

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1614

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 *2020 Annual Filing*² modified company-specific charges, underlying data and resulting estimated Universal Service support (CAF BLS and CAF ICC) amounts, and became effective as scheduled. NECA files further modifications to some charges for certain carriers in mid-monthly filings each month after the annual filing.

This filing is an update to the *August 2020 Filing*³. It adds three study areas to the CBOL tariff, implements one voluntary CBOL rate increase and one voluntary CBOL rate decrease. This filing reflects voluntary changes to Subscriber Line Charges for one study area as described in Section III. In addition, this filing updates Federal Universal Service Charges as described in section IV. This filing is scheduled to become effective on October 1, 2020.

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 10.00 percent rate of return as documented in NECA's *2020 Annual Filing*.

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. 1607 (filed Jun. 16, 2020) (*2020 Annual Filing*).

³ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1612 (filed Aug. 17, 2020) (*August 2020 Filing*).

Coincident with this filing, NECA is amending its *2020 Annual Filing* to include updated CAF BLS TRP data. The CAF BLS TRP has been modified for the revised CBOL demand and associated cost shifts described below.

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 would be 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 Order⁴.

Net CBOL costs of \$0.4M 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 1, 2020 – June 30, 2021 test period now totals \$230.3M for the cost study areas in NECA's DSL tariff.

A net CBOL revenue requirement of \$0.4M was added to the CBOL category in CL for three study areas with CBOL demand changes since the last filing. The 2020-2021 test period CBOL revenue requirement now totals \$518.3M for the 328 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

NECA calculated new CBOL charges for three study areas receiving legacy support in accordance with section 69.132 of the Commission's rules using certified broadband-only data. All three study areas chose to tariff a CBOL charge lower than the calculated maximum CBOL charge.

One study area receiving legacy support requested a voluntary rate increase. One study area receiving model based support requested to decrease their CBOL charge, resulting in a total of five modified CBOL rates in this filing.

In conjunction with prior filings, 311 study areas have elected to 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 \$50.59. 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 1, 2020 through June 30, 2021 for 328 study areas participating in NECA's CL pool now amount to \$210.4M.

The 2020/2021 test period CAF BLS Broadband-only support for 328 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$327.0M prior to implementation of the Budget Control Mechanism or \$225/line/month cap.

This filing also implements one study area's decision to voluntarily reduce its tariffed Residential and Single Line Business Subscriber Line Charges. Concurrent with this filing, NECA is amending the 2020 Annual Filing to include updated Tariff Review Plan (TRP) CAF BLS data. Required carrier certifications of CAF BLS data are contained in Appendix D Exhibit 4.

IV. FEDERAL UNIVERSAL SERVICE CHARGE UPDATES

NECA proposes to increase 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 fourth quarter 2020 Universal Service Contribution Factor as described in the FCC's September 14, 2020 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 revenue⁵ to comply with the Commission's Second Order on Reconsideration⁶ 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. 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.⁷

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

⁶ 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*).

⁷ *Id.* at ¶3.

On May 31, 2003 NECA introduced MLB EUCL FUSC optional rate banding.⁸ 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 five⁹ in response to the partial waiver of section 69.104(q) of the Commission's rules.¹⁰ 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.

On February 14, 2008, the FCC released an Order¹¹ 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

⁸ National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 985, filed May 16, 2003.

⁹ National Exchange Carrier Association, Inc., Transmittal No. 1035, filed August 10, 2004.

¹⁰ 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).

¹¹ See Order on Reconsideration, CC Docket No.96-45 (FCC 08-51).

decreased as a result of pool companies adopting optional model-based or Alaska Plan support funding.¹² Currently 13 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 Order¹³ 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 September 14, 2020, the FCC announced the fourth quarter 2020 Universal Service Contribution Factor of 27.1%. NECA proposes to update its FUSC surcharges to reflect this updated factor.

¹² See National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1510, filed March 17, 2017.

¹³ *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
26.5%	27.1%	2.3%

TABLE 2: Optional MLB EUCL FUSC Band Surcharges

BAND	Current Surcharge	Proposed Surcharge
1	26.6%	27.2%
2	26.9%	27.5%
3	27.1%	27.7%
4	27.4%	28.0%
5	27.5%	28.1%
6	28.8%	29.4%
7	29.6%	30.2%
8	30.3%	30.9%
9	30.4%	31.0%
10	32.3%	33.0%
11	36.5%	37.3%
12	40.3%	41.2%
13	60.9%	62.3%

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 fourth quarter 2020 as well as the 2020/2021 test period. The adjusted test period USSM contribution of \$33.8 M reflects an increase of \$0.6 M from the amount of \$33.2 M projected in the *2020 Annual Filing*.

Exhibit 2 displays the development of the fourth quarter 2020 optional MLB EUCL FUSC band rates and the projection of optional MLB EUCL FUSC band revenue for the fourth quarter 2020 through the second quarter 2021. Based on the test period Business Centrex and MLB banded revenues in Vol. 4 Exhibit 6 of the *2020 Annual Filing*, the revised MLB EUCL FUSC surcharges reflect the proposed fourth quarter 2020 contribution factor of 27.1%. The exhibit shows the projected MLB EUCL FUSC banded revenue of \$0.4 M on Line 14 for the fourth quarter 2020 through the second quarter 2021.

Exhibit 3 displays the development of the projected FUSC non-banded revenue of \$24.9 M on Line 5, the projected FUSC banded revenue of \$0.4 M on Line 6, and the projected total FUSC revenue of \$25.3M on Line 7 for the fourth quarter 2020 through the second quarter 2021.

Finally, Exhibit 4 displays the development of adjusted 2020/2021 test period FUSC revenue of \$33.8 M on Line 3. The adjusted test period FUSC revenue equals the adjusted test period 2020/2021 USSM contribution amount of Exhibit 1 Column C Line 5. Therefore, the proposed FUSC charges conform to the FCC rules.

D. CONCLUSION

The proposed FUSC surcharges comply with the Commission's rules and should be allowed to become effective on October 1, 2020.