

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

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| In the Matter of |) | |
| |) | |
| Material to be Filed in Support of |) | WC Docket No. 16-71 |
| 2016 Annual Access Tariff Filings |) | |

ORDER

Adopted: April 13, 2016

Released: April 13, 2016

By the Chief, Pricing Policy Division, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, we set forth the Tariff Review Plans (TRPs) that are available for all incumbent local exchange carriers (LECs) 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 incumbent LEC 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 and/or FNPRM*, which established a number of rules requiring incumbent LECs 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.⁴ The Commission also adopted a recovery mechanism to mitigate the impact of reduced intercarrier compensation revenues on carriers and to facilitate continued investment in broadband infrastructure, while providing greater certainty and predictability going forward than the *status quo* had been.⁵ As part of the recovery mechanism, the Commission defined as "Eligible Recovery" the amount of intercarrier compensation revenue reductions that incumbent LECs would be eligible to recover through a combination of end-user

¹ The filing date and comment periods were released earlier in a separate order. *See July 1, 2016 Annual Access Charge Tariff Filings*, Order, DA 16-274 (WCB Mar. 16, 2016).

² 47 CFR §§ 61.41-61.49, 51.700-51.715, and 51.901-51.919.

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 2016 TRPs.

⁴ *See Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17934-35, para. 801 (2011) (*USF/ICC Transformation Order and/or FNPRM*) (stating that although many of the switched access rate elements are subject to the transition adopted, other rates were not being specifically reduced at that time), *pets. for review denied sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014). *See also id.* at 18109-15, paras. 1297-1314 (seeking comment on the appropriate transition for rate elements not specifically addressed in the Report and Order); *id.* at 18149, para. 1404.

⁵ *Id.* at 17677, para. 36.

charges (Access Recovery Charge (ARC))⁶ and, where eligible and if a carrier elects to receive it, Connect America Fund support.⁷ A carrier's Eligible Recovery is based on a percentage of the reduction in revenue each year resulting from the intercarrier compensation reform transition.⁸

3. On March 30, 2016, the Commission released the *Rate-of-Return Reform Order*, which, among other things, represeted the authorized rate of return from 11.25 percent to 9.75 percent.⁹ The rate of return is a key input in the rate-of-return revenue requirement calculation, which is the basis for a rate-of-return incumbent LEC's common line and special access rates, and high-cost support as applicable.¹⁰ Beginning July 1, 2016, the current 11.25 percent rate of return will be reduced by 25 basis points per year until July 1, 2021, when it arrives at the 9.75 percent rate of return.¹¹

4. In order to implement the annual rate of return reductions contemplated by the *Rate-of-Return Reform Order* beginning July 1, 2016, all rate-of-return incumbent LECs will be required to file access service tariff revisions each year reflecting the revised rate of return. Rate-of-return incumbent LECs subject to section 61.38 of the Commission's rules¹² are required to file access service tariff revisions this year, an even-numbered year,¹³ and are required to submit supporting documentation with their tariff filings.¹⁴ These carriers should file the rate-of-return TRP to support these revisions.

5. Rate-of-return incumbent LECs subject to section 61.39 of the Commission's rules¹⁵ historically would not have been required to file access service tariffs this year, since they file revisions in odd-numbered years.¹⁶ Pursuant to the *USF/ICC Transformation Order*, however, rate-of-return incumbent LECs 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(f) and 51.917(d)(1)(iv), (e) of the Commission's rules, and must file the TRP forms relevant to those rule sections.¹⁷ In addition, rate-of-return incumbent LECs subject to section 61.39 of the Commission's rules must file access service tariff revisions this year to reflect the revised 11.0 percent rate of return in all relevant calculations. Because rate-of-return incumbent LECs subject to section 61.39 of the Commission's rules would not typically be performing new cost studies this filing year, they have the option of either applying the revised rate of return to the cost data from the previous filing year or completing new cost studies.¹⁸

⁶ *Id.* at 17958, para 852.

⁷ *Id.* at 17957, para. 850.

⁸ *Id.* at 17957-58, 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 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 17987-88, para. 906.

⁹ See *Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33, paras. 10, 226-326 (rel. Mar. 30, 2016) (*Rate-of-Return Reform Order*).

¹⁰ *Id.* at para. 10.

¹¹ *Id.* at para. 326.

¹² 47 CFR § 61.38 (rate-of-return carriers that file tariffs based on projected costs and demand).

¹³ 47 CFR § 69.3(f)(1).

¹⁴ 47 CFR § 61.38(b).

¹⁵ 47 CFR § 61.39 (rate-of-return carriers that file tariffs based on historical costs and demand).

¹⁶ 47 CFR § 69.3(f)(2).

¹⁷ 47 CFR §§ 51.909(f), 51.917(d)(1)(iv), (e).

¹⁸ See 47 CFR § 61.39(b)(1)(ii), (b)(2)(ii) (specifying the period of the cost of service study).

6. Based on the Wireline Competition Bureau's (Bureau) experience in reviewing TRPs in prior years, the submission by price cap incumbent LECs of the attached Short Form TRP on May 17, 2016, 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 2016. Section II of this Order describes the 2016 TRP for price cap incumbent LECs, and Section III describes the 2016 TRP for rate-of-return incumbent LECs.

II. PRICE CAP TARIFF REVIEW PLAN

7. In the *LEC Price Cap Order*,¹⁹ the Commission adopted price cap regulation for certain incumbent LECs, effective January 1, 1991. Companies that currently file interstate access tariffs pursuant to the price cap rules include the ACS Companies; Ameritech Operating Companies; BellSouth Telecommunications, LLC; CenturyLink Operating Companies; Cincinnati Bell Telephone; Consolidated Communications Companies; Frontier Telephone Companies; Hawaiian Telcom, Inc.; Micronesian Telecommunications Corporation; Nevada Bell Telephone Company; Pacific Bell Telephone Company; Puerto Rico Telephone Company; Southwestern Bell Telephone; The FairPoint Telephone Companies; The Verizon Telephone Companies; Virgin Islands Telephone Corporation; and Windstream Telephone System. All companies that file pursuant to price cap regulation in the 2016 annual filing should also file the price cap TRPs outlined below and contained in the Appendix.

A. Price Cap TRP Spreadsheets and Workpapers

8. In the 2016 price cap annual access TRP, we adopt a number of changes to the 2015 TRP. The spreadsheets and workpapers are discussed below and are contained in the Appendix.

1. ARC Spreadsheets

9. The ARC spreadsheets consist of six 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 the True-up spreadsheets. This year, the Rate Ceiling and Tariff Rate Comparison spreadsheets have been modified to reflect the increase of the maximum ARC rates. Labels on these spreadsheets also have been modified to place Basic Rate Interface (BRI) lines with Single Line Business (SLB) lines instead of with Primary and Non-Primary Residential lines²⁰ because BRI lines, like SLB lines, are not subject to the \$30 per month residential rate ceiling. In addition, there now are two True-up spreadsheets. One of these spreadsheets retains the placement of BRI lines with Residential Lines. The other is revised to place BRI lines with SLB lines. Incumbent LECs that placed BRI lines with Residential lines on the Rate Ceiling and Tariff Rate Comparison spreadsheets filed for tariff year 2014-2015 should file the unrevised True-up spreadsheet this tariff year. Incumbent LECs that placed BRI lines with SLB lines in tariff year 2014-2015 should file the revised True-up spreadsheet this tariff year.

2. Access Reduction Spreadsheets

10. The Access Reduction spreadsheets (standalone and regional) identify the intrastate rates that are required to be reduced pursuant to section 51.907(b)-(g) of the Commission's rules, and calculate the amount of the reductions. These are spreadsheets created to comply with sections 51.907(b)-(g) and 51.915(d) of the Commission's rules. This year, the Access Reduction Spreadsheets have been modified to reflect rate reductions required by section 51.907(f) of the Commission's rules.

¹⁹ *Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786 (1990) (*LEC Price Cap Order*), *aff'd sub nom. National Rural Telecom Ass'n v. FCC*, 988 F.2d 174 (D.C. Cir. 1993).

²⁰ The \$30.00 residential rate ceiling limits the ARC that may be assessed on non-primary residential lines because this ARC may not exceed the ARC assessed on primary residential lines, which is subject to this ceiling.

3. Eligible Recovery Spreadsheet

11. The Eligible Recovery spreadsheet calculates the amount of Eligible Recovery a price cap incumbent LEC is entitled to receive pursuant to 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)(v) of the Commission's rules.

4. Reciprocal Compensation Spreadsheets

12. The Reciprocal Compensation spreadsheets demonstrate the calculations necessary to comply with section 51.705 of the Commission's rules, and calculate the Eligible Recovery for reciprocal compensation rate reductions pursuant to section 51.915(d). These spreadsheets are the Non-CMRS Reciprocal Compensation and CMRS Reciprocal Compensation spreadsheets. This year, the Non-CMRS Reciprocal Compensation spreadsheet has been modified to reflect the rate adjustments required by sections 51.705(c)(3) and 51.907(f) of the Commission's rules.

5. ICC Summary Spreadsheet

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

6. IND1 Spreadsheet

14. 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 2015 TRP. For the special access and interexchange baskets, to assist in verifying the historical indices reported in IND1, price cap incumbent LECs must continue to file workpapers that identify transmittals in which the current index levels became effective.

7. CAP Spreadsheets

15. Price cap incumbent LECs develop the End User Common Line Charge (EUCL), the Presubscribed Interexchange Carrier Charge (PICC), and Carrier Common Line (CCL) rates, which are the rates that recover common line, marketing and transport interconnection (CMT) revenue, on CAP-1, CAP-2, CAP-3, CAP-4, and CAP-5. Certain formulas on the CAP-1 spreadsheet are revised to properly test whether PICC and CCL rates are filed at the entity or jurisdictional level.

16. Price cap incumbent LECs 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

17. 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),²¹ (4) the exogenous cost change (Z); (5) the base-year (calendar-year 2015) revenue R for each basket; and (6) the weighting factor (w) used in computing the PCIs. There are no revisions to this spreadsheet.

9. SUM1 Spreadsheet

18. This is a summary spreadsheet displaying the revenues in baskets and categories. It displays the base-year (calendar year 2015) 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.

²¹ The X-Factor is set pursuant to section 61.45 of the Commission's rules. 47 CFR § 61.45.

10. EXG Spreadsheets

19. 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) North American Numbering Plan Administration expenses; (9) removal of thousand block number pooling; and (10) other exogenous cost changes the incumbent LECs may file. There are no revisions to the EXG1 spreadsheet.

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

11. Combined Indices

21. The TRP includes a subprogram or switch that allows price cap incumbent LECs to combine several study areas for purposes of calculating the PCIs.²² Thus, price cap incumbent LECs may file different tariffed rates while combining indices across study areas to demonstrate compliance, i.e., that the API is no greater than the PCI. There are no revisions to this program.

12. RTE1 Spreadsheets

22. These spreadsheets display information used to compute the APIs, SBIs, and upper SBI limits. They display calendar year 2015 demand, current rates, proposed rates, and revenues computed by multiplying the 2015 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 (2015) 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

23. In their previous annual filings, each price cap incumbent LEC 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 incumbent LECs should again file this spreadsheet with their 2016 annual access tariff filing. We leave unspecified the exact format of the rate detail spreadsheet because each price cap incumbent LEC has a different number of rate elements. For each rate element, however, price cap incumbent LECs should display the rate element name, jurisdiction, base period demand, current rates, and proposed rates. Price cap incumbent LECs 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 incumbent LECs 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

24. For the 2016 filing, we request that price cap incumbent LECs 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/Individual Case Basis; 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

²² This switch in the program would apply, for example, to Verizon and CenturyLink, which have submitted TRPs where basket indices and service bands have been aggregated even though some study area tariffs have been kept separated.

price caps but have been removed (e.g., interexchange services, special access). Incumbent LECs do not have to include in this list the services removed pursuant to the *USF/ICC Transformation Order*. For the remaining services included in the list, incumbent LECs must identify the major service, indicate whether the rate is recurring or non-recurring, and the authority relied on to remove the service, where applicable. Incumbent LECs must also clearly state in their cover letter where this information can be found in their TRP.

B. Miscellaneous

25. In addition to the above specifications, price cap incumbent LECs 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 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

26. In the 2016 rate-of-return TRP, we adopt certain modifications to the 2015 rate-of-return TRP in order to continue 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.

27. For special access and common line services, the 2016 rate-of-return TRP will be similar to the TRP in previous years. For switched access services, incumbent LECs 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 incumbent LECs 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. 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. These spreadsheets have all been modified from the 2015 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, 2016 annual access charge tariff filing. These carriers also must provide a summary of the data from these spreadsheets in the RoR ILEC Summary spreadsheet.

28. Carriers that file under section 61.38 of the Commission's rules also must file the ROR TRP 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.

B. General Guidelines Applicable to NECA

29. 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

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

A. Revised TRPs

31. If an incumbent LEC files to revise its TRP after June 16, 2016, 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.

B. Certification

32. 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 incumbent LECs 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. Moreover, carriers are required to make several additional certifications pursuant to the *USF/ICC Transformation Order*.²³ These certifications should be displayed as the last pages in each company's filing containing its TRP. Incumbent LECs are also under a continuing legal obligation to correct any inaccurate or incomplete data subsequently discovered in the TRP or other support data.

C. Compliance with the Paperwork Reduction Act

33. As with each year's TRPs, the TRPs contained in this Order contain modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA).²⁴ The TRP collections were approved by the Office of Management and Budget (OMB) under the PRA.²⁵ In addition, we note that pursuant to the Small Business Paperwork Relief Act of 2002,²⁶ 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.

34. In this Order, we have assessed the effects on incumbent LECs of filing the TRP and believe we have minimized the burden to the extent possible. We minimize the regulatory burden on the incumbent LECs by deleting obsolete sections of the TRP that have not proven to be useful, and carriers need not file historical data that was filed in previous years.²⁷

V. ORDERING CLAUSES

35. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4(i) and (j), 5, and 201-209 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i)-(j), 155, 201-209, and sections 0.91 and 0.291 of the Commission's rules, 47 CFR §§ 0.91, 0.291, this Order IS ADOPTED.

FEDERAL COMMUNICATIONS COMMISSION

Pamela S. Arluk
Chief, Pricing Policy Division
Wireline Competition Bureau

²³ See *USF/ICC Transformation Order*, 26 FCC Rcd at 17987, para. 905 ("Carriers recovering eligible recovery will be required to certify annually that they are entitled to receive the recovery they are claiming and that they are complying with all rules pertaining to such recovery."); see also *id.* at 17964-65, para. 862 n.1664 (incumbent LECs receiving Eligible Recovery must certify as part of their tariff filings, to both the FCC and any state commission exercising jurisdiction over the incumbent LEC's intrastate costs, that they are not seeking duplicative recovery in the state jurisdiction for any Eligible Recovery subject to the recovery mechanism).

²⁴ Public Law 104-13.

²⁵ See OMB Control No. 3060-0400. In the submission to OMB, we noted that the "Commission updates the price cap and rate-of-return TRP every year to eliminate respondents' requirements to file cost and demand data that may be more than two years old and to bring the TRP data into conformance with current Commission policies."

²⁶ Public Law 107-198; see 44 U.S.C. § 3506(c)(4).

²⁷ See, e.g., *supra* para. 24.

APPENDIX

All Tariff Review Plans

<https://www.fcc.gov/2016-tariff-review-plans>