

COST ALLOCATION

As we have been presenting the changes in the E-rate Modernization Order to both applicants and service providers, participants have voiced their concerns regarding cost allocation associated with (a) bundled data plans and (b) circuits or data connections that carry both data and voice traffic.

Bundled Data Plans

As detailed in the comments submitted by E-MPA, many of the service providers for wireless services are now providing bundled plans that include both wireless voice (cellular) and data plans. The pricing is for the package as a whole and may include voice services, data, and text messaging. The pricing is not broken out among the bundled components. We did an analysis of a cellular bill for a large urban school district and requested the underlying detail from the provider. We worked through 2200 rows of spreadsheet data but even the plan detail listed the bundled plans as a single price. In this particular case the applicant had both “bundled 400 shared minute plans with data and text messaging” and “voice only 400 shared minute plans.” Since the applicant did have both bundled and voice only plans for the same number of shared minutes, we were able to find a price for the voice only plan which we used to subtract out of the bundled plan.

However, if there is no breakout of the bundled plan, the Commission could significantly speed up the administrative process of cost allocating the bundled data plans by providing a recommended methodology to use.

Example of cost allocation guidance for bundled voice and data plans:

In cases where the service offering includes bundled voice and data services and there is no pricing associated with the ineligible components included in the bundled offering, the applicant may cost allocate 60% of the bundled cost to voice services.

This type of guidance would save the program thousands of hours in administrative work and thus expedite program review and allow the program administrator to meet the goal of faster processing of applications and result in a more efficient program.

Circuit capacity dedicated to providing voice service

Broadband data connections in many cases will carry some voice traffic. Since Category One is designed to provide funding support for broadband connections it would be counterproductive to leave this question unanswered.

We recommend that the Commission clarify what is meant by “circuit capacity dedicated to providing voice service” in relation to the phase out of voice services. One can easily determine that PRI and SIP trunking circuits are circuits dedicated to providing voice service since the only purpose of these circuits is to carry voice traffic.

Since the Draft ESL does not provide further clarification it is possible that misunderstandings will arise regarding whether or not voice traffic has to be cost allocated out of broadband connections that carry both data and voice traffic.

In our discussions with applicants and service providers during our workshops, the technology experts pointed out that data takes up much more space than voice traffic. They noted that even if cost allocation of the voice traffic is required, the amount would be minimal compared to the data traffic.

Since support of broadband is the primary focus of Category One funding, we encourage the Commission to provide clear guidance on what is meant by “circuit capacity dedicated to providing voice service” and provide examples that will allow full support of wide area networks and data connections that primarily carry data traffic.

Respectfully submitted,

Kellogg & Sovereign® Consulting, LLC

A handwritten signature in black ink, appearing to read "Jane Kellogg". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

Jane Kellogg, President