

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1542

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 *February 14 Filing*.⁵

This filing is an update to the *February 14 Filing*. It adds twenty-two study areas to the CBOL tariff; modifies the CBOL rate for three study areas making voluntary reductions; removes three study areas from the CBOL tariff; includes one voluntary residential Access Recovery Charge (ARC) reduction; and reassigns the DSL data-only rate band for two study areas. This filing is scheduled to be effective on April 3, 2018. Updated cost and corresponding updated revenue requirement shifts from special access to

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. 1539 (filed Feb. 14, 2018) (*February 14 Filing*).

the CBOL category result in a *de 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) and updated CAF ICC TRP data. The CAF BLS TRP has been modified to include any new or modified CBOL demand and associated cost shifts described below. The CAF ICC TRP has been updated to reflect the FCC's Order regarding Panora Communications Cooperative and Prairie Telephone Company, Inc.'s waiver petition (*February 5, 2018 Order*).⁶

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*,

⁶ *Connect America Fund*, WC Docket No. 10-90, Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92, *Petition of Butler-Bremer Mutual Telephone Company, Inc. for a Waiver of Sections 51.909(a), 51.917(b)(1), and 51.917(b)(7) of the Commission's Rules to modify Access rate bands and charges, and 2011 Switched Access Revenue in connection with merger of affiliated Study areas in Iowa*, WC Docket No. 15-118, *Petition of Panora Communications Cooperative and Prairie Telephone Company, Inc. for Waiver of Sections 51.909(a), 51.917(b)(1), 51.917(b)(2), and 51.917(b)(7) of the Commission's Rules to modify access rate bands and charges, and 2011 Switched Access Revenue Requirement and 2011 Base Period Revenue in connection with study area waivers in Iowa*, WC Docket No. 15-166, Order, DA 18-107 (rel. Feb. 5, 2018) (*February 5, 2018 Order*).

2017 Waiver Order.⁷ 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”.

Along with cost shifts documented in previous filings, additional CBOL costs of \$1.0M were removed from the Traffic Sensitive pool for seven rate-of-return cost companies 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 totals \$67.1M for the cost study areas in NECA’s DSL tariff.

Additional CBOL revenue requirement of \$2.8M was assigned to the CBOL category in CL for sixteen study areas with CBOL demand changes since the *February 14 Filing*. The 2017-2018 test period CBOL revenue requirement now totals \$156.7M excluding Universal Service Contributions for the 277 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 sixteen study areas receiving legacy support in accordance with section 69.132 of the Commission’s rules using certified broadband-only data. All of these study areas chose to tariff a CBOL charge lower than the calculated CBOL charge. Six ACAM study areas requested to have a CBOL rate added to the CBOL tariff. Three study areas already in the

⁷ *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*).

CBOL tariff requested a voluntary rate reduction. 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. Two study areas are exiting the CBOL tariff as a result of having no demand, resulting in a total of twenty-eight study areas with new, modified or removed CBOL rates in this filing.

In conjunction with prior filings, 199 study areas have elected to have NECA tariff a CBOL charge lower than the calculated maximum CBOL charge. The tariffed monthly CBOL charge for these study areas ranges 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 277 study areas participating in NECA's CL pool now amount to \$91.5M.

The 2017/2018 test period CAF BLS Broadband-only support for 277 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$86.6M prior to implementation of the \$250/line/month cap and effects of the Budget Control Mechanism (BCM).

B. ARC RATE CHANGE

This filing includes a voluntary residential Access Recovery Charge reduction for one study area. Its fully calculated ARC rate will continue to be used for purposes of imputing ARC revenues for use in CAF ICC Support calculations for this test period.

C. DSL RATE BAND REASSIGNMENTS

This filing includes a rate band reassignment for two study areas from their current A/SDSL data-only rate band to rate band 1, to reflect updated data.