

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

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

**NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
REPLY COMMENTS**

The National Telecommunications Cooperative Association (NTCA)¹ hereby submits these reply comments in response to the Federal Communications Commission’s (Commission’s or FCC’s) Notice of Proposed Rulemaking (NPRM) in the above referenced proceeding.²

NTCA urges the Commission to adopt the Federal-State Joint Board on Universal Service’s (Joint Board’s) proposed interim, emergency cap on the amount of high-cost universal service fund (USF) support that competitive eligible telecommunications carriers (CETCs) may receive for each state based on the average level of CETC support distributed in that state in 2006.³

As stated in its initial comments, NTCA supports the Joint Board’s proposed interim cap on federal high-cost CETC USF support given the current (\$1 billion) and projected (\$2.5 billion

¹ NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents more than 570 rural rate-of-return regulated telecommunications providers. All of NTCA’s members are full service incumbent local exchange carriers (ILECs) and many of its members provide wireless, cable, Internet, satellite and long distance services to their communities. Each member is a “rural telephone company” as defined in the Communications Act of 1934, as amended (Act). NTCA’s members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

² *In the Matter of the High-Cost Universal Service Support Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking (NPRM), WC Docket No. 05-337, CC Docket No. 96-45, FCC 07-88 (Public Notice) (rel. May 14, 2007).

³ The interim CETC cap will apply to all of the existing high-cost support mechanisms: high-cost loop support (including safety net support and safety valve support), local switching support, high-cost model support, interstate common line support, and interstate access support.

in 2009) growth in CETC USF support and the following facts which are jeopardizing the sustainability of the fund:

1. CETC federal high-cost USF support is not based on CETC costs;
2. CETCs do not have same equal access obligations as ILECs;
3. CETCs do not carry the same carrier of last resort obligations as ILECs;
4. Wireless CETCs are not subject to state rate and entry regulation;
5. Many wireless CETC family plans receive USF support for 3 or more phones per household;⁴
6. CETC designations have not materially increased the voice penetration rate in U.S. households;⁵
7. Landline and wireless voice services are predominantly complementary services;
8. The Act does not direct the FCC or state commissions to grant CETC designations to artificially stimulate competition in rural high cost service areas;
9. State commissions may provide CETCs additional USF support through state universal service funds; and
10. National wireless carriers, such as the recently merged company of AT&T/Cingular/Bell South with over \$100 billion in operating revenues, are seeking CETC designations in rural ILEC high-cost areas throughout the United States which may bankrupt the fund.

NTCA further recommends that the proposed interim cap remain in place until the following long term USF reform measures are fully implemented:

1. Eliminate the identical support rule;
2. Base CETC USF support on each CETC's own costs;
3. Establish a meaningful public interest test for CETC designation applications;
4. Expand the base of USF contributors to include all broadband service providers; and
5. Remove the existing regulatory cap imposed on rural ILEC high cost USF support.

Silence on any positions raised by parties in this proceeding connotes neither agreement nor disagreement with their positions or proposals. Unless specifically stated below, NTCA reasserts its positions described in its June 6, 2007 initial comments filed in this docket.

⁴ AT&T Ex Parte Letter dated March 22, 2007, page 2, note 5. *In the Matter of Federal-State Joint Board on Universal Service, High-Cost Universal Service Support, WC Docket No. 05-337; In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45.*

⁵*Id.*, page 2, note 4.

I. THERE IS BROAD SUPPORT FOR THE IMPOSING AN INTERIM, EMERGENCY HIGH-COST CETC USF CAP UNTIL NTCA'S PROPOSED LONG-TERM USF REFORM MEASURES ARE IMPLEMENTED.

There is broad support for imposing an interim, emergency cap on the amount of high-cost support CETCs receive within the industry which includes significant segments of the landline, wireless, cable, state public utility commission, consultant, and consumer segments of the communications industry. The following companies, associations, commissions, consultants and advocacy groups support the Joint Board's proposed interim cap on CETC USF support: AT&T, Verizon, Verizon Wireless, Winstream, Embarq, CentruyTel, Frontier, TDS, NTCA, OPASTCO, Independent Telephone and Telecommunications Alliance (ITTA), Western Telecommunications Alliance (WTA), USTELECOM, Rural Independent Competitive Alliance (RICA), Rural Telecommunications Group, Inc. (RTG), Nebraska Rural Independent Companies, Telephone Association of Maine, Minnesota Independent Coalition, Iowa Telecommunications Association, Rural Iowa Independent Telephone Association, South Dakota Telecommunications Association, Alaska Telephone Association, Texas Statewide Telephone Cooperative Inc., National Association of State Utility Consumer Advocates (NASUCA), Nebraska Public Service Commission, New Jersey Board of Public Utilities, Public Utilities Commission of Ohio, Alexicon Telecommunications Consulting, and others.

Verizon & Verizon Wireless and AT&T, two of the largest wireless providers and converged (voice, video, broadband, and mobile) communications providers in the United States support the Joint Board's recommendation. NTCA agrees with Verizon & Verizon Wireless in that the most immediate threat to the high-cost universal service fund's sustainability is the ever-

increasing support provided to CETCs.⁶ NTCA also agrees with Verizon & Verizon Wireless that the interim cap will accomplish three important objectives:

1. Stem the explosive growth in the high-cost fund while the Commission considers comprehensive universal service reform.
2. Provide immediate consumer benefits by reducing pressures on the fund that have led to an increasingly high contribution factor which threatens consumers' ability to purchase affordable communications services.
3. Protect consumers during the transition to a more efficient universal service system.⁷

NTCA further concurs with AT&T's statement that stabilizing the high-cost universal service fund "is the critical first step to achieving lasting change, facilitating such longer reform by providing the Commission, Joint Board and the industry breathing room to consider in a reasoned way the complex and difficult issues that must be addressed to fulfill the promise of the 1996 Act and achieve the universal service objectives in a competitive environment."⁸ Without immediate action to stabilize the fund, long-term reform will be far more difficult, and may even be impossible.⁹

In addition to landline and wireless carriers, competitive local exchange carriers (CLECs) have filed comments supporting the proposed interim cap on CETC universal service support. The rural independent competitive alliance (RICA) supports the proposed cap with the following qualifications.

1. The CETC USF cap should sunset after 18 months.
2. The base period should use 2007 data.

⁶ Verizon and Verizon Wireless Initial Comments, p. 3.

⁷ Verizon and Verizon Wireless Initial Comments, p. 2.

⁸ AT&T Initial Comments, p. 2.

⁹ AT&T Initial Comments, p. 2.

3. CETCs that demonstrate their costs would be exempt from the cap and receive support based on each CETC's own costs.¹⁰

RTG supports the CETC cap as long as support levels are frozen at 2007 levels, an exemption applies for Tier III and IV wireless CETCs who can demonstrably show where their high-cost USF support dollars are being used, and the cap is one year in duration.¹¹ ETS Telephone Company, Inc. (ETS) also supports the CETC cap but states that it should not apply to any CETC that demonstrates that its costs meet the support threshold in the same manner as ILECs.¹² This is consistent with NTCA's request that the FCC eliminate the identical support rule and require CETCs to base their universal service support on their own costs.

Consumer advocates, state commissions, and cable television providers also support the CETC USF cap. NASUCA supports the proposed CETC USF cap as long as support levels are frozen at 2006 levels.¹³ The New Jersey and Ohio state commissions also support the proposed interim cap on federal high-cost USF support to CETCs.¹⁴ The Nebraska Public Service Commission supports the CETC cap with the modification that the FCC use 2007 annualized data to calculate CETC support under the cap.¹⁵ Comcast supports the Joint Board's proposed interim CETC USF cap because it is targeted to provide some limited interim relief from the rapid growth in the CETC's portion of high-cost USF.¹⁶ Comcast also recognizes that the proposed cap should not be a substitute for long-term relief.

¹⁰ RICA Initial Comments, pp. 2-6.

¹¹ RTG Initial Comments, pp. 2-5.

¹² ETS Initial Comments, p. 5.

¹³ NASUCA Initial Comments, pp. 4-13.

¹⁴ New Jersey Board of Public Utilities, Initial Comments, pp. 3-5, Public Utilities Commission of Ohio, Initial Comments, pp. 3-6

¹⁵ Nebraska Public Service Commission, Initial Comments, pp. 2-7.

¹⁶ Comcast Initial Comments, pp. 1-3.

The limited opposition to the Joint Board's interim cap recommendation comes primarily from the wireless industry. CTIA opposes the proposed interim cap on federal high-cost USF support to CETCs and argues that the proposed cap would preserve inefficiencies in the current ILEC USF mechanism and inhibit broadband deployment.¹⁷ CTIA further argues that the CETC-only cap would disregard consumers' strong preference for expanded wireless offerings.¹⁸ US Cellular Corporation, Rural Cellular Corporation, Centennial Communications Corporation (Centennial), and Rural Cellular Association (RCA) also oppose the proposed CETC USF cap based on the same reasons as CTIA and claim the cap will deny wireless carriers the ability to build new cell sites which will threaten competition in rural America.¹⁹ NTCA disagrees.

The author of a recent research paper entitled *The Availability of Unsubsidized Wireless and Wireline Competition in Areas Receiving Universal Service Funds*, by Nicholas Vantzelfde with Criterion Economics, L.L.C., released on June 13, 2007, provides compelling evidence that imposing an interim cap on CETC USF support will not inhibit the deployment of wireless and broadband services in rural areas and thus will not threaten competition in rural areas of the Nation. This paper found that Alltel and US Cellular, two of the largest CETC receivers of high-cost USF support, received nearly \$125 million in USF support but provided no incremental coverage over unsubsidized carriers in areas served by unsubsidized carriers.²⁰ The paper also found that of the 814 study areas where wireless CETCs are receiving universal service support,

¹⁷ CTIA Initial Comments, pp. 5-9.

¹⁸ CTIA Initial Comments, pp. 10-11.

¹⁹ US Cellular Corporation and Rural Cellular Corporation Initial Comments, pp. 17-24, Centennial Initial Comments, pp. 1-9, and RCA Initial Comments, pp. 17-24.

²⁰ *The Availability of Unsubsidized Wireless and Wireline Competition in Areas Receiving Universal Service Funds*, by Nicholas Vantzelfde with Criterion Economics, L.L.C., released on June 13, 2007, p. 23.

the CETCs provide no incremental coverage in 485 of them relative to unsubsidized carriers.²¹ In fact, of the 103.7 million per total covered persons (pops) covered by wireless CETCs, only 3.2 million people, or roughly 1.5 million households, receive coverage from subsidized carriers that is not duplicated by at least one unsubsidized carrier.²² This equates to approximately 2% of the 148 million people living in study areas for which wireless CETCs receive USF support, and translates into an implied subsidy of \$187 per incremental covered pop, or \$425 per incremental covered household.²³ Unsubsidized carriers, on the other hand, cover 43.7 million people who are not covered by CETCs in the 814 relevant study areas.²⁴ The paper concludes that if the objective of wireless CETC USF support is to “make wireless service available where it otherwise would not be, the money is wasted.”²⁵

II. CONCLUSION

For these reasons and the reasons stated in NTCA’s initial comments, the Commission should adopt the Joint Board’s emergency interim proposed cap on federal high-cost CETC USF support. NTCA further recommends that the proposed interim CETC USF cap remain in place until the following long term USF reform measures are fully implemented:

1. Eliminate the identical support rule;
2. Base CETC USF support on each CETC’s own costs;
3. Establish a meaningful public interest test for CETC designation applications;
4. Expand the base of USF contributors to include all broadband service providers; and
5. Remove the existing regulatory cap imposed on rural ILEC high cost USF support.

²¹ *Id.*, p. 15.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*, p. 23.

The Joint Board proposed interim CETC USF cap strikes a fair and equitable approach to controlling the meteoric growth in CETC high-cost USF support due to the flawed identical support rule and the granting of multiple CETC designations in rural ILEC high-cost service areas. The interim cap is necessary in order to maintain sufficient, sustainable and predictable high-cost universal service support for the foreseeable future. The cap is also needed to rein in the runaway growth in CETC support and provide the necessary time for the Joint Board and the Commission to implement long-term universal service reform measures that will sustain high-cost universal service well into the 21st century.

Respectfully submitted,

**NATIONAL TELECOMMUNICATIONS
COOPERATIVE ASSOCIATION**

By: /s/ Daniel Mitchell
Daniel Mitchell
(703) 351-2016

Its Attorney

4121 Wilson Boulevard, 10th Floor
Arlington, VA 22203
703 351-2000

June 21, 2007

CERTIFICATE OF SERVICE

I, Adrienne Rolls, certify that a copy of the foregoing Reply Comments of the National Telecommunications Cooperative Association in WC Docket No. 05-337, CC Docket No. 96-45, FCC 07-88, was served on this 21st day of June 2007 by first-class, United States mail, postage prepaid, or via electronic mail to the following persons:

Commissioner Kevin Martin
Federal Communications Commission
445 12th Street, SW, Room 8-B201
Washington, D.C. 20554
Kevin.Martin@fcc.gov

Commissioner Deborah Taylor Tate
Federal Communications Commission
445 12th Street, SW, Room 8-A204
Washington, D.C. 20554
Deborah.Tate@fcc.gov

Commissioner Michael J. Copps
Federal Communications Commission
445 12th Street, SW, Room 8-B115
Washington, D.C. 20554
Michael.Copps@fcc.gov

Commissioner Jonathan S. Adelstein
Federal Communications Commission
445 12th Street, SW, Room 8-A302
Washington, D.C. 20554
Jonathan.Adelstein@fcc.gov

Commissioner Robert M. McDowell
Federal Communications Commission
445 12th Street, SW, Room 8-C302
Washington, D.C. 20554
Robert.McDowell@fcc.gov

Best Copy and Printing, Inc.
445 12th Street, SW, Room CY-B402
Washington, D.C. 20554
fcc@bcpiweb.com

Antoinette Stevens
445 12th Street, SW, Room 5-B540
Washington, D.C. 20554
Antoinette.Stevens@fcc.gov

Brian K. Staihr
Embarq
5454 110th Street
Overland Park, KS 66211

David C. Bartlett
Jeffrey S. Lanning
Embarq
701 Pennsylvania Ave., NW, Suite 820
Washington, D.C. 20004

Christopher M. Heimann
Gary L. Phillips
Paul K. Mancini
AT&T Inc.
1120 20th Street, NW, Suite 1000
Washington, D.C. 20036

Ben Scott
Free Press
501 Third Street, NW, Suite 875
Washington, D.C. 20001

Mark Cooper
Consumer Federation of America
1424 16th Street, NW, Suite 310
Washington, D.C. 20036

Gene Kimmelman
Consumers Union
1101 17th Street, NW Suite 500
Washington, D.C. 20036

David L. Nace
David A LaFuria
Steven M. Chernoff
Lukas, Nace, Gutierrez & Sachs, Chartered
1650 Tysons Blvd., Suite 1500
McLean, VA 22102

Thomas G. Fisher Jr.
Parrish Kruidenier Dunn Boles Gribble
Cook Parrish Hentry & Fisher, L.L.P.
2910 Grand Ave.
Des Moines, Iowa 50312
tfisher@parrishlaw.com

Joshua Seidemann
ITTA
975 F Street, NW, Suite 550
Washington, D.C. 20004

Michael D. Rosenthal
Holly Henderson
SouthemLINC Wireless
5555 Glenridge Connector, Suite 500
Atlanta, GA 30342

Todd D. Daubert
Randall W. Sifers
J. Isaac Himowitz
Kelley Drye & Warren LLP
Washington Harbour, Suite 400
3050 K Street, NW
Washington, D.C. 20007-5108
tdaubertkelleydrye.com

David A. LaFuria
Steven M. Chernoff
John Cimko
Lukas, Nace, Gutierrez & Sachs, Chartered
1650 Tysons Blvd., Suite 1500
McLean, VA 22102

Grant Spellmeyer
United States Cellular Corporation
8410 West Bryn Mawr
Chicago, IL 60631

Elizabeth L. Kohler
Rural Cellular Corporation
302 Mountain View Dr., Suite 200
Colchester, VT 05446

John F. Jones
Jeffrey S. Glover
Robert Shannon
CENTURYTEL, INC.
100 CenturyTel Dr.
Monroe, LA 71203

Michael F. Altschul
Christopher Guttman-McCabe
Paul W. Garnett
CTIA – The Wireless Association®
1400 16th Street, NW, Suite 600
Washington, D.C. 20036

Alexicon Telecommunications Consulting
2055 Anglo Dr., Suite 201
Colorado Springs, CO 80918

Holly Henderson
External Affairs Manager
SouthemLINC Wireless
5555 Glenrdge Connector, Suite 500
Atlanta, GA 30342

John T. Nakahata
Brita D. Strandberg
Stephanie Weiner
HARRIS, WILTSHIRE & GRANNIS LLP
1200 18th Street, NW
Washington, D.C. 20036

Tina Pidgeon
General Communications, Inc.
1130 17th Street, NW, Suite 410
Washington, D.C. 20036

Ronald L. Ripley
Dobson Cellular Systems, Inc.
14201 Wireless Way
Oklahoma City, OK 73134

Paul J. Feldman
Donald J. Evans
FLETCHER, HEALD & HILDRETH, PLC
1300 North 17th Street, 11th Floor
Arlington, VA 22209

Martin Jacobson
Montana Public Service Commission
1701 Prospect Ave.
P.O. Box 202601
Helena, MO 59620-2601

Jeanne M. Fox
Connie O. Hughes
Joseph L. Fiordaliso
Christine V. Bator
New Jersey Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

James R. Coltharp
Mary P. McManus
Comcast Corporation
2001 Pennsylvania Ave., Suite 500
Washington, D.C. 20006

Joseph W. Waz
Brian A. Rankin
Beth A. Choroser
Susan Jin-Davis
Comcast Cable Communications, LLC
1500 Market St.
Philadelphia, PA 19102

Karen Reidy
COMPTTEL
900 17th Street, NW, Suite 400
Washington, D.C. 20006

Gregg C. Sayre
Kenneth F. Mason
Frontier Communications
180 South Clinton Ave.
Rochester, NY 14646-0700
KMason@czn.com
gregg.sayre@frontiercorp.com

Richard A. Gerstemeier
ETS Telephone Company Inc.
11011 Richmond, Suite 400
Houston, TX 77042

William Roughton
Centennial Communications Corp.
Christopher W. Savage
DAVIS WRIGHT TREMAINE L.L.P.
1919 Pennsylvania Ave., Suite 200
Washington, D.C. 20006

J.G. Harrington
Jason E. Rademacher
Dow Lohnes PLLC
1200 New Hampshire Ave., NW, Suite 800
Washington, D.C. 20036

Robert F. Holz, Jr.
DAVIS, BROWN, KOEHN, SHORS &
ROBERTS, P.C.
2500 Financial Center
666 Walnut St.
Des Moines, IA 50309-3993
BobHolz@davisbrownlaw.com

Paul M. Schudel
James A. Overcash
WOODS & AITKEN LLP
301 South 13th Street, Suite 500
Lincoln, NB 68508

Mitchell F. Brecher
GREENBERG TRAURIG, LLP
800 Connecticut Ave., NW, Suite 500
Washington, D.C. 20006

William A. Squires
Blackfoot Telecommunications Group
1221 North Russell
Missoula, MT 59808
bsquires@blackfoot.com

Paul L. Cooper
Fred Williamson & Associates, Inc.
5810 East Skelly Dr., Suite 900
Tulsa, OK. 74135

Jeffery H. Smith
Kenneth T. Burchett
GVNW Consulting, Inc.
P.O. Box 2330
Tuslatin, OR 97062

Robert C. Schoonmaker
GVNW Consulting, Inc.
P.O. Box 25969
Colorado Springs, CO 80936

Bret Lawson
Counsel for the Corporation
Commission of the State of
Kansas
1500 SW Arrowhead
Topeka, KS 66604

NASUCA
8380 Colesville Rd., Suite 101
Silver Spring, MD 20910

David C. Bergmann
NASUCA
10 West Broad St., Suite 1800
Columbus, OH 43215-3485

Richard A. Askoff
NECA
80 South Jefferson Rd.
Whippany, NJ 07981

Shana Knutson
NPSC
300 The Atrium Building
1200 N Street
Lincoln, NE 68508

Peter M. McGowan
Brian Ossias
New York State Department of
Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Stuart Polikoff
OPASTCO
21 Dupont Circle, NW, Suite 700
Washington, D.C. 20036

Thomas G. Lindgren
Public Utilities Section
180 East Broad St., Ninth Floor
Columbus, OH 43215
thomas.lindgren@puc.state.oh.u

David Cosson
RICA
2154 Wisconsin Ave., NW
Washington, D.C. 20007

Thomas E. Gleason, Jr.
Gleason & Doty, Chartered
State Independent Association of Kansas
P.O. Box 6
Lawrence, KS 66044
gleason@sunflower.com

Mark E. Caplinger, Esq.
James M. Caplinger, Chartered
State Independent Association of Kansas
823 West Tenth Street
Topeka, KS 66612
mark@caplinger.net

Gerard J. Waldron
Covington & Burling LLP
1201 Pennsylvania Ave., NW
Washington, D.C. 20004

Laura H. Carter
Anna M. Gomez
Norina T. Moy
Sprint Nextel Corporation
2001 Edmund Halley Dr.
Reston, VA 20191

Benjamín Sanborn
Telephone Association of Maine
The Law Office of Benjamin M. Sanborn,
P.A.
P.O. Box 5347
Augusta, ME 04330
Ben@SanbornEsq.com

Kimberly K. Brown
Kimberly K. Brown, P.C.
2212 50th Street, NW, Suite 165
Oklahoma City, OK 73112
kkblaw@cox.net

Jonathan B. Banks
Indra Sehdev Chalk
United States Telecom Association
607 14th Street, NW, Suite 400
Washington, D.C. 20005-2164

Dave Osborn
Valley Telephone Cooperative, Inc.
480 South Sixth Street
Raymondville, TX 78580
dosborn@vtci.net

John T. Scott, III
VERIZON WIRELESS
1300 I Street, NW, Suite 400 West
Washington, D.C. 20005

Julia K. Tanner, Esq.
MTPCS d/b/a Chinook Wireless
1211 NW Bypass
Great Falls, MT 59404

Edward Shakin
Christopher M. Miller
VERIZON
1515 North Courthouse Rd., Suite 500
Arlington, VA 22201-2909

Richard J. Johnson
Moss & Barnett
4800 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402-4129

Brian J. Rybarik
Wisconsin State Telecommunications
Association
121 East Wilson St., Suite 102
Madison, WI 53703

Gerard J. Duffy
Blooston, Mordkofsky, Dickens, Duffy &
Prendergast
2120 L Street, NW, Suite 300
Washington, D.C. 20037
gid@bloostonlaw.com

/s/ Adrienne L. Rolls
Adrienne L. Rolls

Lisa F. Rackner
McDowell & Rackner PC
520 SW Sixth Avenue, Suite 830
Portland, OR 97204-1514

James Rowe
Alaska Telephone Association
201 East 56th Avenue
Anchorage, AK 99518

Cammie Hughes
Texas Statewide Telephone Cooperative,
Inc.
3721 Executive Center Dr., Suite 200
Austin, TX 78731

Gerry Anderson
Mid-Rivers Telephone Cooperative Inc.
904 C Avenue
P.O. Box 280
Circle, MT 59215-0280