From Calculations to Cash: Pooling, Support and Disbursements Demystified

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Agenda

- Pooling fundamentals
- Supported and unsupported services
- Settlement calculations
- Disbursement statements
- Rate-of-return impacts
- Other cash flow impacting events

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Pooling fundamentals

- NECA established in 1983
  - Administers access revenue pools
  - Develops interstate access tariffs
  - Distributes monthly settlements



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Pooling fundamentals

- NECA pools – voluntary revenue distribution mechanisms that assist members in recovering their interstate regulated revenue requirement
  - Two pools
    - Common line
      - Voice
      - CBOL
    - Traffic sensitive
      - Switched access
      - Special access including ethernet, voice-data DSL and data-only-other

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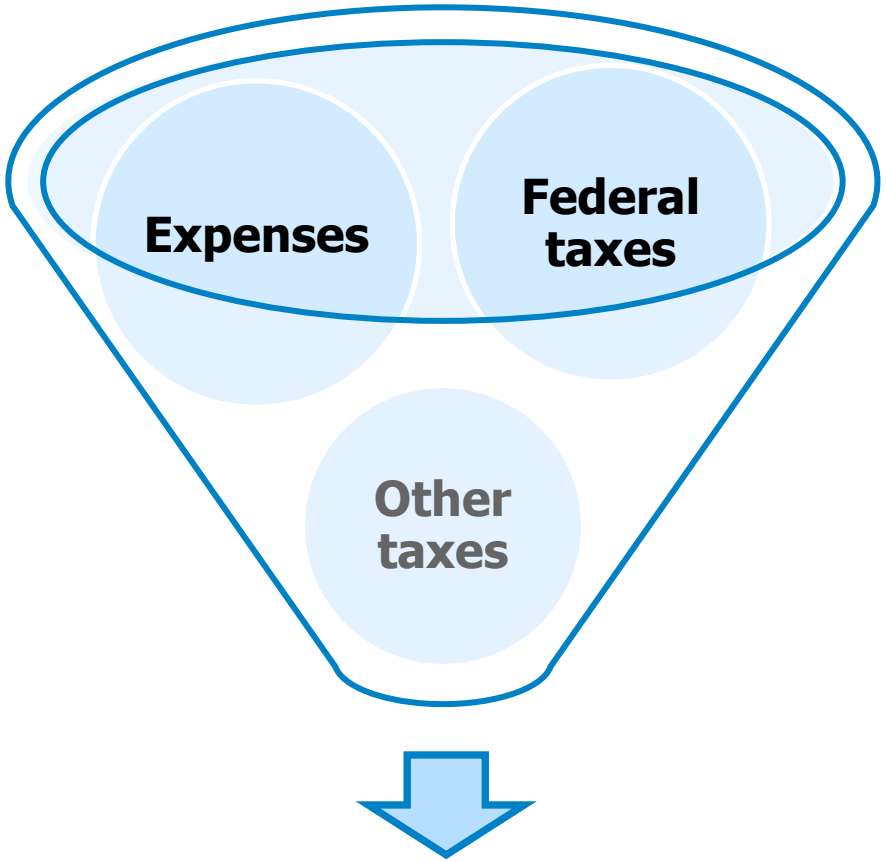
Pooling fundamentals

- Cost companies
  - Receive settlements based on individual RRQ and revenue
  - Produce cost forecasts used to develop rates and establish estimated RRQ for monthly settlements
  - Produce cost studies for final RRQ for true-up monthly settlements
- Average schedule companies
  - Receive settlements based on individual revenue and demand, and RRQ determined by formulas
  - Streamlined data submissions

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Pooling fundamentals
Revenue requirement

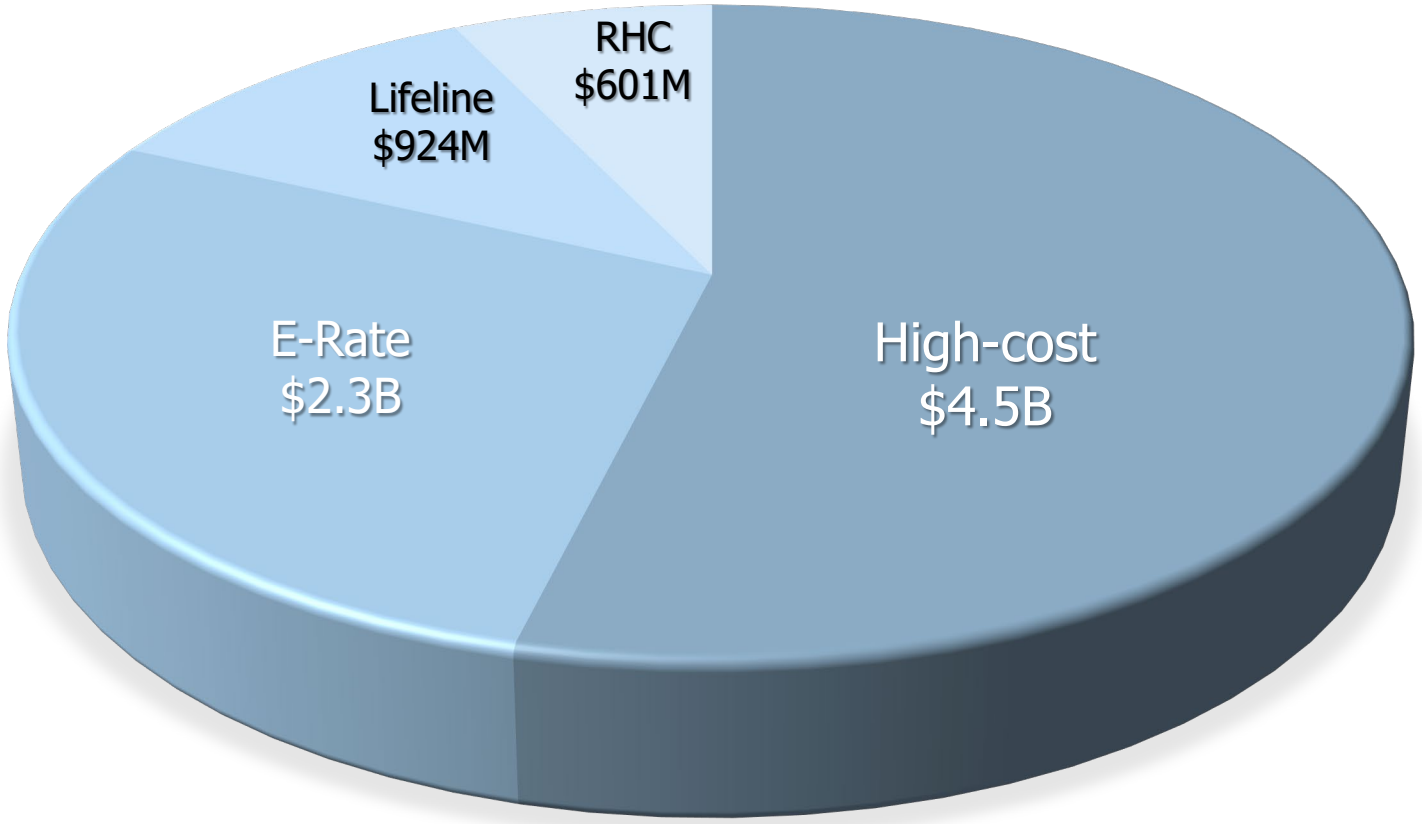
- What is a revenue requirement?
  - The amount of money a regulated telephone company needs to cover its regulated costs and earn an authorized return on investment
  - Access rates are charges for interstate telecommunication services developed to recover pool interstate regulated revenue requirement
    - Developed for prospective periods



*Federal authorized rate of return is 9.75% effective July 1, 2021

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Pooling fundamentals
Federal USF 2025 disbursements by program



Source: USAC_2025_Annual_Report.pdf

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Pooling fundamentals
High-cost program

Legacy support

- Variable payments based on historical costs
- HCL – partial recovery of common line costs
- CAF BLS – partial recovery of loop costs related to voice and broadband service
- CAF ICC – partial recovery of switching costs

Pooled support

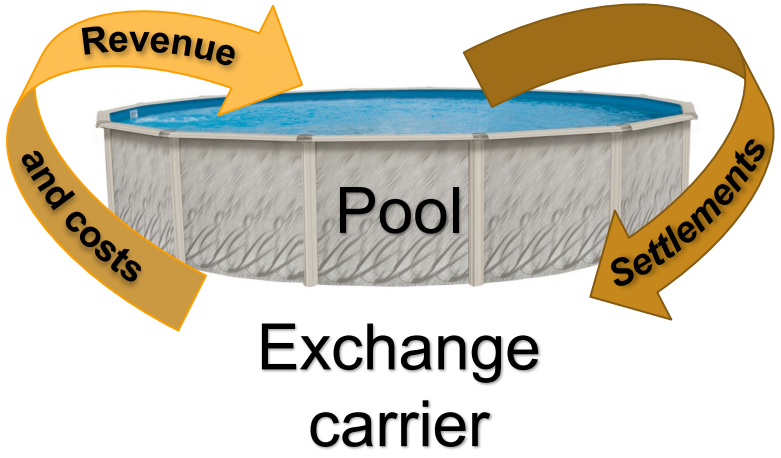
Model-based support

- Fixed payments based on forward-looking cost models developed by the FCC
- Alternative to HCL and CAF BLS
- A-CAM variations and Alaska Plan

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Pooling fundamentals

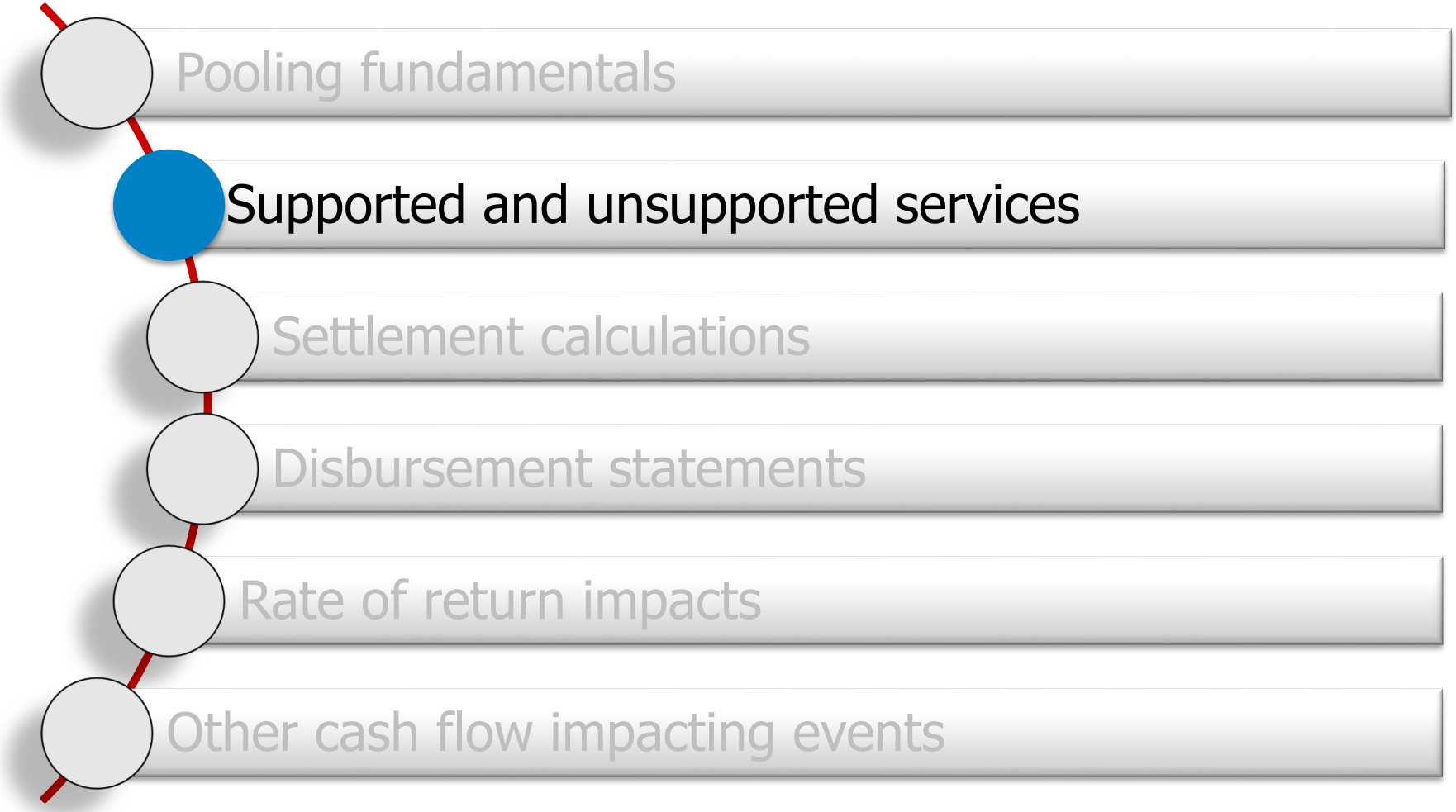
- Each participating exchange carrier receives a **settlement** for its study area
  - Settlement is the share of total pool revenue available to cover the EC's interstate regulated revenue requirement
- **Net balance** is the difference between a company's settlement and the revenue it has reported for interstate access



Source: NECA

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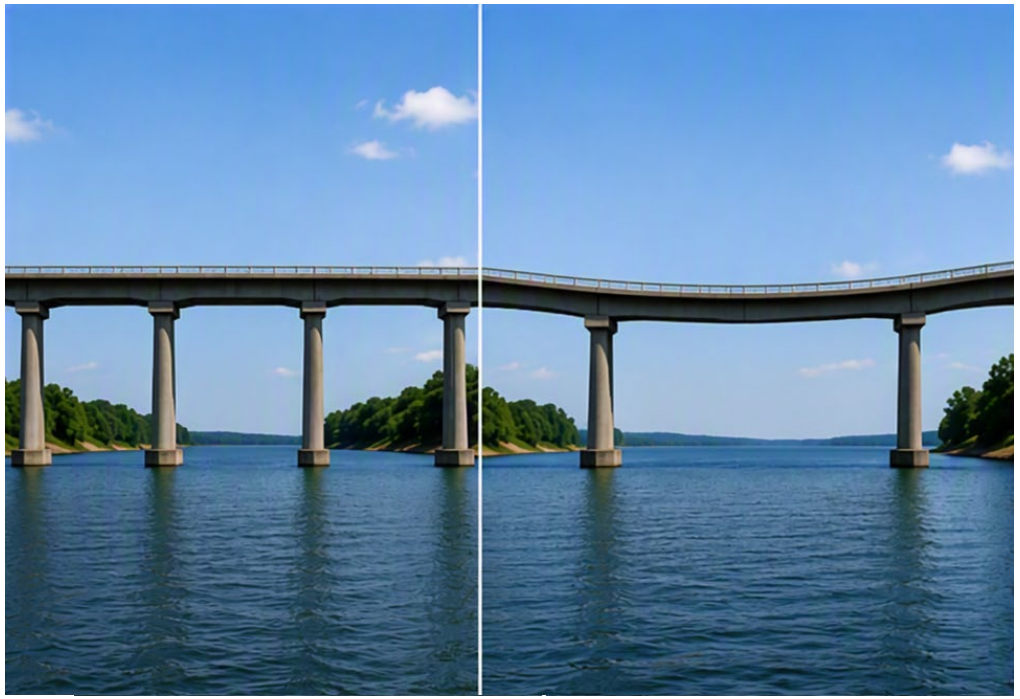
Supported and unsupported services



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Supported and unsupported services

- Supported
  - Common line
    - CAF BLS voice
    - CAF BLS CBOL
  - Switched access
    - CAF ICC
- Unsupported
  - Special access including ethernet, voice-data DSL and data-only-other



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Supported and unsupported services
Cost recovery – unsupported services

- Pooling helps protect against significant cash flow disruptions
  - Inaccurate special access/DSL RRQ forecasting

	In the pool	Out of the pool
Forecast RRQ	$1,000,000	$1,000,000
Actual (cost study) RRQ	$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

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Supported and unsupported services
Cost recovery – unsupported services

- Pooling helps protect against significant cash flow disruptions
  - Unexpected fluctuations in special access/DSL demand (e.g., loss of large customers due to competition, relocation and bankruptcies)

	In the pool	Out of the pool
Forecast revenues	$100,000	$100,000
Actual revenues	$80,000	$80,000
Settlement	$100,000	N/A
Net balance	$20,000	N/A
Total cost recovery	$100,000	$80,000

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Supported and unsupported services
Cash flow stability for supported services

- Pooling helps mitigate cash flow disruptions that may result from forecast errors affecting CAF BLS and CAF ICC support
  - Initial CAF BLS and CAF ICC payments are based on forecasts
    - Final true-up to actuals for CAF BLS occurs 30 months later
    - Final true-up to actuals for CAF ICC occurs 36 months later
  - For pool members, cash flow associated with an increase from forecasted support will be realized immediately
  - For companies outside the pool, cash flow associated with an increase from forecasted support could be delayed by as much as 30 to 36 months

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Supported and unsupported services
Projected CAF BLS

- FCC Form 508 – forecasted CL and CBOL RRQ, demand and revenue
  - Filed by NECA for CL pool members in March
  - Projections cover a 12-month test period basis, from July to June
  - Projected support payments disburse over the same period, July to June
- FCC Form 509 – actual CL and CBOL RRQ, demand and revenue
  - Filed by NECA for CL pool members in December
  - True-ups cover a 12-month calendar year, January through December
  - Final support true-ups are processed over the calendar year two years following the actual cost period, July through June

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Supported and unsupported services
Projected CAF BLS – Form 508

Study Area ID: 690111
Study Area Name: Any Telco
Settlement Type: Cost

Form 508 Test Period 7/1/25 - 6/30/26 View	
2025/2026 CAF BLS VOICE	
2025/2026 Common Line Revenue Requirement	$600,183
2025/2026 SLC Revenue	$31,518
2025/2026 End User ISDN Port Revenue	$0
2025/2026 Special Access Surcharge Revenue	$0
2025/2026 CAF BLS VOICE SUPPORT	**$568,665**
2025/2026 CAF BLS BROADBAND-ONLY	
2025/2026 Consumer Broadband-Only Loop RRQ	$500,847
2025/2026 Limitations and/or Exclusions	($3,245)
2025/2026 Consumer Broadband-Only Loop RRQ	$497,602
Pool Administration Expense Factor (applicable to CBOL Tariff Participants Only)	0.039247
2025/2026 Consumer Broadband-Only Loop RRQ	$517,131
2025/2026 Average Monthly Broadband-Only Loops	107
2025/2026 Average Broadband-Only Revenues	$53,928
Lesser of 2025/2026 Forecasted Broadband-Only RRQ or Broadband-Only Revenues	$53,928
2025/2026 CAF BLS Broadband-Only	**$463,203**
2025/2026 CONNECT AMERICA FUND BROADBAND LOOP SUPPORT (Line 29 + Line 38)**	**$1,031,868**

CAF BLS voice monthly payments of $47,389 appear on AS3000/EC3050 and disbursement

CAF BLS broadband-only monthly payments of $38,600 appear on AS3000/EC3050 and disbursement

The information above has been condensed and simplified for illustration purposes

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Supported and unsupported services
Final CAF BLS – Form 509

Study Area ID: 690111
Study Area Name: Any Telco
Settlement Type: Cost

Form 509 - Year 2023 Annual Amounts	
2023 CAF BLS VOICE	
2023 Common Line Voice Revenue Requirement (Line 5 + Line 6)	$790,493
2023 SLC Revenue (Line 8 + Line 9 - Line 10)	$39,726
2023 End User ISDN Port Revenue	$0
2023 Special Access Surcharge Revenue	$0
2023 CAF BLS VOICE (Line 7 - Line 11 - Line 12 - Line 13)**	**$750,767**
2023 CAF BLS BROADBAND-ONLY (From Cost Study & Pool Settlements)	
2023 Consumer Broadband-Only Loop RRQ	$129,130
2023 OpEx Limitation and/or FCC Exclusions	($638)
Pool Administration Expense Amount (applicable to CBOL Tariff Participants Only)	$3,809
2023 Consumer Broadband-Only Loop RRQ	$132,301
2023 Average Monthly Broadband-Only Loops	22
2023 Average Broadband-Only Revenues	$10,922
Lesser of 2023 Broadband-Only RRQ or Broadband-Only Revenues	$10,922
2023 Average of Consumer Broadband-Only Rates	$93.89
2023 Broadband-Only Revenues	$24,415
2023 CAF BLS BROADBAND-ONLY SUPPORT	**$107,886**
2023 CONNECT AMERICA FUND BROADBAND LOOP SUPPORT	**$858,653**

CAF BLS voice
Final annual support will be netted against projected payments for true up

CAF BLS broadband-only
Final annual support will be netted against projected payments for true up

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Supported and unsupported services
CAF BLS example

Assumptions
- **Example reflects only cash flow associated with 2022/2023 test period. Prior TP and future TP amounts are excluded from this example.**
- **Assumes close to the authorized rate of return**

2022/2023 TP	Projection
CL RRQ	$600,000
CL revenue	$50,000
Support	$550,000

Initial CAF BLS payment calculation

	2023 cost study in the pool	2023 cost study out of pool
CL RRQ	$900,000	$900,000
CL revenue	$65,000	$65,000
Support	$550,000	$550,000
Pool net balance	$285,000	N/A
Cash flow	**$900,000**	**$615,000**
Shortfall	$0	**$285,000** *

*** Based on CAF BLS true-up rules, recovery of this shortfall will not begin until July 2025 disbursements and will not be completed until June 2026 disbursements**

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Supported and unsupported services
Connect America Fund – Intercarrier Compensation

- Partial support for historical switching costs
- Baseline for support declines 5% per year, reflecting decreasing cost of switching technology
- TS pool participants submit revenue and demand data to NECA's CAF ICC data collection each March and April and certify the data in May
  - NECA files data on behalf of its members in June
- Nonpooling companies eligible for CAF ICC must file the data directly with USAC in June

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Supported and unsupported services
CAF ICC

- Projected data is filed in June for the upcoming test period
- Final data is filed in June for the test period two years prior
- Projected payments and true-up adjustments to reflect final data are disbursed July through June

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Supported and unsupported services
CAF ICC projection data

CAF ICC - Test Period 2025-26 Pre-True-Up View

Line ID	Line Description	Study Area Amounts
10	Interstate Eligible Recovery	$345,400.66
20	Intrastate Eligible Recovery	$136,006.43
30	Reciprocal Compensation Eligible Recovery	$0.00
40	Interstate Local Switching Support for Price Cap Affiliates or Estimated Duplicate LSS Costs in CAF II	$0.00
50	Total Exogenous Costs	$0.00
60	Total Eligible Recovery	$481,407.09
80	Residential ARC Revenue at the FCC Prescribed Rate	$6,312.36
90	SLB ARC Revenue at the FCC Prescribed Rate	$684.00
100	MLB ARC Revenue at the FCC Prescribed Rate	$2,304.00
110	Total ARC Revenue	$9,300.36
120	CAF ICC Support	$472,106.73

20	Total Test Period 2025-2026 Imputed ARC Revenue	Columns on the table above	$2,069.28

CAF ICC support netted with imputed ARC revenue = $470,037.45

Summary report pre-true-up view

CAF ICC projected support monthly payments of $39,170 appear on AS3000/EC3050 and disbursements

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Supported and unsupported services
CAF ICC true-up data

Test Period 2023-24 True-Up Data

		Study Area Forecasted Amount	Study Area Reported Amount	Difference [Reported - Forecasted]
1	TY 2023-2024 Allocated Interstate Access Revenue	$56,244.35	$61,179.83	$4,935.48
2	Total TY 2023-2024 Intrastate Terminating & Reciprocal Compensation Revenue	$238.45	$4,637.00	$4,398.55
3	Total TY 2023-2024 Intrastate Terminating Switched Access Service Revenue	$238.45	$4,637.00	$4,398.55
4	Total TY 2023-2024 Net Reciprocal Compensation Revenue	$0.00	$0.00	$0.00
5	TY 2023-2024 Residential ARC Revenue	$8,250.36	$8,310.00	$59.64
6	TY 2023-2024 SLB ARC Revenue	$900.00	$810.00	($90.00)
7	TY 2023-2024 MLB ARC Revenue	$3,276.00	$2,867.00	($409.00)
8	TY 2023-2024 Total Imputed ARC Revenue	$1,829.16	$1,210.00	($619.16)
9	TY 2023-2024 TRS Increment	$0.00	N/A	
10	TY 2023-2024 Regulatory Fees Increment	$0.00	N/A	
11	TY 2023-2024 NANPA Increment	$0.00	N/A	
12	Total Exogenous Costs	$0.00	$0.00	$0.00
13	**Net impact on Total Eligible Recovery**			**($8,275.51)**

Summary report true-up data

CAF ICC true-up adjustment monthly payments of ($690) appear on disbursements

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Supported and unsupported services
CAF ICC example

Assumptions
- **Example reflects only cash flow associated with 2023/2024 test period. Prior TP and future TP amounts are excluded from this example.**
- **Assumes close to the authorized rate of return**

2023/2024 TP	Projection
RRQ	$240,000
SWA revenue	$180,000
Support	$60,000

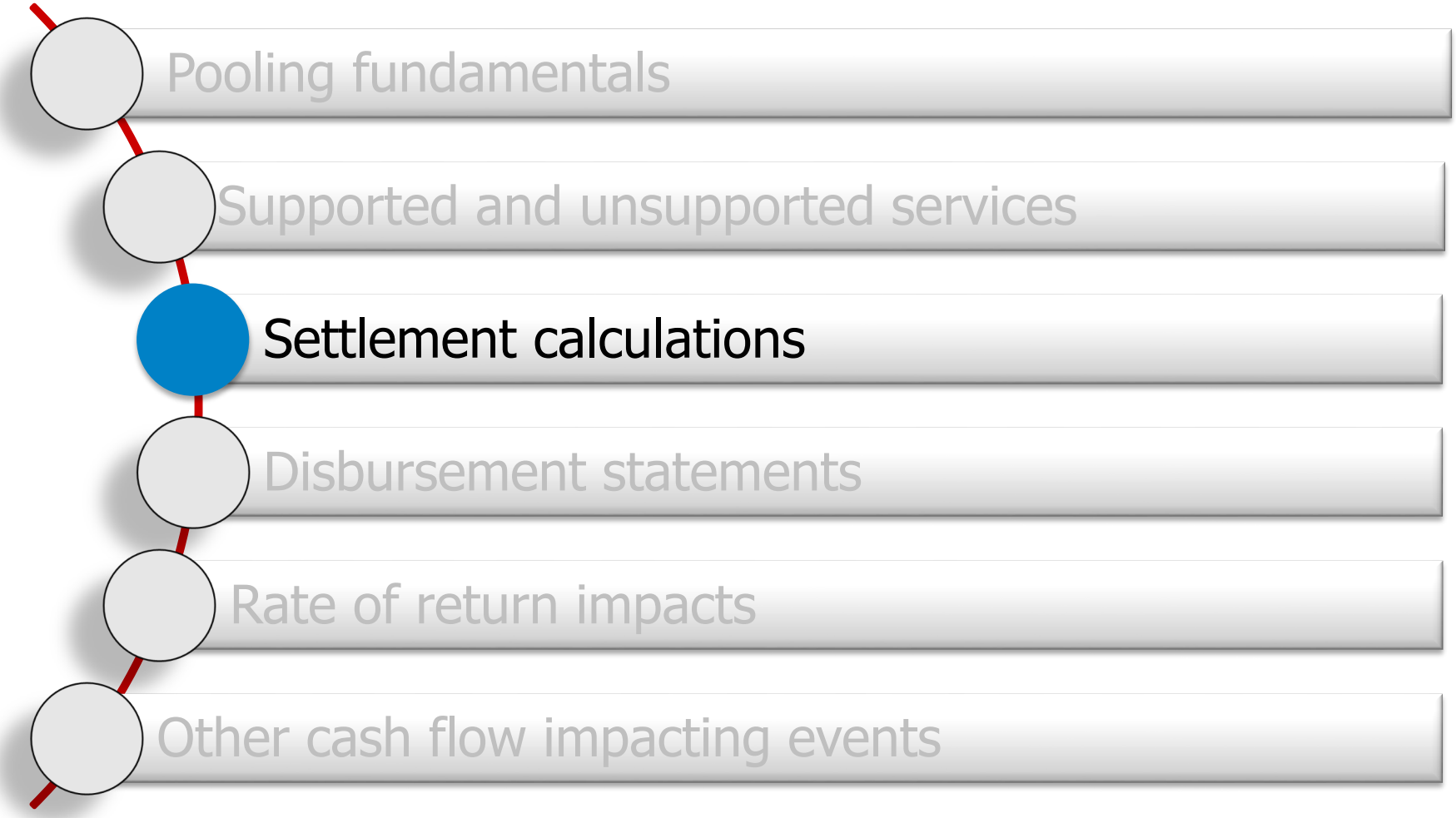
Initial CAF ICC payment calculation

	July 2023 – Jun 2024 in the pool	July 2023 - Jun 2024 out of pool
SWA RRQ	$240,000	$240,000
SWA revenue	$150,000	$150,000
Support	$60,000	$60,000
Pool net balance	$30,000	N/A
Cash flow	**$240,000**	**$210,000**
Shortfall	$0	**$30,000** *

*** Based on CAF ICC true-up rules, recovery of this shortfall will not begin until July 2025 disbursements and will not be completed until June 2026 disbursements**

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Settlement calculations



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Settlement calculations
AS3000/EC3050 summary reports

- Calculations of current month common line and traffic sensitive net balances based on data month estimate inputs
- Net balance is the difference between a company's settlement and the revenue reported for interstate access
  - Includes pooled support
    - Monthly CAF BLS support is included in common line RoR calculation
    - Monthly CAF ICC support is included in traffic sensitive RoR calculation

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Settlement calculations
AS3000/EC3050 summary reports

- **Prior period net adjustment** allows exchange carriers to revise their data for the preceding 24 months
  - PPNA changes are made to reflect more current data
  - Net balances are recalculated for all open months in the window
- **Total net balance** combines current and prior net balances and is carried forward to the disbursement statement
  - Represents cash flow between our pooling members and pools
- **Adjustment net balance** reflects processing CAF BLS true-up outside the normal 24-month settlement window

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Settlement calculations
Sample EC3050

NECA SETTLEMENTS

SETTLEMENT SUMMARY ORIGINAL VIEW
COST

EC3050-O
07/2025
Page 1 of 2

COMPUTED: MAY 2026
APPLIES TO: MAY 2026

REGION:	0	NECA REGION
AO/OS:	200000000	Any Telco
MSM:	000036913	NECA Manager
CSLT:	000017108	Any Consultant
FC:	000000000	Any Telco
SA:	690111	Any Telco
EC:	000000111	Any Telco

	STUDY AREA (A)	TOTAL POOL (B)
----- NET BALANCE SUMMARY -----		
1 . EU Net Balance (32-16)	0	
2 . CL Net Balance (33-15)	84,495	
3 . TS Net Balance (53-34+73-54)	12,414	
4 . SW Net Balance (74-54)		
5 . EU Prior Period Net Adj (EC2053)	0	
6 . CL Prior Period Net Adj (EC2053)	5,081	
7 . TS Prior Period Net Adj (EC2053)	46,243	
8 . SW Prior Period Net Adj (EC2053)	0	
9 . TOTAL NET BALANCE [1 thru 8] If positive, NECA pays EC. If negative, EC pays NECA.	148,233	
----- SUPPORT DATA -----		
10 . CAF Intercarrier Compensation Support (USAC)	39,170	15,805,211
11 . CAF BLS VoiceData (USAC)	47,389	23,887,029
12 . CAF BLS CBOL (USAC)	38,600	59,874,967
13 . Reserved		
14 . Reserved		
----- COMMON LINE -----		
15 . Other CL Net Earned Revenue (1050, 5 + 16)	14,200	29,782,642
16 . EU Net Earned Revenue (1050, 8)	2,220	2,906,711
17 . NECA Administrative Costs - CL		4,336,633
18 . CL Expenses & Other Taxes (1050, 9 + 17)	92,018	83,647,470
19 . CL Income from AFUDC (1050, 11 + 19)	0	422,084
20 . CL Income Adjustment for FIT (21 + 22)	0	13,375,739
21 . CL Income Adjustment for FIT for Taxable (1050, 12 + 20)	0	413,304
22 . CL Income Adjustment for FIT for Tax Exempt (27 * 28B)	0	12,962,435
23 . CL Total Income (15 + 16 + 19 + 11 + 12) + (3000, 17 + 18 + 11A + 11B)		122,030,070
24 . CL Total Amount for Tax and Residue 23 - (17 + 18) - 0.724612 * (3000, 25 + 28B) - (1000, 12 + 13)		24,558,065
25 . CL FIT Credit (1050, 13 + 21)	97	154,779
26 . CL Average Net Investment (1050, 10 + 18)	1,083,228	3,061,859,245
27 . CL Average Net Investment by Tax status (1050, 10 + 18) if tax exempt, 0 otherwise	0	1,970,552,635
28 . CL Residue Ratio (0.79 * 24 + (0.21 * 21) + 25) / (26 - 0.21 * 27 + 0.79 * 12 * 2.824492 * (3000,25+28B))		0.0065780710089
29 . CL Residue Distribution (26 * 28B)	7,126	20,141,128
30 . CL FIT Allowance (((29-20-25) * .265822785) - 25)	1,771	1,602,472
31 . CL Settlement (18 + 29 + 30 - 19)	100,915	104,968,986
32 . EU Settlement (16)	2,220	2,906,711
33 . CL Net Settlement (31 - 32)	98,695	102,062,275

CAF ICC summary report, divided by 12 →
FCC Form 508, divided by 12 →

Pooled support for the current month is included in net balance calculation

Total net balance carries forward to the disbursement statement

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Settlement calculations
Sample EC3050

		STUDY AREA (A)	TOTAL POOL (B)
----- NET BALANCE SUMMARY -----			
1 . EU Net Balance (32-16)		0	
2 . CL Net Balance (33-15)		84,495	
3 . TS Net Balance (53-34+73-54)		12,414	
4 . SW Net Balance (74-54)			
5 . EU Prior Period Net Adj (EC2053)		0	
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9 . TOTAL NET BALANCE [1 thru 8] If positive, NECA pays EC. If negative, EC pays NECA.		148,233	
----- SUPPORT DATA -----			
10 . CAF Intercarrier Compensation Support (USAC)	CAF ICC summary report, divided by 12 →	39,170	15,805,211
11 . CAF BLS VoiceData (USAC)	FCC Form 508, divided by 12 →	47,389	23,887,029
12 . CAF BLS CBOL (USAC)	→	38,600	59,874,967
13 . Reserved			
14 . Reserved			

Total net balance carries forward to the disbursement statement

Pooled support for the current month is included in net balance calculations

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Settlement calculations
Sample EC3050

----- NET BALANCE SUMMARY -----			
1 . EU Net Balance (32-16)		0	
2 . CL Net Balance (33-15)	=	84,495	
----- COMMON LINE -----			
15 . Other CL Net Earned Revenue (1050, 5 + 16)	−	14,200	29,782,642
16 . EU Net Earned Revenue (1050, 8)		2,220	2,906,711
17 . NECA Administrative Costs - CL			4,336,633
18 . CL Expenses & Other Taxes (1050, 9 + 17)	+	92,018	83,647,470
19 . CL Income from AFUDC (1050, 11 + 19)	−	0	422,084
20 . CL Income Adjustment for FIT (21 + 22)		0	13,375,739
21 . CL Income Adjustment for FIT for Taxable (1050, 12 + 20)		0	413,304
22 . CL Income Adjustment for FIT for Tax Exempt (27 * 28B)		0	12,962,435
23 . CL Total Income (15 + 16 + 19 + 11 + 12) + (3000, 17 + 18 + 11A + 11B)			122,030,070
24 . CL Total Amount for Tax and Residue			24,558,065
23 - (17 + 18) - 0.724612 * (3000, 25 + 28B) - (1000, 12 + 13)			
25 . CL FIT Credit (1050, 13 + 21)		97	154,779
26 . CL Average Net Investment (1050, 10 + 18)		1,083,228	3,061,859,245
27 . CL Average Net Investment by Tax status (1050, 10 + 18) if tax exempt, 0 otherwise		0	1,970,552,635
28 . CL Residue Ratio			0.0065780710089
(0.79 * 24 + (0.21 * 21) + 25) / (26 - 0.21 * 27 + 0.79 * 12 * 2.824492 * (3000,25+28B))			
29 . CL Residue Distribution (26 * 28B)	+	7,126	20,141,128
30 . CL FIT Allowance (((29-20-25) * .265822785) - 25)	+	1,771	1,602,472
31 . CL Settlement (18 + 29 + 30 - 19)	=	100,915	104,968,986
32 . EU Settlement (16)	−	2,220	2,906,711
33 . CL Net Settlement (31 - 32)	=	98,695	102,062,275

Total pool amount includes CAF BLS support for the current month

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Settlement calculations
Sample AS3000

----- NET BALANCE SUMMARY -----	
1 . End User Net Balance 31 - 18	0
2 . Common Line Net Balance 32 - 17	142,984
----- COMMON LINE -----	
17 . Other Common Line Net Earned Revenue ((1000,7) + (1000,16))	95,024
18 . End User Net Earned Revenue (1000,10)	17,000
19 . Settlement Access Lines (1000,2) - (0.5 * (1000,4A))	2,410.0
20 . Settlement Data Only Lines	2,000.0
If CBOL Participation=No then: 0, Else: (1000,2C1) - (0.5 * (1000,4B))	
21 . Common Line Formula (19 * 24)	69,820
22 . Common Line Other (1000,3)	0
23 . Lines Per Exchange (((1000,2) + (1000,2C1) + (1000, 4C)) /10)	2,205
24 . Common Line Formula Settlement Per Access Line	28.970922
If 23 LE 550, then: 60.041485 - (0.027885 * 23)	
If 23 GT 550 and LE 1100, then: 28.762742 + (8768.10 / 23)	
If 23 GT 1100 and LE 1800, then: 47.688317 - (0.009959 * 23)	
If 23 GT 1800, then: 0.8849 * (28.762742 + (8768.10 / 23))	
25 . Common Line Basic Settlement (0.988238 * 0.998297) * 21 + 15 + 22	77,232
26 . Common Line Realized Residue Ratio	0.0789368521068
27 . Common Line Return Factor 0.724612 + (2.824492 * 26)	0.947569
28 . CBOL Factor and Basic Settlement	
A) CBOL Factor	3.153741
If CBOL Participation=No then: 0, Else:	
If 14 LE 30%, then: 3.62234 - (0.08528 * 14)	
If 14 GT 30% and LE 60%, then: 4.46249 - (2.88579 * 14)	
If 14 GT 60%, then: 2.73102	
B) CBOL Basic Settlement (0.988238 * 0.998297) * (28A * 24) * 20	180,277
29 . Common Line Realized Settlement (25 + 28B) * 27	244,008
30 . Common Line Settlement (29 + ((1000,12) + (1000,13)))	255,008
31 . End User Settlement 18	17,000
32 . Common Line Net Settlement 30 - 31	238,008

Same return (annualized) as cost companies

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Settlement calculations
Sample EC2053

NECA SETTLEMENTS

PPNA REPORT - IN WINDOW COST

EC2053-O

Page 1 of 3

COMPUTED: MAY 2026

REGION:	0	NECA REGION
AO/OS:	200000000	Any Telco
MSM:	000036913	NECA Manager
CSLT:	000017108	Any Consultant
FC:	000000000	Any Telco
SA:	690111	Any Telco
EC:	000000111	Any Telco

---------CARRIER COMMON LINE POOL ADJUSTMENTS---------

	APPLIES TO	OTH CL NET EARNED REVENUES	CL SETTLEMENT	CL NET BALANCE
	(A)	(B)	(C)	(D) = (C - B)
1.	APR 2026	0	-42	-42
2.	MAR 2026	430	340	-90
3.	FEB 2026	0	-8	-8
4.	JAN 2026	0	7	7
5.	DEC 2025	0	487	487
6.	NOV 2025	0	511	511
7.	OCT 2025	0	486	486
8.	SEP 2025	0	484	484
9.	AUG 2025	0	496	496
10.	JUL 2025	0	489	489
11.	JUN 2025	0	369	369
12.	MAY 2025	0	368	368
13.	APR 2025	0	477	477
14.	MAR 2025	0	373	373
15.	FEB 2025	0	352	352
16.	JAN 2025	0	347	347
17.	DEC 2024	0	0	0
18.	NOV 2024	0	0	0
19.	OCT 2024	0	0	0
20.	SEP 2024	0	0	0
21.	AUG 2024	0	0	0
22.	JUL 2024	0	0	0
23.	JUN 2024	0	0	0
24.	MAY 2024	0	-25	-25
25.	TOTAL	430	5,511	5,081

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Settlement calculations
Sample EC2053

---------CARRIER COMMON LINE POOL ADJUSTMENTS---------

	APPLIES TO	OTH CL NET EARNED REVENUES	CL SETTLEMENT	CL NET BALANCE
	(A)	(B)	(C)	(D) = (C - B)
1.	APR 2026	0	-42	-42
2.	MAR 2026	430	340	-90
3.	FEB 2026	0	-8	-8
4.	JAN 2026	0	7	7
5.	DEC 2025	0	487	487
6.	NOV 2025	0	511	511
7.	OCT 2025	0	486	486
8.	SEP 2025	0	484	484
9.	AUG 2025	0	496	496
10.	JUL 2025	0	489	489
11.	JUN 2025	0	369	369
12.	MAY 2025	0	368	368
13.	APR 2025	0	477	477
14.	MAR 2025	0	373	373
15.	FEB 2025	0	352	352
16.	JAN 2025	0	347	347
17.	DEC 2024	0	0	0
18.	NOV 2024	0	0	0
19.	OCT 2024	0	0	0
20.	SEP 2024	0	0	0
21.	AUG 2024	0	0	0
22.	JUL 2024	0	0	0
23.	JUN 2024	0	0	0
24.	MAY 2024	0	-25	-25
25.	TOTAL	430	5,511	5,081

Entered Month		202605	202604	PPNA
Applies To		202603	202603	202603
Report	EC3050			
Processed As		In Window	In Window	NA
Line #	----- NET BALANCE SUMMARY -----	**Amount**	**Amount**	**Difference**
1	EU Net Balance (32-16)	-	-	-
2	CL Net Balance (33-15)	84,252	84,342	(90)
3	TS Net Balance (53-34+73-54)	12,214	10,784	1,430
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 p	-	-	-
	----- SUPPORT DATA -----	-	-	-
10	CAF Intercarrier Compensation Support (US	39,170	39,170	-
11	CAF BLS VoiceData (USAC)	47,389	47,389	-
12	CAF BLS CBOL (USAC)	38,600	38,600	-
13	Reserved	-	-	-
14	Reserved	-	-	-
	----- COMMON LINE -----	-	-	-
15	Other CL Net Earned Revenue (1050, 5 + 16)	14,630	14,200	430
16	EU Net Earned Revenue (1050, 8)	2,072	2,220	(148)
17	NECA Administrative Costs - CL	-	-	-
18	CL Expenses & Other Taxes (1050, 9 + 17)	92,196	92,018	178
19	CL Income from AFUDC (1050, 11 + 19)	-	-	-
20	CL Income Adjustment for FIT (21 + 22)	-	-	-
21	CL Income Adjustment for FIT for Taxable (	-	-	-
22	CL Income Adjustment for FIT for Tax Exem	-	-	-
23	CL Total Income (15 + 16 + 19 + 11 + 12) + (30	-	-	-
24	CL Total Amount for Tax and Residue	-	-	-
25	CL FIT Credit (1050, 13 + 21)	97	97	-
26	CL Average Net Investment (1050, 10 + 18)	1,083,228	1,083,228	-
27	CL Average Net Investment by Tax status (1	-	-	-
28	CL Residue Ratio	0.006476937	0.006466783	0.000010155
29	CL Residue Distribution (26 * 28B)	7,016	7,005	11
30	CL FIT Allowance (((29-20-25) * .265822785)	1,742	1,739	3
31	CL Settlement (18 + 29 + 30 - 19)	100,954	100,762	192
32	EU Settlement (16)	2,072	2,220	(148)
33	CL Net Settlement (31 - 32)	98,882	98,542	340

CL Net Balance
340 – 430 = (90)

CL settlement impact
178+11+3= 192

CL net settlement
192- (148) = 340

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Settlement calculations
Sample EC2053-OW

NECA SETTLEMENTS

PPNA REPORT - EXTENDED WINDOW COST

COMPUTED: MAY 2026

EC2053-OW

Page 1 of 1

---------CARRIER COMMON LINE POOL ADJUSTMENTS---------

	APPLIES TO	OTH CL NET EARNED REVENUES	CL SETTLEMENT	CL NET BALANCE
	(A)	(B)	(C)	(D) = (C - B)
1.	NOV 2023	1,920	836	-1,084
2.	TOTAL	1,920	836	-1,084

--------TRAFFIC SENSITIVE POOL ADJUSTMENTS--------

	APPLIES TO	TS NET EARNED REVENUES	TS SETTLEMENT	TS NET BALANCE
	(A)	(B)	(C)	(D) = (C - B)
3.	NOV 2023	0	0	0
4.	TOTAL	0	0	0

CCL Prior Period Net Adj.	-1,084
Adjustment Net Balance	-1,084

Entered Month		202605	202511	PPNA
Applies To		202311	202311	202311
Report	EC3050			
Processed As		Extended Window	In Window	NA
Line #	----- NET BALANCE SUMMARY -----	**Amount**	**Amount**	**Difference**
1	EU Net Balance (32-16)	-	-	-
2	CL Net Balance (33-15)	68,170	69,254	(1,084)
3	TS Net Balance (53-34+73-54)	49,979	49,979	-
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 p	-	-	-
	----- SUPPORT DATA -----	-	-	-
10	CAF Intercarrier Compensation Support (US	41,053	41,053	-
11	CAF BLS VoiceData (USAC)	62,563	48,410	14,153
12	CAF BLS CBOL (USAC)	8,991	25,230	(16,239)
13	Reserved	-	-	-
14	Reserved	-	-	-
	----- COMMON LINE -----	-	-	-
15	Other CL Net Earned Revenue (1050, 5 + 16)	9,355	7,435	1,920
16	EU Net Earned Revenue (1050, 8)	3,223	3,223	-
17	NECA Administrative Costs - CL	-	-	-
18	CL Expenses & Other Taxes (1050, 9 + 17)	72,790	72,790	-
19	CL Income from AFUDC (1050, 11 + 19)	-	-	-
20	CL Income Adjustment for FIT (21 + 22)	-	-	-
21	CL Income Adjustment for FIT for Taxable (1	-	-	-
22	CL Income Adjustment for FIT for Tax Exem	-	-	-
23	CL Total Income (15 + 16 + 19 + 11 + 12) + (30	-	-	-
24	CL Total Amount for Tax and Residue	-	-	-
25	CL FIT Credit (1050, 13 + 21)	18	18	-
26	CL Average Net Investment (1050, 10 + 18)	758,401	758,401	-
27	CL Average Net Investment by Tax status (1	-	-	-
28	CL Residue Ratio	0.008313544	0.007441973	0.000871571
29	CL Residue Distribution (26 * 28B)	6,305	5,644	661
30	CL FIT Allowance (((29-20-25) * .265822785)	1,653	1,478	175
31	CL Settlement (18 + 29 + 30 - 19)	80,748	79,912	836
32	EU Settlement (16)	3,223	3,223	-
33	CL Net Settlement (31 - 32)	77,525	76,689	836

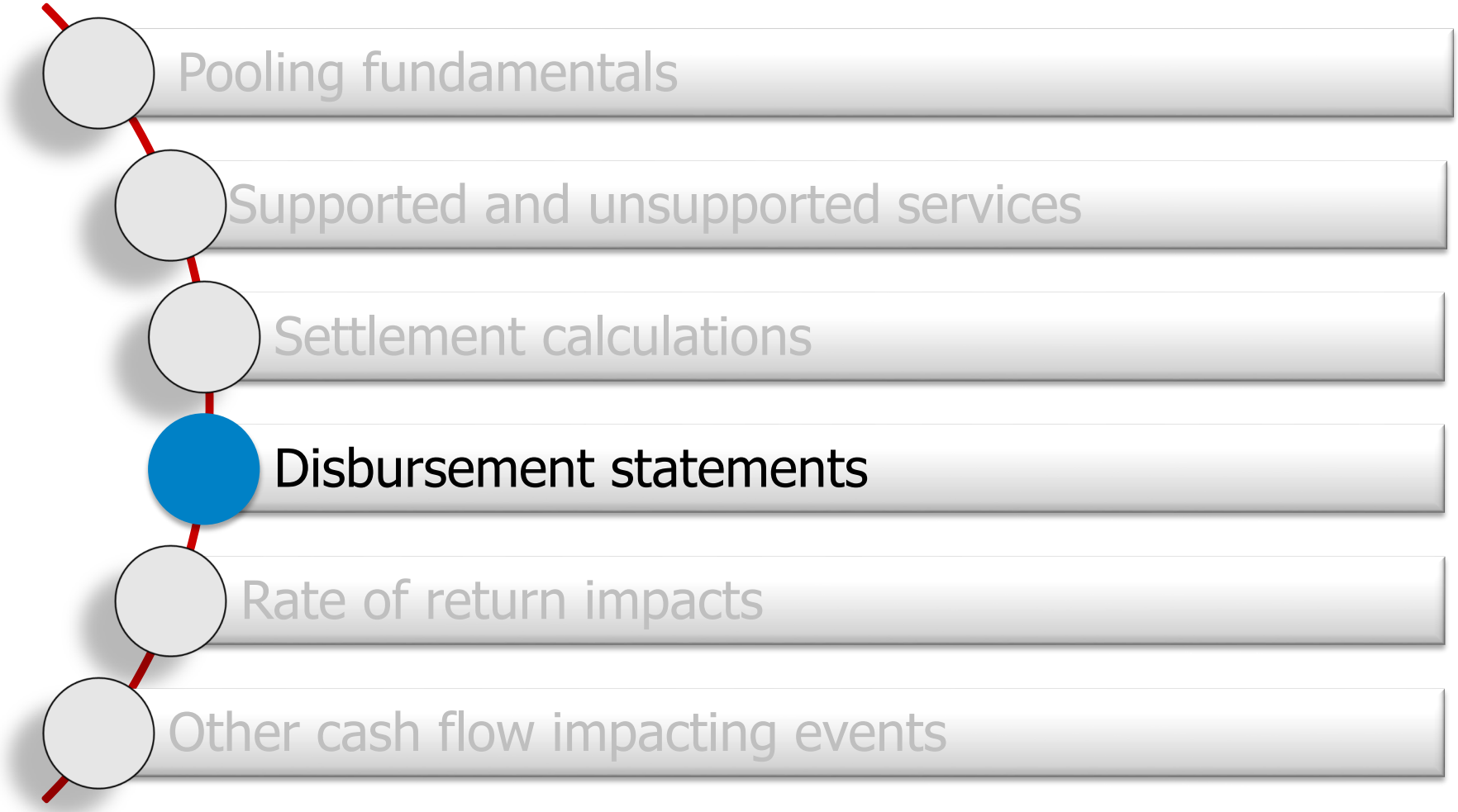
CL Net Balance
836-1,920= (1,084)

($2,086) true up

CL settlement impact
661+175= 836

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Disbursement statements



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Disbursement statements

- Total monthly amount due to/from the exchange carrier
- Prior period and current month net balances are carried forward from the AS3000/EC3050
- For companies that elected NECA on Form 498, statements include monthly USF support payments and corresponding detail
- Estimated statements are released the sixth business day of each month
- Final statements are released at the end of each month and reflect any support adjustments from USAC

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Disbursement statements
Page 1 – payment summary

Final

Page 1 of 2

NECA

Company Code: 000000111
Statement No: 0000120906
Date: June 30, 2026

Disbursement Notification

THIS IS NOT A NECA BILL

Any Telco
Attn: Mr. John Smith
P.O. Box 123
Anytown, USA 90122-0000

Direct questions to your NECA Regional Industry Relations Office

Starting Balance:		
May 29, 2026 Balance	101,167.00 CR	
Payment from NECA May 29, 2026	101,167.00	
Total:		0.00
690111 ANY TELCO		
Current:		
Settlements:		
Total Net Balance for May 2026 Data Month (EC3050)	148,233.00 CR	
*Adjustment Net Balance (AS/EC 2053)	1,084.00	
Settlements Net Balance Total:		147,149.00 CR
High Cost Support:		
CAF BLS May 2026	29,793.00	
HCL May 2026	32,385.00 CR	
High Cost Support Total:		2,592.00 CR
Total Amount Due Exchange Carrier on June 30, 2026		**149,741.00 CR**

Settlement net balances from AS3000/EC3050, including pooled support

Adjustment net balance represents settlement amounts outside the 24-month window

Prior month balance and corresponding payment

Nonpooled support related amounts

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Disbursement statements
Page 2 – high-cost detail

CAF BLS detail

CAF ICC detail

HCL detail

Final Page 2 of 2

NECA

Company Code: 000000111
Statement No: 0000120906
Date: June 30, 2026

Disbursement Notification

THIS IS NOT A NECA BILL

Any Telco
Attn: Mr. John Smith P.O.
Box123
Anytwon, USA 90122-0000

Direct questions to your NECA Regional Industry Relations Office

High Cost Detail

690111 ANY COST TELCO

CAF BLS:		
Current:		
CAF BLS CBOL included in Current Net Balance May 2026	38,600.00 CR	
CAF BLS V/D included in Current Net Balance May 2026	47,389.00 CR	
CAF BLS Current Period BCM May 2026	2,294.00	
CAF BLS Current Period Cap May 2026	28,885.00	
CAF BLS Prior Period Cap May 2026	1,386.00 CR	
CAF BLS CBOL included in Adjustment Net Balance Nov 2023	16,239.00	
CAF BLS V/D included in Adjustment Net Balance Nov 2023	14,153.00 CR	
Total CAF BLS:		54,110.00 CR
CAF ICC:		
Current:		
CAF ICC included in Current Net Balance May 2026	39,170.00 CR	
CAF ICC included in Current Net Balance May 2024	690.00	
Total CAF ICC:		38,480.00 CR
HCL:		
Current:		
HCL May 2026	50,032.00 CR	
HCL Current Period BCM May 2026	1,611.00	
HCL Current Period Cap May 2026	16,841.00	
USAC Payment	105.00 CR	
HCL Prior Period Cap May 2026	700.00 CR	
Total HCL:		32,385.00 CR

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Disbursement statements
Page 2 – high-cost detail

CAF BLS detail

CAF ICC detail

HCL detail

High Cost Detail

690111 ANY COST TELCO

CAF BLS:

Current:

CAF BLS CBOL included in Current Net Balance May 2026	38,600.00 CR	$85,989 projection from 508
CAF BLS V/D included in Current Net Balance May 2026	47,389.00 CR	
CAF BLS Current Period BCM May 2026	2,294.00	($29,793)
CAF BLS Current Period Cap May 2026	28,885.00	
CAF BLS Prior Period Cap May 2026	1,386.00 CR	
CAF BLS CBOL included in Adjustment Net Balance Nov 2023	16,239.00	($2,086) true up from 509
CAF BLS V/D included in Adjustment Net Balance Nov 2023	14,153.00 CR	
Total CAF BLS:		54,110.00 CR

Amount disbursed by USAC 54,110.00 CR

Support pooled to pay RRQs - $83,903 = ($29,793)

CAF ICC:

Current:

CAF ICC included in Current Net Balance May 2026	39,170.00 CR	
CAF ICC included in Current Net Balance May 2024	690.00	
Total CAF ICC:		38,480.00 CR

HCL:

Current:

HCL May 2026	50,032.00 CR	
HCL Current Period BCM May 2026	1,611.00	
HCL Current Period Cap May 2026	16,841.00	
USAC Payment	105.00 CR	
HCL Prior Period Cap May 2026	700.00 CR	
Total HCL:		32,385.00 CR

$32,385

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Disbursement statements
Page 2 – high-cost detail versus USAC detailed payment data file

Universal Service Administrative Co.

Detailed Payment Data Search

Year	Month	Fund	Amount Disbursed	Capped Current Month Support	Uncapped Current Month Support	Prior Period Adjustments	Current Month Cap Adjustment	Prior Period Cap Adjustment	Subtotal Before Budget Control	Budget Control Correction	Total Budget Control Adjustment
2026	5	BLS	54,110	57,104	85,989	(2,086)	(28,885)	1,386	56,404	-	(2,294)
2026	5	ICC	38,480	38,480	38,480	-	-	-	38,480	-	-
2026	5	HCL	32,385	33,296	50,137	-	(16,841)	700	33,996	-	(1,611)

NECA

High Cost Detail

690111 ANY COST TELCO

CAF BLS:		
Current:		
CAF BLS CBOL included in Current Net Balance May 2026	38,600.00 CR	
CAF BLS V/D included in Current Net Balance May 2026	47,389.00 CR	
CAF BLS Current Period BCM May 2026	2,294.00	
CAF BLS Current Period Cap May 2026	28,885.00	
CAF BLS Prior Period Cap May 2026	1,386.00 CR	
CAF BLS CBOL included in Adjustment Net Balance Nov 2023	16,239.00	
CAF BLS V/D included in Adjustment Net Balance Nov 2023	14,153.00 CR	
Total CAF BLS:		54,110.00 CR
CAF ICC:		
Current:		
CAF ICC included in Current Net Balance May 2026	39,170.00 CR	
CAF ICC included in Current Net Balance May 2024	690.00	
Total CAF ICC:		38,480.00 CR
HCL:		
Current:		
HCL May 2026	50,032.00 CR	
HCL Current Period BCM May 2026	1,611.00	
HCL Current Period Cap May 2026	16,841.00	
USAC Payment	105.00 CR	
HCL Prior Period Cap May 2026	700.00 CR	
Total HCL:		32,385.00 CR

CAF BLS reconciliation

Current month

Projected CAFBLS	**85,989**
Per line cap current	**(28,885)**
Current month support	**57,104**
BCM	**(2,294)**

Prior Periods

BLS prior period true up	**(2,086)**
Per line cap prior	**1,386**
Amount disbursed to NECA	**54,110**

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Disbursement statements
Per line cap on support – current

202605 Support Month

Calculation on projected Form 508 data

SAC	Fund	Uncapped Support	Total Uncapped Support	507 Lines	Total Lines	Fund Percentages	Weighted lines	Aggregate PLR	CAP PLR	ILEC PLR Cap Reduction Factor	Capped Support	Cap Adjustments	
690111	HCL	50,137	$ 136,126	452	452	0.36831318	166.47756	$ 301.16	200	0.6640906	$ 33,295	$ (16,842)	⇦
690111	HCL AEX	-	$ 136,126	452	452	0	0	$ 301.16	200	0.6640906	$ -	$ -	
690111	CBLS	85,989	$ 136,126	452	452	0.63168682	285.52244	$ 301.16	200	0.6640906	$ 57,104	$ (28,885)	⇦
690111	SNA	-	$ 136,126	452	452	0	0	$ 301.16	200	0.6640906	$ -	$ -	
690111	SVS	-	$ 136,126	452	452	0	0	$ 301.16	200	0.6640906	$ -	$ -	
							452				$ 90,399	**$ (45,727)**	

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Disbursement statements
Per line cap on support – current

High Cost Detail

690111 ANY COST TELCO

CAF BLS:		
Current:		
CAF BLS CBOL included in Current Net Balance May 2026	38,600.00 CR	
CAF BLS V/D included in Current Net Balance May 2026	47,389.00 CR	
CAF BLS Current Period BCM May 2026	2,294.00	
CAF BLS Current Period Cap May 2026	28,885.00	
CAF BLS Prior Period Cap May 2026	1,386.00 CR	
CAF BLS CBOL included in Adjustment Net Balance Nov 2023	16,239.00	
CAF BLS V/D included in Adjustment Net Balance Nov 2023	14,153.00 CR	
Total CAF BLS:		54,110.00 CR
CAF ICC:		
Current:		
CAF ICC included in Current Net Balance May 2026	39,170.00 CR	
CAF ICC included in Current Net Balance May 2024	690.00	
Total CAF ICC:		38,480.00 CR
HCL:		
Current:		
HCL May 2026	50,032.00 CR	
HCL Current Period BCM May 2026	1,611.00	
HCL Current Period Cap May 2026	16,841.00	
USAC Payment	105.00 CR	
HCL Prior Period Cap May 2026	700.00 CR	
Total HCL:		32,385.00 CR

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Disbursement statements
Per line cap on support – prior

202311	Support Month

Calculation on projected Form 508 data

SAC	Fund	Uncapped Support	Total Uncapped Support	507 Lines	Total Lines	Fund Percentages	Weighted Lines	Aggregate PLR	CAP PLR	ILEC PLR Cap Reduction Factor	Capped Support	Cap Adjustments
690111	HCL	49,884	$ 123,524	505	505	0.403840549	203.939477	$ 244.60	200	0.817654869	$ 40,787	$ (9,097)
690111	HCL AEX	-	$ 123,524	505	505	0	0	$ 244.60	200	0.817654869	$ -	$ -
690111	CBLS	73,640	$ 123,524	505	505	0.596159451	301.060523	$ 244.60	200	0.817654869	$ 60,212	$ (13,428)
690111	SNA	-	$ 123,524	505	505	0	0	$ 244.60	200	0.817654869	$ -	$ -
690111	SVS	-	$ 123,524	505	505	0	0	$ 244.60	200	0.817654869	$ -	$ -
				505			**505**				$ 100,999	**$ (22,525)**

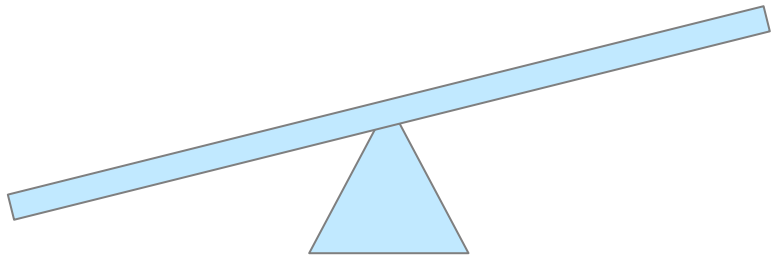
202311	Support Month
202605	True Up Processing Month
202412	509 Filing

Calculation on actual Form 509 data

SAC	Fund	Uncapped Support	Total Uncapped Support	507 Lines	Total Lines	Fund Percentages	Weighted Lines	Aggregate PLR	CAP PLR	ILEC PLR Cap Reduction Factor	Capped Support	Cap Adjustments
690111	HCL	49,885	$ 121,439	505	505	0.410781004	207.444407	$ 240.47	200	0.831690516	$ 41,488	$ (8,397)
690111	CBLS	71,554	$ 121,439	505	505	0.589218996	297.555593	$ 240.47	200	0.831690516	$ 59,511	$ (12,043)
							505				$ 100,999	**$ (20,440)**

HCL	$ 1
CBLS	$ (2,086)

True Up



	prior period cap adj
HCL	**$ 700**
HCL AEX	$ -
CBLS	**$ 1,385**
SNA	$ -
SVS	$ -
	$ 2,085

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Disbursement statements
Per line cap on support – prior

High Cost Detail

690111 ANY COST TELCO

CAF BLS:		
Current:		
CAF BLS CBOL included in Current Net Balance May 2026	38,600.00 CR	
CAF BLS V/D included in Current Net Balance May 2026	47,389.00 CR	
CAF BLS Current Period BCM May 2026	2,294.00	
CAF BLS Current Period Cap May 2026	28,885.00	
CAF BLS Prior Period Cap May 2026	1,386.00 CR	⇦
CAF BLS CBOL included in Adjustment Net Balance Nov 2023	16,239.00	
CAF BLS V/D included in Adjustment Net Balance Nov 2023	14,153.00 CR	
Total CAF BLS:		54,110.00 CR
CAF ICC:		
Current:		
CAF ICC included in Current Net Balance May 2026	39,170.00 CR	
CAF ICC included in Current Net Balance May 2024	690.00	
Total CAF ICC:		38,480.00 CR
HCL:		
Current:		
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HCL Prior Period Cap May 2026	700.00 CR	⇦
Total HCL:		32,385.00 CR

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Disbursement statements
Budget control mechanism

- Step 1 – calculated total projected BLS and HCL payments
- Step 2 – per line cap is applied
- Step 3 – projected BLS and actual HCL subject to 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 (Min of ratio and 1)	0.957144044
Budget Adjustment Keep Factor in Percentage Format	95.71%
Budget Control Adjustment Factor	4.29%

Annual Legacy Support Calculations

SAC	Study Area Name	Projected Total CAF BLS Support Excluding True-ups	Projected HCL Support	Total Projected Support (excludes True-ups)	Pro Rata Support Keep Factor (aka Adjustment Factor)	Projected High Cost Support Before True-ups but after Budget Adjustment
690111	Any Cost Telco	$ 642,168	$ 442,620	$ 1,084,788	0.957144044	$ 1,038,298

Source: USAC

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Disbursement statements
Budget control mechanism

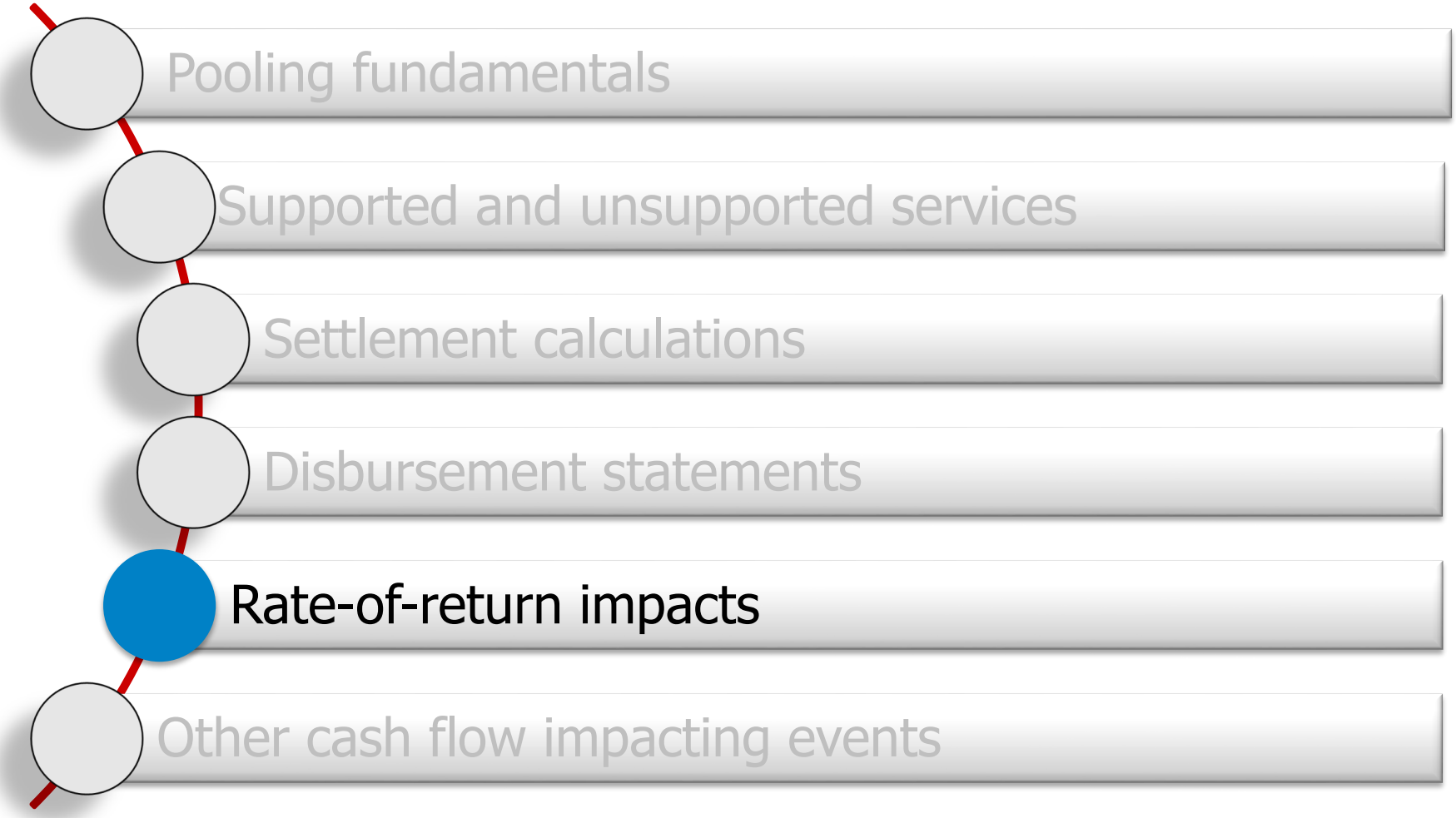
High Cost Detail

690111 ANY COST TELCO

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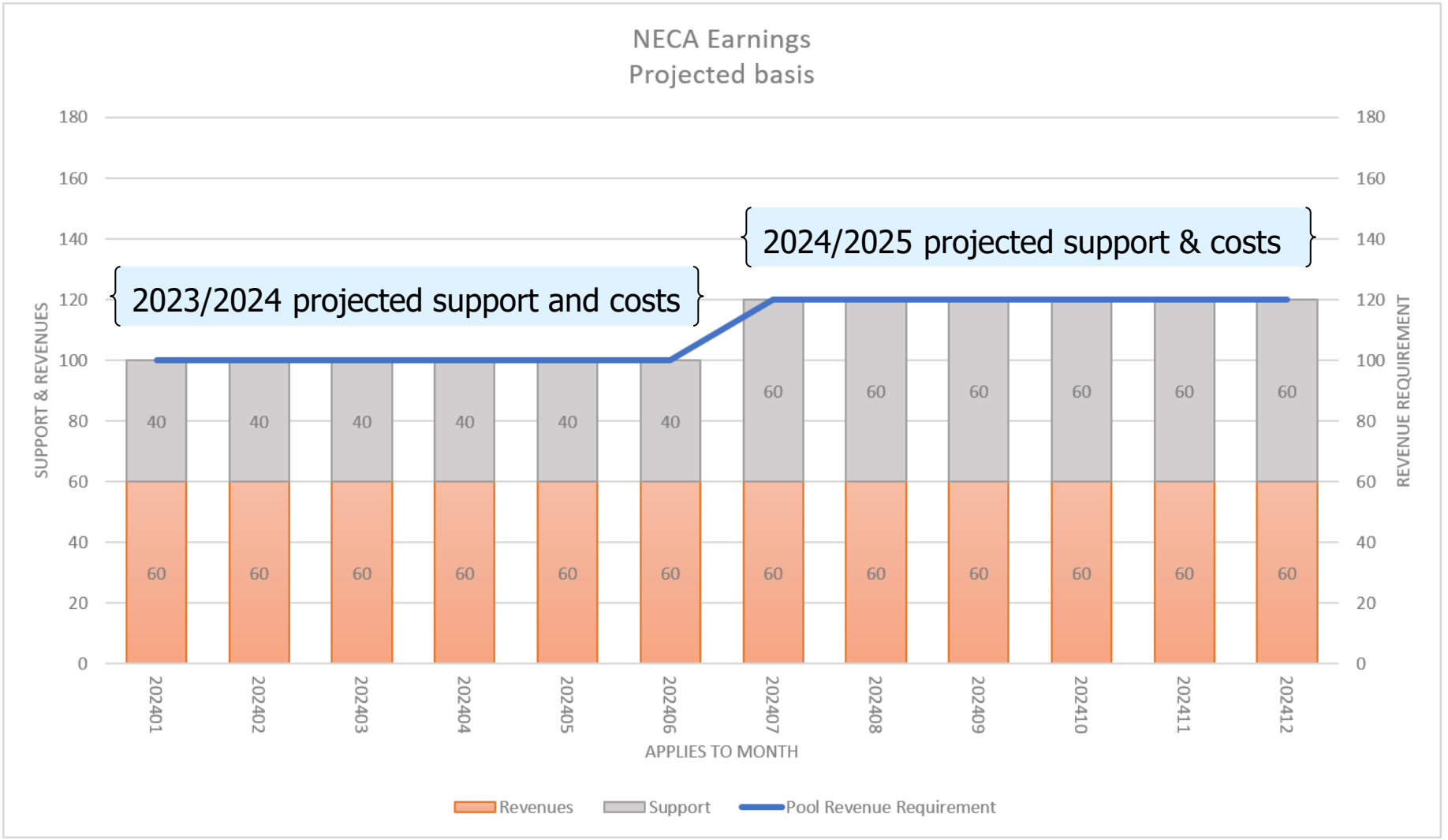
Rate-of-return impacts



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Rate-of-return impacts
Earnings

- Return is calculated separately for each data month 25x
- Costs, support and revenue are in balance at projection (assumes forecasts are perfect)
- Revenues + support= RRQ

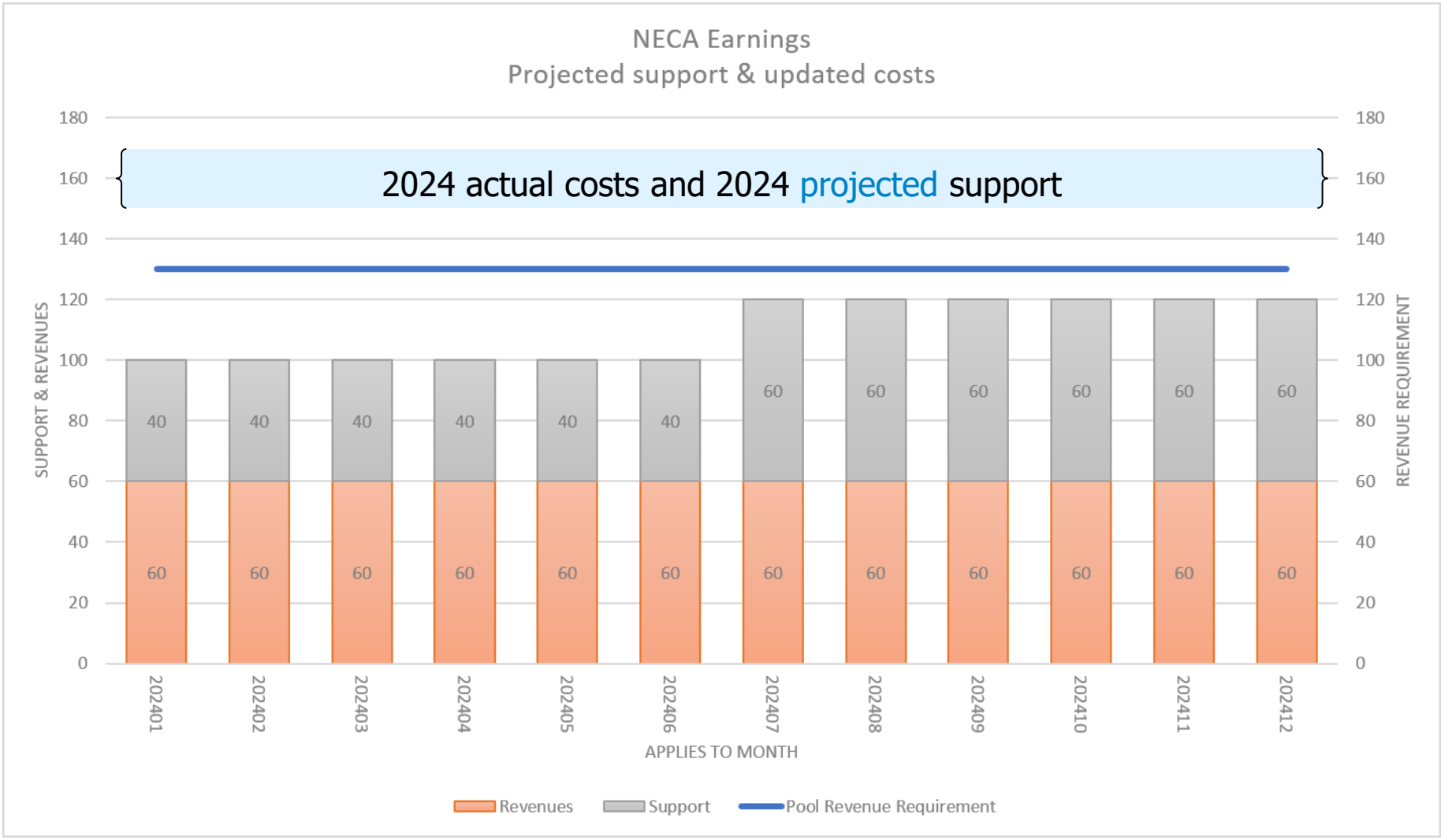


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Rate-of-return impacts
Earnings

- Benefit of pooling allows updated costs projections
- As costs are adjusted combined with forecast misses, the formula gets skewed on an interim basis
- Revenues + support ≠ RRQ at this point

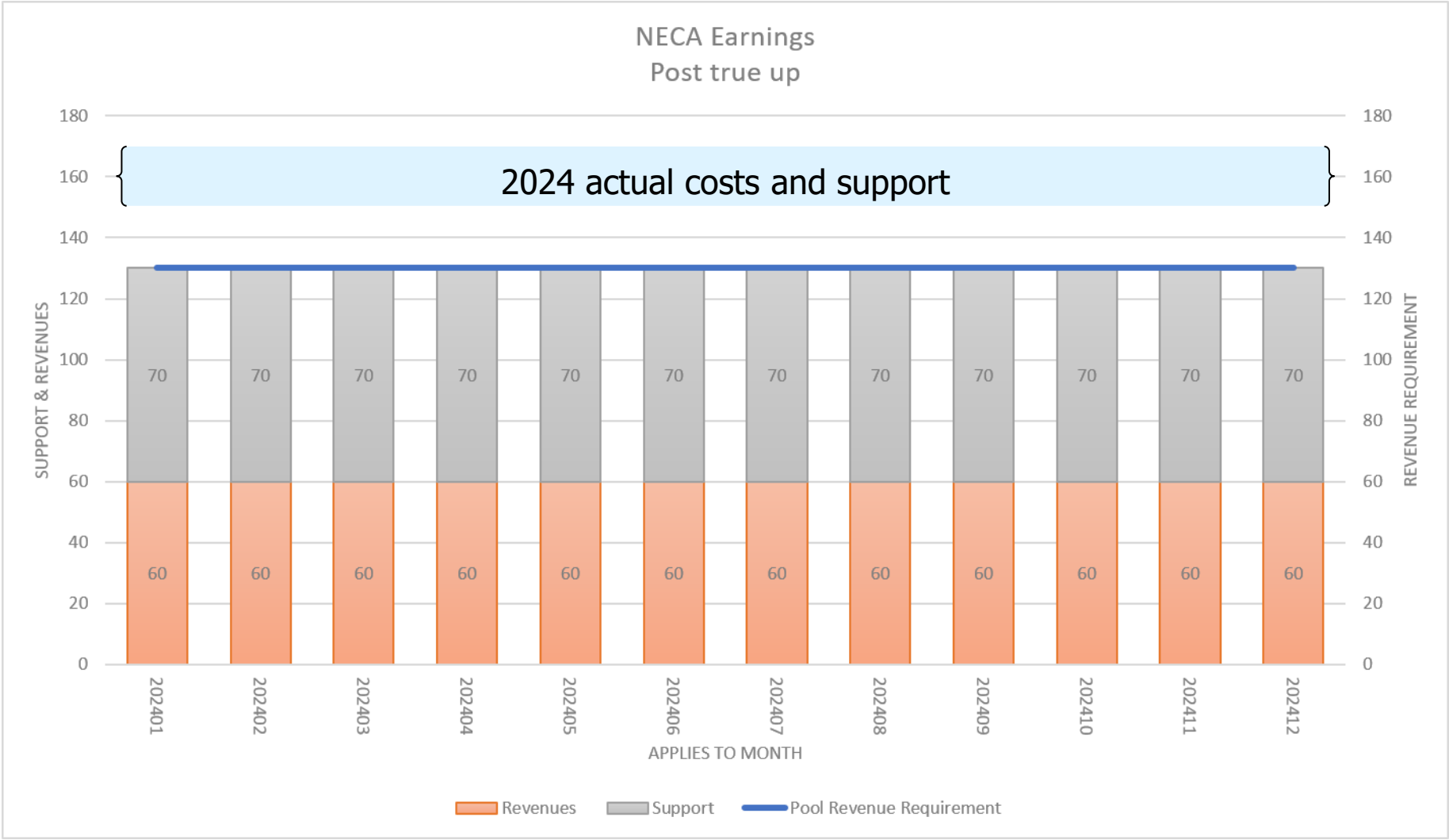


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Rate-of-return impacts
Earnings

- True-up processing brings the rate of return to authorized
- Support + revenue = RRQ



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Rate-of-return impacts

Return impacts by month – 2023 example

	Applies to											
Entered	**202301**	**202302**	**202303**	**202304**	**202305**	**202306**	**202307**	**202308**	**202309**	**202310**	**202311**	**202312**
202301	1											
202302	2	1										
202303	3	2	1									
202304	4	3	2	1								
202305	5	4	3	2	1							
202306	6	5	4	3	2	1						
202307	7	6	5	4	3	2	1					
202308	8	7	6	5	4	3	2	1				
202309	9	8	7	6	5	4	3	2	1			
202310	10	9	8	7	6	5	4	3	2	1		
202311	11	10	9	8	7	6	5	4	3	2	1	
202312	12	11	10	9	8	7	6	5	4	3	2	1
202401	13	12	11	10	9	8	7	6	5	4	3	2
202402	14	13	12	11	10	9	8	7	6	5	4	3
202403	15	14	13	12	11	10	9	8	7	6	5	4
202404	16	15	14	13	12	11	10	9	8	7	6	5
202405	17	16	15	14	13	12	11	10	9	8	7	6
202406	18	17	16	15	14	13	12	11	10	9	8	7
202407	19	18	17	16	15	14	13	12	11	10	9	8
202408	20	19	18	17	16	15	14	13	12	11	10	9
202409	21	20	19	18	17	16	15	14	13	12	11	10
202410	22	21	20	19	18	17	16	15	14	13	12	11
202411	23	22	21	20	19	18	17	16	15	14	13	12
202412	24	23	22	21	20	19	18	17	16	15	14	13
202501	25	24	23	22	21	20	19	18	17	16	15	14
202502		25	24	23	22	21	20	19	18	17	16	15
202503			25	24	23	22	21	20	19	18	17	16
202504				25	24	23	22	21	20	19	18	17
202505					25	24	23	22	21	20	19	18
202506						25	24	23	22	21	20	19
202507	OW						25	24	23	22	21	20
202508		OW						25	24	23	22	21
202509			OW						25	24	23	22
202510				OW						25	24	23
202511					OW						25	24
202512						OW						25
202601							OW					
202602								OW				
202603									OW			
202604										OW		
202605											OW	
202606												OW
202607												
202608												
202609	OW	OW	OW	OW	OW	OW	OW	OW	OW	OW	OW	OW

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Rate-of-return impacts
Return impacts by month – 2023 example

	Applies to											
Entered	202301	202302	202303	202304	202305	202306	202307	202308	202309	202310	202311	202312
202301	1											
202302	2	1										
202303	3	2	1									
202304	4	3	2	1								
202305	5	4	3	2	1							
202306	6	5	4	3	2	1						
202307	7	6	5	4	3	2	1					
202308	8	7	6	5	4	3	2	1				
202309	9	8	7	6	5	4	3	2	1			
202310	10	9	8	7	6	5	4	3	2	1		
202311	11	10	9	8	7	6	5	4	3	2	1	
202312	12	11	10	9	8	7	6	5	4	3	2	1
202401	13	12	11	10	9	8	7	6	5	4	3	2
202402	14	13	12	11	10	9	8	7	6	5	4	3
202403	15	14	13	12	11	10	9	8	7	6	5	4
202404	16	15	14	13	12	11	10	9	8	7	6	5
202405	17	16	15	14	13	12	11	10	9	8	7	6
202406	18	17	16	15	14	13	12	11	10	9	8	7
202407	19	18	17	16	15	14	13	12	11	10	9	8
202408	20	19	18	17	16	15	14	13	12	11	10	9
202409	21	20	19	18	17	16	15	14	13	12	11	10
202410	22	21	20	19	18	17	16	15	14	13	12	11
202411	23	22	21	20	19	18	17	16	15	14	13	12
202412	24	23	22	21	20	19	18	17	16	15	14	13

Revised forecasts

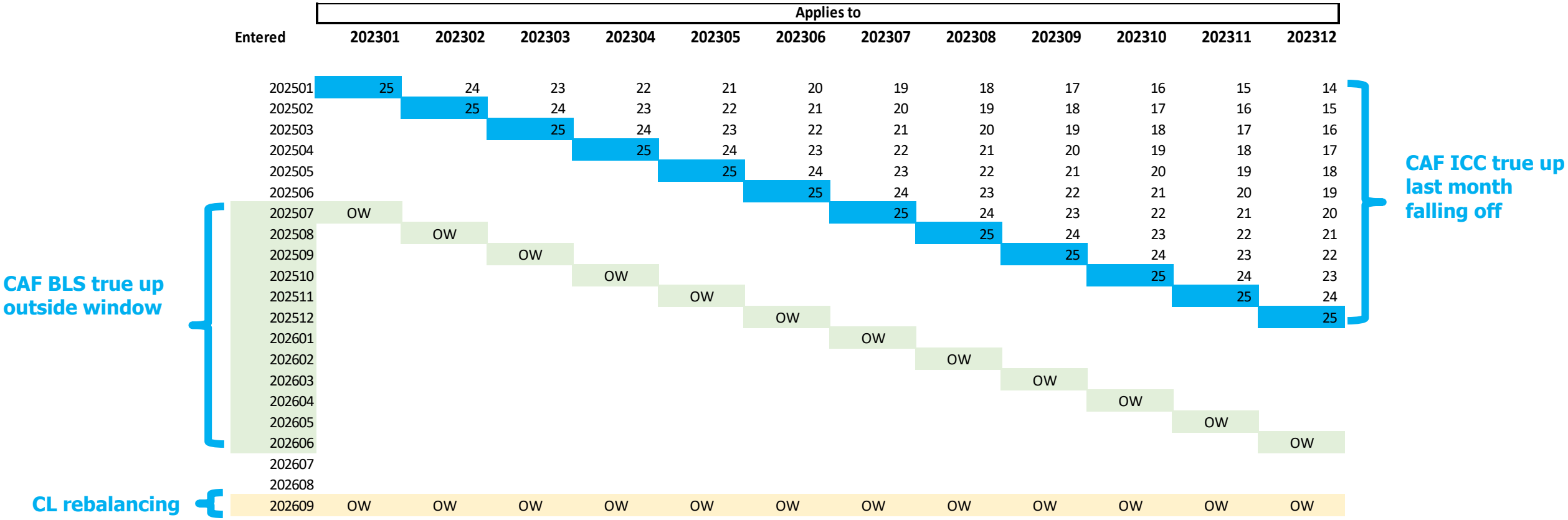
Cost studies pooled

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Rate-of-return impacts

Return impacts by month – 2023 example



	Applies to											
Entered	202301	202302	202303	202304	202305	202306	202307	202308	202309	202310	202311	202312
202501	25	24	23	22	21	20	19	18	17	16	15	14
202502		25	24	23	22	21	20	19	18	17	16	15
202503			25	24	23	22	21	20	19	18	17	16
202504				25	24	23	22	21	20	19	18	17
202505					25	24	23	22	21	20	19	18
202506						25	24	23	22	21	20	19
202507	OW						25	24	23	22	21	20
202508		OW						25	24	23	22	21
202509			OW						25	24	23	22
202510				OW						25	24	23
202511					OW						25	24
202512						OW						25
202601							OW					
202602								OW				
202603									OW			
202604										OW		
202605											OW	
202606												OW
202607												
202608												
202609	OW	OW	OW	OW	OW	OW	OW	OW	OW	OW	OW	OW

Source: NECA

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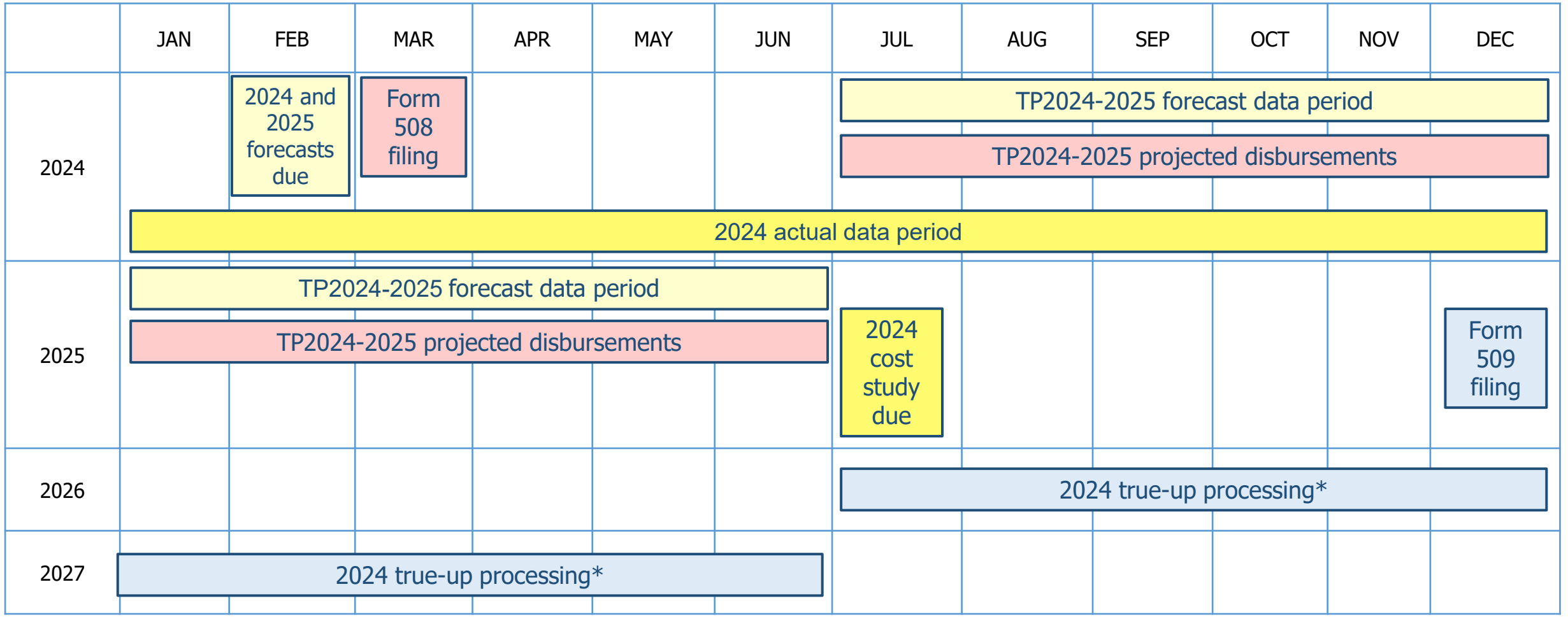
Rate-of-return impacts

- Earnings observations
  - When updated forecasts and actual costs are pooled the rate of return is impacted on an interim basis but the true-up process brings the RoR to authorized for CL and TS SW
  - CAF BLS trend has been under-forecasted demand and costs, which does not provide enough CAF BLS support on a projected basis
  - CAF ICC trend has been companies over-forecast SW revenues, which reduces support on a projected basis
- Support is attributed to the proper period to ensure full recovery for each year

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Rate-of-return impacts
CAF BLS cash flow timeline

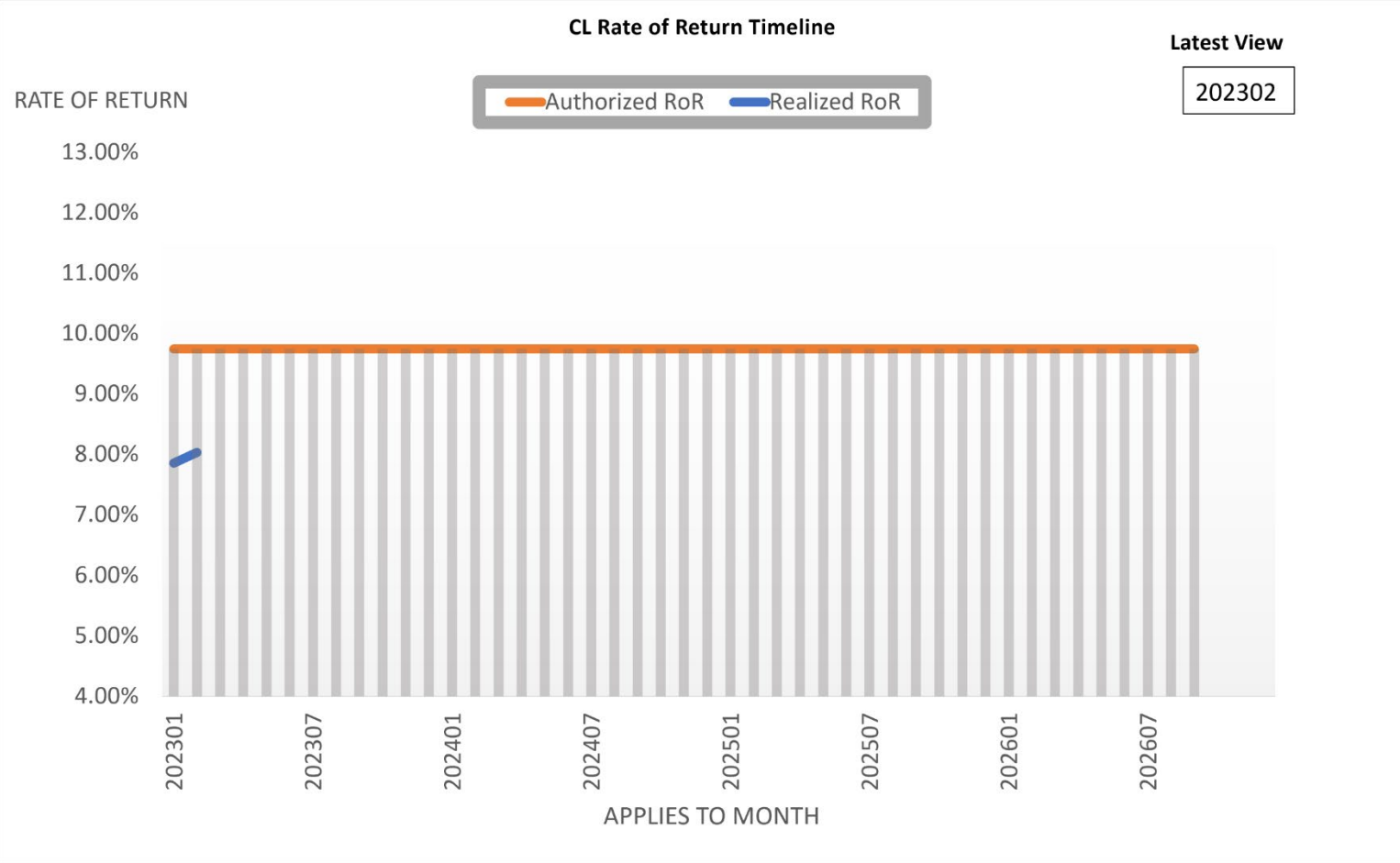


*July 2026 true-up processing corresponds to the January 2024 projection month, August 2026 true-up processing corresponds to February 2024, etc.

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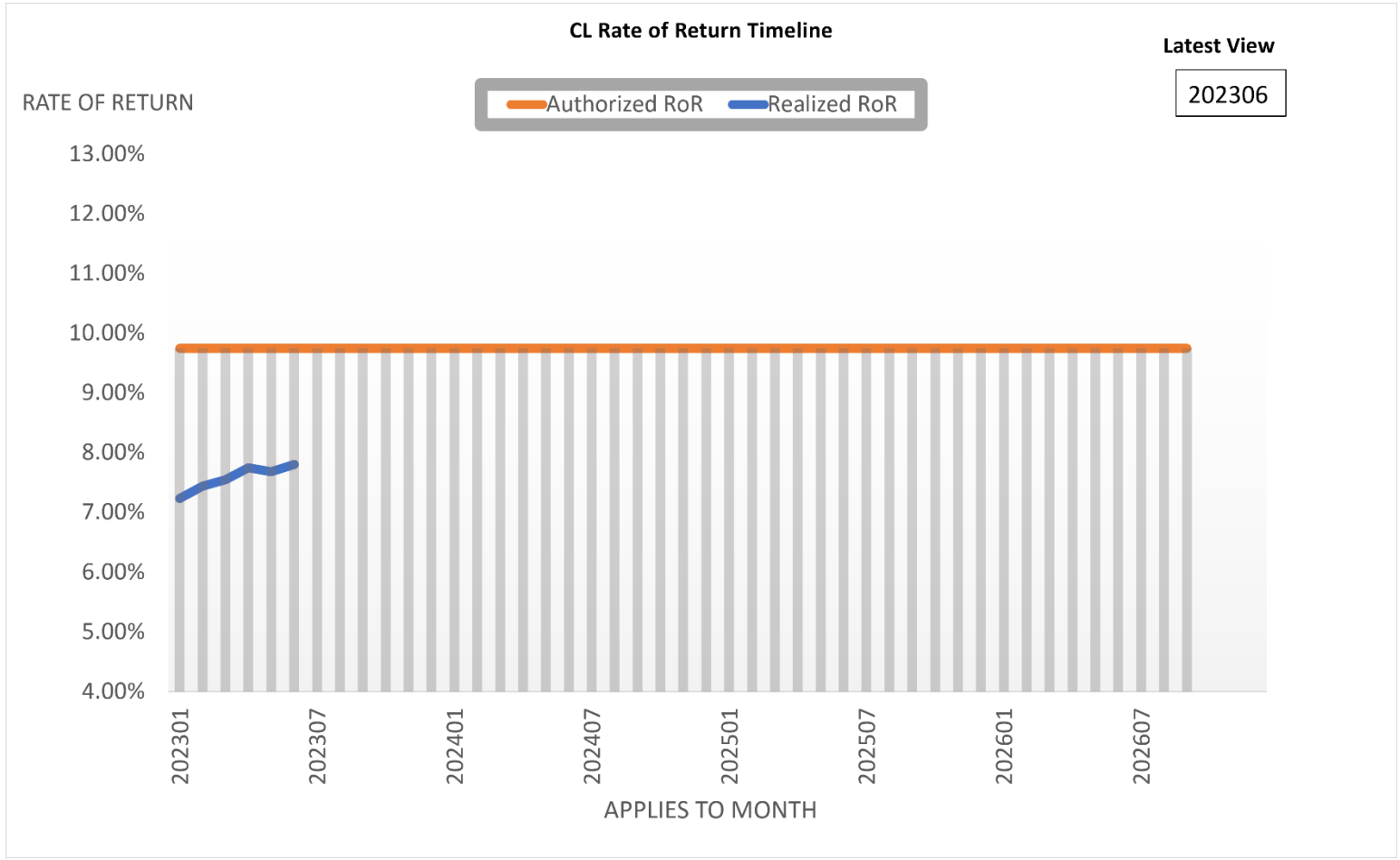
Rate-of-return impacts
CAF BLS true-up



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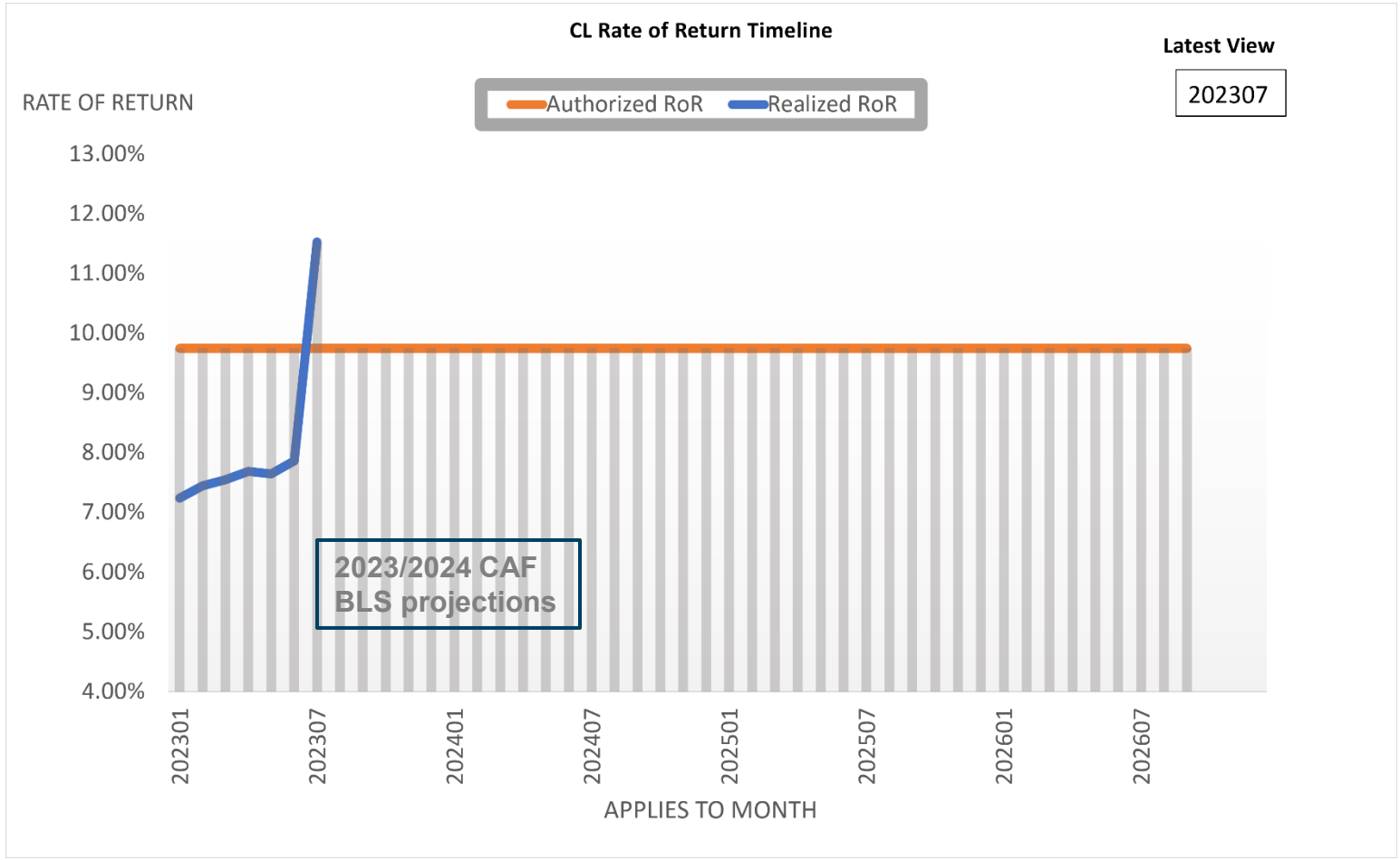
Rate-of-return impacts
CAF BLS true-up



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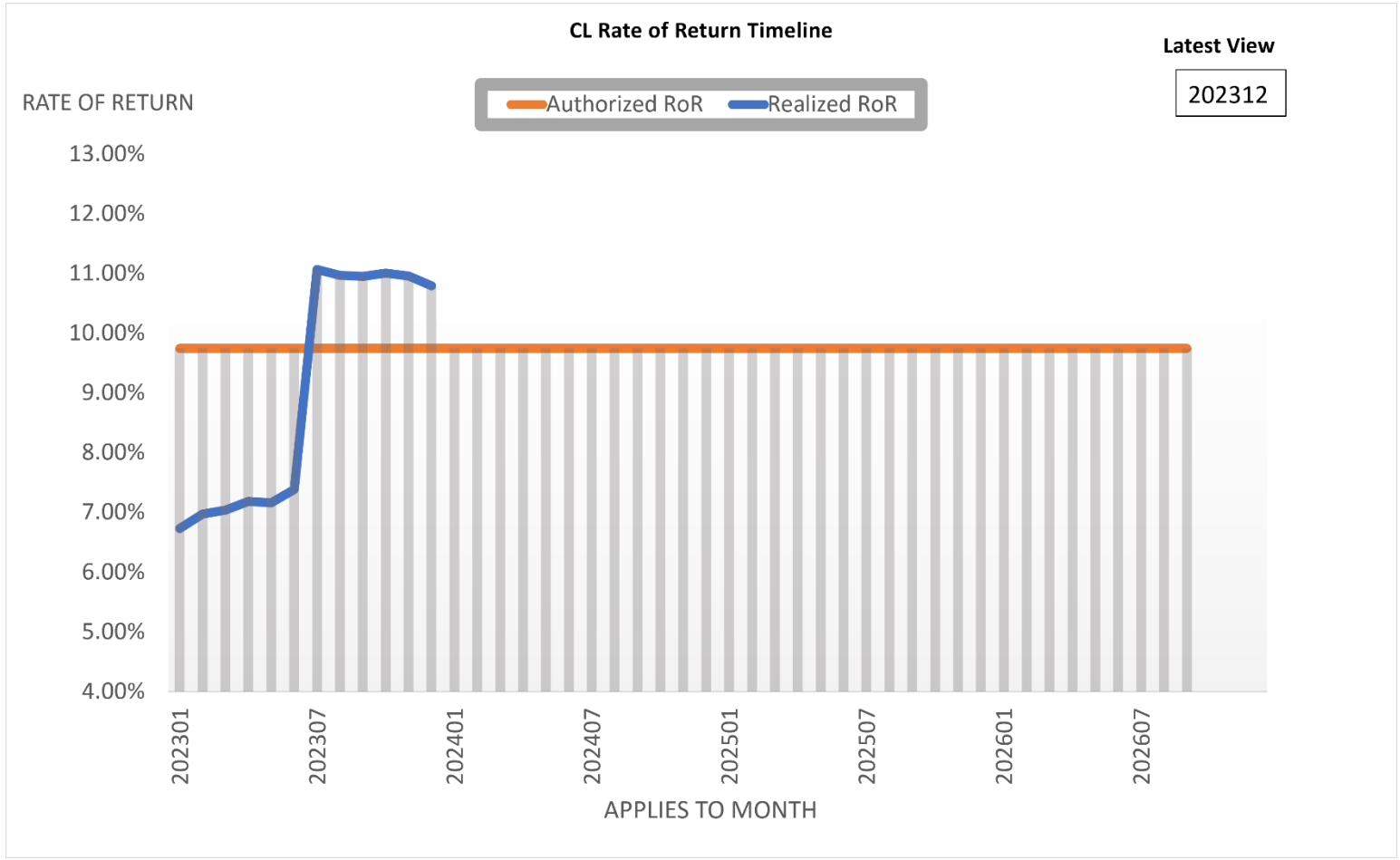
Rate-of-return impacts
CAF BLS true-up



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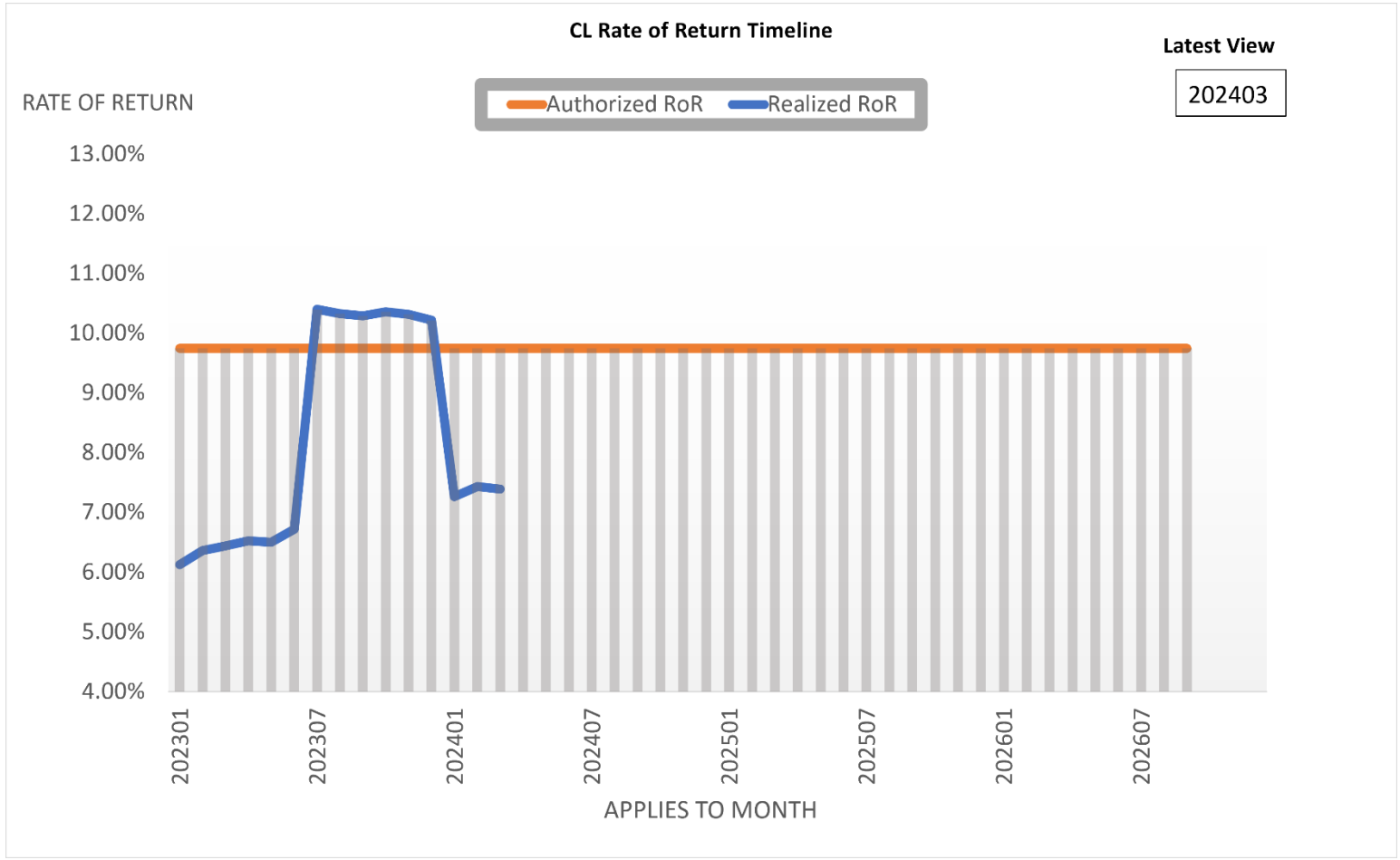
Rate-of-return impacts
CAF BLS true-up



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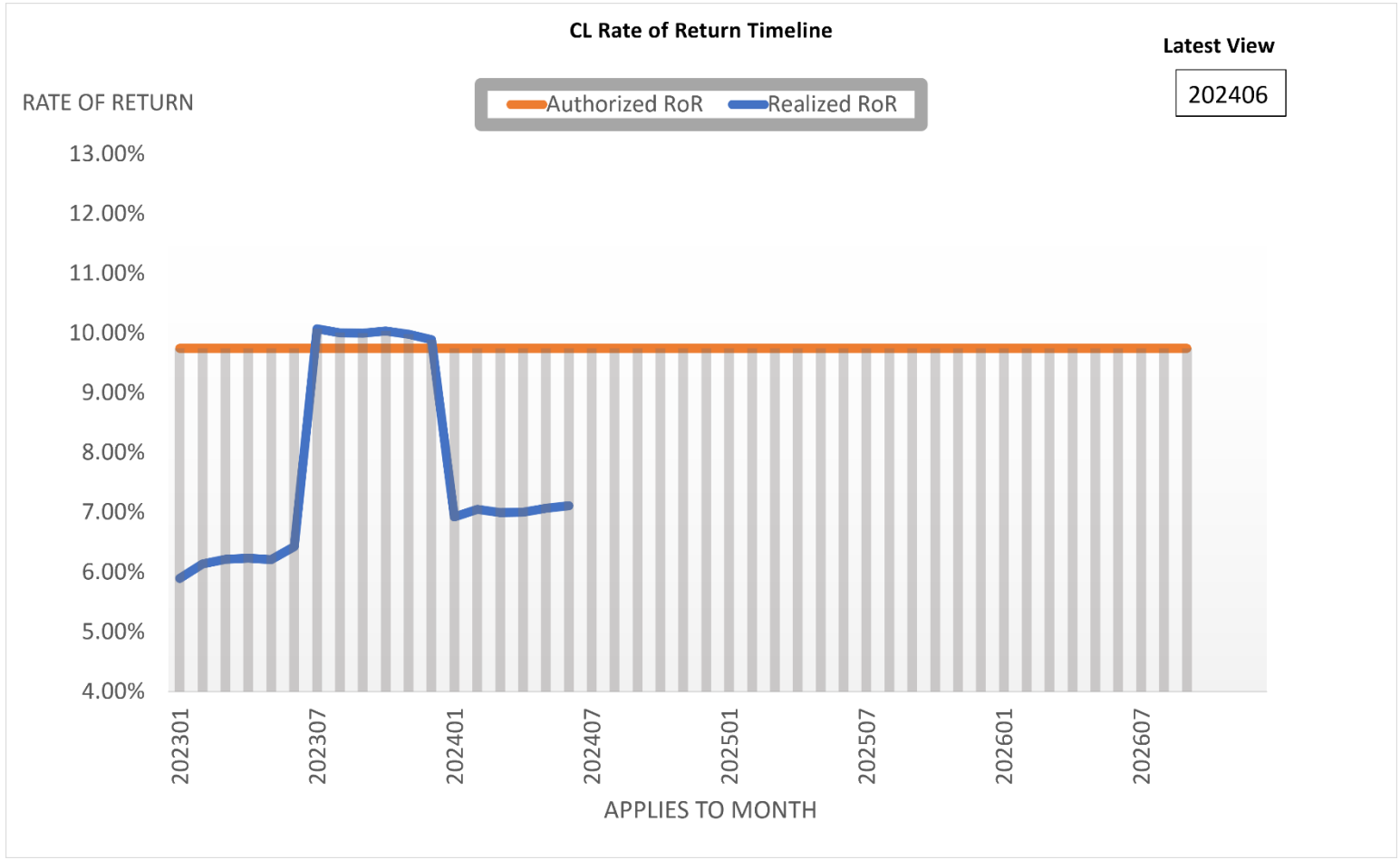
Rate-of-return impacts
CAF BLS true-up



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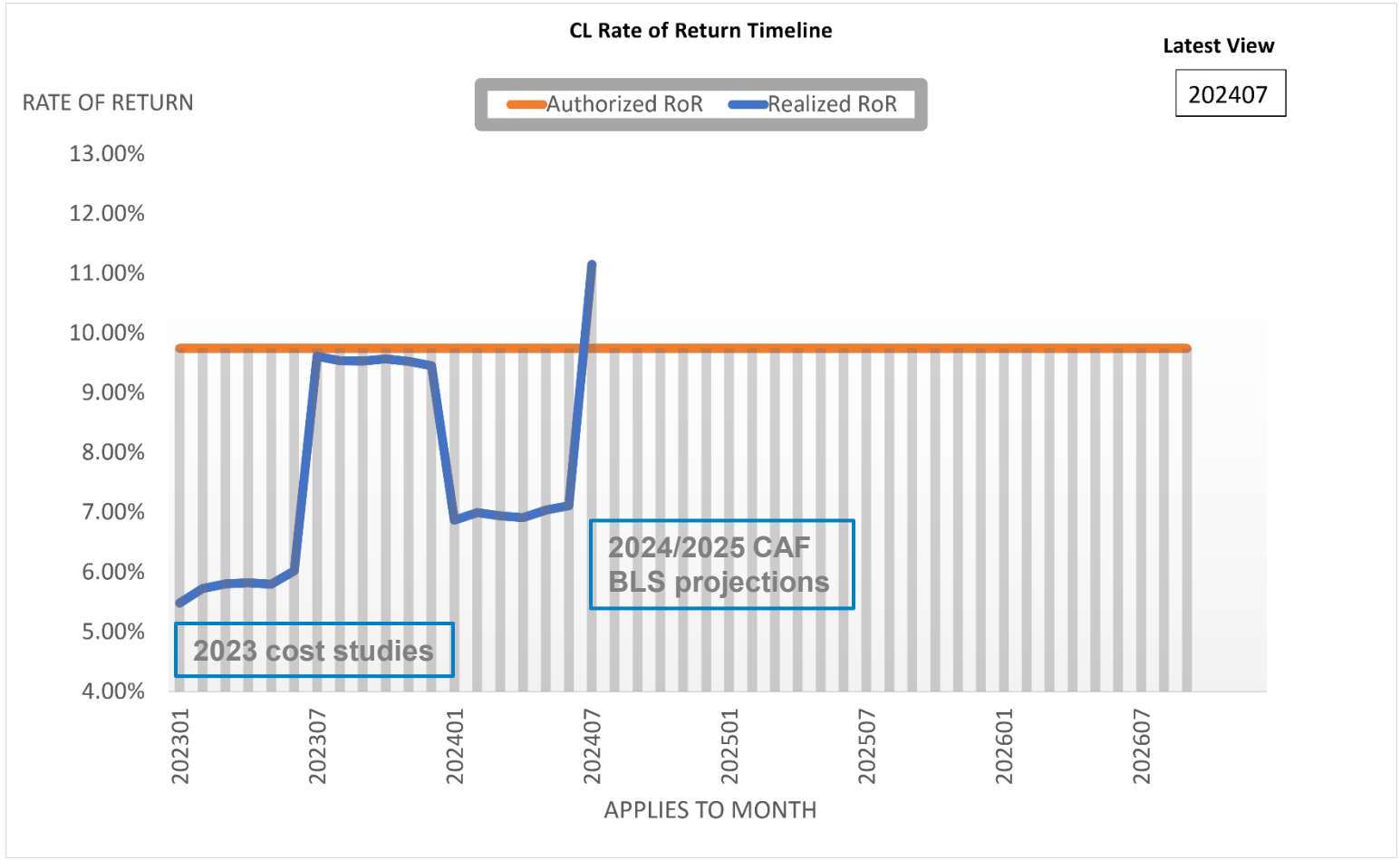
Rate-of-return impacts
CAF BLS true-up



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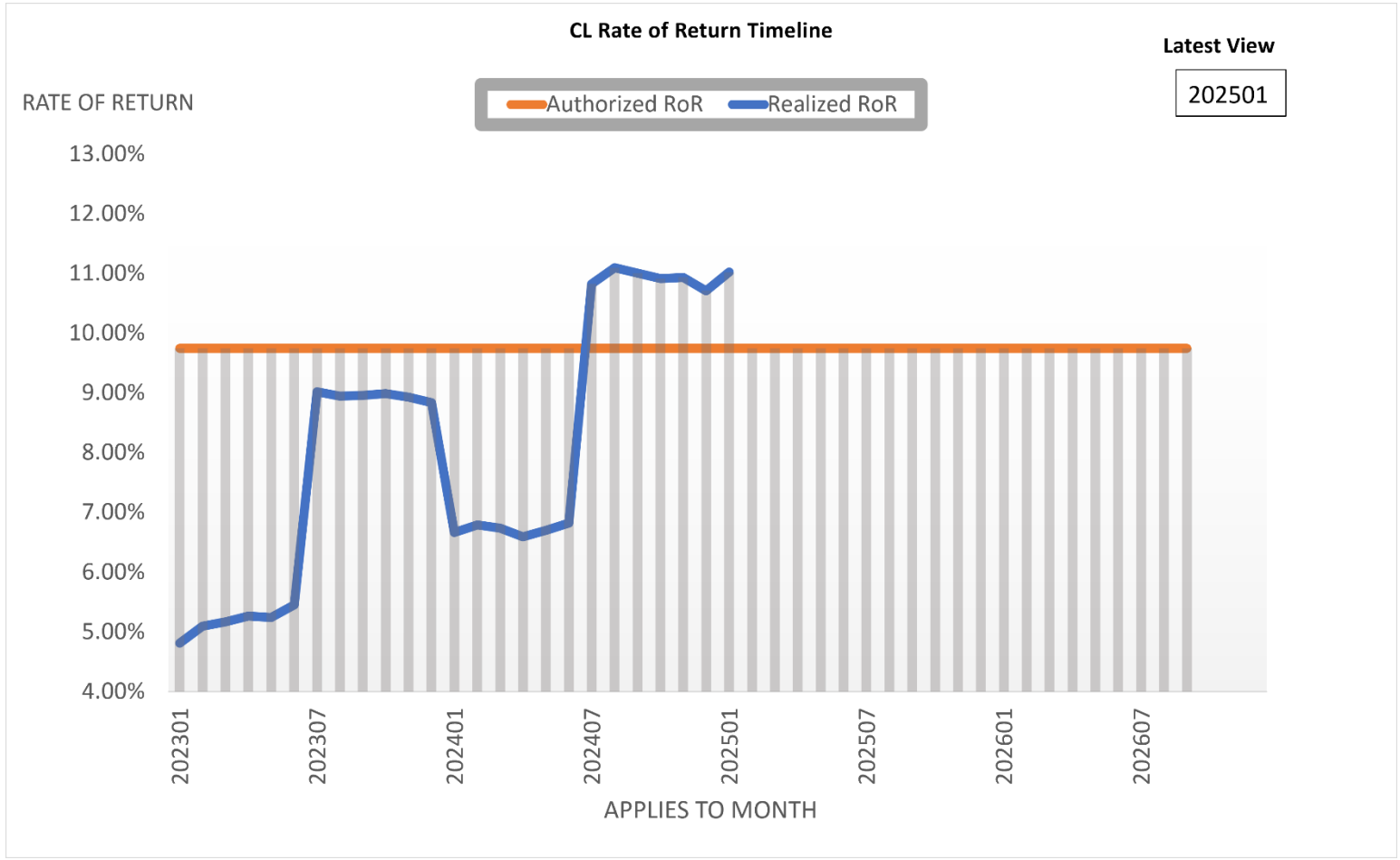
Rate-of-return impacts
CAF BLS true-up



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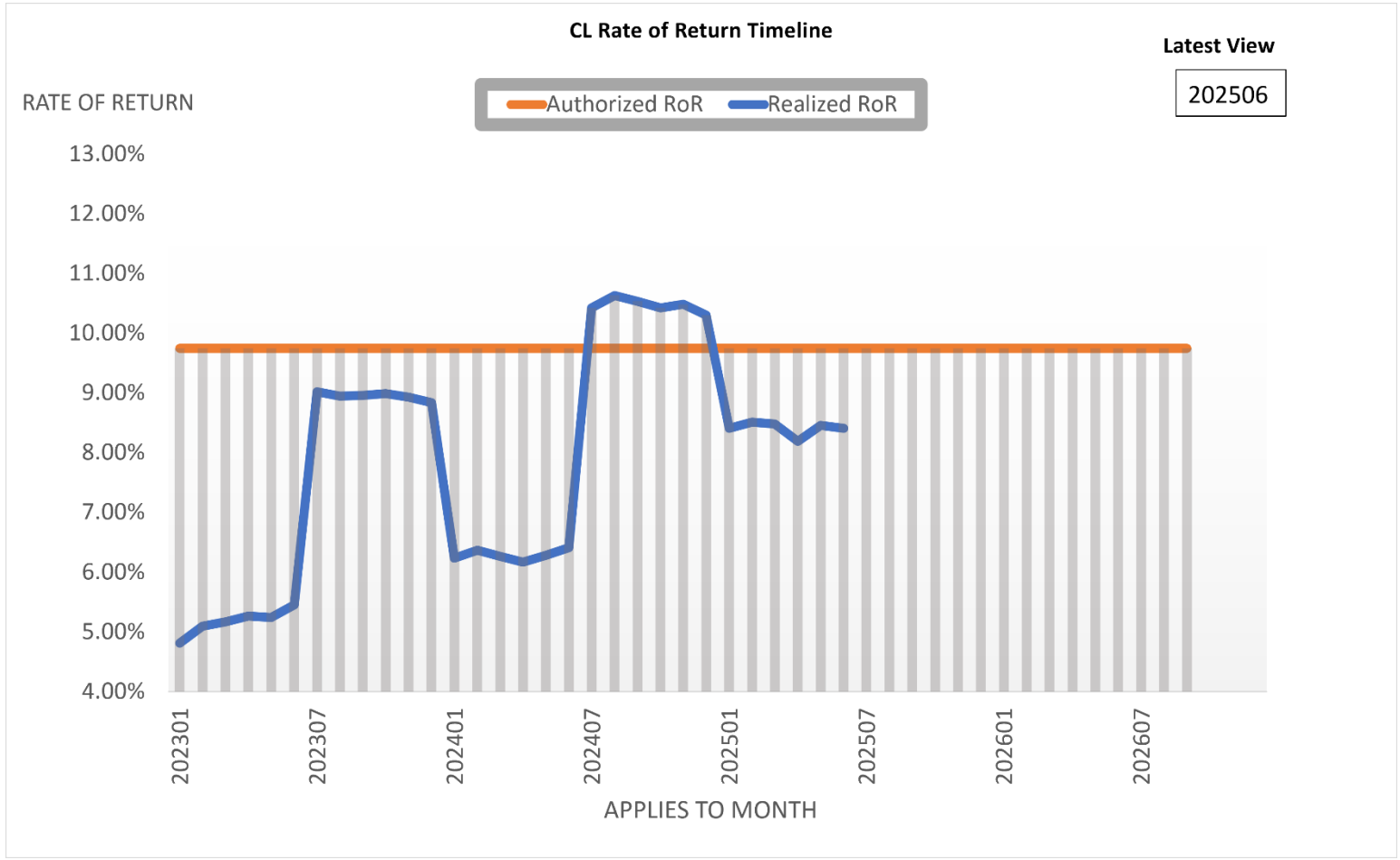
Rate-of-return impacts
CAF BLS true-up



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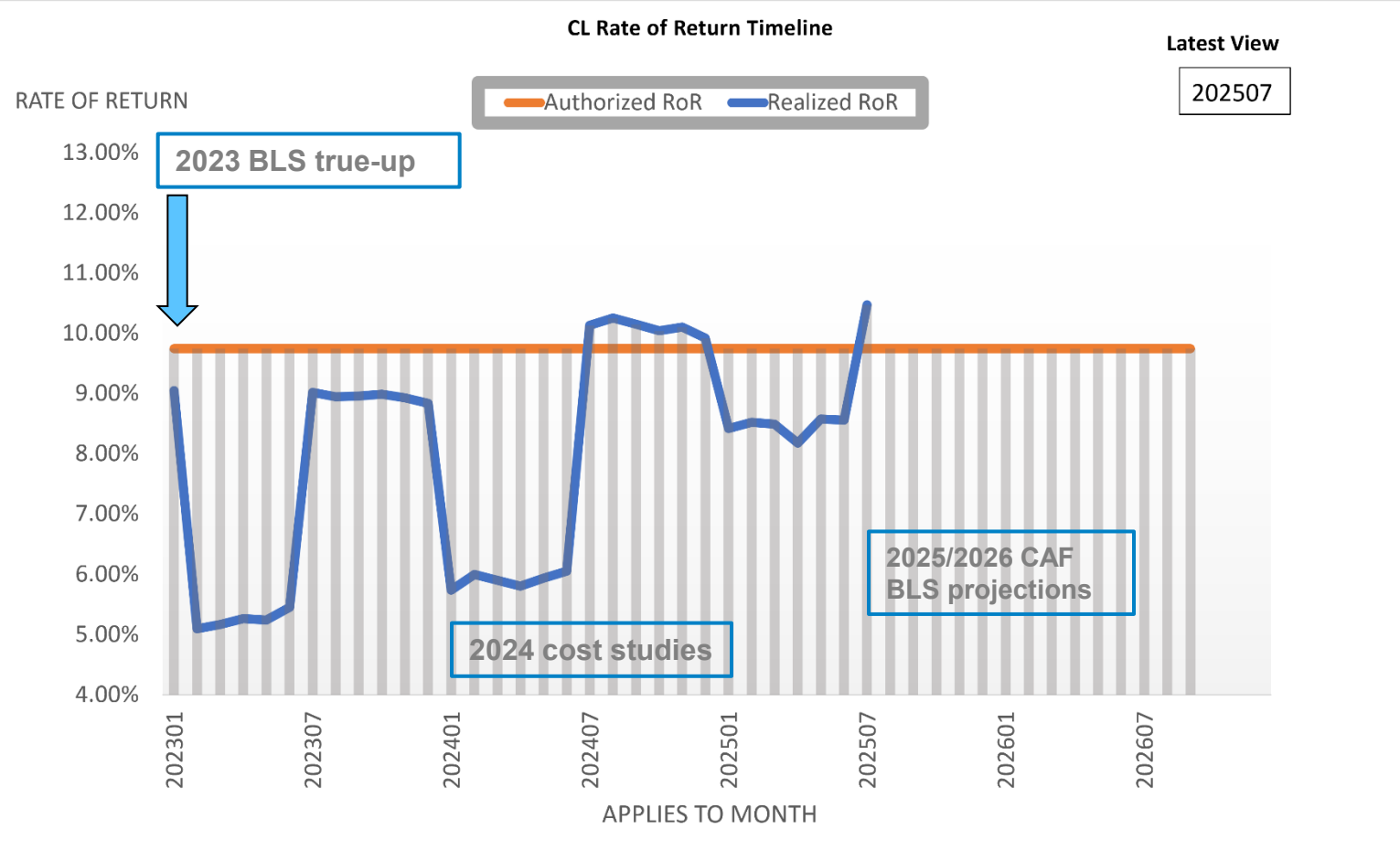
Rate-of-return impacts
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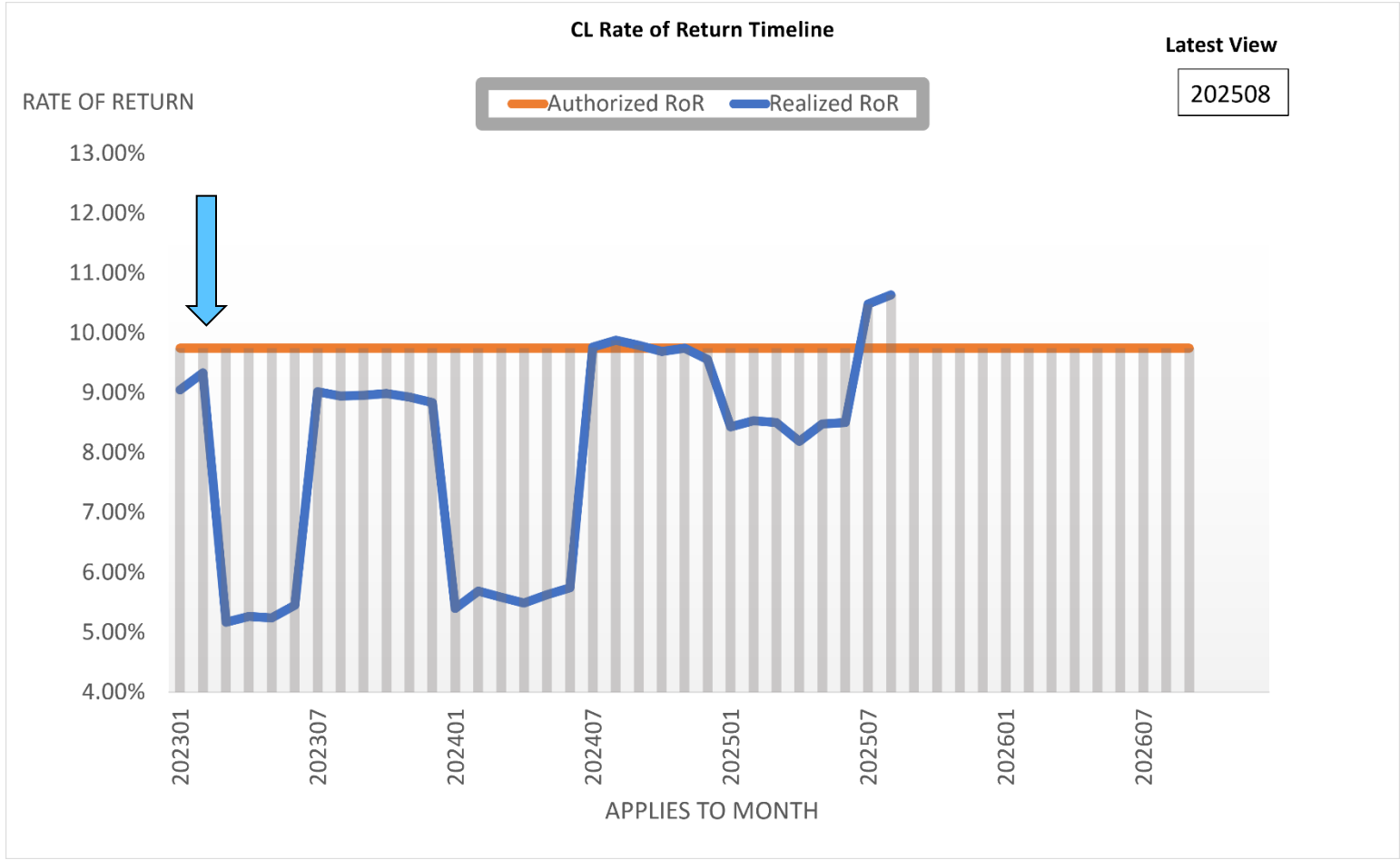
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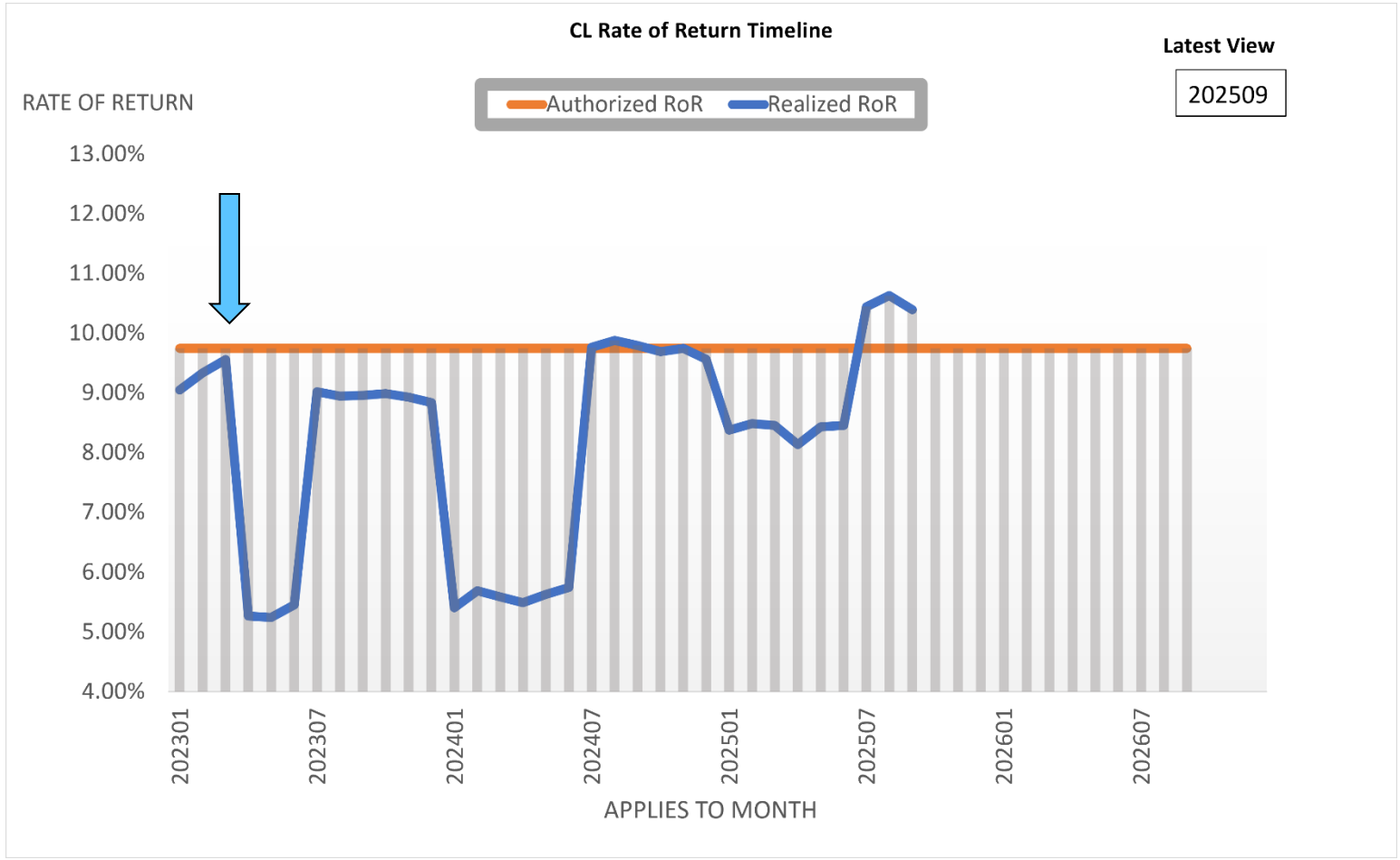
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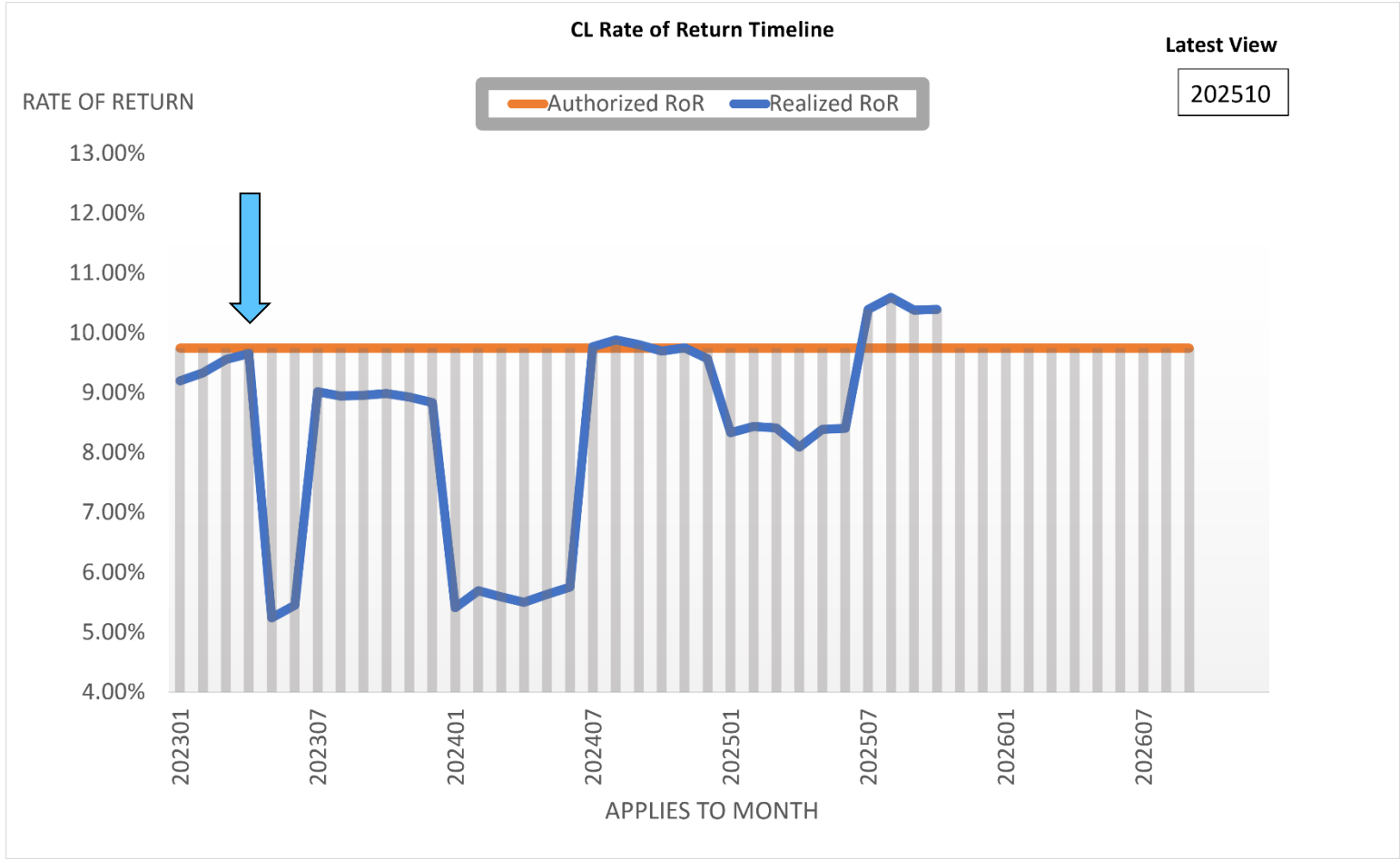
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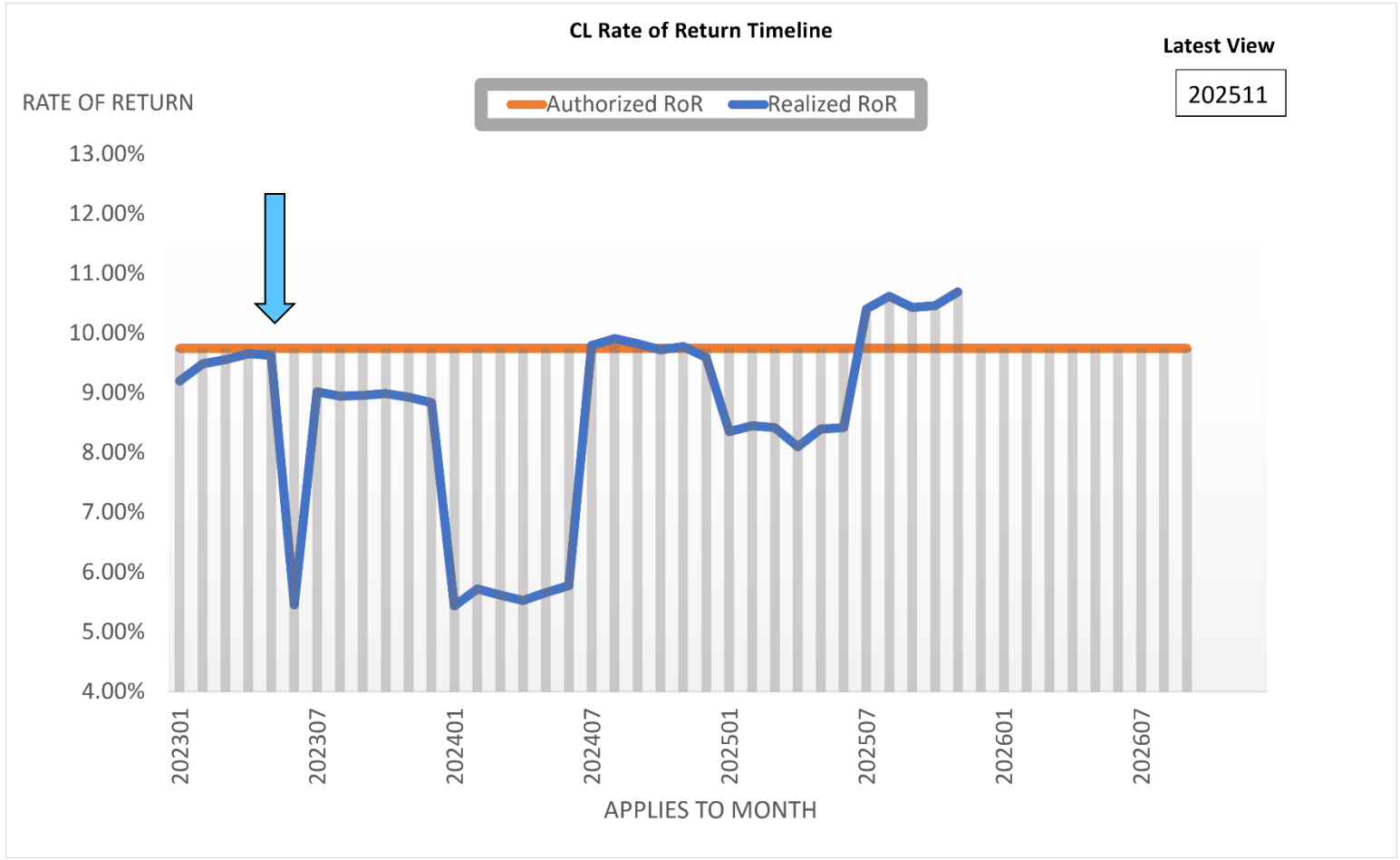
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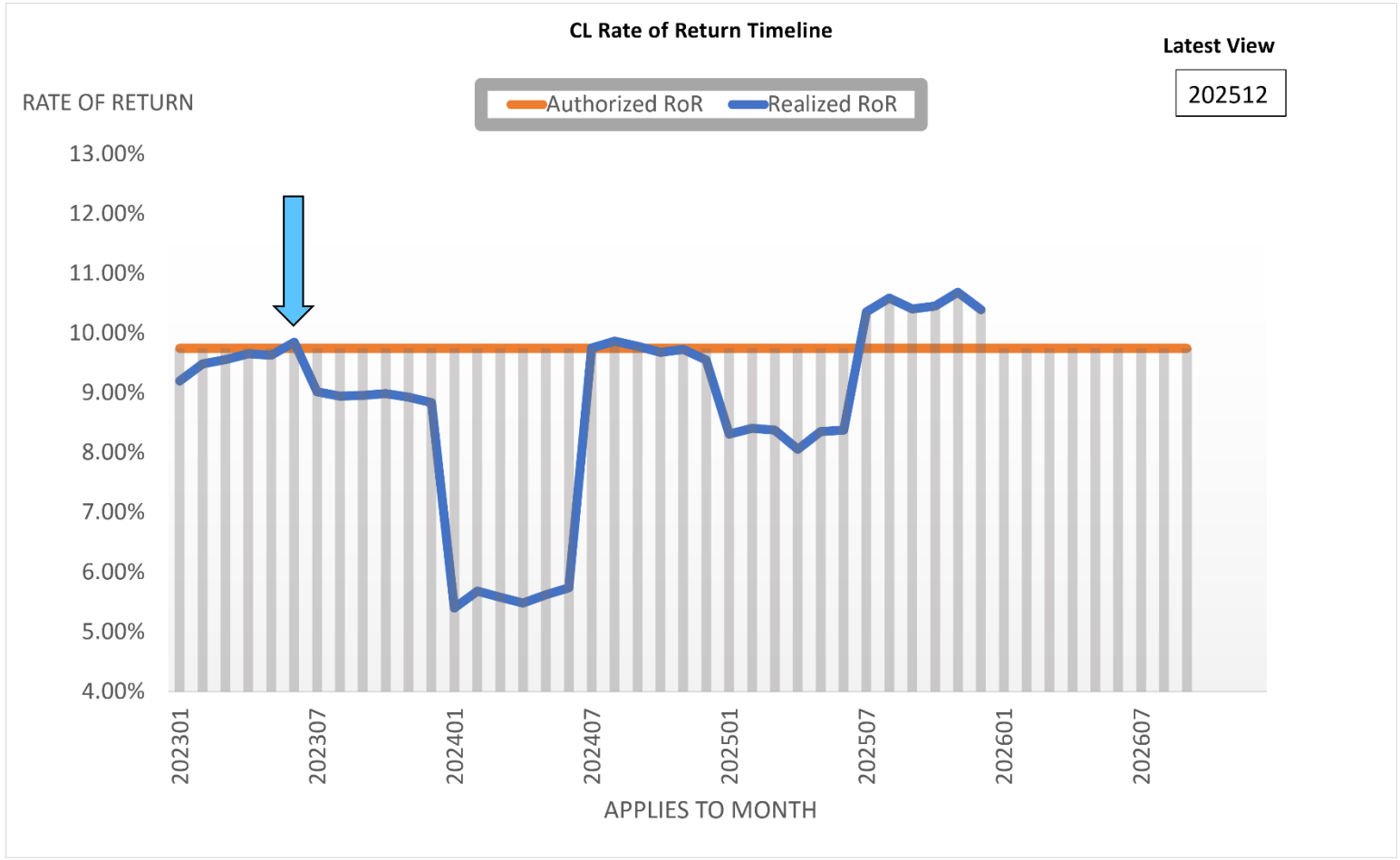
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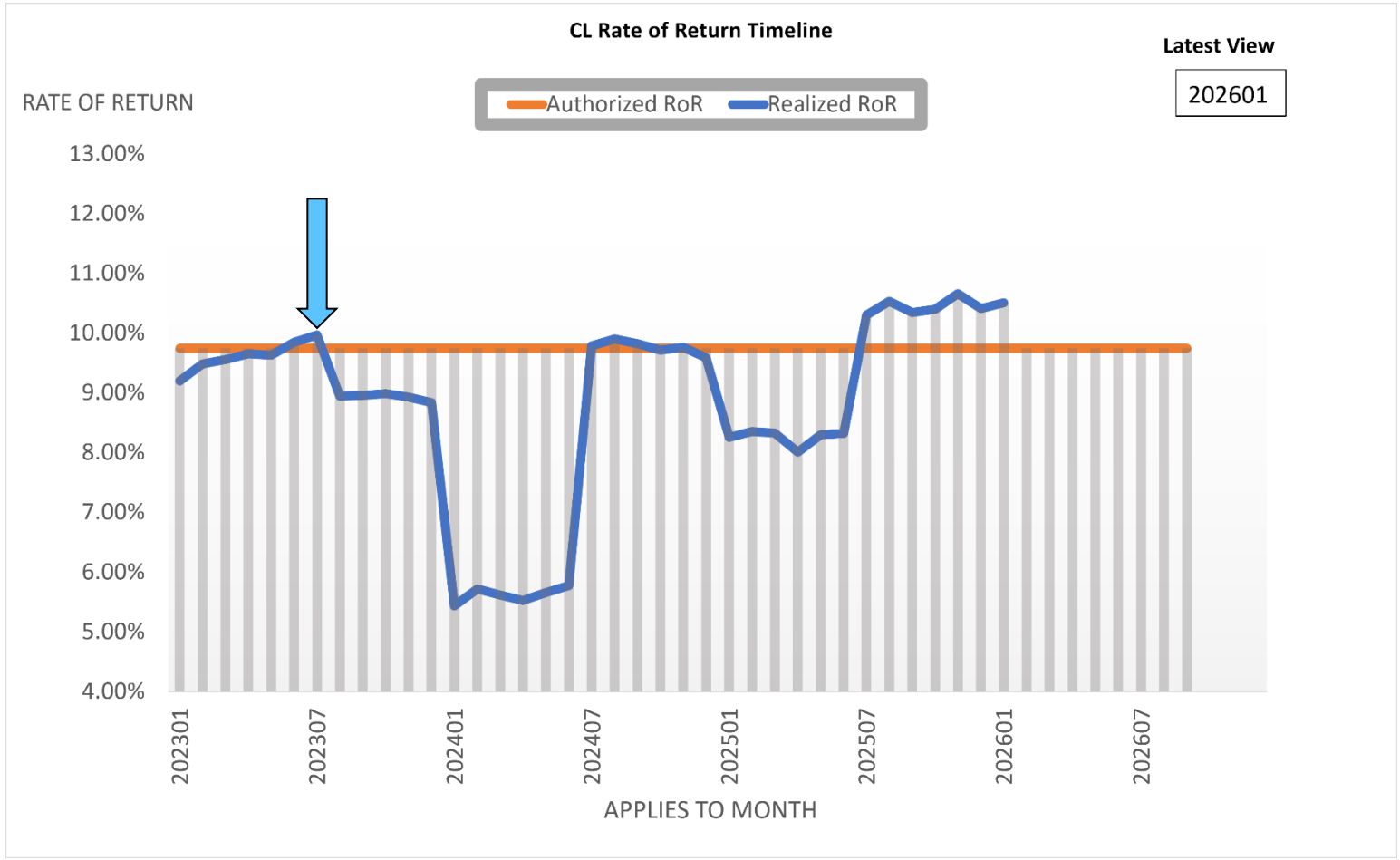
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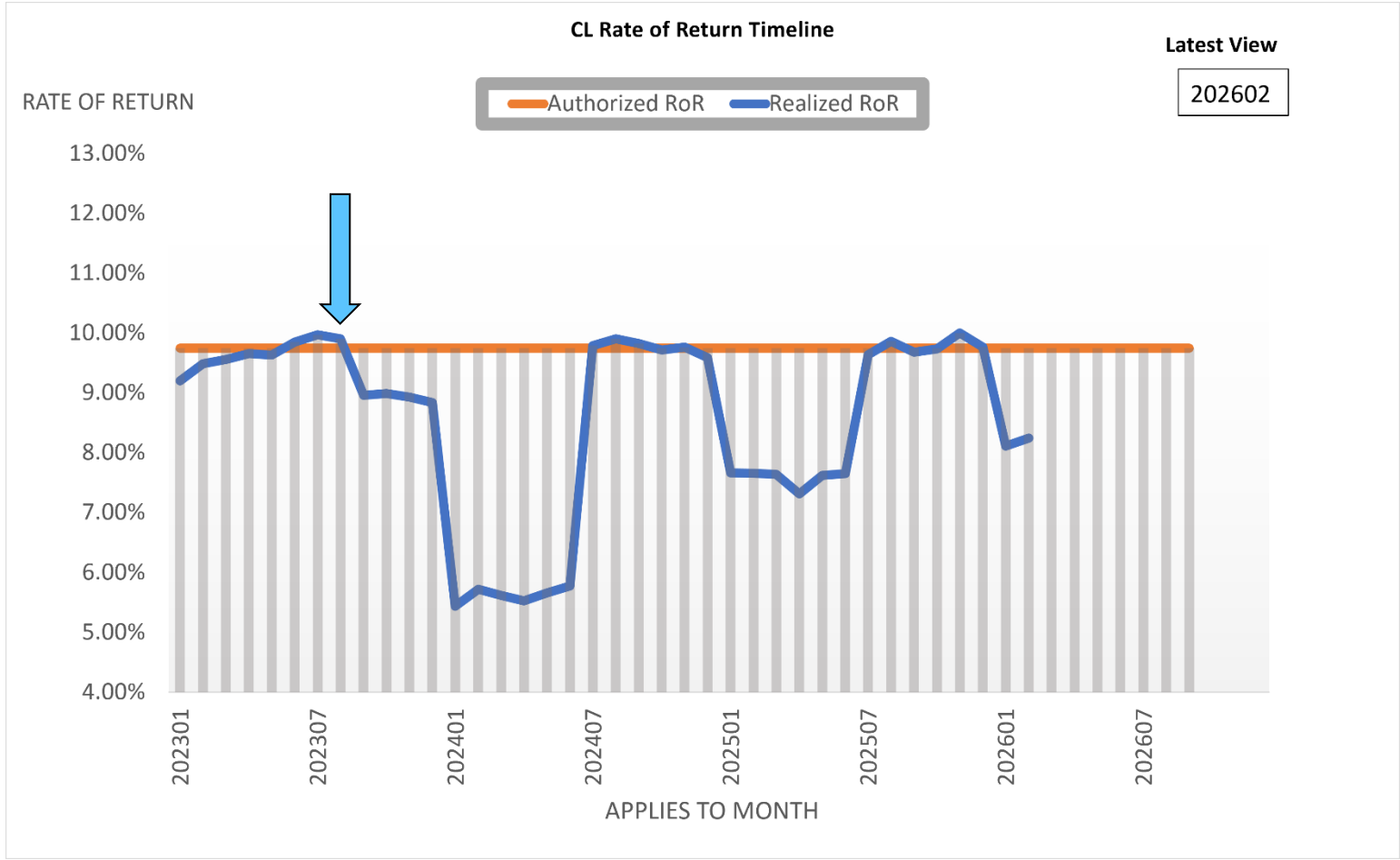
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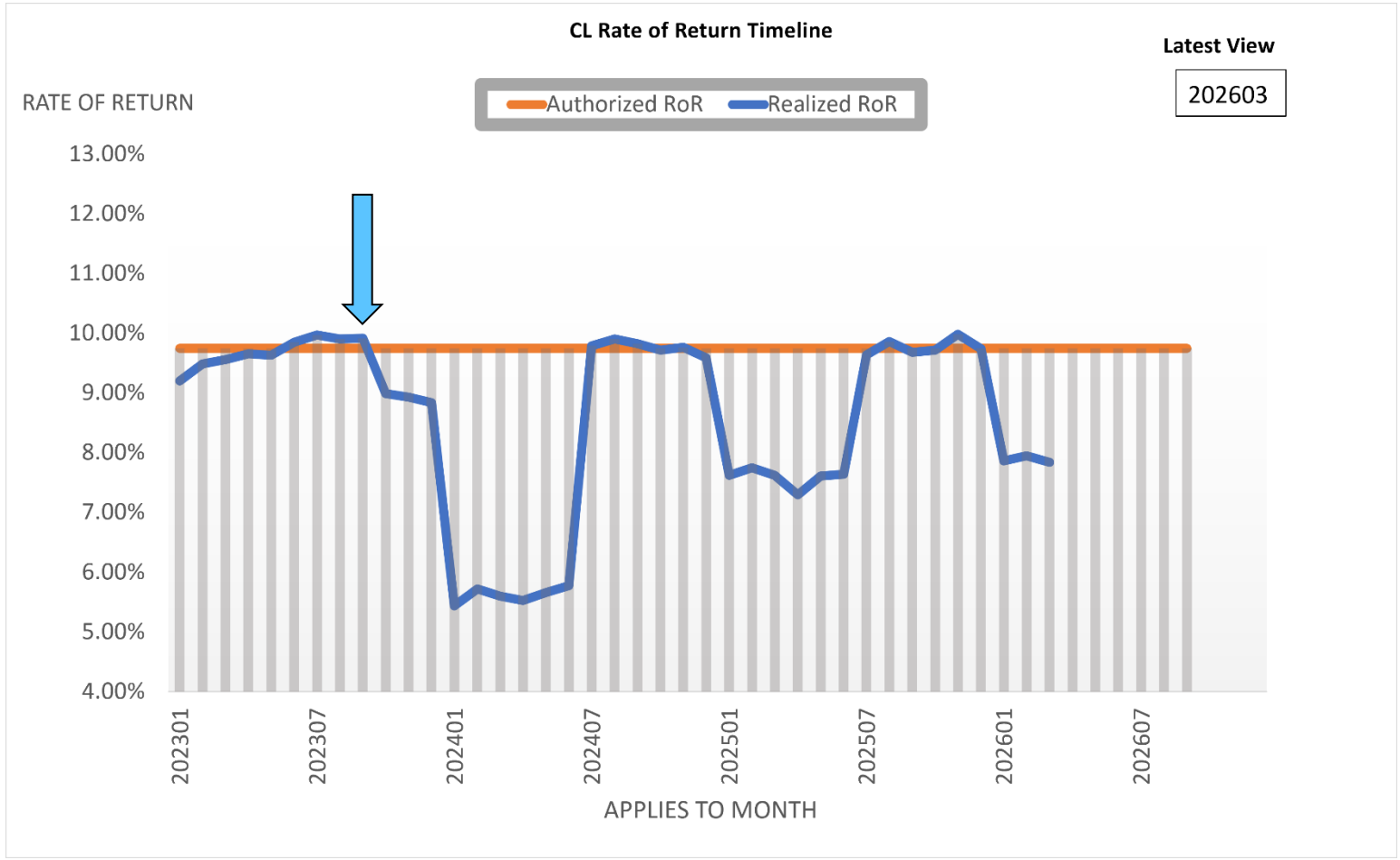
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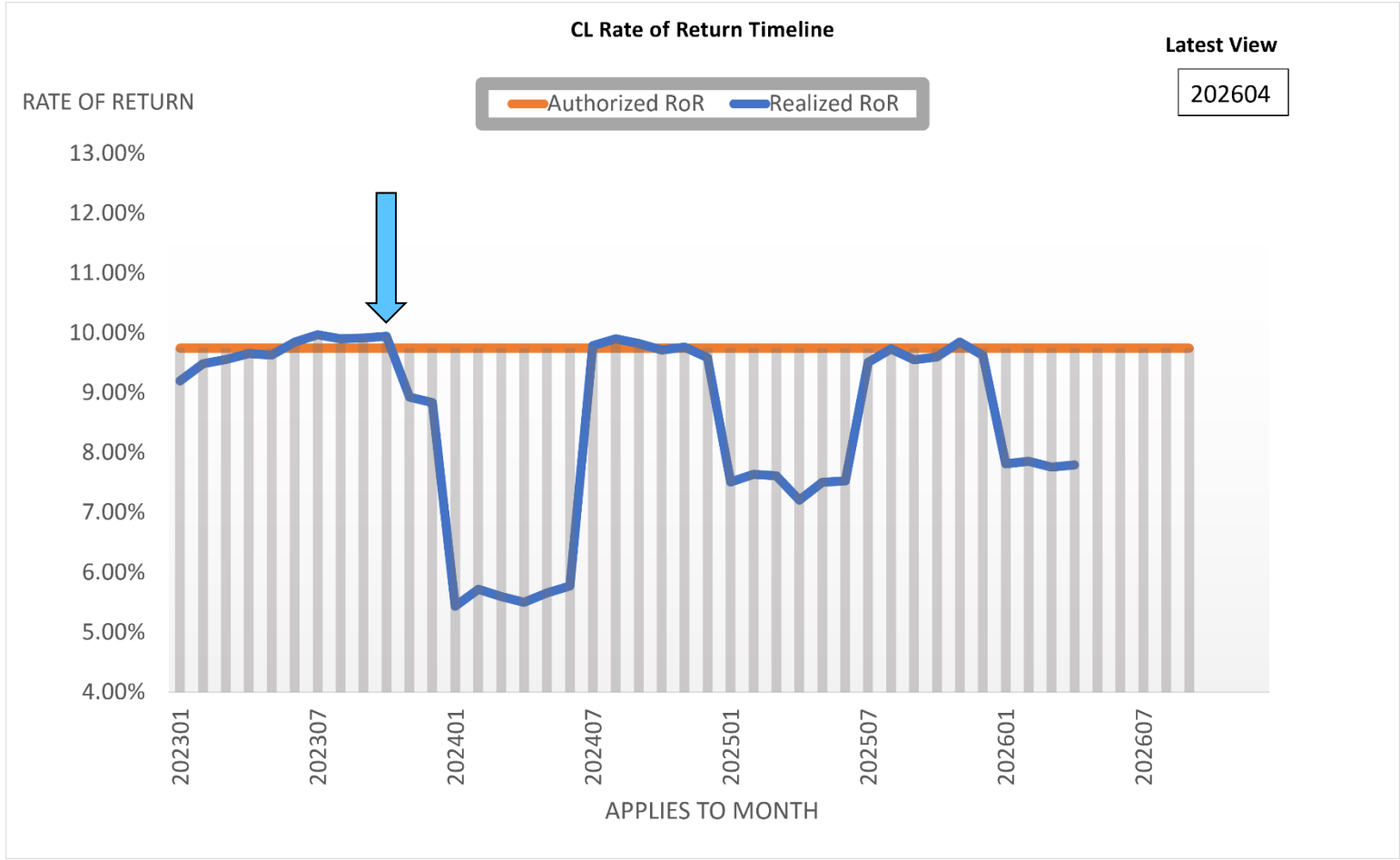
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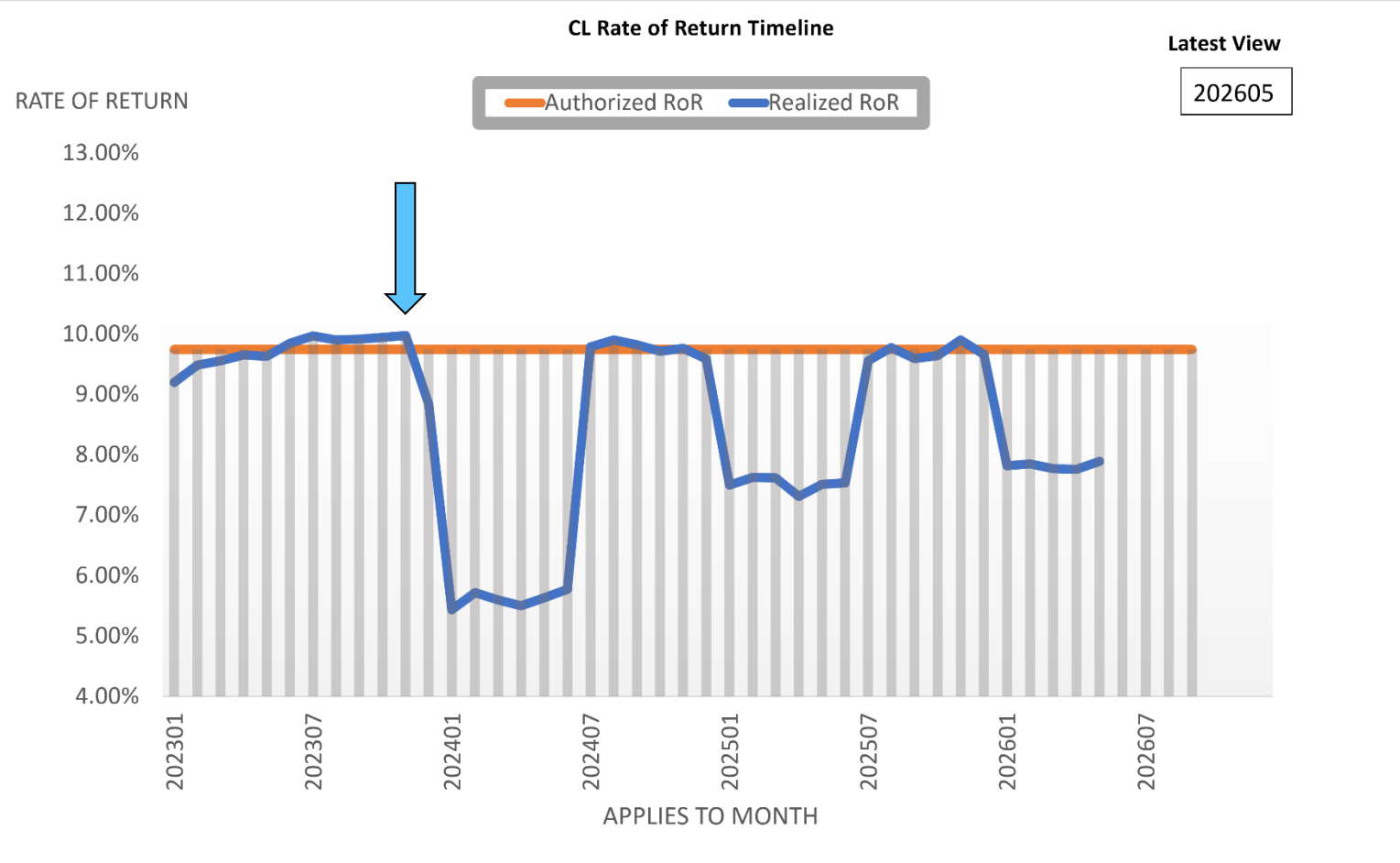
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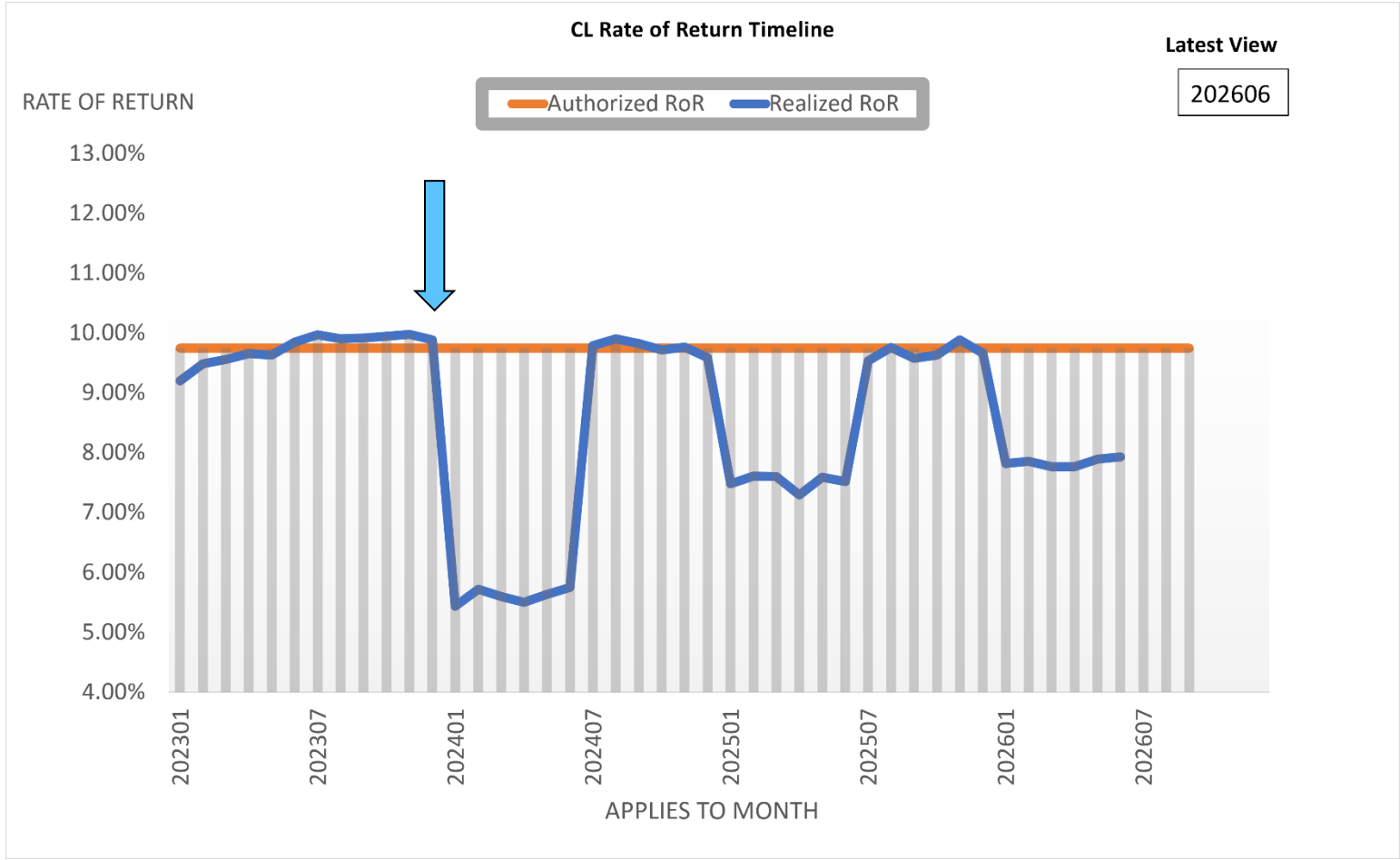
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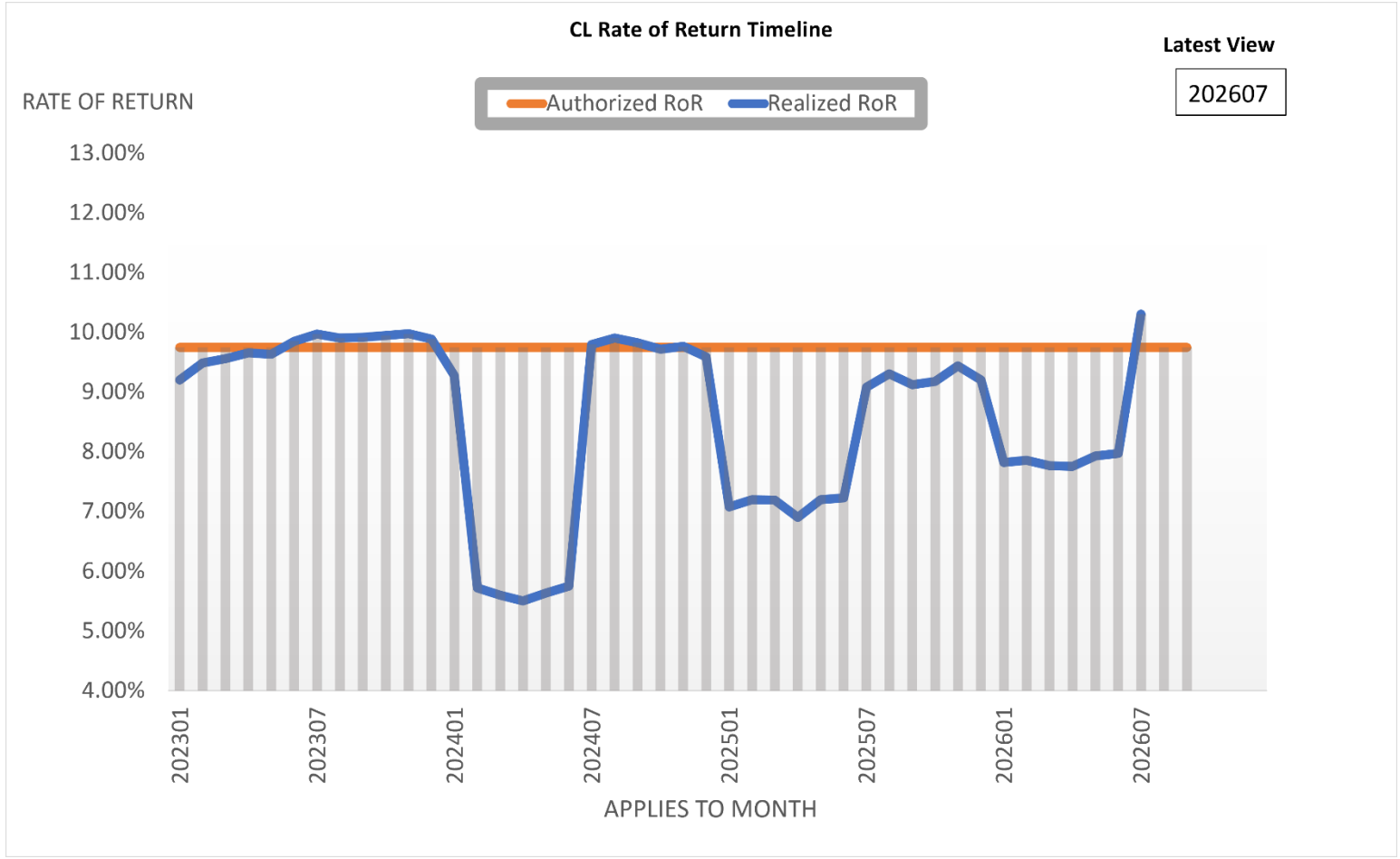
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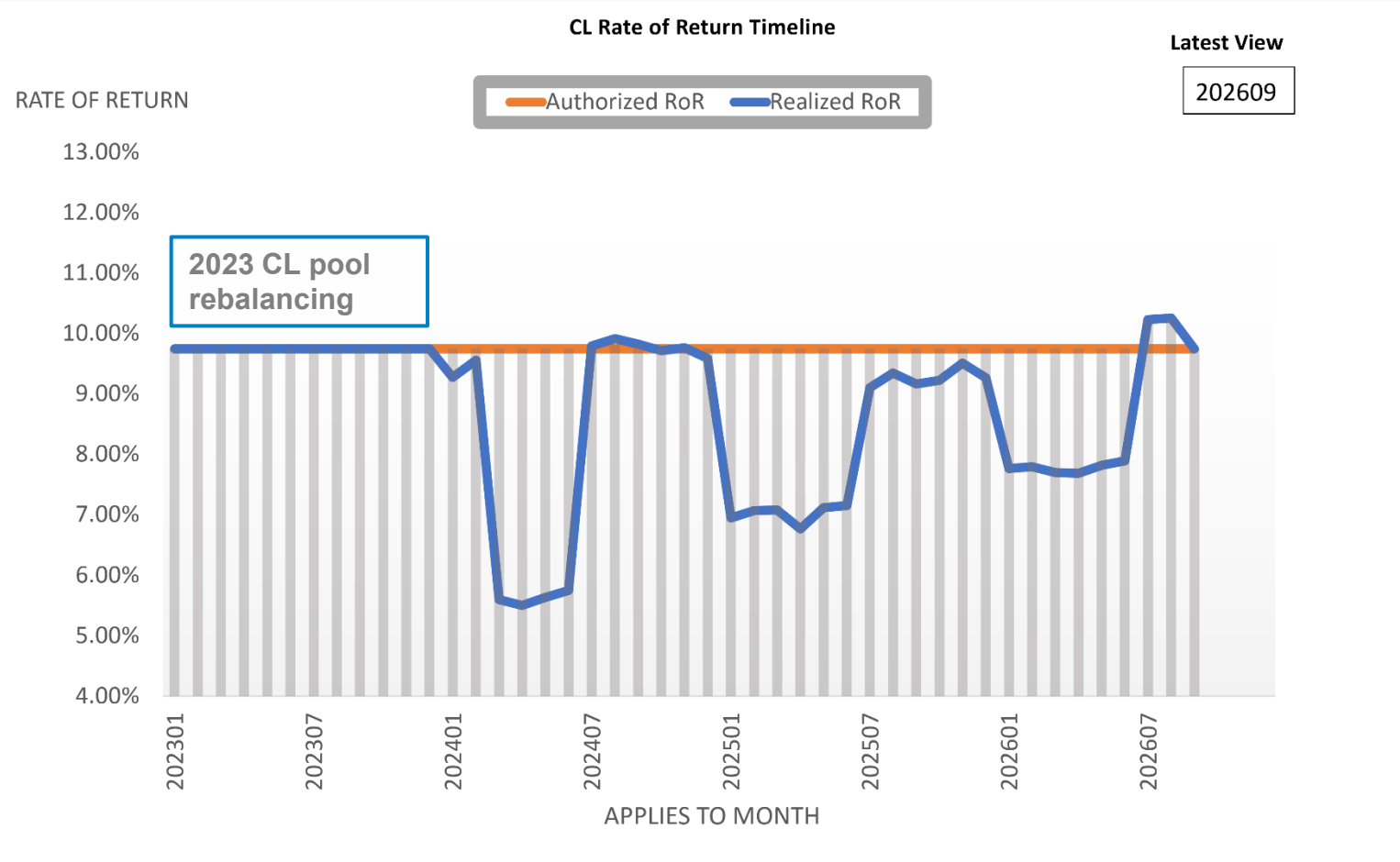
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Rate-of-return impacts
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Rate-of-return impacts
CL pool rebalancing

- CL return distributed equally 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 2026 NECA disbursement statements

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CAF BLS:

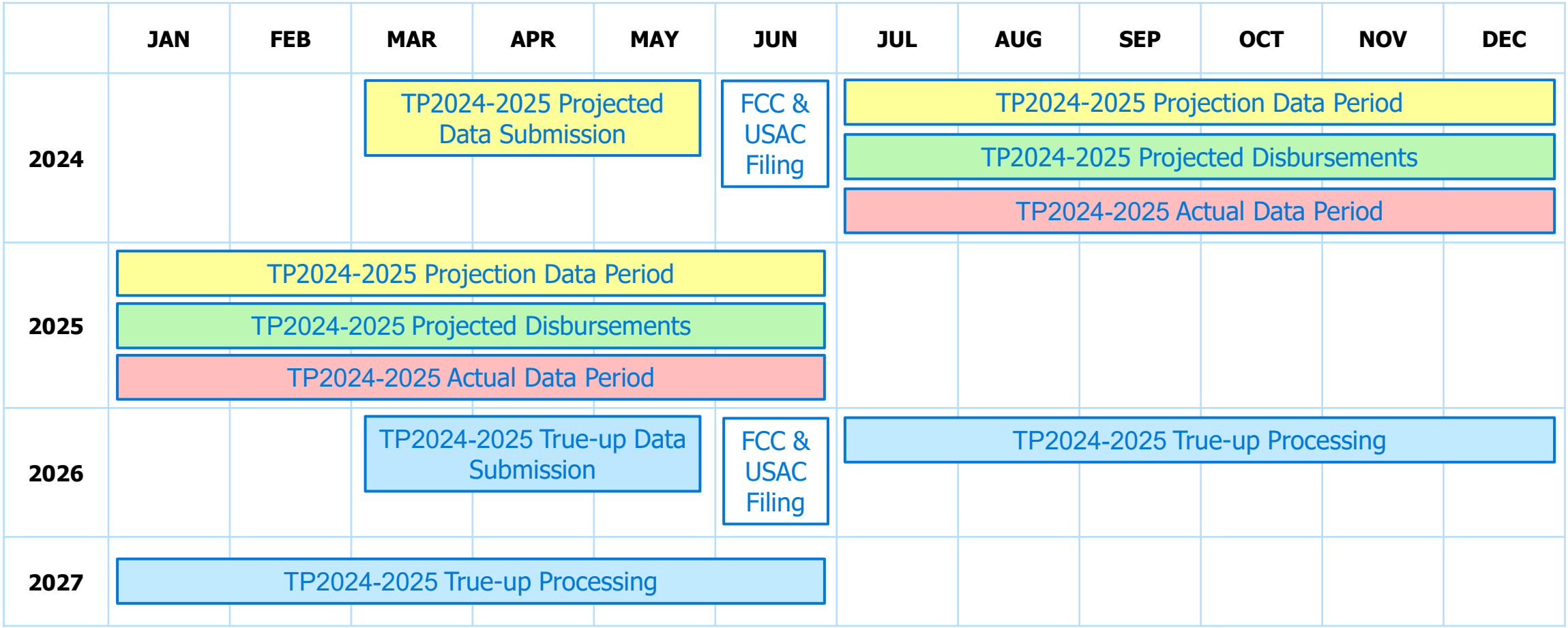
Current:

CAF BLS CBOL included in Current Net Balance Sep 2026	38,600.00 CR
CAF BLS V/D included in Current Net Balance Sep 2026	47,389.00 CR
CAF BLS Sep 2026	2.00
CAF BLS Current Period BCM Sep 2026	2,999.00
CAF BLS Current Period Cap Sep 2026	32,581.00
CAF BLS Prior Period Cap Sep 2026	9,337.00
CAF BLS CBOL included in Adjustment Net Balance Mar 2024	8,991.00 CR
CAF BLS V/D included in Adjustment Net Balance Mar 2024	16,798.00 CR
CAF BLS V/D included in Adjustment Net Balance Dec 2023	839.00
CAF BLS V/D included in Adjustment Net Balance Nov 2023	1,224.00
CAF BLS V/D included in Adjustment Net Balance Oct 2023	1,502.00
CAF BLS V/D included in Adjustment Net Balance Sep 2023	1,050.00
CAF BLS V/D included in Adjustment Net Balance Aug 2023	91.00 CR
CAF BLS V/D included in Adjustment Net Balance Jul 2023	369.00
CAF BLS V/D included in Adjustment Net Balance Jun 2023	391.00
CAF BLS V/D included in Adjustment Net Balance May 2023	357.00 CR
CAF BLS V/D included in Adjustment Net Balance Apr 2023	1,022.00 CR
CAF BLS V/D included in Adjustment Net Balance Mar 2023	1,234.00 CR
CAF BLS V/D included in Adjustment Net Balance Feb 2023	1,099.00 CR
CAF BLS V/D included in Adjustment Net Balance Jan 2023	1,572.00 CR

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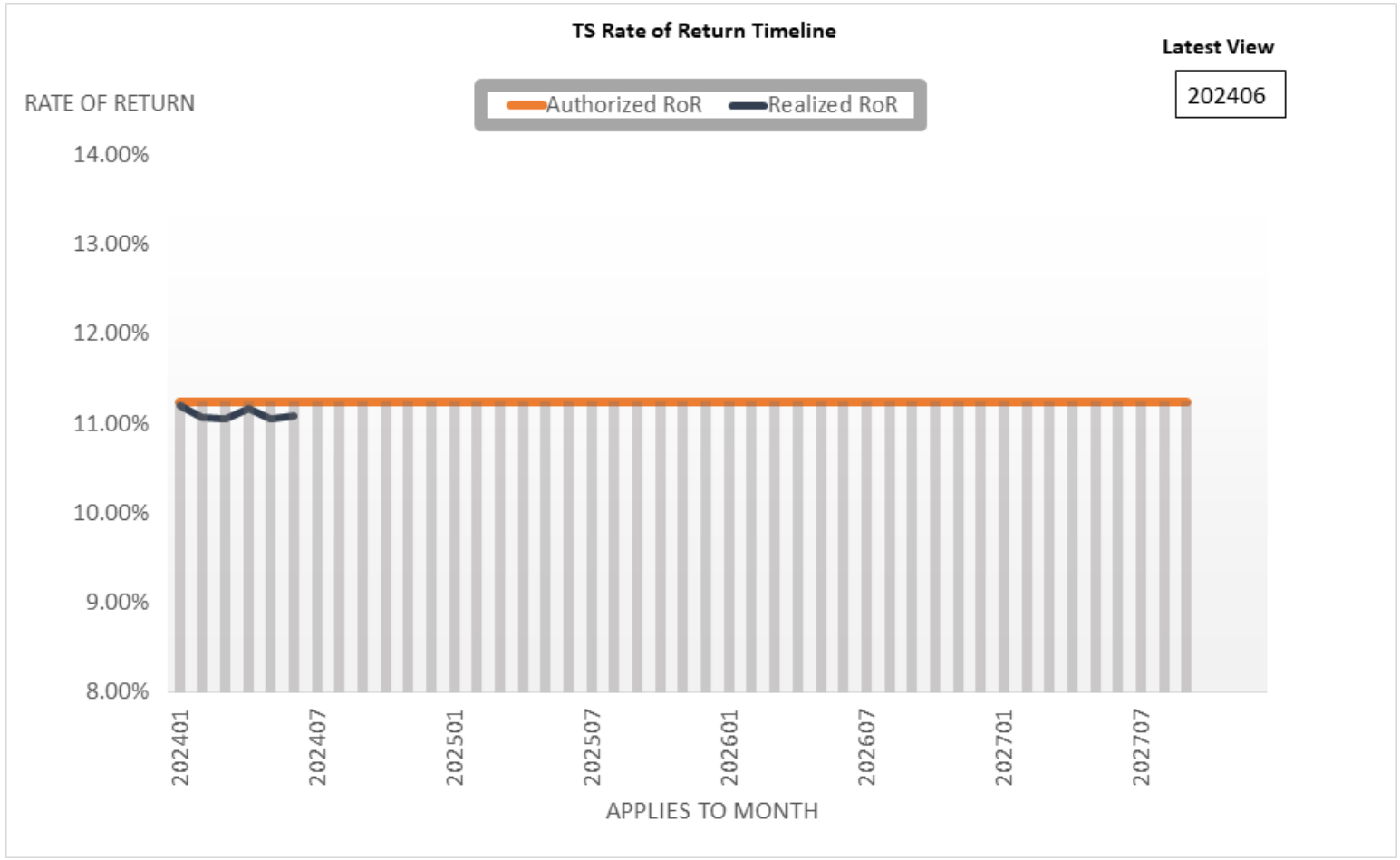
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Rate-of-return impacts
CAF ICC cash flow timeline



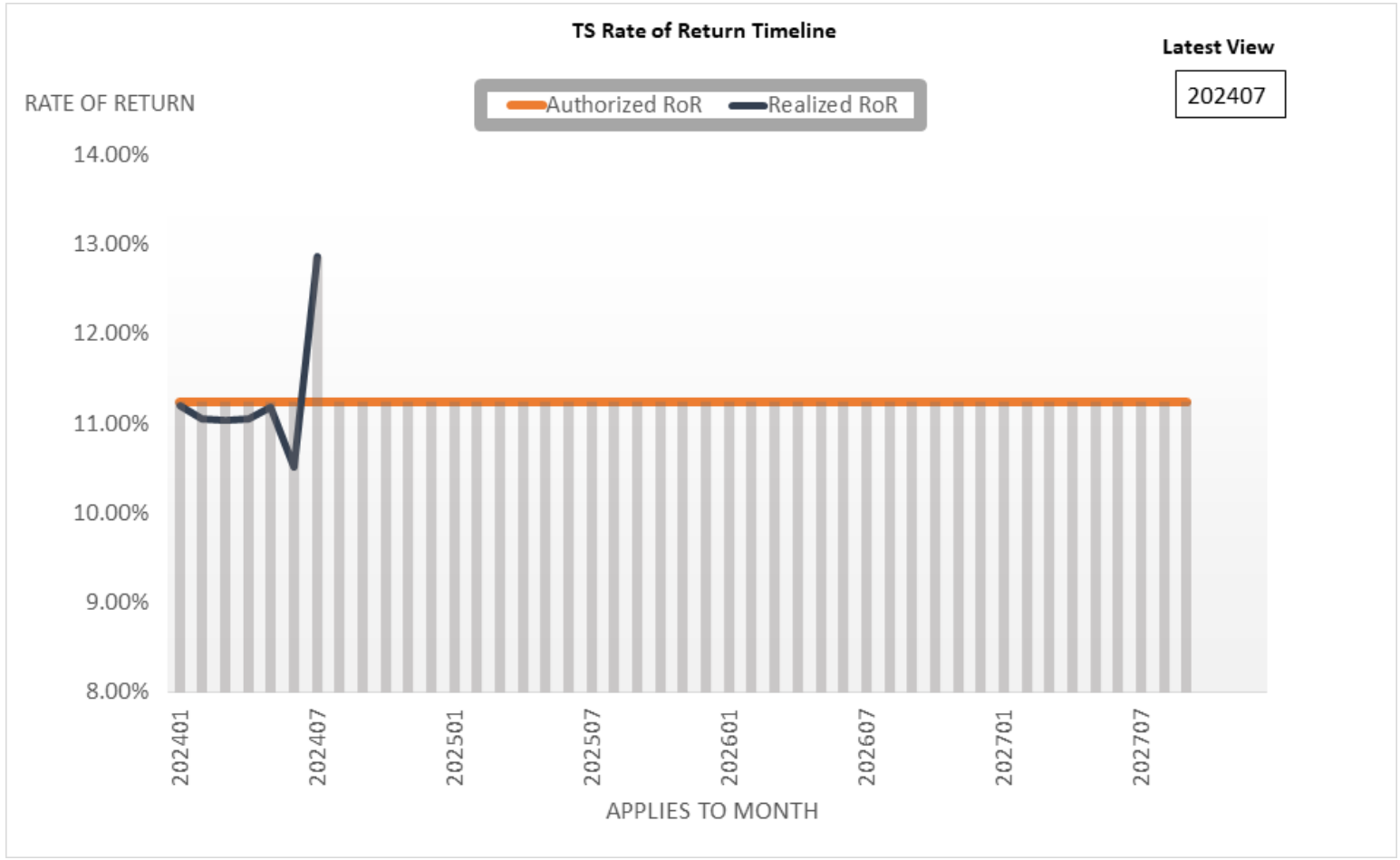
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Rate-of-return impacts
CAF ICC true-up



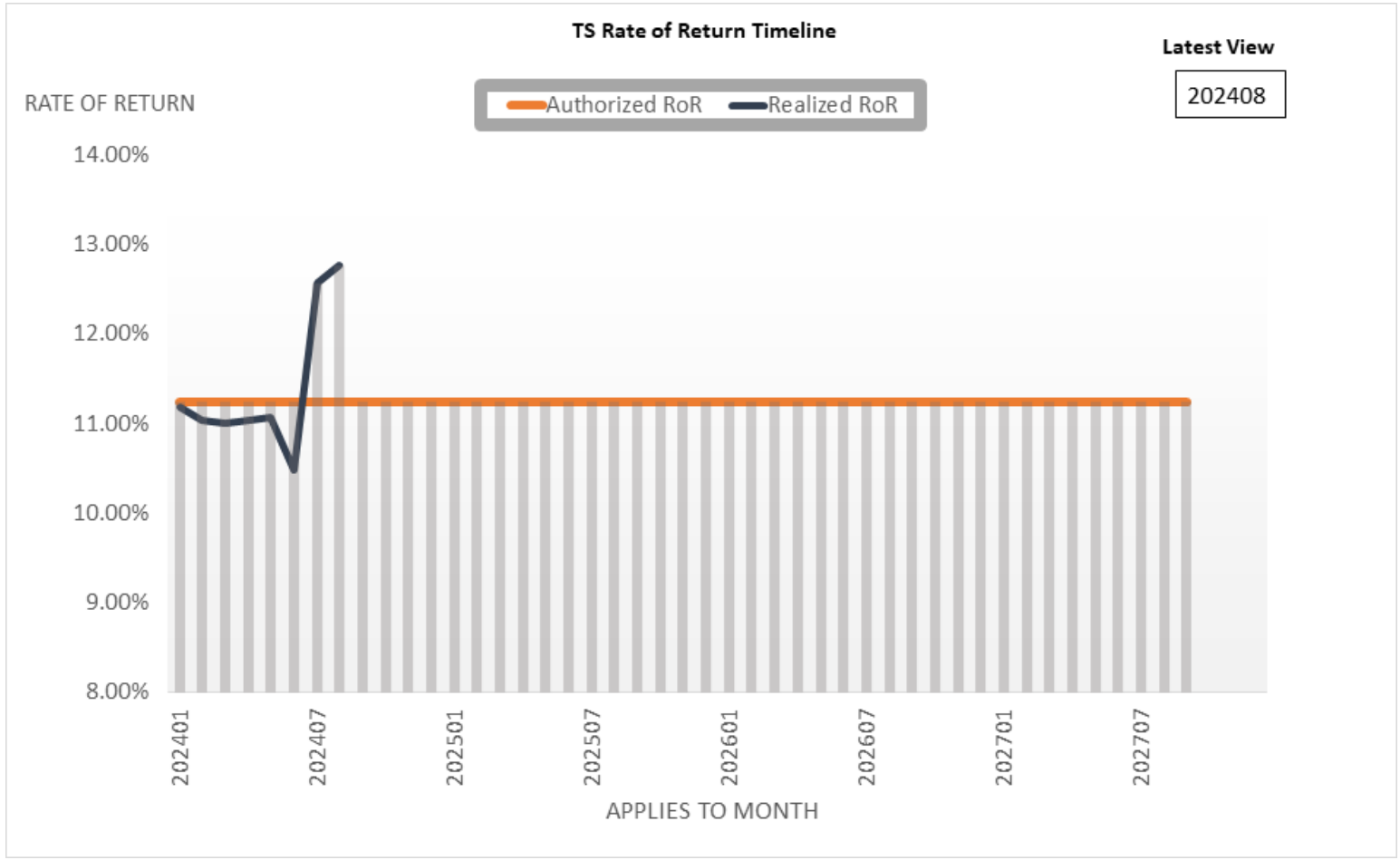
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Rate-of-return impacts
CAF ICC true-up



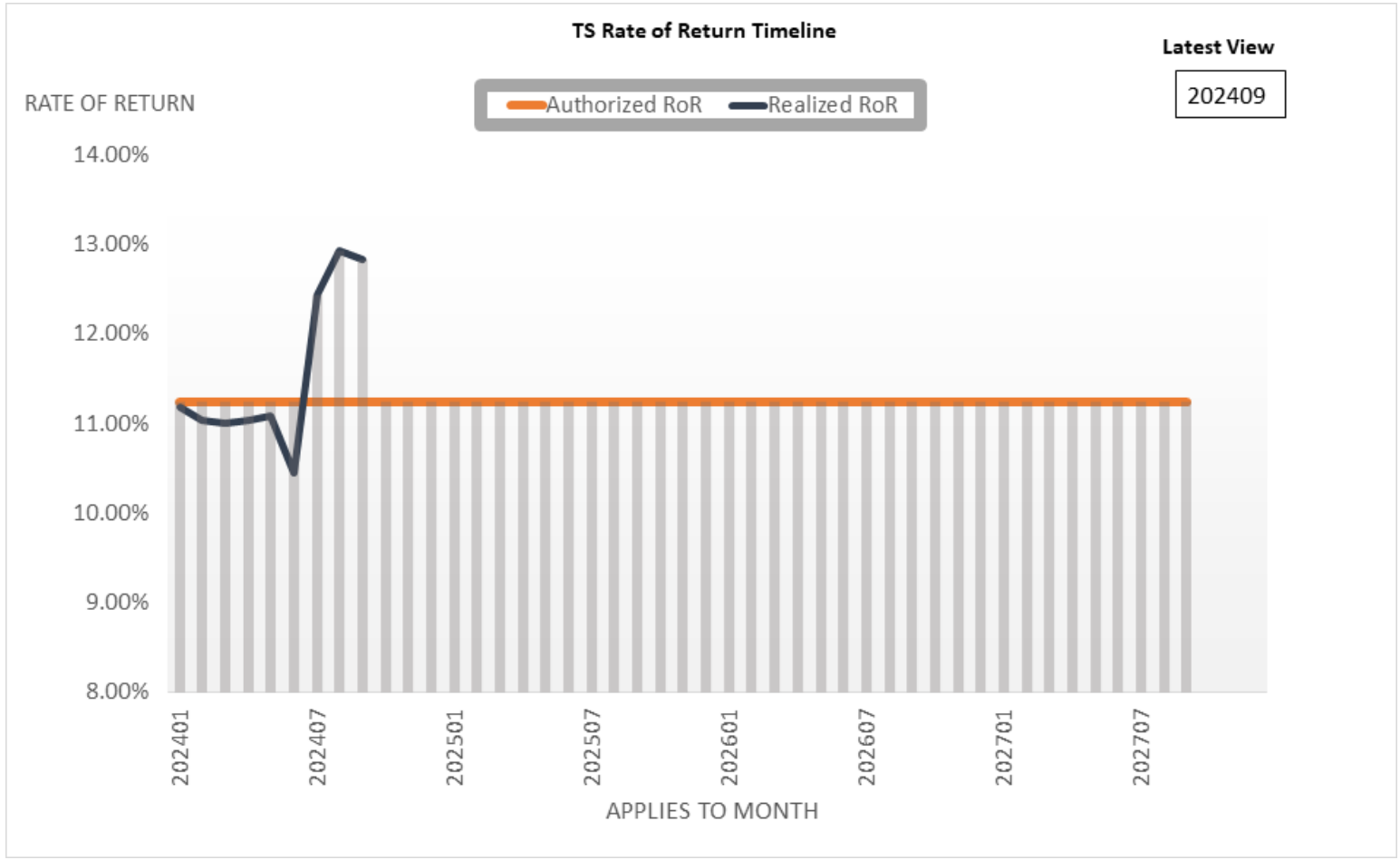
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Rate-of-return impacts
CAF ICC true-up



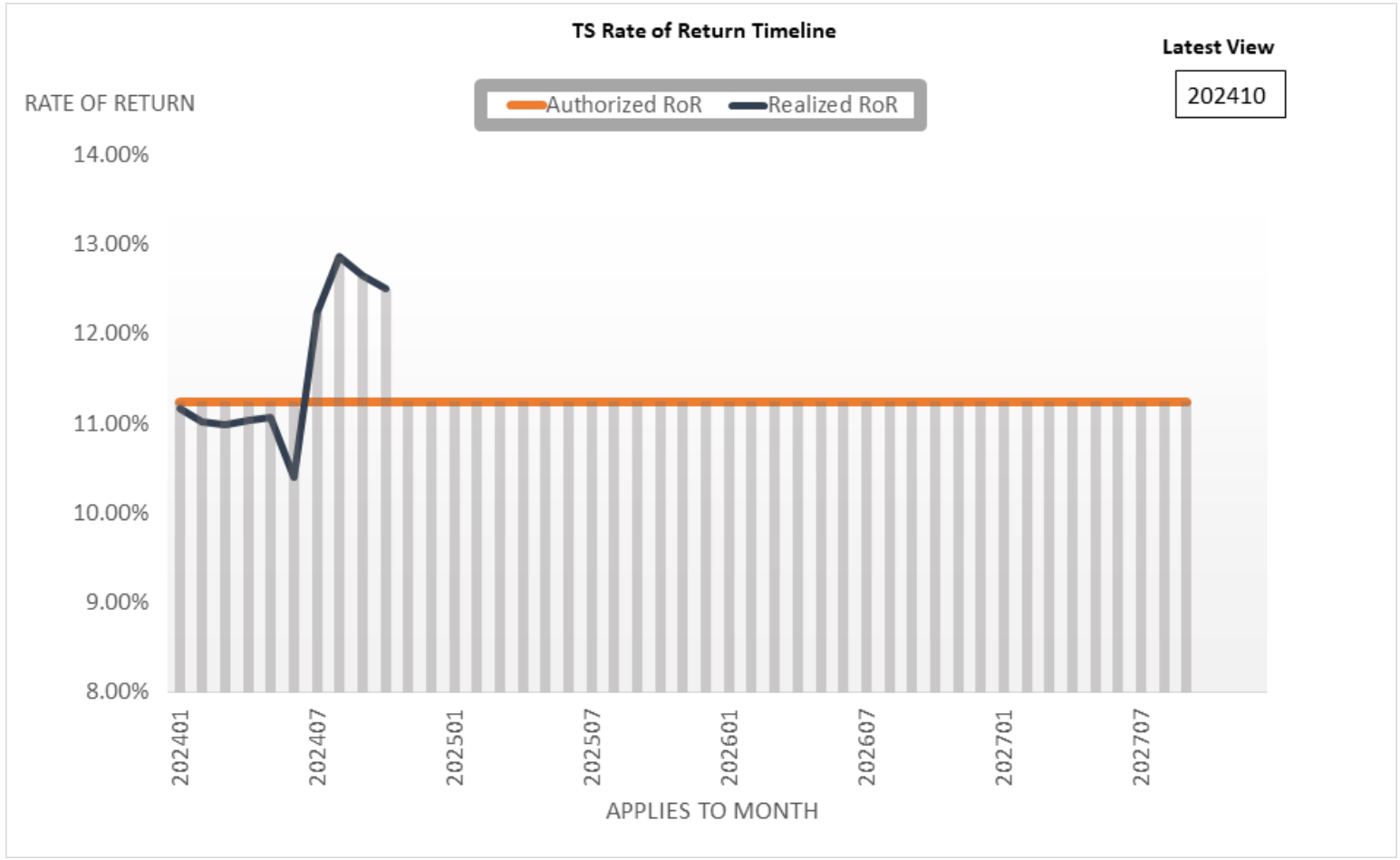
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Rate-of-return impacts
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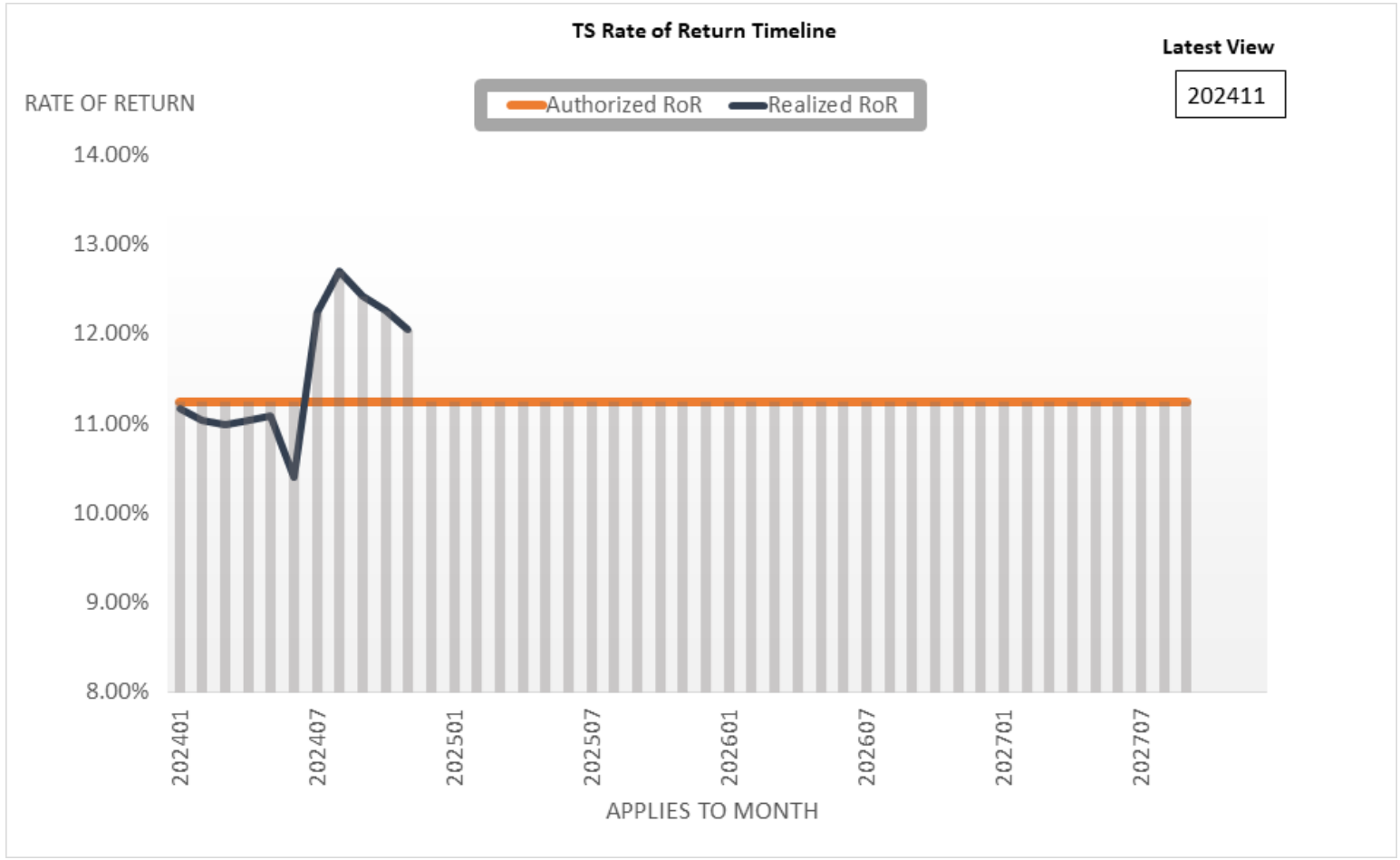
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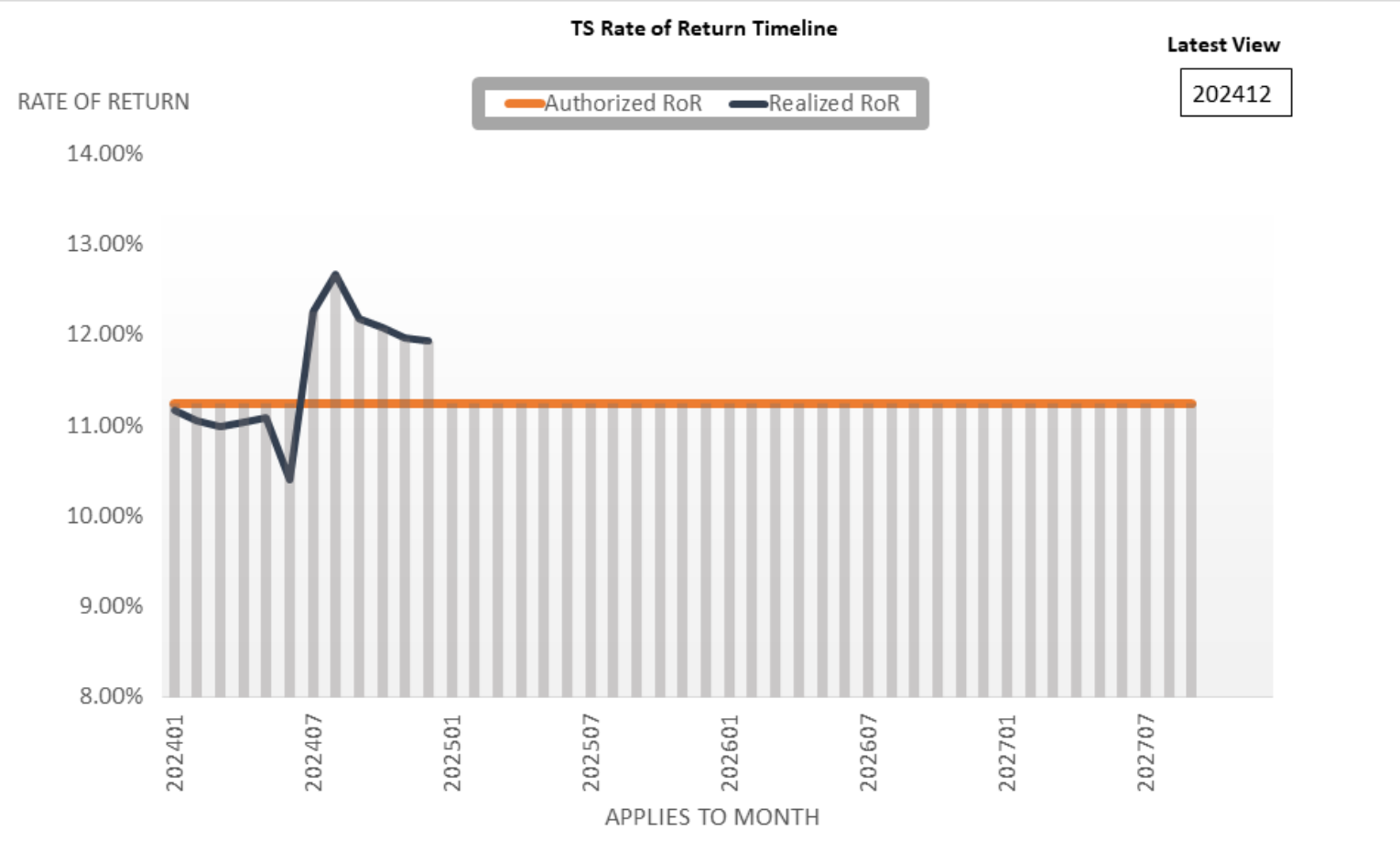
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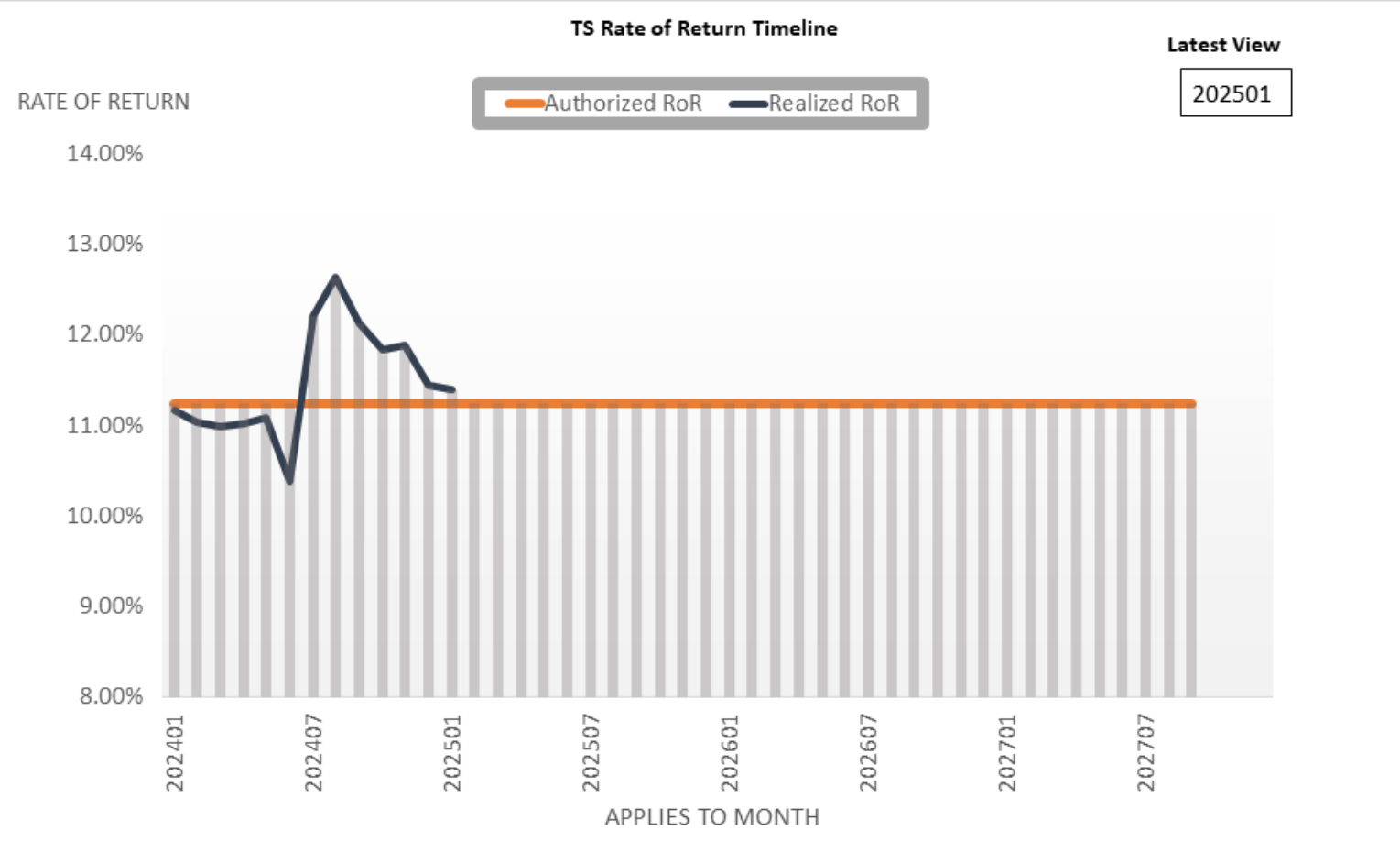
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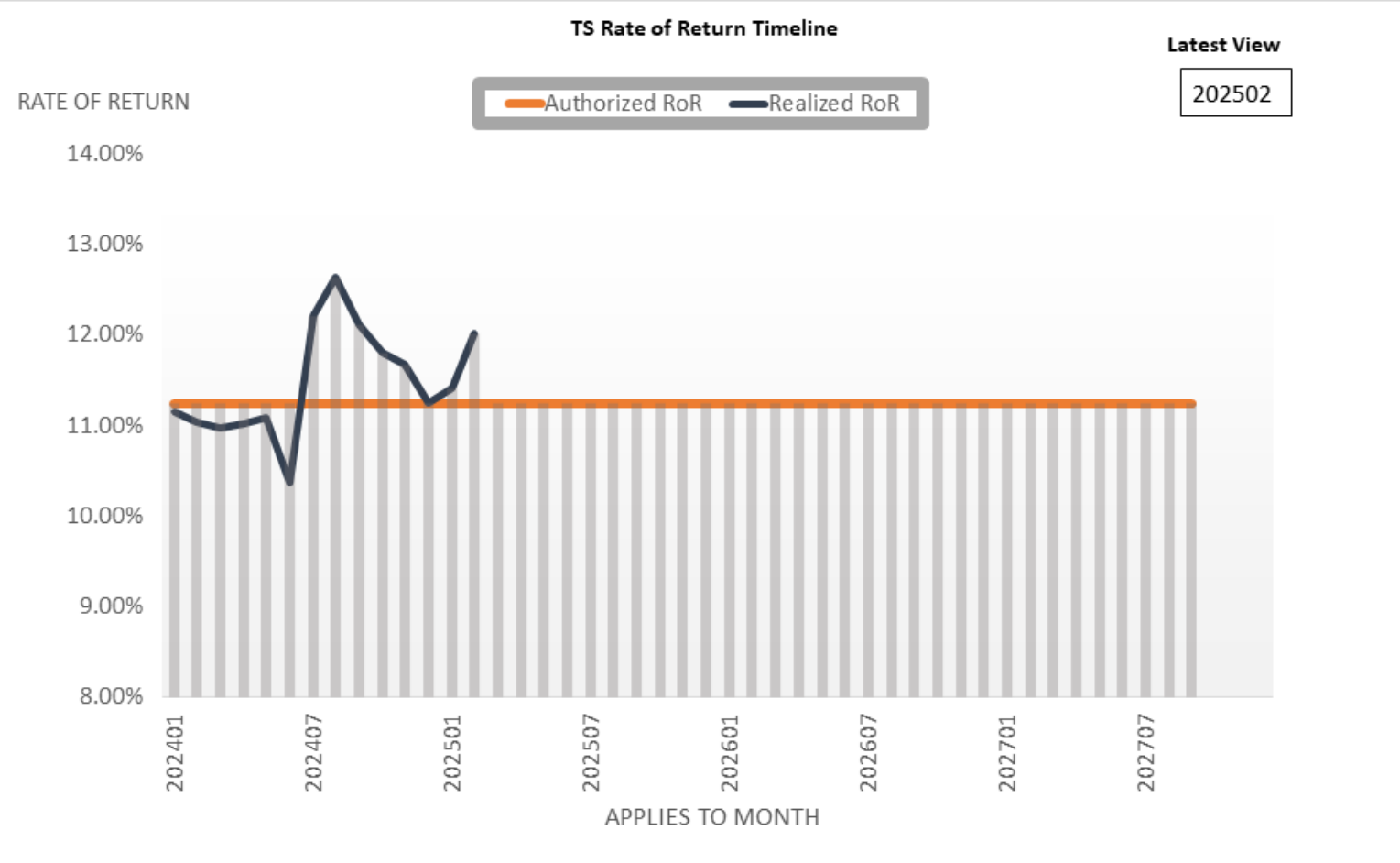
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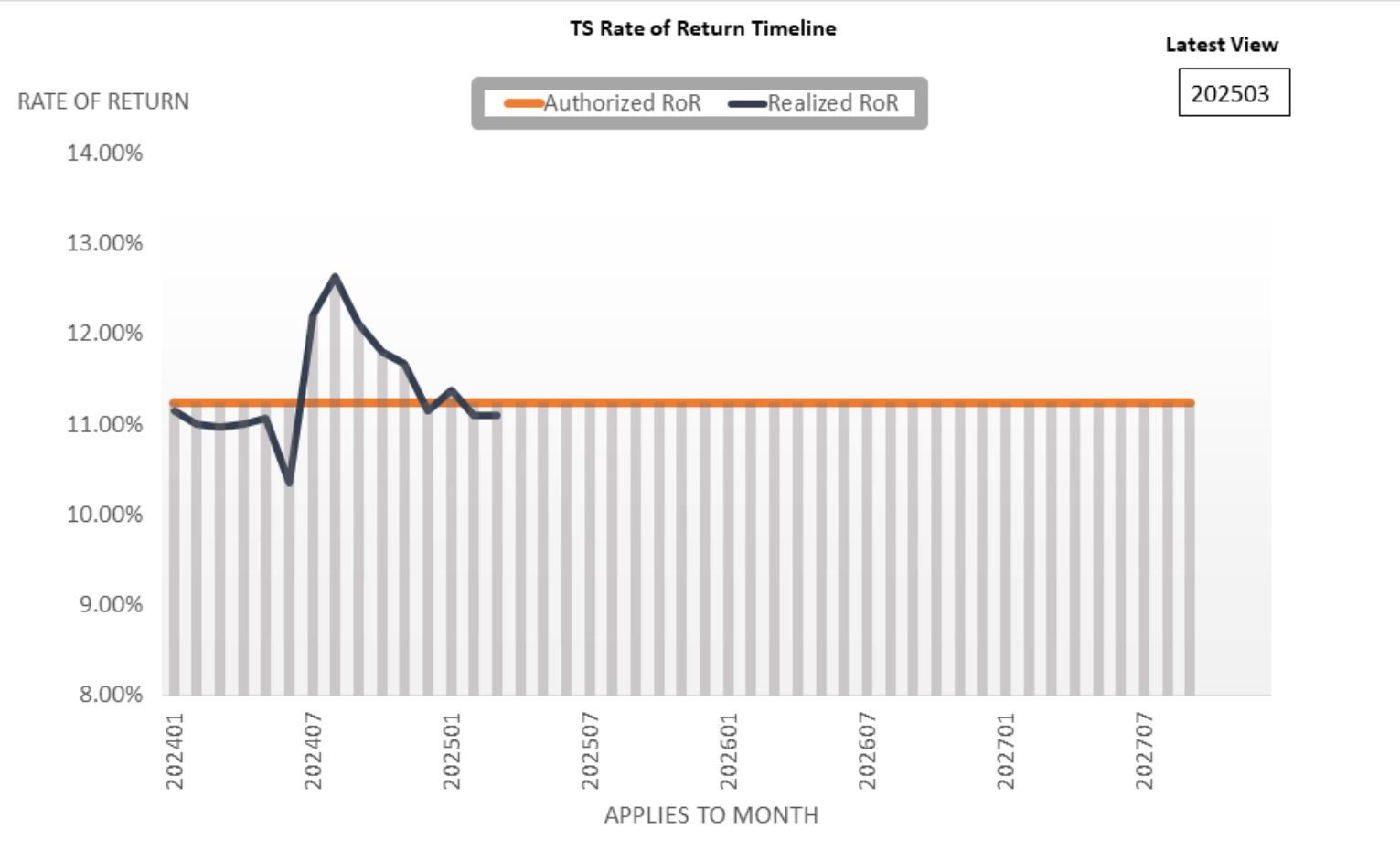
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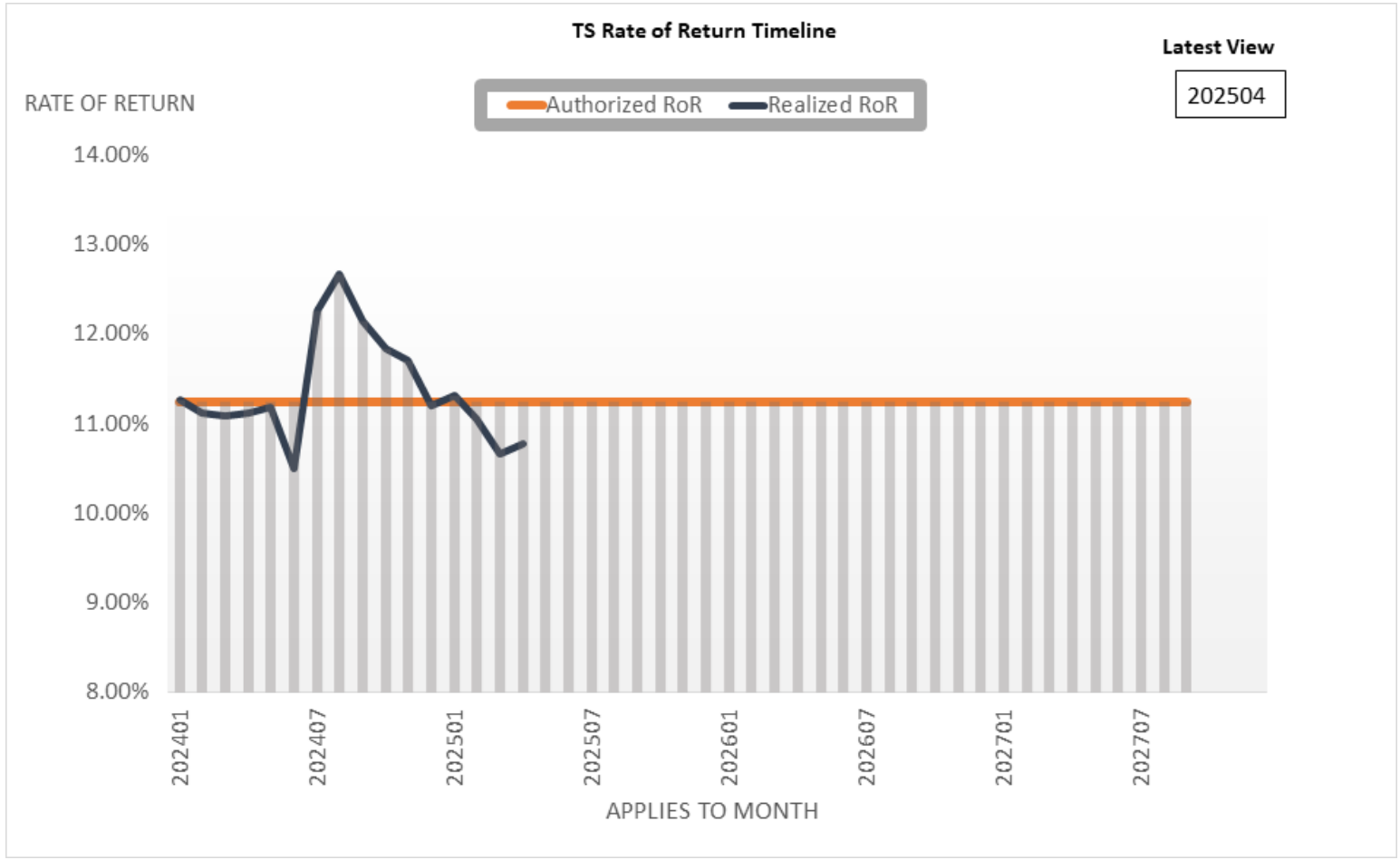
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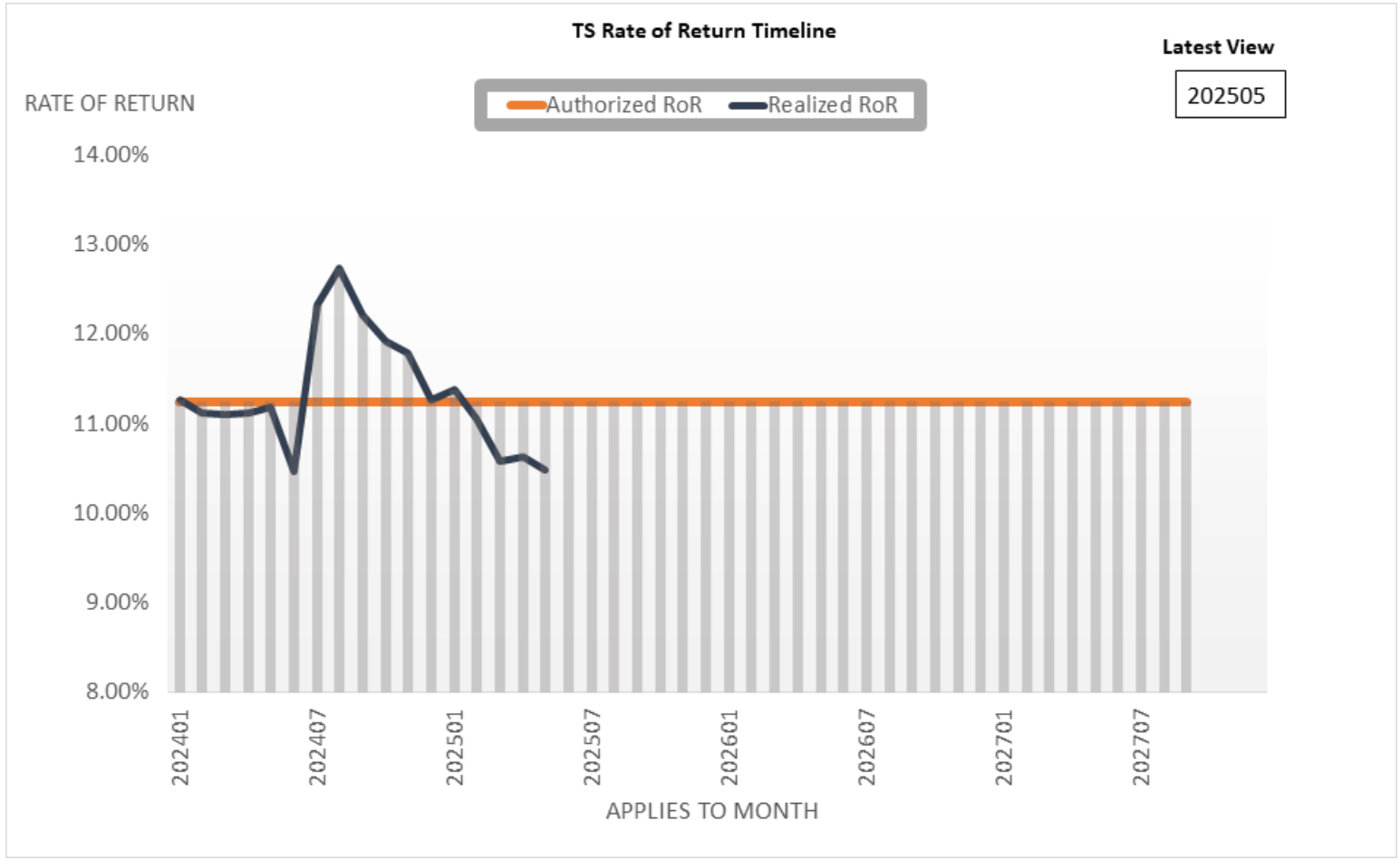
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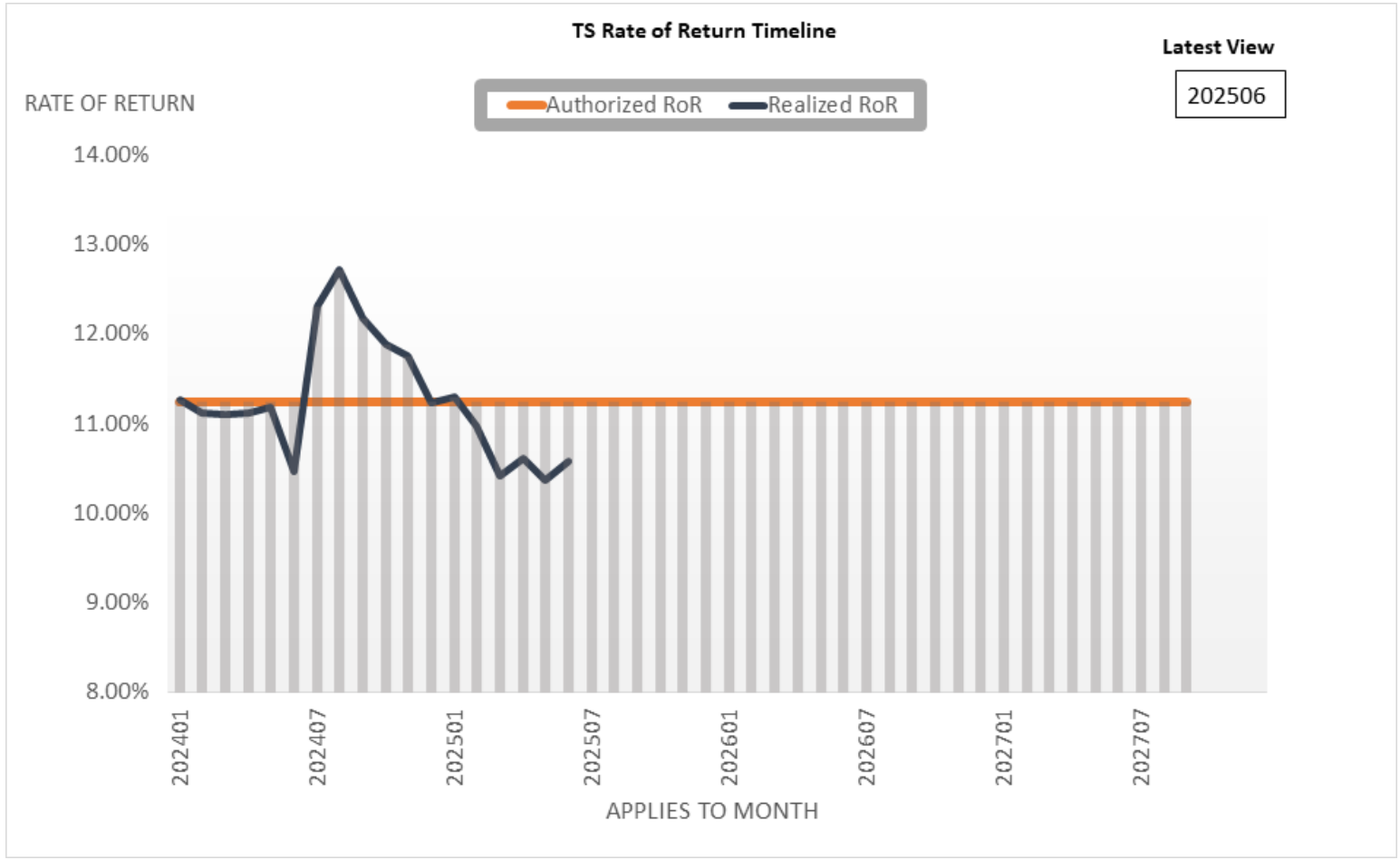
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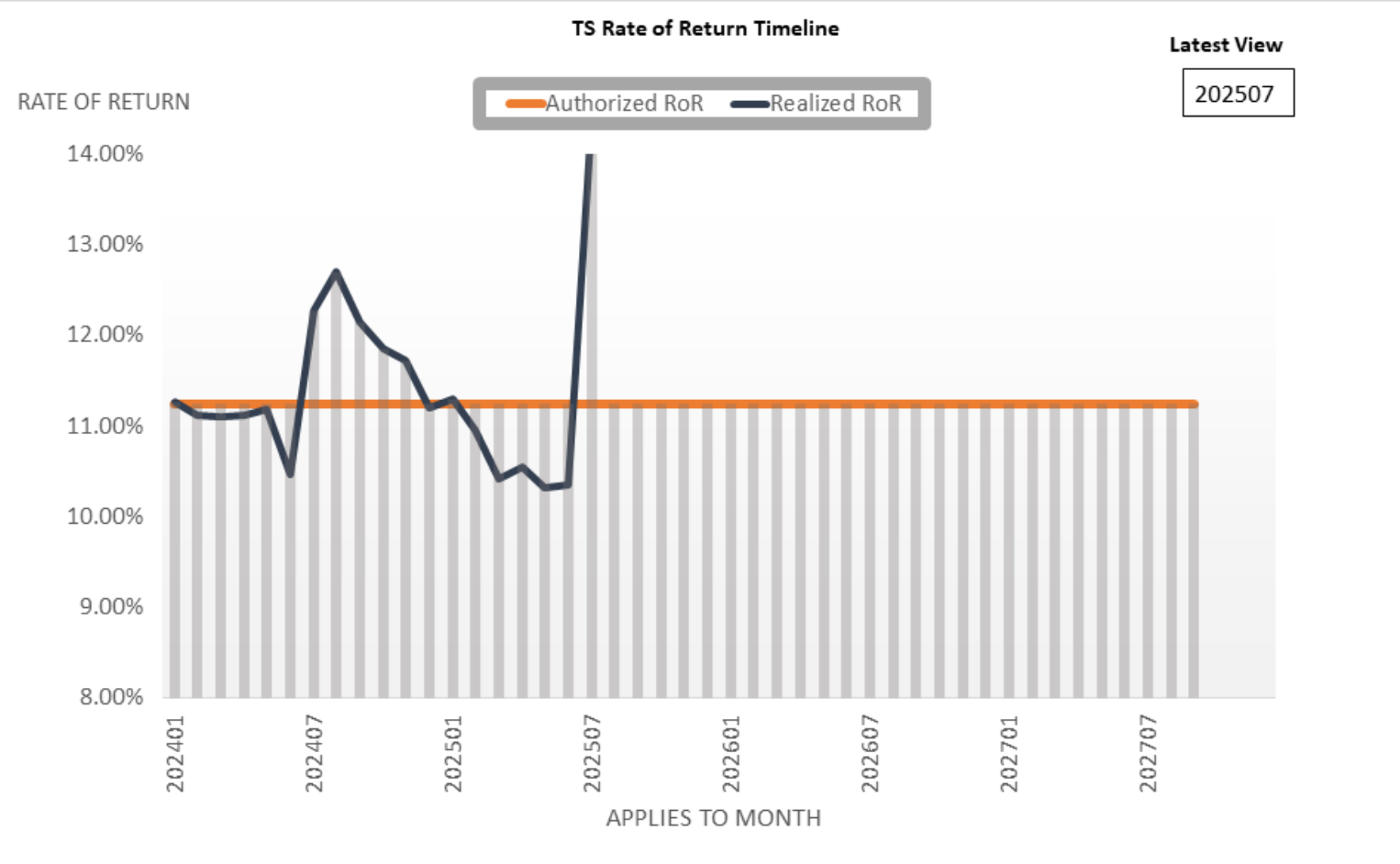
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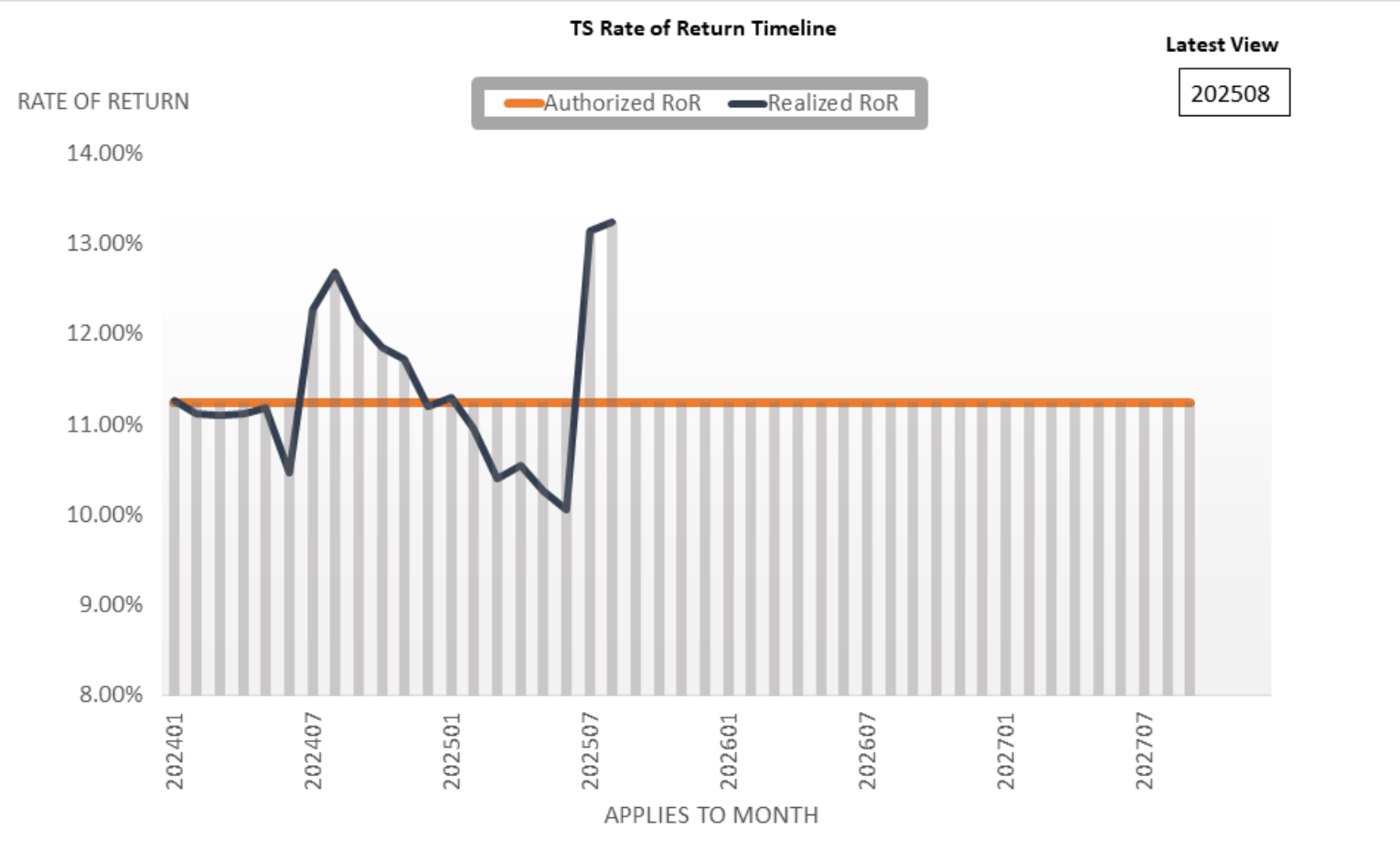
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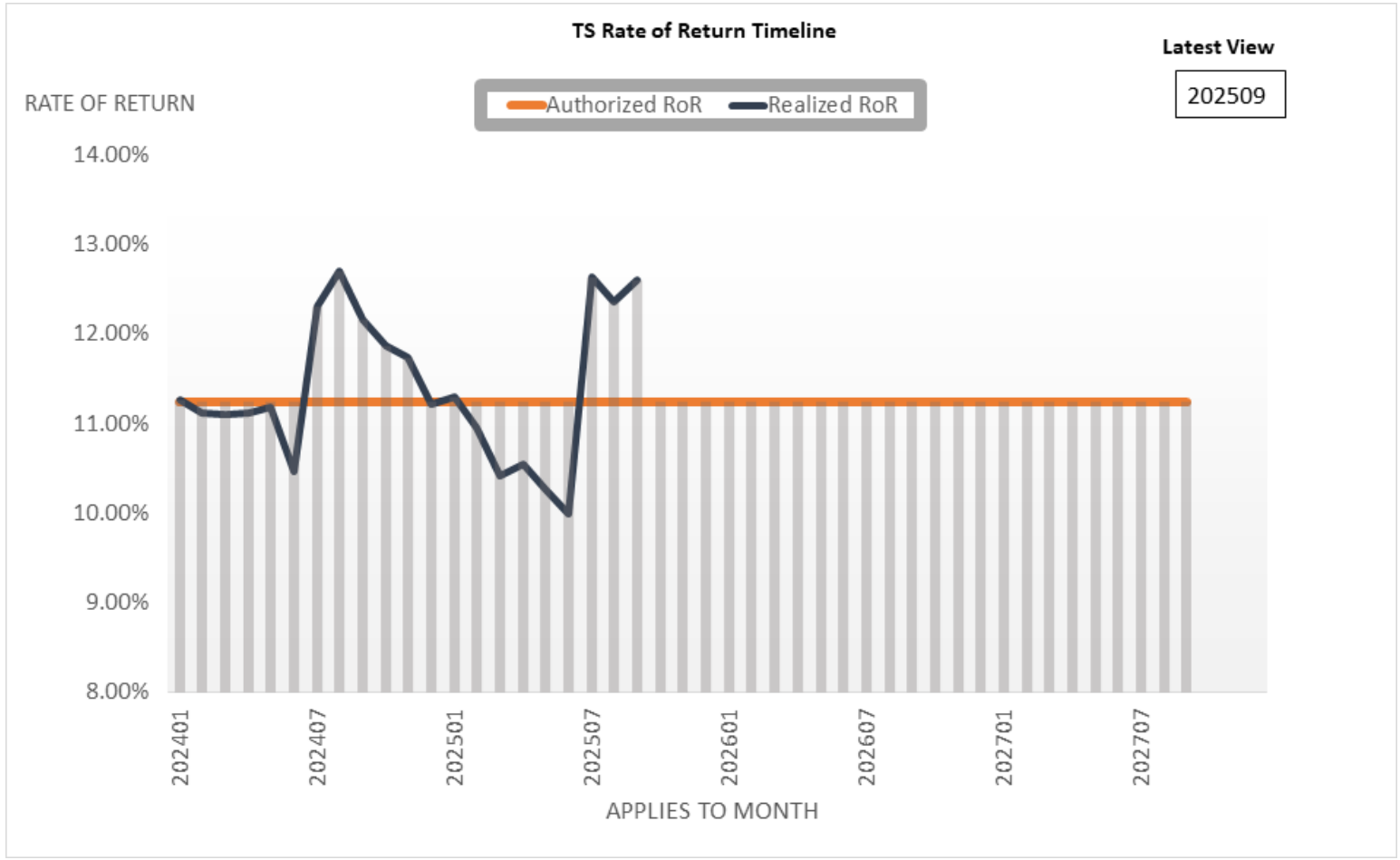
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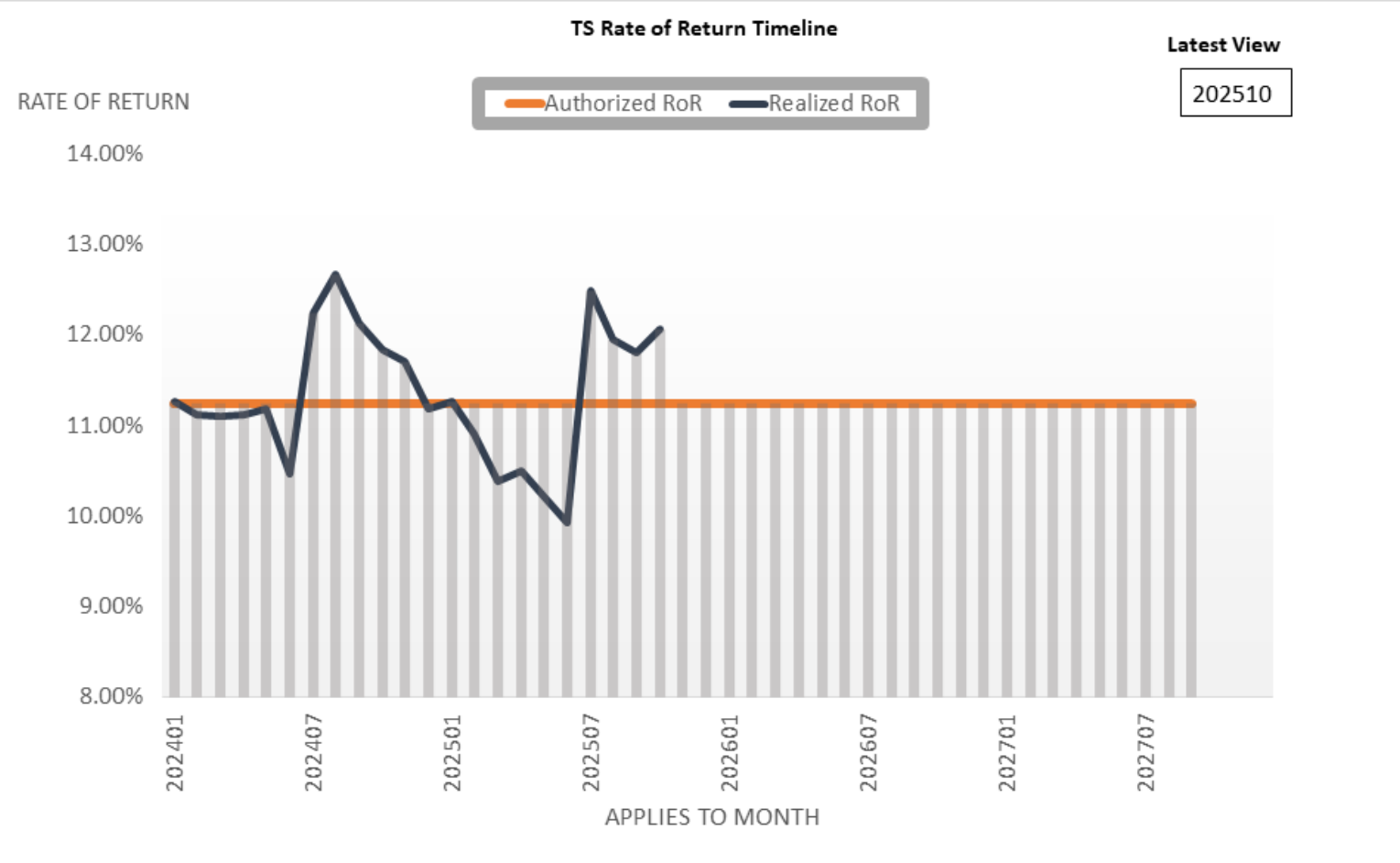
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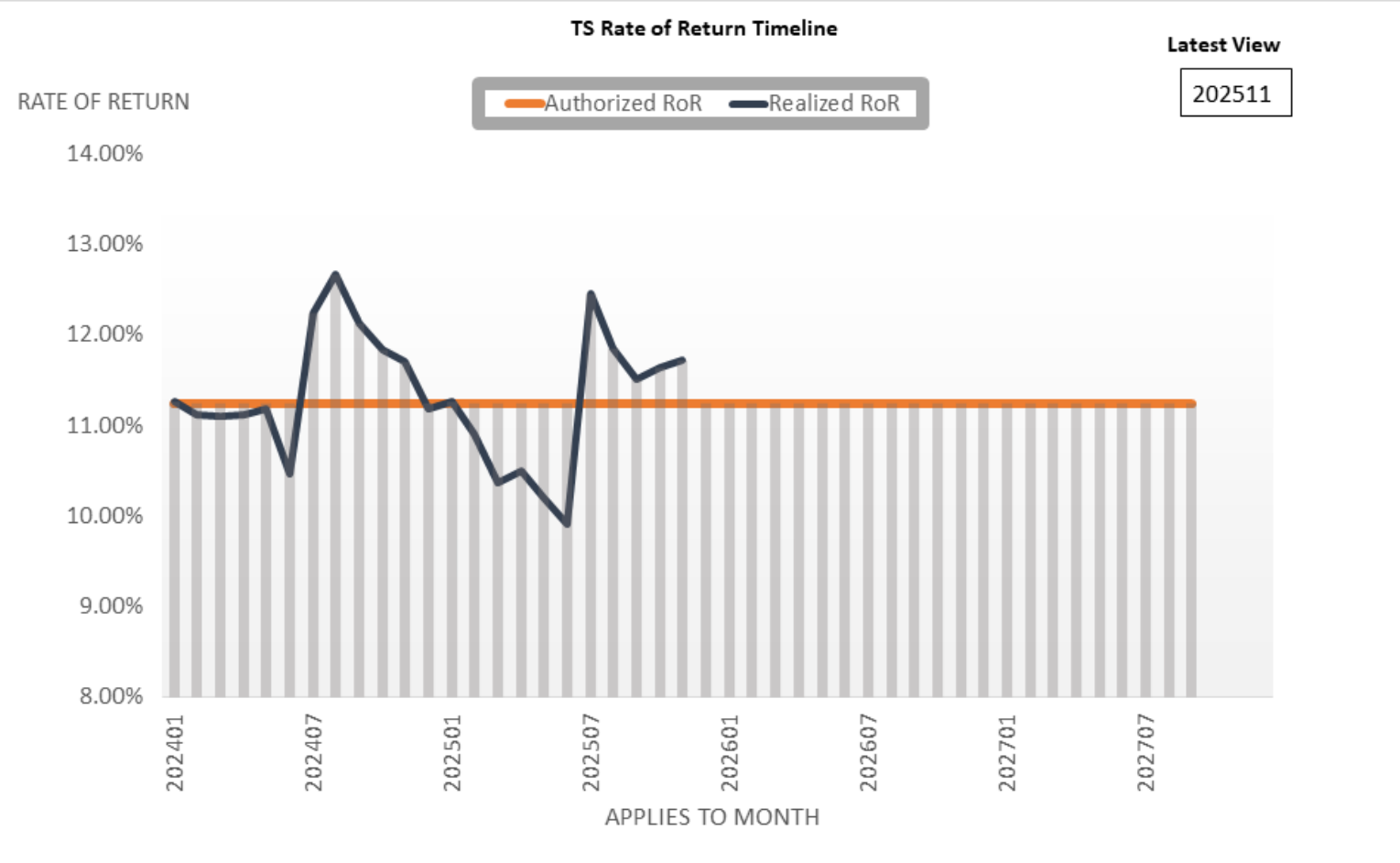
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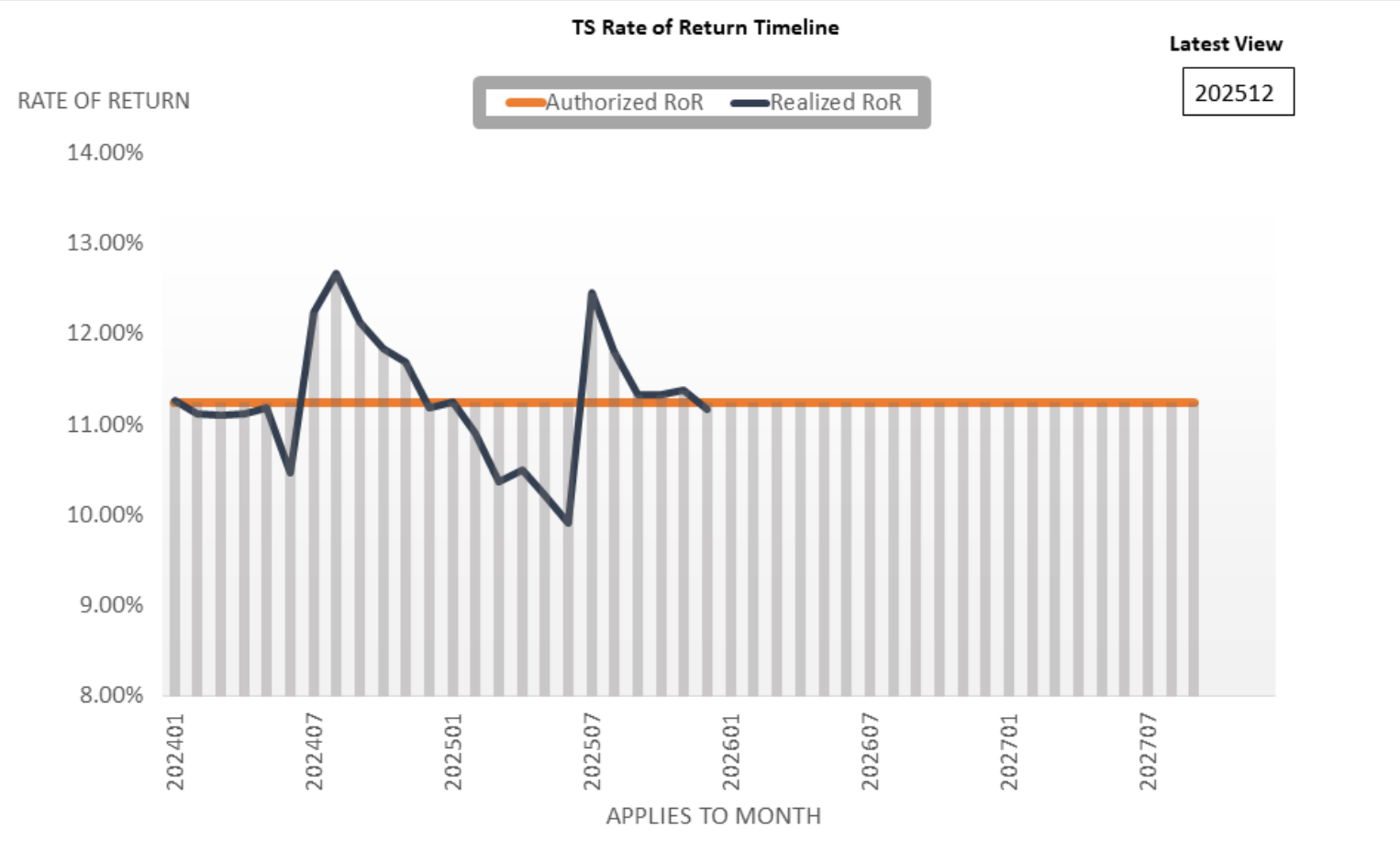
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Rate-of-return impacts
CAF ICC true-up



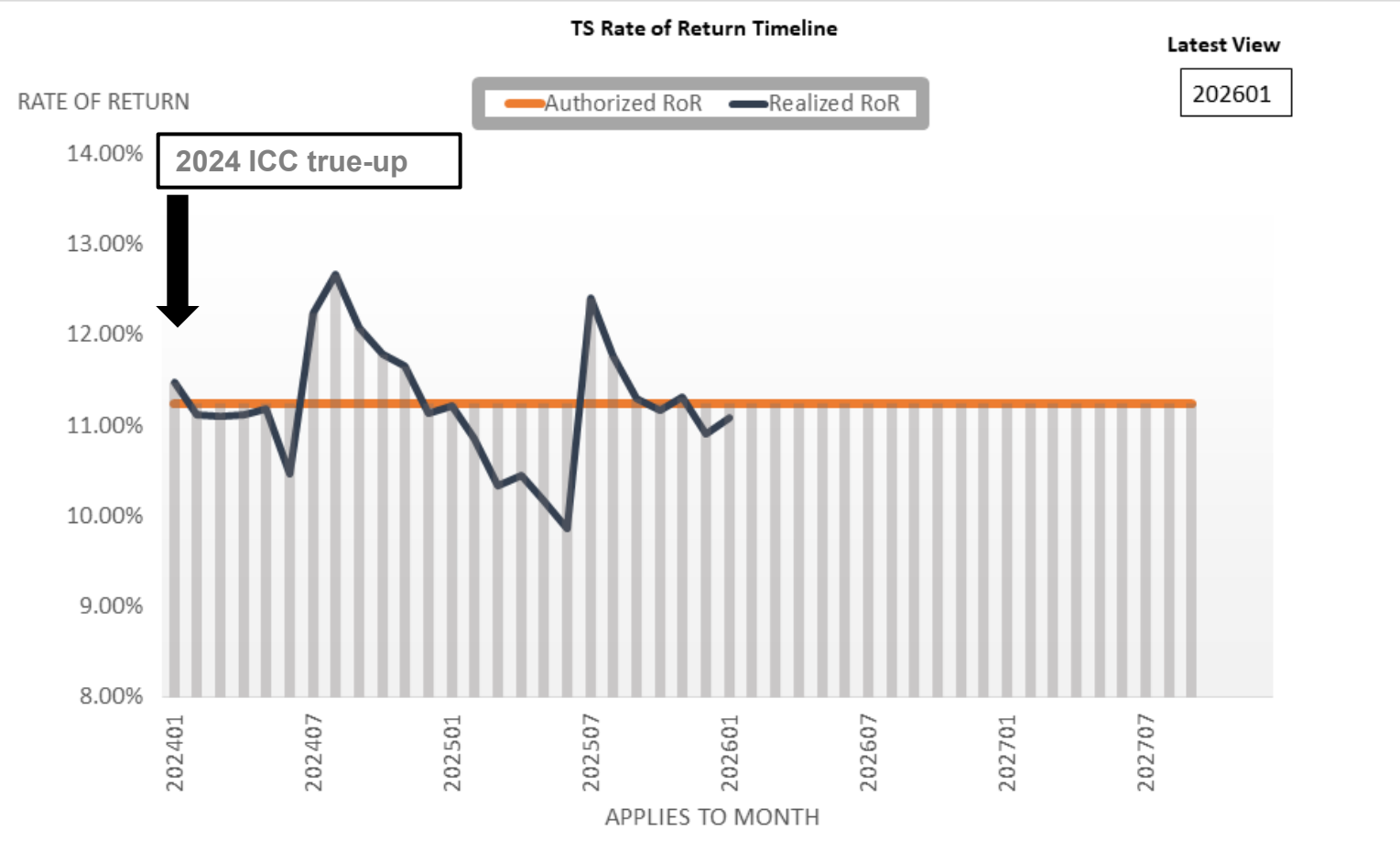
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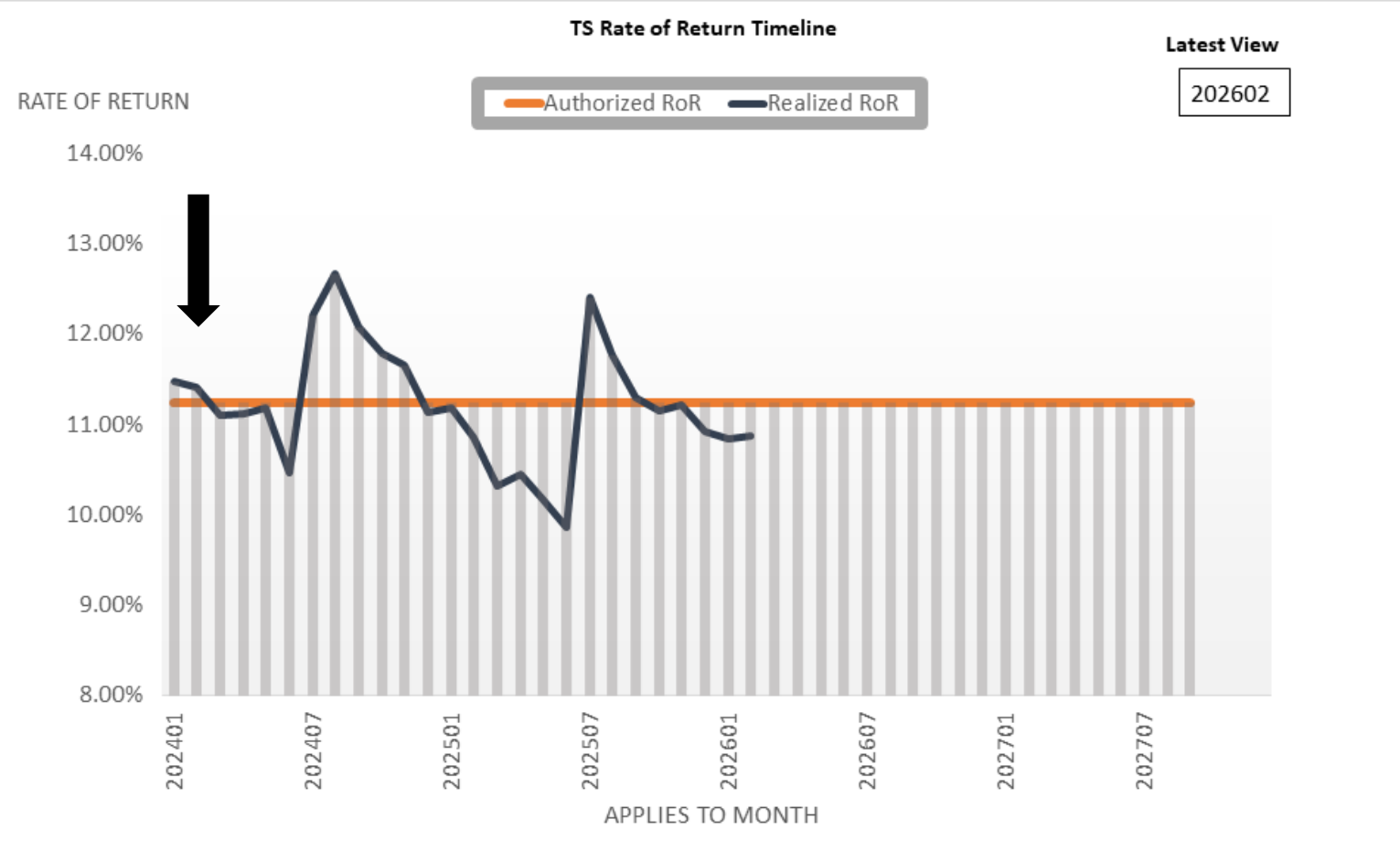
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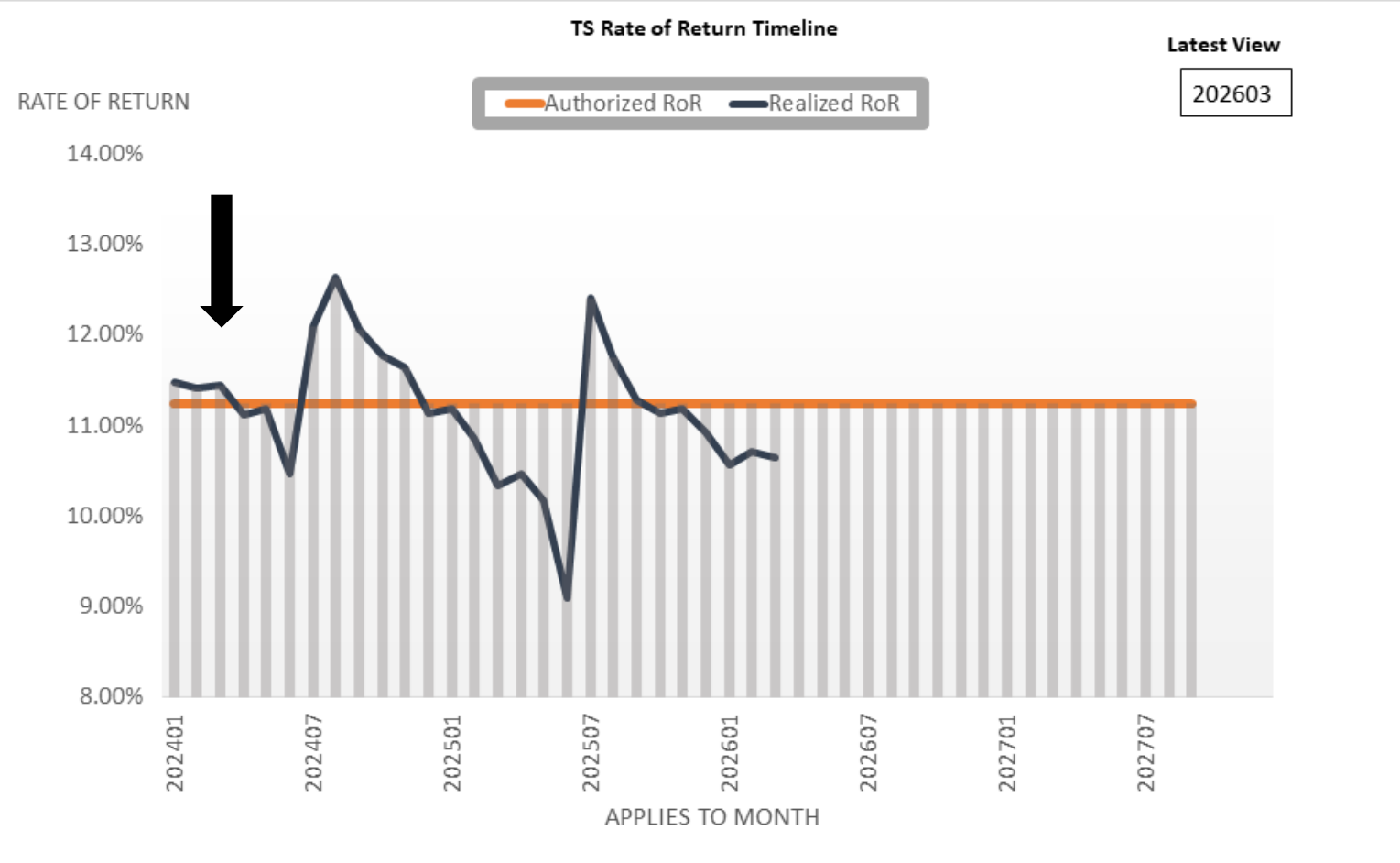
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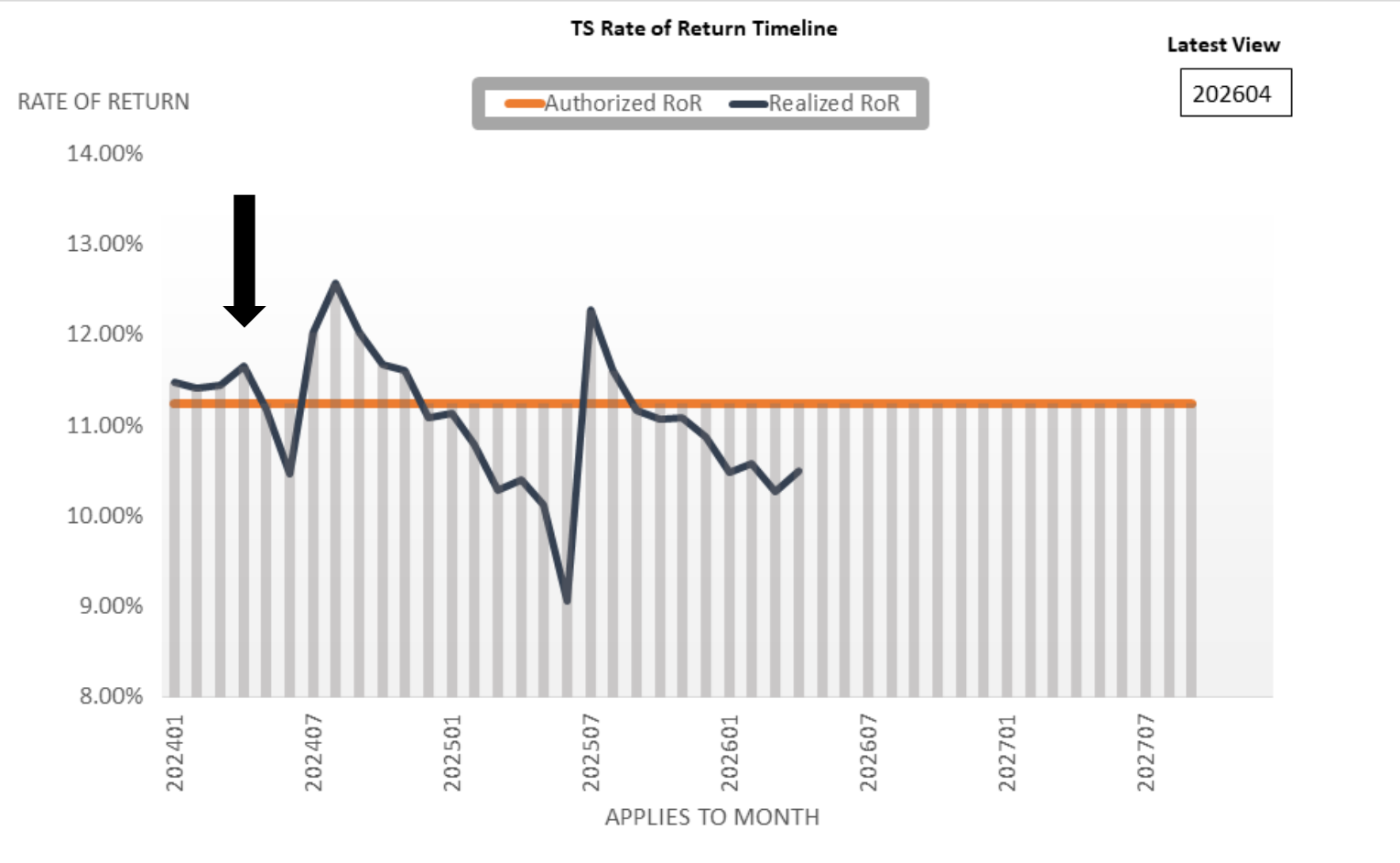
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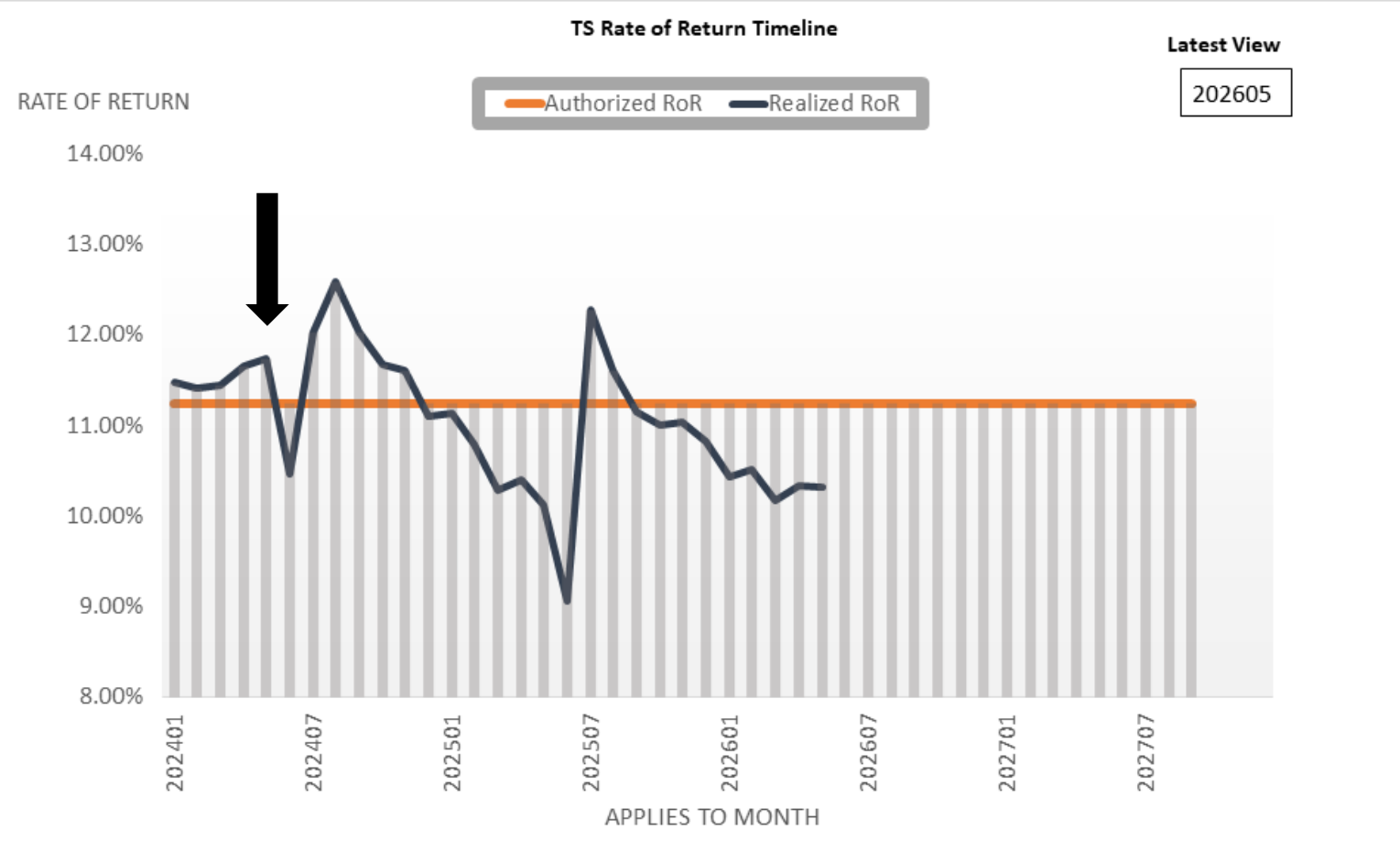
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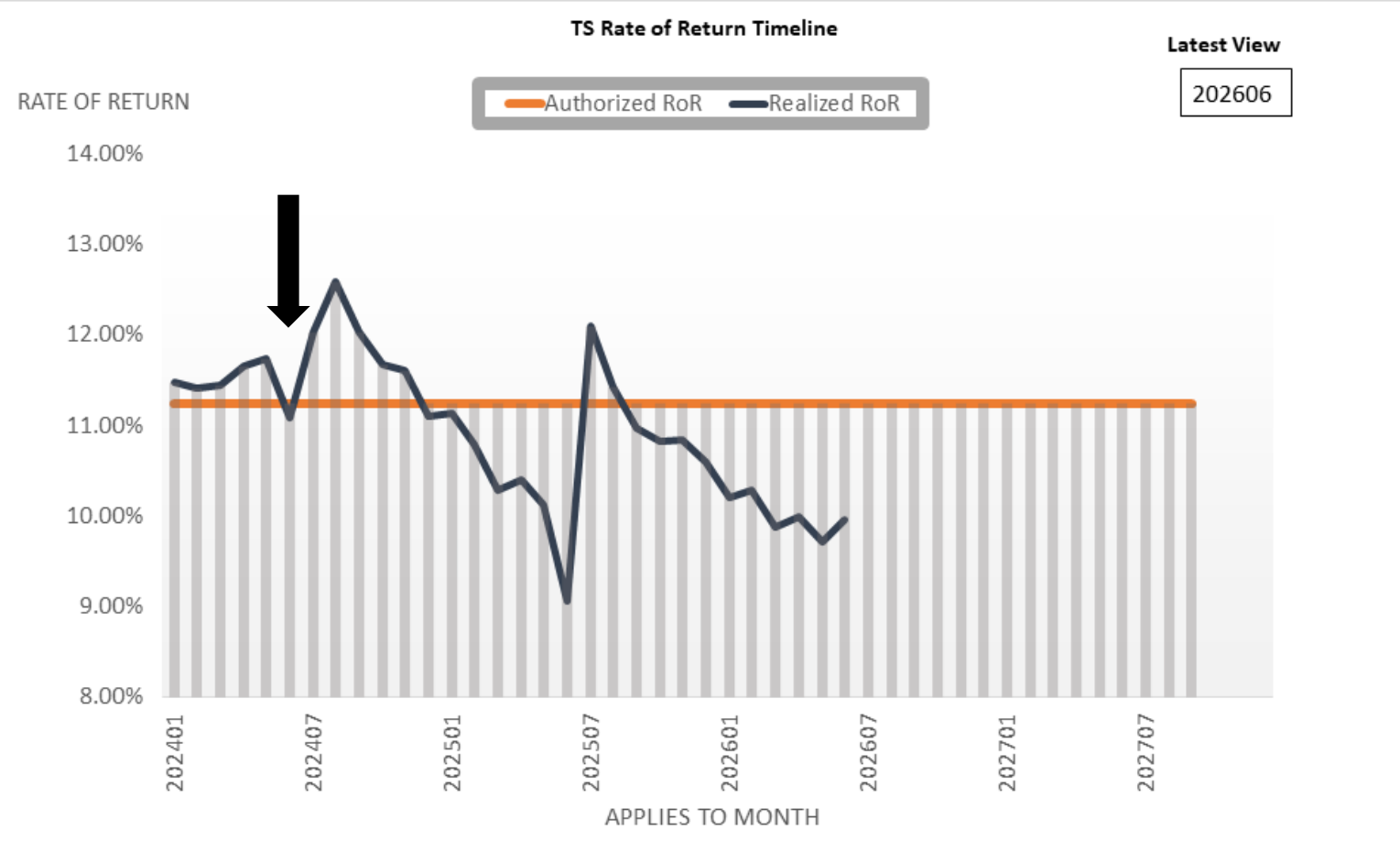
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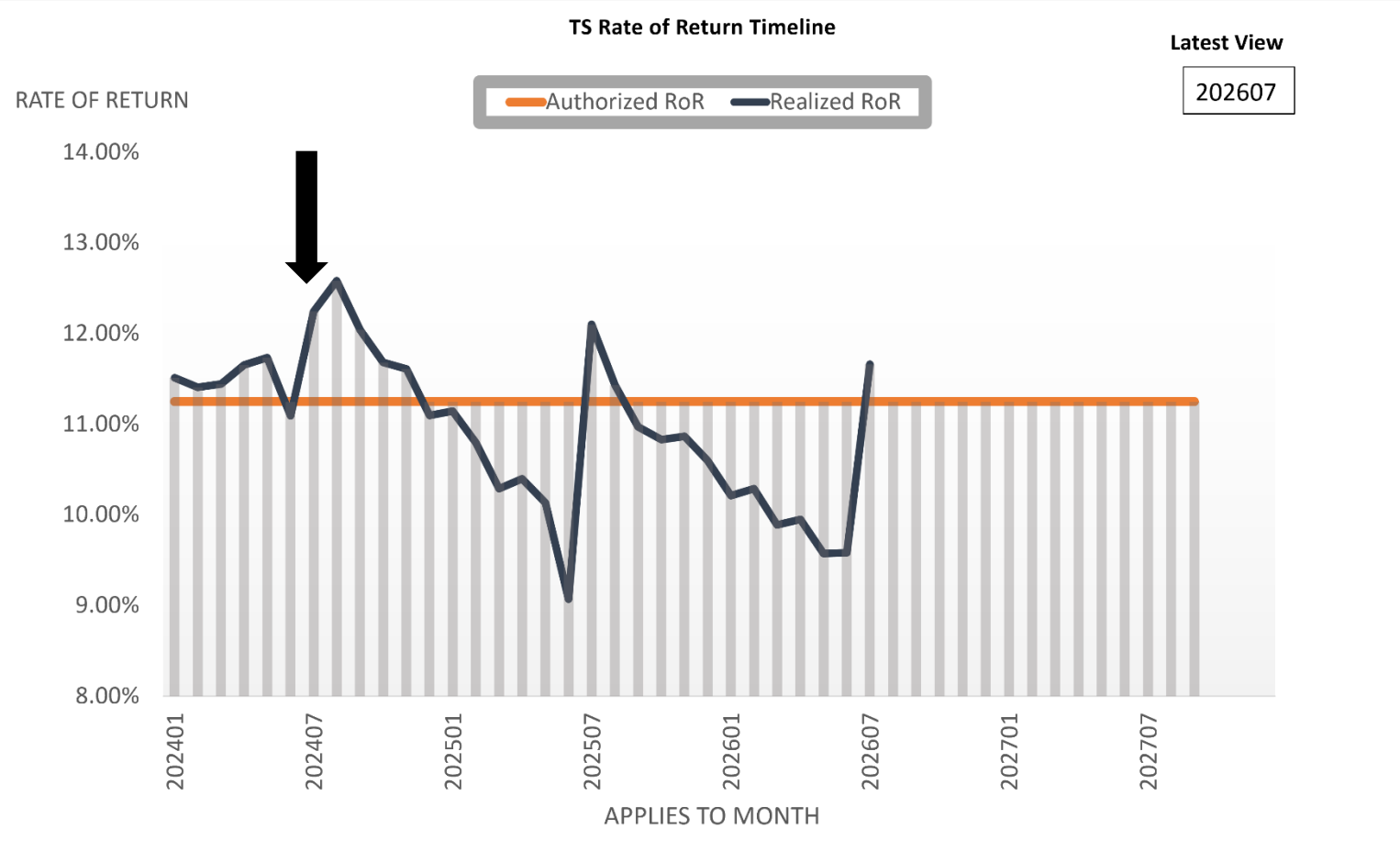
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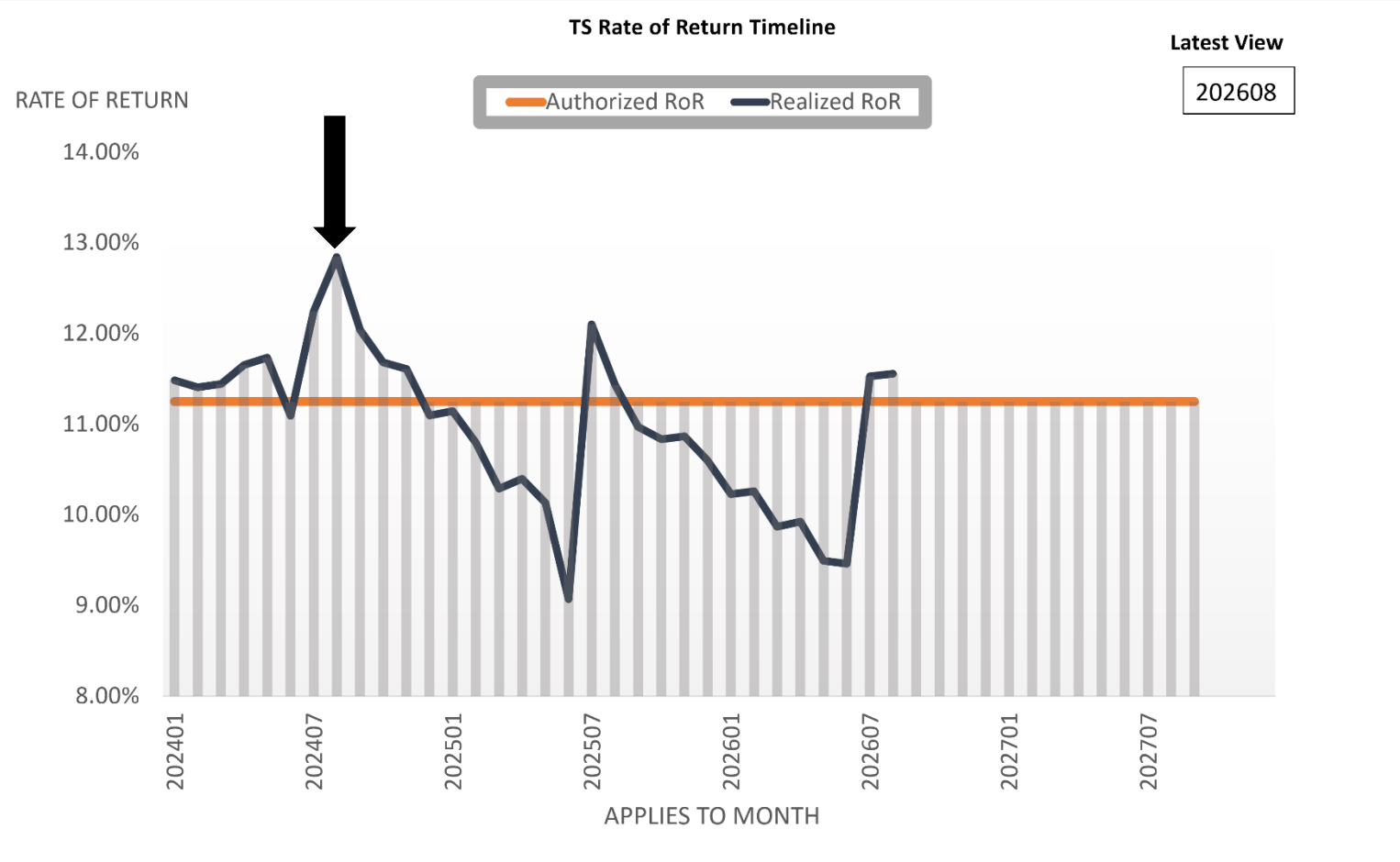
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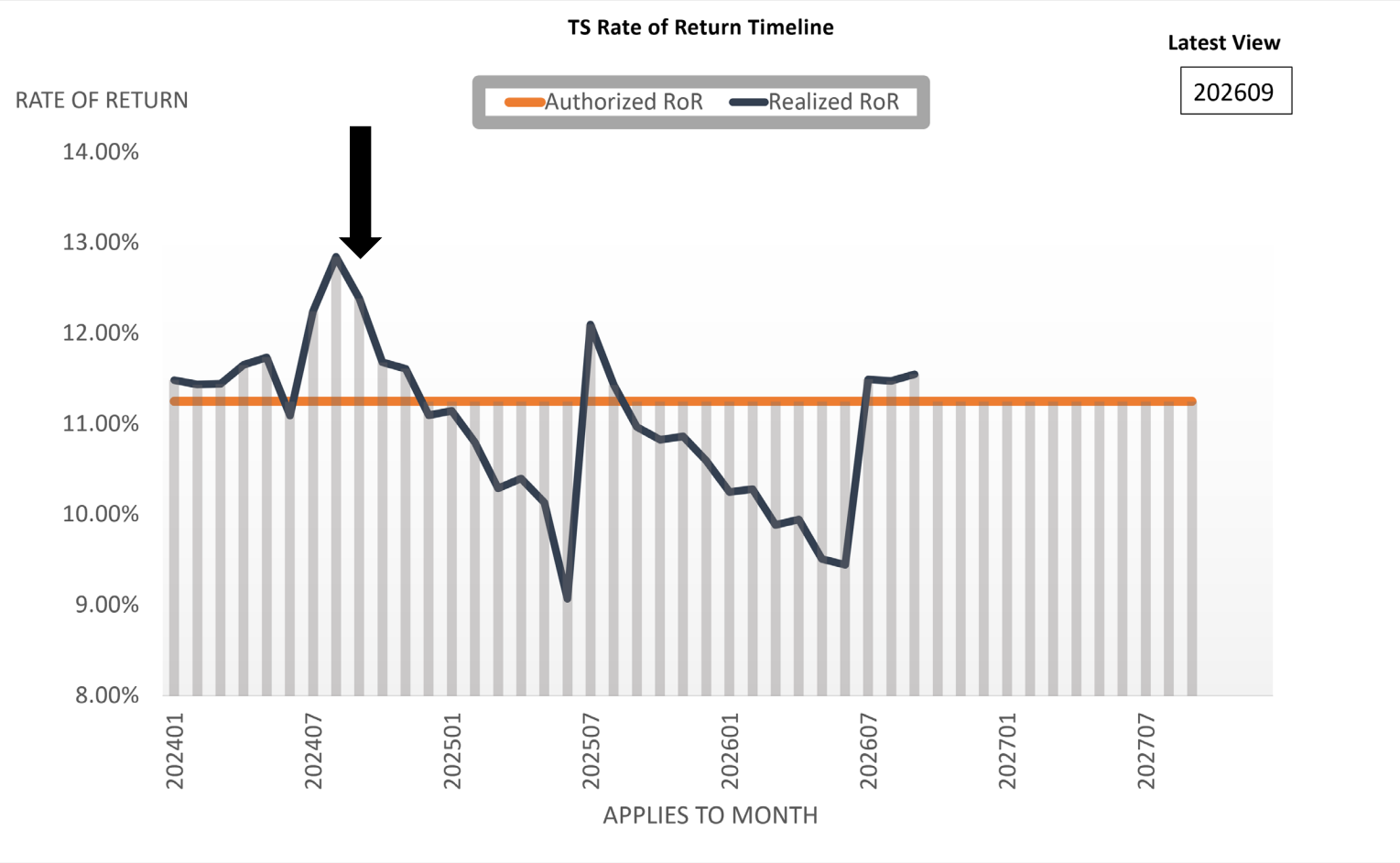
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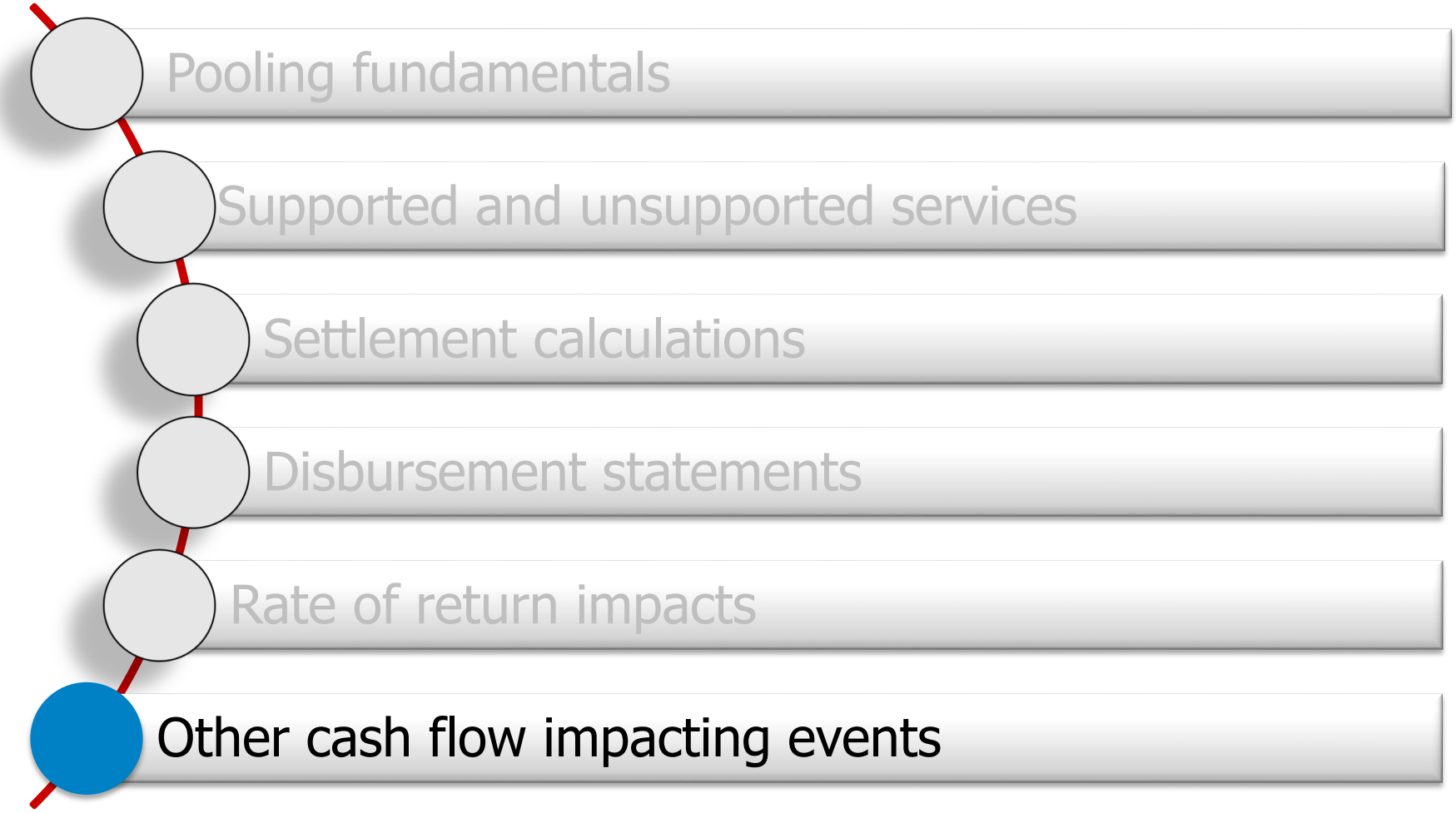
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Other cash flow impacting events



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Other cash flow impacting events
Funds not received from USAC

- FCC red light
  - Shown on disbursement as "funds not received from USAC"
  - Can result in balance due to NECA

High Cost Support:	
CAF BLS Nov 2023	12,100.00
CAF BLS Not Received from USAC	62,858.00
CAF ICC Funds Not Received From USAC	41,714.00
HCL Nov 2023	40,787.00 CR
HCL Funds Not Received from USAC	40,787.00

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Other cash flow impacting events
Funds not received from USAC

- Performance measures module
  - Support is withheld for not meeting performance measures, but will be restored once met
  - Reduction in support from USAC not identified on disbursement statements
  - Netted with support from USAC

	Qualifying Compliance Percentage X	Required Quarterly Reporting	Monthly Support Withheld
Full Compliance	X ≥ 100%	No	N/A
Level 1	85% ≤ X < 100%	Yes	5%
Level 2	70% ≤ X < 85%	Yes	10%
Level 3	55% ≤ X < 70%	Yes	15%
Level 4	X < 55%	Yes	25%

https://www.usac.org

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Other cash flow impacting events
Funds not received from USAC

- FCC Form 498 updates
  - Updating the high-cost recipient section of FCC from 498 from NECA to company
  - Shown on disbursement as “funds not received from USAC”
  - Can result in balance due to NECA

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Summary

- NECA pools help members recover interstate costs through monthly settlements
- Pooling stabilizes cash flow despite forecast misses and support true-up delays
- AS3000/EC3050 net balances combine settlements, reported revenue and prior-period adjustments
- Disbursement statements reconcile settlement net balances, USF support and adjustments to cash due
- Return is impacted by updated costs on an interim basis. True-ups align support with actual costs
- FCC red light, PMM noncompliance and Form 498 changes can interrupt cash flow

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Acronyms

- A-CAM – Alternative Connect America Cost Model
- AEX – Acquired Exchange
- ARC – Access Recovery Charge
- AS – Average Schedule
- BCM – Budget Control Mechanism
- CAF – Connect America Fund
- CAF BLS – Connect America Fund Broadband Loop Support
- CAF ICC – Connect America Fund Intercarrier Compensation

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Acronyms

- CBOL – Consumer Broadband-Only Loop
- CL – Common Line
- DSL – Digital Subscriber Line
- EC – Exchange Carrier
- EU – End User
- FCC – Federal Communications Commission
- FIT – Federal Income Tax
- HCL – High-Cost Loop

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Acronyms

- ICC – Intercarrier Compensation
- ISDN – Integrated Services Digital Network
- LSS – Local Switching Support
- MLB – Multiline Business
- NANPA – North American Numbering Plan Administrator
- NECA – Nation Exchange Carrier Association
- OW – Out of Window
- OPEC – Operating Expense

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Acronyms

- PMM – Performance Measures Module
- PPNA – Prior Period Net Adjustment
- RHC – Rural Health Care
- RoR – Rate of Return
- RRQ – Revenue Requirement
- SLB – Single Line Business
- SLC – Subscriber Line Charge
- SNA – Safety Net Additive

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Acronyms

- SVS – Safety Valve Support
- SW – Switched Access
- TP – Test Period
- TRS – Telecommunications Relay Services
- TS – Traffic Sensitive
- USAC – Universal Service Administrative Company
- USF – Universal Service Fund
- V/D – Voice/Data

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