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June 10, 2013

RECEIVED

JUN 11 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 Foothills Rural Telephone Cooperative Corporation, Inc.
Case No. 2013-00193 before the Public Service Commission of the
Commonwealth of Kentucky

Dear Mr. Derouen:

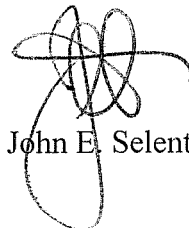
Enclosed for filing with the Public Service of the Commonwealth of Kentucky is one original and ten (10) copies of the following documents.

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

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

Very truly yours,

DINSMORE & SHOHL LLP



John E. Selent

JES/bmt
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 11 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

**TARIFF FILING OF FOOTHILLS RURAL TELEPHONE
COOPERATIVE, CORPORATION, INC.**

) **CASE NO.**
) **2013-00193**

APPLICATION

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

INTRODUCTION

This application for a rate increase is necessitated by an order from the Federal Communications Commission that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those Foothills 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 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.

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

* * * * *

In support of its Application, Foothills states as follows.

1. Pursuant to Section 14(1) of 807 KAR 5:001, (i) the full name of the applicant is Foothills Rural Telephone Cooperative Corporation, Inc.; (ii) the address of the applicant is 1629 KY Route 40 West, Staffordsville, KY 41256; and (iii) the electronic mailing address of the applicant is frtcc@foothills.net.

2. Foothills is a rural incumbent local exchange carrier serving most of Johnson, Lawrence, and Magoffin Counties (the “Service Territory”). Foothills was established in 1951 as a member-owned cooperative to provide local telephone service to business and individual customers. Foothills provides approximately Eleven Thousand Seven Hundred Fifty-Nine (11,759) residential lines and One Thousand Five Hundred Thirteen (1,513) business lines. Foothills 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, Foothills received approximately Four Million Three Hundred Thousand And 00/100 Dollars (\$4,300,000.00) 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 Foothills must meet a specified rate floor on June 1 of each subsequent year in order to be eligible to receive the maximum amount of HCLS from the FCC. Failure to meet the rate floor will result in forfeiture of the HCLS that the carrier could have otherwise received for that year. Transformation Order at ¶¶ 133, 238-40.

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

6. On April 22, 2013, Foothills filed with the Commission revised tariff sheets that contained an adjustment of its rates for basic local exchange service. Foothills informed the Commission of its intent to place its proposed rates into effect on and after May 31, 2013.

7. The Commission subsequently released the Order, which allowed Foothills’s proposed rates to become effective on June 1, 2013, subject to refund. The Order requested that

Foothills 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, Foothills’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 Foothills’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, Foothills 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 Foothills, dated within sixty (60) days of the date this Application is filed, is attached hereto as “**Exhibit 3**”.

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

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

20. As more fully explained in Foothills's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Foothills 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. Foothills 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 Foothills's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Foothills 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, a Foothills's TIER calculations are attached as "**Exhibit 7.**" Exhibit 7 is filed in conjunction with a Petition for Confidential Treatment pursuant to Section 13 of 807 KAR 5:001.

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

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

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

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

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

35. Foothills 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. Foothills 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. Foothills 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. Foothills has fewer than Fifty Thousand (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 Foothills's Motion for Waiver of Certain Rate Application Filing Requirements filed contemporaneously with this Application, Foothills seeks waiver of ¶ 3.a. of the Order, which requests an estimate of the annual revenue to be received from HCLS beginning July 1, 2013.

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


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

42. Pursuant to ¶ 3.d. of the Order, “**Exhibit 8**” to the Application contains historical and forecast line counts. Exhibit 6 is filed in conjunction with a Petition for Confidential Treatment pursuant to Section 13 of 807 KAR 5:001.

43. Pursuant to ¶ 3.e. of the Order, “**Exhibit 9**” to the Application contains the quarterly universal service from 1Q2011 to 3Q2013 projected amounts. As is certified annually to the Commission, these funds are used by Foothills to provide voice and advanced data services to our customers, thereby providing our communities with access to critical communications services.

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

Respectfully submitted,



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

CERTIFICATE OF SERVICE

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

On this the 10th day of June, 2013.

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

Honorable Jack Conway
Capitol Suite 118
700 Capitol Avenue

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF Foothills Rural Telephone) CASE NO.
COOPERATIVE CORPORATION, INC.) 2013-00193

ORDER

On April 22, 2013, Foothills Rural Telephone Cooperative Corporation, Inc. ("Foothills Rural") filed with the Commission revised tariff sheets that contained a general adjustment of its rates for basic local exchange service. Foothills Rural informed the Commission of its intent to place its proposed rates into effect on and after May 31, 2013. However, as discussed below, the Commission finds that the proposed tariff should be suspended pursuant to KRS 278.190(2), but the proposed rates may be charged, subject to refund, on and after June 1, 2013.

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

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

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

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

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

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

³ ICC/USF Order at ¶¶ 133, 238-240.

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

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

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

Based on the foregoing, IT IS THEREFORE ORDERED that:

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

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

3. The application shall also contain:

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

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

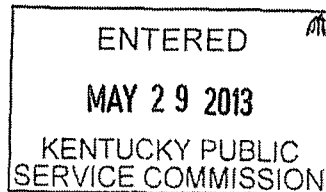
c. The total estimated annual revenue (increase or decrease) to be generated by the tariff changes. Include a breakout for each service or category of service to show changes in revenue.

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

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

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

By the Commission

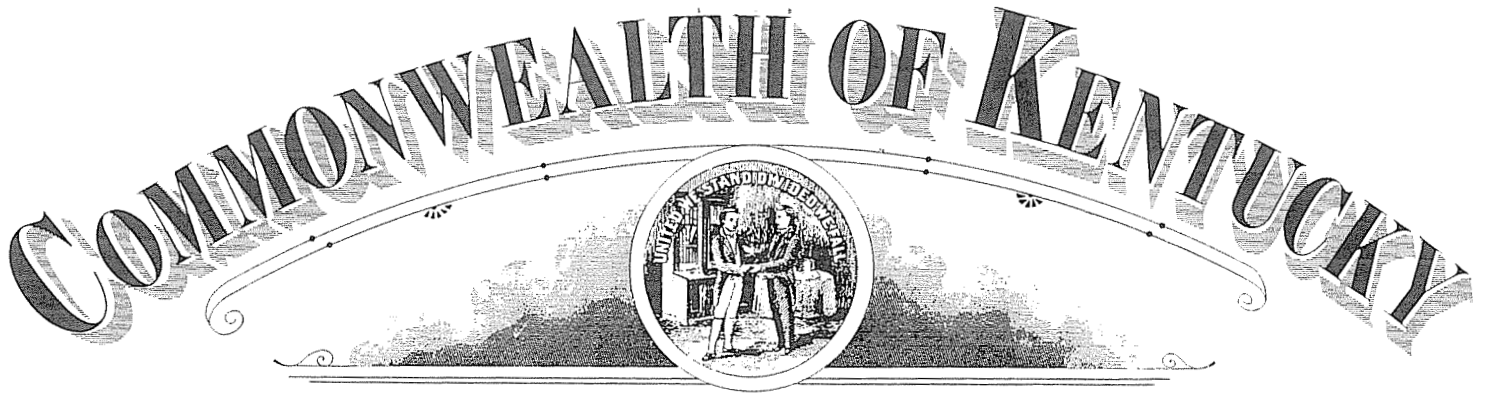


ATTEST:



Executive Director

Case No. 2013-00193



**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

FOOTHILLS RURAL TELEPHONE COOPERATIVE, CORPORATION, INC. FILED
SEPTEMBER 10, 1951.

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/0018032 - Certificate ID: 139775

Commonwealth of Kentucky

Department of State



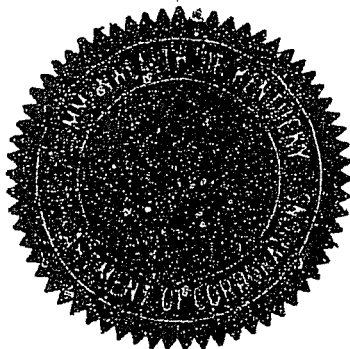
Office of Secretary of State

GEORGE GLENN HATCHER, SECRETARY

CERTIFICATE FOR NON-STOCK CORPORATION

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

are found to be duly signed and acknowledged; that there appears to be no capital stock; no private pecuniary profit is to be derived therefrom; no organization tax is required by law; all fees and charges have been paid; that one original copy is filed and recorded in this office. It further appears that all requirements of law have been complied with and this certificate, with two original articles of incorporation indorsed with the fact and time of recording in this office, has been returned to the incorporators or their representative. Corporate existence shall begin upon the issuance of this certificate. Said certificate shall be conclusive evidence of the fact that the above named corporation has been incorporated and is now authorized and empowered to do business in Kentucky, subject to the restrictions imposed by Chapter ²⁷⁹~~270~~ Kentucky Revised Statutes, and other laws.



Given under my official signature and seal

this the 10th day of September 19 51

George Glenn Hatcher
SECRETARY OF STATE

By J. S. J.
Deputy, Corporation Department.

SECRETARY OF STATE

9/10/51 Original Process Agent: J. Milton Kitchen, Elains, Ky.

Kentucky Form of
Articles of Incorporation (Telephone)

D-4725

ARTICLES OF INCORPORATION

OF

FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION, INC.

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

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

SECOND, the address of the principal office of the Cooperative is Paintsville, Johnson County, Kentucky.

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

<u>Names</u>	<u>Addresses</u>
<u>Mort Mullins</u>	<u>Keaton</u>
<u>J. E. Jayne</u>	<u>Flat Gap</u>
<u>J. W. Carpenter</u>	<u>Salversville</u>
<u>Sherman Bailey</u>	<u>Tip Top</u>
Process Agent..... <u>J. Milton Kitchen</u>	<u>Blaine</u>

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

<u>Names</u>	<u>Addresses</u>
<u>Mort Mullins</u>	<u>Keaton</u>
<u>J. E. Jayne</u>	<u>Flat Gap</u>
<u>J. W. Carpenter</u>	<u>Salversville</u>
<u>Sherman Bailey</u>	<u>Tip Top</u>
<u>J. Milton Kitchen</u>	<u>Blaine</u>

FIFTH, The operations of the Cooperative are to be conducted in the Counties of Johnson, Magoffin, Lawrence, and Floyd, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF we have hereunto subscribed our names this

4th day of September 1901.

Max Mullins
J. J. Jaggard
W. L. Carpenter
Sherman Bailey
Milton Kitcher

STATE OF KENTUCKY
COUNTY OF Johansen

I, Anna Mae Smith Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Walt Sullivan and J. E. Payne was this day produced to me in the county and state aforesaid by Walt Sullivan and J. E. Payne and acknowledged by them to be their act and deed,

Given under my hand and seal of my office this 3rd day of Sept. 1951.

Anna Mae Smith
Notary Public, Johansen

My Commission expires My Commission Expires April 26, 1954.

seal

STATE OF KENTUCKY
COUNTY OF Lawrence

I, A. E. Wheeler Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from Jonathan Ketchum was this day produced to me in the county and state aforesaid by Jonathan Ketchum and acknowledged by him to be his act and deed.

Given under my hand and seal of my office this 3 day of Sept. 1951.

A. E. Wheeler
Notary Public

My Commission expires May 14, 1953

seal

STATE OF KENTUCKY
COUNTY OF Magoffin

I, W. M. Higgins Notary Public in and for the county and state aforesaid, certify that the foregoing instrument of writing from John A. [unclear] and [unclear] was this day produced to me in the county and state aforesaid by John A. [unclear] and [unclear] and acknowledged by them to be his act and deed.

Given under my hand and seal of my office this 14th day of Sept. 1951.

OFFICE OF THE NOTARY PUBLIC
STATE OF KENTUCKY

W. M. Higgins

My Commission expires 1-3-1954

seal

FILED AND RECORDED

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: 139760
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,

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

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 273, whose date of incorporation is September 10, 1951 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
139760/0018032

5. BASIC LOCAL EXCHANGE SERVICE (Cont'd)

5.3 Basic Exchange Line Service

5.3.1 Description

Basic Line Service provides a Customer with a single, voice-grade telephonic communications channel that can be used to place or receive one call at a time. Basic Lines are provided for connection of Customer-provided single station sets or facsimile machines to the public switched telecommunications network. Each Basic Line may be configured into a rotary line hunt group with other Company-provided Basic Lines.

All Basic Exchange lines are equipped with caller number feature capability.

(N)
|
(N)

5.3.2 Rates

Rates do not include a charge for instrument or other customer premises' wiring or equipment. Rates for additional services, including installation charges, are shown elsewhere in this Tariff.

	<u>Monthly</u>
Business Exchange Access Rate	\$19.40
Residential Exchange Access Rate	\$14.00 (I)

Issue Date: April 22, 2013
Effective Date: May 31, 2013

Issued by: /s/ Ruth Conley
Ruth Conley, General Manager

7 MISCELLANEOUS SERVICES (Cont'd)

7.3 Advanced Calling Features (cont'd)

7.3.3 Rates

1. Charges are in addition to applicable charges for underlying Exchange Access Service(s) or Feature(s).

	<u>Monthly Rates</u>	
	<u>Residential</u>	<u>Business</u>
Repeat Dialing	\$2.50	\$2.50
Call Return	\$1.50	\$1.50
Preferred Call Forwarding	\$2.00	\$2.00
Special Call Acceptance	\$2.00	\$2.00
Call Screening	\$2.00	\$2.00
Priority Ringing	\$2.00	\$2.00
Call Trace**	\$3.50	\$3.50
Caller I.D.	\$0.00 (R)	\$0.00 (R)
Caller I.D. on Call Waiting	\$4.00 (R)	\$4.00 (R)
Calling Name/Number with ACR	\$2.50 (R)	\$2.50 (R)
Caller I.D. Blocking		
per call	\$0.00	\$0.00
per line	\$0.00	\$0.00
Calling Number Delivery Blocking		
per call (CNDBC)	\$0.00	\$0.00
per line (CNDBL)	\$0.00	\$0.00
Anonymous Call Rejection (ACR) *	\$2.50	\$2.50
Call Transfer	\$1.50	\$1.50
Music on Hold	\$5.00	\$5.00

* If purchased without Calling Name Delivery Service feature.

** Non-recurring charge per Annoyance call report is \$7.50.

Issue Date: April 22, 2013
 Effective Date: May 31, 2013

Issued by: /s/ Ruth Conley
 Ruth Conley, General Manager

7 MISCELLANEOUS SERVICES (Cont'd)

7.13 Foothills Feature Package

7.13.1 General

Customers of the Foothills Feature Package may subscribe to unlimited use of the services/features specified in the following sections of this tariff:

Custom Calling Features	7.2
Advanced Calling Features	7.3

7.13.2 Provision of Service

Not all features are compatible with each other. The Company will notify customers in the event of such a conflict. Conditions and restrictions regarding the use and interaction of the features as specified in this section 7 pertaining to service provisioning of features apply.

7.13.3 Monthly Rates

	<u>Monthly Rate</u>	
	<u>Residence</u>	<u>Business</u>
Foothills Feature Package	\$ 9.00 (R)	\$12.25 (R)

Issue Date: April 22, 2013
Effective Date: May 31, 2013

Issued by: /s/ Ruth Conley
Ruth Conley, General Manager

**FOOTHILLS RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF 2
SECTION 7**
First Revised Sheet No. 45
Replaces Original Sheet No. 45

7 MISCELLANEOUS SERVICES (Cont'd)

(D)

(D)

Issue Date: April 22, 2013
Effective Date: May 31, 2013

Issued by: /s/ Ruth Conley
Ruth Conley, General Manager

**FOOTHILLS RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF 2
SECTION 7**
First Revised Sheet No. 46
Replaces Original Sheet No. 46

7 MISCELLANEOUS SERVICES (Cont'd)

(D)

(D)

Issue Date: April 22, 2013
Effective Date: May 31, 2013

Issued by: /s/ Ruth Conley
Ruth Conley, General Manager

**FOOTHILLS RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.
LOCAL EXCHANGE TARIFF**

**PSC KY TARIFF 2
SECTION 7**
First Revised Sheet No. 47
Replaces Original Sheet No. 47

7 MISCELLANEOUS SERVICES (Cont'd)

(D)

(D)

Issue Date: April 22, 2013
Effective Date: May 31, 2013

Issued by: /s/ Ruth Conley
Ruth Conley, General Manager

Foothills Telephone Cooperative Bill Message

In response to changes mandated by the FCC, Foothills Telephone Cooperative filed tariff revisions with the KY PSC to increase its residential local exchange service. Effective June 1, 2013, residential local service will increase to \$14.00. To add value to your service, and to offset some of the local service rate increase, we will begin offering basic Caller ID (number only) at no cost. We've also reduced the rates on Caller ID Name & Number, Caller ID on Call Waiting, and our MultiChoice Feature Package. With the reduced rates of these features, many customers will see little overall increase on their monthly bill, and some may see an overall decrease. If you have any questions regarding these changes, please contact our Customer Service Department at 606-297-3501, 606-349-6111 or 606-673-3193.

DESCRIPTION AND JUSTIFICATION

On April 22, 2013, Foothills Rural Telephone Cooperative, Corporation, Inc. ("**Foothills**") filed for an increase of its basic local service rates to Fourteen And 00/100 Dollars (\$14.00) per month. This filing was in response to the Federal Communications Commission's November 18, 2011 order requiring that providers meet certain minimum local service rates in order to continue to receive certain federal universal service supports. In that Order (the "**Transformation Order**") the Federal Communications Commission established a local exchange rate floor of Ten And 00/100 Dollars (\$10.00) as of June 1, 2012, Fourteen And 00/100 Dollars (\$14.00) as of June 1, 2013, and an undefined "urban rate" as of June 1, 2014. 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 Foothills would otherwise receive. Because Foothills's current rates are below the June 1, 2013 rate floor established by the Federal Communications Commission, Foothills 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 Fourteen And 00/100 Dollar (\$14.00) rate floor would deprive Foothills of Two Hundred Eighty-Two Thousand Two Hundred Sixteen And 00/100 (\$282,216.00) in HCLS to which the company would otherwise be entitled.

FINANCIAL IMPACT

To offset this local service rate increase, Foothills proposes rate reductions on other services which the company expects will actually generate in a net reduction in the cost of the average customer's service and in Foothills's revenues overall. Most notably, Foothills is proposing to offset this local rate increase to our residential customers by making Caller ID, the

company's most popular feature, a part of basic local service for all of Foothills's members. This, in turn, reduces the price of residential feature packages that included the Caller ID feature by feature's previous cost.

To meet the Fourteen And 00/100 Dollar (\$14.00) residential rate floor established by the Federal Communications Commission, Foothills proposes to increase its residential services rates by Two And 00/100 Dollars (\$2.00), but to begin provide CID, a feature that ordinarily would cost Three And 50/100 Dollars (\$3.50), on all residential and business lines at no additional cost. Current subscribers to Caller ID feature or paid bundles including CID service and Caller Name delivery service will receive offsetting rate reductions of Five And 50/100 Dollars (\$5.50).

As shown in the table below, Foothills estimates a revenue increase of approximately Twenty-Three Thousand Five Hundred Eighteen And 00/100 Dollars (\$23,518.00) per month to the residential customer class. However, this revenue increase will be offset by a monthly revenue decrease of approximately [REDACTED] [REDACTED] for residential customers and approximately [REDACTED] [REDACTED] for business customers associated with the Caller ID feature. The net result of the local service rate increase and providing Caller ID service at no cost will result in a monthly revenue decrease of [REDACTED] [REDACTED] for residential customers and [REDACTED] [REDACTED] for business customers. As a result of the changes discussed herein, Eighty-Nine Percent (89.00%) of Foothills's customers will actually experience a decrease in their bill, while approximately Eleven Percent (11.00%) of the

company's residential customers will be subjected to a rate increase of Two And 00/100 Dollars (\$2.00) per month, but will now receive Caller ID at no charge.

**Foothills Rural Telephone Cooperative Corporation, Inc.
 Rate Class Effects From Proposed Rate Changes**

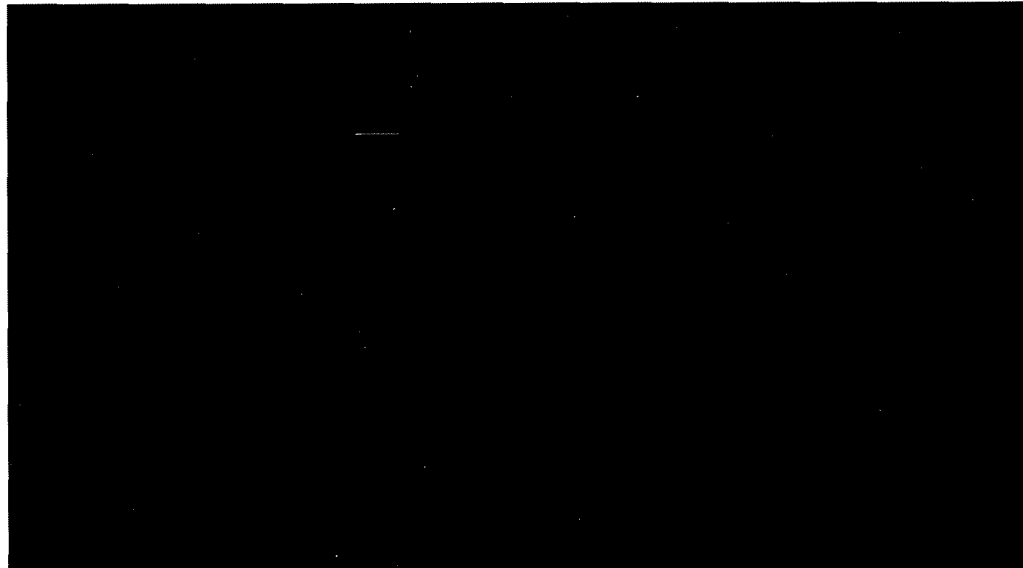
Customer Class	No. of Customers	\$2.00 Increase in Local Exchange Service(Residential Only)	\$3.50 Rate Decrease on Caller ID	Net Monthly Effect on Revenue	Average Monthly Change Per Rate Class
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Residential:

Residential With Caller ID Feature
Residential Without Caller ID Feature

Business:

Business With Caller ID Feature
Business Without Caller ID Feature



2013 Budgeted Local Service Revenue

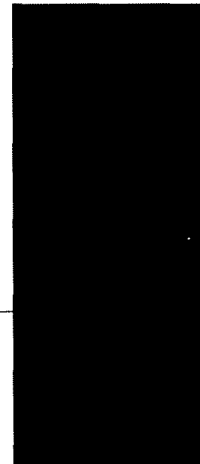
Effects of Rate Change:

Residential (June – December)

Business (June – December)

Net Effect of Rate Change

Percent Change to Total Local Service Revenue



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

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

CONCLUSION

The Transformation Order seeks to dramatically change the revenue sources historically available to rural telephone companies like Foothills 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; fortunately, however, Foothills has been able to negate much of the effects on customer rates

through the credit for qualifying features discussed herein. Foothills is only requesting this rate increase as a result of the Federal Communications Commission's Order. Foothills 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, Foothills has no other options available to it, has made a good faith attempt to negate the rate increase net effect on customers and, therefore, requests that its tariff revisions be approved.

REDACTED

Foothills Rural Telephone Cooperative Corporation
TIER Analysis

	2012	2011
Income Statement		
Operating Revenues		
Local network services revenue		
Network access service revenue		
Billing and Collection		
Miscellaneous revenue		
Uncollectible revenue		
Additional Revenue		
Total Operating Revenues		
Operating Expenses		
Plant specific operations expense		
Plant non-specific operations expense		
Provision for depreciation		
Customer operations expense		
Corporate operations expense		
Taxes		
Total Operating Expenses		
Operating Margin		
Fixed Charges		
Interest expense on long term debt		
Other Interest		
Total Fixed Charges		
Net Income		
TIER		
Net Income (after taxes)		
Interest expense		
Net Income (after taxes) + Interest Expense	\$	

Times Interest Earned Ratio (TIER)

The ratio of a borrower's net income (after taxes) plus interest expense, all divided by interest expense. Interest expense should only include interest on debt with a maturity greater than one year.

**FOOTHILLS RURAL TELEPHONE COOPERATIVE CORPORATION
HISTORIC AND PROJECTED ACCESS LINES**

	2011	2012	<u>2011-12 Change</u>		2013 Estimate	<u>2012-13 Change</u>	
			Number	Percentage		Number	Percentage
Residential	12151	11809	-342	-2.81%	11437	-372	-3.15%
Business	1543	1507	-36	-2.33%	1453	-54	-3.58%
Total	13694	13316	-378	-2.76%	12890	-426	-3.20%

Universal Service Support 1Q2011 - 3Q2013

FOOTHILLS RURAL COOP

Case 2013-00193

Period	State	SAC	Study Area Name	Total High Cost Monthly	Total High Cost Quarterly
3Q2013	KY	260406	FOOTHILLS RURAL COOP	\$ 815,083	\$ 2,445,249
2Q2013	KY	260406	FOOTHILLS RURAL COOP	\$ 822,771	\$ 2,468,313
1Q2013	KY	260406	FOOTHILLS RURAL COOP	\$ 760,646	\$ 2,281,938
4Q2012	KY	260406	FOOTHILLS RURAL COOP	\$ 719,729	\$ 2,159,187
3Q2012	KY	260406	FOOTHILLS RURAL COOP	\$ 719,746	\$ 2,159,238
2Q2012	KY	260406	FOOTHILLS RURAL COOP	\$ 735,527	\$ 2,206,581
1Q2012	KY	260406	FOOTHILLS RURAL COOP	\$ 757,033	\$ 2,271,099
4Q2011	KY	260406	FOOTHILLS RURAL COOP	\$ 836,283	\$ 2,508,849
3Q2011	KY	260406	FOOTHILLS RURAL COOP	\$ 836,106	\$ 2,508,318
2Q2011	KY	260406	FOOTHILLS RURAL COOP	\$ 812,578	\$ 2,437,734
1Q2011	KY	260406	FOOTHILLS RURAL COOP	\$ 812,468	\$ 2,437,404

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 11 2013

PUBLIC SERVICE
COMMISSION

In the Matter of:

**TARIFF FILING OF Foothills RURAL TELEPHONE) CASE NO.
COOPERATIVE CORPORATION, INC.) 2013-00193**

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

Foothills Rural Telephone Cooperative Corporation, Inc. ("**Foothills**") 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 Foothills is contemporaneously filing with its application for a general adjustment in rates. The information Foothills 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 Foothills 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, Foothills will notify the Commission and have the information's confidential status removed pursuant to 807 KAR 5:001 Section 13(10)(b).

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 Foothills's Competitors an Unfair Commercial Advantage.

The Confidential Information for which Foothills 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 impacts on operating revenue 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**") and due to the proposed basic rate adjustments. This information provides insight into Foothills's financials that is normally withheld from the public and economic competitors.

The Confidential Information in Exhibit 7 includes a breakdown of Foothills's revenues and operating expenses.

The highlighted information contained in Foothills's Application would result in an "unfair commercial advantage to competitors" of Foothills if disclosed. Foothills, as a participant in the telecommunications market, faces economic competition from other entities in the same market. Foothills competes in the telecommunications market to sell telecommunication services to customers. Foothills'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, Foothills has "competitors" as is contemplated under the statute and faces actual competition from other market participants.

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

III. Time Period

Foothills 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. 807 KAR 5:001 Section 13(2)(a)(2).

IV. Conclusion

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

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

On this the 10th day of June, 2013.

Respectfully submitted,




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Louisville, KY 40202
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tip.depp@dinsmore.com
*Counsel for Foothills Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

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

On this the 10th day of June, 2013.



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

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

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 11 2013

In the Matter of:

TARIFF FILING OF FOOTHILLS RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.

PUBLIC SERVICE
COMMISSION
) CASE NO.
) 2013-00193

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

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

I. Introduction

In the Order, the Commission requested that Foothills file an application pursuant to Section 16 of 807 KAR 5:001 in order to obtain the rate adjustment 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 Foothills's Application. Foothills 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 Foothills to compile some of the information required by Section 16 by the application deadline established in the Order. Furthermore, Foothills’s application is simply a response to the regulatory pronouncement of the FCC as opposed to a financial need for additional revenue from its ratepayers, and the Commission acknowledged in its Order that all of the information specified in Section 16 of 807 KAR 5:001 may not be necessary to support an increase in basic local exchange rates under these circumstances.

Wherefore, Foothills 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.

Foothills 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.

Foothills files the Application pursuant to the Order, which established a deadline of ten days from entry of the Order. Furthermore, Foothills 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, Foothills seeks waiver of Section 16(2) 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.

Foothills'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. Foothills asserts that the information provided in the Application does not require further explication through prepared testimony. Furthermore, it is not feasible for Foothills to prepare testimony in the timeframe prescribed by the Commission for this filing. Accordingly, Foothills 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 Foothills will be providing its customers and anticipated line loss due to the rate increase, the proposed rate change will be virtually revenue-neutral. Additionally, Foothills'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 Foothills 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.

Foothills's application is filed for the purpose of implementing rates to secure the maximum amount of HCLS available, and not because of a financial need to obtain more revenue from its customers. The new rate was determined by the rate floor established by 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 Foothills's application. Accordingly, Foothills 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.**

Foothills's financial reports are on file with the Commission and should be sufficient to efficiently evaluate this application. Accordingly, Foothills 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.**

Foothills's rate application is filed merely to secure 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 Foothills's financials are on file with the Commission. Accordingly, Foothills seeks waiver of Section 16(9)(k) of 807 KAR 5:001.

807 KAR 5:001 Section 16(9)(m) **The most recent PSC Form T.**

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

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

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

Foothills'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, Foothills seeks waiver of 807 KAR 5:001 Section 16(9)(n).

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

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

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

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

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

Foothills'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, Foothills seeks waiver of Section 16(9)(q) or 807 KAR 5:001.

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

Monthly managerial reports providing financial results for twelve months in test period.

Foothills'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, Foothills 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 Foothills accordingly requests waiver of 807 KAR 5:001, Section 16(1)(b)(4) so that it may comply with the Transformation Order.

807 KAR 5:001 Section 16(1)(b)(6)

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

Foothills has provided a copy of the customer notice at Exhibit 4 of its application. However, Foothills 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) and (4). Foothills targeted the notice in a manner that was most appropriate to reach its customers with the pertinent information. The notice that was provided states that basic local rates will increase, and describes various credits and offsets to blunt the rate increase. Accordingly, Foothills requests deviation from Section 16(1)(b)(6) of 807 KAR 5:001.

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

Estimation of the effect that the new rates will have on revenues including, at a minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.

Foothills has provided the total revenues that will result from the rate increase, which is virtually revenue-neutral. Because the information Foothills has provided is sufficient to evaluate the application, Foothills seeks waiver of Section 16(9)(d) of 807 KAR 5:001.

Order at ¶ 3.a.

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

Foothills does not have a readily-available projection for revenue from High Cost Loop Support starting July 1, 2013. Accordingly, Foothills seeks waiver of ¶ 3.a. of the Order.

III. Conclusion

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

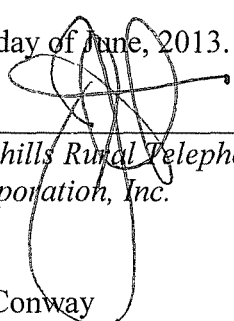
Respectfully submitted,

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CERTIFICATE OF SERVICE

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

On this the 10th day of June, 2013.



*Counsel for Foothills Rural Telephone
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Honorable Jack Conway
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