

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1642

Description and Justification

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I. INTRODUCTION AND SUMMARY

NECA's *2021 Annual Filing*¹ modified company-specific charges, underlying data and resulting estimated Universal Service support (CAF BLS and CAF ICC) amounts, and became effective on July 1, 2021 as scheduled. NECA files further modifications to some charges and universal service support for certain carriers in mid-monthly filings after the annual filing. This filing is an update to the *August 2021 Filing*² and adds two study areas to the CBOL tariff, notifies Commission staff of one study area's Cash Working Capital methodology change, and updates Federal Universal Support Charges as described in Section IV. This filing is scheduled to become effective on October 1, 2021.

II. TARIFF CHANGES

This filing adds two study areas receiving model based support to the CBOL tariff. There are no revenue requirement changes or universal service support changes associated with pooling study areas.

III. CASH WORKING CAPITAL METHODOLOGY CHANGE NOTIFICATION

This filing documentation also serves as notification indicating Bettles Telephone Company (study area code 613002) has changed their cash working capital methodology from a lead-lag to a standard allowance methodology, in accordance with 65.820(d) and (e) of the Commission's rules.

¹ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1635 (filed Jun. 16, 2021) (*2021 Annual Filing*).

² National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1638 (filed Jul. 16, 2021) (*July 2021 Filing*).

IV. FEDERAL UNIVERSAL SERVICE CHARGE UPDATES

NECA proposes to decrease 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 2021 Universal Service Contribution Factor as described in the FCC's September 10, 2021 Public Notice³.

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 revenue⁴ to comply with the Commission's *Second Order on Reconsideration*⁵ 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

³ See Proposed Fourth Quarter 2021 Universal Service Contribution Factor, CC Docket No. 96-45, Public Notice, DA 21-1134 (rel. September 10, 2021).

⁴ National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 978, filed March 17, 2003.

⁵ 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.⁶

On May 31, 2003 NECA introduced MLB EUCL FUSC optional rate banding.⁷ 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 five⁸ in response to the partial waiver of section 69.104(q) of the Commission's rules.⁹ 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.

⁶ *Id.* at ¶3.

⁷ National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 985, filed May 16, 2003.

⁸ National Exchange Carrier Association, Inc., Transmittal No. 1035, filed August 10, 2004.

⁹ *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 Order¹⁰ 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.¹¹ 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 Order¹² 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 10, 2021, the FCC announced the fourth quarter 2021 Universal Service Contribution Factor of 29.1%. NECA proposes to update its FUSC surcharges to reflect this updated factor.

¹⁰ See Order on Reconsideration, CC Docket No.96-45 (FCC 08-51).

¹¹ See National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1510, filed March 17, 2017.

¹² *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
31.8%	29.1%	-8.5%

TABLE 2: Optional MLB EUCL FUSC Band Surcharges

BAND	Current Surcharge	Proposed Surcharge
1	31.9%	29.2%
2	32.5%	29.8%
3	33.0%	30.2%
4	33.3%	30.5%
5	33.3%	30.5%
6	34.2%	31.3%
7	34.4%	31.5%
8	36.0%	33.0%
9	36.4%	33.3%
10	38.8%	35.5%
11	42.8%	39.2%
12	49.4%	45.2%
13	71.7%	65.6%

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 2021 as well as the 2021/2022 test period. The adjusted test period USSM contribution of \$43.9 M reflects a decrease of \$3.0 M from the amount of \$46.9 M projected in the 2021 Annual Filing.¹³

Exhibit 2 displays the development of the fourth quarter 2021 optional MLB EUCL FUSC band rates and the projection of optional MLB EUCL FUSC band revenue for the fourth quarter 2021 through the second quarter 2022. Based on the test period Business Centrex and MLB banded revenues in Vol. 4 Exhibit 6 of the *2021 Annual Filing*, the revised MLB EUCL FUSC surcharges reflect the proposed fourth quarter 2021 contribution factor of 29.1%. The exhibit shows the projected MLB EUCL FUSC banded revenue of \$0.4 M on Line 14 for the fourth quarter 2021 through the second quarter 2022.

Exhibit 3 displays the development of the projected FUSC non-banded revenue of \$31.6M on Line 5, the projected FUSC banded revenue of \$0.4 M on Line 6, and the projected total FUSC revenue of \$32.0 M on Line 7 for the fourth quarter 2021 through the second quarter 2022.

Finally, Exhibit 4 displays the development of adjusted 2021/2022 test period FUSC revenue of \$43.9 M on Line 3. The adjusted test period FUSC revenue equals the adjusted test period 2021/2022 USSM contribution amount of Exhibit 1 Column C Line 5. Therefore, the proposed FUSC charges conform to the FCC rules.

¹³ See National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1635, (filed Jun. 16, 2021).

D. CONCLUSION

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

SEPTEMBER 16, 2021 NECA ACCESS CHARGE FILING
 TEST PERIOD: JULY 1, 2021 - JUNE 30, 2022
 UNIVERSAL SERVICE SUPPORT MECHANISM (USSM) CONTRIBUTION
 QUARTERLY INTERSTATE RETAIL REVENUE OF USSM CONTRIBUTORS
 (\$ MILLION)

EXHIBIT 1

<u>LINE NO</u>	<u>DATE</u>	<u>PROJECTED INTERSTATE RETAIL REVENUE (IRR) ¹</u> (A)	<u>SOURCE / SUMMARY</u>	<u>CONTRIBUTION FACTOR ²</u> (B)	<u>USSM ³</u> (C = A * B)
1	3Q 2021	\$37.6	2021 ANNUAL FILING V2 EX 8 LINE 1	31.8%	\$12.0
2	4Q 2021	\$37.1	2021 ANNUAL FILING V2 EX 8 LINE 2	29.1%	\$10.8
3	1Q 2022	\$36.6	2021 ANNUAL FILING V2 EX 8 LINE 3	29.1%	\$10.6
4	2Q 2022	\$36.2	2021 ANNUAL FILING V2 EX 8 LINE 4	29.1%	\$10.5
5	ADJUSTED USSM TP 2122	\$147.5	LINE 1 + LINE 2 + LINE 3 + LINE 4		\$43.9
6	FILED USSM TP 2122	\$147.5	2021 ANNUAL FILING V2 EX 8 LINE 7	31.8%	\$46.9

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 2021 Universal Service Contribution Factor, FCC Public Notice DA 21-676, released June 10, 2021; Proposed Fourth Quarter 2021 Universal Service Contribution Factor, FCC Public Notice DA 21-1134, released September 10, 2021.

3 Calculations are done with more digits than displayed.

SEPTEMBER 16, 2021 NECA ACCESS CHARGE FILING
DEVELOPMENT OF 4Q 2021 OPTIONAL MULTI-LINE FUSC SURCHARGE AND
4Q 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	4Q 2021 MLB EUCL FUSC SURCHARGE ³	PROJECTED 4Q 2021 - 2Q 2022 MLB FUSC REVENUE
			(A)	(B)	(C)	(D) = ((A - B) + B / 9) * C * 3/4
1	1	LT 1%	\$35,107	\$110	29.2%	\$7,675
2	2	2.5%	\$0	\$0	29.8%	\$0
3	3	4.1%	\$0	\$0	30.2%	\$0
4	4	5.2%	\$25,723	\$1,325	30.5%	\$5,614
5	5	5.2%	\$81,254	\$4,195	30.5%	\$17,734
6	6	8.0%	\$259,661	\$20,645	31.3%	\$56,675
7	7	8.6%	\$0	\$0	31.5%	\$0
8	8	13.2%	\$777,768	\$102,451	33.0%	\$169,793
9	9	14.3%	\$0	\$0	33.3%	\$0
10	10	20.2%	\$77,611	\$15,677	35.5%	\$16,939
11	11	29.0%	\$15,235	\$4,416	39.2%	\$3,325
12	12	40.1%	\$0	\$0	45.2%	\$0
13	13	62.6%	\$472,954	\$295,982	65.6%	\$103,222
14	TOTAL		\$1,745,314	\$444,802		\$380,976

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 2021 Annual Filing V4 EX 6 COL A.
2. 2021 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.

SEPTEMBER 16, 2021 NECA ACCESS CHARGE FILING
DEVELOPMENT OF 4Q 2021 THROUGH 2Q 2022 FEDERAL UNIVERSAL SERVICE CHARGE REVENUE
(\$ MILLION)

EXHIBIT 3

LINE NO.	ITEM	SOURCE	AMOUNT ¹
1	PROJECTED INTERSTATE RETAIL REVENUE	Sum of EX 1 Col A Line 2 to Line 4	\$109.9
2	PROJECTED BANDED MLB REVENUE	EX 2 COL A LINE 14 / 1,000,000 * 3/4	\$1.3
3	PROJECTED INTERSTATE RETAIL REVENUE EXCLUDING BANDED MLB REVENUE	LINE 1 - LINE 2	\$108.5
4	FUSC SURCHARGE	EX 1 COL B LINE 2	29.1%
5	PROJECTED FUSC SURCHARGE FROM NON-BANDED REVENUE	LINE 3 * LINE 4	\$31.6
6	PROJECTED FUSC SURCHARGE FROM BANDED MLB REVENUE	EX 2 COL D LINE 14 /1,000,000	\$0.4
7	PROJECTED 4Q 2021 THROUGH 2Q 2022 FUSC REVENUE	LINE 5 + LINE 6	\$32.0

NOTE

1 Calculations are done with more digits than displayed.

SEPTEMBER 16, 2021 NECA ACCESS CHARGE FILING

TEST PERIOD: JULY 1, 2021 - JUNE 30, 2022

DEVELOPMENT OF ADJUSTED TEST PERIOD FEDERAL UNIVERSAL SERVICE CHARGE REVENUE

EXHIBIT 4

(\$ MILLION)

<u>LINE NO.</u>	<u>ITEM</u>	<u>SOURCE</u>	<u>AMOUNT</u> ¹
1	3Q 2021 FUSC REVENUE	EX 1 COL C LINE 1	\$12.0
2	PROJECTED 4Q 2021 THROUGH 2Q 2022 FUSC REVENUE	EX 3 LINE 7	\$32.0
3	ADJUSTED TEST PERIOD FUSC REVENUE	LINE 1 + LINE 2	\$43.9
4	FILED TEST PERIOD FUSC REVENUE	2021 ANNUAL FILING V2 EX 8 LINE 7	\$46.9

NOTE

1 Calculations are done with more digits than displayed.