STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

In the Matter of the Consideration of Reform of Intrastate Interexchange Access Charge Rules	))))	R-01-1 ORDER NO. 1

ORDER ISSUING NOTICE OF INQUIRY AND ESTABLISHING SCHEDULE FOR PUBLIC COMMENTS AND HEARING

BY THE COMMISSION:

Summary

We initiate an inquiry into further reform of intrastate interexchange access charges. Comments are due June 13, 2001; reply comments are due July 16, 2001. A public hearing will be held August 1, 2001.

Introduction

Access charges are the rates long distance companies pay to local exchange companies to originate and terminate long distance calls and private line connections. When we first developed Alaska's access charge system, prices were set above cost to subsidize other services. However, in 1996, Congress adopted legislation that required the Federal Communications Commission (FCC) and the

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states to begin the process of removing subsidies from rates. Where additional support is needed, the FCC and the states are required to make the support explicit.[1] We completed the first phase of that process in late 1998 and early 1999 by removing a switching equipment subsidy (DEM weighting)[2] that was embedded in access charge rates and required that it be recovered instead through a newly adopted state universal service fund (USF). In addition, we created two different intrastate access charge regimes, one for competitive areas and one for noncompetitive areas.[3] While those reforms have worked adequately and permitted competitive entry in some parts of Alaska, market forces and changing federal rules compel us to consider the next phase of reform.

Although Alaska shares many features in common with the federal access charge system, there are some significant differences. One of the most

[1]The Telecommunications Act of 1996, 47 U.S.C. §§ 151 *et seq*.

[2]Dial Equipment Minutes (DEM) is a measure of the relative use of certain types of traffic sensitive equipment (e.g., central office switching equipment) and is used to allocate costs to different jurisdictions (local, intrastate toll, interstate). DEM weighting is a universal service support program that allows certain small local exchange carriers (LECs) to allocate a portion of switching costs to federal and state universal service funds. Federal DEM weighting is now referred to as Local Switching Support (LSS).

[3]In areas with no local exchange competition, incumbent LECs are required to participate in an access charge pool and charge averaged rates for the major access charge rate elements. The Alaska Exchange Carriers Association (AECA) administers the access charge pool and associated tariff. However, when a facilities-based competitive local exchange carrier (CLEC) enters an incumbent local exchange carrier's (ILEC's) service area for the first time, the ILEC must leave the AECA pool and file a separate access tariff. A rate cap is set for each rate element based upon the ILEC's last-approved revenue requirement and demand. The cap applies to the CLECs in that service area as well.

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important has to do with cost recovery of the largest component of LEC access costs - the local loop.[4] The different federal and state methods for structuring this rate element (called the carrier common line (CCL) charge) has contributed to a significant disparity between an interexchange carrier's (IXC) rates for interstate and intrastate access, even though interstate and intrastate access services are functionally the same. Admittedly, there would be a disparity in any case due to Alaska's higher costs; however, the differences between the structures of the interstate CCL and intrastate CCL rate elements greatly magnify this problem.

A comparison of interstate and intrastate access charge rates highlights the magnitude of this disparity. The FCC reports that the national average access charge assessed on interstate calls is 1.91 cents per conversation minute.[5] If price cap LECs[6] are excluded, the national average is 7.88 cents per conversation minute

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[4]The local loop is:

> The physical connection from the subscriber's premise to the carrier's POP (Point of Presence). The local loop can be provided over any suitable transmission medium, including twisted pair, fiber optic, coax or microwave. Traditionally and most commonly, the local loop comprises twisted pair or pairs between the telephone set, PBX or key telephone system, and the LEC (Local Exchange Carrier) CO (Central Office) . . . .

Newton's Telecom Dictionary, 502 (16th Edition).

[5]*Trends in Telephone Service*, FCC, Common Carrier Bureau, Industry Analysis Division, December 2000, Table 1.2. This number represents the total access charged to an IXC on both ends of a call (i.e., conversation minute). An access minute includes only the access charges on one end of a call (i.e., a conversation minute typically includes two access minutes).

[6]Price cap LECs are LECs subject to federal price cap regulation and include the Regional Bell Operating Companies (RBOCs).

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(3.94 cents per access minute).[7] The Alaska intrastate conversation minute average is roughly 13.1 cents (*see* Appendix A). This means that instate providers cannot offer intrastate long distance rates below 14 cents per minute without pricing below their marginal access cost (which does not include their own internal marginal costs).

This discrepancy between the two systems has created problems for the IXCs serving primarily in the Alaska intrastate and interstate long distance markets. Many national carriers and resellers provide long distance calling (interstate and intrastate) through prepaid calling cards for less than 14 cents per minute; some charge less than five cents per minute. It is not always clear, and is difficult to monitor, whether the carriers that offer these cards that provide intrastate, as well as interstate calling, are relying on a large percentage of interstate calls or are illegally avoiding intrastate access charge payments. In either case, it creates a strong incentive for arbitrage – the provision of intrastate calls over interstate facilities. Similarly, Internet Service Providers (ISPs) now offer Voice over the Internet at extremely low rates, sometimes free, as the FCC has precluded assessment of access charges on the ISPs. Instate carriers that cannot avoid Alaska's intrastate access charges are left paying for fixed CCL access costs while traffic volumes and revenues are shrinking.[8]

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[7] *Petition for Rulemaking of the LEC Multi-Association Group,* October 20, 2000, p. 11, CC Docket No. 00-256.

[8] Even if Alaska intrastate long distance traffic dropped to zero, Alaska's facilities-based IXCs would still be responsible for paying for about 75 percent (or $38 million) of Alaska LEC's total switched annual access charge revenue requirement.

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The disparity between interstate and intrastate access charges may continue to increase unless modifications are made to the intrastate access charge system. Over the last several years, the FCC has adopted access reforms for price cap LECs that have significantly reduced the portion of interstate access charge costs that are paid for by IXCs (the CALLS Plan).[9] On January 5, 2001, the FCC released an Order seeking comment on a proposal (the MAG Plan) that would adopt somewhat similar reforms for non-price cap LECs.[10] Both plans accomplish these reductions to

[9]*See, Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service*, CC Docket No. 96-262 *et al*., Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45, FCC 00-193 (May 31, 2000) (the "CALLS Order").

[10]FCC Order 00-448, released January 5, 2002, at ¶ 3, states:

> The MAG offers its plan as a comprehensive solution to regulatory issues facing non-price cap carriers, and asks that the Commission adopt the plan without modification as an integrated package. The MAG plan is modeled in some respects on the CALLS plan adopted for price cap carriers. The MAG plan would increase the recovery of common line costs through flat, non-traffic sensitive charges. For carriers that elect a transition to a new form of incentive-based regulation, it provides for reduced per-minute access rates, and a new, explicit interstate access universal service subsidy to make up for any shortfall in carriers' revenues. The MAG plan also proposes to eliminate the current funding caps on high-cost loop support for rural carriers. The MAG believes its plan would have many benefits, including a more efficient access rate structure, more explicit universal service support, and new incentives for carriers to increase efficiency and invest in new technologies. We appreciate their efforts to develop a consensus among rate-of-return carriers and intend to move forward expeditiously with full consideration of the MAG plan. (Footnotes omitted.)

A more comprehensive summary of the MAG Plan, from FCC Order 00-448 is appended to this Order as Appendix B.

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IXC access charge rates by increasing subscriber line charges (SLCs)[11] and adding new interstate universal service funding.[12] With this Order, we seek comment on whether further intrastate reform is required in light of these events.

In the next section, we provide an overview of the existing intrastate access charge system, how it differs from the federal system, the changes being considered by the FCC for non-price cap LECs (The MAG Plan), and the effects that similar access charge reforms would have on rate payers and carriers in Alaska. In the final section, we ask specific questions about possible reforms.

Background

Overview of Access Charge Rate Structure

Unlike basic local service where there is a primary flat-rate charge to recover the costs of local network components, switched access charge rate design consists of multiple rate elements.[13] The rate elements for switched access service generally correspond to functional elements of the local network. The primary

[11]Under both plans residential and single-line business customer SLCs could increase from $3.50 to $6.50 per month. Multi-line business SLCs would increase to $9.20 per month.

[12]The CALLS Plan increases USF funding requirements by $650 million. The MAG Plan would increase USF funding requirements by about $700 million, with about $500 million of that amount used for reducing charges to IXCs.

[13]There are two main categories of access service: special and switched. Special access provides origination and termination of long distance private line service. Special access does not involve switching or dial up calling and is not further addressed in this Order. Switched access provides for the origination and termination of dialed long distance calls (also known as “message telephone service” or MTS) and is the focus of this Order.

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switched rate elements include: carrier common line, local switching, common transport, and dedicated transport.[14] These are depicted in the diagram in Appendix C.

The carrier common line rate element is associated with the local loop -- the line connecting an end user's home or business with the central office serving that premise. The local switching rate element is associated with the switching equipment (similar to computers) used to connect end users' local loops to the network (switching and transport facilities) of long distance carriers. Common transport is associated with mixed-use trunking[15] and other facilities used to transport calls between local exchange wire centers if there is more than one LEC wire center in a community. To originate or terminate a long distance carrier's traffic between the long distance carrier's point of presence (within the LEC's exchange) and a LEC wire center, dedicated transport provides trunking for the exclusive use of an individual carrier.

Local loop costs are responsible for the largest portion of the intrastate access charges in Alaska. Alaska LECs generate nearly 75 percent of their intrastate switched access revenue requirement from the CCL charge. This means that if CCL charges were shifted entirely to end users, the 13.1 cents average intrastate access

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[14]Two other rate elements are information services, which is included with local switching, and equal access. Equal access is only charged by a few carriers and then only for a limited number of years. Its purpose is to recover the additional cost of upgrading a LEC switch in order to offer non-discriminatory interconnection to multiple IXCs.

[15]Using multiplexing technology, LECs can transport the calls of multiple carriers over the same trunks.

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rate to IXCs would decrease by approximately 9.7 cents to between 3.3 and 3.4 cents per conversation minute. The current charge rate structure is shown in Table 1 below.

Table 1: Current Intrastate Access Charge Elements

Switched Access Rate Elements (excludes Equal Access)	1999 Intrastate Revenues	Percentage of Total Intrastate Revenues	Average Charge expressed per access minute (i.e., one end of call) in cents	Average Charge expressed per conversation minute (i.e., both ends of call) in cents
Carrier Common Line	$ 37,559,868	74.5%	4.87	9.7
Local Switching	$ 9,073,986	18.0%	1.18	2.4
Dedicated Transport	$ 2,963,184	5.9%	0.11	0.2
Common Transport	$ 830,450	1.6%	0.38	0.8
Total	$ 50,427,488	100%	6.53	13.1

Alaska Versus Federal CCL Rate Structure

With the CCL such a large percentage of switched access costs, it is easy to see why there is such a disparity between intrastate and interstate access charges. In Alaska, the entire intrastate CCL is charged to IXCs, but in the interstate jurisdiction a significant portion of CCL costs is charged directly to end users through a subscriber line charge, thereby reducing the IXC portion. There is currently no corresponding intrastate SLC. In structuring interstate access charges, the FCC has concluded that loop costs are not traffic sensitive (i.e., do not vary with usage) and

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therefore should be charged on a fixed, flat-rated basis.[16] To this end they have required that at least a portion of these costs be passed on directly to end-users in the form of a SLC.

Even though the FCC believes that a SLC charge is the most economically efficient method of recovering CCL costs, it has never required recovery of the entire amount of interstate CCL related costs this way. Instead it has allowed LECs to charge IXCs a per minute interstate CCL rate for the balance[17] and in some cases to recover costs through federal universal service funding. In 1997, the FCC began to reduce reliance on the per minute CCL charge by introducing a flat rate on

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[16]Concerning rate structure, CALLS Order, ¶ 129, sets out:

> The Commission's long-standing policy is to require, to the extent possible, rate structures to reflect the manner in which carriers incur costs. Inefficient rate structures lead to inefficient and undesirable economic behavior, and create an implicit subsidy between high-volume users and low-volume users. For example, a rate structure that recovers non-traffic sensitive costs through traffic sensitive access rates increases the per-minute rates paid by IXCs and long-distance companies, thereby artificially suppressing demand for interstate long-distance services, and requiring high-volume customers to pay charges in excess of the costs of serving them. Meanwhile, low-volume customers pay rates that are less than the cost of the dedicated equipment. (Footnotes omitted.)

[17]Developing its background concerning access charges, CALLS Order, at ¶ 2 states:

> In promulgating its access charge rules, the Commission has recognized that, to the extent possible, costs of interstate access should be recovered in the same way that they are incurred,. . . . The Commission’s rules, however, are not fully consistent with this goal. In particular, because the Commission has taken a cautious approach in addressing affordability concerns, it has taken measured steps toward this goal by limiting the amount of the allocated interstate cost of a local loop that is assessed directly on residential and business customers as a flat monthly charge. (Footnotes omitted.)

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IXCs called the Presubscribed Interexchange Carrier Charge (PICC).[18] However, use of the PICC was partly abandoned in 2000,[19] with the adoption of the CALLS Proposal.[20] In place of the PICC the FCC allowed further increases to SLCs and established new universal service funding.[21] Use of the USF was justified on the grounds that interstate access rates still included implicit subsidies. The effect of this action was to reduce the average charge per access minute of price cap LECs to less than a penny.

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[18]Further concerning access charges, CALLS Order at ¶ 19:

> The *Access Charge Reform Order* also created the PICC, a flat per-line charge imposed by a price cap LEC on an end user's IXC, in order to phase out CCL charges. The Commission sought to establish economically efficient rate structures to encourage the development of efficient competition, thereby enhancing consumer welfare. PICCs have markedly reduced the per-minute recovery of local loop costs and raised flat recovery of non-traffic sensitive costs.

[19]It was abandoned for residential and single-line business users but not multi-line businesses.

[20]In abandoning the PICC, the FCC noted that there were unanticipated inefficiencies associated with the method of cost recovery:

> Unfortunately, the advent of PICCs has also created market inefficiencies. Because IXCs have recovered the residential PICCs on a per-account basis, residential customers with only one line pay the same as those with two or more lines, and so pay more than the costs IXCs have incurred for providing them service. In addition, because PICCs are not assessed directly on consumers, but instead are subjected to averaging and mark-ups by the IXCs, consumers are prevented from making head-to-head comparisons among local service providers. (CALLS Order, ¶ 19.)

> [21][T]he CALLS Proposal also seeks to remove implicit universal service support from our interstate access charge regime . . . [T]he CALLS Proposal begins by identifying implicit universal service support still in interstate access charges, removes that support, and then creates a mechanism that allows for the explicit provision and recovery of interstate access universal service support." (CALLS Order, ¶ 194.)

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The MAG Plan

If adopted, the MAG Plan would work, in one respect, much like the CALLS Plan. It would rely on increased SLC charges and increased universal service funding to shift CCL charges from IXCs to other sources, even though charges to IXCs would not decline to the same levels as under the CALLS Plan. For non-price cap LECs that opt into the MAG's Path A incentive regulation program, the average charge per access minute would decrease from 3.92 cents to a target level of 1.6 cents. This reduction would be accomplished, as in the CALLS plan, by gradually increasing residential and single-line business end-user SLCs to a maximum of $6.50, gradually increasing multi-line business SLCs to $9.20, and by increasing support from the federal USF.

Alaska CCL Costs

The average intrastate CCL cost per line per month in Alaska in 1999 was approximately $7; however, there is considerable variation among companies, ranging from approximately $4 to $40.[22] The 1999 average is $4.34 for the LECs in Anchorage (the only competitive area in 1999) and $9.27 for the non-competitive LECs that participated in the AECA tariff.

A statewide intrastate SLC of $3.50 in 1999 would have reduced CCL costs paid by IXCs from $37,559,868 (9.7 cents per conversation minute) to

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[22] This range is based on companies that submit annual record charge cost information to the RCA. Certain other "average schedule" companies whose access rates are based on average costs for carriers their size may have higher monthly CCL rates.

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$19,266,019 (5.0 cents per conversation minute). In other words, the portion of CCL costs paid by IXCs per conversation minute declines by about 4.7 cents. Viewed another way, the portion of total intrastate access costs paid by IXCs declines from 13.1 cents to between 8.3 and 8.4 cents per conversation minute.[23]

If the residual CCL cost not recovered through a SLC ($19,266,016 or 5.0 cents per conversation minute) had been recovered from the AUSF instead of IXCs, the AUSF surcharge would have added an additional 8.2 percent surcharge to customers' intrastate bills. For example, on a monthly bill of $50, an end-user would pay an additional $4.08 in AUSF surcharges, plus a $3.50 SLC. This AUSF alternative would have left IXCs with responsibility for paying just the traffic sensitive access costs (3.3 cents per conversation minute). All other switched access charges previously paid by IXCs would be shifted to end users and the AUSF, as shown in Table 2.

[23]These calculations assume all lines (including multi-line businesses) are charged at the residential and single-line rate, including Lifeline customers. (Including payments from Lifeline customers was done for simplicity in calculation and do not necessarily reflect a determination by us that Lifeline customers should not be exempt.) Normally, multi-line business are charged $6.00 per line per month except centrex lines which are only charged one-ninth of the multi-line rate when the customer has at least 9 centrex lines. Staff was unable to determine the number of multi-line business lines charged the full rate and the number charged the fractional rate. Consequently, the residential line rate is a best guess of total revenues and may slightly understate or overstate the total. See Appendix D for details.

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Table 2: CCL Cost Recovery Alternatives

Cost Recovery	TS Rev. Req.	CCL Rev. Req. Recovered from IXCs (or AUSF)	CCL Rev. Req. Recovered through SLC
No SLC	$12,867,620	$37,559,868	$ -
$3.50 SLC	$12,867,620	$19,266,019	$18,293,849
$5.00 SLC	$12,867,620	$12,882,308	$24,677,560
$6.50 SLC	$12,867,620	$8,352,338	$29,207,530

Cost Recovery per Conversation Minute	IXC TS Charge	IXC CCL Charge (or AUSF)	End-user SLC
No SLC	3.3	9.8	0.0
$3.50 SLC	3.3	5.0	4.8
$5.00 SLC	3.3	3.3	6.5
$6.50 SLC	3.3	2.2	7.6

A statewide intrastate SLC of $5.00 in 1999 would have reduced CCL costs paid by IXCs from $37,559,868 (9.7 cents per conversation minute) to $12,882,308 (3.3 cents per conversation minute). The portion of CCL costs paid by IXCs per conversation minute would decline by about 6.4 or 6.5 cents. Viewed another way, the portion of total intrastate access costs paid by IXCs would decline from 13.1 cents to between 6.6 and 6.7 cents per conversation minute.

If the residual CCL cost not recovered through a SLC ($12,882,308 or 3.3 cents per conversation minute) had been recovered from the AUSF instead of IXCs, the AUSF surcharge would have added an additional 5.5 percent surcharge to customers' intrastate bills. For example, on a monthly bill of $50, an end-user would pay an additional $2.73 in AUSF surcharges, in addition to a $5.00 SLC. This AUSF alternative leaves IXCs with responsibility for paying just the traffic sensitive access

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costs (3.3 cents per conversation minute). All other switched access charges previously paid by IXCs would be shifted to end users and the AUSF.

If no SLC had been adopted but the entire CCL cost had been recovered through the AUSF, the AUSF surcharge would have increased from .4 to 16.3 percent or from $.20 to $8.15 on a monthly intrastate bill of $50.00.

If the access charge reductions to IXCs from adoption of a SLC were passed through to end-users, there is no net change to long distance customers as a whole. However, the impact to a specific customer will depend on that customer's calling patterns and to which customer groups (e.g., residential, business, high volume users, or low volume users) IXCs allow these reductions. For example, residential customers placing few long distance calls would observe an effective rate increase due to the SLC and AUSF changes while not greatly benefiting from lower long distance fees. In comparison, for high volume business customers, the SLC and AUSF increases could be more than offset by reductions to toll rates.

Discussion and Questions

Previous Commission Decisions Regarding SLCs

We considered a proposal to adopt an intrastate SLC when we first established intrastate access charges rules in Docket R-87-1. That proposal was rejected. We determined that in order to provide a sufficient revenue impact to allow reductions in intrastate toll rates, the SLC would need to be set at a level too high to make it worthwhile to local customers, especially since not all customers were at the time making intrastate toll calls. (Order R-87-1(12), November 17, 1989.) However,

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we did leave open the possibility of adopting a SLC in the future if evidence was presented that specific problems could be eliminated or that specific benefits could be obtained, and that those circumstances outweighed the costs to end users:

> An SLC is only workable if the local ratepayers can bear imposition of an additional flat fee of a magnitude which will significantly decrease intrastate toll rates. As stated earlier, the Commission finds that such a determination cannot be made at this time. Presently, the combination of federal and state cost separations decisions and the federal SLC results in local ratepayers bearing the brunt of changing cost assignments. In some cases these changes are partially offset by federal high cost support, but for the majority of ratepayers in Alaska the increase to local rates is significant, if not extreme.
>
> For these reasons, the Commission has determined that an SLC should not be approved at this time. Although the Commission does not foreclose the possibility that an SLC might be accepted and implemented at some time in the future, the Commission will require that proposals for adoption of an SLC include evidence demonstrating specific problems which would be remedied by an SLC or specific benefits to the toll network which outweigh the costs of imposing SLCs on LEC subscribers. (Footnotes omitted).

In Re Interstate Access Charges and Subscriber Line Charges, 10 APUC 73, 75 (November 1989).

We seek comment as to whether the conditions, which existed at the time the Commission made its initial decision, have sufficiently changed. *Are the changing dynamics of the interstate market and federal rules creating "specific problems which would be remedied by an SLC"? Are there now "special benefits to the toll network which outweigh the costs of imposing SLCs on LEC subscribers" which did not exist in 1989?*

For example, we have previously discussed the issue of prepaid calling cards that sell for less than 13 cents per minute, i.e., below the marginal access cost of providing an intrastate call. *Are these cards, which require the dialing of many extra*

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digits, really a threat to Alaska's long distance providers? How much intrastate traffic is provided through use of these cards? What is the trend in the growth of their use for intrastate calling? If it can be shown that these providers are legally paying intrastate access charges, what harm is there to Alaska's IXCs and the telecommunications infrastructure? If the problem is that these carriers are not paying access charges, are there more effective methods to compel compliance with our rules short of adopting an SLC or shifting cost to the AUSF? Even if we allow a complete shift in the payment of CCL costs from IXCs to end-users (via an SLC and/or increased AUSF fund support), how would that benefit consumers?

<u>Impacts from Interstate Access Reform</u>

We also seek comment on whether the CALLS Plan and the MAG Plan, if adopted, would require us to take on further regulatory reforms. *Other than disparities between interstate and intrastate rates, what effects will these plans have on our intrastate access charge system? For example, will the MAG Plan Path A incentive regulation create incentives for Alaska LECs to shift costs to the intrastate jurisdiction and recover those costs through intrastate access charges? Should we consider adopting incentive regulation in order to counteract any such incentive or to otherwise encourage LECs to reduce intrastate access charge costs?* In our comments to the FCC, we questioned the public benefits of the MAG Plan's Path A incentive regulation because there is no mechanism to apply downward pressure on

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access rates.[24] *If we consider an incentive regulation proposal should it have such a mechanism to reduce rates?*

Implicit Subsidies

Over the years, the FCC has frequently questioned the economic efficiency of recovering CCL costs through per minute charges. However, with adoption of the CALLS plan, it permits universal service support to be used to reduce other non-CCL "implicit subsidies." Likewise, the MAG Plan proposes to use universal service funding to reduce non-CCL costs. *What implicit subsidies, if any, remain in in-state access rates? What theoretical justification exists for reducing traffic sensitive costs through universal service funding if these rates do not include implicit subsidies? Should we be considering reductions to traffic sensitive access rates as well as CCL rates?*

Cellular and Internet Services

Are there other reasons - besides the comparative disadvantage caused by declining interstate access charges - which compel intrastate access charge reforms? *For example, are the rise of cellular and Internet services, which rely on the public switched telephone network (PSTN), but are exempt from paying intrastate access charges, a threat to that network? Is it necessary to reduce intrastate access charges in order to put in-state IXCs on an equal footing with cellular and Internet providers? Aren't the state's largest IXCs affiliated with the state's largest cellular and*

[24] *Comments of the Regulatory Commission of Alaska*, February 23, 2001, pp. 3-5, CC Dockets No. 00256/ 96-45/98-77/98-166.

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Internet providers? What quantitative evidence exists that these services are retarding the growth of IXC services? How do the interconnection charges paid by these carriers compare to intrastate access charges?

<u>Economic Efficiency of Access Charge Rate Structure</u>

Is Alaska's intrastate CCL charge currently structured inefficiently? The FCC has stated that CCL cost recovery is economically inefficient if any portion of it is recovered through a per minute CCL charge in the same manner that traffic sensitive costs are recovered.[25] The Alaska intrastate CCL cost recovery method, like the federal method, combines usage sensitive and fixed, flat-rated pricing.

However, it is also very different in structure. For AECA companies, the total amount of the Alaska CCL (the total bill) is computed annually. One-twelfth of that total (the bill) is billed monthly to IXCs. The bill is apportioned to IXCs based upon their market share measured in access minutes of use. Although the final charge to IXCs is in part usage sensitive, the total bill, unlike the cost recovery of traffic sensitive rate elements, remains fixed. That is, the total bill does not fluctuate with increases or decreases in the total number of intrastate access minutes even though a carrier with increased minutes relative to other carriers would pay a larger percentage of the fixed amount. *If the Alaska CCL rate element is essentially a fixed, flat rate, does it really violate the FCC's concept of economically efficient cost recovery? Even if the intrastate CCL rate structure violates the FCC's concept of an economically efficient*

[25] CALLS Order, at ¶¶ 12, 18, and 129.

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rate structure, what are the practical consequences of not changing it? Do those efficiency benefits outweigh the increased cost to low volume callers?[26] *Is this in anyway measurable?*

IXC Pass-Through of Access Charge Savings

Minimizing the impact of SLC charges on end-users will require that IXCs pass through their access charge savings to their customers. It might not be possible for us to ensure that this happens. The FCC has had difficulties ensuring that CALLS savings were passed on to end-users.[27] We may find it difficult to ensure IXCs are passing on access charge reductions fairly given the complex and numerous calling plans currently available to in-state consumers.

Should Alaska IXCs be required to pass-through the full amount of any reductions to access charges? What assurance can Alaska IXCs provide that access charge savings will be passed through to end-users? In adopting CALLS, the FCC did not mandate pass-throughs but rather relied on assurances. *Did the interstate IXC members of CALLS honor those assurances to pass through access charge reductions? If so, were the reductions passed through in an equitable manner? Given*

[26]In concept, CCL recovery in competitive areas works the same way except that the CCL revenue requirement is determined separately for each LEC on a monthly basis. Each LEC multiplies its originating and terminating access lines by a capped amount per line to determine its total CCL revenue requirement. Like the AECA CCL, the total CCL in competitive areas (called the Carrier and Area Specific Bulk Bill or CASBB) does not change with changes in the total number of IXC access minutes, although it does change with changes in total access lines.

[27]Shortly after the FCC implemented CALLS, AT&T raised its long distance rates.

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the proliferation of non-basic optional calling plans, is it realistic to assume that it will be possible to monitor IXC compliance with a requirement to pass through access charge reductions to end users? Should the Commission require that basic long distance rates (which have not declined materially since interexchange competition began) be reduced? Are IXCs prepared to provide sufficient information to monitor whether their rates decline commensurate with access charge reductions? If CCL cost recovery is shifted away from IXCs, should it be done gradually? Should subsequent shifts be dependent on evidence that access reductions are being passed through to end-users?

Achieving Cost Reductions Through Increased Local Competition

Are there more effective methods of reducing access charges than shifting costs to end-users? For example, is local exchange competition an effective method of reducing access charges? We note that in the three years of local competition in Anchorage, intrastate access charges have not declined. *Why hasn't local exchange competition been more effective in reducing access charges in Anchorage? Are access charges immune to competitive forces?*

Rate Averaging of SLC Charges

Our discussion of SLCs has assumed assessment would be averaged among AECA companies but not averaged for competitive LECs. It has also assumed that a competitive LEC cannot charge more than its CCL costs per line even if the SLC cap is higher. *If we adopt an SLC structure, should that SLC be statewide averaged, company specific, or averaged throughout the AECA pool? Should there be an AUSF mechanism to balance increases in an in-state SLC?*

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Universal Service and Affordability

Long distance and local rates might also be negatively affected by increased state and federal SLCs and USF payments if the additional costs of service cause customers to drop off the network. Many Alaskans, especially in rural areas, have low income and may not be able to afford an increase in rates caused by the SLC and AUSF changes. While Lifeline support is available to assist these customers, for whatever reason, relatively few people take advantage of this program. We seek comment on whether any increase to the recurring monthly fees paid by subscribers may lead to further reductions to already low subscriber penetration rates in rural Alaska. *How can we ensure that SLCs statewide do not reach unaffordable levels?*

Changing Separations Factors

During our review we must also consider whether aspects of the jurisdictional separations procedures should be modified in conjunction with access charge reform. Jurisdictional separations are the procedures setting the level of LEC costs to be recovered from in-state and interstate access charge systems (including SLCs). For example, the current CCL fees at the state level are developed assuming that 20 percent of the total CCL revenue requirement is recovered through in-state access charges. At the federal level this percentage is 25 percent. Adjustments in jurisdictional separations will therefore affect the level of cost recovery from access fees.

If we reduce the allocator below the 20 percent level, costs will be shifted from in-state access to local rates. In essence, customers will observe possibly the same increase in monthly recurring fees as the SLC, but the costs would be recovered

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as part of the local bill. A key advantage of this option is that local rate increases of this nature would qualify for interstate Lifeline support while in-state SLC increases would not. *Should the Commission consider changes to the state jurisdictional allocator for loop costs in order to adjust the balance of cost recovery between local and instate access fees?*

Responses

To the extent possible, all LECs and IXCs are required to respond to this Order and to provide supporting data in their responses. If a carrier is unable to answer a question or supply data, it should make a statement to that effect. Other commentors are also encouraged to provide data in support of their comments. We will give less weight to responses that are anecdotal if they do not include quantifiable or verifiable supporting information. LECs and IXCs must also provide information on the distribution of customers that make intrastate calls. IXC data should be disaggregated by monthly call volume (e.g., number of customers with no minutes, less than 15 minutes, less than 30 minutes, etc.), number (e.g., number of customers making no calls, less than 5, less than 10, etc.), and exchange level. LECs are directed to provide a breakdown of switched access lines by the following subcategories: the residential and single-line business interstate SLC, full multi-line business interstate SLC, and centrex lines charged of one-ninth the interstate multi-line business rate. Carriers may file their comments separately or jointly as long as the joint filers are identified.

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Other Issues

Draft Regulations. Commentors proposing changes to current access charge rules are encouraged to submit draft regulations in support of their proposals.

Electronic Copies of Comments. In addition to paper copies, commentors are directed to submit copies of comments, reply comments, and draft regulations on diskette or by email attachment to rca_mail@rca.state.ak.us, preferably in MS Word 97 (.doc) format or in Adobe Acrobat (.pdf) format, with the data in Excel spreadsheet format (.xls).

ORDER

THE COMMISSION FURTHER ORDERS:

1. By 4 p.m., June 13, 2001, local exchange and intrastate interexchange carriers shall address the issues and questions set out in this Order, together with supporting data, as more fully discussed herein. By that same deadline any interested person may file with the Commission comments addressing the issues and questions more specifically addressed in the body of this Order. All commentors are encouraged to submit proposed draft regulations[28] with their comments and must include a summary of the comments as well as a diskette of the comments in either Microsoft Word 97 (.doc) format or Adobe Acrobat (.pdf) format and a diskette of the data in Excel spreadsheet format (.xls).

[28]If proposed draft regulations include amendments to current regulations, they should be submitted in legislative drafting style, i.e., proposed deletions to current language should be indicated in [BRACKETS AND ALL CAPITAL LETTERS] and additions to current language should be underlined and set out in **bold letters**.

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2. By 4 p.m., July 16, 2001, any interested person may file with the Commission comments in reply to those filed in response to Ordering Paragraph No. 1 of this Order. Each commentor must include a summary of the comments as well as a diskette of the comments in either Microsoft Word 97 (.doc) format or Adobe Acrobat (.pdf) format and a diskette of the data in Excel spreadsheet format (.xls).

3. A public hearing[29] shall convene at 8:30 a.m. on August 1, 2001, in our East Hearing Room at 701 West Eighth Avenue, Suite 300, Anchorage, Alaska, for the purpose of taking public comment on this inquiry into reform of intrastate interexchange access charges.

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[29]If you are a person with a disability who may need a special accommodation, auxiliary aid, or service or alternative communication format in order to participate in this hearing, please contact Georgann Joy at 1-907-276-6222 or TTY 1-907-276-4533 at least one week before the hearing to make the necessary arrangements.

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4. Those individuals wishing to present oral comment at the public hearing scheduled herein are requested to notify the Commission of their intent by July 16, 2001. However, such notice is not mandatory.

DATED AND EFFECTIVE at Anchorage, Alaska, this 11th day of April, 2001.

BY DIRECTION OF THE COMMISSION

(S E A L)

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Summary of 1999 Alaska Access Charge Revenues, not including Special Access

Switched Access Revenues 1999 (excluding Equal Access)	CCL	Local Switching	Common Transport	Dedicated Transport	Total	Access Minutes	Average Access Charge Per Access Minute	Average Access Charge Per Conversation Minute	Source
GCI	$ 1,642,738	$ 389,463	$ -	$ 12,394	$ 2,044,595	43,972,421	$ 0.04650		Note 1
ACS of Anchorage	$ 7,934,922	$ 1,828,566	$ 95,914	$ 567,463	$ 10,426,864	193,396,698	$ 0.05391		Note 2
Subtotal	$ 9,577,660	$ 2,218,029	$ 95,914	$ 579,857	$ 12,471,460	237,369,119	$ 0.05254		
AECA	$ 27,982,208	$ 6,855,957	$734,536	$2,383,328	$ 37,956,029	534,506,694	$ 0.07101		Note 3
Alaska Total	$ 37,559,868	$ 9,073,986	$830,450	$2,963,184	$ 50,427,488	771,875,813	$ 0.06533		
%	74.5%	18.0%	1.6%	5.9%	100.0%				
	Note 1: GCI Section 705 Report for Year 2000 (1999 Revenues)								
	Note 2: ACS Section 705 Report for Year 2000 (1999 Revenues)								
	Note 3: AECA Monitoring Report 4/2000, Schedule VI.A.1								

FCC Summary of MAG Plan

5. Under the current rules, non-price cap carriers may file access tariffs based on their own costs or participate in pooled National Exchange Carrier Association (NECA) common line and/or traffic sensitive tariffs.[10] Almost all non-price cap carriers participate in the NECA common line tariff. Pooling carriers charge rates set by NECA, pool their revenues, and recover their costs from the pools, including a return on investment. Some non-price cap carriers receive compensation based on average schedules rather than their own costs.[11]

6. The MAG plan proposes two regulatory regimes, "Path A" and "Path B," which have certain common features, as well as pooling and non-pooling options. Carriers that choose Path A at the outset would have five years to convert from rate-of-return to a new form of incentive-based regulation. Rate Averaging Support (RAS), a new interstate access support mechanism, would be available only to Path A pooling carriers. Path B carriers would remain under rate-of-return regulation, with the option to elect Path A at any time during the five-year transition period, after which a waiver of the Commission's rules would be required to convert to incentive-based regulation. Path A carriers cannot return to Path B.

A. Common Features of Path A and Path B

7. The MAG plan has a number of features that would apply to all non-price cap carriers, regardless of whether they elect Path A or Path B. Subscriber line charge (SLC) caps for all non-price cap carriers would be raised to the SLC caps applicable to price cap carriers, provided they are comparable to the SLCs actually charged by price cap carriers.[12] The rate of return would be fixed at the current 11.25 percent,[13] and jurisdictional separations factors would be frozen in accordance with the

[10] *See generally Access Charge Reform Notice*, 13 FCC Rcd at 14244.

[11] *See id.*

[12] SLCs are flat, non-traffic sensitive charges assessed on end-users to recover LECs' interstate-allocated common line costs. Under the *CALLS Order*, residential and single-line business SLC caps for price cap carriers rise to $5.00 as of July 1, 2001, and, if justified by a cost study, to $6.50 by July 1, 2003. Multi-line business SLC caps for price cap carriers remain at $9.20. *See CALLS Order*, 15 FCC Rcd at paras. 64-75. Under the MAG plan, multi-line business SLC caps gradually would rise to $9.20 by July 1, 2003. There would be no separate SLC caps for non-primary residential lines. The MAG plan also provides for SLC deaveraging into up to three geographic zones per wire center, provided no multi-line business SLC rate is set lower than the lowest residential SLC rate. *See CALLS Order*, 15 FCC Rcd at paras. 113-28.

[13] *See Prescribing the Authorized Unitary Rate of Return for Interstate Services of Local Exchange Carriers*, CC Docket No. 98-166, Notice Initiating a Prescription Proceeding and Notice of Proposed Rulemaking, 13 FCC Rcd 20561 (1998).

recommendations of the Federal-State Joint Board on Jurisdictional Separations.[14] In addition, the two existing NECA pools would be collapsed into one.[15] Existing switched access rate elements would be retained, however, and carriers may elect to participate in the NECA common line and/or traffic sensitive tariffs on a study-area basis. A NECA special access tariff also would be available.

B. Path A

8. Rate Structure/RAS. Pooling carriers that elect Path A would have two major switched access rate components—the Composite Access Rate (CAR) and the SLC—and a new universal service subsidy, RAS, in addition to the existing interstate access subsidy, Long Term Support (LTS).[16] The CAR would be a weighted aggregate target for existing per-minute switched access rate elements (including CCL, local switching, transport, and residual interconnection charges). It gradually would be reduced to 1.6 cents per-minute by July 1, 2003.[17] RAS would be a residual support mechanism to recover the shortfall between allowed revenues of Path A pooling carriers and the sum of their revenues derived from switched access rate elements (including SLCs) and the existing interstate access subsidy.[18] RAS also would be available to support special access rates for carriers under incentive-based regulation. RAS would be available only to Path A pooling carriers.

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[14] *See Comment Sought on Recommended Decision Issued by Federal-State Joint Board on Jurisdictional Separations*, CC Docket No. 80-286, Public Notice, DA 00-2433 (released October 30, 2000).

[15] The MAG plan provides that NECA may file different tariffs for Path A and Path B carriers, and "band" rates to accommodate varying carrier costs within the pool.

[16] LTS supports the interstate-allocated common line costs of high-cost rate-of-return carriers. LTS is available only to pooling carriers. LTS was removed from the access charge system in 1997, and is now collected from all providers of interstate telecommunications services on an equitable and non-discriminatory basis. *See Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Fourth Order on Reconsideration, *Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, End User Common Line Charge*, CC Docket Nos. 96-262, 94-1, 91-213, 95-72, Report and Order, 13 FCC Rcd 5318, 5352-54 (1997) (*Fourth Order on Reconsideration*). In addition to LTS, two federal universal service mechanisms provide support for intrastate-allocated costs of high-cost rate-of-return carriers: high-cost loop support under Part 36 of the Commission's rules, which provides support for a variable percentage of rural carriers' loop costs, and Local Switching Support (formerly DEM Weighting), which supports the switching costs of carriers with 50,000 or fewer loops. *See* 47 C.F.R. §§ 36.601, *et seq.*

[17] According to the MAG, the current aggregate per-minute rate is 3.9 cents, and the overall reduction would be proportional to that provided for in the *CALLS Order. See CALLS Order*, 15 FCC Rcd at paras. 70-75.

[18] LTS is not a residual support mechanism. Instead, it is based on prior-year support levels adjusted by a prescribed rate of change. *See Fourth Order on Reconsideration*, 13 FCC Rcd at 5348-50, 55-57.

9. *Incentive-Based Regulation*. At any time during the transition period, pooling carriers may convert on a study-area basis from rate-of-return to incentive regulation, under which a carrier would be compensated based on "revenue per line" (RPL) rather than accounting costs. Initially, RPL would be calculated by dividing a study area's total switched access, inflation-adjusted revenue requirement or pool settlement amount (based on the prior year average or the most recent data available) by its number of lines, and adjusted for the pool's actual revenue. Thereafter, RPL would be adjusted annually for inflation (GDP Price Index);[19] study areas under incentive-based regulation would not be required to report cost data. When a study area converts to incentive-based regulation, the MAG plan provides that its per-line universal service support (high-cost loop support, LTS and Local Switching support, but not RAS) also would be adjusted annually for inflation. In addition, a low-end adjustment would be available to prevent annual returns from falling below 10.75 percent (for carriers with five or fewer study areas) or 10.25 percent (for carriers with more than five study areas).[20] For non-pooling carriers, switched access rates would be set based on RPL, and initially may include universal service revenues lost by exiting the pool.[21] Path A non-pooling study areas would not be able to return to the pool.

10. *Post-Transition Period*. The MAG plan provides that Path A carriers must convert to incentive-based regulation by the end of the five-year transition period. RPL no longer would be tied to actual pool revenues: instead, RAS would be used to reconcile or "true up" available pool revenues and pooling carriers' settlement claims (based on actual line counts updated on a monthly basis). The low-end adjustment would continue to be available.

C. Other Features

11. *Universal Service Support*. The MAG plan would eliminate the "interim cap" on high-cost loop support and the corporate operations expense limitation.[22] Universal service support would be portable and, at the carrier's option, may be disaggregated into as many as three geographic zones per wire center, provided that the disaggregation does not change the overall support level for the study

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[19] At a carrier's option, RPL could be adjusted to reflect updated cost study or revenue requirement data. RPL also would be subject to adjustment for regulatory changes, as well as for mergers and acquisitions. Pooling carriers would receive RPL for acquired lines based on the average RPL of all pooling study areas for the first 18 months, during which time a cost study must be conducted. If the lines are then incorporated into an existing study area, RPL would be the weighted average RPL of the study area and the acquired lines. *See infra*, para. 12.

[20] The low-end adjustment would be paid in monthly installments during the year after the carrier underearns, but could not increase earnings during the period received. The low-end adjustment also would be available to non-pooling study areas in the form of a prospective rate adjustment.

[21] The MAG plan provides that RAS will not apply in subsequent years for non-pooling Path A study areas. Special access rates for non-pooling Path A study areas would be set on a flexible market basis, with deaveraging, term and volume discounts, and contract pricing permitted.

[22] 47 C.F.R. §§ 36.601(c), 36.621; *see Ninth Report and Order*, 14 FCC Rcd at 20439, n. 20 and accompanying text; *see also supra*, n. 9.

area. Lifeline support would be expanded to cover increased SLCs, in accordance with the *CALLS Order*.[23]

12. *Mergers and Acquisitions*. The MAG plan would eliminate the rule freezing study area boundaries for non-price cap carriers. Instead, non-price cap carriers would only need to notify the Commission and the affected state regulatory commission before incorporating acquired telephone exchanges or lines into existing study areas.[24] The MAG plan also would eliminate the all-or-nothing rule: carriers may retain non-price cap status when they become affiliated with price cap carriers, or acquire lines, exchanges, or study areas from price cap carriers.[25] In addition, the MAG plan would eliminate section 54.305 of the Commission's rules, which limits universal service support for acquired telephone exchanges to the support received by the seller.[26]

13. *Geographic Rate Averaging and Rate Integration*. The MAG plan includes provisions to promote rate and service comparability in urban and rural areas.[27] Interexchange carriers (IXCs) would be required to pass through to consumers any savings realized from lower access rates as a result of implementation of the MAG plan, and to offer consumers in rural and urban areas the same optional calling plans. In addition, IXCs would be prohibited from imposing minimum monthly charges on residential consumers.

14. *New Access Services*. The MAG plan provides that new interstate access services of non-price cap carriers would be introduced at prevailing market rates, and either may be administered by NECA on behalf of pooling carriers or introduced outside the pool by non-pooling carriers.[28]

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[23] *See CALLS Order*, 15 FCC Rcd at paras. 214-217; 47 C.F.R. § 54.403.

[24] *See* 47 C.F.R. Part 36, Appendix (defining "study area"). Currently, a carrier must request a waiver of the freeze if the proposed sale of an exchange would have the effect of changing study area boundaries.

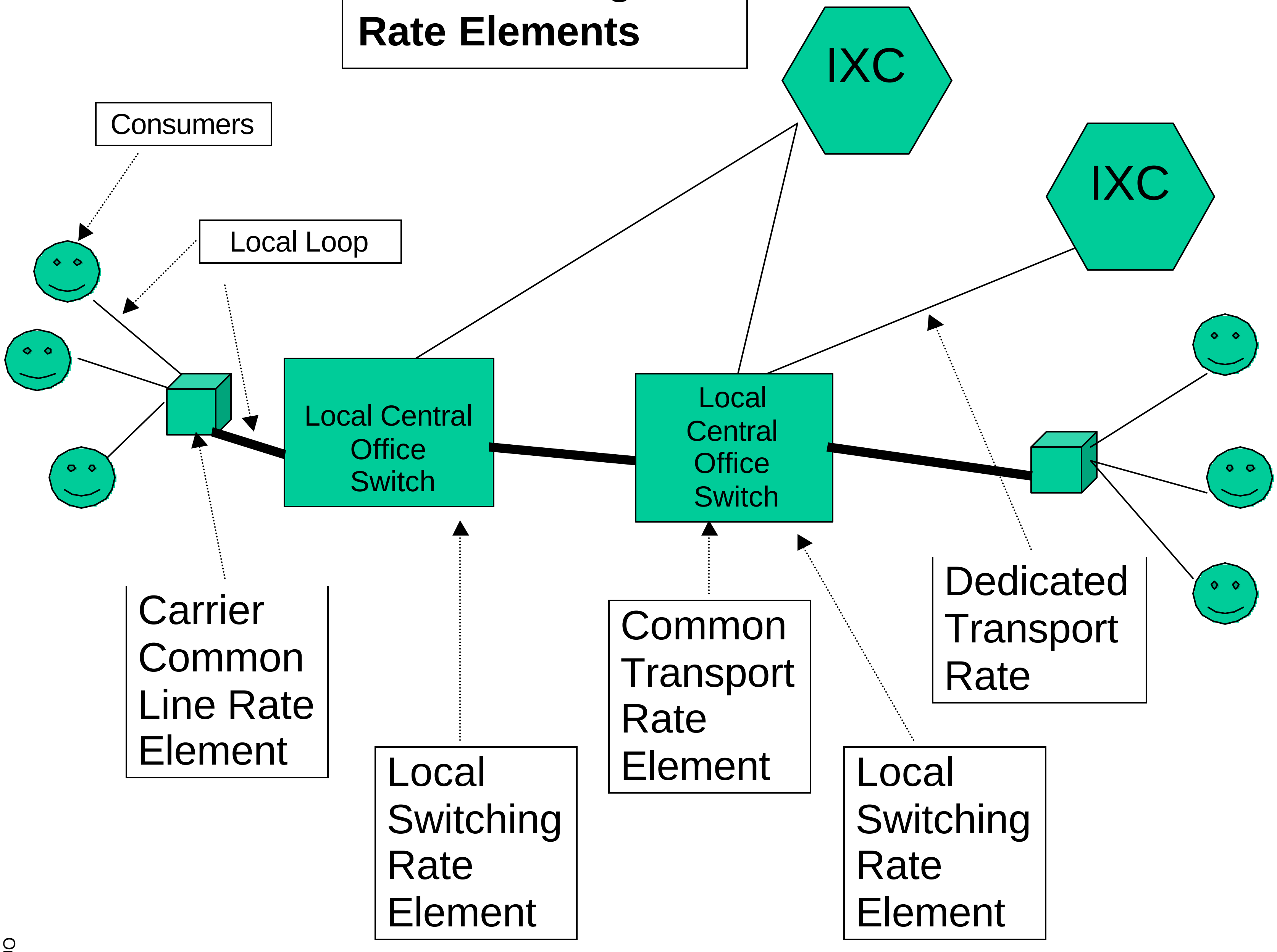
[25] *See* 47 C.F.R. § 61.41(c). This rule provides that when rate-of-return and price cap carriers merge or acquire one another, the former must convert to price cap regulation within one year. *See Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Order on Reconsideration, 6 FCC Rcd 2637, 2706 (1991). Under the rule, acquisition of part of another carrier's service area is treated as the acquisition of the carrier. *Id.*

[26] 47 C.F.R. § 54.305; *see* Letter of William F. Maher, Jr. to Magalie Roman Salas dated November 21, 2000 ("The plan is intended to propose the deletion of current section 54.305 . . . from the Commission's rules.").

[27] *See* 47 U.S.C. § 254(g).

[28] *See Access Charge Reform Notice*, 13 FCC Rcd at 14270 (proposing to streamline Part 69 waiver requirement for the establishment of new switched rate elements to accommodate a new service offering).

Local Network and Access Charge Rate Elements



Composite Access Charge and AUSF Estimates based upon Subscriber Line Charges of $3.50, $5.00, and $6.50 for 1999

	A	B	C	D	E	F
1	**1999**	**AECA**	**ACS-Anchorage**	**GCI**	**Total/Average**	**Source/Notes**
2	CCL RR	$ 27,982,208	$ 7,934,922	$ 1,642,738	$ 37,559,868	Appendix B
3	Avg. Monthly Access Lines	251,665	152,360	31,543	435,568	ATA Directory 1999-20(
4	CCL per line per year	$ 111.19	$ 52.08	$ 52.08	$ 86.23	L2/L3
5	CCL per line per month	$ 9.27	$ 4.34	$ 4.34	$ 7.19	L4/12
6	Access Minutes	534,506,694	193,396,698	43,972,421	771,875,813	Appendix B
7	CCL/access minute	$ 0.052	$ 0.041	$ 0.037	$ 0.049	L2/L6
8	CCL/conversation minutes	0.105	0.082	0.075	0.097	L7*2
9	Average AC per conversation min.	0.142	0.108	0.093	0.131	Appendix B
10	TS component of conversation min.	0.037	0.026	0.018	0.033	L9-L8
11						
12						
13	With $3.50 Maximum SLC					
14	SLC =	$ 3.50	$ 3.50	$ 3.50		
15	CCL Revenues from SLC	10,569,930	6,399,131	1,324,789	18,293,849	$3.50*L3*12
16	CCL Revenues from SLC per access minute	$ 0.020	$ 0.033	$ 0.030	$ 0.024	L15/L6
17	CCL Revenues from SLC per conversation minute	$ 0.040	$ 0.066	$ 0.060	$ 0.047	L16*2
18	Residual CCL	$ 17,412,278	$ 1,535,791	$ 317,949	$ 19,266,019	L2-L15
19	Residual CCL per access minute	$ 0.033	$ 0.008	$ 0.007	$ 0.025	L18/L6
20	Residual CCL per conversation min.	$ 0.065	$ 0.016	$ 0.014	$ 0.050	L19*2
21	Total AC per conversation minute	$ 0.102	$ 0.042	$ 0.033	$ 0.083	L20+L10
22	Additional USF Surcharge if CCL Residual Recovered from AUSF				8.2%	L18/$236,200,000
23	Additional USF Surcharge on a Monthly bill of $50				$ 4.08	$50*L22
24						
25	With $5.00 Maximum SLC					
26	SLC =	$ 5.00	$ 4.34	$ 4.34		
27	CCL Revenues from SLC	15,099,900	7,934,922	1,642,738	24,677,560	($5 or $4.34)*L3*12
28	CCL Revenues from SLC per access minute	$ 0.028	$ 0.041	$ 0.037	$ 0.032	L27/L6
29	CCL Revenues from SLC per conversation minute	$ 0.057	$ 0.082	$ 0.075	$ 0.064	L28*2
30	Residual CCL	$ 12,882,308	$ -	$ -	$ 12,882,308	L2-L27
31	Residual CCL per access minute	$ 0.024	$ -	$ -	$ 0.017	L30/L6
32	Residual CCL per conversation min.	$ 0.048	$ -	$ -	$ 0.033	L31*2
33	Total AC per conversation minute	$ 0.086	$ 0.026	$ 0.018	$ 0.067	L32+L10
34	Additional USF Surcharge if CCL Residual Recovered from AUSF				5.5%	L30/$236,200,000
35	Additional USF Surcharge on a Monthly bill of $50				$ 2.73	$50*L34
36						
37	With $6.50 Maximum SLC					
38	SLC =	$ 6.50	$ 4.34	$ 4.34		
39	CCL Revenues from SLC	19,629,870	7,934,922	1,642,738	29,207,530	($6.50 or $4.34)*L3*12
40	CCL Revenues from SLC per access minute	$ 0.037	$ 0.041	$ 0.037	$ 0.038	L39/L6
41	CCL Revenues from SLC per conversation minute	$ 0.073	$ 0.082	$ 0.075	$ 0.076	L40*2
42	Residual CCL	$ 8,352,338	$ -	$ -	$ 8,352,338	L2-L39
43	Residual CCL per access minute	$ 0.016	$ -	$ -	$ 0.011	L42/L6
44	Residual CCL per conversation min.	$ 0.031	$ -	$ -	$ 0.022	L43*2
45	Total AC per conversation minute	$ 0.069	$ 0.026	$ 0.018	$ 0.055	L44+L10
46	Additional USF Surcharge if CCL Residual Recovered from AUSF				3.5%	L42/$236,200,000
47	Additional USF Surcharge on a Monthly bill of $50				$ 1.77	$50*L46