

Helping Keep Americans Connected

The USAC Connection High Cost & Low Income monthly newsletter will give you information about upcoming program deadlines, tips to help you ensure timely and proper filings, and other timely information.

Registration Open for High Cost/Low Income Training Sessions in Denver and Dallas

USAC is holding one-day training events in Denver and Dallas for companies that participate in the High Cost and Low Income Programs. The trainings provide guidance on program rules, audits, and support payment calculations. Training dates are: **September 10, 2008** in [Denver, CO](#); and **November 19, 2008** in [Dallas, TX](#). The July 22 training in [Chicago, IL](#) is full. Dallas is almost full.

More details on who should attend, topics covered, training registration, and hotel accommodations can be found at [High Cost Training Events](#) or [Low Income Training Events](#).

High Cost Program

HCL, LSS, HCM, ICLS Line Counts Due July 31

Incumbent and competitive carriers must file line count data for High Cost Loop (HCL), Local Switching Support (LSS), High Cost Model (HCM), and Interstate Common Line Support (ICLS) **by July 31, 2008**. All carriers must report lines served as of December 31, 2007. Rural and non-rural ILECs must file line count data with the National Exchange Carrier Association (NECA) with their annual cost data filings July 31, 2008.

Line count information for rural carriers

Rural ILECs must submit line count information at the study area level or consistent with the [Disaggregation Plan](#) adopted under the FCC's Rural Task Force

IMPORTANT DATES AND REMINDERS

July 31—HCL, LSS, HCM, ICLS Line Counts due
August 1—FCC Form 499-Q (Revenue Reporting Worksheet for projected 4Q revenue) due at USAC

Order. Rural ILECs without competition may voluntarily submit updated quarterly information. Rural incumbent carriers must file line count information with NECA.

Line count information for non-rural carriers

Non-rural ILECs are required to submit updated line

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Low Income Program

Avoid Double Recovering Low Income Support or “Double Dipping”

USAC is responsible for protecting the Universal Service Fund from waste, fraud, and abuse. To accomplish this, the High Cost and Low Income Division attempts to keep ETCs aware of the FCC's rules, as well as practices that might be contrary to the rules.

The practice of “double dipping” has been identified in several audits of ETCs. Double dipping occurs when an ETC benefits twice for providing a single Lifeline, Link Up, and/or Toll Limitation Service (TLS) discounts to a household, either by seeking double recovery on its FCC Form 497, or by purchasing Lifeline

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discounted lines from another ETC and then claiming those same lines on FCC Form 497.

Avoid claiming two discounts for one customer

An ETC can be reimbursed only for the Low Income discounts it provides to its eligible consumers. Carriers should not claim more than one Lifeline, Link Up, or TLS discount per household served on FCC Form 497 for any given month.

Avoid claiming previously discounted lines

Competitive ETCs (CETCs) often provide Lifeline and Link Up discounts to eligible Low Income consumers using a combination of their own facilities, Local Wholesale Arrangements (UNE/UNE-P), and resold lines. If a CETC serves some of its Lifeline subscribers using resold lines that have already been discounted by the ILEC, then the CETC cannot seek reimbursement for those lines on its FCC Form 497 (see *First Report and Order*, [FCC 97-157](#), at paragraph 179).

When an incumbent ETC offers Lifeline-discounted lines to another ETC, the incumbent will claim reimbursement for the discounted amount it passed on to the CETC. Accordingly, if the CETC also seeks reimbursement, the federal fund is paying twice for the same customer and the CETC benefits twice (once from the discount provided by the incumbent ETC and a second time by receiving support from the federal USF).

USAC conducts regular audits to determine whether double dipping has occurred.

If USAC determines that an ETC has either sought reimbursement twice for the same subscriber or has been receiving Lifeline discounts from the ILEC and then seeking reimbursement for the same subscribers on its FCC Form 497, USAC will recover support, refer the violation to the FCC, and may also refer the violation to appropriate the state commission. The FCC and state commission may take further action including issuing a forfeiture, revoking a carrier's ETC designation, or rescinding a carrier's license to operate within the state.

Please contact the HCLI Division if you have any questions.

Take Advantage of USAC's Online Posting Tool on www.lifelinesupport.org

USAC encourages ETCs to submit information about their Lifeline and Link Up support programs for posting on www.lifelinesupport.org. Your company can use the online posting tool to submit or update information on the type of services available to low-income consumers, how to apply, the rate or discount available, and whether your state relies on program-based eligibility criteria, among other things.

Carriers that currently have information posted can update their information by visiting USAC's [Lifelinesupport.org Posting Tool](http://www.lifelinesupport.org). New users should send an [e-mail](#) to USAC's Low Income team with your company's Service Provider Identification Number (SPIN) and Study Area Code (SAC) to obtain login information and begin posting your company's information.

Audit Findings Related to the Low Income Program

USAC has identified some common errors made by ETCs in the Low Income Program that auditors have deemed to be audit findings. Over the next few months, we will highlight these common audit findings so that companies can review their practices to ensure they are in compliance with FCC rules.

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Low Income Program

Common Audit Findings

1. Lifeline customer who elected Toll Limitation Service was charged a security deposit
2. Lifeline customer did not receive free Toll Limitation Service
3. Carrier did not claim Toll Limitation Service support properly on FCC Form 497

Toll Limitation Service (TLS) allows Lifeline customers to elect to have their access to long distance calling blocked or limited. Once a customer elects TLS, it becomes a part of his or her Lifeline service. ETCs may not charge their Lifeline customers for any costs associated with providing TLS. Additionally, carriers may not charge a service deposit to Lifeline subscribers who choose to receive TLS (see 47 C.F.R. § 54.401).

ETCs can claim reimbursement for their incremental cost of providing TLS to Lifeline customers from the federal USF. Specifically, section 54.403(c) of the FCC's rules provides that "Lifeline support for providing toll limitation shall equal the eligible telecommunications carrier's incremental cost of providing either toll blocking or toll control, whichever is selected by the particular customer." The incremental cost should only include costs your company would NOT otherwise incur if it did not provide TLS to a given Lifeline customer. For specific information on what should and should not be included in the incremental cost calculation, see the [March 2007 HCLI Newsletter](#).

ETCs Must Notify Lifeline Customers about the Transition to Digital Television (DTV)

The FCC is requiring all ETCs that receive federal universal service funds to provide information about the television broadcasting transition from analog to digital service (the "DTV Transition") to their Lifeline and Link Up customers. See [FCC 08-56](#), released March 3, 2008.

A March 28, 2008, FCC [Public Notice](#) announced that the effective date for the new rule was March 31, 2008. Accordingly, as of March 31, ETCs must begin using bill inserts or language on a monthly bill to notify their Lifeline and Link Up customers about the DTV transition.

However, the FCC released a reconsideration order ([FCC 08-119](#)) April 23 that expanded its rules regarding the method in which ETCs must notify their Lifeline and Link Up customers of the February 2009 DTV transition. ETCs are now permitted to mail customers monthly stand-alone outreach materials (brochures, postcards, etc.) instead of including the notice as a monthly bill insert. The language that must be included on the mailer has not changed.

ETCs are still required to include DTV transition information on all Lifeline and Link Up outreach materials. These revised rules will be effective May 30, 2008. However, carriers may still use stand-alone mailers for the April 30 deadline.

The National Telecommunications and Information Administration (NTIA) has a number of outreach materials relating to the DTV transition, particularly the coupon program, available on its website at www.dtv2009.gov. Please contact NTIA directly to discuss co-branding printed materials or outreach methodology. For more information on these requirements, please see USAC's March 19 [DTV Important Notice](#) or the [March 2008 High Cost & Low Income News](#).

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High Cost Program

count data at the wire center level on a quarterly basis. High Cost Model support is calculated and distributed at the wire center level. Non-rural ILECs must file HCM line count information with NECA.

Line count information for competitive carriers

Competitive eligible telecommunications carriers (CETCs) must file line count data in the same manner as the ILEC in whose service area the CETC competes. CETCs must use the [Competitive Carrier Line Count Report](#) (Form 525) to submit line count data to USAC. USAC has developed an online Form 525 (e525) and CETCs are encouraged to use this option, which makes it easier to certify and submit line count data with USAC. The online Form 525 is accessed through USAC's [E-File](#) system (<http://forms.universalservice.org>).

For HCL and LSS, CETCs must report lines consistent with the disaggregation plan selected by the incumbent carrier(s) in whose service area(s) you serve lines. For HCM, you must report lines by wire centers. For ICLS, you must file the number of working loops you serve in the service area of a rate-of-return incumbent carrier, disaggregated by the incumbent carrier's cost zones and customer class, if applicable.

If the Form 525 is filed by fax or e-mail, the signed certifications of the authorized persons still must be received by USAC by the due date. If an agent files on behalf of the company, the company must complete the top portion of the agent certification page and the agent is responsible for completing the bottom portion.

ICLS line count information

Rate-of-return carriers must submit line count data **by July 31, 2008** for each study area by customer class as of December 31, 2007 in the following categories: number of residential and single-line business access lines in service; number of multi-line business access lines in service; and total number of access lines in service. Carriers must file disaggregated line count data, if such zones have been established within the study area. You, or your agent, must use the [Interstate Common Line Support Mechanism Line Count Report](#) (Form 507) and file your ICLS line count information with USAC.

Notice to All Carriers About Filing Line Count Data in a Timely Manner

Remember that your line count filings must be received by USAC or NECA (as noted above) **by July 31, 2008**. If your line count filing is received after that date, you will need to file a petition with the FCC for a waiver of the line count filing rule in order for USAC to be permitted to use your line counts to calculate high cost support.

Line Count Forms

ILECs must submit Part 36 data to NECA and Part 54 data to USAC using the appropriate forms. The Part 54 data filings can be sent by mail, e-mail, or fax to:

Universal Service Administrative Company
444 Hoes Lane
Piscataway, NJ 08854

Fax: (866) 873-4695

E-Mail: hcfilings@hcli.universalservice.org

If you have additional questions, please contact USAC's customer service center at 877-877-4925.

High Cost Program

Using the Online Form 525 for Competitive ETC Line Count Filings

USAC encourages Competitive Eligible Telecommunications Carriers (CETCs) to use its E-File System to file their Form 525 line count data online using the e525. Using the e525 provides you with tabs for each component of High Cost support and drop-down menus to easily select the ILECs in whose areas you provide service. After the first time you use the e525, the wire centers will be pre-populated the next time you use it. You can also revise previously filed data or submit data via a bulk upload feature. The e525 also validates your data before it is submitted to ensure accurate filings. Once your data is validated you must finalize your submission by clicking the Certify/Submit button on the Certify/Submit tab of the form.

In order to use E-File, USAC recommends that CETCs confirm that all personnel filing High Cost line count data have access to USAC's [E-File](#) system. Access to e525 is managed through the E-File portal. It is critical that you identify your online users, update their information, and/or confirm their logins and passwords.

The screenshot shows the top navigation tabs: Carrier Info, HCL/LSS, ICLS, HCM, IAS, UNE Reporting, and Certify/Submit. Below the tabs, there is a 'Quarterly Submission for 2Q2008' section with fields for SPIN, SAC, and Study Area Name. A green callout box labeled 'Component Tabs' points to the navigation tabs. Another green callout box labeled 'Drop-down Menus' points to the dropdown menus for selecting ILEC Name and SAC, Disaggregation Zone, and Wire Center. Below this is a table titled 'Line Count Data for Path 1, 2 and 3 Carriers' with columns for ILEC Name, ILEC SAC, ETC?, Path, Disaggregation Zone, Wire Center CLI, Total Lines in Service, UNICs?, and Remove. The table contains two rows of data for HOPI TELECOMMUNICATIONS COMPANY and GILA RIVER TELECOM. At the bottom, there are buttons for 'Delete All Rows', 'Upload Data', 'Save', and 'Return to 525 List'.

To gain access to the e525, CETC personnel must be the Officer and/or General Contact discussed above **OR** be set up as an "Authorized" user by the Officer or General Contact as found in Block 14 of Form 498 (*Service Provider Identification Number and Contact Information Form*). For password assistance, call **(888) 641-8722**.

Only the Officer and General Contact have authority to submit the e525 until other "Authorized" users are established such as company staff, as well as agents. In the case of agent-entered data, as is the case with the paper Form 525, an authorized company representative must make a final certification for the e525. Step-by-step instructions for setting up "Authorized" users can be found in the [E-File User Guide](#) on pages 25-37.

The e525 provides a convenient way for CETCs to file their line count data for all components of High Cost support. It allows for timely and accurate filings as well as the ability to review prior filings.

For questions, call **1-877-877-4925**.

The screenshot shows the 'Certify/Submit' tab of the e525 form. It includes a certification statement: 'I, as agent for the reporting carrier, certify that I am authorized to submit the information reported on FCC Form 525 on behalf of the reporting carrier; I have provided the line count data reported herein based on actual line count data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate. I also certify that I will provide copies of the line count filing to the reporting carrier within 15 days.' Below this are fields for 'Name of Reporting Carrier' (USACETC), 'Name of Authorized Agent' (John Smith), 'Signature of authorized agent or employee of agent', and 'Printed name of authorized agent or employee of agent' (John Smith). There are also fields for 'Title of employee of agent' (Manager), 'Phone Number' (123-456-7890), 'SAC' (559007), and 'Date' (06/30/2008). A green callout box labeled 'Certify/Submit Tab' points to the 'Certify/Submit' button. Another green callout box labeled 'Form not final until you click Certify/Submit button.' points to the 'Certify/Submit' button. At the bottom, there are buttons for 'Certify/Submit', 'Validate Form 525', and 'Return to 525 List'.