

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

July 8, 2013

RECEIVED

JUL 08 2013

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

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

Re: Tariff Filing of Duo County Telephone Cooperative Corporation, Inc.
Case No. 2013-00184 before the Public Service Commission of the
Commonwealth of Kentucky

Dear Mr. Derouen:

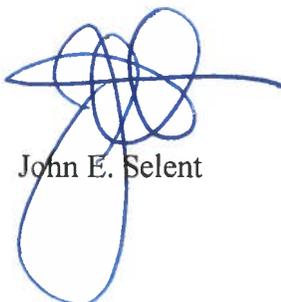
Enclosed for filing with the Public Service of the Commonwealth of Kentucky is one original and ten (10) copies of the following documents in regard to the above matter.

- 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

JUL 08 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

TARIFF FILING OF DUO COUNTY TELEPHONE) CASE NO.
COOPERATIVE CORPORATION, INC.) 2013-00184

APPLICATION

Applicant Duo County Telephone Cooperative Corporation, Inc. ("**Duo County**"), 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**") June 28, 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 Duo County 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.

Duo County’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.

* * * * *

In support of its Application, Duo County states as follows.

1. Pursuant to Section 14(1) of 807 KAR 5:001, (i) the full name of the applicant is Duo County Telephone Cooperative Corporation, Inc.; (ii) the address of the applicant is 2150 North Main Street, Jamestown, Kentucky 42629; and (iii) the electronic mailing address of the applicant is dhammond@duotel.com.

2. Duo County is a rural incumbent local exchange carrier serving individuals and businesses within all or parts of Adair County, Casey County, Cumberland County, and Russell County (the “Service Territory”). Duo County was established in 1954 as a member-owned

cooperative to provide local telephone service to business and individual customers within the exchanges of Burkesville Rural, Fairplay, Jamestown, and Russell Springs. Duo County provides approximately 8,722 residential lines and 1,852 business lines. Duo County 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, Duo County received approximately \$2,028,444.00 from the High Cost Loop Support (“HCLS”) 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 Duo County 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. *Id.* ¶¶ 133, 238-40.

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

6. On April 10, 2013, Duo County filed with the Commission revised tariff sheets that contained an adjustment of its rates for basic local exchange service. Duo County informed the Commission of its intent to place its proposed rates into effect on and after May 10, 2013.

7. The Commission subsequently released the Order, which allowed Duo County’s proposed rates to become effective on June 1, 2013, subject to refund. The Order requested that Duo County 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, Duo County'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 Duo County's Articles of Incorporation and all amendments thereto are attached hereto as "**Exhibit 2**".

10. Pursuant to Section 16(1)(b)(1) of 807 KAR 5:001, Duo County states that it requires an adjustment of its rates to maintain eligibility for the maximum amount of HCLS available.

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

12. Duo County 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.

13. Pursuant to Section 16(1)(b)(4) of 807 KAR 5:001, Duo County'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 Duo County's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County seeks partial waiver of Section 16(1)(b)(4) of 807 KAR 5:001, requiring that the effective date be not less than thirty (30) days from the date the application is filed.

14. As more fully explained in Duo County's Motion for Waiver of Certain Rate Application Filing Requirements, Duo County 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.

15. 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 Duo County’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County 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.

16. As more fully explained in Duo County’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County seeks waiver of Section 16(2) of 807 KAR 5:001, requiring notice of intent to file an application for a rate adjustment.

17. Pursuant to Section 16(9)(a) of 807 KAR 5:001, a narrative summary of the particular circumstances that justify and support Duo County’s Application, including a description and quantified explanation for the 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.

18. Duo County has gross annual revenues in excess of \$5,000,000.00. As more fully explained in Duo County’s Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County seeks waiver of Section 16(9)(b) of 807 KAR 5:001, requiring the applicant’s witnesses’ prepared testimony.

19. Duo County has gross annual revenues in excess of \$5,000,000.00. Accordingly, the requirements of Section 16(9)(c) of 807 KAR 5:001 are inapplicable.

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

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

22. Pursuant to Section 16(9)(f) of 807 KAR 5:001, Exhibit 6 contains a description of the effect upon the average bill for a change in basic local service.

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

24. Pursuant to Section 16(9)(h) of 807 KAR 5:001, Duo County's TIER calculations are attached as "**Exhibit 7.**"

25. As more fully explained in Duo County's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County 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.

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

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

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

29. Pursuant to Section 16(9)(m) of 807 KAR 5:001, Duo County's most recent PSC Form T is attached hereto as "**Exhibit 8**".

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

31. As more fully explained in Duo County's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County 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 this Application.

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

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

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

35. Duo County 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.

36. Duo County 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.

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

38. Duo County has fewer than 50,000 access lines. Accordingly, the requirements of Section 16(9)(v) of 807 KAR 5:001 are inapplicable.

39. As more fully explained in Duo County's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Duo County seeks waiver of ¶ 2.a. of the Order, which requests an estimate of the annual revenue to be received from HCLS beginning July 1, 2013.

40. Pursuant to ¶ 2.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.

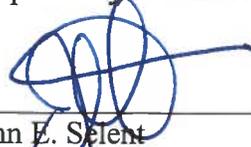
41. Pursuant to ¶ 2.c. of the Order, Exhibit 6 contains an estimate of the annual revenue to be generated by the tariff changes.

42. Pursuant to ¶ 2.d. of the Order, "**Exhibit 9**" to the Application contains historical and forecast line counts and the effects of any line changes on Duo County. Exhibit 9 is filed in conjunction with a Petition for Confidential Treatment pursuant to Section 13 of 807 KAR 5:001.

43. Pursuant to ¶ 2.e. of the Order, "**Exhibit 10**" to the Application contains the quarterly universal service from 1Q2011 to 3Q2013 projected amounts. These funds are used by Duo County to provide voice and advanced data services to its customers, thereby providing its communities with access to critical communications services.

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

Respectfully submitted,

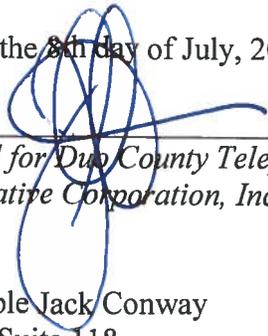


John E. Seibert
Edward T. Depp
Jerrad T. Howard
DINSMORE & SHOHL LLP
101 South Fifth Street
Suite 2500
Louisville, KY 40202
Phone: (502) 540-2300
Fax: (502) 585-2207
*Counsel to Duo County Telephone
Cooperative Corporation, Inc.*

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 ~~8th~~ day of July, 2013.



*Counsel for Dup / County 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 DUO COUNTY TELEPHONE) CASE NO.
COOPERATIVE CORPORATION, INC.) 2013-00184

ORDER

On April 5, 2013, Duo County Telephone Cooperative Corporation, Inc. ("Duo County") filed with the Commission revised tariff sheets that contained a general adjustment of its rates for basic local exchange service. Duo County informed the Commission of its intent to place its proposed rates into effect on or after May 10, 2013 in order to meet the rate floor mandated in 47 C.F.R. § 54.318. On May 9, 2013, 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 10, 2013 until June 1, 2013, when it was allowed to go into effect subject to refund.

Duo County 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. 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 Local Exchange Carriers ("LEC") such as Duo County which are in a study area to have in place by June 1 of every subsequent year rates for local exchange service at or above a floor in order to receive

high-cost support. 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.

The Commission, in the past, has held that a general adjustment in rates cannot be made simply through a tariff filing. 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. Duo County'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, and comply with all requirements therein. Duo County'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 Duo County'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 allowed the proposed rates to go into effect on June 1, 2013, subject to refund. The Commission also acknowledges that, because of the mandatory nature of the FCC's rate floor, all of the information specified in 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 Duo County 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, Duo County 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. Within ten days of the date of this Order, Duo County 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.

2. 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.

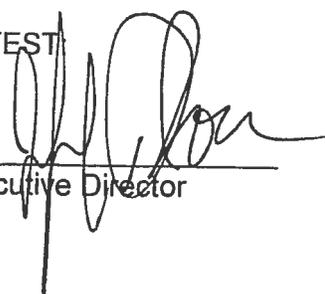
e. Historical and projected federal universal service support and its effects on the company.

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

By the Commission

ENTERED
JUN 28 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

Case No. 2013-00184



**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

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC. FILED MAY 26,
1954.

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/0014808 - Certificate ID: 139774

14808

Commonwealth of Kentucky

Department of State



Office of Secretary of State

CHARLES K. O'CONNELL, SECRETARY
DOMESTIC CORPORATION DEPARTMENT
NON-STOCK CORPORATION

I, Charles K. O'Connell, Secretary of the State of Kentucky,
hereby certify that Articles of Incorporation of the

DUG COUNTY TELEPHONE COOPERATIVE CORPORATION, INC., Durkesville, Kentucky,

has this day been filed in my office.

It appearing from said Articles of Incorporation that the said Corporation has no capital stock, and no private pecuniary profit is to be derived therefrom, the said Corporation is not required by law to pay a tax on organization; and it further appearing that the aforesaid Corporation has complied with all the requirements of the law, this certificate is issued as evidence of the fact that the said Corporation is now authorized and empowered to do business in this State under its charter, subject to the restrictions imposed by the statutes of Kentucky.

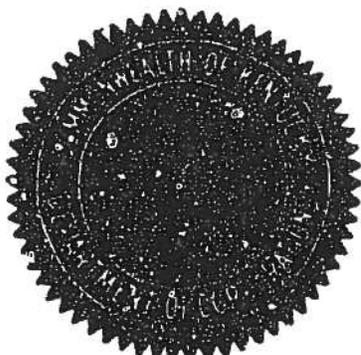
Given under my hand as Secretary of State,
this 26th day of May 1954

Charles K. O'Connell

Secretary of State

By D. P. Davis

Chief Clerk, Corporation Department.



SECRETARY OF STATE

ARTICLES OF INCORPORATION OF THE
DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INC.

We, the undersigned, in order to form a corporation for the purpose hereinafter set forth, pursuant to the provisions of Kentucky Revised Statutes Section 279.310, et sequentia, do hereby on this the 24th day of May, 1954, certify as follows:

1. The name of the Corporation is the Duo County Telephone Cooperative Corporation, Inc.
2. The name of the City, County and State in which the principal office or place of business is located is the City of Burkesville, County of Cumberland in the State of Kentucky.

3. The names and addresses of its incorporators are:

John W. Brake	Burkesville, Kentucky
W.C. Stearns	Burkesville, Kentucky
H.P. Thrasher	Ellington, Kentucky
L.A. Miller	Burkesville, Kentucky
Phillip Radcliffe	Amandaville, Kentucky

4. The names and addresses of its trustees are:

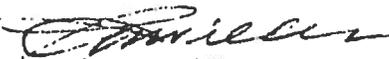
L.A. Miller	Burkesville, Kentucky
John W. Brake	Burkesville, Kentucky
H.P. Thrasher	Ellington, Kentucky
Phillip Radcliffe	Amandaville, Kentucky
Kimball Sawyer	Albany, Kentucky
John Davis Mullins	Albany, Kentucky
Charles Futrell	Albany, Kentucky

5. The Corporation, a non-profit cooperative, is formed for the purpose of promoting and encouraging the fullest possible use of telephone service by making facilities for such service available to persons in rural areas at the lowest cost consistent with sound business methods and prudent management, with the general powers enumerated in Section 279.360, Kentucky Revised Statutes.

6. The business of the Corporation shall be managed by a board of seven trustees, each of whom shall be a member of the Cooperative, to be elected in the manner provided by the by-laws adopted by the incorporators.

7. The Corporation is to exist perpetually.
8. The Corporation shall operate throughout the Counties of Cumberland and Clinton in the State of Kentucky, and in such adjacent communities and counties as may be feasible and consistent with the most economical service to its members.
9. The Corporation is a nonstock corporation.
10. The resident agent for the service of process is John W. Brake, Burkesville, Kentucky.

In witness whereof we hereunto subscribe our names this the 24th day of May, 1954.


W.C. Stearns John W. Brake
H.P. Thrasher Phillip Radcliffe

STATE OF KENTUCKY
COUNTY OF CUMBERLAND, SCT.,

I, John S. Cary, a Notary Public in and for the State and County Aforesaid, do hereby certify that the foregoing Articles of Incorporation of the DUC COUNTY TELEPHONE COOPERATIVE CORPORATION, INC., were this day produced to me in said county and state by John W. Brake, W.C. Stearns, H.P. Thrasher, L.A. Miller and Phillip Radcliffe and acknowledged and delivered by said parties to be their act and deed.

WITNESS MY HAND AND SEAL this the 24th day of May, 1954.
My commission expires October 15, 1956.


Notary Public
Cumberland County, Kentucky

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: 139756

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,

DUO COUNTY TELEPHONE COOPERATIVE CORPORATION, INC.

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 279, whose date of incorporation is May 26, 1954 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
Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
139756/0014808

GENERAL EXCHANGE SERVICE TARIFFS
TABLE OF CONTENTS

	<u>SHEET NUMBER</u>	
Title Page	1	
Table of Contents	2	
Subject Index	3	
Application & Explanation of Symbols	4	
Service Charges	5	
Foreign Exchange Service	18	
Direct Inward Dialing Service	23	
Telecommunications Relay Service Surcharge	26	
Call Screening and Restriction Services	27	
Advanced Calling Services	30	
Lifeline	39	
Link-Up	42	
ISDN – Primary Rate Interface	46	
ISDN – Primary Rate Interface	47	
ISDN – Primary Rate Interface	47.1	
Small Business Centrex Service	50	
Extended Local Calling Service	54	
Channelized Trunk Service	60	
Bundled Product Offerings	66	D
IP Centrex Service	67	
Duo Voice Ready Service	71	D

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

GENERAL EXCHANGE SERVICE TARIFFS
SUBJECT INDEX

<u>SUBJECT</u>	<u>SHEET NUMBER</u>	
Advanced Calling Services	30	
Bundled Product Offerings	66	D
Call Screening and Restriction Services	27	
Channelized Trunk Service	60	
Coin Supervision Additive Service	12.7	
Directory Assistance - Non-Local Directory Assistance (NDA)	48	
Directory Assistance - Local Directory Assistance (LDA)	49	
Direct Inward Dialing Service	23	
Duo Voice Ready Service	71	D
Extended Local Calling Service	54	
Extra Directory Listing	9	T
Foreign Exchange Service	18	
IP Centrex Service	67	
ISDN – Primary Rate Interface	46	
ISDN – Primary Rate Interface	47	
ISDN – Primary Rate Interface Rates and Charges	47.1	
Lifeline	39	
Link-Up	42	
Local Messages	9	
Off-Premise Extensions	9	
Service Charges	5	
Shared Tenant Services Client Listings	9	
Shared Tenant Services	12.8	
Simply Connected Service	61	
Small Business Centrex Service	50	
Special Circuits	10	
Telecommunications Relay Service Surcharge	26	

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

GENERAL RULES AND REGULATIONS

	<u>Monthly Rate</u>	
3.		
4.	<u>Directory Listing Services</u>	(T)
A.	Primary Listing	\$ 0.00
B.	Dual Name	\$ 0.25
C.	Extra / Special Listing	\$ 0.25
D.	Shared Tenant Listing	\$ 0.25
E.	Non-published / Unlisted Number	\$ 0.25
5.		(T)
6.	<u>Local Messages</u>	
	The rate for local messages from Public or Semi-Public Telephone is \$0.25 per message.	
7.		
8.	<u>Off-Premise Mileage</u>	
	Station Mileage, for stations located on premises or in buildings other than those on or in which the main station or P.B.X. switchboard are located or beyond the distance specified in other parts of those tariffs, the following mileage charges apply. These charges cover the additional facilities required and are in addition to the rate specified for the station. Measurements are routed or circuit mile basis.	
A.	Each quarter mile or fraction thereof	\$ 1.70

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet No. 66**

GENERAL RULES AND REGULATIONS

(D)

(D)

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet No. 71**

GENERAL RULES AND REGULATIONS

(D)

(D)

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet No. 72**

GENERAL RULES AND REGULATIONS

(D)

(D)

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

LOCAL EXCHANGE SERVICE TARIFFS

TABLE OF CONTENTS

	<u>SHEET NUMBER</u>
Title Page	1
Table of Contents	2
Application & Explanation of Symbols	3
Zone Charges	13

<u>List of Exchanges</u>	<u>Rate Sheet</u>	<u>Base Rate Area Map Sheet</u>
Russell Springs	5 C/D/T	6
Jamestown	7 C/D/T	8
Burkesville Rural	9 C/D/T	10
Fairplay	11 C/D/T	12

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**GENERAL RULES AND REGULATIONS
RUSSELL SPRINGS EXCHANGE**

I. General

A. This Tariff is governed, except as otherwise specified, by the Board of Directors and the By-Laws of the Duo County Telephone Cooperative Corporation, Inc. Unless otherwise specified, the charges quoted in this Tariff or in the General Rules and Regulations and General Exchange Tariffs are for periods of one month, are payable monthly in advance, and entitle the customer exchange access service within the Russell Springs Exchange.

B. Touch tone dialing is provided with all services. Rotary dialing may be retained for those Customers already subscribing to that service. (C)

C. The rates quoted herein also entitle the subscribers of this exchange to call, without additional charge, the exchanges listed below. (T)

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Russell Springs	Jamestown

II. Rates

CLASS OF SERVICE	MONTHLY RATE
(D)	(D)
(D)	(D)
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 14.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00
(D)	(D)

† Rate to be implemented with each bill cycle beginning on or after the effective date of this tariff.

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**GENERAL RULES AND REGULATIONS
JAMESTOWN EXCHANGE**

I. General

A. This Tariff is governed, except as otherwise specified, by the Board of Directors and the By-Laws of the Duo County Telephone Cooperative Corporation, Inc. Unless otherwise specified, the charges quoted in this Tariff or in the General Rules and Regulations and General Exchange Tariffs are for periods of one month, are payable monthly in advance, and entitle the customer exchange access service within the Jamestown Exchange.

B. Touch tone dialing is provided with all services. Rotary dialing may be retained for those Customers already subscribing to that service. (C)

C. The rates quoted herein also entitle the subscribers of this exchange to call, without additional charge, the exchanges listed below. (T)

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Jamestown	Russell Springs

II. Rates

CLASS OF SERVICE	MONTHLY RATE
(D)	(D)
(D)	(D)
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 14.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00
(D)	(D)

† Rate to be implemented with each bill cycle beginning on or after the effective date of this tariff.

Issue Date: April 5, 2013
Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**GENERAL RULES AND REGULATIONS
BURKERVILLE RURAL EXCHANGE (T)**

I. General

- A. This Tariff is governed, except as otherwise specified, by the Board of Directors and the By-Laws of the Duo County Telephone Cooperative Corporation, Inc. Unless otherwise specified, the charges quoted in this Tariff or in the General Rules and Regulations and General Exchange Tariffs are for periods of one month, are payable monthly in advance, and entitle the customer exchange access service within the Burkesville Rural Exchange.
- B. Touch tone dialing is provided with all services. Rotary dialing may be retained for those Customers already subscribing to that service. (C)
- C. The rates quoted herein also entitle the subscribers of this exchange to call, without additional charge, the exchanges listed below. (T)

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Burkesville Rural	Burkesville City *

II. Rates

CLASS OF SERVICE	MONTHLY RATE
(D)	(D)
(D)	(D)
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 14.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00
(D)	(D)

* Indicates an Exchange Area that is not served by Duo County Telephone Cooperative. (T)
 † Rate to be implemented with each bill cycle beginning on or after the effective date of this tariff.

Issue Date: April 5, 2013
 Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

**GENERAL RULES AND REGULATIONS
FAIRPLAY EXCHANGE (T)**

I. General

- A. This Tariff is governed, except as otherwise specified, by the Board of Directors and the By-Laws of the Duo County Telephone Cooperative Corporation, Inc. Unless otherwise specified, the charges quoted in this Tariff or in the General Rules and Regulations and General Exchange Tariffs are for periods of one month, are payable monthly in advance, and entitle the customer exchange access service within the Fairplay Exchange.
- B. Touch tone dialing is provided with all services. Rotary dialing may be retained for those Customers already subscribing to that service. (C)
- C. The rates quoted herein also entitle the subscribers of this exchange to call, without additional charge, the exchanges listed below. (T) (C)

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Fairplay	Columbia *

II. Rates

CLASS OF SERVICE	MONTHLY RATE
(D)	(D)
(D)	(D)
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 14.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00
(D)	(D)

* Indicates an Exchange Area that is not served by Duo County Telephone Cooperative. (T)
 † Rate to be implemented with each bill cycle beginning on or after the effective date of this tariff.

Issue Date: April 5, 2013
 Effective Date: May 10, 2013

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

RE: TARIFF FILING - TFS2013-00247

Duo County Telephone bill message notices on 4-10, 4-20, and May 1 will be as follows:

Local Service Rate Changes

On April 5th, Duo County Telephone filed with the Kentucky Public Service Commission minor revisions to its local service rates in response to recent Federal Communication Commission (FCC)-mandated changes. The FCC-mandated \$0.63 rate increase is the first rate increase in over thirty years to our basic residential rate. Effective May 10, 2013, all residential local service rates will be \$14.00. This change will be implemented in your next bill cycle.

REDACTED

DESCRIPTION AND JUSTIFICATION

On April 10, 2013, Duo County Telephone Cooperative Corporation, Inc. ("Duo County") filed for an increase of its basic local service rates to \$14.00 per month, an increase of \$0.63 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 supports. In that Order (the "Transformation Order") the Federal Communications Commission established a local exchange rate floor of \$10.00 as of June 1, 2012; \$14.00 as of June 1, 2013; and an undefined "urban rate" as of June 1, 2014. Companies below the applicable rate floor are penalized with a dollar for dollar reduction in High Cost Loop Support ("HCLS"). Failure to meet the rate floor established by the Federal Communications Commission will result in forfeiture of HCLS that Duo County would otherwise receive.

Duo County was not required to increase its rates previously in order to comply with the Transformation Order and continue to receiving HCLS because Duo County's local service rates were above the rate floor established for 2012. In fact, Duo County has not had a rate increase since November 1, 1977 and would not otherwise make this filing were it not for the Transformation Order. Duo County has provided ample notice to its members and is optimistic that the modest increase will have a negligible impact on its members.

Because Duo County's current rates are below the June 1, 2013 rate floor established by the Federal Communications Commission, Duo County must increase its rate in order to avoid a loss of HCLS. Based on its current access line count, failure to meet the Federal Communications Commission's \$14.00 rate floor would deprive Duo County of approximately \$66,000.00 in HCLS to which the company would otherwise be entitled.

REDACTED

FINANCIAL IMPACT

Duo County is seeking to increase its rates by less than 5%. Based on the 3Q13 USAC reports, Duo County anticipates receiving \$2,028,444.00 in HCLS for its 2012 fiscal year. Based on its estimates below, without the increase in local service rates, failure to meet the FCC's rate floor mandate could cost Duo County approximately \$66,000.00.

	Subscribers	Current Rate	FCC Floor	At Risk
Residential	8,722	\$ 13.37	\$ 14.00	\$ 65,938
Annual HCLS (using 3Q13 projections)				\$ 2,028,444
Support at risk absent a rate increase				3.25%

To meet the \$14.00 residential rate floor established by the Federal Communications Commission, Duo County proposes to increase its residential services rates by \$0.63.

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 5.00% for the 2012 fiscal year and 4.75% for the 2013 fiscal year. With this change, Duo County cannot collect more than the maximum intercarrier compensation revenue amount. As is shown below, this reduction was approximately [REDACTED] for Duo County's 2012 fiscal year and the cumulative reduction at the end of Duo County's 2013 fiscal year will be approximately [REDACTED].

CONCLUSION

The Transformation Order seeks to dramatically change the revenue sources historically available to rural telephone companies like Duo County 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 companies, doing so requires upward pressure on local service rates. Duo County is only requesting this rate increase as a result of the Federal Communications Commission's Order. Duo County is constantly looking at ways to reduce costs in order to prevent the need for future rate increases and, currently, the company is unaware of any future increases that will be necessary. As shown in this documentation, Duo County has no other options available to it, and, therefore, requests that its tariff revisions be approved.

Duo County Telephone Cooperative
Regulated TIER Estimate

Case 2013-00184

	<u>2012</u>
Income Statement	
Operating Revenues	
Local network services revenue	\$ 2,792,918
Network access service revenue	9,555,695
Long distance network services revenue	-
Miscellaneous revenue	1,170,362
Uncollectible revenue	(19,608)
Additional Revenue	151,731
Total Operating Revenues	\$ 13,651,099
Operating Expenses	
Plant specific operations expense	\$ 3,379,962
Plant non-specific operations expense	1,173,010
Access Expense	249,154
Provision for depreciation/amortization	3,987,561
Customer operations expense	1,308,957
Corporate operations expense	1,743,612
Total Operating Expenses	\$ 11,842,256
Operating Margin	\$ 1,808,844
Fixed Charges	
Interest expense on long term debt	\$ 447,689
Allowance due to construction	
Total Fixed Charges	\$ 447,689
Taxes	\$ 24,143
Net Income	\$ 1,337,011

	<u>TIER (Line c divided by Line b)</u>	<u>3.99</u>
a	Net Income (after taxes)	\$ 1,337,011
b	Interest expense	\$ 447,689
c	Net Income (after taxes) + Interest Ex	\$ 1,784,701

**KENTUCKY PUBLIC SERVICE COMMISSION
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 2012**

LOCAL EXCHANGE CARRIERS and COMPETITIVE LOCAL EXCHANGE CARRIERS

Name of Utility Reporting Duo County Telephone Coop. Corp., Inc.
 FEIN# (Federal Employer Identification Number) 61-0529587
 Address of Utility P.O. Box 80
 City Jamestown State Kentucky Zip Code 42629
 Telephone Number of Utility 270-343-3131
 Fax Number of Utility (if applicable) 270-343-3800
 Officer/Contact Person Thomas E. Preston Chief Executive Officer
 (NAME) (TITLE)

ASSESSABLE REVENUES OF TELEPHONE UTILITY..... \$5,726,781.05
 (to agree with assessable revenues figure on the back of this page)

OATH

State of..... Kentucky
 ss.
 County of..... Russell

Thomas E. Preston being duly sworn, states that he/she is
 (Officer)
Chief Executive Officer of the Duo County Telephone Coop. Corp., Inc.
 (Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with Duo County Telephone
 (Utility Reporting)
Coop. Corp., Inc., and that such books accurately show

the gross revenues of: Duo County Telephone Coop. Corp., Inc.
 (Utility Reporting)
 derived from Intra-Kentucky business for the calendar year ending December 31, 2012.

Thomas E. Preston Chief Executive Officer
 (Officer) (Title)

This the 27th day of March, 2013
Austin Emerson *Russell* *1-12-2015*
 (Notary Public) (County) (Commission Expires)

**NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS
REVENUES SHOWN IN THE ANNUALY REPORT AND THE AMOUNT
APPEARING ON THIS STATEMENT MUST BE RECONCILED ON THE
REVERSE OF THIS REPORT**

LOCAL EXCHANGE CARRIERS and COMPETITIVE LOCAL EXCHANGE CARRIERS

TELECOMMUNICATIONS UTILITIES RECONCILIATION FORM

Total Operating Revenues (Schedule VI, page 1 of 5) \$13,651,099.16

Additions:

Intrastate Uncollectibles (Account 5300) \$19,607.59

Other Uncollectibles _____

Total Additions..... \$19,607.59

Deductions:

Non-Regulated Revenue (Account 5280) _____

Interstate Billing/Collection Revenues (Acct 5200) \$7,817.67

End User Revenue (Account 5081) \$1,156,147.02

Interstate Switched Access Revenue (Acct 5082) \$5,547,126.76

Interstate Special Access Revenue (Acct 5083) \$1,232,834.25

Any Miscellaneous Interstate Revenues
(Explain Below) _____

Total Deductions..... \$7,943,925.70

RECONCILED ASSESSABLE REVENUES \$5,726,781.05

Explanations/Comments: _____

Do Not Write Below This Line

**KENTUCKY PUBLIC SERVICE COMMISSION
 REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
 BUSINESS FOR THE YEAR ENDING DECEMBER 31, 2012**

LOCAL EXCHANGE CARRIERS and COMPETITIVE LOCAL EXCHANGE CARRIERS

NAMES OF COUNTIES IN WHICH YOU FURNISH TELEPHONE SERVICE:

(If additional space is required, please add an additional sheet)

Adair County
 Casey County
 Cumberland County
 Russell County
 Wayne County

**OFFICER OR OTHER PERSON TO WHOM CORRESPONDENCE SHOULD BE ADDRESSED
 CONCERNING THIS REPORT:**

Name Penny J. Stephens Title Accountant
 Address P.O. Box 80 City Jamestown
 State Kentucky Zip Code 42629 Phone 270-343-3131 Ext. 1173

This information is to be kept current by prompt notification to the Commission of any changes until the report for the succeeding year has been submitted.

ACCESS LINES IN SERVICE:

State or Territory	Single Line (Business)	Multi-Line (Business)	Public Access Lines	Residential Access Lines	Total Access Lines
Kentucky	375	1489	0	8594	10458

IDENTIFY QUANTITY OF CIRCUITS PROVIDED FOR EACH OF THE FOLLOWING TRANSMISSION CAPACITIES:

Special Access Lines	Fractional T-1	DS-1/T-1	DS-3/T-3	> DS-3/T-3
	0	167	3	0

Commonwealth of Kentucky
Public Service Commission

INFORMATION FORM FOR TELEPHONE UTILITIES OPERATING
PURSUANT TO KRS 278.541 THROUGH 278.544

Complete Name
of Telephone Utility: Duo County Telephone Coop. Corp., Inc.

Physical Address
of Principal Office: 2150 N. Main St., Jamestown, KY 42629

Name and Title of
Person Responsible for
Answering Consumer
Complaints: Daryl L. Hammond-Vice President/Chief Financial Officer

Telephone Number of
Person Responsible for
Answering Consumer
Complaints: 270-343-3131

In accordance with KRS 278.542 (2), which requires telephone utilities operating pursuant to 2006 KRS 278.541 through KRS 278.544 to file with the Commission certain information, I, Daryl L. Hammond, on behalf of Duo County Telephone Coop. Corp., Inc. do hereby certify that the foregoing information is true and correct to the best of my knowledge, as of this 27th day of March, 2012.

UTILITY: Duo County Telephone Coop. Corp., Inc.

BY: 

STATE OF KENTUCKY
COUNTY OF RUSSELL

The foregoing was signed, sworn to and acknowledged before me, the NOTARY PUBLIC, on this the 27th day of March, 2013.


NOTARY PUBLIC

My Commission Expires: 1-12-2015

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Title Page

	Name of Respondent	Addr Line 1	Addr Line 2	City	State	Zip
Annual Report of						
Respondent	Duo County Telephone Coop. Corp., Inc.	PO Box 80		Jamestown	KY	42829

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

General Info - Basic Service

	Average Bill
--	--------------

For Kentucky Operations Only please furnish

Average Residential Basic Service Monthly Bill

Not including Taxes/NonRegulated Services

\$13.37

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

General Information - Counties

Adair, Casey, Cumberland, Russell, Wayne

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

General Information - Contact Person

Name	Address	City	State	Phone
------	---------	------	-------	-------

Officer or other Person to whom correspondence should be addressed concerning this report

Name, title, address and telephone number with area code of the person to be contacted concerning this report

Thomas E. Preston	PO Box 80	Jamestown	KY	2703433131
-------------------	-----------	-----------	----	------------

This information is to be kept current by prompt notification to the Commission of any changes until the report for the succeeding year has been submitted.

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

General Info - Principal Payment and Interest Information

	Amount	Yes/No
Amount of Principal Payment During Calendar Year	\$3,645,275.52	
Is Principal Current?		Y
Is Interest Current?		Y
Has all long-term debt been approved by the Public Service Commission?		Y

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

General Info - Services Performed by Independent CPA

	Yes/No	AICPA
--	--------	-------

Are your financial statements examined by a Certified Public Accountant?

Enter Y for Yes or N for No

Y

If yes, which service is performed?

Enter an X on each appropriate line

Audit

X

Compilation

Review

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Board of Directors and General Officers - Sched. I (Ref Page: 1)

Name	Address	Title	Department	Term Expires	Served Since
Monln, J.E.	Jamestown, KY	President-Director		06/05/2015	09/20/1971
Sparks, Joseph	Breeding, KY	Director		06/05/2015	05/17/1985
Hill, Sharon	Jamestown, KY	Sec/Treasurer-Director		06/07/2013	10/25/1999
Norris, Bill	Burkesville, KY	Vice-President, Director		06/07/2013	02/28/2002
Butler, Doug	Burkesville, KY	Director		06/04/2015	09/16/2002
Roy, Jerry D.	Russell Springs, KY	Director		06/04/2015	10/27/2003
Hart, Randy	Russell Springs, KY	Director		06/07/2013	06/07/2011
Thomas E. Preston	Jamestown, KY	Chief Executive Officer		N/A	N/A

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Stockholders Sched II (Ref Page: 1)

Name	Address	Shares
N/A	Jamestown, KY	0

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Stockholders Sched II - (cont) (Ref Page: 1)

Class of Stock	Num of Holders	Date compiled	Purpose compiled
----------------	----------------	---------------	------------------

Enter Total number of stockholders for each class

with the date and purpose of the compilation

N/A - SEE ATTACHMENT

0

NOTES FOR STOCKHOLDERS SCHEDULE II

Duo County Telephone Cooperative Corporation is a Cooperative Corporation and each member is issued a membership certificate. This membership certificate entitles each member to one vote at the Annual Meeting for the election of Directors, provided he or she is an active member at the time of the Annual Meeting. - NON-STOCK

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accounts - Sched III Page 1 (Ref Page: 1)

	Amount (a)
Current Assets	
Cash and Equivalents (1120)	\$9,962,345.38
Receivables (1170)	\$1,352,188.22
Allowance for Doubtful Accounts (1171)	
Inventories (1220)	\$948,874.36
Prepayments (1280)	\$370,427.60
Other Current Assets (1350)	\$69,064,232.82
Non-Regulated Investments (1406)	\$214,329.32
Other Noncurrent Assets (1410)	\$2,659,826.79
Deferred Maintenance and Retirements (1438)	
Other Jurisdictional Assets - Net (1500)	
Total Current Assets	\$84,572,224.49

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accounts - Sched III Page 2-4 (Ref Page: 2)

	Beg Bal (c)	Additions (d)	Retirements (e)	Transfer (f)	End Bal (g)
Telephone Plant					
Telephone Plant In Service (2001)	\$62,396,882.66	\$2,594,077.98	\$815,419.68	(\$13,595.28)	\$64,085,133.15
Property Held for Future Telephone Use (2002)					
Tele. Plant Under Construct. - Short Term (2003)	\$9,398,234.17	\$5,096,853.86	\$0.00	\$2,336,043.82	\$12,159,044.21
Tele. Plant Under Construct. - Long Term (2004)					
Telephone Plant Adjustment (2005)					
Nonoperating Plant (2006)	\$52,008.00	\$0.00	\$0.00	\$0.00	\$52,008.00
Goodwill (2007)					
Total Telephone Plant	\$71,847,124.83	\$7,690,931.84	\$815,419.68	\$2,322,448.54	\$76,296,185.36
Land and Support Assets					
Land (2111)	\$308,163.94	\$1,618.00	\$0.00	\$0.00	\$309,781.94
Motor Vehicles (2112)	\$1,281,455.07	\$109,017.76	\$141,255.51	\$0.00	\$1,249,217.32
Aircraft (2113)					
Tools and Other Work Equipment (2114)	\$635,612.33	\$49,716.15	\$58,459.55	\$0.00	\$626,868.93
Buildings (2121)	\$6,590,584.38	\$5,237.46	\$0.00	\$0.00	\$6,595,821.84
Furniture (2122)	\$669,147.24	\$569.32	\$0.00	\$0.00	\$669,716.56
Office Equipment (2123)	\$613,976.73	\$18,562.23	\$56,318.44	\$0.00	\$576,220.52
General Purpose Computers (2124)	\$1,253,128.58	\$168,057.47	\$478,272.84	\$0.00	\$942,913.21
Total Land and Support Assets	\$11,352,068.27	\$352,778.39	\$734,306.34	\$0.00	\$10,970,540.32
Central Office - Switching					
Non-Digital Switching (2211)					

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accounts - Sched III Page 2-4 (Ref Page: 2)

	Beg Bal (c)	Additions (d)	Retirements (e)	Transfer (f)	End Bal (g)
Digital Electronic Switching (2212)	\$1,666,199.20	\$11,371.30	\$0.00	\$0.00	\$1,677,570.50
Total Central Office - Switching	\$1,666,199.20	\$11,371.30	\$0.00	\$0.00	\$1,677,570.60
Total Operator Systems (2220)					
Central Office - Transmission					
Radio Systems (2231)					
Circuit Equipment (2232)	\$9,564,653.39	\$1,222,090.96	\$0.00	(\$15,988.84)	\$10,770,755.51
Total Central Office Transmission	\$9,564,653.39	\$1,222,090.96	\$0.00	(\$15,988.84)	\$10,770,755.51
Information Origination Termination					
Station Apparatus (2311)					
Customer Premise Wire (2321)					
Large PBX (2341)					
Public Telephone Terminal Equipment (2351)					
Other Terminal Equipment (2362)					
Total Information Origin Termination					
Cable and Wire Facilities Assets					
Poles (2411)	\$3,762,558.34	\$58,434.01	\$10,900.76	\$12,225.04	\$3,797,866.55
Aerial Cable (2421)	\$20,621,121.43	\$764,503.95	\$13,773.21	(\$199,562.29)	\$21,172,289.88
Underground Cable (2422)	\$373,059.23	\$0.00	\$0.00	(\$1,770.06)	\$374,829.29
Buried Cable (2423)	\$14,333,791.01	\$183,039.09	\$51,506.71	\$150,857.86	\$14,616,181.25
Submarine and Deep Sea Cable (2424)	\$10,001.27	\$0.00	\$0.00	\$0.00	\$10,001.27
Intrabuilding Network Cable (2426)					

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accounts - Sched III Page 2-4 (Ref Page: 2)

	Beg Bal (c)	Additions (d)	Retirements (e)	Transfer (f)	End Bal (g)
Aerial Wire (2431)	\$136,470.88	\$0.00	\$4,932.66	(\$1,664.28)	\$129,873.94
Conduit Systems (2441)	\$521,445.59	\$1,860.28	\$0.00	\$0.00	\$523,305.87
Total Cable and Wire Facilities Assets	\$39,758,447.75	\$1,007,837.33	\$81,113.34	(\$39,913.73)	\$40,624,348.05
Amortizable Assets					
Amortizable Tangible Assets					
(2680)					
Capital Leases (2681)					
Leasonhold Improvements					
(2682)					
Total Amortizable Assets					
Intangibles (2690)	\$55,514.05	\$0.00	\$0.00	(\$13,595.28)	\$41,918.77
Total Tele. Plant In Service 2001	\$62,396,882.66	\$1,494,077.98	\$816,419.68	(\$69,497.85)	\$64,085,133.25

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accounts - Sched III Page 5a (Ref Page: 4)

	Amount
Depreciation and Amortization	
Accumulated Depreciation (3100)	\$45,263,307.26
Accumulated Depreciations - Held for Future Telecom. Use (3200)	
Accumulated Depreciation - Nonoperating (3300)	
Accumulated Amortization - Capitalized Leases (3410)	
Total Depreciation and Amortization	\$45,263,307.26
Net Telephone Plant	\$31,032,878.10
Total Assets	\$115,605,102.59

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accounts - Sched III Pages 5-6 (Ref Page: 5)

	Amount
Current Liabilities	
Current Accounts and Notes Payable (4000)	\$1,011,904.48
Customer's Deposits (4040)	\$14,400.00
Income Taxes - Accrued (4070)	\$1,675,391.31
Other Taxes - Accrued (4080)	
Net Current Deferred Operating Income Taxes (4100)	
Net Current Deferred Nonoperating Income Taxes (4110)	
Other Current Liabilities (4130)	
Total Current Liabilities	\$2,701,695.79
Long Term Debt and Funded Debt (4200)	\$2,681,348.33
Other Liabilities and Deferred Credits	
Other Long Term Liabilities and Deferred Credits (4300)	\$164,503.11
Unamortized Operating Investment Tax Credits - Net (4320)	
Unamortized Nonoperating Investment Tax Credits - Net (4330)	
Net Noncurrent Deferred Operating Income Taxes (4340)	
Net Deferred Tax Liability Adjustments (4341)	
Net Noncurrent Deferred Nonoperating Income Taxes (4350)	
Deferred Tax Regulatory Liability (4381)	
Other Jurisdictional Liabilities/Deferred Credits - Net (4370)	
Total Other Liabilities and Deferred Credits	\$164,503.11
Capital Stock (4510)	
Additional Paid-in Capital (4520)	
Treasury Stock (4530)	
Other Capital (4540)	
Retained Earnings (4550)	\$110,057,555.36
Total Stockholders' Equity	\$110,057,555.36
Total Liabilities and Stockholder's Equity	\$115,605,102.59

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Balance Sheet Accts - Retained Earnings Sched III pg 5 (Ref Page: 6)

	Amount
Retained Earnings (Beg of Yr)	\$100,436,731.87
Net Income	\$10,363,758.05
Dividends Declared	
Capital Credit Rotations	(\$791,158.28)
Miscellaneous Debits*	\$1,282.61
Miscellaneous Credits*	\$49,506.33
Retained Earnings (End of Year)	\$110,057,555.36

* Explain any Individual item over \$10,000

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Investments in Affiliated Companies - Sched IV Company names (Ref Page: 1)

Company Name	
--------------	--

Associate the name of each company to be entered on Sched. IV with the appropriate column (a - j)

Column b	Diversified Holding Company
Column c	Bluegrass Network LLC
Column d	
Column e	
Column f	
Column g	
Column h	
Column i	
Column j	

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Investments in Affiliated Companies Sched IV (Ref Page: 1)

	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
All Company Names must be affiliated with a Column on the previous schedule									
Other NonCurrent Assets (1410)									
Equity method									
Beginning Balance	\$63,824,943.00	\$3,185,620.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Investments	(\$6,000,000.00)	(\$200,000.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Earnings	\$7,549,307.00	\$654,364.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(Losses)									
Subtotal (1410)	\$65,374,250.00	\$3,639,984.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash and Equivalents (1120)									
Beginning Balance									
Gross Dr.									
Gross (Cr)									
Subtotal (1120)									
Receivables (1170)									
Beginning Balance									
Gross Dr.									
Gross (Cr)									
Subtotal (1170)									
Total Affiliated Companies	\$65,374,250.00	\$3,639,984.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Investments in NonAffiliated Companies - Sched V Company names (Ref Page: 1)

Company Name	
--------------	--

Associate the name of each company to be entered on Sched. IV with the appropriate column (a - j)

Column b	NECA Services Stock
Column c	
Column d	
Column e	
Column f	
Column g	
Column h	
Column i	
Column j	

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Investments in Non Affiliated Companies Sched IV (Ref Page: 1)

	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
All Company Names must be affiliated with a Column on the previous schedule									
Other NonCurrent Assets (1410)									
Equity method									
Beginning Balance	\$50,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Investments									
Earnings									
(Losses)									
Subtotal (1410)	\$50,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash and Equivalents (1120)									
Beginning Balance									
Gross Dr.									
Gross (Cr)									
Subtotal (1120)									
Receivables (1170)									
Beginning Balance									
Gross Dr.									
Gross (Cr)									
Subtotal (1170)									
Total Affiliated Companies	\$50,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Income Statement Accounts - Sched VI pg 1 (Ref Page: 1)

	Amount (a)
Local Network Service	
Basic Area Revenue (5001)	\$2,792,917.89
Private Line Revenue (5040)	
Other Basic Area Revenue (5060)	
Total Local Network Service Revenues	\$2,792,917.89
Network Access Service Revenues	
End User Revenue (5081)	\$1,254,869.19
Switched Access Revenue (5182)	\$7,067,991.94
Special Access Revenue (5083)	\$1,232,834.25
Total Network Access Revenue	\$9,555,695.38
Long Distance Message Revenue (5100)	
Miscellaneous Revenue (5200)	\$1,170,362.26
Directory Revenue (5230)	\$151,731.22
Non-Regulated Operating Revenue (5280)	
Uncollectible Revenue (5300)	\$19,607.59
TOTAL OPERATING REVENUE	\$13,651,099.16

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Income Statement - Operating Exp - Plant Specific - Sched VI pg 2 (Ref Page: 2)

	Total (c)
Plant Specific Operation Expense	
Motor Vehicle Expense (6112)	\$14,566.14
Aircraft Expense (6113)	
Tools and Other Work Equipment Expense (6114)	
Total Network Support Expenses	\$14,566.14
Land and Building Expense (6121)	\$194,877.04
Furniture and Artworks Expense (6122)	\$1,076.82
Office Equipment Expense (6123)	\$27,108.00
General Purpose Computers Expense (6124)	\$58,033.33
Total Support Expense	\$281,095.19
Non-Digital Switching Expense (6211)	
Digital Electronic Expense (6212)	\$1,228,928.84
Total Central Off. Switch. Exp	\$1,228,928.84
Operator System Expense (6220)	
Radio System Expense (6231)	
Circuit Equipment Expense (6232)	\$313,527.40
Total Central Off. Trans. Exp.	\$313,527.40
Station Apparatus Expense (6311)	
Large PBX Expense (6341)	
Public Tele. Terminal Equipment (6351)	
Other Terminal Equipment Expense (6362)	
Total Info. Org. Term. Equip	
Poles Expense (6411)	\$555,701.89
Aerial Cable Expense (6421)	\$906,615.19
Underground Cable Expense (6422)	
Buried Cable Expense (6423)	\$71,734.51
Submarine and Deep Sea Cable (6424)	

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Income Statement - Operating Exp - Plant Specific - Sched VI pg 2 (Ref Page: 2)

	Total (c)
Intrabuilding Network Cable Expense (6426)	
Aerial Wire Expense (6431)	\$7,792.89
Conduit Systems Expense (6441)	
Total Cable and Wire Expense	\$1,541,844.28
Total Plant Spc. Expense	\$3,379,961.85

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012
Income Statement - Operating Exp - Plant NonSpecific - Sched VI pg 3 (Ref Page: 3)

	Total(c)
Plant NonSpecific Operating Expense	
Plant held for future Telephone use (6511)	
Provisioning Expense (6512)	
Total other PPE Expense	
Power Expense (6531)	\$187,538.47
Network Administration Expense (6532)	\$34,178.28
Testing Expense (6533)	\$242,112.33
Plant Operations Administration Expense (6534)	\$136,804.36
Engineering Expense (6535)	\$572,376.22
Total Network Ops Expense	\$1,173,009.66
Access Expense (6540)	\$249,154.53
Depreciation Expense - Telecomm Plant In Service (6561)	\$3,973,966.03
Depreciation Expense - Property Held for Future Telecom Use (6562)	
Amortization - Tangible (6563)	
Amortization - Intangible (6564)	\$13,595.28
Amortization - Other	
Total Depreciation and Amortization Exp	\$3,987,561.31
Total Plant NonSpecific Expense	\$5,409,725.50
Customer Operations Expense	
Product Management and Sales (6611)	
Product Advertising (6613)	\$82,595.98
Total Marketing Expense	\$82,595.98
Call Completion Services (6621)	\$5.61
Number Services (6622)	\$95,712.69
Customer Services (6623)	\$1,213,238.78
Total Services Expense	\$1,308,957.08
General and Administrative (6720)	\$1,743,611.78

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012
Income Statement - Operating Exp - Plant NonSpecific - Sched VI pg 3 (Ref Page: 3)

	Total (c)
Provision for Uncollectible Notes Receivable (6790)	
Total Corp. Oper. Expense	\$1,743,811.78
Net Operating Revenue	\$1,726,246.97

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Income Statement - Operating Exp - Sched VI pg 4 (Ref Page: 7)

	Amount
Other Operating Income and Expense (7100)	
Operating Taxes	
Operating Investment Tax Credits Net (7210)	
Operating Federal Income Taxes (7220)	(\$3,965.75)
Operating State and Local Income Taxes (7230)	
Operating Other Taxes (7240)	\$762,898.05
Provision for Deferred Operating Income Tax - Net (7250)	
Total Operating Taxes	\$758,932.30
Nonoperating Income and Expense (7300)	\$8,728,377.98
Nonoperating Taxes (7400)	
Interest and Related Items (7500)	\$447,689.26
Extraordinary Items (7600)	
Jurisdictional Differences and NonRegulated Income	
Income Effect of Jurisdictional Differences - Net (7910)	
Nonregulated Net Income (7990)	\$1,115,754.66
Net Income	\$10,363,758.05

NOTES FOR SCHEDULE III PAGE 5
MISCELLANEOUS CREDITS

4550350	OTHER EQUITY - UNCLAIMED PATRONAGE	- \$41,351.06
4550355	OTHER EQUITY - PATRONAGE DIVIDEND ADJUSTMENT	\$0.00
4550400	PATRONAGE CAPITAL ASSIGNABLE - EXCISE TAX REFUND	<u>- \$8,155.27</u>
	TOTAL	<u><u>- \$49,506.33</u></u>

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Total Number of Employees - Sched VI (Ref Page: 4)

	Total
Total Number of Employees at End of Year	58
Number of Full-Time Employees	54
Number of Part-Time Employees	4

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Total Compensation - Sched VI (Ref Page: 4)

	Amount
Total Compensation for the Year	\$3,167,434.95

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Access Lines in Service by Technology Sched VII (Ref Page: 1)

	State (a)	Switches (b)	ISDN (c)	Digital (d)	Analog (e)	DS1 (f)	PBX (g)	Conrex (h)	Other (i)
	KY	1	0	9,772	0	0	481	205	0
TOTAL		1	0	9,772	0	0	481	205	0

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Access Lines in Service by Customer Sched VIII (Ref Page: 1)

	State (a)	B Single (b)	B Multi (c)	Public (d)	Residential (e)	Mobile(f)	Non-Switched (g)	Total (h)
	KY	375	1,489	0	8,594	0	0	10,458
TOTAL		375	1,489	0	8,594	0	0	10,458

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

Telephone Calls Sched IX (Ref Page: 1)

	State (a)	Local (b)	Toll (c)	Inter Num (d)	Inter Min (e)	Intra Num (f)	Intra Min (g)	Total Num (h)	Total Min (i)
	KY	15,631,664	467,847	225,525	977,245	359,019	1,057,646	584,544	2,034,891
TOTAL		15,631,664	467,847	225,525	977,245	359,019	1,057,646	584,544	2,034,891

11500 Duo County Telephone Cooperative Corporation, Inc. 01/01/2012 - 12/31/2012

CheckList

Item	Value 1	Value 2	Agree	Explain
Balance Sheet Sched III : Line Retained Earnings equals Sched Balance Sheet Accts - Retained Earnings pg 5 Line Retained Earnings (end of year)	110057555.36	110057555.36	OK	
Balance Sheet Sched III: Total Assets on pg 5 equals Total Liabilities and Stockholders Equity on pg 5	115605102.59	115605102.59	OK	

OATH

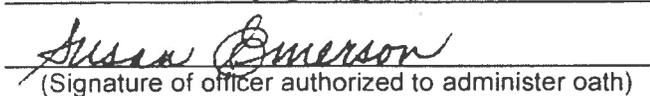
Commonwealth of KENTUCKY)
) ss:
County of RUSSELL)

Daryl L. Hammond makes oath and says that he is Vice President/Chief Financial Officer of Duo County Telephone Coop. Corp., Inc., that it is his duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he has carefully examined the said report and to have the best knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 2012, to and including December 31, 2012.


(Signature of Officer)

subscribed and sworn to before me, a NOTARY PUBLIC, in and for the State and County named in the above this 27th day of March, 2013.

My Commission expires 1-12-2015

(Signature of officer authorized to administer oath)

(Persons making willful false statements in this report may be punished by fine or imprisonment under KRS 523.040 and 523.100.)

24 MONTH EST VIEW
COST

REGION: 2 SOUTHERN

SUBSET: 3

MSM: 020007473 Claudia Smith
 CSLT: * Multiple Consultants
 FC: 000000401 Duo County Tel. Coop. Inc.
 SA: 260401 DUO COUNTY TEL COOP
 EC: 000000401 Duo County Tel Coop

APPLIES TO DATE	* Interstate Access Minutes (incl. VoIP) Ln 1A	* Intrastate Term SW Access (excl. VoIP) Ln 1B	Intrastate Term SW Access (VoIP only) Ln 1C	Access Lines in Service Ln 2 (A+B)	* Residential & Single-Line Bus Access Lns Ln 2A (1+2)	* Residential Access Lines Ln 2A1	* Single-Line Business Access Lines Ln 2A2	* Multi-Line Business Access Lines Ln 2B
JUN, 2013	1,405,962 X	432,991 X	95,321	10,543	9,062	8,689 X	373 X	1,481 X
MAY, 2013	1,405,962 C	432,991 C	95,321	10,543	9,062	8,689 C	373 C	1,481 C
APR, 2013	1,356,745 C	468,777 C	71,237	10,574	9,090	8,722 C	368 C	1,484 C
MAR, 2013	1,375,156 C	461,279 C	37,015	10,562	9,080	8,713 C	367 C	1,482 C
FEB, 2013	1,791,203 C	555,101 C	53,820	10,490	9,009	8,643 C	366 C	1,481 C
JAN, 2013	1,783,837 C	533,297 C	72,922	10,511	9,016	8,645 C	371 C	1,495 C
DEC, 2012	1,735,627 C			10,500	9,011 C			1,489 C
NOV, 2012	1,941,168 C			10,499	9,002 C			1,497 C
OCT, 2012	1,835,679 C			10,550	9,052 C			1,498 C
SEP, 2012	1,959,170 C			10,539	9,042 C			1,497 C
AUG, 2012	2,398,962 C			10,550	9,119 C			1,431 C
JUL, 2012	1,758,842 C			10,605	9,116 C			1,489 C
JUN, 2012	1,652,303 C			10,626	9,131 C			1,495 C
MAY, 2012	1,539,009 C			10,675	9,271 C			1,404 C
APR, 2012	1,771,341 C			10,726	9,273 C			1,453 C
MAR, 2012	1,786,510 C			10,641	9,237 C			1,404 C
FEB, 2012	1,513,681 C			10,622	9,264 C			1,358 C
JAN, 2012	1,797,322 C			10,612	9,231 C			1,381 C
DEC, 2011	1,665,577 C			10,633	9,231 C			1,402 C
NOV, 2011	1,780,050 C			10,716	9,256 C			1,460 C
OCT, 2011	1,776,916 C			10,739	9,232 C			1,507 C
SEP, 2011	2,006,365 C			10,714	9,169 C			1,545 C
AUG, 2011	2,072,411 C			10,789	9,231 C			1,558 C
JUL, 2011	1,913,737 C			10,792	9,241 C			1,551 C
JUN, 2011	1,921,514 C			10,810	9,258 C			1,552 C
HIGH	2,398,962	555,101	95,321	10,810	9,273	8,722	373	1,558
AVG	1,757,802	480,739	70,939	10,622	9,147	8,684	370	1,475
LOW	1,356,745	432,991	37,015	10,490	9,002	8,643	366	1,358

NOTE: HIGH, AVERAGE AND LOW AMOUNTS ARE DERIVED FROM NON-ZERO MONTHS ONLY.

* LINES TESTED FOR COMPLIANCE C = COMPLIANT N = NON-COMPLIANT R = REGION REVIEWED X = NOT TESTED A = ACTUAL

Universal Service Support 1Q2011 - 3Q2013

DUO COUNTY TEL COOP

Case 2013-00184

Period	State	SAC	Study Area Name	Total High Cost Monthly	Total High Cost Quarterly
3Q2013	KY	260401	DUO COUNTY TEL COOP	\$ 419,870	\$ 1,259,610
2Q2013	KY	260401	DUO COUNTY TEL COOP	\$ 406,257	\$ 1,218,771
1Q2013	KY	260401	DUO COUNTY TEL COOP	\$ 406,759	\$ 1,220,277
4Q2012	KY	260401	DUO COUNTY TEL COOP	\$ 384,277	\$ 1,152,831
3Q2012	KY	260401	DUO COUNTY TEL COOP	\$ 385,802	\$ 1,157,406
2Q2012	KY	260401	DUO COUNTY TEL COOP	\$ 402,331	\$ 1,206,993
1Q2012	KY	260401	DUO COUNTY TEL COOP	\$ 427,703	\$ 1,283,109
4Q2011	KY	260401	DUO COUNTY TEL COOP	\$ 390,684	\$ 1,172,052
3Q2011	KY	260401	DUO COUNTY TEL COOP	\$ 390,684	\$ 1,172,052
2Q2011	KY	260401	DUO COUNTY TEL COOP	\$ 388,231	\$ 1,164,693
1Q2011	KY	260401	DUO COUNTY TEL COOP	\$ 390,104	\$ 1,170,312

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 08 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

TARIFF FILING OF DUO COUNTY TELECOM
COOPERATIVE CORPORATION, INC.

) CASE NO.
) 2013-00184

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

Applicant Duo County Telephone Cooperative Corporation, Inc. ("**Duo County**"), by counsel, and pursuant to Sections 16(15) of 807 KAR 5:001, hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "**Commission**") for waiver of certain filing requirements set forth in Section 16 of 807 KAR 5:001 and the Commission's June 28, 2013 Order in this case (the "**Order**"). In support of its request, Duo County states as follows.

I. Introduction

In the Order, the Commission requested that Duo County 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 807 KAR 5:001 Section 16 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 specific requirements from 807 KAR 5:001 that are necessary to allow the Commission to evaluate Duo County's Application. Duo County 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 Duo County to compile some of the information required by Section 16 by the application deadline established in the Order. Furthermore, Duo County’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 807 KAR 5:001 Section 16 may not be necessary to support an increase in basic local exchange rates under these circumstances.” Order at 2.

Wherefore, Duo County 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.

Duo County 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.

Duo County files the Application pursuant to the Order, which established a deadline of ten (10) days from entry of the Order. Furthermore, Duo County 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, Duo County seeks waiver of Section 16(2) of 807 KAR 5:001.

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

If utility has gross annual revenues exceeding \$5,000,000, prepared testimony of each witness who will support the application.

Duo County'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. Duo County asserts that the information provided in the Application does not require further explication through prepared testimony. Furthermore, it is not feasible for Duo County to prepare testimony in the timeframe prescribed by the Commission for this filing. Accordingly, Duo County 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.

Because of offsets Duo County will be providing its customers, the proposed rate change will be virtually revenue-neutral. Additionally, Duo County's financial report, containing its 2012 revenues under the rates in effect prior to the filing of the Application, is on file with the Commission. This information should be sufficient to allow the Commission to effectively and efficiently review the Application, and Duo County 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.

Duo County’s Application is filed for the purpose of implementing rates to maintain eligibility for 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 was determined based on the rate floor set in the Transformation Order, and was not determined based on rate base and capital. This data is thus irrelevant to the proposed rate increase and will not aid the Commission in evaluating Duo County’s Application. Accordingly, Duo County 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.

Duo County’s financial reports are on file with the Commission and should be sufficient to efficiently evaluate the Application. Accordingly, Duo County 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.

Duo County’s rate Application is filed merely to maintain eligibility for the maximum amount of 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 Duo County’s financials are on file with the Commission. Accordingly, Duo County seeks waiver of Section 16(9)(k) 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.**

Duo County’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, Duo County seeks waiver of Section 16(9)(n) 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.**

Duo County’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, Duo County seeks waiver of Section 16(9)(r) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(r) **Monthly managerial reports providing financial results for twelve months in test period.**

Duo County’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, Duo County 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 Duo County accordingly requests waiver of 807 KAR 5:001, Section 16(1)(b)(4) so that it may comply with the Transformation Order and maintain eligibility for the maximum amount of HCLS.

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.

Duo County has provided a copy of the customer notice at Exhibit 5 of the Application. However, Duo County requests 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). Duo County targeted the notice in the most direct and efficient manner to reach its customers with the pertinent information. The notice that was provided states that basic local rates will increase, explains the necessity of the increase under the change of the FCC's rules, and informs the customers that the overall effect of the rate increase along with reductions for certain services would either reduce bills or have no effect on bills. Accordingly, Duo County requests waiver of Section 16(1)(b)(6) of 807 KAR 5:001.

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

Description of the effect upon the average bill for each customer class for change in basic local service.

Exhibit 6 of Duo County's Application includes a complete breakdown of the effect of the rate change based on the services subscribed to by the customers. This information is sufficient to allow the Commission to efficiently and effectively evaluate the Application, and Duo County accordingly seeks waiver of Section 16(9)(f) of 807 KAR 5:001.

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

Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.

As an average-schedule-size company, Duo County participates in interstate pools based on the average costs of companies of their average size. Accordingly, they are not required to perform studies pursuant to Part 36 of the FCC Rules that separate revenues, expenses, and investments between various jurisdictions. Due to the substantial financial burden that such studies impose, this is a key advantage of average schedule filing. Additionally, a utility the size of Duo County could not realistically complete a Part 36 study within ninety days, let alone within the narrow timeframe that the circumstances of this proceeding necessitate.

Duo County does not seek a rate increase in this proceeding based on a failure to earn an adequate rate of return. The changes in rates that it seeks are merely for the purpose of meeting the rate floors prescribed by the Transformation Order to maintain eligibility for the maximum amount of HCLS and are expected by Duo County to provide either no additional revenue or nominal additional revenue that will serve as an offset to other revenue reductions.

Finally, a hypothetical analysis would require so many assumptions or consolidations as to deprive the study of any meaningful analytical value. Such a study would require industry-average allocation factors to establish theoretical jurisdictional separations, or they would provide only a consolidated schedule that would portray a misleading blend of interstate and intrastate performance.

Accordingly, Duo County seeks waiver of Section 16(9)(h) of 807 KAR 5:001.

Order at ¶ 3.a.

Estimated annual revenue from High Cost Loop Support beginning July 1, 2013.

Duo County does not have a readily-available projection for revenue from High Cost Loop Support starting July 1, 2013. Accordingly, Duo County seeks waiver of the filing requirement that appear in the Order at ¶ 3.a.

Order at ¶ 3.d.

Historical and projected line loss.

Duo County has provided historical line counts but does not have readily-available data for projected line counts. Accordingly, Duo County seeks waiver of the filing requirement that appear in the Order at ¶ 3.d.

III. Conclusion

Duo County has demonstrated good cause for granting each of the requests for waiver or deviation identified above. In each case, Duo County does not prepare the requested reports or budgets or otherwise have the information readily available. In addition, it would be prohibitively expensive for Duo County to prepare the reports in the timeframe of this case.

Accordingly, Duo County has demonstrated good cause and the Commission should grant the requested waivers.

Respectfully submitted,



John E. Selent
Edward T. Depp
Jerrad T. Howard
DINSMORE & SHOHL LLP
101 South Fifth Street
Suite 2500
Louisville, KY 40202
Phone: 502.540.2300
Fax: 502.585.2207
*Counsel to Duo County 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 8th day of July, 2013.



*Counsel for DuBois County 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

JUL 08 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

TARIFF FILING OF DUO COUNTY TELEPHONE) CASE NO.
COOPERATIVE CORPORATION, INC.) 2013-00184

**PETITION OF DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INC. FOR CONFIDENTIAL TREATMENT**

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

Pursuant to 807 KAR 5:001 Sections 13(2)(a)(3) and 13(2)(b), 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 Duo County 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, Duo County will notify the Commission and have the information's confidential status removed pursuant to Section 13(1)(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

807 KAR 5:001 Section 13(2)(a) 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 Grant Duo County's Competitors an Unfair Commercial Advantage.

The Confidential Information for which Duo County 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 consists of data related to the revenue changes due to 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**").

The highlighted information contained in Duo County's application would result in an "unfair commercial advantage to competitors" of Duo County if disclosed. Duo County, as a participant in the telecommunications market, faces economic competition from other entities in the same market. Duo County competes in the telecommunications market to sell telecommunication services to customers. With the increased penetration of alternatives to basic local service such as VoIP and wireless services, Duo County faces an increasingly competitive market. Duo County's ability to successfully compete against other entities in the telecommunications market would be adversely affected by the disclosure of its internal financial information. Therefore, Duo County has "competitors" as is contemplated under the statute and faces actual competition from other market participants.

The Confidential Information for which Duo County 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 Duo County’s financial position and giving them the ability to unfairly tailor their competitive efforts against Duo County in light of this Confidential Information.

III. Time Period

Pursuant to Section 13(2)(a)(2) of 807 KAR 5:001, Duo County 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.

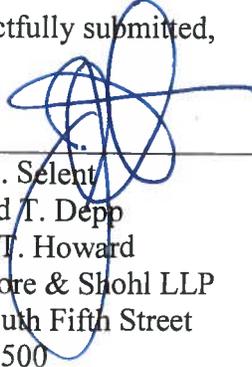
IV. Conclusion

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

WHEREFORE, Duo County Telephone Cooperative Corporation, Inc. respectfully requests that the Commission classify and protect as confidential the Confidential Information.

On this the 8th day of July, 2013.

Respectfully submitted,



John E. Selent
Edward T. Depp
Jerrad T. Howard
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 Duo County 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 8th day of July, 2013.



*Counsel for Duo County Telephone
Cooperative Corporation, Inc.*

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