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October 15, 2014

VIA HAND DELIVERY

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

RECEIVED

OCT 16 2014

PUBLIC SERVICE
COMMISSION

Re: Tariff Filing of Ballard Rural Telephone Cooperative Corporation, Inc., Case No. 2014-00330 before the Public Service Commission of the Commonwealth of Kentucky

Dear Mr. Derouen:

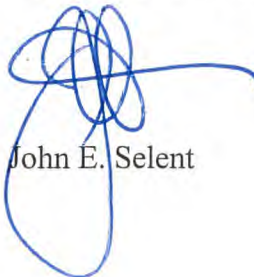
On behalf of Ballard Rural Telephone Cooperative Corporation, Inc., enclosed for filing with the Public Service of the Commonwealth of Kentucky are one (1) original and ten (10) copies of the following documents.

- 1) Application for a General Adjustment in Rates;
- 2) Motion for Waiver of Certain Rate Application Filing Requirements; and
- 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

OCT 16 2014

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF BALLARD RURAL TELEPHONE) CASE NO. 2014-00330
COOPERATIVE CORPORATION, INC.)
FOR A GENERAL ADJUSTMENT IN RATES)

APPLICATION

Applicant Ballard Rural Telephone Cooperative Corporation, Inc. (“Ballard”), by counsel, pursuant to KRS 278.180, 807 KAR 5:001, Sections 14 and 16, and 807 KAR 5:011, Section 6, and consistent with the Public Service Commission of the Commonwealth of Kentucky’s (the “Commission”) May 29, 2013 order in Case No. 2013-00190 (the “2013 Rate Floor Order”), files this application (the “Application”) 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 November 30, 2014.

INTRODUCTION

This Application for a rate increase is filed in response to an order from the Federal Communications Commission (“FCC”) that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those Ballard 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) (“ICC/USF Order”). For decades prior to the ICC/USF 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 FCC found, however, that many rural consumers were paying rates that were less than those paid by consumers in urban areas. ICC/USF Order at ¶ 235. In consequence, the FCC's ICC/USF Order sets a rate floor equal to the national average of local rates plus state regulated fees. *Id.* at ¶ 238. The ICC/USF 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.* at ¶ 239.

On June 10, 2014, the FCC altered the schedule for the imposition of rate floor penalties, effectively requiring carriers to ensure that their 2014 rate floor obligations are met no later than December 1, 2014. *See In the Matter of Connect America Fund et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶¶ 79-80.

Ballard’s proposed rate adjustment is thus necessary to preserve its ability to receive these USF subsidies that are important to its ability to provide telephone and information services in its high-cost rural service territory. Without a minimum rate sufficient to meet the FCC’s new rate floor, high-cost carriers like Ballard will lose significant federal funding that has 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 like Ballard, who have important obligations under federal and state law as carriers of last resort. Moreover, the loss of those subsidies would increase the pressure for Ballard to raise its rates even higher

than the federal rate floor sought here because any loss of federal funds would lead to a need for Ballard to make up that revenue directly from its customer-members.

* * * * *

In support of its Application, Ballard states as follows:

1. Pursuant to 807 KAR 5:001, Section 14(1): (i) the full name of the applicant is Ballard Rural Telephone Cooperative Corporation, Inc.; (ii) the mailing address of the applicant is 159 West Second Street, P.O. Box 209, La Center, KY 42056; and (iii) the electronic mailing address of the applicant is sjones@brtc.net.

2. Pursuant to 807 KAR 5:001, Section 14(2), Ballard states that it is currently in good standing in the Commonwealth of Kentucky, where it is incorporated. A certified copy of Ballard's Articles of Incorporation and all amendments thereto is on file with the Commission in Case No. 2013-00190.

3. Pursuant to 807 KAR 5:001, Section 16(1)(b)(1), Ballard provides the following statement of the reason the adjustment is requested. Further details are provided in Exhibit 1 of this Application.

a. Ballard is a rural incumbent local exchange carrier serving all of Ballard County and parts of western McCracken County. Ballard was established in 1951 as a member-owned cooperative to provide local telephone service to business and individual members within the exchanges of Bandana, Barlow, Gage, Heath, Kevil, La Center, and Wickliffe ("Service Territory"). Ballard provides 3,639 residential lines and 979 business lines to its members. Ballard is an eligible telecommunications carrier ("ETC"), and it is also the carrier of last resort ("COLR") in the Service Territory. In 2013, Ballard received \$833,388.00 from the High Cost Loop Support ("HCLS") Fund to support its COLR responsibilities in the Service Territory.

b. This proceeding was motivated by an order of the FCC that implemented “a rule to limit high-cost support where end-user rates do not meet a specified local rate floor.” See ICC/USF Order at ¶ 235.

c. Under the rule, local exchange carriers such as Ballard must meet a specified rate floor in each year in order to be eligible to receive the maximum possible amount of HCLS funding from the FCC. Failure to meet the rate floor by the deadline will result in a reduction in HCLS funding that the carrier could have otherwise received for that year. ICC/USF Order at ¶¶ 133, 238-40. Therefore, Ballard requires an adjustment of its rates to comply with the FCC’s 2014 rate floor, thereby maintaining eligibility for the 2014 maximum amount of HCLS funding.

4. The requirements of 807 KAR 5:001, Section 16(1)(b)(2), are inapplicable because Ballard does not operate under an assumed name pursuant to KRS 365.015.

5. Pursuant to 807 KAR 5:001, Section 16(1)(b)(3), Ballard has attached its proposed tariff, in such form as is required by 807 KAR 5:011, as part of Exhibit 2. The proposed effective date of the proposed tariff is November 30, 2014, at least 30 days from the date the Application is filed.

6. Pursuant to 807 KAR 5:001, Section 16(1)(b)(4), Ballard has attached as part of Exhibit 2 its present tariff using italicizing, underscoring, and strikethroughs to show proposed revisions.

7. Pursuant to 807 KAR 5:001, Section 16(1)(b)(5), Ballard states that notice has been given in compliance with 807 KAR 5:001, Section 17, as described below:

a. Pursuant 807 KAR 5:001, Section 17(1), Ballard has posted at its place of business a copy of the Public Notice and will, within five days of the filing of the Application,

post on its website a copy of the Public Notice and a hyperlink to the location on the Commission's website where the case documents are available. A copy of the Public Notice is attached hereto as part of Exhibit 3.

b. Pursuant to 807 KAR 5:001, Section 17(2), Ballard, which has more than twenty (20) customers and is not a sewage utility, has provided notice to its customers by including the notice with customer bills mailed no later than the date the Application is submitted to the Commission. A copy of the notice sent to customers is attached hereto as part of Exhibit 3.

c. Pursuant to 807 KAR 5:001, Section 17(3), an affidavit verifying Ballard's provision of the required notice to its customers is attached hereto as part of Exhibit 3.

d. Pursuant to 807 KAR 5:001, Section 17(4), Ballard states that the Public Notice attached to this Application as Exhibit 3 complies with all "Notice Content" requirements prescribed by regulation because it contains all of the following elements:

- i. The proposed effective date and the date the proposed rates are expected to be filed with the Commission;
- ii. The present rates and proposed rates for each customer classification to which the proposed rates will apply;
- iii. The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;
- iv. The effect upon the average bill for each customer classification for the proposed rate change in basic local service;

- v. A statement that a person may examine this Application at Ballard's offices;
- vi. A statement that a person may examine this Application at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at <http://psc.ky.gov>;
- vii. A statement that comments regarding the Application may be submitted to the Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;
- viii. A statement that the rates contained in this notice are the rates proposed by Ballard but that the Commission may order rates to be charged that differ from the proposed rates contained in the notice;
- ix. A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and
- x. A statement that if the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the Application.

8. The requirements of 807 KAR 5:001, Section 16(1)(b)(6), are inapplicable because Ballard is not a water district.

9. Pursuant to 807 KAR 5:001, Section 16(2), Ballard states that it notified the Commission in writing of its intent to file the Application on September 12, 2014, at least thirty (30) days but not more than sixty (60) days prior to filing the Application. A copy of the notice of intent is included as part of Exhibit 4 of this Application. Pursuant to 807 KAR 5:001, Section 16(2)(a), the notice of intent stated whether the Application will be supported by a historical test period or a fully forecasted test period. Pursuant to 807 KAR 5:001, Section 16(2)(c), Ballard sent by electronic mail a .pdf copy of the notice of intent to the Attorney General's Office of Rate Intervention (rateintervention@ag.ky.gov) upon filing it with the Commission. A copy of this email, including the attached notice of intent, is included as part of Exhibit 4 of this Application.

10. The provisions of 807 KAR 5:001, Section 16(3), are inapplicable because Ballard is not an electric utility.

11. Pursuant to 807 KAR 5:001, Section 16(4)(a), a narrative summary of the particular circumstances that justify and support Ballard's Application, including a statement of the reason the adjustment is required, is attached hereto as Exhibit 1 and is incorporated herein by reference. Exhibit 1 is filed subject to a Petition for Confidential Treatment pursuant to 807 KAR 5:001, Section 13, filed contemporaneously with this Application.

12. As more fully explained in Ballard's Motion for Waiver of Certain Rate Application Requirements ("Motion for Waiver") filed contemporaneously with this Application, Ballard seeks waiver of 807 KAR 5:001, Section 16(4)(b), requiring the applicant's witnesses' prepared testimony.

13. The requirements of 807 KAR 5:001, Section 16(4)(c) are inapplicable because Ballard has gross annual revenues in excess of \$5,000,000.00.

14. Pursuant to 807 KAR 5:001, Section 16(4)(d), Ballard estimates that the total amount of revenue increase resulting from the proposed rate adjustment will be approximately \$102,360.00.

15. The requirements of 807 KAR 5:001, Section 16(4)(e), are inapplicable because Ballard is not an electric, gas, sewage, or water utility.

16. Pursuant to 807 KAR 5:001, Section 16(4)(f), Ballard states that the proposed rate adjustment will increase the average affected customer bill by \$2.00, for both Residential and Business customer classes. Additional details regarding the anticipated impact on affected customers are set forth in Exhibit 1.

17. Pursuant to 807 KAR 5:001, Section 16(4)(g), Ballard states that its proposed rate increase will affect both its Residential and Business customer classes. Ballard's analysis of customers' bills and the corresponding revenue impact are provided in Ballard's responses to the requirements of Section 16(4)(d) and 16(4)(f) in paragraphs 14 and 16 above.

18. Pursuant to 807 KAR 5:001, Section 16(4)(h), Ballard states that parts A and B of its 2013 RUS operating report containing its TIER calculation, which assesses Ballard's actual revenue position compared to its required operating revenues, are attached as Exhibit 5. To the extent the Commission believes this section imposes additional requirements relevant to this Application, Ballard respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

19. As more fully explained in Ballard's Motion for Waiver, Ballard seeks waiver of 807 KAR 5:001, Section 16(4)(i), requiring a reconciliation of the rate base and capital used to determine revenue requirements.

20. The requirements of 807 KAR 5:001, Section 16(4)(j), are inapplicable because Ballard follows the Uniform System of Accounts prescribed by the Commission.

21. Pursuant to 807 KAR 5:001, Section 16(4)(k), Ballard has attached its independent auditor's annual opinion report hereto as Exhibit 6. The other requirements of this section are inapplicable because Ballard's independent auditor has not indicated "the existence of a material weakness in [Ballard]'s internal controls."

22. The requirements in 807 KAR 5:001, Section 16(4)(l), are inapplicable because Ballard has not been audited by the FCC.

23. Pursuant to 807 KAR 5:001, Section 16(4)(m), Ballard states that its most recent PSC Form T is on file with the Commission.

24. Pursuant to 807 KAR 5:001, Section 16(4)(n), Ballard has adopted the Commission's average depreciation rates and it has provided as Exhibit 7 hereto a schedule identifying current depreciation rates used by major plant accounts. Ballard's test period depreciation rates are identical to the current depreciation rates attached. To the extent the Commission believes this section requires more information than Ballard has provided, Ballard seeks waiver of 807 KAR 5:001, Section 16(4)(n) for the reasons set for in its Motion for Waiver.

25. Pursuant to 807 KAR 5:001, Section 16(4)(o), requiring a schedule of detailed information regarding all software, programs, and models used to prepare the Application, Ballard states that it utilized no specialized software, program, or models, and relied on Microsoft Word and Microsoft Excel to prepare the Application and supporting exhibits.

26. The requirements of 807 KAR 5:001, Section 16(4)(p), are inapplicable because Ballard has never made a stock or bond offering.

27. As more fully explained in Ballard's Motion for Waiver, Ballard seeks waiver of 807 KAR 5:001, Section 16(4)(q), requiring the annual report to shareholders or members with statistical supplements. Ballard does not prepare such documents and instead presents its financial results to its members at its annual meeting.

28. As more fully explained in Ballard's Motion for Waiver, Ballard seeks waiver of 807 KAR 5:001, Section 16(4)(r), requiring monthly managerial reports.

29. The requirements of 807 KAR 5:001, Section 16(4)(s), are inapplicable because Ballard is not required to file the U.S. Securities and Exchange Commission's Form 10-K, Form 8-K, or Form 10-Q.

30. The requirements of 807 KAR 5:001, Section 16(4)(t), are inapplicable because Ballard 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.

31. The requirements of 807 KAR 5:001, Section 16(4)(u), are inapplicable because Ballard is not an electric, gas, sewage, or water utility.

32. The requirements of 807 KAR 5:001, Section 16(4)(v), are inapplicable because Ballard has fewer than 50,000 access lines.

33. The requirements of 807 KAR 5:001, Section 16(5), are inapplicable because Ballard's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to this Application, Ballard respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

34. The requirements of 807 KAR 5:001, Section 16(6), are inapplicable because Ballard is not requesting a general adjustment in rates supported by a fully forecasted test period.

35. The requirements of 807 KAR 5:001, Section 16(7), are inapplicable because Ballard is not requesting a general adjustment in rates supported by a fully forecasted test period.

36. The requirements of 807 KAR 5:001, Section 16(8), are inapplicable because Ballard is not requesting a general adjustment in rates supported by a fully forecasted test period.

37. Pursuant to ¶ 3.a of the 2013 Rate Floor Order, Ballard has provided an estimate of the annual revenue to be received in 2014 from HCLS in Exhibit 1, Attachment A.

38. Pursuant to ¶ 3.b of the 2013 Rate Floor Order, Ballard has provided an estimate of the annual revenue to be lost due to adjustment of terminating access rates in the "Financial Support for Filing" section of Exhibit 1.

39. Pursuant to ¶ 3.c of the 2013 Rate Floor Order, Ballard has provided an estimate of the annual revenue to be generated by the tariff changes in Exhibit 1, Attachment C and in response to the requirements of 807 KAR 5:001, Section 16(4)(d), in paragraph 14 above.

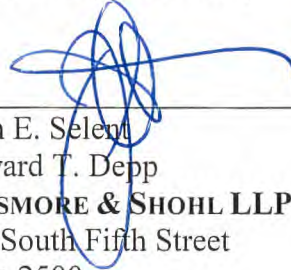
40. Pursuant to ¶ 3.d of the 2013 Rate Floor Order, Ballard has provided an estimate of historical and projected line counts in Exhibit 1, Attachments B and C. As more fully explained in Ballard's Motion for Waiver, Ballard seeks partial waiver of ¶ 3.d of the 2013 Rate Floor Order, insofar as it requests projected line losses beyond those provided in Exhibit 1.

41. Pursuant to ¶ 3.e of the 2013 Rate Floor Order, Ballard has provided historical and projected universal service support information in the narrative response of Exhibit 1 and in Exhibit 1, Attachment A. As is certified annually to the Commission, these funds are used by Ballard to provide voice and advanced data services to its customers, thereby providing its communities with access to critical communications and broadband services.

42. Pursuant to ¶ 3.f of the 2013 Rate Floor Order, Ballard states that narrative support for the proposed rate adjustment is contained in this Application and in Exhibit 1.

WHEREFORE, Ballard Rural Telephone Coop., Corp, Inc. respectfully requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving Ballard's proposed revisions to the applicable tariffs and grant all other relief to which it is entitled.

Respectfully submitted,



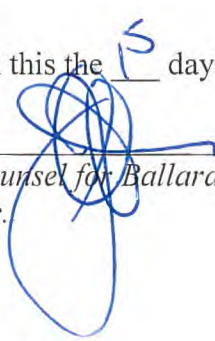
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Phone: (502) 540-2300
Fax: (502) 585-2207
*Counsel to Ballard Rural Telephone Coop.,
Corp, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Application was filed 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.

Kentucky Attorney General
Office of Rate Intervention
700 Capitol Avenue, Suite 118
Frankfort, Kentucky 40601-3449

On this the 15 day of October, 2014.



*Counsel for Ballard Rural Telephone Coop., Corp,
Inc.*

7304648v1

Ballard Rural Telephone Coop. Corp., Inc.
Case 2014-00330

Exhibit 1

Description and Reason for Filing

With this filing, Ballard Rural Telephone Cooperative Corporation, Inc. (“Ballard”) proposes to increase its basic residential and business local service rates by \$2.00, to \$16.00 per month. This filing is in response to the November 18, 2011 order by the Federal Communications Commission that mandates minimum local residential service rate levels as a condition of continued receipt of certain federal universal service supports. In that Order¹ (the so-called “Transformation Order”) the FCC required that local exchange rates be set at or above a rate floor of \$10, as of June 1, 2012; \$14 as of June 1, 2013, and an “urban rate” – at that time undefined – on or before June 1, 2014 (“2014 rate floor”). The Transformation Order mandated that Companies with rate levels below the applicable rate floor be penalized with a dollar for dollar reduction in federal high cost loop support (“HCLS”).

On March 20, 2014 the FCC released the results of its controversial urban rate floor survey² that established the 2014 rate floor of \$20.46; if implemented, this floor would become the basis on which HCLS recipients below the floor would be subject to the loss of funding as required by the FCC’s Transformation Order. On June 20, 2014 the FCC issued an Order on Reconsideration³ that modified the proposed 2014 urban rate floor to allow for a phase-in of the residential rate floor. Under its revised implementation schedule, companies were given the option to implement the rates over a 4-year period:

Therefore, we waive the application of section 54.318(b) for lines reported July 1, 2014, with a rate of \$14 or above. Commencing January 2, 2015 (reflecting rates as of December 1, 2014), and thereafter, through June 30, 2016, we waive section 54.318(b) to the extent reported lines are greater than or equal to \$16. For the

¹ *In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011)

² *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor*, Public Notice, DA 14-384, Released March 20, 2014

³ Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (June 10, 2014)

period between July 1, 2016, and June 30, 2017, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$18, or the 2016 rate floor, whichever is lower. For the period between July 1, 2017, and June 30, 2018, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$20, or the 2017 rate floor, whichever is lower.⁴

Proposed Revisions and Customer Impact

With this filing, Ballard's basic residential and business rates are proposed to rise to \$16.00. When measured in regulated monthly costs, Ballard anticipates that its average increase in monthly charges will be 3.21% and 1.23% for residential and business customers, respectively. While Ballard recognizes that only its residential rates are subject to the rate floor, it has historically charged a premium for business subscribers. This historic premium paid by business subscribers allowed Ballard to keep residential rates lower and recognized that business subscribers put a premium on its resources both in network utilization and in response times for maintenance scheduling. That premium was eliminated with Ballard's prior rate floor filing and absent an increase to its business rates, its residential subscribers would be paying more for basic local service than its business subscribers. As shown in this Exhibit, Ballard proposes to increase broadband speeds to all of its subscribers. Rather than introduce an inexplicable rate disparity, Ballard is proposing to increase its business rates in concert with its residential rates allowing them to remain at parity with each other.

Company information

The full name and address of the company is Ballard Rural Telephone Cooperative Corporation, Inc., 159 West Second Street, P.O. Box 209, La Center, KY 42056. Ballard was established in 1951 as a member-owned cooperative to provide local telephone service to business and individual members within the exchanges of Bandana, Barlow, Gage, Heath, Kevil,

⁴ *Ibid.* para. 80

La Center, and Wickliffe. Ballard is a not-for-profit rural incumbent local exchange carrier serving all of Ballard County and parts of western McCracken County. Per its 2013 PSC Report, Ballard provided 3,639 residential lines and 979 business lines to its members.

Ballard is an eligible telecommunications carrier (“ETC”) in the communities it serves and is also the carrier of last resort (“COLR”) in its service area. In 2013, Ballard received \$833,388 from the High Cost Loop Support (“HCLS”) Fund to support its COLR responsibilities in its service territory, and anticipates receiving \$1.3M in calendar year 2014. As a high cost company, all HCLS revenues are crucial for Ballard to continue to meet its COLR responsibilities and to bring advanced services to the communities it serves.

A schedule of Ballard’s quarterly high cost support is provided in Attachment A of this exhibit. Historic access line counts as reported the National Exchange Carrier Association, are provided in Attachment B.

Financial Support for Filing

Ballard is in the midst of a dramatic upgrade of its broadband network that would not otherwise be feasible without federal support from both the universal service fund and access revenues. Both of these revenues streams have been altered by the FCC in its Transformation Order. First, the offset of HCLS support mandated by the FCC’s Order requires that Ballard raise rates to be eligible to continue to draw from this fund. Second, FCC-directed reductions in access charges have capped and reduced access compensation available to Ballard, separately adding pressure on it to raise local service rates.

Companies that fail to meet the 2014 rate floor will experience a dollar for dollar reduction in HCLS beginning in January, 2015. As shown below, Ballard is seeking to increase

Ballard Rural Telephone Coop. Corp., Inc.
Case 2014-00330

Exhibit 1

its local exchange rates by \$2.00 but by doing so will retain approximately 6.7% of its total HCLS support, or \$87K per year.

	Subscribers	Current Rate	FCC Floor	At Risk
Residential Based on year-end 2013	3,639	\$ 14.00	\$ 16.00	\$ 87,336
Annual HCLS (See Attachment A of this Exhibit)				\$ 1,311,966
Support at risk absent a rate increase				6.7%

Included in the FCC’s Transformation Order is a requirement that carriers cap and reduce not only their reciprocal, state and interstate inter-carrier compensation rates but also the revenues Ballard is allowed to collect. Under the formula specified in the Transformation Order, the FCC capped allowed terminating access revenues from intercarrier compensation at fiscal year 2011⁵ collected levels and established a phase down of those allowed amounts over the subsequent 5 years. With this change, Ballard cannot collect more than its current capped revenue amount net 5% *each year*. As shown in the step down of Eligible State Access Recovery, the cumulative FCC-mandated reduction in its state access revenue recovery is [REDACTED] through the fiscal period ending June, 2015.

	Eligible State Access Recovery	
	Access Cap	Reduction
FY2011	[REDACTED]	
2012-2013 Fiscal Period	[REDACTED]	
2013-2014 Fiscal Period	[REDACTED]	
2014-2015 Fiscal Period	[REDACTED]	
Cumulative Reduction		[REDACTED]

Having not had a local service rate increase since 1976, Ballard implemented three rate increases in as many years to meet the applicable residential rate floors. Ballard met the first rate

⁵ October 1, 2010 through September 30, 2011.

Ballard Rural Telephone Coop. Corp., Inc.
Case 2014-00330

Exhibit 1

floor of \$10 per line per month on June 1, 2012 by eliminating its rotary line discount and raising residential rates to \$10; an average of \$1.65 per line for the basic service line. Doing so allowed Ballard to eliminate an antiquated rate disparity for a small portion of its subscribers who had the use of Touchtone service but were not paying for the service, in addition to reaching the rate floor.

To meet the second rate floor effective June 1, 2013, Ballard increased residential rates by \$4 to \$14⁶ and now proposes to increase rates by \$2 effective with this filing. As shown in Attachment C of this Exhibit, Ballard forecasts the revenue gain of this rate increase to be \$8500 per month.

Ballard recognizes that its HCL support allows it an opportunity to provide its members with fiber-based advanced broadband services. Concurrent with the implementation of its rate increase, Ballard has committed to its members to substantially increase broadband speeds as shown below and to add a 50/5M tier that does not currently exist today:

Current Speed		Revised Speed	
Download	Upload	Download	Upload
1M	256K	4M	1M
3M	512K	10M	1M
6M	768K	20M	2M
10M	1M	30M	4M
N/A	N/A	50M	5M

Ballard is not including in its financial justification for this filing the increased costs of supporting higher bandwidth speeds. Its decision to improve the speed of its broadband is separate from the cost justification of its local rate increase and is reflective of Ballard's role as

⁶ Case No. 2013-00190. Business rates also increased to \$14 with that filing.

Ballard Rural Telephone Coop. Corp., Inc.
Case 2014-00330

Exhibit 1

both a member-owned cooperative and a contributor to the overall economic health of its service area.

Even without the FCC's Order compelling it to do so, Ballard could support a rate increase. As reported in its prior rate increase, Ballard's TIER for 2009 through 2011 is *negative* 0.19, 1.61, and 0.85, respectively. As shown in Attachment D of this exhibit, Ballard's regulated TIER for 2012 and 2013 is *negative* .53 and .51 indicating that its regulated net income is independently too low to cover its interest payments of debt.

Unfortunately, it is Ballard's investment in non-regulated (non-patronage) investments that account for the majority of its corporate income. Even with the modest rate increase proposed here, Ballard remains in a difficult financial position but believes it must keep its rate increase modest to avoid rate shock to its customers both to avoid an unexpected rate jump on its customers, who are also its owner-members, and to prevent the escalation of line losses that have plagued it as illustrated in Attachment B of this Exhibit.

Summary

The FCC's Order continues to dramatically change the revenue sources historically available to rural telephone companies like Ballard to use in meeting their COLR obligation and to expand the availability of advanced broadband services to their customers. Unfortunately, for many of these affected companies, doing so requires upward pressure on local service rates. As shown in this documentation, Ballard has no other realistic options available to it and requests that its tariff revisions be approved.

Ballard Rural Telephone Coop. Corp., Inc.
Case 2014-00330

Exhibit 1

Attachments to this Exhibit:

- Attachment A: Ballard's quarterly high cost support 2014
- Attachment B: National Exchange Carrier Association Report of Access Lines
- Attachment C: Revenue Forecast Due to Rate Change, including historic changes
- Attachment D: Regulated TIER

Ballard Rural Telephone Cooperative
 2014 High Cost Support

Case 2014-00330
 Exhibit 1
 Attachment A

Report Cycle	State	SAC	Study Area Name	Connect America Fund ICC Monthly Support	HCL Monthly Support	ICLS Monthly Support	Total High Cost Monthly	Total High Cost Quarterly
1Q14	KY	260396	BALLARD RURAL COOP	\$ 39,696	\$ 111,063	\$ 109,430	\$ 260,189	\$ 780,567
2Q14	KY	260396	BALLARD RURAL COOP	\$ 39,696	\$ 109,925	\$ 109,430	\$ 259,051	\$ 777,153
3Q14	KY	260396	BALLARD RURAL COOP	\$ 39,696	\$ 108,167	\$ 127,953	\$ 275,816	\$ 827,448
4Q14	KY	260396	BALLARD RURAL COOP	\$ 57,947	\$ 108,167	\$ 127,953	\$ 294,067	\$ 882,201

2014 Calendar Year

\$ 1,311,966

The Exhibit 1(B) attachment has been omitted from the public filing. It has been provided under a petition for confidential treatment

Ballard Rural Telephone Cooperative
 Rate Impact Estimate
 Confidential

Case 2014-00330
 Exhibit I
 Attachment C

Date	Demand	May, 2012 Filing		Case 2013-00190		Case 2014-00330		Total
		Rate Change	Increase	Rate Change	Increase	Rate Change	Increase	
Jun-12	<i>est</i>	\$ 1.65						
Jul-12	<i>est</i>	\$ 1.65						
Aug-12		\$ 1.65						
Sep-12		\$ 1.65						
Oct-12		\$ 1.65						
Nov-12		\$ 1.65						
Dec-12		\$ 1.65						
Jan-13		\$ 1.65						
Feb-13		\$ 1.65						
Mar-13		\$ 1.65						
Apr-13		\$ 1.65						
May-13		\$ 1.65						
Jun-13		\$ 1.65		\$ 4.00				
Jul-13		\$ 1.65		\$ 4.00				
Aug-13		\$ 1.65		\$ 4.00				
Sep-13		\$ 1.65		\$ 4.00				
Oct-13		\$ 1.65		\$ 4.00				
Nov-13		\$ 1.65		\$ 4.00				
Dec-13		\$ 1.65		\$ 4.00				
Jan-14		\$ 1.65		\$ 4.00				
Feb-14		\$ 1.65		\$ 4.00				
Mar-14		\$ 1.65		\$ 4.00				
Apr-14		\$ 1.65		\$ 4.00				
May-14		\$ 1.65		\$ 4.00				
Jun-14		\$ 1.65		\$ 4.00				
Jul-14		\$ 1.65		\$ 4.00				
Aug-14		\$ 1.65		\$ 4.00				
Sep-14	<i>forecast</i>	\$ 1.65		\$ 4.00				
Oct-14	<i>forecast</i>	\$ 1.65		\$ 4.00				
Nov-14	<i>forecast</i>	\$ 1.65		\$ 4.00				
Dec-14	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
Jan-15	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
Feb-15	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
Mar-15	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
Apr-15	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
May-15	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
Jun-15	<i>forecast</i>	\$ 1.65		\$ 4.00		\$ 2.00		
Total Filings			\$ 276,396	\$ 441,256		\$ 59,710	\$ 777,362	

Ballard Rural Telephone Cooperative
Regulated TIER Calculation

Case 2014-00330
Exhibit 1
Attachment D

	Regulated TIER	
	<u>2012</u>	<u>2013</u>
Income Statement		
Operating Revenues		
Local network services revenue	\$ 1,061,873	\$ 843,057
Network access service revenue	3,468,116	3,457,252
Long distance network services revenue	1,778	1,707
Miscellaneous revenue	872,362	1,249,544
Uncollectible revenue	<u>(22,984)</u>	<u>(13,195)</u>
Total Operating Revenues	\$ 5,381,145	\$ 5,538,365
Operating Expenses		
Plant specific operations expense	\$ 1,128,176	\$ 861,006
Plant non-specific operations expense	514,086	367,840
Provision for depreciation	2,449,058	2,325,780
Customer operations expense	291,900	264,944
Corporate operations expense	927,757	927,890
Operating Taxes	<u>420,329</u>	<u>436,693</u>
Total Operating Expenses	\$ 5,731,306	\$ 5,184,153
Operating Income	\$ (350,161)	\$ 354,212
Fixed Charges		
Interest expense	\$ 655,450	\$ 696,612
Interest charged to construction	-	-
Total Fixed Charges	\$ 655,450	\$ 696,612
Net Income	<u>\$ (1,005,611)</u>	<u>\$ (342,400)</u>
TIER	(0.53)	0.51
Net Income (after taxes)	\$ (1,005,611)	\$ (342,400)
Interest expense	\$ 655,450	\$ 696,612
Net Income (after taxes) + Interest Expense	\$ (350,161)	\$ 354,212

Ballard Rural Telephone Cooperative Corporation, Inc.
Case 2014-00330

Exhibit 2

- **Proposed Tariff Pages (Proposed)**
- **Proposed Tariff Pages (Proposed with Black Line)**

Ballard Rural Telephone Cooperative Corporation, Inc.
Case 2014-00330

Exhibit 2

Proposed Tariff Pages (Clean)

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section C
3rd Revised Sheet 4
Cancels 2nd Revised Sheet 4

C. BASIC LOCAL EXCHANGE SERVICE

C.1 Local Exchange Rates (Cont'd)

C.1.2 Monthly exchange service rates as authorized by the Kentucky Public Service Commission (Cont'd)

3. Monthly Rates

A. Bandana, Barlow, Gage, La Center, Wickliffe

	One-Party Service	
	<u>Residence</u>	<u>Business</u>
Network Access Charge	\$16.00 (I)	\$16.00 (I)

B. Heath

	One-Party Service	
	<u>Residence</u>	<u>Business</u>
Network Access Charge	\$16.00 (I)	\$16.00 (I)

C. Kevil

	One-Party Service	
	<u>Residence</u>	<u>Business</u>
Network Access Charge	\$16.00 (I)	\$16.00 (I)

Issue Date: October 15, 2014
Effective Date: November 30, 2014

/ s / Randy C. Grogan
By: Randy C. Grogan, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section J
5th Revised Sheet 4
Cancels 4th Revised Sheet 4

J.3 Charges

Rates:

J.3.2 Key System

Monthly Rates

Capacity, 4 Trunks and 9 Stations

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.
 - Bandana \$ 16.00 (I)
 - Barlow \$ 16.00 (I)
 - Gage \$ 16.00 (I)
 - Heath \$ 16.00 (I)
 - Kevil \$ 16.00 (I)
 - La Center \$ 16.00 (I)
 - Wickliffe \$ 16.00 (I)

Capacity, 4 Trunks and 19 stations

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.
 - Bandana \$ 16.00 (I)
 - Barlow \$ 16.00 (I)
 - Gage \$ 16.00 (I)
 - Heath \$ 19.53
 - Kevil \$ 19.90
 - La Center \$ 16.00 (I)
 - Wickliffe \$ 16.00 (I)

Issue Date: October 15, 2014
Effective Date: November 30, 2014

/s/ Randy C. Grogan

By: Randy C. Grogan, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section J
5th Revised Sheet 4.1
Cancels 4th Revised Sheet 4.1

J.3 Charges

Rates:

J.3.2 Key System

Monthly Rates

Capacity, 4 Trunks and 19 Stations
4 Intercom Links

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.

Bandana	\$ 16.00 (I)
Barlow	\$ 16.00 (I)
Gage	\$ 16.00 (I)
Heath	\$ 19.53
Kevil	\$ 19.90
La Center	\$ 16.00 (I)
Wickliffe	\$ 16.00 (I)

Capacity, 12 Trunks and 36 Stations
4 Intercom Links

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.

Bandana	\$ 16.00 (I)
Barlow	\$ 16.00 (I)
Gage	\$ 16.00 (I)
Heath	\$ 19.53
Kevil	\$ 19.90
La Center	\$ 16.00 (I)
Wickliffe	\$ 16.00 (I)

Issue Date: October 15, 2014
Effective Date: November 30, 2014

/ s / Randy C. Grogan
By: Randy C. Grogan, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section J
5th Revised Sheet 4.2
Cancels 4th Revised Sheet 4.2

J.3 Charges

Rates:

J.3.2 Key System

Monthly Rates

Capacity, 4 Trunks and 9 Stations (Touchtone)

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.
 - Bandana \$ 16.00 (I)
 - Barlow \$ 16.00 (I)
 - Gage \$ 16.00 (I)
 - Heath \$ 16.00 (I)
 - Kevil \$ 16.00 (I)
 - La Center \$ 16.00 (I)
 - Wickliffe \$ 16.00 (I)

Capacity, 12 Trunks and 19 Stations (Touchtone)

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.
 - Bandana \$ 16.00 (I)
 - Barlow \$ 16.00 (I)
 - Gage \$ 16.00 (I)
 - Heath \$ 19.53
 - Kevil \$ 19.90
 - La Center \$ 16.00 (I)
 - Wickliffe \$ 16.00 (I)

Issue Date: October 15, 2014
Effective Date: November 30, 2014

By: /s/ Randy C. Grogan
Randy C. Grogan, General Manager

Ballard Rural Telephone Cooperative Corporation, Inc.
Case 2014-00330

Exhibit 2

Proposed Tariff Pages (Proposed with Black Line)

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section C
2nd-3rd Revised Sheet 4
Cancels 2nd 1st-Revised Sheet 4

C. BASIC LOCAL EXCHANGE SERVICE

C.1 Local Exchange Rates (Cont'd)

C.1.2 Monthly exchange service rates as authorized by the Kentucky Public Service Commission (Cont'd)

3. Monthly Rates

A. Bandana, Barlow, Gage, La Center, Wickliffe

	One-Party Service	
	<u>Residence</u>	<u>Business</u>
Network Access Charge	\$1416.00 <u>(I)</u>	\$1416.00 <u>(I)</u>

B. Heath

	One-Party Service	
	<u>Residence</u>	<u>Business</u>
Network Access Charge	\$1416.00 <u>(I)</u>	\$1416.00 <u>(I)</u>

C. Kevil

	One-Party Service	
	<u>Residence</u>	<u>Business</u>
Network Access Charge	\$1416.00 <u>(I)</u>	\$1416.00 <u>(I)</u>

Issue Date: October 15, 2014
Effective Date: November 30, 2014

By: /s/Randy C. Grogan
Randy C. Grogan ~~Harlon E. Parker~~, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section J

4th-5th Revised Sheet 4
Cancels 4th 3rd-Revised Sheet 4

J.3 Charges

Rates:

J.3.2 Key System

Monthly Rates

Capacity, 4 Trunks and 9 Stations

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.

Bandana	\$ 1416.00 <u>(I)</u>
Barlow	\$ 1416.00 <u>(I)</u>
Gage	\$ 1416.00 <u>(I)</u>
Heath	\$ 1416.00 <u>(I)</u>
Kevil	\$ 14.1016.00 <u>(I)</u>
La Center	\$ 1416.00 <u>(I)</u>
Wickliffe	\$ 1416.00 <u>(I)</u>

Capacity, 4 Trunks and 19 stations

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.

Bandana	\$ 1416.00 <u>(I)</u>
Barlow	\$ 1416.00 <u>(I)</u>
Gage	\$ 1416.00 <u>(I)</u>
Heath	\$ 19.53
Kevil	\$ 19.90
La Center	\$ 1416.00 <u>(I)</u>
Wickliffe	\$ 1416.00 <u>(I)</u>

Issue Date: October 15, 2014

Effective Date: November 30, 2014

/ s / Randy C. Grogan _____

By: Randy C. Grogan Harlon E. Parker, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section J

4th-5th Revised Sheet 4.1
Cancels 3rd-4th Revised Sheet 4.1

J.3 Charges

Rates:

J.3.2 Key System

Monthly Rates

Capacity, 4 Trunks and 19 Stations
4 Intercom Links

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.

Bandana	\$ 1416.00 <u>(I)</u>
Barlow	\$ 1416.00 <u>(I)</u>
Gage	\$ 1416.00 <u>(I)</u>
Heath	\$ 19.53
Kevil	\$ 19.90
La Center	\$ 1416.00 <u>(I)</u>
Wickliffe	\$ 1416.00 <u>(I)</u>

Capacity, 12 Trunks and 36 Stations
4 Intercom Links

1. Deleted
2. Deleted
3. Key Trunk: By Exchange Rates.

Bandana	\$ 1416.00 <u>(I)</u>
Barlow	\$ 1416.00 <u>(I)</u>
Gage	\$ 1416.00 <u>(I)</u>
Heath	\$ 19.53
Kevil	\$ 19.90
La Center	\$ 1416.00 <u>(I)</u>
Wickliffe	\$ 1416.00 <u>(I)</u>

Issue Date: October 15, 2014

Effective Date: November 30, 2014

By: /s/ Randy C. Grogan ~~Harlon E. Parker~~
Randy C. Grogan ~~Harlon E. Parker~~, General Manager

GENERAL SUBSCRIBER SERVICES TARIFF

Ballard Rural Telephone Cooperative Corporation, Inc.

Section J
4th-5th Revised Sheet 4.2
Cancels 3rd-4th Revised Sheet 4.2

J.3 Charges

Rates:

J.3.2 Key System

Monthly Rates

Capacity, 4 Trunks and 9 Stations (Touchtone)

1. Deleted	
2. Deleted	
3. Key Trunk: By Exchange Rates.	
Bandana	\$ 1416.00 <u>(I)</u>
Barlow	\$ 1416.00 <u>(I)</u>
Gage	\$ 1416.00 <u>(I)</u>
Heath	\$ 1416.00 <u>(I)</u>
Kevil	\$ 1416.00 <u>(I)</u>
La Center	\$ 1416.00 <u>(I)</u>
Wickliffe	\$ 1416.00 <u>(I)</u>

Capacity, 12 Trunks and 19 Stations (Touchtone)

1. Deleted	
2. Deleted	
3. Key Trunk: By Exchange Rates.	
Bandana	\$ 1416.00 <u>(I)</u>
Barlow	\$ 1416.00 <u>(I)</u>
Gage	\$ 1416.00 <u>(I)</u>
Heath	\$ 19.53
Kevil	\$ 19.90
La Center	\$ 1416.00 <u>(I)</u>
Wickliffe	\$ 1416.00 <u>(I)</u>

Issue Date: October 15, 2014
Effective Date: November 30, 2014

By: /s/ Randy C. Grogan ~~Harlon E. Parker~~
Randy C. Grogan ~~Harlon E. Parker~~, General Manager

On or around October 20th, Ballard Rural Telephone Coop., Corp, Inc. will file with the KY Public Service Commission an increase in basic local service rates charged to all subscribers due to a Federal Communication Commission mandate. With this change, residential and business access line rates are proposed to increase from \$14 to \$16. If approved by the PSC, the effective date of this rate change will be December 1, 2014. We anticipate the average increase being 3.21% and 1.23% for residential and business customers, respectively.

This increase is mandated by recent changes enacted by the Federal Communications Commission which set minimal local service rate levels as a condition of continued receipt of federal high cost support that allows us to deploy fiber optic facilities and support advanced voice and broadband services. Because this support is vital to the economic health of our community, we had no choice but to request this rate increase.

You may examine this application at the offices of Ballard Rural Telephone Coop., Corp, Inc. located at 159 West Second Street, LaCenter, KY 42056 during regular business hours or at the offices of the Kentucky Public Service Commission located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602. Rates contained in this notice are the rates proposed by the Company but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

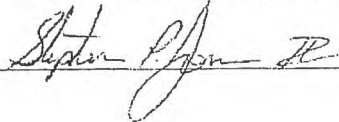
You may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of this notice, the Commission may take final action on the application.

CUSTOMER NOTICE AFFIDAVIT

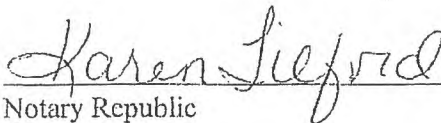
AFFIDAVIT

I, Stephen P. Jones II, am a representative of Ballard Rural Telephone Cooperative Corp. Inc. and am authorized to make this statement on its behalf.

I attest that the customer notice accompanying this affidavit was sent to all customers as a bill message on the following dates: October 1 and 15, 2014, in accordance with Section 17(2) of 807 KAR 5:001. I declare under penalty of perjury that the foregoing is true and correct.

Signature: 

Subscribed and sworn to me before this 13 day of October, 2014.


Notary Republic

My commission expires:

July 29, 2018

Page: 3 of 5
Account: [REDACTED]
Member: [REDACTED]
Bill Date: Oct 01 2014
Telephone: [REDACTED]
Name: [REDACTED]

Account and Service Summary

Ballard Telephone Cooperative

For Billing Inquiries, Call 270-665-5186
Dear Customer,

On or around October 20th, Ballard Rural Telephone Coop., Corp, Inc. will file with the KY Public Service Commission an increase in basic local service rates charged to all subscribers due to a Federal Communication Commission Mandate. With this change, residential and business access line rates are proposed to increase from \$14 to \$16. If approved by the PSC, the effective date of this rate change will be December 1, 2014. We anticipate the average increase being 3.21% to 1.23% for residential and business customers, respectively.

This increase is mandated by recent changes enacted by the Federal Communications Commission which set minimal local service rate levels as a condition of continued receipt of federal high cost support that allows us to deploy fiber optic facilities and support advanced voice and broadband services. Because this support is vital to the economic health of our community, we had no choice but to request this rate increase.

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You may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for the intervention within thirty (30) days of initial publication or mailing of this notice, the Commission may take final action on the application.



Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

September 10, 2014

Dear Mr. Derouen:

Ballard Rural Telephone Coop., Corp, Inc. ("Ballard") gives this notice pursuant to 807 KAR 5:001 Section 16(2) of its intent to file no sooner than thirty (30) days from today, but not more than sixty (60) days from today, an application for a general adjustment in its rates. The general adjustment in rates will be supported by a twelve (12) month historical test period that may include adjustments for known and measurable changes.

The anticipated rate application is intended to meet the rate floor mandated in 47 CFR § 54.318, compliance with which is required to ensure that Ballard continues to receive high cost support that is essential to its operations. (See In the matter of Connect America Fund, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011).)

The FCC's June 10, 2014 Order (See Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54) requires Ballard to have reported line rates greater than or equal to \$16, commencing January 2, 2015 (reflecting rates as of December 1, 2014)¹.

A copy of this notice is being emailed to the Attorney General's Office of Rate Intervention by electronic mail at rateintervention@ag.ky.gov.

Please refer any questions to me at 270-665-5186 or via email at rgrogan@brtc.net.

Sincerely,

A handwritten signature in cursive script that reads "Randy C. Grogan".

Randy C. Grogan, General Manager/CEO

Cc via email: Jim Stevens, KY PSC
Eileen Bodamer, Bodamer Consulting

¹ Paragraph 80.

From: Stephen Jones [<mailto:sjones@brtc.net>]
Sent: Wednesday, September 10, 2014 11:40 AM
To: rateintervention@ag.ky.gov
Cc: 'Stevens, Jim (PSC)'; Eileen Bodamer
Subject: Ballard Telephone - Notice for General Adj in Rates

Please find attached the letter from Ballard Telephone Cooperative notifying the KY PSC and Attorney General's Office that we plan to make application for a general adjustment in rates pursuant to 807 KAR 5:001 Section 16(2).

Sincerely,

Stephen P. Jones II
Information Technology Network Manager
Ballard Telephone Cooperative
email: sjones@brtc.net
Phone: 270-665-5186
Fax: 270-665-9186

CONFIDENTIALITY NOTICE: This email message, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and/or may contain privileged information that is protected from disclosure. Any unauthorized review, copying, use, disclosure, or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message. Thank You.



Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

September 10, 2014

Dear Mr. Derouen:

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A copy of this notice is being emailed to the Attorney General's Office of Rate Intervention by electronic mail at rateintervention@ag.ky.gov.

Please refer any questions to me at 270-665-5186 or via email at rgrogan@brtc.net.

Sincerely,

A handwritten signature in cursive script that reads "Randy C. Grogan".

Randy C. Grogan, General Manager/CEO

Cc via email: Jim Stevens, KY PSC
Eileen Bodamer, Bodamer Consulting

¹ Paragraph 80.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.	
	BORROWER NAME Ballard Rural Telephone Cooperative Corporation, Inc. (Prepared with Audited Data)	
INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2013	BORROWER DESIGNATION KY0515
CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES. DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII (Check one of the following)		
<input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects		
<input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report		
Harlon Parker	3/5/2014	
DATE		

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	3,564,215	4,377,233	25. Accounts Payable	77,907	159,653
2. Cash-RUS Construction Fund	1,156,312	346,452	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable	101,179	96,457	28. Customer Deposits	30,824	27,534
b. Other Accounts Receivable			29. Current Mat. L/T Debt	2,270,440	2,664,096
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	504,241	535,957	32. Income Taxes Accrued		
b. Other Accounts Receivable			33. Other Taxes Accrued	(165,708)	(117,893)
c. Notes Receivable			34. Other Current Liabilities	303,499	312,197
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	2,516,962	3,045,587
6. Material-Regulated	509,298	486,747	LONG-TERM DEBT		
7. Material-Nonregulated	751,079	730,035	36. Funded Debt-RUS Notes	13,247,682	14,971,670
8. Prepayments	135,876	237,974	37. Funded Debt-RTB Notes	1,818,232	1,303,248
9. Other Current Assets			38. Funded Debt-FFB Notes		
10. Total Current Assets (1 Thru 9)	6,722,200	6,810,855	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	8,546,785	10,470,826	46. Total Long-Term Debt (36 thru 45)	15,065,914	16,274,918
13. Nonregulated Investments	899,011	414,362	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	1,405,164	1,724,203	47. Other Long-Term Liabilities	916,264	1,186,031
15. Deferred Charges			48. Other Deferred Credits	5	5
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	10,850,960	12,609,391	50. Total Other Liabilities and Deferred Credits (47 thru 49)	916,269	1,186,036
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	44,187,966	49,021,309	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	2,868,463	1,498,694	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates	59,443	55,846
22. Less Accumulated Depreciation	25,914,430	28,129,359	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	21,141,999	22,390,644	56. Patronage Capital Credits	3,625,658	3,575,214
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	16,530,913	17,673,289
	38,715,159	41,810,890	58. Total Equity (51 thru 57)	20,216,014	21,304,349
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	38,715,159	41,810,890

Total Equity = 50.95% % of Total Ass ets

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION KY0515
INSTRUCTIONS- See RUS Bulletin 1744-2	PERIOD ENDING December, 2013

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	879,356	934,387
2. Network Access Services Revenues	3,652,738	3,408,794
3. Long Distance Network Services Revenues	1,808	1,538
4. Carrier Billing and Collection Revenues	0	0
5. Miscellaneous Revenues	1,063,462	1,286,507
6. Uncollectible Revenues	15,798	11,546
7. Net Operating Revenues (1 thru 5 less 6)	5,581,566	5,619,680
8. Plant Specific Operations Expense	1,049,596	895,315
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	391,116	401,251
10. Depreciation Expense	2,457,676	2,331,614
11. Amortization Expense	0	0
12. Customer Operations Expense	285,301	254,406
13. Corporate Operations Expense	918,299	832,379
14. Total Operating Expenses (8 thru 13)	5,101,988	4,714,965
15. Operating Income or Margins (7 less 14)	479,578	904,715
16. Other Operating Income and Expenses	177,833	229,022
17. State and Local Taxes	0	0
18. Federal Income Taxes	1,800,792	1,347,691
19. Other Taxes	471,312	436,584
20. Total Operating Taxes (17+18+19)	2,272,104	1,784,275
21. Net Operating Income or Margins (15+16-20)	(1,614,693)	(650,538)
22. Interest on Funded Debt	657,083	691,868
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	1,045	8,922
25. Allowance for Funds Used During Construction	150,204	150,877
26. Total Fixed Charges (22+23+24-25)	507,924	549,913
27. Nonoperating Net Income	3,289,876	4,313,499
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	(942,556)	(1,970,672)
31. Total Net Income or Margins (21+27+28+29+30-26)	224,703	1,142,376
32. Total Taxes Based on Income	0	0
33. Retained Earnings or Margins Beginning-of-Year	16,330,890	16,530,913
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	24,680	
38. Transfers to Patronage Capital	0	
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	16,530,913	17,673,289
40. Patronage Capital Beginning-of-Year	3,650,162	3,625,658
41. Transfers to Patronage Capital	0	
42. Patronage Capital Credits Retired	24,504	50,444
43. Patronage Capital End-of-Year (40+41-42)	3,625,658	3,575,214
44. Annual Debt Service Payments	2,678,922	2,497,340
45. Cash Ratio [(14+20-10-11) / 7]	0.8808	0.7416
46. Operating Accrual Ratio [(14+20+26) / 7]	1.4122	1.2544
47. TIER [(31+26) / 26]	1.4424	3.0774
48. DSCR [(31+26+10+11) / 44]	1.1909	1.6113

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Independent Auditor's Report

The Board of Directors
Ballard Rural Telephone Cooperative
Corporation, Inc.
LaCenter, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Ballard Rural Telephone Cooperative Corporation, Inc. which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of revenues and expenses, changes in patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ballard Rural Telephone Cooperative Corporation, Inc. as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014, on our consideration of Ballard Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ballard Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and compliance.

Williams, Williams & Lentz, LLP

January 30, 2014

<u>Account</u>	<u>Description</u>	<u>Depreciation rate</u>
2112	Motor Vehicles	12.1%
2116	Other Work Equipment	7.5%
2121	Buildings	2.7%
2122	Furniture	8.7%
2123	Office Equipment	7.5%
2124	General Purpose Computers	15.8%
2212	Digital-Electronic Switching	7.5%
2220	Operator Systems	9.8%
2232	Circuit Equipment	11.9%
2411.1	Poles - pre 1988	8.9%
2411.2	Poles - post 1988	5.6%
2421.0	Aerial Cable (metallic)	6.6%
2421.2	Aerial Cable (fiber)	5.1%
2421.1	Aerial Cable (drop)	6.6%
2422.0	Underground Cable (metallic)	5.0%
2422.1	Underground Cable (fiber)	5.0%
2423	Buried Cable (Metallic)	5.5%
2423.05	Buried Cable (fiber)	5.1%
2424	Submarine Cable	3.7%
2431	Aerial Wire	9.4%
2441	Conduit	2.2%