

**MICRONEASIAN TELCOMMUNICATIONS CORP.**

**TARIFF F.C.C. NO. 1 (ACCESS SERVICE)**

**TRANSMITTAL NO. 3**

**ISSUED: JUNE 16, 2006**

**EFFECTIVE: JULY 1, 2006**

**DESCRIPTION & JUSTIFICATION**

## **1.0 INTRODUCTION**

In connection with the June 16<sup>th</sup>, 2006, Annual Filing submission, Microneasian Telecommunications Corp (MTC) hereby submit the Tariff Review Plan (TRP) pages and the necessary support data as required by the Commission<sup>1</sup> and in compliance with Sections 61.41 through 61.49 of the Commission's Rules. Also attached as required are the Form 492As. Appendix A contains all documentation associated with MTC.

This filing performs two major functions: (it targets the change in GDPPI less X-Factor (GDPPI-X) for the Common Line, Traffic Sensitive, and Trunking baskets to the ATS charge that has not yet reached the \$0.0055 target rate in a prior annual filing: (2) it reflects changes to the PICC Cap, the effects of the exogenous cost adjustments associated with adjustments to Telecommunications Relay Service (TRS), adjustments to Regulatory Fee Obligations and NANPA.

The total impact on indices in this filing is an overall reduction of \$101,090.

## **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

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<sup>1</sup> In the Matter of Material to be filed in Support of 2006 Annual Access Tariff Filings, DA 06-649, released March 24, 2006. In the Matter of Material to be filed in Support of July 2006 Annual Access Tariff Filings, WCB/Pricing File No. 06-15, released March 24, 2006.

(“bands”). Under this plan, MTC services subject to price cap regulation are grouped into four baskets:

- (1) Common Line
- (2) Traffic Sensitive
- (3) Trunking
- (4) Special Access

The Common Line basket includes CAP-1 adjustments for USAC Receipts. USAC Receipts change once a year in the June filing. The Traffic Sensitive, Trunking and Special Access baskets are also subject to individual service-specific price bands. The Traffic Sensitive basket has three service bands:

- (1) Local Switching
- (2) Data Base Access Service
- (3) Trunk Ports

The Trunking basket contains one service band for Tandem-Switch Transport.

The Special Access basket contains one service band for High-Cap/Digital Data Services.

For each basket of services, the Price Cap Plan places a ceiling on the aggregate revenue-weighted price changes.

Following are subsections to this general section: Section 1.2 describes the methodologies used to calculate adjustments to PCI and Upper Limits for the Baskets and Bands established by the Commission. Section 1.3 describes the development of the exogenous

cost adjustments. Section 1.4 describes the demand used in this filing. Section 1.5 describes the Ratemaking. Section 1.6 contains the supporting Workpapers.

The price cap and service band constraints were compared to an index of the aggregate revenue-weighted price changes within each basket (the Actual Price Index, or API) and an index of the revenue-weighted aggregate price changes of the rate elements that comprise each service category (the Service Band Index, or SBI). These indices were determined with reference to actual 2005 base period demand, appropriately adjusted to reflect current services, tariff structures, and rates in effect as of June 30, 2005.

## **1.2 COMPLIANCE WITH INDICES**

In this filing, the Commission requires MTC to compute the appropriate adjustments to the Price Cap Index (PCI) for each Price Cap basket.<sup>2</sup> The PCI calculations are set forth in the Tariff Review Plan, form PCI-1. The sources for the existing indices are found in IND-1 References. Proposed indices are included in this submission.

## **1.3 EXOGENOUS COST CHANGES**

In this filing, MTC proposes three general exogenous cost adjustments. The three adjustments are:

1. Regulated Fee
2. Telecommunications Relay Service

### 3. NANPA

The Price Cap Portion of these exogenous cost amounts is summarized on Exhibit 1, Exogenous Cost Worksheet. The changes in the exogenous costs from the Short Form TRP and the Long Form TRP are the Long Form NANPA and TRS amounts reflected in the new factors.

#### **1.3.1 THE FCC REGULATORY FEE**

The FCC Regulatory Fee exogenous cost changes are calculated by determining the difference between the Regulatory Fee in the current tariff rates and the proposed fee for July 1, 2006 through June 30, 2007 tariff period as set forth in Assessment and Collection of Regulatory Fees for Fiscal Year 2006, MD 06-68, Notice of Proposed Rulemaking, (released March 27, 2006).

#### **1.3.2.1 CALCULATION OF TOTAL COMPANY CHANGE FOR FCC REGULATORY FEE**

The first step for calculating the total company preliminary amount of the FCC regulatory fee for the tariff period 2006/2007 was to determine the total end user interstate price cap revenues at the end of 2005 from MTC's Form 499-A. The revenues were multiplied by the proposed regulatory fee rate of 0.00243 per MD Docket 06-68. The current amount in rates from the 2005/2006 tariff period was then subtracted from this amount. Exhibit 1 also displays the calculation of the Regulatory Fee Obligation. The total Price Cap Regulatory Fee exogenous cost is an increase of approximately \$241.

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<sup>2</sup> See 47 C.F.R. §§ 61.43, 61.45

### **1.3.3 TELECOMMUNICATIONS RELAY SERVICE**

The Telecommunications Relay Service (TRS) contributions were calculated by determining the difference between the TRS contribution obligation in the current tariff rates and the TRS contribution required for the July 1, 2006 through June 30, 2007 tariff period. This year MTC must adjust its rates to reflect a factor released by the Commission for the entire 2006/2007 Tariff Period. The proposed TRS factor of .00494 for the current period was released via a CG Docket No. 03-123 dated May 12, 2006. However, the exogenous cost amount in this filing is preliminary, reflecting the current factor released in the aforementioned letter.

#### **1.3.3.1 COMPUTATION OF EXOGENOUS COST OF TRS FUND CONTRIBUTION**

To calculate the total TRS exogenous amount, a three-step process was followed. First, the 2005 499A Interstate End User revenues were multiplied by the new rate of .00494. That amount was then compared to the amount of TRS in current rates. This is known as the “True Up “ amount for the 2005 annual filing. This amount is reversed out in this filing. This is calculated by multiplying the TRS exogenous cost amount in the 2005 Annual filing by the change in End User revenues from that same filing. Next, MTC calculated the 2006 “True Up” amount for the upcoming tariff period by multiplying the 2005 499A Interstate End User revenues by the current rate. Lastly, the 2005 End User

revenues are multiplied by the Proposed rate of 0.00494. This amount is then compared to the current amount in rates and the difference is this year's amount to be relected in rates, to be known as the "current" amount in rates. The True Up reversal, the new True-up amount and Current amount are summed together for the total exogenous amount. Exhibit 1, Exogenous Cost Worksheet then shows the calculated amounts allocated to Common Line and Special Access services based on the 499A End User Revenues for such services. The Price Cap TRS amount included in this filing is an decrease of approximately \$914.

#### **1.3.4 NORTH AMERICAN NUMBERING PLAN**

Since the proposed NANPA factor for the current period was not available at the time of the Short Form TRP Letter Filing, the exogenous cost amount in that filing was preliminary, reflecting last year's factor. MTC has updated the NANPA exogenous cost with the new factor of 0.000021. Exogenous costs associated with the proposed obligation to the North American Numbering Plan Administration (NANPA) are reflected pursuant to Commission Order, DA 06-1000, CC Docket 92-237, released June 1, 2006. This rate was applied to the end user price cap revenues at the end of 2005 from MTC's Form 499-A. The exogenous interstate cost adjustment has been calculated to determine the difference between the NANPA obligation in the 2005 tariff period and the proposed obligation in the 2006 period. The total NANPA amount is allocated to Common Line,

Special Access services based on the 400A revenues. The total Price Cap exogenous cost amount of a decrease of approximately \$3 is found on Exhibit 1.

## **1.4 DEMAND**

### **1.4.1 INTRODUCTION**

Current rates and base period demand quantities were used to determine the base period revenues. The base period demand is for the year 2005 and was multiplied by rates at last PCI update to determine the weighted revenue for each rate element. This weighted revenue was used in the development of the PCI, APIs, and SBIs.

### **1.4.2 DATA SOURCES**

MTC's Carrier Access Billing System (CABS), Customer Records Information System (CRIS), and Company demand and revenue tracking systems served as the primary sources for demand data. These billing and tracking systems provided the source of demand for rate element detail for the Common Line, Switched Traffic Sensitive, Trunking, and Special Access baskets. The 2005 base period demand has been used in this filing in accordance with the Commission's Rules for development of API and SBI indices.<sup>3</sup>

### **1.4.3 DEMAND RESULTS**

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<sup>3</sup> See 47 C.F.R. §§ 61.46 and 61.47.

Base period demand detail used in the calculations of the PCIs, APIs, and SBIs will be filed in this submission.

#### **1.4.4 AVERAGE TRAFFIC SENSITIVE (ATS) MOU DEMAND**

The demand associated with the ATS charge per minute of use (MOU)<sup>4</sup> calculation is developed as follows:

##### **Local Switching Component**

The ATS demand associated with the local switching component of the ATS charge/MOU is MTC total Local Switching interstate access MOUs, which are shown in TRP TGT-1.

##### **Switched Transport (Trunking Basket) Component**

The ATS demand associated with the Trunking Basket component of the ATS charge per MOU includes all interstate access MOUs that utilize MTC transport facilities to deliver interstate traffic to/from Interexchange Carriers (IXCs).

The MTC LEC switched transport MOU are summarized in the TRP TGT-1.

## **1.5 RATEMAKING**

### **1.5.1 INTRODUCTION**

In this filing, MTC is implementing changes to rates in the three Price Cap baskets. MTC's new rate levels produce indices that are in full compliance with the Commission's Rules.<sup>5</sup>

Overall, MTC index revenues decrease by \$101,090. At the basket level, the Common Line revenues decrease by 0.29%. Traffic Sensitive Basket revenues decrease by 11.88% and the Trunking Basket Revenues decrease by 21.37%.

Sections 1.5.2 through 1.5.6 provide descriptions of the methodology and ratemaking calculations included in this filing. Proposed rates in this filing are indicated by an asterisk on Common Line, Traffic Sensitive, Trunking, and Revenue Workpapers.

### **1.5.2 New Common Line (CMT) Basket**

As shown in the TRP CAP-1, the Revenue for the MTC is capped at the Common Line (CMT) rate. Exhibit 3, PICC CAP Worksheet shows the CMT per line for MTC.<sup>6</sup> The Common Line revenue has decreased, in this filing, to reflect the exogenous cost adjustment impact of \$642 decrease. In addition, the revenues reflect a decrease of \$11,821 in USAC receipts from the previous period. MTC calculated the Common Line charges pursuant to the Commission's Rules

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<sup>4</sup> See 47 C.F.R. §§ 61.3 (e)

<sup>5</sup> FCC 99-206 Fifth Report and Order and Further Notice of Proposed Rulemaking, released August 27, 1999

<sup>6</sup> CMT per line is capped CMT adjusted for Exogenous Costs.

In MTC FCC Tariff No. 1 the PICC have increased by \$5,273. The Subscriber Line Revenues remained at the CAP. The Carrier Common Line charge remained at zero. Rate Calculations are displayed in the TRP CAP-1.

### **1.5.2.2 PICC Rates**

The Multiline Business PICC cap is \$4.31. Since the Subscriber Line Charges do not recover the total CMT revenues, the overflow creates a MLB PICC rate, and when the PICC reaches the Cap of \$4.31, the overflow creates a CCL rate.

The rates have been increased from the existing PICC levels. The MLB PICC rate development is shown on Exhibit 3, which shows the proposed PICC rates.

### **1.5.3 TRAFFIC SENSITIVE**

In this filing, MTC did not reach the ATS revenue/MOU target \$0.0055.

As required by Section 61.45 (d)(3) of the Commission's rules, no exogenous costs were allocated to the rate elements in this basket that were used to calculate the ATS charges. Traffic Sensitive rates have been adjusted so that, when multiplied by the base period demand, the resulting API is in compliance with the Commissions rules.

On average, MTC FCC No. 1 proposed Traffic Sensitive rates decreased by 11.88%.

The SBI values for the Switched Traffic Sensitive basket are within the ranges permitted under the Commission's Price Cap Plan. See TRP IND-1. Calculations supporting the Switched Traffic Sensitive basket indices and upper limits can be found in the TRP RTE-1.

#### **1.5.4 TRUNKING**

In this filing, MTC proposed rates in the Trunking basket decreased approximately 21.37%. On average MTC's proposed Trunking basket revenues in Tariff FCC No. 1, Trunking Basket decreased \$30,048.

As displayed in the TRP PCI-1, the new PCI for MTC's basket is 8.8161. The SBI values for the Trunking basket are within the ranges permitted under the Commission's Price Cap Plan. See TRP IND-1. Calculations supporting the Trunking basket indices and upper limits can be found on the TRP RTE-1.

The SBI values for the Trunking basket are within the ranges permitted under the Commission's Price Cap Plan. See TRP IND-1. Calculations supporting the Trunking basket indices and upper limits can be found on the TRP RTE-1.

## **1.6 WORKPAPERS AND TARIFF REVIEW PLANS**

### **1.6.1 INTRODUCTION**

MTC has provided the necessary detail to support the calculations of indices and exogenous costs in various workpapers. The following is the index of such workpapers.

### **1.6.2 Index**

#### **Appendix A**

Exhibit 1- Exogenous Cost Worksheet

Exhibit 2 - IND-1 References

Exhibit 3 - PICC CAP Worksheet

Exhibit 4 - USAC Revenue Worksheet

Exhibit 5 - Rates and Revenues Summary

492 A MTC (Initial Year 2005 and Final 2004)

#### **Tariff Review Plan (Long Form)**

<b>ANALYZER</b>	TRP Analyzer
<b>COSA IND-1</b>	Price Cap Indices Display
<b>COSA PCI-1</b>	Price Cap Index Calculations
<b>COSA TGT</b>	Targeting: Inputs and Aggregate Target
<b>COSA SUM-1</b>	Price Out Summary
<b>COSA EXG-1</b>	Exogenous Cost Changes

<b>COSA EXG-2</b>	Net Exogenous Cost Shifts
<b>COSA RTE-1</b>	Rate Detail
<b>CAP-1 (COSA)</b>	Calculation of EUCL Linit, PICC and CCL Rates
<b>CAP-2 (COSA)</b>	Manual Input of EUCL rates
<b>CAP-3 (COSA)</b>	Calculation of Minimum and Maximum End User Rates
<b>CAP-4 (COSA)</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL
<b>CAP-5 (COSA)</b>	Verification of Recovered CMT Revenue