

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

ACCESS SERVICE
TARIFF F.C.C. No. 5

TRANSMITTAL NO. 1694
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VOLUME 1: DESCRIPTION AND JUSTIFICATION

Defines the purpose of the filing, describes the rate structure of the access services and summarizes results.

<p><u>VOLUME 1-2:</u> <u>TARIFF REVIEW PLAN</u></p>

VOLUME 2: DEVELOPMENT OF ACCESS ELEMENT REVENUE REQUIREMENTS

Provides a projection of the companies' interstate investments, expenses, revenues and taxes for the past year cost of service study and test year.

VOLUME 3: DEVELOPMENT OF BASELINE DEMAND AND REVENUES

Provides the development of the demand quantities and revenues for the test year at current rates.

VOLUME 4: COMMON LINE RATE DEVELOPMENT

Describes and documents the procedures used to develop Common Line Rates, Federal Universal Service Charges, and Consumer Broadband-only Loop rates.

VOLUME 5: TRAFFIC SENSITIVE RATE DEVELOPMENT

Describes and documents the procedures to develop recurring and non-recurring rate levels for Switched Access and Special Access services. It also describes the procedures used to develop miscellaneous charges for additional engineering, maintenance and testing of these services, as well as describing the development of Eligible Recovery, ARC rates, and CAF ICC support estimates.

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Section 1

INTRODUCTION

In its *2023 TRP Order*, the Commission outlined cost support requirements incumbent local exchange carriers (ILECs) must file with their Annual Access Tariff Filings.¹ NECA is providing cost and demand data for the CL pool, CBOL, and the TS pool in its rate of return TRP filed herein.

The Commission's rules require the submission of a Past Year Cost of Service (PYCOS) study for the most recent twelve-month period.² PYCOS revenues, expenses, and investment displayed in the TRP represent the expected final view of 2022 data for those study areas participating in NECA's pools effective July 1, 2023, calculated using a rate of return (RoR) of 9.75 percent.

To develop PYCOS data, as described in Volume 2, NECA used 2022 settlement data for average schedule companies and 2022 cost forecast data for cost companies since 2022 cost data currently reported to the NECA pool will not be final until 2022 cost studies are completed in July 2023.³ Historical demand for NECA pools was estimated using pooled revenues and demand data obtained from NECA pool members.

¹ See *2023 TRP Order*.

² 47 C.F.R. § 61.38(b)(1).

³ Cost companies in NECA's pools are annual cost companies and, as such, perform cost studies for pool settlements only once a year. This results in an inherent lag in the identification of actual "Part 36/69" cost results.

Prospective revenue requirement, expense, and investment data displayed in this volume represent expected test period data for NECA's 2023/2024 pool participants. Test period cost projections described in Volume 2 of the Tariff support materials were used in this TRP.⁴ Forecast demand data provided in this TRP are the same as those supporting NECA's proposed rates, as described in Volume 3.

Descriptions of NECA's TRP data are contained in the following sections. Section 2 describes NECA's CL cost and demand data. The *2023 TRP Order* states the rate of return TRP must include the data necessary to calculate the maximum CBOL rate and the special access revenue requirement and demand upon which NECA's TS special access rates are based.⁵ NECA's TRP includes this required data as described in Section 3 below.

⁴ PYCOS and test period cost data assumptions are contained in Volume 2.

⁵ *2023 TRP Order* ¶ 16.

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Section 2

NECA's COMMON LINE POOL

This section references TRP forms illustrating both test period and PYCOS data for NECA's CL Pool. It is divided into eight subsections to meet TRP filing requirements. These subsections are:

	<u>Description</u>	<u>Table</u>
1.	CL and CBOL Cost Data, historical (2022)	COS1-(H)
2.	CL and CBOL Cost Data, prospective (2023/2024)	COS1-(P)
3.	CL Demand and Revenues - MOU, lines, and revenues, historical and prospective	DMD-3
4.	Access Rate Analysis - End User Common Line, historical and prospective	RTE-1
5.	Annualized Access Priceout Comparison – CL revenues, historical and prospective	RTE-2
6.	Rate of Return Comparison - CL earnings, historical and prospective	ERN-1
7.	Demand and Rate Reconciliation - CL revenue reconciliation, prospective	REV-1
8.	Test Period Revenues CL, prospective	REV-2

A. COMMON LINE COST DATA

Monthly settlements data, completed 2021 cost studies and forecast data served as the basis for determining costs and revenues. Data represent expected historical and prospective cost information for 2023/2024 test period CL pool participants. Adjustments were made to NECA's TRP forms to reflect the following NECA-specific items:

- NECA administrative expenses for the PYCOS and test periods are reported on Line 263.
- For the PYCOS period, Average Schedule settlements are reported on Line 264 using the schedules in effect on July 1, 2022 for calendar year 2022.
- For the test period, Average Schedule settlements are reported on Line 264 using the schedules specified in the *2023 Modification of Average Schedules*.
- CAF BLS Voice is reported on Line 130.
- CAF BLS Broadband-only is reported on Line 135.
- Universal Service Contributions are reported on Line 215.
- Adjustments for Line Port are reported on Line 261.
- Adjustments for TIC are reported on Line 262.

B. ACCESS DEMAND - COMMON LINE ACCESS LINES

Historical line counts and revenues in the DMD3 chart were developed from the March 2023 view of 2022 pool data for NECA's test period CL pool members and line count submissions obtained from NECA's Annual Forecast Line Count Data Request. Projected demand quantities are discussed in Volume 3.

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Section 3

NECA's TRAFFIC SENSITIVE POOL

This section references TRP forms displaying PYCOS and test period data for NECA's TS Pool. It is divided into eight subsections to meet TRP filing requirements. These subsections are:

	<u>Description</u>	<u>Table</u>
1.	TS Cost Data, historical (2022)	COS-1(H)
2.	TS Cost Data, prospective (2023/2024)	COS-1(P)
3.	TS Special Access Demand Comparison, historical and prospective	DMD-2
4.	Access Rate Analysis – Special Access, historical and prospective	RTE-1
5.	Annualized Access Priceout Comparison – TS revenues, historical and prospective	RTE-2
6.	Rate of Return Comparison - TS earnings, historical and prospective	ERN-1
7.	Demand and Rate Reconciliation - TS revenue reconciliation, prospective	REV-1
8.	Test Period Revenues – TS, prospective	REV-2

A. TRAFFIC SENSITIVE COST DATA

Data represent expected historical and prospective cost information for 2023/2024 test period TS pool participants. Adjustments were made to NECA's legacy TRP forms to reflect the freezing of switched access revenue requirements at the 2011/2012 test period levels and a reduction of 5 percent annually consistent with the provisions of the *USF/ICC Transformation Order*.⁶ Additional adjustments were made to NECA's TRP forms to reflect the following NECA-specific items:

- NECA administrative expenses for the PYCOS and test periods are reported on Line 263.
- For the PYCOS period, Average Schedule settlements are reported on Line 264 using the schedules in effect on July 1, 2022 for the full 2022 calendar year.
- For the test period, Average Schedule settlements are reported on Line 264 using the schedules specified in the *2023 Modification of Average Schedules*.
- Special Access adjustments for Line Port are reported on Line 261.
- Special Access adjustments for TIC are reported on Line 262.

B. ACCESS DEMAND -TRAFFIC SENSITIVE MINUTES OF USE

Historical interstate local switching minutes of use (MOU) were developed from the March 2023 view of NECA's settlements database. Historical intrastate switched access terminating MOU and all projected intrastate demand quantities were provided by each carrier in NECA's TS pool in response to the CAF ICC Data Collection as discussed in Volume 3 and Volume 5. All NECA's 2023/2024 TS pool members participated in the data collection.

⁶ *USF/ICC Transformation Order* ¶¶ 39, 851, 899. See also 47 C.F.R. § 51.917.

Details regarding these forecasts are included in Volume 3. Aside from interstate local switching minutes of use, demand associated with interstate switched access rates that are capped per the *USF/ICC Transformation Order* are not displayed.

C. COMPANY-LEVEL TRP

1. CAF ICC

NECA has developed a TRP file at the individual study area level to support proposed Access Recovery Charge (ARC) rates and development of estimated CAF ICC support being provided to USAC. The file contains switched access revenue, demand, and rates for the base period, the 2021/2022 test period which includes the 2019/2020 true-up, the 2022/2023 test period which includes the 2020/2021 true-up, and the 2023/2024 test period which includes the 2021/2022 true-up, as well as Eligible Recovery and estimated CAF ICC support at the study area level for the 2023/2024 test period. Also included are total imputed ARC revenues on broadband-only loops for the 2021/2022, 2022/2023 and 2023/2024 test period.⁷ The file also contains components of the local rate ceiling as well as residential ARC rates and revenue at the local exchange/rate zone level, and single-line and multi-line business ARC rates and revenue at the study area level. The file also contains tabs for implementation of changes in conformance with the *8YY Access Charge Reform Order*.

2. CAF BLS and CBOL

NECA has prepared a TRP file at the individual study area level to support proposed CBOL rates and development of estimated CAF BLS support. The file contains the projected

⁷ See *February 16, 2018 Order* ¶¶ 16, 17.

number of CBOL lines used to determine the test period revenue requirement shifted from special access to the CBOL category. The file also contains the test period special access revenue requirement before and after the CBOL adjustment as well as the net CAF BLS amount, the NECA calculated maximum CBOL rate, the NECA calculated limited CBOL rate⁸ and the tariffed CBOL rate.

D. SPECIAL ACCESS DEMAND COMPARISON

Special access revenues for NECA's TS pool members were projected using forecasting techniques described in Volume 3. These forecasts were then converted into special access demand quantities using company provided rate element level historical and prospective demand quantities priced at current rates.

Historical special access demand quantities were obtained from a sample of NECA's 2023/2024 TS pool members. These historical demand quantities, priced out at current rates, were matched against the historical revenue series for NECA's test period TS pool members to derive historical special access demand. The results are displayed in table DMD-2 of the TRP.

⁸ The limited CBOL rate is based upon CBOL revenue requirement subject to the Corporate Operations Expense and Operating Expense limitations. Volume 4 Section 4 includes further details.