2017 SEMINARS
FOR THE RURAL TELECOM INDUSTRY

Telecom Regulatory Reporting

Presented by the Moss Adams Communications & Media Practice and CoBANK

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants
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Moss Adams

- Firm established in 1913
  - Serving telecom clients since 1957
- The 11th largest accounting and consulting firm in the U.S.
  - 1,800 staff and partners
- Organized by industry and service specialists
- Telecom personnel in Seattle, Spokane, Stockton, Kansas City, Austin (virtual), and Dallas offices
Course Outline

• Lifeline Reform and Reporting
• FCC Form 481
• FCC Form 477
• HUBB Reporting
• USAC Audits
• Highlights of Other Reporting Requirements
  • EC1050 Reporting
• CPNI/Red Flags
• FCC Form 499
• Competitive Overlap Challenge Process
• Update on FCC Regulatory Reform
Housekeeping

• Class schedule
  • Thursday 8:30 – 4:30 / Friday 8:00ish – 12:00
• CPE forms
• Evaluation forms
• Regular breaks
• Facilities
  • Restrooms
• Lunch
• Introductions
LIFELINE MODERNIZATION:
Lifeline Changes, and
FCC FORMS 497 and 555

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Lifeline Modernization

• Broadband is now a Lifeline-Support Service
  • Must meet minimum service standards
    • Fixed Broadband
    • 10/1 Mbps, 150GB/mo usage allowance
    • Updates annually on December 1st
  • Exception
    • May still be applied in census blocks not meeting the minimum standard if:
      1. Provider doesn’t offer fixed broadband that meets minimum service standard
      2. Service is at least 4/1 Mbps
      3. Discount applied to highest performing service offering in census block
Lifeline Modernization (cont’d)

• Consumer Qualification for Lifeline
• Federal assistance programs
  • Supplemental Nutrition Assistance Program (SNAP)
  • Medicaid
  • Supplemental Security Income (SSI)
  • Federal Public Housing Assistance
  • Veterans Pension benefit and Survivors Pension benefit (new to list)
• Removed from list
  • Low-Income Home Energy Assistance Program (LIHEAP)
  • National School Lunch Program (NSLP)
  • Temporary Assistance for Needy Families (TANF)
• Tribal-specific assistance programs remain the same
• Income-based eligibility generally remains the same
  • Household income at or below 135% of Federal Poverty Guideline
  • Definition of income amended to align with IRS definition of gross income
• State-specific eligibility criteria removed
Lifeline Modernization (cont’d)

• Consumer Qualification for Lifeline (cont’d)

• Eligibility change waivers

<table>
<thead>
<tr>
<th>State</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>October 31, 2017</td>
</tr>
<tr>
<td>Maryland</td>
<td>October 31, 2017</td>
</tr>
<tr>
<td>Michigan</td>
<td>December 31, 2017</td>
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<tr>
<td>New York</td>
<td>December 1, 2017</td>
</tr>
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<td>Utah</td>
<td>October 31, 2017</td>
</tr>
<tr>
<td>Vermont</td>
<td>October 31, 2017</td>
</tr>
<tr>
<td>Washington</td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>December 31, 2017</td>
</tr>
</tbody>
</table>
Lifeline Modernization (cont’d)

• Lifeline Benefit Port Freezes
  • Broadband benefit = 12 months
  • Voice benefit = 60 days
• Exceptions
  1. Subscriber moves residential address
  2. Provider ceases to operate/fails to provide service
  3. Provider imposed late fees for non-payment ≥ the monthly service charge
  4. Provider in violation of FCC rules and subscriber is impacted
Lifeline Modernization (cont’d)

• Lifeline Benefit Port Freezes (cont’d)
• Application of the Port Freezes
  • Based upon service type reported in NLAD

<table>
<thead>
<tr>
<th>Subscribed Service</th>
<th>Port Freeze</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice Only</td>
<td>60 Days</td>
</tr>
<tr>
<td>Voice with Broadband (BB doesn’t meet min. service standards)</td>
<td>60 Days</td>
</tr>
<tr>
<td>Broadband Only</td>
<td>12 Months</td>
</tr>
<tr>
<td>Broadband with Voice – (voice doesn’t meet min. service</td>
<td>12 Months</td>
</tr>
<tr>
<td>standards)</td>
<td></td>
</tr>
<tr>
<td>Bundle – (both voice and BB meet min. service standard)</td>
<td>12 Months</td>
</tr>
</tbody>
</table>

• California and Oregon opted out of NLAD – which administers port freeze
  • FCC granted waivers of port freeze implementation until June 1, 2017 or sooner
Lifeline Modernization (cont’d)

- Lifeline Benefit Phasedown

<table>
<thead>
<tr>
<th>Date</th>
<th>Mobile Voice-Only</th>
<th>Fixed Voice-Only</th>
<th>Mobile Broadband</th>
<th>Fixed Broadband</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 1, 2019</td>
<td>$7.25</td>
<td>$7.25</td>
<td>$9.25</td>
<td>$9.25</td>
</tr>
<tr>
<td>December 1, 2020</td>
<td>$5.25</td>
<td>$5.25</td>
<td>$9.25</td>
<td>$9.25</td>
</tr>
<tr>
<td>December 1, 2021</td>
<td>$0*</td>
<td>$0*</td>
<td>$9.25</td>
<td>$9.25</td>
</tr>
</tbody>
</table>

- Remains at $5.25 in blocks with 1 Lifeline provider until Dec. 1 of year WCB announces 2nd Lifeline provider has begun providing service
Lifeline Modernization (cont’d)

• National Lifeline Eligibility Verifier
  • Transfers responsibility of eligibility determination away from providers
  • Will function to
    • Determine initial subscriber eligibility
    • Conduct annual recertifications
    • Populate Lifeline Eligibility Database
    • Calculate support payments
  • Phase-in
    • 12/31/17 – deployed in at least 5 states
    • 12/31/18 – deployed in an additional 20 states
    • 12/31/19 – deployed in all states and territories
Lifeline Modernization (cont’d)

• National Lifeline Eligibility Verifier (cont’d)
  • Once NV is deployed, it will handle recertification and replace monthly 497 reporting
  • Continue to verify eligibility under existing processes until NV is deployed in your state
    • Will need to follow new rolling certification process
Lifeline Modernization (cont’d)

• Rolling Certifications
  • Change from all subscribers annually at once (FCC From 555) to annually every 12 months on the subscribers Lifeline Anniversary date.
    • Until NV is deployed in your state
    • Anniversary date is the date you begin providing Lifeline credit to a customer – not the first time they ever received a Lifeline credit
  • Must be completed – not begun – by the anniversary date
  • May still have USAC, State Verifier administer rolling certifications
Lifeline Modernization (cont’d)

• Rolling Certifications (cont’d)
  • Allowed to do batch certifications
    • I.e., grouping of anniversary dates together – Month of May
  • Contact the customer no more than 150 days prior to anniversary date
  • USAC has sample letter and certification form
    • USAC Recertification Letter
    • USAC Recertification Form
  • Must obtain signature and must send separately from monthly bill
  • Customer has 60 days to respond – may send reminders via mail, phone, etc.
  • Must de-enroll customer within 5 business days after the 60-day response period elapses – and prior to anniversary date
  • Once de-enrolled from company internal system, must de-enroll from NLAD within 1 business day – and prior to anniversary
Lifeline Modernization (cont’d)

• Rolling Certifications (cont’d)
  • Transition Period
Lifeline Modernization (cont’d)

• Rolling Certifications (cont’d)
  • Subscribers with Jan 1 – June 30th anniversaries, there is no recertification in 2017.
    • First recertification will be in 2018
  • Subscribers with July 1 – Dec 30 anniversaries must recertify using Rolling certification process.

• Sample time line (July Anniversaries)
  1. 3/20/2017 – verify eligibility using state database if available
  2. 4/2/2017 – send initial notice to subscribers
  3. 4/2 – 5/31/2017 – 60 Day response window (may send reminders)
  4. 6/7/2017 – De-enroll failed subscribers from internal systems
  5. 6/8/2017 – De-enroll failed subscribers from NLAD
Lifeline Modernization (cont’d)

• Documentation demonstrating subscriber eligibility of Lifeline
  • Including NLAD queries and subscriber signed certifications
  • Income-based or program-based eligibility included
  • Maintain documentation demonstrating subscriber income-based or program-based eligibility for as long as subscriber receives Lifeline service from carrier, but no less than the three preceding calendar years.
  • Be prepared to provide information to FCC or USAC during audits or investigations, or for NLAD processes.
  • For carriers relying on a state Lifeline administrator: Must securely retain any documentation and correspondence provided by the administrator.
    • Once stopped maintain records for at least 3 years
Lifeline Modernization (cont’d)

- Documentation demonstrating subscriber eligibility of Lifeline (cont’d)
  - Rule does not apply retroactively; only going forward
  - FCC Reminds ETCs of CPNI and duty to protect subscriber information
  - Must employ certain minimum practices to secure subscriber information stored on network computers:
    - Firewalls and boundary protections, protective naming conventions, user authentication requirements, and usage restrictions.
    - Really the same CPNI requirements
Lifeline Modernization (cont’d)

• Lifeline Broadband Provider
  • New “ETC” Lifeline designation from the FCC
    • To provide Lifeline Broadband only – not voice
  • Petition for Designation includes
    • General info about the company (history, services, technology)
    • Customer currently served
    • Attestation to follow Lifeline rules
    • Financial and technical demonstration of ability to service
    • Certification of operating in emergency situations
    • Area seeking designation (census block list)
• Stream-lined filing
  • Serve 1,000 non-Lifeline customers with voice and/or BIAS
  • In business for two years with uninterrupted service
FCC Form 497

• Lifeline & Linkup
  • ETC’s non-tribal support equals $9.25 per month
    • Link Up support ended April 2012
  • ETC’s tribal support up to an additional $25 for tribal land residents ($34.25 maximum) and Link Up covers 100% of the customary charges up to $100
  • Toll Limitation Service – No longer reimbursed
• **Broadband is now a support service!!!**
  • Lifeline subscriber may apply discount towards broadband service in a bundle or as stand-alone service (if applicable)
  • FCC clarified that carriers who do not commercially offer stand-alone broadband need not offer a standalone broadband lifeline service offering
FCC Form 497 (cont’d)

• Submit by the 8th each month
• Must use 1st of Month “Snap Shot” date
  • January 1, 2017 snapshot for December 2016 support
• Paid monthly
• Lifeline service covers subscriber line charge ($6.50) and dial tone ($2.75)
  • Additional Tribal Support covers additional dial tone
• Broadband Lifeline Support applied to internet access
  • Not the NECA wholesale transport charge.
• Offer toll restriction at no charge
• No deposit for Lifeline service unless customer does not take toll restriction when they have toll
• Lifeline Basic Voice Service should include:
  • Single Party Service
  • Voice Grade access to the PSTN
  • DTMF or functional equivalent (touch tone)
  • Access to
    • Emergency services
    • Operator services
    • Toll services
    • Directory Assistance
  • Free TLS

• Lifeline not assessed FUSC, Access Recovery Charge (ARC), and LNP End User charges
• Keep in Mind
  • Advertising must reach eligible customers that are not on the telephone network.
  • Maintain supporting documentation, including advertisements, for three years.
  • All rates and charges must be documented on bill and supported by a tariff or price list.
  • The program enforces the one-per-household rule. One landline or one wireless phone, but not both, at each principal place of residence (fine up to $16,000 for each violation up to $112,500 for single continuing violation).
  • Forbearance of Broadband Lifeline obligation – ACAM companies March 30th
FCC Form 497 (cont’d)

• Common Audit Findings
  • Failure to provide clear and simple customer bills for Lifeline credits so subscriber is unaware of Lifeline credits
  • Carrier did not use the correct customer eligibility criteria
  • Failure to submit Form 555 certification by January 1
    • Re-certification on all its consumers’ continuing eligibility
  • Failure to provide adequate advertising documentation
FCC Form 497 (cont’d)

- Failure to use updated annual verification/certification letter
- Failure to provide adequate subscriber detail
- Claiming toll limitation not based on incremental cost study
- Penalties?
  - Monetary forfeitures of up to $150,000 for each violation or each day of a continuing violation up to a maximum of $1,500,000
  - False statements or misrepresentations may be punishable by fine or imprisonment
FCC Form 555

• Lifeline Reform Order (FCC 12-11) requires ETCs to annually re-certify eligibility Lifeline Subscribers from FCC Form 497 February of previous year

• Form to be filed with FCC, USAC, and relevant state commissions (check with state to see if they want) by January 31st

• Provide results of subscriber recertification process

• Provides results of de-enrollments process

• 2018 Filing (2017 recertifications) TBD
  • Changes coming
FCC Reform Order Reporting Requirements

FCC Form 481 – Carrier Annual Reporting Data Collection Form

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FCC Form 481

• Overview
  • Filing deadline – July 1, 2017
  • Certification is for Funding Year 2018
  • Required by all ETC and Lifeline Companies (C.F.R. §54.313 and §54.422)
    • CLEC without a CETC status not required to complete
    • Assume Lifeline Broadband Providers (LBP) included
  • Used to validate support received for High Cost and Lifeline
  • Required Filings to:
    • USAC, FCC, State Commission, and Tribal Entities
FCC Form 481

• Overview (cont’d)
  • Differences Between 2016 filing and 2017
  • **STILL WAITING!**
    • FCC and OMB haven’t released or approved revised form
  • What do we Know?
    • 5 Year Plan/Updates – GONE
      • RoR Reform Order Para 216-217
    • Maps and Narrative of Support/Deployment - GONE
    • Adding Geocoded Location Reporting
      • Rate of Return with > 80% 10/1 deployment
      • ACAM/AK Plan/CAF BLS Obligations likely to refer to HUBB
FCC Form 481

• Overview (cont’d)
  • Information to be completed for Form 481
    • Line 100 – Service Quality Improvement Reporting
    • Line 200 – Service Outage Reporting
    • Line 300 – Unfulfilled Service Request
    • Line 400 – Number of Complaints
    • Line 500 – Service Quality Standards and Consumer Protection
    • Line 600 – Functionality in Emergency Situations
    • Line 700 – Company Price Offerings
    • Line 800 – Operating Companies and Affiliates
    • Line 900 – Tribal Land Offerings
    • Line 1000 – Voice Services Comparability Report
    • Line 1100 – Terrestrial Backhaul
    • Line 1200 – Terms and Conditions for Lifeline
    • Line 3005 – Rate of Return Data
Line 100 – Service Quality Reporting

- Progress Report
  - Due July 1, 2017 and Update Each Year
  - Maps detailing progress
  - USF received – CapEX and OpEX
  - Details of how support improved service quality, coverage, capacity
  - Explanation of unfulfilled improvement targets
  - Wire center or census block level
  - Separately broken out for voice and broadband
  - Reporting Period – Full Year 2016 (Jan–Dec)
Line 100 – Service Quality Reporting

- Missing or Changing The Targets
  - Only Provide Current Year
    - USAC Does Not Want Original Five-Year Plan Modified
  - Provide Explanation What Changed
  - Provide Explanation Why Changed
    - Budget Constraints
    - Funding Issues
    - Reallocate to High Growth Area
    - Weather Related
  - Don’t Forget CapEx/OpEx Budget
Line 100 – Service Quality Reporting

• Updates To Progress Report
  • Need To Address The Following:
    • How Much USF Was Received (Line 114)
    • How much USF was Used to Improve Service Quality and How Support was Used to Improve Service Quality (Line 115)
    • How much USF was Used to Improve Service Coverage and How Support was Used to Improve Service Coverage (Line 116)
    • How much USF Was Used to Improve Service Capacity and How Support was Used to Improve Service Capacity (Line 117)
  • Narrative Report Lines 115-117
Progress Update – 47 C.F.R. §54.313(a)(1):

Titletown Telephone ("Titletown") submits its progress report for Service Quality Improvement pursuant to C.F.R. 54.313(a)(1) detailing its progress towards meeting its targets for improvement and upgrade to Chipper’s network throughout its service area.
This Progress Update details how Titletown Telephone continues to meet its broadband obligations within its service area, completes service requests within a reasonable amount of time within its study area near rural Green Bay, WI. The projects listed provide improved service quality, improved service coverage, and improved service capacity within the wirecenter boundaries of Titletown. Titletown has been upgrading its transmission equipment in order to deploy FTTH PON technology. Titletown continues to upgrade its transmission network to meet voice service quality obligations and broadband speeds pursuant to FCC rules and obligations.
Titletown uses Ethernet technology to provide advanced services to community anchor institutions within its service territory. In addition, this Progress Update provides sufficient data that details capital and operational expenditures, the amount of USF received allocated between capital, and operational expenditures.

All USF funds received and detailed within this Progress Update was used in accordance with federal rules and regulations towards improving service quality, service coverage, and service capacity.
## Broadband Network Upgrades: 2016

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Wirecenter</th>
<th>Estimated Start Date</th>
<th>Estimated Completion Date</th>
<th>Estimated Population Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core fiber network upgrade with additional capacity to meet broadband demands</td>
<td>GBWISFDS1</td>
<td>1/1/2016</td>
<td>10/1/1016</td>
<td>25,000</td>
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<tr>
<td>Purchase of equipment and vehicles to support FTTH deployment</td>
<td>GBWISFDS1</td>
<td>1/1/2016</td>
<td>12/31/2016</td>
<td>10,000</td>
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<tr>
<td>Upgrade of transmission equipment to support FTTH &amp; VDSL deployment</td>
<td>GBWISFDS1</td>
<td>1/1/2016</td>
<td>6/1/2016</td>
<td>15,000</td>
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<tr>
<td>Upgrade of transmission equipment to support FTTH &amp; VDSL deployment</td>
<td>GBWISFDS1</td>
<td>1/1/2016</td>
<td>3/15/2016</td>
<td>10,000</td>
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<tr>
<td>Core fiber network upgrade with additional capacity to meet broadband demands</td>
<td>GBWISFDS1</td>
<td>1/1/2016</td>
<td>12/1/1016</td>
<td>10,000</td>
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<tr>
<td>No new upgrades scheduled for this year</td>
<td>GBWISFDS1</td>
<td>1/1/2016</td>
<td>12/31/2016</td>
<td>10,000</td>
</tr>
<tr>
<td>Brookside has 100% FTTH Deployment</td>
<td>GBWISFRSO</td>
<td>1/1/2016</td>
<td>12/31/2016</td>
<td>10,000</td>
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### Service Quality Reporting

#### CapEx Budget

<table>
<thead>
<tr>
<th>CapEx Budget</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
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<tr>
<td>2110 Land &amp; General Support</td>
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<td></td>
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<td></td>
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<tr>
<td>2210 Central Office Switching</td>
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<td></td>
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<tr>
<td>2230 Central Office Transmission</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2410 Cable &amp; Wire Facilities</td>
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<tr>
<td>Total Capital Expenditures</td>
<td>340,000</td>
<td>470,000</td>
<td>325,000</td>
<td>405,000</td>
<td>325,000</td>
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#### OpEx Budget

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</thead>
<tbody>
<tr>
<td>Plant Specific</td>
<td>623,802</td>
<td>639,397</td>
<td>655,382</td>
<td>671,766</td>
<td>688,560</td>
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<td>Plant Nonspecific</td>
<td>8,500</td>
<td>8,713</td>
<td>8,931</td>
<td>9,154</td>
<td>9,383</td>
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<td>Depreciation</td>
<td>767,652</td>
<td>786,844</td>
<td>806,515</td>
<td>826,677</td>
<td>847,344</td>
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<tr>
<td>Customer Operations</td>
<td>173,155</td>
<td>177,484</td>
<td>181,921</td>
<td>186,469</td>
<td>191,131</td>
</tr>
<tr>
<td>Corporate Operations</td>
<td>417,247</td>
<td>427,678</td>
<td>438,370</td>
<td>449,329</td>
<td>460,562</td>
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<tr>
<td>Total Operating Expenses</td>
<td>1,990,356</td>
<td>2,040,115</td>
<td>2,091,118</td>
<td>2,143,396</td>
<td>2,196,981</td>
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#### USF Support

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<tr>
<td>High Cost Support</td>
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<tr>
<td>ICLS</td>
<td>485,000</td>
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<tr>
<td>CAF</td>
<td>125,000</td>
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<tr>
<td>TOTAL</td>
<td>960,000</td>
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</table>
Line 100 – Service Quality Reporting Maps

Titletown Telephone Company
Green Bay Wirecenter

2016 VDSL/VoIP Upgrade

2016 Core Fiber Upgrade

2016 Core Fiber Upgrade

2016 FTTH Project
Line 200 - Outage Reporting

• Required to report on any facility owned, operated, leased, or otherwise utilized

• Detailed outage information for outages of at least 30 minutes; and

• At least 10% of the end users in the designated service area (Study Area) was affected; or

• A 911 special facility outage – Must Report

• Any outages reported to NORS (Network Outage Reporting System) – Must Report
Line 200 - Outage Reporting (cont’d)

• Report must include:
  • Date and time the outage began
  • Date and time the outage ended
  • Brief description of the outage and resolution of the outage
  • Particular services affected
  • Geographic areas affected
  • Steps taken to prevent a similar situation in the future
  • Number of customers affected
Line 300 - Unfulfilled Service Requests

• Voice Service
  • Number of requests for voice service from potential customers that were unfulfilled
  • Details of how the ETC attempted to provide service

• Broadband Service
  • Number of requests for broadband service from potential customers that were unfulfilled
  • Details of how the ETC attempted to provide service

• Make sure explanation does not include CPNI
Line 400 – Number of Complaints

- Voice Service
  - Number of voice service complaints received per 1,000 connections
  - Fixed Voice Telephony Service
  - Mobile Voice Telephone Service

- Broadband Service
  - Number of broadband service complaints received per 1,000 connections
  - Fixed Broadband Service
  - Mobile Broadband Service

- Complaints filed with FCC or State Commission
Line 500 - Certification of Compliance with Service Quality Standards and Consumer Protection Rules

• Separate certifications must be filed for both voice and broadband service
• Make sure to include statements regarding:
  • CPNI
  • Red Flag
  • State QoS
  • CTIA Consumer Code
  • Tariffs
  • Any voluntary code of conduct
Line 600 - Certification of Ability to Function in Emergency Situations

- Separate certifications must be filed for both voice and broadband service
- Demonstrated ability to function in emergency situation:
  - Reasonable back up power
    - Ensure functionality without external power source
  - Ability to reroute traffic around damaged facilities
  - Capable of managing traffic spikes caused from emergency situations
Line 700 – Voice Price Offerings

• Voice Prices
  • Residential Local Service Charge effective January 1 of reporting year
    • If different rates for different exchanges – must report each exchange and the rate
  • Exchange Name(s)
  • Type of Service – Flat Rate/Measured/Metered
  • State SLC
  • State USF Fee
  • Mandatory EAS Charge
  • Do Not Include Federal Fees/Surcharges
Line 710 – Broadband Price Offerings

• Broadband Price
  • Residential rate
  • State fees
  • Broadband download speed
  • Broadband upload speed
  • Usage allowance (if any)
    • Identify action taken when allowance reached
      • Overage Charge
      • Blocking Traffic
      • Rate Limiting
      • Other – need to identify
Line 800 Operating Companies & Affiliates

- Affiliates associated with *study area* to be reported
  - Include all that are ETCs or;
  - Provide retail broadband Internet access
- Report to include:
  - Holding company
  - Operating company
  - Affiliates
  - Branding ("dba" or brand designation)
Line 900 - Tribal Reporting

- ETCs Serving Tribal Lands
- Information demonstrating that discussions with Tribal governments included (at a minimum):
  - Needs assessment and deployment planning with a focus on Tribal community anchor institutions
  - Feasibility and sustainability planning
  - Marketing services in a culturally sensitive manner
Line 900 - Tribal Reporting (cont’d)

• Information demonstrating compliance with:
  • Right-of-way processes
  • Land use permitting requirements
  • Facility siting rules
  • Environmental review processes
  • Cultural preservation review processes
  • Tribal business and licensing requirements
    • Certificate of Public Convenience and Necessity
    • Tribal business license
    • Master license
    • Other related forms of Tribal government licensure
Line 1000 – Comparability Reporting

• Voice
  • Certifying that the company’s rate for voice services is no more than two standard deviations above the applicable national average urban rate for voice service
    • 2015 Benchmark Rate = $47.48
  • Detailed description of how pricing of fixed voice is not more than two standard deviations above the average
  • USAC has been looking for an affirmation of rates statement (Line 1010)

• Broadband
  • Certify that 2015 Pricing of at least one broadband offering meeting all of the FCC’s requirements is no higher than applicable benchmark
  • Benchmark online tool:
    • https://www.fcc.gov/general/urban-rate-survey-data-resources
  • FCC inquires on those that couldn’t – fact finding
Line 1000 – Comparability Reporting (cont’d)

• Reasonable Comparability Broadband Benchmark (2016 Rates)
  • 10/1 Mbps, 100 GB usage $71.40
  • 10/1 Mbps, 250 GB usage $75.99
  • 10/1 Mbps, unlimited usage $77.80
  • 25/5 Mbps, 250 GB usage $95.08
  • 25/5 Mbps, unlimited usage $96.89
Line 1000 – Comparability Reporting (cont’d)

• Non-Compliance (FCC 14-190)
  • Case-by-Case Basis for Time Being
    • FCC – “We find that it would not be appropriate to apply a uniform support reduction to all ETCs that fail to offer reasonably comparable prices”
  • Variety of Factors Determining Prices
  • FCC Will Gather More Information – Apply Reasonable Approach at a Later Date
• USAC Will Gather Additional Information
  • ETC Will Have Opportunity to Explain
• Future Steps For Non-Compliance Postponed For Now
Line 1100 – Description of Terrestrial Backhaul

• Looking to see if carrier has terrestrial or satellite backhaul for study area
• If satellite only option – must provide description of how company has no options
  • Note: Microwave is considered terrestrial
• Carrier needs to confirm broadband speed of 1 Mbps downstream and 256kbps upstream
Line 1200 – Terms and Conditions for Lifeline

• Carriers must provide T&C for voice service plans offered to Lifeline subscribers
  • Options to provide information
    • PDF of tariff
    • Website link
  • Make sure your tariff pages or webpages are up to date with the 2012 Lifeline Reform Order (FCC 12-11)
  • Check and confirm carrier’s filing contains:
    • Information describing T&C of Lifeline plans
    • Detailed number of minutes part of Lifeline plan
    • Additional charges for toll calls and rates
    • Applicable to wireline and CMRS providers
Line 3005 - Rate of Return Data

• Fifth Order on Reconsideration (FCC 12-1237), released 11/26/12

• Carriers receiving RUS loans
  • Submit 2015 RUS Operating Report

• Non-RUS borrowers that are audited
  • Option 1 – file audited 2015 financial statement
  • Option 2 – provide 2015 financial information in a form consistent with the RUS Operating Report

• Carriers that are not audited
  • Option 1 – file 2015 financial statement reviewed by a CPA
  • Option 2 – provide 2015 financial information in a form consistent with the RUS Operating Report
  • Include officer certification that carrier is not audited in the ordinary course of business and reported data are accurate
Line 3005 - Rate of Return Data (cont’d)

• Line 3010 – Milestone Certification
  • Reasonable Steps Taken to Provide 10/1 Broadband Upon Request (REASONABLE)
• Line 3011/3012 – Community Anchor Institutions
  • List for 2015 – New or Ability to Offer Broadband
• Line 3021 – Include Audit Opinion Letter (New)
Line 3005 - Rate of Return Data (cont’d)

- Financial Data Summary

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<tr>
<th>Line 481</th>
<th>RUS Report</th>
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<td>Line 3027 Revenue</td>
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Form 481 - Filing Obligations

• USAC
  • Online or Paper
  • USAC automatically holds all submissions in confidence

• FCC
  • Redacted Filings – ECFS
  • Confidential Filings – Paper Mailing
    • Reference Protective Order DA 12-1857 – November 2012

• State PUC
  • Redacted Filings – Verify State Requirements
  • Confidential Filings – Verify State Requirements

• Tribal Filings
  • Verify with Tribal Government
Filing Deadlines

• Annual reporting information must be filed no later than July 1 of each year in order to receive support for the following calendar year

• Reports filed after the July 1 deadline
  • Filed no later than October 1 = support for the 2\textsuperscript{nd}, 3\textsuperscript{rd}, and 4\textsuperscript{th} quarters of the subsequent year
  • Filed no later than January 1 = support for the 3\textsuperscript{rd} and 4\textsuperscript{th} quarters of the subsequent year
  • Filed no later than April 1 = support for the 4\textsuperscript{th} quarter of the subsequent year
Certification of High-Cost Support

• Due October 1 – receive support in succeeding year
  • Submitted by State Commission
• Certification in letter format
• Clearly referencing WC Docket No. 10-90
• Filed with Office of the Secretary of the FCC and the Administrator of the High-Cost Fund
CETC Progress Report

- Much more relaxed reporting obligations
- Only need to provide narrative for remaining years of support
- Provide amount of support received
- Project out areas to be served
- Project out planned upgrades and projects
- Maps are optional
FCC Form 477

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
FCC Form 477

• Due March and September to FCC via Web Portal
  • June 30 and December 31 Data Is Reported
    • Broadband Deployment & Subscription Data
    • Voice Subscription
    • Mobile Broadband Deployment (Maps)
    • Mobile Broadband Service Availability & Subscription
    • Mobile Voice Deployment & Subscription
FCC Form 477 (cont’d)

• Who needs to file?

• Four types of entities
  1. Facilities-based Providers of Broadband Connections to End Users
     1. Owns portion of physical connection to end-user premise
     2. Uses leased facilities that term at customer prem and provisions broadband
     3. Provisions broadband via wireless to end-user over spectrum
     4. Provides terrestrial mobile wireless service over own network
  2. Providers of Wired or Fixed Wireless Local Exchange Telephone Service
  3. Providers of Interconnected Voice over Internet Protocol (VoIP) Service
  4. Facilities-based Providers of Mobile Telephony (Mobile Voice) Service
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<th><strong>Facilities-based Providers of Terrestrial Mobile Wireless Broadband</strong></th>
<th><strong>Providers of Wired or Fixed Wireless Local Exchange Telephone Service</strong></th>
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FCC Form 477 (cont’d)

• Broadband Deployment
  • Census Block Level
    • Can Use State Broadband Mapping Info
  • Technology of Transmission
    • Common Codes Used
      10 - ADSL
      11 - ADSL2, ADSL2+
      12 - VDSL
      20 - SDSL
      50 - Fiber
      70 - Wireless
  • Maximum Upload & Download [Advertised Speeds - Consumer](#)
  • Maximum Upload & Download [Contractual Speeds - Business & Government](#)
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FCC Form 477 (cont’d)

• Broadband Subscription
  • Census Tract Level
  • [https://www.fcc.gov/general/census-blocks-state](https://www.fcc.gov/general/census-blocks-state)  
    CSV or Excel File Format
  • Technology of Transmission
    • Common Codes Used
      10 - Asymmetric xDSL
      20 - Symmetric xDSL
      30 - Copper Technologies (EoC & T1s)
      40 - Cable Modem
      50 - Optical Carrier/FTTH
      70 - Wireless
  • Downstream & Upstream Bandwidth
    • Maximum Advertised or What Consumer is Expecting
  • Connections – Total Connection & Consumer Connections
### Broadband Subscription File

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FCC Form 477 (cont’d)

- Fixed Voice Subscriptions
  - Census Tract Level
  - VGE & VoIP
  - VGE Lines or VoIP Subscriptions
  - Consumer VGE Lines or VoIP Subscriptions
    - Carrier Does Not Have to Own the Network to Report Interconnected VoIP Subscribers
- Primary Interexchange Carrier/No Primary Interexchange Carrier
  - Not Just PIC’d To ILEC
  - All Subs PIC/No PIC by Bus/Res
FCC Form 477 (cont’d)

Voice Subscription File

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FCC Form 477 (cont’d)

• Mobile Broadband Deployment
  • Shapefile
    • DBA, Tech, Spectrum, Min Down, Min Up

• Mobile Broadband Service Availability
  • Census Tract Level
  • Advertising Entity

• Mobile Broadband Subscription
  • State
  • Downstream & Upstream Bandwidth
  • Subscribers – Total Subs & Consumer Subs
FCC Form 477 (cont’d)

Mobile Broadband Deployment Shapefile

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FCC Form 477 (cont’d)

Mobile Broadband Availability File

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Mobile Broadband Subscription File

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FCC Form 477 (cont’d)

• Mobile Voice Deployment
  • Technology of Transmission
  • Spectrum Used

• Mobile Voice Subscription
  • Number of Subscribers
  • Direct Subscribers
    • Direct Billed or Pre-Paid Subscribers
FCC Form 477

• Revisions to prior years
  • Won’t impact your ACAM or CAF – BLS Buildout obligations (if any)
  • Required to make revisions if a “material” change is found
    • Subscription counts – 5% or greater impact
    • Deployment – Nothing specific - Would assume same 5%
      • i.e., if 5% or more blocks have incorrect Tech code, speed, etc – Fix
  • Let the FCC know that you filed a revision and why
    • In the notes section of the 477 filing explain
    • Notify FCC via email as well – 477info@fcc.gov
HUBB Portal Location Reporting
Requirement for CAF Support Recipients

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
HUBB Portal Location Reporting

• **Requirement Applies to:**
  - Carriers receiving support from the Connect America Fund that are subject to *specific broadband deployment obligations*
    - Connect America Fund-Broadband Loop Support (CAF-BLS)
    - Alternative Connect America Cost Model (A-CAM) support, and
    - Connect America Fund Phase II (CAF II) support (including Alaska Communications Systems)

  - CAF-BLS recipients with *no build-out requirements* will report new locations on FCC Form 481

  - Annual reporting requirement - penalties for non-compliance
HUBB Portal Location Reporting

• Submit Data and Certifications No Later Than March 1
  • Each year of support term
  • First submission March 1, 2018

• The FCC says:
  “To ensure the uniform enforcement of ETCs’ reporting requirements, rate-of-return ETCs that fail to file their geolocation data and associated deployment certifications due by March 1 of each year in a timely manner will be subject to the same penalties that currently apply to ETCs for failure to file the information required by section 54.313 on July 1 of each year.”
HUBB Portal Location Reporting

• Qualifying Service

  • Broadband Speeds must meet defined public interest obligations
    • CAF-BLS Recipients
      • At least 10/1 Mbps
    • A-CAM Recipients:
      • At least 4/1 Mbps; 10/1 Mbps; 25/3 Mbps
HUBB Portal Location Reporting

• Qualifying Locations
  • Residential and small business locations taking *consumer-grade* broadband
  • Must be in supported census blocks
    • CAF-BLS Recipients
      • Any location within study area (pending completion of FCC competitive overlap challenge process)
    • A-CAM Recipients:
      • Locations in A-CAM supported census blocks (funded or capped)
HUBB Portal Location Reporting

• Deployment Timeframe - March 1, 2018 Submission

  • CAF-BLS Recipients
    • deployment between 5/25/2016 and 12/31/2016
    • deployment between 01/01/2017 and 12/31/2017

  • A-CAM Recipients:
    • deployment between 01/01/2017 and 12/31/2017
    • By 03/01/2019 - Report pre-existing locations where qualifying service was deployed in 2016 and earlier
HUBB Portal Location Reporting

• **Data to be Collected and Submitted**
  - Study Area Code
  - Latitude
  - Longitude
  - Date of Deployment
  - Download/Upload Speed Tier
  - Address
  - City
  - State
  - ZIP
  - # of Units
  - HUBB Location ID
HUBB Portal Location Reporting

• **Study Area Code***

A-CAM support recipients with multiple study areas within a state will use the ONE study area code provided in response to a request from USAC
HUBB Portal Location Reporting

• **Latitude***
• **Longitude***
  • Collect Geolocation Data
    • GPS in the field – *most accurate*
    • *GPS-enabled smartphones, tablets, other mobile devices*
    • *Collect coordinates within the property boundaries*
  • Desktop mapping software – *good if maps are current*
    • *Manual process*
  • Automated Geocoding – *most potential for error*
    • *Online services - upload batch of addresses for conversion to coordinates*
    • *Expect errors, especially with new development and rural addresses*
    • *Coordinates may inaccurate*
• Record/report minimum of 6 decimal points
HUBB Portal Location Reporting

• **Date of Deployment***
  • Use 4-digit year
    • Format as mm/dd/yyyy or m/d/yyyy

• CAF-BLS Recipients
  • *Do not report deployment prior to 5/25/2016*

• A-CAM Recipients
  • *Required to report 2017 deployment by 3/1/2018*
  • *May report pre-existing deployment by 3/1/2019*
HUBB Portal Location Reporting

- **Download/Upload Speed Tier***
  - Single digit (1-8)
  - Report the tier in which broadband service speeds fall
  - Report only service in tiers meeting public interest obligations

<table>
<thead>
<tr>
<th>Speed Tier</th>
<th>Minimum Download</th>
<th>Minimum Upload</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 Mbps</td>
<td>256 kbps</td>
</tr>
<tr>
<td>2</td>
<td>4 Mbps</td>
<td>1 Mbps</td>
</tr>
<tr>
<td>3</td>
<td>10 Mbps</td>
<td>1 Mbps</td>
</tr>
<tr>
<td>4</td>
<td>25 Mbps</td>
<td>3 Mbps</td>
</tr>
<tr>
<td>5</td>
<td>25 Mbps</td>
<td>5 Mbps</td>
</tr>
<tr>
<td>6</td>
<td>100 Mbps</td>
<td>20 Mbps</td>
</tr>
<tr>
<td>7</td>
<td>100 Mbps</td>
<td>25 Mbps</td>
</tr>
<tr>
<td>8</td>
<td>1 Gbps</td>
<td>500 Mbps</td>
</tr>
</tbody>
</table>
HUBB Portal Location Reporting

- **Address***
  - Street Address – *no commas*
  - If no street address available, description that can be located on a map
    - 3 mi NE of Hwy 123/Smith St

- **City***
- **State*** (standard abbreviation)
- **ZIP Code***
HUBB Portal Location Reporting

• # of Units*
  • A single-family home is 1 unit
  • An apartment building is multiple units
  • Each unit counts as a deployment location

• HUBB Location ID
  • Leave this field blank
HUBB Portal Location Reporting

• Data Formatting

  • Excel File – *include header row*

<table>
<thead>
<tr>
<th>Study Area Code*</th>
<th>Latitude*</th>
<th>Longitude*</th>
<th>Date of Deployment*</th>
<th>Download/Upload Speed Tier*</th>
<th>Address*</th>
<th>City*</th>
<th>State*</th>
<th>Zip Code*</th>
<th># of Units*</th>
<th>HUBB Location ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>123456</td>
<td>30.379560</td>
<td>-97.742563</td>
<td>5/28/2016</td>
<td>3</td>
<td>8810 Tallwood Dr</td>
<td>Austin</td>
<td>TX</td>
<td>78759</td>
<td>20</td>
<td>123456</td>
</tr>
<tr>
<td>123456</td>
<td>30.380299</td>
<td>-97.744035</td>
<td>5/28/2016</td>
<td>4</td>
<td>8806 Silverarrow Cir</td>
<td>Austin</td>
<td>TX</td>
<td>78759</td>
<td>1</td>
<td>123456</td>
</tr>
</tbody>
</table>

• Save as CSV (comma-delimited) file before uploading
HUBB Portal Location Reporting

- Validate Data Before Submitting
    - *Click the “Check your data” button*
HUBB Portal Location Reporting

- Validate Data Before Submitting
  - *Click the “Upload File” button*
HUBB Portal Location Reporting

• Validate Data Before Submitting
  • *Hope for no errors*

Read our Terms and Conditions.

Upload Another File

Results

1 Successful Record

0 Errors

0 Warnings

Universal Service Administrative Co.
HUBB Portal Location Reporting

- **Validate Data Before Submitting**
  - *Errors? Identify and Correct*
HUBB Portal Location Reporting

- **Validate Data Before Submitting**
  - *Errors? Identify and Correct*

<table>
<thead>
<tr>
<th>Study Area Code</th>
<th>Latitude</th>
<th>Longitude</th>
<th>Date Of Deployment</th>
<th>Download/Upload Speed Tier</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th># of Units</th>
<th>HUBB Location ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>30.379560</td>
<td>-97.742563</td>
<td>5/28/2016</td>
<td>3</td>
<td>8810 Tailwood Dr</td>
<td>Austin</td>
<td>TX</td>
<td>78759</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>30.380209</td>
<td>-97.744038</td>
<td>5/28/2016</td>
<td>4</td>
<td>9808 Silverarrow Cir</td>
<td>Austin</td>
<td>TX</td>
<td>78759</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>
HUBB Portal Location Reporting

• Best Practices

  • *For future reporting periods submit data frequently*
    
    • Gather geolocation data *as you deploy to new locations*
    
    • Submit to the HUBB within 30 days of service availability
    
    • Avoid last minute data gathering before next deadline
USAC Audits

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
USAC Audits

• USAC audits under the direction of the FCC’s Office of Inspector General

• Purpose is twofold
  • Assess compliance with FCC Rules
  • Address requirements of the Improper Payment Information Act
    • Waste, fraud, and abuse
USAC Audits (cont’d)

• Program was modified beginning in 2011
  • There are now two programs
    • Payment Quality Assurance Program (PQA)
      • Not an “audit”
      • 10 Days to Respond
    • Beneficiary & Contributor Audit Program (BCAP)
      • Auditing Universal Service Contributions and Disbursements
USAC Audits (cont’d)

• Beneficiary & Contributor Audit Program
  • Formal audit program to evaluate compliance with rules
  • Covers all four programs and contributors
  • Audit type and scope based on risk and size of payments
    • Performance audits
    • Agreed upon procedures audits
USAC Audits (cont’d)

• Beneficiary & Contributor Audit Program (BCAP)
  • High Cost –
    • Eligibility Requirements
    • Line Count Submissions
    • Data Submissions
  • Contributor –
    • Completeness of Revenue
    • 300 Block Reporting
    • Classification of Products
    • Jurisdiction Allocation
    • USF Recovery Charges and Associated Reporting
USAC Audits (cont’d)

• Beneficiary & Contributor Audit Program (BCAP)
  • Lifeline –
    • Number of subscribers reported on the FCC Form 497
    • Amounts reported on the FCC Form 497
    • Beneficiary eligibility to receive Lifeline Program support
    • Subscriber eligibility to receive Lifeline Program support
    • Lifeline Program support passed through to subscribers
    • Adequacy of advertising efforts
  • Schools & Libraries –
    • Applicant eligibility
    • Competitive bidding process
    • National School Lunch Program (NSLP) discount calculations
    • Disbursements
    • Children's Internet Protection Act (CIPA)
    • Delivery and/or installation of eligible products and services
    • Technology planning, as appropriate (Funding Year 2014 and prior)
USAC Audits (cont’d)

• Record Retention
  • FCC Order on Retention (FCC 07-15)
    • Records must be made available to:
      • FCC OIG
      • USAC
      • Auditors hired by OIG and USAC
  • Data Supporting and Tying to Filings
    • Line Counts
    • Customer Records
    • Continuing Property Records
    • Maintenance Contracts
    • Any other relevant documentation or records
USAC Audits (cont’d)

• Contributor Audits
  • It’s all about the 499 and supporting documentation
    • Did you report the revenues in the appropriate block and on the right line?
    • Do you have documentation to support the revenues reported?
      • Line/customer counts
      • Billing detail
      • Contributor certification
      • Customer usage certifications/declarations

• Record Retention
  • 47 C.F.R. § 54.320
    • All ETC Keep Records For 10 Years From Receipt of Funding
USAC Audits (cont’d)

• Beneficiary Audits
  • Verification of how your High Cost Support calculations
    • Line counts and backup documentation
    • Certifications and filing submissions
    • Billing records
    • COST STUDY support
      • Basis for nearly all support (RRQs)
  • HCLS, SNA, ICLS/CAF BLS, CAF ICC
  • Permissible Expenses (Oct 5, 2015 PN)
    • Non-exhaustive list of non-recoverable expenses through HC support
      • Personal Travel
      • Alcohol
      • Gifts to employees
      • Late payment penalties/fines
USAC Audits (cont’d)

• Lifeline Audit
  • Electronic detail of certain month including
    • First/Last name, address, telephone number, birth date, last 4 SSN, discount start date, service type (voice/BB/bundle), dollar value
    • Ties to 497 report for that month
  • Local Tariff describing terms and conditions of Lifeline and non-Lifeline Service
  • Annual Financial Statements
  • Audit reports
  • Evidence of Lifeline advertising (period 12 months prior to audit month)
    • TV ads, radio, newspaper, brochures, audio recordings if available
  • FCC Form 555 subscriber lists and tieing information to columns
USAC Audits (cont’d)

• Lifeline Audit (cont’d)
  • Samples of notifications sent to customers to recertify
  • Extensive Background Questionnaire on Processes
    • Responsible parties
    • Methods for determining eligibility
    • Recertification processes
    • Process for terminating lifeline credit
    • NLAD updating processes
    • Service plan information
  • Internal Control Questionnaire
    • Proper people maintaining and review information
    • Systems used to gather, maintain, protect data
USAC Audits (cont’d)

• Common Findings
  • Inadequate Document/Data Retention
  • Improper Regulated/Non-Regulated Allocations
  • Improper Account Classification
  • Inaccurate Reporting of Depreciation/Amortization
  • Improper Cut-Off Periods
  • Inaccurate Reporting of Affiliated Transactions
Highlights of Other Reporting Requirements
Other Reporting Requirements

• Topics to be covered
  • EC1050 Reporting
  • USAC Line Counts
  • Truth in Billing
  • Schools & Libraries
  • ICC/CAF True Up
NECA Monthly Reporting

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Billing and Reporting Cycles

• Data must be updated and corrected for up to 24 months. Tie EC 2060-L or AS 2060-L to General Ledger or billing records.
  • Maintain backup data to verify accuracy.
• Effective July 1, 2012, FCC/USAC CAF ICC requires calendarized switched revenue and demand
  • The CAF ICC true-up is for July 1 thru June 30 for traffic sensitive
  • Realized revenue is revenue in which payment has been received
  • Imputed revenue is for ARC rate if not billed
  • True-ups need to be done by April 2016 Lock
• Access lines and SLC revenue should reflect calendar year ending December 31 to comply with CAF BLS
Recent Changes

- Report DSL line counts on lines 2C (1,2)
- Report new CBOL revenues and costs on lines 14-21
  - Line 14 - End user reported CBOL revenue (actual or imputed) based on the full calculated CBOL rate
  - Line 15 - CBOL Net Realized Uncollectible
  - Lines 16-21 are from cost study
- Report DSL data-only revenues for second mile transport on lines 35B(1), 35D(2,A), 35E(2,A)
Recent Changes

- ARC revenue on data-only lines to be reported but not billed
- Imputed data-only ARCs apply to all ROR companies whether or not they receive CAF BLS or ACAM/Alaska Plan support
- Weighted average voice ARC rate
Recent Changes

New reporting requirements for CAF BLS, ACAM, Alaska Plan

• CAF BLS
  • Same reporting requirement as before with exception to
    • Line numbers
    • CBOL, if rate tariffed by NECA

• ACAM/Alaska Plan
  • No longer require to report common line data which include CBOL
  • If demand was provided to NECA to calculate a CBOL rate and are in DSL pool, report CBOL lines, no CBOL revenue
  • If demand was provided to NECA to calculate a CBOL rate but are not in DSL pool, do not report CBOL lines and revenue
### CAF BLS

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Current View</th>
<th>Mean View</th>
<th>Total View</th>
<th>Latest View</th>
<th>Average View</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Residential &amp; Single-Line Business</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>B. Multi-Line Business</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>C. DSL Line Counts (1.2)</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>D. Data only lines</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
</tbody>
</table>

### ACAM/Alaska Plan

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Current View</th>
<th>Mean View</th>
<th>Total View</th>
<th>Latest View</th>
<th>Average View</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Residential &amp; Single-Line Business</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>B. Multi-Line Business</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>C. DSL Line Counts (1.2)</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>D. Data only lines</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
</tr>
</tbody>
</table>

---

**Notes:**
- CAF BLS and ACAM/Alaska Plan columns are aligned for comparison.
- Data are presented in a tabular format with columns for current view, mean view, total view, latest view, and average view.

---

**2017 SEMINARS**

**Moss-Adams LLP**
Data Entry

- **Settlements**
  - View News
    - **07/05/2005** Global
      - Priority News: The Average Schedule System will LOCK on Monday, July 25, 2005 @ 5:00 pm EDT. The COST System will LOCK on Wednesday, July 27, 2005 @ 5:00 pm EDT.
    - **07/05/2005** Global
      - Priority News: The following rate changes are in effect as of July 2005. Please reflect these changes when reporting your Data Month Estimate (DME):
        - The average rate of decrease for Traffic Sensitive Switched Access is -10.2%.
        - The average rate of decrease for Traffic Sensitive Special Access is -12.3%.
        - The Federal Universal Service Charge (FUSC) is reduced by 8.1% from 11.1% to 10.2%.
    - **06/23/2005** Global
      - Priority News: REMINDER: The deadline for submitting your completed FCC Form 477 is September 1, 2005. Please remember to copy NECA on your e-mail submission to the FCC (Form477@neca.org). Thank you.

- **Expand Selected News Text**
- **Close**
Data Entry

- Data Month Estimate (DME)
Data Entry

• Data Month Estimate (DME)
Data Entry

- Data Month Estimate (DME)
Data Entry

- Data Month Adjustment (DMA)
Data Entry

• Data Month Adjustment (DMA)
Data Entry

- Data Month Adjustment (DMA)
Data Entry

- Multiple Month Data Entry / Spread Adjustments
  - Allows exchange carriers to input one amount for a DMA and have that amount **equally** distributed over a range of months
  - Example: Need to add one line port charge ($23.51) for April through June

Applies to Month: June 20XX Through: April 20XX
Data Entry

- Multiple Month Data Entry / Spread Adjustments
  - Comment under Header tab will apply to the range of months
  - Input total adjustment amount
  - Cost study true-up

*Need to select individual month on Data Entry Selection screen to confirm data is release

$24 (rounded) X 3 months

= $72 total input for Line 3C3
Data Entry

• Maintain backup data
Data Entry

- Maintain backup data

Applies to Month: Aug 20XX
Through: April 20XX
Questions?
USAC Line Counts
NECA FORECASTS / FCC Form 507

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
USAC Line Counts

- Forecast Line Counts Data Request Due in February to NECA
- Separate data collection than cost forecast
- ACAM Companies do NOT complete
  - Purposes
    - Collect study area data to set rates from July 1 to June 30
    - USAC uses data to compute Connect America Fund – Broadband Loop Support (CAF BLS) – formerly ICLS
  - Report historical and projected lines for three successive September 30th
    - Prior Year
    - Current Year
    - Following Year
USAC Line Counts (cont’d)

• Report Customer Premises Terminations (CPTs)
  • A line termination at a customer’s premises
  • EUCL charged
• Types of lines to be reported
  • Residential Customer Premises Terminations (CPTs)
    • Include employee concession lines
  • Exclude
    • Centrex
    • ISDN
    • Lifeline
• Lifeline CPTs
USAC Line Counts (cont’d)

• Types of lines to be reported
  • Single Line Business CPTs
    • Exclude Integrated Services Digital Network (ISDN) Service
  • Multi-line Business CPTs
    • Exclude
      • Payphone Lines
      • Centrex
      • ISDN & DS1 Service Arrangements
      • Official Company Lines
USAC Line Counts (cont’d)

• Types of lines to be reported
  • Centrex CPTs
    • Residence and Dormitory
  • Centrex Business CPTs
  • Total Payphone Lines
  • Payphone Lines Assessed FUSC
  • Basic Rate Interface ISDN
  • Primary Rate Interface ISDN
    • 5 access lines per arrangement, report by number of arrangements not lines
USAC Line Counts (cont’d)

• Types of lines to be reported
  • DS1 Channel Lines
    • 5 access lines per arrangement, report by number of arrangements
  • Special access surcharge channels reported in Special Access Surcharge Channels section
    • EC-1050-I, Line 3.C)1) for Cost Company or AS1000-I, Line 5 A) for Average Schedule
  • $ / 25 = Voice Grade Equivalents
• Unbundled Network Element Loops (Average Schedule Companies only)
<table>
<thead>
<tr>
<th>SERVICE DESCRIPTION</th>
<th>1.3 LOOPS USF IN 970 (end of period)</th>
<th>TOTAL LOOPS USF IN 960 (end of period)</th>
<th>+COST STUDY LOOPS (average)</th>
<th>COST COMPANY POOL ACCESS LINES (monthly count)</th>
<th>END USER COMMON LINE CHARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Party Subscriber Lines (Bu.: Ref - includes Lifeline &amp; toll restricted lines) - per line</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Concession Service - per line</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Temporary Suspension of Service (Vacation Rate) - per line</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1/2</td>
</tr>
<tr>
<td>Multi-Party Line Bridged in Field (e.g. 2 lines), billed per party</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Multi-Party Line Bridged in Central Office (e.g. 2 lines)</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>All Payphones (Customer owned, Telco owned) - per line</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Basic Centre CO - per station</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Regulated wireless exchange access service provided by ILEC (e.g., BTSRIS) - per line</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mobile Telephone/Pager/Cellular Lines</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Official Company Line - per line (see Glossary, Section 3, for full definition)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Official Test Lines - per line (see Glossary, Section 2, for full definition)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Direct Inward/Outward Dial (Non ISDN) - per line</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>10 Trunks to PBX or Central CU with 10 Stations - per trunk</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Off-Premises Extension Bridged in Field - per line</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Off-Premises Extension Bridged in Central Office - per line (in addition to POTS line)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Foreign Exchange Service (FX) - per line</td>
<td>Note (b)</td>
<td>Note (b)</td>
<td>Note (b)</td>
<td>Note (b)</td>
<td>Note (b)</td>
</tr>
<tr>
<td>Special Access (e.g., WATS/600, Local Private Line) - per line</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ADSL/SDSL Voice/Data Service</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Special Access SDSL Data Only (up to 768 kbps) - per line</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ISDN Basic Rate Interface (BRI) Arrangement (Count 1 per arrangement)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ISDN Primary Rate Interface (PRI) Arrangement (Count 5 per arrangement) Note (c)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Exchange Access Lines to Internet Service Provider - per line</td>
<td>Note (d)</td>
<td>Note (d)</td>
<td>Note (d)</td>
<td>Note (d)</td>
<td>Note (d)</td>
</tr>
<tr>
<td>Unbilled Subscriber Lines (Count separately from ILEC customer loops)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Resold Lines</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Special Access High Capacity Circuit (DS1, DS3, etc.) - Wideband - Note (f)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Special Access 2 Wire Voice Grade Circuit</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Special Access 4 Wire Voice Grade Circuit</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ADSL and SDSL Data Only (above 768 kbps) - Wideband - per line - Note (f)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>T1/DS1 Channel Service (Customer Provides Channelization)</td>
<td>5</td>
<td>5</td>
<td>5</td>
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<tr>
<td>T1/DS1 Channel Service (EC Provides Channelization)</td>
<td>Note (g)</td>
<td>Note (g)</td>
<td>Note (g)</td>
<td>Note (g)</td>
<td>Note (g)</td>
</tr>
<tr>
<td>Voice Mail Loops (Count only when utilizing equipment external to ILEC's switch)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**NOTES:**

(a) If an EC chooses to bill ECNL revenue must be reported to NECA pool.
(b) If the closed end of an intra-LATA FX is billed under the local service tariff, count 1 line for all columns. If the closed end of an intra-LATA FX is billed from the special access tariff, count 1 TOTAL LOOP USF IN 960, 1 COST STUDY LOOP, and 0 for all other columns.
(c) Includes PBX and Centrex facilities that are provided using ISDN.
(d) The local service line between the local switch and the ISP location is counted in all columns whenever the ISP lines terminate on the EC's switch.
(e) UNE revenue is not in cost study.
(f) A wideband channel is a communication channel of a bandwidth equivalent to 12 or more voice grade channels. Wideband facilities are Cat 1 and are therefore not counted in any column.
(g) For lines provided using derived channel (or trunk-line) facilities, count each voice band equivalent channel in service, up to 24.

* Cost study loop count applies to either message loop or private line loop in cost study, depending upon type of service.

9/8/2006 v.29
USAC Line Counts (cont’d)

• Types of lines to be reported (NEW)
  • Consumer Broadband Only Loops
    • Data-only broadband connections in service – sold to ISP
    • CBOL replaced the Data-only DSL charge
      • Now part of Common Line RRQ and CAF BLS bucket
  • Source for all line counts is the End User Billing Report and refer to Line Count Guide
USAC Line Counts (cont’d)

• Connect America Fund-Broadband Loop Support Line Count Data (FCC Form 507)
  • Formerly Interstate Common Line Support (ICLS)
  • Line counts used to calculate per line USF support
  • All rate-of-return carriers not affiliated with a price cap company must file 12/31 line counts by July 31st along with the 507 certification form
• Types of lines to be reported
  • Total Residential Customer Premises Terminations (CPTs)
USAC Line Counts (cont’d)

• Types of lines to be reported (cont’d)
  • Residential includes:
    • Centrex
    • ISDN
    • Employee concession lines
    • Lifeline
  • Total Single Line Business CPTs, including
    • ISDN BRI
USAC Line Counts (cont’d)

• Types of lines to be reported (cont’d)
  • Total Multi-line Business CPTs, including:
    • Payphone lines
    • ISDN
      • 5 lines for each PRI arrangement
    • Centrex
    • DS1 Channel Arrangements (5 lines if customer channelizes)
  • Excludes official company lines
• Data-only broadband connections in service (CBOL)
FCC FORMS 508 and 509

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
FCC FORMS 508 and 509

• Purposes
  • Collect study area projected cost and revenue data to for July 1 to June 30
  • USAC uses data to compute Connect America Fund – Broadband Loop Support (CAF BLS) – formerly ICLS

• Cost and revenue data collected during the NECA Cost study and line count forecast
  • If participating in the Common Pool, NECA compiles and prepares form for approval and certification to send to USAC

• ACAM companies do not file
FCC FORMS 508 and 509 (cont’d)

• Filing made to USAC by March 31st each year
  • for upcoming period of July 1 through June 30

• Data Included
  • Common Line Revenue Requirement
  • Projected CBOL RRQ
    • Currently the surrogate method of cost calculation
      • CL RRQ @ 100% SPF divided by line count total x forecasted CBOL count
      • May change to actual Data-Only RRQ
  • Projected SLC Revenues
    • Line count forecasts x $6.50 or $9.20
FCC FORMS 508 and 509 (cont’d)

• Data Included (cont’d)
  • Forecasted Ave. Monthly Consumer Broadband-Only Loops
  • Imputed CBOL Revenues
    • Forecasted Ave. Monthly CBOL count × 12 × $42
  • Projected Special Access Surcharges
    • Count × $25
  • Projected End User Port Charge Revenue
    • ISDN BRI - $2.23 × count
    • ISDN PRI - $23.51 × count
    • DS1 Channel Arrangements – $23.51 × count
FCC FORMS 508 and 509 (cont’d)

- Excludes any Budgetary Constraint Impacts
- Total forecasted RRQs - forecasted revenues = CAF BLS
- USAC determines overall Budgetary Constraint Mechanism (BCM) based upon forecasted Universal Service Fund demand
- 508 forecasted support will be reduced via the BCM on a per line and pro Rate (flat percent hair cut)
- Reduced support made up through the CBOL rate
  - That’s why no one has a $42 rate
FCC FORMS 508 and 509 (cont’d)

• FCC Form 509
  • Reports actual data by December 31st for the preceding calendar year
  • Calculates true up of estimate (508) to actuals (509)
  • Trueup applied to following disbursement period after filing
  • Example
    • 509 filed by December 31st, 2017 will report actuals for Jan-Dec 2016
    • Trueups associated with CY 2016 will be applied to disbursements from July 1, 2018 through June 30, 2019
      • Will be 1/12th each month
      • ICLS trueups historically were done over 6 months
Truth In Billing

• Establishes standards for telecommunications bills
• Applies to all telecommunications common carriers, except 64.2401(a)(2) & 64.2401(c) shall not apply to CMRS, unless the FCC determines otherwise
• Does not preempt state truth in billing requirements
Basic Principles

• Who is asking the customer to pay for service?
• What services are customers being asked to pay for?
• Where can the customer call to get more information about the charges on their bill?
Goals

• Reduce slamming, cramming, and other fraud
  • Slamming - changing service or providers without permission
    • Typically an unauthorized PIC change
  • Cramming – placing unauthorized, misleading, or deceptive charges on a bill

• Aid customers in understanding bills
  • Make informed choices on telecommunications services
Potential Examples of Cramming

• Charges explained in general terms
  • “Service fee”/“service charge”/“other fees”/etc.

• Monthly charges without a clear explanation of the service provided
  • “Monthly fee”/“minimum monthly usage fee”

• Charges for an authorized service, but the customer was misled about its cost
Bill Requirements

• Bills must be clearly organized and comply with the following requirements
  • Service provider name associated with each charge
  • Where multiple carriers appear on the same bill, charges must be separated by provider (CMRS exempt)
  • Provide “clear and conspicuous notification” of any change in service provider
    • Notice that would be apparent to a reasonable customer
    • A new service provider is any provider that did not bill for services on the previous bill
Descriptions of Billed Charges

• “Brief, clear, non-misleading, plain language description” of services

• Customers must be able to accurately assess
  • Billed services are the same as ordered and received
  • Costs for services conform to their understanding of the price charged
  • Clarity of what is included in bundle
Deniable and Non-Deniable Charges

• Bill must distinguish charges for which non-payment will result in disconnection of basic local service
• Carriers may also use other methods of informing customers that they may contest charges prior to payment
• CMRS is exempt from this section
Disclosure of Inquiry Contacts

• Bill must contain “clear and conspicuous” disclosure of information necessary to inquire about or contest charges on the bill

• Must include a telephone number
  • May be the number of a billing agent with sufficient information to answer questions and resolve disputes
  • Carriers must make business address available upon customer request
Schools & Libraries

E-Rate

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Schools & Libraries

• E-Rate Modernization Order
  • FCC 14-189
  • Released 12/19/2014
  • Goal is to close the high-speed gap between urban and rural schools and libraries
  • Target bandwidth
    • Schools
      • Short Term Goal: 100 Mbps per 1,000 Users
      • Near Term Goal: 1 Gbps per 1,000 Users
      • Connection scalable to 10 Gbps per 1,000 for WANs
    • Libraries
      • 100 Mbps for libraries that service less than 50,000 people
      • 1 Gbps for libraries that service more than 50,000 people
Schools & Libraries (cont’d)

- Options for Purchasing Affordable High-Speed Broadband Connectivity
  - Suspended USAC’s Multi-Year Amortization Policy for NRC Construction Costs
  - Allowing Applicants to Pay Non-Discounted NRC over Multiple Years (4 Years)
  - Equalizing Treatment of Lit & Dark Fiber
    - Beginning 2016 construction beyond Applicant’s property line will be Category 1
    - Dark Fiber special construction – receive funding category one infrastructure costs up to 6 months prior to funding year
      - Needs to be posted on FCC Form 470
    - Self-Construction of Networks
    - Additional discounts – State matching funds
Schools & Libraries (cont’d)

- Connectivity Goals
  - Test period Category Two budgets extended through 2019
  - Adjusted E-Rate Cap to $3.9B beginning 2015

- Performance Management Systems
  - USAC to monitor effects of the Order
  - Annual performance review to track progress

- Affordable Broadband
  - Recipients of high-cost support required to respond to FCC Form 470
  - Rates comparable to similar service in urban areas
  - Must offer connections sufficient to meet the connectivity targets
  - Wireline Competition bureau to establish benchmark rates
Changes to 2016

- Equalizes the treatment of lit and dark fiber.

- Allows applicants to self-provision high-speed broadband networks, if the applicant is able to demonstrate that self-provisioning is the most cost-effective option and is able to satisfy certain other conditions.

- Clarifies the cost allocation requirements for circuits carrying both voice and data services.
Changes to 2016

• Adds Integrated Services Digital Network (ISDN) circuits to the list of eligible voice services.

• Clarifies the eligibility of firewall services and components.

• Reminds applicants they must seek bids for lit fiber service and fully consider all responsive bids before selecting and requesting support for a dark fiber or a self-provisioned broadband network.
Changes to 2016

• Allows virtualized products, including hardware and software, that perform the same functions as eligible internal connections equipment.

• Allows that virtualized functionalities, such as Software Defined Networking (SDN) and Network Function Virtualization (NFV), are eligible.
  
  o Virtualized solutions include eligible routing, switching, controller, and firewall functionalities.
  o Only virtualized solutions that perform the functions of eligible broadband internal connections are eligible.
  o Ineligible are cloud-based applications that replace equipment that is not E-rate eligible, such as servers.
  o Applicants must continue to competitively bid the broadband internal connections equipment and functionalities that meet their needs and select the most cost effective solution.
Changes to 2016

• For maintenance, clarifies that applicants need not demonstrate that actual work was performed in order to receive E-rate support for bug fixes, security patches and online or telephone technical assistance as part of the Basic Maintenance of Internal Connections.
Schools & Libraries (cont’d)

The 411 on Schools & Libraries USF Program

- What is the S&L Program?
- What’s Category 1 and Category 2?
- How to get funding?
- Process and procedures
- How to get paid?
Schools & Libraries (cont’d)

• Reimburses Providers On Eligible Services Provided to Schools & Libraries
  • Telecommunications
  • Internet Access
  • Internal Connections

• Category One: Services
  • Telecommunication Services
  • Telecommunications
  • Internet Access

• Category Two: Internal Broadband Connections and Services
Schools & Libraries (cont’d)

• Category One – Examples
  • Voice Services
    • Voice – CENTREX, ISDN, POTS, VoIP, Long Distance, Wireless
    • Subject to annual 20 percentage point phase down of E-rate support
      • FY 2017, the effective discount rate will be 60 percentage points less than other Category One services.

• Data Transmission Services & Internet Access
  • Ethernet, DS1, DS3, MPLS, DSL, Cable Modem, Broadband over Power lines, Fiber (Lit & Dark), OC-n, Dial-Up, and Wireless
  • May Include: Firewall Protection, Domain Name Service & Dynamic Host Configuration ONLY IF Standard Component of Internet Access
  • Disallowed – Applications, Email, Computers, Laptop, etc.
Schools & Libraries (cont’d)

• Category Two: Broadband Internal Connections
  • Internal connections needed for broadband connectivity within schools and libraries
    • Access Points in LAN or WLAN
    • Antennas, Cabling, Connections
    • Firewall Services and Components
    • Switches, Routers, Racks, and UPS
    • Software to Support Components
  • Managed Internal Broadband Services
    • Management and Monitoring Internal Connection Components
    • Installation and Operating LAN/WLAN
  • Basic Maintenance of Internal Connection Components
Schools & Libraries (cont’d)

• The Process for Getting E-Rate Funding
  • S&L Will Prepare a Technology Plan
    • Not To Exceed 3 Years
    • Written and Approved Before Submitting Form 470 to USAC
    • Submitted for Technology Plan Certification
  • S&L Will Submit Form 470 to USAC
    • Competitive Bidding Process
  • Provider Needs to Monitor USAC for 470s
  • Provider Responds to 470 As Outlined In 470
    • Can Bid from Tariff or Contract
    • Sometimes S&L Issues RFP
Schools & Libraries (cont’d)

• FCC Form 470
  • Posted on USAC’s Website
    https://data.usac.org/publicreports/Form470Rfp/index
Schools & Libraries (cont’d)

• FCC Form 470
  • Bidding Process – Open and Fair
    • RFP – Evaluation Process
    • Posted on USAC’s Website for at least 28 days
    • Make sure to answer all questions on RFP
      • Verify Entity School RFP Procedure(s)
  • Tips and Tricks to RFP
    • Create a check list of all items on RFP
      • Background
      • Technical Competence
      • Product Offering
      • Price/Contract
      • Network Design
    • Minimize Potential Non-Responsive RFP
Schools & Libraries (cont’d)

• S&L Will Select Provider and Notify Provider
• S&L Will Complete Form 471 to USAC
  • Item 21 Attachment (Provider to Help Complete)
    • Narrative Overview or Description
    • Line Item Detailed Information
• Receive Funding Commitment Decision Letter
  • Review for Completeness and Accuracy
• S&L Completed Form 486
  • Notifies USAC of Services
  • Can Be Completed Before Service Starts
  • No Later than 120 Days After Service Starts
Schools & Libraries (cont’d)

• USAC Will Issue 486 Notification Letter
  • Provider
  • S&L
  • Discounts Do Not Apply Until 486 Is Received!!

• Invoicing USAC for S&L Services
  • BEAR Form 472 (S&L Issues)
  • Service Provider Invoices Form 474 (Provider Issues)
Schools & Libraries (cont’d)

• Form 472 BEAR
  • Billed Entity Applicant Reimbursement
  • Provider Bills S&L With NO Discounts
    • Once Approved Provider Issues Check to S&L For Discounts
  • Provider Approves the BEAR
  • File Online ONLY
  • USAC Will Issue 472 BEAR Notification

• Form 474 SPI
  • Provider Bills S&L W Discounts
  • Used for Reimbursement of Discounts
    • Online, Electronic, or Paper Filing
  • S&L Required to Pay Its Non-Discounted Invoices
CAF ICC Data Collection

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
CAF/ICC Data Collection

• Timeframe:
  • March 2nd – NECA mails CAF ICC Data Collection letter
  • March 8th – NECA opens website database
  • April 4th – NECA closes website database
  • April 25th – Website re-opened for corrections/revisions
  • May 15th – Website closed with final data
  • May 16th thru May 30th – Company certification of data

• Cash Flow: Begins August 2017 for July 2017 data month
CAF/ICC Data Collection (cont’d)

• Purpose:
  • Calculate CAF ICC Support Amount for TY2017-2018
    • FY2011 Baseline Revenue Requirement (x 0.956)
    • Less: Estimated TY2017-2018 Total Interstate Revenue
    • Less: Estimated TY2017-2018 Transitional Intrastate Revenue
    • Less: Estimated TY2017-2018 Reciprocal Compensation Revenue
    • Less: Estimated TY2017-2018 ARC Revenue
    • Plus/Minus: True-Up Adjustment for TY2015-2016
      • (Actual EC1050 Revenue less 2014 Estimated Revenue)
    • Net: CAF ICC Support Amount for TY2016-2017
CAF/ICC Data Collection (cont’d)

- **What To Expect**
  - Terminating Local Switching Rate = $0.003567
    - Interstate and Intrastate (unless already lower)
    - 1/3 of the way to $0.0007
  
  - Estimated Intrastate Revenue
    - Option A – Revenue calculated using a single composite intrastate rate (if no Direct Trunks)
    - Option B – Revenue calculated at individual rate element level (if Tandem or EO with Direct Trunks)

- **Data Requests From Moss Adams**
  - FY2016 MOUs (usage period 10-1-15 thru 9-30-16)
    - Intrastate – terminating only
    - Interstate – originating and terminating
  
  - Forecasted Res., SLB, MLB Access Lines (as of 12-31-17)
  
  - January 1, 2017 Res. local rates and state additives
  - Forecasted CBOL lines – ARC imputation
CAF/ICC Data Collection (cont’d)

• Exchange Level Data
  • Used to Calculate ARC
  • Update any changes in local rates
    • Verify if local rates have changes since 1/1/2017
    • Lifeline & Residential Line Counts
  • Verify State USF and other State Surcharges

• Double Recovery
  • Cost Consultants provide assistance
  • Adjustments to Baseline Switched Access Revenue Requirement

• Exogenous Costs
  • TRS, FCC Regulatory Fee, and NANPA

• Imputed ARC on CBOL Lines
  • Forecasted data-only DSL lines * composite ARC rate
CAF/ICC Data Collection (cont’d)

• Certify with NECA by 5/30
• CAF/ICC True Up – State Notification
  • State Requirement to Notify State PUC
    • CAF/ICC Support Amounts
    • Projected Eligibility for Upcoming Year
    • True Ups
  • Due No Later Than 6/30/2017
• Verify State Requirements
• Confidential Filing/Redacted Filing
  • State Protective Orders
CAF/ICC Data Collection (cont’d)

- State Access Rate Tariff
  - Update State Access Tariff with TRP Rates
    - Reduction in Local Terminating Access Rate
    - Review to See if Direct Trunks Reduced
    - Verify TRP and Tariff (Can be found on NECA’s website)
  - Rates Need To Be Effective July 1st
FCC Form 499

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
FCC Form 499

• All telecommunications carriers providing telecommunications services, including interconnected VoIP providers, within the United States must file a Form 499-A
  • Form 499-Q required if not deminimis
  • 499A & 499Q available on USAC’s website:
    • http://www.usac.org/cont/tools/forms
  • Watch for changes every year
FCC Form 499

• **Recent Changes**

  • New USAC Address
    700 12th Street NW, Suite 900
    Washington, DC 20005
    • Needs to be used if mailing traffic studies, prior period 499 revisions and certifications

  • Change of “Special Access” to “Business Data Services”

  • Addition of CBOL revenues

  • Private Carriage / Non-Common Carrier broadband transmission
Form 499A Uses

• Calculate contributions to USF
  • Based on interstate and international end user revenues
    • 10% or more interstate traffic is interstate

• Telecommunications Relay Services (TRS)

• North American Numbering Plan (NANPA) Administration

• Long-Term Number Portability (LNPA)
Form 499A Uses

• Interstate Telecommunications Service Providers (ITSP) Regulatory Fee
  • FCC Form 159-W assessment

• Satisfy obligation under Section 413 of the Act to designate a DC agent and FCC registration

• Forecast quarterly USF contributions
  • Based on projected gross-billed end-user interstate and international revenues. Watch projected revenues so they end up matching Form 499-A end user interstate and international revenues.
Form 499 Filing

- 499 is filed with USAC 5 times a year
  - Form 499Qs due by:
    - February 1st (4Q actual/2Q projections)
    - May 1st (1Q actual/3Q projections)
    - August 1st (2Q actual/4Q projections)
    - November 1st (3Q actual/1Q projections)
  - Form 499A is due by April 1
  - Forms must be filed on the USAC efile web page
    https://forms.universalservice.org/usaclogin/login.asp
Form 499 Revisions

• 499s must be revised if revenue data changes
  • Form 499A revisions:
    • Decreased contributions - filed by March 31st of the year following the original filing
    • Additional contributions - accepted anytime.
  • Form 499Qs – 45 calendar days from original filing date
De Minimis Carriers

• Worksheet in 499 instructions estimates contribution less than $10,000. Watch instructions for changed contribution factor for de minimis test.
• Do not file 499Q
• Contribute to NANPA, LNPA & TRS
• Carriers near $10K contribution should file a 499Q
Reporting Gross Revenue

• Report gross revenue from all sources.
  • Gross revenues consist of total revenues billed to customers with no allowance for uncollectable, settlements, or out-of-period adjustments.
  • Gross billed revenues maybe distinct from booked revenues.
  • Deposits are not revenue.
  • NECA pool companies report actual gross billed revenues not settlements.
  • Surcharge treated as revenues included in revenue categories to which the surcharge applies
  • Revenues on the customers bills to recover federal or state universal service support goes on line 403.
499A Inputs

• Block 1 (lines 101 – 112) – Contributor Identification Information
FCC Form 499

- Line 105, Telecommunications activities
  - Select up to 5 boxes that apply (number in order of importance)
    - Audio Bridging (teleconferencing) Provider
    - Competitive Access Provider (CAP)/CLEC
    - Cellular/PCS/SMR (wireless telephony included by resale)
    - Interexchange Carrier (IXC)
    - Coaxial Cable
    - Incumbent LEC
FCC Form 499

- Line 105, Telecommunications activities
  - Interconnected VoIP
  - Non-Interconnected VoIP
  - Local Reseller
  - Operator Service Provider (OSP)
  - Paging & Messaging
  - Payphone Service Provider
  - Prepaid Card
  - Private Service Provider
FCC Form 499

- Line 105, Telecommunications activities
  - Satellite Service Provider
  - Shared-Tenant Service Provider/Building LEC
  - Specialized Mobile (SMR) (dispatch)
  - Toll Reseller
  - Wireless Data
  - Other Local (requires description)
  - Other Mobile (requires description)
  - Other Toll (requires description)
FCC Form 499

• Interconnected VoIP
  • 47 CFR Section 9.3 defines it as a service that:
    • Enables real-time, two way voice communications
    • Requires a broadband connection from user’s location
    • Requires Internet protocol-compatible CPE
    • Permits users to receive calls that originate on the Public Switched Telephone Network (PSTN) and to terminate calls to the PSTN

• Non-Interconnected VoIP
  • Enables real-time voice communications that originate from or terminate to the user’s locations using IP
  • Requires IP-compatible customer premise equipment
  • Does not include any service that is an interconnected VoIP service
FCC Form 499

- Line 106.1, Affiliate Filer/Holding Company name
  - *Entity that directly or indirectly owns or controls affiliated filers.*
    *Own means 10% equity interest*

- Line 106.2, Affiliate Filer/Holding Company IRS employer identification number

- Line 107, FCC Registration Number (FRN)

- Line 108, Management company

- Line 109, Complete mailing address of reporting entity corporate headquarters
FCC Form 499

• Line 110, Complete business address for customer inquiries and complaints

• Line 111, Telephone number for customer complaints and inquiries
  • Toll-free number if available

• Line 112, Trade names used in the past 3 years in providing telecommunications known by customers
FCC Form 499

• Block 2-A (lines 201 – 208.1) – Regulatory Contact Information
• Block 2-B (lines 209 – 218) – Agent for Service of Process
• Block 2-C (lines 219 – 228) – FCC Registration & Contact
FCC Form 499

- Block 3 (lines 301 – 315) – Carrier’s Carrier Revenue. This is line 115 for the Form 499-Q
  - Revenues from contributing resellers, intercarrier compensation, and universal service supports
  - What is a Carrier’s carrier?
    - Revenues from services provided for resale to other carriers that are contributors to FUSF
    - Revenues from carriers billed for using your facilities
      - Bill their own customers
      - Report its revenues on their 499 in Block 4
      - Calendar year revenues
    - Reasonably be expected to contribute of purchased services
FCC Form 499

• Other requirements for Block 3
  • Lines 304, 306, 307, 308, and 309 excluded in this annual process. Lines 303, 305, 310-314 must:
    • Effective January 1, 2014, new reseller certification language, use text in instructions
    • Retain Filer ID and contact information for the associated carriers
    • Verify each carrier is a direct contributor to FUSF for that calendar year for a specific service
    • Print and keep information on FCC website to validate reseller contributor status
    • Have documented procedures
FCC Form 499

- Other requirements for Block 3
  - Carrier needs to update certification during year
  - Keep records to support verification for 5 years
  - Changes due to 2012 Wholesaler-Reseller Clarification Order

- Non-compliance to these requirements may require additional universal service assessments if carrier reclassified as end user.
2012 Wholesaler-Reseller Clarification Order Highlights

• Safe Harbor means you meet reasonable expectation standards by following current procedures and use exact certification language

• Certifications covered all the way to the final reseller

• Non-contributors treated as end users
FCC Form 499

• Line 301, Filer 499 ID (repeat of Line 101)
• Line 302, Legal name of filer (repeat of Line 102)
• Fixed Local Service
  • Local services resold to another carrier like monthly service, custom calling, subscriber line & PICC charges:
    • Line 303.1, Provided as unbundled network elements (UNEs)
    • Line 303.2, Provided under tariffs or other arrangements
FCC Form 499

• Per-minute charges for originating or terminating calls
  • *Include originating or terminating VoIP-PSTN traffic*
    • Line 304.1, Provided under state or federal access tariff
      • Carrier Access Switched Billing (CABs)
      • NECA EC-1050 switched earned interstate revenues reported on Line 14 or AS1000 Line 17
    • Line 304.2, Provided as UNE or under other contract arrangements
FCC Form 499

• Local private line and special access service
  • Line 305.1, Provided to other contributors for resale as telecommunications
    • Carrier Special Access Billing (CABs) billed to carrier’s not end users
    • NECA EC-1050 SP earned interstate carrier revenues reported on Line 27 A) or AS1000 Line 25 A) for carriers not ISP
  • Line 305.2, Local private line special access service provided to other contributors for resale as interconnected VoIP
FCC Form 499

• Line 306, Payphone compensation from toll carriers
  • Compensation from 800 dial around:
    • Atlantax Systems
    • National Payphone Clearinghouse
    • Billing Concepts
    • Use ratio of interstate toll billings to intrastate toll or access revenues to split out estimated interstate compensation for a good faith estimate of interstate revenues.
FCC Form 499

• Line 307, Other local telecommunications service revenues.
• Line 308, Universal service support revenues received from federal or state sources. Exclude NECA settlements.
  • High Cost Loop-based on funds received on USAC funding disbursement page (HCL).
  • Safety Net-based on funds received on the USAC funding disbursement page (SNA).
  • CAF Support Net-based on funds received on the USAC funding disbursement page (ICC). CAF is state and interstate support.
  • Interstate Common Line Support Net-based on funds received on the USAC funding disbursement page (ICLS).
### FCC Form 499

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<td>$0.00</td>
<td>2016</td>
<td>Sep</td>
</tr>
</tbody>
</table>

FCC Form 499

• Lifeline and Link Up Charges (Form 497). All reported as interstate revenues on this line
• Intrastate universal service and lifeline support
• Exclude what lifeline customers pay and charges or credits for subsidized services to schools, libraries, and rural health care providers. These are end user revenues.

• Mobile services (wireless telephone, paging & messaging, and other mobile services)
  • Line 309, Monthly, activation, and message charges except toll services. Can use safe harbor or submitted traffic study
FCC Form 499

- Toll services
  - Line 310, Operator and toll calls with alternative billing arrangements
    - Credit card
    - Collect
    - International call-back
  - Line 311, Ordinary long distance
    - Direct dialed MTS
    - Customer toll-free service
    - “10-10” calls
    - Associated monthly account maintenance
    - PICC pass-through
FCC Form 499

- Line 312, Long distance private line services
- Line 313, Satellite services
- Line 314, All other long distance services
- Line 315, Total revenues provided for resale
- Block 4A (lines 403 – 418.3) – End User & Non-Telecom Revenue. Lines 403 thru 417 is line 116 on Form 499-Q
  - Line 401, Filer 499 ID (repeat of Line 101)
  - Line 402, Legal name of filer (repeat of Line 102)
FCC Form 499

- Line 403, Surcharges or other amounts on bills identified as recovering state or federal universal service contributions
  - For NECA companies revenue on EC-1050, Line 3.C).2. or AS1000, Line 5 B)
  - For all other companies this could be the revenue collected from the end users called USF charges. There are rules to follow if you do this
- State universal service program payments recovered by pass-through charges itemized on customer bills
- ISPs that bill USF Cost Recovery report on this line unless it is labeled Federal Cost Recovery then it goes with revenues assessed on
FCC Form 499

- Fixed Local Services for Lines 404.1 thru 404.5
  - Monthly service
  - Local calling
  - Connection charges
  - Vertical features (custom calling features)
  - Other local exchange service except for subscriber line and PICC charges
  - Local directory assistance
  - LNP surcharges (considered interstate revenues)
FCC Form 499

- Fixed local services - Traditional circuit switched
  - Line 404.1, Provided at a flat rate including interstate toll service – local portion
  - Line 404.2, Provided at a flat rate including interstate toll service – toll portion
    - Lines 404.1 & 404.2 bundled local service with interstate toll as part of that monthly rate
  - Line 404.3, Monthly local services provided without interstate toll included
FCC Form 499

- Fixed local services - Interconnected VoIP
  - Line 404.4, Offered in conjunction with a broadband connection
  - Line 404.5, Offered independent of a broadband connection
    - Use interconnected VoIP current safe harbor with lines 404.4 and 404.5
    - If you do not use safe harbor for bundled interstate or international toll calling then determine appropriate portion of revenues
FCC Form 499

- Line 405, Tariffed subscriber lines charges, Access Recovery Charges, and PICC charges levied by a local exchange carrier to an end user
  - CLECs that do not have a tariff or price list for these revenues, not reselling such tariffed charges, or do not separately state charges on end user bill; report nothing
  - NECA EC-1050 SLC revenue on Line 6 or AS1000 Line 8
  - NECA EC-1050 PIC revenues reported on Line 22 or AS1000 Line 21 or state PIC revenues if you have a Tariff
  - NECA EC-1050 Line Port Charges for ISDN & DS1 revenues on Line 3.C).3 or AS1000 Line 5 C)
  - NECA EC-1050 ARC lines 23-25 or lines 22-24 for AS1000
FCC Form 499

• Line 406, Local private line, DSL, & business data service, includes the transmission portion of wireline broadband internet access provided on a common carrier basis (Title II) billed to end user or ISP
  • Common carriers are ILECs and CLECs whether you provide DSL or other transmission under tariff or price list
  • NECA EC-1050 DSL end user and ISP revenues reported on Lines 14 and 35 B) or AS1000 Lines 14 and 29 B)
  • Ethernet & Multi-Protocol Label Switching go on this line
  • Due diligence to assure special access is or is not interstate

• Line 407, Payphone coin revenue (local and LD, do not reduce by commissions)

• Line 408, Other local telecommunications service revenues
FCC Form 499

- Mobile services (including wireless telephony, prepaid wireless, paging & messaging, and other mobile services)
  - Line 409, Monthly, activation charges, and service order charges
  - Line 410, Message charges including roaming, local directory assistance, and air time charges for toll calls
    - Exclude separately stated toll charges
  - Must have a submitted traffic study, actuals, or use current safe harbor
FCC Form 499

• Toll services (outside of local exchange calling areas)
  • Line 411, Prepaid calling card (card sales to end users, distributors, and/or retail establishments)
    • Report at face value of cards
    • Prepaid card revenues recognized when end user purchases card
    • Includes prepaid service where customer uses the service provider’s switching platform and personal identification number
  • Line 412, International calls that both originate and terminate in foreign points
  • Line 413, Operator and toll calls with alternative billing arrangements other than revenues reported on Line 412
    • Credit card, long distance directory assistance, and collect
FCC Form 499

• Line 414.1, All, other than interconnected VoIP, including, but not limited to itemized toll on wireline and wireless bills
  • No safe harbor or traffic studies
• Line 414.2, All interconnected VoIP long distance, including, but not limited to, itemized toll
  • Use current safe harbor if actuals not known
• Lines 414.1 and 414.2 include toll calls placed for a fee, flat monthly charges, and monthly minimums
  • Split domestic flat rates using actual known minutes if jurisdiction not known
FCC Form 499

• Line 415, Long distance private line services for services extending beyond basic service area, frame relay using dedicated services
• Line 416, Satellite services
• Line 417, All other long distance services like toll teleconferencing, frame relay using the toll network
FCC Form 499

• Line 418, Revenues other than U.S. telecommunications revenues, including:
  • Information services
  • Inside wiring maintenance and installation
  • Billing and collection
  • Customer premises equipment (cell phones)
  • Published directory
  • Internet
  • Pole attachment
  • Rent revenue like space, pole, etc.
FCC Form 499

- Late payment charges
- Returned check charges
- Voice Mail
- Dark fiber not part of a UNE or telecommunications service
- Internet access
- Cable TV program transmission
- Non-Common Carrier/ Private Carriage wireline broadband internet access and cable modem service (provided cable modem service is being provided by an entity already filing an FCC Form 499-A). Price cap carriers (Title 1) offering DSL under contract
FCC Form 499

- Line 418.1, Bundled with circuit switched local exchange service
- Line 418.2, Bundled with interconnected VoIP local exchange service
- Line 418.3, Other revenues not bundled
- Line 418.4, Non-interconnected VoIP revenues not included in any other category
- Line 418 is Line 117 on Form 499-Q
FCC Form 499

• Bundle Safe Harbors
  • Two “safe harbor” methods for allocating bundle packages with telecommunications and CPE/enhanced services:
    • Report revenues based on all unbundled service offering prices & no discount allocated to telecommunications
    • Treat all bundled revenues as telecommunications revenues and nothing reported in line 418
FCC Form 499

• Block 4B (lines 419 – 423) – Total Revenue & Uncollectible
  • Line 419, Gross billed revenues from all sources including reseller and non-telecom
    • Lines 303 thru 314 plus Lines 403 through 418
  • Line 419 is line 118 on the Form 499-Q
  • Line 420, Gross universal service contribution base amounts
    • Lines 403 thru 411, Lines 413 thru 417
  • Line 421, Uncollectible revenue/bad debt expense associated with gross billed revenue amounts shown on Line 419
FCC Form 499

- Line 422, Uncollectible revenue/bad debt expense associated with universal service contribution base amounts shown on Line 420
  - Lines 421 and 422 include collected written off uncollectible and write-off recoveries
- Line 423, Net universal service contribution base revenues
  - Line 420 minus Line 422
  - Line 423 are lines 119 & 120 of the Form 499-Q
FCC Form 499

• Block 5 (lines 501 – 514) – Additional Revenue Breakouts
  • Line 501, Filer 499 ID (repeat of Line 101)
  • Line 502, Legal name of filer (repeat of Line 102)
  • Lines 503 thru 510,
    • Percent of revenues by each region of the country for Block 3, Carrier’s Carrier and Block 4, End-User Telecom
  • Customer billing addresses may be used to calculate or estimate
    • Line 510 must add to 100%
FCC Form 499

- Line 511, Include revenue from resellers that do not contribute to Universal Service support mechanisms reported in Block 4-B, Line 420.
  - Keep records of each customer with revenues reported on Line 511
- Line 512, Gross TRS contribution base amounts (lines 403 thru 417 plus 418.4 less line 511)
- Line 513, Uncollectible revenue associated with TRS base amounts on line 512
- Line 514, Net TRS Contribution base revenues (line 512 less line 513)
FCC Form 499

• Block 6 (lines 601 – 612 - Certification)
  • Line 601, Filer 499 ID (repeat of Line 101)
  • Line 602, Legal name of filer (repeat of Line 102)
  • Line 603, Mark the box for Universal Service, TRS, NANPA, LNPA Administration if entity is exempt from contributing to those funds.
    • Deminimis reseller must notify underlying carriers
  • Line 604, Indicate whether the exempt entity is state or local government entity or Internal Revenue Code (I.R.C.) 501 Tax Exempt
FCC Form 499

- Line 605, Certify that revenue data is privileged and confidential and that public disclosure would likely cause substantial harm to the competitive position of the company
  - Those that certify will have to support this position in the case of a Freedom of Information Act request
- Line 606, Signature of officer
- Line 607, Printed name of officer
  - Electronic signature is the equivalent to a handwritten signature.
- Line 608, Position with reporting entity
- Line 609, Business telephone number of officer
FCC Form 499

- Line 610, E-mail of officer (required if available)
  - If a general e-mail address, officer may not be able to go online and certify
- Line 611, Date filed
- Line 612, Check applicable box
  - Original April 1st filing
  - New filer registration
  - Revised filing with updated registration
  - Revised filing with updated revenue data
FCC Form 499

• Common Errors/Omissions
  • If you do not provide the information requested on every line, the Commission may consider you in violation of Commission rules
  • Make sure there is an officer signature in ink on mailed form
  • Enter 0 on the lines that you did not have revenues
  • Do not report negative revenues
FCC Form 499

• Report whole dollars
• Recover USF contributions in excess of amounts permitted
• Revise the Form 499 when out-of-period adjustments affect a reported amount by more than 10%
• Do not report NECA settlement revenues
• Uncollectibles need to tie back to year end Trial Balance
• Go on line and complete required forms when you merge or filer ceases providing telecommunications
FCC Form 499

• Do not send check with the Form 499
• Line 403 column (d) / Line 423 column (d) should = average of the last four quarters contribution factors
• Revise Form 499-A if changes are made to contributor identification, DC agent, FCC registration information, error in revenue, and/or you are no longer in business or start a new entity within one week
• Use circuit self-certification when Access Service Order is not used for end user. Have them certify it does not have 10% interstate traffic or carries internet
FCC Form 499

• Traffic Studies & Safe Harbor
  • Traffic studies and safe harbors apply when there is a need to split revenues between state and interstate services
  • Include Filer ID, Name, Holding Company (if applicable) at the top of each page
  • Use same methodology for Form 499-A that was used in Form 499-Q
    • Line 309, 409 & 410 – mobile services
    • Lines 303.2, 404.4, 404.5 & 414.2 – interconnected VoIP
FCC Form 499

• Safe harbor percentages vary by service; currently:
  • 37.1% for cellular & broadband PCS revenues
  • 12% for paging revenue
  • 1% for analog SMR dispatch revenues
  • 64.9% for interconnected VoIP telecommunications revenues
FCC Form 499

- Reporting carrier makes an election to use a traffic study or safe harbor with each filing
  - 499A must include revenues as reported in 499Qs
- Line 114 on Form 499-Q shows if safe harbor elected
- Traffic study, if used, must be submitted with each 499Q
  - No support is required at the time of filing
    - Sent to FCC and USAC
    - Subject to FCC OIG audit
      - Maintain all supporting documentation & data
FCC Form 499

- Traffic study documentation
  - Explanation of sampling and estimation methods used
  - Explanation of why the study is an unbiased estimate of the interstate and international (if applicable) traffic
  - Wireless traffic studies should include all types of minutes used to provision the wireless plan
  - Minutes of use can come from multiple sources
    - Underlying carrier for resale
    - Customer calling records
    - Switch data
  - Minutes of use should be actual, not just a “representative period”
    - Summarize by month and quarter
FCC Form 499

• Late Payment Fees
  • Interest is the > of:
    • $100 or;
    • Prime Rate (on delinquent date) + 3.5% from the date filing was due
    • Administrative charges for collection and/or penalties permitted by law
  • Additional 6% annual interest on debt remaining 90 days after delinquent
  • Fees based on date a payment was received
  • * Report and Order FCC 07-150 FCC Rcd 16372
FCC Form 499

• Record Retention
  • FCC currently requires that all records be retained 5 years including those of consultants working on your behalf
    • De Minimis Worksheet
    • Form 499 and supporting work papers
      • See USAC Audit section
    • Traffic Studies
FCC Form 499

• Federal Universal Service Charge (FUSC)
  • FUSC is paid for by all telecommunications companies that provide interstate and international telecommunications services
    • Except de minimis carriers
  • FUSC is assessed on all interstate and international end user revenues
FCC Form 499

- FUSC can, not must, be passed on to customers
  - The FCC does not dictate the manner in which carriers may recover their universal services costs from interstate or international subscribers.
    - Title 47 CFR, Part 54, Section 54.712.
- FUSC must be a separate billed line-item
  - Flat amount or a percentage
  - Not assessed on Lifeline or Link Up participants for subsidized services
  - Must not exceed the current contribution factor
  - Not assessed on exempt military
FCC Form 499

• Variances for wireless carriers
  • Commercial Mobile Radio Services (CMRS) providers may recover universal service contributions through rates charged for all services
    • Contribution factor * traffic study interstate factor * total telecommunications revenue on Lines 409 & 410
    • Contribution factor * safe harbor * total telecommunications revenue on Lines 409 & 410
    • FCC DA 05-2320
FCC Form 499

- Customer notification of FUSC increases
  - FCC rules do not specify that 30 day advance notice is required for non-dominant carriers
  - 47 CFR, Part 61.58 does require some form of advance customer notification
    - Written notification
    - Personal contact
    - Advertising in newspapers of general circulation
247

499 Tips

• For De-Regulated Product Offerings
  • Broadband
    • Transmission Allocation to Line 406
    • Internet Allocation to Line 418.3
    • Benchmark Rates To Lowest NECA Rate

Example:

<table>
<thead>
<tr>
<th>Product</th>
<th>Amount</th>
<th>Line Reporting</th>
<th>Amount Federal</th>
<th>USF Obligation</th>
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<td>1 Gig Xport</td>
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499 Tips

• For De-Regulated Product Offerings
  • VoIP
    • Price Sheets or Price Lists
    • Jurisdictional Traffic (Local, Interstate, International)
    • Local = Local and Toll = 100% Interstate OR Safe Harbor The Total Bundle

Example:

<table>
<thead>
<tr>
<th>Product</th>
<th>Amount</th>
<th>Jurisdiction</th>
<th>Amount Federal</th>
<th>USF Obligation</th>
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<td>$39.99</td>
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<td>Option 2 – Local/LD Split</td>
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<td>Local VoIP</td>
<td>$19.99</td>
<td>0% Interstate</td>
<td>$0.00</td>
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<td>L.D. VoIP</td>
<td>$20.00</td>
<td>100% Interstate</td>
<td>$20.00</td>
<td>$3.64</td>
</tr>
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</table>
# 499 Tips – NECA RB1 Pricing

**Titletown Telecom, Inc.**

123 Brett Favre Way, Green Bay, WI 53185

*Contact Mike McCarthy

Official Transmission Pricing

<table>
<thead>
<tr>
<th>Rate Band</th>
<th>Rate</th>
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<tbody>
<tr>
<td>1 Mbps/6 Mbps</td>
<td>$2.45</td>
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<tr>
<td>3 Mbps/15 Mbps</td>
<td>$3.06</td>
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<tr>
<td>25 Mbps/50 Mbps</td>
<td>$3.24</td>
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<tr>
<td>50 Mbps/100 Mbps</td>
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*Prices based of NECA Tariff #5 17.4.9(H)(2) Three-Year Term Pricing Rate Band 1 – rates effective 1/1/2017*
## 499 Tips – NECA RB1 Pricing

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<th>NRC*</th>
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**Prices based on NECA Tariff #5 17.4.8(c)(1)(b) and 17.4.8(c)(2) Rate Band 1**
References

• http://hraunfoss.fcc.gov/edocs_public/Query.do?mode=advance&rpt=full
  • Late Payment Penalties
  • DSL as Interstate
  • Wireless Cost Recovery Clarification
• http://www.fcc.gov/omd/contribution-factor.html
  • Current USF Contribution Factor
  • To subscribe to the FCC’s Daily Digest
• FCC Contacts
  • Fred Theobald – (202) 263-1613
CPNI Compliance

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Carriers Subject to CPNI Rules

• Telecommunications Carriers
  • Local exchange carriers
    • ILECs & CLECs
  • Interexchange carriers
    • Resellers
    • Prepaid telecommunications
    • Calling card providers
• Commercial Mobile Radio Service (CMRS)
  • Paging providers
• Interconnected VoIP providers
  • (enables real-time, two-way voice communications, uses broadband connection, requires IP-compatible CPE, and originates/terminates calls on PSTN)
Broadband Providers

• Broadband Internet Access Services (BIAS)
  • FCC’s preexisting CPNI rules do not apply to broadband service.....BUT
    • Sec. 222 of Telecom Act does apply to broadband, and broadband providers should take “reasonable, good faith” steps to comply
      • Employ effective privacy protection in line with company privacy protection policies
      • FCC declined to apply existing telephone-centric rules implementing CPNI
  • If in doubt- Contact the Enforcement Bureau for assistance and guidance
Broadband Providers

• 2016 Privacy Order
  • Overhauled existing privacy rules to protect privacy of broadband customers
  • Harmonized rules apply to both broadband Internet access service and voice services
  • Staggered implementation schedule – different sections become effective at different times
    • Until a section of the new rules is effective and implemented, related existing rules remain in place for voice service
  • Order was adopted on 3-2 vote, with strong dissents from Commissioners Pai and O’Rielly
Broadband Providers

• 2016 Privacy Order
  • In January 2017, group of 9 trade associations filed Petition for Stay of Order, pending resolution of Petitions for Reconsideration
    • Argues Order places more restrictions on ISPs’ use of online customer data than Federal Trade Commission privacy framework that applies to edge providers
      • Not competitively neutral and will confuse consumers
  • FCC Grants temporary stay of new data security requirements (March 1st).
  • Stay will remain in place until FCC can act on pending petitions for recon
  • Chairman Pai intends to act on stay to prevent a portion of Order from taking effect on March 2
    • Wants FCC’s privacy rules for broadband providers to be harmonized with FTC standards that apply to other companies
  • Stay will maintain pre-existing CPNI rules for voice service until FCC reconsiders Order
  • Likely there will be significant changes made to the privacy rules for broadband upon reconsideration
Broadband Providers

• 2016 Privacy Order
  • Two rule changes that will remain in effect despite stay
    • Carriers no longer have to file annual CPNI compliance certifications, previously due March 1 each year
    • Carriers no longer have to maintain a record of their sales and marketing campaigns that use their customers’ CPNI
  • The elimination of these requirements took effect Jan. 3, 2017
CPNI Defined

• Customer Proprietary Network Information (CPNI)
  • Broadly defined as data collected by telecommunications providers about their customer’s telephone services including calls made and services bought.

• CPNI can be specific to a customer or group of customers.
What is CPNI?

• Call detail information (defined in Communications Act, Section 222)
  • Information that relates to the
    • quantity
      • number of minutes used in bundled package
    • technical configuration
      • number of lines
    • call destination
      • Phone numbers called
    • type
      • local & long distance
    • amount of use of a telecommunications service
      • call times, duration, timing of such calls, frequency
  • Information made available to the carrier only through the carrier-customer relationship
What is CPNI?

• Information in customer bills regarding
  • Local exchange service
    • type of features and services
    • type of calling plan
  • Toll services purchased
    • Presubscribed Interexchange Carrier (PIC) freeze information
• Includes inbound call detail information
  • Not generally on bill
  • Switch may capture
Examples of CPNI

• CABS records (EMI Category 11 Records) including calling parties, called-parties and call volumes.
• The identify of a customer’s PIC.
• The volume of calls a customer is making.
• The amount a customer has been billed by an IXC.
• The phone numbers called, the length of a phone call, and services purchased by a customer.
What is Not CPNI?

• Subscriber list information = directory information
• Billing name and address service (BNA)
• Information from public sources (e.g., post office, Google, Bing)
• Information not obtained from the customer through the customer/carrier relationship
Carrier Obligations of CPNI
Complying with CPNI Order

• Policy governing customer authentication and disclosure of call detail over the phone on customer-initiated telephone contact
• Employee training and discipline
• Duty to protect customer CPNI, password protection, and authentication procedures for online access
• Notification procedures for informing law enforcement and customers of unauthorized disclosures of CPNI
Complying with CPNI Order

- Procedure for disclosure of CPNI to joint ventures and independent contractors
- Document complaints or problems
- Develop a company culture in which CPNI will be protected as a high priority
- Policy governing in-store visit
Customer Authentication

• Carriers are required to “authenticate” customer before releasing CPNI
  • Prevents release to an unauthorized person
• Authenticate customer prior to disclosing call detail information on customer-initiated telephone contact, online account access, or an in-store visit
• Don’t volunteer information without authentication
Methods of Customer Authentication

1. Password (Cont’d)

2. Mail to address of record – postal and electronic must be of record for at least 30 days
   Generally bill address not service address

3. Call to number of record for that service. May not be customer’s contact information

4. Customer visit to business office
   • Requires valid government ID
   • Must be current
   • Must tie to listed name on account
   • Photo must match holder of ID
Customer Authentication Not Required

• If customer of record provides call detail information during customer-initiated call without carrier assistance, carrier can then discuss call detail provided by customer. Customer not carrier volunteered all information discussed

• Business customer that is serviced by dedicated account representative covered by service contract
Notification of Changes to Account

• Immediate notification is required of changes to:
  • Password is created or changed
  • On-line account is created or changed
  • Back-up for forgotten password is created or changed
  • Address of record

• Notification is not required when customer initiates service, including selection of password

• Notice must be immediate
Notification of Changes to Account

• Notification must not reveal the changed information but may be made in the form of:
  • Carrier-originated customer call
  • U.S. mail to address of record associated with account for 30 days
  • Electronic Mail
  • Text Message to the telephone number of record
Protecting Customers

• Carriers must guard against Pretexting which is:
  • Pretending to be a customer to gain proprietary information
  • Techniques used to obtain unauthorized access to customer information

• Protect CPNI database from hackers and other unauthorized access

• FCC outlines a General Duty to protect

• Burden of proof will fall on the carrier
  • Maintain documentation of procedures
CPNI Breaches

• Carrier determines that a person without or exceeding authorization has intentionally:
  • Gained access to CPNI
  • Used CPNI
  • Disclosed CPNI

• Notify United States Secret Service & Federal Bureau of Investigation
  • Within 7 days of determination of breach

• Notify FCC at [www.fcc.gov/eb/cpni](http://www.fcc.gov/eb/cpni)
CPNI Breaches

• Customer notification after consulting named agencies
  • After full 7 business days have passed after law enforcement notification
  • Notify customers after consultation with relevant agencies
• Records of breaches must be maintained for 2 years minimum
  • Date breach was discovered
  • Description of CPNI breach
  • Circumstance of breach
Personnel Policies

• Acknowledgement of policies by all staff with access to CPNI
• CPNI training
  • Annual meeting to go over CPNI or have every employee read policy annually. FCC does not have a preference.
  • New employees must read and acknowledge policy
• Employee discipline procedures
• CPNI Compliance Officer responsibilities
  • Supervision and review of CPNI releases
  • Staff training & counseling
• Implement locks and shredders
CPNI and Marketing

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
CPNI and Marketing

• Options Available For Marketing
  • No Consent
    • Total Approach
  • Subscriber Consent
    • Opt-Out
    • Opt-In
  • Non-CPNI Types of Marketing
CPNI Marketing Consent Options

1. No consent required
   • Carrier and affiliate marketing of communications services using a “total services” approach
   • Permitted to share among affiliates that provide service
   • Carriers may market products and services within each of these categories as follows:
     • Local voice and all related services and Customer-Provided Equipment (CPE)
     • Long distance and all related services and CPE
CPNI Marketing Consent Options

• Wireless and all related services and CPE
• DSL and all related services and CPE
• Wireless broadband and all related services and CPE

• Marketing voice mail and inside wire maintenance allowed
• Limit use of CPNI outside a category of service without customer permission
• Otherwise customer permission is required by Opt-out or Opt-In to market or sell outside category of service(s)
### CPNI Total Approach – Example A

#### SERVICE CATEGORIES

<table>
<thead>
<tr>
<th>Local Service</th>
<th>Long Distance</th>
<th>Wireless</th>
<th>Non-Telecommunications Communications Services</th>
<th>Inside Wire Maintenance</th>
</tr>
</thead>
</table>

#### SUBSCRIBED SERVICES

- Local Service

Customer subscribes only to Local Service. CPNI use for marketing **without** prior customer approval is limited to Local Services and Inside Wire.
CPNI Total Approach – Example B

SERVICE CATEGORIES

- Local Service
- Long Distance
- Wireless
- Non-Telecommunications Communications Services
- Inside Wire Maintenance

SUBSCRIBED SERVICES

- Local Service
- Long Distance

Customer subscribes to both Local Service and Long Distance. CPNI use for marketing without prior customer approval is limited to Local Services, Long Distance and Inside Wire.
CPNI Total Approach – Example C

SERVICE CATEGORIES

- Local Service
- Long Distance
- Wireless
- Non-Telecommunications Communications Services
- Inside Wire Maintenance

SUBSCRIBED SERVICES

- Local Service
- Long Distance
- Wireless
- Non-Telecommunications Communications Services
- Inside Wire Maintenance

Customer subscribes to Local, Long Distance and Wireless. CPNI use for marketing without prior customer approval is limited to Local Services, Long Distance, Wireless and Inside Wire.
CPNI Total Approach – Example D

SERVICE CATEGORIES

Local Service  |  Long Distance  |  Wireless  |  Non-Telecommunications Communications Services  |  Inside Wire Maintenance

SUBSCRIBED SERVICES

Local Service  |  Long Distance  |  IPTV  |  

Customer subscribes to Local, Long Distance and Internet. CPNI use for marketing without prior customer approval is limited to Local Services, Long Distance, IPTV and other information services and Inside Wire.
2. Opt-out

- Affiliate marketing of communications services
- Specific requirements of what must be included in electronic or written method
- Notices provided every 2 years in writing or electronic
- 30 day minimum wait from date electronic notification was sent or date mailed. Give 3 extra days for mailed.
- No cost to customer
- Deemed to have consent if customer fails to object within waiting period
CPNI Marketing Consent Options

3. Opt-in

- Affiliate or 3rd party marketing of non-communications services
- Specific requirements of what must be included
- Customer affirmative express consent in oral (remember burden of proof) written, or electronic method for at least one year
- Valid until customer revokes or limits such approval or denial
Non-CPNI Based Marketing

• Newsletter or mass mailings
• Mailing to addresses of non-subscribers
• Up sell in the processing of taking service order
• Sales efforts from a customer inquiry if customer agrees
• Generalized promotions to all customers
Exceptions

• No notice required
  • Billing & collection through its agents to initiate, render, bill, and collect
  • Disclosure to facilitate provision of service
  • For prevention of fraud or abuse or protection of property
  • Services to customers during inbound, customer-initiated calls and customer approves
  • Provisioning vertical services and inside wire
  • Marketing “adjunct to basic” services
  • CMRS exception for the purpose of conducting research on health effects
  • Disclosure required by law
Common Violations

• Not assigning a compliance officer
• Not maintaining records
• Not training or certifying employees
• Not checking current Code of Federal Regulations (CFR Title 47, Part 64.2001- 64.2011)
• Not vetting marketing campaigns with the compliance officer
• Not getting password authorization to review Customer Detail Records (CDRs)
Common Violations

• Not authenticating customers for other account questions
• Targeted mailings
• Failure to restrict use of CPNI during opt-out period.
• Opt-out notice toll-free number did not work
• Sharing of CPNI with independent contractors
• Mentioning products and services outside the existing customer relationship without the customer’s approval
Common Violations

• Sales personnel did not obtain supervisory approval for marketing
• Failure to report data brokers or pretexters and steps to protect CPNI
• Failure to report opt-out anomalies within 5 business days to compliance officer
Red Flags Overview

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Red Flag Rules - Rule

• The Red Flags Rule requires many businesses and organizations to implement a written Identity Theft Prevention Program designed to detect the warning signs – or red flags – of identity theft in their day-to-day operations – Federal Trade Commission.

• Designed to prevent identity theft and apply to all “Financial Institutions” and “Creditors” with “Covered Accounts.”
  • Falls under Federal Trade Commission – Not implemented until December 31, 2010
  • Telcos are considered creditors.
Why Am I Following Red Flag Rules?

• FTC Amended Rules 2012 for Creditor’s obligations:
  • Obtains or uses consumer reports in connection with a credit transaction;
  • Furnishes information to consumer reporting agencies in connection with a credit transaction; or
  • Advances funds to or on behalf of a person, in certain cases.
Creditor Definition

- A company that regularly bills customers after services are provided
- Any person who regularly arranges or extends, renews, or continues credit
- Any assignee of an original creditor who participates in the decision to extend, renew, or continue credit
Covered Account Definition

• A continuing relationship to obtain a service
• A consumer account designed to permit multiple payments or transactions,
• Any other account for which there is a reasonably foreseeable risk from identity theft
• There may be foreseeable risk of identity theft in connection with accounts accessed remotely through Internet or by telephone
Red Flag Requirements

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Red Flag Requirements

• Identify relevant red flags and incorporate them into the Program
• Detect red flags that are part of the Program
• Respond appropriately to any red flags that are detected
• Ensure the Program is updated at least annually to address changing risks
• Your program should describe how to prevent and spot identity theft in your day-to-day operations
Red Flag 4 Basic Elements

1. Include reasonable policies and procedures to identify the “red flags” of identity theft in your day-to-day operations.
   • Look at potential patterns
   • Look at practices or specific activities
   • Consider the methods used to open accounts
   • Consider how you provide access to those accounts
Red Flag 4 Basic Elements

2. Program must be designed to detect relevant red flags. For example; have a procedure to detect fake, forged, or altered IDs

3. Spell out appropriate action

4. Ensure the Program is updated at least annually to address changing risks
Administering the Program

• Obtain approval of the initial Program by the Board of Directors, senior management, or appropriate senior-level employee

• State who will implement and administer and review how staff is complying

• Train appropriate staff

• Address how you monitor contractors’ compliance if you outsource or subcontract parts of operations. Make sure they have a copy of your policy
5 Categories of Red Flags

1. Alerts, notifications, or other warnings received from credit reporting agencies or service providers
2. Presentation of suspicious documents
3. Presentation of suspicious personal identifying information
4. Unusual use of, or other suspicious activity, related to a covered account
5. Notice from customers, victims of identify theft, or law enforcement authorities
Procedures for Detecting Red Flags

- Verify identity
- Authenticate customers
- Monitor transactions
- Verify validity of address changes
Appropriate Responses to Red Flags

• Monitor accounts for evidence of identity theft
• Contact customer
• Change passwords
• Change way to access covered account
• Close and reopen account with new account number
• Refuse to open account
• Don’t collect on or sell account
Appropriate Responses to Red Flags

- Notify law enforcement
- No response
- If fraud alert is included with credit report take reasonable steps to verify customer’s identity
- If a credit freeze is in place get more information
Red Flags Warnings

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Credit Report

• Sample changes in credit report to watch for:
  • A fraud or active duty alert
  • Credit freeze
  • Address discrepancy
  • Big increase in the volume of inquiries; especially on a new account
  • Unusual number of recently established credit relationship
  • Account closed because of an abuse of account privileges
Suspicious Documents

• Evidence of alteration or forgery
• Picture does not match
• Inconsistent information among documents
• Information on documents inconsistent with information given by applicant/customer, like a signature card or recent check
• Information on documents inconsistent with company records
• All of the above may require more information
Suspicious Personal Identifying Information

• SSN does not match birth date (use Social Security Administration’s (SSA) issuance tables)
• Address does not match credit report
• SSN is for deceased person or is not issued (use SSA Death Master File)
• SSN already used on another account
• Personal information like address, phone number, or is associated with known fraudulent activity
Suspicious Personal Identifying Information

• Applicant fails to provide complete information
• Person cannot provide passwords or common forms of identification
• Address is fictitious or a mail drop or only contact information is a pager or answering service
• Address or telephone number used by other people to open account
• Does not respond to notices that application is incomplete
• Person cannot answer a challenge question when you try to authenticate
Suspicious Activity on an Account

• Shortly after a change of address:
  • Mail is returned as undeliverable
  • Asks to add new user to account
  • Customer notifies Telco that they are not receiving bills or responds to CPNI address change notice
  • Do not ignore your voice of experience when something is questionable
Suspicious Activity on an Account

- Account activity changes
  - Request to add authorized user
  - Request for duplicate bills, etc.
  - Request for duplicate calling card
  - Sudden change in calling patterns
  - Unauthorized charges on bill
  - Does not make first payment
  - Nonpayment when no history of missed payments
Safeguards

• Limit employee access to CPNI, social security numbers, credit card numbers, and other personal information
• Lock paper records and limit who can access
• Electronically limit and monitor employee access to electronic customer information and database
• Securely dispose of data you no longer need
• For new accounts use a credit reporting company or Social Security Number Death Master File
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• Require current government-issued ID, like driver’s license or passport
• Monitor activities
• Verify validity of change-of-address requests
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Competitive Overlap Challenge Process

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY
Competitive Overlap Challenge Process

• Only Applies to CAF BLS (not HCLS)

• Qualifying Competitor
  • Definition: “a facilities-based provider of residential fixed voice and broadband services that does not receive high-cost support”
  • 10/1 Mbps Broadband
  • Real-time applications
  • Ability to port numbers
  • 85% of residential locations in a census block
  • Willing and able to extend service within 10 business days
Competitive Overlap Challenge Process

• FCC released initial list of competitively covered census blocks on September 30th
• Based on December 2015 FCC Form 477 data
• This is not a final list
  • Next vintage will likely use more recent 477 data

Census Blocks Covered by Unsubsidized Competitor

<table>
<thead>
<tr>
<th>SAC</th>
<th>Study Area</th>
<th>ST</th>
<th>Census Block</th>
<th>Competitor DBA Name</th>
<th>Competitor Technology</th>
<th>Percent Of Block Covered By ILEC</th>
<th>Land Area In ILEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>100002</td>
<td>OXFORD WEST TEL CO</td>
<td>ME</td>
<td>230010202003013</td>
<td>Time Warner Cable Inc</td>
<td>Cable Modem</td>
<td>0.318449</td>
<td>0.000061</td>
</tr>
</tbody>
</table>
Competitive Overlap Challenge Process

- Support Disaggregation Methods
  1. Geographic/Square Mileage
     - Support Reduction Schedule

<table>
<thead>
<tr>
<th>Competitive Ratio</th>
<th>Reduction Ratio</th>
<th>Competitive Ratio</th>
<th>Reduction Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%-20%</td>
<td>0%</td>
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<td>100.0%</td>
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<tr>
<td>55%-60%</td>
<td>30.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Competitive Overlap Challenge Process

• Support Disaggregation Methods

2. Density Based
  • Takes relative density of competitive vs non-competitive RRQs
  • Except in cases of competitive overlap >95%, this won’t produce a better percentage than method 1.

3. A-CAM Unserved
  • Takes uncapped calculated support in competitive vs non-competitive to determine percentage
Competitive Overlap Challenge Process

• Challenges – CAF BLS

• Has yet to start – Beginning of 2017
  • WCB will publish a final list of competitive census blocks and will issue notice begging and defining the timeline

• Steps
  1. Unsubsidized Competitors must affirm with evidence that they do indeed provide service
  2. If they do not, blocks are immediately thrown out - nothing more to do
  3. If Competitor does affirm, we have an opportunity for replay comments to dispute
  4. Process to be conducted every 7 years.
Competitive Overlap Challenge Process

Density Based Disaggregation

• I know I went quick but there’s a reason...

• Due to the reduction ratio schedule in the square mileage methodology, this method will never be lower
  • Unless >95% square mileage competitively overlapped
A Little Algebra

Total Density = \( \frac{\text{C-Housing} + \text{N-Housing}}{\text{C-Sq. Mi} + \text{N-Sq. Mi}} \)

Competitive Density = \( \frac{\text{C-Housing}}{\text{C-Sq. Mi}} \)

Competitive Density Factor = \( \frac{\text{Total Density}}{\text{Competitive Density}} \)

C-Loops = \( \frac{\text{C-Housing}}{\text{C-Housing} + \text{N-Housing}} \) * Total Loops

Ave. CPL = \( \frac{\text{Total RRQ}}{\text{Total Loops}} \)

Competitive Cost per Loop = Competitive Density Factor * Ave. CPL

Competitive RRQ = \( \frac{\text{Competitive Cost per Loop}}{\text{C-Loops}} \)
A Little Algebra

Total Density = \( \frac{C-\text{Housing} + N-\text{Housing}}{C-\text{Sq. Mi} + N-\text{Sq. Mi}} \)

Competitive Density = \( \frac{C-\text{Housing}}{C-\text{Sq. Mi}} \)

Competitive Density Factor = \( \frac{C-\text{Housing} + N-\text{Housing}}{C-\text{Housing}} \) \times \frac{\text{Competitive Density}}{\text{Total Density}}

C-Loops = \( \frac{C-\text{Housing}}{C-\text{Housing} + N-\text{Housing}} \) \times \text{Total Loops}

Ave. CPL = \( \frac{\text{Total RRQ}}{\text{Total Loops}} \)

Competitive Cost per Loop = Competitive Density Factor \times \text{Ave. CPL}

Competitive RRQ = \( \frac{\text{Competitive Cost per Loop}}{C-\text{Loops}} \)
A Little Algebra

\[
\text{Competitive RRQ} = \frac{(\text{C-Housing} + \text{N-Housing}) \times \text{C-Sq. Mi}}{(\text{C-Sq. Mi} + \text{N-Sq. Mi}) \times \text{C-Housing}} \times \frac{\text{Total RRQ}}{\text{Total Loops}} \times \frac{\text{C-Housing}}{\text{C-Housing} + \text{N-Housing}} \times \text{Total Loops}
\]
A Little Algebra

\[
\text{Competitive RRQ} = \frac{\text{C-Housing} \cdot \text{N-Housing}}{(\text{C-Sq. Mi} + \text{N-Sq. Mi})} \cdot \frac{\text{C-Sq. Mi}}{\text{C-Housing}} \cdot \frac{\text{Total RRQ}}{\text{Total Loops}} \cdot \frac{\text{C-Housing}}{\text{C-Housing} + \text{N-Housing}} \cdot \frac{\text{Total Loops}}{\text{Total RRQ}}
\]
Competitive Overlap Challenge Process

• Competitive Ratio = calculated support in competitive census blocks / calculated support in all census blocks
  • No support in census blocks with costs below $52.50
  • Uncapped support amount
    • If capped it would skew towards the less costly and more likely to be competitively served areas
Competitive Overlap Challenge Process

• **Support Reduction Phase-in**
  • Isn’t a “flash cut” and will be phased in depending on magnitude of support reduction

• **<25% Reduction in Support**
  • Year 1: 66% of calculated support in competitive areas to be provided
  • Year 2: 33% of calculated support in competitive areas to be provided
  • Year 3+: 0% of calculated support reduction to be provided

• **>=25% Reduction in Support**
  • Year 1: 85% of calculated support in competitive areas to be provided
  • Year 2: 68% of calculated support in competitive areas to be provided
  • Year 3: 51% of calculated support in competitive areas to be provided
  • Year 4: 34% of calculated support in competitive areas to be provided
  • Year 5: 17% of calculated support in competitive areas to be provided
  • Year 6+: 0% of calculated support in competitive areas to be provided
Competitive Overlap Challenge Process

• Still waiting on FCC to begin the process
• CAF BLS deployment obligations cannot be met in census blocks with qualified competition
• CAF BLS new deployment obligations would be modified for reduction in CAF BLS Support
• Strategies
Competitive Overlap Challenge Process

• How will this work

1. FCC will publish an initial “final” list to kick off the challenge process
2. Competitors must file and affirm they can meet all criteria in any or all census blocks
   1. Must also submit evidence of some fashion in support
   2. If competitor fails to submit, the census block is deemed non-competitive
3. If a competitor files affirmatively, ILEC may file reply comments to contest
4. At conclusion of comment cycle WCB will weigh all evidence in the record and make final determination
Competitive Overlap Challenge Process

• General Strategies
  • WCB will look at the “totality of the evidence”
  • Best to provide as much as possible in demonstrating competitor cannot provide service
  • During the ACAM Competitive Challenge Process the WCB sometimes found one piece or a combination of pieces, which by themselves wouldn’t be substantitive, but in aggregate was persuasive
Competitive Overlap Challenge Process

• **Primary evidence.** At least one of the following types of information will most likely be necessary in order to successfully challenge a competitor’s certification and evidence:
  
  • Screenshots of the competitor’s online service availability tool showing “no service available” for more than 15% of the residential locations in the census block.
  
  • Filings from consumers residing in the census block stating that they were unable to obtain service meeting the specified requirements from the competitor within 10 business days.
  
  • Screenshots from the competitor’s website clearly illustrating they do not meet one or more of the requisite service obligations in the census block (e.g., no voice service offered; no broadband service offering of 10/1 Mbps or higher; no broadband service offering priced at or below the applicable reasonable comparability benchmark; online map of fixed wireless coverage area showing gap in coverage; etc.).
Competitive Overlap Challenge Process

- **Secondary evidence.** The following types of information may help strengthen a challenge containing primary evidence. However, a challenge containing only secondary evidence is unlikely to be successful:
  - Email correspondence with a customer service representative of the competitor indicating that service is unavailable at more than 15% of the residential locations in the census block or that the available service doesn’t meet one or more of the service obligations.
  - Results of field tests of a fixed wireless competitor’s network showing signal strength at certain locations is insufficient for providing qualifying broadband.
    - Tests performed by an independent engineering firm may be more persuasive than those performed by the ILEC.
  - Clearly legible maps that show a lack of service meeting the requisite service obligations by the competitor in the census block.
  - Evidence that no telephone numbers were ported to the census block or that the competitor is incapable of porting numbers in the ILEC’s study area.
Update on FCC USF Reform
FCC Update

• Trump’s FCC
  • Ajit Pai (R - Incumbent) – Just announced as Chairman
  • Michael O’Rielly (R - Incumbent)
  • Mignon Clyburn (D – Incumbent) – Term is up in 2017
• Potential Republican Nominees
  • Brandt Hershman – IN State Senator
  • Jeff Eisenach – Economic consultant (Verizon)/George Mason professor/Reagan & Bush transition/FTC/OMB
  • Mark Jamison – Public Utility Research Center (U of Florida)/Sprint Lobbyist/NARUC Chair
  • Ellen Nowak – WI Public Service Commission Chair
• Potential Democrat Nominees
  • Jessica Rosenworcel – deva vu all over again...
FCC Update

• Trump’s FCC
  • Staff are typically retained from prior administration
    • Carol Mattey has now retired
    • Primary Lieutenants are still at the Commission
      • Alex Minard – Deputy Division Chief, Telecommunications Access Policy Division
      • Suzanne Yelen - Assistant Division Chief, Industry Analysis and Technology Division
    • Difficult to say who will control policy and be our primary contacts going forward, or whether we will have the same level of access
  • Meetings earlier this week...
Looking Ahead

• FCC Focus in 2017
  • Regulatory Reform
    • Trump & many appointees opposed to “over regulation”
    • Trump has signed a “Regulatory Reform” Executive Order
      • 1 step back, 2 steps forward
    • Initial clean up of FCC Regulations – biennial review
    • Telecom Act rewrite, if necessary
    • Major overhaul of FCC’s authority (Jamison)
Looking Ahead

• FCC Focus in 2017
  • Net Neutrality
    • Trump and potential nominees strongly oppose Net Neutrality
    • Likely move to repeal early in 2017
    • Favors network providers over content providers
  • Chairman Pai on Net Neutrality:
    • It was “a mistake”
    • “Injected tremendous uncertainty” in the broadband marketplace
    • Prefers a “light touch” on internet regulation
Looking Ahead

• Contribution Reform
  • Existing system is broken – primarily based on voice revenues (≈ 17%)
  • Connections & capacity based mechanism may be more appropriate in a broadband world
  • “Taxing the Internet” is the big hurdle
    • How to assess customers and/or content providers for internet access?
  • What will be the impact of a Pai led FCC that prefers competition over regulation?
Looking Ahead

• USF Budget
  • Rate of Return budget is subject to multiple budget controls
    • HCLS specific Pro Rata Adjustment
    • High Cost generic Budget Control Mechanism
  • What impact will 2016 Reforms & FNPRM have on support?
  • Will a Republican led FCC/Congress back additional support?
  • Trump infrastructure stimulus plan - $1 Trillion
    • Includes telecommunications infrastructure
    • Possibility that stimulus would come in the form of increased support flowed through existing USF support mechanisms
Questions?

Thank You!

2017 SEMINARS FOR THE RURAL TELECOM INDUSTRY