

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF FCC NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1051
December 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) charges for Newport Telephone Company, Inc. (Newport), which has received a bonafide request for number portability. The services provided by Newport 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 and queried calls were projected over five years. Newport does not currently have PBX or ISDN-PRI lines; however, a PBX End User Charge and a ISDN-PRI End User Charge have been calculated for it, at nine times and five times the End User Charge, respectively.

Costs provided by the company include switch upgrade investments required to support wireline and wireless LNP capability, and projected ongoing expenses over five 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 companies 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 \$16,367. This amount includes switch manufacturer LNP switch upgrade and translation costs.

Beginning year one, expenses recovered by the End User Charge range from \$2,000 to \$2,530 per year, and fall into the following 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, b) training costs, c) operating support system expenses for service order administration, d) LERG updates, e) testing, and f) bill insert notification. 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 1A. (See Exhibit 1A attached.)

Allocation of investments and expenses to the LNP Query Service Charge are based on the ratio of N-1 queries to total queries. Expenses include charges for queries performed on behalf of N-1 carriers. Demand for LNP Query Service is the total projected demand for prearranged and default N-1 queries. The development of the Query Service Charge is detailed in Exhibit 1B. (See Exhibit 1B attached.)

A one time LNP Order Charge (per order) applies to N-1 carriers who prearrange to have the Telephone Company perform queries on their behalf. Cost support for the LNP Order Charge is shown in Exhibit 1C. (See Exhibit 1C attached.)

A one time LNP Billing Charge (per account) applies to N-1 carriers who terminate non-queried traffic in the Telephone Company's network and have not prearranged with the Telephone Company to perform LNP queries. Cost support for the LNP Billing Charge is shown in Exhibit 1C. (See Exhibit 1C attached.)

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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) charges for Wittenberg Telephone Company (Wittenberg), which has received a bonafide request for number portability. The services provided by Wittenberg 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 and queried calls were projected over five years. Wittenberg does not currently have PBX or ISDN-PRI lines; however, a PBX End User Charge and a ISDN-PRI End User Charge have been calculated for it, at nine times and five times the End User Charge, respectively.

Costs provided by the company include switch upgrade investment required to support wireline and wireless LNP capability, and projected ongoing expenses over five 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 companies 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 \$21,300. This amount includes switch manufacturer LNP switch upgrade and translation costs.

Beginning year one, expenses recovered by the End User Charge range from \$2,700 to \$4,000 per year, and fall into the following 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, b) regional database administrator charges, c) training costs, d) operating support system expenses for service order administration, e) internal administration charges, and f) intercarrier testing. 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 2A. (See Exhibit 2A attached.)

Local Number Portability - Newport Telephone Company, Inc.

EXHIBIT 1A

December 17, 2004

End User Charge Rate Development

LINE		0	1	2	3	4	5
				Year			
	Investment						
1	LNP End User Investment	\$16,367	\$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	\$16,367	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$16,367					
	Expenses						
5	LNP End User Expenses	\$7,426	\$2,412	\$2,450	\$2,489	\$2,528	\$2,061
6	Present Value of Expenses	\$7,426	\$2,093	\$1,846	\$1,628	\$1,435	\$1,016
7	Sum of Present Value of Expenses	\$15,444					
	Access Lines						
8	PBX		0	0	0	0	0
9	ISDN-PRI		0	0	0	0	0
10	Other		3,543	3,514	3,485	3,456	3,427
11	Total Chargeable Lines ¹		3,543	3,514	3,485	3,456	3,427
12	Present Value of Chargeable Lines		3,075	2,647	2,279	1,962	1,688
13	Sum of Present Value of Chargeable Lines	11,652					
14	LNP End User Basic Charge ²	\$0.23					
15	LNP End User ISDN-PRI Charge ³	\$1.15					
16	LNP End User PBX Charge ⁴	\$2.07					

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

Local Number Portability - Newport Telephone Company, Inc.

EXHIBIT 1B

December 17, 2004

Query Charge Rate Development

LINE		0	1	Year 2	3	4	5
	Investment						
1	LNP Query Investment	\$13	\$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	\$13	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$13					
	Expenses						
5	LNP Query Expenses	\$5	\$1	\$2	\$2	\$2	\$2
6	Present Value of Expenses	\$5	\$1	\$1	\$1	\$1	\$1
7	Sum of Present Value of Expenses	\$10					
8	Queries		2,400	2,400	2,400	2,400	2,400
9	Present Value of Queries		2,083	1,808	1,569	1,362	1,182
10	Sum of Present Value of Queries	8,005					
11	LNP Query Charge ¹	\$0.0029					

NOTES

1. Line 11 = (Line 4 + Line 7) / Line 10

Local Number Portability - Newport Telephone Company, Inc.

EXHIBIT 1C

December 17, 2004

Order & Billing Charge Rate Development

LNP ORDER CHARGE

Activity	Time Required (Hours)	Labor Rate (\$/hour)	Labor Cost
LNP Query Service Order is Logged in	0.50	\$30.00	\$15.00
Order Validity Check	0.50	\$30.00	\$15.00
Input Order to System	1.00	\$30.00	\$30.00
Distribute Order to Work Groups	0.50	\$30.00	\$15.00
Completion Information Received	0.75	\$30.00	\$22.50
Update Customer Service Records	0.50	\$30.00	\$15.00
Process Bill	0.75	\$30.00	\$22.50
Issue Bill	0.75	\$30.00	\$22.50
Total Cost for Orders			\$157.50

Order Charge, per Order	\$158.00
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LNP BILLING CHARGE

Investigate N-1 Carrier Identity	4.25	\$47.00	\$199.75
Establish LNP Query Service Account	0.75	\$30.00	\$22.50
Issue Initial LNP Query Service Bill	0.75	\$30.00	\$22.50
Total Cost for Orders			\$244.75

Billing Charge, per Account	\$245.00
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Local Number Portability - Wittenberg Telephone Company

EXHIBIT 2A

December 17, 2004

End User Charge Rate Development

LINE		0	1	2	3	4	5
	Investment						
1	LNP End User Investment	\$21,300	\$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	\$21,300	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$21,300					
	Expenses						
5	LNP End User Expenses	\$4,808	\$2,748	\$3,018	\$3,383	\$3,843	\$3,910
6	Present Value of Expenses	\$4,808	\$2,385	\$2,274	\$2,212	\$2,181	\$1,926
7	Sum of Present Value of Expenses	\$15,787					
	Access Lines						
8	PBX		0	0	0	0	0
9	ISDN-PRI		0	0	0	0	0
10	Other		2,600	2,597	2,594	2,590	2,585
11	Total Chargeable Lines ¹		2,600	2,597	2,594	2,590	2,585
12	Present Value of Chargeable Lines		2,257	1,957	1,696	1,470	1,274
13	Sum of Present Value of Chargeable Lines	8,653					
14	LNP End User Basic Charge ²	\$0.36					
15	LNP End User ISDN-PRI Charge ³	\$1.80					
16	LNP End User PBX Charge ⁴	\$3.24					

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