

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

**ACCESS TARIFF REVISIONS
TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1331**

DESCRIPTION AND JUSTIFICATION

The National Exchange Carrier Association, Inc. (NECA) proposes to increase its Federal Universal Service Surcharge (FUSC) percentage and optional Multi-line Business End User Common Line (MLB EUCL) FUSC banded percentages in response to the recently published first quarter 2012 Universal Service Contribution Factor as described in the Federal Communications Commission's (FCC) December 14, 2011 Public Notice.¹

Background

On April 1, 2003 NECA changed its FUSC rate structure from a monthly end user line charge to a percentage surcharge on interstate retail revenue² to comply with the Commission's *Second Order on Reconsideration*³ which prohibits a carrier from

¹ Proposed First Quarter 2012 Universal Service Contribution Factor, CC Docket No. 96-45, *Public Notice*, DA 11-2020 (rel. December 14, 2011). In this Public Notice, the Office of Managing Director announces the proposed universal service contribution factor for the first quarter of 2012 of 17.9%.

² National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 978, filed March 17, 2003.

³ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 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, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, Truth-in-Billing and Billing Format, CC Docket No. 98-170, *Order and Second Order on Reconsideration*, 18 FCC Rcd 4818 (*Second Order on Reconsideration*).

recovering a FUSC amount larger than the end user's interstate retail revenue multiplied by the FCC's quarterly universal service contribution factor.

The Commission's *Second Order on Reconsideration* granted an interim waiver of section 54.712 (47 C.F.R. § 54.712) to allow local exchange carriers (LECs) that continue to recover contribution costs from Centrex customers using the 1/9 equivalency ratio as allowed by section 69.153 (47 C.F.R. § 69.153) to recover remaining contribution costs associated with Centrex customers from multi-line business customers.⁴

On May 31, 2003 NECA introduced MLB EUCL FUSC optional rate banding.⁵ This is a tiered pricing structure that allows local exchange carriers (LECs) to recover contribution costs from Centrex customers using the 1/9 equivalency ratio and to recover the remaining contribution costs associated with Centrex customers from other multi-line business customers in the same tier. Each company opting for MLB EUCL FUSC rate banding was placed in a rate band designed to recover its contribution costs. NECA's optional MLB EUCL FUSC rate banding structure allows pool members to assess a percent surcharge that is consistent with its proportionate number of business Centrex customers compared to total multi-line business customers.

On August 10, 2004 NECA filed with the Commission to reduce the number of SLCs that are assessed on DS1 Channel Service from twenty-four to five⁶ in response to

⁴ *Id.* at ¶3.

⁵ National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 985, filed May 16, 2003.

⁶ National Exchange Carrier Association, Inc., Transmittal No. 1035, filed August 10, 2004.

the partial waiver of section 69.104(q) of the Commission's rules.⁷ Five SLCs for each DS1 channel service arrangement and five SLCs for each ISDN-PRI arrangement, under section 69.104 (p) (2), were used in the calculation of total multi-line business EUCL revenues. These revenues were used to develop a FUSC percent surcharge for optional MLB EUCL FUSC rate banding.

On February 14, 2008, the FCC released an Order⁸ stating local exchange carriers should not charge Payphone Service Providers (PSP) additional USF line-item amounts related to Centrex adjustments. NECA excluded the PSP lines from the calculation of MLB EUCL FUSC surcharges.

On December 14, 2011, the FCC announced the first quarter 2012 Universal Service Contribution Factor of 17.9%. NECA proposes to update its FUSC surcharges to reflect this updated factor.

⁷ See Order Granting Petition For Rulemaking, Notice of Proposed Rulemaking, and Order Granting Interim Partial Waiver, WC Docket No. 04-259, RM-10603, (rel. July 19, 2004).

⁸ See Order on Reconsideration, CC Docket No.96-45 (FCC 08-51).

Proposed Surcharge Percentages

The proposed FUSC surcharge to be applied to end user and special access retail revenues is presented in Table 1 and the proposed optional MLB EUCL FUSC band surcharges are summarized in Table 2:

TABLE 1: Federal Universal Service Surcharge

<u>Current Surcharge</u>	<u>Proposed Surcharge</u>	<u>Percent Change</u>
15.3 %	17.9 %	17.0 %

TABLE 2: Optional MLB EUCL FUSC Band Surcharges

<u>Band</u>	<u>Current Surcharge</u>	<u>Proposed Surcharge</u>	<u>Percent Change</u>
1	15.6%	18.2%	16.7%
2	16.5%	19.2%	16.4%
3	16.9%	19.8%	17.2%
4	18.0%	21.1%	17.2%
5	19.4%	22.7%	17.0%
6	20.3%	23.7%	16.7%
7	21.4%	25.1%	17.3%
8	23.5%	27.5%	17.0%
9	25.2%	29.4%	16.7%
10	26.9%	31.4%	16.7%
11	29.8%	34.9%	17.1%
12	30.0%	35.1%	17.0%
13	34.9%	40.8%	16.9%
14	36.7%	42.9%	16.9%
15	43.0%	50.3%	17.0%
16	49.2%	57.5%	16.9%
17	57.4%	67.1%	16.9%
18	68.9%	80.6%	17.0%
19	86.1%	100.7%	17.0%
20	114.8%	134.3%	17.0%

Calculation of Revised Support Contributions and Multi-Line FUSC Surcharges

Exhibit 1 shows adjusted projections for Federal Universal Service Support Mechanism (USSM) contributions for the first quarter 2012 as well as the 2011-2012 test period. The adjusted test period USSM contribution of \$98.2 M reflects an increase of \$11.8 M from the filed amount of \$86.4 M in the *2011 Annual Filing*.⁹

Exhibit 2 displays the development of the first quarter 2012 optional MLB EUCL FUSC band rates and the projection of optional MLB EUCL FUSC band revenue for the first quarter 2012 and the second quarter 2012. Based on the test period Business Centrex and MLB band revenues in Vol. 4 Exhibit 6 of the *2011 Annual Filing*, the revised MLB EUCL FUSC band rates reflect the changes from the fourth quarter 2011 contribution factor of 15.3% to the first quarter 2012 contribution factor of 17.9%. The exhibit shows the projected MLB EUCL FUSC band revenue of \$1.8 M on Line 21.

Exhibit 3 displays the development of the projected FUSC non-banded revenue of \$51.9 M on Line 5, the projected FUSC banded revenue of \$1.8 M on Line 6, and the projected total FUSC revenue of \$53.7 M on Line 7 for the first quarter 2012 and the second quarter 2012.

Finally, Exhibit 4 displays the development of adjusted 2011 – 2012 test period FUSC revenue of \$98.2 M on Line 3. The adjusted test period FUSC revenue equals the adjusted test period 2011 - 2012 USSM contribution amount of Exhibit 1 Column C Line 5. Therefore, the proposed FUSC charges conform to the FCC rules.

Conclusion

The proposed FUSC surcharges comply with the Commission's rules and should be allowed to become effective on January 3, 2012.

⁹ National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 1314, filed June 16, 2011 (2011 Annual Filing).

DECEMBER 19, 2011 NECA ACCESS CHARGE FILING
 TEST PERIOD: JULY 1, 2011 THROUGH JUNE 30, 2012
 UNIVERSAL SERVICE SUPPORT MECHANISM (USSM) CONTRIBUTION
 QUARTERLY INTERSTATE RETAIL REVENUE OF USSM CONTRIBUTORS
 (\$ MILLION)

EXHIBIT 1

<u>LINE NO</u>	<u>DATE</u>	<u>2011 ANNUAL FILING INTERSTATE RETAIL REVENUE (IRR) (A)</u>	<u>SOURCE / SUMMARY</u>	<u>CONTRIBUTION FACTOR¹ (B)</u>	<u>U S S M (C = A * B)</u>
1	3Q 2011	\$150.3	2011 ANNUAL FILING V2 EX 9 LINE 2	14.4%	\$21.6
2	4Q 2011	\$149.9	2011 ANNUAL FILING V2 EX 9 LINE 3	15.3%	\$22.9
3	1Q 2012	\$149.8	2011 ANNUAL FILING V2 EX 9 LINE 4	17.9%	\$26.8
4	2Q 2012	\$150.2	2011 ANNUAL FILING V2 EX 9 LINE 5	17.9%	\$26.9
5	ADJUSTED TP 1112		LINE 1 + LINE 2 + LINE 3 + LINE 4		\$98.2
6	FILED TP 1112	\$600.2	2011 ANNUAL FILING V2 EX 9 LINE 6	14.4%	\$86.4

NOTE

1 3Q 2011 Universal Service Contribution Factor, Public Notice DA 11-1051, released June 14, 2011; 4Q 2011 Universal Service Contribution Factor, Public Notice DA 11-1543, released September 13, 2011; 1Q 2012 Universal Service Contribution Factor, Public Notice DA 11-2020 released December 14, 2011.

DECEMBER 19, 2011 NECA ACCESS CHARGE FILING
 DEVELOPMENT OF 1Q 2012 OPTIONAL MULTI-LINE FUSC SURCHARGE AND
 1Q 2012 THROUGH 2Q 2012 OPTIONAL MULTI-LINE FUSC REVENUE

EXHIBIT 2

LINE NO	FUSC BAND	BUSINESS CENTREX %	TEST PERIOD MULTI-LINE REVENUE ¹	TEST PERIOD BUSINESS CENTREX REVENUE ²	1Q 2012 MLB EUCL FUSC SURCHARGE ³	PROJECTED 1Q 2012 - 2Q 2012 MLB FUSC REVENUE
			(A)	(B)	(C)	(D) = ((A - B)+ B / 9) * C * 2/4
1	1	5%	\$1,524,845	\$31,464	18.2%	\$136,216
2	2	10%	\$1,163,285	\$91,632	19.2%	\$103,856
3	3	15%	\$4,296,326	\$467,102	19.8%	\$384,231
4	4	20%	\$6,957,077	\$1,189,560	21.1%	\$622,417
5	5	25%	\$272,467	\$64,474	22.7%	\$24,420
6	6	30%	\$549,019	\$151,690	23.7%	\$49,081
7	7	35%	\$1,040,630	\$334,291	25.1%	\$93,307
8	8	40%	\$497,794	\$195,518	27.5%	\$44,550
9	9	45%	\$775,781	\$341,909	29.4%	\$69,364
10	10	50%	\$170,347	\$82,469	31.4%	\$15,236
11	11	55%	\$188,894	\$103,445	34.9%	\$16,917
12	12	60%	\$271,805	\$150,034	35.1%	\$24,297
13	13	65%	\$1,425,374	\$899,870	40.8%	\$127,600
14	14	70%	\$578,606	\$379,555	42.9%	\$51,743
15	15	75%	\$0	\$0	50.3%	\$0
16	16	80%	\$0	\$0	57.5%	\$0
17	17	85%	\$0	\$0	67.1%	\$0
18	18	90%	\$0	\$0	80.6%	\$0
19	19	95%	\$0	\$0	100.7%	\$0
20	20	100%	\$0	\$0	134.3%	\$0
21	TOTAL		\$19,712,251	\$4,483,013		\$1,763,233

1. Following FCC Order on Reconsideration in CC Docket No. 96-45 (FCC 08-51) released on February 14, 2008, Payphone Service Provider Lines are excluded from calculation of MLB EUCL FUSC surcharges. See 2011 Annual Filing V4 EX 6 COL A.

2. 2011 Annual Filing V4 EX 6 COL B

3. The following formula is used to calculate Multi-line FUSC surcharge for each band:

$$\text{Contribution Factor} / (1 - 8/9 * \text{Business Centrex Rev} / \text{MLB Rev}).$$

For bands with no MLB revenue projected, the following formula is used to calculate Multi-line FUSC surcharge for each band:

$$\text{Contribution Factor} / (1 - 8/9 * \text{Mid-point of Band Business Centrex Percentages}).$$

DECEMBER 19, 2011 NECA ACCESS CHARGE FILING
 DEVELOPMENT OF 1Q 2012 THROUGH 2Q 2012 FEDERAL UNIVERSAL SERVICE CHARGE REVENUE
 (\$ MILLION)

EXHIBIT 3

LINE NO.	ITEM	SOURCE	AMOUNT
1	PROJECTED INTERSTATE RETAIL REVENUE	Sum of EX1 Col A Line 3 to Line 4	\$300.0
2	PROJECTED BANDED MLB REVENUE	EX 2 COL A LINE 21 / 1,000,000 * 2/4	\$9.9
3	PROJECTED INTERSTATE RETAIL REVENUE EXCLUDING BANDED MLB REVENUE	LINE 1 - LINE 2	\$290.1
4	FUSC SURCHARGE	EX 1 COL B LINE 3	17.9%
5	PROJECTED FUSC SURCHARGE FROM NON-BANDED REVENUE	LINE 3 * LINE 4	\$51.9
6	PROJECTED FUSC SURCHARGE FROM BANDED MLB REVENUE	EX 2 COL D LINE 21 /1,000,000	\$1.8
7	PROJECTED 1Q 2012 THROUGH 2Q 2012 FUSC REVENUE	LINE 5 + LINE 6	\$53.7

DECEMBER 19, 2011 NECA ACCESS CHARGE FILING

TEST PERIOD: JULY 1, 2011 THROUGH JUNE 30, 2012

DEVELOPMENT OF ADJUSTED TEST PERIOD FEDERAL UNIVERSAL SERVICE CHARGE REVENUE

EXHIBIT 4

(\$ MILLION)

LINE NO.	ITEM	SOURCE	AMOUNT
1	3Q 2011 THROUGH 4Q 2011 FUSC REVENUE	EX 1 COL C LINE 1 + LINE 2	\$44.5
2	PROJECTED 1Q 2012 THROUGH 2Q 2012 FUSC REVENUE	EX 3 LINE 7	\$53.7
3	ADJUSTED TEST PERIOD FUSC REVENUE	LINE 1 + LINE 2	\$98.2
4	FILED TEST PERIOD FUSC REVENUE	2011 ANNUAL FILING V4 EX 7 LINE 8	\$86.4