

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO TARIFF F.C.C. NO. 5
ETHERNET TRANSPORT SERVICE
TRANSMITTAL NO. 1465
DESCRIPTION AND JUSTIFICATION

1. Introduction

This tariff filing modifies Ethernet Transport Service (ETS) to introduce provisions that enable the ETS customer to increase the bandwidth on certain ETS rate elements to better meet its bandwidth needs. Specifically, the filing introduces the ETS Bandwidth Add-On (BAO) feature, which enables the customer to order extra bandwidth capacity in 10 Mbps increments to be added to ETS Basic Ports, ETS Channel Terminations (CTs), ETS Ethernet Virtual Connections (EVCs), ETS Extended-Ethernet Virtual Connections (E-EVCs), and ETS Interconnected-Ethernet Virtual Connections (I-EVCs) as described below.

2. Tariff Provisions

The new ETS BAO feature applies only to ETS Basic Ports, ETS CTs, ETS EVCs, ETS E-EVCs, and ETS I-EVCs, and only at the ETS speed options listed below. The customer may order one or multiple 10 Mbps increments to be added to new or existing ETS speed options of 50 Mbps, 100 Mbps, 250 Mbps, 500 Mbps and 750 Mbps. For example, the customer may order the ETS BAO feature with five 10 Mbps increments to be added to its 100 Mbps ETS Basic Port to equal a new bandwidth for that port of 150 Mbps. The ETS BAO is available where suitable facilities exist.

Existing tariff provisions for the ETS underlying rate elements specified in Section 16.3 will apply for the new ETS BAO feature. Monthly charges for the ETS BAO feature qualify for the ETS Term Discount Plan (TDP) only if the underlying ETS element is eligible for the ETS TDP discount. The ETS BAO feature added to or removed from an ETS TDP committed Port does not change the ETS TDP bandwidth commitment of that Port. Modifications to Section 16.3.4(B)(2)(b) Service Rearrangements will be made to reflect the introduction of the ETS BAO feature.

Monthly rate banded rates apply for each 10 Mbps increment ordered by the customer and established by the telephone company for ETS Basic Ports, ETS CTs, ETS EVCs and ETS E-EVCs. Monthly non-rate banded rates apply for each 10 Mbps increment ordered by the customer and established by the telephone company for ETS I-EVCs. Monthly rates for the ETS BAO feature for each ETS underlying element are the same regardless of the above speed option to which the ETS BAO is added. ETS BAO bandwidth added to an ETS Port equipped for the ETS Access Service Connection Point feature and/or the ETS Port Protection feature automatically increases the bandwidth of these features for that Port without additional charge.

The existing nonrecurring ETS Design Change Charge applies when a customer adds the ETS BAO feature to an existing ETS element. For example, a customer wishing to add an ETS BAO made up of five 10 Mbps increments to both its existing 100 Mbps ETS Basic Port and existing ETS CT, would be billed two ETS Design Change Charges; one for the add-on feature on its ETS Basic Port and one for the add-on feature on its ETS CT.

When the customer orders the ETS bandwidth add-on feature at the same time as initial installation of the underlying ETS element, an ETS Design Change Charge does not apply. When the customer changes the bandwidth of an existing add-on feature or removes an existing ETS BAO feature from its underlying ETS rate element, an ETS Design Change Charge applies. An Access Order Charge does not apply when an ETS Design Change Charge applies. The minimum service period for the ETS BAO feature is one month.

3. Proposed Rates and Charges

Proposed uniform monthly rates for the ETS BAO feature shown below are applicable for each 10 Mbps increment added to new or existing ETS speed options of 50 Mbps, 100 Mbps, 250 Mbps, 500 Mbps and 750 Mbps. Uniform rates are weighted average rates that take into account the rate band assignments of traffic sensitive pool members.

Uniform Rate Per 10 Mbps Increment	
ETS Element	Monthly
ETS Basic Port	\$ 5.00
ETS CT equal to or less than 300'	\$ 5.25
ETS CT greater than 300'	\$ 6.25
ETS Intraswitch EVC	\$ 0
ETS Interswitch EVC	\$ 42.00
ETS Extended EVC	\$ 28.50
ETS Interconnected EVC 0-50 miles	\$ 130.00
ETS Interconnected EVC 51-75 miles	\$ 190.00

A rate banded monthly rate applies to each 10 Mbps increment ordered for each ETS Basic Port, ETS CT, ETS EVC and ETS E-EVC. A non-rate banded monthly rate applies to each 10 Mbps increment ordered for each ETS I-EVC.

The tariffed monthly rates for each 10 Mbps increment by ETS rate element are shown in NECA Tariff F.C.C. No. 5, Section 17.4.8(C). Company specific rate bands, where applicable, are shown in NECA Tariff F.C.C. No. 5, Section 17.5.1.

4. Revenue, Cost and Demand Support

NECA used existing Rate Development Task Group (RDTG)¹ survey results to develop the monthly unit costs underlying the introduction of an incremental bandwidth add-on of 10 Mbps for ETS Basic Ports, CTs, EVCs, E-EVCs, and I-EVCs.

Exhibit 1, Column A Lines 1 through 5 display the average unit investment costs collected in NECA's surveys for ETS Basic Ports for speeds, 50 Mbps through 750 Mbps. Column B Lines 1 through 5 display the maximum capacity in Mbps associated with the investment in Column A. In other words, the average unit investment for ETS Basic Ports providing up to 100 Mbps capacity is \$669.55, and the average unit investment for ETS Basic Ports providing 250 Mbps through 1 Gbps capacity is \$2,612.15. In Column C, Lines 1-5, the unit investment cost per Mbps is displayed for each speed. Column D Line 6 displays the weighted average unit investment per Mbps for all five speeds. The weighted average unit investment cost per Mbps for ETS Basic Ports is a weighted average of the values in Column C, Lines 1-5, using the values in Column B as the weights.

The same method is used to estimate the weighted average investment cost per Mbps for ETS CTs 300 feet or less as displayed in Column D Line 12, the weighted average investment cost per Mbps for ETS CTs greater than 300 feet in Column D Line 18, the weighted average investment cost per Mbps for ETS EVCs in Column D Line 24, and the weighted average investment cost per Mbps for ETS E-EVCs in Column D Line 30.

The weighted average unit investment cost for ETS Basic Ports, CTs, EVCs, and E-EVCs is multiplied by the Direct Cost Factor described in Volume 5, Section 3.B of the *2015 Annual Filing*² and divided by 12 to arrive at the monthly unit direct costs per Mbps. Lastly, the monthly unit cost per Mbps is multiplied by 10 Mbps to arrive at the monthly unit cost per 10 Mbps, displayed in Exhibit 1, Column E.

For ETS I-EVCs, average transport capacity cost per Mbps (up to 50 miles) and transport capacity cost per Mbps (51-75 miles) for speed options of 50 Mbps, 100 Mbps, 250 Mbps, 500 Mbps and 750 Mbps are from the *2015 Annual Filing* and displayed in Exhibit 1, Column A, Lines 31 and

¹ The Rate Development Task Group is a group of selected participants in the NECA Traffic Sensitive (TS) and Common Line (CL) Pools. Other companies may participate as associates to the RDTG on an ad hoc basis. NECA uses the RDTG to develop cost characteristics representative of pooling companies and to facilitate the rate development process and provide supporting information for NECA tariff filings.

² See National Exchange Carrier Association, Inc., Transmittal No.1455, filed June 16, 2015 (*2015 Annual Filing*).

32. The monthly unit cost per Mbps is multiplied by 10 Mbps to arrive at the monthly unit cost per 10 Mbps, displayed in Exhibit 1 Column B, Lines 31 and 32.

NECA anticipates demand for the new service will develop over time. In Exhibit 2, based on data gathered from the survey³, NECA estimated ETS revenue from the proposed ETS bandwidth add-on feature during the remaining nine months of the current test period, displayed in Line 9. Exhibit 2 Line 11 summarizes the overall *de minimis* impact of this filing on the NECA pool.

³ 2015 RDTG Demand Study

SEPTEMBER 16, 2015 NECA ACCESS CHARGE FILING
ETHERNET TRANSPORT SERVICE
ETS BANDWIDTH ADD-ON FEATURE
INVESTMENTS AND COSTS

EXHIBIT 1

LINE NO.	DESCRIPTION	AVERAGE INVESTMENT PER UNIT (A)	MAXIMUM CAPACITY (Mbps) (B)	AVERAGE INVESTMENT PER Mbps (C)	WEIGHTED AVERAGE INVESTMENT PER Mbps ⁶ (D)	MONTHLY UNIT COST PER 10 Mbps INCREMENT (E) = (D * Line 33) / 12 * 10
ETS Basic Ports¹						
1	50 Mbps	\$669.55	100	\$6.70		
2	100 Mbps	\$669.55	100	\$6.70		
3	250 Mbps	\$2,612.15	1,000	\$2.61		
4	500 Mbps	\$2,612.15	1,000	\$2.61		
5	750 Mbps	\$2,612.15	1,000	\$2.61		
6	Weighted Average Cost for Speeds 50 Mbps up to 750 Mbps				\$2.87	\$0.35
ETS Channel Termination 300 Feet or Less²						
7	50 Mbps	\$588.14	1,000	\$0.59		
8	100 Mbps	\$588.14	1,000	\$0.59		
9	250 Mbps	\$588.14	1,000	\$0.59		
10	500 Mbps	\$588.14	1,000	\$0.59		
11	750 Mbps	\$588.14	1,000	\$0.59		
12	Weighted Average Cost for Speeds 50 Mbps up to 750 Mbps				\$0.59	\$0.07
ETS Channel Termination greater than 300 Feet³						
13	50 Mbps	\$9,131.53	1,000	\$9.13		
14	100 Mbps	\$9,131.53	1,000	\$9.13		
15	250 Mbps	\$9,131.53	1,000	\$9.13		
16	500 Mbps	\$9,131.53	1,000	\$9.13		
17	750 Mbps	\$9,131.53	1,000	\$9.13		
18	Weighted Average Cost for Speeds 50 Mbps up to 750 Mbps				\$9.13	\$1.12
Ethernet Virtual Connection (EVC)⁴						
19	50 Mbps	\$2,705.00	50	\$54.10		
20	100 Mbps	\$5,410.00	100	\$54.10		
21	250 Mbps	\$13,525.00	250	\$54.10		
22	500 Mbps	\$27,050.00	500	\$54.10		
23	750 Mbps	\$40,575.00	750	\$54.10		
24	Weighted Average Cost for Speeds 50 Mbps up to 750 Mbps				\$54.10	\$6.64
Extended Ethernet Virtual Connection (E-EVC)⁵						
25	50 Mbps	\$1,623.00	50	\$32.46		
26	100 Mbps	\$3,246.00	100	\$32.46		
27	250 Mbps	\$8,115.00	250	\$32.46		
28	500 Mbps	\$16,230.00	500	\$32.46		
29	750 Mbps	\$24,345.00	750	\$32.46		
30	Weighted Average Cost for Speeds 50 Mbps up to 750 Mbps				\$32.46	\$3.99
LINE NO.	DESCRIPTION				MONTHLY UNIT COST PER Mbps (A)	MONTHLY UNIT COST PER 10 Mbps INCREMENT (B) = (A * 10)
I-EVC Transport Capacity Cost per Mbps (up to 50 miles)⁷						
31	For ETS Speeds 50 Mbps - 750 Mbps				\$8.38	\$83.81
I-EVC Transport Capacity Cost per Mbps (51-75 miles)⁸						
32	For ETS Speeds 50 Mbps - 750 Mbps				\$14.15	\$141.53
33	Direct Cost Factor ⁹				0.147362	

¹ Unit investment for ETS Basic Ports is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 14 Column A Lines 5 through 9.

² Unit investment for ETS Channel Termination 300 Feet or Less is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 15 Column C Lines 5 through 9.

³ Unit investment for ETS Channel Termination greater than 300 Feet is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 15 Column C Lines 18 through 22.

⁴ Unit investment for Ethernet Virtual Connection (EVC) is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 16 Column B Lines 6 through 10.

⁵ Unit investment for Extended Ethernet Virtual Connection (E-EVC) is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 16 Column B Lines 17 through 21.

⁶ The weighted average investment cost per Mbps for ETS Basic Ports in Line 6 is a weighted average of the values in Column C, Lines 1-5, using the values in Column B as the weights. The same method is used to estimate the weighted average investment cost per Mbps for ETS CTs 300 feet or less in Line 12, the weighted average investment cost per Mbps for ETS CTs greater than 300 feet in Line 18, the weighted average investment cost per Mbps for ETS EVCs in Line 24, and the weighted average investment cost per Mbps for ETS E-EVCs in Line 30.

⁷ Monthly unit cost for I-EVC Transport Capacity Cost per Mbps (up to 50 miles) is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 16 Line 27.

⁸ Monthly unit cost for I-EVC Transport Capacity Cost per Mbps (51-75 miles) is from 2015 Annual Filing, Volume 5 Exhibit 7 Workpaper 16 Line 31.

⁹ See 2015 Annual Filing, Volume 5 Exhibit 4 Workpaper 1

SEPTEMBER 16, 2015 NECA ACCESS CHARGE FILING
 ETHERNET TRANSPORT SERVICE
 ETS BANDWIDTH ADD-ON FEATURE
 PROPOSED RATES AND REVENUE

EXHIBIT 2

LINE NO.	DESCRIPTION	MONTHLY DEMAND W/O DISCOUNT ¹ (A)	3 YEAR TERM DISCOUNT MONTHLY DEMAND (10% DISCOUNT) ¹ (B)	5 YEAR TERM DISCOUNT MONTHLY DEMAND (20% DISCOUNT) ¹ (C)	PROPOSED NON-DISCOUNTED RECURRING RATE (D)	ANNUAL RECURRING REVENUE (E) = 9 months * (A + B * 0.9 + C * 0.8) * D	NON-RECURRING DEMAND ¹ (F)	PROPOSED NON-RECURRING RATE (G)	NON-RECURRING REVENUE (H = F * G)
ETS Basic Ports									
1	50 Mbps - 750 Mbps	19	3	18	\$5.00	\$1,625	3	\$6.00	\$18
Channel Termination 300 Feet or Less									
2	50 Mbps - 750 Mbps	17	3	15	\$5.25	\$1,498	3	\$6.00	\$18
Channel Termination greater than 300 Feet									
3	50 Mbps - 750 Mbps	2	0	2	\$6.25	\$203	1	\$6.00	\$6
Intra-Switch Ethernet Virtual Connection (EVC)									
4	50 Mbps - 750 Mbps	0	0	0	\$0.00	\$0	0	\$6.00	\$0
Inter-Switch Ethernet Virtual Connection (EVC)									
5	50 Mbps - 750 Mbps	0	0	0	\$42.00	\$0	0	\$6.00	\$0
Extended Ethernet Virtual Connection (E-EVC)									
6	50 Mbps - 750 Mbps	2	0	2	\$28.50	\$923	1	\$6.00	\$6
Interconnected Ethernet Virtual Connection (I-EVC)									
7	50 Mbps - 750 Mbps	0	0	0	\$190.00	\$0	0	\$6.00	\$0
8	subtotal					\$4,248			\$48
9	Total Proposed Revenue from the Proposed New ETS Feature ²								\$4,296
10	Projected Special Access Revenue in NECA 2015 Annual Filing: VOL 5 EX 9 WP 15 LINE 14								\$755,914,586
11	Revenue Impact for the remaining 9 months of the current test period = LINE 8 / (LINE 9 x 9/12)								0.001%

¹ Based on 2015 RDTG Demand Study, the sample companies projected total monthly demand count (i.e. the number of 10 Mbps increments = sum of Column A through C). A distribution between the monthly plan and the term discount plan was based on the same distribution used in the 2015 Annual Filing. A nonrecurring ETS Design Change Charge applies when a customer adds one or multiple 10 Mbps increments to each existing ETS element.

² Column E + Column H in Line 8.