

NEVADA BELL TELEPHONE COMPANY (NBTC)
1st Quarter 2007 Federal Universal Service Fund (FUSF) Adjustments
DESCRIPTION AND JUSTIFICATION
Transmittal No. 148
December 18, 2006

1. Introduction

2. 1st Quarter Federal Universal Service Fund Adjustments

- **Exhibit 1**
- **Exhibit 2**

1. Introduction

Nevada Bell Telephone Company (NBTC) is proposing the following with this filing:

- With this filing, NBTC is proposing to update the line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers. NBTC will apply the new USF contribution factor to calculate the 1st Quarter 2007 USF obligation.

2. 1st Quarter Federal Universal Service Fund Adjustments

This portion of the filing is to revise NBTC's USF obligation based updated line counts. The 1st Quarter 2007 contribution factor, 9.7 %, was provided in the Commission's Public Notice, DA 06-2506, released December 13, 2006. Recovery of this contribution is allowable pursuant to C.F.R. 69.158. The methodology used to calculate end user charges assessed to recover this liability is detailed below.

Calculation of the Federal Universal Service Fund Flat Rate End User Charge

To ensure compliance with the Commission's *Interim Contribution Methodology Order*, NBTC recovers its USF obligation associated with switched access services through various flat-rate end user charges.¹ The charges are assessed with respect to the interstate end user service that generates the USF obligation. NBTC assesses two general types of USF charges (Basic and Non-Recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 1* and *Exhibit 2*.

¹See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116., 98-170, *Report and Order and Second Further Notice of Proposed Rule Making*, 17 FCC RCD 24952 (2202) (*Interim Contribution Methodology Order*).

Basic USF Recovery Charges

These charges are assessed to switched access lines to recover the USF obligation associated with the assessment of End User Common Line (EUCL) and End User Port charges.

1. Residential/Single Line Business (SLB)

NBTC develops the Basic USF charge for residential and single line business customers by multiplying the EUCL charges assessed to these customers by the relevant contribution factor released by the Commission. The calculation for the Basic FUSF Residential/Single Line Business rate is demonstrated on *Exhibit 1*.

2. BRI ISDN

NBTC develops the Basic USF charge for BRI ISDN and BRI ISDN Port customers by adding together EUCL and BRI ISDN / Centrex Port charges assessed to these customers to obtain the total basic interstate end user charges. The total basic interstate end user charges are multiplied by the relevant contribution factor released by the Commission. The calculation for the Basic FUSF BRI ISDN rate is demonstrated on *Exhibit 1*.

3. Multi-line Business, PRI ISDN, and Centrex

NBTC elected to utilize the provisions granted in the Commission's *Order* and *Second Order on Reconsideration regarding Centrex customers*.² A portion of the unrecovered obligation created from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, NBTC

² See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116,, 98-170, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3(rel.March 14, 2003).

averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers.

NBTC determines the basic USF recovery rate for business customers using the method detailed below.

Establish the Basic Multi-line Business Rate

Step 1 – Determine total revenue using access lines as of September 2006 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

Step 2 – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

Step 3 – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of September 2006). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

Step 4 – To the Basic MLB rate, add all other USF recovery associated with the customer type. Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 2*. The final rates per customer type are detailed on both *Exhibit 1* and *Exhibit 2*. These final rates preclude any recovery necessary from Non-Recurring interstate end user charges.

Other Non-Recurring USF Surcharges

Non-Recurring USF surcharges are assessed to interstate end user Non-Recurring charges, which generate a USF obligation. NBTC calculates Other Non-Recurring USF charges by multiplying the Non-Recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user Non-Recurring charge. The calculations for

these charges are detailed in ***Exhibit 1***. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge, which generates the obligation.

NBTC assesses Lifeline customers the Non-Recurring USF charges when they are assessed the Non-Recurring charge that generates the obligation. NBTC also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Carrier (PIC) USF Charge when the IC is assessed the PIC change charge.

Other Recurring Federal Universe Fund Surcharges

NBTC will continue to recover its Other Recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP) Service) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

Nevada Bell Telephone Company (NBTC)
Nevada Universal Service Fee (USF) Rate Development

1st Quarter 2007 Contribution Factor	Source DA 06-2506	(A)	(B) 0.097	(C=A*B)
Basic USF Recovery Charge				
Residential / Single-Line Business				
End User Common Line Rate		5.19		USF Charge 0.50
BRI ISDN				
End User Common Line Rate		5.19		USF Charge
BRI ISDN Port		3.90		
Total Basic Interstate End User Revenue		<u>9.09</u>		0.88
Multi-line Business				
PBX	Exhibit 2			1.04
PRI ISDN	Exhibit 2			1.04
CENTREX	Exhibit 2			8.72
	Exhibit 2			0.11
Other USF Recovery Charges				
PIC Manual Change Charge		3.89		0.37
PIC Mechanized Change Charge		1.60		0.15

Nevada Bell Telephone Company (NBTC)
Nevada Universal Service Fee (USF) Rate Development

1st Quarter 2007 Contribution Factor		Source DA 06-2506	(A)	(B) 0.097	(C=A*B) USF Charge
Basic USF Recovery Charge for MLB, PRI, & Centrex					
<i>Multi-line Business, PRI ISDN, CENTREX</i>					
<i>Lines as of September 2006</i>					
L1	MLB Lines		43,714		
L2	Centrex lines with less than 9 lines		11,507		
L3	Centrex Systems with less than 9 lines		1,278		
L4	Centrex lines with greater than 9 lines		53,103		
L5	PRI ISDN		527		
	Total (1)		110,129		
L6	End User Common Line Rate		5.19		
L7	MLB	L6*L1	226,876		
L8	PRI ISDN	L6*L5*5	13,676		
L9	Centrex	(L6)*(L2+L4)	335,326		
L10	MLB, PRI ISDN, Centrex Revenue	L7:L9	575,877		
L11	MLB, PRI ISDN, Centrex Obligation	L10*10.9%	55,860		
L12	2006 Billable Lines (Centrex > 9 lines @ 1/9, Centrex Systems <9 lines, & PRI ISDN @5)	L1+L3+(L4/9)+(L5*5)	53,528		
L13	Basic MLB Rate (excluding LNP recovery)	(L11/L12)			1.04
L14	Basic Centrex Rate (excluding LNP recovery)	L13/9			0.11
L15	Basic PRI ISDN Rate (excluding LNP and Port recovery)	L13*5			5.20
L16	Basic MLB USF Recovery	L1*L13	45,463		
L17	Basic Centrex USF Recovery	(L3*L13)+(L4*L14)	7,171		
L18	Basic PRI ISDN USF Recovery	(L5*L15)	2,740		
L19	Total MLB, PRI ISDN, Centrex Basic USF Recovery		55,374		
<i>PRI ISDN</i>					
L23	PRI ISDN Port Charge		36.29		
L24	PRI ISDN LNP and Port Recovery	L22+L23	36.29		3.52
<i>Final Basic MLB, PRI ISDN, & Centrex USF Rates</i>					
L25	MLB	L13+L20			1.04
L26	PBX	L13+L21			1.04
L27	PRI ISDN	L15+L24			8.72
L28	Centrex	L14+L20			0.11