

2019 Hawaiian Telecom PRICE CAP REVISIONS

2019 Hawaiian Telecom Annual Tariff Review Plan Filing

2019 Hawaiian Telecom and Cincinnati Bell Telephone Combined
INTERCARRIER COMPENSATION

June 17, 2019

Description & Justification

Herein, Hawaiian Telcom, Inc. (“Hawaiian Telcom”) provides the Description and Justification related to its annual access tariff filing, Tariff Review Plan. Hawaiian Telecom also provides combined Cincinnati Bell Telephone (CBT)/Hawaiian Telecom support data and to the filings required by the *USF/ICC Transformation Order*¹ to develop its Access Recovery Charges. Section 1 addresses Hawaiian Telcom’s annual access tariff filing, and Section 2 addresses its filings pursuant to the *USF/ICC Transformation Order*.

2019 Hawaiian Telecom Price Cap Revisions

2019 Hawaiian Telecom Annual Tariff Review Plan Filing

1.0 INTRODUCTION

This filing represents Hawaiian Telecom’s Annual 2019 Tariff Review Plan (TRP) and the necessary support data as required by the Commission² and in compliance with Sections 61.41 through 61.49 of the Commission’s Rule. This filing reflects the effects of the exogenous cost adjustments related to Telecommunications Relay Service (“TRS”), Regulatory Fee Obligations, and North American Numbering Plan Administration (“NANPA”). The exogenous cost methodology used in this filing has not changed from that used last year. However, while the methodology continues to reflect

¹ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, (November 18, 2011).

² *See Material to be Filed in Support of 2019 Annual Access Tariff Filings* (“TRP Order”), WC Docket No. 19-47, Order, DA 19-313, released May 1, 2019.

the exclusion of advanced services, it also reflects the exclusion of Special Access Services in compliance with the FCC's *Business Data Service Order*³ for those services that are no longer subject to Section 203 of the Communications Act.

The Commission, in its Order⁴ established an effective date of July 2, 2019 for the USF/ICC Transformation and Special Access Annual Access Filings.

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").

In previous filings, Hawaiian Telcom included services in a Special Access Basket that was subject to individual service-specific price bands. The FCC's *BDS Order* established a county based competitive market test for special access services. The Commission published a list of counties that met the business data service competitive market test.⁵ The list of competitive counties included four of the five counties served by Hawaiian Telcom. The fifth county, Kalawao County, had no BDS demand during the tariff period and Hawaiian Telcom has no plans to provide such services in the future. In order to comply with FCC's *BDS Order*, Hawaiian Telcom has excluded all demand for

³ See *Report and Order, Business Data Services in an Internet Protocol Environment; Technology Transitions; Special Access for Price Cap Local Exchange Carriers; AT&T Petition for Rulemaking To Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access*, WC Docket Nos. 16-143, 05-25, GM Docket No. 13-5 and RM-10593; FCC 17-43 (Adopted April 20, 2017, and rel. April 28, 2017) ("BDS Order")

⁴ See *July 1, 2019 Annual Access Charge Tariff Filings*, WC Docket No. 19-47, Order, DA 19-246, released April 4, 2019.

⁵ Public Notice, *Wireline Competition Bureau Publicly Releases Lists of Counties Where Lower Speed TDM-Based Business Data Services are Deemed Competitive, Non-Competitive, or Grandfathered*, WC

special access services.

Accordingly, Hawaiian Telcom filed tariff revisions on April 20, 2018 (Hawaiian Telcom FCC Tariff No. 1, Transmittal No. 134, effective May 5, 2018) to remove Special Access Services in compliance with the FCC's *BDS Order*.

Under this plan, the only Hawaiian Telcom services subject to price cap regulation are those in the Common Line basket. The Common Line basket includes adjustments for USAC Receipts. For this basket of services, the Price Cap Plan places a ceiling on the aggregate revenue-weighted price changes.

No new services were introduced in 2018 (Figure 2).

1.2 COMPLIANCE WITH INDICES

In this filing, the Commission requires Hawaiian Telcom to compute the appropriate adjustments to the Price Cap Index (PCI) or Common Line / Marketing / Transport Interconnection Charge (CMT), as appropriate, for each Price Cap basket.⁶ The proposed indices for the special access basket and its individual service bands are no longer relevant and are excluded from this filing in compliance with the FCC's *BDS Order*.

1.3 EXOGENOUS COST CHANGES

In this filing, Hawaiian Telcom proposes three exogenous cost adjustments.

Docket No. 16-143, et seq., DA 17-463 (WCB, rel. May 15, 2017). County list published at <https://www.fcc.gov/bds-county-lists> (last viewed May 16, 2017).

⁶ See 47 C.F.R. §§ 61.43, 61.45

The three adjustments are for:

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

The Price Cap portion of these exogenous costs are summarized in the Exogenous Cost Allocations Workpaper.

1.3.1 ALLOCATION OF EXOGENOUS COST CHANGES TO PRICE CAP BASKETS

The Price Cap Regulatory Fee, TRS, and NANPA amounts are allocated to the Common Line Basket based on 499-A⁷ end user revenues. The allocation of the incremental exogenous cost changes to this Price Cap basket are shown on the Exogenous Cost Allocations Workpaper.

1.3.2 FCC REGULATORY FEES

The FCC Regulatory Fee exogenous cost changes were calculated by determining the difference between the Regulatory Fees based on 2017 revenues and those based on 2018 revenues at the rate published in *Assessment and Collection of Regulatory Fees for Fiscal Year 2018*, FCC 18-126, MD Docket No. 18-175, Report and Order, released August 29, 2018.

1.3.2.1 CALCULATION OF FCC REGULATORY FEES

⁷ Hawaiian Telecom's 2018 Form 499-A Telecommunications Reporting Worksheet (Reporting Calendar Year 2018 Revenues), filed April 1, 2019.

The first step for calculating the total company preliminary amount of FCC regulatory fees for the tariff period 2019 through 2020 was to determine the adjusted total end user interstate price cap revenues for 2018 from Hawaiian Telcom's Form 499-A. The revenues were multiplied by the regulatory fee factor of 0.00291 per FCC 18-126, MD Docket 18-175. The current amount in rates from the 2018/2019 tariff period, adjusted for the reversal of a true-up from the 2017/2018 tariff period, was then added to this amount.

The Exogenous Cost Allocations Workpaper displays the calculation of the Regulatory Fee Obligation, as well as the amount allocated to Common Line services. The total Price Cap FCC Regulatory Fee exogenous cost adjustment is a decrease of (\$1,259) in this filing, all of which is allocated to Common Line.

1.3.3 TELECOMMUNICATIONS RELAY SERVICE (TRS)

The TRS exogenous cost change was calculated by determining the difference between the TRS contribution obligation based on 2017 revenues and those based on 2018 revenues at the rate published 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.

1.3.3.1 CALCULATION OF TRS FUND CONTRIBUTIONS

Hawaiian Telcom calculated the TRS exogenous amounts by calculating the difference between the TRS exogenous cost amount included in the price cap filing for the 2018/2019 tariff period and 2018 adjusted 499-A price cap end user interstate

revenues multiplied by the TRS rate factor of 0.02801 adopted in DA 18-680. The current amount in rates from the 2018/2019 tariff period, adjusted for the reversal of a true-up from the 2017/2018 tariff period, was then subtracted from this amount.

The Exogenous Cost Allocations Workpaper shows the amount allocated to Common Line services. The total Price Cap TRS Fund exogenous cost adjustment is an increase of \$19,555 in this filing, all of which is allocated to Common Line.

1.3.4 NORTH AMERICAN NUMBERING PLAN ADMINISTRATION

The NANPA contributions were calculated by determining the difference between the NANPA obligation based on 2017 revenues and those based on 2018 revenues at the rate published in Wireline Competition Bureau Public Notice DA 18-727, WCB Docket No. 92-237, released July 13, 2018, *Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution for October 2018 through September 2019*.

1.3.4.1 CALCULATION OF NANP FUND CONTRIBUTIONS

Hawaiian Telcom calculated the NANPA exogenous amounts by calculating the difference between the NANPA contribution obligation in the current tariff rates and 2018 adjusted 499-A price cap total end user revenues multiplied by the approved rate of 0.0000427 in DA 18-727. The Exogenous Cost Allocations Workpaper shows the amounts allocated to Common Line services. Because a new factor has not been released at the time of this filing, the total Price Cap NANPA exogenous cost adjustment is \$0.

1.4 DEMAND

1.4.1 INTRODUCTION

Hawaiian Telcom used current rates and 2018 base period demand quantities to determine the base period revenues.

1.4.2 DATA SOURCES

Hawaiian Telcom obtained the 2018 demand data from its customer billing system and CABS for each rate element for the Common Line basket. The 2018 base period demand has been used in this filing in accordance with the Commission's Rules for development of the CMT factor.

1.4.3 DEMAND RESULTS

Base period demand detail used in the calculation of the CMT is shown on HTHIA19a. Pursuant to paragraph 61.42(g) of the Commission's Rules, only the demand for these services in geographic areas that have not obtained pricing flexibility relief, for services that have not been removed from Price Caps in the qualifying MSAs and for those that are not subject to the FCC's BDS *Order*, are included in the Price Cap baskets.

1.4.4 TREATMENT OF NEW SERVICES

As Figure 2 shows, no new price cap services were introduced during the 2018 base period. Further, no new price cap services have been introduced to date in 2019.

1.5 RATEMAKING

Hawaiian Telcom has increased its multiline business and ISDN Primary Rate Interface (PRI) SLCs to \$8.19 and \$40.95 respectively. This represents an increase in its common line basket revenues of \$7,280 or (0.0365 percent, and complies with the CMT limits imposed on common line basket revenues.

1.6 WORKPAPERS AND TARIFF REVIEW PLAN

1.6.1 INTRODUCTION

Hawaiian Telcom has provided the necessary detail to support the calculation of the common line CMT and exogenous costs in its workpapers. The workpapers provided are shown in the Index in the next section.

1.6.2 INDEX

Tariff Review Plan Long Form (HTHIAN19)

SUM-1	Price Out Summary
EXG-1	Exogenous Cost Changes
EXG-2	Net Exogenous Cost Shifts
RTE-1	Rate Detail
CAP-1	Calculation of EUCL Limit, PICC and CCL Rates
CAP-2	Manual Input of EUCL rates
CAP-3	Calculation of Minimum and Maximum End User Rates

CAP-4	Allocation of Pool Revenues to MLB PICC and MLB EUCL
CAP- 5	Verification of Recovered CMT Revenue
ANALYZER	TRP Analyzer
 Workpapers and Exhibits	
OUTPC-1	Services Excluded from Price Cap
OUTPC-2	Services Removed from Price Cap
Figure 1	IND-1 References
Figure 2	New Services Introduced in 2018
Figure 3	Single line Residence, Single Line Business, Non-Primary, Multi-line Business and PRI Proposed SLC Rates
Figure 4	PICC Rates
Figure 5	CCL Rates
Figure 6	CMT per line
HTHIA19a	Rate Detail File
WP_Revenue Summary	Revenue Summary
Workpaper GDP-PI	GDP-PI Factor Development
Exogenous Cost Allocations Workpaper	

2019 Hawaiian Telecom and Cincinnati Bell Telephone Combined INTERCARRIER COMPENSATION

2.0 The Commission requires CBT and Hawaiian Telcom to compute the revenue impacts of the access rate and reciprocal compensation reductions to determine the amount of recoverable eligible revenue. The Eligible Revenue is distributed between residential, single line business and multi-line business demand to derive the respective ARC rates. The resulting ARC rates are validated to ensure compliance to the implementation and ceiling requirements defined in Section 51.915(b)-(e) of the Commission's Rules. CBT and Hawaiian Telecom will assess an Access Recovery Charge (ARC) to its customers as defined and allowed in the USF/ICC Transformation Order. Below is a description of CBT's and Hawaiian Telcom's ARC development. CBT and Hawaiian Telcom will not be participating in the Connect America Fund (CAF) distributions.

2.1 ACCREDTRP Form

The Commission in its Order, *In the Matter of Material to be Filed in Support of 2019 Annual Access Tariff Filing*, DA 19-313 eliminated the Access Reduction spreadsheets because the adjustment to bill-and-keep as required by section 51.907(h) of the Commission's rules is complete.

2.2 RCCMRSTRP Forms

The Commission in its Order, *In the Matter of Material to be Filed in Support of 2019 Annual Access Tariff Filing*, DA 19-313 eliminated the Reciprocal Compensation

spreadsheets because the adjustment to bill-and-keep as required by section 51.705(c)(4) of the Commission's rules is complete .

2.3 ELIGIBLE REVENUE (ERTRP) Form

The Eligible Revenue spreadsheet shows the calculations necessary to derive the eligible revenue recoverable through the tariffed ARC rates. The FCC spreadsheet template provides the methodology for calculating the eligible revenue. This worksheet shows the eligible Access Reduction, net non-CMRS Reciprocal Compensation, and net CMRS Reciprocal Compensation revenue. A Traffic Demand Factor of 43.00% (equal to 90% of last year's 47.83% factor)⁸ and the 90% CALLS Study Area Base Factor⁹ are applied to the above revenues, and the True-Up revenues are added to derive the recoverable eligible revenue. This spreadsheet demonstrates the calculations necessary to determine eligible revenue to comply with section 51.915(e) of the Commission's Rules.

2.4 ARC-No CAF- 1TRP ARC-No CAF- 2TRP and ARC-No CAF-32TRP Forms

The ARC No CAF-1 TRP Form displays line count data by exchange within the Ohio, Kentucky and Hawaiian Telcom study areas. Development of the line count data is discussed below. For 1FR, non-primary lines, ISDN-BRI and single line business, the data sheet lists the applicable basic rates, federal Subscriber Line Charge (SLC), the previous year's ARC rate and state charges including state SLC, zone charges, Telecommunication Relay Service (TRS), E-911, Extended Area Service (EAS), and state Universal Service Fund (USF)

⁸ See 47 C.F.R. §§ 51.915(b)(10).

⁹ See 47 C.F.R. §§ 51.915(b)(2).

charges for each exchange. The ARC No CAF-1 TRP data are combined with eligible revenue recovery data for use in the ARC No CAF-2 TRP form to compute maximum eligible ARC and CAF revenue recovery. Hawaiian Telcom and CBT assesses an Access Recovery Charge (ARC) to its customers as defined and allowed in the USF/ICC Transformation Order. The ARC No CAF-3TRP Form compares the Eligible Recovery Revenue to the Maximum ARC Revenues. In its 2012 Annual Access/ICC filing, CBT and Hawaiian Telcom stated that they will not be participating in the Connect America Fund (CAF) distributions.

2.5 ARCRTRP Forms

The ARCRTRP forms show the development of the ARC caps by line type and the tariffed ARC rates by line type. The ARCTRTP-No CAF-2 Form distributes actual ARC recovery between Residence, non-MLB lines and MLB lines based on the line weighting methodology prescribed in the USF/ICC Transformation Order.

2.5.1 ARCRCTRTP-No CAF-1 Form

The ARCRCTRTP-No CAF 1 Form contains line count data by exchange within the Ohio and Kentucky and Hawaii study areas. For 1FR, non-primary lines, ISDN-BRI and single line business, the data sheet lists the applicable basic rates, federal Subscriber Line Charge (SLC), prior year ARC and state charges including state SLC, zone charges, Telecommunication Relay Service (TRS), E-

911, Extended Area Service (EAS), and state Universal Service Fund (USF) charges for each exchange. The rates are summed for use in the ARCRCTR form for comparison of maximum and tariffed ARC.

2.5.2 ARCRCTR-No CAF-2 Form

The ARCTR No CAF-2 uses the line count data and rate data from the ARCTR-No CAF-1 forms to compute the CBT's maximum ARC revenue recovery opportunity based on the ARC rate ceilings prescribed in the USF/ICC Transformation Order. The form also displays actual ARC revenues eligible for recovery from the ERTRP Form. The data is displayed by study area and also summarized at a total company level. The maximum ARC recovery assumes that the maximum ARC rates are charged for all SLB lines, all MLB lines, and Residential lines for exchanges in which the total 1FR rates are less than the \$30 per month cap prescribed in the USF/ICC Transformation Order. The form compares ARC actual recovery, based on the tariffed ARC, to the total eligible ARC recovery to ensure that recovered ARC revenues do not exceed eligible ARC revenues.

2.6 LINE COUNT DEVELOPMENT

2.6.1 CBT

CBT analyzed the line count change from total year 2011 to total year 2018 by line type and by End Office (EO). CBT used a straight-line forecast based on the changes from total year 2011 to total year 2018 by end office and by

line-type to forecast line counts for the July, 2019 through June, 2020 period.

CBT used December 2018 annualized line count data by line type, by end office, as a beginning point for forecasting lines for the July, 2019 through June, 2020 period.

First, CBT applied one-half the annual forecasted change to the annualized December 2018 lines to account for the January 2019 – June 2019 period. CBT then applied the total year forecasted change to the line counts forecasted as of June 2019 to determine forecasted lines for the July 2019 to June, 2020 period. CBT applied the following equation to the annualized December 2018 lines by line type and EO:

$$\text{December 2018 Annualized lines} + (\text{annual forecasted change} \times .5) + \text{annual forecasted change} = \text{July 2019 through June 2020 Forecasted lines.}$$

The July 2019 to June 2020 forecasted line counts were then summarized by exchange and line type for input into the ARCRCTRIP – No CAF-1 and ARC No-CAF study area forms.

2.6.2 Hawaiian Telcom

Hawaiian Telcom developed a 12-month annual line count forecast by analyzing the Access line count change from total year 2014 to total year 2015, total year 2015 to total year 2016, total year 2016 to total year 2017, and total year 2017 to total year 2018 by line type, and by central office. Hawaiian Telcom developed a straight-line forecast change rate, by line type, and by central office. A similar analysis was completed for residential lifeline access lines, by central office. Hawaiian Telcom used the December 2018 annualized

line counts, by line type, by central office as the beginning point for developing the line forecast used in this filing. The straight-line change rate was applied to the December 2018 annualized line counts to develop the access line demand counts for the July 2019 through June 2020 period. The resulting forecast lines were reduced by the forecast residential lifeline access lines, by central office.

2.7 ICC-SUM-1 Form

The ICC-SUM-1 form provides a comparison between the 2018 ICC filing and the current 2019 ICC filing by study area for the following recoverable revenues: access reductions, net reciprocal compensation revenues, net CMRS revenues, eligible recovery revenues and maximum ARC revenues. The ICC-SUM-1 form also provides a comparison of eligible ARC lines between the 2018 ICC filing and the current 2019 ICC filing by study area for residence, single line business, and multi-line business. The ICC-SUM-1 form also includes ARC True-up revenues for the year beginning July 1, 2017

2.8 ARC-TUP Form

The Commission's Rules in 47 C.F.R 51.915(d)(1)(iv) (F) requires that ILECs compute Access Recovery Charges less Expected Revenues for Access Recovery charges for the year beginning July 1, 2012 (True-up amount). The ARC-TUP form shows the calculation of the difference in Expected ARC Revenues and Actual ARC revenues for the year beginning July 1, 2017. Actual line counts for the period are multiplied by the ARC rate for that period by exchange and by line type (RES/Non-Primary Residential/BRI, Single Line

Business, and Multiline Business). These revenues are compared to the Expected ARC Revenues for the period based on the same Exchanges and line types. The difference in this calculation is the True-up amount that is included on the ERTRP (eligible Recovery) Form as part of the current year Eligible Recovery calculation.

2.9 Attachments

CBTCAR_19_Confidential	ARC-1 TRP and ARC-2 TRP Forms
CBTCAR_19_Public Redacted	ARC-1 TRP and ARC-2 TRP Forms
CBTCER_19	ERTRP Form
CBTCSUM_19_Confidential	ICC-SUM-1 form
CBTCSUM_19_Public Redacted	ICC-SUM-1 form
CBTCTRC_19 Confidential	ARCRCTRTP Forms
CBTCTRC_19_Public Redacted	ARCRCTRTP Forms
CBTCTU_19_Confidential	ARC-TUP Form
CBTCTU_19_Public Redacted	ARC-TUP Form