

the deletion from the NPL are available to the public in the information repository noted above.

Quarterly, informal public meetings were held in the surrounding towns from 1991 to December 2000 and prior to and after each remedial action. Representatives from EPA, MADEP, and the Army with their consultants and contractors were present. These meetings proved to be extremely helpful in providing the public, especially the residents of adjoining neighborhoods, with important information regarding activities associated with all the investigations and each remedial action. These meetings were also particularly useful for the agencies and the Army in hearing and addressing the residents' concerns regarding on-site activities. The Army plans to continue these informal meetings to announce the findings of five-year reviews. The most recent meeting was held on November 14, 2001.

V. Deletion Action

The EPA, with concurrence from the Commonwealth of Massachusetts, has determined that all appropriate responses under CERCLA have been completed, and that no further response actions under CERCLA are necessary. Therefore, EPA is deleting the Site from the NPL.

Because EPA considers this action to be noncontroversial and routine, EPA is taking it without prior publication of a notice of intent to delete. This action will become effective January 29, 2002 unless EPA receives adverse comments by December 31, 2001. If adverse comments are received within the 30-day public comment period, EPA will publish a timely withdrawal of this direct final notice of deletion before the effective date of the deletion and it will not take effect. EPA will prepare a response to comments, as appropriate, and continue with the traditional deletion process on the basis of the notice of intent to delete and the comments already received. There will be no additional opportunity to comment. If EPA receives no adverse comment(s), this deletion will become effective January 29, 2002.

List of Subjects in 40 CFR Part 300

Environmental protection, Air pollution control, Chemicals, Hazardous waste, Hazardous substances, Intergovernmental relations, Penalties, Reporting and recordkeeping requirements, Superfund, Water pollution control, Water supply.

Dated: November 15, 2001.

Robert W. Varney,
Regional Administrator, U.S. EPA-New England.

For the reasons set out in this document, 40 CFR part 300 continues to read as follows:

PART 300—[Amended].

1. The authority citation for part 300 continues to read as follows:

Authority: 33 U.S.C. 1321(c)(2); 42 U.S.C. 9601–9657; E.O. 12777, 56 FR 54757, 3 CFR, 1991 Comp.; p. 351; E.O. 12580, 52 FR 2923, 3 CFR, 1987 Comp., p. 193.

Appendix B—[Amended]

2. Table 2 of Appendix B to part 300 is amended under Fort Devens-Sudbury Training Annex Superfund Site by removing the entry for “Fort Devens-Sudbury Training Annex, Middlesex County.”

[FR Doc. 01–29552 Filed 11–29–01; 8:45 am]

BILLING CODE 6560–50–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 20

[CC Docket No. 94–102; FCC 01–293]

Wireless E911 Service, Petition of City of Richardson, TX

AGENCY: Federal Communications Commission.

ACTION: Final rule; announcement of effective date.

SUMMARY: The Commission has received Office of Management and Budget (OMB) approval for revised paperwork information burdens to OMB No. 3060–0813, contained in the Order regarding a petition for clarification and/or declaratory ruling filed by the City of Richardson, Texas. The effective date for revisions made certain rule sections was held in abeyance until OMB approval for these revised burdens was granted. This document is needed to notify the public that OMB has approved these burdens and to announce that these rules are now effective.

DATES: The revision to 47 CFR 20.18(j) published at 66 FR 55618 (November 2, 2001) is effective November 30, 2001.

FOR FURTHER INFORMATION CONTACT: Jane Phillips, 202–418–1310.

SUPPLEMENTARY INFORMATION: The Federal Communications Commission has received OMB approval for the following public information collection pursuant to the Paperwork Reduction

Act of 1995, Public Law 96–511. The rules adopted in this proceeding (*see* 66 FR 55618, November 2, 2001) are therefore effective with the publication of this announcement in the **Federal Register**. An agency may not conduct or sponsor a collection of information unless it displays a currently valid control number. Notwithstanding any other provisions of law, no person shall be subject to any penalty for failing to comply with a collection of information subject to the Paperwork Reduction Act (PRA) that does not display a valid control number. Questions concerning the OMB control numbers and expiration dates should be directed to Judy Boley, Federal Communications Commission (202) 418–0214.

Federal Communications Commission

OMB Control No.: 3060–0813.

Expiration Date: 5/31/02.

Title: Revision of the Commission's Rules to Ensure Compatibility with Enhanced 911 Calling Systems.

Form No.: N/A.

Estimated Annual Burden: 198,200 burden hours annually; 1 hour per response; 42,324 respondents.

Description: The demonstration of E911 capability will be required only when a requesting PSAP's E911 capability is challenged by the wireless carrier, and will be used by the carrier to verify that the requesting PSAP is in reality capable of receiving and using E911 data and that the carrier must therefore provide E911 service.

Federal Communications Commission.

William F. Caton,

Deputy Secretary.

[FR Doc. 01–29806 Filed 11–29–01; 8:45 am]

BILLING CODE 6712–01–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 54 and 69

[CC Docket Nos. 96–45, 98–77, 98–166 and 00–256; FCC 01–304]

Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service.

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In this document, the Commission modifies its rules to reform the interstate access charge and universal service support system for incumbent local exchange carriers

subject to rate-of-return regulation (non-price cap or rate-of-return carriers). The Commission's actions are based on pending Commission proposals that build on interstate access charge reforms previously implemented for price cap carriers, the record developed in the above-stated proceedings, and consideration of the Multi-Association Group (MAG) plan.

DATES: Effective December 31, 2001, except for the amendments to §§ 54.307(b) and (c), and §§ 54.315(a) and (f)(1) through (f)(4), 54.902(a) through (c), 54.903(a)(1) through (a)(4), 54.904(a), (b), and (d) which contain information collection requirements that have not been approved by the Office of Management and Budget (OMB). The Commission will publish a document in the **Federal Register** announcing the effective date of those sections.

FOR FURTHER INFORMATION CONTACT: William Scher, Attorney, Common Carrier Bureau, Accounting Policy Division, (202) 418-7400; Douglas Slotten, Attorney, Common Carrier Bureau, Competitive Pricing Division, (202) 418-1520.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket Nos. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket No. 98-77 and 98-166 released on November 8, 2001. The full text of this document is available for public inspection during regular business hours in the FCC Reference Center, Room CY-A257, 445 Twelfth Street, SW., Washington, DC, 20554 or at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-01-304A1.doc.

I. Summary

1. In the Order, we take the following actions to reform the interstate access charge and universal service support system for rate-of-return carriers:

- We increase Subscriber Line Charge (SLC) caps for rate-of-return carriers to the levels established for price cap carriers. The residential and single-line business SLC cap will increase to \$5.00 on January 1, 2002, and may increase up to \$6.00 on July 1, 2002, and \$6.50 on July 1, 2003, subject to a cost review study for the SLC caps of price cap carriers. The multi-line business SLC cap will increase to \$9.20 on January 1, 2002. The revised SLC caps, which conform to those already implemented for most subscribers nationwide, will foster efficient competition and greater choice for consumers, while ensuring that SLC rates in rural areas remain

affordable and reasonably comparable to those in urban areas. Lifeline support will be increased in an amount equal to any SLC rate increases for low-income subscribers.

- We modify our rules to allow limited SLC deaveraging, which will enhance the competitiveness of rate-of-return carriers by giving them important pricing flexibility. The SLC deaveraging method we adopt combines the safeguards adopted for price cap carriers with the flexibility of the Rural Task Force universal service support disaggregation scheme, in order to address the significant diversity among rate-of-return carriers.

- We find that the Carrier Common Line (CCL) charge, an inefficient cost recovery mechanism and implicit subsidy, should be removed from the common line rate structure. This measure will rationalize the access rate structure and move per-minute switched access rates towards lower, cost-based levels. To replace the CCL charge, a new universal service support mechanism will be implemented beginning on July 1, 2002. The CCL charge will be eliminated as of July 1, 2003, when SLC caps are scheduled to reach their maximum levels.

- We adopt measures to reform the local switching and transport rate structure. In particular, we shift the non-traffic sensitive costs of local switch line ports to the common line category, and reallocate the remaining costs contained in the Transport Interconnection Charge (TIC) to other access rate elements. These measures align the rate structure more closely with the manner in which costs are incurred and reduce per-minute switched access charges.

- We do not adopt proposals to prescribe a single, target rate for per-minute charges, either on an optional or a mandatory basis. The reforms that we adopt in this Order will reduce per-minute charges for all rate-of-return carriers, while giving them the flexibility to establish rates based on their own costs in the areas they serve.

- We address proposals to modify the rate structure for general support facilities (GSF) costs, marketing expenses, and special access services. We generally conclude that a different approach is warranted from that adopted for price cap carriers to avoid imposing undue administrative burdens on small local telephone companies serving rural and high-cost areas.

- We create a new universal service support mechanism, Interstate Common Line Support, to convert implicit support in the access rate structure to explicit support that is available to all

eligible telecommunications carriers. Interstate Common Line Support will recover any shortfall between the allowed common line revenues of rate-of-return carriers and their SLC revenues, thereby replacing the CCL charge. The new support mechanism will ensure that changes in the rate structure do not affect the overall recovery of interstate access costs by rate-of-return carriers serving high-cost areas.

- We do not adopt MAG proposals to impose new requirements on interexchange carriers regarding optional calling plans, minimum monthly fees, and pass-through of savings from lower access rates. Among other things, we conclude that these requirements are unnecessary, inconsistent with our deregulatory approach to the interexchange services market, and would entail undue administrative costs and burdens.

- We streamline the rules for the introduction of new switched access services by extending to rate-of-return carriers the same flexibility that price cap carriers now have, with the exception of certain cost support and notice requirements.

- We terminate the proceeding in CC Docket No. 98-166 for prescription of the authorized rate of return, which was set at 11.25 percent in 1990.

II. Procedural Issues

A. Ex Parte Presentations

2. This is a permit but disclose rulemaking proceeding. Ex parte presentations are permitted, except during the Sunshine Agenda period, provided that they are disclosed as provided in the Commission's rules.

B. Final Regulatory Flexibility Act

3. As required by the Regulatory Flexibility Act (RFA), an Initial Regulatory Flexibility Analysis (IRFA) was incorporated into the *MAG NPRM* (66 FR 7725, January 25, 2001). An IRFA also was incorporated into the *1998 NPRM* (63 FR 38774, July 20, 1998), in CC Docket No. 98-77. The Commission sought written public comment on the proposals in the 1998 NPRM and on the MAG plan, including comment on the IRFAs. This present Final Regulatory Flexibility Analysis (FRFA) conforms to the RFA, as amended. To the extent that any statement in this FRFA is perceived as creating ambiguity with respect to our rules or statements made in the Order, the rules and statements set forth in the Order shall be controlling.

1. Need for, and Objectives of, the Rules

4. In the Order, the Commission modifies its interstate access charge and

universal service support system for incumbent local exchange carriers (LECs) subject to rate-of-return regulation. Consistent with the mandate of the 1996 Act, this Order is designed to foster competition and efficient pricing in the market for interstate access services, and to create universal service mechanisms that will be secure in an increasingly competitive environment. By simultaneously removing implicit support from the rate structure and replacing it with explicit, portable support, this Order will provide a more equal footing for competitors in local and long distance markets, while ensuring that consumers in all areas of the country, especially those living in high-cost, rural areas, have access to telecommunications services at affordable and reasonably comparable rates. This Order also is tailored to the needs of small and mid-sized local telephone companies serving rural and high-cost areas, and will help provide certainty and stability for such carriers, encourage investment in rural America, and provide important consumer benefits.

5. Examination of the record in this proceeding demonstrates the need for interstate access charge and universal service reform for rate-of-return carriers. Rate-of-return carriers receive implicit support for universal service from various sources, including the interstate access rate structure. For example, recovery of non-traffic sensitive costs through per-minute rates creates an implicit support flow from high-to low-volume users of interstate long distance service. Implicit support is incompatible with a competitive market for local exchange and exchange access services. As the Commission noted in 1997, "where rates are significantly above cost, consumers may choose to bypass the incumbent LEC's switched access network, even if the LEC is the most efficient provider. Conversely, where rates are subsidized (as in the case of consumers in high-cost areas), rates will be set below cost and an otherwise efficient provider would have no incentive to enter the market." Rate-of-return carriers have expressed particular concern that high per-minute charges may place them at a disadvantage in competing for high-volume customers, jeopardizing an important source of revenue. In addition, higher rates and implicit subsidies may discourage efficient local and long distance competition in rural areas and limit consumer choice. Although there may not be significant competition in many high-cost, rural areas, rate-of-return

carriers are not insulated from competitive pressures.

6. By rationalizing the rate structure for recovery of interstate loop costs, this Order will foster competition for residential subscribers in rural areas by facilities-based carriers. By reducing per-minute switched access rates towards cost-based levels, it will enhance incentives for interexchange carriers to originate service in rural areas and facilitate long distance toll rate averaging. To a large extent, these modifications already have been implemented for the vast majority of subscribers nationwide.

7. At the same time, this Order is tailored to the specific challenges faced by small carriers serving rural and high-cost areas. Although per-minute switched access charges will be reduced for all rate-of-return carriers, they will retain the flexibility to establish rates based on their own costs in the areas they serve, rather than being forced to conform to a prescribed target rate. Rate-of-return carriers will continue to be permitted to set rates based on the authorized rate of return of 11.25 percent. And a new, uncapped universal service support mechanism will provide certainty and stability by ensuring that the rate structure modifications adopted do not affect overall recovery of interstate access costs by rate-of-return carriers. The Order adopts a cautious approach which rationalizes the access rate structure and converts identifiable implicit subsidies to explicit support, without endangering this important revenue stream for rate-of-return carriers.

2. Summary of Significant Issues Raised by the Public Comments in Response to the IRFA

8. The Multi-Association Group (MAG), which is comprised of the National Rural Telecom Association, National Telephone Cooperative Association, Organization for the Promotion and Advancement of Small Telecommunications Companies, and the United States Telecom Association, argued that adoption of its comprehensive proposal for regulatory reform for rate-of-return carriers would benefit small business entities, including small incumbent LECs, interexchange carriers, and new entrants. According to the MAG, its plan would permit small rate-of-return carriers to control their administrative and regulatory burdens by permitting them to analyze and select the type of regulation that best suits their situation. The MAG also asserted that of a modified version of its plan would introduce more uncertainty for small

carriers, but it did not provide support for this assertion. However, commenters have raised significant concerns about certain features of the MAG plan, and the Commission was persuaded that some of these concerns have merit, as discussed below.

9. The Commission received a Congressional inquiry from Congressman John D. Dingell, asking that the Commission devote significant staff resources to the MAG proceeding, in particular, and to understanding the unique challenges of service in high-cost areas, in general. The Chairman responded to Congressman Dingell by letter, noting that the Commission has taken numerous measures to lessen the regulatory burdens of small local telephone companies, and is committed to continuing the examination of our rules and processes to ensure that small local telephone companies are provided with appropriate regulatory flexibility. The response also stated that the Commission has attempted to scrutinize carefully the potential impact of proposed regulations on small incumbent telephone companies.

10. The Commission received a Congressional inquiry from Senators Thomas A. Daschle, Craig Thomas, Blanche Lambert Lincoln, Tim Johnson, Tom Harkin, Charles E. Grassley, Byron L. Dorgan, Kent Conrad, and Max S. Baucus, noting that significant legal and market changes had occurred since the MAG plan was developed, including two court decisions regarding universal service. The letter requested that the Commission delay its final decision in the MAG proceeding until all interested parties, including members of Congress, have had an opportunity to comment on any new proposal that the Commission might consider. The Chairman responded to this inquiry by letter, stating that it is the Commission's duty, pursuant to the Administrative Procedures Act, to consider the extensive input received from all interested parties regarding the MAG proposal. The Chairman's response noted that all interested parties have had a substantial opportunity to comment on the MAG plan and on other, related Commission proposals that build on prior reforms for large carriers. The response stated that it was important to proceed expeditiously with access charge and universal service reform for rate-of-return carriers, while continuing to explore other issues raised by the MAG proposal. The Chairman's response noted that a substantial number of interested parties had raised concerns about the wholesale adoption of the MAG proposal and had suggested possible modifications to it. The

response also agreed that it is important that the Commission take into account recent court decisions relevant to interpretation of the universal service provisions of the Act.

11. The Commission also received Congressional inquiries from Senator Conrad Burns and Congressman Dennis Rehberg, Congressman Douglas K. Bereuter, Congressman John E. Sununu, and Congressman Lee Terry regarding the Commission's consideration of interstate access charge and universal service reform for rate-of-return carriers. They generally expressed concerns about the potential impact of reform on rural telecommunications customers and the companies that serve them, and urged the Commission to seek additional comment before adopting measures other than those proposed in the MAG plan.

12. The Commission believes that it is important to proceed expeditiously with access charge and universal service reform for rate-of-return carriers, while continuing to explore other issues raised by the MAG proposal. The Commission has adopted a cautious approach to reform. The new, uncapped support mechanism it creates will ensure that rate structure changes do not affect small carriers' overall recovery of the costs of interstate access service. In addition, the Order permits carriers to continue to set rates based on the authorized rate of return of 11.25 percent. These measures will promote regulatory stability and encourage investment in rural America. The Commission also is seeking additional comment on a number of issues, including the potential impact of modifications to Long Term Support on membership in the pools, the MAG's incentive regulation proposal for small carriers, and on other means of providing opportunities for rural telephone companies to increase their cost efficiency in ways that will benefit carriers and the communities they serve.

13. The Commission also received general comments related to the needs of small local telephone companies. Examination of the record indicates that rate-of-return carriers are typically small, rural telephone companies concentrated in one area. They generally have higher operating and equipment costs than large, price cap carriers due to lower subscriber density, smaller exchanges, and limited economies of scale. They also rely more heavily on revenues from interstate access charges and universal service support. Numerous commenters argued that, although such carriers may incur costs in the same manner as large carriers, their size, diversity, and regulatory

history warrant special consideration in adopting interstate access charge and universal service reforms. The Commission's actions in response to such concerns are discussed in detail below. As an example, the Commission does not require small carriers to conduct cost studies to determine the portion of local switching costs attributable to line ports. Rather, we adopt a proxy of 30 percent.

3. Description and Estimate of the Number of Small Entities to Which Rules Will Apply

14. The RFA directs agencies to provide a description of, and, where feasible, an estimate of the number of small entities that may be affected by the rules adopted herein. The RFA generally defines "small entity" as having the same meaning as the term "small business," "small organization," and "small governmental jurisdiction." In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act, unless the Commission has developed one or more definitions that are appropriate to its activities. Under the Small Business Act, a "small business concern" is one that: (1) Is independently owned and operated; (2) is not dominant in its field of operation; and (3) meets any additional criteria established by the SBA.

15. We have included small incumbent carriers in this RFA analysis. As noted above, a "small business" under the RFA is one that, *inter alia*, meets the pertinent small business size standard (e.g., a telephone communications business having 1,500 or fewer employees), and "is not dominant in its field of operation." The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent carriers are not dominant in their field of operation because any such dominance is not "national" in scope. We have therefore included small incumbent carriers in this RFA analysis, although we emphasize that this RFA action has no effect on the Commission's analyses and determinations in other, non-RFA contexts.

16. *Local Exchange Carriers.* Neither the Commission nor the SBA has developed a specific definition for small providers of local exchange services. The closest applicable definition under the SBA rules is for telephone communications companies other than radiotelephone (wireless) companies. According to the most recent *Trends in Telephone Service* data, 1,335 incumbent carriers reported that they

were engaged in the provision of local exchange services. We do not have data specifying the number of these carriers that are either dominant in their field of operations, are not independently owned and operated, or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of local exchange carriers that would qualify as small business concerns under the SBA's definition. Of this number, 13 entities are price cap carriers not subject to rules adopted herein. Consequently, we estimate that 1,335 or fewer providers of local exchange service are small entities that may be affected by the rules.

17. *Competitive Local Exchange Carriers.* Neither the Commission nor the SBA has developed a specific definition of small providers of local exchange service. The closest applicable definition under SBA rules is for telephone communications companies other than radiotelephone (wireless) companies. According to the Commission's *Trends in Telephone Service* data, 349 companies reported that they were engaged in the provision of either competitive access provider services or competitive LEC services. The Commission does not have data specifying the number of these carriers that are either dominant in their field of operations, are not independently owned and operated, or have more than 1,500 employees, and thus is unable at this time to estimate with greater precision the number of competitive LECs that would qualify as small business concerns under the SBA's definition. Consequently, the Commission estimates that fewer than 349 providers of local exchange service are small entities that may be affected by the rules.

18. *Interexchange Carriers.* Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to providers of interexchange services. The closest applicable definition under the SBA rules is for telephone communications companies other than radiotelephone (wireless) companies. According to the most recent *Trends in Telephone Service* data, 204 carriers reported that their primary telecommunications service activity was the provision of interexchange services. We do not have data specifying the number of these carriers that are not independently owned and operated or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of IXC carriers that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are

204 or fewer small entity IXCs that may be affected by the rules.

19. *Competitive Access Providers.* Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to competitive access services providers (CAPs). The closest applicable definition under the SBA rules is for telephone communications companies other than radiotelephone (wireless) companies. According to the most recent Trends in Telephone Service data, 349 CAPs/competitive local exchange carriers and 60 other local exchange carriers reported that they were engaged in the provision of competitive local exchange services. We do not have data specifying the number of these carriers that are not independently owned and operated, or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of CAPs that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are 349 or fewer small entity CAPs and 60 or fewer other local exchange carriers that may be affected.

20. *Wireless Telephony.* Neither the Commission nor the SBA has developed a definition of small entities specifically applicable to wireless telephony including cellular, personal communications service (PCS) and Specialized Mobile Radio (SMR) telephony carriers. Therefore, the applicable definition of small entity is the definition under the SBA rules applicable to radiotelephone (wireless) companies. This provides that a small entity is a radiotelephone company employing no more than 1,500 persons. According to the most recent Trends in Telephone Report data, 806 carriers reported that they were engaged in the provision of either cellular service, PCS services, or SMR services, which are placed together in the data. Of these 806 carriers, 323 reported that they have 1,500 or fewer employees. We do not have data specifying the number of these carriers that are not independently owned and operated or have more than 1,500 employees, and thus are unable at this time to estimate with greater precision the number of wireless telephone carriers that would qualify as small business concerns under the SBA's definition. Consequently, we estimate that there are 806 or fewer small wireless telephony service carriers that may be affected.

21. The broadband PCS spectrum is divided into six frequency blocks designated A through F, and the Commission has held auctions for each block. The Commission defined "small

entity" for Blocks C and F as an entity that has average gross revenues of less than \$40 million in the three previous calendar years. For Block F, an additional classification for "very small business" was added and is defined as an entity that, together with their affiliates, has average gross revenues of not more than \$15 million for the preceding three calendar years. These regulations defining "small entity" in the context of broadband PCS auctions have been approved by the SBA. No small businesses within the SBA-approved definition bid successfully for licenses in Blocks A and B. There were 90 winning bidders that qualified as small entities in the Block C auctions. A total of 93 small and very small business bidders won approximately 40 percent of the 1,479 licenses for Blocks D, E, and F. Based on this information, we conclude that the number of small broadband PCS licensees will include the 90 winning C Block bidders and the 93 qualifying bidders in the D, E, and F blocks, for a total of 183 small entity PCS providers as defined by the SBA and the Commission's auction rules.

22. The Commission awards bidding credits in auctions for geographic area 800 MHz and 900 MHz SMR licenses to firms that had revenues of no more than \$15 million in each of the three previous calendar years. In the context of both the 800 MHz and 900 MHz SMR, a definition of "small entity" has been approved by the SBA. These fees apply to SMR providers in the 800 MHz and 900 MHz bands that either hold geographic area licenses or have obtained extended implementation authorizations. We do not know how many firms provide 800 MHz or 900 MHz geographic area SMR service pursuant to extended implementation authorizations, nor how many of these providers have annual revenues of no more than \$15 million.

23. *Rural Radiotelephone Service.* The Commission has not adopted a definition of small entity specific to the Rural Radiotelephone Service. A significant subset of the Rural Radiotelephone Service is the Basic Exchange Telephone Radio Systems (BETRS). We will use the SBA's definition applicable to radiotelephone companies, *i.e.*, an entity employing no more than 1,500 persons. There are approximately 1,000 licensees in the Rural Radiotelephone Service, and we estimate that almost all of them qualify as small entities under the SBA's definition.

24. *Fixed Microwave Services.* Microwave services include common carrier, private-operational fixed, and broadcast auxiliary radio services. At

present, there are approximately 22,015 common carrier fixed licensees and 61,670 private operational-fixed licensees and broadcast auxiliary radio licensees in the microwave services. The Commission has not defined a small business specifically with respect to microwave services. For purposes of this FRFA, we utilize the SBA's definition applicable to radiotelephone companies—*i.e.*, an entity with no more than 1,500 persons. We estimate, for this purpose, that all of the Fixed Microwave licensees (excluding broadcast auxiliary licensees) would qualify as small entities under the SBA definition for radiotelephone companies.

25. *39 GHz Licensees.* The Commission defined "small entity" for 39 GHz licenses as an entity that has average gross revenues of less than \$40 million in the three previous calendar years. An additional classification for "very small business" was added and is defined as an entity that, together with their affiliates, has average gross revenues of not more than \$15 million for the preceding three calendar years. These regulations defining "small entity" in the context of 39 GHz auctions have been approved by the SBA. The auction of the 2,173 39 GHz licenses began on April 12, 2000 and closed on May 8, 2000. The 18 bidders who claimed small business status won 849 licenses.

4. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements

26. Pursuant to the Order, all rate-of-return carriers will be required to modify their access tariffs to comply with the new SLC caps, to become effective on January 1, 2002, and on July 1, 2002, and July 1, 2003, subject to a cost review proceeding for the SLC caps of price cap carriers. This function would be performed by the National Exchange Carrier Association (NECA) for those carriers that participate in the NECA common line pool, as most small carriers do. Those rate-of-return carriers filing their own tariffs also would have to make a tariff filing to reflect the access charge modifications.

27. The CCL charge will be removed from the common line rate structure of rate-of-return carriers as of July 1, 2003. From July 1, 2002 to June 30, 2003, rate-of-return carriers may impose a transitional CCL charge on all switched access minutes to recover, for each residential and single-line business line in their study area, the difference between the residential SLC and the lesser of \$6.50 or their average cost per line.

28. All rate-of-return carriers will be required to modify their access tariffs by reallocating line port costs from local switching to the common line category. To ease the burden of implementing this rate structure modification on small rate-of-return carriers, we will permit them to shift 30 percent of their local switching costs to the common line category in lieu of conducting a cost study. Carriers electing this cost study approach must base their costs studies on geographically-averaged costs, and submit the cost study in support of the tariff filing relying on the cost study. Once a rate-of-return carrier has performed a cost study to support its tariff, it may rely on that cost study for subsequent tariff filings.

29. We require rate-of-return carriers to recover through a separate end-user charge the costs of ISDN line ports and line ports associated with other services that exceed the costs of a line port used for basic analog service.

30. We require rate-of-return carriers to reallocate the costs recovered from the transport interconnection charge (TIC) to all other access categories. NECA will be required to establish for carriers that participated in the NECA pool during the tariff year ending June 30, 2001, an individual carrier dollar limit based on its traffic volumes and the TIC rate for the twelve-month period ending June 30, 2001. Each carrier that was not in the pool during the tariff year ending on June 30, 2001, must determine its TIC limit and report it to NECA for purposes of administering future pool membership changes.

31. We permit, but do not require, rate-of-return carriers to establish the following local switching and transport rate elements: A flat charge for dedicated trunk port costs; a flat charge for the costs of DS1/voice grade multiplexers associated with terminating dedicated trunks at analog switches; a per-minute charge for shared trunk ports and any associated DS1/voice grade multiplexer costs; a flat charge for the costs of trunk ports used to terminate dedicated trunks on the serving wire center side of the tandem switch; individual charges for multiplexer costs associated with tandem switches; and a separate per-message call setup charge.

32. We require rate-of-return carriers that use general purpose computers to provide non-regulated billing and collection services to allocate a portion of their GSF costs to the billing and collection category. To accommodate the fact that rate-of-return carriers are not required to maintain separate land, buildings, office furniture, and general purpose computer investment accounts,

we only require these carriers to apply the modified Big Three Expense Factor used by price cap carriers to the general purpose computer investment detail to determine the amount to be allocated to billing and collection. Carriers also may use the general purpose computer investment amount they develop for a period of three years. Carriers whose billing and collection activities are performed exclusively by service bureaus will not be subject to these requirements. Many small carriers use service bureaus exclusively to perform billing and collection services and, therefore, will not be affected by these requirements.

33. Rate-of-return carriers electing to disaggregate their Interstate Common Line Support must submit a detailed description of their disaggregation plan, including information that will enable competitors to verify and reproduce the algorithm used to determine zone support levels, and a geographic description and map of each such zone with the Commission, the relevant state regulatory agency, and USAC. This is not a new compliance requirement because carriers would have to file the above-stated materials in order to disaggregate other forms of high-cost support pursuant to the *Rural Task Force Order* (66 FR 30080, June 5, 2001).

34. Rate-of-return carriers seeking Interstate Common Line Support will be required to file on an annual basis their projected common line revenue requirement for each study area in which they operate. Average schedule companies will not be required to submit common line revenue requirements, but instead will be required to submit information that USAC determines is necessary in order for it to calculate common line revenue requirements for average schedule companies. To enable USAC to begin distributing Interstate Common Line Support to carriers on July 1, 2002, carriers will be required to submit projected common line revenue requirements for July 1, 2002, to June 30, 2003, by March 31, 2002. Carriers will be permitted to submit corrections to their projected common line revenue requirements until April 10, 2002. After April 10, 2002, any corrections to projected common line revenue requirements shall be made in the form of true-ups using actual cost data. Rate-of-return carriers will be required to submit projected common line revenue requirements for subsequent years on the same schedule.

35. To ensure that Interstate Common Line Support amounts reflect a carrier's actual common line costs, rate-of-return carriers will be required to update

projected common line cost data with actual costs on an annual basis. Average schedule companies will not be required to calculate or submit their actual costs. Rate-of-return carriers also will be permitted to update their actual cost data on a quarterly basis.

36. Consistent with rules adopted in the *Rural Task Force Order*, rate-of-return carriers will file their line counts with USAC, by disaggregation zone and customer class, in accordance with the schedule in §§ 36.611 and 36.612 of our rules. Line count data for rural rate-of-return carrier study areas in which a competitive eligible telecommunications carrier has not begun providing service will be filed on an annual basis. Line count data will be filed on a regular quarterly basis upon competitive entry in rural rate-of-return carrier study areas. Non-rural rate-of-return carriers currently are required to file line count data on a quarterly basis regardless of whether a competitor is present and that requirement will not change. Competitive eligible telecommunications carriers will file their line counts with USAC, by disaggregation zone and customer class on a quarterly basis, in accordance with the schedule in § 54.307 of our rules.

37. Carriers seeking Interstate Common Line Support must file a certification with the Commission and USAC. These requirements will create additional reporting requirements, but such reporting is necessary to ensure compliance with section 254(e) of the Act.

38. We require all incumbent LECs, including rate-of-return carriers, to recover universal service contributions only through end user charges. Rate-of-return carriers that choose to impose end-user charges for the recovery of universal service contributions must make corresponding reductions in their access charges to avoid double recovery.

5. Steps Taken To Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered

39. The Commission has taken numerous steps to minimize significant economic impact on small entities of the interstate access charge and universal service reforms adopted in this Order. Overall, the Commission's approach is tailored to the specific challenges faced by small local telephone companies serving rural and high-cost areas. Although per-minute switched access charges will be reduced for all rate-of-return carriers, these carriers will retain the flexibility to establish rates based on their own costs in the areas they serve, rather than being forced to conform to a prescribed target rate. Rate-of-return

carriers will continue to be permitted to set rates based on the authorized rate of return of 11.25 percent. And the new, uncapped support mechanism created by this Order will provide certainty and stability by ensuring that the rate structure modifications we adopt do not affect overall recovery of interstate access costs. The Order adopts a cautious approach which rationalizes the access rate structure and converts identifiable implicit subsidies to explicit support, without endangering this important revenue stream for rate-of-return carriers.

40. The Commission also has taken steps to minimize the administrative burdens imposed on small carriers as a result of access charge and universal service reform. The Order does not create a separate non-primary residential line SLC cap. Instead, it applies the same SLC cap to primary and non-primary residential lines, concluding that this approach will simplify the common line rate structure and avoid the administrative costs associated with administering the distinction. The Order also provides that a separate cost showing to justify residential and single-line business SLC cap increases above \$5.00 will not be required for rate-of-return carriers, concluding that such a requirement is unnecessary and would create undue administrative burdens. The Order provides that rate-of-return carriers may deaverage SLC rates in accordance with universal service support disaggregation plans established pursuant to the *Rural Task Force Order*, a measure which will minimize administrative burdens on small carriers, as well as confusion among competitive carriers, by ensuring that carriers do not have multiple overlapping zones within their services for universal service support and SLC rates, as well as providing the flexibility necessary to accommodate the diversity among small local telephone companies.

41. To ease the burden on small local telephone companies of reallocating line port costs from local switching to the common line category, carriers will be permitted to shift 30 percent of their local switching costs to the common line category in lieu of conducting a cost study. A carrier conducting a cost study may use the results in future tariff filings.

42. The Order permits, but does not require, rate-of-return carriers to establish a number of local switching and transport rate elements, concluding that these rate structure modifications should be optional to avoid undue administrative burdens on small rate-of-return carriers, and to allow carriers to make individual determinations as to

whether the costs of establishing new rate elements are warranted by the potential efficiency gains.

43. To accommodate the fact that rate-of-return carriers are not required to maintain the account detail that provides separate land, buildings, office furniture, and general-purpose computer investment detail in order to implement the allocator adopted for price cap carriers for GSF costs, we only require them to apply the modified Big Three Expense Factor used by price cap carriers to general purpose computer investment to determine the amount to be allocated to the billing and collection category, thereby removing costs of non-regulated activities from the regulated rate base. We also permit rate-of-return carriers to use the general purpose computer investment amount they develop for a period of three years. This procedure recognizes the limitations of the accounting system and the administrative burdens of developing further disaggregated investment detail. Rate-of-return carriers whose billing and collection activities are performed exclusively by service bureaus will continue to allocate GSF pursuant to § 69.307(c) of our rules, which specifically addresses the situation in which rate-of-return carriers obtain all billing and collection services they provide to interexchange carriers from unregulated affiliates or from unaffiliated third parties.

44. The Order does not require rate-of-return carriers to recover marketing expenses through the common line recovery mechanisms, reasoning that determination of the costs to be reallocated would be more difficult for small carriers than for large, price cap carriers because small carriers are not required to keep more detailed Class A accounts, and that the costs in question represent only a small portion of rate-of-return carriers' interstate access revenues.

45. The Order generally adopts the same plan for disaggregation and targeting of Interstate Common Line Support as recently adopted for intrastate high-cost support for rural carriers, which will result in minimal additional administrative burdens for carriers that elect to disaggregate their support. Rate-of-return carriers choosing to disaggregate their Interstate Common Line Support must submit a detailed description of the disaggregation plan, including information that will enable competitors to verify and reproduce the algorithm used to determine zone support levels, and a geographic description and map of each such zone with the Commission, the relevant state regulatory agency, and USAC, as

discussed further below. These geographic descriptions and zone maps are identical to the ones that carriers must submit pursuant to the requirements of the *Rural Task Force Order*, and thus create no additional reporting requirements.

46. The Order limits as much as possible the filing requirements associated with the new Interstate Common Line Support mechanism, generally requiring carriers to file the minimum amount of information necessary for the proper functioning of the mechanism. Consistent with their average schedule status, average schedule companies will not be required to submit common line revenues requirements, but instead will be required to submit information that USAC determines is necessary in order for it to calculate common line revenue requirements for average schedule companies. Additionally, rural rate-of-return carriers and their competitors are required to file line count data on a quarterly basis only upon competitive entry by an eligible telecommunications carrier. The data that will be filed is similar to data that small carriers already prepare and submit to NECA to enable them to develop rates and operate the common line pool, but differs in important respects. The Order permits small carriers to file quarterly "true ups" to enable carriers that experience unforeseen costs to file actual cost data and receive increased per-line amounts of Interstate Common Line Support. The true-up option allows carriers to avoid over- or under-payment and to obtain the correct level of support for their particular revenue requirements.

47. The Order streamlines the part 69 waiver requirement for introduction of new services by rate-of-return carriers, concluding that streamlined filing requirements will eliminate unnecessary administrative burdens on small carriers.

48. The Commission considered a number of significant alternatives in this proceeding. The Commission sought comment on the MAG plan, a comprehensive proposal addressing numerous issues facing rate-of-return carriers, including access charge reform and universal service support, on January 5, 2001, stating its intention to fully and expeditiously consider the MAG plan. Based on the significant concerns about features of the MAG plan raised by commenters, the Commission has determined that adoption of the plan in its entirety would not benefit consumers or service the public interest. For example, the Commission determined that the MAG's

proposals that certain access charge reforms be optional, and that only those carriers electing the MAG incentive regulation proposal be eligible for new, explicit universal service support to replace implicit support in access charges, are inconsistent with the mandate of the 1996 Act and could preclude many small carriers from fully participating in interstate access charge reform, leading to increased access rate disparities among local telephone companies that is not in the public interest.

49. The Commission also has considered proposals for adoption of a target rate for the per-minute access charges of rate-of-return carriers, either on an optional or a mandatory basis. The Commission rejects these proposals and concludes that none of these proposals is supported by cost data and that the non-prescriptive, market-based approach to access charge reform adopted in the Order is more consistent with the competitive and universal service goals of the 1996 Act. The comments filed in this proceeding indicate a wide variation in cost patterns, density, and other operational characteristics among rate-of-return carriers. The access charge reform approach adopted in this Order accommodates this diversity by reallocating costs and removing implicit support to create more efficient rate structures, while allowing carriers to establish rates based on their own costs.

50. The Commission also considered and rejected proposals by some commenters for the establishment of a presubscribed interexchange carrier charge, or PICC, a flat, monthly charge assessed on the interexchange carrier with which an end user is presubscribed, for rate-of-return carriers in lieu of raising SLCs for rate-of-return carriers and/or removing the CCL charge from the common line rate structure. The Commission concludes that a PICC should not be introduced into the common line rate structure of rate-of-return carriers. Establishment of a PICC would force interexchange carriers to recover the cost of the PICC from all of their customers, and contribute to rate disparities between the two groups of carriers, thereby increasing the burden on interexchange carriers of compliance with the geographic rate averaging and rate integration requirements of section 254(g).

51. The Commission also considered and rejected the imposition of a cap on the explicit interstate support mechanism established in this Order, concluding that a cap is not appropriate under the circumstances. Many rate-of-return carriers are small, rural carriers

that serve high-cost regions. Small carriers generally are more dependent on their interstate access charge revenue streams and universal service support than large carriers and, therefore, more sensitive to disruption of those streams. The absence of a cap will ensure that the rate structure modifications adopted in this Order do not affect the overall recovery of interstate loop costs by small carriers.

6. Report to Congress

52. The Commission will send a copy of this Order, including this FRFA, in a report to be sent to Congress pursuant to the Congressional Review Act. In addition, the Commission will send a copy of this Order, including this FRFA, to the Chief Counsel for Advocacy of the Small Business Administration. A copy of this Order and FRFA (or summaries thereof) will also be published in the **Federal Register**.

C. Paperwork Reduction Act Analysis

53. The action contained herein has been analyzed with respect to the Paperwork Reduction Act of 1995 and found to impose new or modified reporting and recordkeeping requirements or burdens on the public. Implementation of these new or modified reporting and recordkeeping requirements will be subject to approval by the Office of Management and Budget (OMB) as prescribed by the Act, and will go into effect upon announcement in the **Federal Register** of OMB approval.

III. Ordering Clauses

54. Accordingly, it is ordered that, pursuant to the authority contained in sections 1–4, 201–205, 214, 218–220, 254, 303(r), 403, 405, and 410 of the Communications Act of 1934, as amended, this Second Report and Order in CC Docket No. 00–256, Fifteenth Report and Order in CC Docket No. 96–45, and Report and Order in CC Docket Nos. 98–77 and 98–166 is adopted.

55. Part 54 and 69 of the Commission's rules, are amended as set forth, effective December 31, 2001, except for §§ 54.307(b), 54.307(c), 54.315(a), 54.315(f)(1) through 54.315(f)(4), 54.902(a), 54.902(b), 54.902(c), 54.903(a)(1) through 54.903(a)(4), 54.904(a), 54.904(b), and 54.904(d), which contain information collection requirements that have not been approved by the Office of Management Budget (OMB). The Commission will publish a document in the **Federal Register** announcing the effective date of those sections.

56. It is further ordered that § 65.101 of the Commission's rules is stayed.

57. It is further ordered that the Commission's Consumer Information Bureau, Reference Information Center, shall send a copy of this Order, including the Final Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

List of Subjects

47 CFR Part 54

Reporting and recordkeeping requirements, Telecommunications, Telephone.

47 CFR Part 69

Communications common carriers, Reporting and recordkeeping requirements, Telephone.

Federal Communications Commission.

William F. Caton,
Deputy Secretary.

Final Rules

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR parts 54 and 69 as follows:

PART 54—UNIVERSAL SERVICE

1. The authority citation continues to read as follows:

Authority: 47 U.S.C. 1, 4(i), 201, 205, 214, and 254 unless otherwise noted.

2. Amend § 54.5 by adding the following definition in alphabetical order:

§ 54.5 Terms and definitions.

* * * * *

Rate-of-Return Carrier. "Rate-of-return carrier" shall refer to any incumbent local exchange carrier not subject to price cap regulation as that term is defined in § 61.3(x) of this chapter.

* * * * *

3. Amend § 54.307 by adding a third sentence to paragraph (a)(1), by revising the second and third sentences of paragraph (b), and by revising paragraph (c) to read as follows:

§ 54.307 Support to a competitive eligible telecommunications carrier.

(a) * * *

(1) * * * A competitive eligible telecommunications carrier serving loops in the service area of a rate-of-return carrier shall be eligible to receive Interstate Common Line Support for each line it serves in the service area in accordance with the formula in § 54.901.

* * * * *

(b) * * * For a competitive eligible telecommunications carrier serving

loops in the service area of a rural incumbent local exchange carrier, as that term is defined in § 54.5, the carrier must report, by customer class, the number of working loops it serves in the service area, disaggregated by cost zone if disaggregation zones have been established within the service area pursuant to § 54.315. For a competitive eligible telecommunications carrier serving loops in the service area of a non-rural telephone company, the carrier must report the number of working loops it serves in the service area, by customer class if the non-rural telephone company receives Interstate Common Line Support pursuant to § 54.901 and by disaggregation zone if disaggregation zones have been established within the service area pursuant to § 54.315 of this subpart, and the number of working loops it serves in each wire center in the service area.

(c) A competitive eligible telecommunications carrier must submit the data required pursuant to paragraph (b) of this section according to the schedule.

(1) No later than July 31st of each year, submit data as of December 31st of the previous calendar year;

(2) No later than September 30th of each year, submit data as of March 31st of the existing calendar year;

(3) No later than December 30th of each year, submit data as of June 30th of the existing calendar year;

(4) No later than March 30th of each year, submit data as of September 30th of the previous calendar year.

4. Amend § 54.315 by revising the section heading, paragraphs (a), (b)(4), (c)(5), (e)(1), (e)(4) through (e)(7), and (f)(1) through (f)(4) to read as follows:

§ 54.315 Disaggregation and targeting of high-cost support.

(a) On or before May 15, 2002, all rural incumbent local exchange carriers and rate-of-return carriers for which high-cost universal service support pursuant to §§ 54.301, 54.303, and/or 54.305 of this subpart, subpart K of this part, and/or part 36 subpart F is available must select a disaggregation path as described in paragraphs (b), (c), or (d) of this section. In study areas in which a competitive carrier was designated as a competitive eligible telecommunications carrier prior to June 19, 2001, the rural incumbent local exchange carrier or rate-of-return carrier may only disaggregate support pursuant to paragraphs (b), (c), or (d)(1)(iii) of this section. A rural incumbent local exchange carrier or rate-of-return carrier failing to select a disaggregation path as described in paragraphs (b), (c), or (d) of

this section by May 15, 2002, will not be permitted to disaggregate and target federal high-cost support unless ordered to do so by a state commission as that term is defined in § 54.5.

(b) * * *

(4) A state commission may require, on its own motion, upon petition by an interested party, or upon petition by the rural incumbent local exchange carrier or rate-of-return carrier, the disaggregation and targeting of support under paragraphs (c) or (d) of this section.

* * * * *

(c) * * *

(5) A state commission may require, on its own motion, upon petition by an interested party, or upon petition by the rural incumbent local exchange carrier or rate-of-return carrier, the disaggregation and targeting of support in a different manner.

* * * * *

(e) * * *

(1) Support available to the carrier's study area under its disaggregation plan shall equal the total support available to the study area without disaggregation.

* * * * *

(4) Per-line support amounts for each disaggregation zone shall be recalculated whenever the carrier's total annual support amount changes using the changed support amount and lines at that point in time.

(5) Per-line support for each category of support in each disaggregation zone shall be determined such that the ratio of support between disaggregation zones is maintained and that the product of all of the carrier's lines for each disaggregation zone multiplied by the per-line support for those zones when added together equals the sum of the carrier's total support.

(6) Until a competitive eligible telecommunications carrier is certified in a study area, monthly payments to the incumbent carrier will be made based on total annual amounts for its study area divided by 12.

(7) When a competitive eligible telecommunications carrier is certified in a study area, per-line amounts used to determine the competitive eligible telecommunications carrier's disaggregated support shall be based on the incumbent carrier's then-current total support levels, lines, disaggregated support relationships, and, in the case of support calculated under subpart K of this part, customer classes.

(f) * * *

(1) A carrier certifying under paragraph (b) of this section that it will not disaggregate and target high-cost universal service support shall submit

to the Administrator a copy of the certification submitted to the state commission, or the Federal Communications Commission, when not subject to state jurisdiction.

(2) A carrier electing to disaggregate and target support under paragraph (c) of this section shall submit to the Administrator a copy of the order approving the disaggregation and targeting plan submitted by the carrier to the state commission, or the Federal Communications Commission, when not subject to state jurisdiction, and a copy of the disaggregation and targeting plan approved by the state commission or the Federal Communications Commission.

(3) A carrier electing to disaggregate and target support under paragraph (d) of this section shall submit to the Administrator a copy of the self-certification plan including the information submitted to the state commission pursuant to paragraphs (d)(2)(i) and (d)(2)(iv) of this section or the Federal Communications Commission.

(4) A carrier electing to disaggregate and target support under paragraph (c) or (d) of this section must submit to the Administrator maps which precisely identify the boundaries of the designated disaggregation zones of support within the carrier's study area.

5. Amend § 54.701 by revising paragraph (g)(1)(iii) to read as follows:

§ 54.701 Administrator of universal service support mechanisms.

* * * * *

(g)(1) * * *

(iii) The High Cost and Low Income Division, which shall perform duties and functions in connection with the high cost and low income support mechanism, the interstate access universal service support mechanism for price cap carriers described in subpart J of this part, and the interstate common line support mechanism for rate-of-return carriers described in subpart K of this part, under the direction of the High Cost and Low Income Committee of the Board, as set forth in § 54.705(c).

6. Amend § 54.702 by revising paragraph (a) and the second sentence of paragraph (i) to read as follows:

§ 54.702 Administrator's functions and responsibilities.

(a) The Administrator, and the divisions therein, shall be responsible for administering the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, the low income support mechanism, the

interstate access universal service support mechanism described in subpart J of this part, and the interstate common line support mechanism described in subpart K of this part.

* * * * *

(i) * * * The Administrator shall keep separate accounts for the amounts of money collected and disbursed for eligible schools and libraries, rural health care providers, low-income consumers, interstate access universal service support, interstate common line support, and high-cost and insular areas.

* * * * *

7. Amend § 54.705 by revising paragraphs (c)(1) introductory text, (c)(1)(i), (c)(1)(ii), (c)(1)(iv), and (c)(1)(v) to read as follows:

§ 54.705 Committees of the Administrator's Board of Directors.

* * * * *

(c) *High Cost and Low Income Committee*—(1) *Committee functions.* The High Cost and Low Income Committee shall oversee the administration of the high cost and low income support mechanisms, the interstate access universal service support mechanism for price cap carriers described in subpart J of this part, and the interstate common line support mechanism for rate-of-return carriers described in subpart K of this part by the High Cost and Low Income Division. The High Cost and Low Income Committee shall have the authority to make decisions concerning:

(i) How the Administrator projects demand for the high cost, low income, interstate access universal service, and interstate common line support mechanisms;

(ii) Development of applications and associated instructions as needed for the high cost, low income, interstate access universal service, and interstate common line support mechanisms;

* * * * *

(iv) Performance of audits of beneficiaries under the high cost, low income, interstate access universal service and interstate common line support mechanisms; and

(v) Development and implementation of other functions unique to the high cost, low income, interstate access universal service and interstate common line support mechanisms.

* * * * *

8. Amend § 54.715 by revising the third sentence of paragraph (c) to read as follows:

§ 54.715 Administrative expenses of the Administrator.

* * * * *

(c) * * * The administrative expenses incurred by the Administrator in connection with the schools and libraries support mechanism, the rural health care support mechanism, the high cost support mechanism, the low income support mechanism, the interstate access universal service support mechanism, and the interstate common line support mechanism shall be deducted from the annual funding of each respective support mechanism.

* * *

9. Add subpart K to part 54 to read as follows:

Subpart K—Interstate Common Line Support Mechanism for Rate-of-Return Carriers

Sec.

54.901 Calculation of Interstate Common Line Support.

54.902 Calculation of Interstate Common Line Support for transferred exchanges.

54.903 Obligations of rate-of-return carriers and the Administrator.

54.904 Carrier certification.

§ 54.901 Calculation of Interstate Common Line Support.

(a) Interstate Common Line Support available to a rate-of-return carrier shall equal the Common Line Revenue Requirement per Study Area as calculated in accordance with part 69 of this chapter minus:

(1) The study area revenues obtained from end user common line charges at their allowable maximum as determined by §§ 69.104(n) and 69.104(o) of this chapter;

(2) The carrier common line charge revenues to be phased out pursuant to § 69.105 of this chapter;

(3) The special access surcharge pursuant to § 69.114 of this chapter;

(4) The line port costs in excess of basic analog service pursuant to § 69.130 of this chapter; and

(5) Any Long Term Support for which the carrier is eligible or, if the carrier ceased participation in the NECA common line pool after October 11, 2001, any Long Term Support for which the carrier would have been eligible if it had not ceased its participation in the pool.

(b) The per-line Interstate Common Line Support available to a competitive eligible telecommunications carrier serving lines in a study area served by a rate-of-return carrier shall be calculated by the Administrator as follows:

(1) If the rate-of-return carrier has disaggregated the support it receives in the study area pursuant to § 54.315, the Administrator shall calculate the amount of Interstate Common Line Support targeted to each disaggregation

zone by the rate-of-return carrier (targeted Interstate Common Line Support). If the rate-of-return carrier has chosen not to disaggregate its support for a study area pursuant to § 54.315, then the entirety of its Interstate Common Line Support for the study area shall be considered targeted Interstate Common Line Support for purposes of performing the calculations in this section.

(2) In each disaggregation zone or undisaggregated study area, the Administrator shall calculate the Average Interstate Common Line Support by dividing the rate-of-return carrier's targeted Interstate Common Line Support by its total lines served.

(3) The Administrator shall then calculate the Interstate Common Line Support available to the competitive eligible telecommunications carrier for each line it serves for each customer class in a disaggregation zone or undisaggregated study area by the following formula:

(i) If the Average Interstate Common Line Support is greater than \$2.70 multiplied by the number of residential and single-line business lines served by the rate-of-return carrier in the disaggregation zone or undisaggregated study area, then:

(A) Interstate Common Line Support per Multi-Line Business Line = (Average Interstate Common Line Support – \$2.70 × residential and single-line business lines served by the rate-of-return carrier) ÷ (total lines served by the rate-of-return carrier); and

(B) Interstate Common Line Support per Residential and Single-Line Business Line = Interstate Common Line Support per Multi-Line Business Line + \$2.70.

(ii) If the Average Interstate Common Line Support is less than or equal to \$2.70 multiplied by residential and single-line business lines served by the rate-of-return carrier in the disaggregation zone or undisaggregated study area, but greater than \$0, then:

(A) Interstate Common Line Support per Multi-Line Business Line = \$0; and

(B) Interstate Common Line Support per Residential and Single-Line Business Line = Average Interstate Common Line Support + residential and single line business lines served by the rate-of-return carrier.

(iii) If the Average Interstate Common Line Support is equal to \$0, then the competitive eligible telecommunications carrier shall receive no Interstate Common Line Support for lines served in that disaggregation zone or undisaggregated study area.

§ 54.902 Calculation of Interstate Common Line Support for transferred exchanges.

(a) In the event that a rate-of-return carrier acquires exchanges from an entity that is also a rate-of-return carrier, Interstate Common Line Support for the transferred exchanges shall be distributed as follows.

(1) Each carrier may report its updated line counts to reflect the transfer in the next quarterly line count filing pursuant to § 54.903(a) that applies to the period in which the transfer occurred. During a transition period from the filing of the updated line counts until the end of the funding year, the Administrator shall adjust the Interstate Common Line Support received by each carrier based on the updated line counts and the per-line Interstate Common Line Support, categorized by customer class and, if applicable, disaggregation zone, of the selling carrier. If the acquiring carrier does not file a quarterly update of its line counts, it will not receive Interstate Common Line Support for those lines during the transition period.

(2) Each carriers' projected data for the following funding year filed pursuant to § 54.903(c) shall reflect the transfer of exchanges.

(3) Each carriers' actual data filed pursuant to § 54.903(d) shall reflect the transfer of exchanges. All post-transaction Interstate Common Line Support shall be subject to true up by the Administrator pursuant to § 54.903(e).

(b) In the event that a rate-of-return carrier acquires exchanges from a price cap carrier that are incorporated into one of the rate-of-return carrier's existing study areas, Interstate Common Line Support for the transferred exchanges shall be distributed as follows.

(1) The acquiring carrier may report its updated line counts for the study area into which the acquired lines are incorporated in the next quarterly line count filing pursuant to § 54.903(a) that applies to the period in which the transfer occurred. During a transition period from the filing of the updated line counts until the end of the funding year, the Administrator shall adjust the Interstate Common Line Support received by the acquiring carrier based on the updated line counts and the per-line amounts Interstate Common Line Support for the study area served by the acquiring carrier. If necessary, the Administrator shall develop an average per-line support amount to reflect various per-line amounts in multiple disaggregation zones served by the acquiring carrier. If the acquiring carrier does not file a quarterly update of its

line counts, it will not receive Interstate Common Line Support for those lines during the transition period.

(2) The acquiring carrier's projected data for the following funding year filed pursuant to § 54.903(c) shall reflect the transfer of exchanges.

(3) The acquiring carrier's actual data filed pursuant to § 54.903(d) shall reflect the transfer of exchanges. All post-transaction Interstate Common Line Support shall be subject to true up by the Administrator pursuant to § 54.903(e).

(c) In the event that a rate-of-return carrier acquires exchanges from a price cap carrier that are not incorporated into one of the rate-of-return carrier's existing study areas, Interstate Common Line Support for the transferred exchanges shall be distributed as follows.

(1) The acquiring rate-of-return may submit to the Administrator a projected Interstate Common Line Revenue Requirement for the acquired exchanges for the remainder of the funding year in the next quarterly report to the Administrator. The Administrator shall distribute Interstate Common Line Support pursuant to the partial year projected Interstate Common Line Revenue Requirement for the remainder of the funding year. If the acquiring carrier does not file a projected Interstate Common Line Revenue Requirement, it will not receive Interstate Common Line Support for those exchanges during the transition period.

(2) The acquiring carrier's projected data for the following funding year filed pursuant to § 54.903(c) shall reflect the transfer of exchanges.

(3) The acquiring carrier's actual data filed pursuant to § 54.903(d) shall reflect the transfer of exchanges. All post-transaction Interstate Common Line Support shall be subject to true up by the Administrator pursuant to § 54.903(e).

(d) In the event that an entity other than a rate-of-return carrier acquires exchanges from a rate-of-return carrier, per-line Interstate Common Line Support will not transfer.

(e) This section does not alter any Commission rule governing the sale or transfer of exchanges, including the definition of "study area" in part 36.

§ 54.903 Obligations of rate-of-return carriers and the Administrator.

(a) To be eligible for Interstate Common Line Support, each rate-of-return carrier shall make the following filings with the Administrator.

(1) On March 31, 2002, each rate-of-return carrier shall submit to the

Administrator the number of lines it serves as of September 30, 2001, within each rate-of-return carrier study area, by disaggregation zone if disaggregation zones have been established within that study area pursuant to § 54.315, showing residential and single-line business line counts and multi-line business line counts separately. For purposes of this report, and for purposes of computing support under this subpart, the residential and single-line business class lines reported include lines assessed the residential and single-line business End User Common Line charge pursuant to § 69.104 of this chapter, and the multi-line business class lines reported include lines assessed the multi-line business End User Common Line charge pursuant to § 69.104 of this chapter. For purposes of this report, and for purposes of computing support under this subpart, lines served using resale of the rate-of-return local exchange carrier's service pursuant to section 251(c)(4) of the Communications Act of 1934, as amended, shall be considered lines served by the rate-of-return carrier only and must be reported accordingly. Beginning July 31, 2002, each rate-of-return carrier shall submit the information described in this paragraph in accordance with the schedule in § 36.611 of this chapter.

(2) Each rate-of-return carrier in service areas where a competitive eligible telecommunications carrier has initiated service and reported line count data pursuant to § 54.307(c) shall submit the information in paragraph (a) of this section in accordance with the schedule in § 36.612 of this chapter. A rate-of-return carrier may submit the information in paragraph (a) of this section in accordance with the schedule in § 36.612 of this chapter, even if it is not required to do so. If a rate-of-return carrier makes a filing under this paragraph, it shall separately indicate any lines that it has acquired from another carrier that it has not previously reported pursuant to paragraph (a) of this section, identified by customer class and the carrier from which the lines were acquired.

(3) Each rate-of-return carrier shall submit to the Administrator, on March 31, 2002, and annually thereafter on March 31st information needed to calculate the Projected Annual Common Line Revenue Requirement for each of its study areas in the upcoming funding year. A rate-of-return carrier's Projected Annual Common Line Revenue Requirement shall be calculated in accordance with part 69 of this chapter. The funding year shall be July 1st of the current year through June 30th of the

next year. Rate-of-return carriers will be permitted to submit corrections to their projected Annual Common Line Revenue Requirement until April 10, 2002, and annually thereafter until April 10th.

(4) Each rate-of-return carrier shall submit to the Administrator, on July 31, 2003, and annually thereafter on July 31st, the carrier's common line costs as defined in part 69 of this chapter for each study area in which it operates for the previous calendar year. Such data shall be used by the Administrator to make adjustments to monthly per-line Interstate Common Line Support amounts in the following calendar year to the extent of any difference between the carrier's Projected Annual Common Line Revenue Requirement and the carrier's actual costs during the relevant period. A rate-of-return carrier may update the information submitted on July 31st one or more times quarterly on a rolling year basis according to the schedule in § 36.612 of this chapter.

(b) Upon receiving the information required to be filed in paragraph (a) of this section, the Administrator shall:

(1) Perform the calculations described in § 54.901;

(2) Publish the results of these calculations showing Interstate Common Line Support Per Line available in each rate-of-return carrier study area, by Disaggregation Zone and customer class;

(3) Perform periodic reconciliation of projected common line revenue requirements based on data provided by carriers pursuant to paragraph (a)(3) of this section and actual common line revenue requirements based on data provided by carriers pursuant to paragraph (a)(4) of this section;

(4) Collect the funds necessary to provide support pursuant to this subpart in accordance with subpart H of this part;

(5) Distribute support calculated pursuant to the rules contained in this subpart; and

(6) Report quarterly to the Commission on the collection and distribution of funds under this subpart as described in § 54.702(i). Fund distribution reporting will be by state and by eligible telecommunications carrier within the state.

§ 54.904 Carrier certification.

(a) *Certification.* Carriers that desire to receive support pursuant to this subpart shall file a certification with the Administrator and the Federal Communications Commission stating that all Interstate Common Line Support provided to such carrier will be used only for the provision, maintenance,

and upgrading of facilities and services for which the support is intended. Support provided pursuant to this subpart shall only be provided to the extent that the carrier has filed the requisite certification pursuant to this section.

(b) *Certification format.* A certification pursuant to this section may be filed in the form of a letter from an authorized representative for the carrier, and must be filed with both the Administrator and the Office of the Secretary of the Federal Communication Commission clearly referencing CC Docket No. 96-45, on or before the filing deadlines set forth in paragraph (d) of this section.

(c) All of the certifications filed by carriers pursuant to this section shall become part of the public record maintained by the Commission.

(d) *Filing deadlines.* In order for a rate-of-return carrier, and/or an eligible telecommunications carrier serving lines in the service area of a rate-of-return carrier, to receive Interstate Common Line Support, such carrier must file an annual certification, as described in paragraph (b) of this section, on the date that it first files its line count information pursuant to § 54.903, and thereafter on June 30th of each year.

PART 69—ACCESS CHARGES

10. The authority citation continues to read as follows:

Authority: 47 U.S.C. 154, 201, 202, 203, 205, 218, 220, 254, 403.

11. Amend § 69.2 by adding a new paragraph (ww) to read as follows:

§ 69.2 Definitions.

* * * * *

(ww) *Interstate Common Line Support (ICLS)* means funds that are provided pursuant to § 54.901 of this chapter.

12. Amend § 69.4 by revising paragraph (b)(2), by removing and reserving paragraph (c), by revising paragraphs (d) and (g), and by adding a new paragraph (j) to read as follows:

§ 69.4 Charges to be filed.

* * * * *

(b) * * *

(2) Carrier common line, provided that after June 30, 2003, non-price cap local exchange carriers may not assess a carrier common line charge;

* * * * *

(c) [Reserved.]

(d) Recovery of Contributions to the Universal Service Support Mechanisms by Incumbent Local Exchange Carriers.

(1) [Reserved.]

(2)(i) Local exchange carriers may recover their contributions to the universal service support mechanisms only through explicit, interstate, end-user charges assessed pursuant to either § 69.131 or § 69.158 that are equitable and nondiscriminatory.

(ii) Local exchange carriers may not recover any of their contributions to the universal service support mechanisms through access charges imposed on interexchange carriers.

* * * * *

(g) Local exchange carriers may establish appropriate rate elements for a new service, within the meaning of § 61.3(x) of this chapter, in any tariff filing.

* * * * *

(j) In addition to the charges specified in paragraph (b) of this section, the carrier's carrier charges for access service filed with this Commission by non-price cap local exchange carriers may include charges for each of the following elements:

- (1) Dedicated local switching trunk port;
- (2) Shared local switching trunk port;
- (3) Dedicated tandem switching trunk port;
- (4) Multiplexers associated with tandem switching;
- (5) DS1/voice grade multiplexers associated with analog switches; and
- (6) Per-message call setup.

13. Amend § 69.104 by revising the first sentence of paragraph (a), by revising paragraphs (c) through (f), by removing and reserving paragraphs (j) through (l), and by adding new paragraphs (n) through (r) to read as follows:

§ 69.104 End user common line for non-price cap incumbent local exchange carriers.

(a) This section is applicable only to incumbent local exchange carriers that are not subject to price cap regulation as that term is defined in § 61.3(ee) of this chapter. * * *

* * * * *

(c) Until December 31, 2001, except as provided in paragraphs (d) through (h) of this section, the single-line rate or charge shall be computed by dividing one-twelfth of the projected annual revenue requirement for the End User Common Line element by the projected average number of local exchange service subscriber lines in use during such annual period.

(d)(1) Until December 31, 2001, if the monthly charge computed in accordance with paragraph (c) of this section exceeds \$6, the charge for each local exchange service subscriber line,

except a residential line, a single-line business line, or a line used for Centrex-CO service that was in place or on order as of July 27, 1983, shall be \$6.

(2) Until December 31, 2001, the charge for each subscriber line associated with a public telephone shall be equal to the monthly charge computed in accordance with paragraph (d)(1) of this section.

(e) Until December 31, 2001, the monthly charge for each residential and single-line business local exchange service subscriber shall be the charge computed in accordance with paragraph (c) of this section, or \$3.50, whichever is lower.

(f) Except as provided in § 54.403 of this chapter, the charge for each residential local exchange service subscriber line shall be the same as the charge for each single-line business local exchange service subscriber line.

* * * * *

(j) [Reserved.]

(k) [Reserved.]

(l) [Reserved.]

* * * * *

(n)(1) Beginning January 1, 2002, except as provided in paragraph (r) of this section, the maximum monthly charge for each residential or single-line business local exchange service subscriber line shall be the lesser of:

(i) One-twelfth of the projected annual revenue requirement for the End User Common Line element divided by the projected average number of local exchange service subscriber lines in use during such annual period; or

(ii) The following:

(A) Beginning January 1, 2002, \$5.00.

(B) Beginning July 1, 2002, \$6.00.

(C) Beginning July 1, 2003, \$6.50.

(2) In the event that GDP-PI exceeds 6.5% or is less than 0%, the maximum monthly charge in paragraph (n)(1)(ii) of this section will be adjusted in the same manner as the adjustment in § 69.152(d)(2).

(o)(1) Beginning on January 1, 2002, except as provided in paragraph (r) of this section, the maximum monthly End User Common Line Charge for multi-line business lines will be the lesser of:

(i) \$9.20; or

(ii) One-twelfth of the projected annual revenue requirement for the End User Common Line element divided by the projected average number of local exchange service subscriber lines in use during such annual period;

(2) In the event that GDP-PI is greater than 6.5% or is less than 0%, the maximum monthly charge in paragraph (o)(1)(i) of this section will be adjusted in the same manner as the adjustment in § 69.152(k)(2).

(p) Beginning January 1, 2002, non-price cap local exchange carriers shall assess:

(1) No more than one End User Common Line charge as calculated under the applicable method under paragraph (n) of this section for Basic Rate Interface integrated services digital network (ISDN) service.

(2) No more than five End User Common Line charges as calculated under paragraph (o) of this section for Primary Rate Interface ISDN service.

(q) In the event a non-price cap local exchange carrier charges less than the maximum End User Common Line charge for any subscriber lines, the carrier may not recover the difference between the amount collected and the maximum from carrier common line charges, Interstate Common Line Support, or Long Term Support.

(r) *End User Common Line Charge Deaveraging.* Beginning on January 1, 2002, non-price cap local exchange carriers may geographically deaverage End User Common Line charges subject to the following conditions.

(1) In order for a non-price cap local exchange carrier to be allowed to deaverage End User Common Line charges within a study area, the non-price cap local exchange carrier must have:

(i) State commission-approved geographically deaveraged rates for UNE loops within that study area; or

(ii) A universal service support disaggregation plan established pursuant to § 54.315 of this chapter.

(2) All geographic deaveraging of End User Common Line charges by customer class within a study area must be according to the state commission-approved UNE loop zone, or the universal service support disaggregation plan established pursuant to § 54.315 of this chapter.

(3) Within a given zone, Multi-line Business End User Common Line rates cannot fall below Residential and Single-Line Business rates.

(4) For any given class of customer in any given zone, the End User Common Line Charge in that zone must be greater than or equal to the End User Common Line charge in the zone with the next lower cost per line.

(5) A non-price cap local exchange carrier shall not receive more through deaveraged End User Common Line charges than it would have received if it had not deaveraged its End User Common Line charges.

(6) *Maximum charge.* The maximum zone deaveraged End User Common Line Charge that may be charged in any zone is the applicable cap specified in paragraphs (n) or (o) of this section.

(7) *Voluntary Reductions.* A "Voluntary Reduction" is one in which the non-price cap local exchange carrier charges End User Common Line rates below the maximum charges specified in paragraphs (n)(1) or (o)(1) of this section other than through offset of net increases in End User Common Line charge revenues or through increases in other zone deaveraged End User Common Line charges.

14. Amend § 69.105 by revising paragraph (a) and by adding a new paragraph (d) to read as follows:

§ 69.105 Carrier common line for non-price cap local exchange carriers.

(a) This section is applicable only to local exchange carriers that are not subject to price cap regulation as that term is defined in § 61.3(ee) of this chapter. Until June 30, 2003, a charge that is expressed in dollars and cents per line per access minute of use shall be assessed upon all interexchange carriers that use local exchange common line facilities for the provision of interstate or foreign telecommunications services, except that the charge shall not be assessed upon interexchange carriers to the extent they resell MTS or MTS-type services of other common carriers (OCCs).

* * * * *

(d) From July 1, 2002, to June 30, 2003, the carrier common line charge calculations pursuant to this section shall be limited to an amount equal to the number of projected residential and single-line business lines multiplied by the difference between the residential and single-line business End User Common Line rate cap and the lesser of \$6.50 or the non-price cap local exchange carrier's average cost per line.

15. Amend § 69.106 by revising paragraph (g) and by adding a new paragraph (h) to read as follows:

§ 69.106 Local switching.

* * * * *

(g) A local exchange carrier may recover signaling costs associated with call setup through a call setup charge imposed upon all interstate interexchange carriers that use that local exchange carrier's facilities to originate or terminate interstate interexchange or foreign services. This charge must be expressed as dollars and cents per call attempt and may be assessed on originating calls handed off to the interexchange carrier's point of presence and on terminating calls received from an interexchange carrier's point of presence, whether or not that call is completed at the called location. Local exchange carriers may not recover

through this charge any costs recovered through other rate elements.

(h) Except as provided in § 69.118, non-price cap local exchange carriers may establish rate elements for local switching as follows:

(1) Non-price cap local exchange carriers may separate from the projected annual revenue requirement for the Local Switching element those costs projected to be incurred for ports (including cards and DS1/voice-grade multiplexers required to access end offices equipped with analog switches) on the trunk side of the local switch. Non-price cap local exchange carriers electing to assess these charges shall further identify costs incurred for dedicated trunk ports separately from costs incurred for shared trunk ports.

(i) Non-price cap local exchange carriers electing to assess trunk port charges shall recover dedicated trunk port costs identified pursuant to paragraph (h)(1) of this section through flat-rated charges expressed in dollars and cents per trunk port and assessed upon the purchaser of the dedicated trunk terminating at the port.

(ii) Non-price cap local exchange carriers electing to assess trunk port charges shall recover shared trunk port costs identified pursuant to paragraph (h)(1) of this section through charges assessed upon purchasers of shared transport. This charge shall be expressed in dollars and cents per access minute of use. The charge shall be computed by dividing the projected costs of the shared ports by the historical annual access minutes of use calculated for purposes of recovery of common transport costs in § 69.111(c).

(2) Non-price cap local exchange carriers shall recover the projected annual revenue requirement for the Local Switching element that are not recovered in paragraph (h)(1) of this section through charges that are expressed in dollars and cents per access minute of use and assessed upon all interexchange carriers that use local exchange switching facilities for the provision of interstate or foreign services. The maximum charge shall be computed by dividing the projected remainder of the annual revenue requirement for the Local Switching element by the historical annual access minutes of use for all interstate or foreign services that use local exchange switching facilities.

16. Amend § 69.111 by adding a new paragraph (m) to read as follows:

§ 69.111 Tandem-switched transport and tandem charge.

* * * * *

(m) In addition to the charges described in this section, non-price cap local exchange carriers may establish separate charges for multiplexers and dedicated trunk ports used in conjunction with the tandem switch as follows:

(1)(i) Non-price cap local exchange carriers may establish a flat-rated charge for dedicated DS3/DS1 multiplexing on the serving wire center side of the tandem switch provided in conjunction with dedicated DS3 transport service from the serving wire center to the tandem switch. This charge shall be assessed on interexchange carriers purchasing tandem-switched transport in proportion to the number of DS3 trunks provisioned for that interexchange carrier between the serving wire center and the tandem switch.

(ii) Non-price cap local exchange carriers may establish a flat-rated charge for dedicated DS1/voice-grade multiplexing provided on the serving wire center side of analog tandem switches. This charge may be assessed on interexchange carriers purchasing tandem-switched transport in proportion to the interexchange carrier's transport capacity on the serving wire center side of the tandem.

(2) Non-price cap local exchange carriers may recover the costs of dedicated trunk ports on the serving wire center side of the tandem switch through flat-rated charges expressed in dollars and cents per trunk port and assessed upon the purchaser of the dedicated trunk terminating at the port.

17. Amend § 69.124 by revising paragraph (a) to read as follows:

§ 69.124 Interconnection charge.

(a) Until December 31, 2001, local exchange carriers not subject to price cap regulation shall assess an interconnection charge expressed in dollars and cents per access minute upon all interexchange carriers and upon all other persons using the telephone company switched access network.

* * * * *

18. Add § 69.130 to subpart B to read as follows:

§ 69.130 Line port costs in excess of basic analog service.

To the extent that the costs of ISDN line ports, and line ports associated with other services, exceed the costs of a line port used for basic, analog service, non-price cap local exchange carriers may recover the difference through a separate monthly end-user charge, provided that no portion of such excess cost may be recovered through other

common line access charges, or through Interstate Common Line Support.

19. Add § 69.131 to subpart B to read as follows:

§ 69.131 Universal service end user charges.

To the extent the company makes contributions to the Universal Service Support Mechanisms pursuant to §§ 54.706 and 54.709 of this chapter and the non-price cap local exchange carrier seeks to recover some or all of the amount of such contribution, the non-price cap local exchange carrier shall recover those contributions through a charge to end users other than Lifeline users. The charge to recover these contributions is not part of any other element established pursuant to part 69. Such a charge may be assessed on a per-line basis or as a percentage of interstate retail revenues, and at the option of the local exchange carrier it may be combined for billing purposes with other end user retail rate elements. A non-price cap local exchange carrier opting to assess the Universal Service end-user rate element on a per-line basis may apply that charge using the "equivalency" relationships established for the multi-line business PICC for Primary Rate ISDN service, as per § 69.153(d), and for Centrex lines, as per § 69.153(e).

20. Amend § 69.306 by revising paragraph (d) to read as follows:

§ 69.306 Central office equipment (COE).

* * * * *

(d) COE Category 3 (Local Switching Equipment) shall be assigned to the Local Switching element except as provided in paragraph (a) of this section; and that,

(1) For telephone companies subject to price cap regulation set forth in part 61 of this chapter, line-side port costs shall be assigned to the Common Line rate element; and

(2) Beginning January 1, 2002, for non-price cap local exchange carriers, line-side port costs shall be assigned to the Common Line rate element. Such amount shall be determined after any local switching support has been removed from the interstate Local Switching revenue requirement. Non-price cap local exchange carriers may use thirty percent of the interstate Local Switching revenue requirement, minus any local switching support, as a proxy for allocating line port costs to the Common Line category.

* * * * *

21. Amend § 69.307 by revising paragraph (c) and by adding a new paragraph (e) to read as follows:

§ 69.307 General support facilities.

* * * * *

(c)(1) Until June 30, 2002, for all local exchange carriers not subject to price cap regulation and for other carriers that acquire all of the billing and collection services that they provide to interexchange carriers from unregulated affiliates through affiliate transactions, from unaffiliated third parties, or from both of these sources, all other General Support Facilities investments shall be apportioned among the interexchange category, the billing and collection category, and Common Line, Local Switching, Information, Transport, and Special Access elements on the basis of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

(2) Beginning July 1, 2002, for all local exchange carriers that acquire all of the billing and collection services that they provide to interexchange carriers from unregulated affiliates through affiliate transactions, from unaffiliated third parties, or from both of these sources, all other General Support Facilities investments shall be apportioned among the interexchange category, the billing and collection category, and Common Line, Local Switching, Information, Transport, and Special Access elements on the basis of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

* * * * *

(e) Beginning July 1, 2002, for non-price cap local exchange carriers not covered by § 69.307(c)(2), a portion of General purpose computer investment shall be apportioned to the billing and collection category on the basis of the Big Three Expense Factors allocator, defined in § 69.2, modified to exclude expenses that are apportioned on the basis of allocators that include General Support Facilities investment. The remaining General Support Facilities investments shall be apportioned among the interexchange category, the billing and collection category, and Common Line, Local Switching, Information, Transport, and Special Access Elements on the basis of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

22. Add § 69.415 to subpart E to read as follows:

§ 69.415 Reallocation of certain transport expenses.

(a) Beginning January 1, 2002, non-price cap local exchange carriers shall reallocate a portion of the costs

otherwise assigned to the transport category to the common line, local switching, information, and special access elements.

(b) The amount to be reallocated is limited to the total revenues recovered through the interconnection charge assessed pursuant to § 69.124 for the 12-month period ending June 30, 2001.

(c) The reallocation of the amount in paragraph (b) of this section shall be based on each access element's projected revenue requirement divided by the total revenue requirement of all the access elements, provided that:

(1) Local switching support shall not be included in the local switching category's projected revenue requirement, or in the total projected revenue requirement;

(2) A non-price cap local exchange carrier's universal service contribution shall not be included in the numerator or the denominator of the allocation formula;

(3) The amount determined in paragraph (b) of this section shall be excluded from the transport revenue requirement and from the total projected revenue requirement for purposes of the allocation calculations; and

(4) The common line revenue requirement shall include long term support as provided in § 54.303 of this chapter and, beginning July 1, 2002, shall include Interstate Common Line Support as provided in § 54.901 of this chapter.

23. Amend § 69.501 by revising paragraphs (b), (c), and (e) and by adding a new paragraph (f) to read as follows:

§ 69.501 General.

* * * * *

(b) Until December 31, 2001, any portion of the Common Line element annual revenue requirement that is attributable to CPE investment or expense or surrogate CPE investment or expense shall be assigned to the Carrier Common Line element or elements.

(c) Until December 31, 2001, any portion of the Common Line element annual revenue requirement that is attributable to customer premises wiring included in IOT investment or expense shall be assigned to the Carrier Common Line element or elements.

* * * * *

(e) Until December 31, 2001, any portion of the Common Line element revenue requirement that is not assigned to Carrier Common Line elements pursuant to paragraphs (b) and (c) of this section shall be apportioned between End User Common Line and Carrier Common Line pursuant to

§ 69.502. Such portion of the Common Line element annual revenue requirement shall be described as the base factor portion for purposes of this subpart.

(f) Beginning January 1, 2002, the Common Line element revenue requirement shall be apportioned between End User Common Line and Carrier Common Line pursuant to § 69.502. The Common Line element annual revenue requirement shall be described as the base factor portion for purposes of this subpart.

24. Amend § 69.502 by adding new paragraphs (d) and (e) to read as follows:

§ 69.502 Base factor allocation.

* * * * *

(d) Beginning July 1, 2002, the portion of per-line support that carriers receive pursuant to § 54.901 of this chapter; and

(e) Line port costs in excess of basic analog service pursuant to § 69.130.

25. Amend § 69.603 by adding a new sentence immediately before the last sentence of paragraph (g) and a new sentence at the end of paragraph (h)(5) to read as follows:

§ 69.603 Association functions.

* * * * *

(g) * * * Beginning July 1, 2002, Interstate Common Line Support revenues shall be included in the allocation base for Category I.B expenses. * * *

(h) * * *

(5) * * * Beginning July 1, 2002, Interstate Common Line Support shall be subject to this provision.

* * * * *

26. Amend § 69.609 by adding a second sentence to paragraph (b) to read as follows:

§ 69.609 End User Common Line hypothetical net balances.

* * * * *

(b) * * * For purposes of this calculation, access revenues collected shall include any revenues foregone because of a voluntary reduction made pursuant to § 69.104(r)(7).

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