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December 21, 2017

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Ex parte* submission in WC Docket Nos. 10-90, 07-135; CC Docket No. 01-92

Dear Ms. Dortch:

Inteliquent, Inc. (“Inteliquent”) submits this filing in support of the Commission’s ongoing efforts to address 8YY-related abuses by a relatively small group of bad actors.

As Inteliquent explained in meetings with Commission staff on December 4, we believe that one approach worthy of consideration is the adoption of rules that would require 8YY dip charges, mileage between the end office and tandem, and 8YY end office and tandem charges to be benchmarked to the rates and charges of the incumbent carrier in the market where the 8YY traffic originates.¹ We also discussed the alternative of adopting national rates for some or all 8YY-related charges.²

In this filing, we first provide data points on current national averages, as determined by an 8YY model developed by Inteliquent, and we next describe two alternative proposals for preventing 8YY-related abuses.

Model. To supplement the previous filing and assist the Commission in its consideration of policy options, Inteliquent has created an 8YY model using Inteliquent tariffed rates, which mirror ILEC rates, and Inteliquent network minutes to calculate National Weighted Average rates for end office, tandem switching and common transport, and DIP query. Inteliquent’s model provides a reliable basis for calculating national rates because it owns and operates a national tandem network across 49 states and Puerto Rico. Based on our model:

¹ See Letter from Gerard J. Waldron, Covington & Burling LLP, counsel to Inteliquent to Marlene H. Dortch, Secretary, FCC (filed Dec. 6, 2017).

² *Id.*

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- The National Weighted Average tandem switching and common transport rate for 8YY traffic is \$0.001697.³
- Non-recurring interconnect charges for a DS3 at the tandem are as high as \$2,516. The monthly recurring interconnect charges for a DS1 at the tandem range from \$23 to \$448. If these non-recurring and monthly recurring charges are allocated using industry standard metrics,⁴ then the National Weighted Average equivalent rate is \$0.001117 per minute.
- The National Weighted Average tandem switching and common transport rate with the non-recurring and monthly recurring charges for tandem interconnect is \$0.002814.⁵
- The rates for 8YY database dip queries are as high as \$0.012 per query. The National Weighted Average 8YY database dip query charge is \$0.004248, based on Inteliquent's distribution of its minutes of use.
- The National Weighted Average end office aggregate rate for 8YY traffic is \$0.003968. These end office rates range from \$0.00194 to \$0.00755 per minute of traffic delivered to the IXC.⁶

In using this or similar data to establish national rates for any 8YY-related elements, it is important to keep in mind that incumbent local exchange carriers have disparate rate structures—a fact that makes establishing national rates difficult if each element is considered in isolation. Rate structures between incumbent local exchange carriers trade off non-recurring setup charges, monthly recurring interconnect charges, 8YY query charge, per minute of use switching charges, and per minute per mile transport charges. For example, although some carriers charge a materially higher non-recurring set up charge or monthly recurring interconnect charge, those higher rates typically are offset by a lower per minute of use switching charge. Similarly, the 8YY DIP query charge may be high because the switched per minute of use charge is low, and vice versa.

Rate Proposals. In light of the above, Inteliquent suggests that the Commission adopt one of the two following proposed sets of rules for 8YY. Under either proposal, a national rate would

³ Includes tandem usage charges related to tandem switching, tandem termination, tandem facility, and common multiplexing, assuming 10 miles of tandem facility mileage. This does not include tandem charges for traffic from rate-of-return carrier end offices.

⁴ Rate per minute calculated using 250,000 minutes per DS1, and non-recurring charges amortized over 36 months.

⁵ In addition to tandem usage charges, includes per-minute recurring and amortized non-recurring charges related entrance facility, dedicated transport, dedicated multiplexing, and dedicated tandem transport.

⁶ These rates do not include rate-of-return carrier end office rates, which can reach \$0.0542.

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be set for the DIP query and end office charges. However, under the first proposal, the tandem rates would be benchmarked to the rate of the ILEC where the call originates, while in the alternative proposal there would be a national rate for the tandem rates.

1. Tandem rates should be benchmarked to the incumbent local exchange carrier where the call originates; the query and end office charges should be set at national average rates:
 - Tandem switching and common transport: benchmarked to the incumbent local exchange carrier where the call originates. Aligning the tandem charges with those of the ILEC where the call originates instead of a national tandem average eliminates the complexity associated with disparate non-recurring and recurring tandem interconnect charges.⁷
 - Database dip query: \$0.0042 nationwide per query rate.
 - Non-rate of return carrier end office charges:
 - \$0.0039 if the originating telephone number is owned by the carrier or its VoIP provider customer
 - \$0.0017, the national tandem switching and common transport rate, if the originating telephone number is not owned by the carrier or its VoIP provider customer.
 - Rate-of-return end office charges: current rate-of-return tariff rates apply if the originating telephone number is owned by the rate-of-return carrier.
2. Set nationwide average rates and charges for 8YY-related tandem traffic:
 - Tandem switching and common transport: either (a) \$0.0017, exclusive of non-recurring and recurring interconnect charges, or (b) \$0.002814, inclusive of non-recurring and recurring interconnect charges.⁸
 - Database dip query: \$0.0042 nationwide per query rate.
 - Non-rate of return end office charges:
 - \$0.0039 if the originating telephone number is owned by the carrier or its VoIP provider customer

⁷ Under Inteliquent's proposal, if a call originates from a telephone number associated with a rate-of-return carrier end office, the tandem provider would benchmark to the applicable rate-of-return carrier tandem rate.

⁸ Under Inteliquent's proposal, this rate would not apply to calls originating from a telephone number associated with a rate-of-return carrier end office. The tandem provider would benchmark to the applicable rate of return carrier tandem rate.

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- \$0.0017, the national tandem switching and common transport rate, if the originating telephone number is not owned by the carrier or its VoIP provider customer.
- Rate-of-return carrier end office charges: current rate-of-return tariff rates apply if the originating telephone number is owned by the rate-of-return carrier

By adopting one of the two proposals above, the Commission will prevent excessive dip charges, so-called “mileage pumping” schemes, and excessive end office and tandem charges—all without causing significant disruption to the fundamental toll-free nature of 8YY calls or diminishing competition in the marketplace for tandem and other carrier services.

Please do not hesitate to contact the undersigned with any questions.

Sincerely,

/s/
Gerard J. Waldron
Counsel for Inteliquent, Inc.