

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of	)	
	)	
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**

Adopted: December 3, 1997

Released: December 3, 1997

By the Chief, Common Carrier Bureau:

**I. INTRODUCTION**

1. In the *Universal Service Order (Order)*,<sup>1</sup> the Commission concluded that high cost support for non-rural carriers should be based on forward-looking economic costs beginning January 1, 1999, and adopted criteria for the economic cost models and studies that will be used to calculate these forward-looking costs.<sup>2</sup> The Commission currently is developing a federal mechanism for determining non-rural carriers' forward-looking cost of providing the supported services.<sup>3</sup> Pursuant to the *Order*, the Commission will complete work on the federal mechanism, including all inputs, by August 31, 1998. The *Order* also

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<sup>1</sup> Federal State Joint Board on Universal Service, *Report & Order*, CC Docket No. 96-45, 12 FCC Rcd 8776 (1997).

<sup>2</sup> Universal service support for non-rural carriers will be calculated based on forward-looking economic costs beginning January 1, 1999. *Order* at paras 224-226. Support for rural carriers will continue to be based on existing support levels until a model that accurately predicts rural carriers' forward-looking economic costs can be developed. In no event will rural carriers receive support based on forward-looking economic costs before January 1, 2001. *Order* at paras. 252-256.

<sup>3</sup> Federal-State Joint Board on Universal Service, Forward Looking-Mechanism for High Cost Support for Non-Rural LECs, *Further Notice of Proposed Rulemaking*, CC Docket Nos. 96-45, 97-160, FCC 97-256 (rel. July 18, 1997) (*FNPRM*).

permitted state regulatory commissions to develop their own state-specific cost studies that they wish to use to determine the forward-looking cost of providing the supported services within their respective jurisdictions.<sup>4</sup> The Commission concluded in the *Order* that the state cost studies would be subject to public comment and that the Commission would determine whether such cost studies meet the *Order's* criteria before they could be used to calculate federal universal service support.<sup>5</sup> The *Order* required state commissions that elect to submit cost studies to do so on or before February 6, 1998.<sup>6</sup> In this Order, the Common Carrier Bureau extends until April 24, 1998, the deadline by which states that choose to submit cost studies must file such studies.

## II. POSITIONS OF THE PARTIES

2. The National Association of Regulatory Utility Commissioners (NARUC), on behalf of its members, and the state commissions of Minnesota, Nebraska, Nevada, Tennessee, Maine, and New Mexico have filed petitions for extensions of time to file these state cost studies.<sup>7</sup> NARUC requests a general extension for all state commissions until September 1, 1998.<sup>8</sup> NARUC asserts that state commissions require additional time because the final versions of the models under consideration in the federal proceeding will not be available until November 1997 at the earliest and because petitions for reconsideration of the *Order* are still pending before the Commission. NARUC also argues that the Commission's experience in the federal proceeding to select a model suggests that the states' proceedings to develop cost models will take a significant amount of time.<sup>9</sup>

3. The state commissions request extensions of the deadline based on the status of their state proceedings, staffing constraints, and the amount of work required to complete their cost studies. The Minnesota Commission states that it has already begun a proceeding to develop a cost model, but that additional time is needed to develop a complete and accurate study.<sup>10</sup> The Nebraska and the Nevada Commissions state that they have begun to coordinate the development

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<sup>4</sup> *Order* at paras. 247-251.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> The petitions were filed on October 9, 1997, October 1, 1997, September 24, 1997, September 26, 1997, October 15, 1997, October 30, 1997, and November 5, 1997, respectively.

<sup>8</sup> NARUC Request for Extension of Time at 5.

<sup>9</sup> *Id.*

<sup>10</sup> Minnesota Public Utilities Commission, Request for Extension of Time, CC Docket Nos. 96-45 and 97-160 (filed October 1, 1997).

of cost studies for pricing unbundled network elements, and the Nebraska Commission has contracted with an economist to assist with reviewing the cost studies.<sup>11</sup> They state that they may not complete their studies by February 6, 1998 and therefore request a three month extension.<sup>12</sup> The Tennessee Commission states that it is currently considering cost studies in three dockets.<sup>13</sup> The Tennessee Commission asserts that, although it is working diligently on its universal service forward-looking cost study, constraints on staff time and available resources make it highly unlikely that it will complete the necessary work by February 6, 1998.<sup>14</sup> The Maine Commission reports that it opened a docket on August 4, 1997, to examine forward-looking cost studies.<sup>15</sup> The Maine Commission explains that, due to the complexity of the issues raised in this proceeding, the docket is not expected to be complete until April 15, 1998, and therefore requests an extension until May 6, 1998.<sup>16</sup> The New Mexico Commission requests an extension until June 6, 1997.<sup>17</sup> It notes that it has opened several dockets to consider pricing of unbundled network elements and universal service issues in New Mexico.<sup>18</sup> The New Mexico Commission states that it has consolidated these dockets to comply with the Commission's direction that universal service cost studies be coordinated with the cost studies used to price unbundled network elements.<sup>19</sup> The New Mexico Commission also maintains that it requires additional time to fully consider the platform that will be adopted by the Commission for the federal forward-looking cost mechanism.<sup>20</sup>

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<sup>11</sup> Nebraska Public Service Commission Request for Extension of Time at 1; Public Service Commission of Nevada Request for Extension of Time at 1.

<sup>12</sup> *Id.*

<sup>13</sup> Tennessee Regulatory Authority Request for Extension of Time at 2.

<sup>14</sup> *Id.*

<sup>15</sup> Maine Request for Extension of Time at 2.

<sup>16</sup> *Id.* at 3.

<sup>17</sup> New Mexico State Corporation Commission Request for Extension of Time at 5.

<sup>18</sup> *Id.* at 2-3.

<sup>19</sup> *Id.* at 3-4.

<sup>20</sup> *Id.* at 4-5.

4. On November 5, 1997, the Commission requested comment on these extension requests.<sup>21</sup> Commenters generally supported states' need for additional time to complete their cost studies.<sup>22</sup> Some commenters argued, however, that extensions should not be granted beyond a date that would permit the Commission to implement support for non-rural carriers based on forward-looking economic costs on January 1, 1999.<sup>23</sup>

### III. DISCUSSION

5. As a matter of Commission policy, requests for extension of time are not routinely granted.<sup>24</sup> NARUC and the state commissions have argued convincingly, however, that the February 6, 1998 deadline does not provide states with sufficient time to complete the proceedings necessary, many of which are underway, to develop reasonably accurate cost studies. Given the importance and complexity of these proceedings, we conclude that the public interest would be served by extending the deadline for filing state cost studies.

6. The length of the extension, however, must not impede the Commission's ability to meet its January 1, 1999, deadline for implementing high cost support for non-rural carriers based on forward-looking costs. After state cost studies have been submitted, a significant amount of work for the Commission and carriers will remain to be completed before January 1, 1999. The Commission must seek and receive public comment on the cost studies. The Commission must then evaluate the cost studies to determine whether they are consistent with the criteria specified in the *Order*. Once the mechanism for determining the forward-looking cost of providing the supported services has been determined for each state, incumbent local exchange carriers and other carriers must have sufficient time to make any necessary changes to their tariffs. The Commission must then review any changes to incumbent local exchange carriers' interstate access tariffs so that they can go into effect on January 1, 1999.

7. In light of these considerations, we extend the deadline for state commissions to submit their cost studies to and including April 24, 1998. We believe that this eleven-week extension will provide state commissions with substantially more time to complete their cost studies while still ensuring that a forward-looking mechanism for determining high cost support

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<sup>21</sup> States Request Extension of Time for Submission of Forward-Looking Economic Cost Studies, *Public Notice*, DA 97-2329 (rel. Nov. 5, 1997).

<sup>22</sup> See, e.g., Comments by the Nebraska Public Service Commission; State of Alabama comments at 1-2; Comments of the Illinois Commerce Commission at 1-2; Comments of Ameritech at 2.

<sup>23</sup> See, e.g., Comments of U S West, Inc., to Requests for Extension of Time; Comments of MCI Telecommunications Corporation.

<sup>24</sup> 47 C.F.R. § 1.46(a).

can be implemented by January 1, 1999. Because NARUC sought an extension on behalf of all state commissions and because the public interest will best be served by a general extension of the deadline, this extension applies to all state commissions. To facilitate our review of state cost studies, however, we strongly encourage state commissions to file their cost studies as soon as possible.

#### IV. ORDERING CLAUSES

8. Accordingly, **IT IS ORDERED**, pursuant to the authority contained in section 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. section 154(i), and sections 0.91, 0.291, and 1.46 of the Commission's Rules, 47 C.F.R. sections 0.91, 0.291, and 1.46, that the deadline for states to file cost studies for determining the forward-looking cost of providing the services supported by federal universal service support mechanism **IS EXTENDED** to and including April 24, 1998.

9. **IT IS FURTHER ORDERED**, pursuant to the authority contained in section 4(i) of the Communications Act of 1934, as amended, 47 U.S.C. section 154(i), and sections 0.91, 0.291, and 1.46 of the Commission's Rules, 47 C.F.R. sections 0.91, 0.291, and 1.46, that the requests for extension filed by NARUC and the state commissions of Minnesota, Nebraska, Tennessee, Nevada, and Maine **ARE GRANTED** to the extent indicated herein and otherwise **ARE DENIED**.

FEDERAL COMMUNICATIONS COMMISSION

A. Richard Metzger, Jr.  
Chief, Common Carrier Bureau