

eligible school, library or rural health care provider<sup>53</sup> shall be provided with a 56/64 Kbps access line and toll-free dial-up access to an Internet Service Provider ("ISP").

U S WEST's proposal for school, library and health care provider special services definitions are not dependent on a specific technologies. U S WEST urges the Commission to refrain from specifying any specific technology when designating the appropriate "universal" services for these institutions.<sup>54</sup> These special services should be founded on a baseline transmission rate, capable of supporting a number of applications. The most cost-effective means of delivery will vary by carrier and geographic location. Options for carriers might include digital private line, frame relay, ISDN, or wireless. Carriers should be able to choose the most cost-effective technology. This, in turn, will produce the most reasonable "costs" to be recovered from the USF.

Below, we describe in more detail the two definitional components.

1. 56/64 Kbps Line

With respect to educational institutions and libraries, a 56/64 Kbps line has the ability to support multiple users and multiple applications simultaneously. It also permits access to the Internet. Schools with 56/64 Kbps lines additionally will have the capability to perform administrative tasks utilizing a data network to which district schools and administration offices could be connected.

In the case of rural health care providers, 56 Kbps circuits allow for health administration, remote admissions, tele-consulting, tele-trauma and tele-psychiatry, for example. In addition, these circuits will provide isolated health care professionals a means of continuing education from larger medical communities and resources.<sup>55</sup>

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<sup>53</sup> NPRM ¶¶ 87, 104.

<sup>54</sup> *Id.* ¶¶ 80, 92.

<sup>55</sup> In addition to providing timely health information and training to local practitioners, connection to outside resources has the added benefit of improving recruitment and retention of health care professionals in rural areas.

## 2. Toll-Free Access to an Internet Service Provider<sup>56</sup>

The other component of the universal service package for schools, libraries and rural health care providers should be toll-free dial-up access to an ISP. Such access will provide those institutions with the opportunity to utilize, for example, electronic mail; information retrieval applications (e.g., access to on-line resources otherwise not available); and bulletin boards (i.e., resource and idea sharing unrestricted by distance or location).

While U S WEST enthusiastically supports the provision of Internet access, we do not believe that how such access is provided should be prescribed. The Commission should allow telecommunications providers flexibility to carry Internet toll traffic by whatever method they choose, such as an 800 or Foreign Exchange service.

## VII. CONCLUSION

U S WEST believes that utilizing a BCM/ARMIS model for identifying and targeting universal service high-cost support produces the most reliable Federal USF HCF. Using a FFB of \$30.00, the BCM/ARMIS produces a USF HCF of \$5 billion. We believe this is an appropriate starting point for providing targeted relief to customers who live in rural, insular and high-cost areas.

In addition to this Federal HCF, of course, there will be additional funding needed for providing support to educational institutions, libraries and rural health care providers. This will increase the overall size of the Federal USF. In making determinations as to the appropriate mix of services that should be funded, the Commission

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<sup>56</sup> The ISP, of course, will impose its own charges on the requesting school, library or rural health care provider. U S WEST expects that ISPs, as well as computer equipment suppliers, will come to the market with attractive product and pricing packages that will complement the services being offered by telecommunications providers pursuant to the 1996 Act.

should keep the menu of prescribed services at a minimum (i.e., those functionally necessary) so as to maximize the potential discounting available.

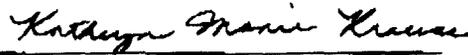
Finally, it is obvious that a Federal USF will only go part way in resolving the matter of reforming historical universal service notions. The identification of implicit universal service subsidies, now often hidden in competitive or at-risk services, is absolutely necessary to the reformation, so that LECs are capable of recovering not just on-going universal costs but those historically and prudently incurred.

There remains much work to be done in the area of universal service reform. The Federal USF proposals under consideration are a promising start. We believe that the proposals we offer up in these comments promote the most reliable, most explicit, start possible.

Respectfully submitted,

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## APPENDIX A

There have been developments with respect to the BCM modeling process which enhance the ability of this proxy-type model to serve as the basis for the efficient distribution of funds to rural, insular and high-cost areas. Since the filing of the nationwide BCM figures on December 1, 1995, the following has occurred.

1. On January 26 and February 21, 1996, the Joint Sponsors made ex parte filings suggesting improvements to the BCM. These suggestions were the result of input received during the four Workshops the Joint Sponsors conducted on the BCM, as well as comments and reply comments filed in CC Docket No. 80-286 during 1995. The modifications made to the BCM should greatly improve the effectiveness of the model in targeting high-cost funds.
2. On February 29, 1996, Pacific Telesis made an ex parte filing detailing a modeling approach that incorporated data showing the location of actual residential and business customers.

As a result of these above-mentioned activities, certain enhancements have been or will be made to the BCM that respond directly to the Commission's questions at paragraph 34 of the NPRM. Those enhancements are discussed below.

### Assumption of Uniform Population Distribution in Rural Areas

The BCM will incorporate a module to modify rural CBG input data to reduce the square mile area of the CBG to an area that reflects the clustering of households. This will be done utilizing a third-party road network data base to identify the areas within the CBGs which have the highest probability of containing households.

### Inclusion of Business Lines

Currently the BCM does not include business line information at the CBG level. Therefore, the BCM's cost results for loop investment do not include the impact of business lines. The model does utilize an assumed level of business lines in the sizing and design of switching plant.

The BCM inputs will be expanded to accommodate business lines. Currently, U S WEST is exploring direct third-party sources of business line data by CBG. At this point, no suppliers of this data have been found. Additionally, U S WEST is working with other parties to develop statistical relationships between business line data and public data sources so as to derive business line data by CBG.

In order to eliminate the possibility of calculating unduly high residential costs in some CBGs because of the exclusion of business lines, the BCM will include a filter to identify CBGs that have a high probability of being primarily business areas. These CBGs will be flagged and an assumed level of business lines will be included for network design purposes. This will assure that these areas do not appear falsely as high-cost areas.

#### **Additional Variables**

*Slope data will be added to the BCM inputs.*

#### **Additional Engineering Assumptions**

There are three major areas where the engineering assumptions of the BCM will be modified: switching plant, distribution plant, and digital circuit equipment. First, the switching module changes will include multiple switch types to more closely reflect the switch application. Second, distribution plant engineering will vary by density group and no copper distribution distances will exceed those specified by the user. The last major area of change is that the costs for digital circuit equipment used in digital line carrier systems will reflect the fixed and variable nature of the costs.

## APPENDIX B

### **Net of Payments Made to Other Carriers Option**

Under the net of payments option, Other Provider (identified below) would be assessed only on \$50 of retail revenues (\$100 - \$50 (net of payments to other carriers)). Incumbents would be assessed on \$100 of their toll retail revenues and the \$50 of access sold to Other Providers.

#### Incumbent:

Imputed Access Cost	\$ 50	
Additional Support	<u>50</u>	
Total Retail Toll Revenues	\$100	\$100
Access Sold To Other Provider	\$ 50	50
Total Assessment Based On		\$150

#### Other Provider:

Access Bought From Incumbent	\$ 50	
Revenues Above Cost	<u>50</u>	50
Total Retail Toll Revenues	\$100	
Total Assessment Based On		\$ 50

**The Incumbent is responsible for three times as much assessment on revenues which are already providing support to universal service.**

To make this option competitively neutral, several additional administrative elements would need to be incorporated into the model. First, the Incumbent would have to be able to net out its imputed access. The Incumbent then would pay on only \$50 of toll revenues (like the Other Provider). While coming to a competitively neutral position, this model would result in a narrowing of the funding base by \$50.

**Retail Option -- Assessed on All Retail Revenue:**

***Both providers are responsible for the assessment on \$100 of retail revenues.***

Under the retail option, both companies would pay into the fund based on \$100 of retail toll revenues. This is competitively neutral whether the assessment is passed on through a surcharge to the end user or if both companies have to include it as a cost of doing business. It is important to note that the access purchased by other providers is not assessed a surcharge as a wholesale service. Therefore, neither other providers nor their customers are double assessed for that service.

**Existing Provider:**

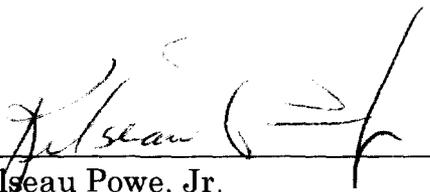
<b>Imputed Access Cost</b>	<b>\$ 50</b>		
<b>Additional Support</b>		<b><u>50</u></b>	
<b>Total Retail Revenues</b>	<b>\$100</b>		<b>\$100</b>
<b>Access Sold To New Entrant</b>	<b>\$ 50</b>		
<b>Total Assessment Based On</b>			<b>\$100</b>

**Other Provider:**

<b>Access Bought From Existing Provider</b>	<b>\$ 50</b>		
<b>Revenues Above Cost</b>		<b><u>50</u></b>	
<b>Total Retail Revenues</b>	<b>\$100</b>		<b>\$100</b>
<b>Total Assessment Based On</b>			<b>\$100</b>

## CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify that on this 12th day of April, 1996, I have caused a copy of the foregoing **COMMENTS OF U S WEST, INC.** to be served via first-class United States Mail, postage prepaid, upon the persons listed on the attached service list.

  
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Last Update: 4/10/96