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July 22, 1999

VIA UNITED PARCEL SERVICE AND ECFS

Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20024

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Re: CC Docket No. 96-45
CC Docket No. 96-262

Dear Ms. Salas:

Please find enclosed for filing an original and twelve copies of the COMMENTS OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE CALIFORNIA PUBLIC UTILITIES COMMISSION in the above-referenced docket. Also enclosed is one additional copy of this document. Kindly file-stamp this copy and return it to me in the enclosed self-addressed envelope.

California is also providing an electronic copy of these comments via your ECFS system.

Thank you for your attention to this matter. If you have any questions, I can be reached at (415) 703-2047.

Sincerely,

Ellen S. LeVine

Ellen S. LeVine
Attorney for California

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Access Charge Reform	CC Docket No. 96-262

COMMENTS OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE CALIFORNIA PUBLIC UTILITIES COMMISSION

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July 22, 1999

EXECUTIVE SUMMARY

In our comments, California recommends that the FCC adopt a federal universal service mechanism that incorporates the following:

1) adopts a state-by-state hold-harmless support provision to be phased out in equal amounts over three years

2) determines hold-harmless support on a state level, and allocates any hold-harmless support among carriers within a state using a pro-rata approach

3) provides competitors with the ILEC's hold-harmless support level

4) develops a national cost benchmark that (a) targets support to truly high cost areas and maintains the size of the federal fund to levels that do not exceed current levels (adjusted for growth in high cost access lines), (b) establishes a graduated funding mechanism to narrowly target support to truly high cost areas throughout the nation, and (c) ensures that no state contributes more to the federal fund than it currently does under existing procedures, at least after the three-year phase-out of the hold-harmless support provision

5) determines federal support based on costs measured at the study area, while distributing the support within a state based on costs measured at the wire center level using a graduated funding mechanism

6) measures a state's ability to support high cost areas based on six percent of the average per-line dollar amount spent by end users on telecommunications services provided by all telecommunications providers within a given state

7) includes all wireless revenues and lines in the calculation of a state's ability to support universal service, regardless of whether or not the wireless providers are ETCs

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CERTIFICATE OF SERVICE

Before The
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Access Charge Reform	CC Docket No. 96-262

COMMENTS OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE CALIFORNIA PUBLIC UTILITIES COMMISSION

The People of the State of California and the California Public Utilities Commission ("California") hereby file these comments in response to the Further Notice of Proposed Rulemaking ("FNPRM") issued by the Federal Communications Commission ("FCC") in the above-captioned proceedings.

I. INTRODUCTION AND SUMMARY

On May 28, 1999, the FCC released a further order and notice of proposed rulemaking in its universal service docket in which it adopted a number of principles, recommended by the Federal-State Joint Board on Universal Service ("Joint Board"),[1] upon which to base a federal support mechanism. Among other things, the FCC agreed that the federal methodology should rely on forward-looking economic costs to estimate the costs of providing supported services in high cost areas. The FCC also

[1] *Federal-State Joint Board on Universal Service*, Second Recommended Decision, 13 FCC Rcd 14744 (1998).

concluded that the federal methodology should rely primarily on states to achieve reasonably comparable rates between urban and high cost areas within their borders, while providing federal support for states with above-average costs to the extent that such costs prevent the state from ensuring such comparability. The FCC further concluded that the level of explicit federal support should not be significantly larger than current explicit federal support levels and that hold-harmless provisions should be adopted on an interim basis.[2]

California supports these principles. As the FCC properly recognized, a federal mechanism to fund universal service embodying these principles meets the objectives of the Telecommunications Act of 1996 ("1996 Act") that federal universal support be explicit, sufficient and sustainable as local competition develops.[3]

In releasing a further notice of proposed rulemaking, the FCC has sought to develop an adequate record in order to "make determinations regarding some of the specific elements of the support methodology." [4] Among other things, the FCC seeks comment on the following issues: (1) the manner in which a hold-harmless provision should be implemented; (2) an appropriate national cost benchmark level; (3) the area over which the cost of providing universal service should be averaged; and (4) determination of a state's ability to support its high cost areas.

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[2] FNPRM at ¶ 48.

[3] FNPRM at ¶ 2.

[4] FNPRM at ¶ 4.

California provides comment on each of these issues. At the outset, however, California urges the FCC, in resolving these issues, to be mindful of the impact of its decisions not only on states that receive support from the fund, but also on the states that fund such support. In particular, the FCC should ensure that its decisions hold harmless both net contributors to, and net recipients of, federal funding. In keeping with that goal, California agrees that the FCC should maintain the explicit federal fund at or near its current size (adjusted for growth in high cost access lines) to minimize the burden on those who contribute to the federal fund. As recognized by the FCC and the Joint Board, the current fund has been successful in maintaining affordable rates across the country.[5]

In addition, California urges that any hold-harmless provisions tailored for net recipients of federal funding should be phased out over three years to minimize the burden on those states which are net contributors to the federal fund. Once the hold-harmless provision has been phased out, federal support should rely on a forward-looking cost methodology in a manner that maintains the federal fund at its current size, with adjustments for growth in high cost access lines. As the FCC has concluded, an approach based on forward-looking cost is consistent with the policy of developing support mechanisms that remain specific, predictable, and sufficient, as required by section 254 of the 1996 Act. Such an approach also utilizes costs that drive market decisions and minimizes distortions in the marketplace.[6]

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[5] FNPRM at ¶¶ 11, 30, 37, 38, 57 and 69.

[6] FNPRM at ¶ 50.

In an effort to apply the hold-harmless approach fairly to net recipients and net contributors, the FCC should base federal support on the cost of providing universal service at the study area level, while distributing federal support at the wire center level. The FCC should provide increasing levels of support to higher cost areas, with the support mechanism structured to maintain federal funding at current levels (adjusted for growth in high cost access lines) and to target federal support to high cost areas most in need of it.

Finally, in assessing a state's ability to fund its high cost areas, the FCC should adopt a national benchmark based on the dollar amount spent by an average end user (both business and residential) on intrastate telecommunications services offered by all telecommunications providers (including wireless) within the state.

II. HOLD-HARMLESS PROVISIONS AND PORTABILITY OF SUPPORT

A. Hold-Harmless Support Provisions Should Be Phased Out Over A Three-Year Period

In its FNPRM, the FCC agrees with the Joint Board that the federal high cost support mechanism should contain a hold-harmless provision to prevent immediate and substantial reductions in federal support and potentially significant rate increases in certain states. Under such a hold-harmless provision, the amount of support provided would be the greater of the amount generated under the forward-looking mechanism or the explicit amount currently received.[7] The FCC seeks comment on

[7] FNPRM at ¶ 117.

how it should implement such a hold-harmless provision that best accomplishes this goal. In particular, the FCC seeks comment on whether the hold-harmless provision should be implemented on a state-by-state or on a carrier-by-carrier basis.[8]

California believes that the FCC should implement the hold-harmless provision on a state-by-state basis. Such an approach is more likely to target support to states most in need of support. Moreover, as recognized by the FCC, a state-by-state approach is likely to prevent substantial increases in the size of the federal high cost fund because an increase in support for one carrier can be offset by a decrease in support for another carrier when determining the total amount of support provided to a particular state under the hold-harmless provision.[9] Such an approach thus has the advantage of averaging the benefits of areas with low cost across the state.

In applying a state-by-state hold-harmless provision, however, the FCC should not limit its consideration to the welfare of funded states. The FCC should also consider the impact on funding states. The FCC must recognize that the hold-harmless provision will increase the burden on all net contributors to the fund. Therefore, the FCC should phase out the hold-harmless support mechanism as quickly as possible so that states that are net contributors are not burdened indefinitely. Such a phase-out is further consistent with the FCC's policy to rely on forward-looking cost methodologies to promote economic efficiency and minimize market distortions.

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[8] FNPRM at ¶ 117.

[9] FNPRM at ¶ 118.

Specifically, California proposes that the FCC phase out the state-by-state hold-harmless provision in equal amounts over three years with complete elimination of this provision by the year 2003. During the phase-out process, the FCC would progressively rely more heavily on forward-looking cost and reduce the total federal funding levels to current levels, allowing for adjustments for growth in high cost access lines.

B. The FCC Should Allocate Funding Among Carriers Using A Pro-Rata Approach

In the event a state-by-state hold-harmless provision is adopted, the FCC seeks comment on how such a provision should allocate support among carriers if the total amount of support provided in a particular state is insufficient to fully hold each carrier harmless. The FCC proposes two alternatives: (1) a pro-rata approach,[10] and (2) individual state determinations.[11] California supports adoption of the pro-rata approach because it will lead to more uniform application of federal funding among states. Uniformity is important in an environment where funding is portable among the incumbent local exchange carriers ("ILECs") and their competitors, and where competitors develop multi-state or national business plans. The pro-rata approach

[10] Under the pro-rata approach, the hold-harmless support would first be allocated to the carrier experiencing the greater relative reduction in support in order to place carriers experiencing a reduction in support on an equal footing. This would be followed by a pro rata allocation among carriers so that those carriers receive the same total percentage of the support provided under the present mechanism. The FCC believes that this method of allocation allows for an equitable distribution of support in the event that the total state-by-state amount is insufficient to fully hold each carrier harmless. FNPRM at ¶ 120.

[11] In the alternative, the FCC seeks comment on whether support should be distributed to the state commissions for allocation among carriers in each state instead of through a federal allocation mechanism, in the event one or more carriers in the state experienced a reduction in support as a result of a state-by-state hold-harmless mechanism. FNPRM at ¶ 121.

may also prove to be administratively simpler for the federal fund administrator and individual states in the long run.

C. Competitors Should Receive An ILEC's Hold-Harmless Support Level

In its FNPRM, the FCC seeks comment on whether a competitor should receive the amount of support that an ILEC receives under the hold-harmless provision, or, alternatively, an amount of support determined on a forward-looking cost basis.[12] California recommends that a competitor receive the ILEC's hold-harmless support level. As the FCC has recognized, such an approach is more competitively neutral, because both carriers would receive the same amount.[13] Regarding the FCC's concern that the ILEC's hold-harmless support level would provide an efficient competitor with a windfall, the windfall would be no greater than that already received by the ILEC. In contrast, unequal federal funding would harm a competitor's ability to provide service at competitive rates, with the result that the ILEC would receive not only a windfall, but also a competitive advantage that could squeeze out competitors. This outcome would be counter to the goals of the 1996 Act.

At the same time, the windfall problem, correctly identified by the FCC, is another reason that the hold-harmless provision should be phased out. A phase-out over a three-year period will ensure that porting high cost support does not encourage inefficient entry by competitors in high cost areas.

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[12] FNPRM at ¶ 122.

[13] FNPRM at ¶ 122.

III. THE NATIONAL COST BENCHMARK SHOULD MAINTAIN FEDERAL SUPPORT AT OR NEAR CURRENT LEVELS

In its FNPRM, the FCC concludes that the federal methodology should utilize a cost-based approach for establishing a national benchmark in determining the level of federal funding. California agrees with the FCC's conclusion. California observes that a cost-based benchmark is more stable than a revenue-based benchmark, and is more effective in identifying high cost areas.

In its FNPRM, the FCC seeks comment on its proposed national cost benchmark. The FCC also seeks comment on the percentage levels above which a state would potentially be eligible for support. The FCC appears to contemplate variable support levels, with a higher percentage of cost support for areas well above the national average, and a lower percentage of cost support for areas where costs are only slightly above the national average.[14] California agrees with this approach, but cannot provide specific recommendations regarding the appropriate percentages because input values have not yet been finalized for the federal cost model. However, in reaching decisions on these issues, California recommends that the FCC develop a benchmark methodology which is consistent with the following principles: (1) it maintains a federal high cost fund that is modestly sized and remains at or near the existing funding level; (2) it establishes variable funding levels to narrowly target support to truly high cost areas throughout the nation; and (3) it ensures that no state contributes more to the federal fund than it currently does under existing procedures,

[14] FNPRM at ¶¶ 96-100.

at least after a phase-out of the hold-harmless provision. A methodology consistent with these principles will enable the FCC to properly balance the two competing goals of "supporting high cost areas so that consumers have affordable service at rates that are reasonably comparable [between urban and high cost areas], and maintaining a support system that does not, by its sheer size, over-burden consumers across the nation." Joint Board Second Recommended Decision at ¶ 3.

IV. THE FCC SHOULD AVERAGE THE COST OF PROVIDING UNIVERSAL SERVICE OVER A STUDY AREA

In its FNPRM, the FCC opines that deaveraging federal support to the wire center would bring two benefits to the market. First, it would ensure that support continues to be available specifically to subscribers most in need of support, because the support targets specific areas with higher costs. Second, since support is portable and targeted in a granular manner, it would promote efficient competitive entry in all areas, not just in urban or other low cost areas. Deaveraging support would also encourage competitors to expand service beyond urban areas and business centers into all areas of the country and to all citizens, as envisioned by the 1996 Act. The FCC seeks comment on this analysis.[15]

California generally agrees with the FCC's analysis, but with the following qualification. As recognized by the FCC throughout its Order and FNPRM, the current fund has been successful in maintaining affordable rates across the country.[16]

[15] FNPRM at ¶ 103.

[16] FNPRM at ¶¶ 11, 30, 37, 38, 57 and 69.

Therefore, deaveraging support to the wire center should not be applied in a manner that increases federal universal service funding significantly above existing levels.

The FCC seeks further comment on the geographic area over which the cost of providing universal service should be averaged. Specifically, the FCC presents four alternatives to measuring cost that attempt to address the tension between the goals of minimizing the size of the federal fund and directly targeting support to high cost areas within a study area. The FCC also seeks comment on additional methods for preventing the size of the fund from growing significantly.[17] Finally, the FCC seeks comment on the extent to which competition is likely to place steadily increasing pressure on implicit support flows from low cost areas and the extent to which this pressure suggests that the FCC should deaverage support in the implementation of the new mechanism.[18]

A. California Generally Supports The Adoption Of The First Alternative For Measuring Costs

California generally supports the adoption of the first alternative. Under the first alternative, the federal support amounts would be determined on the basis of costs measured at the study area level. The federal support would then be distributed within the study area on the basis of costs measured at the wire center or unbundled network element ("UNE") zone level. The FCC concludes that this approach would not

[17] FNPRM at ¶ 109.
[18] FNPRM at ¶ 105.

significantly increase the size of the fund, but would ensure that support is distributed to areas that need it most.[19]

1. Federal Support Should Be Based On Costs Measured At The Study Level Area

California agrees that determining federal support on the basis of costs measured at the study area level and distributing that support on the basis of costs measured at the wire center level achieve the goals of carefully targeting federal support and limiting the size of the federal fund. California, however, believes that the FCC should utilize a variable funding approach when distributing support at the wire center level, i.e., the highest cost wire centers should receive a greater percentage of support than wire centers whose costs are only slightly above average costs.

In addition, basing federal support on costs measured at the study area level is appropriate, at this time, for several reasons. First, the majority of states, including California, have yet to implement local rate deaveraging. As recognized by the Joint Board, the level of competition today has not eroded implicit support flows to such an extent as to threaten universal service. Therefore, basing federal support on costs calculated at a level smaller than the study area level would not comport with current market realities.

Second, basing federal support on costs measured at the study area level more likely will prevent substantial increases in the size of the high cost support mechanism because higher cost areas within the study area are averaged with lower cost areas

[19] FNPRM at ¶ 108.

within the study area. As a result, the burden on funding states that must simultaneously address their own universal service needs would be minimized. To the extent conditions warrant a modification in the calculation of federal support, the FCC could revisit this issue in its three year review.

Finally, adoption of the study area approach appears most consistent with the 1996 Act's requirement that support be "sufficient." Specifically, Section 254(b)(5) states that "[t]here should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service." The study area approach continues to recognize state responsibility for affordable and reasonably comparable rates.

2. Distribution Of Federal Support Should Be At The Wire Center Level

Once the federal funding requirements have been determined at the study area level, distribution of federal support should be based on costs calculated at the wire center level. Such an approach is appropriate because it will ensure that support is targeted to areas most in need of it. However, as already mentioned, support to wire centers should be further targeted to the highest cost wire centers by utilizing a variable percentage funding approach.

B. The Other Alternatives Proposed For Measuring Costs Are Flawed

Under the second, third and fourth alternatives, the FCC proposes to determine the level of federal support based on costs measured at a more granular level than the

study area (e.g., UNE zones or wire center). The difference between these alternatives is in the manner in which support would be distributed. Specifically, under the second alternative, support would be distributed among UNE zones or wire centers using a uniform percentage.[20] Under the third alternative, support to any particular state would be capped at a fixed percentage of the overall fund.[21] Under the fourth alternative, support would be limited either by raising the cost benchmark appropriately or adopting incremental funding levels for costs above the selected benchmark similar to the existing high cost loop support mechanism.[22]

California believes that basing federal support on costs measured by UNE zone or wire center costs, absent a cap equal to the current size of the federal fund, would place unnecessary burdens on funding states, given the FCC's and the Joint Board's conclusions that current funding levels have been successful in maintaining affordable and reasonably comparable rates. Further, as explained above, this alternative would not comport with current market realities. Moreover, the second and third alternatives do not adequately target support to high cost areas because of the caps on the amount distributed. In short, the other alternatives proposed by the FCC for measuring costs for determining federal support are inferior to the first alternative.

If, however, the FCC concludes that federal support should be based on costs measured at a level that is more granular than the study area level, California

[20] FNPRM at ¶ 108.

[21] FNPRM at ¶ 109.

[22] FNPRM at ¶ 109.

recommends that the FCC utilize the fourth alternative, with one important caveat. The incremental funding levels should be developed in such a manner as to ensure that the federal fund does not significantly expand beyond its current size (adjusted for growth in high cost access lines).

V. A STATE'S ABILITY TO SUPPORT HIGH COST AREAS SHOULD BE MEASURED USING A FIXED DOLLAR AMOUNT EQUAL TO THE AVERAGE PER LINE DOLLAR AMOUNT SPENT BY END USERS ON INTRASTATE TELECOMMUNICATIONS SERVICES OFFERED BY ALL TELECOMMUNICATIONS CARRIERS

In its Order and FNPRM, the FCC concludes that providing the full amount of support determined by the federal methodology, without any estimate of state support, is likely to lead to double recovery by carriers.[23] California agrees with this conclusion. The FCC thus concludes that a fixed dollar amount per line is a reasonably certain and specific means of assessing a state's ability to ensure reasonable comparability of rates between urban and high cost areas using the state's own resources.[24] The FCC seeks comment on the appropriate level of the "fixed dollar" amount. The FCC further seeks comment on whether the per-line amount should be set so that it amounts to between three and six percent of the revenue benchmark of $31 per line, set in its First Report and Order, [25]in order to roughly equal, in absolute dollar terms, the amount that a state could reasonably have

[23] FNPRM at ¶ 65.

[24] FNPRM at ¶ 110.

[25] First Report and Order, 12 FCC Rcd at 8924, ¶ 267.

anticipated in funding if measured on a revenue percentage basis.[26] The FCC's original $31 revenue benchmark was calculated using revenues obtained by ILECs serving only residential customers. These revenues included those generated from local service, access, discretionary services and other telecommunications services.[27]

California supports the use of a six percent assessment on a "fixed dollar" amount per line. California, however, cannot support the use of the FCC's original $31 revenue benchmark. First, since the $31 revenue benchmark captures only the average revenue an ILEC receives from *residential* customers, it implicitly assumes that all customers in a given state either (1) are residential customers, or (2) all customers generate revenue levels similar to those generated by residential customers. Neither assumption is reasonable. There are business customers in each state. Further, business customers, as a group, generate higher levels of revenues for an ILEC than do residential customers. As noted in the FCC's 1996 Universal Service Order, the estimated average revenue benchmark for business customers at that time was $51 per line compared to the residential revenue benchmark of $31 per line.[28] As a result, using the $31 revenue benchmark would significantly understate the revenue base that states can rely upon to fund their universal service needs.

Second, reliance on an ILEC-based revenue benchmark would erroneously lead one to conclude that, as competition develops in a state, that state's ability to support

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[26] FNPRM at ¶ 111.

[27] Report and Order "In the Matter of Federal State Joint Board on Universal Service," CC Docket No. 96-45, adopted May 7, 1996, ("Universal Service Order") at ¶ 267.

universal service will decline. Specifically, as competition develops for some or all of the services for which an ILEC previously received revenues, the $31 revenue benchmark may decline. If six percent of that revenue benchmark were then utilized as the basis for determining a state's ability to internally fund universal service, as competition intensified and the revenue benchmark declined, one would conclude that a state's ability to fund its universal service needs was declining. Such conclusion, however, would not necessarily be correct.

Third, since the $31 revenue benchmark includes only those revenues generated by the ILEC, California believes that it would be inconsistent with Section 254(f)'s express requirement that *all* telecommunications carriers that provide intrastate telecommunications services contribute to intrastate universal service funding. While states retain the authority to determine the appropriate manner in which intrastate support is obtained, it would be reasonable for the FCC to presume that intrastate support is available from all providers of intrastate services, consistent with Section 254(f).

Fourth, since the $31 revenue benchmark relies solely on the revenues generated by ILECs, it essentially assumes that all state universal service funding is either implicit or obtained through basic local service rates. While California agrees with the FCC's position that states need not develop intrastate universal service funds to qualify for federal support, such existing funding mechanisms should not be ignored. As the FCC is well aware, a number of states, including California, have

[28] Universal Service Order at ¶ 267.

implemented explicit universal service funding mechanisms whereby all intrastate telecommunications service providers contribute to the support of universal service. Further, some states are in the process of developing similar intrastate universal service funding mechanisms. For this reason, any per-line revenue benchmark developed by the FCC should consider the revenues distributed through intrastate universal service funding mechanisms.

California believes that, in lieu of using the $31 revenue benchmark, the FCC should measure a state's ability to support high cost areas based on six percent of the average per-line dollar amount spent by end users on all intrastate telecommunications services provided by all telecommunications providers, including wireless carriers, within a given state. The per-line amount would be obtained by dividing total intrastate revenues by the number of access lines. In California's opinion, it would be preferable to develop the revenue benchmark on a state-by-state basis to ensure that support is targeted to those states that are truly unable to support their internal universal service needs.[29] Because the FCC collects information about carriers' intrastate revenues today, developing a revenue benchmark on a state-by-state basis should not be overly burdensome. However, if the FCC chooses not to use a state-by-state benchmark, the FCC should, at a minimum, utilize a benchmark that reflects the average intrastate revenues received by all telecommunications carriers, and not just

[29] A national revenue benchmark may overestimate the intrastate revenue base of smaller states, whose carriers do not generate a significant amount of intrastate access or toll revenue, while underestimating the revenue base of larger states whose carriers generate a large amount of intrastate access or toll revenue.

those collected by the ILEC.

To be sure, in its FNPRM, the FCC seeks comment on whether wireless lines should be included in the calculation of a state's ability to support universal service and, if so, whether there should be a distinction between wireless lines of an eligible telecommunications carrier ("ETC") and wireless lines of a non-ETC.[30]

As discussed above, Section 254 provides that all telecommunications providers shall contribute to universal service funding, and does not carve out an exception for wireless carriers. In addition, California observes that whether a carrier is eligible to receive universal service funding does not affect its duty to support universal service pursuant to Sections 254(b)(4) and (f). As a result, if a wireless carrier offers intrastate telecommunications services, it is reasonable for the FCC to include that carrier's revenues and lines in assessing a state's ability to support universal service.

VI. CONCLUSION

In sum, for the reasons set forth herein, California recommends that the FCC:

1) adopt a state-by-state hold-harmless support provision to be phased out in equal amounts over three years

2) determine hold-harmless support on a state level, and allocate any hold-harmless support among carriers within a state using a pro-rata approach

3) provide competitors with the ILEC's hold-harmless support level

[30] FNPRM at ¶ 112.

4) develop a national cost benchmark that (a) targets support to truly high cost areas and maintains the size of the federal fund to levels that do not exceed current levels (adjusted for growth in high cost access lines), (b) establishes a graduated funding mechanism to narrowly target support to truly high cost areas throughout the nation, and (c) ensures that no state contributes more to the federal fund than it currently does under existing procedures, at least after a three-year phase-out of the hold-harmless support provision

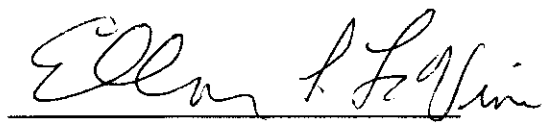
5) determine federal support based on costs measured at the study area, while distributing the support within a state based on costs measured at the wire center level using a graduated funding mechanism

6) measure a state's ability to support high cost areas based on six percent of the average per-line dollar amount spent by end users on telecommunications services provided by all telecommunications providers within a given state

7) include all wireless revenues and lines in the calculation of a state's ability to support universal service, regardless of whether or not the wireless providers are ETCs

Respectfully submitted,

PETER ARTH, JR.
LIONEL B. WILSON
ELLEN S. LEVINE

By: 

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July 22, 1999

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon all known parties of record by mailing, by first-class mail, postage prepaid, a copy thereof properly addressed to each party.

Dated at San Francisco, California, this 22nd day of July, 1999.

ELLEN S. LEVINE