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April 19, 2012

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

In re: Implementation of the Federal Communications Order of November 18, 2011 As Amended or Revised; Docket No. M-2012-2291824

Dear Secretary Chiavetta:

Enclosed for filing are the Comments of the Pennsylvania Telephone Association to the Templates in the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By:
Norman J. Kennard

Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Federal Communications	:	
Commission's Order of November 18, 2011	:	M-2012-2291824
As Amended or Revised and Coordination	:	
With Certain Intrastate Matters	:	

COMMENTS OF THE PENNSYLVANIA TELEPHONE ASSOCIATION TO THE DRAFT LEC ACCESS CHARGE REBALANCING TEMPLATES

Pursuant to Secretarial Letter dated April 3, 2012 in the above-captioned matter, the Pennsylvania Rural Incumbent Local Exchange Carriers ("RLECs") represented by the Pennsylvania Telephone Association ("PTA")[1] in this matter submit these Comments to the Pennsylvania LEC Access Charge Rebalancing Templates ("Templates") prepared by the Staff of the Pennsylvania Public Utility Commission ("Commission" or "PAPUC").

I. INTRODUCTION

The two Templates consist of a total of 12 Tabs (excluding the Template intro) as follows:

Price Cap Carriers at the Federal Level

1. Summary of Rate Changes

[1] The Pennsylvania Telephone Association member companies include the following: Armstrong Telephone Company – Pennsylvania; Armstrong Telephone Company – North; Bentleyville Telephone Company; Windstream Buffalo Valley, Inc.; Citizens Telephone Company of Kecksburg; Windstream Conestoga, Inc.; Windstream D&E, Inc.; Hickory Telephone Company; Ironton Telephone Company; Lackawaxen Telecommunications Services; Laurel Highland Telephone Company; TDS Telecom/Mahanoy & Mahantango Telephone Company; Marianna & Scenery Hill Telephone Company; The North-Eastern Pennsylvania Telephone Company; North Penn Telephone Company; Consolidated Communications of Pennsylvania Company; Palmerton Telephone Company; Pennsylvania Telephone Company; Pymatuning Independent Telephone Company; South Canaan Telephone Company; TDS Telecom/Sugar Valley Telephone Company; Venus Telephone Corporation; Windstream Pennsylvania, LLC; and Yukon-Waltz Telephone Company. Frontier Communications Commonwealth Telephone Company, LLC (d/b/a Frontier Commonwealth); Frontier Communications of Breezewood, LLC; Frontier Communications of Canton, LLC; Frontier Communications – Lakewood, LLC; Frontier Communications – Oswayo River, LLC; Frontier Communications of PA, LLC are also participating with the PTA.

2. Revenue at Interstate Rates
3. Revenue at Intrastate Rates
4. July 1, 2012 Reduction
5. Proposed July 2012 Revenues
6. Alternative Price Cap

Rate of Return Carriers at the Federal Level

1. Summary of Rate Changes
2. Revenue at Interstate Rates
3. Revenue at Intrastate Rates
4. July 1, 2012 Reduction
5. Proposed July 2012 Revenues
6. Alternative for ROR

The PTA provides these Comments to the proposed Templates. The PTA Companies reserve the right to file further comments as necessary or appropriate.

II. COMMENTS

It is always easier to critique a spreadsheet than to create one, and the PTA companies commend Commission Staff for taking the lead on this initial draft document. There are several changes suggested in these Comments to make the Templates more accurate, easier to complete and also to ensure consistency in data entry for all carriers.

A. Need for Consistency of Timing and Content with FCC Efforts

In its *Connect America Fund Order*, the FCC concluded "that a uniform, national framework for the transition of intercarrier compensation to bill-and-keep, with an accompanying federal recovery mechanism" best served its federal policy goals.[2] The states, therefore, no

[2] *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing a Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund*, WC Docket No. 10- 90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) ("*Connect America Fund Order*"), ¶ 790.

longer set intrastate intercarrier compensation.[3] The states' role is one of implementation in state access tariffs.[4]

The FCC is in the process of establishing a timeline and the forms to be used for filing documentation related to the revenue replacement mechanisms of the Access Replacement Charge ("ARC") and Connect America Fund ("CAF") which underlie the determination of "Eligible Recovery." The immediate driver, of course, are the access reductions in intrastate switched access reductions ordered by the FCC as steps 1 and 2 of its reform. The deadlines for interstate tariff rates and the ARC are already set.[5]

In terms of the changes to intrastate access rates, the PTA perceives PAPUC coordination with the CAF data and underlying calculations at the federal level to be imperative. To ensure consistency, the same supporting calculations and documentation used for federal purposes should be employed for state tariff filings. Any PAPUC-related timelines should not run in advance of those set by the FCC.

The CAF filings are still a work in progress. No deadlines have been set for the filing of CAF claims at the FCC. No forms have been released by the FCC at this time, which apparently are awaiting approval from the Office of Management and Budget ("OMB").

The price cap companies, facilitated by Telcordia, Verizon and CenturyLink, have been working on a set of support forms that develop:

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[3] *Id.* ("Although states will not set the transition for intrastate rates under this approach we do follow the State Member's proposal regarding recovery coming from the federal jurisdiction. Doing so takes a potentially large financial burden away from states."). The issue of state action on originating access rates is being discussed in another Commission docket.

[4] *Id.* ("States will also help implement the bill-and-keep methodology. They will continue to oversee the tariffing of intrastate rate reductions during the transition period as well as interconnection negotiations and arbitrations pursuant to sections 251 and 252, and will have responsibility for determining the network 'edge' for purposes of bill-and-keep.").

[5] The ARC calculations and interstate access tariffs will be filed by the companies on June 18, 2012. *In the Matter of July 3, 2012 Annual Access Charge Tariff Filings*, WCB/Pricing File No. 12-07, Released March 28, 2012; Erratum Released March 30, 2012, note 3.

- Access rate reductions;
- Eligible revenue recovery at the holding company level (including detailed study area data);
- Amounts recoverable through the ARC charge (subject to the residential rate ceiling); and
- The remainder amount eligible for recovery through the CAF.

The National Exchange Carriers Association ("NECA") administers the interstate tariffs of most of the PTA member companies. The Universal Service Administrative Company ("USAC") is responsible for administering the CAF. As the *Connect America Fund Order* stated:

> Rate-of-return carriers may elect to have NECA or another entity perform the annual analysis. The underlying data must be submitted to the relevant state commissions, to the Commission, and, for carriers that are eligible for and elect to receive CAF, to USAC.[6]

Final FCC forms for CAF claims[7] are presently anticipated to be approved by the OMB and released on or before May 23, 2012.

For the ROR companies, NECA has developed a working schedule to develop the intrastate access reductions, ARC increases and CAF calculations, the dates of which are

- April 25, 2012 – Preliminary View
- May 23, 2012 – Final View

The PTA ROR companies offer to share the preliminary CAF data with the Commission after it is available and to file the final information contemporaneously with the NECA "Final View." Any filing date prior to that time invites potentially inconsistent results and inaccurate state calculations.

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[6] *Connect America Fund Order*, note 1690.

[7] *Connect America Fund Order*, ¶ 923 ("To ensure consistency and further minimize any burden on carriers, we delegate to the Wireline Competition Bureau the authority to adopt a template for submitting the data, which should be done in conjunction with the development of data necessary to be filed with USAC for receipt of CAF ICC support, which has also been delegated to the Wireline Competition Bureau.").

Because the data to be remitted to the PAPUC is tentatively set for submission on May 14, 2012, before the final data submission to NECA, the Rate of Return RLECs run the risk that the state data may be different than that reported to the NECA as companies finalize their federally filed CAF/ICC data. No date is set for the Price Cap Companies, but similar timing issues will likely present themselves.

This Commission should defer the Template submission deadline for nine (9) days, until May 23, 2012, to ensure submission of the most accurate figures, consistent with final data provided to the FCC.

B. Comments on Template

1. Where the Composite Intrastate Rate Is Already Lower

Many of the PTA companies intrastate traffic sensitive rates are already lower than in their comparable interstate rate. Some also have a very low Carrier Charge rate. If an individual rate element were to be higher in the intrastate tariff, it need not be reduced, if the composite intrastate access rate is already lower than the composite interstate access rate. The FCC's test is driven by composite revenues, not by individual rate elements.[8]

2. Spreadsheet Cell Population and Rate Elements

It is unclear, upon initial review of the spreadsheet, what cells are to be populated by the user. Where there is uncertainty, incomplete or inconsistent data entry will lead to further efforts by both staff and the RLECs to track down missing information. Since many of the cells incorporate rate elements, demand, and rates which are duplicated in several sheets within the file, a single "data-entry" worksheet would ensure that all data is accurately and consistently reported by all companies.

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[8] 47 CFR §§ 51.907(b)(2)(iii) and 51.909(b)(2)(iii).

For example, on the worksheet entitled "Proposed July 2012 Revenues" Fiscal Year 2011 demand data should not have to be re-entered, and can be carried forward from elsewhere in the spreadsheet. The column for Proposed Intrastate Rates would more conveniently be formula-driven rather than requiring multiple entries of the same data on multiple tabs. A potentially improved way to do this is to populate rates within the spreadsheet once and then reference that entry in subsequent worksheets.

As it relates to the rates changing per the FCC *Connect America Fund Order*, the PTA Rate of Return Companies all offer the same basic switched access services within the PTA Access Tariff PA PUC Tariff No. 11. The actual tariffed intrastate rate elements should be listed in the Rate of Return ILEC spreadsheet to ensure that all companies consistently include the same services in their filings.

The Carrier Charge and per minute rate elements represent the majority of the intrastate switched access revenues billed by the RLECs. Rates billed on a per minute basis are as follows:

- Local Switching
- Information Surcharge (per 100 minutes)
- Tandem Switching
- Tandem Switched Termination (per minute x terminations)
- Tandem Switched Facility (per minute x miles)

The Carrier Charge rate element is billed based on the number of access lines served by the LEC.

The other, remaining, switched access elements fall into the category of dedicated transport. These elements are billed based on the size of facilities which are ordered by access customers, and the number of airline miles these facilities must cover to connect the customer to the company. Dedicated transport facility charges can be purchased as Voice Grade, DS-1 (i.e. 24 Voice Grade Lines), or DS-3 (28 DS-1s) and are as follows:

- Entrance Facility (billed per termination)

- Direct Trunked Transport Facility (mileage based)
- Direct Trunked Transport Termination (billed per termination)

By including each of these rates on the template, the Commission can ensure consistent reporting among the Rate of Return LECs.

Price Cap Companies may have different elements and should complete the tabs based upon their own tariffed rate design. The spreadsheets for Price Cap Carriers need to be modified, however, to remove the entries for "Originating" access elements, as these are not reduced pursuant to the *Connect America Fund Order*.[9] The spreadsheet is inadvertently set up so that originating access rates would also be reduced once carried over to the "July 1, 2012 Reduction" tab.

3. Carrier Common Line

On the Rate of Return LEC worksheet entitled "July 1, 2012 Reduction"(cell J15) reflects a reduction in calculated Carrier Charge revenues for terminating access based upon a ratio of terminating and originating access minutes. However, the amount entered in the original data entry cell on the "Revenue at Intrastate Rates" tab (cell E29) is *already* limited to the terminating portion of the Carrier Charge (row is labeled "Carrier Charge **Terminating**" (emphasis added)), which would indicate that any originating portion of this rate has already been excluded from this figure. Either the "Revenue at Intrastate Rates" tab (cell E29) should reflect all Carrier Charge revenue or the separation on "July 1, 2012 Reduction" (cell J15) should be eliminated. On the Price Cap LEC spread sheet, the "Revenue at Intrastate Rates" tab (cell E29) *is not limited* to terminating revenue and this problem, therefore, does not occur. The PTA recommends that the

[9] The *Connect America Fund Order* capped intrastate originating access rates for price cap companies, but did not order any reduction, as it expressly acknowledged: "Other than capping, … the Order does not fully address the complete transition for originating access charges. *Connect America Fund Order*, ¶ 1298.

Rate of Return ILEC spreadsheet be modified to be consistent with the Price Cap ILEC spreadsheet "Revenue at Intrastate Rates" tab (cell E29) (i.e., to reflects all CCL revenue).

In a related vein, the "July 1, 2012 Reduction" sheet contains a calculation labeled "D. Maximum Total Transitional Access Service Revenues July 2012 - June 2013". In this section, the Carrier Charge revenues include both originating and terminating revenue (cell J15). As outlined above, it is possible that cell J15 was truly intended to be exclusively terminating Carrier Charge revenue. If that was not the intent, then cell J33 must be changed to reflect only the terminating revenues.

For purposes of allocating the Carrier Charge between originating and terminating minutes, there are several important nuances related to ensuring consistent completion by the carriers. First, the spreadsheet should expressly note that, in addition to CABs billing to non-ILEC carriers; ITORP (i.e., ILEC-to-ILEC intraLATA access) should also be included, as well as the ILEC's own intraLATA toll minutes imputed (where it is the presubscribed carrier), in the calculation of total minutes. ITORP minutes should already be included in the total terminating minutes category, but a separate line on a data entry sheet will ensure that all companies include them. The same is true for toll imputation, so as to be consistent with the *Global Order* method, by which the CCL was created.

The last Carrier Charge recommendation relates primarily to how the rate is tariffed and billed. Tariffed on a per-line basis, most billing systems convert this element into a rate per minute to be applied to all intrastate access customers.[10] Moreover, access lines change during the year and a calculation based upon year end customer lines will not accurately reflect the

[10] Section 3.5 of the PTA Access Tariff. ("The Telephone Company, at its sole discretion, may convert the Carrier Charge per line to an equivalent rate per minute. Should the Telephone Company choose to use an equivalent rate per minute, the Carrier Charge revenue will be reviewed and the Carrier Charge adjusted as necessary to ensure the appropriate recovery.").

year's actual revenues. Therefore it would be unlikely that the actual Carrier Charge billed during any particular twelve month period will match the calculation as proposed at the Template tab entitled "Revenue at Intrastate Rates" (cell D29 – "Total Access Lines as of 12/29/11" – converted to an annual amount ("x 12") in cell E29). In their CAF/ICC data collection, NECA addressed this issue by requesting that LECs provide the amount of Carrier Charge billed during the fiscal year. Providing a worksheet option for the LEC to bypass the cell E29 (access lines x rate x 12) calculation and, instead, insert the actual Carrier Charge revenues billed during the Fiscal Year, the result would more closely align with those reported to NECA and ensure consistency.[11] Another option, but less accurate would be to annualize the average number of access lines during the Fiscal Year.[12]

4. Rate Design

The Staff Template accurately reflects the FCC's optional use of intrastate rate design in Step 1. There are two options. Both Price cap and Rate of Return LECS may "Price Cap Carrier may elect to establish rates for Transitional Intrastate Access Service using its intrastate access rate structure."[13] "In the alternative", a LEC "may elect to apply its interstate access rate structure and interstate rates" and "assess a transitional per-minute charge on Transitional Intrastate Access Service end office switching minutes (previously billed as intrastate access)...."[14]

Also, the Template recognizes that distribution of the access decreases in the intrastate access tariffs is not directed by the FCC Order and that the LECs may distribute the decreases as

[11] A good example of the need to coordinate with the federal filings.

[12] In any event, the calculation should not be at year end 2011 as the FCC has "define[d] 'fiscal year' 2011 for these purposes as October 1, 2010 through September 30, 2011." *Connect America Fund Order*, note 1639.

[13] 47 CFR §§51.907(b)(2)(iv) and §51.909(b)(2)(iv).

[14] 47 CFR §§51.907(b)(2)(v) and 51.909(b)(2)(v).

necessary to accommodate the FCC's rules. This flexibility is necessary as the companies work through the complex FCC formula.

III. CONCLUSION

The PTA Companies appreciate the opportunity to provide these Comments to the proposed Templates, and remain committed to working with Staff to finalize the information required to effectuate the required rate changes.

Respectfully submitted,

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