

recommendations regarding comprehensive high-cost universal service reform within six months of their Recommended Decision, and also advised the Commission to act on those further recommendations within one year from the date of such Joint Board recommendations.

These comments call attention to the current gridlock on choosing and implementing serious Universal Service Fund (USF) reforms and provide several options for the Joint Board to break that gridlock. It is time for action, and the PSCW proffers that geographically limited pilot and trial programs are options to pursue. They need not result in an increase in the fund size, but instead, incrementally redirect USF funding. They offer the opportunity to evaluate USF reform impacts while limiting the risks. Pilots and trials also offer providers and state commissions the opportunity to showcase specific reforms. For certain broader reforms, however, it may be more appropriate to do “shadow billing” to assess impacts on the fund, providers, and customers before full scale implementation.

Some Observations: Simply Stating the Obvious

Even before this latest request for comments from the Joint Board, there have been extensive comments in this docket. Along with comments from other parties, the PSCW has on several previous occasions submitted comments on USF reform and those comments are enumerated in the attachment to this document. Based on the prior and current comments, it appears that most parties would agree that something needs to be done, and soon. The fund cannot be sustained in the long-term at its present rate of growth. Several parties would also agree that support could be better targeted. Simply put, under the present funding mechanisms, some may receive too much support while others get too little support. This is reflected in rates

either being extremely low,³ rates being excessively high,⁴ or areas lacking availability of broadband services.⁵

The various proposals on how to fix the problems with the current system are where parties often part ways. Nevertheless, many proposals advanced in present and past comments are worthy of serious consideration. Yet every proposal, however meritorious, is looked upon with some trepidation by some parties. Fear of the unknown and the unintended consequences of any new program present downside risks to both providers and their customers.⁶ Those who receive support wish to continue it. Those without support wish to receive it. Everyone would like someone else to pay for it. Growing the fund to reconcile these competing interests is not a long-term solution. Doing nothing is not an option either. Redistribution of funding, and end-user rate increases where rates are already low, is therefore inevitable. These are unpopular, but necessary choices; much like the choices lawmakers must make when reforming income taxes or municipal and school financing. Some will pay more; while others will pay less than they currently pay. Some will receive more benefits; while others will receive fewer benefits

³The following are a few examples of low local rates which were readily available without a comprehensive search of local rates. See May 15, 2007, Ex parte, Docket WC 05-337, Fred Williamson and Associates; materials were attached that showed monthly revenue per access line including the SLC was \$15 for Oklahoma and \$25 for Kansas. Also see October 24, 2006, Comments of the Public Service Commission of the State of Missouri Docket CC 01-92; Missouri PSC reported a range of basic local residential local rates from \$5.75 to \$18.39. Also see May 31, 2007, Comments of the Public Service Commission of the State of Missouri, Docket WC 05-337; Missouri PSC stated that it “supports a basic local benchmark rate that must be met before a carrier receives any universal service support.”

⁴ See the Public Service Commission of the State of Wyoming, Residential Rate Comparability Certification, September 30, 2005, Docket No. CC 96-45; the Wyoming PSC reported that rural residential customers of Qwest, the non-rural carrier in that state, were \$42.71, which the Wyoming PSC concluded was not reasonably comparable. The Wyoming PSC also further reported those rates continued to include substantial amounts of implicit subsidies.

⁵ See AT&T, Inc, Initial Comments, May 31, 2007, WC Docket 05-337, where AT&T explains that purported “non-rural” carriers in aggregate serve twice as many rural customers but receive only one-sixth the amount of support provided to carriers classified as “rural”. The PSCW provides data that demonstrates in Wisconsin that customers served by “non-rural” companies are less likely to have ubiquitous broadband offerings than customers of companies served by “rural” companies. See Status of Investments in Advanced Telecommunications Infrastructure in Wisconsin, Docket 05-ST-114, Year 2004, March, 2006, Maps 4 and 6 available on the PSCW web site, <http://psc.wi.gov>, and incorporated herein by reference. Map 4 shows areas served by companies under price regulation (AT&T and Verizon) separate from areas served by companies under other forms of regulation. Map 6 shows areas with varying degrees of DSL availability, 100 percent, some availability, and no availability.

⁶ See the initial comments of National Exchange Carrier Association (NECA) and Organization for the Promotion and Advancement of Small Telephone Companies (OPASTCO), May 31, 2007, WC Docket 05-337.

than they currently receive. The key, however, is to do it in a way that is fair, equitable, lawful and achieves desirable public policy objectives.

So how can the Joint Board break the current gridlock? The remainder of these reply comments suggest some approaches to consider.

Pilots and Trials

In its comments, AT&T suggests pilot programs designed to encourage broadband deployment and to promote wireless deployment in unserved rural areas, which have been clearly identified as deficiencies in existing programs. AT&T expresses a preference for the use of pilot programs instead of adding to existing mechanisms, so as not to “increase the strain on an already broken system.”⁷ The PSCW believes the pilot approach has merit, and AT&T’s proposal is worth consideration, assuming its proposal does not increase the size of the fund.

Pilots or trials based on proposals from various parties could be conducted simultaneously in various regions of the country. Some programs are suitable for implementation on a limited geographic basis and therefore would be suitable for pilot programs with a limited fixed dollar amount of funding. Such proposals may include AT&T’s proposals to bring service to unserved areas; AllTel-type reverse auctions; a high rate assistance credit program based on affordability; or other programs. Through pilots and trials, parties would be able to showcase their preferred solutions, and address implementation issues on a small scale. It would serve to minimize downside risk to providers and customers that could be associated without full scale changes to existing programs. The terms of a pilot program can limit benefit recipients’ exposure to unintended, sudden, dramatic and undesirable consequences during the pilot or trial.

⁷ AT&T, Inc., Initial Comments, May 31, 2007, Docket WC 05-337, p. 6.

As a means of reforming existing programs, there are some proposals that do not lend themselves to pilot programs, such as possible changes to existing funding formulas. Any such change that is under serious consideration could be implemented on a “dual or shadow bill”⁸ basis for a period of time to evaluate whether to convert to the new approach. Practically speaking, this approach could be used to test implementation of any proposal under serious consideration. Shadow billings would show providers and customers what they would actually receive by way of support under a new program, but still continue payments under the old program. If the results during the test period of “dual or shadow billing” produce adverse consequences, the new program could be adjusted accordingly before full-scale implementation.

Pilot programs can more quickly address existing deficiencies in universal service support mechanisms. If the Joint Board recommends, and the FCC orders, a pilot or trial approach, it would be reasonable for the FCC to solicit fuller details of proposals from interested parties. Application and selection criteria would need to be developed. These might include:

- How the pilot or trial will cure shortcomings with present programs?
- How the pilot or trial will attain desirable public policy objectives?
- How the pilot or trial will contain, or limit, the size of the fund?
- How the pilot or trial will meet statutory requirements?
- How the proposed funding and reimbursement mechanism would actually work?
- Where and when the pilot or trial would be conducted?
- Who (providers and customers) will be affected?
- How providers and customers will be insulated from unintended, sudden, dramatic and undesirable consequences during the pilot or trial?

⁸ “Dual or shadow billing” is a billing method to show end-user customers what their rates would be under a new rate design before the new rates actually go into effect. The term or concept is being used here so that recipients of USF would be able to measure the impact upon them if and when a proposed USF program is actually implemented.

- How the pilot or trial will be implemented?
- How the pilot or trial should be evaluated upon its conclusion?
- How, and under what circumstances, should the pilot or trial be permanently implemented?

The pilot approach has merit, and AT&T's proposal is worth consideration. It could be a method to rapidly implement changes to address current inequities in existing programs. Once selection criteria are developed like those listed above, AT&T's pilot program along with other pilot type programs could be considered for funding. As stated above, under current programs some receive too much support while others receive too little support; redistribution of funding and end-user rate increases where rates are already low is inevitable. Funding pilot programs would be a reasonable means to incrementally redirect funding.

Conclusion

Most commenters agree that it is time for the Joint Board to break the current gridlock on choosing and implementing serious USF reforms. The options for geographically limited pilot and trial programs and shadow billing are reasonable options to break that gridlock. They can be accomplished without increasing the fund size and be used to incrementally redirect funding. They offer the opportunity for the Joint Board to evaluate USF reform impacts with limited risks while also allowing providers and states to showcase their preferred reforms. Since the parties

cannot reach a broad consensus on specific USF reforms, it is incumbent on the Joint Board to provide an opportunity for parties to more fully examine meritorious USF reform proposals.

Dated at Madison, Wisconsin, June 28th, 2007

By the Commission

/s/ *Sandra J. Paske*

Sandra J. Paske
Secretary to the Commission

Attachment

NAL:AWW:JJR:klh:\PSC\Agency\Other Agencies\FCC\Reply comments\USF Reply Comment 05-337.doc

comparability. All these features of comparability could be addressed through establishment of a program like the Wisconsin high rate assistance program. These comments proposed that sufficiency should be defined as providing enough support to attract telecommunications investment in rural areas to provide services that are prevalent in urban areas at rates that rural customers can afford.

5. May 25, 2006, Reply Comments of the Public Service Commission of Wisconsin, In the Matter of the Federal-State Joint Board on Universal Service, CC Docket No. 96-45, High Cost Universal Service Support, WC Docket No. 05-337 (Qwest I and II Reply Comments). These comments suggested that a high rate assistance credit program could initially be established for wireless carriers. The comments also explained that to provide support to the rural areas of non-rural carriers, costs need to be averaged over an area that is smaller than a whole state.

6. October 25, 2006, Initial Comments of the Public Service Commission of Wisconsin on the Missoula Intercarrier Compensation Reform Plan, In the Matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92 (Missoula Plan Initial Comments). These comments noted that the state of Wisconsin contains a microcosm of the national provider profile. Solutions that would meet the universal service and intercarrier compensation needs of all Wisconsin providers are also likely to provide reasonable national solutions. These comments pointed out that if the intercarrier compensation rates proposed for the Missoula Plan Track 2 carriers are implemented, it would require universal service/restructure support in perpetuity to maintain reasonably comparable rates. They further pointed out the Missoula Plan was incomplete until the terms of universal service for competitive ETCs were finalized.

7. January 26, 2007, Reply Comments of the Public Service Commission of Wisconsin on the Missoula Intercarrier Compensation Reform Plan, In the Matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92 (Missoula Plan Reply Comments). These comments reiterated the PSCW's concern regarding the deficiencies in the Missoula Plan, particularly for Track 2 carriers.

8. March 16, 2007, Comments of the Public Service Commission of Wisconsin, Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92. This comment cycle requested comments on a Federal Benchmark Mechanism offered by proponents of the Missoula Plan (Federal Benchmark Comments). These comments expressed concern regarding the complexity and price tag for the Federal Benchmark mechanism as proposed. These comments offer the Wisconsin high rate assistance program as an alternative method for establishing a benchmark affordable rate. The comments identified that the Missoula Plan was better with the Federal Benchmark mechanism than without it, but the PSCW earlier concerns remained unaddressed.