

PUBLIC NOTICE



FEDERAL COMMUNICATIONS COMMISSION

445 12th STREET, S.W.

WASHINGTON, D.C. 20554

DA 00-110

News media information 202/418-0500 Fax-On-Demand 202/418-2830 Internet: <http://www.fcc.gov> <ftp.fcc.gov>

Released: January 20, 2000

COMMON CARRIER BUREAU ANNOUNCES PROCEDURES FOR RELEASING HIGH-COST SUPPORT AMOUNTS FOR NON-RURAL CARRIERS AND REVISED MODEL RESULTS

CC Docket No. 96-45
CC Docket No. 97-160

On October 21, 1999, the Commission adopted two orders completing its implementation plans for the revised federal high-cost support mechanism for non-rural carriers. One order adopted input values for the Commission's model for estimating non-rural carriers' forward-looking cost of providing the services eligible for universal service support.¹ The other order described the methodology that will be used to compute non-rural carriers' revised support amounts, beginning January 1, 2000, based on their forward-looking costs and an interim hold-harmless provision.² This order also requires non-rural carriers to file wire center level line count data on a quarterly basis, beginning December 30, 1999.³

This Public Notice announces the procedures for releasing support amounts for non-rural carriers under the new universal service high-cost support mechanism. The Universal Service Administrative Company (USAC) currently files quarterly projections with the Commission for

¹ *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, FCC 99-304 (rel. Nov. 2, 1999) (*Tenth Report and Order*).

² *Federal-State Joint Board on Universal Service*, Ninth Report and Order and Eighteenth Order on Reconsideration, FCC 99-306 (rel. Nov. 2, 1999) (*Ninth Report and Order*).

³ Non-rural carriers will be filing wire center line count data for the first time on December 30, 1999. In order to have a sufficient opportunity to review and verify that data, the Commission determined that support payments targeted to the wire center level shall be issued beginning with payments provided in the third quarter of 2000. See *Federal-State Joint Board on Universal Service*, Nineteenth Order on Reconsideration, FCC 99-396 (rel. Dec. 17, 1999). The Commission also deferred the provision of forward-looking support until the third quarter of 2000. See *id.* at paras. 10-11. If a state certifies to the Commission on or before April 1, 2000, that particular non-rural carriers will use the forward-looking support in compliance with section 254(e) of the Communications Act, as amended, then those carriers may receive forward-looking support payments in the third and fourth quarters of 2000 that are retroactive to the first and second quarters of 2000, respectively. See *id.* at para. 11.

the high-cost and other universal service programs, which the Common Carrier Bureau (Bureau) then makes available on the World Wide Web (http://www.fcc.gov/ccb/universal_service/quarter.html).

USAC will continue to file quarterly high-cost support amount projections that will include support under the new mechanism, as well as hold-harmless amounts and rural carrier support, and the Bureau will continue to make this information available on the Commission's web site. These projections will be revised quarterly based on the quarterly line count data submitted by the carriers.⁴

In addition, USAC will include, as a new exhibit to its quarterly filing, a spreadsheet showing the projected state-by-state quarterly support amounts for non-rural and rural carriers. This spreadsheet will be similar in format to the spreadsheet attached to the Bureau's Public Notice released November 2, 1999.⁵ Specifically, the spreadsheet will identify estimated support amounts for non-rural companies under the embedded cost mechanism, under the new mechanism, and the projected support amounts (the greater of the hold-harmless or new mechanism amounts). In addition, the spreadsheet will show support amounts that will continue to flow to rural telephone companies in each state and the total amount of projected high-cost support for each state.⁶ The support amounts will be based on the most recent quarterly data and will be posted on the Commission's web site as part of USAC's quarterly filing.

We emphasize that the support amounts released November 2, 1999, were estimates. The estimated support amounts under the new mechanism were based on model line counts trued up with 1998 ARMIS data (model lines). Estimates for hold-harmless and rural company support amounts, which are not calculated using forward-looking costs, were based on USAC's fourth quarter 1999 filing. When support projections are calculated by USAC in 2000, those amounts will incorporate the quarterly line count data filed by the carriers. The hold-harmless and rural company amounts will be re-estimated, as they have been in the past under the Commission's Part 36 rules.

After the November 2, 1999 estimates were released, Bureau staff was notified by industry that certain line count data were incorrect. In response to this information, the Bureau

⁴ Because the non-rural wire center line count data were not available prior to USAC's first quarter 2000 filing, these data were not used in estimating these amounts. Rural carriers may, but are not required, to file quarterly line count data. See 47 C.F.R. § 36.612.

⁵ *Common Carrier Bureau Releases State-by-State Universal Service High-Cost Support Amounts for Non-Rural Carriers and Forward-Looking Cost Model Results*, Public Notice, CC Docket Nos. 96-45, 97-160, DA 99-2399 (rel. Nov. 2, 1999) (*Nov. 2 Public Notice*).

⁶ Reform of their universal service support mechanisms is proceeding on a separate track. The Commission is awaiting a recommendation to be supplied by the Federal-State Joint Board on Universal Service, based on a report from the Joint Board's Rural Task Force, before considering revised support mechanisms for rural carriers. See *Ninth Report and Order* at para. 11.

conducted a thorough review of the line count data and discovered that the previously released state-by-state support estimates were based on incorrect data due to a computer programming error and certain transcription errors. Pursuant to our delegated authority to make changes as necessary and appropriate to ensure that the model operates as described in the Commission's *Fifth Report and Order*,⁷ these errors have been corrected, the model has been rerun, and the revised results have been verified.

Although the revised estimates based on model lines will be superceded in 2000 by the estimates based on reported lines, as explained above, we are making the revised estimates based on model lines available now for several reasons. The changes in support amounts because of the errors is greater than the quarter-to-quarter changes we anticipate will occur in the future as a result of changes in line count data. Moreover, to the extent that support amounts have changed for individual states, we must make this information available so that states may file section 254(e) certifications by April 1, 2000, in order to receive the support in the third quarter, retroactive to the first quarter.⁸

The aggregate estimated support amount available under the new mechanism changes from approximately \$255 million to \$210 million. We will make available on our web site and attach to this Public Notice a corrected spreadsheet showing the revised state-by-state support estimates based on the corrected model results. We emphasize that the forward-looking support amounts calculated under the new mechanism for non-rural carriers are **estimates based on model lines**, and will be superceded in 2000 by estimates based on reported lines. In addition, we have updated the hold harmless and rural company estimates to reflect USAC's first quarter 2000 projections. We also will make available on the Commission's web site (<http://www.fcc.gov/ccb/apd/hcpm>) the model with the corrected input values. A technical explanation of these changes is available in the "history.doc" file.

This is part of an open deliberative process in which input from industry continues to be an important element of the verification process. To the extent that there are minor programming or data errors in the model or its inputs that are brought to our attention in the future, we intend to correct these errors in a timely manner consistent with our delegated authority. To ensure that such changes will be incorporated with some degree of predictability and that the public is made aware of such changes in a timely manner, we will make any such changes to the model pursuant to our delegated authority on a quarterly basis to coincide with USAC's quarterly filings of universal service support projections.

For further information regarding this Public Notice, please contact Katie King at (202)

⁷ See *Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, Fifth Report and Order, CC Docket Nos. 96-45, 97-160, FCC 98-279, 13 FCC Rcd 21323, 21329 (1999).

⁸ See supra note 3.

418-7400.

- FCC -