NECA

**Q&As on FCC OpEx Limitation**
September 16, 2016

1) **Are average schedule companies required to use this spreadsheet?**

No. Average schedule companies can use the spreadsheet to see their individual results calculated as if they were a cost company. However, average schedule formulas are developed based on average costs and therefore OpEx impact factors are developed, which will be applied to average schedule companies' cost per loop for HCLS payments and cost per line for CAF-BLS payments. These factors are based on the overall impact of the OpEx limitations to the sample population used in development of the average schedule formulas.

2) **How were the OpEx limitation formulas calculated?**

The OpEx formula coefficients were calculated using 2014 HCLS and cost study data and housing units and density data from the 2010 U.S. Census. The coefficients developed from the 2014 data are then inserted into the FCC's OpEx formula (prescribed in §54.303(a)(1) of the FCC's USF Reform Order). With the complete formula, a company can input its housing unit and density data from the 2010 U.S. Census (this data included in OpEx template on NECA and USAC websites) to determine its fixed, maximum operating expense dollar amount. This dollar amount is the limit by which any period of data going forward will be compared for determining whether operating expenses should be reduced for calculating HCLS or CAF-BLS.

3) **It appears that locations have changed from the former worksheet to this current worksheet. It used to be based on residence and business locations and now it seems only residence locations are included.**

Footnote 205 of the FCC's USF Reform Order specified the use of housing units per the most recently available U.S. Census data be used in OpEx calculations, which was a change from earlier estimations.

4) **Is there information on how many companies were capped?**

The number of companies capped will vary depending on what data period is compared to a company's OpEx limit. For example, a company initially capped based on its estimate of operating expenses included in its CAF-BLS forecast could change when its CAF-BLS is trued up based on its actual operating expense data. Based on 2015 actual data to be used for initial HCLS payments in 2017 (prior to any quarterly updates), approximately 47 cost companies (not including companies in Alaska) will be affected by the OpEx limit.

5) **If a company is not limited this year, is it true they are not limited for the next five years?**

No. Each year, a company's operating expenses will be tested against the fixed OpEx limit, and if the limit is exceeded, the company's HCLS and CAF-BLS payments will be impacted. The limit will stay the same each year until such time as the OpEx calculation is changed by the FCC.

6) **Can a company be limited for HCLS and not for CAF-BLS, or vice versa?**

Yes. Because the HCLS and CAF-BLS payments disbursed in the same period are based on account data from different years it is possible for a company to be limited for only one of the two support mechanisms, or if limited for both to have different required percent reductions of the respective OpEx accounts.

7) **Why isn't Account 6710 included in the spreadsheet?**

There is no longer an Account 6710 in the Rules, effective 1/1/2003. The old account is now rolled into Account 6720.

8) **Were any NECA adjustments included in the data NECA provided to USAC?**

No. The data provided to USAC is consistent with the annual access tariff filing, the 2016/2017 CAF-BLS Voice projected data filed in June and the latest view of 2014 HCLS data including quarterly updates. HCLS results based on 2015 data will be filed with USAC and the FCC and provided to companies by October 1.

9) **Are Alaska companies exempt from the OpEx limitation?**

Although the FCC's USF Reform Order appeared to indicate Alaska companies are exempt from the OpEx limitation, the Alaska Plan Order states that all limitations will apply to Alaska companies choosing to remain on modified legacy support.