COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING GEARHEART COMMUNICATIONS, INC. D/B/A COALFIELDS TELEPHONE COMPANY	)))	CASE NO. 2013-00192

ORDER

On April 14, 2013, Gearheart Communications, Inc. D/B/A Coalfields Telephone Company Inc. ("Coalfields") filed with the Commission revised tariff sheets that contained a general adjustment of its rates for basic local exchange service. Coalfields informed the Commission of its intent to place its proposed rates into effect on and after May 31, 2013, in order to meet the rate floor mandated in 47 C.F.R. § 54.318. On May 29, 2013, the Commission found that further proceedings were necessary to determine the reasonableness of the proposed rates and that such proceedings could not be completed prior to the proposed effective date. The Commission suspended the proposed rates from May 31, 2013, until June 1, 2013, when they were allowed to go into effect subject to refund.

The Commission's May 29, 2013 Order required Coalfields to comply with certain filing requirements related to a general rate increase in accordance with the Commission's administrative regulations. The Order also requested certain information related to the proposed rate increase, due to be filed no later than June 10, 2013.

Coalfields filed with the Commission on June 11, 2013, most of the information requested, along with a request for a deviation from 807 KAR 5:001, Sections 16(1)(b)(5), 16(2), 16(9)(b), 16(9)(g), 16(9)(i), 16(9)(j), 16(9)(k), 16(9)(m), 16(9)(n), 16(9)(q), 16(9)(r), 16(1)(b)(4), 16(1)(b)(6), 16(9)(f), and 16(9(h).[1] Coalfields states that it does not have the data requested by the Commission in the May 29, 2013 Order, and requests that the Commission allow it to deviate from the filing requirements in ordering paragraphs 3.a. and 3.d. of the May 29, 2013 Order. Coalfields also requested a one-day extension of time in which to file the requested information, stating that the application was placed in the Commission's night depository box just a few hours after the Commission's close of business and that no prejudice will result from the granting of the extension.

Coalfields filed its proposed increased rates to comply with the 2011 directive of the Federal Communications Commission ("FCC") that, *inter alia*, comprehensively reformed intercarrier compensation.[2] 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.[3] The FCC required that Local Exchange Carriers, such as Coalfields, shall be eligible to receive high-cost support in a study area only if their rates for local exchange service are at or above the rate floor on June 1 of every subsequent year. 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.[4]

---

[1] The administrative regulations from which Coalfields seeks deviation have been modified and renumbered since the filing of Coalfields' motion for deviation.

[2] See, *In the matter of Connect America Fund et. al., Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161 (November 18, 2011) ("FCC's ICC/USF Order").

[3] *Id*. at ¶ 238.

[4] *Id*. at ¶ 239.

The Commission is cognizant that Coalfields' 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 FCC's ICC/USF Order. The loss of Federal funding will necessitate even larger rate increases in the future to offset loss of Federal funding.

Coalfields is a rural incumbent local exchange carrier serving individuals and businesses within Pike and Floyd counties (the "Service Territory"). Coalfields was established in 1955 as a corporation to provide local telephone service to business and individual customers within the exchanges of Harold, Grethel, and Wheelwright, Kentucky. Coalfields provides service to approximately 4,576 residential lines and 1,344 business lines. Coalfields is an eligible telecommunications carrier ("ETC") in the communities it serves and is also the carrier of last resort ("COLR") in its Service Territory. Coalfields is not currently a recipient of High Cost Loop Support ("HCLS"); however it expects to receive support in the future, and without this rate increase it would be otherwise unable to collect the support.

Coalfields has not had a rate increase since 1981 and states it would not otherwise make this filing were it not for the FCC's ICC/USF Order. Coalfields has provided ample notice to its members and states that the modest increase will have a negligible impact on its members. Because Coalfields' current rates were below the June 1, 2013 rate floor established by the FCC, Coalfields had to increase its rate in order to avoid a loss of HCLS. Based on its current access line count, in order to meet the $14.00 residential rate floor established by the FCC, Coalfields proposes to increase its residential services rates by $3.42, or 32 percent. Also, Coalfields is proposing to include caller ID, a feature currently priced at $5.50, at no cost to all residential subscribers. When combined with the basic rate increase Coalfields expects a net increase in annual revenue of approximately $5,366. A majority of customers already subscribe to caller ID and therefore, the majority of subscribers will experience a net reduction in their monthly charges.

Additionally, as part of the FCC's ICC/USF Order, the FCC 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 FCC's ICC/USF Order established a phase-down schedule of those maximum amounts allowed, requiring that the maximum intercarrier compensation amount be reduced by 5.00 percent for the 2012 fiscal year and 4.75 percent for the 2013 fiscal year. With this change, Coalfields cannot collect more than the maximum intercarrier compensation revenue amount established by the FCC. This reduction was approximately [confidential number] for Coalfields' 2012 fiscal year and the cumulative reduction at the end of Coalfields' 2013 fiscal year is approximately [confidential number]. Therefore, even with the increase in revenue from the proposed rate increase, Coalfields' revenue will be lower than it was prior to the FCC's ICC/USF Order.

The Commission also notes that the telecommunications market has gone through and continues to go through major changes. The General Assembly has enacted significant changes to the authority of the Commission in light of competitive choices and options available to consumers.[5] For example, the Commission has

[5] KRS 278.541–544.

jurisdiction only over basic service rates of telecommunication companies, which includes only a single business or residential service line.[6] All other retail rates of the telecommunications companies are not subject to the Commission's rate regulation.

The Commission finds that, based on the foregoing information submitted by Coalfields, the rate increase should be granted on a permanent basis. Coalfields has demonstrated that the proposed rate increase is necessitated by the FCC's ICC/USF Order and is reasonable. The Commission finds that, under the circumstances of this case, Coalfields should be granted deviation from the filing requirements of 807 KAR 5:001, Sections 16(1)(b)(4), 16(2), 16(4)(b), 16(4)(g), 16(4)(i), 16(4)(j), 16(4)(k), 16(4)(m), 16(4)(n), 16(4)(q), 16(4)(r), 16(1)(b)(3), 16(1)(b)(5), 16(4)(d), and 16(4)(h).[7] The Commission also finds that Coalfields should not be required to file the information requested in ordering paragraphs 3.a. and 3.d. of the May 29, 2013 Order. Finally, Commission also finds that Coalfields' motion for an extension of time in which to respond to the Commission's Order of May 29, 2013, should be granted.

IT IS THEREFORE ORDERED that:

1. Coalfields is granted deviation from 807 KAR 5:001, Sections 16(1)(b)(4), 16(2), 16(4)(b), 16(4)(g), 16(4)(i), 16(4)(j), 16(4)(k), 16(4)(m), 16(4)(n), 16(4)(q), 16(4)(r), 16(1)(b)(3), 16(1)(b)(5), 16(4)(d), and 16(4)(h).

2. Coalfields is granted deviation from the filing requirements in ordering paragraphs 3.a. and 3.d. of the Commission's May 29, 2013 Order.

[6] KRS 278.541(1).

[7] As noted, *supra*, the regulations from which Coalfields seeks deviation have been renumbered; accordingly, the regulations listed here correspond to the regulations as currently numbered and promulgated.

3. Coalfields' proposed increases in basic local exchange service rates, as set forth in the tariffs attached to its application filed on June 11, 2013, are approved.

4. Coalfields' motion for an extension of time in which to file responses to the Commission's Order of May 29, 2013, is granted.

5. Within 20 days of the date of this Order, Coalfields shall file using the Commission's electronic Tariff Filing System its revised tariff sheets containing the rates approved herein and signed by an officer of the utility authorized to issue tariffs, shall reflect that they were approved pursuant to this Order, and shall contain an effective date of June 1, 2013.

6. Any future increases to basic local exchange rates necessitated by the FCC's ICC/USF Order shall be filed as an application in compliance with Commission regulations.

By the Commission

ENTERED
MAR 26 2014
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

Paul D Gearheart
VP / General Manager
Gearheart Communications Company, Inc. dba
20 Laynesville Road
P. O. Box 160
Harold, KY 41635

John E Selent
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202