

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

In the Matter of:)	
)	WC Docket No. 05-337
High-Cost Universal Services Support)	
)	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 response to the Federal Communication Commission’s (“FCC”) Notice of Proposed Rulemaking (“NPRM”) related to the determination of high-cost universal service funding (“USF”) provided to competitive eligible telecommunications carriers (“CETCs”)¹. These Comments are issued in conjunction with related Comments provided by Alexicon in FCC 08-22² and FCC 08-5.³

INTRODUCTION

Alexicon provides management, financial and regulatory services to a variety of small,⁴ rural, tribal, and insular independent rate of return carriers located in twelve (12) states. Alexicon’s clients range in size from small single wire-center entities to larger multi wire-center companies. All of Alexicon’s clients, as do most other similar small rural ILECs, depend upon high-cost universal funds to assist in serving their customers and maintaining reasonable local exchange access rates. It is with the availability of these existing high-cost universal service funds that small rural ILECs have been able to

¹ FCC 08-4, Adopted: January 9, 2008; Released January 29, 2008

² NPRM regarding USF “Reform”

³ NPRM regarding “Reverse Auctions”

⁴ Under the Regulatory Flexibility Act of 1980, as amended, all have fewer than 1,500 employees and are not dominant in their field of operations, 15 U.S.C. 632; and further are Incumbent Local Exchange Carriers (“ILECs”) as defined in the 1996 Telecommunications Act (“ACT” or “1996 ACT”), each providing less than fifty thousand (50,000) access lines

provide their customers with a variety of high quality modern telecommunications services, and at rates lower than would be possible without these funds. Most of Alexicon's clients are also contributors to the USF fund⁵ and have continuing concerns regarding the long-term sustainability of the funds.

The current high-cost USF funds were restructured by the 1996 Telecommunications Act which required that federal and state universal service support mechanisms be "specific, predictable and sufficient."⁶ The Act also mandated that, with the exception of *de minimus* carriers, all providers of telecommunications services contribute to the USF. In 1997 the FCC amended Part 54 of Section 47 Code of Federal Regulations, which has since been subject to over twenty (20) reconsideration orders and related modifications. The most relevant Part 54 rule related to these Comments is 54.307(a), under which a CETC that serves a customer in an ILEC service area receives *the same per-line amount of high-cost universal support that the ILEC would receive for serving that same customer*" (i.e. the "identical support rule").

Alexicon concurs with the Joint Board that high-cost support for CETCs has grown rapidly over the past several years, placing extraordinary pressure on the federal universal service fund.⁷ We share their concern, and that of our clients and other small rural ILECs, that this unfettered growth in CETC high-cost support can not be allowed to continue without seriously impinging upon the USF's long-term viability.

SPECIFIC COMMENTS

Basis of Support for Competitive ETCs⁸: Alexicon recognizes that since the 1996 Joint Board Recommended Decision, and subsequent May 1997 FCC Order, the principle of "competitive neutrality" has been a key component of CETC high-cost support. Alexicon argues, however, that this principle has been subverted by the *portable*

⁵ Consistent with Section 254 (d), 47 U.S.C. 151, with the exception of any ILEC who's contribution(s) qualifies for the *de minimus* exemption

⁶ Section 254(b)(5)

⁷ Notice, para. 4 and footnotes 11-14

⁸ Notice, para. 5-12

identical support of CETC high-cost support. This identical support high-cost USF has mainly been allocated to wireless CETCs, resulting in duplicate high-cost support to consumer services. Generally, these wireless services have not fully replaced ILEC lines or services but instead simply added to the total number of access lines. This increase in total supported lines has led to a rapid and uncontrolled increase in the size of the fund.⁹

Alexicon contends that since a wireless CETC has little, or insignificant, incremental cost when acquiring new customers (when compared to traditional wire line ILECs and specifically small ILECs), the identical support rule creates no incentive for these CETCs to compete in unserved or under-served areas. This not only leads to what we suggest is a *windfall of high-cost support* to the CETC, but more importantly creates a detrimental effect to the entire federal USF.

On May 1, 2007 the Joint Board recommended to the FCC that it abandon the identical support requirement and replace it with a requirement that CETCs receive support based upon their own costs. Alexicon supports this recommendation and believes that without these modifications the USF can not be sustained at current levels of high-cost ILEC support.

Determination of Costs for Competitive ETCS¹⁰ - Alexicon concurs that CETCs should file cost data showing their own per-line costs of providing service in a supported area in order to receive high-cost universal service support. We also agree that CETCs should be afforded the same opportunity of updating their annual high cost filing (of their specific per-line costs) on a quarterly basis as that allowed by ILECs per C.F.R. Part 36.612.

We are concerned that, unlike ILECs who are required to uniformly maintain their books and records under FCC rules, CETCs are not similarly required to maintain their records in any uniform format. This disparity of books and record keeping will likely create the

⁹ WT Docket No. 07-128, Applications of Alltel Corporation and Atlantis Holdings LLC for Consent to Transfer Control of Licenses, FCC 07-185, para 8

¹⁰ Notice, para. 13

need for some type of FCC Rulemaking to establish a basis for allowing regulators (federal and state) to review and compare CETC costs, both to each other and to ILECs' cost records.

Methods of Examining Competitive ETC Costs¹¹- Alexicon generally concurs with the Joint Board that geographic disaggregation, similar to current ILEC disaggregation requirements, should be required of CETCs. We favor methods will that yield disaggregation similar to ILEC study area components. We further support a requirement that CETCs be required to maintain Cost Allocation procedures, which would require regulatory review and approval to support allocations of their submitted costs.

Wireless-Specific Costs¹²- Alexicon generally concurs with the Joint Board recommendation requiring the inclusion of spectrum costs (to the extent actually collateralized or paid by the CETC) in high-cost support cost submissions. We furthermore concur that wireless handsets should not be included as allowed expenses or plant as they are practically identical to customer premises equipment (“CPE”) and considered nonregulated equipment for regulated wireline entities. We also believe that additional comment periods are necessary to adequately develop the record and applicable rules to wireless CETC costs and filing procedures.

Cost Reporting Requirements¹³-Alexicon generally concurs with the Joint Board's recommendations regarding the development of rules to govern cost data submission by CETCs, but is concerned that Generally Accepted Accounting Principles, by themselves, leaves too many unresolved issues in determining comparable cost data to those submitted by ILECs. ILECs are required to submit a significant amount of data related to: audited (or attested to) financial statements; traffic factor and call identification data; plant category data; access line data; circuit data; and the like to validate and verify that their operations meet the criteria to qualify for USF. As

¹¹ Notice, para. 14-17

¹² Notice, para. 17

¹³ Notice, para. 18-19

previously mentioned, we believe that CETCs should be required to submit similar data.

Calculation of Support¹⁴ - Alexicon agrees that CETC high-cost support calculations should utilize methodology similar to that employed for ILECs. Clearly, rules relating to the inclusion or exclusion of specific accounts will be required. Any new rules should be developed on a basis that allows the rules to be applicable to both rural and non-rural high-cost support areas.

We believe that rules will also be required for calculating per-line costs based upon estimated or forecasted line acquisitions in instances where the applying CETC initially has no current lines. When the applying CETC has existing lines, the calculation of per-line costs can be developed in a manner similar to existing ILEC high-cost development.

Alexicon concurs with the Joint Board recommendations that Interstate Access Support, Interstate Common Line Support, and Local Switching Support should not be included in high-cost support provided to CETCs. These high cost elements were originally designed and included in developing access rates for carriers and were not part of the USF. In this respect, Alexicon certainly suggests that CETCs may also have their own access rate design to include elements similar to these in any future CETC-specific USF funding.

Ceiling on Competitive ETC Per-line Support¹⁵- Alexicon supports establishing a ceiling on CETC high-cost support at the level of the applicable ILEC area per-line cost. We believe that this ceiling is necessary both to help preserve the long-term integrity of the USF and to provide a *level playing field* between CETC and ILEC high-cost support.

Other Issues¹⁶- Although Alexicon shares some other parties' contention that wireless CETCs *may* not be using their universal service support to promote universal service goals, we are reluctant to support adding more oversight or regulations to the

¹⁴ Notice, para. 20-24

¹⁵ Notice, para. 25

¹⁶ Notice, para. 26

current certification process. In our opinion, the current Office of Inspector General, USAC, NECA, and independent audits should be able to provide the FCC with updated in-depth information for investigations into the CETC certification process. Depending on the overall outcome of these audits, Alexicon would be in favor of further investigation into the CETC certification process and its oversight.

III. SUMMARY

Alexicon is pleased that the Joint Board has recognized the detrimental effects of the unfettered growth of CETC high-cost support and has proposed several concrete steps aimed at eliminating the identical support rule and its negative effects. We believe that the statements of Commissioners Martin and Copps,¹⁷ in support of revising CETC high-cost support, gives us further direction that positive actions in this area are likely to occur. Additionally, we believe that the actions of the FCC in the Alltel Corporation's consent to transfer control of licenses, leases and authorizations,¹⁸ whereby the FCC ordered¹⁹ an interim cap on Alltel's CETC high-cap fund receipts, provides further indication that the FCC is intent upon rectifying the damage that CETC high-cost funding growth has caused.

Respectfully submitted,

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¹⁷ Attached to the NPRM

¹⁸ WT Docket No. 07-128, FCC 07-185; Adopted: October 26, 2007 and Released: October 26, 2007

¹⁹ Id., para. 9-11