

**MICRONEASIAN TELCOMMUNICATIONS CORP.**

**TARIFF F.C.C. NO. 1 (ACCESS SERVICE)**

**TRANSMITTAL NO. 8**

**ISSUED: JUNE 16, 2008**

**EFFECTIVE: JULY 1, 2008**

**DESCRIPTION & JUSTIFICATION**

## **1.0 INTRODUCTION**

In connection with the June 16<sup>th</sup>, 2008, Annual Filing submission, Micronesian Telecommunications Corp (MTC) hereby submits the Tariff Review Plan (TRP) pages and the necessary support data as required by the Commission<sup>1</sup> and in compliance with Sections 61.41 through 61.49 of the Commission's Rules. Also attached, as required, are the Form 492As. Appendix A contains all documentation associated with MTC.

This filing performs two major functions: (1) reflects the result that the ATS MOU rate reached the \$.0055 target in the past filing; and (2) it reflects changes to the PICC Cap, the effects of the exogenous cost adjustments associated with adjustments to Telecommunications Relay Service (TRS), adjustments to Regulatory Fee Obligations and adjustments to the NANPA fee.

The total impact on indices in this filing is an overall reduction of \$34,134.

## **1.1 DESCRIPTION AND JUSTIFICATION**

The Commission's Price Cap Plan employs a combination of caps on aggregates of service rates ('baskets') and maximum limits on prices in individual service categories ("bands"). Under this plan, MTC services subject to price cap regulation are grouped into four baskets:

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<sup>1</sup> In the Matter of Material to be filed in Support of 2008 Annual Access Tariff Filings, DA 08-759, released March 28, 2008. In the Matter of Material to be filed in Support of July 2008 Annual Access Charge Tariff Filings, WCB/Pricing File No. 08-14, released March 28, 2008.

- (1) Common Line
- (2) Traffic Sensitive
- (3) Trunking
- (4) Special Access

The Common Line basket includes CAP-1 adjustments for USAC Receipts. USAC Receipts change once a year in the June filing. The Traffic Sensitive, Trunking and Special Access baskets are also subject to individual service-specific price bands. The Traffic Sensitive basket has three service bands:

- (1) Local Switching
- (2) Data Base Access Service
- (3) Trunk Ports

The Trunking basket contains one service band for Tandem-Switch Transport.

The Special Access basket contains one service band for High-Cap/Digital Data Services. For each basket of services, the Price Cap Plan places a ceiling on the aggregate revenue-weighted price changes.

Following are subsections to this general section: Section 1.2 describes the methodologies used to calculate adjustments to PCI and Upper Limits for the Baskets and Bands established by the Commission. Section 1.3 describes the development of the exogenous cost adjustments. Section 1.4 describes the demand used in this filing. Section 1.5 describes the Ratemaking. Section 1.6 contains the supporting Workpapers.

The price cap and service band constraints were compared to an index of the aggregate revenue-weighted price changes within each basket (the Actual Price Index, or API) and an index of the revenue-weighted aggregate price changes of the rate elements that comprise each service category (the Service Band Index, or SBI). These indices were determined with reference to actual 2007 base period demand, appropriately adjusted to reflect current services, tariff structures, and rates in effect as of June 30, 2007.

## **1.2 COMPLIANCE WITH INDICES**

In this filing, the Commission requires MTC to compute the appropriate adjustments to the Price Cap Index (PCI) for each Price Cap basket.<sup>2</sup> The PCI calculations are set forth in the Tariff Review Plan, form PCI-1. The sources for the existing indices are found in IND-1 References. Proposed indices are included in this submission.

## **1.3 EXOGENOUS COST CHANGES**

In this filing, MTC proposes three general exogenous cost adjustments. The three adjustments are:

1. Regulated Fee
2. Telecommunications Relay Service
3. NANPA

The Price Cap Portion of these exogenous cost amounts is summarized on Exhibit 1, Exogenous Cost Worksheet. The change in the exogenous costs from the Short Form

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<sup>2</sup> See 47 C.F.R. §§ 61.43, 61.45

TRP to the Long Form TRP is the Long Form Regulatory Fee Support amount reflected in the new factor.

### **1.3.1 THE FCC REGULATORY FEE**

The FCC Regulatory Fee exogenous cost changes are calculated by determining the difference between the Regulatory Fee in the current tariff rates and the proposed fee for the July 1, 2008 through June 30, 2009 tariff period as set forth in Assessment and Collection of Regulatory Fees for Fiscal Year 2008, MD 08-65, Proposed Rules, (released May 28, 2008).

#### **1.3.2.1 CALCULATION OF TOTAL COMPANY CHANGE FOR FCC REGULATORY FEE**

The first step for calculating the total company preliminary amount of the FCC regulatory fee for the tariff period 2008/2009 was to determine the total end user interstate price cap revenues at the end of 2007 from MTC's Form 499-A. The revenues were multiplied by the proposed regulatory fee rate of 0.0031671 per MD Docket 08-65. The current amount in rates from the 2007/2008 tariff period was then subtracted from this amount. Exhibit 1 also displays the calculation of the Regulatory Fee Obligation. The total Price Cap Regulatory Fee exogenous cost is a decrease of approximately \$211.

### **1.3.3 TELECOMMUNICATIONS RELAY SERVICE**

The Telecommunications Relay Service (TRS) contributions were calculated by determining the difference between the TRS contribution obligation in the current tariff rates and the proposed TRS contribution fee for the July 1, 2008 through June 30, 2009 tariff period.

#### **1.3.3.1 CALCULATION OF TOTAL COMPANY CHANGE FOR TRS FUND CONTRIBUTION**

Similar to the regulatory fee, the first step for calculating the total company preliminary amount of the TRS Fund contribution fee for the tariff period 2008/2009 was to determine the total end user interstate price cap revenues at the end of 2007 from MTC's Form 499-A. The revenues were multiplied by the most recently approved TRS fund fee rate of 0.00819. This fee rate was released in February 2008, as a revision for the 2007/2008 tariff period. However a final approved rate for the 2008/2009 tariff period has not been released at the time of filing. Therefore, the existing rate is used as an estimate for the current filing. The current amount in rates from the 2007/2008 tariff period was then subtracted from this amount. Exhibit 1 also displays the calculation of the TRS Fund contribution. The total Price Cap TRS Fund exogenous cost is an increase of approximately \$2,746.

### **1.3.4 NORTH AMERICAN NUMBERING PLAN**

Since the proposed NANPA factor for the current period is not available at the time of the current filing, the existing rate is used as an estimate for the current filing. Exogenous costs associated with the proposed obligation to the North American Numbering Plan Administration (NANPA) are reflected pursuant to Commission Order, DA 07-2078, CC Docket 92-237, released May 15, 2007. This rate was applied to the end user price cap revenues at the end of 2007 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the NANPA obligation in the 2007/2008 tariff period and the proposed obligation in the 2008/2009 period. The total Price Cap NANPA exogenous cost is an increase of approximately \$12 and can be found on Exhibit 1.

## **1.4 DEMAND**

### **1.4.1 INTRODUCTION**

Current rates and base period demand quantities were used to determine the base period revenues. The base period demand is for the year 2007 and was multiplied by rates at last PCI update to determine the weighted revenue for each rate element. This weighted revenue was used in the development of the PCI, APIs, and SBIs.

#### **1.4.2 DATA SOURCES**

MTC's Carrier Access Billing System (CABS), Customer Records Information System (CRIS), and Company demand and revenue tracking systems served as the primary sources for demand data. These billing and tracking systems provided the source of demand for rate element detail for the Common Line, Switched Traffic Sensitive, Trunking, and Special Access baskets. The 2007 base period demand has been used in this filing in accordance with the Commission's Rules for development of API and SBI indices.<sup>3</sup>

#### **1.4.3 DEMAND RESULTS**

Base period demand detail used in the calculations of the PCIs, APIs, and SBIs will be filed in this submission.

#### **1.4.4 AVERAGE TRAFFIC SENSITIVE (ATS) MOU DEMAND**

The demand associated with the ATS charge per minute of use (MOU)<sup>4</sup> calculation is developed as follows:

##### **Local Switching Component**

The ATS demand associated with the local switching component of the ATS charge/MOU is MTC total Local Switching interstate access MOUs, which are shown in TRP TGT-1.

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<sup>3</sup> See 47 C.F.R. §§ 61.46 and 61.47.

<sup>4</sup> See 47 C.F.R. §§ 61.3 (e)

### **Switched Transport (Trunking Basket) Component**

The ATS demand associated with the Trunking Basket component of the ATS charge per MOU includes all interstate access MOUs that utilize MTC transport facilities to deliver interstate traffic to/from Interexchange Carriers (IXCs).

The MTC LEC switched transport MOU are summarized in the TRP TGT-1.

## **1.5 RATEMAKING**

### **1.5.1 INTRODUCTION**

In this filing, MTC is implementing changes to rates in one Price Cap basket. MTC's new rate levels produce indices that are in full compliance with the Commission's Rules.<sup>5</sup>

Overall, MTC index revenues decrease by \$34,134. The Common Line revenues decrease by 1.8%.

Sections 1.5.2 through 1.5.4 provide descriptions of the methodology and ratemaking calculations included in this filing. Proposed rates in this filing are indicated by an asterisk on Common Line Revenue Workpapers.

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<sup>5</sup> FCC 99-206 Fifth Report and Order and Further Notice of Proposed Rulemaking, released August 27, 1999

### **1.5.2 New Common Line (CMT) Basket**

As shown in the TRP CAP-1, the Revenue for the MTC is capped at the Common Line (CMT) rate. Exhibit 3, PICC CAP Worksheet shows the CMT per line for MTC.<sup>6</sup> The Common Line revenue has decreased, in this filing, due to a decrease in lines of nearly 8,000. In addition, the revenues reflect a decrease of \$473 in USAC receipts from the previous period. MTC calculated the Common Line charges pursuant to the Commission's Rules

In MTC FCC Tariff No. 1 the PICC have decreased by \$33,631. The Subscriber Line Revenues remained at the CAP. The Carrier Common Line charge remained at zero. Rate Calculations are displayed in the TRP CAP-1.

#### **1.5.2.2 PICC Rates**

The Multiline Business PICC cap is \$4.31. Since the Subscriber Line Charges do not recover the total CMT revenues, the overflow creates a MLB PICC rate, and when the PICC reaches the Cap of \$4.31, the overflow creates a CCL rate.

The rates have been decreased from the existing PICC levels. The MLB PICC rate development is shown on Exhibit 5, which shows the proposed PICC rates.

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<sup>6</sup> CMT per line is capped CMT adjusted for Exogenous Costs.

### **1.5.3 TRAFFIC SENSITIVE**

In the prior filing, Transmittal 7, MTC reached the ATS revenue/MOU target of \$0.0055. Consequently, Traffic Sensitive rates have not been adjusted.

As required by Section 61.45 (d) (3) of the Commission's rules, no exogenous costs were allocated to the rate elements in this basket that were used to calculate the ATS charges.

The SBI values for the Switched Traffic Sensitive basket are within the ranges permitted under the Commission's Price Cap Plan. See TRP IND-1. Calculations supporting the Switched Traffic Sensitive basket indices and upper limits can be found in the TRP RTE-1.

### **1.5.4 TRUNKING**

In this filing, MTC proposed rates in the Trunking basket did not change as the ATS revenue/MOU target of \$0.0055 had already been reached in Transmittal 7. The SBI values for the Trunking basket are within the ranges permitted under the Commission's Price Cap Plan. See TRP IND-1. Calculations supporting the Trunking basket indices and upper limits can be found on the TRP RTE-1.

## **1.6 WORKPAPERS AND TARIFF REVIEW PLANS**

### **1.6.1 INTRODUCTION**

MTC has provided the necessary detail to support the calculations of indices and exogenous costs in various workpapers. The following is the index of such workpapers.

#### **1.6.2 Index**

##### **Appendix A**

Exhibit 1- Exogenous Cost Worksheet

Exhibit 2 - IND-1 References

Exhibit 3 - PICC CAP Worksheet

Exhibit 4 - USAC Revenue Worksheet

Exhibit 5 - Rates and Revenues Summary

492 A MTC (2006)

##### **Tariff Review Plan (Long Form)**

<b>ANALYZER</b>	TRP Analyzer
<b>COSA IND-1</b>	Price Cap Indices Display
<b>COSA PCI-1</b>	Price Cap Index Calculations
<b>COSA TGT</b>	Targeting: Inputs and Aggregate Target
<b>COSA SUM-1</b>	Price Out Summary
<b>COSA EXG-1</b>	Exogenous Cost Changes
<b>COSA EXG-2</b>	Net Exogenous Cost Shifts
<b>COSA RTE-1</b>	Rate Detail

<b>CAP-1 (COSA)</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>CAP-2 (COSA)</b>	Manual Input of EUCL rates
<b>CAP-3 (COSA)</b>	Calculation of Minimum and Maximum End User Rates
<b>CAP-4 (COSA)</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL
<b>CAP-5 (COSA)</b>	Verification of Recovered CMT Revenue