

FairPoint Communications, Inc.

CAF Phase II
Transition Funding
Implementation

September 22, 2015

Transition Funding & FairPoint LECs

CAF II ROFR was declined	CAF II ROFR was accepted and model-based support is greater than frozen support	CAF II ROFR was accepted and model-based support is less than frozen support
Colorado Kansas	Illinois Maine Massachusetts New Hampshire Vermont Virginia	Alabama Florida Missouri New York Ohio Oklahoma Pennsylvania Washington

Transition Funding: Is It CAF II or Frozen CAF I Support? And When Does CAF II Commence?

- Impact on Local Rate Benchmark reporting/penalties
- Impact on CAF Obligations
 - CAF II Obligations – locations, speed, latency, etc.
 - CAF I Obligations – where spending is permitted
- Impact on ROR ICC Transition (calculation of Eligible Recovery)

Transformation Impact on LSS: Scenario 1 – ROFR Declined

- FairPoint could receive LSS twice – through the ROR ICC transition and again as price cap CAF Phase I Frozen Support
- To avoid double recovery, NECA backs out LSS amount from the annually adjusted Base Period Revenue
- After the Competitive Bidding Process, FairPoint will no longer receive Frozen Support and LSS should no longer be subtracted

Scenario 2 – ROFR Accepted, Support Increases Under CAF Phase II

- Frozen Support ended effective as of December 31, 2014, FairPoint will receive increased support retroactive to Jan. 1
- Effective Jan. 1, 2015, FairPoint ROR study areas should be treated like all other ROR study areas – LSS should be not be excluded from the ICC Transition calculation
- NECA must recalculate for tariff years 2014/2015, 2015/2016
- USAC should be directed to pay the adjusted CAF-ICC to FairPoint
- FairPoint should not have to impute higher ARC rates if there are study areas with less than maximum ARCs (FairPoint had no opportunity to set higher ARC rates at the start of the year)

Scenario 3 – ROFR Accepted, Support Decreases Under CAF Phase II

- FairPoint receives Transition Funding effective Jan. 1, 2015
- No funding after Jan. 1, 2015 should be considered CAF Phase I Frozen Support for purposes of CAF obligations, Local Rate Benchmarks and LSS funding
- FairPoint receives a form of Transition Funding at 100% for the period between January 1 and July 31, which is 100% of the difference between CAF Phase I Frozen Support and CAF Phase II support
- Starting August 1, 2015, Transition Funding is reduced to 75% of the difference between CAF II and Frozen Support

NECA 2014 CAF Report - Ellensburg

Study Area: ELLENSBURG TEL CO (ID: 522412)
 Holding Company: FAIRPOINT COMMUNICATIONS, INC.
 (ID: 200000037)

Study Area USAC Reports

2014 USAC Data Report (Test Period 2014-2015)

CONNECT AMERICA FUND

Data Provided to USAC/FCC in June 2014 for CAF ICC Purposes

Current Settlement Type: Cost

Test Period 7/1/14-6/30/15 Post True-up (Filing) View		
Rate-of-Return (ROR) Carrier Revenue Requirement		
1	2011 Interstate Switched Access Revenue Requirement	\$935,977
2	FY 2011 Intrastate Terminating Switched Access Revenues	\$1,090,430
3	FY 2011 Net Reciprocal Compensation Revenues	\$169,049
4	2011 ROR Carrier Base Period Revenue (Line 1 + Line 2 + Line 3)	\$2,195,456
5	ROR Carrier Baseline Adjustment Factor (0.95 x 0.95 x 0.95)	0.8574
6	ROR Carrier Revenue Requirement (Line 4 x Line 5)	\$1,882,329
7	Pool Administration Expenses	\$27,215
8	Total ROR Carrier Revenue Requirement (Line 6 + Line 7)	\$1,909,544

NECA 2014 CAF Report - Ellensburg

Revenues from Reformed Inter-carrier Compensation (ICC) Rates		
9	Interstate Switched Access Revenues	\$571,096
10	Interstate Allocated Switched Access Revenues#	\$428,665
11	Transitional Intrastate Access Service Revenues	\$235,831
12	Net Transitional Reciprocal Compensation Revenues	\$0
13	Total ICC Revenue (Line 10 + Line 11 + Line 12)	\$664,496
Eligible Recovery		
14	TRS Increment	\$0
15	Regulatory Fees Increment	\$0
16	NANPA Increment	\$0
17	Interstate Local Switching Support for Price Cap Affiliates	\$185,166
18	Adjustment for Double Recovery or Corrections	\$0
19	Test Period 12/13 Trueup - Net Impact on Total Eligible Recovery	(\$128,359)
20	Eligible Recovery (Line 8 - Line 13) + (Line 14 + Line 15 + Line 16 + Line 18 + Line 19) - (Line 17)	\$931,523
Revenues from Access Recovery Charges (ARC)		
21	Residential ARC Revenues	\$119,358
22	Single Line Business ARC Revenues	\$15,282
23	Multi-Line Business ARC Revenues	\$137,880
24	Total ARC Revenues (Line 21 + Line 22 + Line 23)	\$272,520
Connect America Fund (CAF) ICC Support**		
25	Connect America Fund (CAF) ICC Support (Line 20 - Line 24)	\$659,003

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Study Area USAC Reports

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CONNECT AMERICA FUND

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Rate-of-Return (ROR) Carrier Revenue Requirement		
1	2011 Interstate Switched Access Revenue Requirement	\$935,977
2	FY 2011 Intrastate Terminating Switched Access Revenues	\$1,090,430
3	FY 2011 Net Reciprocal Compensation Revenues	\$169,049
4	2011 ROR Carrier Base Period Revenue (Line 1 + Line 2 + Line 3)	\$2,195,456
5	ROR Carrier Baseline Adjustment Factor (0.95 x 0.95)	0.9025
6	ROR Carrier Revenue Requirement (Line 4 x Line 5)	\$1,981,399
7	Pool Administration Expenses	\$30,770
8	Total ROR Carrier Revenue Requirement (Line 6 + Line 7)	\$2,012,170

NECA 2013 CAF Report - Ellensburg

Revenues from Reformed Inter-carrier Compensation (ICC) Rates		
9	Interstate Switched Access Revenues	\$616,642
10	Interstate Allocated Switched Access Revenues#	\$524,732
11	Transitional Intrastate Access Service Revenues	\$339,865
12	Net Transitional Reciprocal Compensation Revenues	\$0
13	Total ICC Revenue (Line 10 + Line 11 + Line 12)	\$864,597
Eligible Recovery		
14	TRS Increment	\$38,183
15	Regulatory Fees Increment	\$0
16	NANPA Increment	\$0
17	Interstate Local Switching Support for Price Cap Affiliates	\$370,332
18	Eligible Recovery (Line 8 - Line 13) + (Line 14 + Line 15 + Line 16) - (Line 17)	\$815,424
Revenues from Access Recovery Charges (ARC)		
19	Residential ARC Revenues	\$93,504
20	Single Line Business ARC Revenues	\$8,712
21	Multi-Line Business ARC Revenues	\$92,304
22	Total ARC Revenues (Line 19 + Line 20 + Line 21)	\$194,520
Connect America Fund (CAF) ICC Support**		
23	Connect America Fund (CAF) ICC Support (Line 18 - Line 22)	\$620,904