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

In the Matter of	)	
	)	
National Exchange Carrier Association, Inc.	)	WC Docket No. 07-290
2008 Modification of Average Schedules	)	
	)	

ORDER

Adopted: May 29, 2008 **Released: May 29, 2008**

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

1. On December 21, 2007, the National Exchange Carrier Association, Inc. (NECA) filed proposed modifications to the current average schedule formulas to become effective July 1, 2008.[1] NECA's filing was submitted in accordance with Commission rules that require NECA to submit proposed modifications to the average schedule formulas annually or to certify that no modifications are warranted.[2] For the reasons set forth below, we approve the average schedule formulas as requested by NECA.

2. By Public Notice issued January 15, 2008, we sought comment on NECA's filing.[3] Verizon filed comments on NECA's proposed revisions to the average schedule formulas.[4] NECA filed reply comments.[5]

3. NECA proposes to revise the formulas for average schedule interstate settlement disbursements in connection with the provision of interstate access services.[6] NECA indicates that a major factor in its proposed modifications to the average schedule formula is "significant reductions in some access demand elements."[7] Recognizing that statistical results are valid only for the studied range, NECA proposes to limit access minute volumes and line haul circuit counts that would be eligible for

---

[1] *National Exchange Carrier Association, Inc.'s 2008 Modification of Average Schedule Formulas* (filed Dec. 21, 2007) (*2008 NECA Proposed Modification of Average Schedule Formulas*).

[2] 47 C.F.R. § 69.606(b).

[3] *National Exchange Carrier Association, Inc.'s Proposed 2008 Modification of Average Schedule Formulas*, WC Docket No. 07-290, Public Notice, 23 FCC Rcd 250 (2008).

[4] Comments of Verizon, WC Docket No. 07-290 (filed Jan. 30, 2008) (Verizon Comments).

[5] Reply Comments of the National Exchange Carrier Association, Inc., WC Docket No. 07-290 (filed Feb. 11, 2008) (NECA Reply).

[6] *2008 NECA Proposed Modification of Average Schedule Formulas* at Section VIII.

[7] *Id*. at Summary-1.

average schedule settlements to levels analyzed in its study.[8] NECA estimates that under the proposed formula changes, the majority of carriers would receive a small increase in settlements, averaging 2.7 percent, given constant demand.[9] The effects of these formula changes on individual average schedule companies will vary depending on each company's size and demand characteristics. NECA also adjusted the formulas to reflect the allocation rules mandated by the *MAG Order*.[10] NECA requests that these modifications take effect on July 1, 2008, and remain in effect through June 30, 2009.

4. We have reviewed NECA's filing and find that its proposed formulas are reasonable. NECA revised the average schedule formulas using procedures consistent with those used in previous filings. We reject Verizon's argument that NECA should be required to reduce both the proposed minutes of use (MOU) per line per month volume cap and the proposed line haul circuit per exchange cap.[11] We find that NECA's explanation of its derivation of the MOU and circuit cap levels is reasonable. NECA explained that Verizon's proposal to lower the MOU cap was based on an analysis that failed to include data from high volume periods.[12] With respect to the line haul circuit cap of 3000 circuits, NECA pointed out that while this year's sample did not include carriers with between 2000 and 3000 circuits, past years' studies have included such carriers.[13] Moreover, NECA asserted that there is no significant per-unit cost difference between study areas with between 2000 and 3000 circuits per exchange, and those near, but slightly below, 2000 based on the data for companies serving such areas.[14] We thus find that NECA chose MOU and circuit caps that are reflective of the carriers in the pool.

5. We also find that NECA adequately addressed Verizon's request for clarification regarding how the caps would work.[15] NECA clarified that the caps would impose a ceiling on the amount an average schedule carrier could recover from the pool.[16] Specifically, if "an average schedule company reported MOUs or circuit counts exceeding specified thresholds, its settlements would be capped at the threshold level -- it would not receive any additional payments for MOUs or circuits beyond those points."[17] Thus, we agree with NECA that the average schedule formulas will not create an incentive for

[8] *Id*. at I-5, VII-35. NECA proposes a limit of 2000 monthly interstate access minutes per access line, and 3000 interstate line haul circuits per exchange. *Id*. at VII-35, VII-43.

[9] *Id*. at I-5

[10] *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613 (2001) (*MAG Order)*. Specifically, the *MAG Order* required the reallocation of the non-traffic-sensitive costs of local switch line ports to the common line category, and the reallocation of the remaining costs of the transport interconnection charge (TIC) to other access rate elements.

[11] Verizon Comments at 1-4.

[12] NECA Reply at 2.

[13] *Id*. at 3-4.

[14] *Id*. at 4.

[15] *Id*. at 4-5.

[16] *Id*. at 4.

[17] *Id*.

any average schedule company to stimulate access traffic because the formulas will operate to cap that carrier's settlements as traffic volumes increase.[18]

6. 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 December 21, 2007, SHALL BECOME EFFECTIVE July 1, 2008, and remain in effect through June 30, 2009.

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

FEDERAL COMMUNICATIONS COMMISSION

Albert M. Lewis
Chief, Pricing Policy Division
Wireline Competition Bureau

[18] *Id*. at 5-8.