

Resolution Regarding NECA

WHEREAS, The National Exchange Carrier Association (NECA) is a non-profit corporation created by the Federal Communications Commission (FCC) in 1983 to administer the national interstate pools in conjunction with the federal access charge program for all Local Exchange Carriers (LECs) that elect to participate and other support programs to further the goal of universal service, e.g., Universal Service Fund, Lifeline and Link-Up; and

WHEREAS, The NARUC Communications Committee Finance and Accounting Task Force has investigated NECA activities and recognizes that there may be a financial incentive for NECA pooling companies to engage in improper reporting; and

WHEREAS, The Common Carrier Bureau of the FCC has conducted an audit focusing on major adjustments LECs reported to the Common Line (CL) pool during the period of October, November and December, 1988 settlements cycles. The auditors found instances in which the companies engaged in manipulative and erroneous reporting that influenced the CL earnings in 1988; and

WHEREAS, The FCC has issued a letter to NECA to have an independent auditor to report within 180 days on other adjustments carriers reported to NECA during 1988 and 1989 and on safeguards to prevent further instances of this nature; and

WHEREAS, The current membership of the board of directors of NECA is made up of local exchanges carriers who have a financial interest in the procedures and operations of NECA, regardless of whether they are a participant in any interstate pool; and

WHEREAS, Comparative analysis indicates that a difference exists in the costs for NECA to administer a dollar of federal pooling operation versus the costs to administer a dollar of typical State pooling operation; now, therefore be it

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), convened in its 102nd Annual Convention in Orlando, Florida, applauds the FCC's announced intention to require further outside audits of the NECA pooling adjustments and to identify safeguards against current adverse financial incentives; and be it further

RESOLVED, That the FCC be encouraged to proceed with its intention to appoint non-LEC individuals to the NECA Board of Directors to provide an independent view and a moderating effect on NECA deliberations; and be it further

RESOLVED, That, given the potential adverse financial incentives, the determination of improper activities and the difference in the costs of interstate and State pool administration, the FCC is requested to establish a Notice of Inquiry and Proposed Rulemaking to determine how best to administer the national interstate pools in conjunction with the federal access charge program for all Local Exchange Carriers (LECs) that elect to participate and other support programs to further the goal of universal service, e.g., Universal Service Fund, Lifeline and Link-Up.

Sponsored by the Communications Committee
Adopted November 14, 1990
NARUC Bulletin No. 47-1990, page 13