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

| | | |
|---|---|---|
| In the Matter of | ) | |
| | ) | |
| National Exchange Carrier Association, Inc. | ) | |
| | ) | |
| 2014 Modification of Average Schedule Universal Service Support Formula | ) | |
| | ) | |
| High-Cost Universal Service Support | ) | WC Docket No. 05-337 |

**ORDER**

**Adopted: December 18, 2013** **Released: December 18, 2013**

By the Deputy Chief, Wireline Competition Bureau:

## I. INTRODUCTION

1. Pursuant to section 69.606(b) of the Commission's rules, the National Exchange Carrier Association, Inc. (NECA) has submitted the annual average schedule company high-cost loop support (HCLS) formula modifications for Commission review.[1] The Commission's rules require that this formula "simulate the disbursements that would be received … by a company that is representative of average schedule companies."[2] For the reasons discussed below, we approve NECA's proposed HCLS formula for 2014.

## II. HIGH-COST LOOP SUPPORT FORMULA

2. Pursuant to Part 36 of the Commission's rules, HCLS, also known as the loop expense adjustment, provides universal service support to carriers with high loop costs based on the extent that an individual company's cost per loop (CPL) exceeds the national average.[3] Because average schedule companies are not required to perform company-specific cost studies – the basis upon which a carrier's expense adjustment is calculated – the Commission has permitted expense adjustments for average schedule companies to be calculated pursuant to a formula developed by NECA and approved annually by the Wireline Competition Bureau (Bureau).[4] This formula is developed by NECA using data from a sample group of average schedule carriers and similarly-situated companies that file cost data (cost

[1] 47 C.F.R. § 69.606(b); *see Federal-State Joint Board on Universal Service, National Exchange Carrier Association, Inc. 2005 Modification of Average Schedule Universal Service Formulas,* CC Docket No. 96-45, Order, 19 FCC Rcd 24998, 25002, para. 7 (Wireline Comp. Bur. 2004) (*2005 Order*) (requiring NECA to file high-cost loop support formula and supporting data no later than September 1 of every year).

[2] 47 C.F.R. § 69.606.

[3] *See* 47 C.F.R. Part 36, Subpart F.

[4] *See National Exchange Carrier Association, Inc. Proposed Modifications to the 1998-99 Interstate Average Schedule Formulas*, ASD 98-96, Order, 15 FCC Rcd 1819, 1819-20, para. 2 (1999). Average schedule companies have been permitted by the Commission to estimate their access settlements and universal service support through the use of average schedules to avoid company-specific cost studies. *See*, *e.g.*, *ALLTEL Corp. v. FCC*, 838 F.2d 551, 553 (D.C. Cir. 1988).

companies); once approved, the formula is used to determine support amounts for all average schedule carriers.

3. On August 27, 2013, NECA filed proposed modifications to the current HCLS universal service formula for average schedule companies and requested that they take effect on January 1, 2014, and remain in effect through December 31, 2014.[5] On September 17, 2013, the Bureau issued a public notice seeking comment on NECA's proposed formula.[6] No comments were received.

4. Consistent with prior years, NECA proposes calculating HCLS payments for 2014 for average schedule companies based on the relationship of CPL data of sample companies to values representing the number of loops per exchange (CPL calculations).[7] To estimate current year costs, NECA applies forecasted growth factors to data collected from sample average schedule carriers one and two years prior to the current year. NECA then applies cost allocation factors—developed from the cost studies of similarly-situated cost companies—to the account balances of each sample average schedule company to estimate a CPL for each of the sample companies, and uses regression analyses to predict CPLs for all average schedule carriers. Each average schedule company's derived CPL is then used to calculate the HCLS support amount.[8] The 2013 HCLS formula is expected to provide $14.0 million in payments to carriers serving 233 average schedule study areas.[9] NECA's proposed formula for 2014 projects $13.7 million in payments to carriers serving 224 average schedule study areas, a decrease of 2.1 percent from 2013 payments.[10]

5. We find that NECA's results and CPL calculations appear to be accurate and complete, and the proposed HCLS formula should reasonably approximate the CPL of the sample average schedule

---

[5] *See* 2014 NECA Modification of the Average Schedule Universal Service High-Cost Loop Support Formula, WC Docket No. 05-337 (filed Aug. 27, 2013) (NECA 2014 Filing).

[6] *See Comment Sought on the 2014 Modification of Average Schedule Company Universal Service High-Cost Loop Support Formula,* WC Docket No. 05-337, Public Notice, 28 FCC Rcd 12971 (Wireline Comp. Bur. 2013).

[7] *See* NECA 2014 Filing at 1-30; *see also*, *e.g.*, *National Exchange Carrier Association, Inc.; 2013 Modification of Average Schedule Universal Service Support Formula; High-Cost Universal Service Support*, WC Docket No. 05-337, Order, 27 FCC Rcd 15178, 15180, para. 6 (Wireline Comp. Bur. 2012) (*2013 Order*); *National Exchange Carrier Association, Inc. and Universal Service Administrative Company; 2012 Modification of Average Schedule Universal Service Support Formulas; High-Cost Universal Service Support*, WC Docket No. 05-337, Order, 27 FCC Rcd 133, 135, para. 6 (Wireline Comp. Bur. 2012) (*2012 Order*); *National Exchange Carrier Association, Inc. and Universal Service Administrative Company; 2010 Modification of Average Schedule Universal Service Support Formulas; High-Cost Universal Service Support*, WC Docket No. 05-337, Order, 25 FCC Rcd 17520, 17522, para. 5 (Wireline Comp. Bur. 2010) (*2011 Order*); *National Exchange Carrier Association, Inc. and Universal Service Administrative Company; 2010 Modification of Average Schedule Universal Service Support Formulas; High-Cost Universal Service Support*, WC Docket No. 05-337, Order, 24 FCC Rcd 14748, 14750, para. 5 (Wireline Comp. Bur. 2009) (*2010 Order*).

[8] *See* NECA 2014 Filing at 1-30.

[9] We note that the current amount of support expected to be paid for 2013 – $14.0 million – is less than the amount that was projected when NECA submitted its original average schedule formula for 2013. *See* 2013 NECA Modification of the Average Schedule Universal Service High-Cost Loop Support Formula, WC Docket No. 05-337 (filed Aug. 30, 2012). At that time, NECA estimated that the CPL formula would result in total payments of $15.6 million for 2013. *See id*. at 1. Due to adjustments made to the national average CPL to ensure that the total amount of HCLS disbursed remains under the HCLS indexed cap, however, payments to all cost companies and average schedule companies were reduced. *See* NECA 2014 Filing at 1.

[10] *See* NECA 2014 Filing at 1. For 2011, 2012 and 2013, approved high-cost loop average schedule formulas produced estimated total payments of $23.4 million, $15.7 million and $15.6 million, respectively. *See 2011 Order*, 25 FCC Rcd at 17522, para. 4 n.13; *2012 Order*, 27 FCC Rcd at 135, para. 6 n.18; *2013 Order,* 27 FCC Rcd at 15180, para. 7 n.16.

companies, and thereby allocate funds appropriately to average schedule companies.[11] Therefore, we approve the HCLS formula as provided in NECA's August 27, 2013 submission.

## III. ORDERING CLAUSE

6. Accordingly, IT IS ORDERED, pursuant to sections 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that the average schedule cost per loop formula proposed by the National Exchange Carrier Association, Inc. on August 27, 2013 for high-cost loop support IS ADOPTED, as described herein, effective as of January 1, 2014.

FEDERAL COMMUNICATIONS COMMISSION

Carol E. Mattey
Deputy Chief
Wireline Competition Bureau

[11] *See*, *e.g.*, *2010 Order*, 24 FCC Rcd at 14750, para. 5; *2011 Order*, 25 FCC Rcd at 17522, para. 5; *2012 Order*, 27 FCC Rcd at 135, para. 7; *2013 Order*, 27 FCC Rcd at 15180, para. 7.