

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF DUO COUNTY TELEPHONE) CASE NO. 2014-00315
COOPERATIVE CORPORATION, INC.)
FOR A GENERAL ADJUSTMENT IN RATES)

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

Duo County Telephone Cooperative Corporation, Inc. (“Duo County”), by counsel, in connection with the contemporaneous filing of its rate adjustment application (the “Application”) and pursuant to 807 KAR 5:001, Section 16(10), hereby moves the Public Service Commission of the Commonwealth of Kentucky (the “Commission”) for waiver, for good cause, of certain filing requirements set forth in 807 KAR 5:001, Section 16. In support of its request, Duo County states as follows.

INTRODUCTION

Duo County files its Application in order to adjust its rates to comply with the 2014 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”). In the Commission’s June 28, 2013 Order (the “2013 Order”) in Case No. 2013-00184 (the “2013 Rate Floor Proceeding”), the Commission recognized “the mandatory and time-sensitive nature of the FCC’s rate floor, and that all of the information specified in 807 KAR 5:001, Section 16, may not be necessary to support an increase in basic local exchange rates under these circumstances.” (2013 Order at 2.) Later in that proceeding, the Commission granted Duo County a waiver of certain requirements

of 807 KAR 5:001, Section 16, and the 2013 Order. *See In the Matter of Tariff Filing of Duo County Telephone Cooperative Corporation, Inc.*, Ky. P.S.C. Case No. 2013-00184, Order (Feb. 3, 2014) (“2013 Waiver Order”).

In light of the waivers granted in the 2013 Rate Floor Proceeding, Duo County now moves for waiver of certain requirements of 807 KAR 5:001, Section 16, and the 2013 Order.

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 County’s Application is simply a response to the regulatory pronouncement of the FCC; it has not been filed to address a financial need for additional revenue from Duo County’s ratepayers. Furthermore, the Commission acknowledged in the 2013 Rate Floor Proceeding that “all of the information specified in 807 KAR 5:001, Section 16, may not be necessary to support an increase in basic local exchange rates under these circumstances.” (2013 Order at 2.)

Wherefore, Duo County requests waiver of the filing requirements identified below. These requested waivers are consistent with the waivers the Commission granted to Duo County during the 2013 Rate Floor Proceeding. *See, e.g.*, 2013 Waiver Order (granting waiver of the

requirements of, among others, 807 KAR 5:001, Section 16(4)(h), 16(4)(i), 16(4)(n), 16(4)(q), and 16(4)(r)). A brief supporting narrative is included for each of these requests.

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

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

Duo County'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 County has provided a detailed narrative explanation of its proposed rate adjustment in Exhibit 1 of the Application. Duo County asserts that the information provided in the Application does not require further explication through prepared testimony. Accordingly, Duo County 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 County has provided parts of its 2013 RUS operating report containing its TIER calculation, which assesses Duo County's actual revenue position compared to its required operating revenues, in Exhibit 5 of the Application. Duo County 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 County requests waiver of those requirements for the reasons set forth below.

Duo County does not seek a rate adjustment in this proceeding based on a failure to earn an adequate rate of return. The changes in rates that it seeks are requested in order to maintain eligibility to receive the maximum amount of High Cost Loop Support (“HCLS”) and are expected by Duo County 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 County’s proposed rate adjustment is simply a response to the regulatory pronouncement of the FCC, Duo County has not prepared a cost study analyzing its revenue requirement at a state level. It would be excessively expensive for Duo County 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 County’s Application.

Accordingly, 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)(h).

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

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

Duo County’s Application is filed for the purpose of implementing rates to secure the maximum amount of HCLS funding, and not because of a financial need to obtain more revenue from its customers. The new basic local rate was determined based on the rate floor set in the FCC’s ICC/USF Order, and not determined based on the rate base and capital. This data is thus irrelevant to the proposed rate adjustment and will not aid the Commission in evaluating Duo County’s Application. Accordingly, Duo County 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 County has provided its current and test period depreciation rates used by major plant accounts as Exhibit 7 to its Application. This exhibit satisfies the filing requirements of 807 KAR 5:001, Section 16(4)(n), because Duo County believes it has adopted the Commission's average depreciation rates. In addition, in light of the special circumstances of this rate floor filing, Exhibit 7 provides information sufficient to allow the Commission to efficiently evaluate the Application.

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

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

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

Duo County's annual financial report for 2013, which covers the test period, is on file with the Commission. Because this information should be sufficient to allow the Commission to efficiently evaluate the Application, Duo County seeks waiver of 807 KAR 5:001, Section 16(4)(r).

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

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

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

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

ALTERNATIVE REQUEST FOR RELIEF

Duo County is required to adjust its rates to comply with the FCC's 2014 rate floor effective December 1, 2014. Failure to comply with the rate floor or failure to meet the regulatory deadline could cause Duo County to lose significant federal subsidies that it has historically been allowed to provide service to the most costly, rural customers. That loss of federal funding could threaten the financial existence of Duo County, 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 County would need to

raise its rates dramatically to reflect the full, unsubsidized costs of providing service in high-cost rural areas. Accordingly, it is of paramount importance that Duo County's proposed rates are put into effect on November 30, 2014 as requested in the Application.

In the event the Commission thinks it appropriate to deny any portion of Duo County's waiver request, Duo County respectfully requests that the Commission not treat any missing information as a deficiency pursuant to 807 KAR 5:001, Section 16(9). Instead, Duo County respectfully requests that the Commission (i) accept the Application for filing as of October 24, 2014, (ii) grant all waivers on a temporary basis in lieu of denying them, (iii) order that Duo County's proposed rates will be effective subject to refund (if necessary) on November 30, 2014, and (iv) if necessary, order Duo County to file any additional information the Commission believes it needs to fully consider the proposed rate change.

CONCLUSION

Duo County's requested waivers are consistent with the waivers granted by the Commission in the 2013 Rate Floor Proceeding. Furthermore, in each case, Duo County 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 County seeks waiver, it would be excessively expensive for Duo County to gather the information and prepare the reports in the timeframe of this case. Accordingly, Duo County has demonstrated good cause and the Commission should grant the requested waivers.

Respectfully submitted,




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CERTIFICATE OF SERVICE

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

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

On this the 24th day of October, 2014



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