ABC Transition Plan Impact on TDS Metrocom

Flash Cut and Differences in Intrastate and Interstate Rates

- For carriers like TDS Metrocom, equalizing terminating access rates in two steps, by July 1, 2013, is tantamount to the type of **flash cut** that the Commission sought to avoid.
- The difference in TDS Metrocom's (projected) intrastate and interstate terminating access rates per minute of use for 2012 are expected to be significant: $0.0243 in Minnesota and Wisconsin and $0.0146 in Michigan.
- In contrast, AT&T's terminating intrastate access rates **equal** their interstate rates in Michigan and Wisconsin and vary by $.0001 in Illinois. In Minnesota, Qwest's rates vary by $0.0116.
  - For the first two steps of the transition, AT&T will not experience revenue loss from terminating intrastate access rate reductions in Michigan and Wisconsin, and likely will not increase SLCs or retail rates in these states because it will have no lost access revenues to offset. Even in Illinois and Minnesota where AT&T or Qwest should lose access revenue in the first two steps, the loss on a percentage basis is smaller than that projected for TDS Metrocom.
  - TDS Metrocom will face an effective price ceiling from AT&T's rates that will constrain its ability to recoup its significant terminating intrastate access revenue losses through retail rates.
  - In the first two steps, TDS Metrocom's access **expenses** will not be reduced in Michigan and Wisconsin for minutes of use AT&T handles. In Minnesota, TDS Metrocom's rates billed will decrease by two times the amount its decrease in rate paid to Qwest.

Residential/Business Customer Divide

- Competitors like TDS Metrocom **serve more business than residential customers** as a percentage of their total customer base.
  - Approximately 60% of incumbents' total switched access lines are provided to residential customers, in sharp contrast to competitors' (approximately 21%). [2011 Local Competition Report, as of June 2010.]
  - CLECs have a limited ability to recover lost access revenues via residential SLC increases.
  - Because of business service contractual requirements of rate stability, CLECs may not be able to recoup lost access revenue from existing business customers in many cases.

Results for TDS Metrocom Under Each Proposal

- The Competitive Amendment would provide CLECs like TDS Metrocom (1) until July 1, 2020, to reduce rates to the final target rate and (2) reduce each existing rate (intrastate, interstate, reciprocal compensation) from July 1, 2012 through July 1, 2020 on a straight-line basis.
- The ABC Plan glide path disporportiately impacts competitors such as TDS Metrocom as compared to the percentage reduction expected for price cap LECs against whom TDS Metrocom competes.
  - Under the ABC Plan: TDS Metrocom would lose on average **63%** of its total intrastate terminating access revenue by 2013.
  - Under the ABC Plan: Price cap LECs against whom TDS Metrocom competes would lose on average **17%** of their intrastate terminating access revenue by 2013.
  - Under the Competitive Amendment: TDS Metrocom would lose on average **23%** of its total intrastate terminating access revenue by 2013.
- Like a number of states have done when establishing access rate transition timeframes (*i.e.*, Georgia, Michigan, and Wisconsin), the Commission should vary the transition by class of carrier to ensure that the transition it adopts does not provide one class of carrier a competitive advantage in the market.
- ILECs will have a number of revenue support mechanisms available; CLECs request additional time given lack of access to revenue replacement fund.