

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF DUO COUNTY TELEPHONE) CASE NO.
COOPERATIVE CORPORATION, INC.) 2013-00184

ORDER

On April 5, 2013, Duo County Telephone Cooperative Corporation, Inc. ("Duo County") filed with the Commission revised tariff sheets that contained a general adjustment of its rates for basic local exchange service. Duo County informed the Commission of its intent to place its proposed rates into effect on or after May 10, 2013 in order to meet the rate floor mandated in 47 C.F.R. § 54.318. On May 9, 2013, 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 10, 2013 until June 1, 2013, when it was allowed to go into effect subject to refund.

Duo County filed its proposed increased rates to comply with the directive of the Federal Communications Commission ("FCC") in its Order that, inter alia, comprehensively reformed intercarrier compensation. 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. The FCC required Local Exchange Carriers ("LEC") such as Duo County which are in a study area to have in place by June 1 of every subsequent year rates for local exchange service at or above a floor in order to receive

high-cost support. 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.

The Commission, in the past, has held that a general adjustment in rates cannot be made simply through a tariff filing. A utility must file an application that complies with the filing requirements of 807 KAR 5:001 Section 16, which, *inter alia*, requires that certain financial information be filed with the Commission and notice be given to customers. Duo County's tariff filing seeking to raise local exchange rates is a general adjustment in rates and, therefore, an application for a general adjustment in rates must be filed pursuant to 807 KAR 5:001, Section 16, and comply with all requirements therein. Duo County's tariff filing does not comply with this regulation and cannot be put into effect on the proposed effective date.

The Commission is cognizant that Duo County'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 ICC/USF. Therefore the Commission allowed the proposed rates to go into effect on June 1, 2013, subject to refund. The Commission also acknowledges that, because of the mandatory nature of the FCC's rate floor, 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.

At the very least, the Commission will require that Duo County file the information required in 807 KAR 5:001, Section 16(1)(a)(1), (1)(b)(4), (1)(b)(6), (3)(b)(1), (4), (6), (9)(a), (9)(d), (9)(f), (9)(h), and (10). Except as required above, Duo County may

request a deviation, pursuant to 807 KAR 5:001, Section 16(15), from the other requirements of 807 KAR 5:001, Section 16.

Based on the foregoing, IT IS THEREFORE ORDERED that:

1. Within ten days of the date of this Order, Duo County shall file with the Commission an application to support its proposed tariff to increase rates for local exchange service. The application shall comply with 807 KAR 5:001 Section 16, except for any waivers that may be granted or requirements other than those specified in the findings above.

2. The application shall also contain:

a. The estimated annual revenue to be received from High Cost Loop Support beginning July 1, 2013.

b. The estimated annual revenue to be lost due to adjustment of terminating access rates effective July 1, 2013.

c. The total estimated annual revenue (increase or decrease) to be generated by the tariff changes. Include a breakout for each service or category of service to show changes in revenue.

d. Historical and projected line counts and the effects of any line changes on the company.

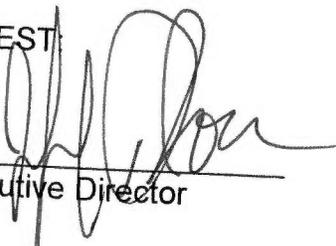
e. Historical and projected federal universal service support and its effects on the company.

f. A narrative of any other circumstances that justify or support the proposed rate changes.

By the Commission

ENTERED
JUN 28 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

Case No. 2013-00184

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