

**MICRONESIAN TELCOMMUNICATIONS CORP.**

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

**TRANSMITTAL NO. 23**

**ISSUED: JUNE 16, 2017**

**EFFECTIVE: JULY 1, 2017**

**DESCRIPTION & JUSTIFICATION**

## **1.0 INTRODUCTION**

In connection with the June 16<sup>th</sup>, 2017 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.

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 and the reduction to the interstate terminating end office access rate.

### **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

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<sup>1</sup> In the Matter of Material to be filed in Support of 2017 Annual Access Tariff Filings, DA 17-386, released April 24, 2017. In the Matter of July 1, 2017 Annual Access Charge Tariff Filings, WCB/Pricing File No. 17-65, DA 17-258, released March 16, 2017.

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 2016 base period demand, appropriately adjusted to reflect current services, tariff structures, and rates in effect as of July 1, 2016.

In compliance with section 51.907(d)(2), MTC has reduced its interstate terminating end office rate by one third of the difference between the 2011 Baseline Composite Terminating End Office Access Rate and \$0.0007 per minute. Section 1.6 contains the supporting Workpapers.

## **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.

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

### **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 rate for the July 1, 2017 through June 30, 2018 tariff period as set forth in FCC Notice of Proposed Rulemaking, Report and Order, and Order FCC 17-62, released May 23, 2017.

#### **1.3.1.1 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 2017/2018 was to determine the total end user interstate price cap revenues at the end of 2016 from MTC's Form 499-A. The revenues were multiplied by the proposed regulatory fee rate of \$0.00302 per FCC Notice of Proposed Rulemaking, Report and Order, and Order FCC 17-62. The current amount in rates from the 2016/2017 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 \$4,463.

### **1.3.2 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, 2017 through June 30, 2018 tariff period.

### **1.3.2.1 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 2017-2018 was to determine the total end user interstate price cap revenues at the end of 2016 from MTC's Form 499-A. The revenues were multiplied by the most recently proposed TRS fund fee rate of \$0.02084 in FCC Public Notice DA 17-445, released May 10, 2017. The current amount in rates from the 2016-2017 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 a decrease of approximately \$19,550.

### **1.3.3 NORTH AMERICAN NUMBERING PLAN**

Exogenous costs associated with the proposed obligation to the North American Numbering Plan Administration (NANPA) are reflected pursuant to Public Notice DA-16-899, released August 8, 2016. This rate was applied to the end user price cap revenues at the end of 2016 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the NANPA obligation in the 2016-2017 tariff period and the proposed obligation in the 2017-2018 period. The total Price Cap

NANPA exogenous cost is a decrease of approximately \$54 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 2016 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 2016 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>

## **1.5 RATEMAKING**

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

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

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.<sup>4</sup> The Common Line revenue has increased, in this filing. MTC calculated the Common Line charges pursuant to the Commission's Rules.

In MTC FCC Tariff No. 1 the PICC have increased by \$59,822. 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**

The Multiline Business PICC Cap is \$4.31. Since the Subscriber Line Charges and High Cost revenues 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 increased 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 \$4.31.

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

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

## **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 cannot implement an Access Recovery Charge (ARC).

## **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

<b>COSA PCI-1</b>	Price Cap Index Calculations
<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
<b>ELIGIBLE-RECOVERY-TRP</b>	
<b>ICC-ACCESS-REDUCTION-TRP</b>	
<b>RATE CEILING-NO-CAF</b>	
<b>RECIP-COMP-SAMPLE-ELIG-RECV-CALC-STEP-1</b>	
<b>SUMMARY ELIGIBLE RECOVERY-TRP</b>	
<b>TARIFF-RATE-COMPARISON NO-CAF</b>	