

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1582

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 *2019 Annual Filing*³ modified company-specific CBOL charges and underlying data, and became effective as scheduled.

This filing is an update to the *2019 Annual Filing*. It adds six study areas to the CBOL tariff, modifies the tariffed CBOL rates for 1 study area, updates the A/SDSL data-only rate band for two study areas, corrects residential ARC rates for two study areas, and reflects updates resulting from a recent merger. This filing is scheduled to be effective on August 1, 2019. 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 10.25 percent rate of return as documented in NECA's *2019 Annual Filing*.

Coincident with this filing, NECA is amending its *2019 Annual Filing* to include updated CAF BLS TRP data. The CAF BLS TRP has been modified for the revised CBOL demand and associated cost

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).

³ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1579 (filed Jun. 17, 2019) (*2019 Annual Filing*).

shifts described below. The amendment to the *2019 Annual Filing* also includes an updated CAF ICC TRP for modifications as described in Section IV.

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 Traffic Sensitive (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*⁴.

Net CBOL costs of \$0.9M were removed from the Traffic Sensitive pool for three 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 2, 2019 – June 30, 2020 test period totals \$167.3M 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 six study areas with CBOL demand changes since the last filing. The 2019-2020 test period CBOL revenue requirement now totals \$396.0 for the 384 NECA CL cost and average schedule pool participants that have opted to have NECA tariff their CBOL rates effective with this filing.

⁴ 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 six study areas receiving legacy support in accordance with section 69.132 of the Commission's rules using certified broadband-only data. Two of these study areas chose to tariff a CBOL charge lower than the calculated maximum CBOL charge. One additional study area receiving legacy support requested to decrease their CBOL rate, resulting in a total of seven study areas with new or modified CBOL rates in this filing.

In conjunction with the *2019 Annual Filing*, 340 study areas have elected to have NECA tariff a CBOL charge lower than the maximum calculated CBOL charge. The tariffed monthly CBOL charges for these study areas range from \$0.00 to \$57.80. Study areas may be 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 2, 2019 through June 30, 2020 for 384 study areas participating in NECA's CL pool now amount to \$151.5M.

The 2019/2020 test period CAF BLS Broadband-only support for 384 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$250.3M prior to implementation of the \$225/line/month cap and effects of the BCM.

Concurrent with this filing, NECA is filing a modification to the *2019 Annual Filing* which includes a revised CAF BLS TRP data file. Required carrier certifications of CAF BLS data are contained in Appendix D, Exhibit 4.

B. DSL DATA-ONLY 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 affecting that rate.

C. ARC CORRECTIONS

This filing corrects the tariffed residential ARC rate for one study area to accurately reflect the amount of state Lifeline support, resulting in an increase in the Residential Access Recovery Charge (ARC) for one exchange. In addition, the residential ARC rates for a second study area's two exchanges were modified to reflect the correct county E911 surcharge and state Telecommunications Relay Service contribution. Updated ARC revenues and CAF ICC support amounts are reflected in the resulting CAF ICC TRP that is included in the amendment to the *2019 Annual Filing*. NECA will file that modified spreadsheet with USAC concurrently with this filing. Required carrier certifications of CAF ICC data are contained in Appendix D, Exhibits 1 through 3.

D. MERGING STUDY AREAS

The revised CAF ICC TRP included in the amendment to the *2019 Annual Filing* also reflects required data updates associated with two merging study areas addressed in a June 10, 2019 Order.⁵

⁵ Connect America Fund et al., WC Docket No. 10-90 et al., Order, DA 19-542 (rel. June 10, 2019).

Required carrier certifications of CAF ICC data are contained in Appendix D. This filing modifies Tariff FCC No. 5 to reflect rates for one surviving study area resulting from the merger of the two study areas.

IV. FIXED RATE OPTION

A. INTRODUCTION

This tariff filing introduces rates and regulations for ETS Fixed Rate Option (ETS FRO) Plan 6. ETS FRO Plan 6 provides Ethernet Transport Service Term Discount Plan (ETS TDP) and Ethernet Transport Service Port Term Discount Plan (ETS PTDP) customers with stabilized monthly rates for ETS services during the customer's ETS term commitment period. ETS FRO Plan 6 is only available in the serving territories of Telephone Companies listed as offering Term Discount Optional Rate Plans in Section 17.3.10(A)(1) and ETS FRO Plan 6 in Section 17.4.8(C)(9)(f).

This tariff filing is being made to establish a new ETS FRO Plan 6 to reflect rates in effect as of July 2, 2019. ETS TDP and ETS PTDP customers can subscribe to ETS FRO Plan 6 through June 30, 2020, after which time it will be closed to new subscriptions.⁶ ETS FRO Plan 6 will allow tariff participants to respond to Requests for Proposals from existing customers and to attract new high-speed broadband access customers who are willing to make long term commitments in return for rate stability.

⁶ NECA expects additional ETS FRO plans will be filed with the FCC over time to reflect new rates effective with subsequent annual access charge filings.

B. PROPOSED TARIFF PROVISIONS

Where offered, ETS FRO Plan 6 is available as an option for customers subscribing to an ETS TDP or ETS PTDP. Stabilized monthly rates for the following ETS elements are included as listed in ETS FRO Plan 6: ETS Basic and Interconnection Ports; ETS Channel Terminations; ETS Ethernet Virtual Connections (EVCs); ETS Extended-EVCs; ETS Interconnected-EVCs; ETS Class of Service; ETS Low Bit Rate Virtual Circuit Channels (VCCs); ETS MultiMedia VCCs; ETS Port Protection and ETS Bandwidth Add-On. The rates for these service elements within ETS FRO Plan 6 apply in lieu of the standard monthly rates specified in Sections 17.4.8(C)(1) through (6) of the tariff. All applicable current discounts and provisions related to the ETS TDP and the ETS PTDP will apply to ETS FRO Plan 6 rates.

The stabilized monthly rates included in ETS FRO Plan 6 will not change during the customer's commitment period, regardless of changes to the standard tariff rates or a change in a participating Telephone Company's Ethernet Transport Service rate band assignment. The ETS FRO Plan 6 rates will apply throughout the ETS TDP or ETS PTDP customer's term commitment period (i.e., 36 or 60 months) unless the customer discontinues its ETS TDP or ETS PTDP prior to the expiration of its term commitment period.

C. PROPOSED RATES AND CHARGES

The stabilized monthly rates for the ETS elements specified in ETS FRO Plan 6 are identical to the monthly rates in effect as of July 2, 2019, as specified in Sections 17.4.8(C)(1) through (6) of Tariff

F.C.C. No. 5.⁷ The Telephone Company's current Ethernet Transport Service rate band assignment is used in ETS FRO Plan 6.

D. REVENUE, COST AND DEMAND SUPPORT

The unit costs for all ETS rate elements can be found in the *2019 Annual Filing*.⁸ The proposed rates are above the corresponding unit costs of the average pool company.

NECA expects *de minimis* impacts on demand during the current tariff test period since only one Telephone Company has expressed interest in offering ETS FRO Plan 6. No change is expected in projected revenues for the remainder of the 2019/2020 test period for this service because the proposed monthly rates for ETS FRO Plan 6 will be identical to the standard monthly ETS rates in effect as of July 2, 2019.

NECA will monitor demand for ETS FRO Plan 6 and normalize any impacts of its use on pooled earnings. For example, if the standard monthly rates for ETS increase, NECA will calculate overall pool earnings as if the standard monthly ETS rates were in effect for all ETS FRO Plan 6 customers and reflect the revenue shortfall as an adjustment to the settlements of those member companies that may offer ETS FRO Plan 6.

⁷ See *2019 Annual Filing*.

⁸ See *2019 Annual Filing*, Volume 5, Exhibit 7, Workpapers 10-17.