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**TDS TELECOM**

***Government and Regulatory Affairs***

October 16, 1998

**Ex Parte**

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street NW Rm 222  
Washington, DC 20554

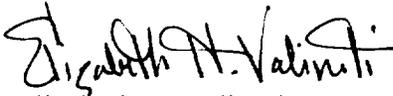
RE: CC DOCKET 96-45, IN THE MATTER OF FEDERAL-STATE JOINT BOARD  
ON UNIVERSAL SERVICE

Dear Ms. Roman Salas:

On October 15, 1998, Paul Pederson and Claire Harrison of TDS TELECOM met with Martha Hogerty of the Missouri Office of Public Counsel and also of the Joint Board, to discuss TDS TELECOM's positions on Universal Service Issues referred to the Federal-State Joint Board.

Enclosed herewith are the documents discussed with Ms. Hogerty during this meeting. I have enclosed copies in accordance with Commission rules. Please date stamp and return the provided copy in the enclosed self-addressed, stamped envelope.

Respectfully submitted,



Elizabeth H. Valinoti  
Manager  
Federal Regulatory Affairs

EHV/aec

Attachments

cc: M. Hogerty

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## **TDS TELECOM OVERVIEW**

### **October 1998**

- ☎ Serves approximately 539,651 access lines in 28 states**
- ☎ Operates 106 local exchange companies**
- ☎ Average number of access lines per company = 5,091**
- ☎ Largest company, Tennessee Telephone Company, Knoxville, Tennessee serves 57,404 access lines**
- ☎ Smallest company, Meriden Telephone Company, Meriden, New Hampshire serves 529 access lines**
- ☎ Average number of access lines per square mile = 13.8**
- ☎ Average RBOC access lines per square mile = 132.25**
- ☎ Highest density company, Concord Telephone Exchange, Knoxville, Tennessee = 508.8 access lines per square mile**
- ☎ Lowest density company, Arizona Telephone Company, Phoenix, Arizona = 0.6 access lines per square mile**
- ☎ 100% of access lines are digital**

**TDS TELECOM Positions on Universal Service Issues**  
**Referred to the Federal-State Joint Board**  
October 1998

**Proxy model decisions made for non-rural companies are likely to carry through to rural companies.**

- While the Joint Board is currently reviewing high-cost support issues for non-rural ILECs, regulatory history suggests that rules adopted for non-rural ILECs will eventually – at least in part – apply to rural ILECs. (For example: federal access charge reform)
- Effective analysis of the models by rural companies is extremely difficult because of the complexity of the models, and because much of the data and processes used remain proprietary or at least inaccessible. (For example: geocoding data; mapping of customer location; need to understand Visual Basic or other programming languages)
- Customer location algorithms remain unreliable and generate widely variable average loop lengths that differ significantly from actual measures. Such variation contributes to cost estimates that deviate greatly from actual costs. (See slides 3 and 4)
- TDS TELECOM analysis of the currently available Hatfield and BCPM models at the 25% federal support level indicates extreme variability in resulting high-cost support. This company-by-company variability would generate unpredictable – and often insufficient – support, thereby jeopardizing the universal service principles of the 1996 Act. (See slide 5)

**Determining universal service support through the use of actual costs remains the most viable alternative for rural ILECs.**

- The 1996 Act goals of reasonable and comparable rates in rural areas will be jeopardized without specific, predictable and sufficient support amounts generated through use of actual costs. To date, the use of actual costs appears to be the best measure for support needs. (See slides 1A and 2A)
- Predictable support, as that afforded by current mechanisms, will enable the continued investment in rural infrastructure necessary for rural economic development.

**Disaggregating universal service support into geographic areas smaller than study areas is necessary to preserve universal service while promoting competition in rural areas.**

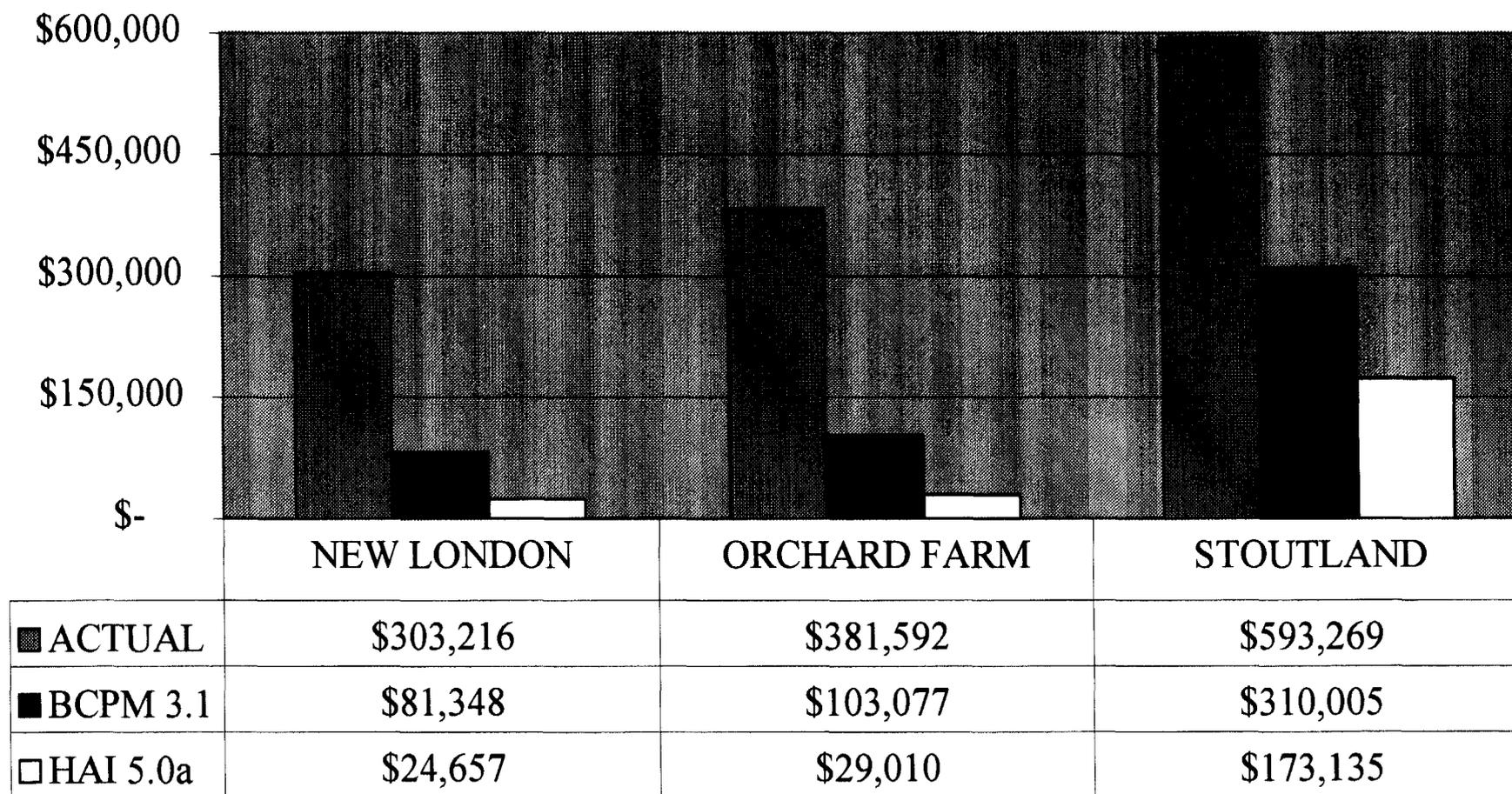
- Averaging support across a study area results in loss of high-cost support when low-cost customers are lost to competitors.
- Disaggregation of support will help prevent the detrimental effects of “creamskimming,” including loss of necessary support for the rural ILEC’s remaining customers.
- Disaggregation of support will also prevent a windfall of unnecessary support to a competing ETC serving the lower cost customers.
- Proxy models may provide an acceptable method of accomplishing disaggregation. In fact, proxy models were originally designed for this purpose, not to determine the size of a universal service fund.

**The FCC’s proposed 25%-75% jurisdictional split of federal and state high-cost support will not provide adequate universal service support, particularly in high-cost states.**

- 25% of high-cost support determined by a proxy model is typically less than what rural LECs receive today from federal universal service programs. (See slides 1 and 1A)

# FEDERAL UNIVERSAL SERVICE SUPPORT

**Actual vs.  
Proxy at 25%**



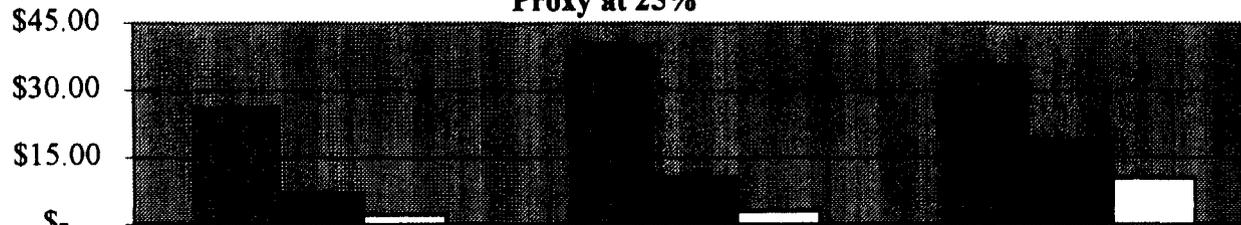
Actual support = USF + DEM + LTS

Proxy data represents wirecenter level calculation using model defaults.

Proxy support calculated on primary residential and single-line business lines only.

## FEDERAL UNIVERSAL SERVICE SUPPORT PER LINE PER MONTH

Actual vs.  
Proxy at 25%



	NEW LONDON	ORCHARD FARM	STOUTLAND
■ ACTUAL	\$25.76	\$39.75	\$35.54
■ BCPM 3.1	\$6.91	\$10.74	\$18.57
□ HAI 5.0a	\$2.09	\$3.02	\$10.37

### CHANGE IN SUPPORT PER LINE

	NEW LONDON	ORCHARD FARM	STOUTLAND
BCPM 3.1 vs ACTUAL \$	(18.85)	(29.01)	(16.97)
HAI 5.0a vs ACTUAL \$	(23.66)	(36.73)	(25.17)

Actual support = USF + DEM + LTS

Proxy data represents wirecenter level calculation using model defaults.

Proxy support calculated on primary residential and single-line business lines.

# FEDERAL UNIVERSAL SERVICE SUPPORT

**Actual vs.  
Proxy at 100%**



	NEW LONDON	ORCHARD FARM	STOUTLAND
■ ACTUAL	\$303,216	\$381,592	\$593,269
■ BCPM 3.1	\$325,390	\$412,307	\$1,240,021
□ HAI 5.0a	\$98,627	\$116,039	\$692,540

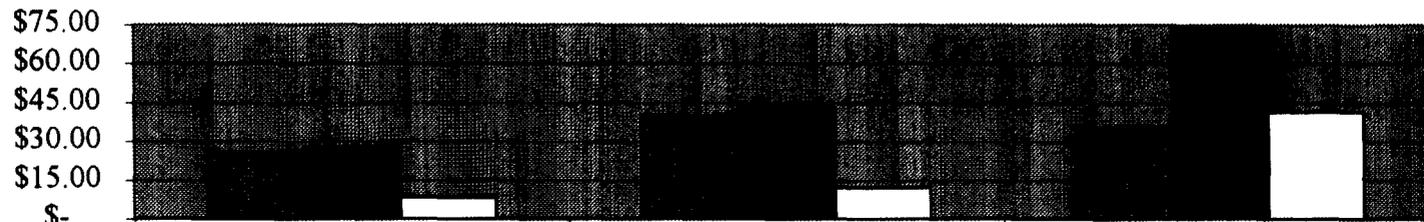
Actual support = USF + DEM + LTS

Proxy data represents wirecenter level calculation using model defaults.

Proxy support calculated on primary residential and single-line business lines.

### FEDERAL UNIVERSAL SERVICE SUPPORT PER LINE PER MONTH

Actual vs.  
Proxy at 100%



	NEW LONDON	ORCHARD FARM	STOUTLAND
■ ACTUAL	\$25.76	\$39.75	\$35.54
■ BCPM 3.1	\$27.64	\$42.95	\$74.29
□ HAI 5.0a	\$8.38	\$12.09	\$41.49

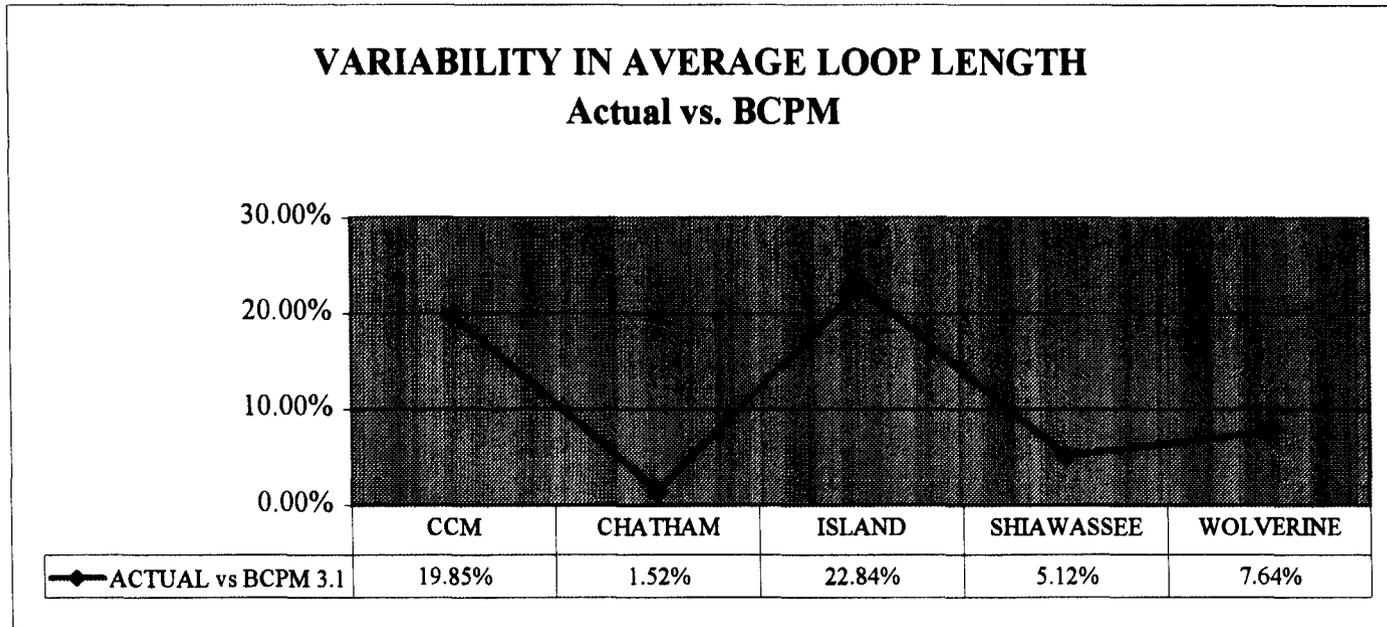
### CHANGE IN SUPPORT PER LINE

	NEW LONDON	ORCHARD FARM	STOUTLAND
BCPM 3.1 vs ACTUAL \$	1.88 \$	3.20 \$	38.75
HAI 5.0a vs ACTUAL \$	(17.38) \$	(27.66) \$	5.95

Actual support = USF + DEM + LTS

Proxy data represents wirecenter level calculation using model defaults.

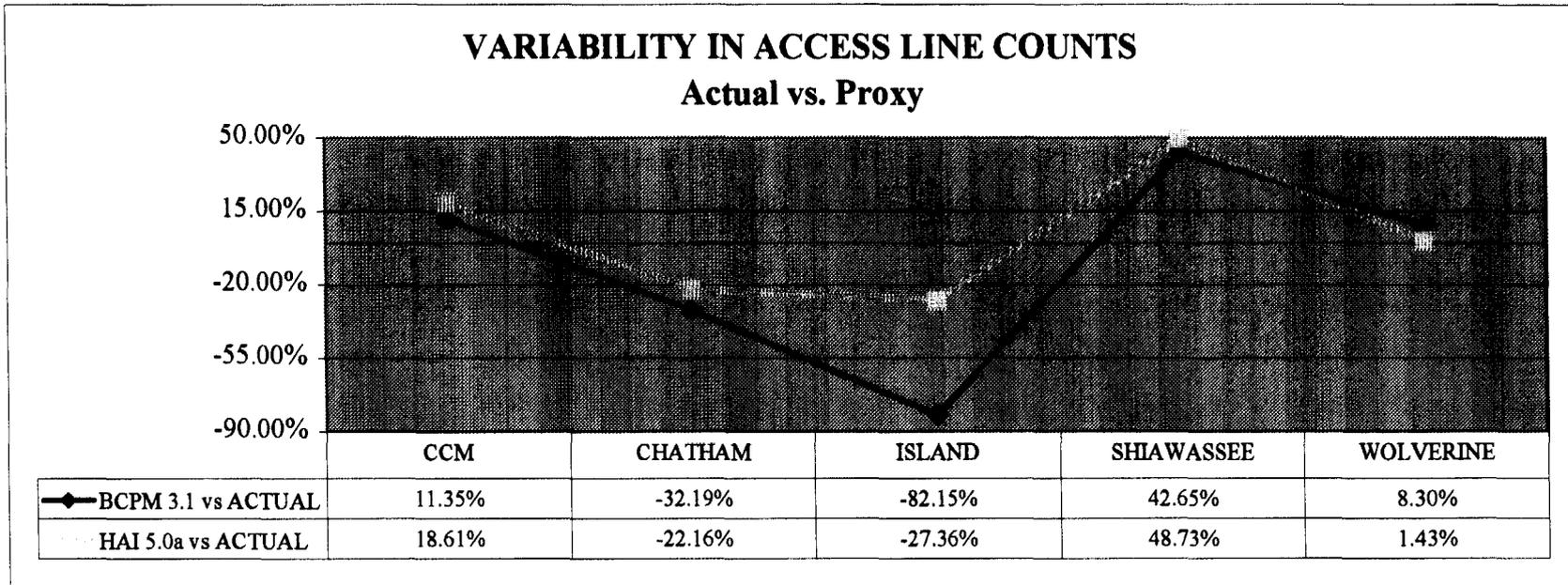
Proxy support calculated on primary residential and single-line business lines.



### AVERAGE LOOP LENGTH IN FEET

	CCM	CHATHAM	ISLAND	SHIAWASSEE	WOLVERINE
ACTUAL	27,473	28,383	27,335	20,218	31,257
BCPM 3.1	22,020	27,952	21,092	19,183	28,868

Actual based on Michigan study.  
HAI 5.0a data not readily available.



### ACCESS LINES

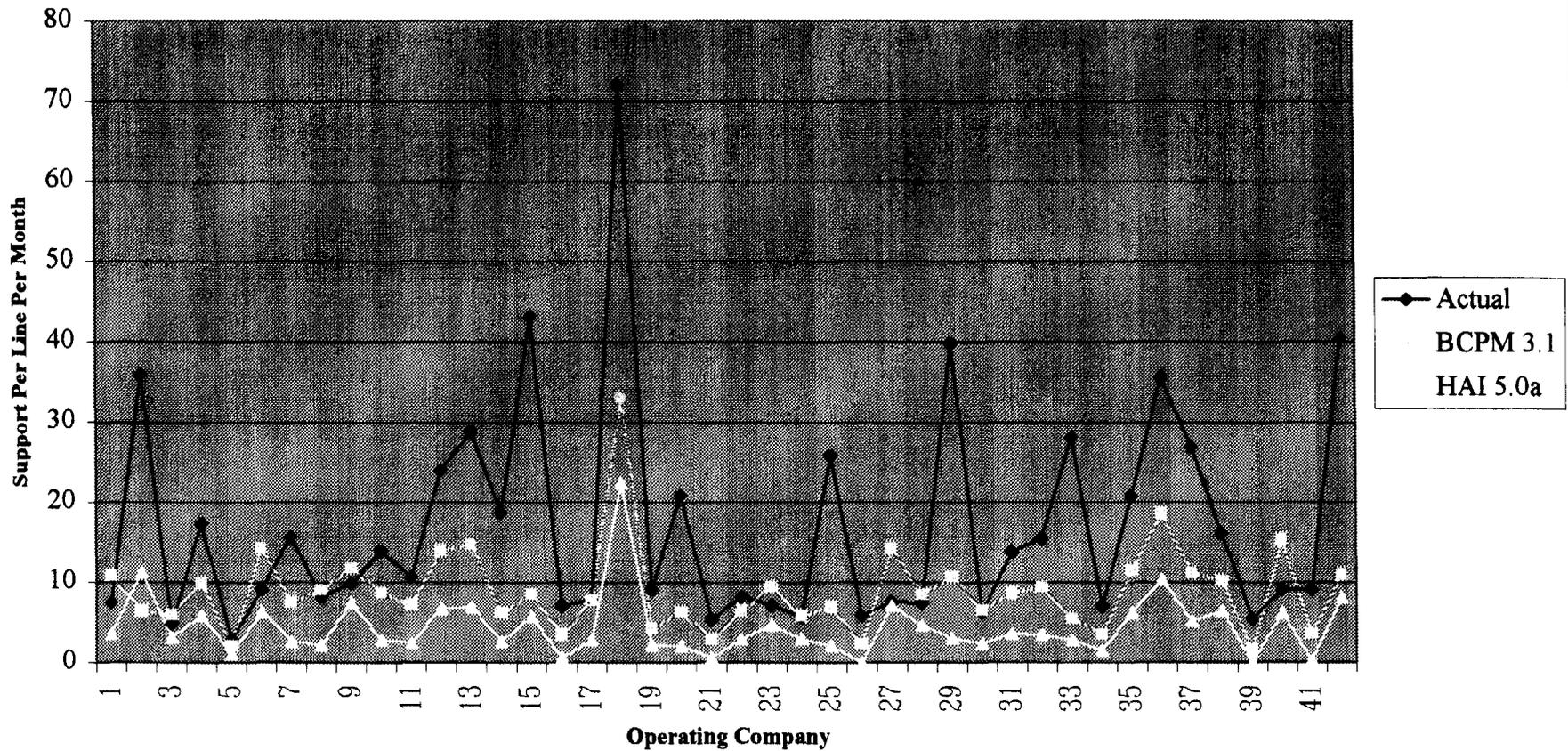
	CCM	CHATHAM	ISLAND	SHIAWASSEE	WOLVERINE
ACTUAL	3,884	3,650	1,389	3,712	9,108
BCPM 3.1	4,325	2,475	248	5,295	9,864
HAI 5.0a	4,607	2,841	1,009	5,521	9,238

Actual based on Michigan study.

# FEDERAL UNIVERSAL SERVICE SUPPORT PER LINE PER MONTH

## TDS TELECOM OPERATING COMPANIES IN JOINT BOARD STATES

Actual vs. Proxy at 25%



Actual support = USF + DEM + LTS

Proxy data represents wirecenter level calculation using model defaults.

Proxy support calculated on primary residential and single-line business lines.

Data represents 42 companies in 11 states.