Control Number: 51433

Item Number: 87

Addendum StartPage: 0

DOCKET NO. 51433

REVIEW OF TELECOMMUNICATIONS	§	**PUBLIC UTILITY COMMISSION**
PROVIDERS RECEIVING TEXAS	§	
UNIVERSAL SERVICE FUND SUPPORT	§	**OF TEXAS**
UNDER THE TEXAS HIGH COST	§	
UNIVERSAL SERVICE PLAN AND	§	
SMALL AND RURAL INCUMBENT	§	
LOCAL EXCHANGE COMPANY	§	
UNIVERSAL SERVICE PLAN	§	

COLORADO VALLEY TELEPHONE COOPERATIVE, INC.'S RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Colorado Valley Telephone Cooperative, Inc. ("CVTC") files this Response to Commission Staff's ("Staff") First Request for Information and would respectfully show as follows:

I. INTRODUCTION

On October 19, 2020, the Public Utility Commission of Texas (the "Commission" or the "PUCT") filed these Requests for Information ("RFIs") directed to companies and cooperatives that receive certain Texas Universal Service Fund ("TUSF") support. Pursuant to the request that responses are due on or about December 3, 2020, CVTC's responses are timely filed.

II. WRITTEN RESPONSES

Attached hereto and incorporated herein by reference are CVTC's written responses to the aforementioned RFIs. Each such response is set forth separately beneath a restatement of the question. Such responses are made without waiver of CVTC's right to contest the admissibility of any such matters upon hearing. CVTC hereby stipulates that its responses may be treated by all parties exactly as if they were filed under oath.

Respectfully submitted,

Richards, Elder & Gibson, PLLC
P.O. Box 64657
Lubbock, Texas 79464-46657
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By /s/ D. Daniel Gibson
D. Daniel Gibson, SBN 24045939
Don R. Richards, SBN 16846300

Attorneys for Colorado Valley Telephone Cooperative, Inc.

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CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing has been served by email on all parties of record who have provided an email address, on this the 7th day of December 2020, in accordance with the Commission's Order Suspending Rules issued on March 16, 2020, in Project No. 50664.

/s/ D. Daniel Gibson

AFFIDAVIT

STATE OF TEXAS §
COUNTY OF Fayette §
§

BEFORE ME, the undersigned notary public, this day personally appeared Kelly Allison the General Manager of Colorado Valley Telephone Cooperative, Inc., to me known, who being duly sworn according to law, deposes and says:

"My name is Kelly Allison. I am of legal age and a resident of the State of Texas. I certify that the foregoing testimony and exhibits are true and correct to the best of my knowledge and belief."

Kelly Allison, General Manager
Colorado Valley Telephone Cooperative, Inc.

Subscribed and sworn to before me, notary public, on this the 2 day of December 2020.

Kathy S Polasek
Notary Public in and for the State of Texas
My Commission expires: 6/6/2024

KATHY S. POLASEK
NOTARY PUBLIC
STATE OF TEXAS
ID # 12654925-2
My Comm. Expires 06-06-2024

COLORADO VALLEY TELEPHONE COOPERATIVE, INC.'S RESPONSE TO STAFF'S FIRST REQUESTS FOR INFORMATION

Introduction

CVTC is an Incumbent Local Exchange Carrier ("ILEC") that holds Certificate of Convenience and Necessity ("CCN") No. 40018 to provide local exchange services to customers within the Hearne Local Access and Transport Area ("LATA"). CVTC was originally established in 1953. CVTC now serves approximately 5,118 access lines in six exchanges, operating over fiber optic cable and/or buried cable to serve customers in four counties. CVTC's service territory is spread over 898 square miles in central Texas.

CVTC relies on Texas Universal Service ("TUSF") support administered by the Public Utility Commission ("PUCT" or "Commission") in order to serve its high-cost, rural service territory. This rural area would not be economic to serve without support. The Texas Legislature decided decades ago to make sure that there was "universal service" across the state—including in sparsely-populated, high-cost rural areas where local rates alone could never sustain the costs of providing telephone service—by providing support to providers who were required to serve all customers in their service territories. Under this regulatory compact, incumbent local exchange carriers like CVTC agree to fulfil certain obligations across its service territory—such as provider-of-last resort ("POLR") obligations—in exchange for TUSF determined by proceedings with notice and a hearing. CVTC is happy to answer any Commission questions and intends to provide continued regulatory transparency. These numerous requests for information ("RFI") generally request data that is already on file with the Commission in other proceedings, copies of that information (under seal, if information is confidential) are attached to this filing for ease of the Commission's use wherever possible.

In particular, CVTC opted into the Small and Rural Incumbent Local Exchange Carrier Universal Service Plan support mechanism as contemplated by 16 Tex. Admin. Code ("TAC") § 26.407(d) in Project No. 49025. This mechanism was created by Senate Bill 586 in 2017, with the explicit purpose of allowing for TUSF support retention/adjustments without the need for a full base-rate case:

- The purpose of this reporting and review mechanism is to provide "long-term, regulatory-efficient, and 'needs-based' support" and avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT]." *See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017).
- The Commission accepted that when it implemented this law, noting that 16 TAC § 26.407 "establishes criteria by which a small ILEC may request that the commission determine the amount of Small and Rural Incumbent Local Exchange Company Universal Service Plan support it receives, so that the support, combined with regulated revenues, provides the small ILEC an opportunity to earn a reasonable rate of return under this rule, as required by Senate Bill 586." *See* Project No. 47669 (Oct. 16, 2018 order).

Given this stated purpose, 16 TAC § 26.407 annual reports are extensive: they track every dollar CVTC spends on any capital investment or expense and every dollar CVTC earns in order to ensure compliance with the requirements of state and federal accounting rules and regulations. The PUCT's report forms and instructions were developed over months of effort and dozens of meetings and workshops among small ILECs like CVTC, other interested parties, and Commission Staff before being approved by the three current Commissioners in Project No. 47669. Small ILECs like CVTC met with Staff repeatedly during the development of this report and since, and

CVTC remains willing to meet with Staff or the Commissioners again to discuss any additional issues or questions.

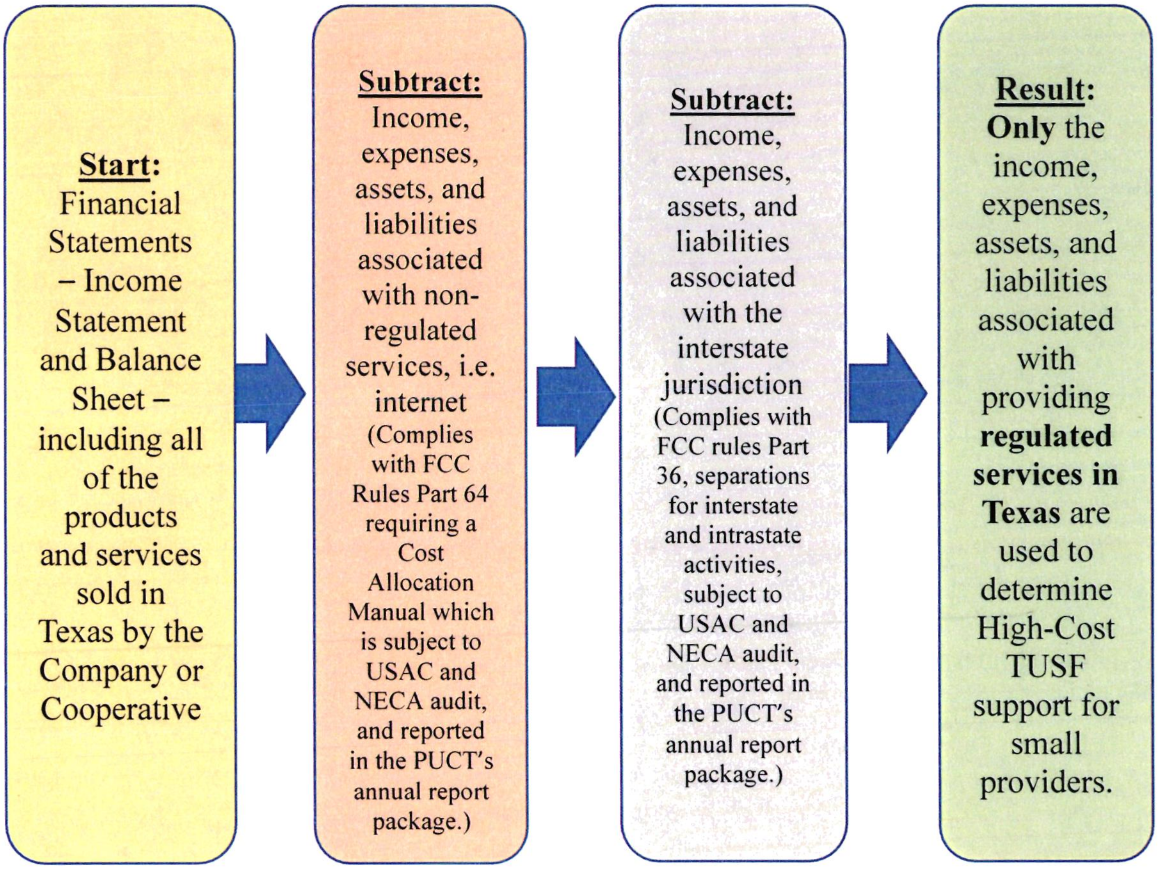
Specifically, the Commission's 16 TAC § 26.407 annual report form requires:

- schedules and workpapers regarding CVTC's summary of revenues and expenses;
- revenues, expenses, and capital accounts;
- invested capital;
- intrastate federal income taxes calculated at the applicable tax rate;
- network access service revenue;
- weighted average cost of capital (for investor-owned utilities);
- historical financial statistics;
- proposed company adjustments;
- the name, title, and compensation of each officer, director, owner/former owner (for investor-owned utilities), or other highly compensated employee, and their family members;
- the amount and nature of each affiliate transaction, including transactions with family members of officers, directors, or owners/former owners (for investor-owned utilities);
- the Part 36 cost separations study;
- the Cost Allocation Manuals ("CAM"), and
- all supporting documentation necessary to support these items.

See 16 TAC § 26.407(e)(2)(A-J) and (3) and Commission instructions to form schedules. With all this information, these reports are hundreds of pages long and prepared at great expense over countless man-hours each year. They are the longest, most extensive annual reports the Commission receives from utilities in any of the three industries it regulates, despite CVTC's small size as compared to some electric and other utilities within the Commission's jurisdiction.

The CAM, in particular, provides great insight into CVTC's accounting procedures, walking through how dollars flow through the Federal Communications Commission's ("FCC") Part 64 allocation process (allocating non-regulated services out from regulated services) and into the Part 36 separations process (separating interstate services out from intrastate services), which in combination illustrate how total amounts flow down to the reported intrastate, regulated amounts that affect a company's return and/or support. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules:

- Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific cost allocation procedures and associated CAM to ensure compliance.
- Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA.
- CAMs are subject to Commission review annually, as they are provided to the Commission each year and attested to in CVTC's annual report under 16 TAC § 26.407, contained in Attachment C, Section 2.1. For example, CVTC's CAM for 2019 is currently being reviewed by Commission Staff in Project No.51322.
- Since cost allocation procedures, including CAMs and Part 36 cost separations studies, are company-specific, a general overview of the long-standing cost allocation and separations process is summarized below:



This flow chart illustrates how small ILECs like CVTC use a long-standing, well-vetted, mandatory regulated process to ensure that only regulated, intrastate telecommunications revenues, expenses, and investments can have any impact on their state returns or TUSF support.

Once filed, Commission Staff reviews the 16 TAC § 26.407 reports for 90 days every year to determine in part whether reported returns are "based on expenses that the commission staff determines are reasonable and necessary." 16 TAC § 26.407(f). Staff has the authority to adjust reports for unreasonable or unnecessary expenses, inappropriate affiliate transactions, inappropriate allocations, or "any other adjustments that commission staff may find appropriate." 16 TAC § 26.407(f)(2). CVTC has timely filed these reports for Staff's review each year and received no adjustments. *See* Project Nos. 49025, 50008, and 51322.

If, after Staff's review and adjustment, a small ILEC is over-earning, the Commission has the authority bring it in for an adjustment proceeding to adjust either its TUSF high-cost support and/or its local rates. 16 TAC § 26.407(g)(3). Or if a company is under-earning, it can apply for an adjustment to its TUSF high-cost support, and in that contested case, again, the Commission can adjust its local rates along with TUSF support. 16 TAC § 26.407(g)(1). Contested case filings are even more extensive than the lengthy annual reports, including direct testimony and workpapers as well as all the information described above. 16 TAC § 26.407(h)(1)(B-D). CVTC has recently undergone such rate and support review in Docket No. 50610, approved on June 9, 2020. Thus, the Commission has had an especially recent review—through one contested case and three recent projects—of CVTC's operations, returns, and local rates.

On top of all of this, the Commission still has the jurisdiction to bring any rate-regulated provider like CVTC in for a traditional rate case, although the Commission has not chosen to initiate such rate cases for telephone providers in decades. *See* PURA § 56.032(l).

And finally, CVTC certifies every year that it complies with PURA and Commission rules "regarding the use of money from ... TUSF programs" and that it uses federal USF "only for the provision, maintenance, and upgrading of facilities and services for which support is intended." *See* Project No. 32567 and Project No. 24481.

CVTC's extensive annual reports and attestations to the Commission combined with the answers to these voluminous RFIs (which were costly to prepare) should provide more than sufficient information to satisfy the Commission's inquiries related to TUSF. Regardless, CVTC stands by its continuous commitment to be open and transparent and remains happy to address any reasonable follow-up questions the Commission may have, either in writing or by meeting in person or virtually.

STAFF 1-1

Please provide a list of all entities that use any of the Company's telecommunications plant in service for which the Company seeks Texas Universal Service Fund (TUSF) monies.

RESPONSE:

CVTC only uses TUSF for its own regulated, local voice service customers, not for other entities' use of its plant in service.

TUSF monies are not provided directly for discrete plant items. Instead, CVTC is regulated under PURA § 56.032, meaning its TUSF support is based on its regulated intrastate rate of return. Regulated intrastate telecommunications plant in service represents eligible investments and so it is one component of calculating CVTC's total intrastate rate of return. These plant assets include, but are not limited to, loop plant, switching, transmission, and transport assets. There are longstanding regulatory accounting rules, described below, that ensure that—while there is a single telecommunications network that is simultaneously used for intrastate services as well as interstate or non-regulated services—no TUSF monies go to support interstate or nonregulated plant.

CVTC is a common carrier obligated to make ubiquitous services available to the public for the provision of telecommunications service. Thus, CVTC does not and cannot maintain a list of all entities that might be or that are utilizing any of its telecommunications plant at any one time, as such a list is unknowable, under constant change, and frequently protected by privacy laws. The classes of entities that utilize some of CVTC's total plant in service for intrastate functions include CVTC's end user residential and business customers (specifically, local exchange service customers, intrastate toll customers, intrastate private line and/or special access customers, and intrastate switched access service customers) as well as every other telecommunications provider in the state (like interexchange carriers, wireless providers, other local exchange carriers) to provide service to their end user customers. All entities connected to the ubiquitous public switched telecommunications network are potential entities that might utilize CVTC's plant in service on any given day. But third parties' use of the network for their own intrastate services does not affect CVTC's intrastate regulated returns or support, for the reasons explained below.

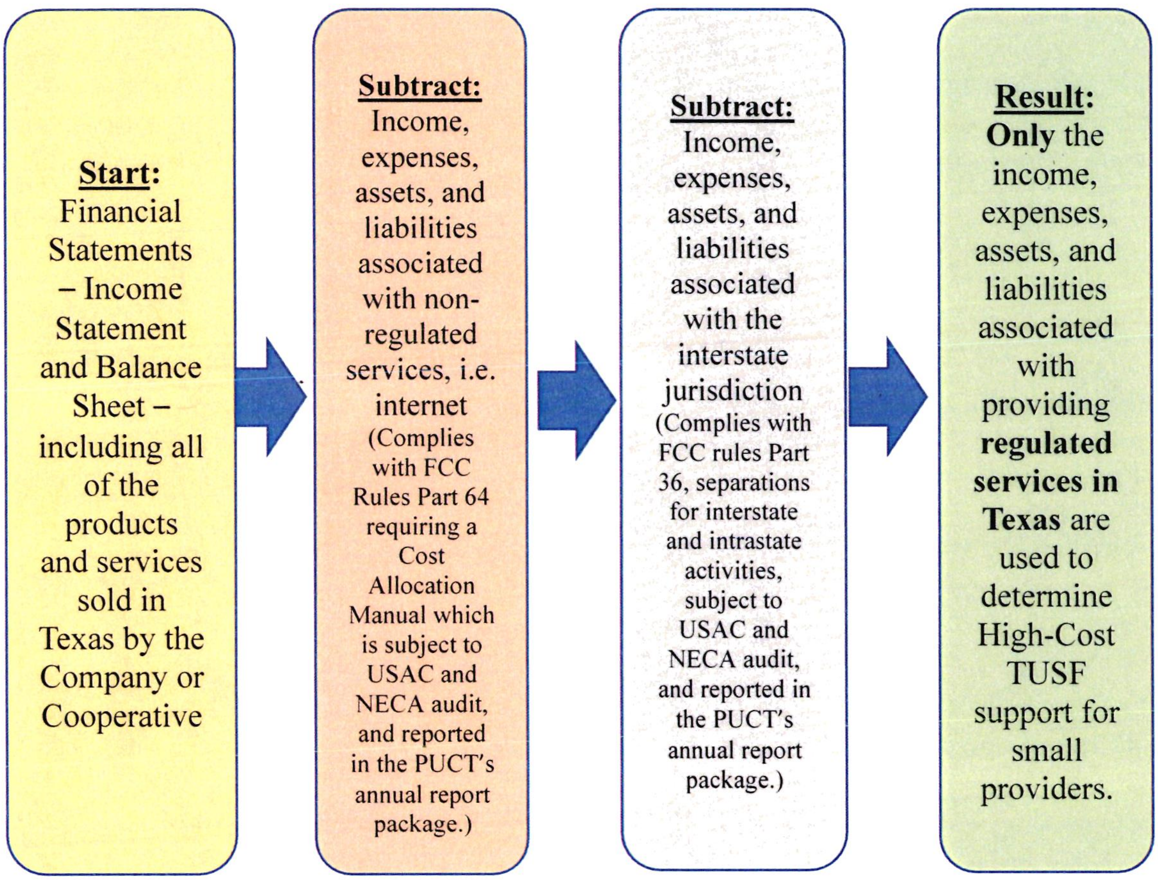
In addition, the telecommunications network is a hybrid network capable of providing both regulated intrastate and interstate voice service as well as interstate data services (which is the entire reason for the cost allocation/separations process), as has been acknowledged by regulators:

- The FCC has explained, "The federal universal service high-cost program ... is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service..." *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund.
- The PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously." *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019).

Given the hybrid network, every entity that is connected to the Internet might also use some of CVTC's total plant in service for interstate functions on any given day, such as Internet Service Providers ("ISPs") or edge content providers including entities like Netflix, Amazon, Google, and Microsoft. But these third parties' use of the network for their own interstate or non-regulated services does not affect CVTC's intrastate regulated returns or support, either, for the reasons explained below.

The process by which CVTC identifies what portion of its total plant in service constitutes its regulated, intrastate plant in service is described in great detail in its CAM and Part 36 separations process. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules:

- Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance.
- Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA.
- CAMs are subject to Commission review annually, as they are provided to the Commission each year in CVTC's annual report under 16 TAC § 26.407, contained in Attachment C, Section 2.1. For example, CVTC's CAM for 2019 is currently being reviewed by Commission Staff in Project No. 51322, and it is also attached hereto as Attachment to Staff's 1-1 for ease of reference.
- Since cost allocation procedures, including CAMs and Part 36 cost separations studies are company-specific, a general overview of the long-standing cost allocation and separations process is summarized below:



This flow chart illustrates how small ILECs like CVTC use a long-standing, well-vetted, mandatory regulated process to ensure that only their own regulated, intrastate telecommunications plant in service can have any impact on their state returns or TUSF support.

All of this information is provided to the Commission every year in CVTC's 16 TAC § 26.407 annual report. 16 TAC § 26.407 is the Commission's rule implementing Senate Bill 586 (2017), whose explicit purpose was to allow small providers to retain/adjust TUSF support without the need for a full base-rate case:

- The purpose of this reporting and review mechanism is to provide "long-term, regulatory-efficient, and 'needs-based' support" and avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT]." *See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017).
- The Commission accepted that when it implemented the bill, noting that 16 TAC § 26.407 "establishes criteria by which a small ILEC may request that the commission determine the amount of Small and Rural Incumbent Local Exchange Company Universal Service Plan support it receives, so that the support, combined with regulated revenues provides the small ILEC an opportunity to earn a reasonable rate of return under this rule, as required by Senate Bill 586." *See* Project No. 47669 (Oct. 16, 2018 order).

Given this stated purpose, 16 TAC § 26.407 annual reports are extensive: they track every dollar CVTC spends on any capital investment or expense and every dollar CVTC earns in order to ensure compliance with state and federal accounting rules and regulations. The PUCT's report forms and instructions were developed over months of effort and dozens of meetings and workshops among small ILECs like CVTC, other interested parties, and Commission Staff before being approved by the three current Commissioners in Project No. 47669. Small ILECs like CVTC met with Staff repeatedly during the development of this report and since, and CVTC remains willing to meet with Staff or the Commissioners again to discuss any issues or questions about these reports.

Specifically, the PUCT's 16 TAC § 26.407 annual report form requires:

- schedules and workpapers regarding CVTC's summary of revenues and expenses;
- revenues, expenses, and capital accounts;
- invested capital;
- intrastate federal income taxes calculated at the applicable tax rate;
- network access service revenue;
- weighted average cost of capital (for investor-owned utilities);
- historical financial statistics;
- proposed company adjustments;
- the name, title, and compensation of each officer, director, owner/former owner (for investor-owned utilities), or other highly compensated employee, and their family members;
- the amount and nature of each affiliate transaction, including transactions with family members of officers, directors, or owners/former owners (for investor-owned utilities);
- the Part 36 cost separations study;
- the CAM, and
- all supporting documentation necessary to support these items.

See 16 TAC § 26.407(e)(2)(A-J) and (3) and Commission instructions to form schedules. With all this information, these reports are hundreds of pages long and prepared at great expense over countless man-hours each year. They are the longest, most extensive annual reports the Commission receives for utilities in any of the three industries it regulates, despite CVTC's comparatively small size as compared to some electric and other utilities within the Commission's jurisdiction.

Once filed, Commission Staff reviews the 16 TAC § 26.407 reports for 90 days every year to determine in part whether reported returns are "based on expenses that the commission staff determines are reasonable and necessary." 16 TAC § 26.407(f). Staff has the authority to adjust reports for unreasonable or unnecessary expenses, inappropriate affiliate transactions, inappropriate allocations, or "any other adjustments that commission staff may find appropriate." 16 TAC § 26.407(f)(2). CVTC has timely filed these reports for Staff's review each year and received no adjustments. In fact, its 2019 report was just filed on September 15, 2020. *See* Project Nos. 49025, 50008, and 51322.

If, after Staff's review and adjustment, a small ILEC is over-earning, the Commission has the authority to bring it in for an adjustment proceeding to adjust either its TUSF high-cost support and/or its local rates. 16 TAC § 26.407(g)(3). Or if a company is under-earning, it can apply for an adjustment to its TUSF high-cost support, and in that contested case, again, the Commission can adjust its local rates along with its TUSF support. 16 TAC § 26.407(g)(1). Contested case filings are even more extensive than the lengthy annual reports, including direct testimony and workpapers as well as all the information described above. 16 TAC § 26.407(h)(1)(B-D). CVTC has recently undergone such rate and support review in Docket No. 50610, approved on June 9, 2020. Thus, the Commission has had an especially recent review—through one contested case and three recent projects—of CVTC's operations, returns, and local rates. In addition, the Commission could initiate a rate case if it is unsatisfied with the information in one of CVTC's annual reports. *See* PURA §§ 56.032(l), 53.001, 53.151.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-2

For each entity listed in Staff 1-1 above:

- identify the entity by name;
- designate the entity as regulated or non-regulated;
- designate the entity as affiliate or non-affiliate;
- identify the plant assets used by the entity;
- list the services provided by the entity; and
- provide the amount of 2017, 2018, and 2019 reported revenues by entity.

RESPONSE:

CVTC does not receive TUSF based upon any particular entity's use of its plant, but rather for its own intrastate, regulated services.

CVTC is a common carrier obligated to make services available to the public for the provision of telecommunications service. Thus, CVTC does not and cannot maintain a list of all entities that might or are utilizing any of its telecommunications plant at any one time, as such a list is unknowable, under constant change, and frequently protected by privacy laws. CVTC would not have the requested information regarding unaffiliated third-party entities in any event.

The classes of entities that utilize some of CVTC's total plant in service for intrastate functions include CVTC's end user residential and business customers (specifically, local exchange service customers, intrastate toll customers, intrastate private line and/or special access customers, and intrastate switched access service customers) as well as every other telecommunications provider in the state (like interexchange carriers, wireless providers, other local exchange carriers) and their end user customers. The classes of entities that utilize some of CVTC's total plant in service for interstate functions include ISPs or edge content providers including entities like Netflix, Amazon, Google, and Microsoft. To CVTC's knowledge, none of these entities is regulated by the Commission, as the term "regulated" is commonly used. Other local exchange carriers might be considered regulated under PURA Chapter 52, 58, 59, and 65 and other entities providing telecommunications services and information services such as Voice over Internet Protocol ("VoIP") services might be subject to some form or regulation by the FCC. The overwhelming majority of CVTC's regulated intrastate services are purchased by non-affiliated entities.

The affiliates that utilize CVTC's services are Colorado Valley Communications, Inc. which operates many of CVTC's non-regulated business including CVTC's competitive local exchange carrier ("CLEC"). These entities are non-regulated, so their independent plant and revenues are not reportable to the Commission, but their transactions with CVTC are exhaustively reported as required by 16 TAC § 26.407(e)(2)(J) and (K). *See* CVTC's 16 TAC § 26.407 annual reports, Schedule IX and in the supporting Attachment C, Section 5.9, which are on file with the Commission for the requested years but also attached hereto as Attachments to Staff 1-2 (A-C). CVTC's organizational chart and its relationships with affiliates are further explained in its CAM. In addition, CVTC's total revenues by various classes of customers are included on Schedule I of CVTC's attached 16 TAC § 26.407 annual reports. Detailed reports related to CVTC's revenues are further outlined by Part 32 account in the supporting Attachment C, Section 5.1 to the annual reports.

For a complete list of intrastate services provided by CVTC, please see CVTC's tariffs. These are on file with the Commission, and for ease of reference a copy is attached as Attachment to Staff 1-2(D).

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-3

For each entity listed in Staff 1-1 above, please provide the amounts incurred by major expense category, including, but not limited to, operations and maintenance (O&M) expenses, taxes by type, and depreciation expense. Provide the amounts for 2017, 2018, and 2019.

RESPONSE:

CVTC does not receive TUSF based upon any particular entity that utilizes its telecommunications plant in service but based upon its Commission-approved intrastate rate of return. CVTC's major expense categories—including O&M, taxes by type, and depreciation—are set forth in CVTC's 16 TAC § 26.407 annual reports for the requested years, in Schedules I and III, and associated workpapers in supporting Attachment C. These expenses are recorded in accordance with the FCC's Part 32 Uniform System for Accounts, which does not require that, nor would it be practical for, CVTC to separately account for expenses for each entity for which CVTC provides services. These reports are on file with the Commission for the requested years and attached hereto as Attachments to Staff 1-2 (A-C). These attached, comprehensive reports are hundreds of pages long and compiled each year at great expense over many man-hours. They are the most extensive annual reports that the Commission reviews for any utility in any of the three industries it regulates, regardless of size. CVTC timely filed these reports for Staff's review of each of the requested years and received no adjustments.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-4

Please provide the amount of TUSF disbursements made to the Company for use of its telecommunications plant in service for 2017, 2018, and 2019

RESPONSE:

CVTC's TUSF disbursements are based upon its reported rate of return as set out by PURA § 56.032, not directly tied to specific plant in service.

That said, its Specific TUSF disbursements by program and by company are publicly disclosed by the TUSF administrator, Solix, on a quarterly basis. Solix's quarterly reports are filed publicly with the Commission, available here: https://www.puc.texas.gov/agency/resources/reports/. For ease of Commission use, Solix's quarterly reports for the requested years are attached hereto as Attachment to Staff 1-4(A). CVTC's TUSF disbursements for each of the requested years are also contained in its 16 TAC § 26.407 annual reports in Schedule I, Line 6, which are on file with the Commission for the requested years. These reports are also attached hereto for ease of reference; *see* Attachment to Staff 1-2(A-C). CVTC also reports these disbursements to the Commission quarterly in Project No. 41120. These reports for the requested years are attached hereto as Attachment to Staff 1-4(B).

Prepared/Sponsored by: Tanner Hamann, JSI

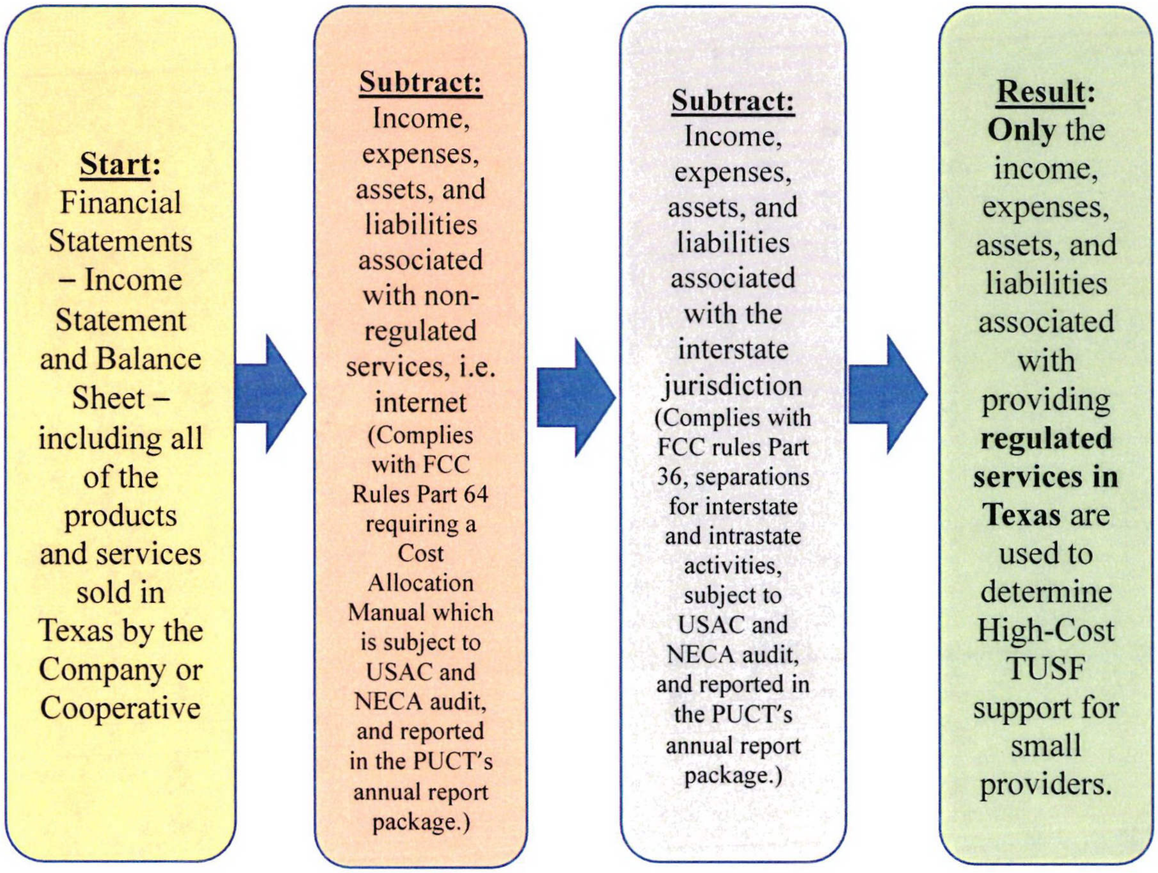
STAFF 1-5

For each incidental activity that does not constitute a line of business for the Company, please provide a listing of the activity and the amount of revenues and expenses associated with the individual incidental activity for 2017, 2018, and 2019.

RESPONSE:

CVTC considers activities incidental when they are an outgrowth of regulated operations, do not constitute a separate line of business, have been traditionally treated as regulated for accounting purposes, and the total of all incidental activities' revenue does not exceed 1% of its total revenues. These activities consist primarily of fiber and tower leases. *Please see* CVTC's CAM for the requested years, part of Attachment to Staff 1-2(A-C). CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules:

- Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance.
- Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA.
- CAMs are subject to Commission review annually, as they are provided to the Commission each year in CVTC's annual report under 16 TAC § 26.407, contained in Attachment C, Section 2.1. For example, CVTC's CAM for 2019 is currently being reviewed by Commission Staff in Project No. 51322.
- Since cost allocation procedures, including CAMs and Part 36 cost separations studies are company-specific, a general overview of the long-standing cost allocation and separations process is summarized below:



This flow chart illustrates how small ILECs like CVTC use a long-standing, well-vetted, mandatory regulated process to ensure that only regulated, intrastate telecommunications plant in service can have any impact on their state returns or TUSF support.

CVTC's revenues and expenses are also included in its 16 TAC § 26.407 annual reports, Schedule I, for the requested years. CVTC also provides detailed supporting documentation related to revenues and expenses in Attachment C, Schedule 5.1.1 and 5.1.2 of its 16 TAC § 26.407 annual reports.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-6

Please provide the Company's current calendar year revenues and expenses, as of June 30, 2020, related to providing basic local telecommunications service.

RESPONSE:

CVTC has not yet calculated revenues and expenses related to providing basic local telecommunications service for calendar year 2020, as that calculation will occur at the end of the calendar year. This information will be disclosed to the Commission in CVTC's 2020 16 TAC § 26.407 annual report, which is due to be filed with the Commission on September 15, 2021. Providing data any earlier would result in less accurate information, because cost study jurisdictional percentages are developed and reported to NECA by July each year for the previous fiscal year. Filing annual 16 TAC § 26.407 annual reports in September of the following year allows use of current year cost study jurisdictional percentages and "ensure[s] the proper matching of cost study separations and financial results of operation." *See* Project No. 47669 (Final Order at 5).

CVTC's 2019 revenues and expenses were just filed with the Commission on September 15, 2020 and are currently being reviewed by Commission Staff as required by 16 TAC § 26.407(f) in Project No. 51322. This report is attached hereto as Attachment to Staff 1-2(C).

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-7

Please identify any changes in the Company's accounting treatment of revenues and expenses related to providing basic local telecommunications service since the reporting period of its most recent 16 TAC § 26.407 filing.

RESPONSE:

None. CVTC's accounting treatment of revenues and expenses are as required by Part 32 of the FCC's rules, with the FCC's associated Part 64 cost accounting concepts and cost allocations outlined in CVTC's CAM. CVTC's company-specific cost allocation procedures, including the CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocations procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. CVTC's CAM for 2019 is currently being reviewed by Commission Staff in Project No. 51322 and attached here as Attachment to Staff 1-1. There have been no changes since this filing.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-8

Please provide the amount of TUSF monies received by the Company since the inception of the TUSF.

RESPONSE:

CVTC does not keep data cumulative year over year in this manner. However, CVTC receives TUSF monies as set out in Texas law and applicable Commission rules at amounts set in prior Commission orders. Its current disbursements were recently set in a contested case at the Commission, and the final order which dictates its current, precise TUSF high-cost support by year is attached hereto as Attachment to Staff 1-8. Data on its historical receipts are available from several sources. CVTC's annual TUSF receipts for the last three years are reflected in its 16 TAC § 26.407 annual reports, Schedule I, Line 6, since 2017. *See* Attachment to Staff 1-2(A-C). Before that, its annual TUSF receipts were reflected in its annual earnings monitoring reports then required under 16 TAC § 26.73. *See, e.g.,* Project Nos. 46911 (2016), 45637 (2015), 44549 (2014), and 42289 (2013). CVTC also reports its TUSF receipts to the Commission quarterly. *See* Project No. 41120. TUSF disbursements by company are further confirmed in the quarterly reports of the TUSF administrator, Solix, filed quarterly here https://www.puc.texas.gov/agency/resources/reports and provided as Attachment to Staff 1-4 for ease of reference.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-9

Please provide the amount of TUSF monies received per customer for 2017, 2018, and 2019.

RESPONSE:

CVTC did not receive TUSF monies on a per customer basis for the requested years. CVTC's TUSF receipts have been based upon a fixed monthly payment since 2011 when the 82nd Legislature passed of House Bill 2603. Those fixed monthly payments are subject to adjustment based upon regulated returns since 2017 when the 84th Legislature passed Senate Bill 586.

In an effort to be as responsive as possible, if this question intends to ask for support on a per-line basis, that data is included in CVTC's annual reports:

- As noted in response to Staff 1-4, CVTC's fixed TUSF disbursements were set in prior Commission orders, are reported annually in CVTC's 16 TAC § 26.407 annual reports (see Schedule I, Line 6), and publicly available on a quarterly basis in Solix reports. For ease of reference, the annual reports for the referenced years are attached hereto as Attachment to Staff 1-2(A-C) and the Solix reports for the referenced years, which are attached hereto as Attachment to Staff 1-4.
- CVTC's access lines served are disclosed publicly for the requested years in the "General Questions" section of the part of its attached 16 TAC § 26.407 annual reports. As of the year end 2019, CVTC served 5,118 access lines.

We presume the Commission already performs this calculation, as it is required to determine other ETP support under 16 TAC § 26.407(j)(3).

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-10

Please provide copies of monthly customer bills for basic local telecommunications service for ten different customers for the period July 2019 through June 2020.

RESPONSE:

See attached confidential response to Staff 1-10. The requested customer bills contain sensitive personal information and have been expressly designated by the FCC as Customer Proprietary Network Information ("CPNI") and are therefore protected from disclosure under federal law and provided confidentially with customer-specific identifying information redacted. *See* 47 U.S. Code § 222(h)(1)(B). Please note that under 16 TAC § 26.25(f), certified telecommunications utilities already provide any revised bill formats for the Commission's review.

Prepared/Sponsored by: Pat Zbranek-Zigal, CVTC

STAFF 1-11

For the previous 12 months, please provide copies of any advertisements used by the Company or its affiliates that include an offer of basic local telecommunications services.

RESPONSE:

CVTC may not have retained every advertisement that has been used in every format or type of media for the past 12 months. Regardless, please see attached response to Staff 1-11 for copies of available advertisements.

In addition to the attached, CVTC also maintains a website where customers can obtain information about CVTC's basic local telecommunications services, which can be found at https://cvctx.com.

CVTC's advertising costs are properly allocated between regulated and non-regulated activities and separated between intrastate and interstate activities as explained in CVTC's CAM and identified in its Part 36 cost separations study to ensure that only costs associated with intrastate, regulated service are included in CVTC's intrastate, regulated cost of service. *See, e.g.,* Attachment 1-1 for Company's 2019 CAM. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-12

Please provide the contact information available to customers receiving basic local telecommunications service for questions about billing, service, or reporting loss of service.

RESPONSE:

In accordance with 16 TAC § 26, Subchapter B, related to customer protection, CVTC provides contact information for questions about billing, service, or reporting loss of service on each customer bill. Examples are provided in the Attachment to Staff 1-10. Please see also https://cvctx.com/contact-us/, which lists CVTC contact information. Complaint contact information is also available through the Commission's website, available here https://www.puc.texas.gov/consumer/complaint/form/ComplaintForm.aspx?type=t.

CVTC's billing and service labor costs are properly allocated between regulated and non-regulated activities and separated between intrastate and interstate activities as explained in CVTC's CAM and identified in its Part 36 cost separations study to ensure that only costs associated with intrastate, regulated service are included in CVTC's intrastate, regulated cost of service. *See, e.g.,* Attachment 1-1 for Company's 2019 CAM. CVTC's company-specific CAM is the definitive authority on its compliance with cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-13

Please provide the contact information available to customers receiving non-regulated services for questions about billing, service, or reporting loss of service.

RESPONSE:

Please see https://www.cvctx.com/contact-us/, which lists CVTC contact information. Complaint contact information is also available through the Commission's website, available here https://www.puc.texas.gov/consumer/complaint/form/ComplaintForm.aspx?type=t .

CVTC's billing and service labor costs are properly allocated between regulated and non-regulated activities and separated between intrastate and interstate activities as explained in CVTC's CAM and identified in its Part 36 cost separations study to ensure that any costs associated with non-regulated services are excluded from CVTC's intrastate, regulated cost of service. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports.

Prepared/Sponsored by: Karen Gunkel

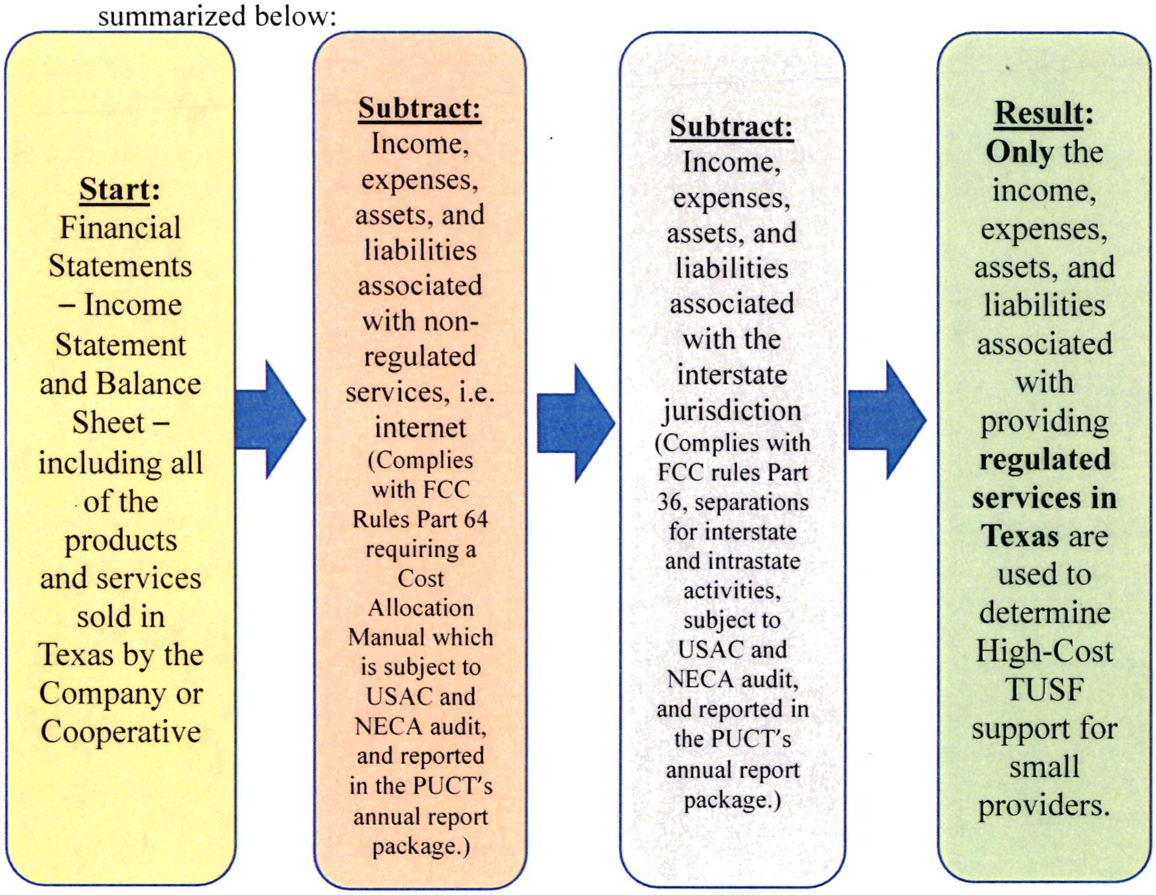
STAFF 1-14

Please provide the methodology used by the Company to allocate expenses and revenues, along with examples and percentages, between basic local telecommunications services and non-regulated services.

RESPONSE:

CVTC directly assigns expenses and revenues to regulated and non-regulated activities. To the extent that expenses and revenues cannot be directly assigned, CVTC allocates expenses and revenues. All allocations and separations are performed in accordance with the FCC's Part 32 Uniform System of Accounting, Part 64 Cost Allocation procedures, and Part 36 cost Separations rules. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules:

- Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance.
- Cost allocation procedures, CAMs are subject to audit by the USAC and NECA. CAMs are subject to Commission review annually, as they are provided to the Commission each year in CVTC's annual report under 16 TAC § 26.407, contained in Attachment C, Section 2.1. For example, CVTC's CAM for 2019 is currently being reviewed by Commission Staff in Project No. 51322.Since CAMs and Part 36 cost separations studies are company-specific, a general overview of the long-standing cost allocation and separations process is summarized below:



This flow chart illustrates how small ILECs like CVTC use a long-standing, well-vetted, mandatory regulated process to ensure that only regulated, intrastate telecommunications plant in service can have any impact on their state returns or TUSF support.

Included within CVTC's CAM is the Cost Apportionment Table, which identifies each Part 32 account and discloses whether the account is directly assigned or allocated. If an account is allocated, the Cost Apportionment Table provides an allocation code that explains the basis of the allocation. Additional supporting documentation related to the CAM is contained in Attachment C, Schedule 2.2 of the 16 TAC § 26.407 annual report which includes the Part 64 study supporting each cost allocation methodology. This complies with the cost apportionment standards outlined in 47 C.F.R. § 64.901:

1. Tariffed services provided to a nonregulated activity are charged to the nonregulated activity at tariffed rates and credited to the regulated revenue account for that service.
2. Network investment is apportioned between regulated and nonregulated based on projected utilization of the investment. Network investment is considered applicable to regulated services until it is used for nonregulated activities.
3. Attribution measures that are representative of the use of the assets or resources by regulated services or nonregulated activities are used in attributing costs between regulated and nonregulated cost objectives.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-15

Please explain how the Company allocates labor between basic local telecommunications services and non-regulated services.

RESPONSE:

CVTC allocates labor between regulated and non-regulated services via a positive time reporting methodology. Employees track their time through entries which are entered/updated throughout the day as employees work on different tasks and duties. Then their labor costs are either direct assigned or allocated as may be appropriate based on the employees' job duties and/or specific tasks performed. This allocation process is set out in CVTC's CAM. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. The CAM lays out CVTC's cost apportionment process—including as applicable to labor—which complies with 47 C.F.R. § 64.901, as explained above in Staff 1-14. Although already on file with the Commission in Company's 16 TAC 26.407 annual reports for the past three years, CVTC's current CAM is also provided here as Attachment to Staff 1-1 in an effort to be transparent.

Prepared/Sponsored by: Kathy Norwood, CVTC

STAFF 1-16

Please explain how the Company allocates overhead between basic local telecommunications services and non-regulated services.

RESPONSE:

As described in CVTC's CAM, which is included in Attachment C, Section 2.1 of the 16 TAC § 26.407 annual reports CVTC files with the Commission each year and attached here as Attachments to Staff 1-2(A-C), CVTC's overhead costs are directly or indirectly assigned as regulated in nature (to provide regulated services) or nonregulated in nature in compliance with 47 C.F.R. § 32.14. This follows the cost apportionment methodologies described in the CAM. Allocations of overhead typically follow labor that is used in the payroll system. The overhead is allocated to the appropriate account or sub-account based on the labor charged to that account. These accounts or sub-accounts are typically directly assignable but if further allocations are needed, they are performed using methods described in the cost apportionment table accompanying the CAM. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. The CAM lays out CVTC's cost apportionment process—including as applicable to overheard—which complies with 47 C.F.R. § 64.901, as explained above in Staff 1-14.

Prepared/Sponsored by: Kathy Norwood, CVTC

STAFF 1-17

Please provide a copy of the Company's most recent vehicle study used to develop a separation of cost.

RESPONSE:

As described in CVTC's CAM, which is included in Attachment C, Section 2.1 of the 16 TAC § 26.407 annual reports CVTC files with the Commission each year and attached here as Attachments to Staff 1-2(A-C), CVTC allocates vehicles in accordance with the identified cost allocation code related to Part 32 accounts for motor vehicles, by motor vehicle type, contained on the Cost Apportionment Table. For CVTC, cost allocations vary by vehicle type and generally follow labor hours for the various labor types. For example, vehicles that are assigned to particular employees, their labor is used to separate the cost of the vehicle. If a vehicle does not have a direct assignment, a directly or indirectly cost allocation is applied, such as a total labor distribution of all employees that may have access to that vehicle. See Attachment to Staff 1-17 for vehicle study. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. The CAM lays out CVTC's cost apportionment process—including as applicable to assets such as vehicles—which complies with 47 C.F.R. § 64.901, as explained above in Staff 1-14.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-18

Please provide a copy of the Company's most recent building study used to develop a separation of cost.

RESPONSE:

As described in CVTC's CAM, which is included in Attachment C, Section 2.1 of the 16 TAC § 26.407 annual reports CVTC files with the Commission each year, CVTC allocates buildings in accordance with the identified cost allocation code related to Part 32 accounts for different types of buildings which are identified with the Cost Apportionment Table. For CVTC, cost allocations vary by building type and generally follow labor hours for the various labor types. For Example, the employees labor hours that occupy space in the buildings will drive shared/common spaces in the remaining parts of the building to allocate total cost/square footage for that particular building. See Attachment to Staff 1-18 for building study. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. The CAM lays out CVTC's cost apportionment process—including as applicable to overhead such as buildings/office space—which complies with 47 C.F.R. § 64.901, as explained above in Staff 1-14.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-19

If the Company provides both basic local telecommunications services and non-regulated services over the same plant assets and a customer loses functionality of any or all services provided, please describe the process for determining the cause of the loss of function and the process for allocating costs to restore functionality of lost services.

RESPONSE:

When a customer notifies CVTC that they are experiencing a disruption in service, CVTC dispatches an outside plant technician to identify and repair the affected plant. In typical scenarios, the technician will test CVTC's regulated facilities on CVTC's side of the demarcation point. In the case of a cable cut, typical costs involved in repairing such a cut would include labor, overhead and materials. If the trouble is within the CVTC's regulated network, cost associated with repairing the facilities are assigned in accordance with FCC Part 32 rules to regulated operations. If the trouble is on the customer's side of the demarcation point, costs associated with the repair are assigned to non-regulated operations. As provided for under FCC Part 32, time spent repairing assets are assigned to the maintenance account related to the asset. Once those costs are recorded in the appropriate Part 32 accounts, they follow CVTC's CAM. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-1.

Prepared/Sponsored by: Kelly Allison, CVTC

STAFF 1-20

Please describe the process used by the Company for differentiating traffic over shared plant assets as either basic local telecommunication services or other, non-regulated services.

RESPONSE:

CVTC utilizes the yearly cost study process to analyze regulated cable and central office equipment investments to ensure each are allocated to the appropriate regulated jurisdictions. Data is provided through network studies to costs consultants annually to assist in the development of the information to help ensure allocations are appropriate. Many different types of traffic flow through CVTC's network including regulated intrastate services, regulated interstate services, and non-regulated services. Revenues for long distance voice services originated by CVTC's customers are generally jurisdictionalized based upon the originating and terminating end points of the call and are categorized accordingly. Local voice services are as defined in the local calling scopes contained in CVTC's local exchange tariffs, which are on file with the Commission, and are not usage-sensitive, so they are not measured. Tariffs are also provided here for ease of reference, see Attachment to Staff 1-2(D). Likewise, non-regulated traffic is not usage-sensitive and is not measured.

For the purpose of cost recovery, since 2001, all CVTC's traffic factors have been frozen by the FCC. *See In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order (FCC 01-162), (rel. May 22, 2001). The revenues and expenses flowing from CVTC's shared plant assets are all apportioned according to CVTC's CAM. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-1. As a result of the combination of the Part 32 accounting process, the Part 64 cost allocation process, and the Part 36 cost separations process, only the costs, expenses, and revenues associated with regulated, intrastate services impact CVTC's regulated, intrastate cost of service, returns, or TUSF support.

Prepared/Sponsored by: Karen Gunkel, CVTC

<u>STAFF 1-21</u>

Does the Company apply an apportionment standard for cost allocation that assumes network investment is either regulated or non-regulated based on utilization of the investment and that network investment is considered to be regulated services until it is used for non-regulated activities? If yes, provide the Company policy for determining that a network investment is considered used for non-regulated activities. Who makes the determination, and can the determination be challenged by the entities? If yes, please explain.

RESPONSE:

CVTC's cost allocation process is set out in its CAM. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocations procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-1. CVTC's specific cost apportionment methodology is set out in the CAM. CVTC is unsure to whom "the entities" refers in this question, but CVTC policy for determining which investments are used for regulated or non-regulated activities are set forth in the CAM. Its cost apportionment principles comply with 47 C.F.R. § 64.901, as explained above in Staff 1-14. As a result of the Part 64 cost allocation process, and the Part 36 cost separations process only the costs, expenses, and revenues associated with regulated, intrastate services impact CVTC's regulated, intrastate cost of service, returns, or TUSF support.

To the extent that there are incidental non-regulated activities that do not constitute a separate line of business, the CVTC takes additional steps after applying the CAM to ensure that non-regulated costs are removed from the regulated rate base. This is accomplished by identifying the non-regulated asset costs through a detailed network study. This process may result in a cost study adjustment to remove non-regulated costs pursuant to FCC Part 36 and is reported to the Commission within CVTC's 16 TAC § 26.407 annual report in Attachment C, Schedule 5.1.2 (related to expenses) and Attachment C, Schedule 5.2.1 (related to investments). These detailed network studies examine the usage of these assets and apportion costs between regulated and non-regulated activities. CVTC's network engineers maintain detailed network usage information within CVTC's records. Those detailed network usage records are subject to audit by the FCC, USAC, and NECA, and review by the Commission.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-22

Does the Company rely solely on the Cost Allocation Manual submitted in its 16 TAC § 26.407 filing for its annual accounting of regulated and non-regulated revenues and expenses? If the Company also relies on any other study or model, please provide a copy of the cost allocation study or model.

RESPONSE:

CVTC first relies upon the FCC's Part 32 Uniform System of Accounts for its accounting of regulated and non-regulated revenues and expenses. It then utilizes the FCC's Part 64 Cost Allocation procedures, which are documented in its CAM, for the allocation of costs between regulated and non-regulated activities CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, including CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-1. CVTC does not rely on any other study or model.

Prepared/Sponsored by: Karen Gunkel, CVTC

<u>STAFF 1-23</u>

Please provide copies of any internal or external audits performed during which the Company's policies and procedures for allocating expenses were considered.

RESPONSE:

The Commission considered CVTC's procedures for allocating expenses when the Commission reviewed CVTC's 2017 and 2018 16 TAC § 26.407 annual reports in Project Nos. 49025 and 50008, and while it is currently reviewing CVTC's 2019 16 TAC § 26.407 annual report in Project No. 51322. Each year, Commission Staff is required to review these filings and make a determination as to whether any included expenses are reasonable and necessary. *See* 16 TAC § 26.407(f). Additionally, the Commission reviewed CVTC's expense allocations when it approved CVTC's TUSF increase under 16 TAC § 26.407 approved in Docket No. 50610 on June 9, 2020.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-24

Reference the Company's Part 64 Study included in its most recent 16 TAC § 26.407 filing. Please provide a listing of all accounts during the previous five calendar years that were originally assigned 100% to the regulated function but that are now assigned less than 100% to the regulated function.

RESPONSE:

Please see attached confidential response to Staff 1-24 for a listing of accounts that were assigned 100% to the regulated function five years ago but are now assigned less than 100% to the regulated function. Consistent with its FCC-required, NECA-filed, subject-to-USAC-audit, Commission-reviewed cost allocation procedures, which are documented in its CAM (attached hereto as Attachment to Staff 1-1), CVTC's Part 64 Study updates account over time as consumption of services may change. Updates are reported to the Commission each year when the CAM is provided with CVTC's 16 TAC § 26.407 annual report.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-25

Reference the Company's Part 64 Study included in the most recent 16 TAC § 26.407 filing. Please provide a listing of all accounts during the previous five calendar years that were originally assigned less than 100% to the regulated function but that are now assigned 100% to the regulated function. Indicate the original percentage assigned to the regulated function.

RESPONSE:

CVTC does not have any account that fits this criteria. Consistent with its FCC-required, NECA-filed, subject-to-USAC-audit, Commission-reviewed cost allocation procedures, which are documented in its CAM (attached hereto as Attachment to Staff 1-1), CVTC's Part 64 Study updates account over time as consumption of services may change. Updates are reported to the Commission each year when the CAM is provided with CVTC's 16 TAC § 26.407 annual report.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-26

Please explain whether the Company constructs and maintains separate lines for basic local telecommunications services and non-regulated services.

RESPONSE:

Generally speaking, no, CVTC does not construct and maintain two separate networks for basic local telecommunications services and non-regulated services. Two separate networks would be duplicative and/or expensive, and would not be beneficial to Texans compared to deploying a single hybrid network and sharing the costs of that network across both regulated state and interstate services, as well as non-regulated services, which the current mechanism provides. As has been recognized by numerous agencies, there is a single modern communications network capable of providing voice, broadband, and non-regulated services.

- The FCC has explained, "The federal universal service high-cost program ... is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service..." *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund. To this end, although the FCC took action to explicitly support advanced telecommunications like broadband years ago, *it continues to support voice services in rural and high-cost areas.*
- The PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously." *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019).

Since the physical network is shared among voice and other services, any improvements to the network accomplished with TUSF for the purposes of voice service can indirectly benefit any and all services on the network and all Texans who use the network for any purpose.

Although the physical network is shared, accounting for the network is painstakingly separated as set forth in each incumbent provider's CAM and Part 36 cost separations study pursuant to longstanding federal and state regulatory accounting rules. By following the process in CVTC's CAM and the FCC's Part 36 jurisdictional cost separations rules, CVTC ensures that TUSF support is restricted to regulated, intrastate revenues, expenses, and investments. CVTC's company-specific CAM and Part 36 separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA. *See, e.g.*, CVTC's current CAM as Attachment to Staff 1-1.

Although there is one network and CVTC's network facilities are generally used for both voice and other services (some of which are regulated and some of which are not), there may be situations in which CVTC or an affiliate constructs lines that are used for only non-regulated services. Outside plant associated with non-regulated service areas are removed from CVTC's regulated rate base in accordance with applicable regulatory rules.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-27

Please explain the type of line (e.g., copper, fiber) the Company uses to provide basic local telecommunications services and non-regulated services.

RESPONSE:

CVTC maintains buried fiber optic cable, buried copper cable and fixed wireless within its network, whose mileage is very specifically disclosed to the Commission every year in its 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Supplemental Schedule X. Either type of plant can support basic local telecommunications services and/or non-regulated services and are therefore treated similarly under FCC Part 32 accounting rules.

Since these technologies can provide basic local or non-regulated services, their costs—and the costs of all CVTC's plant—are apportioned in accordance with CVTC's CAM and Part 36 cost separations study. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1.

Prepared/Sponsored by: Tanner Hamann, JSI

<u>STAFF 1-28</u>

Please provide the total length (in miles) of basic local telecommunications service lines the Company operates.

RESPONSE:

Please see supplemental Schedule X to CVTC's 2019 16 TAC § 26.407 annual report for the miles of cable CVTC operates. *See* Attachment to Staff 1-2(A-C).

Prepared/Sponsored by: Kelly Allison, CVTC

STAFF 1-29

Please provide the replacement schedule for the Company's basic local telecommunications service lines.

RESPONSE:

As any plant nears the end of its useful life, it has to be replaced in order to ensure adequate and reliable service to the customers and to limit costly ongoing maintenance expense. The useful life of each facility varies depending upon type of plant and time installed. For example, most copper and fiber have a 14-year life; COE switch has a 14-year life and COE Ckt has a 10-year life. All plant is depreciated and scheduled accordingly.

As has been recognized by numerous agencies including the FCC and the PUCT, there is a single modern communications network capable of providing voice and broadband service. For example, the FCC simultaneously supports broadband and voice services, noting "The federal universal service high-cost program ... is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service..." *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund. Similarly, the PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously. *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019). Since there is a single, modern network that is capable of providing both basic local telecommunications services and other services, there are not specific, physical lines dedicated exclusively to non-regulated services operated by CVTC, and there are not different replacement schedules for basic local telephone or non-regulated lines. Instead, replacement costs of lines or of any other assets are allocated and separated consistent with CVTC's CAM and Part 36 cost separations study. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-30

Please provide the total length (in miles) of non-regulated service lines the Company operates.

RESPONSE:

As has been recognized by numerous agencies including the FCC and the PUCT, there is a single modern communications network capable of providing voice and broadband service. For example, the FCC simultaneously supports broadband and voice services, noting "The federal universal service high-cost program ... is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service..." *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund. Similarly, the PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously. *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019). Since there is a single, modern network that is capable of providing both basic local telecommunications services and other advanced services, CVTC does not physically separate "non-regulated service lines." Its total miles of line used for basic local telephone services have been provided to the Commission previously (*see* Attachments to Staff 1-2(A-C), Supplemental Schedule 10), but there are no "non-regulated service lines" included there.

That said, CVTC does operate a competitive local exchange carrier ("CLEC"), and the CLEC's lines provide non-regulated services. Costs associated with those lines are directly assigned to non-regulated operations and not included in CVTC's regulated rate base, and so they do not affect CVTC's TUSF support in any way. Those non-regulated cable assets were excluded from CVTC's cable lengths when the Company provided cable lengths to the Commission in its 16 TAC 26.407 annual reports. High-cost support does not support any non-regulated service lines, and CVTC is not required to report non-regulated lines. Non-regulated operations are not included in CVTC's regulated rate base.

Prepared/Sponsored by: Tanner Hamann, JSI

<u>STAFF 1-31</u>

Please provide the replacement schedule for the Company's non-regulated service lines.

RESPONSE:

As any plant nears the end of its useful life, it has to be replaced in order to ensure adequate and reliable service to the customers and to limit costly ongoing maintenance expense. The useful life varies depending upon type of plant and time installed. For example, most copper and fiber have a 14-year useful life. All plant is depreciated and replaced accordingly.

As has been recognized by numerous agencies including the FCC and the PUCT, there is a single modern communications network capable of providing voice and broadband service. For example, the FCC simultaneously supports broadband and voice services, noting "The federal universal service high-cost program ... is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service..." *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund. Similarly, the PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously. *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019). Since there is a single, modern network that is capable of providing both basic local telecommunications services and other advanced services, there are not specific, physical lines dedicated exclusively to non-regulated services operated by CVTC, and there are not different replacement schedules for basic local telephone or non-regulated lines. Instead, replacement costs of lines or of any other assets are allocated and separated consistent with CVTC's CAM and Part 36 cost separations study. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-32

Please explain what facilities are used by the Company to run basic local telecommunication service lines and non-regulated service lines.

RESPONSE:

As has been recognized by numerous agencies, there is a single modern communications network capable of providing voice and broadband service.

- The FCC has explained, "The federal universal service high-cost program ... is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service..." *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund. To this end, although the FCC took action to explicitly support advanced telecommunications like broadband years ago, *the FCC continues to support voice services in rural and high-cost areas.*
- The PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously." *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019).

Separate physical facilities are not used to run basic local telecommunication service lines and non-regulated service lines. Much of the legacy cable network is copper. Fiber is the industry standard for new cable plant being installed today

Although there is a single physical network, accounting for this network is painstakingly separated. The costs for both copper and fiber—and the costs of all CVTC's plant—are apportioned in accordance with CVTC's CAM and Part 36 cost separations study. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1. This ensures TUSF support is not used for non-regulated or interstate services even within the one interconnected network.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-33

Please explain the Company's cost allocation for running or trenching lines. Please explain the Company's cost allocation for maintaining its lines.

RESPONSE:

Where trenching initially occurs, costs are recorded in accounts to reflect plant under construction, which are identified in Schedule II of the 16 TAC § 26.407annual report. Once construction is completed and the plant is put into service, labor and materials are identified and booked into the appropriate Part 32 accounts. Once those costs are booked in the appropriate accounts, those costs are allocated in accordance with CVTC's CAM or in the Part 36 cost separations study. Where trenching is required solely for non-regulated operations, such as a CLEC operation, such costs are capitalized and directly assigned to non-regulated operations.

Similarly, labor costs associated with maintaining the CVTC's facilities are allocated in accordance with CVTC's CAM or in the Part 36 separations study. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1. This ensures TUSF support is not used for running or trenching lines for nonregulated or interstate purposes.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-34

Please provide copies of any materials used by the Company for purposes of employee training related to labor distribution and timekeeping.

RESPONSE:

Employees receive in-person training both at time of onboarding and on an ongoing basis to address the specifics of timekeeping necessary for their unique job duties. Typically, employees are required to complete electronic time in the portal daily, and to update their entries throughout the day as tasks change. Time entry varies in complexity and format from department to department, as some labor is direct assigned based on tasks performed and other labor is allocated, consistent with CVTC's CAM. In every instance, employee training is designed to ensure accuracy in the reporting of hours worked and materials used and adherence to the CAM. Additionally, CVTC's cost consultant has performed on-site employee time code training. See Attachment to Staff 1-34. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1. This ensures employee labor is distributed correctly.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-35

Please explain how TUSF disbursement monies are used and accounted for in maintaining existing infrastructure.

RESPONSE:

TUSF receipts are not grants specifically earmarked for certain activities or projects; they are incorporated into general accounts with other intrastate revenues. Revenues, including TUSF, are then used to deploy new infrastructure throughout CVTC's regulated service territory, maintain existing infrastructure throughout CVTC's regulated service territory, or pay employees or other expenses—all the investments and expenses necessary to serve CVTC's rural Texas customers, many of whom would not have access to basic local telephone but for CVTC and the TUSF support company requires to meet its Provider of Last Resort and other obligations across is rural, high-cost service area.

These investments and expenses are allocated in accordance with CVTC's CAM and Part 36 cost separations study to ensure that TUSF funds are kept in CVTC's intrastate, regulated cost of service and not applied to non-regulated functions. CVTC's company-specific CAM and Part 36 cost separations study are the definitive authorities on its compliance with applicable accounting and regulatory rules. Cost allocation procedures, which are often documented in CAMs are required by FCC rules and have been used since at least the 1980s. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1 The CAM is thus a long-standing, thorough document that is well-vetted at a number of levels that ensures state support is applied to construct or maintain the telecommunications infrastructure necessary to bring reliable basic local telephone services to high-cost, rural Texas at prices comparable to urban areas.

In addition to following the CAM and Part 36 jurisdictional cost separation rules, CVTC has to attest annually that CVTC complies with PURA and Commission rules "regarding the use of money from ... TUSF programs." *See* Project No. 32567. To supplement the CVTC's ongoing annual certifications, CVTC provides incredibly detailed, extensive reports that not only provide its CAM and Part 36 cost separations study but also provide a summary of revenues and expenses; revenues, expenses, investments, invested capital; intrastate federal income taxes calculated at the applicable tax rate; network access service revenue; weighted average cost of capital (for investor-owned utilities); historical financial statistics; proposed company adjustments; the name, title, and compensation of each officer, director, owner/former owner (for investor-owned utilities), or other highly compensated employee, and their family members; the amount and nature of each affiliate transaction, including transactions with family members of officers, directors, or owners/former owners (for investor-owned utilities); and all supporting documentation necessary to support these items. *See* 16 TAC § 26.407 and Commission instructions to form schedules. Commission Staff reviews these reports for 90 days every year and has the authority to adjust data if it disagrees with the reports. If CVTC is over-earning, the Commission can bring it in to adjust local rates or TUSF support as often as every three years. And if the Commission has any doubts about CVTC's adherence to its CAM, its annual TUSF certification, or any aspect of its operations revealed in its 16 TAC § 26.407 reports, the Commission retains full authority under PURA to call small providers like CVTC in for a rate case. *See* PURA § 56.032(l).

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-36

Please provide a list of all work order numbers related to new construction projects that were created since the Company's last plant in service prudence determination by the Commission. Include a detailed description of the work order's purpose, itemized costs charged to the work order, and method for determining costs to charge to the work order.

RESPONSE:

All of CVTC's plant investments—including any related to new construction projects and work orders—are addressed in its 16 TAC § 26.407 in painstaking detail with supporting workpapers, and these are reviewed by Commission Staff every year. As outlined by the Legislature, the exact purpose of disclosing all this information in a one-of-a kind filing is:

> … to provide "long-term, regulatory-efficient, and 'needs-based' support" and *avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT].*" *See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017).

Understanding this legislative intent, the Commissioned passed a rule to set out "criteria by which a small ILEC may request that the commission determine the amount of Small and Rural Incumbent Local Exchange Company Universal Service Plan support it receives, so that the support, combined with regulated revenues provides the small ILEC an opportunity to earn a reasonable rate of return under this rule, as required by Senate Bill 586." *See* Project No. 47669 (Oct. 16, 2018 order). The Commission further acknowledged "that there currently are no base-rate proceedings, and there has not been a comprehensive base-rate case in many years" — but there is an ongoing annual review of CVTC's investments and all other aspects of its operations in which the Commission could raise any prudence issues, and adjust its TUSF support or its local rates accordingly, as intended by the Legislature. *See* Project No. 47669 (order adopting 16 TAC § 26.407, signed by the current commissioners on Oct. 16, 2018). Simply put, the purpose of this mechanism was to avoid telephone rate cases and their drain on both Commission and CVTC's resources.

Given the above, CVTC opted into 16 TAC § 26.407 regulation in lieu of filing ongoing rate cases – and it has faithfully followed this process. Staff's last review of a CVTC 16 TAC § 26.407 annual report was complete on Project No. 50008 (confirming review of CVTC's 2018 report)], and review of its most recent report that would reflect work orders through the end of 2019 is currently pending in Project No. 51322 filed on September 15, 2020. This review includes explicit authority to adjust reports for unreasonable or unnecessary expenses, inappropriate affiliate transactions, inappropriate allocations, or "any other adjustments that commission staff may find appropriate." 16 TAC § 26.407(f)(2). Since this review, CVTC has had hundreds of work orders. Costs associated with those work orders will be accounted for in CVTC's next 16 TAC § 26.407 annual report, due on September 15, 2021, and thus fully disclosed to the Commission. In CVTC's prior 16 TAC § 26.407 proceedings, it received no complaints related to work orders or other plant investments. However, if the Commission wants more information now, CVTC is happy to continue to discuss.

Notwithstanding the above, Commission has not had a telephone rate case in decades, long before Senate Bill 586 was passed to reflect an express state policy to avoid the costly rate proceedings for small providers. CVTC of course does not charge the same rates it charged in the 1990s—it has increased its local rates on several occasions under 16 TAC § 26.171, for example—and its earnings are subject to regular and ongoing review by the Commission under 16 TAC § 26.73 or 16 TAC § 26.407 ever since that case as explained above. CVTC has had presumably tens of thousands of work orders during that near 30-year time span, and these plant investments are reflected in CVTC's 16 TAC § 26.407 annual reports, Attachment C Schedule II and accompanying workpapers in Section 5.2, as noted above, which are already provided to the Commission and reviewed by Commission Staff annually. *See also* Attachments to Staff 1-2(A-C).

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-37

Does the Company engage in any tying arrangements when offering basic local telecommunications service? If yes, please describe in full.

RESPONSE:

CVTC allows customers to purchase unbundled basic local telecommunications services. As a common carrier and under CVTC's Commission-approved tariffs, which are on file with the Commission and attached here to as Attachment to Staff 1-2(D), CVTC is obligated to offer basic local telecommunications service as a stand-alone product to any customer that wishes to subscribe to such service. CVTC does not require its basic local telecommunications customers to purchase additional, non-regulated services.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-38

Does the Company bundle basic local telecommunications services with non-regulated services? If so, please describe in full. Please explain the process followed by the Company to ensure cost recovery from the TUSF for basic local telecommunications services does not include costs related to the other bundled services.

RESPONSE:

Yes, in addition to the option of purchasing stand-alone basic local telecommunications services as described in response to Staff 1-37, CVTC does provide bundles of various telephone, internet, and long distance. Its available bundles are described on its publicly available https://www.cvctx.com/bundle-2/. As allowed by Commission rules, basic local telecommunications services may be bundled with regulated services including intrastate long-distance calling services, optional calling features, non-published service, etc. Basic local telecommunications services may be bundled with non-regulated services including inside wire maintenance, voicemail, and retail internet service provided by CVTC or its non-regulated ISP affiliate.

Whenever regulated services are bundled with non-regulated services, 16 TAC § 26.228(d) ensures there is no cross subsidization between/among various categories of service. CVTC prices the regulated products or services at the approved, regulated rates. Specifically, this rule requires that an "ILEC shall price each regulated service offered separately or as part of a package at either the service's tariffed rate or at a rate not lower than the service's [long run incremental cost, or] LRIC." In addition to charging tariffed rates for regulated components of a bundle, an "ILEC shall price each service at or above the service's LRIC." 16 TAC § 26.228(d)(2). These pricing rules ensure there is no predatory pricing for any component of a bundle, and that the regulated services are offered at regulated rates, which prevents any potential use of the revenues from bundled regulated services to subsidize bundled non-regulated services. In addition to these pricing rules which control the revenues that might be collected from bundled services, of course the associated investments and expenses incurred by CVTC related to any bundled services are allocated and separated according to its CAM and Part 36 cost separations study, ensuring compliance with regulatory accounting rules and preventing cross-subsidization. Cost allocation procedures, including CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation proceedings, including CAMs, are subject to audit by the USAC and NECA. Further, CAMs are now attested to and subject to state Commission review annually, as the full CAM is provided to the Commission each year in CVTC's annual report under 16 TAC § 26.407. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1 The CAM and the Part 36 cost separations study are thus long-standing, thorough documents that are well-vetted at a number of levels that ensure state support is applied to construct or maintain the telecommunications infrastructure necessary to bring reliable basic local telephone services to high-cost, rural Texas at prices comparable to urban areas.

Prepared/Sponsored by: Karen Gunkel, CVTC

<u>STAFF 1-39</u>

Please provide the Company's policies for ensuring that an offer of bundled services does not create a tying arrangement.

RESPONSE:

CVTC ensures there are no tying arrangements, because as described in response to Staff 1-37, it does not require customers to purchase any additional services as a prerequisite to obtaining basic local telecommunications services. CVTC's services are provided in accordance with its tariffs which are reviewed/approved by the FCC and the PUCT. *See* Attachment to Staff 1-2(D).

When CVTC does offer bundles, for a variety of regulatory and business reasons, basic local telecommunications services may be a necessary element of the bundle in order to acquire other services. This practice is appropriate for both business and regulatory reasons, is not prohibited, and does not constitute a tying arrangement because customers do not have to purchase non-regulated services/products in order to obtain regulated services.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-40

For situations in which a customer requests basic local telecommunications service and, at the same time, requests another non-regulated service, please describe the Company's process for determining whether that request is a request for regulated service or a request for non-regulated service.

RESPONSE:

When a customer requests basic local telecommunications service and non-regulated service, the portion of the request related to regulated services is considered a request for regulated service and the portion of the request for non-regulated service is considered a request for non-regulated services. Labor costs associated with fulfilling a request for non-regulated services are directly assigned to non-regulated activity on the employees' timesheet under CVTC's time reporting procedures. These expenses are allocated in accordance with CVTC's CAM to ensure that regulated and non-regulated expenses are accounted for correctly. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocation procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1 The CAM which documents cost allocations procedures is thus a long-standing, thorough document that is well-vetted at a number of levels that ensures state support is applied to construct or maintain the telecommunications infrastructure necessary to bring reliable basic local telephone services to high-cost, rural Texas at prices comparable to urban areas

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-41

Reference Schedule VIII of the Company's 2017, 2018 and 2019 Annual Reports for Small ILECs. For each officer and director listed, please identify any other affiliated or non-regulated entity for which the individual serves as an officer or director. Please include the individual's gross compensation for 2017, 2018, and 2019 before assignment of compensation to non-Texas activities, affiliates, or non-regulated accounts and activities.

RESPONSE:

Please see Schedule VIII of CVTC's annual report showing the annual executive compensation related to regulated intrastate operations. The reported compensation on the aforementioned schedule is the only portion of compensation that is included in the CVTC's regulated intrastate cost of service. The instructions to Schedule VIII specify that only the amount of compensation "allocated to intrastate regulated operations of the small ILEC" be reported. *See* Project No. 47669 (instructions posted Oct. 18, 2018). These compensation figures are developed through strict adherence to CVTC's CAM, which excludes any non-regulated or interstate functions through the FCC's Part 64 allocations and Part 36 separations rules. CVTC's company-specific CAM is the definitive authority on its compliance with applicable cost allocation rules. Cost allocation procedures, which are often documented in CAMs, are required by FCC rules. CVTC devotes great time and expense to developing its company-specific CAM to ensure compliance. Cost allocations procedures, including CAMs, are subject to audit by the USAC and NECA and are attested to and subject to Commission review annually as part of 16 TAC § 26.407 annual reports. *See* Attachment to Staff 1-2(A-C), Attachment C, Section 2.1 The CAM and the Part 36 cost separations study are thus a long-standing, thorough documents that are well-vetted at a number of levels that ensure that no compensation for any employee related to affiliated or non-regulated entities affects CVTC's intrastate cost of service.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-42

Has the Company ever participated in a Federal Communications Commission (FCC) audit? If yes, please provide a copy of all audit reports issued.

RESPONSE:

No, CVTC has not been audited by the FCC.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-43

Does the Company participate in an annual external audit of its regulated book and records? If yes, please provide a copy of the most recent audit report.

RESPONSE:

No. CVTC does not participate in any external audits specific to its regulated books and records. CVTC and its subsidiaries participate in an annual external audit of its regulated and non-regulated book and records. Since CVTC only receives a consolidated audit report which includes non-regulated information, the audit report will not be supplied as the Commission only has jurisdiction over regulated revenues and expenses.

Prepared/Sponsored by: Karen Gunkel, CVTC

STAFF 1-44

Please provide the date and docket number of the final order in the Company's most recent comprehensive base rate case before the Commission.

Response:

The Commission has not chosen to initiate any telecommunications comprehensive base rate proceedings in decades—the last fully contested telecommunications rate cases before the Commission were Docket Nos. 9981 and 9983 in the early 1990s.

In 2017, the 84th Legislature passed a mechanism in Senate Bill 586 that permits support and/or rate adjustments for small ILECs like CVTC without having to undergo the expense of a comprehensive base rate case. *See* PURA § 56.032(h) and (i). The purpose of the law was to provide "long-term, regulatory-efficient, and 'needs-based' support" and *avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT].*" *See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017).

Understanding this legislative intent, the Commission passed a rule to set out "criteria by which a small ILEC may request that the commission determine the amount of Small and Rural Incumbent Local Exchange Company Universal Service Plan support it receives, so that the support, combined with regulated revenues provides the small ILEC an opportunity to earn a reasonable rate of return under this rule, as required by Senate Bill 586." *See* Project No. 47669 (Oct. 16, 2018 order). The Commission further acknowledged "that there currently are no base-rate proceedings, and there has not been a comprehensive base-rate case in many years" — but there is an ongoing annual review of CVTC's investments and all other aspects of its operations in which the Commission could raise any prudence issues, and adjust its TUSF support or its local rates accordingly, as intended by the Legislature. *See* Project No. 47669 (order adopting 16 TAC § 26.407, signed by the current commissioners on Oct. 16, 2018). The purpose of this mechanism was to avoid telephone rate cases.

Given the above, CVTC opted into 16 TAC § 26.407 regulation in lieu of filing ongoing rate cases – and it has faithfully followed this process. In lieu of traditional base rate cases, CVTC's earnings are now reviewed by Commission Staff every year under 16 TAC § 26.407(e). This means that every year, the Commission reviews CVTC's rate base, new investments, expenses, allocations and separations, owner/director compensation, returns, supporting materials and other aspects of its operations in a report that is hundreds of pages long – more extensive and detailed than the annual reports that the Commission reviews for any other industry. This review includes explicit authority to adjust reports for unreasonable or unnecessary expenses, inappropriate affiliate transactions, inappropriate allocations, or "any other adjustments that commission staff may find appropriate." 16 TAC § 26.407(f)(2). Staff's last review of a CVTC 16 TAC § 26.407 annual report in Project No. 50008 (confirming review of CVTC's 2018 report), and review of its most recent report that would reflect work orders through the end of 2019 is currently pending in Project No. 51322, filed on September 15, 2020. In CVTC's prior 16 TAC § 26.407 proceedings, it received no adjustments. However, if the Commission wants more information now, CVTC is happy to continue to discuss.

Notwithstanding this process, the Commission retains full authority under PURA to call small providers like CVTC in for a rate case should it ever not be satisfied with a provider's filings or operations. *See* PURA § 56.032(l).

In addition to the annual reports, CVTC's support was also adjusted by the Commission in Docket No. 50610 on June 9, 2020 under the adjustment mechanism set forth in 16 TAC § 26.407(h). The Commission had explicit authority to adjust CVTC's local rates in that proceeding, but did not do so, merely increasing its support to get CVTC closer to (but still well short of) a reasonable rate of return as defined by the Legislature. *See* PURA § 56.032(h); *see also* Attachment to 1-8.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-45

Please provide the amount of plant in service deemed prudent by the Commission in the Company's most recent comprehensive base rate case. Please provide the net book value of the prudent plant in service as of December 31, 2019.

Response:

The net book value of CVTC's current plant in service is disclosed to the Commission every single year on September 15 in its 16 TAC § 26.407 annual reports, see Schedule II. *See* Attachments to Staff 1-2(A-C). CVTC maintains that all its plant in service is prudent.

The Commission has not chosen to initiate any telecommunications comprehensive base rate proceedings in decades—the last fully contested telecommunications rate cases before the Commission were Docket Nos. 9981 and 9983 in the early 1990s. Instead, in 2017, the 84th Legislature passed a mechanism in Senate Bill 586 that permits support and/or rate adjustments for small ILECs like CVTC without having to undergo the expense of a comprehensive base rate case. *See* PURA § 56.032(h) and (i). The purpose of the law was to provide "long-term, regulatory-efficient, and 'needs-based' support" and *avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT]." See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017).

Understanding this legislative intent, the Commission passed a rule to set out "criteria by which a small ILEC may request that the commission determine the amount of Small and Rural Incumbent Local Exchange Company Universal Service Plan support it receives, so that the support, combined with regulated revenues provides the small ILEC an opportunity to earn a reasonable rate of return under this rule, as required by Senate Bill 586." *See* Project No. 47669 (Oct. 16, 2018 order). The Commission further acknowledged "that there currently are no base-rate proceedings, and there has not been a comprehensive base-rate case in many years" — but there is an ongoing annual review of CVTC's investments and all other aspects of its operations in which the Commission could raise any prudence issues, and adjust its TUSF support or its local rates accordingly, as intended by the Legislature. *See* Project No. 47669 (order adopting 16 TAC § 26.407, signed by the current commissioners on Oct. 16, 2018). The purpose of this mechanism was to avoid telephone rate cases.

Given the above, CVTC opted into 16 TAC § 26.407 regulation in lieu of filing ongoing rate cases – and it has faithfully followed this process. In lieu of traditional base rate cases, CVTC's earnings are now reviewed by Commission Staff every year under 16 TAC § 26.407(e). This means that every year, the Commission reviews CVTC's rate base, new investments, expenses, allocations and separations, owner/director compensation, returns, supporting materials and other aspects of its operations in a report that is hundreds of pages long – more extensive and detailed than the annual reports that the Commission reviews for any other industry. This review includes explicit authority to adjust reports for unreasonable or unnecessary expenses, inappropriate affiliate transactions, inappropriate allocations, or "any other adjustments that commission staff may find appropriate." 16 TAC § 26.407(f)(2). Staff's last review of a CVTC 16 TAC § 26.407 annual report was complete in Project No. 50008 (confirming review of CVTC's 2018 report)], and review of its most recent report that reflects its plant in service through the end of 2019 is currently pending in Project No. 51322, filed on September 15, 2020. In CVTC's prior 16 TAC § 26.407 proceedings, it received no complaints related to its plant in service. However, if the Commission wants more information now, CVTC is happy to continue to discuss. The Commission also retains full authority under PURA to call small providers like CVTC in for a rate case should it ever not be satisfied with a provider's filings or operations. *See* PURA § 56.032(l).

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-46

Please provide the amount of the Company's December 31, 2019 plant in service balance for which the Commission has not determined prudence.

Response:

The net book value of CVTC's current plant in service is disclosed to the Commission every single year on September 15 in its 16 TAC § 26.407 annual reports. *See* Attachments to Staff 1-2(C), Schedule II for its most recently reported plant in service.

The Commission has not chosen to initiate any telecommunications comprehensive base rate proceedings in decades—the last fully contested telecommunications rate cases before the Commission were Docket Nos. 9981 and 9983 in the early 1990s. Instead, in 2017, the 84th Legislature passed a mechanism in Senate Bill 586 that permits support and/or rate adjustments for small ILECs like CVTC without having to undergo the expense of a comprehensive base rate case. *See* PURA § 56.032(h) and (i). The purpose of the law was to provide "long-term, regulatory-efficient, and 'needs-based' support" and *avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT]." See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017).

Understanding this legislative intent, the Commission passed a rule to set out "criteria by which a small ILEC may request that the commission determine the amount of Small and Rural Incumbent Local Exchange Company Universal Service Plan support it receives, so that the support, combined with regulated revenues provides the small ILEC an opportunity to earn a reasonable rate of return under this rule, as required by Senate Bill 586." *See* Project No. 47669 (Oct. 16, 2018 order). The Commission further acknowledged "that there currently are no base-rate proceedings, and there has not been a comprehensive base-rate case in many years" — but there is an ongoing annual review of CVTC's investments and all other aspects of its operations in which the Commission could raise any prudence issues and adjust its TUSF support or its local rates accordingly, as intended by the Legislature. *See* Project No. 47669 (order adopting 16 TAC § 26.407, signed by the current commissioners on Oct. 16, 2018). The purpose of this mechanism was to avoid telephone rate cases.

Given the above, CVTC opted into 16 TAC § 26.407 regulation in lieu of filing ongoing rate cases – and it has faithfully followed this process. In lieu of traditional base rate cases, CVTC's earnings are now reviewed by Commission Staff every year under 16 TAC § 26.407(e). This means that every year, the Commission reviews CVTC's rate base, new investments, expenses, allocations and separations, owner/director compensation, returns, supporting materials and other aspects of its operations in a report that is hundreds of pages long – more extensive and detailed than the annual reports that the Commission reviews for any other industry. Staff's last review of a CVTC 16 TAC § 26.407 annual report was complete on in Project No. 50008 (confirming review of CVTC's 2018 report), and review of its most recent report that would reflect its plant in service through the end of 2019 is currently pending in Project No. 51322, filed on September 15, 2020. In CVTC's prior 16 TAC § 26.407 proceedings, it received no complaints related to its plant in service balance..However, if the Commission wants more information now, CVTC is happy to continue to discuss. The Commission also retains full authority under PURA to call small providers like CVTC in for a rate case should it ever not be satisfied with a provider's filings or operations. *See* PURA § 56.032(l).

CVTC's plant in service balance as of December 31, 2019, is currently being reviewed by the Commission Staff in Project No. 51322.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-47

Has the Company replaced any of its plant in service, for which it received a prudence determination in a previous rate case, with new plant in service that the Commission has not yet determined prudence? If yes, please provide the amount of prudent plant in service replaced and the amount of replacement plant in service.

Response:

CVTC's plant in service depreciates over time, as indicated in 16 TAC § 26.407 annual reports filed with the Commission every year. It replaces facilities as they approach the end of their useful life. As any plant nears the end of its useful life, it has to be replaced in order to ensure adequate and reliable service to the customers and to limit costly ongoing maintenance expense. All plant is depreciated accordingly. In addition, CVTC also adds new plant in service as needed to serve its customers, again as indicated in 16 TAC § 26.407 annual reports filed with the Commission every year. Commission Staff reviews this plant in service for three months out of every year. CVTC considers these ongoing reviews to indicate the prudence of its plant in service.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-48

Please provide the amount of 2017, 2018, and 2019 TUSF funds collected by the Company related to plant in service for which the Commission has not determined prudence.

Response:

TUSF funds are not associated with specific capital projects or specific plant in service. Regardless, all of CVTC's TUSF funds collected for the requested years are disclosed in Solix quarterly reports to the Commission available here https://www.puc.texas.gov/agency/resources/reports/; its quarterly reports to the Commission available in Project No. 41120, and its 16 TAC § 26.407 annual reports. For ease of reference, each of these reports is attached hereto. *Please see* Attachments to Staff 1-4(A), Attachment to Staff 1-2(A-C), and Attachment to Staff 1-4(B).

The net book value of CVTC's plant in service for the requested years has been disclosed to the Commission in its 16 TAC § 26.407 annual reports. *See* Attachments to Staff 1-2(A-C), Schedule II for its reported plant in service for the requested years. These reports, required by Senate Bill 586 passed in 2017, are the lengthiest and most comprehensive and detailed of any utility's ongoing annual reports before the Commission in any industry, and are prepared annually at great time/expense. Commission Staff has the explicit authority to adjust CVTC's reported information if it identifies errors during the 90 days each year it reviews these reports. *See* 16 TAC § 26.407(f). If the Commission further disagrees with anything in this exhaustive report or finds a provider is over-earning, it has the explicit authority to call CVTC in for a rate case. *See* PURA § 56.032(l). Thus, CVTC maintains that all its plant in service is prudent, since it is thoroughly reviewed on an annual basis, and the Commission has not raised any questions or issues with anything that has been disclosed in its 16 TAC § 26.407 proceedings, which are effectively streamlined rate review proceedings conducted on an annual basis. Although the Commission does still have the authority to call in small providers for traditional rate cases if it wishes (*see* PURA § 56.032(l)), the Legislature's very purpose in establishing this costly mechanism was to avoid the imminent need for many "traditional regulatory 'rate cases' at the [PUCT]." *See* Senate Research Ctr, Bill Analysis, Tex. S.B. 586, 85th Leg., R.S. (May 24, 2017). The Commission effectively acknowledged that adjustment proceedings under Senate Bill 586 are like rate cases, as it directed, they be "more abbreviated and streamlined as compared to a typical rate case." *See* Project No. 47669.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-49

Has the Company collected any amounts through the TUSF for services other than basic local telecommunications service? If yes, please provide the amount by type of service for 2017, 2018, and 2019 and explain the Company's method for determining that collection of these amounts through the TUSF was proper.

Response:

CVTC has not received any high-cost support under either program created by PURA § 56.021(1) for any services other than basic local telecommunications service ("BLTS"). Other TUSF programs, such as those created by PURA § 56.021(2)-(9) or PURA § 56.025, are not restricted to BLTS.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-50

If the Company has received any amounts from the TUSF for recovery of expenses or plant in service related to its non-regulated functions, please provide the amount and the method by which the Company proposes to return such amounts.

Response:

CVTC has not received high-cost support under PURA § 56.021(1) for recovery of expenses or plant in service related to its non-regulated functions.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-51

Has the Company received an ineligibility determination with respect to any Federal Universal Service Funds? If yes, please provide the amounts by year, along with a description of the basis for the ineligibility determination.

Response:

No. CVTC has not received an ineligibility determination with respect to any Federal Universal Service Funds.

Prepared/Sponsored by: Tanner Hamann, JSI

STAFF 1-52

Please indicate whether the Company is a member of an affiliated group eligible to file a consolidated income tax return and whether the Company was included in a consolidated income tax return for 2017, 2018, and 2019.

Response:

Yes.

Prepared/Sponsored by: Kathy Norwood, CVTC

STAFF 1-53

If the answer to STAFF 1-52 above is yes, please provide a copy of the 2017, 2018, and 2019 consolidated federal income tax return that included the Company.

Response:

This proceeding asks questions about eligibility for TUSF and other information related to TUSF. Regulated entities provide this information upon request. Consolidated tax returns, however, include information from non-regulated affiliates. Non-regulated affiliates' sensitive financial and tax information do not implicate or impact their TUSF support received, if any, because any TUSF support is not based upon their income, taxable or otherwise. Sensitive tax information regarding non-regulated activities is not reportable to the Commission.

Prepared/Sponsored by: Kelly Allison, CVTC

STAFF 1-54

Given the imminent reduction in the TUSF, please provide the Company's plans for continuing basic local telecommunication services to its customers.

Response:

While the Commission has previously alluded to shortages in TUSF funding, it has not yet advised or provided notice to CVTC of any "imminent reduction in TUSF." Specifically, the Commission has not, until this RFI, made it clear that reductions are imminent. CVTC is unaware regarding of how this reduction will work:

- How much support will be cut?
- Will cuts vary depending upon type of provider or size?
- Will support from all programs/services be cut, or just some?
- When will support cuts begin?
- For how long will support be cut?
- Will CVTC have an opportunity to recover lost support in a future proceeding?

If the contemplated reduction to TUSF is truly imminent, then CVTC would genuinely like to know this critical information about the reductions as soon as possible. CVTC needs to be able to develop a plan to try to keep its doors open and services available to customers, depending upon how much TUSF support is cut and when, and communicate that plan to employees, customers, member/owners, and/or lenders as needed. Like many other providers, CVTC has relied on TUSF support for many years to meet our provider of last resort ("POLR") and other service obligations across our high-cost, rural service territory. The regulatory commitment CVTC made was that it would receive TUSF support—set by the Commission after notice and a hearing—and in return it would meet the Commission's quality of service, POLR, and other obligations to the customers in its rural area to further Texas's policy of universal service. This area would not be economical to serve without support. Depending on how much support is cut and for how long, the reductions could impact everything from employees/payroll, to CVTC's ability to replace aging facilities (including those used for basic local telecommunication service), to CVTC's ability to extend service to new customers (including those who would purchase basic local telecommunications service). The reality is CVTC cannot make a plan until it knows the specific details of any actual "imminent reduction in the TUSF."

Moreover, imminent reductions to funding CVTC has received for years would be a major concern in any economic landscape, but they are especially worrisome during a global pandemic. Due to the pandemic, demand for services are up, operations costs are up, and some customers' abilities to pay bills timely have been impacted. These challenges are difficult to manage even without facing imminent but unknown TUSF funding cuts with anticipated funding cuts, CVTC may be forced to limit replacement of facilities or construction of new facilities.

Further, CVTC would sincerely like to understand the PUCT's thinking and stated basis for imminently cutting some its TUSF funding. It is CVTC's understanding that this is the first time this has ever happened. In the past, the Commission has always adjusted the TUSF assessment rate by order. Rather than reducing disbursements, when needed to ensure there is sufficient/appropriate revenues to make TUSF disbursements. *See* Project No. 21208—looks like at least seven adjustments, until now? CVTC and its stakeholders are concerned that the Commission's reduction in funding may implicate and violate:

- Laws that require TUSF, such as PURA §§ 51.001, 52.051(1)(a), 53.051, 56.021 (which, in part, requires the PUCT to assist telecommunications providers "in high cost rural areas"), 56.022, 56.023, 56.025, 56.026 (which mandates that TUSF disbursements be made "promptly and efficiently so that a telecommunications provider does not experience an unnecessary cash-flow change as a result of a change in governmental policy"), 56.028, 56.031, or 56.032.

- Regulations that require TUSF, such as 16 TAC §§ 26.401, 26.403, 26.404, 26.405, 26.407, or 26.420.
- Past Commission orders that set out very specific amounts of TUSF specific providers are supposed to receive, such as the 2013 rate rebalancing proceeding (Docket No. 41097), at least six financial needs test proceedings for mid-sized providers, and many reports filed under Senate Bill 583; over 100 elections, reports, and adjustment proceedings for small providers filed under Senate Bill 586; and at least 85 cases filed under Texas PURA § 56.025. In particular, in Project/Docket No. 50610 on June 9, 2020, Commission ordered that CVTC would receive $2,337,907 in support.

A significant reduction in TUSF could be devastating CVTC. For example, as of the year-end 2019, CVTC receives approximately 50.1% of its intrastate regulated revenues from TUSF. Even *with* this support, CVTC is under-earning—it publicly reported a 1.63% return for 2019 in pending Project No. 51322. This is well below the 6.75%-11.75% range deemed reasonable by the Texas legislature. *See* PURA § 56.032(f).

CVTC complies with applicable regulations regarding its telecommunications services—and as apparent in these responses, there are many obligations associated with receiving TUSF—so the inexplicable decision to reduce TUSF funding despite other viable options appears subjective and unnecessary. Thus, any information the Commission could provide on this subject is sincerely appreciated.

Please also keep in mind that CVTC is a member-owned, not-for-profit telephone cooperative. Commission actions which harm CVTC not only harm its customers in that it puts their services at risk, but they also harm its members in that it puts the financial health of *their* cooperative in question.

Prepared/Sponsored by: Tanner Hamann, JSI

<u>STAFF 1-55</u>

Given the imminent reduction in the TUSF, please provide the Company's plans for continuing to provide non-regulated services that use the same plant assets as basic local telecommunication services.

<u>Response:</u>

Since there is a single, hybrid telecommunications network that provides both intrastate and interstate voice service as well as interstate data services, many of the concerns identified above regarding voice services also apply to non-regulated services. Note the dual functions of the network have been acknowledged by regulators:

- The FCC has explained, "The federal universal service high-cost program … is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service…" *See* https://www.fcc.gov/general/universal-service-high-cost-areas-connect-america-fund.
- The PUCT recently recognized that with technology such as VoIP, "voice and data can share the same communication channel simultaneously." *See* "Scope of Competition in Telecommunication Markets in Texas: Report to the 86th Legislature." (Jan. 14, 2019).

Given this hybrid network, CVTC has all the same questions about TUSF with respect to non-regulated services that use its network, even though its TUSF funding only supports its intrastate, regulated services. Critical questions include:

- How much support will be cut?
- Will cuts vary depending upon type of provider or size?
- Will support from all programs/services be cut, or just some?
- When will support cuts begin?
- For how long will support be cut?
- Will CVTC have an opportunity to recover lost support in a future proceeding?

If the contemplated reduction to TUSF is truly imminent, critical information about the reductions should be shared with all TUSF recipients, including CVTC, as soon as possible. Like many other providers, CVTC has relied on TUSF support for many years to meet its POLR and other service obligations across our high-cost, rural service territory. The regulatory compact CVTC made was that it would receive this TUSF support—set by the Commission after notice and a hearing—and in return it would meet the Commission's quality of service, POLR, and other obligations to the customers in its rural area to further Texas's policy of universal service. This area would not be economic to serve without support. Depending on how much support is cut and for how long, the reductions could impact everything from employees/payroll, to CVTC's ability to replace aging facilities (including those used for basic local telecommunication service), to CVTC's ability to extend service to new customers (including those who would purchase basic local telecommunications service). If CVTC cannot keep its doors open and its network goes dark, then all services that rely upon this network would suffer, including non-regulated or interstate services. And until CVTC has more information, it cannot develop a plan to continue operations or share that plan with its employees, customers, member/owners, and lenders.

Moreover, imminent reductions to funding CVTC has received for years would be a major concern in any economic landscape, but they are especially worrisome during a global pandemic. Due to the pandemic, demand for services are up, operations costs are up, and some customers' abilities to pay bills timely have been impacted. These challenges are difficult to manage even without facing imminent but unknown TUSF funding cuts. With anticipated funding cuts, CVTC may be forced to limit the replacement of facilities or construction of new facilities.

Further, the PUCT's decision to reduce TUSF funding is both perplexing and unprecedented. It is CVTC's understanding that the Commission has always opted to increase the TUSF assessment rate, rather than reducing funding to ensure there is sufficient/appropriate revenues to make TUSF disbursements. *See* Project No. 21208—looks like at least seven adjustments, until now? CVTC and its stakeholders are concerned that the Commission's reduction in funding may implicate and violate:

- Laws that require TUSF, such as PURA §§ 51.001, 52.051(1)(a), 53.051, 56.021 (which, in part, requires the PUCT to assist telecommunications providers "in high cost rural areas"), 56.022, 56.023, 56.025, 56.026 (which mandates that TUSF disbursements be made "promptly and efficiently so that a telecommunications provider does not experience an unnecessary cash-flow change as a result of a change in governmental policy"), 56.028, 56.031, or 56.032.
- Regulations that require TUSF, such as 16 TAC §§ 26.401, 26.403, 26.404, 26.405, 26.407, or 26.420.
- Past Commission orders that set out very specific amounts of TUSF specific providers are supposed to receive, such as the 2013 rate rebalancing proceeding (Docket No. 41097), at least six financial needs test proceedings for mid-sized providers and many reports filed under Senate Bill 583; over 100 elections, reports, and adjustment proceedings for small providers filed under Senate Bill 586; and at least 85 cases filed under Texas PURA § 56.025. In particular, in Docket No. 50610, Commission ordered that CVTC would receive $2,337,907 in support.

Again, a significant reduction in TUSF could be devastating CVTC. For example, as of the year-end 2019, CVTC receives approximately 50.1% of its intrastate regulated revenues from TUSF. Even *with* this support, CVTC is under-earning—it publicly reported a 1.63% return for 2019 in pending Project No. 51322. This is well below the 6.75%-11.75% range deemed reasonable by the Texas legislature. *See* PURA § 56.032(f). While this support is not used for interstate or non-regulated services, you can see how significant our reliance on TUSF is and how difficult it would be to stay in business at all without TUSF support.

CVTC complies with applicable regulations regarding its telecommunications services—and as apparent in these responses, there are many obligations associated with receiving TUSF—so the inexplicable decision to reduce TUSF funding despite other viable options appears subjective and unnecessary. Thus, any information the Commission could provide on this subject is sincerely appreciated.

Please also keep in mind that CVTC is a member-owned, not-for-profit telephone cooperative. Commission actions which harm CVTC not only harm its customers in that it puts their services at risk, but they also harm its members in that it puts the financial health of their cooperative in question.

Prepared/Sponsored by: Tanner Hamann, JSI

List of Attachments

Attachment to Staff 1-1: Confidential 2019 CAM

Attachments to Staff 1-2: **Optional*

A: Confidential 2017 16 TAC § 26.407 Annual Report (see also Project No. 49025)
B: Confidential 2018 16 TAC § 26.407 Annual Report (see also Project No. 50008)
C: Confidential 2019 16 TAC § 26.407 Annual Report (see also pending Project No. 51322, filed Sep. 15, 2020)
D: Current Tariffs

Attachment to Staff 1-4:

A: Solix Quarterly TUSF Reports 2017-2019
B. TUSF Quarterly Reports from Project 41120

Attachment to Staff 1-8: SB 586 Adjustment Proceeding Final Order

Attachment to Staff 1-10: 10 Sample Customer Bills (Redacted)

Attachment to Staff 1-11: Advertisements for Past 12 Months

Attachment to Staff 1-17: Confidential Vehicle Study

Attachment to Staff 1-18: Confidential Building Study

Attachment to Staff 1-24: Confidential Listing of Part 64 Accounts that were Assigned 100% to the Regulated Function Five Years Ago but Are Now Assigned Less than 100% to the Regulated Function.

Attachment 1-34: Confidential Training Materials RE Employee Timekeeping

GENERAL EXCHANGE TARIFF

FOR

COLORADO VALLEY TELEPHONE COOPERATIVE, INC.

4915 SOUTH U.S. HIGHWAY 77
P. O. BOX 130
LA GRANGE, TEXAS 78945

(979) 242-5911

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED
NOV 15 '04 DOCKET 30304
CONTROL # ________

Issued: **October 15, 2004**

GENERAL EXCHANGE TARIFF

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Effective: Upon Approval
By: Scott Martin
Title: General Manager

GENERAL EXCHANGE TARIFF

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Effective: Upon Approval
By: Scott Martin
Title: General Manager

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GENERAL EXCHANGE TARIFF

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Effective: Upon Approval
By: Kelly Allison
Title: General Manager

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

SECTION CONTENTS

Sheet No.

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

SECTION CONTENTS

Sheet No.

(D)

Effective: Upon Approval
By: Scott Martin
Title: General Manager

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

I. DESCRIPTION OF OPERATIONS

Colorado Valley Telephone Cooperative, Inc. (Colorado Valley or the Cooperative) is a telephone corporation chartered under the Texas Telephone Cooperative Act. Colorado Valley Telephone Cooperative, Inc. provides telecommunications services in the areas certified to it, which include service to parts of five Texas counties: Colorado, Fayette, Lavaca, Bastrop and Lee. Colorado Valley Telephone Cooperative, Inc.'s authority to serve this area is granted in its Certificate of Convenience & Necessity as determined by the Public Utility Commission of Texas (the Commission or P.U.C.). Colorado Valley Telephone Cooperative, Inc. maintains its primary office of operations at 4915 South U.S. Highway 77, La Grange, Texas.

The Cooperative provides one-party service throughout its service area. The following exchanges are included in the Cooperative's General Exchange Tariff:

EXCHANGE	COUNTY
Borden	Colorado, Fayette and Lavaca
High Hill	Fayette
Hostyn	Fayette
Moravia	Fayette, Lavaca and Colorado
Plum	Fayette, Bastrop and Lee
Warrenton	Fayette, Lee and Colorado

All rules, regulations, and rates of the Cooperative apply to the above exchanges unless otherwise specifically noted in this tariff.

This tariff cancels and supersedes any other tariff of the Cooperative issued and effective prior to the effective date of this tariff.

PUBLIC UTILITY COMMISSION OF TEXAS
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Effective: Upon Approval
By: Joyce E. Wied
Title: General Manager

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

II. APPLICATION OF TARIFF

A. The rules and regulations contained in this Section apply to the service and facilities provided by the Cooperative in the State of Texas. These rules and regulations are in addition to those contained in the other sections of this tariff as well as the tariffs in which the Cooperative concurs in connection with specific service and facilities furnished under such tariffs.

B. Failure on the part of the customer to observe the rules and regulations of the Cooperative, after due notice of such failure, gives the Cooperative the right to discontinue the furnishing of service to that customer.

C. In the event of a conflict between any rate, rule, regulation or provision contained in this tariff and any rate, rule, regulation or provision contained in the tariffs of companies in which the Cooperative concurs, the rate, rule, regulation or provision in this tariff shall prevail.

D. This tariff cancels and supersedes all other tariffs of the Cooperative issued and effective prior to the effective date shown on the individual page of this tariff.

E. Should there be any conflict between this tariff and the rules and regulations of the P.U.C., the P.U.C.'s rules shall apply unless otherwise established by the courts.

III. OBLIGATIONS OF THE COOPERATIVE

A. The Cooperative's obligation to furnish, or continue to furnish, telecommunications services is dependent on its ability to obtain, retain and maintain, without unreasonable expense, suitable rights and facilities, and to provide for the installation of those facilities required incident to the furnishing and maintenance of that service.

B. The Cooperative shall comply with the P.U.C. Substantive Rules relating to Automatic Dial Announcing Devices.

C. The Cooperative does not transmit messages, but offers the use of its facilities for communications between its customers.

PUBLIC UTILITY COMMISSION OF TEXAS
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Effective: Upon Approval
By: Joyce E. Wied
Title: General Manager

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

III. OBLIGATIONS OF THE COOPERATIVE (Continued)

D. When suitable arrangements can be made, facilities of other companies may be used in conjunction with the Cooperative's facilities in establishing connections to points not reached by the Cooperative's facilities. In establishing connections with facilities of other companies, the Cooperative is not responsible or liable for any action of the connecting company.

E. The Cooperative shall exercise due care in all work done on the customer's premises. No liability shall attach to the Cooperative by reason of any defacement or damage to the customer's premises resulting from the existence of the Cooperative's equipment or facilities on such premises, or by the installation or removal thereof.

F. The responsibility of the Cooperative is limited to the furnishing and maintaining of the facilities required for the telecommunications services of its customers. In view of the possibility of errors and difficulties in transmission of messages by telephone and the impossibility of fixing the causes thereof, the customers assume all risks connected with the service, as the Cooperative cannot guarantee the uninterrupted working of its facilities.

G. The Cooperative shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the Cooperative shall reestablish service promptly. The Cooperative shall make reasonable provisions to meet emergencies resulting from failure of service. The Cooperative's employees are instructed and trained in appropriate procedures to be followed in the event of emergency to prevent or mitigate interruption or impairment of service.

PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED

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Effective: Upon Approval
By: Joyce E. Wied
Title: General Manager

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

III. OBLIGATIONS OF THE COOPERATIVE (Continued)

H. In the event a customer's service is interrupted other than by the negligence or willful act of the customer, and it remains out of order for 24 hours or longer after access to the premises is made available and after being reported to be out of order, appropriate adjustments or refunds shall be made to the customer. The amount of adjustment or refund shall be determined on the basis of the known period of interruption, generally beginning from the time the service interruption is first reported. The refund to the customer shall be the pro rata part of the month's flat rate charges for the period of days and that portion of the service facilities rendered useless or inoperative. The refund may be accomplished by a credit on a subsequent bill for telephone service.

I. In the event of national emergency or local disaster resulting in disruption of normal service, the Cooperative may, in the public interest, interrupt service to other customers to provide necessary service to Civil Defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

IV. OBLIGATIONS OF THE CUSTOMER

A. Alterations

1. The customer agrees to notify the Cooperative promptly in writing whenever alterations or new construction on premises owned or leased by him will necessitate changes in the Cooperative's facilities, and the customer agrees to pay the Cooperative's current charges for such changes.

2. Use of Commercial Power - Unless specifically provided otherwise in this tariff, when commercial power is used for the operation of customer provided premises equipment, the customer provides the necessary power wiring, power outlets and commercial power and assumes all responsibility for the safe condition of the power wiring, power outlets and commercial power. N

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PUBLIC UTILITY COMMISSION OF TEXAS
APPROVED

Effective: Upon Approval
By: Kelly Allison
Title: General Manager

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GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

IV. OBLIGATIONS OF THE CUSTOMER (Continued)

B. Maintenance and Repairs

1. All ordinary expense of maintenance and repair of services and facilities furnished by the Cooperative will be borne by the Cooperative, unless otherwise specified in this tariff. M I M

2. The customer agrees to exercise normal care of the Cooperative's equipment and facilities on the customer's premises. In the event of loss, damage or destruction of such equipment, caused by negligence of the customer, the cost of restoring the equipment to its original condition will be billed to the customer.

3. The customer may not, nor permit others to, rearrange, disconnect or remove any equipment installed by the Cooperative except upon written consent of the Cooperative. If equipment or facilities are rearranged, disconnected or removed without such consent, cost for any restoration or repair work performed by the Cooperative as a result of such rearrangements, disconnection or removal will be billed to the customer.

V. RIGHTS OF THE COOPERATIVE

A. Work Performed on an Overtime Basis

The charges specified in this tariff do not contemplate work being performed by Cooperative employees at a time when overtime wages apply due to the request of the customer. If the customer requests that overtime labor be performed, additional charges, based on the additional costs involved apply.

B. Work Interruption

The charges specified in this tariff do not contemplate work once begun being interrupted by the customer. If the customer interrupts work once begun, additional charges, based on the additional costs involved apply.

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

V. **RIGHTS OF THE COOPERATIVE (Continued)**

C. **Ownership of Facilities**

All equipment and facilities furnished by the Cooperative on the premises of a customer are the property of the Cooperative. The Cooperative's agents and employees shall have the right to enter said premises at any reasonable time for the purpose of installing, inspecting, maintaining or repairing the equipment and facilities, and upon termination of the service, for the purpose of removing such equipment and facilities.

D. **Impairment of Telephone Service**

When the general telephone service to the public is impaired by a customer's use of telephone service, or service directly incident thereto, the Cooperative shall have the right to discontinue service completely after a reasonable attempt has been made to notify the customer and the customer has a reasonable opportunity to remedy the situation.

E. **Installations at Hazardous Locations**

If the installation and maintenance of service are requested at locations which are or may be hazardous or dangerous to the Cooperative's employees or to the public or to property, the Cooperative may refuse to install and maintain such service. If such service is furnished, the Cooperative may require the customer to indemnify and hold the Cooperative harmless from any claims, loss or damage by reason of the installation and maintenance of such service.

F. **Abuse of Telephone Service**

After giving the customer a reasonable opportunity to remedy the situation and after giving proper notice, the Cooperative may discontinue service that is used:

1. In such a way that interferes with the service of other telephone users;

2. For any purpose other than a means of communication;

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By: Joyce E. Wied
Title: General Manager

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

V. RIGHTS OF THE COOPERATIVE (Continued)

F. Abuse of Telephone Service (Continued)

3. To communicate profane or obscene language;

4. For a call or calls, anonymous or otherwise, if made in a manner which reasonably could be expected to frighten, abuse, torment or harass another;

5. In any fraudulent or unlawful manner;

6. In a manner which violates any of the lawful regulations of the Cooperative; or

7. To obtain a customer's listed name, address or telephone number from Directory Assistance for any purpose other than to facilitate the making of a telephone call.

VI. APPLICATION FOR MEMBERSHIP AND SERVICE

A. Requirements for Membership

Any person or legal entity may become a member of the Cooperative by:

1. Making a written application for membership;

2. Agreeing to purchase from the Cooperative, a telecommunications service as specified in this tariff;

3. Agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors of the Cooperative; and

4. Paying any required membership fee.

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VI. APPLICATIONS FOR MEMBERSHIP AND SERVICE (Continued)

A. Requirements for Membership (Continued)

No person or legal entity shall become a member unless and until all qualifications of membership have been met and the applicant has been accepted for membership by the Board of Directors of the Cooperative. No membership shall be transferable, except as provided in the Bylaws of the Cooperative.

B. Application for Service

1. Applications for service must be made on the Cooperative's standard form of application.

2. At the time application is made, applicants shall pay any required membership fee, and if required, a deposit.

3. Unless otherwise specified, the minimum term for which service will be furnished is one month.

4. The terms and conditions of service is subject to the rules and regulations in this tariff. Any changes in rates or regulations as approved by the P.U.C. shall act as a modification of the conditions of service to that extent, without further notice, except that in case rates are increased, the customer may cancel his service upon reasonable written notice and upon payment for all service, equipment and any contractual liability.

C. Order of Precedence for Establishing Service

Where facilities are limited, the following order of precedence shall apply to applications for service:

1. Cases of emergency involving the public welfare such as Civil Defense, fire, police, ambulance service, etc.

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VI. APPLICATIONS FOR MEMBERSHIP AND SERVICE (Continued)

C. Order of Precedence for Establishing Service (Continued)

2. All others.

D. Unusual Installation Costs

Where special conditions or special requirements of the customer involves unusual construction or installation costs, the customer may be required to pay a reasonable proportion of such costs as provided in Section 5 of this tariff.

VII. CUSTOMER SERVICE AND PROTECTION

The Cooperative complies with the following P.U.C. Substantive Rules regarding customer service and protection:

A. 16 TAC § 26.21 – General Provisions of Customer Service and Protection Rules T

B. 16 TAC § 26.22 – Request for Service

C. 16 TAC § 26.23 – Refusal of Service T

1. In addition to the circumstances outlined in 16 TAC § 26.33, the Company may decline to provide an applicant with basic local telecommunications service for the following reasons: N

   a. The applicant's power supply is known to be inadequate, hazardous or of such character that satisfactory service cannot be provided;

   b. The applicant fails to comply with the Company's tariffs pertaining to necessary power supply. The Company will provide the applicant notice of refusal and allow the applicant a reasonable amount of time to comply with the Company's tariffs. N

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VII. CUSTOMER SERVICE AND PROTECTION (Continued) M

D. 16 TAC § 26.24 – Credit Requirements and Deposits T

E. 16 TAC § 26.25 – Issuance and Format of Bills

F. 16 TAC § 26.27 – Bill Payment and Adjustments

G. 16 TAC § 26.28 – Suspension or Disconnection of Service

H. 16 TAC § 26.30 – Complaints

I. 16 TAC § 26.31 – Disclosure to Applicants and Customers M

Additional rules regarding Customer Service and Protection may be found in 16 TAC § 26 available on the Public Utility Commission of Texas' website at www.puc.texas.gov, or are available for viewing upon request. T

GENERAL EXCHANGE TARIFF

GENERAL RULES AND REGULATIONS

VII. CUSTOMER SERVICE AND PROTECTION (Continued)

A complete copy of the Substantive Rules is available for reviewing in the Cooperative business office. The Cooperative will provide a paper copy of these rules upon request by a customer at reproduction cost. These rules can also be viewed at the Commission's web site at http://www.puc.state.tx.us.

VIII. APPLICATION OF RESIDENCE AND BUSINESS RATES

A. Classifications of Service

1. Business and residence rates are applied in accordance with the character of use made of the service and facilities.

2. The Cooperative reserves the right to classify any Local Exchange Service furnished to a customer as business or residence service, in compliance with this tariff, as deemed necessary.

B. Residence Rates

Residence rates apply at the following locations:

1. In a private residence where business listings are not provided.

2. In private apartments of hotels, rooming houses or boarding houses where service is confined to the customer's use and elsewhere in rooming and boarding houses which are not advertised as a place of business or which have less than five rooms for roomers or which furnish meals to less than ten boarders, provided business listings are not furnished.

3. In the place of residence of a clergyman, physician, dentist, veterinary surgeon, nurse or other medical practitioner, provided the customer does not maintain an office in the residence. In any such cases the listing may indicate the customer's profession, but only in connection with an individual name. If listings of firms or partnerships, etc., or additional listings of persons not residing in the same household are desired, business rates apply.

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VIII. APPLICATON OF RESIDENCE AND BUSINESS RATES (Continued)

B. Residence Rates (Continued)

4. In churches or pastors' studies where the service is not accessible for public use.

5. In quarters occupied by lodges, clubs and civic organizations where there is only an occasional use for the service, where the principal use is not for administrative purposes, and the telephone is not available for use by the general public.

6. In fire department dormitories or sleeping quarters where the telephone number is not published and the telephone is not available for use by the general public.

7. In all locations in schools and libraries.

8. Residence rates are applicable to all charitable organizations properly chartered by the State of Texas provided the service is listed in the name of such organization and is installed in a location other than a General Assembly area, President's office or other such location. Business rates will be applicable to telephone service installed in the General Assembly area of such buildings. The applicant is responsible for furnishing proof of its charitable classification by the State of Texas.

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VIII. APPLICATION OF RESIDENCE AND BUSINESS RATES (Continued)

C. Business Rates

Business rates apply at the following locations:

1. In offices, stores, factories and all places of strictly business nature.
2. At residential locations when the customer has no regular business telephone and the use of service either by himself, members of his household, his guests or parties calling him can be considered as more of a business than of a residential nature, which fact might be indicated by advertising, either by business cards, newspapers, handbills, billboards, circulars, motion picture screens or other advertising matter, such as on vehicles, etc., or when such business use is not such as commonly arises and passes over residence telephones during the intervals when, in compliance with the law or established custom, business places are ordinarily closed.
3. At residential locations where the service is located in a shop, office or other place of business.
4. At any location where the listing of service at that location indicates a business, trade or profession.

IX. USE OF SERVICE AND FACILITIES

A. Use of Service

1. Local Exchange Service, as distinguished from Pay Telephone Service, is furnished only for use by the customer, his family, employees or business associates, or persons residing in the customer's household, or as the use of the service may be extended to joint users or to persons temporarily subleasing a customer's residential premises.
2. The customer is responsible for payment of all charges incurred, regardless of whether such charges are associated with his usage or that of any of his authorized users.

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GENERAL EXCHANGE TARIFF

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IX. USE OF SERVICE AND FACILITIES (Continued)

A. Use of Service (Continued)

3. Local Exchange Service shall not be used for any purpose for which a payment or other compensation is received by the customer from any other person, firm or corporation for such use, or in the collection, transmission or delivery of any communication for others.

B. Unauthorized Attachments or Connections

No equipment, accessories, apparatus, circuit or device shall be attached to or connected with Cooperative facilities except as provided in this tariff. In case any such unauthorized attachment or connection is made, the Cooperative shall have the right to remove or disconnect the same, to suspend service during the continuance of said attachment or connection or to disconnect service. The customer shall be held responsible for the cost of correcting any impairment of service caused by the use of such attachments or connections and shall be billed for each service call made to his premises because of the use of such attachments or connections.

X. TELEPHONE NUMBERS

A. The Cooperative reserves the right to change the telephone number or numbers assigned to a customer or the central office designation associated with such telephone number or numbers, or both, as reasonably appropriate in the conduct of its business. At least 30 days notice shall be given to all customers so affected.

B. Disconnected residential telephone numbers shall not be reassigned for 30 days and disconnected business telephone numbers shall not be reassigned, unless requested by the customer, for 30 days or the life of the directory, whichever is longer unless no other numbers are available for providing service to new customers.

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GENERAL RULES AND REGULATIONS

XI. TEXAS UNIVERSAL SERVICE FUND (TUSF) SURCHARGE

A. The purpose of the Texas Universal Service Fund (TUSF) is to implement a competitively neutral mechanism that enables all residents of Texas to obtain basic telecommunications services. Because targeted financial support may be needed in order to provide and price basic telecommunications services in a manner to allow accessibility by consumers, the TUSF will assist local exchange companies (LECs) in providing these services at reasonable rates in high cost rural areas. In addition, the TUSF will reimburse the entities as defined in P.U.C. SUBST. R. 26.401.

B. The TUSF surcharge is for recovery of Colorado Valley Telephone Cooperative, Inc.'s TUSF assessment. The TUSF surcharge is assessed as a percentage of all retail customers' intrastate taxable telecommunications receipts, with the exception of Lifeline customers. The TUSF assessment is calculated based on **(C)** actual intrastate taxable telecommunications services receipts. In accordance with the Commission's Order in Docket No. 21208, Colorado Valley applies its TUSF surcharge on all Texas taxable telecommunications services receipts defined in Texas Tax Code § 151.0103, excluding revenues identified in P.U.C. SUBST. R. 26.420 (F)(2)(B) and interstate and international telecommunications receipts included in Texas taxable telecommunications receipts.

C. The TUSF surcharge will be identified on the retail customer's bill as "Texas Universal Service" and will be assessed on every retail customer's bill, excluding Lifeline customers. Effective September 1, 2004, Colorado Valley's TUSF **(C)** surcharge is accessed on all intrastate taxable telecommunications services receipts. The TUSF assessment rate may be changed periodically by the Commission. The surcharge is calculated using the same methodology used to determine Colorado Valley's TUSF assessment.

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GENERAL RULES AND REGULATIONS

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By: Scott Martin
Title: General Manager

GENERAL EXCHANGE TARIFF

LOCAL EXCHANGE SERVICE

SECTION CONTENTS

Sheet No.

Effective: February 21, 2019
By: Kelly Allison
Title: General Manager

GENERAL EXCHANGE TARIFF

LOCAL EXCHANGE SERVICE

I. APPLICATION OF RATES

A. The rates and charges listed in this Section apply to Local Exchange Service provided by the Cooperative in its certified service area as specified by the Cooperative's Certificate of Convenience & Necessity application approved and on file with the Public Utility Commission of Texas (the Commission or P.U.C.).

B. The Local Exchange Service rates and charges specified in this Section are for business and residence local exchange telephone service and facilities only. Rates and charges for ancillary services and facilities not specified in this Section are presented in other sections of this tariff.

C. Unless otherwise specified, the rates and charges quoted in this Section are for a minimum contract period of one month. These rates and charges are payable in advance and provide unlimited flat rate calling within the exchange area and into those exchanges to which Extended Area Service (EAS) is provided without additional charge, as shown below:

EXCHANGE	EXTENDED AREA SERVICE
Borden (263)	- with Extended Area Service to the High Hill, Hostyn, Moravia, Plum and Warrenton Exchanges and the Weimar Exchange of Verizon SW Inc. – Tx.
High Hill (561)	- with Extended Area Service to the Borden, Hostyn, Moravia, Plum and Warrenton Exchanges and the Schulenburg Exchanges of Verizon SW Inc. – Tx.
Hostyn (247)	- with Extended Area Service to the Borden, High Hill, Moravia, Plum and Warrenton Exchanges and the La Grange Exchanges of Verizon SW Inc. – Tx.

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ATTACHMENT 1-2(D)