

MICRONESIAN TELCOMMUNICATIONS CORP.

TARIFF F.C.C. NO. 1

TRANSMITTAL NO. 32

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DESCRIPTION & JUSTIFICATION

1.0 INTRODUCTION

In connection with the 2018 Mid-Year 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 exogenous cost adjustments associated related to Telecommunications Relay Service (TRS), Federal Communications Commission (FCC or Commission) Regulatory Fees and North American Number Plan Administration (NANPA) obligations due to the Commission's adoption of the final 2018/2019 tariff factors subsequent to this year's annual access tariff filing.

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 Assessment and Collection of Regulatory Fees for Fiscal Year 2018, FCC 18-126 released August 29, 2018.

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

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.

² See 47 C.F.R. §§ 61.43, 61.45

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 based on 2017 revenues at the rate proposed in the *Assessment and Collection of Regulatory Fees Fiscal Year 2018*, FCC Notice of Proposed Rulemaking, Report and Order, and Order FCC 18-65, MD Docket No. 18-175 released May 22, 2018 and Regulatory Fees based on 2017 revenues at the rate adopted in *Assessment and Collection of Regulatory Fees Fiscal Year 2018*, FCC Report and Order, FCC 18-126, MD Docket 18-175, released August 29, 2018.

1.3.1.1 CALCULATION OF TOTAL COMPANY CHANGE FOR FCC REGULATORY FEE

The first step for calculating the total company amount of the FCC regulatory fee for the 2018/2019 tariff period was to subtract from the regulatory fees amount used in the annual filing, based on the .00276 factor proposed in FCC 18-65, the regulatory fees amount calculated based on the .00291 factor adopted in FCC 18-126. The difference was then annualized to reflect the fact that the lower proposed factor of .0276 had been incorporated in rates for the first three months of the 2018/2019 tariff period. Exhibit 1 also displays the calculation of the Regulatory Fee Obligation. The total Price Cap Regulatory Fee exogenous cost is an increase of approximately \$202.

1.3.2 TELECOMMUNICATIONS RELAY SERVICE

The Telecommunications Relay Service (TRS) contributions were calculated by determining the difference between the TRS contribution factor and obligation incorporated in MTC's rate in the annual filing and the actual TRS contribution factor and contribution for the 2018/2019 tariff period adopted after the annual filing was submitted. The Commission had not yet finalized a new TRS factor, in the annual filing MTC used the factor proposed by the Commission for the 2018/2019 tariff period. The TRS factor of .03034 for the 2018/2019 tariff period was proposed by the FCC's Consumer and Governmental Affairs Bureau on May 14, 2018 in Public Notice DA 18-494, *Rolka Loubé Associates Submits Payment Formulas and Funding Requirement for the Interstate Telecommunications Relay Service Fund for the 2018-2019 Fund Year*, CG Docket No.

03-123 and CG Docket No. 10-5. In *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, CG Docket No. 03-123, DA 18-680, released June 29, 2018, the Commission adopted a TRS factor of .02801.

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 amount of the TRS exogenous cost change for the 2018/2018 tariff period was to subtract from the TRS amount used in the annual filing, based on the .03034 factor proposed in DA 18-494, the TRS amount calculated based on the .0281 factor adopted in DA 18-680. The difference was then annualized to reflect the fact that the higher proposed factor of .03034 had been incorporated in rates for the first three months of the 2018/2019 tariff period. Exhibit 1 also displays the calculation of the TRS Fund contribution. The total Price Cap TRS Fund exogenous cost is a decrease of approximately \$3,136.

1.3.3 NORTH AMERICAN NUMBERING PLAN

Exogenous costs associated with the obligation to the North American Numbering Plan Administration (NANPA) were calculated by determining the difference between the NANPA contribution factor and the obligation incorporated in MTC's rates in the annual filing and the NANPA contribution factor and contribution for the 2018/2019 tariff period adopted after the annual filing was submitted. The Commission had not yet finalized the new NANPA factor, in the annual filing MTC used the proposed factor for the 2017/2018

tariff period. The NANPA factor of .0000518 for the 2017/2018 tariff period was proposed by the FCC Wireline Competition Bureau on August 1, 2017 in Public Notice DA 17-783, *Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution and Fund Size for October 2017 through September 2018*, released August 17, 2017. In the Wireline Competition Bureau Public Notice DA 18-727, WCB Docket No. 92-237, *Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution and Fund Size for October 2018 through September 2019*, released July 13, 2018 the Commission adopted a NANPA contribution factor of .0000427.

1.3.3.1 CALCULATION OF TOTAL COMPANY CHANGE FOR NANPA CONTRIBUTION

The exogenous NANPA cost change in this filing was calculated by first subtracting from the contribution amount used in the annual filing, based on the .000518 factor proposed in DA 17-783, the NANPA amount calculated based on the .000427 factor adopted in DA 18-727. The total Price Cap NANPA exogenous cost is a decrease of approximately \$60 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 2018 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.

1.5 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.³ The Common Line revenue has decreased, in this filing. MTC calculated the Common Line charges pursuant to the Commission's Rules.

In MTC FCC Tariff No. 1 the PICC have decreased by \$2,994. 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 decreased from the existing PICC levels. The MLB PICC rate development

³ FCC 99-206 Fifth Report and Order and Further Notice of Proposed Rulemaking, released August 27, 1999.

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.

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
COSA PCI-1	Price Cap Index Calculations
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	
SUMMARY ELIGIBLE RECOVERY-TRP	
TARIFF-RATE-COMPARISON NO-CAF	