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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH CENTRAL RURAL)
TELEPHONE COOP. CORP., INC.) CASE NO. 2016-00045
FOR A GENERAL ADJUSTMENT IN RATES)

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

South Central Rural Telephone Coop. Corp., Inc. (“SCRTC”), 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. In support of its request, SCRTC states as follows.

INTRODUCTION

SCRTC 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”). SCRTC faces the same federal mandates that prompted several carriers to submit similar rate floor proceedings in 2014 in order to comply with the FCC’s 2014 rate floor (the “2014 Rate Floor Proceedings”). As part of those proceedings, carriers requested and were granted by the Commission waivers of certain requirements of 807 KAR 5:001, Section 16. *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 30, 2014) (“2014 Waiver Order”).

In light of the waivers granted in the 2014 Rate Floor Proceedings, SCRTC 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.

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

Wherefore, SCRTC requests waiver of the filing requirements identified below. These requested waivers are consistent with the waivers the Commission granted other carriers 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)(h), 16(4)(i), 16(4)(n), 16(4)(q), and 16(4)(r)). 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.

SCRTC'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. SCRTC has provided a detailed narrative explanation of its proposed rate adjustment in Exhibit 1 of the Application. SCRTC asserts that the information provided in the Application does not require further explication through prepared testimony. Accordingly, SCRTC 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.

SCRTC'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 driven by a failure to meet a target rate of return or TIER. The new basic local rate was determined based on the rate floor set in the FCC's ICC/USF Order, and not determined based on its net investment. The company proposes a de minimus increase in revenues in its filing that does not justify the cost in preparing the materials otherwise required in this section. Accordingly, SCRTC 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.

SCRTC'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, and not determined based on the rate base and capital. This data is thus irrelevant to the proposed rate adjustment and will not aid the Commission in evaluating SCRTC's Application. Accordingly, SCRTC 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.

SCRTC provided its current and test period depreciation rates used by major plant accounts in Exhibit 7 which satisfies the filing requirements of 807 KAR 5:001, Section 16(4)(n), because SCRTC believes it has adopted the Commission's average depreciation rates. In addition, in light of the special circumstances of this rate floor filing, SCRTC has provided information sufficient to allow the Commission to efficiently evaluate the Application.

A full depreciation study is irrelevant to the proposed rate adjustment and will not aid the Commission in evaluating SCRTC's Application. Accordingly, to the extent the Commission determines that this section requires more information than SCRTC has provided, SCRTC seeks waiver of 807 KAR 5:001, Section 16(4)(n).

807 KAR 5:001, Section 16(4)(r)

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

SCRTC's annual financial report for 2015, which covers the test period, will be filed with the with the Commission. Because this information should be sufficient to allow the Commission to efficiently evaluate the Application, SCRTC seeks waiver of 807 KAR 5:001, Section 16(4)(r).

807 KAR 5:001, Section 16(5)

Information related to pro forma adjustments.

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

SCRTC'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, and not determined based on the rate base, capital, or any pro forma adjustments.

Furthermore, because SCRTC's proposed rate adjustment is simply a response to the regulatory pronouncement of the FCC, SCRTC has not prepared the information required by this section. It would be excessively expensive for SCRTC 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 SCRTC's Application.

Accordingly, SCRTC respectfully requests waiver of 807 KAR 5:001, Section 16(5).

ALTERNATIVE REQUEST FOR RELIEF

SCRTC 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 SCRTC to lose significant federal subsidies that historically, have allowed it to provide service to the most costly, rural customers. That loss of federal funding could threaten the financial existence of SCRTC, 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 SCRTC would need 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 SCRTC'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 SCRTC's waiver request, SCRTC respectfully requests that the Commission not treat any missing information as a deficiency pursuant to 807 KAR 5:001, Section 16(9). Instead, SCRTC respectfully requests that the Commission (i) accept the Application for filing as of March 3, (ii) grant all waivers on a temporary basis in lieu of denying them, (iii) order that SCRTC's proposed rates will be effective subject to refund (if necessary) on June 1, 2016, and (iv) if necessary, order SCRTC to file any additional information the Commission believes it needs to fully consider the proposed rate change.

CONCLUSION

SCRTC's requested waivers are consistent with the waivers granted by the Commission in the 2014 Rate Floor Proceedings. Furthermore, in each case, SCRTC 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 SCRTC seeks waiver, it would be excessively expensive for SCRTC to gather the information and prepare the reports in the timeframe of this case. Accordingly, SCRTC 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 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 the 7 day of March 2016


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