



COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND CABLE

D.T.C. 13-7

June 24, 2013

Inquiry by the Department on its Own Motion into the Intrastate Intercarrier Compensation Rate Reductions Mandated by the Federal Communications Commission

REQUEST FOR COMMENT AND NOTICE OF TECHNICAL WORKSHOP

Recent Federal Communications Commission ("FCC") reforms mandate intercarrier compensation ("ICC") rate reductions by telecommunications carriers over the next several years. These reductions require multiple revisions to intrastate tariffs and affect carrier interconnections agreements ("ICAs") filed with the Massachusetts Department of Telecommunications and Cable ("Department"). To ensure a smooth transition and more efficient process for carriers implementing the rate reductions established by the FCC, and in preparation for tariff and ICA filings submitted to the Department as a result of these reforms going forward, the Department seeks input from carriers, members of industry, and any other interested parties on how best to implement these changes.

Through this request and notice, the Department establishes an informal process where it seeks comment from interested parties and will conduct a technical workshop on the issues and questions identified below. Due to the informal nature of the Department's inquiries, the Department's formal rules of procedure will not apply. Parties who wish to provide comments and/or attend the technical workshop are instead directed to comply with the procedures set forth below.

I. BACKGROUND

On November 18, 2011, the FCC released an Order where it, among other things, set forth a process for implementing intercarrier compensation reforms affecting carriers that operate in Massachusetts.¹ These reforms include a mandate that reductions in carriers' interconnection rates occur over a multi-year period. The framework adopted by the FCC incorporates voice-over Internet Protocol-public switched telephone network ("VoIP-PSTN") interconnection rates as well as rates historically subject to reciprocal compensation and certain access charges. These reforms will result in a bill-and-keep ICC scheme for specific rates and rate elements between 2017 and 2020.

¹ See generally *In re: Connect America Fund*, WC Docket No. 10-90 *et al.*, *Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161 (rel. Nov. 18, 2011) ("*ICC Transformation Order*"), as amended, appeals pending.

The FCC tasked state commissions, such as the Department, with mutual oversight of the transition to the bill-and-keep framework.² Department oversight aligns with pre-existing requirements that carriers operating in Massachusetts submit ICAs and intrastate tariffs to the Department for review and approval.³ The Department wants to ensure ongoing carrier compliance with the FCC's rate reduction directives involving intrastate rates.⁴

Due to Department actions that preceded the FCC's reforms, Massachusetts carriers' intrastate switched access rates, both originating and terminating, should already be at or near parity with their interstate switched access rates.⁵ However, in accordance with the FCC's requirements, the Department received numerous filings for effect in 2012. Further, the Department is currently receiving revisions from carriers for effect on July 1, 2013, including from Verizon Massachusetts, and anticipates numerous submittals for next year's rate reduction filings. In lieu of tariff revisions in 2012 and 2013, several carriers submitted letters to the Department indicating their existing compliance with the FCC's requirements.

II. REQUEST FOR COMMENT AND TECHNICAL WORKSHOP DETAILS

The Department seeks input on how best to implement the reforms adopted by the FCC in its *ICC Transformation Order*. Among the Department's goals are: (1) to ensure a smooth transition and efficient process for carriers implementing federally-mandated ICC rate reductions; and (2) to prepare for tariff and ICA filings that are likely to be submitted to the Department going forward. To accomplish these goals, the Department establishes an informal process in order to engage interested parties, by seeking comment and conducting a technical workshop on the issues and questions identified below.

² See *ICC Transformation Order* at ¶ 813 (citations omitted).

³ See 47 U.S.C. § 252(e); G. L. c. 159, §§ 17, 19; G. L. c. 25C, § 6; 220 C.M.R. §§ 5.00 *et seq.*

⁴ The FCC capped numerous carrier interconnection rates as of the effective date of the *ICC Transformation Order*. As of July 2, 2013, the FCC requires all carriers' intrastate terminating switched end office and transport rates, originating and terminating dedicated transport rates, and reciprocal compensation rates to be at parity or below their interstate access rates. Beginning July 1, 2014, price cap ILECs like Verizon and benchmarking competitive local exchange carriers ("CLECs") must annually reduce their terminating switched end office and reciprocal compensation rates by one-third of the differential between end office rates and \$0.0007; rate-of-return ILECs and benchmarking CLECs must annually reduce by one-third of the differential between end-office rates and \$0.005. For price cap ILECs and benchmarking CLECs, the FCC does not require certain reductions until 2017 if the terminating carrier owns the tandem switch. Although not yet required, the FCC also encourages price cap ILECs to begin adopting their interstate switched access rate structure for their intrastate rates "since some rate structure parity will be necessary when end office services begin to transition in 2014." *In re: Material to be Filed in Support of 2013 Annual Access Tariff Filings*, WC Docket No. 13-76, *Order*, DA 13-789 (rel. Apr. 19, 2013) ("*April 2013 Order*"), at ¶ 13. Further, as of July 1, 2013, the FCC rules prohibit certain CLEC interconnection rates to exceed the competing ILEC rates. 47 C.F.R. § 51.911(c).

⁵ See *Investigation into the Appropriate Regulatory Plan to Succeed Price Cap Regulation for Verizon New England, Inc.*, D.T.E. 01-31 Phase I, *Order* (May 8, 2002), at 63; *CLEC Intrastate Access Rate Investigation*, D.T.C. 07-9, *Final Order* (Jun. 22, 2009) ("*CLEC Access Charge Cap Order*"), at 25, 28 (capping CLECs' intrastate switched access rates at Verizon's rates unless a CLEC can "demonstrate justifiable costs in excess of the proposed rate cap with cost-specific data"). Specifically, the Department mandated that no CLEC "shall charge a rate for intrastate switched access services that is higher than the intrastate switched access rate of the [ILEC] in whose area the CLEC operates [...] mean[ing] the composite, per-minute rate for the service, including all applicable rate elements for the functions actually performed by the CLEC in providing service." *CLEC Access Charge Cap Order* at 25. The cap applied one year after the effective date of the *Order*. *Id.* at 24.

Without limiting the scope of any future proceeding, the Department at this time seeks responses to the following questions and requests. These requests are made in the context of implementing the FCC's ICC reforms, and not the Department's general tariff and ICA related filing requirements. If possible, the Department encourages those filing comments to collaborate and submit one or more consensus proposals for discussion during the technical workshop that addresses each of the Department's inquiries below.

General Topic:

1. What measures can the Department take to facilitate and simplify the transition process?

Tariff-Filing Requirements:

1. How can the Department best align the Department's existing tariff-filing requirements with the FCC's requirements?
2. *References to Outside Documents.* With limited exception, the Department does not currently permit references to outside documents, including interstate tariffs, in carriers' intrastate tariffs. How can the Department best alleviate the burden on carriers without eliminating this requirement?
3. *Supporting Materials.* Should the Department require specific material in support of carriers' proposed tariff reductions and/or develop a specific template according to which the carriers would be required to file their rate reductions? If so, what material and/or what format should the Department require?

Tariffed Rate Reductions and Rate Elements:

1. Should the Department mandate specific intrastate rate reduction requirements involving switched access charges, VoIP-PSTN, or reciprocal compensation rates?
2. Does the Department need to take any action involving competitive local exchange carrier rates that benchmark to Verizon's rates?
3. Whether and how should the Department address originating switched access rate reform prior to FCC action?

*Interconnection Agreements*⁶

1. What, if any, are the anticipated issues involving ICAs on file or to be filed with the Department? Similarly, should the Department expect an increase in ICA amendments or in ICA pricing disputes?

Parties responding to the Department's inquiries should submit their responses, including any consensus proposals, electronically and an Original and three (3) copies in writing to:

⁶ Because the Department has a pending docket involving IP-IP interconnection, it does not seek comment on that issue here. See *Investigation by the Department on its Own Motion to Determine whether an Agreement entered into by Verizon New England Inc., d/b/a Verizon Massachusetts is an Interconnection Agreement under 47 U.S.C. § 251 Requiring the Agreement to be filed with the Department for Approval in Accordance with 47 U.S.C. § 252, D.T.C. 13-6, Order Opening an Investigation, Declining to Issue an Advisory Ruling, and Denying Verizon MA's Motion to Dismiss or Stay the Proceeding* (May 13, 2013).

Catrice C. Williams, Secretary
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Boston, MA 02118-6500
dtc.efiling@state.ma.us

Please also submit electronic copies to kerri.deyoung@state.ma.us and armine.simonyan@state.ma.us. These submittals should include the name, title, and telephone number of a person to contact in the event of questions about the filing.

To facilitate a meaningful dialogue at the technical session, the Department directs interested parties to submit responses and any consensus proposals no later than 5:00 p.m. on **Tuesday, July 30, 2013**. Submit replies no later than 5:00 p.m. on **Friday, August 30, 2013**. For questions or to be included on the interested parties list going forward, please contact Catrice Williams at (617) 305-3580 or at catrice.williams@state.ma.us. Please be sure to reference "ICC Reform Inquiry" in the subject line of all submissions to the Department on this matter. Please note that all filings submitted to the Department are subject to disclosure pursuant to G. L. c. 66, § 10, unless protected by statutory exemption. The Department will publish all responses and proposals on its website.

This proceeding has been docketed as D.T.C. 13-7 for convenience, but it is an informal, informational proceeding.

The technical workshop will take place at:

10:00 a.m.
Thursday, August 15, 2013
Department of Telecommunications and Cable
Hearing Room 1-E
1000 Washington St.
Boston, MA 02118

Any party wishing to attend and participate at the technical workshop must notify the Department Secretary in writing and electronically at catrice.williams@state.ma.us, as well as to Kerri DeYoung Phillips at kerri.deyoung@state.ma.us, no later than **Tuesday, July 30, 2013**. The request should include the number and name of all individuals from the party's organization wanting to attend. Since the Department wants to ensure sufficient spacing and that all interested parties have the opportunity to participate, the Department may need to limit attendance to only two (2) or three (3) individuals from each responding organization. The Department will provide necessary notifications or confirmations after July 30.

Finally, accommodations for deaf or hearing-impaired persons at the technical workshop will be available upon request to the Department. All requests for such accommodation must be received by 5:00 p.m., **Tuesday, July 30, 2013**.

Dated: June 24, 2013