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**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

**DOCKET NUMBER 70009-294-TT-07**

**DIRECT TESTIMONY OF BRYCE J. FREEMAN**

Pursuant to W.S. § 37-2-401,

The office of consumer advocate shall represent the interests of Wyoming citizens and all classes of utility customers in matters involving public utilities. In the exercise of its powers the office of the consumer advocate shall consider all relevant factors, including, but not limited to, the provision of safe, efficient and reliable utility services at just and reasonable prices.

Although the OCA is a division within the Commission according to W.S. § 37-2-401, it is a separate division with no reporting or supervisory links to the Commission and the OCA has the right under W.S. § 37-2-402(ii), to appeal decisions of the Commission that it does not find in the public interest. The only link between the OCA and the Public Service Commission is the source of common funding provided by the assessment on gross utility operating revenues; this assessment funds both the Commission and the OCA. Additionally, as Administrator of the OCA I report directly to the Governor of Wyoming.

I appear here today on behalf of the OCA. As I indicated previously, the OCA is an independent party in this proceeding, separate and apart from the Commission or its advisory staff.

The purpose of my testimony today is to describe the two applications filed by Embarq related to certain local exchange and switched access price adjustments, the OCA's review and analysis of the applications, and the rationale for the recommendations that we offer. Although the Commission has scheduled only the sub 294 docket for hearing today, it is impossible from an analytical and policy perspective to separate the two, as I will explain in my testimony, and therefore my testimony today will refer to the proposals in both dockets.

The fact that these applications were filed separately is important as I will discuss later in my testimony, but first a description of the filings, the Company's objective in making them and a

1 review of the applicable legal standards is in order. In Docket Number 70009-295-TT07 the  
2 Company proposed to reduce the rate it charges for monthly local exchange services in its  
3 Guernsey and Torrington exchanges from the existing level of \$36.74 and \$28.00 to \$27.74 and  
4 \$19.00, respectively, and to reduce the monthly recurring charge for certain residential and  
5 business bundled packages. The proposed changes were filed on July 2, 2007 and became  
6 effective on July 3, 2007 pursuant to W.S. § 37-15-203.

7 In Docket Number 70009-294-TT-07 the Company proposed to reduce and levelize the rate it  
8 charges for monthly local exchange service in the Lingle, LaGrange and West Lyman exchanges,  
9 to a level of \$63.18, and to reduce the monthly recurring charge for certain residential and  
10 business bundled packages. In this docket the Company also proposed to increase its per minute  
11 switched access rate from \$0.0045 cents per minute to \$0.03 cents per minute an increase of  
12 \$0.0255 cents per minute or 85%. This proposed tariff change was issued by the Company on  
13 July 2, 2007 with a proposed effective date of August 1, 2007. On July 19, 2007 the OCA filed  
14 its Notice of Intervention in both dockets and at an open meeting of the Commission held on July  
15 31, 2007 the OCA appeared and outlined its initial concerns and position on the dockets.

16 Since that time the OCA has continued to investigate the filings and has propounded multiple  
17 data requests to the Company. Based on our investigation and analysis of the filings and review  
18 of the responses to data requests we have concluded that the price changes proposed by the  
19 Company in this filing are inconsistent with existing law, contrary to the public interest and are  
20 otherwise not supported by the evidence of record in this proceeding. My testimony will  
21 describe the OCA's investigation in this matter as well as providing a basis for our  
22 recommendation that the Commission reallocate USF support and reject Embarq's proposed  
23 price increase for switched access service in this proceeding.

24 As the Commission is aware, the Wyoming Legislature, in its most recent legislative session,  
25 adopted legislation that substantially modified existing law related to the regulation of  
26 telecommunications carriers in Wyoming. Passage of the Telecommunications Act this year was  
27 the culmination of at least two years of work and negotiation by legislators, the governor's office,  
28 and many industry stakeholder representatives. I was personally intimately involved in the  
29 development of this legislation as were a number of representatives of the Commission itself.

1 While the new Act streamlines the regulation of telecommunications carriers and services in  
2 many respects and expressly limits the authority of the Commission with regard to competitive  
3 and non-essential services, it also adds clarity and definition as to the regulation of essential and  
4 non-competitive services. Specifically, the Act defines local exchange service and switched  
5 access service to be “essential and non-competitive” services subject to Commission jurisdiction  
6 under the Act. W.S. § 37-15-203 “Price regulation of noncompetitive essential services,” is  
7 particularly relevant to this proceeding as it defines the circumstances under which the price for  
8 non-competitive and essential services can be changed.

9 Section 203 gives providers of essential non-competitive services the discretion to reduce the  
10 price of non-competitive and essential services without prior approval of the Commission and  
11 without regard to a minimum TSLRIC standard which, under the provisions of the Wyoming  
12 Telecommunications Act of 1995, limited the ability of telecommunications providers to reduce  
13 prices. This provision makes sense in view of the arguments of industry participants that  
14 competitive service offerings necessitate their ability to respond with price reductions. The  
15 freedom to reduce prices in response to competitors’ offerings would certainly be one obvious  
16 element of a competitive market and one that would benefit consumers. The OCA supported this  
17 provision when the legislation was being debated by the legislature.

18 Although Section 203 allows providers of essential and non-competitive services to reduce prices  
19 without limitation, there are several new requirements and consumer protections contained in  
20 that same section that limit the ability of providers to increase prices. W.S. § 37-15-203(a)  
21 provides that, notwithstanding certain exceptions enumerated in later paragraphs, the price of  
22 non-competitive essential telecommunications services shall be subject to a maximum  
23 determined by the Commission and that the initial maximum shall be the local exchange carriers  
24 price for essential non-competitive services as of July 1, 2006.

25 W.S. § 37-15-203(f) allows a provider of essential non-competitive telecommunications services  
26 the ability to make revenue neutral price adjustments to the price of essential non-competitive  
27 telecommunications services to reduce or eliminate differences in the price of essential non-  
28 competitive telecommunications services in different portions of its service territory. This  
29 provision was intended to allow local exchange providers to reduce or eliminate the pricing

1 differences for local exchange services between local exchange areas and/or between different  
2 pricing zones within a specific local exchange. Any revenue neutral price change under this  
3 provision, which presumably would increase the price of local exchange services for some  
4 customers while reducing prices for others, or any other change that may result in an increase to  
5 non-competitive essential service prices is subject to review and approval by the Commission.

6 W.S. § 37-15-203(f) provides an opportunity for providers of essential non-competitive services  
7 to increase the price of those services, notwithstanding the maximum price articulated in  
8 paragraph (a), under certain circumstances. Specifically, changes in local calling areas, changes  
9 in access charges, other changes affecting essential non-competitive services, and changes in the  
10 cost of providing essential non-competitive services may be used to support an increase in the  
11 price of essential non-competitive services, again subject to review and approval by the  
12 Commission.

13 W.S. § 37-15-203(j) requires those providers of non-competitive switched access service whose  
14 price for non-competitive switched access exceeds \$0.03 per originating and terminating minute  
15 to reduce the price for non-competitive switched access service to no more than \$0.03 per minute  
16 by January 1, 2010. There is a limited exception to this requirement that would allow switched  
17 access prices to stay above \$0.03 per minute, but in no case past January 1, 2012.

18 That is a description of the filings made by the Company and the relevant provisions of the  
19 Telecommunications Act adopted this year by the legislature. Now I'm going to turn your  
20 attention to the reasons underlying our belief that the Company's proposed price changes are  
21 inconsistent with the provisions of the law that I have described and are otherwise bad regulatory  
22 policy and contrary to the public interest. I should point out to the Commission that some of the  
23 material contained in my testimony beyond this point is confidential and may require the  
24 Commission to close the hearing to public participation, although I will try to explain my  
25 position without the necessity of closing the hearing, if possible.

26 As a foundational matter, Embarq would have you believe that the provisions of W.S. § 37-15-  
27 203(a) give it the unlimited ability to make revenue neutral changes to the price of any and all  
28 essential non-competitive services and mix and match the revenues provided by those services as

1 it sees fit, even to the point of offsetting revenue declines for local exchange services with an  
2 increase in the price for switched access.

3 On the contrary, I read the law quite differently. I agree that the Company certainly has the  
4 ability to reduce the price of essential non-competitive services as it sees fit without prior  
5 Commission approval; W.S. § 37-15-203(a) clearly gives the Company that ability. However,  
6 that same section also very explicitly forecloses the Company from increasing the price of  
7 essential non-competitive services above the July 1, 2006 level, except as outlined in paragraph  
8 (f). This provision was adopted by the legislature to grant incumbent providers downward  
9 pricing flexibility to meet the competition while guarding against precipitous price increases for  
10 essential non-competitive services in the absence of effective competition.

11 The Company has asserted in discovery responses to the OCA that since the proposed price  
12 changes are revenue neutral they are allowed pursuant W.S. § 37-15-203(e). The plain language  
13 of this paragraph clearly restricts revenue neutral price changes to a single class of service, that  
14 being local exchange service, because it allows providers to make revenue neutral price changes  
15 only “to reduce or eliminate differences in the price of non-competitive essential  
16 telecommunications services in different portions of its service area.” Switched access is a  
17 service separate and apart from local exchange service and its price does not vary from one  
18 exchange to the next. This provision was never intended, nor does it provide explicit authority,  
19 to be used to increase access rates as a means to offset decreases in local exchange rates. It was  
20 intended solely to give local exchange service providers the ability to average the price of local  
21 exchange service across some or all of their service territory, for example, by eliminating zone  
22 charges or equalizing local exchange rates between urban and rural exchanges.

23 The Company also seems to imply in its application and response to data requests that W.S. § 37-  
24 15-203(j) sets a target of \$0.03 per minute for switched access rates. Yet, in reading this  
25 paragraph I can find no justification for increasing switched access rates that are currently less  
26 than \$0.03 per minute. This paragraph is devoted entirely to the implementation of an orderly  
27 reduction in switched access rates that are currently in excess of \$0.03 per minute. No where in  
28 this paragraph does the legislature set \$0.03 per minute as a target for switched access rates nor  
29 does it express its intent for switched access rates currently below \$0.03 per minute to be

1 increased to \$0.03 per minute. And that, I submit, based on my intimate involvement in drafting  
2 the bill, was never the intent of the legislature. In rendering its decision in this matter the  
3 Commission should consider carefully the dangerous precedent that would be set by approving  
4 Embarq's proposed price plan and in particular its proposal to increase the rate for switched  
5 access. Most of the local exchange providers in the state currently have switched access rates  
6 below \$0.03 per minute. Targeting the \$0.03 switched access rate as the appropriate rate would  
7 open the floodgates, so to speak, for similar applications that would have far more wide ranging  
8 impacts than would the approval of Embarq's application itself.

9 So, I believe it is well established in the law that Embarq is precluded from making the kind of  
10 price changes that it proposes in these two dockets, even if they are made on a revenue neutral  
11 basis. The law that became effective on July 1<sup>st</sup> of this year simply doesn't allow incumbent  
12 telecommunications providers to restore the implicit subsidies between services that were  
13 eliminated as a result of the passage of the Wyoming Telecommunications Act of 1995. Nor was  
14 it the intent of the legislature to do so.

15 Now I'm going to address some of the more direct implications of the Company's proposal  
16 beginning with the filing contained in the sub 295 docket. On its face, as a stand alone filing,  
17 this proposal appears to be well inside the bounds of W.S. § 37-15-203(a) which allows the  
18 Company to reduce the price of essential non-competitive services at its discretion. However,  
19 upon closer examination it is apparent that the proposed price reduction for Guernsey and  
20 Torrington, when considered in conjunction with the proposal to increase switched access rates,  
21 has implications for the ability of competitors to enter and compete in the market for both local  
22 exchange and long distance services in Embarq's Wyoming exchanges.

23 The Company's proposed price reduction for the Torrington and Guernsey exchanges will result  
24 in a revenue reduction to the Company of approximately \$523,000 annually. The additional  
25 reduction in annual revenue in the Lingle, LaGrange and West Lyman exchanges is  
26 approximately \$240,000 per year but this reduction is completely offset by the proposed increase  
27 in access revenues. These figures suggest that the Company is willing to suffer a half million  
28 dollar revenue reduction in its two largest exchanges but isn't willing to accept a reduction of  
29 half that amount in its smaller exchanges. Or, from a different perspective, the Company is

1 seeking to maximize the price reduction for local exchange service in its most competitive  
2 exchanges while minimizing its total revenue loss by increasing its access rate. It is noteworthy  
3 that although the Company has targeted the increased access revenue to the three smaller  
4 exchanges to make the price change appear revenue neutral in those exchanges, in fact the  
5 increased access charge will apply equally to all originating and terminating long distance calls in  
6 any of Embarq's exchanges. Reinstating the local service subsidy that was eliminated when the  
7 1995 Act was implemented discourages competition for both local and long distance service in  
8 Embarq's Wyoming service territory to the detriment of its customers.

9 Arguably the most compelling reason in favor of rejecting the Company's proposal to increase  
10 access rates to offset the loss of local revenues in the Lingle, LaGrange and West Lyman  
11 exchanges is the fact that there is no material benefit to those customers as a result. In addition  
12 to the diminution of competitive opportunities that I described for the Torrington and Guernsey  
13 exchanges, which are equally applicable to the smaller exchanges, there will be no material  
14 reduction in the bills that customers pay in the smaller exchanges because even after the rate  
15 reduction and rebalancing their price for basic local service will remain well above the threshold  
16 for support from the state universal service fund.

17 In a response to a data request the Company reported the bill impact in each of its five exchanges  
18 both before and after the proposed price change in the Lingle, LaGrange and West Lyman  
19 exchanges, although it did not provide information for Torrington and Guernsey prior to the  
20 effective date of the most recent price change in those exchanges. This attachment is revealing in  
21 several respects. It is apparent that the Company spreads FUSF dollars equally among all lines in  
22 Wyoming, and does not target those dollars to high cost areas. Customers in the Torrington  
23 exchange get the same amount of FUSF as those in LaGrange. This non-targeted method of  
24 disbursing FUSF dollars produces a monthly local exchange price in Torrington, which contains  
25 slightly over 70% of Embarq's total Wyoming lines, before taxes and surcharges, of \$22.14,  
26 which is below the state wide average price of \$24.98, and far below the threshold of support  
27 under the state fund of \$32.47. And, while the anomaly is not quite as bad in the Guernsey  
28 exchange, the non-targeting of FUSF dollars still produces a monthly local exchange price,  
29 \$30.88, that is well below the threshold for state USF support.

1 I have replicated the price comparison filed by the Company in OCA Exhibit BJF1 page 1 of 4.  
2 Note that on this exhibit the federal USF credit that appears on the second line actually shows up  
3 as a surcharge. The reason for this is that the amount of federal support that the Company  
4 receives has actually declined since rates were established in Docket Number 70009-TR-98-65.  
5 In this docket \$7.64 of monthly FUSF support was allocated to each local service line in  
6 Embarq's Wyoming service territory. Subsequently, the amount of support available has  
7 declined to \$4.50 per month, hence the \$3.14 surcharge that appears on OCA Exhibit BJF1 page  
8 1 of 1. I derived the total annual amount of FUSF support available, \$313,794, by multiplying  
9 the amount of support per line by the total number of lines, and then multiplied by 12 to  
10 annualize that figure. The result correlates closely to publicly available figures available on the  
11 USAC website.

12 As I noted earlier, Embarq proposes to reduce the rates for its Torrington and Guernsey  
13 customers by \$9 per month while continuing to allocate a flat per line amount of FUSF to those  
14 exchanges. Fundamentally, it is unfair and unreasonable for Embarq's Torrington and Guernsey  
15 customers to receive such preferential treatment at the expense of its other Wyoming customers,  
16 not to mention the fact that it places an unfair and unreasonable burden on those who must  
17 purchase access in order to complete inter-exchange calls in Embarq's local exchanges. When  
18 taken together the available FUSF and WUSF support must result in reasonable rates. The  
19 WUSF is a price based support mechanism that is triggered only after available FUSF support is  
20 accounted for, as prescribed in Commission rule section 500. The Commission certainly has the  
21 authority and discretion under this rule and Wyoming statutes to determine an appropriate  
22 method for distributing and accounting for FUSF support. Since Embarq is proposing price  
23 changes in both of these dockets that impact the distribution and accounting for FUSF support  
24 the Commission should exercise its authority over USF support to ensure that resulting prices for  
25 essential local exchange service remain fair, just and reasonable. In order to achieve fairness and  
26 equity for all of Embarq's Wyoming customers the FUSF support must be targeted to the high  
27 cost exchanges.

28 How that is accomplished is a matter of Commission discretion, but in order to assist the  
29 Commission in this regard I have provided the analysis contained in OCA Exhibit BJF1 page 2  
30 through 4. These analyses are not offered strictly as mathematically determined options, and

1 certainly the Commission's options are not limited to the options that I have outlined. Rather,  
2 they embody certain policy choices, as I will describe, that are offered as tools that the  
3 Commission can use in determining fair and reasonable rates for Embark's Wyoming customers.

4 OCA Exhibit BJT1 page 2 of 4 assumes that no FUSF support is allocated to the Torrington and  
5 Guernsey exchanges. In this scenario all of the FUSF funds are targeted equally to the Lingle,  
6 LaGrange and West Lyman exchanges resulting in a slight increase to the Torrington and  
7 Guernsey customers, or a slight decrease in the reduction that became effective on July 1<sup>st</sup> of this  
8 year, depending on how you want to look at it. The price shown for Torrington in this scenario is  
9 still well below the 130% threshold for state support. Targeting the FUSF support, as I show  
10 here, has the same de minimis effect on customer bills in the three rural exchanges as the  
11 Company's proposal but it substantially reduces the amount of required state USF support by  
12 nearly \$400,000 annually and it assumes that the switched access rate remains at its current level.

13 OCA Exhibit BJT1 page 3 of 4 is identical to the scenario shown on the previous page except  
14 that the Guernsey exchange is included as a supported exchange for purposes of allocating FUSF  
15 support. Although I have developed this scenario, I would note that some odd things happen  
16 when FUSF support is allocated to the Guernsey exchange in an amount equal to the other three  
17 smaller exchanges. For example, allocating \$8.14 of monthly FUSF support to the Guernsey  
18 lines causes the monthly price for Guernsey customers to drop below that of Torrington  
19 customers, an obviously nonsensical outcome based on the higher price and presumed higher cost  
20 of providing service in that exchange. And finally, if minimizing the size of the state fund is one  
21 of the objectives, as has been indicated by the Company, although not explicitly articulated by  
22 the Commission, then the scenario presented in OCA Exhibit BJT1 page 2 of 4 is the preferred  
23 scenario.

24 In my view the scenario shown on OCA Exhibit BJT1 page 4 of 4 makes the most sense. In this  
25 scenario I have allocated enough support to the Guernsey customers to make monthly rate equal  
26 to that paid by customers in the Torrington exchange. The remainder is then allocated equally  
27 among the customers in the three smaller exchanges. This seems to me to be imminently fair  
28 because it achieves rate reductions as desired by the Company but the resulting rate reductions

1 are more consistent across all of the exchanges and USF support is targeted to high cost areas  
2 consistent with the principles contained in both federal and state law.

3 As can be seen in all of these scenarios there is no material effect on the bills that customers pay  
4 in the three smaller exchanges. It is simply a matter of properly allocating available support to  
5 avoid placing undue burdens on the high cost customers and in the process preserve the  
6 competitive equity that has been hard won over the last decade.

7 Today I have presented a common sense analysis of Embarq's proposed pricing scheme for its  
8 local exchange and access services in Wyoming, and recommendations for Commission actions  
9 that follow logically from that analysis. At the end of the day, however, the law that became  
10 effective in July of this year gives the Company the freedom to price its essential non-  
11 competitive services anywhere it chooses under the cap described in W.S. § 37-15-203(a). It  
12 could price local service at zero in some exchanges and at the cap in others. It also has the ability  
13 under the same section of the law to raise previously reduced prices up to the level of the cap  
14 without Commission approval. But all essential non-competitive services are subject to the cap  
15 and can't be raised above the cap without prior Commission approval. In short, the Company  
16 can do as it pleases in the way of price reductions, but, for all of the reasons I have articulated  
17 today, it can't make up any resulting revenue shortfalls in the sale of some essential non-  
18 competitive services by raising the price of other, unrelated essential non-competitive services.

19 One final observation is that Embarq seems to view switched access and the pot of dollars  
20 associated with it as a sort of revolving fund that it can draw on to balance and true-up its overall  
21 revenues. I would remind the Commission that these are very real costs to inter-exchange  
22 carriers who must purchase switched access in order to provide long distance service. As  
23 wireless, internet and cable telephony continue to build market share, access minutes and its  
24 associated revenue are declining as can be seen confidential OCA Exhibit BJB 2. This is true for  
25 most local exchange companies including Embarq. Increasing access charges keeps long  
26 distance rates higher than they would be otherwise, makes competitive alternatives more  
27 attractive, and will ultimately hasten the reduction in switched access minutes of use, with a  
28 corresponding decline in toll minutes of use. This is a perverse but expected outcome from a  
29 flawed pricing model that ignores competitive neutrality.

1 So, to sum up, the OCA believes that the price changes proposed by Embarq in its Wyoming  
2 exchanges are both inconsistent with existing law and inadvisable from a competitive equity and  
3 consumer surplus point of view. The new law that became effective in July does not provide for  
4 price changes of the type proposed by Embarq because it only contemplates revenue neutral price  
5 changes for services within the same class. Price increases above the cap specified in the statute  
6 for essential non-competitive services are only allowed upon a public interest showing by the  
7 applicant and a determination by the Commission. Embarq has made no such showing in this  
8 proceeding. Beyond its obvious legal inconsistencies Embarq's proposal is just plain bad  
9 regulatory policy due to its obvious detrimental effects on competition for both local and long  
10 distance service and its measurable lack of benefit to customers, as I have described in my  
11 testimony. While the Company is free to price its local exchange services any where under the  
12 statutorily established cap without prior Commission approval, the OCA strongly urges the  
13 Commission to deny the Company the opportunity to make up any revenue lost in the process by  
14 increasing the price of other, unrelated essential non-competitive services, namely switched  
15 access service.

	Torrington		Guernsey		Lingle		LaGrange		West Lyman		Proposed Annual	
	As	Proposed	As	Proposed	As	Proposed	As	Proposed	As	Proposed	Current Annual WUSF	Proposed Annual WUSF
R1/B1 Rate <sup>1</sup>	\$19.00	\$19.00	\$27.74	\$27.74	\$82.75	\$63.70	\$91.88	\$63.70	\$70.94	\$63.18		
FUSF Credit	\$3.14	\$3.14	\$3.14	\$3.14	\$3.14	\$3.14	\$3.14	\$3.14	\$3.14	\$3.14		
SUSF Credit					-\$52.90	-\$33.85	-\$62.03	-\$33.85	-\$41.61	-\$33.85	\$648,474	\$408,231
Taxes and Surcharges:												
911 Surcharge	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75		
Federal Tax	\$0.88	\$0.88	\$1.14	\$1.14	\$2.79	\$2.22	\$3.07	\$2.22	\$2.44	\$2.21		
State Tax	\$1.15	\$1.15	\$1.50	\$1.50	\$3.70	\$2.93	\$4.06	\$2.93	\$3.22	\$2.91		
County Tax	\$0.29	\$0.29	\$0.37	\$0.37	\$0.92	\$0.73	\$1.02	\$0.73	\$0.81	\$0.73		
Relay/TAP Surcharge	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10		
Interstate Access Surcharge	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50		
State USF	\$0.23	\$0.23	\$0.32	\$0.32	\$0.90	\$0.70	\$1.00	\$0.70	\$0.78	\$0.70		
FUSF	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76		
Total Charges	<u>\$32.80</u>	<u>\$32.80</u>	<u>\$42.32</u>	<u>\$42.32</u>	<u>\$49.41</u>	<u>\$47.68</u>	<u>\$50.25</u>	<u>\$47.68</u>	<u>\$47.83</u>	<u>\$47.13</u>		
<b>Net Customer Savings</b>			<b>\$1.73</b>	<b>\$1.73</b>			<b>\$2.57</b>	<b>\$2.57</b>		<b>\$0.70</b>		

<sup>1</sup>Rate shown includes the \$0.52 EAS charge for customers in Torrington, Guernsey, Lingle, and LaGrange.

Surcharge rates:

911 Surcharge	\$0.75 per line
Federal Tax	3% on local, Interstate Access surcharge, and FUSF surcharge
State Tax	4% on local and Interstate Access surcharge
County Tax	1% on local and Interstate Access surcharge
Relay/TAP	\$0.10 per line
State USF	1.05% on local
Federal USF	11.7% on Interstate Access surcharge



	Torrington		Guernsey		Lingle		LaGrange		West Lyman		Current Annual		Proposed Annual	
	As	Proposed	As	Proposed	As	Proposed	As	Proposed	As	Proposed	WUSF	WUSF	WUSF	WUSF
R1/B1 Rate <sup>1</sup>	\$19.00	\$19.00	\$27.74	\$27.74	\$82.75	\$63.70	\$91.88	\$63.70	\$70.94	\$63.18				
FUSF Credit	\$3.14	\$7.64	\$3.14	-\$8.14	\$3.14	-\$8.14	\$3.14	-\$8.14	\$3.14	-\$8.14				
SUSF Credit					-\$52.90	-\$22.57	-\$62.03	-\$22.57	-\$41.61	-\$22.57			\$648,474	\$272,194
<b>Taxes and Surcharges:</b>														
911 Surcharge	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75				
Federal Tax	\$0.88	\$0.88	\$1.14	\$1.14	\$2.79	\$2.22	\$3.07	\$2.22	\$2.44	\$2.21				
State Tax	\$1.15	\$1.15	\$1.50	\$1.50	\$3.70	\$2.93	\$4.06	\$2.93	\$3.22	\$2.91				
County Tax	\$0.29	\$0.29	\$0.37	\$0.37	\$0.92	\$0.73	\$1.02	\$0.73	\$0.81	\$0.73				
Relay/TAP Surcharge	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10				
Interstate Access Surcharge	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50				
State USF	\$0.23	\$0.23	\$0.32	\$0.58	\$0.90	\$0.58	\$1.00	\$0.58	\$0.78	\$0.58				
FUSF	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76				
<b>Total Charges</b>	<b>\$32.80</b>	<b>\$37.30</b>	<b>\$42.32</b>	<b>\$31.30</b>	<b>\$49.41</b>	<b>\$47.56</b>	<b>\$50.25</b>	<b>\$47.56</b>	<b>\$47.83</b>	<b>\$47.01</b>				
<b>Net Customer Savings</b>					<b>\$1.85</b>		<b>\$2.69</b>							<b>\$0.82</b>

<sup>1</sup>Rate shown includes the \$0.52 EAS charge for customers in Torrington, Guernsey, Lingle, and LaGrange.

**Surcharge rates:**

911 Surcharge	\$0.75 per line
Federal Tax	3% on local, Interstate Access surcharge, and FUSF surcharge
State Tax	4% on local and Interstate Access surcharge
County Tax	1% on local and Interstate Access surcharge
Relay/TAP	\$0.10 per line
State USF	1.05% on local
Federal USF	11.7% on Interstate Access surcharge

	Torrington		Guernsey		Lingle		LaGrange		West Lyman		Current Annual		Proposed Annual	
	As	Proposed	As	Proposed	As	Proposed	As	Proposed	As	Proposed	WUSF	WUSF	WUSF	WUSF
R1/B1 Rate <sup>1</sup>	\$19.00	\$19.00	\$27.74	\$27.74	\$82.75	\$63.70	\$91.88	\$63.70	\$70.94	\$63.18				
FUSF Credit	\$3.14	\$7.64	\$3.14	-\$1.10	\$3.14	-\$17.67	\$3.14	-\$17.67	\$3.14	-\$17.67				
SUSF Credit					-\$52.90	-\$13.57	-\$62.03	-\$13.57	-\$41.61	-\$13.57				\$163,654
Taxes and Surcharges:														
911 Surcharge	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75				
Federal Tax	\$0.88	\$0.88	\$1.14	\$1.14	\$2.79	\$2.22	\$3.07	\$2.22	\$2.44	\$2.21				
State Tax	\$1.15	\$1.15	\$1.50	\$1.50	\$3.70	\$2.93	\$4.06	\$2.93	\$3.22	\$2.91				
County Tax	\$0.29	\$0.29	\$0.37	\$0.37	\$0.92	\$0.73	\$1.02	\$0.73	\$0.81	\$0.73				
Relay/TAP Surcharge	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10				
Interstate Access Surcharge	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50				
State USF	\$0.23	\$0.28	\$0.32	\$0.28	\$0.90	\$0.48	\$1.00	\$0.48	\$0.78	\$0.48				
FUSF	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76	\$0.76				
Total Charges	<u>\$32.80</u>	<u>\$37.35</u>	<u>\$42.32</u>	<u>\$38.04</u>	<u>\$49.41</u>	<u>\$46.93</u>	<u>\$50.25</u>	<u>\$46.93</u>	<u>\$47.83</u>	<u>\$46.38</u>				
<b>Net Customer Savings</b>			<b>\$2.48</b>				<b>\$3.32</b>							<b>\$1.45</b>

<sup>1</sup>Rate shown includes the \$0.52 EAS charge for customers in Torrington, Guernsey, Lingle, and LaGrange.

Surcharge rates:

911 Surcharge	\$0.75 per line
Federal Tax	3% on local, Interstate Access surcharge, and FUSF surcharge
State Tax	4% on local and Interstate Access surcharge
County Tax	1% on local and Interstate Access surcharge
Relay/TAP	\$0.10 per line
State USF	1.05% on local
Federal USF	11.7% on Interstate Access surcharge