AFFIDAVIT OF PAUL PEDERSON IN SUPPORT OF COMPANY'S RATE TARIFFS

Affiant, being duly sworn deposes and states:

1. My name is Paul Pederson and I am the Manager – Government and Regulatory Affairs of Stoutland Telephone Company ("Company"). I am familiar with the Company's business and operations. Based on my knowledge of the Company, I have knowledge of the facts contained herein, and I am competent and authorized to testify on these matters.

2. **The Company**. Company is a small, incumbent local exchange carrier (ILEC), providing local and exchange access services in high cost, rural areas of Missouri. Company provides these services in and around the communities of Stoutland and Eldridge, Missouri, in accordance with the rates, terms, and conditions set forth in its tariffs on file with and approved by the Missouri Public Service Commission ("Commission" or "PSC").

3. Stoutland increased its local exchange rates for residential service on June 1, 2012, to $10 in order to meet the FCC's local rate floor requirement. Prior to June 2012, it had been at least twenty-four years since the Company last increased its rates for local exchange service.

4. Over the last six years, the Company has experienced a reduction of 364 local exchange access lines, which is a 24% reduction in lines as well as a reduction in

the amount of intrastate access minutes of use due to competition from other voice service offerings such as wireless and voice over Internet protocol (VoIP) services.

5. As a result of this competition and recent FCC *Orders*, the Company has elected, in accordance with §392.420 RSMo, to waive certain statutes and rules, including §392.240.1, which requires the Commission to give "due regard, among other things, to a reasonable average return upon the value of property actually used in the public service . . ." when setting just and reasonable rates. Company's waivers were acknowledged by the Commission in Case No. TE-2012-0073.

6. **The Federal Communications Commission Nov. 18, 2011 *Order*.** On November 18, 2011, the Federal Communications Commission (FCC) issued its *Universal Service Fund (USF) and Intercarrier Compensation (ICC) Transformation Order* (FCC *Order*).[1] Specifically, the FCC *Order*:

(a) established a $14.00 local rate floor as of June 1, 2013, for residential service that all ILECs must meet or lose federal High Cost Loop (HCL) Universal Service Fund (USF) support in the amount by which the rate floors exceed the company's local rates;

(b) capped ILECs' terminating intra-state access rates <u>and</u> required the ILECs to lower their terminating intra-state access rates to mirror the ILECs' inter-state access rates, by July 1, 2013;

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

(c) requires ILECs to cease charging their Commission-approved rates for intra-MTA traffic which wireless carriers terminate to Company's customers and move to a bill-and-keep regime (*i.e.* no compensation) for this wireless traffic as of July 1, 2012; and

(d) requires ILECs to begin charging inter-state access rates (which are lower than intra-state access rates) for all VOIP traffic beginning December 29, 2011, including intrastate toll VOIP traffic terminating to the Company. The FCC Order (as later clarified) also requires all originating intrastate VOIP traffic to be billed at inter-state access rates as of July 1, 2014.

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

7. If the Company continues to terminate the same amount of telecommunications in July 2013, the FCC's mandated reductions in access rates and elimination of reciprocal compensation rates for intraMTA wireless traffic will cause immediate revenue reductions in intercarrier compensation received by the Company. Moreover, if the Company does not raise its local rates to $14.00 by June 1, 2013, then Company will lose High Cost Loop (HCL) support in the amount of the difference between Company's current local rate and the FCC's $14.00 minimum rate on a dollar-for-dollar basis.

8. **The Tariff Filing.** In order to meet the FCC's mandate and avoid the reduction in high-cost fund support, the Company is herewith filing revised tariffs to

increase its rates for local services. The effect of the proposed changes on customers and the Company is shown on Attachment A hereto.

9. Company will provide notice to all of its customers of the rate changes at least thirty (30) days prior to the effective date of the new rates. A copy of the customer notice is included with its tariff filing as Attachment B.

FURTHER AFFIANT SAYETH NOT.

I declare under penalty of perjury that the above is true and correct to the best of my knowledge and belief.

DATED: March 7, 2013

By: ______________________

The above person, Paul Pederson, personally known to me, signed the above and foregoing affidavit in my presence on March 7, 2013, after having been duly sworn by me under oath and affirming that the statements made in the foregoing affidavit are true and correct.

SUBSCRIBED AND SWORN to

Before me this 7 day of March, 2013.

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Notary Public

My Commission expires: 5/24/15

ATTACHMENT B

CUSTOMER NOTICE

Attention Basic Residential and Business Service Customers

Due to regulatory reforms mandated by the Federal Communications Commission (FCC), Effective May 28, 2013, Stoutland Telephone Company's residential local access line rate will increase from $10.00 to $14.00 per month. Also, the business local access line rate will increase from $13.25 to $17.25. If you have any questions regarding the access reform legislation that resulted in this rate increase please call 1-888-CALL-TDS.

We are committed to providing you with the best service, value and technology, and we thank you for being our customer. We look forward to serving you in 2013 and in the years to come.