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February 21, 1997
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Federal Communications Commission
Office of Secretary

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: In the Matter of Federal-State Joint Board on Universal Service
CC Docket No. 96-45
Ex Parte Presentation

Dear Mr. Caton:

On February 21, 1997, Donn T. Wonnell of Pacific Telecom, Inc. ("PTI") and Teresa D. Baer of Latham & Watkins met with Tom Boasberg of Chairman Reed Hundt's office and Mindy Ginsburg of the Common Carrier Bureau to discuss universal service matters.

A copy of PTI's February 18, 1997 comments in this proceeding was distributed at the meeting. A copy of those comments is enclosed.

The original and two copies of this letter are enclosed.

Very truly yours,



Teresa D. Baer

Enclosures

cc (w/out enclosures):

Tom Boasberg
Mindy Ginsburg
Donn T. Wonnell

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Washington, D.C. 20554

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FEB 18 1997

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

In the Matter of)
)
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Staff Analysis on Analysis of Forward-
Looking Economic Cost Proxy Models)
_____)

CPD Docket No. 97-2

**COMMENTS OF PACIFIC TELECOM, INC. ON THE
STAFF ANALYSIS OF FORWARD-LOOKING ECONOMIC COST PROXY MODELS**

Pacific Telecom, Inc. ("PTI") submits these Comments in response to the Commission's January 9, 1997 Public Notice relating to the Commission Staff Analysis of the potential use of cost models for determining universal service support payments, cost-based access charges, and interconnection and unbundled network element pricing. In its previous comments on universal service issues, PTI has shown that the needs and requirements of rural carriers are "unique," and has further noted that both the Commission and the Federal-State Joint Board on Universal Service ("Joint Board") have acknowledged this fact at various points in the universal service, interconnection, and access charge proceedings.¹ There is a growing consensus that rural carrier issues require formal, separate study.² The Staff Analysis under

¹ See Comments of Pacific Telecom, Inc. Relating to Staff Workshops on Proxy Cost Models, CC Docket No. 96-45 (filed January 24, 1997) ("PTI Workshop Comments"); Comments of Pacific Telecom, Inc. in Response to Questions Relating to Proxy Cost Models (filed Jan. 7, 1997), in Federal-State Joint Board on Universal Service, CC Docket No. 96-45 ("PTI Question Response").

² PTI is informed that the United States Telephone Association, in comments filed contemporaneously with PTI's Comments in this proceeding, will argue that:

discussion here reinforces the need for timely action to create a vehicle for studying rural cost and modeling issues, prior to the implementation of any cost model -- for universal service or any other purpose -- for rural telephone companies.

As an operator of rural telephone companies throughout the Midwest, Pacific Northwest, and Alaska, PTI is concerned especially about how the three Commission proceedings that make up the "Competition Trilogy" -- Universal Service, Local Competition, and Access Charge Reform -- as well as other related proceedings, apply to rural carriers, particularly with respect to their ability to recover basic network investment while maintaining reasonable customer rates. PTI previously urged the Commission to appoint a separate rural panel to work with the federal and state commission staffs as part of the recent cost model workshops held on January 14-15, 1997. The workshops have passed, but the need to address rural issues remains. The conclusions in the Staff Analysis addressing the interrelationship of the Commission's several proceeding reinforces this need. Clearly, the time is ripe for the Commission to take an affirmative step toward addressing a matter that the Joint Board and many parties now agree requires comprehensive review and consideration.

As the Joint Board itself recognized, there must be an opportunity to "tailor the model for rural companies" in order to "take into consideration the unique situation of rural carriers." USTA recommends that the Commission establish a task force under Joint Board auspices to evaluate the appropriateness of the model for rural carriers and to make recommendations concerning whether the model chosen for non-rural companies (or any other model) can be utilized for rural companies. The efforts of the task force could be completed during the three-year transition period recommended by the Joint Board. Comments of USTA at 7 (filed February 18, 1997).

PTI subscribes to this approach and endorses USTA's request herein.

There can be no serious dispute about rural telephone companies' special needs or the importance of minimizing any adverse impact on their ability to recover their costs and maintain service through appropriately tailored mechanisms. In its Recommended Decision, the Joint Board emphasized the unique characteristics of rural carriers in recommending that rural carriers not be subject to a proxy cost model immediately. The Joint Board specifically acknowledged that "[s]ince rural carriers generally serve fewer subscribers relative to the large incumbent LECs, serve more sparsely populated areas, and do not generally benefit from economies of scale and scope as much as non-rural carriers, they often cannot respond to changing operating circumstances as quickly as large carriers."³ As Exhibit A demonstrates, the Joint Board's Recommended Decision is replete with references to the fact that small and rural carriers are unique and, therefore, warrant a separate focus.

PTI noted in its Workshop Comments that the discussion during the Commission's universal service workshops contained little, if any, substantive, comprehensive analysis of how the models would perform in the context of rural serving requirements.⁴ To the extent that rural concerns were addressed at all, most speakers declined to offer any detailed analysis of rural issues and effects, generally on the ground that rural cost modeling issues, having been deferred by the Joint Board, were not a timely object of discussion. PTI attaches as Exhibit B a chart citing the comments made during the recent workshops to the fact that rural areas are unique and require additional study before the Commission adopts any cost model on which to base universal service support payments to rural LECs.

³ Federal-State Joint Board on Universal Service, Recommended Decision, FCC 96J-3, CC Docket No. 96-45, at ¶ 283 (released Nov. 8, 1996) ("Recommended Decision").

⁴ PTI Workshop Comments at 3.

Moreover, the Staff Analysis in particular raises the issue of whether a forward-looking cost model can be used to determine universal service support payments, cost-based access charges and interconnection and unbundled network element pricing. The Commission has recognized that this set of interrelated proceedings will have a significant and substantial impact on the manner in which rural and small LECs recover their investment. The Commission explained this interrelationship in the Local Competition First Report and Order.⁵

It is widely recognized that, because a competitive market drives prices to cost, a system of charges which includes non-cost based components is inherently unstable and unsustainable. It is also well-recognized that access charge reform is intensely interrelated with the local competition rules of section 251 and the reform of universal service. We will complete access reform before or concurrently with a final order on universal service.

Only when all parts of the trilogy are complete will the task of adjusting the regulatory framework to fully competitive markets be finished. . . . We will, however, act quickly to complete the three essential rulemakings. We intend to issue a notice of proposed rulemaking in 1996 and to complete the access charge reform proceeding concurrently with the statutory deadline established for the section 254 rulemaking. This timetable will ensure that actions taken by the Joint Board in November and this Commission by not later than May 1997 in the universal service reform proceeding will be coordinated with the access reform docket.⁶

In the Access Charge Reform Notice, the Commission again stressed that, “because of the role that access charges have played in funding and maintaining universal service, it is critical to implement changes in the access charge system together with

⁵ Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, CC Docket No. 96-98, FCC 96-325 (released Aug. 9, 1996) (“Local Competition First Report and Order”).

⁶ Id. at ¶¶ 8-9.

complementary changes in the universal service system.”⁷ In Exhibits C and D, PTI has catalogued the references in both the Local Competition First Report and Order and the Access Charge Reform Notice in which the Commission has indicated that rural issues are unique. These exhibits underscore the need for a rural task force to examine further the correlation, if any, among these three proceedings and the use of cost models for rural carriers.

The Joint Board already “recommend[ed] that the Commission, working with the state commissions, review the proxy model to ensure that it takes into consideration the unique situations of rural carriers.”⁸ PTI concurs and urges the Commission to establish a rural task force, under continuing Joint Board oversight,⁹ as part of its final disposition of universal service matters on or before May 8, 1997.¹⁰ Specifically, the Commission, either in its final disposition of universal service matters by May 8, 1997 or in a separate order before that date, should appoint a task force representing rural telephone companies so that the business of analyzing the regulatory environment in which such rural companies operate can begin promptly. Addressing forward-looking cost issues for rural telephone companies in this manner will not interfere with any existing schedule in any of the Commission’s proceedings implicating such cost

⁷ Access Charge Reform, Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry, CC Docket Nos. 96-262, 94-1, 91-213, 96-263, at ¶ 244 (released Dec. 24, 1996) (“Access Charge Reform Notice”).

⁸ Recommended Decision at ¶ 283.

⁹ The task force could report directly to the Joint Board. As such it would not be subject to the requirements of the Federal Advisory Committee Act, 5 U.S.C. App. 2 (1988).

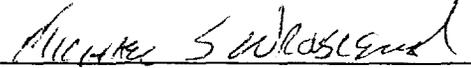
¹⁰ See 47 U.S.C. § 254(a)(2).

development.¹¹ Conversely, doing so will promote the efficient, fair, and comprehensive resolution of issues unique to rural carriers.

For the foregoing reasons, as well as the reasons stated in PTI's January 7, 1997 Questions Response and in its January 24, 1997 Workshop Comments, PTI respectfully requests that the Commission promptly appoint a task force comprised of rural company representatives to address rural carrier needs in the context of analyzing cost models for potential use in universal service funding and other related Commission proceedings.

Respectfully submitted,

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February 18, 1997

¹¹ The Commission already has noted that rural telephone companies are exempt from interconnection requirements under the provisions of 47 U.S.C. § 251(f)(1). See Local Competition First Report and Order at ¶¶ 1262-1265. As discussed above, the Joint Board has proposed a separate period for development and application of cost model principles to rural telephone companies. See Recommended Decision at ¶ 283. The Access Charge Reform Notice applies only to price cap companies, which in effect generally excludes rural telephone companies. See Access Charge Reform Notice at ¶ 52 & n.88.

CERTIFICATE OF SERVICE

I hereby certify that I have this 18th day of February, 1997, caused a copy of the foregoing "Comments of Pacific Telecom, Inc. on the Staff Analysis of Forward-Looking Economic Cost Proxy Models" to be served by first class mail, postage prepaid, and by hand on the following:

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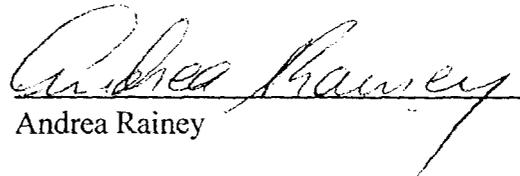
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Andrea Rainey

Federal-State Joint Board On Universal Service Recommended Decision

(Released November 8, 1996)

Para. No.	<i>Recommendations/Comments of Joint Board on Rural Issues</i>
6	<ul style="list-style-type: none">• Recommending, in the case of areas served by rural telephone companies, that such companies' existing study area be used as the designated service area.
7	<ul style="list-style-type: none">• Recommending a system for determining the level of universal service support for telecommunications carriers.• Stating that support for rural telephone companies will initially be based on embedded costs, which is a different method from how support is calculated for other telephone companies.• Stating that rural telephone companies will be permitted to calculate support levels using embedded costs for three years after large companies begin to use proxy cost models.
65	<ul style="list-style-type: none">• Noting that customers who live in rural areas especially require access to interexchange service to reach medical and emergency services, schools and local government.
69	<ul style="list-style-type: none">• Declining to recommend additional services be included in the general definition of universal service.• Specifically declining to support total access to internet providers based on the prediction that increasing demand for internet service will result in broader accessibility of internet service providers, thus having the effect of reducing or eliminating the need for customers in rural areas to place toll calls to obtain internet service.
91	<ul style="list-style-type: none">• Finding that designated services carrying single connection businesses in a rural, insular and other high cost areas should be supported by universal mechanisms although at reduced levels of support.• Reasoning that for small single connection businesses and high cost areas, the price of telephone service may be prohibitive without support.

Federal-State Joint Board On Universal Service Recommended Decision

(Released November 8, 1996)

Para. No.	<i>Recommendations/Comments of Joint Board on Rural Issues</i>
92	Concluding that designated services carried to businesses subscribing to only one connection should not receive the full amount of support designated for residential connections and high cost areas.
172	<ul style="list-style-type: none">• Recommending that the FCC retain the current study areas of rural telephone companies as the service areas for such companies.• Finding no persuasive rationale in the record for adopting a service area that differs from a rural telephone company's present study area.
173	<ul style="list-style-type: none">• Noting that the 1996 Act in many respects places rural telephone companies on a different competitive footing from other local exchange companies.
184	<ul style="list-style-type: none">• Recognizing that the use of a proxy model could cause some small carriers to receive levels of support different from what they currently receive.• In order to allow carriers a reasonable period to adjust to the use of proxy models, recommending that rural telephone companies be allowed to continue using embedded costs as the basis for calculating the universal service support levels for three years after non-rural carriers begin to use proxy models.• Recommending that during that period, high cost assistance, DEM waiting and LTS benefits for rural carriers be frozen based on historical per line amounts.• Recommending at the end of that three-year period, rural companies will transition to a proxy model over three years. Because of the nature of providing service in Alaska and the insular areas, recommending that rural carriers serving those areas continue to use embedded costs until further review.
271	<ul style="list-style-type: none">• Recognizing that the operations of some carriers could be placed at risk if their support was immediately determined by the use of a proxy model.• Finding that the proposed proxy models designed do not reflect the special characteristics of such carriers for: (1) none of the models adequately represents the cost for rural carriers as all the models are

Federal-State Joint Board On Universal Service Recommended Decision

(Released November 8, 1996)

Para. No.	<i>Recommendations/Comments of Joint Board on Rural Issues</i>
	currently based on expense data for large LECs serving predominately urban areas; (2) small carriers with their limited revenue streams will be significantly affected if the model does not accurately reflect their costs; and (3) the proxy model should be refined and modified to reflect the special characteristics of rural carriers before requiring those carriers to move to a proxy model for determining universal service support.
272	<ul style="list-style-type: none">• Recommending that a proxy model needs to be tailored for rural companies.• Recommending that the commission include a review of the proxy model to ensure the appropriateness of the proxy model for rural carriers before requiring them to use a proxy model.• Recognizing that the use of historical per-line amount will minimize any disruption or adverse impact of this change on the rural carriers.
283	<ul style="list-style-type: none">• Recognizing that there is a concern about moving small, rural carriers to a proxy model too quickly because such a move may result in large changes in the support that they receive.• Noting that since rural carriers generally serve fewer subscribers relative to the large incumbent LECs, serve sparsely populated areas, and do not generally benefit from economies of scale and scope as much as non-rural carriers, they often cannot respond to changing operating circumstances as quickly as large carriers.• Recommending that those carriers not move immediately to a proxy model, but transition to a proxy over six years.
284	<ul style="list-style-type: none">• Concluding that a properly designated cost proxy model would allow carriers serving high cost areas to charge affordable rates.
285	<ul style="list-style-type: none">• Finding that because of the difficulty in precisely calculating small, rural carrier's costs, these carriers should continue to draw high cost support calculated based on an embedded cost methodology until there is more experience with the proxy models.
286	<ul style="list-style-type: none">• Recommending that rural carriers be able to move to a proxy based system earlier if they choose to do so.• Recognizing that rural carriers will choose to move earlier only when the proxy cost is greater than the embedded cost.

Federal-State Joint Board On Universal Service Recommended Decision

(Released November 8, 1996)

Para. No.	<i>Recommendations/Comments of Joint Board on Rural Issues</i>
	<ul style="list-style-type: none">• Recognizing that providing the rural carriers this opportunity is necessary to ensure that rural carriers have an incentive to invest in the facilities required to provide the supported services.• Recognizing the alternative, limiting rural carriers to embedded costs when forward looking economic costs are greater than embedded costs, would encourage rural carriers to withdraw service in high cost areas or require rural carriers to incur an economic loss in the provision of the supported services.
289, 290 291	<ul style="list-style-type: none">• Setting up a structure for gradually shifting to a proxy based methodology. Discussing that the benefits of freezing support are that rural carriers are encouraged to operate efficiently because no additional support will be provided for increased cost.• Recommending that the total amount paid to each carrier based on 1997 embedded cost be divided by the number of loops served at the end of 1995.• Recommending that support not be frozen at a total dollar amount but instead at a per-line amount.• Rural carriers would receive additional support at the same amount per line as the number of subscribers increase.• A frozen level of high cost support will prepare these LECs for their move to a proxy model in the advent of a more competitive market place.
295	<ul style="list-style-type: none">• Recognizing there is a limited participation in the frozen LTS mechanism to rural telephone companies.• Finding that this limitation is proper because LECs not qualifying as rural telephone companies should receive high cost universal service support based on a proxy model per cost including loop costs.
296	<ul style="list-style-type: none">• Finding that since rural ILECs have the option at any time to convert their support basis to a proxy methodology, a CLEC should also have the opportunity to choose proxy based support when it enters a rural ILEC study area.

Federal-State Joint Board On Universal Service Recommended Decision

(Released November 8, 1996)

Para. No.	<i>Recommendations/Comments of Joint Board on Rural Issues</i>
297	<ul style="list-style-type: none">• Concluding that using the rural ILEC embedded costs to calculate universal service support for all eligible telecommunications carriers serving customers within that rural ILEC's study area will be the easiest way to administer the support mechanism.
313	<ul style="list-style-type: none">• Stating that using the nationwide average revenue as a benchmark would encourage carriers to market and introduce new services in high cost areas.• This decision will provide carriers the incentive to upgrade their service offerings in high cost areas, and therefore, maintain high quality service in rural areas that is comparable to the service offered in urban areas.
434	<ul style="list-style-type: none">• Recognizing the special circumstances faced by carriers and consumers in the insular areas of the United States.• Noting at the outset that carriers in these areas, like all other carriers, will be eligible for universal service support if they serve high cost areas.• Recommending that rural carriers serving high cost insular areas, as well as rural carriers serving high cost areas in Alaska, should continue to receive universal service support based on their embedded costs.

PROXY COST MODELS WORKSHOPS
Comments of Panelists (January 14 and 15, 1997)

Panel 1: Modeling Network Investment

- The uniform distribution of households, which is a factor that affects the distribution network design, can result in an overstatement of costs in very rural areas.
- Commenting that the second version of the Benchmark Costing Model ("BCM") made a big improvement for rural areas because customers were moved from being uniformly distributed over census block groups ("CBGs") to being uniformly distributed over roads.
- Recommending that sample data, which tells what the typical length of loops in rural areas are, should be collected because that type of information would be the ideal source of data for determining the uniform distribution of households.
- Stating that with regard to the small company environment, use of the Hatfield model may not be appropriate because the model does not account for a whole different set of assumptions.
- Another panelist countered the above comment, stating that the model works "perfectly fine" for rural companies when the data is available and it is a database issue.
- Stating that with regard to the CBG, the variance for the small company data was "so far off". Noting that it is difficult to tell exactly where the variance is coming from, i.e., is the variance strictly material or is it a design issue.
- Noting that for small telephone companies, the mechanics do not work the same as for larger companies and that could affect the way assignments for customers are allocated.
- Stating that Ben Johnson's model ends up giving lower unit costs for installing cable in central business districts than it would in rural areas because of the way clinching and conduit is handled when there are a large number of customers.
- Recognizing that sharing is done differently in urban areas, suburban areas and rural areas and stating that the BCM recognized the differences in sharing so that sharing can occur by element.

Panel 2: Modeling Operating and Support Expenses

- Noting that there may be a number of small companies that were not in existence in 1995, do not have frozen numbers and will need to use the models immediately, as opposed to waiting during the transition.
- Stating that the model adopted in May needs to include the ability to analyze and deal with small companies as well as large ones.
- Recognizing that small company expenses are different from large company expenses both in the plant specific categories and in customer operations.
- Comparing nationally available data of large companies and small companies, in general, and noting that the small company plant specific costs both on a per line basis and in relation to telephone plant and service are slightly less.
- Stating that customer and corporate operation expenses are substantially greater than they are in the larger companies.
- Suggesting that BCM models should at least recognize some of these differences as company size varies.
- Stating that dealing with the expenses for small companies may have been a perceived deficiency in the Hatfield model since its release back in August which contained information only for the RBOCs. Since that period information has been provided on a state-by-state basis primarily for tier one companies.
- Techniques have been developed since the initial filing of the model in each state study area.
- Stating that although the RBOCs and some of the larger independents have a more urban experience and more urban network, there should not be that much variance in the cost experience by one of the tier one companies and one of the smaller independents. The release of the new version of the Hatfield model will include information that will permit the model to be run for all companies.
- Suggesting that the FCC could at least ask a sample of small companies to provide appropriate detailed data. Also stating that better data gathered from the big companies could also be accomplished.
- Stating the BCM recognizes the differences between small, medium and large companies.
- Recognizing that the expense dollars and investment dollars are currently only known for the large companies.
- Although, currently, data from the small companies has not been provided to include in the model, currently available information on small companies includes REA/RUS data and there is the assumption that NECA data could be provided in a data request to help create small company values that could be inputted into the model.
- Recognizing that what is trying to be accomplished by having separate input for large, medium and small companies is to recognize the economies and scales of scope of each.
- Recognizing the need to understand the overlap between small TELCOS and rural carriers, which are exempted for three years from the cost proxy model. Stating that there needs to be a starting point for small TELCOS and, for lack of another starting point, it should start with tier one companies and after that, should look to small TELCOS to step forward and identify where and how their expenses differ from ILECs.

- Recognizing that it might be helpful to consider what is causing the difference in expenses, i.e., is it the size of an ILEC that allows it to command a much higher switch discount or is it a regional difference or is it a high cost area.
- Recognizing that in looking at a cost proxy model it is important to understand what is causing the difference in the expenses base by a small TELCO versus a large TELCO.

Panel 3: Modeling Capital Expenses

- Recognizing that the models should provide incentives which will decide whether there is a good network in rural areas or if there is not a good network in rural areas.
- Stating that if payment for the universal service is less than the forward looking costs of providing universal service, competitors will not invest in the network in the rural areas.
- Stating that for these opportunities and technologies to occur, the models should not include costs that are less than what the actual costs of building such a network is.
- Noting that there is already a network investment that is less than the actual costs because it has to be a continuing efficient technology. Stating that if the costs of capital are included that is also less and depreciation rates are less, there will not be investment in the telecommunications network in rural areas.
- Responding to above comment and stating that the purpose of the Telecommunications Act of 1996 and of the universal support mechanism is to encourage competitors to enter the rural market through their eligibility to receive universal service support payments which they cannot receive today.

Panel 4: Validation of Models

- Questioning whether the models, in relation to smaller companies, perform well. Stating that there are concerns raised about the relationship to the embedded costs.
- Questioning what occurs after the transition period when it appears that the models may not be working as they have in the previous three years for the larger companies.
- Responding to above question, stating that the deficiencies in the models, particularly in both the BCM II and its successor, as well as Hatfield and its successor, are so extreme that they are not only misallocating dollars between little companies, but they are misallocating debt dollars between pier one companies.
- Stating that an inherent defect of those models is creating such substantial errors that for big companies, they may be able to live with it. Stating that, conversely, little companies are going to die. You have to correct the fundamental modeling errors, which are the distributional customers, as well as the CBG problem.
- Elaborating that the assumptions in some of the models were wrong and that if you use incorrect assumptions and try and model the distribution of dollars based on those assumptions, little companies are going to die.

Implementation of the Local Competition Provisions in the Telecommunications Act of 1996: Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Provider

(Released August 8, 1996)

<i>Para. No.</i>	<i>Statements Of the FCC On Matters Relating to Rural Issues</i>
11	<ul style="list-style-type: none">• Determining that Congress recognized that the transition to competition presents special considerations in markets served by smaller telephone companies, especially in rural areas.• Stating that the FCC knows of these considerations and knows that they will be taken into account by state commissions.
38	<ul style="list-style-type: none">• Finding that LECs bear the burden of proving to a state commission that a suspension or modification of the requirements of Section 251(b) or (c) is justified.• Determining that rural LECs bear the burden of proving that continued exemption of the requirements of Section 251(c) is justified, once a bona fide request has been made by a carrier under Section 251.
61	<ul style="list-style-type: none">• Rejecting the position advocated by some parties that the FCC should not adopt national rules because such rules will be particularly burdensome for small or rural incumbent LECs.• Noting, however, that Section 251(f) provides relief for some of the FCC's rules. Also stating that national rules will assist smaller carriers that seek to provide competitive local service.• Noting that national rules will greatly reduce the need for small carriers to expend their limited resources securing their right to interconnection, services and network elements to which they are entitled under the 1996 Act. Noting that this is particularly true with respect to discrete geographic markets that include areas in more than one state.• Recognizing that even a small provider may wish to enter more than one market, and national rules will create economies of scale for entry into multiple markets.
114	<ul style="list-style-type: none">• Finding that national rules should reduce the uncertainty about the outcome that may be reached by different states in their respective regulatory proceedings, which will reduce regulatory burdens for small incumbent LECs.

Implementation of the Local Competition Provisions of the Telecommunications Act of 1996: Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Provider

(Released August 3, 1996)

<i>Para. No.</i>	<i>Statements Of the FCC On Matters Relating to Rural Issues</i>
120	<ul style="list-style-type: none"> • Stating that the Commission is addressing the impact of its rules on small incumbent LECs. • Determining, in response to an argument by the Rural Telephone Coalition (“RTC”) that rules based on large urban properties cannot be blindly applied to small and rural LECs, that states will retain sufficient flexibility under the FCC’s rules to consider local technological, environmental, regulatory and economic conditions. • Noting that Section 251(f) also may provide relief to certain small carriers.
154	<ul style="list-style-type: none"> • Agreeing with Small Cable Business Association that small entities seeking to enter the market may be particularly disadvantaged by delay. • Finding that designating a representative authorized to make binding representations on behalf of a party will assist small entities and small incumbent LECs by centralizing communications and thereby facilitating the negotiation process.
179	<ul style="list-style-type: none"> • Finding that uniform rules will permit all carriers, including small incumbent LECs, to plan regional or national networks using the same interconnection points and similar networks nationwide.
247	<ul style="list-style-type: none"> • Finding that National requirements for unbundled network elements are workable because the differences between incumbent LEC networks in different states are not great enough to overcome the pro-competitive benefits of a minimum list, applied to a broad range of networks across geographic regions, of required unbundled network elements. • Finding that unbundling requirements should not differ for small incumbent LECs because: (1) some small incumbent LECs may not experience any problems complying with the FCC’s unbundling rules and (2) Section 251(f) provides relief to certain small LECs from FCC regulations implementing Section 251.

Implementation of the Local Competition Provisions in the Telecommunications Act of 1996: Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Provider

(Released August 8, 1996)

<i>Para. No.</i>	<i>Statements Of the FCC On Matters Relating to Rural Issues</i>
365	<ul style="list-style-type: none"> • Rejecting the RTC's argument that rural ratepayers could be subject to higher local service rates if interexchange carriers are allowed to bypass access charges through the purchase of unbundled elements before proceedings regarding access reform and universal service are completed. • Rejecting the RTC's argument because FCC rules provide for a limited transitional plan to address public policy concerns raised by the bypass of access charges through unbundled network elements.
451	<ul style="list-style-type: none"> • Limiting the provision of unbundled interoffice facilities to existing incumbent LEC facilities, after considering the impact on small incumbent LECs and the RTC's argument that incumbent LECs should not be required to construct new facilities to accommodate new entrants. • Also noting that § 251(f) provides relief for certain small LECs from FCC regulations under § 251.
526	<ul style="list-style-type: none"> • After considering the impact on small incumbent LEC's, recognizing that the FCC's requirement of nondiscriminatory access to operations support systems recognizes that different incumbent LECs possess different existing systems. • Noting that § 251(f) of the Act provides relief for certain small LECs from FCC regulations implementing § 251.
575	<ul style="list-style-type: none"> • Addressing the economic impact on small incumbent LECs of its proposed rules on the meaning of the term "premises," the FCC states that it does not adopt rigid requirements for locations where co-location must be provided. • Stating that incumbent LECs are not required to physically co-locate equipment in locations where not practical for technical reasons or because of space limitations, and virtual co-location is required only where technically feasible. • Noting that § 251(f) of the Act provides relief to certain small LECs from FCC regulations implementing § 251.

Implementation of the Local Competition Provisions in the Telecommunications Act of 1996: Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Provider

(Released August 8, 1996)

<i>Para. No.</i>	<i>Statements Of the FCC On Matters Relating to Rural Issues</i>
587	<ul style="list-style-type: none"> • Addressing the impact of its rules on the allocation of space for physical co-location on small incumbent LECs, the FCC states that it shall not require physical co-location at any point where there is insufficient space available. • Declining, however, to adopt rules regarding space availability that apply differently to small rural carriers because it believes the rules it is adopting are sufficiently flexible. • Also noting that § 251(f) provides relief to certain small LECs from FCC regulations implementing § 251.
629	<ul style="list-style-type: none"> • Noting that the FCC's adoption of a single set of pricing rules should minimize regulatory burdens, conflicts, and uncertainties associated with multiple, and possible inconsistent, rules, thus facilitating competition on a reasonable and efficient basis and minimizing the economic impact of FCC rules for small incumbent LECs.
679	<ul style="list-style-type: none"> • Finding that the adoption of a forward-looking cost-based pricing methodology should facilitate competition on a reasonable and efficient basis by all firms in the industry by establishing prices for interconnection and unbundled elements based on costs similar to those incurred by the incumbents, which may be expected to reduce the regulatory burdens and economic impact of FCC decisions for small incumbent LECs.
697	<ul style="list-style-type: none"> • After considering the impact of the rules regarding forward-looking common costs on small incumbent LECs, the FCC adopts an approach that calls for the following: the recovery of joint and common costs in the event the Commission adopts a forward-looking cost methodology. • In addition, the cost-based pricing methodology that the FCC is adopting is designed to permit incumbent LECs to recover their economic costs of providing interconnection and unbundled elements, which may minimize the economic impact of these decisions on small incumbent LECs. • Also noting that certain small incumbent LECs are either not subject to or can seek relief from FCC rules under § 251(f).