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COMMON CARRIER BUREAU SEEKS COMMENT ON UPDATING LINE COUNTS AND OTHER LIMITED INFORMATION USED IN CALCULATING HIGH-COST UNIVERSAL SERVICE SUPPORT FOR NON-RURAL CARRIERS FOR 2002

PLEADING CYCLE ESTABLISHED

CC Docket No. 96-45

Comment Date: 15 days from publication in the Federal Register

Reply Comment Date: 21 days from publication in the Federal Register

On October 21, 1999, the Commission adopted two orders completing implementation plans for a new high-cost universal service support mechanism for non-rural carriers.¹ The mechanism provides support based on the forward-looking economic cost of providing services eligible for support, as determined by the Commission's universal service cost model.² The Commission also emphasized the importance of updating the inputs used in the cost model as technology and other conditions change.³ On December 8, 2000, the Bureau released an order updating line count input data used in the model for determining support amounts for 2001.⁴

¹ *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Ninth Report and Order and Eighteenth Order on Reconsideration, 14 FCC Rcd 20432 (1999) (*Ninth Report and Order*), reversed in part and remanded in part, *Qwest Corp. v. FCC*, Nos. 99-9546, 99-9547 and 00-9505, 2001 WL 864222 (10th Cir. Aug. 1, 2001); *Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, Tenth Report and Order, CC Docket Nos. 96-45, 97-160, 14 FCC Rcd 20156 (1999) (*Tenth Report and Order*), affirmed, *Qwest Corp. v. FCC*, Nos. 99-9546, 99-9547 and 00-9505, 2001 WL 864222 (10th Cir. Aug. 1, 2001).

² In general, the forward-looking cost model estimates the cost of serving customers located within a given wire center's boundaries. In order to accomplish this task, the model must calculate switch size, the lengths, gauge, and number of copper and fiber cables, and the number of digital loop carrier remote terminals required. These factors, in turn, depend on input values, such as line counts that are used to determine how many customers a wire center serves.

³ See *Tenth Report and Order*, 14 FCC Rcd at 20170 ("We believe that the model, as used in the methodology we set out in the companion [order], is the best way to generate non-rural carriers' support amounts for the funding year beginning January 1, 2000. We also recognize, however, that the model must evolve as technology and other conditions change.").

⁴ *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Order, 15 FCC Rcd 23960 (Common Carrier Bur. 2000) (*Line Counts Update Order*).

Consistent with the Bureau and Commission precedent, we seek comment in this Public Notice on how line count and other discrete input values should be updated for purposes of determining support for 2002.

Line Counts. Line counts are used for two general purposes in the high-cost support mechanism for non-rural carriers. First, line counts are used in the Commission's cost model to estimate the forward-looking costs of providing supported services for businesses and households in a geographic area. Second, line counts are used to calculate support based on those costs and target that support to high-cost areas. In the *Line Counts Update Order*, the Bureau updated line counts by using year-end 1999 line counts filed July 31, 2000, as input values for estimating average forward-looking costs for the year 2001.⁵ Support amounts for 2001 were also adjusted every quarter using wire center line count data reported by the carriers on a quarterly basis.⁶

In order to estimate the cost of providing service for all businesses and households within a geographic area,⁷ line counts also need to be allocated to specific classes of service in the cost model.⁸ In the *1999 Data Request*, the Bureau requested, *inter alia*, that non-rural carriers submit year-end 1998 wire center line count data allocated to the classes of service used in the model.⁹ For purposes of calculating forward-looking costs and determining support for 2001, in the *Line Counts Update Order*, the Bureau concluded that line counts should be allocated to the classes of service used in the model based on the line count data filed pursuant to the *1999 Data Request*.¹⁰ Moreover, because line counts reported by non-rural carriers include only switched lines, the Bureau recognized in the *Line Counts Update Order* that it could not divide year-end

⁵ See *id.* at para. 8. In the *Line Counts Update Order*, the Bureau also decided to update line counts without updating customer location data because, although updated line count data were available at that time, updated customer location data were not. The Bureau determined that it should not postpone updating line count data until a new customer location data set is compiled.

⁶ *Line Counts Update Order* at para. 11. Non-rural carriers began filing quarterly wire center line counts for the first time on December 30, 1999. These line counts reflected a carrier's lines as of June 30, 1999.

⁷ See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, para. 250 (1997) (*First Report and Order*).

⁸ Specifically, the model uses lines that are divided into five service classes: total business lines, residential lines, special lines, payphone lines, and single line business lines. See LineCount table in hcpm/Db/hcpm.mdb at www.fcc.gov/ccb/apd/hcpm.

⁹ See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Forward-Looking Mechanism for High-Cost Support for Non-Rural LEC's*, CC Docket No. 97-160, Order, DA 99-1406 (rel. July 19, 1999) (*1999 Data Request*). The *1999 Data Request* required non-rural carriers to file year-end 1998 wire center line count data for total business lines, special lines, payphone lines, and single line business lines, measured as voice grade equivalent analog or digital lines. In addition, the *1999 Data Request* sought information on facility (as opposed to voice grade equivalent) line counts for business and special lines.

¹⁰ See *Line Counts Update Order* at para. 15. Specifically, the Bureau allocated line counts to the classes of service used in the model by dividing the year-end 1999 lines reported by non-rural carriers into business lines, residential lines, payphone lines, and single business lines for each wire center in the same proportion as the lines filed pursuant to the *1999 Data Request* (year-end 1998 lines).

line counts into the *1999 Data Request* to determine the growth rate of special lines. As a result, the Bureau divided the 1999 ARMIS special access lines among wire centers in the same proportion as the special lines from the *1999 Data Request* to estimate line count growth.

We seek comment on updating line count data in the universal service cost model consistent with the updated framework adopted in the *Line Counts Updates Order*. We specifically seek comment on whether to update line count input values with year-end line counts filed July 31, 2001, in order to estimate average forward-looking costs for 2002.¹¹ We also seek comment on whether to adjust support amounts each quarter using wire center line count data reported by carriers each quarter. In addition, we seek comment on whether to apply the methods adopted in the *Line Counts Update Order* for allocating line counts to classes of service in order to calculate support in 2002. In particular, we seek comment on whether line counts should be allocated to the classes of service used in the model based on the line count data filed pursuant to the *1999 Data Request*. Because line counts reported by non-rural carriers include only switched lines, we also seek comment on whether to divide the 2000 ARMIS special lines access lines among wire centers in the same proportion as the special lines from the *1999 Data Request* to estimate special line count growth. Finally, we seek comment on whether to apply the method adopted in the *Line Counts Update Order* for matching line count data to wire centers used in the model for calculating support in 2002.

Other Model Inputs. In addition to line counts, the model uses other types of data that are updated annually under current Commission rules and procedures. Among other things, the model uses company-specific ARMIS data to calculate investment in general support facilities (GSF).¹² GSF investment includes buildings, motor vehicles, and general purpose computers.¹³ A portion of GSF investment must be added to the model's estimate of outside plant, switching, and transport investment to adequately reflect the cost providing the supported services. We seek comment on whether we should update the tables in the model with 2000 ARMIS data to estimate GSF investment.

The model also uses company-specific data in determining switching costs. A wire center's switch directs both interstate and intrastate traffic. Universal service support, however, is only provided for the portion of the switch used to direct intrastate traffic. Therefore, to determine the amount of a wire center's switch that is eligible for support, the model needs to determine the percentage of the switch used to direct intrastate service. The model currently uses 1997 and 1998 traffic parameters from ARMIS and the National Exchange Carrier Association (NECA)¹⁴ to determine the percentage of the switch allocated to supported services and the

¹¹ Because the number of line counts continually change, updating line count input values ensures the model takes into account changes in costs resulting from changes in line counts. For example, updated line counts enable the model's cost estimates to reflect the economies of scale generated by serving an increasing number of lines. See *Line Count Updates Order* at para. 9.

¹² *Tenth Report and Order*, 14 FCC Rcd at paras. 409-10.

¹³ *Tenth Report and Order*, 14 FCC Rcd at para. 409.

¹⁴ NECA provides quarterly reports on access minutes of use to the Commission, which are posted on the Commission's web site at www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/neca.html.

switch port requirement for interoffice transport. We seek comment on whether we should update the tables in the model with currently available traffic parameters to determine the percentage of switch allocated to supported services and the switch port requirement for interoffice transport. In particular, we seek comment on whether it would be more consistent to use the NECA data as the sole source for traffic parameter data instead of obtaining these data from two sources.

Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, interested parties may file comments 15 days or fewer from publication in the Federal Register, and reply comments 21 days or fewer from publication in the Federal Register. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. See *Electronic Filing of Documents in Rulemaking Proceedings*, 63 Fed. Reg. 24,121 (1998). Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit electronic comments by Internet e-mail. To receive filing instructions for e-mail comments, commenters should send an e-mail to ecfs@fcc.gov, and should include the following words in the body of the message, "get form <your e-mail address.>" A sample form and directions will be sent in reply. Parties who choose to file by paper must file an original and four copies of each filing. All filings must be sent to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, S.W., Washington, D.C. 20554.

Parties also must send three paper copies of their filing to Sheryl Todd, Accounting Policy Division, Common Carrier Bureau, Federal Communications Commission, 445 Twelfth Street S.W., Room 5-A422, Washington, D.C. 20554. In addition, commenters must send diskette copies to the Commission's duplicating contractor, Qualex International, Portals II, 445 12th Street, SW, Room CY-B402, Washington, DC, 20554.

Pursuant to section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, this proceeding will continue to 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 or Thomas Buckley, Accounting Policy Division, Common Carrier Bureau, (202) 418-7400.