



NECA Update

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Agenda

- NECA's annual tariff filing
- Federal Universal Service Charge change
- Tariff update: New ETS transmission speeds
- Changes in the Budget Control Mechanism
- ETS E-Rate option
- Special Access rate flexibility tool
- Summary

NECA's annual tariff filing

- Transmittal No. 1665, Tariff No. 5 revision was filed Thursday, June 16, 2022, with an effective date of Wednesday, July 1, 2022
 - FUSC contribution factor increased
 - CBOL charges changed
 - Switched access service rates were adjusted for pool participation changes
 - SPA and DSL access service rates changed
 - ARC rates saw minor changes
- Tariff No. 6 revision filed at same time, No. 1666

NECA's annual tariff filing

FUSC contribution factor change

- The FCC released the USF contribution factor for third quarter 2022
 - Effective July 1, 2022, the factor changed from **33.0%**, up from 23.8% in the previous quarter



NECA's annual tariff filing

CBOL rates

- CBOL stands for Consumer Broadband-Only Loop
 - formerly data-only DSL
 - Now in the common line tariff for USF recovery purposes
- Several company specific CBOL charges changed, based upon updates from companies that have NECA tariff their CBOL Charges
- Based on the removal of the BCM for this filing period, companies had to select the benchmark rate of \$42, as prescribed by the FCC, or they could have chosen for NECA to file a lower rate to be more competitive (unless the fully calculated rate was less than \$42 or impacted by cost limits)
 - If companies chose to tariff a lower rate, the companies are still required to report revenues at the fully calculated rate to NECA and USAC

NECA's annual tariff filing

Switched access service rates

- Interstate switched access service rates were frozen by the FCC as a part of the National Broadband Plan with a 5% phase down each access year
 - However, if the overall interstate switched access service revenue requirement changes in a material way, the FCC requires a recalculation of rates
- The FCC stated that the net effect of pool election changes on capped switched access rates were material, so switched access rates were changed to accommodate the pool impacts
- Changes to comply with the FCC's 8YY access charge reform order were made to tandem switched transport, end office local switching, information surcharge and database query charges for originating toll-free traffic but were not impacted by aforementioned switched access pooling recalculation

NECA's annual tariff filing

Special Access service rates

- Monthly rates for most special access and DSL changed due to updated demand and costs
- Rates charged by individual study areas depend on rate band placement
- Nonrecurring charges for these services did not change



NECA's annual tariff filing

Access Recovery Charge rates

- Based upon data submitted in this year's CAF ICC data collection, a few companies saw increases in their residential, single line and multiline business ARC rates to the maximum rate caps
- Most companies did not see any changes to their ARC rates since they are already at the maximum levels permitted under the FCC's rules



NECA's annual tariff filing

Tariff No. 6 tariff revisions

- Transmittal No. 1666, Tariff No. 6 revisions were also filed Thursday, June 16, 2022, for effective date of July 1, 2022
- Tariff No. 6 pertains only to companies that chose to move their **business data service** to incentive regulation and elected to have NECA tariff those rates on their behalf



Federal Universal Service Charge change

- The FCC released the USF contribution factor for fourth quarter 2022
 - Effective October 1, 2021, the factor is **28.9%**, down from 33.0% in the previous quarter



Tariff update: New ETS transmission speeds

- NECA filed tariff revisions on October 17, 2022, effective November 1, 2022
 - The creation of additional ETS speed options
 - Response to requests for additional transmission speeds using ethernet technology for commercial customers
- Reminder: NECA does not normally file tariff language revisions during the annual tariff filing, only rate changes. New tariff language revisions occur usually in the October to March time frame

Tariff update: New ETS transmission speeds

- Current highest ETS speed offering is 10 Gbps
- Introduction of the four additional ETS speed options
 - 50 Gbps
 - 100 Gbps
 - 200 Gbps
 - 400 Gbps
- No new bandwidth add-on options were added for ETS speeds between 50 Gbps and 400 Gbps

Tariff update: New ETS transmission speeds

- Speeds available for the following ETS elements
 - Channel terminations
 - Basic ports
 - Intraswitch and interswitch ethernet virtual connections
 - Extended and interconnected ethernet virtual connections
 - DSL access service connection function per ETS basic port
 - ETS CoS/QoS and port protection optional features

Changes in Budget Control Mechanism

■ Actions by the FCC

- The FCC released and adopted an order (FCC 22-32) on May 10, 2022, waiving the application of the BCM for rate-of-return carriers who receive cost-based high-cost universal service support for the July 2022 to June 2023 tariff year
- Additionally, the FCC waived the requirement that the BCM be adjusted January 1, 2023, to take into account the HCLS rural growth factor creating additional stability

Changes in Budget Control Mechanism

- What does this mean?
 - Absent the waiver, the projected budget control reduction factor would have expected to be **over 14%**, which would be a major cash flow impact to the legacy rate-of-return carriers, especially during this pandemic period and in meeting mandatory buildout obligations by year-end 2023
 - Even though the waiver will put a strain on the fund, the FCC views that “the benefits of waiving the budget control mechanism for the 2022-2023 tariff year outweigh the limited impact on the fund” (FCC 22-32, page 4)

Changes in Budget Control Mechanism

- What does this mean to you?
 - For the July 2022 annual tariff filing, most companies had to tariff a CBOL rate not higher than \$42 to avoid double cost recovery
 - In rare cases, the tariffed CBOL rate may be higher than \$42 to the extent a company is impacted by limits on costs or support



Changes in Budget Control Mechanism

- What did NECA do in the tariff?
 - We filed rates reflecting the elimination of the BCM in the annual tariff filing on June 16, 2022, to be effective July 1, 2022, for carriers tariffing their CBOL rate with us
 - The tariffed rates selected at the CBOL rate selection process were filed based on the companies' designated rates. The rates were filed at either the fully calculated rate or below, based on the companies' selections

ETS E-Rate option

- USAC's Schools and Libraries Program (a.k.a. E-rate Program) is being modernized to include affordable access to high-speed broadband for eligible schools & libraries¹
- NECA's ETS E-Rate option is a pricing plan designed to help stimulate broadband adoption by E-rate eligible schools, libraries, & consortiums
 - Provides E-Rate customers in ILEC service territories with stabilized, discounted monthly rates for the E-Rate bid year

¹ Modernizing the E-Rate Program for Schools and Libraries, WC Docket No. 13-184, Connect America Fund, WC Docket No. 10-90, Second Report and Order and Order on Reconsideration, 29 FCC Rcd. 15538 (2014).

ETS E-Rate option

- Tariff offering
 - Company/study area specific
 - To qualify E-Rate eligible entities must
 - Meet the definition(s) in the FCC's Part 54, Subpart F rules, and
 - Have an FCC Form 470 on USAC's web site requesting category one internet or data transmission services that can be satisfied using tariffed ETS

ETS E-Rate option

- NECA's E-Rate pricing plan provisions do not extend to nonrecurring charges
- At end of plan year, another ETS ERO may be filed
- How to participate?
 - Contact your NECA member service manager
 - Provide data to develop rates

ETS E-Rate option

- Data required to develop and support ETS ERO tariffing
 - General information and study area characteristics
 - Network configuration diagrams
 - Proposed and potential E-Rate locations; i.e., CLLIs
 - ETS speed requirements
 - Investment data needed for
 - Ports and channel terminations
 - Interoffice transmission connections
 - Optional features and functions

Special Access rate flexibility tool

- Companies are able to change NECA proposed rate bands in the upcoming annual tariff filing
 - **Lower** rate band(s) for one or two special access service categories (DSL, ETS and other-non-DSL) by
 - **Increasing** rate band(s) of the remaining special access service categories
- New rate bands generate approximately the same amount of special access revenue in the aggregate
- Companies are provided all possible combinations of rate band changes that fit their cost/revenue profile and will make their selection in a web-based tool

Special Access rate flexibility tool

- Tool calculations are based on NECA's projections of cost and demand
 - There will be no amount owed to the pool when cost studies are validated
 - No contract is required – certification only
- **Standard** and **test period** rate band buy down options are still available if companies wish to further lower rates
 - As long as direct costs are covered
- Not all companies have the same number of rate band flexibility options, and some have none

Special Access rate flexibility tool

Example #1

Service	NECA assigned rate band	ILEC assigned rate band	Rate band change
DSL Voice-Data	26	26	0
ETS	24	22	-2
Other non-DSL	21	23	+2
	Revenue	Revenue	Difference
Projected revenue	\$237,504	\$237,757	0.1%

Special Access rate flexibility tool

Example #2

Service	NECA assigned rate band	ILEC assigned rate band	Rate band change
DSL Voice-Data	22	21	-1
ETS	24	22	-2
Other non-DSL	21	26	+4
	Revenue	Revenue	Difference
Projected revenue	\$515,200	\$514,100	-0.1%

Summary

- NECA understands that times are changing, and we are adapting to help you meet the changes
- NECA continues to work with members to develop workable solutions and rate structures to meet the challenges while helping you to navigate the regulatory environment
- NECA's expertise is a valuable resource – feel free to contact us
- Let us know how we can help

Thank you for participating today!



Acronyms

- AC Access Customer
- ACH Access Charge Handbook
- ASC-EC Access Service Coordinating Exchange Carrier
- ACTL Access Customer Terminal Location
- ADSL Asymmetric Digital Subscriber line
- AOC Access Order Charge
- AS Average Schedule
- ASCP Access Service Connection Point
- ASR Access Service Request
- ATM-CRS Asynchronous Transfer Mode – Cell Relay Service
- BP Billing Percent
- CDP Customer Designated Premises
- CFA Connecting Facility Assignment
- CKLT Bridging Location
- CKR Customer Circuit Reference

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Acronyms

- CLEC Competitive Local Exchange Carrier
- CLLI Common Language Location Indicator
- CMF Channel Mileage Facility
- CMT Channel Mileage Termination
- CoS Class of Service
- CPE Customer Premises Equipment
- C-SWC Customer Serving Wire Center
- CT Channel Termination
- DCC Design Change Charge
- DS1 Digital Signal Level 1
- DS3 Digital Signal Level 3
- DSL Digital Subscriber Line
- DSLAM Digital Subscriber Line Access Multiplexer
- EC Exchange Carrier
- E-EVC Extended Ethernet Virtual Connection

Acronyms

- ENNI Extended Network to Network Interface
- ESALT Ethernet Switched Access Local Transport
- ETS Ethernet Transport Service
- ETS BAO Ethernet Transport Service Bandwidth Add-on
- EUSA End User Special Access
- EVC Ethernet Virtual Connection
- EVCID Ethernet Virtual Connection Identifier
- FCC Federal Communications Commission
- FUSC Federal Universal Service Charge
- Gbps Gigabits per Second
- IC Interexchange Carrier
- IC-POT IC Point of Termination
- ICSC Interexchange Customer Service Center
- IC-SWC IC Serving Wire Center
- IEEE Institute of Electrical and Electronics Engineers

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Acronyms

- I-EVC Interconnected Ethernet Virtual Connection
- ILEC Incumbent Local Exchange Carrier
- IP Internet Protocol
- ISP Internet Service Provider
- IXC Interexchange Carrier
- LBR-VCC Low Bit Rate Virtual Circuit Channel
- LAG Link Aggregation Group
- LoS Level of Service
- LoSACT Level of Service Activity Indicator
- LREF Level of Service Reference Number
- Mbps Megabits per Second
- MCLAG Multi-Chassis Link Aggregation Group
- MM-VCC Multimedia Virtual Circuit Channel
- MTSO Mobile Telephone Switching Office
- MUX Multiplexing

Acronyms

- MUXLOC Multiplexing Location
- NC Network Channel
- NCI Network Channel Interface
- NECA National Exchange Carrier Association
- NRC Nonrecurring Charge
- NRT Near Real Time
- OC3 Optical Carrier Level 3
- OC12 Optical Carrier Level 12
- OE Optical Ethernet (T4 Office Type Code)
- OFF Optional Features & Functions
- ORP Optional Rate Plan
- OVC Operator Virtual Connection
- PIU Percent Interstate Usage
- PTDP Port Term Discount Plan
- PUC Public Utilities Commission

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Acronyms

- RFP Request for Pricing
- RT Real Time
- RUID Related User Network Identifier
- SDSL Symmetric Digital Subscriber Line
- SECLOC Secondary Location
- SPA Special Access
- SWC Serving Wire Center
- TDP Term Discount Plan
- TZ ETS ASCP (T4 Office Type Code)
- UNI User Network Interface
- V & H Vertical & Horizontal
- VDP Volume Discount Plan
- VTA Variable Term Agreement
- WBI Wireline Broadband Internet