

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

<b>In the Matter of</b>	)	
	)	
	)	
<b>Federal-State Joint Board</b>	)	<b>CC Docket No. 96-45</b>
<b>On Universal Service</b>	)	
	)	
	)	

**REPLY COMMENTS OF THE  
COLORADO PUBLIC UTILITIES COMMISSION**

The Colorado Public Utilities Commission (COPUC) provides these Reply Comments regarding the Federal Communications Commission’s (FCC’s or Commission’s) Notice of Proposed Rulemaking (NPRM) proceeding.<sup>1</sup>

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<sup>1</sup> *In the Matter of Federal-State Joint Board on Universal Service and High Cost Universal Service Support*, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 05-205, released December 9, 2005.

## Introduction

The COPUC appreciates that the FCC is addressing the substantially inequitable distribution of the Federal Universal Service Fund (FUSF) across the 50 states. Colorado happens to be one of the 40 states whose customers of “non-rural” telecommunication providers pay into the Fund, but receive no benefit. This injustice exists by the capriciousness of disallowing support for carriers, like Qwest Corporation (Qwest) who happen to serve large metropolitan areas in addition to high cost rural areas. Carriers should receive support based on the high costs of serving customers in their wire centers.

The FCC has no doubt received thousands of pages in this NOPR docket. The COPUC has thus endeavored to make these comments brief, to present a picture of how the current distribution methodology does not address high telecommunications costs in Colorado, and thus why federal high cost support should be targeted to high cost areas rather than types of carriers.<sup>2</sup>

To see a graphical depiction of the magnitude of the unfairness, the reader should refer to Attachments B and D to these Reply Comments. Attachment B shows the line counts per square mile of Qwest’s Colorado wire centers. Out of 164 Qwest wire centers,

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<sup>2</sup> It would be pre-mature at this time for the Colorado PUC to address in specificity issues such as the definition and concepts of “reasonably comparable”, “sufficient”, “affordability”, and “technologically neutral” etc., as the PUC Staff is currently conducting workshops in CO PUC Docket No. 05I-431T to analyze and possibly redefine many of these same terms and their applicability to the Colorado High Cost Support Mechanism (CHCSM) contributions, distributions, and fund management. However, given that the CHCSM is a significant “supplement” of funds to providers of service in high cost areas where the needs are not met by the FUSF, it is incumbent upon the Commission to consider commentors models that “re-balance” the funds distribution is such a way that equitably meets the needs of all states and not just a few.

71 have 20 or fewer access lines per square mile – this compares with a high of over 12,000 access lines for one square mile in Denver. Attachment D shows the monthly Total Element Long Run Incremental Cost (TELRIC) per line per wire center in the Denver-Boulder area and the quadrants of the state. While the average monthly cost per line across all Qwest wire centers is \$22.40, the great majority of wire centers have much higher costs. Indeed, over half of the 71 wire centers with 20 or fewer access lines per square mile have a cost above \$60 per line, and many are higher than \$100 per line.

Qwest receives no FUSF support for any of these customers. The FCC can rectify this inequity through this NOPR, not just for Colorado, but for all 40 states that receive no “non-rural” support.

#### The State Of Colorado

The state of Colorado has a unique combination of geography consisting of plains to the east, the metropolitan “Front Range,” the mountainous middle, and the “Western Slope.” See Attachment A . With the exception of the metropolitan Front Range area, the majority of telecommunications in Colorado are within high cost areas. These areas are congruously served by a combination of “rural” carriers and a single “non-rural” carrier, Qwest. As discussed by other state commissions in this proceeding,<sup>3</sup> it is inaccurate and illogical to classify carriers such as Qwest that serve both rural and urban geographic areas as “non-rural.” As noted by the Washington Utilities and Transportation Commission, 70 percent of rural consumers are served by “non-rural”

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<sup>3</sup>See for example, the Comments of the Washington Utilities and Transportation Commission, filed March 27, 2006.

carriers.<sup>4</sup> Remarkably, based on USAC 2006 projections, while 40 states' "non-rural" carriers contribute to the fund, only 10 states' "non-rural" carriers will receive funds. Colorado is among these states excluded from the funds.<sup>5</sup>

Attachment B to these Reply Comments demonstrates that Qwest's service territory spans Colorado and encompasses all types of terrain, with telecommunications wireline populations ranging from a high of 12,032 access lines per square mile to a low of 0.63 access lines per square mile. Each of these geographical slices (with the exception of the metropolitan Front Range) is served with a combination of both "rural" and "non-rural" wire centers and therefore share the same inherent cost burdens to provide universal service.

Currently 26 of the "non-rural" wire centers have five or fewer lines per square mile, 48 "non-rural" wire centers serve 10 or fewer lines per square mile, and a staggering 71 out of 164 Qwest wire centers have 20 or fewer access lines per square mile.<sup>6</sup> Similarly, of the 71 "non-rural" wire centers that have 20 or fewer lines per square mile, 69 wire centers have less than 10,000 total lines served in the entire wire center, 61 have less than 6,000 total lines served in the wire center, and 45 have less than 3,000 lines. In fact 10 of the wire centers have less than 600 total lines. *See* Attachment C.

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<sup>4</sup> Comments of the Washington Utilities and Transportation Commission, March 27, 2006, pg. 2.

<sup>5</sup> *Id.*

<sup>6</sup> The lines per square mile counts are inclusive of all business and residential lines.

Despite Colorado's Predominantly High Cost Areas, No FUSFs Are Allocated to Qwest

Qwest receives no federal Universal Service Funds in Colorado because the current FUSF mechanism arbitrarily averages-in Qwest's low cost metropolitan areas. Specifically, the density of the access lines in the metropolitan Front Range create a cost averaging effect that eliminates the opportunity for FUSF funds in the outlying sparsely populated areas that Qwest must also serve. The FCC uses a forward looking cost model to determine a "non-rural" local exchange carrier's draw on the FUSF.<sup>7</sup> The graphs shown in Attachment D are Qwest's total forward looking costs of the loop, switch and transport on a per month per line basis by wire center.<sup>8</sup> The Colorado High Cost Support cost levels by wire center, used to calculate these graphs, are based on the HAI model.<sup>9</sup>

As one can see in the pages of graphs in Attachment D, the average cost per line across Qwest's wire centers is \$22.40. Based on the current "study area" concept and FUSF support mechanism, Qwest falls short of qualifying for any funds. *However, the TELRIC costs per line far exceed the average cost of \$22.40 in a great majority of Qwest's wire centers in Colorado.* The skewing of the data is due to the averaging of all Qwest wire centers; the impact of the largest population center, the metropolitan

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<sup>7</sup> As Qwest does not receive FUSF support, the most current costs output from that model is from the year 2000. However, the costs are not materially different than those resulting from the cost levels by wire center that result from the HAI model used to determine the Colorado High Cost Support.

<sup>8</sup> Data derived from Colorado specific information from the Colorado High Cost Support Mechanism (CHCSM) 2005.

<sup>9</sup> This model is based on Total Element Long Run Incremental Cost (TELRIC) principles which reflect the least cost, most efficient network design, best business practices, and efficient operational support systems. The model uses the same investment inputs (*e.g.*, fill factors) as those inputs used in the Colorado wholesale cost docket, Docket No. 99A-577T, completed for Qwest's § 271 proceeding, with updated ARMIS expenses and Qwest-provided line count information.

Front Range which has the largest access line count per square mile, is extensive. *When disaggregated at the wire center level only 16 of the non-metropolitan Front Range wire centers fall below the average.*

A similar conclusion can be drawn by examining the number of lines per square mile as shown in Attachment B. *None of the 71 wire centers with 20 or fewer lines per square mile have a cost below the average.* Only 14 of these 71 wire centers have a cost below \$40. In fact, over half of the 71 wire centers cost above \$60 per line and many rise above \$100 per line.

#### Rectifying An Injustice

All Colorado consumers of Qwest's service pay into the federal universal service fund, and almost all other telecommunications carriers in Qwest's service territory charge their customers an assessment for federal universal service. Despite this contribution, these consumers in Qwest's service territory receive no benefit from the FUSF because of the happenstance of Qwest's designation as a "non-rural" carrier.

Largely because of the inequity outlined above, Colorado consumers must also pay into a *state* high cost fund. Consumers in our state currently pay 2.9 percent of their intrastate telecommunications charges to fund the Colorado High Cost Support Mechanism. From this state fund, Qwest receives approximately \$58 million annually to serve customers located in wire centers characterized by rugged terrain and sparse population, therefore incurring high costs to provide service.

*Pursuant to 47 U.S.C. § 254(b)(5), the FCC may not assume the presence of a state high cost fund when ensuring the sufficiency of the federal fund.* However, the current federal mechanism all but necessitates the existence of our state fund in order to ensure affordable universal service in Colorado.

Calculating costs by non-rural study area is no longer be appropriate as the result of the development of competition in telecommunications. The FCC should consider calculating support at the wire center level to ensure that adequate support is provided where it is needed most. Such an approach would be consistent with the FCC's Report and Order 05-46, released March 17, 2005, that addresses annual reporting requirements of Eligible Telecommunications Carriers (ETCs) in order to continue to receive support each year. The rules, among other requirements, require all ETCs to submit reports on their networks and their use of universal service funds *at the wire center level*.

The COPUC supports the comments filed by the Iowa Utilities Board that reference the National Association of Regulatory Utility Commissioner (NARUC) Task Force in CC Docket No. 01-92, *Developing a Unified Intercarrier Compensation Regime*. Specifically, we endorse giving the states discretion to determine the distribution of support based on guidelines established by the Commission.<sup>10</sup> State Commissions are the most familiar with the unique needs of their respective states, of each carrier serving their state, and most importantly with the complex inter-relationship of costs, rates, and

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<sup>10</sup> Comments of the Iowa Utilities Board, In the Matter of Federal Communications Commission Universal Service Support Mechanisms for Non-Rural Carriers, WC Docket 05-337, pg 2.

affordable service. To have only partial oversight of these matters causes inherent administrative inefficiencies, potential conflicting rules, and ineffective results.

### Conclusion

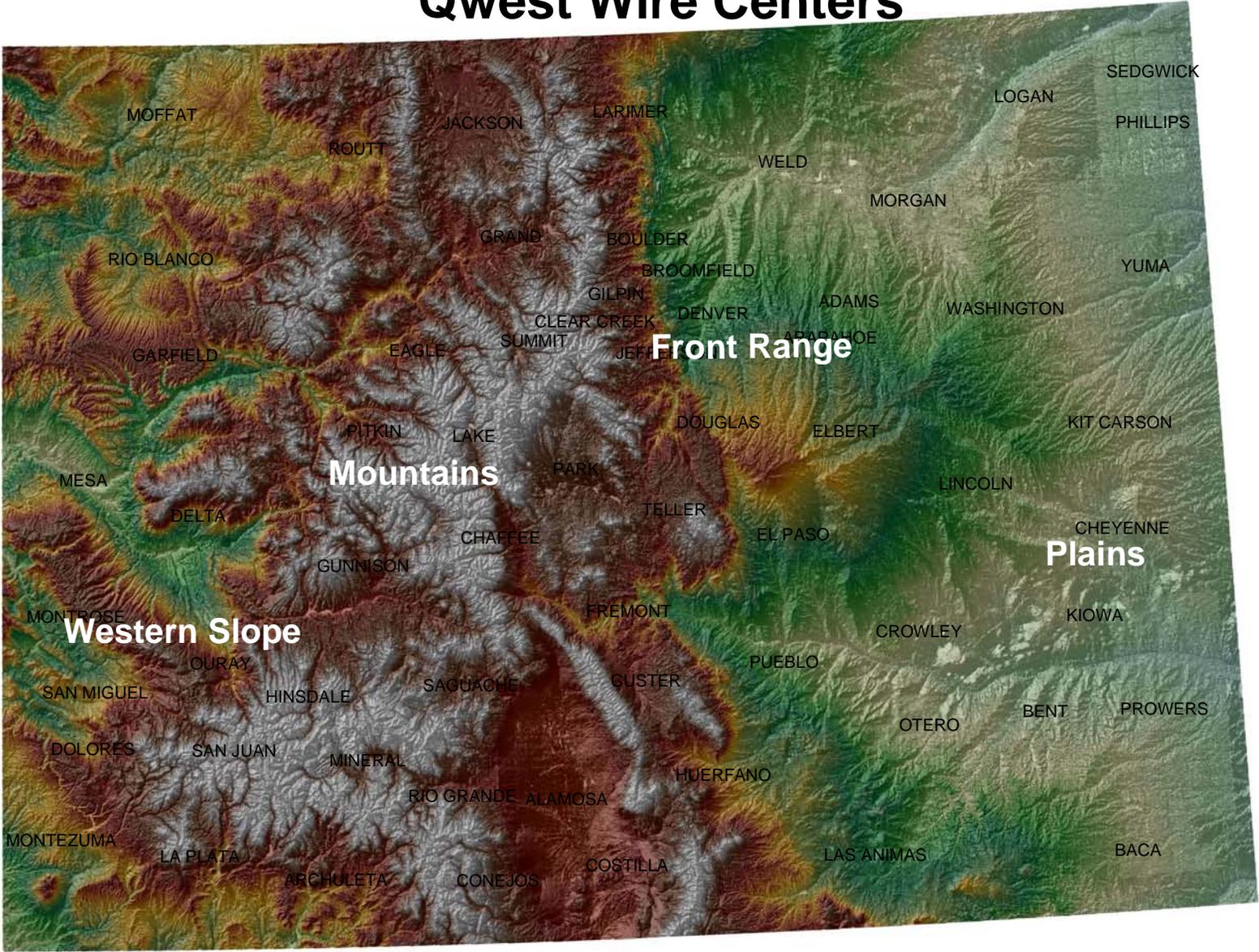
The COPUC urges the FCC to make the appropriate changes to the federal universal service distribution mechanism to target funding to high cost wire centers rather than high cost carriers. The FCC should consider proposals filed by other commentors that identify and target support where it is needed. Carriers should be given FUSF support based on their high cost wire centers, not the arbitrary happenstance of how the carriers are labeled.

Respectfully submitted,

THE COLORADO PUBLIC UTILITIES COMMISSION

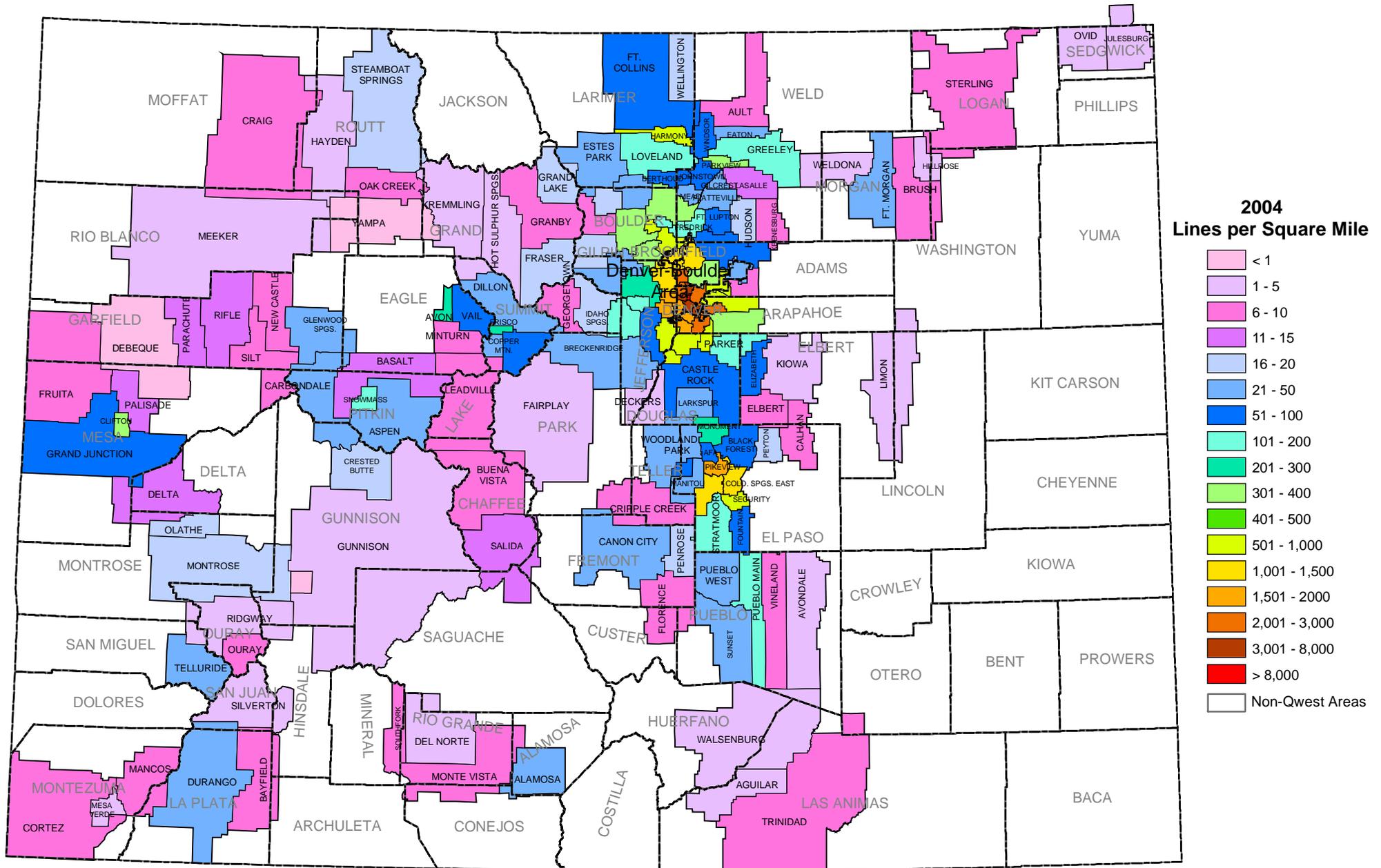
# Colorado Topology With County Borders and Qwest Wire Centers

CC Docket No. 96-45  
WC Docket No. 05-337  
Reply Comments  
Colorado Public Utilities Commission  
Attachment A



Qwest Wire Centers  
Counties

# Qwest Colorado Wire Centers



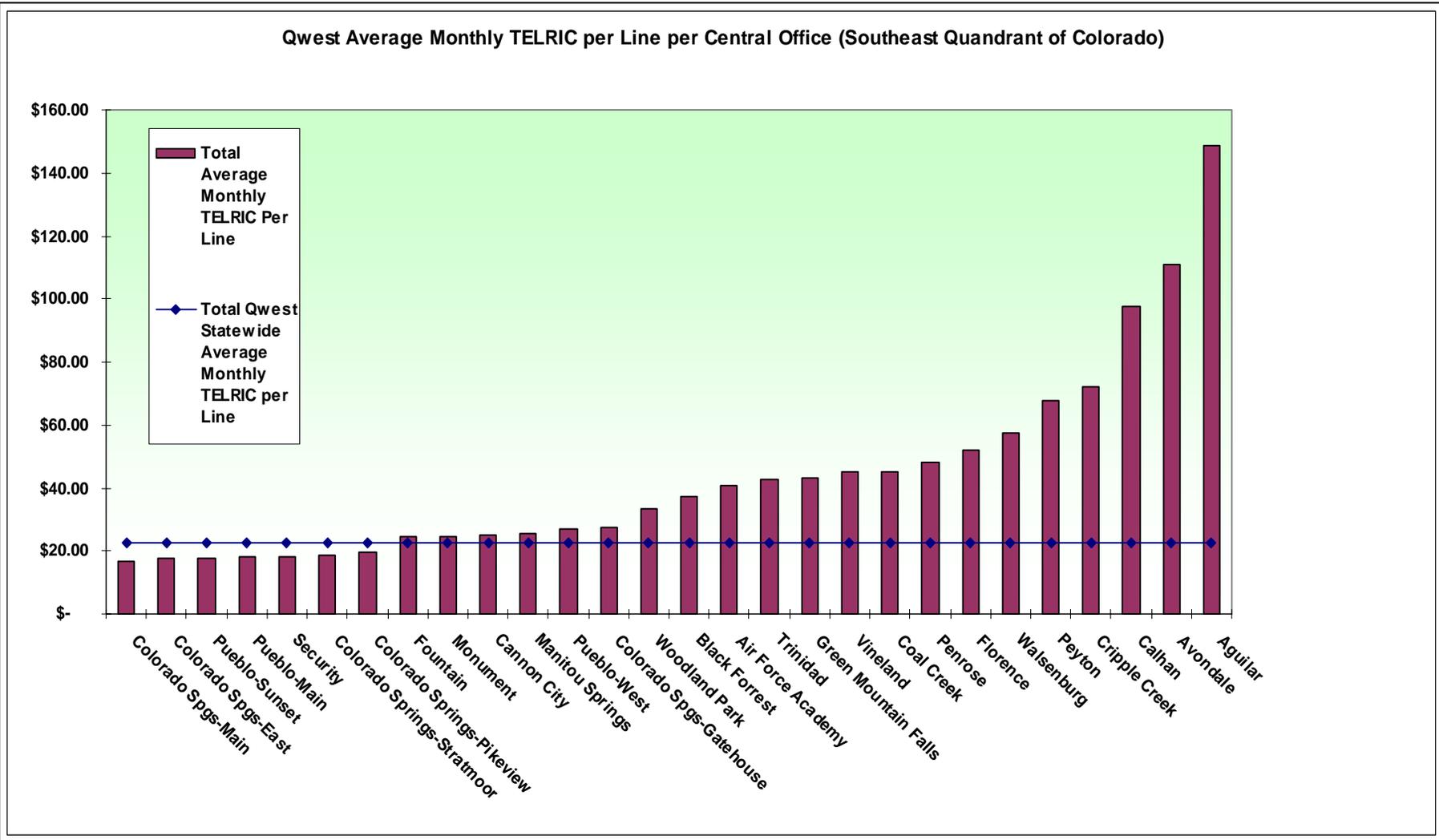
<b>Qwest Wire Center</b>	<b>Lines/Square Mile</b>	<b>Total Lines</b>
AIR FORCE ACADEMY	37.87	1,075
AGUILAR	2.06	595
ALAMOSA	28.80	7,998
ALLENS PARK	15.05	1,122
ARVADA	1,126.84	57,524
ASPEN	33.52	15,520
AULT	5.83	1,866
AURORA	497.54	40,824
MONAGHAN	7.16	445
AVONDALE	2.41	924
AVON	232.08	10,353
BAILEY	23.74	11,544
BRIGHTON	99.18	19,218
GUNBARREL	455.23	7,636
BOULDER	330.56	46,736
BLACK FOREST	68.33	10,206
BUENA VISTA	8.93	4,851
BROOMFIELD	980.38	43,376
BRECKENRIDGE	66.53	10,440
BRUSH	8.49	3,323
BERTHOUD	72.96	4,847
BASALT	12.07	5,123
BAYFIELD	10.98	4,764
CANON CITY	23.55	13,066
COAL CREEK CANYON	47.38	3,012
CLIFTON	289.82	10,963
CALHAN	7.01	1,295
GATEHOUSE	1,417.19	4,700
COLO SPRINGS EAST	974.50	52,731
COLO SPRINGS MAIN	848.94	66,090
PIKEVIEW	1,487.14	62,476
STRATMOOR	83.36	15,561
CENTRAL CITY	30.02	2,789
COPPER MOUNTAIN	19.75	894
CRAIG	4.80	6,871
CRESTED BUTTE	14.30	4,404
CRIPPLE CREEK	8.42	3,029
CARBONDALE	21.36	8,426
CORTEZ	9.31	8,809
CASTLE ROCK	81.86	31,284
DEBEQUE	0.63	469
DECKERS	2.29	424
DELTA	13.39	6,459
DILLON	40.60	12,261
DEL NORTE	7.79	1,570
CAPITOL HILL	12,032.57	23,225
COLUMBINE	684.58	53,486
CURTIS PARK	2,843.20	25,418
LAF-LOU (COTTONWOOD)	502.12	27,535
DRY CREEK	2,529.82	67,708
DENVER EAST	2,863.81	61,446

<b>Qwest Wire Center</b>	<b>Lines/Square Mile</b>	<b>Total Lines</b>
DENVER MAIN	6,263.49	39,670
MONTEBELLO	588.71	23,212
DENVER NORTHEAST	346.22	25,266
DENVER NORTH	1,980.84	22,638
DNVR INTL AIRPORT	47.65	2,311
DENVER SOUTHEAST	3,054.29	33,087
SMOKY HILL	417.10	50,379
SULLIVAN	2,500.44	59,464
DENVER SOUTH	2,879.89	31,168
DENVER SOUTHWEST	1,430.13	41,084
DENVER WEST	1,863.57	25,791
DURANGO	27.66	23,778
EATON	47.84	3,093
ELBERT	6.57	1,097
ELIZABETH	49.30	6,262
ABERDEEN	838.09	29,273
ENGLEWOOD	1,690.35	23,542
ERIE	149.29	3,898
ESTES PARK	27.86	9,100
EVERGREEN	144.62	16,945
FLORENCE	10.10	3,436
FOUNTAIN	63.18	6,473
FREDERICK	139.25	5,497
FAIRPLAY	5.03	3,851
FRISCO	225.52	4,321
FRASER	19.79	5,518
FRUITA	7.68	6,627
HARMONY	386.66	36,621
FT COLLINS	59.07	38,751
FT LUPTON	61.38	4,126
FT MORGAN	23.11	7,615
GRAND JUNCTION	51.13	45,637
GRAND LAKE	15.04	3,043
GILCREST	24.78	677
GOLDEN	213.31	22,505
GLENWOOD SPRINGS	33.39	10,402
GREEN MOUNTAIN FALLS	50.28	1,582
GUNNISON	2.20	6,579
PARKVIEW	336.46	13,645
GREELEY	98.37	30,280
GRANBY	9.41	3,897
GEORGETOWN	8.36	1,396
HUDSON	14.04	1,554
HILLROSE	3.40	282
HOT SULPHUR	1.95	714
HAYDEN	2.77	1,523
IDAHO SPRNGS	14.47	2,652
JOHNSTOWN-MILLIKEN	82.28	5,176
JULESBURG	5.15	1,051
KIOWA	4.06	1,485
KEENESBURG	8.38	1,146

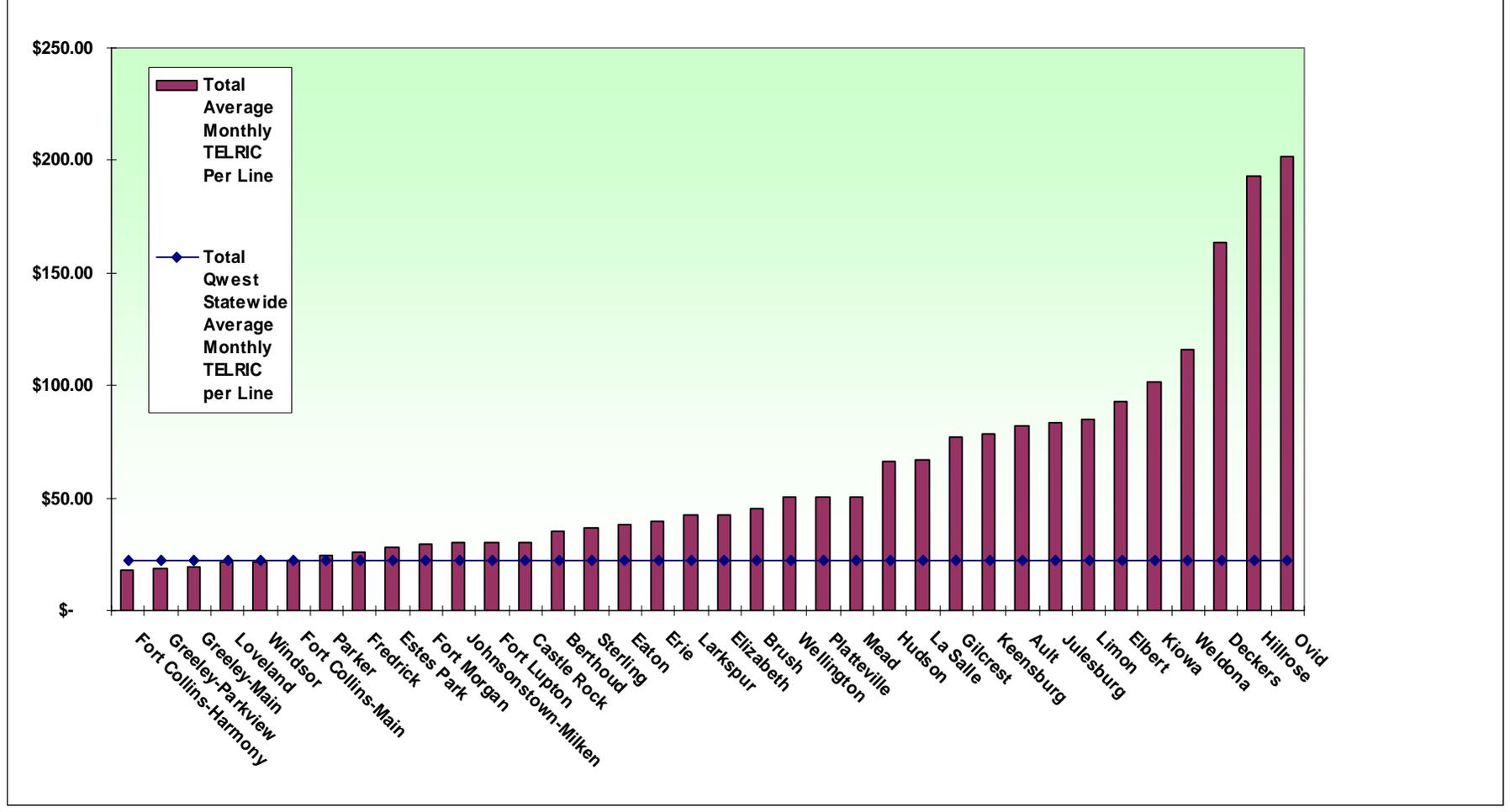
<b>Qwest Wire Center</b>	<b>Lines/Square Mile</b>	<b>Total Lines</b>
KREMMLING	2.93	1,748
LEADVILLE	6.86	4,210
LIMON	3.01	1,722
LOOKOUT MOUNTAIN	160.87	4,958
LAKEWOOD	1,728.24	31,762
LONGMONT	320.84	45,923
LARKSPUR	23.75	2,670
LA SALLE	11.60	1,716
HIGHLANDS RANCH	659.42	34,940
LITTLETON	1,749.96	40,687
LOVELAND	145.55	37,672
LYONS	23.91	2,703
MEAD	50.86	2,019
MEEKER	1.35	2,492
MANCOS	4.72	1,567
MONUMENT	213.24	17,000
MANITOU SPRINGS	29.41	3,063
MINTURN	6.39	913
MORRISON	69.10	6,995
MONTROSE	18.69	17,184
MONTE VISTA	7.26	4,136
MESA VERDE	1.73	141
NEDERLAND	19.24	2,609
NORTHGLENN	986.24	53,267
NIWOT	151.42	2,669
NEW CASTLE	9.01	2,439
OAK CREEK	5.15	1,258
OLATHE	16.42	2,415
OURAY	8.79	1,285
OVID	1.88	419
PARACHUTE	11.83	2,807
PALISADE	12.30	2,267
PENROSE	14.65	2,047
PARKER	200.24	26,344
PLATTEVILLE	21.72	1,646
PUEBLO WEST	43.67	9,893
PUEBLO MAIN	218.14	35,692
SUNSET	91.75	16,345
PEYTON	16.75	1,523
RIDGWAY	4.50	2,148
RIFLE	14.00	5,921
SALIDA	12.01	6,493
SECURITY	479.80	18,747
SOUTHFORK	3.48	1,456
SILT	7.43	2,362
SILVERTON	1.42	614
SNOWMASS	95.01	5,811
STERLING	9.09	8,958
STEAMBOAT SPRINGS	16.27	15,277
TABLE MESA	268.66	16,275
TELLURIDE	24.58	7,195

<b>Qwest Wire Center</b>	<b>Lines/Square Mile</b>	<b>Total Lines</b>
TRINIDAD	4.63	6,870
VAIL	68.83	9,842
VINELAND	12.26	3,072
WARD	5.54	499
WOODLAND PARK	31.02	9,528
WELLINGTON	14.17	3,235
WALSENBURG	2.63	2,707
WELDONA	2.32	519
WESTMINISTER	1,720.50	34,934
WINDSOR	92.67	8,421
YAMPA	0.87	435

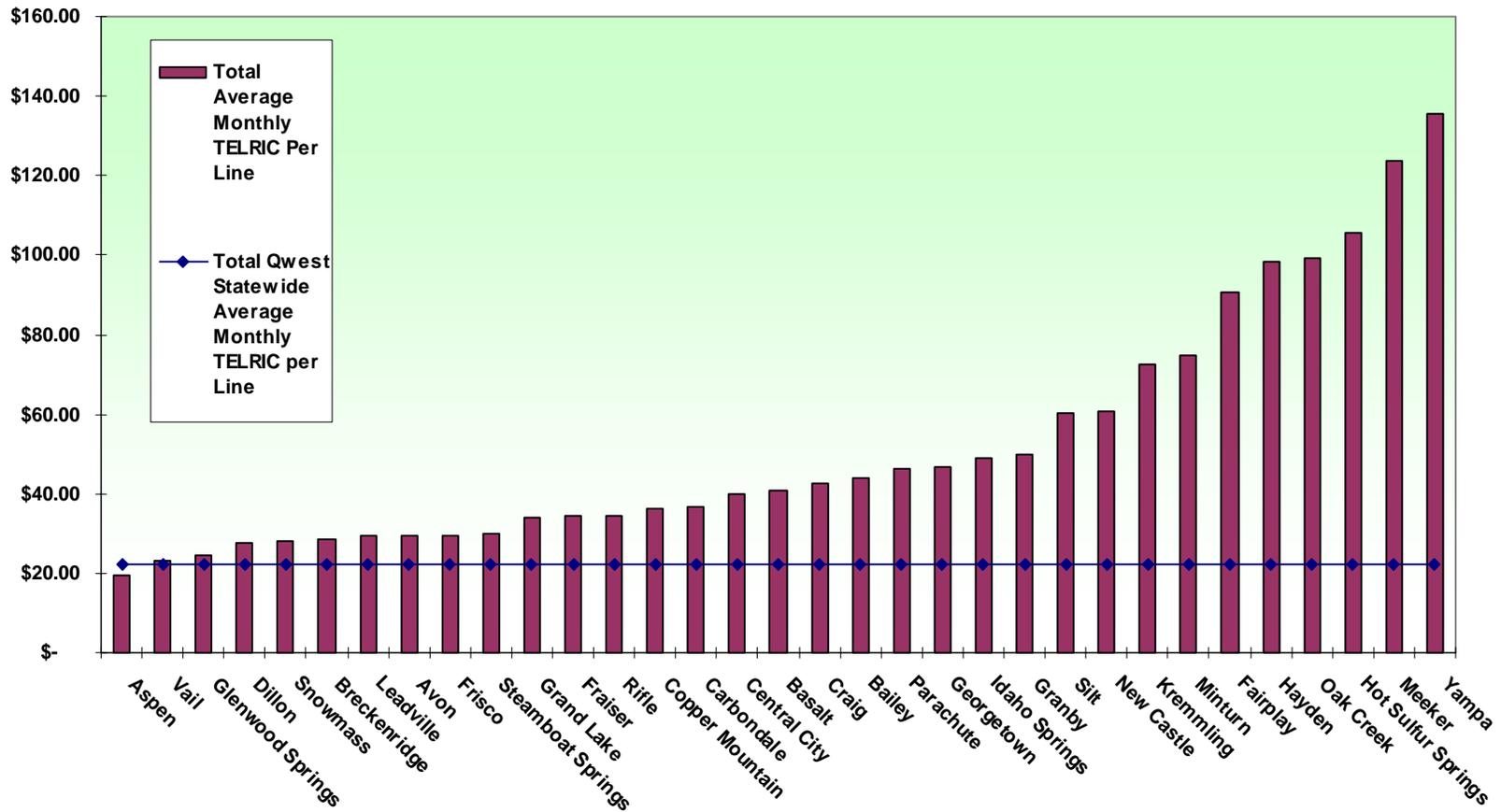
Qwest Average Monthly TELRIC per Line per Central Office (Southeast Quadrant of Colorado)



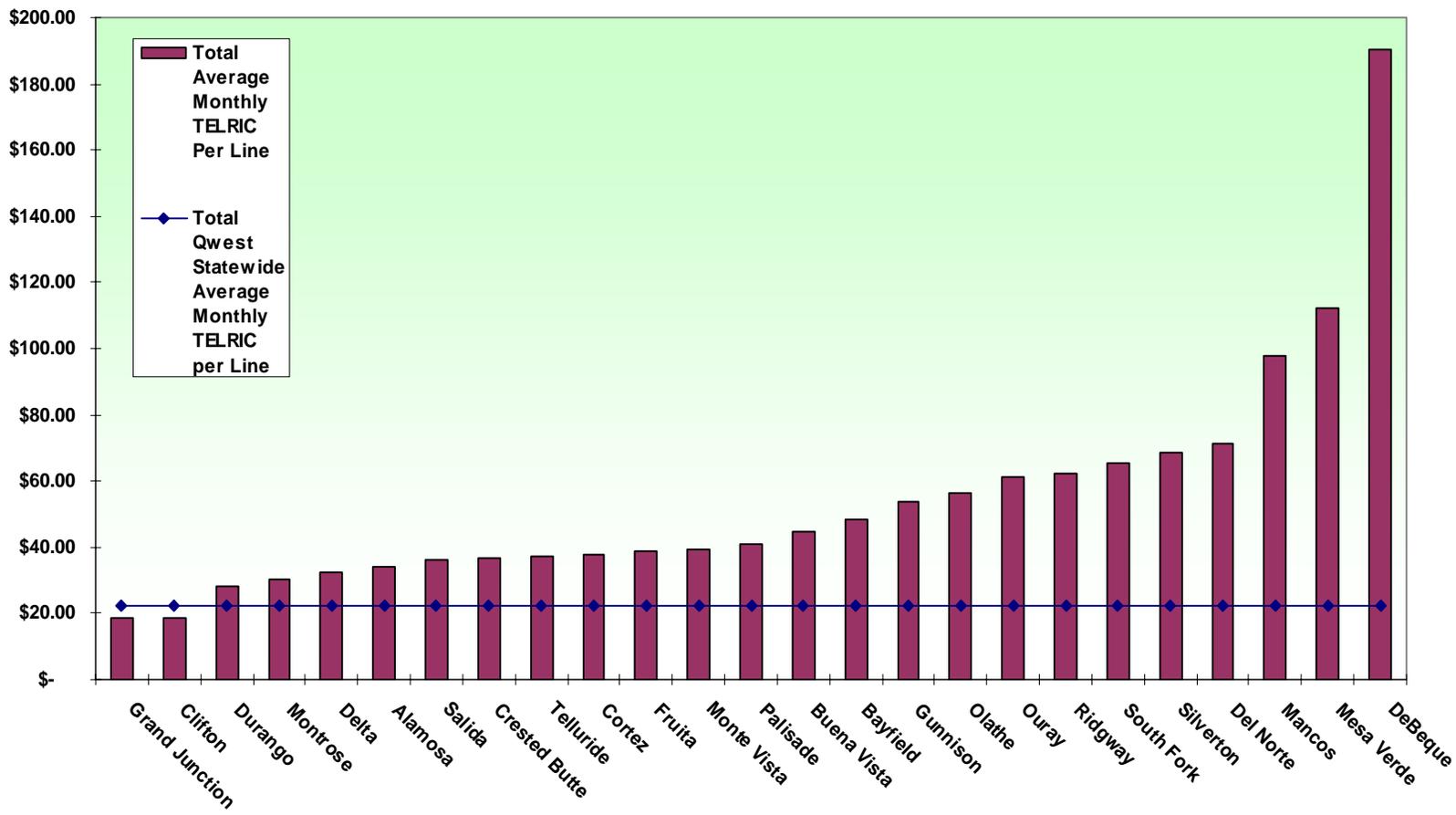
Qwest's Average Monthly TELRIC per Line per Central Office (Northeast Quadrant of Colorado)



Qwest Average Monthly TELRIC per Line per Central Office (Northwest Quadrant of Colorado)



Qwest Average Monthly TELRIC per Line per Central Office (Southwest Quadrant of Colorado)



Qwest's Average Monthly TELRIC per Line per Central Office (Denver-Boulder Area)

