

AFFIDAVIT OF JOHN BELL IN SUPPORT
OF COMPANY'S RATE TARIFFS

Affiant, being duly sworn deposes and states:

1. My name is John Bell and I am the Chief Financial Officer of Fidelity Telephone Company ("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 Missouri. Company provides these services in and around the communities of Berger, New Haven, Lyon, Gerald, Owensville, Japan, Sullivan, Spring Bluff, and Stanton, Missouri, 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. It had been approximately nine (9) years since the Company 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 (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. Fidelity has

also experienced a significant loss in USF revenues. In fact, Fidelity projects that its total intrastate revenues for 2013 will be over \$2 million less than it received in 2010.

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)*.¹ 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;

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

- (c) requires 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) requires 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 Company. The FCC Order (as later clarified) also requires all originating VOIP traffic to be billed at inter-state access rates as of July 1, 2014.

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

7. The FCC's mandated reductions in access rates and elimination of reciprocal compensation rates for intraMTA wireless traffic have caused, and will, effective July 2013, further cause revenue reductions in intercarrier compensation received by the Company.

8. **The Tariff Filing.** In order to meet the FCC's mandate, the Company is herewith filing revised tariffs to increase its rates for local services. 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: April 12, 2013

By: _____

The above person, John Bell, personally known to me, signed the above and foregoing affidavit in my presence on April 12, 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 12th day of April, 2013.

Jennifer L. Tracy
Notary Public

My Commission expires: 02/07/17

