COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF THACKER-GRIGSBY TELEPHONE COMPANY, INC.	))	CASE NO. 2013-00195

<u>ORDER</u>

On April 23, 2013, Thacker-Grigsby Telephone Company, Incorporated ("Thacker-Grigsby") filed with the Commission revised tariff sheets that contained a general adjustment of its rates for basic local exchange service. Thacker-Grigsby informed the Commission of its intent to place its proposed rates into effect on and after May 31, 2013, in order to meet the rate floor mandated in 47 C.F.R. § 54.318. On May 29, 2013, the Commission found that further proceedings were necessary to determine the reasonableness of the proposed rates and that such proceedings could not be completed prior to the proposed effective date. The Commission suspended the proposed rates from May 31, 2013, until June 1, 2013, when they were allowed to go into effect subject to refund.

The Commission's May 29, 2013 Order also required Thacker-Grigsby to comply with certain filing requirements related to a general rate increase in accordance with the Commission's administrative regulations. The Order also requested certain information related to the proposed rate increase to be filed no later than June 10, 2013.

Thacker-Grigsby filed with the Commission on June 11, 2013, most of the information requested, along with a request for a deviation from 807 KAR 5:001, Sections 16(1)(b)(5), 16(2), 16(9)(b), 16(9)(g), 16(9)(i), 16(9)(j), 16(9)(k), 16(9)(m), 16(9)(n), 16(9)(o), 16(9)(q), 16(9)(r), 16(1)(b)(4), 16(1)(b)(6), 16(9)(d), and 16(9)(h).[1] Thacker-Grigsby states that it does not have the data requested by the Commission in the May 29, 2013 Order and requests that the Commission allow it to deviate from the filing requirements in ordering paragraph 3.a. of the May 29, 2013 Order. Thacker-Grigsby also requested a one-day extension of time in which to file the requested information, stating that the application was placed in the Commission's night depository box just a few hours after the Commission's close of business and that no prejudice will result from the granting of the extension.

Thacker-Grigsby filed its proposed increased rates to comply with the 2011 directive of the Federal Communications Commission ("FCC") that, *inter alia*, comprehensively reformed intercarrier compensation.[2] In addition to establishing a glide path to reduce access charges to zero, the FCC's ICC/USF Order also established a rate floor for local exchange rates.[3] The FCC required that Local Exchange Carriers, such as Thacker-Grigsby, shall be eligible to receive high-cost support in a study area only if their rates for local exchange service are at or above the rate floor on June 1 of every subsequent year. Failure to meet the rate floor will result in forfeiture of the high-cost support that the carrier would have otherwise received for that year.[4]

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[1] The administrative regulations from which Thacker-Grigsby seeks deviation have been renumbered since the filing of Thacker-Grigsby's motion for deviation.

[2] See, *In the matter of Connect America Fund et. al., Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161 (November 18, 2011) ("FCC's ICC/USF Order").

[3] *Id.* at ¶ 238.

[4] *Id.* at ¶ 239.

The Commission is cognizant that Thacker-Grigsby's ability to receive high-cost loop support will be jeopardized if its rates for basic local exchange service are not at or above the $14.00 rate floor mandated in the FCC's ICC/USF Order. The loss of Federal funding will necessitate even larger rate increases in the future to offset loss of Federal funding.

Thacker-Grigsby is a rural incumbent local exchange carrier serving individuals and businesses within all of Knott County (the "Service Territory"). Thacker-Grigsby was established in 1956 as a corporation to provide local telephone service to business and individual customers within the exchanges of Hindman, Mousie, Topmost, Cody, Pippa Passes, and Fisty, Kentucky. Thacker-Grigsby provides service to approximately 11,785 residential lines and 3,334 business lines. Thacker-Grigsby is an eligible telecommunications carrier ("ETC") in the communities it serves and is also the carrier of last resort ("COLR") in its Service Territory. In 2012, Thacker-Grigsby did not receive any funds from the High Cost Loop Support ("HCLS"); however it expects to become a recipient in the future, and without this increase to its residential rate, it will not be eligible.

Thacker-Grigsby has not had a rate increase since 1978 and states it would not otherwise make this filing were it not for the FCC's ICC/USF Order. Thacker-Grigsby has provided ample notice to its members. Because Thacker-Grigsby's current rates were below the June 1, 2013 rate floor established by the FCC, Thacker-Grigsby had to increase its rate in order to avoid a loss of eligibility of HCLS. To meet the $14.00 residential rate floor established by the FCC, Thacker-Grigsby proposes to increase its residential rates from $5.14 to $14.00 and business services rates from $9.16 to $17.42, which will produce an annual increase in revenue of approximately $476,585. To mitigate the impact of the rate increase on its subscribers Thacker-Grigsby will significantly expand the local calling areas it offers to its customers in order to provide a calling scope closer to those subscribers in urban areas. Thacker-Grigsby will offer local calling to exchanges in Pike, Perry, Magoffin, Letcher, Leslie, Knott, Floyd, and Breathitt counties. Thacker-Grigsby has demonstrated through confidential schedules that the implementation of the expanded local calling scope and the increase in local service charges will result in only a slight increase to each individual customer.

Additionally, as part of the FCC's ICC/USF Order, the FCC established that the intercarrier compensation collected in the 2011 fiscal year, from October 1, 2010, to September 30, 2011, was the maximum amount of allowed revenues from intercarrier compensation. In addition, the FCC's ICC/USF Order established a phase-down schedule of those maximum amounts allowed, requiring that the maximum intercarrier compensation amount be reduced by 5.00 percent for the 2012 fiscal year and 4.75 percent for the 2013 fiscal year. With this change, Thacker-Grigsby cannot collect more than the maximum intercarrier compensation revenue amount established by the FCC. This reduction was approximately [confidential number] for Thacker-Grigsby's 2012 fiscal year, and the cumulative reduction at the end of Thacker-Grigsby's 2013 fiscal year is approximately [confidential number]. Therefore when combined with the increase in revenue from the proposed rate increase and the lost revenue for expanded local calling, Thacker-Grigsby's total revenue will be lower than it was prior to the FCC's ICC/USF Order.

The Commission also notes that the telecommunications market has gone through and continues to go through major changes. The General Assembly has enacted significant changes to the authority of the Commission in light of competitive choices and options available to consumers.[5] For example, the Commission has jurisdiction only over basic service rates of telecommunication companies, which include only a single business or residential service line.[6] All other retail rates of the telecommunication's companies are not subject to the Commission's rate regulation. The Commission also notes that in the case of Thacker-Grigsby, it is a cooperative organization subject to the board of directors of the cooperative and its member owners.

The Commission finds that, based on the foregoing information submitted by Thacker-Grigsby and the potential loss of high-cost support, the rate increase should be granted on a permanent basis. Thacker-Grigsby has demonstrated that the proposed rate increase, under the circumstances of this case, is reasonable. The Commission finds that Thacker-Grigsby should be granted deviation from the filing requirements of 807 KAR 5:001, Sections 16(1)(b)(4), 16(2), 16(4)(b), 16(4)(g), 16(4)(i), 16(4)(j), 16(4)(k), 16(4)(m), 16(4)(n), 16(4)(o), 16(4)(q), 16(4)(r), 16(1)(b)(3), 16(1)(b)(5), 16(4)(d), and 16(4)(h).[7] The Commission also finds that Thacker-Grigsby should not be required to file the information requested in ordering paragraph 3.a. of the May 29, 2013 Order. Finally, the Commission finds that Thacker-Grigsby's motion for an extension of

[5] KRS 278.541–544.

[6] KRS 278.541(1).

[7] As noted, *supra*, the regulations from which Thacker-Grigsby seeks deviation have been renumbered; accordingly, the regulations listed here correspond to the regulations as currently numbered and promulgated.

time in which to respond to the Commission's Order of May 29, 2013, should be granted.

IT IS THEREFORE ORDERED that:

1. Thacker-Grigsby is granted deviation from 807 KAR 5:001, Sections 16(1)(b)(4), 16(2), 16(4)(b), 16(4)(g), 16(4)(i), 16(4)(j), 16(4)(k), 16(4)(m), 16(4)(n), 16(4)(o), 16(4)(q), 16(4)(r), 16(1)(b)(3), 16(1)(b)(5), 16(4)(d), and 16(4)(h).

2. Thacker-Grigsby is granted deviation from the filing requirements in ordering paragraph 3.a. of the Commission's May 29, 2013 Order.

3. Thacker-Grigsby's proposed increase in basic local exchange service rates, as set forth in the tariff attached to its application filed June 11, 2013, are approved.

4. Thacker-Grigsby's motion for an extension of time in which to file responses to the Commission's Order of May 29, 2013, is granted.

5. Within 20 days of the date of this Order, Thacker-Grigsby shall file using the Commission's electronic Tariff Filing System its revised tariff sheets containing the rates approved herein and signed by an officer of the utility authorized to issue tariffs, shall reflect that they were approved pursuant to this Order, and shall contain an effective date of June 1, 2013.

6. Any future increases to basic local exchange rates necessitated by the FCC's ICC/USF Order shall be filed as an application in compliance with Commission regulations.

By the Commission

ENTERED

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KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2013-00195

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