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November 13, 2006

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VIA ELECTRONIC FILING (ECFS)

Marlene H. Dortch, Esq.  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Room TW-B204  
Washington, DC 20554

RE: Hamilton Relay, Inc.  
Reply Comments in Relay Rate Methodology Proceeding  
**REDACTED VERSION**  
CG Docket No. 03-123

Dear Ms. Dortch:

Transmitted herewith, on behalf of Hamilton Relay, Inc. ("Hamilton"), are Hamilton's Reply Comments in the above-captioned proceeding. The enclosed copy is a redacted version of the Reply Comments. Certain confidential and proprietary information has been redacted pursuant to Section 0.457 of the Commission's rules, 47 C.F.R. § 0.457. Unredacted copies are being provided to the Chief of the Consumer & Governmental Affairs Bureau and other Bureau staff members.

Should you have any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

HOLLAND & KNIGHT LLP



David A. O'Connor  
Counsel for Hamilton Relay, Inc.

Enclosure

# 4184351\_v1

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of )  
 )  
Telecommunications Relay Services ) CG Docket No. 03-123  
And Speech-to-Speech Services for )  
Individuals with Hearing and Speech )  
Disabilities )

To: Secretary, FCC  
For: The Commission

**PUBLIC VERSION**

**REPLY COMMENTS  
OF HAMILTON RELAY, INC.**

Hamilton Relay, Inc. (“Hamilton”), by its counsel, hereby submits these reply comments in response to the Commission’s July 20, 2006 *Further Notice of Proposed Rulemaking* (“*Further Notice*”), which seeks comment on the appropriate cost recovery methodologies for traditional interstate telecommunications relay services (“TRS”), Speech-to-Speech services (“STS”), captioned telephone services (“CapTel”), Internet Protocol relay services (“Internet Relay”), and Video Relay Services (“VRS”).<sup>1</sup>

**I. The Commission Should Adopt the MARS Plan**

In its comments,<sup>2</sup> Hamilton expressed support for the proposed Multi-state Average Rate Structure (“MARS”) Plan, which would base the compensation rate paid by the Interstate TRS Fund (the “Fund”) on an average of the *intrastate* TRS rates paid by the individual states.<sup>3</sup>

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<sup>1</sup> *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Further Notice of Proposed Rulemaking, CG Docket No. 03-123, FCC 06-106 (rel. July 20, 2006) (“*Further Notice*”).

<sup>2</sup> Hamilton Comments (filed Oct. 30, 2006).

<sup>3</sup> Hamilton Petition for Reconsideration, CC Docket No. 98-67 (filed Oct. 1, 2004).

Hamilton supports using the MARS Plan to calculate the rates annually for traditional TRS, Spanish Relay, STS, Internet Relay and CapTel.

The majority of other commenters that discuss the MARS Plan are also in support of it. For example, Hands On “can think of no reasonable basis to oppose use of the MARS Plan for traditional interstate TRS.”<sup>4</sup> Verizon believes that, “given the highly competitive nature” of the intrastate TRS market, the MARS Plan should replace the current methodology for setting interstate traditional TRS rates.<sup>5</sup> In addition, Verizon notes that the MARS Plan would enhance accuracy, encourage efficiency and simplify the rate-setting process, and that “[t]he relatively large number of competitors and the considerable number of bidding opportunities provide the Commission with a wealth of information about the appropriate competitive rates for providing traditional TRS in specific, competitive state markets.”<sup>6</sup> Hamilton agrees with Verizon’s assessment.

Hamilton recognizes Verizon’s concern that some states may not have recently completed a competitive bidding process, although Hamilton believes that some of the states cited by Verizon originally used a competitive bid process to arrive at their intrastate relay rates.<sup>7</sup> Hamilton believes that the Commission could address this issue in the data requests (discussed below) that the Commission sends to the states. In addition, because the intrastate rate in California is based on the interstate rate set by the Commission, and in order to avoid any circularity issues, Hamilton believes that California should not be included in the MARS

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<sup>4</sup> Hands On Comments at 5 (filed Oct. 30, 2006).

<sup>5</sup> Verizon Comments at 2 (filed Oct. 30, 2006).

<sup>6</sup> *Id.* at 3.

<sup>7</sup> *Id.* at 2 n.4. For example, Hamilton participated in competitive bidding processes in Alaska and New Hampshire.

calculation. Omitting this state would not undermine the ultimate policy goal of using competitively based rates to set the interstate relay rates.

Hamilton disagrees strongly with Sprint Nextel (“Sprint”) that the Commission does not have the authority to implement the MARS Plan. Sprint argues that “to the extent that the MARS Plan can be viewed as a delegation to the states of the Commission’s responsibility under Section 225 of the [Communications] Act to set compensation rates for interstate TRS services, it would be beyond the Commission’s authority to adopt.”<sup>8</sup> However, adoption of the MARS Plan would not be a delegation of authority to the states. Rather, under the MARS Plan the Commission would gather information about competitively-bid rates at the state level. The Commission would then use that information to calculate the interstate TRS rate. The states would not be involved in the rate-setting process other than to provide certain information about their programs, which they are required to do because they are all certified by the Commission. Such an arrangement cannot rationally be viewed as a delegation of the Commission’s responsibilities to the states, as Sprint alleges. The Commission would continue to set the rate annually, and would have oversight authority to confirm that the rates comply with the requirement that providers be reimbursed for their “reasonable costs.”<sup>9</sup>

Sprint also argues that the intrastate rates “may not be based on efficient costs . . . .” This is specious logic because, as Verizon notes, a large number of providers are competing for

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<sup>8</sup> Sprint Comments at 7 (filed Oct. 30, 2006) (citing *USTA v. FCC*, 359 F.3d 554 (D.C. Cir. 2004)). The Court in *USTA* faulted the Commission for delegating authority to an outside party. *Id.* at 565. Here, however, the Commission would continue to be accountable, and thus responsible, for adopting the interstate TRS rate. In doing so, the Commission would include certain state data and omit other data (e.g., the California intrastate rate). Responsibility, and thus accountability, would continue to remain with the federal agency, a situation the *USTA* Court would find entirely acceptable.

<sup>9</sup> 47 C.F.R. § 64.604(c)(5)(iii)(E).

the state contracts. If a provider's price submission is not based on efficient cost data, that provider likely will not be the successful bidder. Thus, the winning bidder's price submission, and the resulting intrastate state rate, is derived from a competitive bidding process and therefore best approximates a provider's "reasonable costs" of providing the service, which is the ultimate goal of Section 225 of the Communications Act, as promulgated by Commission rules.<sup>10</sup>

Sprint also argues that implementing the MARS Plan will be administratively difficult. However, as explained below, the MARS Plan will be relatively easy to implement and, once established, the annual rates will be easy to calculate.

## **II. Implementation of the MARS Plan**

### **A. Traditional TRS, STS, Spanish Relay and Internet Relay**

Hamilton believes that the following approach may be taken to implementing the MARS Plan for traditional TRS, STS, Spanish Relay, Internet Relay:

#### **Step 1: Data Collection**

Each January, the Commission (or the Interstate TRS Fund Administrator) would send a letter to each state TRS administrator, requesting a report by March 15 of:

1. The reporting period (Hamilton recommends either a calendar year system or continuing with the July 1-June 30 period, whichever is more administratively convenient for the Commission, as long as it is uniform);
2. The number of annual intrastate TRS session minutes in the reporting period;
3. The number of annual intrastate TRS conversation minutes in the reporting period;
4. The state rate during the reporting period;<sup>11</sup>

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<sup>10</sup> Similarly, Sprint's suggestion that "there is no certainty that [the] MARS Plan would lead to lower TRS rates over the long run" (Sprint Comments at 8) is beside the point. The Commission's obligation is to ensure that providers are compensated for their "reasonable costs," not to guarantee that relay rates are lowered over the long run.

<sup>11</sup> If the state had more than one rate during the year, it should so indicate. The multiple rates should be listed as separate rates in the Commission's data calculations. For example, if Georgia had an intrastate rate of \$1.34 for the period July 1-February 28, and an intrastate rate of \$1.36 (continued...)

5. The basis of the state rate (session minutes or conversation minutes); and
6. The information in the report deemed by the state to be confidential, so that the Commission may redact that information from any publicly released information.

For the first year of implementing the MARS Plan, Hamilton believes that if the MARS Plan is adopted by the Commission by February 2007, the letters to states may be sent by April 2007 and a MARS rate in place by July 1, 2007. In subsequent years, the letters to states could be mailed in January and the state reports submitted by mid-March, giving the Commission ample time to review the Interstate TRS Fund Administrator's calculations and confirm the rate to be effective July 1.

Hamilton has prepared a sample spreadsheet of the information to be collected from the states. Please refer to the first spreadsheet in Exhibit 1. Electronic versions of the documents in Exhibit 1 are attached to this ECFS filing (file name: MARS.xls). The information in the spreadsheet is based on the 12 states for which Hamilton has readily available information.

**Step 2: Calculate Total Dollars**

Once the data has been collected, the TRS Fund Administrator will need to compile the state data into a spreadsheet. The second spreadsheet in Exhibit 1 offers a sample.

Each state's total number of intrastate minutes is multiplied by that state's intrastate TRS rate. If the state paid its provider on a Session Minute basis, then the total number of Session Minutes is multiplied by the Session Minute rate in effect for those minutes. If the state paid its provider on a Conversation Minute basis, then the total number of Conversation Minutes is multiplied by the Conversation Minute rate in effect for those minutes.

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for the period March 1-June 30, the two rates would be separately listed, along with the minutes associated with those respective periods.

Under this approach, weighting, rounding and conversion factor issues are eliminated, therefore simplifying the rate calculation. Weighting is already built into the rate calculation because by using total dollars of all intrastate minutes to calculate the MARS rate, the states with more total minutes already have a greater impact than states with lower total minutes. Hamilton's weighting factor is simply each state's percentage of the total Conversation Minutes for all states. By using total dollars, the need for additional weighting is eliminated.

Rounding is not a factor because competitive bidders for state TRS contracts adjust their price submissions based on each state's rounding practices, and that adjustment is reflected in the intrastate rate. For example, if a state has a policy of rounding up to the nearest minute, providers anticipate that they will have more intrastate minutes from that state; thus, the per minute rate is impacted by the additional volume. Conversely, if a state has a policy of rounding up to the nearest hundredth of a minute, providers anticipate lower volume and adjust their rate proposal accordingly. Therefore, Hamilton does not see a need for a rounding factor.

Finally, although Hamilton initially proposed that a conversion factor between Session Minutes and Conversation Minutes was needed, Hamilton has developed an even simpler way to calculate the rate, as shown in the spreadsheet. Hamilton believes that this much simplified approach to the MARS rate will be administratively convenient for the Interstate TRS Fund Administrator to calculate.

### **Step 3: Calculate the Rate**

As shown in the third spreadsheet in Exhibit 1, each state's total number of dollars is divided by each state's total number of *Conversation Minutes* (regardless of whether the state uses Session Minutes or Conversation Minutes to calculate its intrastate TRS rate). This rate is the per-minute MARS Rate to be used for that year's interstate relay rate. In Hamilton's sample,

the per-minute rate is \$[REDACTED]. Again, this sample is based on only 12 jurisdictions, and may not reflect the rate to be derived with information from all state jurisdictions.

Once the proposed rate has been calculated, the Bureau may follow procedures already in place by issuing a *Public Notice* with the proposed rate and how it was determined. Upon review of any comments, the Bureau may publish an *Order* indicating the MARS rate for the following year (July 1-June 30).

### **B. CapTel**

Hamilton believes that the same approach may be taken to implementing the MARS Plan for CapTel. Separate spreadsheets are attached in Exhibit 2 to show the CapTel rate calculation. Hamilton believes that every state providing CapTel has a separate rate for this service, and therefore a separate MARS rate for CapTel is necessary.

### **III. The MARS Plan Should Be Used to Calculate the Internet Relay and STS Rates**

Hamilton supports using the MARS Plan to calculate the Internet Relay rate because the costs associated with providing traditional TRS and Internet Relay are virtually the same. Hands On also supports this approach, because even though Internet Relay costs “may differ from traditional TRS costs due to the more extensive computer equipment required and the requirement that [Internet] Relay service providers complete interexchange calls at no charge if consumers are not provided equal access to interexchange carriers[,] . . . other cost factors such as the lower telecommunications costs and network efficiencies of [Internet] Relay may serve to offset the cost of providing free completion of interexchange calls absent consumer choice of interexchange carrier.”<sup>12</sup> Thus, due to their similar costs, Hands On supports tying the Internet Relay and traditional TRS rates, and having them both calculated according to the MARS Plan.

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<sup>12</sup> *Id.* Hands On takes no position on using the MARS Plan for STS or CapTel.

Hamilton agrees with this approach. Traditional relay providers do not have development or maintenance costs for web servers, bandwidth costs, user interface costs, encryption costs or a number of other costs that Internet Relay providers have.

For these reasons, Hamilton disagrees with the Commission's assumption in the *Further Notice* that the MARS Plan "could not apply to [Internet Relay] because there is not state data upon which to base a rate calculation."<sup>13</sup> In fact, the state data for traditional TRS is an excellent proxy for determining the Internet Relay rate because the costs of providing traditional TRS and Internet Relay are so similar. This argument is borne out by the fact that this year's traditional TRS and Internet Relay compensation rates are virtually identical (\$1.291 vs. \$1.293, respectively), and have been very closely tied since Internet Relay was authorized as a compensable relay service in 2002.<sup>14</sup> Hamilton therefore disagrees with Sorenson that the Internet Relay rate should not be calculated using the MARS Plan.<sup>15</sup>

Hamilton also disagrees with Verizon that the STS rate may not be calculated under the MARS Plan.<sup>16</sup> To Hamilton's knowledge, all state TRS programs ask for a combined price for traditional TRS and STS when soliciting bids. Therefore, using the MARS Plan to calculate the STS rate is just as rational as using the MARS Plan to calculate the traditional TRS rate.

#### **IV. Rate Methodology for VRS**

Hamilton agrees with other commenters that the MARS Plan may not be applied to VRS because there is no intrastate equivalent for VRS. In addition, unlike Internet Relay and

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<sup>13</sup> *Further Notice*, para. 17 n.60.

<sup>14</sup> As Hamilton noted in its Comments, 2005 was the only aberration.

<sup>15</sup> Sorenson Comments at 58 (filed Oct. 30, 2006).

<sup>16</sup> Verizon Comments at 1.

traditional TRS, the costs associated with providing VRS and traditional TRS are vastly different.

Hamilton is not fundamentally opposed to the various temporary VRS models submitted by other providers. It is clear that such models would provide clarity and administrative convenience to the rate-setting process in the short term. However, Hamilton is not entirely in support of these plans. While they may initially reflect providers' reasonable costs, as time passes, these costs are likely to drift further and further from the model, since they include an efficiency factor (or X-factor) that Hamilton believes may not reflect actual cost trends in the VRS industry.

To the extent that the Commission continues with a cost-based approach to VRS rate setting in the absence of an acceptable plan for calculating reasonable VRS costs, Hamilton encourages the Commission to make the process more transparent and more predictable. With respect to transparency, Hamilton agrees with Verizon that the Commission "can release cost and demand data in an aggregate format, which will provide the necessary transparency for members of the public who wish to comment on the rate setting process."<sup>17</sup> To this end, Hamilton urges the Commission to publish information in a manner similar to the aggregate template that Hamilton provided in previous comments in this proceeding.<sup>18</sup> A slightly modified version of the template is provided here for Commission convenience:

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<sup>17</sup> *Id.* at 14.

<sup>18</sup> *See* Hamilton Comments at 8-10 (filed May 17, 2006).

PROJECTED COSTS – VIDEO RELAY SERVICES\*

	<b>Company A**</b>	<b>Company B</b>	<b>Company C</b>	<b>Company D</b>	<b>Company E</b>	<b>Company F</b>	<b>Company G</b>	<b>Total</b>
<b>Facilities</b>	\$1.000***	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Communications Assistants</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Relay Center Operation</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Indirect Expense</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Depreciation Expense</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Marketing/Advertising Expense</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Outreach Expense</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Other Expenses</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Capital Investment</b>	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$1.000	\$7.000
<b>Total</b>	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000	<b>\$63.000</b>

\* Sample numbers.

\*\* Providers would not be named.

\*\*\* All numbers reflect per minute costs, not total costs. Minutes would not be reported to avoid identifying providers.

Hamilton encourages the Commission to release a summary of the cost data submissions of VRS providers using this or a similar template in advance of finalizing any VRS rate.

The Commission must also make the VRS rate predictable by ensuring that the legitimate provider costs that Hamilton and others identified in their comments may continue to be included in the rate base.

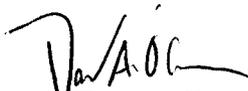
Hamilton does not support individual rates for each VRS provider based on each provider's individual projected costs. To the extent that the VRS rate continues to be derived using projected costs, the VRS rate should be based on the average projected costs of the VRS providers. Individual rates would only give incentive to VRS providers to push up their actual costs. In contrast, an average of the providers' costs gives each provider the incentive to be below other providers' costs so that more revenues are saved.

In sum, Hamilton believes that if the MARS Plan is implemented for traditional TRS, Internet Relay, Spanish Relay, STS and CapTel, then there will be sufficient time each year for the Commission, the Interstate TRS Fund Administrator and providers to discuss in greater detail the reasonableness of all VRS costs. With the relay rates for all relay services but VRS being calculated in a matter of weeks rather than months, the Commission will have the time and flexibility to meet with individual VRS providers to examine in greater detail their VRS cost submissions on a confidential basis, including profit, R&D, outreach, marketing, and any other cost categories for which the Commission traditionally has had questions. Hamilton believes that this approach would lead to a better approximation of VRS providers' reasonable costs of

providing the service, and a more appropriate annual rate for VRS.

Respectfully submitted,

HAMILTON RELAY, INC.



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November 13, 2006

*Submitted via ECFS*

# 4175245\_v5

# **EXHIBIT 1**

REDACTED

Example MARS Rate Development for TRS, IP, STS, and Spanish

Step 1: Collect the Data

State	Period This could be any data period desired by the FCC, including a calendar year.	Annual Intrastate Session Min This data is collected from each State.	Annual Intrastate Conv Min This data is collected from each State.	State Rate This data is collected from each State.	Rate Basis This data is collected from each State. SM = Session Minute CM = Conversation Minute
District of Columbia	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Georgia	7/05-6/06*	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Idaho	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	CM
Iowa	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Kentucky	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Louisiana	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	CM
Maine	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Montana	7/05-6/06*	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	CM
Nebraska	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Rhode Island	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Wisconsin	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM
Wyoming	7/05-6/06	SSSSSSS.SS	CCCCCCC.CC	R.RRRR	SM

\* Annualized data as Hamilton was not the relay provider for this full calendar year. However, a state would always have a full year's data for TRS, STS, and Spanish.

The above data includes STS, Spanish and Traditional TRS Intrastate minutes for both conversation and session minutes.

REDACTED

REDACTED

Example MARS Rate Development for TRS, IP, STS, and Spanish

Step 2: Calculate total Dollars

State	Period	Annual Intrastate Session Min	Annual Intrastate Conv Min	State Rate	Rate Basis	Total Dollars	
						This column is calculated by multiplying the appropriate minute column by the State Rate.	
District of Columbia	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Georgia	7/05-6/06*	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Idaho	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Conversation Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Iowa	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Kentucky	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Louisiana	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Conversation Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Maine	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Montana	7/05-6/06*	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Conversation Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Nebraska	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Rhode Island	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Wisconsin	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Wyoming	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	SM	SSSSSS.SS Session Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD

REDACTED

**REDACTED**

**Example MARS Rate Development for TRS, IP, STS, and Spanish**

**Step 3: Calculate the rate**

<b>State</b>	<b>Period</b>	<b>Total Intrastate Conv Min</b>	<b>Total Dollars</b>
District of Columbia	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Georgia	7/05-6/06*	CCCCCCC.CC	DDDDDDD.DD
Idaho	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Iowa	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Kentucky	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Louisiana	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Maine	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Montana	7/05-6/06*	CCCCCCC.CC	DDDDDDD.DD
Nebraska	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Rhode Island	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Wisconsin	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Wyoming	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Total		CCCCCCC.CC	\$0.00
<b>MARS Calculation</b>	\$DDDDDDD.DD Dollars / CCCCCC.CC Conversation Minutes = MARS \$R.RRRR		

**REDACTED**

## **EXHIBIT 2**

REDACTED

Example MARS Rate Development for CapTel

Step 1: Collect the Data

State	Period This could be any data period desired by the FCC, including a calendar year.	Annual Intrastate Session Min This data is collected from each State.	Annual Intrastate Conv Min This data is collected from each State.	State Rate This data is collected from each State.	Rate Basis This data is collected from each State. SM = Session Minute CM = Conversation Minute
Kentucky	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM
Maine	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM
Montana	7/05-6/06*	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM
Nebraska	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM
Wisconsin	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM
Wyoming	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM

\* Annualized data as Hamilton was not the relay provider for this full calendar year. States may need to perform a calculation to annualize the number of CapTel minutes for a calendar year if they have not been providing service for a full year. This is done by adding all minutes for the time period data is available and then dividing that total by the number of months for the time period data is available to determine an average number of minutes per month. The average is then multiplied by the number of months for which data is not available in the requested time period. All months are then added together to achieve an annualized calculation for Session and Conversation Minutes.

REDACTED

REDACTED

Example MARS Rate Development for CapTel

Step 2: Calculate total Dollars

State	Period	Annual Intrastate Session Min	Annual Intrastate Conv Min	State Rate	Rate Basis	Total Dollars	
						This column is calculated by multiplying the appropriate minute column by the State Rate.	
Kentucky	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Maine	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Montana	7/05-6/06*	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Nebraska	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Wisconsin	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD
Wyoming	7/05-6/06	SSSSSS.SS	CCCCCC.CC	R.RRRR	CM	CCCCCC.CC Minutes x R.RRRR = \$DDDDDD.DD	DDDDDD.DD

REDACTED

REDACTED

Example MARS Rate Development for CapTel

Step 3: Calculate the rate

State	Period	Total Intrastate Conv Min	Total Dollars
Wyoming	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Maine	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Montana	7/05-6/06*	CCCCCCC.CC	DDDDDDD.DD
Nebraska	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Wisconsin	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Wyoming	7/05-6/06	CCCCCCC.CC	DDDDDDD.DD
Total		CCCCCCC.CC	\$ -
<b>MARS Calculation</b>	\$DDDDDDD.DD Dollars / CCCCCC.CC Conversation Minutes = MARS \$R.RRRR		

REDACTED