

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
TELEGUAM HOLDINGS LLC,) **GTA DOCKET 16-03**
GENERAL EXCHANGE TARIFF NO. 1,) **ORDER**
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
5. GTA, with the assistance of its Consultant JSI, prepared a new rate element/structure, Local Network Interphase Charge ("LNIC"), to recover the cost

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.

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
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

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.

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

11. 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.¹³
12. 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.¹⁴
13. 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.¹⁵
14. 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 of this Tariff Transmittal.¹⁶
15. 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.¹⁷ 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.¹⁸
16. The Administrative Law Judge filed his Report herein dated October 26, 2016. The Commission adopts the Determinations and Recommendations contained in the Report.

DETERMINATIONS

¹³ PUBLIC NOTICE, GTA Docket 16-03, Published in the Pacific Daily News on August 31, 2016, and September 15, 2016.

¹⁴ 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.

¹⁵ 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.

¹⁶ Id. at pgs 1-2.

¹⁷ Id. at p. 2.

¹⁸ Id.

17. 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.
18. 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.
19. 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 Transmittal No. 26. PDS has not demonstrated that it would face any rate impact as a result of this tariff.
20. 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.
21. 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.¹⁹
22. To address PDS' concerns, the ALJ scheduled a conference with the parties and GTA consultants for 8:30a.m. on October 25, 2016, at the PUC Office.
23. 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.
24. 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.
25. 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.

¹⁹ Email from John Day to Serge Quenga dated October 20, 2016, with excel forms attached.

26. 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".
27. 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.
28. At the PUC Meeting on October 27, GTA submitted a further updated form indicating prices both before and after implementation of the Proposed Tariff. Said form is attached hereto as Exhibit "B".
29. The further updated form indicates that after the implementation of the Proposed Tariff, nearly all of the prices for Special Access Services (DS1, DS3, OC3, and OC12) *will decrease*. All of the prices for Ethernet Transport Service (10Mb, 50Mb, 100 Mb, and 1Gb) *also decrease*.
30. 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.
31. 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.
32. 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%.
33. GTA's Consultant, Mark Ellmer of JSI, indicates that prices for some circuits would go up, while others would go down.
34. PDS indicates that it has no present plans to avail itself of the new services.

35. 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.
36. 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.

ORDERING PROVISIONS

Having considered the record of the proceedings herein, Tariff Transmittal No. 26, the filings of the parties, and the ALJ Report dated October 26, 2016, and good cause appearing, the Guam Public Utilities Commission hereby **ORDERS** as follows:

1. In accordance with the provisions of 12 GCA §12206(b), GTA’s proposed Tariff Transmittal No. 26 is approved. The Tariff will be effective upon provision by GTA to its customers of the agreed 30 day notice.
2. 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.
3. The changes in the prices for Special Access Circuits and Metro Ethernet Services, when considered as a whole, are reasonable. The impact is revenue neutral.
4. 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.
5. There is no present demand for Telegraph Grade Service. Such Service is deleted in accordance with Tariff Transmittal No. 26. There will be no adverse impact from deletion of the service.
6. GTA is 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. Such provisions may be approved by the Administrative Law Judge if it complies with the requirements of this Order.

7. GTA shall pay the PUC's regulatory expenses and fees in this docket.

Dated this 27th day of October, 2016.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

Andrew L. Niven
Commissioner

Filomena M. Cantoria
Commissioner