

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 1687

Description and Justification

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I. INTRODUCTION AND SUMMARY

NECA's *2022 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, 2022 as scheduled. NECA files further modifications to some charges or support for certain carriers in mid-monthly filings after the annual filing.

This filing is an update to the *February 2023 Filing*.² It adds one study area receiving model based support to the CBOL tariff and updates Federal Universal Support Charges as described in Section III. This filing is scheduled to become effective on April 1, 2023.

II. CBOL RATE UPDATE

This filing adds one company receiving model based support to the CBOL tariff. The company chose to charge a rate of \$42.

III. 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 second quarter 2023 Universal Service Contribution Factor of 29.0% published in the

¹ National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1665 (filed Jun. 16, 2022) (*2022 Annual Filing*).

² National Exchange Carrier Association, Inc., Tariff F.C.C. No. 5, Transmittal No. 1683 (filed Jan. 17, 2023) (*January 2023 Filing*).

FCC's March 14, 2023 Public Notice³. NECA proposes to update its FUSC surcharges to reflect this updated factor.

A. BACKGROUND

The Universal Service funding obligation is recovered through the FUSC surcharge on interstate end user common line access retail revenues, ARC revenues, and Special Access retail revenues. The interstate end user common line access retail revenues consist of Subscriber Line Charge revenue (excluding lifeline revenue), ISDN port revenue, DS1 line port revenue, and Special Access Surcharge revenue.

On June 8, 2018, the FCC released an Order⁴ (*2018 USF Forbearance Order*) 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. Effective July 3, 2018, rural ILECs were eligible to forbear from assessing FUSC on ADSL, SDSL and CBOL revenues. 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.

MLB EUCL FUSC optional rate banding 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

³ *Proposed Second Quarter 2023 Universal Service Contribution Factor*, CC Docket No. 96-45, Public Notice, DA 23-216 (rel. March 14, 2023).

⁴ *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*).

same tier. 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.

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 |
|-------------------|--------------------|----------------|
| 32.6% | 29.0% | -11.0% |

TABLE 2: Optional MLB EUCL FUSC Band Surcharges

| BAND | Current Surcharge | Proposed Surcharge |
|------|-------------------|--------------------|
| 1 | 32.7% | 29.1% |
| 2 | 32.8% | 29.2% |
| 3 | 33.8% | 30.1% |
| 4 | 34.1% | 30.3% |
| 5 | 34.2% | 30.4% |
| 6 | 34.3% | 30.5% |
| 7 | 35.4% | 31.5% |
| 8 | 37.1% | 33.0% |
| 9 | 37.5% | 33.3% |
| 10 | 39.9% | 35.5% |
| 11 | 44.2% | 39.3% |
| 12 | 51.9% | 46.1% |
| 13 | 72.0% | 64.1% |

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 second quarter 2023 as well as the 2022/2023 test period. The adjusted test period USSM contribution of \$41.3M reflects a decrease of \$2.8M from the amount of \$44.2M projected in the *2022 Annual Filing*.

Exhibit 2 displays the development of the second quarter 2023 optional MLB EUCL FUSC band rates and the projection of optional MLB EUCL FUSC band revenue for the second quarter 2023. Based on the test period Business Centrex and MLB banded revenues in Vol. 4 Exhibit 6 of the *2022 Annual Filing*, the revised MLB EUCL FUSC surcharges reflect the proposed second quarter 2023 contribution factor of 29.0%. The exhibit shows the projected MLB EUCL FUSC banded revenue of \$0.1M on Line 14 for the second quarter 2023.

Exhibit 3 displays the development of the projected FUSC non-banded revenue of \$9.4M on Line 5, the projected FUSC banded revenue of \$0.1M on Line 6, and the projected total FUSC revenue of \$9.5M on Line 7 for the second quarter 2023.

Finally, Exhibit 4 displays the development of adjusted 2022/2023 test period FUSC revenue of \$41.3M on Line 3. The adjusted test period FUSC revenue equals the adjusted test period 2022/2023 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 April 1, 2023.

MARCH 17, 2023 NECA ACCESS CHARGE FILING
TEST PERIOD: JULY 1, 2022 - JUNE 30, 2023
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 (A)</u> | <u>SOURCE / SUMMARY</u> | <u>CONTRIBUTION FACTOR ² (B)</u> | <u>USSM³ (C = A * B)</u> |
|----------------|--------------------------|---|-----------------------------------|---|---|
| 1 | 3Q 2022 | \$34.2 | 2022 ANNUAL FILING V2 EX 8 LINE 1 | 33.0% | \$11.3 |
| 2 | 4Q 2022 | \$33.6 | 2022 ANNUAL FILING V2 EX 8 LINE 2 | 28.9% | \$9.7 |
| 3 | 1Q 2023 | \$33.2 | 2022 ANNUAL FILING V2 EX 8 LINE 3 | 32.6% | \$10.8 |
| 4 | 2Q 2023 | \$32.8 | 2022 ANNUAL FILING V2 EX 8 LINE 4 | 29.0% | \$9.5 |
| 5 | ADJUSTED USSM TP 2223 | \$133.8 | LINE 1 + LINE 2 + LINE 3 + LINE 4 | | \$41.3 |
| 6 | FILED USSM TP 2223 | \$133.8 | 2022 ANNUAL FILING V2 EX 8 LINE 7 | 33.0% | \$44.2 |

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 2022 Universal Service Contribution Factor, FCC Public Notice DA 22-623, released June 9, 2022; Proposed Fourth Quarter 2022 Universal Service Contribution Factor, FCC Public Notice DA 22-946, released September 13, 2022; Proposed First Quarter 2023 Universal Service Contribution Factor, FCC Public Notice DA 22-1286, released December 9, 2022. Proposed Second Quarter 2023 Universal Service Contribution Factor, FCC Public Notice DA 23-216, released March 14, 2023.
- 3 Calculations are done with more digits than displayed.

MARCH 17, 2023 NECA ACCESS CHARGE FILING
DEVELOPMENT OF 2Q 2023 OPTIONAL MULTI-LINE FUSC SURCHARGE AND
2Q 2023 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 | 2Q 2023 MLB EUCL FUSC SURCHARGE ³ | PROJECTED 2Q 2023 MLB FUSC REVENUE |
|------------|--------------|--------------------------|---|---|--|--|
| | | | (A) | (B) | (C) | (D) = ((A - B)+ B / 9) * C * 1/4 |
| 1 | 1 | 0.3% | \$33,451 | \$110 | 29.1% | \$2,429 |
| 2 | 2 | 0.7% | \$0 | \$0 | 29.2% | \$0 |
| 3 | 3 | 4.1% | \$0 | \$0 | 30.1% | \$0 |
| 4 | 4 | 5.0% | \$24,288 | \$1,214 | 30.3% | \$1,761 |
| 5 | 5 | 5.2% | \$74,078 | \$3,864 | 30.4% | \$5,371 |
| 6 | 6 | 5.5% | \$231,178 | \$12,696 | 30.5% | \$16,761 |
| 7 | 7 | 8.9% | \$0 | \$0 | 31.5% | \$0 |
| 8 | 8 | 13.5% | \$718,594 | \$97,152 | 33.0% | \$52,109 |
| 9 | 9 | 14.6% | \$0 | \$0 | 33.3% | \$0 |
| 10 | 10 | 20.5% | \$77,390 | \$15,898 | 35.5% | \$5,611 |
| 11 | 11 | 29.5% | \$14,242 | \$4,195 | 39.3% | \$1,033 |
| 12 | 12 | 41.8% | \$0 | \$0 | 46.1% | \$0 |
| 13 | 13 | 61.6% | \$452,861 | \$278,870 | 64.1% | \$32,832 |
| 14 | TOTAL | | \$1,626,082 | \$414,000 | | \$117,907 |

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 2022 Annual Filing V4 EX 6 COL A.

2. 2022 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.

MARCH 17, 2023 NECA ACCESS CHARGE FILING
DEVELOPMENT OF 2Q 2023 FEDERAL UNIVERSAL SERVICE CHARGE REVENUE
(\$ MILLION)

EXHIBIT 3

| LINE NO. | ITEM | SOURCE | AMOUNT ¹ |
|-------------|--|--------------------------------------|---------------------|
| 1 | PROJECTED INTERSTATE RETAIL REVENUE | EX 1 Col A Line 4 | \$32.8 |
| 2 | PROJECTED BANDED MLB REVENUE | EX 2 COL A LINE 14 / 1,000,000 * 1/4 | \$0.4 |
| 3 | PROJECTED INTERSTATE RETAIL REVENUE EXCLUDING BANDED MLB REVENUE | LINE 1 - LINE 2 | \$32.4 |
| 4 | FUSC SURCHARGE | EX 1 COL B LINE 4 | 29.0% |
| 5 | PROJECTED FUSC SURCHARGE FROM NON-BANDED REVENUE | LINE 3 * LINE 4 | \$9.4 |
| 6 | PROJECTED FUSC SURCHARGE FROM BANDED MLB REVENUE | EX 2 COL D LINE 14 /1,000,000 | \$0.1 |
| 7 | PROJECTED 2Q 2023 FUSC REVENUE | LINE 5 + LINE 6 | \$9.5 |

NOTE

1 Calculations are done with more digits than displayed.

MARCH 17, 2023 NECA ACCESS CHARGE FILING
TEST PERIOD: JULY 1, 2022 - JUNE 30, 2023
DEVELOPMENT OF ADJUSTED TEST PERIOD FEDERAL UNIVERSAL SERVICE CHARGE REVENUE
(\$ MILLION)

EXHIBIT 4

| LINE NO. | ITEM | SOURCE | AMOUNT ¹ |
|-------------|--------------------------------------|-------------------------------------|---------------------|
| 1 | 3Q 2022 THROUGH 1Q 2023 FUSC REVENUE | EX 1 COL C LINE 1 + LINE 2 + LINE 3 | \$31.8 |
| 2 | PROJECTED 2Q 2023 FUSC REVENUE | EX 3 LINE 7 | \$9.5 |
| 3 | ADJUSTED TEST PERIOD FUSC REVENUE | LINE 1 + LINE 2 | \$41.3 |
| 4 | FILED TEST PERIOD FUSC REVENUE | 2022 ANNUAL FILING V2 EX 8 LINE 7 | \$44.2 |

NOTE

¹ Calculations are done with more digits than displayed.