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May 23, 2012

Sharla Dillon,
Docket Room manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re; Docket No. 12-00035: Petition to Eliminate State Lifeline Credit

Dear Ms. Dillon,

TDS Telecom, on behalf Concord Telephone Exchange, Inc., Humphreys County Telephone Company, Tellico Telephone Company and Tennessee Telephone Company, submits its responses to the questions contained in Mr. Jerry Kettles and Mr. David Foster's letter dated May 14, 2012.

Should the Tennessee Regulatory Authority require additional information TDS Telecom would be willing to enter into a protective agreement.

Sincerely,

A handwritten signature in cursive script that reads "Bruce Mottern".

Bruce Mottern
Manager – State Government Affairs
TDS Telecom
(O) 865-671-4753
Email: bruce.mottern@tdstelecom.com

TDS Telecom – Tennessee
Tennessee Regulatory Authority data requested dated May 14, 2012
Docket No. 12-00035: Petition to Eliminate State Lifeline Credit

1. Provide the number of customers that receive the Lifeline Credit from your company. Please separate this number into those subscribing to basic local exchange service and those subscribing to bundled services. If known, please identify the number of Lifeline subscribers of basic local exchange service that do not purchase customer calling features.

Response: As of May 22, 2012, TDS Telecom has 2,422 Lifeline recipients. Of those, [REDACTED] subscribe to basic local exchange service and [REDACTED] subscribe to bundled services.

2. Provide the amount of money expended by your company to provide the state-mandated Lifeline credit over the past year. If readily available, provide the amount expended for prior years.

Response:

- January 2012 – April 2012 = \$33,676
- 2011 = \$99,097
- 2010 = \$100,364

3. Discuss the administrative costs associated with providing the state-mandated Lifeline credit. Would the administrative costs of providing the state-mandated Lifeline credit change if the credit were limited to small set of services or recipients than the currently required. Please describe and quantify and other cost savings if the relief requested in the Petition is granted.

Response: The administrative costs associated with providing the state-mandated Lifeline credit are not significant, but have not been quantified. If the Petition is granted, the Company would save approximately \$99,600 annually in state-mandated lifeline credits. This is based on an estimate of approximately \$8,300 per month in state-mandated lifeline credits. TDS believes that administrative cost would be reduced were the population of persons to whom the credit applied were limited, but it would depend upon the nature of the limitation. These savings would include printing, mailing and processing costs.

4. If the Petition is approved, please describe how your company proposes to notify customers?

Response: TDS Telecom would notify customers via a bill message.

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5. Please demonstrate that changes in revenue and cost savings from granting the relief requested in the Petition will not result in your company earning in excess of its authorized return.

Response: TDS Telecom files 3.01 Surveillance Reports with the Tennessee Regulatory Authority. This report documents the company's financial results and current earnings level. Page 7 of 7 of the Surveillance Report identifies the company's rate of return and *clearly* demonstrates that it is not achieving its authorize return. The additional revenue needed to achieve the authorized return is significant. The savings from eliminating the state-mandated lifeline credit of approximately \$99,600 will not offset this revenue requirement much less result in the company earning in excess of its authorized return.