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Public Service Commission

February 2, 2000

VIA AIRBORNE EXPRESS

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW - TW-A325
Washington, DC 20554

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Re: CC Docket No. 96-45, Federal-State Joint Board On Universal Service
Public Notice on Requests to Redefine "Voice Grade Access"

Dear Ms. Salas:

Enclosed please find the original and five (5) copies of the Florida Public Service Commission Reply Comments in the above-noted docket. These comments were prepared by John Mann who may be reached by telephone at (850) 413-6976. Please date stamp and return one copy in the enclosed self-addressed envelope.

Sincerely,

Cynthia B. Miller, Esquire
Bureau of Intergovernmental Liaison

CBM:tf

cc: Brad Ramsay, National Association of Regulatory Utility Commissioners
Sheryl Todd, Accounting Policy Division, Common Carrier Bureau
International Transcription Service (with diskette)

Mr. of Operations M OT4
11-1-00

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C.

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In the Matter of:)
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Federal-State Joint Board on Universal Service)
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CC Docket No. 96-45

REPLY COMMENTS OF THE FLORIDA PUBLIC SERVICE COMMISSION

In response to the Federal Communications Commission (FCC) request for comments regarding redefinition of “voice grade access” for Universal Service Support, the Florida Public Service Commission (FPSC) would like to respectfully voice some reservations about the potential effects of the proposal to redefine voice grade standards in an attempt to accommodate high speed data transmission. These reservations involve the potential effects on Universal Service funding levels, the economic effect on Florida companies, and most importantly, the effect on Florida ratepayers. We believe changes in this standard, at this time, may be premature.

Informal discussions with representatives of phone companies in Florida and comments filed with the FCC¹ indicate that the potential cost of this proposal, both in testing and infrastructure improvements, could be very expensive. By way of estimation, a study done by the Wisconsin PSC regarding required 28.8 kilobits per second modem speed access to the Internet determined that the statewide cost would be \$668 million.² Indeed, it is the fact that the impact of this proposal is unknown that gives us the greatest concern.

The types of costs and required investment of redefined voice grade standards could have just the opposite effect on rural carriers than that intended in the proposal.³ There is pervasive apprehension among queried company representatives in Florida that additional investment is

¹ NECA Comments, pg. 6; Advanced Fiber Communications comments, pg. 3.

² SBC Communications comments, pg. 2.

³ SBC Communications comments, pg. 2.

currently not recoverable under price cap regulation.⁴ It is their opinion that a change in voice grade bandwidth now would not only disrupt current business plans, but would also disrupt market developments among competitors⁵ by dictating immediate investment in one technology over any other. Telephone companies throughout Florida, as well as the nation, are in the process of reconditioning lines in an effort to improve network quality. They are also preparing for the certain market challenge of cable and wireless provision of Internet access.⁶ To force expedited change in the timing of these network upgrades could prove to be either premature or unnecessary.

The FPSC respectfully submits that the intent of this proposal, an attempt to ensure that rural consumers using 28.8 kilobits per second modems to access the Internet will be able to achieve the same data transmission speeds as non-rural consumers, may well be accomplished through other means, thus making the current proposal redundant. Be it through Rural Utilities Service loan covenants,⁷ through the context of the Advanced Services proceeding,⁸ through expansion of the Schools and Libraries program, or through the efforts being made with the Joint Conference on 706, we believe this matter is being reviewed elsewhere and that the current proposal may be unnecessarily redundant of other efforts. Before seeing the results of these efforts already underway, we believe it would be premature to create the additional regulation over Internet traffic that is envisioned in this rule. We agree with the FCC's own report on the

⁴ Eight of ten Incumbent Local Exchange companies in Florida are under price cap regulation.

⁵ Covad Communications, a competitive local exchange carrier, plans to push its network expansion to 40% of American homes by the end of 2000. *Forbes*, "Telecom in 2000," December 31, 1999.

⁶ Bell Atlantic spent approximately \$2 billion dollars in 1999 upgrading its network, including both fiber-optic facilities and routing technology. *Forbes*, "Telecom in 2000," December 31, 1999.

⁷ See Attachment A. From the Rural Utilities Service study on the modernization of telecommunications in Florida, it appears that loan covenants now require network construction that facilitates access to data through the phone lines at a "rate of at least 1 million bits of information per second." If this has become the standard by which RUS makes loans, then possibly the proposal to change the bandwidth definition for voice grade could be considered redundant.

⁸ See Deployment of Wireline Services offering Advanced Telecommunications Capability, et al., cc Docket No. 98-147, Memorandum Opinion and Order, and Notice of Proposed Rulemaking, 13 FCC Rcd 24011 (1998).

deployment of broadband in America and the finding that the process is occurring at a reasonable and timely rate.⁹ Until such time as this conclusion is found to be untrue, we believe additional regulation is untimely.

Be it through access over the phone system, cable system, wireless system, or directly from a satellite, consumers are beginning to experience choice in the selection of broadband providers. Networks are constantly being upgraded as a result of increased competition and through advancements in technology. This has been a natural market consequence as the volume of data traffic on the network has begun to exceed that of voice traffic and analog systems have begun to be replaced with digital packet switching technology. As billions of dollars are being spent to digitize and fiberize communication networks, mandating additional investment in analog systems may not be a wise use of resources. We submit that imposition of this additional standard and the related cost is neither prudent at this time nor technologically neutral among the differing methods used for the delivery of broadband.

We also have technical concerns that if the intent of this proposal is to improve data transfer rates in the rural areas, that mere widening of the bandwidth specification, without concurrent standard setting for other specifications (i.e. signal-to-noise ratio), will not achieve the stated goals of improved transfer rates. As outlined in the comments of Advanced Fiber Communications,¹⁰ imposition of this technical improvement could create a trap wherein a “carrier [is] caught between physics and regulation.” The cost of requiring complex equipment to tweak the existing analog phone network could prove prohibitive and result in the misallocation of resources; resources that might be better served deployed in a true digital system.¹¹

Congress clearly mandated through the Act of '96 that consumers in all regions of the Nation, including low-income consumers and those in rural, insular and high cost areas, should

⁹ FCC Report on Deployment of Advanced Telecommunications, January 1999, pg. 5, para. 6.

¹⁰ Advanced Fiber Communications, pg. 23.

¹¹ National Exchange Carrier Association Comments, page 5, “. . . depriving rural companies of Universal Service support if they fail to upgrade their plant would only cause Universal Service to suffer in areas that it is most needed.”

have reasonably comparable access to advanced services.¹² We believe access is being afforded to an ever expanding number of Americans and that access to improved bandwidth is a precursor of greater involvement in the Internet. We also believe that factors such as income, education, household type and age are important indicators for Internet usage and that mere widening of the pipe will not on its own increase Internet usage.¹³

While it was estimated at the beginning of 1999 that ILECs in this country would have 20 million lines qualified to receive DSL service by year end, the dawn of the millennium saw that 40 million lines were so conditioned.¹⁴ According to SBC, by the end of 2002, the company plans to provide 80% of its customer base with access to ADSL platforms. These platforms will provide Internet access at speeds of 1.5 megabits per second. Deployment of these facilities will effect some 80 million people.¹⁵ We believe gains in the use of the Internet are increasing at a rapid rate, in both rural and urban America.¹⁶

Consistent with previously filed comments to the FCC from Florida, we continue to express concern about the increasing size of the Universal Service fund, increases that place additional burden on our citizens. Floridians currently pay out approximately \$150 million more than they receive in Universal Service funding. If this proposal will increase the Universal Service funds, then Florida consumers may pay even more without a comparable return. We urge the FCC to consider the affordability aspects of this proposed change.

While we wholeheartedly support the idea of quality Internet access for all Americans and understand its importance to our Nation, we fear that the current proposal is not in the best interest of consumers. Regulatory action should neither discourage development in broadband

¹² Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat '96 (1996 Act) § 706.

¹³ NTIA, "Falling Through the Net."

¹⁴ Communication Engineering & Design, "DSL Technology Loom Ever Larger," pg. 1.

¹⁵ Id. pg. 2.

¹⁶ NTIA, "Falling Through the Net II" According to the NTIA, PC ownership has grown by 10-13 percentage points in all areas since 1994, central cities behind the national average for PC ownership and on-line access (32.8%, 17.3%), as do rural areas (34.9%, 14.8%). Urban areas are slightly higher than the average (37.2%, 19.9%).

deployment, nor supplant the judgments of consumers and industry in a competitive market. We agree with the FCC that advanced services are being deployed in a reasonable and timely fashion and therefore a change in the definition of voice grade access to accommodate data traffic is not necessary at this time.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cynthia B. Miller". The signature is fluid and cursive, with the first name being the most prominent.

Cynthia B. Miller, Esquire
Chief, Bureau of Intergovernmental Liaison

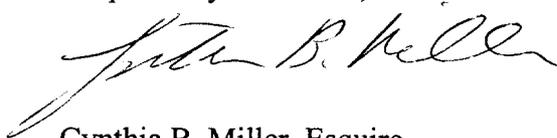
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

DATED this 2nd day of February, 2000.

CERTIFICATE OF SERVICE

I hereby certify that copies of these FPSC reply comments are being mailed to the attached abbreviated service list for the above docket.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cynthia B. Miller". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Cynthia B. Miller, Esquire
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