 61.878(1)(c)(1), which protects "records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records." 807 KAR 5:001 Section 13(2)(a)(1).

I. Applicable Law

Section 13(2)(a) of 807 KAR 5:001 sets forth the procedure by which certain information filed with the Commission may be treated as confidential. The regulation provides that a party seeking confidential treatment of certain information must:

Establish specific grounds pursuant to KRS 61.878, upon which the Commission should classify that material as confidential;

State the time period in which the material should be treated as confidential and the reasons for the time period; and

Include[] in a separate sealed envelope marked confidential, one (1) copy of the material . . . which identifies by underscoring, highlighting with transparent ink, or other reasonable means only those portions which unless redacted would disclose confidential material.

The Kentucky Open Records Act, KRS 61.870, *et seq.*, exempts certain records from the requirement of public inspection. In particular, KRS 61.878(c)(1) provides the following exemption from the requirement of public inspection:

records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would present an unfair

commercial advantage to competitors of the entity that disclosed the records.

II. Disclosure of the Confidential Information Would Provide Mountain Rural's Competitors With an Unfair Commercial Advantage.

The Confidential Information for which Mountain Rural seeks confidential treatment pursuant to KRS 61.878(1)(c)(1) is generally recognized as confidential or proprietary under Kentucky law.

The Confidential Information in Exhibit 6 of the Application consists of data related to the adjustment of terminating access rates pursuant to the FCC's November 18, 2011 Order reforming intercarrier compensation and the Universal Service Fund (the "**Transformation Order**") and due to the proposed rate increase. The information includes the financial impact on the company itself and on the various classes of Mountain Rural's subscribers. This information provides insight into Mountain Rural's financials and operations that is normally withheld from the public and competitors.

The Confidential Information in Exhibit 7 of the Application consists of Mountain Rural's financial information, including operating revenues and expenses.

The highlighted information contained in Mountain Rural's Application would result in an "unfair commercial advantage to competitors" of Mountain Rural if disclosed. Mountain Rural, as a participant in the telecommunications market, faces economic competition from other entities in the same market. As alternatives to basic local telephone service like VoIP and wireless service continue to penetrate the market, Mountain Rural faces an increasingly competitive market to sell telecommunication services to customers. Mountain Rural's ability to successfully compete against other entities in the telecommunications market would be adversely affected by the disclosure of its internal financial information and information about its access

line trends. Therefore, Mountain Rural has “competitors” as is contemplated under the statute and faces actual competition from other market participants.

The Confidential Information for which Mountain Rural seeks confidential treatment under KRS 61.878(1)(c)(1) is generally recognized as confidential or proprietary under Kentucky law. In particular, information about a company’s detailed inner workings is generally recognized as confidential or proprietary. *See, e.g., Hoy v. Ky. Indus. Revitalization Auth.*, 907 S.W.2d 766, 768 (Ky. 1995) (“It does not take a degree in finance to recognize that such information concerning the inner workings of a corporation is ‘generally recognized as confidential or proprietary’”); *Marina Mgmt. Servs. v. Cabinet for Tourism*, 906 S.W.2d 318, 319 (Ky. 1995) (“The most obvious disadvantage may be the ability to ascertain the economic status of the entities without the hurdles systematically associated with the acquisition of such information about privately owned organizations.”).

The disclosure of this confidential and proprietary information would provide competitors an unfair competitive advantage, allowing them insight into Mountain Rural’s financial position and giving them the ability to unfairly tailor their competitive efforts against Mountain Rural in light of this Confidential Information.

III. Time Period

Pursuant to Section 13(2)(a)(2) of 807 KAR 5:001, Mountain Rural requests that the Confidential Information remain confidential for a period of five (5) years from the date of this petition, which should allow sufficient time for the projected data to become historical and sufficiently outdated that it could not be used to determine similar Confidential Information at that time.

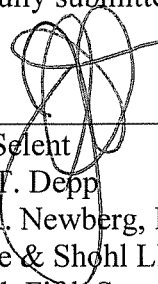
IV. Conclusion

Based on the foregoing, the Confidential Information is entitled to confidential treatment. If the Commission disagrees that Mountain Rural is entitled to confidential treatment, due process requires the Commission to hold an evidentiary hearing. *Utility Regulatory Comm'n v. Kentucky Water Serv. Co., Inc.*, 642 S.W.2d 591 (Ky. App. 1982).

WHEREFORE, Mountain Rural respectfully requests that the Commission classify and protect as confidential the Confidential Information.

On this the 10th day of June, 2013.

Respectfully submitted,




John E. Selent
Edward T. Depp
Joseph A. Newberg, II
Dinsmore & Shohl LLP
101 South Fifth Street
Suite 2500
Louisville, KY 40202
Phone: (502) 540-2347
Facsimile: (502) 585-2207
tip.depp@dinsmore.com
*Counsel for Mountain Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Petition was filed or served with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed below.

On this the 10th day of June, 2013.



*Counsel for Mountain Rural Telephone
Cooperative Corporation, Inc.*

Honorable Jack Conway
Capitol Suite 118
700 Capitol Avenue
Frankfort, Kentucky 40601-3449

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF MOUNTAIN RURAL TELEPHONE) CASE NO.
COOPERATIVE CORPORATION) 2013-00194

ORDER

On April 18, 2013, Mountain Rural Telephone Cooperative Corporation, Inc. ("Mountain Rural") filed with the Commission revised tariff sheets that contained a general adjustment of its rates for basic local exchange service. Mountain Rural informed the Commission of its intent to place its proposed rates into effect on and after May 31, 2013. However, as discussed below, the Commission finds that the proposed tariff should be suspended pursuant to KRS 278.190(2), but the proposed rates may be charged, subject to refund, on and after June 1, 2013.

Mountain Rural filed its proposed increased rates to comply with the directive of the Federal Communications Commission ("FCC") in its Order that, *inter alia*, comprehensively reformed intercarrier compensation.¹ In addition to establishing a glide path to reduce access charges to zero, the FCC's ICC/USF Order also established a rate floor for local exchange rates. The FCC required that Local Exchange Carriers ("LEC"), such as Mountain Rural, shall be eligible to receive high-cost support in a study area if the rates for local exchange service are at or above the rate floor on June 1 of

¹ In the Matter of Connect America Fund: A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform; Mobility Fund, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) ("ICC/USF Order").

every subsequent year.² Failure to meet the rate floor will result in forfeiture of the high-cost support that the carrier would have otherwise received for that year.³

The Commission, in the past, has held that a general adjustment in rates cannot be made simply through a tariff filing.⁴ A utility must file an application that complies with the filing requirements of 807 KAR 5:001, Section 16, which, *inter alia*, requires that certain financial information be filed with the Commission and notice be given to customers. Mountain Rural's tariff filing seeking to raise local exchange rates is a general adjustment in rates and, therefore, an application for a general adjustment in rates must be filed pursuant to 807 KAR 5:001, Section 16. Mountain Rural must comply with the requirements found in 807 KAR 5:001, Section 16. Mountain Rural's tariff filing does not comply with this regulation and cannot be put into effect on the proposed effective date.

The Commission is cognizant that Mountain Rural's ability to receive high-cost loop support will be jeopardized if its rates for basic local exchange service are not at or above the \$14.00 rate floor mandated in the ICC/USF. Therefore, the Commission will only suspend the proposed rates for one day and allow them to go into effect on June 1, 2013, subject to refund. The Commission also acknowledges the mandatory and the time-sensitive nature of the FCC's rate floor, and that all of the information specified in

² 47 C.F.R. § 54.318 High-cost support; limitations on high-cost support.

³ ICC/USF Order at ¶¶ 133, 238-240.

⁴ See, Case No. 2004-00459, *The Application of Louisville Gas and Electric Company for Approval of New Rate Tariffs Containing a Mechanism for the Pass-Through of MISO-Related Revenue and Costs Not Already Included in Existing Base Rates* (Ky. PSC Apr. 15, 2004).

807 KAR 5:001, Section 16, may not be necessary to support an increase in basic local exchange rates under these circumstances.

At the very least, the Commission will require that Mountain Rural file the information required in 807 KAR 5:001, Section 16(1)(a)(1), (1)(b)(4), (1)(b)(6), (3)(b)(1), (4), (6), (9)(a), (9)(d), (9)(f), (9)(h), and (10). Except as required above, Mountain Rural may request a deviation, pursuant to 807 KAR 5:001, Section 16(15), from the other requirements of 807 KAR 5:001, Section 16.

Based on the foregoing, IT IS THEREFORE ORDERED that:

1. Mountain Rural's proposed rates for its basic local exchange service are suspended for one day from the effective date of May 31, 2013, and will be effective subject to refund on June 1, 2013.

2. Within ten days of the date of this Order, Mountain Rural shall file with the Commission an application to support its proposed tariff to increase rates for local exchange service. The application shall comply with 807 KAR 5:001, Section 16, except for any waivers that may be granted or requirements other than those specified in the findings above.

3. The application shall also contain:

a. The estimated annual revenue to be received from High Cost Loop Support beginning July 1, 2013.

b. The estimated annual revenue to be lost due to adjustment of terminating access rates effective July 1, 2013.

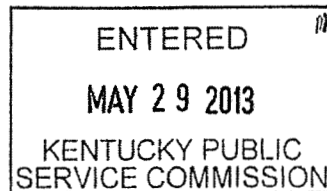
c. The total estimated annual revenue (increase or decrease) to be generated by the tariff changes. Include a breakout for each service or category of service to show changes in revenue.

d. Historical and projected line counts and the effects of any line changes on the company.

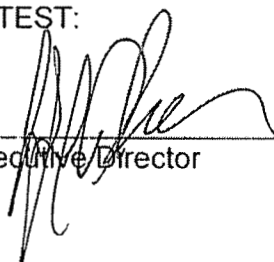
e. Historical and projected federal universal service support and its effects on the company.

f. A narrative of any other circumstances that justify or support the proposed rate changes.

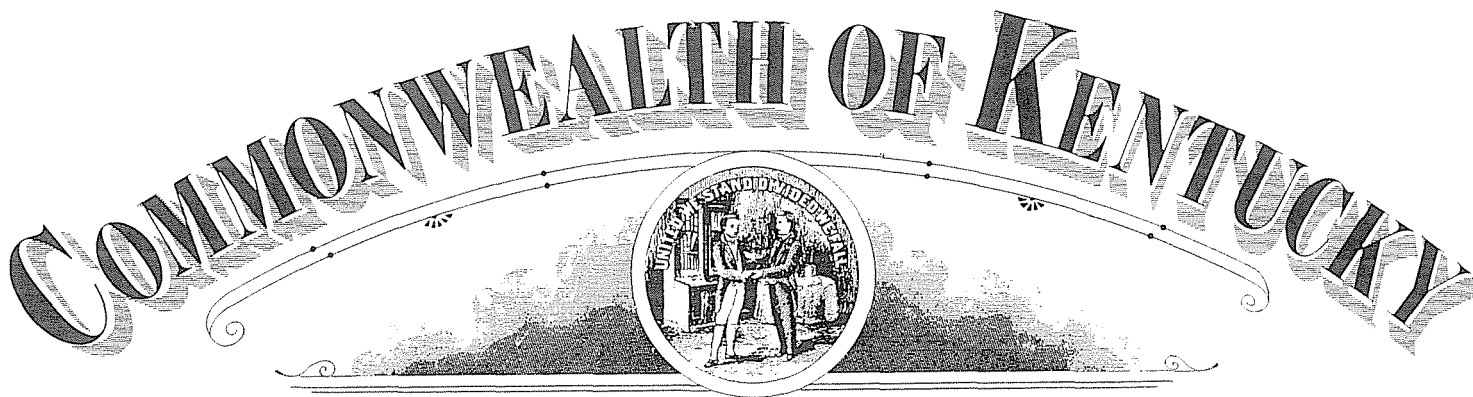
By the Commission



ATTEST:


Executive Director

Case No. 2013-00194



Alison Lundergan Grimes
Secretary of State

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

ARTICLES OF INCORPORATION OF

MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC. FILED
DECEMBER 13, 1950.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my
Official Seal at Frankfort, Kentucky, this 10th day of June, 2013.



Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
dwilliams/0036856 - Certificate ID: 139779

36856

Commonwealth of Kentucky

Department of State



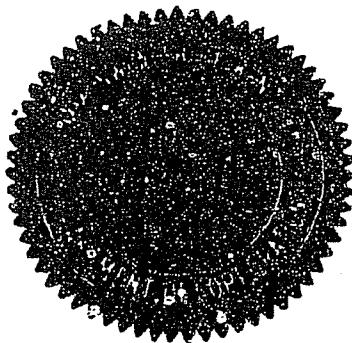
Office of Secretary of State

GEORGE GLENN HATCHER, SECRETARY

CERTIFICATE FOR NON-STOCK CORPORATION

I, George Glenn Hatcher, Secretary of State, do hereby certify that the Articles of Incorporation in triplicate originals of MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC. (West Liberty, Kentucky)

are found to be duly signed and acknowledged; that there appears to be no capital stock; no private pecuniary profit is to be derived therefrom; no organization tax is required by law; all fees and charges have been paid; that one original copy is filed and recorded in this office. It further appears that all requirements of law have been complied with and this certificate, with two original articles of incorporation indorsed with the fact and time of recording in this office, has been returned to the incorporators or their representative. Corporate existence shall begin upon the issuance of this certificate. Said certificate shall be conclusive evidence of the fact that the above named corporation has been incorporated and is now authorized and empowered to do business in Kentucky, subject to the restrictions imposed by Chapter 273, Kentucky Revised Statutes, and other laws.



Given under my official signature and seal

this the 13th day of December 19 50

George Glenn Hatcher
Secretary of State

By _____

SECRETARY OF STATE

12/13/50 Original Process Agent: J. Edwin Rickell, Deputy, Corporation Department, West Liberty, Ky.

D. 10 49

ARTICLES OF INCORPORATION

OF

MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

We, the undersigned, being natural persons and citizens of the Commonwealth of Kentucky, do hereby execute these articles of incorporation for the purpose of organizing a nonprofit cooperative corporation (herein called the "Cooperative") under the laws of the Commonwealth of Kentucky, pursuant to an Act entitled "AN ACT relating to telephone cooperative, nonprofit corporations, rural telephone and telephones services", approved March 25, 1950.

FIRST, the name of the Cooperative is Mountain Rural Telephone Cooperative Corporation, Inc.

SECOND, the address of the principal office of the Cooperative is West Liberty, Morgan County, Kentucky. J. Blaine Nickell, West Liberty, Kentucky is designated process agent.

THIRD, the names and addresses of the incorporators of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
Henry A. Stovall	Hazel Green, Kentucky
Dorsey O. Ross	Hazel Green, Kentucky
Sam D. Cecil	Hazel Green, Kentucky
W. R. Rowland	Ezel, Kentucky
Wm. A. Heagen	Ezel, Kentucky

FOURTH, the names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

<u>Names</u>	<u>Addresses</u>
Henry A. Stovall	Hazel Green, Kentucky
Dorsey O. Ross	Hazel Green, Kentucky
Sam D. Cecil	Hazel Green, Kentucky
W. R. Rowland	Ezel, Kentucky
Wm. A. Heagen	Ezel, Kentucky

FIFTH, The operations of the Cooperative are to be conducted in the Counties of Wolfe, Morgan, Menifee, Elliott, Breathitt, Lee and Magoffin, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF, we have hereunto subscribed our names this 30 day of November, 1950.

Henry A. Stovall
Dorsey C. Rose
Sam D. Cecil
W. R. Rowland
Wm. A. Heagan

STATE OF KENTUCKY)
) : Sec.
COUNTY OF MORGAN)

I, Gertrude Nickell, a Notary Public in and for the county and state aforesaid, do hereby certify that the foregoing Articles of Incorporation of Mountain Rural Telephone Cooperative Corporation, Inc. were on this day produced to me in said county and state and acknowledged before me by Henry A. Stovall, Dorsey C. Rose, Sam D. Cecil, W. R. Rowland and Wm. A. Heagan, to be their voluntary act and deed.

My commission expires Dec 13 1951.

Given under my hand this the 30 day of November, 1950.

Gertrude Nickell
Notary Public, Morgan Co., Ky.

(Notarial Seal)

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 139765
Visit <https://app.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,


**MOUNTAIN RURAL TELEPHONE COOPERATIVE CORPORATION,
INC.**

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 273, whose date of incorporation is December 13, 1950 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 7th day of June, 2013, in the 222nd year of the Commonwealth.




Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
139765/0036856

GENERAL SUBSCRIBER SERVICES TARIFF

Mountain Rural Telephone
Cooperative

Section C
5th Revised Sheet 2

C.1 Local Exchange Service Rates

C.1.1 Definitions

Basic Local Access Charge – The recurring monthly charge for residential or business service that accounts for network services through the protector.

C.1.2 Monthly exchange service rates as authorized by the Kentucky Public Service Commission.

1. Monthly exchange rates for:
Campton
Ezel
Frenchburg
Hazel Green
Jeptha
Sandy Hook
West Liberty

One-party service

Basic Local Access Charge	<u>Residence</u>	<u>Business</u>
---------------------------	------------------	-----------------

With Touch-tone	\$14.00 (I)	\$17.63
-----------------	-------------	---------

Touch-tone is provided as described in section M.5 of this tariff.

2. The rates specified herein are for periods of one month, are payable in advance, and entitle subscribers to an unlimited number of messages to all parties as identified in the toll free calling areas identified on the flowing sheet(s). (T)

Issue Date: April 18, 2013

Effective Date: May 31, 2013

Issued by: /s/ W.A. Gillum

W.A. Gillum, General Manager

Mountain Rural Telephone Cooperative
Customer Notifications of June 1, 2013 Rate Increase
Newspaper Legal Notice
and
Customer Bill Message

Important Notice

May 1, 2013

In November 2011, the Federal Communications Commission (FCC) released a decision to make changes in the way rural telephone companies, like Mountain Telephone, receive federally funded support for services provided to our customers.

This support is critical as it remains the only way that communities such as ours can cost-effectively receive the telephone and broadband Internet data services so vital to our area.

Unfortunately, as a condition of continuing to receive this support, the FCC requires that our customers must pay more for local phone service than we, Mountain Telephone, currently charge.

Keeping in compliance with the FCC government regulation- 47 CFR 54.318, on June 1, 2013, our Basic Residential Access Line Rate will implement an increase of \$3.37. The rate will raise from \$10.63, which is what we currently charge, to \$14.00, the FCC minimal rate requirement.

After this government mandated increase is put in place, phone companies across the US can no longer charge less than \$14.00 for their access lines

Customers who subscribe to phone, Internet and TV bundled services already experienced this increase in March.

Thank you,
Mountain Telephone



Mountain Telephone

May 1, 2013

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Thank you,

Mountain Telephone

DESCRIPTION AND JUSTIFICATION

On April 18, 2013, Mountain Rural Telephone Cooperative Corporation, Inc. ("**MRTC**") filed for an increase of its basic local service rates to Fourteen And 00/100 Dollars (\$14.00) per month. This filing was in response to the Federal Communications Commission's November 18, 2011 order requiring that providers meet certain minimum local service rates in order to continue to receive certain federal universal service support. In that Order (the "**Transformation Order**") the Federal Communications Commission established a local exchange rate floor of Ten And 00/100 Dollars (\$10.00) as of June 1, 2012, Fourteen And 00/100 Dollars (\$14.00) as of June 1, 2013, and an undefined "urban rate" as of June 1, 2014. Prior to this filing, MRTC has not had a local service rate increase since 1986 because MRTC's local residential services rates met the previous requirements of the Order entitled MRTC for High Cost Loop Support ("**HCLS**"). As a member-owned cooperative, the company is particularly tuned to the expectations of its members; as such, MRTC would not increase its rate to Fourteen And 00/100 Dollars (\$14.00) were it not for the Federal Communications Commission's requirement in the Transformation Order.

FINANCIAL IMPACT

With this filing, residential rates will increase by Three And 37/100 Dollars (\$3.37), but this anticipated increase in revenues does not reflect accelerated line losses due to abandonment of the network. MRTC recognizes that it is seeking a Thirty-One Percent (31.00%) increase in its local service rates. Based on the 3Q13 USAC reports, MRTC anticipates receiving approximately One Million Four Hundred Seventy Thousand Nine Hundred Sixty And 00/100 Dollars (\$1,470,960.00) in HCLS for its fiscal year. Based on its subscribers as of March, 2013, without the increase in local service rates, failure to meet the FCC's rate floor mandate could

cost the company approximately Four Hundred Seventy-Six Thousand Five Hundred Eighty-Five And 00/100 (\$476,585.00), or Thirty-Two and Four-Tenths Percent (32.4%) of its total annual HCLS.

	Subscribers	Current Rate	FCC Floor	At Risk
Residential	11,785	\$ 10.63	\$ 14.00	\$ 476,585
Annual HCLS (using 3Q13 projections)				\$ 1,470,960
Support at risk absent a rate increase				32.4 %

Additionally, as part of the Transformation Order, the Federal Communications Commission established that the intercarrier compensation collected in 2011 fiscal year, from October 1, 2010 to September 30, 2011, was the maximum amount of allowed revenues from intercarrier compensation. In addition, the Transformation Order established a phase down schedule of those maximum amounts allowed, requiring that the maximum intercarrier compensation amount be reduced by Five Percent (5.00%) for the 2012 fiscal year and Four and Seventy-Five Hundredths Percent (4.75%) for the 2013 fiscal year. With this change, MRTC cannot collect more than the maximum intercarrier compensation revenue amount. As is shown below, this reduction was approximately [REDACTED]

[REDACTED] for MRTC's 2012 fiscal year and the cumulative reduction at the end of MRTC's 2013 fiscal year will be approximately [REDACTED].

	Allowed Revenues	Reduction	Cumulative	% Reduction
FY 2011				0.00%
FY 2012				-5.00%
FY 2013				-9.75%

CONCLUSION

The Transformation Order seeks to dramatically change the revenue sources historically available to rural telephone companies like MRTC to use in meeting their carrier of last resort obligation and to expand the availability of advanced broadband services to their customers. Unfortunately, for many of these companies, doing so requires upward pressure on local service rates. As shown in this documentation, MRTC has no other options available to it and, therefore, requests that its tariff revisions be approved.

Mountain Rural Telephone
TIER Estimate

	2011	2012
Income Statement		
Operating Revenues		
Local network services revenue		
Network access service revenue		
Long distance network services revenue		
Miscellaneous revenue		
Uncollectible revenue		
Additional Revenue		
Total Operating Revenues		
Operating Expenses		
Plant specific operations expense		
Plant non-specific operations expense		
Provision for depreciation		
Customer operations expense		
Corporate operations expense		
Total Operating Expenses		
Operating Taxes		
Operating Income		
Fixed Charges		
Interest expense on long term debt		
Interest charged to construction		
Total Fixed Charges		
Net Income		
TIER		
Net Income (after taxes)		
Interest expense		
Net Income (after taxes) + Interest Ex		

Mountain Rural Telephone Cooperative

Local Service Rates

Historic Data	2012 Report	2011 Report	Annual Line Loss	
Residential	11,785	12,155	-370	-3.04%
Single Line Business	862	979	-117	-11.95%
Multi Line Business	<u>2,472</u>	<u>2,475</u>	<u>-3</u>	<u>-0.12%</u>
	15,119	15,609	-490	-3.14%

Forecast of Lines	2013 Report	2014 Report	2014 Report	Average
Residential	11,431	10,859	9,773	10,316
Single Line Business	759	645	529	587
Multi Line Business	<u>2,450</u>	<u>2,425</u>	<u>2,400</u>	<u>2,413</u>
	14,640	13,929	12,702	13,316

Universal Service Support 1Q2011 - 3Q2013

MOUNTAIN RURAL COOP

Case 2013-00194

Period	State	SAC	Study Area Name	Total High Cost Monthly	Total High Cost Quarterly
3Q2013	KY	260414	MOUNTAIN RURAL COOP	\$ 825,000	\$ 2,475,000
2Q2013	KY	260414	MOUNTAIN RURAL COOP	\$ 780,961	\$ 2,342,883
1Q2013	KY	260414	MOUNTAIN RURAL COOP	\$ 615,106	\$ 1,845,318
4Q2012	KY	260414	MOUNTAIN RURAL COOP	\$ 450,696	\$ 1,352,088
3Q2012	KY	260414	MOUNTAIN RURAL COOP	\$ 450,696	\$ 1,352,088
2Q2012	KY	260414	MOUNTAIN RURAL COOP	\$ 233,238	\$ 699,714
1Q2012	KY	260414	MOUNTAIN RURAL COOP	\$ 201,259	\$ 603,777
4Q2011	KY	260414	MOUNTAIN RURAL COOP	\$ 179,960	\$ 539,880
3Q2011	KY	260414	MOUNTAIN RURAL COOP	\$ 179,960	\$ 539,880
2Q2011	KY	260414	MOUNTAIN RURAL COOP	\$ 176,519	\$ 529,557
1Q2011	KY	260414	MOUNTAIN RURAL COOP	\$ 176,519	\$ 529,557