

**NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.**

**ACCESS TARIFF REVISIONS  
TARIFF F.C.C. NO. 5  
TRANSMITTAL NO. 1572**

**DESCRIPTION AND JUSTIFICATION**

The National Exchange Carrier Association, Inc. (NECA) proposes to decrease its Federal Universal Service Surcharge (FUSC) percentage and optional Multi-line Business End User Common Line (MLB EUCL) FUSC banded percentages in response to the recently published second quarter 2019 Universal Service Contribution Factor as described in the FCC's March 13, 2019 Public Notice.

**A. BACKGROUND**

On April 1, 2003 NECA changed its FUSC rate structure from a monthly end user line charge to a percentage surcharge on interstate retail revenue<sup>1</sup> to comply with the Commission's *Second Order on Reconsideration*<sup>2</sup> which prohibits a carrier from recovering a FUSC amount larger than the end user's interstate retail revenue multiplied by the FCC's quarterly universal service contribution factor.

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<sup>1</sup> National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 978, filed March 17, 2003.

<sup>2</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 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, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, Truth-in-Billing and Billing Format, CC Docket No. 98-170, *Order and Second Order on Reconsideration*, 18 FCC Rcd 4818 (*Second Order on Reconsideration*).

The Commission's *Second Order on Reconsideration* granted an interim waiver of section 54.712 (47 C.F.R. § 54.712) to allow local exchange carriers (LECs) that continue to recover contribution costs from Centrex customers using the 1/9 equivalency ratio as allowed by section 69.153 (47 C.F.R. § 69.153) to recover remaining contribution costs associated with Centrex customers from multi-line business customers.<sup>3</sup>

On May 31, 2003 NECA introduced MLB EUCL FUSC optional rate banding.<sup>4</sup> This is a tiered pricing structure that allows local exchange carriers (LECs) to recover contribution costs from Centrex customers using the 1/9 equivalency ratio and to recover the remaining contribution costs associated with Centrex customers from other multi-line business customers in the same tier. Each company opting for MLB EUCL FUSC rate banding was placed in a rate band designed to recover its contribution costs. NECA's optional MLB EUCL FUSC rate banding structure allows pool members to assess a percent surcharge that is consistent with its proportionate number of business Centrex customers compared to total multi-line business customers.

On August 10, 2004 NECA filed with the Commission to reduce the number of SLCs that are assessed on DS1 Channel Service from twenty-four to five<sup>5</sup> in response to the partial waiver of section 69.104(q) of the Commission's rules.<sup>6</sup> Five SLCs for each DS1 channel service arrangement and five SLCs for each ISDN-PRI arrangement, under section 69.104 (p) (2), were used in the calculation of total multi-line business EUCL revenues. These revenues were used to develop a FUSC percent surcharge for optional MLB EUCL FUSC rate banding.

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<sup>3</sup> *Id.* at ¶3.

<sup>4</sup> National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 985, filed May 16, 2003.

<sup>5</sup> National Exchange Carrier Association, Inc., Transmittal No. 1035, filed August 10, 2004.

<sup>6</sup> *See* Order Granting Petition For Rulemaking, Notice of Proposed Rulemaking, and Order Granting Interim Partial Waiver, WC Docket No. 04-259, RM-10603, (rel. July 19, 2004).

On February 14, 2008, the FCC released an Order<sup>7</sup> stating local exchange carriers should not charge Payphone Service Providers (PSP) additional USF line-item amounts related to Centrex adjustments. NECA excluded the PSP lines from the calculation of MLB EUCL FUSC surcharges.

In March 2017, NECA restructured the optional MLB EUCL FUSC rate banding process because the number of study areas participating in the optional MLB EUCL FUSC rate banding significantly decreased as a result of pool companies adopting optional model-based or Alaska Plan support funding.<sup>8</sup> Currently 19 study areas utilize MLB EUCL FUSC rate banding. Each company opting for MLB EUCL FUSC rate banding was placed in a rate band designed to recover its individual contribution costs.

On June 8, 2018, the FCC released an Order<sup>9</sup> granting temporary forbearance from applying USF reporting and contribution requirements on rural LEC-provided broadband Internet access transmission services offered on a common carrier basis. As a result, effective July 3, 2018, all NECA CL tariff participants listed in Section 17.7(A) of Tariff No. 5 are taking advantage of the forbearance relief and no longer report end user revenues to USAC on broadband Internet access transmission services or assess the FUSC surcharge factor on broadband Internet access transmission charges.

On March 13, 2019, the FCC announced the second quarter 2019 Universal Service Contribution Factor of 18.8%. NECA proposes to update its FUSC surcharges to reflect this updated factor.

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<sup>7</sup> See Order on Reconsideration, CC Docket No.96-45 (FCC 08-51).

<sup>8</sup> See National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1510, filed March 17, 2017.

<sup>9</sup> *Petition of NTCA—The Rural Broadband Association and the United States Telecom Association for Forbearance Pursuant to 47 U.S.C. § 160(c) from Application of Contribution Obligations on Broadband Internet Access Transmission Services*, WC Docket No. 17-206, Order, FCC 18-75 (rel. June 8, 2018) (2018 USF Forbearance Order).

B. PROPOSED SURCHARGE PERCENTAGES

The proposed FUSC surcharge to be applied to end user and special access retail revenues is presented in Table 1 and the proposed optional MLB EUCL FUSC band surcharges are summarized in Table 2:

TABLE 1: Federal Universal Service Surcharge

Current Surcharge	Proposed Surcharge	Percent Change
20.0%	18.8%	-6.0%

TABLE 2: Optional MLB EUCL FUSC Band Surcharges

<b><u>BAND</u></b>	<b><u>Current Surcharge</u></b>	<b><u>Proposed Surcharge</u></b>
1	20.1%	18.9%
2	20.2%	19.0%
3	20.4%	19.1%
4	20.6%	19.4%
5	21.0%	19.7%
6	21.1%	19.8%
7	21.9%	20.6%
8	22.3%	21.0%
9	22.7%	21.3%
10	22.8%	21.5%
11	22.9%	21.5%
12	22.9%	21.5%
13	24.1%	22.6%
14	24.9%	23.4%
15	27.1%	25.5%
16	27.7%	26.0%
17	30.2%	28.4%
18	34.7%	32.6%
19	46.4%	43.6%
20	54.6%	51.3%

C. CALCULATION OF REVISED SUPPORT CONTRIBUTIONS AND MULTI-LINE FUSC SURCHARGES

Exhibit 1 shows adjusted projections for Federal Universal Service Support Mechanism (USSM) contributions for the second quarter 2019 as well as the 2018-2019 test period. The adjusted test period USSM contribution of \$41.3 M reflects an increase of \$2.8 M from the filed amount of \$38.5 M in the *2018 Annual Filing*<sup>10</sup>.

Exhibit 2 displays the development of the second quarter 2019 optional MLB EUCL FUSC band rates and the projection of optional MLB EUCL FUSC band revenue for the second quarter 2019. Based on the test period Business Centrex and MLB band revenues in Vol. 4 Exhibit 6 of the *2018 Annual Filing*, the revised MLB EUCL FUSC band rates reflect the changes from the first quarter 2019 contribution factor of 20.0% to the second quarter 2019 contribution factor of 18.8%<sup>11</sup>. The exhibit shows the projected MLB EUCL FUSC band revenue of \$0.2 M on Line 21.

Exhibit 3 displays the development of the projected FUSC non-banded revenue of \$9.8M on Line 5, the projected FUSC banded revenue of \$0.2 M on Line 6, and the projected total FUSC revenue of \$10.0 M on Line 7 for the second quarter 2019.

Finally, Exhibit 4 displays the development of adjusted 2018 – 2019 test period FUSC revenue of \$41.3 M on Line 3. The adjusted test period FUSC revenue equals the adjusted test period 2018 - 2019 USSM contribution amount of Exhibit 1 Column C Line 5. Therefore, the proposed FUSC charges conform to the FCC rules.

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<sup>10</sup> National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1549 (filed Jun. 18, 2018) (*2018 Annual Filing*).

<sup>11</sup> A company in band 2 elected to discontinue the optional MLB FUSC banding effective March 1, 2019.

D. CONCLUSION

The proposed FUSC surcharges comply with the Commission's rules and should be allowed to become effective on April 1, 2019.

March 25, 2019 NECA ACCESS CHARGE FILING  
TEST PERIOD: JULY 3, 2018 - JUNE 30, 2019  
UNIVERSAL SERVICE SUPPORT MECHANISM (USSM) CONTRIBUTION  
QUARTERLY INTERSTATE RETAIL REVENUE OF USSM CONTRIBUTORS  
( \$ MILLION )

EXHIBIT 1

<u>LINE NO</u>	<u>DATE</u>	<u>PROJECTED INTERSTATE RETAIL REVENUE (IRR) <sup>1</sup></u> (A)	<u>SOURCE / SUMMARY</u>	<u>CONTRIBUTION FACTOR <sup>2</sup></u> ( B )	<u>USSM<sup>3</sup></u> ( C = A * B )
1	3Q 2018	\$54.6	2018 ANNUAL FILING V2 EX 8 LINE 1	17.9%	\$9.8
2	4Q 2018	\$54.0	2018 ANNUAL FILING V2 EX 8 LINE 2	20.1%	\$10.9
3	1Q 2019	\$53.5	2018 ANNUAL FILING V2 EX 8 LINE 3	20.0%	\$10.7
4	2Q 2019	\$53.2	2018 ANNUAL FILING V2 EX 8 LINE 4	18.8%	\$10.0
5	ADJUSTED TP 1819	\$215.2	LINE 1 + LINE 2 + LINE 3 + LINE 4		\$41.3
6	FILED TP 1819	\$215.2	2018 ANNUAL FILING V2 EX 8 LINE 7	17.9%	\$38.5

NOTE

- 1 Includes EU Retail Revenues, ARC Retail Revenues and Special Access Retail Revenues. Per the *2018 USF Forbearance Order*, broadband Internet access transmission service revenues were excluded.
- 2 Proposed Third Quarter 2018 Universal Service Contribution Factor, FCC Public Notice DA 18-613, released June 13, 2018; Proposed Fourth Quarter 2018 Universal Service Contribution Factor, FCC Public Notice DA 18-944, released September 12, 2018; Proposed First Quarter 2019 Universal Service Contribution Factor, FCC Public Notice DA 18-1249, released December 12, 2018; Proposed Second Quarter 2019 Universal Service Contribution Factor, FCC Public Notice DA 19-178, released March 13, 2019
- 3 Calculations are done with more digits than displayed.

March 25, 2019 NECA ACCESS CHARGE FILING  
DEVELOPMENT OF 2Q 2019 OPTIONAL MULTI-LINE FUSC SURCHARGE AND  
2Q 2019 OPTIONAL MULTI-LINE FUSC REVENUE

EXHIBIT 2

LINE NO	FUSC BAND	BUSINESS CENTREX %	TEST PERIOD MULTI-LINE REVENUE <sup>1</sup>	TEST PERIOD BUSINESS CENTREX REVENUE <sup>2</sup>	2Q 2019 MLB EUCL FUSC SURCHARGE <sup>3</sup>	PROJECTED 2Q 2019 MLB FUSC REVENUE
			( A )	( B )	( C )	( D ) = (( A - B )+ B / 9) * C *1/4
1	1	0.3%	\$39,192	\$110	18.9%	\$1,847
2	2	1.0%	\$0	\$0	19.0%	\$0
3	3	2.0%	\$27,931	\$552	19.1%	\$1,313
4	4	3.4%	\$0	\$0	19.4%	\$0
5	5	5.2%	\$102,782	\$5,299	19.7%	\$4,831
6	6	5.7%	\$1,419,302	\$80,923	19.8%	\$66,708
7	7	9.7%	\$0	\$0	20.6%	\$0
8	8	11.8%	\$135,792	\$16,008	21.0%	\$6,382
9	9	13.4%	\$0	\$0	21.3%	\$0
10	10	14.0%	\$0	\$0	21.5%	\$0
11	11	14.2%	\$329,213	\$46,699	21.5%	\$15,475
12	12	14.3%	\$992,275	\$141,312	21.5%	\$46,655
13	13	19.0%	\$68,558	\$13,027	22.6%	\$3,223
14	14	22.2%	\$0	\$0	23.4%	\$0
15	15	29.5%	\$0	\$0	25.5%	\$0
16	16	31.3%	\$19,762	\$6,182	26.0%	\$929
17	17	38.1%	\$37,094	\$14,131	28.4%	\$1,743
18	18	47.6%	\$0	\$0	32.6%	\$0
19	19	64.0%	\$535,219	\$342,461	43.6%	\$25,155
20	20	71.3%	\$0	\$0	51.3%	\$0
21	TOTAL		\$3,707,120	\$666,704		\$174,261

1. Following FCC Order on Reconsideration in CC Docket No. 96-45 (FCC 08-51) released on February 14, 2008, Payphone Service Provider Lines are excluded from calculation of MLB EUCL FUSC surcharges. See 2018 Annual Filing V4 EX 6 COL A. A company in band 2 elected to discontinue the optional MLB FUSC banding effective March 1, 2019.
2. 2018 Annual Filing V4 EX 6 COL B. A Company in band 2 elected to discontinue the optional MLB FUSC banding effective March 1, 2019.
3. The following formula is used to calculate Multi-line FUSC surcharge for each band:

Contribution Factor/(1 - 8/9 \* Business Centrex Rev / MLB Rev).

Bands with no MLB revenue projected are occupied by model supported study areas.

March 25, 2019 NECA ACCESS CHARGE FILING  
DEVELOPMENT OF 2Q 2019 FEDERAL UNIVERSAL SERVICE CHARGE REVENUE  
( \$ MILLION)

EXHIBIT 3

LINE NO.	ITEM	SOURCE	AMOUNT <sup>1</sup>
1	PROJECTED INTERSTATE RETAIL REVENUE	EX1 Col A Line 4	\$53.2
2	PROJECTED BANDED MLB REVENUE	EX 2 COL A LINE 21 / 1,000,000 * 1/4	\$0.9
3	PROJECTED INTERSTATE RETAIL REVENUE EXCLUDING BANDED MLB REVENUE	LINE 1 - LINE 2	\$52.2
4	FUSC SURCHARGE	EX 1 COL B LINE 4	18.8%
5	PROJECTED FUSC SURCHARGE FROM NON-BANDED REVENUE	LINE 3 * LINE 4	\$9.8
6	PROJECTED FUSC SURCHARGE FROM BANDED MLB REVENUE	EX 2 COL D LINE 21 /1,000,000	\$0.2
7	PROJECTED 2Q 2019 FUSC REVENUE	LINE 5 + LINE 6	\$10.0

NOTE

1 Calculations are done with more digits than displayed.

March 25, 2019 NECA ACCESS CHARGE FILING

TEST PERIOD: JULY 3, 2018 - JUNE 30, 2019

DEVELOPMENT OF ADJUSTED TEST PERIOD FEDERAL UNIVERSAL SERVICE CHARGE REVENUE  
( \$ MILLION)

EXHIBIT 4

LINE NO.	ITEM	SOURCE	AMOUNT <sup>1</sup>
1	3Q 2018 THROUGH 1Q 2019 FUSC REVENUE	EX 1 COL C LINE 1 + LINE 2 + LINE 3	\$31.3
2	PROJECTED 2Q 2019 FUSC REVENUE	EX 3 LINE 7	\$10.0
3	ADJUSTED TEST PERIOD FUSC REVENUE	LINE 1 + LINE 2	\$41.3
4	FILED TEST PERIOD FUSC REVENUE	2018 ANNUAL FILING V4 EX 7 LINE 9	\$38.5

NOTE

1 Calculations are done with more digits than displayed.