

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
RATE OF RETURN
HISTORICAL COST ANALYSIS SUMMARY (\$000)

----- COMMON LINE -----

HISTORICAL DATA PERIOD 2013	PAY PHONE (I)	INSIDE WIRE (J)	BFP (K)	TOTAL COMMON LINE (L)
<u>REVENUES</u>				
100 Network Access	N/A	N/A	N/A	452,247
110 Uncollectibles	N/A	N/A	N/A	0
120 Common Line Support	N/A	N/A	N/A	0
130 Long Term Support (NOTE 1)	N/A	N/A	N/A	0
135 Interstate Common Line Support (NOTE 1)	N/A	N/A	N/A	885,987
140 Transitional	N/A	N/A	N/A	0
150 Miscellaneous	N/A	N/A	N/A	0
160 Net Revenues	N/A	N/A	N/A	1,338,234
<u>EXPENSES</u>				
170 Plant Specific	0	0	182,373	182,373
171 Network Support	0	0	4,664	4,664
172 General Support	0	0	46,180	46,180
173 Central Office	0	0	38,736	38,736
174 Operator Systems	0	0	0	0
175 COE Switching	0	0	3	3
176 COE Transmission	0	0	38,733	38,733
177 IOT	0	0	11	11
178 Cable & Wire Facilities	0	0	92,782	92,782
180 Plant Non Specific excl Depr & Amort	0	0	67,391	67,391
190 Depreciation/Amortization	0	0	234,685	234,685
200 Customer Operations	0	0	47,951	47,951
201 Marketing	0	0	15,983	15,983
202 Local Business Office	0	0	26,792	26,792
203 Revenue Accounting	0	0	2,812	2,812
204 Other Billing and Collections	0	0	2,539	2,539
210 Access	N/A	N/A	N/A	0
215 Universal Service Contributions (NOTE 2)	N/A	N/A	N/A	106,860
220 Corporate Operations	0	0	137,082	137,082
230 AFUDC	0	0	2,732	2,732
240 Other Expenses and Adjustments	0	0	(576)	(576)
250 Taxes Other than FIT	0	0	34,116	34,116
260 Total Expenses and Other Taxes	0	0	700,291	807,151
<u>NECA ADJUSTMENTS</u>				
261 NECA Administrative Expenses	0	0	27,912	27,912
262 Average Schedule Settlements	0	0	141,603	141,603
263 Adjustment for Line Port/TIC	0	0	115,954	115,954
264 Total NECA Adjustments	0	0	285,469	285,469
<u>FIT ADJUSTMENTS</u>				
270 Adjustments for FIT	0	0	24,361	24,361
280 Amortized ITC	0	0	3	3
290 Federal Income Taxes	0	0	41,854	41,854
300 TOTAL EXPENSES AND TAXES	0	0	1,027,613	1,134,473
<u>TELEPHONE PLANT IN SERVICE</u>				
310 General Support	0	0	532,306	532,306
320 Central Office Equipment - Switch	0	0	0	0
321 Operator Systems	0	0	0	0
322 Tandem Switching	0	0	0	0
323 Local Switching Cat 3	0	0	0	0
324 Equal Access	0	0	0	0
330 Central Office Equipment - Trans	0	0	778,720	778,720
331 Subscriber Line	0	0	778,720	778,720
332 Exchange Circuit	0	0	0	0
333 Interexchange Circuit	0	0	0	0
334 Host Remote	0	0	0	0
340 Cable and Wire	0	0	3,628,605	3,628,605
341 Subscriber Line	0	0	3,628,605	3,628,605
342 Exchange	0	0	0	0
343 Interexchange Circuit	0	0	0	0
344 Host Remote	0	0	0	0
350 Info Orig/Term Equipment	0	0	731	731
360 Amortizable Assets	0	0	11,893	11,893
370 Total Plant in Service	0	0	4,952,256	4,952,256
<u>ADJUSTMENTS TO TPIS</u>				
380 Depreciation/Amortization Reserve	0	0	3,170,833	3,170,833
390 Accum. Deferred Income Tax	0	0	94,113	94,113
400 Other Rate Base Adjustments	0	0	123,895	123,895
<u>RETURN DATA</u>				
410 Average Rate Base	0	0	1,811,206	1,811,206
420 Return	0	0	203,761	203,761
430 Rate of Return	11.25%	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered from the universal service support program. ICLS excludes excess of \$2.4M attributable to price cap affiliates.

NOTE 2: Universal service include amounts for both Cost and Average Schedule companies.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
RATE OF RETURN
HISTORICAL COST ANALYSIS SUMMARY (\$000)

<u>HISTORICAL DATA PERIOD 2013</u>		<u>TOTAL SWTCH</u>	<u>SPECIAL</u>
		<u>TRFFC SNSTV *</u>	<u>ACCESS</u>
		(M)	(N)
<u>REVENUES</u>			
100	Network Access		738,179
110	Uncollectibles		(0)
120	Local Switching Support		N/A
130	N/A		N/A
135	N/A		N/A
140	N/A		N/A
150	Miscellaneous		N/A
160	Net Revenues		738,179
<u>EXPENSES</u>			
170	Plant Specific		138,623
171	Network Support		2,993
172	General Support		26,965
173	Central Office		80,507
174	Operator Systems		0
175	COE Switching		0
176	COE Transmission		80,507
177	IOT		0
178	Cable & Wire Facilities		28,157
180	Plant Non Spec excl Depr & Amort		40,266
190	Depreciation/Amortization		174,430
200	Customer Operations		23,075
201	Marketing		7,429
202	Local Business Office		3,230
203	Revenue Accounting		11,387
204	Other Billing and Collections		0
210	Access		N/A
220	Corporate Operations		83,218
230	AFUDC		1,680
240	Other Expenses and Adjustments		64
250	Taxes Other than FIT		19,634
260	Total Expenses and Other Taxes		477,629
<u>NECA ADJUSTMENTS</u>			
261	NECA Administrative Expenses		16,521
262	Average Schedule Settlements		84,383
263	Adjustment for Line Port/TIC		18,379
264	Total NECA Adjustments		119,283
<u>FIT ADJUSTMENTS</u>			
270	Adjustments for FIT		16,522
280	Amortized ITC		3
290	Federal Income Taxes		23,854
300	TOTAL EXPENSES AND TAXES		620,767
<u>TELEPHONE PLANT IN SERVICE</u>			
310	General Support		331,485
320	Central Office Equipment - Switch		0
321	Operator Systems		0
322	Tandem Switching		0
323	Local Switching Cat 3		0
324	Equal Access		0
330	Central Office Equipment - Trans		1,437,631
331	Subscriber Lines		417,841
332	Exchange Circuit		1,009,042
333	Interexchange Circuit		10,747
334	Host Remote		0
340	Cable and Wire		1,121,491
341	Subscriber Lines		41,518
342	Exchange		785,047
343	Interexchange Circuit		294,926
344	Host Remote		0
350	Info Orig/Term Equipment		101
360	Amortizable Assets		9,134
370	Total Plant in Service		2,899,842
<u>ADJUSTMENTS TO TPIS</u>			
380	Depreciation/Amortization Reserve		1,875,505
390	Accum. Deferred Income Tax		60,374
400	Other Rate Base Adjustments		79,698
<u>RETURN DATA</u>			
410	Average Rate Base		1,043,662
420	Return		117,412
430	Rate of Return		11.25%

* Switched Access detail is no longer relevant pursuant to the freezing of Switched Access revenue requirement at the Test Period 2011/2012 level consistent with the provisions of the USF/ICC Transformation Order.

NATIONAL EXCHANGE CARRIER ASSOCIATION, INC.
RATE OF RETURN
PROSPECTIVE COST ANALYSIS SUMMARY (\$000)

----- COMMON LINE -----

TEST YEAR FORECAST 7/1/14 THROUGH 6/30/15	PAY PHONE (I)	INSIDE WIRE (J)	BFP (K)	TOTAL (L)
<u>REVENUES</u>				
100	Network Access	N/A	N/A	441,865
110	Uncollectibles	N/A	N/A	0
120	Common Line Support	N/A	N/A	0
130	Long Term Support (NOTE 1)	N/A	N/A	0
135	Interstate Common Line Support (NOTE 1)	N/A	N/A	905,427
140	Transitional	N/A	N/A	0
150	Miscellaneous	N/A	N/A	0
160	Net Revenues	N/A	N/A	1,347,292
<u>EXPENSES</u>				
170	Plant Specific	0	184,443	184,443
171	Network Support	0	4,814	4,814
172	General Support	0	47,115	47,115
173	Central Office	0	39,444	39,444
174	Operator Systems	0	0	0
175	COE Switching	0	1	1
176	COE Transmission	0	39,443	39,443
177	IOT	0	11	11
178	Cable & Wire Facilities	0	93,060	93,060
180	Plant Non Specific excl Depr & Amort	0	69,164	69,164
190	Depreciation/Amortization	0	238,265	238,265
200	Customer Operations	0	48,951	48,951
201	Marketing	0	16,230	16,230
202	Local Business Office	0	27,499	27,499
203	Revenue Accounting	0	2,845	2,845
204	Other Billing and Collections	0	2,547	2,547
210	Access	N/A	N/A	0
215	Universal Service Contributions (NOTE 2)	N/A	N/A	110,173
220	Corporate Operations	0	137,004	137,004
230	AFUDC	0	2,256	2,256
240	Other Expenses and Adjustments	0	(361)	(361)
250	Taxes Other than FIT	0	34,582	34,582
260	Total Expenses and Other Taxes	0	709,793	819,965
<u>NECA ADJUSTMENTS</u>				
261	NECA Administrative Expenses	0	27,221	27,221
262	Average Schedule Settlements	0	140,163	140,163
263	Adjustment for Line Port/TIC	0	115,954	115,954
264	Total NECA Adjustments	0	283,338	283,338
<u>FIT ADJUSTMENTS</u>				
270	Adjustments for FIT	0	24,075	24,075
280	Amortized ITC	0	7	7
290	Federal Income Taxes	0	40,787	40,787
300	TOTAL EXPENSES AND TAXES	0	1,033,917	1,144,090
<u>TELEPHONE PLANT IN SERVICE</u>				
310	General Support	0	557,274	557,274
320	Central Office Equipment - Switch	0	0	0
321	Operator Systems	0	0	0
322	Tandem Switching	0	0	0
323	Local Switching Cat 3	0	0	0
324	Equal Access	0	0	0
330	Central Office Equipment - Trans	0	820,455	820,455
331	Subscriber Line	0	820,455	820,455
332	Exchange Circuit	0	0	0
333	Interexchange Circuit	0	0	0
334	Host Remote	0	0	0
340	Cable and Wire	0	3,839,253	3,839,253
341	Subscriber Line	0	3,839,253	3,839,253
342	Exchange	0	0	0
343	Interexchange Circuit	0	0	0
344	Host Remote	0	0	0
350	Info Orig/Term Equipment	0	741	741
360	Amortizable Assets	0	12,508	12,508
370	Total Plant in Service	0	5,230,231	5,230,231
<u>ADJUSTMENTS TO TPIS</u>				
380	Depreciation/Amortization Reserve	0	3,432,303	3,432,303
390	Accum. Deferred Income Tax	0	91,407	91,407
400	Other Rate Base Adjustments	0	99,714	99,714
<u>RETURN DATA</u>				
410	Average Rate Base	0	1,806,234	1,806,234
420	Return	0	203,201	203,201
430	Rate of Return	11.25%	11.25%	11.25%

NOTE 1: Effective 7/1/04, Long-Term Support is folded into Interstate Common Line Support (ICLS). ICLS is recovered from the universal service support program. ICLS excludes excess of \$3.4M attributable to price cap affiliates.

NOTE 2: Universal service include amounts for both Cost and Average Schedule companies.

	TEST YEAR FORECAST 7/1/14 THROUGH 6/30/15	TOTAL SWITCH TRFFC SNSTV * (M)	SPECIAL ACCESS (N)
<u>REVENUES</u>			
100	Network Access		774,491
110	Uncollectibles		0
120	Local Switching Support		N/A
130	N/A		N/A
135	N/A		N/A
140	N/A		N/A
150	Miscellaneous		N/A
160	Net Revenues		774,491
<u>EXPENSES</u>			
170	Plant Specific		150,385
171	Network Support		3,292
172	General Support		29,684
173	Central Office		86,459
174	Operator Systems		0
175	COE Switching		0
176	COE Transmission		86,459
177	IOT		0
178	Cable & Wire Facilities		30,950
180	Plant Non Spec excl Depr & Amort		44,008
190	Depreciation/Amortization		184,005
200	Customer Operations		25,437
201	Marketing		8,170
202	Local Business Office		3,376
203	Revenue Accounting		12,782
204	Other Billing and Collections		0
210	Access		N/A
220	Corporate Operations		89,550
230	AFUDC		1,576
240	Other Expenses and Adjustments		38
250	Taxes Other than FIT		21,364
260	Total Expenses and Other Taxes		513,210
<u>NECA ADJUSTMENTS</u>			
261	NECA Administrative Expenses		17,832
262	Average Schedule Settlements		79,515
263	Adjustment for Line Port/TIC		18,379
264	Total NECA Adjustments		115,726
<u>FIT ADJUSTMENTS</u>			
270	Adjustments for FIT		18,005
280	Amortized ITC		8
290	Federal Income Taxes		25,304
300	TOTAL EXPENSES AND TAXES		654,240
<u>TELEPHONE PLANT IN SERVICE</u>			
310	General Support		372,286
320	Central Office Equipment - Switch		0
321	Operator Systems		0
322	Tandem Switching		0
323	Local Switching Cat 3		0
324	Equal Access		0
330	Central Office Equipment - Trans		1,606,474
331	Subscriber Lines		457,539
332	Exchange Circuit		1,136,985
333	Interexchange Circuit		11,951
334	Host Remote		0
340	Cable and Wire		1,288,731
341	Subscriber Lines		45,958
342	Exchange		915,779
343	Interexchange Circuit		326,995
344	Host Remote		0
350	Info Orig/Term Equipment		110
360	Amortizable Assets		10,188
370	Total Plant in Service		3,277,789
<u>ADJUSTMENTS TO TPIS</u>			
380	Depreciation/Amortization Reserve		2,213,681
390	Accum. Deferred Income Tax		64,652
400	Other Rate Base Adjustments		69,447
<u>RETURN DATA</u>			
410	Average Rate Base		1,068,902
420	Return		120,251
430	Rate of Return		11.25%

* Switched Access detail is no longer relevant pursuant to the freezing of Switched Access revenue requirement at the Test Period 2011/2012 level consistent with the provisions of the USF/ICC Transformation Order.

MAG-1 Historical
 Filing Date: 6/16/2014
 Filing Entity: NECA
 Transmittal Number: 1423

Rate-of Return TRP
 MAG Adjustments *
 Historical (Calendar Year 2013)
 (\$000)

Access Category	Interstate Revenue Requirement Prior to Adjustments (A) Note 1	Frozen Line Port Transfer (B) Note 2	Universal Service Fund Contribution (C) Note 3	Interstate Revenue Requirement Used as Base for TIC Reallocation (E) Cols. (A)+(B)-(C)	Frozen TIC Reallocation (F) Note 4	Frozen Line Port Transfer NonTS Companies (G)	Frozen TIC Reallocation NonTS Companies (H)	Interstate Revenue Requirement Subject to Rate Making (I) Note 5
Common Line	\$1,160,331	\$57,396	\$106,860	\$1,110,867	\$44,910	\$8,825	\$4,823	\$1,338,235
Special Access	\$719,800			\$719,800	\$18,379			\$738,179

Note 1: Source: company workpapers - After reallocating General Support Facilities Investment, but before other part 69 adjustments.

as a result of the Rate-of-Return Access Charge Reform Order as reflected in this form. Express as ANNUAL amounts.

Note 2: Amount based on Test Period 2011/2012 per *USF/ICC Transformation Order*.

Note 3: Based on projected USF Contributions.

Note 4: Amount based on Test Period 2011/2012 per *USF/ICC Transformation Order*.

Note 5: Includes NECA expenses

* Reflects the impact of the corporate operations expense limitation provision of the *USF/ICC Transformation Order*.

MAG-1 Projected
 Filing Date: 6/16/2014
 Filing Entity: NECA
 Transmittal Number: 1423

Rate of Return TRP
 MAG Adjustments *
 Test Year, 7/1/14-6/30/15
 (\$000)

Access Category	Interstate Revenue Requirement Prior to Adjustments	Frozen Line Port Transfer	Universal Service Fund Contribution	Interstate Revenue Requirement Used as Base for TIC Reallocation	Frozen TIC Reallocation	Frozen Line Port Transfer NonTS Companies	Frozen TIC Reallocation NonTS Companies	Interstate Revenue Requirement Subject to Rate Making
	(A) Note 1	(B) Note 2	(C) Note 3	(E) Cols. (A)+(B)-(C)	(F) Note 4	(G)	(H)	(I) Note 5
Common Line	\$1,090,473	\$57,396	\$110,173	\$1,041,168	\$44,910	\$12,296	\$4,823	\$1,347,292
Special Access	\$738,280			\$738,280	\$18,379			\$774,492

Note 1: Source: company workpapers - After reallocating General Support Facilities Investment, but before other part 69 adjustments. as a result of the Rate-of-Return Access Charge Reform Order as reflected in this form. Express as ANNUAL amounts.

Note 2: Amount based on Test Period 2011/2012 per *USF/ICC Transformation Order*.

Note 3: Based on projected USF Contributions.

Note 4: Amount based on Test Period 2011/2012 per *USF/ICC Transformation Order*.

Note 5: Includes NECA expenses

* Reflects the impact of the corporate operations expense limitation provision of the *USF/ICC Transformation Order*.

NECA MAG-1
 Filing Date: 6/16/2014
 Filing Entity: NECA
 Transmittal Number: 1423

**COST TO BE MOVED TO COMMON LINE
 TEST PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015**

DATA USED IN NECA TARIFF FILING

SAC	COMPANY NAME	SETTLEMENT TYPE	SECTION 61.38 OR 61.39	FROZEN	FROZEN
				LINE PORT TRANSFER	TRANSPORT (TIC) REALLOCATION
170175	IRONTON TEL CO	A	61.39	\$52,428	\$87,180
190226	LUMOS TEL.	A	61.39	\$190,020	\$20,160
230501	SKYLINE MEMBERSHIP	A	61.38	\$174,624	\$315,420
230511	YADKIN VALLEY TEL	A	61.38	\$130,188	\$177,948
240515	CHESNEE TEL CO	A	61.38	\$61,800	\$43,464
240516	CHESTER TEL CO - SC	A	61.38	\$165,396	\$199,752
240532	LOCKHART TEL CO INC	A	61.39	\$22,788	\$0
240541	RIDGEWAY TEL CO	A	61.39	\$59,196	\$24,432
250283	BRINDLEE MOUNTAIN	A	61.38	\$115,908	\$187,500
250312	OTELCO TELEPHONE LLC	A	61.38	\$80,844	\$71,724
260408	GEARHEART-COALFIELDS	A	61.39	\$104,664	\$130,452
351212	JEFFERSON TEL CO -IA	A	61.39	\$34,716	\$14,640
351213	JORDAN SOLDIERVALLEY	A	61.38	\$31,344	\$168
351278	READLYN TEL CO	A	61.39	\$42,120	\$13,884
361375	MID-COMM-ENVENTIS	A	61.39	\$158,652	\$92,076
361427	MANKATO-ENVENTIS	A	61.39	\$158,652	\$92,076
391650	CITY OF BROOKINGS	A	61.39	\$155,808	\$0
442107	LIVINGSTON TEL CO	A	61.39	\$67,260	\$41,544
482252	RONAN TEL CO	A	61.39	\$48,276	\$0
210330	SMART CITY TEL LLC	C	61.38	\$209,453	\$28,328
210338	QUINCY TEL CO-FL DIV	C	61.38	\$55,398	\$20,130
220338	QUINCY TEL CO-GA DIV	C	61.38	\$3,352	\$7,430
220346	BLUE RIDGE TEL CO	C	61.38	\$33,911	\$116,291
220351	CAMDEN TEL & TEL CO	C	61.38	\$144,127	\$55,184
220360	ELLIJAY TEL CO	C	61.38	\$62,487	\$69,399
220375	NELSON-BALL GROUND	C	61.38	\$20,797	\$46,171
230468	ATLANTIC MEMBERSHIP	C	61.38	\$419,459	\$1,764
230473	CITIZENS TEL CO	C	61.39	\$53,072	\$7,466
240512	BLUFFTON TEL. CO.	C	61.38	\$130,839	\$2,632
240520	FARMERS TEL COOP	C	61.38	\$243,186	\$11,948
240521	FORT MILL TEL CO	C	61.38	\$185,413	\$16,323
240523	HARGRAY TEL CO	C	61.38	\$399,076	\$104,248
240527	HOME TELECOM	C	61.38	\$168,306	\$12,154
240528	HORRY TEL COOP	C	61.38	\$1,510,835	\$80,537
240531	LANCASTER TEL CO	C	61.38	\$228,607	\$7,108
240542	COMPORIUM, INC.	C	61.38	\$250,149	\$8,969
260418	SOUTH CENTRAL RURAL	C	61.39	\$57,387	\$11,877
270429	EAST ASCENSION TEL	C	61.39	\$69,229	\$339,644
290559	CONCORD TEL EXCHANGE	C	61.38	\$82,474	\$31,450
290571	MILLINGTON RITTER	C	61.38	\$104,497	\$14,117
290575	TENNESSEE TEL CO	C	61.39	\$187,234	\$50,830
290578	TELLICO TEL CO	C	61.38	\$30,224	\$19,048
300597	THE CHILLICOTHE TEL	C	61.38	\$185,743	\$61,389
320818	SMITHVILLE COMM.	C	61.38	\$139,428	\$0
330844	BADGER TELECOM, INC.	C	61.38	\$20,813	\$10,293
330859	CENTRAL STATE TEL CO	C	61.38	\$35,840	\$13,967
330881	MID-PLAINS TEL CO	C	61.38	\$235,216	\$356,362
330916	MOUNT HOREB TEL CO	C	61.38	\$27,470	\$54
330917	MT VERNON TEL CO	C	61.38	\$121,656	\$505
330954	STOCKBRIDGE & SHERWD	C	61.38	\$11,915	\$16,767
330963	UTELCO, INC	C	61.38	\$62,352	\$74,985
341003	EGYPTIAN COOP ASSN	C	61.39	\$56,866	\$39,992
341012	FLAT ROCK TEL CO-OP	C	61.39	\$4,062	\$5,612
341026	HARRISONVILLE TEL CO	C	61.38	\$76,980	\$60,623
351096	HEARTLND-ENVENTIS	C	61.38	\$144,691	\$273,173
361350	ARVIG TEL CO	C	61.38	\$41,457	\$26,074
361362	BRIDGEWATER TEL CO	C	61.38	\$5,564	\$9,010
361433	MID STATE TEL CO	C	61.38	\$25,715	\$17,237
411817	PIONEER TEL ASSN INC	C	61.39	\$335,625	\$236,141

NECA MAG-1

Filing Date: 6/16/2014

Filing Entity: NECA

Transmittal Number: 1423

421866	Ozark Tel. Co.	C	61.38	\$22,237	\$3,554
421945	SENECA TEL CO	C	61.39	\$6,514	\$32,396
431969	BIXBY TEL CO	C	61.38	\$123,588	\$58,612
431984	OKLAHOMA COMM SYSTEM	C	61.38	\$47,774	\$18,378
442070	ETEX TEL COOP INC	C	61.38	\$104,567	\$0
462207	STRASBURG TEL CO	C	61.38	\$13,500	\$14,213
502278	EMRY dba EMRY TELCOM	C	61.39	\$165,123	\$123,538
512296	TRI COUNTY TEL ASSN	C	61.38	\$75,038	\$47,981
512297	UNION TELEPHONE CO	C	61.38	\$230,722	\$746,838
				\$8,824,652	\$4,823,162

Notes:

- NECA calculated projected test period amounts for all companies in its Common Line pool (including 61.38 and 61.39 companies that file their own TS tariffs) in accordance with the *MAG Order* and *USF/ICC Transformation Order* and are reflected as follows:

1. Shift of line port cost from traffic sensitive to common line: Shifts are based on the 2011/2012 base period amounts and reflect the USF/ICC Transformation Order provision limiting corporate operations expense.
2. Reallocation of Transport Interconnections Charge (TIC) cost to all other access elements:
 - a. Allocations are based on the 2011/2012 base period amounts
 - b. Shifts to CL reflect the corporate operations expense limitation

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 Filing Date: 6/16/2014
 Filing Entity: NECA
 Transmittal Number: 1423

ANNUALIZED TEST PERIOD 7/14 TO 6/15 ACCESS REVENUE REQUIREMENTS
 DEMAND AND RATE RECONCILIATION

	RATES			RATE MAKING DEMAND			ANTICIPATED	REVENUE	
	MIN/MSG	MIN MILE	LINE OR TRUNK	MIN/MSG	MIN MILE	LINE OR TRUNK	GROSS REVENUE	REQUIREMENTS	
	(A)	(B)	(C)	(D)	(E)	(F)	G=12*((A*D)+ (B*E)+(C*F))	(H)	
<u>COMMON LINE</u>									
100	Line Port Element	N/A	N/A	\$23.51	N/A	N/A	7,301	\$2,059,758	N/A
110	Multi Line Business	N/A	N/A	\$9.20	N/A	N/A	799,220	\$88,233,888	N/A
120	Single Line Business	N/A	N/A	\$6.50	N/A	N/A	179,343	\$13,988,754	N/A
130	Residence	N/A	N/A	\$6.50	N/A	N/A	2,923,410	\$228,025,980	N/A
140	Special Access Surcharge	N/A	N/A	\$25.00	N/A	N/A	263	\$78,900	N/A
150	Terminating CCL Premium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
160	Terminating CCL NonPremium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
170	Originating CCL Premium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
180	Originating CCL NonPremium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
190	USF Contribution	N/A	N/A	15.7%	N/A	N/A	N/A	\$110,172,832	\$110,172,832
200	Common Line - Total w/o ICLS							\$442,560,112	\$452,112,630

NOTE : Effective 4/1/03, Federal Universal Service Charge is set equal to FCC's quarterly USF contribution factor.
 NOTE : For Line Port Element category, ISDN PRI and DS1 arrangements are included in line 100.

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ANNUALIZED TEST PERIOD 7/14 TO 6/15 ACCESS REVENUE REQUIREMENTS
 DEMAND AND RATE RECONCILIATION

	RATES			RATE MAKING DEMAND			ANTICIPATED GROSS REVENUE G=(A*D)+ (B*E)+(C*F)	REVENUE REQUIREMENTS (H)
	TERMINATIONS (A)	CIRCUITS (B)	MILES (C)	TERMINATIONS (D)	CIRCUITS (E)	MILES (F)		
<u>SPECIAL - VOICE GRADE</u>								
510 2-Wire Channel Term	N/A	59.91	N/A	N/A	3,204	N/A	\$191,924	N/A
520 4-Wire Channel Term	N/A	95.86	N/A	N/A	11,020	N/A	\$1,056,397	N/A
530 Channel Mileage Term	42.88	N/A	N/A	10,460	N/A	N/A	\$448,528	N/A
540 Channel Mileage Facility	N/A	N/A	4.27	N/A	N/A	163,323	\$697,389	N/A
550 Non-Recurring (Note 1)	N/A	450.00	N/A	N/A	7	N/A	\$3,150	N/A
<u>SPECIAL - HIGH CAPACITY</u>								
560 Hi-Cap Channel Term	N/A	278.27	N/A	N/A	618,831	N/A	\$172,202,102	N/A
570 Channel Mileage Term	89.32	N/A	N/A	564,809	N/A	N/A	\$50,448,740	N/A
580 Channel Mileage Facility	N/A	N/A	17.21	N/A	N/A	5,078,054	\$87,393,309	N/A
590 Non-Recurring (Note 1)	N/A	445.00	N/A	N/A	1,493	N/A	\$664,385	N/A
600 Special Access Total							\$774,492,973	\$774,491,522

NOTE 1: A "composite" Special NRC must be used if the installation rates vary among the services.

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RATE OF RETURN TEST PERIOD REVENUES

	<u>TOTAL NETWORK ACCESS</u>	<u>RECURRING w/o ICB</u>	<u>NON-RECURRING w/o ICB</u>	<u>ICB</u>
	(A)=B+C+D	(B)	(C)	(D)
100 Common Line (Note 1)	\$1,237,092,082	\$1,237,092,082	\$0	\$0
110 Special Access	\$774,492,973	\$773,403,085	\$1,089,888	\$0

Note 1: Includes ICLS.

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**RATE OF RETURN
 ACCESS RATE ANALYSIS**

	<u>7/3/12 RATE</u>	<u>CURRENTLY EFFECTIVE RATE</u>	<u>PROPOSED 7/2/13 RATE</u>	<u>PROPOSED TO 7/3/12 % CHANGE</u>	<u>PROPOSED TO CURRENT % CHANGE</u>
	(A)	(B)	(C)	D=((C-A)/A)*100	E=((C-B)/B)*100
<u>END USER COMMON LINE</u>					
100 Line Port (Note 1)	\$23.51	\$23.51	\$23.51	0.00%	0.00%
160 USF Contribution	15.1%	16.6%	15.7%	3.97%	-5.42%
170 Special Access Surcharge	\$25.00	\$25.00	\$25.00	0.00%	0.00%
180 Multiline Business	\$9.20	\$9.20	\$9.20	0.00%	0.00%
190 Residence and Single Line Bus.	\$6.50	\$6.50	\$6.50	0.00%	0.00%

Note 1 : In Line 100, for Line Port Element, rates for ISDN PRI and DS1 arrangements are reflected.

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**RATE OF RETURN
 ACCESS RATE ANALYSIS**

	7/2/13 RATE	CURRENTLY EFFECTIVE RATE	PROPOSED 7/1/14 RATE	PROPOSED TO 7/2/13 % CHANGE	PROPOSED TO CURRENT % CHANGE	
	(A)	(B)	(C)	$D = ((C-A)/A * 100)$	$E = ((C-B)/B * 100)$	
SPECIAL ACCESS RATES						
290	2-Wire Voice Grade, \$ Per Circuit (Avg Mileage)	\$198.34	\$198.34	\$248.28	25.18%	25.18%
300	4-Wire Voice Grade, \$ Per Circuit (Avg Mileage)	\$255.78	\$255.78	\$320.18	25.18%	25.18%

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**RATE OF RETURN
 ANNUALIZED ACCESS PRICEOUT COMPARISONS**

	<u>REVENUE AT 7/2/13 RATE</u>	<u>REVENUE AT CURRENTLY EFFECTIVE RATE</u>	<u>CHANGE</u>	<u>REVENUE AT PROPOSED 7/1/14 RATE</u>	<u>CHANGE</u>
	(A)	(B)	(C)=B-A	(D)	(E)=D-B
100 Line Port	\$2,059,758	\$2,059,758	\$0	\$2,059,758	\$0
110 Multi Line Business	\$88,233,888	\$88,233,888	\$0	\$88,233,888	\$0
120 Residence and Single Line Business	\$242,014,734	\$242,014,734	\$0	\$242,014,734	\$0
130 Carrier Common Line	N/A	N/A	N/A	N/A	N/A
140 Special Access	\$659,106,853	\$659,106,853	\$0	\$774,492,973	\$115,386,119
150 Special Access Surcharge	\$78,900	\$78,900	\$0	\$78,900	\$0
200 USF Contributions	\$105,962,405	\$116,488,472	\$10,526,067	\$110,172,832	-\$6,315,640
TOTAL	\$1,097,456,538	\$1,107,982,605	\$10,526,067	\$1,217,053,084	\$109,070,479

NOTE 1: Both NECA end user and non end user tariff participants are displayed on lines 100, 110 and 120.

NOTE 2 : In Line 100, for Line Port Element, both ISDN PRI and DS1 arrangements are reflected.

Rate of Return
Special Access Demand Comparison

		<u>Historical 1/13 thru 12/13</u>			<u>Prospective 7/14 thru 6/15</u>		
		<u>Channel Termination</u>	<u>Circuits</u>	<u>Interoffice Miles</u>	<u>Channel Termination</u>	<u>Circuits</u>	<u>Interoffice Miles</u>
100	Metallic	14,403	7,201	0	15,026	7,513	0
110	Telegraph	0	0	0	0	0	0
120	Voice Grade	16,114	12,396	190,752	14,224	10,941	163,323
130	Wats	N/A	N/A	N/A	N/A	N/A	N/A
140	Audio Program (Full time)	0	0	0	0	0	0
150	High Capacity	691,927	494,234	5,651,784	627,514	448,224	5,125,648

NOTE: This chart should be populated with annualized demand.

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COMMON LINE DEMAND AND REVENUE

	1/13-12/13 Historical Revenue (A)	1/13-12/13 Historical Lines (B)	TP '14/'15 Test Year Revenue (C)	TP '14/'15 Test Year Lines (D)
100 End User Common Line, Total ⁽¹⁾	\$349,966,222	4,110,389	\$332,308,380	3,901,973
110 Line Port Element (2)	\$2,093,613	7,421	\$2,059,758	7,301
120 Residential	\$240,311,058	3,080,911	\$228,025,980	2,923,410
130 Single Line Business	\$14,667,900	188,050	\$13,988,754	179,343
140 Multi-line Business	\$92,893,651	841,428	\$88,233,888	799,220
150 Special Access Surcharge	\$76,500	255	\$78,900	263
160 Carrier Common Line	N/A	N/A	N/A	N/A
170 Total Common Line Revenue	\$350,042,722	N/A	\$332,387,280	N/A

(1) Lines 110, 120, 130, and 140 are included in End User Common Line, Total (line 100) in Columns (A) and (C)
 Lines 120, 130, and 140 are included in line 100 in Lines Columns (B) and (D).

(2) Only ISDN PRI and DS1 arrangements are used to compute Line Port Element historical and test year revenues.

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Annualized Rate of Return Comparison

	<u>Preliminary 2013 FCC Monitoring Period*</u>	<u>Preliminary 2013 Period**</u>	<u>Prospective 7/14 - 6/15</u>
100 Total Interstate Access	10.56%	10.53%	11.25%
110 Carrier Common Line	11.64%	11.68%	11.25%
120 Special Access	9.03%	8.86%	11.25%
130 Local Switching			
140 Information			
150 Local Transport			
160 Total TS - Switched	10.06%	10.09%	N/A

* Preliminary 2013 Monitoring Period ROR is taken directly from the FCC492, filed March, 2014.

** Preliminary 2013 Period ROR is taken directly from the March, 2014 Assessment.

NOTE: Calendar year 2013 data is subject to true-up through December 2015. Historically, cost levels increase as companies begin reporting actual data. Considering this, it is expected that the rates of return reported on NECA's Form 492 Report and pool actuals will decline as companies update their studies.