

**AFFIDAVIT OF RON HINDS IN SUPPORT OF COMPANY'S RATE TARIFFS**

Affiant, being duly sworn deposes and states:

1. My name is Ron Hinds, and I am the General Manager of Lathrop 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 Missouri. Company provides these services in and around the community of LATHROP, 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. It has been over 29 years since the Company last raised its local rates. In the past three years, the Company spent \$3,400,000 on a fiber-to-the-home project which was recently completed December 2012.
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.

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' 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;
- (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

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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.

- (d) requires ILECs to begin charging interstate access rates (which are lower than intrastate access rates) for all VOIP traffic beginning December 29, 2011, including intrastate toll VOIP traffic and terminating to 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.

7. If the Company continues to terminate the same amount of telecommunications in July 2013, then the FCC's mandated reductions in access rates 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 local rates 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. The effect of the proposed changes on customers and the Company is shown on Attachment A [**PROPRIETARY**] hereto.

9. In order to mitigate the impact of the local rate increase on the Company's customers, the Company is also filing revised tariffs to reduce the charges for Caller ID by \$2.00 per month and reduce the charge for voice mail by \$1.00 per month.

10. 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 8, 2013

By: Ronald J. Hinds

The above person Ronald T. Hinds, personally known to me, signed the above and foregoing affidavit in my presence on April 8, 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 8th day of April, 2013.

Mary Pearl Scurlock  
Notary Public

My Commission expires: 4-24-2015

MARY PEARL SCURLOCK  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Commissioned for Mercer County  
My Commission Expires: April 24, 2015  
Commission Number 11494513