

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS SERVICE  
TARIFF F.C.C. No. 5

TRANSMITTAL NO. 1579  
JUNE 17, 2019

VOLUME 1:            DESCRIPTION AND JUSTIFICATION

Defines the purpose of the filing, describes the rate structure of the access services and summarizes results.

<u>VOLUME 1-2:</u> <u>TARIFF REVIEW PLAN</u>
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VOLUME 2:    DEVELOPMENT OF ACCESS ELEMENT REVENUE REQUIREMENTS

Provides a projection of the companies' interstate investments, expenses, revenues and taxes for the past year cost of service study and test year.

VOLUME 3:            DEVELOPMENT OF BASELINE DEMAND AND REVENUES

Provides the development of the demand quantities and revenues for the test year at current rates.

VOLUME 4:            COMMON LINE RATE DEVELOPMENT

Describes and documents the procedures used to develop Common Line Rates, Federal Universal Service Charges, and Consumer Broadband-only Loop rates.

VOLUME 5:            TRAFFIC SENSITIVE RATE DEVELOPMENT

Describes and documents the procedures to develop recurring and non-recurring rate levels for Switched Access and Special Access services. It also describes the procedures used to develop miscellaneous charges for additional engineering, maintenance and testing of these services, as well as describing the development of Eligible Recovery, ARC rates, and CAF ICC support estimates.

Volume 1-2

TARIFF REVIEW PLAN

Section 1

INTRODUCTION

In its *2019 TRP Order*, the Commission outlined cost support requirements incumbent local exchange carriers (ILECs) must file with their Annual Access Tariff Filings.<sup>1</sup> The *2019 TRP Order* states the level of detail contained in the rate of return TRP should provide guidance for calculating the NECA common line (CL) pool revenue requirement and demand as well as NECA's traffic sensitive (TS) rates.<sup>2</sup> NECA is providing cost and demand data for the CL pool including CBOL and the TS pool.

The Commission's rules require the submission of a Past Year Cost of Service (PYCOS) study for the most recent twelve-month period.<sup>3</sup> PYCOS revenues, expenses, and investment displayed in the TRP represent the expected final view of 2018 data for those study areas participating in NECA's pools effective July 2, 2019, calculated using a rate of return (RoR) of 10.25 percent.

To develop PYCOS data, as described in Volume 2, NECA used 2018 settlement data for average schedule companies and 2018 cost forecast data for cost companies since 2018 cost data currently reported to the NECA pool will not be final until 2018 cost studies are completed in

<sup>1</sup> Material to be Filed in Support of 2019 Annual Access Tariff Filings, WC Docket No. 19-47, *Order*, DA 19-313 (rel. May 1, 2019) (*2019 TRP Order*).

<sup>2</sup> *2019 TRP Order* ¶35.

<sup>3</sup> 47 C.F.R. § 61.38(b)(1).

July 2019.<sup>4</sup> Historical demand for NECA pools was estimated using pooled revenues and demand data obtained from NECA pool members.

Prospective revenue requirement, expense, and investment data displayed in this volume represent expected test period data for NECA's 2019/2020 pool participants. Test period cost projections described in Volume 2 of the Tariff support materials were used in this TRP.<sup>5</sup> Six cost company study areas in the NECA TS pool elected to unfreeze their category relationships effective July 2019 per the *2018 Category Relationships Unfreeze Order*. Forecast data reflecting updated category relationships was used to develop test period projections for these study areas. See Volume 2, Section 3.A.1 CL TRP Table COS-1(H) reflect cost data for CL pool participants post-update of category relationships. CL TRP Table COS-1(H) Frozen Cat. Rel. reflect cost data for CL pool participants pre-update of category relationships. TS TRP Table COS-1(H) and TS TRP Table COS-1(H) Frozen Cat. Rel. display the same information for TS pool participants. Forecast demand data provided in this TRP are the same as those supporting NECA's proposed rates, as described in Volume 3.

Descriptions of NECA's TRP data are contained in the following sections. Section 2 describes NECA's CL and CBOL cost and demand data. Section 3 describes NECA's TS cost and demand data.

<sup>4</sup> Cost companies in NECA's pools are annual cost companies and, as such, perform cost studies for pool settlements only once a year. This results in an inherent lag in the identification of actual "Part 36/69" cost results. See Vol. 1, Section 4.

<sup>5</sup> PYCOS and test period cost data assumptions are contained in Volume 2.

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Section 2

NECA's COMMON LINE POOL

This section references TRP forms illustrating both test period and PYCOS data for NECA's CL Pool. It is divided into ten subsections to meet TRP filing requirements. These subsections are:

	<u>Description</u>	<u>Table</u>
1.	CL Cost Data - historical (2018)	COS-1(H)
2.	CL Cost Data - historical based on frozen category relationships (2018)	COS-1(H) Frozen Cat. Rel.
3.	CL Cost Data - prospective (2019/2020)	COS-1(P)
4.	CL Demand and Revenues - MOU, lines, and revenues - prospective and historical	DMD-3
5.	Access Rate Analysis - End User Common Line - prospective and historical	RTE-1
6.	Annualized Access Priceout Comparison – CL revenues – prospective and historical	RTE-2
7.	Rate of Return Comparison - CL earnings - prospective and historical	ERN-1
8.	Demand and Rate Reconciliation - CL prospective revenue reconciliation	REV-1
9.	Test Period Revenues - CL - prospective	REV-2
10.	Adjustment to Access Category Revenue Requirements	MAG-1

A. COMMON LINE COST DATA

Monthly settlements data, completed 2017 cost studies and forecast data served as the basis for determining costs and revenues. Data represent expected historical and prospective cost information for 2019/2020 test period CL pool participants. Adjustments were made to NECA's TRP forms to reflect the following NECA-specific items:

- NECA administrative expenses for the PYCOS and test periods are reported on Line 261.
- For the PYCOS period, Average Schedule settlements are reported on Line 262 using the schedules in effect on July 1, 2018 for calendar year 2018.
- For the test period, Average Schedule settlements are reported on Line 262 using the schedules specified in the *2019 NECA Modification of Average Schedules*.<sup>6</sup>
- CAF BLS Voice is reported on Line 130.
- CAF BLS Broadband-only is reported on Line 135.
- Universal Service Contributions are reported on Line 215.
- Adjustments for Line Port/TIC are reported on Line 263.

B. ACCESS DEMAND - COMMON LINE ACCESS LINES

Historical line counts and revenues in the DMD-3 chart were developed from the March 2019 view of 2018 pool data for NECA's test period CL pool members and line count submissions obtained from NECA's Annual Forecast Line Count Data Request. Projected demand quantities are discussed in Volume 3.

<sup>6</sup> See May 29, 2019 Average Schedule Order.

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Section 3

NECA's TRAFFIC SENSITIVE POOL

This section references TRP forms displaying PYCOS and test period data for NECA's TS Pool. It is divided into ten subsections to meet TRP filing requirements. These subsections are:

	<u>Description</u>	<u>Table</u>
1.	TS Cost Data - historical (2018)	COS-1(H)
2.	TS Cost Data - historical based on frozen category relationships (2018)	COS-1(H) Frozen Cat. Rel.
3.	TS Cost Data - prospective (2019/2020)	COS-1(P)
4.	TS Special Access Demand Comparison – prospective and historical	DMD-2
5.	Access Rate Analysis – Special Access - prospective and historical	RTE-1
6.	Annualized Access Priceout Comparison – TS revenues - prospective and historical	RTE-2
7.	Rate of Return Comparison - TS earnings - prospective and historical	ERN-1
8.	Demand and Rate Reconciliation - TS prospective revenue reconciliation	REV-1
9.	Test Period Revenues - TS – prospective	REV-2
10.	Adjustment to Access Category Revenue Requirements	MAG-1

A. TRAFFIC SENSITIVE COST DATA

Data represent expected historical and prospective cost information for 2019/2020 test period TS pool participants. Adjustments were made to NECA's legacy TRP forms to reflect the freezing of switched access revenue requirements at the 2011/2012 test period levels and a reduction of 5 percent annually consistent with the provisions of the *USF/ICC Transformation Order*.<sup>7</sup> Additional adjustments were made to NECA's TRP forms to reflect the following NECA-specific items:

- NECA administrative expenses for the PYCOS and test periods are reported on Line 261.
- For the PYCOS period, Average Schedule settlements are reported on Line 262 using the schedules in effect on July 1, 2018 for the full 2018 calendar year.
- For the test period, Average Schedule settlements are reported on Line 262 using the schedules specified in the *2019 NECA Modification of Average Schedules*.
- Special Access adjustments for Line Port/TIC are reported on Line 263.

B. ACCESS DEMAND - TRAFFIC SENSITIVE MINUTES OF USE

Historical interstate local switching minutes of use (MOU) were developed from the March 2019 view of NECA's settlements database. Historical intrastate switched access terminating MOU, reciprocal compensation MOU and all projected intrastate demand quantities were provided by each carrier in NECA's TS pool in response to the CAF ICC data collection as discussed in Volume 3. All of NECA's 2019/2020 TS pool members participated in the data collection.

<sup>7</sup> *USF/ICC Transformation Order* ¶¶ 39, 851, 899. See also 47 C.F.R. § 51.917.

Details regarding these forecasts are included in Volume 3. Aside from interstate local switching minutes of use, demand associated with interstate switched access rates that are capped per the *USF/ICC Transformation Order* are not displayed.

C. COMPANY-LEVEL TRP

1. CAF ICC

NECA has developed a TRP file at the individual study area level to support proposed Access Recovery Charge (ARC) rates and development of estimated CAF ICC support being provided to USAC. The file contains switched access revenue, demand, and rates for the base period, the 2012/2013 test period based on the *2013 Compliance Filing*<sup>8</sup>, the 2013/2014 test period, the 2014/2015 test period which includes the 2012/2013 true-up, the 2015/2016 test period which includes the 2013/2014 true-up, the 2016/2017 test period which includes the 2014/2015 true-up, the 2017/2018 test period which includes the 2015/2016 true-up, the 2018/2019 test period which includes the 2016/2017 true-up, and the 2019/2020 test period which includes the 2017/2018 true-up, as well as Eligible Recovery and CAF ICC support at the study area level for the 2019/2020 test period. Also included are limited imputed ARC revenues on broadband-only loops for the 2019/2020 test period.<sup>9</sup> The file also contains components of the local rate ceiling as well as residential ARC rates and revenue at the local exchange/rate zone level, and single-line and multi-line business ARC rates and revenue at the study area level.

<sup>8</sup> National Exchange Carrier Association, Inc., 2013 Compliance Filing, WC Docket No. 12-233 (filed Jan. 17, 2013) (*2013 Compliance Filing*).

<sup>9</sup> See *February 16, 2018 Order* ¶¶ 16, 17.



## 2. CAF BLS

NECA has prepared a TRP file at the individual study area level to support proposed CBOL rates and development of estimated CAF BLS support. The file contains the projected number of CBOL lines used to determine the test period revenue requirement to shift from special access to the CBOL category. The file also contains the test period special access revenue requirement before and after the CBOL adjustment as well as the net CAF BLS amount (after the budget constraint is applied), the NECA calculated maximum CBOL rate and the tariffed CBOL rate.

### D. SPECIAL ACCESS DEMAND COMPARISON

Special access revenues for NECA's TS pool members were projected using forecasting techniques described in Volume 3. These forecasts were then converted into special access demand quantities using company-provided rate element level historical and prospective demand quantities priced-out at current rates.

Historical special access demand quantities were obtained from a sample of NECA's 2019/2020 TS pool members. These historical demand quantities, priced-out at current rates, were matched against the historical revenue series for NECA's test period TS pool members to estimate historical special access demand.