

Agenda Date: July 8, 2002
Item Numbers: Utilities: “Other 1” and “Other 2”

Docket: **UT-013058 - Staff Investigation of the Disaggregation and Targeting of Federal Universal Service Support Pursuant to 47 CFR 54.315**

Company Names: Asotin Telephone Company, CenturyTel of Cowiche, Ellensburg Telephone Company, Inland Telephone Company, Kalama Telephone Company, Lewis River Telephone Company, McDaniel Telephone Company, The Toledo Telephone Company, United Telephone Company, Western Wahkiakum County Telephone Company, Hat Island Telephone Company, Hood Canal Telephone Company, Inc., Mashell Telecom, Inc., Pend Oreille Telephone Company, Pioneer Telephone Company, St. John Telephone & Telegraph Company, Tenino Telephone Company, Whidbey Telephone Company, and YCOM Networks.

Docket: **UT-023020**
Companies: CenturyTel of Washington, Inc.,
and CenturyTel of Inter Island, Inc. (*collectively CenturyTel*)

Staff: Bob Shirley, Telecommunications Policy Analyst
Tim Zawislak, Telecommunications Analyst

Recommendation:

1. Reject the Path 2 Petition of *CenturyTel* in Docket UT-023020, Reject the Path 3 election of Asotin Telephone Company filed in Docket UT-013058, and Reject the Path 1 elections for all of the remaining companies listed above in Docket UT-013058.
2. Order all companies listed above in both dockets to file Path 2 Petitions, not later than August 6, 2002, with this Commission, and order the petitions to disaggregate federal universal service support at the exchange geographic level, using Staff’s methodology¹ and lines counts as of December 31, 2001. As part of that Order, require companies to provide to the Commission electronic exchange maps formatted in .shp (using ARCInfo software).²

Background:

All rural incumbent local exchange companies (ILECs) in Washington filed with the Commission a support disaggregation path selection pursuant to 47 C.F.R. § 54.315, and Federal Communications Commission (FCC) Order Number 01-157. The rule permits

¹ The Staff methodology is contained in an Excel spreadsheet supplied to company representatives on June 12, 2002. The Staff methodology is essentially the same as that used in the 1998 petition to the FCC.; the 1998 results are re-aggregated from two zones to one exchange. Enclosure #2 with this memo shows the results of Staff’s methodology with 1998 line counts.

² ARCInfo and .shp are to mapping what Word and .doc are to word processing.

each company to choose a disaggregation “path,” but also permits state commissions, on their own motion, to require rural ILECs to target and disaggregate in a different manner than the one chosen by a company. As was the case on June 14, 2002 when this item was initially before the Commission, Staff recommends the Commission exercise its broad authority under § 54.315 and require revised disaggregation filings.

Revised Recommendation

These items were scheduled for the Open Meeting of June 14, 2002, but were deferred until this time. The memo, attachments, and appendices³ from that meeting remain relevant to the discussion, but Staff has revised its recommendation.

The revised recommendation is that disaggregation and targeting of federal universal service support take place at the exchange level rather than the sub-wire center level (the former Zones A & B). This revised recommendation is made after consultation with rural ILECs and United States Cellular Corporation. It reduces the administrative complexity presented by sub-wire center targeting, but provides a significant amount of targeting compared to study area average targeting preferred by rural ILECs.

Staff’s position is that disaggregation at the exchange level serves sufficiently the goal of aligning support with relative costs for each exchange in a study area, and also matches the geographic level at which ETC designations have been made. This in turn means competitors who enter an exchange will receive an amount of support that more closely reflects underlying costs than would disaggregated support based on a study area average.

On the issue of sub-wire center or sub-exchange targeting of disaggregated federal universal service support, Staff’s position is that it remains superior because it provides the best alignment of underlying costs and explicit support. The methodology developed in 1998 is still acceptable and is the basis for the exchange-level disaggregation methodology prepared by Staff and recommended as the standard to be prescribed today. While acceptable, it could be improved upon and Staff will consult with rural ILECs and Competitors and report at a later time to the Commission its recommendation on whether to pursue a process to disaggregate below the exchange level.

Summary

Staff recommends rejection of all rural ILEC filings and ordering all rural ILECs to file with the Commission new Path 2 disaggregation and targeting plans based on the methodology and spread sheets provided by Staff to companies on June 12, 2002. The FCC requires maps with filings and companies should be ordered to provide .shp maps with standard cartographic details such as township and range, a north arrow, a legend, and a company name.

³ Staff has corrected a mistake that was the result of using an incorrect Excel cell for ten of the 245 percentages calculated in Appendix A. Staff’s recommended methodology is a roll-up of Appendix A. Staff has distributed a revised “Errata to Appendix A” to companies.