

Alabama Public Service Commission

Orders

IN RE: IMPLEMENTATION OF THE UNIVERSAL SERVICE REQUIREMENTS OF SECTION 254 OF THE TELECOMMUNICATIONS ACT OF 1996.

DOCKET 25980

(CERTIFICATION OF NON-RURAL CARRIERS RECEIVING FEDERAL HIGH-COST SUPPORT)

FURTHER REPORT AND ORDER

BY THE COMMISSION:

I. Introduction and Background

By Order entered in this cause on March 24, 2000, the Commission concluded that the proposals of BellSouth Telecommunications, Inc. (BellSouth) and Verizon South, Inc., f/k/a GTE South, Incorporated and Contel of the South, Inc., d/b/a Verizon Midstates (collectively Verizon) which delineated each company's intended utilization of the federal high-cost universal service support for which they were eligible during the year 2000 were compliant with the provisions of §254(e) of the Telecommunications Act of 1996. Said Order required BellSouth and Verizon to file a report with the Commission within thirty (30) days of the close of each calendar quarter which delineates the status of each project approved in the Commission's March 24, 2000 Order and the level of universal service funding expended on said projects.

The Commission's March 24, 2000 Order further required BellSouth and Verizon to file their respective proposals for the utilization of federal high-cost universal service support for which they were determined to be eligible for in the year 2001 no later than July 5, 2000. The Commission noted that interested parties would be allowed to submit comments in response to those filings no later than July 21, 2000. The Commission also indicated that reply comments would be considered by the Commission if received on or before August 4, 2000.

By filing of July 5, 2000, BellSouth submitted its proposal for the utilization of the federal high-cost universal service support for which it is eligible in the year 2001. On July 12, 2000, Verizon notified the Commission that it had been delayed in making its 2001 universal service funding utilization report to the Commission, but was in the process of developing that report and would file same as quickly as possible. Verizon indeed filed its plan detailing the use of the federal high-cost universal service support for which it is eligible in the year 2001 on July 21, 2000.

II. The 2001 Plan of BellSouth

BellSouth premised its July 5, 2000 report to the Commission on the assumption that it would receive federal high-cost universal service support which approximated the \$31.7 million allocated for the year 2000. BellSouth indicated that its proposal for 2001 reflected \$28.9 million for network improvements with the remaining \$2.8 million being applied to fund the annual value of the access charge reduction ordered in the Commission's March 24, 2000 Order in this cause. BellSouth's proposal for the year 2001 is attached hereto as Appendix A.

The Commission did not receive any comments concerning BellSouth's July 5, 2000 filing. A summary of the major elements of BellSouth's filing are set forth below:

- Deploy Loop Fiber and Next Generation Digital Loop Carrier to Implement CSA Design: 2001 - \$21.6M
- Replace Non-Compliant Switches DMS10s & DCOs: 2001 - \$2.3M
- Complete Self-Healing Interoffice Diversity: 2001 - \$2.0M
- Deploy Self-Healing Diversity Between BellSouth and GTE: 2001 - \$.3M
- Deploy ISDN/PRI in USF Wire Centers: 2001 - \$1.0M
- Improve Testability, Surveillance & Replace Technology that Limits Service Delivery: 2001 - \$1.7M

III. The 2001 Plan of Verizon

The July 21, 2000 proposal of Verizon assumed the availability of approximately \$19,997,000 of federal high-cost universal service support for 2001 and is attached hereto as Appendix B. Verizon proposes specific infrastructure improvements of over \$12.2 million with approximately \$7.75 million of the funding going to support current intrastate rate levels. The Commission did not receive any comments concerning Verizon's July 21, 2000 filing. The specific infrastructure improvements proposed by Verizon for 2001 are noted below:

- Interoffice Facilities Routes: 2001 - \$4,116,878
- Buried Air Core Cable Replacement: 2001 - \$2,471,846
- Fiber to Remotes: 2001 - \$1,137,641
- Replace Multi-Mode Fiber: 2001 - \$1,414,904
- CNID Card Replacement: 2001 - \$1,110,950
- Deployment of Technicians to Rural Areas: 2001 - \$1,116,152
- Technology Upgrade to Pell City/Trussville: 2001 - \$879,000

IV. The Recommendations of Staff

The Commission Staff advises that it has, in conjunction with BellSouth, been able to establish auditing procedures to closely track the project specific expenditures of the federal high-cost universal service support which BellSouth is in a position to receive for year 2001 and beyond. Through those procedures and the quarterly reporting requirement implemented in the Commission's March 24, 2000 Order, the staff indicates that it is in a position to appropriately monitor BellSouth's expenditure of federal high-cost universal service support and make any adjustments required, including those associated with fluctuation in the amount of funding actually received. Given the fact that BellSouth's proposal for the expenditure of the 2001 federal high-cost universal service support they are scheduled to receive is consistent with the long range plans for the expenditures of that funding which were submitted to the Commission by BellSouth in its year 2000 proposal and approved by the Commission in its March 24, 2000 Order, the staff recommends that BellSouth's proposal for the expenditure of year 2001 universal service funding be certified as compliant with §254(e) of the Act.

With regard to Verizon, the staff notes that it is still in the process of establishing the auditing and reporting procedures which will allow for the tracking of Verizon's expenditure of the federal high-cost universal service support for which it is eligible. The staff indicates, however, that it anticipates that such procedures will be in place shortly following further consultation with representatives of Verizon. The staff accordingly recommends its general

approval of the proposal submitted by Verizon for the expenditure of 2001 federal high-cost universal service support.

In conclusion, the staff recommends approval of the plans submitted by both BellSouth and Verizon regarding the expenditure of the 2001 federal high-cost universal service support for which each company is eligible. The staff recommends, however, that said approval be made contingent upon satisfactory results from the Commission's ongoing review of the project specific expenditures of BellSouth and Verizon. The staff in fact recommends the inclusion of a provision in this Order of approval specifying that the Commission reserves the right to conduct whatever proceedings may be necessary to determine if the funding in question should be redirected to other qualifying projects. The staff indicates that such a provision is entirely consistent with the Commission's responsibility of certifying the compliance of the BellSouth and Verizon proposals with §254(e) of the Act.

V. Discussion and Conclusions

We hereby adopt the recommendations of staff and approve the proposals submitted by BellSouth and Verizon for the expenditure of the federal high-cost universal service support for which each company is eligible in the year 2001. We will certify to the FCC that both plans are compliant with the provisions of §254(e) of the Act. We specifically note, however, that our approval herein is contingent upon the staff's continued monitoring of the implementation of the BellSouth and Verizon plans. The Commission specifically reserves the right to conduct whatever proceedings may be necessary to determine if the funding in question should be redirected to other qualifying projects as required by the Commission.

We specifically note that the \$.0025 terminating switched access charge reduction approved in our Order of March 24, 2000 is hereby carried forward for 2001. BellSouth is accordingly authorized to expend \$2.8 million of the federal high-cost universal service support it is scheduled to receive in 2001 to support that continued reduction. We further find that in the event that intrastate switched access charges in Alabama are reduced in the context of the Commission's Local Competition proceedings in Joint Dockets 24499, 24472, 24030 and 23865 prior to the end of 2001, BellSouth will be allowed to reallocate to its infrastructure construction budgets approved herein all funds required to implement the \$.0025 terminating switched access charge reduction which is carried forward by this Order. We find such a result to be consistent with the public interest, convenience and necessity.

IT IS, THEREFORE, ORDERED BY THE COMMISSION, That the July 5, 2000 proposal of BellSouth Telecommunications, Inc. delineating the company's intended utilization of the federal high-cost universal service support for which it is eligible during the year 2001 is hereby approved and certified as compliant with the provisions of §254(e) of the Telecommunications Act of 1996.

IT IS FURTHER ORDERED BY THE COMMISSION , That the July 21, 2000 proposal of Verizon South, Inc., f/k/a GTE South, Inc. and Contel of the South, Inc., d/b/a Verizon Midstates delineating the company's intended utilization of the forward looking federal high-cost support for which it is eligible during the year 2001 is hereby approved and certified as compliant with the provisions of §254(e) of the Telecommunications Act of 1996.

IT IS FURTHER ORDERED BY THE COMMISSION, That the approval and certifications addressed herein shall be contingent upon satisfactory results from the Commission's ongoing review of the project specific expenditures of BellSouth and Verizon. The Commission specifically reserves the right to conduct whatever proceedings may be deemed necessary to determine if the universal service funding received by BellSouth and GTE should be redirected by the Commission to other qualifying projects. To that end, BellSouth and Verizon shall continue to submit to the Commission, within thirty (30) days of the close of each calendar quarter, a report delineating the status of each project approved herein to receive federal high-cost universal service support and the level of funding expended on said projects.

IT IS FURTHER ORDERED BY THE COMMISSION, That BellSouth Telecommunications, Inc. and Verizon shall file their proposals for the utilization of federal high-cost universal service support for which they are eligible in the year 2002 no later than May 18, 2001. Interested parties may submit comments and response to those filings no later than June 1, 2001. Reply comments will be considered by the Commission if received on or before June 15, 2001.

IT IS FURTHER ORDERED BY THE COMMISSION, That jurisdiction in this cause is hereby retained for the issuance of any further order or orders as may appear to be just and reasonable in the premises.

IT IS FURTHER ORDERED, That this Order shall be effective as of the date hereof.

DONE at Montgomery, Alabama, this 27th day of September, 2000.

ALABAMA PUBLIC SERVICE COMMISSION

Jim Sullivan, President

Jan Cook, Commissioner

George C. Wallace, Jr., Commissioner

ATTEST: A True Copy

Walter L. Thomas, Jr., Secretary

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