

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1622

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 and support for certain carriers in mid-monthly filings each month after the annual filing.

This filing is an update to the *November 2020 Filing*³. It adds five study areas to the CBOL tariff and implements two voluntary CBOL rate decreases. This filing also implements the tariff and Universal Service Support changes resulting from the transfer of assets of 3 Rivers Telephone Cooperative, Inc. (3 Rivers) in the Browning, Montana Exchange to Siyeh Communications (SiyCom) as described in Section IV. In addition, this filing updates Federal Universal Service Charges as described in section V. This filing is scheduled to become effective on January 1, 2021.

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. 1620 (filed Nov. 16, 2020) (*November 2020 Filing*).

Coincident with this filing, NECA is amending its *2020 Annual Filing* to include updated CAF BLS Tariff Review Plan (TRP) and CAF ICC TRP data. The CAF BLS TRP has been modified for the revised CBOL demand and associated cost shifts described in Section II. The CAF ICC TRP has been modified to reflect the transfer of assets of 3 Rivers in the Browning, Montana Exchange to SiyCom 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 is 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. The net CBOL revenue requirement was added to the CBOL category in CL for any study area with CBOL demand changes since the last filing. Detailed CBOL cost data are shown in the updated CAF BLS TRP data.

There are now 330 NECA CL cost and average schedule pool participants in total that have opted to have NECA tariff their CBOL rates effective with this filing.

III. TARIFF RATE CHANGES

NECA calculated new CBOL charges for one study area receiving legacy support in accordance with section 69.132 of the Commission's rules using certified broadband-only data. This study area chose to tariff a CBOL charge lower than the calculated maximum CBOL charge. In addition, four study areas receiving model based support chose to enter the CBOL tariff.

⁴ See *February 16, 2018 Order* ¶ 9. See also 47 C.F.R. § 69.311 and 69.416.

One study area receiving legacy support requested a voluntary rate decrease to a rate lower than the rate currently in effect. One study area receiving model based support requested to reduce their CBOL charge, resulting in a total of seven modified CBOL rates in this filing.

In conjunction with prior filings, 313 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 \$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 330 study areas participating in NECA's CL pool now amount to \$210.5M.

The 2020/2021 test period CAF BLS Broadband-only support for 330 common line pool study areas that have currently opted to have NECA tariff their CBOL is projected to be \$327.1M prior to implementation of the Budget Control Mechanism or \$225/line/month cap.

Concurrent with this filing, NECA is amending the 2020 Annual Filing to include updated CAF BLS TRP data. Required carrier certifications of CAF BLS data are contained in Appendix D Exhibit 4.

IV. NEW SIYCOM STUDY AREA DATA

The revised CAF ICC TRP included in the amendment to the *2020 Annual Filing* reflects the Wireline Competition Bureau's Public Notice⁵ granting the transfer of assets of 3 Rivers in the Browning,

⁵ See Application Granted for Acquisition of Certain Assets of 3 Rivers Telephone Cooperative, Inc. by Siyeh Communications; Joint Petition Granted for Waiver of the Definition of Study Area with Respect to Transfer of Browning, Montana Exchange, WC Docket Nos. 20-85, 10-90 and CC Docket No. 96-45, Public Notice, DA 20-1347 (rel. November 13, 2020).

Montana Exchange to SiyCom; the SiyCom ETC Order⁶ designating SiyCom as an eligible telecommunications carrier for the Browning, Montana Exchange; the Order⁷ authorizing the apportionment of 3 Rivers' current CAF ICC Base Period Revenues (BPR) between 3 Rivers and SiyCom; the initialization of SiyCom's tariffed rates at 3 Rivers' current rates; and the granting of SiyCom's request to join the National Exchange Carrier Association, Inc. and its traffic-sensitive tariff.

Effective January 1, 2021, 3 Rivers' BPR has been reduced to reflect the sale of the Browning, Montana Exchange and retains all of its double recovery adjustment for Eligible Recovery resulting from the consolidation of its network. The BPR for SiyCom has been calculated using a forecast of switching costs the study area expects to incur in 2021 and beyond.

The switched access rates for SiyCom have been set at the rates currently charged by 3 Rivers, resulting in no significant impact on CAF ICC in aggregate. Study area certifications are included in Appendix D Exhibits 1, 2 and 3. The new SiyCom study area is receiving model based support effective January 1, 2021.

This filing implements the tariffing modifications based on this transaction and corresponding Orders by listing the new study area in F.C.C. Tariff No. 5. The amendment being filed concurrently implements the resulting CAF ICC changes. Both the scheduled tariff filing effective date, and the date that Universal Service Support changes take effect, is January 1, 2021.

⁶ See Connect America Fund, Telecommunications Carriers Eligible for Universal Service Support, Petition of Siyeh Communications for Designation as an Eligible Telecommunications Carrier Pursuant to Section 214(e)(6) of the Telecommunications Act of 1996, WC Docket Nos. 09-197 and 10-90, Order, DA 20-1353 (rel. November 16, 2020) (*SiyCom ETC Order*).

⁷ See Connect America Fund, Developing a Unified Intercarrier Compensation Regime, 3 Rivers Telephone Cooperative, Inc. and Siyeh Communications Application for Transfer of Assets Pursuant to Section 214 of the Communications Act of 1934, as Amended, WC Docket Nos. 20-85 and 10-90 and CC Docket No. 96-45, Order, DA 20-1362 (rel. November 16, 2020).

V. 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 first quarter 2021 Universal Service Contribution Factor as described in the FCC's December 14, 2020 Public Notice⁸.

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 revenue⁹ to comply with the Commission's *Second Order on Reconsideration*¹⁰ 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

⁸ See *Proposed First Quarter 2021 Universal Service Contribution Factor*, Public Notice, CC Docket No. 96-45, DA 20-1480 (rel. Dec. 14, 2020) (*First Quarter 2021 USCF Public Notice*).

⁹ National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 978, filed March 17, 2003.

¹⁰ 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*).

recover remaining contribution costs associated with Centrex customers from multi-line business customers.¹¹

On May 31, 2003 NECA introduced MLB EUCL FUSC optional rate banding.¹² This is a tiered pricing structure that allows 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 five¹³ in response to the partial waiver of section 69.104(q) of the Commission's rules.¹⁴ 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.

¹¹ *Id.* at ¶3.

¹² National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 985, filed May 16, 2003.

¹³ National Exchange Carrier Association, Inc., Transmittal No. 1035, filed August 10, 2004.

¹⁴ *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 Order¹⁵ stating LECs 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.¹⁶ 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 Order¹⁷ 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 December 14, 2020, the FCC announced the first quarter 2021 Universal Service Contribution Factor of 31.8%. NECA proposes to update its FUSC surcharges to reflect this updated factor.

¹⁵ See Order on Reconsideration, CC Docket No.96-45 (FCC 08-51).

¹⁶ See National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1510, filed March 17, 2017.

¹⁷ *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 |
|-------------------|--------------------|----------------|
| 27.1% | 31.8% | 17.3% |

TABLE 2: Optional MLB EUCL FUSC Band Surcharges

| BAND | Current Surcharge | Proposed Surcharge |
|------|-------------------|--------------------|
| 1 | 27.2% | 31.9% |
| 2 | 27.5% | 32.3% |
| 3 | 27.7% | 32.5% |
| 4 | 28.0% | 32.9% |
| 5 | 28.1% | 33.0% |
| 6 | 29.4% | 34.5% |
| 7 | 30.2% | 35.5% |
| 8 | 30.9% | 36.3% |
| 9 | 31.0% | 36.4% |
| 10 | 33.0% | 38.7% |
| 11 | 37.3% | 43.8% |
| 12 | 41.2% | 48.3% |
| 13 | 62.3% | 73.1% |

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 first quarter 2021 as well as the 2020/2021 test period. The adjusted test period USSM contribution of \$36.7 M reflects an increase of \$3.5 M from the amount of \$33.2 M projected in the 2020 Annual Filing.¹⁸

Exhibit 2 displays the development of the first quarter 2021 optional MLB EUCL FUSC band rates and the projection of optional MLB EUCL FUSC band revenue for the first quarter 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 first quarter 2021 contribution factor of 31.8%. The exhibit shows the projected MLB EUCL FUSC banded revenue of \$0.3 M on Line 14 for the first quarter through the second quarter 2021.

Exhibit 3 displays the development of the projected FUSC non-banded revenue of \$19.3 M on Line 5, the projected FUSC banded revenue of \$0.3 M on Line 6, and the projected total FUSC revenue of \$19.6M on Line 7 for the first quarter through the second quarter 2021.

Finally, Exhibit 4 displays the development of adjusted 2020/2021 test period FUSC revenue of \$36.7 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.

¹⁸ See National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1607, (filed Jun. 16, 2020).

D. CONCLUSION

The proposed FUSC surcharges comply with the Commission's rules and should be allowed to become effective on January 1, 2021.

DECEMBER 17, 2020 NECA ACCESS CHARGE FILING
TEST PERIOD: JULY 1, 2020 - JUNE 30, 2021
UNIVERSAL SERVICE SUPPORT MECHANISM (USSM) CONTRIBUTION
QUARTERLY INTERSTATE RETAIL REVENUE OF USSM CONTRIBUTORS
(\$ MILLION)

EXHIBIT 1

| LINE NO | DATE | <u>PROJECTED INTERSTATE RETAIL REVENUE (IRR)</u> ¹ (A) | <u>SOURCE / SUMMARY</u> | <u>CONTRIBUTION FACTOR</u> ² (B) | <u>USSM</u> ³ (C = A * B) |
|---------|--------------------------|--|-----------------------------------|--|---|
| 1 | 3Q 2020 | \$32.1 | 2020 ANNUAL FILING V2 EX 8 LINE 1 | 26.5% | \$8.5 |
| 2 | 4Q 2020 | \$31.5 | 2020 ANNUAL FILING V2 EX 8 LINE 2 | 27.1% | \$8.5 |
| 3 | 1Q 2021 | \$31.0 | 2020 ANNUAL FILING V2 EX 8 LINE 3 | 31.8% | \$9.9 |
| 4 | 2Q 2021 | \$30.7 | 2020 ANNUAL FILING V2 EX 8 LINE 4 | 31.8% | \$9.8 |
| 5 | ADJUSTED USSM TP 2021 | \$125.3 | LINE 1 + LINE 2 + LINE 3 + LINE 4 | | \$36.7 |
| 6 | FILED USSM TP 2021 | \$125.3 | 2020 ANNUAL FILING V2 EX 8 LINE 7 | 26.5% | \$33.2 |

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 2020 Universal Service Contribution Factor, FCC Public Notice DA 20-617, released June 12, 2020; Proposed Fourth Quarter 2020 Universal Service Contribution Factor, FCC Public Notice DA 20-1075, released September 14, 2020; Proposed First Quarter 2021 Universal Service Contribution Factor, FCC Public Notice DA 20-1480, released December 14, 2020.

3 Calculations are done with more digits than displayed.

DECEMBER 17, 2020 NECA ACCESS CHARGE FILING
 DEVELOPMENT OF 1Q 2021 OPTIONAL MULTI-LINE FUSC SURCHARGE AND
 1Q 2021 THROUGH 2Q 2021 OPTIONAL MULTI-LINE FUSC REVENUE

EXHIBIT 2

| LINE NO | FUSC BAND | BUSINESS CENTREX % | TEST PERIOD MULTI-LINE REVENUE ¹ | TEST PERIOD BUSINESS CENTREX REVENUE ² | 1Q 2021 MLB EUCL FUSC SURCHARGE ³ | PROJECTED 1Q 2021 - 2Q 2021 MLB FUSC REVENUE |
|---------|-----------|--------------------|---|---|--|--|
| | | | (A) | (B) | (C) | (D) = ((A - B)+ B / 9) * C * 2/4 |
| 1 | 1 | 0.3% | \$36,874 | \$110 | 31.9% | \$5,872 |
| 2 | 2 | 1.7% | \$25,834 | \$442 | 32.3% | \$4,108 |
| 3 | 3 | 2.5% | \$0 | \$0 | 32.5% | \$0 |
| 4 | 4 | 3.8% | \$0 | \$0 | 32.9% | \$0 |
| 5 | 5 | 4.2% | \$92,515 | \$3,864 | 33.0% | \$14,710 |
| 6 | 6 | 8.8% | \$0 | \$0 | 34.5% | \$0 |
| 7 | 7 | 11.6% | \$290,794 | \$33,782 | 35.5% | \$46,240 |
| 8 | 8 | 13.9% | \$863,990 | \$120,226 | 36.3% | \$137,419 |
| 9 | 9 | 14.3% | \$0 | \$0 | 36.4% | \$0 |
| 10 | 10 | 20.1% | \$77,390 | \$15,566 | 38.7% | \$12,305 |
| 11 | 11 | 30.8% | \$14,352 | \$4,416 | 43.8% | \$2,282 |
| 12 | 12 | 38.5% | \$0 | \$0 | 48.3% | \$0 |
| 13 | 13 | 63.5% | \$500,222 | \$317,842 | 73.1% | \$79,535 |
| 14 | TOTAL | | \$1,901,971 | \$496,248 | | \$302,471 |

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 the 2020 Annual Filing V4 EX 6 COL A.

2. 2020 Annual Filing V4 EX 6 COL B.

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.

DECEMBER 17, 2020 NECA ACCESS CHARGE FILING
DEVELOPMENT OF 1Q 2021 THROUGH 2Q 2021 FEDERAL UNIVERSAL SERVICE CHARGE REVENUE
(\$ MILLION)

EXHIBIT 3

| LINE NO. | <u>ITEM</u> | <u>SOURCE</u> | AMOUNT ¹ |
|----------|--|--------------------------------------|---------------------|
| 1 | PROJECTED INTERSTATE RETAIL REVENUE | Sum of EX 1 Col A Line 3 to Line 4 | \$61.7 |
| 2 | PROJECTED BANDED MLB REVENUE | EX 2 COL A LINE 14 / 1,000,000 * 2/4 | \$1.0 |
| 3 | PROJECTED INTERSTATE RETAIL REVENUE EXCLUDING BANDED MLB REVENUE | LINE 1 - LINE 2 | \$60.7 |
| 4 | FUSC SURCHARGE | EX 1 COL B LINE 3 | 31.8% |
| 5 | PROJECTED FUSC SURCHARGE FROM NON-BANDED REVENUE | LINE 3 * LINE 4 | \$19.3 |
| 6 | PROJECTED FUSC SURCHARGE FROM BANDED MLB REVENUE | EX 2 COL D LINE 14 /1,000,000 | \$0.3 |
| 7 | PROJECTED 1Q 2021 THROUGH 2Q 2021 FUSC REVENUE | LINE 5 + LINE 6 | \$19.6 |

NOTE

1 Calculations are done with more digits than displayed.

DECEMBER 17, 2020 NECA ACCESS CHARGE FILING
 TEST PERIOD: JULY 1, 2020 - JUNE 30, 2021
 DEVELOPMENT OF ADJUSTED TEST PERIOD FEDERAL UNIVERSAL SERVICE CHARGE REVENUE
 (\$ MILLION)

EXHIBIT 4

| LINE NO. | <u>ITEM</u> | <u>SOURCE</u> | <u>AMOUNT</u> ¹ |
|-------------|--|-----------------------------------|----------------------------|
| 1 | 3Q 2020 THROUGH 4Q 2020 FUSC REVENUE | EX 1 COL C LINE 1 + LINE 2 | \$17.1 |
| 2 | PROJECTED 1Q 2021 THROUGH 2Q 2021 FUSC REVENUE | EX 3 LINE 7 | \$19.6 |
| 3 | ADJUSTED TEST PERIOD FUSC REVENUE | LINE 1 + LINE 2 | \$36.7 |
| 4 | FILED TEST PERIOD FUSC REVENUE | 2020 ANNUAL FILING V2 EX 8 LINE 7 | \$33.2 |

NOTE

1 Calculations are done with more digits than displayed.