

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. 1422

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Appendix A

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

Description and Justification.

A 1.0 Introduction.

The Commission released its final orders that established the 2021 Telecommunications Relay Service (“TRS”) factors¹, the 2021 Regulatory Fee factor² and the 2021 NANPA factor³ after the 2021 annual access charge tariff filings, and therefore 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 a decrease of \$4,938,687 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 21-779 2, released June 30, 2021.

² In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2021 MD Docket No. 21-190, FCC 21-98, released August 26, 2021.

³ Wireline Competition Bureau announces the proposed NORTH AMERICAN NUMBERING PLAN ADMINISTRATION (NANPA) Fund Size Estimate and Contribution Factor for October 2021 Through September 2022, CC Docket 92-237, DA 21-976, August 9, 2021.

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 a decrease of \$4,550,484 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 2021 Annual Filing to reflect the 2021 TRS factors, which the FCC released on June 30, 2021 and which cover the period of July 1, 2021 through June 30, 2022. Consistent with the Order, Verizon applied the carrier contribution factor of 0.01331 for support of non-IP CTS TRS to Verizon's interstate and international end-user revenues and applied the contribution factor of 0.00831 for support of IP CTS TRS to Verizon's intrastate, interstate, and international end-user revenues. Verizon then summed the resulting IP CTS and non-IP CTS TRS exogenous costs to determine the new total TRS obligation.

⁵ See Workpaper Revenue.

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, 2021 through June 30, 2022. 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 \$5,226,179 in Verizon Price Cap revenues.

Also in this filing, Verizon proposes to update the Regulatory Fee exogenous cost data to reflect the 2021 Regulatory Fee factor, which the FCC released on August 26, 2021 and which covers the 2021 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, 2021 through September 30, 2022. The Regulatory Fee factor of 0.00400 replaces the previous factor of 0.00321. The total effect on rates is an increase of \$496,332 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, 2021 through September 30, 2022. The NANPA factor of 0.0000535 replaces the previous factor of 0.0001267. The total impact on rates is a decrease of \$208,840 in Verizon Price Cap revenues.

The net amount of the changes in TRS, Regulatory Fee and NANPA exogenous costs is a decrease of \$4,938,687, resulting in decreases 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 and Special Access baskets. Verizon's new rate levels produce indices that comply with the Commission's rules. Overall, Verizon's Price Cap revenues decrease by \$4,550,484. 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 \$401,712 total was non recoverable in the COPT, COVA, and GTVA jurisdictions. 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 a decrease of \$133,861 in exogenous costs. The new PCI for the Verizon Special Access basket is 52.56%. Verizon is increasing certain Special Access Non-Recurring rates with no impact to remaining headroom. See the Rate Detail work paper for the Special Access rate changes.

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 this filing Verizon is providing the TRP pages and the necessary supporting data required by the *2021 Tariff Review Plan Order* regarding the Access Recovery Charge (ARC). 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, determines the Eligible Recovery. In addition, Eligible Recovery includes exogenous costs that cannot be collected through PICC and CCL.

In this filing, only the exogenous costs component has changed from the 2021 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 2021 annual filing.

The change in TRS, Regulatory Fees and NANPA impacted the amount of exogenous costs that flow into the ARC Eligible Recovery. Flow through exogenous costs were increased from \$0.00 to \$401,712 resulting in an increase of Eligible Recovery from

\$69,864,198 to \$70,265,910. Workpaper VZTC_ER_21 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.⁶

Verizon calculated the Maximum ARC Revenue Opportunity using the updated Eligible Recovery at *Workpaper VZTC_ARC_21*. As in the 2021 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).

Verizon calculated the Tariffed ARC Revenue at *Workpaper VZTC_TRC_21* using the revised Eligible Recovery. Verizon set ARC rates that comply with Section 51.915(e) constraints, as *VZTC_TRC_21* demonstrates. The monthly, per-line ARC rates are as follows:

⁶ *Id.* ¶908.

- Residential: \$1.75;
- Single Line Business, and BRI: \$1.81;
- Centrex: \$1.30;
- Multiline Business: \$3.23

Note that Verizon will not be charging the ARC for residential lines in Maryland, New Jersey, New York, North Carolina 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 remains at \$0.24 for Residential, Single Line Business, and BRI lines.

Based on the ARC rates listed above, the amount of Verizon's Tariffed ARC Revenue, found on Workpaper VZTC TRC21, is \$70,265,910. Consistent with Section 59.15(e)(2), this amount does not exceed Verizon's Eligible Recovery.

Appendix B

Tariff Review Plan (VZTC)

Verizon ARC Calculations

VZTC_ARC_21 Proprietary	Maximum ARC Opportunity Calculations -- Proprietary
VZTC_ARC_21 Public	Maximum ARC Opportunity Calculations -- Public

Verizon Tariff Rate Comparison

VZTC_TRC_21 Proprietary	Tariff Rate Comparison -- Proprietary
VZTC_TRC_21 Public	Tariff Rate Comparison --Public

Eligible Recovery

VZTC_ER_21	Verizon Eligible Recovery
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Summary Eligible Recovery

VZTC_SUMER_21 Proprietary	2020 and 2021 Eligible Recovery Summary -- Proprietary
VZTC_SUMER_21 Public	2020 and 2021 Eligible Recovery Summary -Public