McLean & Brown

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# FCC Receives Comments in USF and ICC Reform NPRM/FNPRM

On April 18, 2011, the FCC received comments from over 150 parties in response to its Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking (NPPRM & FNPRM) issued February 9, 2011. This Notice asks a number of specific questions on a wide array of issues related to its proposals to fundamentally reform and modernize the current Universal Service Fund (USF) and Intercarrier Compensation (ICC) regimes. The FCC is doing this as part of its implementation of the National Broadband Plan.

Following is a high-level summary of some of the major points made in these filings. While every effort has been made to accurately reflect the key points made in each filing, this document is by no means a complete summary of all of the points made in the comments. Interested readers are encouraged to read the full text of the comments, which can be found on the FCC's web site at www.fcc.gov.

**Accipiter Communications**

- The Commission should not undermine the investment-backed commitments made by companies serving rural areas, and should accommodate the need for those companies not only to recover their investment, but to repay loans provided by the US government through RUS.
- The reforms proposed in the NPRM would prevent Accipiter from investing further in currently unserved areas within its service territory, create an incentive for the company to focus investments exclusively in subdivision areas, and undermine the company's ability to meet existing RUS loan covenants.

**Ad Hoc Telecommunications Users Committee**

- Ad Hoc supports many of the FCC's proposals for near-term USF changes. Specifically 1) Elimination of LSS in 2012, 2) Lowering HCLS for top tier carriers, 3) Elimination of support for corporate operations expenses, 4) Imposition of a rebuttable per-line cap on all forms of high-cost support and eventual use of a forward-looking economic cost model to set the cap, 5) Re-examination of the rate-of-return, currently 11.25%, used to set the rebuttable per-line cap, 6) Cancellation of IAS in 2012, and 7) Rescission of the Identical Support Rule.
- Ad Hoc supports the use of reverse auctions provided the FCC concludes that it has the legal authority to award CAF subsidies to entities that may provide broadband but not telecommunications.
- The FCC should resist carrier demands for reform that is "revenue neutral," as carriers have never proffered a showing that their existing revenue streams are unreasonably low.
- Ad Hoc supports adoption of a "bill and keep" ICC system.
- The FCC should include revenues from both regulated and unregulated services when evaluating carrier eligibility for any revenue recovery schemes, and any revenue recovery should not be funded by the CAF or by SLC increases.
- If the FCC adopts a "fresh look" approach to enable carriers to reflect ICC reforms in their existing contracts, it should do so on a symmetrical basis.

* This summary was originally issued April 21, 2011. This revision includes several additional comments that were inadvertently omitted from the initial release.

**ADTRAN**

- Supports the FCC's goals of revising and modernizing its USF and ICC regulations to account for changes in technology, support deployment of broadband to unserved areas, eliminating duplicative and inefficient subsidies, and technology neutral rules.
- Applications should include evidence that planned networks will support the required performance targets, and there must be a process for verifying performance post-deployment.

**Advanced Regional Communications Cooperative**

- ARCC applauds the FCC for its efforts to expand high-speed broadband access to the nation, and especially for its focus on rural health care providers.
- The practice of funding single-use networks for healthcare, education, or any sector in a community, effectively cherry picks the anchor institutions, creating inefficiencies.
- Projects that allow the use of excess capacity by state or local governments should be given priority.

**Alaska Communications Systems Group**

- Alaska's distinctive characteristics merit special consideration in these proceedings.
- Substantially curtailing or phasing out existing federal support mechanisms and ICC would have disastrous impacts in Alaska.
- A major impediment to broadband deployment in Alaska – the availability, adequacy and affordability of middle-mile and long-haul transport facilities – does not appear to be satisfactorily addressed by the FCC's proposed policies.
- The use of "reverse auctions" would have unintended consequences in Alaska – not the least of which would be a return to monopoly service in many rural locations, and the specter of FCC rate and service regulation.
- The FCC should adopt no abrupt changes to federal support programs for Alaska but concentrate first on bringing the state's infrastructure into parity with the contiguous 48 states.

**Alaska Regulatory Commission**

- Many of the FCC's proposals would have serious consequences for both existing voice services and deployment of broadband capable networks in Alaska.
- The proposed transition to the CAF will not adequately support Alaska's high-cost service areas.
- Eliminating per-minute access charges, in conjunction with USF reforms, will place at risk the financial health of Alaska COLRs.
- The proposed ICC replacement calculation penalizes states that have reformed their intrastate access charge regime.
- The FCC should establish alternative rules and funding mechanisms to accommodate areas having unique challenges to deployment of broadband services such as those existing throughout Alaska, an area historically viewed by the FCC as Tribal Lands.

**Alaska Telephone Association**

- In previous comments we were not reticent in sharing our abhorrence with the NPB, and in this NPRM we again see myriad pitfalls and paths, however we also see some indication that Alaska's unique circumstances have been recognized and that the dreaded worst case scenario might not come to pass.
- Imperative to the continuation of high-quality service during and post transition is that legacy capital investment must be recovered.
- All network users must be required to contribute to the cost of providing the network.

- Industry must clearly understand the post-transition expectations and opportunities for cost recovery.
- Corporate operations expenses are not discretionary and support for them is crucial.
- Special consideration for Tribal Lands, Alaska Native Lands and Hawaiian Home Lands is appropriate.

**Alexicon Consulting**

- The proposed regulatory system and the general discussion do not meet either stated or statutory goals.
- Some of the proposed rules must first be referred to the Joint Board.
- If the proposals in the NPRM are implemented as is, billions of tax dollars loaned to rural carriers by RUS and private funding institutions will be lost through defaulted loans.
- One result of the proposed rules, if adopted as written, would be unconstitutional takings without just compensation.
- The assumptions upon which the NPRM is based are too speculative or simply mistaken,
- The NPRM, without any empirical basis, proposes massive and significant changes to a RoR-based USF system that has worked and is working to fulfill the purposes for which the system was created.

**Allband Communications Cooperative**

- The FCC's proposed rules, if not modified, will destroy Allband financially along with the revenue stream necessary to meet its loan obligations to a sister federal agency, the RUS.
- Certain of the FCC's NPRM proposals are unlawful, unreasonable, arbitrary, and contrary to applicable judicial precedent.
- Existing entities that have developed their networks in reliance upon, and in compliance with all requirements of state and federal law, and agency regulations and orders to this point, should be grandfathered in under existing law.

**American Cable Association**

- A hard cap on funding for the CAF and any continuing high-cost support should be set at year-end 2010 levels.
- The CAF should initially focus on: 1) providing capital grants to a single provider distributed through reverse auctions to extend fixed broadband service to unserved areas; and 2) implementing the proposed Mobility Fund to address immediate mobile coverage issues.
- Support for large telephone companies serving over 100K lines nationwide should be reduced by rapidly phasing down interim support and by eliminating support where there are competitors providing service that do not receive high-cost support.
- Reverse auctions should be held to select a broadband service provider to receive a capital grant to construct infrastructure in an unserved area.
- Telephone companies serving fewer than 100K lines nationwide should be offered a right of first refusal to continue to draw from the high-cost fund for a period of eight years, so long as they commit to provide broadband service in all of their service areas at specified minimum performance levels.
- At the end of the eight year period high-cost funding would sunset, and support would be disaggregated to ensure that no support is awarded in an area where broadband is being offered.

**American Library Association**

- The FCC should broaden its focus beyond residential consumers to include affordable, high-capacity broadband for libraries.
- Broadband connections are one of the critical elements that allow libraries to provide essential services (i.e., job search, homework, research, etc.) to the public, and often provide the only source of no-fee Internet access to the public.
- Funding to serve rural areas should carry with it an obligation to ensure that public libraries receive adequate broadband connectivity.

**American Public Communications Council, Inc.**

- APPC is the national trade association representing independent payphone providers.
- APPC has recently filed a petition requesting ETCs providing payphone lines be eligible for Lifeline support.
- For many lower-income Americans, payphones are a far more affordable means of making calls than are mobile phones.

**AT&T**

- Instead of continuing to rely on service obligations that perversely undermine 21st century universal service objectives, the FCC should adopt a new regime that promotes deployment of IP networks in high-cost areas.

- High cost funding should be distributed through a procurement model under which providers incur service obligations only to the extend they agree to perform them in explicit agreements with the Commission.
- The FCC should also completely eradicate the antiquated ICC system, and impose a transitional regime to expedite the migration to converged IP networks, where prescriptive interconnection and ICC rules will be as unnecessary in ten years as they have been for the past twenty.
- There should be a glide path from the existing, highly regulated framework of today to the market-oriented framework of the future, and the FCC should complete the transition by January 1, 2017.
- For ICC, the FCC should unify, reduce and ultimately eliminate ICC charges while providing opportunities for carriers to recover their lost revenues through gradual increases to artificially low end-user charges and through targeted universal service support.
- For USF, the FCC should eliminate all legacy support over the course of five years, and transition support to the CAF for fixed broadband service, and an Advanced Mobility Fund for mobile wireless broadband service.
    - The CAF should support both the deployment of broadband infrastructure and the maintenance of broadband service in certain high-cost areas.
    - The FCC should use a model to identify census blocks where the cost of providing broadband service exceeds a high-cost benchmark.
    - In wire centers where the current ETC is offering fixed broadband service to over 50% of the housing units that provider would be offered a right of first refusal to receive CAF funding for eligible census blocks at the model-determined level.
    - If the existing ETC rejects this offer the CAF-eligible census blocks would be subject to a reverse auction.
- As the FCC ratchets down high-cost support, it should encourage states to free providers from their COLR and other legacy service obligations and, to the extent necessary, preempt such obligations.

**Blooston Rural Carriers**

- Supports the Rural Association Plan concurrently submitted in this docket by a substantial group of national, regional and state trade associations.
- The FCC needs to study an analyze carefully why small, localized RLECs with minimal financial resources and no access to major capital markets have been able to deploy reasonable broadband services to over 90% of their customers in the very highest-cost rural areas, while the much larger and better financially endowed price cap carriers have a much poorer record despite their much higher interstate rate of return.
- The FCC needs to take strong and early steps to reform universal service contribution mechanisms to broaden the base of contributors to include all those that use the broadband network so that the Fund can grow without substantially increasing the burden upon existing contributors.

**Box Top Solutions, Inc.**

- The FCC should broaden its focus from primarily subsidization as a means to encourage broadband deployment, and examine ways in which innovative technologies may increase access to affordable broadband.
- The FCC should add a requirement that USF/CAF recipients work with technology companies to find technology solutions, and the FCC should act as a coordinator and facilitator by moving forward with the Accessibility and Innovation Forum and National Broadband Clearinghouse as suggested in the NBP.

**Cablevision Systems Corp.**

- The absence of IP interconnection imposes inefficiency and needless costs on competitors that have invested in state-of-the-art networks.
- Clarifying a right to IP-to-IP interconnection will enhance network efficiency and broadband deployment, and is fully supported by existing law.

**California Emerging Technology Fund**

- CETF was established by the California PUC to help close the digital divide in California
- USF should be used to achieve affordable broadband service for low-income households, perhaps with a greater amount of subsidy for very low-income households.
- Reform of USF should be coupled with an expanded eRate program for parents of students in low-performing schools that integrate

computing and broadband technology into the teaching and learning components of school improvement.

**California PUC**

- Supports migration of federal high-cost support to the CAF, qualified by concern about how the glide path to this new funding would impact customers of RoR carriers and the equitable distribution of funding among the states, especially those states that have already made their own investments in broadband deployment.
- Supports the proposed reform of ICC as long as the glide path to the FCC's ostensible objective – one low rate or bill-and-keep – is reviewed at each stage of descent in order to gauge the impact of each step on customers, carrier health, and traffic flows.
- Recommends a "staircase" ascent for migration of high-cost support to the CAF to run parallel in time with the "glide path" for reducing ICC rates.
- While the migration to IP-enabled services, applications and networks is progressing rapidly, a ten-year migration time frame seems prudent to bring about the USF and ICC reforms the FCC seeks.

**Cascade Utilities**

- The proposal in the NPRM will result in less broadband availability in rural America.
- Proposals to freeze and eliminate many of the existing support mechanisms without a clear path for how existing investment will be recouped is not specific, is not predictable, and is not sufficient.
- The FCC's plan would guarantee market failure for some, if not many, rural telecommunications companies.

**Cebyond, Integra Telecom, and TW Telecom**

- The FCC should gradually reduce intrastate terminating access rates to interstate levels and ultimately unify all terminating rates to a single TELRIC-based level.
- Universal service subsidies should not be provided for the replacement of foregone ICC revenues.
- The FCC should control the size of the USF and revise its universal service contribution rules as part of comprehensive USF and ICC reform.
- The FCC should regulate tandem transit service and require that such service be provided at TELRIC-based rates.

**Cellular One and Viaero Wireless**

- The FCC's transition proposals and support mechanisms are not competitively neutral.
- Several key adjustments should be made to the proposed transition rules and support mechanism:
  - The CAF should not be capped;
  - Reverse auctions should permit support for more than one carrier in a service area;
  - There should be an exemption for small businesses from the reverse auction process, instead permitting them to continue receiving support at current funding levels;
  - Carriers serving areas with low population densities and low income levels should be exempt from reverse auctions, and should be permitted to continue receiving high-cost support at current levels.
  - CETCs serving Tribal lands should be exempt from any phase-down of existing high-cost support that may be imposed generally on CETCs.
  - The reverse auction proposal should be discarded in favor of a forward-looking economic cost model to provide ongoing CAF support
- Several proposals made in the NPRM, such as continued RoR regulation and enabling RLECs to avoid reverse auctions by exercising a right of first refusal would result in subsidizing inefficient operations.

**Cellular South**

- The ARRA simply required a report, it did not authorize the FCC to implement the NBP or grant it any additional regulatory authority.
- If broadband information service providers want Title II benefits (USF support) they must accept Title II regulatory obligations.
- If the FCC wants to bestow Title II benefits on broadband service providers it can do so only if it is provided as a telecommunications service and meets the criteria of 254(c) for inclusion on its list of services supported by USF.
- Congress must be persuaded to amend the Act to expressly authorize the FCC to provide USF support to broadband information service providers.

**CenturyLink**

- CAF funding should be targeted to small geographic areas such as wire centers, rather than averaging costs over study areas or states.

- For CAF support the requirement should be 786 Kbps rather than 1Mbps, and there should be a service requirement but not a coverage requirement.
- The FCC should not transition IAS to Phase I CAF support, as proposed, but rather to long-term CAF support. Under no circumstances should the FCC implement its proposed first phase of the CAF but fail to implement the long-term CAF.
- There should be an opportunity early in the auction process to challenge a bid area's eligibility for Phase I CAF support where that company intends to deploy broadband through private investment.
- Long term CAF should be targeted to high-cost wire centers through a right of first refusal offer to the ILEC in each support area. Any cap on the CAF should be program-specific and indexed for inflation.
- If ICC reform is not accompanied with adequate recovery of lost ICC revenue, it will undermine the critical policy goals of affordability and ubiquitous coverage.

**Charter Communications**

- Network interconnection issues must be addressed in any comprehensive reform of intercarrier compensation rules.
- The FCC should reaffirm single point of interconnection obligations, and concurrently abandon consideration of network "edge" proposals.
- The Commission should conclusively establish that transit services are not yet competitive, and that all ILECs have a statutory obligation to provide tandem transit services at TELRIC rates.
- The provision of call identifying information is imperative to guard against further opportunities for arbitrage of existing and future compensation regimes.

**Coalition for Rational Universal Service and Intercarrier Reform**

- New funding for broadband service should not be targeted at retail ISP services provided by ETCs, but should be targeted at network elements and basic transport services that can be used both by the ETC and other wholesale providers.
- Internet traffic should not be regulated as if it were part of the PSTN.
- Cost control should invite innovative technology.
- ICC needs to be completely unified on a cost basis.

**CoBank**

- The key challenge of ensuring that all Americans have access to affordable broadband is to recognize that building and maintaining networks to provide broadband in rural areas is capital intensive.
- Unless there is a sufficient and sustainable cost recovery mechanism, no financing method (e.g., loan, loan guarantee, revolving loan, one-time grant) will sustain a rural broadband network in the long run.
- Absent mandatory COLR obligations to provide broadband service, large non-rural incumbents (RBOCs and mid-size telcos) will not voluntarily deploy broadband if they cannot recover their costs.
- CoBank would immediately be able to increase RLECs' access to capital by 30%-40% if the CAF is structured in a similar fashion to the current USF model, but focused on broadband deployment.

**Comcast**

- Implement a three-year transition for reforming ICC that will set the default compensation rate for all terminating voice traffic equal to the applicable reciprocal compensation rates.
- There should be a cap on the total size of the USF.
- The FCC should reduce, and where possible, eliminate inefficient and ineffective high-cost mechanisms.
- The CAF should be used to promote broadband deployment in unserved areas through a well-designed reverse auction.

**CompTel**

- IP-to-IP interconnection should be governed by Sections 251 and 252.
- The contribution mechanism should be expanded to include broadband Internet access service revenues so that the beneficiaries of the subsidies bear a fair share of the costs.
- The FCC should cut back subsidies for HCL, LSS and ICLS, cap total per-line support, support only one provider in unserved areas, and award subsides for unserved areas by competitive bidding.
- There should be a single uniform rate for all intercarrier compensation.

**Connected Nation**

- With the National Broadband Map, the FCC finally has at its disposal an unprecedented level of data on the availability of broadband service throughout the country.
- As the FCC transitions the universal service system to support broadband directly, it should use this powerful tool to the maximum extent possible.

**Core Communications**

- The ICC system, when properly enforced, ensures that when two or more network providers collaborate in the completion of a call, all of them will receive fair compensation for their respective work in providing end-to-end service.
- If a carrier's network is used without adequate compensation as a result of FCC rate prescription, there is an unconstitutional taking, and overuse of terminating carrier networks by originating networks.
- Not all ICC is subsidy, yet the NPRM seems to presume that is the case – both access and reciprocal compensation serve to ensure lawful, predictable and economic recovery of costs by carriers.

**Cox Communications**

- Rather than relying on the reverse auction proposal, the FCC should allocate CAF funding through a more robust RFP process that treats all responsive bidders equally and allows for solicitation of more fulsome bids.
- The reserve price should be based on current subsidy levels, and support service below the 4/1 standard when the reserve cannot be met.
- As new broadband funding is deployed, the FCC should phase down existing support as described in NCTA's 2009 proposal.
- ICC transition should start with a uniform reduction of intrastate switched access to the current RBOC interstate rate, followed by a uniform reduction to the final rate level, and account for the different approaches states have taken to intrastate access reform.
- To recover lost ICC revenues, carriers should be permitted to increase SLCs and to increase retail rates to 150% of rates in nearby urban areas. Certain carriers that draw on the legacy high-cost fund should continue to receive funding to make up additional losses for a limited period of time.
- The FCC should clarify that transit must be offered at cost-based rates.
- The FCC should adopt a framework for IP-to-IP interconnection that includes the following principles:
  - ILECs must negotiate IP-to-IP interconnection arrangements in good faith;
  - ILECs must agree to directly interconnect at any technically feasible point of interconnection;
  - The network "edge" concept should not apply to IP interconnection; and
  - Each provider is responsible for providing its own network facilities to the point of interconnection.

**CTIA**

- Chairman Genachowski recently said "it's all about mobile." As the FCC reworks the nearly $8B high-cost USF and the multi-billion ICC system, the FCC should keep these guiding words in mind.
- Support for mobile wireless broadband must be sufficiently robust to permit deployment in areas where there is no viable business case for build-out, a goal for which the proposed MF would be inadequate, and should support the ongoing costs of providing service.
- In the near term, the FCC should vigorously pursue reforms to promote efficiency in current ILEC mechanisms, and the NPRM has put forward numerous promising proposals.
- The FCC should continue to move forward with the NBP's proposal to end RoR regulation, and in the interim, quickly adopt its common sense proposal to cap ICLS, strengthen the definition of "used and useful," and reduce the permitted rate-of-return.
- There should be a two-stage transition where ICC rates are first unified at $0.0007, and then, no later than five years from today, reduced to zero.
- The FCC should ground ICC reform in the Section 251(b)(5) reciprocal compensation framework of the 1996 Act.
- To the extent that the FCC adopts a recovery mechanism in concert with ICC reform it should be narrowly tailored, not directed towards "revenue neutrality," but focused on providing ILECs a reasonable amount of time to adjust their business models.
- The FCC should grant the pending Sprint petition clarifying that ILECs may not refuse to load numbering resources of an interconnecting carrier or refuse to honor routing and rating points designated by such a carrier.

**CWA**

- Reform USF rules to require all current USF recipients to provide broadband, support only one carrier in a geographic area, eliminate the identical support rule, and rationalize support for RoR carriers.
- To help close the rural-rural divide, the FCC should preserve IAS support, with support targeted to broadband expansion.
- Use $500M in savings to expand the E-Rate program, and allocate an additional $50M for Lifeline/Link-Up pilot projects.
- The targeting and distribution methodology should give the current COLR right of first refusal, followed by competitive bidding.
- The CAF should be sized in the $4.3B to $12B range, the lower limit is the current size of the high-cost USF, and the upper limit adds the $8B of support estimated in the ICC regime.

**DC Public Service Commission**

- The FCC should not identify unserved areas without taking into consideration whether areas shown as "unserved" on the National Broadband Map are actually receiving funds under the BTOP and BIP programs.
- The goal of the first phase of the CAF is to increase deployment in unserved rural and high-cost areas, not to fund existing facilities or deployment to which a carrier is already committed.
- There are many examples of cases in which the FCC has heard and accepted promises of broadband infrastructure deployment in return for agreeing to a transaction that might not otherwise be in the public interest – the FCC must enforce such commitments.

**Docomo Pacific, PR Wireless, Choice Communications & Bluesky Communications**

- The unique challenges that exist in insular areas should be taken into account in universal service reforms.
- The FCC should set aside funding and establish bidding credits in the Phase I CAF for carriers serving insular areas.
- The FCC should provide an exception to its "competitive bidding everywhere" approach in the second phase CAF to ensure sufficient ongoing support for insular areas.
- In determining the overall size of the CAF, the FCC should account for the provision of prioritized funding for insular areas.

**Earthlink**

- The FCC should affirm that ILECs have a duty to provide IP interconnection under Section 251 at cost-based rates under Section 252.
- Impose access and unbundling obligations on all CAF recipients
- Address USF distribution and contribution together.

**Eastern Rural Telecom Association**

- RLECs should be allowed to recover the costs associated with their existing network in the manner prescribed when companies made their initial investment.
- Local Switching Support should neither be eliminated nor combined with High Cost Loop Support.
- Corporate operations expenses are necessary to the operation of RLECs and should be recoverable under any process designed to recover any other expenses.
- The FCC should address the contribution base and ensure that all carriers operate under a level playing field.
- It is important that the FCC's reforms not cause the loss of jobs or result in a decrease in the availability of broadband in rural America.

**EMR Policy Institute**

- The EMR Policy Institute has previously documented physical harm to people from the various forms of electromagnetic radiation that would be present with universal wireless broadband.
- Wireless broadband deployment throughout the Nation is a major federal action that will permanently and negatively alter the human environment.
- Affidavits and brief policy statements have been provided by numerous individuals describing the harms of electromagnetic radiation, as well as the continued need for landline phones to connect medical devices and provide basic connectivity that cannot always be done via a cell phone.

**FairPoint Communications**

- The proposed near-term changes to the HCLS, ICLS and LSS mechanisms relied upon by rural R0R carriers are unlikely to achieve the FCC's desired efficiency results.

- There should be reasonable limits on carriers' interstate recovery of corporate operating expenses.
- Opposes elimination of IAS support for Price Cap carriers that only shift cost recovery from a wider base of customers to the narrowing base of affected ILECs' increasingly competitive markets.
- The new CAF should be adequately sized to fund broadband build-out at affordable rates:
  - Funding should be first made available to the most costly to serve areas.
  - It should be tied to COLR obligations, and
  - ILECs should have a right of first refusal since they almost always are obligated to serve as COLRs under state law.

**Fidelity Telephone Company**
- The FCC should consider the negative impact to rural RoR companies who approved and implemented business plans under one set of rules and, if the FCC's proposed rules are adopted, will be subject to recovery, or the lack thereof, under another set of rules.
- If changes in support mechanisms are implemented, they should be made on a forward-looking basis.
- The intrastate/interstate ICC issue should involve the Joint Board and the FCC should work in partnership with states to achieve intrastate USF and ICC reform.
- Fidelity supports the Rural Associations in their comments.

**Florida PSC**
- Supports many of the proposed near-term reforms to the existing high-cost support mechanisms.
- Support for the CAF is conditioned on retargeting reclaimed support from other programs and not increasing the overall size of the fund.
- Supports the proposed cap on the total size of the CAF, but believes that the FCC should look to reduce the size of the fund where efficiencies derived from universal service reform allow.
- Prior to distributing universal service support through the CAF, the FCC must first make a determination of the extent to which the four statutory criteria in Section 254(c)(1) are satisfied by broadband.
- Does not support the FCC's proposal to base CAF support on intrastate USF and ICC reform.

**Fred Williamson & Associates**
- FWA provides data and analysis of the Appendix A proposals for USF reform for a number of rural RoR ILECs.
- This analysis makes two very clear points:
  - Many RLECs are, because of existing FCC rules (HCLF cap) and inaction on ICC reform, struggling to maintain a sufficient revenue stream to provide quality basic and broadband services at reasonable rates and to pay the interest and principal on loans incurred for network deployment; and
  - If the FCC were to adopt the proposals contained in Appendix A, the analysis shows a near-term loss of approximately 60% of the RLECs' USF revenues resulting in negative rates of return and TIER ratios dropping to levels indicating that the RLECs cannot pay back the debt they have incurred to build their networks.

**Free Press**
- The FCC must focus on thorough reform of the existing USF. Subsidies should only go where they are actually needed to ensure that services remain available at reasonably comparable prices.
- Transforming the High-Cost Fund into the CAF is a long-overdue evolution, however the need for a large CAF has not yet been demonstrated and without adequate structural safeguards, ratepayer funds could be wasted.
- The FCC's near-term USF and ICC proposals must focus on reducing consumer burden in concentrated markets, not on revenue replacements or other regulatory gifts to incumbent carriers.
- We strongly urge the FCC to ask the basic questions about overall subsidy need, and be guided by the goal of reducing the subsidies to the absolute minimal level needed in order to realize the express goals of the Act.

**Free State Foundation**
- Critical to ensuring the success of the FCC's entire slate of reform proposals is reducing the financial burden on consumers of telecommunications services and making certain that any reformed USF subsidy system is fiscally responsible.
- By setting a hard cap on the overall size of the fund that extends to all high-cost fund-related programs, the FCC can establish a pathway for future reductions in the overall size of the fund.

- The FCC should unify the ICC rate system by bringing all telecommunications traffic within the reciprocal compensation framework, and then adopt a bill-and-keep methodology.
- There should be a reasonable – but firm – transition to the abolition of existing access charges, and all subsidies should then be identified and separated from the ICC system and replaced by explicit – but targeted – subsidies in the reformed USF.
- The FCC too often fails to appreciate that if its regulatory policies were, on the whole, more market-driven and less costly, there would be less need for subsidies because service providers, competing in the marketplace, would have greater incentives to serve presently unserved areas.

**Frontier**

- The FCC should adopt a five-year timeframe for harmonizing intrastate and interstate rates so as to 1) provide ILECs that rely on ICC revenues to deploy broadband time to adjust their business models for the new rates, and 2) reducing the size of any end-user supported recovery mechanism.
- The FCC should pause after the first five year transition phase to reevaluate the effect that the rate changes have had on broadband deployment, end users, and the industry.
- In order to assure that the FCC's reform plans do not limit the ability to invest in broadband, the FCC should phase down the IAS fund over a five-year period instead of a two-year period, and also to allow providers to be able to retain IAS support if they certify that the money received will be used to deploy broadband.
- Frontier should not be deprived of the ability to receive explicit broadband support because of its public commitments to broadband deployment made during the acquisition of Verizon rural properties. The FCC did not adequately consider that Frontier's commitment was based on revenue streams that may be altered dramatically with the reform process, so it would be unfair to exclude it based upon circumstances that are no longer valid.
- States are in the best position to determine which carriers should be eligible to receive funding support via existing ETC programs, which should remain in place after the FCC completes its reforms.

**General Communications, Inc.**

- Alaska will need substantial universal service support to bring 21st century communications to rural parts of the state.
- As the FCC redefines universal service to include broadband, it should take care to ensure that it does not inadvertently terminate high-cost support to areas in which networks are still developing.
- The FCC should place Alaska on a different universal service transition path than the rest of the country, including an expanded Tribal lands exception to any interim high-cost changes.
- Any long-term CAF will have to recognize that Alaska has both high internal capital investment requirements and high operating costs, and separately address both middle-mile and last-mile costs.
- In Alaska, limiting or biasing new CAF support to ILECs through a right of first refusal would undermine 21st century broadband deployment and harm public safety.
- ICC reform for Alaska should take account of Alaska's unique market structure.

**Mercatus Center – George Mason University**

- The 4/1 definition of broadband for the CAF is not appropriate since these speeds are not essential for education, public health or public safety, and are inconsistent with the public interest because they would result in a USF contribution burden much higher than is necessary.
- To assess the program's future performance, the FCC considers measuring deployment, subscribership, and rate comparability; however accurate assessment of the program's actual effects on these intermediate outcomes requires that the FCC compare observed outcomes against a relevant counterfactual estimate of what would have occurred in the absence of the subsidies.

**Gila River Telecommunications**

- Tribal lands need substantially more support for broadband infrastructure and services.
- Increased access to broadband would bring important benefits to Native American communities.
- Near term reforms: 1) Implement reforms to lower the cost of bundled DSL and Internet service on Tribal lands, and 2) Cerate a Native Nations Tribal Broadband Fund

- Long-term reform: The FCC should incentivize investment in broadband infrastructure by substituting wideband-capable categories for category 4.13 in the current High-Cost Loop formula.
- The FCC cannot rely on the National Broadband Map, as presently constituted, to identify unserved areas eligible for CAF support.
- Reverse auctions will result in subpar and unacceptable service levels on Tribal lands.

**Global Crossing North America**
- The FCC should move decisively to rationalize and simplify the ICC framework and should:
  - Unify and reduce overall ICC rates across all types of traffic;
  - Address rates charged for transport facilities as an essential element of reform;
  - Assert its jurisdiction and reform ICC with minimal state involvement; and
  - Avoid piecemeal reform and adopt a transitional timeframe that is reasonable yet aggressive.
- The FCC should adopt reforms that permit the targeted distribution of funding to promote broadband deployment in unserved areas.

**Google**
- Robust broadband deployment and network efficiency should guide USF and ICC reform.
- The ICC traffic exchange system should promote efficient network use and next generation technology:
  - Broadband Internet traffic exchange can serve as a useful model for ICC reform;
  - The FCC should affirm that broadband service providers have a fundamental statutory duty to interconnect all traffic.
- Federal USF should support universally available, robust and open broadband networks:
  - Explicit subsidies should be targeted to build-out of broadband networks;
  - The FCC has ample legal authority to reform USF;
  - CAF support should be conditioned on pro-consumer policies; and
  - USF reform should recognize the important role of the states.

**Greenlining Institute**
- The FCC has sufficient legal authority to support broadband through universal service.
- Universal service support should be restricted to ETCs or entities that demonstrate similar characteristics.
- The FCC should establish requirements for adequate service and accountability for broadband recipients of universal service funds.
- Broadband service must be affordable to advance its ubiquity.
- The benefits of universal broadband service outweigh the burdens of support.

**GVNW Consulting**
- The short-term proposals are a mixture of changes to existing rules for ICC that attempt to address access arbitrage, with potentially drastic changes to current USF rules that could significantly impact support payments that rural wireline carriers receive.
- Regarding corporate operations expense, while there is some discretionary spending involved, it is quite unlikely that a company could provide telecommunications services under current regulation without incurring costs associated with accounting, management, insurance, legal, and regulatory compliance.
- The Commission must be cautious to recognize the interdependence that wireless carriers have with wireline networks. The mobility provider depends on the wireline provider tin its call completion architecture. Current wireless, VoIP, and satellite networks require a connection to the land line infrastructure.
- In evaluating long-term reform plans, the FCC should use these four criteria:
  - Does the plan comply with federal law?
  - Does the plan incent transition to broadband without damaging one set of rural customers in favor of other rural customers?
  - Does the plan provide for the recognition that voice is not yet merely an application, and COLR obligations are still relevant?
  - Does the plan result in comparable rates for rural customers compared to urban customers without excessive SLC increases?

**Robert A. Hart IV, PE**
- RoR regulation with combined federal, state and local oversight has service this country well.
- As soon as possible, the FCC should issue a statement that will provide reasonable certainty to small family owned independent RUS borrower rural telephone companies (and probably others),

enabling significant planned immediate broadband investments to continue so that these rural areas will not fall behind from an infrastructure perspective.

**Hawaiian Telcom**

- Unlike other native peoples, the Native Hawaiian population is not highly concentrated in any geographic area, but resides throughout the state. As such, the entire state should be considered "Tribal Lands" for purposes of dedicating resources to this historically disadvantaged population.
- To bring "robust, affordable broadband to all Americans," the FCC should:
  - Determine support at the wire center level, rather than study area wide;
  - Limit support to one provider per household, cap support at $3K per line per year, and require that support be justified either under a model or by the recipient's own costs;
  - Eliminate differences between rural and non-rural funding mechanisms;
  - Classify the state of Hawaii as Tribal Lands for purposes of interstate support mechanisms, and set aside support in the Phase I CAF to promote infrastructure expansion in the state;
  - Replace any phased-out IAS with new support;
  - Adopt a right of first refusal for long-term CAF support;
  - Require that any recipient of support accept COLR responsibilities for the supported area.

**Hill Country Telephone Cooperative**

- The RoR model has proven successful in enabling deployment of broadband services in rural areas of the US, while Price Cap regulation (sometimes known as incentive regulation) has proven to create the so-called "rural-rural divide."
- Now, in an effort to close the gap, the FCC proposes to reduce the distance between the "haves" and the "have-nots" in such a manner that we will all be made "have-nots."
- At a minimum, if the FCC must move forward with unwinding the current USF programs, it should do so in such a way that honors the financial commitments that rural COLRs have made to their lenders and their communities by providing an extended transition period such that loans made based upon RoR financial assumptions will be repaid before major reforms begin.

**Hospital Sisters Health System**

- The CAF should not focus solely on the needs of healthcare. This exclusive focus creates "silos" and makes it extremely difficult to partner with other stakeholders such as city and county governments, schools, libraries and other non-profit institutions that would also benefit from broadband connectivity.
- The CAF must support the Community Area Network (CAN) model to advance connectivity in unserved rural and small town areas.

**Iowa Telecommunications Association**

- Iowa has several unique characteristics that have influenced the current telecommunications landscape in the state.
- Without adequate support for their costs, Iowa independent companies will not be able to continue their quality of service to rural customers and there will remain no provider willing to serve the high-cost customers, resulting in deterioration of service and networks in rural Iowa.
- Rather than proceeding down a path that punishes those providers who have already made investment and discourages others from future investment, ITA urges the FCC to adopt the alternative RLEC proposal submitted by the Rural Associations.

**Iowa Utilities Board**

- Even if a moratorium on wireless surcharges is not enacted, the IUB believes the FCC should be more explicit and should better quantify its expectations of supplemental support from state universal service funds.
- The IUB favors gradually reducing support to CETCs over a period of five years, and locking the state's identical support amounts at 2010 levels for future deployment in underserved and unserved areas of the state.
- The IUB supports the FCC's proposal that states would receive at least the same amount of CAF support as the state received in IAS, and those funds should be used for the deployment of broadband in underserved and unserved areas of the state.
- The IUB opposes the disaggregation of high-cost USF support, as the proposal could overwhelm the limited resources of the state commissions.
- The FCC should implement measures to standardize the process of annual certification for CETCs.

**ICORE Companies**

- RoR regulation using actual costs must be retained for RLECs, as it has worked successfully to bring universal telecommunications and broadband services to rural America. A change to any other regulatory regime will put universal service at risk.
- New cost recovery vehicles must include sufficient support for rural carriers in high-cost, hard-to-serve areas. Whether called USF or something else, it is absolutely essential that these carriers receive assistance for serving places where other carriers would find no business case.
- A fair and reasonable mechanism for ICC will also be necessary to preserve universal service in rural America. Regardless of their form or technology, carriers that use the facilities of RLECs for the origination, transmission, or termination of their traffic must compensate the RLEC for such use.

**Indiana Utility Regulatory Commission**

- The IURC is concerned the FCC proposals to reform USF, at best threaten the realization of urban/rural parity required by Section 254(b)(3), and at worst result in an outright violation of this legal mandate.
- The loss of traditional USF support to the existing voice service providers will lead to higher rates or the ceasing of operations (resulting in the loss of service availability), both of which would also represent a violation of 254(b)(3).
- The IURC urges the FCC to seize the opportunity to rethink its approach to expanding broadband in rural areas in order to ensure that the rules it ultimately adopts comply with both the spirit and clear Congressional intent, and do not lead to creation of a rural Digital Divide or drive scores, if not hundreds of small businesses (RLECs) into failure or bankruptcy.
- The IURC is concerned about the use of reverse auctions for determining who will build out broadband in unserved areas with USF funding, particularly given the FCC's proclivity for employing combinatorial bidding in the auction process.
- The IURC is concerned that this process may result in skewing the bidding process against many of the smaller RLECs, as well as smaller, mid-size or regional wireless providers, in favor of large wireless providers, which are rapidly consolidating market share.
- The IURC supports immediate action to control the size of the low-income fund – including setting caps on the amount of support to be provided.
- The FCC has proposed the possibility of applying Section 251(b)(5) to all telecommunications traffic, with the FCC developing a single methodology for ICC, state and interstate. If the FCC takes this approach, it would represent a substantial encroachment into what has been the exclusive jurisdiction of state commissions, as well as a direct assault on Congressional intent.
- States have an important role to play in the setting of telecommunications policy, and the reform of USF and ICC should be no different.

**Information Technology Industry Council**

- The FCC has the authority to support broadband, and should not classify interconnected VoIP as a telecommunications service.
- The FCC should only support deployment of high-speed networks.
- Funds should be distributed efficiently and recipients should be determined by reverse auctions.
- The FCC should cap the overall size of the fund.

**Internet2 Ad Hoc Health Group**

- The CAF should complement, but not supplant or replace, the Rural Health Care Program.
- To the extent a properly designed CAF delivers increased availability of high bandwidth services in their communities, this will be welcomed by state and regional health care networks.

**Internet2**

- The FCC should adopt rules ensuring that recipients of CAF funding connect to community anchors in the relevant geographic area, and to the national Research & Education networks where such anchors wish for such connections to occur.
- The FCC should adopt such rules because 1) It should take all steps necessary to ensure that community anchors in currently unserved areas do not get left behind with respect to their all-important broadband needs when residential broadband service becomes available in their localities, and 2) Such rules will enable the FCC to ensure that Section 8.22 of the NBP is realized.

**ITTA**

- The FCC's CAF proposal risks harming rather than promoting broadband deployment overall by removing necessary support flows without including an alternative recovery mechanism.
- IAS for price cap carriers, and Local Switching and Safety Net support for RoR carriers are important components of independent telephone company revenues.
- The FCC proposes to cap interim universal service high-cost support at its level in 2010, with no basis for concluding that this amount would be either sufficient or excessive.
- Rather than capping high-cost support at an arbitrary number, the FCC should correct problems with the current mechanism by removing incentives for uneconomic investment and eliminating the Identical Support Rule.
- To ensure that COLRs are able to continue providing service in high-cost areas, and that current broadband deployment is not jeopardized, the interim universal service mechanism should provide for a right of first refusal for carriers with COLR obligations.
- Importantly, a successful right of first refusal process must include a reliable cost model that provides sufficient, regular support payments.
- The permanent CAF fund should fund op-ex as well as cap-ex to make continuing provision of services in high-cost areas attractive to providers and investors.
- The FCC should adopt a gradual glide path in which carriers' intrastate access charges and reciprocal compensation rates would be reduced to interstate levels after three years.

**John Staurulakis, Inc.**

- The FCC should reject certain reforms proposed in the NPRM that are likely to reverse the gains in universal service made in rural areas of the nation, and would chill private investment in the highest of the high-cost areas of the country.
- Founded on a principle of getting the most "bang for the buck," the FCC appears to have departed from clearly defined Congressional mandates that give guidance to the purpose and use of federal universal service support.
- JSI emphasizes the absolute necessity of establishing a reasonable and equitable transition path for rural RoR carriers when reforming and repurposing federal universal service.
- The FCC should not jump to the conclusion that RoR is less effective in delivering universal service to rural high-cost areas of the nation – to the contrary, the performance of price-cap incentive regulation shows poor performance in delivering universal service.

**Kansas Corporation Commission**

- The KCC supports the FCC's efforts to reform USF and ICC rules, especially to promote broadband deployment – so long as reforms undertaken do not have the effect of unraveling the Kansas telecommunications infrastructure that has been built over the last 15 years through a federal/state joint partnership.
- Kansas is heavily dependent of federal USF to keep rural rates affordable, and federal USF to help fuel broadband deployment on wireless and wireline networks.
- The FCC should temper its initiatives, so that it imposes less risk to achieving affordable rates and reasonably comparable services in rural areas as it transitions reforms – and be cognizant of loan commitments and other long-term obligations entered into by carriers (primarily but not exclusively ILECs) under the current USF and ICC scheme.
- The FCC should prioritize support for early-adopter states that have already reduced intrastate access rates to interstate levels and established state funds.
- As the statute contemplates, the FCC should continue having states designate ETCs so that states have the power under Section 214 to enforce universal service-related obligations.
- To achieve long-term ICC reform, the FCC should provide incentives for states that have not already done so to undertake intrastate access reform, or for states to continue reducing intrastate rates to interstate levels while not penalizing early-adopter states.
- This long-term ICC scheme should provide predictability of rates for carriers and investors. Rather than moving to bill-and-keep, the FCC should set a goal of reaching a uniform cost-based rate, by carrier, regardless of traffic type.
- It is imperative that a review of the initial USF and ICC reforms be conducted to determine the effect on the telecommunications industry and consumers to ensure that the benefits of reform outweigh the costs.

**Kansas Rural Independent Telephone Companies, State Independent Telehone Association, and Rural Telecommunications Management Council**

- These companies have incurred substantial long-term debt and have made extensive investments to make possible advanced telecommunications services in reliance on the assurance of sufficient and predictable external support mechanisms to meet their long term obligations.
- The NPRM proposes abrogation of established regulatory principles that have already enabled rural telephone companies to meet and exceed the limited broadband objectives now proposed for other areas yet unserved or underserved.
- In place of current successful policy, the NPRM would impose presumed "market based" solutions where no effective and sustainable underlying market exists.
- New adverse consequences from adoption of the NPRM are not conjectural, but certain in a plan that would dig one hole for the purpose of filling another.
- Rather than impose the certainty of loss of existing high-quality services, together with resulting deterioration of rural economies, the FCC should substantially revise its plans for broadband deployment. The responsible approach is to build on success, not sacrifice proven performance and public resources for speculative benefits.

**Small Company Committee of the Louisiana Telecommunications Association**

- Market-based funding mechanisms, such as reverse auctions and cost models, are unworkable and will cause USF funding to become unstable and unpredictable.
- The FCC's broadband goals will not be met by capping high-cost support at current levels.
- Mandatory disaggregation of costs will not serve, and may undermine, the FCC's reform objectives.
- The FCC should proceed cautiously in considering any proposal to reduce or eliminate USF support in so-called "competitive" areas
- The FCC should act to phase-out the Identical Support Rule for CETCs.

**Level 3 Communications**

- The FCC should adopt a nine-year transition plan that simplifies access charges and allows all carriers adequate time to implement business plans that are sustainable in the near absence of intercarrier compensation payments.
- Carriers should be given the flexibility to recover lost ICC revenue from end users to the extent the market will permit, with universal service mechanisms ensuring affordable end user rates.
- The FCC should migrate from a single-POI-per-LATA requirement to market-determined POIs.
- The FCC should clarify that its ISP-bound rules apply to all locally-dialed ISP-bound traffic.
- ILECs must continue to provide transit at just and reasonable rates.
- To promote broadband service to rural areas, universal service will need to support middle-mile deployment.

**Massachusetts Department of Telecommunications and Cable**

- The FCC should adopt the additional universal service principle recommended by the Joint Board that broadband should be a supported service.
- On USF reform, the MDTC supports the following:
  - Restraining the size of the fund;
  - An exemption whereby certain states would be eligible to redirect loss of existing funding to broadband;
  - Elimination of the Identical Support Rule;
  - Redirecting support to the CAF and to more immediate reduction of the fund size;
  - If the FCC forbears from applying the ETC requirement for USF support, then the FCC must ensure that states have the opportunity to have a lead role in provider selection and oversight.
- On long-term ICC reform:
  - The FCC does not have sufficient legal authority to override state access charge regimes;
  - The FCC has sufficient legal authority to revisit the interstate access regime and its reciprocal compensation pricing methodology, but needs to ensure that states have sufficient time to implement reforms.

**Madison Telephone LLC**

- In comments filed last July, Madison provided financial documentation to support its position that that without an adequate and sustainable revenue replacement for reductions in USF support it will lack ongoing financial resources to provide high quality and broadband services in the high-cost areas of rural Kansas.
- As demonstrated with the financial information provided with these comments, it has not changed its position on these issues.

**Michigan Public Service Commission**

- The MPSC believes that each step in the ETC designation process is necessary to ensure that each applicant is able to provide the best product and customer service for the USF funding they receive.
- State commissions should be directly involved in the disaggregation process, due to the state commission's knowledge of the state and work already completed on the broadband field.
- Whatever end goal the FCC ultimately adopts for ICC reform, adequate funding must be allocated under the CAF, or some other recovery mechanism, to ensure that rural incumbent providers can maintain/enhance their networks while still offering service to end-users at reasonable rates.
- The ICC reform process should not penalize those states that have taken steps to reform intrastate access.

**Telecommunications Association of Maine**

- TAM generally supports the Rural Associations' proposed transition plan for rural RoR carriers as an alternate path for carriers who have already made significant investments in advanced services.
- The FCC should not force RoR carriers to adopt an incentive structure that has failed to provide the same degree of success by the larger carriers in bringing broadband to rural parts of the nation.
- While most often used in the medical field, the principle of "first, do not harm" has equal applicability when addressing a major restructuring of the telecommunications opportunities throughout the nation.
- TAM believes that the Rural Associations' proposal is a reasonable and responsible method for ensuring that rural Americans do not fall through the cracks as the FCC pushes forward with its reworking of the telecommunications landscape.

**MetroPCS Communications**

- The FCC has the clear legal authority to adopt comprehensive ICC reform.
- The FCC should undertake certain immediate reforms to eliminate opportunities for wasteful arbitrage.
- The FCC should adopt comprehensive reforms to the ICC system at the earliest possible date:
  - Maintaining existing federal/state rules will perpetuate inconsistency and uncertainty in the telecommunications marketplace;
  - If states retain responsibility for ICC reform, the FCC must provide them with robust guidance;
  - Reforms should be based on the 1996 Act framework;
  - The FCC should include rules governing the exchange of transit traffic;
  - The FCC must retain the MTA rule until wireless carriers are permitted to collect access charges, or until the transition to bill-and-keep is complete.

**Mississippi Public Service Commission**

- The MPSC takes the ETC designation process seriously, and wireline and wireless ETCs have utilized their high-cost funding effectively and efficiently.
- The MPSC is concerned that the FCC, in its efforts to expand provisioning of broadband is seeking to "wrestle away" substantial support levels from ETCs across the nation.
- The fund should be expanded by changing the USF contribution methodology rather than reducing support to current ETCs.
- Should the FCC adopt the ICC reforms in the NPRM, wireless carriers should be "made whole" for access rate reductions.

**Missouri Public Service Commission**

- The FCC should add two additional principles for USF reform:
  - Ensure that high-cost support is provided to the least number of carriers and areas necessary; and
  - Support should only be provided when universal service principles cannot be met without government funding.
- The FCC should follow-up and complete prior proceedings regarding the USF collection mechanism so that consumer can get some limited relief.
- ETC designation should continue to be a requirement, and ETCs should meet certain standards
- Phase I CAF funding should not be limited to states with high-cost funding programs.
- The FCC should establish a backstop approach for ICC reform, where states should have a minimum of five years to reach parity between state and interstate rates.
- Carriers should not be guaranteed revenue neutrality, a revenue recovery mechanism should evaluate total company regulated and unregulated

revenues, and the FCC should not increase the SLC cap.

**Missouri Small Telephone Company Group**

- A number of the NPRM's proposals may threaten small companies' financial viability, and accordingly the MoSTCG companies support a more cautious and measured approach that will allow near-term reforms to work and take more deliberate steps for long-term reform.
- Common sense reform of USF and ICC should maintain per-minute ICC and allow small rural carriers to continue operating under RoR regulation.
- Reductions in access rates should be accompanied by a predictable and sufficient revenue recovery mechanism.
- Interconnection policies should ensure that carriers choosing to interconnect indirectly bear their fair share of network costs.

**Mobile Future**

- America needs mobile broadband.
- Ongoing support is needed for ubiquitous mobile broadband coverage.
- The FCC should promote, not limit, competition among providers for support funding.

**Molalla Telephone Company**

- The FCC's proposal contained in the NPRM will result in less broadband availability in rural America.
- The FCC should adopt the alternative plan presented by the Rural Associations.

**Moss Adams**

- The NPRM does not properly address the contribution base and methodology as reasonable solutions to the perceived problem that consumers are paying too much for USF.
- The proposed rules do not sufficiently allow for the repayment of existing debt.
- Any phase-out of local switching support should be sufficiently long to allow for the cost recovery of embedded investments made under the current rules.
- A complete phase-out of corporate operations expense from USF oversteps the stated goal of cost efficiency.
- Expense and capital benchmarks are potential tools to increase efficiency and reduce the overall size of the USF.
- The Identical Support Rule as originally and currently implemented does not effectively target vital USF resources where they are needed most.

**Moss Adams Clients**

- Separate filings have been made on behalf of a number of Moss Adams clients providing data in a consistent format illustrating the impact that the specific proposals in the NPRM would have on each company.
- Companies for which such filings have been made include: Albion Telephone Company, Calaveras Telephone Company, Cambridge Telephone Company, Central Texas Telephone Cooperative, Custer Telephone Company, Delhi Telephone Company, Ducor Telephone Company, Farmers Mutual Telephone Company, Filer Mutual Telephone Company – NV, Filer Mutual Telephone Company – ID, Guadalupe Valley Telephone Cooperative, InterBel Telephone Cooperative, Kalona Cooperative Telephone Company, Midvale Telephone Exchange – AZ, Midvale Telephone Exchange – ID, Nehalem Telecommunications, Northern Telephone Cooperative, Pend Oreille Telephone Company, Rural Telephone Company – ID, Rural Telephone Company – NV, Scio Mutual Telephone Association.

**NARUC**

- In this NPRM, the FCC is tackling two "Gordian Knots" of telecommunications policy – modernizing and streamlining federal USF and ICC policies.
- Though NARUC, like many, has serious concerns about several of the NPRM proposals, it commends the FCC for embarking on this effort. The association has been on record since 2004 urging the FCC to consider non-preemptive approaches to ICC and appreciates the numerous requests throughout the item seeking to facilitate cooperative State-Federal action.
- Specific items discussed in the comments include:
  - Only "telecommunications carriers" can receive USF support;
  - Section 706 cannot justify bypass of § 254 and § 214(e) requirements;
  - The FCC cannot forbear from § 254 and § 214(e) requirements;
  - The FCC lacks authority to unify ICC regimes
- NARUC has consistently confirmed the widely held principle that functionally equivalent services should be treated the same and that regulators

should not intervene in markets by favoring one technology over another.

**NASUCA**

- To paraphrase a wise man, Yogi Berra, "This is déjà vu of déjà vu of déjà vu all over again." It is a "global solution" that covers only part of the globe, and is not really a solution for many of the issues addressed.
- Unfortunately, in issuing its current various proposals for "reform," the FCC has failed to tackle the most fundamental issue of all: determining what costs are reasonable and necessary for voice service and broadband service and, thus, are appropriately recovered through ICC and universal service support.
- The NASUCA comments:
  - Generally support (but also raise questions about) the four FCC-proposed principles for USF reform;
  - Express support for the concepts behind the Omaha Plan submitted to the Federal-State Joint Board on Universal Service;
  - Discuss at length the legal barriers to the USF providing support for broadband services under the FCC's current classification of broadband;
  - Express support for (but also raise questions about) the immediate reforms for the USF that the FCC proposes to fee up fund for the CAF;
  - Discuss at length the many issues surrounding initiating the CAF, including the uncertainty about the location of currently unserved areas, the need to address adoptions as well as deployment, the problems with auctions and the decision to support one provider per service area, the improper linkage of the CAF to ICC reform; public interest requirements for the services support by the CAF and eligibility requirements for the recipients of CAF funding; and NASUCA's proposal for a procurement mechanism to replace auctions for CAF funding, and support for accountability for the CAF;
  - Discuss at length the many issues surrounding ICC "reform" including the limitations on the FCC's ICC authority, the inappropriateness of incremental cost and mandated bill-and-keep as the basis for setting ICC rates, and other conceptual errors in the NPRM;
  - Support the FCC's apparent decision not to guarantee recovery for lost ICC revenues, but challenge proposals to allow revenue recovery through the USF or SLC.

**Native Telecom Coalition for Broadband**

- There are unique circumstances justifying not just an exception from the cap, but demanding a more complete resolution of universal service funding for Native Americans.
- A "hundred years" of geographic isolation on Tribal lands and related income disparity are real barriers prohibiting Native Americans from experiencing quality of life enhancements and economic opportunities that have become available to most Americans through advanced communications technology.
- In expedient fashion the FCC should undertake corrective action and create a new universal service program for Native Americans, that is, a separate Native Broadband Fund within the Universal Service Fund for the dual purposes of:
  - Ensuring extension of broadband networks/connectivity to Tribal lands – Indian Country, Alaska Native Regions, and Hawaiian Home Lands; and
  - Sustaining the continued efforts of carriers that deliver voice and emerging/evolving broadband services to these groups.

**NATOA**

- The FCC should move forward and take steps to reform the USF and ICC programs by:
  - Making the programs more efficient by immediately instituting steps to alleviate waste, fraud, and abuse;
  - Expand the definition of supported services to include broadband; and
  - Permit state, regional, and local networks to receive USF funding to ensure increased broadband deployment to all parts of the country.

**Neutral Tandem**

- Competition in the market to provide tandem transit services for local traffic exists and continues to grow. This competition has brought real benefits to the telecommunications marketplace.
- Competition also exists in the market to provide intermediate tandem transit services for access/non-local traffic. This competition has had the same impact as competition in the market for local traffic – lower prices, better service, and innovative products.
- As the FCC works toward reform of originating and terminating access charges, it must take care not

to adopt regulations that would inadvertently stifle the competitive market to provide intermediate tandem transit services for access traffic:

  - The FCC should not undermine local tandem transit competition with TELRIC price regulation.
  - The FCC should not apply regulations aimed at originating and terminating access costs to intermediate tandem transit service for access traffic.

**NCTA**

- The FCC should immediately cap both the overall size of the USF and the amount of annual high-cost support at 2010 levels.
- By enacting reductions proposed in the NPRM, the FCC should repurpose approximately $2B in high-cost support for broadband deployment through the CAF, leaving roughly $2.5B in existing high-cost support for an interim three year period.
- After the three-year transition period, the FCC should adopt additional reforms, and should commence a proceeding to reduce the 11.25% RoR to levels that more accurately reflect current market conditions.
- The FCC should examine the amount of support being provided to areas where broadband service would be unavailable absent support, i.e., where no unsubsidized entity is providing broadband, to determine whether additional reforms are warranted.

**Nebraska Public Service Commission**

- The FCC should accelerate broadband availability by providing high-cost support for broadband capable networks, and should reform ICC so that it is technologically neutral and fairly compensates all providers for use of their networks.
- We continue to have reservations about using a competitive bidding process for any ongoing support, and recommend instead that the FCC use a cost model to determine recurring high-cost support, however competitive bidding may be effective in distributing one-time capital support to needed areas.
- High-cost support should be provided to support one network in a given area, and there should be improved accountability from carriers receiving support that it is used for its intended purpose.
- VoIP providers should contribute fairly and equitably for access to the network, and phantom traffic and access stimulation rules must also be expeditiously adopted prior to making any decisions regarding long-term ICC reform.

**Nebraska Rural Independent Companies**

- While the NPRM's near-term recommendations maintain rate-of-regulation, the Nebraska companies demonstrate that rate-of-return regulation has clearly had a positive impact on broadband deployment in rural areas and needs to be maintained.
- The FCC can achieve its goals of encouraging efficiency and rational investments and operations by establishing and implementing reasonable parameters for future USF disbursements:
  - Combining LSS with HCLS to support broadband in high-cost areas;
  - Making adjustments to the SNA qualification procedures rather than complete elimination.
- To encourage efficiency within the USF distribution process for RoR carriers, the Nebraska companies update the FCC with respect to their efforts to develop a capital expenditure regression analysis which should prove useful in determining appropriate investment levels.
- To expand broadband services in very rural areas it is essential that per-minute ICC charges are maintained.
- To ensure that a state-federal partnership with respect to universal service is advanced, the FCC should adopt a plan that provides additional incremental federal universal service matching funds as a means to encourage states to establish and maintain their own state USFs.

**New America Foundation, Consumers Union, and Media Access Project**

- The FCC should adopt a more expansive definition of eligibility for high-cost and CAF support that explicitly includes community broadband networks.
- High-cost and CAF recipients must be required to deploy broadband facilities, yet preserve voice service and improve quality of all supported services.
- There should be explicit network neutrality obligations for providers that receive high-cost or CAF support.
- The FCC also should adopt open access obligations for providers receiving support, particularly where that recipient is the sole provider of service in a high-cost area.

**New Jersey Board of Public Utilities**

- The fund must be reduced. New Jersey ratepayers have paid more than $1.3B in excess of what they have received from the fund in the seven years 2003-2009.
- The high-cost fund has grown over the years for many reasons, including substantial increases to fund offset to access charge reductions. The Board strongly opposes any guaranteed revenue recovery as a condition of ICC restructure.
- The Board supports the immediate elimination of IAS, reducing all current high-cost distributions, and eliminating all CETC funding.
- The Board recommends the use of reverse auctions to replace all of the various high-cost funds with one payment going to one winning bidder per geographic area.
- Adding broadband to the list of federally supported services at this time would exacerbate the current problems with the high-cost fund, particularly the size of the fund.
- The Board endorses a matching grant program whereby recipients of federal USF would be required to match dollar-for-dollar an amount equal to the support from the federal USF.

**New Jersey Division of Rate Counsel**

- USF and ICC reform is long overdue, but reform can only be done after first addressing and completing separations reform.
- In 2010, New Jersey received only $1.5M in high-cost support out of $4.3B in support provided to all states.
- The FCC's proposal for reverse auctions to address unserved areas is simply not in the public interest, and the FCC should instead focus on using a civilian agency procurement process to contract for build out and operate such networks.
- Any ICC reform should not be based upon consumers bearing the cost of reform through increases in the SLC.

**New York Public Service Commission**

- New York is a substantial net contributor state, and supports all reasonable efforts to contain the costs of the USF and the efficient allocation of monies to maximize benefits.
- In any proposal adopted by the FCC, New York and other similarly situated early-adopter states should not be penalized for their rapid pace of broadband deployment.
- The FCC should choose alternatives that result in a smaller CAF budget, and allow program savings to reduce the overall size of the CAF and contribution obligations on consumers.
- The FCC should give priority to and concentrate on distribution of CAF funding for extension of broadband to public computing centers.
- The FCC should eliminate the Identical Support Rule, and use a competitive bidding model for the award of high-cost support.
- The NYPSC has already instituted a proceeding to address intrastate access charge reform, and the FCC should leave intrastate access charge reform to the states.

**North Dakota Public Service Commission**

- Caps, constraints, or benchmarks for cost recovery must be designed carefully, and recognize the cost differences between serving densely and sparsely populated areas.
- Caps, constraints, or benchmarks must be implemented on a going-forward basis only.
- North Dakota's carriers have made extensive investments in their networks under existing cost recovery mechanisms, in many instances facilitated by RUS loans, and recovery of those investments should not be jeopardized by retroactive application of cost recovery changes.
- The proposed elimination of all corporate operations expenses would ultimately harm customers through higher rates or poor customer service.
- As ICC reform is analyzed the FCC should concurrently analyze the impact of such reform on the USF program.

**NTCH, Inc.**

- Reform of the USF must be structural and universal:
  - Eliminate support entirely in areas where any carrier is willing to provide unsupported service;
  - Where subsidies are needed, use reverse auctions to get the needed service at the lowest cost to the public;
  - Minimize "glide paths" and "transition periods;"
  - Require recipients of USF funding to provide reasonable access to services and facilities.
- ETC designation must be simplified.
- Broadband should be covered by USF.

**NTTA**

- Tribal governments and communities should be treated uniquely by the FCC because of their status as sovereign nations, because the FCC has a trust responsibility to tribal governments, and because Tribal and Native communities have been "historically underserved."
- Because of their unique status, Tribal and Native governments should be accorded priority for federal telecommunications resources, and should be empowered with the delegated option of choosing the regulatory provider for their communities.
- The FCC should support all efforts by Tribal governments and Native communities to serve their own communities.
- Tribally-owned ETCs should be protected from cuts to high-cost support to enable the ETCs to continue to provide essential broadband service to their communities.
- Reverse auctions are untenable, will engender greater USF costs, trigger catastrophic results for small businesses, create investment insecurity, stifle investment, and reverse telecom market gains. Tribal and Native communities should be exempted from reverse auctions.

**Public Utilities Commission of Ohio**

- The universal service fund should support broadband services.
- Classifying interconnected VoIP service as a telecommunications service would better enable the FCC to provide universal service support to broadband networks used to provide VoIP.
- It would not be in the public interest to eliminate USF support for RLECs that have relied on this support to obtain loans to build infrastructure.
- Because of network improvements made possible by USF funds, many rural ILECs are able to offset some lost revenue and access line losses through their ability to provide state-of-the-art service offerings, including broadband, over their entire network. This is precisely how the USF was intended to be used.
- As it considers modifying HCLS, the Ohio Commission strongly encourages the FCC to consider that rural carriers have invested in their networks to meet their COLR obligations.
- The FCC has raised a valid point regarding qualifying criteria for LSS, and the PUCO recommends that LSS should be reformed to include a new "high-cost qualifying threshold."
- The PUCO fully appreciates the positive impact of the USF for the citizens of the country, and particularly Ohioans. Without USF support it is difficult to envision how thousands of Ohio's rural customers would have been able to obtain service. Based on current market practices, it is clear that the large carriers have no interest in servicing this country's rural customers, particularly those in high-cost markets.
- The Identical Support Rule should be eliminated and the reclaimed funds repurposed for the CAF.
- It is appropriate at this time to use a competitive bidding process for awarding non-recurring support to a single entity in the Phase I CAF.
- The PUCO outlines four key elements of successful ICC reform:
  - A transition from a per-minute rate to a capacity-based rate;
  - Use of a cost-based rate that is both competitively and technologically neutral and does not distinguish between the provider, technology or jurisdiction.
  - A rate design that recovers the carriers' costs for providing transport and termination of traffic;
  - Predictability in the transition over a reasonable period of time.

**Oregon Telecommunications Association**

- OTA reminds the FCC that in its comments in the early stages of this docket, particularly comments filed on July 12,2010 and August 11, 2010, it provided a great deal of data concerning its members on the same issues that are subject to comment in this NPRM.

**Pac-West Telecomm**

- VoIP traffic should be treated the same as traditional TDM traffic, and the FCC should eliminate the arbitrage opportunities being taken advantage of by CMRS providers on CMRS-CLEC traffic.
- On overall ICC reform, while ICC rates may be reduced over time, there should be a disciplined and non-discriminatory reduction.
- There should be a unified rate that applies to all types of traffic and includes reasonable network cost recovery that allows carriers like Pac-West to compete with the incumbent carriers.

**Paetec Holding, Mpower Communications, U.S. TelePacific, RCN Telecom & TDS Metrocom**

- The FCC should confirm that IP-to-IP interconnection is required by Section 252(C)(2).
- Intrastate access rates should be reduced to interstate levels over a measured transition period. The transition period could vary from three to seven years based upon the difference between each carrier's existing state and interstate rate levels. At the end of the first three years the FCC could better assess the need for and level of further rate reductions on the path toward a unitary terminating rate.
- The FCC should ignore calls for a VoIP specific rate or bill-and-keep for VoIP.
- There could also be an alternative safe harbor under which a LEC could elect to impose a unified, cost-based rate on all terminating minutes. LECs making this election would give up their right to a measured transition in exchange for certainty that the lower rate could be collected on every minute of use.
- In designing any access revenue recovery mechanism, the FCC should balance the competing goals of broadband deployment and competition.
- The FCC should preclude large carriers from abusing their market power to unilaterally accelerate any glide path to the final unitary rate by withholding payment or arbitrarily re-rating traffic.

**Partner Communications Cooperative**

- Partner supports the elimination of the Parent Trap rule in its entirety, or in the alternative, amendment of the Parent Trap rule as proposed in the NPRM to permit certain carriers to receive full HCLS and LSS in areas where a significant percentage of the acquired lines are unserved by broadband.

**PCIA – The Wireless Infrastructure Association**

- Public interest obligations and rules for supported providers should encourage the efficient use of wireless support structures.
- State and local regulation of wireless infrastructure must be accounted for and addressed in the context of USF goals.
- The FCC should encourage efficient use of wireless infrastructure by requiring collocation opportunities on wireless support structures constructed with USF support if feasible under the circumstances.

**Pine Telephone System**

- The company has incurred a significant amount of debt obligations to fund rural infrastructure investment, however the FCC's plan to freeze and eliminate many of the existing support mechanisms without a clear path for how existing investment is to be recouped violates Section 254(b)(5) – it is not specific, it is not predictable, and it is not sufficient.
- The NPRM proposes reductions in access charges until they are totally gone, however this will allow other carriers to make use of the company's investment without having to compensate the company for that use, violating the principle that investors are entitled to earn a reasonable return on their investment.
- The effect of freezing and eliminating support mechanisms and eliminating access charges over time, coupled with the inadequate mechanisms in the plan for future support of operations in rural America means that the burden of paying for the very real higher costs to serve rural America will shift to the rural consumers.

**Prepaid Card Providers**

- The FCC should take swift action to deny the Arizona Dialtone petition for reconsideration and confirm that prepaid calling card providers purchasing local numbers from LECs are not subject to a third party LEC's originating access charges under current rules.
- The FCC should issue this finding as soon as possible, because pending lawsuits and threatened litigation is subjecting the prepaid card industry to uncertainty.
- Without an FCC decision applying to all providers, there is an absence of a level playing field across the prepaid card industry.

**Public Knowledge and Benton Foundation**

- The FCC's proposed means to shift the USF High-Cost Fund to the CAF threatens to sacrifice universality on the altar of fiscal control.
- The proposal to rely on reverse auctions will likely leave some regions unserved, while simultaneously abandoning the requirement that a USF recipient serve all households in its service territory.

- Fortunately, the FCC can achieve both fiscal responsibility for the fund and true universal service by allowing local communities to self-provision. The FCC can facilitate this through two simple requirements:
  - The FCC should require that any provider receiving USF funds interconnect with any requesting party in the area it serves or in a neighboring, unserved bid area.
  - The FCC should create a small fund modeled on the Technology Opportunity Fund (TOP) previously administered by the NTIA.
- The FCC must prohibit abusive terms of service, and should exclude from funding those providers with usage caps that effectively prevent customers from using applications and services such as streaming media or VPNs.
- The FCC should approach any phase out or substantial restructuring of ICC with caution, to avoid unintentional disruption in rural service.

**Puerto Rico Telephone Company**

- USF reform must take into account the unique needs of insular areas. The FCC must not reduce any USF support in insular areas like Puerto Rico until telephone and broadband subscribership and deployment rates in these areas are on par with national rates.
- The FCC should design the CAF to ensure that adequate broadband speeds are made available throughout the nation, including insular areas.
- The FCC should either provide recovery of lost access charges through an explicit universal service mechanism or exempt insular areas from the ICC reform effort.

**Recently Converted Price Cap Carriers**

- These seven carriers all serve high-cost areas and receive ICLS on a frozen per-line basis as a result of their recent conversion from RoR regulation to price cap regulation at the federal level.
- ICLS is an especially important source of federal high-cost support for these carriers, representing between 25% and 100% of the total federal high-cost support provided to each carrier.
- In the NPRM, the FCC proposes several rule changes to "rationalize" RoR carriers' high-cost support, including ICLS, but does not propose to phase out ICLS in the near term.
- Nevertheless, the FCC seeks comment on Verizon's suggestion that ICLS be phased down on the same schedule as IAS in the coming "few years."
- The Recently Converted Price Cap Carriers submit that any near-term reduction of their ICLS would undermine their ability to maintain their existing broadband and voice services, as well as expand their broadband offerings. Moreover, near-term reductions to these carriers' ICLS would effectively penalize these carriers for voluntarily adopting incentive regulation, and would discourage other service providers from voluntarily electing price cap regulation in the future, and disserve the public interest.
- Thus, acting on Verizon's suggestion would undermine the FCC's long-term goals for reform.

**Rural Associations (NECA, NTCA, OPASTCO & WTA)**

- The Rural Associations propose the "RLEC Plan" as an alternative to the proposals included in the NPRM. The RLEC plan will ensure that high-quality, affordable and reasonably comparable broadband services are available throughout RLEC service areas, and accomplishes this in a manner consistent with the four principles for USF and ICC reform enumerated in the NPRM.
- The RLEC Plan incorporates four important steps consistent with the NPRM's staged approach to reform:
  - Near-Term ICC Reform: The FCC should immediately address long-standing disputes involving application of ICC rules to interconnected VoIP services, call signaling requirements, access stimulation, and non-payment issues.
  - Near-Term USF Reform: To address the FCC's concerns regarding alleged inefficiencies in the current cost recovery framework for RoR carriers, the Associations propose several carefully targeted measures designed to constrain, reasonably, recovery of prospective capital investments from the USF:
    - Impose a limitation on federal USF recovery of prospective RLEC capital expenditures based on an analysis of booked study area costs, to determine the portion of a carrier's loop plant that has reached the end of its useful life and should be eligible for replacement; and
    - Cap recovery of corporate operations expenses via federal USF by applying the current HCLS corporate operations expense cap to ICLS and LSS.

- Longer-Term ICC Reform: The RLEC Plan seeks to achieve sustainable ICC reform by first setting up a process to unify intrastate and interstate access rates by company, with a sufficient restructure mechanism to recover lost access revenues.
- Longer-Term USF Reform: The RLEC Plan contemplates development of a cost-based "evolved" RoR-based broadband funding mechanism that operates as a separate but complementary component of a more far-reaching CAF. This mechanism is justified for RLECs, as these carriers uniquely serve as COLRs in high-cost rural areas of the nation.

- The RLEC Plan has been carefully designed to:
  - Sustain broadband-capable networks in high-cost areas where they exist today:
  - Provide a reasonable opportunity to recover the costs associated with existing investments;
  - Promote the responsible "edging-out" of broadband into unserved areas at a reasonable pace; and
  - Control the growth in the fund.

**Rural Broadband Alliance**

- The RBA proposes the adoption of the "Transitional Stability Plan" to ensure that rural communities and businesses continue to have access to universal service, as the concept evolves.
- The TSP will provide a responsible alternative for many rural carriers in need of action to restore stability in their operations and certainty of an opportunity to recover their established investments and operating expenses.
- To accomplish these goals, the TSP proposes the following plan:
  - Electing RoR carriers will freeze their interstate revenue requirement, consisting of the most recent cost study elements and future capital investment arising from participation in RUS financing or the ARRA broadband stimulus program.
  - The electing carrier's frozen interstate revenue requirement is subject to an annual reduction (based either on an adjustment to reflect additional accumulated depreciation over time or a factor), as well as an annual increase (subject to prior FCC approval) to reflect additional expenses needed to maintain universal service or to provide an evolving expansive definition of universal service. To the extent that the electing carrier demonstrates a requirement for additional funding, any additional funding will be distributed from the CAF.
  - The electing company's annual USF funding will be the residual of its adjusted frozen interstate revenue requirement reduced by the company's settled access charge revenues and subscriber line revenues. This residually derived USF payment may be exercised either within or outside of the NECA pools.
  - To address the concerns of some rural carriers with regard to excessive cost recovery reliance on access charges, the plan provides the option for the electing carrier to move to access charge price caps with recovery from the CAF of the otherwise resulting lost access revenue needed for cost recovery.

**Rural Carriers Supporting State Universal Service Funds**

- The "Rural Carriers" operate in states that have enacted and operate high-cost universal service programs or are considering establishment of a high-cost fund. As a consequence, the Rural Carriers understand the importance of these programs to affordable voice and broadband services in rural America.
- The Rural Carriers urge the FCC to recognize that states have jurisdictional authority over intrastate ICC rates, and thus it is far more productive to pursue a path of working cooperatively with states to identify ways to incent states to address their intrastate ICC rates.
- It is essential that the FCC and the states make progress in bringing intrastate access charges in line with interstate rates to eliminate arbitrage and to provide replacement revenue sources where necessary to facilitate the continued deployment of broadband services.
- The FCC should provide positive guidance to states to address intrastate access rates, and more specifically, provide positive federal funding incentives to states that have undertaken state universal service fund programs and to states that implement state universal service fund programs in the future as the FCC evolves universal service funding to support broadband services.

**Rural Cellular Asociation**

- The FCC should work with Congress to shore up its authority to support broadband service before proceeding with development of the CAF.

- To the extent that the FCC moves forward with high-cost reform, it should employ a technology-neutral, forward-looking cost model to determine support on a highly disaggregated basis.
- The FCC should make funding success-based and truly portable.
- Single-winner reverse auctions would be less effective in pursuing the consensus goals of ensuring that support is efficient, sufficient, and competitively neutral.
- If the FCC supports broadband services through the CAF, it should not withdraw critical support prematurely.

**Rural Independent Competitive Alliance**

- RICA supports the fundamental goals of the NPRM, however revisions to the proposed rules are required to recognize and enhance the contribution of rural CLECs toward the accomplishment of those goals.
- Rural CLECs have made broadband available to rural citizens in areas long neglected by the large LECs, but could have done much more to narrow the "rural-rural" divide but for the discredited Identical Support Rule and inadequate access charge revenues.
- In the near-term, the FCC should quickly eliminate the identical support rule for CETCs and replace it with cost-based support.
- The long-term proposal to migrate all support to the CAF under rules giving ILECs a right of first refusal for support would be both unlawful and bad public policy.
- Any competitive selection process should be based on the competitive procurement model rather than an auction with support going to the lowest bidder.
- An obvious first step in ICC reform is to bring intrastate and interstate access rates to the same level. The alternative proposal to bring all access compensation to the reciprocal compensation regime of Sections 251 and 252 should not be pursued. Any recovery mechanism for replacement of access revenues must be available to rural CLECs as well as ILECs.

**Rural Telecommunications Carriers Coalition**

- The FCC lacks the legal authority to pursue many aspects of its proposed overhaul of the federal universal service fund. The FCC's authority is limited and clearly defined by the Act.
- The FCC may support broadband pursuant to Section 254(c)(1), provided that the broadband service is included as part of a telecommunications service.
- Sections 254(e) and 214(e) limit all USF support, including such broadband support to "telecommunications" carriers.
- The FCC's attempts to get around these provisions through Section 706, forbearance, or its limited ancillary authority virtually guarantee that the FCC's efforts will be tied up in court and reversed.

**Rural Telecommunications Group**

- The FCC's proposal to transform the high-cost program of the USF into the CAF is a radical change that would harm rural America and run counter to the Commission's and the Obama administration's broadband policy goals by diminishing the availability of wireless service in rural areas.
- Without ongoing high-cost support, many rural wireless carriers will be unable to afford to continue providing wireless service to their rural customers.
- Because the large nationwide carriers routinely ignore the most rural parts of their service areas, choosing to focus solely on cities and the major highways that connect them, adoption of the FCC's proposal will leave individuals and businesses that live, work and travel in rural America without the economic and public safety benefits of advanced wireless communications.
- To the extent that the FCC proceeds to phase down current CETC support, it should do so over an extended period, and retain CETC support for at least ten years.
- The use of reverse auctions to determine high-cost support creates an incentive for anticompetitive behavior by large carriers. However if the FCC chooses to ignore the public interest harms of reverse auctions, any reverse auctions adopted by the FCC should be targeted to unserved areas, and based on qualitative factors including size, job creation, and demonstrated dedication to serving rural areas.
- Long-term support should be based on carriers' actual costs.

**Rural Telephone Service Company**

- RTSC respectfully requests the proposed rules be clarified to address the impact of SVS for those companies who have already made investments to improve service in acquired exchanges.
- The FCC should clarify the Section 54.305 "Parent Trap" rule to ensure the rule modifications provide funding for the recovery of costs undertaken by RLECs acquiring underserved exchanges.

**Sacred Wind Communications**

- The FCC's universal service program can be considered a huge success for having reached its overarching goal; to make basic telecommunications services available in rural areas of a quality and price similar to those in urban areas.
- To the RLECs' peril, the NPRM seems to direct the industry toward higher regulatory costs and less financial support. Another risk to this reform effort is a potential divergence from the original universal service objectives in unserved areas in the name of what mobile wireless carriers term efficiency.
- No reverse auctions for CAF1 or CAF2 support should be contemplated that would disadvantage an RLEC, jeopardizing its financial viability and putting the FCC program in conflict with the USDA-RUS's demand that its borrowers maintain a TIER of 1.0 or more.

**San Juan Cable**

- The FCC should prioritize support for broadband adoption, rather than deployment in Puerto Rico.
- PRTC should not be eligible for Phase I CAF funds that may be reserved for Puerto Rico.

**Satellite Broadband Providers**

- Contrary to assumptions in the NPRM and the NBP, capacity limitations provide no basis to exclude satellite broadband providers from direct participation in Phase I of the CAF, or for limiting participation in Phase II.
- The relevant question is not whether satellite broadband providers can solve the nation's broadband concerns with currently committed capacity, but rather whether satellite broadband providers should be permitted to compete on an equal basis with other providers for funding to add the capacity needed to serve the unserved.
- Satellite broadband supports important broadband applications, including VoIP, streaming video and high-definition video conferencing. Thus, there is no valid technical reason to exclude satellite broadband providers' participation fully and directly.
- By allowing satellite broadband providers to participate fully in the CAF, the FCC can use market forces more efficiently and achieve its goals more cost effectively. Restricting satellite broadband providers' participation, by contrast, would also conflict with competitive neutrality.
- Because the ETC requirements should facilitate, and not impede, achievement of national broadband goals, the FCC should exercise its statutory authority to make support available to non-common carrier broadband providers.
- There should be federal procedures to designate nationwide broadband providers as ETCs in all states, consistent with the FCC's authority under Section 214(e)(6).
- States should not be permitted to impose any obligations on funding recipients that are not otherwise subject to state jurisdiction, and legacy Incumbent regulations – including particularly COLR obligations, should not be carried into the CAF.

**Schools, Health and Libraries Broadband Coalition**

- While this NPRM focuses on the broadband needs of residential consumers in rural areas, the broadband needs of community anchor institutions in these areas are just as important. Community anchor institutions – schools, health care providers, libraries, public safety providers, public media, and others – require affordable, high-capacity broadband to provide essential services to all members of the community, especially "at risk" populations.
- Unfortunately, community anchor institutions often are not able to obtain the quality of broadband services they need. The National Broadband Map revealed that community anchor institutions are "largely underserved." Several recent studies reveal that the shortage of affordable, high-capacity broadband is especially dire in rural areas.
- The FCC can address the needs of community anchor institutions in a variety of ways, depending upon how it resolves several other issues in this proceeding. For instance, the FCC could find that providing high-capacity broadband services to anchor institutions is a supported service under Section 254 and could directly fund a portion or all

of the costs of such deployment. Or, the Commission could require bidders in a "reverse auction" to commit to serve anchor institutions as part of their service obligations.

**Shoshone-Bannock Tribes**

- Self-determination and economic development are furthered when Tribes are able to provide and/or regulate communications services within the areas of their jurisdiction.
- The Fort Hall Reservation, like much of Indian Country, is characterized by low personal and family income, low population and dispersed settlement patterns. These conditions create a situation in which large telecommunications providers have no incentive to deliver more than the minimum level of service required by federal rules.
- The Shoshone-Bannock Tribes based their decision to develop a Tribal telecommunications enterprise on the level of support provided through the HCLS, LSS and ICLS.
- In making the transition to the CAF, the FCC must provide Tribally-owned telcos with at least the level of support provided under the current USF.

**Smith Bagley, Inc.**

- Most of SBI's cell sites on rural Tribal lands would not have been built without federal high-cost support, and many could not remain operational but for ongoing federal high-cost support to cover high operations expenses and lower revenues from consumers with less disposable income for both basic and vertical services than the general population.
- Tribal lands represent a special case; universal service mechanisms must ensure that Tribal lands have access to basic telecommunications services.
- Enforcement of ETC requirements should rest with the FCC and the states, with consultation from Tribal authorities.
- Tribal lands should not be subject to a cap on federal universal service funds.
- The FCC should adopt rules that encourage carriers serving Tribal lands to invest in broadband services.
- Mandating a single supported carrier on tribal lands is counterproductive.

**Snake River PCS**

- The FCC should add a simple support mechanism to provide rational cost-based funding to rural wireless carriers to compensate them for the added costs of transporting traffic and site maintenance which would replace the Identical Support Rule.

**Southeast Telephone**

- The FCC must avoid abrupt changes in ICC.
- Achieving interstate/intrastate switched access rate parity –while working with the state PUCs – is a reasonable first step, and such a transition should be made in no less than five years.
- The second step is migrating downward to a long-term, unified ICC rate that applies to all traffic, and an additional five year transition is warrant for this phase of ICC reform.
- Whether the FCC adopts these moderate transitional periods or something more aggressive, rural CLECs like Southeast must be afforded the same treatment as other rural carriers under the CAF. To the extent that a portion of the CAF is used to replace reduced revenue for rural carriers, the FCC's stated policy objectives regarding telecommunications services in rural areas would be hindered if such funds were not equally available to rural CLECs.

**Sprint Nextel**

- The three largest ILECs and their competitors should be required to transition to a bill-and-keep regime over a three-year period (set intrastate access rates equal to interstate access rates January 1, 2010; reduce those unified rates by 50% as of January 1, 2013, reduce all ICC rates to $0.0007 on January 1, 2014, and implement full bill-and-keep on January 1, 2015).
- Other LECs would have a longer period to unify their intra and interstate access rates (two years for mid-size LECs and three years for the smallest LECs).
    - During this transition period the FCC could determine an appropriate length of time to transition these non-BOC LECs to $0.0007 and bill-and-keep levels.
    - There is no need to delay equalizing intra and interstate access rates for the non-BOC LECs while the FCC is finalizing the longer-range reform plans.

- These proposals fall well within the FCC's clear statutory authority to reform ICC for all traffic, including intrastate access charges.
- The current ICC regime is asymmetric as regards wireless vs. wireline carriers – wireline carriers impose access charges on wireless carriers but do not pay access charges to wireless carriers. To address this unfair arrangement, to bring the ICC regime into compliance with the Act, and to promote intermodal competition, the FCC should make an explicit prohibition on assessing all LEC access charges on mobile traffic.
- In addition to reforming ICC rate levels, the FCC should rule that packetized voice traffic is to be exchanged on a bill-and-keep basis.
- The adoption of the following proposals will result in a more effective and sustainable USF:
  - The FCC should add "promoting competition" to its list of cornerstone principles guiding its USF reform efforts;
  - The FCC should phase-out existing high-cost support to all ETCs expeditiously;
  - The FCC should carefully target USF only where it is genuinely needed:
    - No support is necessary where there is at least one unfunded competitor;
    - Support must take into consideration revenues from all services over the supported network.
  - Any new broadband fund must be pro-competitive:
    - The performance standards must reflect the differences between various broadband technologies;
    - There should be no right of first refusal extended to incumbent carriers;
    - Wholesale unbundling, interconnection and data roaming obligations should be imposed on the carrier that wins a CAF reverse auction bid.

**SureWest Communications**

- Significant shifts in rates and cost recovery will impair the investment that real companies make in maintaining and expanding their networks.
- SureWest urges the FCC to be mindful of the following principles in enacting USF and ICC reforms:
  - Large shifts of cost recovery onto terminating end users is contrary to the public interest;
  - If the Commission significantly reduces ICC, rather than shifting that lost cost recovery to terminating end users, there must be an alternative recovery mechanism (RM), at least during the transition to the advanced broadband network;
  - The speed of any transition should be moderate.
- In this proceeding the FCC must also consider its unique responsibilities to RoR carriers. The law is clear: An RoR carrier must be permitted to charge rates that allow it to recover costs, along with a reasonable return on invested capital.
- The FCC must act carefully in fitting ICLS into its ongoing USF policies, both during the transition to and after the full implementation of the CAF. Specifically, while it may be reasonable to cap the current level of ICLS, such capping should be on a dollar basis per study area, not on a per-line basis.

**Texas Statewide Telephone Cooperative, Inc.**

- USF reform as proposed in the NPRM will severely impact the financial viability of TSTCI members.
- Reverse auctions should be rejected – they are theory at best, and not proven to accomplish the FCC's broadband objectives.
- Disaggregation of costs as proposed is premature.
- The FCC should proceed with the elimination of the Identical Support Rule for CETC support.
- Intrastate and interstate ICC rates should be unified to promote revenue stability.

**TCA**

- The FCC can achieve its stated reform objectives without radically reforming existing USF and ICC regimes for RLECs.
- CAF support should not be distributed with reverse auctions in RLEC service areas.
- RoR regulation provides the proper incentives for broadband deployment in high-cost areas.
- Disaggregation of universal service support should not be mandatory.
- The FCC should immediately eliminate the Parent Trap rule.
- TCA supports funding both fixed and mobile networks.

**TDS Telecommunications Corporation**

- The NPRM/FNPRM mischaracterizes RoR regulation and underestimates its ability to serve universal broadband goals.
- The new Recovery Mechanism should take account of the role of a Carrier of Last Resort (COLR).

- Support should be based initially upon the 4/1 Mbps target, with that target regularly re-evaluated.
- Support should not be limited to only one entity in any geographic area.
- The FCC should replace the ICC mechanism with an explicit recovery framework that is predictable and administrable.

**TechAmerica**

- The CAF should be well-funded, technology-agnostic and flexible.
- Broad coverage complemented by targeted support to anchor institutions.
- If well-funded, broad in scope, and relatively flexible in its technical requirements, the CAF will provide unserved areas of the country with valuable broadband services that will benefit the country at large economically and socially.

**Telecommunications Industry Association**

- TIA supports the proposed new universal service core principle that universal service support should be directed where possible to networks that provide advanced services as well as voice services.
- The FCC has authority under Sections 254 and 706 to transition high-cost support to broadband.
- The FCC must implement the CAF in a technologically-agnostic, competitively-neutral manner.
- Under a truly technologically-agnostic approach, the FCC must holistically evaluate the functionality of a broadband service offered by a potential recipient, rather than screening and eliminating potential recipients based solely on the speed of the connection offered. A speed-based threshold for broadband service support could leave some of the hardest-to-reach households uncovered.
- The current ICC framework is out of step with the IP-based, nationwide, data-centric communications networks of today. TIA therefore supports a rapid transition away from the outdated and market-distorting inter- and intra-state access rate structure and per-minute charges.
- TIA urges the FCC to bring certainty to the market for interconnected VoIP market by classifying that service as an information service.

**Time Warner Cable**

- The FCC should overhaul the current antiquated and broken ICC system and replace it with a unified, low default compensation rate for all carriers and all types of traffic, regardless of its jurisdictional or technological characteristics.
- The FCC should insist on compelling evidence of need before creating a recovery mechanism to replace foregone ICC revenues.
- The FCC should clarify that traffic that originates or terminates in IP format is subject to the existing regime of access charges (for toll calls) and reciprocal compensation (for local calls).
- TWC endorses the FCC's near-term plans to stem the unrestricted growth of the high-cost program, eliminate waste from legacy mechanisms, and transition the savings to support broadband deployment in unserved areas.
- The FCC should not base funding eligibility on ETC status, as such a requirement disproportionately favors ILECs.
- The FCC should begin to transition RoR LECs to more efficient incentive-based forms of regulation.
- Although TWC does not believe that such support will be necessary in most instances, the FCC also should take steps to determine whether some particularly high-cost areas will require ongoing support for broadband services. To the extent the FCC identifies such a need, it should rely on reverse auctions or another market-based mechanism to ensure that any ongoing support is provided only to the extent necessary to yield affordable and reasonably comparable rates.

**T-Mobile USA**

- The principles and goals of the high-cost universal service system should match consumers' demand for mobile broadband deployment.
- Near-term reforms must encourage efficiency and technological neutrality.
- The long-term CAF should provide efficient support for mobile and broadband services.
- The FCC should establish minimum core interconnection rules for IP traffic that foster broadband deployment.
- Legacy ICC rates should be reduced to bill-and-keep as expeditiously as possible to facilitate the transition to an IP network.

**United States Telecom Association**

- Under current conditions, it is not financially viable for providers in some areas of the country to build network facilities or support them without support.
- Prompt resolution of the ICC and USF modernization will remove clouds on network investment.
- The uncertainty and declining support for the network resulting from the current archaic system by which companies pay each other for handling calls is a substantial hurdle to maintaining and increasing broadband investment.
- By failing to account for rapidly declining access revenue support for COLR service in high-cost areas, the current ICC system undermines the provision of service in these areas and efforts to build and operate the modern broadband networks needed by the public.
- A modernized USF to support explicitly broadband and voice services will play an essential role in ensuring that broadband networks are available in high-cost areas and affordable.
- Although the USF should evolve from supporting voice to supporting broadband services, this reform cannot be done overnight and it should not be done by placing unfunded or underfunded mandates for broadband build-out on carriers.

**USA Coalition**

- The Act requires to be funded by USF, a service must be subscribed to by a majority of residential customers – 4/1 broadband does not meet this test.
- The best means of providing support would be to reimburse ETCs for a specified percentage of their costs, and the percentage should be the same for all ETCs who serve that area.
- The FCC should establish a long-term vision for reform that accounts for the vital role played by wireless service providers.

**US Cellular**

- US Cellular has two principal concerns with the FCC's universal service reform proposals:
  - Although the FCC acknowledges the growing importance of mobile broadband networks, several of the NRM's key proposals would make it difficult to realize these opportunities;
  - In developing the CAF the FCC has paid little attention to its principle of competitive neutrality.
- The FCC should commence a Joint Board proceeding to determine whether the tests for defining broadband as a supported service pursuant to Section 254(c)(1) have been met. In addition, the FCC lacks statutory authority to adopt a single-winner reverse auction because such a mechanism would not comport with the local competition mandates of the 1996 Act.
- Even if the FCC had statutory authority to adopt a reverse auction mechanism, there are numerous policy reasons supporting the view that it should not do so. For these reasons, US Cellular encourages the FCC to rely on a forward-looking cost model for disbursement of CAF support.
- The FCC should gradually transition of IAS funding to the new CAF mechanism. The transition should not begin until the FCC is prepared to begin disbursement of CAF support.
- CETC high-cost support should not be phased down until replacement funding mechanisms have been adopted and made operational. CETC support should not be phased down unless the FCC also phases down support for RLECs.
- The FCC should not adopt its proposal to cap ongoing support at 2010 levels. In Section 254(b)(3) Congress directed the FCC to ensure that support is sufficient to ensure that rural consumers have comparable services and rates to urban areas. A cap which results in insufficient support would violate the Act.
- For long-term CAF, the FCC seeks comment on two alternatives –reverse auctions everywhere, or right of first refusal for the incumbent. Of the two approaches, the right of first refusal mechanism is the greater of two evils.

**Utah Public Service Commission and Utah Division of Public Utilities**

- Utah's rural telecommunications companies have built advanced infrastructure serving the vast majority of customers in their collective territories. State USF funds, federal support, and generally good management have enabled this. The FCC's plans for the CAF would endanger what continues to be a successful, well-regulated program in Utah.
- By cutting support for companies that have incurred indebtedness to build infrastructure in reliance on federal support, the proposal will injure Utah's rural telecommunications customers, threaten the state's USF, and imperil Utah's rural telecommunications companies.

- The NPRM represents an effective abandonment, at least in the near term, of the goal of ensuring quality services at just, reasonable, and affordable rates for all consumers because it will concentrate limited resources away from many companies who cannot provide this service in the absence of support.
- The FCC's stated intent to focus limited resources in the CAF first on unserved areas with the lowest cost per housing unite ensures that Utah's forward-thinking rural telecommunications companies with existing broadband networks located in sparsely populated areas will be cut off from federal support early in the FCC's transition process.
- The FCC should be aware that in attempting to achieve its new goal of universal broadband service it will injure its previous goal of "ensur[ing] that consumers in rural, insular, and high-cost areas have access to telecommunications services at rates that are affordable and reasonably comparable to those in urban areas."
- The PSC and the Division believe that a longer, better-conceived transition is needed if the FCC is to achieve its broadband goals without undoing past successes. Any transition period should continue to provide some level of support for investments made in reliance on the availability of federal support.

**Utah Rural Telecom Association**

- The NPRM proposals to cap the USF without contribution reform, impose incentive regulation, and rely on reverse auctions to attract investment will have the opposite effect of the Commission's stated objective to make robust, affordable broadband service universally available.
- Proposals to assert jurisdiction over intrastate access rates where the FCC has no jurisdiction will mire ICC reform efforts in litigation.
- Any Commission action should be based on facts and not be ends-driven. URTA recommends that the FCC step back and start over if necessary to redirect its efforts to accomplish the principles and priorities that it is seeking to achieve.

**Verizon and Verizon Wireless**

- In order to prevent the current situation with ICC from getting worse and enlarging the problem, the FCC should immediately establish a single low rate of $0.0007 for all VoIP traffic that connects with the PSTN.
- The FCC should begin rapidly transitioning all ICC rates down to the $0.0007 VoIP rate for all carriers and all traffic that terminates to the PSTN regardless of the terminating carrier's legacy regulatory status or the jurisdictional end points of the call. This transition should be completed promptly, and could, for example, reduce rates in three steps over three years.
- A short and certain transition mechanism could be established to allow affected carriers time to transition to a new system. One form such a mechanism might take is to partially offset foregone access revenues through universal service support. Any such mechanism must be truly transitional, with both a certain end data and a certain schedule to be phased down. Any funding from such a mechanism should only be available to carriers whose own end-user rates are set at rational levels based on a national benchmark, or that have such a rate imputed to them.
- In order to fund near-term broadband priorities through the proposed CAF and to start all parties off in the same position, the FCC should begin eliminating remaining CETC support as soon as possible.
- To satisfy the FCC's own objective not to grow the fund – and ultimately shrink it over time – it should cap high-cost support at 2010 levels and set an expectation that funding levels will decrease as broadband is deployed in additional areas.
- Additional measures are needed to target any broadband support to where it is truly needed and to limit the cost to consumers. To that end, the FCC should adopt several of its well-reasoned tentative conclusions:
    - Using market-based competitive bidding in both the short-term and long-term phases of the CAF to distribute broadband support in a balanced, targeted manner in areas that are unserved today or that demonstrably would not be served without subsidies;
    - Funding only one universal service provider in an area, and allowing all potential providers to compete for that funding on a technology-neutral basis; and
    - Extending USF support only to areas where there is no unsubsidized provider.

**ViaSat**

- Next generation satellite broadband services – like those that ViaSat will begin providing later this year – would make a substantial contribution to the FCC's goal of extending broadband to currently unserved areas.
- Among other things, satellite broadband providers can extend service to unserved areas at higher speeds, with better quality, at lower cost, and on a more accelerated timetable, than many terrestrial alternatives.
- Yet, the NPRM proposes a framework that would selectively exclude satellite providers from full and direct participation in "competitive" reverse auctions, contrary to the FCC's stated technology-agnostic and market-based objectives.
- Studies submitted with ViaSat's filing point out errors in the FCC's prior analysis and show that excluding satellite providers in this fashion would unnecessarily inflate the CAF by as much as $21B.

**Public Service Commission of the US Virgin Islands**

- We urge the FCC not to adopt rules that give preferential treatment in Phase I to the larger jurisdictions that have already engaged in intrastate access reform or have established state USF programs.
- Not all jurisdictions have the same resources, or the same size, or the same competitive landscape.
- Rural and insular areas are different from jurisdictions with greater economic development, and giving preferences to the larger jurisdictions is fundamentally unfair. Phase I funding should go to those jurisdictions where there is the greatest need.
- The Joint Board has recommended that this support be in the form of state matching funds. While this may be possible for jurisdictions with large tax bases, it is not reasonable for economically challenged areas such as the U.S. Virgin Islands.

**Virgin Islands Telephone**

- Rural service territories are highly diverse, and a support structure that fails to take account of the unique needs and problems of particular areas will likely result in inadequate support and inadequate service in some areas, and excessive, wasteful support elsewhere.
- The insular territories in general, and the U.S. Virgin Islands in particular, are unlike mainland rural service territories in many ways, and the FCC should take account of these differences.
- The FCC should consider exempting rural telephone companies in insular territories from its USF reforms, and continue existing support levels on a transitional basis until it can develop a support mechanism tailored to insular areas.
- The transition from existing rules to the new CAF should be gradual, and should take into account the critical need of smaller companies to recover the costs of existing investments and to maintain existing networks on a continuing basis.
- With respect to ICC reform, the FCC should fashion a recovery mechanism for rural carriers that takes account of the unique difficulties of insular operating territories.

**Vonage**

- The FCC cannot and should not classify interconnected VoIP services as a telecommunications service. The statutory definition is clear, as is FCC precedent – VoIP is an information service.
- Even if the FCC could classify interconnected VoIP as a telecommunications service, doing so would subject interconnected VoIP to additional regulation that would decrease innovation and consumer choice.
- The FCC has the authority to distribute USF to broadband providers, and in order to further the public interest, it should use its authority to condition receipt of broadband USF on the provision of unbundled broadband service as well as compliance with its open Internet rules.

**Washington Utilities and Transportation Commission**

- The FCC should retain or even enhance the traditional role of state commissions in designating entities eligible for universal service funding and compliance with federal requirements for such funding.
- The FCC should avoid prescriptive approaches to intrastate access reform by classifying all traffic as reciprocal compensation.
- The FCC should continue to respect the dual responsibilities of the FCC and the states in setting access charges by adopting an approach that provides sufficient time for state commission to accomplish further reform appropriate to the particular circumstances within their jurisdictions.

**Warinner, Gesinger & Associates**

- Replacing proven USF distribution mechanisms with unproven cost models seems to place the industry on the road to disaster as these cost models are difficult to update, subject to manipulation, and can be used to intentionally or unintentionally move support between classes of beneficiaries without appropriate oversight.
- WGA opposes reverse auctions to determine winners of USF support because auctions are cost prohibitive, will likely accelerate the recovery of broadband investments and inherently contain disincentives to invest in new technologies.
- WGA opposes the elimination of corporate expenses from recovery through support mechanism because corporate expenses are an essential component of the cost of providing supported services and are necessary to preserve and advance universal service in compliance with Section 254 of the Act.
- WGA supports the five step RLEC Plan presented in the comments of the Rural Associations for the reform of ICC and USF, and transition to a RLEC-specific CAF program.

**Washington Independent Telecommunications Association**

- WITA supports the RLEC Plan filed by the Rural Associations
- In earlier stages of this docket, particularly those comments filed on July 12, 2010 and August 11, 2010, WITA provided a great deal of data on the same issues that are subject to comment in this NPRM. That data provides valuable information on the effects of the proposals contained in the NPRM on WITA's rural company members.

**Wheat State Telephone**

- While companies like Wheat State were deploying broadband in our rural networks to meet the needs of our rural customers, larger carriers who serve the more urban areas of the state and also have rural customers elected to concentrate their broadband investments in their more urban areas. We do not agree with the FCC's proposal to reduce USF support for small RLECs who have limited resources and small customer base in order to provide additional USF or CAF to large carriers that have apparently neglected their rural customers.
- Wheat State supports the Rural Associations in their comments and their efforts to assist the FCC in designing a reasonable solution for USF and ICC reform.

**Windstream Communications**

- The FCC should adopt immediate reforms to existing mechanisms – better targeting ongoing support to new and existing networks in consistently high-cost areas - to substantially narrow the rural-rural divide in the near term.
  - Specifically, Windstream submits a proposal for how the FCC could begin reforming ongoing support for "Price Cap Areas First." Under this proposal, the FCC would combine HCLS currently received by rural price cap carriers with existing HCM support, and then redistribute this support based solely on costs calculated on a wire center basis.
- It is essential that the FCC adopt uniform public interest obligations. Initial speed requirements of 4 Mbps download and 768 Kbps upload will drive "second mile" fiber deeper into rural areas, serving as a platform for scalable wireline and wireless services.
- The FCC should immediately undertake reforms to recapture high-cost funding that currently is allocated inefficiently and to redirect that funding:
  - Eliminate all legacy high-cost support to CETCs;
  - Make meaningful changes to the HCL and ICLS mechanisms to bring RoR carriers' support more in line with what they would receive under incentive regulation.
- Until the CAF replaces all existing support and implicit subsidies, the FCC must preserve funds that are essential to maintaining existing facilities and enabling the transition to next-generation networks:
  - Any ICC reform should be conducted by the FCC, not individual states, and should include reasonable transitions and a meaningful opportunity to recover revenues lost by mandated rate reductions.
  - The FCC should preserve frozen ICLS which provides crucial support for recently converted price cap carriers, and closely examine the role of IAS – particularly for mid-size carriers – before considering a phase-down of this support.

**Wireless Internet Service Providers Association**

- The high-cost USF funding system should be dismantled altogether rather than extended into a new CAF.

- If the FCC intends to carry out its plan to subsidize broadband deployment is high-cost areas through the CAF, certain rules and policies must be implemented:
  - Adopt technology-neutral characterizations for broadband that do not unduly favor specific technologies, services, service providers, or classes of service providers;
  - Adopt nationwide eligibility requirements that extend beyond the "telecommunications carrier" class;
  - Cap the amount, per line, of subsidy awarded to funding recipients at $3,000.
  - Consider adopting a voucher system to stimulate broadband demand, whereby consumers could use these vouchers to fund on-time payments to the broadband provider of their choice.
  - Establish a limited audit process to ensure compliance with recordkeeping burdens that are balances and narrowly tailored to the overarching objectives of the CAF.

**Wyoming PSC**

- We feel like the FCC is starting a new race for broadband and Wyoming is not even at the starting line. We think it is good that the FCC is moving forward with a broadband agenda, but the FCC has a legacy of never solving the challenge of adequately funding high-cost universal service in Wyoming.
- Wyoming has undertaken substantial and meaningful efforts to promote, maintain, and advance universal service and competition. Wyoming has rebalanced rates, making local exchange rates cost-based with almost all residential and business lines at parity, and reducing implicit subsidies in switched access charges. Wyoming has had rules in place for a state USF since 1996. All federal support is credited to customer bills. Wyoming has embraced local competition.
- The FCC has previously proposed models and assumptions to identify gaps in the nation's broadband network and to quantify the amount of support needed to close those gaps at minimal expense. We believe that the FCC's model and assumptions cannot reliably identify broadband gaps or target support for rural areas in Wyoming.
- For rural areas characterized by sparse population, small population centers, and very large areas we recommend a more specific and relevant analysis involving local knowledge and closer partnership with the states.

**XO Communications**

- ICC reform should strive to accomplish National Broadband Plan goals with policies that shift the focus from circuit-switched networks to broadband infrastructure.
- The ICC rate structure must be reformed to provide proper incentives for IP investment.
- The FCC should immediately adopt policies to ensure widespread transition to IP interconnection and exchange of voice telecommunications traffic.
- The FCC should not undertake reform of the USF distribution system prior to completing reform of the USF contribution framework.
- High-cost support should be capped at current levels.
- High-cost funds can be redirected to support broadband deployment, but voice-only support must be phased out concomitantly.
- Any "Recovery Mechanism" must be competitively neutral.

**ZipDX**

- Social, commercial, and government interests are served by having a PSTN that is reliable, ubiquitous, and affordable – the "telephone call" likely has a few more decades of utility.
- Government regulation regarding ICC should be eliminated as market forces are moving the industry to a bill-and-keep regime.
- Support mechanisms to insure ubiquitous telephone service availability should be explicit and transparent.
- Lessons on interconnection can be learned from the Internet, which is, by definition, a set of interconnected independent networks.
- Telephone "addresses" will remain critical, and orderly management of addresses for number portability is required for reachability, security and privacy.