

Commodity	Parts per million	Expiration/Revocation Date
Cattle, fat .....	0.02	July 31, 1998
Cattle, MBYP .....	0.5	July 31, 1998
Cattle, meat .....	0.02	July 31, 1998
Citrus fruit .....	2.0	July 31, 1998
Citrus, pulp, dried .....	10	July 31, 1998
Cotton seed .....	1.0	July 31, 1998
Cotton, gin byproducts .....	20	July 31, 1998
Goats, fat .....	0.02	July 31, 1998
Goats, MBYP .....	0.5	July 31, 1998
Goats, meat .....	0.02	July 31, 1998
Hogs, fat .....	0.02	July 31, 1998
Hogs, MBYP .....	0.5	July 31, 1998
Hogs, meat .....	0.02	July 31, 1998
Horses, fat .....	0.02	July 31, 1998
Horses, MBYP .....	0.5	July 31, 1998
Horses, meat .....	0.02	July 31, 1998
Milk .....	0.03	July 31, 1998
Sheep, fat .....	0.02	July 31, 1998
Sheep, MBYP .....	0.5	July 31, 1998
Sheep, meat .....	0.02	July 31, 1998

(c) *Tolerances with regional registrations.* [Reserved]

(d) *Indirect or inadvertent residues.* [Reserved]

[FR Doc. 97-20061 Filed 7-29-97; 8:45 am]

BILLING CODE 6560-50-F

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 721

[OPPTS-50581E; FRL-5733-5]

### Revocation of Significant New Use Rule for Certain Chemical Substances; Correction

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Final rule; technical correction.

**SUMMARY:** EPA issued a document (FR Doc. 97-17178) in the **Federal Register** of July 2, 1997 (62 FR 35690) revoking two significant new use rules (SNUR). That document inadvertently contained an incorrect CFR section number. EPA intended to revoke the SNURs as stated in the preamble of the proposed revocation for these two substances (62 FR 6160, February 11, 1997) (FRL-5580-8). This action is necessary so that the correct SNURs are removed from part 721. Because this is a nonsubstantive change, notice and public comment are not required.

**DATES:** This document is effective on August 1, 1997.

**FOR FURTHER INFORMATION CONTACT:** Susan Hazen, Director, Environmental Assistance Division (TS-799), Office of Pollution Prevention and Toxics, Environmental Protection Agency,

Room E-543A, 401 M St., SW., Washington, DC 20460; telephone: (202) 554-1404; TDD: (202) 554-0551; e-mail: TSCA-Hotline@epamail.epa.gov.

**SUPPLEMENTARY INFORMATION:** EPA issued a document (FR Doc. 97-17178) in the **Federal Register** of July 2, 1997 (62 FR 35690) (FRL-5715-3) inadvertently removing § 721.3020. This document correctly removes § 721.3060. On page 35691, in the first column, amendatory item 2 should read: "2. By removing § 721.3060."

Dated: July 22, 1997.

**Charles M. Auer,**

*Director, Chemical Control Division, Office of Pollution Prevention and Toxics.*

[FR Doc. 97-20062 Filed 7-29-97; 8:45 am]

BILLING CODE 6560-50-F

## FEDERAL COMMUNICATIONS COMMISSION

### 47 CFR Parts 36 and 54

[CC Docket No. 96-45; FCC 97-246]

### Universal Service

**AGENCY:** Federal Communications Commission.

**ACTION:** Final rule; order on reconsideration; errata.

**SUMMARY:** On May 8, 1997, we adopted the Universal Service Report and Order (Order) implementing section 254 of the Communications Act of 1934, as amended (the Act). We reconsider on our own motion several issues with respect to school and library contracts, the school and library discount matrix, the method used to calculate the limit placed on the amount of corporate

operations expense, the source of support and administration of support for high loop costs, and the new monitoring program and Monitoring Report. In addition, we reiterate our holdings in the Order with respect to the Commission's authority to assess universal service contributions from intrastate and interstate revenues, the Commission's authority to require any carrier to seek state authority to recover a share of its contribution through intrastate rates, section 254(k), and the Commission's review of decisions by state commissions not to waive the "no-disconnect" requirement for the Lifeline program. The intended effect of these rules is to implement fully the universal service provisions of the Act.

**DATES:** All policies and rules adopted herein shall be effective August 29, 1997, except for the amendments to § 54.500, which will take effect July 30, 1997.

**FOR FURTHER INFORMATION CONTACT:** Valerie Yates, Legal Counsel, Common Carrier Bureau, (202) 418-1500, or Sheryl Todd, Common Carrier Bureau, (202) 418-7400.

**SUPPLEMENTARY INFORMATION:** This is a summary of the Commission's Order on Reconsideration adopted and released on July 10, 1997 and reflecting the changes included in errata released on July 14, 1997 and on July 24, 1997. The full text of the Order on Reconsideration and the errata is available for inspection and copying during normal business hours in the FCC Reference Center (Room 239), 1919 M St., NW., Washington, DC.

Pursuant to the Telecommunications Act of 1996, the Commission released a Notice of Proposed Rulemaking and

Order Establishing Joint Board, Federal-State Joint Board on Universal Service, CC Docket No. 96-45 on March 8, 1996 (61 FR 10499 (March 14, 1996)), a Recommended Decision on November 8, 1996 (61 FR 63778 (December 2, 1996)), a Public Notice on November 18, 1996 (61 FR 63778 (December 2, 1996)), and a Report and Order that was adopted on May 7, 1997 and released on May 8, 1997 (62 FR 32862 (June 17, 1997)) implementing rules for §§ 254 and 214(e) of the Act relating to universal service.

As required by the Regulatory Flexibility Act, (RFA), this Order on Reconsideration contains a Final Regulatory Flexibility Analysis. Pursuant to § 604 of the RFA, the Commission performed a comprehensive analysis of the Report and Order with regard to small entities and small incumbent LECs which has remained unchanged in this Order on Reconsideration. This Order on Reconsideration does not contain any information collection requirements subject to the Paperwork Reduction Act (PRA).

#### Summary of the Order on Reconsideration

##### *School and Library Contracts*

1. *Existing Contracts.* We now conclude that we will make a limited extension of the competitive bidding exemption in order to accommodate schools and libraries that negotiate and sign contracts prior to the date that the competitive bidding system becomes fully operational. We conclude that any contract signed after November 8, 1996 and before the first date that the competitive bidding system is operational will be considered an "existing contract" under § 54.511 of our rules, but only if the contract terminates no later than December 31, 1998. We adopt a definition of "existing contract" that includes this additional exemption.

2. We extend the competitive bidding exemption because services obtained pursuant to a contract signed after November 8, 1996 and prior to the date that the competitive bidding system becomes operational would otherwise not be eligible for federal universal service discounts. We extend this exemption for the same reasons we adopted the existing competitive bidding exemption. Specifically, we do not wish to penalize schools or libraries that seek to or must negotiate contracts prior to the date that the universal service competitive bidding system becomes fully operational. The competitive bidding requirement,

however, is important because it implements the principle of competitive neutrality by allowing all providers access to information about particular schools' and libraries' needs and because it helps to ensure that schools and libraries will receive the lowest possible pre-discount price. To ensure that schools, libraries, and service providers that qualify for this additional competitive bidding exemption do not negotiate long-term contracts during this interim period, and thus avoid the competitive bidding requirement altogether, we conclude that, in order to receive universal service discounts, contracts signed between November 8, 1996 and the date the competitive bidding system becomes operational must cover only services provided before December 31, 1998. We conclude that allowing the contract to govern service provided until December 1998 should give schools enough flexibility to procure service for the 1997-1998 school year and will allow schools and libraries to submit a single request for services for the entire 1998 funding year, but will also limit the set of contracts that are exempt from the competitive bidding requirement.

3. We conclude, as we did in the Order, that schools and libraries that invoke this exemption have sufficient incentive to negotiate low rates. Although we acknowledge that, unlike schools and libraries that signed contracts prior to November 8, 1996, schools and libraries that sign contracts after that date were on notice that discounts might be available for the contracts they were negotiating. We find, however, that these entities continue to have an incentive to minimize their costs in obtaining service even if they receive section 254(h) discounts. Most important, they will pay a portion of the costs—between ten percent and eighty percent—of any contract price that they negotiate. In addition, we note that many schools and libraries must comply with state or local government competitive procurement requirements. Finally, our decision that contracts that benefit from this additional exemption may not cover services provided after December 31, 1998 will prevent schools, libraries, and providers from avoiding the competitive bidding requirement by signing contracts for extended periods of time. We find that this solution will assist schools and libraries signing contracts prior to the date the competitive bidding mechanism becomes available to obtain service for 1997-1998 school year without unduly diminishing the

benefits of our competitive bidding requirement.

4. We will consider the competitive bidding system to be fully operational when both: (1) The Universal Service Administrator is ready to accept and post requests for service from schools and libraries on a website and (2) that website may be used by potential service providers. We will issue a public notice, which we will publish in the **Federal Register**, identifying the exact date that the competitive bidding system will be fully operational. Finally, we note that this limitation on the duration of a contract applies only to contracts signed after November 8, 1996 and before the date on which the competitive bidding system becomes fully operational. As we held in the Order, schools and libraries may sign multi-year contracts after the competitive bidding mechanisms is in place. We do not impose here, nor did we impose in the Order, any durational limitations or competitive bidding requirements on contracts signed prior to November 8, 1996.

5. *Date Services Must Be Supplied.* We now find it necessary to adopt a rule to clarify that only services provided to schools and libraries after January 1, 1998 will be eligible for universal service discounts. This rule applies regardless of the date when the contract for these services was signed. The Order stated that the funding year would be the calendar year, we adopted a funding cap based on the calendar year, we stated the support would begin to flow on January 1, 1998, and we required the universal service administrator to approve funding on an annual basis. Nevertheless, we incorrectly stated in paragraph 545 that services supplied after the effective date of our rules would be supported. The amount of funding reflected in the funding cap anticipates only the expected demand by schools and libraries for the six-month period between January 1, 1998 and June 30, 1998. If all services supplied after the date our rules become effective were eligible for support, we would be attempting to support services supplied during the eleven and a half month period between July 17, 1997 and June 30, 1998 using funds that were estimated to be sufficient to support services supplied during the six month period between January 1, 1998 and June 30, 1998.

6. We conclude that this change will not impose a significant hardship on schools and libraries, particularly in light of our other holdings in the Order. As indicated above, other decisions in the Order are consistent with our intent and decision to provide funding to

schools after January 1, 1998. In addition, we determined that all schools and libraries must comply with the application process, which will likely be completed by the first schools or libraries during mid-fall 1997, before being assured of receiving funding. In this context, we find it highly unlikely that any school or library relying upon our decisions in the Order would have made irrevocable decisions based on their anticipation that they would receive funding for services provided prior to January 1, 1998.

**7. Modifications to the Discount Matrix.** We now clarify that the Commission shall consult the members of the 96-45 Federal-State Joint Board before adopting any changes to the discount matrix, including those changes that might occur prior to the date we reconvene the 96-45 Joint Board. (We concluded that we would reconvene the 96-45 Federal-State Joint Board no later than January 1, 2001.) We find that this approach will promote the joint federal-state cooperation we envisioned in the Order and will provide us with the benefits of states' experience and knowledge.

#### *Corporate Operations Expense*

8. We now reconsider on our own motion the formula we established to cap the amount of corporate operations expense that carriers can recover from high loop cost support mechanisms. There are two features of the formula that we believe warrant modification. First, under the existing formula, carriers with very small numbers of working loops might be unable to recover portions of corporate operations expense that are fixed or do not vary with the number of loops. This attribute occurs because, under the current formula, allowable corporate operations expense is determined by a factor that is multiplied by the number of loops. The second problem pertains to the relationship between the recoverable amount of support for corporate operation expenses produced by the formula and the number of working loops. Although, based on our analysis of data submitted by NECA, we expected that applying the formula would provide carriers with a total recoverable amount of support for corporate operating expenses that increases with the number of access lines or working loops, Pursuant to 47 CFR 36.611(a)(8), "working loops" are defined as "the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but

excluding WATS closed end access and TWX access," we have determined that, within the range of 6,780 to 12,913 working loops, support for corporate operations expense does not increase with the number of working loops. For example, applying the formula to a carrier with 5,000 working loops would result in a cap of \$98,440.00 of support for corporate operations expense  $[(\$27.12 - .002 \times 5,000) \times 1.15 \times 5,000 = 98,440]$ . Under our provision for carriers with more than 10,000 working loops, however, a carrier with 11,000 working loops would receive no more than \$90,060.00  $[\$7.12 \times 1.15 \times 11,000 = 90,060]$ . Accordingly, we make modifications to the formula set forth in § 36.621 of the Commission's rules for calculating the amount of support recoverable for carriers' corporate operating expenses. We set forth the methodology on which we base these modification below.

9. Based on the conclusions set forth below, we modify the existing formula as follows:

For study areas with 6,000 or fewer working loops the amount per working loop shall be  $\$27.12 - (0.002 \times \text{the number of working loops}) \times 1.15$  or  $1.15 \times \$8,266 / \text{the number of working loops}$ , whichever is greater;

For study areas with more than 6,000 but fewer than 17,988 working loops, the amount per working loop shall be  $\$72,024 / \text{the number of working loops} + \$3.12$ ;

For study areas with 17,988 or more working loops, the amount per working loop shall be \$7.12.

The range from 6,000 to 17,988 is wider than the range identified as problematic in paragraph 14 (6,780 to 12,913). This extended range allows the formula to fit the available data more closely. We conclude that these modifications will result in total recoverable support amounts that increase proportionally with the number of working loops. By way of example, under these formulae, a carrier with 5,000 working loops could recover a total of \$98,440.00 for corporate operations expenses  $[(\$27.12 - (0.002 \times 5,000)) \times 1.15 \times 5,000 = 98,440]$  and a carrier with 11,000 working loops could recover \$122,295.60  $[\$72,024 / 11,000 + 3.12] \times 1.15 \times 11,000 = \$122,295.60]$ .

10. The original formula also determined allowable corporate operating expense by multiplying the number of loops by a factor. This may have caused small firms to have difficulty recovering portions of corporate operations expense that are fixed or do not vary with the number of

loops. It is necessary to modify the formula in order to allow carriers with small numbers of working loops to receive sufficient support to recover these initial or fixed corporate operations expenses. According to our analysis of data submitted by NECA, we estimate the minimum corporate operations expense per month to be \$8,266. Using a sample of stand-alone companies with fewer than 2,000 working loops, total operating expense was regressed on working loops. The minimum total operating expense was estimated as the y intercept from the linear regression. Therefore, we are revising the formula appearing in the Order to ensure that no carrier recovers less than  $1.15 \times \$8,266$  (\$9,505.90). The revised formula for maximum allowable support for monthly corporate operations expense per loop will be  $1.15 \times \$8,266$  divided by the number of working loops or the result of the formula for study areas with 6,000 or fewer working loops set forth in § 36.621, whichever is greater.

11. We find that these adjustments lead to results that are consistent with both the policies and intended outcomes enunciated in the Order. These modifications do not reduce the amount of corporate operations expenses carriers can recover through the support mechanisms for high loop costs. The new formulae continue to reflect our recognition that small study areas may experience greater amounts of corporate operations expense per working loop than large study areas. As stated above, we seek by this Order merely to eliminate outcomes that would result in carriers with fewer working loops receiving a total support amount that is greater than that of carriers with more working loops.

#### *Funding for the High Cost Loop Support Mechanism*

12. We clarify that, although the rules that describe the high loop cost support mechanisms and govern separations between the interstate and intrastate jurisdictions remain in part 36, the expense adjustment for high cost loops, like the support for DEM weighting, LTS, Lifeline, Linkup, and Internet access for schools and libraries, will be administered and funded through part 54 of our rules. We make this clarification because we find that the Order did not articulate that the expense adjustment calculated pursuant to part 36 would be administered and funded through the new universal service mechanism set forth in part 54.

### *Universal Service Support Mechanisms*

#### *13. Commission Jurisdiction Over Universal Service Support Mechanisms.*

We take this opportunity to reiterate that, although the Order concluded that the Commission has authority to assess universal service contributions from intrastate and interstate revenues and to require carriers to recover some share of the contribution from intrastate revenues, the Commission has not exercised this authority. Recently, the Commission's Office of General Counsel (OGC) responded to an inquiry by clarifying that the Commission has not yet "crystallized its position regarding the proper treatment of the recovery of intrastate revenues and in any event has not required carriers to seek a portion of the contribution in intrastate rates." See Letter from William E. Kennard, General Counsel, FCC, to Lawrence G. Malone, General Counsel, New York State Dep't of Public Service, dated June 13, 1997.

Accordingly, the OGC concluded that any judicial challenge to paragraphs 813 through 823 of the Order would not be "ripe" at this time. Because of the importance of this issue and the possibility that other interested parties have similar concerns, we take this opportunity to reiterate that, although the Act empowers it to do so, the Commission has neither assessed universal service contributions from intrastate and interstate revenues nor required carriers to recover some share of the contribution from intrastate revenues. For these reasons, any challenges to the Commission's authority are not currently ripe. The Order anticipated that the Joint Board would continue to consult with the Commission regarding the sufficiency of universal service support mechanisms and we recognize that this issue is of primary concern to the Joint Board.

*14. Assessment of the Revenue Base for the High Cost and Low-Income Support Mechanisms.* The Order anticipated that states would take steps similar to those taken by the Commission in the Order to convert implicit intrastate support mechanisms into explicit support mechanisms. As discussed in the Order, the 25 percent allocation factor for loop costs is historically applied to the interstate jurisdiction. By funding 25 percent of the cost of universal service through federal support mechanisms beginning January 1, 1999, we sought to coordinate this approach with the shift of universal service support for rural, insular, and high cost areas served by non-rural LECs from the access charge regime to the new section 254 universal service support mechanisms. We recognize that

prior to that date, the costs of universal service will be carefully considered by the Commission, which will establish a forward-looking economic cost mechanism, and by the states, which may conduct their own forward-looking economic cost studies. States should elect by August 15, 1997 whether they will conduct their own forward-looking economic cost studies and those that elect to do so must file the cost studies with the Commission on or before February 6, 1998. Accordingly, it is premature for us to reexamine our decision to fund 25 percent of universal service at this time. Our action today, does not, however, foreclose the possibility that, as states replace their programs with explicit support mechanisms, the Commission will reassess whether there is a need for additional federal support. Instead, we stress the need for federal-state partnership in order to allay any concerns that support amounts will be insufficient. Because it is critical to the preservation and advancement of universal service, we anticipate that this issue will be an important subject in future consultations between the Commission and the Joint Board.

*15. Preventing Subsidization of Competitive Services.* We clarify that, because section 254(k) assigns the duty of preventing the subsidization of competitive services to the Commission, with respect to interstate services, and to the states, with respect to intrastate services, the Commission did not discuss section 254(k) in the Order. Instead, in a separate order, the Commission adopted the statutory language, which will serve as the basis for Commission action with respect to the establishment of "cost allocation rules, accounting safeguards, and guidelines to ensure that services included in the definition of universal service bear no more than a reasonable share of the joint and common cost of facilities used to provide those services" for interstate services. *Implementation of 254(k) of the Communications Act of 1934*, as amended, FCC 97-163 (released May 8, 1997). We expect that each state will also take action to implement safeguards for intrastate services.

#### *Review Process for Carrier Petitions for Waivers*

16. We reiterate that carriers disagreeing with state commission decisions regarding a request to waive the no-disconnect rule may pursue their concerns with the Commission. This approach will offer such carriers an additional forum for resolving their concerns. Nevertheless, in considering a

carrier's arguments on the merits, the Commission will give great weight to a state commission's articulated rationales for denying a waiver request.

#### *Monitoring Reports*

17. We now reconsider on our own motion a limited aspect of that decision and clarify that the Bureau shall consult with the state staff of the 96-45 Joint Board to implement the new monitoring program. Because the Monitoring Report will be based on information regarding the universal service support mechanisms, we find that participation by the 96-45 Joint Board will ensure that the Bureau will have full access to the expertise of state staff. Because of its experience in implementing section 254, we find that the 96-45 Joint Board is fully able to help implement a monitoring program for the new universal service support mechanisms without drawing on the resources of the 80-286 Joint Board. We also clarify that, until the permanent administrator is chosen by a Federal Advisory Committee, the temporary administrator of the support mechanisms shall maintain and report to the Commission detailed records relating to the determination and amount of payments made and monies received through the support mechanisms which shall be used in the preparation of the Monitoring Report.

#### *Explanation of Methodology for Modifications to Corporate Operations Expense Formulae Included in Appendix B of Order*

18. This analysis, included in Appendix B of the Order, describes the procedure used to derive the formulae, set forth in § 36.621, for determining the allowable amount of corporate operations expenditures recoverable through universal service support mechanisms.

*19. Selecting the Basic Model.* In order to determine the best formula, we applied a statistical analysis to a number of different models that compared the relationship between corporate operations expense per loop and the number of loops using data supplied by NECA. Outliers were removed from the sample before estimation. These outliers were those companies whose corporate operations expense exceeded the mean of the sample by 3 times the sample standard deviation. The companies excluded from the sample had corporate operations expense exceeding \$74.00 per loop. Also, two companies which reported negative corporate operations expense were removed from the sample. We used statistical regression

techniques that focused on the relationship between expenses per loop, rather than total expense, in order to find a model under which the cap on corporate operations expense per line declines as the number of loops increases for a range of smaller companies so that economies of scale, which are evident in the data, can be reflected in the model. Of the models studied, the linear spline was found to have the highest  $R^2$ , a measure indicating that this model provides the best fit with the data. The linear spline model in this case is two line segments joined together at a single point or knot. In general, the linear spline model allows the cap on corporate operations expense to decline as the number of loops increases for the smaller companies having fewer loops than the knot point. Estimates of the linear spline model suggest that the cap on corporate operations expense per loop for companies with a number of loops higher than the spline knot is constant.

20. Choosing the spline model also required selecting a knot, the point at which the two line segments of differing slopes meet. We had two primary objectives in selecting the knot point. First, the model had to characterize accurately the relationship between corporate operations expense per loop and the number of working loops. Second, the model had to characterize accurately the relationship between total corporate operations expense and the number of working loops. To achieve these objectives, we examined the  $R^2$ s for both total corporate operations expense and corporate operations expense per loop over a wide range of knot points. The highest  $R^2$  for per loop corporate operations expense was obtained for a knot point at 3800. We found, however, that the highest  $R^2$  that reflects goodness of fit for the total

corporate operations expense using the estimated model was obtained at 13,408 working loops. Visual inspection of the data representing corporate operations cost per loop indicates that cost per loop appears to flatten close to 10,000 loops. See Figure 1. At 10,000 loops, both  $R^2$ s remain near the maximum  $R^2$ s obtained for both per loop and total corporate operations expense. Accordingly, we selected 10,000 loops as the knot point that best meets both objectives.

21. The regression results, which incorporate a spline model that uses data provided by NECA, are as follows:

- For companies having fewer than 10,000 working loops, maximum allowable corporate operations expense per loop for each month equals  $\$27.12 - 0.002 \times (\text{number of working loops})$ ;
- For companies with working loops greater than or equal to 10,000 loops, maximum allowable corporate operations expense per loop for each month equals \$7.12. The  $R^2$  associated with this regression is 0.396.

22. *Correcting for Nonmonotonic Behavior in Model's Total Corporate Operations Expenses.* The spline model has one undesirable feature. For a certain range, it yields a total allowable corporate operations cost that declines as the number of working loops increases. This occurs because multiplying the linear function that defines the first line segment of the estimated spline model ( $27.12 - 0.002 \times \text{the number of loops}$ ) by the number of loops defines a quadratic function that determines total allowable corporate operations expense. This quadratic function assumes its maximum value at 6,780 loops, well below the selected knot point of 10,000. (The feature exists with all knot points considered. The practical effect of the function peaking at 6,780 loops is that a carrier with more

than 6,780 loops, but less than 10,000 loops, will receive less corporate operations expense support than one with just 6,780 loops.) To correct this problem, we refined the formula defining allowable per loop expense to ensure that the total allowable corporate operations expense always increases as the number of loops increases. We chose a point to the left of the point at which the total corporate operations expense estimate peaks. At that selected point, the slope of the function defining total corporate operations expense is positive. We then calculated the slope at that point and extended a line with the same slope upward to the right of that point until the line intersected the original estimated total operations expense, which is represented by  $7.12 \times \text{the number of loops}$ . See Figure 2. Thus, we created a line segment with constant slope covering the region over which the original model of corporate operations expenses declines so that total corporate operations expense continues to increase with the number of loops. We chose the point that leads to a line segment that yields the highest  $R^2$ .

23. Using this procedure, we selected 6000 as the point. The slope of total operations expense at this point is 3.12 and the line extended intersects the original total operations expense model at 17,988. Accordingly, the line segment formed for total corporate operations expenses, to be applied from 6000 loops to 17,988 loops, is  $\$72,024 + \$3.12 \times \text{the number of working loops}$ . Dividing this number by the number of working loops defines the maximum allowable corporate operations expense per loop for the range from 6000 to 17,988 working loops, i.e.,  $(\$72,024 \div (\text{number of working loops})) + \$3.12$ . See Figures 1, 2.

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Figure 1: Corporate Operations Expense per Loop

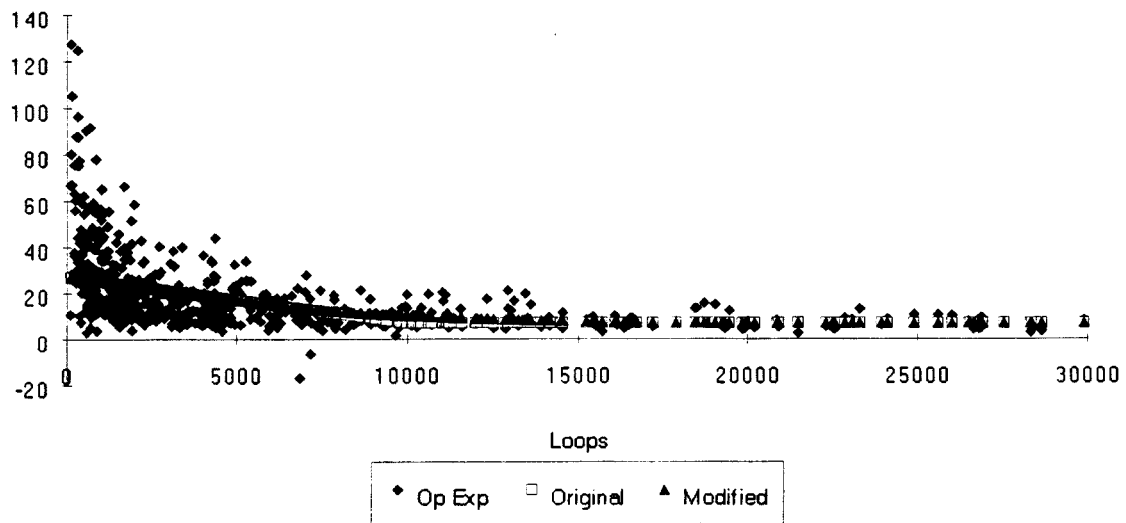
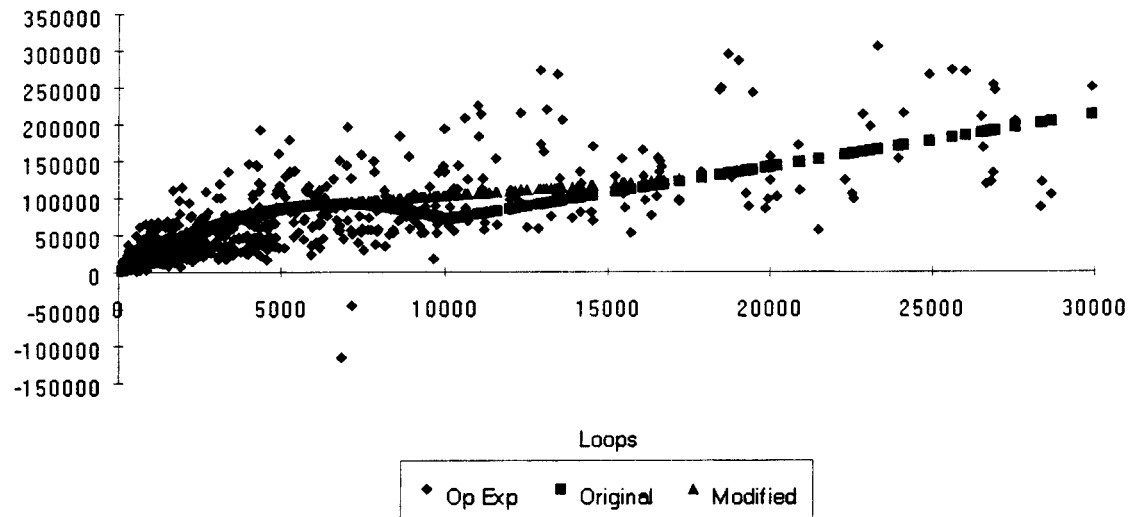


Figure 2: Total Corporate Operations Expenditure



**Final Regulatory Flexibility Analysis**

24. In the Order, we conducted a Final Regulatory Flexibility Analysis, as required by section 603 of the Regulatory Flexibility Act, as amended by the Contract With America Advancement Act of 1996, Public Law 104-121, 110 Stat. 847 (1996). The changes we adopt in this Order do not affect that analysis.

**List of Subjects****47 CFR Part 36**

Communications common carriers, Reporting and recordkeeping requirements, Telephone.

**47 CFR Part 54**

Libraries, Schools, Telecommunications, Telephone.

Federal Communications Commission.

**William F. Caton,**

*Acting Secretary.*

**Rule Changes**

Parts 36 and 54 of title 47 of the Code of Federal Regulations are amended as follows:

**PART 36—JURISDICTIONAL SEPARATIONS PROCEDURES: STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES**

1. The authority citation for part 36 continues to read as follows:

**Authority:** 47 USC Secs. 151, 154 (i) and (j), and 205, 221(c), 254, 403, and 410.

2. Section 36.601 is amended by adding a last sentence to paragraph (a) to read as follows:

**§ 36.601 General.**

(a) \* \* \* Beginning January 1, 1998, the expense adjustment calculated pursuant to this subpart will be administered and funded through the new universal service system discussed in part 54 of this chapter.

3. Section 36.621 is amended by revising paragraph (a)(4) introductory text, the first sentence of paragraph (a)(4)(ii), paragraph (a)(4)(ii)(A) and (a)(4)(ii)(B) and adding new paragraph (a)(4)(ii)(C) to read as follows:

**§ 36.621 Study area total unseparated loop cost.**

(a) \* \* \*  
(4) Corporate Operations Expenses, Operating Taxes and the benefits and rent portions of operating expenses, as reported in § 36.611(a)(5) attributable to

investment in C&WF Category 1.3 and COE Category 4.13. This amount is calculated by multiplying the total amount of these expenses and taxes by the ratio of the unseparated gross exchange plant investment in C&WF Category 1.3 and COE Category 4.13, as reported in § 36.611(a)(1), to the unseparated gross telecommunications plant investment, as reported in § 36.611(a)(6). Total Corporate Operations Expense, for purposes of calculating universal service support payments beginning January 1, 1998, shall be limited to the lesser of:

(i) \* \* \*  
(ii) A per-line amount computed according to paragraphs (a)(4)(ii)(A), (a)(4)(ii)(B), and (a)(4)(ii)(C) of this section. \* \* \*

(A) For study areas with 6,000 or fewer working loops; [(\$27.12 minus (0.002 times the number of working loops)) times 1.15] or [1.15 × \$8,266 divided by the number of working loops], whichever is greater.

(B) For study areas with more than 6,000 but fewer than 17,988 working loops; [(\$72,024 divided by the number of working loops) + \$3.12] times 1.15.

(C) For study areas with 17,988 or more working loops; \$7.12 times 1.15, which equals \$8.19.

\* \* \* \* \*

**PART 54—UNIVERSAL SERVICE**

4. The authority citation for part 54 continues to read as follows:

**Authority:** 47 U.S.C. Secs. 1, 4(i), 201, 205, 214, and 254 unless otherwise noted.

5. Section 54.500 is amended by redesignating paragraphs (b) through (h) as paragraphs (c) through (i) and adding new paragraph (b) to read as follows:

**§ 54.500 Terms and definitions.**

\* \* \* \* \*

(b) *Existing contract.* For the purpose of § 54.511(c), an "existing contract" is any signed contract for services eligible for discounts pursuant to this subpart between an eligible school or library as defined under § 54.501 and a service provider that either:

(1) Was signed prior to November 8, 1996; or

(2) Is limited to services provided before December 31, 1998 and was signed on or after November 8, 1996 but before the first date that the universal service competitive bidding system described in § 54.504 is operational. The competitive bidding system will be deemed to be operational when both the universal service administrator is ready to accept and post requests for service from schools and libraries on a website

and that website may be used by potential service providers.

\* \* \* \* \*

6. Section 54.507 is amended by redesignating paragraph (f) as paragraph (g), and adding new paragraph (f) to read as follows:

**§ 54.507 Cap.**

\* \* \* \* \*

(f) *Date services must be supplied.* The administrator shall not approve funding for service received by a school or library before January 1, 1998.

\* \* \* \* \*

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**DEPARTMENT OF ENERGY****48 CFR Parts 909, 952, and 970**

RIN 1991-AB26

**Acquisition Regulation; Revisions to Organizational Conflicts of Interest**

**AGENCY:** Office of Procurement and Assistance Management, Department of Energy.

**ACTION:** Final rule.

**SUMMARY:** The Department of Energy (DOE) publishes today amendments to its Acquisition Regulation that effect changes to its Organizational Conflicts of Interest policies as a result of the repeal of the two statutory provisions upon which DOE's system for treating organizational conflicts of interest was based.

**DATES:** These regulations will be effective on August 29, 1997.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:**

I. Background

II. Discussion of Public Comments

III. Procedural Requirements

A. Review Under Executive Order 12866

B. Review Under Executive Order 12988

C. Review Under the Regulatory Flexibility Act

D. Review Under the Paperwork Reduction Act