

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO TARIFF F.C.C. NO. 5

RATE BANDING
Transmittal No. 1125
May 17, 2006

1: INTRODUCTION

The National Exchange Carrier Association, Inc. (NECA) proposes to revise its Tariff F.C.C. No. 5 to introduce rate banding for certain Traffic Sensitive (TS) high capacity DS1 (1.544 Mbps) and DS3 (44.736 Mbps) special access and switched access dedicated transport rate elements. This filing is being made at the request of NECA tariff participants and NECA's Rate Development Task Force (RDTF)¹ members to permit pooling companies to charge rates that are closer to their costs in order to address competitive pressures for high capacity special access services.

Since annual access tariff filings are limited to rate level changes,² NECA is proposing in this filing to introduce the rate banding tariff structure for the DS1 and DS3 rate elements referenced above, but is not proposing to establish different rates for the banded elements at this time. Once this tariff structure is in place, NECA will have the ability to establish different rates for the banded elements, which may occur coincident with the annual access tariff filing or at a later date.

2: BACKGROUND

Rate banding is a tariff pricing structure that provides multiple rates (*i.e.*, one rate per rate band) for the same access service element.³ This process involves grouping study areas into "rate bands" based on study area cost characteristics. Currently, NECA calculates one set of tariff rates for DS1 and DS3 special access services and switched access dedicated transport services that is used by all NECA TS tariff participants.

Rate banding lets companies charge tariff rates that are closer to their costs, allowing them to compete more effectively. In addition, rate banding gives companies an opportunity to move to lower bands by implementing achievable cost reductions. Rate banding in a pooling

¹ The Rate Development Task Force is a group of selected participants in the NECA Traffic Sensitive (TS) and Common Line (CL) Pools. Members of the RDTF represent approximately 37 percent of the TS Pool revenue and more than 5 million of the 12 million access lines in the CL Pool. Other companies may participate as associates to the RDTF on an ad hoc basis. NECA uses the RDTF to develop cost characteristics representative of pooling companies and to facilitate the rate development process and provide supporting information for NECA tariff filings.

² See 47 C.F.R. § 69.3(a).

³ Rate banding was initially added to NECA Tariff F.C.C. No. 5 on January 1, 1998. See National Exchange Carrier Association, Inc., Transmittal No. 776, filed Nov. 17, 1997. NECA currently bands the Local Switching (LS) and certain end user common line rate elements.

environment enables lower cost companies to bear a more equitable share of the pool costs while higher cost companies continue to receive the benefit of pool participation.

3: PROPOSED TARIFF REVISIONS

NECA proposes to rate band the DS1 and DS3 special access monthly recurring charges for the following rate elements only: Channel Termination, Channel Mileage Termination and Channel Mileage Facility. Associated nonrecurring charges and charges for all optional features and functions will not be banded. Other special access services, including Frame Relay Access Service (FRAS), Asynchronous Transfer Mode - Cell Relay Access Service (ATM-CRS) and Digital Subscriber Line (DSL) Access Services, including the DSL Access Service Connection Point Function Charges, will not be rate banded at this time.

Because NECA's dedicated switched access transport is based on the rates for special access, the following DS1 and DS3 switched access transport rate elements will also be rate banded: Entrance Facility, Direct Trunked Termination and Direct Trunked Facility. Associated nonrecurring charges, Tandem Switched Transport charges and charges for all optional features and functions will not be banded.

Initially, NECA is introducing three rate bands for each rate element. Each NECA tariff participant will receive a single rate band assignment for all rate elements specified above. Since NECA is not proposing to establish different banded rates at this time, all three bands will reference the same rate representing the currently effective tariff rates for these services. Company specific rate band assignments will be listed in Section 17.5, Rate Tables.

4: COST AND REVENUE DEVELOPMENT

This filing proposes a structure change only to introduce rate banding for the DS1 and DS3 special access and switched access dedicated transport rate elements referenced above. Since all companies will be assigned to Rate Band 1 and the rates for that band for each of the services impacted by this filing are equal to the currently effective rates, there are no cost or revenue impacts as a result of this filing.