



PUBLIC NOTICE

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May 9, 2016

**ROLKA LOUBE ASSOCIATES SUBMITS PAYMENT FORMULAS AND FUNDING
REQUIREMENT FOR THE INTERSTATE TELECOMMUNICATIONS RELAY SERVICES
FUND FOR THE 2016-17 FUND YEAR**

CG Docket Nos. 03-123 & 10-51

Comments: May 24, 2016

Reply Comments: June 3, 2016

By this Public Notice, the Consumer and Governmental Affairs Bureau (CGB) seeks comment on the Interstate Telecommunications Relay Services (TRS) Fund administrator's proposed provider compensation rates, funding requirement, and carrier contribution factor for the period from July 1, 2016, through June 30, 2017, for TRS compensated by the Interstate TRS Fund (Fund).¹ The matters on which we seek specific comment are indicated below.

MARS Plan Rates

Rolka proposes per minute compensation rates for forms of TRS that are subject to Multistate Average Rate Structure (MARS) plan methodology,² as follows: \$ 2.6245 for interstate traditional TRS;³ \$3.7555 for interstate speech-to-speech relay service (STS);⁴ and \$1.9058 for interstate captioned

¹ See Rolka Loube Associates LLC, Interstate Telecommunications Relay Services Fund Payment Formula and Fund Size Estimate, CG Docket Nos. 03-123 and 10-51 (filed May 5, 2016) (2016 TRS Rate Filing). See 47 C.F.R. § 64.604(c)(5)(iii)(H).

² See *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order and Declaratory Ruling, 22 FCC Rcd 20140, 20151-61, paras. 16-38 (2007) (*2007 TRS Rate Methodology Order*).

³ 2016 TRS Rate Filing at 15-18. The current compensation rate for interstate traditional TRS is \$2.2904 per minute.

⁴ *Id.* at 15-18. Consistent with the *2007 TRS Rate Methodology Order*, Rolka's proposed interstate STS rate consists of the traditional interstate TRS rate plus an additional per-minute amount of \$1.131 to be used for STS outreach. See *2007 TRS Rate Methodology Order*, 22 FCC Rcd at 20159, 20170, paras. 34, 57. The current STS compensation rate is \$3.4214 per minute.

telephone service (CTS) and interstate and intrastate Internet Protocol Captioned Telephone Service (IP CTS).⁵ We seek comment on whether these proposed rates correctly apply the MARS methodology.

In the 2016 TRS Rate Filing, Rolka recommends that the Commission consider a rule modification and alternative mechanism for establishing the IP CTS compensation rate.⁶ As in 2015, Rolka requested IP CTS providers to submit historical and projected cost data for IP CTS, using the same cost categories reported by service providers for Internet Protocol Relay Service (IP Relay).⁷ According to Rolka, a weighted average of the projected costs submitted for 2016 and 2017 would produce a compensation rate of \$1.4248 per minute for IP CTS.⁸ Rolka also suggests that the compensation rate could be calculated based on the costs of the highest-cost provider, in which case, according to Rolka calculations, the compensation rate would be \$1.76 per minute.⁹ We note that the Commission has an open rulemaking to consider whether to adopt a different compensation methodology for IP CTS, such as a calculation method based on provider's actual and projected costs.¹⁰ To help inform the Commission's decision on an appropriate rate methodology for IP CTS and to be prepared should the Commission determine to use a cost-based methodology to determine a new rate for IP CTS, we invite comment on whether Rolka has correctly calculated the weighted average projected costs for IP CTS for 2016 and 2017. We also invite comment on the merits of the alternative ways suggested by Rolka for calculating an IP CTS compensation rate based on the IP CTS costs reported by providers.

IP Relay

For the IP Relay compensation rate, which is subject to a price cap methodology, the 2016-17 Fund year will begin a new three-year price cap period.¹¹ Accordingly, after reviewing information on provider costs, Rolka proposes a new IP Relay compensation rate for the 2016-17 Fund Year, which will also serve as the base rate for the new three-year price cap period. The rate proposed by Rolka is \$1.2122 per minute, reduced by \$0.1578 from the current rate of \$1.37 per minute. We seek comment on this proposed IP Relay compensation rate.¹²

VRS

In the 2013 *VRS Reform Order*, based on the Fund administrator's finding that the tiered VRS compensation rates continued to exceed the weighted average allowable costs of providers, the Commission pre-set a gradual reduction of the VRS compensation rates over a four-year period, to

⁵ 2016 TRS Rate Filing at 18-19. The Commission also adopted the MARS plan methodology for calculation of the rates for interstate CTS and interstate and intrastate IP CTS. *See 2007 TRS Rate Methodology Order*, 22 FCC Rcd at 20157-58, paras. 36-38. The current compensation rate for these services is \$1.773 per minute.

⁶ 2016 TRS Rate Filing at 20.

⁷ *Id.* at 19.

⁸ *Id.* at 20 & Exh. 1-4.1.

⁹ *Id.* at 21 & Exh. 1-4.1.

¹⁰ *See Misuse of Internet Protocol (IP) Captioned Telephone Service et al.*, Report and Order and Further Notice of Proposed Rulemaking, 28 FCC Rcd 13420, 13472-79, paras. 111-27 (2013), *vacated in part on other grounds sub nom. Sorenson Communications, Inc., and CaptionCall, LLC v. FCC*, 755 F.3d 702 (D.C. Cir. 2014).

¹¹ 2016 TRS Rate Filing at 21-23; *see also 2007 TRS Rate Methodology Order*, 22 FCC Rcd at 20159-60, paras. 43-46; *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Order, 25 FCC Rcd 8689, 8700, paras. 25-26 (2010).

¹² Regarding this proposal, Rolka states that presenting detailed cost information in its public filing would reveal detail considered to be confidential by Sprint (currently the only provider of IP Relay service). 2016 TRS Rate Filing at 23. Rolka has submitted a cost analysis in a confidential filing.

provide certainty to providers and establish a “glide path” toward cost based levels.¹³ On March 1, 2016, the Commission modified the *VRS Reform Order* rates by adjusting the rates applicable for periods after June 30, 2015, for service provided by providers with 500,000 or fewer monthly minutes.¹⁴ The rates established for the 2016-17 Fund Year, as modified by the Commission in the *VRS Rate Freeze Order*, are as follows:

	July – Oct. 2016	Nov. – Dec. 2016	Jan. – Apr. 2017	May – June 2017
Tier I (1 st 500,000 monthly minutes) for VRS providers with 500,000 or fewer minutes in a month	\$5.29	\$5.06	\$5.06	\$4.82
Tier I (1 st 500,000 monthly minutes) for VRS providers with more than 500,000 minutes in a month	\$4.44	\$4.44	\$4.06	\$4.06
Tier II (2 nd 500,000 monthly minutes)	\$4.44	\$4.44	\$4.06	\$4.06
Tier III (monthly minutes exceeding 1 million)	\$3.68	\$3.68	\$3.49	\$3.49

Because the Commission has already established the VRS compensation rates for 2016-17, we do not seek comment on what rates should apply for that period.

Rolka has included with its 2016 Rate Filing an analysis of VRS providers’ reported historical costs for calendar years 2014 and 2015 and projected costs for calendar years 2016 and 2017. Rolka reports that the weighted average of providers’ reported projected costs (excluding outreach) for 2016 and 2017 is \$2.72 per minute, which Rolka notes is “well below the rates established by the Commission for the upcoming program year.”¹⁵ We note that, as with IP CTS, the Commission has an open rulemaking to consider the appropriate compensation methodology for VRS going forward.¹⁶ To help inform the Commission’s decision on an appropriate rate methodology for VRS, we invite comment on whether Rolka has correctly calculated the weighted average projected costs for VRS for 2016 and 2017 and on the possible relevance of such cost data to the determination of the future ratemaking methodology for VRS.

¹³ *Structure and Practices of the Video Relay Service Program et al.*, Report and Order and Further Notice of Proposed Rulemaking, 28 FCC Rcd 8618, 8702-06, paras. 209-16 (2013) (*VRS Reform Order*), *aff’d in part and vacated in part sub nom. Sorenson Communications, Inc., v. FCC*, 765 F.3d 37 (D.C. Cir. 2014).

¹⁴ *Structure and Practices of the Video Relay Service Program et al.*, Report and Order, 31 FCC Rcd 2339 (Mar. 1, 2016).

¹⁵ 2016 TRS Rate Filing at 27.

¹⁶ *VRS Reform Order*, 28 FCC Rcd at 8706-10, paras. 217-38.

Funding Requirement and Contribution Factor

Based on Rolka's proposed compensation rates for TRS, STS, CTS, IP CTS, and IP Relay, the VRS compensation rates adopted in the *2016 VRS Freeze Order*, and the projected Fund administration expenses, the 2016 Rate Filing proposes a Fund revenue requirement of approximately \$1,143.6 million and a carrier contribution factor of 0.01862 for the period from July 1, 2016, through June 30, 2017.¹⁷ CGB seeks comment on the proposed funding requirement and carrier contribution factor.¹⁸

In this regard, comment is also invited on Rolka's demand projections and funding requirements for the various relay services supported by the Fund, and for VRS and IP CTS in particular. For VRS, the proposed funding requirement for 2015-16 is approximately \$525.5 million.¹⁹ For IP CTS, the proposed funding requirement for 2015-16 is approximately \$521.6 million.²⁰ Regarding IP CTS, Rolka considers the sum of providers' demand forecasts to be reasonably valid as projections and has used these forecasts in calculating the proposed funding requirement and carrier contribution factor specified above.²¹ The provider projections for IP CTS in 2015-16 total 284,112,735 minutes, a significant increase compared to the providers projections of 202,651,451 minutes for the previous year.²²

We also seek comment on Rolka's estimates and recommendations for additional funding to cover the costs of VRS reform implementation, TRS market research, Internet-based TRS outreach, implementation of the user registration database, numbering database administration, the National Deaf-Blind Equipment Distribution Program, Fund administrator compensation, the revenue data collection agent, the Interstate TRS Fund Advisory Council, management of Fund investments, service provider audits, implementation of Office of Management and Budget Circular A-123, bankruptcy representation, and an administrator-recommended independent audit of the Fund.²³ Finally, we seek comment on Rolka's recommendation, consistent with the practice in the past few years, to continue including a two-month payment reserve, totaling about \$178.6 million, in the funding requirement for the coming year.²⁴

Interested parties may file comments on or before **May 24, 2016**, and reply comments on or before **June 3, 2016**. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. Comments may be filed electronically using the Internet by accessing the ECFS: <http://fjallfoss.fcc.gov/ecfs2/>. Filers should follow the instructions provided on the website for submitting comments. In completing the transmittal screen, commenters should include their full name and U.S. Postal Service mailing address. All filings must reference **CG Docket No. 03-123 and CG Docket No. 10-51**.

¹⁷ 2016 TRS Rate Filing at 40.

¹⁸ The carrier contribution factor is calculated based on the projected revenues from which Fund contributions will be made under existing rules. We note that the Commission recently sought comment on a petition for rulemaking filed by IDT Telecom, Inc., requesting that the Commission amend its rules to expand the TRS Fund contribution base to include intrastate revenue. *Request for Comment on Petition for Rulemaking filed by IDT Telecom, Inc., Regarding Interstate Telecommunications Relay Service Fund Contributions*, Public Notice, 30 FCC Rcd 14382 (CGB 2015).

¹⁹ 2016 TRS Rate Filing, Exh. 2.

²⁰ *Id.*

²¹ *Id.* at 31.

²² *Id.*

²³ *Id.* at 35-38, Exh. 2.

²⁴ *Id.* at 38-39.

Parties who choose to file by paper must file an original and one copy of each filing. In addition, parties must send one copy to the Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW, Washington, DC 20554, or via email to fcc@bcpweb.com. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission. All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th Street, SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington DC 20554.

A copy of this document, the 2016 TRS Rate Filing, and any subsequently filed documents in this matter will be available during regular business hours at the FCC Reference Center, Portals II, 445 12th Street, SW, Room CY-A257, Washington, D.C. 20554, (202) 418-0270. This document and any subsequently filed documents in this matter may also be purchased from the Commission's duplicating contractor at its website, www.bcpweb.com, or by calling 1-800-378-3160. These documents may also be found by searching ECFS (insert **CG Docket No. 03-123** or **CG Docket No. 10-51** into the proceeding block).

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