

NEVADA BELL TELEPHONE COMPANY (NBTC)
DESCRIPTION AND JUSTIFICATION
March 17, 2016

PURPOSE

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

- Revise the Universal Service Fund (USF) factor to calculate the 2nd Quarter 2016 USF obligations.
- Update line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers.

Federal Universal Service Fund Adjustments

This filing is to revise NBTC's USF obligation based on updated line counts. The 2nd Quarter 2016 contribution factor, 17.9 %, was provided in the Commission's Public Notice, DA 16-266, released March 10, 2016. 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.¹ 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*.

¹See *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.² 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 December 2015 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 December 2015). 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.

² 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

2nd Quarter 2016 Contribution Factor	Source DA 16-266	(A)	(B) 0.179	(C=A*B)
Basic USF Recovery Charge				
Residential / Single-Line Business		Rate		USF Charge
RES Access Recovery Charge (ARC)		1.33		
End User Common Line (EUCL) Rate		4.57		
ARC & EUCL Rate Combined		\$ 5.90		\$ 1.05
BRI ISDN				
				USF Charge
End User Common Line/ARC Rate		\$ 5.90		
BRI ISDN Port		\$ 3.90		
Total Basic Interstate End User Revenue		<u>\$ 9.80</u>		\$ 1.75
Multi-line Business				
PBX	Exhibit 2			\$ 1.67
PRI ISDN	Exhibit 2			\$ 1.67
CENTREX	Exhibit 2			\$ 14.84
	Exhibit 2			\$ 0.18
Other USF Recovery Charges				
PIC Manual Change Charge		\$ 3.89		\$ 0.69
PIC Mechanized Change Charge		\$ 1.60		\$ 0.28

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

2nd Quarter 2016 Contribution Factor		Source DA 16-266	(A)	(B) 0.179	(C=A*B) USF Charge
Basic USF Recovery Charge for MLB, PRI, & Centrex					
<i>Multi-line Business, PRI ISDN, CENTREX</i>					
<i>Lines as of December 2015</i>					
L1	MLB Lines		24,681		
L2	Centrex lines with less than 9 lines		3,712		
L3	Centrex lines with greater than 9 lines		17,129		
L4	PRI ISDN		519		
	BUS Access Recovery Charge (ARC)		\$1.18		
	End User Common Line (EUCL) Rate	\$	4.57		
L5	ARC & EUCL Rate Combined		\$5.75	\$5.75	
MLB, PRI ISDN, Centrex Revenue					
L6	MLB	L5*L1	\$ 141,916		
L7	PRI ISDN	L5*L4*5	\$ 14,921		
L8	Centrex	(L5)*(L2+L3)	\$ 119,836		
L9	MLB, PRI ISDN, Centrex Revenue	L6:L8	\$ 276,673		
L10	MLB, PRI ISDN, Centrex Obligation	L9*USF Factor	\$ 49,524		
L11	PICC Equivalent Centrex Systems Line Counts (As stated in FCC 03-58 released March 14, 2003)		412		
L12		0 L1+(L3/9)+(L4*5)+L11	29,592		
Recovery Cross Check Verification					
L13	Basic MLB Rate	(L10/L12)		\$ 1.67	
L14	Basic Centrex Rate	L13/9		\$ 0.18	
L15	Basic PRI ISDN Rate (excluding Port recovery)	L13*5		\$ 8.35	
Recovery Cross Check Verification					
L16	Basic MLB USF Recovery	L1*L13	\$ 41,217		
L17	Basic Centrex USF Recovery	(L3*L14)+(L11*L13)	\$ 3,772		
L18	Basic PRI ISDN USF Recovery	(L5*L15)	\$ 4,334		
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery (L19 < L10)		\$ 49,323		OK
Additives to the Basic MLB Rate					
PRI ISDN			Rate		
L20	PRI ISDN Port Charge		\$ 36.29	\$ 6.49	
Final Basic MLB, PRI ISDN, & Centrex USF Rates Summary					
L21	MLB	L13	\$ 1.67		
L22	PBX	L13	\$ 1.67		
L23	PRI ISDN	L15+L20	\$ 14.84		
L24	Centrex	L14	\$ 0.18		