NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1019
March 17, 2004

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 Commonwealth Telephone Company (Commonwealth), which has received a bonafide request for number portability. The services provided by Commonwealth are consistent with Section 13.14, Local Number Portability Services, of NECA's Tariff F.C.C. No. 5.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

The demand for LNP capable access lines, including PBX trunks and 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 five, and PBX trunks were assigned a weight of nine.

Costs provided by the company include switch upgrade costs 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 total costs were obtained using a discount factor of 15.21%, which is the after-tax cost of money (11.25%) grossed up for the tax rate (35%). This gross-up is only applied to the equity portion of the cost of money, because the debt portion is already tax-deductible, but the equity portion is taxable.

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, the company used two criteria to isolate LNP costs, based on the FCC guidelines: (1) the costs would not have been incurred by the telephone company if number portability was not implemented, and (2) the costs were incurred "for the provision of" number portability. Using these criteria yielded an investment amount of $872,862 for eleven wire centers. This amount includes switch manufacturer LNP software costs for the addition of the LNP00100 and LNP00200 software packages.

Expenses recovered by the End User Charge range from $186,000 to $246,000 per year, and fall into two categories: a) projected charges to be paid to the query provider

for queries that the telephone company initiates in its capacity as an N-1 carrier, and b) database administrator charges, and training, planning, and programming costs. Query expenses are only for queries necessary to complete local and Extended Area Service (EAS) calls originated from the company's end users. End user query expenses were obtained by multiplying query projections by the per query rate, paid by the telephone company to its query provider.

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

Local Number Portability - Commonwealth Telephone Company **EXHIBIT 1**

March 17, 2004

End User Charge Rate Development

LINE			Year				
		0	**1**	**2**	**3**	**4**	**5**
	Investment						
1	LNP End User Investment	$872,862	$0	$0	$0	$0	$0
2	Present Value Factors	1.0000	0.8680	0.7534	0.6539	0.5676	0.4927
3	Present Value of Investment	$872,862	$0	$0	$0	$0	$0
4	Sum of Present Value of Investment	**$872,862**					
	Expenses						
5	LNP End User Expenses	$246,576	$186,000	$190,200	$194,505	$198,917	$203,440
6	Present Value of Expenses	$246,576	$161,444	$143,295	$127,192	$112,904	$100,227
7	Sum of Present Value of Expenses	**$891,639**					
	Access Lines						
8	PBX		2,174	2,174	2,174	2,174	2,174
9	ISDN-PRI		69	71	73	75	77
10	Other		327,054	326,972	326,980	326,808	326,726
11	Total Chargeable Lines [1]		346,965	346,893	346,911	346,749	346,677
12	Present Value of Chargeable Lines		301,159	261,346	226,855	196,813	170,795
13	Sum of Present Value of Chargeable Lines	1,156,967					

14	**LNP End User Basic Charge [2]**	**$0.13**
15	**LNP End User PRI-ISDN Charge [3]**	**$0.65**
16	**LNP End User PBX Charge [4]**	**$1.17**

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 14