



Helping Keep Americans Connected

August 15, 2006

To All State Commissions:

This is a courtesy reminder from USAC regarding the October 1 deadlines for non-rural & rural use certifications and rate comparability certifications. Since October 1 falls on a weekend this year, submissions must be received by the FCC & USAC **on or before Friday, September 29, 2006**.

Pursuant to sections 54.313 & 54.314 of the Federal Communications Commission (FCC)'s rules, all non-rural and rural carriers subject to state jurisdiction and eligible for federal high cost support must be certified by their state commissions each year. Carriers not subject to state jurisdiction must file self-certifications directly with USAC and the FCC. The non-rural and rural use certifications must:

- state that all federal high cost support will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, consistent with section 254(e) of the Communications Act
- clearly reference CC Docket No. 96-45
- be filed with both the Office of the Secretary of the FCC & USAC

Based upon discussions with various state commissions, USAC has prepared a sample letter for the "October 1" non-rural & rural carrier certifications. While not a required format, the attached sample letter provides a standardized and easy-to-use format that is wholly consistent with the FCC's rules.

In addition to the letter, please provide a separate attachment listing:

1. all eligible telecommunications carriers (ETCs) that the state is certifying for the upcoming calendar year
2. the non-rural or rural status for each
3. the Study Area Code (SAC) for each ETC, if at all possible

If a carrier operates as both an incumbent carrier and a competitive carrier, please list each ETC separately with its associated SAC. Where a competitive ETC does not yet have an assigned SAC, USAC will assign one subsequent to the submission of the certification letter.

In order to receive first quarter 2007 high cost support, certifications must be submitted on or before **September 29, 2006**. The consequence of failing to file is loss of 2007 support, absent a waiver from the FCC. If a state commission or a carrier not subject to state jurisdiction misses the deadline, the following schedule applies:

- Certify by January 1, 2007: the carrier may receive support for the second, third, & fourth quarters of 2007
- Certify by April 1, 2007: the carrier may receive support for the third & fourth quarters of 2007
- Certify by July 1, 2007: the carrier may receive support for the fourth quarter of 2007
- Fail to certify by July 1, 2007: the carrier may not receive any high cost support for 2007

Further, pursuant to section 54.316 of the FCC's rules, each state is also required to annually submit a rate comparability certification. The state must review the comparability of residential rates (as of July 1, 2006) in rural areas of the state served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and certify to the FCC & USAC as to whether the rates are reasonably comparable. Please note that this is in addition to the annual high cost use certifications.

For the rate comparability certification, states may use a safe harbor and presume for certification purposes that the residential rates in rural areas served by non-rural ILECs are reasonably comparable to urban rates nationwide, if the rates are below the nationwide urban rate benchmark. The nationwide urban benchmark is the most recent average urban rate plus two standard deviations, or \$34.58 (August 11, 2006, FCC *Reference Book*) for the upcoming certification period. This benchmark amount will be adjusted annually.

If a state does not rely on the safe harbor provision, or certifies that rates are not reasonably comparable, the state must fully explain its rate comparability analysis and provide data supporting its certification, including but not limited to residential rate data for rural areas within the state served by non-rural ILECs. It must also explain why they are not reasonably comparable and what action it intends to take to achieve rate comparability.

Details of this requirement, along with rate comparability guidelines and a basic service rate template, can be found in the FCC's *Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, CC Docket No. 96-45, FCC 03-249, released on October 27, 2003. The *Order* can be found at http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-03-249A1.doc.

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Carrier certifications can be confirmed using the Certification Checklists Search tool at <http://www.usac.org/hc/tools/checklist/default.asp>.

Please send any contact information corrections to hcinfo@usac.org.

Regards,
High Cost Program Management

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