10-90, 09-51 07-135 05-337 01-92 96-4

# Public Service Commission of Wisconsin

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03-109 10-378

May 15, 2012

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Federal Communications Commission
Office of the Secretary

Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

RE: Implementation of Intrastate Access Rate Reductions per FCC Order in CC Docket 01-92

Sharon:

As the Public Service Commission of Wisconsin (PSCW) prepares for the implementation of mandated transitional reductions to intrastate terminating access charges on July 1, 2012, some clarifications from the Federal Communications Commission (FCC) may be extremely helpful. Specifically, I am requesting clarification with respect to the implementation of § 51.909 of the FCC's revised rules relating to the required reductions of intrastate access charges in July of 2012.

In preparation for the decrease in access rates and the upcoming tariff changes that will be required pursuant to the FCC's Transformation Order; we have been holding regular meetings with stakeholders from Wisconsin's telecommunications sector. This stakeholder group includes large companies, mid-sized companies, small companies, competitive companies, wireless companies, consultants representing all these entities, and consumer groups. Through these discussions, we have been attempting to identify the most efficient way to implement the required changes and to fulfill the PSCW's state role in this process. During these stakeholder discussions, it has become clear that there are differing views on how to accomplish the intrastate access reductions in 2012.[1]

One method has been identified by a group of Rural Local Exchange Carriers (RLECs), which I refer to as the "composite rate/revenue based" method. This method is depicted as follows:

$$\frac{\text{Intrastate terminating access revenue}}{\text{Intrastate terminating access minutes}} = \text{Composite } \textbf{Intrastate} \text{ Terminating Rate (Rate 1)}$$

$$\frac{\text{Interstate terminating access revenue}}{\text{Interstate terminating access minutes}} = \text{Composite } \textbf{Interstate} \text{ Terminating Rate (Rate 2)}$$

[1] Attached to this letter, I have included a memorandum and a number of spreadsheets that we have shared among our Wisconsin stakeholders. This identifies the differences between the "composite rate" method (see Attachment: "RLEC Model") and the "rate by rate" method (see Attachment: "Price Cap Model").



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The difference of these two composites is calculated and then halved:

$$\frac{\text{Rate 1} - \text{Rate 2}}{2}$$

That amount is then multiplied by the intrastate terminating access minutes to determine the necessary reduction in intrastate access revenue for the 2012 change. Intrastate terminating rates are them modified (on an individual basis) as needed to yield this revenue reduction target.[2]

The RLECs support this mechanism for its perceived ability to meet the 50 percent transitional reduction and for its ease of implementation for providers that have not gone to local transport restructure for intrastate purposes.

Some other providers have expressed concern that this composite rate/revenue method is inconsistent with the FCC's Transformation Order and Rules because it is using interstate minutes in the calculations. Some argue that this use of interstate minutes does not fit with the words of the rule, fails to recognize that intrastate and interstate demands vary, and further does not consider the different rate elements within the interstate rate structure. Thus the composite masks actual impacts that could occur. Further, this approach does not provide sufficient detail to "audit" the proposed reductions.

In lieu of this composite rate/revenue approach, some advocate that interstate rates need to applied to intrastate demand to determine a starting point for the July 1, 2012, change. Because intrastate and interstate rate structures differ, demand on the intrastate side does not mesh neatly with the interstate rates so it is necessary that intrastate access accounts be examined and demands recalibrated as appropriate to fit the interstate rate structure. This seems to be closer to the concept in the FCC rule (§ 51.909).

With all that stated, we are looking for some clarification on what the FCC anticipates for filings under the new rules. The PSCW is ready to perform the task assigned to it in accepting and enforcing reductions in intrastate access rates this year. Some clarification as to how these rates are to be, or can be, reduced would be of great help as we look forward to July 1, 2012. Answers to the following questions will help guide our stakeholder efforts in Wisconsin.

1. Must all intrastate switched access rate elements be reduced? For the July 1, 2012, intrastate switched access charge reductions, is it contemplated by the FCC that each existing terminating rate element now in the intrastate switched tariffs will be reduced, or can the providers do their own "rate design," modifying only selected rate elements, provided that intrastate switched access revenues are reduced by the necessary 50 percent of the difference between intrastate and interstate revenues?.

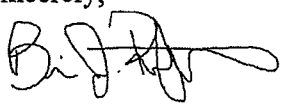
[2] This calculation is performed for a fictional situation involving ABC Telephone Company in the "RLEC Model" attached to this letter.

2. Apples and oranges issue. Companies that have not yet implemented local transport restructure for intrastate access do not have intrastate rate elements that align in structure to the interstate rate elements. Thus some method is needed to determine an appropriate reduction for July 1, 2012. What is acceptable? Must a company (without intrastate local transport restructure in place) recast its intrastate transport demands to a local transport restructure format (even though there is no obligation for July 2012 to implement such a structure) so that the mandated target of intrastate access demand at interstate rates can be determined? Or, is there an alternative to this recast that is acceptable and compliant) for the July 1, 2012 transition?

3. The RLEC approach. More specifically, is it your view that the composite rate/revenue method noted above (and as applied in the attachment to this letter) is or is not compliant with the FCC rules?

If you can shed some light on what the FCC expects, or would find acceptable, that will be of great assistance. My phone number is (608) 266-1567, if you would like to discuss this issue.

Sincerely,



Brian J. Rybarik
Administrator, Telecommunications Division

Enclosures

CC Randy Clarke – FCC (via email)

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**PUBLIC SERVICE COMMISSION OF WISCONSIN**
**Memorandum**

**May 3, 2012**

**TO:** **Wisconsin Telecommunications Stakeholders**

**FROM:** **Brian Rybarik, Telecommunications Division Administrator**
**Administrator**

**RE:** **Follow-up Memorandum from 4/26 Stakeholders Meeting**

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On June 9, 2011, we held a stakeholders meeting at the Public Service Commission to discuss the implementation of ICC rate reductions required on 7/1/12 pursuant to an FCC Order. Additionally, we discussed upcoming modifications to the tariff filing process and changes to the Lifeline program.

The following people participated in the meeting in person: Brian Rybarik, Gary Evenson, Duane Wilson, Kathy Bakke and Chela O'Connor (PSCW), John Dunbar (Mt. Horeb), Mike Theis (Theis Consulting), Bob Abrams (Kiesling), Pete Gardon (various clients including Cable Cos), Jim Jermain (ATT), Jill Collins (ATT), Scott Girard (CenturyLink), Lorenzo Cruz (CenturyLink), Jean Pauk (TDS), Jeff Vercauteren (various CLEC clients); and Bill Esbeck (WSTA).

The following people participated in the meeting by phone: Ken Schifman (Sprint), Brad Welp (LaValle Coop), Pamela Sherwood (tw), Don Price (Verizon), Jack Phillips (Frontier), Frank Matthews (CWA), Krystal and Christie (CenturyLink), David Chorzempa (ATT), Judd Genda (various small ILEC clients), Jerry Burmeister and Belinda Stark (Interstate Telcom Consulting).

## ICC RATES

At the March stakeholders meeting, we walked through a number of spreadsheet models that CenturyLink proposed for the process of implementing intrastate access rate reductions required by the FCC Order on 7/1/12. The CenturyLink proposals generally applied to companies that have already done rate restructuring (applying the same rate elements to both inter and intra state access rates) or are planning to perform restructuring by July 1, 2012.

Jerry Burmeister worked with a group of RLECs (through the WSTA) to develop a proposal for companies that don't plan to implement local transport restructuring in 2012. The group presented their proposal and discussed the spreadsheet which was sent out to the stakeholder group in advance of the meeting.[1] Essentially, the RLEC proposal used NECA requested data to develop "composite rates" out of total minutes and total revenue for both interstate and intrastate operations. The delta between the composite rates was halved, and the

[1] A copy of the spreadsheet is attached to this memorandum and labeled "RLEC Model".

revenue reductions were taken from specific rate elements to get to the proposed revenue number for 2012.

This proposal was challenged by some providers, specifically AT&T, as not being consistent with the FCC requirements. AT&T appeared to argue that the FCC required that rate reductions be made on each individual rate element in the intrastate tariff. There was debate about what the FCC Order actually requires – and perhaps there is some ambiguity in the way the resulting FCC Rule is written. However, from staff' view, this issue may not be addressed in advance of the July 1. Indeed, since this involves ambiguity in the FCC Order, it may be resolved at the FCC. At this time, I am unaware of any pending request for clarification of this portion of the Order/Rules. Requests for clarification, I believe, can be filed at any time and this issue appears ripe for such a clarification.

We also discussed a spreadsheet model provided by CenturyLink that was identified as the "FCC Model." This spreadsheet was also forwarded to the stakeholder list in advance of the meeting).[2] It is believed that this is a model for Price Cap carriers to use to implement access rate reductions under §51.907 of the new rules. This spreadsheet uses a "rate by rate" approach. CenturyLink indicated that it plans to use this method rather than the one it presented at the March meeting (or whatever method is designated by the FCC).

****UPDATE****: Additional information from the FCC is available on this issue, which may be useful to look at/review. The information can be found at: http://transition.fcc.gov/wcb/ppd

TDS also presented its method for performing restructuring during the 2012 year. The spreadsheet was provided by email to the stakeholder list on April 25, 2012.[3] That e-mail also outlined the four key differences between the TDS model and the CenturyLink model discussed in March.

TDS indicated that this model varies from CenturyLink's in the following ways:

1) CenturyLink Model's LTR Restructure Tab uses Intrastate/Interstate MOU relationships (%) to derive Total Intrastate Tandem Switched Transport (TST) Demand/Price-out and then applies Intrastate Non-LTR Local Transport Demand to determine LTR Terminating Intrastate TST Demand. TDS model uses actual intrastate MOU, by exchange, to compute TST demand under LTR taking into account remote-host & host-tandem transport segments and reduction of TST demand due to carrier dedicated facilities.
2) CenturyLink Model's LTR Restructure Tab also uses Intrastate/Interstate relationships (%) and interstate Direct Trunked Transport (DTT) demand to derive Intrastate DTT Demand and Priceout, but does not detail calculation. TDS Model used December 2011 Interstate DTT Demand, by carrier, to derive Intrastate DTT Demand by applying 1-PIU (Percentage Interstate Use) factor and annualizing one month intrastate DTT demand.
3) CenturyLink Model defaults intrastate TST and DTT to interstate rates and computes a new residual INTERCONNECTION CHARGE rate element. TDS Model does not

[2] A copy of the spreadsheet is attached to this memorandum and labeled "Price Cap Model".
[3] A copy of the spreadsheet is attached to this memorandum and labeled "TDS Model".

compute a new residual rate element, but sets DTT rates equal to Interstate and residually adjusts TST rates to achieve revenue neutral transport.

4) It appears CenturyLink Model assumes 50% reduction of all rates where intrastate is greater than interstate levels. TDS Model initially computes 50% difference between intrastate demand @ intrastate rates and @ interstate rates (terminating & DTT under LTR) and provides options as to what intrastate rate elements to reduce to achieve desired intrastate revenue reduction.

Parties were asked whether the Commission should require companies to file proposed tariffs or their proposed rate reduction methodologies prior to the July 1, 2012 deadline. The following answers were presented:

- RLEC Consultants/Companies/WSTA: No need for early filings.
- CLEC Reps: No and not sure specifically, but did not appear to have desire for early filings.
- ATT: Yes, would like proposed methodologies filed in advance of 7/1
- CenturyLink: Did not identify desire to file prior to 7/1, but indicated that it could have methodologies available by 6/17.
- TDS: No need for early filings. .
- Verizon: Yes. Verizon noted that other states are requiring early filings and it may be helpful to have this information available before 7/1.
- Frontier: No desire to have early filings but could have it ready in advance

**TARIFF PROCESS**

Kathy Bakke presented a general overview of a new method for tariff filings at the PSC and explained that staff plans to host a webinar in mid-May (tentatively scheduled for May 17th) to discuss the process changes in greater detail. A PowerPoint was provided by email to the stakeholder list in advance of the meeting.[4]

Recent changes in state law require providers to file and maintain an intrastate access tariff with the Commission. However, all other types of tariff filings are optional. The new filing process will be more efficient for providers and Commission staff alike and will ensure that the most current tariff filings are always readily available on our website.

There are three major changes. First, there will be a new interface used for filing telecommunications tariffs. This page will provide providers with clear filing instructions, downloadable cover letters and a simplified ERF filing process. Second, companies will have to file their COMPLETE TARIFF each time a change is made, not just the individual modified sheets. Third, the telecommunications tariffs will be available for review in ERF, not from the tariff links currently available on our website. However, at a provider's request, the Commission will "link" from our website to any tariffs maintained by the provider.

[4] The PowerPoint presentation is attached to this memorandum.

There was one outstanding question from the tariff discussion: can a link to a provider website (that is kept up-to-date on the Commission website) constitute having the tariff "on file" at the Commission, even if the tariff and subsequent tariff modifications are not filed in ERF?

**LIFELINE:**

Chela O'Connor provided an update on the implementation of Lifeline changes here at the Commission. One question identified was how the Commission would address the differences between the state programs (like Badgercare) and the federal programs; and whether there would be different requirements in Wisconsin versus other states. Staff identified the assumption that the federal programs were a baseline (all would be eligibility requirements in WI) and the state specific programs would be an ADD-on to the fed requirements.

# ATTACHMENT: RLEC MODEL

# ABC Telephone Company

## Intrastate Switched Access Rate Reduction Calculation

| | |
|---|---|
| **Intrastate Terminating** | |
| Access Revenue (Oct. 1, 2010 - Sept. 30, 2011) - NECA Data Req. Line 1 and Line 2 | $233,856 |
| Access Minutes (Oct. 1, 2010 - Sept. 30, 2011) - NECA Data Req. Line 3 | 3,199,117 |
| Composite Intrastate Terminating Access Rate - NECA Data Req. - Line 4 | $0.0731 |
| **Interstate Composite at 12-29-11 Rates and Bands** | |
| Switched Access Revenue (Sept. through Dec. 2011) - NECA Data Req. Line 6 | $34,025 |
| Switched Access Minutes (Sept. through Dec. 2011) - NECA Data Req. Line 8 | 1,267,013 |
| Composite Interstate Access Rate - NECA Data Req. Line 9 | $0.0269 |
| **Difference in Intrastate Terminating Composite and Interstate Composite** | $0.0462 |
| | /2 |
| **Composite Reduction Required at 7-1-12 (1/2 of the Difference)** | **$0.0231** |
| **Intrastate Terminating Access Minutes** | 3,199,117 |
| **Intrastate Revenue Reduction Required** | **$73,900** |

# ABC Telephone Company

## Intrastate Switched Access Rate Reduction Calculation

| | Access Rates 12/29/2011 | Rate Adjustment | Adjusted Rates 7/1/2012 |
|---|---|---|---|
| **Adjustment of Rates** | | | |
| Originating Carrier Common Line (CCL) | $0.0100 | | $0.0100 |
| Terminating Carrier Common Line (CCL) | $0.0223 | ($0.0223) | $0.0000 |
| Local Transport Termination | $0.0111 | | $0.0111 |
| Local Transport Facility | $0.000238 | | $0.000238 |
| Local Switching - Originating | $0.0315 | | $0.0315 |
| Local Switching - Terminating | $0.0315 | ($0.0008) | $0.0307 |
| Information Surcharge | $0.000230 | | $0.000230 |
| | | ($0.0231) | |

| | Rates | Minutes | Revenue |
|---|---|---|---|
| **Test of Intrastate Rate Reduction** | | | |
| Revenues Prior to Rate Adjustment | | | |
| Terminating CCL | $0.0223 | 3,199,117 | $71,340 |
| Terminating LS | $0.0315 | 3,199,117 | $100,772 |
| Total Revenues | | | $172,112 |
| | | | |
| Revenues After Rate Adjustment | | | |
| Terminating CCL | $0.0000 | 3,199,117 | $0 |
| Terminating LS | $0.0307 | 3,199,117 | $98,213 |
| Total Revenues | | | $98,213 |
| | | | |
| **Intrastate Revenue Reduction** | | | **$73,900** |