

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1148
November 16, 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 Pioneer Telephone Association, Inc. (Pioneer), which has received a bonafide request for number portability. The services provided by Pioneer 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 trunks and ISDN-PRI lines, and queried calls was 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 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 11.25% since the company is tax exempt.

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 \$64,935. This amount includes switch manufacturer LNP upgrade costs.

Beginning year one, expenses recovered by the End User Charge range between \$11,085 and \$11,706 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 administrator charges, d)

incremental LNP specific order processing labor expenses, and e) troubleshooting 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 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. (NECA) proposes to modify its Access Tariff F.C.C. No. 5 to reflect the addition of average Local Number Portability (LNP) Charges for the Telephone And Data Systems, Inc. companies (TDS companies) listed in Appendix A, which have received bonafide requests for number portability. The services provided by the TDS companies are consistent with Section 13.14, Local Number Portability Services, of NECA's Tariff F.C.C. No. 5.

At the request of TDS, NECA has developed average LNP End User Charges for these 107 companies that participate in the NECA tariff.

These companies serve approximately 0.5 million access lines across the United States. Excluded from this filing are a number of exceptions, which are described in Section 2, below.

The proposed LNP rates for the TDS companies are average rates for the study areas and wire centers for which LNP rates are being established. Average rates will contribute to administrative simplicity and less complex billing system updates, which result in reduced costs. By spreading the cost of LNP implementation across all rate-of-return access lines and establishing a uniform rate, end users in the smaller TDS companies' study areas are prevented from paying exorbitant rates.

2. LNP DEMAND, COST AND RATE DEVELOPMENT

NECA did not include in its rate development any demand or costs associated with the following companies and wire centers that are currently charging LNP End User Charges as specified in the tariff: Blue Ridge Telephone Company, Concord Telephone Exchange, Inc., Mid-Plains Telephone, Inc., Nelson- Ball Ground Telephone Company, Inc. and three Tennessee Telephone Company wire centers (i.e., Halls Crossroads, La Vergne and Mt. Juliet). NECA also excluded costs and demand for Communications Corporation of Michigan's Clayton wire center, which is not LNP capable.

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 the TDS companies 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 reflect only those direct costs required to implement LNP. In identifying the costs that could be included in the LNP rate, the TDS companies used two criteria to isolate LNP costs, based on the FCC guidelines: (1) the costs would not have been incurred by the companies if number portability was not implemented, and (2) the costs were incurred "for the provision of" number portability. Using these criteria yielded the present value of an investment amount of \$3,494,091. This amount includes switch manufacturer LNP upgrade and translation costs.

Beginning year one, expenses recovered by the End User Charge range between \$268,393 and \$272,161 per year, and current year expenses of \$781,987 covers a three year period from 2003 through 2005. These expenses fall into the following categories: a) projected charges to be paid to the query providers for queries that the Telephone Company initiates in its capacity as an N-1 carrier, b) regional database charges, c) LNP project management, and d) incremental LNP specific order processing labor expenses. Query expenses are only for queries necessary to complete local and Extended Area Service (EAS) calls originated from the companies' end users. End user query expenses were obtained by multiplying query projections by the per query rate, paid by the TDS companies to their query providers.

The TDS companies incurred costs for investment and many expense categories prior to the current year.¹ 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 TDS companies are detailed in Exhibit 2A. (See Exhibit 2A attached.)

¹ 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.

APPENDIX A

Company Name	State	Study Area
Amelia Telephone Corporation	VA	190217
Arcadia Telephone Company	OH	300585
Arizona Telephone Company	AZ	452171
Arvig Tel. Co.	MN	361350
Asotin Telephone Company	WA	522404
Asotin Telephone Company	OR	532404
Badger Telecom, Inc.	WI	330844
Barnardsville Telephone Company	NC	230469
Black Earth Telephone Company	WI	330849
Bonduel Telephone Company	WI	330851
Bridgewater Telephone Co.	MN	361362
Burlington, Brighton & Wheatland Telephone Company	WI	330856
Butler Tel. Co., Inc.	AL	250284
Calhoun City Telephone Company, Inc.	MS	280448
Camden Telephone & Telegraph Company, Inc.	GA	220351
Camden Telephone Company, Inc.	IN	320744
Central State Telephone Company	WI	330859
Chatham Telephone Company	MI	310685
Cleveland County Telephone Company, Inc.	AR	401698
Cobbosseecontee Telephone Company	ME	100005
Communications Corp. of Indiana	IN	320776
Communications Corporation of Michigan (Excluding: CYTNMIXIDSO)	MI	310672
Communications Corporation of Southern Indiana	IN	320809
Continental Telephone Company of Ohio	OH	300607
Decatur Telephone Company	AR	401699
Delta County Tele-Comm, Inc.	CO	462184
Deposit Telephone Company, Inc.	NY	150089
Dickeyville Telephone Corp.	WI	330875
Eastcoast Telecom, Inc.	WI	330914
Edwards Telephone Company, Inc.	NY	150092
Farmers Telephone Company	WI	330880
Grantland Tel. Co., Inc.	WI	330930
Hampden Telephone Company	ME	100010
Happy Valley Tel. Co.	CA	542321
Hartland & St. Albans Telephone Company	ME	100011
Home Tel. Co. of Pittsboro	IN	320777
Home Telephone Company	OR	532377
Home Telephone Company, Inc.	IN	320778
Humphrey's County Telephone Company	TN	290566
Island Telephone Company	ME	100007
Island Telephone Company	MI	310677

APPENDIX A

Company Name	State	Study Area
Leslie County Telephone Company	KY	260411
Lewis River Telephone Company, Inc.	WA	522427
Lewisport Telephone Company, Inc.	KY	260412
Little Miami Communications Corp.	OH	300613
Ludlow Telephone Company	VT	140058
Mahanoy & Mahantango Telephone Company	PA	170183
McDaniel Telephone Company	WA	522430
Merchants & Farmers Telephone Company	IN	320788
Merrimack County Tel. Co. d/b/a Contoocook Valley Tel. Co.	NH	123321
Merrimack County Telephone Company	NH	120047
Mid-America Telephone, Inc.	OK	432010
Mid State Telephone Company, Inc.	MN	361433
Mid State Telephone Company, Inc. d/b/a K M P Telephone Company	MN	361413
Midway Telephone Company, Inc.	WI	330909
Mt. Vernon Telephone Company	WI	330917
Myrtle Tel. Co., Inc.	MS	287449
New Castle Tel. Co.	VA	193029
New London Telephone Company	MO	421928
Northfield Telephone Company	VT	140061
Norway Telephone Company, Inc.	SC	240535
Oakman Telephone Company, Inc.	AL	250311
Oakwood Mutual Telephone Company	OH	300645
Oklahoma Communication Systems, Inc.	OK	431984
Orchard Farm Tel. Co.	MO	421934
Oriskany Falls Telephone Corporation	NY	150114
Peoples Telephone Company, Inc.	AL	250314
Perkinsville Telephone Company	VT	140062
Port Byron Telephone Company	NY	150118
Potlatch Telephone Company, Inc.	ID	472230
Quincy Telephone Company	FL	210338
Quincy Telephone Company	GA	220338
Riverside Telecom, Inc.	WI	330943
S & W Telephone Company, Inc.	IN	320816
Salem Telephone Company	KY	260417
Saluda Mountain Telephone Company	NC	230498
Scandinavia Telephone Company	WI	330945
Service Telephone Company	NC	230500
Shiawassee Telephone Company	MI	310726
Somerset Telephone Company	ME	100024
Southeast Mississippi Telephone Co.	MS	283301

APPENDIX A

Company Name	State	Study Area
Southeast Telephone Company of Wisconsin	WI	330952
Southwestern Telephone Company	AZ	452174
St. Stephen Telephone Company	SC	240544
Stockbridge & Sherwood Telephone Company	WI	330954
Stoutland Telephone Company	MO	421951
Strasburg Telephone Company	CO	462207
Sugar Valley Telephone Company	PA	170206
Tellico Telephone Company, Inc.	TN	290578
Tennessee Telephone Company (Excluding:MTJLTNXADS2, LVRGTNXADS2, HCRDTNXADS1)	TN	290575
Tenney Telephone Company	WI	330958
Tipton Telephone Company, Inc.	IN	320829
Township Telephone Company, Inc.	NY	150129
Tri-County Telephone Company, Inc.	IN	320830
UTELCO, Inc.	WI	330963
Vanlue Telephone Company	OH	300662
Vernon Telephone Company, Inc.	NY	150133
Virginia Telephone Company	VA	190253
Warren Telephone Company	ME	100031
Waunakee Telephone Company	WI	330968
West Penobscot Telephone & Telegraph Company	ME	100034
Williston Telephone Company	SC	240551
Wilton Tel. Co.	NH	120050
Winsted Tel. Co.	MN	361507
Winterhaven Telephone Company	CA	542323
Wolverine Telephone Company	MI	310738
Wyandotte Tel. Co.	OK	432034

Local Number Portability - Pioneer Telephone Association, Inc. (411817)

EXHIBIT 1A

November 16, 2006

End User Charge Rate Development

LINE		0	1	Year 2	3	4	5
	<u>Investment</u>						
1	LNP End User Investment	\$64,935	\$0	\$0	\$0	\$0	\$0
2	Present Value Factors	1.0000	0.8989	0.8080	0.7263	0.6528	0.5868
3	Present Value of Investment	\$64,935	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$64,935					
	<u>Expenses</u>						
5	LNP End User Expenses	\$38	\$11,085	\$11,274	\$11,430	\$11,588	\$11,706
6	Present Value of Expenses	\$38	\$9,964	\$9,109	\$8,301	\$7,565	\$6,869
7	Sum of Present Value of Expenses	\$41,846					
	<u>Access Lines</u>						
8	PBX		1,578	1,594	1,610	1,626	1,642
9	ISDN-PRI		3	3	3	4	5
10	Other		15,733	15,890	16,049	16,210	16,372
11	Total Chargeable Lines ¹		29,950	30,251	30,554	30,864	31,175
12	Present Value of Chargeable Lines		26,921	24,442	22,191	20,149	18,294
13	Sum of Present Value of Chargeable Lines	111,997					
14	LNP End User Basic Charge ²	\$0.08					
15	LNP End User ISDN-PRI Charge ³	\$0.40					
16	LNP End User PBX Charge ⁴	\$0.72					

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 - TDS Companies*

EXHIBIT 2A

November 16, 2006

End User Charge Rate Development

LINE		0	1	Year 2	3	4	5
	<u>Investment</u>						
1	LNP End User Investment	\$3,494,091	\$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	\$3,494,091	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$3,494,091					
	<u>Expenses</u>						
5	LNP End User Expenses	\$781,987	\$268,393	\$272,161	\$0	\$0	\$0
6	Present Value of Expenses	\$781,987	\$232,960	\$205,043	\$0	\$0	\$0
7	Sum of Present Value of Expenses	\$1,219,991					
	<u>Access Lines</u>						
8	PBX		1,341	1,188	1,075	977	896
9	ISDN-PRI		496	500	500	500	500
10	Other		497,602	483,156	472,707	463,738	455,265
11	Total Chargeable Lines ¹		512,151	496,348	484,882	475,031	465,829
12	Present Value of Chargeable Lines		444,537	373,943	317,078	269,626	229,496
13	Sum of Present Value of Chargeable Lines	1,634,680					
14	LNP End User Basic Charge ²	\$0.24					
15	LNP End User ISDN-PRI Charge ³	\$1.20					
16	LNP End User PBX Charge ⁴	\$2.16					

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

* See Appendix A for the list of TDS companies included in this filing.