

# TELEPHONE UTILITIES EXCHANGE CARRIER ASSOCIATION

TARIFF F.C.C. No. 2

## PRICE CAP CONVERSION ACCESS FILING

December 17, 2008

TRANSMITTAL NO. 197

### DESCRIPTION AND JUSTIFICATION

#### Description of Filing

#### **Introduction**

The Telephone Utilities Exchange Carrier Association (TUECA) hereby provide their Description and Justification for the changes proposed under Transmittal No. 197 to TUECA F.C.C. Tariff No. 2.

This information is being filed pursuant to CenturyTel's petition for election of Price Cap Regulation and for Limited Waiver of Pricing and Universal Service Rules, as indicated in its August 29, 2008 filing. This filing fulfills the requirements established in Sections 61.41 through 61.49 of the Commission's Rules.

As of the date of filing, the Commission has not ruled on CenturyTel's petition. CenturyTel is making this filing in anticipation of the fact that the Commission may have the opportunity to rule on its petition prior to the effective date hereof. CenturyTel understands that if the petition is not addressed by December 31, 2008, it may affect the lawfulness of the proposed revisions and that therefore it would have to consider whether to withdraw this proposed filing.

Information in this filing is provided for all COSAs associated with the Telephone Utilities Exchange Carrier Association Companies. Exhibit 1 lists the COSAs associated with each company.

The TUECA companies elected to detariff their digital subscriber line (DSL) services as allowed in CC Docket No 02-33, effective on July 1, 2006, and remains in effect for this tariff filing.

#### **Justification**

The following justification is provided for the proposed rates filed by Telephone Utilities Exchange Carrier Association.

### **A. Demand**

Demand data reflects the period January 1 through December 31, 2007 and is used in the calculations of the *Price Cap Index* (PCIs), *Actual Price Index* (APIs), and *Service Brand Index* (SBIs). Commission Rules require new service offerings to be included in the first price cap filing following the completion of the base year in which the new services become effective. As shown on Exhibit 5, no new services were introduced in the base period. Pursuant to paragraph 61.42(g) of the Commission's rules, only the demand for services that have not obtained pricing flexibility relief and have not been removed from Price Caps are included in the appropriate Price Cap baskets. As of this filing no new services are listed in Exhibit 5.

### **B. Price Cap Index Development**

The Price Cap Index (PCI) for each basket was calculated in accordance with Commission Rules. A Gross Domestic Product Price Index (GDP-PI) factor of 2.6383% was used in calculating the PCIs and is based on the percentage change in the GDP-PI between the quarter ending December 31, 2007 and the corresponding quarter of the 2006 GDP-PI. A productivity-offset equal to the GDP-PI was applied in calculating PCIs for the common line, traffic sensitive, and trunking baskets. A 3.0% productivity factor was used for the interexchange basket. Information on exogenous cost, productivity factors, and minute/line growth are provided in schedule PCI-1.

This filing represents the initial price cap filing to convert the TUECA No. 2 companies from rate of return to price cap regulation and as such the existing PCIs have been set at 100. The proposed PCIs are calculated pursuant to the Windstream Price Cap Order and applicable Commission Rules.

### **C. Exogenous Cost Changes**

No exogenous cost adjustments are reflected in this initialization filing from rate of return to price cap regulation.

### **D. ICLS Support**

Based on the Windstream Price Cap Order, the TUECA ICLS support will be outside of the Price Cap model. As a result, the ICLS support on a going forward basis will be determined based on a support per line amount.

### **E. CMT Per Line Revenue**

An integral part of the CALLS Order and certain subsequent rate calculations is the use of the average common line, marketing, and transport interconnection charge revenue (CMT revenue) per line. Exhibit 2 lists the initial CMT per line calculation for each COSA.

### **F. Rate Detail**

Included with the filing is a rate detail schedule for each COSA. This detail shows the current and proposed rates in Lotus 1-2-3 spreadsheet format.

### **G. Universal Service Contribution Factor**

End user tariff changes are being updated to reflect the new quarterly FUSC contribution factor of 9.50% in accordance with DA 08-2706, released December 15, 2008.

### **H. Additional Exhibits for Price Cap Conversion**

#### **1. CMT/SLC Development**

In accordance with the Windstream Price Cap Order, the initial CMT per line for the TUECA filing entities is calculated based on SLC revenues and marketing expenses for calendar year 2007. The 2007 SLC revenues used in the calculation of the initial CMT were adjusted to remove the marketing expenses from the switched access basket. These SLC revenues were then divided by 2007 access lines to determine the initial CMT per line as shown in Exhibit 2. This exhibit shows the detail calculations the TUECA used to adjust for marketing expenses within the Common Line basket.

#### **2. Marketing Expense Reduction to Switched Access**

In accordance with the Windstream Price Cap Order, the TUECA are required to remove the marketing expense from the Switched Access basket and include these expenses in the Common Line Basket. Marketing expense was removed first from the Information Surcharge rate element, in accordance with the Price Cap rules. Second, any remaining marketing expense after reduction to Information Surcharge was then applied to the Local Switching rate element. Exhibit 3 details the removal of marketing expense from the Switched Access basket.

### **3. Development of additional Price Cap Rate Elements**

In accordance with Part 69 of the FCC Rules, the TUECA companies will be adding the Shared Trunk Port, End Office Dedicated Trunk Ports, and Tandem Switched Multiplexing rate elements. Exhibits 4A – 4E detail the calculations to support the development of the rate elements listed above.

### **4. Depooling of NECA Companies**

The Companies listed on TUECA - Exhibit 1 will be removed from the NECA Carrier Common Line Pool on January 1, 2009 and converted to Price Cap Regulation.

## **I. Conclusion**

The Telephone Utilities Exchange Carrier Association hereby submit the accompanying TRPs and exhibits consistent with the Commission's price cap regulations for local exchange carriers. The proposed adjustments are supported as just and reasonable, and are in compliance with universal service decisions as demonstrated by the filed information.