



2014-2015 TRS Filing Presentation

April 15, 2014

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
 - Demand Trend
- 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 \$ (rate * conversation)
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	\$23,726,265
◦ Other Costs Paid to Providers	\$3,865,306
◦ Total Intrastate Conversation Minutes	13,033,424
◦ Per minute Rate for Traditional TRS	\$2.1170
◦ Per Minute Speech to Speech Outreach Additive	\$1.1310
◦ Per minute Rate for Speech to Speech	\$3.2480

- Caption Telephone and IP Caption Telephone

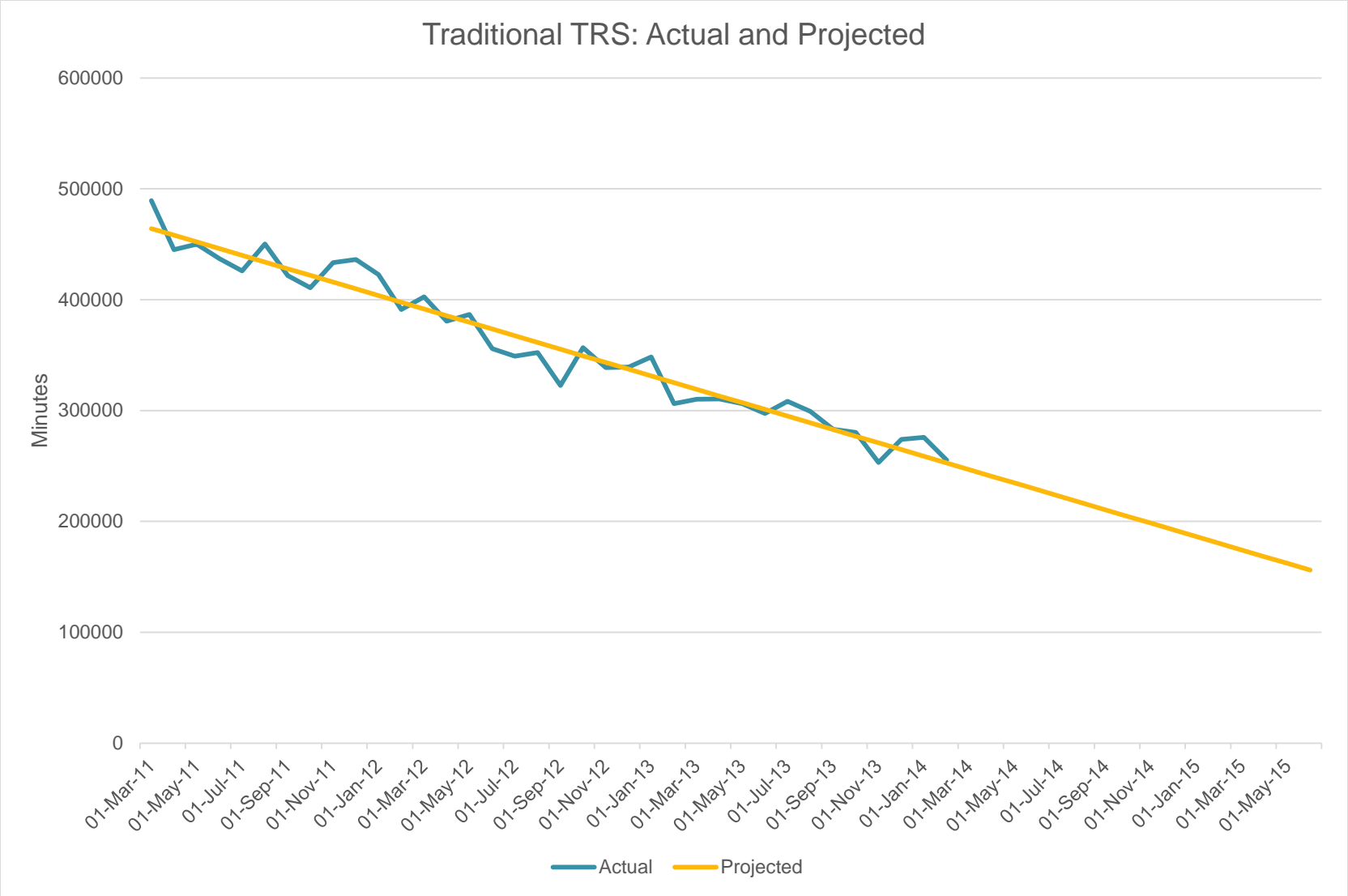
◦ Total Intrastate Payments per minute compensation	\$53,378,930
◦ Other Costs Paid to Providers	\$241,415
◦ Total Intrastate Conversation Minutes	29,453,622
◦ Per minute Rate for Caption Telephone Services	\$1.8205

MARS Based Rates

(12 months cash)

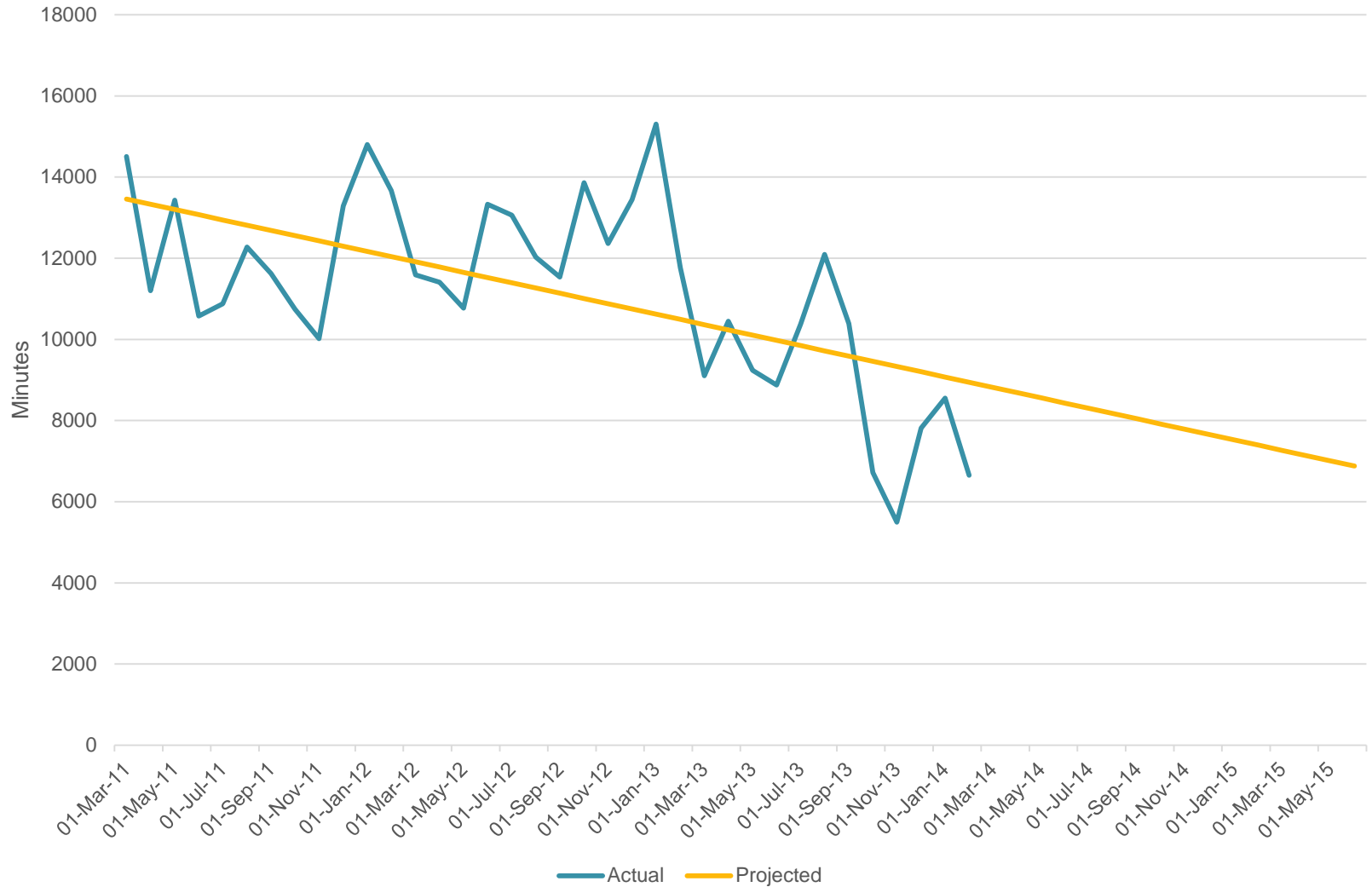
Service	Methodology	Prior Year Demand balance (May & June)	Prior year Rate	Projected Demand (July 2014 – April 2015)	Projected Rate	Projecteed Requirement	Fund Requirement (July 2014 – June 2015)
Traditional TRS	MARS	463,232.06	\$ 2.1647	1,953,711	\$ 2.1170	\$ 5,138,737	
Speech to Speech	MARS	16,983.16	\$ 2.1647	77,176	\$ 2.1170	\$ 200,143	
STS outreach		16,983.16	\$ 1.1310	77,176	\$ 1.1310	\$ 106,494	
Caption Telephone	MARS	1,484,555.54	\$ 1.7877	7,248,221	\$ 1.8205	\$ 15,849,333	
IP Caption Telephone	MARS	17,676,226	\$ 1.7877	98,217,380	\$ 1.8205	\$ 210,404,615	
Subtotal MARS:							\$ 231,699,322

Traditional TRS



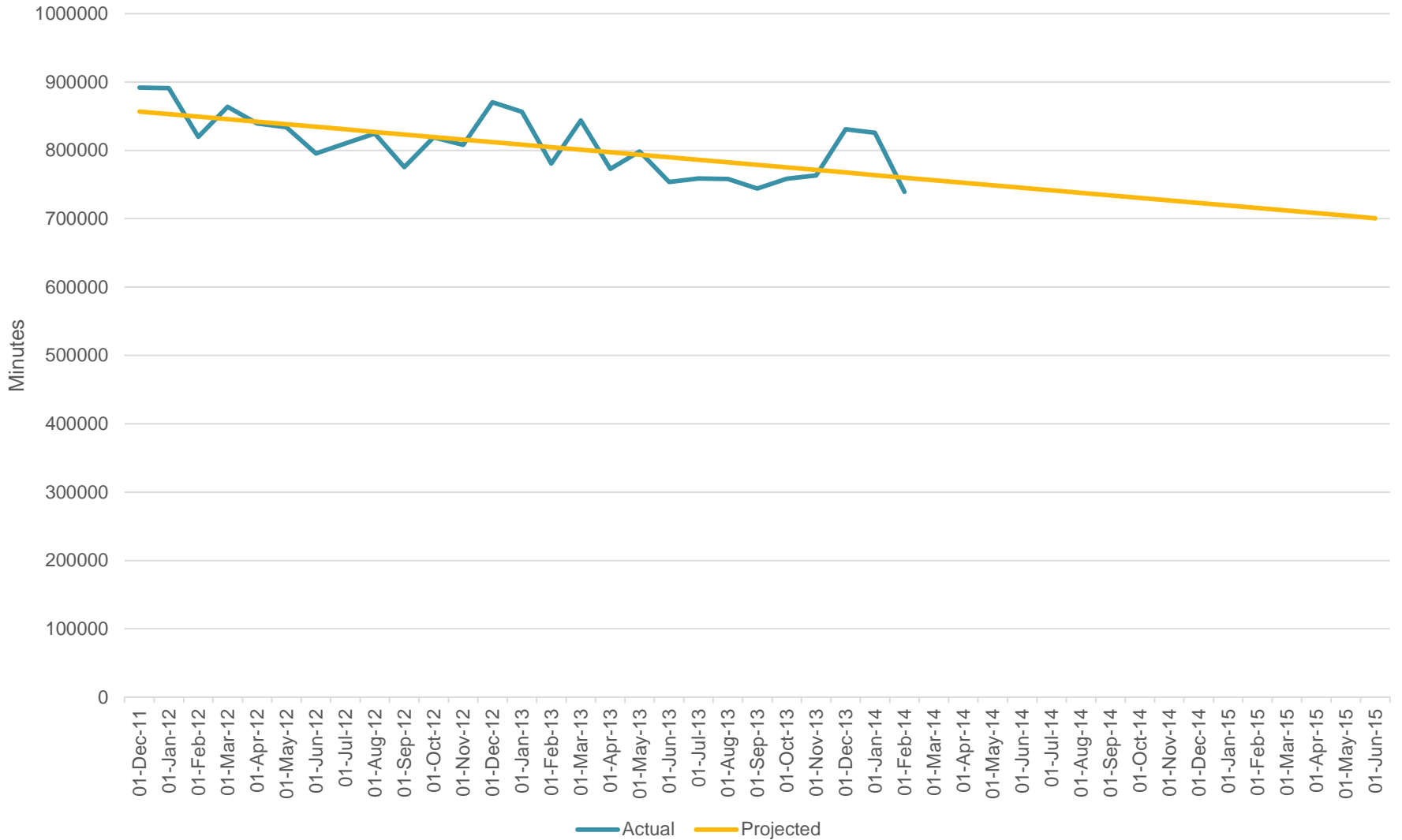
STS

STS: Actual and Projected



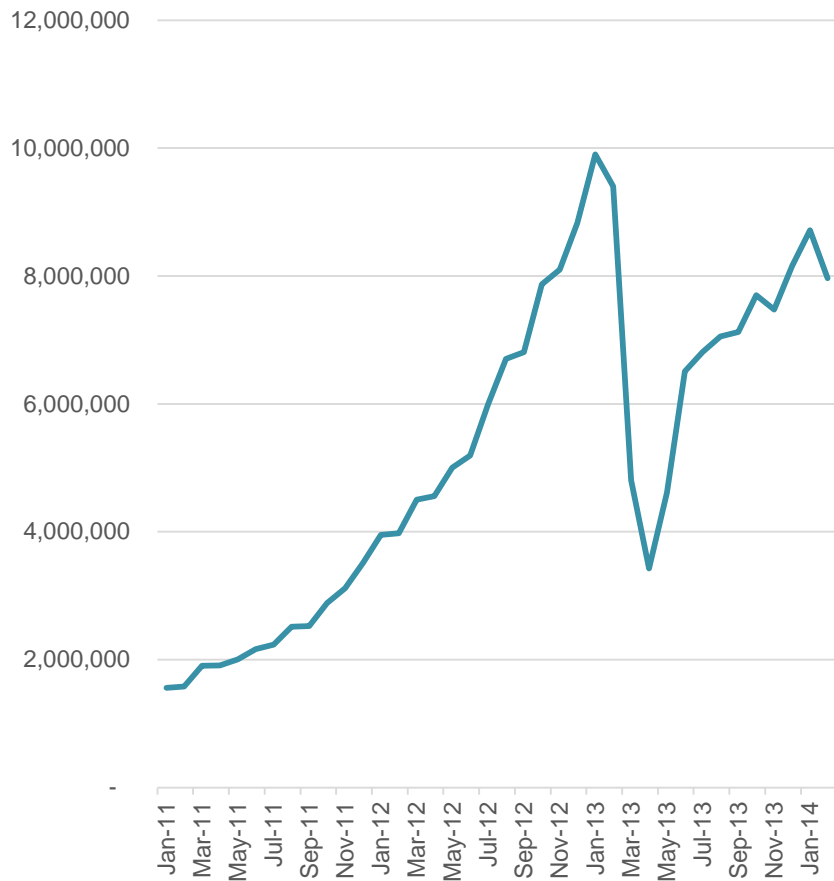
CTS

CTS: Actual and Projected

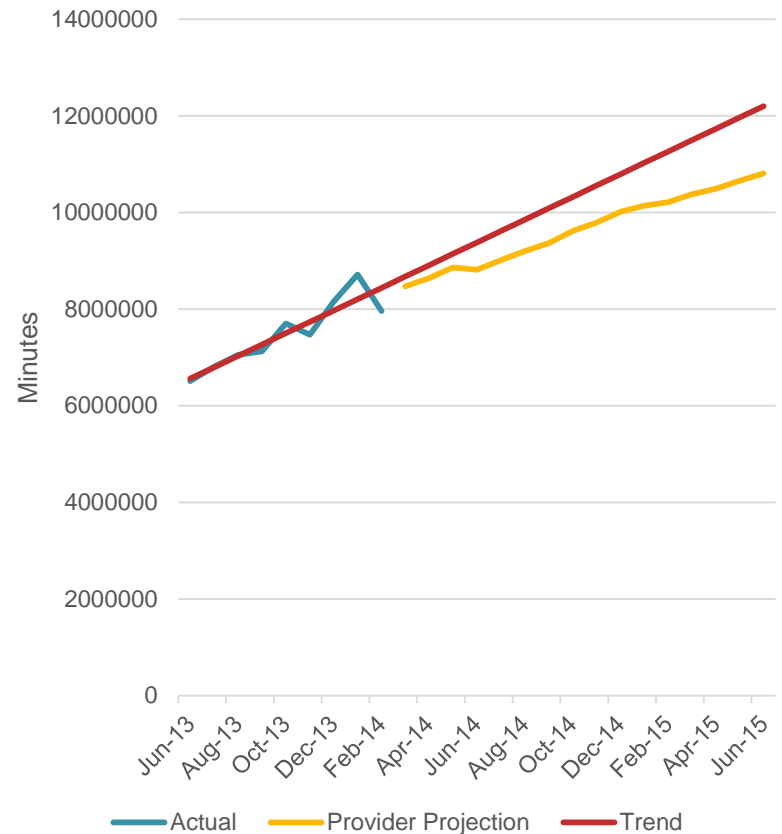


IP CTS

IP-CTS Minutes



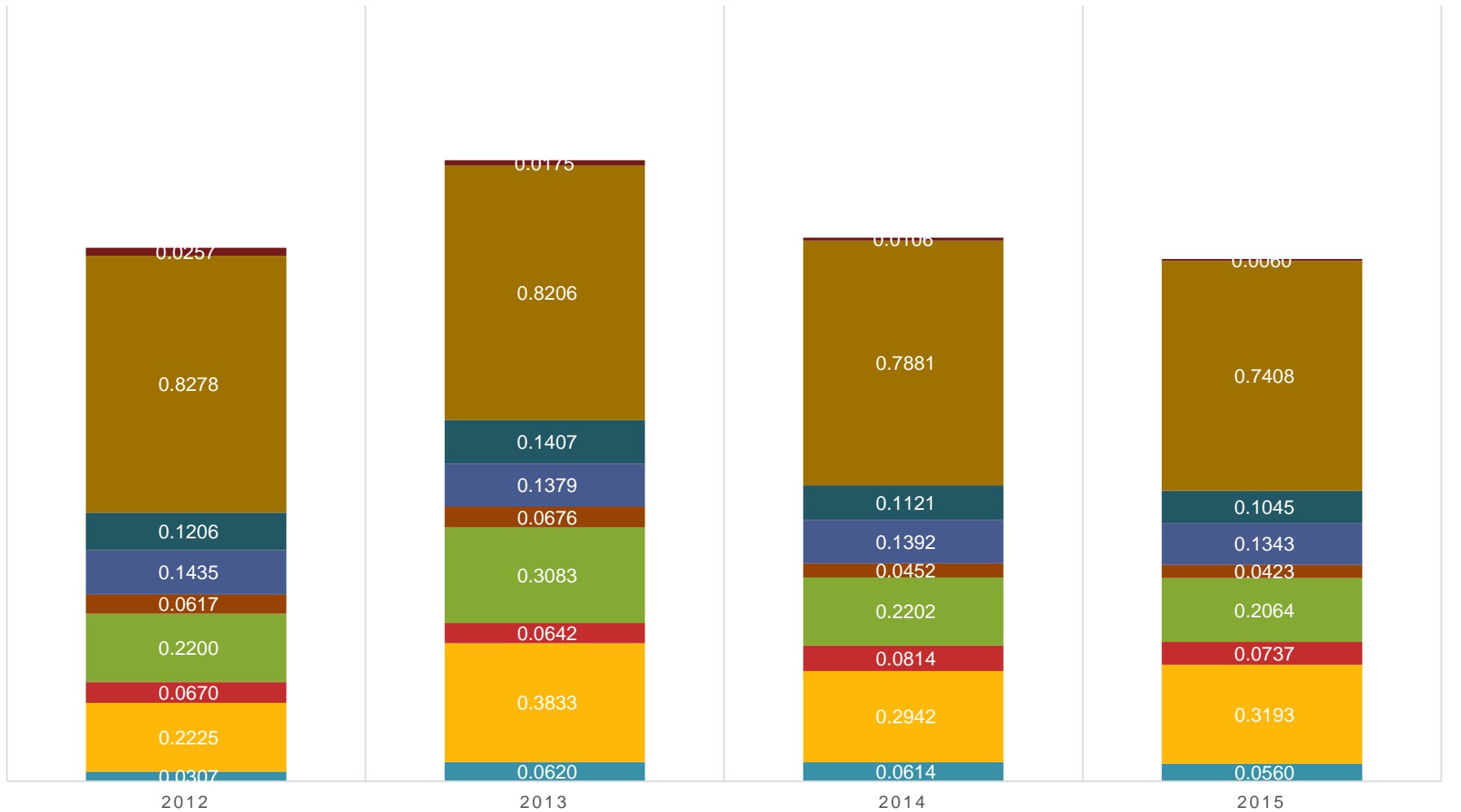
IP-CTS Demand Projection: Providers v. Trend



IP-CTS Cost

IP-CTS COST PER MINUTE HISTORY

■ Facilities
 ■ CA Related
 ■ Non-CA Relay Center
 ■ Indirect
 ■ Depreciation
 ■ Marketing
 ■ Outreach
 ■ Other
 ■ Return on Investment



IP-CTS Provider Cost Per Minute

Category	2012	2013	2014	2015
Facilities	0.0307	0.0620	0.0614	0.0560
CA Related	0.2225	0.3833	0.2942	0.3193
Non-CA Relay Center	0.0670	0.0642	0.0814	0.0737
Indirect	0.2200	0.3083	0.2202	0.2064
Depreciation	0.0617	0.0676	0.0452	0.0423
Marketing	0.1435	0.1379	0.1392	0.1343
Outreach	0.1206	0.1407	0.1121	0.1045
Other	0.8278	0.8206	0.7881	0.7408
Return on Investment	0.0257	0.0175	0.0106	0.0060
Total Cost	1.7195	2.0022	1.7524	1.6835

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.
- A rate of \$0.8773 represents the forecasted average industry cost for the tariff year 2014-2015.
- The average cost rather than decrease by the historical productivity factor of the price cap actually increased by 3% from last year to this year

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 Provider Average Cost Per Minute Data

Category	2012	2013	2014	2015
Facilities	0.0061	0.0022	0.0024	0.0024
CA Related	0.0337	0.0199	0.0212	0.0208
Non-CA Relay Center	0.0449	0.0415	0.0468	0.0498
Indirect	0.1396	0.1965	0.3100	0.1932
Depreciation	0.0193	0.0114	0.0033	0.0023
Marketing	0.0236	0.0204	0.0248	0.0257
Outreach	0.0317	0.0273	0.0322	0.0335
Other	0.5114	0.4885	0.4902	0.4948
Return on Investment	0.0078	0.0010	0.0006	0.0004
Total Cost	0.8181	0.8087	0.9317	0.8230

IP Relay Service

May 1, 2014 Filing		
Demand	Rate	Fund Requirement
12,520,484 & 2,552,850	\$1.0147 & \$0.9538	\$14,532,415

May 1, 2013 Filing		
Demand	Rate	Fund Requirement
23,833,049	\$1.0147	\$24,698,942

IP Relay Service Alternatives

May 1, 2014 Filing		
Demand	Rate	Fund Requirement
2,552,850 & 12,520,484	\$1.0147 & $(1.0147 \times 0.94) + (0.0322 + 0.0335) / 2 = \0.9866	\$14,943,086

May 1, 2013 Order		
Demand	Rate	Fund Requirement
21,929,535	\$1.0391 & \$1.0147	\$24,698,942

May 1, 2014 Filing		
Demand	Rate	Fund Requirement
2,552,850 & 12,520,484	\$1.0147 & $(1.0147 \times 1.03) + (0.0322 + 0.0335) / 2 = \1.0779	\$16,086,207

May 1, 2013 Order		
Demand	Rate	Fund Requirement
21,929,535	\$1.0391 & \$1.0147	\$24,698,942

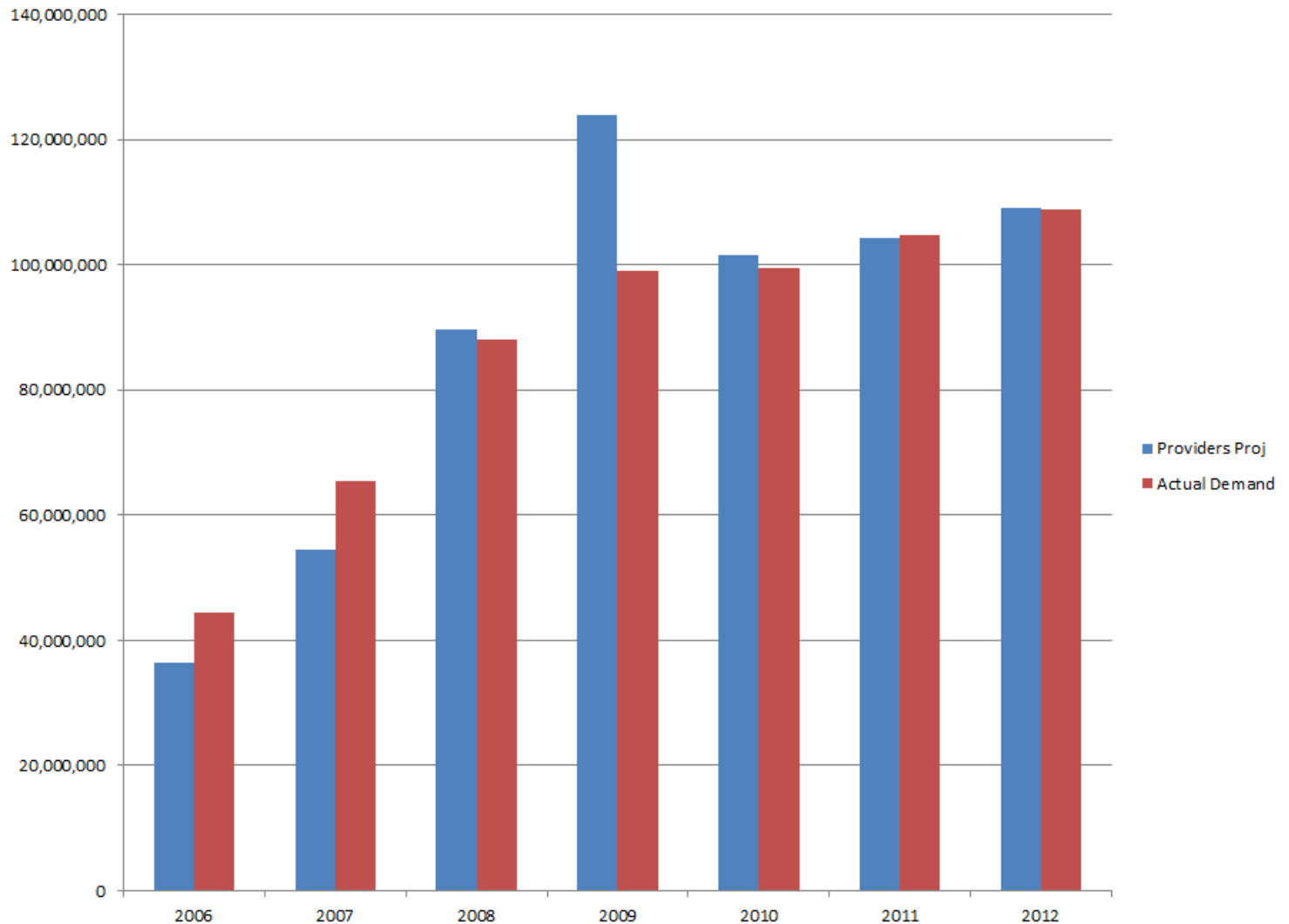
Video Relay Service

- Current Compensation Rates:
 - Tier 1 (0-500,000 minutes per month) \$5.7500
 - Tier 2 (>500k – 1,000k minutes per month) \$4.8200
 - Tier 3 (> 1,000k minutes per month) \$4.6300
 - **July-Dec 2014 Rates:**
 - Tier 1 (0-500,000 minutes per month) \$5.5200
 - Tier 2 (>500k – 1,000k minutes per month) \$4.8200
 - Tier 3 (> 1,000k minutes per month) \$4.4400
 - **Jan-June 2015 Rates:**
 - Tier 1 (0-500,000 minutes per month) \$5.2900
 - Tier 2 (>500k – 1,000k minutes per month) \$4.8200
 - Tier 3 (> 1,000k minutes per month) \$4.2500

Video Relay Service

- 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%

VRS Annual Demand



VRS Revenue Requirement

- May & June 2014

	Demand	Rate	Revenue
Tier 1	3,323,656	\$ 5.7500	\$19,111,022
Tier 2	2,911,047	\$ 4.8200	\$14,031,246
Tier 3	13,509,092	\$ 4.6300	\$62,547,096
Sub Total	19,743,795		\$95,689,364

VRS Revenue Requirement

July – December 2014

	Demand	Rate	Revenue
Tier 1	10,055,292	\$ 5.5200	\$55,505,212
Tier 2	8,832,127	\$ 4.8200	\$42,570,851
Tier 3	41,176,903	\$ 4.4400	\$182,825,449
Sub Total	60,064,322		\$280,901,512
2012/2013 Carry Fwd			
Grand Total			

Jan – April 2015

	Demand	Rate	Revenue
	6,780,973	\$ 5.2900	\$35,871,347
	6,000,000	\$ 4.8200	\$28,920,000
	27,776,996	\$ 4.2500	\$118,052,232
	40,557,969		\$182,843,579
			\$95,689,364
			\$559,434,455

VRS Revenue Requirement

Tier 1 July - Dec	FCC 13-82	3,323,656	\$ 5.7500	10,055,292	\$ 5.5200	\$ 74,616,234
Tier 2 July - Dec	FCC 13-82	2,911,047	\$ 4.8200	8,832,127	\$ 4.8200	\$ 56,602,097
Tier 3 July - Dec	FCC 13-82	13,509,092	\$ 4.6300	41,176,903	\$ 4.4400	\$ 245,372,545
Tier 1 Jan - June	FCC 13-82			6,780,973	\$ 5.2900	\$ 35,871,347
Tier 2 Jan - June	FCC 13-82			6,000,000	\$ 4.8200	\$ 28,920,000
Tier 3 Jan - June	FCC 13-82			27,776,996	\$ 4.2500	\$ 118,052,232
<u>Subtotal VRS:</u>		19,743,795				<u>\$559,434,455</u>

TRS Fund Requirement 2014-2015

- MARS Services \$231,699,322
- VRS \$559,434,455
- Other Provider Services \$182,952,73

- 2014-2015 Fund Size \$974.1
Million
- Less Balance & Earnings (\$184.4
Million)
- Requirements: \$789,735,332

TRS Fund Requirement 2014-2015

- Requirements: \$789,735,332
- Estimated Base \$66,915,125,074
- Estimated Contribution Rate 0.01180