

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
1998 Biennial Regulatory Review – Streamlined	)	CC Docket No. 98-171
Contributor Reporting Requirements Associated	)	
with Administration of Telecommunications Relay	)	
Service, North American Numbering Plan, Local	)	
Number Portability, and Universal Service Support	)	
Mechanisms	)	
	)	
Telecommunications Services for Individuals with	)	CC Docket No. 90-571
Hearing and Speech Disabilities, and the	)	
Americans with Disabilities Act of 1990	)	
	)	
Administration of the North American Numbering	)	CC Docket No. 92-237
Plan and North American Numbering Plan Cost	)	NSD File No. L-00-72
Recovery Contribution Factor and Fund Size	)	
	)	
Number Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Number Portability	)	CC Docket No. 95-116
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

**JOINT COMMENTS OF  
HOME TELEPHONE COMPANY, INC.  
BLUFFTON TELEPHONE COMPANY, INC.  
HARGRAY TELEPHONE COMPANY, INC.  
CHESNEE TELEPHONE COMPANY  
CHESTER TELEPHONE COMPANY  
LOCKHART TELEPHONE COMPANY, INC.  
RIDGEWAY TELEPHONE COMPANY, INC.  
FARMERS TELEPHONE COOPERATIVE, INC.  
PALMETTO RURAL TELEPHONE COOPERATIVE, INC.  
PBT TELECOM, INC.  
PIEDMONT RURAL TELEPHONE COOPERATIVE, INC.  
SANDHILL TELEPHONE COOPERATIVE, INC.  
SANDWICH ISLES COMMUNICATIONS, INC.  
YUKON TELEPHONE COMPANY, INC.**

## **SUMMARY**

The Joint Commenters propose that the Commission bifurcate the existing Universal Service Fund (“USF”). The bifurcation would allow for the separation of network cost recovery from true subsidy related funding. The separation, in turn, would allow for totally distinct funding mechanisms, which will allow for targeting of recovery from appropriate parties. Support for network cost recovery would come from a “per-connection” assessment of all telecommunication carriers. On the other hand, support for the remaining USF could be, and should be, collected from an expanded contributor base of all service providers, including Internet Service Providers, on a revenue basis.

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Americans with Disabilities Act of 1990	)	
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Administration of the North American	)	CC Docket No. 92-237
Numbering Plan and North American	)	NSD File No. L-00-72
Numbering Plan Cost Recovery Contribution	)	
Factor and Fund Size	)	
	)	
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**JOINT COMMENTS**

Home Telephone, Inc., Bluffton Telephone Company, Inc., Hargray Telephone Company, Inc., Chesnee Telephone Company, Chester Telephone Company, Lockhart Telephone Company, Inc., Ridgeway Telephone Company, Inc., Farmers Telephone Cooperative, Inc., Palmetto Rural Telephone Cooperative, Inc., PBT Telecom, Inc., Piedmont Rural Telephone Cooperative, Inc., Sandhill Telephone Cooperative, Inc., Sandwich Isles

Communications, Inc. and Yukon Telephone Company, Inc. (“the Joint Commenters”) submit these comments in response to the Commission’s *Further Notice* in the above captioned proceeding.<sup>1</sup> The Joint Commenters are small, local exchange carriers (“LECs”) serving predominately rural areas.<sup>2</sup> The median access lines served by the rural LEC Joint Commenters is approximately 14,000, ranging from approximately 400 to approximately 59,000 access lines.

One of the Joint Commenters, Home Telephone Company (“Home”), previously filed comments in response to the Commission’s May 2001 *NPRM* initiating review of Universal Service contribution methodology.<sup>3</sup> Home’s comments in response to the *NPRM* generally supported retention of the current methods of assessing carriers for Universal Service support. The Commission, in the *Further Notice*, is now seeking more focused comments on whether to assess contributions based on the number and capacity of connections provided to a public

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<sup>1</sup> See Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans With Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, Truth-in-Billing and Billing Format, CC Docket No. 98-170, Universal Service Contribution Methodology, Further Notice of Proposed Rulemaking and Report and Order, FCC 02-43 (rel. February 26, 2002) (*Further Notice*).

<sup>2</sup> Home Telephone, Inc., Bluffton Telephone Company, Inc., Hargray Telephone Company, Inc., Chesnee Telephone Company, Chester Telephone Company, Lockhart Telephone Company, Inc., Ridgeway Telephone Company, Inc., Farmers Telephone Cooperative, Inc., Palmetto Rural Telephone Cooperative, PBT Telecom, Inc., Piedmont Rural Telephone Cooperative, Inc. and Sandhill Telephone Cooperative, Inc. each serve customers in predominately rural areas of South Carolina. Sandwich Isles Communications, Inc. serves rural areas in Hawaii. Yukon Telephone Company, Inc. serves rural areas in Alaska.

<sup>3</sup> See Home Telephone Company Comments filed in Federal-State Joint Board on Universal Service, CC Docket No. 96-45, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans With Disabilities Act of 1990, CC Docket No. 90-571, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, Number Resource Optimization, CC Docket No. 99-200, Telephone Number Portability, CC Docket No. 95-116, Notice of Proposed Rulemaking, 16 FCC Rcd 9892, FCC 01-145 (rel. May 8, 2001) (*NPRM*).

network. The Commission is reviewing this approach due to concerns over the erosion of interstate revenues that form the contribution base for current carrier assessments. In response to the *Further Notice*, Home has joined together with the other Joint Commenters in making the recommendations contained in these comments.

## **I. INTRODUCTION**

The Joint Commenters do not support the proposal contained in the *Further Notice*, which simply shifts the total federal fund to a per-connection assessment basis. The Joint Commenters point out that, regardless of the method of assessment to carriers or, in turn, how these carriers recover their assessments from end users, the total dollars required by the fund does not change. The Commission's current proposal simply shifts the burden of supporting the fund to a smaller base of contributors. Instead, the Commission should consider expanding the universe of contributors.

These comments will focus on this issue and show how the proper recovery of high costs associated with serving rural America will reduce Universal Service support requirements and, thus, reduce concerns over the size of the Universal Service Fund ("USF") in relation to the contribution base. In addition, we will address why the recovery of the pure Universal Service support that remains should continue to be assessed on billed revenues, rather than the proposed per-connection assessment and why this should be assessed to an expanded base of contributors. Finally, we will address other issues related to the per-connection collection method, as well as issues related to collections from end users.

The Joint Commenters propose that the Commission bifurcate the existing USF. The bifurcation would allow for the separation of network cost recovery from true subsidy related funding. The separation, in turn, would allow for totally distinct funding mechanisms, which will allow for targeting of recovery from appropriate parties. Support for network cost recovery would come from a "per-connection" assessment of all telecommunication carriers. On the other

hand, support for the remaining USF could be, and should be, collected from all service providers, on a revenue basis.

## **II. COST RECOVERY vs. SUBSIDY FUNDING**

### **A. The Proposal to Change the Contribution Base Supporting the Fund Does Not Impact the Overall Size of the Fund.**

The *Further Notice* proposes to simply change the base upon which Universal Service support is assessed to the carrier and, thus, ultimately to end-users. Concern over how Universal Service support is assessed has arisen largely because the USF is currently supporting two distinct causes, and has increased in size to the point that it constitutes a significant percentage of interstate revenue. Network cost recovery is being co-mingled with Universal Service support for low-income subscribers, schools and libraries and rural health care. Network cost recovery has always been, and should remain, a function of equitably assessing the average cost of the network among all users of the network. If network cost recovery were separated from Universal Service support, the total dollars required from the USF would decrease.

### **B. Network Cost Recovery Is Not Universal Service Funding**

The switched telephone network is unlike all other utility services. The value to each individual consumer of most utility services such as water, electrical, cable TV, etc., is not dependent of the number of consumers on the system. Even if no one else subscribed to these services, the individual subscriber would receive the same benefit. This is not true of telephone service. The value of phone service grows geometrically with the number of subscribers. One phone is worthless, two phones allow one connection, three phones allow three connections, and four phones allow six connections, etc. The more phones added to the network, the greater the value to each individual subscriber. This phenomenon can be expressed by the combinatorial formula:  $n! / [(n-2)!*2]$ . (The combination of n phones taken two at a time.)

The concept of a network's value increasing as the number of subscribers increases makes the provision of phone service unique among utility services. It has guided the development of the industry for over one hundred years and was given official sanction in the Communications Act of 1934 ("the Act"), as it underlies and validates the concept of Universal Service. Networks where all possible entities are interconnected yield the highest possible value to each individual on the network.

In addition to the unique fact that network value is tied to the size of the network, another fact must also be recognized. Each subscriber to the network has the opportunity to receive equal value from the network. Thus, each subscriber has the obligation to equally support the cost of the network.

The concept of a network mandates an averaging methodology. In a very simplified manner, the necessity of averaging can be understood by the following example. Assume two LECs (A and B) develop a network. The cost of the network between A and B is \$20 per month or \$10 each. Now assume C enters the network. C expands the value of the network threefold, as now the network can connect A to B, A to C, or B to C. However, since C is located further away, the cost of adding C to the network is \$25 per month. Since C's costs are higher than the costs of A or B, C cannot provide service at rates reasonably comparable to A and B without a sharing of costs between networks. Since both A and B will be connected to C, they should share in this cost. In total, the network costs are \$45 per month and since all three parties realize value, each party now shares the cost by paying \$15 per month, the average cost of the network.

In this example, neither A nor B is providing a cross-subsidy to C. Instead, they are simply averaging and sharing the cost of the network. The fairness of this arrangement can be seen if we consider that the original network could have been between A and C or B and C. In either case, if we assume either A or B bring \$10 of cost into the network and C brings \$25 of cost into the network, a total cost of \$35 would be incurred. Again, assuming that both parties benefit equally from the establishment of the network, each party would share a cost of \$17.50 per month. Thus, in the network, A, B, C, one could just as easily argue that A and B are saving

\$2.50 each, as one could argue that they are subsidizing C by \$5.00 each. This concept of averaging has allowed universal service to flourish.

It has long been recognized that subscribers located in sparsely populated rural areas, remote from major populations, are among the costliest to serve. However, their very remoteness also adds the greatest value to the network. The cost to physically travel to these areas to share communication both in terms of time and dollars is greater than would be experienced within compact metropolitan areas. These rural areas are critical to the health and survival of the metropolitan areas of the country. The Telecommunications Act of 1996 (“96 Act”) recognized the importance of rural America and the critical role that average pricing plays in maintaining universal accessibility. The 96 Act specifically mandates that prices in rural and urban areas be comparable.

### **C. History of Cost Recovery**

Prior to the break-up of the Bell system, support for high cost local loops was provided through toll rates. Toll rates were intentionally set high to provide revenues needed to keep basic local service rates low. In a monopoly market where one entity provided both toll and local service, this cross subsidization between services was simply an accounting function. Toll support was shared with rural LECs through a national division of revenues pool. Cost averaging was at the heart of the old division of revenue pool. Average toll rates were developed, enabling customers in rural areas to be charged the same rates for calls of equal distance as customers in urban areas. These averaged interstate toll rates were established by the Commission and set at the level necessary to cover operating costs in excess of the revenues generated from local service fees. Under this system, each carrier billed a unified fee to the end user, pooled the resulting revenues, and recovered their individual costs from the pool. Toll revenue pools were dependent on the development of average unified toll rates, which were charged to the end user. The breakup of the Bell system in 1984 provided for toll competition, which led to different carriers charging different toll rates. The assessment of differing toll rates was incompatible with toll pooling. Thus, the old division of revenue toll pools could not function in the face of a competitive toll market.

The division of revenue pools was replaced by the current access regime. Under this mechanism, the provision of toll (other than IntraLATA toll) was separated from the provision of local service. LECs charged interexchange carriers (“IXCs”) access charges, for the use of the local network, to originate and/or terminate toll calls. The access rate elements were designed to continue the flow of cost support from toll revenues to local service rates, support previously delivered through the toll pools. Thus, access rates were deliberately set higher than the cost of originating and terminating a toll call.

When the access charge regime was developed, all common line access charges were initially pooled on a mandatory basis through the National Exchange Carrier Association (“NECA”). Common line access charges, including both end user common line charges and carrier common line charges, recover the costs associated with the non-traffic sensitive costs of LEC networks, primarily comprising the cost of the local loop shared by both the LEC and IXCs for access to the end user. The pooling of common line access charges allowed companies in rural areas to initially assess the same per-minute carrier common line rates as the much larger, lower cost Bell Operating Companies (“BOCs”). As the BOCs and other low cost carriers exited the NECA common line pool, they continued to support the higher cost rural LECs through the payment of long-term support payments. This long-term support simply represented the low cost carriers’ share of the higher non-traffic sensitive network costs incurred in serving the more remote, less populated areas of the country.

With respect to traffic sensitive access charges, pooling was voluntary from the inception of the access charge regime. Initially, approximately half of the BOCs and the vast majority of independent LECs were members of the NECA traffic sensitive pool. The voluntary NECA traffic sensitive pool allowed high cost LECs to charge traffic sensitive access rates at a level lower than their costs. Included in the pooled costs in the NECA traffic sensitive pool were the implicit high cost switching support available to LECs with fewer than 50,000 access lines. By the late 1980s the BOCs and many of the larger, low cost independents had exited the NECA traffic sensitive pool. This led to greater disparity between traffic sensitive access rates for the

higher cost LECs remaining in the NECA traffic sensitive pool and the lower cost LECs outside the pool. Thus the concept of cost averaging among LECs began to significantly erode.

Just as the old division of revenues pools required a unified toll rate to function, access charges, set above economic cost, require the existence of a single local service provider per service area. Once IXCs and customers have the ability to select among multiple local exchange carriers and technologies, it is impossible to maintain above-cost access rates, and the support these rates provide to preserve universal service. In addition, today, toll traffic is moving to both wireless and broadband networks. The advent of competition in the local market, coupled with new technology has made above-cost access rates unsustainable.

#### **D. An Erroneous Path**

Since the passage of the 96 Act the Commission has moved to make explicit the formerly implicit cost supports that have been used to maintain appropriate allocation among interconnected networks. Unfortunately, this process has become intertwined with other new universal supports mandated by the 96 Act. This confusion is understandable and should have been anticipated by the telecommunications industry, which should have worked to clearly differentiate these two separate concepts. Instead the debate between various industry segments simply tended to further confuse the issue.

It is critical to recognize the distinction between cost recovery and Universal Service support before the Commission simply moves forward with a reallocation of current Universal Service support. If network cost recovery is removed from existing Universal Service funding requirements, the size of the fund could be reduced by as much as 50%, which would eliminate the Commission's concern that has led to this *Further Notice*.

#### **E. A Better Approach**

It is clear that the industry must find another way to allocate network cost among all subscribers of the network. As previously concluded, the old usage based methods will no longer function in the current market place. The shift from cost recovery through toll rates to

cost recovery through access changes was relatively simple to understand. It simply represents a shift from a retail recovery method to a wholesale recovery method. Unfortunately, this shift also resulted in the weakening of a fundamental network cost recovery concept, averaging. The initial move to the access regime maintained the averaging concept. As companies exited the common line access pool, they were required to maintain support of the averaging concept through contributions of long-term support. However, as companies left the traffic sensitive pool, interstate access rates were de-averaged between rural and urban areas. We have now reached the point where the very concept of averaging is threatened.

Thus, the danger we now face is that the move from usage-based cost recovery to flat rate cost recovery is occurring in an atmosphere not conducive to the concept of cost averaging. Therefore, the move to flat rate cost recovery threatens to strand high cost within the high cost area, potentially making services unaffordable and not comparable to urban service rates.

As stated earlier, we must develop a method that allows for the sharing of cost within a system that utilizes flat rate, per-line recovery. One way to accomplish this would be the creation of a flat rate, per-line fee that would be assessed to parties connected to the public network. To accomplish the necessary averaging, these fixed, per-line fees must be pooled so that cost recovery is equalized among all parties. Cost recovery would be targeted to high cost components of the network by utilizing the existing NECA pooling mechanism. In effect, what is needed is a poolable “Subscriber Line Charge-type” fee which could be labeled as a “Network Connection Charge” (“NCC”) that would be charged for each connection to the network, carriers in turn could collect the per-connection fee from the end users requiring the connection.

## F. Calculation of a Network Connection Charge (“NCC”)

The NCC would provide for cost recovery of the following components of current Universal Service support:

	<u>In Millions</u>
Long Term Support <sup>4</sup>	\$ 503
ICLS after SLC Phase-in <sup>5</sup>	350
Local Switching Support <sup>4</sup>	397
High Cost Loop Support <sup>4</sup>	<u>1,033</u>
	<u>\$2,283</u>

The critical aspect, of this proposal, is that all subscribers that connect to the rural network be required to support the cost assigned to the NCC. If we assume the following subscriber or line counts, we can begin to develop a cost on a per-line basis.

Total Non-NECA ILEC Lines <sup>6</sup>	172,500,000
Total NECA Lines <sup>5</sup>	12,500,000
Total Wireless Subscribers <sup>6</sup>	80,000,000
Total CLEC Lines <sup>6</sup>	<u>8,500,000</u>
Grand Total	<u>273,500,000</u>

The NCC should be assessed for each local connection and for each toll connection. For example where a separate provider is selected for each service each provider would charge one NCC. If the services were bundled together or no separated toll provider was selected then the single service provider would charge both NCCs. Charging for both a local and toll connection would double the above connection count to 547,000,000. This count yields the following monthly costs per toll or local connection for each of the above components.

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<sup>4</sup> Source: Federal Universal Service Support Mechanisms Fund Size Projection for the First Quarter 2002 filed by the Universal Service Administrative Company November 2, 2001.

<sup>5</sup> Estimated amount

<sup>6</sup> State-by-State Telephone Revenues and Universal Service Data, Industry Analysis Division, Common Carrier Bureau, FCC, April 2001

Long Term Support	\$ 0.08
ICLS Support	0.05
Local Switching Support	0.06
High Cost Loop Support	<u>0.16</u>
Total	<u>\$ 0.35</u>

Thus, if we assume a flat fee connection charge applied equally to all entities connected to the rural network, the NCC would equate to \$0.35 per-voice equivalent connection. It would apply to both the interstate toll provider and to the local service provider. Where these services are bundled by a single provider or no separate toll provider is selected, the single provider would assess both charges.

**G. Maintain Existing Universal Service Fund Mechanism for True Subsidy Support and Expand the Contribution Base**

The remaining USF should continue to collect based on interstate revenues. The separation of rural network cost recovery from the remainder of the USF will greatly reduce the size of the fund and thereby should eliminate current pressure to restructure funding methods. Based on current funding requirements and contribution base, the assessment on interstate revenues should fall to approximately 4%. This should relieve the pressure on the interstate funding mechanism for the foreseeable future.

In addition, after the separation of cost recovery from Universal Service Funding, the funding base should be expanded. The remaining balance in USF, representing a true subsidy that does not contain any legacy network cost, clearly should be assessed to the widest contribution base possible, consistent with Section 254(d) of the Act. The majority of the fund will be for the support of the Schools and Libraries (E-Rate) fund. This fund is intended to facilitate broadband and Internet deployment in the nation's schools and libraries. Thus, it is

clear that those receiving these services, on a retail basis, should be assessed to support these efforts. If a residential telephone subscriber, not utilizing Internet or broadband services, is required to support the extension of Internet and broadband services into schools and libraries, surely the retail Internet and broadband user should be required to also support this process.

A revenue base is the fairest assessment base for the remaining USF. Revenues are the clearest measurement of relative value of use. Since we are now dealing strictly with subsidy payments, collections of this fund should be based on relative value received by each subscriber. It would be inappropriate for a single line residential user with no calling options and no toll calling to pay the same fee as a larger business customer with hundreds of dollars of toll and other features. In addition, with the expansion of the support base, we will no longer be dealing with connections, but with levels of service. Again, revenues are the best measurement of the relative values of the services being provided.

### **III. OTHER COMMENTS ON THE *FURTHER NOTICE***

#### **A. Connection-Based Assessment Issues**

In assessing carriers on a connection basis, it is important that the assessment mechanism be technology neutral. The assessments should be on a per-voice grade equivalent basis. The concept of recovering network cost on a flat fee, per-connection basis, should be based on an equal assessment per DS-O level connection. In other words, a T-1 or DS-1 connection provides 24 voice channels and should be assessed 24 connection fees. There should be no distinction between business and residential connections and no distinction between single line and multi-line rates. Simply assess the multi-line account based on the multiple of individual voice equivalent connections.

The proposal, as currently outlined in this *Further Notice*, will unfairly assess smaller business users in comparison to large business users. In the example quoted in the *Further Notice*, a small business with eight lines would pay the base factor times eight or, per the example, \$32.00. Yet, a larger business using a T-1 connection would only pay \$20.00. The

smaller business would pay 60% more than the larger business, even though the larger business would be utilizing 300% more voice grade connections.

The concept of assessing all connections equally on a per-voice grade equivalent would fairly assess each entity for their actual connectivity to the network and eliminate the inequity of the tier approach.

#### **B. Contribution Recovery Issues**

In its comments responding to the to the May 2001 *NPRM*, Home supported the concept of the uniform mandatory use of the line description “Federal Universal Service Charge” for a carrier’s recovery of USF contribution from their end user. In addition, Home noted that the Commission was aware that some carriers may have used the recovery mechanism to over-recover support costs. The Joint Commenters believe that the Commission should prohibit recovery in excess of the carrier’s assessment. The most administratively efficient way to accomplish this would be to prohibit recovery of any per-connection assessment at an amount higher than the per-connection contribution set by the Commission. This same rule should apply to the recovery of the percent revenue assessment. Carriers should be prohibited from collecting an assessment greater than the assessment percentage set by of the Commission. It is possible that this rule could create a slight disconnect between contributions required to be submitted, and collections actually received from end users. However, this adjustment should just be considered in the development of the assessment percentage.

#### **IV. CONCLUSION**

The Joint Commenters believe the Commission should take a new look at what we think is a fundamental flaw in the current Universal Service funding mechanism. Simply changing funding methods will not resolve the underlying issue of separation of cost recovery from Universal Service subsidy. The proposal, as outlined in the *Further Notice*, will only result in inequitably shifting the burden of funding to a smaller contribution base. The Joint Commenters cannot support the proposals as outlined.

Instead, we offer a new proposal, one that would fairly separate network cost recovery from subsidy support. Since the Commission is moving to flat rate, per-line recovery of network cost, our proposal simply adds the required element of cost averaging to previous Commission actions. While it is true that cost is incurred on a per-subscriber and per-network basis, it is equally true that this cost must be recovered over the entire nationwide network. This is not a new concept. In fact, it is as old as the concept of Universal Service.

Our proposal would split the current USF and allow for more targeted recovery mechanisms. It seems eminently fair that all who utilized the public switched network share in its cost. Given current pricing mechanism, it seems appropriate this should be done on a per-connection basis. Those not utilizing the network should not be required to support a network they do not utilize. Just as clearly the support for the pure subsidy element of the current USF should be as broad as possible. It is inappropriate that broadband and Internet users, at the home and office, should not support broadband and Internet deployment in schools and libraries. The support for this portion of the fund should continue to be revenue based, as this is the best indication of relative value received and is the most administratively effective means of assuring that larger users shoulder their proportional share of the burden.

The Joint Commenters' proposal would greatly reduce the size of the remaining USF fund and thus the percentage of the assessment. It would ensure the proper matching of funding from benefiting parties. It would provide a logical basis for expanding the contributor base to support broadband and Internet deployment in the schools. Finally, it would ensure that recovery of network costs is equally borne, but only by those utilizing the public switched network.

The Commission has appropriately indicated that any major change in contribution methodology should be referred to the Federal State Joint Board on Universal Service. The Commission has also indicated that they seek prompt action on these issues. These issues are of such critical importance to the health and well being of America's ubiquitous national telecommunication network that we urge the Commission to take the time to fully evaluate the proposal made by the Joint Commenters herein. The current Universal Service mechanism is not

in danger of imminent collapse. Action taken too hastily could threaten the future viability of the public switched network and hinder deployment of broadband in our schools and libraries, both critical aspects of the current USF mechanism.

The Joint Commenters therefore urge the Commission to fully investigate all options, including bifurcating the fund and implementing the new per-connection network cost recovery proposal we have made.

Respectfully submitted,

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