

2013-2014

TRS Filing Presentation

Linthicum

Maryland

April 16, 2013

Road Map

- MARS-based Services
 - Rate Development Process
 - Current versus Proposed Rates / Demand Table
 - Demand Trend Charts
- IP Relay
 - Cost Trends
 - Demand Trend
 - Rate Proposal
- Video Relay Service
 - Cost Trends
 - Demand Trend
 - Rate Alternatives
- Fund Requirement

MARS Based Rate Calculation

- **Sample Data from Certified State Programs and Providers**

State	Intrastate Rate per Minute	Payment Basis	Total Intrastate Conversation Minutes	Total Intrastate Session Minutes	Total \$
A	\$1.26	CM	860,269.07	1,529,497.00	\$1,083,939.03
B	\$0.85	SM	141,312.42	189,595.98	\$161,156.58
C	\$0.93	SM	57,071.00	85,445.00	\$79,463.85
D	\$1.30	CM	926,051.13	1,466,050.19	\$1,199,236.21
Other Costs not in Rate					\$100,000.00

MARS Based Rate Calculation

- Traditional TRS and Speech to Speech done together

◦ Total Intrastate Payments per minute compensation	\$36,818,474
◦ Other Costs Paid to Providers	\$2,987,056
◦ Total Intrastate Conversation Minutes	18,939,827
◦ Per minute Rate for Traditional TRS	\$2.1017
◦ Per Minute Speech to Speech Outreach Additive	\$1.1310
◦ Per minute Rate for Speech to Speech	\$3.2327

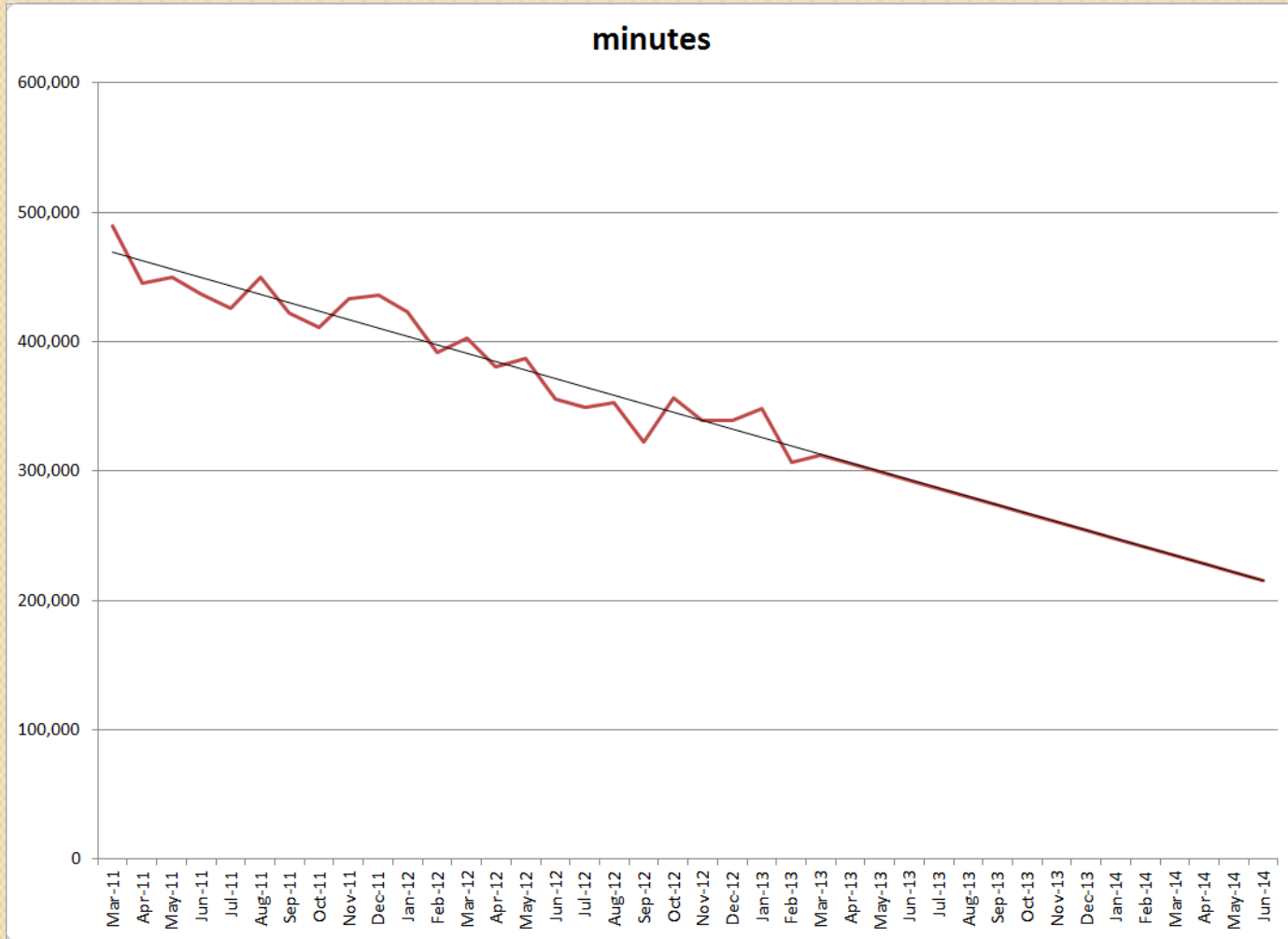
- Caption Telephone and IP Caption Telephone

◦ Total Intrastate Payments per minute compensation	\$53,285,749
◦ Other Costs Paid to Providers	\$89,443.97
◦ Total Intrastate Conversation Minutes	29,857,501
◦ Per minute Rate for Caption Telephone Services	\$1.7877

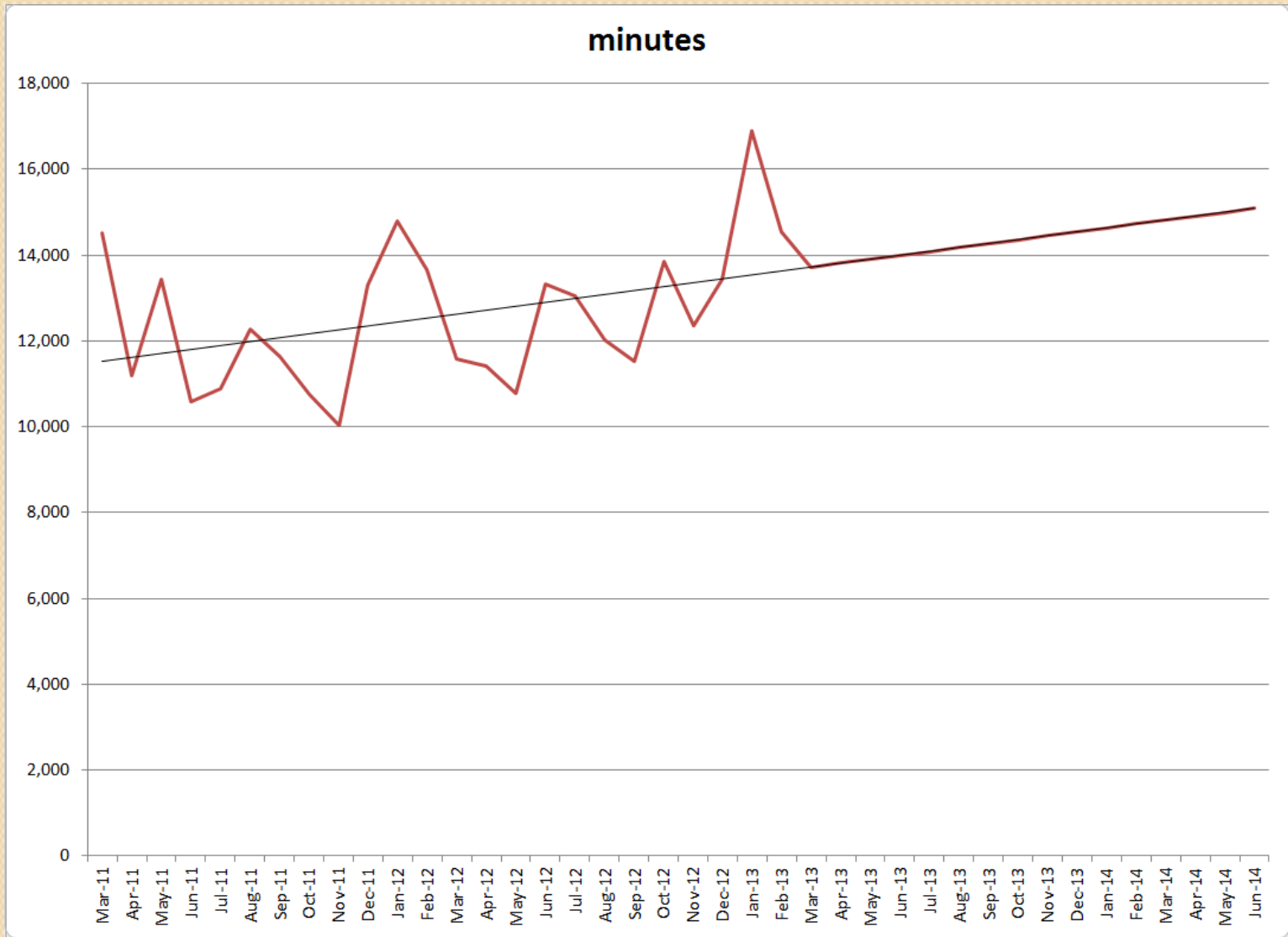
MARS Based Services Alt 1

	May 1, 2012 Filing				May 1, 2013 Filing		
<u>Service</u>	<u>Demand</u>	<u>Rate</u>	<u>Fund Rqmt</u>		<u>Demand</u>	<u>Rate</u>	<u>Fund Rqmt</u>
Traditional TRS	3,525,597	\$2.0304	\$7,158,440		3,010,141	\$2.1017	\$6,326,980
Speech to Speech	152,101	\$3.1614	\$480,855		175,081	\$3.2327	\$565,983
Caption Telephone	10,427,773	\$1.7730	\$18,488,798		10,072,941	\$1.7877	\$18,007,396
IP Caption Telephone	72,003,159	\$1.7730	\$127,664,061		423,425,986	\$1.7877	\$756,958,635
Total	86,108,630		\$153,792,155		433,674,008		\$781,858,994

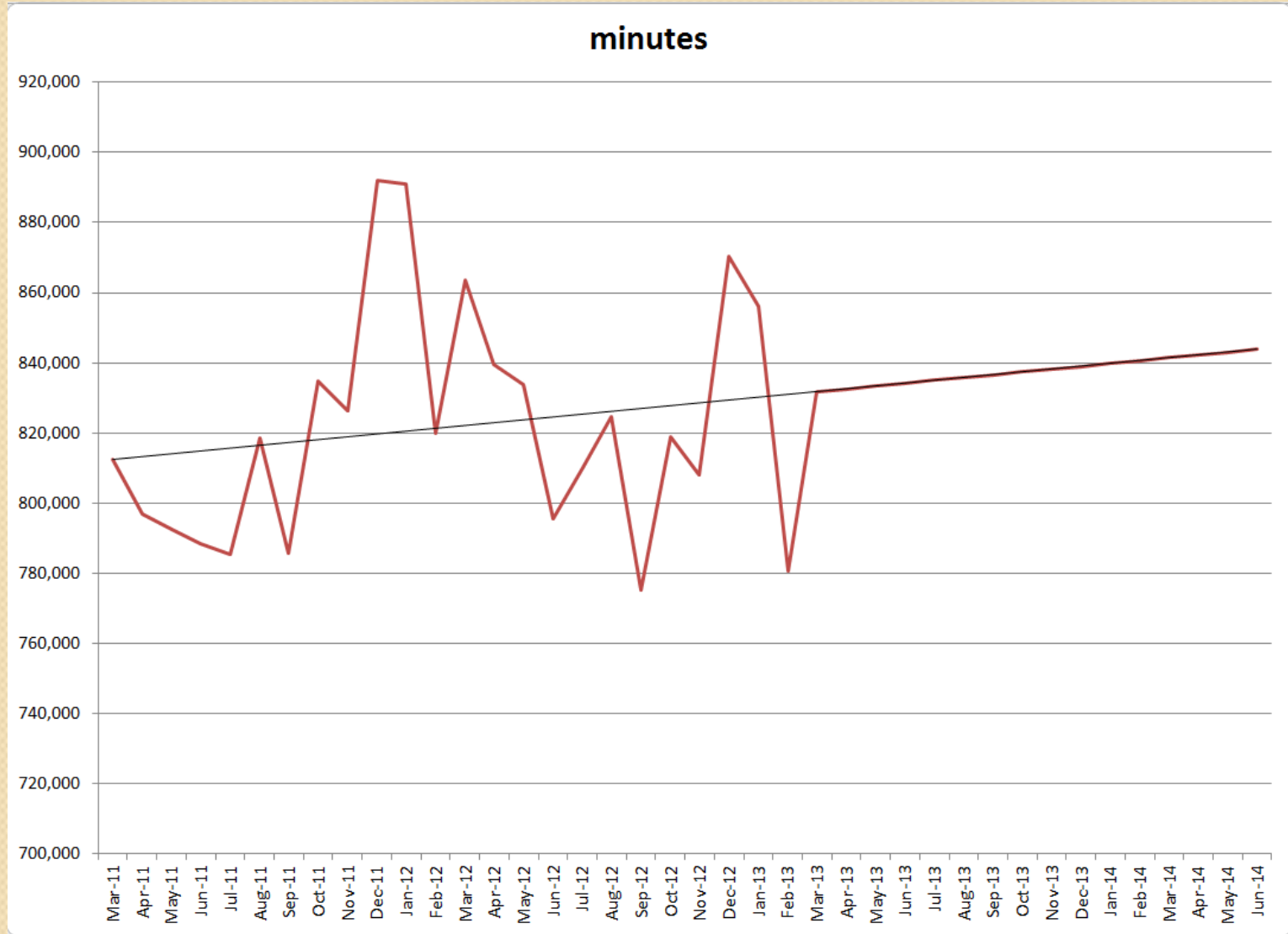
Traditional TRS



STS

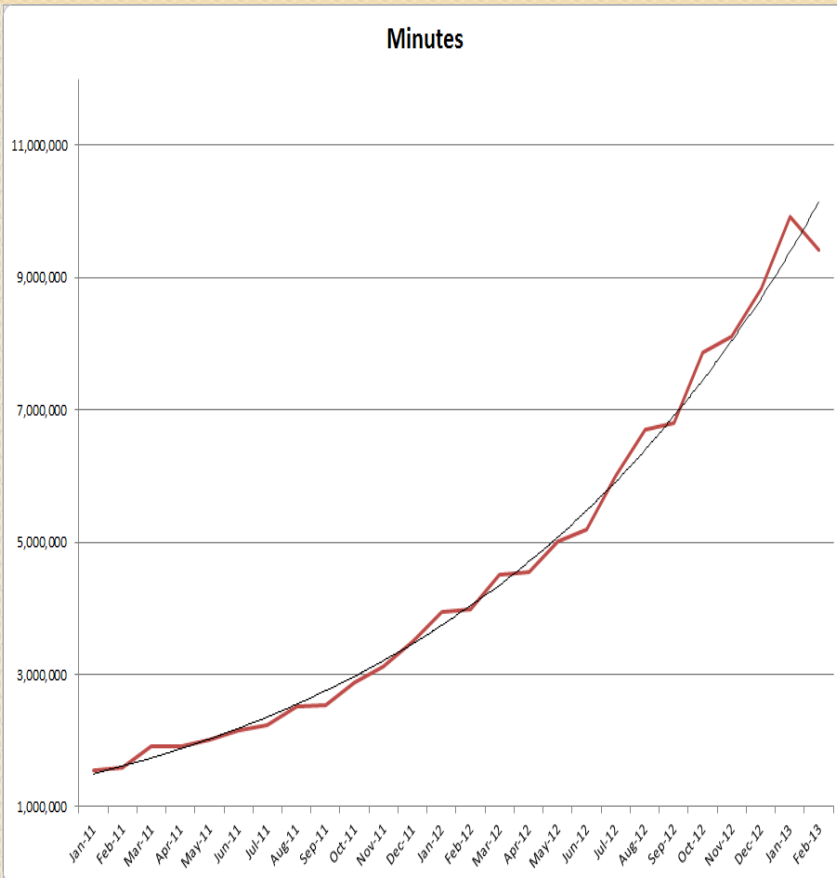


CTS

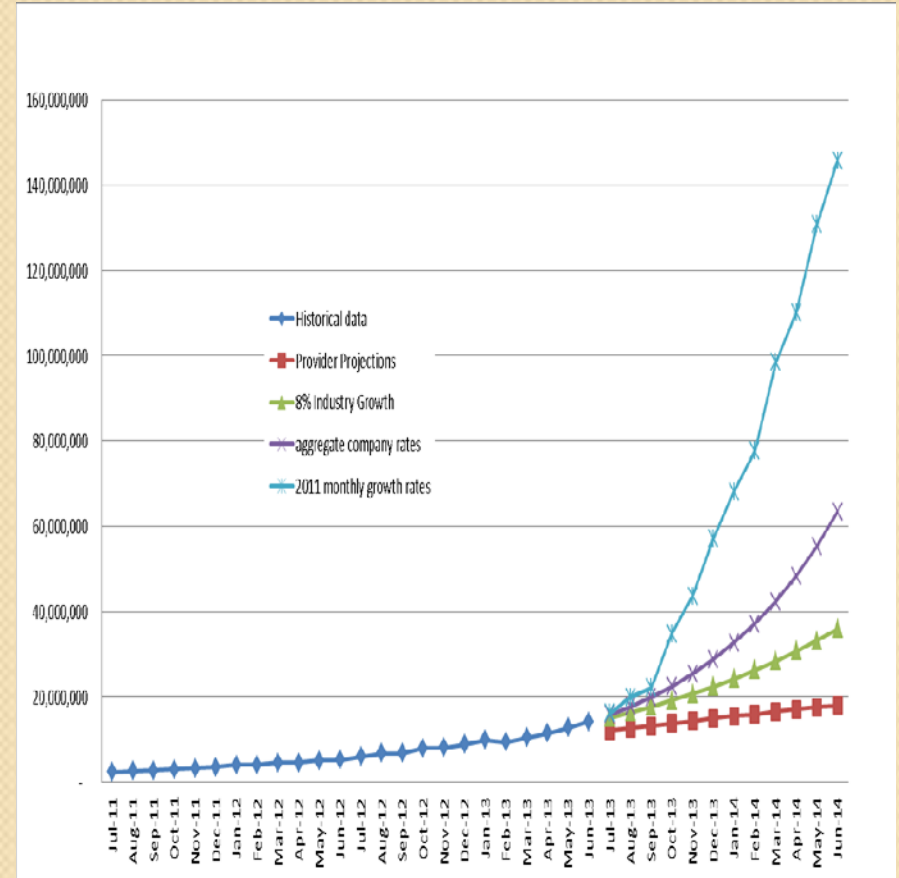


IP CTS

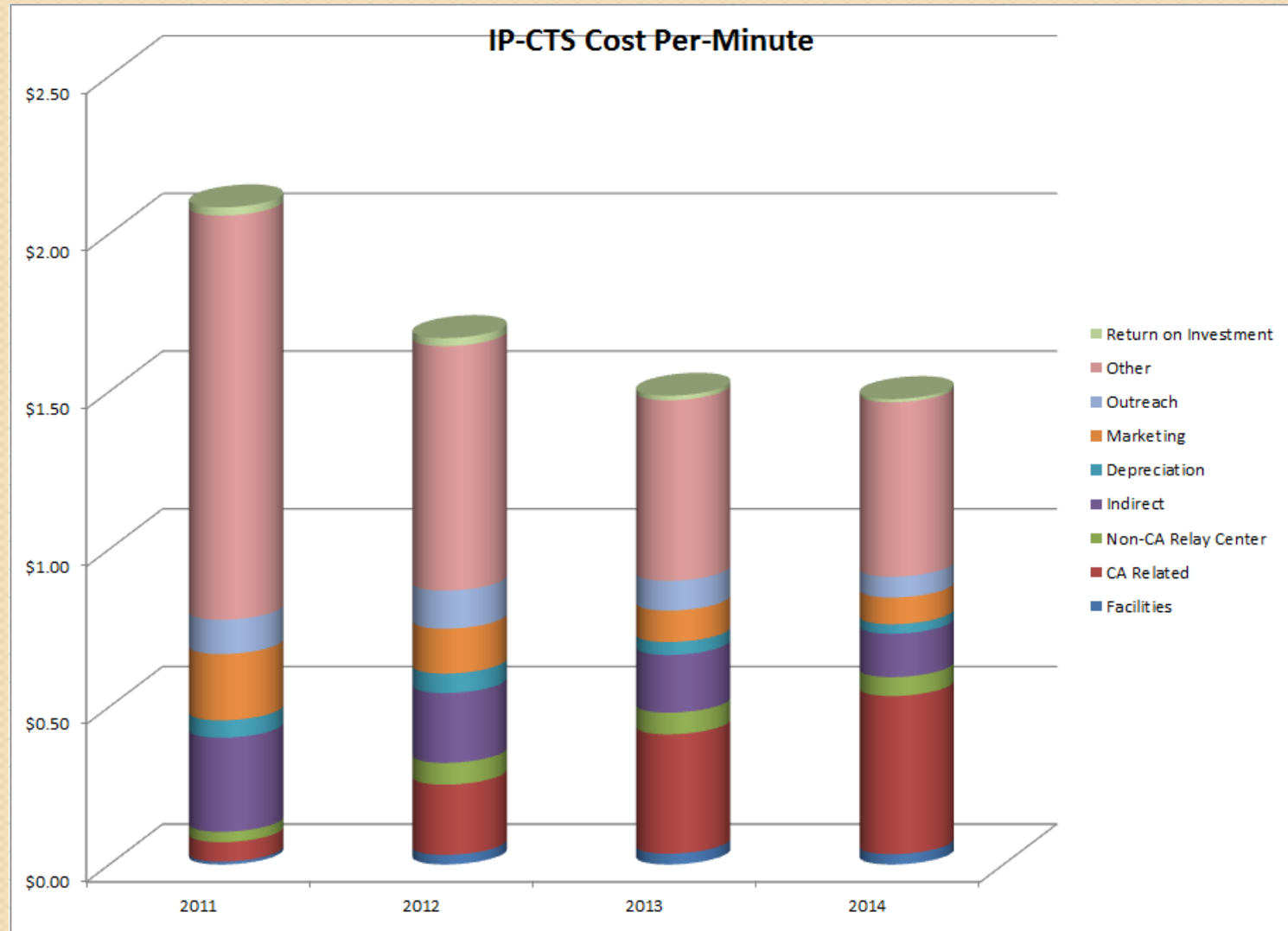
Historical IP CTS
(Jan 2011 – Feb 2013)



Projected IP CTS
(July 2013 – June 2014)



IP-CTS Cost



IP-CTS Provider Cost Per Minute

Category	2011	2012	2013	2014
Facilities	\$0.0095	\$0.0307	\$0.0345	\$0.0329
CA Related	\$0.0616	\$0.2225	\$0.3785	\$0.5015
Non-CA Relay Center	\$0.0326	\$0.0691	\$0.0687	\$0.0598
Indirect	\$0.2983	\$0.2215	\$0.1829	\$0.1375
Depreciation	\$0.0553	\$0.0617	\$0.0410	\$0.0303
Marketing	\$0.2103	\$0.1425	\$0.1000	\$0.0847
Outreach	\$0.1087	\$0.1206	\$0.0943	\$0.0659
Other	\$1.2818	\$0.7753	\$0.5728	\$0.5534
Return on Investment	\$0.0259	\$0.0257	\$0.0144	\$0.0100
Total Cost	\$2.0840	\$1.6696	\$1.4869	\$1.4762

MARS Revenue Alt 2

	Rate	Demand	Fund Requirement
IP-CTS	\$1.48	423,425,986	\$626,670,459
Other MARS services			\$24,900,359
MARS alternative 2 Total:			\$651,570,818

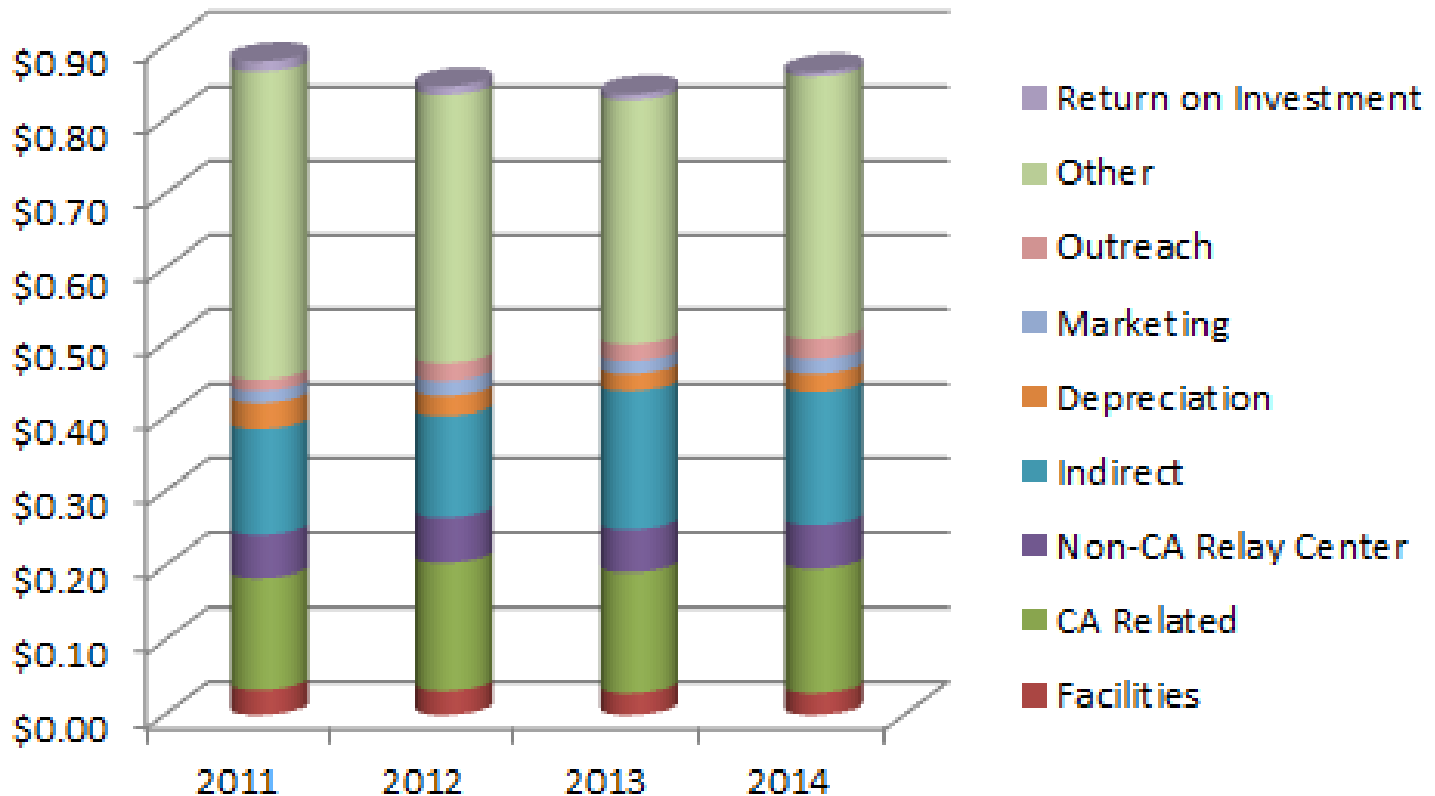
IP Relay

- Compensation rate shall apply to interstate and intrastate IP Relay based on price caps, and that the rate shall be set for three-year periods, subject to adjustment, beginning with the 2007-2008 Fund year
- A rate of \$0.8486 represents the forecasted average industry cost for the tariff year 2013-2014.
- An efficiency factor of 6 percent represents the average annual decrease in the cost of providing IP-Relay service from 2007 to the current tariff year. An efficiency factor of 6 percent should be used as part of the IP-Relay price cap calculation to determine the IP-Relay Rate for the next three years.

IP Relay

- Cost Categories
 - Facilities-
 - Land, Buildings, Utilities, Property Taxes, etc.
 - CA Related-
 - Salaries and Benefits plus Subcontractor
 - Non-CA Relay Center Expenses-
 - Management, Staff, Telecom Billing and other “Center Expenses
 - Indirect Expenses
 - Accounting, Legal, Engineering, R&D, Operations Support, etc.
 - Depreciation Expense
 - Depreciation Expense associated with Capital Investment
 - Marketing Expense
 - Outreach Expense
 - Other Expense
 - Return on Investment @ 11.25%

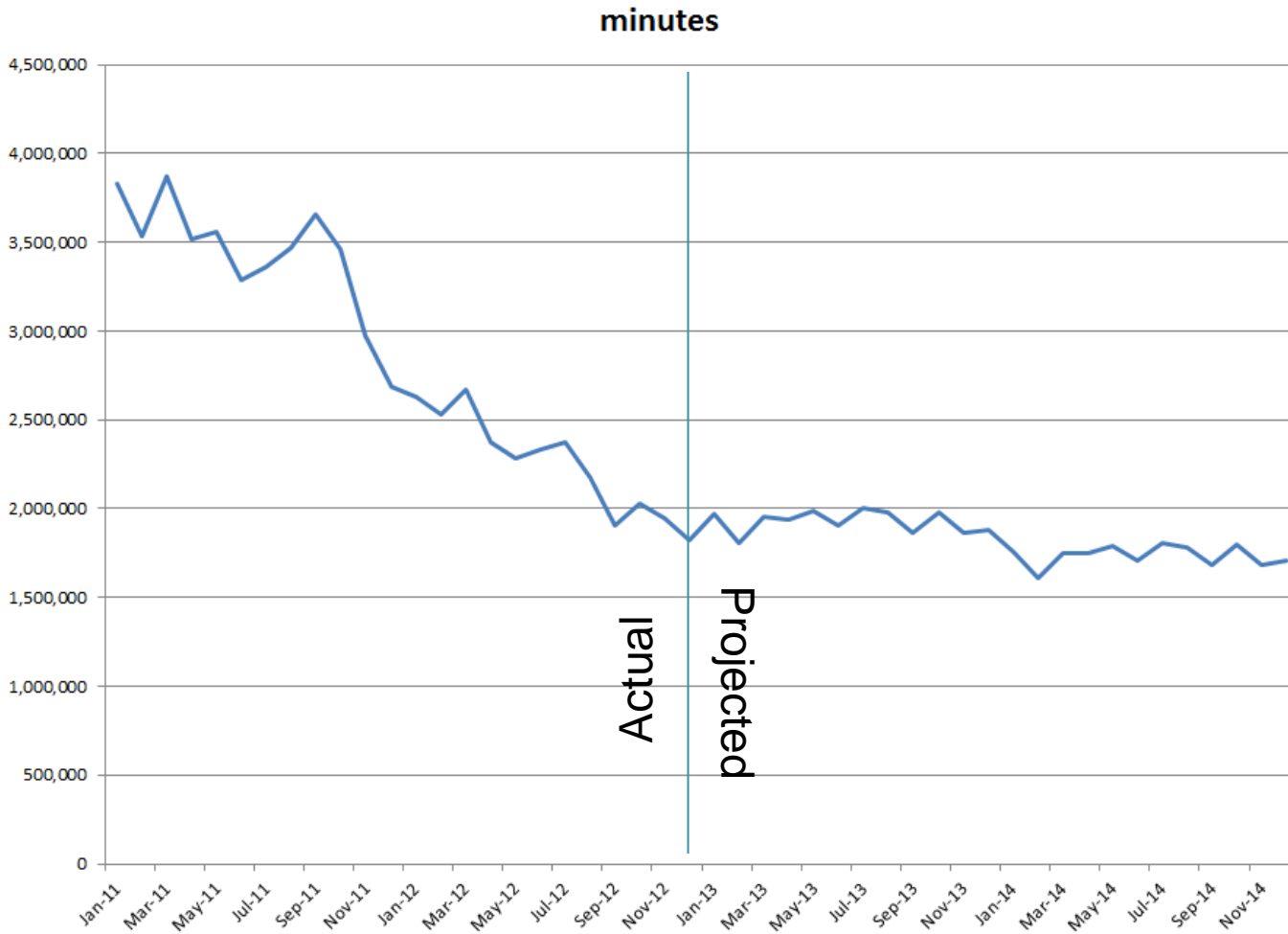
IP Relay Cost Per Minute By Cost Category



IP Relay Provider Average Cost Per Minute Data

Category	2011	2012	2013	2014
Facilities	\$0.0334	\$0.0322	\$0.0291	\$0.0292
CA Related	\$0.1506	\$0.1721	\$0.1625	\$0.1670
Non-CA Relay Center	\$0.0579	\$0.0612	\$0.0573	\$0.0590
Indirect	\$0.1424	\$0.1362	\$0.1867	\$0.1788
Depreciation	\$0.0349	\$0.0273	\$0.0224	\$0.0241
Marketing	\$0.0169	\$0.0201	\$0.0176	\$0.0205
Outreach	\$0.0147	\$0.0239	\$0.0222	\$0.0266
Other	\$0.4139	\$0.3607	\$0.3284	\$0.3528
Return on Investment	\$0.0143	\$0.0114	\$0.0082	\$0.0061
Total Cost	\$0.8789	\$0.8451	\$0.8346	\$0.8642

Provider IP Demand Projection



IP Relay Service

May 1, 2012 Filing		
Demand	Rate	Fund Requirement
30,775,976	\$1.2855	\$39,563,748

May 1, 2013 Filing		
Demand	Rate	Fund Requirement
21,929,535	\$0.8486	\$18,608,876

Video Relay Service

- Current Compensation Rates:
 - Tier 1 (0-50,000 minutes per month) \$6.2390
 - Tier 2 (50k – 500k minutes per month) \$6.2335
 - Tier 3 (> 500k minutes per month) \$5.0668

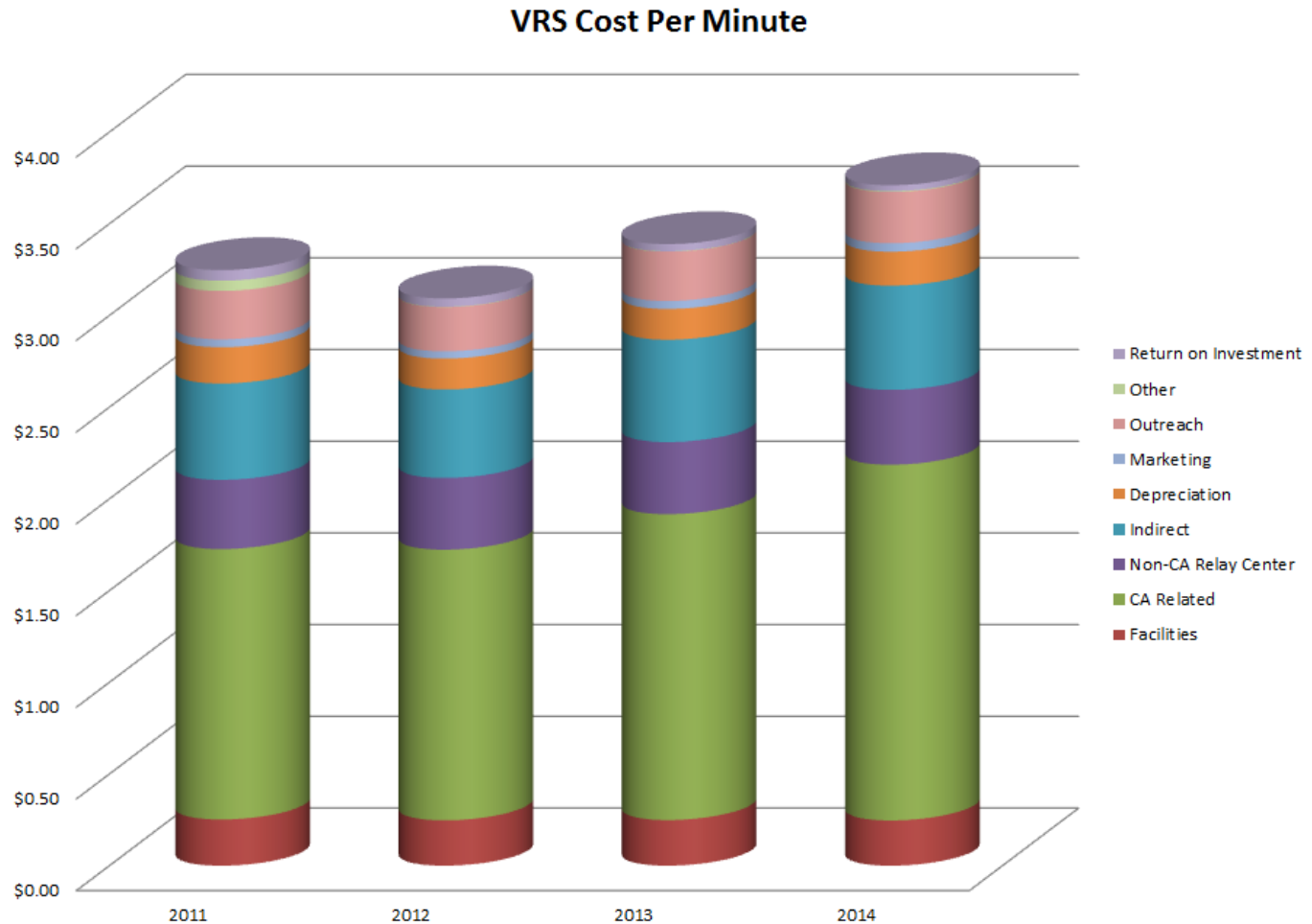
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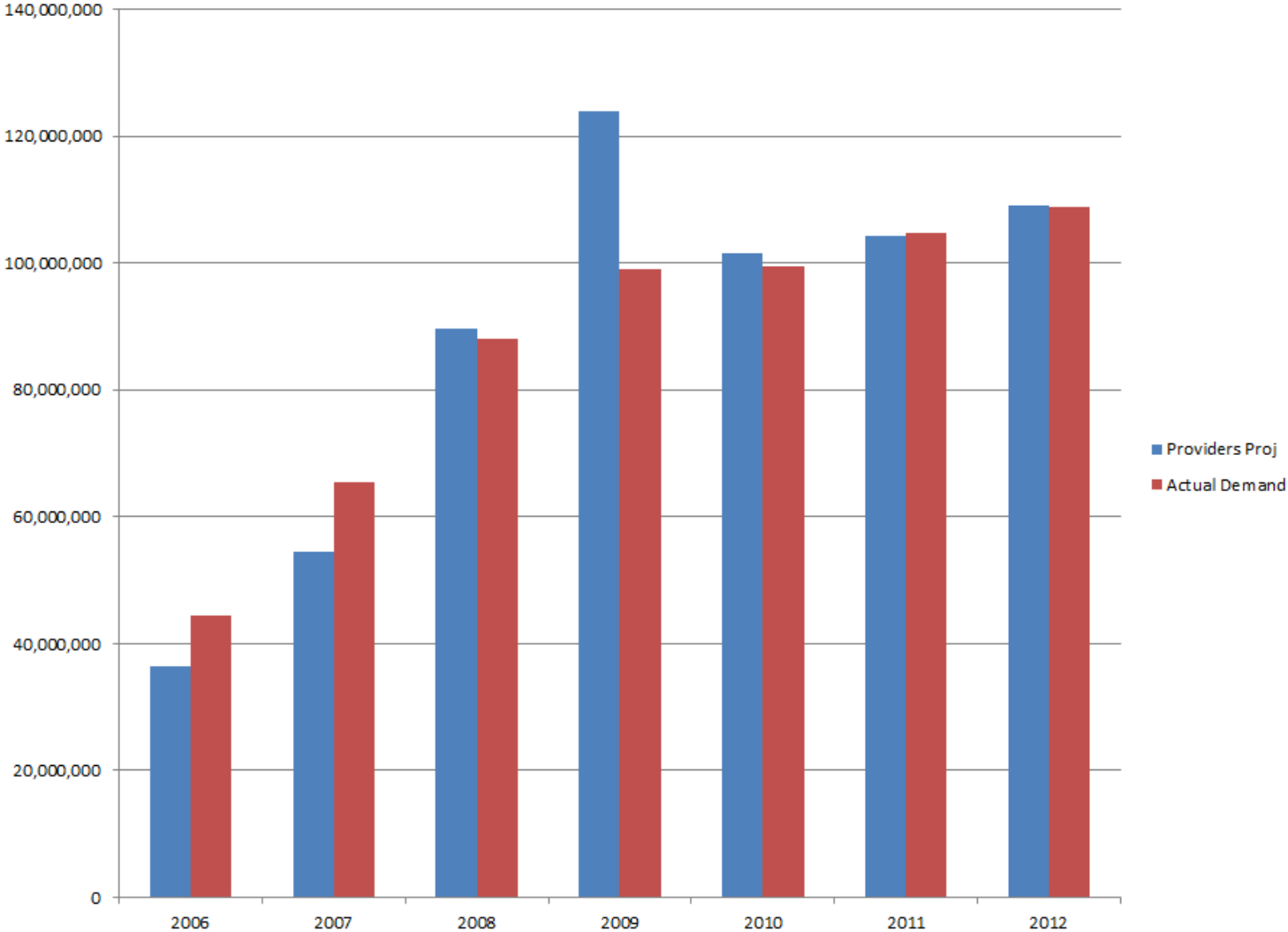
VRS Per Minute Component Costs in Dollars

Category	2011	2012	2013	2014
Facilities	\$0.2519	\$0.2473	\$0.2488	\$0.2468
CA Related	\$1.4745	\$1.4758	\$1.6681	\$1.9399
Non-CA Relay Center	\$0.3772	\$0.3912	\$0.3934	\$0.4079
Indirect	\$0.5255	\$0.4822	\$0.5575	\$0.5680
Depreciation	\$0.1976	\$0.1686	\$0.1682	\$0.1852
Marketing	\$0.0430	\$0.0399	\$0.0432	\$0.0464
Outreach	\$0.2642	\$0.2412	\$0.2691	\$0.2796
Other	\$0.0556	\$0.0018	\$0.0018	\$0.0042
Return on Investment	\$0.0581	\$0.0450	\$0.0393	\$0.0323
Total Cost	\$3.2477	\$3.0929	\$3.3894	\$3.7102

VRS Provider Cost per Minute by Category



VRS Annual Demand



VRS Rate Recommendation

Alternative 1

Tier 3	450.1K+ mins	\$4.5099
Tier 2	50.1K-450K mins	\$5.2877
Tier 1	0-50K mins	\$5.2887

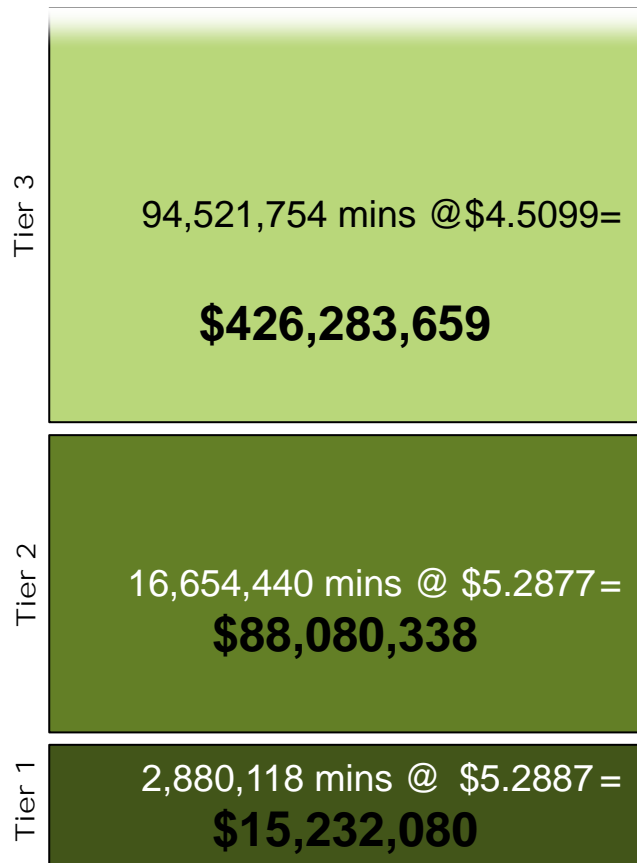
Alternative 2

Tier 3	1500.1K+ mins	\$3.8099
Tier 2	50.1K-1500K mins	\$4.9335
Tier 1	0-50K mins	\$5.2887

VRS Revenue Requirement

$$(\text{Demand} \times \text{Rate}) = \text{Requirement}$$

Alternative 1



Total Required **\$529,596,077**

Alternative 2



\$484,885,563

VRS Revenue Requirement

Alternative 1

	Demand	Rate	Revenue
Tier 1	2,880,118	\$5.2887	\$15,232,080
Tier 2	16,654,440	\$5.2887	\$88,080,338
Tier 3	94,521,754	\$4.5009	\$426,283,659
Sub Total	114,056,312		\$529,596,077
2012/2013 Carry Fwd			\$48,984,285
Grand Total			\$578,580,362

Alternative 2

	Demand	Rate	Revenue
	2,880,118	\$5.2887	\$15,232,080
	41,013,972	\$4.9335	\$202,342,433
	70,162,222	\$3.8099	\$267,311,050
	114,056,312		\$484,885,563
			\$48,984,285
			\$533,869,848

TRS Fund Requirement for 2013-2014

- MARS Services Alt 1 \$781,858,994
- IP Relay Service \$18,608,876
- Non- Provider Services \$170,240,492
- VRS – Alternative 1 \$529,596,077
- VRS – carry over \$48,984,285

- 2012-2013 Fund Size \$711.4 Million
- 2013-2014 Alternative 1 \$1,549.3 Million

TRS Fund Requirement for 2013-2014

- MARS Services Alt 2 \$651,570,818
- IP Relay Service \$18,608,876
- Non- Provider Services \$170,240,492
- VRS – Alternative 2 \$484,885,563
- VRS – Carry over \$48,984,285

- 2012-2013 Fund Size \$711.4 Million
- 2013-2014 Alternative 2 \$1,374.3 Million