

2000 High Cost & Low Income Committee Meetings Minutes

Click on a date below to see the minutes. To see the entire year's minutes, click on the first date. Once open, search within the document for a particular word or phrase, using the 'Find' feature or Ctrl+f.

Meeting Dates

January 24, 2000	2
March 23, 2000	6
April 17, 2000	8
June 2, 2000	13
July 17, 2000	15
August 2, 2000	19
October 23, 2000	21

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

January 24, 2000

MINUTES

The quarterly meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Monday, January 24, 2000. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 1:07 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Robert Haga, Acting Secretary.

Five of the nine members were present, representing a quorum:	
Eichler, Edwin H. - <i>by telephone</i>	Gold, Heather
Gumper, Frank	Parrino, Cheryl
Rehberger, Wayne	
Four members were absent:	
Butler, Tony	Hogerty, Martha
Thoms, Allan	Wheeler, Tom
Other Board members present:	
Hess, Kevin	Jackson, James
Officers of the Corporation present:	
Haga, Robert - Acting Secretary/Treasurer	

Others present for the meeting:	
Name	Company
Barash, Scott	USAC
Bellucci, Vicky	MCIWorldCom
Blackwell, Mel	USAC
Hargrave, Garret	FCC
Howard, Cathy	USAC
Moore, Kate	USAC

Nadel, Mark	FCC
Ricker, John	NECA

Action Items:

a1. Approval of the Minutes.

The minutes of Monday, October 25, 1999, were ordered corrected as follows: (1) On page 3, #i4, eighth line, change the word "re" to "are"; (2) On page 5, #i9, first line, change the word "contacts" to "contracts."

On a motion duly made and seconded, the Committee unanimously approved the High Cost and Low Income Committee minutes of Monday, October 25, 1999, as distributed with the changes, and of Wednesday, December 1, 1999, as distributed with no changes.

a2. Approval of Annual 2000 and 2nd Quarter 2000 High Cost and Low Income Programmatic Budget.

Ms. Parrino reported to the Committee that the budget is in most respects similar to the budget that was before the Committee at its October 1999 meeting. Ms. Parrino reviewed the budget noting that a contingency of \$900,000 has been added to the High Cost budget to cover the costs of re-coding the data of the High Cost forward-looking model to a consistent code-if the FCC determines that this work should be done by USAC. She also noted that staff has money budgeted for the use of outside counsel in helping to prepare the High Cost and Low Income Request for Proposals to provide programmatic support services. Overall, the 2000 budget is still significantly lower than 1999 due mainly to the completion of Y2K compliance work for the High Cost Program, Y2K work on the data collection costs under NECA control, and revised processing procedures that were recommended by the Committee for the Low Income Program. Some Committee members expressed concern regarding USAC being assigned the task of re-coding the High Cost forward-looking model by the FCC. The concerns expressed were twofold. First, some members of the Committee were concerned that, in some instances, USAC might confront policy questions in the course of the re-coding project. Because USAC is forbidden to take positions on policy matters, the Committee directed staff to clarify the nature of the work to be performed by USAC and to ensure that all policy questions are addressed to the FCC. Second, certain Committee members expressed concern that the FCC was transferring to USAC work and budget costs that otherwise should have been performed and paid for by the FCC. The Committee determined that if the FCC directs USAC to recode the model, further clarification from the FCC on the implementation is necessary.

On a motion duly made and seconded, the Committee unanimously adopted the following resolutions:

RESOLVED, That the USAC High Cost and Low Income Committee approves an annual 2000 High Cost Programmatic Budget of \$2,840,200; and

RESOLVED FURTHER, That the USAC High Cost and Low Income Committee approves a 2nd Quarter 2000 High Cost Programmatic Budget of \$808,600; and

RESOLVED FURTHER, That the USAC High Cost and Low Income Committee approves an annual 2000 Low Income Programmatic Budget of \$671,100; and

RESOLVED FURTHER, That the USAC High Cost and Low Income Committee approves a 2nd Quarter 2000 Low Income Programmatic Budget of \$190,800; and

RESOLVED FURTHER, That the USAC High Cost and Low Income Committee directs staff to request further clarification from the FCC on the re-coding of the High Cost forward-looking model.

- a3. Approval of 2nd Quarter 2000 High Cost and Low Income.** Mr. Haga distributed a revised agenda paper reflecting a decrease in the projection of the estimated cost of incremental support under the forward-looking mechanism from \$57.480 million to \$45.784 million per the January 20, 2000 public notice issued by the FCC. (The FCC had erroneously handled some private line counts.) Mr. Haga reminded the Committee that although the numbers are continually shifting, there is a true up of the numbers before the filing to the FCC to reflect the actual numbers at the time of the filing.

On a motion duly made and seconded, the Committee unanimously adopted the following resolutions:

RESOLVED, That the USAC High Cost and Low Income Committee, having reviewed at its meeting on January 24, 2000, a summary of the 2nd Quarter 2000 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, and Lifeline Assistance, hereby directs the staff to proceed with the required February 2, 2000, filing to the FCC on behalf of the Committee. Staff may make adjustments if additional data becomes available or errors are discovered and to reflect changes required as a result of FCC orders, in amounts with variances not exceeding a total of \$10.0 million for both programs of the Committee-approved program requirement amounts, and that variances at or below the above level are deemed approved by the Committee; and

RESOLVED FURTHER, That the USAC High Cost and Low Income Committee requires the approval of the Committee Chair for variances over \$10.0 million, but no more than \$15.0 million. Any variances above \$15.0 million must have full Committee approval before staff submits the filing to the FCC.

- a4. Miscellaneous.** None.

Information Items

- i1. Status of Financial and Operational Audits of USAC.** Ms. Parrino stated that the audits are on track to be completed by the FCC required due date of March 1, 1999.
- i2. High Cost Program Status Report.** Mr. Haga reported that the High Cost fund is relatively stable-no high/low shifts in the numbers. He also brought to the Committee's attention the Rural Carrier Designation paragraph in the issue paper, noting that carriers that have in excess of 100,000 lines but opine that they qualify for rural status, must provide proof to the FCC by July 1, 2000.
- i3. Report on the Implementation of the New High Cost Program for Non-Rural Companies.** Mr. Haga gave an overview of the status of implementation of the model. He added that since the writing of the agenda paper, USAC has hired a consultant, David Rolka, former Commissioner of the Pennsylvania Public Utility Commission, to help set up procedures and personnel for implementing the model.
- i4. Low Income Program Status Report.** Mr. Haga reported that the dollars for the Low Income fund are as projected at the quarterly meeting in October 1999. He noted that there are now 27 competitive local exchange carriers that have been designated as

eligible telecommunications carriers (ETC), but that only three have requested to participate in the Low Income Program. Staff continues to work on ways to get the other carriers involved.

The Committee **DIRECTED** staff to include in future reports on this topic a listing by state comparing the number of lines in each state receiving Low Income support to the total number of lines served in a state.

- i5. Report on Low Income Process Change.** Mr. Haga reminded the Committee that this process change is a result of a request from the Committee to cut programmatic costs for this Program by having USAC true-up previously reported reimbursement requests on a quarterly basis rather than on a monthly basis. Staff has not received any complaints or had any problems with this process change.
- i6. Disaggregation of Federal High Cost Support in Washington State.** Mr. Haga explained that this issue has been set aside for now due to the fact that no competitive eligible telecommunications carriers providing service in incumbent rural telephone company serving areas in Washington state has requested support for 2000, and since the terms of the waiver only applied to rural service areas, this issue is moot for 2000. Mr. Haga reassured the Committee that the Washington Commission still intends to review this issue; however, there is not a pressing need to address it at this time.
- i7. High Cost & Low Income Program Timeline and Key Dates.** For information only. No discussion held.
- i8. Miscellaneous.** None.

There being no further business to attend to, Ms. Gold adjourned the meeting at 1:44 p.m. Eastern Time.

Robert Haga
Acting Secretary & Treasurer

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**HIGH COST & LOW INCOME COMMITTEE MEETING**

March 23, 2000

MINUTES

A meeting of the High Cost & Low Income Committee of the Universal Service Administrative Company (USAC) was held via conference call on Thursday, March 23, 2000. Mr. Frank Gumper, Chair of the Board, called the meeting to order at 1:14 p.m. Eastern Time on behalf of Ms. Gold, Chair of the Committee and Ms. Hogerty, Vice Chair of the Committee. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll on behalf of Mr. Edwin Eichler, USAC Secretary.

Five of the nine Committee members were present, representing a quorum.	
Eichler, Ed	Gumper, Frank
Jackson, Jimmy	Parrino, Cheryl
Thoms, Allan	
One member joined the meeting in progress:	
Hogerty, Martha	
Three members were absent:	
Butler, Tony	Gold, Heather
Wheeler, Tom	
Officers of the Corporation present:	
Barash, Scott - Assistant Secretary	Haga, Robert - Assistant Treasurer
Other Board of Directors members present:	
Hess, Kevin	Marockie, Dr. Hank

Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Howard, Cathy	USAC
Moore, Kate	USAC

Action Item

1. **Implementation of the New High Cost Program for Non-Rural Companies.**

Mr. Haga updated the Committee on the status of the implementation of the new program. Mr. Haga has been working with Mr. David Rolka, Rhoads & Sinon Group LLC, to identify several issues that need resolution before the program can be smoothly implemented. FCC staff has drafted an order and Mr. Haga expects the FCC will take action soon that should clarify many of the questions that USAC has identified. Mr. Haga noted FCC staff has concerns that requesting clarification from the FCC on the outstanding issues at this point may delay the order, however he also noted that without clarification, USAC would be unable to smoothly implement the program. The Committee discussed the potential ramifications of filing the clarification request and believed that such a request would ultimately facilitate clarification on these important questions.

On a motion duly made and seconded, Ms. Hogerty, Vice Chair of the High Cost & Low Income Committee, called for a voice vote of the six members present to approve the following resolution. The High Cost & Low Income Committee unanimously approved the resolution:

RESOLVED, that the High Cost and Low Income Committee authorizes staff to seek clarification from the FCC concerning the implementation of the High Cost Model support mechanism.

There being no further business to attend to, Ms. Hogerty adjourned the meeting at 1:26 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

April 17, 2000

MINUTES

The quarterly meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Monday, April 17, 2000. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 1:01 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll.

Five of the nine members were present, representing a quorum:	
Eichler, Edwin H.	Gold, Heather
Gumper, Frank	Hogerty, Martha
Parrino, Cheryl	
One member joined the meeting in progress:	
Wheeler, Tom	
Three members were absent:	
Butler, Tony	Jackson, Jimmy
Thoms, Allan	
Other Board members present:	
Hess, Kevin	
Officers of the Corporation present:	
Barash, Scott - Assistant Secretary	Haga, Robert -Assistant Treasurer

Others present for the meeting:	
Name	Company
Blackwell, Mel	USAC
Harrison, Gina	NECA
Howard, Cathy	USAC

Ricker, John	NECA
Rolka, David	Rhoads & Sinon Group LLC
Scher, Bill	FCC
Snegireff, Petre	PwC

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes as distributed of the High Cost & Low Income Committee meeting of Monday, January 24, 2000, and approved the minutes as revised of Thursday, March 23, 2000.
- a2. Approval of the 1999 Low Income Audit.** Ms. Parrino reported that no significant errors were found during the audit, which was performed by the National Exchange Carriers Association (NECA) on behalf of USAC. NECA will also perform the audit for 2000.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost and Low Income Committee approves the 1999 Low Income Program Audit as presented by USAC staff.

- a3. Approval of 3rd Quarter 2000 High Cost and Low Income Programmatic Budget.** Ms. Parrino informed the Committee that the budget has not changed from the budget presented to the Committee at the January quarterly meeting. She further stated that the FCC still has not determined whether USAC will be responsible for any re-coding of the High Cost forward-looking model, if it is determined that such re-coding is necessary. The staff has informed the FCC of the Committee concerns. A formal letter of clarification of re-coding of the data and implementation of this model will not be sent to the FCC until the FCC makes a determination. USAC staff has clearly communicated with FCC staff the concerns that USAC has about any re-coding and implementing the program. Ms. Parrino also noted that the FCC has made changes to Section 54.307(b), which would allow competitive eligible telecommunications carriers to receive support in the quarter following the date of their latest data submission, rather than on an annual basis, and that any budgetary impact for this year should not be significant. Thus, no change in the 2000 budget is necessary to address this change; however, staff expects the decision to have an impact on the budget in 2001 and beyond.

On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC High Cost and Low Income Committee approves a 3rd Quarter 2000 High Cost Programmatic Budget of \$772,100; and

RESOLVED FURTHER, That the USAC High Cost and Low Income Committee approves a 3rd Quarter 2000 Low Income Programmatic Budget of \$154,700.

- a4. Approval of 3rd Quarter 2000 High Cost and Low Income Projections and Resolution on the May 2000 FCC Filing.** Mr. Haga noted a change under the High Cost Program's 3rd Quarter 2000 Projections for the estimated incremental support under the forward-looking mechanism from an estimated \$53.129 million to an estimated \$42.583 million. The decrease is a result of the recent FCC release of a revised spreadsheet and analysis of that spreadsheet using the 2nd Quarter 2000

projections instead of the 1st Quarter 2000 projections presented by the FCC. Mr. Haga reminded the Committee that although the final numbers are not yet known, there would be a true up of the numbers before any payments are made. In addition, he noted that a slight change to this projection was likely to be included in USAC's 3rd Quarter 2000 FCC filing to reflect the actual 3rd Quarter 2000 numbers at the time of the filing. The change is expected to be within approved variance thresholds.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost and Low Income Committee, having reviewed at its meeting on April 17, 2000, a summary of the 3rd Quarter 2000 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, and Lifeline Assistance, hereby directs the staff to proceed with the required May 2, 2000, filing to the FCC on behalf of the Committee. Staff may make adjustments in accordance with approved variance thresholds.

a5. Miscellaneous.

- **Authorization to Enter into a Consultant Contract for Continued Work on the High Cost Program.** With the consent of the Committee, the Chair deferred this item until the end of the Agenda. See *Executive Session*.

Information Items

- i1. Status of the USAC Financial and Agreed Upon Procedures Audits for 1999.** Ms. Parrino reported that the audits are complete and that staff submitted a revised draft of the audit report for comments and questions to the FCC on April 14, 2000. Staff expects that the final audit will be presented to the Committee at the July quarterly meeting for approval. Ms. Parrino informed the Committee that the Board of Directors would be asked to consider whether USAC should seek a permanent extension of the March 1 annual due date for our audit reports.
- i2. High Cost Program Status Report.** Mr. Haga briefly reviewed the status of the Program.
- i3. Clarifications on High Cost Model Implementation Issues.** Mr. Haga distributed an updated issue paper and introduced Mr. David Rolka of Rhoads & Sinon Group LLC, a consultant working on this issue for USAC. Mr. Haga noted that certain implementation issues remain unresolved at this time, notwithstanding the FCC's April 7, 2000, public notice and orders clarifying certain issues regarding the implementation of the forward-looking model for non-rural carriers, including the following: (1) an official spreadsheet to use for calculation of high cost payments has not been provided yet; and (2) the FCC has not addressed USAC's concerns about timing of the implementation of the model. Staff will keep the Committee informed of any new information or clarifications.
- i4. Low Income Program Status Report.** Mr. Haga reported that the Low Income fund remains stable and that staff's diligent efforts in reviewing data submitted by a company resulted in that company aggressively reviewing its internal reporting process. That review has allowed the company to resubmit data that was significantly lower than the original data. The company will return the funds through lower disbursements in April and May of this year. He further noted that despite 28 competitive local exchange carriers (CLECs) having the eligible telecommunications carrier (ETC) status, only four have requested reimbursement from the Program. Staff continues outreach efforts and as a result, a few CLECs have contacted staff to obtain more information about the Program.

Staff also developed a draft chart listing information about the number of subscribers reported in each state, and comparing that information against the number of High Cost loops reported in each state. Mr. Haga pointed out that since the loop count information is historic in nature and the total number of subscribers in the Low Income Program is current information, it is difficult to determine how accurate the percentages are. He also noted that since each state sets up its own eligibility requirements, a state-by-state comparison is difficult at this point. He further noted that one difficulty in analyzing the data is that there may be many subscribers who are eligible to participate, but who do not. He stated that this was the initial attempt at a comparison and that staff would continue to provide this information and work with the states to determine the overall percentage of constituents reached in each state by the Low Income Program. He discussed a number of other data points that staff was working to collect and include in the presentation, including eligibility requirements, telephone penetration rates, the general population, and the number of households in the state.

The Committee **DIRECTED** staff to collect eligibility requirements for each state along with the population and households in each state, and the telephone penetration rate of the state in an effort to more accurately determine the percent of eligible participants versus those that are participating and present those to the Committee at their earliest convenience, if feasible.

- i5. Report on Low Income Process Change.** Mr. Haga recalled for the Committee that staff is using the new projection methodology on a company-by-company basis. Numbers are true-up once actual numbers are reported. Staff is just beginning to true up 1st Quarter 2000 numbers, but they do not anticipate any problems. Early reports from companies and from staff are that the new methodology is working well.
- i6. Disaggregation of Federal High Cost Support in Washington State and Other State Activity.** Mr. Haga explained that this issue is still on hold due to the fact that no competitive eligible telecommunications carriers (ETCs) providing service in incumbent rural telephone company serving areas in Washington state have requested support for 2000; therefore, there will be no distribution in 2000. Activity on this issue may resume if any ETCs requests for support for 2001. Requests are due July 31, 2000, for year 2001. Mr. Haga also noted that Alaska has issued a Notice of Inquiry to determine whether it should petition the FCC to allow Alaska to designate service areas and target universal service funds in the same manner as in Washington State. Staff will keep the Committee informed of any progress on these issues.
- i7. Comparison of the 1999 High Cost and Low Income Programmatic Budget to Preliminary Actuals.** Ms. Parrino reported that when comparing the approved programmatic budget of the High Cost & Low Income Programs with the preliminary actual numbers, USAC has come in under budget in all areas of the program. This was mainly due to the fact that our vendor was able to complete the work on USAC Y2K compliance and provide the services for the Low Income Program support mechanism and billing and collection functions for significantly less than originally estimated.
- i8. High Cost & Low Income Program Timeline and Key Dates.** For information only. No discussion held.
- i9. Miscellaneous.** None.

On a motion duly made and seconded, the Committee voted to go into *Executive Session* at 2:02 p.m. Eastern Time for purposes of discussing matters concerning entering into a consulting contract for continued work on the High Cost Program.

On a motion made and seconded, the Committee agreed to go into Open Session at 2:15 p.m. Eastern Time for purposes of reporting action taken during *Executive Session*.

Executive Session

a5. 5. Miscellaneous.

- **Authorization to Enter into a Consultant Contract for Continued Work on the High Cost Program.** Ms. Parrino explained that USAC hired a consultant, Mr. David Rolka, to work for four months on the policies and procedures for implementing the new High Cost Program. Staff desires to extend Mr. Rolka's contract so that he may continue the specialized and detailed work involved in implementing the forward-looking mechanism. Such an extension would be within budget. Because the total cost of the contract may exceed \$100,000, Committee approval is requested.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost and Low Income Committee authorizes the USAC CEO to enter into a contract extension through December 31, 2000, with Mr. David Rolka.

There being no further business to attend to, Ms. Gold adjourned the meeting at 2:17 p.m. Eastern Time.

D. Scott Barash
Assistant Secretar

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY**HIGH COST & LOW INCOME COMMITTEE MEETING**

June 2, 2000

MINUTES

A meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at USAC, 2120 L Street, N.W., Suite 600, Washington, DC, on Friday, June 2, 2000. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 2:34 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll.

Six of the nine members were present, representing a quorum:	
Butler, John (Tony) - <i>by telephone</i>	Gumper, Frank - <i>by telephone</i>
Eichler, Edwin H. - <i>by telephone</i>	Parrino, Cheryl - <i>by telephone</i>
Gold, Heather - <i>by telephone</i>	Thoms, Allan - <i>by telephone</i>
Three members were absent:	
Hogerty, Martha	Wheeler, Tom
Jackson, Jimmy	
Other Board members present:	
Hess, Kevin - <i>by telephone</i>	
Officers of the Corporation present:	
Barash, Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
Others present for the meeting:	
NAME	COMPANY
Howard, Cathy - <i>by telephone</i>	USAC

Action Items:

- a1. Authorization to File a Supplement to the 3rd Quarter 2000 Filing with the FCC in Response to the FCC Order on Access Charge Reform.** Ms. Parrino explained to the Committee that the FCC issued an Order on May 31, 2000, adopting the integrated interstate access reform and universal service proposal put forth by the members of the Coalition for Affordable Local and Long Distance Service (CALLS). The new universal service mechanism established in this Order will be implemented by USAC on July 1, 2000; therefore, in the Order, the Commission directed USAC to submit a supplemental filing for the 3rd Quarter 2000 in order to enable the Commission to establish an appropriate collection factor for that quarter. A contingency of \$75,000 for administrative costs associated with the implementation of this mechanism was

approved at the April Board meeting, and staff's estimate of additional costs has not changed. Staff notes that implementation of this new support mechanism will alter each of the programmatic budgets, as joint and common costs are allocated by program size.

On a motion duly made and seconded, the High Cost & Low Income Committee approved the following resolution:

RESOLVED, That the USAC High Cost and Low Income Committee authorizes USAC staff to file a supplement to its 3rd Quarter 2000 filing, revising USAC's estimate of the universal service support requirements in compliance with the Commission's May 31, 2000, Order reforming interstate access charges and establishing a new universal service support mechanism.

Information Items:

- i1. Access to Telecommunications on Tribal Lands.** Ms. Parrino informed the Committee that the FCC plans to address the matter of telecommunications access in unserved and under-served areas on tribal lands in the United States at its June 8, 2000, meeting. Any universal service mechanisms resulting from this matter would have an impact on the Low Income Program.

There being no further business to attend to, Ms. Gold adjourned the meeting at 2:45 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING

July 17, 2000

MINUTES

The quarterly meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Monday, July 17, 2000. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 1:06 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll.

Seven of the nine members were present, representing a quorum:	
Eichler, Edwin H.	Hogerty, Martha
Gold, Heather	Jackson, Jimmy - <i>by telephone</i>
Gumper, Frank	Parrino, Cheryl
Wheeler, Tom	
One member arrived while the meeting was in progress:	
Thoms, Allan	
One member was absent:	
Butler, John (Tony)	
Other Board of Directors members present:	
Hess, Kevin	
Officers of the Corporation present:	
Barash, Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
Others present for the meeting:	
NAME	COMPANY
Carroll, Kristy	USAC
Dwyer, Shari	Thomas Communications
Howard, Cathy	USAC
Fullano, Gene	FCC
Rhyner, Rich	NECA

OPEN SESSION:

Action Items:

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the revised minutes of the High Cost & Low Income Committee meeting of

Monday, April 17, 2000, and the minutes of Friday, June 2, 2000, as distributed.

- a2. Approval of Amendment to the USAC By-laws to Revise the Responsibilities of the High Cost & Low Income Committee.** Mr. Barash explained that this resolution resolves the technical issue of incorporating new language in the USAC by-laws conferring the authority to the High Cost & Low Income Committee to administer the new interstate access universal service support mechanism as directed by the FCC. The resolution as distributed was amended to accommodate the possibility that additional duties may be assigned to the Committee in the future by the FCC.

On a motion duly made and seconded, the Committee adopted the following revised resolution:

RESOLVED, That the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors approve the amendment to USAC's corporate by-laws to confer the authority to the High Cost & Low Income Committee necessary to administer the interstate access universal service support mechanism enacted by the FCC on May 31, 2000, and to perform any other duties that may be assigned to the Committee by the FCC.

- a3. Approval of 1999 Universal Service Administrative Company Financial Audits and Company Agreed Upon Procedures Reviews.** A revised issue paper was distributed at the meeting. Ms. Parrino informed the Committee that USAC has received a "clean" opinion from Arthur Andersen on the financial and agreed-upon procedures audits of USAC. Arthur Andersen identified no material weaknesses in the High Cost or Low Income portions of the audit. Minor issues that were identified have been addressed and corrected by staff.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost & Low Income Committee recommends to the USAC Board of Directors to approve the USAC agreed upon procedures reports as they relate to the High Cost and Low Income Programs.

- a4. Authorization to File Draft USAC 2000 Financial and Operational Audit Plan with the FCC.** In discussing the draft 2000 audit plan to be submitted to the FCC, Ms. Parrino assured the Committee that specific sections have been added to the audit plan to deal with recent FCC Orders concerning the universal service support mechanisms, including the High Cost Model, Interstate Access, and Tribal Lands. She reported that USAC will be filing a request with the Commission seeking to change the March 1 audit due date to April 15. USAC will be filing this petition shortly; at this time, we are waiting for a supporting declaration from Arthur Andersen.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost & Low Income Committee recommends that the USAC Board of Directors authorize USAC to file with the FCC the proposed draft 2000 operational audit plan as it relates to the High Cost, Low Income and Interstate Access Programs.

- a5. Approval of 4th Quarter 2000 High Cost and Low Income Programmatic Budget and Approval of Revised Budget for 2000.** Ms. Parrino stated that there are essentially no changes in the budget from the numbers presented at the April 2000 Committee meeting, at which time the Committee approved a contingency of \$135,000 for implementation of the interstate access universal service support mechanism of which \$60,000 was allocated to the fourth quarter. She explained that a separate

resolution is before the Committee to account for the additional amount associated with the interstate access universal service support mechanism should the need arise to separate it from the High Cost mechanism accounts.

On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC High Cost & Low Income Committee approves a 4th Quarter 2000 High Cost Programmatic Budget of \$772,500; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 4th Quarter 2000 Low Income Programmatic Budget of \$154,900; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 4th Quarter 2000 Interstate Access Programmatic Budget of \$60,000.

- a6 Approval of 4th Quarter 2000 High Cost and Low Income Projections and Resolution on the August 2000 FCC Filing, and Quarterly Status Report on the High Cost and Low Income Program Operations.** A partially revised issue paper was distributed at the meeting. Mr. Haga pointed out that the projection for the estimated incremental support under the forward-looking mechanism was adjusted based on more recent calculations than when the paper was originally written, and will be adjusted again prior to the actual FCC filing. USAC is distributing approximately \$55 million per quarter. In order to meet this distribution, collection projections for 4th Quarter 2000 will be increased. Staff is still working on the overlap with the other support mechanisms, but estimates that approximately \$71.140 million will need to be collected in the 4th quarter to meet the total annual funding demand.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed at its meeting on July 17, 2000, a summary of the 4th Quarter 2000 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, Interstate Access Support, and Lifeline Assistance, hereby directs USAC staff to proceed with the required August 2, 2000, filing to the FCC on behalf of the Committee. Staff may make adjustments in accordance with approved variance thresholds.

- a7. Authorization to Renew the Request with the FCC to Permit Mandatory Netting in the High Cost and Low Income Universal Service Support Mechanisms.** A revised issue paper was distributed at the meeting. Mr. Haga reviewed the history of this request with the FCC and indicated that it has been two years since the original request was filed with the FCC requesting mandatory netting for all the universal service support mechanisms. The FCC issued a response allowing mandatory netting for the Schools and Libraries and the Rural Health Care Programs, but was silent on the High Cost and Low Income programs. While there has been no issue in either of the High Cost or Low Income programs, USAC staff would like to reissue the request in an effort to remind the FCC of this outstanding issue and to gain resolution.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, that the USAC High Cost & Low Income Committee recommends to the USAC Board of Directors to authorize staff to renew the request with the FCC to permit mandatory netting in all the Universal Service Support Mechanisms, as necessary, to

offset program disbursements to delinquent carriers against the delinquent carriers contribution obligation.

a8. Miscellaneous. None.

Information Items:

- i1. Status of Implementation of the New High Cost Model.** Mr. Haga reviewed the status of implementation of the new High Cost Model and added that staff filed a supplemental 3rd Quarter 2000 filing with the FCC to provide details on the support distributions for the High Cost Model support mechanism. In addition, two corrections were filed to address some calculation errors. He also outlined the unresolved issues of the implementation that have not been addressed by the FCC.
- i2. Report on the Implementation of the Coalition for Affordable Local and Long Distance Service (CALLS) Interstate Access Support Mechanism.** Mr. Haga reported that the CALLS implementation has been smooth; USAC was provided with a reasonably refined package after the FCC order adopting CALLS was released in May. The system is currently being checked to make sure it tracks the FCC order, and detailed outputs from the June 30 data collection are expected shortly, though probably not before the filing is due on August 2, 2000.
- i3. Implementation of Tribal Lands Telecommunications Access Support Mechanism.** Mr. Haga reported that staff is working with the FCC on refining FCC Form 497 to change the support from \$7 per line to a \$25 maximum per line. System changes have already been made to allow the higher disbursement, and additional changes may be needed after the form is finalized. Changes are not expected to be significant.
- i4. Implementation of Confidentiality Procedures for Access to Carrier Wire Center Line Count Data.** Ms. Parrino explained that the FCC issued an interim protective order to address the issue of carriers that file loop count information confidentially, and that staff had prepared procedures for anyone wishing to view the data at USAC's office.
- i5. Comparison of the 1999 USAC Budget to Actual.** Ms. Parrino pointed out to the Committee that both the High Cost and Low Income programs are significantly under budget due to lower costs than anticipated for Y2K changes.
- i6. High Cost and Low Income Programs Timeline and Key Dates.** For information only. No discussion held.
- i7. Miscellaneous.** None.

There being no further business to attend to, Ms. Gold adjourned the meeting at 1:47 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING**

August 2, 2000

MINUTES

The High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) took action on Wednesday, August 2, 2000, to consider a resolution concerning the 4th Quarter 2000 High Cost and Low Income Projections for USAC's August 2000 FCC Filing. The Committee members approved the resolution set forth below by acknowledging an electronic mail message from Mr. Robert Haga, Assistant Treasurer, and subsequently by signing a ballot confirming their votes. The signed ballots are included as an attachment to the official copy of these minutes.

Six of the nine members, representing a quorum, submitted signed ballots approving the motion:	
Gold, Heather	Hogerty, Martha
Parrino, Cheryl	Thoms, Allan
Wheeler, Tom	
Three members did not submit ballots:	
Butler, John (Tony)	Jackson, Jimmy
Gumper, Frank	

Action Items:

- a1. Approval of Revised 4th Quarter 2000 High Cost and Low Income Projections and Resolution on the August 2000 FCC Filing.** Mr. Haga stated in his electronic mail message that the reason for the action requested of the Committee was that in examining the support requested for the High Cost Model it became apparent that funds had already been collected under the High Cost Loop and Long Term Support programs and that only \$51.497 million in additional funds needed to be collected in the fourth quarter instead of the \$71.140 million approved at the July 2000 Committee meeting. Other minor changes have also been made as part of the normal process. Because the total projected change is greater than the \$15 million approved variance threshold, Committee action is required to reduce the projection before the filing is made.

The High Cost & Low Income Committee approved the following resolution through means of signed ballots:

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed by electronic mail on August 2, 2000, a summary of the 4th Quarter 2000 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, Interstate Access Support, Link-Up Support, and

Lifeline Assistance, hereby directs USAC staff to proceed with the required August 2, 2000, filing to the FCC on behalf of the Committee. Staff may make adjustments in accordance with approved variance thresholds.

D. Scott Barash
Assistant Secretary

**UNIVERSAL SERVICE ADMINISTRATIVE COMPANY
HIGH COST & LOW INCOME COMMITTEE MEETING**

October 23, 2000

MINUTES

The quarterly meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the Westin Grand, 2350 M Street, N.W., Washington, DC, on Monday, October 23, 2000. Ms. Heather Gold, Chair of the Committee, called the meeting to order at 1:16 p.m. Eastern Time. Ms. Cathy Howard, Executive Assistant to the USAC CEO, called the roll.

Eight of the nine members were present, representing a quorum:	
Butler, Tony - <i>by telephone</i>	Hogerty, Martha
Eichler, Ed	Jackson, Jimmy
Gold, Heather	Parrino, Cheryl
Gumper, Frank	Wheeler, Tom
One member was absent:	
Thoms, Allen	
Other Board of Directors members present:	
Hess, Kevin	
Officers of the Corporation present:	
Barash, Scott	Assistant Secretary
Haga, Robert	Assistant Treasurer
Others present for the meeting:	
Name	Company
Carroll, Kristy	USAC
Flannery, Irene	USAC
Garnett, Paul	FCC
Howard, Cathy	USAC
Ricker, John	NECA
Sandy, Colin	NECA

Open Session

Action Items

- a1. Approval of the Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the High Cost & Low Income Committee meetings of Monday, July 17, 2000, and Wednesday, August 2, 2000, as distributed.

a2. Approval of Administrator's Deadlines for Distributing Universal Service Support and Criteria for Exceptions to the Administrator's Deadlines.

Ms. Parrino reviewed the need for establishing firm deadlines for service providers submitting requests for payment and for USAC's distribution of support for all the support mechanisms, as well as exceptions to those deadlines. While the FCC has not established firm deadlines, it does expect USAC to make timely payments. Ms. Parrino noted that establishing firm deadlines would enable USAC to comply more fully with the FCC's expectations.

On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the High Cost & Low Income Committee recommends that the USAC Board of Directors determine that it is appropriate for USAC to establish absolute and interim deadlines in consultation with the FCC; and

RESOLVED FURTHER, That the High Cost & Low Income Committee recommends that the USAC Board of Directors adopts the criteria proposed in this issue paper for setting aside administrative deadlines.

a3. Approval of 1st Quarter 2001 High Cost and Low Income Programmatic Budget and Information on Estimated 2001 Budget.

Ms. Parrino informed the Committee that the contingency in the budget covering the possible re-coding of the high cost forward-looking model has been rolled over to the 2001 budget. Additional costs for the new Interstate Access Support Mechanism and the enhancements to the Lifeline and Link-Up Programs attributable to the FCC's Tribal Lands initiative have been factored into the budget. There is still uncertainty as to the costs that will be associated with implementing disaggregation approaches approved by the FCC, such as the use of the Benchmark Cost Proxy Model (BCPM) model for rural carriers in Washington state, but staff anticipates the costs will be significant. Staff will continue to work closely with the FCC on this issue.

On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC High Cost & Low Income Committee approves a 1st Quarter 2001 High Cost Programmatic Budget of \$794,500; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 1st Quarter 2000 Low Income Programmatic Budget of \$201,600.

a4. Approval of 1st Quarter 2001 High Cost and Low Income Projections and Resolution on the November 2000 FCC Filing.

Ms. Flannery reported that projections for the High Cost Program would be approximately \$659 million and approximately \$164 million for the Low Income Program. Mr. Haga noted that administrative costs were inadvertently omitted in the calculations as presented in the issue paper for the Low Income Program and said that the correct amount should be \$164.365 million. Mr. Jackson brought to the Committee's attention that one of the unintended results of the Tribal Lands enhancements to the Low Income Support

Mechanism is that all persons in Alaska appear to be eligible for additional support because all lands in Alaska are considered tribal lands. Ms. Flannery clarified that while all lands in Alaska may be considered tribal lands, only persons who qualify under the state-determined or FCC-mandated low-income criteria would be eligible to benefit from the enhanced support.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed at its meeting on October 23, 2000, a summary of the 1st Quarter 2001 program estimates, including administrative costs for High Cost Loop Support, Long Term Support, Local Switching Support, Interstate Access Support, and Lifeline and Link-Up Assistance, hereby directs USAC staff to proceed with the required November 2, 2000, filing to the FCC on behalf of the Committee. Staff may make adjustments in accordance with approved variance thresholds.

In addition, the Committee **DIRECTED** staff to prepare a timeline showing the support levels filed with the FCC each quarter for the Committee to review at future quarterly meetings.

a5. Approval of Suspension of a Local Exchange Carrier Support Payments.

Ms. Flannery explained that Moultrie Independent Telephone Company (Moultrie) entered a sale/lease-back arrangement with an affiliated entity in 1997. As a result of that transaction, Moultrie has reported extremely high loop costs. USAC has worked with NECA to investigate the matter further. NECA has asked the company numerous times to submit revised cost data that complies with FCC rules but to date has not received the requested information. Since USAC cannot rely on the data submitted by Moultrie, staff recommends that affected universal service support payments be suspended until reliable and accurate data is submitted and reviewed. Staff believes that USAC has an obligation to suspend the payments based on the fact that USAC must base support payments on data that is reliable and in compliance with FCC rules. Ms. Flannery reported that she is not aware of any state investigation into this matter.

On a motion duly made and seconded, the Committee adopted the following resolutions:

RESOLVED, That the USAC High Cost & Low Income Committee finds that it cannot rely on data submitted by the Moultrie Independent Telephone Company to accurately and conclusively calculate 2001 High Cost Loop and Local Switching Support payments for same; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee authorizes USAC staff to suspend High Cost Loop and Local Switching Support funding to Moultrie Independent Telephone Company, effective January 1, 2001, until such time as USAC staff determines that accurate and verifiable data is submitted on which to base 2001 payments; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee directs staff to consult with the FCC regarding the proposed action.

In addition, the Committee **DIRECTED** staff to send a letter to the Illinois Public

Service Commission informing it of the action being taken by USAC against Moultrie in an effort to alert the Illinois Commission to the possibility of Moultrie requesting a rate increase to offset the loss of the universal service support payments.

- a6. Approval of Criteria and Procedure for Recommending that the FCC Initiate Enforcement Action Against a Participant in the Universal Service Support Mechanisms.** Mr. Barash reminded the Committee that this issue was before the Board of Directors at its last quarterly meeting, and that staff now brings to the Committee the criteria and procedures USAC would follow to take action against a participant. It was noted that these criteria and procedures would only be used in the most serious of situations, and that if a referral action is brought before the Committee, notification, timeframe, warning period, and any unique circumstance will be addressed for the Committee's consideration.

On a motion duly made and seconded, the Committee adopted the following resolution:

RESOLVED, That the USAC High Cost & Low Income Committee recommends to the USAC Board of Directors that the USAC Board of Directors adopt the proposed criteria for recommending FCC enforcement action against a participant in the universal service support mechanisms.

- a7. Miscellaneous.** None.

Information Items

- i1. High Cost and Low Income Programs Status Report.** Ms. Flannery noted that all states eligible for High Cost Model support in 2001, with the exception of West Virginia, complied with the FCC's certification requirement by October 1, 2000. A number of states did not file certifications for 2001 hold-harmless support by October 1. Staff contacted each state in which carriers were projected to receive support in 2001 well in advance of the October 1 deadline. Ms. Flannery then distributed a copy of Attachment B of the issue paper and reviewed some preliminary data comparing state penetration rates for the Low Income Support Mechanism. She noted that some states have an automatic enrollment feature whereby a person who qualifies for certain low-income assistance programs is automatically enrolled in Lifeline and Link-Up. The revised Form 497 has been submitted to the FCC and staff anticipates approval by the end of October.
- i2. Status of Implementation of the New High Cost Model.** Ms. Flannery reviewed the major points of the issue paper.
- i3. Report on the Implementation of the Coalition for Affordable Local and Long Distance Services (CALLS) Interstate Access Support Mechanism.** Ms. Flannery commented on the two orders released by the Common Carrier Bureau relating to confidential treatment of line count data. It was noted that a proposal was filed recently that would restructure access charges and universal service for rural carriers in a

manner similar to the CALLS plan. The recent filing is known as the "MAG proposal." Staff will monitor the proceeding so that USAC will be prepared to implement any additional changes to the Universal Service Support Mechanisms mandated by the FCC.

- i4. Report on the Changes to the Low Income Universal Support Mechanism due to the Implementation of Providing Telecommunications Access on Tribal Lands.** Ms. Flannery reviewed the *Tribal Stay Order*. She pointed out that Attachment A, the draft FCC Form 497, Lifeline and Link-Up Worksheet, has been modified slightly since printing, but only in the instructions for preparing the form. The revised form should be approved by the end of October.

- i5. Summary of the Rural Task Force Recommendations to the Federal-State Joint Board on Universal Service.** Ms. Flannery reviewed the major points of the issue paper. The Committee requested that staff fully document the administrative costs and impacts on USAC of implementing any revisions to the Universal Service Support Mechanisms.

- i6. Report on the Disaggregation of Rural Federal High Cost Support in Washington State and Similar Activity in Other States.** For information only. No discussion held.

- i7. High Cost and Low Income Program Timeline and Key Dates.** For information only. No discussion held.

- i8. Miscellaneous.** None.

There being no further business to attend to, Ms. Gold adjourned the meeting at 2:42 p.m. Eastern Time.

D. Scott Barash
Assistant Secretary