Michael Burke

From: DReed@mta-telco.com
Sent: Wednesday, May 25, 2005 8:29 AM
To: michael@burkewatson.com
Cc: grahame.heather@dorseylaw.com; RKenshalo@mta-telco.com
Subject: Re: FW: USF in a Competitive study area

Attachment for my previous e-mail. hd

Don Reed
Director, Regulatory Affairs and Carrier Relations
Matanuska Telephone Association
907-761-2486 direct line
907-761-2650 fax line
e-mail: dreed@mta-telco.com

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----- Forwarded by Donald J Reed/MTA Notes on 05/25/2005 08:29 AM -----

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	Kim Robinson
	05/25/2005 08:06
	AM
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| |
| To: Donald J Reed/MTA Notes@MTA Notes
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| cc: Ken Bahr/MTA Notes@MTA Notes, Tony Dassow/MTA Notes@MTA Notes
|
| Subject: Re: FW: USF in a Competitive study area
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Don --

Below is the email from USAC via the FCC Inspector General's office we received in Sept 2004.

Ken and I have had conversations with ACS personnel (Meade, Dale, Cowart) who all agree that USF must be ported to the CLEC under Federal Rules.

Kim

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----- Forwarded by Kim Robinson/MTA Notes on 05/25/2005 08:00 AM -----
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	Kim Robinson
	09/20/2004 07:16
	AM
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| To: "Alicia Mrozowski" <Alicia.Mrozowski@fcc.gov>
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| cc: |
| Subject: Re: FW: USF in a Competitive study area(Document link: Kim Robinson)
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Ally --

Thanks for your help on this. We may have one or two more questions as we work on this.

Kim

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	"Alicia
	Mrozowski"
	<Alicia.Mrozowski
	@fcc.gov>
	09/20/2004 03:19
	AM
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| |
| To: <KRobinson@mta-telco.com>
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| cc: |
| Subject: FW: USF in a Competitive study area
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Kim,

Here is the policy response that I received from USAC.

Have a great Monday!

Ally

-----Original Message-----
From: Karen Majcher [mailto:KMajcher@universalservice.org]
Sent: Friday, September 17, 2004 2:01 PM
To: Alicia Mrozowski; Kristy Carroll
Cc: Amanda Dunn
Subject: RE: USF in a Competitive study area

Alicia -

Matanuska Telco's interpretation of Section 54.307 and how high cost support is calculated when competitive carriers use UNE's is correct. At this time, USAC provides support to competitive carriers at the same per-line support amount that the incumbent carrier receives regardless of whether the competitive carrier uses UNE's. At this time, USAC does not have a mechanism to collect the additional data required to perform this calculation. USAC is currently designing a new competitor form to collect this additional data. Once it is approved by OMB, USAC will begin using the form. Once USAC has the required data to perform the calculation, USAC will calculate support according to the UNE constraint on an on-going basis and adjust support paid on a retro-active basis.

If you have any additional questions, please let me know.

Thanks,
Karen

From: Alicia Mrozowski [mailto:Alicia.Mrozowski@fcc.gov]
Sent: Tuesday, September 14, 2004 11:47 AM
To: Kristy Carroll; Karen Majcher
Cc: adunn@universalservice.org; KRobinson@mta-telco.com
Subject: RE: USF in a Competitive study area

Can you help me answer the query from Matanuska TELCO below. I would like to better understand this area as well.

Many thanks,

Ally

-----Original Message-----
From: KRobinson@mta-telco.com [mailto:KRobinson@mta-telco.com]

Sent: Tuesday, September 14, 2004 11:43 AM
To: Alicia Mrozowski
Cc: adunn@universalservice.org
Subject: USF in a Competitive study area

Alicia and Amanda:

We are still working on getting to you the items you have requested in your audit of MTA's USF filing.

We spoke while you were in Alaska about getting an interpretation of what happens to an local phone company's USF when a competitor enters its study area. MTA is facing that prospect, and we need clarification on how USF is disbursed to the carriers. If you or someone else in USAC or the FCC could give us a response to the questions following, we would appreciate it: Thanks, Kim.

We are seeking clarification about how USF support is disbursed to carriers in study areas that have both facilities-based and non-facilities based competitors who have been designated competitive eligible telecommunications carriers (CETCs).

MTA is an Incumbent Local Exchange Carrier (ILEC) presently receiving USF in the form of high cost loop (HCL) support and interstate common line support (ICLS). We currently have facilities-based wireless CETC competitors in our area receiving support. These wireless carriers do not use any unbundled portion of MTAs plant to serve their customers. MTA receives USF support based upon the entire eligible expenditures pursuant to CFR 47 Part 36 Subpart F. The CETCs receive a per-line support equal to the support received by MTA's per-line support however, MTA's total support has not been reduced in order to provide the support to the CETCs. In other words, MTA receives the same USF support, in total, it received prior to the wireless CETC entrance into its service area.

We are now faced with the possibility of a non-facilities-based competitor being allowed to serve customers in MTA's service area both through the purchase of unbundled network elements (UNEs) from MTA and the purchase of wholesale retail services. If this form of competition is allowed, MTA expects that certain of MTA's existing customers will move their landline phone service to this competitor. MTA anticipates it will sell UNE loops to the competitor, who in turn will serve the end-user customer via these elements. MTA also anticipates being required to provide service to the competitor through wholesale of retail services, and the competitor will similarly serve the end-user customer.

We have consulted the CFRs regarding support calculations under

various competitive scenarios and have found the following:

§ 54.307 Support to a competitive eligible telecommunications carrier.

(a) Calculation of support. A competitive eligible telecommunications carrier shall receive universal service support to the extent that the competitive eligible telecommunications carrier captures the subscriber lines of an incumbent local exchange carrier (LEC) or serves new subscriber lines in the incumbent LEC's service area.

The above section appears to set forth the principle that all CETCs will receive support.

[54.307 (a)] (3) A competitive eligible telecommunications carrier that provides the supported services using neither unbundled network elements purchased pursuant to §51.307 of this chapter nor wholesale service purchased pursuant to section 251(c)(4) of the Act will receive the full amount of universal service support that the incumbent LEC would have received for that customer.

The above section appears to address the level of support that a facilities-based (in our case, wireless) CETC will receive.

[54.307 (a)] (2)... A competitive eligible telecommunications carrier that uses loops purchased as unbundled network elements pursuant to §51.307 of this chapter to provide the supported services shall receive the lesser of the unbundled network element price for the loop or the incumbent LEC's per-line payment from the high-cost loop support, LTS, and Interstate Common Line Support mechanisms, if any. The incumbent LEC providing nondiscriminatory access to unbundled network elements to such competitive eligible telecommunications carrier shall receive the difference between the level of universal service support provided to the competitive eligible telecommunications carrier and the per-customer level of support that the incumbent LEC would have received.

The above section appears to address the amount of USF support the incumbent as well as the UNE-based CETC will receive.

This section leads us to believe that MTA will no longer receive USF support for those access lines that a competitor

serves through UNEs. However, a competitor purchasing wholesale service will not receive USF for the lines it serves.

The example below illustrates our interpretation, using hypothetical numbers, of the flow of USF dollars under competition through the purchase of UNEs. The example assumes that the per-line UNE rate exceeds the amount of per-line USF received by the ILEC.

Non-facilities based Scenario	Total	CLEC	ILEC
Access Lines	1,000	250	750
Average USF $/per loop	$ 10		$ 10
USF Receipts for study area	$ 10,000		
UNE Price	$ 20.		
Lesser of UNE or USF		$ 10	
Difference between ILEC & CLEC USF			$ 10
Total USF Receipts	$ 10,000	$ 2,500	$ 7,500

Question:

1. Is our interpretation of the CFRs correct?
2. Is this is the way that USAC is presently allocating and distributing USF dollars within a study area that has a CETC who purchases UNEs from the incumbent to provide