

MICRONESIAN TELCOMMUNICATIONS CORP.

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

TRANSMITTAL NO. 13

ISSUED: JUNE 18, 2012

EFFECTIVE: JULY 3, 2012

DESCRIPTION & JUSTIFICATION

1.0 INTRODUCTION

In connection with the June 18th, 2012, Annual Filing submission, Micronesian Telecommunications Corp (MTC) hereby submits the 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.

This filing reflects changes to the PICC rates, 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.

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 two baskets:

- (1) Common Line
- (2) Special Access

¹ In the Matter of Material to be filed in Support of 2012 Annual Access Tariff Filings, DA 12-575, released April 19, 2012. In the Matter of July 3, 2012 Annual Access Charge Tariff Filings, WCB/Pricing File No. 12-07, DA 12-482, released March 28, 2012.

The Common Line basket includes CAP-1 adjustments for USAC Receipts. USAC Receipts were frozen by the FCC in its Report and Order in WC Docket Nos. 10-90, etc., FCC Release No. 11-161.

The Special Access basket is also subject to individual service-specific price bands. 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 2011 base period demand, appropriately adjusted to reflect current services, tariff structures, and rates in effect as of July 1, 2011.

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.² 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.

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, 2012 through June 30, 2013 tariff period as set forth in Assessment and Collection of Regulatory Fees for Fiscal Year 2012, MD 12-116, Notice of Proposed Rulemaking, (released May 4, 2012).

² See 47 C.F.R. §§ 61.43, 61.45

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 2012/2013 was to determine the total end user interstate price cap revenues at the end of 2011 from MTC's Form 499-A. The revenues were multiplied by the proposed regulatory fee rate of \$0.003750 per MD Docket 12-116. The current amount in rates from the 2011/2012 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 an increase of approximately \$1,091.

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, 2012 through June 30, 2013 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 2012/2013 was to determine the total end user interstate price cap revenues at the end of 2011 from MTC's Form 499-A. The revenues were multiplied by the most recently proposed TRS fund fee

rate of \$0.01053. This fee rate was released on May 2, 2012, per CG Docket No. 03-123. The current amount in rates from the 2011/2012 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 \$1,937.

1.3.4 NORTH AMERICAN NUMBERING PLAN

Exogenous costs associated with the proposed obligation to the North American Numbering Plan Administration (NANPA) are reflected pursuant to Commission Order, DA 12-799, CC Docket 92-237, released May 21, 2012. This rate was applied to the end user price cap revenues at the end of 2011 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the NANPA obligation in the 2011/2012 tariff period and the proposed obligation in the 2012/2013 period. The total Price Cap NANPA exogenous cost is an increase of approximately \$85 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 2011 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 and Special Access baskets. The 2011 base period demand has been used in this filing in accordance with the Commission's Rules for development of API and SBI indices.³

1.5 RATEMAKING

1.5.1 New Common Line (CMT) Basket

As shown in the TRP CAP-1, the Revenue for MTC is capped at the Common Line (CMT) rate. Exhibit 3, PICC CAP Worksheet shows the CMT per line for MTC.⁴ The Common Line revenue has decreased, in this filing, due to a decrease in lines. MTC calculated the Common Line charges pursuant to the Commission's Rules.

In MTC FCC Tariff No. 1 the PICC have decreased by \$47,716. 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.

1.5.1.2 PICC Rates

³ See 47 C.F.R. §§ 61.46 and 61.47.

The Multiline Business PICC Cap is \$1.14. Since the Subscriber Line Charges and USAC revenues do not recover the total CMT revenues, the overflow creates a MLB PICC rate, and when the PICC reaches the Cap of \$1.14, 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. The PICC rate is below the capped rate of \$1.14 as of December 29, 2011.

The CMT revenue requirement was met using the PICC rates that are below the capped PICC rate level.

1.5.2 ELIGIBLE RECOVERY

The FCC, in its Report and Order in WC Docket Nos. 10-90, etc., FCC Release No. 11-161, defined a recovery mechanism for access reform. The amount, called “Eligible Recovery”, is available to Price Cap carriers. The Eligible Recovery includes the determination of the Price Cap baseline, which is based upon access revenues and reciprocal compensation. MTC does not have intrastate access or reciprocal compensation revenues. Therefore, MTC has no eligible recovery as a result of access reductions. Accordingly, MTC will not implement an Access Recovery Charge (ARC).

⁴ FCC 99-206 Fifth Report and Order and Further Notice of Proposed Rulemaking, released August 27, 1999.

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 – Services Outside of Price Cap

Exhibit 5 - Rates and Revenues Summary

Tariff Review Plan (Long Form)

ANALYZER	TRP Analyzer
COSA IND-1	Price Cap Indices Display
COSA PCI-1	Price Cap Index Calculations
COSA TGT	Targeting: Inputs and Aggregate Target
COSA SUM-1	Price Out Summary
COSA EXG-1	Exogenous Cost Changes
COSA EXG-2	Net Exogenous Cost Shifts
COSA RTE-1	Rate Detail
CAP-1 (COSA)	Calculation of EUCL Limit, PICC and CCL Rates

- CAP-2 (COSA)** Manual Input of EUCL rates
- CAP-3 (COSA)** Calculation of Minimum and Maximum End User Rates
- CAP-4 (COSA)** Allocation of Pool Revenues to MLB PICC and MLB EUCL
- CAP-5 (COSA)** Verification of Recovered CMT Revenue

ELIGIBLE-RECOVERY-TRP

ICC-ACCESS-REDUCTION-TRP

RATE CEILING-NO-CAF

RECIP-COMP-SAMPLE-ELIG-RECV-CALC-STEP-1

TARIFF-RATE-COMPARISON NO-CAF