



Industry Update

2024 OTA Accounting Conference



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Agenda

- NECA's annual tariff filing
- Changes in the budget control mechanism
- NECA's DSL and ETS tariff filing
- 2024 Open Internet Order
- Summary



NECA's annual tariff filing

Transmittals No. 1721 and 1722
Filed: June 17, 2024
Effective: July 2, 2024

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NECA's annual tariff filing

- Transmittal No. 1721, Tariff No. 5 revision was filed Monday, June 17, 2024, with an effective date of Tuesday, July 2, 2024
 - FUSC contribution factor increased
 - CBOL charges changed
 - Switched access service rates were adjusted for pool participation changes
 - SPA and DSL access service rates changed
 - ARC rates saw minor changes
- Tariff No. 6 revision filed at same time under transmittal No. 1722

NECA's annual tariff filing

FUSC contribution factor change

- The FCC released the USF contribution factor for third quarter 2024
 - Effective July 2, 2024, the factor changed to 34.4%, up from 32.8% in the previous quarter



NECA's annual tariff filing

CBOL rates

- CBOL stands for consumer broadband-only loop (formerly data-only DSL, but now in the common line tariff for USF recovery purposes)
- Several company specific CBOL Charges changed, based upon updates from companies that have NECA tariff their CBOL Charges
- Based on the BCM for this filing period, some companies' rates are higher than the benchmark rate of \$42, or they could have chosen for NECA to file a lower rate to be more competitive (unless the fully calculated rate is less than \$42 or impacted by cost limits).
- If companies chose to tariff a lower rate, the companies are still required to report revenues at the fully calculated rate to NECA and USAC

NECA's annual tariff filing

Switched access service rates

- Interstate switched access service rates were frozen by the FCC as a part of the National Broadband Plan with a 5% phase down each access year
- However, if the overall interstate switched access service revenue requirement changes in a material way, the FCC requires a recalculation of rates
- The FCC stated that the net effect of pool election changes on capped switched access rates were material, so switched access rates were changed to accommodate the pool impacts

NECA's annual tariff filing

Special access service rates

- Monthly rates for most special access and DSL changed due to updated demand and costs
- Rates charged by individual study areas depend on rate band placement
- Nonrecurring charges changed for special access
- Two-tier pricing is introduced for DSL voice-data, which consolidates rates for multiple speeds into just two rate levels by reducing rates for some speeds to the levels of the lowest speed within each tier (one price up to 50 Mbps, and one price from 100 Mbps to 1 Gbps)

NEW!!!

NECA's annual tariff filing

Access recovery charge rates

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



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NECA's annual tariff filing

Tariff No. 6 tariff revisions

- Transmittal No. 1722, Tariff No. 6 revisions were also filed Friday, June 16, 2023, for effective date of Tuesday, July 2, 2024
- Tariff No. 6 pertains only to companies that chose to move their business data service to incentive regulation and elected to have NECA tariff those rates on their behalf. We did have a larger group enter into this tariff based on their BDS elections





Changes in the budget control mechanism

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Changes in budget control mechanism

- Actions by USAC
 - USAC posted budget control mechanism for rate-of-return carriers who received cost-based high-cost universal service for the July 2024 to June 2025 test period.
 - NECA filed the rates reflecting the BCM in the annual tariff filing for carriers tariffing their CBOL rate with us
 - NECA calculated a CBOL rate for your company for the 2024-2025 test period based on the information you submitted in the most recent Form 508 and BCM effects calculated by USAC

Changes in budget control mechanism

- What does this mean?
 - Since there was no waiver this year, the budget control reduction factor was set to 1.85%
 - BCM factor was minimal due to companies leaving the CAF BLS and HCLS fund and moving to EA-CAM model support
 - Three previous years of BCM amounts waived by the FCC were as follows:
 - 8.6% for 2021-2022
 - 14.3% for 2022-2023
 - 18.4% for 2023-2024

Changes in budget control mechanism

- What does this mean to you?
 - For the July 2024 annual tariff filing, companies had to tariff a rate, given the fully calculated rate with inclusion of BCM
 - Some filed the fully calculated rate including the BCM, some filed at the \$42 threshold, and some chose to go below that amount to be more competitive
 - The settlements system still calculates your CBOL revenue by multiplying reported data-only lines by \$42 or your fully calculated limited rate if it is below the \$42 benchmark
 - Treatment of CBOL revenue at the time of support true-ups will be determined based on Form 509 reporting requirements reflecting limited calculated rates and may be above the tariffed rate



NECA's DSL and ETS tariff filing

Transmittal No. 1724
Filed: July 17, 2024
Effective: Aug. 1, 2024

NECA's DSL and ETS tariff filing

- Transmittal No. 1724, Tariff No. 5 revision was filed Wednesday, June 17, 2024, with an effective date of Thursday, Aug. 1, 2024
 - New ADSL and SDSL voice-data and data-only speeds
 - New ETS Fixed Rate Option Plan available
 - Available for ETS Term Discount Plan and ETS Port Term Discount Plan through June 30, 2025
 - Rates set at July 2, 2024, rate levels
 - ETS intraswitch EVC nonrecurring charge moved to \$0 and now reflected in ETS packages

NECA's DSL and ETS tariff filing

- New ADSL and SDSL voice-data and data-only speeds
 - Previously up to 1 Gbps, but now include the following:
 - 2.5 Gbps
 - 5 Gbps
 - 10 Gbps
 - Available for DSL Wholesale Pricing Plan and Volume Pricing Plan
 - In addition, bandwidth cap for one-way and two-way ETS multimedia virtual circuit channels raised from 1 Gbps to 10 Gbps



2024 Open Internet Order

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2024 Open Internet Order

- FCC released 2024 Open Internet Order on May 7, 2024
- Contained four parts
 - Declaratory ruling
 - The order: Forbearance for BIAS providers
 - Report and order
 - Order on reconsideration

FCC 24-52, WC Dockets 23-320 and 17-108, adopted April 25, 2024, and released May 7, 2024
Published in the Federal Register May 22, 2024, with effective date of July 22, 2024

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2024 Open Internet Order

- Key takeaways
 - Broadband internet access service providers have been reclassified as providing Title II telecommunications service
 - Forbearance has been granted in several areas for BIAS providers, including not collecting universal service contributions assessed to end users
 - Reinstated rules against blocking, throttling and prioritization arrangements while also reinstating general conduct rules
 - Closed all outstanding petitions for reconsideration on previous Restoring Internet Freedom Remand Order (FCC 20-151, Oct. 29 2020)
- As in prior orders, expect legal actions to follow

FCC 24-52, WC Dockets 23-320 and 17-108, adopted April 25, 2024, and released May 7, 2024
Published in the Federal Register May 22, 2024, with effective date of July 22, 2024

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Summary

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



Thank you for participating today!

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