

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1203
March 17, 2008

DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

The National Exchange Carrier Association, Inc. proposes to modify its Access Tariff F.C.C. No. 5 to reflect the addition of Local Number Portability (LNP) charges for China Telephone Company (China), which has received a bonafide request for number portability. The services provided by China are consistent with Section 13.14, Local Number Portability Services, of NECA's Tariff F.C.C. No. 5.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

The demand for LNP capable access lines, including PBX lines and queried calls, was projected over five years. China currently does not have ISDN-PRI lines; however, an ISDN-PRI End User Charge was calculated at five times the End User Charge. The PBX End User Charge was calculated at nine times the End User Charge.

Costs provided by the company include switch upgrade investment required to support wireline and wireless LNP capability, and projected ongoing expenses over five years. LNP End User Charges were set to equate the present value of revenues to the present value of cost outlays. Present values of total costs were obtained using a discount factor of 15.21%, which is the after-tax cost of money (11.25%) grossed up for the tax rate (35%). This gross-up is only applied to the equity portion of the cost of money, because the debt portion is already tax-deductible, but the equity portion is taxable.

The circuit switching costs used in the development of the LNP End User Charges are only those direct costs required to implement LNP. In identifying which of these LNP costs could be included in the rate, the company used two criteria to isolate LNP costs, based on the FCC guidelines: (1) the costs would not have been incurred by the telephone company if number portability was not implemented, and (2) the costs were incurred "for the provision of" number portability. Using these criteria yielded an investment amount of \$17,814. This amount includes switch manufacturer LNP switch upgrade costs.

Beginning year one, expenses recovered by the End User Charge range between \$900 and \$2,532 per year, and fall into the following categories: a) projected charges to be paid to the query provider for queries that the Telephone Company initiates in its

capacity as an N-1 carrier, b) operating support system expenses for service order administration, c) regional database administrator charges, and d) consulting costs. Query expenses are only for queries necessary to complete local and Extended Area Service (EAS) calls originated from the company's end users. End user query expenses were obtained by multiplying query projections by the per query rate, paid by the Telephone Company to its query provider.

The demand and costs used to develop LNP End User Charges for the company are detailed in Exhibit 1A. (See Exhibit 1A attached.)

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DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

The National Exchange Carrier Association, Inc. proposes to modify its Access Tariff F.C.C. No. 5 to reflect the addition of Local Number Portability (LNP) charges for FairPoint Communications Missouri, Inc. (Missouri), which has received a bonafide request for number portability. The services provided by Missouri are consistent with Section 13.14, Local Number Portability Services, of NECA's Tariff F.C.C. No. 5.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

The demand for LNP capable access lines, including PBX trunks and ISDN-PRI lines, and queried calls were projected over five years. The PBX End User Charge and ISDN-PRI End User Charge have been calculated at nine times and five times the End User Charge, respectively.

Costs provided by the company include switch upgrade investment required to support wireline and wireless LNP capability, and projected ongoing expenses over five years. LNP End User Charges were set to equate the present value of revenues to the present value of cost outlays. Present values of total costs were obtained using a discount factor of 15.21%, which is the after-tax cost of money (11.25%) grossed up for the tax rate (35%). This gross-up is only applied to the equity portion of the cost of money, because the debt portion is already tax-deductible, but the equity portion is taxable.

The circuit switching costs used in the development of the LNP End User Charges are only those direct costs required to implement LNP. In identifying which of these LNP costs could be included in the rate, the company used two criteria to isolate LNP costs, based on the FCC guidelines: (1) the costs would not have been incurred by the telephone company if number portability was not implemented, and (2) the costs were incurred "for the provision of" number portability. Using these criteria yielded an investment amount of \$60,000. This amount includes switch manufacturer LNP switch upgrade costs.

Beginning year one, expenses recovered by the End User Charge range between \$900 and \$2,750 per year, and fall into the following categories: a) projected charges to be paid to the query provider for queries that the Telephone Company initiates in its capacity as an N-1 carrier, b) operating support system expenses for service order

administration, c) regional database administrator charges, and d) consulting costs. Query expenses are only for queries necessary to complete local and Extended Area Service (EAS) calls originated from the company's end users. End user query expenses were obtained by multiplying query projections by the per query rate, paid by the Telephone Company to its query provider.

The demand and costs used to develop LNP End User Charges for the company are detailed in Exhibit 2A. (See Exhibit 2A attached.)

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DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

The National Exchange Carrier Association, Inc. proposes to modify its Access Tariff F.C.C. No. 5 to reflect the addition of Local Number Portability (LNP) charges for Sidney Telephone Co. (Sidney). The services provided by Sidney are consistent with Section 13.14, Local Number Portability Services, of NECA's Tariff F.C.C. No. 5.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

NECA introduced LNP End User Charges for Northland Telephone of ME, Inc. (Northland) under Transmittal No. 1163 that became effective on March 31, 2007. Northland and Sidney are local exchange companies that both operate in study area 103313 in Maine.

At the time NECA introduced Northland's LNP End User Charges, NECA inadvertently failed to tariff the same rates for Sidney. LNP demand, cost and rate development support underlying the LNP End User Charges for Northland also included Sidney's LNP demand and implementation costs.

NECA proposes to introduce LNP End User Charges for Sidney that are the same as the rates currently in effect for Northland. NECA also proposes that the rates for Sidney's LNP End User Charges would be effective for a 48-month period beginning April 1, 2008 and ending concurrent with the remainder of Northland's 60-month recovery period, which expires on March 30, 2012. Sidney acknowledges that it is foregoing recovery of its LNP implementation costs during the twelve-month period prior to April 1, 2008.

Local Number Portability - China Telephone Company (100004)

EXHIBIT 1A

March 17, 2008

End User Charge Rate Development

| LINE | | 0 | 1 | Year 2 | 3 | 4 | 5 |
|------|--|-----------------|---------|-----------|---------|---------|--------|
| | <u>Investment</u> | | | | | | |
| 1 | LNP End User Investment | \$17,814 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | Present Value Factors | 1.0000 | 0.8680 | 0.7534 | 0.6539 | 0.5676 | 0.4927 |
| 3 | Present Value of Investment | \$17,814 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 | Sum of Present Value of Investment | \$17,814 | | | | | |
| | <u>Expenses</u> | | | | | | |
| 5 | LNP End User Expenses | \$4,353 | \$2,399 | \$2,442 | \$2,486 | \$2,532 | \$900 |
| 6 | Present Value of Expenses | \$4,353 | \$2,082 | \$1,840 | \$1,626 | \$1,437 | \$443 |
| 7 | Sum of Present Value of Expenses | \$11,781 | | | | | |
| | <u>Access Lines</u> | | | | | | |
| 8 | PBX | | 1 | 1 | 1 | 1 | 1 |
| 9 | ISDN-PRI | | 0 | 0 | 0 | 0 | 0 |
| 10 | Other | | 2,734 | 2,642 | 2,568 | 2,510 | 2,468 |
| 11 | Total Chargeable Lines ¹ | | 2,743 | 2,651 | 2,577 | 2,519 | 2,477 |
| 12 | Present Value of Chargeable Lines | | 2,381 | 1,997 | 1,685 | 1,430 | 1,220 |
| 13 | Sum of Present Value of Chargeable Lines | 8,713 | | | | | |
| 14 | LNP End User Basic Charge ² | \$0.28 | | | | | |
| 15 | LNP End User ISDN-PRI Charge ³ | \$1.40 | | | | | |
| 16 | LNP End User PBX Charge ⁴ | \$2.52 | | | | | |

NOTES

1. Line 11 = (Line 8 * 9) + (Line 9 * 5) + Line 10
2. Line 14 = ((Line 4 + Line 7) / Line 13)/12
3. Line 15 = 5 * Line 14
4. Line 16 = 9 * Line 14

Local Number Portability - FairPoint Communications Missouri, Inc. (421472)

EXHIBIT 2A

March 17, 2008

End User Charge Rate Development

| LINE | | 0 | 1 | Year 2 | 3 | 4 | 5 |
|------|--|-----------------|---------|-----------|---------|---------|--------|
| | <u>Investment</u> | | | | | | |
| 1 | LNP End User Investment | \$60,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | Present Value Factors | 1.0000 | 0.8680 | 0.7534 | 0.6539 | 0.5676 | 0.4927 |
| 3 | Present Value of Investment | \$60,000 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 | Sum of Present Value of Investment | \$60,000 | | | | | |
| | <u>Expenses</u> | | | | | | |
| 5 | LNP End User Expenses | \$4,554 | \$2,604 | \$2,651 | \$2,700 | \$2,750 | \$900 |
| 6 | Present Value of Expenses | \$4,554 | \$2,260 | \$1,997 | \$1,766 | \$1,561 | \$443 |
| 7 | Sum of Present Value of Expenses | \$12,581 | | | | | |
| | <u>Access Lines</u> | | | | | | |
| 8 | PBX | | 1 | 1 | 1 | 1 | 1 |
| 9 | ISDN-PRI | | 1 | 1 | 1 | 1 | 1 |
| 10 | Other | | 7,414 | 7,094 | 6,867 | 6,717 | 6,638 |
| 11 | Total Chargeable Lines ¹ | | 7,428 | 7,108 | 6,881 | 6,731 | 6,652 |
| 12 | Present Value of Chargeable Lines | | 6,447 | 5,355 | 4,500 | 3,820 | 3,277 |
| 13 | Sum of Present Value of Chargeable Lines | 23,400 | | | | | |
| 14 | LNP End User Basic Charge ² | \$0.26 | | | | | |
| 15 | LNP End User ISDN-PRI Charge ³ | \$1.30 | | | | | |
| 16 | LNP End User PBX Charge ⁴ | \$2.34 | | | | | |

NOTES

1. Line 11 = (Line 8 * 9) + (Line 9 * 5) + Line 10
2. Line 14 = ((Line 4 + Line 7) / Line 13)/12
3. Line 15 = 5 * Line 14
4. Line 16 = 9 * Line 14