AFFIDAVIT OF JANE SUTHERLAND IN SUPPORT OF COMPANY'S RATE TARIFFS

Affiant, being duly sworn deposes and states:

1. My name is Jane Sutherland, and I am the Customer Operations Manager of KLM Telephone Company d/b/a American Broadband ("Company"). I am familiar with the Company's business and operations. Based on my knowledge of the Company, I have knowledge of the facts contained herein, and I am competent and authorized to testify on these matters.

2. **The Company.** Company is a small, incumbent local exchange carrier (ILEC), providing local and exchange access services in high cost, rural Missouri. Company provides these services in and around the communities of Rich Hills, Metz, Richards, and Deerfield, Missouri. Company provides these services in accordance with the rates, terms, and conditions set forth in its tariffs on file with and approved by the Missouri Public Service Commission ("Commission" or "PSC").

3. Over the last five to ten years, the Company has experienced a reduction in the number of local exchange access lines (line loss) as well as a reduction in the amount of intrastate access minutes of use due to competition from other voice service offerings such as wireless and voice over Internet protocol (VoIP) services.

4. As a result of this competition and recent FCC *Orders,* the Company has elected, in accordance with §392.420 RSMo, to waive certain statutes and rules, including §392.240.1, which requires the Commission to give "due regard, among other things, to a reasonable average return upon the value of property actually used in the public service . . ." when setting just and reasonable rates. Company's waivers were acknowledged by the Commission in Case No. TE-2012-0073.

5. **The Federal Communications Commission Nov. 18, 2011 *Order.*** On November 18, 2011, the Federal Communications Commission (FCC) issued its *Universal Service Fund (USF) and Intercarrier Compensation (ICC) Transformation Order* (FCC *Order).*[1] Specifically, the FCC *Order:*

(a) established a $14.00 local rate floor for residential service to be effective June 1, 2013, that all ILECs must meet or lose federal High Cost Loop (HCL) Universal Service Fund (USF) support in the amount by which the rate floors exceed the company's local rates;

(b) capped ILECs' intrastate access rates <u>and</u> required the ILECs to lower their intrastate access rates to mirror the ILECs' interstate access rates, by July 1, 2013;

(c) requires ILECs to cease charging their Commission-approved rates for intraMTA traffic which wireless carriers terminate to Company's customers and move to a bill-and-keep regime *(i.e.* no compensation) for this wireless traffic as of July 1, 2012; and

[1] *Report and Order and Further Notice of Proposed Rulemaking,* WC Docket No. 10-90 et. al., FCC 11-161.

(d) requires ILECs to begin charging interstate access rates (which are lower than intra-state access rates) for <u>all</u> VOIP traffic beginning December 29, 2011, including intrastate toll VOIP traffic terminating to the Company. The FCC Order (as later clarified) also requires all originating intrastate toll VOIP traffic to be billed at interstate access rates beginning July 1, 2014.

These changes mandated by the FCC will directly impact the Company's three primary sources of revenue: (A) end user (customer) rates; (B) intercarrier compensation (company-to-company) rates; and (C) USF support.

6. If the Company continues to terminate the same amount of telecommunications in July 2012, the FCC's mandated reductions in access rates and elimination of reciprocal compensation rates for intraMTA wireless traffic will cause revenue reductions in intercarrier compensation received by the Company. Moreover, if the Company does not raise its local rates to $14.00 by July 1, 2013, then Company will lose High Cost Loop (HCL) support in the amount of the difference between Company's local rates and the FCC's $14.00 minimum rate on a dollar-for-dollar basis based on all of its access lines.

7. **The Tariff Filing.** In order to meet the FCC's mandate and avoid the reduction in high-cost fund support, the Company is herewith filing revised tariffs to increase its rates for local services. In order to mitigate these increases, the Company is eliminating the charge for Caller ID (currently priced at $4.95 per month) and will provide this feature to all customers at no charge. The effect of the proposed changes on customers and the Company is shown on Attachment A (Proprietary) hereto.

8. Company will provide notice to all of its customers of the rate changes. A copy of the customer notice is included with its tariff filing as Attachment B.

FURTHER AFFIANT SAYETH NOT.

I declare under penalty of perjury that the above is true and correct to the best of my knowledge and belief.

DATED: April 22, 2013

By: Jane Sutherland

The above person, Jane Sutherland, personally known to me, signed the above and foregoing affidavit in my presence on April 22, 2013, after having been duly sworn by me under oath and affirming that the statements made in the foregoing affidavit are true and correct.

SUBSCRIBED AND SWORN to

Before me this 22nd day of April, 2013.

Kerstan J Jetensky

Notary Public

My Commission expires: April 10, 2016

GENERAL NOTARY-State of Nebraska
KERSTAN J. JETENSKY
My Comm. Exp. April 10, 2016