

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF NORTH CENTRAL TELEPHONE )  
COOPERATIVE CORPORATION ) CASE NO. 2016-00043  
FOR A GENERAL ADJUSTMENT IN RATES )

MOTION OF NORTH CENTRAL TELEPHONE  
COOPERATIVE CORPORATION  
FOR WAIVER OF CERTAIN  
RATE APPLICATION FILING REQUIREMENTS

North Central Telephone Cooperative Corporation (“NCTC”), by counsel, in connection with the contemporaneous filing of its rate adjustment application (the “Application”) and pursuant to 807 KAR 5:001, Section 16(10), 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 807 KAR 5:001, Section 16, and the Commission’s May 29, 2014 Order (the “2013 Order”) in Case No. 2013-00190. In support of its request, NCTC states as follows.

INTRODUCTION

NCTC files its Application in order to adjust its rates to comply with the 2016 rate floor imposed by the Federal Communications Commission (“FCC”). *See In the Matter of Connect America Fund, et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011) (“ICC/USF Order”). NCTC was one of several carriers that filed similar rate floor proceedings in 2014 to comply with the Commission’s 2013 Order (the “2014 Rate Floor Proceedings”). *See, e.g., In the Matter of: Application of North Central Telephone Cooperative Corporation for a General Adjustment in Rates*, Ky. P.S.C. Case No. 2014-00303

Order (October 27, 2014) As part of those proceedings, carriers requested and were granted by the Commission waivers of certain requirements of 807 KAR 5:001, Section 16, and the 2013 Order. *Id.* (“2014 Waiver Order”).

In light of the waivers granted in the 2014 Rate Floor Proceedings, NCTC now moves for waiver of certain requirements of 807 KAR 5:001, Section 16.

### 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(10). In determining whether good cause exists, the Commission may 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 to it from the information the utility does maintain; and
- (c) The expense in providing the information which is the subject of the waiver request.

*Id.*

NCTC’s Application is simply a response to a regulatory pronouncement of the FCC; it has not been filed to address a financial need for additional revenue from NCTC’s ratepayers.

Wherefore, NCTC requests waiver of the filing requirements identified below. These requested waivers are consistent with the waivers the Commission granted to NCTC during the 2014 Rate Floor Proceedings. *See, e.g.*, 2014 Waiver Order (granting waiver of the requirements of, among others, 807 KAR 5:001, Section 16(4)(b), 16(4)(h), 16(4)(i), 16(4)(n), 16(4)(q), and 16(4)(r)), 16(5), and Paragraph 3.d of the 2013 Order. A brief supporting narrative is included for each of these requests.

**807 KAR 5:001, Section 16(4)(b)**

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

NCTC's filing is in response to the FCC's ICC/USF Order and is not driven by a financial need to obtain more revenue from its ratepayers or achieve a higher rate of return. NCTC has provided a detailed narrative explanation of its proposed rate adjustment in Exhibit 1 of the Application. NCTC asserts that the information provided in the Application does not require further explication through prepared testimony. Accordingly, NCTC seeks waiver of 807 KAR 5:001, Section 16(4)(b).

**807 KAR 5:001, Section 16(4)(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.**

NCTC has provided parts A and B of its 2014 RUS operating report containing its TIER calculation, which assesses NCTC's actual revenue position compared to its required operating revenues, in Exhibit 5 of the Application<sup>1</sup>. NCTC believes this information is sufficient to fulfill the requirements of this section as they apply to the Application. To the extent the Commission believes this section requires provision of additional information, NCTC requests waiver of those requirements for the reasons set forth below.

NCTC does not seek a rate adjustment in this proceeding based on a failure to earn an adequate rate of return. The changes in rates that it seeks are requested in order to maintain eligibility to receive the maximum amount of High Cost Loop Support ("HCLS") and are expected by NCTC to provide either no additional revenue or nominal additional revenue that will serve as an offset to other revenue reductions imposed by the FCC.

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<sup>1</sup> NCTC does not anticipate that its 2015 report will be available until sometime in late March of this year.

Furthermore, because NCTC's proposed rate adjustment is simply a response to the regulatory pronouncement of the FCC, NCTC has not prepared a cost study analyzing its revenue requirement at a state level. It would be unduly expensive for NCTC to gather and prepare such information, particularly in light of the fact that the information would provide no discernible advantage in the Commission's evaluation of NCTC's Application.

Accordingly, to the extent the Commission believes this section requires more information than NCTC has provided, NCTC seeks waiver of 807 KAR 5:001, Section 16(4)(h).

**807 KAR 5:001, Section 16(4)(i)**

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

NCTC's Application is filed for the purpose of implementing rates to secure the maximum amount of HCLS funding, and not because of a financial need to obtain more revenue from its customers. The new basic local rate was determined based on the rate floor set in the FCC's ICC/USF Order; it was and not determined based on the rate base and capital. This data is thus irrelevant to the proposed rate adjustment and would not aid the Commission in evaluating NCTC's Application. Accordingly, NCTC seeks waiver of 807 KAR 5:001, Section 16(4)(i).

**807 KAR 5:001, Section 16(4)(n)**

**Summary of latest depreciation study with schedules by major plant 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.**

NCTC provided its current and test period depreciation rates used by major plant accounts in Case 2014-00303 (Exhibit 6 to Application). Those rates are the Commission's average depreciation rates, and they have not changed. In addition, in light of the special

circumstances of this rate floor filing, NCTC has provided information sufficient to allow the Commission to efficiently evaluate the Application. Accordingly, to the extent the Commission determines that this section requires more information than NCTC has provided, NCTC seeks waiver of 807 KAR 5:001, Section 16(4)(n).

**807 KAR 5:001, Section 16(4)(q)**                      **Annual report to shareholders, or members, and statistical supplements covering the two most recent years from the application filing date.**

NCTC's most recent (2014) audited financial statement is attached as Exhibit 6 to the Application. NCTC has also provided its most recent independent auditor's opinion letter in Exhibit 6 to the Application. This constitutes the most recent such information presently available to NCTC, and NCTC respectfully submits that it should be sufficient to allow the Commission to efficiently evaluate the Application. Consequently, NCTC seeks a waiver of 807 KAR 5:001, Section 16(4)(q).

**807 KAR 5:001, Section 16(4)(r)**                      **Monthly managerial reports providing financial results for twelve months in test period.**

NCTC's annual financial report for 2014, which covers the test period, is on file with the Commission in Case 2014-00303 (Exhibit 5 to Application). This constitutes the most recent such information presently available to NCTC, and NCTC respectfully submits that it should be sufficient to allow the Commission to efficiently evaluate the Application. Consequently, NCTC seeks a waiver of 807 KAR 5:001, Section 16(4)(r).

**807 KAR 5:001, Section 16(5)**

**Information related to pro forma adjustments.**

NCTC's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to NCTC's Application, NCTC requests waiver of those requirements for the reasons set forth below.

NCTC's Application is filed for the purpose of implementing rates to secure the maximum amount of HCLS funding, and not because of a financial need to obtain more revenue from its customers. The new basic local rate was determined based on the rate floor set in the FCC's ICC/USF Order. It was not determined based on the rate base, capital, or any pro forma adjustments.

Furthermore, because NCTC's proposed rate adjustment is simply a response to the regulatory pronouncement of the FCC, NCTC has not prepared the information required by this section. It would be excessively expensive for NCTC to gather and prepare the information, particularly in light of the fact that the information would provide no discernible advantage in the Commission's evaluation of NCTC's Application. Accordingly, NCTC respectfully requests waiver of 807 KAR 5:001, Section 16(5).

**2013 Order at ¶ 3.d.**

**Historical and projected line loss.**

NCTC has provided historical data concerning line loss, as well as line loss projections through June of 2015, in Exhibit 1 to its Application. NCTC does not have readily-available data for projected line loss beyond that point in time. Accordingly, to the extent the Commission believes this paragraph requires the production of more information than NCTC has provided, NCTC seeks waiver of the filing requirements that appear in the 2013 Order at ¶ 3.d.

### **ALTERNATIVE REQUEST FOR RELIEF**

NCTC is required to adjust its rates to comply with the FCC's 2016 rate floor effective June 1, 2016. Failure to comply with the rate floor or failure to meet the regulatory deadline will cause NCTC to lose significant federal subsidies that have, historically, allowed it to provide service to the most costly rural customers. That loss of federal funding could threaten the financial existence of NCTC, which has important obligations under federal and state law as a carrier of last resort. Moreover, the loss of such subsidies could portend even larger rate increases in the future, as NCTC could be forced to raise its rates dramatically to reflect the full, unsubsidized costs of providing service in high-cost rural areas. Accordingly, it is of paramount importance that NCTC's proposed rates are put into effect on June 1, 2016, as requested in the Application.

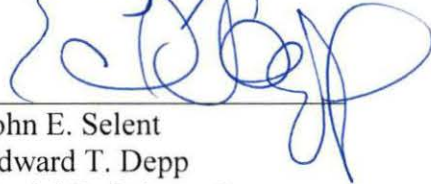
In the event the Commission thinks it appropriate to deny any portion of NCTC's waiver request, NCTC respectfully requests that the Commission not treat any missing information as a deficiency pursuant to 807 KAR 5:001, Section 16(9). Instead, NCTC respectfully requests that the Commission (i) accept the Application for filing as of March 1, 2016, (ii) grant all waivers on a temporary basis in lieu of denying them, (iii) order that NCTC's proposed rates will be effective subject to refund (if necessary) on June 1, 2016, and (iv) if necessary, order NCTC to file any additional information the Commission believes it needs to fully consider the proposed rate change.

### **CONCLUSION**

NCTC's requested waivers are consistent with the waivers granted by the Commission in the 2014 Rate Floor Proceedings. Furthermore, in each case, NCTC does not prepare the requested reports or budgets or otherwise have the information readily available. In addition, in light of the unique circumstances of this proceeding and the limited value of the information for

which NCTC seeks waiver, it would be unduly expensive for NCTC to gather the information and prepare the reports in the timeframe of this case. Accordingly, NCTC has demonstrated good cause, and it respectfully requests that the Commission grant the requested waivers.

Respectfully submitted,



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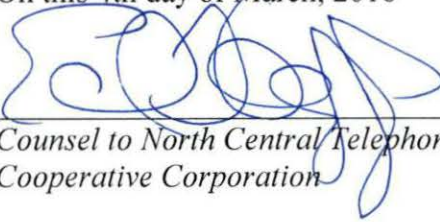


**CERTIFICATE OF SERVICE**

I certify that, on the date this Motion for Waiver of Certain Rate Application Filing Requirements was filed 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.

Kentucky Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601

On this 4th day of March, 2016



A handwritten signature in blue ink, consisting of several loops and flourishes, is written over a horizontal line.

*Counsel to North Central Telephone  
Cooperative Corporation*

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