ITC CLEC (TC13-061)

RESPONSE TO SDPUC DATA REQUEST NO. 1

RECEIVED: JULY 10, 2013

DUE: AUGUST 9, 2013

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

1-1 This is our calculation of the Qwest Intrastate Terminating Rates:

QWEST Intrastate Terminating Rates			
	Individual Rate Elements	**Average Rate**	**Example at 20 Miles**
Carrier Common Line	0	0	0
Local Switching	0.001974	0.001974	0.001974
Common Trunk Port	0.000747	0.000747	0.000747
Tandem Transmission 1-8 miles (MOU Fixed Rate)	0.00024	0.00024	0.00024
Tandem Transmission 8-25 miles (MOU Fixed Rate)	0.00024		
Tandem Transmission 25-50 miles (MOU Fixed Rate)	0.00024		
Tandem Transmission >50 miles (MOU Fixed Rate)	0.00024		
Tandem Transmission 0-8 miles (MOU Per Mile[1])	0.00003	0.00003	0.0006
Tandem Transmission 8-25 miles (MOU Per Mile)	0.00003		
Tandem Transmission 25-50 miles (MOU Per Mile)	0.00003		
Tandem Transmission >50 miles (MOU Per Mile)	0.00003		
Tandem Switching	0.002252	0.002252	0.002252
Transport Interconnection charge	0	0	0
Common Multiplexer	0.000036	0.000036	0.000036
	Composite	**0.005279**	**0.005849**

In section 17.2.2.2 of ITC CLEC's tariff, the Local Switching (End Office) Terminating Per Access Minute rate is $0.021384, which exceeds the Qwest rate. Can you explain why, or show a calculation that demonstrates why, your rate exceeds the Qwest rate?

Response 1-1:

Interstate Telecommunications Cooperative, Inc. f/k/a SSTELECOM ("ITC CLEC") 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."

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

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

[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).

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 $0.021384.

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 nonrural 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, ITC CLEC 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 ITC CLEC 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.

Here is an illustration of the ITC CLEC terminating intrastate switched access rates versus terminating interstate switched access rates, which illustrates the current two and a half cent difference in rates and why the End Office rate was utilized in this July 2013 restructuring filing:

Intrastate (Term) Through 6/30/13	
Element	**Rate Per AMOU**
Term Total Rate Per AMOU (Unified Rate)	**$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)	$0.021384	1	100%	$0.021384
Tandem Switched Facility - Per AMOU Per Mile	$0.000418	83	100%	$0.034694
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**
Local Switching - Per AMOU	$0.046644	1		100%	$0.046644
Tandem Switched Facility - Per AMOU Per Mile	$0.000418	83	*	100%	$0.034694
Tandem Switched Termination - Per AMOU Per Term	$0.002171	2		100%	$0.004342
Information Surcharge - Per AMOU	$0.000513	1		100%	$0.000513
Orig & Term Total Rate Per AMOU					**$0.086193**
Intrastate Rate Difference Compared to Interstate Switched Access Rate Per Minute:					**($0.025773)**

[2] *Ibid.*, ¶807.