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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Forward-Looking Mechanism for High Cost Support for Non-Rural LECs	)	CC Docket No. 97-160
	)	

PETITION FOR RECONSIDERATION OF PUERTO RICO TELEPHONE COMPANY, INC.

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SUMMARY

Puerto Rico Telephone Company, Inc. ("PRTC") requests reconsideration of the Ninth Report and Order and Eighteenth Order on Reconsideration and Tenth Report and Order issued in the universal service proceeding on November 2, 1999. The revised rules governing implementation of the methodology to utilize the adopted model with inputs to calculate universal service support will eliminate all universal service support to Puerto Rico upon their application. As such, these rules do not satisfy even the most narrow reading of the statutory requirement for "sufficient" support and fail to advance universal service for an insular area that is most in need of such support. On this basis, PRTC seeks reconsideration of both orders.

The combined effect of the implementation rules (Ninth Report and Order) and the model inputs (Tenth Report and Order) is to eliminate all support for Puerto Rico, with the lowest subscribership among all states. This result is not logical given the apparent need for continued universal support to the island. Low subscribership levels across the island – even in its most dense, developed areas – demonstrate that universal service support should be increased, or at the very least maintained. The planned elimination of such support upon the end of the "hold harmless" period, however, is contrary to public policy. Therefore, the model methodology should not be applicable until such time that the Commission adopts a methodology that it deems suitable for rural carriers. Simply put, the risks for converting rural carriers to the model at this time are indistinguishable from the same risks facing PRTC and its subscribers.

In addition, PRTC seeks changes to the methodology itself. First, the Commission should clarify that the current methodology does not address Long Term Support ("LTS"), such that continued receipt of this universal support mechanism should be distinct from transition to the model methodology. Under the revised methodology, universal service support is provided

only for 76 percent of costs that exceed the national average. According to this formula, no support is provided for interstate costs, and thus, LTS is not included in the revised high cost methodology. Second, the Commission should award support for wire center costs according to a sliding scale approach based upon subscribership, at least for areas with subscribership far below the national average. This result is consistent with the Commission's stated preference to provide support at a granular level and is more consistent with the current benchmark. As an alternative to a sliding scale approach based on subscribership, PRTC urges the Commission to provide support for costs that exceed a national benchmark of 115 percent of averaged wire center costs. There is no record support for departing from the current universal service benchmark, and the practical effect is to undersize the fund.

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PETITION FOR RECONSIDERATION
OF PUERTO RICO TELEPHONE COMPANY, INC.

Puerto Rico Telephone Company, Inc. ("PRTC") hereby requests reconsideration of the Ninth Report and Order and Eighteenth Order on Reconsideration and Tenth Report and Order issued in the captioned proceeding on November 2, 1999.[1] The rules adopted for the implementation of the revised universal service methodology in the Ninth Report and Order and the cost proxy model inputs adopted in the Tenth Report and Order eliminate all universal service support for Puerto Rico. Thus, the revised methodology does not satisfy even the most narrow reading of the statutory requirement provided in Section 254 of the Communications Act for "sufficient" support and fails to advance universal service for an insular area that is most in need of such support.

[1] Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Ninth Report and Order and Eighteenth Order on Reconsideration, FCC 99-306 (rel. Nov. 2, 1999) ("Ninth Report and Order"); Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket Nos. 96-45 and 97-160, Tenth Report and Order, FCC 99-304 (rel. Nov. 2, 1999) ("Tenth Report and Order"). Both orders were published in the Federal Register on December 1, 1999. 64 Fed. Reg. 67416 (Dec. 1, 1999) (providing notice of Ninth Report and Order); 64 Fed. Reg. 67372 (Dec. 1, 1999) (providing notice of Tenth Report and Order").

I. INTRODUCTION

PRTC has been an active participant in the universal service proceeding since its inception following the adoption of Section 254 as part of the Telecommunications Act of 1996. Prior to and since that time, the federal universal service program has been an integral part of PRTC's efforts to provide affordable service throughout Puerto Rico, where just twenty-five years ago the telephone service penetration rate was only 25 percent. As a result of PRTC's efforts to keep rate increases to a minimum and its aggressive network investment in the intervening years, the telephone service penetration rate has almost tripled. While PRTC sees this feat as an accomplishment, it is not the end goal. Perhaps more than any state, the ongoing efforts in Puerto Rico to achieve universal service best illustrate the need at least to maintain current levels of support until affordable service can be achieved and maintained island-wide.

The Commission has concluded that current rate levels are affordable nationally,[2] a conclusion primarily based on existing subscribership levels.[3] The Commission also has affirmed the nexus between affordability and telephone service penetration, stating that "since March 1989, at least 93 percent of all households in the United States have had telephone service, and as of November 1998, the subscribership rate was 94.2 percent."[4] On this premise, the Commission has steadfastly maintained that "current conditions do not necessitate substantial

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[2] Federal-State Joint Board on Universal Service; Access Charge Reform, Seventh Report and Order and Thirteenth Order on Reconsideration in CC Docket No. 96-45, Fourth Report and Order in CC Docket No. 96-262 and Further Notice of Proposed Rulemaking, 14 FCC Rcd 8078, 8092 (¶ 30) (1999).

[3] Id. at 8095 (¶ 36) (citing First Recommended Decision, 12 FCC Rcd 87, 151-52 (¶ 127) (Jt Bd 1996)).

[4] Id. at 8096 (¶ 38) (citing Report, Telephone Subscribership in the United States, Table 1 (Com. Car. Bur., rel. February 18, 1999)).

increases in federal support for local rates."[5] Puerto Rico, however, does not fit this affordability analysis. The island-wide subscribership level is currently 74.2 percent, such that based on the Commission's logic, support for Puerto Rico should be increased until the subscribership level reflects an indicia of affordability like that in the mainland United States. Instead, the Commission has crafted a universal service mechanism that not only fails to increase universal service support to Puerto Rico, but eliminates it entirely. In the absence of a hold harmless mechanism – the duration of which has not been determined – Puerto Rico would lose every dollar of its $130 million in annual support on January 1, 2000. This drastic change in regulatory policy would undoubtedly result in rate shock that would cause some current subscribers to drop off the network and would be a disincentive for the network investment needed to build-out to some areas where plant installation would be otherwise cost-prohibitive.

The Puerto Rico example demonstrates that the methodology adopted in the Ninth Report and Order is flawed. First, the methodology is now limited to providing 76 percent of high costs in acknowledgement of the support provided for local rates, yet it still expressly includes Long Term Support, an interstate access support mechanism. Second, it waters down support to states by calculating support amounts based on a statewide average but targeting support on a wire center basis. Third, the high national benchmark of 135 percent further constrains the availability of support.

The Puerto Rico example also demonstrates that the model inputs adopted in the Tenth Report and Order are flawed, at least when applied to an insular area that is not served by any rural carriers. It estimates that costs to serve Puerto Rico's predominately rural, mountainous

[5] Id. at 8112 (¶ 69).

study area are less than the costs to serve the study area that includes San Juan. Islandwide, the model produces a monthly cost per line of $27.89 (including traffic sensitive costs), but the most recent Monitoring Report demonstrates that the embedded monthly loop revenue requirement (excluding traffic sensitive costs) is $37.23, or $10 more. A difference of this magnitude simply cannot be attributed solely to forward-looking modeling itself, but also to the input values used to produce that result. Given the anomalous and ironic impact on Puerto Rico's universal service support – where every dollar of support is eliminated for the eligible area with the lowest penetration rate – the Commission should grant PRTC's request to delay transition to the model methodology until it investigates the methodology and the model and determines that they provide sufficient universal service support to insular areas, like Puerto Rico.

II. THE METHODOLOGY ADOPTED IN THE NINTH REPORT AND ORDER DOES NOT PRODUCE SUFFICIENT UNIVERSAL SERVICE SUPPORT FOR PUERTO RICO

Puerto Rico currently receives over $130 million annually in combined high cost and Long Term Support ("LTS") from the federal universal service fund. This amount will be entirely eliminated once the revised universal service mechanism is applicable to Puerto Rico. Under the current rules, universal service support will be distributed based on estimated forward-looking costs of providing service once the hold harmless policy is no longer in effect, a timeframe that has not yet been determined.[6] At such time that "hold harmless" is no longer in place, the entire universal service support amount for Puerto Rico will be jeopardized because of happenstance; Puerto Rico uniquely will lose all of its universal service support because no

[6] PRTC has proposed that no such transition take place until the Commission has determined that universal service efforts will not be harmed, and at that time, the transition should be phased-in so that support is not eliminated on a flash-cut basis. Puerto Rico Telephone Company, Inc., CC Docket No. 96-45, Comments (filed Dec. 1, 1999) and Reply Comments (filed Dec. 15, 1999).

"rural" carriers serve the island. This is not the case for any other state that currently receives universal service support. The Commission cannot have met its obligation to establish a fund that produces "sufficient" universal service support by eliminating high cost support for the area with the lowest telephone penetration rate among recipients.[7] At a minimum, inconsistencies in the methodology adopted in the Ninth Report and Order demonstrate that the methodology should not be applied to Puerto Rico at this time.

A. The Methodology Does Not Provide for Long Term Support

Under the revised methodology, the Commission will estimate the forward-looking cost of providing service over a statewide averaged area. Universal service support will then be provided where the statewide average forward looking cost per line exceeds the national cost benchmark of 135 percent of the national average forward looking cost per line.[8] Once the statewide cost per line in excess of the national benchmark has been calculated, support is provided for 76 percent of the amount multiplied by the number of lines served by the carrier in that state.[9] The 76 percent was calculated "based on 75 percent of forward-looking loop costs, 85 percent of forward-looking port costs, and 0 percent of forward looking LNP costs, as well as 100 percent of all other forward-looking costs determined by the cost model."[10] Thus, the universal service methodology, which limits support to 76 percent, calculates support based only on the forward-looking costs of the intrastate portion of costs that exceed the national

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[7] 37 U.S.C. § 254(b)(5).

[8] 47 C.F.R. § 54.309(a)(2) and (3).

[9] Id., § 54.309(a)(4).

[10] Ninth Report and Order at ¶ 63.

benchmark.[11] On this basis, the Commission confirms that "support from the federal methodology . . . will be used to maintain reasonably comparable *intrastate* rates."[12]

At the same time that the Commission has limited the support calculation to intrastate costs, it also has tied future availability of LTS to non-rural carriers with the outcome of this methodology. LTS, however, does not provide support for intrastate rates, but instead for interstate rates – specifically the carrier common line element of interstate access charges. LTS was designed to compensate certain carriers on the basis of a carrier's interstate common line revenue requirement relative to the total interstate common line revenue requirement.[13] The universal service methodology adopted in the Ninth Report and Order simply is not designed to accommodate or replicate LTS payments to support the Common Line pool and therefore, does not maintain "reasonably comparable" access rates, as required by Section 254(b)(1) and (b)(3) of the Act[14] and the Commission's orders.[15] At such time that a carrier transitions to the model

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[11] Id.

[12] Id. at ¶ 105 (emphasis in original).

[13] See Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd 8776, 8942 (¶ 305) (1997) ("First Report and Order"). See also Federal-State Joint Board on Universal Service: Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45, Further Notice of Proposed Rulemaking, FCC 99-204, at ¶ 54 n.107 (rel. Sept. 3, 1999); Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking and Order Establishing Joint Board, 11 FCC Rcd 18092, 18144 (¶ 115) (1996).

[14] PRTC has recently filed a Petition for Waiver of the "all-or-nothing" rule, so that it may maintain its rate of return status. Puerto Rico Telephone Company, Inc. Petition for Waiver of Section 61.41 or Section 54.303 of the Commission's Rules, CCB/CPD No. 99-36. In that Petition, PRTC explained that the loss of LTS will increase its interstate common line rate to $0.043, or almost four times the NECA common line pooled rate. PRTC Petition at 10-12. This rate was calculated in the context of a conversion to price cap regulation, which would include increased subscriber line charges and the implementation of a presubscribed interexchange carrier charge. Therefore, this high rate actually understates PRTC's common line rate if LTS

(continued...)

methodology, not only would its intrastate support be placed in jeopardy based on the outcome of the model, but also its LTS would be eliminated entirely due to the methodology makes no provision for existing interstate support mechanisms. Although the Commission has expressly recognized LTS as a universal support mechanism,[16] the revised universal service mechanism does not take it into account. Of course, at the time that LTS was first identified as part of the revised USF methodology, the Commission intended only to provide support for interstate services, a conclusion that has since been reconsidered.[17]

It is understandable that such an inconsistency might occur, but it must be rectified. PRTC is one of the few non-rural carriers that receives LTS, thereby distinguishing it from other non-rural carriers that will be transitioned to the revised universal service methodology, but that would not be affected by the inclusion or exclusion of LTS. Although this issue may affect a very small number of non-rural carriers (perhaps leading to the oversight in the first place), it will be most important to the majority of rural carriers that currently receive LTS, who will find that the revised methodology fails to provide for LTS. At least two "non-rural" carriers – PRTC and Roseville Telephone Company – will be affected by this oversight now, while countless rural carriers will be affected if this deficiency is not corrected. At bottom, a methodology that

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(..continued)
were eliminated under rate of return regulation, as would result from application of the model methodology.

[15] Ninth Report and Order at ¶ 38; Seventh Report and Order, 14 FCC Rcd at 8092 (¶ 30).

[16] First Report and Order, 12 FCC Rcd at 8784 (¶ 10) (describing LTS as one of two "explicit support mechanisms directed at increasing network subscribership by reducing rates in high cost areas."); see also 47 C.F.R. § 54.303 (administering LTS as part of the universal service support for high cost areas).

[17] See Ninth Report and Order at ¶¶ 21-25.

expressly limits support to intrastate costs but then purports to replace both current high cost (intrastate) and LTS (interstate) support mechanisms is untenable. The Commission should reconsider this inconsistent and unsustainable result and clarify that LTS amounts will not be determined based on the revised methodology. Instead, the LTS requirement will continue to be determined according to the Common Line pool requirements as it has been since 1996 and that pool participants will continue to receive support through the universal service fund in accordance with the pooling process.

B. Averaging Support on a Statewide Basis with an Excessive Cost Benchmark Arbitrarily Eliminates Support for Puerto Rico

As demonstrated by the state-by-state high cost support summary issued by the Common Carrier Bureau, Puerto Rico currently receives $133 million annually in universal service support, and under the revised methodology, it would receive no support. The loss of this support has two causes. First, $88 million of that amount – the estimated 1999 LTS amount – will be eliminated due to the failure of the methodology to take into account interstate support that is funded through the universal service fund in accordance with the common line pooling process. Second, the remaining $50 million is placed at risk (discussed here from an implementation perspective as opposed to model deficiencies) due to the statewide averaging of costs and the arbitrarily high benchmark used to determine the universal service support amount. According to the methodology, Puerto Rico will no longer receive universal service support.

Essentially, the Commission has "split the baby" in adopting the current methodology, calculating support on a statewide average basis and then "targeting" the support on a wire center basis.[18] The Commission's rationale for this approach is to preserve for states their "authority

[18] See id. at ¶ 48.

and ability to ensure reasonable comparability of rates within its borders."[19] States' ability to preserve affordability, however, is diminished by the arbitrary reduction in support achieved through statewide averaging. Moreover, the Commission's rationale is inconsistent with the fact that once support is awarded on a statewide basis, it is then targeted on a wire center basis, which itself impinges on a state's unfettered authority to design affordable intrastate rates. Given that the Commission already has concluded that "granularity of support is a desirable goal in a competitive marketplace"[20] and that the model produces cost outputs on a wire center basis that are then rolled-up to produce the statewide-averaged result,[21] there is no reason why support should not be calculated initially on a wire center basis so that the targeted amount is the actual support identified for that particular wire center.

Similarly, no sustainable rationale has been provided for limiting support only to those costs above a 135 percent national benchmark, an approach that, regardless of intent, has the effect of "sizing" the fund. A carrier is eligible for support under the current methodology for costs that exceed a 115 percent national benchmark, and no reason has been provided why the revised cost methodology requires that the entire structure of the existing fund, including the existing benchmark, be abandoned. It simply cannot be said that a 135 percent national benchmark produces rates that are more "reasonably comparable" across states than a 115 percent benchmark does. The Commission theorizes that with a 135 percent benchmark, "the

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[19] Id. at ¶ 49.

[20] Id. at ¶ 48.

[21] Id. at ¶ 72 ("The cost model, by design, calculates costs at the wire center level. The wire center costs generated by the model can then be averaged together, as desired, at higher levels of aggregation . . . .").

federal mechanism will prevent excessive upward pressure on rates caused by high costs;"[22] however, this analysis simply ignores the Puerto Rico scenario. Should the island have to absorb $50 million in cost increases due to losses in universal service support fund – or even up to $133 million should LTS remain tied to the model methodology – a rate increase is sure to follow, whether it is immediate or upon the expiration of the hold harmless period.

The apparent linkage between rate level and subscribership further supports revising the 135 percent national benchmark. The Commission, in agreement with the Joint Board, has recognized that a correlation exists between subscribership and affordability.[23] Further, the Commission has concurred with the Joint Board that:

> subscribership levels provide relevant information regarding whether consumers have the means to subscribe to universal service and thus, represent an important tool in evaluating the affordability of rates.[24]

For Puerto Rico, therefore, the converse must be true: the island's low subscribership level implies that rate levels <u>are not</u> affordable. On this basis, there is record support for the Commission to adjust the 135 percent national benchmark, if not for all carriers, then based on subscribership. Upon reconsideration, PRTC proposes the following scaled adjustments, corresponding with subscribership rates:

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[22] <u>Id.</u> at ¶ 56.

[23] <u>First Report and Order</u>, 12 FCC Rcd at 8790 (¶ 23).

[24] <u>Id.</u> at 8838 (¶ 112) (citing <u>Federal-State Joint Board on Universal Service</u>, <u>Recommended Decision</u>, 12 FCC Rcd 87, 152 (¶ 127) (1996) ("<u>Recommended Decision</u>")).

Statewide Penetration Rate	National Benchmark
90-85 percent	125 percent
80-85 percent	120 percent
75-80 percent	115 percent
Below 75 percent	100 percent

At the very least, the benchmark should be returned to 115 percent, either for all carriers, or those carriers serving areas with subscribership rates below the national average.

PRTC has determined that by calculating support on a wire center basis instead of an islandwide basis and by providing support at the current benchmark of 100 percent, Puerto Rico would be eligible for over $54 million in support. This is comparable to the current high cost support amounts, and the example demonstrates that the arbitrary methodology choices – which, regardless of intent, have the effect of constraining the support amounts – produce results contrary to the goals of universal service. It is beyond logic that support should be eliminated for the one location where the penetration rate demonstrates that support is needed most there. Yet, the methodology has this precise result for Puerto Rico. Plainly, this methodology should not be applied to Puerto Rico when, as an insular area with high costs and low penetration, it should be treated in the same manner an area served by a rural carrier.

On this basis, PRTC renews its request that its transition to the model methodology be delayed until it is clear that the model methodology provides adequate support. This approach will ensure the future gains in universal service for Puerto Rico are not stymied by a change in universal service administration. In the alternative, the Commission should revise its methodology so that support will be both calculated and targeted on a wire center basis and that the benchmark will be adjusted according to the statewide subscribership rate.

III. THE MODEL INPUTS ADOPTED IN THE TENTH REPORT AND ORDER RESULT IN AN ARBITRARY "REBALANCING" OF SUPPORT AND SHOULD NOT BE APPLIED TO PUERTO RICO

The model produces bizarre results for Puerto Rico, a traditionally high cost area with low penetration. Puerto Rico's low penetration rate itself demonstrates that continued universal service support is necessary to address the combination of high costs and low income that work together to suppress subscribership. The model inputs, however, apparently fail to capture accurately the high cost to serve Puerto Rico. The model output (coupled with the implementation methodology) arbitrarily "rebalances" universal service support with no record support other than the model output itself, and its applicability to Puerto Rico should be reconsidered.

Focusing solely on the "high cost" portion of universal service support provided to Puerto Rico, almost $50 million in support will be eliminated. With an islandwide subscribership rate below 75 percent, Puerto Rico will lose all high cost support for intrastate costs. By comparison, the following states, each with subscribership rates well above Puerto Rico's, will gain support: Alabama – 92.6 percent subscribership, Kentucky – 93.3 percent subscribership, Maine – 96.9 percent subscribership, Vermont – 94.5 percent subscribership, and West Virginia – 92.7 percent subscribership.[25] With no other record support, except the results of a hypothetical cost calculation, the effective result is that $50 million is to be redirected from Puerto Rico to these other states.

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[25] Telephone Subscribership in the United States (data through July 1999), Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, at 7, Table 2 ("Telephone Penetration Rate by State" (Percentage of Households with Telephone Service") (rel. Oct. 1999).

While these examples are striking, perhaps the most telling comparison is that of Puerto Rico and Mississippi. Of the new USF "winners," Mississippi, with the lowest subscribership rate of the group at 89.1 percent (still 15 percentage points higher than Puerto Rico), will gain over $100 million in additional support, totaling over $113 million for non-rural carriers serving the state. Including rural support to Mississippi, that state will receive $133,640,936 under the new mechanism. Puerto Rico, with a subscribership rate of 74.2 percent, would lose $133,293,784 under the new mechanism. Put another way, Mississippi subscribers will benefit by an average of $8.00 per month per line from total USF support to that state. Puerto Rico consumers, on the other hand, will lose almost $9.00 per month per line in support. With the additional support, some Mississippi consumers may face an effective rate of zero, while some Puerto Rico consumers could see their rates almost double.[26]

A comparison of Puerto Rico and Mississippi embedded costs further demonstrates that the model results are anomalous. Mississippi's non-traffic sensitive, unseparated embedded revenue requirement is $346, and Puerto Rico's is $446.[27] Thus, while Mississippi's astounding gain in support may not be utterly surprising, Puerto Rico's absolute loss is. This disparity of results when measured against traditionally reported costs indicates that the model as currently rendered is not appropriately applied to Puerto Rico. Other than the skewed model results, there is no record support for this fundamental shift in universal service support.

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[26] All of the universal service support to be awarded under the revised methodology would be solely applicable to intrastate rates. Puerto Rico's current support, however, is a combination of intrastate and interstate support. Thus, rate increases to Puerto Rico subscribers would be through a combination of increased local and interstate rates.

[27] Monitoring Report on Universal Service, CC Docket No. 98-202 (June 1999), Table 3.13 at 3-19 ("Unseparated NTS Revenue Requirement Per Loop by State").

IV. THE REVISED METHODOLOGY SHOULD BE APPLIED TO PRTC AT THE SAME TIME AS RURAL CARRIERS

The Commission has determined that for rural carriers, "reform will be undertaken only after the Commission, the Joint Board, and a Rural Task Force appointed by the Joint Board have selected an appropriate methodology for rural support."[28] The same approach should be applied to PRTC, a carrier serving an insular area.[29] Although the Commission provided for the special concerns of rural carriers serving both rural and insular areas by delaying the transition to a new methodology for these carriers, it failed to recognize that similar caution is appropriate for non-rural carriers serving insular areas. Moving to a methodology that imposes significant reductions in universal service support is contrary to the stated purposes of the federal universal service program.

The permanent loss of over $133 million in universal service support could not be the result intended by Congress under the new universal service program, particularly given that some regional Bell operating companies will receive new or additional universal service support under the new methodology. Under the same model methodology, however, PRTC will receive no support. This incongruous result can be rectified by categorizing PRTC appropriately with "rural" carriers, rather than with "non-rural" carriers. Thus, there will be no transition to a proxy model methodology unless and until the Commission, Joint Board, and Rural Task Force have determined that such a transition is appropriate. Adoption of this approach is necessary to ensure

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[28] Ninth Report and Order at ¶ 11.

[29] 47 U.S.C. § 254(b)(3); see also PRTC Petition for Reconsideration, CC Docket No. 96-45 (filed July 17, 1997); Proposal of Puerto Rico Telephone Company, CC Docket Nos. 96-45 and 97-160 (DA 98-715) (filed April 27, 1998).

that affordable telecommunications service is available to all consumers, particularly in insular areas.

Moreover, PRTC shares similar characteristics with rural carriers that, as a carrier serving an insular area, support its inclusion with that group. First, like many rural carriers and unlike many non-rural carriers, PRTC receives LTS from the NECA Common Line pool. In this respect, its participation in the pool alongside many rural carriers links continued LTS receipts with rural carriers. Second, PRTC serves the entire island of Puerto Rico, including those rural areas that, in other states, typically would be served by rural carriers. Although other non-rural carriers may be eligible to make similar claims of serving typically "rural" areas, none can say that they serve such areas exclusively, nor that their loss of universal service support would eliminate support for the state entirely.

Puerto Rico is essentially penalized based on happenstance. Because a single "non-rural" carrier provides service on an islandwide basis, every dollar of universal service support is at risk under the new methodology. In contrast, all but three other jurisdictions presently receive rural support so that some amount is protected from the model methodology. And of the three other jurisdictions that do not receive any rural carrier support, they do not receive any support at all.[30] At bottom, the inability of the model to satisfy Puerto Rico's USF needs, the insular status of Puerto Rico, and the total absence of any other so-called "rural carrier" in Puerto Rico requires that PRTC's transition to the model methodology be delayed on the same basis as applied to rural carriers.

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[30] The three other jurisdictions are the District of Columbia, Delaware, and Rhode Island. Public Notice, CC Docket Nos. 96-45 and 97-160, "Common Carrier Bureau Releases State-by-State Universal Service High-Cost Support Amounts for Non-Rural Carriers and Forward-Looking Cost Model Results," DA 99-2399 (rel. Nov. 2, 1999).

V. CONCLUSION

Based on the foregoing, PRTC respectfully requests that the Commission reconsider the applicability of the revised methodology to PRTC. The combined effect of the implementation (Ninth Report and Order) and the model inputs (Tenth Report and Order) is to eliminate all support for Puerto Rico, with the lowest subscribership rate of all states. This result is not logical given the island's apparent need for continued universal support to the island, as reflected by its low islandwide subscribership levels. Therefore, the model methodology should not be applicable until such time that the Commission adopts a methodology that it deems suitable for rural carriers.

In addition, PRTC supports a number of changes to the methodology itself. First, the Commission should clarify that the current methodology does not address Long Term Support, such that continued receipt of this universal support mechanism should be distinct from a transition to the model methodology. On this basis, LTS funding requirements would be calculated through the pool and funded through the universal service fund as it has since 1996. Second, the Commission should award support based on wire center costs according to a sliding scale approach based upon subscribership, at least for areas with subscribership far below the national average. This result is consistent with the Commission's stated preference to provide support at a granular level and is consistent with the current benchmark. As an alternative to a

sliding scale approach based on statewide subscribership rates, PRTC urges the Commission to provide support for costs that exceed a national benchmark of 115 percent of averaged wire center costs.

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Dated: January 3, 2000

CERTIFICATE OF SERVICE

I, Dottie E. Holman, do hereby certify that a copy of the foregoing Petition for Reconsideration of Puerto Rico Telephone Company was sent by hand-delivery or first-class mail or as indicated, this 3rd day of January, 2000, to the following:

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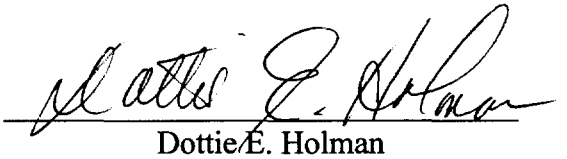

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