

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1070
May 2, 2005

DESCRIPTION AND JUSTIFICATION

1. INTRODUCTION

The National Exchange Carrier Association, Inc. (NECA) proposes to add to its Access Service Tariff F.C.C. No. 5 average Local Number Portability (LNP) End User Charges for the CenturyTel rate-of-return companies participating in NECA's traffic sensitive tariff. Coincident with this filing, CenturyTel will file the identical LNP End User Charges in its Telephone Utilities Exchange Carrier Association (TUECA) Tariff F.C.C. No. 2 and its CenturyTel Operating Companies Tariff (CTOC) F.C.C. No. 1 for those rate-of-return companies participating in the TUECA and CTOC tariffs. The services provided by CenturyTel are consistent with Section 13.14, Local Number Portability Services, of NECA's Tariff F.C.C. No. 5; Section 13.12, LNP End User Charge, of CTOC's Tariff F.C.C. No. 1; and Section 13.14, LNP End User Charge of TUECA's Tariff F.C.C. No. 2.

At the request of CenturyTel, NECA has developed average LNP End User Charges for all of the CenturyTel rate-of-return companies listed in the NECA, CTOC, and TUECA tariffs.

These rate-of-return companies serve approximately 1.7 million access lines across the United States. Approximately half of the 1.7 million access lines are in NECA's traffic sensitive tariff. The remaining lines are served by the companies in the TUECA and CTOC tariffs. Excluded from these filings are 23 wire centers where LNP was previously implemented.¹

The proposed LNP rates for CenturyTel are average rates for the study areas for which LNP rates are being established. There are two key reasons for implementing average LNP rates. First, because CenturyTel purchased the software to upgrade its entire network at one time, it was able to take advantage of volume discounts and economies of scale through its enterprise wide implementation. Second, average rates will contribute to administrative simplicity and less complex billing system updates, which result in reduced costs. By spreading the cost of its LNP implementation across all rate-of-return access lines and establishing a uniform rate, CenturyTel end users in small study areas are prevented from paying exorbitant rates.

¹ As described more fully below in Section 2.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

NECA did not include in its rate development any demand or costs associated with the 23 wire centers formerly listed in its tariff for the following CenturyTel companies: CenturyTel of Central Arkansas, LLC, Spectra Communications Group, LLC and Telephone USA of Wisconsin, LLC. The 23 wire centers within the above-mentioned companies were purchased by CenturyTel from GTE Arkansas Incorporated, GTE Midwest Incorporated, and GTE Southwest Incorporated, (GTE), in August 2000 and were LNP capable when they were purchased. The application of LNP End User Charges in the 23 wire centers ceased on February 29, 2004. Also excluded were the wireless intra-nodal costs incurred for the 23 wire centers in the above mentioned companies and those companies listed in CTOC FCC No. 2 and 3. NECA did include in its rate development demand and costs for the 161 wire centers currently not listed in its tariff for the above-mentioned companies, which were not applying an LNP charge.

The demand for LNP capable access lines, including PBX trunks and ISDN-PRI lines, and queried calls were projected over five years. The PBX End User Charge and ISDN-PRI End User Charge have been calculated at nine times and five times the End User Charge, respectively.

Costs provided by CenturyTel 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 15.84%, which is the after-tax cost of money (11.25%) grossed up for the combined federal and state tax rate (38.41%). 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 reflect only those direct costs required to implement LNP. In identifying the costs that could be included in the LNP rate, CenturyTel 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 \$11,454,111. This amount includes switch manufacturer LNP switch upgrade and translation costs.

Beginning year one, expenses recovered by the End User Charge range from \$919,355 to \$2,339,724 per year, and fall into the following categories: a) projected charges to be paid to the query provider for queries that CenturyTel initiates in its capacity as an N-1 carrier, b) regional database administrator charges, c) operating support system expenses for service order administration, d) expenses related to maintenance of LNP equipment, e) accounting, regulatory, and legal expenses, f) customer service and billing system modification costs and g) additional labor 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 rates paid by the Telephone Company to its query providers.

CenturyTel incurred costs for investment and many expense categories prior to the current year.² In compliance with the FCC's order on LNP cost recovery, those past dollars were brought to the current year's value. However, only five years' worth of costs for any specific expense category has been included for recovery.

The demand and costs used to develop LNP End User Charges for the CenturyTel rate of return companies are detailed in Exhibit 1A. (See Exhibit 1A attached.)

² Memorandum Opinion and Order on Reconsideration and Order on Application for Review, CC Docket No. 95-116, released February 15, 2002 (FCC 02-16) para. 64. Footnote 205.

Local Number Portability - CenturyTel

EXHIBIT 1A

May 2, 2005

End User Charge Rate Development

| LINE | | 0 | 1 | Year 2 | 3 | 4 | 5 |
|------|--------------------------------------------------|---------------------|-------------|-------------|-------------|-----------|-----------|
| | <u>Investment</u> | | | | | | |
| 1 | LNP End User Investment | \$11,454,111 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | Present Value Factors | 1.0000 | 0.8633 | 0.7452 | 0.6433 | 0.5553 | 0.4794 |
| 3 | Present Value of Investment | \$11,454,111 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 4 | Sum of Present Value of Investment | \$11,454,111 | | | | | |
| | <u>Expenses</u> | | | | | | |
| 5 | LNP End User Expenses | \$4,152,951 | \$2,339,724 | \$2,301,040 | \$2,262,623 | \$919,355 | \$0 |
| 6 | Present Value of Expenses | \$4,152,951 | \$2,019,788 | \$1,714,773 | \$1,455,579 | \$510,562 | \$0 |
| 7 | Sum of Present Value of Expenses | \$9,853,653 | | | | | |
| | <u>Access Lines</u> | | | | | | |
| 8 | PBX | | 11,721 | 11,252 | 10,802 | 10,370 | 9,955 |
| 9 | ISDN-PRI | | 577 | 554 | 532 | 511 | 490 |
| 10 | Other | | 1,508,326 | 1,447,993 | 1,390,073 | 1,334,470 | 1,281,092 |
| 11 | Total Chargeable Lines ¹ | | 1,616,698 | 1,552,030 | 1,489,949 | 1,430,351 | 1,373,137 |
| 12 | Present Value of Chargeable Lines | | 1,395,629 | 1,156,598 | 958,506 | 794,342 | 658,294 |
| 13 | Sum of Present Value of Chargeable Lines | 4,963,370 | | | | | |
| 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

- Line 11 = (Line 8 * 9) + (Line 9 * 5) + Line 10
- Line 14 = ((Line 4 + Line 7) / Line 13) / 12
- Line 15 = 5 * Line 14
- Line 16 = 9 * Line 14