

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: June 17, 2011
AT (OFFICE): NHPUC

FROM: *David*
David Goyette, Utility Analyst III - Telecommunications

SUBJECT: DT 11-131 Dixville Telephone Company Tariff Revision
Reduction to Originating and Terminating CCL Rate to \$0.000

TO: Debra Howland, Executive Director
Kate Bailey, Director - Telecommunications

On June 8, 2011 Dixville Telephone Company (Dixville) filed a revision to its NHPUC Tariff No. 3 which would reduce its charge for Carrier Common Line (CCL) for both originating and terminating access to \$0.000000 per minute. The revision would take effect July 16, 2011.

The filing was made following a discussion between Dixville and Staff, in which Dixville agreed to voluntarily decrease its access rates so that its rate of return (ROR), which has been high for each of the past 5 years, could be reduced.

Prior to the discussion, Staff had reviewed Dixville's most recent rates of return. Based on Staff's calculations, Dixville's annual RORs have ranged between 29.25% and 31.75% during the preceding 5 calendar years, from 2006 to 2010 based on revenue from both intra- and interstate services.

A breakdown of Dixville's 2010 revenue sources is shown below.

Dixville Telephone Company
Sources of Revenue *
Year Ending December 31, 2010

Local Service	\$36,829
Intrastate Access	58,261
Interstate and other	<u>207,891</u>
 Total Revenue	 <u><u>\$302,981</u></u>



* Per 2010 NHPUC Annual Report

Staff seeks to reduce future RORs to more reasonable levels and recognizes that this can be achieved by decreasing only the rates of revenue sources for which the Commission has jurisdiction, namely local service and intrastate access. The monthly rates for unlimited local service for residential and business customers, \$5.46 and \$7.30, respectively, are already the lowest of all ILECs in the State. In Staff's view, it would not seem prudent to reduce those rates even further. In contrast to this, Dixville's intrastate access rates are the highest in the State with originating and terminating per minute rates of \$0.065948 and \$0.104052, respectively. A decrease to one specific component of access, the CCL charge, is, in Staff's opinion, the most expedient method for reducing Dixville's overall access rates.

A reduction in Dixville's ROR is in order and, were it not for Dixville's voluntary filing of the proposed tariff, a rate case proceeding would typically be the method for accomplishing this. It should be noted however, that Dixville is the smallest ILEC in the State on an access line count basis with 466 lines reported at year-end 2010, and the costs of a rate case for so small an ILEC, for which most of those costs, ultimately, would be shouldered by a relatively small customer base, could be onerous and burdensome. As an alternative to this course, on May 16, 2011, Staff contacted Dixville to ask if it would voluntarily reduce its overall rate for intrastate access by decreasing the CCL charge to \$0.0000 per minute for originating and terminating access. Dixville agreed, and submitted the proposed tariff.

The proposed tariff would reduce the per minute CCL rate for originating and terminating access by \$0.010000 and \$0.0481040, respectively. Based on Staff's estimates, if, during 2010, originating and terminating CCL charges had, hypothetically, been \$0.000000, Dixville's ROR would have been somewhere between 14% and 24%. Although this is still high by industry standards, it is an improvement over the 2010 actual ROR of 29.24% and reduces the revenue over which the Commission has jurisdiction by as much as is reasonably possible.

In addition to decreasing Dixville's ROR, reducing Dixville's intrastate access rates is consistent with RSA 378:17-a, III (a):

The commission should, as soon as possible after each significant decrease of interstate access charges by the federal government, consider corresponding reductions in intrastate access charges, taking into account both the disadvantages to customers of intrastate access charges that exceed interstate access charges and the disadvantages to customers of increases in charges for basic services.

Staff recommends that the tariff filing be allowed to go into effect by operation of law, as it provides a method for reducing Dixville's ROR, avoids the time and costs of undertaking a rate case, and is consistent with RSA 378:17-a, III (a).