

Minnesota Public Utilities Commission
Staff Briefing Paper

Meeting Date: May 1, 2014 * Agenda Item # 1

Company: All Telecommunications Service Providers

Docket No. P-999/PR-14-15
In the Matter of Intercarrier Compensation Reform Required by FCC Order

Issues: What process should guide the filing of access service rate changes?

Staff: Kevin O’Grady.....651-201-2218

Relevant Documents

DOC Proposal February 4, 2014
Comments: Minnesota Independent Coalition..... March 20, 2014
Comments: CenturyLink..... March 26, 2014
Reply Comments: CenturyLink April 2, 2014
Reply Comments: DOC April 2, 2014
Supplemental Comments: CenturyLink..... April 17, 2014

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Background

On November 18, 2011, the Federal Communications Commission (FCC) released its Universal Service Fund-Inter-carrier Compensation Order (USF-ICC Order; WC Docket No. 10-90). That Order required switched access service providers to reduce intrastate access charges in stages over a period of several years. In 2012, the Minnesota Commission established procedures for that ordered rate reduction in Docket 12-356, and in 2013 the Minnesota Commission established rate reduction procedures in Docket 13-137.

On February 4, 2014, the Minnesota Department of Commerce (DOC) filed comments recommending procedures to be followed for the 2014 reductions.

On March 20, 2014, the Minnesota Independent Coalition (MIC) filed comments addressing the DOC's recommended procedures.

On March 26, 2014, CenturyLink filed reply comments urging the Commission to delay its decision until the FCC issued a new rate reduction methodology, expected immanently.

On March 31, 2014, the FCC modified its Rules dictating the method for calculating new rates for price cap and rate-of-return carriers.

On April 2, 2014, DOC and CenturyLink filed reply comments addressing the FCC's new rate reduction methodology.

FCC Rules

The FCC's Rules specify annual changes to be made in intrastate access service pricing for:

- (i) price cap carriers, (47 CFR § 51.907),
- (ii) rate-of-return carriers (47 CFR § 51.909), and
- (iii) competitive local exchange carriers (CLECs) (47 CFR § 51.909 and 47 CFR § 61.26).

Price cap and rate-of-return carriers must modify their rates such that they are effective July 1,

2014. CLECs benchmarking their rates to incumbent carrier rates must modify their rates within 15 days of the effective date of the incumbent's rates.

On March 31, 2014, the FCC modified its Rules dictating the method for calculating new rates for price cap and rate-of-return carriers; the CLEC Rules remain unchanged. The FCC amended its Rules, 47 CFR Part 51, to read as follows:

For price cap carriers, 47 CFR § 51.907 is amended to read, in part:

(d)(2)(i) Each Price Cap Carrier shall calculate the 2011 Baseline Composite Terminating End Office Access Rate. The 2011 Baseline Composite Terminating End Office Access Rate means the Composite Terminating End Office Access Rate calculated using Fiscal Year 2011 interstate demand multiplied by the interstate End Office Access Service rates at the levels in effect on December 29, 2011, and then dividing the result by 2011 Fiscal Year interstate local switching demand.

(d)(2)(iii) Beginning July 1, 2014, no Price Cap Carrier's interstate Composite Terminating End Office Access Rate shall exceed its 2014 Target Composite Terminating End Office Access Rate. A price cap carrier shall determine compliance by calculating interstate Composite Terminating End Office Access Rates using the relevant Fiscal Year 2011 interstate demand multiplied by the respective interstate rates as of July 1, 2014, and then dividing the result by the relevant 2011 Fiscal Year interstate terminating local switching demand. A price cap carrier's intrastate terminating end office access rates may not exceed the comparable interstate terminating end office access rates. In the alternative, any Price Cap Carrier may elect to implement a single per minute rate element for both interstate and intrastate terminating End Office Access Service no greater than the 2014 Target Composite Terminating End Office Access Rate if its intrastate terminating end office access rates would be at rate parity with its interstate terminating end office access rates.

For rate-of-return carriers, 47 CFR § 51.909 is amended to read, in part:

(d)(3)(ii) Each Rate-of-Return Carrier shall calculate its 2014 Target Composite Terminating End Office Access Rate. The 2014 Target Composite Terminating End Office Access Rate means \$0.005 per minute plus two-thirds of any

difference between the 2011 Baseline Composite Terminating End Office Access Rate and \$0.005 per minute.

(d)(3)(iii) Beginning July 1, 2014, no Rate-of-Return Carrier's interstate Composite Terminating End Office Access Rate shall exceed its 2014 Target Composite Terminating End Office Access Rate. A rate-of-return carrier shall determine compliance by calculating interstate Composite Terminating End Office Access Rates using the relevant projected interstate demand for the tariff period multiplied by the respective interstate rates as of July 1, 2014, and then dividing by the projected interstate terminating end office local switching demand for the tariff period. A rate-of-return carrier's intrastate terminating end office access rates may not exceed the comparable interstate terminating end office access rates. In the alternative, any Rate-of-Return Carrier may elect to implement a single per minute rate element for both interstate and intrastate terminating End Office Access Service no greater than the 2014 Target Composite Terminating End Office Access Rate if its intrastate terminating end office access rates would be at rate parity with its interstate terminating end office access rates.

Party Comments

MIC Position

MIC requests that the Commission adopt procedures to include the following language, consistent with the procedures adopted in 2013:

- A. If a company's intrastate access rates are identical to its interstate rates, the company may identify in their intrastate tariffs the electronic links to interstate access rates.
- B. Companies whose intrastate access rates already equal interstate access rates and who, pursuant to FCC Rules, effective July 1, 2014, will still have intrastate access rates that equal interstate access rates need only file an informational letter so stating. Such letters to be filed by individual companies or at a company's option, in cases where multiple companies participate in group tariffs, participants in the group tariff may file a joint letter.

CenturyLink Position

CenturyLink urges the Commission to adopt a Minnesota methodology that reflects the process for price cap carriers set forth in the FCC's March 31, 2014 Order. CenturyLink also recommends that the Commission affirmatively adopt the benchmarking process for Competitive Local Exchange Carriers (CLECs) prescribed by the FCC in 47 CFR § 61.26(c). That Rule allows CLECs an additional 15 days in which to file their benchmarked rates:

The benchmark rate for a CLEC's switched exchange access services will be the rate charged for similar services by the competing ILEC. If an ILEC to which a CLEC benchmarks its rates, pursuant to this section, lowers the rate to which a CLEC benchmarks, the CLEC must revise its rates to the lower level within 15 days of the effective date of the lowered ILEC rate.

CenturyLink will not have final approval of its rates from the FCC and the State Commission until July 1, 2014. CenturyLink respectfully requests that the Commission grant CLECs an additional 15 days, or until July 15, 2014, to file their intrastate switched access tariffs consistent with FCC directives.

DOC Position

DOC, in its Reply Comments, recommends that carriers file their new access rates as of July 1, 2014, (but for CLECs who benchmark their rates to the competing incumbents and who must file revised tariffs within 15 days of the effective date of the lowered incumbent carrier rate) as follows:

- a. Carriers should e-file revised intrastate access rates for 2014 in the new docket number established for 2014, Docket No. P-999/PR-14-15, using the methodology set forth by the FCC, as clarified in its March 31, 2014 Order, and set forth in revised rules 47 CFR §§ 51.907(d) and 909(d), 47 CFR 51.911(c), and the applicable provisions of 47 CFR § 61.26.
- b. Each carrier's rate should be subject to a true-up if a complaint filed by October 31, 2014, results in a Commission finding that a different rate was warranted.
- c. If a company's intrastate access rates are identical to its interstate rates, the company may identify in their intrastate tariffs the electronic links to interstate access rates.

- The intrastate tariff should clearly show the trail an access customer can follow to get from the individual carrier's intrastate access tariff to the interstate tariff for each access element that is applicable to a customer's situation.
- d. If a company's intrastate access rates are identical to its interstate rates, and who, pursuant to FCC Rules, effective July 1, 2014, will still have intrastate access rates that equal interstate access rates need only file an informational letter so stating. Such letters to be filed by individual companies or at a company's option, in cases where multiple companies participate in group tariffs, participants in the group tariff may file a joint letter.

Staff Comment

Staff is unaware of any objection to DOC's recommendations and believes that CenturyLink's recommendations are consistent with those of DOC.

Commission Options:

1. Require carriers to file their new access rates as of July 1, 2014 (but for CLECs who benchmark their rates to the competing incumbents and who must file revised tariffs within 15 days of the effective date of the lowered incumbent carrier rate) as follows:
 - a. Carriers shall e-file revised intrastate access rates for 2014 in the new docket number established for 2014, Docket No. P-999/PR-14-15, using the methodology set forth by the FCC, as clarified in its March 31, 2014 Order, and set forth in revised rules 47 CFR §§ 51.907(d) and 909(d), 47 CFR 51.911(c), and the applicable provisions of 47 CFR § 61.26.
 - b. Each carrier's rate shall be subject to a true-up if a complaint filed by October 31, 2014, results in a Commission finding that a different rate was warranted.
 - c. If a company's intrastate access rates are identical to its interstate rates, the company may identify in their intrastate tariffs the electronic links to interstate access rates.

The intrastate tariff should clearly show the trail an access customer can follow to get from the individual carrier's intrastate access tariff to the interstate tariff for each access element that is applicable to a customer's situation.

- d. If a company's intrastate access rates are identical to its interstate rates, and who, pursuant to FCC Rules will still have intrastate access rates that equal interstate access rates need only file an informational letter so stating. Such letters to be filed by individual companies or at a company's option, in cases where multiple companies participate in group tariffs, participants in the group tariff may file a joint letter.

2. Take other action.

Staff recommends option 1, including parts "a" through "d."