



Benefits of NECA Pooling

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Agenda

Cost recovery/Pool protection

Cash flow

Report obligations/rules compliance

Other pooling considerations

Cost recovery

- Predicting future costs and revenue has proven quite challenging for many members
- Recent regulatory changes, buildout requirements and FCC Orders/NPRM will increase this challenge
- Pool risk sharing minimizes the effects of inaccurate forecasting on individual pool members

Cost recovery

Example

- Inaccurate special access RRQ forecasting

	In the pool	Out of the pool
Forecast RRQ	\$1,000,000	\$1,000,000
Actual RRQ (cost study)	\$1,250,000	\$1,250,000
Settlement	\$1,250,000	N/A
Net balance from pool	\$250,000	N/A
Total cost recovery	\$1,250,000	\$1,000,000

Cash flow stability

- Pooling helps protect against significant cash flow disruptions
 - For example, disruptions from cost forecast misses and unexpected demand/revenue loss
- Pooling helps protect members by smoothing out cash flow timing difference between settlement net balances and USF payments
- Pooling allows companies to realize the authorized RoR more quickly for Common Line and TS Switched

Cash flow stability

	Forecast RRQ	Forecast Revenue	Actual Revenue	Pool Net Balance	Cash Flow In Pool	Cash Flow Out Pool
Jul 22	\$5,000	\$5,000	\$5,000	\$0	\$5,000	\$5,000
Aug 22	\$5,000	\$5,000	\$5,000	\$0	\$5,000	\$5,000
Sep 22	\$5,000	\$5,000	\$4,800	\$200	\$5,000	\$4,800
Oct 22	\$5,000	\$5,000	\$4,600	\$400	\$5,000	\$4,600
Nov 22	\$5,000	\$5,000	\$4,500	\$500	\$5,000	\$4,500
Dec 22	\$5,000	\$5,000	\$4,200	\$8,00	\$5,000	\$4,200
Jan 23	\$5,000	\$5,000	\$4,100	\$900	\$5,000	\$4,100
Feb 23	\$5,000	\$5,000	\$4,000	\$1,000	\$5,000	\$4,000
Mar 23	\$5,000	\$5,000	\$3,900	\$1,100	\$5,000	\$3,900
Apr 23	\$5,000	\$5,000	\$3,800	\$1,200	\$5,000	\$3,800
May 23	\$5,000	\$5,000	\$3,700	\$1,300	\$5,000	\$3,700
Jun 23	\$5,000	\$5,000	\$3,600	\$1,400	\$5,000	\$3,600

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Cash flow stability

- Pooling helps mitigate cash flow disruptions that may result from forecast errors affecting CAF BLS and CAF ICC support
 - CAF BLS payments are based on forecasts
 - Final true-up to actuals occurs 30 months later
 - For pool members, cash flow associated with an increase from forecasted CAF BLS RRQ will be realized immediately
 - For companies outside the pool, cash flow associated with an increase from forecasted CAF BLS RRQ could be delayed by as much as 30 months

Reporting obligations/rules compliance

- NECA prepares or helps facilitate the preparation of mandatory data collections and files that data on behalf of its pool members
- Companies that leave the pool must spend considerable time and/or third-party expense to manage these increasingly complex filings on their own
 - CAF ICC filings and true-ups
 - Form 508 and 509 CAF BLS filings
 - Other data collections

Reporting obligations/rules compliance

- Recent changes have increased the burden of FCC rules compliance
- NECA provides assistance in helping to assure data submitted to FCC is in compliance with Commission rules
- NECA conducts training and provides timely communication to keep our members up to date on rules and reporting changes
- NECA provides support in provisioning data, reports and explanations necessary for audits by USAC and others

Other pooling considerations

- Pooling and tariff enhancements allow companies to establish competitive rates in a manner similar to those companies outside the pool
 - Rate band buy down options offer pricing flexibility
 - Enhanced tariff discount programs help you better respond to RFPs, including E-Rate options
 - ETS MM-VCC options allow for attractive DSL pricing
 - New flexible discount plan based on a per port basis for Ethernet services
 - Rate band assignments are yielding lower contributions
 - Tariffs are keeping pace with emerging technology

Other pooling considerations

- Pooling and tariff enhancements allow companies to establish competitive rates in a manner similar to those companies outside the pool
 - CBOL rate tariffing flexibility
 - Special access earnings are stable

Thank you for participating today!



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Acronyms

- CAF BLS Connect America Fund Broadband Loop Support
- CAF ICC Connect America Fund Intercarrier Compensation
- E-EVC Extended Ethernet Virtual Connection
- ETS Ethernet Transport Service
- ETS BAO Ethernet Transport Service Bandwidth Add-on
- ETS MM-VCC ETS Multi-Media Virtual Circuit Channel
- FCC Federal Communications Commission
- I-EVC Interconnected Ethernet Virtual Connection
- ILEC Incumbent Local Exchange Carrier
- NECA National Exchange Carrier Association
- RFP Request for Pricing
- RRQ Revenue Requirement
- SPA Special Access
- SWC Serving Wire Center

Acronyms

- TDP Term Discount Plan
- TP Test Period