

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1551

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 and introduced regulations and rates for company-specific CBOL charges. NECA's *2018 Annual Filing*³ modified company-specific CBOL charges and underlying data, and became effective as scheduled.

This filing is an update to the *2018 Annual Filing*. It adds seven study areas to the CBOL tariff; modifies the CBOL rate for three study areas with updated CBOL demand; modifies the CBOL rate for one study area making a voluntary rate reduction; removes two study areas from the CBOL tariff due to zero demand; includes one voluntary residential Access Recovery Charge (ARC) reduction; corrects one ARC rate; and reassigns the DSL data-only rate band for one study area. This filing is scheduled to be effective on August 1, 2018. Updated cost and corresponding updated revenue requirement shifts from special access to the CBOL category result in a *de minimis* net effect to remaining Common Line and Special Access rates, which continue to target the authorized 10.50 percent rate of return as documented in NECA's *2018 Annual Filing*.

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 National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1549 (filed Jun. 18, 2018) (*2018 Annual Filing*).

Coincident with this filing, NECA is amending its *2018 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 revised CBOL demand and associated cost shifts described below. The CAF ICC TRP has been updated to reflect the ARC rate correction referenced above, as well as corrections for thirty-nine study areas to the limitation of imputed ARC revenues on CBOL loops based on the *February 16, 2018 Order*⁴.

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 was transferred from TS special access to the CBOL element in common line consistent with Part 36 and Part 69 cost allocation rules as directed in the *February 16, 2018 Order*⁵.

Net CBOL costs of \$0.8M were removed from the Traffic Sensitive pool for six rate-of-return cost study areas 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 3, 2018 – June 30, 2019 test period totals \$101.8M for the cost study areas in NECA's DSL tariff.

A net CBOL revenue requirement of \$1.1M was added to the CBOL category in CL for eleven study areas with CBOL demand changes since the *2018 Annual Filing*. The 2018-2019 test period CBOL

⁴ *Connect America Fund*, WC Docket No. 10-90, *ETC Annual Reports and Certifications*, WC Docket No. 14-58, *Developing a Unified Intercarrier Compensation*, CC Docket No. 01-92, Second Order on Reconsideration and Clarification, 33 FCC Rcd 2399 (2018)(*February 16, 2018 Order*).

⁵ See *February 16, 2018 Order* ¶ 9. See also 47 C.F.R. § 69.311 and 69.416.

revenue requirement now totals \$248.2M for the 292 NECA CL cost and average schedule pool participants that have opted to have NECA tariff their CBOL rates effective with this filing.

III. TARIFF RATE CHANGES

A. CHANGES TO CBOL TARIFF

NECA calculated new CBOL charges for six study areas receiving legacy support in accordance with section 69.132 of the Commission's rules using certified broadband-only data. Three of these study areas chose to tariff a CBOL charge lower than the calculated CBOL charge. One ACAM study area requested to have a CBOL rate added to the CBOL tariff. New CBOL charges were calculated for three study areas with revised CBOL demand. One study area already in the CBOL tariff requested a voluntary rate reduction. Two study areas are exiting the CBOL tariff as a result of having no CBOL demand, resulting in a total of thirteen study areas with new, modified or removed CBOL rates in this filing.

In conjunction with prior filings, 237 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 \$107.72. 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 3, 2018 through June 30, 2019 for 292 study areas currently participating in NECA's CL pool now amount to \$149.6M.

The 2018/2019 test period CAF BLS Broadband-only support for 292 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$149.8M prior to implementation of the \$250/line/month cap and effects of the Budget Control Mechanism (BCM). Concurrent with this filing, NECA is filing a modification to the *2018 Annual Filing* which includes a revised CAF BLS TRP data file. Required carrier certifications of CAF ICC data are contained in Exhibit 4.

B. ARC RATE CHANGES

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. In addition, this filing corrects the residential ARC rate for one study area resulting from a data input error in the CAF ICC Data Collection system underlying the *2018 Annual Filing*. The correction modifies the residential ARC rate for the company's two exchanges, resulting ARC revenues and the CAF ICC support amount.

Concurrent with this filing, NECA is filing a modification to the *2018 Annual Filing* which includes a revised CAF ICC TRP data file. NECA will file that modified spreadsheet with USAC concurrently with this filing. Required carrier certifications of CAF ICC data are contained in Exhibits 1 through 3.

C. DSL RATE BAND REASSIGNMENT

This filing includes a rate band reassignment for one study area from its current A/SDSL data-only rate band to rate band 1, to reflect updated data.