DESCRIPTION AND JUSTIFICATION
JOHN STAURULAKIS, INC. TARIFF F.C.C. NO. 1
DS1 CHANNEL SERVICE
Transmittal No. 109
September 8, 2005
Concord Telephone Company (NC)
FRN #0003-7620-10

1. INTRODUCTION

John Staurulakis, Inc. (JSI) submits the accompanying revisions to its Tariff F.C.C. No. 1. This transmittal is being made on behalf of Concord Telephone Company (CTC), an issuing carrier operating in North Carolina, in response to the partial waiver of section 69.104(q) of the Commission's rules[1] that permits rate-of-return carriers to reduce from twenty-four to five the number of Subscriber Line Charges (SLCs)[2] that they may assess for T-1 services where the customer supplies the terminating channelization equipment. JSI proposes in this filing to reduce the number of SLC charges to five for these services for CTC. Additionally, JSI proposes to add a new rate element that assesses a line port charge on derived T-1 services.

This filing is similar to that made by the National Exchange Carrier Association (NECA) in its Transmittal No. 1035 filed with the Commission on August 10, 2004.

[1] *See* National Exchange Carrier Association Petition to Amend Section 69.104 of the Commission's Rules, WC Docket No. 04-259, RM-10603, *Order Granting Petition for Rulemaking, Notice of Proposed Rulemaking, and Order Granting Interim Partial Waiver*, 19 FCC Rcd 13591, FCC 04-174 (rel. July 19, 2004), (*Interim Waiver*), (granting, in relevant part, partial interim waiver of Section 69.104 of the Commission's rules to all similarly situated rate-of-return carriers, including those that did not formally request the waiver, that wish to avail themselves of the waiver).

[2] Subscriber Line Charge or "SLC" are the common industry name and abbreviation for the End User Common Line (EUCL) element prescribed in the Commission's Part 69 Access Charge Rules. *See* 47 C.F.R. § 69.4(a).

2. BACKGROUND

On September 26, 2002, the NECA filed a petition[3] for rulemaking requesting that the Commission initiate a rulemaking proceeding to modify its rules governing the assessment of SLCs for derived channel T-1 services (also called channelized DS1 services) where the customer provides the terminating channelization equipment. NECA requested that the Commission assess the same number of SLCs for derived channel T-1 services as it does for ISDN PRI services and amend its rules to require that no more than five SLCs (as is the case for PRI ISDN) may be assessed for loops used to provide derived channel T-1 services.

In its *Interim Waiver Order*, the FCC granted a partial waiver of section 69.104(q) of its rules to permit rate-of-return carriers to reduce from twenty-four to five the number of SLCs that they may assess on customers of derived channel T-1 service where the customer provides the terminating channelization equipment. In the same order, the FCC granted a petition for rulemaking and initiated a proceeding to examine the proper number of SLCs that carriers may assess customers on both derived channel T1 service and PRI ISDN services.

This filing seeks to apply the partial waiver of section 69.104(q) and proposes an interim rate set equal to the ISDN PRI Line Port rate of $23.51 for a new rate element – the DS1 Line Port rate. Because the regulations for ISDN Line Port charges under JSI Tariff F.C.C. No. 1 are those that apply to CTC but the tariff does not currently contain CTC ISDN Line Port rates, JSI proposes on behalf of CTC establishing ISDN Line Port rates at the current NECA rates of $2.23 for ISDN BRI Line Ports and $23.51 for ISDN PRI Line Ports.[4]

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[3] National Exchange Carrier Association, Inc. Petition to Amend Section 69.104 of the Commission's Rules, RM-10603, Petition for Rulemaking (filed Sept. 26, 2002) (SLC T-1 Rulemaking Petition)

[4] JSI has received Special Permission No. 05-040 to make these changes based on its assertion that JSI and CTC will undertake a detailed study to develop a DS1 specific Line Port Rate together with ISDN Line Port rates as part of the 2006 annual filing to be effective July 1, 2006. This filing follows the NECA

Although it has charged NECA ISDN Line Port rates since the JSI MAG[5] Filing under Transmittal No. 57 effective January 1, 2002, CTC has complied with the requirement to remove the excess line port costs for ISDN from the traffic sensitive revenue requirement. CTC calculates total line port costs for purposes of making MAG adjustments but has not at this time calculated separately the line port costs for ISDN or DS1 Channels. Waiver of Section 69.130 under the Commission's Special Permission allows CTC to continue to maintain parity with NECA Line Port rates until the 2006 annual access filing at which time CTC will file rates based on CTC costs.

3. DEMAND AND REVENUE IMPACTS

Exhibit 1 displays the demand and revenue effects of reducing the number of assessed SLCs on the derived channel T1 services from twenty-four to five and setting the new DS1 port rate equal to the ISDN PRI port rate currently billed by CTC. SLC demand and revenue data for DS1 channel service were based on projections provided by CTC, and were used to estimate the number of DS1 channel service SLCs to total channel service and the number of channel service SLCs to total Multiline Business (MLB) line counts. The two ratios were applied to the 2005-2006 Test Period MLB lines to derive DS1 channel service demand. Exhibit 1 displays the detailed calculations and shows the impact of reducing, from twenty-four to five, the number of SLCs assessed on customers of derived channel T-1 services.

Transmittal No. Setting the rate equal to the ISDN PRI Line Port rate is justified for an interim period because the study is expected to show that the actual costs for DS1 Line Ports are lower than for ISDN PRI Line Ports, since DS1 Channel Service does not normally have additional right-to-use fees common to ISDN. In the meantime, applying the potentially higher rate during the interim period will help insure that CTC is not receiving more ICLS than provided for under the rules. JSI plans to update on behalf of CTC the DS1 Line Port rate no later than its next Annual Tariff Filing (Effective July 2006).

[5] *See* Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, CC Docket No. 98-77, Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, CC Docket No. 98-166, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, 16 FCC Rcd 19613 (2001, (*MAG Order*).

As shown on Exhibit 1, at Line 9, there is an $18,534 annual SLC revenue reduction as a result of permitting rate-of-return carriers to reduce from twenty-four to five the number of SLCs that they may assess on customers of derived channel T-1 service. In addition, as shown on Line 10 of Exhibit 1, the proposed new DS1 Line Port charge introduced in this filing will recover $10,438 annually. Thus, the full year net revenue impact is -$8,096 as displayed in Line 11 on Exhibit 1.

The calculations on Exhibit 1 did not take into consideration that a reduction in access lines leads to a higher cost per loop for CTC as it is below the $9.20 per line multi-line business cap. As a result of the waiver, CTC estimates that it will report a reduction of 183 MLB lines. This reduction in MLB lines would have resulted in an increase in the MLB SLC rate of $0.01, from $8.44 to $8.45 as shown on Exhibit 3. As shown on Exhibit 1, Line 13, the change in the MLB SLC rate would have impacted test period estimated revenues by $14,216 on a prorated basis. JSI is not, however, proposing on behalf of CTC to raise CTC's MLB SLC rate in this filing.[6] Rather, the additional revenue that would have resulted from the increased MLB SLC rate will be accounted for by CTC reporting to the NECA Common Line Pool MLB-SLC revenue calculated at the higher $8.45 rate, notwithstanding CTC will continue to bill MLB customers the unchanged tariff rate of $8.44 through June 30, 2006 after which the rate will be set at average loop cost as part of the annual filing. The cost of reporting more revenue than billed will be absorbed by CTC.

4. RECASTED 2005-2006 TEST PERIOD COMMON LINE REVENUE

Since the proposed effective date of this filing is September 23, 2005, the revenue impacts were adjusted accordingly. The 2005-2006 test period SLC revenue is estimated to decrease by $14,216 and DS1 Line Port revenue is estimated to be $8,006. Thus the test period end user revenue will decrease by $6,209 (see Exhibit 1, Lines 13 through 15).

[6] Pursuant to Special Permission No. 05-040.

In the *MAG Order*, the FCC created Interstate Common Line Support (ICLS) as an explicit support mechanism. Generally speaking, any reduction in CTC's billed SLC charges would cause, on a stand-alone basis, an increase in ICLS. Because the $6,209 loss of MLB SLC revenue will be compensated for by CTC reporting MLB SLC revenues to the NECA Common Line Pool at the $8.45 rate, there will be no impact on the amount of ICLS.

5. CONCLUSION

The proposed tariff revisions comply with the commission's rules and should be allowed to become effective as scheduled on September 23, 2005.