



PUBLIC NOTICE

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DA 03-2469

Release Date: July 24, 2003

WIRELINE COMPETITION BUREAU SEEKS FURTHER COMMENT ON UPDATING LINE COUNTS USED IN CALCULATING HIGH-COST SUPPORT FOR NON-RURAL CARRIERS

Comment Date: 20 days from publication in the Federal Register

Reply Comment Date: 30 days from publication in the Federal Register

In this Public Notice, the Wireline Competition Bureau (Bureau) seeks additional comment on updating line counts in the Commission's forward-looking cost model for purposes of determining support for non-rural carriers following a Commission decision in the *Ninth Report and Order* remand proceeding.¹

On January 7, 2003, the Bureau released a Public Notice seeking comment on how line count and other discrete input values should be updated for purposes of determining non-rural high-cost support.² Specifically, consistent with past precedent, the Bureau sought comment on using year-end 2001 line counts filed July 31, 2002, as input values for purposes of estimating average forward-looking costs and determining support for non-rural carriers during 2003.³ The

¹ *Wireline Competition Bureau Seeks Comment on Updating Line Counts and Other Limited Information Used in Calculating High-Cost Universal Service Support for Non-Rural Carriers*, CC Docket No. 96-45, Public Notice, 18 FCC Rcd 49 (2003) (*2003 Line Counts Public Notice*). On January 7, 2003, the Bureau also released an order adopting a new version of the forward-looking cost model with technical improvements. See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Order, 18 FCC Rcd 41 (Wireline Comp. Bur. 2003). In that order, the Bureau also deferred using the new version of the model to determine support amounts until after release of a Commission order in the *Ninth Report and Order* remand proceeding. *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Ninth Report and Order and Eighteenth Order on Reconsideration, 14 FCC Rcd 20432 (1999) (*Ninth Report and Order*), reversed in part and remanded in part, *Qwest Corp. v. FCC*, 258 F.3d 1191 (10th Cir. 2001). See also *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Recommended Decision, FCC 02J-2 (rel. Oct. 16, 2002). Under section 410(e) of the Communications Act of 1934, as amended, the Commission must act on the recommended decision of the Federal-State Joint Board on Universal Service in the remand proceeding by October 16, 2003.

² See *2003 Line Counts Public Notice* at 2-3. The Bureau normally updates line counts and other limited information used in calculating non-rural high-cost support on an annual basis.

³ See *id.*; *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*), recon. pending; *Federal-State Joint Board on Universal Service*, CC Docket 96-45, Order, 15 FCC Rcd at 23960 (Com. Car. Bur. 2000) (*2001 Line Counts Update Order*).

Bureau also sought comment on using the same methodology that it has used in the past to update special access lines.⁴

In this Public Notice, the Bureau seeks additional comment on issues raised by parties concerning special access line updates in response to the *2003 Line Counts Public Notice*. The cost model uses simplifying assumptions to estimate the costs of serving high-capacity special access lines, for example by treating DS 3 lines as voice grade equivalents to calculate per-line costs.⁵ Some commenters contend that this methodology causes the model to overstate the total number of lines served by non-rural carriers and, therefore, to underestimate per-line costs⁶ Commenters maintain that recent DS 3 special access line growth exacerbates these effects.⁷ In addition, some commenters argue that allocating special access lines reported in ARMIS to wire centers based on the *1999 Data Request* understates per-line costs in rural and high-cost areas by assigning too many special access lines to these areas.⁸

Therefore, the Bureau seeks additional comment on updating special access lines in the model for purposes of determining non-rural high-cost support. Specifically, the Bureau seeks comment on whether, in light of recent special access line growth trends, zeroing out special access lines in the cost model's calculations would be a reasonable approach to estimating costs using the current model platform. Alternatively, the Bureau seeks comment on other proposals for estimating special line growth. In the event that the Bureau decides to update special access lines, consistent with its prior practice, the Bureau also seeks comment on whether it should

⁴ See *2003 Line Counts Public Notice* at 2. Only switched access lines are eligible for non-rural high-cost support, but the cost model estimates the cost of providing switched access lines and special access lines, consistent with the *First Report and Order* criterion that inclusion of all lines in a geographic area will permit the model to reflect economies of scale. See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8915 (1997) (*First Report and Order*). The Bureau updated special access lines in the model in 2001 and 2002 using annual Automated Reporting Management Information System (ARMIS) data, which is reported at the study-area level. The Bureau also used information obtained from the *1999 Data Request* to allocate updated ARMIS special access lines to the appropriate wire centers. *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 access lines, and single line business lines, measured as voice grade equivalent analog or digital lines. In the past, the Bureau has allocated updated ARMIS special access lines among wire centers in the same proportion as the special access lines from the *1999 Data Request* to estimate special access line count growth. See *2001 Line Counts Update Order*, 15 FCC Rcd at 23966, para. 16; *2002 Line Counts Update Order*, 16 FCC Rcd at 22423, para. 14.

⁵ Specifically, in building outside plant, the model does not construct a separate fiber facility to serve DS 3 high capacity lines. Instead, the model constructs copper facilities to account for serving DS 3 and DS 1 lines reported by non-rural carriers as voice grade equivalents. For example, for a DS 3 line, the model assumes that 91.75 percent of 672 special access DS 0 equivalents area are served over 4 wire copper DS 1 facilities (accommodating 24 DS 0s) and the remaining 8.25 percent of 672 special access DS 0 equivalents are served over individual 2-wire copper DS 0 circuit. In order to calculate per-line costs, the model will then divide the outside plant cost by the voice grade equivalent of DS 3 lines, or 672 DS 0 lines.

⁶ See BellSouth Reply Comments at 4; Verizon Comments at 2-3.

⁷ See Maine/Vermont Comments at 4; BellSouth Reply Comments at 2-4; Verizon Reply Comments at 1-3. Year 2002 ARMIS special access compared to year 2001 ARMIS special access lines reveal an increase of 20 percent.

⁸ See Maine/Vermont Comments at 5-6; BellSouth Reply Comments at 2.

continue to allocate these updated special access lines to wire centers based on the *1999 Data Request*, or whether it should use an alternative methodology.

Furthermore, the Bureau seeks comment on whether to update the cost model with year-end 2002 line count data filed July 31, 2003 for purposes of estimating average forward-looking costs and determining support for non-rural carriers following a Commission decision in the *Ninth Report and Order* remand proceeding. In this regard, we note that new line count data will be available shortly. Moreover, in light of the statutory deadline of October 16, 2003, for a Commission decision in the remand proceeding, it is unlikely that the new version of the forward-looking cost model with updated inputs will be utilized for purposes of calculating support until January 1, 2004.

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 20 days or fewer from publication in the Federal Register, and reply comments 30 days or fewer from publication in the Federal Register. Comments may be filed using the Commission's Electronic Comment Filing 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/e-file/ecfs.html>>. 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 <your e-mail address>." 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, Vistrionix, 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, Marlene H. Dortch, Office of the Secretary, Federal Communications Commission.

Parties also must send three paper copies of their filing to Sheryl Todd, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission, 445 12th Street S.W., Room 5-B540, Washington, D.C. 20554. In addition, commenters must send diskette copies to the Commission's copy contractor, Qualex International, Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20054.

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.