

should be required in support of a State's request for further Federal action. We further propose that each State should bear the responsibility of fully explaining the basis for each element of its showing. As discussed in the Companion Remand Order, each State has rate-setting jurisdiction and primary responsibility for ensuring rate comparability within its border and, therefore, is in the best position to explain any problems it may have in achieving rate comparability and the actions it has taken to address those problems. In addition to these showings, are there any additional types of showings that a State should be required to make in support of a request for further Federal action? Should different showings be required for different types of further Federal action (*e.g.*, Commission action to address calling areas or quality of service where the State lacks jurisdiction)?

11. We also seek comment on what a State should be required to show to satisfy the first element of the Joint Board's recommended test, a demonstration that rural rates within the State are not reasonably comparable to urban rates nationwide. In making the required showing, to what extent should a State be permitted to rely on the presumption created by the nationwide urban rate benchmark? Should the Commission consider residential and business rates or only residential rates? What weight, relative to the presumption created by the rate benchmark, should the Commission accord additional non-rate factors that the State contends are relevant in determining whether rural rates in a State are reasonably comparable to urban rates nationwide?

12. Consistent with the Joint Board's recommendation, we also seek comment on what State actions should be considered reasonable and, therefore, necessary to support a request for further Federal action for purposes of the second element of the Joint Board's recommended showing. In particular, we seek comment on the extent to which States must reform their universal service support mechanisms in order to be able to demonstrate that they have taken all reasonably possible actions to achieve rate comparability. In this regard, we note that the Act strongly favors explicit support mechanisms, which are less vulnerable to erosion in competitive markets than implicit support mechanisms. Although States are not required to adopt explicit mechanisms to support universal service, we propose that a State that has not done so cannot be deemed to have taken all reasonably possible steps to

support rate comparability within the State, the requirement recommended by the Joint Board. We seek comment on this proposal.

13. We further propose that, in order to enable the Commission to determine whether a State has made its universal service mechanisms explicit, a State requesting further Federal action should be required to explain the extent to which it has made its universal service mechanisms explicit, and file supporting data, including rate data for residential and business lines in rural and urban areas served by non-rural carriers. We seek comment on these proposals. We also seek comment on the extent of reform that should be required for further Federal action. Some commenters argue that it is necessary for States to rebalance their residential and business rates in order to eliminate implicit support flows. For example, Wyoming has rebalanced its residential and business rates, while other States have not rebalanced rates. As a result, Wyoming's residential rates presumably will be higher than a State with comparable resources that has chosen to maintain implicit support flows through higher business rates. Should the rebalancing of residential and business rates be required in support of a request for further Federal action?

### 3. Types of Further Federal Action

14. We seek comment on the types of further Federal action that should be available to a requesting State if the Commission determines that further Federal action is appropriate. The Joint Board recommended that further Federal action could include additional targeted Federal support, as well as Commission action to address scope of local calling areas or quality of service where the State commission lacked the authority to do so. Are there any other types of further Federal action that the Commission should consider in addition to the Joint Board's recommendations? Should the Commission specify in advance all possible forms of further Federal action, or, in light of the Joint Board's recommendation that the Commission provide maximum flexibility for States, should the Commission retain the ability to develop additional types of further Federal action in response to the specific circumstances underlying a particular State's request? Are there any reasons that the Commission should not consider making certain types of Federal action available on request?

15. We propose that any additional targeted Federal support should equal a set percentage of estimated forward-looking wire-center costs in excess of

two standard deviations above the average cost per line. We believe that a method for calculating any additional targeted Federal support based on forward-looking wire-center cost estimates would be specific and predictable, and provide consistency with the non-rural support mechanism, which also uses model cost estimates to calculate and target support. We also believe that such a method would provide a fair and equitable means of determining any additional targeted Federal support and avoid inappropriate incentives that might be created if we were to base any additional targeted Federal support on rate levels in a particular area. Furthermore, a forward-looking cost estimate-based method would permit any additional support to be targeted specifically to high-cost wire-centers, consistent with the Joint Board's recommendation. We seek comments on this proposal. Is there another proposed method that, based on some measure other than forward-looking cost estimates, would provide a more appropriate basis for calculating any additional targeted Federal support? If so, a commenter should describe the method with specificity and provide any relevant supporting data. If any commenters contend that a rate-based method would be more appropriate, they should support their contentions with a detailed explanation of how rate-based support would be calculated under their proposal and any relevant supporting data.

16. To determine any additional targeted Federal support based on forward-looking cost estimates, we propose that any additional Federal support should be provided to wire centers in qualifying States with costs per line exceeding a benchmark of two standard deviations from the average cost per line among all non-rural carrier wire centers nationwide. Based on recent forward-looking high-cost model results, a wire center with per-line costs that are two standard deviations above the average wire center would have an average cost per line of \$40.85, or 189 percent of the nationwide average cost per line. Wire centers with costs per line exceeding the proposed nationwide average cost per loop would be very high cost wire centers in which it is likely to be more difficult to achieve rate comparability, despite otherwise sufficient State resources and Federal support. Because most States have wire centers that exceed two standard deviations from the national average wire center cost per line, we believe that this benchmark would provide an effective means of calculating any