

**AFFIDAVIT OF PATRICK L. MORSE IN SUPPORT OF**  
**FAIRPOINT COMMUNICATIONS MISSOURI, INC.**  
**D/B/A FAIRPOINT COMMUNICATIONS' RATE TARIFFS**

Affiant, being duly sworn deposes and states:

1. My name is Patrick L. Morse, and I am the Senior Vice President Governmental Affairs of FairPoint Communications and authorized to act on behalf of FairPoint Communications Missouri, Inc. d/b/a FairPoint Communications ("FairPoint" or "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 areas of west central Missouri. Company provides these services in and around the communities of Creighton, Cleveland, Drexel, East Lynne, Garden City and Peculiar, in Cass County, 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. FairPoint increased its local exchange rates for residential service on June 1, 2012, to \$10 in order to meet the FCC's local rate floor requirement. Prior to June 2012, it had been over fifteen (15) years since Company (or its predecessors) last increased its rates for local exchange service.

4. Over the last five to ten years, the Company has experienced a reduction in the number of local exchange access lines (over 20% 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.

5. 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.

6. **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)*.<sup>1</sup> Specifically, the FCC Order:

- (a) established a \$14.00 local rate floor as of June 1, 2013, for residential service 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’ terminating intra-state access rates and required the ILECs to lower their terminating intra-state access rates to mirror the ILECs’ inter-state access rates, by July 1, 2013;

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<sup>1</sup> *Report and Order and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 *et al.*, FCC 11-161.

- (c) required ILECs to cease charging their Commission-approved rates for intra-MTA 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
- (d) required ILECs to begin charging inter-state access rates (which are lower than intra-state access rates) for all 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 VOIP traffic to be billed at inter-state access rates as of 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.

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

8. **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 help mitigate this rate increase for its customers, the Company is also reducing the rates for its MCA plans. The effect of the proposed changes on customers and the Company is shown on Attachment A hereto.

9. Company will provide notice to all of its customers of the rate changes at least thirty (30) days prior to the effective date of the new rates. A copy of the customer notice is included with its tariff filing as Attachment B.

FURTHER AFFIANT SAYETH NOT.

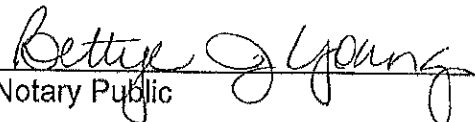
I declare under penalty of perjury that the above is true and correct to the best of my knowledge and belief.

DATED: March 27, 2013

By: 

The above person, Patrick L. Morse, personally known to me, signed the above and foregoing affidavit in my presence on March 27, 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 27 day of March, 2013.

  
Notary Public

My Commission expires: November 16, 2014



**ATTACHMENT B**

**FAIRPOINT COMMUNICATIONS MISSOURI, INC.  
d/b/a FAIRPOINT COMMUNICATIONS**

**CUSTOMER NOTICE – APRIL 15, 2013**

Due to regulatory reforms mandated by the Federal Communications Commission (FCC), effective May 28, 2013, FairPoint Communications' residential local access line rate will increase from \$10.00 to \$14.00 per month. Also, the business local access line rate will increase to \$16.00. Accordingly, the rates for residential Emergency Line Service, equal to 50% of the applicable monthly local rate, will increase to \$7.00 per month.

To help mitigate the impact of these changes, the Company is reducing the monthly rates for its MCA Plans by 20%.

If you have any questions, please contact our customer service office at 1-800-400-5568.