



**Federal-State Joint Board on Universal Service; ETC Designations, CC Docket No. 96-45**

***Service Areas and Disaggregation***

**AN ILEC'S CHOICE NOT TO DISAGGREGATE HIGH COST SUPPORT SHOULD NOT CREATE A BARRIER TO DESIGNATIONS OF CETCS.**

- In the *RTF Order*, the Commission allowed rural ILECs to disaggregate their high-cost support across two or more zones to alleviate concerns about “cream skimming.” However, as the Joint Board notes in its recommendation, most rural carriers chose Path 1 and did not disaggregate support.
- Subsequently, in the *Virginia Cellular* and *Highland Cellular* orders, the Commission refused to designate two wireless carriers competitive ETCs because they only proposed to serve the low-cost study area's of a rural ILEC's wire center. However, in both instances, the rural ILEC chose Path 1, and refused to disaggregate its high-cost support.
- Such an outcome is antithetical to the public interest, because it will allow ILECs to game the universal service system to foreclose the development of competition in rural markets.
  - Rural ILECs should not be permitted to use disaggregation (or the lack thereof) as a sword and a shield. Current rules permit a rural ILEC that has elected Path 1 at any time to petition a state commission to adopt a disaggregation plan.
  - Rural ILECs that claim that designation of a CETC would create “cream-skimming” should be required to do so under Path 3. Involvement of the state commission under Path 3, rather than self-certification under Path 2, is critical so that ILECs cannot shift support from the area the CETC seeks to serve on a non-cost-based basis.