

93-123

ROCKET FILE COPY ORIGINAL

**APPENDIX 2**

**USF INTERNAL PROCEDURES**

# **USF INTERNAL PROCEDURES**

**National Exchange Carrier Association, Inc.**

**Universal Service Fund**

**Internal Procedures**

**Revised: April 1993**

CONTENTS

Section	Page
I. Universal Service Fund .....	1
I.A. Policy Goal .....	1
I.B. Fund Objective .....	1
I.C. FCC Rules .....	1
I.C.1. Part 36 - Universal Service Fund	
I.C.2. Part 69 - Fund Administrator	
I.C.3. Part 69 - Interexchange Carrier Billing	
I.D. Administrator Functions .....	5
I.D.1. Conduct an Annual Data Collection	
I.D.2. Develop Study Area and National Average Loop Cost	
I.D.3. Calculate EC Expense Adjustments	
I.D.4. FCC Annual Data Submission	
I.D.5. Develop & File Rates	
I.D.6. Billing of Qualified Interexchange Carriers	
II. NECA's Administrative Responsibilities .....	6
II.A. Accountabilities and Responsibilities .....	6
II.A.1. Exchange Carrier	
II.A.2. NECA Regions	
II.A.3. NECA Headquarters	
II.B. USF System Overview .....	11
II.B.1. Design Concepts	
II.B.2. System Control	
II.B.3. Data Entry	
II.B.4. Edits	
II.B.5. Range Variances	
II.B.6. Comments	
II.B.7. Reporting	
II.C. Document Control .....	17
II.C.1. Authorization	
II.C.2. Waiver of Established Procedures	
II.C.3. Publication Schedule	
II.C.4. Distribution	

CONTENTS

Section	Page
III. Exchange Carrier Data Submissions . . . . .	18
III.A. Purpose . . . . .	18
III.B. Scope . . . . .	18
III.C. Authorized Rate of Return . . . . .	18
III.D. Schedule . . . . .	18
III.E. Annual Data Collection . . . . .	19
III.E.1. Exchange Carrier Reporting Requirements	
III.E.2. Validation/Verification of Data	
III.E.3. Certification Statement	
III.E.4. Reconciliation to Exchange Carrier Cost Study and Financials	
III.E.5. Significant Variance Reports	
III.E.6. Escalation	
III.E.7. Exception Reporting	
III.E.8. Documentation Requirements	
III.E.9. Supervisory Review	
III.E.10. Headquarters Monitoring	
III.E.11. Operational Review	
III.F. NECA Filing Activities . . . . .	31
III.F.1. Headquarters Review and Analysis	
III.F.2. Calculate Loop Costs and Expense Adjustments	
III.F.3. FCC Data Filing	
III.F.4. State PUC Filings	
III.G. Voluntary Updates . . . . .	32
IV. Monthly Data Adjustments & Payment Processing . . . . .	33
IV.A. Purpose . . . . .	33
IV.B. Scope . . . . .	33
IV.C. Advance Notification Requirement . . . . .	33
IV.D. Administration of RAO Letter 21 Changes . . . . .	34
IV.E. Schedule . . . . .	34
IV.F. Data Adjustments . . . . .	34
IV.F.1. Errors and Omissions	
IV.F.2. Settlement Type Conversions	
IV.F.3. Adjustment Reasons	
IV.G. Payment Processing . . . . .	36
IV.G.1. Monthly Payment Calculation	
IV.G.2. Payment Overrides	
IV.G.3. Pro-rata Payment Adjustments	
IV.G.4. Payments	
IV.H. Headquarters Review and Analysis . . . . .	37

CONTENTS

Section	Page
V. Tariff Filings .....	37
V.A. November 17th .....	37
V.B. May 17th .....	37
VI. Interexchange Carrier Billing .....	37
Appendix .....	38
Schedules .....	39
Annual Data Collection Activities	
Voluntary Update Activities	
Monthly Data Adjustments	
Edits .....	43
Ranges .....	51
System Reports .....	60
Report Definitions	
EC Data Submission	
Monthly Adjustments	
Management Reports .....	65
Non-Responders Report	
Exception Report	
Significant Data Adjustment Report	
Index .....	69

I. Universal Service Fund

I.A. Policy Goal

The policy goal of "universal service" was established when the Federal Communications Commission was created by Act of Congress in 1934. The Universal Service Fund was established to further that goal by providing support payments to exchange carriers with local loop costs higher than the national average.

"The Universal Service Fund will be designed to preserve universal service by enabling high cost local exchange companies to establish local exchange rates that do not substantially exceed local exchange rates charged by other local exchange companies."

MTS and WATS Market Structure  
CC Docket No. 78-72, Phase I 12/22/82

I.B. Fund Objective

The objective of the Universal Service Fund is to provide assistance to local exchange carriers in high cost areas. These payments are an offset to intrastate expenses and are intended to allow local rates to be lower than they might otherwise be.

"The expense adjustment will be added to interstate expenses and deducted from state expenses..."

Part 36.601(a)

"This assistance is designed to reduce the intrastate cost allocation and thereby keep local service rates lower than they otherwise would be in high cost areas."

NTS Recovery Order 5/19/87

I.C. FCC Rules

The Universal Service Fund and NECA's administrative role are referenced in three sections of FCC rules. Part 36 Subpart F describes the program and the duties and responsibilities of exchange carriers and NECA. Subpart F also describes the development of the study area and national average cost per loop calculations, which form the basis of the individual study area expense adjustments. Part 69 Subpart G broadly defines the administrative activities of NECA and Part 69 Subpart B specifies the methodology for rate development and IXC bulk billing.

## I.C.1. Part 36 - Universal Service Fund

## Subpart F - Universal Service Fund

## § 36.601 General.

(a) For purposes of § 36.601(a) of the Rules of the Federal Communications Commission, the Universal Service Fund portion of the interstate apportionment shall consist of an expense adjustment computed in accordance with this Section. The expense adjustment will be added to interstate expenses and deducted from state expenses after expenses and taxes have been apportioned pursuant to Subpart D.

(b) The expense adjustment will be computed on the basis of data for a preceding calendar year which may be updated at the option of the carrier pursuant to § 36.612(a).

## § 36.611 Submission of Information to the National Exchange Carrier Association

(a) In order to allow determination of the study areas which are entitled to an expense adjustment, each local telephone company must provide the National Exchange Carrier Association (NECA) with the information listed below for each of its study areas. This information is to be filed on June 30th of each year (currently waived to July 31). The information filed will be used in the jurisdictional allocation underlying the cost support data for the access charge tariffs to be filed the following October (refers to the next access filing which for NECA is April 1).

## Items listed are:

- 1) unseparated gross plant investment for C&WF Cat 1 and COE Cat 4.13,
- 2) unseparated reserves for C&WF Cat 1 and COE Cat 4.13,
- 3) unseparated depreciation expense for C&WF Cat 1 and COE Cat 4.13,
- 4) unseparated maintenance expense for C&WF Cat 1 and COE Cat 4.13,
- 5) unseparated corporate operations expense, taxes, benefits and rents,
- 6) unseparated gross plant investment and reserves, and
- 7) working exchange lines.

§ 36.612 Updating information submitted to the National Exchange Carrier Association

This part defines the quarterly updates to data that may be submitted by exchange carriers.

§ 36.613 Submissions of information by the National Exchange Carrier Association

(a) On September 1 (currently waived to October 1) of each year after 1987, the National Exchange Carrier Association shall file with the Commission the information listed below. Information filed with the Commission shall be compiled from information provided to the Association by telephone companies pursuant to 36.611

(1) The unseparated loop cost for each study area and a nationwide-average unseparated loop cost.

(2) The annual amount of the high cost expense adjustment for each study area, and the total nationwide amount of the expense adjustment.

(3) The dollar amount and percentage of the increase in the nationwide average unseparated loop cost, as well as the dollar amount and percentage increase for each study area, for the previous 5 years, or the number of years NECA has been receiving information under 36.611, whichever is the shorter time period.

§ 36.621 Study area total unseparated loop cost.

This part describes the calculation of the study area loop cost based upon the data submitted by the exchange carriers.

§ 36.622 National and study area average unseparated loop costs.

(a) National Average Unseparated Loop Cost per Working Loop. This is equal to the sum of the Loop Costs for each study area in the country as calculated pursuant to 36.621(a) divided by the sum of the working loops reported in 36.611(a)(8) for each study area in the country. The national average unseparated loop cost per working loop shall be calculated by the National Exchange Carrier Association.

(b) Study Area Average Unseparated Loop Cost Per Working Loop. This is equal to the unseparated loop costs for the study area as calculated pursuant to 36.621(a) divided by the number of working loops reported in 36.611(a)(8) for the study area.

§ 36.631 Calculation of Expense Adjustment - Additional Interstate Expense Allocation

This part defines exchange carrier average cost per loop criteria for receiving an expense adjustment.

I.C.2. Part 69 - Fund Administrator

Subpart G - Exchange Carrier Association

§ 69.603 Association functions.

(c) The association shall administer the Universal Service charge, including the direct billing to and collection of associated revenues on a monthly basis from interexchange carriers pursuant to § 69.116 and the distribution of these revenues to qualified telephone companies based on their share of expenses assigned to the Universal Service Fund portion of the interstate allocation pursuant to § 36.631.

I.C.3. Part 69 - Interexchange Carrier Billing

Subpart B - Computation of Charges

§ 69.116 Universal service fund.

Effective April 1, 1989:

(a) A charge that is expressed in dollars and cents per line per month shall be assessed upon all interexchange carriers that use local exchange switching facilities for the provision of interstate or foreign telecommunications services and that have at least .05 percent of the total common lines presubscribed to interexchange carriers in all study areas.

(b) The charge shall be computed by the association on a semi-annual basis by dividing one-twelfth of the projected annual Universal Service Fund revenue requirement by the total number of common lines presubscribed to interexchange carriers defined in § 69.116 (a). Beginning on April 1, 1989, the association shall bill and collect the charge, and disburse associated revenue, on a monthly basis pursuant to § 69.603(c).

### I.D. Administrator Functions

NECA's responsibilities are defined in Part 69 rules [§69.603 (c)] and referenced to other sections for specific duties and responsibilities.

#### I.D.1. Conduct an Annual Data Collection [§36.611]

Exchange carriers are required by FCC rules to provide NECA on June 30th (a current FCC waiver delays the deadline for the EC data submission until July 31st each year specific financial and cost study data as of December 31st of the prior year. NECA conducts an annual data collection of all cost companies to gather this data, and then, although not spelled out in the rules, NECA subjects it to various analysis and validation tests to assure its accuracy.

#### I.D.2. Develop Study Area and National Average Loop Cost [§36.622]

NECA calculates the study area cost per loop and the national average cost per loop for all study areas from the data obtained through the annual data collection.

#### I.D.3. Calculate EC Expense Adjustments [§36.631]

NECA calculates the expense adjustment for each study area and the total of all study areas.

#### I.D.4. FCC Annual Data Submission [§36.613]

NECA files a comprehensive data report of all exchange carrier information received in the annual data collection and the results of study area and national average cost per loop and expense adjustment calculations with the FCC on September 1st each year (a current FCC waiver delays the NECA annual data submission until October 1st).

#### I.D.5. Develop & File Rates [§69.116 (b)]

NECA computes rates for recovery of the exchange carrier expense adjustments from interexchange carriers that qualify for bulk billing under FCC rules and files tariffs effective on 45 days notice. For the annual data collection, the tariff filing occurs in mid-November for rates effective the following January 1st. Another filing is made in mid-May for rates effective July 1st.

#### I.D.6. Billing of Qualified Interexchange Carriers [§69.116 (a)]

NECA bills exchange carrier expense adjustments to qualified interexchange carriers and disperses the funds to eligible exchange carriers through the settlement system process.

## II. NECA's Administrative Responsibilities

### II.A. Accountabilities and Responsibilities

#### II.A.1. Exchange Carrier

Exchange Carriers are responsible for the timely submission of specific data defined on the Data Form in accordance with FCC Rules (47 CFR 36.611 & 36.612). Data must be submitted to NECA not later than June 30th for the annual data submission (currently waived to July 31st), and September 30th, December 31st and March 31st, respectively, for the voluntary updates. Data may be submitted either manually using the USF Data Collection Form or electronically using the USF System.

The exchange carriers are responsible for providing financial information sufficient to support their USF data submission. This data may be in the form of ARMIS reports, financial records, cost studies, in addition to explanations of unusual changes or variations in the cost per loop, etc.

Exchange Carriers are also responsible for providing comments explaining any soft edit conditions and range failures. In addition, a signed certification statement is required for the annual submission, as defined in Section III.E.3, Certification Statement.

Use of the USF System requires designation of a Primary Submitter, which will be responsible for completing the following additional duties by Lock EC Data Entry:

entry of data

clearing hard edit checks

entry of comments for soft edit conditions

performing a range analysis validation

Release or Special Release of the transaction

entry of comments for range failures

signed certification statement submitted (annual submission only)

## II.A.2. NECA Regions

### II.A.2.a. General

NECA has two equally important data collection goals to achieve:

- (1) That the nationwide average cost per loop is accurate at the time of the September 1 (currently October 1) filing with the Commission, and therefore, will not require subsequent modification; and
- (2) That the individual study area expense adjustments are accurately calculated, and the costs upon which they are based are reasonable and therefore able to withstand scrutiny by the Commission, state PUCs and interexchange carriers.

The ultimate guarantee of accuracy is defined in the rules, Section 36.611 which states that the data must match unseparated data underlying an exchange carriers access charge submission. Depending on the exchange carrier, this data is available at different times and in different forms. NECA's USF review methods include:

- (1) The principal means of assuring that the Nationwide Average Cost Per Loop is accurate is by reconciling the data submitted by Tier 1 carriers. The year end financial data reported to the Commission on April 1st each year (delayed to June 30th for 1993) should be derived from the same source as the data to be submitted to NECA in the annual USF data collection. These Tier 1 carriers will be asked to work with NECA to provide the necessary information to pre-certify the data to be submitted in the annual data collection, which may involve onsite visits. The nationwide average cost per loop calculated using this data is expected to change only minimally when the data for non-Tier 1 carriers is collected because the Tier 1 carriers represent the majority of loops and loop costs.

- (2) The remainder of the reconciliation is completed by matching USF data to the unseparated financial information underlying cost study for the smaller non-Tier 1 carriers. This will be completed as the cost studies are submitted and provides the assurance that the USF data provided by these carriers is accurate. For non-Tier 1 companies that do not participate in the pool, Regions need to obtain underlying financial information to complete the reconciliation. While a revision to this data after the September 1 (currently October 1) filing is unlikely to change the nationwide average cost per loop, it

(3) In addition to assuring accuracy through reconciliation, USF data provided by the exchange carriers is subjected to mechanized editing and range testing in the USF System. These are results driven, and explanations for major change or out of range data will be obtained from the carriers. The major purpose of this effort is to support the USF filings with the FCC.

#### II.A.2.b. Regional Manager - Cost Analysis

The Regional Manager - Cost Analysis is responsible for examining the final cost study and underlying financials for pool participants and comparing these amounts to USF data as defined in Section III.E.4, Reconciliation to Exchange Carrier Cost Study and Financials.

#### II.A.2.c. Regional Coordinator

Regional Coordinators are responsible for assuring that all cost exchange carriers in the Region complete the data collection activities defined in Section II.A.1, Exchange Carrier Responsibilities. Regional Coordinators must assure the completion of these activities for all cost study areas in the Region by Lock Region Data Entry.

Regional Coordinators are responsible for obtaining comments from Exchange Carriers for soft edit conditions and Special Release transactions and for assuring that responses received are in the form of appropriate comments or business reasons as defined in Section III.E.2, Validation/Verification of Data. Comments received from the Exchange Carrier must be entered into the USF System before Lock Region Data Entry.

Regional Coordinators are responsible for the reconciliation of USF data to financial records for pooling and non-pooling companies as defined in Section III.E.4, Reconciliation to Exchange Carrier Cost Study and Financials.

Regional Coordinators are responsible for responding to the Significant Variance Reports as defined in Section III.E.5, Significant Variance Reports.

Regional Coordinators must submit periodic reports to the Manager - Universal Service Programs as defined in Section III.E.7, Exception Reporting.

**Note:** Because of different assigned responsibilities among the NECA regional offices, the Regional Director - Cost Analysis may assign the "Regional Coordinator" functions to staff members as determined to be most effective.

II.A.2.d. Regional Director - Cost Analysis

Regional Directors - Cost Analysis must review and approve the adequacy of the analysis and documentation in support of study areas identified as outliers during the data collection process and the reconciliation to finalized cost study and underlying financials as defined in Section III.E.9, Supervisory Review.

II.A.2.e. Executive Director - Industry Relations Region

The Executive Director - Industry Relations Region is responsible for providing assurance of completion for regional data collection, scrub and analysis activities as defined in Section III.E.9, Supervisory Review.

II.A.3. NECA Headquarters

II.A.3.a. Supervisor - Universal Service Programs

The Supervisor - Universal Service Programs is responsible for:

the monthly processing of USF data adjustments

the monthly reconciliation of USF payment amounts

apprising the Manager - Universal Service Programs of adjustments to prior periods' data, or current period if the annual data collection results have been filed with the FCC

developing and maintaining desk procedures for all monthly and recurring activities

maintaining and ensuring the accuracy of the Primary Submitter file

developing and/or running special reports as requested by the Manager - Universal Service Programs, or as needed

assisting the Manager - Universal Service Program in the conduct of the annual USF data collection, as required

The Supervisor - Universal Service Programs is responsible for distributing summary information on the data collection status as defined in Section III.E.7, Exception Reporting.

II.A.3.b. Manager - Universal Service Programs

The Manager - Universal Service Programs is responsible for assuring the timely completion of all data collection activities by the Regions and advising the Director - Universal Service Programs of any:

study areas not responding to the annual data collection

Regions failing to sufficiently document Special Release or Significant Variance transactions

Regions submitting a Report of Significant Data Adjustments

The Manager - Universal Service Programs is responsible for establishing scrub criteria, including the definition and testing of data edits and range

## II.B. USF System Overview

### II.B.1. Design Concepts

#### II.B.1.a. Data Conventions

All data elements are entered into the USF System as positive integer values. Only in the case of abnormal balances, which are opposite to what would normally be expected in the account, are negative integer values used. Entry of a negative amount for any data line will result in a soft edit, which requires a comment from the EC to assure that an error condition does not exist.

For example, Account 3100, Accumulated Depreciation, normally has a credit balance, but the amount is entered into the USF System as a positive value. However, if this account had a debit balance, it would be entered into the USF System as a negative amount.

#### II.B.1.b. Primary Submitter/Emergency Submitter

Primary Submitters are established for all study areas based upon intent of the exchange carriers and consultants to submit data. Any study area not scheduled for direct input has its Primary Submitter assigned to the appropriate Region. A request for change of Primary Submitter (other than back to the EC), prior to Lock EC Data Entry, will require written EC authorization be provided to the Supervisor - Universal Service Programs.

Emergency Submitters will be established upon written request of the Regional Coordinator to the Supervisor - Universal Service Programs. Once an Emergency Submitter is set for a study area, all functions of the Primary Submitter may only be performed by the Emergency Submitter.

#### II.B.1.c. Access to Data

The Primary Submitter is the only entity with access to the study area data during the period from Open Data Entry through Lock EC Data Entry until the data is Released or Special Released. At that time the Primary Submitter and all higher level exchange carrier entities (eg, Company or Common Control) and NECA (Region and Headquarters) can view the data. However, prior to Lock EC Data Entry the Primary Submitter is the only entity with the ability to change the data.

At Lock EC Data Entry the Primary Submitter is no longer able to change the data, but may continue to view it with other higher level exchange carrier

entities. The NECA Region has the singular ability to change the data, with appropriate audit notation, through Lock Region Data Entry.

At Lock Region Data Entry the Region is no longer able to change the data, but may continue to view it with all exchange carrier entity levels. NECA Headquarters has the singular ability to change the data, with appropriate audit notation and Region advice, through Lock Headquarters Data Entry.

All changes made to EC data by NECA Headquarters will be approved by the Manager - Universal Service Programs and will be reported in writing together with appropriate system reports to the Regional Coordinator within one business day of the change being made.

#### II.B.1.d. Release/Special Release

Release or Special Release of a data entry transaction must occur to signify that it has been accepted into the USF System as a valid data collection. Release or Special Release also allows the data to be viewed by NECA Region and Headquarters and used in calculation of the National Average Cost Per Loop and Exchange Carrier Expense Adjustment.

Release is required when all Report Lines of a USF2010 Loop Analysis Report pass the range check.

Special Release is required when any Report Line of a USF2010 Loop Analysis Report fails the range check.

#### II.B.1.e. Force Pass Edit

EC data which fails a hard edit, but is determined by the Manager - Universal Service Programs to be accurate and valid, may be accepted through the Force Pass Edit function. The Force Pass Edit function allows the entry of anomalous data by overriding the hard edit control feature.

This function may only be activated by IR Headquarters, and requires satisfactory supporting documentation from the Regional Coordinator and the approval of the Manager - Universal Service Programs.

The Manager - Universal Service Programs will prepare a report of study areas which have had data entered into the system using Force Pass Edit and provide it to the Director - Universal Service Programs prior to Calculate National Average Cost per Loop and Create Official View.

**II.B.2. System Control**

The Manager - Universal Service Programs will allow access for data entry and report retrieval in accordance with the Schedule.

**II.B.2.a. Open Data Entry**

Allows access to all Primary Submitters for data entry and report retrieval. Exchange Carriers and Consultants with Primary Submitter responsibility have the ability to enter data and comments until Lock EC Data Entry.

Regional Coordinators with Primary Submitter responsibility have the ability to enter data and comments until Lock Region Data Entry.

**II.B.2.b. Lock EC Data Entry**

Discontinues access for Exchange Carriers and Consultants for entry of data or comments. A company that does not complete data entry by this time will be required to provide a hardcopy Data Form to the Region office. Also, any changes to data or comments after this time must also be submitted to the Region office on hardcopy. Reports may still be retrieved.

Regional Coordinators have the ability to enter data and comments for all study areas in the Region until Lock Region Data Entry.

**II.B.2.c. Lock Region Data Entry**

Discontinues access for Regions for entry of data. Any changes to data after this time must be held until the next Open Data Entry period. (See Notice of Significant USF Adjustment for requirements on notifying the Manager - Universal Service Programs when companies report data changes after Lock Region Data Entry.)

**II.B.2.d. Lock Headquarters Data Entry**

Headquarters has the ability to enter data during the period Lock Region Data Entry until Lock Headquarters Data Entry. Changes by Headquarters to EC data will only be performed with the approval of the Manager - Universal Service Programs and the knowledge of the Regional Coordinator.

### II.B.2.e. Create Official View

Headquarters locks all files and processes EC data to calculate the study area unseparated revenue requirement, study area loop cost, national average loop cost and study area expense adjustment. The fund size is determined by combining the expense adjustments for all study areas and factoring for the appropriate transition step. The results of this process are used for FCC and PUC filings.

### II.B.3. Data Entry

#### II.B.3.a. Online Data Entry

Exchange carriers and consultants have the ability to enter data directly into the USF System during the period from Open Data Entry through Lock EC Data Entry. A company that selects this option but does not complete data entry during this time will be required to provide a hardcopy Data Form to the Region office by the Data Collection Due date in the Schedule.

Regional offices have the ability to enter data directly into the USF System during the period from Open Data Entry through Lock Region Data Entry.

#### II.B.3.b. PC Batch Upload

Exchange carriers and consultants may provide data on an appropriately formatted data diskette during the period from Open Data Entry through Lock EC Data Entry. The diskette must be sent to the Supervisor - Universal Service Programs for processing and upload to the USF System. The Supervisor - Universal Service Programs will log the shipment, submit to Production Control, and advise the Primary Submitter when its data is available online. A record of all exchange carrier data entered in this manner will be maintained within Universal Service Programs. The exchange carrier or consultant will be responsible for the data after the upload process is completed. An eligible company that does not complete data entry during this time period will be required to provide a hardcopy Data Form to the Region office by the Data Collection Due date in the Schedule.

II.B.4. Edits

The USF System provides a series of reasonableness checks on all data submitted. Each transaction is subjected to Hard and Soft edit checks to assure the integrity of the data being entered. Hard edits are processed first. If there are no Hard edit failures, or after they are corrected, the Soft edits are processed. It is possible that a Data Line may fail both Hard and Soft edits.

Transactions which fail Hard edit conditions can be saved but not range checked

with full range has occurred. Soft edits are informational and

again and released again. When either of the above conditions cause a change in the EC's release status, the EC must be notified and appropriate documentation placed in the EC's file as to why the change was made.

Ranges are detailed in the Appendix.

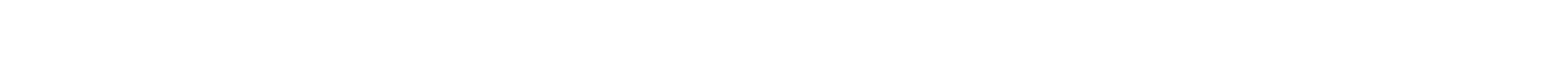
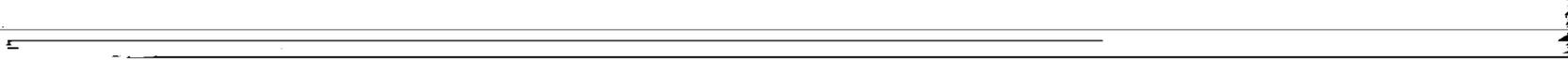
II.B.6. Comments

Range analysis validation requires that ECs provide reasonable business explanations (see III.E.2.c, Comments for Special Release Transactions - Explanation Example) for range variances that exceed established thresholds. Each Data Line identified with an asterisk (\*) in the See Note column of the USF2010 Loop Analysis Report must have a comment identifying the business reason that would sufficiently explain the change. USF2010 Comments Input must be used by the EC, Consultant or Regional Coordinator to record the detail of Data Line changes identified on the USF2010 Loop Analysis Report.

II.B.7. Reporting

A reporting subsystem provides various data, analysis and status reports to users depending upon function, need and system status.

Report definitions on the system are defined in the Appendix.



II.C. Document Control

II.C.1. Authorization

The Manager - Universal Service Programs is responsible for developing these data collection procedures, with the approval of the Director - Universal Service Programs.

II.C.2. Waiver of Established Procedures

The USF Internal Procedures are intended to anticipate concerns and questions relating to NECA's role in the collection of USF data from the ECs. Additionally, the procedures should provide direction and guidance to all NECA personnel involved in the USF collection. And they serve as an interpretation of the FCC's rules, as they apply to normal activities in the USF data collection.

Exceptions to normal USF data collections have occurred, and will probably continue to occur. The Manager - Universal Service Programs will be proactive

### III. Exchange Carrier Data Submissions

#### III.A. Purpose

Exchange carriers are required by FCC Rules Part 36 to provide specified data to NECA by June 30th (currently July 31st) of each year. The data is for the 12 month period ending December 31st of the previous year.

Exchange carriers may provide a voluntary update of the data supplied to NECA one or more times on a rolling year basis. This data is for a 12 month period ending March 31st, June 30th and September 30th of the current year.

#### III.B. Scope

NECA requires annual data collections of all cost company study areas to be used in calculating the national average loop cost and determining eligibility and USF funding level. Data for average schedule study areas is developed by NECA.

NECA accepts voluntary updates of data collections from all cost company study areas as a means of determining eligibility for USF payments.

#### III.C. Authorized Rate of Return

The loop cost algorithm uses the authorized rate of return for the data period being reported by exchange carriers. The Manager - Universal Service Programs will assure the proper rate is established prior to Open Data Entry.

#### III.D. Schedule

The Manager - Universal Service Programs will publish schedules of significant data collection activities in advance of the annual collection.

Schedules of major activities for the annual data collection and each voluntary update are included in the Appendix.

## III.E. Annual Data Collection

## III.E.1. Exchange Carrier Reporting Requirements

## III.E.1.a. Cost Company

Exchange carriers are required to submit a Data Form by June 30th (currently July 31st) for each study area that settled on a cost basis as of December 31st of the previous year. Data that is entered directly into the mechanized USF System by the exchange carrier or its authorized consultant and Released or Special Released prior to EC Lock will be considered to have complied with this requirement.

## (1) Data Collection Materials

The Manager - Universal Service Programs will prepare a Model Letter, Data Collection Instructions and Data Form which is circulated to the Regional Coordinators for comment.

The Director - Universal Service Programs will give final approval for the use of the Data Collection materials.

## (2) Notice to Exchange Carriers

The Manager - Universal Service Programs will provide each Regional Coordinator with a list of study areas that must complete the annual data collection. The list will indicate those study areas that have been authorized for direct input by the exchange carrier or authorized consultant.

The Manager - Universal Service Programs will provide each Regional Coordinator with a master of the Model Letter and one copy of the Instructions and Data Form for each cost company study area in the Region approximately two weeks prior to the scheduled mailing to exchange carriers. A duplicate copy of the Data Form for each study area will be provided separately for Region files.

The Regional Coordinator will mail the Model Letter, Instructions and Data Form to each cost company study area in the Region in accordance with the date in the Schedule.