

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**  
**REVISIONS TO TARIFF F.C.C. NO. 5**  
**TANDEM SWITCHED TRANSPORT RATE ADJUSTMENTS**  
Transmittal No. 1232  
January 16, 2009

**1: INTRODUCTION**

The National Exchange Carrier Association, Inc. (NECA) proposes to modify Tariff F.C.C. No. 5 to reassign one study area to a different Local Switching rate band, reassign certain study areas in the Traffic Sensitive (TS) pool from Tandem Switched Transport (TST) Rate Band 1 to TST Rate Band 2, and adjust TST rates. The proposed modifications to Tariff F.C.C. No. 5 and associated revenue impacts are explained in the next section.

**2: PROPOSED TARIFF REVISIONS AND REVENUE DEVELOPMENT**

Local Switching Rate Band Change

NECA has determined two of its TS pool study areas, Beehive Telephone Company – Utah (study area code 502284) and Beehive Telephone Company – Nevada (study area code 552284), have reported Tandem minutes as Local Switching minutes (although they have billed their access customers correctly). As a result, NECA proposes to reassign Beehive Telephone Company – Utah from Local Switching Rate Band 1 to Rate Band 8. Beehive Telephone Company – Nevada is already in Rate Band 8. NECA has also increased Tandem Switched Transport's share of total projected switched revenue for the 2008-2009 test period.

By reclassifying Beehive Telephone Local Switching minutes as Tandem Switched Transport minutes, Local Switching revenue is reduced by \$1.7 million on a test period basis, while Tandem Switched Transport revenue is increased by \$3.0 million. Despite the Local Switching revenue reduction, NECA does not propose to increase Local Switching rates in this filing.

Tandem Switched Transport Rate Banding

NECA has two rate bands for the TST rate elements of Tandem Switching, Tandem Switched Facility, and Tandem Switched Termination.<sup>1</sup> All TS pool members are currently assigned to Rate Band 1 and apply the same TST rates. In the TS pool, however, there are 271 study areas that, in spite of having TST facilities, have a TST revenue requirement of \$0 after their Transport Interconnection Cost (TIC) is reallocated in compliance with the *MAG Order*.<sup>2,3</sup>

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<sup>1</sup> NECA introduced tandem switched transport rate banding in a recent filing. See National Exchange Carrier Association, Inc., Transmittal No. 1229, filed December 17, 2008.

<sup>2</sup> See Volume 2 of the 2008 Annual Filing for a detailed explanation of NECA's reallocation of TIC.

<sup>3</sup> Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, CC Docket No. 00-256, Federal-State Joint Board on Universal

NECA proposes to assign the 271 TS pool study areas having \$0 TST revenue requirement after the TIC reallocation to Rate Band 1. NECA will assign the remaining TS pool study areas to Rate Band 2. NECA proposes to decrease TST rates for Rate Band 1 study areas to align the rates more closely with the effective TST study area revenue requirements. The amount of the reduction is \$3.0 million on a test period basis, which exactly offsets the additional \$3.0 million in TST revenue attributable to reclassifying Beehive Telephone Local Switching minutes as TST minutes. Table 1 summarizes the Local Switching and TST revenue changes due to the Beehive reclassification and the TST Rate Band 1 rate reduction.

<b>Table 1</b> <b>Local Switching and Tandem Switched Transport Revenue Adjustments</b>				
	Category	Source	Local Switching (\$M)	Tandem Switched Transport (\$M)
Row 1	2008-2009 Test Period Amount	2008 Annual Filing*	\$198.54	\$76.47
Row 2	Beehive - Revenue Changes	NECA databases	(\$1.70)	\$3.00
Row 3	TST Rate Band 1 Reduction	-1 * Row 2, TST column		(\$3.00)
Row 4	Total	Row 1 + Row 2 + Row 3	\$196.84	\$76.47

\* National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 1214, filed June 16, 2008 (“2008 Annual Filing”).

Table 2 displays the rate change for TST Rate Band 1. NECA computed the Tandem Switched Transport revenue in the *2008 Annual Filing* attributable to the TST Rate Band 1 and Rate Band 2 study areas (column 1). Reducing TST revenue in Rate Band 1 amounts to a rate reduction of -12.21% (column 2). The last row of column 4 shows the net revenue on a test period basis after the Beehive reclassification and the TST Rate Band 1 rate reduction is identical to the *2008 Annual Filing* amount of \$76.47 million.

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Service, CC Docket No. 96-45, Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, CC Docket No. 98-77, Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, CC Docket No. 98-166, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166, 16 FCC Rcd 19613 (2001) (*MAG Order*).

<b>Table 2</b> <b>Percent Rate Change in Tandem Switched Termination Rate Bands</b>				
	<b>2008 Annual Filing Tandem Switched Transport Revenue</b>	<b>% Rate Change for Banding</b>	<b>Revenue Impact</b>	<b>Revised Tandem Switched Transport Revenue</b>
	Col 1	Col 2	Col 3 = Col 1 * Col 2	Col 4 = Col 1 + Col 3
Rate Band 1	\$24,576,692	-12.2%	(\$3,000,000)	\$21,576,692
Rate Band 2	\$51,894,255	0.0%	\$0	\$51,894,255
Beehive Adjustment			\$3,000,000	\$3,000,000
Total	\$76,470,947		\$0	\$76,470,947

Table 3 summarizes the current and proposed rates for Tandem Switching, Tandem Switched Termination, and Tandem Switched Facility. NECA ensured the proposed Band 1 Tandem Switching rate is higher than a derived per-minute Dedicated Transport rate based on the Band 9 rate for special access to ensure there would be no unintended shift between Tandem Switched Transport and Dedicated Transport.

<b>Table 3</b> <b>CURRENT &amp; PROPOSED RATES FOR TANDEM SWITCHED TRANSPORT RATE ELEMENTS</b>			
<b>Rate Element</b>	<b>Current Rate*</b>	<b>Band 1 Proposed Rate</b>	<b>Band 2 Proposed Rate</b>
Tandem Switching	\$0.002315	\$0.002032	\$0.002315
Tandem Switched Termination	\$0.000946	\$0.000831	\$0.000946
Tandem Switched Facility	\$0.000182	\$0.000160	\$0.000182

\* July 1, 2008 rate