



NH Municipal Property Tax Surcharge

NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC

December 12, 2011

Background and Overview:

The telecommunications exemption from municipal property taxes for poles and conduits owned by telecommunication companies expired on July 1, 2010. Thus, municipalities lawfully may assess for taxation certain assets for the tax year commencing April 1, 2011, and ending March 31, 2012. In this tariff filing, Northern New England Telephone Operations LLC ("NNETO") implements a Municipal Property Tax Surcharge to recover all or a substantial portion of the amount of municipal property taxes billed to the Company for telephone poles and conduit, as well as for municipal property taxes levied against NNETO's use of right-of-ways. The Surcharge will be applied to billing statements beginning in December 2011.

The surcharge will be applied on a per access line basis and will follow the same methodology as the application of the E911 surcharge. As with the E911 surcharge, this surcharge will be applied monthly to each residence and business telephone exchange line, including PBX trunks, Centrex lines and PASL and public access lines. The surcharge is in addition to the monthly rate for these lines. The surcharge will not be imposed upon more than 25 lines per customer billing account. The surcharge will be identified on the bills as the "Municipal Property Tax Surcharge". The surcharge will also be applied to qualified resold lines.

Rate Development

There are currently 230 municipalities in New Hampshire which will assess new property taxes on NNETO's telephone poles, telecommunications conduit and use of municipal rights-of-way. As of December 9, 2011, NNETO has received invoices from 114 of these municipalities resulting in approximately \$3,284,204 in property taxes being levied against NNETO for these taxes. Of this amount, \$3,201,923 is due in December 2011. Additionally, NNETO has received letters of intent from 6 municipalities indicating they will be assessing NNETO property taxes against poles and conduit. NNETO also has received letters from 17 other municipalities asking for information concerning NNETO's poles, conduits and rights-of-way. All of these municipalities are being excessive in their valuation of NNETO's assets.

To determine the per-line surcharge amount, NNETO added the September 2011 retail access line count subject to the E911 surcharge **Begin Confidential** **End Confidential** to the number of resale access lines subject to the E911 surcharge for that same month **Begin Confidential** **End Confidential**. The access line count to which NNETO plans to apply the Municipal Property Tax Surcharge



is **Begin Confidential** **End Confidential.** A preliminary estimate of the annual amount in property taxes NNETO expects to be assessed this tax year is in excess of \$6,600,000. Indeed, extrapolating the taxes to date across approximately 230 municipalities, the taxes may reach up to or exceed \$6,626,027 (calculated by \$3,284,204 of current tax billings divided by 114 municipalities, with that result of \$28,809 then multiplied by an additional 116 communities (for a total of \$3,284,204 plus \$3,341,822 = \$6,626,027).

NNETO proposes to recover a portion of this estimated amount by applying a per-line surcharge of \$0.99, subject to the 25 line maximum per billing account number. This will result in NNETO passing through to customers a total of \$3,093,398.00 in municipal property taxes in the form of a surcharge, calculated as follows:

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