

**DESCRIPTION AND JUSTIFICATION**  
**John Staurulakis, Inc. Tariff F.C.C. No. 1**  
**Transmittal No. 81**  
**Issued March 27, 2003**  
**Effective April 1, 2003**  
**Warwick Valley Telephone Company (NY/NJ)**

On behalf of Warwick Valley Telephone Company (Warwick), John Staurulakis, Inc. (JSI) hereby provides a Description and Justification for the proposed revisions to JSI Tariff F.C.C. No. 1. Transmittal No. 81, together with Transmittal Nos. 79 and 80, to revise rates for the Federal Universal Service Fund Charge (FUSC). This filing is being made under the authority of Special Permission No. 03-030 to effect compliance with the *USF Interim Methodology Order*<sup>1</sup> modifying the existing federal universal service contribution and assessment mechanism, and the *USF Waiver Order*<sup>2</sup> addressing the petitions for waiver and several petitions for reconsideration of the rules adopted in the *USF Interim Methodology Order*. This filing contains the rate revisions resulting from the implementation of these Orders and the release of the Second Quarter 2003 Universal Service Contribution Factor. Accordingly, as described herein, Warwick is adjusting certain rates in JSI Tariff F.C.C. No. 1. This filing is scheduled to become effective on April 1, 2003.

The original filing to implement the *USF Interim Methodology Order* for Warwick, made under JSI Transmittal No. 79, filed on March 18, 2003, included FUSC rate development sheets but did not include a narrative Description and Justification. JSI respectfully

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<sup>1</sup> See Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order and Second Further Notice of Proposed Rulemaking, FCC 02-329 (rel. December 13, 2002) (*Contribution Methodology Order*).

<sup>2</sup> See Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Order and Second Order on Reconsideration, FCC 03-58 (rel. March 14, 2003) (*Interim Waiver*).

provides the Commission with the Description and Justification as part of Transmittal No. 81. Transmittal 81, filed with the Commission pursuant to Special Permission No. 03-030.

## **2. Federal Universal Service Fund Methodology Modifications**

On December 13, 2002, the Commission released its USF Interim Methodology Order. The Order modified the existing revenue-based methodology to require universal service contributions based on a percentage of projected collected, instead of historical gross-billed, interstate and international end-user telecommunications revenues reported by contributors on a quarterly basis.<sup>3</sup> In addition, the Order concluded that telecommunications carriers may not mark-up universal service line-item amounts above the relevant contribution factor beginning April 1, 2003.<sup>4</sup>

## **3. Second Quarter 2003 Universal Service Contribution Factor**

On March 7, 2003, the FCC released a Public Notice that provided the proposed Universal Service Contribution Factor for the Second Quarter of 2003.<sup>5</sup> Beginning with the Second Quarter 2003, the Commission calculates the quarterly contribution factor based on the ratio of total projected quarterly costs of the universal service support mechanisms to contributors' total projected collected end-user interstate and international

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<sup>3</sup> *USF Interim Methodology Order* at ¶ 19.

<sup>4</sup> *Id.* at ¶ 45.

<sup>5</sup> In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-46, Public Notice, DA 03-689, released March 7, 2003.

telecommunications revenues, net of projected contributions. The proposed contribution factor for the Second Quarter 2003 is 0.090044.<sup>6</sup>

#### **4. Calculation of Monthly Federal Universal Service Charges**

Warwick recovers its federal universal service contributions through per-line item Federal Universal Service Charges (FUSCs) that are assessed to all end user customers, with the exception of End User Special Access customers. Contributions for End User Special Access customers are recovered by applying a surcharge equal to the Second Quarter 2003 Universal Service Contribution Factor of 0.091 to the end user customer's monthly, billing account level, Special Access service charges. The factor is described in the tariff as the FUSC Surcharge Percentage Factor. The FUSC Surcharge Percentage Factor is described in Section 3.9 of JSI Tariff F.C.C. No. 1.

As directed by the Commission in the *USF Interim Methodology Order*,<sup>7</sup> Warwick's Monthly FUSCs for Residence, Single Line Business and Basic Rate ISDN are calculated by applying the Second Quarter 2003 Contribution Factor of 0.091 to the sum of the charges representing the interstate portion of the customer's bill. The calculations are shown on Attachment 1, Schedule 1.

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<sup>6</sup> In the *USF Waiver Order*, the Commission granted a petition for reconsideration filed by AT&T requesting that the universal service factor be rounded to the nearest tenth of a percent. Warwick has incorporated this change into the calculation of its monthly Federal Universal Service Charges (FUSCs) discussed in Section 4 below. See *USF Waiver Order* at ¶¶22-23.

<sup>7</sup> *USF Interim Methodology Order* at ¶ 51.

On March 14, 2003, the Commission released its *USF Waiver Order* granting an interim waiver to enable ILECs to recover their universal service contributions from Centrex customers using an “equivalency ratio” as provided in Sections 69.131, 69.153(e) and 69.158 of the Commission’s Rules.<sup>8</sup> To implement the equivalency ratio, Warwick has calculated a gross-up factor for the multiline FUSC based on the following formula:

$$\text{Multiline Business Gross Up Factor} = (c(a+b))/(a+(b/d))$$

Where:

a = Number of multiline business lines plus equivalent lines for ISDN PRI arrangements.

b = Number of Centrex lines

c = the current rounded-up Universal Service Contribution Factor (currently 9.1%)

d = The Multiline Business to Centrex factor (9)

e = the Multiline Business End User Common Line charge calculated at the current Universal Service Contribution Factor

The Multiline Business Gross-Up Factor for the second quarter is calculated on Attachment 1, Schedule 2. The second quarter Multiline Business FUSC is equal to the Multiline Business Gross-Up Factor multiplied by the Multiline Business End User Common Line Charge. The second quarter Centrex FUSC is equal to 1/9 of the Multiline FUSC. The Primary Rate Interface ISDN (ISDN-PRI) monthly FUSC is calculated by multiplying the Multiline Business FUSC by 5.

In addition to Attachment 1, Schedule 2 depicting calculation of the Multiline Business and Centrex FUSCs based on the Multiline Business Gross-Up Factor methodology, JSI

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<sup>8</sup> *USF Waiver Order* at ¶ 3.

has attached Attachment 1, Schedule 3 calculating the Multiline Business and Centrex FUSCs under the methodology utilized by BellSouth in BellSouth Transmittal No. 704. Both the Warwick Multiline Business Gross-Up Factor Methodology and the BellSouth Methodology produce the same Multiline Business and Centrex FUSC rates for Warwick.

## **5. Rate Revisions**

Based on the changes described above, Warwick's monthly Federal Universal Service Charges (FUSCs) are being revised as follows:

(1) Residential Line or Trunk FUSC	Increase from \$0.15 to \$0.54
(2) Single Line Business Line or Trunk	Increase from \$0.15 to \$0.54
(3) Multiline Business Line or Trunk	Increase from \$0.15 to \$0.59
(4) Centrex Line	Increase from \$0.03 to \$0.07
(5) Basic Rate ISDN (BRI) Line	Increase from \$0.15 to \$0.54
(6) Primary Rate ISDN (PRI) Arrangement	Increase from \$1.25 to \$2.95
(7) ISDN-BRI End User Port	\$0.20*
(8) ISDN-PRI End User Port	\$1.01*
(9) FUSC Surcharge Percentage Factor	Increase from 3.89411% to 9.1%

\*FUSCs for the ISDN-PRI and ISDN-BRI End-User Port Charges were previously calculated by application of the FUSC Surcharge Percentage Factor.