

**NEVADA BELL TELEPHONE COMPANY (NBTC)**  
**DESCRIPTION AND JUSTIFICATION**  
**September 16, 2014**

**PURPOSE**

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

- File a revised Tariff Review Plan (TRP) with updated exogenous cost changes due to the revised Telecommunications Relay Service (TRS) factor of .01219, released by the FCC on June 30, 2014.
- Update exogenous cost changes due to the revised Regulatory Fee factor of .00343, released by the FCC on August 29, 2014.
- Revise the Universal Service Fund (USF) factor to calculate the 4th Quarter 2014 USF obligations.
- Update line counts used in the calculation of the Federal Universal Service Fund (FUSF) Recovery charges billed to residential and business customers.

**TELECOMMUNICATIONS RELAY SERVICE**

On May 9, 2014, the FCC released DA 14-627 (CG Dockets 10-51 and 03-123) which proposed a TRS factor of .01174. The factor was used as the basis of the exogenous cost change in the 2014 Annual Filing, filed on June 17, 2014. On June 20, 2014, the FCC released DA 14-946 (CG Dockets 10-51 and 13-123) which decreased the TRS factor to .01219. With this filing, NBTC is proposing to revise its estimation of the total TRS contribution amount for the ensuing tariff period. The development of the TRS exogenous cost for this filing is provided on *Exhibit 2.5*.

The difference between the TRS factors, as shown on *Exhibit 2.5*, is “grossed up” to ensure recovery of a full twelve months at the new rate. The Commission has ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous.

## **REGULATORY FEE PAYMENTS EXOGENOUS ADJUSTMENTS**

The filing for exogenous treatment of Regulatory Fees is consistent with Parts 61.45(a) and 61.45(d)(1)(vi) and the Common Carrier Bureau’s October 7, 1994 *Order*.<sup>2</sup> On August 29, 2014, the Commission released its Order, In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2014, MD Docket 14-92 (FCC 14-129), detailing the proposed factor for the Fiscal Year 2014. The regulatory fee payments and the corresponding exogenous adjustment are estimated based up on the proposed factor of \$.00343. The exogenous adjustment is detailed in *Exhibit 2.5*.

## **EXOGENOUS COST**

Part 61.45(d) (3) requires that exogenous cost changes be apportioned between price cap services and excluded services. NBTC adjusted the TRS exogenous cost changes to remove impacts associated with services that are excluded from price cap regulation, to the extent that revenues for these services existed and were identifiable. The Telecommunication Relay Service exogenous cost change is allocated to the Common Line Basket and the Special Access Basket. *Exhibit 2.6* demonstrates the revenue impact for corresponding rate adjustments.

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<sup>1</sup> *In the Matter of Telecommunications Relay Service, and the Americans with Disabilities Act of 1990*, CC Docket No. 90-571, *Second Order on Reconsideration and Fourth Report and Order*, released September 29, 1993, paragraph 18.

<sup>2</sup> *Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act Order*, (DA 94-1119) (Common Carrier Bureau, released October 7, 1994), (Erratum released November 2, 1994) paragraph 6, granting a waiver to permit exogenous cost treatment of regulatory fees.

## **PRICE CAP COMPLIANCE**

The attached Tariff Review Plan (TRP) reflects the net revenue changes resulting from the exogenous cost changes associated with the revised TRS and Regulatory Fee factors. All rate offsets are detailed on *Exhibit 3*.

## **Federal Universal Service Fund Adjustments**

This filing is to revise NBTC's USF obligation based on updated line counts. The 4th Quarter 2014 contribution factor, 16.1 %, was provided in the Commission's Public Notice, DA 14-1315, released September 11, 2014. 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.<sup>3</sup> 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 Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 1* and *Exhibit 2*.

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<sup>3</sup>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, *Report and Order and Second Further Notice of Proposed Rule Making*, 17 FCC RCD 24952 (2002) (*Interim Contribution Methodology Order*).

## **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.<sup>4</sup> 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 June 2014 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 June 2014). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

**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.

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<sup>4</sup> 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).

### **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 Charge (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**

4th Quarter 2014 Contribution Factor	Source DA 14-1315	(A)	(B) 0.161	(C=A*B)
<b>Basic USF Recovery Charge</b>				
<b>Residential / Single-Line Business</b>		<b>Rate</b>		<b>USF Charge</b>
RES Access Recovery Charge (ARC)		<b>0.83</b>		
End User Common Line (EUCL) Rate		<b>4.53</b>		
ARC & EUCL Rate Combined		\$ 5.36		\$ 0.86
<b>BRI ISDN</b>				
				<b>USF Charge</b>
End User Common Line/ARC Rate		\$ 5.36		
BRI ISDN Port		\$ 3.90		
Total Basic Interstate End User Revenue		<u>\$ 9.26</u>		\$ 1.49
<b>Multi-line Business</b>				
<b>PBX</b>	Exhibit 2			\$ 1.38
<b>PRI ISDN</b>	Exhibit 2			\$ 1.38
<b>CENTREX</b>	Exhibit 2			\$ 12.74
	Exhibit 2			\$ 0.15
<b>Other USF Recovery Charges</b>				
PIC Manual Change Charge		\$ 3.89		\$ 0.62
PIC Mechanized Change Charge		\$ 1.60		\$ 0.25

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

4th Quarter 2014 Contribution Factor		Source DA 14-1315	(A)	(B) 0.161	(C=A*B) USF Charge
<b>Basic USF Recovery Charge for MLB, PRI, &amp; Centrex</b>					
<i>Multi-line Business, PRI ISDN, CENTREX</i>					
<i>Lines as of June 2014</i>					
L1	MLB Lines		27,650		
L2	Centrex lines with less than 9 lines		4,444		
L3	Centrex lines with greater than 9 lines		20,511		
L4	PRI ISDN		578		
	BUS Access Recovery Charge (ARC)		\$0.64		
	End User Common Line (EUCL) Rate	\$	4.53		
L5	ARC & EUCL Rate Combined		\$5.17	\$5.17	
<b>MLB, PRI ISDN, Centrex Revenue</b>					
L6	MLB	L5*L1	\$ 142,951		
L7	PRI ISDN	L5*L4*5	\$ 14,941		
L8	Centrex	(L5)*(L2+L3)	\$ 129,017		
L9	MLB, PRI ISDN, Centrex Revenue	L6:L8	\$ 286,909		
L10	MLB, PRI ISDN, Centrex Obligation	L9*USF Factor	\$ 46,192		
L11	PICC Equivalent Centrex Systems Line Counts (As stated in FCC 03-58 released March 14, 2003)		494		
L12	2013 Billable Lines	L1+(L3/9)+(L4*5)+L11	33,313		
<b>Recovery Cross Check Verification</b>					
L13	Basic MLB Rate	(L10/L12)		\$	1.38
L14	Basic Centrex Rate	L13/9		\$	0.15
L15	Basic PRI ISDN Rate (excluding Port recovery)	L13*5		\$	6.90
<b>Recovery Cross Check Verification</b>					
L16	Basic MLB USF Recovery	L1*L13	\$ 38,157		
L17	Basic Centrex USF Recovery	(L3*L14)+(L11*L13)	\$ 3,758		
L18	Basic PRI ISDN USF Recovery	(L5*L15)	\$ 3,988		
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery (L19 < L10)		\$ 45,903		OK
<b>Additives to the Basic MLB Rate</b>					
<b>PRI ISDN</b>			<b>Rate</b>		
L20	PRI ISDN Port Charge		\$ 36.29	\$	5.84
<b>Final Basic MLB, PRI ISDN, &amp; Centrex USF Rates Summary</b>					
L21	MLB	L13	\$		1.38
L22	PBX	L13	\$		1.38
L23	PRI ISDN	L15+L20	\$		12.74
L24	Centrex	L14	\$		0.15



**AT&T - NEVADA BELL TELEPHONE COMPANY**  
**TELECOMMUNICATIONS SERVICE/REGULATORY FEE**  
**EXOGENOUS COST DEVELOPMENT**

Exhibit 2.5

	2013 Annual Interstate End User Revenues ( 499A ) (A)	DA 14-627 05/09/14 Telecom Relay Service (B)=A * 0.01174	DA 14-946 06/30/214 Telecom Relay Service (C)=A * 0.01219	Difference (D) = C - B	Annualization (E) = D * 12 / 9
Exogenous Amount	\$ 18,955,348	\$ 222,536	\$ 231,066	\$ 8,530	\$ 11,373
Excluded Revenue	\$ 4,689,065				75.26%
Price Cap Revenue Percentage	75.26%				\$ 8,560

	2013 Annual Interstate End User Revenues ( 499A ) (A)	FCC 13-110 08/12/13 Reg Fee (C)=A * 0.00347	FCC 14-149 08/29/14 Reg Fee (C)=A * 0.00343	Difference (D) = C - B	Annualization (E) = D * 12 / 9
Exogenous Amount	\$ 18,955,348	\$ 65,775	\$ 65,017	\$ (758)	\$ (1,011)
Excluded Revenue	\$ 4,689,065				75.26%
Price Cap Revenue Percentage	75.26%				\$ (761)

	<u>Common Line</u>	<u>Special</u>	<u>Price Cap Revenue</u>
499A 2007 Interstate End User Revenues	\$ 11,951,380	\$ 2,314,903	\$ 14,266,283
Allocation Basis	83.77%	16.23%	
Telecommunications Relay Support	\$ 7,171	\$ 1,389	\$ 8,560
Regulatory Fee Support	\$ (637)	\$ (123)	\$ (761)
	\$ 6,533	\$ 1,265	\$ 7,799

AT&T - NEVADA BELL TELEPHONE COMPANY  
SUMMARY OF EXOGENOUS COSTS AND DISTRIBUTIONS  
TO NON-ATS SERVICES

Exhibit 2.6

LINE	DESCRIPTION	'R' VALUE (A)	DISTRIBUTION (B) = (A/LINE 9A)	EDT EXOG (C)	ITC EXOG (D)	TRS EXOG (E)	REG FEE EXOG (F)	TOTAL
1	INTERSTATE EXOGENOUS COST TO BE DISTRIBUTED (Exhibit 2.4 b)			-	-			
2	% OF EDT AND ITC EXOG COST W/EXCLUDED SERVICES EXHIBIT 2.5			0.00%	27.81%			
3	EXOGENOUS COSTS TO BE DISTRUBUTED (L1*(1-L2))			-	-	8,560	(761)	7,799
4	COMMON LINE EUCL AND PIOC 'R' (Sum1 Column A, Row 100)	7,952,191	17.10%	-	-	7,171	(637)	6,533
5	INTEREXCHANGE BASKET 'R'	-	0.00%	-	-	-	-	-
6	SPECIAL ACCESS BASKET 'R'	38,564,979	82.90%	-	-	1,389	(123)	1,265
7	TOTAL (SUM L4 THRU L8)	46,517,170	100.00%	-	-	8,560	(761)	7,799

\*\*Effective 10/01/2003 TRS and Reg Fee Exogenous is only spread between the Common Line and Special Access Baskets

**NEVADA BELL TELEPHONE COMPANY (NBTC)**  
**Exogenous Cost Adjustment Rate Impact**

	<b>Prior EUCL Rate</b>	<b>Current EUCL Rate</b>
<b>NV</b>	<b>\$4.52</b>	<b>\$4.53</b>