Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Structure and Practices of the Video Relay Service Program	)	CG Docket Nos. 03-123 and 10-51
	)	
Report on Waivers	)	

COMMENTS OF CSDVRS, LLC

CSDVRS, LLC, by and through undersigned counsel, hereby submits it comments to the proposed compensation rates for Video Relay Services (VRS) as submitted to the Federal Communications Commission (FCC or "Commission") by the National Exchange Carriers Association ("NECA") and released for comment by the FCC on April 30, 2010.[1] CSDVRS commends the Commission's analysis of different rate methodologies as presented by NECA; however there exist several considerable challenges with the proposed rates.

I. Introduction

The Public Notice proffers a three-tiered rate for the 2010-2011 funding year. Tier I includes monthly minutes up to 50,000 with a proffered rate of $5.7754 per minute, Tier II includes monthly minutes between 50,001 and 500,000 with a proffered rate of $6.0318 per minutes, and Tier III includes monthly minutes over 500,000 with a proffered rate of $3.8963 per

[1] *See, National Exchange Carrier Association Submits the Payment Formula and Fund Size Estimate for the Interstate Telecommunications Relay Services Fund for the July 2010 through June 2011 Fund Year*, Public Notice, DA 10-761, CG Docket 03-123, April 30, 2010 (hereinafter "Public Notice"); citing to *Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990*, Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate (April 30, 2010) (hereinafter "2010 TRS Rate Filing").

minute.[2] The rate utilizes the weighted average of VRS providers' actual historical cost data for 2009 by Tier, including allowances of 1.6% for cash working capital, 3.2% for growth to the Interstate TRS Fund ("Fund") accounting for inflationary purposes, and $0.0083 per minute for ongoing E911 support and ten-digit numbering costs.[3] CSDVRS submits that while it agrees in theory with the concept of the Tiered weighted average rate methodology; components of this methodology as proposed by NECA are flawed and detrimental to the VRS industry and ultimately a bane to VRS consumers.

Employment of the aforementioned weighted methodology to set VRS rates is inequitable as it does not provide a fair and reasonable return on investment to the providers. Furthermore, the drastic disparity of rates within the Tier levels from Tier II to Tier III would act as a growth deterrent to the Tier II provider, thus guaranteeing that the largest provider maintains its market dominance. The proposal to utilize industry-wide weighted average methodology, based on either projected or historical costs, will guarantee the eventual elimination of Tier I and Tier II providers, a degradation in VRS service levels and elimination of consumer choice, lack of innovation, and a reduction of functional equivalency. This will ultimately result in a total monopoly of the industry by the dominant provider.

Insofar as NECA proposes that the current three-tier structure is maintained with a large disparity in rates between the second and third tiers, CSDVRS submits that it is essential to widen the tiers for Tier I and Tier II as follows: Tier I 0 – 100,000 minutes; Tier II 100,001 – 1,000,000 minutes; and Tier 3: minutes exceeding 1,000,000. The expansion of Tier I and Tier

[2] *Id.* at p. 2
[3] *Id.*

II will encourage smaller providers to grow and innovate and ultimately offer a better service for VRS consumers.

The information compiled by NECA indicates the cost of doing business in the second tier is approximately $6.00 per minute. CSDVRS submits that the economies of scale would be more fully realized at a one million minute threshold. Additionally, when the original tiers were set in 2007, the VRS industry was at 65M minutes versus the projected 98M in the 2009/2010 Fund year. This represents a growth of approximately 51% or 33M minutes within the industry. Based on the previous points, CSDVRS proposes that the Commission widen the Tiers needed to reflect industry maturation. It must be noted that all calculations made herein depicting savings to the Fund, or Fund requirements by Tier, assume the widening of the Tiers as recommended above. CSDVRS is supportive of using the weighted average projected cost methodology as long as the rates are based on the Tiered weighted averages versus industry weighted averages and are based on the projected costs. However, as noted previously, CSDVRS argues NECA's calculation of the rates does not provide a fair and reasonable return on investment.

II. Current Financial Environment

As displayed in Figure 1 below, given the current reimbursement rates (2009/2010) and each Tier's expenses, less mark-ups (i.e. annual growth rate, cost of working capital, and return on "capital"), as defined in the 2010 TRS Rate Filing[4], we estimate returns by Tier as follows:

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[4] *See*, 2010 TRS Rate Filing at p. 25.

Figure 1 After Tax Margins by Tier

	TIER 1	TIER 2	TIER 3	TOTAL
MINUTES	4,424,826	17,959,864	75,772,292	98,156,982
REVENUE	$ 29,657,396	$ 115,575,317	$ 472,606,940	$ 617,839,653
HISTORICAL COSTS	$ 24,315,056	$ 103,073,493	$ 280,905,233	$ 408,293,782
INCOME (LOSS)	$ 5,342,340	$ 12,501,824	$ 191,701,707	$ 209,545,870
Pre-Tax Margin%	**18.01%**	**10.82%**	**40.56%**	**33.92%**
After Tax Margin (40% Tax Rate)	**10.81%**	**6.49%**	**24.34%**	**20.35%**
RATE	$ 6.7025	$ 6.4352	$ 6.2372	$ 6.2944

Clearly the margins are not equitable across the various Tiers. Furthermore, the costs listed above are understated due to the absence of videophones, the true costs of Numbering/E911, research and development, and certain marketing expenses. The inclusion of these items would eliminate the Tier II provider's margin, hindering the ability to remain a viable default provider supporting numbering and E911 as required by the FCC's numbering orders.[5] Based on disparity of margin percentages, it is evident that the rates per-tier must be significantly adjusted. CSDVRS submits that the new rate should offer fair returns across all tiers, but also be set up so as not to offer excessive returns for the dominant provider. CSDVRS is a strong supporter of the FCC setting rates based on providers operating within each Tier and strongly opposes a single Tier structure based on an industry-wide weighted average.

III. Reasonable Return on Investment

[5] *See, In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order and Further Notice of Proposed Rulemaking, CG Dkt. No. 03-123, WC Dkt No. 05-196, FCC 08-151, 23 FCC Rcd 11591 (June 24, 2008)("June Numbering Order"); *In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order and Further Notice of Proposed Rulemaking, CG Dkt. No. 03-123, WC Dkt No. 05-196, FCC 08-275, (December 19, 2008)("December Numbering Order").

The majority of VRS providers are billing within the first and second tier, with their minutes seldom breaking the 500,000 minute threshold. Accordingly, CSDVRS will first comment on Tier II rate setting.

CSDVRS believes that the Commission can appreciate the reasonableness of the Tier II actual costs versus the Tier II projections. The NECA adjusted historical costs for Tier II averaged approximately $5.74, excluding the 1.6% allowance for cash/working capital, the 11.25% Return on Investment (as erroneously calculated by NECA), and the 3.2% adjustment to the Fund due to inflation. The NECA adjusted cost projection in the 2010 TRS Rate Filing for Tier II is $5.88 ($6.1758 less adjustments). With the exception of disallowed costs (research and development, video phones, and numbering), CSDVRS submits that this represents a very reasonable and logical projection of costs by NECA in 2010, particularly when considered in light of historical cost submissions.

CSDVRS believes the intent of the 2003 Rate Order concerning implementation of a Return on Investment methodology was that VRS providers would generate a fair and reasonable return based on a company's equity.[6] The FCC borrowed this Return on Investment methodology directly from that used for Local Exchange Carriers ("LECs")[7]. Per the LEC Filing, Return on Investment is defined as the weighted average return on debt, cost of preferred stock and the cost of equity.[8] Therefore, when determining the annual rate, these three components should be used. However, NECA is not following the Return on Investment methodology as prescribed by the FCC (see Figure 2 for a true return on investment), but is instead basing it on

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[6] *See, In the Matter of Telecommunication Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech* Disabilities, Order, CC Docket 98-67, FCC DA03-2111 (June 30, 2003), ¶35.

[7] *Id.*, referencing *In the Matter of Prescribing the Authorized Unitary Rate of Return for Interstate Services of Local Exchange Carriers*, Notice Initiating a Prescription Proceeding and Notice of Proposed Rulemaking, CC Docket 98-166, FCC 98-222 (October 5, 1998) (hereinafter "LEC Filing").

[8] *See*, LEC Filing ¶8.

an 11.25% Return on Net Book Value of Depreciable Assets. These are two completely different methodologies, and the methodology utilized by NECA has no basis or relationship to either the LEC or TRS industry.

Figure 2 Return on Investment

TIER II SAMPLE COMPANY		
EQUITY	$	25,000,000
Pre-tax Return on Investment (11.25% Post Tax)		18.75%
Cash Return on Ivestment	$	4,687,500
Annual Minutes		4,000,000
COST PER MINUTE	$	5.7391
TOTAL EXPENSES	$	22,956,408
PRE-TAX RETURN	$	4,687,500
TOTAL REVENUE TO PRODUCE RETURN	$	27,643,908
Resulting Rate per Minute	*$*	*6.9110*
Per Minute (pre-tax) Return on Investment	**$**	**1.17**

Utilizing NECA's calculated Return on Investment, Providers in Tier 2 earned a pre-tax 1% - 2% mark-up over costs, or approximately $.09 per minute.[9] At such a minimal rate of return, most providers would never be able to attract future investors, nor be able to operate at a competitive level. Figure 2 above demonstrates what a true Return on Investment would yield for a Tier II provider with $25M in equity. This provider should have earned a per-minute Return on Investment of $1.17 versus the $.09 as calculated by NECA. A true Return on Investment, as originally prescribed by the FCC, would be preferable to the current approach utilized by NECA. The method as used by NECA will quash new development efforts of current providers, as there would be no business incentive to operate or innovate. Attached hereto as

[9] *See*, 2010 TRS Rate Filing at page 18.

EXHIBIT A you will see several examples of regulated LECs and their operating incomes as a reference to establish a need for a rate of return.

CSDVRS believes the FCC and NECA should follow the intent of the 2003 Order and use calculations as demonstrated above for rate setting in the 2010/2011 period and beyond.

If the FCC does not intend to follow the Return on Investment approach as outlined in the 2003 Order and LEC Filing, CSDVRS submits two alternative methods for computing the return providers are allowed to earn.

III.A Hybrid Capital (Alternative I)

As an alternative to the Return on Investment method, CSDVRS would propose that the FCC adopt a Return on "Hybrid Capital", which would treat the cost of Video Interpreters, call centers, telephony and related technology associated with providing VRS, and the net book value of depreciable assets as capital for the purpose of calculating the Return on Capital. Within the VRS industry, the key investment and instrument for translating and transmitting information is the Video Interpreter, not a switch, cable or other piece of equipment as found in a traditional telecommunications company. The $2.79 per minute cost associated with providing the video interpreter, call centers, and related telephony as provided by NECA in the 2010 TRS Rate Filing[10] is a reasonable representation of the Hybrid Capital with the exception of return on net book value of depreciable assets. As demonstrated in figure 3 below, an 11.25% return on Hybrid Capital results in a per-minute mark-up of $.73.

[10] *Id.*

Figure 3 Return on Hybrid Capital

	2009 Industry Avg.	
A. Annual Recurring Fixed Expenses	$	0.2487
B1+E3 Interpreter Costs	$	2.0742
B Relay Center other Than Interpreter	$	0.4649
Hybrid Capital Costs Per Minute	$	2.7878
11.25 % Return on Hybrid Capital (1)	$	0.6433
F Return on Investment (2)	$	0.0855
Total Pre-Tax Return per Minute	**$**	**0.7288**

(1) Pre-tax return is 18.75% assumed a 40% tax effect utilizing NECA's methods

(2) NECA defines Return on Investment as a return on net book value of depreciable assets

Utilizing the Hybrid Capital method above, Figure 4 illustrates a redistribution of the funds and margins to more accurately represent the costs within each Tier. In addition, this methodology would save the Fund approximately $115M in 2010.

Figure 4 Rates Based on Hybrid Capital

	TIER 1	TIER 2	TIER 3	TOTAL
REVENUE	$ 29,693,543	$ 130,272,744	$ 342,838,199	$ 502,804,486
Costs	$ 25,139,328	$ 110,821,281	$ 275,344,390	$ 411,304,998
INCOME (LOSS)	$ 4,554,215	$ 19,451,463	$ 67,493,810	$ 91,499,487
Pre-Tax Margin%	15.34%	14.93%	19.69%	18.20%
After Tax Margin (40% Tax Rate)	9.20%	8.96%	11.81%	10.92%
MINUTES	4,574,826	19,309,864	74,272,292	98,156,982
Historical Costs (less mark-ups)	$ 5.4951	$ 5.7391	$ 3.7072	
Other Adustments (WC, AGR)	$ 0.2667	$ 0.2785	$ 0.1799	
Hybrid Return per Minute	$ 0.7288	$ 0.7288	$ 0.7288	
2010 Reimbursement Rate	$ 6.4906	$ 6.7464	$ 4.6160	
2010 Fund Requirement	$ 502,804,486			
2009 Fund Requrement	$ 617,839,653			
2010 Savings to the Fund	**$(115,035,167)**			

III.B Consistent Margin (Alternative II)

Another alternative to the Return on Investment is a Consistent Margin methodology in which the rate (11.25%) for each Tier would be determined by the companies within that group cost structure. A Consistent Margin methodology sets a fair and reasonable return for each Tier based on the cost structure within those Tiers. Adopting this structure would allow for competition between Tiers by recognizing and addressing the anti-competitive effects economies of scale may produce.

A utilization of the Consistent Margin method, as illustrated in Figure 5 below, would provide fair returns for all efficient providers across all Tiers while still saving the Fund $95M.

Figure 5 Rates Based on Consistent Margin

	TIER 1	TIER 2	TIER 3	TOTAL
REVENUE	$ 31,930,814	$ 140,760,076	$ 349,729,735	$ 522,420,626
Costs	$ 25,139,328	$ 110,821,281	$ 275,344,390	$ 411,304,998
INCOME (LOSS)	$ 6,791,486	$ 29,938,795	$ 74,385,346	$ 111,115,627
Pre-Tax Margin%	21.27%	21.27%	21.27%	21.27%
After Tax Margin (40% Tax Rate)	12.76%	12.76%	12.76%	12.76%
MINUTES	4,574,826	19,309,864	74,272,292	98,156,982
Historical Costs (less mark-ups)	$ 5.4951	$ 5.7391	$ 3.7072	
Other Adustments (WC, AGR)	$ 0.2667	$ 0.2785	$ 0.1799	
Consistent Margin per minute	$ 1.2179	$ 1.2719	$ 0.8216	
2010 Reimbursement Rate	$ 6.9797	$ 7.2895	$ 4.7088	
2010 Fund Requirement	$ 522,420,626			
2009 Fund Requrement	$ 617,839,653			
2010 Savings to the Fund	**$ (95,419,027)**			

Recognizing the concern the FCC may have over cost escalation, CSDVRS would propose an annual rate increase not to exceed CPI.

IV. Capital Adjustment

CSDVRS also addresses the issue of the 1.6% cost of capital adjustment as utilized by NECA.[11] The 2010 TRS Rate Filing states that NECA's calculation is based on a monthly rate.[12] This cost of capital adjustment may be reasonable in an environment of payment of thirty (30) days after services are rendered. However, in the VRS industry, a provider does not receive payment from NECA until, on average, sixty-five (65) days after the service is rendered. Taking the established 1.6% rate by NECA and applying the 65 day average period requiring working capital, an appropriate return would be 3.39%. It bears mentioning that the original 1.6% was set at a time when NECA reimbursed providers within 30 days of month's end. Starting July 2009, NECA changed this payment cycle to the 15th business day of the month following the month of submission. This flaw in the working capital adjustment formula resulted in NECA shorting the reimbursement rate by approximately $.11 per minute.

V. Videophone and R&D Costs

CSDVRS submits that two additional flaws exist in NECA's methodology as reiterated in the Public Notice. These pertain to costs for which VRS providers cannot be reimbursed under current FCC rules; specifically, the costs of videophones and the costs of research and development.

CSDVRS submits that the FCC should consider the reasonable costs for videophones as part of the rate setting process. Certainly the Commission can appreciate that without videophones, VRS simply would not exist. Indeed, the Commission's longstanding support of ten-digit numbering and rulings on videophone functionality are emblematic of the

[11] *See*, 2010 TRS Rate Filing, page 15, note 31
[12] *Id.*

acknowledgement of the need for videophones to complete the VRS process. As such, CSDVRS would urge the Commission to consider a cost per minute for videophone equipment costs to be accounted for in the rate. CSDVRS estimates that the cost of providing video phones at $.31 per minute ($330 phone generating 30 minutes per month for 3 years "$330 / 30 / 3 / 12 = $.031").

Research and development is also an integral part of the VRS industry. Indeed, the Commission's own rules compel VRS providers to engage in substantial research and development in order to remain in compliance with operational standards.[13] However, NECA excludes those costs from the rate setting process. To account for this cost shortfall, CSDVRS would propose a five-cent ($0.05) per minute allocation for research and development costs which each provider is compelled to incur.

VI. Numbering Costs

The 2010 TRS Rate Filing and Public Notice state that the cost of supporting E911 and ten-digit numbering is $0.0083 per minute or approximately 8/10[ths] of a penny. CSDVRS is unable to discern what calculation produced this amount. We have found that the monthly costs of providing E911 and the related ten-digit number, as required by June and December Numbering requirements can range from $1.05 to $1.25 per month per number depending upon the volume of numbers that a provider has issued. Furthermore, each number costs $10 at the point of acquisition, and even a two-year amortization of this cost yields a monthly cost of over forty-one cents ($0.41) per month. Before any fixed costs or labor specifically dedicated to

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[13] *See, e.g., In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 03-123, FCC 08-151 (June 24, 2008)(implementing ten-digit numbering); *In the Matter of Structure and Practices of the Video Relay Service Program*, Declaratory Ruling, CG Docket No. 10-51 (February 25, 2010)(emphasizing the prohibition on international-to-international calls).

supporting E911/Numbering is even applied, monthly compliance is approximately $1.60 based on CSDVRS current volume.

In regard to E911 support, the stated reimbursement rate of $.0083 would require each user to have about 200 minutes of billable VRS time per user per month for a provider to recover merely the monthly direct costs. Given the approximate 500,000 users of VRS, this would equate to 100,000,000 minutes per month, which is over ten times the actual minutes for which the fund reimburses. Additional costs related to supporting the E911/Ten-digit numbering effort include address provisioning ($100/month fixed fee), T-1 circuit costs ($300/month fixed fee) and payroll costs for supporting 911/ten-digit numbering (which for the average small provider would be approximately $12,000 per month). There are also additional costs specific to VRS providers each month. Figure 6 below indicates the cost structure of a small, but growing provider.

FIGURE 6 E911/Numbering Costs

Tier II Sample Company

	Per Month	Per Minute
Acquisition Cost per Number/Customer (amortized over 24 mos.) (1)	$ 0.417	$ 0.0167
Monthly Recurring Cost per Number	$ 0.500	$ 0.0200
E911 Monthly Recurring Maintenance Cost per Number	$ 0.700	$ 0.0280
Monthly Variable Costs	$ 1.617	
Monthly T-1 and Provisioning (2)	$ 400.00	$ 0.0008
Monthly Support of E911/Numbering (2)	$ 12,000.00	$ 0.0240
Total E911/Numbering Cost per Minute		**$ 0.0895**

(1) Assuming an average of 25 minutes per user and amortization

(2) Assuming 20,000 numbers issued and active

While the amounts may vary depending upon a provider's size and growth, CSDVRS believes that not penalizing growth is a key component in an environment in which competition should be encouraged. Furthermore, the monthly cost of sustaining even 20,000 numbers, without any manpower or issuing of new telephone numbers, would be almost five cents ($0.0488). CSDVRS submits that a fair per-minute reimbursement rate for those providers issuing and supporting phone numbers should be approximately nine cents ($0.09) per minute.

VII. Final Remarks

In conclusion, CSDVRS believes that the FCC should utilize the projected weighted average costs within each tier versus a weighted average for the whole industry. In addition, the Commission should expand the tiers to more adequately account for the real economies of scale, ensure that NECA utilizes the Return on Investment approach as originally intended by the FCC (or implement one of the alternative methodologies proposed herein), and provide reimbursement for E911/Numbering, video phones, and research and development as proposed herein. As shown in figures 7-9 below, inclusion of all components necessary to provide VRS can still provide overall savings to the Fund, ranging from $25M to $69M depending upon the method selected, while offering providers a fair return and creating a competitive environment to ensure innovation and high levels of service.

Figure 7 Rates Based on Return on Investment

	TIER 1	TIER 2	TIER 3	TOTAL
REVENUE	$ 33,876,530	$ 147,928,696	$ 410,748,986	$ 592,554,213
Costs	$ 25,139,328	$ 110,821,281	$ 275,344,390	$ 411,304,998
INCOME (LOSS)	$ 8,737,202	$ 37,107,415	$ 135,404,597	$ 181,249,215
Pre-Tax Margin%	25.79%	25.08%	32.97%	30.59%
After Tax Margin (40%)	15.47%	15.05%	19.78%	18.35%
MINUTES	4,574,826	19,309,864	74,272,292	98,156,982
Historical Costs (less mark-ups)	$ 5.4951	$ 5.7391	$ 3.7072	
Other Adustments (WC, AGR)	$ 0.2885	$ 0.3003	$ 0.2017	
Return on Investment	$ 1.1719	$ 1.1719	$ 1.1719	
Numbering Adjustment	$ 0.0895	$ 0.0895	$ 0.0895	
Video Phone Costs	$ 0.3100	$ 0.3100	$ 0.3100	
Research & Development	$ 0.0500	$ 0.0500	$ 0.0500	
2010 Reimbursement Rate	$ 7.4050	$ 7.6608	$ 5.5303	

2010 Fund Requirement	$ 592,554,213
2009 Fund Requrement	$ 617,839,653
2010 Savings to the Fund	**$ (25,285,440)**

Figure 8 Rates Based on Hybrid Capital

	TIER 1	TIER 2	TIER 3	TOTAL
REVENUE	$ 31,849,715	$ 139,373,721	$ 377,843,647	$ 549,067,083
Costs	$ 27,195,712	$ 119,501,065	$ 308,729,785	$ 455,426,562
INCOME (LOSS)	$ 4,654,003	$ 19,872,656	$ 69,113,863	$ 93,640,522
Pre-Tax Margin%	14.61%	14.26%	18.29%	17.05%
After Tax Margin (40%)	8.77%	8.56%	10.97%	10.23%
MINUTES	4,574,826	19,309,864	74,272,292	98,156,982
Historical Costs (less mark-ups)	$ 5.4951	$ 5.7391	$ 3.7072	
Other Adustments (WC, AGR)	$ 0.2885	$ 0.3003	$ 0.2017	
Hybrid Return per Minute	$ 0.7288	$ 0.7288	$ 0.7288	
Numbering Adjustment	$ 0.0895	$ 0.0895	$ 0.0895	
Video Phone Costs	$ 0.3100	$ 0.3100	$ 0.3100	
Research & Development	$ 0.0500	$ 0.0500	$ 0.0500	
2010 Reimbursement Rate	$ 6.9620	$ 7.2177	$ 5.0873	
2010 Fund Requirement	$ 549,067,083			
2009 Fund Requrement	$ 617,839,653			
2010 Savings to the Fund	**$ (68,772,569)**			

Figure 9 Rates Based on Consistent Margin

	TIER 1	TIER 2	TIER 3	TOTAL
REVENUE	$ 33,471,646	$ 147,078,233	$ 379,975,120	$ 560,524,999
Costs	$ 27,195,712	$ 119,501,065	$ 308,729,785	$ 455,426,562
INCOME (LOSS)	$ 6,275,934	$ 27,577,169	$ 71,245,335	$ 105,098,437
Pre-Tax Margin%	18.75%	18.75%	18.75%	18.75%
After Tax Margin (40%)	11.25%	11.25%	11.25%	11.25%
MINUTES	4,574,826	19,309,864	74,272,292	98,156,982
Historical Costs (less mark-ups)	$ 5.4951	$ 5.7391	$ 3.7072	
Other Adustments (WC, AGR)	$ 0.2885	$ 0.3003	$ 0.2017	
Consistent Margin per Minute	$ 1.0834	$ 1.1278	$ 0.7575	
Numbering Adjustment	$ 0.0895	$ 0.0895	$ 0.0895	
Video Phone Costs	$ 0.3100	$ 0.3100	$ 0.3100	
Research & Development	$ 0.0500	$ 0.0500	$ 0.0500	
2010 Reimbursement Rate	$ 7.3165	$ 7.6167	$ 5.1160	

2010 Fund Requirement	$ 560,524,999
2009 Fund Requrement	$ 617,839,653
2010 Savings to the Fund	**$ (57,314,654)**

Respectfully Submitted,

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Exhibit A

FINANCIAL HIGHLIGHTS	Hickory Telephone	Shenandoah Telecommunications	Consolidated Telephone	Frontier Communications	CenturyTel
Operating Margin:	12.81%	26.66%	19.23%	30.14%	30.25%
Return on Equity:	34.02%	14.67%	34.45%	28.53%	8.10%