2020 Hawaiian Telcom, Inc. PRICE CAP REVISIONS

2020 Hawaiian Telcom, Inc. Annual Tariff Review Plan Filing

2020 Hawaiian Telcom, Inc. and Cincinnati Bell Telephone Combined INTERCARRIER COMPENSATION

June 16, 2020

Description & Justification

Herein, Hawaiian Telcom, Inc. ("Hawaiian Telcom") provides the Description and Justification related to its annual access tariff filing, Tariff Review Plan. Hawaiian Telcom also provides combined Cincinnati Bell Telephone (CBT)/Hawaiian Telcom 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.*

2020 Hawaiian Telcom Price Cap Revisions

2020 Hawaiian Telcom Annual Tariff Review Plan Filing

1.0 INTRODUCTION

This filing represents Hawaiian Telcom's Annual 2020 Tariff Review Plan (TRP) and the necessary support data as required by the Commission[2] 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 the exclusion of

[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 2020 Annual Access Tariff Filings* ("TRP Order"), WC Docket No. 20-55, Order, DA 20-502, released May 12, 2020.

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

The Commission, in its Order[4] established an effective date of July 1, 2020 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 services competitive market test.[5] The list of competitive counties included four of the five counties served by Hawaiian Telcom. In January 2018, the Commission deemed granted Hawaiian

[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, 2020 Annual Access Charge Tariff Filings*, WC Docket No. 20-55, Order, DA 20-513, released April 14, 2020.

[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 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).

Telcom's filing to discontinue BDS services in the fifth county, Kalawao County.[6] In order to comply with FCC's *BDS Order*, Hawaiian Telcom has excluded all demand for 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 2019 (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.[7] 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*.

[6] Public Notice, *Comments Invited on Section 214 Application(s) To Discontinue Domestic Dominant Carrier Telecommunications Services*, WC Docket No(s). 17-321, DA 17-1141, (WCB, rel. November 22, 2017).

1.3 EXOGENOUS COST CHANGES

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

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 Fees, TRS, and NANPA amounts are allocated to the Common Line Basket based on 499-A[8] 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 Fees exogenous cost changes were calculated by determining the difference between the Regulatory Fees based on 2018 revenues and those based on 2019 revenues at the rate published in *Assessment and Collection of*

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[7] See 47 C.F.R. §§ 61.43, 61.45

[8] Hawaiian Telcom's 2019 Form 499-A Telecommunications Reporting Worksheet (Reporting Calendar Year 2019 Revenues), filed April 1, 2020.

Regulatory Fees for Fiscal Year 2019, FCC 19-83, MD Docket No. 19-105, Report and Order, released August 27, 2019.

1.3.2.1 CALCULATION OF FCC REGULATORY FEES

The first step for calculating the total company preliminary amount of FCC regulatory fees for the tariff period 2020 through 2021 was to determine the adjusted total end user interstate price cap revenues for 2019 from Hawaiian Telcom's Form 499-A. The revenues were multiplied by the regulatory fee factor of 0.00317 per FCC 19-83, MD Docket 19-105. The current amount in rates from the 2019/2020 tariff period, adjusted for the reversal of a true-up from the 2018/2019 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 Fees exogenous cost adjustment is an increase of $6,158 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 2018 revenues and those based on 2019 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 19-607, released June 28, 2019.

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 2019/2020 tariff period and 2019 adjusted 499-A price cap end user interstate revenues multiplied by the TRS rate factor of 0.02779 adopted in DA 19-607. The current amount in rates from the 2019/2020 tariff period, adjusted for the reversal of a true-up from the 2018/2019 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 a decrease of ($5,210) 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 2018 revenues and those based on 2019 revenues at the rate published in Wireline Competition Bureau Public Notice DA 19-810, WCB Docket No. 92-237, released August 22, 2019, *Proposed North American Numbering Plan Administration Fund Size Estimate and Contribution for October 2019 through September 2020.*

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 2019 adjusted 499-A price cap total end user revenues multiplied by the approved rate of 0.0000908 in DA 19-810. The current amount in rates from the 2019/2020 tariff period,

adjusted for the reversal of a true-up from the 2018/2019 tariff period, was then subtracted from this amount.

The Exogenous Cost Allocations Workpaper shows the amounts allocated to Common Line services. The total Price Cap NANPA exogenous cost adjustment is an increase of $5,207 in this filing, all of which is allocated to Common Line.

1.4 DEMAND

1.4.1 INTRODUCTION

Hawaiian Telcom used current rates and 2019 base period demand quantities to determine the base period revenues.

1.4.2 DATA SOURCES

Hawaiian Telcom obtained the 2019 demand data from its customer billing system and CABS for each rate element for the Common Line basket. The 2019 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 HTHIA20a. 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 2019 base period. Further, no new price cap services have been introduced to date in 2020.

1.5 IAS SUPPORT

Pursuant to the 2011 USF/ICC Transformation Order, FCC 11-161 (rel. Nove. 18, 2011); 47 C.F.R. §54.312(a)(3); and DA 13-2101, the Commission eliminated Interstate Access Support (IAS). However, carriers previously receiving frozen support were required to calculate interstate rates as though they were still receiving IAS on a frozen per-line basis. Consistent with section 54.312(a)(3), with the present filing, frozen per-line IAS support is no longer included in the TRP CAP schedules. Additional documentation pertaining to the removal of IAS Support from the TRP CAP schedules can be referenced in Figure 7_HTHI IAS Calculation (TRP Form IAS-CALC) of Hawaiian Telcom's 2020 Annual Filing.

1.6 RATEMAKING

Hawaiian Telcom is not changing its multiline business and ISDN Primary Rate Interface (PRI) SLCs. These rates will remain at the current rates of $8.19 and $40.95 respectively. This represents no change to its common line basket revenues, and complies with the CMT limits imposed on common line basket revenues.

1.7 WORKPAPERS AND TARIFF REVIEW PLAN

1.7.1 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.

1.7.2 INDEX

Tariff Review Plan Long Form (HTHIAN20)

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 2019
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
Figure 7	IAS CALC
HTHIA20a	Rate Detail File
WP_Revenue Summary	Revenue Summary
Workpaper GDP-PI	GDP-PI Factor Development
Exogenous Cost Allocations Workpaper	

SECTION B

2020 Hawaiian Telcom 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 Telcom will assess an Access Recovery Charge (ARC) to their 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 it Order, I*n 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 it Order, I*n 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 38.74% (equal to 90% of last year's 43.05% factor)[9] and the 90% CALLS Study Area Base Factor[10] 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

[9] See 47 C.F.R. §§ 51.915(b)(10).

[10] See 47 C.F.R. §§ 51.915(b)(2).

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 ARC No CAF-1 TRP data is 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. CBT and Hawaiian Telcom each assess an Access Recovery Charge (ARC) to their 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 their 2012 Annual Access/ICC filings, CBT and Hawaiian Telcom stated that they will not be participating in the Connect America Fund (CAF) distributions.

2.5 ARCRCTRP Forms

The ARCRTRP forms show the development of the ARC caps by line type and the tariffed ARC rates by line type. The ARCTRP-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 ARCRCTRP-No CAF-1 Form

The ARCRCTRP-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 ARCRCTRP form for comparison of maximum and tariffed ARC.

2.5.2 ARCRCTRP-No CAF-2 Form

The ARCTRP No CAF-2 uses the line count data and rate data from the ARCTRP-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 2019 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 2019 by end office and by line-type to forecast line counts for the July, 2020 through June, 2021 period. CBT used December, 2019 annualized line count data by line type, by end office as a beginning point for forecasting lines for the July, 2020 through June, 2021 period.

First, CBT applied one-half the annual forecasted change to the annualized December 2019 lines to account for the January 2020 – June 2020 period. CBT then applied the total year forecasted change to the line counts forecasted as of June 2020 to determine forecasted lines for the July 2020 to June, 2021 period. CBT applied the following equation to the annualized December 2019 lines by line type and EO:

> December 2019 Annualized lines + (annual forecasted change x .5) + annual forecasted change = July 2019 through June 2020 Forecasted lines.

The July 2020 to June 2021 forecasted line counts were then summarized by exchange and line type for input into the ARCRCTRP – 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 2015, total year 2015 to total year 2016, total year 2016 to total year 2017, total year 2017 to total year 2018, and total year 2018 to total year 2019 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 2019 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 2019 annualized line counts to develop the access line demand counts for the July 2020 through June 2021 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 2019 ICC filing and the current 2020 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 2019 ICC filing and the current 2020 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, 2018

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, 2018 (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, 2018. 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_20_Confidential	ARC-1 TRP and ARC-2 TRP Forms
CBTCAR_20_Public Redacted	ARC-1 TRP and ARC-2 TRP Forms
CBTCER_20	ERTRP Form
CBTCSUM_20_Confidential	ICC-SUM-1 form
CBTCSUM_20_Public Redacted	ICC-SUM-1 form
CBTCTRC_20_Confidential	ARCRCTRP Forms
CBTCTRC_20_Public Redacted	ARCRCTRP Forms
CBTCTU_20_Confidential	ARC-TUP Form
CBTCTU_20_Public Redacted	ARC-TUP Form