

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO TARIFF F.C.C. NO. 5
ASYMMETRIC DIGITAL SUBSCRIBER LINE ACCESS SERVICE
Transmittal No. 1222
September 30, 2008

1: INTRODUCTION

The National Exchange Carrier Association, Inc. (NECA) proposes to modify its Tariff F.C.C. No. 5 to introduce a new Asymmetric Digital Subscriber Line 5 Mbps upstream and 50 Mbps downstream (ADSL 5/50) high speed Voice-Data and Data-Only Access Service option. This service option is being introduced to provide a new broadband option enabling NECA tariff participants to offer their end user customers high speed broadband access services where the telephone company provides basic exchange telephone service to customers using fiber to the premises local loop technology.

2: DESCRIPTION OF PROPOSED TARIFF

The proposed high speed ADSL 5/50 option provides a maximum upstream bandwidth of up to 5 Mbps and a maximum downstream bandwidth of up to 50 Mbps where fiber optic local loops provisioned to the end user premises are available from the telephone company conforming to one of the industry standards listed in Appendix I, below. These peak speeds are not guaranteed by the telephone company due to factors potentially affecting the actual speed delivered, such as the condition of the existing local exchange facilities.

The new ADSL 5/50 option is offered at both monthly retail and DSL Wholesale Pricing Plan (WPP) rates. Volume Pricing Plan discounts are also available when the customer purchases ADSL 5/50 under a DSL WPP term plan.

A nonrecurring charge applies per line for the installation of each ADSL 5/50 Voice-Data or Data-Only option. The telephone company will waive this nonrecurring charge when the customer commits to retain the ADSL 5/50 option in service for a minimum period of 12 months following installation of service. If the ADSL 5/50 option is disconnected for any reason other than for an ADSL service conversion prior to the end of the 12-month minimum commitment period, the telephone company will bill the customer an amount equal to the previously waived nonrecurring charge.

Existing regulations specified in Sections 8.1 and 8.5 of NECA Tariff F.C.C. No.5 for ADSL Access Service apply to the ADSL 5/50 option. Although initial demand for ADSL 5/50 option is expected to be small, NECA anticipates further demand as the customer needs for higher speeds increases.

3: PROPOSED RATES AND CHARGES

The rates for this new option are set to recover the full costs of transmitting the customer's ADSL traffic at the higher data speeds. Rates for the ADSL 5/50 option are shown in the table below. Demand, cost and revenue impacts resulting from this tariff filing are described in Section 4 below.

Proposed Retail, WPP Monthly and WPP Term Plan Rates

Option	Retail	WPP Monthly Plan	WPP Term Plan Plan A		WPP Term Plan Plan B	
WPP Term Plan Length	N/A	N/A	1 Year	3 Year	1 Year	3 Year
ADSL - 5 Mbps Upstream/50 Mbps Downstream						
Voice-Data Option	\$ 43.00	\$ 42.50	\$ 32.50	\$ 28.50	\$ 27.50	\$ 24.00
Data-Only Option	\$ 90.00	\$ 82.50	\$ 72.50	\$ 68.50	\$ 67.50	\$ 64.50

Nonrecurring Installation Charge per ADSL 5/50 option line:

Voice-Data Option - \$99.00

Data-Only Option - \$292.00

4: REVENUE, COST AND DEMAND SUPPORT

Overview

This section describes the revenue impacts of the introduction of the proposed ADSL 5/50 option. The revenue impacts on the current test period are summarized in Exhibit 1. The estimated net revenue increase as a result of the proposed tariff revisions for the 2008 – 2009 test period is \$50,047. This impact represents less than 0.01% of the projected Special Access revenue in NECA's *2008-2009 Annual Filing*.¹

¹ See National Exchange Carrier Association, Inc., Transmittal No. 1214, Volume 5, Exhibit 10, Workpaper 6, Line 13, filed June 16, 2008 (*2008-2009 Annual Filing*).

ADSL 5 Mbps upstream and 50 Mbps downstream Service

NECA surveyed the Rate Development Task Force (RDTF) and an additional three companies in the Traffic Sensitive pool that have deployed fiber optic local loops to estimate the monthly unit investment costs required to implement the ADSL 5/50 option using fiber to the premises (FTTP) technology.²

NECA also surveyed the companies to forecast demand for the new ADSL 5/50 option and demand migration from the current ADSL options.

Exhibit 2, Lines 1 and 2 display the average unit investment costs collected in NECA's survey for the proposed ADSL 5/50 option and fiber loops for FTTP. NECA derived the average unit investment costs based on the current fiber lines in service. Analyzing the 2008 NECA FTTP Survey Data, NECA found that the current fiber lines in service represented reasonable fill factors at which a typical telephone company would normally operate. Unit investment cost for the ADSL 5/50 option includes FTTP Central Office Optical Line Terminal (OLT) equipment in Serving Wire Centers, FTTP OLT Field Terminal Equipment, interoffice or other transmission facility upgrades, FTTP Network Interface Devices, and engineering and installation. Unit investment cost for fiber loops using FTTP technologies includes the installed FTTP Outside Plant.³ These figures are multiplied by the Direct Cost Factor from the *2008-2009 Annual Filing* and divided by 12 to arrive at the monthly unit direct costs on Lines 4 and 5.⁴ Then the monthly unit transport cost is added to the monthly unit direct cost of ADSL 5/50 Voice-Data service to arrive at the total monthly unit cost for ADSL 5/50 Voice-Data service, displayed on Line 10. The monthly unit cost for ADSL Data-Only service, displayed on Line 11, is developed by adding the monthly unit direct cost of a fiber loop to the monthly unit cost of ADSL 5/50 Voice-Data service.

The rates for the proposed service are above the monthly unit direct costs, demonstrating the proposed service will make a positive contribution to the Special Access category.

Exhibit 3 shows projected new incremental revenue for the ADSL 5/50 option. In the survey described above, NECA asked the companies to estimate new subscriptions to the proposed option. The survey respondents expected no new incremental demand for the proposed ADSL 5/50 option in the year 2008. However, the survey respondents expected new incremental demand for the proposed ADSL 5/50 option starting in the year 2009. NECA assumes revenue from the proposed ADSL 5/50 option will be generated during the last six months of the current test period.

² Only companies participating in NECA's DSL Access Services tariff for the 2008-2009 test period were surveyed in the 2008 NECA FTTP Data Request.

³ Any copper-based DSL equipment costs were excluded from the survey study.

⁴ See *2008-2009 Annual Filing*, Volume 5, Exhibit 4, Workpaper 1.

NECA expects new incremental demand for the non-discounted, WPP monthly, WPP Plan A, and WPP Plan B options to be in the same proportion as they are for the ADSL Voice-Data and ADSL Data-Only services in the current tariff.⁵ These share percentages are displayed in Column A of Exhibit 3. In Exhibit 3 Column B, the overall new demand quantity for the proposed ADSL 5/50 option is multiplied by the average subscription shares to arrive at new demand for each plan. Column B shows the average monthly new incremental demand for the sample companies for each plan. In Exhibit 3 Column D, new demand quantities are multiplied by rates for the proposed ADSL 5/50 option to arrive at estimated new revenue for the sample companies.

To estimate revenue for all participants in NECA's DSL Access Services tariff, NECA computed an expansion factor using the ratio of fiber loops in service for the companies in the NECA DSL tariff to fiber loops in service for the companies who were surveyed, as displayed in Row 21. Using the expansion factor, NECA estimates the new incremental revenue for the 2008-2009 test period to be \$47,114, displayed in Exhibit 3, Line 22.

In the survey described above, NECA asked the companies to estimate migrations from current ADSL options (i.e., ADSL 512 kbps/ 6 Mbps and ADSL 1 Mbps/ 6 Mbps) to the proposed option. The survey respondents indicated a minimal amount of migration from the current ADSL options to the proposed ADSL 5/50 option would occur during the last six months of the current test period. NECA projected the estimated total net migration revenues for the 2008-2009 test period of \$2,933. This amount represents the difference between revenue under current ADSL options and revenue under the proposed ADSL 5/50 option for those companies indicating migration would occur.

⁵ See 2008-2009 Annual Filing, Volume 5, Exhibit 8, Workpapers 3 and 4.

TECHNICAL REFERENCES

ITU-T G.983.1 – January 2005, Broadband optical access systems based on Passive Optical Networks (PON)

ITU-T G.983.2 – July 2005, ONT management and control interface specification for B-PON

ITU-T G.983.3 – March 2001, A broadband optical access system with increased service capability by wavelength allocation

ITU-T G.983.4 – November 2001, A broadband optical access system with increased service capability using dynamic bandwidth assignment

ITU-T G.984.1 – March 2008, Gigabit-capable Passive Optical Networks (GPON): General characteristics

ITU-T G.984.2 – March 2003, Gigabit-capable Passive Optical Networks (GPON): Physical Media Dependent (PMD) layer specification

ITU-T G.984.3 – March 2008, Gigabit-capable Passive Optical Networks (GPON): Transmission convergence layer specification

ITU-T G.984.4 – February 2008, Gigabit-capable Passive Optical Networks (GPON): ONT management and control interface

IEEE 802.3 – 2005, Information Technology-Telecommunications and information exchange between systems-Local and metropolitan area networks--Specific requirements Part 3: Carrier Sense Multiple Access with Collision Detection (CSMA/CD) Access Method and Physical Layer Specifications, Section 5, Clauses 56 through 67

SEPTEMBER 30, 2008 NECA ACCESS CHARGE FILING
SPECIAL ACCESS REVENUE SUMMARY
TEST PERIOD: JULY 1, 2008 - JUNE 30, 2009

EXHIBIT 1

LINE	DESCRIPTION	AMOUNT	SOURCE
1	New Incremental Revenue For ADSL (5 Mbps / 50 Mbps)	\$47,114	EXHIBIT 3 LINE 22
2	Net Revenue For Migration To ADSL (5 Mbps / 50 Mbps) From ADSL (512 kbps / 6 Mbps) and ADSL (1 Mbps / 6 Mbps)	\$2,933	Footnote 1
3	Total Proposed Revenue Change	\$50,047	LINE 1 + LINE 2
4	Projected Special Access Revenue in NECA 2008-2009 Annual Filing	\$571,431,051	NECA 2008-2009 Annual Filing: VOL 5 EX 10 WP 6 LINE 13
5	Revised Projected Special Access Revenue for TP0809	\$571,481,098	LINE 3+ LINE 4

NOTE: 1. NECA's survey of the RDTF and other companies indicated minimal migration will occur from current ADSL options to the ADSL 5/50 option in the current test period.

SEPTEMBER 30, 2008 NECA ACCESS CHARGE FILING
DSL SERVICES UNIT INVESTMENTS AND COSTS
ADSL with 5 Mbps Upstream / 50 Mbps Downstream Speed

EXHIBIT 2

LINE	DESCRIPTION	AMOUNT	SOURCE
	<u>Unit Investment Costs</u>		
1	Unit Investment Cost for ADSL 5 Mbps downstream / 50 Mbps Upstream	\$649.52	NECA 2008 FTTP Data Request ¹
2	Unit Investment Cost for Fiber Loops in FTTP	\$2,060.12	NECA 2008 FTTP Data Request ¹
	<u>Direct Cost Factor</u>		
3	Direct Cost Factor	0.167866	2008-2009 NECA Annual Filing V5 EX 4 WP 1
	<u>Monthly Unit Direct Costs</u>		
4	Unit Direct Cost for ADSL 5 Mbps downstream / 50 Mbps Upstream	\$9.09	(LINE 1 * LINE 3) /12 months
5	Unit Direct Cost for a Fiber Loop in FTTP	\$28.82	(LINE 2 * LINE 3) /12 months
	<u>Monthly Unit Transport Cost</u>		
6	ATM Virtual Path, Constant Bit Rate (1-50 Mbps), per Mbps	\$8.30	2008-2009 NECA Annual Filing V5 EX 8 WP 1 LINE 9
7	ATM VP, CBR, (1-50 Mbps), per Mbps, per DSL subscriber	\$0.14	2008-2009 NECA Annual Filing V5 EX 8 WP 1 LINE 10
8	VP & VCC Monthly Cost	\$0.14	2008-2009 NECA Annual Filing V5 EX 8 WP 1 LINE 11
9	VP & VCC Monthly Cost, per DSL subscriber	\$0.002	2008-2009 NECA Annual Filing V5 EX 8 WP 1 LINE 12
	<u>Monthly Unit Costs for DSL Access Services</u>		
10	Unit Cost for ADSL 5/50 Mbps Voice-Data	\$15.88	LINE 4 + (LINE 8 * 50) + LINE 9
11	Unit Cost for ADSL 5/50 Mbps Data Only	\$44.69	LINE 5 + LINE 10

NOTE: 1. 2008 NECA FTTP Data Request surveyed NECA's Rate Development Task Force (RDTF) and three other study areas. Unit investment cost for ADSL 5 Mbps/50 Mbps includes FTTP Central Office Optical Line Terminal (OLT) equipment in Serving Wire Centers, FTTP OLT Field Terminal Equipment, interoffice or other transmission facility upgrades, FTTP Network Interface Devices, and engineering and installation. Unit investment cost for Fiber Loops in FTTP includes the installed FTTP Outside Plant.

SEPTEMBER 30, 2008 NECA ACCESS CHARGE FILING
NEW INCREMENTAL DEMAND FOR ADSL (5 Mbps / 50 Mbps)
PROPOSED RATES AND REVENUES

EXHIBIT 3

LINE	ADSL SERVICES	Monthly Demand for ADSL Service (TP0809)	PROJECTED SUBSCRIPTION SHARE FOR ADSL (5Mbps/50Mbps) (TP0809) ¹	AVERAGE MONTHLY NEW INCREMENTAL DEMAND PROJECTION ² (TP0809)	PROPOSED RATES ADSL (5 Mbps / 50 Mbps)	REVENUE from NEW INCREMENTAL DEMAND ² (TP0809)
			(A)	(B = A x LINE 1 COL B)	(C)	(D = B x C x 6 MONTHS)
1	New Incremental Demand Projection from the Sample Study Areas			73		
	Monthly w/o Discount					
2	ADSL Voice-Data	72,642	7.68%	6	\$43.00	\$1,548.00
3	ADSL Data-Only	2,367	0.25%	0	\$90.00	\$0.00
	DSL Wholesale Pricing Monthly					
4	ADSL Voice-Data	14,527	1.54%	1	\$42.50	\$255.00
5	ADSL Data-Only	6	0.00%	0	\$82.50	\$0.00
	DSL Wholesale Pricing Plan A 1 Year Term					
6	ADSL Voice-Data	7,253	0.77%	1	\$32.50	\$195.00
7	ADSL Data-Only	0	0.00%	0	\$72.50	\$0.00
	DSL Wholesale Pricing Plan A 3 Year Term					
8	ADSL Voice-Data	15,724	1.66%	1	\$28.50	\$171.00
9	ADSL Data-Only	166	0.02%	0	\$68.50	\$0.00
	DSL Wholesale Pricing Plan B 1 Year Term					
10	ADSL Voice-Data	4,578	0.48%	0	\$27.50	\$0.00
11	ADSL Data-Only	0	0.00%	0	\$67.50	\$0.00
	DSL Wholesale Pricing Plan B 3 Year Term					
12	ADSL Voice-Data	346,627	36.63%	27	\$24.00	\$3,888.00
13	ADSL Data-Only	6,814	0.72%	1	\$64.50	\$387.00
	VOLUME PRICING PLAN (1 YEAR)					
14	ADSL Voice-Data	4,309	0.0% to 0.4%	0	\$23.38 to \$26.13	\$0.00
15	ADSL Data-Only	0	0.0% to 0.0%	0	\$57.38 to \$64.13	\$0.00
	VOLUME PRICING PLAN (3 YEAR)					
16	ADSL Voice-Data	471,311	0.2% to 25.8%	36	\$20.40 to \$22.80	\$4,744.80
17	ADSL Data-Only	52	0.0% to 0.0%	0	\$54.83 to \$61.28	\$0.00
18	Subtotal ³	946,376	100.00%	73		\$11,188.80
19	Number of FTTP Loops in Service for Study Areas in the NECA FTTP Data Survey:					11,093
20	Number of FTTP Loops in Service for Study Areas for All Study Areas Where NECA's DSL Tariff Rate Is Used:					46,711
21	Expansion Factor (=LINE 20 / LINE 19)					4.21
22	Total New Incremental Revenue Projection for TP0809 (=LINE 18 x LINE 21) ³			307		\$47,114

NOTE:

1. Projected average monthly subscriptions for the proposed ADSL 5/50 option for the remaining test period for the non-discounted, WPP monthly, WPP Plan A, and WPP Plan B options are expected to be in the same proportion as they are for the ADSL Voice-Data and ADSL Data-Only services in the current tariff. See 2008-2009 NECA Annual Filing: Volume 5 Exhibit 8 Work paper 3 and 4.
2. 2008 NECA FTTP Data Request surveyed NECA's Rate Development Task Force (RDTF) and three other companies. The survey projected no new incremental demand for the proposed ADSL 5/50 option in the year 2008 but new incremental ADSL subscriptions starting in the year 2009. Accordingly, NECA estimated revenue projection for the last six months of the current test period.
3. NECA projects de minimis non-recurring revenue from new incremental ADSL services with 5 Mbps upstream/50 Mbps upstream speed since the installation fees are waived for a commitment of 12 months or longer. The telephone company will waive the nonrecurring charge for an upgrade migration from a current ADSL option if the customer makes a new 12 month commitment to retain the new ADSL option.