

# **EXHIBIT 1**

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### PROPOSED REVISED RULES

#### **§ 54.706 Contributions.**

(a) Entities that provide interstate telecommunications to the public, or to such classes of users as to be effectively available to the public, for a fee will be considered telecommunications carriers providing interstate telecommunications services and must contribute to the universal service support programs as set forth in sections 54.709 - 54.713. Interstate telecommunications include, but are not limited to:

- (1) Cellular telephone and paging services;
- (2) Mobile radio services;
- (3) Operator services;
- (4) Personal communications services (PCS);
- (5) Access to interexchange service (without regard to underlying technology);
- (6) Special access service;
- (7) WATS;
- (8) Toll-free service;
- (9) 900 service;
- (10) Message telephone service (MTS);
- (11) Private line service;
- (12) Telex;
- (13) Telegraph;
- (14) Video services;
- (15) Satellite service;
- (16) Resale of interstate services; and
- (17) Payphone services.

(b) Every other entity that provides an end user with an assigned number or that provides a reportable end user interstate or international special access or private line connection to a public network for a fee on a non-common carrier basis shall contribute to the federal universal service support mechanisms as set forth in sections 54.709-54.713.

(c) For purposes of sections 54.706-54.713:

(1) “Assigned numbers” are numbers working in the Public Switched Telephone Network under an agreement such as a contract or tariff at the request of specific end users or customers for their use, or numbers not yet working but having a customer service order pending. Numbers that are not yet pending and have a service order pending for more than five days shall not be classified as assigned numbers.

(2) “Assessable assigned numbers” are assigned numbers other than numbers provided to customers for service for which the contributor receives Lifeline support pursuant to section 54.403, and numbers not uniquely assigned to a specific end user customer.

(3) A “reportable end user interstate or international special access or private line connection” is an end user connection that:

- (A) is capable of originating or terminating interstate or international telecommunications;
- (B) is provided by the contributor to a domestic end user; and
- (C) provides special access or private line services.

(4) An “end user connection” is a telecommunications facility that:

- (A) a contributor uses to connect an end user's premises to a public network, regardless of whether that connection is circuit-switched, packet-switched, a leased line, or uses radiofrequency transmissions;
- (B) is provided by the contributor for use with a telecommunications service, or private carrier telecommunications, for which the contributor obtains a fee; and
- (C) provides the end user with independent access to that public network.

(5) A “special access” or “private line” connecting the customer’s premises to a public network is a connection, regardless of the technology used to provision the loop (*e.g.*, copper pair, coaxial cable, or radiofrequency transmissions).

(6) A “public network” is a network used by a private or common carrier to provide interstate or international telecommunications services or telecommunications for a fee to third parties.

(7) A contributor “provides” an end user connection when the contributor is obligated by tariff or contract to provide the end user connection to the end user, regardless of whether the contributor uses its own facilities to provide that connection, or does so by reselling the facility of another telecommunications carrier or private carrier. A common or private carrier does not “provide” an end user connection if it sells a telecommunications facility or service to another carrier that uses that facility or service to provide the connection to the end user.

(8) A connection provides “independent access” to a public network when that connection does not require the presence of any other activated end user connection to provide access to a public network (*e.g.*, two voice-grade lines provisioned over the same loop facilities are two independent connections).

(9) The number and capacity of connection(s) shall be determined according to the services sold to the end user, rather than according to the facility used by a contributor to provision a service (*e.g.*, if an end user orders seven multiline business lines and two special

access lines, but the carrier uses a T-1 facility to provision all of those lines, the carrier is providing seven telephone numbers along with two special access connections, and not a single T-1 connection).

(d) *Interim treatment of residential high speed internet access connections pending resolution of In re Appropriate Framework for Broadband Access to the Internet over Wireline Facilities; Universal Service Obligations of Broadband Providers, Notice of Proposed Rulemaking, CC Docket No. 02-33.* Notwithstanding subsection (c), the portion of an end user connection that is used to provide residential high speed internet access to that end user shall not be deemed to be a reportable end user interstate or international special access or private line connection; however, to the extent that end user has an assigned telephone number, an assessment would still be made on the basis of an assessable assigned number, pursuant to sections 54.709-54.711. This subsection does not apply to an end user connection that connects an Information Service Provider's premises to a public network.

(e) Entities providing open video systems (OVS), cable leased access, or direct broadcast satellite (DBS) services are not required to contribute on the basis of connections to those services, except to the extent those connections are used to provide interstate or international special access or private line telecommunications for a fee, whether on a common carrier or a non-common carrier basis. The following entities will not be required to contribute to universal service: non-profit health care providers; broadcasters; systems integrators that derive less than five percent of their systems integration revenues from the resale of telecommunications.

#### **§ 54.709 Computations of required contributions to universal service support mechanisms.**

(a) A contributor's monthly contributions to the universal service support mechanisms shall be the sum of the following, and shall be reported to the Administrator in accordance with section 54.711:

(1) The number of projected assessable assigned numbers provided by that contributor to end users, adjusted for projected uncollectibles, times the assessment rate. A carrier need not report or contribute to universal service on the basis of numbers provided to another entity that contributes to universal service and reports that number to the Administrator.

(2) The number of projected Tier 1-equivalents for all reportable end user interstate or international special access or private line connections, adjusted for projected uncollectibles, times the assessment rate.

(b) The universal service assessment rate shall be determined by the Commission by dividing the total projected expenses for the universal service support mechanism by the sum of the total number of projected assessable assigned numbers and the projected number of Tier 1-equivalents for all reportable end user interstate or international special access or private line connections, adjusted for projected uncollectibles. The total subject numbers and Tier-1 equivalents, and uncollectibles, shall be compiled by the Administrator based on information contained in the Telecommunications Reporting Worksheets described in section 54.711(a).

(c) Total projected expenses for the federal universal service support mechanisms for each quarter must be approved by the Commission before they are used to calculate the assessment rate and individual contributions. For each quarter, the Administrator must submit its projections of demand for the federal universal service support mechanisms for high-cost areas, low-income consumers, schools and libraries, and rural health care providers, respectively, and the basis for those projections, to the Commission and the Common Carrier Bureau at least sixty (60) calendar days prior to the start of that quarter. For each quarter, the Administrator must submit its projections of administrative expenses for the high-cost mechanism, the low-income mechanism, the schools and libraries mechanism and the rural health care mechanism and the basis for those projections to the Commission and the Common Carrier Bureau at least sixty (60) calendar days prior to the start of that quarter. Based on data submitted to the Administrator on the Telecommunications Reporting Worksheets, the Administrator must submit the projected average monthly total of assessable assigned numbers and reportable end user interstate and international special access or private line connections by Tier and the proposed assessment rate to be applicable for the upcoming quarter, calculated pursuant to subsection (b), to the Wireline Competition Bureau at least thirty (30) days before the start of each quarter. The projections of demand and administrative expenses and the assessment rates shall be announced by the Commission in a public notice and shall be made available on the Commission's website. The Commission reserves the right to set projections of demand and administrative expenses at amounts that the Commission determines will serve the public interest at any time within the fourteen-day period following release of the Commission's public notice. If the Commission takes no action within fourteen (14) days of the date of release of the public notice announcing the projections of demand and administrative expenses, the projections of demand and administrative expenses, and the assessment rate, shall be deemed approved by the Commission. The Administrator shall apply the quarterly assessment rate, once approved by the Commission, to contributors' projected average monthly total of assessable assigned numbers, projected average monthly total of reportable end user interstate and international special access and private line connections, and projected uncollectibles, to calculate the amount of individual contributions.

(d) Prior to the start of each quarter, pursuant to section 52.711 and deadlines announced by the Commission by Public Notice in the *Federal Register*, each contributor shall submit a quarterly Telecommunications Reporting Worksheet reporting, for the upcoming quarter, that carrier's projected average monthly total of assessable assigned numbers, projected average monthly total of end user interstate and international special access and private line connections by Tier, and projected uncollectibles.

(e) If the contributions received by the Administrator in a quarter exceed the amount of universal service support program contributions and administrative costs for that quarter, the excess payments will be carried forward to the following quarter. The assessment rates for the following quarter will take into consideration the projected costs of the support mechanisms for that quarter and the excess contributions carried over from the previous quarter.

(f) If the contributions received by the Administrator in a quarter are inadequate to meet the amount of universal service support program payments and administrative costs for that quarter,

the Administrator shall request authority from the Commission to borrow funds commercially, with such debt secured by future contributions. Subsequent assessment rates shall take into consideration the projected costs of the support mechanisms and the additional costs associated with borrowing funds.

(g) If a contributor fails to file a Telecommunications Reporting Worksheet by the date on which it is due, the Administrator shall bill that contributor based on whatever relevant data the Administrator has available, including, but not limited to, the number of assessable assigned numbers and reportable end user interstate or international special access or private line connections to the contributor and data from previous years, taking into consideration any estimated changes in such data.

(h) Definitions – For the purposes of this section:

(1) “Tier 1 connections” are reportable end user interstate and international special access or private line connections with a capacity of less than or equal to 725 Kbps;

(2) “Tier 2 connections” are reportable end user interstate and international special access or private line connections with a capacity of greater than 725 Kbps, but less than or equal to 5 Mbps;

(3) “Tier 3 connections” are reportable end user interstate and international special access or private line connections with a capacity of greater than 5 Mbps, but less than or equal to 90 Mbps;

(4) “Tier 4 connections” are reportable end user interstate and international special access or private line with a capacity of greater than 90 Mbps.

(5) “Tier 1 equivalents” are the sum of –

- (A) The number of Tier 1 connections;
- (B) Tier 2 connections times 16;
- (C) Tier 3 connections times 224; and
- (D) Tier 4 connections times 336.

#### **§ 54.711 Contributor reporting requirements.**

(a) Contributions shall be calculated and filed in accordance with the Telecommunications Reporting Worksheet which shall be published in the *Federal Register*. The Telecommunications Reporting Worksheet sets forth information that the contributor must submit to the Administrator on a quarterly and annual basis. The Commission shall announce by Public Notice published in the *Federal Register* and on its website the manner of payment and dates by which payments must be made. An executive officer of the contributor must certify to the truth and accuracy of historical data included in the Telecommunications Reporting Worksheet, and that any projections in the Telecommunications Reporting Worksheet represent a good-faith estimate

based on the contributor's policies and procedures. The Commission or the Administrator may verify any information contained in the Telecommunications Reporting Worksheet. Contributors shall maintain records and documentation to justify information reported in the Telecommunications Reporting Worksheet, including the methodology used to determine projections, for three years and shall provide such records and documentation to the Commission or the Administrator upon request. Inaccurate or untruthful information contained in the Telecommunications Reporting Worksheet may lead to prosecution under the criminal provisions of Title 18 of the United States Code. The Administrator shall advise the Commission of any enforcement issues that arise and provide any suggested response.

(b) The Commission shall have access to all data reported to the Administrator. Contributors may make requests for Commission nondisclosure of company-specific information under section 0.459 of this chapter by so indicating on the Telecommunications Reporting Worksheet at the time that the subject data are submitted. The Commission shall make all decisions regarding nondisclosure of company-specific information. The Administrator shall keep confidential all data obtained from contributors, shall not use such data except for purposes of administering the universal service support programs, and shall not disclose such data in company-specific form unless directed to do so by the Commission. Subject to any restrictions imposed by the Chief of the Wireline Competition Bureau, the Universal Service Administrator may share data obtained from contributors with the administrators of the North American Numbering Plan administration cost recovery (*see* section 52.16 of this chapter), the local number portability cost recovery (*see* section 52.32 of this chapter), and the TRS Fund (*see* section 64.604(c)(4)(iii)(H) of this chapter). The Administrator shall keep confidential all data obtained from other administrators and shall not use such data except for purposes of administering the universal service support mechanisms.

(c) The Bureau may waive, reduce, modify, or eliminate contributor reporting requirements that prove unnecessary and require additional reporting requirements that the Bureau deems necessary to the sound and efficient administration of the universal service support mechanisms.