Agenda Date: June 28, 2012
Item Number: A3

Docket: UT-120853

Company: Washington Exchange Carrier Association (WECA)[1]

Staff: Tim Zawislak, Regulatory Analyst
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Recommendation

Issue an order in Docket UT-120853 granting a Less than Statutory Notice (LSN) approving elimination of the WECA Non-Traffic Sensitive Interim Terminating Access Charge of $.05205, approve the company-specific transitional Non-Traffic Sensitive rates filed by WECA and the increase in the originating Carrier Common Line Charge to $0.01788 effective July 3, 2012. Staff also recommends the commission confirm that the intrastate Traditional Universal Service Fund element at the rate of $0.00152 per minute charged by WECA member companies, other Incumbent Local Exchange Carriers (ILECs), and Competitive Local Exchange Carriers (CLECs) is an intrastate Universal Service Program not subject to a terminating access rate reduction mandated by the Federal Communications Commission (FCC) in its order FCC No. 11-161.

Background

The FCC's order No. 11-161, dated November 18, 2011, requires ILECs whose terminating intrastate access rates are above terminating interstate access rates to reduce those terminating access rates to interstate access rates over a two year period. The first year's reduction decreases terminating intrastate access revenues by one half the difference between current intrastate revenues and those revenues derived by repricing current intrastate access minutes with current interstate access rates.[2] The FCC's rules require this reduction to become effective on July 3, 2012. The second year reduction reduces the intrastate terminating access rates to interstate

[1] WECA includes the non-traffic-sensitive (NTS) intrastate switched access charge rates for the following companies: Asotin Telephone Company, Beaver Creek Telephone Company, Computer 5*, Inc., Ellensburg Telephone Company, Hat Island Telephone Company, Hood Canal Telephone Company, Inland Telephone Company, Kalama Telephone Company, Lewis River Telephone Company, Skyline Telecom, Inc., Mashell Telecom, Inc., McDaniel Telephone Company, Pend Oreille Telephone Company, Pioneer Telephone Company, St. John Telephone Company, Tenino Telephone Company, Toledo Telephone Company, Western Wahkiakum County Telephone Company, Westgate Communications LLC, Whidbey Telephone Company, and YCOM Networks, Inc.

[2] Year 1's reduction in intrastate access revenue is equal to .50 x ((intrastate access minutes x intrastate access rates)-(intrastate access minutes x interstate access rates)).

terminating access rates, and it will become effective on July 1, 2013. The ILECs are required to file both of these tariff revisions with the appropriate state regulatory authority.

Discussion

A. WECA's implementation of the Year 1 intrastate terminating access charge reductions

On June 8, 2012, the Washington Exchange Carrier Association (in WECA Tariff WN U-1), filed tariff revisions to assist in accomplishing year 1 of the FCC's rules in order to reduce intrastate terminating access charge revenues. WECA's current tariff includes the following intrastate pooled access elements to be charged to the appropriate Interexchange Carriers (IC) by its members:

Non-Traffic Sensitive (NTS) Rate Elements
Traditional Universal Service Fund at $.00152 per minute
Interim Terminating Access Charge (ITAC) at $0.05205 per minute
Originating Carrier Common Line Charge (CCLC) at $0.01662 per minute

The Traditional Universal Service Fund rate is billed to the ICs and redistributed to all ILECs operating in the state except for Frontier, Qwest, and United. This element is not subject to the FCC's required reduction to interstate rates like the other elements because of its Universal Service Fund program qualities.

WECA proposes to eliminate the pooled NTS ITAC rate which is currently $0.05205 in order to assist its members in reducing their intrastate annual access revenues by approximately halfway to the interstate access level or $1.9 million in year 1. However, eliminating NTS ITAC will not in all cases be sufficient to meet the year 1 target reduction. Therefore, in order to achieve the target revenue reduction, the individual WECA members may need company-specific transitional NTS ITAC rates to ensure the company only reduces its individual intrastate revenue reduction to meet year 1 requirements. WECA has filed a company-specific transitional NTS ITAC rate for those members who will experience reductions in revenues that are greater than needed once the NTS ITAC is eliminated. For WECA members whose elimination of NTS ITAC does not result in a halfway reduction of access revenues, the companies also reduced their TS ITAC rate to achieve the half way reduction ordered by the FCC.[3] The filed proposed rates are listed in Attachment 1. These transitional rates will be eliminated in the companies' next access charge filing in year 2 to accomplish the second step of the FCC's plan, effective July 1, 2013.

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[3] Asotin Telephone Company filed a traffic sensitive reduction in Docket UT-120694 and McDaniel Telephone Company filed a traffic sensitive reduction in Docket UT-120695. The remainder of the WECA members have proposed company-specific elements in WECA Tariff WN U-1 as part of this filing in Docket UT-120853.

Attachment 1 contains a comparison of the current and proposed rates by company. Attachment 2 is a WECA terminating intrastate to interstate rate reduction analysis which verifies that the proposed rate reductions will result in meeting the FCC's year 1 requirement.

B. WECA's proposed originating access charge rate increase

In addition to the intrastate terminating access rate reductions, WECA has filed an increase to its pooled originating intrastate CCLC rate. The increase is based upon WECA's need to continue to administer the distribution of funds to its members until the intrastate access transition to interstate rates is complete. The increased rate seeks to recover the administrative costs that are no longer captured through the terminating NTS ITAC rate since, as a result of this filing NTS ITAC rates will be eliminated. Without some relief, the WECA members will suffer lost revenues beyond what is being imposed by the FCC. WECA proposes to recover the administrative expenses of $54,742 that were included in NTS ITAC by now including them in the CCLC which is a rate element charged only on originating minutes. Recovery of administrative costs therefore requires that the originating CCLC rate increases from $0.01662 to $0.01788 per minute of use.

C. WECA's request for clarification of the Traditional Universal Service Fund

WECA also requests the Commission confirm that the Traditional Universal Service Fund (TUSF) administered by WECA[4] is an intrastate Universal Service Program Fund not subject to the FCC's intrastate access reduction.

D. Staff's review and recommendation

Staff has verified the formulae and logic contained in WECA members' confidential spreadsheets used to support the proposed access reductions and has validated the proper intrastate and interstate rates used to calculate the revenue reductions. Staff also reviewed the minutes of use and revenues produced for reasonableness and consistency with the FCC's new rules. Staff finds the companies' tariff filings regarding terminating intrastate access charges for year 1 are reasonable and comply with the FCC's transition rules. Staff also finds that the increase in the originating CCLC is reasonable and should be approved on an LSN basis. The clarification of the application of the TUSF is also reasonable and consistent with WECA's current tariff, previous Commission orders, the Washington Administrative Code, and the Revised Code of Washington.

[4] WAC 480-120-352(7).

Conclusion

Staff recommends the commission issue an order in Docket UT-120853 granting less than statutory notice for the WECA company-specific transitional NTS ITAC rates (Attachment 1) and an increase to $0.01788 for the originating CCLC access rate effective on July 3, 2012. Staff also recommends the Commission confirm that the Traditional Universal Service Fund element charged by WECA member companies, other ILECs and CLECs qualifies as an intrastate Universal Service Fund not subject to a terminating access rate reduction mandated by the Federal Communications Commission in its order FCC No. 11-161.

Attachments - 2