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PUBLIC NOTICE

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DA 98-1055
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COMMON CARRIER BUREAU SEEKS COMMENT ON STATE FORWARD-LOOKING COST STUDIES FOR UNIVERSAL SERVICE SUPPORT

CC Docket Nos. 96-45, 97-160;
APD No. 98-1

Comment Date: June 25, 1998
Reply Comment Date: July 9, 1998

In the *Universal Service Order*, the Commission determined that federal universal service high cost support should be based on forward-looking economic cost.¹ In this Public Notice, we seek comment on whether the cost studies submitted by individual states meet the Commission's specified criteria. In addition, we seek comment on Ameritech Michigan's request for waiver of the Commission's authorized ranges of economic lives and future net salvage percentages used to calculate depreciation expenses. Comments from interested parties are due on or before **June 25, 1998**, and reply comments are due on or before **July 9, 1998**.

Background:

In the *Universal Service Order*, the Commission adopted a plan for universal service support for rural, insular, and high cost areas that will replace existing implicit federal subsidies with explicit, competitively neutral federal universal service support mechanisms.² The Commission determined that, beginning January 1, 1999, non-rural carriers will receive support based on the forward-looking economic cost of providing the supported services. The

¹ Federal State Joint Board on Universal Service, *Report & Order*, CC Docket No. 96-45, 12 FCC Rcd 8776, 8899 paras. 224-25, (1997) (*Universal Service Order*), as corrected by Federal State Joint Board on Universal Service, CC Docket 96-45, *Errata*, FCC 97-157 (rel. June 4, 1997), *appeal pending*, *Texas Office of Public Utility Counsel v. FCC*, No. 97-60421 (5th Cir. filed June 25, 1997); *see also Recommended Decision*, 12 FCC Rcd at 232 para. 270.

² *Universal Service Order*, 12 FCC Rcd at 8888-8951.

Commission concluded that states could submit forward-looking economic cost studies as the basis for calculating federal universal service high cost support for non-rural carriers in lieu of using the federal mechanism selected by the Commission.³ The Commission adopted specific criteria to guide the states as they conducted those studies.⁴ In a Public Notice released February 27, 1998, the Commission stated its intent to review each cost study submitted by a state, along with all applicable comments, in determining whether the state cost study complies with the criteria established in the *Universal Service Order*.⁵

Issues for Comment:

On May 26, 1998, the following states submitted forward-looking cost studies to be used in lieu of the federal mechanism for determining federal universal service high cost support: Hawaii, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, Montana, Nebraska, North Carolina, Puerto Rico, and South Carolina. We seek comment on whether these cost studies meet the criteria specified in the *Universal Service Order* and, therefore, should be approved by the Commission for use in calculating federal support for non-rural carriers in rural, insular, and high cost areas in those states. To the extent that information and data relating to the state cost studies has been provided electronically to the Commission, it will be available for review via the Internet, beginning June 8, 1998, at http://www.fcc.gov/e-file/cost_studies.

We also seek comment on the request for waiver filed by Ameritech Michigan relating to the cost study submitted for use in Michigan. Specifically, Ameritech Michigan requests that the Commission waive the requirement established in criterion 5 of the *Universal Service Order* that economic lives and future net salvage percentages used to calculate depreciation expenses must be within Commission authorized ranges.⁶ Ameritech notes that "11 of the 15 plant categories used in the [Michigan] universal service cost study fall outside the FCC life ranges."⁷

Procedure for Filing:

Comments should reference CC Docket Nos. 96-45, 97-160 and *must include the DA number and APD number shown on this Public Notice*. Interested parties must file an original

³ *Universal Service Order*, 12 FCC Rcd at 8912 para. 248.

⁴ *Universal Service Order*, 12 FCC Rcd at 8913-8916 para. 250.

⁵ State Forward-Looking Cost Studies for Federal Universal Service Support, CC Docket Nos. 96-45, 97-160, DA 98-217, *Public Notice* (rel. Feb. 27, 1998) at 1.

⁶ *Universal Service Order*, 12 FCC Rcd at 8914 para. 250.

⁷ *Request for Waiver*, CC Docket No. 96-45, 97-160, filed May 26, 1998 at 1-2. The Michigan Public Service Commission noted that by approving the Ameritech Michigan study, it was neither explicitly or implicitly seeking a waiver of the criterion 5 requirement on behalf of Ameritech. *In the matter of application of Ameritech Michigan, Before the Michigan Public Service Commission*, Case No. U-11635 at 5 (May 11, 1998).

and five copies of their comments with the Office of Secretary, Federal Communications Commission, Room 222, 1919 M Street, N.W., Washington, D.C. 20554. Parties should send three copies of their comments to Sheryl Todd, Common Carrier Bureau, Federal Communications Commission, 2100 M. St, N.W., 8th Floor, Washington, D.C. 20554. Parties should send one copy of their comments to the Commission's copy contractor, International Transcription Service, 1231 20th Street, N.W., Washington, D.C. 20036.

Commenters may also file informal comments or an exact copy of formal comments electronically via the Internet at <bclopton@fcc.gov>. Only one copy of electronically-filed comments must be submitted. A commenter must note whether an electronic submission is an exact copy of formal comments on the subject line. A commenter also must include its full name and Postal Service mailing address in its submission.

Parties are also asked to submit their comments and reply comments on diskette. Such diskette submissions are in addition to and not a substitute for the formal filing requirements addressed above. Parties submitting diskettes should submit them to Bryan Clopton of the Accounting Policy Division, Common Carrier Bureau, 2100 M Street, N.W., 8th floor, Washington, D.C. 20554. Such a submission should be on a 3.5 inch diskette formatted in an IBM compatible form using WordPerfect 5.1 for Windows or compatible software. The diskette should be submitted in "read only" mode. The diskette should be clearly labelled with the party's name, proceeding, type of pleading (comment or reply comments) and date of submission. Each diskette should contain only one party's comments in a single electronic file. The diskette should be accompanied by a cover letter.

Pursuant to section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, this proceeding will be conducted as a permit-but-disclose proceeding in which *ex parte* communications are permitted subject to disclosure.

For further information, please contact: Katie King, Accounting Policy Division, Common Carrier Bureau, (202) 418-7400.

- Action by the Chief, Accounting Policy Division -