

TDS Statement No. 1
Administrative Case No. 2010-00398
Witness: Bruce H. Mottern
Date Admitted: _____

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE) ADMINISTRATIVE CASE
SWITCHED ACCESS RATES OF) NO. 2010-00398
KENTUCKY INCUMBENT AND)
COMPETITIVE LOCAL EXCHANGE)
CARRIERS)

PREPARED DIRECT TESTIMONY OF BRUCE H. MOTTERN
ON BEHALF OF
TDS TELECOM
(LESLIE COUNTY TELEPHONE COMPANY,
LEWISPORT TELEPHONE COMPANY, AND
SALEM TELEPHONE COMPANY)

PUBLIC VERSION

Distributed: July 8, 2011

1 **I. INTRODUCTION**

2 **Q. Please state your name, occupation and business address.**

3 A. My name is Bruce H. Mottern. I hold the position of Manager – State
4 Government Affairs for TDS Telecom. My business address is 10025 Investment Drive,
5 Suite 200 Knoxville, TN 37932.

6

7 **Q. Please state your relevant experience and education background.**

8 A. I have a Bachelor of Science degree in Accounting from Mount St. Mary's
9 College, and a Masters in Business Administration from the University of Tennessee.

10 I have been involved in the telecommunications industry for approximately 30
11 years, having begun my telecommunications career with Contel Service Corporation as a
12 Financial Analyst working in the Revenue Requirements and Cost Study groups. In these
13 roles I was responsible for cost studies and rate case / earnings review filings. In 1987, I
14 joined John Staurulakis, Inc. as a Consultant working with approximately 16 small
15 incumbent local exchange carriers. In this capacity, I prepared cost studies, rate cases and
16 special projects including acquisition analysis. In 1991, I joined TDS Telecom as a
17 Manager covering North Carolina, Tennessee and Virginia and, in 1992, I was promoted
18 to Directory Regulatory Affairs with responsibility for all regulatory and industry issues
19 impact the BellSouth states plus Virginia. In 1994, I was promoted to Director Revenue
20 and Earnings with responsibility for the regulated earnings in all of TDS Telecom. From
21 November 2006 through March 2007, I served as the Interim Director Carrier Relations
22 responsible for all ILEC and CLEC carrier relations including interconnection issues and
23 carrier access billing. In May 2007, I assumed my current role as Manager State
24 Government Affairs for Kentucky, Ohio and Tennessee with responsibility for all

1 regulatory, legislative and industry issues. I have previously testified on many different
2 occasions in various states.

3
4 **Q. On whose behalf are you submitting your testimony in this proceeding?**

5 A. I am testifying on behalf of Leslie County Telephone Company, Lewisport
6 Telephone Company, and Salem Telephone Company all of whom are subsidiaries of
7 TDS Telecommunications Corp. (collectively “TDS Telecom” or “TDS Companies”).

8
9 **Q. Please describe the TDS Companies.**

10 A. The TDS Companies are all “rural telephone companies” as defined under the
11 Telecommunications Act of 1996 (“TCA-96”), operate as the incumbent local exchange
12 carrier (“ILEC”) and have carrier of last resort responsibilities (“COLR”) throughout
13 their service areas. TDS operates in nine exchanges in Kentucky serving a total of
14 11,155 access lines as follows:

15 [BEGIN CONFIDENTIAL]

16 Exchanges Access Lines
17
18
19
20
21
22
23
24
25

26 [END CONFIDENTIAL]

27
28
29 TDS’s service areas encompass some of the most rural and agrarian communities of
30 Kentucky. The companies’ overall customer mix is heavily weighted towards residential

1 consumers. The customer density ranges from 7 to 31 customers per square mile. This is
2 extremely rural, even by rural telephone company standards. And the populace is by no
3 means affluent. The median household income and unemployment percentages range
4 from \$23,863 (Leslie County) to \$48,464 (Lewisport) and between 9% to 14%,
5 respectively.

6
7 **II. SUMMARY OF TESTIMONY**

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to demonstrate that the TDS Companies remain
10 supportive of intrastate switched access reductions, provided that a balance of the various
11 affected public interests is maintained.

12
13 **Q. Are the TDS Companies generally opposed to intercarrier compensation reform,
14 including intrastate switched access reform?**

15 A. No. The TDS Companies are generally supportive of intercarrier compensation
16 changes that are rational, fair, comprehensive and meaningful.

17
18 **Q. What are the characteristics of a reform plan that should be considered by the
19 Commission?**

20 A. Any reform adopted by this Commission should ensure affordable local rates for
21 end users and should provide predictable sources of revenue to local voice service
22 providers as they continue long range network investment planning and fulfill their
23 carrier of last resort obligation. To the extent the Commission finds that adjustments to

1 intercarrier compensation are needed and that such adjustments would affect retail local
2 service rates, the Commission should provide a reasonable transition period so that local
3 voice service providers may adjust their business plans and avoid consumer rate shock.
4

5 **Q. Are intrastate access charges important to the TDS Companies?**

6 A. Yes, most definitely. As the Commission expressly acknowledges in its Order,
7 “intrastate access charges are a significant source of revenue for many carriers,”¹a
8 description which certainly includes the TDS Companies. Serving rural Kentucky as a
9 carrier of last resort (“COLR”), local rates are only maintained at an affordable level,
10 comparable with urban rates, by contribution to network costs associated with access
11 charges. As the COLR, the TDS Companies provide continued investments that support
12 economic development in the rural areas of Kentucky they serve.

13 The contribution from access charges permits the TDS Companies to successfully
14 meet the challenges of serving in rural Kentucky. Of course, the contribution to network
15 cost recovery made by access charges has been eroding as a result of competition.
16 Therefore, the TDS Companies appreciate the Commission’s recognition of the
17 challenges in maintaining their traditional voice services, while extending its broadband
18 network, for the benefit of rural Kentuckians. The TDS Companies agree that decreases
19 in revenue, without countervailing compensation from another source, will “highly
20 impact” the rural telephone companies of Kentucky, their customers and communities
21 served and should not be taken lightly.
22

23 **Q. What has been the recent trend in access lines and minutes for these companies?**

¹ Order at 1.

1 A. Due to competition in many, but not all, parts of our service territories, our
2 business is substantially decreasing and the trend will continue. The following shows
3 our access minutes over the last few years:

4 [BEGIN CONFIDENTIAL]

5 Leslie County Telephone Company

6

2008	2009	2010

7

8

9 Lewisport Telephone Company

10

2008	2009	2010

11

12

13 Salem Telephone Company

14

2008	2009	2010

15

16

17 [END CONFIDENTIAL]

18 The following are our access lines:

19 [BEGIN CONFIDENTIAL]

20 Leslie County Telephone Company

21

2008	2009	2010

22

23

24 Lewisport Telephone Company

2008	2009	2010

Salem Telephone Company

2008	2009	2010

[END CONFIDENTIAL]

Q. Are intrastate access revenues a significant portion of the TDS Companies' intrastate revenues?

A. Yes. Carrier access revenue is a very significant portion of the companies' regulated revenue. The significance of our intrastate revenues as a portion of all of our intrastate regulated revenues is: [BEGIN CONFIDENTIAL]

[END CONFIDENTIAL] based upon 2010 figures.

Q. How do the TDS Companies suggest that access reform be approached?

A. The TDS Companies suggest an approach to access rate reform which is uncomplicated and practical. Recognizing that current revenue streams are not only critical to a financially stable RLEC community, but also a backbone of the Commission's universal service policies, the Commission should create a revenue replacement fund of the type adopted or under consideration in many other states.. An access revenue replacement fund is a critical component of and the key to balancing access charge restructuring while maintaining affordable and comparable local rates and services.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

III. HISTORY OF KENTUCKY AND FEDERAL ACCESS RATES

Q. Can you please identify the regulated telecommunications services provided by the TDS Companies?

A. Yes. They are principally two, retail local service (dial tone service) and the use by other carriers of the local network to originate and terminate phone calls dialed or received by their end user customers (switched access service).

Q. How are customers charged for these services?

A. Local service customers are charged a monthly flat rate for dial tone and any other ancillary services ordered. Our basic local exchange rates range from between \$10.65 per month to \$13.30.

Access customers are charged a combination of usage-based rates, a monthly flat carrier common line charge (“CCL”) and the Non-Traffic Sensitive Revenue Requirement (“NTSRR”).² Kentucky currently has no universal service fund.

Q. What is the purpose of a universal service fund?

A. The objective of a universal service fund (“USF”) is to render support currently provided by access charges explicit (i.e., external), rather than being implicitly included within the access charges themselves. A majority of the states have employed a USF as a part of access reform.

² The TDS Companies utilize the Per Minute Rate Method provision of the tariff to assess NTSRR charges on a per terminating minute basis.

1 **Q. Please describe the FCC's access charge efforts.**

2 A. The FCC concluded in 2001 that all federally allocated loop costs should be
3 recovered from end users, but then found that the resulting local rates were too high.³
4 The FCC's *CALLS Order* in 2000⁴ and *MAG Order* in 2001 made specific reductions to
5 remove all implicit support from the interstate access rates of non-rural and rural
6 telephone companies, respectively, and initiated an increase in the end-user charge,⁵ as
7 well as new explicit federal universal service mechanisms. This last step was a critical
8 component.

9

10 **Q. Did the FCC strip all loop and other joint/common costs from access rates?**

11 A. Yes, from the tariffed rates themselves, but these costs were then reassigned to
12 the federal universal service fund. The FCC determined that loop and other
13 joint/common costs should not be recovered from the tariffed access, but rather
14 should be partially recovered from local rates (\$3.00 per month) and the remainder from
15 its universal service funding programs. Hence, federal access revenue streams paid for by

3

In the Matter of Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service; Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation; Prescribing the Authorized Rate of Return For Interstate Services of Local Exchange Carriers; CC Docket Nos. 00-256, 96-45, 98-77 and 98-166; Second Report and Order and Further Notice of Proposed Rulemaking In CC Docket No. 00-256, Fifteenth Report and Order In CC Docket No. 96-45, and Report And Order In CC Docket Nos. 98-77 and 98-166, released November 8, 2001 ("MAG Order") at ¶ 17 ("For example, the costs of the common line or loop that connects an end user to a LEC central office should be recovered from the end user through a flat charge, because loop costs do not vary with usage. Yet the SLC, a flat monthly charge assessed directly on end users to recover interstate loop costs, has, since its inception, been capped due to affordability concerns.")

In the Matter of Access Charge Reform Price Cap Performance Review for Local Exchange Carriers Low-Volume Long-Distance Users Federal-State Joint Board On Universal Service, CC Docket No. 96-262, CC Docket No. 94-1, CC Docket No. 99-249 and CC Docket No. 96-45, Sixth Report and Order In CC Docket Nos. 96-262 and 94-1 Report and Order In CC Docket No. 99-249 Eleventh Report and Order In CC Docket No. 96-45 released May 31, 2000 ("CALLS Order").

The residential and single line business SLC was increased by \$3.00, from \$3.50 to a cap of \$6.50 per line, where it stands today.

1 the interexchange and other carriers and received by the RLECs, including the TDS
2 companies, include *both* the tariff rate and the federal USF monies.

3
4 **Q. Is “parity” of intrastate access rates with interstate rates appropriate?**

5 A. No, not without an intrastate Fund. Substantial consideration needs to be given to
6 the effect of shifting intrastate access revenue streams to local service rates. Were
7 intrastate access rates to be set equal to the interstate level, the resulting revenue shift is
8 very large with a huge impact upon local rates:

9 [BEGIN CONFIDENTIAL]

10 **Intrastate Access & PCP Revenues**

Current	NECA		Access Lines	Revenue
Rates	Rates	Difference	(NECA	Impact per
	7/1/2008		Reported	Access Line
			12/2008)	per Month

11
12
13 Leslie
14 County
15 Lewisport
16 Salem
17 **TOTAL**

18
19 [END CONFIDENTIAL]

20 The TDS Companies believe that, were revenues currently realized from intrastate access
21 rates that are above interstate tariff parity to be imposed upon local ratepayers, the results
22 would render rural Kentucky local rates neither affordable nor comparable.

23
24 **Q. Should the Commission care if your local rates are too high?**

25 A. Absolutely. A \$17.81 local rate hike on our rural customers would be
26 potentially devastating. Careful consideration must be given to any local rates to

1 avoid adverse impacts to rural customers, their communities and the companies
2 that serve them. Should the Commission consider allocating the access rate
3 reduction amount to retail customers local rates or establish a benchmark local
4 rates, Section 254 (b)(3) of the Telecommunications Act of 1996 must be
5 considered. This section states that:

6 Consumers in all regions of the Nation, including low-income
7 consumers and those in rural, insular, and high cost areas, should have
8 access to telecommunications and information services, including
9 interexchange services and advanced telecommunications and information
10 services, that are reasonably comparable to those services provided in urban
11 areas and that are available *at rates that are reasonably comparable to rates*
12 *charged for similar services in urban areas.*⁶
13

14 Moreover, raising local rates will drive customers away from TDS (those
15 that have the option) and further accelerate market share loss to wireless, cable and
16 other service providers (who do not share the carrier of last resort obligation). This
17 puts additional pressures on the companies as they have reduced revenue stream
18 that assists in the recovering of investment and maintenance costs, and in fulfilling
19 the carrier of last resort responsibility.

20 By raising local retail rates by 255% to \$29.61 would create a vicious cycle
21 and leave the companies with a continuously shrinking customer base over which
22 to recover network costs and further drive up prices for the remaining customers,
23 all while still shouldering the carrier of last resort obligation.

24 **Q. How have other states approached intrastate access reform?**

⁶
See 47 U.S.C. § 254(b) (3) (emphasis added).

1 A. For this reason, most states have recognized that the solution is a trilogy, which
2 includes a universal service fund or an access revenue replacement fund.⁷ Other states
3 that have considered the question have concluded that without the local loop, exchange
4 access services could not be provided and that the local loop is a joint and shared cost.
5 Therefore, interstate parity is not necessarily the appropriate target for intrastate rates.

6

7 **Q. Why is a state USF important?**

8 A. With a USF, support is made explicit and, when spread across carriers that utilize
9 the public switched telephone network (“PSTN”), the results are financially sustainable
10 and competitively neutral. Most states include among the contributing carriers,
11 incumbents, competitive local exchange companies, and wireless carriers. Now, most
12 notably on the same date that this Commission entered its Order in this investigation, the
13 FCC determined that the states may require all interconnected VoIP carriers to contribute
14 to state universal service funds.⁸ The combined intrastate retail revenues of these carriers
15 represent an enormous base across which the recovery of a universal service fund is but a
16 modest imposition. All of these carriers utilize the PSTN and the network provided by

7

According to the report of the National Regulatory Research Institute (“NRRI”), twenty-two states had functioning or transitioning intrastate funds in 2006. The information is publically available at <http://nrri.org/pubs/telecommunications/06-09.pdf>. Since NRRI published its 2006 statistic, at least three more states have implemented explicit functional funding sources for universal service support including for access restructuring. These states are Indiana, Louisiana, and Michigan. See *Re Universal Service Reform*, Cause No. 42144, 2006 WL 3798724 (Ind. U.R.C. 2006); *In Re: Review of the Existing State Universal Service Fund as Established by LPSC General Order dated April 29, 2005, as amended May 18, 2005*, Docket No. R-30480 (Order entered February 9, 2009); and Michigan statute MCL 484.2310, amended December 17, 2009, specifically Section 310(7) (establishing an intrastate switched toll access rate restructuring mechanism as a separate interest-bearing fund to restructure intrastate access rates and requiring contributions from all providers of retail intrastate telecommunications services including wireless).

In the Matter of Universal Service Contribution Methodology; Petition of Nebraska Public Service Commission and Kansas Corporation Commission for Declaratory Ruling or, in the Alternative, Adoption of Rule Declaring that State Universal Service Funds May Assess Nomadic VoIP Interstate Revenues, WC Docket No. 06-122, Declaratory Ruling Released November 5, 2010.

1 the TDS Companies in Kentucky, thus benefitting from the carrier of last resort
2 responsibilities carried out by the incumbent local exchange companies.

3
4 **Q. What about implementing a “high cost fund”?**

5 A. The TDS Companies do not recommend a course of action where the
6 Commission would undertake a “high cost” type USF. First, such an exercise is the
7 antithesis of a revenue replacement fund. Its calculation and establishment are complex
8 and cumbersome. Costing techniques are extremely complex and controversial. The TDS
9 Companies are not aware of any even partially-agreed upon cost methodology available
10 for this purpose. Separations and allocations, particularly in today’s “triple play” world,
11 are nearly impossible. Defining whether there is “cross subsidy” is even harder. The TDS
12 Companies do not recommend that the Commission go down this path.

13
14 **Q. What alternative is there to a Kentucky Universal Service Fund?**

15 A. Parity seeks to replicate the federal tariff rate and that the federal means to
16 achieve that rate should also be followed – that is to say a USF created. If a state USF is
17 not also implemented, then intrastate access rate should mirror the total compensation
18 paid and received by carriers at the federal level. In other words, we should use the “real
19 interstate rate” as the basis of mirroring.

20
21 **Q. How would the “real rate” be calculated?”**

1 A. The federal USF components of Local Switching Support (“LSS”) and Interstate Common Line Support (“ICLS”) revenues should be added to the interstate tariff rate itself.⁹

5 **Q. Would you summarize the TDS Companies’ suggested approach?**

6 A. Yes. The TDS Companies do not oppose a responsible and prudent approach to access reductions, which balances the interests of all parties, including the local ratepayers. Any changes in access charges should be realistically targeted and gradually implemented over a glide path long enough to allow gradual change and predictability. One such approach is that being considered by the Ohio Public Utilities Commission, a copy of which is attached.

12 The TDS Companies applaud the Commission’s inquiry into access reductions and appreciate the difficulties of the Commission’s challenge to balance the interests of all parties. The trilogy of access reductions, affordable local rates, and a revenue replacement USF is a tried and true solution successfully implemented in many other states.

18 **IV. CONCLUSION**

19 **Q. Does this conclude your testimony?**

20 A. Yes. This concludes my direct testimony at this time. I reserve the right to file additional testimony as the schedule in this proceeding allows.

⁹ These figures are available at <http://www.usac.org/hc/tools/disbursements/default.aspx>.

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's)
Investigation into Intrastate Carrier) Case No. 10-2387-TP-COI
Access Reform Pursuant to Sub. S.B. 162.)

ENTRY

The Commission finds:

- (1) On June 13, 2010, the governor of the state of Ohio signed into law Substitute Senate Bill 162 (Sub. S.B. 162), which revises state law as it pertains to the provision of telecommunications services. Among other things, Sub. S.B. 162 authorizes the Commission to create and administer mechanisms for carrier access reform, including, but not limited to, high-cost support. Further Sub. S.B. 162 provides that the Commission may order changes in a telephone company's rates for carrier access within Ohio. The effective date of Sub. S.B. 162 was September 13, 2010.
- (2) Carrier access charges are charges assessed by local exchange carriers to providers of telephone toll service for access to the local telephone network and are intended to recover a portion of the cost of the local telephone facilities. Carrier access charges comprise a significant portion of the revenue received by small incumbent local exchange carriers (ILECs) as well as three mid-size ILECs: Windstream Ohio, Inc. and Windstream Western Reserve, Inc. (collectively, Windstream) and CenturyTel of Ohio, Inc. dba CenturyLink. Over the past several years, the Commission has received complaints, both formal¹ and informal, from providers of telephone toll service that the carrier access rates that they are being assessed are excessive. During this time, the small ILECs, Windstream and CenturyLink have also experienced a precipitous decline in the access minutes of use for which they assess carrier access charges, thus eroding a significant pillar of their financial support. Accordingly, to address these matters, the Commission deems it appropriate to open a generic

¹ See *In the Matter of the Complaint of Verizon North, Inc. et. al v. CenturyTel of Ohio, Inc., et. al Relative to Unjust and Unreasonable Switched Access Charges*, Case No. 07-1100-TP-CSS, filed October 5, 2007.

investigation into intrastate carrier access reform as authorized by Sub. S.B. 162.

- (3) As a part of the investigation undertaken in this proceeding, the Commission staff has proposed an access restructuring plan and drafted a series of questions pertaining to the proposed plan (attached hereto as Appendices A and B, respectively). Additionally, the Commission staff has also drafted two data requests that staff proposes be issued with the proposed plan should the plan be adopted by the Commission (attached hereto as Appendices C and D). The Commission invites all stakeholders and other interested parties to provide responses to the questions posed in Appendix B and to provide any additional comments that they may wish regarding the proposed plan and proposed data requests.

It is, therefore,

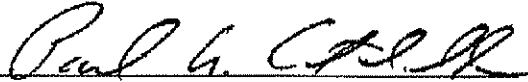
ORDERED, That all stakeholders and other interested parties wishing to file responses to the questions posed in Appendix B or any other comments regarding the proposed access restructuring plan and/or data requests should file such responses and/or comments no later than December 20, 2010. Reply comments should be filed no later than January 19, 2011, and shall be served upon all stakeholders and interested parties who filed initial responses and/or comments. It is, further,

ORDERED, That copies of this entry be served upon all ILECs, all competitive local exchange carriers, all providers of telephone toll service and all wireless service providers registered with the Commission.

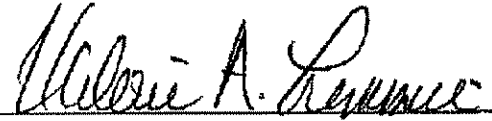
THE PUBLIC UTILITIES COMMISSION OF OHIO



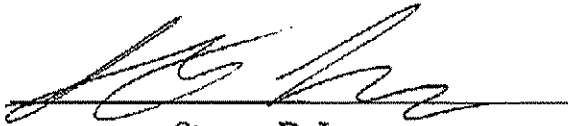
Alan R. Schriber, Chairman



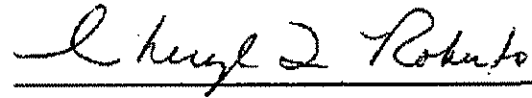
Paul A. Centolella



Valerie A. Lemmie



Steven D. Lesser



Cheryl L. Roberto

RJW:dmm

Entered in the Journal

NOV 03 2010



Renee J. Jenkins

Secretary

Appendix A

Access Restructuring Plan

Statement of purpose and policy

The purpose of establishing the Access Restructuring Plan is to maintain the affordability of local service rates for end-user customers while allowing rural incumbent telephone companies to reduce access charges, on a revenue-neutral basis, thereby encouraging greater competition.

Definitions

- (a) "Commercial mobile service" shall have the meaning set forth in section 332(d)(1) of the Telecommunications Act of 1996, 47 U.S.C. 332(d)(1).
- (b) "Contributing carrier" means an entity required to pay into the restructuring fund and includes all incumbent local exchange carriers (ILECs) as such term is defined in Rule 4901:1-6-01(P), Ohio Administrative Code (O.A.C.), all competitive local exchanges carriers (CLECs) as such term is defined in Rule 4901:1-6-01(I), O.A.C., all wireless service providers as such term is defined in Rule 4901:1-6-01(OO), O.A.C., and all providers of telephone toll service as such term is defined in Rule 4901:1-6-01(KK), O.A.C. Among contributing carriers, other than wireless service providers, no distinction shall be made between a facilities-based and non-facilities-based carriers. Additionally, among contributing carriers, no distinction shall be made between prepaid and postpaid certified/registered carriers.
- (c) "Eligible ILEC" means an incumbent local exchange carrier as such term is defined in Section 4927.01(A)(5), Revised Code, and which, as of July 1, 2010, assessed rates for intrastate switched access services that exceeded the rates it assessed for the same interstate switched access services.
- (d) "Interconnected voice over internet protocol service" shall have the meaning set forth in 47 C.F.R. 9.3.
- (e) "Access Restructuring Fund" means the intrastate switched access rate restructuring mechanism established in this proceeding.

Plan Framework

- 1) In order to restructure intrastate switched access service rates, there is hereby established an intrastate switched Access Restructuring Fund (ARF).

- 2) All ILECs shall set the rates for intrastate switched access services at a level that does not exceed the rates it is allowed to charge for the same interstate switched access services by the Federal Communications Commission (FCC) and shall only apply the switched access rate elements for intrastate switched access services that are in effect for the same interstate switched access services by the FCC. Eligible ILECs shall comply with this section as of the date established for the commencement of the operation of the restructuring fund.
- 3) All carriers providing switched access service, whether under tariff or contract, shall offer the switched access services under the same rates, terms, and conditions, without unreasonable discrimination, to all toll providers. Eligible ILECs offering switched access service under contracts shall, upon the effective date of the commencement of the operation of the restructuring fund, offer a "fresh-look" to their contract customers to make available the reduced switched access rates to them, without the application of termination liabilities fees that may be included in such contract.
- 4) All eligible ILECs are entitled to receive monthly disbursements from the ARF as provided in paragraph 11, in order to offset the reduction in intrastate switched access service revenues resulting from the rate reductions set forth in paragraph 1.
- 5) The ARF shall be administered by a third-party administrator, with the Commission maintaining the oversight authority to review and audit.
- 6) Pursuant to the authority granted to the Commission under Section 4927.20, Revised Code, all eligible ILECs and contributing carriers shall provide to the Commission all information that is necessary for the administration of the ARF. Where applicable, company-specific information pertaining to access lines, switched access services minutes of use, switched access demand quantities, contributions to the ARF, and intrastate telecommunications services revenues submitted to the Commission under this section may be considered trade secrets as defined in Section 1333.61(D), Revised Code, and may be exempt from public disclosure pursuant to Section 4931.66 (B)(1), Revised Code.
- 7) Within 45 days from the effective date of the Commission Order adopting the access restructuring plan, each eligible ILEC shall submit to the Commission the data and all the supporting documentation necessary to establish the amount that eligible ILECs will be able to receive from the ARF due to the reduction in intrastate access rates pursuant to paragraph 1. The Commission shall maintain on its website a form to be used by eligible ILECs to submit such data. The initial size of the ARF for each eligible ILEC shall then be calculated as the difference between intrastate and interstate switched access service rates in effect as of July 1, 2009, multiplied by the intrastate switched access billed minutes of use and other switched access demand quantities for the calendar year 2009. The Commission shall inform each eligible ILEC of their individual ARF computation no later than 45 days

following the 45 day period during which eligible ILECs are to provide the Commission with the information and supporting documentation required by this paragraph.

- 8) The ARF shall be supported by a mandatory monthly contribution by all contributing carriers. A contributing carrier providing telecommunications services to a provider of interconnected voice over internet protocol services shall pay a mandatory monthly contribution related to its intrastate revenues from providing such services.
- 9) Notwithstanding anything in paragraph 8, if the FCC determines that interconnected voice over internet protocol services may be subject to state regulation for universal services purposes, the Commission may open a proceeding to determine which service providers will be required to contribute to the ARF.
- 10) Within 45 days of the effective date of the Commission Order adopting the restructuring plan, each contributing carrier shall report its 2009 intrastate retail telecommunications services revenues (including revenues from all prepaid services and revenues from providing telecommunications services to a provider of interconnected voice over internet protocol services) to the Commission. The Commission shall maintain on its website a form to be used by contributing carriers to submit such data.
- 11) The initial contribution assessment percentage shall be a uniform percentage of retail intrastate telecommunications services revenues determined by calculating the total amount necessary to cover the initial intrastate switched access ARF disbursement levels for 12 months for all eligible ILECs, including projected cash reserve requirements, projected administrative costs, and projected uncollectible contribution assessments, divided by the 2009 calendar year total retail intrastate telecommunications services revenues in Ohio (including revenues from all prepaid services and revenues from providing telecommunications services to a provider of interconnected voice over internet protocol services). The Commission shall issue an order establishing the initial calculation of the contribution assessment percentage within 90 days of the effective date of the Commission Order establishing the ARF.
- 12) Each eligible ILEC shall, in an ATA case, file its revised intrastate switched access tariff reflecting the mandated rate reduction outlined in paragraph 1, no later than 45 days prior to the effective commencement date of the ARF as established in the Commission's Order adopting the restructuring plan. The revised tariffs shall have the same effective date as the date of the commencement of the operation of the restructuring plan.
- 13) The ARF shall commence 120 days from the effective date of the Commission Order adopting the restructuring plan.

- 14) Each contributing carrier shall remit to the Commission on a monthly basis an amount equal to its intrastate retail telecommunications services revenues (including revenues from all prepaid services and revenues from providing telecommunications services to a provider of interconnected voice over internet protocol services), multiplied by the contribution assessment percentage determined under paragraph 11, according to a time frame to be established by the Commission. These contributions shall continue until the end of the period for which eligible carriers are entitled to receive monthly disbursements from the ARF pursuant to paragraph 15.
- 15) The size of the ARF shall be recalculated two years from the date the initial restructuring plan becomes operational, and again every two years thereafter until the earliest of:
 - (a) A final non-appealable decision from the FCC to reform the intercarrier compensation; or,
 - (b) The Commission establishes a state high cost support fund pursuant to Section 4927.15(C), Revised Code.
- 16) The recalculation process identified in paragraph 15, shall be as follows:
 - (a) For each price cap eligible ILEC, the amount of the ARF disbursement shall be recalculated each time as follows:
 - (i) The difference between the intrastate switched access rates in effect as of July 1, 2009, and the interstate switched access rates in effect at the time of the recalculation, multiplied by the annual billed intrastate switched access minutes of use and other switched access demand quantities of the calendar year immediately preceding the year in which the recalculation is made.
 - (ii) An additional reduction of \$0.50 in the amount that a price cap eligible ILEC is eligible to receive from the ARF for every year that has passed since the initial ARF calculation multiplied by the number of access lines in service at the end of the most recent calendar year multiplied by 12. Eligible ILECs may recover the \$0.50 reduction per access line through an end-user fee. If this adjustment is more than the calculation in subparagraph (i) above, the carrier will not be eligible to recover lost intrastate access revenues through the ARF.
 - (b) For nonprice-cap eligible ILECs only, the amount of the ARF disbursement shall be recalculated each time as follows:
 - (i) The difference between the intrastate switched access rates in effect as of July 1, 2009, and the interstate switched access rates in effect at the time of the

- recalculation, multiplied by the billed intrastate switched access minutes of use and other switched access demand quantities for the 2009 calendar year.
- (ii) The recalculated ARF shall be further adjusted by the percentage change in the number of access lines in service for each eligible nonprice-cap ILEC between December 31, 2009 and December 31 of the year immediately preceding the year in which the recalculation is made.
- (c) The recalculated contribution assessment percentage shall be a uniform percentage of retail intrastate telecommunications services revenues determined by calculating the total amount necessary to cover the recalculated intrastate switched access ARF disbursement levels for 12 months for all eligible ILECs, including projected cash reserve requirements, projected administrative costs, and projected uncollectible contribution assessments, divided by the most recent calendar year total retail intrastate telecommunications services revenues in Ohio (including revenues from all prepaid services and revenues from providing telecommunications services to a provider of interconnected voice over internet protocol services). The Commission shall issue an order establishing the recalculation of the contribution assessment.
- (d) Each eligible ILEC is entitled to receive monthly disbursements from the ARF based on its recalculated ARF disbursement for the period described in paragraph 15.
- 17) If the FCC adopts intercarrier compensation reforms or takes any action that causes or requires a significant change in interstate switched access service rates, the Commission may initiate a proceeding to determine the necessary course of action. Any interested party may file an application within 60 days of the final, nonappealable action by the FCC to request that the Commission determine the necessary course of action. During the pendency of that proceeding, the requirement in paragraph 1, for eligible ILECs to set intrastate switched access service rates equal to interstate switched access service, shall be temporarily suspended with respect to those eligible ILECs. Intrastate access rates for the eligible ILECs may not be increased above the levels that existed the day before the suspension was instituted.
- 18) Disputes arising under this plan may be submitted to the Commission for resolution pursuant to Section 4927.21, Revised Code.
- 19) If any contributing carrier fails to make the required contributions or fails to provide required information to the commission as set forth in paragraph 8, the Commission shall initiate a enforcement proceeding under Section 4927.21, Revised Code. If the Commission finds that a contributing carrier has failed to make contributions or to perform any act required under this section, a contributing carrier shall be subject to the remedies and penalties under Section 4927.21, Revised Code.

-
- 20) All required data submitted pursuant to the restructuring mechanism shall be accompanied by a notarized affidavit signed by an authorized officer of the company.

Appendix B

Please provide responses to the following questions regarding the staff proposed Access Restructuring Plan:

- 1) The Staff's proposed plan for the restructuring of ILEC access rates addresses the impact of access rate reduction only and does not address the impact of access line loss on the rural ILECs' provider-of-last resort obligation. Should the impact of access line loss on revenue be addressed as part of the access restructuring plan? What are the advantages and disadvantages of such an addition to the restructuring plan?
- 2) Although the Staff's proposed plan does not require interconnected voice over internet protocol (VoIP) service providers to contribute to the restructuring fund, it requires a provider of telecommunications services to a provider of interconnected VoIP-enabled services to pay the mandatory monthly contribution related to those VoIP services. As VoIP traffic volumes terminating on the eligible ILECs' networks increases, is this a reasonable approach to obtain support from all beneficiaries of the eligible ILECs' networks?
- 3) The Staff's proposed plan includes a provision for recalculating the size of the restructuring mechanism for each eligible ILEC every two years after the initial restructuring mechanism becomes operational. Is this a reasonable time frame? If not, how often should the recalculation of the fund occur? Should the fund recalculations for price-cap eligible ILECs and nonprice-cap eligible ILECs be performed at different intervals?
- 4) The Staff's proposed plan includes different methodologies for recalculating the size of the access restructuring mechanism for price-cap eligible ILECs than the methodology proposed for nonprice-cap eligible ILECs. Is this a reasonable approach?
- 5) The Staff proposes a third-party administrator to oversee the access restructuring fund. How should this third-party administrator be selected? What criteria for selecting a third-party administrator should be included in the selection process? Are there alternatives to a third-party administrator that the Commission should consider?
- 6) The Staff proposes that the projected administration costs be included in the fund size calculation. How should a reasonable initial administration cost amount be estimated? How should it be calculated on an ongoing basis?

- 7) The Staff proposal includes a provision to allow the Commission to revisit the access restructuring mechanism if the Federal Communications Commission (FCC) takes specific actions. Is this a reasonable approach?
- 8) In what ways, if any, can the Staff proposal be modified to address various contingencies including, but not limited to, carriers entering or exiting the Ohio market and mergers between and acquisitions of carriers doing business in Ohio?
- 9) If a carrier believes that it is not a contributing carrier, how shall such a carrier inform the Commission of its belief? How should the Commission deal with such carriers?

Appendix C

All eligible ILECs shall submit the following information for the calendar year 2009:

- 1) The total intrastate switched access revenues from all recurring switched access rate elements billed, including switched dedicated elements that are priced on a flat-rate basis;
- 2) The rate elements that contributed to the calculation of item 1;
- 3) The intrastate and interstate rate associated with each rate element identified in 2;
- 4) The intrastate billed demand for each rate element identified in 2;
- 5) The interstate and intrastate tariffs supporting the rates identified in 3; and,
- 6) The number of access lines as of December 31, 2009.

Appendix D

All contributing carriers shall submit the following information:

- 1) The contributing carrier 's 2010 total intrastate retail telecommunications services revenues, including prepaid and revenues from providing telecommunication services to interconnected voice over internet protocol services providers;
- 2) The contributing carrier's 2010 uncollectible intrastate retail telecommunications revenues;
- 3) The contributing carrier's 2010 total intrastate retail telecommunications revenues minus uncollectibles. This value should be equal to the value for 1 – 2 above; and,
- 4) The contributing carriers' total Ohio access lines as of December 31, 2010.