

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1536

Description and Justification

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I. INTRODUCTION AND SUMMARY

On March 30, 2016, the Federal Communications Commission (FCC) released its Universal Service Fund Rate of Return Reform Order¹. NECA's filing on December 19, 2016² reassigned costs from the special access category to the new Consumer Broadband-Only Loop (CBOL) category in common line using the FCC estimation method.³ NECA also introduced regulations and rates for company-specific CBOL charges. NECA's *2017 Annual Filing*⁴ modified company-specific CBOL charges and underlying data, and became effective as scheduled. NECA has also made mid-month filings each month since the *2017 Annual Filing* to further modify CBOL charges for certain carriers. Those filings became effective as scheduled. The most recent of these filings is the *December 18 Filing*.⁵

This filing is an update to the *December 18 Filing*. It adds six study areas to the CBOL tariff; modifies the CBOL rate for one study area with modified demand; removes one study area from the CBOL tariff based on its detariff notice; and includes four voluntary residential Access Recovery Charge (ARC) reductions. This filing is scheduled to be effective on February 1, 2018. Updated cost and corresponding updated revenue requirement shifts from special access to the CBOL category result in a *de*

¹ See Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime, WC Docket No. 10-90, WC Docket No. 14-58 and CC Docket No. 01-92, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087 (2016) (*USF RoR Reform Order*).

² National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1503 (filed Dec. 19, 2016) (*December 19 Filing*).

³ 47 C.F.R. § 69.311 and 69.416

⁴ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1519 (filed Jun. 16, 2017) (*2017 Annual Filing*).

⁵ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1534 (filed Dec. 18, 2017) (*December 18 Filing*).

minimis net effect to remaining Common Line and Special Access rates, which continue to target the authorized 10.75 percent rate of return as documented in NECA's 2017 Annual Filing.

Coincident with this filing, NECA is amending its 2017 Annual Filing to include updated CAF BLS Tariff Review Plan (TRP) data. The CAF BLS TRP has been modified to include any new or modified CBOL demand and associated cost shifts described below.

II. REVENUE REQUIREMENT CHANGES

For those companies participating in NECA's Common Line (CL) pool with updated CBOL demand in this filing, the cost of consumer broadband-only loops removed from TS special access was determined by using either the surrogate estimation set forth in sections 69.311 and 69.416 of the Commission's rules, or their estimated actual costs pertaining only to broadband transmission rates to avoid distortive effects on other special access revenue requirements and rates, pursuant to the *March 20, 2017 Waiver Order*.⁶ Study area data relying upon that waiver can be identified in the CAF BLS TRP via an indicator in the column labeled "Waiver" with a value of "Yes".

There were no additional CBOL costs removed from the Traffic Sensitive pool for this filing as none of the new or revised CBOL demand changes are for rate-of-return companies settling on a cost basis with broadband-only demand that currently participate in NECA's DSL tariff. The projected amount of CBOL costs removed from the TS special access category for the July 1, 2017 – June 30, 2018 test period remains at \$63.4M for the cost study areas in NECA's DSL tariff.

⁶ *Connect America Fund*, WC Docket No. 10-90, *ETC Annual Reports and Certifications*, WC Docket No. 14-58, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, Second Cost Surrogate Waiver Order, 32 FCC Rcd. 1953 (2017) (*March 20, 2017 Waiver Order*).

Additional CBOL revenue requirement of \$0.3M was assigned to the CBOL category in CL for six study areas with CBOL demand changes since the *December 18 Filing*. The 2017-2018 test period CBOL revenue requirement now totals \$150.0M excluding Universal Service Contributions for the 251 NECA CL cost and average schedule pool participants that have opted to have NECA tariff their CBOL rates.

III. TARIFF RATE CHANGES

A. CHANGES TO CBOL TARIFF

NECA calculated new CBOL charges for six study areas in accordance with section 69.132 of the Commission's rules using certified broadband-only data. Five of these study areas chose to tariff a CBOL charge lower than the calculated CBOL charge. One additional study area currently in the CBOL tariff reported revised CBOL demand. Another study area was removed from the CBOL tariff based on its decision to discontinue offering CBOL as a separate common carrier telecommunications service as reflected in notice filed with the Commission in the CC Docket No. 14-28 proceeding, resulting in a total of eight study areas with new, modified or removed CBOL rates in this filing.

In conjunction with prior filings, 170 study areas have elected to have NECA tariff a CBOL charge lower than the calculated maximum CBOL charge. The tariffed monthly CBOL charges for these study areas range from \$0.00 to \$85.95. Study areas are required, however, to impute revenues at the calculated maximum CBOL charge for the purposes of reporting CAF BLS data to USAC and for pool settlement distribution and support true-up calculations. The imputed projected CBOL revenues for July 1, 2017 through June 30, 2018 for 251 study areas participating in NECA's CL pool now amount to \$90.3M.

The 2017/2018 test period CAF BLS broadband-only support for 251 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$82.8M prior to implementation of the \$250/line/month cap and effects of the Budget Control Mechanism (BCM).

B. ARC RATE CHANGE

This filing includes voluntary residential Access Recovery Charge reductions for four study areas. Their respective fully calculated ARC rates will continue to be used for purposes of imputing ARC revenues for use in CAF ICC Support calculations for this test period.