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Dated: March 26, 2003.

Michael D. Brown,*Acting Under Secretary, Emergency Preparedness & Response.*

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FEDERAL COMMUNICATIONS COMMISSION**47 CFR Part 54****[CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170; FCC 03-58]****Federal-State Joint Board on Universal Service****AGENCY:** Federal Communications Commission.**ACTION:** Final rule.

SUMMARY: In this document, the Commission addresses petitions for interim waiver and several petitions for reconsideration of rules recently adopted in the Interim Contribution Methodology Order regarding the assessment and recovery of contributions to the federal universal service support mechanisms.

DATES: Effective April 1, 2003.

FOR FURTHER INFORMATION CONTACT: Paul Garnett, Attorney or Diane Law Hsu, Deputy Division Chief, Wireline Competition Bureau, Telecommunications Access Policy Division, (202) 418-7400.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Order and Second Order on Reconsideration in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170; FCC 03-58, released on March 14, 2003. 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.

I. Introduction

1. In this Order, we address petitions for interim waiver and several petitions for reconsideration of rules recently adopted in the Interim Contribution Methodology Order, 67 FR 79525, December 30, 2002, regarding the assessment and recovery of contributions to the federal universal service support mechanisms. We grant local exchange carriers' request for an interim waiver of § 54.712 of the Commission's rules to permit such carriers to continue to recover through the federal universal service line item certain contribution costs associated

with Centrex customers on a per-line basis from multi-line business customers, pending action on petitions for reconsideration of this rule. In addition, we grant, in part, petitions filed by the United States Telecommunications Association (USTA) and SBC Communications Inc. (SBC) seeking reconsideration of § 54.712 to permit eligible telecommunications carriers (ETCs) to recover contribution costs associated with Lifeline customers' occasional interstate revenues through a universal service pass-through charge for such customers. We also address petitions filed by the National Exchange Carrier Association, Inc. (NECA), Verizon Wireless, and WorldCom, Inc. (WorldCom), and clarify how the Universal Service Administrative Corporation (USAC) shall conduct the universal service contribution true-up processes for revenues from 2002 and 2003. Finally, we grant, in part, a petition for reconsideration filed by AT&T Corp. (AT&T) requesting that the Commission announce the universal service contribution factor as a percentage rounded up to the nearest tenth of a percent.

II. Discussion

1. *Centrex.* In this Order, we grant, in part, petitions for interim waiver filed by BellSouth, National Exchange Carrier Association (NECA), National Telecommunications Cooperative Association (NTCA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), SBC, and Verizon (Petitioners) of § 54.712(a) of our rules as it applies to the multi-line business customers of local exchange carriers, pending the Commission's resolution of petitions for reconsideration of the rule. We find Petitioners have demonstrated special circumstances to warrant deviation from our rule and that the public interest would be served by granting a limited interim waiver. Therefore, we waive § 54.712 on an interim basis to enable local exchange carriers to continue to recover federal universal service contribution costs through universal service line items using the equivalency ratios established for Centrex lines under our rules governing the Presubscribed Interexchange Carrier Charge (PICC). Until the Commission resolves pending petitions for reconsideration of § 54.712, local exchange carriers that utilize the PICC equivalency ratios when recovering contribution costs from Centrex customers will be permitted to recover a share of their contributions associated with the subscriber line

charge for a specific Centrex line from their multi-line business customers in a given state.

3. Under §§ 69.131 and 69.158 of our rules, local exchange carriers have the option of recovering their contribution costs from Centrex customers through a universal service line item that uses the equivalency ratios established for Centrex lines under our rules governing the PICC. In the *Access Charge Reform Reconsideration Order*, the Commission adopted, for purposes of the PICC, a ratio of up to nine Centrex lines to one PBX trunk. The Commission subsequently granted local exchange carriers the option of applying this equivalency ratio to the recovery of universal service contribution costs from Centrex customers.

4. In the *Interim Contribution Methodology Order*, the Commission adopted a general prohibition on the recovery of amounts in excess of contribution obligations through federal universal line-item charges. As discussed, the Commission concluded such action would prevent carriers from recovering unrelated costs through universal service line items and from averaging contribution costs across all end-user customers. In addition, it would alleviate end-user confusion regarding universal service line items.

5. We conclude that special circumstances exist that warrant interim waiver of the rule. Petitioners have noted a potential inconsistency between §§ 54.712, 69.131, and 69.158. They assert that if carriers are not permitted to increase recovery charges for multi-line business customers, they may be unable to continue to apply an equivalency ratio to Centrex universal service pass-through charges as permitted by §§ 69.131 and 69.158 of our rules and still recover their contribution costs from their customers. They note the Commission did not indicate its intent in the *Interim Contribution Methodology Order* to overturn its existing policy of permitting local exchange carriers to apply an equivalency ratio to Centrex customer universal service pass-through charges. To the contrary, they argue that the Commission recognized that it may be appropriate to continue applying the one-ninth equivalency ratio to Centrex customer lines in the event that a connection-based universal service contribution methodology is adopted.

6. The petitions for reconsideration of this issue raise important issues we intend to resolve expeditiously. In the meanwhile, we believe the public interest would be served by granting a limited waiver of the general prohibition on averaging contribution