

MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION

TRANSMITTAL NUMBER 33

TARIFF REVIEW PLAN (TRP) SUBMITTAL
FOR JULY 1, 2022 ACCESS CHARGE TARIFF FILING

JUNE 24, 2022

MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION

TRANSMITTAL NUMBER 33
INTERSTATE ACCESS TARIFF FILING

PROSPECTIVE PERIOD
JULY 1, 2022 – JUNE 30, 2023

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MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION
TARIFF F.C.C. NO. 2

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 2022 Annual Access Tariff Filings, WC Docket No. 22-108, DA 22-407 (released April 15, 2022) (the “2022 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 reduce its existing 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 Originating 8YY Switched Transport composite rate of \$0.0010, mandated by the FCC, or MIEAC’s terminating rates, which are already competitive and fall below the 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 point ILECs 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 2021, MIEAC's interstate rate of return was 6.34%, which is below the authorized rate of return for that period (*i.e.*, 9.75%), as is the 3.15% rate of return for the Test Year (July 1, 2022 to June 30, 2023) ("TY 2022-23"). On MIEAC's network, 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 on MIEAC's network decreased 28% from 2020 to 2021. MIEAC anticipates that TY 2022-23 will be similar to 2021 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 TY 2022-23 reflects a steadily decreasing demand for originating and terminating traffic based on 2021 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, the increase was temporary and access minutes for ILECs subtending the MIEAC tandem are now gradually decreasing. Underlying our forecast assumption is the reduced minutes we see in the beginning months of 2022, and that trend continuing into TY 2022-23.

Switch MOU Category	2020	2021	Forecast 2022	Forecast TY 22-23
Orig Switch MOU	78,980,714	54,680,942	44,746,424	43,700,716
Term Switch MOU	89,585,313	65,968,719	62,398,431	61,600,031
Total Switch MOU	168,566,027	120,649,661	107,144,855	105,300,747

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 for many years.

ANALYSIS OF REVENUE REQUIREMENT AND RATE LEVELS

In preparing this filing, MIEAC continues to offer two Originating rates: (1) the FCC’s uniform nationwide rate of \$0.0010 on Originating 8YY minutes¹ and (2) the composite Originating Tandem Switched Transport

¹ *July 1, 2022 Annual Access Charge Tariff Filings*, Order, WC Docket No. 22-108, DA 22-494, ¶ 8 (WCB May 9, 2022) (noting that incumbent LECs are “required to tariff a single rate element of no more than \$0.001 per minute for toll free joint tandem switched transport access service”); *8YY Access Charge Reform*, WC Docket No. 18-156, Report and Order, 35 FCC Rcd 11594, ¶ 52 (2020) (adopting a single uniform nationwide tariffed joint tandem switched transport access service rate cap of \$0.001 per minute for originating 8YY traffic as of July 1, 2021).

rate on 1+ originating traffic, now reduced from \$0.006338 to \$0.005963, which rate has been benchmarked to CenturyLink, the incumbent RBOC in Minnesota. MIEAC's Originating 8YY minutes are roughly double its Originating 1+ minutes, so IXCs have realized significant rate relief since July 2021 with the FCC's uniform \$0.0010 rate for composite Originating 8YY. The functions of CEA look-up, transport, tandem switching and channel multiplexing are still inclusive within MIEAC's composite Originating Tandem Switched Transport rate. A comparison of legacy and proposed rates is below:

Current and Proposed Originating MIEAC Rate Elements	Current Rates	Proposed Rates
Originating 8YY Switched Transport (this composite service includes tandem switching, transport, and channel multiplexing)	\$0.001000	\$0.001000
Originating Tandem Switched Transport (this composite service includes any required CEA look-up and transport to TTPs)	\$0.006338	\$0.005963

The Originating 8YY Switched Transport rate of \$0.001000, implemented in July 2021, was an 84% rate reduction at that time from the previous composite rate of \$0.006338 MIEAC offered for all Originating traffic. The proposed Originating Tandem Switched Transport composite rate of \$0.005963 for 1+ originating traffic is a 5.9% reduction from the current rate of \$0.006338.

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.”²

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

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.³

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

² *Material to be Filed in Support of 2020 Annual Access Tariff Filings*, WC Docket No. 20-55, Order, DA 20-502, n.5, (WCB 2020) 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*”).

³ *Aureon Rate Order*, para. 1 (footnotes omitted).

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).

2. Rate of Return

As discussed at page 6 above, MIEAC's current rate of return is 6.34% for Historical Year 2021, well below the authorized level of 9.75%, and is projected to be 3.15% during TY 2022-23.

3. CenturyLink Benchmark

In the *Aureon Rate Order*, the Commission treated CenturyLink as the "competing ILEC" for purposes of applying the CLEC benchmark rule.⁴ 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

⁴ *Aureon Rate Order*, paras. 21-30.

MIEAC. Since MIEAC already complies with the FCC-mandated rate of \$0.0010 for Originating 8YY traffic, no benchmark analysis was performed for those minutes.

MIEAC's rate elements and rate structure do not mirror CenturyLink's tariff, so MIEAC conducted a comparison of its total interstate originating 1+ and terminating access minutes for 2021 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 1+ MIEAC traffic for 2021 resulted in (a) 114.5 miles for weighted average originating transport miles between MIEAC's toll transfer points and its tandem and (b) 121.3 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 1+ minute would be as follows:

MIEAC Benchmark to CenturyLink (Originating 1+)

Tandem Transmission Usage Rates⁵ (Per Access Minute)

Fixed	\$0.000240	\$0.000240
Per Mile	\$0.000030 x 114.5	\$0.003435
Tandem Switching Charge ⁶	\$0.002252	\$0.002252
<u>Common Transport Multiplexing⁷</u>	<u>\$0.000036</u>	<u>\$0.000036</u>
Total per MOU		\$0.005963

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

MIEAC Benchmark to CenturyLink (Terminating)

Tandem Transmission Usage Rates⁸ (Per Access Minute)

Fixed	\$0.000240	\$0.000240
Per Mile	\$0.000030 x 121.3	\$0.003639
Tandem Switching Charge ⁹	\$0.002252	\$0.002252
<u>Common Transport Multiplexing¹⁰</u>	<u>\$0.000036</u>	<u>\$0.000036</u>
Total per MOU		\$0.006167

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

⁶ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 4th Revised Page 6-318.1.

⁷ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 4th Revised Page 6-318.1.

⁸ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 6th Revised Page 6-318.

⁹ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 4th Revised Page 6-318.1.

¹⁰ CenturyLink Operating Companies, Tariff F.C.C. No. 11, 4th Revised Page 6-318.1.

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 3.15% rate of return for TY 2022-23.

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 rates.

Federal and state income taxes were estimated as 21 percent and 5 percent, respectively, of projected net income for 2021. 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 elements and terminating services.

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NET REVENUE REQUIREMENT AND RATE SCHEDULE

NET REVENUE REQUIREMENT , Switched Access and Miscellaneous	\$408,968
NET REVENUE REQUIREMENT , Switched Access	\$284,708

PROJECTED RATE OF RETURN, TEST YEAR	3.15%
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CURRENT RATES PER MINUTE OF USE

Interstate Orig 1+ Switched Transport	\$0.006338
Interstate Orig 8YY Switched Transport	\$0.001000
Interstate Term Tandem Switching	\$0.0021
Interstate Term Transport	\$0.0008

PROPOSED RATES PER MINUTE OF USE

Interstate Orig 1+ Switched Transport	\$0.005963
Interstate Orig 8YY Switched Transport	\$0.001000
Interstate Term Tandem Switching	\$0.0021
Interstate Term Transport	\$0.0008

ATTACHMENT A

COMPUTATION OF AVERAGE WEIGHTED TRANSPORT MILEAGE