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PUBLIC NOTICE



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COMMON CARRIER BUREAU RELEASES REVISED SPREADSHEET FOR ESTIMATING UNIVERSAL SERVICE SUPPORT USING PROPOSED INPUT VALUES IN THE FORWARD-LOOKING COST MODEL

CC Docket Nos. 96-45, 97-160 /

Released: July 2, 1999

In the *Platform Order* released on October 28, 1998, the Commission adopted a forward-looking cost model platform to be used in estimating the forward-looking cost of providing the services that will be supported by the new federal universal service high-cost support mechanism for non-rural carriers.¹ In the *Inputs Further Notice*, released on May 28, 1999, the Commission moved toward completing its work on the cost model by proposing input values for use in the model.² On June 16, 1999, the Common Carrier Bureau (Bureau) released on the Commission's Web site (http://www.fcc.gov/ccb/universal_service) preliminary results of model runs using the input values proposed in the *Inputs Further Notice*.³

In this Public Notice, the Bureau announces that it is releasing on the Commission's Web site a revised Excel file with spreadsheets for calculating the nationwide average monthly cost per line and estimating support amounts, based on the average cost in each wire center. The previously released file contains some incorrect references in Band I of the Cost Benchmark spreadsheet that resulted in inaccurate support estimates for certain companies. Interested parties should use the revised spreadsheet for estimating federal support amounts based on the average cost in each wire center. The revised Excel file replaces the previously posted Wirecenter Workbook (d991165b.xls). In addition, we clarify that the method used in both the Wirecenter Workbook and the Density Workbook for allocating the state support responsibility among companies is provided for illustrative purposes only, as explained below.

¹ *Federal-State Joint Board on Universal Service*, Fifth Report and Order, CC Docket Nos. 96-45, 97-160, 13 FCC Rcd 21323 (1998) (*Platform Order*).

² *Federal-State Joint Board on Universal Service*, Further Notice of Proposed Rulemaking, CC Docket Nos. 96-45, 97-160, FCC 99-120 (rel. May 28, 1999) (*Inputs Further Notice*).

³ See *Common Carrier Bureau Release Preliminary Results Using Proposed Input Values in the Forward-Looking Cost Model for Universal Service*, Public Notice, CC Docket Nos. 96-45, 97-160, DA 99-1165 (rel. June 16, 1999) (*Preliminary Results Public Notice*).

Distribution of Support by Carrier

Under the support methodology adopted in the *Methodology Order*, once costs have been averaged over a given area,⁴ they are compared to the benchmark to determine the initial support calculation.⁵ The methodology then considers whether the state is capable of supporting the initial support calculation with its own resources. To make this determination, the initial support calculations for all areas within the state must be summed and compared to the state's estimated ability to provide support internally.⁶ The difference between the sum of the initial support calculations within the state and the state's estimated ability to support its own universal service needs represents the amount of federal support that is available within the state; it does not, however, determine the amount that is available to any given carrier.⁷ This question was not resolved in the *Methodology Order*, and is among the issues on which comment was sought in the *Methodology Further Notice*.⁸

In order to produce carrier-by-carrier support calculations, the original and revised spreadsheets assume one potential solution to this problem. We wish to emphasize, however, that a potential distribution approach was included in the spreadsheets for illustrative purposes only. Although the spreadsheets assume a particular solution to this issue, other potential solutions are possible. Parties should bear in mind that the use of a particular assumption for illustrative purposes in the spreadsheets does not indicate any decision by the Commission on this issue. Moreover, we wish to bring this assumption to parties' attention so that it is not excluded from the issues to which parties direct their comments.

The spreadsheets assume that a portion of the total state support responsibility will be allocated to each company, and reduce the company's initial federal support calculation, proportionate to the company's share of the total initial federal support calculation. For example, assume a state with three non-rural carriers. Carrier A has a total initial support calculation (costs above the benchmark) of \$1 million. The total initial support calculation for all three non-rural carriers in the state is \$2 million. The estimation of the state's ability to support its universal service needs internally is \$500 thousand. Thus, a total of \$1.5

⁴ *Federal-State Joint Board on Universal Service, Access Charge Reform*, Seventh Report and Order and Thirteenth Order on Reconsideration in CC Docket No. 96-45; Fourth Report and Order in CC Docket No. 96-262; and Further Notice of Proposed Rulemaking, CC Docket Nos. 96-45, 96-262, FCC 99-119 (rel. May 28, 1999) (*High Cost Methodology Order & Further Notice*).

⁵ Note that the user also must determine what percentage of the cost above the national benchmark should be recovered through the federal mechanism. See *Preliminary Results Public Notice* at 3.

⁶ Each state's resources to support its own universal service needs will be estimated based on a set dollar amount per line. *Methodology Order* at paras. 63-66.

⁷ In the *Methodology Further Notice*, the Commission concluded that support should be distributed to carriers, but sought comment on whether support should instead be distributed to state commissions in the event that the Commission ultimately adopts a state-by-state hold-harmless approach. *Methodology Further Notice* at para. 121.

⁸ See *Further Notice* at paras. 116, 120.

million will be available to the three carriers in the state. The spreadsheets would "attribute" one half (\$250 thousand) of the state responsibility to Carrier A, because Carrier A is responsible for half of the state's initial support calculation. Thus, the spreadsheets would show \$750 thousand (\$1 million minus \$250 thousand) in support for Carrier A.

Support could be attributed to companies in other ways, however. For example, the state responsibility, expressed as a per-line amount, could be "allocated" to companies based on their total number of lines. Under this approach, each company's initial support calculation would be reduced by the annualized per-line state responsibility amount multiplied by the number of lines in the company's study area.

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