

**NEVADA BELL TELEPHONE COMPANY (NBTC)
DESCRIPTION AND JUSTIFICATION
TRANSMITTAL NO. 311
September 14, 2018**

PURPOSE

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

- File a revised Tariff Review Plan (TRP) with updated exogenous cost changes due to the revised Telecommunications Relay Service (TRS) factor of .02801, released by the FCC on June 29th, 2018.
- Update exogenous cost changes due to the revised Regulatory Fee factor of .00291, released by the FCC on August 29, 2018.
- Revise the Universal Service Fund (USF) factor to calculate the 4th Quarter 2018 USF obligations.
- Update line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers.

Telecommunications Relay Service

In the 2018 Annual Filing, filed on June 18, 2018, a proposed factor of .03034 was used to calculate exogenous costs. With this filing, NBTC is utilizing the factor in DA 18-680, released on June 29, 2018. The development of the TRS exogenous cost for this filing is provided on *Exhibit 2.5*. The difference between the TRS factors, as shown on *Exhibit 2.5*, is “grossed up” to ensure recovery of a full twelve months at the new rate. The Commission has Ruled Telecommunications Relay Service (TRS) fund payments¹ may be treated as exogenous.

¹ *In the Matter of Telecommunications Relay Service, and the Americans with Disabilities Act of 1990*, CC Docket No. 90-571, second Order on Reconsideration and Fourth Report and Order, released September 29, 1993, paragraph 18.

Regulatory Fee Payments Exogenous Adjustments

In the 2018 Annual Filing, filed on June 18, 2018, a proposed factor of .00276 was used to calculate exogenous costs. With this filing, NBTC is utilizing the factor in DA 18-126, released on August 29, 2018. The filing for exogenous treatment of Regulatory Fees is consistent with Parts 61.45(a) and 61.45(d)(1)(vi) and the Common Carrier Bureau's October 7, 1994 *Order*.² The development of the Regulatory Fee exogenous cost for this filing is provided on *Exhibit 2.5*. The difference between the Regulatory Fee factors, as shown on *Exhibit 2.5*, is "grossed up" to ensure recovery of a full twelve months at the new rate.

Exogenous Costs

Part 61.45(d) (3) requires that exogenous cost changes be apportioned between price cap services and excluded services. NBTC adjusted the TRS and Regulatory Fee exogenous cost changes to remove impacts associated with services that are excluded from price cap regulation, to the extent that revenues for these services existed and were identifiable. These exogenous cost changes are allocated to the Common Line Basket and the Special Access Basket. *Exhibit 2.6* demonstrates the revenue impact for corresponding rate adjustments.

Price Cap Compliance

The attached Tariff Review Plan (TRP) reflects the net revenue changes resulting from the exogenous cost changes associated with the revised TRS and Regulatory Fee factors. All rate offsets are detailed on *Exhibit 3*.

² *Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act Order*, (DA-94-1119) (Common Carrier Bureau, released October 7, 1994), (Erratum released November 2, 1994) paragraph 6, granting a waiver to permit exogenous cost treatment of regulatory fees.

Federal Universal Service Fund Adjustments

This filing is to revise NBTC's USF obligation based on updated line counts. The 4th Quarter 2018 contribution factor, 20.1 %, was provided in the Commission's Public Notice, DA 18-944, released September 12, 2018. 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.³ 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*.

³See *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.⁴ A portion of the unrecovered obligation created

⁴ 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).

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 June 2018 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 June 2018). 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.

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 Change (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

4rd Quarter 2018 Contribution Factor	Source <i>DA 18-944A1</i>	(A)	(B) <i>0.201</i>	(C=A*B)
Basic USF Recovery Charge				
<i>Residential / Single-Line Business</i>				
		Rate		USF Charge
RES Access Recovery Charge (ARC)		0.00		
End User Common Line (EUCL) Rate		4.72		
ARC & EUCL Rate Combined		\$ 4.72		\$ 0.94
BRI ISDN				
End User Common Line/ARC Rate		\$ 4.72		USF Charge
BRI ISDN Port		\$ 3.90		
Total Basic Interstate End User Revenue		\$ <u>8.62</u>		\$ 1.73
Multi-line Business				
<i>PBX</i>	Exhibit 2			\$ 2.34
<i>PRI ISDN</i>	Exhibit 2			\$ 2.34
<i>CENTREX</i>	Exhibit 2			\$ 18.99
	Exhibit 2			\$ 0.26
Other USF Recovery Charges				
PIC Manual Change Charge		\$ 3.89		\$ 0.78
PIC Mechanized Change Charge		\$ 1.60		\$ 0.32

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

4rd Quarter 2018 Contribution Factor		Source DA 18-944A1	(A)	(B) 0.201	(C=A*B) USF Charge
Basic USF Recovery Charge for MLB, PRI, & Centrex					
<i>Multi-line Business, PRI ISDN, CENTREX Lines as of June 2018</i>					
L1	MLB Lines			18,218	
L2	Centrex lines with less than 9 lines			2,835	
L3	Centrex lines with greater than 9 lines			13,083	
L4	PRI ISDN			406	
	BUS Access Recovery Charge (ARC)		\$2.38		
	End User Common Line (EUCL) Rate	\$	4.72		
L5	ARC & EUCL Rate Combined		\$7.10	\$7.10	
MLB, PRI ISDN, Centrex Revenue					
L6	MLB	L5*L1	\$	129,348	
L7	PRI ISDN	L5*L4*5	\$	14,413	
L8	Centrex	(L5)*(L2+L3)	\$	113,018	
L9	MLB, PRI ISDN, Centrex Revenue	L6:L8	\$	256,779	
L10	MLB, PRI ISDN, Centrex Obligation	L9*USF Factor	\$	51,612	
L11	PICC Equivalent Centrex Systems Line Counts <i>(As stated in FCC 03-58 released March 14, 2003)</i>			315	
L12		0 L1+(L3/9)+(L4*5)+L11		22,017	
Recovery Cross Check Verification					
L13	Basic MLB Rate	(L10/L12)		\$	2.34
L14	Basic Centrex Rate	L13/9		\$	0.26
L15	Basic PRI ISDN Rate (excluding Port recovery)	L13*5		\$	11.70
Recovery Cross Check Verification					
L16	Basic MLB USF Recovery	L1*L13	\$	42,630	
L17	Basic Centrex USF Recovery	(L3*L14)+(L11*L13)	\$	4,139	
L18	Basic PRI ISDN USF Recovery	(L5*L15)	\$	4,750	
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery (L19 < L10)		\$	51,519	OK
Additives to the Basic MLB Rate					
PRI ISDN			Rate		
L20	PRI ISDN Port Charge		\$	36.29	\$
Final Basic MLB, PRI ISDN, & Centrex USF Rates Summary					
L21	MLB	L13	\$	2.34	
L22	PBX	L13	\$	2.34	
L23	PRI ISDN	L15+L20	\$	18.99	
L24	Centrex	L14	\$	0.26	

**AT&T - NEVADA BELL TELEPHONE COMPANY
TELECOMMUNICATIONS RELAY SERVICE/REGULATORY FEES
EXOGENOUS COST DEVELOPEMENT**

Exhibit 2.5

	2017 Annual		FCC DA 18-65	Rolka Loube Est.
	Total	Interstate	05/22/18	05/14/18
	End User Revenues		Regulatory Fee	Telecom Relay
	(499A)	(499A)	(C) = B * 0.00276	(D) = B * 0.03034
	(A)	(B)		
Exogenous Amount	\$ 71,339,475	\$ 18,398,639	\$ 50,780	\$ 558,215
Excluded Revenue	\$ 5,440,275	\$ 5,440,275		
Price Cap Revenue Percentage	92.37%	70.43%		

	2017 Annual		FCC DA 18-126	FCC DA 18-680
	Total	Interstate	8/29/2018	6/29/2018
	End User Revenues		Regulatory Fee	Telecom Relay
	(499A)	(499A)	(C') = B' * 0.00291	(D') = B' * 0.02801
	(A')	(B')		
Exogenous Amount	\$ 71,339,475	\$ 18,398,639	\$ 53,540	\$ 515,346
Excluded Revenue	\$ 5,440,275	\$ 5,440,275		
Price Cap Revenue Percentage	92.37%	70.43%		

	7/17 - 6/18	7/18 - 6/19	Exogenous	Annualized
	(A'')	(B'')	(C'') = B'' - A''	(D'') = C'' * 12 / 9
<u>Regulatory Fee Support:</u>				
FCC DA 18-65 - 0.00276 Factor 2017 Revenue - C	\$ 50,780			
FCC DA 18-126 - 0.00291 Factor 2017 Revenue - C'		\$ 53,540		
	\$ 50,780	\$ 53,540		
% Price Cap Allocation	70.43%	70.43%		
Price Cap Exogenous Amount	\$ 35,765	\$ 37,709	1,944	2,592

	7/17 - 6/18	7/18 - 6/19	Exogenous	Annualized
	(A'')	(B'')	(C'') = B'' - A''	(D'') = C'' * 12 / 9
<u>Telecom Relay Support</u>				
Rolka Loube Est. - 0.03034 Factor 2017 Revenue - D	\$ 558,215			
FCC DA 18-680 - 0.02801 Factor 2017 Revenue - D'		\$ 515,346		
	\$ 558,215	\$ 515,346		
% Price Cap Allocation	70.43%	70.43%		
Price Cap Exogenous Amount	\$ 393,157	\$ 362,964	(30,193)	(40,257)

	Common Line	Special	Price Cap Revenue
499A 2017 Interstate End User Revenues	\$ 12,599,059	\$ 359,305	\$ 12,958,364
Allocation Basis	97.23%	2.77%	
Regulatory Fee Support Exogenous	\$ 2,520	\$ 72	\$ 2,592
Telecom, Relay Support Exogenous	\$ (39,141)	\$ (1,116)	\$ (40,257)
Total Exogenous	\$ (36,621)	\$ (1,044)	\$ (37,666)

AT&T - NEVADA BELL TELEPHONE COMPANY
SUMMARY OF EXOGENOUS COSTS AND DISTRIBUTIONS
TO NON-ATS SERVICES

Exhibit 2.6

LINE	DESCRIPTION	'R' VALUE (A)	DISTRIBUTION (B) = (A/LINE 9A)	EDT EXOG (C)	ITC EXOG (D)	TRS EXOG (E)	REG FEE EXOG (F)	TOTAL
1	INTERSTATE EXOGENOUS COST TO BE DISTRIBUTED (Exhibit 2.4 b)			-	-			
2	% OF EDT AND ITC EXOG COST W/EXCLUDED SERVICES EXHIBIT 2.5			0.00%	0.00%			
3	EXOGENOUS COSTS TO BE DISTRUBUTED (L1*(1-L2))			-	-	(40,257)	2,592	(37,666)
4	COMMON LINE EUCL AND PICC 'R' (Sum1 Column A, Row 100)	3,951,185	74.74%	-	-	(39,141)	2,520	(36,621)
5	SPECIAL ACCESS BASKET 'R'	1,335,264	25.26%	-	-	(1,116)	72	(1,044)
6	TOTAL (SUM L4 THRU L8)	5,286,448	100.00%	-	-	(40,257)	2,592	(37,666)

**Effective 10/01/2003 TRS and Reg Fee Exogenous is only spread between the Common Line and Special Access Baskets

AT&T - NEVADA BELL TELEPHONE COMPANY
RATE COMPARISON

Exhibit 3

STATE	ZONE	DECRPTION	CURRENT RATE	PROPOSED RATE
NV		DS1 TPP - CHAN TERM TPP 5YR	\$105.00	\$104.00