



NECA Update

2022 CTA Summer Meeting

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Agenda

- Cost Study Treatment of PPP & EIDL Loans – 9/21/21
- Stir/Shaken & Robocall Mitigation Cost Recovery – 9/21/21
- Settlement Reports Enhancements – 10/25/21 & 11/5/21
- Extension of DSL Promotions – 12/9/21, 2/10/22 & 4/29/22
- Avg Schedule Formulas Settlement Impacts – 12/22/21

Agenda (Con't)

- Waiver of Budget Control Mechanism – 5/11/22
- SWA Rate Changes – 4/6/22
- 8YY Rate Impacts
- Annual Tariff Filing – what's new
- SPA Rate Flexibility & Colorado Results
- Proposed Tariff Filings
- 2021 Cost Study Submissions – 4/19/22 & 6/13/22

Agenda (Con't)

- Exogenous Costs
- Settlement System Updates
- Cost Validation Procedure
- Upcoming Deadlines and Events

Cost Study Treatment of PPP & EIDL Loans – 9/21/21

- Updated informational paper to include treatment of expenses for USF quarterlies
- FCC WCB has given guidance that forgiven loans should be reported as a reduction to the appropriate expense account for cost studies and USF
- Expense reduction (credit) applies to USF quarterlies as well, whether booked as a lump sum or spread out as funds are used
- Reminder: If not reported in 2020 cost study should be reported for 2021 assuming loan forgiven

Stir/Shaken & Robocall Mitigation Cost Recovery – 9/21/21

- Updated informational paper to include cost recovery of robocall mitigation programs
- Mitigation cost examples and where to book
- Costs accounted, separated & allocated according to P32, 36 and 69 rules.
- A portion will be recovered through interstate CL, SPA, CAF BLS and High Cost Loop if legacy and SPA is model support.

Settlement Reports Enhancements – 10/25/21 & 11/5/21

- NECA statements enhanced to show more detail of USF support fund reductions
 - Budget control mechanism
 - Per line support cap (\$200 per line per month)
 - Support paid directly by USAC (498 elections)
- “Net unpooled” moved from EC3050/AS3000 moved to disbursement statements
- Processed retro to July 2018

Settlement Reports Enhancements – 10/25/21 & 11/5/21 (Con't)

EC3050

----- NET BALANCE SUMMARY -----

1. EU Net Balance (32-16)
2. CL Net Balance (33-15)
3. TS Net Balance (53-34+73-54)
4. SW Net Balance (74-54)
5. EU Prior Period Net Adj (EC2053)
6. CL Prior Period Net Adj (EC2053)
7. TS Prior Period Net Adj (EC2053)
8. SW Prior Period Net Adj (EC2053)
9. TOTAL NET BALANCE [1 thru 8]
If positive, NECA pays EC. If negative, EC pays NECA.

----- SUPPORT DATA -----

10. CAF Intercarrier Compensation Support (USAC) ***
11. CAF BLS VoiceData (USAC)
12. CAF BLS CBOL (USAC)
13. CAF BLS VD + CBOL Adj. (USAC) ***
14. Net Unpooled CAF BLS (11 + 12) - 13

----- COMMON LINE -----

15. Other CL Net Earned Revenue (1050, 5 + 16)
16. EU Net Earned Revenue (1050, 8)
17. NECA Administrative Costs - CL
18. CL Expenses & Other Taxes (1050, 9 + 17)
19. CL Income from AFUDC (1050, 11 + 19)
20. CL Income Adjustment for FIT (21 + 22)
21. CL Income Adjustment for FIT for Taxable (1050, 12 + 20)
22. CL Income Adjustment for FIT for Tax Exempt (27 * 28B)
23. CL Total Income (15 + 16 + 19 + 11 + 12) + (3000, 17 + 18 + 11A + 11B)
24. CL Total Amount for Tax and Residue
23 - (17 + 18) - 0.800834 * (3000, 28 + 25) - (1000, 12 + 13)
25. CL FIT Credit (1050, 13 + 21)
26. CL Average Net Investment (1050, 10 + 18)
27. CL Average Net Investment by Tax status (1050, 10 + 18) if tax exempt, 0 otherwise
28. CL Residue Ratio
(0.79 * 24 + (0.21 * 21) + 25) / (26 - 0.21 * 27 + 0.79 * 12 * 1.945034 * (3000, 25+28))
29. CL Residue Distribution (26 * 28B)
30. CL FIT Allowance (((29-20-25) * .265822785) - 25)
31. CL Settlement (18+20+30-10-11-12-14)+11*+12*
(*If eligible and NECA is EC's agent for High Cost USF payments)
32. EU Settlement (18)
33. CL Net Settlement (31 - 32)

*** Universal Service payments are estimates and will be trued up on the basis of actual payment information available from USAC.

AS3000

-----SUPPORT/DEMAND DATA-----

10. Number of Exchanges
11. A.) CAF BLS - Voice Data (USAC)
- B.) CAF BLS CBOL (USAC)
- C.) CAF BLS - VD + CBOL ADJ (USAC)***
- D.) NET Unpooled CAF BLS (A+B) - C
- E.) Reserved
- F.) Reserved
12. Fixed Rate Factor
13. CAF Intercarrier Compensation Support (USAC)***

--- TS - SWITCHED & SPECIAL ACCESS ---

34. TS Net Earned Revenue
(73 + (1050, 37 - 44) + (47 - 1.0) * 1050, 35C)
35. NECA Administrative Costs - TS
36. TS Expenses & Other Taxes (1050, 29 + 38 + 43)
37. TS Intrastate Revenue Requirement (1050, 30)
38. TS Income from AFUDC (1050, 32 + 40)
39. TS Income Adjustment for FIT (40 + 41)
40. TS Income Adjustment for FIT for Taxable (1050, 33 + 41)
41. TS Income Adjustment for FIT for Tax Exempt (46 * 48B)
42. TS Total Income (34 + 38 + (3000, 33 + 34))
43. TS Total Amount for Tax and Residue
42 - (35 + 36 + 37) - (3000, 53) - 0.849874 * (3000, 48)
44. TS FIT Credit (1050, 34 + 42)
45. TS Average Net Investment (1050, 31 + 39)
46. TS Average Net Investment by Tax status (1050, 31 + 39) if tax exempt, 0 otherwise
47. Fixed Rate Factor
48. TS Residue Ratio
(0.79 * 43 + (0.21 * 40) + 44) / (45 - 0.21 * 46 + 0.79 * 12 * 1.603260 * (3000, 48))
49. TS Residue Distribution (45 * 48B)
50. TS FIT Allowance (((49-39-44) * .265822785) - 44)
51. Interstate TS Settlement (38 + 46 + 50 - 38 - 10) + 10*
(*If eligible and NECA is EC's agent for High Cost USF payments)
52. Intrastate TS Settlement (37)
53. Total TS Settlement (51 + 52)

--- SWITCHED ACCESS ---

54. SW Net Earned Revenue (1050, 28) + 55
55. Total Limited Imputed CBOL ARC Rev
56. SW Income from AFUDC (1050, 32)
57. SW Total Income 54 + 56 + 10 + (3000, 56 + 13)
58. NECA Administrative Costs - SW
59. SW Interstate Expenses & Other Taxes (1050, 29 + 43)
60. SW Intrastate Revenue Requirement (1050, 30)
61. SW Income Adjustment for FIT (62 + 63)
62. SW Income Adjustment for FIT for Taxable (1050, 33)
63. SW Income Adjustment for FIT for Tax Exempt (67 * 68B)
64. SW Total Amount for Tax and Residue
57 - (59+59+80) - (3000, 59) - 0.841297 * (3000, 58)
65. SW FIT Credit (1050, 34)
66. SW Average Net Investment (1050, 31)
67. SW Average Net Investment by Tax status (1050, 31) if tax exempt, 0 otherwise
68. SW Residue Ratio
(0.79 * 64 + (0.21 * 62) + 65) / (66 - 0.21 * 67 + 0.79 * 12 * 1.410693 * (3000, 58))
69. SW Residue Distribution (66 * 68B)
70. SW FIT Allowance (((69-51-65) * .265822785) - 65)
71. Interstate SW Settlement (59+69+70-55)
72. Intrastate SW Settlement (60)
73. Total SW Settlement (71 + 72)
74. SW Net Settlement (73 - 10 + 10*)
(*If eligible and NECA is EC's agent for High Cost USF payments)



Settlement Reports Enhancements – 10/25/21 & 11/5/21 (Con't)

EC3050

Prior to October 2021

| | |
|--|---------------|
| 9. Total net balance | 92,824 |
| 10. CAF intercarrier compensation support (USAC) *** | 31,300 |
| 11. CAF BLS voice-data (USAC) | 35,804 |
| 12. CAF BLS CBOL (USAC) | 15,000 |
| 13. CAF BLS VD + CBOL adj. (USAC) *** | 45,804 |
| 14. Net unpooled CAF BLS (11 + 12) - 13 | 5,000 |

| | |
|---|--------|
| 31. CL settlement (18+29+30-19-11-12-14*) +11* +12* | 57,000 |
| 51. Interstate TS settlement (36+49+50-38-10) + 10* | 51,000 |
| 74. SW net settlement (73 - 10 + 10*) | 41,000 |

* If eligible and NECA is EC's agent for high-cost USF payments

*** Universal service payments are estimates and will be trued up on the basis of actual payment information available from USAC.

Starting October 2021

| | |
|---------------------------------------|---------------|
| 9. Total net balance | 97,824 |
| 10. CAF ICC | 31,300 |
| 11. CAF BLS voice-data | 35,804 |
| 12. CAF BLS CBOL | 15,000 |
| 31. CL sett. (18+29+30-19) | 62,000 |
| 51. Interstate TS sett. (36+49+50-38) | 51,000 |
| 74. SW net settlement (73) | 41,000 |

Does not reflect BCM and CAP adjustments

CL RRQ = \$62,000

TS RRQ = \$51,000

SW RRQ = \$41,000

Settlement Reports Enhancements – 10/25/21 & 11/5/21 (Con't)



Company Code: 00000000
 Statement No: AB0000000
 Date: November 03, 2021

ABC Company
 Attn: Ms. Jane Smith
 P.O. Box 111
 Anytown, NJ 07960

Disbursement Notification

THIS IS NOT A NECA BILL

Direct questions to your NECA Regional Industry Relations Office

123456 ABC COMPANY

Current:

Settlements:

Total Net Balance for Oct 2021 Data Month (EC3050)
 *Adjustment Net Balance (AS/EC 2053)

97,824.00 CR
 3,000.00 CR

Does not reflect BCM and CAP adjustments

Settlements Net Balance Total:

100,824.00 CR

High Cost Support:

CAF BLS Oct 2021
 HCL Oct 2021

5,000.00
 40,000.00 CR

Same total due as current monthly process

High Cost Support Total:

35,000.00 CR

Estimated Amount Due Exchange Carrier on November 31, 2021

135,824.00 CR



Settlement Reports Enhancements – 10/25/21 & 11/5/21 (Con't)



Company Code: 00000000
 Statement No: AB0000000
 Date: November 03, 2021

ABC Company
 Attn: Ms. Jane Smith
 P.O. Box 111
 Anytown, NJ 07960

Disbursement Notification

THIS IS NOT A NECA BILL



Direct questions to your NECA Regional Industry Relations Office

High Cost Detail

123456 ABC COMPANY

CAF BLS:

Current:

CAF BLS V/D included in Current Net Balance Oct 2021

35,804.00 CR

CAF BLS CBOL included in Current Net Balance Oct 2021

15,000.00 CR

* CAF BLS Current Period BCM Oct 2021

5,000.00

Total CAF BLS:

45,804.00 CR

CAF ICC:

Current:

CAF ICC included in Current Net Balance Oct 2021

31,300.00 CR

Total CAF ICC:

31,300.00 CR

HCL:

Current:

HCL Oct 2021

40,000.00 CR

Total HCL:

40,000.00 CR

Detail previously only available from multiple system reports

* For illustration only to show where BCM adjustments will be made. Application of the BCM was suspended for the current test period.



Settlement Reports Enhancements – 10/25/21 & 11/5/21 (Con't)

- Detailed “net zero impact to cash flow” report was provided to each company on Nov 5th
- All companies now receive “final” statements unless invoiced
- Eliminated many unused reports in settlement system
- Updated report interface for settlement reports on www.neca.org

Extension of DSL Promotions – 12/9/21, 2/10/22 & 4/29/22

- Two DSL promotions originally filed Oct 2020
- To help with remote schooling needs
- Eligibility requirement is a household with student on National School Lunch Program
 - 25% discount on new voice/data service, or
 - Speed upgrade on voice/data service at no additional charge
- Promotions typically applied to ISP bill with hope the ISP passes promotion onto customer

Extension of DSL Promotions – 12/9/21, 2/10/22 & 4/29/22 (Con't)

- Promotions were set to expire Dec 31st, 2021
- Filed revised tariff to extend to Feb 28th, 2022
- Filed revised tariff to extend to June 30th, 2022
- Filed revised tariff to extend to June 30th, 2023

Extension of DSL Promotions – 12/9/21, 2/10/22 & 4/29/22 (Con't)

- Keep Americans Connected Pledge waivers remain in effect in NECA tariff
 - Waiver of late payment charges
 - Waiver of early termination charges
 - Waiver of installation charges

Avg Schedule Formulas Settlement Impacts – 12/22/21

- Updated Avg Schedule formulas filed Dec 2021
- For settlements July 1st, 2022 to June 30th, 2023
- Effects:
 - Overall increase in settlements of 2.8% at constant demand
 - Estimated increase in settlements of 2% at projected demand
 - Individual study area results may vary

Waiver of Budget Control Mechanism – 5/11/22

- Affects legacy support companies
- FCC has waived BCM that reduces CAF BLS and Legacy USF HCL payments from July 2022 to June 2023
- CBOL impacts
 - Typically, the calculated CBOL rate recovers lost support from BCM
 - Result is lower calculated rates for CBOL for legacy support ILECs

SWA Rate Changes – 4/6/22

- FCC rules require adjustment to certain capped interstate SWA rates due to pool participation
- Does not affect the following SWA rates:
 - Terminating end office rates – bill & keep
 - Originating toll free – 8YY Reform Order
- Result is 1.2714% rate increase
- Rate bands unchanged

8YY (Toll Free) Access Charge Reform

- FCC's Report and Order Oct 9th, 2020
- Transitions all interstate and intrastate originating toll-free end office charges to bill and keep over a three-year period starting July 1, 2021
 - July 1, 2021 – rate parity with interstate levels for all intrastate originating toll-free rates
 - July 1, 2022 – reduces all originating toll-free end office rates to half of the capped level rates
 - July 1, 2023 – reduces all originating toll-free end office rates to bill and keep

8YY Order – Database Queries

- Transition all toll-free database query rates to a cap of \$0.0002 per query(both interstate and intrastate)
 - July 1, 2021 –FCC caps query rates for each carrier at the national average of \$0.004248
 - July 1, 2022 –All rates transition to \$0.002224
 - July 1, 2023 –Carriers will not charge more than \$0.0002

8YY Order – Support Implications

- The FCC declined requests to adopt new recovery mechanisms specifically for originating toll-free minutes
 - Existing revenue recovery mechanisms are sufficient
- RoR carriers will continue to recover lost revenues from end users with the access recovery charge
- RoR carriers can also rely on CAF ICC support to recover lost revenues not recovered through ARCs

Annual Tariff Filing – Tariff 5

- Effective July 1st, 2022
- New rate guides are posted
- FUSC increase from 23.8% to 33.0%
- ARCs – Remain at \$3 for most companies
 - Res ARCs could be less due to rate ceiling
- Updated CBOL rates
 - Model support companies can tariff any rate \$0-\$42
 - Waiver of BCM reduces fully calculated rates for legacy support companies

Annual Tariff Filing – Tariff 5 (Con't)

- Updates all SPA/DSL rates and bands
 - DSL rate increase of 6.75%
 - ETS rate increase of 7.10%
 - TDM rate increase of 11.39%
 - Overall SPA rate increase of 8.82%

Annual Tariff Filing – Tariff 6

- For BDS companies
- Effective July 1, 2022
 - Updated ex ante and non-ex ante SPA rates
 - Ex ante required to continue to tariff
 - Non-ex ante to be detariffed by July 2023
 - Companies choose rates up to the Price Cap Index which is the limit that rates can change
 - Collected through the BDS data collection

SPA Rate Flexibility & Colorado Results

- For annual tariff effective July 1st, 2022
- Allows many companies to adjust rate bands but maintain the same projected total revenue
 - CO results:
 - Several companies had significant flexibility to adjust rate bands
 - Four CO companies elected to adjust rate bands for DSL, ETS or both

Proposed Tariff Filings

- ETS speed increases
 - Current highest ETS speed offering is 10 Gig
 - Looking at adding 50 and 100 Gig
- ETS for Next Generation 911

2021 Cost Study Submissions

- Letter dated April 19th, 2022 – with attachments
 - Follow up dated June 13th, 2022
- Cost Studies and USF due July 31st
- RoR to be used is 9.875%
 - Blend of 10% for Jan-Jun 2021 and 9.75% for July-Dec 2021
- Estimated GDP-CPI is 1.230568 for use in Corp Ops Cap
 - Final factor available in late August for CAF BLS true up

2021 Cost Study Submissions (Con't)

- Updated clarification – CBOL loops offered as retail BIAS or private carriage should not be reported for line counts including USF and 507's
 - Considered non-reg
- Updated clarification – Allocation of cost specific to DSL
 - Updated example in NRG 4.21
 - Costs specific to DSL should be split based on voice-data & data-only subscriber counts

2021 Cost Study Submissions (Con't)

- Continue to provide PPP Loan worksheet
 - Provide amounts by account for excluded loans forgiven
- Continue to provide USF Excluded Expense worksheet
 - Legacy companies only
- Continue to amortize excess deferred taxes until fully amortized
- Continue to provide detail on joint use DSL allocations
- Continue to exclude (credit) assets purchased with grant funds from rate base

Exogenous costs

Cost Company Procedures

- Section 3.2.16
 - July 2020 all companies will follow the same methodology
 - TRS, regulatory and NANPA fee factors come from FCC dockets published each year
 - Revenue requirement factors come from cost studies
 - Revenues come from FCC form 499A
 - July 2022 update to refining the source of revenues

Exogenous costs

Legacy and model companies - Switched Access

- Carriers are allowed to recover incremental exogenous costs associated with TRS, NANPA and regulatory fees
 - Applies to legacy and model companies
 - Cost companies
 - Switched access portion
 - Only incremental amounts above the 2011 baseline are reported for recovery

| | |
|---|---------------|
| 2021 SW current | 1682 |
| 2011 SW Baseline | <u>- 1225</u> |
| Incremental increase for exogenous cost | 457 |

| | |
|-------------------------------------|---------------|
| 2021 SW current | 1225 |
| 2011 SW Baseline | <u>- 1682</u> |
| Incremental increase exogenous cost | - 457* |

* If negative, then 0 is reported

Exogenous costs

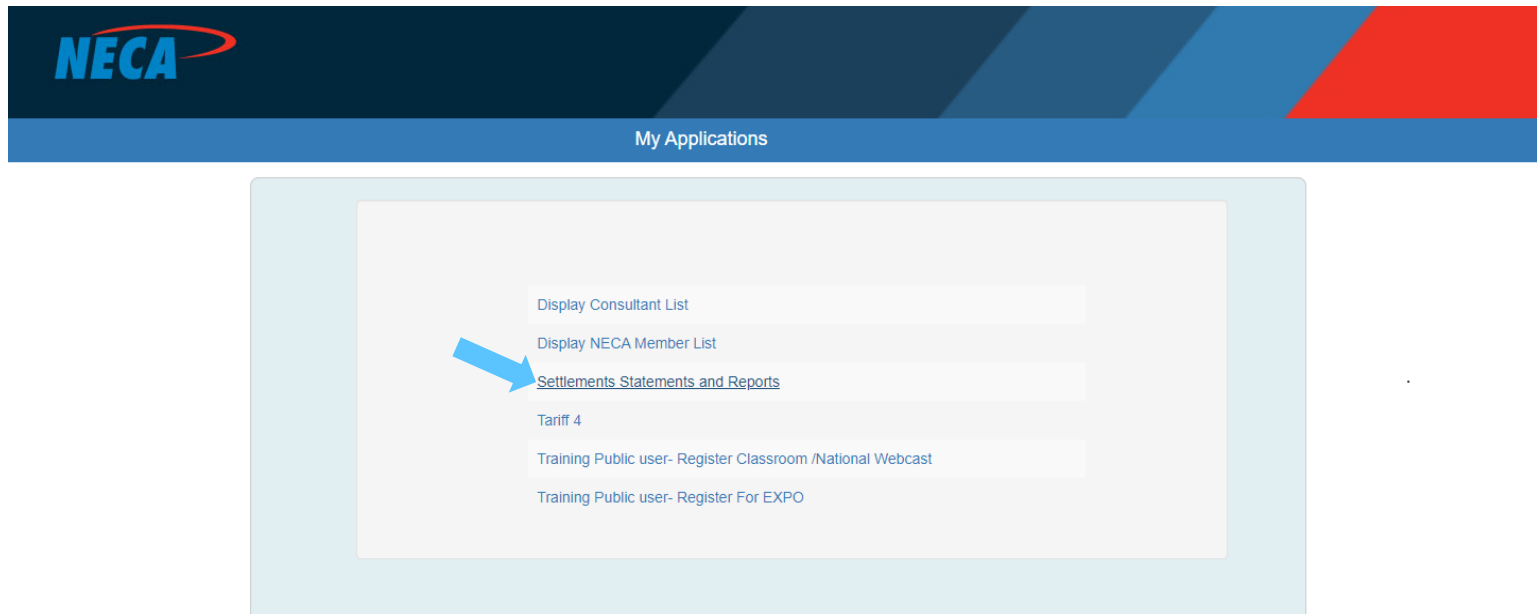
Model companies only - Common Line

- Carriers are allowed to recover incremental exogenous costs associated with TRS, NANPA and regulatory fees (cont.)
 - Model-based carriers charging less than the maximum SLC allowed by Section 69.104 may not recover any portion of the fee increases attributable to common line through Eligible Recovery and thus from CAF ICC support and ARCs; in this case, companies should set their incremental common line amount to \$0. This guidance also applies to model-based carriers charging less than the maximum rate allowed by 47 CFR Section 69.139 for special access surcharges, ISDN, BRI, PRI and DS1 line port charges. Common line does not include CBOL.
 - ACAM I, ACAM I revised and Alaska Plan companies
 - Only incremental amounts above the 2016 baseline are reported for recovery
 - ACAM II companies
 - Only incremental amounts above the 2018 baseline are reported for recovery

Settlement System Updates – Coming Soon

Web-based data entry

- Access will be available via [My Applications](#) either as a renamed [Settlements Statement and Reports](#) link or as a second [Settlements](#) link for data entry

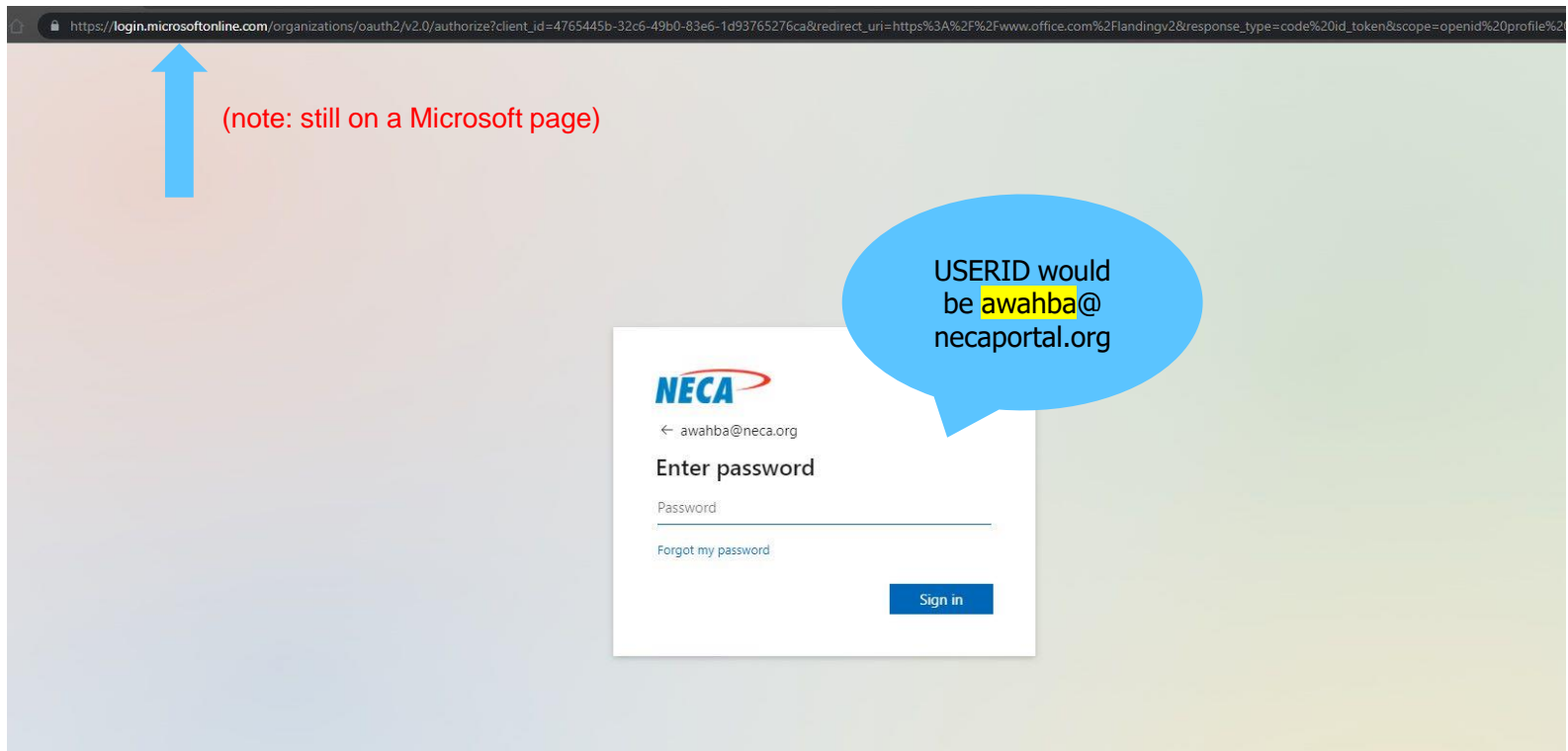


Reminder: screen images are samples and subject to change

Settlement System Updates – Coming Soon

Website login: updated authentication

- Enter password



Reminder: screen images are samples and subject to change

Cost study validation procedure

Process

- Review requirements
 - Randomly selected review
 - DSL exit reviews
- Streamlined the in-depth review process
 - In-depth reviews not eliminated and may be necessary if edits cannot be explained
 - Completing validation in a more relevant timeframe
 - Reduce 509 revisions
 - Ensure compliance with FCC rules and NECA guidelines
 - Ensure integrity of settlements process including in-window reporting

Cost study validation procedure

Enhanced edits

- Replaced required in-depth reviews with enhanced allocator edits
 - Two levels of edits
 - Level 1 edits require comment/explanation
 - Level 2 edits require in-depth analysis and additional supporting documentation such as general ledger detail
 - May require additional in-depth review steps
 - Some areas of focus include nonregulated allocations, marketing expense, excluded expenses, similarly situated expense analysis, priority reviews, serving wire center versus interoffice investment, line count comparisons, cost per loop and acquisition monitoring

Cost study validation procedure

Enhanced edits

- Level 2 edits (examples)
 - Nonregulated allocations
 - Test various accounts for nonregulated allocations and/or cost study adjustments
 - Marketing expense
 - Ensure amount reported in cost study includes only expenses associated with marketing regulated services
 - Excluded expenses – applies to legacy companies
 - Compare ratemaking, CAF BLS and HCL amounts for various accounts

Upcoming Events/Due Dates Summer - Fall

- 2021 Cost Studies due to NECA - 07/31/22
- Annual High Cost Loop Data (2022-1) and Certifications (USF) due to NECA – 07/31/22
- Review/Update Member Contact Information - 07/31/22
- 2020 Cost Study Pooling Deadline – 08/29/22

Upcoming Events/Due Dates

Fall - End of Year

- High Cost Loop 2022-2 Forms & Certifications due to NECA -09/30/22
- Form 509 (CAF BLS) and Certification due to NECA - 12/21/22
- High Cost Loop 2022-3 Forms & Certifications due to NECA -12/30/22
- Form 509 CAF BLS True up Data and Certification Form due to USAC Via NECA (for CL Pool members) due - 12/31/22

Upcoming Events/Due Dates

July

NECA Trainings National Webcasts left in July

- Great for new employees or as a refresher for others

[NECA.org>education>register for training>National Webcasts](https://www.necanet.org/education/register-for-training/national-webcasts)

| Title | Date/Time (ET) |
|---|-----------------------------------|
| ETS Optional Features and Functions – Module 5 | July 18 2 p.m. – 4 p.m. |
| Common ASR Questions and Issues | July 19 2 p.m. – 4 p.m. |
| ETS Miscellaneous Services – Module 6 | July 25 2 p.m. - 3:30 p.m. |
| ETS Advanced Network Examples – Module 7 | July 27 2 p.m. - 3:30 p.m. |

Upcoming Events/Due Dates August

NECA Trainings National Webcasts August

[NECA.org>education>register for training>National Webcasts](https://www.necanet.org/education/register-for-training/national-webcasts)

| Title | Date/Time (ET) |
|--|--|
| Telco Revenue Series (NEW TOPIC!) Part 1 – Sources of Revenue | August 2 2 p.m. – 3:30 p.m. |
| Part 2 – Estimates, True-Ups, and Payment Schedules | August 31 2 p.m. – 3:30 p.m. |
| Module 1 – History of Access Charges | August 3 2 p.m. – 3:30 p.m. |
| Module 2 – Access Charges for Special Access and ETS | August 9 2 p.m. – 3:30 p.m. |
| Module 3 – Access Charges – Switched Access and ESALT | August 16 1 p.m. – 3:00 p.m. |
| Module 4 – Access Charge Reform | August 18 2 p.m. – 3:30 p.m. |
| Module 5 – Access Charges, USF and NECA Tariff Resources | August 24 2 p.m. - 3:30 p.m. |
| Enabling Middle Mile Broadband Infrastructure Program Update | August 25 2 p.m. – 3:30 p.m. |
| Digital Equity Act Update | August 30 2 p.m. - 3:30 p.m. |



Join us

EXPO  2022

The word "EXPO" is in blue, and "2022" is in red. The letter "O" in "EXPO" is replaced by a graphic of a guitar neck and body, with musical notes and a red heart shape integrated into the design.

November 6 - 9
JW Marriott Nashville

Visit www.neca.org



Questions?

thank you!