

Alabama Public Service Commission

Orders

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**IN RE: IMPLEMENTATION OF UNIVERSAL DOCKET 25980
SERVICE REQUIREMENTS SECTION 254 OF
THE TELECOMMUNICATIONS ACT OF 1996**

THIRD ORDER

BY THE COMMISSION:

I. INTRODUCTION AND BACKGROUND

In our Second Order and Notice of Proposed Rulemaking (Second Order) entered in this cause on July 18, 1997, we discussed at length the request of the Federal Communications Commission (FCC) that state commissions notify the FCC of their intentions with respect to forward-looking economic cost studies for purposes of determining universal service support for non-rural carriers. See the FCC's May 8, 1997 Order in CC-Docket 96-45; In the Matter of Federal-State Joint Board on Universal Service at ¶248 (hereinafter the FCC's May 8, 1997 Universal Service Order.) More specifically, we discussed the FCC's requirement that states elect by August 15, 1997, whether they will conduct their own forward-looking economic cost studies for universal service funding purposes or whether they will rely on the methodology which will ultimately be developed by the FCC. We noted that a state-specific costing approach appeared meritorious, but nonetheless sought comments from interested parties to assist us in the rendering of a final decision concerning this matter.

II. DISCUSSIONS AND CONCLUSIONS

The Commission received comments concerning the establishment of a state-specific, forward-looking economic costing methodology for universal service from BellSouth Telecommunications, Inc. (BellSouth); AT&T Communications of the South Central States, Inc. (AT&T); Sprint Communications Company, LP (Sprint); GTE South, Inc. and Contel of the South, Inc. (collectively GTE); and a group of rural local exchange carriers (listed in Appendix A hereto and collectively referred to as the Rural LECS). The comments received generally favored the establishment of a state-specific costing methodology.

knowledge of the circumstances and cost of providing service in this state. BellSouth accordingly reasoned that the Commission should not defer to the FCC for the development of a costing methodology.

AT&T also recommended that the Commission develop its own forward-looking economic cost study for submission to the FCC. AT&T stressed the importance of utilizing the ongoing unbundled network element pricing proceedings as a basis for the determination of a universal service costing methodology in order to minimize resource duplication and diminish arbitrage opportunities that might arise from using inconsistent methodologies for the establishment of unbundled network element network prices and universal service support levels.

GTE urged the Commission to elect to adopt an Alabama-specific costing methodology for universal service purposes, but further urged the Commission to consider cost studies designed to insure that each universal service provider in Alabama fully recovers its cost. GTE emphasized that in order to accurately determine the level of universal service support needed for Alabama, each provider of universal service in the state should have its cost estimated using company-specific cost studies and/or a model which best predicts the actual cost that each company is likely to incur in providing service.

Sprint indicated that it would not be inappropriate for the Commission to rely on the forward-looking economic cost model which will eventually be developed by the FCC for purposes of determining universal service support. Sprint further indicated, however, that should the Commission determine that an Alabama-specific costing methodology was preferable, Sprint would support the Commission to the extent that the state-specific methodology adopted comported with the requirements established by the FCC.

The Rural LECS primarily sought clarification from the Commission that the election concerning an Alabama-specific costing methodology concerned only non-rural carriers at the present time. The Rural LECS correctly pointed out that the FCC has established an entirely different time frame for determining universal service support for rural companies.

Our assessment of the FCC's May 8, 1997 Universal Service Order and the comments discussed herein has led us to conclude that this Commission should elect to develop our own forward-looking economic cost study for purposes of determining universal service support levels. Given the present uncertainty concerning the methodology the FCC will utilize and the adverse impact that an inaccurate determination of universal service costs specific to Alabama could have on universal service in this state, we believe this decision to be the most consistent with the public interest. We would specifically note, however, that this election applies to the establishment of a costing methodology for non-rural carriers only. A determination concerning a costing methodology for rural carriers will be made when it is more appropriate for the Commission to render such a determination.

IT IS, THEREFORE, ORDERED BY THE COMMISSION, That we herein elect to develop an Alabama-specific, forward-looking costing methodology for purposes of determining universal service support for non-rural carriers in Alabama.

IT IS FURTHER ORDERED, That jurisdiction in this cause is hereby retained for the issuance of any further order or orders as may be deemed 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 13th day of August, 1997.

ALABAMA PUBLIC SERVICE COMMISSION

Jim Sullivan, President

Jan Cook, Commissioner

Charles B. Martin, Commissioner

ATTEST: A True Copy

Walter L. Thomas, Jr., Secretary

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