Sancom, Inc. (TC13-060)
RESPONSE TO SDPUC DATA REQUEST NO. 1
RECEIVED: JULY 24, 2013
DUE: AUGUST 7, 2013

Question 1-1:

On the title page, should the list of exceptions to the LECA tariff include LECA sheet 2-24.3.1?

Response 1-1:

Yes, there should be an exception listed to LECA sheet 2-24.3.1. The updated revised Sancom, Inc. ("Sancom") Title Page is being filed with this response.

Question 1-2:

Provide supporting calculations for the new Local Switching (End Office) Terminating rate of $0.028072 as listed on tariff sheet 17-5.

Response 1-2:

Sancom is a rural CLEC and mirrors the FCC's Rural Benchmark exemption found in 47 CFR 61.26(e), for interstate switched access rates:

> "(e) Rural exemption. Except as provided in paragraph (g) of this section, and notwithstanding paragraphs (b) through (d) of this section, a rural CLEC competing with a non-rural ILEC shall not file a tariff for its interstate exchange access services that prices those services above the rate prescribed in the NECA access tariff, assuming the highest rate band for local switching. In addition to that NECA rate, the rural CLEC may assess a presubscribed interexchange carrier charge if, and only to the extent that, the competing ILEC assesses this charge. Beginning July 1, 2013, all CLEC reciprocal compensation rates for intrastate switched exchange access services subject to this subpart also shall be no higher than that NECA rate."

Sancom's intrastate terminating switched access rate at the time of the Federal Communications Commission's (FCC), November 18, 2011, Intercarrier Compensation Reform Order (FCC 11-161 or Order)[1] was higher per minute than the intrastate terminating switched access rate and remains higher. Sancom followed 47 CFR 51.911 for switched access rate reductions, which did not require anything in July 2012 due to the interstate terminating switched access rate being higher than

[1] *Connect America Fund*, WC Docket No. 10-90, *A National Broadband Plan for our Future*, GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket no. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal –State Joint Board on Universal Service*, CC Docket No. 96-45, Lifeline and Link-Up, WC Docket No. 03-109, *Universal Service – Mobility Fund*, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. November 18, 2011).

the intrastate terminating switched access rate. The same rule was followed for July 2013, in paragraph (c) of this section. Since Sancom follows 47 CFR 61.26(e), and the interstate terminating switched access rate is higher than the intrastate terminating switched access rate, Sancom adjusted only the structure of the intrastate terminating rates to mirror the interstate terminating structure.

Sancom's proposed terminating intrastate switched access rate restructure change for July 2013 is revenue neutral compared to the overall per minute switched access rate that is currently in effect. Sancom has tariffed a total rate of $0.06042 per intrastate terminating minute of use based on RM05-002, however since Sancom is a rural CLEC competing with a non-rural ILEC, its interstate terminating rate mirrors the NECA rates. Therefore, Sancom is following the NECA rate structure for intrastate terminating rates, which will mirror the structure rate elements of its interstate terminating rates.

In order for Sancom to get to this same structure for both jurisdictions, it took the transport rate elements it currently bills for interstate terminating traffic and implemented this into the intrastate tariff for terminating traffic taking mileage, billing percent, and terminations into account. Sancom could not take the currently effective local switching and info surcharge elements (End Office elements) and make the same as the interstate terminating rate or the intrastate terminating rate would increase on an overall per minute rate, therefore after applying the current mileage, billing percent, and terminations, this per minute amount was deducted from the current $0.06042 rate to come to the End Office rate of $0.028072.

The FCC does not require rural CLEC's to mirror Price Cap carriers' lower interstate rates and the FCC Order did not change the FCC Rural Benchmark rule. The FCC Order addresses the Rural Benchmark rules and states, "There are two exceptions to the general benchmarking rule. First, rural competitive LECs offering service in the same areas as non-rural incumbent LECs are permitted to "benchmark" to the access rates prescribed in the NECA access tariff, assuming the highest rate band for local switching (the rural exemption)."[2] Therefore, Sancom is in compliance with FCC Order and 47 CFR 51.911 by converting its intrastate Non-LTR rate structure to the same LTR structure of its interstate rates and not increasing the overall rate per minute. In future FCC transition reductions, the terminating End Office rate will continue to decrease, which will leave Sancom intrastate terminating rate lower than its interstate terminating rate for the next few years until the End Office element is reduced to $0.005 in July 2016. Once this reduction step is met then the terminating rates for both jurisdictions should become equal and remain equal as the remaining transitional steps are followed.

On the next page, is an illustration of the Sancom terminating intrastate switched access rates versus terminating interstate switched access rates. This illustrates the current almost two cent difference in rates and why the End Office rate was utilized in this July 2013 restructuring filing:

[2] *Ibid.*, ¶807.

Intrastate (Term) Through 6/30/13	
Element	**Rate Per AMOU**
Local Switching Per AMOU	$0.008610
Local Transport Per AMOU	$0.013390
Carrier Common Line Per AMOU	$0.038420
Orig & Term Total Rate Per AMOU	**$0.060420**

Intrastate (Term) 7/1/13-6/30/14				
Element	**Rate**	**Miles/ Terminations**	**Billing Percent**	**Total Per AMOU**
End Office (Includes LS and Info Surcharge)	$0.028072	1	100%	$0.028072
Tandem Switched Facility - Per AMOU Per Mile	$0.000418	67	100%	$0.028006
Tandem Switched Termination - Per AMOU Per Term	$0.002171	2	100%	$0.004342
Information Surcharge - Per AMOU	$0.000000	1	100%	$0.000000
Term Total Rate Per AMOU				**$0.060420**

Interstate (Term) Through 6/30/14				
Element	**Rate**	**Miles/ Terminations**	**Billing Percent**	**Total Per AMOU**
End Office - LS and Info Surcharge - Per AMOU	$0.046644	1	100%	$0.046644
Tandem Switched Facility - Per AMOU Per Mile	$0.000418	67	100%	$0.028006
Tandem Switched Termination - Per AMOU Per Term	$0.002171	2	100%	$0.004342
Information Surcharge - Per AMOU	$0.000513	1	100%	$0.000513
Term Total Rate Per AMOU				**$0.079505**

Intrastate Rate Difference Compared to Interstate Switched Access Rate Per Minute: ($0.019085)

Question 1-3:

On tariff sheet 17-5, footnote 2 identifies the applicable rates for VoIP Traffic. Per 47 CFR 51.913, originating access reciprocal compensation rates for VoIP must equal the relevant interstate originating accesses charges effective July 1, 2014. Does the existing footnote accurately reflect this requirement? If so, please explain how it meets the requirement. If not, consider adding proper language into the footnote should the company not want to re-file again next year.

Response 1-3:

Yes, Sancom's existing footnote 2 on tariff sheet 17-5 regarding VoIP Traffic rates is accurately reflected based on the FCC Order and for upcoming rate adjustments. As stated in response to Question 1-2 above, Sancom's interstate switched access rate overall is around two cents higher than its overall intrastate switched access rate for both originating and terminating traffic. The Order states that VoIP-PSTN calls exchanged with an IXC or telecommunications provider using Time Division Multiplexing format [per CFR Title 47, Section 51.913(a)] or a functional equivalent [per Section 51.913(b)] should be subject to a rate equal to the relevant interstate access charges. However, the FCC later clarified that if a Local Exchange Carrier's intrastate switched access rate is lower than its interstate switched access rate, the VoIP rate would be the lower of the two rates[3], which is the case for Sancom.

The way footnote 2 is worded on the revised tariff sheet clarifies that an originating intrastate VoIP-PSTN minute will be billed at the intrastate switched access originating rates and a terminating intrastate VoIP-PSTN minute will be billed at the intrastate switched access terminating rates. Based on the current FCC Order, Sancom does not anticipate this footnote 2 will need to be revised. Following the FCC Order, Sancom projects its originating intrastate switched access rates will remain lower than its originating interstate switched access rates and therefore the intrastate switched access rates will apply to originating VoIP-PSTN Traffic. Sancom also projects its terminating intrastate switched access rates will remain lower or equal to its interstate switched access rates over the rural carrier nine year transition period set by the FCC Order and therefore will not bill the higher interstate switched access rates for VoIP-PSTN Traffic for either originating or terminating intrastate VoIP-PSTN Traffic. Sancom addressed this issue in its last tariff revision filed in Docket TC12-033. The only change made in this recent tariff filing is to break out originating versus terminating rates and to reference back to the switched access rates within the tariff versus the hard coded rate so future changes should not be necessary for this tariff language based on the current FCC Order.

<u>Question 1-4:</u>

Sancom is benchmarking its terminating intrastate switched access rates pursuant to 47 CFR 51.911 and 47 CFR 61.26, however ARSD 20:10:27:02.01 requires CLECs to charge intrastate switched access rates that do not exceed the intrastate switched access rate of the RBOC. Since Sancom's terminating switched access rates reference NECA's rates, which are higher than Qwest's terminating intrastate access rates (the RBOC), does Sancom request the Commission waive ARSD 20:10:27:02.01 for Sancom's terminating intrastate access rates?

<u>Response 1-4:</u>

Yes, Sancom requests the Commission waive ARSD 20:10:27:02.01 for Sancom's intrastate switched access rates. Sancom is filing the waiver request with this response.

[3] FCC Order released February 3, 2012 (DA12-147), in WC Docket No. 10-90, et al. Paragraph 24, Operation of VoIP Rules When Interstate Access Rates Exceed Intrastate Access Rates.