

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

In the Matter of)
)
National Exchange Carrier Association, Inc.) WC Docket No. 15-298
2016 Modification of Average Schedules)
)

ORDER

Adopted: December 16, 2016

Released: December 16, 2016

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

1. On November 30, 2016, the National Exchange Carrier Association (NECA) filed proposed interim modifications to its 2016 average schedule formulas to be effective from January 1, 2017, through June 30, 2017.¹ NECA seeks to revise the formulas to reflect the Commission’s new limit on Operating Expenses, and new mechanism to recover broadband-only loop costs established in the Commission’s *Rate of Return Reform Order*.² NECA plans to utilize the revised formulas in its December 19, 2016 tariff filing implementing the *Rate of Return Order*.³ For the reasons set forth below, we approve the interim average schedule modifications as proposed by NECA on a conditional basis, subject to the tariff review process that will take place in connection with the tariff filing.⁴

2. NECA’s proposal to modify its average schedule formulas on an interim basis derives from *Rate of Return Reform Order* implementation requirements that necessitate a December 19, 2016 tariff filing.⁵ NECA explains the *Rate of Return Reform Order* expands the Interstate Common Line Support (ICLS) mechanism to the Connect America Fund Broadband Loop Support (CAF BLS) to recover consumer broadband loop costs, which requires the amount equal to Data-Only Loop revenue requirement to be shifted from the Special Access category to the Consumer Broadband Only Loop

¹ Letter from Richard A. Askoff, Executive Director, Regulatory, NECA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-298, Attach. at 1 (filed Nov. 30, 2016) (NECA 2016 Proposed Interim Modification of Average Schedules). See *National Exchange Carrier Association, Inc. 2016 Modification of Averages Schedules*, Order, WC Docket No. 15-298, 31 FCC Rcd 4354 (WCB 2016) (approving NECA modified average schedule formulas for the period beginning July 1, 2016, through June 30, 2017).

² *Id.* at 1. See *Connect America Fund et al.*, Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, WC Docket No. 10-90 et al., 31 FCC Rcd 3087 (2016) (*Rate-of-Return Reform Order*). See *Access Charge Tariff Filings Introducing Broadband-only Loop Service*, Order on Reconsideration, Docket No. 16-317 (WCB Nov. 4, 2016).

³ *Id.*

⁴ Commission rules require NECA to submit proposed modifications to the formulas for average schedule interstate settlement disbursements in connection with the provision of interstate access services on an annual basis or to certify that no modifications are warranted. 47 CFR § 69.606(b).

⁵ See *Access Charge Tariff Filings Introducing Broadband-only Loop Service*, Order, Docket No. 16-317, 33 FCC Rcd 11017 (WCB Oct. 6, 2016). Unless suspended or rejected, the tariff filing would become effective on January 3, 2017.

(CBOL) category. NECA proposes to comply with these requirements by moving the current Data-Only Line Cost Increment formula and the Data-Only component of the current DSL Basic formula net of Second Mile costs to the new CBOL settlement formula.⁶ The shifted amount is further adjusted by an Operating Expenses limit factor, which is also calculated in the filing.⁷ According to NECA, the overall impact on average schedule settlements from the formula revisions proposed in the filing is a “*de minimis* increase of less than 0.01%.”⁸ NECA states that this increase is due to an introduction of the Second Mile settlement formula, which is not completely offset by the reduction of \$0.74 per data-only line for the removal of Second Mile costs embedded in the current Data-Only formula.⁹ Further, NECA states that the interim average schedule modifications are necessary to calculate its common line and traffic sensitive pool settlements to average schedule companies for the first six months of the 2017 calendar year.¹⁰

3. We have reviewed NECA’s proposed filing and approve the interim formulas on a conditional basis, subject to the tariff review process that will take place in conjunction with NECA’s December 19, 2016 tariff filing. The conditional nature of the approval will expire as of January 3, 2017, unless the Bureau takes action to suspend or reject the December tariff filing. We note that although public comment is ordinarily sought prior to Bureau action on average schedule formula modification requests,¹¹ given the need to act on the modification requests quickly to enable the upcoming December 19, 2016 tariff filing required by the *Rate of Return Order* implementation, we must modify our process. Interested parties may file petitions relating to the tariff filing in accordance with applicable rules prior to the January 3, 2017 scheduled tariff effective date.¹²

4. Accordingly, IT IS ORDERED, pursuant to sections 0.91, 0.291, and 69.606(a) of the Commission’s rules, 47 CFR §§ 0.91, 0.291, and 69.606(a), that the interim average schedule formulas proposed by the National Exchange Carrier Association, Inc., on November 30, 2016, SHALL BECOME EFFECTIVE on a conditional basis on January 1, 2017, and remain in effect through June 30, 2017.

5. IT IS FURTHER ORDERED, pursuant to section 1.102(b) of the Commission’s rules, 47 CFR § 1.102(b), that this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Pamela S. Arluk
Chief, Pricing Policy Division
Wireline Competition Bureau

⁶ *Id.*

⁷ *Id.* at 2-3.

⁸ *Id.* at 1.

⁹ *Id.* at 7.

¹⁰ *Id.* at 1.

¹¹ See e.g., *National Exchange Carrier Association, Inc.’s Proposed 2016 Modification of Average Schedule Formulas*, Public Notice, 31 FCC Rcd 234 (WCB 2016).

¹² See 47 CFR § 1.773(a)(2).