

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1554

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. NECA also filed further modifications to CBOL charges for certain carriers in the *July 17 Filing*.⁴

This filing is an update to the *July 17 Filing*. It adds seven study areas to the CBOL tariff; modifies the CBOL rate for two study areas with updated CBOL demand; modifies the CBOL rate for three study areas making voluntary rate increases; modifies the CBOL rate for one study area making a voluntary rate reduction; introduces Access Recovery Charge (ARC) rates for one study area; corrects the Residential ARC rates for certain exchanges within three study areas; and reassigns the ETS and Special Access rate bands for one study area. This filing is scheduled to be effective on September 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 National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1549 (filed Jun. 18, 2018) (*2018 Annual Filing*).

⁴ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1541 (filed Jul. 17, 2018) (*July 17 Filing*).

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*.

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 corrections referenced above.

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 \$1.7M were removed from the Traffic Sensitive pool for five 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 \$103.4M for the cost study areas in NECA's DSL tariff.

A net CBOL revenue requirement of \$2.6M was added to the CBOL category in CL for nine study areas with CBOL demand changes since the *2018 Annual Filing*. The 2018-2019 test period CBOL revenue requirement now totals \$250.9M for the 299 NECA CL cost and average schedule pool participants that have opted to have NECA tariff their CBOL rates effective with this filing.

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

III. TARIFF RATE CHANGES

A. CHANGES TO CBOL TARIFF

NECA calculated new CBOL charges for seven study areas receiving legacy support 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. CBOL charges were recalculated for two study areas with revised CBOL demand. Three study areas requested a voluntary rate increase to a rate between their respective currently tariffed rate and their maximum calculated CBOL rate. One study area already in the CBOL tariff requested a voluntary rate reduction, resulting in a total of thirteen study areas with new or modified CBOL rates in this filing.

In conjunction with prior filings, 243 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 \$119.25. 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 299 study areas currently participating in NECA's CL pool now amount to \$151.2M.

The 2018/2019 test period CAF BLS Broadband-only support for 299 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$151.3M 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 BLS data are contained in Exhibit 4.

B. ARC RATE CHANGES

This filing introduces Single Line Business and Multiline Business ARCs for one study area. This study area had previously voluntarily reduced its tariffed Single Line Business and Multiline Business ARC rates to zero, but now requests those rates be increased by the maximum amounts allowable under §51.917(e)(6)(vi), which is \$0.50 for Single Line Business and \$1.00 for Multiline Business. Its 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.

In addition, this filing corrects the Residential ARC rates in certain exchanges/rate zones for three study areas resulting from a data input error affecting reported state USF surcharges or county E911 surcharges in the CAF ICC Data Collection system underlying the *2018 Annual Filing*. The correction also affects the resulting ARC revenues and CAF ICC support amounts.

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. RATE BAND REASSIGNMENTS

Finally, this filing includes ETS and Special Access rate band reassignments for one study area to reflect a significant correction of data reported in NECA settlements used to assign rate bands.