REDACTED – FOR PUBLIC INSPECTION

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December 15, 2015

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, DC 20554

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Federal Communications Commission
Office of the Secretary

Rodger Woock
Suzanne Yelen
Industry Analysis and Technology Division
Federal Communications Commission
445 12th Street S.W.
Washington, DC 20554

Re: Connect America Fund, WC Docket No. 10-90, *et. al.*
Supplemental Data Filing

Dear Ms. Dortch, Mr. Woock and Ms. Yelen:

Pursuant to Federal Communications Commission (Commission) staff request, the National Exchange Carrier Association, Inc. (NECA) is filing the attached data tables containing revised projections of rate-of-return high cost universal service support under the Commission's proposed "bifurcated approach." This information is being filed pursuant to the *Third Protective Order* issued in this proceeding.[1]

[1] *Connect America Fund*, WC Docket No. 10-90, *et. al.*, Third Protective Order, 27 FCC Rcd. 10276 (2012) (*Third Protective Order*).

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These projections were prepared following the assumptions contained in NECA's December 2, 2015 submission,[2] with the following exceptions: Version 1 uses a broadband benchmark rate of $42; Version 2 uses the broadband benchmark of $45 but revises the budget control process to be calculated solely on a study area pro-rata basis and is applied only on Interstate Common Line Support and the new mechanism support; and Version 3 incorporates the broadband benchmark rate revision reflected in Version 1 and the budget control process used in Version 2.

As directed by Wireline Competition Bureau staff, results are reflected only for scenarios 1 and 2, as described in the December 2nd submission,[3] and excludes the effects of scenario 3, which was included in prior NECA data submissions. While NECA is not submitting scenario 3 in this filing by direction of the staff, we continue to believe scenario 3 also presents relevant results based on a reasonable set of growth assumptions when evaluating the Commission's proposed bifurcated support approach. Recent two-year loop cost growth rates for 740 cost companies has averaged .95% (equivalent to approximately 10% over 10 years).[4] This two-year average growth rate places aggregate results between scenario 2 and scenario 3.[5]

NECA is providing this data in support of efforts to evaluate the Commission's proposed bifurcated approach to reform legacy support mechanisms and does not represent any position on this concept by NECA.

Supporting data used in producing the attached summary information is contained on a CD-ROM accompanying this letter. NECA seeks confidential treatment of the information provided on the CD-ROM under the *Third Protective Order*. Notwithstanding the *Third Protective Order*, the information provided on the CD-ROM is entitled to confidential, non-public treatment under the Freedom of Information Act (FOIA) and related provisions of the Commission's rules.[6] The information satisfies the requirement of FOIA Exemption 4 (trade secrets or commercial/financial information).

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[2] Letter from Regina McNeil, NECA, to Marlene H. Dortch, Secretary – Federal Communications Commission, Rodger Woock and Suzanne Yelen, Industry Analysis and Technology Division, Connect America Fund, WC Docket No. 10-90 (filed Dec. 2, 2015).

[3] *Id.*

[4] *Id.* at 5.

[5] Scenario 2 results in an increase in loop costs of 7% over the 10 years; Scenario 3 results in an aggregate increase of 17% over the same 10-year period. *See id.* at 6. Further, loop costs for the one-year period from 2013 to 2014 increased by 2.04%, which over the same 10-year period would exceed the Scenario 3 results. *See id.* at 15.

[6] 47 C.F.R. §§ 0.457 and 0.459; 5 U.S.C. § 552, et. seq. Section 0.457(d)(iii) specifically identifies information submitted in connection with audits, investigations, and examination of records pursuant to 47 U.S.C. 220 as material that has been accepted by the Commission on a confidential basis pursuant to 5 U.S.C. 552(b)(4).

NECA submits the following information pursuant to section 0.459 in support of its request for confidential treatment of the data on the CD-ROM.

- Identification of the specific information for which confidential treatment is sought:

  NECA seeks confidential treatment for the study area specific information on the CD-ROM, which contains confidential and proprietary information related to total company and interstate revenue, demand, expense and investment for rate of return carriers.

- Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

  This data is submitted in response to a Commission staff request for analysis related to an FCC bifurcated concept for rate of return USF support.

- Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:

  The information on the CD-ROM contains sensitive study area specific information. At the study area level, the data contains information that is granular and highly confidential.

  The carrier data included on the CD-ROM should be treated as confidential trade secret information. NECA would not agree to submit the data in response to the Commission staff's request without assurances that the information will be kept confidential. It would be highly inappropriate for the data to be disclosed to the public or third parties.

- Explanation of the degree to which the information concerns a service that is subject to competition:

  Rural telephone service has historically lent itself to "cherry picking" by competitors that choose to serve only the low cost areas within a study area. Detailed information about revenues and expenses may help prospective competitors to gain insight to incumbent LEC (ILEC) market strategies and gain competitive advantage.

- Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

  The information provided in the attached CD-ROM includes data that is made available only to NECA representatives on a need to know basis. Any public information is only made available on an aggregate basis.

- Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

  The calculations in the Excel spreadsheets on the CD-ROM are not publicly available.

- Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

  NECA requests that all of the data provided on the CD-ROM be treated as confidential indefinitely. Because of the sensitive nature of the data, it would not be appropriate for public disclosure at any time in the foreseeable future.

- Any other information that the party seeking confidential treatment believes may be useful in assessing whether its request for confidentially should be granted:

  By addressing the data request to NECA, the Commission avoided the burden of seeking out the data for 1000 plus rate of return carrier study areas. However, the Commission should take care to not deprive those ILECs of the opportunity to speak for themselves in the event of a FOIA request for access to data. NECA requests that the Commission notify carriers of any FOIA request and allow them to be given a reasonable opportunity to file detailed information supporting continued confidential treatment of their respective data.

Accordingly, NECA requests confidential treatment of the data provided on the attached CD-ROM pursuant to section 0.457 and 0.459 of the Commission's rules and paragraph 4 of the Protective Order. Pursuant to the Protective Order, NECA has marked the Excel spreadsheets on the CD-ROM and each page of the non-redacted version of this filing as follows:

> CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS 10-90, 07-135, 05-337, 03-109, GN DOCKET NO. 09-51, CC DOCKET NOS. 01-92, 96-45, WT DOCKET NO. 10-208 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

NECA has also complied with the requirement of the *Third Protective Order* for delivery of both the confidential and redacted copies of the filing.

Sincerely,

Regina McNeil

Enclosures

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 1: Growth factors stratified by depreciation levels; Benchmark = $42
Work in Progress Draft for Discussion Only
Subject to Change Based on Further Analysis

	Base Year 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legacy Support Mechanisms -Existing Investment											
High Cost Loop Support Cap	$ 735,165,218	$ 718,696,728	$ 700,566,166	$ 682,892,983	$ 665,665,642	$ 648,872,895	$ 632,503,778	$ 616,547,605	$ 600,993,959	$ 585,832,684	$ 571,053,883
High Cost Loop Support with Frozen NACPL after Adjustment Factor and $3,000 Limit	$ 732,584,114	$ 710,815,919	$ 692,535,097	$ 674,022,350	$ 655,315,071	$ 636,678,744	$ 593,695,915	$ 530,303,972	$ 457,883,832	$ 383,877,181	$ 305,920,918
Adjustment Factor		0.90	0.88	0.92	0.94	0.98	1.00	1.00	1.00	1.00	1.00
ICLS after $3,000 Limit	940,244,722	794,995,204	707,773,687	626,063,038	547,795,405	473,750,277	402,768,323	335,635,434	268,456,969	214,894,759	163,183,367
New Mechanism Support											
Percent of Revenue Requirement Assigned to New Mechanism		16.68%	27.30%	36.97%	45.89%	54.14%	62.00%	69.22%	76.05%	81.38%	86.34%
Loop Cost Assigned to New Mechanism		$ 627,879,347	$ 1,038,618,904	$ 1,414,820,181	$ 1,753,044,392	$ 2,059,856,189	$ 2,340,460,260	$ 2,599,128,875	$ 2,815,582,871	$ 3,019,866,373	$ 3,202,860,055
Benchmark Revenue		$ 407,322,455	$ 608,791,091	$ 772,744,375	$ 909,200,169	$ 1,021,165,290	$ 1,113,223,133	$ 1,184,112,703	$ 1,244,964,707	$ 1,273,413,764	$ 1,295,525,674
New Mechanism Support after $3,000 Limit		$ 231,296,567	$ 436,484,025	$ 645,721,744	$ 843,227,344	$ 1,033,333,231	$ 1,216,699,847	$ 1,403,026,609	$ 1,556,052,630	$ 1,726,821,026	$ 1,884,985,514
Total Loop "Old" Investment High Cost Support	$ 1,672,828,836	$ 1,505,811,123	$ 1,400,308,784	$ 1,300,085,388	$ 1,203,110,476	$ 1,110,429,021	$ 996,464,238	$ 865,939,406	$ 726,340,801	$ 598,771,940	$ 469,104,285
Total Loop High Cost Support Old plus New	$ 1,672,828,836	$ 1,737,107,690	$ 1,836,792,809	$ 1,945,807,132	$ 2,046,337,820	$ 2,143,762,252	$ 2,213,164,085	$ 2,268,966,015	$ 2,282,393,431	$ 2,325,592,966	$ 2,354,089,799
CAF ICC		$ 367,130,130	$ 345,608,109	$ 337,556,906	$ 329,295,424	$ 317,985,311	$ 304,355,080	$ 291,319,957	$ 278,869,011	$ 266,952,578	$ 255,561,553
Total RLEC High Cost Support Budget		**$1,632,869,870**	**$1,654,391,891**	**$1,662,443,094**	**$1,670,704,576**	**$1,682,014,689**	**$1,695,644,920**	**$1,708,680,043**	**$1,721,130,989**	**$1,733,047,422**	**$1,744,438,447**
Budget Variance		$104,237,820	$182,400,918	$283,364,038	$375,633,244	$461,747,563	$517,519,165	$560,285,972	$561,262,442	$592,545,544	$609,651,352
Budget Variance per Line per Month		$2.32	$4.19	$6.70	$9.15	$11.58	$13.36	$14.87	$15.32	$16.63	$17.58
HCLS adjusted for Budget Variance		$ 668,162,316	$ 623,763,575	$ 575,865,810	$ 535,023,043	$ 499,543,733	$ 454,867,974	$ 399,353,630	$ 345,285,805	$ 286,067,841	$ 226,694,925
$ per line per month		$0.83	$1.33	$1.85	$2.24	$2.50	$2.62	$2.62	$2.38	$2.38	$2.34
%		96.87%	94.67%	91.92%	89.53%	87.12%	85.83%	84.68%	84.35%	83.84%	83.12%
ICLS adjusted for Budget Variance		$ 747,290,294	$ 637,488,911	$ 534,890,718	$ 447,240,080	$ 371,708,628	$ 308,586,275	$ 252,755,468	$ 202,440,825	$ 160,141,011	$ 120,922,889
$ per line per month		$0.56	$0.85	$1.16	$1.38	$1.58	$1.63	$1.68	$1.71	$1.68	$1.49
%		96.91%	94.76%	92.07%	89.75%	87.62%	86.32%	85.42%	85.66%	85.12%	84.85%
New Mechanism adjusted for Budget Variance		$ 217,417,261	$ 393,139,405	$ 551,686,566	$ 688,441,453	$ 810,762,328	$ 932,190,672	$ 1,056,570,945	$ 1,173,404,359	$ 1,286,838,571	$ 1,396,820,633
$ per line per month		$0.15	$0.50	$1.11	$1.89	$2.79	$3.67	$4.60	$5.22	$6.17	$7.04
%		96.91%	94.78%	92.14%	89.87%	87.89%	86.70%	85.82%	85.87%	85.28%	84.98%
Total RLEC High Cost Support Budget Adjusted for Budget Overage		$ 1,632,869,870	$ 1,654,391,891	$ 1,662,443,094	$ 1,670,704,576	$ 1,682,014,689	$ 1,695,644,920	$ 1,708,680,043	$ 1,721,130,989	$ 1,733,047,422	$ 1,744,438,447

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 1: Growth factors stratified by depreciation levels
Work in Progress Draft for Discussion Only

Subject to Change Based on Further Analysis

Impacts Compared to Legacy Support

	All Study Areas						Study Areas Losing Support						Study Areas Gaining Support					
	Count	Loops	2025 Legacy Support	2025 Bifurcated Support	$ Change	% Change	Count	Loops	% Loss of Support	SARs Losing More Than 50% Support	Average Loss per Loop per Month	Max Loss per Loop per Month	Count	Loops	% Gain of Support	SARs Gaining More Than 50% Support	Average Gain per Loop per Month	Max Gain per Loop per Month
All Study Areas	1095	3,639,449	$1,529.9 M	$1,744.4 M	$214.6 M	14.0%	460	1,314,933	-23.2%	57	$6	$213	635	2,324,516	29.2%	175	$11	$66
Groups By Loop Count																		
0 - 500	183	53,502	$40.1 M	$40.3 M	$.2 M	0.4%	116	30,139	-17.2%	9	$10	$213	67	23,363	21.2%	13	$14	$61
501 - 1000	209	153,015	$107.4 M	$118.2 M	$10.8 M	10.1%	97	70,603	-15.6%	7	$8	$47	112	82,412	26.3%	30	$17	$60
1001 - 2500	295	472,346	$270.9 M	$314.2 M	$43.3 M	16.0%	109	166,555	-16.9%	10	$6	$48	186	305,791	28.7%	55	$15	$59
2501 - 5000	212	754,117	$386.4 M	$443.9 M	$57.5 M	14.9%	66	239,612	-20.5%	14	$7	$38	146	514,505	27.3%	39	$13	$43
5001 - 10000	124	872,396	$340.0 M	$404.3 M	$64.3 M	18.9%	44	319,098	-25.4%	11	$6	$31	80	553,298	35.2%	31	$13	$66
10001 - 20000	52	705,646	$249.2 M	$272.3 M	$23.1 M	9.3%	21	284,331	-26.8%	4	$6	$17	31	421,315	26.4%	5	$9	$32
> 20000	20	628,427	$135.8 M	$151.2 M	$15.4 M	11.3%	7	204,595	-45.2%	2	$6	$10	13	423,832	28.3%	2	$6	$19
Groups By CPI, Percentile																		
10%: $0 - $543	110	611,244	$78.3 M	$92.0 M	$13.7 M	17.5%	35	219,462	-56.6%	22	$6	$13	75	391,782	61.2%	57	$6	$25
25%: $543 - $693	164	772,391	$147.2 M	$157.0 M	$9.8 M	6.6%	94	427,208	-37.4%	12	$5	$15	70	345,183	52.7%	35	$9	$29
50%: $693 - $938	274	816,450	$269.3 M	$308.7 M	$39.4 M	14.6%	138	274,656	-27.8%	18	$7	$213	136	541,794	33.0%	42	$10	$42
75%: $938 - $1388	274	904,412	$480.5 M	$562.9 M	$82.5 M	17.2%	124	304,085	-14.6%	5	$6	$104	150	600,327	30.9%	31	$14	$58
90%: $1388 - $2134	163	407,844	$344.1 M	$400.9 M	$56.9 M	16.5%	28	58,325	-10.9%	0	$8	$60	135	349,519	21.1%	9	$15	$66
95%: $2134 - $2864	55	67,196	$94.8 M	$105.5 M	$10.7 M	11.3%	10	8,257	-14.2%	0	$19	$39	45	58,939	15.3%	1	$18	$58
>95% > $2864	55	59,912	$115.7 M	$117.3 M	$1.7 M	1.4%	31	22,940	-13.9%	0	$25	$48	24	36,972	13.2%	0	$19	$59
Groups By Settlement Type																		
A/S	310	678,307	$144.9 M	$106.2 M	-$38.8 M	-26.7%	257	600,750	-33.8%	34	$6	$104	53	77,557	4.8%	0	$1	$6
Cost	785	2,961,142	$1,384.9 M	$1,638.3 M	$253.3 M	18.3%	203	714,183	-19.3%	23	$7	$213	582	2,246,959	29.8%	175	$12	$66
Groups By Density																		
Less than 1	70	139,329	$147.7 M	$170.3 M	$22.6 M	15.3%	19	14,170	-10.2%	1	$11	$104	51	125,159	19.0%	7	$16	$58
1 - 3	146	424,870	$306.2 M	$349.1 M	$42.9 M	14.0%	40	118,011	-13.6%	1	$6	$41	106	306,859	21.8%	15	$14	$61
3 - 10	321	623,795	$332.0 M	$388.5 M	$56.5 M	17.0%	140	183,126	-15.5%	5	$7	$213	181	440,669	30.2%	42	$14	$59
10 - 20	242	674,064	$263.5 M	$311.0 M	$47.5 M	18.0%	106	242,080	-17.1%	14	$5	$25	136	431,984	34.6%	46	$12	$66
20 - 50	227	1,194,370	$343.9 M	$385.2 M	$41.3 M	12.0%	99	464,956	-30.3%	17	$7	$38	128	729,414	35.0%	55	$9	$46
More than 50	89	583,021	$136.5 M	$140.3 M	$3.8 M	2.8%	56	292,590	-46.1%	19	$7	$37	33	290,431	35.8%	10	$8	$40
Groups by ACAM 10/1 Deployment																		
0% Deployed	70	67,766	$49.63 M	$59.36 M	$9.7 M	20%	28	14,133	-18%	2	$7	$60	42	53,633	26%	13	$17	$58
1% to 25%	242	604,736	$260.31 M	$317.85 M	$57.5 M	22%	94	191,464	-24%	12	$6	$48	148	413,272	36%	56	$15	$60
25% to 50%	104	373,102	$155.0 M	$175.2 M	$20.2 M	13.0%	40	128,529	-24.3%	7	$8	$40	64	244,573	29.8%	27	$11	$54
50% to 75%	135	517,783	$200.8 M	$231.0 M	$30.2 M	15.0%	46	172,773	-24.6%	8	$7	$104	89	345,010	32.0%	30	$11	$61
75% to 99%	386	1,503,314	$624.7 M	$720.9 M	$96.2 M	15.4%	172	457,630	-21.1%	16	$6	$47	214	1,045,684	27.9%	38	$10	$66
100% Deployed	158	572,748	$239.4 M	$240.2 M	$.7 M	0.3%	80	350,404	-24.8%	12	$6	$213	78	222,344	20.6%	11	$10	$59
Groups By Census Region																		
Northeast	81	238,543	$48.1 M	$56.4 M	$8.3 M	17.4%	34	94,209	-30.9%	8	$5	$104	47	144,334	46.2%	24	$8	$39
Midwest	572	1,269,985	$568.2 M	$606.8 M	$38.6 M	6.8%	295	552,422	-19.3%	30	$6	$213	277	717,563	22.6%	54	$9	$59
South	263	1,590,225	$566.4 M	$677.8 M	$111.4 M	19.7%	82	560,920	-30.5%	16	$7	$40	181	1,029,305	37.3%	72	$13	$66
West	179	540,696	$347.2 M	$403.4 M	$56.2 M	16.2%	49	107,382	-16.7%	3	$8	$60	130	433,314	23.6%	25	$13	$58

Note: Northeast: ME, NH, VT, MA, RI, CT, NY, PA, NJ; Midwest: WI, MI, IL, IN, OH, MO, ND, SD, NE, KS, MN, IA; South: DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, MS, AL, OK, TX, AR, LA; West: ID, MT, WY, NV, UT, CO, AZ, NM, AK, WA, OR, CA, HI, GU, AS

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 2: Growth equals depreciation expense in new and old; Benchmark = $42
Work in Progress Draft for Discussion Only
Subject to Change Based on Further Analysis

	Base Year 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legacy Support Mechanisms -Existing Investment											
High Cost Loop Support Cap	$ 735,165,218	$ 718,696,728	$ 700,566,166	$ 682,892,983	$ 665,665,642	$ 648,872,895	$ 632,503,778	$ 616,547,605	$ 600,993,959	$ 585,832,684	$ 571,053,883
High Cost Loop Support with Frozen NACPL after Adjustment Factor and $3,000 Limit	$ 732,584,114	$ 709,608,786	$ 689,263,911	$ 669,469,753	$ 648,708,088	$ 627,031,770	$ 583,200,661	$ 519,049,900	$ 447,231,378	$ 377,907,622	$ 301,304,535
Adjustment Factor		0.90	0.88	0.91	0.93	0.97	1.00	1.00	1.00	1.00	1.00
ICLS after $3,000 Limit	940,244,722	779,946,546	669,509,354	565,396,210	468,297,261	381,357,755	304,807,595	240,056,271	180,735,185	138,479,831	104,254,355
New Mechanism Support											
Percent of Revenue Requirement Assigned to New Mechanism		17.74%	30.12%	41.31%	51.32%	60.04%	67.79%	74.39%	80.41%	84.78%	88.43%
Loop Cost Assigned to New Mechanism		$ 674,701,885	$ 1,171,682,601	$ 1,635,512,971	$ 2,051,900,144	$ 2,416,853,191	$ 2,733,635,844	$ 3,004,713,216	$ 3,220,621,241	$ 3,400,262,107	$ 3,551,227,071
Benchmark Revenue		$ 409,020,987	$ 638,061,206	$ 829,190,186	$ 988,164,848	$ 1,112,252,950	$ 1,205,474,132	$ 1,270,761,058	$ 1,321,220,115	$ 1,337,608,829	$ 1,340,645,727
New Mechanism Support after $3,000 Limit		$ 274,595,704	$ 537,070,653	$ 803,523,665	$ 1,053,996,280	$ 1,284,036,201	$ 1,491,994,942	$ 1,684,471,534	$ 1,835,640,325	$ 1,985,186,398	$ 2,119,373,179
Total Loop "Old" Investment High Cost Support	$ 1,672,828,836	$ 1,489,555,332	$ 1,358,773,265	$ 1,234,865,963	$ 1,117,005,349	$ 1,008,389,525	$ 888,008,256	$ 759,106,171	$ 627,966,563	$ 516,387,453	$ 405,558,890
Total Loop High Cost Support Old plus New	$ 1,672,828,836	$ 1,764,151,036	$ 1,895,843,918	$ 2,038,389,628	$ 2,171,001,629	$ 2,292,425,726	$ 2,380,003,198	$ 2,443,577,705	$ 2,463,606,888	$ 2,501,573,851	$ 2,524,932,069
CAF ICC		$ 367,130,130	$ 345,608,109	$ 337,556,906	$ 329,295,424	$ 317,985,311	$ 304,355,080	$ 291,319,957	$ 278,869,011	$ 266,952,578	$ 255,561,553
Total RLEC High Cost Support Budget		**$1,632,869,870**	**$1,654,391,891**	**$1,662,443,094**	**$1,670,704,576**	**$1,682,014,689**	**$1,695,644,920**	**$1,708,680,043**	**$1,721,130,989**	**$1,733,047,422**	**$1,744,438,447**
Budget Variance		$131,281,166	$241,452,027	$375,946,534	$500,297,053	$610,411,037	$684,358,278	$734,897,662	$742,475,899	$768,526,429	$780,493,622
Budget Variance per Line per Month		$2.93	$5.55	$8.89	$12.19	$15.31	$17.66	$19.51	$20.27	$21.56	$22.50
HCLS adjusted for Budget Variance		$ 656,802,498	$ 601,480,225	$ 545,997,366	$ 499,216,379	$ 460,070,150	$ 415,504,164	$ 362,947,412	$ 312,445,865	$ 261,807,913	$ 208,166,873
$ per line per month		$1.02	$1.70	$2.33	$2.81	$3.10	$3.16	$3.01	$2.77	$2.65	$2.58
%		96.08%	93.01%	89.49%	86.45%	83.66%	81.78%	80.42%	80.10%	79.68%	79.30%
ICLS adjusted for Budget Variance		$ 721,905,998	$ 584,241,580	$ 461,118,429	$ 360,380,373	$ 279,812,488	$ 217,161,662	$ 167,860,166	$ 126,265,651	$ 95,936,450	$ 72,027,801
$ per line per month		$0.68	$1.03	$1.33	$1.49	$1.59	$1.52	$1.46	$1.37	$1.29	$1.10
%		96.14%	93.18%	89.75%	86.82%	84.46%	82.78%	81.94%	81.78%	81.54%	81.52%
New Mechanism adjusted for Budget Variance		$ 254,161,374	$ 468,670,087	$ 655,327,298	$ 811,107,825	$ 942,132,051	$ 1,062,979,094	$ 1,177,872,464	$ 1,282,419,473	$ 1,375,303,059	$ 1,464,243,772
$ per line per month		$0.23	$0.79	$1.76	$2.96	$4.29	$5.54	$6.72	$7.55	$8.56	$9.44
%		96.13%	93.19%	89.79%	86.87%	84.48%	82.96%	81.98%	81.98%	81.60%	81.49%
Total RLEC High Cost Support Budget Adjusted for Budget Overage		**$ 1,632,869,870**	**$ 1,654,391,891**	**$ 1,662,443,094**	**$ 1,670,704,576**	**$ 1,682,014,689**	**$ 1,695,644,920**	**$ 1,708,680,043**	**$ 1,721,130,989**	**$ 1,733,047,422**	**$ 1,744,438,447**

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 2: Growth equals depreciation expense in new and old
Work in Progress Draft for Discussion Only

Subject to Change Based on Further Analysis

Impacts Compared to Legacy Support

	All Study Areas						Study Areas Losing Support						Study Areas Gaining Support					
	Count	Loops	2025 Legacy Support	2025 Bifurcated Support	$ Change	% Change	Count	Loops	% Loss of Support	SARs Losing More Than 50% Support	Average Loss per Loop per Month	Max Loss per Loop per Month	Count	Loops	% Gain of Support	SARs Gaining More Than 50% Support	Average Gain per Loop per Month	Max Gain per Loop per Month
All Study Areas	1095	3,639,449	$1,697.8 M	$1,744.4 M	$46.7 M	2.7%	655	2,303,601	-25.6%	128	$7	$261	440	1,335,848	25.8%	25	$15	$71
Groups By Loop Count																		
0 - 500	183	53,502	$42.8 M	$41.8 M	-$1.0 M	-2.3%	130	35,613	-21.1%	11	$12	$261	53	17,889	20.9%	2	$19	$71
501 - 1000	209	153,015	$116.4 M	$121.4 M	$5.0 M	4.3%	127	93,553	-18.1%	10	$9	$47	82	59,462	27.2%	8	$22	$57
1001 - 2500	295	472,346	$293.4 M	$308.9 M	$15.5 M	5.3%	167	263,174	-22.0%	32	$8	$48	128	209,172	21.6%	3	$16	$52
2501 - 5000	212	754,117	$426.1 M	$450.2 M	$24.1 M	5.6%	112	406,475	-22.7%	35	$8	$46	100	347,642	24.8%	5	$15	$61
5001 - 10000	124	872,396	$384.5 M	$413.1 M	$28.6 M	7.4%	71	505,076	-29.6%	31	$7	$17	53	367,320	29.7%	7	$16	$45
10001 - 20000	52	705,646	$285.1 M	$303.3 M	$18.2 M	6.4%	29	398,616	-26.0%	4	$6	$13	23	307,030	26.9%	0	$13	$31
> 20000	20	628,427	$149.5 M	$105.8 M	-$43.7 M	-29.2%	19	601,094	-31.7%	5	$6	$12	1	27,333	16.3%	0	$4	$4
Groups By CPL Percentile																		
10%: $0 - $543	110	611,244	$89.3 M	$24.8 M	-$64.5 M	-72.2%	109	608,370	-72.6%	88	$9	$19	1	2,874	22.4%	0	$2	$2
25%: $543 - $693	164	772,391	$167.2 M	$107.2 M	-$60.0 M	-35.9%	157	736,776	-38.3%	26	$7	$21	7	35,615	27.9%	2	$4	$10
50%: $693 - $938	274	816,450	$290.2 M	$263.6 M	-$26.6 M	-9.2%	222	630,573	-16.4%	13	$5	$261	52	185,877	15.6%	2	$5	$22
75%: $938 - $1388	274	904,412	$524.8 M	$603.0 M	$78.2 M	14.9%	106	246,037	-10.4%	1	$5	$122	168	658,375	24.0%	7	$12	$30
90%: $1388 - $2134	163	407,844	$391.2 M	$505.0 M	$113.8 M	29.1%	12	26,631	-6.0%	0	$5	$65	151	381,213	31.7%	12	$25	$61
95%: $2134 - $2864	55	67,196	$105.7 M	$125.8 M	$20.1 M	19.0%	4	6,538	-3.9%	0	$6	$33	51	60,658	22.0%	2	$28	$71
>95% > $2864	55	59,912	$129.3 M	$115.0 M	-$14.3 M	-11.1%	45	48,676	-14.3%	0	$27	$54	10	11,236	6.3%	0	$10	$22
Groups By Settlement Type																		
A/S	310	678,307	$174.5 M	$119.0 M	-$55.6 M	-31.8%	292	654,697	-33.9%	35	$7	$122	18	23,610	2.3%	0	$1	$4
Cost	785	2,961,142	$1,523.2 M	$1,625.5 M	$102.2 M	6.7%	363	1,648,904	-23.4%	93	$7	$261	422	1,312,238	26.1%	25	$15	$71
Groups By Density																		
Less than 1	70	139,329	$156.4 M	$176.2 M	$19.7 M	12.6%	31	42,571	-10.0%	2	$11	$122	39	96,758	25.5%	3	$22	$41
1 - 3	146	424,870	$339.6 M	$388.4 M	$48.8 M	14.4%	56	129,954	-13.6%	1	$8	$54	90	294,916	25.5%	4	$18	$61
3 - 10	321	623,795	$365.9 M	$407.4 M	$41.5 M	11.3%	172	263,564	-16.8%	14	$6	$261	149	360,231	25.2%	12	$14	$71
10 - 20	242	674,064	$295.8 M	$316.9 M	$21.1 M	7.1%	152	367,961	-27.3%	35	$6	$49	90	306,103	26.1%	2	$14	$52
20 - 50	227	1,194,370	$386.4 M	$333.2 M	-$53.1 M	-13.8%	171	983,357	-31.8%	51	$7	$46	56	211,013	24.6%	2	$12	$46
More than 50	89	583,021	$153.7 M	$122.4 M	-$31.3 M	-20.4%	73	516,194	-36.7%	25	$7	$27	16	66,827	36.6%	2	$16	$59
Groups by ACAM 10/1 Deployment																		
0% Deployed	70	67,766	$51.03 M	$53.13 M	$2.1 M	4%	45	34,195	-19%	6	$11	$65	25	33,571	25%	2	$16	$46
1% to 25%	242	604,736	$269.61 M	$276.06 M	$6.5 M	2%	160	385,963	-25%	30	$7	$55	82	218,773	24%	2	$14	$47
25% to 50%	104	373,102	$173.6 M	$170.4 M	-$3.2 M	-1.8%	79	278,428	-26.8%	28	$8	$48	25	94,674	29.5%	1	$20	$53
50% to 75%	135	517,783	$218.6 M	$208.6 M	-$10.0 M	-4.6%	78	355,617	-38.2%	27	$9	$122	57	162,166	25.7%	3	$15	$71
75% to 99%	386	1,503,314	$696.2 M	$718.1 M	$21.9 M	3.2%	214	937,638	-21.7%	25	$6	$54	172	565,676	24.0%	10	$13	$61
100% Deployed	158	572,748	$288.7 M	$318.1 M	$29.4 M	10.2%	79	311,760	-25.8%	12	$7	$261	79	260,988	29.4%	7	$18	$59
Groups By Census Region																		
Northeast	81	238,543	$53.1 M	$33.5 M	-$19.6 M	-36.9%	73	227,093	-41.9%	30	$7	$122	8	11,450	16.8%	0	$6	$23
Midwest	572	1,269,985	$654.6 M	$712.4 M	$57.8 M	8.8%	347	671,232	-24.5%	56	$7	$261	225	598,753	27.5%	15	$16	$71
South	263	1,590,225	$612.7 M	$603.7 M	-$9.0 M	-1.5%	143	1,093,006	-27.6%	33	$6	$48	120	497,219	24.9%	8	$13	$53
West	179	540,696	$377.4 M	$394.8 M	$17.4 M	4.6%	92	312,270	-19.1%	9	$9	$65	87	228,426	24.0%	2	$18	$45

Note: Northeast: ME, NH, VT, MA, RI, CT, NY, PA, NJ; Midwest: WI, MI, IL, IN, OH, MO, ND, SD, NE, KS, MN, IA; South: DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, MS, AL, OK, TX, AR, LA; West: ID, MT, WY, NV, UT, CO, AZ, NM, AK, WA, OR, CA, HI, GU, AS

ESTIMATED EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING BROADBAND-ONLY INTERNET ACCESS
BUSS BENCHMARK SET AT $42 - SCENARIO 1

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery from Individual Consumer for 10/1 Mbps Service						Relevant Costs Covered
	Provide Support Per FCC Proposal			Not Providing Support			
	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	
New Mechanism Benchmark Plus Budget Control = Total Effective Benchmark[4]	$42.00 plus $11.11 = $53.11	$42.00 plus $13.88 = $55.88	$42.00 plus $19.47 = $61.47	NA	NA	NA	Regulated Local Loop Costs and Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64 and 69)
Wholesale Transmission Tariff Rate[5]	$18.14	$28.14	$38.13	$101.49	$134.90	$188.98	
Total Benchmark for Supported/Regulated Network Elements	$71.25	$84.02	$99.60	$101.49	$134.90	$188.98	
Federal Universal Service Charge[6]	$11.90	$14.03	$16.63	$16.95	$22.53	$31.56	Rate of return carrier end user customers for Title II services incur this cost.
Middle Mile and Access Service Connection Point Costs[7]	$6.51	$6.81	$7.12	$6.51	$6.81	$7.12	Regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point and connections to Internet backbone
Approximate Consumer Rate for Retail Broadband Internet Access[8]	$89.66	$104.86	$123.35	$124.95	$164.24	$227.66	Excludes unregulated non-network costs

Notes

[1] Rates are displayed for the approximate 25th, 50th (median), and 75th percentile rate band assignments based on NECA's Tariff No. 5 filed June 16, 2015 Filing (Transmittal No. 1455). The 25th percentile uses rate band 9 for DSL Voice-Data rate elements, and rate band 11 for DSL Data-Only rate elements.

[2] The median percentile uses rate band 13 for DSL Voice-Data rate elements and rate band 14 for DSL Data-Only rate elements.

[3] The 75th percentile uses rate band 17 for DSL Voice-Data rate elements and rate band 19 for DSL Data-Only rate element.

[4] The median percentile budget control of $13.88 represents the Scenario 1, year 2025 price out amount for the New Mechanism budget control variance on a per line per month basis. This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the budget constraint.

[5] The wholesale transmission rate uses a sum of two rate elements, ETS One-Way Multimedia Virtual Circuit Channel (MM-VCC) with 10 Mbps Capacity and either DSL Voice-Data 1/6 Mbps, 3 Year Option (view with Support) or DSL Data-Only 1/6 Mbps, 3 Year Option (view with No Support). The ETS One-Way MM-VCC is added to enable internet access bandwidth of 10/1 Mbps.

[6] The Federal Universal Service Charge is 16.7% per Section 17.1.3 (A) of NECA's Tariff No. 5.

[7] The middle mile cost of $6.00 per broadband line is calculated using actual middle mile costs (from NECA's 2014 Company Services Questionnaire), divided by actual broadband lines. Additional cost per line for the Broadband Access Service Connection Point is based on an Ethernet Basic Port and Channel Termination rate with representative capacity in each illustrative rate band divided by the average number of broadband lines per company

[8] Total approximate consumer rate would also need to include the unregulated non-network costs that the typical ISP would incur to deliver a Broadband Internet Access product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc.

ESTIMATED EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING BROADBAND-ONLY INTERNET ACCESS
BUSS BENCHMARK SET AT $42 - SCENARIO 2

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery from Individual Consumer for 10/1 Mbps Service						Relevant Costs Covered
	Provide Support Per FCC Proposal			Not Providing Support			
	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	
New Mechanism Benchmark Plus Budget Control = Total Effective Benchmark[4]	$42.00 plus $13.99 = $55.99	$42.00 plus $19.08 = $61.08	$42.00 plus $28.14 = $70.14	NA	NA	NA	Regulated Local Loop Costs and Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64 and 69)
Wholesale Transmission Tariff Rate[5]	$18.14	$28.14	$38.13	$101.49	$134.90	$188.98	
Total Benchmark for Supported/Regulated Network Elements	$74.13	$89.22	$108.27	$101.49	$134.90	$188.98	
Federal Universal Service Charge[6]	$12.38	$14.90	$18.08	$16.95	$22.53	$31.56	Rate of return carrier end user customers for Title II services incur this cost.
Middle Mile and Access Service Connection Point Costs[7]	$6.51	$6.81	$7.12	$6.51	$6.81	$7.12	Regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point and connections to Internet backbone
Approximate Consumer Rate for Retail Broadband Internet Access[8]	$93.02	$110.93	$133.47	$124.95	$164.24	$227.66	Excludes unregulated non-network costs

Notes

[1] Rates are displayed for the approximate 25th, 50th (median), and 75th percentile rate band assignments based on NECA's Tariff No. 5 filed June 16, 2015 Filing (Transmittal No. 1455). The 25th percentile uses rate band 9 for DSL Voice-Data rate elements, and rate band 11 for DSL Data-Only rate elements.

[2] The median percentile uses rate band 13 for DSL Voice-Data rate elements and rate band 14 for DSL Data-Only rate elements.

[3] The 75th percentile uses rate band 17 for DSL Voice-Data rate elements and rate band 19 for DSL Data-Only rate element.

[4] The median percentile budget control of $19.08 represents the Scenario 2, year 2025 price out amount for the New Mechanism budget control variance on a per line per month basis. This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the budget constraint.

[5] The wholesale transmission rate uses a sum of two rate elements, ETS One-Way Multimedia Virtual Circuit Channel (MM-VCC) with 10 Mbps Capacity and either DSL Voice-Data 1/6 Mbps, 3 Year Option (view with Support) or DSL Data-Only 1/6 Mbps, 3 Year Option (view with No Support). The ETS One-Way MM-VCC is added to enable internet access bandwidth of 10/1 Mbps.

[6] The Federal Universal Service Charge is 16.7% per Section 17.1.3 (A) of NECA's Tariff No. 5.

[7] The middle mile cost of $6.00 per broadband line is calculated using actual middle mile costs (from NECA's 2014 Company Services Questionnaire), divided by actual broadband lines. Additional cost per line for the Broadband Access Service Connection Point is based on an Ethernet Basic Port and Channel Termination rate with representative capacity in each illustrative rate band divided by the average number of broadband lines per company

[8] Total approximate consumer rate would also need to include the unregulated non-network costs that the typical ISP would incur to deliver a Broadband Internet Access product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc.

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 1: Growth factors stratified by depreciation levels; Benchmark = $45
Work in Progress Draft for Discussion Only
Subject to Change Based on Further Analysis

	Base Year 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legacy Support Mechanisms - Existing Investment											
High Cost Loop Support Cap	$ 735,165,218	$ 718,696,728	$ 700,566,166	$ 682,892,983	$ 665,665,642	$ 648,872,895	$ 632,503,778	$ 616,547,605	$ 600,993,959	$ 585,832,684	$ 571,053,883
High Cost Loop Support with Frozen NACPL after Adjustment Factor and $3,000 Limit	$ 732,584,114	$ 710,846,037	$ 692,579,603	$ 674,090,275	$ 655,416,432	$ 636,798,010	$ 593,826,803	$ 530,510,897	$ 458,107,209	$ 384,083,073	$ 306,148,666
Adjustment Factor		0.90	0.88	0.92	0.94	0.98	1.00	1.00	1.00	1.00	1.00
ICLS after $3,000 Limit	940,244,722	795,014,839	707,800,767	626,100,708	547,849,834	473,803,574	402,818,375	335,731,515	268,559,510	214,985,244	163,262,191
New Mechanism Support											
Percent of Revenue Requirement Assigned to New Mechanism		16.68%	27.30%	36.97%	45.89%	54.14%	62.00%	69.22%	76.05%	81.38%	86.34%
Loop Cost Assigned to New Mechanism		$ 627,879,347	$ 1,038,618,904	$ 1,414,820,181	$ 1,753,044,392	$ 2,059,856,189	$ 2,340,460,260	$ 2,599,128,875	$ 2,815,582,871	$ 3,019,866,373	$ 3,202,860,055
Benchmark Revenue		$ 430,739,158	$ 647,866,404	$ 824,395,834	$ 972,093,997	$ 1,092,073,403	$ 1,191,462,546	$ 1,266,921,129	$ 1,332,254,429	$ 1,363,456,235	$ 1,387,261,452
New Mechanism Support after $3,000 Limit		$ 214,096,549	$ 404,968,605	$ 600,037,460	$ 787,519,132	$ 967,998,479	$ 1,144,284,081	$ 1,322,986,539	$ 1,471,333,811	$ 1,639,134,730	$ 1,795,888,043
Total Loop "Old" Investment High Cost Support	$ 1,672,828,836	$ 1,505,860,876	$ 1,400,380,370	$ 1,300,190,983	$ 1,203,266,266	$ 1,110,601,584	$ 996,645,178	$ 866,242,412	$ 726,666,719	$ 599,068,317	$ 469,410,857
Total Loop High Cost Support Old plus New	$ 1,672,828,836	$ 1,719,957,425	$ 1,805,348,975	$ 1,900,228,443	$ 1,990,785,398	$ 2,078,600,063	$ 2,140,929,259	$ 2,189,228,951	$ 2,198,000,530	$ 2,238,203,047	$ 2,265,298,900
CAF ICC		$ 367,130,130	$ 345,608,109	$ 337,556,906	$ 329,295,424	$ 317,985,311	$ 304,355,080	$ 291,319,957	$ 278,869,011	$ 266,952,578	$ 255,561,553
Total RLEC High Cost Support Budget		**$1,632,869,870**	**$1,654,391,891**	**$1,662,443,094**	**$1,670,704,576**	**$1,682,014,689**	**$1,695,644,920**	**$1,708,680,043**	**$1,721,130,989**	**$1,733,047,422**	**$1,744,438,447**
Budget Variance		$87,087,555	$150,957,084	$237,785,349	$320,080,822	$396,585,374	$445,284,339	$480,548,908	$476,869,541	$505,155,625	$520,860,453
Budget Variance per Line per Month		$1.94	$3.47	$5.63	$7.80	$9.95	$11.49	$12.76	$13.02	$14.17	$15.02
HCLS adjusted for Budget Variance		$ 710,846,037	$ 692,579,603	$ 674,090,275	$ 655,416,432	$ 636,798,010	$ 593,826,803	$ 530,510,897	$ 458,107,209	$ 384,083,073	$ 306,148,666
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ICLS adjusted for Budget Variance		$ 726,404,080	$ 611,781,284	$ 504,680,807	$ 416,533,150	$ 343,478,078	$ 286,879,891	$ 238,466,394	$ 194,952,784	$ 156,412,440	$ 119,857,240
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		91.37%	86.43%	80.61%	76.03%	72.49%	71.22%	71.03%	72.59%	72.76%	73.41%
New Mechanism adjusted for Budget Variance		$ 195,619,753	$ 350,031,004	$ 483,672,012	$ 598,754,994	$ 701,738,601	$ 814,938,227	$ 939,702,753	$ 1,068,070,995	$ 1,192,551,909	$ 1,318,432,540
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		91.37%	86.43%	80.61%	76.03%	72.49%	71.22%	71.03%	72.59%	72.76%	73.41%
Total RLEC High Cost Support Budget Adjusted for Budget Overage		$ 1,632,869,870	$ 1,654,391,891	$ 1,662,443,094	$ 1,670,704,576	$ 1,682,014,689	$ 1,695,644,920	$ 1,708,680,043	$ 1,721,130,989	$ 1,733,047,422	$ 1,744,438,447

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 1: Growth factors stratified by depreciation levels
Work in Progress Draft for Discussion Only

Subject to Change Based on Further Analysis

Impacts Compared to Legacy Support

	All Study Areas						Study Areas Losing Support						Study Areas Gaining Support					
	Count	Loops	2025 Legacy Support	2025 Bifurcated Support	$ Change	% Change	Count	Loops	% Loss of Support	SARs Losing More Than 50% Support	Average Loss per Loop per Month	Max Loss per Loop per Month	Count	Loops	% Gain of Support	SARs Gaining More Than 50% Support	Average Gain per Loop per Month	Max Gain per Loop per Month
All Study Areas	1095	3,639,449	$1,529.9 M	$1,744.4 M	$214.6 M	14.0%	376	1,106,972	-20.6%	29	$6	$104	719	2,532,477	25.4%	139	$10	$55
Groups By Loop Count																		
0 - 500	183	53,502	$40.1 M	$40.3 M	$.2 M	0.5%	100	24,366	-15.3%	5	$11	$104	83	29,136	17.9%	8	$10	$55
501 - 1000	209	153,015	$107.4 M	$116.2 M	$8.8 M	8.2%	72	52,165	-16.7%	6	$9	$55	137	100,850	20.5%	25	$12	$46
1001 - 2500	295	472,346	$270.9 M	$309.5 M	$38.6 M	14.3%	87	136,040	-17.7%	4	$7	$61	208	336,306	24.5%	40	$12	$41
2501 - 5000	212	754,117	$386.4 M	$441.9 M	$55.5 M	14.4%	58	214,502	-18.4%	6	$7	$27	154	539,615	24.8%	31	$11	$40
5001 - 10000	124	872,396	$340.0 M	$407.7 M	$67.8 M	19.9%	35	249,249	-24.8%	4	$5	$33	89	623,147	30.4%	29	$11	$54
10001 - 20000	52	705,646	$249.2 M	$276.7 M	$27.5 M	11.0%	18	246,586	-21.8%	3	$5	$16	34	459,060	24.0%	5	$8	$24
> 20000	20	628,427	$135.8 M	$152.0 M	$16.2 M	11.9%	6	184,064	-31.8%	1	$4	$9	14	444,363	22.8%	1	$5	$14
Groups By CPL Percentile																		
10%: $0 - $543	110	611,244	$78.3 M	$98.4 M	$20.1 M	25.7%	33	217,217	-35.0%	6	$4	$9	77	394,027	61.0%	58	$6	$22
25%: $543 - $693	164	772,391	$147.2 M	$165.1 M	$17.9 M	12.2%	91	410,083	-22.8%	8	$3	$12	73	362,308	45.8%	31	$8	$25
50%: $693 - $938	274	816,450	$269.3 M	$305.9 M	$36.6 M	13.6%	85	213,257	-25.3%	12	$6	$82	189	603,193	25.8%	31	$7	$35
75%: $938 - $1388	274	904,412	$480.5 M	$549.3 M	$68.8 M	14.3%	94	173,723	-18.8%	3	$9	$104	180	730,689	22.4%	16	$10	$46
90%: $1388 - $2134	163	407,844	$344.1 M	$400.6 M	$56.5 M	16.4%	29	59,211	-13.8%	0	$10	$68	134	348,633	21.8%	3	$15	$54
95%: $2134 - $2864	55	67,196	$94.8 M	$106.7 M	$11.8 M	12.5%	13	9,743	-16.5%	0	$21	$41	42	57,453	18.0%	0	$21	$41
>95% > $2864	55	59,912	$115.7 M	$118.4 M	$2.7 M	2.4%	31	23,738	-15.1%	0	$27	$64	24	36,174	16.2%	0	$24	$55
Groups By Settlement Type																		
A/S	310	678,307	$144.9 M	$125.7 M	-$19.3 M	-13.3%	196	533,391	-23.5%	16	$4	$104	114	144,916	8.2%	0	$2	$8
Cost	785	2,961,142	$1,384.9 M	$1,618.8 M	$233.8 M	16.9%	180	573,581	-19.6%	13	$8	$82	605	2,387,561	26.1%	139	$10	$55
Groups By Density																		
Less than 1	70	139,329	$147.7 M	$167.8 M	$20.0 M	13.6%	23	18,491	-11.8%	1	$16	$104	47	120,838	19.9%	4	$16	$46
1 - 3	146	424,870	$306.2 M	$347.5 M	$41.3 M	13.5%	34	80,428	-14.8%	0	$9	$64	112	344,442	20.3%	9	$12	$55
3 - 10	321	623,795	$332.0 M	$387.0 M	$55.0 M	16.6%	106	131,886	-16.5%	1	$8	$82	215	491,909	26.5%	31	$11	$43
10 - 20	242	674,064	$263.5 M	$313.6 M	$50.1 M	19.0%	73	156,706	-18.2%	8	$5	$24	169	517,358	28.1%	39	$10	$54
20 - 50	227	1,194,370	$343.9 M	$386.0 M	$42.1 M	12.2%	86	427,413	-24.2%	11	$5	$27	141	766,957	28.5%	49	$7	$35
More than 50	89	583,021	$136.5 M	$142.5 M	$6.0 M	4.4%	54	292,048	-32.8%	8	$5	$55	35	290,973	29.4%	7	$7	$29
Groups by ACAM 10/1 Deployment																		
0% Deployed	70	67,766	$49.63 M	$57.12 M	$7.5 M	15%	28	16,245	-15%	1	$8	$68	42	51,521	24%	9	$15	$46
1% to 25%	242	604,736	$260.31 M	$311.74 M	$51.4 M	20%	74	169,605	-20%	6	$5	$64	168	435,131	30%	43	$12	$46
25% to 50%	104	373,102	$155.0 M	$177.2 M	$22.2 M	14.3%	34	117,057	-22.1%	2	$7	$55	70	256,045	28.8%	23	$10	$35
50% to 75%	135	517,783	$200.8 M	$232.7 M	$31.9 M	15.9%	41	135,141	-23.9%	5	$7	$104	94	382,642	28.3%	24	$9	$41
75% to 99%	386	1,503,314	$624.7 M	$712.9 M	$88.2 M	14.1%	143	396,885	-17.9%	9	$6	$55	243	1,106,429	24.3%	32	$9	$54
100% Deployed	158	572,748	$239.4 M	$252.8 M	$13.3 M	5.6%	56	272,039	-24.8%	6	$5	$82	102	300,709	18.1%	8	$9	$55
Groups By Census Region																		
Northeast	81	238,543	$48.1 M	$57.0 M	$8.9 M	18.6%	31	86,352	-23.1%	4	$4	$104	50	152,191	39.1%	23	$7	$32
Midwest	572	1,269,985	$568.2 M	$625.6 M	$57.5 M	10.1%	222	396,900	-20.1%	15	$6	$82	350	873,085	20.9%	46	$8	$43
South	263	1,590,225	$566.4 M	$665.5 M	$99.0 M	17.5%	70	506,208	-25.1%	9	$6	$55	193	1,084,017	31.2%	55	$10	$55
West	179	540,696	$347.2 M	$396.3 M	$49.2 M	14.2%	53	117,512	-12.9%	1	$7	$68	126	423,184	21.5%	15	$12	$46

Note: Northeast: ME, NH, VT, MA, RI, CT, NY, PA, NJ; Midwest: WI, MI, IL, IN, OH, MO, ND, SD, NE, KS, MN, IA; South: DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, MS, AL, OK, TX, AR, LA; West: ID, MT, WY, NV, UT, CO, AZ, NM, AK, WA, OR, CA, HI, GU, AS

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 2: Growth equals depreciation expense in new and old; Benchmark = $45
Work in Progress Draft for Discussion Only
Subject to Change Based on Further Analysis

	Base Year 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legacy Support Mechanisms -Existing Investment											
High Cost Loop Support Cap	$ 735,165,218	$ 718,696,728	$ 700,566,166	$ 682,892,983	$ 665,665,642	$ 648,872,895	$ 632,503,778	$ 616,547,605	$ 600,993,959	$ 585,832,684	$ 571,053,883
High Cost Loop Support with Frozen NACPL after Adjustment Factor and $3,000 Limit	$ 732,584,114	$ 709,671,788	$ 689,379,159	$ 669,645,766	$ 648,984,562	$ 627,386,518	$ 583,602,728	$ 519,449,231	$ 447,637,993	$ 378,293,762	$ 301,628,797
Adjustment Factor		0.90	0.88	0.91	0.93	0.97	1.00	1.00	1.00	1.00	1.00
ICLS after $3,000 Limit	940,244,722	779,980,746	669,565,048	565,475,682	468,437,839	381,513,062	304,963,959	240,194,524	180,867,479	138,591,411	104,338,118
New Mechanism Support											
Percent of Revenue Requirement Assigned to New Mechanism		17.74%	30.12%	41.31%	51.32%	60.04%	67.79%	74.39%	80.41%	84.78%	88.43%
Loop Cost Assigned to New Mechanism		$ 674,701,885	$ 1,171,682,601	$ 1,635,512,971	$ 2,051,900,144	$ 2,416,853,191	$ 2,733,635,844	$ 3,004,713,216	$ 3,220,621,241	$ 3,400,262,107	$ 3,551,227,071
Benchmark Revenue		$ 432,997,081	$ 679,609,352	$ 884,938,858	$ 1,054,643,844	$ 1,187,520,103	$ 1,289,393,857	$ 1,359,680,113	$ 1,413,948,561	$ 1,432,113,832	$ 1,435,627,571
New Mechanism Support after $3,000 Limit		$ 257,080,157	$ 503,205,290	$ 754,986,142	$ 994,429,914	$ 1,215,705,776	$ 1,416,086,631	$ 1,602,919,739	$ 1,748,768,307	$ 1,895,690,967	$ 2,028,879,062
Total Loop "Old" Investment High Cost Support	$ 1,672,828,836	$ 1,489,652,534	$ 1,358,944,207	$ 1,235,121,448	$ 1,117,422,401	$ 1,008,899,580	$ 888,566,687	$ 759,643,755	$ 628,505,472	$ 516,885,173	$ 405,966,915
Total Loop High Cost Support Old plus New	$ 1,672,828,836	$ 1,746,732,691	$ 1,862,149,497	$ 1,990,107,590	$ 2,111,852,315	$ 2,224,605,356	$ 2,304,653,318	$ 2,362,563,494	$ 2,377,273,779	$ 2,412,576,140	$ 2,434,845,977
CAF ICC		$ 367,130,130	$ 345,608,109	$ 337,556,906	$ 329,295,424	$ 317,985,311	$ 304,355,080	$ 291,319,957	$ 278,869,011	$ 266,952,578	$ 255,561,553
Total RLEC High Cost Support Budget		**$1,632,869,870**	**$1,654,391,891**	**$1,662,443,094**	**$1,670,704,576**	**$1,682,014,689**	**$1,695,644,920**	**$1,708,680,043**	**$1,721,130,989**	**$1,733,047,422**	**$1,744,438,447**
Budget Variance		$113,862,821	$207,757,606	$327,664,496	$441,147,739	$542,590,667	$609,008,398	$653,883,451	$656,142,790	$679,528,718	$690,407,530
Budget Variance per Line per Month		$2.54	$4.77	$7.75	$10.75	$13.61	$15.72	$17.36	$17.91	$19.07	$19.90
HCLS adjusted for Budget Variance		$ 709,671,788	$ 689,379,159	$ 669,645,766	$ 648,984,562	$ 627,386,518	$ 583,602,728	$ 519,449,231	$ 447,637,993	$ 378,293,762	$ 301,628,797
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ICLS adjusted for Budget Variance		$ 694,343,724	$ 550,950,834	$ 425,156,363	$ 327,174,014	$ 251,909,390	$ 197,049,867	$ 154,980,477	$ 119,366,291	$ 92,296,538	$ 70,569,488
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		89.02%	82.29%	75.19%	69.84%	66.03%	64.61%	64.52%	66.00%	66.60%	67.64%
New Mechanism adjusted for Budget Variance		$ 228,854,359	$ 414,061,898	$ 567,640,965	$ 694,545,999	$ 802,718,781	$ 914,992,326	$ 1,034,250,334	$ 1,154,126,704	$ 1,262,457,122	$ 1,372,240,163
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		89.02%	82.29%	75.19%	69.84%	66.03%	64.61%	64.52%	66.00%	66.60%	67.64%
Total RLEC High Cost Support Budget Adjusted for Budget Overage		$ 1,632,869,870	$ 1,654,391,891	$ 1,662,443,094	$ 1,670,704,576	$ 1,682,014,689	$ 1,695,644,920	$ 1,708,680,043	$ 1,721,130,989	$ 1,733,047,422	$ 1,744,438,447

FCC Bifurcated Mechanism - Preliminary Modeling

Scenario 2: Growth equals depreciation expense in new and old

Work in Progress Draft for Discussion Only

Subject to Change Based on Further Analysis

Impacts Compared to Legacy Support

	All Study Areas						Study Areas Losing Support						Study Areas Gaining Support					
	Count	Loops	2025 Legacy Support	2025 Bifurcated Support	$ Change	% Change	Count	Loops	% Loss of Support	SARs Losing More Than 50% Support	Average Loss per Loop per Month	Max Loss per Loop per Month	Count	Loops	% Gain of Support	SARs Gaining More Than 50% Support	Average Gain per Loop per Month	Max Gain per Loop per Month
All Study Areas	1095	3,639,449	$1,697.8 M	$1,744.4 M	$46.7 M	2.7%	669	2,336,009	-20.5%	70	$6	$123	426	1,303,440	25.7%	17	$14	$61
Groups By Loop Count																		
0 - 500	183	53,502	$42.8 M	$41.0 M	-$1.8 M	-4.1%	125	32,816	-18.0%	5	$12	$123	58	20,686	17.1%	3	$12	$61
501 - 1000	209	153,015	$116.4 M	$116.8 M	$.4 M	0.3%	134	98,802	-16.7%	5	$9	$59	75	54,213	23.3%	5	$18	$53
1001 - 2500	295	472,346	$293.4 M	$302.0 M	$8.6 M	2.9%	178	281,977	-16.9%	20	$7	$59	117	190,369	20.4%	1	$14	$43
2501 - 5000	212	754,117	$426.1 M	$443.6 M	$17.5 M	4.1%	110	398,906	-20.0%	17	$8	$42	102	355,211	22.4%	4	$13	$53
5001 - 10000	124	872,396	$384.5 M	$418.0 M	$33.5 M	8.7%	74	523,016	-22.2%	19	$6	$24	50	349,380	31.9%	4	$17	$45
10001 - 20000	52	705,646	$285.1 M	$306.5 M	$21.4 M	7.5%	29	399,398	-20.2%	2	$5	$11	23	306,248	28.5%	0	$13	$30
> 20000	20	628,427	$149.5 M	$116.6 M	-$32.9 M	-22.0%	19	601,094	-24.9%	2	$5	$10	1	27,333	32.9%	0	$8	$8
Groups By CPL Percentile																		
10%: $0 - $543	110	611,244	$89.3 M	$45.5 M	-$43.8 M	-49.0%	105	603,084	-49.8%	51	$6	$15	5	8,160	16.6%	0	$2	$3
25%: $543 - $693	164	772,391	$167.2 M	$128.6 M	-$38.7 M	-23.1%	152	713,441	-26.4%	12	$5	$18	12	58,950	29.3%	2	$4	$9
50%: $693 - $938	274	816,450	$290.2 M	$271.0 M	-$19.3 M	-6.6%	189	558,474	-16.4%	6	$5	$101	85	257,976	15.0%	2	$4	$20
75%: $938 - $1388	274	904,412	$524.8 M	$583.0 M	$58.2 M	11.1%	134	339,774	-13.1%	1	$7	$123	140	564,638	26.4%	6	$13	$27
90%: $1388 - $2134	163	407,844	$391.2 M	$484.8 M	$93.6 M	23.9%	30	57,052	-11.3%	0	$10	$76	133	350,792	30.0%	6	$24	$53
95%: $2134 - $2864	55	67,196	$105.7 M	$121.6 M	$15.9 M	15.1%	11	14,204	-5.3%	0	$8	$38	44	52,992	21.6%	1	$27	$61
>95% > $2864	55	59,912	$129.3 M	$110.0 M	-$19.3 M	-14.9%	48	49,980	-17.9%	0	$33	$78	7	9,932	3.3%	0	$5	$23
Groups By Settlement Type																		
A/S	310	678,307	$174.5 M	$141.4 M	-$33.2 M	-19.0%	266	610,021	-22.8%	13	$5	$123	44	68,286	3.8%	0	$1	$5
Cost	785	2,961,142	$1,523.2 M	$1,603.1 M	$79.8 M	5.2%	403	1,725,988	-20.0%	57	$7	$101	382	1,235,154	26.3%	17	$15	$61
Groups By Density																		
Less than 1	70	139,329	$156.4 M	$169.1 M	$12.7 M	8.1%	33	33,476	-16.9%	2	$23	$123	37	105,853	21.5%	3	$17	$40
1 - 3	146	424,870	$339.6 M	$377.1 M	$37.5 M	11.1%	68	167,145	-13.0%	0	$9	$78	78	257,725	26.4%	2	$18	$52
3 - 10	321	623,795	$365.9 M	$400.5 M	$34.7 M	9.5%	181	273,620	-14.3%	4	$6	$101	140	350,175	24.9%	8	$13	$61
10 - 20	242	674,064	$295.8 M	$319.9 M	$24.1 M	8.1%	148	390,525	-18.9%	21	$5	$54	94	283,539	28.8%	1	$14	$47
20 - 50	227	1,194,370	$386.4 M	$347.8 M	-$38.6 M	-10.0%	168	963,885	-25.3%	32	$6	$42	59	230,485	23.9%	2	$10	$37
More than 50	89	583,021	$153.7 M	$130.0 M	-$23.7 M	-15.4%	71	507,358	-28.8%	11	$6	$49	18	75,663	29.7%	1	$11	$53
Groups by ACAM 10/1 Deployment																		
0% Deployed	70	67,766	$51.03 M	$50.69 M	-$.3 M	-1%	42	35,988	-17%	0	$11	$76	28	31,778	19%	2	$12	$40
1% to 25%	242	604,736	$269.61 M	$275.63 M	$6.0 M	2%	159	375,376	-21%	17	$6	$78	83	229,360	21%	2	$11	$38
25% to 50%	104	373,102	$173.6 M	$173.1 M	-$.5 M	-0.3%	76	265,725	-22.9%	15	$7	$54	28	107,377	25.5%	0	$16	$44
50% to 75%	135	517,783	$218.6 M	$214.7 M	-$3.9 M	-1.8%	81	355,943	-28.0%	18	$7	$123	54	161,840	25.0%	4	$14	$61
75% to 99%	386	1,503,314	$696.2 M	$710.4 M	$14.2 M	2.0%	232	996,449	-18.4%	15	$6	$64	154	506,865	26.2%	6	$14	$53
100% Deployed	158	572,748	$288.7 M	$319.9 M	$31.2 M	10.8%	79	306,528	-18.2%	5	$6	$101	79	266,220	30.6%	3	$16	$53
Groups By Census Region																		
Northeast	81	238,543	$53.1 M	$38.9 M	-$14.2 M	-26.8%	74	223,749	-30.5%	19	$6	$123	7	14,794	14.4%	0	$4	$21
Midwest	572	1,269,985	$654.6 M	$717.1 M	$62.5 M	9.5%	340	647,758	-19.2%	29	$6	$101	232	622,227	27.3%	11	$15	$61
South	263	1,590,225	$612.7 M	$604.7 M	-$7.9 M	-1.3%	157	1,142,111	-20.9%	17	$5	$59	106	448,114	25.9%	4	$12	$44
West	179	540,696	$377.4 M	$383.8 M	$6.3 M	1.7%	98	322,391	-18.7%	5	$9	$78	81	218,305	22.2%	2	$16	$45

Note: Northeast: ME, NH, VT, MA, RI, CT, NY, PA, NJ; Midwest: WI, MI, IL, IN, OH, MO, ND, SD, NE, KS, MN, IA; South: DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, MS, AL, OK, TX, AR, LA; West: ID, MT, WY, NV, UT, CO, AZ, NM, AK, WA, OR, CA, HI, GU, AS

ESTIMATED EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING BROADBAND-ONLY INTERNET ACCESS
$45 and 100% BUDGET REDUCTION - SCENARIO 1

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery from Individual Consumer for 10/1 Mbps Service						Relevant Costs Covered
	Provide Support Per FCC Proposal			Not Providing Support			
	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	
New Mechanism Benchmark Plus Budget Control = Total Effective Benchmark[4]	$45.00 plus $8.40 = $53.40	$45.00 plus $13.30 = $58.30	$45.00 plus $23.12 = $68.12	NA	NA	NA	Regulated Local Loop Costs and Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64 and 69)
Wholesale Transmission Tariff Rate[5]	$18.14	$28.14	$38.13	$101.49	$134.90	$188.98	
Total Benchmark for Supported/Regulated Network Elements	$71.54	$86.44	$106.25	$101.49	$134.90	$188.98	
Federal Universal Service Charge[6]	$11.95	$14.44	$17.74	$16.95	$22.53	$31.56	Rate of return carrier end user customers for Title II services incur this cost.
Middle Mile and Access Service Connection Point Costs[7]	$6.51	$6.81	$7.12	$6.51	$6.81	$7.12	Regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point and connections to Internet backbone
Approximate Consumer Rate for Retail Broadband Internet Access[8]	$90.00	$107.69	$131.11	$124.95	$164.24	$227.66	Excludes unregulated non-network costs

Notes

[1] Rates are displayed for the approximate 25th, 50th (median), and 75th percentile rate band assignments based on NECA's Tariff No. 5 filed June 16, 2015 Filing (Transmittal No. 1455). The 25th percentile uses rate band 9 for DSL Voice-Data rate elements, and rate band 11 for DSL Data-Only rate elements.

[2] The median percentile uses rate band 13 for DSL Voice-Data rate elements and rate band 14 for DSL Data-Only rate elements.

[3] The 75th percentile uses rate band 17 for DSL Voice-Data rate elements and rate band 19 for DSL Data-Only rate element.

[4] The median percentile budget control of $13.30 represents the Scenario 1, year 2025 price out amount for the New Mechanism budget control variance on a per line per month basis. This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the budget constraint.

[5] The wholesale transmission rate uses a sum of two rate elements, ETS One-Way Multimedia Virtual Circuit Channel (MM-VCC) with 10 Mbps Capacity and either DSL Voice-Data 1/6 Mbps, 3 Year Option (view with Support) or DSL Data-Only 1/6 Mbps, 3 Year Option (view with No Support). The ETS One-Way MM-VCC is added to enable internet access bandwidth of 10/1 Mbps.

[6] The Federal Universal Service Charge is 16.7% per Section 17.1.3 (A) of NECA's Tariff No. 5.

[7] The middle mile cost of $6.00 per broadband line is calculated using actual middle mile costs (from NECA's 2014 Company Services Questionnaire), divided by actual broadband lines. Additional cost per line for the Broadband Access Service Connection Point is based on an Ethernet Basic Port and Channel Termination rate with representative capacity in each illustrative rate band divided by the average number of broadband lines per company

[8] Total approximate consumer rate would also need to include the unregulated non-network costs that the typical ISP would incur to deliver a Broadband Internet Access product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc.

ESTIMATED EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING BROADBAND-ONLY INTERNET ACCESS
$45 and 100% BUDGET REDUCTION - SCENARIO 2

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery from Individual Consumer for 10/1 Mbps Service						Relevant Costs Covered
	Provide Support Per FCC Proposal			Not Providing Support			
	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	
New Mechanism Benchmark Plus Budget Control = Total Effective Benchmark[4]	$45.00 plus $10.06 = $55.06	$45.00 plus $19.04 = $64.04	$45.00 plus $34.82 = $79.82	NA	NA	NA	Regulated Local Loop Costs and Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64 and 69)
Wholesale Transmission Tariff Rate[5]	$18.14	$28.14	$38.13	$101.49	$134.90	$188.98	
Total Benchmark for Supported/Regulated Network Elements	$73.20	$92.18	$117.95	$101.49	$134.90	$188.98	
Federal Universal Service Charge[6]	$12.22	$15.39	$19.70	$16.95	$22.53	$31.56	Rate of return carrier end user customers for Title II services incur this cost.
Middle Mile and Access Service Connection Point Costs[7]	$6.51	$6.81	$7.12	$6.51	$6.81	$7.12	Regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point and connections to Internet backbone
Approximate Consumer Rate for Retail Broadband Internet Access[8]	$91.93	$114.38	$144.77	$124.95	$164.24	$227.66	Excludes unregulated non-network costs

Notes

[1] Rates are displayed for the approximate 25th, 50th (median), and 75th percentile rate band assignments based on NECA's Tariff No. 5 filed June 16, 2015 Filing (Transmittal No. 1455). The 25th percentile uses rate band 9 for DSL Voice-Data rate elements, and rate band 11 for DSL Data-Only rate elements.

[2] The median percentile uses rate band 13 for DSL Voice-Data rate elements and rate band 14 for DSL Data-Only rate elements.

[3] The 75th percentile uses rate band 17 for DSL Voice-Data rate elements and rate band 19 for DSL Data-Only rate element.

[4] The median percentile budget control of $19.04 represents the Scenario 2, year 2025 price out amount for the New Mechanism budget control variance on a per line per month basis. This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the budget constraint.

[5] The wholesale transmission rate uses a sum of two rate elements, ETS One-Way Multimedia Virtual Circuit Channel (MM-VCC) with 10 Mbps Capacity and either DSL Voice-Data 1/6 Mbps, 3 Year Option (view with Support) or DSL Data-Only 1/6 Mbps, 3 Year Option (view with No Support). The ETS One-Way MM-VCC is added to enable internet access bandwidth of 10/1 Mbps.

[6] The Federal Universal Service Charge is 16.7% per Section 17.1.3 (A) of NECA's Tariff No. 5.

[7] The middle mile cost of $6.00 per broadband line is calculated using actual middle mile costs (from NECA's 2014 Company Services Questionnaire), divided by actual broadband lines. Additional cost per line for the Broadband Access Service Connection Point is based on an Ethernet Basic Port and Channel Termination rate with representative capacity in each illustrative rate band divided by the average number of broadband lines per company

[8] Total approximate consumer rate would also need to include the unregulated non-network costs that the typical ISP would incur to deliver a Broadband Internet Access product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc.

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 1: Growth factors stratified by depreciation levels; Benchmark = $42
Work in Progress Draft for Discussion Only
Subject to Change Based on Further Analysis

	Base Year 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legacy Support Mechanisms -Existing Investment											
High Cost Loop Support Cap	$ 735,165,218	$ 718,696,728	$ 700,566,166	$ 682,892,983	$ 665,665,642	$ 648,872,895	$ 632,503,778	$ 616,547,605	$ 600,993,959	$ 585,832,684	$ 571,053,883
High Cost Loop Support with Frozen NACPL after Adjustment Factor and $3,000 Limit	$ 732,584,114	$ 710,815,919	$ 692,535,097	$ 674,022,350	$ 655,315,071	$ 636,678,744	$ 593,695,915	$ 530,303,972	$ 457,883,832	$ 383,877,181	$ 305,920,918
Adjustment Factor		0.90	0.88	0.92	0.94	0.98	1.00	1.00	1.00	1.00	1.00
ICLS after $3,000 Limit	940,244,722	794,995,204	707,773,687	626,063,038	547,795,405	473,750,277	402,768,323	335,635,434	268,456,969	214,894,759	163,183,367
New Mechanism Support											
Percent of Revenue Requirement Assigned to New Mechanism		16.68%	27.30%	36.97%	45.89%	54.14%	62.00%	69.22%	76.05%	81.38%	86.34%
Loop Cost Assigned to New Mechanism		$ 627,879,347	$ 1,038,618,904	$ 1,414,820,181	$ 1,753,044,392	$ 2,059,856,189	$ 2,340,460,260	$ 2,599,128,875	$ 2,815,582,871	$ 3,019,866,373	$ 3,202,860,055
Benchmark Revenue		$ 407,322,455	$ 608,791,091	$ 772,744,375	$ 909,200,169	$ 1,021,165,290	$ 1,113,223,133	$ 1,184,112,703	$ 1,244,964,707	$ 1,273,413,764	$ 1,295,525,674
New Mechanism Support after $3,000 Limit		$ 231,296,567	$ 436,484,025	$ 645,721,744	$ 843,227,344	$ 1,033,333,231	$ 1,216,699,847	$ 1,403,026,609	$ 1,556,052,630	$ 1,726,821,026	$ 1,884,985,514
Total Loop "Old" Investment High Cost Support	$ 1,672,828,836	$ 1,505,811,123	$ 1,400,308,784	$ 1,300,085,388	$ 1,203,110,476	$ 1,110,429,021	$ 996,464,238	$ 865,939,406	$ 726,340,801	$ 598,771,940	$ 469,104,285
Total Loop High Cost Support Old plus New	$ 1,672,828,836	$ 1,737,107,690	$ 1,836,792,809	$ 1,945,807,132	$ 2,046,337,820	$ 2,143,762,252	$ 2,213,164,085	$ 2,268,966,015	$ 2,282,393,431	$ 2,325,592,966	$ 2,354,089,799
CAF ICC		$ 367,130,130	$ 345,608,109	$ 337,556,906	$ 329,295,424	$ 317,985,311	$ 304,355,080	$ 291,319,957	$ 278,869,011	$ 266,952,578	$ 255,561,553
Total RLEC High Cost Support Budget		**$1,632,869,870**	**$1,654,391,891**	**$1,662,443,094**	**$1,670,704,576**	**$1,682,014,689**	**$1,695,644,920**	**$1,708,680,043**	**$1,721,130,989**	**$1,733,047,422**	**$1,744,438,447**
Budget Variance		$104,237,820	$182,400,918	$283,364,038	$375,633,244	$461,747,563	$517,519,165	$560,285,972	$561,262,442	$592,545,544	$609,651,352
Budget Variance per Line per Month		$2.32	$4.19	$6.70	$9.15	$11.58	$13.36	$14.87	$15.32	$16.63	$17.58
HCLS adjusted for Budget Variance		$ 710,815,919	$ 692,535,097	$ 674,022,350	$ 655,315,071	$ 636,678,744	$ 593,695,915	$ 530,303,972	$ 457,883,832	$ 383,877,181	$ 305,920,918
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ICLS adjusted for Budget Variance		$ 714,249,583	$ 594,950,702	$ 486,571,079	$ 399,868,159	$ 328,600,367	$ 274,059,201	$ 227,476,504	$ 185,873,236	$ 149,316,195	$ 114,610,731
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		89.84%	84.06%	77.72%	73.00%	69.36%	68.04%	67.78%	69.24%	69.48%	70.23%
New Mechanism adjusted for Budget Variance		$ 207,804,369	$ 366,906,092	$ 501,849,665	$ 615,521,346	$ 716,735,578	$ 827,889,804	$ 950,899,566	$ 1,077,373,921	$ 1,199,854,046	$ 1,323,906,798
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		89.84%	84.06%	77.72%	73.00%	69.36%	68.04%	67.78%	69.24%	69.48%	70.23%
Total RLEC High Cost Support Budget Adjusted for Budget Overage		$ 1,632,869,870	$ 1,654,391,891	$ 1,662,443,094	$ 1,670,704,576	$ 1,682,014,689	$ 1,695,644,920	$ 1,708,680,043	$ 1,721,130,989	$ 1,733,047,422	$ 1,744,438,447

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 1: Growth factors stratified by depreciation levels
Work in Progress Draft for Discussion Only

Subject to Change Based on Further Analysis

Impacts Compared to Legacy Support

	All Study Areas						Study Areas Losing Support						Study Areas Gaining Support					
	Count	Loops	2025 Legacy Support	2025 Bifurcated Support	$ Change	% Change	Count	Loops	% Loss of Support	SARs Losing More Than 50% Support	Average Loss per Loop per Month	Max Loss per Loop per Month	Count	Loops	% Gain of Support	SARs Gaining More Than 50% Support	Average Gain per Loop per Month	Max Gain per Loop per Month
All Study Areas	1095	3,639,449	$1,529.9 M	$1,744.4 M	$214.6 M	14.0%	371	1,096,326	-17.9%	20	$5	$107	724	2,543,123	25.3%	140	$9	$51
Groups By Loop Count																		
0 - 500	183	53,502	$40.1 M	$39.8 M	-$.4 M	-0.9%	98	23,622	-16.5%	3	$12	$107	85	29,880	16.6%	8	$9	$51
501 - 1000	209	153,015	$107.4 M	$114.7 M	$7.3 M	6.8%	69	49,739	-16.5%	4	$10	$62	140	103,276	19.5%	25	$11	$43
1001 - 2500	295	472,346	$270.9 M	$306.7 M	$35.8 M	13.2%	89	137,550	-15.2%	3	$7	$65	206	334,796	24.1%	39	$12	$38
2501 - 5000	212	754,117	$386.4 M	$439.9 M	$53.4 M	13.8%	57	212,656	-15.7%	4	$7	$31	155	541,461	24.9%	32	$11	$36
5001 - 10000	124	872,396	$340.0 M	$407.8 M	$67.8 M	19.9%	34	242,109	-22.2%	4	$5	$32	90	630,287	29.5%	30	$11	$51
10001 - 20000	52	705,646	$249.2 M	$279.0 M	$29.8 M	12.0%	18	246,586	-18.7%	1	$4	$15	34	459,060	24.0%	5	$8	$23
> 20000	20	628,427	$135.8 M	$156.6 M	$20.7 M	15.3%	6	184,064	-24.8%	1	$3	$8	14	444,363	25.3%	1	$5	$13
Groups By CPL Percentile																		
10%: $0 - $543	110	611,244	$78.3 M	$105.2 M	$26.9 M	34.3%	32	214,813	-26.4%	3	$3	$9	78	396,431	68.7%	61	$7	$22
25%: $543 - $693	164	772,391	$147.2 M	$171.5 M	$24.3 M	16.5%	85	395,184	-18.0%	6	$3	$12	79	377,207	46.5%	32	$8	$24
50%: $693 - $938	274	816,450	$269.3 M	$308.9 M	$39.6 M	14.7%	76	198,194	-23.8%	9	$6	$91	198	618,256	25.8%	30	$7	$34
75%: $938 - $1388	274	904,412	$480.5 M	$544.6 M	$64.1 M	13.4%	94	177,449	-18.0%	2	$8	$107	180	726,963	21.4%	14	$9	$44
90%: $1388 - $2134	163	407,844	$344.1 M	$394.3 M	$50.3 M	14.6%	34	69,235	-12.3%	0	$9	$70	129	338,609	20.6%	3	$14	$51
95%: $2134 - $2864	55	67,196	$94.8 M	$104.5 M	$9.6 M	10.2%	15	12,148	-15.1%	0	$19	$44	40	55,048	16.4%	0	$19	$37
>95% > $2864	55	59,912	$115.7 M	$115.5 M	-$.2 M	-0.2%	35	29,303	-14.7%	0	$26	$71	20	30,609	16.9%	0	$24	$51
Groups By Settlement Type																		
A/S	310	678,307	$144.9 M	$132.0 M	-$12.9 M	-8.9%	185	520,061	-18.3%	12	$3	$107	125	158,246	8.8%	0	$2	$8
Cost	785	2,961,142	$1,384.9 M	$1,612.4 M	$227.5 M	16.4%	186	576,265	-17.8%	8	$8	$91	599	2,384,877	26.1%	140	$10	$51
Groups By Density																		
Less than 1	70	139,329	$147.7 M	$164.4 M	$16.6 M	11.3%	24	19,622	-13.5%	1	$18	$107	46	119,707	18.1%	4	$15	$44
1 - 3	146	424,870	$306.2 M	$343.6 M	$37.4 M	12.2%	39	89,416	-13.4%	0	$9	$71	107	335,454	19.7%	7	$12	$51
3 - 10	321	623,795	$332.0 M	$383.8 M	$51.8 M	15.6%	104	125,231	-15.1%	0	$9	$91	217	498,564	26.1%	31	$11	$39
10 - 20	242	674,064	$263.5 M	$314.0 M	$50.5 M	19.2%	70	155,041	-16.1%	5	$4	$31	172	519,023	27.7%	40	$9	$51
20 - 50	227	1,194,370	$343.9 M	$392.1 M	$48.2 M	14.0%	83	424,648	-19.8%	9	$4	$31	144	769,722	30.1%	51	$8	$34
More than 50	89	583,021	$136.5 M	$146.7 M	$10.1 M	7.4%	51	282,368	-28.7%	5	$4	$62	38	300,653	29.9%	7	$7	$27
Groups by ACAM 10/1 Deployment																		
0% Deployed	70	67,766	$49.63 M	$56.38 M	$6.8 M	14%	28	16,245	-16%	0	$9	$70	42	51,521	22%	9	$14	$44
1% to 25%	242	604,736	$260.31 M	$310.03 M	$49.7 M	19%	72	170,300	-17%	5	$5	$71	170	434,436	30%	43	$12	$43
25% to 50%	104	373,102	$155.0 M	$177.5 M	$22.5 M	14.5%	35	117,719	-19.8%	1	$6	$62	69	255,383	28.7%	23	$10	$33
50% to 75%	135	517,783	$200.8 M	$233.8 M	$33.0 M	16.5%	38	128,120	-22.9%	4	$7	$107	97	389,663	28.1%	24	$9	$37
75% to 99%	386	1,503,314	$624.7 M	$713.0 M	$88.3 M	14.1%	140	390,040	-16.0%	6	$5	$57	246	1,113,274	24.1%	32	$8	$51
100% Deployed	158	572,748	$239.4 M	$253.7 M	$14.3 M	6.0%	58	273,902	-18.6%	4	$5	$91	100	298,846	18.4%	9	$8	$51
Groups By Census Region																		
Northeast	81	238,543	$48.1 M	$59.0 M	$10.9 M	22.7%	29	85,154	-17.2%	3	$3	$107	52	153,389	41.8%	25	$7	$31
Midwest	572	1,269,985	$568.2 M	$625.6 M	$57.4 M	10.1%	213	376,837	-18.2%	11	$6	$91	359	893,148	20.6%	47	$8	$38
South	263	1,590,225	$566.4 M	$667.3 M	$100.9 M	17.8%	72	505,781	-21.5%	6	$5	$62	191	1,084,444	31.2%	55	$10	$51
West	179	540,696	$347.2 M	$392.5 M	$45.4 M	13.1%	57	128,554	-11.5%	0	$6	$71	122	412,142	21.3%	13	$11	$44

Note: Northeast: ME, NH, VT, MA, RI, CT, NY, PA, NJ; Midwest: WI, MI, IL, IN, OH, MO, ND, SD, NE, KS, MN, IA; South: DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, MS, AL, OK, TX, AR, LA; West: ID, MT, WY, NV, UT, CO, AZ, NM, AK, WA, OR, CA, HI, GU, AS

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 2: Growth equals depreciation expense in new and old; Benchmark = $42
Work in Progress Draft for Discussion Only
Subject to Change Based on Further Analysis

	Base Year 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Legacy Support Mechanisms -Existing Investment											
High Cost Loop Support Cap	$ 735,165,218	$ 718,696,728	$ 700,566,166	$ 682,892,983	$ 665,665,642	$ 648,872,895	$ 632,503,778	$ 616,547,605	$ 600,993,959	$ 585,832,684	$ 571,053,883
High Cost Loop Support with Frozen NACPL after Adjustment Factor and $3,000 Limit	$ 732,584,114	$ 709,608,786	$ 689,263,911	$ 669,469,753	$ 648,708,088	$ 627,031,770	$ 583,200,661	$ 519,049,900	$ 447,231,378	$ 377,907,622	$ 301,304,535
Adjustment Factor		0.90	0.88	0.91	0.93	0.97	1.00	1.00	1.00	1.00	1.00
ICLS after $3,000 Limit	940,244,722	779,946,546	669,509,354	565,396,210	468,297,261	381,357,755	304,807,595	240,056,271	180,735,185	138,479,831	104,254,355
New Mechanism Support											
Percent of Revenue Requirement Assigned to New Mechanism		17.74%	30.12%	41.31%	51.32%	60.04%	67.79%	74.39%	80.41%	84.78%	88.43%
Loop Cost Assigned to New Mechanism		$ 674,701,885	$ 1,171,682,601	$ 1,635,512,971	$ 2,051,900,144	$ 2,416,853,191	$ 2,733,635,844	$ 3,004,713,216	$ 3,220,621,241	$ 3,400,262,107	$ 3,551,227,071
Benchmark Revenue		$ 409,020,987	$ 638,061,206	$ 829,190,186	$ 988,164,848	$ 1,112,252,950	$ 1,205,474,132	$ 1,270,761,058	$ 1,321,220,115	$ 1,337,608,829	$ 1,340,645,727
New Mechanism Support after $3,000 Limit		$ 274,595,704	$ 537,070,653	$ 803,523,665	$ 1,053,996,280	$ 1,284,036,201	$ 1,491,994,942	$ 1,684,471,534	$ 1,835,640,325	$ 1,985,186,398	$ 2,119,373,179
Total Loop "Old" Investment High Cost Support	$ 1,672,828,836	$ 1,489,555,332	$ 1,358,773,265	$ 1,234,865,963	$ 1,117,005,349	$ 1,008,389,525	$ 888,008,256	$ 759,106,171	$ 627,966,563	$ 516,387,453	$ 405,558,890
Total Loop High Cost Support Old plus New	$ 1,672,828,836	$ 1,764,151,036	$ 1,895,843,918	$ 2,038,389,628	$ 2,171,001,629	$ 2,292,425,726	$ 2,380,003,198	$ 2,443,577,705	$ 2,463,606,888	$ 2,501,573,851	$ 2,524,932,069
CAF ICC		$ 367,130,130	$ 345,608,109	$ 337,556,906	$ 329,295,424	$ 317,985,311	$ 304,355,080	$ 291,319,957	$ 278,869,011	$ 266,952,578	$ 255,561,553
Total RLEC High Cost Support Budget		**$1,632,869,870**	**$1,654,391,891**	**$1,662,443,094**	**$1,670,704,576**	**$1,682,014,689**	**$1,695,644,920**	**$1,708,680,043**	**$1,721,130,989**	**$1,733,047,422**	**$1,744,438,447**
Budget Variance		$131,281,166	$241,452,027	$375,946,534	$500,297,053	$610,411,037	$684,358,278	$734,897,662	$742,475,899	$768,526,429	$780,493,622
Budget Variance per Line per Month		$2.93	$5.55	$8.89	$12.19	$15.31	$17.66	$19.51	$20.27	$21.56	$22.50
HCLS adjusted for Budget Variance		$ 709,608,786	$ 689,263,911	$ 669,469,753	$ 648,708,088	$ 627,031,770	$ 583,200,661	$ 519,049,900	$ 447,231,378	$ 377,907,622	$ 301,304,535
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ICLS adjusted for Budget Variance		$ 682,850,112	$ 535,532,005	$ 410,121,420	$ 314,392,818	$ 241,580,027	$ 188,713,814	$ 148,388,699	$ 114,184,328	$ 88,365,831	$ 67,661,060
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		87.55%	79.99%	72.54%	67.14%	63.35%	61.91%	61.81%	63.18%	63.81%	64.90%
New Mechanism adjusted for Budget Variance		$ 240,410,972	$ 429,595,975	$ 582,851,921	$ 707,603,670	$ 813,402,891	$ 923,730,445	$ 1,041,241,445	$ 1,159,715,283	$ 1,266,773,969	$ 1,375,472,853
$ per line per month		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
%		87.55%	79.99%	72.54%	67.14%	63.35%	61.91%	61.81%	63.18%	63.81%	64.90%
Total RLEC High Cost Support Budget Adjusted for Budget Overage		$ 1,632,869,870	$ 1,654,391,891	$ 1,662,443,094	$ 1,670,704,576	$ 1,682,014,689	$ 1,695,644,920	$ 1,708,680,043	$ 1,721,130,989	$ 1,733,047,422	$ 1,744,438,447

FCC Bifurcated Mechanism - Preliminary Modeling
Scenario 2: Growth equals depreciation expense in new and old
Work in Progress Draft for Discussion Only

Subject to Change Based on Further Analysis

Impacts Compared to Legacy Support

	All Study Areas						Study Areas Losing Support						Study Areas Gaining Support					
	Count	Loops	2025 Legacy Support	2025 Bifurcated Support	$ Change	% Change	Count	Loops	% Loss of Support	SARs Losing More Than 50% Support	Average Loss per Loop per Month	Max Loss per Loop per Month	Count	Loops	% Gain of Support	SARs Gaining More Than 50% Support	Average Gain per Loop per Month	Max Gain per Loop per Month
All Study Areas	1095	3,639,449	$1,697.8 M	$1,744.4 M	$46.7 M	2.7%	675	2,274,008	-18.6%	49	$6	$126	420	1,365,441	24.9%	16	$13	$57
Groups By Loop Count																		
0 - 500	183	53,502	$42.8 M	$40.4 M	-$2.3 M	-5.5%	129	33,899	-18.0%	3	$12	$126	54	19,603	16.9%	3	$11	$57
501 - 1000	209	153,015	$116.4 M	$115.1 M	-$1.3 M	-1.2%	136	100,464	-16.6%	3	$10	$64	73	52,551	22.9%	5	$17	$49
1001 - 2500	295	472,346	$293.4 M	$299.1 M	$5.7 M	2.0%	180	285,414	-15.9%	14	$7	$64	115	186,932	19.4%	1	$13	$40
2501 - 5000	212	754,117	$426.1 M	$441.2 M	$15.1 M	3.5%	113	410,465	-17.4%	13	$7	$47	99	343,652	23.2%	3	$12	$52
5001 - 10000	124	872,396	$384.5 M	$418.4 M	$33.8 M	8.8%	72	506,375	-20.8%	13	$5	$25	52	366,021	30.0%	4	$15	$42
10001 - 20000	52	705,646	$285.1 M	$307.9 M	$22.8 M	8.0%	28	385,791	-18.3%	1	$5	$11	24	319,855	27.1%	0	$12	$28
> 20000	20	628,427	$149.5 M	$122.4 M	-$27.2 M	-18.2%	17	551,600	-22.6%	2	$5	$9	3	76,827	16.2%	0	$3	$8
Groups By CPL Percentile																		
10%: $0 - $543	110	611,244	$89.3 M	$52.4 M	-$36.9 M	-41.3%	104	602,283	-42.2%	36	$5	$13	6	8,961	22.1%	0	$2	$4
25%: $543 - $693	164	772,391	$167.2 M	$136.6 M	-$30.6 M	-18.3%	148	657,008	-23.4%	8	$4	$17	16	115,383	17.4%	2	$3	$10
50%: $693 - $938	274	816,450	$290.2 M	$275.5 M	-$14.7 M	-5.1%	181	519,858	-15.3%	4	$5	$109	93	296,592	14.2%	3	$4	$20
75%: $938 - $1388	274	904,412	$524.8 M	$578.5 M	$53.7 M	10.2%	135	340,571	-13.5%	1	$7	$126	139	563,841	25.3%	6	$12	$26
90%: $1388 - $2134	163	407,844	$391.2 M	$476.3 M	$85.1 M	21.8%	42	83,019	-9.3%	0	$8	$78	121	324,825	30.4%	4	$24	$52
95%: $2134 - $2864	55	67,196	$105.7 M	$118.5 M	$12.7 M	12.1%	15	17,017	-7.1%	0	$11	$43	40	50,179	19.8%	1	$25	$57
>95% > $2864	55	59,912	$129.3 M	$106.7 M	-$22.6 M	-17.5%	50	54,252	-19.2%	0	$35	$84	5	5,660	2.3%	0	$4	$19
Groups By Settlement Type																		
A/S	310	678,307	$174.5 M	$147.0 M	-$27.5 M	-15.7%	262	603,793	-19.4%	11	$4	$126	48	74,514	4.3%	0	$1	$5
Cost	785	2,961,142	$1,523.2 M	$1,597.4 M	$74.1 M	4.9%	413	1,670,215	-18.5%	38	$7	$109	372	1,290,927	25.5%	16	$13	$57
Groups By Density																		
Less than 1	70	139,329	$156.4 M	$165.6 M	$9.2 M	5.9%	34	37,539	-17.3%	1	$24	$126	36	101,790	21.0%	2	$16	$37
1 - 3	146	424,870	$339.6 M	$372.1 M	$32.6 M	9.6%	73	159,527	-13.2%	0	$10	$84	73	265,343	25.7%	2	$16	$49
3 - 10	321	623,795	$365.9 M	$397.0 M	$31.1 M	8.5%	187	282,489	-13.2%	2	$6	$109	134	341,306	24.9%	8	$13	$57
10 - 20	242	674,064	$295.8 M	$320.1 M	$24.3 M	8.2%	148	385,101	-16.9%	13	$5	$59	94	288,963	27.7%	1	$13	$45
20 - 50	227	1,194,370	$386.4 M	$355.2 M	-$31.2 M	-8.1%	162	930,134	-23.0%	25	$5	$46	65	264,236	21.9%	2	$9	$34
More than 50	89	583,021	$153.7 M	$134.4 M	-$19.3 M	-12.6%	71	479,218	-25.7%	8	$5	$55	18	103,803	26.9%	1	$8	$52
Groups by ACAM 10/1 Deployment																		
0% Deployed	70	67,766	$51.03 M	$50.15 M	-$.9 M	-2%	43	39,014	-16%	0	$11	$78	27	28,752	20%	2	$12	$37
1% to 25%	242	604,736	$269.61 M	$275.96 M	$6.3 M	2%	158	331,313	-20%	11	$6	$84	84	273,423	19%	2	$9	$35
25% to 50%	104	373,102	$173.6 M	$173.2 M	-$.5 M	-0.3%	75	264,924	-21.4%	12	$6	$59	29	108,178	23.7%	0	$15	$41
50% to 75%	135	517,783	$218.6 M	$216.3 M	-$2.3 M	-1.1%	82	329,735	-26.2%	13	$7	$126	53	188,048	22.7%	4	$11	$57
75% to 99%	386	1,503,314	$696.2 M	$710.5 M	$14.3 M	2.0%	238	1,003,940	-16.5%	9	$5	$69	148	499,374	26.7%	6	$13	$49
100% Deployed	158	572,748	$288.7 M	$318.5 M	$29.7 M	10.3%	79	305,082	-16.9%	4	$6	$109	79	267,666	29.5%	2	$16	$52
Groups By Census Region																		
Northeast	81	238,543	$53.1 M	$41.0 M	-$12.1 M	-22.8%	73	222,948	-26.4%	12	$5	$126	8	15,595	15.6%	0	$4	$20
Midwest	572	1,269,985	$654.6 M	$714.2 M	$59.6 M	9.1%	343	625,558	-17.8%	22	$6	$109	229	644,427	26.2%	10	$14	$57
South	263	1,590,225	$612.7 M	$609.1 M	-$3.6 M	-0.6%	154	1,087,824	-19.2%	12	$5	$64	109	502,401	24.3%	5	$11	$41
West	179	540,696	$377.4 M	$380.2 M	$2.8 M	0.7%	105	337,678	-17.0%	3	$9	$84	74	203,018	22.7%	1	$16	$42

Note: Northeast: ME, NH, VT, MA, RI, CT, NY, PA, NJ; Midwest: WI, MI, IL, IN, OH, MO, ND, SD, NE, KS, MN, IA; South: DE, MD, DC, VA, WV, NC, SC, GA, FL, KY, TN, MS, AL, OK, TX, AR, LA; West: ID, MT, WY, NV, UT, CO, AZ, NM, AK, WA, OR, CA, HI, GU, AS

ESTIMATED EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING BROADBAND-ONLY INTERNET ACCESS
BUSS BENCHMARK SET AT $42 - SCENARIO 1

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery from Individual Consumer for 10/1 Mbps Service						Relevant Costs Covered
	Provide Support Per FCC Proposal			Not Providing Support			
	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	
New Mechanism Benchmark Plus Budget Control = Total Effective Benchmark[4]	$42.00 plus $11.11 = $53.11	$42.00 plus $13.88 = $55.88	$42.00 plus $19.47 = $61.47	NA	NA	NA	Regulated Local Loop Costs and Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64 and 69)
Wholesale Transmission Tariff Rate[5]	$18.14	$28.14	$38.13	$101.49	$134.90	$188.98	
Total Benchmark for Supported/Regulated Network Elements	$71.25	$84.02	$99.60	$101.49	$134.90	$188.98	
Federal Universal Service Charge[6]	$11.90	$14.03	$16.63	$16.95	$22.53	$31.56	Rate of return carrier end user customers for Title II services incur this cost.
Middle Mile and Access Service Connection Point Costs[7]	$6.51	$6.81	$7.12	$6.51	$6.81	$7.12	Regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point and connections to Internet backbone
Approximate Consumer Rate for Retail Broadband Internet Access[8]	$89.66	$104.86	$123.35	$124.95	$164.24	$227.66	Excludes unregulated non-network costs

Notes

[1] Rates are displayed for the approximate 25th, 50th (median), and 75th percentile rate band assignments based on NECA's Tariff No. 5 filed June 16, 2015 Filing (Transmittal No. 1455). The 25th percentile uses rate band 9 for DSL Voice-Data rate elements, and rate band 11 for DSL Data-Only rate elements.

[2] The median percentile uses rate band 13 for DSL Voice-Data rate elements and rate band 14 for DSL Data-Only rate elements.

[3] The 75th percentile uses rate band 17 for DSL Voice-Data rate elements and rate band 19 for DSL Data-Only rate element.

[4] The median percentile budget control of $13.88 represents the Scenario 1, year 2025 price out amount for the New Mechanism budget control variance on a per line per month basis. This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the budget constraint.

[5] The wholesale transmission rate uses a sum of two rate elements, ETS One-Way Multimedia Virtual Circuit Channel (MM-VCC) with 10 Mbps Capacity and either DSL Voice-Data 1/6 Mbps, 3 Year Option (view with Support) or DSL Data-Only 1/6 Mbps, 3 Year Option (view with No Support). The ETS One-Way MM-VCC is added to enable internet access bandwidth of 10/1 Mbps.

[6] The Federal Universal Service Charge is 16.7% per Section 17.1.3 (A) of NECA's Tariff No. 5.

[7] The middle mile cost of $6.00 per broadband line is calculated using actual middle mile costs (from NECA's 2014 Company Services Questionnaire), divided by actual broadband lines. Additional cost per line for the Broadband Access Service Connection Point is based on an Ethernet Basic Port and Channel Termination rate with representative capacity in each illustrative rate band divided by the average number of broadband lines per company

[8] Total approximate consumer rate would also need to include the unregulated non-network costs that the typical ISP would incur to deliver a Broadband Internet Access product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc.

ESTIMATED EFFECT ON RURAL CONSUMERS OF PROVIDING OR NOT PROVIDING BROADBAND-ONLY INTERNET ACCESS
BUSS BENCHMARK SET AT $42 - SCENARIO 2

Benchmark Component	Benchmark/Retail Rate/Other Amount Needed for Cost Recovery from Individual Consumer for 10/1 Mbps Service						Relevant Costs Covered
	Provide Support Per FCC Proposal			Not Providing Support			
	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	25th Percentile Rate Band[1]	Median Percentile Rate Band[2]	75th Percentile Rate Band[3]	
New Mechanism Benchmark Plus Budget Control = Total Effective Benchmark[4]	$42.00 plus $13.99 = $55.99	$42.00 plus $19.08 = $61.08	$42.00 plus $28.14 = $70.14	NA	NA	NA	Regulated Local Loop Costs and Facilities-Based Network Costs of Loop and Transmission to Enable Broadband Internet Access (developed on Title II basis pursuant to Parts 32, 36, 64 and 69)
Wholesale Transmission Tariff Rate[5]	$18.14	$28.14	$38.13	$101.49	$134.90	$188.98	
Total Benchmark for Supported/Regulated Network Elements	$74.13	$89.22	$108.27	$101.49	$134.90	$188.98	
Federal Universal Service Charge[6]	$12.38	$14.90	$18.08	$16.95	$22.53	$31.56	Rate of return carrier end user customers for Title II services incur this cost.
Middle Mile and Access Service Connection Point Costs[7]	$6.51	$6.81	$7.12	$6.51	$6.81	$7.12	Regulated and unregulated network costs for transmission through the Broadband Access Service Connection Point and connections to Internet backbone
Approximate Consumer Rate for Retail Broadband Internet Access[8]	$93.02	$110.93	$133.47	$124.95	$164.24	$227.66	Excludes unregulated non-network costs

Notes

[1] Rates are displayed for the approximate 25th, 50th (median), and 75th percentile rate band assignments based on NECA's Tariff No. 5 filed June 16, 2015 Filing (Transmittal No. 1455). The 25th percentile uses rate band 9 for DSL Voice-Data rate elements, and rate band 11 for DSL Data-Only rate elements.

[2] The median percentile uses rate band 13 for DSL Voice-Data rate elements and rate band 14 for DSL Data-Only rate elements.

[3] The 75th percentile uses rate band 17 for DSL Voice-Data rate elements and rate band 19 for DSL Data-Only rate element.

[4] The median percentile budget control of $19.08 represents the Scenario 2, year 2025 price out amount for the New Mechanism budget control variance on a per line per month basis. This represents the estimated additional charge to customers to recover loop costs resulting from the effects of the budget constraint.

[5] The wholesale transmission rate uses a sum of two rate elements, ETS One-Way Multimedia Virtual Circuit Channel (MM-VCC) with 10 Mbps Capacity and either DSL Voice-Data 1/6 Mbps, 3 Year Option (view with Support) or DSL Data-Only 1/6 Mbps, 3 Year Option (view with No Support). The ETS One-Way MM-VCC is added to enable internet access bandwidth of 10/1 Mbps.

[6] The Federal Universal Service Charge is 16.7% per Section 17.1.3 (A) of NECA's Tariff No. 5.

[7] The middle mile cost of $6.00 per broadband line is calculated using actual middle mile costs (from NECA's 2014 Company Services Questionnaire), divided by actual broadband lines. Additional cost per line for the Broadband Access Service Connection Point is based on an Ethernet Basic Port and Channel Termination rate with representative capacity in each illustrative rate band divided by the average number of broadband lines per company

[8] Total approximate consumer rate would also need to include the unregulated non-network costs that the typical ISP would incur to deliver a Broadband Internet Access product to a consumer. Such costs may include sales and marketing functions, help desk operations, etc.

DOCKET NO. 10-90

Attachment A

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