

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of:

**High Cost Universal Service Support;
Federal-State Joint Board on Universal
Service**

**WC Docket No. 05-337,
CC Docket No. 96-45,
FCC No. 07-88**

**OPENING COMMENTS
OF THE PEOPLE OF THE STATE OF CALIFORNIA AND THE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

The People of the State of California and the California Public Utilities Commission (“California or CPUC”) respectfully submit these comments in response to the Federal Communications Commission’s (FCC) Notice of Proposed Rulemaking (Notice) regarding the Federal-State Joint Board on Universal Service (Joint Board) *Recommended Decision* (FCC 07J-1) released on May 1, 2007.

Competitive eligible telecommunications carriers (“CETCs”) operating in California draw little from the federal fund,¹ and consequently, they have contributed little to the increase in high-cost support to CETCs in recent years. However,

¹ Of the \$106,058,000 distributed to California ETCs in 2006, only \$1,056,000, or slightly less than one percent, went to CETCs. *2006 Annual Report of the Universal Service Administrative Company* at page 41.

without the cap, California ratepayers will be burdened with paying for a federal fund that may continue to grow unfettered. The interim cap is reasonable to protect California ratepayers and provide the Joint Board and the FCC time to address permanent solutions.

Since the cap is arbitrary in timing and scope, it should not be a long term solution. California strongly urges the Joint Board and the FCC to swiftly implement comprehensive reform of the federal high-cost universal service program within the next 18 months, as contemplated in the Joint Board's *Recommended Decision*.

California further urges the FCC not to adopt the Joint Board's recommendations regarding how funds under the cap should be distributed. The Joint Board proposes that the cap be set by states and that it be based on the average total amount of support the CETCs in that state received for 2006. Given that the CETCs operating in California currently draw little from the fund, this practice could have unintended, negative consequences for CETCs operating seeking to operate in California. In other words, the CETCs in California would receive the same total amount of support in 2007 and probably in 2008 that they received in 2006.

California could choose to designate new CETCs during that time, but previously existing California CETCs would not receive additional support. Thus, if California designates new CETCs, it would do so at the expense of current CETCs in California.

The Joint Board recommendation disproportionately affects existing CETCs in states like California that have not contributed to the recent growth in high cost

support. Competitive companies in California should not be unfairly punished simply because they showed restraint in seeking CETC designation in California prior to 2006. Therefore, California recommends that the cap be a national cap based upon 2006 payments, (subject to the normal true-up process) and every CETC's share be recalculated to reflect additions of new CETCs, in any state.

Respectfully submitted,

RANDOLPH WU
HELEN M. MICKIEWICZ
GRETCHEN T. DUMAS

By: /s/ GRETCHEN T. DUMAS

Gretchen T. Dumas

505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2169
Fax: (415) 703-4592

Attorneys for the California
Public Utilities Commission and
the People of the State of
California

May 31, 2007