

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1145
October 17, 2006

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

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 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 \$23,629. This amount includes switch manufacturer LNP switch upgrade and translation costs.

Beginning year one, expenses recovered by the End User Charge range between \$1,018 and \$1,357 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 and b) operating support system expenses for service order administration. 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.)

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

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 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 \$42,130. This amount includes switch manufacturer LNP switch upgrade and translation costs.

Beginning year one, expenses recovered by the End User Charge range between \$2,361 and \$2,624 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) operating support system expenses for service order administration, c) regional database charges, d) LERG update and e) training expenses. 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.)

Allocation of investments and expense 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 2B. (See Exhibit 2B 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 2C. (See Exhibit 2C 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 2C. (See Exhibit 2C attached.)

Local Number Portability - Henry County Telephone Company (341029)

EXHIBIT 1A

October 17, 2006

End User Charge Rate Development

LINE		Year					
		0	1	2	3	4	5
	Investment						
1	LNP End User Investment	\$23,629	\$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	\$23,629	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$23,629					
	Expenses						
5	LNP End User Expenses	\$0	\$1,018	\$1,153	\$1,289	\$1,357	\$1,357
6	Present Value of Expenses	\$0	\$884	\$869	\$843	\$770	\$669
7	Sum of Present Value of Expenses	\$4,034					
	Access Lines						
8	PBX		12	12	12	12	12
9	ISDN-PRI		0	0	0	0	0
10	Other		1,480	1,450	1,420	1,390	1,360
11	Total Chargeable Lines ¹		1,588	1,558	1,528	1,498	1,468
12	Present Value of Chargeable Lines		1,378	1,174	999	850	723
13	Sum of Present Value of Chargeable Lines	5,125					
14	LNP End User Basic Charge ²	\$0.45					
15	LNP End User ISDN-PRI Charge ³	\$2.25					
16	LNP End User PBX Charge ⁴	\$4.05					

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 - Margaretville Telephone Company, Inc. (150104)

EXHIBIT 2A

October 17, 2006

End User Charge Rate Development

LINE		0	1	2	3	4	5
	Investment						
1	LNP End User Investment	\$42,130	\$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	\$42,130	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$42,130					
	Expenses						
5	LNP End User Expenses	\$4,453	\$2,624	\$2,624	\$2,624	\$2,624	\$2,361
6	Present Value of Expenses	\$4,453	\$2,278	\$1,977	\$1,716	\$1,489	\$1,163
7	Sum of Present Value of Expenses	\$13,075					
	Access Lines						
8	PBX		122	122	122	122	122
9	ISDN-PRI		0	0	0	0	0
10	Other		4,200	4,095	3,993	3,893	3,776
11	Total Chargeable Lines ¹		5,298	5,193	5,091	4,991	4,874
12	Present Value of Chargeable Lines		4,599	3,912	3,329	2,833	2,401
13	Sum of Present Value of Chargeable Lines	17,074					
14	LNP End User Basic Charge ²	\$0.27					
15	LNP End User ISDN-PRI Charge ³	\$1.35					
16	LNP End User PBX Charge ⁴	\$2.43					

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 - Margaretville Telephone Company, Inc. (150104)

EXHIBIT 2B

October 17, 2006

Query Charge Rate Development

LINE		0	1	Year 2	3	4	5
	Investment						
1	LNP Query Investment	\$1,092	\$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	\$1,092	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$1,092					
	Expenses						
5	LNP Query Expenses	\$115	\$68	\$68	\$68	\$68	\$61
6	Present Value of Expenses	\$115	\$59	\$51	\$44	\$39	\$30
7	Sum of Present Value of Expenses	\$339					
8	Queries		72,000	72,000	72,000	72,000	72,000
9	Present Value of Queries		62,495	54,244	47,083	40,867	35,472
10	Sum of Present Value of Queries	240,160					
11	LNP Query Charge ¹	\$0.0060					

NOTES

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

**Local Number Portability - Margaretville Telephone Company, Inc. (150104)
 October 17, 2006
 Order & Billing Charge Rate Development**

EXHIBIT 2C

<u>LNP Order Charge</u>	Time Required (Hours)	Labor Rate (\$/hour)	Labor Costs
LNP Query Service Order is Logged In	0.50	\$41.68	\$20.84
Order Validity Check	0.50	\$41.68	\$20.84
Input Order To System	0.50	\$41.68	\$20.84
Distribute Order To Work Groups	0.75	\$41.68	\$31.26
Completion Information Received	0.50	\$41.68	\$20.84
Update Customer Service Records	0.50	\$41.68	\$20.84
Process Bill	0.75	\$41.68	\$31.26
Issue Bill	0.75	\$41.68	\$31.26
Total Cost			\$197.98
Order Charge, per Order			\$198.00

<u>LNP Billing Charge</u>			
Investigate N-1 Carrier Identity	4.25	\$41.68	\$177.14
Establish LNP Query Service Account	1.25	\$41.68	\$52.10
Issue Initial LNP Query Service Bill	0.75	\$41.68	\$31.26
Total Cost			\$260.50
Billing Charge, per Account			\$261.00