

the same manner as the common line revenue requirement for average schedule carriers, the specific resolution of this formula could have a significant effect on the amount of prospective ICLS received by average schedule carriers. Second, NECA, as tariff agent on behalf of pooling carriers, continues to update projected cost and revenue data until its June 15th deadline for filing a common line tariff with the Commission. The new deadline the Commission adopts here will enable carriers to incorporate these updates into their ICLS filings, will permit calculation of more accurate ICLS amounts for the coming funding year, and will reduce the size of the true-ups required when actual cost and revenue data is available.

5. The Commission also concludes that permitting carriers, at their option, to update on June 30th their projected data for the past funding year will promote the Commission's goals of minimizing administrative burdens while promoting accuracy of ICLS payments. This update will provide carriers an additional opportunity, in advance of the true-up process, to recognize changed circumstances that may have affected their projections. This will have the effect of minimizing the size of the final true-up adjustments that will occur after actual cost and revenue data is filed. The Administrator shall reflect both the corrections to projections for the upcoming funding year and updates to projections for the past funding year through adjustments to ICLS payments made during the first two quarters of the following calendar year.

6. In light of the modifications the Commission adopts here, we eliminate the optional quarterly update of actual data adopted in the *MAG Order*. The quarterly update of actual data was intended to permit carriers to accelerate the true-up process by recognizing actual costs and revenues earlier than would otherwise be possible. However, based on further consideration, the Commission finds that the ability to update actual data on a quarterly basis will not be useful for most carriers. In addition, the quarterly update of actual data creates potential administrative costs that the measures the Commission adopts herein make unnecessary.

7. The Commission denies the Petition for Reconsideration's request to move the deadline for carriers to file projected data with USAC from March 31st to July 15th. At the time the Petition was filed, the Joint Petitioners contended that these changes were necessary because data used to develop projections were not available on March

31st. The Petition for Reconsideration further suggested that carriers instead be allowed to rely on NECA to submit aggregate projections for the common line pool on March 31st. NECA later indicated, however, that it had made changes to its own procedures that would ensure that carriers could make projections by March 31st, rendering unnecessary the request for the Commission to change the March 31st filing date. In addition, consistent with USAC's administrative obligations and the necessity of calculating per-line support amounts, ICLS payments for the coming funding year must be based on individual carrier data, not aggregate data. For these reasons, the Commission denies the Joint Petitioners' request. The Commission notes that, under the rules adopted in the *MAG Order*, a rate-of-return carrier may elect to rely on NECA, as its agent, to submit ICLS data to USAC on its behalf.

8. *Collection of Projected and Actual Revenue Data.* As requested by the Joint Petitioners, the Commission also amends our rules to clarify that carriers must file common line revenue data to permit calculation of ICLS. The Joint Petitioners correctly note that § 54.903(a)(3) and (a)(4) of the Commission's rules do not explicitly state that carriers must file revenue data in addition to cost data, even though revenue data is clearly necessary to calculate ICLS. The *MAG Order* unambiguously granted USAC authority to collect any data necessary to administer the ICLS mechanism, including revenue data, and the Commission does nothing here to change that. The Commission revises the rules only to more clearly state certain types of data that will be required. Accordingly, the Commission amends § 54.903(a)(3) and (a)(4) to clarify that the types of data that carriers must file thereunder include common line revenue data.

9. *Apportionment of NECA Costs.* The Commission denies the Joint Petitioners' request to amend § 69.603 to specify how NECA, as common line pool administrator, should apportion its administrative expenses among pooling carriers for the purposes of calculating individual study area common line revenue requirements. In the *MAG Order*, the Commission amended its rules to ensure that NECA's administrative costs are appropriately allocated after the implementation of the *MAG Order's* reforms. The Joint Petitioners request that the Commission further amend § 69.603(h)(2) of its rules to specify how NECA should apportion its Category I.B. costs—those costs assigned to the common line pool—

among members of the common line pool. No comments were received on this issue, and, subsequently, NECA filed projected cost and revenue data with USAC which apportioned NECA Category I.B. expenses among its members. The Commission finds that NECA has appropriate discretion under the Commission's existing rules to determine how to apportion expenses among members of the common line pool in an equitable manner, and we see no need to amend our rules to prescribe a specific apportionment method at this time.

10. *Miscellaneous issues.* On our own motion, the Commission further amends our rules to correct three errors. First, the Commission amends § 54.902 to correct erroneous cross-references. Second, in order to conform our rules to the Commission's intent in the *MAG Order*, we amend § 54.307(a)(2) to include a reference to ICLS. Third, the Commission amends § 54.903(b)(3) to clarify that the reconciliation performed by USAC as part of its true-up process applies to the support amounts received by carriers, not their common line revenue requirements.

### III. Procedural Matters

#### A. Supplemental Final Regulatory Flexibility Analysis

11. As required by the Regulatory Flexibility Act of 1980, as amended (RFA), an Initial Regulatory Flexibility Analysis (IRFA) was included in the *MAG Notice*. Additionally, a Final Regulatory Flexibility Analysis (FRFA) was included in the *MAG Order*. In compliance with the RFA, this Supplemental Final Regulatory Flexibility Analysis (Supplemental FRFA) supplements the FRFA included in the *MAG Order* to the extent that changes to that Order adopted here on reconsideration require changes in the conclusions reached in the FRFA.

#### 1. Need for, and Objective of, the Third Order on Reconsideration

12. This *Third Order on Reconsideration* addresses a Petition for Reconsideration filed jointly by the National Exchange Carrier Association, the National Rural Telecom Association, the Organization for the Promotion and Advancement of Small Telecommunications Companies, and the United State Telecom Association (collectively, the Joint Petitioners). Section 254 of the Communications Act of 1934, as amended by the 1996 Act, requires the Commission to promulgate rules to preserve and advance universal service support. Pursuant to that mandate, the Commission, in the *MAG*