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WIRELINE COMPETITION BUREAU SEEKS COMMENT ON WHETHER TO UPDATE LINE COUNTS AND OTHER LIMITED INFORMATION USED IN CALCULATING HIGH-COST UNIVERSAL SERVICE SUPPORT FOR NON-RURAL CARRIERS

PLEADING CYCLE ESTABLISHED

CC Docket No. 96-45

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Comment Date: November 5, 2004

Reply Comment Date: November 19, 2004

On October 21, 1999, the Federal Communications Commission (Commission) adopted two orders implementing a 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 When the Commission adopted the cost model, it also emphasized the importance of updating the model's inputs as technology and other conditions change.³ At the same time, the Commission recognized that it must "balance the needs to provide predictability and certainty with the need to account for changes that will inevitably occur over time, such as technological advances."⁴ Consistent with these goals, in the 2001, 2002, and

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, 14 FCC Rcd 20156 (1999) (*Tenth Report and Order*), affirmed, *Qwest Corp. v. FCC*, 258 F.3d 1191 (10th Cir. 2001) (*Qwest*). In the companion *Ninth Report and Order*, the Commission adopted the methodology for determining high-cost support for non-rural carriers. *Federal-State Joint Board on Universal Service*, Ninth Report and Order and Eighteenth Order on Reconsideration, CC Docket 96-45, 14 FCC Rcd 20432 (1999) (*Ninth Report and Order*), remanded, *Qwest*, 258 F.3d 1191; *Federal-State Joint Board on Universal Service*, Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order, CC Docket 96-45, 18 FCC Rcd 22559 (2003) (*Tenth Circuit Remand Order*).

²In 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.

³See *Tenth Report and Order*, 14 FCC Rcd at 20170, para. 28.

⁴See *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, 13 FCC Rcd 21323, 21330, para. 13 (1998).

2004 Line Counts Update Orders, the Wireline Competition Bureau (Bureau) updated the cost model with year-end line counts, annual Automated Reporting Management Information System (ARMIS) special access line data, and other discrete input values for purposes of estimating forward-looking costs and determining support for the years 2001, 2002, and 2004 respectively.⁵ In the *Line Counts Update Proceedings*, among other things, various commenters proposed alternative approaches for updating line counts.⁶ The Bureau has anticipated that many of the issues raised by commenters in these proceedings would be considered in a future Commission proceeding to address possible modifications to the model and its inputs to reflect new technologies, changes in material prices, and other changing circumstances.⁷

Consistent with past precedent, we seek comment on using year-end 2003 line counts filed July 31, 2004 and 2003 ARMIS special access lines as input values for purposes of estimating average forward-looking costs and determining support for non-rural carriers in 2005.⁸ In addition, we seek comment on whether to continue to adjust high-cost support amounts each quarter using wire center line count data reported by carriers each quarter.⁹ Alternatively, we seek comment on whether it is appropriate to defer line counts updates until the Commission addresses issues raised commenters in the past *Line Counts Update Proceedings* in the anticipated Commission proceeding concerning the model.

⁵See *Federal-State Joint Board on Universal Service*, Order and Order on Reconsideration, CC Docket 96-45, DA 03-4070 (Wireline Comp. Bur., released December 24, 2003) (*2004 Line Counts Update Order*); *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Order, 16 FCC Rcd 22418 (Com. Car. Bur. 2001) (*2002 Line Counts Update Order*); *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Order, 15 FCC Rcd 23960 (Com. Car. Bur. 2000) (*2001 Line Counts Update Order*). The Bureau did not update line counts in the model for purposes of calculating and targeting non-rural high-cost support for 2003 because of the pendency of the *Ninth Report and Order* remand proceeding. See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Order, 18 FCC Rcd 41, 46-47, para. 12 (Wireline Compet. Bur. 2003).

⁶For example, commenters argued that the Bureau should not update line counts without updating the customer location data set. See *2004 Line Counts Update Order*, DA 03-4070 at para. 7; *2002 Line Counts Update Order*, 16 FCC Rcd at 22422, para. 12. Otherwise, commenters contend that new lines are incorrectly placed at existing customer locations, ignoring new housing and business growth that has occurred since the customer location data was compiled. See *id.* Commenters have also argued that the cost model is not designed to estimate the demand for high-capacity lines accurately and that this flaw, combined with recent line growth trends, causes the model to understate the cost of providing supported services in rural and high-cost areas. *2004 Line Counts Update Order*, DA 03-4070, para. 4.

⁷See *2004 Line Counts Update Order*, DA 03-4070, para. 26; *2002 Line Counts Update Order*, 16 FCC Rcd at 22421, para. 9; *2001 Line Counts Update Order*, 15 FCC Rcd at 23966, para. 14. See also *Tenth Report and Order*, 14 FCC Rcd at 20170, para. 28 (“We therefore have committed to initiating a proceeding to study how the model should be used in the future (e.g., how inputs data should be updated) and how the model itself should change to reflect changing circumstances.”); *2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2*, CC Docket No. 00-199, Report and Order, 16 FCC Rcd 19911, 19929 n.69 (2001).

⁸See *2004 Line Counts Update Order*, DA 03-4070, para. 9; *2002 Line Counts Update Order*, 16 FCC Rcd at 22420-21, paras. 7-8; *2001 Line Counts Update Order*, 15 FCC Rcd at 23964, paras. 9-10. 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 support to high-cost areas.

⁹See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Twentieth Reconsideration Order, 15 FCC Rcd 12,070, 12073-74, para. 18 (rel. Apr. 7, 2000); *2004 Line Counts Update Order*, DA 03-4070, para. 6; *2002 Line Counts Update Order*, 16 FCC Rcd at 22421, para. 9; *2001 Line Counts Update Order*, 15 FCC Rcd at 23965, para. 11.

Specifically, we seek comment on whether deferring such updates is consistent with the principle set forth in section 254(b)(5) of the Act that the universal service support mechanism should be specific and predictable.¹⁰ In particular, we seek comment on whether delaying any future line count input updates will ensure continuity of support for non-rural carriers.

When line counts were updated in the past, the Bureau also used information obtained from the *1999 Data Request* to allocate switched lines among the classes of switched service and to allocate special access lines to the appropriate wire centers.¹¹ If we update the line counts in the model for 2005, we seek comment on continuing the line count disaggregation methodology used in the past. We also seek comment on whether to apply the method used in past decisions for matching line count data to wire centers used in the model for purposes of calculating support.¹²

Finally, in the *2004 and 2002 Line Counts Update Orders*, the Bureau also updated the model's input values with annually collected ARMIS data and traffic parameter data available from the National Exchange Carrier Association (NECA) to estimate investment in general support facilities (GSF) and switching costs.¹³ We seek comment on whether to update the tables in the model used to calculate GSF investment using the same methodology employed in the *2004 and 2002 Line Counts Update Order*.¹⁴ We also seek comment on whether and how to update the traffic parameter data now that carriers are no longer required to report dial equipment minutes for separations purposes.¹⁵

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 on or before **November 5, 2004**, and reply comments on or before **November 19, 2004**. Comments may be filed using the Commission's Electronic Comment Filing

¹⁰47 U.S.C. § 254(b)(5).

¹¹See *2004 Line Counts Update Order*, DA 03-4070, para. 15; *2002 Line Counts Update Order*, 16 FCC Rcd at 22422-23, paras. 13-14; *2001 Line Counts Update Order*, 15 FCC Rcd at 23966, paras. 14-16. *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Forward-looking Mechanism for High-Cost Support for Non-rural LECs*, CC Docket No. 97-160, Order, DA 99-1406 (Com. Car. Bur. 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, and single line business lines, measured as voice grade equivalent analog or digital lines.

¹²See *2004 Line Counts Update Order*, DA 03-4070, para. 24; *2002 Line Counts Update Order*, 16 FCC Rcd at 22423-24, para. 15; *2001 Line Counts Update Order*, 15 FCC Rcd at 23967, para. 17. When updating line counts, the wire centers reported by carriers in their quarterly line count filings are matched with wire centers found in the *1999 Data Request* and in the model's customer location data. In instances where Commission staff have been unable to match line counts in these three data sets, they were not used to estimate average costs but were still included in determining non-rural support amounts.

¹³*2004 Line Counts Update Order*, DA 03-4070, para. 14; *2002 Line Counts Update Order*, 16 FCC Rcd at 22424-25, paras. 16-17. GSF investment includes buildings, motor vehicles and general purpose computers.

¹⁴Specifically, in the ARMIS Actuals spreadsheet for each study area, staff updated the investments for the following accounts: plant specific operations expenses telecommunications plant in service (TPIS) - general support, TPIS - central office switching; TPIS - central office transmission, TPIS - information orig/term; and TPIS - cable & wire facilities. In addition, staff updated the dial equipment minutes for local, intrastate, and interstate traffic, and local call attempts for intraLATA, interLATA - interstate; and interLATA - intrastate calls.

¹⁵ See *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-386, Report and Order, 16 FCC Rcd 11382 (2001); *Universal Service Monitoring Report*, CC Docket No. 98-202 (rel. Oct. 12, 2004).

System (ECFS) or by filing paper copies. See Electronic Filing of Documents in Rulemaking Proceedings, 63 Fed. Reg. 24121 (1998).

Comments filed through the ECFS can be sent as an electronic file via the Internet to <http://www.fcc.gov/cgb/ecfs/>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get 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." 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. If more than one docket or rulemaking number appears in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail).

The Commission's contractor, Natek, Inc., will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002.

- The filing hours at this location are 8:00 a.m. to 7:00 p.m.
- All hand deliveries must be held together with rubber bands or fasteners.
- Any envelopes must be disposed of before entering the building.
- Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743.
- U.S. Postal Service first-class mail, Express Mail, and Priority Mail should be addressed to 445 12th Street, SW, Washington, D.C. 20554.
- All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

Pursuant to section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, this proceeding will be conducted as a permit-but-disclose proceeding in which ex parte communications are permitted subject to disclosure. For further information, contact Katie King or Thomas Buckley, Telecommunications Access Policy Division, Wireline Competition Bureau at (202) 418-7400, TTY (202) 418-0484.