

Volume 1-2

TARIFF REVIEW PLAN

INTRODUCTION

In its *2015 TRP Order*, the Commission outlined cost support requirements incumbent local exchange carriers (ILECs) must file with their Annual Access Tariff Filings.<sup>1</sup> The *2015 TRP Order* states the level of detail contained in the rate of return TRP should provide guidance for calculating the NECA common line (CL) pool revenue requirement and demand, and NECA's traffic sensitive (TS) rates.<sup>2</sup> As in prior annual access tariff filings, NECA is providing cost and demand data for the CL Pool and the TS Pool.

The Commission's rules require the submission of a Past Year Cost of Service (PYCOS) study for the most recent twelve-month period.<sup>3</sup> PYCOS revenues, expenses, and investment displayed in the TRP represent the expected final view of 2014 data for those study areas participating in NECA's pools effective July 1, 2015.

To develop PYCOS data, NECA used 2014 cost forecast and average schedule settlement projections described in Volume 2. This is because 2014 data currently reported to the NECA pool will not be final until 2014 cost studies are completed in July 2015.<sup>4</sup> Historical demand for

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<sup>1</sup> Material to be Filed in Support of 2014 Annual Access Tariff Filings, WCB/Pricing File No.15-75, *Order*, DA 15-458 (rel. Apr.14, 2015) (*2014 TRP Order*).

<sup>2</sup> *2015 TRP Order* ¶27.

<sup>3</sup> 47 C.F.R. § 61.38(b)(1).

<sup>4</sup> Cost companies in NECA's pools are annual cost companies and, as such, perform cost studies for pool settlements only once a year. This results in an inherent lag in the identification of actual "Part 36/69" cost results. *See* Vol. 1, Section 4.

NECA pools was estimated using pooled revenues and demand data obtained from NECA pool members.

Prospective revenue requirement, expense, and investment data displayed in this volume represent expected test period data for NECA's 2015/2016 tariff participants. Test period cost projections described in Volume 2 of the Tariff Support materials were used in this TRP.<sup>5</sup> Forecast demand data provided in this TRP are the same as those supporting NECA's proposed rates, as described in Volume 3.

Descriptions of NECA's TRP data are contained in the following sections: Section 2 describes NECA's CL cost and demand data and Section 3 describes NECA's TS cost and demand data.

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<sup>5</sup> PYCOS and test period cost data assumptions are contained in Volume 2.

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NECA's COMMON LINE POOL

This section references TRP forms illustrating both test period and PYCOS data for NECA's CL Pool. It is divided into nine subsections to meet TRP filing requirements. These subsections are:

	<u>Description</u>	<u>Table</u>
1.	CL Cost Data - historical (2014)	COS-1(H)
2.	CL Cost Data - prospective (2015/2016)	COS-1(P)
3.	CL Demand and Revenues - MOU, lines, and revenues - prospective and historical	DMD-3
4.	Access Rate Analysis - End User Common Line - prospective and historical	RTE-1
5.	Annualized Access Priceout Comparison – CL revenues – prospective and historical	RTE-2
6.	Rate of Return Comparison - CL earnings - prospective and historical	ERN-1
7.	Demand and Rate Reconciliation - CL prospective revenue reconciliation	REV-1
8.	Test Period Revenues - CL - prospective	REV-2
9.	Adjustment to Access Category Revenue Requirements	MAG-1

**A. COMMON LINE COST DATA**

Monthly settlement data, completed 2013 cost studies, and forecast data served as the basis for determining costs and revenues. Data represent expected historical and prospective cost information for 2015/2016 test period CL pool participants. Adjustments were made to NECA's TRP forms to reflect the following NECA-specific items:

- NECA administrative expenses for the PYCOS and test periods are reported on Line 261.
- For the PYCOS period, Average Schedule settlements are reported on Line 262 using the schedules in effect on July 1, 2014 for calendar year 2014.
- For the test period, Average Schedule settlements are reported on Line 262 using the schedules specified in the *2015 NECA Modification of Average Schedules*.<sup>6</sup>
- Interstate Common Line Support (ICLS) is reported on Line 135.
- Universal Service Contributions are reported on Line 215.
- Adjustments for Line Port/TIC are reported on Line 263.

**B. ACCESS DEMAND - COMMON LINE ACCESS LINES**

Historical line counts and revenues in the DMD-3 chart were developed from the March 2015 view of 2015 pool data for NECA's test period CL pool members and line count submissions obtained from NECA's Annual Forecasts Line Count Data Request. Projected demand quantities are discussed in Volume 3.

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<sup>6</sup> See April 10, 2014 Average Schedule Order

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NECA's TRAFFIC SENSITIVE POOL

This section references TRP forms displaying PYCOS and test period data for NECA's TS Pool. It is divided into nine subsections to meet TRP filing requirements. These subsections are:

	<u>Description</u>	<u>Table</u>
1.	TS Cost Data - historical (2014)	COS-1(H)
2.	TS Cost Data - prospective (2015/2016)	COS-1(P)
3.	TS Special Access Demand Comparison – prospective and historical	DMD-2
4.	Access Rate Analysis – Special Access - prospective and historical	RTE-1
5.	Annualized Access Priceout Comparison – TS revenues - prospective and historical	RTE-2
6.	Rate of Return Comparison - TS earnings - prospective and historical	ERN-1
7.	Demand and Rate Reconciliation - TS prospective revenue reconciliation	REV-1
8.	Test Period Revenues - TS – prospective	REV-2
9.	Adjustment to Access Category Revenue Requirements	MAG-1

A. TRAFFIC SENSITIVE COST DATA

Data represent expected historical and prospective cost information for 2015/2016 test period TS pool participants. Adjustments were made to NECA's legacy TRP forms to reflect the freezing of switched access revenue requirements at the 2011/2012 test period levels consistent with the provisions of the *USF/ICC Transformation Order*.<sup>7</sup> Additional adjustments were made to NECA's TRP forms to reflect the following NECA-specific items:

- NECA administrative expenses for the PYCOS and test periods are reported on Line 261.
- For the PYCOS period, Average Schedule settlements are reported on Line 262 using the schedules in effect on July 1, 2014 for the full 2014 calendar year.
- For the test period, Average Schedule settlements are reported on Line 262 using the schedules specified in the *2015 NECA Modification of Average Schedules*.
- Special Access adjustments for Line Port/TIC are reported on Line 263.

B. ACCESS DEMAND - TRAFFIC SENSITIVE MINUTES OF USE

Historical interstate local switching MOU were developed from the March 2015 view of NECA's settlement database. Historical intrastate switched access terminating MOU and reciprocal compensation MOU were provided by each carrier in NECA's TS pool in response to the CAF ICC data collection. All projected intrastate demand quantities were obtained from each carrier in NECA's TS pool in response to the CAF ICC data collection discussed in Volume 3. All NECA's 2015/2016 TS pool members participated in the data collection.

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<sup>7</sup> *USF/ICC Transformation Order* ¶¶ 39, 851, 899. See also 47 C.F.R. § 51.917.

Details regarding these forecasts are included in Volume 3. Aside from interstate local switching minutes of use, demand associated with interstate switched access rates that are capped per the *USF/ICC Transformation Order* is not displayed.

C. COMPANY-LEVEL TRP

NECA has developed a TRP file at the individual study area level to support proposed Access Recovery Charge rates and development of estimated CAF ICC support being provided to USAC. The file contains switched access revenue, demand, and rates for the base period, the 2012/2013 test period based on the *2013 Compliance Filing*<sup>8</sup>, the 2013/2014 test period, the 2014/2015 test period which includes the 2012/2013 true-up, and the 2015/2016 test period which includes the 2013/2014 true-up as well as Eligible Recovery and CAF ICC support at the study area level for the 2015/2016 test period. The file also contains components of the local rate ceiling as well as residential ARC rates and revenue at the local exchange/rate zone level, and single-line and multi-line business ARC rates and revenue at the study area level.

D. SPECIAL ACCESS DEMAND COMPARISON

Special Access revenues for NECA's TS pool members were projected using forecasting techniques described in Volume 3. These forecasts were then converted into special access demand quantities using company-provided rate element level historical and prospective demand quantities priced-out at current rates.

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<sup>8</sup> National Exchange Carrier Association, Inc., 2013 Compliance Filing, WC Docket No. 12-233 (filed Jan. 17, 2013) (*2013 Compliance Filing*).

Historical special access demand quantities were obtained from a sample of NECA's 2015/2016 TS pool members. These historical demand quantities, priced-out at current rates, were matched against the historical revenue series for NECA's test period TS pool members to estimate historical special access demand.