

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

In the Matter of:

)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	CC Docket No. 96-45
Federal-State Joint Board on Universal Service)	

**COMMENTS of
ALEXICON TELECOMMUNICATIONS CONSULTING**

Alexicon Telecommunications Consulting (“Alexicon”) hereby submits its Comments in the above captioned matter contained in the Federal Communications Commission (“FCC or Commission”) May 23, 2007 Public Notice.¹ This Notice requests Comments on the Federal-State Joint Board (“Joint Board”) recommendation that the Commission adopt an interim, emergency cap on high-cost universal service support for competitive telecommunications carriers.

Alexicon provides management, financial and regulatory consulting to a variety of small, rate-of-return regulated companies who are Incumbent Local Exchange Carriers² (“ILECs”) in twelve (12) states. These client companies provide their telecommunications services in a variety of rural, insular and tribal areas. These ILECs, like many similar companies, are carriers of last resort within their certificated geographical areas and provide their existing and prospective customers with a full spectrum of consumer services ranging from basic exchange access service to modern state-of-the-art telecommunications services, including Broadband and Internet access. Much of their ability to attract, and timely repay, the tremendous per-customer investment needed to provide facilities that comport to all requirements of FCC-mandated universal service high-cost support criteria has been based upon their recovery

¹ DA 07-2149, released May 23, 2007, published in the Federal Register May 23, 2007.

² As defined by the 1996 Telecommunications Act, each providing service to less than fifty thousand (50,000) access lines

of demonstrated,³ specific, historic costs to provide these necessary facilities and support for these services.

These ILECs are designated as “Eligible Telecommunications Carriers” (“ETCs”)⁴ and are required to submit periodic or annual data to the Administrator of the Universal Service Support Fund(s) as well as provide any requested support or audit information to justify such submissions for recovery of high-cost universal service funding. By contrast, Competitive Eligible Telecommunications Carriers (“CETCs”) do not provide similar information, or *any company-specific financial investment/cost information*, in support of the high-cost universal service support funding they receive. Instead, these CETCs receive their per-line high-cost recovery (if any) based upon the reported costs of the ETC in the same service territory.⁵ The majority of ILECs, and a variety of other commenting parties, have been on record (since the adoption of the modification of Part 54.307 Rules in November 1999, which enabled CETCs to receive high-cost support at ILEC levels effective 1/1/2000) that this recovery method leads to inefficient and patently unfair dollars of high-cost universal support being allocated and distributed to CETCs. The ILEC (and Alexicon’s) position has been that CETCs should be required to provide their individual company-specific costs in a similar method to that required by the ILECs in order to receive high-cost universal service funding.⁶

Clearly the Joint Board, as well as the FCC, is well aware that the majority of increases in high-cost universal support dollars distribution in recent years is due primarily to the increased draw that CETCs (notably wireless carriers) have imposed on the fund. This has caused considerable pressure on regulators and legislators to recognize several of the underlying issues to these increases and to begin a process of investigation of potential alternatives and solutions. It is in this juncture that the Joint Board proposed its recommendation of an interim cap on high-cost universal service support for CETCs.⁷

³ As required in compliance with FCC Rules Part 54.

⁴ Both as defined under the 1996 Telecommunications Act and in compliance with yearly certifications by State regulatory Commissions or the FCC

⁵ FCC Rules Part 54.307

⁶ And perhaps should be required to maintain their books and records in a method similar to FCC Rules Part 32

⁷ Joint Board Recommended Decision (FCC 07J-1 & 07J-2), para. 14

Alexicon recognizes that the high-cost universal service support can not continue to grow at current increase levels and that much of the growth has been based upon the draw of CETCs (mainly large multi-state wireless carriers) which was, in total, estimated at approximately \$1,015,281,218 in 2006 and is estimated at \$1,394,153,753 for 2007.⁸

Alexicon applauds the Joint Board for its stance “that the High-Cost universal service program needs to be reformed if it is to remain sustainable for the long term.” We are, however, concerned that whatever recommended actions the Joint Board proposes and are ultimately adopted by the FCC must continue to support Section 254 of the 1996 Telecommunications Act and not disrupt the funding flow to existing ILECs. Furthermore, we have concerns that many of the financial institutions that currently provide the bulk of borrowed funds that ILECs utilize for their ongoing infrastructure investment(s) will closely monitor any actions taken by regulatory authorities (both federal and state), especially those that they may consider as endangering any of the ILECs ability to repay existing loans or to qualify for new loans.

Alexicon recognizes that the Joint Board has legitimate concerns regarding the seemingly unfettered increases to the high-cost fund draw of CETCs, but we suggest that great caution should be exercised in any recommendation that includes any form of a capping mechanism for ILECs. Alexicon continues to be concerned, and supports removal of the current Part 54 Growth Indexing or other similar “capping actions” that currently are reducing the high-cost universal support recovery of rural ILECs. These actions, which were part of the May, 2001 Rural Task Force recommendation(s) of Joint Board and designed for a five (5) year period, have seemingly not resulted in any further empirical analysis of their detrimental effects upon ILECs by the Joint Board or FCC. In addition, they have not actually been a major factor in preventing the huge fund increases which have been caused by the CETCs high-cost fund draw.

Alexicon would support the one (1) year proposed Joint Board interim cap⁹ on high-cost universal service support for CETCs on the condition that the FCC order a date-certain

⁸ Per USAC estimated annual support for 2006/2007. Also note Jt. Board Recommendation, para 4

⁹ From the date of any Joint Board recommended decision on “comprehensive reform”

for the Joint Board to provide its recommendation. Alexicon would further suggest that this date set for a Joint Board recommendation on comprehensive reform should include the following provisions:

- A specific date for recommendation delivery to the FCC by the Joint Board no later than twelve (12) months following the FCC’s decision in this current matter
- Comprehensive reform must address expansion of the contributor base to universal service funding
- Payments for high-cost universal service support to all CETCs must be addressed on a permanent basis and include a comparable method to that employed for ILECs
- All other existing caps and limitations currently in effect must be evaluated and recommendations should be included for either elimination or justification for their continuation
- Current methods for the determination of granting new or additional CETC authority should be reviewed and modified to allow for a more definitive and empirical test of “public interest” than are currently being utilized

We further temporarily support the Joint Board recommendation regarding the use of their proposed “state level two-step approach¹⁰” in the computation of the CETC interim cap. We continue to be concerned that this method, as well as the continuation of CETC receiving support at ILEC levels, is patently unfair and inefficient *but* for a relatively short time period continues to be a workable procedure at minimal addition intrusion in existing processes. Finally, we agree with the Joint Board that the computation period of the interim cap should be based upon 2006 support levels as this timeframe is now embedded and thus disallows prospective “gaming of the system” as well as predictability of the fund level for CETCs.

Alexicon reiterates its concern that comprehensive reform of the entire universal service mechanism, including expansion of the contributor base, is of the utmost importance to the sustainability of universal service funding as contemplated in the

¹⁰ Joint Board Recommended Decision, para. 9-13

1996 Telecommunications Act. There is no doubt that the availability of high-cost universal service funding has allowed ILECs to provide rural, insular and tribal areas of the country with comparable services to urban areas and at comparable rates. We believe that ILECs, who in general are providing telecommunications services in areas that otherwise would not have such services, have demonstrated their commitment to continuing infrastructure deployment (included advanced services and Broadband) but are dependant upon the continuation of high-cost universal service funding. It is with their commitment to economic development and public interest in rural areas, enhanced by access to a variety of opportunities for Public Switched Network investment funding,¹¹ that has allowed an unprecedented level of universal telecommunications services to be deployed throughout the country. We support all efforts to continue or enhance existing universal service policies that allow the continuation of maintaining a vibrant viable rural, insular and tribal lands telecommunications industry.

Respectfully submitted,

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¹¹ Including federally-backed Rural Utilities Services as well as private banks, owner/investor investment/reinvestment, etc.