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Federal Communications Commission
1919 M St., N.W.
Washington, D.C. 20554

News media information: 202 / 418-0500
Fax-On-Demand: 202 / 418-2830
Internet: <http://www.fcc.gov>
<ftp.fcc.gov>

PROCEDURES FOR STATES TO ELECT TO FILE STATE-CONDUCTED FORWARD-LOOKING COST STUDIES FOR UNIVERSAL SERVICE SUPPORT FOR NON-RURAL CARRIERS

CC Docket Nos. 96-45 and 97-160
DA 97-1677

Released: August 7, 1997

On May 8, 1997, the Commission released a Report and Order on Universal Service (Order).¹ In the Order, the Commission established, consistent with recommendations of the Federal-State Joint Board on Universal Service, a methodology to calculate the forward-looking economic cost of providing universal service in rural, insular, and high cost areas. The Commission specified that state commissions may elect to conduct forward-looking economic cost studies and may submit such cost studies to the Commission for use as the basis for calculating federal universal service support for non-rural local exchange carriers (LECs) in their states. In order for a state cost study to be used as the basis for calculating federal universal service support for non-rural LECs, it must meet the criteria specified in the Order² and reiterated in the Public Notice released on July 29, 1997.³

In the Order, the Commission encouraged states to submit cost studies because of the states' familiarity with local conditions and because the states have been reviewing cost studies for several years, most recently in connection with local interconnection, unbundling, and resale. The Commission also affirmed that state-conducted cost studies present the advantage of allowing states to coordinate universal service cost studies with unbundled network element pricing, reducing the potential for marketplace distortions such as arbitrage opportunities. If a state elects not to conduct its own forward-looking economic cost study, or if the state-conducted study fails to meet the criteria specified, the Commission will determine the forward-looking economic cost of providing universal service in that state according to the Commission's forward-looking mechanism. States that notify the Commission that they intend to conduct a cost study may subsequently choose to rely on the Commission's forward-

¹ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Report and Order*, FCC 97-157 (rel. May 8, 1997).

² Order at para. 249.

³ Criteria for State-Conducted Economic Cost Studies, CC Docket No. 96-45, *Public Notice*, DA 97-1501 (rel. Jul. 29, 1997).

looking mechanism.

State commissions that choose to submit state-conducted forward-looking economic cost studies must make such an election by August 15, 1997, by sending a letter referencing CC Dockets 96-45 and 97-160 to the Office of the Secretary, Federal Communications Commission, 1919 M Street, N.W., Room 222, Washington, DC 20554. The letter must be received by the Office of the Secretary by the deadline. States should also send an additional copy of the letter to Sheryl Todd, Federal Communications Commission, Accounting & Audits Division, Universal Service Branch, 2100 M Street, N.W., Room 8611, Washington, DC 20554. For additional information, please contact Natalie Wales at (202) 418-7389 or nwales@fcc.gov.

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