

# Telecom Program: Urban and Rural Rates

## Rural Rate Documentation - CFR Rule 54.607

There are three basic ways that a rural rate calculation can be justified in the context of the Telecom program. It is best to look at this rule sequentially meaning that the applicant and/or service provider should follow guidelines outlined in Method 1 as a default. If they cannot satisfy the requirements of Method 1, they must proceed to Method 2 and finally, if neither method is feasible, they can move to Method 3.

### Method 1

FCC rules state that “[t]he rural rate shall be the average of the rates actually being charged to commercial customers, other than health care providers, for identical or similar services provided by the telecommunications carrier providing the service in the rural area in which the health care provider is located.”

- Similar services are those that are functionally equivalent from the perspective of the end user with respect to bandwidth and whether the service is symmetrical and asymmetrical.
  - “Similar services” are defined as functionally similar from the perspective of the end user.

When collecting and submitting documents to justify the rural rate calculation in using this method, please keep in mind the following:

- The rural rate must be the average of rates actually charged to customers.
- These rates must be charged to customers that are not healthcare providers.
- The rates must be derived from rates in the same rural area as the HCP.

Reviewers will look at census track data to verify this information. A certified letter from a service provider is not sufficient documentation as it does not show proof of rates actually charged to customers.

If you cannot use Method 1, proceed to Method 2:

### Method 2

If the telecommunications carrier does not provide similar or identical service in the rural area where the HCP is located, “the rural rate shall be the average of the tariffed and other publicly available rates, not including any rates reduced by universal service programs, charged for the same or similar services in that rural area . . . .”

To comply with Method 2, the applicant must submit documentary evidence showing a tariff and a **publicly available** rate from which to derive an average.

If using Method 2 for an FCC Form 466 submission:

- The services listed on the tariff and publicly available rate must be the same or similar to the service requested.
- The rates must be derived from rates in the same rural area as the HCP.
- The documentation (e.g. capturing a screenshot with date stamp) must be dated prior to the submission of the relevant FCC Form 466 and contain the most current information within five years of the form submission date.
- It must be evident to USAC that any documentation (e.g. capturing a screenshot with date stamp) and information supplied must have been available to the applicant at the time they submitted their Form 466.
- If using a tariff, please highlight or provide an explanation that clearly shows exactly where in the tariff document a reviewer can find the rate you are using in this calculation.

If it is not possible to use Method 1 or 2, then proceed to Method 3:

## Method 3

If there are no such tariffed or publicly available rates, or the carrier “reasonably determines that this method for calculating the rural rate is unfair,” the carrier must submit its rural rates to the state commission (for intrastate rates) or the FCC (for interstate rates) for approval.

If using Method 3 for an FCC Form 466 submission:

- Documents provided by the service provider to the applicant for submission with the FCC Form 466 must show that the rates were submitted to the state commission (for intrastate rates) or the FCC (for interstate rates) before the applicant submitted the FCC Form 466.
- Applicants must be able to provide evidence that the documentation (e.g. capturing a screenshot with date stamp) submitted was relied upon when they submitted the FCC Form 466.

Please work with your service provider to insure compliance with this rule.

## Urban Rate Documentation

### Urban Rate Definition 47 CFR 54.605:

“If a rural health care provider requests support for an eligible service to be funded from the Telecommunications Program that is to be provided over a distance that is **less than or equal** to the “standard urban distance,” for the state in which it is located, the “urban rate” for that service shall be a rate no higher than the highest tariffed or publicly-available rate charged to a commercial customer for a functionally similar service in any city with a population of 50,000 or more in that state, calculated as if it were provided between two points within the city.

If a rural health care provider requests an eligible service to be provided over a distance that is **greater than** the “standard urban distance,” for the state in which it is located, the urban rate for that service shall be a rate no higher than the highest tariffed or publicly-available rate charged to a commercial customer for a functionally similar service provided over the standard urban distance in any city with a population of 50,000 or more in that state, calculated as if the service were provided between two points within the city.”

### Acceptable Urban Rate Documentation

Documentation provided (e.g. capturing a screenshot with date stamp) must show that the urban rate provided is in compliance with the urban rate rule. Examples of acceptable supporting documentation of the urban rate:

- Safe harbor rates on the USAC website, and
- Current state, federal or NECA tariff for a functionally similar service in a city with a population of 50,000 or more in the state where the HCP is located.

The two key elements that reviewers will look for when evaluating the urban rate:

- The tariffs are for a functionally similar service for example, the rate quoted is a rate for a complete and functional circuit, not simply one component of the circuit, and
- That the rate is charged in a city with a population of 50,000 or more in the same state as the HCP is located.