

Edward T. Depp
(502) 540-2347 (direct)
(502) 585-2207; (502) 585-2207 (faxes)
tip.depp@dinsmore.com

March 11, 2016

RECEIVED

MAR 14 2016

PUBLIC SERVICE
COMMISSION

VIA FEDERAL EXPRESS

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

Re: *Tariff Filing of Duo County Telephone Cooperative Corporation, Inc.; Case No. 2016-00050*

Dear Acting Executive Director Gardner:

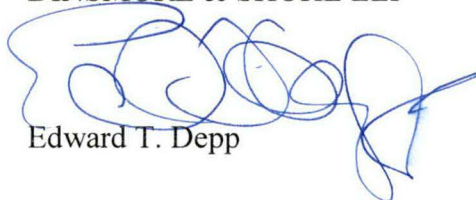
On behalf of Duo County Telephone Cooperative Corporation, Inc., I have enclosed for filing with the Public Service of the Commonwealth of Kentucky one (1) original and ten (10) copies of the following documents.

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

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

Sincerely yours,

DINSMORE & SHOHL LLP



Edward T. Depp

ETD/bmt
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 14 2016

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF DUO COUNTY TELEPHONE)
COOPERATIVE CORPORATION, INC.) CASE NO. 2016-00050
FOR A GENERAL ADJUSTMENT IN RATES)

APPLICATION

Applicant Duo County Telephone Cooperative Corporation, Inc. (“Duo”), 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. 2013-00190 (the “2013 Rate Floor Order”) as well as with Duo’s November 26, 2014 rate floor proceeding in Case No. 2014-00315, 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 Duo 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. As a 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 (the “2014 Rate Floor Order”). *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.

Duo’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 Duo 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 Duo, 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 Duo 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 Duo to make up that revenue directly from its customer-members.

* * * * *

In support of its Application, Duo states as follows:

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

2. Pursuant to 807 KAR 5:001, Section 14(2), Duo states that it is currently in good standing in the Commonwealth of Kentucky, where it is incorporated. A certified copy of Duo's Articles of Incorporation and all amendments thereto is on file with the Commission in Case No. 2013-00184 (Exhibit 2 to Application).

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

a. Duo County was established in 1954 as a not-for-profit, member-owned cooperative to provide local telephone service to business and residential members within the exchanges of Burkesville Rural, Fairplay, Jamestown, and Russell Springs ("Service Territory"). Duo County is a rural incumbent local exchange carrier serving all or parts of Adair, Casey, Cumberland, and Russell counties in southern Kentucky. Per its 2014 PSC Report, Duo County provided 8,034 residential lines and 1,820 business lines to its members. Duo County is an eligible telecommunications carrier ("ETC") in the communities it serves and is also the carrier of last resort ("COLR") in its Service Territory. In 2015, Duo County received \$1,845,501 from

the HCLS Fund to support its COLR responsibilities in its Service Territory and anticipates receiving \$2.17M 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 Duo 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, Duo requires an adjustment of its rates to comply with the 2014 Rate Floor Order, thereby maintaining eligibility for the fiscal year 2016 maximum amount of HCLS funding.

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

5. Pursuant to 807 KAR 5:001, Section 16(1)(b)(3), Duo 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), Duo 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), Duo 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), Duo 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), Duo, which has more than twenty (20) customers and is not a sewage utility, has provided notice to its customers by including the notice with customer bills mailed no later than the date the Application is submitted to the Commission. A copy of the notice sent to customers is attached hereto as part of Exhibit 3.

c. Pursuant to 807 KAR 5:001, Section 17(3), an affidavit verifying Duo'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), Duo 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 Duo'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 Duo 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 Duo is not a water district.

9. Pursuant to 807 KAR 5:001, Section 16(2), Duo states that it notified the Commission in writing of its intent to file the Application on January 14, 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 in 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), Duo 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 that 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 Duo 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 Duo'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 Duo's Motion for Waiver of Certain Rate Application Requirements ("Motion for Waiver") filed contemporaneously with this Application, Duo 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 Duo has gross annual revenues in excess of \$5,000,000.00.

14. Pursuant to 807 KAR 5:001, Section 16(4)(d), Duo estimates that the total amount of revenue increase resulting from the proposed rate adjustment will be approximately \$190,560.

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

16. Pursuant to 807 KAR 5:001, Section 16(4)(f), Duo 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), Duo states that its proposed rate increase will affect its Residential customer class. Duo's analysis of customers' bills and the corresponding revenue impact are provided in Duo'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), Duo states that parts A and B of its 2014 RUS operating report, the most recently available to Duo, containing its TIER calculation, which assesses Duo's actual revenue position compared to its required operating revenues, are attached as Exhibit 5. To the extent the Commission believes this section imposes additional requirements relevant to this Application, Duo respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

19. As more fully explained in Duo's Motion for Waiver, Duo 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), Duo states that its current chart of accounts was provided and is unchanged. Case 2014-00315 (Exhibit 6 to the Application).

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

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

23. Pursuant to 807 KAR 5:001, Section 16(4)(m), Duo 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), Duo County states a schedule identifying current depreciation rates used by major plant accounts was provided in Case 2014-00315 and is unchanged. To the extent the Commission believes this section requires more information than Duo County has provided, Duo County 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, Duo 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 Duo has never made a stock or bond offering.

27. Pursuant to 807 KAR 5:001, Section 16(4)(q), Exhibit 7 contains the annual report to members. This material is provided to its members as part of its invitation to its annual

meeting during which the results are further reviewed. To the extent the Commission believes this section imposes additional requirements relevant to this Application, Duo respectfully seeks waiver of those requirements for the reasons set forth in its accompanying Motion for Waiver.

28. As more fully explained in Duo's Motion for Waiver, Duo 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 Duo 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 Duo 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 Duo is not an electric, gas, sewage, or water utility.

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

33. The requirements of 807 KAR 5:001, Section 16(5), are inapplicable because Duo's Application does not include any pro forma adjustments. To the extent the Commission believes the requirements of this section apply to this Application, Duo 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 Duo 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 Duo 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 Duo 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, Duo 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, Duo 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, Duo 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), in paragraph 14 above.

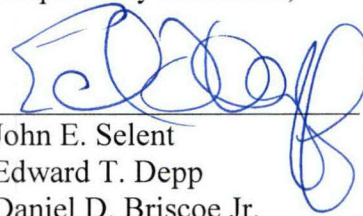
40. Pursuant to ¶ 3.d of the 2013 Rate Floor Order, Duo has provided an estimate of historical line counts in Exhibit 1, Attachment B. As more fully explained in Duo’s Motion for Waiver, Duo seeks partial waiver of ¶ 3.d of the 2013 Rate Floor Order, insofar as it requests projected line losses beyond those provided in Exhibit 1.

41. Pursuant to ¶ 3.e of the 2013 Rate Floor Order, Duo has provided historical and projected universal service support information in the narrative response of Exhibit 1 and in Attachment A thereto. As is certified annually to the Commission, these funds are used by Duo 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, Duo states that narrative support for the proposed rate adjustment is contained in this Application and in Exhibit 1.

WHEREFORE, Duo County Telephone Cooperative Corporation, Inc., respectfully requests that the Public Service Commission of the Commonwealth of Kentucky enter a final order approving Duo's proposed revisions to the applicable tariffs and grant all other relief to which it is entitled.

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.

DINSMORE & SHOHL LLP

101 South Fifth Street

Suite 2500

Louisville, KY 40202

Phone: (502) 540-2300

Fax: (502) 585-2207

john.selent@dinsmore.com

tip.depp@dinsmore.com

daniel.briscoe@dinsmore.com

*Counsel to Duo County 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 11th day of March, 2016.



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

10214680v1

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, Duo County's basic residential rates are proposed to rise to \$18.00. Duo County does not propose any changes to its basic business services, which are not subject to the Transformation Order and which are priced above the \$18.00 residential rate floor. In its 2013 filing⁵ Duo County raised its basic residential rates by 63 cents; in its 2014 filing⁶ Duo County raised its residential rates by \$2 but greatly expanded its local calling area for all of its subscribers. In order to meet the 2016 residential rate floor, Duo County must raise its residential rates by an additional \$2 per line. While the company anticipates that its average residential subscriber will have less than a 3% increase in monthly charges,⁷ as discussed further below, Duo County proposes to again provide value-added benefits to its all of subscribers by increasing the number of exchanges included as extended area service ("EAS"), allowing all of its subscribers to enjoy greater local (i.e., toll-free) calling. Specifically, Duo County proposes to expand its local calling area for all of its subscribers to include all additional exchanges that serve the 606, 270, and 364 area codes. This expansion will provide Duo County members with an EAS area that encompasses nearly 300 rate centers, a substantial improvement to the six (6) or seven (7) rate centers included in the company's current local calling area. Because the FCC's Transformation Order mandates that Duo County raise local rates to be comparable with

⁴ *Ibid.*, para. 80

⁵ See generally *In the Matter of Tariff Filing of Duo County Tele. Coop. Corp., Inc.*, Ky. P.S.C. Case No. 2013-00184.

⁶ *In the Matter of Tariff Filing of Duo County Tele. Coop. Corp., Inc.*, Ky. P.S.C. Case No. 2014-00315.

⁷ When measured against the typical residential service. Approximately 5% of its subscribers purchase only a basic phone line. Including interstate access tariff fees, those subscribers will have an increase of 8.8% under this proposal, ignoring any savings they may have in long distance charges.

the national “urban average,” this expansion will allow Duo County to provide a correspondingly urban level of local calling.

Financial Impact

By expanding its EAS, Duo County will forgo both originating switched access revenues previously billed as interexchange access on these former toll routes and billing and collections services that the company continues to provide. This change will also eliminate the need for separate optional Community Calling and Area Wide calling plans to its subscribers. To terminate the traffic to these exchanges, Duo County will use a contracted interexchange carrier as its underlying service provider.

Duo County proposes to extend the EAS benefit to both its business and residential subscribers. Accordingly, this filing represents a cost reduction for its business customers who will enjoy EAS calling on routes previously subject to toll charges. Depending on their individual communities of interest, Duo County expects that, for many of its residential subscribers, the expanded local calling will mitigate the local rate increase and may actually offer savings.

As shown in Attachment C of this Exhibit, Duo estimates that the annual cost of this greatly expanded calling area will be approximately \$90K per year. Even without these offsets, however, as shown in the financial support section of this Exhibit, the impact of the FCC’s Transformation Order warrants the rate increase proposed in this filing.]

Company Information

The full name and address of the company is Duo County Telephone Cooperative Corporation, Inc., 2150 North Main Street, Jamestown, KY 42629. Duo County was established in 1954 as a not-for-profit, member-owned cooperative to provide local telephone service to

REDACTED

**Duo County Telephone Cooperative Corporation, Inc.
Case 2016-00050**

Exhibit 1

business and residential members within the exchanges of Burkesville Rural, Fairplay, Jamestown, and Russell Springs (“Service Territory”). Duo County is a rural incumbent local exchange carrier serving all or parts of Adair, Casey, Cumberland, and Russell counties in southern Kentucky. Pursuant to its 2014 PSC Report, Duo County provided 8,034 residential lines and 1,820 business lines to its members.

Duo County is an eligible telecommunications carrier (“ETC”) in the communities it serves and is also the carrier of last resort (“COLR”) in its Service Territory. In 2015, Duo County received \$1,845,501 from the HCLS Fund to support its COLR responsibilities in its Service Territory and anticipates receiving \$2.17M in calendar year 2016. As a high cost company, all HCLS revenues are crucial for Duo County to continue to meet its COLR responsibilities and to bring advanced services to the communities it serves.

A schedule of Duo County’s 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

While Duo County anticipates that some of its increase in local service revenues will be offset by the cost of expanding its local calling areas, the need for an increase in rates is driven by two factors: first, the reduction in HCLS support as required by the FCC’s Transformation Order; and second, the FCC-mandated reduction in access charges that have capped and reduced the access compensation available to the company.

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, Duo County is seeking to increase

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Duo County Telephone Cooperative Corporation, Inc.
Case 2016-00050

Exhibit 1

its local exchange rates by \$2.00 but by doing so Duo County will retain approximately 8.8% of its total HCLS support, or \$191K per year.

	Subscribers	Current Rate	FCC Floor	At Risk
Residential year-end 2015	7,940	\$ 16.00	\$ 18.00	\$ 190,560
2016 Annual HCLS (See Attachment A of this Exhibit)				\$ 2,174,556
Support at risk absent a rate increase				8.8%

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 a carrier is allowed to collect. Under the formula specified in the Transformation Order, the FCC capped allowed 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, Duo County 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 Duo County’s access revenue recovery through the fiscal period ending June, 2016 is [REDACTED].

	Access Cap	Reduction
FY2011 10/1-9/30 Base Period	[REDACTED]	[REDACTED]
2012-2013 Fiscal Period	[REDACTED]	[REDACTED]
2013-2014 Fiscal Period	[REDACTED]	[REDACTED]
2014-2015 Fiscal Period	[REDACTED]	[REDACTED]
2015-2016 Fiscal Period	[REDACTED]	[REDACTED]
Cumulative Reduction	[REDACTED]	[REDACTED]

⁸ October 1, 2010 through September 30, 2011.

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This is the third rate increase filed by Duo County to meet the FCC residential rate floor. In its June 1, 2013 filing,⁹ Duo County increased residential rates by \$0.63. In its December 1, 2014 filing,¹⁰ Duo County increased residential rates by \$2. Duo County proposes in this filing to increase residential rates by another \$2 effective June 1st of this year. In total, Duo County's adjustments to its local service rates to meet the floor – without reflecting offsetting losses associated with its expanded local calling – will generate approximately \$650K, significantly less than the cumulative reduction imposed by the FCC's cap of Eligible Access Recovery when measured across the same period.

Summary

The FCC's Transformation Order continues to dramatically change the revenue sources that have been historically available to rural telephone companies like Duo County and which have been used to meet their COLR obligation 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, Duo County has no other realistic options available to it, and it respectfully requests that its tariff revisions be approved.

⁹ *In the Matter of Tariff Filing of Duo County Telephone Cooperative Corporation, Inc.*, Ky. P.S.C. Case No. 2013-000184.

¹⁰ *In the Matter of Tariff Filing of Duo County Telephone Cooperative Corporation, Inc.*, Ky. P.S.C. Case No. 2014-000315.

REDACTED

**Dou County Telephone Cooperative Corporation, Inc.
Case 2016-00050**

Exhibit 1

Attachments to this Exhibit:

Attachment A: Duo County's quarterly high cost support 2015-2016

Attachment B: National Exchange Carrier Association Report of Access Lines

Attachment C: EAS Conversion Impact Analysis

Duo County Telephone Cooperative
Case 2016-00050

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	260401	DUO COUNTY TEL COOP	\$ 152,776	\$ 129,392	\$ 186,423	\$ -	\$ 468,591	\$ 388,176
2Q15	KY	260401	DUO COUNTY TEL COOP	\$ 152,776	\$ 154,153	\$ 186,423	\$ -	\$ 493,352	\$ 462,459
3Q15	KY	260401	DUO COUNTY TEL COOP	\$ 152,776	\$ 165,811	\$ 225,900	\$ -	\$ 544,487	\$ 497,433
4Q15	KY	260401	DUO COUNTY TEL COOP	\$ 152,776	\$ 165,811	\$ 225,900	\$ -	\$ 544,487	\$ 497,433
2015 Total High Cost Loop Support									\$ 1,845,501
1Q16	KY	260401	DUO COUNTY TEL COOP	\$ 126,829	\$ 180,048	\$ 225,900	\$ -	\$ 532,777	\$ 540,144
2Q16	KY	260401	DUO COUNTY TEL COOP	\$ 126,829	\$ 182,378	\$ 225,900	\$ -	\$ 535,107	\$ 547,134
2016 Annualized Total High Cost Loop Support									\$ 2,174,556

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

REDACTED

**Duo County Telephone Cooperative
Case 2016-00050**

Exhibit 1, Attachment C

	<u>Unit</u>	<u>Impact</u>
Base Demand Converted to EAS (excl. stimulation)		
Est. Annual Originating Intrastate AXS MOU	[REDACTED]	
Estimated MOU to 270 Area code	[REDACTED]	
Estimated MOU to 606 Area code	[REDACTED]	
Foregone Originating State Access Revenues		
Estimated Composite Intrastate Access Rate	\$ 0.03066	
Originating Access Loss in 270 area code		[REDACTED]
Originating Access Loss in 606 area code		[REDACTED]
Cost to Terminate		
Termination to 270 area code	[REDACTED]	[REDACTED]
Termination to 606 area code		[REDACTED]
Foregone Billing and Collections Revenues		
Aggregate Billing and Collections billed	[REDACTED]	
Billing and Collections loss in 270	[REDACTED]	[REDACTED]
Billing and Collections loss in 606		[REDACTED]
Loss of Regualted Calling plans		
Community Calling Plan	\$ 4.95	[REDACTED]
Area Wide Calling Plan	\$ 8.95	[REDACTED]
Total Annual Impact of Additional Exchanges		\$ 89,163.75

Duo County Telephone Cooperative, Inc.
Case 2016-00050

Exhibit 2

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

Duo County Telephone Cooperative, Inc.
Case 2016-00050

Exhibit 2

Proposed Tariff Pages (To be Filed)

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
24th Revised Sheet No. 2**

**GENERAL EXCHANGE SERVICE TARIFFS
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Direct Inward Dialing Service	23
Telecommunications Relay Service Surcharge	26
Call Screening and Restriction Services	27
Advanced Calling Services	30
Lifeline	39
ISDN – Primary Rate Interface	46
Small Business Centrex Service	50
Reserved for Future Use	54 (D)
Channelized Trunk Service	60
IP Centrex Service	70

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet 54**

(D)

(D)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet 55**

(D)

(D)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet 56**

(D)

(D)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet 57**

(D)

(D)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet 58**

(D)

(D)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Sheet 59**

(D)

(D)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

LOCAL EXCHANGE SERVICE TARIFFS

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<u>Exchange</u>	<u>Rate Sheet</u>	<u>Base Rate Area Map</u>
Russell Springs	5	6
Jamestown	7	8
Burkesville Rural	9	10
Fairplay	11	12

(T)

Issue Date:
Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

C. General Terms of Service

1. This Tariff is governed, except as otherwise specified, by the Board of Directors and the By-Laws of the Duo County Telephone Cooperative Corporation, Inc. Unless otherwise specified, the charges quoted in this Tariff or in the General Rules and Regulations and General Exchange Tariffs are for periods of one month, are payable monthly in advance, and entitle the customer exchange access service within the each of the Company's exchanges.
2. Touch tone dialing is provided with all services.
3. The rates quoted herein also entitle the subscribers of this exchange to call, without additional charge, subject to usage caps provided for in (4), below, the exchanges listed in Section D of this Tariff.
4. Services are for normal residential and business use, exclusive of autodialing, telemarketing, or other similar services that would generate unusually high volumes of outbound traffic. The Company reserves the right to identify and modify the terms of service to subscribers identified as exceeding typical usage including the introduction of usage caps, if necessary.

(N)

(N)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

D. Local Calling Areas

The 606 calling zone includes the following rate centers:

Albany	Crab Orchard	Germantown	Liberty	Olive Hill	Staffordsville
Allen	Cumberland	Grayson	Livingston	Oneida	Stanford
Annville	Dover	Greenup	London	Owingsville	Stanton
Ashland	Dwarf	Grethel	Louisa	Paintsville	Stinnett
Augusta	E. Bernstadt	Harlan	Louisville	Pikeville	Stearns-Whitley
Barbourville	Elkhorn Cy	Harold	Manchester	Pine Knot	Stone
Beattyville	Eubank	Hazard	Martin	Pineville	Tollesboro
Benham-Lynch	Evarts	Hazel Green	Mays Lick	Pippa Pass	Topmost
Blaine	Ewing	Hillsboro	Maysville	Prestonsburg	Vanceburg
Bledsoe	Ezel	Hindman	McCarr	Royalton	Vicco
Booneville	Fallsburg	Hustonville	McDowell	Russell	Virgie
Brodhead	Faubush	Hyden	McKee	Salt Lick	W Liberty
Brooksville	Feds Creek	Inez	Meads	Salyersville	Wallins Creek
Buckhorn	Fernleaf	Irvine	Middlesboro	Sand Gap	Warfield
Burnside	Fisty	Jackson	Monticello	Sandy Hook	Washington
Campton	Flat Gap	Jellico	Morehead	Science HI	Wayland
Canoe	Flat Lick	Jenkins	Mousie	Sharpsburg	Wheelwright
Catlettsburg	Flemingsburg	Jeptha	Mt Olivet	Shopville	White Lily
Chapman	Freeburn	Johnsville	Mt Vernon	Somerset	Whitesburg
Cody	Frenchburg	Leatherwood	Nancy	South Shore	Williamsburg
Corbin	Garrison	Lewisburg	Neon	So Williamson	Wooton

(N)

(N)

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

D. Local Calling Areas (Continued)

The 270/364 calling zone includes the following rate centers:

Adairville	Cave City	Farmington	Hopkinsville	Morganfield	Sedalia
Arlington	Cayce	Folsomdale	Horse Cave	Morgantown	Sharon Grove
Auburn	Cecilia	Fordsville	Irvington	Mortons Gap	Slaughters
Aurora	Center	Fountain Run	Island	Munfordville	Smithland
Bandana	Centertown	Franklin	Jamestown	Murray	Smiths Grove
Bardwell	Central Cy	Fredonia	Jordan	Nebo	So Hardin
Barlow	Clarkson	Fulton	Kevil	New Concord	Sorgho
Battletown	Clay	Gage	Kirksey	No Garrett	St Charles
Beaver Dam	Clinton	Gamaliel	La Center	Nortonville	Stanley
Bee Spring	Cloverport	Gilbertsville	La Fayette	Oak Grove	Sturgis
Benton	Columbia	Glasgow	Lebanon	Owensboro	Summer Shade
Bessie Bend	Columbus	Glasgow Rural	Leitchfield	Paducah	Symsonia
Bluff Spring	Corydon	Gracey	Lewisburg	Panther	Temple Hill
Bonnieville	Crofton	Greensburg	Lewisport	Park City	Tompkinsville
Bowling Green	Cunningham	Greenville	Livermore	Payneville	Trenton
Bradfordsville	Custer	Guthrie	Logansport	Pembroke	Uniontown
Brandenburg	Dawson Spring	Habit	Loretto	Pleasant Ridge	Utica
Bremen	Dixon	Hanson	Lowes	Princeton	Vine Grove
Burkesville Rural	Drakesboro	Hardin	Lucas	Providence	W Louisville
Brownsville	Dunmor	Hardinsburg	Lynn Grove	Radcliff	Water Valley
Buffalo	Earlington	Hartford	Lynnville	Robards	West Plains
Burkesville City	Eddyville	Hawesville	Maceo	Rochester	Whitesville
Cadiz	Edmonton	Hazel	Madisonville	Russell Springs	Wickliffe
Calhoun	Elizabethtown	Heath	Magnolia	Russellville	Wingo
Calvert Cy	Elkton	Hebbardsville	Mammoth Cave	Sacramento	Woodburn
Campbellsville	Ensor	Henderson	Marion	Salem	
Caneyville	Fairdealing	Hickman	Mayfield	Scottsville	
Canmer	Fairplay	Hiseville	McDaniels	Scottsville Rural	
Canton	Fancy Farm	Hodgenville	Milburn	Sebree	

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

(D)

(D)

E. Rates

Russel Springs Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 18.00 (D) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

(D)

(D)

E. Rates (continued) (T)

Jamestown Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 18.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____ .

GENERAL RULES AND REGULATIONS

(D)

(D)

E. Rates (continued) (T)

Burkesville Rural Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 18.00 (D) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____.

GENERAL RULES AND REGULATIONS

(D)

(D)

E. Rates (continued) (T)

Fairplay Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 18.00 (D) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____.

Duo County Telephone Cooperative, Inc.
Case 2016-00050

Exhibit 2

Proposed Tariff Pages (with Black Line)

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II**

23rd-24th Revised Sheet No. 2

**GENERAL EXCHANGE SERVICE TARIFFS
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Advanced Calling Services	30
Lifeline	39
ISDN – Primary Rate Interface	46
Small Business Centrex Service	50
Reserved for Future Use Extended Local Calling Service	54 (D)
Channelized Trunk Service	60
IP Centrex Service	70

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Original Sheet 54**

~~EXTENDED LOCAL CALLING SERVICE~~

(D)

(D)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Original-Sheet 55**

EXTENDED LOCAL CALLING SERVICE

(D)

(D)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston _____

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in

Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Original Sheet 56**

EXTENDED LOCAL CALLING SERVICE

(D)

(D)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Original-Sheet 57**

EXTENDED LOCAL CALLING SERVICE

(D)

(D)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in

Case No. 2016-00050 dated _____

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II
1st Revised Original Sheet 58**

EXTENDED LOCAL CALLING SERVICE

(D)

(D)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated

**DUO COUNTY TELEPHONE COOPERATIVE
CORPORATION, INCORPORATED**

**PSC KY NO. 1
PART II**
1st Revised Original Sheet 59

EXTENDED LOCAL CALLING SERVICE

(D)

(D)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in

Case No. 2016-00050 dated

LOCAL EXCHANGE SERVICE TARIFFS

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E. Rates and Base Rate Area Maps

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated

GENERAL RULES AND REGULATIONS

C. General Terms of Service

1. This Tariff is governed, except as otherwise specified, by the Board of Directors and the By-Laws of the Duo County Telephone Cooperative Corporation, Inc. Unless otherwise specified, the charges quoted in this Tariff or in the General Rules and Regulations and General Exchange Tariffs are for periods of one month, are payable monthly in advance, and entitle the customer exchange access service within the each of the Company's exchanges.
2. Touch tone dialing is provided with all services.
3. The rates quoted herein also entitle the subscribers of this exchange to call, without additional charge, subject to usage caps provided for in (4), below, the exchanges listed in Section D of this Tariff.
4. Services are for normal residential and business use, exclusive of autodialing, telemarketing, or other similar services that would generate unusually high volumes of outbound traffic. The Company reserves the right to identify and modify the terms of service to subscribers identified as exceeding typical usage including the introduction of usage caps, if necessary.

(N)

(N)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

D. Local Calling Areas

The 606 calling zone includes the following rate centers:

<u>Albany</u>	<u>Crab Orchard</u>	<u>Germantown</u>	<u>Liberty</u>	<u>Olive Hill</u>	<u>Staffordsville</u>
<u>Allen</u>	<u>Cumberland</u>	<u>Grayson</u>	<u>Livingston</u>	<u>Oneida</u>	<u>Stanford</u>
<u>Annville</u>	<u>Dover</u>	<u>Greenup</u>	<u>London</u>	<u>Owingsville</u>	<u>Stanton</u>
<u>Ashland</u>	<u>Dwarf</u>	<u>Grethel</u>	<u>Louisa</u>	<u>Paintsville</u>	<u>Stinnett</u>
<u>Augusta</u>	<u>E. Bernstadt</u>	<u>Harlan</u>	<u>Louisville</u>	<u>Pikeville</u>	<u>Stearns-Whitley</u>
<u>Barbourville</u>	<u>Elkhorn Cy</u>	<u>Harold</u>	<u>Manchester</u>	<u>Pine Knot</u>	<u>Stone</u>
<u>Beattyville</u>	<u>Eubank</u>	<u>Hazard</u>	<u>Martin</u>	<u>Pineville</u>	<u>Tollesboro</u>
<u>Benham-Lynch</u>	<u>Evarts</u>	<u>Hazel Green</u>	<u>Mays Lick</u>	<u>Pippa Pass</u>	<u>Topmost</u>
<u>Blaine</u>	<u>Ewing</u>	<u>Hillsboro</u>	<u>Maysville</u>	<u>Prestonsburg</u>	<u>Vanceburg</u>
<u>Bledsoe</u>	<u>Ezel</u>	<u>Hindman</u>	<u>McCarr</u>	<u>Royalton</u>	<u>Vicco</u>
<u>Booneville</u>	<u>Fallsburg</u>	<u>Hustonville</u>	<u>McDowell</u>	<u>Russell</u>	<u>Virgie</u>
<u>Brodhead</u>	<u>Faubush</u>	<u>Hyden</u>	<u>McKee</u>	<u>Salt Lick</u>	<u>W Liberty</u>
<u>Brooksville</u>	<u>Feds Creek</u>	<u>Inez</u>	<u>Meads</u>	<u>Salyersville</u>	<u>Wallins Creek</u>
<u>Buckhorn</u>	<u>Fernleaf</u>	<u>Irvine</u>	<u>Middlesboro</u>	<u>Sand Gap</u>	<u>Warfield</u>
<u>Burnside</u>	<u>Fisty</u>	<u>Jackson</u>	<u>Monticello</u>	<u>Sandy Hook</u>	<u>Washington</u>
<u>Campton</u>	<u>Flat Gap</u>	<u>Jellico</u>	<u>Morehead</u>	<u>Science Hl</u>	<u>Wayland</u>
<u>Canoe</u>	<u>Flat Lick</u>	<u>Jenkins</u>	<u>Mousie</u>	<u>Sharpsburg</u>	<u>Wheelwright</u>
<u>Catlettsburg</u>	<u>Flemingsburg</u>	<u>Jeptha</u>	<u>Mt Olivet</u>	<u>Shopville</u>	<u>White Lily</u>
<u>Chapman</u>	<u>Freeburn</u>	<u>Johnsville</u>	<u>Mt Vernon</u>	<u>Somerset</u>	<u>Whitesburg</u>
<u>Cody</u>	<u>Frenchburg</u>	<u>Leatherwood</u>	<u>Nancy</u>	<u>South Shore</u>	<u>Williamsburg</u>
<u>Corbin</u>	<u>Garrison</u>	<u>Lewisburg</u>	<u>Neon</u>	<u>So Williamson</u>	<u>Wooton</u>

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

D. Local Calling Areas (Continued)

(N)

The 270/364 calling zone includes the following rate centers:

<u>Adairville</u>	<u>Cave City</u>	<u>Farmington</u>	<u>Hopkinsville</u>	<u>Morganfield</u>	<u>Sedalia</u>
<u>Arlington</u>	<u>Cayce</u>	<u>Folsomdale</u>	<u>Horse Cave</u>	<u>Morgantown</u>	<u>Sharon Grove</u>
<u>Auburn</u>	<u>Cecilia</u>	<u>Fordsville</u>	<u>Irvington</u>	<u>Mortons Gap</u>	<u>Slaughters</u>
<u>Aurora</u>	<u>Center</u>	<u>Fountain Run</u>	<u>Island</u>	<u>Munfordville</u>	<u>Smithland</u>
<u>Bandana</u>	<u>Centertown</u>	<u>Franklin</u>	<u>Jamestown</u>	<u>Murray</u>	<u>Smiths Grove</u>
<u>Bardwell</u>	<u>Central Cy</u>	<u>Fredonia</u>	<u>Jordan</u>	<u>Nebo</u>	<u>So Hardin</u>
<u>Barlow</u>	<u>Clarkson</u>	<u>Fulton</u>	<u>Kevil</u>	<u>New Concord</u>	<u>Sorgho</u>
<u>Battletown</u>	<u>Clay</u>	<u>Gage</u>	<u>Kirksey</u>	<u>No Garrett</u>	<u>St Charles</u>
<u>Beaver Dam</u>	<u>Clinton</u>	<u>Gamaliel</u>	<u>La Center</u>	<u>Nortonville</u>	<u>Stanley</u>
<u>Bee Spring</u>	<u>Cloverport</u>	<u>Gilbertsville</u>	<u>La Fayette</u>	<u>Oak Grove</u>	<u>Sturgis</u>
<u>Benton</u>	<u>Columbia</u>	<u>Glasgow</u>	<u>Lebanon</u>	<u>Owensboro</u>	<u>Summer Shade</u>
<u>Bessie Bend</u>	<u>Columbus</u>	<u>Glasgow Rural</u>	<u>Leitchfield</u>	<u>Paducah</u>	<u>Symsonia</u>
<u>Bluff Spring</u>	<u>Corydon</u>	<u>Gracey</u>	<u>Lewisburg</u>	<u>Panther</u>	<u>Temple Hill</u>
<u>Bonnieville</u>	<u>Crofton</u>	<u>Greensburg</u>	<u>Lewisport</u>	<u>Park City</u>	<u>Tompkinsville</u>
<u>Bowling Green</u>	<u>Cunningham</u>	<u>Greenville</u>	<u>Livermore</u>	<u>Payneville</u>	<u>Trenton</u>
<u>Bradfordsville</u>	<u>Custer</u>	<u>Guthrie</u>	<u>Logansport</u>	<u>Pembroke</u>	<u>Uniontown</u>
<u>Brandenburg</u>	<u>Dawson Spring</u>	<u>Habit</u>	<u>Loretto</u>	<u>Pleasant Ridge</u>	<u>Utica</u>
<u>Bremen</u>	<u>Dixon</u>	<u>Hanson</u>	<u>Lowes</u>	<u>Princeton</u>	<u>Vine Grove</u>
<u>Burkesville Rural</u>	<u>Drakesboro</u>	<u>Hardin</u>	<u>Lucas</u>	<u>Providence</u>	<u>W Louisville</u>
<u>Brownsville</u>	<u>Dunmor</u>	<u>Hardinsburg</u>	<u>Lynn Grove</u>	<u>Radcliff</u>	<u>Water Valley</u>
<u>Buffalo</u>	<u>Earlington</u>	<u>Hartford</u>	<u>Lynnville</u>	<u>Robards</u>	<u>West Plains</u>
<u>Burkesville City</u>	<u>Eddyville</u>	<u>Hawesville</u>	<u>Maceo</u>	<u>Rochester</u>	<u>Whitesville</u>
<u>Cadiz</u>	<u>Edmonton</u>	<u>Hazel</u>	<u>Madisonville</u>	<u>Russell Springs</u>	<u>Wickliffe</u>
<u>Calhoun</u>	<u>Elizabethtown</u>	<u>Heath</u>	<u>Magnolia</u>	<u>Russellville</u>	<u>Wingo</u>
<u>Calvert Cy</u>	<u>Elkton</u>	<u>Hebbardsville</u>	<u>Mammoth Cave</u>	<u>Sacramento</u>	<u>Woodburn</u>
<u>Campbellsville</u>	<u>Ensor</u>	<u>Henderson</u>	<u>Marion</u>	<u>Salem</u>	
<u>Caneville</u>	<u>Fairdealing</u>	<u>Hickman</u>	<u>Mayfield</u>	<u>Scottsville</u>	
<u>Canmer</u>	<u>Fairplay</u>	<u>Hiseville</u>	<u>McDaniels</u>	<u>Scottsville Rural</u>	
<u>Canton</u>	<u>Fancy Farm</u>	<u>Hodgenville</u>	<u>Milburn</u>	<u>Sebree</u>	

(N)

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

(D)

Russell Springs Exchange

I. General

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

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Russell Springs	Burkesville Rural, Fairplay, Jamestown

(D)

II. Rates

Russel Springs Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 46 18.00 (D) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated

GENERAL RULES AND REGULATIONS

(D)

Jamestown Exchange

I. General

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

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Jamestown	Burkesville Rural, Fairplay, Russell Springs

(D)

HE. Rates (continued)

Jamestown Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 18.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

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

Issue Date:

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____

GENERAL RULES AND REGULATIONS

(D)

Burkesville Rural Exchange

I. General

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

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Burkesville Rural	Burkesville City*, Fairplay, Jamestown, Russell Springs

(D)

HE. Rates (continued)

Burkesville Rural Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 1618.00 (I) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

* Indicates an Exchange Area that is not served by Duo County Telephone Cooperative.

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

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer

By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____.

GENERAL RULES AND REGULATIONS

(D)

Fairplay Exchange

I. ~~General~~

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

EXCHANGE	ADDITIONAL LOCAL CALLING TO
Fairplay	Burkesville Rural, Columbia*, Jamestown, Russell Springs

(D)

HE. Rates (continued)

Fairplay Exchange

CLASS OF SERVICE	MONTHLY RATE
Business Exchange Access Service – B1	\$ 20.87
Residential Exchange Access Service – R1	\$ 1618.00 (D) †
Basic Coin Access Service	\$ 20.87
Key/PABX Trunk	\$ 34.00

* Indicates an Exchange Area that is not served by Duo County Telephone Cooperative.

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

Issue Date: _____

Effective Date: June 1, 2016

Issued by: /s/ Thomas E. Preston

Thomas E. Preston, Chief Executive Officer
By Authority of Order of the Public Service Commission in
Case No. 2016-00050 dated _____.

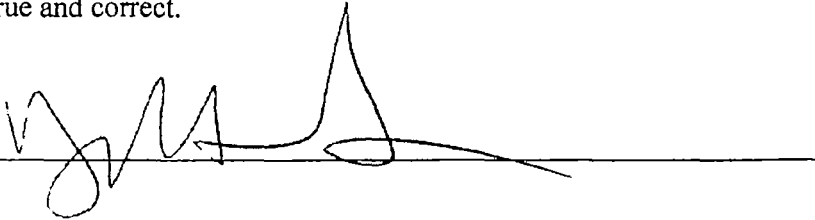
CUSTOMER NOTICE AFFIDAVIT

AFFIDAVIT

I, Daryl L. Hammond, am a representative of Duo County Telephone Cooperative, Inc. and am authorized to make this statement on its behalf.

I attest that the customer notice accompanying this affidavit was sent to all customers as a bill insert on the following dates: February 20, 2016, March 1, 2016, and March 10, 2016, in accordance with Section 17(2) of 807 KAR 5:001. I declare under penalty of perjury that the foregoing is true and correct.

Signature: _____



Subscribed and sworn to me before this 10th day of March, 2016.

Stephen DeLoe
Notary Public

My commission expires: 3-2-19



On or around March 10th, Duo County Telephone Cooperative will file with the KY Public Service Commission an increase in basic local service rates charged to residential subscribers due to a **Federal Communication Commission** mandate. With this change, residential rates are proposed to increase from \$16 to \$18. Business rates are unchanged with this filing. If approved by the PSC, the effective date of this rate change will be June 1, 2016. We anticipate the average residential bill increase being less than 3% while for many of our members, there may be an actual reduction in their bill based on their calling patterns. Subscribers to our optional Area Wide and Community calling plans will no longer be billed for those services and will have immediate reduction in their telephone bill.

With this change all calls to area codes 270, 364 and 606 will become local calls providing a significant larger local calling area for all of our members. Please see map on back showing expanded local calling scope for Duo County Telephone customers.

This increase is mandated by recent changes enacted by the Federal Communications Commission which set minimal local service rate levels as a condition of continued receipt of federal high cost support that allows Duo to deploy fiber optic facilities and support advanced voice and broadband services. Because this support is vital to the economic health of our community, Duo had no choice but to request this rate increase.

You may examine this application at the offices of Duo Telephone located at 2150 North Main Street, Jamestown, Kentucky 42629 during regular business hours or at the offices of the Kentucky Public Service Commission 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>.

Comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602. Rates contained in this notice are the rates proposed by Duo but the Public Service Commission 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, Kentucky 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.

NEW EXPANDED LOCAL CALLING

Effective June 1, 2016, Duo County Telephone
expands local calling to 86 counties!



*Expanded Free Local Calling applies to all Duo County Telephone Cooperative
customers regardless of Long Distance Carrier.*

Note: Area code boundaries do not exactly match county boundaries.

Russell: 270-343-3131
Adair: 270-378-4141
Cumberland: 270-433-2121

www.duocounty.com

DuoCounty TELEPHONE 



January 14, 2016

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

Dear Mr. Derouen:

Duo County Telephone Cooperative Corporation, Inc. ("Duo County") 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 Duo County 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 Duo County to have reported line rates greater than 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 270-343-1111 or via email at dhammond@duotel.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Hammond", is written over a horizontal line.

Daryl L. Hammond, Vice President/Chief Financial Officer

Cc via email: Tom Preston, Duo County Telephone
Jim Stevens, KY PSC
Eileen Bodamer, Bodamer Consulting

¹ Paragraph 80.

Eileen Bodamer

From: Daryl Hammond <dhammond@duotel.com>
Sent: Thursday, January 14, 2016 9:06 AM
To: rateintervention@ag.ky.gov
Cc: Jim Stevens (wjstevens@ky.gov); Eileen Bodamer; Tom Preston; Daryl Hammond
Subject: Notice of intent for general adjustment in rates
Attachments: 3031_001.pdf

Office of Kentucky Attorney General,

Please find attached a copy of our notice of intent for a general adjustment to our rates filed today with Kentucky Public Service Commission.

Daryl L. Hammond, Vice President/Chief Financial Officer
Duo County Telephone Cooperative
P O Box 80, 2150 North Main Street
Jamestown, KY 42629
Business: 270-343-1111
Mobile: 270-858-9700
Fax: 270-343-6500
dhammond@duotel.com



Confidentiality Notice: This e-mail and any files transmitted with it are the property of Duo County Telecom, are confidential, and are intended solely for the use of the individual or entity to whom this e-mail is addressed. If you are not one of the named recipient(s) or otherwise have reason to believe that you have received this message in error, please notify the sender at 270-343-1111 and delete this message immediately from your computer. Any other use, retention, dissemination, forwarding, printing, or copying of this e-mail is strictly prohibited.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

USDA-RUS	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i>	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER NAME Duo County Telephone Cooperative Corporation, Inc. (Prepared with Audited Data)	
<i>INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 174-2. Report in whole dollars only.</i>	PERIOD ENDING December, 2014	BORROWER DESIGNATION KY0530

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.
ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII
(Check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

THOMAS PRESTON

3/31/2015

DATE

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	13,795,139	12,503,579	25. Accounts Payable	1,277,346	1,273,810
2. Cash-RUS Construction Fund	35,546	203	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable	359,211	363,315	28. Customer Deposits	12,050	9,400
b. Other Accounts Receivable			29. Current Mat. L/T Debt	0	0
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable			32. Income Taxes Accrued	39,500	0
b. Other Accounts Receivable	823,920	756,492	33. Other Taxes Accrued	78,414	447,377
c. Notes Receivable			34. Other Current Liabilities	1,736,502	1,729,736
5. Interest and Dividends Receivable	37,453	55,086	35. Total Current Liabilities (25 thru 34)	3,143,812	3,460,323
6. Material-Regulated	1,116,535	1,210,048	LONG-TERM DEBT		
7. Material-Nonregulated	182,326	237,302	38. Funded Debt-RUS Notes	86,273	122,756
8. Prepayments	376,101	521,278	37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes	97,851	0
10. Total Current Assets (1 Thru 9)	16,726,231	15,647,303	39. Funded Debt-Other		
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		
11. Investment In Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development	68,500,219	72,865,878	42. Recquired Debt		
b. Nonrural Development			43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	50,000	50,000	46. Total Long-Term Debt (36 thru 45)	184,124	122,756
13. Nonregulated Investments			OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	32,434	1,747,447	47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	257,220	145,346
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	68,582,653	74,663,325	50. Total Other Liabilities and Deferred Credits (47 thru 49)	257,220	145,346
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	67,611,557	74,021,828	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-In-Capital		
20. Plant Under Construction	14,317,931	10,865,144	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill	52,008	52,008	54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	48,812,074	49,090,377	55. Other Capital	66,538,318	73,126,334
23. Net Plant (18 thru 21 less 22)	33,169,422	35,848,603	56. Patronage Capital Credits	40,164,809	42,544,237
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	8,190,023	6,760,235
	118,478,306	126,159,231	58. Total Equity (51 thru 57)	114,893,150	122,430,806
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	118,478,306	126,159,231

Total Equity = 97.04% % of Total Assets

USDA-RUS	BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	KY0530	
	PERIOD ENDING December, 2014	
INSTRUCTIONS- See RUS Bulletin 1744-2		
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS		
ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	2,666,080	2,600,609
2. Network Access Services Revenues	9,834,642	9,884,046
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	110,081	104,782
5. Miscellaneous Revenues	1,286,350	1,350,448
6. Uncollectible Revenues	19,409	22,122
7. Net Operating Revenues (1 thru 5 less 6)	13,877,744	13,917,763
8. Plant Specific Operations Expense	3,130,667	2,994,373
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	1,648,505	1,731,126
10. Depreciation Expense	3,962,744	4,702,255
11. Amortization Expense		
12. Customer Operations Expense	1,410,764	1,323,662
13. Corporate Operations Expense	1,674,429	1,704,202
14. Total Operating Expenses (8 thru 13)	11,827,109	12,455,618
15. Operating Income or Margins (7 less 14)	2,050,635	1,462,145
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes	1,669	48,000
19. Other Taxes	801,044	840,391
20. Total Operating Taxes (17+18+19)	802,713	888,391
21. Net Operating Income or Margins (15+16-20)	1,247,922	573,754
22. Interest on Funded Debt	327,622	205,868
23. Interest Expense - Capital Leases		
24. Other Interest Expense	23	12
25. Allowance for Funds Used During Construction	62,898	124,584
26. Total Fixed Charges (22+23+24-25)	264,747	81,296
27. Nonoperating Net Income	6,075,514	4,993,906
28. Extraordinary Items		118,400
29. Jurisdictional Differences		
30. Nonregulated Net Income	1,131,334	1,155,471
31. Total Net Income or Margins (21+27+28+29+30-26)	8,190,023	6,760,235
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	10,363,758	8,190,023
34. Miscellaneous Credits Year-to-Date	7,583	8,441
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date	7,917,211	5,028,195
38. Transfers to Patronage Capital	2,454,130	3,170,269
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	8,190,023	6,760,235
40. Patronage Capital Beginning-of-Year	38,503,941	40,164,809
41. Transfers to Patronage Capital	2,454,130	3,170,269
42. Patronage Capital Credits Retired	793,262	790,841
43. Patronage Capital End-of-Year (40+41-42)	40,164,809	42,544,237
44. Annual Debt Service Payments	3,633,247	3,474,947
45. Cash Ratio [(14+20-10-11) / 7]	0.6245	0.6209
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9292	0.9646
47. TIER [(31+26) / 28]	31.9353	84.1558
48. DSCR [(31+26+10+11) / 44]	3.4177	3.3220



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA
Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Duo County Telephone Cooperative Corporation, Inc.
Jamestown, Kentucky 42629

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Duo County Telephone Cooperative Corporation, Inc., and subsidiaries which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related statements of income, comprehensive income, patronage capital and other equities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audit. 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 opinions.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of Duo County 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.

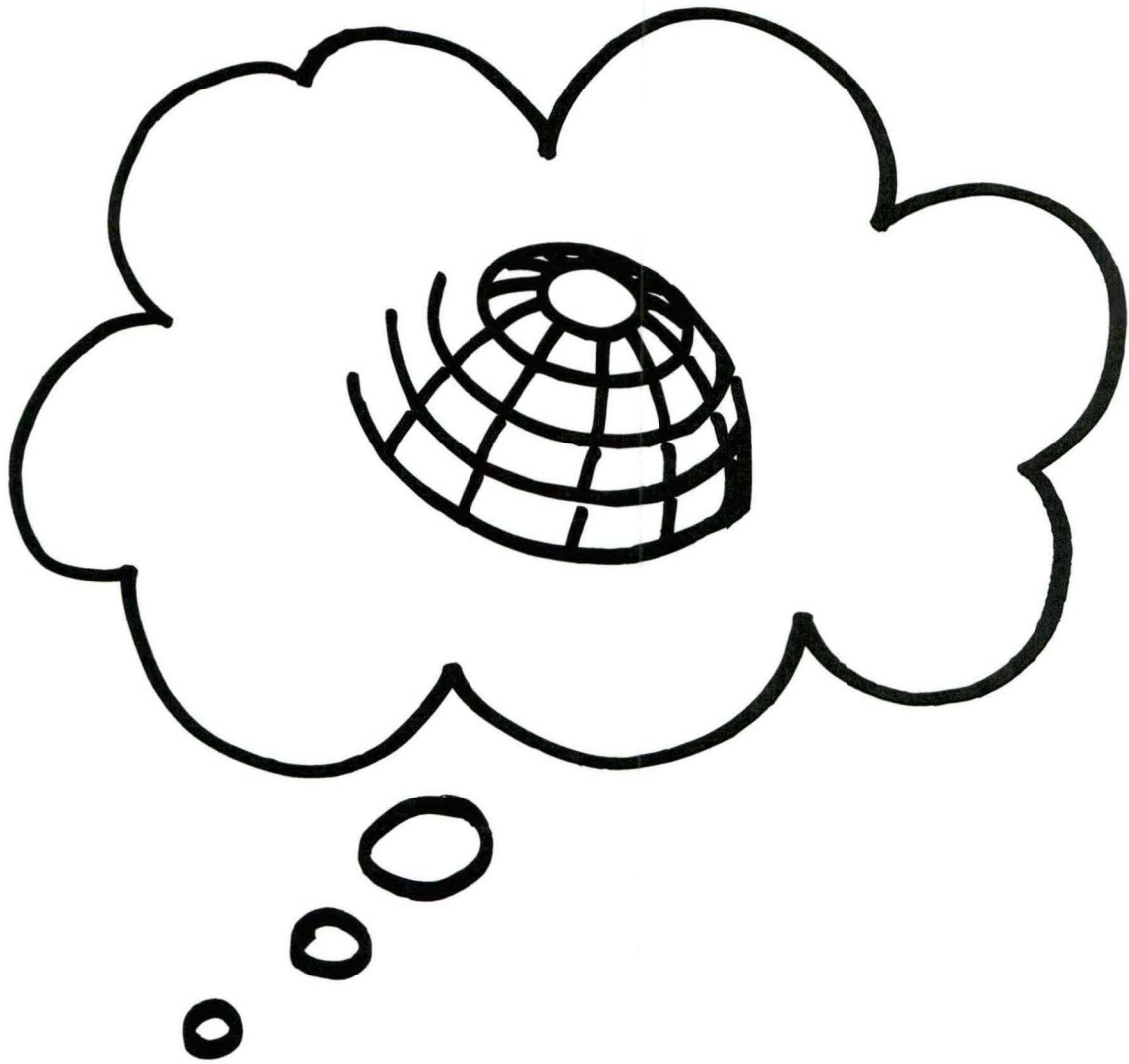
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, on our consideration of the Duo County Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Duo County Telephone Cooperative Corporation, Inc.'s internal control over financial reporting and compliance.

Campbell, Myers & Ratledge, PLLC

Certified Public Accountants

March 26, 2015



Think forward.

2015 Community Report



Looking for the next big idea.



At Duo County Telecom, we're nothing
if not progressive.

We're thinkers, believers, planners, dreamers. But most importantly, we're doers. That's why, in six decades of service to Russell, Adair and Cumberland counties, we are heads above the rest in the services we provide.

The leadership at Duo County Telecom has spent countless hours on idea generation and has given careful consideration to those that could launch our company forward. We have never wanted to be just what we are. We want to be more. Do more. Provide the best and most advanced services within reach. Our evolution from telephone cooperative to full-service telecommunications company is evidence of that.

Over the years, we've been successful in looking to the future to determine what services our customers will want and need and strategically planning a way to provide them. And in many cases, we've been the first to deliver.

We began construction of our fiber optic network in 2009, knowing that within the next decade, technology demands were going to grow at such a fast rate that the need to be able to offer speeds of 100 MBPS or higher would be ever-present. Fiber is essentially future proof, providing the ability for continued speed and growth with minimal expense. As of 2013, only 8.9% of the state's population had access to fiber technology. We are proud to be one of the first telecommunications companies to deliver this sophisticated service to our coverage area.

We continue to bring unique and innovative services to our customers, like Watch TV Everywhere and My Duo Roku TV, both of which offer ways to expand the digital TV experience outside the home and service area. This fall, we will bring our exclusive local coverage to you in HD.

At Duo County Telecom, we strive every day to think forward. And we have a lot of fun doing it.



Thomas E. Preston
Chief Executive Officer

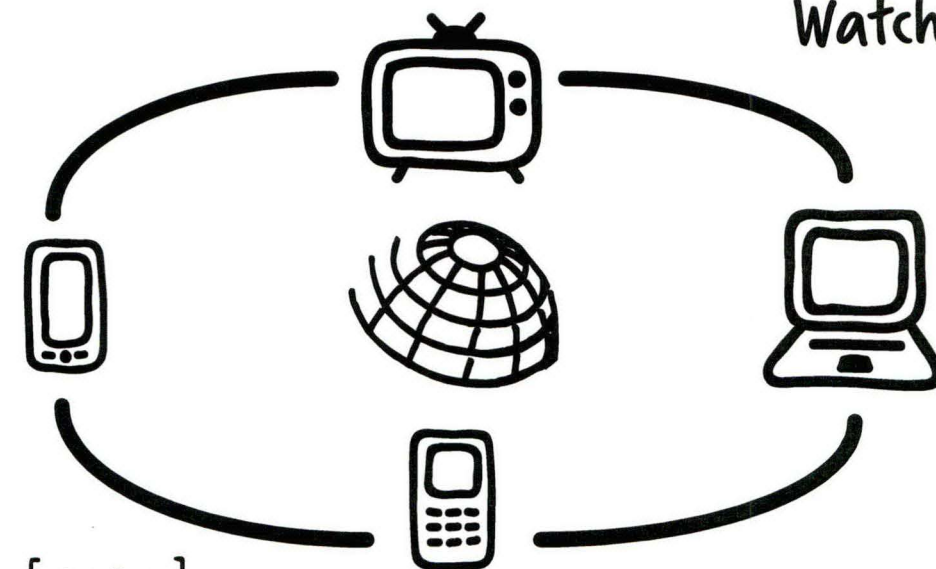


Now playing

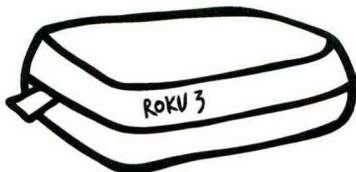
Watch our promo 'Checked out,' featuring our friends at the Russell County Public Library, and a variety of local programming on our YouTube channel!

Watch TV Everywhere (even the library!)

Duo County is continuously looking for new ways for customers to experience its digital TV service, expanding the boundaries of how and where you can watch your favorite programming. When you sign up for our Watch TV Everywhere service at duocounty.com, you no longer have to be at home to experience your digital TV service. You can watch anywhere you are, with a mobile device or computer.



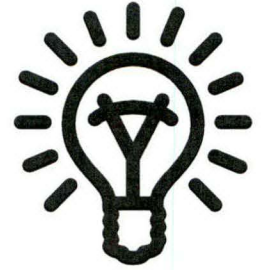
[my] duo



Duo County is also expanding the physical boundaries of digital TV service by offering My Duo Roku TV to Internet customers outside the service area. These customers get the benefit of local programming at a competitive rate, providing an excellent alternative to satellite service.

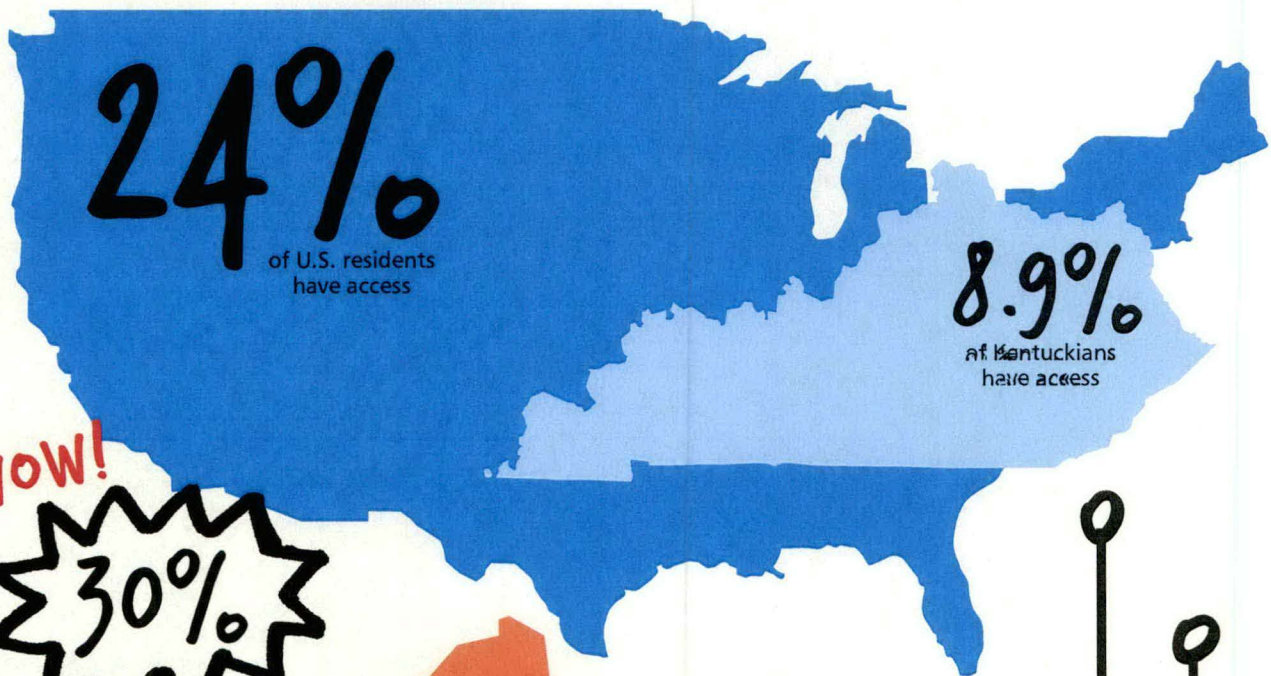
Digital TV

A culture of innovation.



As a result of Duo County's commitment to innovation and planning, we are able to provide services to our customers they can get nowhere else — services that in some cases are unavailable in some of the largest metropolitan areas across the country.

Access to fiber optic services



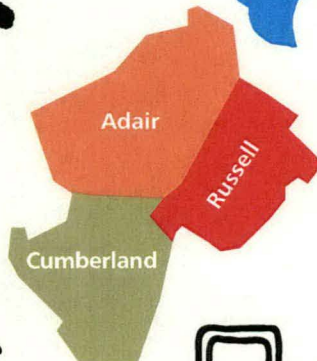
Wow!

30%

of the population
in Duo County's
coverage area
has access to
download speeds of

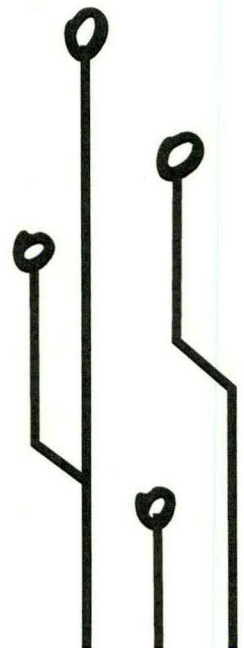
100 MBPS.

Residents in only 30 of 120 Kentucky
counties enjoy speeds this fast.

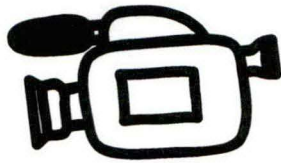


Duo County began
constructing its fiber
optic network, called
Lightspeed, in 2009.
It became operational in

2010.



Soon in HD!



Live & local

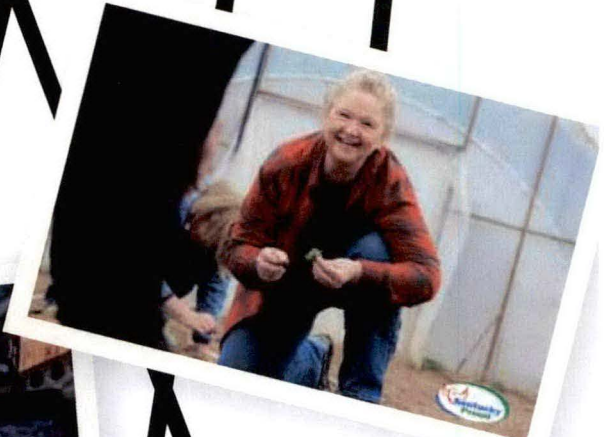


Gov. Steve Beshear visits
Adair County High School

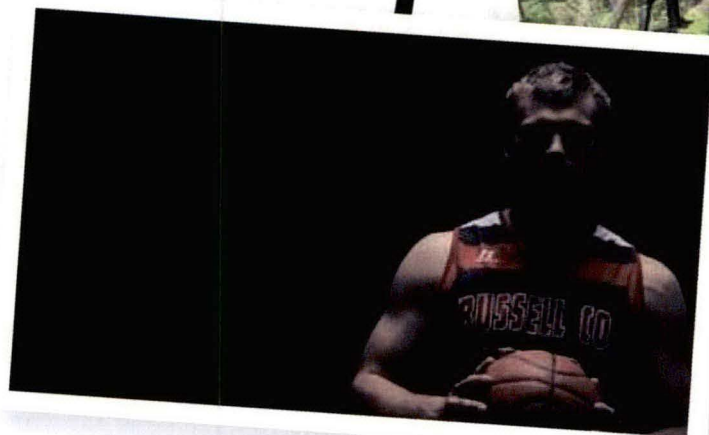
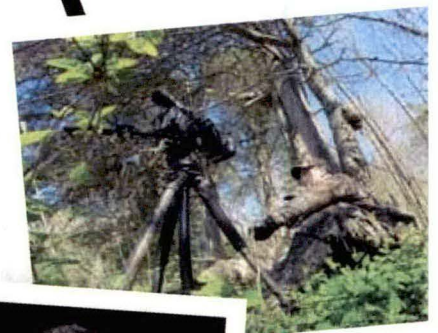
Not only are we forward-thinking in the types of programming we offer, but also the quality. We are dedicated to promoting and supporting our community. So why shouldn't our exclusive local coverage of sports, government and community events — as well as the advertisements produced for our customers in house — be offered in HD? The exciting news is they soon will be. Duo Channel 2 will launch in HD this fall, starting with local high school and Lindsey Wilson College home football games. Government meetings, Plate It Up and other content will be broadcast in HD (and SD for those without HD technology).



Lots of local flavor
on 'Plate It Up' and
'Aaron outdoors' series



Farmers Market
on the Square



Your source for local high school & college sports



Annual financial statement



Duo County Telecom
Consolidated **BALANCE SHEET**
December 31, 2014

Duo County Telecom
Consolidated **STATEMENT OF INCOME**
For Year Ended December 31, 2014

ASSETS	
Current Assets:	
Cash & Temporary Cash Investments	\$11,533,071
Accounts Receivable, Less Allowance for Doubtful Accounts	1,534,186
Materials and Supplies	2,191,254
Accrued Interest Receivable	200,003
Prepaid Expenses	<u>521,278</u>
Total Current Assets	\$15,979,792
Other Assets:	
Long-Term Investments	\$31,592,051
Nonregulated Investments	237,302
Investment in Affiliated Companies:	44,580,674
Deferred Charges	<u>21,546</u>
Total Other Assets	\$76,431,573
Telecommunications Plant:	
Telecommunications Plant in Service	\$94,458,031
Telecommunications Plant Under Construction	11,010,122
Non-Operating Plant	<u>52,008</u>
Total Telecommunications Plant	\$105,520,161
Less Accumulated Depreciation Telecommunications Plant Net	(59,988,243) <u>45,531,918</u>
TOTAL ASSETS	<u>\$137,943,283</u>
LIABILITIES & MEMBERS' EQUITIES	
Current Liabilities:	
Current Portion of Long-Term Debt	\$122,756
Accounts Payable	991,903
Customer Deposits	9,400
Accrued Expenses	<u>2,592,181</u>
Total Current Liabilities	\$3,716,240
Deferred Income Taxes-Noncurrent	\$10,799,661
Total Long-Term Liabilities	\$10,799,661
Other Liabilities and Deferred Credits	\$145,346
Members' Equities:	
Patronage Capital	\$49,304,472
Other Equities	73,620,240
Acc. Other Comprehensive Income/Loss	(988,511)
Other Member Capital	<u>1,345,835</u>
Total Members' Equities	<u>\$123,282,036</u>
TOTAL LIABILITIES/MEMBERS' EQUITIES	<u>\$137,943,283</u>

Operating Revenues:	
Local Network Services	\$8,900,465
Network Access Services	9,884,046
Carrier Billing and Collection	104,782
Miscellaneous Operating Revenue	1,819,416
Uncollectible Revenue	<u>(118,944)</u>
Total Operating Revenues	\$20,589,765
Operating Expenses:	
Plant Specific Operations	\$8,403,420
Plant Nonspecific Operations	1,731,126
Depreciation and Amortization	6,433,387
Customer Operations	1,479,959
Corporate Operations	<u>2,632,033</u>
Total Operating Expenses	\$20,679,925
Nonregulated Income	\$1,155,471
Operating Income	\$1,065,311
Non-Operating Income	\$8,630,807
Provision for Income Taxes	<u>(2,854,599)</u>
Non-Operating Income Net of Taxes	5,776,208
Income Before Interest	\$6,841,519
Interest on Long-Term Debt to RUS	<u>(81,284)</u>
Net of Interest Capitalized \$62,898	
NET INCOME	<u>\$6,760,235</u>

Board of Directors

- Bill Norris
Cumberland County,
President
- Jerry D. Roy
Russell Springs,
Vice President
- Sharon Hill
Jamestown, Secretary
- Joseph Sparks
Adair County, Member
- James E. Monin, MD
Jamestown, Member
- Randy Hart
Russell Springs, Member
- Douglas Butler
Cumberland County,
Member
- Howard Kent Cooper
Legal Counsel
- Thomas E. Preston
Chief Executive Officer



CONTACT US:

(270) 343-3131 [Russell]
(270) 378-4141 [Adair]
(270) 433-2121 [Cumberland]
duotel@duo-county.com



Nearly
\$19 million
in dividends returned
to members since 1988

RECEIVED

MAR 14 2016

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF DUO COUNTY TELEPHONE)
COOPERATIVE CORPORATION, INC.) CASE NO. 2016-00050
FOR A GENERAL ADJUSTMENT IN RATES)

MOTION OF DUO COUNTY TELEPHONE
COOPERATIVE CORPORATION, INC.
FOR WAIVER OF CERTAIN
RATE APPLICATION FILING REQUIREMENTS

Duo County Telephone Cooperative Corporation, Inc. (“Duo”), 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, Duo states as follows.

INTRODUCTION

Duo 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”). Duo 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 Duo County Telephone Cooperative Corporation, Inc. for a General Adjustment in Rates*, Ky. P.S.C. Case No. 2014-00315 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, Duo 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.

Duo’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 Duo’s ratepayers.

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

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

Duo has provided parts A and B of its 2014 RUS operating report containing its TIER calculation, which assesses Duo's actual revenue position compared to its required operating revenues, in Exhibit 5 of the Application.¹ Duo 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, Duo requests waiver of those requirements for the reasons set forth below.

Duo 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

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

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

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

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

Duo'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 Duo's Application. Accordingly, Duo 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.

Duo provided its current and test period depreciation rates used by major plant accounts in Case 2014-00315 (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, Duo 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 Duo has provided, Duo 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.

Duo's most recent annual report to its members is attached as Exhibit 7 to the Application. Duo has also provided its most recent independent auditor's opinion letter as Exhibit 6 to the Application. This constitutes the most recent such information presently available to Duo, and Duo respectfully submits that it should be sufficient to allow the Commission to efficiently evaluate the Application. Consequently, Duo 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.

Duo's annual financial report for 2014, which covers the test period, is on file with the Commission in Case 2014-00315 (Exhibit 5 to Application). This constitutes the most recent such information presently available to Duo, and Duo respectfully submits that it should be sufficient to allow the Commission to efficiently evaluate the Application. Consequently, Duo seeks a waiver of 807 KAR 5:001, Section 16(4)(r).

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

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

2013 Order at ¶ 3.d.

Historical and projected line loss.

Duo has provided historical data concerning line loss, as well as line loss projections through June of 2015, in Exhibit 1 to its Application. Duo 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 Duo has provided, Duo seeks waiver of the filing requirements that appear in the 2013 Order at ¶ 3.d.

ALTERNATIVE REQUEST FOR RELIEF

Duo is required to adjust its rates by June 1 2016, to comply with the FCC's 2016 rate floor. Failure to comply with the rate floor or failure to meet the regulatory deadline will cause Duo 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 Duo, 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 Duo 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 Duo's proposed rates are put into effect on June 1, 2016, as requested in the Application.

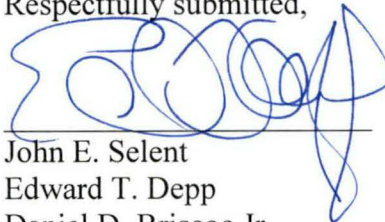
In the event the Commission thinks it appropriate to deny any portion of Duo's waiver request, Duo respectfully requests that the Commission not treat any missing information as a deficiency pursuant to 807 KAR 5:001, Section 16(9). Instead, Duo respectfully requests that the Commission (i) accept the Application for filing as of March 11, 2016, (ii) grant all waivers on a temporary basis in lieu of denying them, (iii) order that Duo's proposed rates will be effective subject to refund (if necessary) on June 1, 2016, and (iv) if necessary, order Duo to file any additional information the Commission believes it needs to fully consider the proposed rate change.

CONCLUSION

Duo's requested waivers are consistent with the waivers granted by the Commission in the 2014 Rate Floor Proceedings. Furthermore, in each case, Duo 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 Duo seeks waiver, it would be unduly expensive for Duo to gather the information and prepare the

reports in the timeframe of this case. Accordingly, Duo has demonstrated good cause, and it respectfully requests that the Commission grant the requested waivers.

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.

DINSMORE & SHOHL LLP

101 South Fifth Street

Suite 2500

Louisville, KY 40202

Phone: 502.540.2300

Fax: 502.585.2207

john.selent@dinsmore.com

tip.depp@dinsmore.com

daniel.briscoe@dinsmore.com

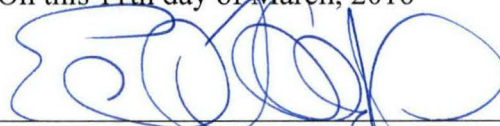
*Counsel to Duo County Telephone
Cooperative Corporation, Inc.*

CERTIFICATE OF SERVICE

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

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

On this 11th day of March, 2016



*Counsel to Duō County Telephone
Cooperative Corporation, Inc.*

10214682v1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 14 2016

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF DUO COUNTY TELEPHONE)
COOPERATIVE CORPORATION, INC.) CASE NO. 2016-00050
FOR A GENERAL ADJUSTMENT IN RATES)

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

1. Duo County Telephone Cooperative Corporation, Inc. (“Duo”) hereby petitions the Kentucky Public Service Commission (the “Commission”), pursuant to 807 KAR 5:001, Section 13, and KRS 61.878, to grant confidential treatment to certain information Duo is contemporaneously filing with its application for a general adjustment in rates (the “Application”). The information Duo 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.
- c. Exhibit 1, Attachment C 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 Duo 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, Duo 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 Duo's Competitors.

7. The Confidential Information identified in the exhibits to Duo's Application and listed in Paragraph 2 above consists of information related to the inner workings of Duo, including financial and service usage details. This information "if openly disclosed would present an unfair commercial advantage to competitors" of Duo, 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. Duo, as a participant in the telecommunications market, faces economic competition from other entities in the same market. Duo competes in the telecommunications market to sell telecommunication services to customers. With the increased penetration of alternatives to basic local service such as VoIP and wireless services, Duo faces an increasingly competitive market. Duo'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, Duo has "competitors" as is contemplated under the statute and faces actual competition from other market participants. The Confidential

Information contained in Duo's Application would result in an "unfair commercial advantage to competitors" of Duo 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 Duo 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 Duo confidential treatment to comparable information as is requested here. *See Application of Duo County Telephone Cooperative Corporation, Inc. for a General Adjustment in Rates*, Ky. P.S.C. Case No. 2014-00315 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 Duo, including financial and service usage details:

- a. The Confidential Information in Exhibit 1 of the Application consists of data related to the revenue changes Duo 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.
- c. The Confidential Information in Exhibit 1, Attachment C contains detailed usage data including underlying costs regarding Duo’s purchase of competitive call termination services from its underlying carrier.

13. The disclosure of the above-referenced Confidential Information would provide competitors an unfair competitive advantage, allowing them insight into Duo’s financial position and giving them the ability to unfairly tailor their competitive efforts against Duo in light of this Confidential Information. For these reasons, Duo 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), Duo 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.

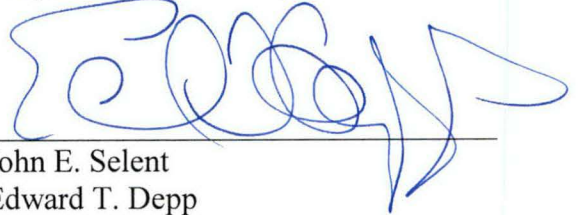
CONCLUSION

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

On this the 11th 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.
DINSMORE & SHOHL LLP
101 South Fifth Street
Suite 2500
Louisville, KY 40202
Phone: (502) 540-2347
Facsimile: (502) 585-2207
john.selent@dinsmore.com
tip.depp@dinsmore.com
daniel.briscoe@dinsmore.com


*Counsel to Duo County 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 11th day of March, 2016.



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