

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Sandwich Isles Communications, Inc.)	WC Docket No. 09-133
Petition for Declaratory Ruling)	

REPLY COMMENTS OF NECA

The National Exchange Carrier Association, Inc. (“NECA”) hereby files its reply to the pleadings submitted regarding NECA’s Petition for Declaratory Ruling and/or Clarification¹ in the above-captioned proceeding. NECA’s Petition sought Commission direction regarding the correct revenue requirement treatment of certain Sandwich Isles Communications, Inc. (“SIC”) booked lease expenses associated with the undersea submarine cable and associated terrestrial facilities (“cable system”) that it leases from Paniolo Cable Co., LLC (“Paniolo Cable”), a closely-related company.

SIC’s Opposition to the Petition reveals more in what SIC does not say than in what it does. SIC’s position boils down to the simple assertion that, as long as it has a current legal liability to pay an expense, its accounting entry for the lease expense as a current liability is proper, and it is entitled to recover pool revenues based on the accounting entry.² As an accounting matter, its position is unremarkable, although seriously flawed in this case. But as a regulatory matter it does not begin to answer the question presented. Its Opposition never states when the lease obligation will actually be paid, indeed if it will ever be paid. Given that NECA

¹ National Exchange Carrier Association, Inc., Petition for Clarification and/or Declaratory Ruling, WC Docket No. 09-133 (dated Feb. 6, 2015) (“Petition”).

² Sandwich Isles Communications Opposition to NECA Petition for Declaratory Ruling, WC Docket No. 09-133, 8 (dated Mar. 12, 2015) (“SIC Opposition”).

must close its books on a monthly, rolling two-year basis, once an expense is not actually paid for over two years, the member company would receive pool payments based on the unpaid expense, which payment cannot be reversed absent a ruling from the Commission. Given the language and intent of the *Declaratory Ruling*, NECA believes that SIC's special allowance of 50 percent of the "disputed lease expenses" required in the original *Declaratory Ruling* may only be applied to actual lease payments within the normal business cycle.³

I. THE GAAP ACCOUNTING ISSUE.

Even when SIC's argument, that it is in compliance with generally accepted accounting principles ("GAAP") accounting, is examined in isolation, it appears fallacious. SIC claims that NECA "essentially invented" the principle that expenses must be actually paid during the business cycle to qualify as a legitimate expense,⁴ apparently concluding, but not actually saying, that actual payment is never necessary. Current accrued expenses are properly booked if there is a reasonable likelihood that the expense will be paid during the business cycle. AT&T agrees with that statement.⁵ As indicated in the attached declaration, the probability that there will be payment, i.e., an outflow of assets, is a fundamental inquiry essential before an accountant can include an expense in books of account.⁶

Even though under GAAP accrual accounting entries are made when there is a factual and legal obligation to pay an expense, not actual payment, an expense must in fact be paid, in

³ *Sandwich Isles Communications, Inc*, 25 FCC Rcd. 13647 (WCB 2010), *pet. for recon. and app. for rev. pending* ("Declaratory Ruling" or "Ruling").

⁴ SIC Opposition at 4.

⁵ Comments of AT&T Services, Inc., WC Docket No 09-133, 2 (dated Mar. 12, 2015) ("AT&T Comments").

⁶ Declaration of Thomas L. Porter, Ph.D., C.P.A., Bates White, ¶ 4, included as Exhibit 1 ("Porter Declaration").

cash or through some other means of value, within the normal business cycle in order to be considered a legitimate accounting period expense accrual. Thus, an expense is only valid when there is a probability that the company actually owes the expense, i.e., is legally and factually bound to make the payment, and actually makes the payment within the business cycle.⁷

In making its accounting argument, SIC states unequivocally that it is under a legal obligation to pay the lease expenses.⁸ It appears true that there is a lease document signed by both SIC and Paniolo Cable. But a simple legal document does not prove that there is an actual legal obligation justifying current accounting treatment. The fact remains that, from the facts NECA is aware of, the last partial lease payments occurred over two years ago and there is no actual legal demand for payment on the lease.⁹ SIC has provided no evidence that Paniolo Cable has ever taken steps to enforce the terms of the lease, by lawsuit or otherwise.¹⁰

⁷ *Id.*, ¶¶ 4-6.

⁸ SIC Opposition at 5-7. Paniolo Cable obtained a loan from DeutscheBank in order to construct the cable system, and therefore Paniolo Cable is liable to DeutscheBank for the loan payments. SIC entered into a lease with Paniolo Cable for the entire capacity of the cable system. It is these lease obligations which are the subject of this *Declaratory Ruling*, not the loan payments to DeutscheBank.

⁹ SIC claims DeutscheBank's legal action "against SIC's insurance company" supports its position that the lease expenses are a current legal liability. SIC Opposition at 7. The insurance company named in the suit, Ho'opa'a Insurance Co., was named as an insurer in the loan documents between DeutscheBank and Paniolo Cable to guarantee Paniolo Cable's loan repayment. SIC was originally named as a defendant in that law suit, but it was dismissed. Stipulated Voluntary Dismissal Pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii), *Deutsche Bank Trust Co. Americas v. Ho'opa'a Insurance Corp.*, Civil No. 1:14-cv-00033 JMS-RLP (D. Haw., filed Apr. 24, 2014), which was approved and ordered by the District Court on the same date. Therefore there is no pending lawsuit against SIC to enforce payment of the lease obligations.

¹⁰ The Commission itself described Paniolo as a "closely-related corporation" to SIC. *Connect America Fund, Sandwich Isles Communications, Inc. Petition for Waiver of Section 54.302 of the Commission's Rules*, WC Docket No. 10-90, 28 FCC Rcd. 6552, ¶ 7 (Wir. Comp. Bur. 2013) ("*SIC Waiver Denial Order*"). See also AT&T Comments at 1 ("closely held family

of the inquiry, not simply theoretical GAAP accounting principles. Unfortunately, SIC has not even begun to address the regulatory issue.

II. THE REGULATORY ISSUE.

Even if the FCC were to accept that SIC's accounting entries for the lease expenses were correct according to GAAP,¹⁵ the real issue raised by the Petition would remain unresolved: should the 50 percent allowance of the "disputed lease expenses" be applied to actual lease payments, not just booked expenses that have not been paid in full for over two years. The *Declaratory Ruling* granted a special allowance to SIC that required NECA to include 50 percent of the "disputed lease expenses" as part of NECA's pool revenue requirements. This conclusion was made even though the Commission itself noted "the current lack of use of the cable and a lack of substantial record evidence concerning future demand. . . ."¹⁶ The *Declaratory Ruling* specifically granted the 50 percent allowance as a special accommodation given the unique circumstances and for the purpose of funding the cable system investment. But SIC's Opposition virtually ignores this primary point of the instant Petition.

SIC claims without elaboration that the Petition ignores the "plain meaning" of the *Declaratory Ruling* "with respect to how SIC's costs must be accounted for under the FCC's rules."¹⁷ Although this single sentence is unclear, SIC seems to be implying that actual payment

¹⁵ Whether SIC is in compliance with RUS accounting guidelines, SIC Opposition at 9-10, is irrelevant to whether SIC is in compliance with the *Declaratory Ruling*.

¹⁶ *Declaratory Ruling*, ¶ 17.

¹⁷ SIC Opposition at 2 (emphasis added). Later in the procedural section of its pleading, SIC claims that "it is hard to believe" that the *Declaratory Ruling* is anything but clear. *Id.* at 10-11. But instead of explaining that the *Ruling* has a "plain meaning" SIC simply argues that the special accommodation applies throughout the lease period to defray its high costs. Nothing in the quoted passages of SIC's Opposition even address either the nature of the expenses or payment thereof.

is not required to apply the *Ruling*'s "disputed lease expenses" formula to SIC's lease expense accounting entries. There is no "plain meaning" as SIC alleges.¹⁸ Rather, NECA believes that the *Declaratory Ruling* intended NECA only to provide the 50 percent special accommodation with respect to lease expenses that were actually paid within the normal business cycle.

First, Commission rules require that costs and expenses, to be valid, be actually paid.¹⁹ Accounting entries reported to NECA for the purpose of reporting final earnings results to the Commission on Form 492 must be based on actually paid expenses in order to accurately report pool earnings results.²⁰ In addition, accounting entries reported by SIC used to establish tariffed rates must be based on a reasonable prediction that the expenses will be valid during the tariffed period.²¹ Thus, as a regulatory accounting matter, the actual payment of the lease expenses is a recurring and important question. It is critical that SIC completely ignored the Petition argument that the FCC's own definition of "costs" requires that the obligations represented by "cost" accounting entries actually be paid, and that costs and expenses mean essentially the same

¹⁸ NECA rejects the assertion that NECA changed its interpretation of the *Declaratory Ruling*. SIC Opposition, Exhibit 2, Declaration of James Rennard, GVNW, ¶ 12 (undated) ("Rennard Declaration"). Once NECA discovered that material lease payments had been unpaid for over two years, and no plan for repayment was forthcoming, it diligently pursued a correction of SIC's data to be included in NECA's pool revenue requirement, including filing the instant Petition.

¹⁹ 47 C.F.R. Glossary ("cost" defined as "the amount of money actually paid").

²⁰ *Id.* §§ 65.600, 65.702.

²¹ *Id.* § 61.38. Rates, terms, and conditions must be just and reasonable pursuant to 47 U.S.C. § 201(b). See also, *Connect America Fund*, 26 FCC Rcd. 17,663, ¶¶ 662, *et seq.* (2011) ("*USF-ICC Transformation Order*"), *pets. for review denied*, *Direct Communs. Cedar Valley, LLC v. FCC*, 753 F.3d 1015 (10th Cir. 2014), *pet. cert. pending* (Commission established rules addressing access stimulation to ensure that predicted costs and demand used to compute tariffed rates are reasonable).

thing.²² What is more, in the *Declaratory Ruling* the Commission uses the terms “costs” and “expenses” interchangeably.²³ Even SIC’s opposition refers to the lease expenses as “SIC’s costs.”²⁴ Therefore, as a regulatory accounting matter, the lease expenses in question must actually be paid within the business cycle to be properly classified as an expense.

Second, the *Declaratory Ruling* describes the justification for the special 50 percent accommodation: to provide “appropriate *recovery* for Sandwich Isles investors through NECA tariffed rates in light of the benefits *arising from the investment*.” To the extent that lease expenses or costs are not actually paid by the regulated company, there is nothing to “recover” and consequently no “investment.”²⁵ The Commission itself was careful to exclude from SIC’s special allowance the actual revenues SIC received from nonregulated services transmitted over the cable system.²⁶ Thus, the Commission recognized that it did not want to unnecessarily over-

²² *Declaratory Ruling*, (¶ 9 n.30: “The lease *expenses* subject to dispute would include the *costs* for Sandwich Isles to lease the Paniolo cable network each year”) (emphasis added); (¶¶ 24, 25, 27: “lease costs”). The Rennard Declaration claims that SIC’s accounts were in compliance with Part 36 of the Commission’s Rules. Rennard Declaration, ¶ 8. But the Declaration does not address the FCC’s definition of “cost” contained in the Glossary of Part 32.

²³ NECA Petition at 7.

²⁴ See, e.g., text accompanying and note 17, *supra*.

²⁵ The Rennard Declaration argues that the *Declaratory Ruling*’s 50 percent special accommodation applied only to booked costs or expenses, without regard to the actual payment of the expenses. Rennard concludes that if the expenses were properly booked, then they were by definition includible in the revenue requirement under the *Ruling*. Rennard Declaration, ¶¶ 11-15. But this statement of opinion is simply a conclusion, not a rationale as to how the *Ruling* specifically addresses the payment issue. As indicated in the Petition, there was simply no reason to address actual payment of lease expenses because it was fairly assumed that the obligations would in fact be paid. Petition at 9.

²⁶ The Bureau already rejected SIC’s attempt to refuse to credit revenues received from other users of the cable in computing the special allowance under the *Declaratory Ruling*. *Sandwich Isles Communications Inc., Petition for Declaratory Ruling*, WC Docket No. 09-133, 27 FCC Rcd. 470 (Wir. Comp. Bur. 2012).

compensate SIC for the cable system investment. In the end, NECA pooling arrangements are based on data submitted by member companies. The pools pay “net recipients” such as SIC for the expenses which exceed what would be covered by revenues derived from the averaged tariffed rates filed by NECA. There is no justification to charge ratepayers and transfer the resulting pooled revenues from other regulated pool members where the “net recipient” is not actually paying expenses used in determining “net recipient” status. SIC does not supply any policy rationale for such a result in its Opposition.²⁷

The Commission normally expects that carriers are accountable to it for actual payments and results in exchange for favorable regulatory treatment.²⁸ Since the *Declaratory Ruling* granted a special assessment for the cable system, it is reasonable to conclude that the FCC intended that the allowance be used to defray the expenses of the cable system. Through a review of publicly available court records, as well as a review of SIC’s cost study and supporting materials, **CONFIDENTIAL*****

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²⁷ NECA recognizes that SIC serves a portion of the Hawaiian Home Lands, which have special status under the universal service rules as a “tribal territory.” *USF-ICC Transformation Order*, ¶ 126 n.197. The FCC established special rules for carriers operating in “tribal territories” to promote broadband deployment, which requires the recipient of support to file the certifications identified in note 28, *infra*, including a certification that funds were actually used to support broadband.

²⁸ The FCC refuses to provide universal service support to a company unless it “shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.” 47 C.F.R. § 54.7(a). States, or carriers in the absence of state certification, must certify that all universal service support “was used in the preceding calendar year” to support intended facilities and services. *Id.*, § 54.314(a) & (b). The Bureau already rejected a SIC waiver of certain universal service rules based on an inadequate factual showing, including based on the risky behavior associated with the cable system in question. *SIC Waiver Denial Order*, ¶ 19.

²⁹ See Porter Declaration, ¶ 7.

Third, even if SIC's original expectation was to pay the lease obligations, but due to its financial circumstances could not continue to do so, the proper approach would have been to raise the issue with the regulator in order to help resolve the issue. SIC did not do that either.³⁰

SIC does allege that NECA's argument "would create enormous and unnecessary financial hardships for *scores* of rural carriers that participate in the NECA pool" and "could lead to financial havoc for *hundreds* of telecom carriers."³¹ SIC does not include any support for these statements of fact.³² As administrator of the telecommunications service pools, and recognizing that NECA members utilize accrual accounting, NECA is unaware of any instance in which a member company has failed to actually pay a current expense within the normal business cycle.³³ If SIC is aware of any such situations out of the hundreds it alleges, it should promptly bring them to NECA's attention so that it may properly administer the pools.

The logical conclusion to SIC's arguments would be that if NECA member companies reported expenses as accrued liabilities, but never paid anything, the pool would have to pay 100

³⁰ One solution apparently would be for the FCC to reverse its 50 percent accommodation and grant 100 percent of lease costs accrued, whether actually paid or not, pursuant to SIC's petition for reconsideration of the Declaratory Ruling. AT&T, on the other hand, has asked the Commission to overrule the 50 percent accommodation, something which Verizon and Qwest (now CenturyLink) supported. Another solution would be to "restructure" current debt, **CONFIDENTIAL*****. AKT Auditor's Report at 13. It is unclear whether either of these solutions is probable. It is also unclear whether any modification would result in actual additional lease payments applicable to the 2012 or 2013 cost study reporting periods and at the level reported for recovery from regulated revenue requirements.

³¹ SIC Opposition at 5 (emphasis added).

³² An attorney's signature on a pleading constitutes a certification, among other things, that "to the best of his knowledge, information, and belief there is good ground to support it." 47 C.F.R. § 1.52.

³³ See Declaration of James W. Frame, Vice President, NECA, ¶ 3, included as Exhibit 2 ("Frame Declaration").

percent of the booked entries. Such rampant nonpayment of expenses, of course, could not be justified under ratemaking principles. Thus, the implications of SIC's arguments would in fact be enormously damaging to ratepayers and all NECA member companies, not the other way around as SIC argues.

III. THE PROCEDURAL QUESTION.

SIC claims that NECA's petition is procedurally defective as an untimely petition for reconsideration of the *Declaratory Ruling*.³⁴ This is simply a make-weight argument that disappears upon examination. NECA is requesting a clarification of the *Declaratory Ruling*, not reconsideration of it. The *Declaratory Ruling* simply does not specifically address whether actual payments are contemplated with the 50 percent of the "disputed lease expenses" accommodation. Thus, the instant procedural vehicle is proper.³⁵

IV. CONCLUSION

In these specific circumstances, NECA respectfully requests that the Commission clarify whether the *Declaratory Ruling*'s term "lease expenses subject to dispute" must be actually paid expenses during the relevant carrier accounting cycle. Should the Commission decide SIC revenue requirements should be based on lease expenses actually paid within the normal business cycle, NECA requests that the Commission provide authority for NECA to adjust

³⁴ SIC Opposition at 10.

³⁵ NECA notes that AT&T has filed an application for review of the *Declaratory Ruling*, and therefore the *Declaratory Ruling* is not final, and is subject to reconsideration regarding any matter in the underlying decision. *Kittyhawk Broadcasting Corp., et. al*, 22 FCC2d 475, ¶ 4 (1970).

SIC's pool settlements paid in periods now closed under NECA's 24-month adjustment window in order to give effect to the Commission's ruling.

Respectfully submitted,

By: /s/ Gregory J. Vogt

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Inc.*

March 27, 2015

Exhibit 1

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Sandwich Isles Communications, Inc.) WC Docket No. 09-133
Petition for Declaratory Ruling)

DECLARATION OF THOMAS L. PORTER, Ph.D., C.P.A.

I, Thomas L. Porter, am a Certified Public Accountant affiliated with the firm Bates White. Bates White has been retained by the National Exchange Carrier Association, Inc. (“NECA”) in order to provide advice concerning financial information of Sandwich Isles Communications, Inc. (“SIC”). I hereby declare as follows:

1. I have been a Certified Public Accountant since 1981. I have a bachelor’s degree (in accounting and finance) from the University of Maryland, a master’s degree in business administration (“MBA”) from the Georgia Institute of Technology, and a Ph.D. (in accounting) from the University of Washington. I am currently a professor of accounting at the Hult International Business School and an adjunct professor of accounting at Boston University. I have held positions as an auditor, an accounting systems consultant, and, most recently, as a vice president at NERA Economic Consulting, Inc. I have also been a member of the Research and Technical Activities staff at the Financial Accounting Standards Board, the organization that sets generally accepted accounting principles (“GAAP”) in the United States. I have been affiliated with Bates White since 2014.

2. I am familiar with the Declaratory Ruling issued by the Wireline Competition Bureau (“WCB”) of the Federal Communications Commission (“FCC”)

issued in *Sandwich Isles Communications, Inc.*, 25 FCC Rcd. 13647 (WCB 2010), *pet. for recon. and app. for rev. pending* (“*Declaratory Ruling*” or “*Ruling*”).

3. I am familiar with the National Exchange Carrier Association, Inc., Petition for Clarification and-or Declaratory Ruling, WC Docket No. 09-133 (Feb. 6, 2015) (“*Petition*”), as well as the pleadings that have been filed with respect to that Petition.

4. Under GAAP, it is appropriate to record a liability to pay an expense at the time that the expense is incurred, as long as it is probable that there will be an outflow of assets to settle the liability. If it is not probable that there will be an outflow of assets, then no liability exists, and no expense can be considered incurred.¹ Thus, an expense is only considered incurred when there is a reasonable likelihood that the company actually owes an amount for goods or services that it has received and it is probable that the company will sacrifice assets to settle the liability for the expense.²

5. From a review of the audited financial statements ****CONFIDENTIAL**

*****.³ ****CONFIDENTIAL*******

¹ “Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.” (FASB Concepts Statement No. 6, *Elements of Financial Statements*, ¶ 35 (issued Dec. 1985), available at www.fasb.org (“FASB Concepts No. 6”).

² “Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity’s ongoing major or central operations.” *Id.*, ¶ 80.

³ AKT Auditor’s Report, Financial Statements and RUS Letters, Years Ended Dec. 31, 2013, and 2012 (May 7, 2014) (“AKT Auditor’s Report”).

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6. A classification as a current liability implies that payment will be made during the normal operating cycle of the business. A liability is characterized in part by “probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand”⁴ Entities “routinely settle the liabilities they incur.”⁵ SIC does not appear to be treating the liability associated with the lease expenses as due on a determinable date and is not routinely settling the lease obligations. Thus, the implied payment obligation of the lease expense further raises doubt concerning the appropriateness of booking the lease obligations as a current liability or expense under GAAP.

7. From a review of the financial statements contained in the AKT Auditor’s Report and NECA’s correspondence with SIC, it appears that ****CONFIDENTIAL*******
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8. SIC, citing its audited financial statements, states that, according to its auditor, SIC is in compliance with GAAP.⁷ GAAP assumes that an entity will continue

⁴ FASB Concepts No. 6, ¶ 36(a).

⁵ *Id.*, ¶ 38.

⁶ See AKT Auditor’s Report at 16: ****CONFIDENTIAL*******

*********. See letter from Carol Brennan, NECA, to Liko Hee, SIC, “Re: SIC Lease Payments” (Dec. 17, 2014) (Petition, Exhibit 1).

as a going concern. ****CONFIDENTIAL*******
*********. If an entity will not continue as a going concern, then its obligations will either never be paid or only partially paid. In that event, compliance with GAAP is not the only relevant issue.

9. Financial statements that are in compliance with GAAP are aimed at satisfying the information needs of investors and creditors, not regulators. FASB has acknowledged that financial statements prepared in accordance with GAAP may not be a “one-size-fits-all” solution. FASB specifically states that although GAAP-compliant reports may be useful to regulators, GAAP reports are not primarily intended to satisfy a regulator’s needs.⁸

⁷ Sandwich Isles Communications Opposition to NECA Petition for Declaratory Ruling, WC Docket No. 09-133, 2, 4 (Mar. 12, 2015) (“SIC Opposition”).

⁸ “Other parties, such as regulators and members of the public other than investors, lenders, and other creditors, also may find general purpose financial reports useful. However, those reports are not primarily directed to these other groups.” FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, ¶ OB10.

10. I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

A handwritten signature in blue ink that reads "Thomas L. Porter". The signature is written in a cursive style with a horizontal line underneath the name.

Thomas L. Porter

Dated: March 27, 2014

Exhibit 2

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Sandwich Isles Communications, Inc.) WC Docket No. 09-133
Petition for Declaratory Ruling)

DECLARATION OF JAMES W. FRAME

I, James W. Frame, am Vice President of Operations for the National Exchange Carrier Association, Inc. (“NECA”). I have held my current position since October 1, 1997. I hereby declare as follows:

1. I am familiar with the Declaratory Ruling issued by the Wireline Competition Bureau (“WCB”) of the Federal Communications Commission (“FCC”) issued in *Sandwich Isles Communications, Inc*, 25 FCC Rcd. 13647 (WCB 2010), *pet. for recon. and app. for rev. pending* (“*Declaratory Ruling*” or “*Ruling*”), as well as the implementation steps that NECA has taken in order to comply with that Order.

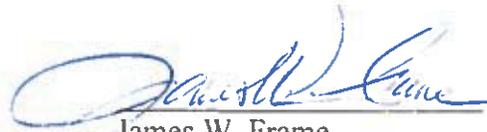
2. I am familiar with the National Exchange Carrier Association, Inc., Petition for Clarification and-or Declaratory Ruling, WC Docket No. 09-133 (dated Feb. 6, 2015) (“*Petition*”), as well as the pleadings that have been filed with respect to that Petition.

3. SIC alleges that NECA’s argument contained in the Petition “would create enormous and unnecessary financial hardships for *scores* of rural carriers that participate in the NECA pool” and “could lead to financial havoc for *hundreds* of telecom carriers.”¹

¹ Sandwich Isles Communications Opposition to NECA Petition for Declaratory Ruling, WC Docket No. 09-133, 5 (dated Mar. 12, 2015) (“*SIC Opposition*”).

SIC does not include any support for these statements of fact. As an officer of NECA and supervisor of NECA Industry Relations staff, I am unaware of any instance in which a member company has failed to actually pay an accrued liability within the normal business cycle and included such accrued liabilities as current expenses in its revenue requirement during its normal business cycle.

4. I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.



James W. Frame

Dated: March 27, 2014