

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
National Exchange Carrier Association, Inc. 2011 Modification of Average Schedules)	WC Docket No. 10-251
)	
National Exchange Carrier Association, Inc. 2012 Modification of Average Schedules)	WC Docket No. 11-204
)	

ORDER

Adopted: June 11, 2012

Released: June 11, 2012

By the Acting Chief, Pricing Policy Division, Wireline Competition Bureau:

1. Commission rules require the National Exchange Carrier Association, Inc. (NECA) to submit proposed modifications to the average schedule formulas annually or to certify that no modifications are warranted.¹ On December 16, 2011, NECA filed a proposed interim modification to its 2011 average schedule formulas to be effective from January 1, 2012, through June 30, 2012.² These revisions were intended to limit the amount of corporate operations expenses includable in the calculation of Interstate Common Line Support (ICLS) in accordance with reforms adopted in the *USF/ICC Transformation Order*.³ On December 22, 2011, NECA filed proposed modifications to the current average schedule formulas to be effective from July 1, 2012, to June 30, 2013.⁴ Pursuant to discussions with Division staff, on May 25, 2012, NECA filed further modifications to the proposed 2012 formulas to be effective from July 1, 2012, to June 30, 2013.⁵ For the reasons set forth below, we approve the interim 2011 formulas to be effective as of January 1, 2012, and approve the revised 2012 average schedule formulas filed on May 25, 2012, to become effective on July 1, 2012, for one year.

¹ 47 C.F.R. § 69.606(b).

² See Letter from Richard A. Askoff, Executive Director, NECA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 11-204 (filed Dec. 16, 2011) (2011 Interim Modification Letter).

³ See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17747-49, paras. 227-33 (2011) (*USF/ICC Transformation Order*), *pets. for review pending*, *Direct Commc'ns Cedar Valley, LLC v. FCC*, No. 11-9581 (10th Cir. filed Dec. 18, 2011) (and consolidated cases).

⁴ See National Exchange Carrier Association, Inc.'s 2012 Modification of Average Schedule Formulas, WC Docket No. 11-204 (filed Dec. 22, 2011) (2012 NECA Proposed Modification of Average Schedule Formulas). By Public Notice issued January 25, 2012, we sought comment on NECA's filing. *National Exchange Carrier Association, Inc.'s Proposed 2012 Modification of Average Schedule Formulas*, WC Docket No. 11-204, Public Notice, 27 FCC Rcd 419 (Pricing Pol. Div. 2012). No comments were filed in response to the Public Notice.

⁵ See Letter from Richard A. Askoff, Executive Director, NECA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 11-204 (filed May 25, 2012) (May Modification Letter).

2. *Interim Modification.* In the *USF/ICC Transformation Order*, the Commission revised section 54.901(c) of the Commission's rules to limit the amount of corporate operations expenses includable in the calculation of ICLS.⁶ In the 2011 Interim Modification Letter, NECA proposed interim formulas to be effective from January 1, 2012, through June 30, 2012, to implement the revised corporate operations limitation.⁷ NECA developed an adjustment ratio reflecting the differences resulting from the application of the old and new corporate operations limitation factors.⁸ It then applied this adjustment ratio to the existing common line formulas.⁹ We find these revisions to be consistent with the revised rules and approve the interim 2011 modifications to be effective as of January 1, 2012, through June 30, 2012.

3. *2012 Proposed Modifications.* In the 2012 NECA Proposed Modification of Average Schedule Formulas, NECA made three changes of note to the methodology used in developing its proposed 2012 average schedule formulas from that used in prior years. NECA proposed to divide the special access settlement formula into two parts, one for digital subscriber line DSL costs, and the other for all other special access costs.¹⁰ NECA stated that the proposed DSL formula is based on DSL line counts and DSL penetration, while the proposed formula for other special access costs continues as a formula based on special access revenues and a retention ratio.¹¹ In conjunction with this change, NECA also proposed to revise the allocation of Carrier Access Billing System (CABS) costs between switched access and special access.¹² Finally, NECA proposed to include a factor reflecting broadband investment by carriers that had recently converted to cost company status as an additional factor to project the growth rate of the investment and expense accounts of the sample average schedule carriers.¹³ NECA proposed to continue to limit access minute volumes and line haul circuit counts eligible for average schedule settlements.¹⁴

4. On April 4, 2012, NECA filed further modifications to its proposed 2012 average schedule formulas to incorporate changes reflecting the switched access revisions adopted in the *USF/ICC Transformation Order*.¹⁵ NECA included a table setting forth the baseline interstate revenue requirement for each average schedule study area and defining how those amounts will be used in average schedule settlements.¹⁶ NECA also proposed to freeze line port and transport interconnection

⁶ 47 C.F.R. § 54.901(c); see *USF/ICC Transformation Order*, 26 FCC Rcd at 17747-49, paras. 227-33.

⁷ See 2011 Interim Modification Letter at Exhibit 2.

⁸ *Id.* at Exhibit 1.

⁹ *Id.*

¹⁰ 2012 NECA Proposed Modification of Average Schedule Formulas at I-6.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* at V-12-20.

¹⁴ *Id.* at III-10.

¹⁵ See Letter from Richard A. Askoff, Executive Director, NECA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 11-204 (filed Apr. 4, 2012) (April Modification Letter).

¹⁶ *Id.* at 5.

charge (TIC) shift components of common line settlements, and of TIC shift components of special access, to recognize the freeze of amounts in the underlying local switching and transport elements.¹⁷

5. After discussions with Division staff, NECA filed further modifications to the proposed 2012 formulas on May 25, 2012.¹⁸ This filing removes the amount of CABS cost recovery being shifted from the switched access formulas to the special access formulas from the switched access baseline revenue requirement to avoid double recovery of the CABS costs being shifted to special access.¹⁹ This change is necessary because the formulas in effect for the current test period (2011/2012) which are used to determine the switched access baseline revenue requirement recovered all CABS costs from the switched access central office formula.²⁰ NECA also removed the growth increment it had applied in projecting average schedule carrier account balances based on data of average schedule companies who had converted to cost based settlements in recent years.²¹

6. We have reviewed the NECA filings and find that the proposed formulas in its May 25, 2012, filing are reasonable. We note that NECA must reflect the shift of CABS costs from the average schedule baseline revenue requirement in its 2012 switched access rates, and that such revised rates will become the new cap on its switched access rates under section 51.909 (a) of the Commission's rules.²²

7. Accordingly, IT IS ORDERED, pursuant to section 69.606(a) of the Commission's rules, 47 C.F.R. § 69.606(b), and pursuant to the authority delegated under sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that the average schedule formulas proposed by the National Exchange Carrier Association, Inc., on May 25, 2012, SHALL BECOME EFFECTIVE July 1, 2012, and remain in effect through June 30, 2013.

8. IT IS FURTHER ORDERED that the interim 2011 average schedule formulas proposed by the National Exchange Carrier Association, Inc., on December 16, 2011, SHALL BE EFFECTIVE as of January 1, 2012, and remain in effect through June 30, 2012.

9. IT IS FURTHER ORDERED that this order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Victoria S. Goldberg
Acting Chief, Pricing Policy Division
Wireline Competition Bureau

¹⁷ *Id.* at 3.

¹⁸ *See generally*, May Modification Letter.

¹⁹ *Id.* at 2-5.

²⁰ *Id.*

²¹ *Id.* at 5-6.

²² *See* 47 C.F.R. § 51.909(a).