

## **Description and Justification**

### **1.0 INTRODUCTION**

In connection with the May 17, 2011 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 Commission<sup>1</sup> and in compliance with Sections 61.41 through 61.49 of the Commission’s Rules.

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.

### **1.1 PCI Development**

In Accordance with the Commission’s Rules, the PCI for each of the following four service baskets were calculated as shown on Exhibit 1.

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

A GDP-PI factor of 1.3430 percent as shown on Exhibit 2 was calculated based on the 2010 4<sup>th</sup> Quarter GDP Chain-Weighted Price Index versus the 2009 4<sup>th</sup> Quarter GDP Chain-Weighted Price Index.

Because the effects of GDP-PI – X and g are targeted to the Average Traffic Sensitive Rate, the prospective PCI values for the Traffic Sensitive and Trunking Baskets are calculated by adjusting the existing PCI values for the effects of exogenous cost changes allocated to those baskets plus the amount of ATS targeting allocated to those baskets.

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<sup>11</sup> **In the Matter of Material to be filed in Support of 2011 Annual Access Tariff Filings, DA 11-570, released March 29, 2011 (“2011 TRP Order”). In the Matter of July 1, 2011 Annual Access Charge Tariff Filings, WCB/Pricing File No. 11-04, DA 11-569, released March 29, 2011.**

MTC reached its Target Average Traffic Sensitive MOU Rate of \$.0055 in its Transmittal No. 7, issued June 15, 2007, so the Traffic Sensitive and Trunking PCI values do not reflect any ATS targeting. The prospective PCI values for Special Access Basket are calculated using the formula found in 61.45(b) of the Commission's rules.

## **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 Exhibit 3.

### **1.2.1 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.

### **1.2.2 THE FCC REGULATORY FEE**

Exogenous costs associated with our preliminary obligation to the FCC are reflected pursuant to the Assessment and Collection of Regulatory Fees for Fiscal Year 2011, MD 11-76, Notice of Proposed Relemaking, (released May 3, 2011). The current proposed rate was applied to the interstate end user revenue at the end of 2010 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 2010 tariff period and the proposed obligation in the 2011 tariff period. No exogenous cost associated with FCC

Regulatory Fees is anticipated. MTC will file a tariff to reflect any additional exogenous cost change to its Regulatory Fee obligation when the 2011 factor is finalized.

### **1.2.3 TELECOMMUNICATIONS RELAY SERVICE**

Exogenous costs associated with our preliminary obligation for the TRS are reflected pursuant to Commission Order, DA 11-826, CG Docket 03-123, released May 4, 2011. The current proposed rate was applied to the end user price cap revenues at the end of 2010 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the TRS obligation in the 2010 tariff period and the proposed obligation in the 2011 tariff period. The total Price Cap exogenous cost amount shows an increase of approximately \$1,917. See Exhibit 3 for allocation to Price Cap and non-Price Cap.

### **1.2.4 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 10-924, CC Docket 92-237, released May 24, 2010. Last year's rate was applied to the end user price cap revenues at the end of 2010 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the NANPA obligation in the 2010 tariff period and the proposed obligation in the 2011 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 Exhibit 3. The total Price Cap exogenous cost amount shows a decrease of approximately \$4.

### **1.3 NEW SERVICES INCLUDED IN THE PRICE CAP INDICES**

There are no new services to be added to the price cap indices for the 2011 Annual Filing in accordance with 61.42 (g).

### **1.4 WORKPAPERS AND TARIFF REVIEW PLANS**

#### **1.4.1 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 PCI Calculation, GDP-PI Development, Exogenous Cost workpapers and the Tariff Review Plan (short form) for MTC.

#### **Appendix A**

<b>Exhibit 1</b>	PCI Calculation
<b>Exhibit 2</b>	GDP-PI Factor Development
<b>Exhibit 3</b>	Exogenous Costs - Regulatory Fee, NANPA and Telecommunication Relay Service