

LIEBMAN AND LIEBMAN

ATTORNEYS AT LAW

403 WEST MAIN STREET

FRANKFORT, KENTUCKY 40601

PLEASE REPLY TO
POST OFFICE BOX 478
FRANKFORT, KENTUCKY 40602

HERBERT D. LIEBMAN
(1926 - 2002)

(502) 226-2000
FAX: (502) 226-2001
jhliebman@aol.com

JAMES DEAN LIEBMAN

May 10, 2010

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

RECEIVED

MAY 17 2010

PUBLIC SERVICE
COMMISSION

RE: AT&T Communications of the South Central States,
TCG Ohio, and BellSouth Telecommunications, Inc.,
d/b/a AT&T Kentucky, Complainants v. Kentucky Rural
Incumbent Local Exchange Carriers, Kentucky Competitive
Local Exchange Carriers, Windstream West, LLC,
Windstream East, LLC, and Cincinnati Bell, Respondents
Case No. 2010-00162

Dear Mr. Derouen:

Enclosed for filing in the above-captioned case are the original and ten (10) copies of TDS Telecom's Comments to AT&T's Petition and Complaint Seeking Reduction of Intrastate Switched Access Rates.

Should you have any questions, please let me know.

Yours very truly,

LIEBMAN AND LIEBMAN



James Dean Liebman
Attorney at Law

JDL/dld

Enclosures

cc: Parties of Record listed on Certificate of Service
Dennis Howard, Assistant Attorney General
Bruce Mottern, TDS Telecom

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

RECEIVED

AT&T COMMUNICATION OF THE)
SOUTH CENTRAL STATES, TCG OHIO,)
AND BELL SOUTH TELECOMMUNICATIONS,)
INC., d/b/a AT&T KENTUCKY,)

MAY 17 2010

PUBLIC SERVICE
COMMISSION

Complainants)

Case No. 2010-00162

v.)

KENTUCKY RURAL INCUMBENT LOCAL)
EXCHANGE CARRIERS, KENTUCKY)
COMPETITIVE LOCAL EXCHANGE)
CARRIERS, WINDSTREAM WEST, LLC,)
WINDSTREAM EAST, LLC, AND)
CINCINNATI BELL)

Respondents)

**COMMENTS TO AT&T'S PETITION AND COMPLAINT
SEEKING REDUCTION OF INTRASTATE SWITCHED ACCESS RATES**

On April 21, 2010, AT&T filed a Petition and Complaint Seeking Reduction of Intrastate Switched Access Rates with the Kentucky Public Service Commission ("Commission"). In its Complaint, AT&T requests that the Commission establish an administrative case for the purpose of implementing intrastate switched access reform for all telecommunications providers in the state of Kentucky. AT&T further requests the Commission to "direct all Kentucky ICOs to implement intrastate switched access rates that match both in rate level and rate structure the ICOs corresponding interstate access rates" and the "Commission should ensure that Kentucky ICOs can

recoup access revenue reductions from (i) additional retail pricing flexibility up to a reasonable "benchmark" price, for local service and (ii) a state universal service fund ("USF")." ¹

In general, TDS is not opposed to a rational process to address access reform where the implicit support from intrastate switched access rates is transitioned to more sustainable support mechanisms, similar to what occurred in the interstate jurisdiction under the CALLS and MAG plan. The FCC accomplished reform through increases in end user rates (subscriber line charge) and an explicit universal service support mechanisms (IAS and ICLS). Should the Commission undertake an access reform proceeding, TDS believes the proceeding impacting rural ILECs should be separate from the Windstream Access Case. The differences in the operating characteristics of the rural ILECs and Windstream are significant. These differences will require the Commission to consider various support mechanisms for the rural ICOs. Addressing access reform for all companies in a single docket will unnecessarily complicate the proceeding.

The rural areas of Kentucky, such as those served by TDS Telecom, require significant capital investment and ongoing maintenance costs that cannot be borne solely by rates charged to end user customers. Based on the geography, demographic and economic characteristics of serving these high cost rural areas, the Commission has recognized, through past residual ratemaking, that the recovery of costs to provide and maintain the telecommunications network cannot be borne solely by rates charged to rural consumers. The deployment of telecommunications networks in rural Kentucky benefits not only consumers who reside there, but also consumers throughout the State (and Nation) – who benefit from being able to communicate with rural consumers. The recovery of the investment and expenses necessary to operate the rural telecommunications network is made possible by revenues from local service, access and federal support mechanisms. Intrastate access rates are a significant source of revenues used to recover network costs and maintain reasonable local rates.

¹ Page 3 of AT&T's Petition and Complaint Seeking Reduction of Intrastate Switched Access Rates.

In any Commission proceeding, recognition should be given to several points.

1. First, if rural ILECs reduce intrastate switched access rates, a state universal service fund should be established.
2. Second, each part of the equation – access reform, universal service and carrier-of-last-resort (COLR) policies - must be considered before any reductions to intrastate access rates are made. Access rate reductions cannot be made for the sake of cost savings to IXCs or others when these providers do not share the same regulatory obligations as TDS and the other rural local exchange providers. Any reform must consider the policies of universal service and the carrier-of-last-resort obligations (a very capital intensive requirement). These policies are the foundation to providing rural areas of Kentucky with affordable rates, quality of service, and a telecommunications network that maintains the goal of universal service.
3. The Commission should keep in mind that IXCs, CLECs and other competitors do not have carrier of last resort obligations and often refuse to expend capital to serve the most rural areas of Kentucky.
4. Consideration and establishment of a retail pricing "benchmark" rate, which may recover a portion of the access rate reduction, must offer a true opportunity of recovery. While the AT&T proposal requires upfront access rate reductions, it seems rural ILECs would have an "opportunity" to recover a portion of through local rate increases. This "opportunity" may not be reasonable considering the small customer base of the rural ILECs

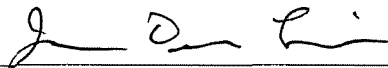
In summary, TDS respectfully provides this limited response to AT&T's Petition and Complaint Seeking Reduction of Intrastate Switched Access Rates. TDS appreciates the opportunity to participate in any docket addressing intrastate access rates, but believes the Commission should address the access reform issue for rural ILECs in a separate docket

This issue is of critical importance to TDS, and the rural Kentucky consumers that we serve. Consideration of this matter needs to reflect an understanding of the dynamic changes in telecommunications technology and services that will, if not addressed, adversely impact the level and quality of universal and advanced telecommunications services available to consumers residing in rural areas of Kentucky.

In addition to local retail rates and federal support mechanisms, intrastate access rates provide a significant source of cost recovery that has enabled Kentucky's rural ILECs to foster the provision of universal service and the maintenance of carrier-of-last-resort obligations in the rural areas of Kentucky.

The establishment of a universal service fund or alternative support mechanisms is needed to ensure the continued deployment of advanced services, the maintenance of a universal network that provides benefits to all Kentucky consumers and service providers and allows an opportunity for the rural ILECS to recover the investment costs needed to foster the provision of universal service and the fulfillment of carrier-of-last-resort obligations.

Respectfully Submitted,




JAMES DEAN LIEBMAN
403 West Main Street
P. O. Box 478
Frankfort, KY 40602
(502) 226-2000

ATTORNEY FOR TDS TELECOM

CERTIFICATE OF SERVICE

I, James Dean Liebman, do hereby certify that I have this 10TH day of May, 2010, mailed a copy of the foregoing Comments to Mary K. Keyer, 601 West Chestnut Street, Suite 407, Louisville, KY 40203 and to Demetrios G. Metropoulos, Mayer Brown LLP, 71 South Wacker Drive, Chicago, IL 60606.



JAMES DEAN LIEBMAN