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March 15, 2016

RECEIVED

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PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Hon. James W. Gardner
Acting Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort KY 40601-8924

**Re: *Tariff Filing of West Kentucky Rural Telephone Cooperative Corporation, Inc.;*
Case No. 2016-00048**

Dear Acting Executive Director Gardner:

On behalf of West Kentucky Rural Telephone Cooperative Corporation, Inc., I have enclosed for filing with the Public Service of the Commonwealth of Kentucky one (1) original and ten (11) copies of the following documents.

- 1) Application for a General Adjustment in Rates;
- 2) Motion for Waiver of Certain Rate Application Filing Requirements; and
- 3) Petition for Confidential Treatment.

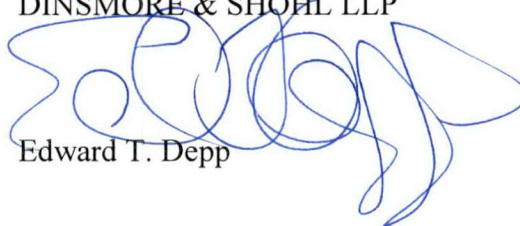
Please file stamp the additional copy of each document and return to our courier.

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

Sincerely yours,

DINSMORE & SHOHL LLP

Edward T. Depp



ETD/kwi
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAR 15 2016
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF WEST KENTUCKY RURAL)
TELEPHONE COOPERATIVE CORPORATION, INC.) CASE NO. 2016-00048
FOR A GENERAL ADJUSTMENT IN RATES)

APPLICATION

Applicant West Kentucky Rural Telephone Cooperative Corporation, Inc. (“WK&T”), by counsel, pursuant to KRS 278.180, 807 KAR 5:001, Sections 14 and 16, and 807 KAR 5:011, Section 6, and consistent with the Public Service Commission of the Commonwealth of Kentucky’s (the “Commission”) May 29, 2013 order in Case No. 2013-00196 (the “2013 Rate Floor Order”) as well as with WK&T’s November 26, 2014 rate floor proceeding in Case No. 2014-00329, files this application (the “Application”) 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 June 1, 2016.

INTRODUCTION

This Application for a rate increase is necessitated by an order from the Federal Communications Commission (“FCC”) that fundamentally alters the cost structure of providing telecommunications services in high-cost rural areas, like those WK&T 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) (“ICC/USF Order”). For decades prior to the ICC/USF 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 FCC found, however, that many rural consumers were paying rates that were less than those paid by consumers in urban areas. ICC/USF Order at ¶ 235. In consequence, the FCC's ICC/USF Order sets a rate floor equal to the national average of local rates plus state regulated fees. *Id.* at ¶ 238. The ICC/USF 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.* at ¶ 239.

On June 10, 2014, the FCC altered the schedule for the imposition of rate floor penalties, effectively requiring carriers to ensure that their 2016 rate floor obligations are met no later than June 1, 2016. *See In the Matter of Connect America Fund et al.*, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶¶ 79-80.

WK&T’s proposed rate adjustment is thus necessary to preserve its ability to receive these USF subsidies that are important to its ability to provide telephone and information services in its high-cost rural service territory. Without a minimum rate sufficient to meet the FCC’s new rate floor, high-cost carriers like WK&T will lose significant federal funding that has 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 like WK&T, who have important obligations under federal and state law as carriers of last resort. Moreover, the loss of those subsidies would increase the pressure for WK&T to raise its rates even higher

than the federal rate floor sought here because any loss of federal funds would lead to a need for WK&T to make up that revenue directly from its customer-members.

* * * * *

In support of its Application, WK&T states as follows:

1. Pursuant to 807 KAR 5:001, Section 14(1): (i) the full name of the applicant is West Kentucky Rural Telephone Cooperative Corporation, Inc.; (ii) the mailing address of the applicant is 237 North 8th Street P.O. Box 649, Mayfield, KY 42066; and (iii) the electronic mailing address of the applicant is tcrandall@tmsvcs.com.

2. Pursuant to 807 KAR 5:001, Section 14(2), WK&T states that it is currently in good standing in the Commonwealth of Kentucky, where it is incorporated. A certified copy of WK&T's Articles of Incorporation and all amendments thereto is on file with the Commission in Case No. 2010-00336.

3. Pursuant to 807 KAR 5:001, Section 16(1)(b)(1), WK&T provides the following statement of the reason the adjustment is requested. Further details are provided in Exhibit 1 of this Application.

a. WK&T is a rural incumbent local exchange carrier serving Parts of Calloway, Carlisle, Graves, McCracken, Marshall, and Hickman counties in Western Kentucky; and parts of Dyer, Henry, Gibson, Obion, and Weakley counties in Northwest Tennessee (the "Service Territory"). WK&T was established in 1953 as a member owned cooperative to provide local telephone service to businesses and individual members within the Kentucky exchanges of Cunningham, Fairdealing, Fancy Farm, Farmington, Folsomdale, Hardin, Hazel, Kirksey, Lowes, Lynn Grove, Lynnville, New Concord, Sedalia, West Plains, and Wingo in addition to the Tennessee exchanges of Cottagegrove, Cypress, Puryear, and South Hazel

("Service Territory"). WK&T provided 9,553 residential lines and 829 business lines to its members in Kentucky with an additional 2,606 residential and 242 business lines in Tennessee. WK&T is an eligible telecommunications carrier ("ETC"), and it is also the carrier of last resort ("COLR") in the Service Territory. In 2015, WK&T received \$2,051,292 from the High Cost Loop Support ("HCLS") Fund to support its COLR responsibilities in the Service Territory and anticipates receiving \$4,469,988 in calendar year 2016.

b. This proceeding was motivated by an order of the FCC that implemented "a rule to limit high-cost support where end-user rates do not meet a specified local rate floor." See ICC/USF Order at ¶ 235.

c. Under the rule, local exchange carriers such as WK&T must meet a specified rate floor in each year in order to be eligible to receive the maximum possible amount of HCLS funding from the FCC. Failure to meet the rate floor by the deadline will result in a reduction in HCLS funding that the carrier could have otherwise received for that year. ICC/USF Order at ¶¶ 133, 238-40. Therefore, WK&T requires an adjustment of its rates to comply with the FCC's 2016 rate floor, thereby maintaining eligibility for the 2016-2017 maximum amount of HCLS funding.

4. The requirements of 807 KAR 5:001, Section 16(1)(b)(2), are inapplicable because WK&T does not operate under an assumed name pursuant to KRS 365.015.

5. Pursuant to 807 KAR 5:001, Section 16(1)(b)(3), WK&T has attached its proposed tariff, in such form as is required by 807 KAR 5:011, as part of Exhibit 2. The proposed effective date of the proposed tariff is June 1, 2016, at least 30 days from the date the Application is filed.

6. Pursuant to 807 KAR 5:001, Section 16(1)(b)(4), WK&T has attached as part of Exhibit 2 its present tariff using italicizing, underscoring, and strikethroughs to show proposed revisions.

7. Pursuant to 807 KAR 5:001, Section 16(1)(b)(5), WK&T states that notice has been given in compliance with 807 KAR 5:001, Section 17, as described below:

a. Pursuant 807 KAR 5:001, Section 17(1), WK&T has posted at its place of business a copy of the Public Notice and will, within five days of the filing of the Application, post on its website a copy of the Public Notice and a hyperlink to the location on the Commission's website where the case documents are available. A copy of the Public Notice is attached hereto as part of Exhibit 3.

b. Pursuant to 807 KAR 5:001, Section 17(2), WK&T, which has more than twenty (20) customers and is not a sewage utility, has provided notice by publishing a legal notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication made no later than the date the application is submitted to the commission. A copy of the published legal notice attached hereto as part of Exhibit 3.

c. Pursuant to 807 KAR 5:001, Section 17(3), an affidavit verifying WK&T's provision of the required notice to its customers is attached hereto as part of Exhibit 3.

d. Pursuant to 807 KAR 5:001, Section 17(4), WK&T states that the Public Notice attached to this Application as Exhibit 3 complies with all "Notice Content" requirements prescribed by regulation because it contains all of the following elements:

i. The proposed effective date and the date the proposed rates are expected to be filed with the Commission;

- ii. The present rates and proposed rates for each customer classification to which the proposed rates will apply;
- iii. The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;
- iv. The effect upon the average bill for each customer classification for the proposed rate change in basic local service;
- v. A statement that a person may examine this Application at WK&T's offices;
- vi. A statement that a person may examine this Application at the Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Commission's Web site at <http://psc.ky.gov>;
- vii. A statement that comments regarding the Application may be submitted to the Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;
- viii. A statement that the rates contained in this notice are the rates proposed by WK&T but that the Commission may order rates to be charged that differ from the proposed rates contained in the notice;
- ix. A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box

615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and

- x. A statement that if the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the Commission may take final action on the Application.

8. The requirements of 807 KAR 5:001, Section 16(1)(b)(6), are inapplicable because WK&T is not a water district.

9. Pursuant to 807 KAR 5:001, Section 16(2), WK&T states that it notified the Commission in writing of its intent to file the Application on January 15, 2016, at least thirty (30) days but not more than sixty (60) days prior to filing the Application. A copy of the notice of intent is included as Exhibit 4 of this Application. Pursuant to 807 KAR 5:001, Section 16(2)(a), the notice of intent stated that the Application will be supported by a historical test period. Pursuant to 807 KAR 5:001, Section 16(2)(c), WK&T sent by electronic mail a .pdf copy of the notice of intent to the Attorney General's Office of Rate Intervention (rateintervention@ag.ky.gov) upon filing it with the Commission. A copy of this email, including the attached notice of intent, is included as part of Exhibit 4 of this Application.

10. The provisions of 807 KAR 5:001, Section 16(3), are inapplicable because WK&T is not an electric utility.

11. Pursuant to 807 KAR 5:001, Section 16(4)(a), a narrative summary of the particular circumstances that justify and support WK&T's Application, including a statement of the reason the adjustment is required, is attached hereto as Exhibit 1 and is incorporated herein

by reference. Exhibit 1 is filed subject to a Petition for Confidential Treatment pursuant to 807 KAR 5:001, Section 13, filed contemporaneously with this Application.

12. As more fully explained in WK&T's Motion for Waiver of Certain Rate Application Requirements ("Motion for Waiver") filed contemporaneously with this Application, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(b), requiring the applicant's witnesses' prepared testimony.

13. The requirements of 807 KAR 5:001, Section 16(4)(c) are inapplicable because WK&T has gross annual revenues in excess of \$5,000,000.00.

14. Pursuant to 807 KAR 5:001, Section 16(4)(d), WK&T estimates that the Kentucky portion of the revenue increase resulting from the proposed rate adjustment will be \$270,072 per year.

15. The requirements of 807 KAR 5:001, Section 16(4)(e), are inapplicable because WK&T is not an electric, gas, sewage, or water utility.

16. Pursuant to 807 KAR 5:001, Section 16(4)(f), WK&T states that the proposed rate adjustment will increase the average affected customer bill by \$2.00. Additional details regarding the anticipated impact on affected customers are set forth in Exhibit 1.

17. Pursuant to 807 KAR 5:001, Section 16(4)(g), WK&T states that because the FCC's rate floor requirements apply only to residential rates, only WK&T's Residential customer class will be affected by the proposed rate adjustment. WK&T's analysis of customers' bills and the corresponding revenue impact are provided in WK&T's responses to the requirements of Section 16(4)(d) and 16(4)(f) in paragraphs 14 and 16 above.

18. Pursuant to 807 KAR 5:001, Section 16(4)(h), WK&T states that parts A and B of its 2014 RUS operating report containing its TIER calculation, which assesses WK&T's actual

revenue position compared to its required operating revenues, is attached as Exhibit 5. To the extent the Commission believes this section imposes additional requirements relevant to this Application, WK&T respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

19. As more fully explained in WK&T's Motion for Waiver, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(i), requiring a reconciliation of the rate base and capital used to determine revenue requirements.

20. Pursuant to 807 KAR 5:001, Section 16(4)(j), WK&T states the its current chart of accounts was provided in Case 2014-00329 and is unchanged.

21. Pursuant to 807 KAR 5:001, Section 16(4)(k), WK&T has attached its independent auditor's annual opinion report hereto as Exhibit 6. The other requirements of this section are inapplicable because WK&T's independent auditor has not indicated "the existence of a material weakness in [WK&T]'s internal controls."

22. The requirements in 807 KAR 5:001, Section 16(4)(l), are inapplicable because WK&T has not been audited by the FCC.

23. Pursuant to 807 KAR 5:001, Section 16(4)(m), WK&T states that its most recent PSC Form T is on file with the Commission.

24. Pursuant to 807 KAR 5:001, Section 16(4)(n), WK&T states a schedule identifying current depreciation rates used by major plant accounts was provided in Case 2014-00329 and is unchanged. To the extent the Commission believes this section requires more information than WK&T has provided, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(n) for the reasons set for in its Motion for Waiver.

25. Pursuant to 807 KAR 5:001, Section 16(4)(o), requiring a schedule of detailed information regarding all software, programs, and models used to prepare the Application, WK&T states that it utilized no specialized software, program, or models, and relied on Microsoft Word and Microsoft Excel to prepare the Application and supporting exhibits.

26. The requirements of 807 KAR 5:001, Section 16(4)(p), are inapplicable because WK&T has never made a stock or bond offering.

27. Pursuant to the requirements of 807 KAR 5:001, Section 16(4)(q), WK&T's 2015 report to its members is attached hereto as Exhibit 7. To the extent the Commission believes this section requires the provision of additional materials, WK&T seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

28. As more fully explained in WK&T's Motion for Waiver, WK&T seeks waiver of 807 KAR 5:001, Section 16(4)(r), requiring monthly managerial reports.

29. The requirements of 807 KAR 5:001, Section 16(4)(s), are inapplicable because WK&T is not required to file the U.S. Securities and Exchange Commission's Form 10-K, Form 8-K, or Form 10-Q.

30. The requirements of 807 KAR 5:001, Section 16(4)(t), are inapplicable because WK&T 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.

31. The requirements of 807 KAR 5:001, Section 16(4)(u), are inapplicable because WK&T is not an electric, gas, sewage, or water utility.

32. The requirements of 807 KAR 5:001, Section 16(4)(v), are inapplicable because WK&T has fewer than 50,000 access lines.

33. The requirements of 807 KAR 5:001, Section 16(5), are inapplicable because WK&T's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to this Application, WK&T respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

34. The requirements of 807 KAR 5:001, Section 16(6), are inapplicable because WK&T is not requesting a general adjustment in rates supported by a fully forecasted test period.

35. The requirements of 807 KAR 5:001, Section 16(7), are inapplicable because WK&T is not requesting a general adjustment in rates supported by a fully forecasted test period.

36. The requirements of 807 KAR 5:001, Section 16(8), are inapplicable because WK&T is not requesting a general adjustment in rates supported by a fully forecasted test period.

37. Pursuant to ¶ 3.a of the 2013 Rate Floor Order, WK&T has provided an estimate of the annual revenue to be received in 2016 from HCLS in Exhibit 1, Attachment A.

38. Pursuant to ¶ 3.b of the 2013 Rate Floor Order, WK&T has provided an estimate of the annual revenue to be lost due to adjustment of terminating access rates in the "Financial Support for Filing" section of Exhibit 1.

39. Pursuant to ¶ 3.c of the 2013 Rate Floor Order, WK&T has provided an estimate of the annual revenue to be generated by the tariff changes in Exhibit 1 and in response to the requirements of 807 KAR 5:001, Section 16(4)(d), above.

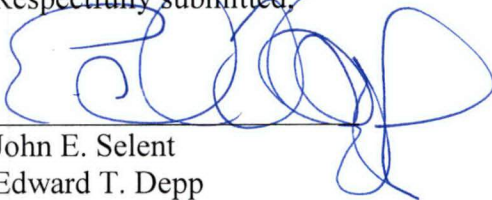
40. Pursuant to ¶ 3.d of the 2013 Rate Floor Order, WK&T has provided an estimate of historical line counts in Exhibit 1, Attachment B. As more fully explained in WK&T's Motion for Waiver, WK&T seeks partial waiver of ¶ 3.d of the 2013 Rate Floor Order, insofar as it requests projected line losses.

41. Pursuant to ¶ 3.e of the 2013 Rate Floor Order, WK&T has provided historical and projected universal service support information in the narrative response of Exhibit 1 and in Exhibit 1, Attachment A. As is certified annually to the Commission, these funds are used by WK&T to provide voice and advanced data services to its customers, thereby providing its communities with access to critical communications and broadband services.

42. Pursuant to ¶ 3.f of the 2013 Rate Floor Order, WK&T states that narrative support for the proposed rate adjustment is contained in this Application and in Exhibit 1.

WHEREFORE, West Kentucky Rural Telephone Cooperative Corporation, Inc. respectfully requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving WK&T's proposed revisions to the applicable tariffs and grant all other relief to which it is entitled.

Respectfully submitted,



John E. Selent

Edward T. Depp

Daniel D. Briscoe

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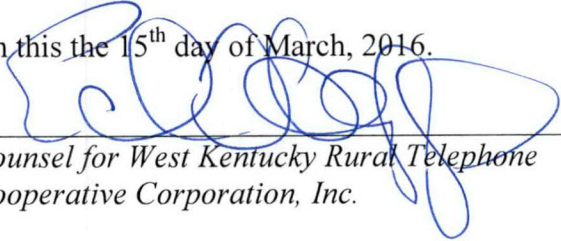
*Counsel to West Kentucky Rural Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Application was filed 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
700 Capitol Avenue, Suite 118
Frankfort, Kentucky 40601-3449

On this the 15th day of March, 2016.



*Counsel for West Kentucky Rural Telephone
Cooperative Corporation, Inc.*

Description and Reason for Filing

With this filing, West Kentucky Rural Telephone Cooperative Corporation, Inc. (“WK&T”) proposes to increase its basic residential local service rates by \$2.00, to \$18.00 per month. This filing is made in response to the November 18, 2011 order by the Federal Communications Commission that mandates minimum local residential service rate levels as a condition of continued receipt of certain federal universal service supports. In that Order¹ (the so-called “Transformation Order”) the FCC required that local exchange rates be set at or above a rate floor of \$10, as of June 1, 2012; \$14 as of June 1, 2013; and at an “urban rate” – at that time undefined – on or before June 1, 2014 (“2014 rate floor”). The Transformation Order mandated that companies with rate levels below the applicable rate floor be penalized with a dollar for dollar reduction in federal high cost loop support (“HCLS”).

On March 20, 2014 the FCC released the results of its controversial urban rate floor survey² that established the 2014 rate floor of \$20.46; if implemented, this floor would have become the basis on which HCLS recipients below the floor would be subject to the loss of funding as required by the FCC’s Transformation Order. On June 20, 2014 the FCC issued an Order on Reconsideration³ that modified the proposed 2014 urban rate floor to allow for a phase-in of the residential rate floor. Under its revised implementation schedule, companies were given the option to implement the rates over a 4-year period:

Therefore, we waive the application of section 54.318(b) for lines reported July 1, 2014, with a rate of \$14 or above. Commencing January 2, 2015 (reflecting rates as of December 1, 2014), and thereafter, through June 30, 2016, we waive section 54.318(b) to the extent reported lines are greater than or equal to \$16. For the

¹ *In the Matter of Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov 18, 2011)

² *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply with New Rate Floor*, Public Notice, DA 14-384, Released March 20, 2014

³ Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (June 10, 2014)

period between July 1, 2016, and June 30, 2017, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$18, or the 2016 rate floor, whichever is lower. For the period between July 1, 2017, and June 30, 2018, we waive section 54.318(b) to the extent reported rates are greater than or equal to \$20, or the 2017 rate floor, whichever is lower.⁴

Proposed Revisions and Customer Impact

With this filing, WK&T's basic residential rates are proposed to rise to \$18.00. No change is proposed to WK&T's basic business services which are not subject to the Transformation Order and which are already above the \$18.00 residential rate floor. This is the third rate floor filing by WK&T. In its June 2013 filing the company eliminated the rotary / non-Touhtone discount, imposing a \$0.94 per month increase for only a handful of its residential subscribers, generating approximately \$5,300 in annual revenue.⁵ In its December 2014 revision, the company increased its residential rates by \$1.44 anticipating \$196,819 in additional annual revenues absent attrition.⁶

To meet the \$18 residential rate floor, WK&T proposes to increase all of its residential service rates by \$2.00. This increase is approximately 12.5% of regulated local service rates, but the total percentage increase will be substantially lower when additional fees, services, and features that are typically included in subscriber bills are taken into account.

Company Information

The full name and address of the company is West Kentucky Rural Telephone Cooperative Corporation, Inc., 237 North 8th Street, P.O. Box 649, Mayfield, KY 42066. WK&T was established in 1953 as a not-for-profit, member-owned cooperative to provide local telephone service to business and residential members within the Kentucky exchanges of

⁴ *Ibid.*, para. 80

⁵ *See generally In the Matter of: Tariff Filing of West Kentucky Rural Telephone Cooperative Corporation, Inc.* Ky. P.S.C. Case No. 2013-00196, Exhibit 1

⁶ *See generally In the Matter of: Tariff Filing of West Kentucky Rural Telephone Cooperative Corporation, Inc.* Ky. P.S.C. Case 2014-00329, Exhibit 1

REDACTED

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2016-00048

Exhibit 1

Cunningham, Fairdealing, Fancy Farm, Farmington, Folsomdale, Hardin, Hazel, Kirksey, Lowes, Lynn Grove, Lynnville, New Concord, Sedalia, West Plains, and Wingo in addition to the Tennessee exchanges of Cottage Grove, Cypress, Puryear, and South Hazel (“Service Territory”). WK&T is a rural incumbent local exchange carrier serving parts of Calloway, Carlisle, Graves, McCracken, Marshall, and Hickman counties in western Kentucky; and parts of Dyer, Henry, Gibson, Obion, and Weakley counties in northwest Tennessee. Pursuant to its 2014 PSC Report, WK&T provided 9,553 residential lines and 829 business lines to its members in Kentucky with an additional 2,606 residential and 242 business lines in Tennessee.

WK&T 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 2015, WK&T received \$2,051,292 from the HCLS fund to support its COLR responsibilities in its Kentucky Service Territory,⁷ and anticipates receiving approximately \$4.4M in calendar year 2016. As a high cost company, all HCLS revenues are crucial for WK&T to continue to meet its COLR responsibilities and to bring advanced services to the communities it serves.

A schedule of WK&T’s Kentucky quarterly high cost support is provided in Attachment A of this exhibit. Historic access line counts as reported to the National Exchange Carrier Association are provided in Attachment B.

Financial Support for Filing

The increase in rates proposed here is driven by two factors: first, the reduction in HCLS support as required by the FCC’s Transformation Order; and second, the FCC-mandated

⁷ The company’s Kentucky Study Area includes some subscribers physically residing in Tennessee. For purposes of consistency in reporting, financial reports that reference the “Kentucky Study Area” include the Tennessee subscribers.

REDACTED

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2016-00048

Exhibit 1

reductions in access charges that have capped and reduced access compensation available to WK&T, separately adding pressure to raise local service rates.

Companies that fail to meet the 2016 rate floor will experience a dollar for dollar reduction in HCLS beginning in July, 2016. As shown below, WK&T is seeking to increase its local exchange rates by \$2.00 but by doing so will retain approximately 6.2% of its total HCLS support, or \$270k per year.

Kentucky Study Area:

	Subscribers	Current Rate	FCC Floor	At Risk
Residential Based on year end 2015	11,253	\$ 16.00	\$ 18.00	\$ 270,072
Annual HCLS (See Attachment A of this Exhibit)				\$ 4,380,012
Support at risk absent a rate increase				\$ 270,072

Included in the FCC's Transformation Order is a requirement that carriers cap and reduce not only their reciprocal, state, and interstate inter-carrier compensation rates but also the overall revenues WK&T is allowed to collect. Under the formula specified in the Transformation Order, the FCC capped terminating access revenues from intercarrier compensation at the levels collected in the FCC's 2011 initial base period⁸ and established a phase-down of those allowed amounts over the subsequent 5 years. With this change, WK&T cannot collect more than its current capped revenue amount net 5% *each year*. As shown in the step-down of Eligible Access Recovery (as depicted in the following table), the cumulative FCC-mandated reduction in WK&T's access revenue recovery in its Kentucky study area is [REDACTED] through the fiscal period ending June, 2016.

⁸ October 1, 2010 through September 30, 2011.

REDACTED

Access Cap and Step Down

	Access Cap	Reduction
FY2011 10/1/10-9/30/11		
2012-2013 Fiscal Period		
2013-2014 Fiscal Period		
2014-2015 Fiscal Period		
2015-2016 Fiscal Period		
Cumulative Reduction		

Based on its proposed rate increase and assuming no losses due to attrition, WK&T estimates that its proposed rate plan will generate \$270K in annual revenues. Even with this rate increase, WK&T will not recover the amount of access revenues it has lost. Inclusive of the rate change proposed here, WK&T anticipates that its three rate filings, in total, will have generated \$446K in additional annual revenues for the current fiscal period, which is significantly less than the reduction imposed by the FCC's Transformation Order.

Summary

The FCC's Transformation Order continues to dramatically change the revenue sources that have been historically available to rural telephone companies like WK&T and which have been used to meet their COLR obligations and to expand the availability of advanced broadband services to their customers. Unfortunately, for many of these affected companies, doing so requires upward pressure on local service rates. As shown in this documentation, WK&T has no other realistic options available to it, and it respectfully requests that its tariff revisions be approved.

REDACTED

**West Kentucky Rural Telephone Cooperative Corporation, Inc.
Case 2016-00048**

Exhibit 1

Attachments to this Exhibit:

Attachment A: WK&T's quarterly high cost support 2015-2016

Attachment B: National Exchange Carrier Association Report of Access Lines

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2016-00048

Exhibit 1, Attachment A

Report Cycle	State	SAC	Study Area Name	Connect America Fund ICC Monthly Support	HCL Monthly Support	ICLS Monthly Support	SNA Monthly Support	Total High Cost Monthly	HCL Quarterly Support
1Q15	KY	260421	WEST KENTUCKY RURAL	\$ 88,053	\$ 137,547	\$ 352,375	\$ -	\$ 577,975	\$ 412,641
2Q15	KY	260421	WEST KENTUCKY RURAL	\$ 88,053	\$ 163,044	\$ 352,375	\$ -	\$ 603,472	\$ 489,132
3Q15	KY	260421	WEST KENTUCKY RURAL	\$ 88,053	\$ 191,444	\$ 339,423	\$ -	\$ 618,920	\$ 574,332
4Q15	KY	260421	WEST KENTUCKY RURAL	\$ 88,053	\$ 191,729	\$ 339,423	\$ -	\$ 619,205	\$ 575,187
2015 Total High Cost Loop Support									\$2,051,292
1Q16	KY	260421	WEST KENTUCKY RURAL	\$ 75,503	\$ 365,001	\$ 339,423	\$ -	\$ 779,927	\$1,095,003
2Q16	KY	260421	WEST KENTUCKY RURAL	\$ 75,503	\$ 379,997	\$ 339,423	\$ -	\$ 794,923	\$1,139,991
2016 Annualized Total High Cost Loop Support									\$4,469,988

The Exhibit 1(B) attachment has been omitted from the public filing. It has been provided under a petition for confidential treatment

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2016-00048

Exhibit 2

- Proposed Tariff Pages (Proposed)
- Proposed Tariff Pages (Proposed with Black Line)

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2016-00048

Exhibit 2

Proposed Tariff Pages (To be Filed)

B. MILEAGE, CLASS OF SERVICE, RATES (CON'T)

The below rates apply to all classes of service.

- | | | <u>Monthly Rate</u> |
|----|---------------------------------|---------------------|
| 2. | Class of service | |
| a. | Residence
Line Access Charge | \$ 18.00 (I) |
| b. | Business
Line Access Charge | \$ 21.06 |
| c. | COCOT
Line Access Charge | \$ 21.06 |
3. Penalty Charge
A \$10.00 Penalty will be added if bills are not paid on or before next billing date.

Issue Date:

Effective Date: June 1, 2016

Issued By: /s/ Trevor R. Bonnstetter
Trevor R. Bonnstetter, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00048 dated _____.

West Kentucky Rural Telephone Coop. Corp., Inc.
Case 2016-00048

Exhibit 2

Proposed Tariff Pages (with Black Line)

B. MILEAGE, CLASS OF SERVICE, RATES (CON'T)

The below rates apply to all classes of service.

2. Class of service		<u>Monthly Rate</u>
a.	Residence Line Access Charge	\$ 16 <u>18</u> .00 (I)
b.	Business Line Access Charge	\$ 21.06
c.	COCOT Line Access Charge	\$ 21.06

3. Penalty Charge

A \$10.00 Penalty will be added if bills are not paid on or before next billing date.

Issue Date: ~~December 1, 2014~~
Effective Date: June 1, 2016~~November 30, 2014~~

Issued By: /s/ Trevor R. Bonnstetter
Trevor R. Bonnstetter, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00048 dated _____,

The Mayfield Messenger
c/o The Paducah Sun
P. O. Box 1610
Paducah, KY 42002

AFFIDAVIT OF PUBLICATION/DISTRIBUTION

State of Kentucky, County of Graves, City of Mayfield

I Susan B. Seay, Publisher of The Mayfield Messenger, being duly sworn on oath now and during all times herein stated, have been the publisher and designated agent of
The Mayfield Messenger

And have full knowledge of the facts herein stated as follows:

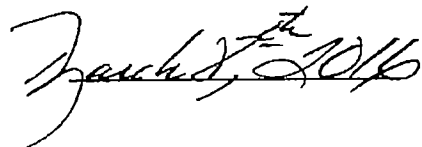
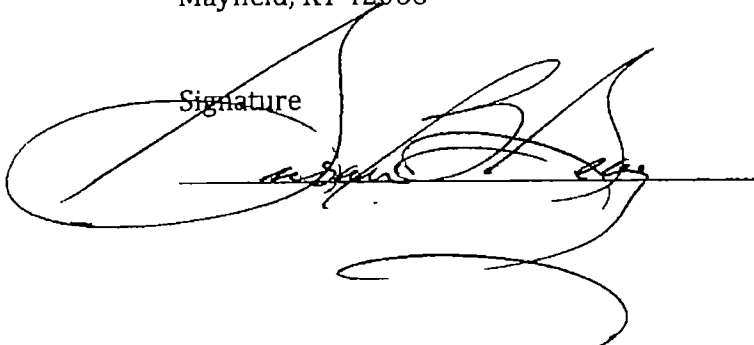
The legal ad for WK&T was distributed/published in our publication's full circulation on the following days/dates:

March 2, 2016	Cost \$174.30
March 3, 2016	Cost \$122.01
March 4, 2016	Cost \$ 87.15

Dated this 8th day of March, 2016

Susan B. Seay, Publisher/Advertising Director
The Mayfield Messenger
201 North 8th Street
Mayfield, KY 42066

Signature



The Mayfield Messenger
c/o The Paducah Sun
P. O. Box 1610
Paducah, KY 42002

AFFIDAVIT OF PUBLICATION/DISTRIBUTION

State of Kentucky, County of Graves, City of Mayfield

I Susan B. Seay, Publisher of The Mayfield Messenger, being duly sworn on oath now and during all times herein stated, have been the publisher and designated agent of
The Mayfield Messenger

And have full knowledge of the facts herein stated as follows:

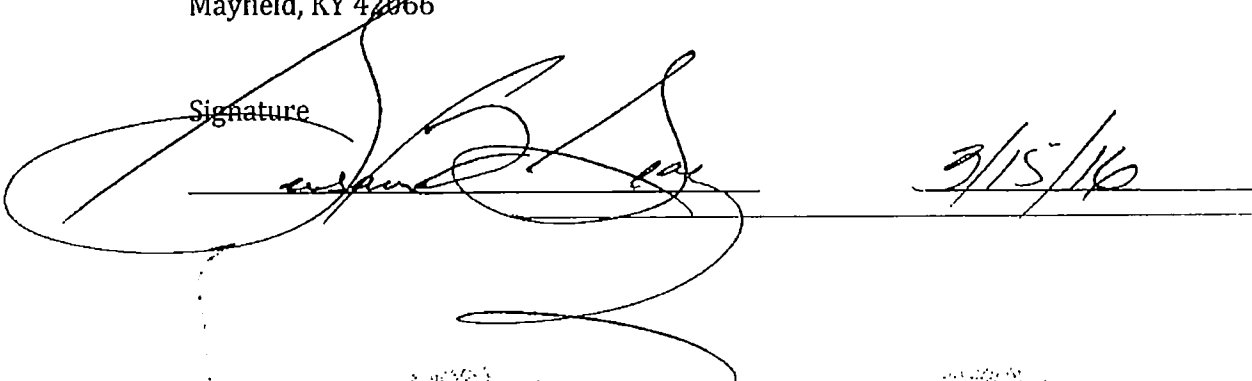
The legal ad for WK&T was distributed/published in our publication's full circulation on the following days/dates:

March 11, 2016	Cost \$174.30
March 14, 2016	Cost \$122.01

Dated this 15th day of March, 2016

Susan B. Seay, Publisher/Advertising Director
The Mayfield Messenger
201 North 8th Street
Mayfield, KY 42066

Signature



The signature is a large, cursive handwritten mark that spans across a horizontal line. To the right of the signature, the date "3/15/16" is handwritten in a similar cursive style.

Eric Raley will officiate. Interment will follow at Santa Lucia Zacatecas, Mexico, at a later date. Visitation will be held after 7 p.m. Saturday, March 5, at the church. Byrn Funeral Home is in charge of arrangements.

...reeling or evading police on foot, defacing a firearm and possession of drug paraphernalia.
■ Jeff Coleman Spraggs,

...over \$10,000, the lawful taking of a firearm, receiving stolen property under \$10,000.

■ Ryan Jefferson, East Sunset, Mayfield: theft by unlawful taking \$500 or more but under \$10,000 (auto), receiving stolen property under \$10,000; theft by unlawful taking over \$500 but under \$10,000, receiving stolen property under \$500.

■ Adam Leroy, Depot Street, Mayfield: third-degree burglary, receiving stolen property under \$10,000; theft by unlawful taking over \$500 but under \$10,000; first-degree possession of a controlled substance, (first offense, meth), possession of drug paraphernalia and possession of marijuana.

■ Kadia M. McKinney, Depot Street, Mayfield: first-degree possession of a controlled substance (first offense, meth), receiving stolen property under \$10,000; possession of drug paraphernalia and possession of marijuana.

■ Kiefer A. Clymer, Ky. 121, Farmington: receiv-

...of first-degree in a controlled (enhanced, first less than 2 gr meth), convict possession of handgun, poss drug parapher (enhanced), po of a controlled (first offense, 1 degree posses controlled sub: unspecified), p of marijuana (f hanced) and h vicious animal

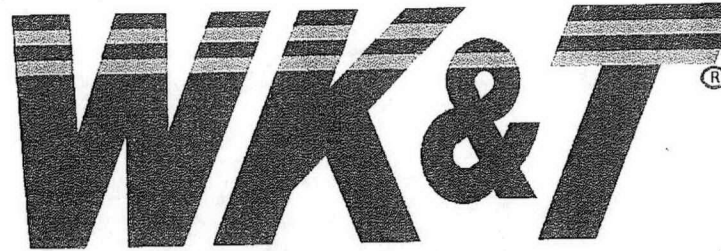
■ Jamie Y. V Fox Road, May degree traffick controlled sub offense, less 1 of meth), third ficking in a cor stance (drug u possession of phernalia and

■ Steven Yo Sophie Street trafficking in a substance (fir

■ William R. 121 South, M degree attempt transaction wi (sexual act, ur

■ Eva Faye more Church 1 first-degree t controlled su offense, opia

■ Joey D. S Waggoner Bc Mayfield: first trafficking in substance (fi less than 2 g meth), posse paraphernali ond offense) a motor vehi pended licen



On or around March 1, 2016, West Kentucky Rural Telephone Coop. Corp., Inc. has or will file with the KY Public Service Commission (PSC) an increase in the residential basic local service rate due to the Federal Communication Commission (FCC) mandate. With this change, residential rates are proposed to increase from \$16.00 to \$18.00. Business rates will not change. If approved by the PSC, the effective date of this rate change will be June 1, 2016. We anticipate the average increase being 8%, inclusive of federal fees.

This increase is mandated by the recent changes enacted by the FCC which set minimal local service rate levels as a condition of continued receipt of federal high cost support. This allows us to support advanced voice and broadband services and the economic health of our community. We had no choice but to request this rate increase.

You may examine this application at the offices of West Kentucky Rural Telephone Coop Corp., Inc. located at 1002 Cuba Road, Mayfield, KY 42066 during regular business hours or at the offices of the KY PSC located at 211 Sower Blvd., Frankfort, KY Monday through Friday, 8:00 am. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>.

Comments regarding the application may be submitted to the PSC through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602. Rates contained in this notice are the rates proposed by West Kentucky Rural Telephone Coop. Corp. but the PSC may order rates to be charged that differ from the proposed rates contained in this notice.

You may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602, establishing the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of this notice, the Commission may take final action on the application.

DARNELL MONUMENTS

227 FOX ROAD
Off Hwy. 58 East
(Formerly 80E)

Mayfield, KY
(270) 247-8858

"Custom Design & Engraving Done On Site"



Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602-0615

January 12, 2016

Dear Mr. Derouen:

West Kentucky Rural Telephone Coop. Corp., Inc. ("WKY") gives this notice pursuant to 807 KAR 5:001 Section 16(2) of its intent to file no sooner than thirty (30) days from today, but not more than sixty (60) days from today, an application for a general adjustment in its rates. The general adjustment in rates will be supported by a twelve (12) month historical test period that may include adjustments for known and measurable changes.

The anticipated rate application is intended to meet the rate floor mandated in 47 CFR § 54.318, compliance with which is required to ensure that WKY continues to receive high cost support that is essential to its operations. (See In the matter of Connect America Fund, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011).)

The FCC's June 10, 2014 Order (See Report and Order, Declaratory Ruling, Order, Memorandum Opinion And Order, Seventh Order On Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54) requires WKY to have reported line rates greater than or equal to \$18, commencing July 1, 2016 (reflecting rates in effect as of June 1, 2016)¹.

A copy of this notice is being emailed to the Attorney General's Office of Rate Intervention by electronic mail at rateintervention@ag.ky.gov.

Please refer any questions to me at (270) 856-9983 or email to tcrandall@tmsvcs.com.

Sincerely,

A handwritten signature in black ink that reads 'Todd Crandall'.

Todd Crandall, CFO

Cc via email: Jim Stevens, KY PSC
Eileen Bodamer, Bodamer Consulting

¹ Paragraph 80.

Eileen Bodamer

From: Todd Crandall <tcrandall@tmsvcs.com>
Sent: Tuesday, January 12, 2016 1:35 PM
To: rateintervention@ag.ky.gov; Jim Stevens; Eileen Bodamer
Subject: WK&T Notice of Intent
Attachments: 2016 - WK&T KY Notice of Intent to Change Local Rates.pdf

Hello,

Attached please find the notice of intent for West Kentucky Rural Telephone Cooperative Corporation, Inc. (WK&T). A hardcopy of this notice has been sent to Mr. Jeff Derouen.

Regards,

Todd Crandall
Chief Financial Officer
(270) 856-9983 Office
(270) 970-8064 Mobile

<i>USDA-RUS</i>		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		KY0525	
INSTRUCTIONS- See RUS Bulletin 1744-2		PERIOD ENDING	
		December, 2014	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM	PRIOR YEAR	THIS YEAR	
1. Local Network Services Revenues	3,436,911	3,187,571	
2. Network Access Services Revenues	12,347,989	11,913,633	
3. Long Distance Network Services Revenues	25,283	673,947	
4. Carrier Billing and Collection Revenues	165,436	160,030	
5. Miscellaneous Revenues	1,155,436	1,349,321	
6. Uncollectible Revenues	127,905	182,401	
7. Net Operating Revenues (1 thru 5 less 6)	17,003,150	17,102,101	
8. Plant Specific Operations Expense	4,393,789	4,183,259	
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	1,616,888	1,556,148	
10. Depreciation Expense	6,183,777	6,038,623	
11. Amortization Expense			
12. Customer Operations Expense	2,193,502	2,809,573	
13. Corporate Operations Expense	2,170,557	2,580,901	
14. Total Operating Expenses (8 thru 13)	16,558,513	17,168,504	
15. Operating Income or Margins (7 less 14)	444,637	(66,403)	
16. Other Operating Income and Expenses			
17. State and Local Taxes			
18. Federal Income Taxes	283,482	740,203	
19. Other Taxes	1,019,196	1,157,765	
20. Total Operating Taxes (17+18+19)	1,302,678	1,897,968	
21. Net Operating Income or Margins (15+16-20)	(858,041)	(1,964,371)	
22. Interest on Funded Debt	2,218,164	2,487,505	
23. Interest Expense - Capital Leases			
24. Other Interest Expense			
25. Allowance for Funds Used During Construction	1,043,136	1,131,064	
26. Total Fixed Charges (22+23+24-25)	1,175,028	1,356,441	
27. Nonoperating Net Income	1,669,434	2,998,399	
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income	1,100,660	2,899,267	
31. Total Net Income or Margins (21+27+28+29+30-26)	737,025	2,576,854	
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year	6,736,229	6,467,842	
34. Miscellaneous Credits Year-to-Date			
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital	1,005,412	737,027	
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	6,467,842	8,307,669	
40. Patronage Capital Beginning-of-Year	54,421,942	55,396,461	
41. Transfers to Patronage Capital	1,005,412	737,027	
42. Patronage Capital Credits Retired	30,893	82,080	
43. Patronage Capital End-of-Year (40+41-42)	55,396,461	56,051,408	
44. Annual Debt Service Payments	6,791,762	7,620,563	
45. Cash Ratio [(14+20-10-11) / 7]	0.6868	0.7618	
46. Operating Accrual Ratio [(14+20+28) / 7]	1.1196	1.1942	
47. TIER [(31+26) / 26]	1.6272	2.8997	
48. DSCR [(31+26+10+11) / 44]	1.1920	1.3086	



INDEPENDENT AUDITORS' REPORT

Board of Directors
West Kentucky Rural Telephone
Cooperative Corporation, Inc.
Mayfield, Kentucky

We have audited the accompanying consolidated financial statements of West Kentucky Rural Telephone Cooperative Corporation, Inc. and Subsidiaries which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Kentucky Rural Telephone Cooperative Corporation, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2015 on our consideration of West Kentucky Rural Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Satherow, Paule, & Welch, PLLC

Certified Public Accountants
McMinnville, Tennessee
March 13, 2015



WEST KENTUCKY AND TENNESSEE
TELECOMMUNICATIONS COOPERATIVE

Possibilities...



Your Fiber.
Your Future.

2015 Financial Report

WK&T, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2014

ASSETS

Current Assets

Cash.....	\$12,411,068
Accounts Receivable.....	1,824,589
Prepayments.....	1,973,216
Other Current Assets.....	1,783,045
Total Current Assets.....	<u>17,991,918</u>

Non-Current Assets	50,873,235
---------------------------------	------------

Plant, Property, and Equipment

Telecommunications Plant in Service.....	186,798,681
Plant Under Construction.....	<u>20,522,120</u>
Total Plant, Property, and Equipment.....	207,320,801
Less: Accumulated Depreciation.....	<u>121,646,882</u>
Net Plant.....	<u>85,673,919</u>

TOTAL ASSETS	<u><u>\$154,539,072</u></u>
---------------------------	-----------------------------

LIABILITIES

Current Liabilities

Accounts Payable.....	\$1,178,297
Advance Billings and Payments.....	533,576
Current Maturities on Long-Term Debt.....	6,210,067
Accrued Taxes and Other Current Liabilities.....	3,614,359
Total Current Liabilities.....	<u>11,536,299</u>

Long-Term Debt	70,093,529
-----------------------------	------------

Deferred Taxes and Other Liabilities	<u>6,164,528</u>
---	------------------

TOTAL LIABILITIES	<u><u>\$87,794,356</u></u>
--------------------------------	----------------------------

EQUITY

Members' Equity	<u>\$66,744,716</u>
------------------------------	---------------------

Total Liabilities and Equity	<u><u>\$154,539,072</u></u>
---	-----------------------------

WK&T, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
 YEAR ENDED DECEMBER 31, 2014

OPERATING REVENUES

Local Network Services.....	\$3,766,403
Network Access Services.....	13,790,439
Long Distance Network Services	821,894
Miscellaneous	1,910,157
Less: Uncollectible	<u>(275,527)</u>
TOTAL OPERATING REVENUES.....	20,013,366

OPERATING EXPENSES

Plant Operations and Depreciation	13,376,468
Customer and Corporate Operations	6,249,646
Operating Taxes	<u>1,253,591</u>
TOTAL OPERATING EXPENSES.....	20,879,705

OPERATING LOSS **(866,339)**

OTHER INCOME

Interest and Investment Income.....	3,017,124
Nonregulated Income.....	<u>2,749,073</u>
TOTAL OTHER INCOME.....	5,766,197

FIXED CHARGES

Interest Expense

	1,486,362
--	-----------

INCOME BEFORE TAXES..... **3,413,496**

Income Taxes

	<u>836,642</u>
--	----------------

NET INCOME..... **\$2,576,854**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2014

Net Income	\$2,576,854
Other Comprehensive Income Net of Tax	<u>233,673</u>
Comprehensive Income.....	<u><u>\$2,810,527</u></u>

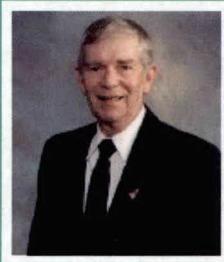
**NOTES TO
 FINANCIAL
 STATEMENTS**

Your Cooperative's books and other financial records are audited by Certified Public Accountants which are approved by RUS as being qualified and capable of performing such audits. They make their report directly to the Rural Utilities Service. Your Cooperative is required to maintain its records in accordance with the Uniform System of Accounts as prescribed by the Federal Communications Commission.

YOUR BOARD OF DIRECTORS

Thank you for attending the 2015 Annual Meeting.

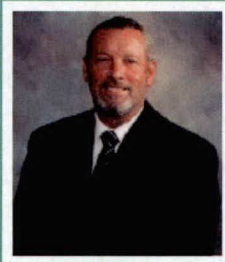
Your Board of Directors remains committed to the principles that formed this cooperative more than 60 years ago. While holding to our traditional values of community and service, we are intently focused on delivering you the telecommunications technology that will drive this region's future.



JOE THOMPSON

President
District 6

The area served by WK&T's exchanges at New Concord, Hazel, and Lynn Grove, Calloway County, KY.



JERRY HOLLOWAY

Vice President
District 5

The area served by WK&T's exchanges at Wingo and Sedalia, Graves County, KY.



BEVERLY TAYLOR

Secretary/Treasurer
District 4

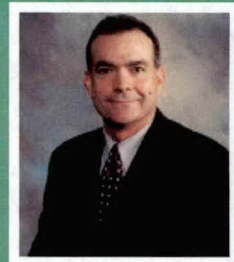
The area served by WK&T's exchanges at Farmington and Lynnville, Graves County, KY and Kirksey, Calloway County, KY.



BOB BARNETT

District 1

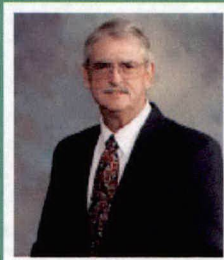
The area served by WK&T's exchanges at Hardin and Fairdealing, Marshall County, KY.



JEFF DAVIS

District 2

The area served by WK&T's exchanges at Cunningham, Carlisle County, KY.



ALGENE GOATLEY

District 3

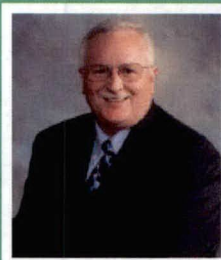
The area served by the WK&T's exchanges at Lowes and Fancy Farm, Graves County, KY.



TONY GOODMAN

District 7

The area served by WK&T's exchanges at Folsomdale and West Plains, Graves County, KY.



JERRY STEPHENSON

District 8

The area served by WK&T's exchanges at Puryear, Cottage Grove, and Cypress, Henry County, KY.



RICKY LITTLETON

District 9

The area served by WK&T's exchanges at Yorkville, Trimble, Mason Hall, and Eaton/Brazil in Gibson, Dyer, and Obion Counties, TN.

WK&T

WEST KENTUCKY AND TENNESSEE
TELECOMMUNICATIONS COOPERATIVE

237 N. 8th Street • Mayfield, KY 42066

Phone: 877-954-8748

www.wk.net

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAR 15 2016
PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF WEST KENTUCKY RURAL)
TELEPHONE COOPERATIVE CORPORATION, INC.) CASE NO. 2016-00048
FOR A GENERAL ADJUSTMENT IN RATES)

PETITION OF WEST KENTUCKY RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.
FOR CONFIDENTIAL TREATMENT

1. West Kentucky Rural Telephone Cooperative Corporation, Inc. (“WK&T”) 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 WK&T is contemporaneously filing with its application for a general adjustment in rates (the “Application”). The information WK&T seeks to protect as confidential is hereinafter referred to as the “Confidential Information.”

2. The Confidential Information includes portions of:

- a. Exhibit 1 of the Application; and
- b. Exhibit 1, Attachment B of the Application.

3. 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.

4. The Confidential Information is not publicly available, is not disseminated within WK&T 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.

5. If and to the extent the Confidential Information becomes generally available to the public, whether through filings required by other agencies or otherwise, WK&T will notify the Commission and have the information's confidential status removed pursuant to 807 KAR 5:001, Section 13(1)(b).

6. 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."

ARGUMENT

I. Disclosure of the Confidential Information Would Permit an Unfair Commercial Advantage to WK&T's Competitors.

7. The Confidential Information identified in the exhibits to WK&T's Application and listed in Paragraph 2 above consists of information related to the inner workings of WK&T, including financial and service usage details. This information "if openly disclosed would present an unfair commercial advantage to competitors" of WK&T, and it therefore qualifies as protectable confidential information pursuant to KRS 61.878(1)(c)(1).

8. 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.

9. The Kentucky Open Records Act, KRS 61.870, *et seq.*, exempts certain records from the requirement of public inspection. In particular, KRS 61.878(1)(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.

10. WK&T, as a participant in the telecommunications market, faces economic competition from other entities in the same market. WK&T 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, WK&T faces an increasingly competitive market. WK&T's ability to successfully compete against other entities in the telecommunications market would be adversely affected by the disclosure of its internal financial and service usage information. Therefore, WK&T has "competitors" as is contemplated under the statute and faces actual competition from other market participants. The Confidential

Information contained in WK&T's Application would result in an "unfair commercial advantage to competitors" of WK&T if disclosed.

11. 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 Confidential Information for which WK&T seeks confidential treatment under KRS 61.878(1)(c)(1) is generally recognized as confidential or proprietary under Kentucky law. Moreover, in the 2014 rate floor proceedings, the Commission granted WK&T confidential treatment to comparable information as is requested here. *See Application of West Kentucky Rural Telephone Cooperative Corporation, Inc. for a General Adjustment in Rates*, Ky. P.S.C. Case No. 2014-00329 Order (November 26, 2014).

12. The Confidential Information contained in the Exhibits identified in Paragraph 2 above consists of information related to the inner workings of WK&T, including financial and service usage details:

- a. The Confidential Information in Exhibit 1 of the Application consists of data related to the revenue changes WK&T has experienced as a result of adjustment of its terminating access rates pursuant to the Federal Communications Commission's November 18, 2011 Order reforming

intercarrier compensation and the Universal Service Fund (the “ICC/USF Order”).

- b. The Confidential Information in Exhibit 1, Attachment B contains detailed subscriber line data and service usage information.

13. The disclosure of the above-referenced Confidential Information would provide competitors an unfair competitive advantage, allowing them insight into WK&T’s financial position and giving them the ability to unfairly tailor their competitive efforts against WK&T in light of this Confidential Information. For these reasons, WK&T respectfully requests that the Commission grant confidential treatment to the Confidential Information.

II. Time Period.

14. Pursuant to 807 KAR 5:001, Section 13(2)(a)(2), WK&T 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 sufficiently outdated that it could not be used to determine similar Confidential Information at that time.

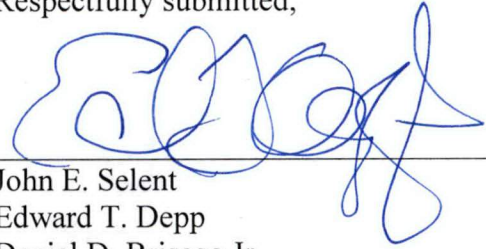
CONCLUSION

15. Based on the foregoing, the Confidential Information is entitled to confidential treatment. If the Commission disagrees that WK&T 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, WK&T respectfully requests that the Commission classify and protect as confidential the Confidential Information.

On this the 15th day of March, 2016.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'John E. Selent', written over a horizontal line.

John E. Selent

Edward T. Depp

Daniel D. Briscoe Jr.

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*Counsel to West Kentucky Rural
Telephone Cooperative Corporation,
Inc.*

CERTIFICATE OF SERVICE

I certify that, on the date this Petition for Confidential Treatment was filed 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
700 Capitol Avenue, Suite 118
Frankfort, Kentucky 40601-3449

On this the 15th day of March, 2016.



*Counsel to West Kentucky Rural Telephone
Cooperative Corporation, Inc.*

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 15 2016

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF WEST KENTUCKY RURAL)
TELEPHONE COOPERATIVE CORPORATION, INC.) CASE NO. 2016-00048
FOR A GENERAL ADJUSTMENT IN RATES)

MOTION OF WEST KENTUCKY RURAL TELEPHONE
COOPERATIVE CORPORATION, INC.
FOR WAIVER OF CERTAIN
RATE APPLICATION FILING REQUIREMENTS

West Kentucky Rural Telephone Cooperative Corporation, Inc. (“WK&T”), 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, WK&T states as follows.

INTRODUCTION

WK&T 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”). WK&T 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 West Kentucky Rural Telephone Cooperative Corporation, Inc. for a General Adjustment in Rates*, Ky. P.S.C. Case No. 2014-

00329 Order (October 30, 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, WK&T 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.

WK&T’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 WK&T’s ratepayers.

Wherefore, WK&T requests waiver of the filing requirements identified below. These requested waivers are consistent with the waivers the Commission granted to WK&T 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.

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

WK&T has provided parts A and B of its 2014 RUS operating report containing its TIER calculation, which assesses WK&T's actual revenue position compared to its required operating revenues, in Exhibit 5 of the Application¹. WK&T 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, WK&T requests waiver of those requirements for the reasons set forth below.

WK&T 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 WK&T to provide either no additional revenue or nominal additional revenue that will serve as an offset to other revenue reductions imposed by the FCC.

¹ WK&T does not anticipate that its 2015 report will be available until sometime in late March of this year.

Furthermore, because WK&T's proposed rate adjustment is simply a response to the regulatory pronouncement of the FCC, WK&T has not prepared a cost study analyzing its revenue requirement at a state level. It would be unduly expensive for WK&T 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 WK&T's Application.

Accordingly, to the extent the Commission believes this section requires more information than WK&T has provided, WK&T 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.

WK&T'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 WK&T's Application. Accordingly, WK&T 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.

WK&T provided its current and test period depreciation rates used by major plant accounts in Case 2014-00329 (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, WK&T 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 WK&T has provided, WK&T 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.**

WK&T's most recent (2014) audited financial statement is attached as Exhibit 6 to the Application. WK&T 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 WK&T, and WK&T respectfully submits that it should be sufficient to allow the Commission to efficiently evaluate the Application. Consequently, WK&T 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.**

WK&T's annual financial report for 2014, which covers the test period, is on file with the Commission in Case 2014-00329 (Exhibit 5 to Application). This constitutes the most recent such information presently available to WK&T, and WK&T respectfully submits that it should be sufficient to allow the Commission to efficiently evaluate the Application. Consequently, WK&T 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.

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

WK&T'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 WK&T's proposed rate adjustment is simply a response to the regulatory pronouncement of the FCC, WK&T has not prepared the information required by this section. It would be excessively expensive for WK&T 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 WK&T's Application. Accordingly, WK&T respectfully requests waiver of 807 KAR 5:001, Section 16(5).

2013 Order at ¶ 3.d.

Historical and projected line loss.

WK&T has provided historical data concerning line loss through December of 2015, in Exhibit 1 to its Application. WK&T 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 WK&T has provided, WK&T seeks waiver of the filing requirements that appear in the 2013 Order at ¶ 3.d.

ALTERNATIVE REQUEST FOR RELIEF

WK&T 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 WK&T 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 WK&T, 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 WK&T 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 WK&T's proposed rates are put into effect on June 1, 2016, as requested in the Application.

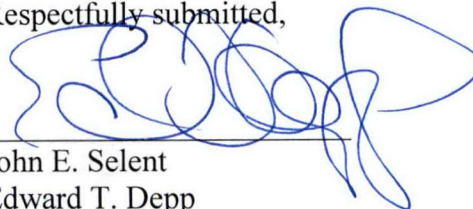
In the event the Commission thinks it appropriate to deny any portion of WK&T's waiver request, WK&T respectfully requests that the Commission not treat any missing information as a deficiency pursuant to 807 KAR 5:001, Section 16(9). Instead, WK&T respectfully requests that the Commission (i) accept the Application for filing as of March 15, 2016, (ii) grant all waivers on a temporary basis in lieu of denying them, (iii) order that WK&T's proposed rates will be effective subject to refund (if necessary) on June 1, 2016, and (iv) if necessary, order WK&T to file any additional information the Commission believes it needs to fully consider the proposed rate change.

CONCLUSION

WK&T's requested waivers are consistent with the waivers granted by the Commission in the 2014 Rate Floor Proceedings. Furthermore, in each case, WK&T 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 WK&T seeks waiver, it would be unduly expensive for WK&T to gather the information and prepare the reports in the timeframe of this case. Accordingly, WK&T has demonstrated good cause, and it respectfully requests that the Commission grant the requested waivers.

Respectfully submitted,



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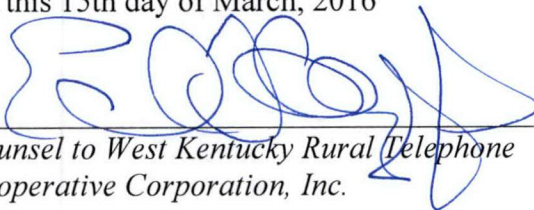
*Counsel to West Kentucky Rural
Telephone Cooperative Corporation,
Inc.*

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 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 15th day of March, 2016



*Counsel to West Kentucky Rural Telephone
Cooperative Corporation, Inc.*