that is representative of average schedule companies. For each annual period, the Administrator shall submit the formula, any proposed revisions of such formula, or a certification that no revisions to the formula are warranted on or before December 31 of each year.

(2) The Commission delegates its authority to review, modify, and approve the formula submitted by the Administrator pursuant to this paragraph to the Chief, Wireline Competition Bureau.

Section 54.301(f) imposes no specific filing obligation or filing deadline upon individual average schedule companies. Rather, the sole filing obligation and filing deadline established by the Rule are those imposed upon USAC to submit for the Commission's approval by December 31 of each year "a formula that simulates the disbursements that would be received ... by a company that is representative of average schedule companies." There is no express or implicit requirement in Section 54.301(f) that some or all average schedule companies furnish information to USAC to assist it in devising its formula. In fact, USAC is authorized to retain the existing formula and to certify to the Commission for one or more years that no revisions to the formula are warranted.

Section 54.301 does not impose any specific or implicit penalties upon any eligible telecommunications carrier for failure to make a timely submission of information to the Commission or to USAC. For cost companies that submit projected costs and expenses to USAC pursuant to Section 54.301(b) that later prove to be inaccurate, Section 54.301(e) provides for true-up submissions and adjustments to reflect the carrier's actual costs and expenses. However, no provision of Section 54.301 specifies or implies the imposition of any penalty upon any carrier for failure to make a timely projected or trued-up data submission to the Commission or to USAC.

In stark contrast, Section 54.314(d) of the Rules sets a specific schedule for the filing of the required annual state certifications for rural carriers receiving Local Switching Support and other types of High Cost support, and expressly states that a carrier will not receive support for certain quarters of the calendar year if the state certification for that carrier is not filed on or before specific milestone dates. Likewise, Section 54.903 of the Rules expressly requires rate of return carriers to make certain filings by certain dates in order to "be eligible for Interstate Common Line Support."

In sum, Section 54.301 of the Rules: (a) imposes no clear requirement upon Alliance, Hills or any other average schedule company to submit projected access line, exchange, access minute or other Local Switching Support data to USAC on or by October 1 of each year; and (b) imposes no specific penalty (including loss of Local Switching Support for certain quarters or for the entire year) upon Alliance, Hills or any other eligible telecommunications carrier for failure to make any Local Switching Support data submission to USAC or the Commission. This may have been because Local Switching Support constitutes the former weighted Dial Equipment Minutes support for the switches of small carriers that was transferred from the interstate access revenue requirement to Universal Service Fund in 1998, and because the Commission did not intend to subject Local Switching Support to penalties in addition to the Section 54.314(d) penalty for late state certification. In any event, the absence of any reference to explicit or implicit penalties in Section 54.301 [especially when read in light of the specific late-filing penalties detailed in Section 54.314(d)] gives carriers absolutely no notice that they will be penalized by losing Local Switching Support for an entire calendar year if they miss a Local Switching Support filing deadline (assuming *arguendo* that such deadline is clearly established).

Therefore, Section 54.301 of the Rules, as presently worded, contains no authority for USAC to deny Alliance, Hills or any other average schedule company any or all of their Local Switching Support for Calendar Year 2004 because they failed to submit USAC Form LSSa on or before October 1, 2003.

B. No Delegation to USAC of Authority to Establish Penalties or Deadlines

In *United States Telecom Association v. FCC*, Case No. 00-1012, decided March 2, 2004, the U.S. Court of Appeals for the District of Columbia Circuit held that, while federal agencies may delegate their decision-making authority to subordinate bureaus and employees within such agencies absent evidence of contrary congressional intent, they may not delegate to outside entities – private or sovereign – absent affirmative evidence of authority to do so. *Slip Opinion at p. 14.* The court noted that, when an agency delegates power to outside parties, lines of accountability may blur, undermining an important democratic check on government decision-making. *Id. at p. 13.* It further noted that, if anything, delegations to outside parties are presumed to be improper absent an affirmative showing of congressional authorization. *Id.*

Sections 214(e) and 254 of the Communications Act contain no reference to any outside administrator for any Universal Service Fund program, and no affirmative congressional authorization to delegate substantial powers to such an administrator to establish policies, rules, procedures or penalties. In particular, Sections 214(e) and 254 contain no express authority for the Commission to delegate to USAC or any other private outside administrator the power to adopt and implement eligibility standards, filing requirements and deadlines, late-filing penalties, or any other policies, rules or procedures that eliminate or reduce the amount of Universal Service support to which eligible telecommunications carriers are otherwise entitled.

In its *Third Report and Order in CC Docket No. 97-21, Fourth Order on Reconsideration in CC Docket No. 97-21, and Eighth Order on Reconsideration in CC Docket No. 96-45*, 13 FCC Rcd 25058 (1998), the Commission rejected attacks on the lawfulness of USAC, stating that Congress was aware of NECA's role in administering the high cost support mechanism for more than a decade when it enacted Section 254 of the Act. In so doing, the Commission emphasized that

USAC's function was to be "exclusively administrative," and that USAC "may not make policy, interpret unclear provisions of the statute or rules, or interpret the intent of Congress." *Id. at par. 16.*

Section 54.702 of the Rules codifies the Commission's determination. Section 54.702(b) makes USAC "responsible for billing contributors, collecting contributions to the universal service support mechanisms, and disbursing universal service support funds." However, Section 54.702(c) prohibits USAC for going beyond its pure administrative functions, stating:

> The Administrator may not make policy, interpret unclear provisions of the statute or rules, or interpret the intent of Congress. Where the Act or the Commission's rules are unclear, or do not address a particular situation, the Administrator shall seek guidance from the Commission.

As indicated above, nothing in Section 54.301 of the Rules imposes a discernible requirement upon Alliance, Hills or any other average schedule company to submit projected access line, exchange, access minute or other Local Switching Support data to USAC by October 1 of each year. Moreover, nothing in Section 54.301 explicitly or implicitly deprives any eligible telecommunications carrier of its Local Switching Support for an entire calendar year if it fails to make any "timely" projected or trued-up data submission to USAC or the Commission.

Hence, there is no basis in the Commission's Rules for USAC's adoption and implementation of the USAC Form LSSa filing requirement or filing deadlines. More important, there is absolutely no foundation or authority for USAC's determination that an ETC may be penalized for not filing USAC Form LSSa or LSSc by October 1 by eliminating all of its Local Switching Support for that calendar year.

If there are no clear Local Switching Support filing requirements and filing deadlines for average schedule companies in the Commission's Rules, USAC has no delegated authority to establish them. More important, if there are no penalties or eligibility restrictions in the

Commission's Rules for the late filing of Local Switching Support data, USAC has no delegated authority to adopt or enforce its own penalties and/or restrictions. Hence, assuming *arguendo* that it had been published in a manner that gave clear, adequate and timely notice to all potential Local Switching Support recipients for Calendar Year 2004, USAC's September 12, 2003 website notice was wholly unauthorized and outside the colorable scope of its delegated administrative powers.

USAC's narrowly delegated administrative authority simply does not permit it to establish its own new or additional Local Switching Support filing requirements and filing deadlines for average schedule companies, or to adopt and enforce its own penalties for either knowing or inadvertent failure by eligible telecommunications carriers to comply with such requirements and deadlines. Rather, where such filing requirements, deadlines and penalties are not contained or addressed in the Commission's Rules (or not clearly specified therein), USAC is required by Section 54.702(c) of the Rules to seek guidance from the Commission. In the present case, USAC must seek and obtain "guidance" from the Commission in the form of an amendment to Section 54.301 that clearly establishes specific Local Switching Support filing requirements, deadlines and penalties for average schedule companies. USAC has not done so, and therefore has no right or authority to deny Local Switching Support to Alliance and Hills for calendar year 2004.

IV

Conclusion

The Bureau should waive Section 54.301 to the extent (if any) it applies to Alliance and Hills, so that these average schedule companies will receive the Local Switching Support upon which they were depending for the 2004 calendar year. Good cause has been shown that the unique merger and acquisition circumstances that disrupted the administrative operations of

Alliance and Hills during 2003, coupled with the inadequate notice of the alleged USAC Form LSSa filing deadline on USAC's website, make strict compliance inconsistent with the public interest. In addition, the size of the potential Local Switching Support penalty is excessive in relation to the alleged "offense," and will have adverse impacts upon local rates, telecommunications infrastructure investment, and the general economies of the rural South Dakota and Iowa areas affected. Finally, USAC's administration of the Local Switching Support and other Universal Service programs will not be significantly disrupted by the brief delay in the submission of the projected 2004 data of Alliance and Hills.

In the alternative, unless and until the Commission revises Section 54.301 to include late-filing penalties as well as filing requirements and deadlines for average schedule companies, the Bureau should notify USAC that Section 54.301 does not clearly require an October 1 projected Local Switching Support data filing by average schedule companies or impose any penalty upon any carrier for failure to submit Local Switching Support data in timely fashion, and that USAC is not authorized to establish such requirements, deadlines or penalties.

Respectfully submitted,
ALLIANCE COMMUNICATIONS COOPERATIVE, INC.
HILLS TELEPHONE COMPANY, INC.

By Gerard J. Duffy
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Dated: May 20, 2004

EXHIBIT 1

General High Cost Filing Requirements

RELATED DOCUMENTS:

- Certified Carriers
- Interstate Access Support
- Self-Certification

The following timeline outlines the filing requirements necessary to become eligible to receive high cost support. View the FAQs for more detailed information about what each of these filing requirements entails. Please note that this timeline does not include the information that must be filed the first time that a carrier submits information. View the New Carrier Checklist for an explanation of what information must be filed when a carrier files high cost data for the first time.

January

February

- February 1: FCC Form 499Q due

March

- March 30: Quarterly HCL and HCM line count filing (line counts as of September 30 of the previous year)
- March 30: Quarterly IAS line count filing (line counts as of December 31 of the previous year)

April

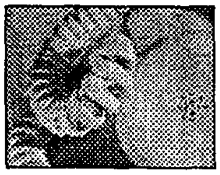
- April 1: FCC Form 499A due

May

- May 1: FCC Form 499Q due
- May 15: Disaggregation plans for rural carriers due

June

- June 30: Quarterly IAS line count filing (line counts as of March of the current year)
- June 30: Annual IAS carrier certification due
- June 30: Carriers (including CETCs) must file their annual self-certification with the FCC and with USAC stating all ICLS and LTS provided to such carrier will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended, as required by



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- Maps
- Sample Letters
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- Website Policy

section 54.904 of the FCC's rules.

July

- July 31: Annual data submission (includes line counts as of December 31 of the previous year)

August

- August 1: FCC Form 499Q due

September

- September 30: Quarterly HCL and HCM line count filing (line counts as of March 30 of the current year)
- September 30: Quarterly IAS line count filing (line counts as of June 30 of the current year)

October

- October 1: Annual state certifications for HCL, LSS, LTS, HCM, and interim hold harmless due

November

- November 1: FCC Form 499Q due

December

- December 30: Quarterly HCL and HCM line count filing (line counts as of June 30 of the current year)
- December 31: Quarterly IAS line count filing (line counts as of September 30 of the current year)

Content Last Modified: July 30, 2003

Need help? You can contact us at (877)877-4925.
Our hours of operation are 8AM to 6PM, Eastern Time, Monday through Friday.
Aware of fraud, waste, and abuse, report it to our Whistleblower Hotline!

EXHIBIT 2

Frequently Asked Questions (FAQs) about the High Cost Mechanism

FCC FORM 498

What is the FCC Form 498?

The FCC Form 498 is used by carriers to obtain a Service Provider Identification Number (SPIN), to provide certain contact information and, most importantly, to direct USAC where to send the carrier's universal service payments.

What is a Service Provider Identification Number, or SPIN?

A SPIN is the unique number that USAC assigns to track a service provider's universal service support payments for all support mechanisms (high cost, low income, rural health care, and schools and libraries). A SPIN is much like a study area code, which is a number that is also used for tracking purposes for high cost and low income support.

What has changed in the Form 498?

Beginning in April, recipients of high cost and low income support will use the Form 498 to designate how and where they want their universal service support payments to be disbursed. Carriers will also use the Form 498 to provide specific contact information for each support component in which the carrier participates (high cost, low income, rural health care, and/or schools and libraries). Finally, carriers will continue to use the Form 498 to obtain a SPIN.

How does the high cost and low income disbursement process work for NECA member companies today?

Each month, USAC calculates high cost and low income support payments for all eligible telecommunications carriers (ETCs), incumbents and competitors alike. All NECA member companies receive their high cost and low income support through NECA. Through a cooperative arrangement with NECA that has been in place since 1998, USAC sends one lump sum high cost and low income payment to NECA via ACH on behalf of its member companies. Those payments are then processed though NECA's settlement process and are disbursed to its member companies. USAC has no explicit authorization from carriers to disburse their support payments to NECA.

Why is USAC's current disbursement process changing?
Because USAC lacks explicit authorization from companies to disburse their support payments to NECA, this process was cited in one of USAC's audits. As a result, USAC was required to change its disbursement practices. The result was the new Form 498.

How will the high cost and low income disbursement process change under the new Form 498?
Beginning in April, all recipients of high cost and low income support will be required to submit a Form 498 to USAC. In blocks 4 and 6 of the form, carriers will be required to provide specific remittance information so that USAC will know where and how to send the carriers' high cost and low income payments.

What options will carriers have in deciding where and how to have their high cost and low income payments disbursed?
Disbursement options include:

- Having payments sent electronically via ACH to the carrier's bank
- Having payments sent via check directly to the carrier
- Having payments sent to NECA who, as the carrier's agent, will in turn disburse the payments directly to the carrier.

If I am a NECA member company, can I opt to continue the disbursement process in place today?
Yes, but you would still be required to submit a new Form 498. The last option discussed in the question above (i.e., having payments sent to NECA who, as your agent, will in turn disburse the payments directly to you) would continue the disbursement process in place today. This approach is acceptable because USAC will have your express authorization to send your payments to NECA.

If I am a NECA member company, will anything change if I opt to have NECA continue as my remittance agent?
Today, NECA receives one monthly lump sum ACH payment on behalf of all of its member companies. The only difference in USAC's practices will be that NECA will receive monthly individual ACH payments on behalf of all member companies that elect NECA as their remittance agent on the

companies that elect NECA as their remittance agent on the Form 498. This change should be invisible to the carriers.

Can I opt to receive my high cost and low income payments directly?
Yes. When you submit your Form 498, you would fill in your own remittance information in blocks 4 and 6. You could elect to receive your payments electronically via ACH or via check through the U.S. mail.

How does the high cost and low income disbursement process for competitive eligible telecommunications carriers work today?
Competitive eligible telecommunications carriers (CETCs) receive their payments directly from USAC, generally via check.

If I am a CETC, can I opt to receive my high cost and low income payments via ACH?
Yes. Using the new Form 498, you would fill in your remittance information in blocks 4 and 6 and elect payment via ACH.

If I am a CETC, can I choose NECA as my remittance agent?
No. Only NECA member companies (i.e., incumbent carriers) can opt to have NECA act as their remittance agent for purposes of receiving high cost and low income payments.

When should I file my new Form 498?
USAC is taking a phased approach to launching the new Form 498. This approach will ensure that all submissions are processed in a timely manner. The state in which your company is located determines when you should file your Form 498. The table below contains the following information:

- The monthly time frames for USAC's receipt of your Form 498
- The states targeted for each monthly time frame
- The date on which your Form 498 elections will be reflected in your high cost and low income payments.

Form received by USAC	Target group of carriers	Payment affected
April 1 – April 30	AK, CA, HI, ID, NV, OR, WA	May payment – paid on June 30
May 1 – May 31	AZ, CO, MT, NM, TX, UT, WY	June payment – paid on July 30
June 1 – June 30	KS, MN, ND, SD	July payment – paid on Aug. 31
July 1 – July 31	IA, NE	Aug. payment – paid on Sept. 30
August 1 – August	AL, AR, LA, OK,	Sept. payment –

31	MO, MS	paid on Oct. 29
September 1 - September 30	IN, KY, OH, TN	Oct. payment - paid on Nov. 30
October 1 - October 31	IL, MI, WI	Nov. payment - paid on Dec. 31
November 1 - November 30	CT, MA, ME, NH, NJ, NY, RI, VT, PA, DC, DE, MD	Dec. payment - paid on Jan. 31
December 1 - December 31	AS, FL, GA, GU, MP, PR, SC, VI, NC, VA, WV	Jan. payment - paid on Feb. 28

Is there any advantage to filing my Form 498 before the deadline targeted for my state?
No. In fact, it will make timely processing of the forms much more difficult for USAC if you file your form outside of the targeted dates contained in the table above.

What happens if I miss the month targeted for my state?
If you are unable to file during your company's targeted time frame, please file your Form 498 as soon as possible after that time. If USAC does not receive a form within your company's allotted time frame, a USAC representative will contact you to help you through the filing process.

What is the best way to file my Form 498?
You should file your Form 498 on-line. There are edit checks and other helpful hints embedded in the on-line version of the form that will make the filing process much easier for you. Please go to USAC's website and follow the instructions to file your form on-line.

Whom should I contact if I have questions or if I need help filing my Form 498?
Please feel free to email USAC's Billing, Collections, and Disbursements Call Center or call 1-888-641-8722 if you have additional questions.

ELIGIBILITY REQUIREMENTS

Must a carrier be an eligible telecommunications carrier in order to participate in the high cost support mechanism?

> Yes, a carrier must be an eligible telecommunications carrier, or ETC, in order to participate in any of the components of the high cost mechanism.

How does a carrier become an ETC?

> States have primary responsibility for

States have primary responsibility for designating carriers as ETCs. Carriers should contact the appropriate state public utilities commission to determine how to initiate the ETC designation process. In certain circumstances, the FCC has jurisdiction to designate carriers as ETCs. The procedures differ for carriers seeking designation on non-tribal lands versus carriers seeking designation on tribal lands.

What is the FCC process for carriers seeking ETC designation on non-tribal lands?

Before seeking FCC designation, a carrier seeking ETC designation on non-tribal lands must first consult with its state commission on the issue of jurisdiction to designate. A carrier must provide the FCC with an affirmative statement from a court of competent jurisdiction or the state commission that it lacks jurisdiction to perform the designation before the FCC will consider making the designation. The FCC will resolve all designation requests for non-tribal lands that are properly before it within 6 months of the date a designation request is filed with the FCC. The FCC also encourages states to resolve requests within the same time frame.

What is the FCC process for carriers seeking designation on tribal lands?

A carrier seeking ETC designation on tribal lands may petition the FCC for designation without first seeking designation from its state commission. The carrier must set forth the basis for its assertion that it is not subject to the state commission's jurisdiction and bears the burden of proving that assertion.

- Fact-specific support is necessary
- The carrier should include relevant case law, statutes, and treaties.
- Generalized assertions regarding the state commission's lack of jurisdiction will not suffice.
- The FCC will consider informative any statements and analyses the tribal authority might provide regarding the carrier's request for designation and the state commission's exercise of jurisdiction.

The carrier must provide copies of its petition to the affected state commission at the time the petition is filed with the FCC. The FCC will release, and publish in the Federal Register, a public notice establishing a pleading cycle for comments on the petition. The FCC will send the public notice for the affected state commission public notice for the affected state commission by overnight express mail.

Based on the evidence in the record, the FCC will make the jurisdictional determination. If the FCC determines that the state commission lacks jurisdiction to make the ETC designation, and the petition is properly before the FCC, it will decide the merits of the request within 6 months of the release of an order resolving the jurisdictional issue. If the carrier fails to meet its burden of proof that it is not subject to the state commission's jurisdiction, the FCC will dismiss the request and direct the carrier to seek ETC designation from the appropriate state commission.

How can an incumbent carrier determine whether it is a rural or a non-rural carrier?

Essentially, for purposes of high cost support, a rural carrier is one that serves a relatively small number of lines or a relatively small area. The definition of a "rural telephone company" can be found in section 153(37) of the Communications Act of 1934, as amended (47 U.S.C. § 153(37)), and provides as follows:

The term "rural telephone company" means a local exchange carrier operating entity to the extent such entity -

A. provides common carrier service to any local exchange carrier study area that does not include either-
    i. any incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or
    ii. any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993;
2. provides telephone exchange service, including exchange access, to fewer than 50,000 access lines;
3. provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines; or
4. has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996. Any carrier that does not meet this definition is considered a non-rural carrier. A competitive carrier's status as rural or non-rural for purposes of receiving high

cost support is dependent upon the status of the incumbent carrier in whose service area the competitive carrier serves.

How can a competitive ETC (CETC) determine whether it is a rural or a non-rural carrier?

A CETC's rural or non-rural status is determined by the status of the incumbent carrier in whose service area the CETC serves. That is, a CETC receives High Cost universal service support for rural or non-rural carriers based on the status of the incumbent carrier in whose service area the CETC serves.

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PROGRAMMATIC INFORMATION

What are the individual components of the high cost support mechanism?

The high cost mechanism is made up of six components:

- High cost loop support (includes hold harmless support)
- Local switching support
- Long term support
- Interstate access support
- Forward-looking, or model, support for non-rural carriers
- Interstate common line support for rate-of-return carriers

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HIGH COST LOOP SUPPORT

What is high cost loop support?

High cost loop (HCL) support provides support for the "last mile" of connection for rural companies in service areas where the cost to provide this service exceeds 115 percent of the national average cost per line. There is also a limited amount of high cost loop support for non-rural companies, which is known as interim hold harmless support. Hold harmless is discussed below in the context of forward-looking support for non-rural carriers.

What information does a carrier have to submit in order to qualify for high cost loop support?

All incumbent local exchange carriers are required to submit certain investment and expense data, including line count information, to the National Exchange Carrier Association (NECA) on July 31 of each year. Non-rural carriers are required to submit updated data on a quarterly basis, while rural carriers may voluntarily submit updated quarterly information. Rural incumbent carriers is whose service areas a competitive ETC has initiated service and reported line count data to USAC, however, must update their line count data on a quarterly basis. Please refer to section 36.611 of the FCC's rules (47 C.F.R. § 36.611) for a listing of the specific cost, investment, and line count data that must be submitted.

With regard to rural carriers, what kind of line count information must they submit in order to be eligible to receive high cost loop support?

At the present time, rural carriers must submit line count information at the study area level. High cost loop support currently is calculated and distributed at the study area level. Once a rural carrier has adopted a disaggregation plan pursuant to the FCC's RTF Order, however, that carrier must submit its line count data consistent with its disaggregation plan. For further information about requirements under the RTF Order, please visit the RTF Implementation area.

With regard to non-rural carriers, what kind of line count information must they submit in order to receive high cost loop support in the form of interim hold harmless?

Non-rural carriers must submit line count information at the wire center level. Interim hold harmless support is calculated and distributed at the wire center level. The quarterly filing schedule is as follows:

- July 31 filing: line counts as of December 31 of the previous year
- September 30 filing: line counts as of March 30 of the current year
- December 30 filing: line counts as of June 30 of the current year
- March 30 filing: line counts as of September 30 of the previous year This filing schedule also applies to rural carriers that either opt, or are required, to update their line counts quarterly.

What is the state certification requirement for rural

carriers to receive high cost loop support and non-rural carriers to receive interim hold harmless support?

In order for a rural carrier within a state to receive high cost loop support, or a non-rural carrier within a state to receive interim hold harmless support, the appropriate state public utilities commission must file an annual certification with the FCC and USAC. The certification must state that all federal high cost support provided to rural and/or non-rural carriers within the state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The certification must also reference CC Docket No. 96-45. This certification requirement for rural carriers was adopted in the FCC's Rural Task Force Order, and the first certification is due on October 1, 2001. If a state fails to certify a carrier, that carrier will not be eligible to receive high cost loop support in the first quarter of 2002. For more information about the new state certification requirement for rural carriers, please visit RTF Implementation.

What are the certification filing deadlines?

The certification deadlines are as follows:

- Certifications filed on or before October 1: carriers eligible for support for all four quarters of the succeeding year
- Certifications filed on or before January 1: carriers eligible for support for the 2d, 3d, and 4th quarters
- Certification filed on or before April 1: carriers eligible for support for the 3d and 4th quarters
- Certifications filed on or before July 1: carriers eligible for support for the 4th quarter
- Certifications filed after July 1: carriers not eligible for support in the current year

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LOCAL SWITCHING SUPPORT

What is local switching support?

Local switching support (LSS) provides interstate assistance which is designed to reduce the high fixed switching costs for companies serving fewer than 50,000 lines. Prior to 1998, this support was known as Dial

Equipment Minute, or DEM, weighting, and was recovered from interstate switched access charges. In 1998, DEM weighting was removed from local switching rates, established as local switching support, and made an explicit part of the high cost universal service support mechanism.

What information does a carrier have to submit in order to qualify for local switching support?

A cost company serving fewer than 50,000 lines must submit Form LSSc in order to qualify for local switching support. Visit HC Forms to view Form LSSc. An average schedule company serving fewer than 50,000 line must submit Form LSSa in order to qualify for local switching support. Visit HC Forms to view Form LSSa.

What is the state certification requirement for rural carriers to receive local switching support?

In order for a rural carrier within a state to receive local switching support, the appropriate state public utilities commission must file an annual certification with the FCC and USAC. The certification must state that all federal high cost support provided to rural and/or non-rural carriers within the state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The certification must also reference CC Docket No. 96-45.

This certification requirement for rural carriers was adopted in the FCC's Rural Task Force Order, and the first certification is due on October 1, 2001. If a state fails to certify a carrier, that carrier will not be eligible to receive high cost support in the first quarter of 2002. For more information about the new state certification requirement for rural carriers, please RTF Implementation.

What are the certification filing deadlines?

The certification deadlines are as follows:

- Certifications filed on or before October 1: carriers eligible for support for all four quarters of the succeeding year
- Certifications filed on or before January 1: carriers eligible for support for the 2d, 3d, and 4th quarters
- Certification filed on or before April 1: carriers eligible for support for the 3d and 4th quarters
- Certifications filed on or before July 1: carriers eligible for support for the 4th quarter
- Certifications filed after July 1: carriers not eligible for

support in the current year

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LONG TERM SUPPORT

What is long term support?

Long term support (LTS) helps to offset interstate access charges for rate-of-return regulated carriers. It was established in 1989 when mandatory pooling of interstate common line expenses and revenues was no longer required. In 1998, long term support became an explicit part of the high cost universal service support mechanism.

What information does a carrier have to submit in order to qualify for long term support?

Long term support is available only for carriers participating in the NECA pooling process. NECA pool participants receive a per-line monthly support amount from the high cost universal service support mechanism. Eligible carriers do not need to submit any additional data in order to receive long term support.

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INTERSTATE ACCESS SUPPORT

What is interstate access support?

Interstate access support (IAS) helps to offset interstate access charges for price cap companies. Only price cap carriers, or competitive carriers serving in the service area of a price cap carrier, are eligible to receive interstate access support.

What information does a price cap carrier have to submit in order to qualify for interstate access support?

A price cap carrier must submit the following information: (1) line counts; (2) revenue information; (3) UNE zone rates (if UNE zones have been established); (4) UNE zone maps (if UNE zones have been established); and (5) a carrier certification.

Please visit the Maps area for more information.

What line count information does a carrier have to submit in order to qualify for interstate access support?

A carrier must file the number of lines served within each price cap local exchange carrier study area in which it serves. The line counts must be submitted at the unbundled network element (UNE) zone level if UNE zones have been established within the study area. Residential/single-line business and multi-line business line counts must be shown separately. The line counts must be submitted on March 30, June 30, September 30, and December 30 of each year and must contain the following information:

- March 30 filing: number of lines served for October through December of the previous year
- June 30 filing: number of lines served for January through March of the current year
- September 30 filing: number of lines served for April through June of the current year
- December 30 filing: number of lines served for July through September of the current year

What revenue information must be filed in order to qualify for interstate access support?

A carrier must file Average Price Cap CMT Revenue per Line month on an annual basis.

What kind of certification does a carrier have to provide in order to qualify for interstate access support?

A carrier must file a certification with the FCC and with USAC stating that all interstate access universal service support received will only be used for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The certification may be in the form of a letter from an authorized representative for the carrier and must reference CC Docket No. 96-45. The certification must be filed annually - on the date the carrier first files its interstate access line count information and, thereafter, on June 30 of each year.

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FORWARD-LOOKING SUPPORT FOR NON-RURAL CARRIERS

What is forward-looking, or model, support for non-rural carriers?

Beginning on January 1, 2000, high cost support for non-rural carriers was based on a forward-looking economic cost model. The model generates the statewide average cost per line, which is then compared to the national average cost to determine eligibility for forward-looking support. If the statewide average cost per line exceeds 135 percent of the national average cost per line (the national cost benchmark), the state qualifies for support. Support is provided for all intrastate costs per line that exceed the national benchmark. Forward-looking intrastate costs per line equal 76 percent of the forward-looking costs generated by the model. The remaining 24 percent is recovered through the interstate jurisdiction.

Forward-looking, or model, support is distributed at the wire center level. The total support in a state is targeted so that support is only available to carriers serving those wire centers with forward-looking costs that exceed the benchmark. Forward-looking support is also portable, so that when a competitor acquires a subscriber line from an incumbent receiving support, the competitor receives the incumbent's support on a per-line basis.

Are non-rural carriers in every state eligible to receive forward-looking support?

No. In 2001, carriers in seven (7) states are eligible to receive forward-looking support: Alabama, Maine, Mississippi, Montana, Vermont, West Virginia, and Wyoming.

What is interim hold harmless support?

The interim hold harmless provision ensures that, on an interim basis, a carrier will receive the greater of the amount provided to that carrier under the current, embedded mechanism or the amount provided by the forward-looking mechanism. The hold harmless mechanism was designed as an interim measure to protect customers in high cost areas from potential rate shock as a result of any sudden, significant increases in rates during the shift to the new, forward-looking mechanism. Interim hold harmless support is also targeted to the highest cost wire centers. Beginning

January 1, 2001, hold harmless is being phased down by $1.00 reductions in average monthly, per-line support. This phasedown will continue every year until there is no more interim hold harmless support.

What information does a carrier have to submit in order to qualify for forward-looking and interim hold harmless support?

A carrier must submit the following in order to qualify for forward-looking or hold harmless support: (1) certain data, including line counts; and (2) a state certification.

What kind of data must a carrier submit in order to qualify for forward-looking or interim hold harmless support?

All incumbent local exchange carriers are required to submit certain investment and expense data, including line count information, to the National Exchange Carrier Association (NECA) on July 31 of each year. Please refer to section 36.611 of the FCC's rules (47 C.F.R. § 36.611) for a listing of the specific cost, investment, and line count information that must be submitted. Non-rural carriers are required to submit updated line count data on a quarterly basis, pursuant to the following schedule:

- July 31 filing: line counts as of December 31 of the previous year
- September 30 filing: line counts as of March 30 of the current year
- December 30 filing: line counts as of June 30 of the current year
- March 30 filing: line counts as of September 30 of the previous year

What is the state certification requirement for receiving forward-looking or hold harmless support?

In order for a carrier within a state to receive either forward-looking or hold harmless support, the appropriate state public utilities commission must file an annual certification with the FCC and USAC. The certification must state that all federal high cost support provided to non-rural carriers within the state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. The certification must also reference CC Docket No. 96-45.

What are the certification filing deadlines?

The certification deadlines are as follows:

- Certifications filed on or before October 1: carriers eligible for support for all four quarters of the succeeding year
- Certifications filed on or before January 1: carriers eligible for support for the 2d, 3d, and 4th quarters
- Certification filed on or before April 1: carriers eligible for support for the 3d and 4th quarters
- Certifications filed on or before July 1: carriers eligible for support for the 4th quarter
- Certifications filed after July 1: carriers not eligible for support in the current year

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COMPETITIVE CARRIERS

Do competitive carriers have to submit exactly the same data as incumbent carriers in order to qualify for high cost universal service support?

For the most part, competitive carriers must fulfill the same requirements as incumbent carriers in order to qualify for high cost support. Two exceptions for competitive carriers involve the submission of data.

- For purposes of qualifying for high cost loop (including interim hold harmless) and forward-looking support, competitive carriers are not required to submit the investment and cost data that incumbent carriers must submit to NECA. Instead, competitive carriers must report only the appropriate line count information. A competitive carrier serving in the service area of a rural telephone company must report the number of lines it serves on a study area basis. A competitive carrier serving in the service area of a non-rural telephone company must report the number of lines it serves on a wire center basis. A competitive carrier must comply with the rules for updating line count data. A competitive carrier serving in the service area of a non-rural carrier must also submit the state certification that is discussed above or ensure that it is included in any certification submitted by the state.
- For purposes of qualifying for interstate access support, a competitive carrier is required to submit only line count information and a carrier certification. A competitive carrier is not required to submit the revenue, rate, and map information required of incumbent price cap carriers.

Where do competitive carriers submit their data and certifications?

Competitive carriers should submit their information to the following address:

USAC
444 Hoes Lane
RRC 4A1060
Piscataway, NY 08854

Toll-Free: (877) 877-4925
Fax: (866) 873(USF)-4695
E-mail: HC Filings

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Content Last Modified: March 8, 2004

EXHIBIT 3

Certification Checklist Search Results

Study Area Name:	Alliance Communications
Study Area Code:	391657
State:	SD
October1 2003:	09/25/2003

New Search

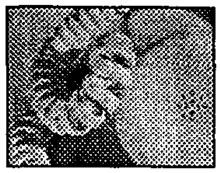

EXHIBIT 4

Graphics Off

The Universal Service Administrative Company

Home | High Cost | Low Income | Rural Health Care | Schools & Libraries

Overview

- Process Overview
- Timetable/Deadlines
- Acronym Glossary

Components

- High Cost Loop Support
- Local Switching Support
- Long Term Support
- Interstate Access Support
- Forward Looking Line Support (ICLS)

Telecom Carriers

- Certification Requirements
- Line Count Requirements
- Confidentiality Procedures
- Disaggregation

Tools

- High Cost Model
- Certification Checklist
- Disaggregation Maps
- IAS Maps

Forms

- ICLS Sample Letters
- USAC Forms

HC Main > Certification Checklists Search

Certification Checklist Search Results

Study Area Name:	Alliance Communications
Study Area Code:	391642
State:	SD
October1 2003:	09/25/2003

New Search

QUICK LINKS

- Certification Checklists
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- Sample Letters
- Forms
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- Get Help!
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- Site Map
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- Website Policy

EXHIBIT 5

Graphics Off

The Universal Service Administrative Company

Home | High Cost | Low Income | Rural Health Care | Schools & Libraries

Overview

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- USAC Forms

HC Main > Certification Checklists Search

Certification Checklist Search Results

Study Area Name:	HILLS TEL CO, INC.-IA
Study Area Code:	351405
State:	IA
October1 2003:	09/25/2003

New Search

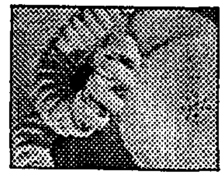

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EXHIBIT 6