

Description and Justification

1.0 INTRODUCTION

In connection with the May 1, 2009 Annual Filing early submission, Micronesian Telecommunications Corporation “MTC” hereby submit limited Tariff Review Plan (TRP) pages and the necessary support data as required by the Commission¹ and in compliance with Sections 61.41 through 61.49 of the Commission’s Rules. Also attached as required are the MTC Form 492As (Figure 1). Appendix A contains all documentation associated with MTC.

This filing performs one major function: it reflects the effects of exogenous cost adjustments to Telecommunication Relay Service (TRS), adjustments to Regulatory Fee, and adjustment for Obligations to NANPA.

As MTC reached its Original Target Average Traffic Sensitive MOU Rate of .0055 in its Transmittal No. 7, issued June 15, 2007, the total impact on indices in this filing shows no decrease.

1.1 COMPLIANCE WITH INDICES

In this filing, the Commission requires MTC to compute the appropriate adjustments to the Price Cap Index (PCI) or CMT for each Price Cap basket.² The PCI calculations are

¹ In the Matter of Material to be filed in Support of 2009 Annual Access Tariff Filings, DA 09-684, released March 26, 2009 (“2009 TRP Order”). In the Matter of July 1, 2009 Annual Access Charge Tariff Filings, WCB/Pricing File No. 09-02, Order, DA 09-683, released March 26, 2009.

² See 47 C.F.R. §§ 61.43, 61.45

set forth in the Tariff Review Plan, form PCI-1. The sources for the existing necessary indices are found in Figure 2, IND-1 References. Proposed indices and CMT will be included in the June 16, 2009 Annual Filing submission.

1.2 EXOGENOUS COST CHANGES

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

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

The Price Cap portion of these exogenous cost amounts is summarized on Workpaper 1.

1.3.1 ALLOCATION OF EXOGENOUS COST CHANGES TO PRICE CAP AND NON-PRICE CAP

The total Regulatory Fee, TRS and NANPA amounts are allocated to Common Line, Special Access and Excluded services based on the 499A revenues.

1.3.2 THE FCC REGULATORY FEE

Since the proposed FCC Regulatory Fee factor for the current period is not yet available, the exogenous cost amount in this filing is preliminary, reflecting last year's factor. MTC will update the FCC Regulatory Fee exogenous cost when the current factor becomes available. Exogenous costs associated with our preliminary obligation to the FCC are reflected pursuant to the Assessment and Collection of Regulatory Fees for Fiscal Year 2008, MD 08-65, Proposed Rules, (released May 28, 2008). Last year's rate was applied to the interstate end user revenue at the end of 2008 from MTC's Form 499-

A. The exogenous interstate cost adjustment has been calculated to determine the difference between the FCC Regulatory Fee obligation in the 2008 tariff period and the proposed obligation in the 2009 tariff period. The total FCC Regulatory Fee amount is allocated to Common Line, Special Access and Excluded services based on the 499A revenues. The allocation of the incremental exogenous cost amounts to non-Price Cap and Price Cap non-ATS Price Cap baskets is shown on the bottom of Workpaper 1. The total Price Cap exogenous cost amount shows an increase of \$399. MTC will file a tariff to reflect any additional exogenous cost change to its Regulatory Fee obligation when the 2009 factor is finalized.

1.3.3 TELECOMMUNICATIONS RELAY SERVICE

Since the proposed Telecommunications Relay Service (TRS) factor for the current period is not yet available, the exogenous cost amount in this filing is preliminary, reflecting last year's revised factor. MTC will update the TRS exogenous cost when the current factor becomes available. Exogenous costs associated with our preliminary obligation for the TRS are reflected pursuant to Commission Order, DA 08-303, CG Docket 03-123, released February 6, 2008. Last year's revised rate was applied to the end user price cap revenues at the end of 2008 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the TRS obligation in the 2008 tariff period and the proposed obligation in the 2009 tariff period. The total Price Cap exogenous cost amount shows a decrease of approximately \$1,253. See Workpaper 1 for allocation to Price Cap and non-Price Cap. MTC will reflect the additional exogenous cost change to its TRS obligation caused by a new TRS Factor, if any, when the FCC issues this year's TRS Order.

1.3.4 NORTH AMERICAN NUMBERING PLAN

Since the proposed NANPA factor for the current period is not yet available, the exogenous cost amount in this filing is preliminary, reflecting last year's factor. MTC will update the NANPA exogenous cost when the current factor becomes available. Exogenous costs associated with our preliminary 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. Last year's rate was applied to the end user price cap revenues at the end of 2008 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the NANPA obligation in the 2008 tariff period and the proposed obligation in the 2009 tariff period. The total NANPA amount is allocated to Common Line, Special Access and Excluded services based on the 499A revenues. The allocation of the incremental exogenous cost amounts to non-Price Cap and Price Cap non-ATS Price Cap baskets is shown on the bottom of Workpaper 1. The total Price Cap exogenous cost amount shows a decrease of approximately \$26.

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 2008 and was multiplied by rates at the 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 provide the demand data for each rate element for the Common Line, Switched Traffic Sensitive, Trunking, Special Access and Interexchange baskets. The 2008 base period demand has been used in this filing in accordance with the Commission's Rules for development of API and SBI indices.³

1.4.3 DEMAND RESULTS

Price Cap base period demand detail used in the calculations of the PCIs, APIs, and SBIs will be filed in the June 16, 2009 submission.

1.4.4 AVERAGE TRAFFIC SENSITIVE (ATS) MOU DEMAND

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

Local Switching Component

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

³ See 47 C.F.R. §§ 61.46 and 61.47.

⁴ 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). These MOUs exclude usage routed via switched transport Entrance Facilities and Direct Trunk Transport (DTT) facilities recently removed from Price Caps in all MSAs that qualify for pricing flexibility as well as end office direct trunk transport facilities provided by service providers other than MTC; e.g. CLECs/ CAPs/ ALTs. The ATS transport MOUs include the following:

- 1) Interstate access MOUs between IXCs and Independent Telephone Company's (ITCs), CLECs, and/or wireless providers that route via a MTC access tandem; and
- 2) ITC DTT services to IXCs where MTC is involved in the joint provisioning of such services to the IXC (i.e. traffic carried on MTC DTT and/or switched Entrance Facilities);
- 3) Interstate MOUs to/from UNE-P lines to an IXC that are routed via switched access DTT services provided (and billed) by MTC to IXCs.

The MTC LEC switched transport MOU calculations are shown in Workpaper Transport MOU, and are summarized in the respective TRP Form TGT-1.

1.4.5 NEW SERVICES INCLUDED IN THE PRICE CAP INDICES

There are no new services to be added to the price cap indices for the 2009 Annual Filing in accordance with 61.42 (g).

1.5 RATEMAKING

1.5.1 ANNUAL FILING RATEMAKING

Details regarding proposed rates to become effective on July 1, 2009 will be included in the June 16, 2009 submission.

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.

Appendix A contains the Exogenous Cost workpapers and the Tariff Review Plan (short form) for MTC.

Appendix A

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|-------------------------|---|
| Figure 1 | 492A MTC (Initial Year 2008) |
| Workpaper GDP-PI | GDP-PI Factor Development |
| Workpaper 1 | Regulatory Fee, NANPA and Telecommunication Relay Service |

Tariff Review Plan (Short Form)

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|--------------|--|
| IND-1 | Price Cap Indices Display |
| PCI-1 | Price Cap Index Calculations |
| TGT | Targeting: Inputs and Aggregate Target |
| EXG-1 | Exogenous Cost Changes |