

MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION

TRANSMITTAL NUMBER 30

TARIFF REVIEW PLAN (TRP) SUBMITTAL
FOR JULY 1, 2020 ACCESS CHARGE TARIFF FILING

JUNE 16, 2020

MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION

TRANSMITTAL NUMBER 30
INTERSTATE ACCESS TARIFF FILING

PROSPECTIVE PERIOD
JULY 1, 2020 – JUNE 30, 2021

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MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION
TARIFF F.C.C. NO. 1

DESCRIPTION AND JUSTIFICATION

INTRODUCTION

Minnesota Independent Equal Access Corporation (“MIEAC”) makes this filing in accordance with the Order of the Pricing Policy Division of the Wireline Competition Bureau, In the Matter of Material to be Filed in Support of 2020 Annual Access Tariff Filings, WC Docket No. 20-55, DA 20-502 (released May 12, 2020) (the “2020 TRP Order”). This filing includes data with the assumption that MIEAC is filing as both a Rate-of-Return centralized equal access (“CEA”) provider and a competitive LEC (“CLEC”). Included in this filing are the required documents to support MIEAC’s tariffed services and the cost-support materials provided to support those rates on a going-forward basis. In this filing, MIEAC proposes to replace its existing CEA switching, originating tandem switching and originating transport rates with a composite originating Switched Transport rate benchmarked to the incumbent RBOC’s (*i.e.*, CenturyLink) switched access tandem rates. MIEAC does not propose any change to the existing terminating rates, which are already competitive and fall below a comparable benchmarked CenturyLink rate.

CORPORATE AND REGULATORY STATUS

MIEAC is a Minnesota corporation, formed on October 6, 1988, with its headquarters in Plymouth, Minnesota. It is a wholly-owned subsidiary of Onvoy, LLC d/b/a Inteliquent (“Inteliquent”), which offers wholesale interstate and intrastate telecommunication services primarily for Interexchange Carriers (“IXCs”), Incumbent LECs (“ILECs”), CLECs, cable operators, wireless service providers, VoIP service providers and other carriers. Inteliquent’s primary business location is in Chicago, Illinois.

By Memorandum Opinion, Order and Certificate, File No. W-P-C-6400, released August 22, 1990, the Commission’s Common Carrier Bureau (Domestic Facilities Division) granted MIEAC’s Section 214 Application, as amended, to lease and operate transmission facilities in order to provide CEA service to IXCs through a centralized switching facility in the State of Minnesota. The Division found that the public interest would be served by MIEAC’s proposed network for the aggregation of equal access traffic in Minnesota.

By Order Granting Certificate of Authority to Provide Equal Access Service, Docket No. P3007/NA-89-76, issued January 10, 1991, the Minnesota PUC granted MIEAC Certificates of Public Convenience and Authority to provide CEA services within the State of Minnesota.

OVERVIEW

MIEAC operates a robust statewide network consisting of an IP tandem switching system, geographically dispersed tandem access points referred to as Toll Transfer Points or “TTPs”, fiber optic SONET transmission systems and digital access cross-connect systems. MIEAC no longer has three separate TDM tandem switches but is now absorbed into a nationwide distributed switch architecture that is utilized to provide capacity as well as physical and network redundancy. MIEAC offers all IXCs the opportunity to interconnect with its system at defined points of interconnection (*i.e.*, the TTPs). MIEAC’s tandem switching and transport services enable IXCs to aggregate their long-distance traffic at a single point for the completion of that traffic to and from the local exchanges of over 80 independent telephone companies across five different LATAs, and provides 1+ presubscription (CEA) services for IXCs wishing to serve end users in exchanges of those independent telephone companies. MIEAC does not operate end-office switches or provide local exchange telephone service and is not an ILEC. Additionally, some MIEAC end points have converted from TDM to SIP interconnection, further enhancing its service.

MIEAC’s network is fully redundant, able to provide complete failover between the northern and southern parts of the state. In addition to the network redundancy, MIEAC has had an enhanced SS7 monitoring system in place since 2008.

For 2019, MIEAC's interstate rate of return was 7.98%, which is below the authorized rate of return for that period (*i.e.*, 10.25%), as is the (negative) -13.12% rate of return for the Test Year, July 1, 2020 to June 30, 2021. The number of terminating minutes has dramatically declined since 2012 and originating minutes of use have steadily declined since 2008, as interconnected wireline LECs realize reduced demand. Total interstate switching minutes decreased 40% from 2018 to 2019. MIEAC anticipates that Test Year 2020-21 will be similar to 2019 in terms of declining revenue, caused by declining originating and terminating minutes. Demand quantities utilized in this filing represent interstate originating and terminating minutes of use ("MOU") based on the current trend of interstate demand and billing. Estimated MOU for the Test Year 2020-21 reflects a steadily decreasing demand for originating and terminating traffic based on 2019 trends and the declining access lines of subtending LEC carriers. Although some MIEAC rate elements had a slight increase in demand in March and April 2020 due to increased calling related to the COVID-19 pandemic, we feel that the COVID-19 demand increase is temporary and will gradually taper off through the remainder of 2020. Underlying our forecast assumption is a gradual loss of billed minutes due to the declining volume of ILEC wireline access lines.

Switch MOU Category	2018	2019	Forecast 2020	Forecast TY 20-21
Orig Switch MOU	98,704,667	84,927,562	76,972,560	68,091,905
Term Switch MOU	302,095,707	155,086,713	97,544,957	83,591,345
Total Switch MOU	400,800,374	240,014,275	174,517,517	151,683,250

Due to the historically higher MOU demand and competitive nature of terminating traffic, the MIEAC rate structure has set terminating rates at a lower level than originating rates.

ANALYSIS OF REVENUE REQUIREMENT AND RATE LEVELS

In preparing this filing, MIEAC has opted to eliminate its Originating CEA Switching, Originating Tandem Switching and Originating Transport rates and instead offer a composite Originating Tandem Switched Transport rate of \$0.006338, which has been benchmarked to CenturyLink, the incumbent RBOC in Minnesota. The functions of CEA look-up, transport, tandem switching and channel multiplexing are inclusive within MIEAC's proposed composite Originating Tandem Switched Transport rate. MIEAC feels this approach is the optimal method for offering IXCs rate relief on originating traffic and to create a rate comparable with CenturyLink as a competitive tandem provider. A comparison of legacy and proposed rates is below:

Legacy Originating MIEAC Rate Elements	Rate
Originating CEA Switching (this bundled service combines transport, the CEA look-up and tandem switching)	\$0.0169
Originating Tandem Switching (this service utilized for non-CEA traffic and outbound toll-free (8YY))	\$0.0037
Originating Transport (billed for legs of transport from TTPs to MIEAC Tandem)	\$0.0099

Under the current rate structure, Originating CEA Switching is a bundled service combining the three functions of transport, CEA look-up and tandem switching. By contrast, Originating Tandem Switching is an unbundled rate element that does not include transport, and for most customers, a leg of transport is included for every tandem switching minute. Therefore, the net cost for most Originating Tandem Switching minutes of use becomes:

Originating Tandem Switching	\$0.0037
<u>Originating Transport</u>	<u>\$0.0099</u>
Net MOU Cost	\$0.0136

MIEAC proposes to eliminate this rate structure and, effective July 1, offer a single composite rate of \$0.006338 for all originating minutes. This rate will be inclusive of any CEA look-up and transport.

Proposed Originating MIEAC Rate Element	Rate
Originating Tandem Switched Transport (this composite service includes any required CEA look-up and transport to TTPs)	\$0.006338

The new composite rate of \$0.006338 is a 62.5% reduction from the Originating CEA Switching rate of \$0.0169, and a 53.4% reduction from the net cost of Originating Tandem Switching plus Originating Transport, \$0.0136.

In preparing this filing, MIEAC has been guided by footnote 5 of the *2020 TRP Order*, which states as follows:

“Although they are not incumbent local exchange carriers, [CEA] providers are regulated as dominant rate-of-return carriers subject to the cost-based tariff filing requirements of section 61.38, in addition to the benchmarking requirements of section 61.26. ... CEA Providers are required to make cost-supported tariff filings this year, pursuant to the guidance contained herein.”¹

In the *Aureon Rate Order*, the Commission concluded as follows:

¹ *2020 TRP Order*, n.5, citing 47 CFR §§ 61.26, 61.38, 69.3(f)(1); see *AT&T Corp. v. Iowa Network Services, Inc. d/b/a Aureon Network Services*, Proceeding No. 17-56, Bureau ID No. EB-17-MD-001, Memorandum Opinion and Order, 32 FCC Rcd 9677, 9680, 9690, paras. 8, 26 (2017), *pet. for review pending*, *AT&T Corp. v. FCC*, No. 18-1007 (D.C. Cir. filed Jan. 8, 2018); *Iowa Network Access Division, Tariff F.C.C. No. 1*, WC Docket No. 18-60, Memorandum Opinion and Order, 33 FCC Rcd 7517, 7519, para. 4 (2018), *pet. for review pending*, *Iowa Network Servs., Inc. v. FCC*, No. 18-1258 (D.C. Cir. filed Sept. 19, 2018) (“*Aureon Rate Order*”).

Aureon's switched transport rate must comply with our transitional switched access service rate rules, which impose both a rate cap for all LECs and a benchmarking obligation on Aureon, as a competitive LEC. As a dominant carrier, Aureon must also comply with our rules governing the development of cost-based rates. As a result, Aureon's tariffed switched transport rate cannot exceed the lower of: (i) Aureon's rate cap, (ii) its competitive LEC benchmark, or (iii) its cost-based rate.²

Accordingly, MIEAC evaluated its rate levels with respect to all three of the constraints identified in the *Aureon* decision:

1. Not exceeding capped 2011 Rates;
2. Not exceeding authorized Rate of Return for cost-based rates; and
3. Not exceeding competing ILEC switched access rates.

MIEAC's current rate structure and rate levels satisfy all three constraints.

1. Capped Rates

MIEAC has not increased any interstate switched access rate elements since December 29, 2011, keeping it in compliance with the cap in 47 CFR § 51.909(a)(1). (One rate element was reduced effective July 1, 2012.) The new proposed composite rate of \$0.006338 is a 62.5% reduction from the Originating CEA Switching rate of \$0.0169, and a 53.4% reduction

² *Aureon Rate Order*, para. 1 (footnotes omitted).

from the net cost of Originating Tandem Switching plus Originating Transport, \$0.0136.

2. Rate of Return

As discussed at pages 5-6 above, MIEAC's current rate of return is well below the authorized level of 10.00% and is projected to be negative during the Test Year.

3. CenturyLink Benchmark

In the *Aureon Rate Order*, the Commission treated CenturyLink as the "competing ILEC" for purposes of applying the CLEC benchmark rule.³ MIEAC anticipates that, since CenturyLink is the ILEC operating tandem switches in the rate centers where MIEAC's Toll Transfer Points are located, the Commission would similarly treat CenturyLink as the competing ILEC for MIEAC.

MIEAC's rate elements and rate structure do not mirror CenturyLink's tariff, so MIEAC conducted a comparison of its total interstate originating and terminating access minutes for the first quarter of 2020 using the CenturyLink rates versus revenues using the existing MIEAC rates.

To perform this comparison, MIEAC measured the average transport mileage on its network, since its existing rates are not mileage-sensitive. An analysis of originating MIEAC traffic for the first three months of 2020

³ *Aureon Rate Order*, paras. 21-30.

resulted in (a) 127.0 miles for weighted average originating transport miles between MIEAC's toll transfer points and its tandem and (b) 128.9 miles for weighted average terminating transport miles between MIEAC's toll transfer points and its tandem, consistent with the methodology used in the *Aureon Rate Order* (*i.e.*, weighted for the volume of calls carried on MIEAC's network). See Attachment A. Using CenturyLink's tariffed interstate tandem-switched access rates applied to the actual mileage of MIEAC's network, MIEAC's benchmark rate per originating minute would be as follows:

MIEAC Benchmark to CenturyLink (Originating)

Tandem Transmission Usage Rates⁴ (Per Access Minute)

Fixed	\$0.000240	\$0.000240
Per Mile	\$0.000030 x 127.0	\$0.003810
Tandem Switching Charge ⁵	\$0.002252	\$0.002252
<u>Common Transport Multiplexing⁶</u>	<u>\$0.000036</u>	<u>\$0.000036</u>
Total per MOU		\$0.006338

Using CenturyLink's tariffed interstate tandem-switched access rates applied to the actual mileage of MIEAC's network, MIEAC's benchmark rate per originating minute would be as follows:

⁴ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 5th Revised Page 6-318.

⁵ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 3rd Revised Page 6-318.1.

⁶ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 3rd Revised Page 6-318.1.

MIEAC Benchmark to CenturyLink (Terminating)

Tandem Transmission Usage Rates⁷ (Per Access Minute)

Fixed	\$0.000240	\$0.000240
Per Mile	\$0.000030 x 128.9	\$0.003867
Tandem Switching Charge ⁸	\$0.002252	\$0.002252
<u>Common Transport Multiplexing⁹</u>	<u>\$0.000036</u>	<u>\$0.000036</u>
Total per MOU		\$0.006395

MIEAC then computed its total originating Test Year interstate access revenues using its existing rates, its December 2011 rates, and the CenturyLink benchmark rate for purposes of comparison:

Filing Option (Originating)	TY Access Revenue	TY Switch Originating MOU	ARPM
Existing 2020 Rates	\$758,148	68,091,905	\$0.011134
Capped 2011 Rates	\$758,148	68,091,905	\$0.011134
Benchmarked to CenturyLink	\$431,566	68,091,905	\$0.006338

In comparing these options, consistent with the *Aureon Rate Order* MIEAC has chosen to eliminate its Originating CEA Switching, Originating Tandem Switching and Originating Transport rates and instead offer a composite Originating Tandem Switched Transport rate of \$0.006338 which has been benchmarked to CenturyLink.

⁷ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 5th Revised Page 6-318.

⁸ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 3rd Revised Page 6-318.1.

⁹ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 3rd Revised Page 6-318.1.

MIEAC also computed its total terminating Test Year interstate access revenues using its existing rates, its December 2011 rates, and the CenturyLink benchmark rate for purposes of comparison:

Filing Option (Terminating)	TY Access Revenue	TY Switch Terminating MOU	ARPM
Existing 2020 Rates	\$237,540	83,591,345	\$0.002842
Capped 2011 Rates	\$245,903	83,591,345	\$0.002942
Benchmarked to CenturyLink	\$534,567	83,591,345	\$0.006395

MIEAC has chosen to retain its existing terminating rates and rate structure, as those rates are lower than the applicable CenturyLink benchmark rate.

MIEAC is projecting a (negative) –13.12% rate of return for TY 20-21.

RATE DEVELOPMENT

MIEAC's cost-support material has been developed using procedures prescribed by the FCC. The revenue requirement associated with providing CEA and tandem and transport services for MIEAC was determined by using a mechanized jurisdictional separation system which incorporates Part 36 of the FCC Rules and Regulations. Part 36 was used to develop the interstate portions of forecasted investment and expense.

Since MIEAC provides only Switched Transport and the unbundled elements of Tandem Switching and Transport, the division of its interstate revenue requirement into separate rate elements under Part 69 does not yield results which are relevant to MIEAC's CEA rates.

Federal and state income taxes were estimated as 21 percent and 9 percent, respectively, of projected net income for 2019. Had MIEAC shown a positive net income for TY 20-21, tax rates would reflect 21 percent (Federal) and 9 percent (Minnesota). Forecasted miscellaneous revenues (primarily SS7) were subtracted from MIEAC's total company revenue requirement to determine the net revenue requirement for the originating Switched Transport rate element and terminating services.

MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION
NET REVENUE REQUIREMENT AND RATE SCHEDULE

NET REVENUE REQUIREMENT, Switched Access and Miscellaneous \$832,089

NET REVENUE REQUIREMENT, Switched Access \$669,106

PROJECTED RATE OF RETURN, TEST YEAR -13.12%

CURRENT RATES PER MINUTE OF USE

Interstate Orig CEA Switching \$0.0169

Interstate Orig Tandem Switching \$0.0037

Interstate Orig Transport \$0.0099

Interstate Term Tandem Switching \$0.0021

Interstate Term Transport \$0.0008

PROPOSED RATES PER MINUTE OF USE

Interstate Orig Switched Transport \$0.006338

Interstate Term Tandem Switching \$0.0021

Interstate Term Transport \$0.0008

ATTACHMENT A

COMPUTATION OF AVERAGE WEIGHTED TRANSPORT MILEAGE