BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF TERRAL TELEPHONE COMPANY FOR FUNDING FROM THE OKLAHOMA UNIVERSAL SERVICE FUND	))))	CAUSE NO. PUD 201200183

APPLICATION

COMES NOW, Terral Telephone Company and requests approval of funding from the Oklahoma Universal Service Fund (OUSF).

PARTIES:

Applicant, Terral Telephone Company, 111 Harrison Avenue, LL-001, Oklahoma City, OK 73104 is a telephone company subject to the jurisdiction of the Oklahoma Corporation Commission providing telecommunications services to customers pursuant to its lawful authority within the State of Oklahoma.

FACTS:

In support of this Application, Applicant states as follows:

1. The Oklahoma Telecommunications Act of 1997, signed into law on June 13, 1997, established the OUSF and the OLF. OAC 165:59 was promulgated by the Oklahoma Corporation Commission (Commission) to implement the OUSF and the OLF and to establish guidelines for reimbursement from said funds, and the rules set forth in Oklahoma Administrative Code (OAC) 165:59 became effective January 6, 1998.
2. Reimbursement sought from the OUSF is for Primary Universal Services.
3. The Applicant is an eligible telecommunications carrier, pursuant to Commission Order No. 418436, to seek funding through the OUSF pursuant to OAC 165:59-3-14 for reimbursement sought for Primary Universal Services.
4. The information required to be provided by the applicable Request for OUSF Funding Forms, and all supporting documentation is set forth in Attachment "A" hereto.
5. The person(s) to contact for detailed information regarding this Application and the information set forth in Attachment "A" are Ron Comingdeer, Mary Kathryn Kunc, and Kendall Parrish, attorneys for the Applicant. Their address, phone number and fax number is 6011 N. Robinson, Oklahoma City, Oklahoma 73118 (405) 848-5534, fax (405) 843-5688.

JURISDICTION:

The Commission has jurisdiction in this cause pursuant to 17 O.S. (2001 Supp.) §§139.106, and 139.107, OAC 165:59 *et seq*.

RELIEF REQUESTED:

Applicant requests that the Commission approve funding from the OUSF as set forth in Attachment "A".

Respectfully submitted,

TERRAL TELEPHONE COMPANY

By: ______________________

MARY KATHRYN KUNC, OBA #15907
RON COMINGDEER, OBA #1835
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 6th day of August, 2012, a true and correct copy of the forgoing was provided, via federal express, mail, or e-mail to the following:

Josephine Farkas
Solix OKUSF Fund Manager
80 S. Jefferson Road
Whippany, NJ 07981

Office of Oklahoma Attorney General
c/o William Humes
Nicole King
Assistant Attorney General
313 N.E. 21st Street
Oklahoma City, Oklahoma 73105

Allison Chandler, Assistant General Counsel
Office of the General Counsel
Oklahoma Corporation Commission
500 Jim Thorpe Building
Oklahoma City, OK 73105-4991

Brandy Wreath, Acting Director
Public Utility Division
Oklahoma Corporation Commission
500 Jim Thorpe Building
Oklahoma City, OK 73105-4991

K Hume

Company Code: OK 348
Company Name: Terral Telephone Company
Address: 111 Harrison Ave., LL-001
City/State/Zip: Oklahoma City, OK 73104
Contact Name: Dick Segress
Contact Phone: 405-842-1764

OKLAHOMA UNIVERSAL SERVICE FUND

OUSF Funding Request Summary

Form - OUSF - Summary
Attachment A

Attachment Reference	Type of Support Requested	Associated Access Lines	OUSF Category	Lump Sum Support Requested	Monthly Recurring Support Requested
				Thru 7-31-2012	Starting: 8-1-2012
Attachment A & B	**Primary Universal Service:**	215	OUSF Investments & Expenses Not Recovered from Federal USF or any other Federal or State Fund	$32,028.58	$32,028.58
			Infrastructure Expenditures or Cost Increases		
			Funding For Other Purposes Deemed Necessary by the Commission		
			Total:	$32,028.58	$32,028.58
	Special Universal Services:		Toll-Free Service		
			Internet Access Lines (1.5 Mbps)		
			Telemedicine lines or connections		
			Total:		
	Lifeline:				

I certify that I have examined this report and to the best of my knowledge and belief it is true, correct and complete, and that all supporting documents necessary to verify the information are attached or are being concurrently provided to the PUD and the AG. I further acknowledge the Oklahoma Corporation Commission's and/or NECA's authority to request additional information as may be necessary.

8-6-2012	Mary Kathryn Kunc	Mary Kathryn Kunc	Attorney
Date	Officer Name	Officer's Signature	Title

1. Please fill out the OUSF Funding Request Summary to reflect all requests made (including Primary Universal Services, Special Universal Services, and Lifeline Services) in the attached forms.

2. Is the requested funding substantially equivalent to the Applicants estimated request in response to Staff's/Solix data request? If no, please explain in detail.

ATTACHMENT "B"

OKLAHOMA UNIVERSAL SERVICE FUND

Primary Universal Service Request Form

FORM SECTION I

Company Code OK 348 Company Name Terral Telephone Company

Check One: X Initial Request ☐ Revised Request

Number of Access Lines: X Less than 75,000 Lines ☐ More than 75,000 Lines

PLEASE INDICATE UNDER WHICH CATEGORY YOUR REQUEST FOR FUNDING IS BEING MADE: (PLEASE USE A SEPARATE FORM FOR EACH CATEGORY)

I. __X___ Reasonable investments/expenses for primary Universal Service not recovered from Federal USF or other State or Federal Fund (165:59-3-10(1))

II.______ Infrastructure expenditures or costs incurred in response to facility or service requirements established by a legislative, regulatory, or judicial authority or other governmental entity mandate (165:59-3-10(2))

III.______ Other purposes deemed necessary by the OCC. (165:59-3-10(6))

PLEASE INDICATE WHICH OF THE FOLLOWING OCCURRENCES PROMPTED A CHANGE IN REVENUES AND/OR COSTS AND ATTACH ANY APPLICABLE ORDERS, RULES, POLICIES, OR LAWS:

A. _X__ Decrease in Revenue from Federal Universal Service Fund.

B. _X__ Reduction in Revenue/Increase in Cost from Existing or Future Federal or State Regulatory Rules, Orders, or Policies or by Federal or State Law.

C. _____ Reduction in Costs From Existing or Future Federal or State Regulatory Rules, Orders, or Policies or by Federal or State Law.

FORM SECTION II

REVENUE AND COST DATA FOR A, B, & C (PLEASE USE A SEPARATE FORM FOR EACH OCCURRENCE AND PROVIDE ALL SUPPORTING WORKPAPERS FOR THE CALCULATIONS)

					Lump-Sum		Monthly Recurring
(1)	Revenue for most recent 12 months prior to change:	1,714,57					
(2)	Revenue for 12 months after change	1,330,235					
(3)	Net revenue reduction		(1 - 2)	3a)	$384,343*	3b)	$32,028.58
(4)	Costs for 12 months after change						
(5)	Cost for most recent 12 month period prior to change						
(6)	Net cost increase		(4 - 5)	6a)		6b)	
(7)	Less reductions in costs		(5 - 4)	7a)		7b)	
(8)	Total Funding Request			8a)	$384,303*	8b)	$32,028.58

PLEASE INDICATE THE METHODOLOGY USED TO MAKE CALCULATIONS AND ATTACH COST STUDY AND PROVIDE ALL WORKPAPERS AND SUPPORTING DOCUMENTATION:

__X_ Embedded Cost Study (165:59-3-64(a)(1))
_____ OCC approved cost study (165:59-3-64(a)(2))
_____ Other costing or measurement methodology (165:59-3-64(a)(3))

LIST CURRENT BASIC LOCAL EXCHANGE RATE:

Residential $14.00
Business $16.50

(If more than one category, please list all business and residential rates.)

***Please see attached**

*The reduction in revenues became effective July 1, 2012 with additional reductions beginning January 1, 2013 with additional reductions thereafter. The Company is not yet able to determine the exact amount of additional reduction that will begin after the reduction that became effective July 1, 2012. The $384,343 represents the lost revenues for the six months July 1, 2012 through December 31, 2012. The lump sum requested is for the revenue lost during July 2012 in the amount of $32,028.58.

OKLAHOMA UNIVERSAL SERVICE FUND

Primary Universal Service Request Form

FORM
SECTION III

Applicant has, or intends to, request funding support from all alternative funding sources designated to support Universal Service: X YES ☐ NO

If NO, Explain

Applications have been, or will be filed for Funding Support from the following Other Sources (Check all that Apply):

X Federal State ☐ Other

Date of such Filings and Additional Details:

Terral filed a Petition for Waiver with the Federal Communications Commission on 8-2-2012 of 47 C.F.R. Sections 36.3; 36.123-126; 36.141; 36.152-157; 36.191 and 36.372-382 to unfreeze Part 36 Category Relationships.

EXPLANATION OF REQUEST

In November 2011, the FCC passed the ICC & USF Transformation Order (FCC 11-161), which attempts to resolve issues surrounding inter-carrier compensation and universal service high cost for rural and non-rural local exchange carriers. The Order was modified with the Second and Third Report & Order, both of which were released in 2012, and resulted in reducing the amount of federal USF Terral Telephone Company receives. These reductions include the replacement of Local Switching Support with CAF ICC support, implementation of benchmarks on USF High Cost Loop calculations and capping total amounts of Interstate Common Line Support (ICLS) and High Cost Loop (HCL) to $3,000 per line per year. All three of these reductions adversely impact Terral's ability to service its existing debt and continue to provide minimum required services, in accordance with its Carrier of Last Resort (COLR) obligations under federal and state law.

APPLICABLE PROVISIONS FROM THE FCC'S
USF/ICC Transformation Order
AND CODE OF FEDERAL REGULATIONS

PER LINE CAP ON HIGH COST USF (ICLS & HCL)

FCC 11-161, Section VII.D.9
274. *Discussion.* After consideration of the record, we find it appropriate to implement responsible fiscal limits on universal service support by immediately imposing a presumptive per-line cap on universal service support for all carriers, regardless of whether they are incumbents or competitive ETCs. For administrative reasons, we find that the cap shall be implemented based on a $250 per-line monthly basis rather than a $3,000 per-line annual basis because USAC disburses support on a monthly basis, not on an annual basis. We find that support drawn from limited public funds in excess of $250 per-line monthly (not including any new CAF support resulting from ICC reform) should not be provided without further justification.
275. This rule change will be phased in over three years to ease the potential impact of this transition.452 From July 1, 2012 through June 30, 2013, carriers shall receive no more than $250 per-line monthly plus two-thirds of the difference between their uncapped per-line amount and $250. From July 1, 2013 through June 30, 2014, carriers shall receive no more than $250 per-line monthly plus one-third of the difference between their uncapped per-line amount and $250. July 1, 2014, carriers shall receive no more than $250 per-line monthly.

§ 54.302 Monthly per-line limit on universal service support.
(a) Beginning July 1, 2012 and until June 30, 2013, each study area's universal service monthly support (not including Connect America Fund support provided pursuant to § 54.304) on a per-line basis shall not exceed $250 per-line plus two-thirds of the difference between its uncapped per-line monthly support and $250. Beginning July 1, 2013 and until June 30, 2014, each study area's universal service monthly support on a per-line basis shall not exceed $250 per-line plus one third of the difference between its uncapped per-line monthly support and $250. Beginning July 1, 2014, each study area's universal service monthly per-line support shall not exceed $250.
(b) For purposes of this section, universal service support is defined as the sum of the amounts calculated pursuant to §§ 36.605, 36.631, 54.301, 54.305, and 54.901-.904 of this chapter. Line counts for purposes of this section shall be as of the most recent line counts reported pursuant to § 36.611(h) of this chapter.
(c) The Administrator, in order to limit support to $250 for affected carriers, shall reduce safety net additive support, high-cost loop support, safety valve support, and interstate common line support in proportion to the relative amounts of each support the study area would receive absent such limitation.

USF HCL CAPITAL AND OPERATING EXPENDITURE CAPS/BENCHMARKS

DA 12-646, Section III
10. In this order, we implement the Commission's rule to use benchmarks to impose reasonable limits on reimbursable capital and operating costs for rate-of-return carriers for purposes of determining HCLS and adopt the methodology that the Bureau will use to determine carrier-specific benchmarks for rate-of-return cost companies. Consistent with parameters set forth by the Commission, we compare companies' costs to those of similarly situated companies using statistical techniques to determine which companies shall be deemed similarly situated.24As described in more detail in the attached technical appendix, we use NECA cost data and quantile regression analyses to generate a capital expense (capex) limit and an operating expense (opex) limit for each rate-of-return cost company study area.25 The regression-derived limits are set at the 90th percentile of costs for capex and opex compared to similarly situated companies.26 The capped values will be used in NECA's loop cost algorithm in place of an individual company's actual cost data for those rate-of-return cost companies whose costs exceed the caps, which will result in reduced support amounts for these carriers.27 As directed by the Commission, NECA will modify the HCLS formula for average schedule companies to

reflect the caps derived from the cost company data.28 After application of the benchmark methodology, HCLS will be recalculated to account for the additional support available under the overall cap on total HCLS.

Additional support will be redistributed to carriers whose loop cost is not limited by the benchmark methodology, and those carriers are required to use the additional support to preserve and advance the availability of modern networks capable of delivering broadband and voice telephony service.29

§ 36.603 Calculation of incumbent local exchange carrier portion of nationwide loop cost expense adjustment for rate-of-return carriers.

(a) Beginning January 1, 2003, the annual amount of the rural incumbent local exchange carrier portion of the nationwide loop cost expense adjustment calculated pursuant to this subpart F shall not exceed the amount of the total rural incumbent local exchange carrier loop cost expense adjustment for the immediately preceding calendar year, multiplied times one plus the Rural Growth Factor calculated pursuant to §36.604. Beginning January 1, 2012, the total annual amount of the incumbent local exchange carrier portion of the nationwide loop cost expense adjustment shall not exceed the expense adjustment calculated for rate-of-return regulated carriers pursuant to this paragraph. Beginning January 1, 2012, rate-of-return local exchange carriers shall not include rate-of-return carriers affiliated with price cap local exchange carriers as set forth in § 36.601(a) of this subpart. Beginning January 1, 2013, and each calendar year thereafter, the total annual amount of the incumbent local exchange carrier portion of the nationwide loop cost expense adjustment shall not exceed the amount for the immediately preceding calendar year, multiplied times one plus the Rural Growth Factor calculated pursuant to § 36.604.

FCC 11-161, Section VII.D.7

257. For all of these reasons, we conclude that it is time to end LSS as a stand-alone universal service support mechanism, but that, as discussed in more detail in the ICC section of this Order, limited recovery of the costs previously covered by LSS should be available pursuant to our ICC reform and the accompanying creation of an ICC recovery mechanism through the CAF. Effective July 1, 2012 we will eliminate LSS as a separate support mechanism. In order to simplify the transition of LSS, beginning January 1, 2012 and until June 30, 2012, LSS payments to each eligible incumbent LEC shall be frozen at 2011 support levels subject to true-up based on 2011 operating results. To the extent that the elimination of LSS support affects incumbent LECs interstate switched access revenue requirement, we address that issue in the ICC context.419

§ 54.301 Local switching support.

(a) ***

(1) Beginning January 1, 1998 and ending December 31, 2011, an incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines shall receive support for local switching costs using the following formula: the carrier's projected annual unseparated local switching revenue requirement, calculated pursuant to paragraph (d) of this section, shall be multiplied by the local switching support factor. Beginning January 1, 2012 and ending June 30, 2012, a rate-of-return carrier, as that term is defined in § 54.5 of this chapter, that is an incumbent local exchange carrier that has been designated an eligible telecommunications carrier and that serves a study area with 50,000 or fewer access lines and is not affiliated with a price cap carrier, as that term is defined in § 61.3(aa) of this chapter, shall receive support for local switching costs frozen at the same support level received for calendar year 2011, subject to true-up. For purposes of this section, local switching costs shall be defined as Category 3 local switching costs under part 36 of this chapter. Beginning January 1, 2012, no carrier that is a price cap carrier, as that term is defined in § 61.3(aa) of this chapter, or a rate-of-return carrier, as that term is defined in § 54.5 of this chapter, that is affiliated with a price cap carrier, shall receive local switching support. Beginning July 1, 2012, no carrier shall receive local switching support.

FCC 11-161, Section VII.E.3
899. *Rate-of-Return Eligible Recovery.* A rate-of-return carrier's baseline for recovery ("Rate of-Return Baseline") is its 2011 interstate switched access revenue requirement, plus its FY2011[1749] intrastate switched access intercarrier compensation revenues for rates capped or reduced by this Order, plus its FY2011 net reciprocal compensation revenues. A rate-of-return carrier's Eligible Recovery ("Rate-of-Return Eligible Recovery"), in turn, is: (a) its Rate-of-Return Baseline reduced by five percent each year; less (b) its ICC recovery opportunity for that year, defined as: (i) its estimated MOU for each rate element subject to reform times; (ii) the default transition rate for that rate element for that year; plus (3) any necessary true-ups based on the prior year's actual MOUs.

> **Rate of Return Example.**[1750] A rate-of-return carrier has a 2011 interstate switched access revenue requirement of $200,000, FY2011 intrastate switched access revenues of $50,000, and net reciprocal compensation revenues of $5,000. Its Eligible Recovery would be determined as follows:
>
> *Year 1.* The carrier is entitled to collect $242,250 ($255,000 x .95). The carrier will subtract from this total its ICC recovery opportunity from switched access charges capped or reduced in this Order (both intrastate and interstate) and net reciprocal compensation, defined as its forecast MOU times the default rates specified by this Order. The remainder is Eligible Recovery.
>
> *Year 2.* Prior to adjustment for any under- or over-estimation of minutes in Year 1, the carrier is entitled to recover $230,137.50 ($242,250 x .95). This figure is adjusted up or down in the annual true-up to reflect any difference between forecast minutes in Year 1 and actual minutes in Year 1. For example, if the carrier had fewer minutes than estimated in Year 1, such that its ICC recovery opportunity was $500 less than forecast, its recovery in Year 2 would be adjusted upward by $500 and it would be permitted to recover $230,637.50 in Year 2 ($230,137.50 + $500). Conversely, if the carrier had a higher number of MOU than had been forecast and provided the carrier an opportunity for $500 more ICC recovery, its recovery in Year 2 would be adjusted downward to $229,637.50 ($230,137.50 - $500). The carrier will then subtract from this total its Year 2 ICC recovery opportunity, based on its Year 2 forecast minutes and the Year 2 default rates specified by this Order. The remainder is Eligible Recovery.

§ 51.917 Revenue recovery for Rate-of-Return Carriers. (CAF ICC)
(a) Scope. This section sets forth the extent to which Rate-of-Return Carriers may recover, through the recovery mechanism outlined below, a portion of revenues lost due to rate reductions required by §§ 20.11(b), 51.705 and 51.909 of this chapter.

(b) Definitions. 2011 Interstate Switched Access Revenue Requirement. 2011 Interstate Switched Access Revenue Requirement means: (a) for a Rate-of-Return Carrier that participated in the NECA 2011 annual switched access tariff filing, its projected interstate switched access revenue requirement associated with the NECA 2011 annual interstate switched access tariff filing; (b) for a Rate-of-Return Carrier subject to section 61.38 of this chapter that filed its own annual access tariff in 2010 and did not participate in the NECA 2011 annual switched access tariff filing, its projected interstate switched access revenue requirement in its 2010 annual interstate switched access tariff filing; and (3) for a Rate-of-Return Carrier subject to section 61.39 of this chapter that filed its own annual switched access tariff in 2011, its historically-determined annual interstate switched access revenue requirement filed with its 2011 annual interstate switched access tariff filing.

(1) Expected Revenues. Expected Revenues from an access service are calculated using the default transition rate for that service specified by § 51.909 of this part and forecast demand for that service. Expected Revenues from a non-access service are calculated using the default transition rate for that service specified by § 20.11 or § 51.705 of this chapter and forecast net demand for that service.

(2) Rate-of-Return Carrier Baseline Adjustment Factor. The Rate-of-Return Carrier Baseline Adjustment Factor, as used in calculating eligible recovery for Rate-of-Return Carriers, is equal to ninety-five (95) percent for the period beginning July 1, 2012. It is reduced by five (5) percent of its previous value in each subsequent annual tariff filing.

(3) Revenue Requirement. Revenue Requirement is equal to a carrier's regulated operating costs plus an 11.25 percent return on a carrier's net rate base calculated in compliance with the provisions of parts 36, 65 and 69 of this chapter. For an average schedule carrier, its Revenue Requirement shall be equal to the average schedule settlements it received from the pool, adjusted to reflect an 11.25 percent rate of return, or what it would have received if it had been a participant in the pool. If the reference is to an operating segment, these references are to the Revenue Requirement associated with that segment.

(4) True-up Adjustment. The True-up Adjustment is equal to the Expected Revenues less the Trueup Revenues for any particular service for the period in question.

(5) True-up Revenues. True-up Revenues from an access service are equal to Expected Revenues minus ((projected demand minus actual realized demand for that service) times the default transition rate for that service specified by 51.909). True-up Revenues from a non-access service are equal to Expected Revenues minus ((projected demand minus actual realized net demand for that service) times the default transition rate for that service specified by 20.11(b) or 51.705). Realized demand is the demand for which payment has been received, or has been made, as appropriate, by the time the true-up is made.

(c) 2011 Rate-of-Return Carrier Base Period Revenue.

(1) 2011 Rate-of-Return Carrier Base Period Revenue is the sum of:
(i) 2011 Interstate Switched Access Revenue Requirement;
(ii) Fiscal Year 2011 revenues from Transitional Intrastate Access Service received by March 31, 2012; and
(iii) Fiscal Year 2011 reciprocal compensation revenues received by March 31, 2012, less Fiscal Year 2011 reciprocal compensation payments paid and/or payable by March 31, 2012

(2) 2011 Rate-of-Return Carrier Base Period Revenue shall be adjusted to reflect the removal of any increases in revenue requirement or revenues resulting from access stimulation activity the Rateof-Return Carrier engaged in during the relevant measuring period. A Rate-of-Return Carrier should make this adjustment for its initial July 1, 2012, tariff filing, but the adjustment may result from a subsequent Commission or court ruling.

(d) Eligible Recovery for Rate-of-Return Carriers. (1) Notwithstanding any other provision of the Commission's rules, a Rate-of-Return Carrier may recover the amounts specified in this paragraph through the mechanisms described in paragraphs (e) and (f).
(i) Beginning July 1, 2012, a Rate-of-Return Carrier's eligible recovery will be equal to the Rate-of-Return Carrier Baseline Adjustment Factor multiplied by the sum of:

1. The Fiscal Year 2011 revenues from Transitional Intrastate Access Service less the

Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2012, reflecting the rate transition contained in § 51.909;

2. 2011 Base Period Revenue Requirement less the Expected Revenues from interstate switched access for the year beginning July 1, 2012, reflecting the rate transition contained in § 51.909;

3. CMRS Net Reciprocal Compensation Revenues; and

4. A Rate-of-Return Carrier's reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) of this part resulting from rate reductions required by § 51.705, which may be calculated in one of the following ways:

i. Fiscal Year 2011 net reciprocal compensation revenue less the Expected Revenues from net reciprocal compensation for the year beginning July 1, 2012, reflecting the rate reductions required by § 51.705;
ii. By using a composite reciprocal compensation rate as follows:

1. Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;

2. Estimate the expected reduction in net reciprocal compensation for the year beginning July 1, 2012, by calculating the expected difference between the Fiscal Year 2011 composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2012 using projected 2012 demand; or iii. For the purpose of establishing its recovery for net reciprocal compensation, a Rate-of-Return Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.

(ii) Beginning July 1, 2013, a Rate-of-Return Carrier's eligible recovery will be equal to the Rate-of-Return Carrier Baseline Adjustment Factor multiplied by the sum of:

1. The Fiscal Year 2011 revenues from Transitional Intrastate Access Service less the Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2013, reflecting the rate transition contained in § 51.909;

2. 2011 Rate-of-Return Carrier Base Period Revenue Requirement less the Expected Revenues from interstate switched access for the year beginning July 1, 2013

3. CMRS Net Reciprocal Compensation Revenues;

4. A Rate-of-Return Carrier's reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:

i. Fiscal Year 2011 net reciprocal compensation revenue less the Expected Revenues from net reciprocal compensation for the year beginning July 1, 2013, reflecting the rate reductions required by 51.705;

ii. By using a composite reciprocal compensation rate as follows:

1. Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;

2. Estimate the expected reduction in net reciprocal compensation for the year beginning July 1, 2013, by calculating the expected difference between the Fiscal Year 2011 composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2013 using projected 2013 demand; or

iii. For the purpose of establishing its recovery for net reciprocal compensation, a Rateof-Return Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.

(iii) Beginning July 1, 2014, a Rate-of-Return Carrier's eligible recovery will be equal to the Rate-of-Return Carrier Baseline Adjustment Factor multiplied by the sum of the amounts in paragraphs (d)(1)(iii)(1)-(d)(1)(iii)(4), and by adding the amount in paragraph (d)(1)(iii)5 to that amount:

1. The Fiscal Year 2011 revenues from Transitional Intrastate Access Service less the Expected Revenues from Transitional Intrastate Access Service for the year beginning July 1, 2014, reflecting the rate transitions contained in § 51.909 (including the reduction in intrastate End Office Switched Access Service rates), adjusted to reflect the True-Up Adjustment for Transitional Intrastate Access Service for the year beginning July 1, 2012;

2. 2011 Base Period Revenue Requirement less the Expected Revenues from interstate switched access for the year beginning July 1, 2014, adjusted to reflect the True-Up Adjustment for Interstate switched Access for the year beginning July 1, 2012;

3. CMRS Net Reciprocal Compensation Revenues; and

4. A Rate-of-Return Carrier's reductions in Fiscal Year 2011 net reciprocal compensation revenues other than those associated with CMRS traffic as described in § 51.701(b)(2) resulting from rate reductions required by § 51.705 may be calculated in one of the following ways:

i. Fiscal Year 2011 net reciprocal compensation revenue less the Expected Revenues from net reciprocal compensation for the year beginning July 1, 2014, reflecting the rate reductions required by 51.705 adjusted to reflect the True-Up Adjustment for reciprocal compensation for the year beginning July 1, 2012;

ii. By using a composite reciprocal compensation rate as follows:

1. Establish a composite reciprocal compensation rate for its Fiscal Year 2011 reciprocal compensation receipts and its Fiscal Year 2011 reciprocal compensation payments by dividing its Fiscal Year 2011 reciprocal compensation receipts and payments by their respective Fiscal Year 2011 demand;

2. Estimate the expected reduction in net reciprocal compensation for the year beginning July 1, 2014, by calculating the expected difference between the Fiscal Year 2011 composite reciprocal compensation rates and the target reciprocal compensation rate set forth in § 51.705 for the year beginning July 1, 2014, adjusted to reflect the True-Up Adjustment for reciprocal compensation for the year beginning July 1, 2012; or

iii. For the purpose of establishing its recovery for net reciprocal compensation, a Rateof-Return Carrier may elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. If a carrier elects this option, it may not change its election at a later date.
5. An amount equal to True-up Revenues for Access Recovery Charges less Expected Revenues for Access Recovery Charges for the year beginning July 1, 2012.

(iv) Beginning July 1, 2015, and for all subsequent years, a Rate-of-Return Carrier's eligible recovery will be calculated by updating the procedures set forth in paragraph (d)(1)(iii) for the period beginning July 1, 2014, to reflect the passage of an additional year in each subsequent year.

(v) If a Rate-of-Return Carrier receives payments for intrastate or interstate switched access services or for Access Recovery Charges after the period used to measure the adjustments to reflect the differences between estimated and actual revenues, it shall treat such payments as actual revenue in the year the payment is received and shall reflect this as an additional adjustment for that year.

(vi) If a Rate-of-Return Carrier receives or makes reciprocal compensation payments after the period used to measure the adjustments to reflect the differences between estimated and actual net reciprocal compensation revenues, it shall treat such amounts as actual revenues or payments in the year the payment is received or made and shall reflect this as an additional adjustment for that year.

(vii) If a Rate-of-Return Carrier recovers any costs or revenues that are already being recovered as Eligible Recovery through Access Recovery Charges or the Connect America Fund from another source, that carrier's ability to recover reduced switched access revenue from Access Recovery Charges or the Connect America Fund shall be reduced to the extent it receives duplicative recovery. A Rate-of-Return Carrier seeking revenue recovery must annually certify as part of its tariff filings to the Commission and to the relevant state commission that the carrier is not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism.

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(f) Rate-of-Return Carrier eligibility for CAF ICC Recovery.

(1) A Rate-of-Return Carrier shall elect in its July 1, 2012 access tariff filing whether it will receive CAF ICC Support under this paragraph. A Rate-of-Return Carrier eligible to receive CAF ICC Support subsequently may elect at any time not to receive such funding. Once it makes the election not to receive CAF ICC Support, it may not elect to receive such funding at a later date.

(2) Beginning July 1, 2012, a Rate-of-Return Carrier may recover any eligible recovery allowed by paragraph (d) that it could not have recovered through charges assessed pursuant to paragraph (e) from CAF ICC Support pursuant to § 54.304. For this purpose, the Rate-of-Return Carrier must impute the maximum charges it could have assessed under paragraph (e).

(3) A Rate-of-Return Carrier that elects to receive CAF ICC support must certify with its 2012 annual access tariff filing and on April 1st of each subsequent year that it has complied with paragraphs (d) and (e), and, after doing so, is eligible to receive the CAF ICC support requested pursuant to paragraph (f).

TARIFF

GENERAL EXCHANGE TARIFF

LOCAL EXCHANGE SERVICE

I. GENERAL (Continued)

B. Application of Business and Residence Rates (Continued)

A detached structure when strictly a part of the residence on the same premises and is not used as a place of business.

II. LOCAL EXCHANGE SERVICE RATES

A. Monthly Local Exchange Access Line Rates

Exchange	(NPA-NXX)	(1) Business	(1) Residence	(1) Semi-Public
Terral	(405-437)	$16.50	$14.00	$20.50

Exchange	(NPA-NXX)	(1) (2) Business	(1) (2) Residence	(1) (2) Semi-Public
Terral	(405-437)	$14.50	$12.00	$18.50

(1) Pursuant to RM 930000090, Order No. 380024, Tone Dialing Service is part of basic service. The combined offering will be the standard service offering for basic service.

(2) Pursuant to RM 930000090, Order No. 380024, Obsolete Service is limited to existing customers at existing locations who do not currently subscribe to Tone Dialing Service. The obsolete service rate will continue to apply until the customer changes, adds or moves existing service arrangements.

APPROVED

JAN 14 1998

DIRECTOR OF PUBLIC UTILITIES