

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

**ACCESS TARIFF REVISIONS
TARIFF F.C.C. NO. 5
TRANSMITTAL NO. 978**

DESCRIPTION AND JUSTIFICATION

The National Exchange Carrier Association, Inc. (NECA) proposes to change its Federal Universal Service Charge (FUSC) rate structure in response to the Commission's *USF Report and Order*¹ and *Second Order on Reconsideration*.²

The new rules prohibit a carrier from recovering from any end user customer an amount larger than the end user's interstate service bill multiplied by the FCC's quarterly universal service contribution factor. Consistent with those rules, NECA proposes to replace its current flat-rate FUSC with a rate that corresponds to the quarterly universal service contribution factor.

In the *Second Order on Reconsideration*, the Commission permitted local exchange carriers to continue to recover certain contribution costs for Centrex customers from all multi-line business customers pending FCC action on petitions for reconsideration of this rule. Though NECA members have petitioned to keep the one-ninth Centrex equivalency ratio, the Order's limitation of the recovery base to multi-line business customers would, if implemented for NECA pool carriers, increase the factor to a prohibitively high level. As a result, NECA declines to exercise this option at this time. This filing does, however, clarify the application of FUSC charges to lifeline customers

¹ Federal-State Joint Board on Universal Service, 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, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Truth-in-Billing and Billing Format, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Report and Order and Second Further Notice of Proposed Rulemaking*, 17 FCC Rcd 24952 (2002)(*USF Report and Order*).

² *Id.*, *Order and Second Order on Reconsideration*, FCC 03-58 (rel. March 14, 2003) (*Second Order on Reconsideration*).

and incorporates a factor that is rounded up to the nearest one-tenth of a percent, as permitted by the Commission's *Second Order on Reconsideration*.

Background

Beginning on April 1, 2003, universal service support contributions “shall be based on contributors’ projected collected end-user telecommunications revenues”³ and “carriers that elect to recover their contribution costs through a separate line item may not mark up the line item above the relevant contribution factor.”⁴ The *Second Order on Reconsideration* waived the “no mark up” requirement to allow local exchange carriers to continue to recover certain contribution costs associated with Centrex lines from all multi-line business customers.⁵ It also granted a petition requesting that contribution factors are to be rounded up to the nearest tenth of a percent.⁶

Proposed Rate Structure

NECA has chosen to set the proposed contribution factor for all end user billed interstate access services⁷ at 0.091, which is the 2nd quarter 2003 contribution factor, rounded up to the nearest tenth of a percent.⁸ NECA does not, at this time, propose a separate higher factor to be applied to multiline business end user common line revenues reflecting the recovery of contribution costs from multiline business customers using the equivalency ratios established for Centrex lines under existing FCC rules.

³ 47 C.F.R. § 54.709(a).

⁴ *USF Report and Order* at ¶ 51.

⁵ *Second Order on Reconsideration* at ¶ 6.

⁶ *Id.* at ¶ 22.

⁷ End users qualifying for support of basic telecommunications services under the Lifeline Assistance program will not be assessed FUSC for such services. *See* NECA Tariff F.C.C. No. 5, § 3.9.

⁸ *See* Proposed Second Quarter 2003 Universal Service Contribution Factor, CC Docket No. 96-45, *Public Notice*, DA 03-689 (rel. Mar 7, 2003) (*Public Notice*) (announcing the proposed universal service contribution factor of 0.090044 for the second quarter of 2003); *See also Second Order on Reconsideration* at ¶ 22 (granting petition for waiver to provide for rounding up of contribution factor).

Conclusion

The proposed tariff revisions comply with the Commission revised rules, as modified by the *Second Order on Reconsideration*, and should accordingly be allowed to go into effect on April 1, 2003, the scheduled date.