

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 information.

Sign Up for Chicago and Orlando HCLI Training Sessions

USAC will hold High Cost and Low Income training sessions in [Chicago September 29](#), and in [Orlando November 3](#). The sessions will highlight changes in USAC's Audit program under the new Beneficiary/Contributor Compliance Audit Program (BCAP) and discuss USAC's new Payment Quality Assurance Program (PQA) for 2010. For more information, go to the [High Cost/Low Income Training Events](#) page.

High Cost Program

HCL, LSS, HCM, ICLS Line Counts Due August 2

Incumbent and competitive carriers must file line count data with the National Exchange Carrier Association (NECA) or USAC for High Cost Loop (HCL), Local Switching Support (LSS), High Cost Model (HCM), and Interstate Common Line Support (ICLS) **by August 2, 2010**.

All carriers must report **lines served as of December 31, 2009**. Rural and non-rural ILECs must file line count data with NECA with their annual cost data filings due August 2, 2010. Competitive ETCs file line count data with USAC on FCC Form 525.

IMPORTANT DATES AND REMINDERS

August 2	HCL, HCM, LSS, ICLS	Line counts due
August 2	USF Contributors	Form 499-Q due
August 11	Low Income	Online Form 497 Webinar
August 31	Low Income	Certifications and Verifications due
August 31	Service Providers	Update Form 498 electronic banking info

(Continued on page 4)

Low Income Program

Online Form 497 Webinar and Demo Set for August 11

USAC invites you to attend the "Online Form 497" webinar **Wednesday, August 11** at 2:00 p.m. EDT hosted by the Low Income Program. The webinar will help you navigate the Online Form 497 and covers setting up E-File user accounts, completing the Online 497, and using its bulk upload and bulk certification features.

ETCs uploaded nearly 9,000 online Forms 497 since it went live in August 2009. Over half of the Forms 497 submitted in 2010 have been online. Carriers report that the online form is easy to use and an improvement over faxing or emailing the data.

(Continued on page 2)

Low Income Program

You do not need to register for this webinar but space will be limited to the first 150 callers. Look for more details soon on the [High Cost/Low Income Training Events](#) page.

FCC Provides Frequently Asked Questions on Certification and Verification Procedures

The FCC's public notice ([DA 10-1033](#)) released June 7, 2010 provides answers to frequently asked questions about the certification and verification procedures. All ETCs must submit either their annual Lifeline verification survey results or a certification attesting that the ETC has complied with the state verification procedures to USAC by **August 31, 2010**. The public notice also addresses questions about statistically valid sampling of Lifeline customers and includes a worksheet and sample-size tables that can be used to determine the appropriate statistically valid sample size. Below is a sample of questions answered in the public notice.

Q. Which states are “federal default states”?

A. Delaware, Hawaii, Iowa, Indiana, Louisiana, New Hampshire, North Dakota, South Dakota, American Samoa, and the Northern Mariana Islands have identified themselves as “federal default states.” If your state is not included in this list, you should contact your state commission for its certification and verification procedures.

Q. How do ETCs in states that have their own state-based Lifeline and Link Up programs comply with the verification survey deadline?

A. ETCs in states that have their own state-based Lifeline and Link Up programs must comply with their states' certification and verification procedures, including any deadlines set by those states.

ETCs must also send USAC a certification indicating that they have complied with state verification procedures. These certifications must be received by USAC by **August 31, 2010**. ETCs must submit their certifications on the OMB-approved “Annual Lifeline Certification and Verification” form, which can be found on USAC's [Certification and Verification](#) page. ETCs may also confirm receipt of their submissions on the same page.

Q. My state has its own state-based Lifeline and Link Up program. The state's Lifeline verification procedures direct ETCs to submit their verification results to USAC. Is this permissible?

A. Yes. States with state-based Lifeline and Link Up programs may either: (1) collect the verification results on a date that the state chooses; or (2) direct ETCs in their states to send the verification results to USAC. If companies are submitting their verification results to USAC, they must ensure that USAC receives them by **August 31, 2010**. Results submitted directly to USAC will be processed in the same manner as those received from ETCs in federal default states.

Q. How should the verification sample be taken?

A. In federal default states, the verification sample should be drawn from the company's Lifeline customers on a statewide basis, not on a study area or nationwide basis. ETCs should provide a separate list of the study areas, including the Study Area Code, within its territory on the sample letter. ETCs should also enter a “0” where appropriate, instead of leaving a column blank. ETCs in states that have their own state-based Lifeline and Link Up programs should consult the state verification procedures.

Q. Last year, several Lifeline subscribers in my statistical sample did not reply. How should I

(Continued on page 5)

High Cost Program

Common Line Count Filing Issues for Competitive ETCs

Ensuring program integrity is fundamental to USAC's stewardship of the Universal Service Fund (USF). USAC performs audits of USF contributors and beneficiaries and assesses payments to USF beneficiaries to ensure that money going into and out of the USF is handled properly and in conformance with legal requirements.

A very **common issue** among competitive eligible telecommunications carriers (CETCs) is **inaccurate line count filings**, which can occur for a number of reasons. Common issues can be grouped into three areas:

Counting Problems

- Duplicate line counts
- Lines incorrectly identified as residential/single-line business or multi-line business
- Lines assigned to wrong disaggregation zone
- Lines assigned to wrong incumbent local exchange carrier (ILEC)
- Lines incorrectly allocated between unbundled network element (UNE) and facilities-based

Documentation Errors

- Not having line-count detail to support lines reported
- Not having billing statements to support lines reported
- Not reporting all lines eligible for support

Study Area Problems

- Not correctly identifying ETC status for some ILEC areas
- Identifying itself as an ETC for study areas where it was not eligible
- Not identifying itself as an ETC for study areas where it was eligible

Typically the reasons for these errors are due to **internal controls issues**. In some cases, the line count compilation process is done manually rather than automated and this can lead to human error. Sometimes a carrier acquires new lines or customers from another company and the billing systems are different in the way they count customers and errors can occur until one system is chosen. In other cases, CETCs use consultants that may or may not have access to all the information needed to correctly report lines.

How to Avoid Line Count Filing Errors

A good way to avoid these common line count filing errors is to reconcile your line count numbers against your customer billing statements and subscriber listings (accounting for company officials and access line details in plant records) or other reports that can document the line counts should auditors request them. You should do this before submitting line counts to USAC.

Another good practice is to adopt document retention guidelines that include periodic customer billing reports so these can be used to reconcile the line counts you submit. You can do this by taking a snapshot of the data for the reporting date of the line counts (e.g., March 30, June 30, July 31, etc.).

Online Form 525 Can Help CETCs Reduce Some Filing Errors

USAC encourages CETCs to use the [Online Form 525](#) to file their line count data. The Online 525 provides you with drop-down menus to easily select the ILECs, CLLI codes, and UNE zones, if any, for ILECs in whose areas you provide service. You can also revise previously filed data or submit data via a bulk upload feature. The Online 525 validates your data before it is submitted to ensure accurate filings. If you have questions about the Online 525, please [e-mail](#) or call (202) 776-0200.

High Cost Program

ICLS line count information

Rate-of-return carriers must submit line count data **by August 2, 2010** for each study area by customer class **as of December 31, 2009** 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.

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 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 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 are encouraged to use the Online Form 525 to submit line count data to USAC because it is easier to certify and submit line count data. The Online Form 525 is accessed through USAC's [E-File System](#). A paper Form 525 is available on the [High Cost Forms](#) page.

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

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 August 2, 2010**. 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:

Mail: USAC Customer Operations
2000 L Street, NW, Suite 200
Washington, D.C. 20036

Fax: (866) 873-4695

E-Mail: hcfilings@hcli.universalservice.org

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

Low Income Program

account for that in determining the appropriate sample size for this year's survey?

A. If an ETC terminated Lifeline benefits because a consumer failed to respond, that subscriber should be included in the calculation of the proportion of those inappropriately taking Lifeline. By way of example: Last year, an ETC had 10,000 Lifeline customers. Its survey size was 43 Lifeline subscribers. There was one non-respondent, whose Lifeline benefits were terminated after the appropriate termination procedures were completed. In addition, there was one customer determined to be inappropriately taking Lifeline. The proportion of those inappropriately taking Lifeline would be:

$2 / 43 = 0.047$ or 4.7 percent.

Under the directions included in Appendix J, the ETC should round up to the closest percentage listed in the chart, which would be 0.05 (or 5 percent) in the example above. This year, the ETC still has 10,000 Lifeline customers. The ETC should use the figure at the intersection of the row for 10,000 customers and the column for 0.05 percent, which is 202. This year, the ETC should survey 202 current Lifeline customers.

Q. During what time period must ETCs conduct their annual Lifeline verification surveys?

A. ETCs in federal default states may conduct their annual Lifeline verification surveys beginning on January 1 of the calendar year in which the survey is due or any date thereafter, and must complete their surveys to allow for adequate time for USAC to receive their survey results no later than the August 31 deadline.

Q. If a state has its own Lifeline program, but does not impose certification and verification requirements on certain carriers within the state, which certification and verification requirements must the affected carriers follow?

A. If a state has its own Lifeline program, but does not impose certification and verification requirements on certain carriers within the state, the affected carriers must follow the federal default certification and verification requirements set forth in sections 54.409 and 54.410 of the FCC's rules.

Reminder: Termination of Lifeline Benefits

Lifeline benefits should be terminated when a consumer is no longer eligible or cannot prove continued eligibility. In most states, consumers are required to notify their company when they cease being eligible for Lifeline. Additionally, a consumer's eligibility may be verified periodically by the carrier or a designated agency.

If a company has a reasonable basis to believe a consumer is no longer eligible, the company must send the consumer a Notification of Impending Termination. This must be sent as a letter separate from the consumer's bill. The consumer will have 60 days from the date of the letter to provide proof of continued eligibility consistent with applicable federal or state verification requirements.

Companies must cease providing Lifeline discounts to consumers who fail to provide proof of continued eligibility within the 60-day period. If the state has dispute resolution procedures in place, the company must comply with the applicable state requirements. Consumers who provide proof of continued eligibility after the 60-day period must reapply for Lifeline benefits.

These requirements are set out in the FCC's rules at 47 C.F.R. §54.405(c) and (d).

USAC Information

USAC to Issue Only Electronic Payments Starting August 31

The FCC's Wireline Competition Bureau announced June 2 that all federal Universal Service Fund (USF) support payments must be made by electronic funds transfer starting August 31 (See Public Notice [DA 10-270](#)).

Beginning August 31, USAC will withhold support payments to any entity that has not provided electronic banking information.

Service providers that do not have electronic banking information on file for one or more of the support mechanisms in which they participate will not receive payments for those mechanisms. To avoid non-payment, service providers must update their banking information in advance of the August 31 date. USAC encourages all service providers to update their Form 498 information using [USAC's E-File System](#).

You can view USAC's [online video tutorials](#) if you need help updating your FCC Form 498.

If you have any questions, please contact USAC Customer Operations at **(888) 641-8722** or customersupport@usac.org.

Telecommunications Companies Must Report Revenues on Form 499-Q by August 2

Each quarter, all telecommunications carriers providing international and interstate telecommunications services, providers of interstate telecommunications that offer interstate telecommunications for a fee on a non-common carrier basis, and payphone providers that are aggregators are required to file a [Form 499-Q](#) (*Telecommunications Reporting Worksheet*) with USAC.

The Form 499-Q is used to collect carrier revenue information and to determine its USF contribution obligation.

USAC encourages USF contributors to submit their Form 499-Q using USAC's [E-File System](#). Online users can pull up historical forms, edit and submit changes, and certify online.

All paper Forms 499 should be mailed to:

Universal Service Administrative Company
Form 499 Data Collection Agent
2000 L Street, N.W., Suite 200
Washington, DC 20036

See USAC's [Revenue Reporting](#) page for more details.

USAC CONNECTION is published monthly by the Universal Service Administrative Company.

USAC, 2000 L Street, NW, Suite 200
Washington, DC 20036
Phone (202) 776-0200 Fax (202) 776-0080

You may download and print copies of USAC Connection on USAC's website. You may [subscribe](#) to or [unsubscribe](#) from this newsletter. For program information, please visit the USAC website at www.usac.org. Feel free to forward this newsletter to any interested parties.

USAC appreciates feedback on this newsletter. For any questions or comments, please contact Ed Rovetto, Program Manager, External Relations, at erovetto@usac.org.

Please do not reply to this email directly, as it was sent from an unattended mailbox.
© 1997-2010, Universal Service Administrative Company, All Rights Reserved.