Before the Federal Communications Commission Washington, D.C. 20554

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))))	CC Docket No. 80-286
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ORDER

Adopted: November 30, 2010 Released: December 2, 2010

By the Commission:

I. INTRODUCTION

1. In this Order, we grant a request from Gila River Telecommunications, Inc. (GRTI), a Tribally-owned incumbent local exchange company (LEC) serving the Gila River Indian Community, for a waiver of sections 36.3, 36.123-126, 36.152-157, and 36.372-382 of the Commission's rules. GRTI requests a waiver only to the extent that the rules freeze cost categories for purposes of jurisdictional separations. Granting GRTI's waiver request will allow it to adjust amounts assigned to separations categories to reflect its network upgrades and will result in additional high-cost loop support from the federal universal service fund. In addition, we allow GRTI to revise its cost data retroactively to reflect costs based upon unfrozen category relationships for the period 24 months preceding the release of this order. We recognize that service availability and adoption in Tribal areas unfortunately lags behind the national average, and we are taking steps to address these gaps. The additional support will enable GRTI to use additional funding to extend service to currently unserved members of the Gila River Indian Community.

¹ Petition of Gila River Telecommunications Inc. to Unfreeze Part 36 Category Relationships, CC Docket No. 80-286 (filed Nov. 21, 2006) (GRTI Petition); Petition of Gila River Telecommunications Inc. to Unfreeze Part 36 Category Relationships Supplement to Petition and Request for Confidential Treatment, CC Docket No. 80-286 (filed Aug. 31, 2007) (GRTI Supplement); 47 C.F.R. §§ 36.3, 36.123–126, 36.152–157, 36.372–382.

² This 24-month period shall run from the 24 months prior to the first full month following the release of this order (specifically, the 24-month period will commence on Jan. 1, 2009).

³ The Commission has created the Office of Native Affairs and Policy to promote the deployment and adoption of communication services and technologies within Native communities and on Tribal lands. *Establishment of the Office of Native Affairs and Policy in the Consumer and Governmental Affairs Bureau*, Order, FCC 10-141, at 1 (Aug. 12, 2010). The National Broadband Plan noted that many Tribal communities "face significant obstacles to the deployment of broadband infrastructure, including high buildout costs [and] limited financial resources Tribes need substantially greater financial support than is presently available to them, and accelerating Tribal broadband deployment will require increased funding." National Broadband Plan at 152 (2010) (footnotes omitted).

II. BACKGROUND

A. Jurisdictional Separations and the Separations Process

2. Jurisdictional separations is the process by which incumbent local exchange carriers (LECs) apportion regulated costs between the intrastate and interstate jurisdictions. Historically, one of the primary purposes of the separations process has been to prevent incumbent LECs from recovering the same costs in both the interstate and intrastate jurisdictions. The jurisdictional separations process itself has two steps. In the first step, carriers assign regulated costs to various categories of plant and expenses. In certain instances, costs are further disaggregated among service categories.⁴ In the second step, the costs in each category are apportioned between the intrastate and interstate jurisdictions. These jurisdictional apportionments of categorized costs are based upon a relative use factor, a fixed allocator, or, when specifically allowed in the Part 36 rules, by direct assignment.⁵ For example, loop costs are allocated by a fixed allocator, which allocates 25% of the loop costs to the interstate jurisdiction and 75% of the costs to the intrastate jurisdiction.⁶

B. Separations Freeze Orders

3. In 2001, the Commission adopted a recommendation by the Federal-State Joint Board on Separations (Joint Board) to impose an interim freeze of the Part 36 category relationships and jurisdictional cost allocation factors, pending comprehensive reform of the Part 36 separations rules. The Commission concluded that this freeze would provide stability and regulatory certainty for carriers by minimizing any impact on separations results that might occur as a result of circumstances not contemplated by the Commission's Part 36 rules, such as growth in local competition and new technologies.

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⁴ For example, central office equipment (COE) Category 1 is Operator Systems Equipment, Account 2220. The Operator Systems Equipment account is further disaggregated or classified according to the following arrangements: (i) separate toll boards; (ii) separate local manual boards; (iii) combined local manual boards; (iv) combined toll and DSA boards; (v) separate DSA and DSB boards; (vi) service observing boards; (vii) auxiliary service boards; and (viii) traffic service positions. *See* 47 C.F.R. § 36.123.

⁵ Because some costs are directly assigned to a jurisdictionally pure service category, *i.e.*, a category used exclusively for either intrastate or interstate communications, both steps are often performed simultaneously. For example, the cost of private line service that is wholly intrastate in nature is assigned directly to the intrastate jurisdiction. *See* 47 C.F.R. § 36.154(a).

⁶ See 47 C.F.R. § 36.154(c).

⁷ Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382, 11387–88, para. 9. (2001) (2001 Separations Freeze Order). Category relationships are the percentages of a carrier's costs for equipment and investment, recorded in Part 32 accounts, that are assigned to various Part 36 categories based upon how the equipment or investment in that category was used. With the imposition of the freeze on category relationships, carriers with frozen category relationships no longer adjust the assignment of costs to Part 36 categories based upon how the equipment or investment is being used, and instead assign costs to Part 36 categories in the same percentages as they had immediately before the freeze, even if the proportion of equipment or investment used for those categories of service changed. See 47 C.F.R. Part 32, Part 36. Jurisdictional allocation factors allocate costs assigned to Part 32 accounts for jointly used plant between the interstate (federal) and intrastate (state) jurisdictions. Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, CC Docket No. 80-286, Recommended Decision, 15 FCC Rcd 13160, 13172, para. 20 (2000).

⁸ 2001 Separations Freeze Order, 16 FCC Rcd at 11389–90, para, 12.

- 4. Accordingly, the Commission froze all Part 36 category relationships and allocation factors for price cap carriers and all allocation factors for rate-of-return carriers. Under the freeze, price cap carriers calculated: (1) the relationships between categories of investment and expenses within Part 32 accounts; and (2) the jurisdictional allocation factors, as of a specific point in time, and then locked or "froze" those category relationships and allocation factors in place for the duration of the freeze. The carriers use the "frozen" category relationships and allocation factors for their calculations of separations results and therefore are not required to conduct separations studies for the duration of the freeze. Rate-of-return carriers were required to freeze their allocation factors, but had the option of freezing their category relationships at the outset of the freeze. The Commission ordered that the freeze would be in effect for a five-year period beginning July 1, 2001, or until the Commission completed comprehensive separations reform, whichever came first.
- 5. In 2006, and, again, in 2009 and 2010, the Commission adopted orders extending the freeze of Part 36 category relationships and jurisdictional cost allocation factors. ¹⁴ In those orders, the Commission found that extending the freeze would allow the Commission to provide stability for carriers that must comply with the Commission's separations rules while the Commission considers issues relating to comprehensive, permanent reform of the jurisdictional separations process. ¹⁵ In the *2009 Separations Freeze Extension Order*, the Commission referred to the Joint Board review of the Commission's jurisdictional separations rules and asked the Joint Board to prepare a recommended decision explaining how the rules can be effectively reformed. ¹⁶ On March 30, 2010, the Joint Board released a public notice seeking comment on interim and comprehensive separations reform. ¹⁷

C. GRTI's Petition

6. On November 21, 2006, GRTI filed a Petition seeking a waiver of sections 36.3, 36.123–126, 36.152–157, and 36.372–382 of the Commission's rules to unfreeze GRTI's category relationships effective June 30, 2006. On August 31, 2007, GRTI filed a supplement to its Petition clarifying that "it does not seek a 2006 effective date for the . . . waiver" but does seek to file revised account information

⁹ The frozen category relationships and allocation factors are based on data from the carriers' calendar year 2000 separations studies. *Id.* at 11387–88, para. 9.

¹⁰ *Id.* at 11388–89, para. 11.

¹¹ *Id*.

¹² *Id*.

¹³ See id. at 11387–88, para. 9.

¹⁴ Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, 21 FCC Rcd 5516 (2006) (2006 Separations Freeze Extension Order); Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, Report and Order, 24 FCC Rcd 6162 (2009) (2009 Separations Freeze Extension Order); Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286, Report and Order, 25 FCC Rcd 6046 (2010) (2010 Separations Freeze Extension Order).

¹⁵ 2006 Separations Freeze Extension Order, 21 FCC Rcd at 5525, para. 22; 2009 Separations Freeze Extension Order, 24 FCC Rcd at 6165–66, paras. 12–13; 2010 Separations Freeze Extension Order, 25 FCC Rcd at 6049, para 10.

¹⁶ 2009 Separations Freeze Order, 24 FCC Rcd at 6167–69, paras. 15–20.

¹⁷ Federal-State Joint Board on Separations Seeks Comment on Proposal for Interim Adjustments to Jurisdictional Separations Allocation Factors and Category Relationships Pending Comprehensive Reform and Seeks Comment on Comprehensive Reform, CC Docket No. 80-286, Public Notice, 25 FCC Rcd 3336 (Fed.-State Jt. Bd. 2010).

¹⁸ See GRTI Petition.

and recover universal service support for a period of no more than twenty-four months prior to the date on which its waiver request is granted. ¹⁹

- 7. GRTI is a Tribally-owned incumbent LEC which serves the Gila River Indian Community in Southern Arizona. GRTI provides telecommunications services and broadband to the Gila River Indian Reservation. GRTI has approximately 4,000 access lines, serving the entire Gila River Tribal Community, which is approximately 372,000 acres. GRTI states that the cost per loop of serving the Tribal Community is more than five times the national average. GRTI states that when purchased the Gila River Tribe purchased the study area in 1989, "fewer than 10 percent of the population" had access to telephone service. Today, its penetration rate for voice service is over 80%. While this is a significant increase, penetration remains significantly below the national average of 98.2%. Many of GRTI's subscribers are low-income, with 86% receiving Lifeline support.
- 8. In 2001, GRTI elected to freeze its separations category relationships.²⁸ GRTI states that since 2004, it has made substantial changes to its network, including extending its network to provide service to previously unserved households, adding 65 miles of fiber and updating its central office switching and circuitry.²⁹ GRTI claims that the Part 36 category relationships that applied to its facilities when the freeze was adopted no longer reflect its current network facilities. In the intervening time, for example, GRTI replaced its seven class 5 circuit switches with more efficient switching technology, including one host switch and six digital loop carriers (DLCs).³⁰ GRTI claims that because of the Part 36 category freeze, circuit equipment is accounted for as switching equipment based upon its use in GRTI's previous host-remote network, rather than as loop plant, notwithstanding the functions performed by that equipment in GRTI's new network architecture.³¹ Because of the freeze, GRTI is not allowed to alter the assignment of costs to separations categories to reflect its network upgrades.³² GRTI asserts that when it voluntarily opted into the category relationship freeze, it did not anticipate the freeze would extend

¹⁹ GRTI Supplement at 3.

²⁰ GRTI Petition at 5.

²¹ *Id.*; GRTI Supplement at 1. GRTI states that it offers DSL service to "nearly 86 percent of the Tribal community." Letter from Mitchell F. Brecher, Counsel, GRTI, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 80-286, at 2 (filed Jan. 21, 2010) (Jan. 21, 2010 *Ex Parte* Letter).

²² Letter from Mitchell F. Brecher, Counsel, GRTI, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 80-286, Attach. at 1 (filed Apr. 21, 2010).

²³ Letter from Mitchell F. Brecher, Counsel, GRTI, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 80-286, Attach. at 1 (filed June 11, 2008).

²⁴ GRTI Petition at 6.

²⁵ GRTI Comments, CC Docket No. 80-286, at 1 (Apr. 19, 2010) (GRTI 2010 Freeze Extension Comments).

²⁶ See FCC, Universal Service Monitoring Report, CC Docket No. 98-202, tbl. 6.3 (Dec. 2009).

²⁷ See Jan. 21, 2010 Ex Parte Letter at 2.

²⁸ GRTI Petition at 6. In 2008, Gila River's cost per loop was \$1,601.62 while the national cost per loop for purposes of high-cost support eligibility was \$412.54. *See* Universal Service Fund, 2009 Submission of 2008 Study Results by the National Exchange Carrier Association, Inc. (filed Sept. 30, 2009).

²⁹ GRTI Petition at 7; GRTI Supplement at 2.

³⁰ GRTI Petition at 6; GRTI Supplement at 2.

³¹ *Id.*; see Responsible Accounting Officer, Letter No. 21, 7 FCC Rcd 6075 (Accounting Audit Div. 1992); Petitions for Reconsideration and Applications for Review of RAO 21, Order on Reconsideration, 12 FCC Rcd 10061 (1997).

³² 2001 Separations Freeze Order, 16 FCC Rcd at 11388–89, para, 11.

beyond June 30, 2006.³³ GRTI claims the prolonged loss of additional universal service support caused by the unexpected extension of the separations freeze has impeded its ability to continue to upgrade its service to the Gila River Indian Community.³⁴

- 9. GRTI argues that granting its petition and allowing it to receive additional universal service support would further the goals of section 254 by "ensuring that consumers in all regions of the Nation . . . have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services . . . at rates that are reasonably comparable to rates charged for similar services in urban areas." GRTI estimates that it could receive a net increase of \$1.4 million annually in universal service support if the Commission grants its request to waive the Part 36 category freeze. GRTI claims that granting its waiver request is in the public interest because it would further the Commission's goal of advancing universal service on Tribal lands and that the Commission has granted other waivers to similarly situated service providers that serve tribal lands. GRTI states that additional universal service support would be used, among other things, to continue expanding its service to the Gila River community and to enhance public safety by modernizing the community's 911 system from address-based to GPS-based. GRTI also argues that granting the relief it requests will have minimal impact on the universal service fund.
- 10. On August 31, 2007, the Wireline Competition Bureau sought comment on the Petition. ⁴⁰ All of the commenters supported the Petition, generally asserting that GRTI elected to freeze its category relationships with the understanding that the freeze would not last more than five years, and that the levels at which GRTI froze its category relationships no longer reflect its costs to serve the GRTI Indian Community. ⁴¹ No commenter opposed granting GRTI's petition.

III. DISCUSSION

11. We conclude that there is good cause and it is in the public interest to grant GRTI's Petition. We find that GRTI has demonstrated that there is good cause to waive sections 36.3, 36.123–126, 36.141, 36.152-157, 36.191 and 36.372–382 of the Commission's rules to unfreeze GRTI's category relationships. Allowing GRTI to unfreeze its category relationships will enable it to apportion more

³³ GRTI Petition at 6.

³⁴ GRTI Supplement at 2–3.

³⁵ GRTI Supplement at 3–4 (citing 47 U.S.C. § 254(b)(3)).

³⁶ GRTI 2010 Freeze Extension Comments at 2. Pursuant to Part 36 of the Commission's rules, high-cost loop support, also known as the loop expense adjustment, is intended to provide universal service support to carriers with high loop costs based on the degree that an individual company's cost per loop exceeds the national average. *See* 47 C.F.R. Part 36, subpart F.

³⁷ GRTI Petition at 13–16 (citing Mescalero Apache Telecom, Inc., Waiver of Section 54.305 of the Commission's Rules, CC Docket No. 96-45, Order, 16 FCC Rcd 1312 (2001) (Mescalero); Sacred Wind Communications Inc. and Qwest Corporation Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules, CC Docket No. 96-45, Order 21 FCC Rcd 9227 (2006) (Sacred Wind)).

³⁸ GRTI 2010 Freeze Extension Comments at 1, 4–5.

³⁹ GRTI Petition at 16.

⁴⁰ Comment Sought on a Petition Filed by Gila River Telecommunications Inc. for Waiver Concerning the Commission's Part 36 Jurisdictional Separations Rules, CC Docket No. 80-286, Public Notice, 22 FCC Rcd 16276 (2007). A list of commenters on the petition is included in the Appendix.

⁴¹ See NTCA Comments at 1, 2; GRTI Reply at 3; OPASTCO Reply at 2.

⁴² Generally, the Commission's rules may be waived for good cause shown. 47 C.F.R. § 1.3. The Commission may exercise its discretion to waive a rule where the particular facts make strict compliance inconsistent with the public (continued . . .)

costs to loop-related categories based upon its use of one host switch and 6 DLCs in its new, more efficient network architecture. Because high-cost loop support is based on loop-related categories, increasing the costs allocated to those categories will increase GRTI's high-cost loop support.⁴³

We find that GRTI has demonstrated good cause to justify a waiver of our rules. Section 254 of the Communications Act of 1934 (Act), as amended, provides, among other things, that consumers in rural, insular, and high-cost areas should have access to telecommunications services at rates that are "reasonably comparable to rates charged for similar services in urban areas."44 The Commission is committed to and has found it is in the public interest to ensure that Tribal communities have adequate access to telecommunications services. 45 The Commission has long recognized that Tribal areas have the lowest reported level of telephone subscribership in America. 46 In Mescalero and Sacred Wind, the Commission waived its rules, in part, to enable telecommunications carriers serving tribal lands to receive universal service support to address the low penetration rate and poor telecommunications service on tribal lands. 47 Like Mescalero and Sacred Wind, GRTI is working to increase its penetration rate and ensure that all residents in the Gila River Indian Reservation have access to affordable telecommunications service, which furthers the fundamental goals of our universal service program.⁴⁸ The company has increased penetration significantly since acquiring these lines.⁴⁹ Allowing GRTI to unfreeze its category relationships should improve its ability to provide the Gila River Indian Community with access to telecommunications services and thereby increase the Gila River Indian Communities' access to education, commerce, government, and public services. For example, GRTI states that it plans to provide telecommunications support for Tribal government services, educational initiatives, health facilities, and emergency services for the Gila River Indian Community. 50 Among other things, GRTI has identified a need to upgrade and expand its E911 service, a critical public safety functionality.⁵

interest. Northeast Cellular Telephone Co. v. FCC, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (Northeast Cellular). In addition, the Commission may take into account considerations of hardship, equity, or more effective implementation of overall policy on an individual basis. WAIT Radio v. FCC, 418 F.2d 1153, 1159 (D.C. Cir. 1969); Northeast Cellular, 897 F.2d at 1166. Waiver of the Commission's rules is therefore appropriate only if special circumstances warrant a deviation from the general rule, and such deviation will serve the public interest. Northeast Cellular, 897 F.2d at 1166. Moreover, in demonstrating whether a waiver is warranted, the burden of proof rests with the petitioner. Tucson Radio, Inc. v. FCC, 452 F.2d 1380, 1382 (D.C. Cir. 1971). Although GRTI did not request waiver of 47 C.F.R. Sections 36.141 and 36.191 we find that GRTI has shown good cause for waiver of those rules as well. Accordingly, we waive those rules as set forth herein on our own motion. 47 C.F.R. § 1.3 ("Any provision of the rules may be waived by the Commission on its own motion or on petition if good cause therefore is shown.").

⁴³ GRTI will be able to receive additional high-cost loop support because it can adjust the amounts assigned to separations categories.

⁴⁴ 47 U.S.C. § 254(b).

⁴⁵ See Mescalero, 16 FCC Rcd at 1317, para. 8 (citing Federal-State Joint Board on Universal Service; Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking 15 FCC Rcd 12208, 12213-14, 12221-22, paras. 5, 22–23) (Twelfth Report and Order)).

⁴⁶ Twelfth Report and Order, 15 FCC Rcd at 12213-14, para 5.

⁴⁷ Mescalero, 16 FCC Rcd at 1316; Sacred Wind, 21 FCC Rcd at 9231.

⁴⁸ GRTI Petition at 10.

⁴⁹ See supra para. 4.

⁵⁰ GRTI Petition at 12–15. We note that GRTI may use universal service support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C. § 254(e).

⁵¹ See Jan. 21, 2010 Ex Parte Letter at 1 (explaining that granting its request would enable it to "upgrade and expand its E911 system to provide an essential public safety service to the Tribal community"); id. (explaining that the "current 911 system does not reach all locations and is address-based rather than GPS-based" and that "[a]ddress-(continued . . .)

Accordingly we find that GRTI has demonstrated that it is in the public interest and good cause exists to grant its waiver request.

- 13. The Commission will not routinely grant waivers of the freeze of Part 36 category relationships and jurisdictional cost allocation factors.⁵² We grant a waiver in this instance, however, because of the unique circumstances of the Gila River Indian Community and the opportunity this waiver presents to advance the delivery of telecommunications services to that Tribal community. The Joint Board is considering issues relating to the comprehensive, permanent reform of the jurisdictional separations process. In addition, the Commission has begun comprehensive reform of the existing high-cost program.⁵³ We note that notwithstanding the waiver granted in this order, GRTI will be required to comply with any new separations rules, including any rules adopted as part of this comprehensive reform.
- 14. Accordingly, we grant GRTI's Petition to unfreeze its category relationships and revise its account information consistent with Commission's rules.⁵⁴ We permit GRTI to unfreeze its separations category assignments as of December 2, 2010 and to file revised account information as set forth herein.⁵⁵

IV. ORDERING CLAUSES

- 15. Accordingly, IT IS ORDERED, pursuant to the authority contained in sections 1-4 and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154, 254, and pursuant to section 1.3 of the Commission's rules, 47 C.F.R. § 1.3, that sections 36.141, 36.191, 36.3, 36.123-126, 36.152-157, and 36.372-382 of the Commission's rules, 47 C.F.R. §§ 36.14, 36.191, 36.3, 36.123-126, 36.141, 36.152-157, 36.372-382, 36.191, ARE WAIVED to the extent provided herein.
- 16. IT IS FURTHER ORDERED that, pursuant to section 408 of the Communications Act of 1934, as amended, 47 U.S.C. § 408, this Order SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch Secretary

⁵² 2006 Separations Freeze Extension Order, 21 FCC Rcd at 5525, para. 22; 2009 Separations Freeze Extension Order, 24 FCC Rcd at 6167–69, paras. 15–20.

⁵³ See Connect America Fund; A National Broadband Plan for Our Future; High-Cost Universal Service Support, WC Docket Nos. 10-90, 05-377, GN Docket No. 09-51, Notice of Inquiry and Notice of Proposed Rulemaking, 25 FCC Rcd 6657 (2010); see also Joint Statement on Broadband, GN Docket No. 10-66, Joint Statement on Broadband, 25 FCC Rcd 3420, 3421 (2010) ("The nearly \$9 billion Universal Service Fund (USF) and the intercarrier compensation (ICC) system should be comprehensively reformed to increase accountability and efficiency, encourage targeted investment in broadband infrastructure, and emphasize the importance of broadband in the future of these programs.").

⁵⁴ We note Gila River may not refreeze its category relationships.

⁵⁵ See supra note 2.

APPENDIX

List of Commenters

Abbreviation NTCA **Commenter**

National Telecommunications Cooperative Association

Reply Commenter Abbreviation

Gila River Telecommunications Inc. GRTI Organization for the Promotion and Advancement of Small OPASTCO

Telecommunications Companies