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#### SUPPLEMENTARY INFORMATION:

##### I. General Information

###### A. Does this Action Apply to Me?

This action is directed to the public in general. This action may be of particular interest to anyone who may be affected if the AEGL values are adopted by government agencies for emergency planning, prevention, or response programs, such as EPA's Risk Management Program under the Clean Air Act and Amendments Section 112r. It is possible that other Federal agencies besides EPA, as well as State agencies and private organizations, may adopt the AEGL values for their programs. As such, the Agency has not attempted to describe all the specific entities that may be affected by this action. If you have any questions regarding the applicability of this action to a particular entity, consult the DFO listed under **FOR FURTHER INFORMATION CONTACT**.

###### B. How Can I Get Copies of this Document and Other Related Information?

1. *Docket.* EPA has established an official public docket for this action under docket identification (ID) number OPPT-2004-0103. The official public docket consists of the documents specifically referenced in this action, any public comments received, and other information related to this action. Although a part of the official docket, the public docket does not include Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. The official public docket is the collection of materials that is available for public viewing at the EPA Docket Center, Rm. B102-Reading Room, EPA West, 1301 Constitution Ave., NW., Washington, DC. The EPA Docket Center is open from 8:30 a.m. to 4:30 p.m., Monday through Friday, excluding legal holidays. The EPA Docket Center Reading Room telephone number is (202) 566-1744 and the telephone number for the OPPT Docket, which is located in EPA Docket Center, is (202) 566-0280.

2. *Electronic access.* You may access this **Federal Register** document electronically through the EPA Internet

under the "**Federal Register**" listings at <http://www.epa.gov/fedrgstr/>.

An electronic version of the public docket is available through EPA's electronic public docket and comment system, EPA Dockets. You may use EPA Dockets at <http://www.epa.gov/edocket/> to submit or view public comments, access the index listing of the contents of the official public docket, and to access those documents in the public docket that are available electronically. Although not all docket materials may be available electronically, you may still access any of the publicly available docket materials through the docket facility identified in Unit I.B.1. Once in the system, select "search," then key in the appropriate docket ID number.

##### II. Meeting Procedures

For additional information on the scheduled meeting, the agenda of the NAC/AEGL Committee, or the submission of information on chemicals to be discussed at the meeting, contact the DFO listed under **FOR FURTHER INFORMATION CONTACT**.

The meeting of the NAC/AEGL Committee will be open to the public. Oral presentations or statements by interested parties will be limited to 10 minutes. Interested parties are encouraged to contact the DFO to schedule presentations before the NAC/AEGL Committee. Since seating for outside observers may be limited, those wishing to attend the meeting as observers are also encouraged to contact the DFO at the earliest possible date to ensure adequate seating arrangements. Inquiries regarding oral presentations and the submission of written statements or chemical-specific information should be directed to the DFO.

##### III. Future Meetings

Another meeting of the NAC/AEGL Committee is scheduled for December 13-15, 2004.

##### List of Subjects

Environmental protection, Chemicals, Hazardous substances, Health.

Dated: August 30, 2004.

**Wendy C. Hamnett,**

*Acting Director, Office of Pollution Prevention and Toxics.*

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## FEDERAL COMMUNICATIONS COMMISSION

[CC Docket No. 96-45; FCC 04J-2]

### Federal-State Joint Board on Universal Service Seeks Comment on Certain of the Commission's Rules Relating to High-Cost Universal Service Support

**AGENCY:** Federal Communications Commission.

**ACTION:** Notice; solicitation of comments.

**SUMMARY:** In this document, the Federal-State Joint Board on Universal Service seeks comment on issues recently referred to it by the Commission, relating to the high-cost universal support mechanisms for rural carriers and the appropriate rural mechanism to succeed the five-year plan adopted in the *Rural Task Force Order*. By this document, the Joint Board initiates its review. The Federal-State Joint Board on Universal Service invites public comment on whether these rules continue to fulfill their intended purposes, whether modifications are warranted, and if so, how the rules should be modified.

**DATES:** Comments are due on or before October 15, 2004. Reply Comments are due on or before December 14, 2004.

**ADDRESSES:** Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. See Electronic Filing of Documents in Rulemaking Proceedings, 63 FR 24121, May 1, 1998. See **SUPPLEMENTARY INFORMATION** for additional filing instructions.

**FOR FURTHER INFORMATION CONTACT:** Ted Burmeister, Attorney, or Sheryl Todd, Management Analyst, Wireline Competition Bureau, Telecommunication Access Policy Division, (202) 418-7400 TTY: (202) 418-0484.

**SUPPLEMENTARY INFORMATION:** 1. In this Public Notice, we seek comment on issues recently referred to us by the Commission, relating to the high-cost universal support mechanisms for rural carriers and the appropriate rural mechanism to succeed the five-year plan adopted in the *Rural Task Force Order*, 66 FR 30080, June 5, 2001. In particular, the Commission asked the Joint Board to consider whether a universal service support mechanism for rural carriers based on forward-looking economic cost estimates or embedded costs would most efficiently and effectively achieve the goals set forth in the Telecommunications Act of 1996. The Commission also asked the Joint Board both to revisit the definition

of "rural telephone company" for high-cost universal service support purposes and to consider consolidating multiple study areas within a State. Finally, the Commission requested that the Joint Board consider whether to retain or modify § 54.305 of the Commission's rules, which concerns the amount of universal service support for transferred exchanges. By this Public Notice, the Joint Board initiates its review. As set forth below, we invite public comment on whether these rules continue to fulfill their intended purposes, whether modifications are warranted, and if so, how the rules should be modified.

### I. Issues for Comment

2. We seek comment below on the issues referred to us by the Commission in the *Referral Order*, 69 FR 48232, August 9, 2004, and seek further comment on issues from the *Joint Board Recommended Decision on Portability*. We first seek comment regarding whether the Commission should continue to use the statutory definition of "rural telephone company" to determine which carriers are rural carriers for high-cost universal service support purposes. We then seek comment regarding the appropriate structure of universal service support mechanisms in areas served by rural carriers, including the cost basis of support and the method of calculating support. Finally, we seek comment regarding whether the Commission should retain, modify, or eliminate § 54.305 of its rules, which governs high-cost universal service support for transferred exchanges.

#### A. Definition of "Rural" for Universal Service Purposes

3. We seek comment on whether the Commission should continue to use the statutory definition of "rural telephone company" to determine which carriers are rural carriers for high-cost universal service purposes. In particular, we seek comment on the extent to which each of the four subparts of the definition accurately identifies companies that "generally serve fewer subscribers, serve more sparsely populated areas, and generally do not benefit as much from economies of scale and scope" as the large non-rural carriers. For example, approximately 40 companies serving study areas with more than 100,000 access lines, including one company serving over 2 million access lines, self-certified as rural carriers under subsection 3(37)(D) of the Act. Most of these companies are owned by holding companies that have operations in many States. On the other hand, companies that serve only one study area in one

State, but exceed the 100,000 access line threshold in subsection 3(37)(C), are considered to be non-rural carriers.

4. We seek comment on whether the Commission should continue to use subsection 3(37)(D) to identify rural carriers for high-cost universal service purposes despite the anomalies resulting from carriers self-certifying under this test. There being no statutory requirement that the Commission uses the Act's definition of rural telephone company for high-cost universal service purposes, should the Commission simply eliminate this test? This likely would ensure that no study area serving more than 100,000 access lines would be considered "rural." Alternatively, would some other method be preferable? Is there some universal service policy objective that would be served by treating a carrier with more than 100,000 lines as rural when most of those lines are in rural areas? How can we ensure that those policy objectives are met? Should the Commission interpret subsection 3(37)(D) to exclude carriers that are serving areas that are merely separate, but adjacent, communities in an urbanized area?

5. Specifically, could the Commission interpret "communities of more than 50,000" in a way that would prevent rural treatment of urbanized or suburban areas? When the Commission decided to use Census Bureau statistics for legally incorporated localities, consolidated cities, and census-designated places to define communities of more than 50,000, there was no information on the record to indicate that this definition would present any problems in the Commission's determination of a carrier's status as a rural or non-rural company. The Commission declined to adopt an approach proposed by GTE that would have differentiated between lines serving metropolitan statistical areas (MSAs) and those serving rural areas. We seek comment on whether we should use different Census Bureau definitions, such as MSA, urbanized area, or urban cluster, to define "communities of more than 50,000." Would using any of these broader definitions be either under-inclusive or over-inclusive in identifying companies that should be considered as rural for high-cost universal service purposes?

6. We also seek comment more generally on the extent to which the Commission should continue to use the other three parts of the statutory definition. We seek comment on whether the Commission should modify its rural/non-rural definitional framework to permit finer distinctions

among carriers of different sizes or characteristics. Would using finer distinctions among carriers better recognize the great diversity among rural telephone companies? Would such distinctions be useful in more effectively targeting universal service support to rural carriers serving the highest cost areas? For example, should the Commission have different high-cost universal service support mechanisms for small, medium, and large size companies? How should the Commission determine carrier size? What other characteristics should the Commission consider in distinguishing among carriers?

7. We seek comment on whether the Commission should continue to categorize carriers based generally upon study area size. Although a carrier's study area generally corresponds to the carrier's entire service territory within a State, for various reasons a carrier may have more than one study area per state. To what extent does a carrier operating multiple study areas in a given State achieve some economies of scale that are not reflected in high-cost support calculations based on separate study areas? To what extent is the fact that a single company currently has multiple study areas within a State inconsistent with the policies underlying the study area freeze? Would considering all of a company's study areas within a State for universal service support purposes better reflect the appropriate economies of scale achieved by the carrier?

8. We seek comment on whether the Commission should consider holding company size, as well as study area size, when identifying companies that generally do not benefit as much from economies of scale and scope as the large non-rural companies. Many rural carriers are the operating subsidiaries of larger holding companies that may provide some economies of scale not realized by other non-affiliated rural carriers. For example, although mid-sized rural telephone holding companies with operations in many States do not have the same buying power as the largest non-rural companies, they likely have greater economies of scale and scope than very small rural companies with only one study area. Should the Commission consider having categories of carriers for high-cost universal service purposes that would take into account all affiliated companies nationwide?

9. If the Commission were to differentiate between small, medium, and large companies for high-cost universal service purposes, how should the Commission define those sizes? Should the Commission consider using

the size categories in subsections 3(37)(B)–(C) of the Act? For example, carriers with fewer than 50,000 lines could be considered small; carriers with more than 50,000 lines, but fewer than 100,000 lines, could be considered medium size; and carriers with more than 100,000 lines could be considered large. To what extent would the size categories depend on whether the Commission is considering study area, statewide operations, or nationwide operations in determining company size? Should size categories include consideration of both study area size and total company size? We invite commenters to propose alternative size categories, and number of categories, that would take into account the significant distinctions and great diversity among rural telephone companies.

10. We seek comment on what carrier characteristics, in addition to company size, the Commission should consider for purposes of determining how high-cost support should be calculated. To what extent should the Commission try to identify carriers that serve rural areas? While the test in subsection 3(37)(A) would exclude carriers serving urbanized areas, the tests in subsections 3(37)(B) and (C) consider only the number of lines. To what extent do these definitions permit carriers serving relatively low-cost suburban areas to receive high-cost support, merely because of their small size? Should a small carrier in an urbanized area and a small carrier in a sparsely populated rural area be treated the same for high-cost support purposes? Should the Commission try to target support more effectively to the highest cost rural areas by considering whether the area served is rural, as defined in some fashion? Should the Commission try to target support to the highest cost rural areas by comparing the costs among companies or areas and identifying the highest-cost companies or areas as rural? Should the Commission consider providing different levels of support depending on the rural nature of the area served? If commenters believe that the Commission should consider the type of area served for universal service purposes, we ask them to propose how the Commission should define “rural area.”

11. Within the context of the definition of rural carrier, we seek comment on whether the Commission’s universal service rules encourage carriers to provide quality, affordable services more efficiently. To what extent do the Commission’s rules encourage carriers serving rural areas to achieve economies of scale and scope that may

benefit consumers? To what extent do the Commission’s rules encourage or discourage consolidation that may provide economies of scale and scope? To what extent does the existence of separate support mechanisms for rural and non-rural carriers create incentives or disincentives for carriers to achieve economies of scale that permit the efficient provision of quality telecommunications to consumers in rural areas at rates that are reasonably comparable to those in urban areas?

12. We also seek comment on the impact of changing the definition of rural carriers. It is possible that if a new definition of “rural” is adopted for purposes of determining high-cost support, some companies that are currently designated as rural will instead be deemed non-rural. We seek comment on how such companies should be treated. For example, should these companies receive support under the same system as applies to existing non-rural companies, or should some other methodology apply? Should there be a transition period allowing these companies to adjust to whatever new rules and support levels may apply?

#### *B. Universal Service Support in Areas Served by Rural Carriers*

13. In this section, we seek comment on how to determine universal service support in areas served by rural carriers after the end of the RTF plan on June 30, 2006. We first seek comment on how the underlying costs that provide the basis for support should be determined. Specifically, we seek comment regarding whether forward-looking economic cost estimates, embedded costs, or some other method of determining costs should be used for rural carriers, how each potential method of determining costs should be implemented, and what method of determining costs should be used for competitive eligible telecommunications carriers (ETCs). Finally, we seek comment on what methodology should be used to calculate each rural carrier’s support.

14. We ask that commenters, in analyzing these issues, recognize the distinction between the method of determining the cost basis of support and the method of calculating support, which together form a universal service support mechanism. For example, embedded costs have been linked, in the past, to universal service support calculated on a study area basis, while forward-looking economic cost estimates have been linked to support calculated using statewide averages. There is no requirement, however, limiting us to consideration of only

those combinations. So that we may better understand all of the possible options, we encourage commenters to analyze the impact of each particular option in isolation. Of course, commenters should also identify any benefits or concerns related to particular combinations of cost bases and support calculations.

#### 1. Cost Basis of Support

##### a. Forward-Looking Economic Costs Versus Embedded Costs

15. We seek comment on what method should be used to determine the costs associated with serving a particular area for the purposes of the rural support mechanism. In the *Universal Service First Report and Order*, 62 FR 32862, June 17, 1997, the Commission agreed with the Joint Board’s recommendation that forward-looking economic costs should be the basis for universal service support because, unlike embedded costs, they provide appropriate incentives for investment, entry, and innovation in the marketplace. In the *Ninth Report and Order*, 64 FR 67416, December 1, 1999, and *Tenth Report and Order*, 64 FR 67372, December 1, 1999, the Commission implemented a forward-looking support mechanism for non-rural carriers. The Commission’s methodology, based on the forward-looking high-cost synthesis model, has been used to determine support for non-rural carriers since January 2000. However, in the *Rural Task Force Order* in 2001, the Commission acknowledged that it did not, at that time, have sufficient information to develop a forward-looking model that appropriately could be used to estimate costs in areas served by rural carriers, and retained a modified embedded cost mechanism. Is it possible now to design a forward-looking model that would be appropriate to estimate costs for some or all rural carriers, or do embedded costs remain a more appropriate basis for determining the costs for all rural carriers? If embedded costs remain more appropriate, what future actions or events, if any, are necessary to make a forward-looking economic cost model viable? Is a forward-looking economic cost mechanism a viable long-term goal for areas served by rural carriers? Are there any other methods for determining a rural carrier’s costs, besides a forward-looking economic cost model or embedded costs, that would be appropriate for universal service purposes?

16. We seek comment on whether a rural support mechanism that bases support on forward-looking economic

cost estimates or on embedded costs more efficiently and effectively achieves the Act's goals. Does basing support on forward-looking economic costs or on embedded costs better ensure the availability of telecommunications services in rural areas that are comparable to those in urban areas, in terms of both rates and quality? Does basing support on forward-looking economic costs remain integral to providing appropriate incentives for investment, innovation, and entry into the marketplace? Can embedded costs be utilized in a manner that would provide appropriate incentives? We also ask commenters to address the competitive and technological neutrality of each method of determining the cost basis of support.

17. How would shifting to a mechanism based on forward-looking economic costs affect investment in facilities that are capable of providing advanced services? In the *Rural Task Force Order*, the Commission noted that the public switched telephone network is not a single-use network. Modern network infrastructure can provide access not only to voice services, but also to data, graphics, video, and other services. High-cost loop support is available to rural carriers "to maintain existing facilities and make prudent facility upgrades[.]" To what extent has the use of embedded costs affected the deployment of infrastructure capable of providing advanced services? Does the embedded cost mechanism create different incentives to deploy facilities that are capable of providing advanced services than the forward-looking synthesis model?

18. While mindful of our caveat that commenters should distinguish between the method of determining the cost basis of support and the method of calculating support, we seek comment on the extent to which the choice of forward-looking economic costs or embedded costs should be considered in the context of a specific method of calculating support. For example, is there any reason that forward-looking economic costs should be utilized only as part of a mechanism that calculates support based on statewide average costs? Or should embedded costs only be used to compare study area costs to nationwide average cost benchmarks? Commenters should explain in detail why certain methods of determining costs are particularly appropriate or inappropriate for certain methods of calculating support.

19. We also seek comment on whether both embedded and forward-looking economic costs can be used when developing support levels. For example,

if support is based on the results of a forward-looking economic cost model, should a company's support be capped at the level of support determined under an embedded cost system? Stated another way, should support be capped at the lesser of embedded or forward-looking costs? Would such a system provide sufficient support and create proper incentives for investment and efficiency?

20. We seek comment on whether other factors should be analyzed to determine when it is appropriate to use a cost model to determine support for a carrier. In particular, we seek comment on whether the demographics of the territory served, such as the density of customer locations, rather than the lineage of the company or the number of lines served should be used to determine whether support should be paid under a forward-looking or an embedded cost system. In addition, we seek comment on whether the relative cost characteristics of the area served should be considered in determining the cost basis of support. For example, do embedded costs provide any useful information in determining whether using a cost model is appropriate? We seek comment on what other factors, in addition to demographics and costs, should be considered in making this decision.

21. Finally, we seek comment on the impact of any proposed changes in the rural support mechanism on existing rules that limit the growth of support for rural carriers. How would existing capping mechanisms that apply to rural carrier support be affected by proposed changes in the basis of support for rural carriers? If particular changes in the basis of support are adopted, are capping mechanisms still necessary? If so, are there alternative mechanisms that would limit growth of the fund to sufficient levels, while still promoting efficiency and investment?

#### b. Estimating Forward-Looking Economic Costs

22. If the Commission ultimately concludes that it should base support for at least some rural carriers on forward-looking economic costs, we seek comment on how to estimate forward-looking economic costs in areas served by those rural carriers. If commenters propose to base support on a forward-looking economic cost model, what factors should be considered in designing a forward-looking economic cost model for areas served by rural carriers? To what extent are these factors different, in type or degree, from the factors relevant to a model for areas served by non-rural carriers? We ask

that commenters address these issues generally and emphasize that commenters need not rely on the Commission's synthesis model—which is currently used in the non-rural high-cost support mechanism—to form the basis of their comments. We seek comment regarding whether there are other methods of estimating forward-looking economic costs. If a commenter contends that some other method of estimating forward-looking economic costs would be appropriate, it should describe its proposed method in detail.

23. We also seek comment regarding the synthesis model. The Rural Task Force critiqued the synthesis model and found fault with its application to rural carriers. What are the major concerns regarding the synthesis model with respect to its application to rural carriers? To what extent can those concerns be addressed through the modification or redesign of the synthesis model? We encourage commenters to discuss developments and refinements in cost modeling techniques that have occurred since the Rural Task Force evaluated forward-looking costs several years ago. Are there forward-looking cost models now available that may be superior to the synthesis model for estimating rural carriers' costs? Are geocoded data for rural carriers more readily available now than in the past?

24. Should a forward-looking economic cost model for rural carriers use different inputs than those used for non-rural carriers? If so, how should the inputs differ for rural carriers? Are there additional inputs that should be considered? We note that in the non-rural mechanism a nationwide set of inputs is used. To what extent should a model for smaller carriers use input values that vary by region or locality? For example, would using inputs that reflected local or regional physical plant limitations, such as soil or rock conditions or climate, significantly improve the usefulness of a model for rural carriers? Are there other local or regional conditions that could be included in a model for rural carriers?

25. As previously discussed, the Commission has used a forward-looking cost model as part of the support mechanism for non-rural carriers since 2000. When making proposals for appropriate changes to the model for rural carriers, commenters should address whether their proposals implicate the non-rural model, and if so, how. For example, if a commenter proposes that the Commission's synthesis model should be modified before being applied to rural carriers, the commenter should also explain

whether such changes are also needed as the model is applied to non-rural carriers. Is it necessary that the model or model platform that applies to rural and non-rural carriers be the same? If not, why not?

26. Should a forward-looking economic cost model reflect the availability of telecommunications provided by ETCs using wireless technology? Should there be a single model that estimates costs using the lowest cost technology? Should there be a wireless model, in addition to a wireline model, that estimates costs only for those ETCs that use wireless technology?

27. If a forward-looking economic cost model is adopted for some or all rural telephone companies, how would it be implemented? Would there be a transition period, or could it be implemented immediately? Or should there be different implementation periods for differently sized rural carriers?

#### c. Measuring Embedded Costs

28. Assuming that the Commission ultimately concludes that rural carriers should continue to receive support based on embedded costs, we seek comment on whether changes should be made with respect to how embedded costs are determined, or if the current rules should be retained beyond the five years of the RTF plan. Commenters that favor changes to embedded costs should describe those changes with specificity and explain how the proposed changes would be consistent with the Act's goals. In particular, we seek comment regarding changes that would improve the reliability of the cost data or reduce the administrative burdens associated with compiling, filing, and processing cost data. Do the Commission's rules create reliable accounts of the costs of providing supported services in rural areas? What modifications, if any, would improve the incentives for rural carriers to invest in their network facilities efficiently? We also seek comment on whether there should be any changes to the manner in which average schedule companies—which do not currently file actual cost data—receive high-cost support.

29. We also seek comment regarding whether there are any alternative methods of developing costs for rural carriers without requiring that rural carriers file actual cost data. For example, could proxy data like line counts, line density, or other measures be used to determine the cost of serving high-cost areas served by rural carriers?

#### d. Basis of Support for Competitive ETCs

30. On November 8, 2002, the Commission asked the Joint Board to review, among other things, the Commission's rules relating to high-cost support in study areas in which a competitive ETC is providing service. In particular, the Commission sought the Joint Board's review of the methodology for calculating support for ETCs in competitive areas and asked the Joint Board to address the concerns raised in the *Rural Task Force Order* regarding excessive fund growth if incumbent LECs lose a significant number of lines to competitive ETCs. In our Recommended Decision in response to the prior referral order, we indicated that it would be desirable to "consider possible modifications to the basis of support for all ETCs during the 'comprehensive review of the high-cost support mechanisms for rural and non-rural carriers.'" We explained that our approach to harmonizing the two mechanisms for rural and non-rural carriers will necessarily influence our recommendations on the basis of support in competitive areas.

31. We thus again seek comment on the methodology for calculating support for ETCs in competitive study areas. Specifically, we seek comment regarding whether, if multiple carriers are supported, the competitive ETC should receive support based on its own costs, the incumbent's costs, the lesser of its own or the incumbent's costs, or some other estimate of costs. If the cost characteristics of the incumbent and the competitor are different, what are the consequences? If support is based on the incumbent's costs and the competitive ETC has lower costs, does that provide a fair or unfair competitive advantage to the competitive ETC? Alternatively, would providing higher per-line support to the incumbent than to the competitive ETC pose a regulatory barrier to competitive entry in rural areas? If the competitive ETC's costs are higher than the incumbent's, should the competitive ETC's support be limited to that provided to the incumbent?

32. If support should be provided to competitive ETCs based on their own costs, how should those costs be determined? Competitive LECs are not subject to the Commission's cost allocation rules. Should the Commission's cost allocation rules be extended to competitive carriers that seek to receive universal service support? How would cost studies for wireless carriers be developed? Are there other methods of calculating support in study areas with more than

one ETC? In providing comment, we ask commenters to address the significant changes in the marketplace that have occurred over the past several years. We note that, in considering issues related to support for competitive ETCs, we may find that it is necessary or appropriate to address these issues separately from other issues we consider in this proceeding.

#### 2. Calculation of Support

33. We seek comment on whether the Commission should continue to calculate high-cost support for rural carriers based on individual carriers' study area average costs. Does the current rural universal service support mechanism provide appropriate incentives for investment in network facilities and functions used to provide supported services? What modifications, if any, would improve the incentives for rural carriers to invest in their network facilities efficiently? Does the current mechanism, by basing support on per-line costs, create inefficiencies by increasing support when rural carriers have declining line counts?

34. The current universal service support mechanisms for rural carriers measure investment expenses using the Commission's authorized rate-of-return on investment. In addition, forward-looking cost models often apply a rate-of-return to a forward-looking rate base. For example, the Commission's synthesis model for non-rural carriers uses the Commission's authorized rate-of-return as an input for the cost of capital. We seek comment on the rates of return that should be used in those calculations for rural carriers. Should the Commission use a rate-of-return other than that currently used for calculating high-cost support for rural carriers? Should the Commission use a rate-of-return other than its authorized rate-of-return for the purpose of calculating universal service support for rural carriers?

35. Assuming that some support will continue to be based on embedded costs, we also seek comment, for all support mechanisms, on whether new limitations should be imposed or existing limitations adjusted on particular categories of investment or expense. For example, the high-cost loop support mechanism currently limits corporate operations expense. We seek comment on whether this particular limit remains appropriate or needs to be adjusted. More generally, we seek comment on whether federal support programs should include similar limitations on corporate operations or other categories of expense.

36. As demonstrated by the Rural Task Force, the size of the area over which costs are averaged and the national average cost benchmark used in the non-rural mechanism have more impact on determining overall support levels than whether those costs are forward-looking or embedded. Similarly, the area over which costs are averaged and the national average cost benchmarks used in the high-cost loop support mechanism impact overall support levels. Should the Commission consider averaging costs over larger areas or smaller areas for high-cost loop support and other programs? For example, should the Commission consider calculating support based on statewide average costs or wire center costs, rather than study areas costs?

37. We seek comment on the cost benchmark or benchmarks that would be appropriate to use in future programs. If the Commission bases support on statewide costs, what should be the benchmarks? If the Commission continues to base support on study area costs, what should be the benchmarks? We also note that the high-cost loop support program uses different benchmarks based on the carrier's size. We seek comment on whether that distinction should be maintained, and if so, whether the differences in treatment of the two groups should remain as large as at present.

38. In the high-cost loop support program, the national average unseparated loop cost serves as the basis for comparing costs of individual study areas. Since 2001, the national average has been defined as \$240 per line per year, adjusted for inflation. We seek comment on whether this remains an appropriate policy.

39. We seek comment on whether basing support on statewide average costs, as the Commission does in the non-rural mechanism, is more consistent with the purposes of universal service support and the principles set forth in section 254 of the Act. In reaffirming its decision to use statewide average costs in the non-rural mechanism, the Commission agreed with the Joint Board that "the general framework of the non-rural mechanism, through the use of statewide average costs, reflects the appropriate division of federal and state responsibility for determining high-cost support for non-rural carriers." The Commission explained that "[s]tatewide averaging effectively enables the state to support its high-cost wire centers with funds from its low-cost wire centers through implicit support mechanisms, rather than unnecessarily shifting funds from other states." Does providing support to

rural carriers based on study area costs rather than statewide average costs adequately take into account a state's ability to address its own universal service needs? Do states that have many rural carriers receiving federal support place greater burdens on the federal universal service fund than states that have fewer rural carriers? On the other hand, are there historical or policy reasons why the Commission should not base rural carrier support on statewide average costs? The Joint Board and the Commission have recognized "that statewide averaging may not be appropriate for the high-cost mechanism providing support to rural carriers."

40. We also seek comment on whether basing rural company support on wire center costs, rather than study area costs, would more effectively target support to rural carriers serving the highest cost rural areas. To what extent would basing support on wire center costs require the use of a cost model? Because embedded costs are submitted at the study area level, it likely would be administratively burdensome to calculate embedded costs at the wire center level. Even if the Commission continues to base rural company support on embedded costs, should it use a cost model to target support to the highest cost wire centers? Would targeting support to wire centers be more or less effective than rural carriers' current disaggregation plans, which permit targeting support below the wire center level? Given that the overwhelming majority of rural telephone companies have chosen not to disaggregate, is further targeting of rural support necessary or desirable? Could the Commission use a cost model in conjunction with embedded costs in any other useful manner? For example, could the Commission compare embedded costs with forward-looking cost estimates to evaluate whether or not support is effectively targeted to rural telephone companies serving the highest cost areas?

41. The local switching support mechanism (LSS) provides support to carriers serving 50,000 or fewer lines, without regard to other cost characteristics of the carrier. Should the LSS mechanism take switching costs into account? Is 50,000 lines in service an appropriate benchmark for eligibility for LSS? Does this condition provide appropriate incentives for rural carriers to consolidate their operations to a level where quality telecommunications services could be provided more efficiently? Is there a continued need to provide support for carriers with high switching costs, or do other high-cost

mechanisms provide sufficient support for such carriers?

42. We seek comment on whether the high-cost loop support mechanism should be merged with local switching support. Additionally, we seek comment regarding whether carriers that experience high transport costs should receive support. Non-rural carriers receive support for high-cost loops, switching and transport pursuant to the non-rural high-cost mechanism. Would there be benefits to moving rural carriers to a single embedded cost mechanism that includes support for high-cost loops, switching and transport?

#### C. Support for Transferred Exchanges

43. Under the Commission's current rules, a carrier that acquires exchanges from an unaffiliated carrier receives universal service support for those acquired exchanges at the same per-line support levels for which the exchanges were eligible prior to the transfer. The Commission adopted this rule in its *Universal Service First Report and Order* in response to its concern that until universal service support for all carriers is based on a forward-looking economic cost methodology, potential universal service support payments might unduly influence a carrier's decision to purchase exchanges from another carrier. The high-cost support mechanisms that are subject to the limitations in section 54.305 include rural carrier high-cost loop support, LSS, non-rural carrier high-cost model support, and interim hold-harmless support for non-rural carriers. In its *Rural Task Force Order*, the Commission modified this rule to permit an acquiring rural carrier to receive additional support (*i.e.*, "safety valve" support) for substantial investments it made in its acquired exchanges. Specifically, the safety valve mechanism enables rural carriers acquiring access lines to receive additional high-cost loop support to account for post-acquisition investments made to enhance the infrastructure of and improve the service in the acquired exchanges.

44. If the Commission concludes that it should maintain separate mechanisms for rural and non-rural carriers, we seek comment on whether the Commission should retain, repeal, or further modify § 54.305 of its rules. We ask commenters to discuss the costs and benefits of retaining this rule in its current form and whether more effective alternatives exist to ensure that carriers do not purchase exchanges in order to maximize the amount of universal service support that they receive while

not discouraging rural carriers, including those defined as such in this proceeding, from acquiring high-cost exchanges from carriers with low average costs. We also request comment on whether the safety valve mechanism provides sufficient incentives for investment in acquired exchanges.

## II. Request for Comment

45. Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments on or before October 15, 2004, and reply comments on or before December 14, 2004. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies. See Electronic Filing of Documents in Rulemaking Proceedings, 63 FR 24121, May 1, 1998.

46. Comments filed through the ECFS can be sent as an electronic file via the Internet to <http://www.fcc.gov/cgb/ecfs/>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions for e-mail comments, commenters should send an e-mail to [ecfs@fcc.gov](mailto:ecfs@fcc.gov), and should include the following words in the body of the message, "get form." A sample form and directions will be sent in reply. Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number.

47. Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail).

48. The Commission's contractor, Natek, Inc., will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, NE., Suite 110, Washington, DC 20002. The filing hours at this location are 8 a.m. to 7 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before

entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class mail, Express Mail, and Priority Mail should be addressed to 445 12th Street, SW., Washington, DC 20554. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission. In addition, one copy of each pleading must be sent to each of the following: The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, SW., Room CY-B402, Washington, DC 20554; Web site: <http://www.bcpiweb.com>; phone: 1-800-378-3160; Sheryl Todd, Telecommunications Access Policy Division, Wireline Competition Bureau, 445 12th Street, SW., Room 5-B540, Washington, DC 20554; e-mail: [sheryl.todd@fcc.gov](mailto:sheryl.todd@fcc.gov).

Federal Communications Commission.

**Marlene H. Dortch,**  
Secretary.

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Office of the Secretary

[Document Identifier: OS-0994]

### Emergency Clearance: Public Information Collection Requirements

**AGENCY:** Office of the Secretary, HHS.

In compliance with the requirement of section 3506(c)(2)(A) of the Paperwork Reduction Act of 1995, the Office of the Secretary (OS), Department of Health and Human Services, is publishing the following summary of proposed collections for public comment. Interested persons are invited to send comments regarding this burden estimate or any other aspect of this collection of information, including any of the following subjects: (1) The necessity and utility of the proposed information collection for the proper performance of the agency's functions; (2) the accuracy of the estimated burden; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) the use of automated collection techniques or other forms of information technology to minimize the information collection burden.

*#1 Type of Information Collection Request: Emergency Clearance.*

*Title of Information Collection:* SF-424 Research & Related (R&R).

*Form/OMB No.:* OS-0994.

*Use:* The SF-424 (R&R) will consolidate research and related grants application data and forms currently used by Federal grant-making agencies with a research mission or conducting research-related activities. The SF-424 (R&R) will become the common Federal (standard) form for research and related grant applications, replacing numerous agency-specific forms thus reducing the administrative burden to the Federal grants community that includes grantees (State, Local and Tribal governments; non-profit organizations, and education and research institutions) and Federal staff involved in grants-related activities. The form will be available to applicants interested in pursuing research and related grant opportunities.

*Frequency:* Recording, Reporting, and on occasion.

*Affected Public:* Federal, State, local, or tribal governments, business or other for profit, not for profit institutions.

*Annual Number of Respondents:* 312,500.

*Total Annual Responses:* 312,500.

*Average Burden Per Response:* 40 hours.

*Total Annual Hours:* 12,500,000.

To obtain copies of the supporting statement and any related forms for the proposed paperwork collections referenced above, access the HHS Web site address at <http://www.hhs.gov/oirm/infocollect/pending/> or e-mail your request, including your address, phone number, OMB number, and OS document identifier, to [naomi.cook@hhs.gov](mailto:naomi.cook@hhs.gov), or call the Reports Clearance Office on (202) 690-6162. Written comments and recommendations for the proposed information collections must be mailed directly to the OS Paperwork Clearance Officer designated at the following address: Department of Health and Human Services, Office of the Secretary, Assistant Secretary for Budget, Technology, and Finance, Office of Information and Resource Management, Attention: Naomi Cook (0994-), Fax Number (202) 690-8715, Room 531-H, 200 Independence Avenue, SW., Washington DC 20201.

Dated: August 27, 2004.

**Robert E. Polson,**

*Office of the Secretary, Paperwork Reduction Act Reports Clearance Officer.*

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**BILLING CODE 4168-17-P**