CBOL Mysteries Revealed

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Agenda

- CBOL basics
- FCC Form 508 projection
- Per line cap of total support
- FCC budget control mechanism

Agenda

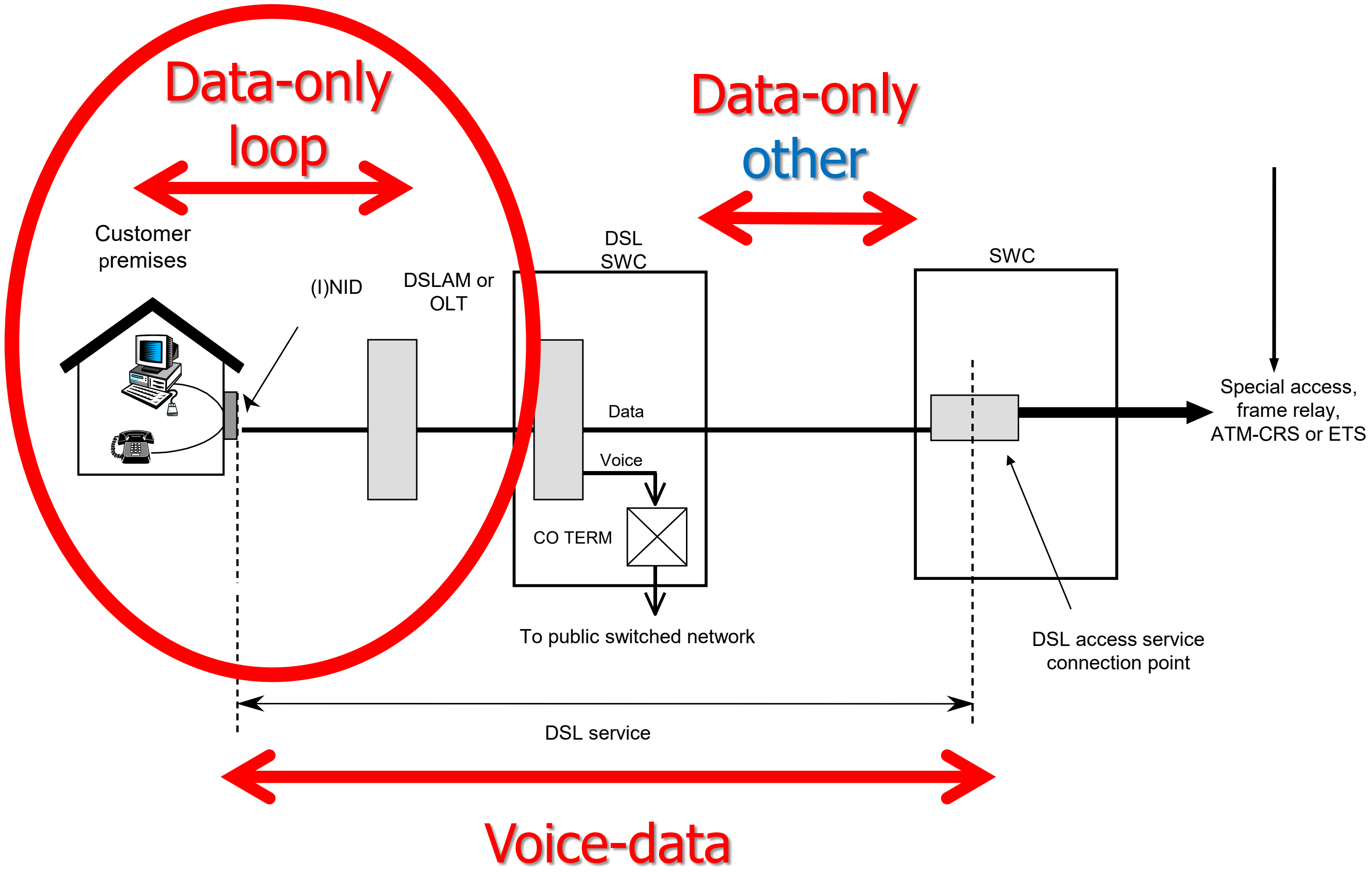
- Fully calculated CBOL rate
- FCC Form 509 true-up
- NECA CBOL pooling

NECA

CBOL basics

- Prior to 2017, costs for this service were included in the special access revenue requirement
  - No support
- Support mechanism initialized Jan. 1, 2017, with FCC report and order 16-33, 31 FCC Rcd 3087
- Supports the cost of the loop from the central office to the customer premises for broadband-only customers
- CBOL revenue requirement is a subelement of DSL referred to as data-only loop in the cost study

CBOL basics
Actual CBOL costs



Source: NECA Reporting Guideline 4.21

CBOL basics

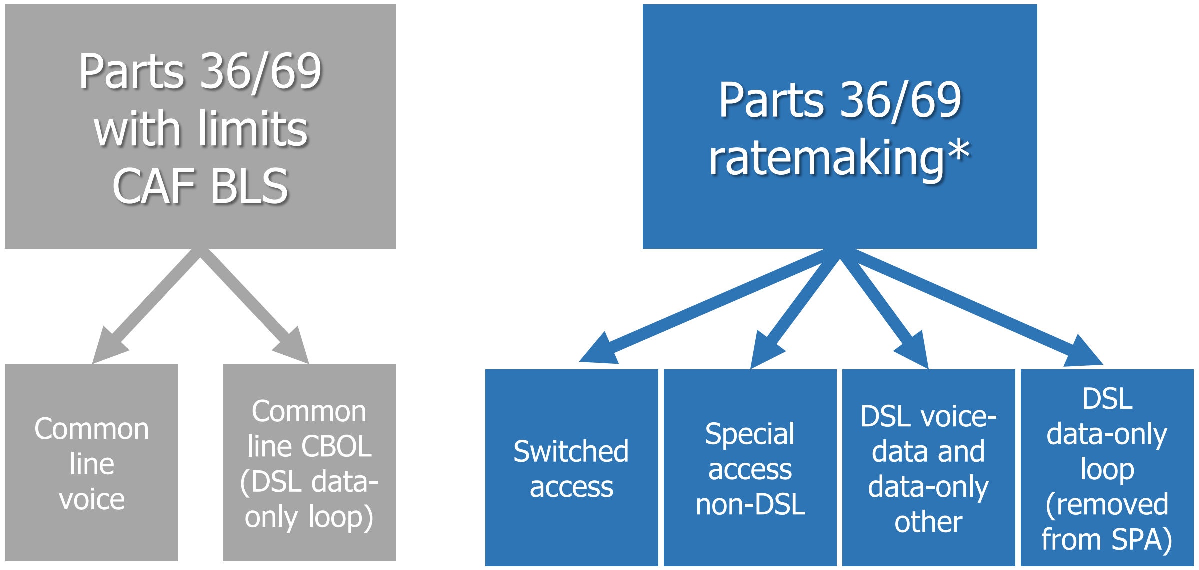
- Data-only loop RRQ is shifted out of special access into the new common line CBOL element
- Shifts costs from special access ratemaking to avoid double recovery
- CAF BLS CBOL supports cost per loop > $42 per line, per month
- End user revenue is reported on the FCC Form 508 (projection) and FCC Form 509 (true-up) CAF BLS filings
- Subject to budget control mechanism when applicable
- Subject to FCC limitations on support

CBOL basics

- CAF BLS support limits
  - Excluded expenses
  - Corporate operations limitation
  - Per line monthly cap on total support
  - OpEx limitation
  - Section 214 transfer of control limitation (if applicable)
    - Hargray/ComSouth order [FCC 18-62, 33 FCC Rcd 4780 (7)]
    - Safeguard for acquiring study areas with mixed (CAF BLS and model) support types
    - All affiliated CAF BLS cost companies limited to combined three-year average expense

CBOL basics
Revenue requirement development

- Cost study calculations required 2019 and forward



* CAF BLS RoR study areas must exclude expenses per FCC 18-29, 33 FCC Rcd 2990 (4). Model study areas are exempt.

Source: NECA

CBOL basics
Cost shift to avoid double recovery

ABC Telco	Limitation Summary	
123456	Corp Ops Limit	Y
2019	OpEx Limt	N
	Excluded Expenses	Y

	Common Line		Traffic Sensitive					Actual CBOL	
Results Prior to CBOL Shift	**CAF-BLS Voice Limited**	**CAF-BLS CBOL Limited**	**Total SP Excl DSL**	**Total DSL**	**Voice/ Data**	**Data Only Other**	**Data Only Loop**	**Data Only Loop Limited**	**Data Only Loop Unlimited**
AFUDC	1,414	0	84	830	122	0	708	708	708
EOT x/FIT w/Rent Rev+MAG	903,798	0	64,797	548,931	141,367	0	407,563	391,678	407,563
AVG NET INV	4,514,695	0	252,450	2,576,588	308,453	0	2,268,135	2,267,482	2,268,135
INC Adj for FIT	58,718	0	3,477	34,473	5,048	0	29,425	29,425	29,425
FIT TAX CREDIT	100,859	0	5,972	59,214	8,672	0	50,542	50,542	50,542
RRQ	**1,352,016**	**0**	**89,384**	**802,363**	**169,435**	**0**	**632,928**	**616,957**	**632,928**

Results Post CBOL Shift	**CAF-BLS Voice Limited**	**CAF-BLS CBOL Limited**	**Total SP Excl DSL**	**Total DSL**	**Voice/ Data**	**Data Only Other**	**Data Only Loop**	**Data Only Loop Limited**	**Data Only Loop Unlimited**
AFUDC	1,414	708	84	122	122	0	0	708	708
EOT x/FIT w/Rent Rev+MAG	903,798	391,678	64,797	141,367	141,367	0	0	391,678	407,563
AVG NET INV	4,514,695	2,267,482	252,450	308,453	308,453	0	0	2,267,482	2,268,135
INC Adj for FIT	58,718	29,425	3,477	5,048	5,048	0	0	29,425	29,425
FIT TAX CREDIT	100,859	50,542	5,972	8,672	8,672	0	0	50,542	50,542
RRQ	**1,352,016**	**616,957**	**89,384**	169,435	**169,435**	**0**	**0**	**616,957**	**632,928**

Source: NECA

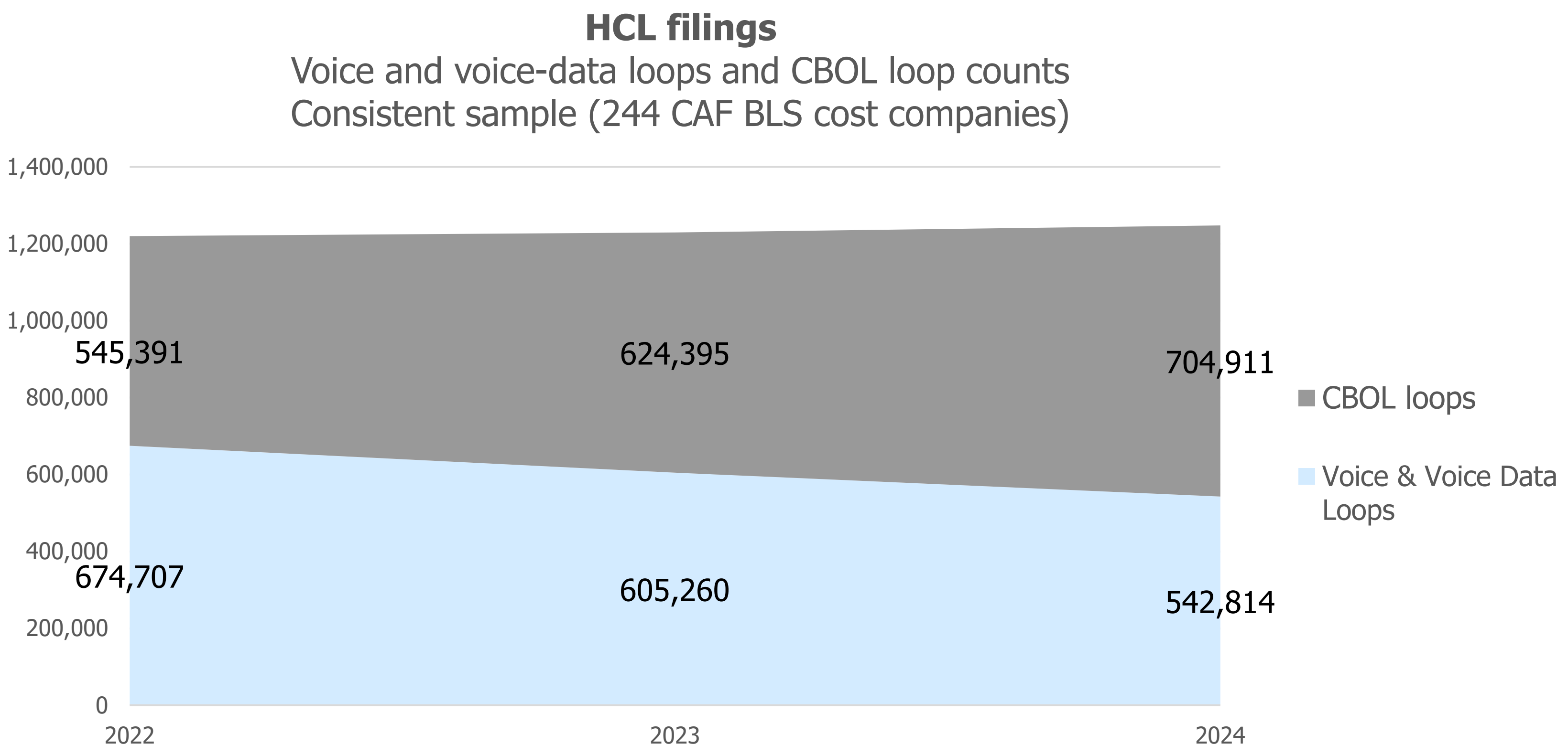
NECA

CBOL basics
FCC forms 508 and 509

Form 508 projection	Form 509 true-up
+ Projected CBOL costs (limited)	+ Actual CBOL costs (limited)
− CBOL revenue (at $42 per line or less)	− CBOL revenue (at the fully calculated rate*)
= Projected CAF BLS CBOL support	= Actual CAF BLS CBOL support

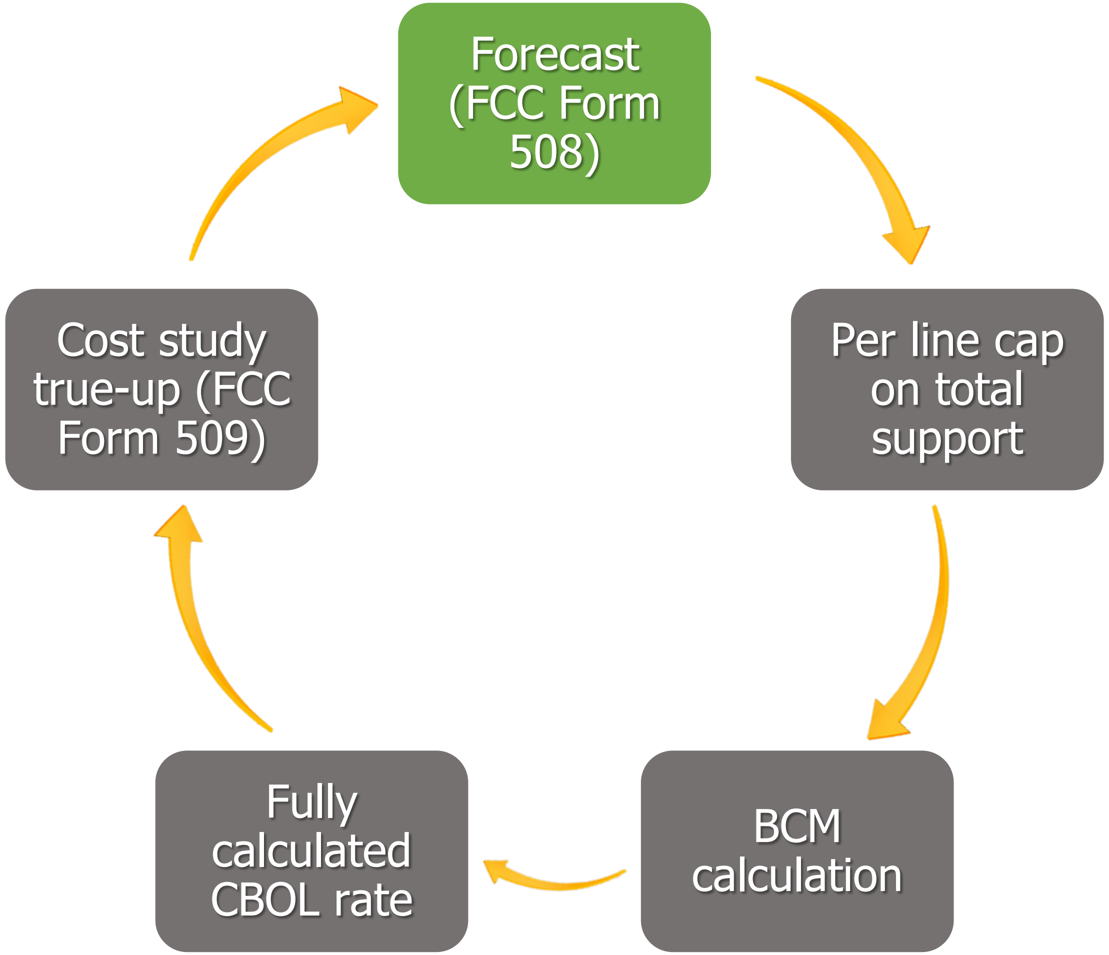
* Fully calculated rate exceeds the benchmark rate of $42 by the reductions in projected monthly support per line

CBOL basics



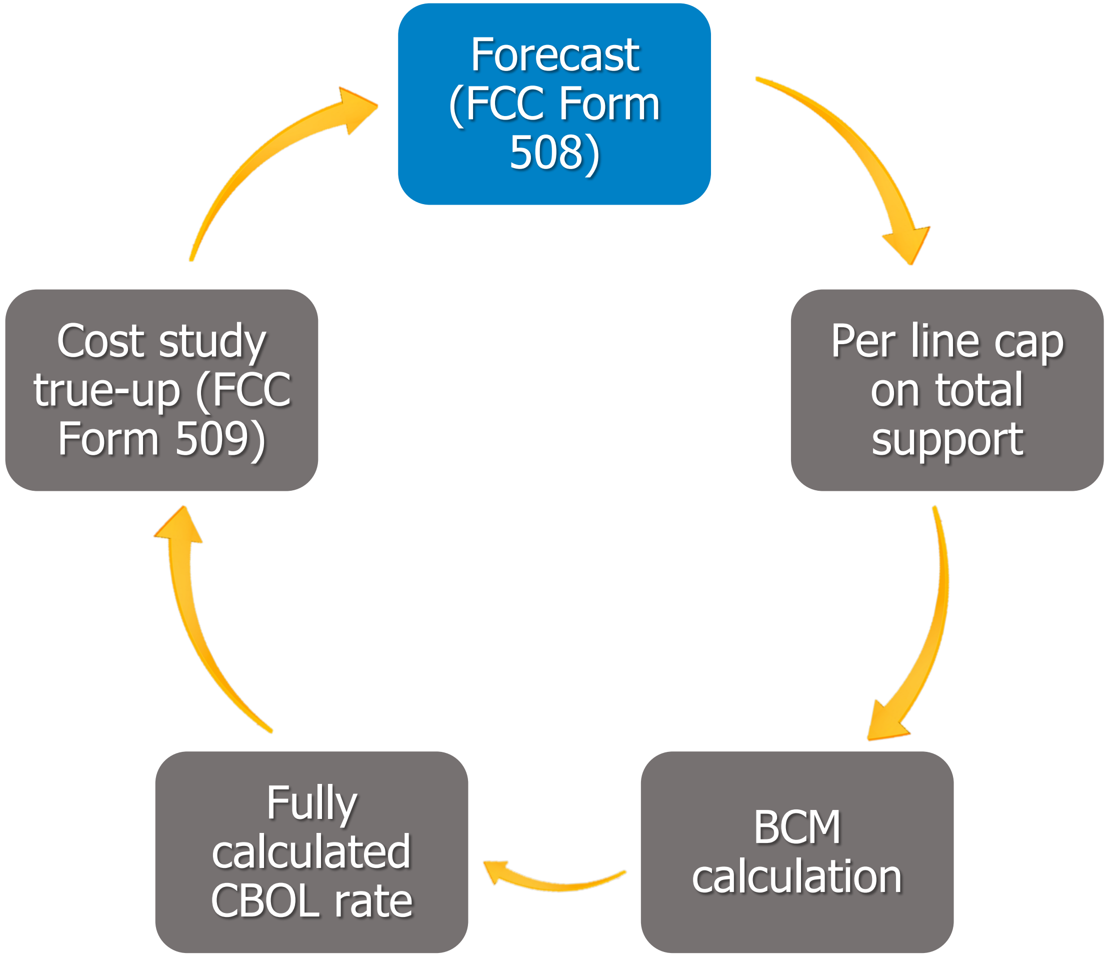
Source: NECA

CBOL projection to true-up



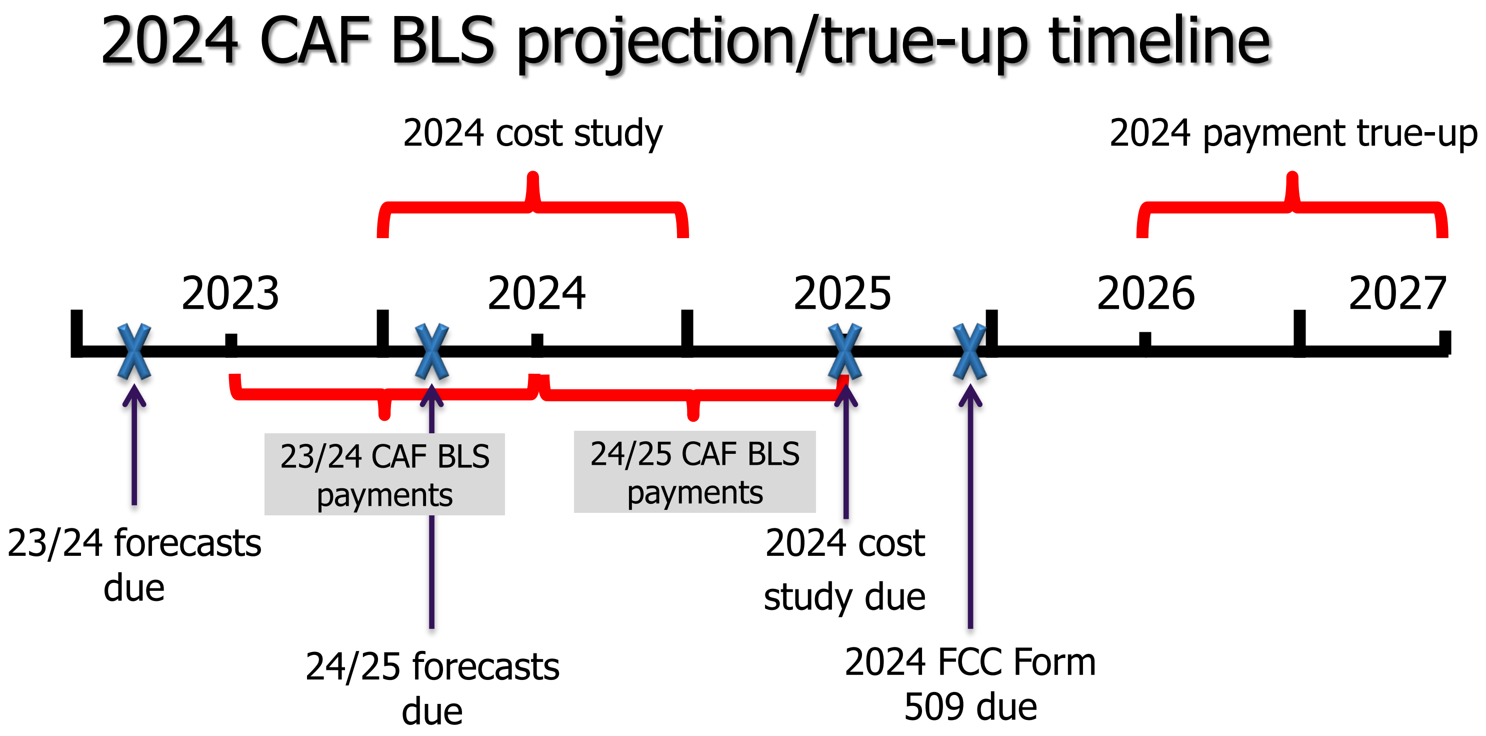
Source: NECA

CBOL projection to true-up



Source: NECA

FCC Form 508 projection
Timeline



Source: NECA

FCC Form 508 projection
CBOL revenue calculation

- Form 508 projection (example $200,000 RRQ and 170 loops)
  - CBOL revenue calculation
    - Lesser of average monthly broadband-only loops x $42
      - (170 x $42 x 12 = $85,680)

      or
    - CBOL RRQ ($200,000)
  - CBOL RRQ – CBOL revenue = CAF BLS CBOL support (before BCM and other support limits)
    - $200,000 – $85,680 = $114,320
  - CBOL RRQ < $42 per line does not receive support because RRQ = revenue

$200,000 RRQ

− $85,680 CBOL revenue

= $114,320 CBOL support

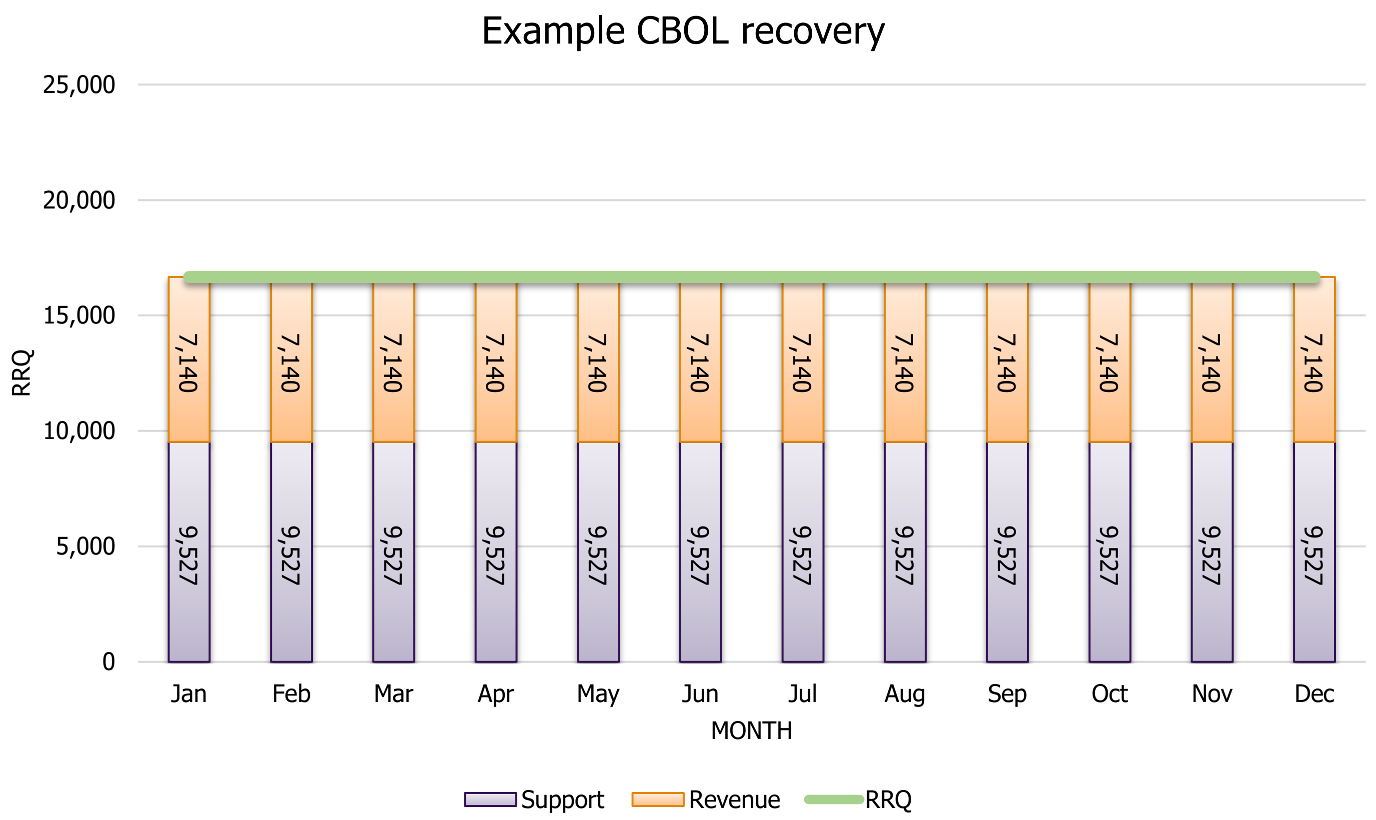
FCC Form 508 projection
Cost recovery

FCC Form 508

Projected support		**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
RRQ at 9.75%	**200,000**	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667
Average loops	**170**	**170**	**170**	**170**	**170**	**170**	**170**	**170**	**170**	**170**	**170**	**170**	**170**
Revenue	**85,680**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**	**7,140**
Support	**114,320**	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527
Total recovery	114,320	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667

Source: NECA

FCC Form 508 projection
Projected recovery



Source: NECA

FCC Form 508 projection
Actual recovery example

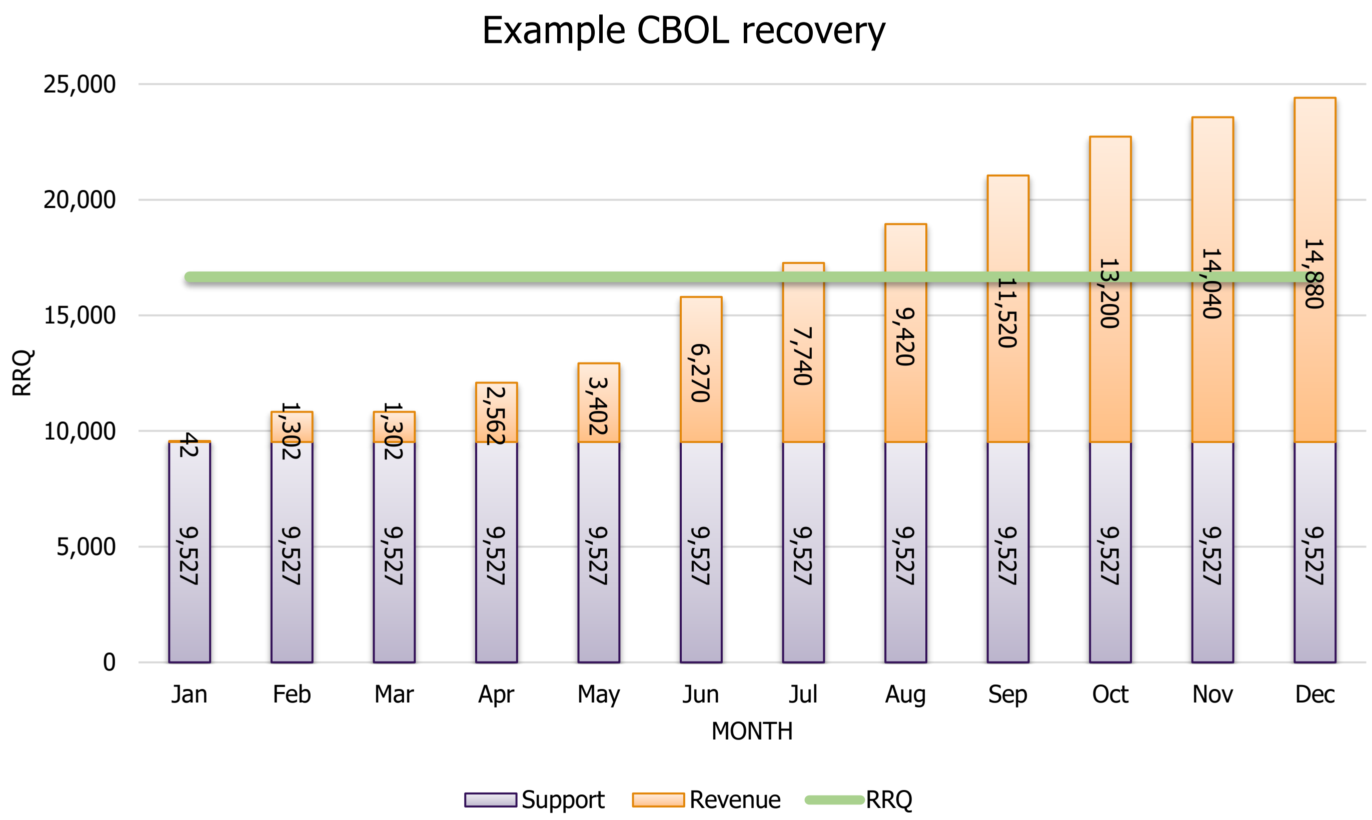
FCC Form 508

Projected support		**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
RRQ at 9.75%	**200,000**	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667	16,667
Average loops	**170**	**1**	**31**	**31**	**61**	**81**	**149**	**184**	**224**	**274**	**314**	**334**	**354**
Revenue	**85,680**	**42**	**1,302**	**1,302**	**2,562**	**3,402**	**6,270**	**7,740**	**9,420**	**11,520**	**13,200**	**14,040**	**14,880**
Support	**114,320**	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527	9,527
Total recovery	**200,000**	9,569	10,829	10,829	12,089	12,929	15,797	17,267	18,947	21,047	22,727	23,567	24,407

Source: NECA

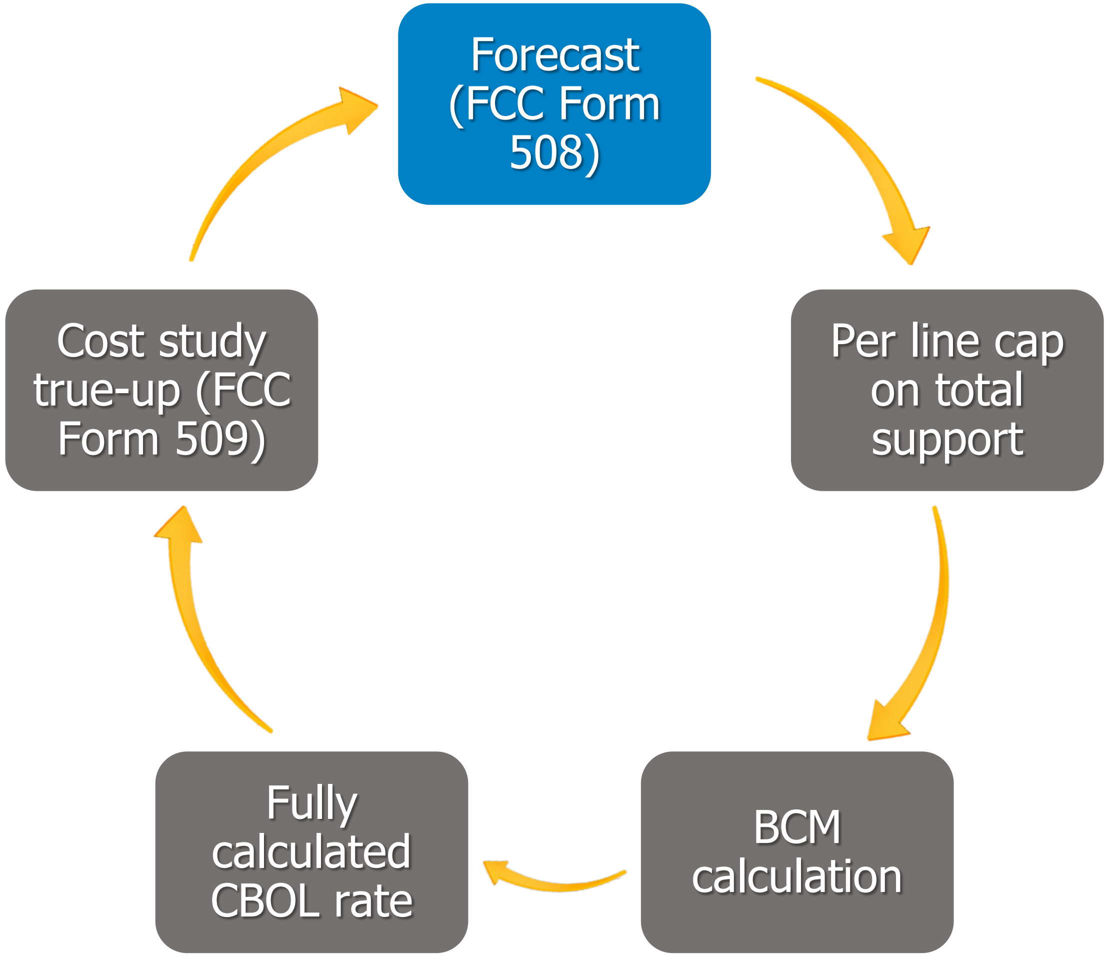
NECA

FCC Form 508 projection
Actual recovery example



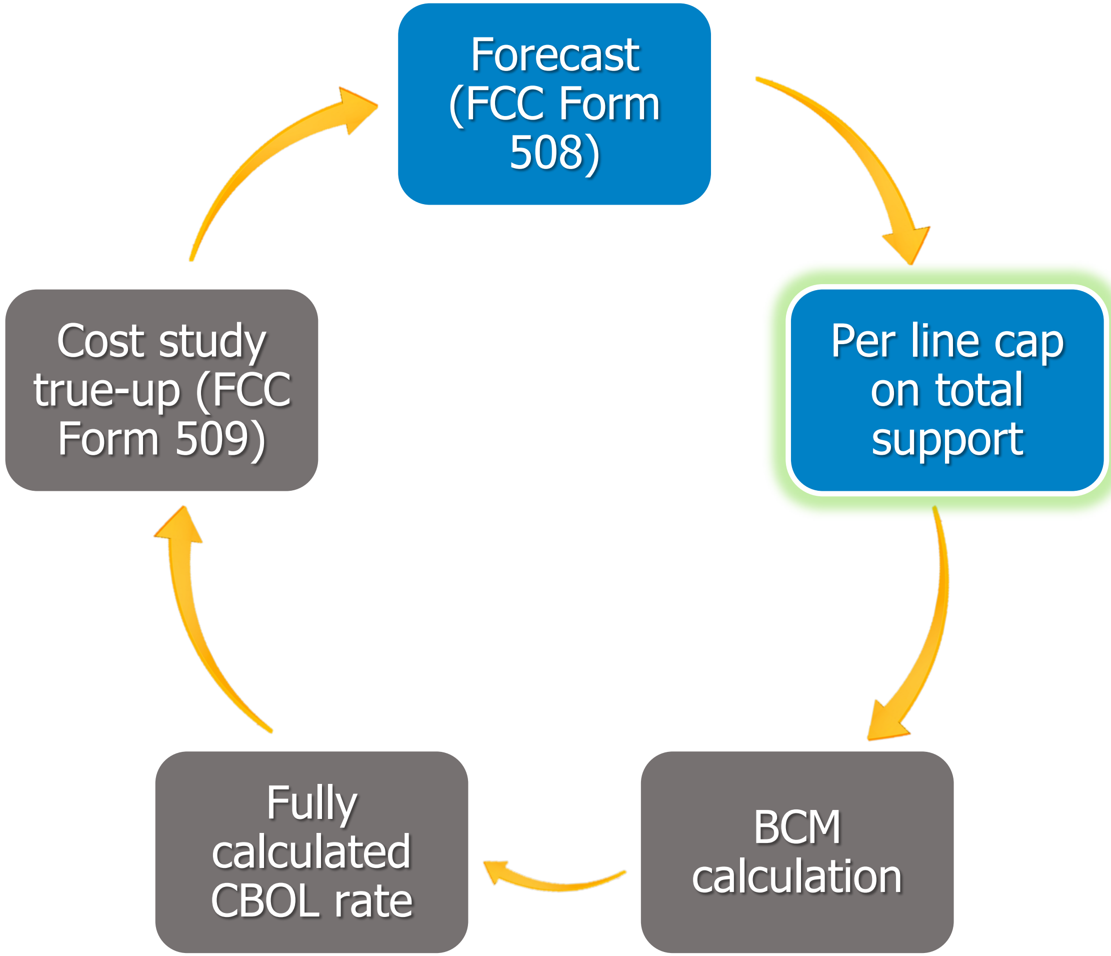
Source: NECA

CBOL projection to true-up



Source: NECA

CBOL projection to true-up



Source: NECA

FCC per line cap on total support

- 47 CFR 54.302 states line counts reported pursuant to §54.903(a)(1) should be used in the per line cap calculation
  - FCC Form 507 line counts submitted March 31 for prior year end Dec. 31 lines
  - CAF BLS companies only
- Importance of submitting accurate line counts for Form 507
  - Including CBOL line counts

FCC per line cap on total support

- FCC Dec. 13, 2018 order (FCC 18-176, 33 FCC Rcd 11893) lowered cap on per line support
- Monthly per line limit on universal service support
  - Reduced from $250 to $225 effective July 1, 2019
  - Reduced from $225 to $200 effective July 1, 2022
- Waiver option
  - The FCC also emphasized there may be legitimate reasons why certain companies have extremely high support amounts per line and noted "any carrier affected by the per-line monthly cap may file a petition for waiver or adjustment of the cap that would include additional financial data, information, and justification for support in excess of the cap." *

* USF/ICC Transformation Order, 26 FCC Rcd at 17766, para. 278

FCC per line cap on total support

Calculation example

SAC	Fund	Uncapped Support	Total Uncapped Support	507 Lines	Total Line	Fund Percentages	Weighted lInes	Support Per Loop	Capped Support	ILEC PLR C	Capped Suppo	Cap Adjustments
	HCL	$ 750,000	$ 1,112,750	5000	5000	0.674005841	3370.029207	$ 222.55	225	1	$ 750,000	$ -
	HCL AEX	$ 750	$ 1,112,750	5000	5000	0.000674006	3.370029207	$ 222.55	225	1	$ 750	$ -
	CAF BLS	$ 360,000	$ 1,112,750	5000	5000	0.323522804	1617.614019	$ 222.55	225	1	$ 360,000	$ -
	SNA	$ 1,000	$ 1,112,750	5000	5000	0.000898674	4.493372276	$ 222.55	225	1	$ 1,000	$ -
	SVS	$ 1,000	$ 1,112,750	5000	5000	0.000898674	4.493372276	$ 222.55	225	1	$ 1,000	$ -
							5000					$ -

SAC	Fund	Uncapped Support	Total Uncapped Support	507 Lines	Total Line	Fund Percentages	Weighted lInes	Support Per Loop	Capped Support	ILEC PLR C	Capped Suppo	Cap Adjustments
	HCL	$ 750,000	$ 1,112,750	5000	5000	0.674005841	3370.029207	$ 222.55	200	0.898674	$ 674,005	$ (75,995)
	HCL AEX	$ 750	$ 1,112,750	5000	5000	0.000674006	3.370029207	$ 222.55	200	0.898674	$ 674	$ (76)
	CAF BLS	$ 360,000	$ 1,112,750	5000	5000	0.323522804	1617.614019	$ 222.55	200	0.898674	$ 323,522	$ (36,478)
	SNA	$ 1,000	$ 1,112,750	5000	5000	0.000898674	4.493372276	$ 222.55	200	0.898674	$ 898	$ (102)
	SVS	$ 1,000	$ 1,112,750	5000	5000	0.000898674	4.493372276	$ 222.55	200	0.898674	$ 898	$ (102)
							5000					$ (112,753)

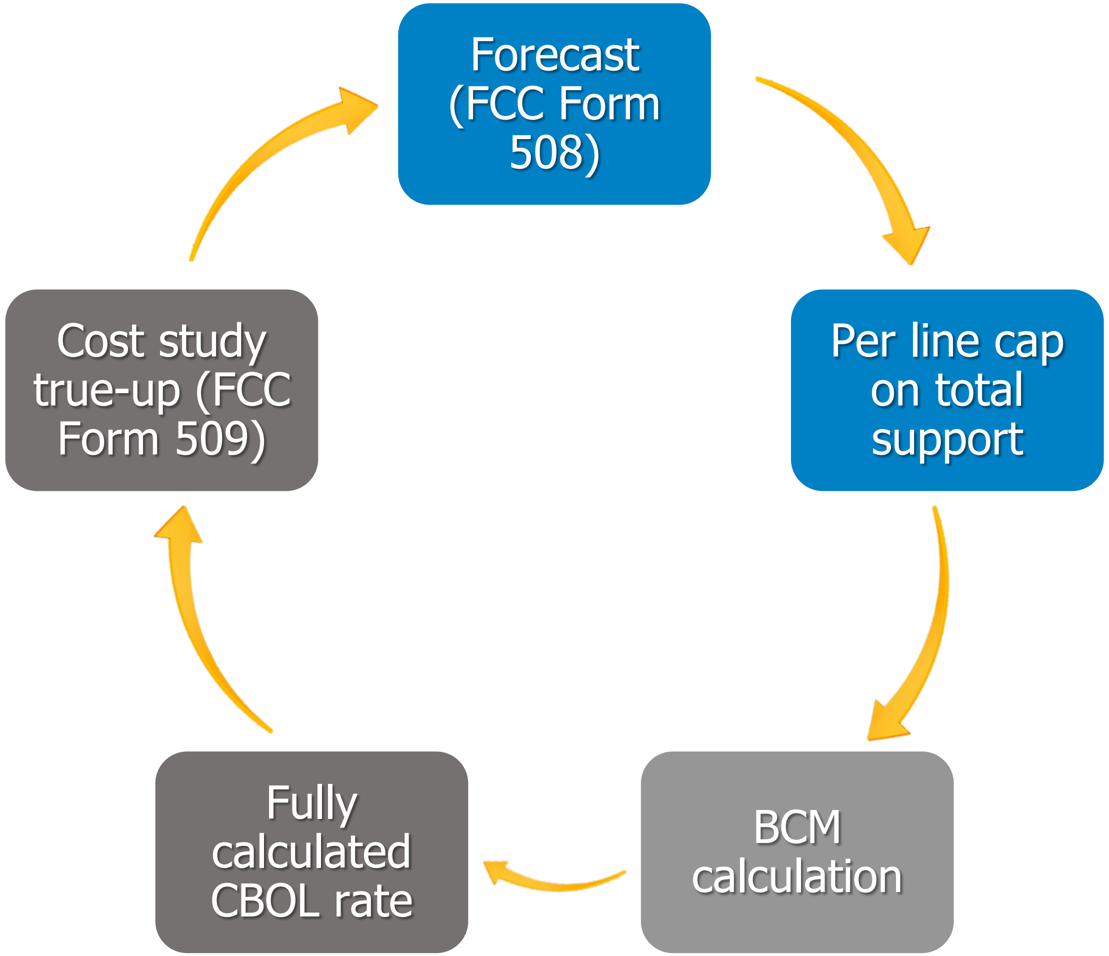
Source: NECA

FCC per line cap on total support
Form 507 data issues

	12/31/2021 BROADBAND ONLY LINES FILED ON 3/31/2022 (FORM 507)	12/31/2021 BROADBAND ONLY LINES CURRENTLY IN PENDING VIEW OF USF (TO BE FILED BY 10/1/2022)	VARIANCE
	(A)	(B)	C = (B - A)
Company 1	2,096	2,561	465
Company 2	67	72	5
Company 3	539	430	-109
Company 4	105	0	-105
Company 5	1,202	1,617	415
Company 6	2,147	2,124	-23
Company 7	0	4003	4,003

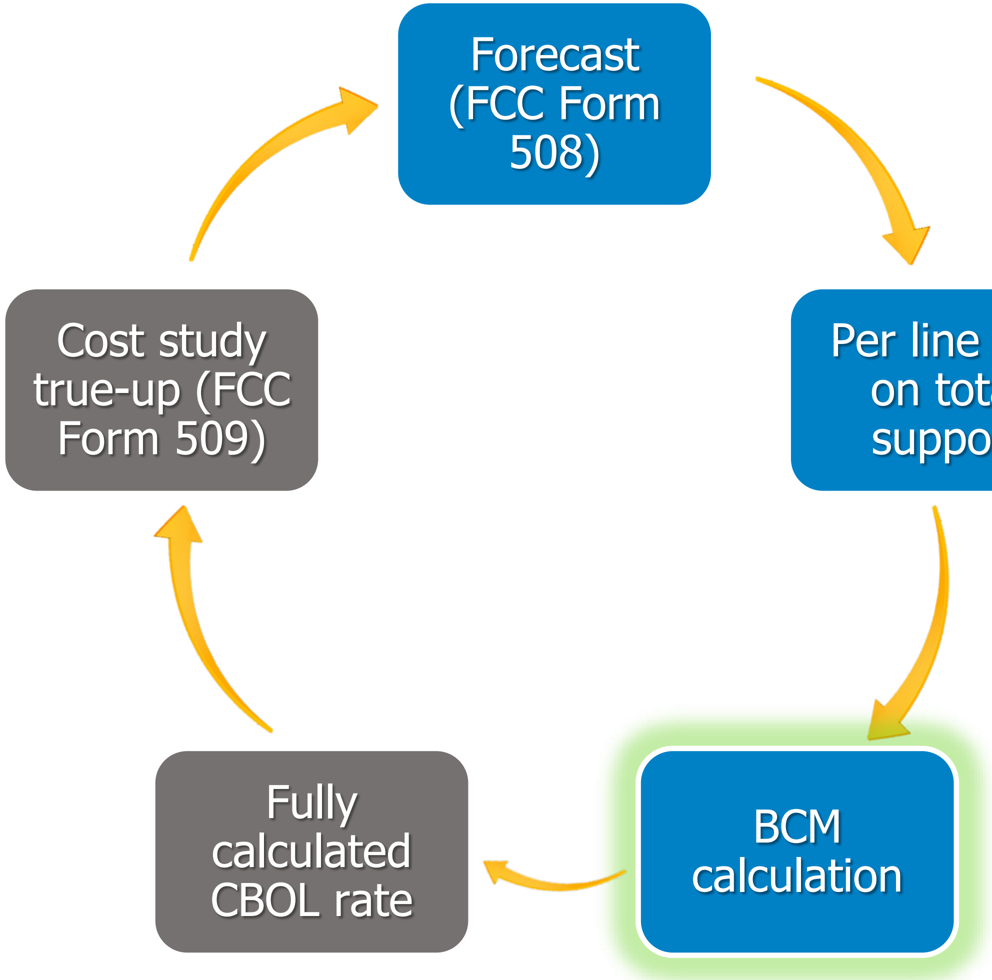
Source: NECA

CBOL projection to true-up



Source: NECA

CBOL projection to true-up



Source: NECA

FCC budget control mechanism
Application

- BCM, when applicable, reduces the current month support to stay under the CAF BLS and HCL budget for the current test period
- FCC rules require prior periods be funded first during true-up
  - Referred to as the attribution process
  - Made possible because the current period BCM calculation includes the true-ups from the prior period BCM calculation process
    - Determine upcoming test period forecasted CAF BLS and HCL
    - Add prior period true-ups (e.g., forecast miss)
    - Budget for CAF BLS and HCL support / (total forecasted support + true-ups)

NECA

FCC budget control mechanism
BCM calculation

Calculate Budget Control Factor 2025-2026

Summary of Forecasted Individual Mechanisms	
HCLS (plus SVS)	$204,158,772
CAF BLS (plus True Up)	$1,123,280,235
Sum HCLS and CAF BLS Forecasted Amount	$1,327,439,007
Budget for HCLS and CAF BLS RoR Support Mechanisms	$1,270,550,339
Ratio of Budget/Forecasted Amount	0.957144044
Budget Adjustment Keep Factor (Minimum of above ratio and 1)	0.957144044
Budget Adjustment Keep Factor in Percentage Format	95.71%
Budget Control Adjustment Factor	4.29%

Source: USAC

FCC budget control mechanism
BCM calculation

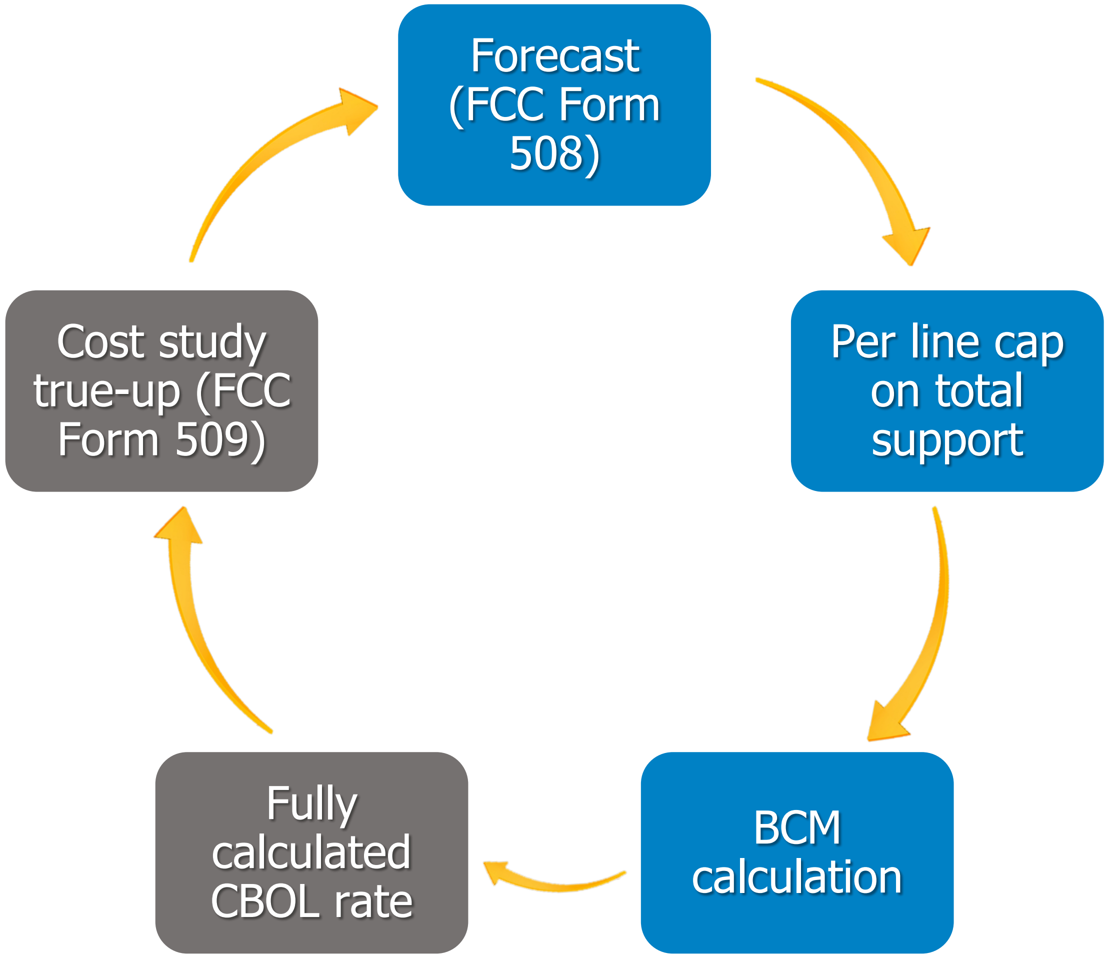
- Legacy budget reset
  - 2023-24 legacy support claims less any frozen support for legacy companies transitioning to Enhanced A-CAM support
  - Accounts for previous conversions from voice-data DSL to CBOL
  - Intended to mitigate impact of budget control mechanism
  - 2024-25 budget based on 2023/2024 projected support excluding study areas converting to EA-CAM and increased by inflation of 7%
- Separate HCL USF cap
  - Also reset to account for legacy carriers that elect Enhanced A-CAM program

FCC budget control mechanism
Application timeline

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2017	N	N	N	N	N	N	N	N	N	N	N	N
2018	N	N	N	N	N	N	N	N	N	N	N	N
2019	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y
2020	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2021	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
2022	N	N	N	N	N	N	N	N	N	N	N	N
2023	N	N	N	N	N	N	N	N	N	N	N	N
2024	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y
2025	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2026	Y	Y	Y	Y	Y	Y						

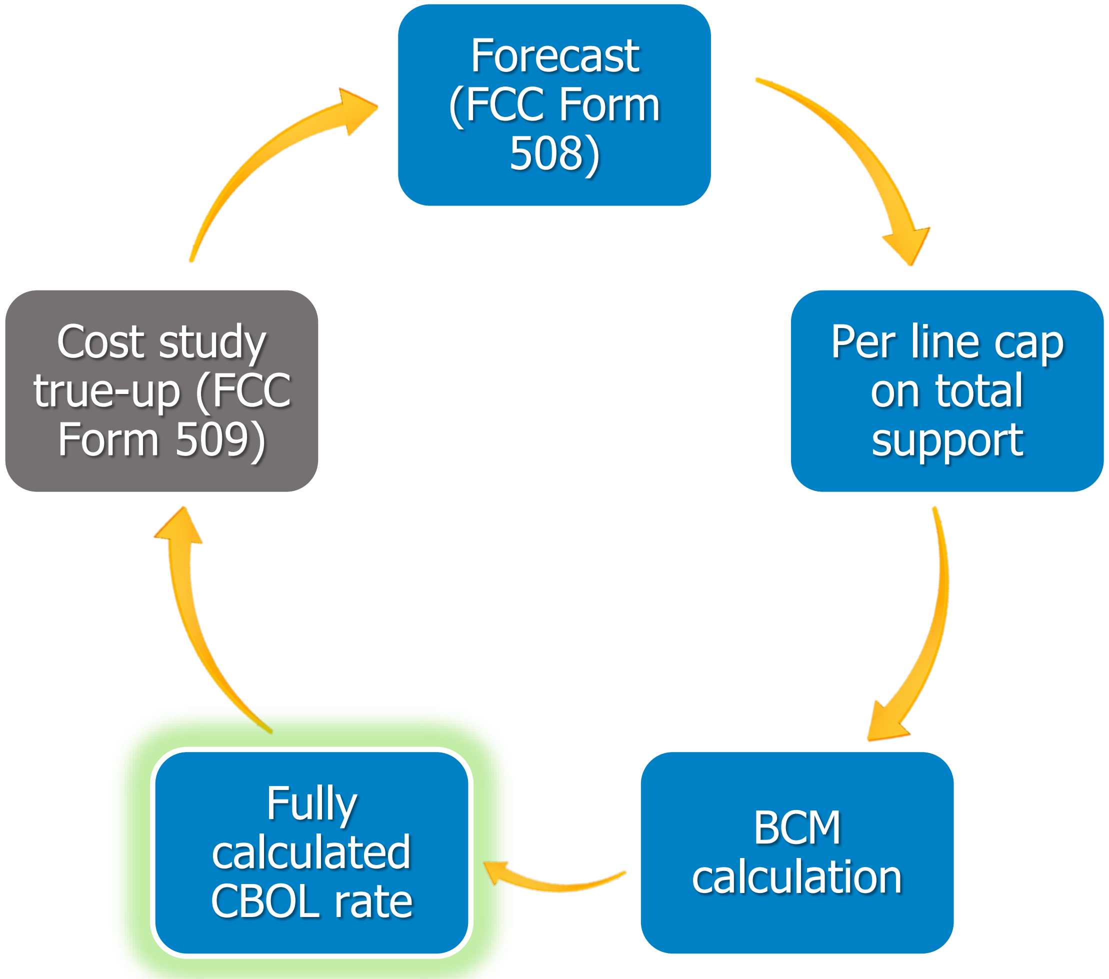
Source: NECA

CBOL projection to true-up



Source: NECA

CBOL projection to true-up



Source: NECA

Fully calculated CBOL rate

- The fully calculated rate is the maximum permissible rate for a carrier submitting a tariff
- 47 CFR Section 69.132(c)
  - "The single-line rate or charge shall be computed by dividing one-twelfth of the projected annual revenue requirement for the Consumer Broadband-Only Loop category (net of the projected annual Connect America Fund Broadband Loop Support attributable to consumer broadband-only loops) by the projected average number of consumer broadband-only service lines in use during such annual period."
  - (CBOL RRQ – CAF BLS attributed to broadband-only loops) / 12 / loops

Fully calculated CBOL rate

Fully calculated rate		**Fully calculated rate**	
Budget control mechanism	$0	Budget control mechanism	$10,200
Forecast CBOL demand	170	Forecast CBOL demand	170
Rate calculation:		**Rate calculation:**	
CBOL RRQ TP:	200,000	CBOL RRQ TP:	200,000
CAF BLS attributed to broadband-only	114,320	CAF BLS attributed to broadband-only	104,120
Net CBOL RRQ	85,680	Net CBOL RRQ	95,880
Average monthly CBO loops	170	Average monthly CBO loops	170
Divide net CBOL RRQ by CBO loops	504.00	Divide net CBOL RRQ by CBO loops	564.00
CBOL per month rate TP	**$42.00**	**CBOL per month rate TP**	**$47.00**

BCM per line per month is $5

Source: NECA

Fully calculated CBOL rate
Support calculations

CAF BLS	Form 508 projection
CBOL RRQ	200,000
Monthly avg CBOL loops	170
CBOL rate	$42
CBOL revenue	(85,680)
CBOL support	114,320
BCM withheld	**(10,200)**
USAC cash to NECA	104,120

CAF BLS	Form 509 true-up
CBOL RRQ	200,000
Monthly avg CBOL loops	170
CBOL rate	$47
CBOL revenue	(95,880)
CBOL support	104,120
BCM withheld	-
USAC cash to NECA	104,120

Applies To Month	CBOL Demand	@ $42 CBOL Rev	@ $47 CBOL Rev	Variance
202001	1	42	47	5
202002	31	1,319	1,476	157
202003	31	1,319	1,476	157
202004	61	2,562	2,867	305
202005	81	3,419	3,826	407
202006	149	6,275	7,022	747
202007	184	7,745	8,667	922
202008	224	9,408	10,528	1,120
202009	274	11,508	12,878	1,370
202010	314	13,188	14,758	1,570
202011	334	14,028	15,698	1,670
202012	354	14,868	16,638	1,770
	Total	85,680	95,880	**10,200**
Monthly Avg	**170**			

Example cash flow impact at true-up = $0*

*Assumes $47 was billed by the telco

Source: NECA

NECA

Fully calculated CBOL rate
Unlimited and limited fully calculated rates

Line	Study Area CBOL Rate Calculation Test Period 2025/2026				
	Enter SAR ID as a number:		123456 **ABC Telco**		
1	Total Projected CAF BLS + True Ups Test Period 2025/2026 (Before BCM)	$	1,137,660.00		= Line 1a + 1b + Line 1c
1a	True Ups	$	47,640.00		
1b	Voice	$	110,569.00		
1c	Broadband Only	$	979,451.00		
2	Total CAF BLS Allocated to Study Area Test Period 2025/2026 (After BCM)	$	1,088,904.15		
2a	Step 1: Allocate Funds to True Ups	$	47,640.00		
2b	Step 2: Allocate Funds to CAF BLS Voice	$	110,569.00		
2c	Step 3: Allocate Any Remaining Funds to CAF BLS Broadband Only	$	930,695.15		= Line 2 - Line 2a - Line 2b
	Rate Calculation:		Unlimited	Limited	
3	CBOL RRQ Test Period 2025/2026	$	1,239,302.00	$ 1,238,892.00	
4	CAF BLS Allocated To Broadband Only	$	930,695.15	$ 930,695.15	
5	Reserved				
6	Net CBOL RRQ	$	308,606.85	$ 308,196.85	= Line 3 - Line 4
7	Average Monthly CBOL Loops		411	411	
8	Divide Net CBOL RRQ from Line 6 by CBOL Loops		750.87	$ 749.87	= Line 6 / Line 7
9	**CBOL Per Month Rate Test Period 2025/2026**		**$62.57**	**$ 62.49**	= Line 8 / 12

Note: The unlimited and limited calculated rates are different because of the impact of corporate operations and/or OpEx limitation on the CBOL RRQ.

Although companies are not allowed to recover these impacts through support, they can be recovered through the CBOL rate.

Note: Line 1c reflects a reduction in support due to the $200 Support Cap Per Loop of:	$	52,297.00
This reduction can be recovered through the CBOL rate. For this reason, the rate on Line 9 is higher by:	$	10.60

Source: NECA

Fully calculated CBOL rate
Rate reference guide

	CBOL Rates					
Study Area Number	Company Name	NECA Tariffed CBOL Rate	NECA Tariffed CBOL Rate Effective Date	NECA Calculated CBOL Rate Unlimited	NECA Calculated CBOL Rate Limited#	NECA Calculated CBOL Rate Effective Date
123456	ABC Telco	$42	07/01/2025	$62.57	$62.49	07/01/2025

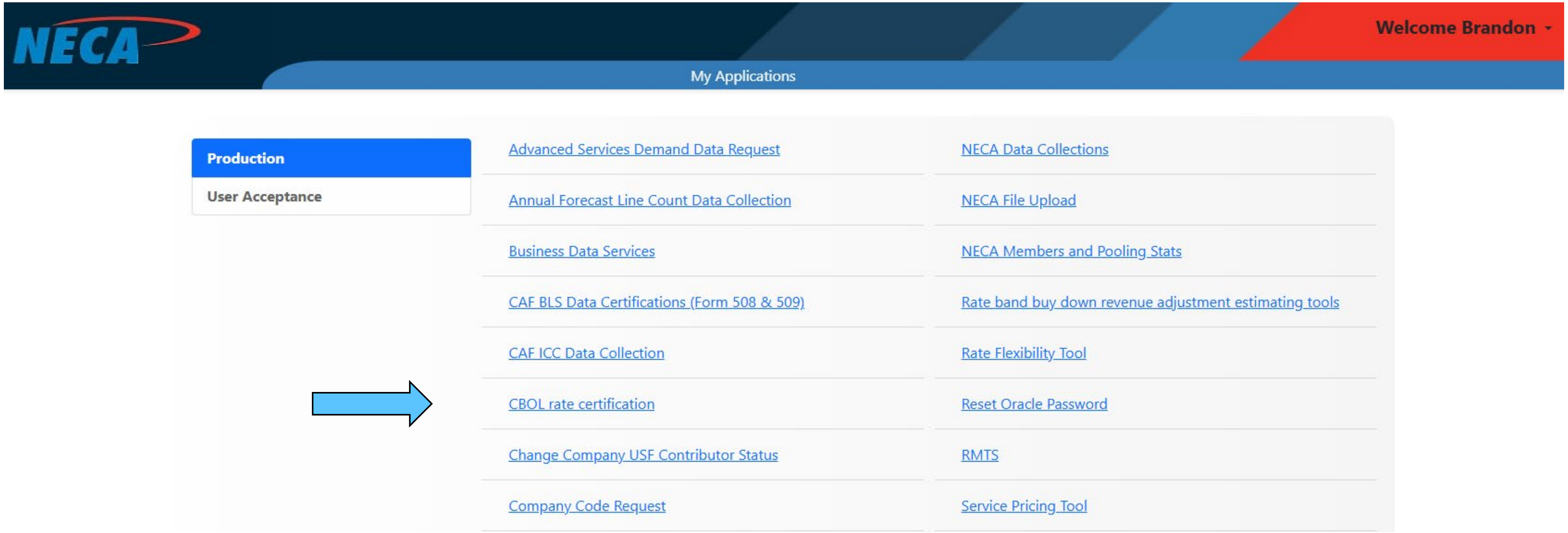
Since January 2019, the NECA Settlements system automatically calculates CBOL revenue (Line 14 on AS1000/EC1050) at $42 per loop (or at the limited NECA Calculated CBOL rate if below $42).

A CBOL guideline is available on neca.org and can be accessed from both the Cost and Average Schedule support pages (login required) under Informational papers and FAQs.

Source: NECA

Fully calculated CBOL rate
CBOL rate certification website

- CBOL rate explanations and selection are now online
- Two ways to get there



Source: NECA

Fully calculated CBOL rate

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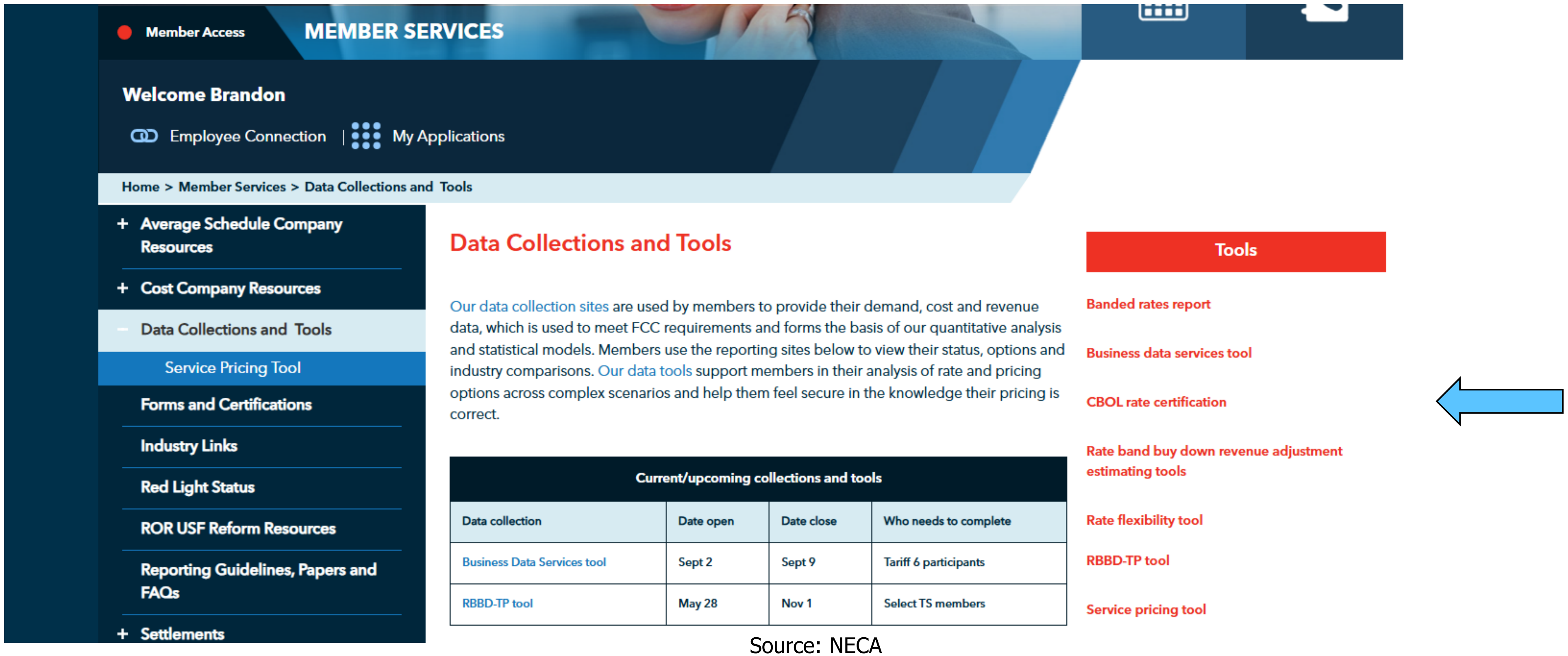


Source: NECA

Fully calculated CBOL rate
CBOL rate certification website

- View historic study area CBOL rate explanations

CBOL Rate Certification

Introduction | Select Company | CBOL Rate Calculation | Certification Status | NECA Region Report | Administration | Historic CBOL Rates | Contact Us

CBOL Rate Calculation

Test Period: Test Period 2025-26 (Effective Date 10/01/2025)

View Report in Excel

Line		Amount	
1	Total Projected CAF BLS + True Ups Test Period 2025-26 (Before BCM): (Line 1a + 1b + Line 1c)		$1,137,660.00
1a	True Ups		$47,640.00
1b	Voice		$110,569.00
1c	Broadband Only		$979,451.00
2	Total CAF BLS Allocated to Study Area after BCM Test Period 2025-26		$1,088,904.15
2a	Step 1: Allocate Funds to True Ups		$47,640.00
2b	Step 2: Allocate Funds to CAF BLS Voice		$110,569.00
2c	Step 3: Allocate Any Remaining Funds to CAF BLS Broadband Only (Line 2 - Line 2a - Line 2b)		$930,695.15
	Rate Calculation	**Unlimited**	**Limited**
3	CBOL RRQ Test Period 2025-26 :	$1,239,302.00	$1,238,892.00
4	CAF BLS Allocated To Broadband Only	$930,695.15	$930,695.15
5	Reserved	$0.00	$0.00
6	Net CBOL RRQ (Line 3 - Line 4)	$308,606.85	$308,196.85
7	Average Monthly CBOL Loops	411	411
8	Divide Net CBOL RRQ from Line 6 by CBOL Loops (Line 6 / Line 7)	$750.87	$749.87
9	**CBOL Per Month Rate Test Period 2025-26 (Line 8 / 12)**	**$62.57**	**$62.49**

Note: The unlimited and limited calculated rates are different because of the impact of corporate operations and/ or OpEx limitation on the CBOL RRQ. Although companies are not allowed to recover these impacts through support, they can be recovered through the CBOL rate.

Line 1c reflects a reduction in support due to the $200 Support Cap Per Loop of: $52,297.00
This reduction can be recovered through the CBOL rate. For this reason, the rate on Line 9 is higher by: $10.60

Source: NECA

Fully calculated CBOL rate
CBOL rate certification website

- Submit and certify rate for tariff

Current CBOL tariff rate for Test Period 2025-26: $42.00

Please answer the following questions to continue the submission

Acknowledgement of the newly calculated unlimited CBOL rate: $62.57

Excluding customers committed to starting service once we file a CBOL rate for you, does your company have other existing CBOL demand? ○ Yes ● No

Select the CBOL tariff rate of: $ *The selected tariff rate can be between $0 and the unlimited calculated CBOL rate of $62.57.*

Note

- Although you may choose to tariff a CBOL rate lower than the unlimited calculated rate, be advised the foregone revenues are not made up by CAF BLS or the NECA Common Line pool.

[View authorized contacts to select and certify tariffed rate for study area ID: 532384]

Submit & Certify

NECA PROPRIETARY

Source: NECA

Fully calculated CBOL rate
CBOL rate certification website

- View historical study area CBOL rates

NECA **CBOL Rate Certification**

Introduction | Select Company | CBOL Rate Calculation | Certification Status | Historic CBOL Rates | Contact Us

Historic Study Area CBOL Tariff Rate

Search:

					CBOL Rate					
SARID	**Test Period**	**Model Type**	**CL Tariff**	**CBOL Tariff**	**NECA Calculated Unlimited**	**NECA Calculated Limited**	**Date NECA Calculated**	**EC Selected**	**Final Tariffed**	**Tariff Effective Date**
	Test Period 2018-2019		Y	Y	$43.39	$42.00	April 02, 2019	$20.00	$20.00	December 01, 2018
	Test Period 2019-2020		Y	Y	$43.82	$43.13	July 02, 2019	$20.00	$20.00	July 02, 2019
	Test Period 2020-2021		Y	Y	$49.94	$49.94	July 01, 2020	$20.00	$20.00	July 01, 2020
	Test Period 2021-2022		Y	Y	$42.00	$42.00	July 01, 2021	$20.00	$20.00	July 01, 2021

Source: NECA

Fully calculated CBOL rate

- Fully calculated CBOL rates can be recalculated during a test period if demand or costs vary significantly from projected levels
  - May lower amount of revenue that must be reported on Form 509 and pooled at true-up
- Projection versus trued-up support misses are carried forward to next rate calculation when support was underforecasted

Fully calculated CBOL rate
NECA CBOL tariff monthly filing activities

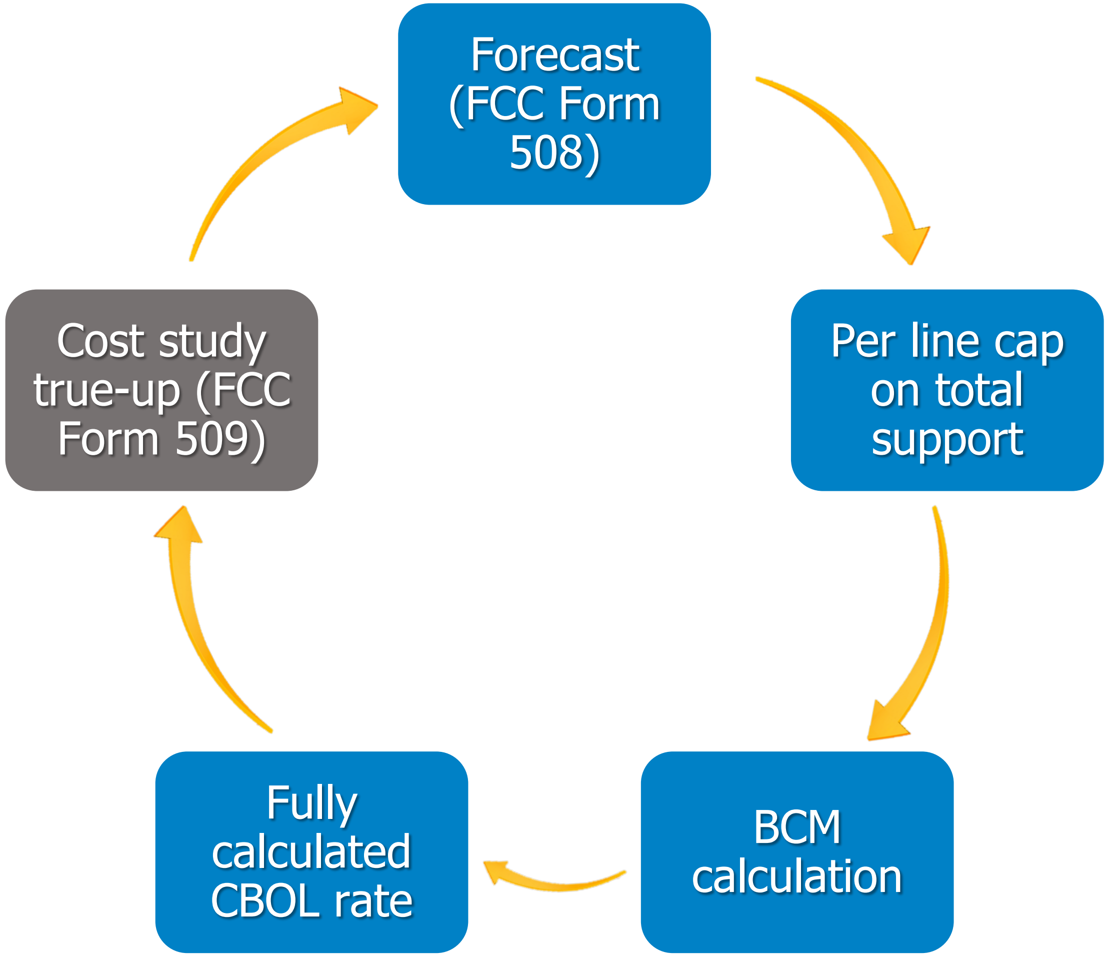
- Monthly tariff filings for:
  - New CBOL service
  - Fully calculated rate updates due to cost or demand changes
    - For either, must submit revised forecast reflecting updated CBOL demand and costs for new CBOL service and recalculation of the fully calculated rate
  - Tariffed rate updates
- One month advanced notice required
- Will be filed midmonth and effective the following month

NECA

Fully calculated CBOL rate
NECA CBOL tariff monthly filing activities

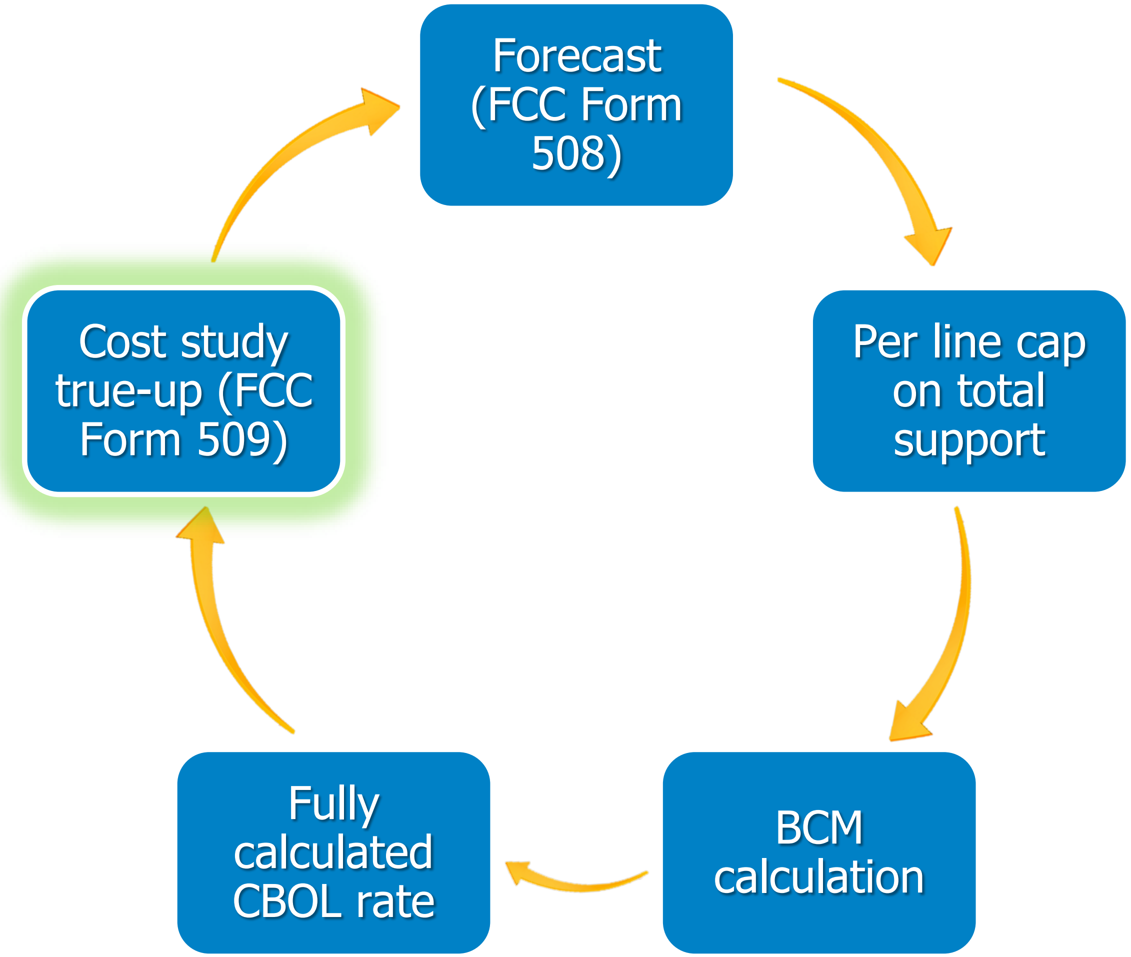
- CAF BLS support companies
  - Updated average monthly demand
  - Revised forecasts (two years) reflecting updated cost and demand (cost companies only)
  - Acknowledgement of new fully calculated rate and desired tariffed rate
  - Prior CBOL demand (only companies new to or reentering NECA's CBOL tariff)
  - Broadband-only data certification of demand
- Model support companies
  - Only if desired tariffed CBOL rate below $42

CBOL projection to true-up



Source: NECA

CBOL projection to true-up



Source: NECA

FCC Form 509 true-up
Form 509 CBOL revenue calculation

- Form 509 true-up
  - CBOL revenue calculation
    - Step 1
      - Lesser of average monthly broadband-only loops x $42

      or

      - CBOL RRQ (actual)
    - Step 2
      - Greater of Step 1 or average monthly broadband-only loops x average of consumer broadband-only rates (e.g., fully calculated rate)
      - Step 2 uses the limited fully calculated rate because the CBOL RRQ is also limited

$200,000 RRQ

$85,680 CBOL revenue

$114,320 CBOL support

$200,000 RRQ

$95,880 CBOL revenue

$104,120 CBOL support

FCC Form 509 true-up

Form 509 CBOL revenue calculation

Form 509 CBOL revenue						
A	B	C	D = (B * C)	E	F	G
Applies to	**Loops**	**Fully calculated rate**	**CBOL revenue**	**CBOL revenue @ $42 per loop**	**Greater of blended rate ($47.00) or $42 per loop**	**Variance**
Jan	1	$47.00	$47	$42	$47	($5)
Feb	31	$47.00	$1,476	$1,319	$1,476	($157)
Mar	31	$47.00	$1,476	$1,319	$1,476	($157)
Apr	61	$47.00	$2,867	$2,562	$2,867	($305)
May	81	$47.00	$3,826	$3,419	$3,826	($407)
Jun	149	$47.00	$7,022	$6,275	$7,022	($747)
Jul	184	$47.00	$8,667	$7,745	$8,667	($922)
Aug	224	$47.00	$10,528	$9,408	$10,528	($1,120)
Sep	274	$47.00	$12,878	$11,508	$12,878	($1,370)
Oct	314	$47.00	$14,758	$13,188	$14,758	($1,570)
Nov	334	$47.00	$15,698	$14,028	$15,698	($1,670)
Dec	354	$47.00	$16,638	$14,868	$16,638	($1,770)
Monthly Average CBOLs	**170.00**		**$95,880**	**$85,680**	**$95,880**	**($10,200)**
Blended CBOL Revenue	$95,880.00					
Blended Rate	**47.00**					

Source: NECA

FCC Form 509 true-up

2023 CBOL revenue calculation

Month	Revenue calculation	BCM applies	Explanation
202301	Fully calculated rate*	N	FCC granted waiver
202302	Fully calculated rate*	N	FCC granted waiver
202303	Fully calculated rate*	N	FCC granted waiver
202304	Fully calculated rate*	N	FCC granted waiver
202305	Fully calculated rate*	N	FCC granted waiver
202306	Fully calculated rate*	N	FCC granted waiver
202307	Fully calculated rate*	N	FCC granted waiver
202308	Fully calculated rate*	N	FCC granted waiver
202309	Fully calculated rate*	N	FCC granted waiver
202310	Fully calculated rate*	N	FCC granted waiver
202311	Fully calculated rate*	N	FCC granted waiver
202312	Fully calculated rate*	N	FCC granted waiver

* BCM calculated at 0% due to FCC waiver

Source: NECA

NECA

FCC Form 509 true-up
2024 CBOL revenue calculation

Month	Revenue calculation	BCM applies	Explanation
202401	Fully calculated rate*	N	FCC granted waiver
202402	Fully calculated rate*	N	FCC granted waiver
202403	Fully calculated rate*	N	FCC granted waiver
202404	Fully calculated rate*	N	FCC granted waiver
202405	Fully calculated rate*	N	FCC granted waiver
202406	Fully calculated rate*	N	FCC granted waiver
202407	Fully calculated rate	Y	47 CFR § 69.132
202408	Fully calculated rate	Y	47 CFR § 69.132
202409	Fully calculated rate	Y	47 CFR § 69.132
202410	Fully calculated rate	Y	47 CFR § 69.132
202411	Fully calculated rate	Y	47 CFR § 69.132
202412	Fully calculated rate	Y	47 CFR § 69.132

* BCM calculated at 0% due to FCC waiver

Source: NECA

NECA

FCC Form 509 true-up
2025 CBOL revenue calculation

Month	Revenue calculation	BCM applies	Explanation
202501	Fully calculated rate	Y	47 CFR § 69.132
202502	Fully calculated rate	Y	47 CFR § 69.132
202503	Fully calculated rate	Y	47 CFR § 69.132
202504	Fully calculated rate	Y	47 CFR § 69.132
202505	Fully calculated rate	Y	47 CFR § 69.132
202506	Fully calculated rate	Y	47 CFR § 69.132
202507	Fully calculated rate	Y	47 CFR § 69.132
202508	Fully calculated rate	Y	47 CFR § 69.132
202509	Fully calculated rate	Y	47 CFR § 69.132
202510	Fully calculated rate	Y	47 CFR § 69.132
202511	Fully calculated rate	Y	47 CFR § 69.132
202512	Fully calculated rate	Y	47 CFR § 69.132

Source: NECA

NECA CBOL pooling

- CAF BLS filings
- Stable and predictable monthly cash flow
- Expedited cash flow timing
- NECA tariff services
- NECA training
- NECA regional staff support

Microsoft Office Stock Image

NECA

NECA CBOL pooling
CBOL cost recovery components

$200,000 RRQ

$85,680 CBOL revenue

$114,320 CBOL support

Projected (Form 508)

$200,000 RRQ

$95,880 CBOL revenue

$104,120 CBOL support

Actual (Form 509)

Source: NECA

NECA CBOL pooling
CBOL cost recovery components

- NECA CBOL pool participant

Telco receives
- RRQ at realized RoR

CL pool receives
- CBOL revenue at the fully calculated rate
- CAF BLS CBOL projected support
- CAF BLS CBOL trued-up support attributed to proper period

- Outside NECA CBOL pool

Telco receives
- Billed CBOL revenue
- CAF BLS CBOL projected support
- CAF BLS CBOL trued-up support

Combined into one monthly payment

NECA

NECA CBOL pooling
Attribution process

123456	ABC Telco	2025	JUL	$ 233,998.00

SAC	123456
Study area name	ABC Telco
Year	2025
Month	7
Component	BLS
Capped current period	208,360
Uncapped current period	219,858
Prior period adjustment	25,456
Current period cap	(11,498)
Prior period cap	(420)
Prior period BC adjustment	602
Subtotal PRE BC adjustment	233,998
Disbursed amount	233,998

Applies to January 2023 CAF BLS recovery and must be attributed to 2023

Source: USAC

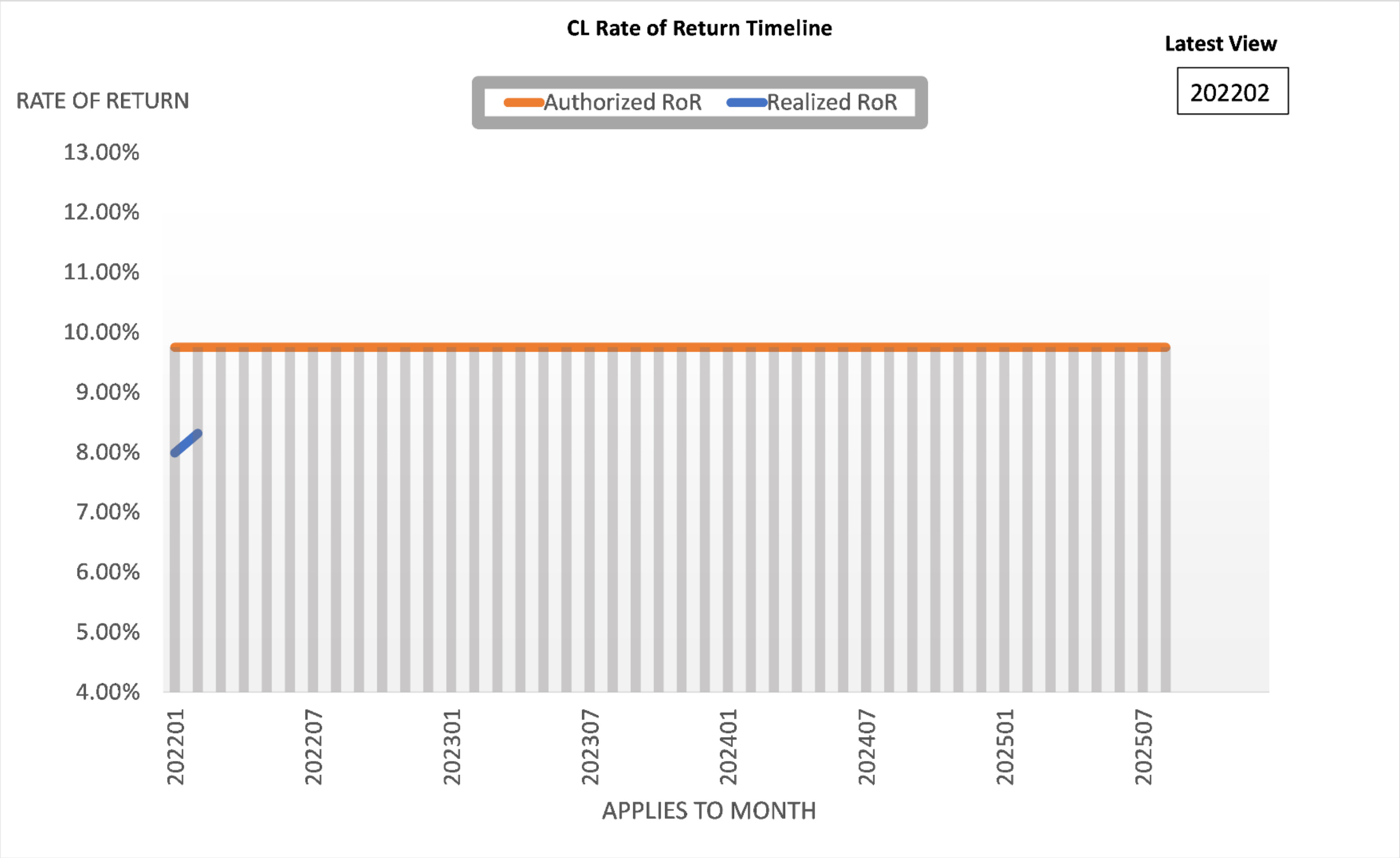
NECA CBOL pooling
Cash flow timeline

<table>
<tr><th></th><th>JAN</th><th>FEB</th><th>MAR</th><th>APR</th><th>MAY</th><th>JUN</th><th>JUL</th><th>AUG</th><th>SEP</th><th>OCT</th><th>NOV</th><th>DEC</th></tr>
<tr><td rowspan="3">2023</td><td rowspan="2"></td><td rowspan="2">2023 and 2024 forecasts due</td><td rowspan="2">Form 508 filing</td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td colspan="6">TP2023-2024 forecast data period</td></tr>
<tr><td colspan="6">TP2023-2024 projected disbursements</td></tr>
<tr><td colspan="12">2023 actual data period</td></tr>
<tr><td rowspan="2">2024</td><td colspan="6">TP2023-2024 forecast data period</td><td rowspan="2">2023 cost study due</td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2"></td><td rowspan="2">Form 509 filing</td></tr>
<tr><td colspan="6">TP2023-2024 projected disbursements</td></tr>
<tr><td>2025</td><td></td><td></td><td></td><td></td><td></td><td></td><td colspan="6">2023 true-up processing*</td></tr>
<tr><td>2026</td><td colspan="6">2023 true-up processing*</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

*July 2025 true-up processing corresponds to the January 2023 projection month, August 2025 true-up processing corresponds to February 2023, etc.

Source: NECA

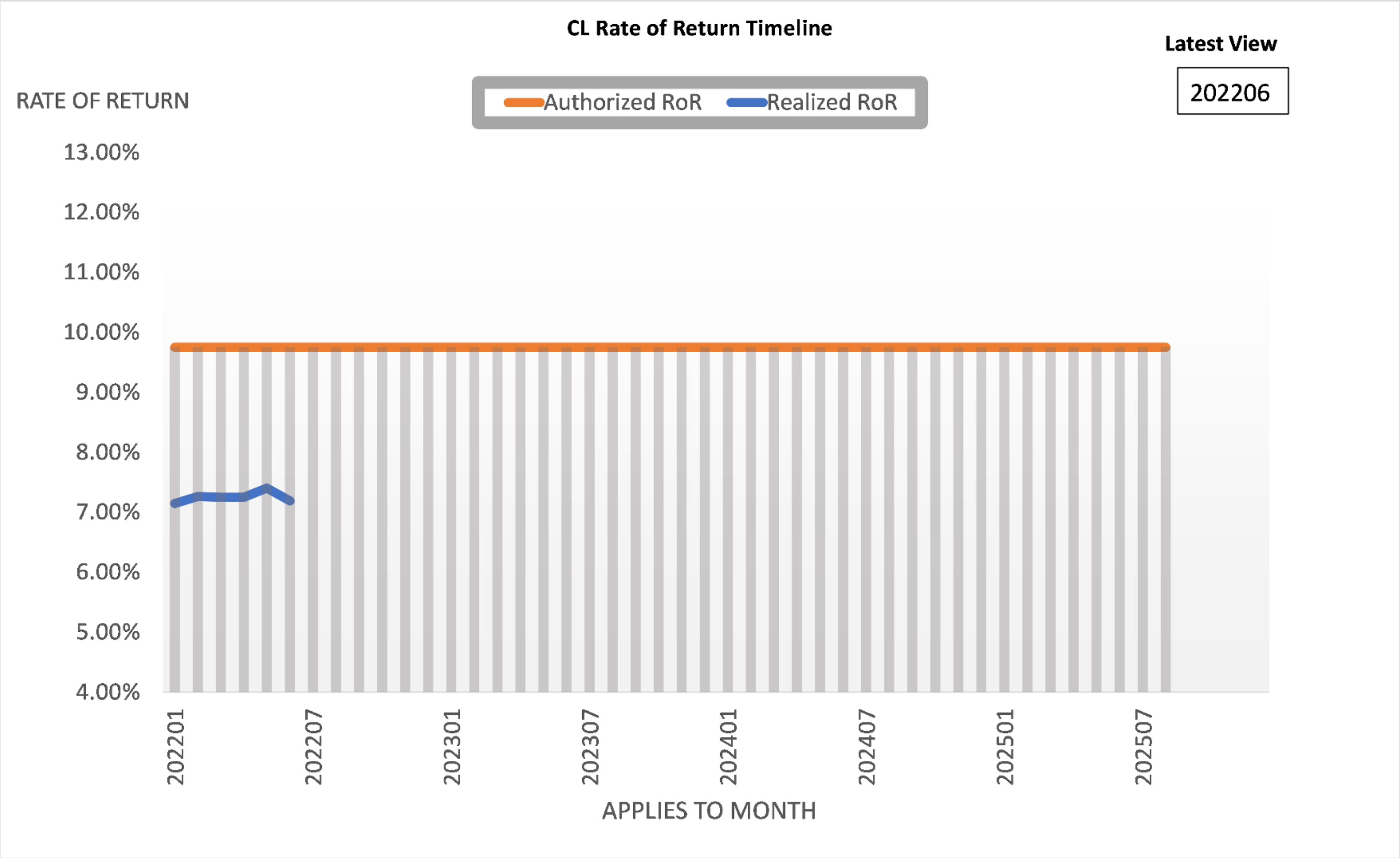
NECA CBOL pooling
Rate-of-return and cash flow impacting events



Source: NECA

NECA CBOL pooling

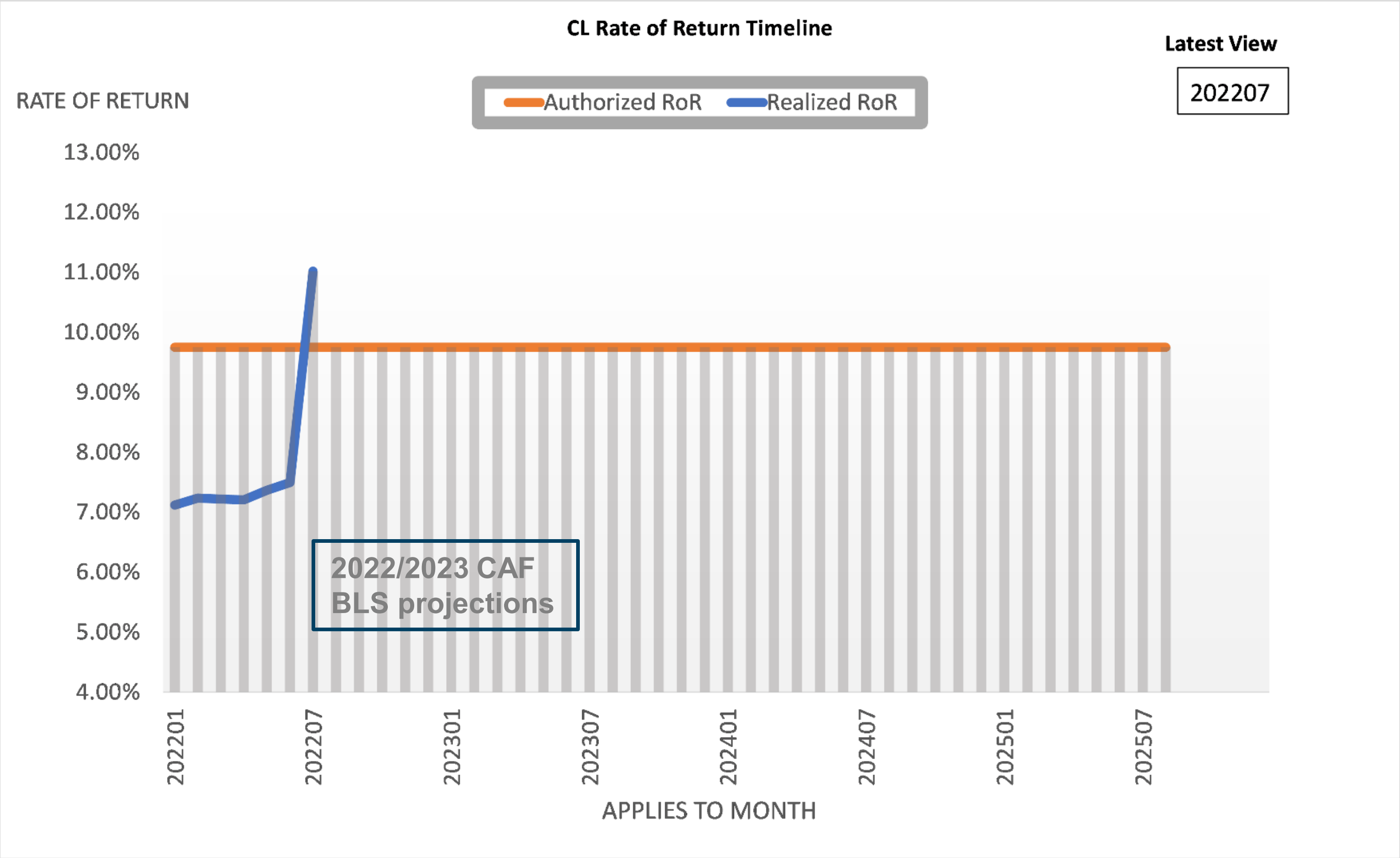
Rate-of-return and cash flow impacting events



Source: NECA

NECA

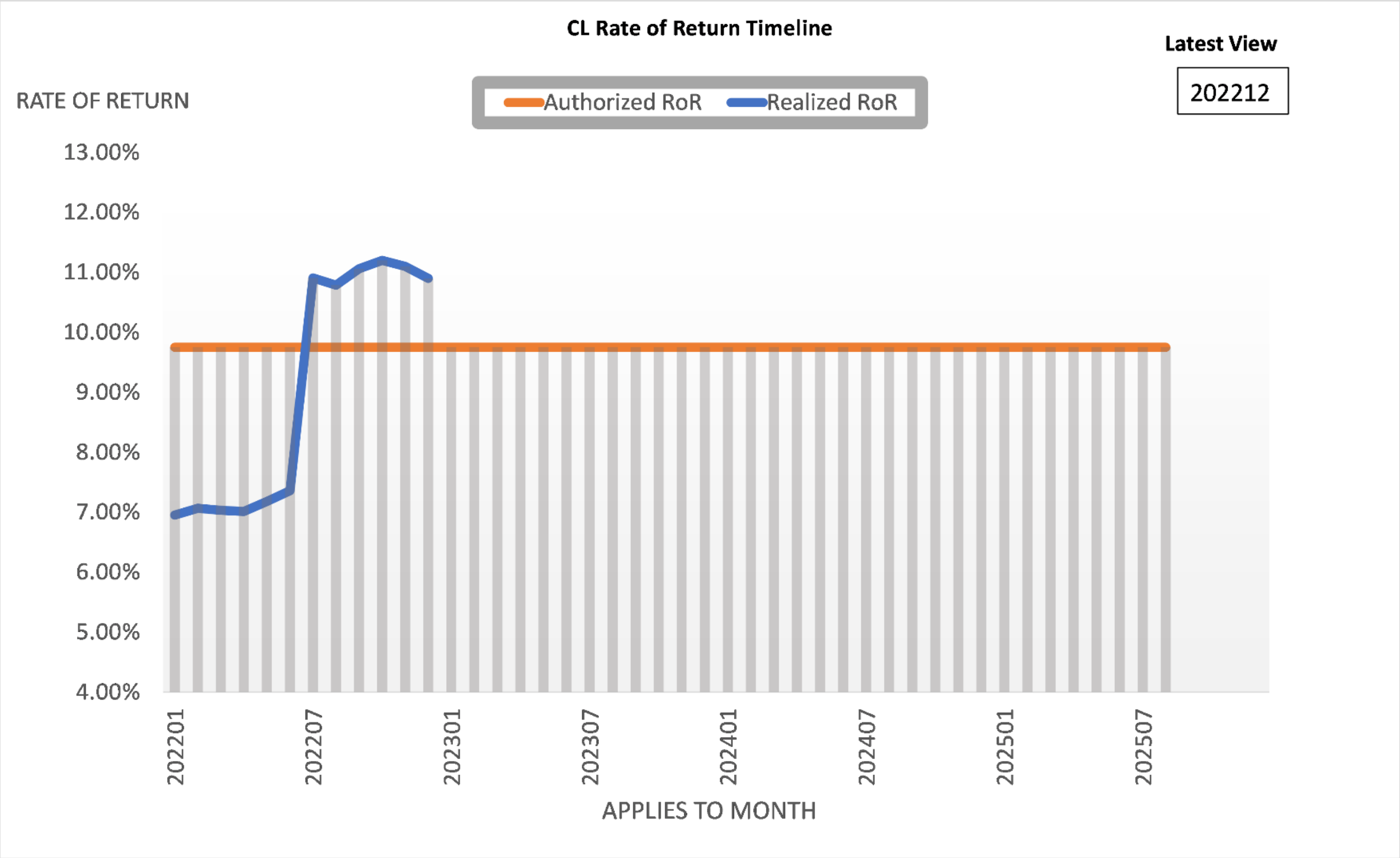
NECA CBOL pooling
Rate-of-return and cash flow impacting events



Source: NECA

NECA CBOL pooling

Rate-of-return and cash flow impacting events



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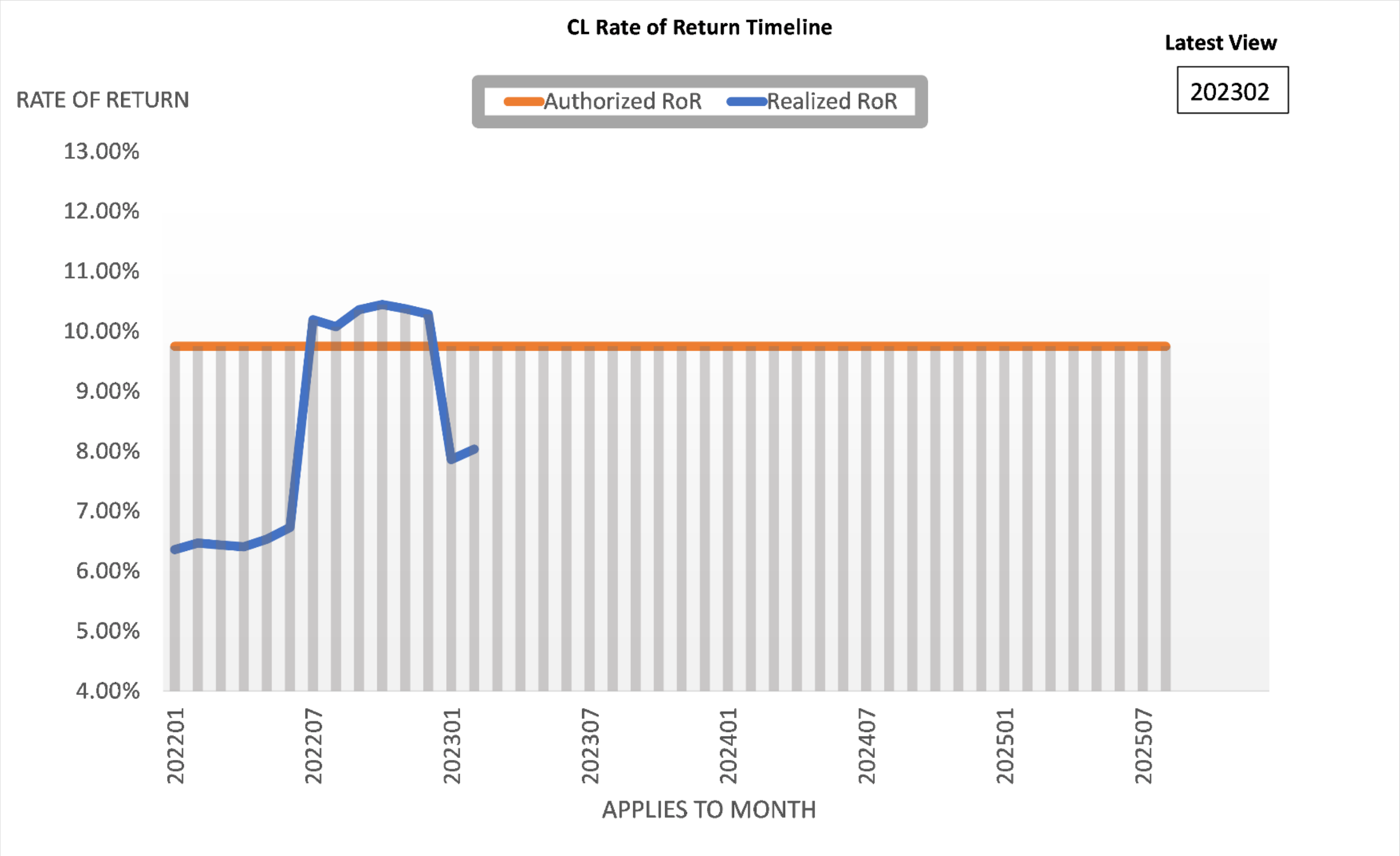
NECA CBOL pooling
Rate-of-return and cash flow impacting events



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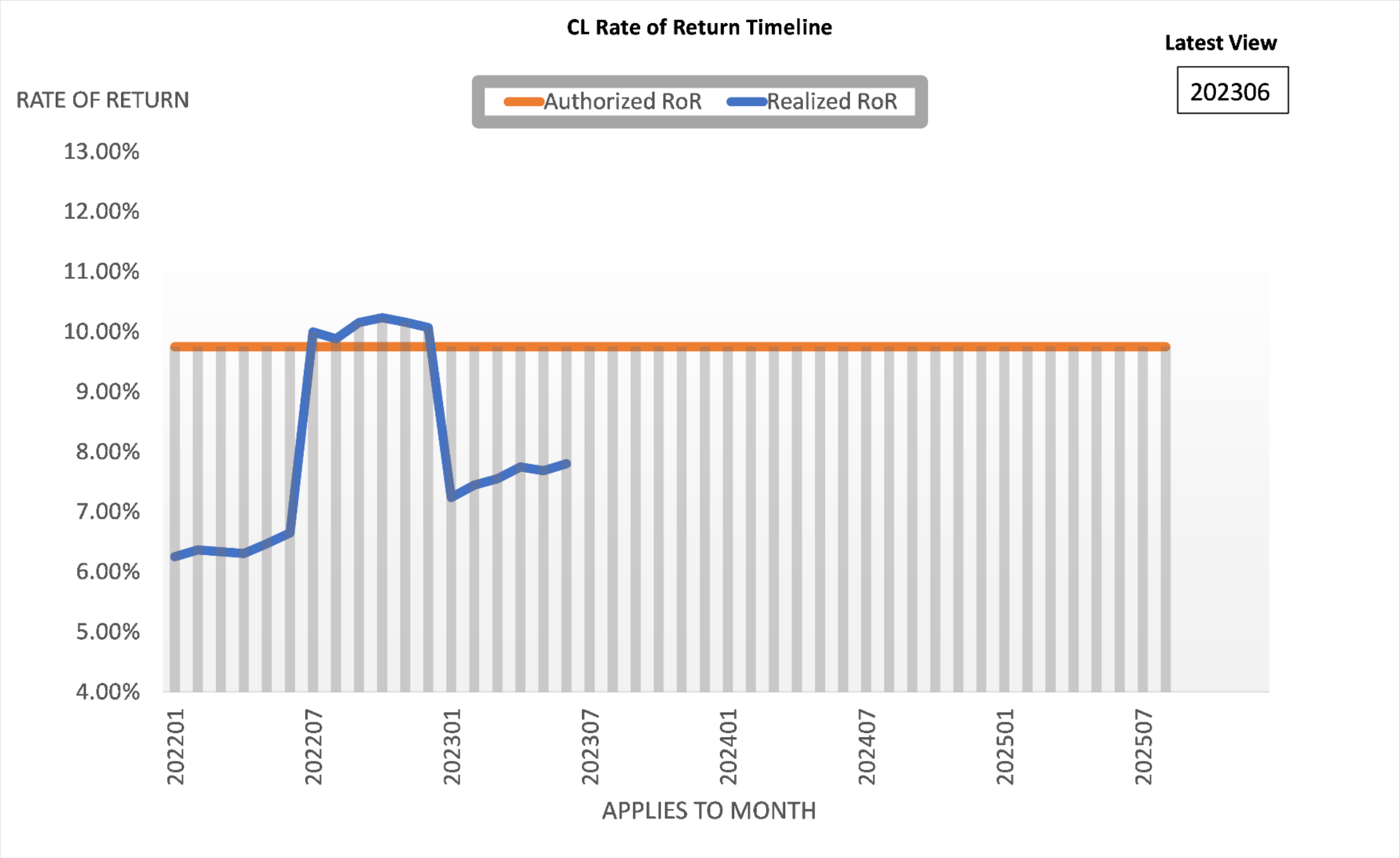
NECA CBOL pooling
Rate-of-return and cash flow impacting events



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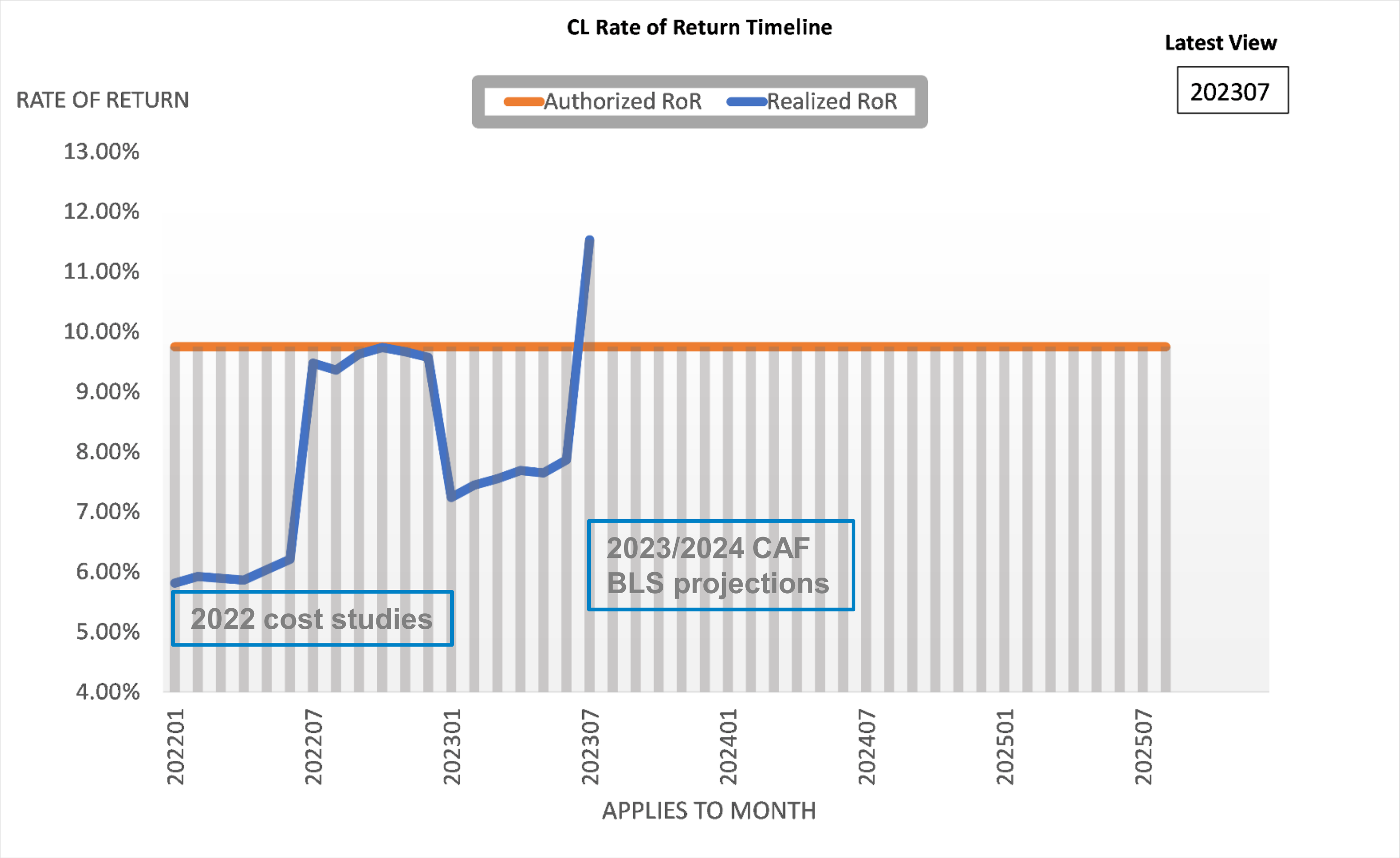
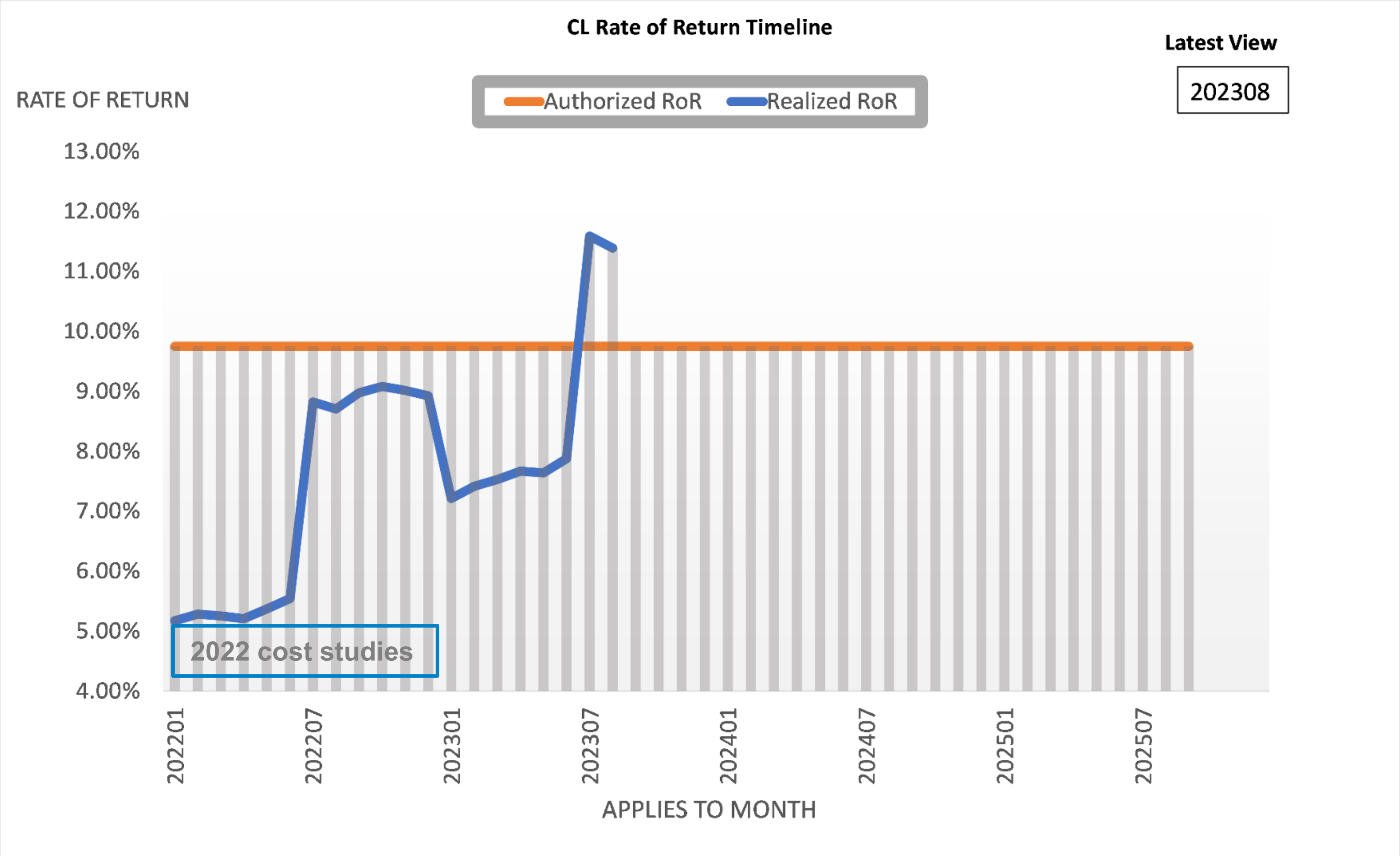
NECA CBOL pooling

Rate-of-return and cash flow impacting events



Source: NECA

NECA CBOL pooling
Rate-of-return and cash flow impacting events



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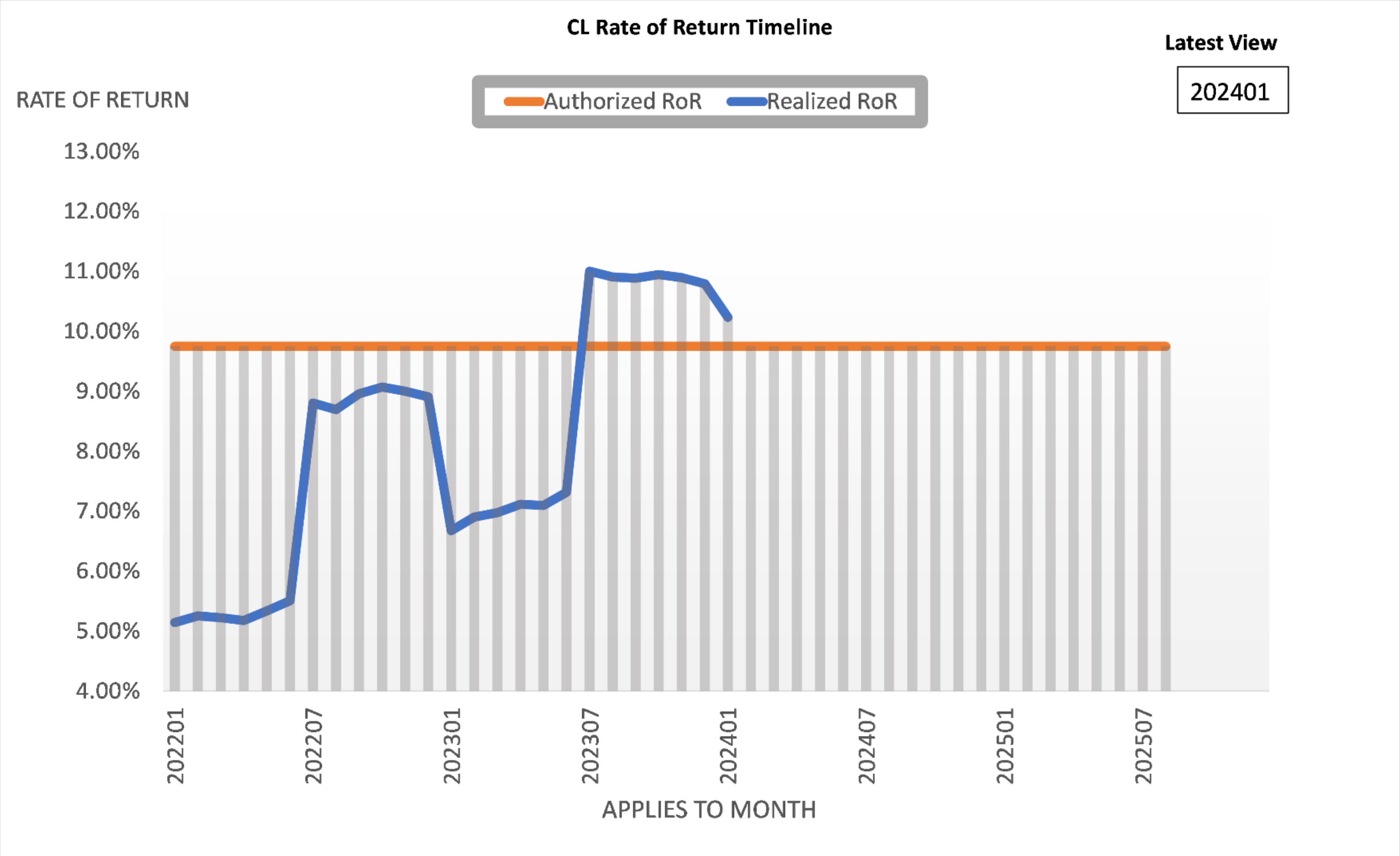
Rate-of-return and cash flow impacting events



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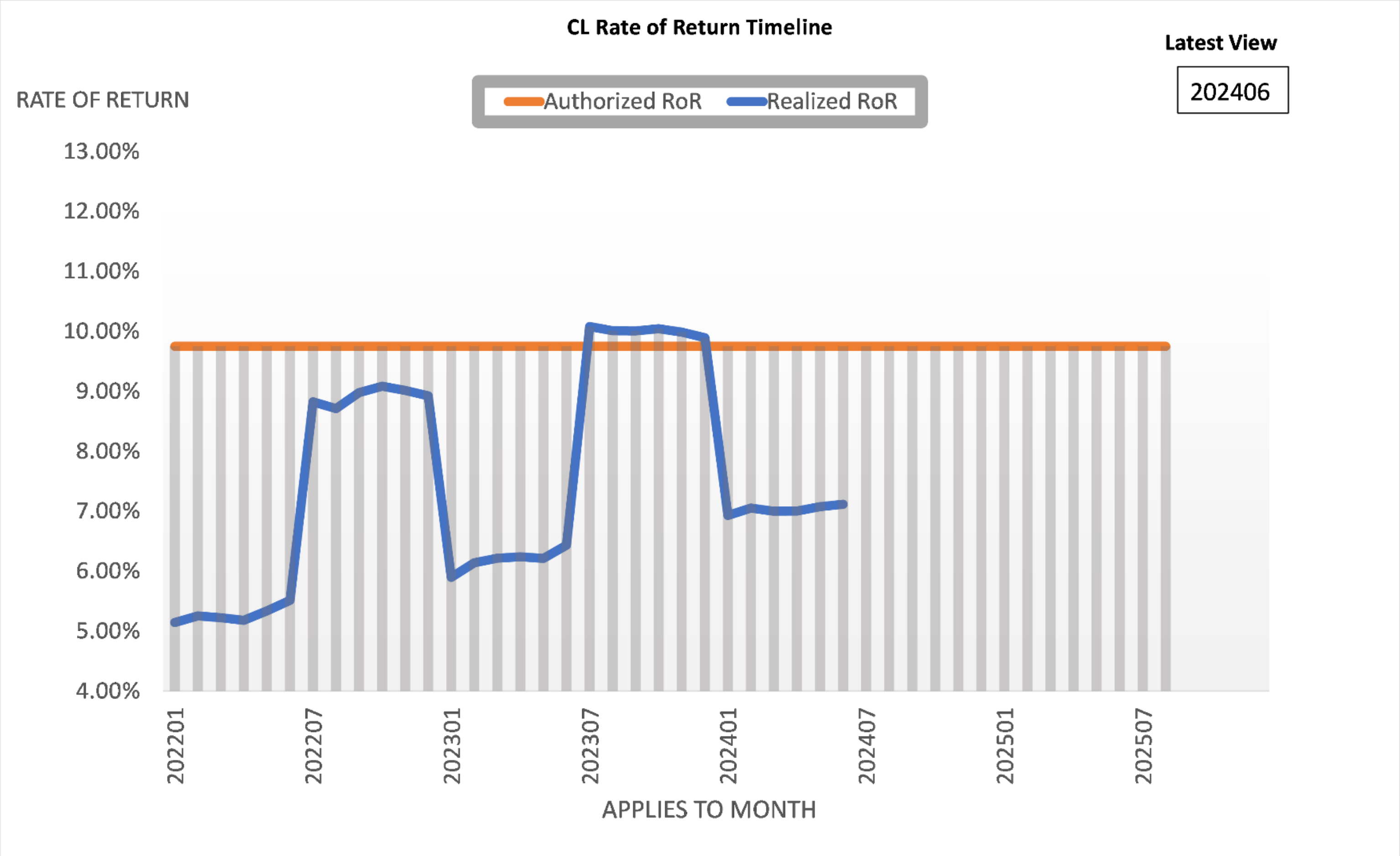

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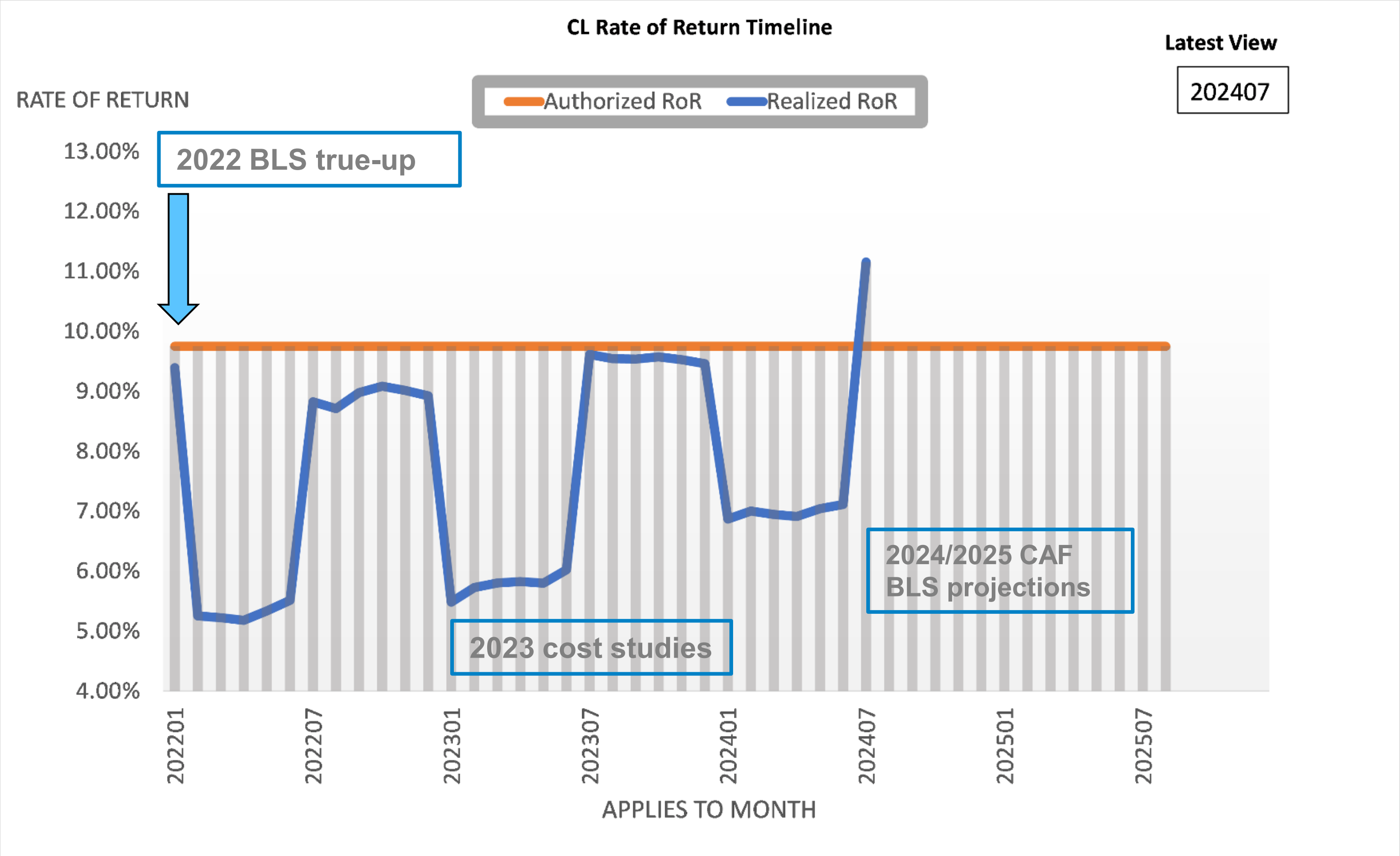

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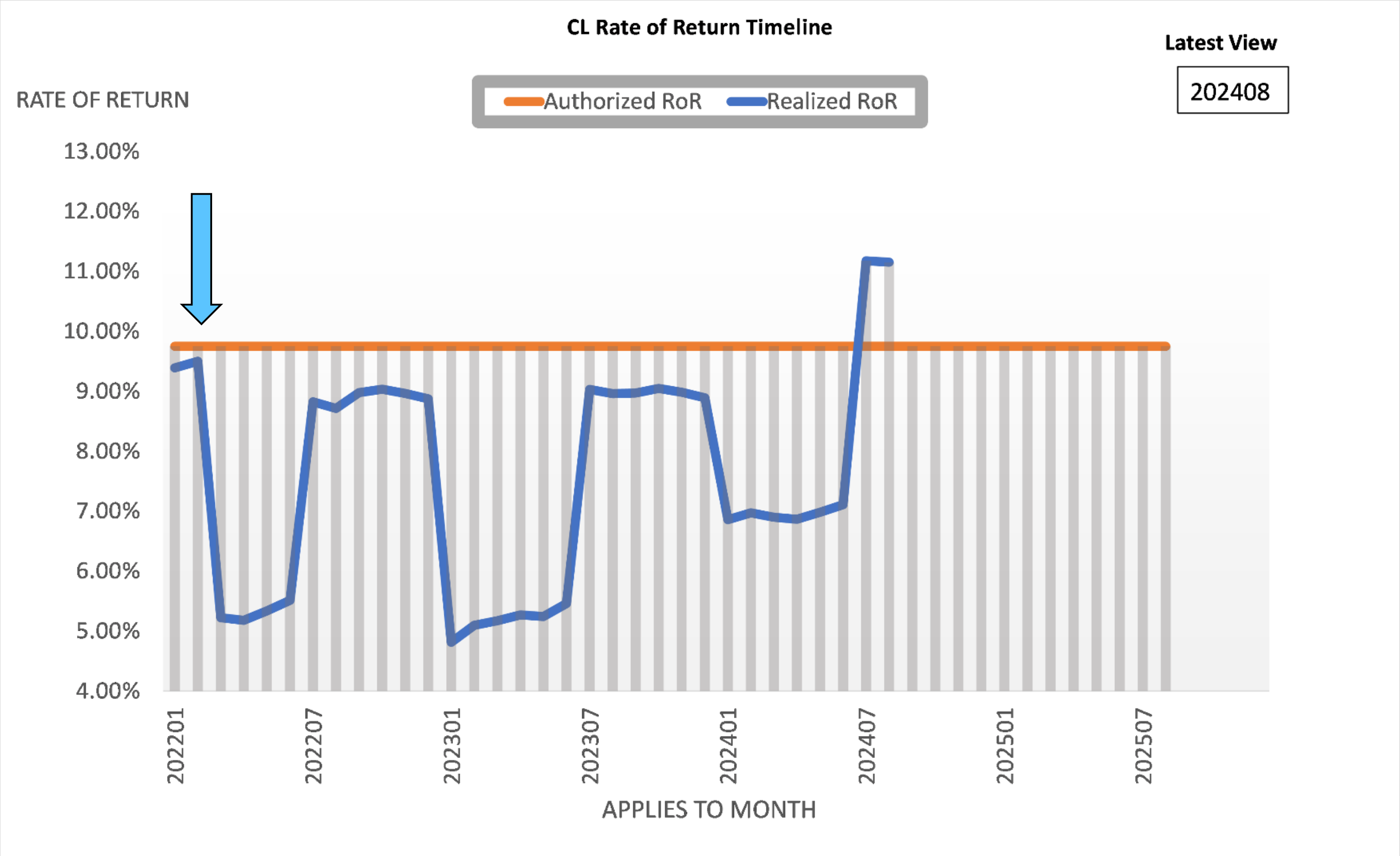

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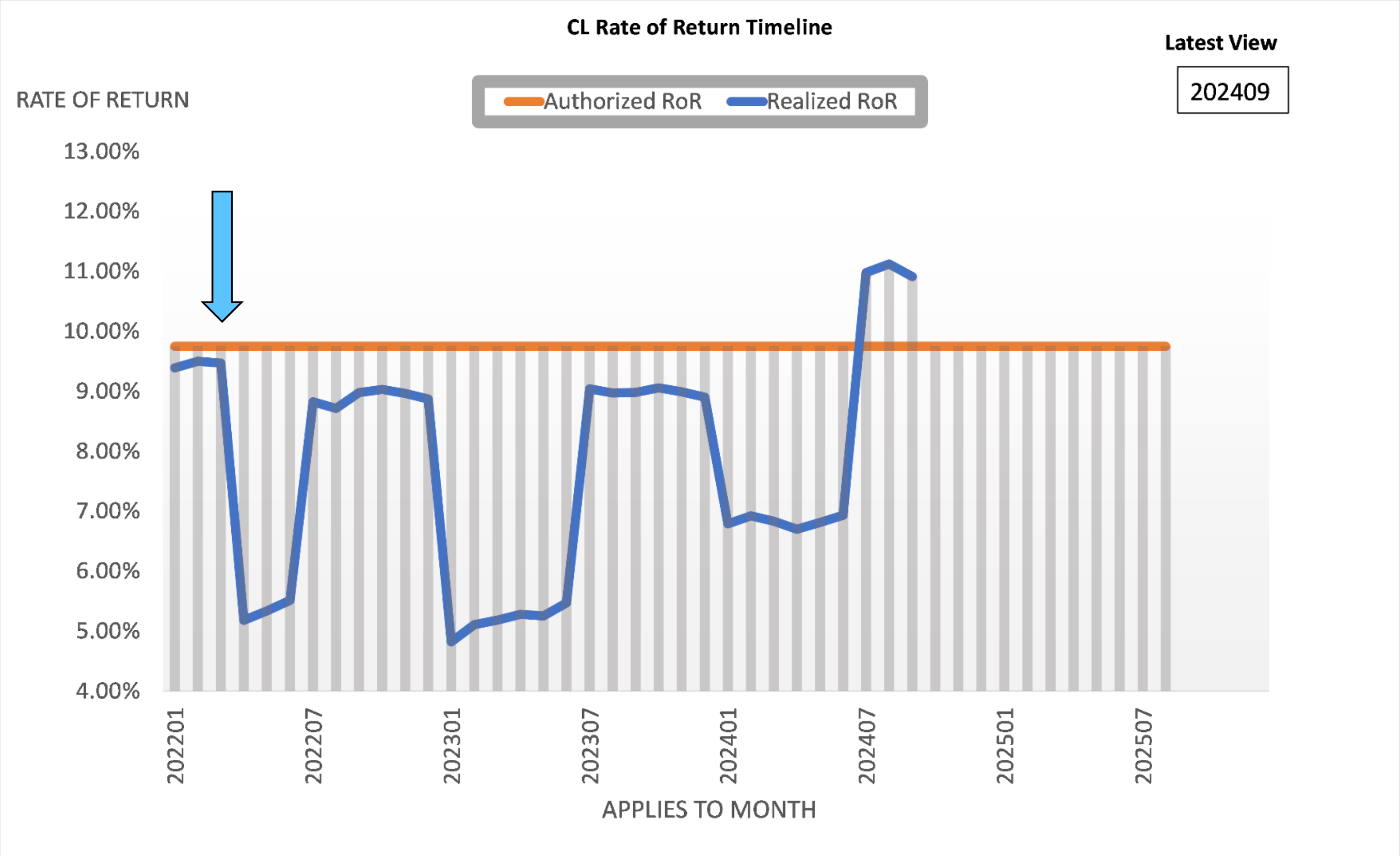
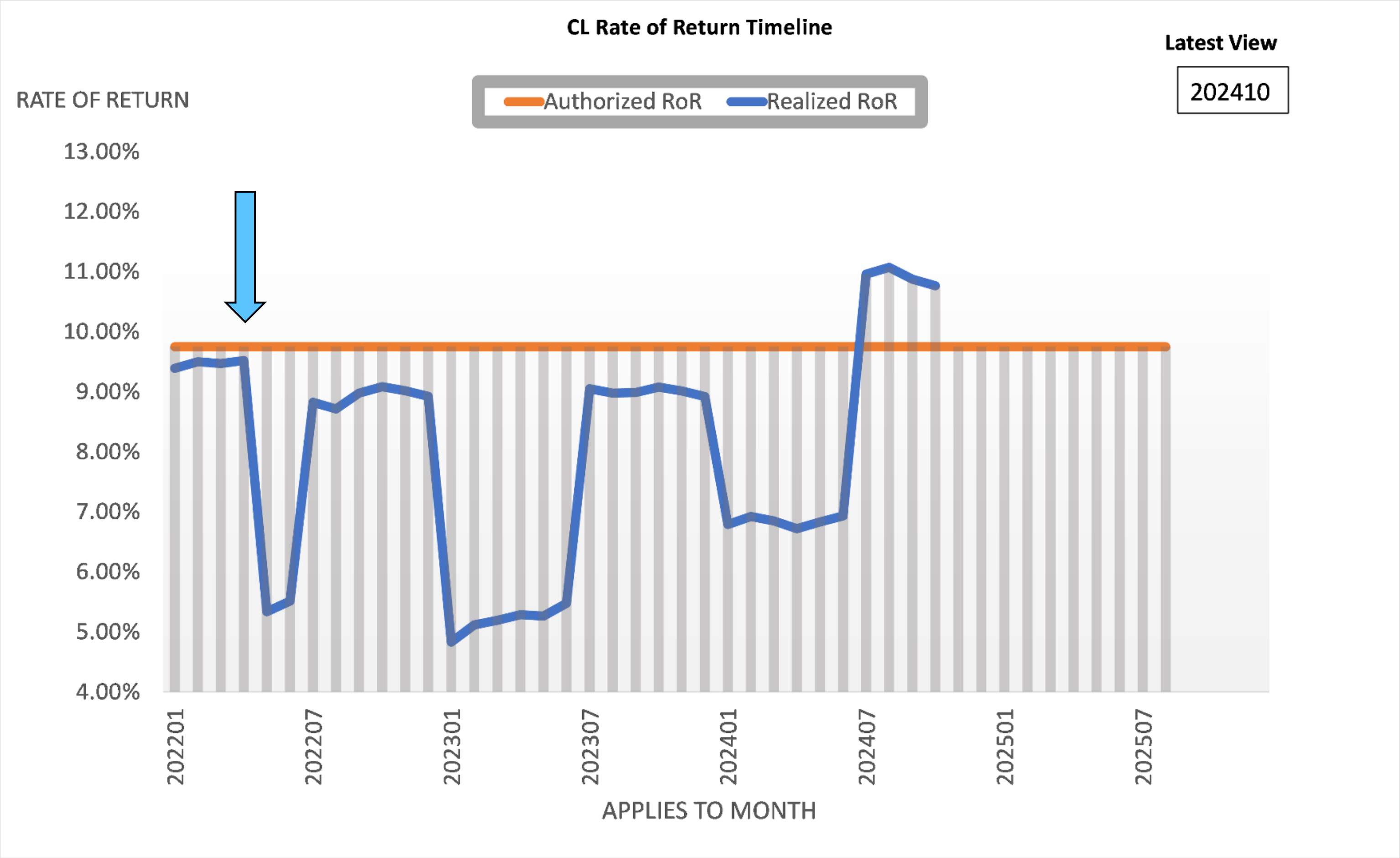
Rate-of-return and cash flow impacting events



Source: NECA

NECA CBOL pooling
Rate-of-return and cash flow impacting events



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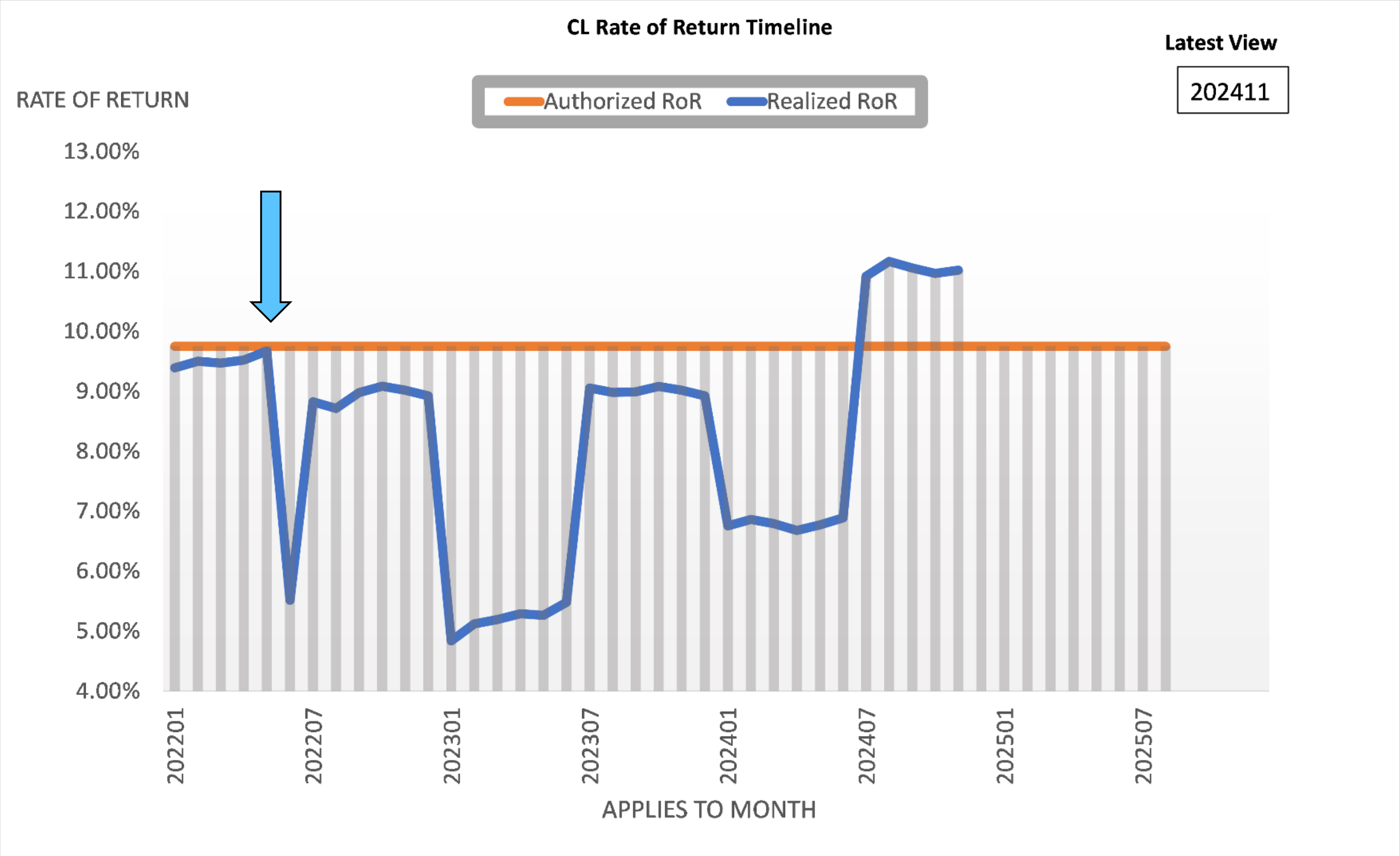
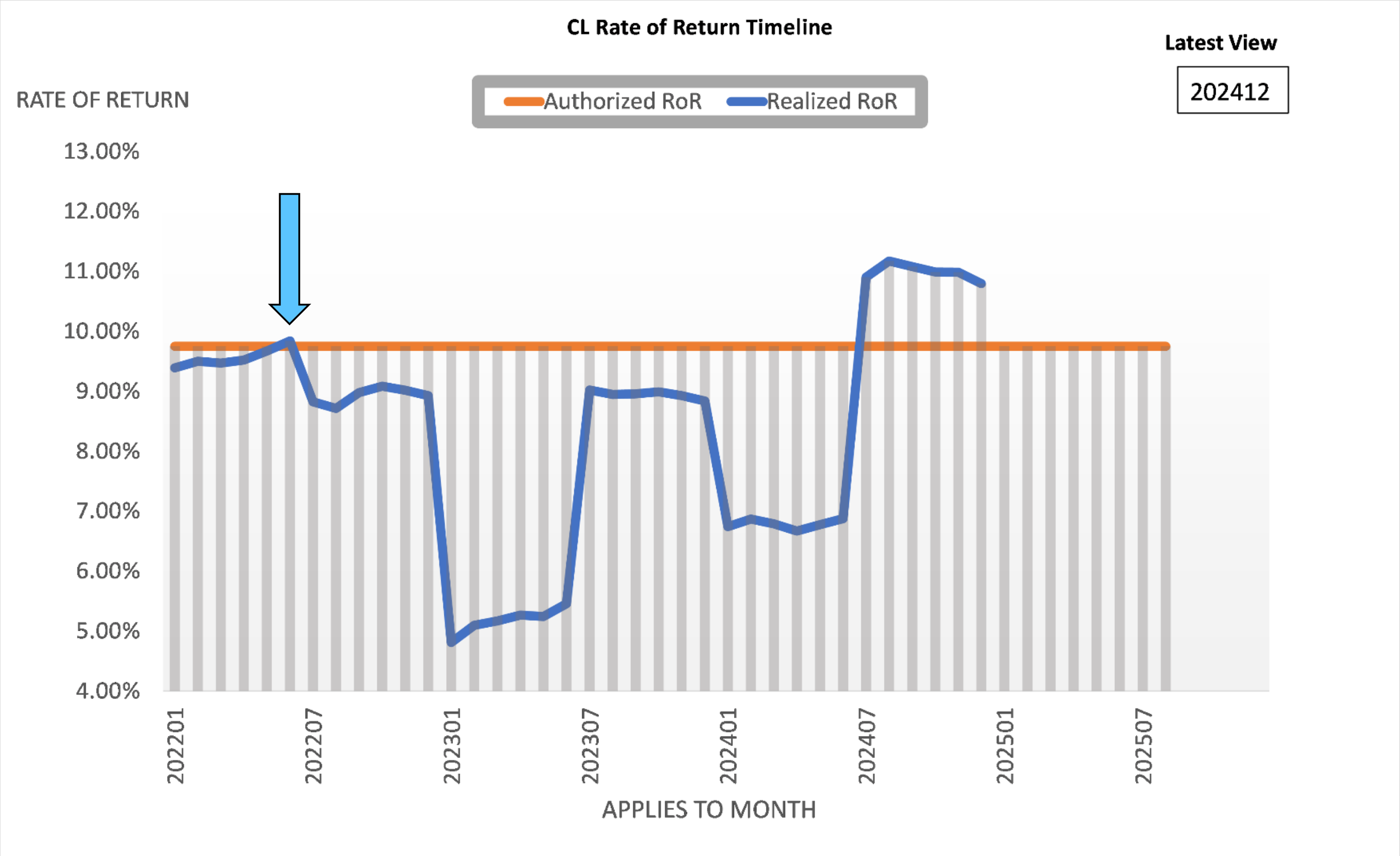


Source: NECA

NECA CBOL pooling

Rate-of-return and cash flow impacting events



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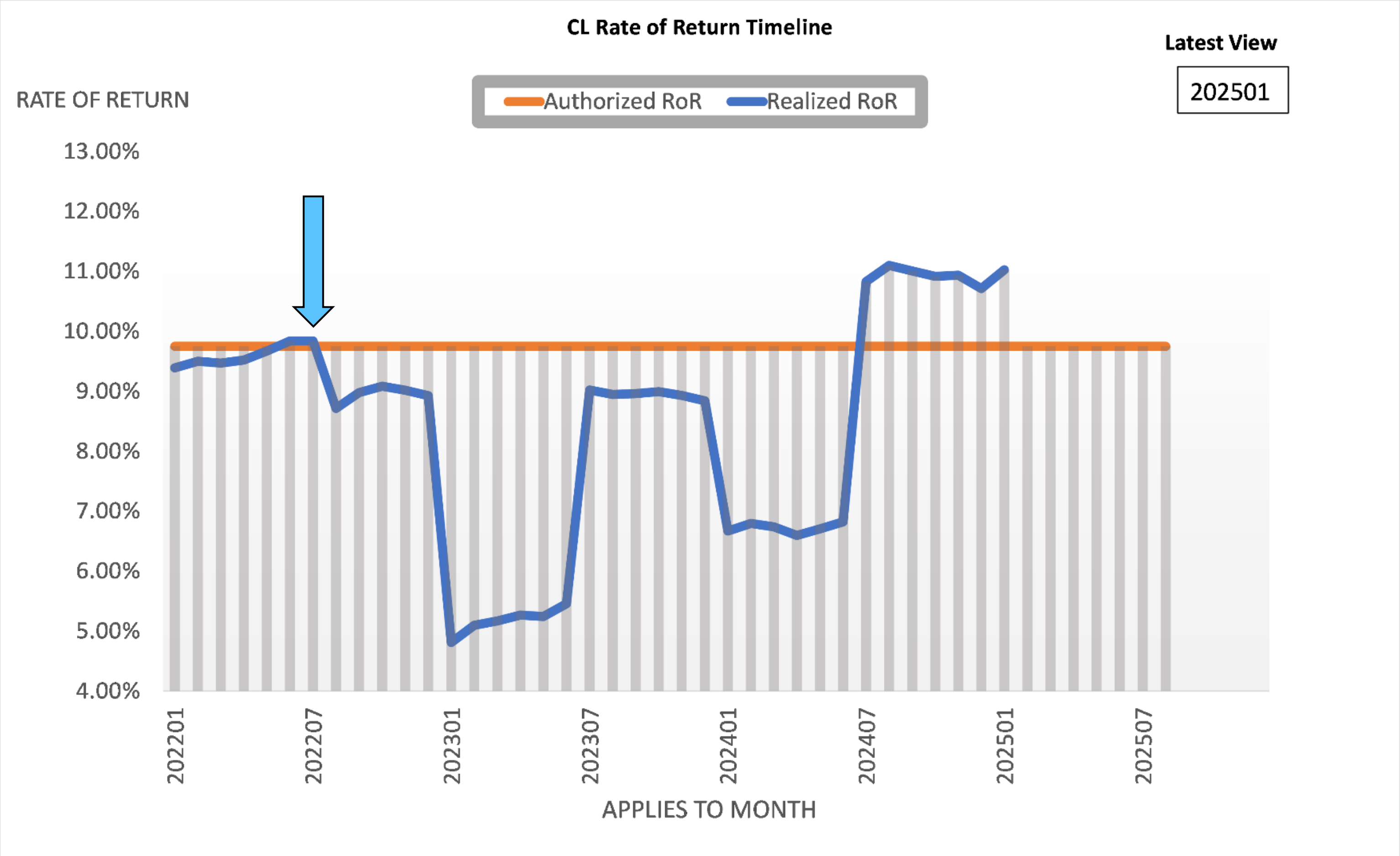
NECA CBOL pooling
Rate-of-return and cash flow impacting events



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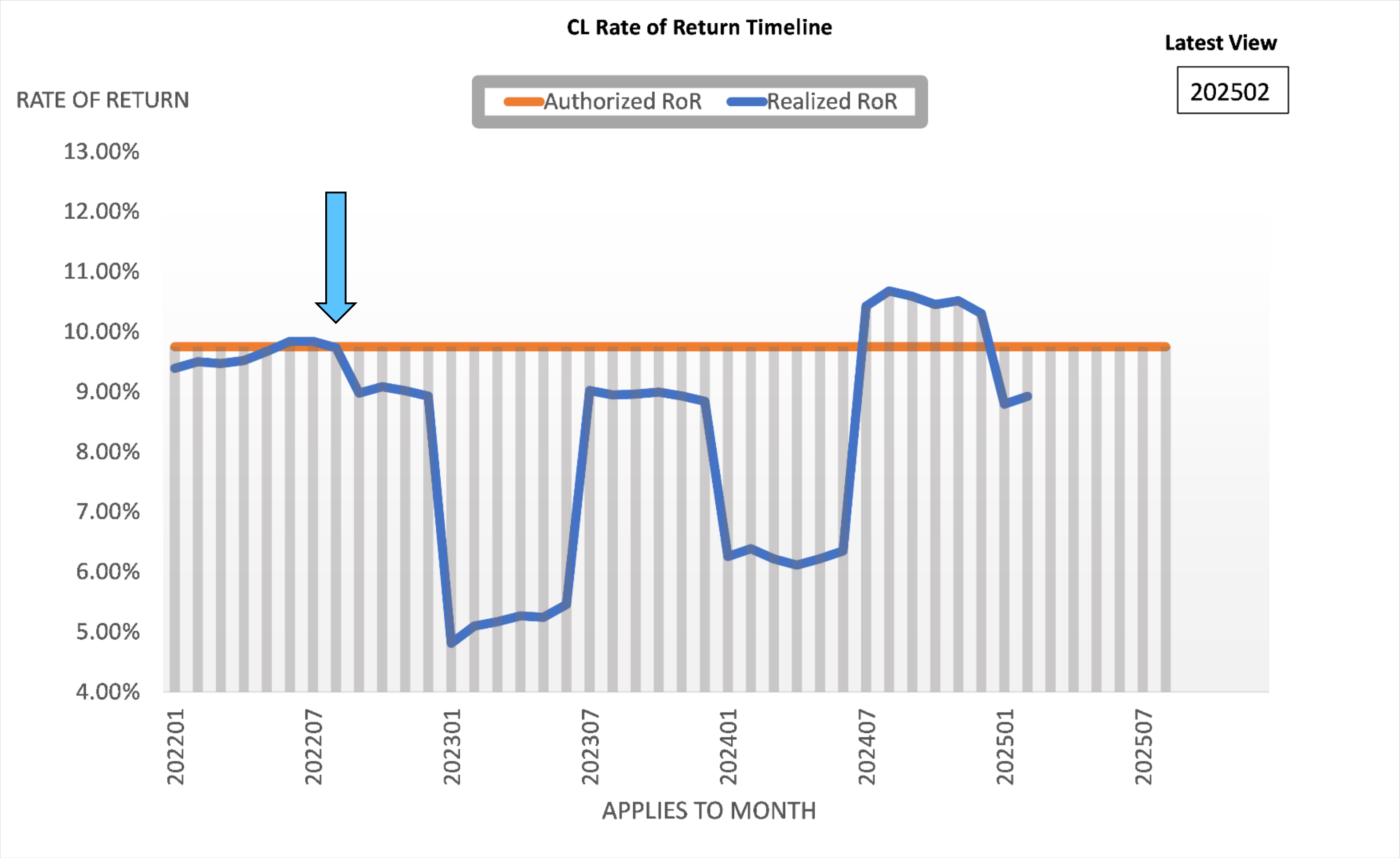
NECA CBOL pooling
Rate-of-return and cash flow impacting events



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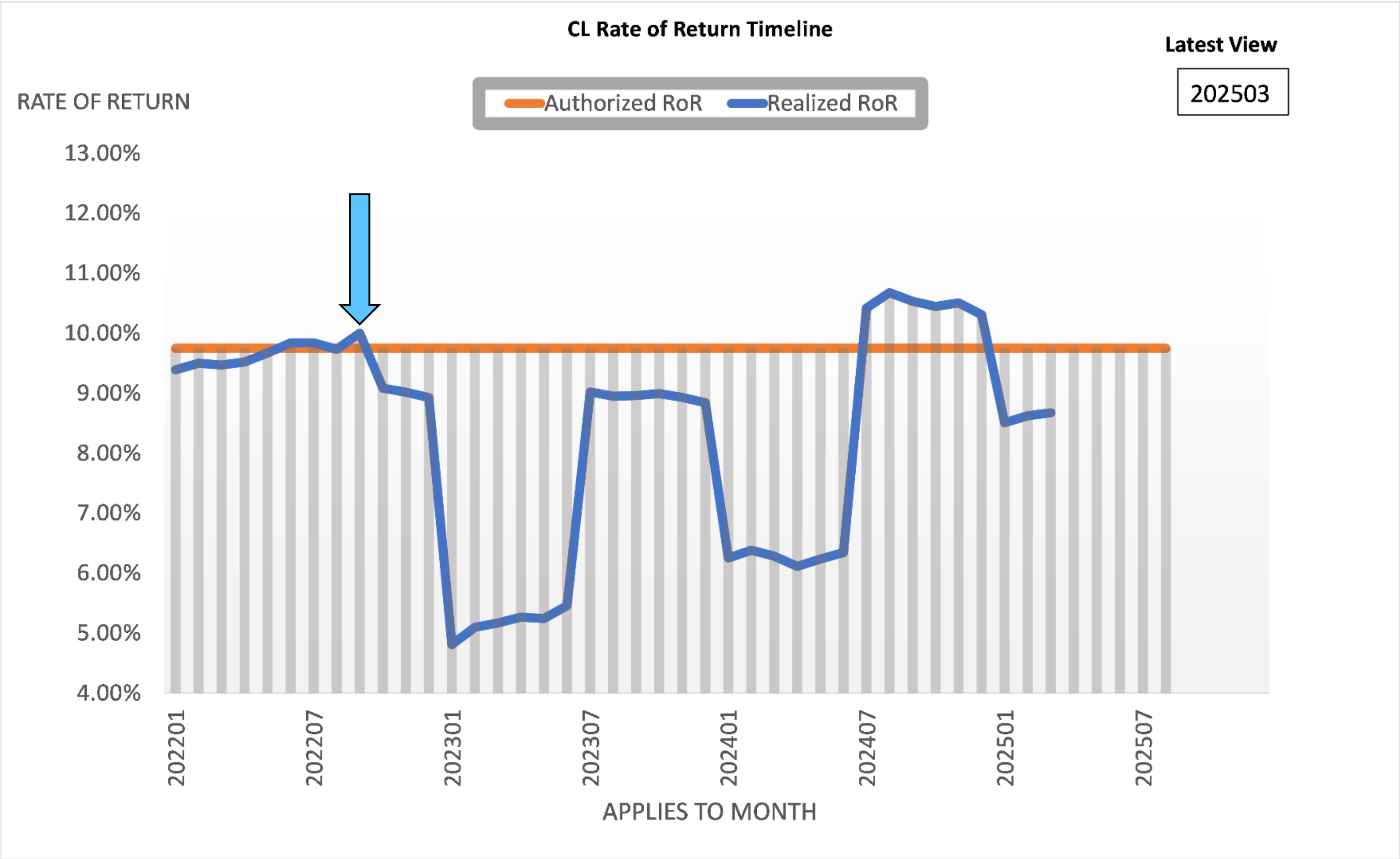
NECA

NECA CBOL pooling

Rate-of-return and cash flow impacting events



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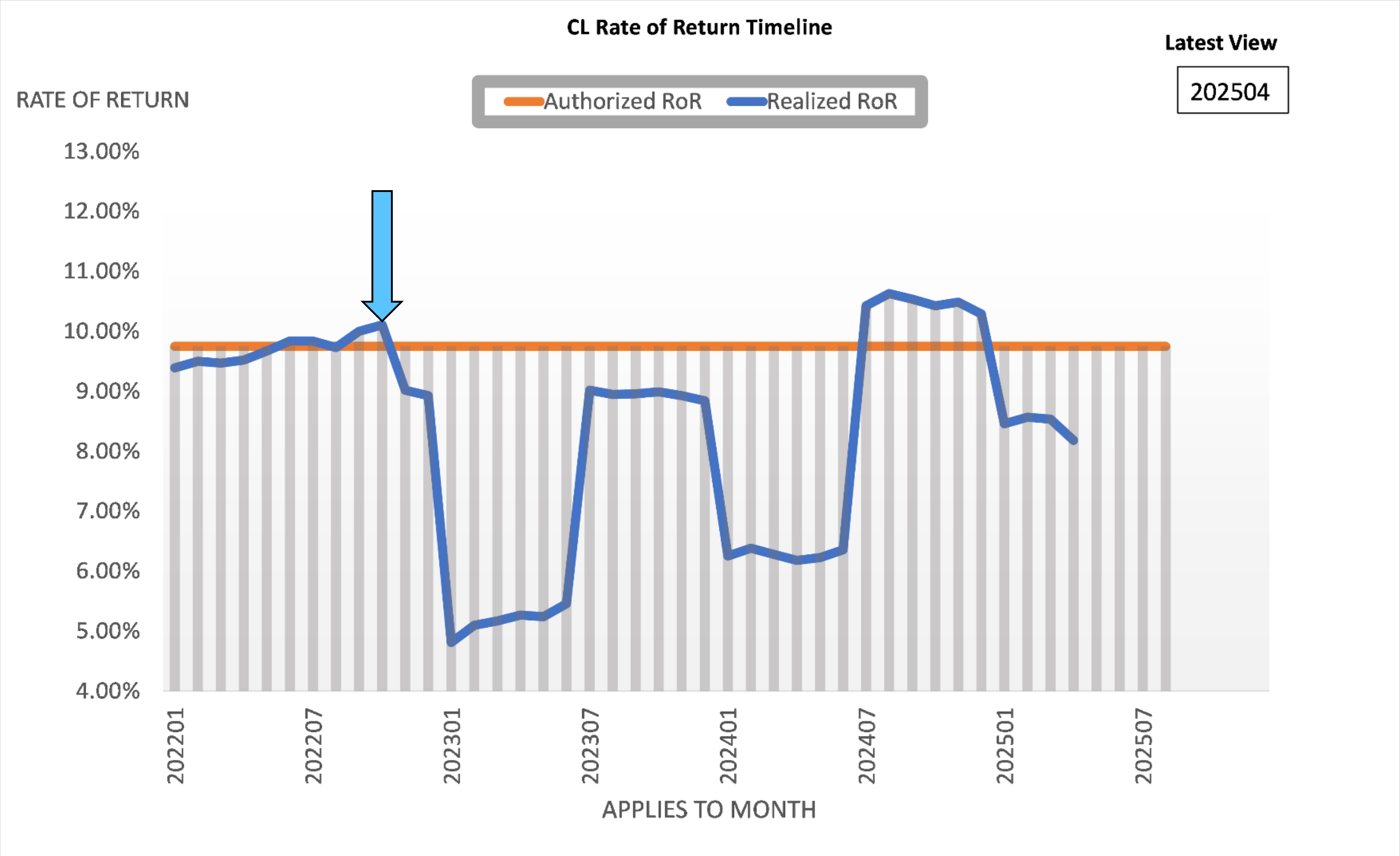

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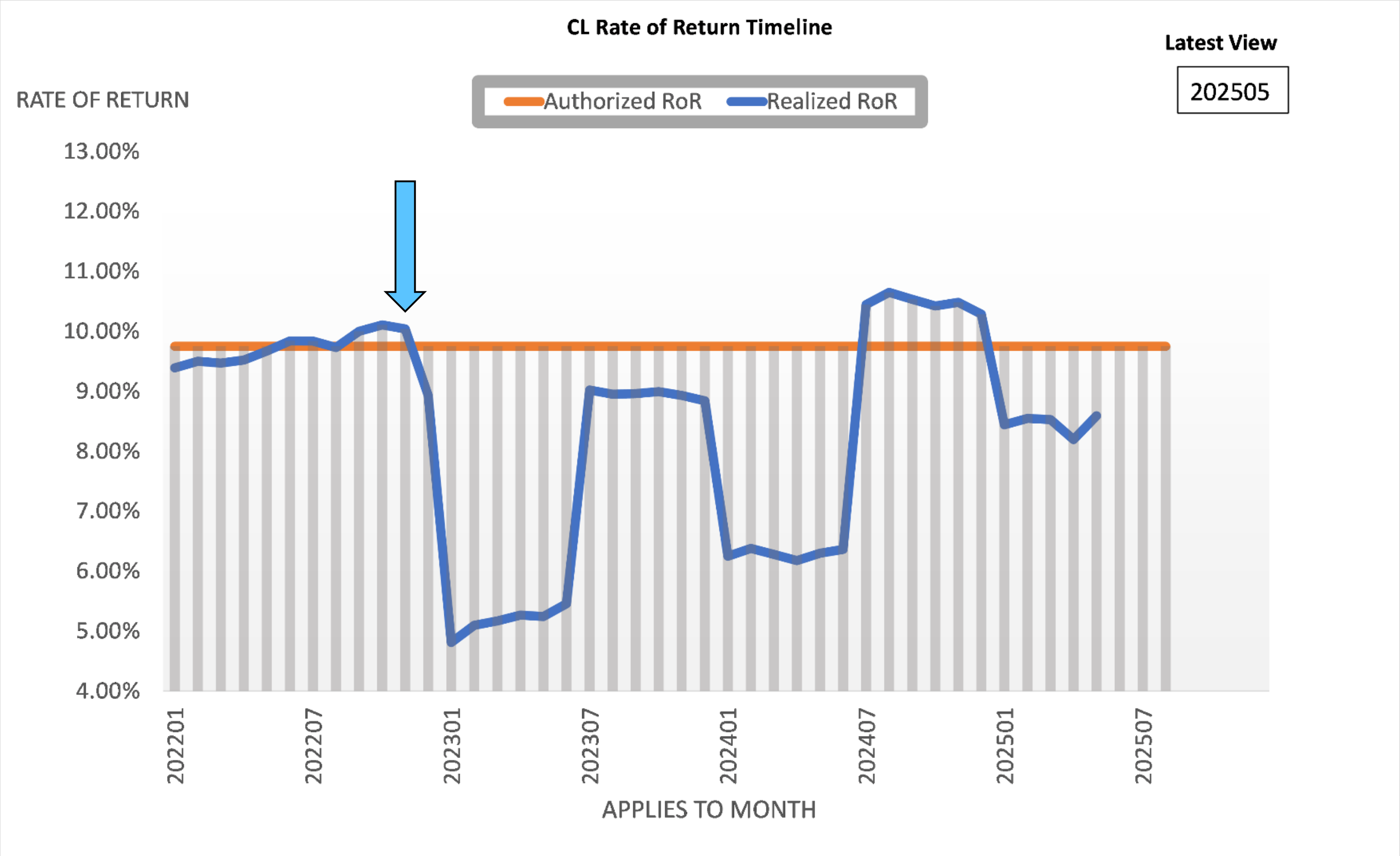

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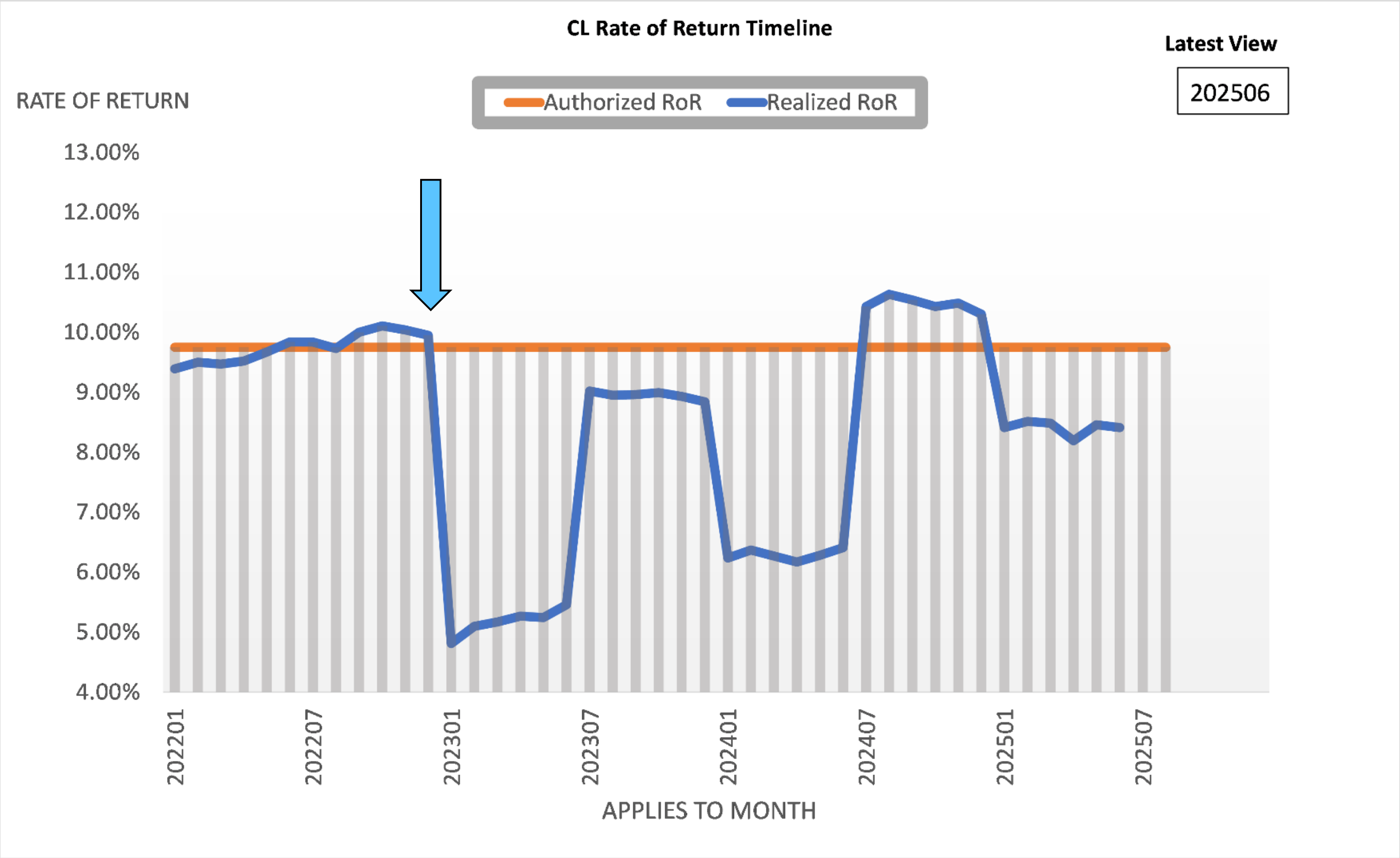
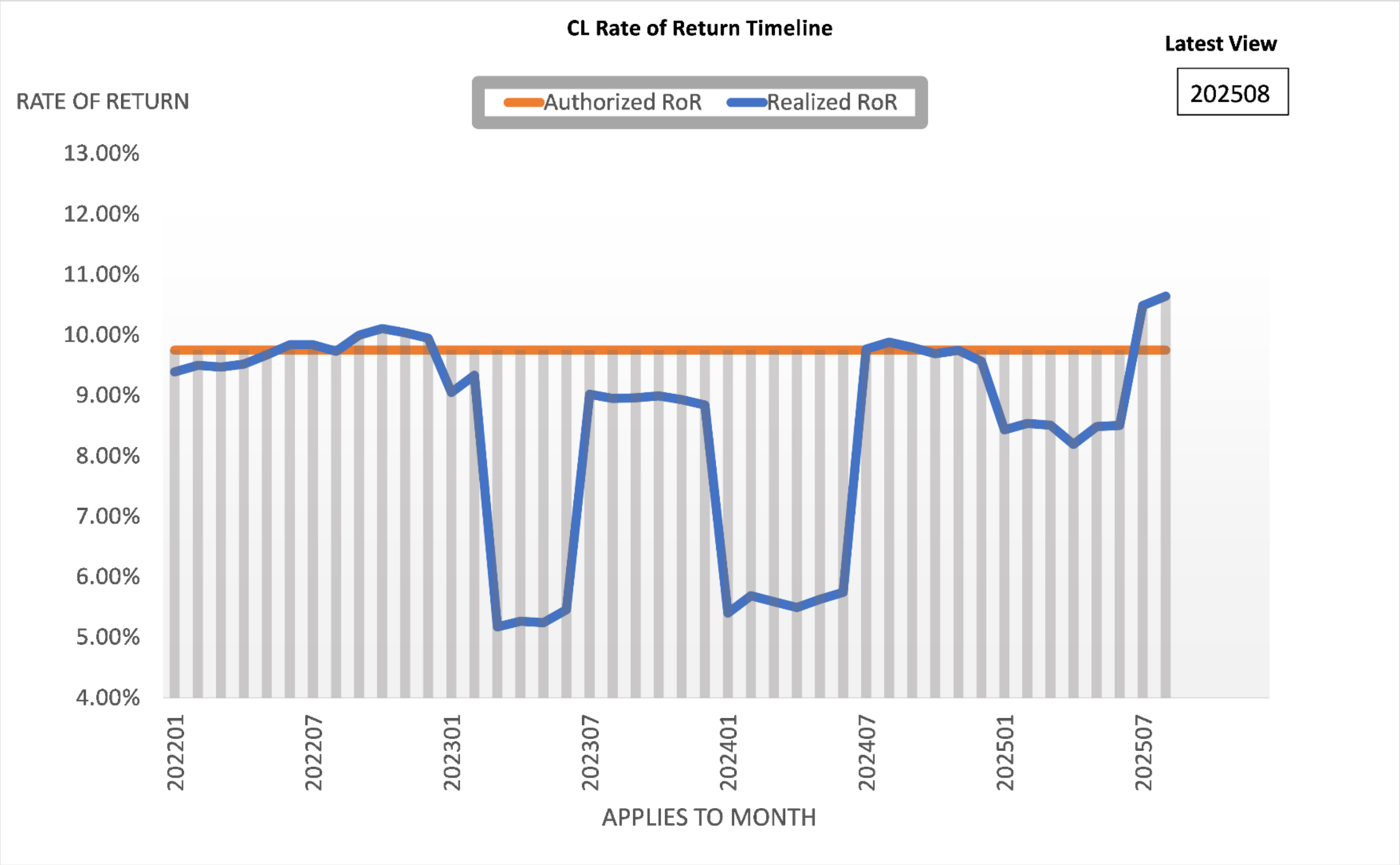
NECA CBOL pooling
Rate-of-return and cash flow impacting events



Source: NECA

NECA CBOL pooling
Rate-of-return and cash flow impacting events



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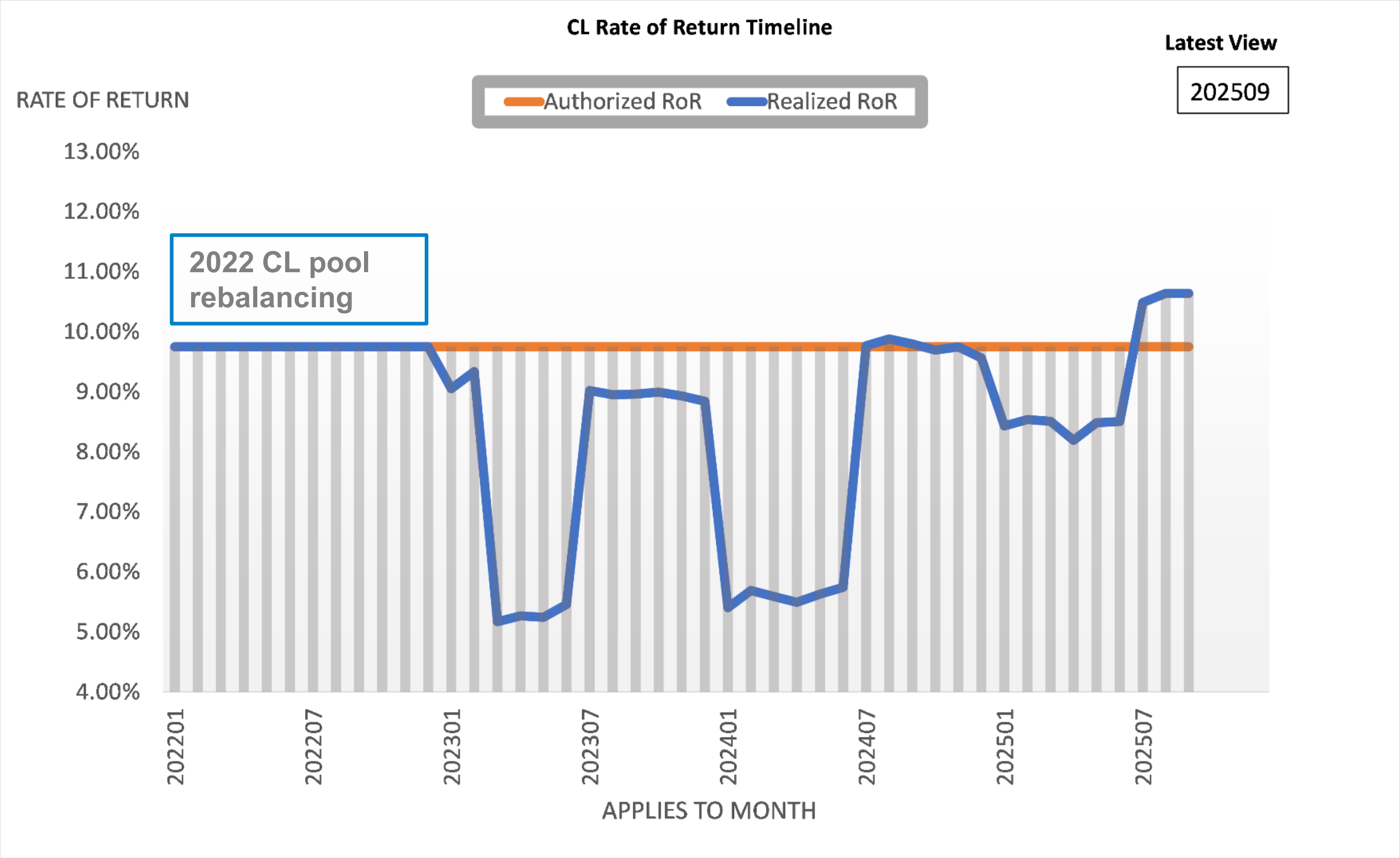
NECA CBOL pooling
Rate-of-return and cash flow impacting events



Source: NECA

NECA CBOL pooling
Rate-of-return and cash flow impacting events

- CL pool rebalancing equally distributes the return for each month in the true-up period
- Ensures companies that did not participate for all 12 months receive the correct return
- CAF BLS V/D support is shifted from months with higher return to those with lower return
- Details on your October 2025 NECA disbursement statements

Direct questions to your NECA Regional Industry Relations Office

High Cost Detail

CAF BLS:

Current:

CAF BLS CBOL included in Current Net Balance Sep 2025	940,822.00 CR
CAF BLS V/D included in Current Net Balance Sep 2025	140,475.00 CR
CAF BLS Current Period BCM Sep 2025	26,780.00
CAF BLS CBOL included in Adjustment Net Balance Mar 2023	486,142.00 CR
CAF BLS V/D included in Adjustment Net Balance Mar 2023	120,662.00
CAF BLS V/D included in Adjustment Net Balance Dec 2022	4,505.00
CAF BLS V/D included in Adjustment Net Balance Nov 2022	4,641.00
CAF BLS V/D included in Adjustment Net Balance Oct 2022	2,233.00
CAF BLS V/D included in Adjustment Net Balance Sep 2022	996.00
CAF BLS V/D included in Adjustment Net Balance Aug 2022	2,396.00 CR
CAF BLS V/D included in Adjustment Net Balance Jul 2022	2,269.00
CAF BLS V/D included in Adjustment Net Balance Jun 2022	3,333.00
CAF BLS V/D included in Adjustment Net Balance May 2022	1,708.00
CAF BLS V/D included in Adjustment Net Balance Apr 2022	138.00
CAF BLS V/D included in Adjustment Net Balance Mar 2022	2,890.00 CR
CAF BLS V/D included in Adjustment Net Balance Feb 2022	4,478.00 CR
CAF BLS V/D included in Adjustment Net Balance Jan 2022	10,059.00 CR

Source: NECA

NECA

NECA CBOL pooling
Rate-of-return

Forecast Period	True up Period	Study Area Count	CAF BLS Plus True up	BLS True-Up (Before Budget Adjustment)	Projected CAF BLS for Common Line Loops (Before Budget Adjustment)	Projected CAF BLS for Consumer Broadband-Only Loops (Before Budget Adjustment)*
2022-2023	2020	436	$1,060,094,035	$48,449,049	$419,274,727	$592,370,259
				5%	40%	56%
2023-2024	2021	432	$1,208,543,665	$52,839,228	$405,084,464	$750,619,973
				4%	34%	62%
2024-2025	2022	311	$1,031,278,389	$73,445,224	$295,479,495	$662,353,670
				7%	29%	64%
2025-2026	2023	311	$1,123,280,235	$78,349,779	$286,603,817	$758,326,639
				7%	26%	68%

Source: USAC

NECA CBOL pooling
Rate of return

- Forecast misses
  - Consistently underforecasting both demand and costs
  - 2022 true-up used in the 2024/2025 BCM calculation was larger than previous years
  - Ability to pool increased (projected) costs puts pressure on the interim RoR
- Support calculation is based on revenue/demand projected for end of period
  - Demand/revenue may not materialize
  - True-up will correct, but RoR is impacted on a forecasted basis
  - Pooling may require incremental costs adjustments as demand/costs are realized

NECA CBOL pooling
Pool procedures

- Section 3.2.7 Interim Adjustment Reporting
  - “Exchange carriers should use the interim adjustment process to update settlements whenever there is a significant change to their revenue requirement. At a minimum, Part 69 revenue requirement detail must be submitted to your member service manager before the pool is adjusted. In situations where forecasted costs are based on demand projections anticipating significant growth, NECA may require incremental cost adjustments as the demand is realized so other pool members are not harmed. NECA will identify companies whose costs greatly exceed the revenues and any applicable support for that service.”

NECA CBOL pooling
Settlement cash flow impacts

CBOL revenue pooled

Updating revenue from $42 per loop to fully calculated rate per loop will reduce net settlement

To the extent demand was forecasted accurately, CBOL revenue billed at the fully calculated rate would have recovered the shortfall

Increases CL pool rate of return

CAF BLS support pooled

Update pooled CAF BLS support from projection to actuals

Impacts CL pool rate of return

No company-specific impact by updating pooled support from projections to actual

All companies share in the change in rate of return

NECA CBOL pooling
True-up processing example

- January 2023 applies to data month example
- Processed during July 2025 settlement lock
- 2053-OW report

	-------CARRIER COMMON LINE POOL ADJUSTMENTS-------			
	(A)	(B)	(C)	(D) = (C - B)
Entered	Applies To	2053 Other CL Net Earned Revenues	2053 CL Settlement	CL Prior Period Net Adjustment
202507	202301	4,990	11,780	6,790
		4,990	**11,780**	**6,790**

Source: NECA

NECA CBOL pooling
True-up processing example

Entered Month		202507	202501	PPNA
Applies To		202301	202301	202301
Report	EC3050			
Processed As		Extended Window	In Window	PPNA
Line #	----- NET BALANCE SUMMARY -----	**Amount**	**Amount**	**Difference**
1	EU Net Balance (32-16)	-	-	-
2	CL Net Balance (33-15)	180,975	174,185	6,790
	If positive, NECA pays EC. If negative, EC pays NECA.	-	-	-
	----- SUPPORT DATA -----	-	-	-
11	CAF BLS VoiceData (USAC)	75,343	87,345	(12,002)
12	CAF BLS CBOL (USAC)	115,030	77,572	37,458
	----- COMMON LINE -----	-	-	-
15	Other CL Net Earned Revenue (1050, 5 + 16)	25,756	20,766	4,990
16	EU Net Earned Revenue (1050, 8)	6,667	6,667	-
17	NECA Administrative Costs - CL	-	-	-
18	CL Expenses & Other Taxes (1050, 9 + 17)	185,359	185,359	-
19	CL Income from AFUDC (1050, 11 + 19)	-	-	-
20	CL Income Adjustment for FIT (21 + 22)	(1,689)	(1,689)	-
21	CL Income Adjustment for FIT for Taxable (1050, 12 + 20)	(1,689)	(1,689)	-
22	CL Income Adjustment for FIT for Tax Exempt (27 * 28B)	-	-	-
23	CL Total Income (15 + 16 + 19 + 11 + 12) + (3000, 17 + 18 + 11	-	-	-
24	CL Total Amount for Tax and Residue	-	-	-
25	CL FIT Credit (1050, 13 + 21)	272	272	-
26	CL Average Net Investment (1050, 10 + 18)	3,138,036	3,138,036	-
27	CL Average Net Investment by Tax status (1050, 10 + 18) if	-	-	-
28	CL Residue Ratio	0.007032424	0.004066875	0.002965549
29	CL Residue Distribution (26 * 28B)	22,068	12,762	9,306
30	CL FIT Allowance (((29-20-25) * .265822785) - 25)	5,971	3,497	2,474
31	CL Settlement (18 + 29 + 30 - 19)	213,398	201,618	11,780
32	EU Settlement (16)	6,667	6,667	-
33	CL Net Settlement (31 - 32)	206,731	194,951	11,780

CL net balance variance
11,780 – 4,990 = 6,790

25,456 attributed support

CL settlement impact
9,306 + 2,474 = 11,780

Source: NECA

NECA

NECA CBOL pooling
Benefits

- NECA CBOL pooling participants
  - Able to pool revised forecasts and actual costs
    - Recover CBOL costs immediately from the pool
      - CBOL revenue is reported to the pool
      - CAF BLS support from USAC is pooled
  - Protected from unanticipated changes in costs or demand
    - Underprojected costs and demand can be recovered prior to support true-up
    - Overprojected costs and demand can be corrected immediately or incrementally
  - Support is attributed to the proper period at true-up
  - Company specific limitations do not affect other pool participants

NECA CBOL pooling
Benefits

- NECA CBOL pooling participants
  - For companies with demand billed outside NECA's tariff
    - Since revenue varies with demand, not participating for entire calendar year could create over/underearning
    - CBOL revenue adjustment ensures the company and the pool are whole at true-up
  - NECA provides monthly tariff services at no additional charge
    - CBOL rate development and certification
    - Tariff filing
    - Questions and training

thank you!

Please fill out the class evaluation on the EXPO app; your feedback is important to us!

Acronyms

- A-CAM — Alternative Connect America Cost Model
- AFUDC — Allowance for Funds Used During Construction
- ATM CRS — Asynchronous Transfer Mode Cell Relay Access Service
- BCM — Budget Control Mechanism
- CAF BLS — Connect America Fund Broadband Loop Support
- CBOL — Consumer Broadband-Only Loop
- CFR — Code of Federal Regulations
- CL — Common Line
- CO — Central Office
- CS — Cost Study
- DSL — Digital Subscriber Line
- DSLAM — Digital Subscriber Line Access Multiplexer
- EOT — Expenses and Other Taxes

Acronyms

ETS	Ethernet Transport Service
EU	End User
DSLAM	Digital Subscriber Line Access Multiplexer
FCC	Federal Communications Commission
FIT	Federal Income Tax
HCL	High Cost Loop
NECA	National Exchange Carrier Association
NID	Network Interface Device
OLT	Optical Line Termination
OPEX	Operating Expense
RoR	Rate of Return
RRQ	Revenue Requirement
SAC	Study Area Code

Acronyms

- SNA Safety Net Additive
- SVS Safety Valve Support
- SWC Serving Wire Center
- TP Test Period
- TS Traffic Sensitive
- USAC Universal Service Administrative Company

NECA