

NEVADA BELL TELEPHONE COMPANY
DESCRIPTION AND JUSTIFICATION
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I. INTRODUCTION

On March 17, 2003, NBTC filed tariff revisions that adjusted USF rates due to its Federal Universal Service Fund obligation based on the 2nd quarter, 2003, contribution factor and revisions to the method used to recover its Universal Service Fund (USF) obligation to comply with the Commission's Interim Contribution Methodology Order, released December 13, 2002, and the Second Order on Reconsideration, released March 14, 2003. The filing contained inadvertent errors in the calculation of USF rates for Multi-line business, Private Branch Exchange (PBX), PRI ISDN, and Centrex customers. NBTC is proposing to make revisions to the above mentioned rates.

II. BACKGROUND

In its Interim Contribution Methodology Order, the Commission concluded that “telecommunications carriers may not recover their federal universal service contribution costs through a separate line item that includes a mark up above the relevant contribution factor.”¹ The Commission also concluded that “carriers will still have the flexibility to recover their contribution costs through their end-user rates if they so choose...”². However, the Commission specifically stated “if a carrier chooses to express its federal universal service line-item charge as a flat amount, that amount may not exceed the interstate telecommunications portion of the bill times the relevant contribution factor. In addition, we no longer will permit carriers – whether wireline or wireless – to average

¹ Id, para. 40.

² Id, para. 40.

contributions across all end-user customers when establishing federal universal line-item amounts.”³

On January 29, 2003, SBC Communications, Inc.⁴ filed a Petition for Reconsideration of the Commission’s Interim Contribution Methodology Order requesting that the Commission “defer implementation of this new line item requirement and adopt a transitional requirement that gives carriers that currently assess flat-rate universal service line item charges limited flexibility to average such charges within customer categories (i.e. business and residential customers). On February 6, 2003, SBC also filed a Joint Petition for Waiver with Verizon and BellSouth, which restated SBC’s concerns regarding the Interim Contribution Methodology order and sought to delay the required implementation date of April 1, 2003.

The Commission released its response to SBC’s and other carriers’ petitions in an Order and Second Order on Reconsideration released March 14, 2003. The Commission granted in part provisions included in SBC’s Petition for Reconsideration. Specifically, the Commission will permit carriers to utilize Presubscribed Interexchange Carrier Charge (PICC) ratios for the purpose of recovering the obligation associated with Centrex customers. However, the Commission will permit use of the ratio on a very limited basis and stated that carriers are “permitted to recover a share of their contributions associated with the *subscriber line charge* for a specific Centrex line from their multi-line business customers in a given state” and “average such unrecovered contribution costs across

³ Id, para. 51.

⁴ SBC Communications is the parent company for Nevada Bell Telephone Company.

multi-line business customers.”⁵ With respect to Lifeline customers, the Commission will permit carriers to “recover from Lifeline customers contribution costs associated with the provision of interstate telecommunications services that are not supported by the Commission’s universal service mechanisms.”⁶

NBTC is proposing to incorporate the provisions permitted by the Commission’s Order and Second Order on Reconsideration. NBTC’s charges to recover its USF obligation have been calculated using the method detailed below.

III. CALCULATION OF FEDERAL UNIVERSAL SERVICE FUND CHARGES

To ensure compliance with the Commission’s Interim Contribution Methodology Order, NBTC is proposing to recover its USF obligation associated with switched access services through various flat-rate end user charges. The charges will be assessed with respect to the interstate end user service that generates the USF obligation. NBTC is proposing to assess three general types of USF charges (Basic, Port, and Non-recurring) for switched access customers. NBTC is proposing to recover its Special Access obligation through a percent surcharge.

A. Basic USF Recovery Charges.

These charges will be assessed to switched access lines to recover the USF obligation associated with the assessment of End User Common Line

⁵ Order and Second Order on Reconsideration, para. 3 and 7.

⁶ Id. para. 10.

(EUCL), End User Port charges, and Local Number Portability (LNP) charges.

1. Residential/Single Line Business (SLB)/BRI ISDN

NBTC is proposing to develop the Basic USF charge for residential, single line business, and BRI ISDN customers by adding together EUCL and LNP charges assessed to these customers to obtain the basic interstate end user charges. The total basic interstate end user charges are multiplied by the relevant contribution factor released by the Commission. For example, the EUCL charge for primary residential customers is \$5.37 and the LNP charge is \$.41. Therefore, the Basic USF Recovery charge for primary residential customers will be \$.52 or 9.1% of \$5.78 (\$5.37+\$0.41). The calculation for the Basic FUSF Residential/Single Line Business/BRI rate is demonstrated on *Exhibit 1*.

2. BRI ISDN Port

NBTC is proposing to recover the USF obligation associated with BRI ISDN Port charges as a distinct BRI ISDN Port USF Recovery Charge. For example, the current BRI ISDN port charge is \$3.90. Therefore, the BRI ISDN Port USF recovery charge is \$.35 ($\$3.90 \times 9.1\%$). For billing purposes, the USF recovery charge maybe added to the existing BRI ISDN Port Charge whereby the customer is billed a total of \$4.25 (\$3.90 for the port charge and \$.35 for the USF recovery charge). The

current line-item description will be modified to ensure customers are aware that the line-item includes a mark-up to recover the USF obligation associated with the charge and to ensure compliance with Truth-in-Billing requirements.

3. *Multi-line Business/PRI ISDN/Centrex/PBX*

NBTC is electing to utilize the provisions granted in the Commission's Order and Second Order on Reconsideration regarding Centrex customers. A portion of the unrecovered obligation created from applying the PICC equivalency ratios for Centrex customers will be recovered from Multi-line business customers. However, due to the constraints included in the Commission's Order, NBTC is proposing to average the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers will be assessed the full amount of the obligation associated with their Local Number Portability (LNP) end user surcharges.

NBTC is proposing to determine the basic USF recovery rate for business customers using the method detailed below.

Establish the Basic Multi-line Business Rate

Step 1 – Determine total revenue using access lines as of December 2002 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

Step 2 – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

Step 3 – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of December 2002). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

Step 4 – Add to the Basic MLB rate, all other USF recovery associated with the customer type. For example, an additive is included to the basic MLB rate to recover the obligation associated with the LNP surcharge. The Basic MLB rate to recover the obligation associated with EUCL charges is \$.96. The additive rate for MLB customers to recover the LNP obligation is \$.03. Therefore, the Final Basic MLB rate is \$0.99.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, Centrex, and PBX customers as shown in *Exhibit 2*. The final rates per customer type are detailed on both *Exhibit 1 and Exhibit 2*.

These final rates preclude any recovery necessary from non-recurring interstate end user charges.

B. Other Non-recurring USF Surcharges.

Non-recurring USF surcharges which will be assessed to interstate end user non-recurring charges, which generate a USF obligation. NBTC is proposing to calculate Other Non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. The calculations for these charges are detailed in *Exhibit 1*. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge which generates the obligation. For example, a customer who is assessed the Presubscribed Interexchange Change Charge (PIC Change) will be billed a total of \$5.45 (\$5.00 for the PIC Change charge and \$.45 for the USF recovery charge). The current line-item description will be modified to ensure customers are aware that the line-item includes a mark-up to recover the USF obligation associated with the charge and to ensure compliance with Truth-in-Billing requirements.

NBTC is proposing to assess Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that

generates the obligation. NBTC is also proposing to assess Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

C. Special Access Federal Universe Fund Surcharge

NBTC is proposing to continue to recover its special access end user USF obligation through a percentage-based USF recovery charge applied to interstate end user billed special access revenue. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

IV. RATE IMPACT

The rates NBTC is proposing for the second quarter 2003 are mostly rate increases. The rate increase for some specific customer types is due in part to the revised methodology NBTC adopted in an effort to comply with the Commission's Interim Order and ensure full recovery of its USF obligation. However, the rate increases are also due largely to the significant increase in the contribution factor, up 24% from the factor used during the first quarter of 2003.

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Universal Service Fee (USF) Rate Development

2nd Quarter 2003 Contribution Factor	Source	(A)	(B)	(C=A*B)
	DA 03-689		0.091	
Basic USF Recovery Charge				
<i>Residential / Single-Line Business/ BRI ISDN</i>				USF Charge
End User Common Line Rate		5.37		
LNP End User Surcharge		0.41		
Total Basic Interstate End User Revenue		5.78		0.52
<i>Multi-line Business</i>	Exhibit2			0.99
<i>PBX</i>	Exhibit2			1.29
<i>PRI ISDN</i>	Exhibit2			8.28
<i>CENTREX</i>	Exhibit2			0.14
End User Port USF Recovery Charges				
BRI ISDN		3.90		0.35
Other USF Recovery Charges				
PIC Change Charge		5.00		0.45
International Call Blocking		-		0
900 Call Blocking		13.31		1.21

Universal Service Fee (USF) Rate Development

	Source DA 03-689	(A)	(B) 0.091	(C=A*B) USF Charge
2nd Quarter 2003 Contribution Factor				
Basic USF Recovery Charge for MLB, PRI, & Centrex				
<i>Multi-line Business, PRI ISDN, CENTREX</i>				
<i>Lines as of December 2002</i>				
L1	MLB Lines		51,687	
L2	Centrex lines with less than 9 lines		9,302	
L3	Centrex Systems with less than 9 lines		1,034	
L4	Centrex lines with greater than 9 lines		42,927	
L5	PRI ISDN		109	
	Total		105,059	
L6	End User Common Line Rate		5.89	
L7	MLB	L6*L1	304,436	
L8	PRI ISDN	L6*L5*5	3,216	
L9	Centrex	(L6)*(L2+L4)	307,629	
L10	MLB, PRI ISDN, Centrex Revenue	L7:L9	615,281	
L11	MLB, PRI ISDN, Centrex Obligation	L10*9.1%	55,991	
L12	2002 Billable Lines <i>(Centrex > 9 lines @ 1/9, Centrex Systems <9 lines, &PRI ISDN @5)</i>	L1+L3+(L4/9)+(L5*5)	58,036	
L13	Basic MLB Rate (excluding LNP recovery)	(L11/L12)		0.96
L14	Basic Centrex Rate (excluding LNP recovery)	L13/9		0.11
L15	Basic PRI ISDN Rate (excluding LNP and Port recovery)	L13*5		4.80
L16	Basic MLB USF Recovery	L1*L13	49,620	
L17	Basic Centrex USF Recovery	(L3*L13)+(L4*L14)	5,571	
L18	Basic PRI ISDN USF Recovery	(L5*L15)	524	
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery		55,715	
Additives to the Basic MLB Rate				
<i>Multi-line Business, Centrex</i>				
L20	LNP End User Surcharge		0.41	0.03
<i>PBX</i>				
L21	LNP End User Surcharge		3.69	0.33
<i>PRI ISDN</i>				
L22	LNP End User Surcharge		2.05	
L23	PRI ISDN Port Charge		36.29	
L24	PRI ISDN LNP and Port Recovery	L22+L23	38.34	3.48
Final Basic MLB, PRI ISDN, & Centrex USF Rates				
L25	MLB	L13+L20		0.99
L26	PBX	L13+L21		1.29
L27	PRI ISDN	L15+L24		8.28
L28	Centrex	L14+L20		0.14