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November 30, 2007

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A235
Washington, DC 20554

RE: TRS Fund Administration
CG Docket No. 03-123

Dear Ms. Dortch:

Attached is the National Exchange Carrier Association, Inc.'s Supplement to the Annual Submission of TRS Payment and Revenue Requirements for July 2007-June 2008.

In accordance with the Commission's rules, this Supplement has been filed in the above-reference docket.

Sincerely,

Enclosures

cc: Cathy Seidel, Consumer and Government Affairs Bureau
Nicole McGinnis, Consumer and Government Affairs Bureau
Thomas Chandler, Consumer and Government Affairs Bureau
Lisa Boehley, Consumer and Government Affairs Bureau
James Lande, Wireline Competition Bureau
Mark Stephens, Office of the Managing Director
Michael Smith, Office of the Managing Director
Best Copy and Printing, Inc.

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

In the Matter of	)	
	)	
Telecommunications Relay Services	)	
and Speech-to-Speech Services for	)	CG Docket No. 03-123
Individuals with Hearing and Speech	)	
Disabilities	)	

Interstate Telecommunications Relay Service Fund
Supplement to Annual Filing for TRS Contribution Factor Increase

National Exchange Carrier Association Inc.
80 S. Jefferson Rd.
Whippany, NJ 07981
November 30, 2007

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:	)	
	)	
Telecommunications Services for	)	
Individuals with Hearing and	)	CC Docket 03-123
Speech Disabilities, and the	)	
Americans with Disabilities Act	)	
of 1990	)	

Interstate Telecommunications Relay Service Fund
Supplement to Annual Filing for TRS Contribution Factor Increase

I. Introduction

The National Exchange Carrier Association, Inc. (NECA), as Interstate Telecommunications Relay Services (TRS) Fund Administrator (Administrator), herein submits a revised fund size estimate for the period July 2007 through June 2008. This revision incorporates revised demand projections based on year-to-date actual data. Actual demand for interstate relay services, particularly Video Relay Service (VRS), has significantly outpaced the projections the Administrator submitted in its annual filing for the July 2007 - June 2008 funding year (*2007 Administrator Filing*).[1] This revision also factors in the new reimbursement rates recently adopted by the Federal Communications Commission (Commission) in its *TRS Rate Methodology Order*.[2] The result is an estimated increase in the fund size from $553.9 Million to $636.7 Million.

[1] Interstate Telecommunications Relay Service Fund, Payment Formula and Fund Size Estimate, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, CG Docket No. 03-123 (May 1, 2007) (*2007 Administrator Filing*).

[2] Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123, *Report and Order and Declaratory Ruling*, FCC 07-186 (rel. Nov. 19, 2007) (*Rate Methodology Order*). The new reimbursement rates will become effective the first day of the month following the 30-day notice period after publication of the *TRS Rate Methodology Order* in the Federal Register. For purposes of this filing, the Administrator has assumed that all minutes of use handled by the providers subsequent to January 1, 2008 will be compensated at the new rate levels. The Commission did not amend the fund size or contribution factor to account for the revised rates but noted that it would consider making adjustments later in the fund year, as necessary, in conjunction with the initiation of contributions by interconnected VoIP providers to the fund.

The Administrator also calculated a revised estimate of fund contributions, including new fund contributions from interconnected Voice over Internet Protocol (VoIP) providers.[3] Despite the addition of revenues from this new group of contributors and the surplus included in the *2007 Administrator Filing* to protect the fund's solvency, it appears that an additional $82.8 million will be required to compensate TRS providers during the latter months of the funding year. The Administrator calculates that an increase in the contribution factor from 0.0072 to 0.00819 for the fund year is necessary.[4] This increase is required to maintain payments to relay service providers through the remainder of the funding year.

II. Revised Demand Projections

The *2007 Administrator Filing* projected a total of 65.1 million VRS minutes, 13.7 million TRS interstate minutes,[5] 82.5 million IP Relay minutes, and 253 thousand Speech to Speech (STS) minutes for the 2007-2008 fund year. Since the filing, an additional eight months of actual demand has been reported by providers for compensation from the fund. Based on this additional information for each of the services, using a linear trend forecast methodology on data for the ten months of calendar year 2007,[6] the Administrator has revised its projected demand and funding requirement based on the expected payment formulas for each of the relay services for the funding year.

Exhibit 1 summarizes the revised funding requirement for each service based on actual reported minutes to date, revised demand projections for the balance of the funding year and rate revisions included in the *TRS Rate Methodology Order*, assuming a January 1, 2008 effective date, and compares this to the original projections contained in the *2007 Administrator Filing*. Based on the

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[3] IP-Enabled Services, WC Docket No. 04-36, Implementation of Sections 255 and 251(a)(2) of The Communications Act of 1934, as Enacted by The Telecommunications Act of 1996: Access to Telecommunications Service, Telecommunications Equipment and Customer Premises Equipment by Persons with Disabilities, WT Docket No. 96-198, Telecommunications Relay Services and Speech-to- Speech Services for Individuals with Hearing and Speech Disabilities, CG Docket No. 03-123, The Use of N11 Codes and Other Abbreviated Dialing Arrangements, CC Docket No. 92-105, *Report and Order*, 22 FCC Rcd 11275 (2007) (*VoIP TRS Order*). The section 64.601 rule amendment extending TRS contribution requirements to interconnected VoIP providers became effective October 5, 2007.

[4] As discussed *infra* the proposed revised factor is based on inclusion of 4th Quarter 2006 VoIP provider revenues.

[5] The interstate TRS minutes include captioned VCO minutes.

[6] The revised projections utilize the projection features embedded in Microsoft Excel to estimate demand for the balance of the funding year. A description of the Excel TREND function can be found in Appendix 1 to this filing.

revised projections, as described in more detail below, an additional $82.8 million is required to ensure that sufficient funds are available to compensate providers for the 2007-2008 fund year.[7]

A. VRS

Actual demand for VRS is significantly higher than projected.[8] Table 1 displays a comparison of the projected demand and disbursements contained in the *2007 Administrator Filing* to the latest view of actual payments from the fund from March through October 2007 for VRS.[9] These results indicate that actual VRS usage is 5.3 million minutes over projection and, as a result, $35.0 million more has been disbursed to date than was anticipated in establishing the current funding requirement and contribution factor.

Table 1

VRS Actual vs. Projected Demand

Date	Projected May 1st Minutes (a)	Projected May 1st Disbursement (b)		Actual Reported Minutes (c)	Actual Disbursement (d)	Differential Col (d) minus Col (b)
Mar 07	4,517,923	$30,017,080		5,047,985	$33,538,424	$3,521,333
Apr	4,612,075	$30,642,626		4,844,901	$32,189,522	$1,546,896
May	4,709,365	$31,289,021		5,298,825	$35,205,393	$3,916,372
Jun	4,803,517	$31,914,567		5,215,637	$35,317,092	$3,402,525
Jul	4,900,807	$32,560,962		5,585,000	$37,106,740	$4,545,778
Aug	4,998,098	$33,207,363		6,109,688	$40,592,767	$7,385,404
Sept	5,092,250	$33,832,909		5,689,736	$37,802,606	$3,969,697
Oct	5,189,540	$34,479,304		6,203,355	$41,215,091	$6,735,787
Total	38,823,575	$257,943,833		44,095,067	$292,967,626	$35,023,793

[7] As is the current practice, the revised funding requirement does not anticipate the Administrator invoking penalties on the providers for non-compliance with Commission speed of answer requirements.

[8] The Administrator first notified the Commission about the significant growth in VRS minutes in its Reply Comments submitted on May 23, 2007, just three weeks after its initial projection. NECA *Reply Comments*, CG Docket No. 03-123 (May 23, 2007), at 5.

[9] The *2007 Administrator Filing* contained actual reported demand and disbursements for January and February 2007 and projected disbursements for the final quarter of the 2006-2007 fund year, in addition to the current fund year projection.

Figure 1 displays the actual VRS minutes reported to date to the original projection and the revised projection based on a trending of the actual reported calendar year 2007 data through October 2007.

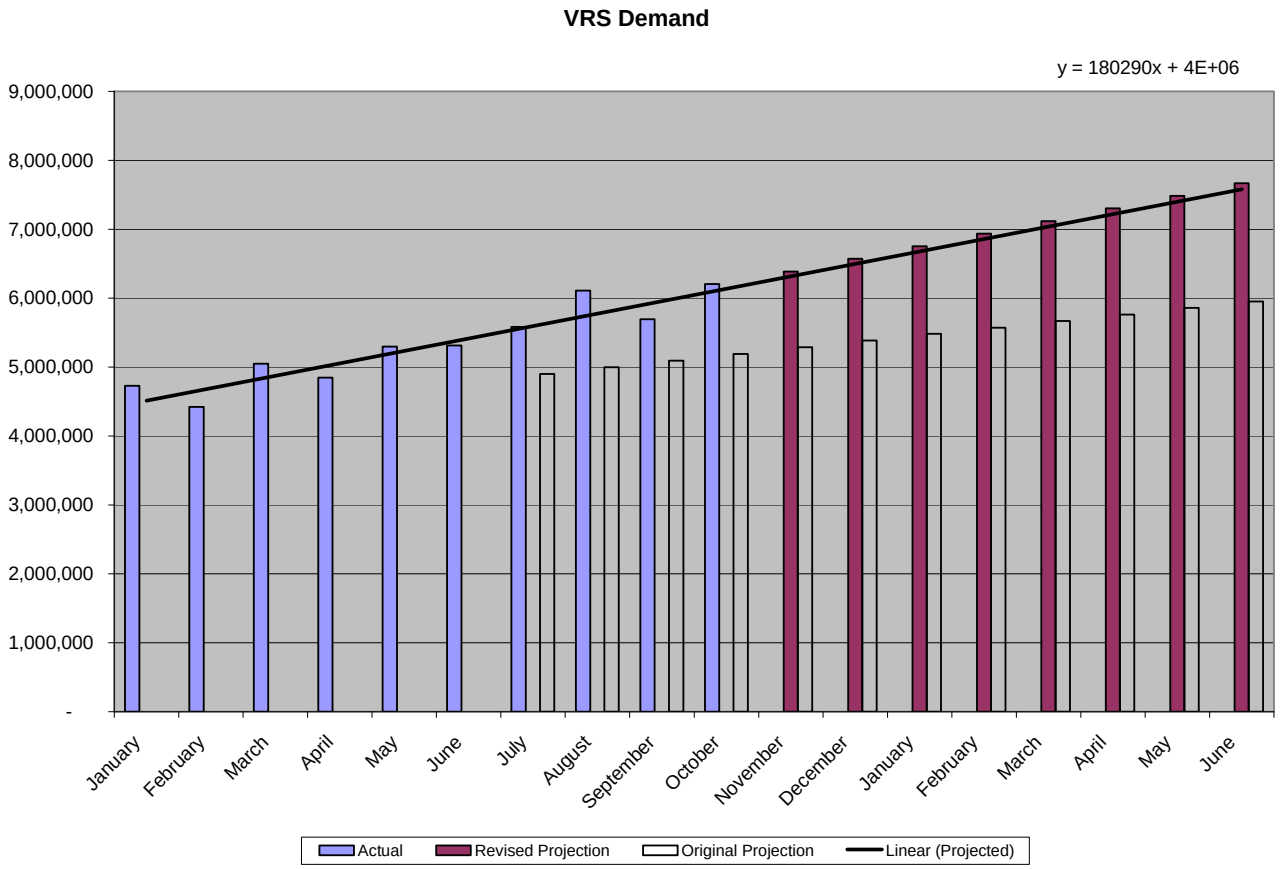

Figure 1

The revised demand projection anticipates that providers will handle 79.8 million minutes during the 2007-2008 funding year, approximately 22 percent higher than the original projection of 65.1 million minutes.[10] Based on the current rate of $6.644 per minute through the end of December 2007, the new VRS tiered rate structure for January through June 2008, and the revised projected

[10] The projected demand for VRS used in the *2007 Administrator Filing* exceeded the providers' own demand projection by approximately eight percent.

minutes for the July 2007 through June 2008 fund year, the funding requirement for VRS will increase from $434 Million to $518.4 Million.[11]

B. TRS and Captioned Telephone

The *TRS Rate Methodology Order* introduces separate rates for traditional TRS minutes of use and Captioned Telephone minutes of use. Historically, these services have been compensated at the same per minute rate and demand for these services was projected together. With compensation being provided at separate rates, projection of future funding requirements necessitates forecasting the services separately. Figure 2A displays the actual traditional TRS minutes of use reported to date and the revised projection based on a trend of the actual reported calendar year 2007 data through October 2007. The projection contained in the *2007 Administrator Filing* anticipated a decline in traditional TRS usage; however, it anticipated a more rapid decline in minutes than has actually occurred for the first ten months of 2007.

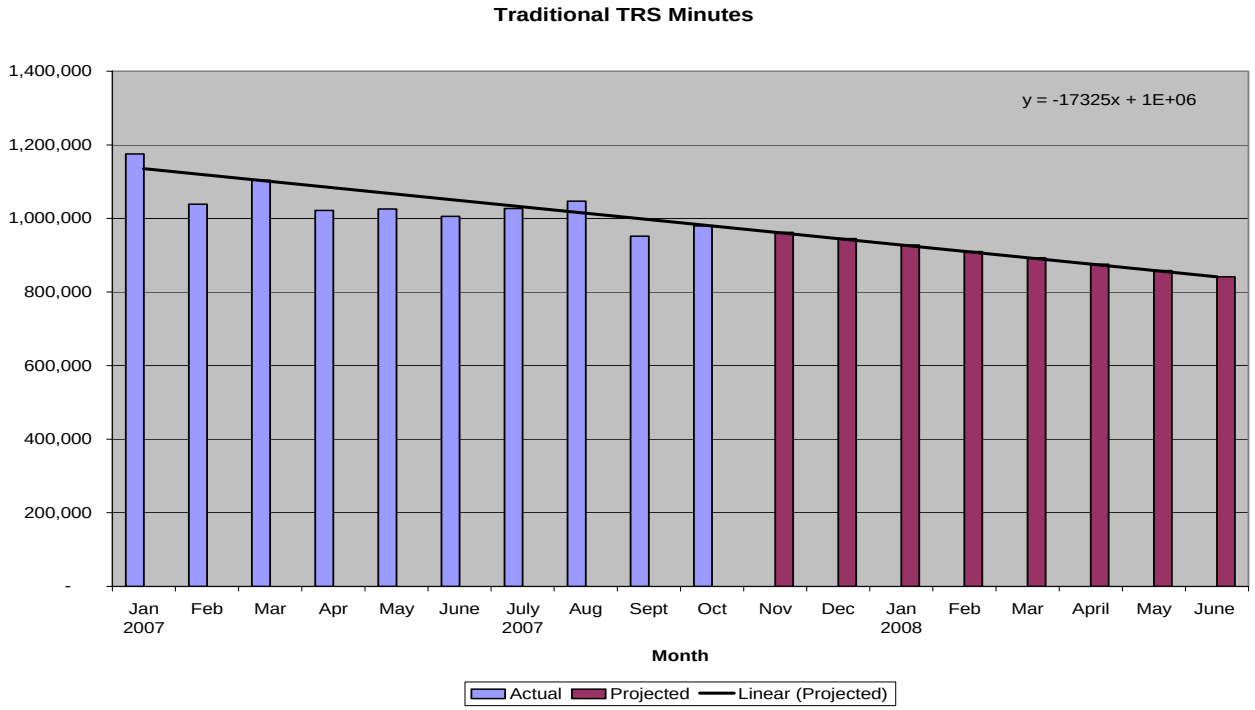

Figure 2A

[11] Estimation of the funding requirement for VRS under a tiered rate structure necessitates the development of provider specific monthly demand forecasts for the balance of the funding year to determine how many minutes will be compensated at each of the three tier rates.

Based on the current rate of $1.291 per minute through December 2007 and the revised traditional TRS rate of $1.592 for January through June 2008, coupled with the revised projection of minutes for the July 2007 through June 2008 fund year, the funding requirement for traditional TRS has increased to $16.1 million.

Figure 2B displays the actual Captioned Telephone minutes of use reported to date and the revised projection based on a trend of the actual reported calendar year 2007 data through October 2007.

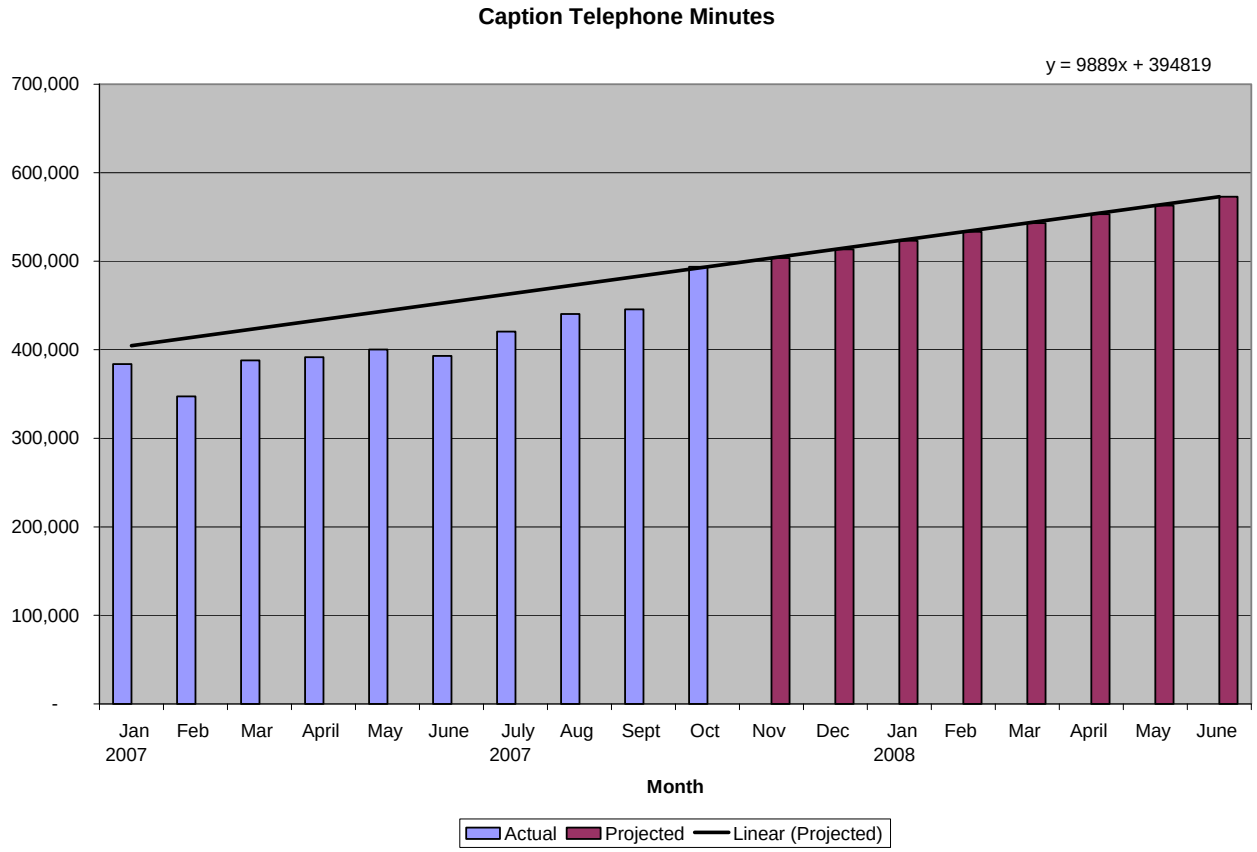

Figure 2B

Based on the current rate of $1.291 per minute through December 2007, the revised Captioned Telephone rate of $1.629 for January through June 2008, coupled with an increase in projected minutes for the July 2007 through June 2008 fund year, the funding requirement for Captioned Telephone has increased to $9.0 million.

Together traditional TRS and Captioned Telephone were anticipated to require $17.7 million in the *2007 Administrator Filing*. Based on the revised rates and demand projections, it is now anticipated that these services will require $25.1 Million in funding, an increase of $7.4 Million.

Figure 2C compares the original combined projection to actual minutes from July through October 2007 and the consolidated revised projections for the balance of the fund year.

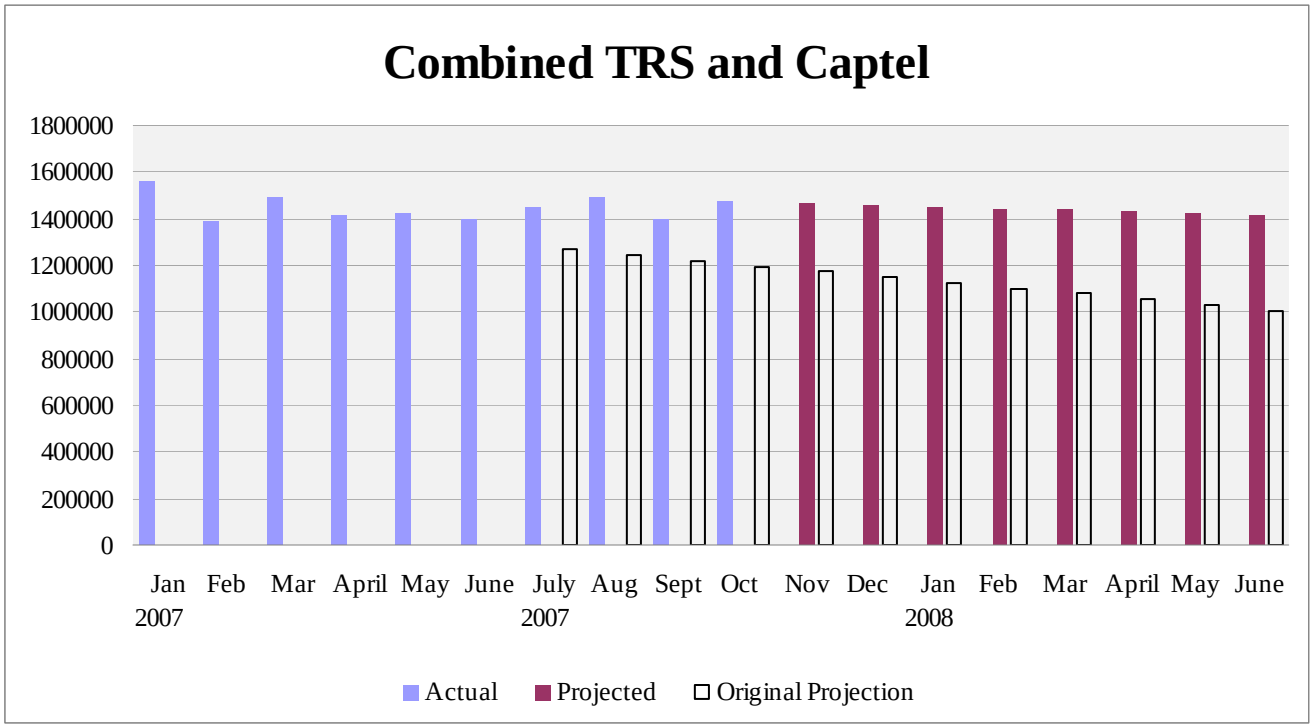

Figure 2C

C. IP Relay

Figure 3 displays the actual IP Relay minutes of use reported to date, the original projection, and the revised projection based on a trend of the actual reported calendar year data through October 2007.

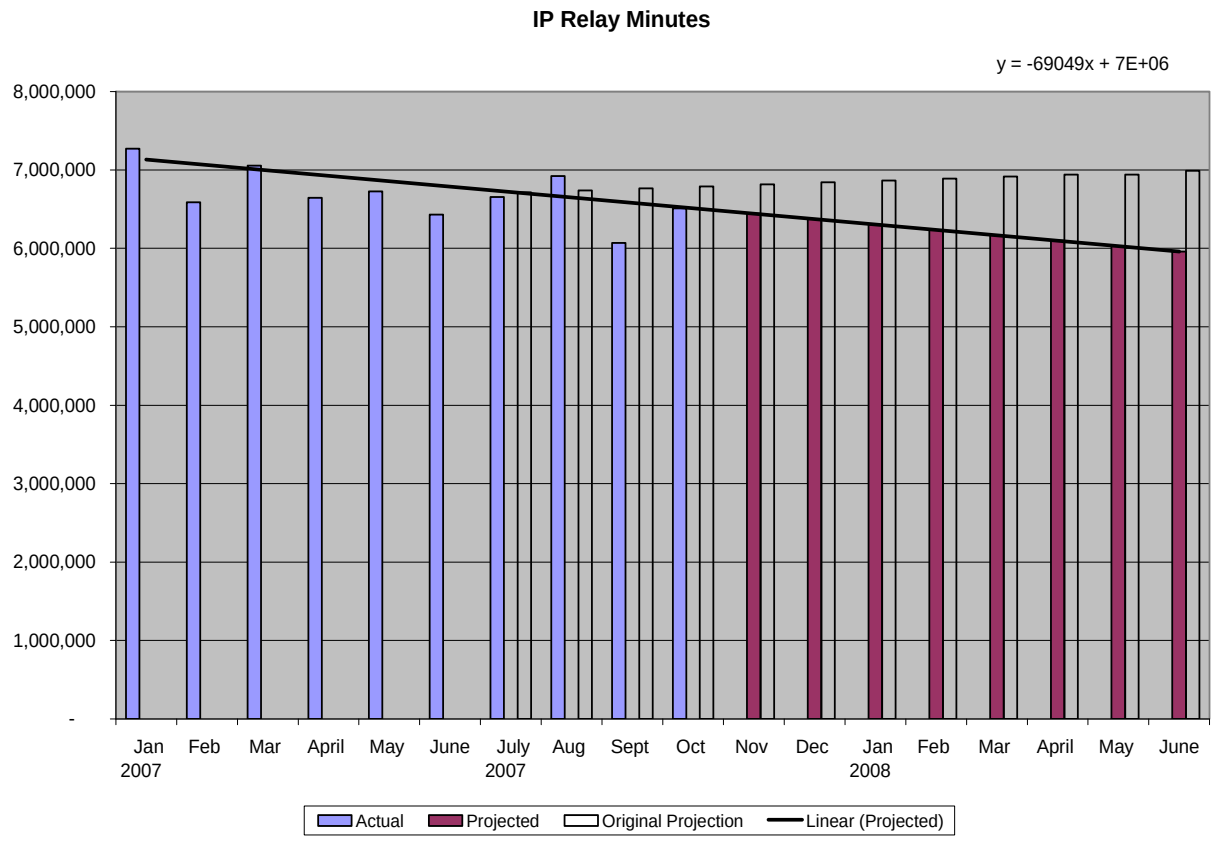

Figure 3

The revised forecast indicates that demand for IP Relay service is not increasing as originally projected. Based on a rate of $1.293 per minute for the entire fund year and the revised projected minutes, it now appears that approximately $8.8 million less will be required to compensate IP Relay service providers than was originally anticipated.[12]

[12] To date, no provider has placed a claim for IP-Captioned Telephone minutes of use. As such, all minutes projected for the balance of the funding year are projected as traditional IP Relay service minutes. Even if 50% of the revised projected minutes over the final six months of the fund year were reported as IP-Captioned Telephone minutes, the additional impact on the fund would be less than $5.3 Million.

D. Speech to Speech

Figure 4 displays the actual Speech to Speech interstate minutes of use reported to date, the original projection and the revised projection based on a trend of the actual reported calendar year 2007 data through October 2007.

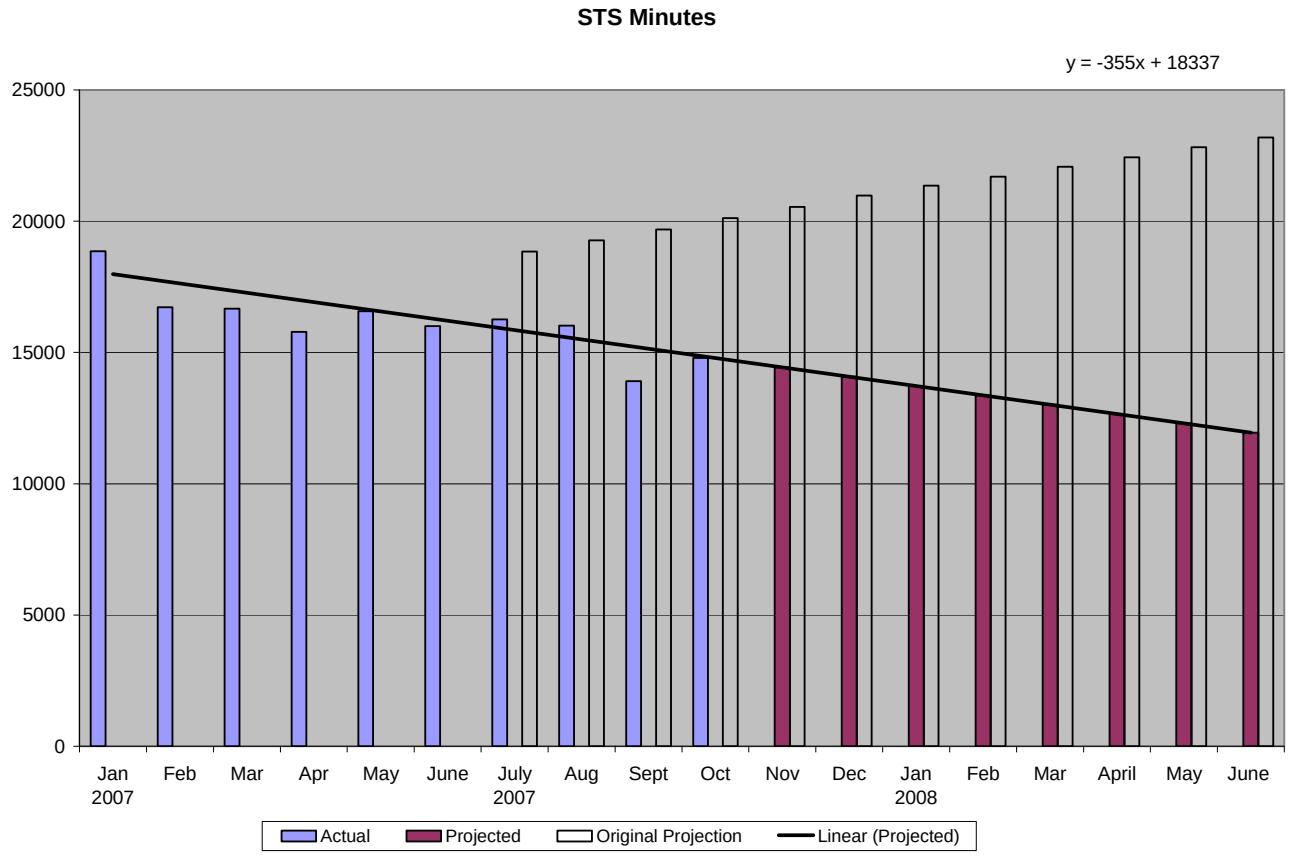

Figure 4

The *2007 Administrator Filing* anticipated that demand for Speech to Speech (STS) Relay service would grow by an average daily rate of approximately 14 minutes. Based on ten months of actual data for 2007, demand for this service has actually declined at a rate of about 12 minutes per day. Based on the revised demand forecast, the current rate of $1.409 per minute for the second quarter of the funding year and application of the newly-approved STS rate for the third and fourth quarter of the funding year, approximately $20.7 thousand less will be required to fund STS Relay.

III. Revised Revenue Base

The *2007 Administrator Filing* contained a projected revenue base of $76.8 billion interstate and international revenue for calendar year 2006. Subsequent to the filing, the Commission required interconnected VoIP providers to contribute to the Interstate TRS Fund under the Commission's existing contribution rules, effective October 5, 2007.[13] The Commission instructed the Administrator to bill interconnected VoIP providers on a pro-rated basis, based on the revenue data reported on the FCC Form 499-A that is filed with the Universal Service Administrative Company (USAC).[14] Collectively, 379 interconnected VoIP providers have reported $717.8 million in interstate revenue for 4th Quarter 2006.[15] The Administrator calculated a prorate factor of 73.6 percent based on the October 5, 2007 onset of the contribution obligation.[16] However, it is unclear whether the Administrator should use the revenues as reported or annualize the reported 4th Quarter 2006 revenues and use that amount as the basis for assessing VoIP service providers.

If the Commission intended for the assessment to be based solely on 4th Quarter revenues, the VoIP providers would add a prorated amount of $528.4 million to the funding base, which when coupled with other revisions to existing contributors establishes a new funding base of $77.7 billion.[17] Alternatively, if the Commission intended to have the assessment based on calendar year 2006 revenues, the 4th Quarter revenues reported would need to be annualized before application of the prorate percentage. This would result in a new funding base of $79.3 billion.

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[13] *See VoIP TRS Order*.

[14] *Id.* at 40. The Commission noted that interconnected VoIP providers (except those that qualify for the *de minimis* or other exemptions) currently report their annual historic interstate end-user telecommunications revenue information for purposes of the universal service contribution requirements on FCC Form 499-A, using an interim safe harbor for VoIP services of 64.9 percent interstate revenue to mirror the average percentage of interstate revenues that wireline toll providers have reported to the Commission.

[15] The revenue data reported to USAC was for the 4th Quarter only and not the entire year.

[16] The date360 function in Microsoft Excel yields 265 as the number of days between October 5, 2007 and June 30, 2008. Using 360 days as the base, consistent with the Excel application, produces a factor of 73.6 percent (265/360).

[17] Subsequent to the receipt of the FCC Form 499A data from providers on April 1st, USAC receives late-filed and corrected forms. The amount reflected here represents the latest view of the TRS funding base for the 2007-2008 fund year.

IV. Revised Contribution Factor

Based on the new projections, revised rates, and revised revenue base, the Administrator has calculated that the existing contribution factor will not yield enough funding to reimburse providers for the full fund year. Therefore, the Administrator estimates that an increase in the factor is necessary. With an additional funding requirement of $82.8 million as detailed above and a revised revenue base of $77.7 billion (using only 4th Quarter VoIP revenues), the revised contribution factor would need to be 0.00819. With annualized VoIP provider revenues, the contribution factor would need to be 0.00803.

V. Implementation Methodology for Revised Factor

Because some contributors utilize the monthly payment option while others make their annual contribution in a single payment, the Administrator proposes the following methodology for collection of the additional funds resulting from the revised contribution factor. This methodology uses the reported revenue amount for each non-VoIP contributor and the revised contribution factor to compute a new annual contribution.

- If the provider elected to make a single contribution to the fund, the amount already contributed will be deducted from the new annual contribution and an invoice will be issued for the balance.
- If the provider elected the monthly payment option, the payments made to date will be deducted from the new annual contribution and the balance will be divided by the months remaining in the funding year to determine the monthly payment to be invoiced.[18]

Interconnected VoIP providers would be afforded the same opportunity to take advantage of the monthly payment option available under Section 64.604 of the Commission's rules.[19] If the

[18] For example, assume a provider had an annual contribution of $12,000 based on the current factor and was paying at a rate of $1,000 per month. If the revised contribution factor were to be approved in December 2007, the provider would have already paid $6,000 towards its annual contribution amount. Further, if the annual contribution requirement were to increase from $12,000 to $12,600 as a result of the revised factor, the provider's remaining obligation would increase from $6,000 to $6,600. The monthly billing for the remaining months of the fund year would be adjusted from $1,000 to $1,100 to reflect the increased obligation.

[19] 47 C.F.R. § 64.604.

annual contribution requirement exceeds $1,200, they would be eligible to contribute monthly rather than via a single payment. The contributors may elect an option of either paying the full amount in a single payment or to pay on a monthly basis. Because there would be fewer than twelve months remaining in the fund year, their annual contribution would be divided by the number of months remaining subsequent to the release of a revised contribution factor. For those with an annual contribution requirement that is less than $1,200, an invoice would be issued for the entire amount.

Conclusion

Despite the increased funding base that resulted from adding interconnected VoIP providers as contributors and the revised compensation rates for the providers, which would have reduced funding requirements if demand had followed projections, the growth in VRS demand has put the solvency of the Interstate TRS Fund in jeopardy, therefore urgent action is necessary to increase the contribution factor from 0.0072 to 0.00819, as requested herein.

Exhibit 1

Revised Interstate TRS Fund Requirement
for July 2007 through June 2008

SERVICE	May 1 Filing Projection DEMAND	FUNDING RQMT (1)	Revised Projection DEMAND	FUNDING RQMT(2)	$ Difference
Traditional TRS/Caption Telephone	13,708,419	$ 17,697,568.93	15,851,818	$ 25,075,549.30	$ 7,377,980.37
Speech to Speech	253,327	$ 356,937.74	151,705	$ 335,774.43	$ (21,163.32)
IP Relay	82,588,435	$ 106,786,846.46	63,183,057	$ 97,962,926.99	$ (8,823,919.46)
Video Relay Service	65,333,656	$ 434,076,810.46	79,803,207	$ 518,362,241.04	$ 84,285,430.57
Total Funding Requirement		$ 558,918,163.59		$ 641,736,491.75	$ 82,818,328.16
Projected Provider Payments		$ 558,918,163.59		$ 641,736,491.75	$ 82,818,328.16
Administrative Expenses		$ 1,000,000.00		$ 1,000,000.00	$ -
Interest Income		$ (6,000,000.00)		$ (6,000,000.00)	$ -
		$ 553,918,163.59		$ 636,736,491.75	$ 82,818,328.16

	as Filed	Revised (3)	Revised (4)
Funding Base	$ 76,824,954,474	$ 77,712,264,899	$ 79,297,415,876
Contribution Factor	**0.00720**	**0.00819**	**0.00803**

Notes
(1) May 1 Funding Requirement equals projected demand * rates approved in 6/29/2007 Interim Rate Order
(2) Reflects new compensation rates from January 1, 2008 through June 30, 2008
(3) Funding Base includes 4th Quarter 2007 Revenues for VoIP adjusted for October 5, 2007 effective date.
(4) Funding Base includes Annualized 4th Quarter 2007 Revenues for VoIP adjusted for October 5, 2007 effective date.

Appendix 1

Following is a description of the Trend function contained in Microsoft Excel:

TREND

Returns values along a linear trend. Fits a straight line (using the method of least squares) to the arrays known_y's and known_x's. Returns the y-values along that line for the array of new_x's that you specify.

Syntax

TREND(**known_y's**,known_x's,new_x's,const)

Known_y's is the set of y-values you already know in the relationship y = mx + b.

If the array known_y's is in a single column, then each column of known_x's is interpreted as a separate variable.
If the array known_y's is in a single row, then each row of known_x's is interpreted as a separate variable.

Known_x's is an optional set of x-values that you may already know in the relationship y = mx + b.

The array known_x's can include one or more sets of variables. If only one variable is used, known_y's and known_x's can be ranges of any shape, as long as they have equal dimensions. If more than one variable is used, known_y's must be a vector (that is, a range with a height of one row or a width of one column).
If known_x's is omitted, it is assumed to be the array {1,2,3,...} that is the same size as known_y's.

New_x's are new x-values for which you want TREND to return corresponding y-values.

New_x's must include a column (or row) for each independent variable, just as known_x's does. So, if known_y's is in a single column, known_x's and new_x's must have the same number of columns. If known_y's is in a single row, known_x's and new_x's must have the same number of rows.
If you omit new_x's, it is assumed to be the same as known_x's.
If you omit both known_x's and new_x's, they are assumed to be the array {1,2,3,...} that is the same size as known_y's.

Const is a logical value specifying whether to force the constant b to equal 0.

If const is TRUE or omitted, b is calculated normally.
If const is FALSE, b is set equal to 0 (zero), and the m-values are adjusted so that y = mx.

Remarks

For information about how Microsoft Excel fits a line to data, see LINEST.
You can use TREND for polynomial curve fitting by regressing against the same variable raised to different powers. For example, suppose column A contains y-values and column B contains x-values. You can enter x^2 in column C, x^3 in column D, and so on, and then regress columns B through D against column A.
Formulas that return arrays must be entered as array formulas.
When entering an array constant for an argument such as known_x's, use commas to separate values in the same row and semicolons to separate rows.

Example

The example may be easier to understand if you copy it to a blank worksheet.

The first formula shows corresponding values to the known values. The second formula predicts the next months values, if the linear trend continues.

	A	B	C
	Month	**Cost**	**Formula (Corresponding Cost)**
	1	$133,890	=TREND(B2:B13,A2:A13)
	2	$135,000	
	3	$135,790	
1	4	$137,300	
2	5	$138,130	
3	6	$139,100	
4	7	$139,900	
5	8	$141,120	
6	9	$141,890	
7	10	$143,230	
8	11	$144,000	
9	12	$145,290	
10	**Month**	**Formula (Predicted Cost)**	
11	13	=TREND(B2:B13,A2:A13,A15:A19)	
12	14		
13	15		
	16		
	17		

Note The formula in the example must be entered as an array formula. After copying the example to a blank worksheet, select the range C2:C13 or B15:B19 starting with the formula cell. Press F2, and then press CTRL+SHIFT+ENTER. If the formula is not entered as an array formula, the single results are 133953.3333 and 146171.5152.

CERTIFICATE OF SERVICE

I hereby certify that a copy of NECA's Supplement to Annual Filing for TRS Contribution Factor Increase was served this 30th day of November 2007, by electronic filing and email to the persons listed below.

By: /s/ Elizabeth R. Newson
Elizabeth R. Newson

The following parties were served:

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