

Alabama Public Service Commission

Orders

IN RE: IMPLEMENTATION OF THE DOCKET 25980
UNIVERSAL SERVICE REQUIREMENTS OF
SECTION 254 OF THE (CERTIFICATION OF CARRIERS RECEIVING
TELECOMMUNICATIONS ACT OF 1996. FEDERAL UNIVERSAL SERVICE SUPPORT)

FURTHER REPORT AND ORDER

BY THE COMMISSION:

I. Introduction and Background

By Order entered in this cause on September 27, 2000, Alabama's Non-Rural Local Exchange Carriers ("Non Rural Carriers"), 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") were ordered to file no later than May 18, 2001, their proposals for the utilization of all federal high-cost universal support for which they will be eligible in the year 2002. Said Order afforded interested parties the latitude to submit comments in response to those filings no later than June 1, 2001.

By filing of May 18, 2001, BellSouth submitted its proposal for the utilization of the universal service support for which it will be eligible in the year 2002. On July 5, 2001, Verizon submitted its proposal for the expenditure of the 2002 federal universal service support it anticipates receiving. As explained in more detail below, Verizon's July 5, 2001, submission also outlined the company's proposal for the expenditure of unspent 2001 federal high-cost funding.

In response to the requirements set forth in the Federal Communications Commission's (the "FCC's") May 23, 2001, *Fourteenth Report and Order* in CC Docket No. 96-45, the Commission issued an Order on July 13, 2001, requiring all of Alabama's Rural Incumbent Local Exchange Carriers ("Rural Carriers") to submit on or before August 17, 2001, plans and procedures detailing their intended utilization of the estimated federal high-cost universal service support for which they will be eligible in the year 2002. The Commission's July 13, 2001, Order further advised interested parties that comments concerning the plans submitted by Alabama's Rural Carriers would be considered by the Commission if received on or before August 31, 2001. Each of Alabama's Rural Carriers submitted proposals on or about August 20, 2001. A revised proposal from Castleberry Telephone Company, Inc. was submitted on or about September 13, 2001.

II. The 2002 Plan of BellSouth

BellSouth premised its May 18, 2001, proposal to the Commission on the assumption that it would receive federal high-cost universal service support approximating \$28.9 million dollars for the year 2002. BellSouth indicated that its proposal for 2002 reflected an expenditure of \$26.1 million dollars 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. The Commission did not receive any comments in opposition to BellSouth's filing.

BellSouth's proposal for the year 2002 is attached hereto as Appendix B. 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: 2002 - \$20.2M
- Replace Non-Compliant Switches DMS10s & DCOs: 2002 - \$3.7M
- Complete Self-Healing Interoffice Diversity: 2002 - \$1.4M
- Deploy Self-Healing Diversity Between BellSouth and Verizon: 2002 - \$.3M
- Improve Testability, Surveillance and Replace Technology that Limits Service Delivery: 2002 - \$.5M

The Commission staff has reviewed the 2002 expenditure plans submitted by BellSouth and finds that with one minor amendment, the federal high-cost universal service expenditures proposed therein by BellSouth should be certified as compliant with §254(e) of the Telecommunications Act of 1996. The amendment recommended by the staff would require BellSouth to utilize up to \$350,000 of the \$20.2 million dollars it proposes to expend during 2002 to deploy loop fiber and next generation digital loop carrier to implement CSA design on the provision of basic local exchange telecommunications service to end users located in high-cost wire centers. The end users in question are those who have made application for service but have been unable to obtain it due to economic inefficiency and/or prohibitive aid to construction amounts.

In order to implement its recommended amendment to BellSouth's 2002 expenditure plan, the staff recommended that the federal high-cost universal service funding made available to provide basic local exchange service to unserved customers in high-cost wire centers should be available for the

provision of such service at primary dwellings only up to an initial maximum of \$25,000 per applicant. Construction projects with a cost of \$25,000 or less per applicant shall be funded first. Any funds from the Commission approved allocation remaining after application of the preceding guidelines will be prioritized for the provision of basic service as follows:

- a. The authorized rate per applicant will be increased from \$25,000 in \$5,000 increments.
- b. With each \$5,000 increment, those projects that qualify under the revised guidelines will be prioritized for funding.
- c. The process shall be repeated by increasing the rate per applicant by \$5,000 increments up to a maximum rate per applicant of \$40,000 until the entire \$350,000 is expended or all such projects that fit the criteria are completed (whichever comes first).

For any projects involving the provision of basic local exchange telecommunications service to customers in high-cost wire centers wherein the costs exceed the allocated resources described in the preceding paragraph, the additional capital required to complete the project in question shall be the responsibility of the applicant for service. Applicants for service shall be afforded the opportunity to make a contribution in aid to construction, and the amounts due from such applicants must be received by BellSouth prior to the company's commencement of the construction project in question. The staff recommended that no federal high-cost universal service funds be expended for the payment of nonrecurring tariffed charges for the initiation of service to the affected customers in high-cost wire centers or tariffed recurring charges for the continued provision of such service.

III. The Verizon Proposal

As previously noted, Verizon's July 5, 2001, filing addressed not only the expenditure of federal high-cost universal service support for 2002, but also the expenditure of such funding for 2001 which had not yet been utilized by Verizon. More particularly, Verizon's July 5, 2001, filing added the proposed expenditure of \$3,601,000 in 2001 for the replacement of asynchronous fiber terminals in its territory. The additional expenditure of 2001 funding proposed by

Verizon was partly the result of adjustments made by the Commission staff with regard to the level of universal service high-cost funding to be allocated to the support of Verizon's existing rate structure in Alabama. The revised expenditure of 2001 funding is also partly attributable to favorable fluctuations in the level of federal funds for which Verizon is eligible.

Verizon did indicate, however, that only \$500,000 of the \$3.6 million in additional expenditures proposed for 2001 could actually be expended during 2001 since there was insufficient time to complete the installation of the additional infrastructure improvements proposed. Verizon sought permission to expend the remaining \$3.1 million earmarked for 2001 in 2002 as a result. The staff recommended that Verizon be afforded that latitude.

With regard to its proposals for 2002, Verizon indicated that it anticipated the receipt of \$9,854,371 in federal universal service high-cost funds above and beyond the \$7,749,629 in such funding that would be dedicated to the support of Verizon's existing rate structure in Alabama. No party filed comments in opposition to Verizon's proposal for 2001/2002 which is attached hereto as Appendix C. A summary of the major elements of Verizon's filing are set forth below:

- Replace Asynchronous Fiber Terminals: 2001 - \$3,601,000
- Interoffice Facility Routes: 2002 - \$1,662,184
- Buried Air Core Cable Replacement: 2002 - \$2,374,202
- Fiber to Remotes: 2002 - \$1,423,641
- Deployment of Technicians to Rural Areas: 2002 - \$442,420
- Replace Asynchronous Fiber Terminals: 2002 - \$714,000
- Service Improvements: 2002 - \$2,027,443
- CNAD Card Replacement: 2002 - \$1,210,481

The Commission staff has determined from its review of Verizon's July 5, 2001, filing that Verizon's proposals for the expenditure of the federal high-cost universal service support for the remainder of 2001 and 2002 should be approved with one limited amendment. As discussed in more detail below, that amendment is virtually identical to the Staff's recommended amendment to BellSouth's proposal for 2002 addressed above.

In particular, the staff proposed that up to \$350,000 of the \$2,027,443 which Verizon proposed to expend during 2002 on service improvements be specifically made available for the provision of basic local exchange telecommunications service to end users located in high-cost wire centers. As with BellSouth, the Customers affected are those who have made application for such service but have been unable to obtain it due to economic inefficiency and/or prohibitive aid to construction costs.

In order to implement the amendment proposed, the staff recommended that the federal high-cost universal service funding made available to provide basic local exchange service to unserved customers in high-cost wire centers should be available for the provision of such service at primary dwellings only up to an initial maximum of \$25,000 per applicant. Construction projects with a cost of \$25,000 or less per applicant shall be funded first. Any funds from the Commission approved allocation remaining after application of the preceding guidelines will be prioritized for the provision of basic local service as follows:

- a. The authorized rate per applicant will be increased from \$25,000 in \$5,000 increments.
- b. With each \$5,000 increment, those projects that qualify under the revised guidelines will be prioritized for funding.

- c. The process shall be repeated by increasing the rate per applicant by \$5,000 increments up to a maximum rate per applicant of \$40,000 until the entire \$350,000 is expended or all such projects that fit the criteria are completed (whichever comes first).

For any projects involving the provision of basic local exchange telecommunications service to customers in high-cost wire centers wherein the costs exceed the allocated resources described in the preceding paragraph, the additional capital required to complete the project in question shall be the responsibility of the applicant for service. Applicants for service shall be afforded the opportunity to make a contribution in aid to construction, and the amounts due from such applicants must be received by Verizon prior to the company's commencement of the construction project in question. The staff recommended that no federal high-cost universal service funds be expended for the payment of nonrecurring tariffed charges for the initiation of service to the affected customers in high-cost wire centers or tariffed recurring charges for the continued provision of such service.

IV. The Filings of the Rural Carriers

In the August 20th filings made by Alabama's Rural Carriers which are attached hereto as Appendix D, each company estimated the level of federal funding which they anticipated receiving in 2002 and certified that those funds would be expended for the continued provision, maintenance and upgrading of the facilities and services described at 47 CFR §54.101. No party submitted comments in response to the filings of any Rural Carrier.

Upon its review of the proposals submitted by the Rural Carriers, the staff noted that none of the Rural Carriers submitted proposals which specifically detailed the amount of funding that would actually be expended on any particular eligible project. The staff concluded, however, that the timing of the *FCC's Fourteenth Report and Order* and the requirement therein that certification of the 2002 plans of Rural Carriers must be completed prior to October 1, 2001, precluded a request by the Commission that the Rural Carriers resubmit proposals detailing with greater specificity their planned expenditures of 2002 funding. The staff instead determined that the submission of such revised proposals for each Rural Carrier must be submitted on or before December 7, 2001, so that the specific plans of the Rural Carriers can be adequately assessed prior to the actual expenditure of any 2002 funding.

The staff noted that its experience in dealing with the Rural Carriers provided adequate assurance that that the Rural Carriers in Alabama would indeed endeavor to expend the funding in question in a manner appropriate with §254 of the Act and the FCC's rules. The staff accordingly had no hesitation regarding certification of the Rural Carrier to receive the funding in question contingent upon their submission of more specific plans.

In order to assist the Rural Carriers in their submission of the revised plans required herein, as well as the establishment of on-going monitoring procedures, the Commission staff further recommended the establishment of a workshop to be jointly attended by the Commission staff and designated representatives of the Rural Carriers in Alabama. The staff recommended that said workshop be established for November 14, 2001, at a time and location to be specified later.

V. Discussion and Conclusions

We hereby adopt each of the recommendations of staff set forth herein and approve consistent therewith, the proposals submitted in this cause by BellSouth, Verizon and Alabama's Rural Carriers governing their expenditure of federal high-cost universal service support during the year 2001/2002. We will certify to the FCC that those 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 aforementioned plans. The Commission specifically reserves the right to conduct the proceedings outlined herein and any additional proceedings that may be necessary to determine if the funding under review should be redirected to other qualifying projects as required by the Commission.

We further note that the \$.0025 terminating switched access charge reduction approved in our Order of March 24, 2000, in this cause is hereby carried forward for 2002. BellSouth has accordingly authorized to expend \$2.8 million of the federal high-cost universal support it is scheduled to receive in 2002 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 2002 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 May 18, 2001, 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 2002 is hereby approved as modified herein 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 5, 2001, proposal of Verizon South, Inc., f/k/a GTE South, Incorporated, and Contel of the South, d/b/a Verizon Midstates which delineates the company's intended utilization of the forward-looking federal high-cost support for which it is eligible during the remainder of 2001 and 2002 is hereby approved as amended herein 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 August 20, 2001, proposals of Alabama's Rural Carriers, as well as the September 13, 2001, revised proposal of Castleberry Telephone Company, Inc. are hereby approved and certified as compliant with the provisions of §254(e) of the Telecommunications Act of 1996. Each of Alabama's Rural Carriers are, however, required to submit more specific proposals governing the expenditure of the federal universal service high-cost support for which they are eligible in 2002 on or before December 7, 2001.

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, Verizon and each of Alabama's Rural Carriers. The Commission specifically reserves the right to conduct whatever proceedings may be deemed necessary to

determine that the universal service funding received by BellSouth, Verizon and Alabama's Rural Carriers 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 and the level of funding expended on said projects. Alabama's Rural Carriers will be required to submit to the Commission on May 30th and October 31st of 2002 a report delineating the status of each project approved herein and the amount of federal high-cost universal service support which has actually been expended on such projects.

IT IS FURTHER ORDERED BY THE COMMISSION, That BellSouth, Verizon and Alabama's Rural Carriers shall file their proposals for the utilization of federal high-cost universal service support for which they are eligible in the year 2003 no later than May 3, 2002. Interested parties may submit comments in response to those filings no later than May 24, 2001. Reply comments will be considered by the Commission if received on or before June 14, 2002.

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 21st day of September, 2001.

ALABAMA PUBLIC SERVICE COMMISSION

Jim Sullivan, President

Jan Cook, Commissioner

George C. Wallace, Jr., Commissioner

ATTEST: A True Copy

Walter L. Thomas, Jr., Secretary

APPENDIX "A"

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ALLTEL Alabama, Inc.

Ardmore Telephone Company, Inc.

Blountsville Telephone Company, Inc.

Brindlee Mountain Telephone Company

Butler Telephone Company, Inc.

Castleberry Telephone Company, Inc.

Farmers Telephone Cooperative, Inc.

Frontier Communications of Alabama, Inc.

Frontier Communications of Lamar County, Inc.

Frontier Communications of the South, Inc.

Graceba Telephone Company, Inc.

GTC, Inc., d/b/a GT Com

Gulf Telephone Company, Inc.

Hayneville Telephone Company, Inc.

Hopper Telecommunications, Inc.

Interstate Telephone Company, Inc.

Millry Telephone Company, Inc.

Mon-Cre Telephone Cooperative, Inc.

Moundville Telephone Company, Inc.

National Telephone Company, Inc.

New Hope Telephone Cooperative, Inc.

Oakman Telephone Company

Otelco Telephone, LLC

Peoples Telephone Company

Pine Belt Telephone Company, Inc.

Ragland Telephone Company, Inc.

Roanoke Telephone Company, Inc.

Union Springs Telephone Company, Inc.

Valley Telephone Company, Inc.

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