

Nevada Bell Telephone Company (NBTC)
Service Provider Number Portability (SPNP) End User Charge
DESCRIPTION AND JUSTIFICATION
FCC No. 1, Transmittal No. 100
March 17, 2005

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1. Introduction

Nevada Bell Telephone Company (NBTC) is proposing the following with this filing:

- Continue to assess the Service Provider Number Portability (SPNP) end user charge consistent with the Commission's Telephone Number Portability Order¹,
- Revise Universal Service Fund (USF) recovery charges billed to residential and business customers to reflect the decrease of SPNP recovery charges,
- Revise USF recovery charges billed to residential and business customers to reflect the new USF contribution factor used to calculate NBTC's 2nd quarter 2005 USF assessment,
- Change tariff language in NBTC's Access Tariff FCC No.1, Section 4.6.1 (5) to clarify that monthly reoccurring USF recovery charges are assessed on surcharges other than those described in Section 4, and
- Change tariff language in NBTC's Access Tariff FCC No.1, Section 4 to correct references to other sections within the tariff.

2. Service Provider Number Portability (SPNP) End User Charge

In the Telephone Number Portability Order, the Commission waived the rule that limits the period over which carrier-specific costs of implementing local number portability (LNP) may be recovered. In addition, the Commission concluded that Local Exchange Carriers (LECs) are permitted to recover costs incurred associated with implementing intermodal LNP, to the extent such costs were not included in a LEC's already-filed LNP cost recovery tariffs, through the assessment of an end-user charge. NBTC originally introduced its Service Provider Number Portability (SPNP) end user charge in Transmittal Number 277, which was scheduled to become effective September 11, 1999. However, the actual effective date was deferred to October 9, 1999, due to revisions

completed in the submission of Transmittal 279. Although the filing effective date was October 9, 1999, NBTC did not begin to assess customers the SPNP charge until April 1, 2000. Pursuant to the Commission's Telephone Number Portability Third Report and Order², Local Exchange Carriers (LECs) were permitted the recovery of SPNP costs through assessment of an end-user charge limited to a 60-month recovery period. However, in the Telephone Number Portability Order¹, the Commission waived the rule that limits the period over which carrier-specific costs of implementing local number portability could be recovered. Pursuant to this Order, NBTC proposes in this filing to continue the assessment of SPNP rates for a three-month period, April 1, 2005 – June 30, 2005, to recover its intermodal related costs. SPNP query charges assessed to carriers are not impacted.

3. Federal Universal Service Fund Adjustments

The 2nd quarter 2005 contribution factor, 11.1%, is provided in the Commission's Public Notice, DA 05-648, released March 10, 2005. Recovery of this contribution is allowable pursuant to C.F.R. 69.158. The methodology used to calculate end user charges assessed to recover this liability is detailed below.

Calculation of the Federal Universal Service Fund Flat Rate End User Charge

To ensure compliance with the Commission's *Interim Contribution Methodology Order*, NBTC recovers its USF obligation associated with switched access services through

¹ *Telephone Number Portability*, CC Docket No. 95-116, released April 13, 2004.

² i.d.

various flat-rate end user charges³. The charges are assessed with respect to the interstate end user service that generates the USF obligation. NBTC assesses two general types of USF charges (Basic and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on **Exhibit 1 and Exhibit 2**.

Basic USF Recovery Charges

These charges are assessed to switched access lines, to recover the USF obligation associated with the assessment of End User Common Line (EUCL), End User Port charges, and Service Provider Number Portability (SPNP) charges.

1. Residential/Single Line Business (SLB)

NBTC develops the Basic USF charge for residential and single line business customers by adding together EUCL and SPNP 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. The calculation for the Basic FUSF Residential/Single Line Business rate is demonstrated on **Exhibit 1**.

2. BRI ISDN

NBTC develops the Basic USF charge for BRI ISDN and BRI ISDN Port customers by adding together EUCL, BRI ISDN / Centrex Port charges and SPNP charges assessed to

³See Federal-State Joint Board on Universal Service, 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, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116,, 98-170, Report and Order and Second Further Notice of Proposed Rule Making, 17FCC RCD 24952 (2202) (Interim Contribution Methodology Order).

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. The calculation for the Basic FUSF BRI ISDN rate is demonstrated on **Exhibit 1.**

3. Multi-line Business, PRI ISDN, and Centrex

NBTC elected to utilize the provisions granted in the Commission's Order and Second Order on Reconsideration regarding Centrex customers⁴. A portion of the unrecovered obligation created from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's Order, NBTC averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers are assessed the full amount of the obligation associated with their SPNP end user surcharges. NBTC determines the basic USF recovery rate for business customers using the method detailed below.

⁴ See Federal-State Joint Board on Universal Service, 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, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116,, 98-170, Order and Second Order on Reconsideration, FCC 03-58, para. 3(rel.March 14, 2003).

Establish the Basic Multi-line Business Rate

Step 1 – Determine total revenue using access lines as of December 2004 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 2004). 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 SPNP surcharge. Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex 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.

Other Non-recurring USF Surcharges

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. NBTC calculates 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.

NBTC assesses Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. NBTC also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

Other Recurring Federal Universe Fund Surcharges

NBTC will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP) Service) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

4. Tariff Language Changes and Corrections

NBTC's TIPToP service offers the providers of Internet Protocol (IP) enabled voice information services that use the TIPToP service (TIPToP Customers) the capability to connect traffic from IP enabled voice information service users (IPVIS User) to Telephone Company End Users, or Off Net End Users using Public Switched Telephone Network (PSTN) based voice services via end offices or tandems subtended by the Telephone Company Access Tandems. NBTC's TipTop USF liability is recovered directly from End User TipTop customers through a percentage-based, monthly USF

recovery charge set equal to the Commission's contribution factor released via Public Notice. This factor will be assessed to the end user's monthly, billing account level, TipTop service charges. The end user surcharge factor is now reflected in tariff changes detailed in NBTC's Access Tariff FCC No.1, Section 4.6.1 (5), and titled *Other Recurring FUSF Charges*.

With this filing, NBTC also includes tariff corrections to Section 4 to correct references to other sections within the tariff.

5. Service Provider Number Portability (SPNP) Cost Support Methodology

Purpose

The purpose of this cost study is to identify the incremental cost incurred by NBTC to implement intermodal Local Number Portability (LNP). The cost study identifies all Recurring and Non-recurring costs and Capital expenditures associated with intermodal LNP. The study period for this cost study is October 2002 through September 2007.

Service Description

Intermodal LNP builds upon the existing Local Number Portability (LNP) infrastructure to allow customers to retain their telephone number when switching wireless service providers and when switching between wireline and wireless service. LNP was mandated by the FCC in their Second Report and Order in the matter of Telephone Number Portability, FCC 97-289, CC Docket No. 95-116. The purpose of LNP is to enhance competition by allowing customers to retain their telephone number when

changing service providers. Intermodal LNP expands this competition to customers of wireless service, and allows customers to switch between wireless and wireline service providers.

Rate Element Descriptions

Nevada Bell Telephone Company proposes an intermodal LNP end-user charge collected over a three-month period.

Option	NBTC
3 Month End User Charge	\$.19

Cost Methodology

The cost methodology used in this cost study is the Long Run Incremental Costs (LRIC) of provisioning intermodal LNP. All costs included in the study would not have been incurred but for the implementation of intermodal LNP. In the FCC's Third Report and Order they divided the costs produced by number portability into three categories 1) shared costs 2) carrier specific costs directly related to providing number portability and 3) carrier specific not directly related to providing number portability.

Shared Costs

Shared costs are defined as "costs incurred by the industry as a whole, such as those incurred by the third party administrator (Neustar) to build, operate, and maintain the databases needed to provide number portability." NBTC has included its portion of the industry shared costs in our cost study.

Carrier Specific Costs

Carrier specific costs directly related to providing wireless number portability are “costs carriers incur specifically in the provision of number portability services, such as the porting of telephone numbers from one carrier to another”. The FCC found that carrier specific costs should not include costs that a carrier incurs as an incidental consequence of number portability. NBTC has not included any incidental costs not directly associated with the provisioning of intermodal LNP in our cost study.

Classifications of Costs

NBTC’s cost study includes the following classifications of intermodal LNP costs: 1) Start-up 2) Non-recurring 3) Recurring and 4) Capital.

Start-up Costs

These costs include labor hours spent by the LNP Product Team discussing issues related to the implementation of intermodal LNP, developing various Methods and Procedures to handle intermodal LNP service order requests, writing technical requirements, updating and testing NBTC’s current operating systems to accept intermodal LNP service orders.

Non-Recurring Costs

These costs include porting charges SBC pays the third party administrator (Neustar) for maintaining its regional databases needed to provide number portability. All porting activity is sent to Neustar which maintains seven regional databases throughout the

country. These databases are used to transmit data to the various ILEC Signal Transfer Points (STPs) which is part of the Signaling System 7 (SS7) network. The SS7 network, which is responsible for routing calls through the Public Switched Telephone Network (PSTN), needs this information in order to properly route a call to the appropriate carrier and end office switch. NBTC pays for approximately .5% of the West Coast regions total porting volumes. This is based on SBC's percentage of total revenues in that region. These costs make up the bulk of SBC's LNP direct costs. Also included in SBC's non-recurring costs are the labor hours spent by SBC personnel in our Local Service Centers (LSC) to administer LNP Service Order Requests that "fall out" of SBC's automated ordering system and have to be administered manually.

LNP System "Fall Out"

Order "fall out" is caused by system incompatibilities between the Wireless Service Provider's (WSPs) ordering systems, Neustar (the 3rd party vendor contracted by the WSPs to prepare their LSRs) and SBC's LSR system. Under the current arrangement, each WSP sends its porting information to Neustar, who is responsible for converting the data received from the WSP and preparing the LSR that is ultimately sent to SBC.

Often the data that is transmitted to Neustar is either not in the same format as an LSR or does not contain all of the proper information needed to complete an LSR. When Neustar tries to convert the data into an LSR, the result is an incomplete LSR that "falls out" once it engages the SBC's LSR system, thus, requiring manual handling by SBC personnel.

The following is a partial list of the types of system errors that cause LSRs to “fall out” due to this system incompatibility issue (hereafter referred to as “**system incompatibility caused fall-outs**”):

- Incomplete data fields;
- Typos in the telephone number field;
- Multiple LSRs received from the WSP to port out the same telephone number on the same due date;
- Requested due date already passed.

In addition to the “system incompatibility caused fall-outs”, mentioned above, other instances disallow an LSR to be processed through SBC’s mechanized system and will always likely involve manual intervention. Because of the circumstances surrounding these orders, the following items cannot be incorporated into SBC’s mechanized systems and will always have to be processed manually (hereafter referred to as “**non-system caused fall-outs**”):

- Partial Migration (whereby a customer has multiple numbers on their account but elects to only port one of those numbers to a wireless carrier);
- Complex Service (whereby a customer has multiple types of services tied to their account.)
- WSP requests to port a telephone number that is not found in SBC’s database, that has been disconnected or suspended for non-payment,
- The WSP does not elect to establish electronic interface ordering with SBC,
- The customer has high speed internet service (i.e. Line Sharing), and then SBC is required to notify the data service provider for disposition of the data line before the port can occur.
- The telephone numbers requested to port out is not in SBC’s territory. (Although this number does not belong to SBC, the LSC personnel still have to manually research the LSR to determine the reason for the fall out. If this is determined to be the reason, then the LSC personnel will reject the LSR order and return it to the WSP with the reason for the rejection and identify for Neustar the correct ILEC for this particular LSR.

Although this does not occur often, SBC has experienced a few of these examples over the past several months.)

SBC's "Fall Out" percentages are based on actual experience levels through January 2005 and reflect SBC's best estimate as to what they will be in the future.

The "fall out" percentages are based on a mix of the two fall-out categories previously mentioned. Typically, the regions with the higher "fall out" percentages are those regions with the higher mix of "non-system caused fall-outs." For example, in the Pacific Bell region, SBC receives a greater proportion of LSRs that involve Partial Migrations or Complex Services, as described above, compared to the Ameritech and Southwestern Bell regions. Thus, it is not unexpected that there would be some variation in the "fall out" rates experienced among the SBC's regions.

Although SBC has incorporated improvement in the fall out percentage over the five-year cost study, the overall fallout percentage remains fairly constant. The reasons why SBC proposes to maintain a consistent "fall out" percentages throughout its cost study period are:

- 1) it is impossible to predict, over the five year cost study period, the mix of LSRs that will "fall out" between the two fall-outs categories (system incompatibility caused fall-outs v. non-system caused fallouts); and,
- 2) SBC does not control what systems other carriers, particularly the WSPs, and their selected vendors, such as Neustar, elect to utilize.

Although SBC has a vested interest in reducing the “fall out” percentage, SBC does not have a direct relationship with the vendors the WSPs have contracted to process their respective LSRs. SBC has provided, and continues to provide, additional information to the WSP-selected vendors further explaining appropriate porting ordering requirements, but SBC cannot require the vendors to adopt its recommended changes that would otherwise improve SBC’s experienced fall-out rates to date. The WSPs are the only entities that have the necessary authority and control to specify the business requirements used by their vendors to change existing WSP- selected system interfaces.

As has been SBC’s experience to date, the WSPs are reluctant to spend additional funds to modify their current ordering systems. Therefore, the system errors continue to occur at the rates specified in the cost study. Under the current system, all LSRs are being processed even though it may take additional time for the ILECs to process the orders manually. However, the orders still get processed and the telephone number gets ported once any errors are corrected.

All additional costs of manually processing the orders are being absorbed by the ILECs. SBC believes there to be little incentive for the WSPs to spend any additional money to improve the system incompatibility issue discussed above because there is no additional direct cost to the WSPs to have the ILECs manually process orders as needed. For these reasons, the system incompatibility issue is likely to continue for some time.

Even if or when this problem is addressed in full or in part, there will continue to be the second category of fall-out that will occur (non-system caused fall-outs) and which will require manual processing by SBC. In fact, it is SBC's expectation that the number of LSRs anticipated to fall-out due to non-system caused reasons may increase in the future as customers sign up for more complex services and WSPs continue to target customer's additional lines for porting to wireless numbers (Partial Migration).

Given SBC's current experience with "fall out" percentages and the fact that there continues to be much uncertainty with regards to the future mix of LSR orders, SBC believes that the "fall out" percentages used in the cost studies reflect a reasonable estimate as to what the "fall out" percentage will be over its cost study period. SBC's cost studies only include "fall out" costs for the period December 2002 thru September 2007.

Recurring Costs

These costs include maintaining and adding additional capacity (i.e.: software) to NBTC's existing STPs. The STPs have a limited amount of records (6 million) that can be stored in them before they need to be upgraded. Each time a number is ported, it requires the use of one of these records. Based on the forecast of intermodal LNP activity over the next five years NBTC's STP will not have enough capacity on them to handle all of the additional records that will be required because of intermodal LNP. Therefore, NBTC has to add capacity to the STPs in order to keep the network operating

efficiently. If it were not for intermodal LNP, none of the upgrades included in the cost study would be necessary. Therefore, they are considered a direct cost of intermodal LNP.

Capital

These costs include development of software systems to support ordering and provisioning of numbers ported to and from Wireless Service Providers.

Cost Development

Non-recurring Costs

Generally, Nonrecurring costs are calculated by multiplying forward-looking activity times and probabilities of occurrence by appropriate labor rates. This calculation is performed for every workgroup and activity that is required to provision intermodal LNP.

The calculation is detailed below:

Unit Resource		Resource		Activity		Workgroup		Total Activity
Cost	X	Driver	X	Occurrence	X	Occurrence	=	Cost
(Labor Rate/Hr)		(# of Hours)		Probability		Probability		
				(0-100%)		(0-100%)		

Forward-looking Activity Times and Probabilities

The activity times required to provision intermodal LNP are obtained from various network organizations. Subject Matter Experts (SMEs) provide detailed activity

descriptions, associated time estimates, and occurrence factors for each activity that is required to provision intermodal LNP.

Occurrence factors address the percent of time each activity is performed. There are two types of occurrence factors: Work Group Occurrence Factor (WGOF) and the Activity Occurrence Factor. The Workgroup Occurrence Factor represents the percentage of time that a workgroup must be involved to provision a cost element. One example of this would be when two different workgroups share responsibility for a similar activity. Another example would be when a workgroup is involved only in certain instances, such as when information has to be handled manually because it cannot be processed manually.

The Activity Occurrence Factor is the percentage of time the specific activity takes place after the WGOF has been considered. In other words, given that a workgroup needs to be involved in provisioning an element, that workgroup may not perform every activity 100% of the time.

The SMEs also specify other information such as the employee title, job function code (JFC), and the state in which the work occurs. All of this information is used to identify the appropriate labor rate to be applied to the provisioning activity times. To ensure that activity times are forward-looking, SMEs are instructed to assume a technically competent and trained employee is efficiently performing the listed activities and to include known process improvements.

Labor Rates

The labor rate represents the cost to NBTC of a single hour of labor. The labor rate is inflated (based on the Consumer Price Index) to each year of the study period to make the labor cost representative of the actual costs NBTC expects to incur in provisioning intermodal LNP.

Inflation Factors

Inflation Factors are utilized to provide costs over a multi-year period. The inflation factors are developed by using the forecast of the Consumer Price Index (CPI). The CPI represents changes in prices of all goods and services purchased for consumption by urban households. User fees (such as water and sewer service), sales, and excise taxes paid by the consumer are also included. Income taxes and investment items (like stocks, bonds, and life insurance) are not included. The CPI-W includes only expenditures by those in hourly wage earning or clerical jobs.

Labor Rate Development Methodology

Labor rates identify the cost to the firm of consuming a particular resource—an hour of labor. Labor rates begin with a basic hourly wage or salary, and then include costs directly caused by labor that are not captured in the basic wage.

These other direct labor costs include:

- break time and/or tour length costs,
- paid absence costs,
- special payments such as team awards and recognition,
- payroll taxes, pension costs, benefit costs,

- Other direct costs such as travel and training, and clerical support and supervision.

Labor rates are developed at the proper level of detail to provide accurate costs for specific activities. First, NBTC looks at specific groups of function codes (which designate a specific job function) or activity codes (which designate a specific job activity). These function/activity codes are part of NBTC's functional accounting system used to report expenses company-wide. For example, 43XX is the group of all wages and expenses charged to function codes or activity codes that begin with "43", which in this example represents Communication Technician functions and activities.

Within the specific group, NBTC develops labor rates by Market Zone (for management employees) or Wage Category (for non-management employees). The Market Zone and Wage Category are specific job classifications that determine how much the company pays for a particular job.

The Labor rates in this study begin with an average wage per hour from payroll records. NBTC derives relationships of expenses to wages, or expenses to hours worked, to develop labor factors or loadings that it then applies to basic wages to produce total hourly labor cost.

Cost Models

Once all of the costs have been determined for each year of the cost study, the dollar amounts are input into the SBC Discounted Cash Flow Financial Model (SBC DCF FM),

Exhibit 6. This model calculates the Net Present Value (NPV), Discounted Payback Period, and Internal Rate of Return and prepares a Cash Flow Statement and Income Statement. We then use the “goal seek” tool in Excel to determine what amount of revenue must be incurred to result in a Discounted Cash Flow amount equal to \$0. The output of the SBC DCF FM model has been included in our cost study.

Access Lines

Total access lines includes lines and trunks for 1) primary residential and business exchange services 2) Centrex type services 3) ISDN BRI and PRI channels 4) PBX trunks 5) Coin lines 6) Resold and Wholesale lines. PBTC then made the same adjustments ordered by the FCC for the billing of intermodal LNP end user line charges. These adjustments consisted of multiplying all ISDN PRI lines by 5 and all PBX and Centrex lines by 9 to account for the fact that NBTC would bill each of these services at 9 times or 5 times the single line rate.

Cost Calculation

The final NPV cost of intermodal LNP, as determined by the SBC DCF FM model, was then divided by the total access line equivalents to determine the actual intermodal LNP end user charge per line.

Cost Study Assumptions

- Long Run Incremental Cost (LRIC) Methodology
- Study period is 2002-2007
- 11.25% Cost of Capital (Based on previous LNP filing submitted, August, 27, 1999 in Transmittal No. 277)
- Common Cost Percentage of 11.67% (Based on previous LNP filing submitted, August, 27, 1999 in Transmittal No. 277)⁵

⁵ This is the same percentage allowed by the FCC in the previous filing (T.N. 277). This percentage was developed using the same methodology used for other SBC companies. We did not recalculate this percentage, but believe it is still valid. In this filing, as in the previous filing, this percentage is also applied to regional Neustar porting costs. This was done in lieu of breaking out the actual expenses for corporate-level employees working with Neustar on porting-related matters. These expenses were included in both the numerator and the denominator of the calculation that produced the incremental common cost percentage. This represents our best estimate of the incremental common costs related to Nevada Bell.

5. Confidential Treatment associated with SPNP Cost Support Methodology

Certain parts of this filing are filed under a request for confidential treatment.

These include:

- **Exhibit 6 – Discounted Cash Flow Financial Model**
- **Exhibit 7 – Cost Summary**
- **Exhibit 8 – Bill of Costs 2002**
- **Exhibit 8.1 – Bill of Costs 2003**
- **Exhibit 8.2 – Bill of Costs 2004**
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- **Exhibit 8.5 – Bill of Costs 2007**
- **Exhibit 10 – Bill of Resource Cost – Labor**

Nevada Bell Telephone Company (NBTC)
Nevada Universal Service Fee (USF) Rate Development
Exhibit 1
March 17, 2005
TR.100

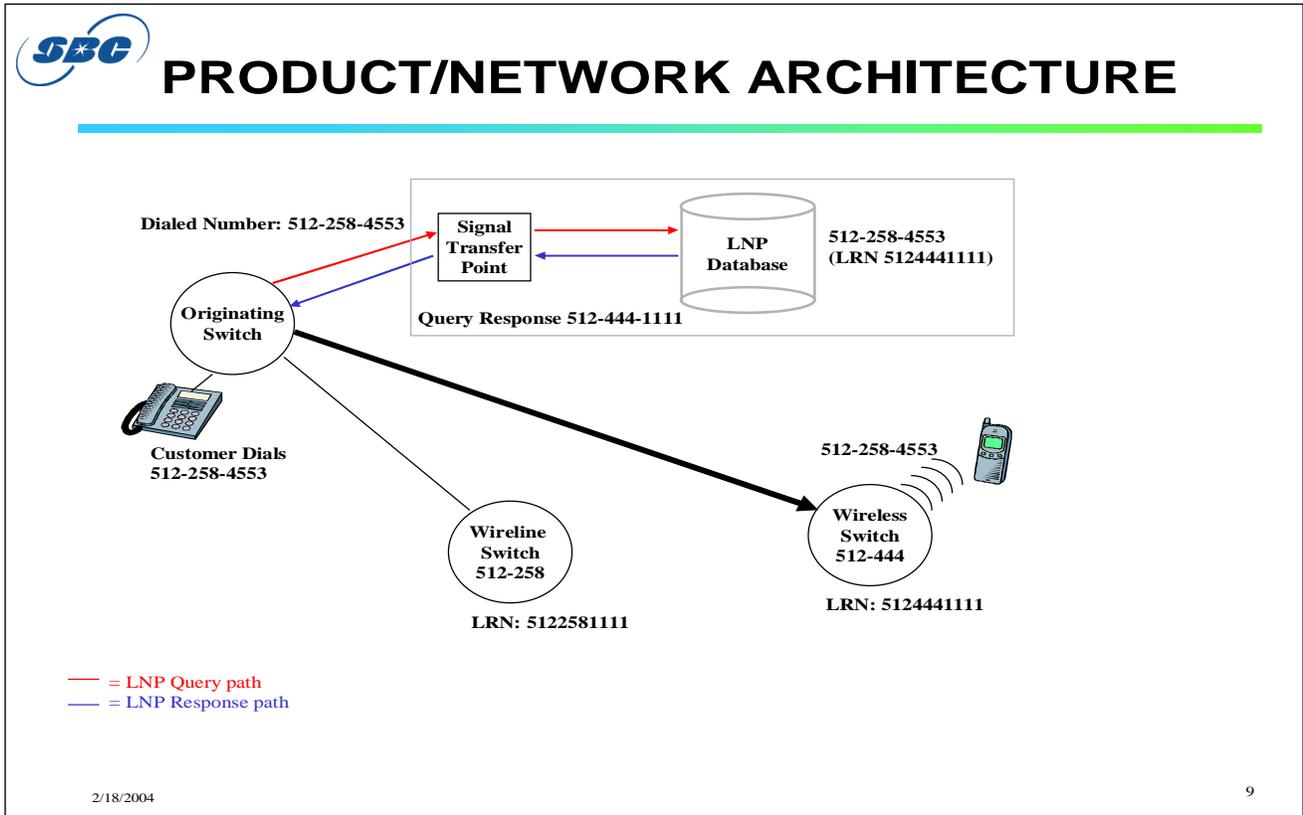
	Source	(A)	(B)	(C=A*B)
2ND Quarter 2005 Contribution Factor	DA 05-648		0.111	
Basic USF Recovery Charge				
Residential / Single-Line Business				
				USF Charge
End User Common Line Rate		5.25		
LNP End User Surcharge		0.19		
Total Basic Interstate End User Revenue		<u>5.44</u>		0.60
BRI ISDN				
				USF Charge
End User Common Line Rate		5.25		
LNP End User Surcharge		0.19		
BRI ISDN Port		3.90		
Total Basic Interstate End User Revenue		<u>9.34</u>		1.03
	Multi-line Business			1.23
	PBX	Exhibit 2		1.39
	PRI ISDN	Exhibit 2		10.18
	CENTREX	Exhibit 2		0.15
Other USF Recovery Charges				
PIC Change Charge		5.00		0.55

Nevada Bell Telephone Company (NBTC)
Nevada Universal Service Fee (USF) Rate Development
Exhibit 2
March 17, 2005
TR.100

2ND Quarter 2005 Contribution Factor		Source DA 05-648	(A)	(B) 0.111	(C=A*B) USF Charge
Basic USF Recovery Charge for MLB, PRI, & Centrex					
Multi-line Business, PRI ISDN, CENTREX					
<i>Lines as of December 2004</i>					
L1	MLB Lines		54,138		
L2	Centrex lines with less than 9 line		11,354		
L3	Centrex Systems with less than 9 line		1,261		
L4	Centrex lines with greater than 9 line		52,401		
L5	PRI ISDN		404		
	Total		119,558		
L6	End User Common Line Rate		5.77		
L7	MLB	L6*L1	312,376		
L8	PRI ISDN	L6*L5*5	11,655		
L9	Centrex	(L6)*(L2+L4)	367,866		
L10	MLB, PRI ISDN, Centrex Revenue	L7:L9	691,898		
L11	MLB, PRI ISDN, Centrex Obligation	L10*11.1%	76,801		
L12	2004 Billable Lines <i>(Centrex > 9 lines @ 1/9, Centrex Systems <9 lines, & PRI ISDN @5)</i>	L1+L3+(L4/9)+(L5*5)	63,242		
L13	Basic MLB Rate (excluding LNP recovery)	(L11/L12)			1.21
L14	Basic Centrex Rate (excluding LNP recovery)	L13/9			0.13
L15	Basic PRI ISDN Rate (excluding LNP and Port recover)	L13*5			6.05
L16	Basic MLB USF Recovery	L1*L13	65,507		
L17	Basic Centrex USF Recovery	(L3*L13)+(L4*L14)	8,338		
L18	Basic PRI ISDN USF Recovery	(L5*L15)	2,444		
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery		76,290		
Additives to the Basic MLB Rate					
Multi-line Business, Centrex					
L20	LNP End User Surcharge		0.19		0.02
PBX					
L21	LNP End User Surcharge		1.71		0.18
PRI ISDN					
L22	LNP End User Surcharge		0.95		
L23	PRI ISDN Port Charge		36.29		
L24	PRI ISDN LNP and Port Recovery	L22+L23	37.24		4.13
Final Basic MLB, PRI ISDN, & Centrex USF Rates					
L25	MLB	L13+L20			1.23
L26	PBX	L13+L21			1.39
L27	PRI ISDN	L15+L24			10.18
L28	Centrex	L14+L20			0.15

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DIAGRAMS



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Rate Element	Cost per Access Line
3 Month LNP Access Line Charge	\$0.19

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Bill of Costs - LNP Line Charge

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Cost Element	NPV of LNP Costs	Access Line Equivalents Apr-05	Access Line Equivalents May-05	Access Line Equivalents Jun-05	Access Line Equivalents Jul-05	Access Line Equivalents Aug-05	Access Line Equivalents Sep-05	LNP Cost Per Access Line (H=A/(Sum B..G))
3 Month LNP Access Line Charge	\$219,392	380,064	378,343	377,285				\$0.19

Source:

1) NPV Costs - DCF Model Results Tab

2) Access Line Equivalents - Access Line Equivalent Tab

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Bill of Costs

Line	Cost Element Activity	Unit Resource Cost	Resource Driver Volume	SBC % of Regional Revenues	Total Activity Cost
1	Total Industry wide Wireless Portings - 2003	\$1.43	1,791,800	0.43%	\$11,018
2	Total 2003 Neustar Costs > SUM LN 1				\$11,018
3	Total Industry wide Wireless Portings - 2004	\$1.08	4,992,645	0.43%	\$23,186
4	Total 2004 Neustar Costs > SUM LN 3				\$23,186
5	Total Industry wide Wireless Portings - 2005	\$1.08	5,765,480	0.43%	\$26,775
6	Total 2005 Neustar Costs > SUM LN 5				\$26,775
7	Total Industry wide Wireless Portings - 2006	\$1.08	6,756,928	0.43%	\$31,379
8	Total 2006 Neustar Costs > SUM LN 7				\$31,379
9	Total Industry wide Wireless Portings - 2007	\$1.08	7,323,072	0.43%	\$34,008
10	Total 2007 Neustar Costs > SUM LN 9				\$34,008

Note: WNP volumes are based on the latest forecast developed by the NPAC Forecasting Group (NFG).

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Description	(A)	(B)	(C) = (A+B)/2	(D)	(E) = (B+D)/2	(F)	(G) = (D+F)/2	(H)	(I) = (F+H)/2	(J)	(K) = (H+J)/2	(L)	(M) = (J+L)/2
	3/31/2005	4/30/2005	Avg in Svc.	5/31/2005	Avg in Svc.	6/30/2005	Avg in Svc.	7/31/2005	Avg in Svc.	8/30/2005	Avg in Svc.	9/31/05	Avg in Svc.
Access Lines													
Retail													
Residential Access Lines	215,911	215,765	215,838	215,343	215,554	214,582	214,963	214,768	214,675	214,621	214,695	214,256	214,439
Residential BRI Channels	-	-	-	-	-	-	-	-	-	-	-	-	-
Business Non-Centrex/Non-PBX	35,748	35,564	35,656	35,338	35,451	35,323	35,331	35,130	35,227	34,876	35,003	34,853	34,865
Centrex	55,371	55,489	55,430	56,023	55,756	56,143	56,083	56,402	56,273	56,738	56,570	56,862	56,800
PBX Trunks	5,798	5,551	5,675	5,492	5,522	5,442	5,467	5,392	5,417	5,333	5,363	5,376	5,355
Business BRI Channels	295	293	294	291	292	289	290	288	289	286	287	284	285
Business PRI Channels	14,715	14,814	14,765	14,914	14,864	15,015	14,965	15,116	15,066	15,218	15,167	15,321	15,270
Public Coin	1,740	1,677	1,709	1,612	1,645	1,546	1,579	1,435	1,491	1,321	1,378	1,208	1,265
Wholesale													
Private Coin	963	927	945	895	911	866	881	913	890	963	938	1,014	989
Residential Access Lines	594	575	585	557	566	537	547	518	528	499	509	481	490
Business Non-Centrex/Non-PBX	259	260	260	261	261	263	262	264	264	266	265	266	266
Centrex	7,939	7,920	7,930	7,902	7,911	7,883	7,893	7,864	7,874	7,845	7,855	7,827	7,836
PBX Trunks	63	62	63	60	61	58	59	57	58	55	56	54	55
Residential BRI Channels	-	-	-	-	-	-	-	-	-	-	-	-	-
Business BRI Channels	-	-	-	-	-	-	-	-	-	-	-	-	-
Business PRI Channels	46	46	46	46	46	46	46	46	46	46	46	46	46
UNE-P	6,727	6,675	6,701	6,623	6,649	6,572	6,598	6,520	6,546	6,469	6,495	6,417	6,443
Total Access Lines	346,169	345,618	345,894	345,357	345,488	344,565	344,961	344,713	344,639	344,536	344,625	344,265	344,401

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Description	(N)	(O) = (C)*(N)	(P) = (E)*(N)	(Q) = (G)*(N)		(R) = (I)*(N)	(S) = (K)*(N)	(T) = (M)*(N)
	Conversion Ratio (2)	4/30/2005	5/31/2005	SBC Access Line Equivalents - Forecasted		7/31/2005	8/30/2005	9/31/05
Access Line Equivalents								
Retail								
Residential Access Lines	1	215,838	215,554	214,963	214,675	214,675	214,695	214,439
Residential BRI Channels	1	-	-	-	-	-	-	-
Business Non-Centrex/Non-PBX	1	35,656	35,451	35,331	35,227	35,227	35,003	34,865
Centrex	1	55,430	55,756	56,083	56,273	56,273	56,570	56,800
PBX Trunks	9	51,071	49,694	49,203	48,753	48,753	48,263	48,191
Business BRI Channels	1	294	292	290	289	289	287	285
Business PRI Channels	0.2083	3,075	3,096	3,117	3,138	3,138	3,159	3,181
Public Coin	1	1,709	1,645	1,579	1,491	1,491	1,378	1,265
Wholesale								
Private Coin	1	945	911	881	890	890	938	989
Residential Access Lines	1	585	566	547	528	528	509	490
Business Non-Centrex/Non-PBX	1	260	261	262	264	264	265	266
Centrex	1	7,930	7,911	7,893	7,874	7,874	7,855	7,836
PBX Trunks	9	563	549	531	518	518	504	491
Residential BRI Channels	1	-	-	-	-	-	-	-
Business BRI Channels	1	-	-	-	-	-	-	-
Business PRI Channels	0.2083	10	10	10	10	10	10	10
UNE-P	1	6,701	6,649	6,598	6,546	6,546	6,495	6,443
Total Access Line Equivalent:		380,064	378,343	377,285	376,471	376,471	375,928	375,547

Notes

- 1) Access line counts per the SBC 1/31/05 Access Line Forecast Report
2) Conversion ratio obtained from the LNP surcharge matrix ordered by the FCC.