

VERIZON

TARIFF F.C.C. Nos. 1, 11, 14, and 16

**Telecommunications Relay Service (TRS), Regulatory Fee
and NANPA Exogenous Cost Filing (Appendix A)
ICC Changes (Appendix B)**

DESCRIPTION AND JUSTIFICATION

Transmittal No. 1398

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Appendix A

Telecommunications Relay Service (TRS), Regulatory Fee and NANPA Exogenous Cost Filing

Description and Justification.

A 1.0 Introduction.

Because the Commission released its final orders that established the 2019 Telecommunications Relay Service (“TRS”) factor¹, the 2019 Regulatory Fee factor² and the 2019 NANPA factor³ after the 2019 annual access charge tariff filings, Verizon⁴ prepared its Annual Filing using the previous TRS and Regulatory factors. Verizon is now submitting these updated tariff pages and support data in order to reflect the revised factors and the associated exogenous costs.

This filing complies with and includes the necessary support material required by Sections 61.41 through 61.49 of the Commission’s rules. The total annualized exogenous cost change is an increase of \$136,831, reflecting the change in factors.

¹ In the Matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, FCC Order DA 19-607, released June 28, 2019.

² In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2019 MD Docket No. 19-105, FCC 19-83, released August 27, 2019.

³ Wireline Competition Bureau announces the proposed NORTH AMERICAN NUMBERING PLAN ADMINISTRATION (NANPA) Fund Size Estimate and Contribution Factor for October 2019 Through September 2020, CC Docket 92-237, DA 19-810, August 22, 2019

⁴ The Verizon Telephone Companies include Verizon Delaware LLC, Verizon Maryland LLC, Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North LLC, Verizon Pennsylvania LLC, Verizon South Inc., Verizon Virginia LLC, and Verizon Washington, D.C. Inc.

The result of this filing is an increase of \$131,358 in Verizon's Price Cap revenues.⁵

A1.1 Compliance with indices.

In this filing, Verizon computes the appropriate adjustments to the Price Cap Index (PCI) for each Price Cap basket. The PCI calculations are set forth in the Tariff Review Plan, form PCI-1. The sources for the existing necessary indices are in TRP form IND-1.

A1.1.1 Computation of Indices and CMT.

Verizon applied the formula prescribed in Section 61.45 of the Commission's rules to compute the PCIs for the Special Access basket and CMT per Line for the Common Line basket. The PCI in the Special Access basket is based on rates and indices brought forward from the last filing for that basket.

A1.2 Exogenous cost changes

In this filing, Verizon proposes to update the TRS exogenous cost data in Verizon's 2019 Annual Filing to reflect the 2019 TRS factor, which the FCC released on June 28, 2019 and which covers the period of July 1, 2019 through June 30, 2020. Verizon calculated the TRS contributions by determining the difference between the TRS contribution obligation in the current tariff rates and the TRS contribution required for July 1, 2019 through June 30, 2020. The TRS factor of 0.02779 replaces the previous factor of 0.02801. This exogenous amount then had to be adjusted to collect the 12-month amount over nine months. The total effect on rates is a decrease of \$218,742 in Verizon Price Cap revenues.

⁵ See Workpaper Revenue.

Also in this filing, Verizon proposes to update the Regulatory Fee exogenous cost data in Verizon's 2019 Annual Filing to reflect the 2019 Regulatory Fee factor, which the FCC released on August 27, 2019 and which covers the 2019 fiscal year. Verizon calculated the Regulatory Fee contributions by determining the difference between the regulatory fees obligation in the current tariff rates and the regulatory fees required for October 1, 2019 through September 30, 2020. The Regulatory Fee factor of 0.00317 replaces the previous factor of 0.00291. The total effect on rates is an increase of \$193,885 in Verizon Price Cap revenues.

Lastly, Verizon calculated the NANPA contributions by determining the difference between the NANPA obligation in the current tariff rates and the NANPA required for October 1, 2019 through September 30, 2020. The NANPA factor of 0.0000908 replaces the previous factor of 0.0000427. The total impact on rates is an increase of \$161,688.

The net amount of the changes in TRS, Regulatory Fee and NANPA exogenous costs is an increase of \$136,831, resulting in increases in certain SLC and PICC rates. See Figures 2 and 3 for Common Line Basket Rate changes.

A1.3 Basis of ratemaking.

A1.3.1 Introduction

In this filing, Verizon is implementing changes to rates in the Common Line basket.

Verizon's new rate levels produce indices that comply with the Commission's rules.

Overall, Verizon's Price Cap revenues increase by \$131,358. In this filing, the SLC and PICC rates are adjusted to reflect the updated TRS, Regulatory Fee and NANPA exogenous costs.

A1.3.2 SLC rates.

For FCC Tariff No. 1, Verizon developed SLC rates on a state-specific basis. For FCC Tariff No. 11, Verizon developed SLC rates on a regional (FCC 11) basis. In FCC Tariff Nos. 14 and 16, Verizon developed SLC rates on a jurisdiction basis. Figure 2 provides a listing of the proposed SLC rates.

A1.3.3 PICC rates.

When the SLCs do not recover the total CMT revenues, the overflow creates a Multi-line Business PICC rate. The Multi-line Business PICC cap is \$4.31. Since the SLCs do not recover the total CMT revenues, the overflow creates a Multi-line Business PICC rate, and when the PICC reaches the cap of the rate in place on December 29, 2011, it would overflow to a CCL rate. Since FCC rules cap the CCL rate at \$0.00, if a Regulatory Fee, TRS or NANPA exogenous cost would have resulted in a CCL rate, those revenues, not collected in CCL, would be allowed to be recovered from the ARC. In this filing that is the case and \$171,865 was non recoverable in the COPT jurisdiction.

The MLB PICC rate development is shown on TRP CAP-1. Figure 3 shows the proposed PICC rates by jurisdiction. The non-recoverable amount above can be found on the TRP CAP-5 form, line 610.

A1.3.4 Special access rates.

As displayed in the *TRP PCI-1*, Special Access is reflecting an increase of \$4,237 of exogenous costs. The new PCI for the Verizon Special Access basket is 44.81%. Verizon is not changing any Special Access rates at this time.

The SBI values for the Special Access basket are within the ranges permitted under the Commission's Price Cap Plan. *See TRP IND-1*. Calculations supporting the Special Access basket indices and upper limits can be found in the *TRP RTE -1*.

A1.4 Workpapers and tariff review plans.

A1.4.1 Introduction

Verizon has provided the necessary detail to support the calculations of indices and exogenous costs in various Workpapers. The following is the index of such Workpapers.

A1.4.2 Index

Appendix A

Price Cap Workpapers VZTC

Figure 1	TRS, Reg Fee and NANPA Exogenous Cost Summary by Basket
Figure 2	Proposed SLC Rates
Figure 3	Proposed PICC Rates
Workpaper Revenue Summary	Revenue Summary
Workpaper Rate Detail	Rates and Revenues Rate Detail VZTC

Exogenous Cost Workpapers

Workpaper 1	Calculation of TRS, Regulatory Fee and NANPA Exogenous Cost
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Tariff Review Plan (VZTC)

ANALYZER	TRP Analyzer
COSA IND-1	Price Cap Indices Display
COSA PCI-1	Price Cap Index Calculations
COSA TGT	Targeting: Inputs and Aggregate Target
COSA SUM-1	Price Out Summary
COSA EXG-1	Exogenous Cost Changes
COSA EXG-2	Net Exogenous Cost Shifts
COSA RTE-1	Rate Detail
CAP-1 (COSA)	Calculation of EUCL Limit, PICC and CCL Rates
CAP-2 (COSA)	Manual Input of EUCL rates
CAP-3 (COSA)	Calculation of Minimum and Maximum End User Rates
CAP-4 (COSA)	Allocation of Pool Revenues to MLB PICC and MLB EUCL
CAP- 5 (COSA)	Verification of Recovered CMT Revenue

Appendix B

Intercarrier Compensation Compliance

Description and Justification

B 1.0 Introduction.

In accordance with the *USF-ICC Transformation Order*,⁶ in which the Commission modernized and reformed the inter-carrier compensation and universal service systems, Verizon is providing the TRP pages and the necessary supporting data required by the *2019 Tariff Review Plan Order* regarding the Access Recovery Charge (ARC). In the 2012 Annual Filing, Verizon established a transitional recovery mechanism, including the new tariffed ARC, which is intended to mitigate the effect of reduced inter-carrier revenue. In this Appendix B, Verizon describes how it determined the Eligible Recovery (the revenue incumbent LECs are entitled to recover) for price cap carriers in compliance with Section 51.915(d)(1)(i) of the Commission's rules and how it calculated the ARC in compliance with Section 51.915(e)(5).

Appendix B includes the necessary supporting data and documentation for this filing.

B 1.1 Eligible recovery.

The way in which Eligible Recovery is to be calculated is set forth in Section 51.915(d)(1)(i). That rule has three pieces, and the sum of those pieces, multiplied by the Price Cap Carrier Traffic Demand Factor and the Calls Study Area Base Factor,

⁶ *Connect America Fund, et al.*, Report and Order and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90 *et al.*, FCC 11-61, (Nov. 18, 2011) ("*USF-ICC Transformation Order*").

determines the Eligible Recovery. In addition, Eligible Recovery includes exogenous costs that cannot be collected through PICC and CCL.

In this updated filing, only the exogenous costs component has changed from the 2019 annual filing. The other three components, which included reductions in Transitional Intrastate Access Service revenue, CMRS Net Reciprocal Compensation revenue and non-CMRS Net Reciprocal Compensation revenue, remain unchanged from the 2019 annual filing.

The change in TRS, Regulatory Fees and NANPA impacted the amount of exogenous costs that flow into the ARC Eligible Recovery. Exogenous costs were increased from \$170,268 to \$171,865 resulting in an increase of Eligible Recovery from \$83,536,219 to \$83,537,816. Workpaper VZTC_ER_19 reflects the revised exogenous costs and Eligible Recovery.

B 1.2 Access recovery charge calculations.

Section 51.915(e) describes the Access Recovery Charge and sets forth a series of constraints and limitations regarding the ARC. Generally speaking, the monthly ARC cannot increase more than \$0.50 per year for a residential or single-line business customer or more than \$1.00 per line per year for a multi-line business customer. In addition, the consumer ARC cannot increase if the increase would result in certain residential end-user rates exceeding the Residential Rate Ceiling of \$30.00. And finally, ARCs can only be charged in a particular year to recover Eligible Recovery for that year, and total revenue from ARCs cannot exceed Eligible Recovery.⁷

⁷ *Id.* ¶908.

Verizon calculated the Maximum ARC Revenue Opportunity using the updated Eligible Recovery at *Workpaper VZTC_ARC_19*. As in the 2019 annual filing, the Eligible Recovery is less than the Maximum ARC Revenue, and Verizon does not qualify for additional ICC support from the Connect America Fund (CAF).

Note that Verizon inadvertently did not update the tariff rates to reflect the ARC rates for Pennsylvania and Virginia under Tariff FCC No. 14 that became effective on July 3, 2018. *VZTC_TRC_19* reflects the July 3, 2018 tariff rates for the study areas under Tariff FCC No. 14 instead of the rates appearing on the 2018 ARC workpapers⁸. Verizon is in the process of refunding customers under Tariff FCC No. 14 for the difference between the ARC tariffed rate and rate billed.

Verizon calculated the Tariffed ARC Revenue at *Workpaper VZTC_TRC_19* using the revised Eligible Recovery. Verizon set ARC rates that comply with Section 51.915(e) constraints, as *VZTC_TRC_19* demonstrates. The monthly, per-line ARC rates are as follows:

- Residential, Single Line Business, and BRI: \$1.62;
- Centrex: \$0.75;
- Multiline Business: \$3.00

⁸ The ARC rates in *VZTC_TRC_19* are consolidated for all study areas under Verizon's Tariff FCC Nos. 14 and 16 in Virginia and Pennsylvania. Verizon is using the lower July 3, 2018 Tariff FCC No. 14 ARC rates for all the consolidated study areas under *VZTC_TRC_19*. Using the ARC rates for either Tariff FCC No. 14 or Tariff FCC No. 16 would yield the same proposed ARC rate on a consolidated basis.

Note that Verizon will not be charging the ARC for residential lines in Maryland, New York and Virginia. In those states, all or some exchanges exceed the \$30 Residential Rate Ceiling, and as a result, Verizon has elected not to bill the ARC for residential service in those states. In addition Verizon will be charging a reduced ARC in Washington, D.C. to recover only the interstate portion of the access recovery charge; that reduced ARC will be \$0.24 for Residential, Single Line Business, and BRI lines. Verizon will also only charge a Residential ARC of \$1.29 in North Carolina due to rules requiring that any ARC rate not be any higher than to result in regulated residential end-user rates that exceed the \$30 Residential Rate Ceiling.

Based on the ARC rates listed above, the amount of Verizon's Tariffed ARC Revenue, found on Workpaper VZTC TRC 19, is \$83,537,816. Consistent with Section 59.15(e)(2), this amount does not exceed Verizon's Eligible Recovery of \$83,537,816.

Appendix B

Tariff Review Plan (VZTC)

Verizon ARC Calculations

VZTC_ARC_19 Proprietary	Maximum ARC Opportunity Calculations -- Proprietary
VZTC_ARC_19 Public	Maximum ARC Opportunity Calculations -- Public

Verizon Tariff Rate Comparison

VZTC_TRC_19 Proprietary	Tariff Rate Comparison -- Proprietary
VZTC_TRC_19 Public	Tariff Rate Comparison --Public

Eligible Recovery

VZTC_ER_19	Verizon Eligible Recovery
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Summary Eligible Recovery

VZTC_SUMER_19 Proprietary	2018 and 2019 Eligible Recovery Summary -- Proprietary
VZTC_SUMER_19 Public	2018 and 2019 Eligible Recovery Summary - Public