NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 996
August 12, 2003

DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

The National Exchange Carrier Association, Inc. proposes to modify its Access Tariff F.C.C. No. 5 to reflect the addition of Local Number Portability (LNP) End User Charges for ETS Telephone Company, Inc. (ETS), which is installing LNP capability in response to a request for local number portability. The capability provided by ETS is consistent with Section 13.14, Local Number Portability, of NECA's Tariff F.C.C. No. 5.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

The demand for LNP-capable access lines, including PRI-ISDN lines, and queried calls were projected over 5 years. In calculating LNP End User Charges, PRI-ISDN lines were assigned a weight of 5. (ETS does not currently have PBX lines; however, a PBX End User rate has been calculated for it, at nine times the End User rate.)

Costs provided by the company include switch upgrade costs for its circuit switch that were required for LNP capability, and projected ongoing charges over 5 years. LNP End User Charges were set to equate the present value of revenues to the present value of cost outlays. Present values of costs were calculated using the authorized rate of return as the cost of money (11.25%) grossed up for the tax rate (35%). The gross discount factor used was 17.31% (i.e. 0.1125*(1+ 0.35/0.65)*100).

The circuit switching costs used in the development of the LNP End User Charges are only those direct costs required to implement LNP. In identifying which of these LNP costs could be included in the rate, ETS used the following test to isolate LNP costs based on the FCC guidelines: (1) the costs would have not been incurred by ETS if number portability were not implemented, and (2) the costs were incurred "for the provision of" number portability. This test reduced the LNP costs that could be

included in the rate to $97,774[1]. This includes the following items: Local Configuration Processing Translation, database engineering for LNP load, additional memory, and miscellaneous LNP consulting charges.

Expenses include projected query charges of approximately $20,000 per year, to be paid by ETS to its query provider, and maintenance costs based on an 8.5% Maintenance Expense factor that was developed using accounting records.

Projected queries for each year were calculated using the projected average daily calls per line of 2.774 (provided by the telephone company). This was multiplied by 30 to get a monthly estimate, and then by 12, to get an annual estimate. This annual estimate was reduced by 12.5%, to exclude revenue requirements associated with toll queries[2]. This toll adjustment factor was developed by taking the total toll calls and dividing them by the number of queries that were billed to ETS during the first calendar quarter of 2003.[3] The adjusted annual estimate was then multiplied by the projected lines for that particular year, to arrive at the projection for queries. Projected queries were then multiplied by the per-query charges to develop the query costs.

The demand, revenue and costs used to develop LNP End User Charges for ETS are detailed in Exhibit 1. (See Exhibit 1 attached.)

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[1] Of the total itemized costs of $157,911, included in the LNP end user rate for the ETS Lucent 5ESS Switch were Local Configuration Processing Translation ($60,000), database engineering for LNP load ($10,000), additional memory ($13,791), and miscellaneous LNP consulting charges. The costs that were incurred to enable LNP capability that were excluded from the LNP end user rate were $60,137, which consisted of $55,555 in Right-To-Use fees for the base 5E15 switch, and $4,582 in associated sales taxes.

[2] The Commission's *LNP Order* specifies that costs incurred to implement and provide ongoing LNP capability are interstate in nature and recoverable via an LNP end user charge. See Telephone Number Portability, CC Docket No. 95-116, *Third Report and Order*, 13 FCC Rcd 11701 ¶¶ 28-29, 135 (1998) (*LNP Order*). NECA accordingly included projected LNP query costs associated with the completion of intrastate toll calls in the development of the rates originally filed under Transmittal No. 993 on July 19, 2003. This filing was subsequently withdrawn prior to its becoming effective after discussions with Commission Staff in which Staff indicated that only projected query costs associated with local calls could be recovered in the LNP end user charge. NECA reserves the right to refile this rate to include toll query costs following further discussion with Commission Staff.

[3] Each call, whether toll or local, that terminates in an LNP capable wire center requires one query. ETS believes the 12.5% factor will either diminish or remain constant over the next five years.

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End User Charge Rate Development

LINE				Year			
		0	**1**	**2**	**3**	**4**	**5**
	Investment						
1	LNP End User Investment	$97,774	$0	$0	$0	$0	$0
2	Present Value Factors	1.0000	0.8525	0.7267	0.6195	0.5281	0.4502
3	Present Value of Investment	$97,774	$0	$0	$0	$0	$0
4	Sum of Present Value of Investment	**$97,774**					
	Expenses						
5	LNP End User Expenses	$0	$21,563	$24,156	$26,587	$29,010	$31,432
6	Present Value of Expenses	$0	$18,382	$17,554	$16,470	$15,319	$14,149
7	Sum of Present Value of Expenses	**$81,875**					
	Access Lines						
8	PBX		0	0	0	0	0
9	ISDN-PRI		20	20	20	20	20
10	Other		7,563	9,047	10,438	11,824	13,210
11	Total Chargeable Lines [1]		7,663	9,147	10,538	11,924	13,310
12	Present Value of Chargeable Lines		6,532	6,647	6,528	6,297	5,992
13	Sum of Present Value of Chargeable Lines	31,996					
14	**LNP End User Basic Charge [2]**	**$0.47**					
15	**LNP End User PRI-ISDN Charge [3]**	**$2.35**					
16	**LNP End User PBX Charge [4]**	**$4.23**					

NOTES
1. Line 11 = (Line 8 * 9) + (Line 9 * 5) + Line 10
2. Line 14 = (Line 4 + Line 7) / Line 13 /12
3. Line 15 = 5 * Line 14
4. Line 16 = 9 * Line 15