

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

))
IN THE MATTER OF:) **GTA DOCKET 16-03**
TELEGUAM HOLDINGS LLC,))
GENERAL EXCHANGE TARIFF NO. 1,) **ALJ REPORT**
TARIFF TRANSMITTAL NO. 26))

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the submission of Tariff Transmittal No. 26 by Teleguam Holdings LLC ["GTA"].¹ GTA filed an Amended Tariff Transmittal No. 26 on October 20, 2016.²
2. In accordance with 12 GCA §12206(b), a telecommunications company may not make a change in its rates or charges for a telecommunication service in its tariff except upon prior notice to, and approval by the PUC.³
3. Tariff Transmittal No. 26 will create three basic changes in the current General Exchange Tariff No. 1: (1) establishment of a new rate element, Local Network Interphase Charge ("LNIC"); (2) removal of the applicability of the National Exchange Carrier Association ("NECA") Tariff FCC No. 5 to GTA Ethernet Transport Service rates and substitution of its own proposed tariffed rates for GTA Metro Ethernet Transport Services; and (3) deletion of Telegraph Grade Service.⁴

BACKGROUND

4. In January 2015, GTA consolidated its wire centers from three (3) serving wire centers to a single serving wire center. For this network configuration necessitated the removal of tariff rates for the mileage-related rate elements of channel mileage termination, channel mileage facility, bridging hubs, and interswitch and interoffice rate elements.⁵

¹ GTA Tariff Transmittal No. 26, General Exchange Tariff (GET), Revisions to Special Access Service, GTA Docket 16-03, dated June 24, 2016. Along with its Transmittal, GTA included General Exchange Tariff No. 1, with revisions to Section 7, SPECIAL ACCESS SERVICE. With the Submission GTA also included confidential Attachment A, which set forth the current rate design and the rate option with Local Network Interphase Change ("LNIC").

² Amended Tariff Transmittal No. 26 Revisions to Special Access Service, General Exchange Tariff, GTA Docket 16-03, filed October 20, 2016.

³ 12 GCA §12206(b).

⁴ GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at pgs. 1-2.

⁵ GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at p. 1.

5. GTA, with the assistance of its Consultant JSI, prepared a new rate element/structure, Local Network Interphase Charge (“LNIC”), to recover the cost of local private line transport previously recovered through channel mileage charges. The LNIC recovers the cost associated with the communications path between a customer’s designated premises and GTA’s serving wire center. The LNIC is in addition to the channel termination charge and is assessed for every Special Access channel termination provided by GTA.⁶
6. Consultant JSI developed a process to gather historical data, both demand and cost. It then developed actual embedded costs using FCC rules and process. Then JSI compared historical revenues to historical costs to ensure that it did not set rates higher than costs. Overall, the implementation of the new LNIC rate structure in place of the prior tariff would result in an overall 2.208% decrease in company revenues going forward.⁷
7. In GTA Docket 12-12, the PUC approved GTA’s revised tariff for Metro Ethernet Services. Basically, GTA incorporated the rates for Metro Ethernet Services from National Exchange Carrier Association Tariff FCC No. 5 Rate Band No. 6.⁸ On June 21, 2016, GTA filed Notice with the PUC of revised Metro Ethernet Rate Changes under National Exchange Carrier Association Tariff FCC No. 5. The rates were increased, and GTA was reassigned to Rate Band 19 for Ethernet Transport Services.⁹
8. GTA seeks to replace the NECA Tariff with proposed rates from Metro Ethernet Services. GTA believes that, by making this transition to local tariffed rates, GTA will be better able to serve the needs of customers and avoid the continued rate fluctuations associated with the NECA tariff filings. Additionally, this change will allow GTA to set rates based on the company’s specific costs as opposed to the NECA pooling rates.¹⁰
9. GTA now believes that it has the experience and understanding of the local market for Ethernet Transport Services to be able to set its own rates. This will provide stable pricing for GTA customers as the tariffs will not have to be changed as often.¹¹

⁶ Id.

⁷ Amended Tariff Transmittal No. 26 Revisions to Special Access Service, General Exchange Tariff, GTA Docket 16-03, filed October 20, 2016, GTA Docket 16-03, at p 2.

⁸ PUC Order GTA Docket 12-12, Tariff Transmittal No. 22, dated November 20, 2012.

⁹ GTA Notice of Metro Ethernet Rate Change per NECA Tariff Transmittal No. 1489, GTA Docket 12-12 (Order Nov. 20, 2012).

¹⁰ GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at p. 1.

¹¹ JSI Confidential Report dated August 23, 2016 at p. 2.

10. The final change GTA proposes is to delete Telegraph Grade Service, a special access service for which there are no existing customers and no demand. Upon Commission approval, GTA will no longer offer Telegraph Grade Service.¹²
11. GTA indicates that, due to network restructure and introduction of the new LNIC rate element, some customers will see rate declines while others may experience overall rate increases depending on the customer's specific situation.¹³

PUBLIC HEARING

12. The PUC caused to be published in the Pacific Daily News Public Notice for a Public Hearing on GTA Tariff Transmittal No. 26 on August 31, 2016 and September 15, 2016. The public was notified that there would be a Public Hearing on GTA Tariff Transmittal No. 26 on September 22, 2016, 6p.m., at the PUC Conference Room at Suite 202 GCIC Bldg.¹⁴
13. On August 30, 2016, the PUC Counsel notified five telecommunications companies on Guam that GTA had filed Tariff Transmittal No. 26 and that the Public Hearing on such transmittal would occur on September 22, 2016, at 6 p.m., 2nd Floor GCIC Bldg. A copy of the Public Notice was also sent to each of the telecommunications carriers.¹⁵
14. On September 22, 2016, at 6 p.m., the Administrative Law Judge convened the Public Hearing on Tariff Transmittal No. 26 at the PUC conference room. The proponent of the tariff, GTA, attended the hearing; Pacific Data Systems Inc., through its President, John Day, also attending the hearing and submitted written comments.¹⁶
15. At the hearing, GTA presented testimony through its Legal Counsel Serge Quenga. Mr. Quenga indicated that the LNIC tariff was designed to replace the prior mileage based charges based upon GTA reconfiguration of its network to one wire center. The LNIC is designed to recover GTA's costs.
16. He further indicated that the Tariff would replace the NECA Metro Ethernet charges with GTA local tariffed rates and charges. This was designed to avoid bi-annual and annual changes in the NECA charges.

¹² GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at p. 2.

¹³ Id.

¹⁴ PUBLIC NOTICE, GTA Docket 16-03, Published in the Pacific Daily News on August 31, 2016, and September 15, 2016.

¹⁵ Email from PUC Counsel to Docomo Pacific Inc., Pacific Data Systems, PTI dba IT&E, Choice Phone, and Teleguam Holdings LLC, dated August 30, 2016.

¹⁶ Letter dated September 22, 2016, from John Day, President, Pacific Data Systems to Fred Horecky, PUC Counsel, re: PDS Public Comments reference GTA Docket 16-03 and GTA Tariff Transmittal No. 26.

17. The telegraph rate service was being removed because there were presently no customers for such service.
18. Mr. Day stated that his research disclosed that the "LNIC tariff was not used by other Incumbent Local Exchange Carriers."
19. He further asked whether the Metro Ethernet charges were included in the NECA tariff; the NECA tariff was a good template, although it only applies to interstate and not local charges.
20. Since GTA's proposed LNIC rate increased some customer rates, Mr. Day felt that the PUC should set a maximum cap of the 2% on any increases that customers might face due to this change. Without such a cap, there was no clear indication as to the impact of this change on existing ratepayers that use these services.
21. Mr. Day also felt that GTA's proposed tariff had not adequately explained the use of "Individual Case Basis" tariff arrangements for the special access services. The "ICB" has been applied to voice line charges but was not applicable to these special access services. The tariff also does not explain how the ICB charges would be determined. Further proceedings were necessary to review and comment prior to PUC approval of such ICB charges.
22. Mr. Quenga indicated that GTA would strike any services, such as the 2Gbps and the 10Gbps services that were left "blank" in terms of rates.
23. As to the "LNIC" tariff rates, Mr. Quenga indicated that GTA's Consultant JSI developed this charge as it was unique to Guam. There are no similar charges under the NECA tariff. For those customers under contract, the contract rates will continue until the end of the contract term.
24. Mr. Quenga stated GTA's position that a 2% cap on LNIC rates was not necessary; the rates are reasonable and customers will have a thirty (30) day notice before the rates are implemented. The customers that do not agree to those rates can seek service with other carriers.
25. According to Mr. Quenga the ICB rates were not common and could be subsequently addressed.

AMENDED TARIFF TRANSMITTAL NO. 26

26. In its Amended Tariff Transmittal No. 26, GTA made certain revisions in order to clarify issues concerning the original submittal. GTA proposed certain changes to its

new “LNIC “(Local Network Interface Charge), which is designed to recover the cost of local private line transport previously recovered through the Channel Mileage Termination and Channel Mileage Facility charges.¹⁷

27. In the Initial Transmittal, GTA intended to apply the new LNIC rate element to all customers being charged Channel Termination (“CT”) and accompanying Channel Mileage Termination (“CMT”) and Channel Mileage Facility (“CMF”) rates: “However, upon comprehensive review of all affected circuits, it was determined that certain existing customers were being charged the CT but not the CMT or CMF rates due to the Customer Designated Premises (“CDP”) being collected within a GTA SWC (Serving Wire Center). In deference to these customers, the proposed LNIC element will not be applied to existing customers who are not currently charged CMT and CMF rates, so long as those circuits remain in service. The LNIC will apply only to those existing customers who are previously paying CT *and* CMT and CMF charges and to customers ordering such services after the effective date of this Tariff Transmittal.¹⁸
28. Overall, the introduction of the LNIC in conjunction with the removal of the CMT and CMF elements charges will result in a slight revenue decrease for GTA.¹⁹ As a result of the LNIC rate element, some customers will see rate declines while others may experience overall rate increases depending on the customer’s specific situation.²⁰

DETERMINATIONS

26. GTA and its Consultant JSI demonstrated that there is a need to change the current General Exchange Tariff regarding Special Access Service. Given the consolidation of GTA’s network infrastructure to a single serving wire center, rates for mileage-related rate elements of channel mileage termination, channel mileage facility, bridging hubs, and interswitch and interoffice rate elements should be removed from the Tariff.
27. The record indicates that GTA’s Consultant, JSI, engaged in a detailed and rational process to update special access charges and rates; there is nothing in the record to indicate that the rates or charges proposed are unnecessary or unreasonable.
28. At this time, PDS has not demonstrated that there is a necessity for the PUC to impose a 2% “cap” upon GTA’s tariff charges as set forth in Amended Tariff

¹⁷ Amended Tariff Transmittal No. 26 Revisions to Special Access Service, General Exchange Tariff, GTA Docket 16-03, filed October 20, 2016, GTA Docket 16-03, at p 1.

¹⁸ Id. at pgs 1-2.

¹⁹ Id. at p. 2.

²⁰ Id.

Transmittal No. 26. PDS has not demonstrated that it would face any rate impact as a result of this tariff.

29. Although it was suggested that the LNIC tariff could impact other telecom companies, no company other than PDS appeared at the Public Hearing or submitted testimony in opposition to the proposed Tariff.
30. After the filing of the amended Tariff Transmittal 26, PDS, through its President John Day, wrote GTA asking how certain special access circuits (DS1, OC3, OC12 etc.) and Ethernet Transport Service (ETS) would be impacted by the proposed GTA rate changes. PDS was concerned that GTA's new rate structure could be significantly more expensive than the existing Tariff for these services. PDS attached to its email to GTA a form which listed possible *future* services that it could obtain. It listed the services for which it might be interested, including Special Access Services and Ethernet Transport Service. The cost of each service was blank, and PDS was requesting that GTA fill in service quotes based upon the existing tariff and the proposed tariff.²¹
31. To address PDS' concerns, the ALJ scheduled a conference with the parties and GTA consultants for 8:30 a.m. on October 25, 2016, at the PUC Office. The purpose of the conference was to address any remaining issues concerning Amended Tariff Transmittal No. 26.
32. GTA and its consultant JSI first clarified that the Amended Tariff Transmittal No. 26 would not have any impact on any *existing* services provided to PDS.
33. In response to PDS' request for cost information regarding services before and after implementation of the amended tariff, at the conference GTA submitted to the PUC and PDS a comparison of rates for certain services of the existing tariff and on the proposed tariff. GTA used the excel spreadsheet form prepared by PDS. The form indicates Service Quotes based upon the existing Tariff and Service Quotes based on Proposed Tariff.
34. At the conference, PDS clarified that the listing of services on its form *are not* services that it presently receives or utilizes, but services that it could possibly be interested in for the future.
35. After the conference GTA submitted and updated version of the format prepared by PDS. GTA had filled in the cost of each of the services requested by PDS. Such form is attached hereto as Exhibit "A".

²¹ Email from John Day to Serge Quenga dated October 20, 2016, with excel forms attached.

36. The updated form demonstrates that rates for all of the Ethernet Transport Services are reduced after the implementation of Amended Tariff Transmittal No. 26, including at 10Mb, 50Mb, 100Mb and 1Gb. The prices for Metro Ethernet Transport Service decrease under the Proposed Tariff.
37. For the Special Access Circuits, prices remain the same for OC3 and OC12 after the implementation of the Proposed Tariff.
38. Out of eight services, there are only apparent increases in two, DS1 and DS3. For DS3 Special Access Circuits the price increases are, for the most part insubstantial. The prices for a few of the services in Astumbo and Dededo appear to increase.
39. In any event, PDS has not alleged any prejudice from the rates proposed. Mr. Day indicated that PDS does not intend to order such special access circuits in the near future. Furthermore, in the event that it did need Special Access circuits, he indicates that PDS would likely need bigger circuits such as OC3 or OC12 for higher capacity, and not DS1.
40. Thus, the proposed tariff for Special Access Circuits do not affect any service that PDS currently receives or likely intends to receive in the future. PDS has not demonstrated harm or prejudice from proposed Tariff Transmittal.
41. The overall impact of the rates proposed by GTA for special access service under the Proposed Tariff is essentially revenue neutral. GTA should be given some latitude in adjusting rates to ensure that the changes resulting from its new network infrastructure to have result in a loss of revenues. The overall impact is a revenue reduction of 2.208%.
42. GTA's Consultant, Mark Ellmer of JSI, indicates that prices for some circuits would go up, while others would go down.
43. PDS indicates that it has no present plans to avail itself of the new services.
44. PDS raises a legitimate concern regarding the proposed Individual Case Basis ("ICB") rates for Special Access Services. No methodology is indicated as to how such rates would apply to Special Access Service. ICB has been approved for voice lines where there are at least 10 lines, but there is no indication that the methodology for applying ICB to voice lines that should be transferrable to Special Access Rates.
45. PDS also raises the issue that there are certain discount rates provided in NECA Tariff No. 5 for Metro Ethernet Services, which is not in the present Amended Tarriff, as well as other discounts. At the Conference, GTA agreed to incorporate the

term discounts under the NECA Tariff into its Proposed Tariff. It should also be required to institute an ICB for Special Access Services.

RECOMMENDATION

46. In accordance with the provisions of 12 GCA §12206(b), the PUC should approve GTA's proposed Tariff Transmittal No. 26. The Tariff should be effective upon provision by GTA to its customers of the agreed 30 day notice.
47. The overall plan of GTA to institute a LNIC charge is reasonable, given the changes in GTA's network infrastructure to one wire center. Existing customers are not, for the most part, affected.
48. The changes in the prices for Special Access Circuits and Metro Ethernet Services, when considered as a whole, appear reasonable. The impact is revenue neutral.
49. GTA's request to replace the NECA Tariff with proposed rates for the Metro Ethernet Services is justified. The proposed rates under the amended Tariff Transmittal for Metro Ethernet Services are actually less than the prior NECA rates. GTA, by having its own local tariffed rates, will not be required to continue to change its rates in accordance with the NECA tariff and will be able to set such rates based upon its specific costs.
50. There is no present demand for Telegraph Grade Service. PUC should authorize deletion of such service. There will be no adverse impact from deletion of the service.
51. GTA should be required to include provisions in its Tariff for ICB and special discounted services (modeled after the NECA Tariff) for its customers. GTA shall file such provision with the PUC within 60 days of the date of issuance of the PUC Order in this matter.
52. A draft Order is submitted to the Commission for its consideration.

Dated this 26th of October, 2016

Frederick J. Horecky
Administrative Law Judge

Service Quotes based on Existing Tariff

From	To	Special Access Circuits				Ethernet Transport Service			
		DS1	DS3	OC3	OC12	10Mb	50Mb	100Mb	1Gb
PDS Collo at Merizo CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Inarajan CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
GTA Orote CO (assume V-Collo)	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Talafofo CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS V-Collo at Tiyan CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS Collo at Yigo CO	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
GTA AAFB CO (assume V-Collo)	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS V-Collo at Tiyan CO	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46

Service Quotes based on Proposed Tariff

From	To	Special Access Circuits				Ethernet Transport Service			
		DS1	DS3	OC3	OC12	10Mb	50Mb	100Mb	1Gb
PDS Collo at Merizo CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Inarajan CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
GTA Orote CO (assume V-Collo)	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Talafofo CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS V-Collo at Tiyan CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
PDS Collo at Yigo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
GTA AAFB CO (assume V-Collo)	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34