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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
FCC-00J3

Comments of WARINNER, GESINGER & ASSOCIATES, LLC

Warinner, Gesinger & Associates, LLC (WGA) is a certified public accounting firm which specifically serves the telecommunications industry. These reply comments are being filed in response to the Commission's Public Notice (FCC-00J3) released October 04, 2000. In this notice, the Commission requested comments on the Rural Task Force (RTF) recommendation regarding universal service reform for rural carriers.

WGA joins the Task Force in urging "that the Recommendation be implemented immediately and remain in place for five years. Plans should be made to reevaluate appropriate universal service funding approaches for areas served by 'rural telephone companies' prior to the end of the five-year period."

WGA supports the Task Force's recommendation that the Modified Embedded Cost Mechanism of federal universal service support for Rural Carriers be adopted for sizing the Rural Carrier federal universal service fund.

WGA supports the Task Force's recommendation for a flexible system for disaggregating support to establish the portable per line support available to all eligible telecommunications carriers. WGA additionally believes the High Cost Loop fund should be BI-furcated between the high cost loop plant portion and the implicit subsidy portion, with only the high cost loop plant portion being portable. The Task Force recommends a

set of principles to be used in addressing implicit support in interstate access charges, and recommends creation of High Cost Fund III to take the place of any implicit support removed from interstate access. WGA agrees with this and in addition believes that Internet traffic should be treated as interstate. As long as ESPs are exempted from access the FCC should rule that the Internet is a service covered under Universal Service and develop an explicit support mechanism through which to compensate LECs for the cost of providing dial-up switched usage connections to ESPs.

WGA also agrees that the time frame between provision of service and receipt of universal service must be as short as is technically and administratively possible.

For carriers who self-certify, WGA supports disaggregating wire centers to at least three zones to address differences in loops costs. This will help minimize cream skimming by competitive ETCs (CETCs) whose business plan targets USF and are only interested in serving the most economical pockets in rural areas. Disaggregating to a three-zone level is proposed in the MAG plan and WGA believes the Commission should address both the MAG plan proposals and RTF recommendations on a parallel agenda.

WGA supports the Task Force's recommendation to continue the "provision of support to all lines in areas served by Rural Carriers, as opposed to supporting only primary lines." Any decision to deny support to second lines or second homes is a clear violation of every subscriber's right to access in rural and high-cost areas.

A mechanism is needed to recognize and support stranded costs caused by over-building. Currently an increase in local rates is the only means to recover the stranded costs associated with the underlying plant built in compliance with the ILECs legal obligations of being a universal service provider. USF support for new CETCs should be

based on their plant costs not on the ILEC's embedded costs. The ILEC's plant will have been built to the higher standard required for universal service, i.e., built to withstand hurricanes and ice storms. If the CETC's plant is not built to the same standard the competitive neutrality policy will not be met. The Act encourages competition in any number of ways but it contemplates that support should be used to bring consumers service. In that regard, high cost support to a competing eligible carrier should be based on that carrier's costs and not be attained at the expense of the incumbent's USF support, leaving the incumbent with stranded investment. Otherwise, it is not possible to ensure that support is used for the purpose it is intended, i.e., the maintenance and provision of defined services under Section 254. The CETC could receive the ILEC's portable support solely by being there with no evidence of additional investment or advanced services. WGA feels the purpose of the USF is to ensure comparable, affordable rates and bring new and/or improved services to consumers. Using USF as a carrot for inducing competition does not further this goal.

WGA believes that the cap on the High Cost Loop fund should be removed not re-based. The Task Force recommends that the Joint Board review the definition of the services that are supported by federal universal service support mechanisms, and that a "no barriers to advanced services" policy be adopted. Removing the cap to encourage investment in plant that supports advanced services furthers the "no barriers to advanced services" policy.

For rural carriers that acquire rural exchanges from a non-rural carrier, who is divesting of rural high cost exchanges, the safety valve should allow inclusion of all plant not just that added after a sale/transfer. WGA joins Iowa Telecommunications Services in

requesting the Joint Board recommend to the Commission the elimination of Section 54.305. Customers in high cost rural exchanges should not be doomed to poor service just because they live in exchanges that have been involved in sale or transfer transactions. This will dis-incent the acquiring company from making new investments to upgrade the network in spite of their high cost and rural nature.

WGA also believes there should not be a cap limiting the amount of corporate operations expense for rural carriers.

Conclusion

In conclusion WGA recommends that the RTF recommendation be implemented immediately with consideration for the following:

- That the Modified Embedded Cost Mechanism be adopted.
- That the High Cost Loop Fund be BI-furcated between the loop plant portion and the implicit subsidy portion, with only the loop plant portion being portable.
- That USF continue to “provision of support to all lines in areas served by rural carriers”.
- USF support for new competitive ETCs be based on their plant costs not on the ILEC’s embedded costs.
- That the cap on the High Cost Loop fund should be removed.
- The commission eliminate section 54.305 limiting USF in sale/transfer transactions.
- That there should not be a cap on corporate operations expense.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "William J. Warinner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Comments of WARINNER, GESINGER & ASSOCIATES, LLC were mailed first class or by electronic delivery on November 27, 2000.

By 

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