

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Material to be Filed in Support of) WC Docket No. 14-48
2014 Annual Access Tariff Filings)

ORDER

Adopted: April 14, 2014

Released: April 14, 2014

By the Chief, Pricing Policy Division:

I. INTRODUCTION

1. In this Order, we set forth the Tariff Review Plans (TRPs) that are available for all incumbent local exchange carriers (ILECs) to use to support the annual revisions to the rates in their interstate access service tariffs.¹ The completion of the TRPs appended to this document will provide the supporting documentation to partially fulfill the requirements established in sections 61.41 through 61.49 of the Commission's rules, and the requirements established in sections 51.700 through 51.715 and 51.901 through 51.919 of the Commission's rules.² The TRPs display basic data on rate development in a consistent manner, thereby facilitating review of the ILEC rate revisions by the Commission and interested parties.³ The annual TRPs have served this purpose effectively for numerous years.

2. On November 18, 2011, the Commission released the *USF/ICC Transformation Order*,⁴ which established a number of rules requiring ILECs to adjust, over a period of years, many of their switched access charges effective on July 1 of each of those years, with the ultimate goal of transitioning to a bill-and-keep regime at the end of the transition.⁵ The Commission also adopted a recovery mechanism to mitigate the impact of reduced intercarrier revenues on carriers and to facilitate continued investment in broadband infrastructure, while providing greater certainty and predictability going forward than the *status quo*.⁶ As part of the recovery mechanism, the Commission defined as "Eligible Recovery"

¹ The filing date and comment periods were released earlier in a separate order. See *July 1, 2014 Annual Access Charge Tariff Filings*, WC Docket No. 14-48, Order, DA 14-404 (Pricing Pol. Div. rel. Mar. 25, 2014) (*Procedures Order*).

² 47 C.F.R. §§ 61.41-61.49, 51.700-715 and 51.901-919.

³ TRP formats for the annual filings are developed for the specific circumstances of the calendar year in which the revised rates will become effective. We refer to the TRPs discussed in this document as the 2014 TRPs.

⁴ See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*), *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. filed Dec. 8, 2011).

⁵ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17934-35, para. 801 (stating that although many of the switched access rate elements are subject to the transition adopted, other rates are not being specifically reduced at this time). See also *id.* at 18109-115, paras. 1297-1314 (seeking comment on the appropriate transition for rate elements not specifically addressed in the Order).

⁶ *USF/ICC Transformation Order*, 26 FCC Rcd at 17677, para. 36.

the amount of intercarrier compensation revenue reductions that incumbent LECs would be eligible to recover through a combination of end-user charges (Access Recovery Charge or the ARC)⁷ and, where eligible and if a carrier elects to receive it, Connect America Fund support.⁸ A carrier's Eligible Recovery is based on a percentage of the reduction in revenue each year resulting from the intercarrier compensation reform transition.⁹

3. Rate-of-return ILECs subject to section 61.38 of the Commission's rules¹⁰ are required to file access service tariff revisions this year, an even-numbered year,¹¹ and are required to submit supporting documentation with their tariff filings.¹² These carriers should file the rate-of-return TRP to support these revisions. Rate-of-return ILECs subject to section 61.39 of the Commission's rules¹³ historically would not have been required to file access service tariffs this year, since they file revisions in odd-numbered years.¹⁴ Pursuant to the *USF/ICC Transformation Order*, however, rate-of-return ILECs subject to section 61.39 of the Commission's rules must file a TRP this year to comply with the requirements of sections 51.909(d), 51.917(d)(iii), and 51.917(e) of the Commission's rules, and must file the TRP forms relevant to those rule sections.¹⁵

4. Based on the Wireline Competition Bureau's (Bureau) experience in reviewing TRPs in prior years, the submission by price cap ILECs of the attached Short Form TRP on May 19, 2014, together with comments and reply comments by interested parties, will aid the Bureau in analyzing the annual demand and rate revisions to be filed in June 2014. Section II describes the 2014 TRP for price cap ILECs and section III describes the 2014 TRP for rate-of-return ILECs.

II. PRICE CAP TARIFF REVIEW PLAN

5. In the *LEC Price Cap Order*,¹⁶ the Commission adopted price cap regulation for certain ILECs, effective January 1, 1991. Companies that currently file interstate access tariffs pursuant to the price cap rules include the ACS Companies; AT&T Services, Inc.;¹⁷ CenturyTel Operating Companies; Cincinnati Bell Telephone Company; Consolidated Communications; Embarq Local Telephone Companies (Embarq LTC); the FairPoint Telephone Companies; Frontier Telephone Companies; Hawaiian Telecom, Inc.; Illinois Consolidated Telephone Company; Micronesian Telecommunications

⁷ *Id.* at 17958, para 852.

⁸ *Id.* at 17957, para. 850.

⁹ *Id.* at 17957-17958, paras. 850-51. In creating the recovery mechanism, the Commission concluded that "it is appropriate to first look to customers paying lower rates for some limited, reasonable recovery, and adopt[ed] a number of safeguards to ensure that rates remain affordable and that consumers are not required to contribute an inequitable share of lost intercarrier revenues." *Id.* at 17957, para. 850.

¹⁰ 47 C.F.R. § 61.38 (rate-of-return carriers that file tariffs based on projected costs and demand).

¹¹ *Id.* § 69.3(f)(1).

¹² *Id.* § 61.38(b).

¹³ *Id.* § 61.39 (rate-of-return carriers that file tariffs based on historical costs and demand).

¹⁴ *Id.* § 69.3(f)(2).

¹⁵ 47 C.F.R. §§ 51.909(d), 51.917(d)(iii), 51.917(e).

¹⁶ *Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Order, 5 FCC Rcd 6786 (1990) (*LEC Price Cap Order*), *recon.*, 6 FCC Rcd 2637 (1991), *further recon.*, 6 FCC Rcd 4524 (1991), 7 FCC Rcd 5235 (1992), *National Rural Telecom Ass'n v. FCC*, 988 F.2d 174 (D.C. Cir. 1993).

¹⁷ AT&T companies that will file TRPs include: Ameritech Operating Company; BellSouth Telephone Company; Nevada Bell Telephone Company; Pacific Bell Telephone Company; Southern New England Telephone (SNET); and Southwestern Bell Telephone.

Corp.; Puerto Rico Telephone Company; Qwest Corporation; SureWest Telephone, the Verizon Telephone Companies; Virgin Island Telephone Company; and Windstream Telephone System. All companies that file pursuant to price cap regulation in the 2014 annual filing should also file the price cap TRPs outlined below and contained in the Appendix.

A. Price Cap TRP Spreadsheets and Workpapers

6. In the 2014 price cap annual access TRP, we adopt a number of changes to the 2013 TRP. The spreadsheets and workpapers are discussed in detail in Section B below and are contained in the Appendix.

1. ARC Spreadsheets

7. The ARC spreadsheets consist of five individual spreadsheets that demonstrate the calculations necessary to arrive at an ARC rate for filing carriers. These spreadsheets were created to comply with section 51.915(e) of the Commission's rules and include: The Rate Ceiling CAF and No CAF Spreadsheets, the Tariff Rate Comparison CAF and No CAF Spreadsheets, and a new True-up spreadsheet.¹⁸ This year these four existing spreadsheets have been modified to reflect the increase of the maximum ARC rates, and the true-up spreadsheet has been added to calculate the true-up required by section 51.915(d)(iii)(F) of the Commission's rules.¹⁹

2. Access Reduction Spreadsheet

8. The Access Reduction spreadsheet identifies the intrastate rates that are required to be reduced pursuant to section 51.907(b)-(g) of the Commission's rules and calculates the amount of the reductions. This is a spreadsheet created to comply with sections 51.907(b)-(g) and 51.915(d) of the Commission's rules.²⁰ This year, the Access Reduction Spreadsheet has been modified to reflect rate reductions required by section 51.907(d) of the Commission's rules.²¹

3. Eligible Recovery Spreadsheet

9. The Eligible Recovery spreadsheet calculates the amount of Eligible Recovery a price cap ILEC is entitled to receive pursuant to section 51.915(d) of the Commission's rules.²² This is a spreadsheet created to comply with section 51.915(d) of the Commission's rules. This year, the Eligible Recovery Spreadsheet has been modified to change formulas in compliance with section 51.915(d)(iii) of the Commission's rules.²³

4. Reciprocal Compensation Spreadsheet

10. The Reciprocal Compensation spreadsheet demonstrates the calculations necessary to comply with section 51.705 of the Commission's rules and calculates the Eligible Recovery for reciprocal compensation rate reductions pursuant to section 51.915(d). This is a spreadsheet created to comply with section 51.705 and 51.915(d) of the Commission's rules.²⁴ This year, the Non-CMRS Reciprocal

¹⁸ 47 C.F.R. § 51.915(e).

¹⁹ *Id.* § 51.915(d)(iii)(F).

²⁰ *Id.* §§ 51.907 (b)-(g), 51.915(d).

²¹ *Id.* § 51.907(d).

²² *Id.* § 51.915(d).

²³ *Id.* § 51.915(d)(iii).

²⁴ *Id.* §§ 51.907, 51.915(d).

Compensation Spreadsheet has been modified to reflect the rate adjustments required by section 51.915(d)(iii) of the Commission's rules.²⁵

5. ICC Summary Spreadsheet

11. The ICC Summary Spreadsheet provides a summary of data contained in the ARC, Access Reduction, Eligible Recovery, and Reciprocal Compensation spreadsheets.

6. IND1 Spreadsheet

12. The IND1 spreadsheet displays price cap indices (PCIs), actual price indices (APIs), service band indices (SBIs), and upper SBI limits. It is unchanged from the version in the 2013 TRP. For the special access and interexchange baskets, to assist in verifying the historical indices reported in IND1, price cap ILECs must continue to file workpapers that identify transmittals in which the current index levels became effective.

7. CAP Spreadsheets

13. Price cap ILECs develop the End User Common Line Charge (EUCL), the Presubscribed Interexchange Carrier Charge (PICC), and Carrier Common Line (CCL) rates, the rates that recover common line, marketing and transport interconnection (CMT) revenue, on CAP-1, CAP-2, CAP-3, CAP-4, and CAP-5. Some revisions have been made to the CAP-5 form to calculate the amount of recoverable exogenous costs that can be recovered from ARC rates.

14. Price cap ILECs that price certain common line rate elements separately by jurisdiction within a study area are required to provide such individual rates, instead of a roll up or average rate, on the CAP-1J form.

8. PCI1 Spreadsheet

15. The PCI1 spreadsheet displays the calculation of the PCIs for the price cap baskets and includes the following data: (1) the Gross Domestic Product Price Index (GDP-PI) measuring inflation; (2) the productivity offset (X-Factor),²⁶ (4) the exogenous cost change (Z); (5) the base-year (calendar-year 2013) revenue R for each basket; and (6) the weighting factor (w) used in computing the PCIs. There are no revisions to these spreadsheets.

9. SUM1 Spreadsheet

16. This is a summary spreadsheet displaying the revenues in baskets and categories. It displays the base-year (calendar year 2013) service demand multiplied by: (1) current rates; and (2) proposed rates. SUM1 is used to calculate the difference in revenues using base-year demand, under current and proposed rates. There are no revisions to the SUM1 spreadsheet.

10. EXG Spreadsheets

17. The EXG1 spreadsheet displays the exogenous cost changes to the PCIs attributable to any: (1) sale of exchanges; (2) FCC regulatory fees; (3) excess deferred taxes; (4) amortization of investment tax credits; (5) low end adjustment calculations; (6) fees associated with Telecommunications Relay Service; (7) changes in the allocation of costs between regulated and unregulated activities; (8) NANPA expenses; (9) removal of thousand block number pooling; and (10) other exogenous cost changes the ILECs may file. There are no revisions to the EXG1 spreadsheet.

18. The EXG2 spreadsheet displays the net exogenous shifts related to bands and zones. There are no revisions to the EXG2 spreadsheet.

²⁵ *Id.* § 51.915(d)(iii).

²⁶ The X-Factor is set pursuant to section 61.45 of the Commission's rules. *Id.* § 61.45.

11. Combined Indices

19. The TRP includes a subprogram or switch that allows price cap ILECs to combine several study areas for purposes of calculating common line basket and service band indices.²⁷ Thus, price cap ILECs may file different tariffed rates while combining indices across all study areas for maintaining headroom, the difference between maximum allowable revenues (PCI revenues) and forecasted revenues (API revenues). There are no revisions to these spreadsheets.

12. RTE1 Spreadsheets

20. These spreadsheets display information used to compute the APIs, SBIs, and upper SBI limits. They display calendar year 2013 demand, current rates, proposed rates, and revenues computed by multiplying the 2013 demand by current and proposed rates. The RTE1 spreadsheets enable the Commission to verify the accuracy of “R,” the revenue variable in the PCI formula that equals base period (2013) demand multiplied by rates. Demand and price data are reported in the aggregate under the primary rate elements of each category. The level of aggregation in the RTE1 spreadsheets allows rapid, consistent verification of index calculations across all companies. There are no revisions to these spreadsheets.

13. Rate Detail Spreadsheet

21. In their previous annual filings, each price cap ILECs provided a spreadsheet that gave complete rate element detail, *i.e.*, demand, existing rates, and proposed rates for each rate element subject to price caps. Price cap ILECs should again file this spreadsheet with their 2014 annual access tariff filing. We leave unspecified the exact format of the rate detail spreadsheet because each price cap ILEC has a different number of rate elements. For each rate element, however, price cap ILECs should display the rate element name, jurisdiction, base period demand, current rates, and proposed rates. Price cap ILECs also may include a rate identifying code. The revenue amounts for baskets and categories should be totaled to assist in verifying the agreement between this form and the revenue amounts in RTE1. The variation in the number of rate elements among price cap ILECs prevents us from specifying the row numbers, but each row of this form should correspond to only one rate element. The rows should reflect the basket and service category sequence used in RTE1. There are no revisions to this spreadsheet.

14. Services Excluded from Price Caps

22. For the 2014 filing, we request that price cap ILECs provide a list of services that are tariffed, but are excluded from price caps. The list should identify the tariff section containing each service. Rate element details must be provided for the following categories: Special Construction/ICBs; Packet Services (*e.g.*, ATM, Frame Relay); End User Charges (*e.g.*, USF charges, LNP); Government Services (*e.g.*, FTS); Miscellaneous/Other (*e.g.*, engineering services); and services that were in price caps but have been removed (*e.g.*, interexchange services, special access). ILECs do not have to include the services removed pursuant to the *USF/ICC Transformation Order* in this list. For the remaining services included in the list, ILECs must identify the major service, indicate whether the rate is recurring or non-recurring, and the authority relied on to remove the service. ILECs must also clearly state in their cover letter where this information can be found in their TRP.

B. Miscellaneous

23. In addition to the above specifications, price cap ILECs must include with their support materials a list of all currently applicable Part 69 waivers. The list should include the following information: (1) a citation to the Commission or Bureau order granting the waiver; (2) a brief description

²⁷ This switch in the program would apply, for example, to Verizon and Embarq LTC, which have submitted TRPs where basket indices and service bands have been aggregated even though some study area tariffs have been kept separated.

of the waiver, including whether any new rate elements were authorized; and (3) the basket and, if applicable, service category of each rate element affected by the waiver.

III. RATE-OF-RETURN TARIFF REVIEW PLAN

A. Modifications to the Rate-of-Return TRP

24. In the 2014 rate-of-return TRP, we adopt certain modifications to the 2013 rate-of-return TRP in order to implement the *USF/ICC Transformation Order*. These modifications are noted in the forms and workpapers. The TRP for rate-of-return carriers is contained in the Appendix.

25. For special access and common line services, the 2014 rate-of-return TRP will be similar to the TRP in previous years. For switched access services, ILECs regulated pursuant to sections 61.38 and 61.39 of the Commission's rules must complete the ARC spreadsheets and the ROR-ILEC-ICC-data workbook, which contains several tabs with spreadsheets. The ARC spreadsheets will be the same as the spreadsheets filed by the price cap ILECs described in paragraph 9 above. The ROR-ILEC-ICC-data workbook will contain two spreadsheets for carriers to determine their intrastate and interstate rates and Eligible Recovery pursuant to sections 51.909(b)-(g) and 51.917(d) of the Commission's rules.²⁸ In addition, there will be a spreadsheet for carriers to calculate their reciprocal compensation rates and Eligible Recovery pursuant to sections 51.705 and 51.917(d) of the Commission's rules and a spreadsheet to summarize the carrier's Eligible Recovery.²⁹ These spreadsheets have all been modified from the 2013 spreadsheets to the extent necessary in order to implement the requirements of the *USF/ICC Transformation Order* for the step of the transition required for the July 1, 2014 annual access charge tariff filing.

26. Carriers that file under section 61.38 also must file the RORTRP spreadsheet this year. These carriers are required to set forth on this TRP cost, demand, and other data and calculations underlying the development of rates for special access and common line services. As switched access rates are no longer based on rate-of-return regulation, this TRP has been revised to eliminate certain switched access data and calculations.

B. General Guidelines Applicable to NECA

27. We have not adopted a TRP for the National Exchange Carrier Association (NECA), although NECA should refer to the rate-of-return TRP for guidance on the level of support materials to provide in its annual filing. As in the past, NECA should provide: (1) earnings data for special access services using the ERN-1 format; and (2) average schedule company settlements using the COS-1 format.

IV. GENERAL INSTRUCTIONS

28. The following general instructions apply to all ILECs. These instructions pertain to the TRPs and other documentation filed in support of access charges.

A. Revised TRPs

29. If ILECs file to revise their TRP after June 16, 2014, the TRP should be refiled in its entirety, rather than just the parts of the TRP that are changed. The latest TRP filed becomes the TRP of record. Other parts of the original filing, *e.g.*, portions of the explanations, description and justification, and workpapers, may be omitted if unchanged by the revision.

²⁸ 47 C.F.R. § 51.909(b)-(g).

²⁹ *Id.* §§ 51.705, 51.917(d).

B. Certification

30. The filing of inaccurate or incomplete data may seriously detract from the ability of the Commission and interested parties to evaluate the revised rates. All ILECs must certify that their historical and forecast data are accurate by including a signed statement that the support data are true, correct, and complete to the best of the carrier's knowledge. This certification will apply to all data submitted in support of revised rates, including the data that are filed in the TRP. The text of the certification is the same as that adopted in the *1987 Waiver Order*.³⁰ The certification should be displayed as the last page in the filing containing each company's TRP. ILECs are also under a continuing legal obligation to correct any inaccurate or incomplete data subsequently discovered in the TRP or other support data.³¹

C. Compliance with the Paperwork Reduction Act

31. This order contains modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. It has been submitted to the Office of Management and Budget (OMB) for review under Section 3507(d) of the PRA. OMB, the general public, and other Federal agencies are invited to comment on the new or modified information collection requirements contained in this proceeding. In addition, we note that pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, *see* 44 U.S.C. 3506(c)(4), we previously sought specific comment on how the Commission might further reduce the information collection burden for small business concerns with fewer than 25 employees.

32. In this order, we have assessed the effects of filing the TRP on ILECs and believe we have minimized the burden to the extent possible. We minimize the regulatory burden on the ILECs by deleting obsolete sections of the TRP that have not proved useful, and carriers need not file historical data that have been filed in previous years.

V. ORDERING CLAUSES

33. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4 (i) and (j), 201-209, of the Communications Act, as amended, 47 U.S.C. §§ 151, 154(i), (j), 201-209, and pursuant to authority delegated in sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, this order IS HEREBY ADOPTED as described above.

FEDERAL COMMUNICATIONS COMMISSION

Kalpak S. Gude
Chief, Pricing Policy Division
Wireline Competition Bureau

³⁰ *Annual 1987 Access Tariff Filings*, Petitions for Waivers of Filing Requirements, Mimeo No. 6945 (rel. Sept. 16, 1986) (*1987 Waiver Order*).

³¹ *See* 47 C.F.R. § 1.17 (establishing requirement for truthful and accurate statements in Commission matters, including "any tariff proceeding").

Appendix

All Tariff Review Plans

<http://fcc.gov/encyclopedia/tariff-review-plans>