

**NEVADA BELL TELEPHONE COMPANY (NBTC)
DESCRIPTION AND JUSTIFICATION
DECEMBER 17, 2008**

PURPOSE

In this filing, Nevada Bell Telephone Company (NBTC) proposes to:

- Revise the Universal Service Fund (USF) factor to calculate the 1st Quarter 2009 USF obligations.
- Update line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers.

Federal Universal Service Fund Adjustments

This portion of the filing is to revise NBTC's USF obligation based on updated line counts. The 1st Quarter 2009, contribution factor, 9.5%, was provided in the Commission's Public Notice, DA 08-2706, released December 15, 2008. Recovery of this contribution is allowable pursuant to C.F.R. 69.158. The methodology used to calculate end user charges assessed to recover this liability is detailed below.

Calculation of the Federal Universal Service Fund Flat Rate End User Charge

To ensure compliance with the Commission's *Interim Contribution Methodology Order*, NBTC recovers its USF obligation associated with switched access services through various flat-rate end user charges.¹ The charges are assessed with respect to the interstate end user service that generates the USF obligation. NBTC assesses two general types of USF charges (Basic and

¹See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Report and Order and Second Further Notice of Proposed Rule Making*, 17 FCC RCD 24952 (2002) (*Interim Contribution Methodology Order*).

Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 1* and *Exhibit 2*.

Basic USF Recovery Charges

These charges are assessed to switched access lines, to recover the USF obligation associated with the assessment of End User Common Line (EUCL) and End User Port charges.

1. Residential/Single Line Business (SLB)

NBTC develops the Basic USF charge for residential and single line business customers by multiplying EUCL charges assessed to these customers by the relevant contribution factor released by the Commission. The calculation for the Basic FUSF Residential/Single Line Business rate is demonstrated on *Exhibit 1*.

2. BRI ISDN

NBTC develops the Basic USF charge for BRI ISDN and BRI ISDN Port customers by adding together EUCL and BRI ISDN / Centrex Port charges assessed to these customers to obtain the total basic interstate end user charges. The total basic interstate end user charges are multiplied by the relevant contribution factor released by the Commission. The calculation for the Basic FUSF BRI ISDN rate is demonstrated on *Exhibit 1*.

3. Multi-line Business, PRI ISDN, and Centrex

NBTC elected to utilize the provisions granted in the Commission's *Order* and *Second Order on Reconsideration* regarding Centrex customers.² A portion of the unrecovered obligation created from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, NBTC averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers.

NBTC determines the basic USF recovery rate for business customers using the methodology detailed below.

Establish the Basic Multi-line Business Rate

Step 1 – Determine total revenue using access lines as of September 2008 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

Step 2 – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

Step 3 – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of September 2008). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

² See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

Step 4 – Add to the Basic MLB rate, all other USF recovery associated with the customer type. Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 2*. The final rates per customer type are detailed on both *Exhibit 1* and *Exhibit 2*. These final rates preclude any recovery necessary from non-recurring interstate end user charges.

Other Non-recurring USF Surcharges.

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. NBTC calculates other non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. The calculations for these charges are detailed in *Exhibit 1*. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge which generates the obligation.

NBTC assesses Lifeline customers the non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. NBTC also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

Other Recurring Federal Universal Fund Surcharges

NBTC will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP) Service) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

Nevada Bell Telephone Company (NBTC)
Nevada Universal Service Fee (USF) Rate Development

1st Quarter 2009 Contribution Factor	Source <i>DA 08-2706</i>	(A)	(B) <i>0.095</i>	(C=A*B)
Basic USF Recovery Charge				
<i>Residential / Single-Line Business</i>				
		Rate		USF Charge
End User Common Line Rate		\$ 5.14		\$ 0.48
BRI ISDN				
End User Common Line Rate		\$ 5.14		USF Charge
BRI ISDN Port		\$ 3.90		
Total Basic Interstate End User Revenue		<u>\$ 9.04</u>		\$ 0.85
Multi-line Business				
	Exhibit 2			\$ 0.93
<i>PBX</i>	Exhibit 2			\$ 0.93
<i>PRI ISDN</i>	Exhibit 2			\$ 8.09
<i>CENTREX</i>	Exhibit 2			\$ 0.10
Other USF Recovery Charges				
PIC Manual Change Charge		\$ 3.89		\$ 0.36
PIC Mechanized Change Charge		\$ 1.60		\$ 0.15

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1st Quarter 2009 Contribution Factor		Source DA 08-2706	(A)	(B) 0.095	(C=A*B) USF Charge
Basic USF Recovery Charge for MLB, PRI, & Centrex					
<i>Multi-line Business, PRI ISDN, CENTREX Lines as of Sept 2008</i>					
L1	MLB Lines		42,689		
L2	Centrex lines with less than 9 lines		9,584		
L3	Centrex lines with greater than 9 lines		44,231		
L4	PRI ISDN		653		
L5	End User Common Line Rate		\$ 5.14		
MLB, PRI ISDN, Centrex Revenue					
L6	MLB	L5*L1	\$ 219,543		
L7	PRI ISDN	L5*L4*5	\$ 16,791		
L8	Centrex	(L5)*(L2+L3)	\$ 276,762		
L9	MLB, PRI ISDN, Centrex Revenue	L6:L8	\$ 513,097		
L10	MLB, PRI ISDN, Centrex Obligation	L9*USF Factor	\$ 48,744		
L11	PICC Equivalent Centrex Systems Line Counts <i>(As stated in FCC 03-58 released March 14, 2003)</i>		1,065		
L12	2007 Billable Lines	L1+(L3/9)+(L4*5)+L11	51,933		
Recovery Cross Check Verification					
L13	Basic MLB Rate	(L10/L12)		\$ 0.93	
L14	Basic Centrex Rate	L13/9		\$ 0.10	
L15	Basic PRI ISDN Rate (excluding Port recovery)	L13*5		\$ 4.65	
Recovery Cross Check Verification					
L16	Basic MLB USF Recovery	L1*L13	\$ 39,701		
L17	Basic Centrex USF Recovery	(L3*L14)+(L11*L13)	\$ 5,413		
L18	Basic PRI ISDN USF Recovery	(L5*L15)	\$ 3,036		
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery (L19 < L10)		\$ 48,151		OK
Additives to the Basic MLB Rate					
PRI ISDN			Rate		
L20	PRI ISDN Port Charge		\$ 36.29	\$	3.44
Final Basic MLB, PRI ISDN, & Centrex USF Rates Summary					
L21	MLB	L13		\$ 0.93	
L22	PBX	L13		\$ 0.93	
L23	PRI ISDN	L15+L21		\$ 8.09	
L24	Centrex	L14		\$ 0.10	