Calculating USF on CETC Costs

A Regulatory Morass

General Communication Inc.

Calculating CETC Costs

- No common accounting system or categories. (No Part 32 USOA)

- No common network topology (*e.g.*, what is a "loop") or geographic scope.

- No regulatory structure for allocating costs, particularly costs for shared facilities. (No Part 64, Part 36 or other allocators)

- No convention as to the time frame.

- How many customers do you assume?

Examples of Issues

- GCI has one switch in Anchorage, while ACS has five. Is fiber from switch to collocation site part of loop, analogous to ILEC feeder?

- Do you use the scope of the ILEC or CETC network, and what about ILEC study area borders?

- GCI's per line additional loop costs decline as lines increase. What is the assumed penetration? How do you address the CETC's "lumpy" costs?

FCC Options

1. Require CETCs to use USOA, Part 64, 36 and other ILEC allocation methodologies, affiliate transactions rules, and adopt network topology conventions to fit new networks into ILEC nomenclature.

2. Self-certification of CETC costs.

3. Base CETC support on ILEC support.

Best Option – Pay CETC Same Support as ILEC

- No need to impose USOA and cost allocation rules on non-regulated carriers.
- Adaptable to different network topologies and geographic scopes.
- No need to investigate CETC cost declarations.
- Avoids an increase in overall support driven by high CETC costs upon entry.
- Preserves the same competitive dynamics as would exist in the absence of subsidy payments.