

## Incumbent Labor Reimbursement Policy

(Replaces Incumbent Labor Rate Reimbursement Policy V 1.2)

### **Approved Policy:**

**All licensee reconfiguration costs must be included in a Request for Planning Funding or Cost Estimate and must be agreed with Sprint Nextel and approved for reimbursement by the 800 MHz Transition Administrator, LLC (“TA”).**

**Incumbent personnel internal labor costs are reimbursable (subject to criteria defined in this policy) when incurred to support 800 MHz reconfiguration upon a “per unit” or “per hour” basis acceptable to Sprint Nextel and approved by the TA.**

### **OVERVIEW**

This policy provides the TA’s guidelines for reimbursement of incumbent licensee internal labor costs incurred in planning for or reconfiguring a licensee’s existing facilities to operate on its replacement 800 MHz frequencies. These guidelines set forth the criteria the TA employs in reviewing the proposed reimbursement of internal labor costs. Licensees are advised that all such costs must be negotiated and agreed with Sprint Nextel and approved by the TA.

For internal labor costs to be reimbursable by Sprint Nextel, they must be incremental to the licensee, i.e., the costs would not have been incurred “but for” the FCC mandate to reconfigure 800 MHz systems. Thus, normal system maintenance and administration activities are not reimbursable. Internal labor will be reimbursed at applicable overtime rates only if the work involved could not be accomplished during normal business hours. The governing principle for reimbursement of internal labor costs is the same as for other categories of reimbursable reconfiguration and associated planning costs – the costs must be the minimum necessary to obtain facilities comparable to those presently in use.

### **REIMBURSEMENT OF INTERNAL LABOR**

All internal labor costs that a licensee expects to incur in planning for and reconfiguring its 800 MHz system and to have Sprint Nextel reimburse must be included in a Cost Estimate, which must be negotiated with Sprint Nextel, approved by the TA and incorporated into a Planning Funding Agreement (“PFA”) or a Frequency Reconfiguration Agreement (“FRA”). Sprint Nextel will reimburse internal labor costs based either on a “per unit” price or a “per hour” rate. Any “per unit” price or “per hour” rate proposed by a licensee must be agreed upon by Sprint Nextel and approved by the TA. Each licensee must set forth in its Cost Estimate submission to Sprint Nextel the basis of any proposed “per unit” price or “per hour” rate.

- **“Per Unit” Reimbursements.** The preferred method for estimating a licensee’s internal labor cost of performing planning and reconfiguration tasks is to establish a “per unit” price for each such task and estimate the total number of times such task will be performed during planning or reconfiguration. The cost estimate for each such task will equal the agreed-upon “per unit” price multiplied by the agreed-upon estimate of the number of times the task will be performed.

Use of “per unit” reimbursement normally is appropriate either when there is an established market-based internal “per unit” price for the task or when the licensee and Sprint Nextel can agree upon a reasonable and supportable estimate of the time typically required to perform such task. For example, “per unit” reimbursement normally should be used for tasks such as removing, replacing and retuning radios.

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When an established market-based internal “per unit” price either is not available or cannot be substantiated, the “per unit” price should be determined by multiplying a mutually agreed-upon estimate of the number of hours required to complete one instance of the task by a mutually agreed-upon internal labor rate.

The Cost Estimate submitted with a PFA or a FRA to the TA for approval must set forth the total estimated cost of each task that Sprint Nextel and the licensee have agreed will be reimbursed on the basis of an agreed-upon “unit price.” The total estimated cost of each such task will equal the agreed-upon “unit price” for the task multiplied by the agreed-upon estimate of the total number of times that the task will be performed.

For each task actually performed during planning or reconfiguration, the licensee will be reimbursed at the applicable “unit price” set forth in the TA-approved Cost Estimate included in the PFA or the FRA.

- “Per Hour” Reimbursements. It may not be practicable to use a “per unit” basis to estimate the licensee’s internal labor cost of performing certain planning or reconfiguration tasks. For example, “per unit” reimbursement may not be appropriate for tasks such as project management, engineering and legal that do not involve reconfiguring equipment.

When it is not practicable to use “per unit” reimbursement for certain planning and reconfiguration tasks, the licensee’s internal labor costs will be estimated on a “per hour” basis. The cost estimate for each such task will equal the agreed-upon “per hour” rate multiplied by the agreed-upon estimate of the total number hours that will be required to perform all instances of the task.

The Cost Estimate submitted with a PFA or FRA to the TA for approval must set forth the total estimated cost of each task that Sprint Nextel and the licensee have agreed will be reimbursed on the basis of an agreed-upon “hourly rate.” The total estimated cost of each such task will equal the mutually agreed-upon labor rate for each internal labor category that will perform the task multiplied by the mutually agreed-upon estimate of the total number of hours that will be incurred by each labor category in performing the task.

For each internal labor hour actually incurred in performing each task during planning or reconfiguration, the licensee will be reimbursed at the applicable “per hour” rate set forth in the TA-approved Cost Estimate included in the PFA or the FRA.

### **ESTABLISHING INTERNAL LABOR RATES**

Whether a licensee proposes to have its internal labor costs reimbursed on a “per unit” basis or a “per hour” basis, Sprint Nextel and the licensee must negotiate and agree upon an applicable internal labor rate for each internal labor category that will perform planning and reconfiguration tasks. The TA will approve “per hour” rates that are based upon established market-based internal labor rates or negotiated rates that are fair and reasonable.

- Market-Based Rates. If a licensee has established market-based internal labor rates (both regular and overtime rates) that the licensee currently charges for work similar to the planning or reconfiguration tasks to be performed, those rates normally are acceptable to the TA so long as the licensee can provide reasonable support for the established rates to Sprint Nextel during its negotiations or, upon request, to the TA during its review of the Cost Estimate included in the PFA or FRA. Examples of such market-based rates include intra-agency rates or rates charged to external entities.
- Negotiated Rates. When established market-based rates either are not available or cannot be substantiated, reimbursement of internal labor incurred to perform planning or reconfiguration

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tasks will be based on the rates (both regular and overtime rates) that Sprint Nextel and the licensee negotiate so long as those rates are fair and reasonable for the work to be performed, taking into consideration the nature of the work and the qualifications of the employees required to perform the work.

To facilitate Sprint Nextel's negotiations, licensees should submit to Sprint Nextel and the TA upon request reasonable documentation and other support that any licensee-proposed internal labor rates are fair and reasonable.

Fair and reasonable rates may be supported using any reasonable basis that the licensee and Sprint Nextel mutually agree is appropriate for the work to be performed and that is approved by the TA. When such rates are based on an estimate of the licensee's internal labor costs, such documentation may include reasonable and supported estimates of the direct labor cost and allocable overhead of the internal labor that the licensee will use to perform the planning and reconfiguration tasks<sup>1</sup>. When such rates are not based on an estimate of the licensee's internal labor costs, the licensee should be prepared to support the reasonableness of the proposed rate in light of the nature of the work, the qualifications of the employees performing the work and/or prevailing industry, geographic or market conditions.

#### **RECONCILIATION OF PAYMENTS FOR INTERNAL LABOR**

As required by the terms of the PFA and FRA, payments to a licensee for estimated internal labor costs will need to be reconciled with the internal labor costs incurred by the licensee in planning for or reconfiguring its system. Upon completion of planning (if the licensee has entered into a PFA) or the actual reconfiguration, the licensee must submit to Sprint Nextel copies of documentation evidencing the costs incurred, including internal labor costs, and certain closing documents required by the applicable PFA or FRA. The TA reviews the licensee's closing documents and Sprint Nextel's payment records to ensure that payments received from Sprint Nextel are consistent with the TA-approved Cost Estimate included in the applicable PFA or FRA.

The nature of the reconciliation documentation that a licensee must submit to support its internal labor costs depends upon whether the licensee is reimbursed for its internal labor upon a "per unit" or a "per hour" basis.

- **"Per Unit" Reimbursements.** The licensee's reconciliation documentation and supporting records provided to Sprint Nextel should include evidence of the number of planning or reconfiguration tasks that the licensee performed using internal labor and for which the licensee was reimbursed on a "per unit" basis. Such evidence may be but is not limited to existing fixed asset or inventory ledgers, invoices, or sales orders evidencing the existence of the retuned unit and should include serial numbers or other unique identifying information for each retuned unit.

Reconciliation documentation also must include a licensee-certified statement of the number of planning or reconfiguration tasks that the licensee performed using internal labor, as specified in the TA-approved Cost Estimate included in the applicable PFA or FRA. For example, if the task involves removing a mobile radio and replacing it with a new radio that will operate on the licensee's assigned replacement frequencies, the licensee's certified statement should include the actual number of radios (e.g. "units") removed and replaced. The actual number of units will be reconciled against the estimated number of units contained in the TA-approved Cost Estimate included in the applicable PFA or the FRA to determine if a "true up" payment to the licensee or a refund to Sprint Nextel is required.

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<sup>1</sup> Support for base internal labor costs is typically derived from salary information contained in payroll and human resource records, with separate calculations or formulas for allocating overhead costs.

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- **“Per Hour” Reimbursements.** The licensee’s reconciliation documentation and supporting records provided to Sprint Nextel should include records showing the number of internal labor hours incurred in performing those planning or reconfiguration tasks for which the licensee was reimbursed on a “per hour” basis. Such supporting documentation may include individual employee timesheets, general ledger or other records of time accumulation or work orders showing, by employee, hours spent on a task. In instances where the Licensee’s existing systems and processes are not designed to track internal labor hours, the Licensee may document the hours incurred by employees manually (hand written time records), in a spreadsheet or other appropriate tracking tool. The information recorded should be at a level sufficient to document the date, number of hours incurred, the employee that incurred the time, a reasonable description of the activity performed by the employee and the appropriate internal labor category as presented in applicable PFA or FRA.

Reconciliation documentation also must include a licensee-certified statement of the number of internal labor hours incurred in performing planning or reconfiguration tasks for each labor category that the TA-approved Cost Estimate included in the applicable PFA or FRA. The supporting reconciliation documentation of the total hours incurred by labor category may be provided in any reasonable form available to the incumbent such as summary spreadsheets. The actual number of labor hours incurred will be reconciled against the estimated number of labor hours for the applicable labor category contained in the TA-approved Cost Estimate included in the applicable PFA or FRA to determine if a “true up” payment to the licensee or a refund to Sprint Nextel is required.

If the payments to a licensee for estimated internal labor costs exceed the internal labor costs incurred in performing planning or reconfiguration tasks, the licensee must refund to Sprint Nextel any such excess. If the internal labor costs incurred in performing planning or reconfiguration tasks exceed the payments received by a licensee, the licensee may be entitled to a “true-up” payment from Sprint Nextel of any such excess, subject to the requirements to submit to Sprint Nextel reasonable support for the excess labor costs incurred and to obtain TA approval of an amendment, if required, to the applicable Agreement if such amounts exceed the TA-approved Cost Estimate included therein.

The documentation of incurred costs to be presented for reconciliation purposes can be prepared using any existing means or tools at the licensee’s disposal, at a level of detail equivalent to that presented in the relevant TA-approved Cost Estimate. The TA expects that no special tools or software should be required to support reconciliation, and requests for software for purposes of cost accumulation will not be considered reimbursable.

#### **TA REVIEW AND RECORD RETENTION REQUIREMENTS**

As required by the terms of the PFA and FRA, each licensee’s reconciliation documentation and related supporting records may be subject to review by the TA or the external auditors of the 800 MHz program. Licensees should retain such documentation and supporting records for 24 months after the closing of a PFA or 18 months after the closing of a Frequency Reconfiguration Agreement or for such longer period as may be required by the licensee’s established record retention policy or applicable provisions of state, local or municipal law.

#### **About the 800 MHz Transition Administrator**

800 MHz Transition Administrator, LLC (“TA LLC”) is the Transition Administrator (“TA”) for the reconfiguration of the 800 MHz band mandated by the Federal Communications Commission (“FCC”). TA, LLC has contracted with Deloitte Consulting L.L.P., Squire, Sanders & Dempsey L.L.P., and Baseline Telecom, Inc. to perform the duties of the TA. Among its duties, the TA establishes reconfiguration guidelines, specifies replacement channels, reviews reconfiguration cost estimates, monitors payment of reconfiguration costs, manages the relocation schedule, facilitates issue resolution and administers the alternate dispute resolution process. TA LLC uses information it receives solely for the purposes of administering the 800 MHz reconfiguration process and may disclose such information to the FCC or other authorized parties pursuant to the requirements of the 800 MHz Order or other applicable law.