



# PUBLIC NOTICE

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## **COMMON CARRIER BUREAU SEEKS COMMENT ON PROGRAM TO MONITOR IMPACTS OF UNIVERSAL SERVICE SUPPORT MECHANISMS**

CC Docket No. 96-45  
CCB-IAD File No. 98-101

**Comment Date: May 26, 1998**  
**Reply Comment Date: June 10, 1998**

1. On May 8, 1997, the Commission released a Report and Order implementing section 254 of the Communications Act, as amended, and creating a new set of universal service support mechanisms.<sup>1</sup> The Commission also decided to create a new program to monitor the universal service support mechanisms and to issue reports documenting the results of that monitoring program at least once a year.<sup>2</sup> The Commission delegated responsibility for creating this monitoring program and for compiling the Monitoring Reports to the Common Carrier Bureau (Bureau), in consultation with the state staff of the Universal Service Joint Board.<sup>3</sup> This Public Notice seeks comment on the proposed monitoring program.

2. The Commission instructed the Bureau to issue publicly available Monitoring Reports that are based on information provided by the administrator of the universal service

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<sup>1</sup> *Federal-State Joint Board on Universal Service*, Report and Order, CC Docket No. 96-45, FCC 97-157, (rel. May 8, 1997) (*Universal Service Order*).

<sup>2</sup> *Universal Service Order*, ¶ 869.

<sup>3</sup> We note that, in the *Universal Service Order*, the Commission originally decided that the Bureau should consult with both the state staff of the Universal Service Joint Board (CC Docket 96-45) and also the state staff of the Separations Joint Board (CC Docket 80-286). *Universal Service Order*, ¶ 869. Subsequently, on reconsideration, the Commission decided that only the state staff of the Universal Service Joint Board need be consulted. *Federal-State Joint Board on Universal Service*, Order on Reconsideration, CC Docket No. 96-45, FCC 97-246, at ¶ 34 (rel. July 10, 1997) (*Universal Service First Order on Reconsideration*).

support mechanisms<sup>4</sup> to the Commission relating to the determination and amounts of payments made and monies received with respect to the universal service support mechanisms.<sup>5</sup> With this guidance, the Commission delegated to the Bureau discretion over the exact content and timing of the Monitoring Reports.<sup>6</sup> This Public Notice describes a monitoring program that we have developed in consultation with the states and that will enable the public, the Commission, and other policy makers, to assess and evaluate the new universal service support mechanisms. We issue this Public Notice to seek comment, particularly from those states, industry participants, and other members of the public not actively involved in CC Docket 96-45, on the proposed monitoring program. We note that, with some exceptions described below, the data included in the proposed Monitoring Reports are obtained pursuant to existing information collections, and thus impose no new reporting requirements on carriers, states, or any person other than the universal service administrator.

## I. Background

3. In the Telecommunications Act of 1996 (1996 Act), Congress adopted new section 254 of the Communications Act, as amended, and articulated a new statutory basis for federal universal service support mechanisms. Section 254 directs the Commission and states to establish support mechanisms to ensure the delivery of affordable telecommunications service to all Americans, including low-income consumers, eligible schools and libraries, and rural health care providers.<sup>7</sup> The Commission, in the *Universal Service Order*, set forth a plan to meet all of the statutory requirements and to implement a universal service support system that will be sustainable over time.

4. Prior to the 1996 Act, the Commission had taken steps to promote universal access to telephone service.<sup>8</sup> In particular, the Commission adopted rules, recommended by a Federal-State

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<sup>4</sup> Universal Service Administrative Company (USAC), a wholly owned subsidiary of the National Exchange Carriers Association (NECA), has been selected as the interim administrator. *See Changes to the Board of Directors of the National Exchange Carriers Association, Inc. and Federal-State Joint Board on Universal Service*, Report and Order and Second Order on Reconsideration, CC Docket Nos. 97-21 and 96-45, FCC 97-253 (rel. July 18, 1997).

<sup>5</sup> *Universal Service Order*, ¶ 869.

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

<sup>7</sup> 47 U.S.C. § 254. *See also Universal Service Order*, ¶ 1-2.

<sup>8</sup> *Federal-State Board Joint Board on Universal Service*, Notice of Proposed Rulemaking and Order Establishing Joint Board, CC Docket 96-45, FCC 96-93, ¶ 3 (rel. Mar. 8, 1996) (*Universal Service NPRM*). *See also* 47 U.S.C. § 151. Section 151 of the Communications Act charges the Commission with the statutory responsibility of "regulating interstate and foreign commerce in communication by wire and radio so as to make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, a rapid efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges . . ." (emphasis added).

Joint Board (composed of four state regulatory commissioners and three FCC Commissioners, and referred to as the Separations Joint Board), which allowed high cost telephone companies to recover a portion of their costs through a universal service fund. That universal service fund, established by the Commission in the *MTS and WATS Market Structure* proceeding, was designed to "preserve universal service by enabling high cost companies to establish local exchange rates that do not substantially exceed rates charged by other companies."<sup>9</sup> The Commission also established Lifeline Assistance and Link Up America to promote universal service by reducing the monthly rate or initial connection charge for elderly or low-income telephone subscribers.<sup>10</sup> In 1987, the Commission, acting on the recommendation of the Separations Joint Board, adopted a monitoring program to address universal service and separations issues raised in CC Docket No. 80-286.<sup>11</sup>

5. Pursuant to that monitoring program, the staff of the Separations Joint Board issued nineteen reports over a period of ten years, concluding with the May 1997 report.<sup>12</sup> Because the Monitoring Reports integrated information from all fifty states, Commission and state staff worked closely to prepare accurate and useful analyses. We expect this close coordination to continue. Those Monitoring Reports have been widely used by the public, state commissions, and industry because they provided comprehensive and consistent information on local exchange carriers in all states. While the format of these Monitoring Reports evolved to meet the Commission's needs, the last five such reports were organized into eight sections, each section designed to address a specific issue of concern to the Commission and the Joint Board. The eight sections addressed: (1) Subscribership and Penetration Levels; (2) Lifeline Assistance Plans; (3) High Cost Assistance; (4) Network Usage and Growth; (5) Rates; (6) Revenues, Expenses, and Investment; (7) Pooling; and (8) Infrastructure and New Services. As is explained in more detail

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<sup>9</sup> 47 U.S.C. § 251. See *MTS and WATS Market Structure*, Third Report and Order, CC Docket No. 78-72, Phase I, FCC 82-579, 93 FCC 2d 241, ¶¶ 80-84 (1983).

<sup>10</sup> *MTS and WATS Market Structure; Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board*, Decision and Order, 50 Fed. Reg. 939, ¶ 6 (1985) (*Lifeline Order*).

<sup>11</sup> The past monitoring program was designed to address issues raised in CC Docket No. 80-286. However, the monitoring program was administered pursuant to CC Docket No. 87-339, a docket established solely to facilitate the submission and review of materials. See *Establishment of a Program to Monitor the Impact of Joint Board Decisions*, Order, CC Docket No. 87-339, FCC 87-274, 2 FCC Rcd 5266 (rel. Aug. 26, 1987) ("The establishment of a new docket is for administrative purposes only, to make it easier for parties to locate materials related to the monitoring program.").

<sup>12</sup> The reports initially came out quarterly from September 1987 through March 1989, then semi-annually from July 1989 through July 1992, and then annually from May 1993 through May 1997. That monitoring program was initially set up for a period of five years and then extended for an additional five years. See *Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board; Establishment of a Program to Monitor the Impact of Joint Board Decisions*, Order, CC Docket No. 80-286, CC Docket No. 87-339, FCC 92-249, 7 FCC Rcd 4541 (rel. July 20, 1992). We note that the National Association of Regulatory Utility Commissioners (NARUC) adopted a resolution supporting the continuation of the monitoring program. NARUC, Resolution No. 4 (Feb. 26, 1997).

below, in this Public Notice, we propose a set of Monitoring Reports that retain most of the structure and content of our existing reports, with certain adjustments to accommodate changes to the universal service support mechanisms brought about by the 1996 Act.

## II. Proposal

### A. Overview

6. The new monitoring program will document and assess three aspects of the new universal service support mechanisms: (1) the contribution of support to the universal service support mechanisms; (2) the disbursement of support through the explicit universal service support mechanisms; and, (3) various measures of the impacts of the universal service support mechanisms. With respect to contributions, we propose to receive and report data on the monies collected by the administrator and to analyze the revenue data on which those contributions are based. This information will provide one measure of the overall size of the universal service support mechanisms. Similarly, with respect to disbursements, we propose to receive and report data on the monies distributed by the administrator and to analyze the various data (concerning, for example, costs to provide service in high cost areas, participation in low-income assistance plans, and provision of services through the new schools and libraries and rural health care support mechanisms) obtained by the administrator in the course of making disbursements. Finally, we propose to collect and report data on a number of measures (*e.g.*, rates, penetration, usage, quality of service, and infrastructure), as a means of evaluating the effectiveness and efficiency of the universal service support mechanisms.

7. As a general matter, we seek comment on the proposals set forth in this Public Notice, including the organization, format, and content of individual sections of the Monitoring Report. In particular, we invite parties to address proposed additions to, or modifications of, sections included in the previous Monitoring Reports, as well as the proposed elimination of certain sections. We invite commenters to identify any additional information that they believe should be provided in the Monitoring Reports, and request that they explain why it would be in the public interest to add such information to the Monitoring Reports.

8. As we implement the new Monitoring Reports, we note that the Commission has delegated to the Bureau the authority to administer the monitoring program. Thus, the Bureau may change the content or timing of the Monitoring Reports if it is necessary or desirable to do so. In order to allow parties to submit, or review, materials and comments concerning the monitoring program at any time, we have created a separate Bureau file number (CCB-IAD File No. 98-101) for all pleadings concerning the monitoring program.

9. In addition, we seek comment on whether we should supplement the Monitoring Report data on federal mechanisms with corresponding data on state universal service mechanisms. One of the Commission's fundamental goals in the *Universal Service Order* was to "create sustainable and harmonious federal and state methods of continuously fulfilling universal

service goals" in cooperation with the Universal Service Joint Board.<sup>13</sup> If we were to include data on state universal service support mechanisms in the Monitoring Reports, they would present a more comprehensive picture of the impact of both federal and state universal service support mechanisms on the industry and customers, materially enhancing the usefulness of the monitoring program. We note, however, that the federal universal service mechanisms are designed to address that portion of the cost of providing telecommunications services that is attributable to interstate service.<sup>14</sup> Accordingly, and in light of these universal service goals, we seek comment on whether it would be appropriate, useful, and feasible to include state data in the Monitoring Reports.

## **B. Data Collection**

10. As noted above, in the *Universal Service Order* the Commission instructed the universal service administrator "to maintain and report to the Commission detailed records" relating to the universal service support mechanisms.<sup>15</sup> The Commission stated that such records should relate "to the determination and amounts of payments made and monies received in the universal service support mechanisms."<sup>16</sup> Accordingly, we find that the clear language of the *Universal Service Order* directs the administrator to collect information concerning contribution of support and disbursement of support. We provide, below, detailed guidance to the universal service administrator about the timing and content of information to be delivered to the Commission. We propose that Bureau staff coordinate precise arrangements for the delivery of documents.

11. We propose to collect data regarding the impact of the universal service support mechanisms from a variety of sources, including the National Exchange Carriers Association (NECA), the Bureau of Labor Statistics (BLS), the Census Bureau, and the Rural Utilities Service (RUS). We also propose to draw on publicly available information filed with the Commission, such as tariffs, Automated Reporting Management Information System (ARMIS) data, and Commission surveys.

## **C. Timing of Reports**

12. The Commission directed that "information based on [reports from the

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<sup>13</sup> *Universal Service Order*, ¶ 3 (seeking to "create complimentary federal and state universal service support mechanisms").

<sup>14</sup> *Universal Service Order*, ¶¶ 15, 201.

<sup>15</sup> *Universal Service Order*, ¶ 869.

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

administrator] should be made public at least once a year as part of a Monitoring Report."<sup>17</sup> We note that, in the past, the Monitoring Reports were issued on an annual basis. Because of the great length of the May 1997 Monitoring Report as published (682 pages), we propose to publish two shorter, partial reports each year. We expect that the universal service administrator will submit data to the Commission in two annual filings, one in the spring and one in the fall. Based on those filings, we propose to issue the two editions of the Monitoring Report in the winter and in the summer.

13. Both the winter and summer editions will include all sections of the Monitoring Report, but will emphasize the newly received data, *i.e.*, data received too late to be included in the previous edition. For the sections where little or no new data had been received since the past edition, only summary and revised information will be included. Because most of the data filed by individual companies reflect annual totals, we further propose to include the individual company data only once each year, *i.e.*, in the edition that comes out immediately after we receive the data. We observe that this procedure will allow those using the reports to combine sections from the two most recent reports to create a comprehensive report that will be at least as up-to-date as a single annual report -- and, in certain cases, more up-to-date than a single annual report.

#### **D. Content and Format of Reports**

14. Given the close relationship between the Commission's previous universal service support mechanisms and those new support mechanisms outlined in the *Universal Service Order*, we propose to adopt the structure and content of the past Monitoring Reports, *i.e.*, those issued in CC Docket 87-339, with modifications described herein.<sup>18</sup> The new Monitoring Reports, proposed here, contain eleven sections, each described below. To address certain new aspects of the universal service support mechanisms, we propose to add four sections to the Monitoring Report. These new sections would report data on: (1) contributions to the universal service support mechanisms and accompanying industry revenue information; (2) the new rural health care mechanism; (3) the new schools and libraries mechanism; and (4) quality of service.

15. If we include state data in the Monitoring Reports, we propose to group state data into separate corresponding sections of the Monitoring Reports, *e.g.*, a section on contributions to the federal universal service mechanisms and a corresponding section on contributions to any state universal service mechanisms. We seek comment on these conclusions and on the specific observations and conclusions set out in the following discussion.

#### **1. Contributions of Support Per Explicit Universal Service Support Mechanisms**

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<sup>17</sup> *Universal Service Order*, ¶ 869.

<sup>18</sup> We note, for example, the continuing obligation on the Commission to ensure that basic service continues to be available to all users. See *Universal Service NPRM*, ¶ 3.

a. Contributions and Industry Revenues (New Section)

16. In this new section of the Monitoring Report, we propose to report, on a non-company-specific basis, data obtained from the universal service administrator on telecommunications industry revenues and carrier contributions to the universal service support mechanisms. Requirements for carrier contributions are set out in the *Universal Service Order*.<sup>19</sup> Beginning January 1, 1998, contributions to support high cost and low-income plans shall be based on interstate and international end-user telecommunications revenues, and contributions to support schools, libraries, and rural health care providers shall be based on interstate, intrastate, and international end-user telecommunications revenues.

17. We propose that this first section of the Monitoring Report be modeled after the current Commission report, *Telecommunications Industry Revenue: TRS Fund Worksheet Data (TRS Report)*.<sup>20</sup> The *TRS Report* provides data on contributions to the Telecommunications Relay Service (TRS) support mechanism -- a fund that is based on the interstate revenues of telecommunications providers -- and data on industry revenues.<sup>21</sup>

18. Based on preliminary discussions between the administrator and Bureau staff, the administrator will report these data to the Bureau semi-annually, in the fall and in the spring of each year, and thus we propose to include it in the summer and winter Monitoring Reports.

19. Finally, if we proceed to collect state data, we propose to report data on contributions to state universal service support mechanisms. As a matter of administrative practicability, we intend to include data only for those state universal service support mechanisms that use explicit contribution mechanisms.

2. Distribution of Support through Explicit Universal Service Support Mechanisms

b. Low-Income Support

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<sup>19</sup> *Universal Service Order*, ¶¶ 772 et seq. See also 47 C.F.R. §§ 54.703-54.705. In the *Universal Service Second Order on Reconsideration*, the Commission required carriers to use the Universal Service Worksheet to provide the administrator with revenue information and other data necessary to calculate their contributions. *Changes to the Board of Directors of the National Exchange Carriers Association, Inc. and Federal-State Joint Board on Universal Service*, Report and Order and Second Order on Reconsideration, CC Docket Nos. 97-21 and 96-45, FCC 97-253, ¶ 80 (rel. July 18, 1997) (*Universal Service Second Order on Reconsideration*).

<sup>20</sup> See Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, *Telecommunications Industry Revenue: TRS Fund Worksheet Data*, published annually.

<sup>21</sup> See 47 C.F.R. § 64.604. The Telecommunications Relay Service, which enables persons with speech or hearing impairments to communicate via telephone, is funded by the telecommunications industry based on interstate telecommunications revenue. *Id.*

20. In the *Universal Service Order*, the Commission revised its existing low-income assistance mechanisms to make them consistent with its universal service goals and the 1996 Act's concern for low-income customers.<sup>22</sup> Given the close relationship between the previous low-income assistance plans and those plans established in the *Universal Service Order*, the Bureau proposes that this section of the Monitoring Report should contain information similar to that contained in the former section on Lifeline Assistance Plans, *i.e.*, as it appeared in the May 1997 Monitoring Report.

21. Under the new low-income assistance plans, as before, carriers eligible to receive reimbursement are required to keep accurate records that document the revenue they have foregone in providing the defined level of low-income assistance.<sup>23</sup> Thus, we propose that the Monitoring Reports include that data collected by the administrator concerning the number of Lifeline and Link Up customers and the cost of providing the Lifeline and Link Up plans. The new Monitoring Reports would also report disaggregated data documenting individual company participation in the low-income assistance plans, much as the Commission reported in the May 1997 Monitoring Report. Furthermore, we propose that the Monitoring Reports indicate which carriers, if any, have received waivers of the requirements to: 1) provide Lifeline consumers with toll-control services, free of charge; and 2) not disconnect Lifeline service for non-payment of toll charges.

22. Under the new Lifeline assistance plan, a baseline of federal support will be provided to qualifying consumers in all states, with a matching component above that level based on any state support.<sup>24</sup> Given the Commission's goals of increasing subscribership and making services available at affordable rates, we propose to report, where possible, a state-by-state description of the type of service offered (*e.g.*, flat-rate or measured service) and data on the Lifeline assistance actually available to low-income customers, as a result of both federal and state plans.<sup>25</sup> Specifically, we propose that the Monitoring Reports indicate whether a state has accepted the additional \$1.75 in federal support (above the base \$3.50), whether a state has

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<sup>22</sup> See *Universal Service Order*, ¶¶ 27, 326-332. The Commission's low-income assistance plans consist of the Lifeline Assistance (Lifeline) and Lifeline Connection Assistance (Link Up) plans. The Lifeline Assistance plan provides a waiver of the federal subscriber line charges, and additional federal assistance in certain circumstances, for qualified low-income telephone subscribers. The Link Up plan helps qualified low income consumers with connecting -- or hooking-up -- their telephone service to the network, by offsetting half of the initial hook-up fee, up to \$30.00 per household. See 47 C.F.R. §§ 54.400 *et seq.*

<sup>23</sup> See 47 C.F.R. §§ 54.407, 54.413 (concerning the Lifeline and Link Up plans, respectively).

<sup>24</sup> *Universal Service Order*, ¶ 348. All Lifeline consumers will receive \$3.50 in federal support. An additional \$1.75 of federal support is available to customers in states that approve the reduction in the portion of the intrastate rate paid by the end user -- no state matching is required. Further, the Commission provided for additional federal support equal to one half of any support generated from the intrastate jurisdiction, up to a maximum of \$7.00 in federal support. See *id.* at ¶¶ 351, 352.

<sup>25</sup> See *Universal Service Order*, ¶ 21, 350-363.



accepted any additional federal matching funding (above the \$5.25 level), and the amount of any state-provided support. We also propose to report the consumer eligibility criteria used by states that provide state support. In addition, to the extent that states collect such information, we propose to report data on the percentage of eligible consumers that participate in low-income universal service support.

23. In the past, the Commission has received preliminary annual data on low-income assistance plans from the administrator in May and revised data in November of each year. Based on this schedule, we anticipate publishing the full data in the summer Monitoring Report, and only the revised and summary data in the winter Monitoring Report.

c. High Cost Support

24. In the *Universal Service Order*, the Commission decided to provide support to carriers serving rural, insular, and high cost areas through an explicit mechanism based on forward-looking economic costs, as calculated by a cost model.<sup>26</sup> To provide for continued high cost support until the Commission adopts a forward-looking cost mechanism, the Commission stated that carriers will receive, on a transitional basis, high cost support based on the existing high cost loop fund, the Dial Equipment Minutes (DEM) weighting support, and the Long Term Support (LTS), with minor modifications to each of these support mechanisms.<sup>27</sup>

25. Because we believe that data on the high cost support mechanisms are valuable to the Commission and others as a means to track the amount of high cost support and identify high cost study areas, we propose to include in the Monitoring Report a section to document the high cost support mechanisms. Initially, this section will track the contents of the former High Cost Assistance and Pooling sections, *i.e.*, as included in the May 1997 Monitoring Report. After implementation of a forward-looking cost mechanism, this section will be amended to include data tailored to that new support mechanism.<sup>28</sup> Because not all carriers will begin to receive high cost support based on forward-looking cost at the same time, we anticipate that, until that transition is complete, this section will include data pertaining to both the transitional mechanisms and to the new forward-looking cost-based mechanisms.<sup>29</sup>

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<sup>26</sup> *Universal Service Order*, ¶¶ 6, 199-223.

<sup>27</sup> *Universal Service Order*, ¶ 26, 273-325. *See also Universal Service Order on Reconsideration*, ¶¶ 23-24.

<sup>28</sup> *See Universal Service Order*, ¶¶ 199-207.

<sup>29</sup> *Universal Service Order*, ¶¶ 199-207. A new method of determining high cost support based on forward-looking costs for non-rural carriers will be prescribed by August 1998 and will take effect on January 1, 1999. *Id.* at ¶ 252. Rural carriers will gradually shift to a support system based on forward-looking costs at a date to be established by the Commission after further review, but in no event starting sooner than January 1, 2001. *Id.* at ¶ 204.

26. The transitional high cost loop support, historically referred to as the Universal Service Fund, enables certain local exchange carriers (LECs) with relatively high non-traffic sensitive loop costs to recover a portion of those costs from the universal service support mechanism,<sup>30</sup> and we propose to continue collect and to report data concerning non-traffic sensitive costs, universal service loops, and actual payments made. Similarly, under LTS, carriers participating in NECA's carrier common line pool receive subsidies based on the carriers' non-traffic-sensitive costs.<sup>31</sup> We propose to continue to publish aggregate amounts of LTS payments and to add data on the amount of LTS payments by study area. Finally, the DEM weighting support enables certain smaller LECs to recover a portion of their traffic sensitive switching costs from the new universal service support mechanism.<sup>32</sup> We propose to continue publishing data concerning the weighted DEM factors and individual company DEM weighting support (published previously in the May 1996 Monitoring Report).

27. After the Commission has implemented a forward-looking cost mechanism for high cost support, we propose that this section of the Monitoring Report would be modified to include a description of the cost mechanism, plus data on the amount of support provided to carriers eligible for support. We expect that because the administrator will receive data from companies based on geographic areas (support areas), and these support areas will be wire centers or other small geographic areas, the amount of information will potentially increase substantially for larger companies, *i.e.*, those with multiple support areas.<sup>33</sup> Thus, we could report these data on a support area basis, or, given the potentially voluminous information, it may be more practicable to report data on a state-wide basis, or on some other basis.<sup>34</sup> We seek comment on the level of detail that should be included in this section following the adoption of a forward-looking cost mechanism. Additionally, as part of this section, we propose to identify support areas, if there are any, where more than one carrier receives support, as one way of measuring the existence of actual or potential competition in the support area. We seek comment on whether it is desirable and feasible to seek market-share data in individual markets.

28. Pursuant to Part 36 of the Commission's rules, carriers must file data related to the three existing high cost support mechanisms with the administrator, and the administrator must report selected data to the Commission on October 1 of each year.<sup>35</sup> As a result, we propose to

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<sup>30</sup> See 47 C.F.R. §§ 36.601 *et seq.* Prior to the *Universal Service Order*, the Universal Service Fund referred solely to the high cost loop support mechanism. See also 47 C.F.R. §§ 54.1 *et seq.*

<sup>31</sup> See 47 C.F.R. § 54.303.

<sup>32</sup> See 47 C.F.R. §§ 36.125, 54.301.

<sup>33</sup> *Universal Service Order*, ¶ 250.

<sup>34</sup> For example, all support areas of one company receiving high cost support could be aggregated, and/or all support areas of one company not receiving high cost support could be aggregated.

<sup>35</sup> See 47 C.F.R. §§ 36.611-36.613.

include the data on high cost support in the winter Monitoring Report. Under the Commission's rules, companies are also permitted to update their high cost assistance data on a quarterly basis.<sup>36</sup> We direct the administrator to forward those updates to the Commission on a quarterly basis, so that they may be included in the following edition of the Monitoring Report.

29. If we proceed to collect and report state data, we also propose a corresponding section on explicit state high cost support mechanisms. We note that by only reporting data on explicit state high cost support mechanisms, we would omit, by definition, state support provided via difficult-to-estimate implicit intrastate rate subsidies. We nonetheless believe it valuable to analyze and report the explicit support data. We particularly seek comment on this proposal and on the feasibility of collecting such state data.

d. Schools and Libraries Support (New Section)

30. This new section of the Monitoring Report will document the distribution of support under the new Schools and Libraries mechanism. Both telecommunications carriers and non-telecommunications carriers are eligible to receive support in return for providing discount telecommunications services, Internet access, and installation and maintenance of internal connections to schools and libraries.<sup>37</sup> We propose that this section should include data on the schools, libraries, or other qualified groups receiving discounts, on the carriers and non-carriers receiving reimbursement, and on the level of funding provided for the supported services.

31. Under the Commission's rules, eligible schools and libraries must file application forms with the Schools and Libraries Corporation to receive funding for supported services.<sup>38</sup> We seek comment on how much data from these forms should be included in the Monitoring Report. For example, this section could report data for each school or library receiving discounts and the level of the discounts provided to that particular entity. Such detailed reporting might be useful to policy makers trying to analyze what percentage of school and library support is being provided to the most disadvantaged schools, *i.e.*, those qualifying for the highest level of discount. We note however that, because most public schools will probably receive funding as part of a school district rather than as an individual entity, many disadvantaged schools will not be discernible in the data because their school district will not -- as a whole -- qualify for the highest discount level. We also seek comment on the level of detail that we should report for those companies providing services to schools and libraries and thus receiving reimbursement from the support mechanism. We could, for example, report the total amount of support received by each providing company or, alternatively, we could specify the amount of support received by the company for individual

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<sup>36</sup> 47 C.F.R. § 36.612.

<sup>37</sup> *Universal Service Order*, ¶¶ 424-607. See 47 U.S.C. § 254(h).

<sup>38</sup> The Commission directed NECA to create an unaffiliated corporation, the Schools and Libraries Corporation, to administer specific aspects of the universal service support mechanism for schools and libraries. See *Universal Service Second Order on Reconsideration*, ¶¶ 57 *et seq.* See also 47 C.F.R. § 54.504.

contracts. We seek comment on what other data might be useful for evaluating the effectiveness of the support mechanism.

32. Based on preliminary discussions, we expect the Schools and Libraries Corporation to report these data to the Bureau in the spring of each year, and thus we propose to include them in the summer Monitoring Report.

e. Rural Health Care Providers Support (New Section)

33. This new section of the Monitoring Report will document the distribution of support under the new Rural Health Care mechanism. Under section 254(h) of the Act, health care providers for rural areas are entitled to receive telecommunications services necessary for the provision of health care services at rates that are reasonably comparable to those charged for similar services in urban areas in that state.<sup>39</sup> Telecommunications carriers who provide such telecommunications services and Internet access to rural health care providers are eligible to receive certain support.<sup>40</sup>

34. This section will include information concerning which health care providers receive telecommunications services at urban rates under the universal service support mechanisms and which service providers are reimbursed for the difference between the urban and rural rates.<sup>41</sup> We seek comment on this approach and on how much information is required. For example, this section could include data for each health care provider participating in the universal service support mechanism and the amount of support allocated on behalf of that health care provider. For those telecommunications carriers providing supported telecommunications services to health care providers, this section could include data on individual contracts with health care providers or, alternatively, total amounts of support received by each providing carrier.

35. Based on preliminary discussions with Bureau staff, we expect the Rural Health Care Corporation<sup>42</sup> to report these data to the Bureau in the spring of each year, and thus we propose to include them in the summer Monitoring Report.

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<sup>39</sup> 47 U.S.C. § 254(h)(1)(A). *See Universal Service Order*, ¶ 35.

<sup>40</sup> *See* 47 C.F.R. § 54.601 *et seq.* *See also Universal Service Order*, ¶¶ 608-701.

<sup>41</sup> *See* 47 C.F.R. § 54.611. Carriers providing supported services to health care providers will be entitled to treat the amount eligible for support as an offset against their annual universal service obligation and receive a reimbursement for any amount by which the support due the carrier exceeds the obligation in any one year.

<sup>42</sup> The Commission directed NECA to create an unaffiliated corporation, the Rural Health Care Corporation, to administer specific aspects of the universal service support mechanism for rural health care. *See Universal Service Second Order on Reconsideration*, ¶¶ 57 *et seq.*

### 3. Measuring the Impact of Universal Service Support Mechanisms

#### f. Rates

36. Pursuant to section 254(b), universal service policies are guided by, *inter alia*, the principle that "quality services should be available at just, reasonable, and affordable rates."<sup>43</sup> Thus, in order to help us evaluate the effectiveness of the Commission's universal service support mechanisms, we propose a section of the Monitoring Report that will monitor the rates for supported services. In large part, the section will track the contents of the Rates section of the prior Monitoring Reports, which presented data on the prices of telephone service, both local and long distance, derived from price indices and tariffed rates for services. In order to account for changes to the universal service support mechanisms, and to expand the scope and utility of this section, we propose several modifications as discussed below.

37. In the past, the Rates section of the Monitoring Reports included data on business and residential rates in urban areas, based on an informal Commission local rate survey. The local rate survey collects various information on monthly charges per line and service connection charges for business and residential service, in an effort to determine the actual cost for customers to receive local service, and it tracks those sampling areas (*e.g.*, cities) used by the Bureau of Labor and Statistics in calculating the Consumer Price Index (CPI). Because of the limited nature of this survey, the Commission has not heretofore sought approval from the Office of Management and Budget (OMB), pursuant to the Paperwork Reduction Act of 1995, Pub. L. No. 104-13.

38. We propose to expand the local rate survey and to report available rates for rural areas, given that much universal service support is directed towards keeping rural rates reasonably comparable to rates charged in urban areas.<sup>44</sup> We propose to collect information, on an annual basis, from a stratified random sample of local exchange carriers serving representative service areas, in all states, including urban and rural areas. Based on our experience, we believe that monitoring these local rate data over time is a valuable source of information for parties seeking to evaluate the effectiveness of the Commission's universal service support mechanisms. We expect the burden on selected carriers to be minimal, given the limited amount of information collected and the ease of availability of such information. We plan to obtain clearance from OMB, pursuant to the Paperwork Reduction Act.<sup>45</sup> To facilitate comments on this proposed information collection, we include copies of the local rate survey worksheets and their corresponding instruction sheets, that have been used in the past, as Appendices A and B. Appendix A contains the residential rate survey form, and Appendix B contains the business rate

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<sup>43</sup> 47 U.S.C. § 254(b)(1). *See also Universal Service Order*, ¶ 21.

<sup>44</sup> *See* 47 U.S.C. § 254(b)(3).

<sup>45</sup> *Infra*, ¶ 52.

survey form. We seek comment on this proposal, generally, and, also, on the worksheet and instructions.

39. In addition, we propose to incorporate publicly available data from the Rural Utilities Service (RUS) to document the rates available from smaller LECs operating in rural areas. We note, however, that the RUS does not provide data on the rates set by large firms serving rural areas. We also propose to report disaggregated data, showing rates for selected cities, much as the Commission has included in its report, *Reference Book of Rates, Price Indexes and Household Expenditures for Telephone Service*.<sup>46</sup> We seek comment on these proposals.

40. In addition to these data on local rates, discussed above, we will continue to publish data on rates for other residential services, *e.g.*, rates for long distance services and access charges, as included in past Monitoring Reports.<sup>47</sup> Based on these tariff filings, we also propose to include data on the new Primary Interexchange Carrier Charge (PICC).<sup>48</sup> We propose to retain the various data on price indices that we have obtained from the Bureau of Labor Statistics (BLS). Given that the new universal service support mechanisms provide support for touch-tone service, we propose to include that service in our historical data of basic service rates, to facilitate comparisons with the rates for basic services now covered by the universal service support mechanisms.<sup>49</sup> Further, because the Commission has stated that "it may be necessary to adjust the universal service support mechanisms to respond to competitive pressures," we seek comment on whether we might compile any data, *e.g.*, a comparison of rates by region, that would enable policy makers to determine which markets are benefiting from competition.<sup>50</sup>

41. As described above, Bureau staff will obtain the materials for this section from a number of sources. Because the materials will come available at various times throughout the year, we propose to publish new information for this section in both the winter and summer editions of the Monitoring Report, *i.e.*, as the materials become available.

g. Subscribership Penetration

42. As in the Subscribership and Penetration Levels section of the May 1997 Monitoring Report, in this section of the new Monitoring Reports we propose to continue to

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<sup>46</sup> See, *e.g.*, Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, *Reference Book of Rates, Price Indexes and Household Expenditures for Telephone Service*, published annually.

<sup>47</sup> The Commission receives these data as part of the tariff filings made by selected incumbent local exchange carriers and interexchange carriers. See generally 47 C.F.R. Part 61.

<sup>48</sup> See 47 C.F.R. § 69.153; *Access Charge Reform Order*, section III.A; *Universal Service Order*, ¶ 768.

<sup>49</sup> See *Universal Service Order*, ¶¶ 56-107 (discussing the services designated for support).

<sup>50</sup> *Universal Service Order*, ¶ 19.

collect and report data on the number and percentage of households that have telephone service, including data on the penetration rates by income level and by state. We note that the Commission, in the *Universal Service Order*, concluded that "subscriber levels provide relevant information regarding whether consumers have the means to subscribe to universal service and thus, represent an important tool in evaluating the affordability of rates."<sup>51</sup> Bureau staff receives new penetration data from the Census Bureau three times a year, so, we intend to report penetration data in both the winter and summer editions of the new Monitoring Report.

#### h. Usage

43. We propose a section of the Monitoring Reports, derived from the former section, Network Usage and Growth, to present data on minutes of use and number of lines, as such data provide a valuable measure of whether rates are set at "just, reasonable, and affordable" levels. To this end, we propose to continue to publish data obtained from NECA on interstate access minutes of use, including industry totals, as well as analyses by state and study area. The Commission also receives Dial Equipment Minutes (DEM) weighting support data -- the only readily available comprehensive measures of local and intrastate toll usage -- and we propose to continue to report those usage totals in this section.<sup>52</sup> We seek comment on these proposals and on the feasibility of collecting usage information from carriers other than incumbent LECs.

44. Prior to adoption of the *Universal Service Order*, presubscribed line data were used as the basis for assessing contributions to the Lifeline and Link Up plans and the Universal Service Fund. The Commission, in the *Universal Service Order*, adopted a new method for assessing universal service contributions, so, accordingly, we propose to exclude presubscribed line data from the new Monitoring Reports. We seek comment, however, on whether data on presubscribed lines should still be collected to measure of network growth, even though it is no longer necessary for assessing contributions.<sup>53</sup> We also note that presubscribed lines will be used as a basis for assessing the new PICC. If we continue to collect and report data on presubscribed lines, we expect that we would be able to calculate data on access lines by combining data on presubscribed lines with new data on "no PIC" lines, *i.e.*, those without a presubscribed interexchange carrier. We seek comment on the usefulness and feasibility of this method of calculating the number of access lines.

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<sup>51</sup> *Universal Service Order*, ¶ 112. We note that, in the past, the Commission has made clear that "the number of households and the percentage of households having telephone service represents the most basic measure of the extent of universal service." *Establishment of a Program to Monitor the Impact of Joint Board Decisions*, Recommended Decision and Order, CC Docket No. 78-72, CC Docket No. 80-286, DA 87j-5, 2 FCC Rcd. 3298 (1987).

<sup>52</sup> As noted above, we propose to report the weighted DEM factors and DEM support in the High Cost Support section. *See supra*, ¶ 24 *et seq.*

<sup>53</sup> The presubscribed line data have also been used by the Commission to assess competition among interexchange carriers. *See* Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, *Long Distance Market Shares*, published quarterly.

45. In the past, the Commission has received usage data from NECA on March 1 of each year. We expect to receive these data from NECA on March 1 as well, and thus propose to publish the usage data in the summer Monitoring Report.

i. Quality of Service (New Section)

46. Section 254(b)(1) establishes the availability of quality services as one of the guiding principles of universal service.<sup>54</sup> In the *Universal Service Order*, the Commission decided to monitor service quality trends by using ARMIS data, in combination with other data provided by the states.<sup>55</sup> We, accordingly, propose to publish the service-quality data, (including, for example, data on trouble reports, switch outages, line outages, line blockages, and customer satisfaction) in a new section of the Monitoring Report. Thus, the contents of the Quality of Service section will mirror the current Commission report, *Quality of Service for the Local Operating Companies Aggregated to the Holding Company Level*, which also reports ARMIS quality of service data.<sup>56</sup> We seek comment on whether the Monitoring Report should publish data in a disaggregated form, *i.e.*, on a study area basis, as it is reported to the Commission, or in an aggregated form. We further propose a corresponding section addressing service-quality data provided by states. Given that the ARMIS data are filed with the Commission in the late spring of each year, we propose to publish the service quality data in the winter report.<sup>57</sup>

j. Infrastructure

47. Section 254(b)(2) establishes access to advanced telecommunications and information services as one of the guiding principles of universal service.<sup>58</sup> Accordingly, we propose to report data on available infrastructure (including, for example, technical information on switching systems and transmission systems) in a separate section of the Monitoring Report, derived from the former Infrastructure and New Services section. As a means of tracking changes in telephone technology over time, this section will be useful to the Commission and others in assessing the effectiveness of the universal service support mechanisms.

48. This section will report data filed by price cap companies pursuant to the ARMIS 43-07 reporting requirements. Past Monitoring Reports have published infrastructure data on a

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<sup>54</sup> 47 U.S.C. § 254(b)(1). See also *Universal Service Order*, ¶¶ 97-102.

<sup>55</sup> *Universal Service Order*, ¶ 99.

<sup>56</sup> Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, *Quality of Service for the Local Operating Companies Aggregated to the Holding Company Level*.

<sup>57</sup> This schedule will give Bureau staff an adequate opportunity to perform the necessary independent review of the ARMIS data.

<sup>58</sup> 47 U.S.C. § 254(b)(2).



holding company basis, but we seek comment on whether it is desirable to publish the data in a disaggregated form, *i.e.*, on a study area basis, as opposed to an aggregated form. As with the other ARMIS-based data, we propose to publish the Infrastructure section in the winter report.

k. Revenues, Expenses, and Investment

49. Previous Monitoring Reports have included a section on revenues, expenses, and investment. This section, based on ARMIS 43-01 data, was primarily utilized in connection with the activities of the Separations Joint Board.<sup>59</sup> The ARMIS data on revenues, expenses, and investment are collected from all local exchange carriers with operating revenues in the preceding year above an indexed threshold.<sup>60</sup> These data contain information on: operating revenues, total revenues, operating expenses, non-operating expenses, federal income taxes, total expenses, plant investment, total (gross) investment, investment reserves, net investment, and net income. We seek comment on whether the information in this section is sufficiently related to the Commission's universal service support mechanisms to justify its continued inclusion in the Monitoring Report. Alternatively, because the separated intrastate and interstate revenues, expenses, and investment data are not reported elsewhere, we seek comment on whether the Commission should continue to publish this information, but as a separate report. Carriers file these data with the Commission on April 1 of each year. Thus, we could include this information in the summer Monitoring Report.

### III. Procedural Issues

50. *Procedures for Filing.* Interested parties may file comments in CC Docket No. 96-45 not later than **May 26, 1998**. Reply comments may be filed not later than **June 10, 1998**. All filings should refer to the pleadings as *Program to Monitor Impacts of Universal Service Support Mechanisms*, CC Docket 96-45, CCB-IAD File No. 98-101. One original and four copies of all comments must be sent to Magalie Roman Salas, Secretary, Federal Communications Commission, 1919 M Street, N.W., Washington, D.C. 20554. Two copies should also be sent to Ms. Terry Conway, Industry Analysis Division, Common Carrier Bureau, 2033 M Street, N.W., Suite 500, Washington, D.C. 20554. Copies of documents filed with the Commission may be obtained from the International Transcription Service (ITS), 1231 20th Street, N.W., Suite 140, Washington, D.C. 20036, (202) 857-3800. Documents are also available for review and copying at the Reference Center, Room 239, 1919 M Street, N.W., Washington, D.C., Monday, from 9:45 a.m. to 4:30 p.m., and Tuesday through Friday from 9:00 a.m. to 4:30 p.m., (202) 418-0270.

51. This proceeding is a non-restricted proceeding.<sup>61</sup> Accordingly, *ex parte*

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<sup>59</sup> See *Establishment of a Program to Monitor the Impact of Joint Board Decisions*, 2 FCC Rcd 5266.

<sup>60</sup> For 1996 this threshold was \$107 million.

<sup>61</sup> See 47 C.F.R. §§ 1.1200(a), 1.1206.

presentations are permitted, provided that they are disclosed in conformance with the Commission's *ex parte* rules.<sup>62</sup>

52. *Paperwork Reduction Act.* We note that substantially all of the data included in the proposed Monitoring Reports is obtained pursuant to existing information collections that have previously been approved by the Office of Management and Budget (OMB), pursuant to the Paperwork Reduction Act of 1995, Pub. L. No. 104-13. We tentatively conclude that certain proposals in this Notice might be subject to approval by the OMB, pursuant to the Paperwork Reduction Act, since they might impose new or modified collection requirements. Our analysis indicates that the following proposals may require OMB approval: 1) any collection of voluntarily submitted data from states concerning state universal service mechanisms;<sup>63</sup> 2) any expansion of the Commission's local rate survey;<sup>64</sup> and 3) collection of certain usage data.<sup>65</sup> All other proposals associated with the program either require responses from fewer than ten parties or are continuations of requirements that already have OMB approval. We invite the general public to comment on the new or modified information collections. Public and agency comments are due at the same time as other comments on this Public Notice. Comments should address: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's burden estimates; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of collection of information on respondents, including the use of automated collection techniques or other forms of information technology.

For further information contact Alex Belinfante, at (202) 418-0944, or Scott Bergmann, at (202) 418-7102, of the Common Carrier Bureau, Industry Analysis Division.

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<sup>62</sup> *See id.* at §§ 1.1202, 1.1206(a).

<sup>63</sup> *Supra*, ¶ 9.

<sup>64</sup> *Supra*, ¶¶ 37-38.

<sup>65</sup> *Supra*, ¶¶ 43-45.

# Appendix A

## Residential Rate Survey

Data for October 15, 1996/7

The attached data sheets have been prepared to collect rate and tax information on local residential telephone services. The data sheets contain information on rates that were in effect on October 15, 1996. Two sheets are included for each location in our sample.

\*\*\*\*\* Use the first sheet to show corrections to the October 15, 1996 data.

\*\*\*\*\* Use the second sheet to show changes, if any, as of October 15, 1997.

NOTE: Use rates for center of city. Rates, taxes, and service availability may be different in different parts of the city. If this is the case, please provide data for the geographic center of the city. If rates depend on mileage from a central office, assume that the customer is located within a mile of a central office.

Section I requests monthly service rates (fixed, recurring charges) and charges for local calls. Data are requested for two types of private line service: unlimited local calling, and measured/message rate service. Please respond "none" if a particular service option is not offered to residential customers.

Customers with measured service are charged for each minute of calling. Customers with message rate service are charged a flat amount for each call. If both measured and message service options are offered to residential customers, please provide data for the most commonly used option.

The recurring service charge is the base monthly rate. The recurring service rate should not include subscriber line charges, taxes, optional calling plans, message plans, or most optional charges. This rate would not include extended area or zone charges unless such service features are mandatory or unless most customers in the city elect to take the options. The recurring service charge for message or measured service should not include any optional plans which provide for a fixed amount of calling or reduce per call rates. Please do not include the cost of line conditioning or other features unless the customer is required to take these features, or unless these features are taken by virtually all residential customers.

Inside wiring maintenance plans are optional monthly charges that cover the costs of maintaining telephone wiring on the customer's premise. The service is not tarified, is totally deregulated in some areas, and may be offered through an affiliate. Please provide the monthly charge for the lowest priced option that is offered to new residential customers. Please do not show rates that are "grandfathered" and only available to existing customers.

Customers taking measured or message rate service pay charges for calls in the local service area. In some cases, a small amount of local calling is covered by the recurring charge. It may consist of a message unit or call allowance, or as a dollar amount that will be credited against usage. If the service reported is a message rate service, provide the message or call allowance in line I-g2; if the service is message rate and there is no call allowance, enter 0. If the service reported is a measured service, provide the dollar calling allowance in line I-h2; if the reported rates are for measured service and there is no dollar calling allowance, enter 0. Do not report information on optional calling plans. Line I-i2 requests the charge for a five-minute 1-mile call made at 10:30am on a Tuesday. This should be the charge for the first call made after the calling allowance is exceeded, and should not be a high volume or discount rate.

Section II requests information on additional mandatory charges that will appear on customer bills. Please show tax and surcharge rates that apply to the monthly recurring service charge and ignore taxes or surcharges that only apply to toll or other charges.

The data sheets distinguish between two types of surcharges. One type of surcharge is collected by the company and remitted to governmental bodies. These surcharges are treated as taxes and are credited to account 4080, which is a liability account titled "Other Taxes Accrued." Any such surcharges should be included on the data sheets as taxes. The second type of surcharge is authorized by utility commissions as a form of company revenue, and is credited to account 5001, a revenue account titled "Basic Area Revenue." These types of surcharges should be included on the data sheets as surcharges accounted as company revenue. The data sheets separate emergency 911 taxes from other state and local taxes and surcharges. Thus, it is possible that there will be one percentage rate representing a revenue surcharge, a second for funding emergency 911 operations, and a third that represents the sum of all other state and local levies.

Section III requests information on connection charges. Rates are sought for connection of one line. Connection charges cover service order processing, establishing an account, and central office work necessary to initiate telephone service. In providing the minimum connection charge, please assume that the customer's premise has already had telephone service, and that no premise visit would be required to connect service.

A customer premise visit would be necessary to provide a drop line and a protection block if a location has not previously had service. Use line III-c to show the additional charge, if any, for installing a drop line and protection block, including a transportation or trip charge. Please do not include any inside wiring charges.

Section IV requests information on taxes and surcharges associated with connection. Taxes and surcharges for connection often are different than taxes and surcharges for recurring charges.

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The data sheets include space for the telephone numbers of the tariff and rate specialists who actually provide the data. Providing a contact number expedites our getting clarifications, and actually reduces the number of inquiries.

### **Important Things to Remember**

1. We are no longer collecting party-line rates.
2. If flat-rate service is not offered in the city make no entries under service # 1.
3. If message/measured service is not offered then make no entries under service # 2.
4. Many cities have multiple measured/message plans available. Enter the rates for the plan which includes the fewest calls in the base rate. In many instances this will be a plan that includes no calls in the base rate.
5. If message service is offered, then enter the number of messages included in the base rate on line I-g. Leave line I-h blank.
6. If measured service is offered, then enter the dollar calling allowance included in the base rate on line I-h. Leave line I-g blank.

## Residential Rate Review

Carrier :

I. Access Rates	Generally Available Service		Subsidized Services such as Lifeline	
	(# 1) Unlimited or Flat Rate Service	(# 2) Measured or Message Service	(# 3) Unlimited or Flat Rate Service	(# 4) Measured or Message Service
Monthly Charges per Line a. Recurring service charge b. Federal subscriber line charge c. State subscriber line charge d. Additional monthly charge for Touch Tone e. Lowest monthly inside wiring plan f. Optional extended area plan		N.A.	N.A.	
	Charges for calls in the local service area g. If service is per message or message unit service, how many calls or message units are included in the base rate? h. If service is per minute or measured service, what is the dollar calling allowance included in the base rate? i. The charge for a 5-minute, same zone, business-day call	Service # 2	N.A.	
II. Other Mandatory Monthly Charges Associated with Local Access a. Mandatory percentage surcharges accounted as company revenue b. Mandatory fixed amount surcharges accounted as company revenue c. Percentage tax or surcharge for funding 911 service d. Fixed amount tax or surcharge for funding 911 service e. Federal excise tax rate f. Other percentage taxes (sales, excise, gross receipts, etc.) levied on monthly service by state, county, or local government g. Other fixed amount government taxes or surcharges				
III. Service Connection Charges a. Total connection charge for rotary service if no premises visit is required b. Additional charge if company is connecting Touch Tone service c. Minimum additional charge if drop line and terminal block are needed to connect service (DO NOT INCLUDE ANY INSIDE WIRE CHARGES)			Normal Service	Subsidized Service e.g. Link-Up
IV. Other Mandatory Charges for Connection a. Mandatory percentage surcharges on connection accounted as company revenue b. State, county, and local taxes and surcharges on connection [Total of % rates] c. Other mandatory connection charges				
Notes :				

Form completed by: \_\_\_\_\_  
(Please print)

Contact Phone Number: (     ) - \_\_\_\_\_

Date: \_\_\_\_\_

Table Name : RES97

Record Number : 0

# Appendix B

## Business Rates Survey

Data for October 15, 1996/7

The attached data sheets have been prepared to collect rate and tax information on local business telephone services. The data sheets contain information on rates that were in effect on October 15, 1996. Two sheets are included for each location in our sample.

\*\*\*\*\* Use the first sheet to show corrections to the October 15, 1996 data.  
\*\*\*\*\* Use the second sheet to show changes, if any, as of October 15, 1997.

NOTE: Use rates for center of city. Rates, taxes, and service availability may be different in different parts of the city. If this is the case, please provide data for the geographic center of the city. If rates depend on mileage from a central office, assume that the customer is located within a mile of a central office.

Section I requests monthly service rates (fixed, recurring charges) and charges for local calls. Data are requested for two types of private line service: unlimited local calling, and measured/message rate service. Please respond "none" if a particular service option is not offered to business customers.

Customers with measured service are charged for each minute of calling. Customers with message rate service are charged a flat amount for each call. If both measured and message service options are offered to business customers, please provide data for the most commonly used option.

The data sheets request rates for a single-line business customer, for a line with hunting for a key system, for a line with hunting for a PBX system, and for a "2B+D" ISDN line. Your tariffs may not specify "single line" "key system" or "PBX" rates. Please provide the access line charges for the services that would typically be taken by these three types of customers. If different rates exist depending on the number of lines, assume that the customer has a three-line key system or a twenty-line PBX system. *Please assume that the key system and PBX lines include hunt group.* The hunting feature allows arriving calls to rotate from a busy line to a free line. If there is a separate charge for hunt group, please include this charge in the recurring rate. A 2B+D ISDN access line is configured with two 64 kilobyte per second voice channels and a 16 kilobyte signaling channel. *Please assume that the ISDN line does not include hunt group.* If ISDN access lines are not offered in the sample city, please enter "none."

Several rates are requested for each type of access line. The recurring service rate is the base monthly rate, and does not include subscriber line charges, taxes, or most optional features. The recurring charge for lines used by key systems and PBX systems should, however, include any separate charge for hunt group.

The recurring service rate should not include subscriber line charges, taxes, optional calling plans, message plans, or most optional charges. **This rate would not include extended area or zone charges unless such service features are mandatory or unless most customers in the city elect to take the options.** The recurring service charge for message or measured service should not include any optional plans which provide for a fixed amount of calling or reduced per-call rates. Please do not include the cost of line conditioning, or other features unless the customer is required to take these features, or unless these features are taken by virtually all business customers. We are not collecting information on other optional extended area charges for business customers.

In some areas, the recurring service charge for ISDN is a charge paid in addition to the analog service charge. If this is the case, please provide the sum of the recurring service charges that a customer purchasing ISDN service would pay. Apply multi-line subscriber line charges for the ISDN lines.

Inside wiring maintenance plans are optional monthly charges that cover the costs of maintaining telephone wiring on the customer's premise. The service is not tariffed, is totally deregulated in some areas, and may be offered through an affiliate.

Please provide the monthly charge for the lowest priced option that is offered to new single line business customers. We do not need the wiring maintenance plan charges for key system, PBX, or ISDN lines. Please do not show rates that are "grandfathered" and only available to existing customers.

Customers taking measured or message rate service pay for local service calls. In some cases, a small amount of local calling is covered by the recurring charge. It may consist of a message unit or call allowance, or as a dollar amount that will be credited against usage. If the service reported is a message rate service, provide the message or call allowance in line I-g1; if the service is message rate and there is no call allowance, enter 0. If the service reported is a measured service, provide the dollar calling allowance in line I-h1; if the service is measured service and there is no calling allowance, enter 0. Do not report information on optional calling plans. Line I-i1 requests the charge for a five-minute same zone (short distance) call made during the business day. This should be the charge for the first call made after the calling allowance is exceeded, and should not be a high volume or discount rate.

Customers using ISDN lines may be charged different amounts for voice and data usage. Fax and video conference calls placed over the ISDN line may be treated as data calls. Even if the ISDN access line allows unlimited voice calls, the customer may be charged for data calls. I-g2 requests the number of data calls or sessions included with the ISDN line if customers are charged by the call or session. I-h2 requests the dollar calling allowance for data calls if customers are charged by the minute or by the kilobyte. I-i2 requests the additional charge for a five-minute data call placed during the business day using one of the B channels.

Section II requests information on additional mandatory charges that will appear on customer bills. Please show tax and surcharge rates that apply to the monthly recurring service charge and ignore taxes or surcharges that only apply to toll or other charges.

The data sheets distinguish between two types of surcharges. One type of surcharge is collected by the company and remitted to governmental bodies. These surcharges are treated as taxes and are credited to account 4080, which is a liability account titled "Other Taxes Accrued." Any such surcharges should be included on the data sheets as taxes. The second type of surcharge is authorized by utility commissions as a form of company revenue, and is credited to account 5001, a revenue account titled "Basic Area Revenue." These types of surcharges should be included on the data sheets as surcharges accounted as company revenue. The data sheets separate emergency 911 taxes from other state and local taxes and surcharges. Thus, it is possible that there will be one percentage rate representing a revenue surcharge, a second for funding emergency 911 operations, and a third that represents the sum of all other state and local levies.

Section III requests information on connection charges. Rates are sought for connection of one line and for the connection of three lines at the same time. Connection charges cover service order processing, establishing an account, and central office work necessary to initiate telephone service. In providing the minimum connection charge, please assume that the customer's premise has already had telephone service, and that no premise visit would be required to connect service. Do not include the cost of an NT1 interface or power supply in calculating the ISDN connection rate.

A customer premise visit would be necessary to provide a drop line and a protection block if a business location has not previously had service, or if many lines are being requested. Use line III-c to show the additional charge, if any, for installing a drop line and protection block, including a transportation or trip charge. Please do not include any inside wiring charges.

Section IV requests information on taxes and surcharges associated with connection. Taxes and surcharges for connection often are different than taxes and surcharges for recurring charges.

Section V requests pay telephone information. Please provide the minimum daytime, same-zone charge for a call at a company-owned pay telephone located in the center of the city.

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The data sheets include space for the telephone numbers of the tariff and rate specialists who actually provide the data. Providing a contact number expedites our getting clarifications, and actually reduces the number of inquiries.

### **Important Things to Remember**

1. We are collecting rates on ISDN lines. The capability of the line should include alternate voice/circuit-switched data on one B channel, circuit-switched data on the other B channel and basic D channel packet. The National ISDN Users Forum refers to this as capability package N.
2. If ISDN is charged as an increment to analog service charges, then these charges should be included in the ISDN recurring service charge.
3. Many cities have multiple measured/message plans available. Enter the rates for the plan which includes the fewest calls in the base rate. In many instances this will be a plan that includes no calls in the base rate.
4. If message service is offered, then enter the number of messages included in the base rate on line I-g. Leave line I-h blank.
5. If measured service is offered, then enter the dollar calling allowance included in the base rate on line I-h. Leave line I-g blank.
6. If ISDN data and voice calls are treated differently, please make a note in the area at the bottom of the sheet marked notes.
7. The connection charge for a single-line business and an ISDN line should be for the connection of one line.
8. The connection charge for a PBX or key system should be the connection charge for three lines.
9. Please check the current payphone rates. Payphone rates in a number of states have been deregulated recently.



# Business Rate Review

Carrier :

I. Access Rates	unlimited service				measured/message service			
	Single Line Business	Line with Hunting for		ISDN 2B + D Line	Single Line Business	Line with Hunting for		ISDN 2B + D Line
		Key System	PBX System			Key System	PBX System	
Monthly charges per line	Analog				Analog			
a. Recurring service charge	Not Required				Not Required			
b. Federal subscriber line charge								
c. State subscriber line charge								
d. Touch-Tone monthly charge								
e. Lowest monthly inside wiring								
Charges for calls in the local service area								
g1. The number of voice calls or message units included in the monthly recurring rate if message service								
g2. The number of data calls or sessions included with an ISDN line								
h1. The dollar calling allowance for voice calls included in the monthly recurring rate if measured service								
h2. The dollar calling allowance for data calls included in the monthly ISDN rate								
i1. The charge for a 5-minute, business-day, same-zone voice call								
i2. The charge for a 5-minute, business-day, same-zone ISDN data call utilizing one "B" channel								

<b>II. Other Mandatory Monthly Charges Associated with Local Access</b> a. Mandatory percentage surcharges accounted as company revenue b. Mandatory fixed amount surcharges accounted as company revenue c. Percentage tax or surcharge for funding 911 service d. Fixed amount tax or surcharge for funding 911 service e. Federal excise tax rate f. Other percentage taxes (sales, excise, gross receipts, etc.) levied on monthly service by state, county, or local government g. Other fixed amount government taxes or surcharges	
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III. Service Connection Charges	Single Line Business	Total charge for 3 lines with Hunting for		ISDN 2B + D Line
		Key System	PBX System	
a. Total connection charge for rotary service with single-line, Key, and PBX systems, and total connection for ISDN. Assume no premises visit is required.				
b. Additional charge if company is connecting Touch-Tone service				
c. Minimum additional charge if drop line and terminal block are needed to connect service. Do not include any inside wiring charges. Do not include the cost of an NT1 interface or power supply for ISDN lines.				

<b>IV. Other Mandatory Charges for Connection</b> a. Mandatory percentage surcharges on connection accounted as company revenue b. State, county, and local taxes and surcharges on connection [total of % rates] c. Other mandatory connection charges	
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<b>V. Tariff rate for a 5-minute, same-zone, business-day call at a company-owned payphone</b>
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**Notes :**

Form completed by: \_\_\_\_\_ Contact Phone Number: (     ) - \_\_\_\_\_

Date: \_\_\_\_\_ Table Name : BUS97 Record Number : 0