

2005 High Cost & Low Income Committee Meetings Minutes

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UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

January 24, 2005

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 USAC offices, 2000 L Street, NW, Washington, DC, on Monday, January 24, 2005. Mr. Hess, Chair of the Committee, called the meeting to order at 2:32 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Assistant to the USAC CEO, called the roll. All nine members were present, representing a quorum:

Buller, Karen
Banks, Jonathan
Cornell, Diane
Gumper, Frank
Hess, Kevin – Chair
Jortner, Wayne
Lubin, Joel – Vice Chair
Sanford, Jo Anne
Zaina, Lisa, CEO

Other Board Members and Officers of the Corporation present:

Campbell, Ann - USAC Board member
Duff, Bridget – USAC Board member
Eichler, Ed - USAC Board member
Hughes, Alison - USAC Board member
Talbott, Brian – USAC Board member
Barash, Scott – Vice President and General Counsel
Blackwell, Mel, VP, Rural Health Care and External Communications
Carmichael, Mark – Assistant Treasurer; VP, Finance
Flannery, Irene – VP, High Cost and Low Income Division
Haga, Robert – Assistant Secretary; VP, Strategic Planning and USAC Operations
Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

<u>NAME</u>	<u>COMPANY</u>
Bancroft, Royce	USAC
Divak, Helen	Telcordia
Dunn, Amanda	USAC
Faunce, Donna	USAC
Gallant, Pam	USAC
Jones, Cheryl	USAC
Lamoureux, Renee	USAC
Majcher, Karen	USAC

Miller, Linda	USAC
Pertsevoi, Elizabeth	USAC
Thorsell, Dean	SAIC
Murphy, Kristin	USAC

ACTION ITEMS:

a1. Approval of High Cost & Low Income Committee Meeting Minutes of Monday, October 18, 2004. On a motion duly made and seconded, the Committee approved the minutes, as distributed.

a2. Annual Election of Committee Chair and Vice Chair. Mr. Hess introduced this item to the Committee. Ms. Cornell nominated Mr. Hess to remain Chair and Mr. Lubin to remain Vice Chair of the Committee.

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 elect **Mr. Kevin Hess** as Chair and **Mr. Joel Lubin** as Vice Chair of the USAC High Cost & Low Income Committee for the term of one year that shall begin at the conclusion of the January 2005 quarterly Board meeting and that shall conclude at the close of the January 2006 quarterly Board meeting.

a3. Approval of the Proposed Plan for Operational and Financial Audits of USAC for Inclusion in the 2005/2006 USAC Internal Audit Plan. Mr. Scott introduced the proposed Internal Audit Plan to the Committee. The plan contemplates a number of contributor, financial, and operational audits over a two-year period.

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

RESOLVED, That the USAC High Cost & Low Income Committee approves the proposed plan for operational and financial audits of USAC for 2005/2006 as presented by the USAC Internal Audit Division and recommends that the USAC Audit Committee include the proposed audits in the 2005/2006 USAC Internal Audit Plan.

a4. Approval of a Contract to Conduct the Design, Development, and Implementation Phase of the Consolidated High Cost and Low Income Payment Calculation System. Confidential and Proprietary – Executive Session Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that this matter be discussed in *Executive Session* because discussion of this matter, which relates to USAC's *procurement strategy and contract negotiations*, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation.

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

RESOLVED, That the USAC High Cost & Low Income Committee determines that discussion of the proposed contract to perform the design, development, and implementation of the consolidated High Cost and Low Income payment calculation system shall be conducted in *Executive Session*.

a5. Approval of 2005 Annual and 2nd Quarter 2005 High Cost and Low Income Programmatic Budgets. Ms. Faunce, Senior Budget and Reporting Analyst, introduced this item to the Committee.

On a motion duly made and seconded, the Committee adopted the following resolution (Ms. Diane Cornell abstained from voting):

RESOLVED, That the USAC High Cost & Low Income Committee approves a 2nd Quarter 2005 programmatic budget for the High Cost Support Mechanism of \$6,786,600; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 2005 annual programmatic budget for the High Cost Support Mechanism of \$27,134,800; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 2nd Quarter 2005 programmatic budget for the Low Income Support Mechanism of \$1,452,100; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 2005 annual programmatic budget for the Low Income Support Mechanism of \$5,801,700.

- a6. Approval of 2nd Quarter 2005 High Cost and Low Income Support Mechanisms Projections for the January 31, 2005, FCC Filing.** Ms. Karen Majcher, Acting Division Head, High Cost & Low Income, introduced this item to the Committee. The Committee discussed the issue of the Interstate Access Support mechanism being targeted rather than capped at \$650 million annually and directed staff to seek further clarification from the Commission.

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 January 24, 2005, a summary of the 2nd Quarter 2005 support mechanism estimates, including administrative costs for High Cost Loop Support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, the non-rural forward-looking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC management to proceed with the required January 31, 2005, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms is equal to or less than \$10million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms is equal to or less than \$15 million.

- a7. Action on One High Cost Support Mechanism Beneficiary Audit Report – Confidential and Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

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

RESOLVED, That the USAC High Cost & Low Income Committee determines that discussion of High Cost Support Mechanism beneficiary audit report shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

- a8. Action on Two Low Income Support Mechanism Beneficiary Audit Reports – Confidential & Proprietary – Executive Session Option.** Ms. Kristin Murphy, Staff Internal Auditor, presented the audit reports to the Committee for approval.

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

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed the two USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2004BE005 and LI2004BE006, together with management's response thereto, recommends to the USAC Audit Committee that each audit report be deemed final.

a9. Miscellaneous.

Solicit Ideas for April Committee Agenda. Mr. Hess reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting or by contacting him or Ms. Flannery between quarterly meetings.

INFORMATION ITEMS:

i1. High Cost and Low Income Support Mechanisms Update. Ms. Majcher provided the Committee with a program update, including the status of recovery of funds related to the over-the-cap issue, the sale of Telcordia Technologies, Inc., and the Qwest consent decree.

i2. Annual Report on Telcordia's Performance Under the High Cost and Low Income Contract. Ms. Helen Divak, Telcordia Program Manager, provided the Committee with an overview of Telcordia's performance in 2004, as well as plans for 2005.

At 3:30 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION :

a4. Approval of a Contract to Conduct the Design, Development, and Implementation Phase of the Consolidated High Cost and Low Income Payment Calculation System. Confidential and Proprietary – Executive Session Recommended. The Committee requested representatives from Telcordia and SAIC to remain in the meeting. Ms. Flannery introduced this item to the Committee. Dean Thorsell, SAIC IT Managing Director, provided the Committee with an overview of the proposed centralized and integrated system. The Telcordia and SAIC representatives departed the meeting. Committee members then discussed extensively the merits of the proposal and the anticipated terms and conditions.

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

RESOLVED, That the USAC High Cost & Low Income Committee accepts the recommendations made by USAC management and hereby approves the course of action proposed regarding the proposal to design, develop, and implement a consolidated payment calculation system for administration of the High Cost and Low Income Support Mechanisms.

a7. Action on One High Cost Support Mechanism Beneficiary Audit Reports – Confidential and Proprietary – Executive Session Recommended. Ms. Flannery introduced this item to the Committee indicating that USAC would seek further guidance from the Commission on the matter of carrier records retention.

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

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Report labeled HC2004BE005, together with management's response thereto, recommends to the USAC Audit Committee that the audit report be deemed final.

The Committee adjourned from ***Executive Session*** and reconvened in open session at 4:52p.m. to report the discussions and actions of the Committee during ***Executive Session***.

There being no further business, Mr. Hess adjourned the meeting at 4:55p.m.

/s/ Robert W. Haga

Robert W. Haga
Assistant Secretary

04/18/05

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

April 7, 2005

MINUTES

A special meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) Board of Directors was held at the USAC offices, 2000 L Street, NW, Washington, DC, on Thursday, April 7, 2005. Mr. Hess, Chair of the Committee, called the meeting to order at 4:05 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Assistant to the USAC CEO, called the roll.

Six of the nine members were present, representing a quorum:

Banks, Jonathan
Cornell, Diane
Hess, Kevin - Chair
Jortner, Wayne
Lubin, Joel - Vice Chair
Zaina, Lisa, CEO

Other Board Members and Officers of the Corporation present

Eichler, Edwin - USAC Board Member
Talbott, Brian - USAC Board member
Barash, Scott - Vice President and General Counsel
Flannery, Irene - VP, High Cost and Low Income Division
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations

Others present for the meeting:

NAME

Lamoureux, Renee
Majcher, Karen
Trew, Anne Marie

COMPANY

USAC
USAC
USAC

ACTION ITEMS:

a1. Approval of a Contract Modification to "Scrub" Data and Systems Maintained by High Cost Support

Mechanism Operations. Confidential and Proprietary - Executive Session Recommended - In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Barash recommended that this matter be discussed in Executive Session because discussion of this matter relates to USAC's procurement strategy and contract negotiations, and public disclosure of the matters discussed in this paper would compromise USAC's negotiation strategy to the detriment of the corporation and the Universal Service Fund

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

RESOLVED, That the USAC High Cost & Low Income Committee determines that discussion of the proposed modification to the HCLI Contract shall be conducted in Executive Session.

See Executive Session for a report of the discussion and action taken on this item.

At 4:08 p.m., on a motion duly made and seconded, the Committee voted to move into Executive Session for purposes of discussing the confidential and proprietary item as noted above.

EXECUTIVE SESSION:

- a1. Approval of a Contract Modification to "Scrub" Data and Systems Maintained by High Cost Support Mechanism Operations.** Confidential and Proprietary - Executive Session Recommended. Ms. Karen Majcher, Acting Division Head of the High Cost and Low Income Division, provided the Committee with a summary of the proposed contract modification to the current contract between USAC and Telcordia Technologies, Inc. to begin work on the scrubbing of the High Cost data and systems.

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

RESOLVED, That the USAC High Cost & Low Income Committee approves the Modification to the High Cost and Low Income Support Mechanism Services Agreement between USAC and Telcordia Technologies, Inc.

The Committee adjourned from **Executive Session** and reconvened in open session at 4:32 p.m. to report the discussions and actions of the Committee during **Executive Session**.

There being no further business, Mr. Hess adjourned the meeting at 4:35 p.m.

/s/ Robert W. Haga
Robert W. Haga
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

April 18, 2005

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 USAC offices, 2000 L Street, NW, Washington, DC, on Monday, April 18, 2005. Mr. Lubin, Vice Chair of the Committee, called the meeting to order at 1:35 p.m. Eastern Time. Ms. Renee Lamoureux, Executive Assistant to the USAC CEO, called the roll.Â

Eight of the nine members were present, representing a quorum:

Askin, Jonathan - *by telephone*
Buller, Karen
Banks, Jonathan
Cornell, Diane
Jortner, Wayne
Lubin, Joel - Vice Chair
Sanford, Jo Anne - *by telephone*
Zaina, Lisa, CEO

Other Board Members and Officers of the Corporation present

Campbell, Ann - USAC Board memberÂ
Eichler, Ed - USAC Board member
Hughes, Alison - USAC Board member
Jackson, Jimmy - USAC Board member
Talbott, Brian - USAC Board member
Barash, Scott - Vice President and General Counsel
Blackwell, Mel, VP, Rural Health Care and External Communications
Flannery, Irene - VP, High Cost and Low Income Division
Haga, Robert - Assistant Secretary; VP, Strategic Planning and USAC Operations
Scott, Wayne - VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Alco, John	USAC
Bancroft, Royce	USAC
Caroll, Kristy	USAC
Davis, Craig	USAC
Davis, Ta'nea	USAC
Delmar, Teleshia	USAC
Dunn, Amanda	USAC
Faunce, Donna	USAC
Gallant, Pam	USAC
Jones, Cheryl	USAC

Hughes, Jeff	USAC
Khan, Sammy	USAC
Lamoureux, Renee	USAC
Majcher, Karen	USAC
Mitchell, Jeff	USAC
Murphy, Kristin	USAC
Pertsevoi, Elizabeth	USAC
Rovetto, Edward	USAC
Trew, Anne Marie	USAC

ACTION ITEMS:

a1. Approval of High Cost & Low Income Committee Meeting Minutes of Monday, January 24, 2005. On a motion duly made and seconded, the Committee approved the minutes, as distributed.

a2. Action on Two Low Income Support Mechanism Beneficiary Audit Reports. Ms. Kristin Murphy, Staff Internal Auditor, presented the audit reports to the Committee for approval.

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

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2005BE001 and LI2005BE002, together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

a3. Action on Two High Cost Support Mechanism Beneficiary Audit Reports – Executive Session Option.

In accordance with the approved criteria and procedures for conducting USAC Board and Committee business in Executive Session, Mr. Barash recommended that discussion of this item be conducted in Executive Session because discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

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

RESOLVED, That the USAC High Cost & Low Income Committee determines that discussion of the two High Cost Support Mechanism Beneficiary audit reports shall be conducted in Executive Session.

See Executive Session for a report of this discussion.

a4. Approval of 3rd Quarter 2005 High Cost and Low Income Programmatic Budgets. Ms. Faunce, Senior Budget and Reporting Analyst, introduced this item to the Committee.

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

RESOLVED, That the USAC High Cost & Low Income Committee approves a 3rd Quarter 2005 programmatic budget for the High Cost Support Mechanism of \$6,785,100; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 3rd Quarter 2005 programmatic budget for the Low Income Support Mechanism of \$1,451,300.

a5. Approval of 3rd Quarter 2005 High Cost and Low Income Support Mechanisms Projections for the May 2, 2005, FCC Filing. Ms. Karen Majcher, Acting Division Head, High Cost & Low Income, introduced this item to the Committee. The Committee discussed the issue of the Interstate Access Support mechanism being targeted rather than capped at \$650 million annually and directed staff to seek further clarification from the Commission. The Committee discussed the methodology used to determine Interstate Access Support. The HCLI Committee DIRECTED staff to seek clarification and rational from the FCC of the methodology used to implement the rules relating to line count as codified in the Rules.

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 April 18, 2005, a summary of the 3rd Quarter 2005 support mechanism estimates, including administrative costs for High Cost Loop Support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, the non-rural forward-looking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC management to proceed with the required May 2, 2005, filing to the FCC on behalf of the Committee noting that the projection for Interstate Access Support may need to be revised pending FCC clarification of the appropriate calculation of Interstate Access Support under the Rules. Staff may make adjustments if the total variance for both support mechanisms is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms is equal to or less than \$15 million.

a6. Miscellaneous.

- Solicit Ideas for July Committee Agenda. Mr. Lubin reminded Committee members that they may offer suggestions for agenda items at each quarterly meeting or by contacting Mr. Hess or Ms. Flannery between quarterly meetings.

INFORMATION ITEMS:

- i1. High Cost and Low Income Support Mechanisms Update. Ms. Majcher provided the Committee with a program update, including the status of ETC designations, low income disbursements, Link Up support and Safety Valve support.
- i2. Status Report on Ongoing High Cost and Low Income Support Mechanisms Audits. Mr. Scott provided the status of ongoing High Cost and Low Income Support Mechanism Audits.
- i3. Status of Contract to Conduct the Design, Development, and Implementation Phase of the Consolidated High Cost and Low Income Payment Calculation Systemâ€ Confidential & Proprietary â€ Executive Session Option. See Executive Session for a report of this discussion.

At 4:15 p.m., on a motion duly made and seconded, the Committee voted to move into Executive Session for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- i4. **Status of Contract to Conduct the Design, Development, and Implementation Phase of the Consolidated High Cost and Low Income Payment Calculation Systemâ€ Confidential & Proprietary.** Ms. Majcher provided the Committee with the Status of the current contract for services with Telcordia.
- a3. Action on Two High Cost Support Mechanism Beneficiary Audit Reports â€ Confidential and Proprietary.** Mr. Scott introduced this item to the Committee advising that the item was being presented as informational only and not for action. The Committee discussed current document retention rules and DIRECTED staff to develop plan, to be presented to the Committee, on how to handle document retention.

The Committee adjourned from Executive Session and reconvened in open session at 4:42 p.m. to report the discussions and actions of the Committee during Executive Session.
There being no further business, Mr. Lubin adjourned the meeting at 4:44 p.m.

/s/ D. Scott Barash
D. Scott Barash,
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

July 18, 2005

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 USAC offices in Washington DC on Monday, July 18, 2005. Mr. Kevin Hess, Chairman of the Committee, called the meeting to order at 1:35 pm Eastern Time.

Ms. May Stevens, High Cost/ Low Income Administrative Assistant, called the roll.

All nine members were present, representing a quorum:

Askin, Jonathan
Jortner, Wayne
Banks, Jonathan
Lubin, Joel
Buller, Karen
Sanford, Jo Anne
Cornell, Diane
Zaina, Lisa
Hess, Kevin, Chair

Other Board Members and Officers of the Corporation present

Barash, Scott D. - Vice President and General Counsel
Belden, Richard - Chief Operating Officer
Flannery, Irene M. - Senior VP of Programs
Majcher, Karen - Vice President of High Cost & Low Income Division

Others present for the meeting:

NAME	COMPANY
Delmar, Teleshia	USAC
Faunce, Donna	USAC
Okudaira, Noboku	USAC
Stevens, May	USAC

ACTION ITEMS:

- a1. Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the April 18, 2005 meeting.
- a2. Action on Four Low Income Support Mechanism Beneficiary Audit Reports.** Ms. Teleshia Delmar, Manager of Internal Audit, introduced this item to the Committee presenting an overview of the audit findings and recommended action to be taken.

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 the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled L12005NE003, L12005NE004, L12005NE005 and L12005NE006, together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

RESOLVED FURTHER, That the USAC Audit Committee accepts the recommendation of the USAC High Cost & Low Income Committee and directs that the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled L12005NE003, L12005NE004, L12005NE005 and L12005NE006 be deemed final.

- a3. Action on Three High Cost Support Mechanism Beneficiary Audit Reports - Confidential and Proprietary - Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in Executive Session, Mr. Barash recommended that discussion of this item be conducted in Executive Session because discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

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

RESOLVED, That the USAC High Cost & Low Income Committee determines that discussion of the audit findings shall be conducted in Executive Session.

See Executive Session for a report of the discussion and action taken on this item.

- a4. Approval of the 4th Quarter 2005 High Cost and Low Income Support Mechanism Programmatic Budgets.** Donna Faunce, presented the 4th Quarter 2005 programmatic budgets for the High Cost and Low Income Support Mechanisms.

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

RESOLVED, That the USAC High Cost & Low Income Committee approves a revised 2005 annual programmatic budget for the High cost support Mechanism of \$9,184,800; and

RESOLVED FURTHER, That the USAC High cost and Low Income Committee approves a 4th Quarter 2005 programmatic budget for the High Cost Support Mechanism of \$ (11,167,500); and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a revised annual 2005 programmatic budget for the Low Income Support Mechanism of \$3,151,700; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 4th Quarter 2005 programmatic budget for the Low Income Support Mechanism of (\$1,200,400).

- a5. Approval of the 4th Quarter 2005 High Cost and Low Income Support Mechanisms Projections for the August 2, 2005, FCC Filing.** Karen Majcher, Vice President of the High Cost / Low Income Division presented the support mechanisms projections for the August 2 , 2005, FCC filing.

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 18, 2005, a summary of the 4th Quarter 2005 support mechanism estimates, including administrative costs for High Cost Loop Support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, the non-rural forwardlooking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC management to proceed with the required, August 2, 2005, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms is equal to or less than \$10 million

and, with approval of the committee chair, may make adjustments if the total variance for both support mechanisms is equal to or less than \$15 million.

At 2:15 p.m., on a motion duly made and seconded, the Committee voted to move into Executive Session for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

a3. Action on Three High Cost Support Mechanism Beneficiary Audit Reports - Confidential and Proprietary - Executive Session Recommended. Ms. Nobuko Okudaira presented the results of three High Cost Support Mechanism Beneficiary Audit Reports to the Committee.

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

RESOLVED, That the USAC Audit Committee having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports labeled HC2004BE004, HC2005BE001 and HC2005BE002, together with management's response thereto, recommends to the USAC Audit Committee that the audit be deemed final; and

RESOLVED FURTHER, That the USAC Audit Committee accepts the recommendation of the USAC High Cost and Low Income Committee and directs that the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports labeled HC2004BE004, HC2005BE001 and HC2005BE002 be deemed final.

The Committee adjourned from Executive Session and reconvened in open session at 2:30 p.m. to report the discussion and actions of the Board during Executive Session.

INFORMATION ITEMS

i1. High Cost and Low Income Support Mechanisms Update. Karen Majcher, Vice President of the High Cost & Low Income Division, provided the High Cost and Low Income Committee with an update and status report on the operation of the High Cost and Low Income Support Mechanisms. This report provides information on the operation of the High Cost and Low Income Support Mechanisms through the quarter that ended on June 30, 2005.

i2. High Cost and Low Income Timeline and Key Dates. Karen Majcher, Vice President of the High Cost & Low Income Division, provided the High Cost and Low Income Committee the timeline of important High Cost and Low Income support mechanisms dates for the current and following three quarters.

There being no further business, Mr Hess adjourned the meeting at 3:00 p.m.

/s/ D. Scott Barash
D. Scott Barash,
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

September 2, 2005

MINUTES

A special meeting of the High Cost & Low Income (HCLI) Committee of the Universal Service Administrative Company (USAC) was held at the USAC offices in Washington, DC on Friday, September 2, 2005. Mr. Kevin Hess, Chairman of the Committee, called the meeting to order at 11:20 am Eastern Time. Ms. May Stevens, Administrative Assistant called the roll.

Five of eight members were present, representing a quorum:

Askin, Jonathan - by telephone
Hess, Kevin, Chair - by telephone
Lubin, Joel - by telephone
Zaina, Lisa, CEO
Buller, Karen - by telephone

Other Board Members and Officers of the Corporation present

Barash, Scott D. - Vice President and General Counsel
Belden, Richard - Chief Operating Officer
Flannery, Irene M. - Senior VP of Programs
Majcher, Karen - Vice President of High Cost & Low Income Division

Others present for the meeting:

NAME	COMPANY
Capozzi, David	USAC
Stevens, May	USAAC

ACTION ITEMS:

a1. Approval to File an Ex Parte Response with the FCC. Ms. Karen Majcher introduced this item to the Committee providing an overview of the proposed ex parte response filing.

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 filing of an ex parte response with the FCC, regarding the Federal-State Joint Board on Universal Service, Request for Clarification of Clerical Changes and for Direction to USAC, CC Docket 96-45.

There being no further business, Mr. Hess adjourned the meeting at 11:35 a.m.

_____/s/ D. Scott Barash
D. Scott Barash,
Assistant Secretary

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

HIGH COST & LOW INCOME COMMITTEE MEETING

October 24, 2005

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 USAC offices in Washington DC on Monday, October 24, 2005. Mr. Kevin Hess, Chairman of the Committee, called the meeting to order at 1:35 pm, Eastern Time. Ms. May Stevens, High Cost/ Low Income Administrative Assistant, called the roll. Six of the eight members were present, representing a quorum.

Banks, Jonathan
Lubin, Joel – *by telephone*
Buller, Karen
Sanford, Jo Anne
Hess, Kevin, *Chair*
Zaina, Lisa

Other Board Members and Officers of the Corporation present

Barash, Scott D. – Vice President and General Counsel
Belden, Richard – Chief Operating Officer
Flannery, Irene. – Senior Vice President – Programs
Majcher, Karen – VP, High Cost & Low Income Division
Scott, Wayne – VP, Internal Audit Division

Others present for the meeting:

NAME	COMPANY
Braxton, Kianna	USAC
Davis, Craig	USAC
Delmar, Teleshia	USAC
Faunce, Donna	USAC
Hill, William	FCC
Ho, Amanda	USAC
Okudaira, Noboku	USAC
Oliver, Janice	Telcordia
Pertsevoi, Elizabeth	USAC
Stevens, May	USAC

ACTION ITEMS:

- a1. Approval of Minutes.** On a motion duly made and seconded, the Committee approved the minutes of the July 18, 2005 and September 2, 2005 meetings.
- a2. Approval of the 1st Quarter 2006 High Cost and Low Income Programmatic Budgets and Information on Estimated 2006 Annual Budgets.** Donna Faunce, presented the 1st Quarter 2006 programmatic budgets for the High Cost and Low Income Support Mechanisms.

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

RESOLVED, That the USAC High Cost & Low Income Committee approves a 1st Quarter 2006 programmatic budget for the High Cost Support Mechanism of \$2,428,500; and

RESOLVED FURTHER, That the USAC High Cost & Low Income Committee approves a 1st Quarter 2006 programmatic budget for the Low Income Support Mechanism of \$685,500.

- a3. Approval of 1st Quarter 2006 High Cost and Low Income Support Mechanisms Projections and Resolution on the November 2, 2005, FCC Filing.** Donna Faunce, presented the 1st Quarter 2006 programmatic budgets for the High Cost and Low Income Support Mechanisms.

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 24, 2005, a summary of the 1st Quarter 2006 support mechanism estimates, including administrative costs for High Cost Loop Support, Local Switching Support, Interstate Common Line Support, Interstate Access Support, non-rural forward-looking High Cost Model support, Lifeline, Link Up, and Toll Limitation Service, hereby directs USAC management to proceed with the required, November 2, 2005, filing to the FCC on behalf of the Committee. Staff may make adjustments if the total variance for both support mechanisms is equal to or less than \$10 million and, with approval of the Committee Chair, may make adjustments if the total variance for both support mechanisms is equal to or less than \$15 million.

- a5. Action on Two Low Income Support Mechanism Beneficiary Audit Reports.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

- a4. Action on Two High Cost Support Mechanism Beneficiary Audit Reports - Confidential and Proprietary – Executive Session Recommended.** In accordance with the approved criteria and procedure for conducting USAC Board and Committee business in *Executive Session*, Mr. Barash recommended that discussion of this item be conducted in *Executive Session* because discussion of specific audit plans, internal controls, and/or confidential company data would constitute a discussion of internal rules and procedures concerning the administration of the universal service support mechanisms where discussion of the matter in open session would result in disclosure of confidential techniques and procedures that would compromise program integrity.

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

RESOLVED, That the USAC High Cost & Low Income Committee determines that discussion of the audit findings shall be conducted in **Executive Session**.

See **Executive Session** for a report of the discussion and action taken on this item.

At 2:15 p.m., on a motion duly made and seconded, the Committee voted to move into **Executive Session** for purposes of discussing the confidential and proprietary items as noted above.

EXECUTIVE SESSION:

- a4. Action on Two High Cost Support Mechanism Beneficiary Audit Reports - Confidential and Proprietary – Executive Session Recommended.** Ms. Nobuko Okudaira presented the results of the two High Cost Support Mechanism Beneficiary Audit Reports to the Committee.

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

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division High Cost Support Mechanism Beneficiary Audit Reports labeled HC2005BE004 and HC2005BE005, together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

- a5. Action on Two Low Income Support Mechanism Beneficiary Audit Reports - Confidential and Proprietary – Executive Session Recommended.** Ms. Teleshia Delmar, Manager of Internal Audit, introduced this item to the Committee presenting an overview of the audit findings and recommended action to be taken.

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

RESOLVED, That the USAC High Cost & Low Income Committee, having reviewed the USAC Internal Audit Division Low Income Support Mechanism Beneficiary Audit Reports labeled LI2005BE007 and LI2005BE008, together with management's response thereto, recommends to the USAC Audit Committee that the audit reports be deemed final.

The Committee adjourned from **Executive Session** and reconvened in open session at 2:30 p.m. to report the discussion and actions of the Board during **Executive Session**.

INFORMATION ITEMS

- i1. High Cost and Low Income Support Mechanisms Update.** Karen Majcher, Vice President of High Cost & Low Income Division, provided the High Cost and Low Income Committee with an update and status report on the operation of the High Cost and Low Income Support Mechanisms. This report provides information on the operation of the High Cost and Low Income Support Mechanisms through the quarter that ended on September 30, 2005.
- i2. Status Report on USAC Audits.** For informational purposes only. No discussion held.
- i3. Status Report on Actions Taken on Final USAC Audits.** For informational purposes only. No discussion held.
- i4. Report on the Implementation of Hurricane Katrina Special Relief.** Ms. Irene Flannery provided the Committee with an update on program activities related to the implementation of Hurricane Katrina special relief.

There being no further business, Mr. Hess adjourned the meeting at 3:00 p.m.

/s/ D. Scott Barash
D. Scott Barash, Asst. Secretary