

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: May 3, 2016

Released: May 3, 2016

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

1. On December 23, 2015, the National Exchange Carrier Association, Inc. (NECA) filed with the Commission its proposed modification of average schedule formulas for interstate settlements, pursuant to section 69.606 of the Commission’s rules.<sup>1</sup> NECA proposes to revise the formulas for average schedule interstate settlement disbursements in connection with the provision of interstate access services for the period beginning July 1, 2016, through June 30, 2017. Overall, NECA proposes formula changes that would increase settlement rates by 2.6 percent, at constant demand.<sup>2</sup> The proposed settlement formulas reflect the same general structures and methods as current formulas. For the reasons set forth below, we approve the average schedule formulas as proposed by NECA.

2. According to NECA, the effects of the proposed formula changes on individual average schedule companies will vary depending on each company’s size and demand characteristics.<sup>3</sup> NECA calculates that 267 companies are expected to experience increases in settlement rates and 46 study areas are expected to experience decreases in settlement rates, at constant demand.<sup>4</sup> According to NECA, “most of the settlement increases are attributed to special access formulas across all line-size groups,” and the “increases in special access DSL and Non-DSL formulas are attributed to higher account growth and a continued increase in account allocations to the special access category especially for account COE 4.2.”<sup>5</sup> NECA also states that a “projected significant reduction in Non-DSL demand has contributed to an increase of the Non-DSL formula, while a projected increase in DSL demand has partially offset the increase of the DSL formula.”<sup>6</sup>

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<sup>1</sup> Letter from Richard A. Askoff, Executive Director, Regulatory, NECA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 15-298, Attach (filed Dec. 23, 2015) (NECA Proposed 2016 Modification of Average Schedules); see 47 CFR § 69.606(b).

<sup>2</sup> NECA Proposed 2016 Modification of Average Schedules at Summary-1.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at I-5.

<sup>5</sup> *Id.* at I-6.

<sup>6</sup> *Id.*

3. By Public Notice released January 21, 2016, we sought comment on NECA's filing.<sup>7</sup> No comments were filed.

4. We have reviewed the unopposed NECA filing and find that its proposed formulas are reasonable. NECA revised the average schedule formulas using procedures that reflect the same general structures and methods as current formulas.<sup>8</sup>

5. 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 average schedule formulas proposed by the National Exchange Carrier Association, Inc., on December 23, 2015, SHALL BECOME EFFECTIVE July 1, 2016, and remain in effect through June 30, 2017.

6. 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

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<sup>7</sup> *National Exchange Carrier Association, Inc.'s Proposed 2016 Modification of Average Schedule Formulas*, Public Notice, 31 FCC Rcd 234 (WCB 2016).

<sup>8</sup> We note that on March 30, 2016, the Commission released the *Rate-of-Return Reform Order*, which, among other things, represeted the authorized rate of return from 11.25 percent to 9.75 percent. See *Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime*, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 16-33 at 7, 85-126, paras. 10, 226-326 (Mar. 30, 2016) (*Rate-of-Return Reform Order*). The rate of return is a key input in the rate-of-return revenue requirement calculation, which is the basis for a rate-of-return incumbent local exchange carrier's common line and special access rates, and high-cost support as applicable. *Id.* at 7, para. 10. Beginning July 1, 2016, the current 11.25 percent rate of return will be reduced by 25 basis points per year until July 1, 2021, when it arrives at the 9.75 percent rate of return. *Id.* at 126, para. 326. We do not believe that it is necessary for NECA to further revise the average schedule formulas in order to implement the annual rate-of-return reductions contemplated by the *Rate-of-Return Reform Order* beginning July 1, 2016.