

# NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.

## ACCESS TARIFF REVISIONS TARIFF F.C.C. NO. 5 TRANSMITTAL NO. 1002

### **DESCRIPTION AND JUSTIFICATION**

The National Exchange Carrier Association, Inc. (NECA) proposes to decrease its Federal Universal Service Surcharge (FUSC) percentages and optional Multi-line Business End User Common Line (MLB EUCL) FUSC banded percentages in response to the recently published fourth quarter 2003 Universal Service Contribution Factor as described in the Federal Communications Commission's (FCC) September 5, 2003 Public Notice<sup>1</sup>.

#### **Background**

On April 1, 2003 NECA changed its FUSC rate structure from a monthly end user line charge to a percentage surcharge on interstate retail revenue<sup>2</sup> to comply with the Commission's *Second Order on Reconsideration*<sup>3</sup> which prohibits a carrier from

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<sup>1</sup> Proposed Fourth Quarter 2003 Universal Service Contribution Factor, CC Docket No. 96-45, *Public Notice*, DA 03-2833 (rel. Sept. 5, 2003). In this Public Notice, the Wireline Competition Bureau announces the proposed universal service contribution factor for the fourth quarter of 2003 of 9.2%.

<sup>2</sup> National Exchange Carrier Association, Inc., Access Service Tariff F.C.C. No. 5, Transmittal No. 978 (Mar. 17, 2003).

<sup>3</sup> Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 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, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, Truth-in-Billing and Billing Format, CC Docket No. 98-170, *Order and Second Order on Reconsideration*, 18 FCC Rcd 4818 (*Second Order on Reconsideration*).

recovering a FUSC amount larger than the end user's interstate retail revenue multiplied by the FCC's quarterly universal service contribution factor.

The Commission's *Second Order on Reconsideration* granted an interim waiver of section 54.712 (47 C.F.R. § 54.712) to allow local exchange carriers (LECs) that continue to recover contribution costs from Centrex customers using the 1/9 equivalency ratio as allowed by section 69.153 (47 C.F.R. 69.153) to recover remaining contribution costs associated with Centrex customers from multi-line business customers.<sup>4</sup>

On June 1, 2003 NECA introduced MLB EUCL FUSC option rate banding<sup>5</sup>. This is a tiered pricing structure that allows local exchange carriers (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 same tier. Each company opting for MLB EUCL FUSC rate banding was placed in a rate band designed to recover its contribution costs. NECA's optional MLB EUCL FUSC rate banding structure allows pool members to assess a percent surcharge that is consistent with its proportionate number of business Centrex customers compared to total multiline business customers.

## **Proposed Rates**

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 rate banded surcharges are summarized in Table 2:

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<sup>4</sup> *Id.* at ¶3.

<sup>5</sup> National Exchange Carrier Association, Inc., Access Tariff Revisions, Transmittal No. 985, filed May 16, 2003.

**TABLE 1: Federal Universal Service Surcharge**

<u>Current Surcharge</u>	<u>Proposed Surcharge</u>	<u>Percent Change</u>
9.5 %	9.2 %	- 3.2 %

**TABLE 2: Optional MLB EUCL FUSC Band Surcharges**

<u>Band</u>	<u>Current Surcharge</u>	<u>Proposed Surcharge</u>	<u>Percent Change</u>
1	9.8%	9.5%	-3.1%
2	10.1%	9.8%	-3.0%
3	10.6%	10.2%	-3.8%
4	11.3%	10.9%	-3.5%
5	11.8%	11.4%	-3.4%
6	12.7%	12.3%	-3.1%
7	13.4%	13.0%	-3.0%
8	14.5%	14.1%	-2.8%
9	15.1%	14.6%	-3.3%
10	16.9%	16.4%	-3.0%
11	18.4%	17.8%	-3.3%
12	19.4%	18.8%	-3.1%
13	21.3%	20.6%	-3.3%
14	22.7%	22.0%	-3.1%
15	25.8%	25.0%	-3.1%
16	30.3%	29.3%	-3.3%

Exhibit 1 shows the calculation of fourth quarter 2003 and revised 2003-2004 test period Federal Universal Service Support Mechanism (USSM) contribution requirements. The revised test period USSM contribution of \$101.1 M reflects a reduction of \$2.5 M from the July 2003 filed amount of \$103.6 M. The projected fourth quarter 2003 USSM contribution is \$25.0 M (EX 1 Line 3).

Exhibit 2 displays the development of optional MLB EUCL FUSC rate banded percentages. Finally, Exhibit 3 details the projection of fourth quarter 2003 FUSC projected revenue of \$25.0 M to show that NECA's FUSC rates recover an amount consistent with the application of the Commission's contribution factor.

## **Conclusion**

The proposed FUSC surcharges comply with the Commission's rules and should be allowed to become effective on October 1, 2003.

September 16, 2003 NECA Access Charge Filing

Fourth Quarter Contribution Factor Update

Calculation of Federal Universal Service Support Mechanism (USSM) Contribution

EXHIBIT 1

( Unit: \$ Million )

LINE NO	DESCRIPTION	SOURCE / SUMMARY	AMOUNT
1	4Q 2003 USSM Contribution Revenue Base (Projected 4Q 2003 Interstate Retail Revenue) <sup>1</sup>	2003 Annual Filing V2 EX 8 Col C Line 3	\$272.0
2	4Q 2003 Contribution Factor	FCC Public Notice No. DA 03-2833	9.2%
3	4Q 2003 USSM Contribution	Line 1 * Lin 2	\$25.0
4	1Q 2004 to 2Q 2004 USSM Contribution Revenue Base (1Q 2004 - 2Q 2004 Projected Interstate Retail Revenue) <sup>1</sup>	Sum of EX 8 WP 1 Col D Line 4 through Line 5	\$548.3
5	4Q 2003 Contribution Factor	Line 2	9.2%
6	1Q 2004 through 2Q2004 USSM Contributions	Line 4 * Line 5	\$50.4
7	3Q 2003 USSM Contribution	2003 Annual Filing V2 EX 8 Col C: Line 2 * Line 7	\$25.7
8	Updated Total Test Period (3Q 2003 - 2Q 2004) USSM Contribution	Line 3 + Line 6 + Line 7	\$101.1

<sup>1</sup> Beginning April 1, 2003, contributor's USSM contribution revenue base will be contributor's projected collected interstate and international revenues of the quarter. Hence, the 4Q 2003 revenue base is the projected 4Q 2003 interstate and international retail revenue. FCC 02-329 29 and 47 C.F.R. § 54.706 (b)

September 16, 2003 NECA Access Charge Filing  
Fourth Quarter Contribution Factor Update  
Development of Optional Multi-line FUSC Surcharge and Quarterly Revenue

EXHIBIT 2

LINE NO	FUSC BAND	MULTI-LINE REVENUE <sup>1</sup>	BUSINESS CENTREX REVENUE <sup>1</sup>	BAND MULTI-LINE FUSC % <sup>2</sup>	4Q 2003 PROJECTED FUSC  ( D ) = ( ( A - B ) + B / 9 ) * C * ( Annual Filing V2 W8 Col C: Line 2 / Line 6)
		( A )	( B )	( C )	
1	1	\$795,999	\$25,982	9.5%	\$18,218
2	2	\$705,237	\$49,354	9.8%	\$16,082
3	3	\$2,150,208	\$241,628	10.2%	\$48,982
4	4	\$390,569	\$68,731	10.9%	\$8,911
5	5	\$1,727,698	\$376,592	11.4%	\$39,401
6	6	\$2,635,943	\$752,714	12.3%	\$60,026
7	7	\$123,430	\$40,741	13.0%	\$2,813
8	8	\$1,225,609	\$477,146	14.1%	\$28,040
9	9	\$236,806	\$99,030	14.6%	\$5,390
10	10	\$1,066,295	\$525,372	16.4%	\$24,386
11	11	\$287,429	\$156,255	17.8%	\$6,560
12	12 <sup>3</sup>	\$0	\$0	18.8%	\$0
13	13	\$431,047	\$268,319	20.6%	\$9,841
14	14	\$636,752	\$416,465	22.0%	\$14,551
15	15	\$2,450,523	\$1,743,142	25.0%	\$55,893
16	16	\$218,796	\$168,964	29.3%	\$4,988
17	TOTAL	\$15,082,341	\$5,410,435		\$344,082

1 2003 Annual filing V4 EX6 Col A and Col B

2 The following formula is used to calculate FUSC % for each band:  
Contribution Factor / ( 1 - 8 / 9 \* (business Centrex Rev / MLB Rev )

3 Due to zero MLB Rev FUSC % is calculated as  
Contribution Factor / ( 1 - 8 / 9 \* (0.55+0.60)/2 )

September 16, 2003 NECA Access Charge Filing  
Fourth Quarter Contribution Factor Update  
Development of 4TH Quarter 2003 Federal Universal Service Charge Revenue  
( Unit: \$ Million )

EXHIBIT 3

LINE NO.	ITEM	SOURCE	AMOUNT (Million)
1	4Q 2003 Projected CL Revenue from RES/SLB, ISDN, and SAS	Price Out of forecasts in Annual Filing V3 Appendix A	\$227.0
2	4Q 2003 Projected Non-Banded MLB Revenue	2003 Annual Filing: V4 EX 7 Line 2 * (V2 EX 8 Col C: Line 2 / Line 6)	\$14.9
3	4Q 2003 Projected Special Access Retail Revenue	2003 Annual Filing: V2 EX 8 COL B Line 3	\$26.3
4	Projected Retail Revenue Excluding Banded MLB Revenue	Line 1 + Line 2 + Line 3	\$268.3
5	FUSC Surcharge	FCC Public Notice No. DA 03-2833	9.2%
6	Projected FUSC Surcharge from Non-Banded MLB Revenue	Line 4 * line 5	\$24.7
7	Projected FUSC Surcharge from Banded MLB Revenue	EX 2 COL D Line 17/1000000	\$0.3
8	4Q 2003 Total Projected Test Period FUSC Surcharge	Line 6 + Line 7	\$25.0