

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
REVISIONS TO ACCESS TARIFF F.C.C. NO. 5
LOCAL NUMBER PORTABILITY CHARGES
TRANSMITTAL NO. 1151
December 15, 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 Middleburgh Telephone Company (Middleburgh), which has received a bonafide request for number portability. The services provided by Middleburgh 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 and queried calls was projected over five years. Middleburgh currently does not have PBX lines or ISDN-PRI lines; however, a PBX End User Charge and an ISDN-PRI End User Charge have been calculated for it, 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 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 \$57,540. This amount includes switch manufacturer LNP switch upgrade costs.

Beginning year one, expenses recovered by the End User Charge range between \$1,800 and \$4,667 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 and d) training 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.)

Local Number Portability - Middleburgh Telephone Company (150105)

EXHIBIT 1A

December 15, 2006

End User Charge Rate Development

LINE		0	1	Year 2	3	4	5
	<u>Investment</u>						
1	LNP End User Investment	\$57,540	\$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	\$57,540	\$0	\$0	\$0	\$0	\$0
4	Sum of Present Value of Investment	\$57,540					
	<u>Expenses</u>						
5	LNP End User Expenses	\$4,897	\$4,667	\$4,667	\$2,300	\$2,300	\$1,800
6	Present Value of Expenses	\$4,897	\$4,051	\$3,516	\$1,504	\$1,305	\$887
7	Sum of Present Value of Expenses	\$16,160					
	<u>Access Lines</u>						
8	PBX		0	0	0	0	0
9	ISDN-PRI		0	0	0	0	0
10	Other		7,116	7,000	7,000	7,000	7,000
11	Total Chargeable Lines ¹		7,116	7,000	7,000	7,000	7,000
12	Present Value of Chargeable Lines		6,177	5,274	4,577	3,973	3,449
13	Sum of Present Value of Chargeable Lines	23,450					
14	LNP End User Basic Charge ²	\$0.26					
15	LNP End User ISDN-PRI Charge ³	\$1.30					
16	LNP End User PBX Charge ⁴	\$2.34					

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