Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 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
	)	
	)	
	)	

COMMENTS OF PETROCOM LICENSE CORPORATION

PetroCom License Corporation ("PetroCom"), by its counsel and pursuant to the invitation extended by the Federal Communications Commission ("FCC" or "Commission") in the Notice of Proposed Rulemaking ("NPRM") in the above referenced proceeding,[1/] hereby submits the following comments concerning the calculation of high-cost universal service support provided to competitive eligible telecommunications carriers ("ETCs").

I. <u>Background and Summary</u>

PetroCom is a full-service telecommunications and network solutions company serving primarily the business community, with particular emphasis in the energy industry. Headquartered in New Orleans, Louisiana (with offices in Lafayette, and LaRose, LA and Houston, TX) and founded in 1983, PetroCom was the first offshore cellular network in the world. Since launching operations with a single cell site off the coast of Galveston, Texas in 1986, PetroCom has grown to provide a 95,000-square mile cellular network in the Gulf of Mexico, reaching from near Brownsville, Texas to near Mobile, Alabama. PetroCom's cellular

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[1/] *High-Cost Universal Service Support*, WC Docket No. 05-337, Notice of Proposed Rulemaking, 23 FCC Rcd. 1467 (2008) ("*NPRM*").

network consists of an array of cell sites and cell extenders located on offshore platforms, connected to its cellular switch near New Orleans, Louisiana via a satellite network. In addition to its cellular operations, PetroCom built and maintains a C-Band and Ku-band satellite network and operates one of the industry's largest Very Small Aperture Terminal ("VSAT") networks. Because PetroCom is actively assessing requesting status as an ETC under the Universal Service Fund ("USF") high cost support program, it is interested in the outcome of this proceeding.

PetroCom supports the FCC's tentative conclusion to eliminate the identical support rule and to, instead, base USF high cost support on each ETC's own costs. It is both logical and equitable to support ETCs serving high cost areas based on the carrier's own costs of serving the high cost area, rather than on the costs of an incumbent local exchange carrier ("LEC") that may bear little relation to the ETC's actual costs of providing service. PetroCom, the cellular carrier in the Gulf of Mexico, is contemplating requesting designation as an ETC. Because there is no incumbent LEC in the Gulf upon which to base high cost program support, it is essential that PetroCom be permitted to request high cost support based on its own costs of providing service as an ETC.[2/]

II. <u>Comments</u>

A. Basis of Support for Competitive ETCs

High cost program support should be based on each ETC's own costs. As the Commission notes, while the "competitive neutrality" principle initially drove the universal service support programs, ETCs "offer supported services that were not viewed by consumers as

[2/] PetroCom recognizes that the absence of an incumbent LEC in the high cost area it serves will also require waiver of other Commission high cost program rules. If PetroCom submits a request for designation for ETC status, it will simultaneously seek a waiver of these other rules.

substitutes for the incumbent LEC's supported service."[3/] As the Commission suggests, departure from the identical support rule such a minimal departure from the competitive neutrality principle is more than compensated by the improved investment incentives that would result from the rule change. It is logical that program support should be based on the costs incurred by the individual ETC providing services to a high cost area, rather than on the costs of another carrier.

B. Determination of Costs for Competitive ETCs

In eliminating the identical support rule, the FCC will be required to collect cost data from each ETC to compute the level of support to which the carrier is entitled. PetroCom agrees that the Commission should adopt its tentative conclusion that competitive ETCs file annual cost data and quarterly line count data (although as noted further below, for wireless carriers, a "line count" may not be an appropriate metric to assess and the Commission should generally amend its rules to require reporting more appropriate for wireless carriers).

The Commission seeks comments on the manner in which competitive ETCs should report costs. PetroCom agrees that the cost-component descriptions applicable to LECs is not generally applicable to wireless carriers. The Commission should, therefore, create specific cost components relevant to wireless carriers. The FCC also questions how carriers should disaggregate the geographic areas they serve for purposes of requesting support. ETCs should be required to geographically disaggregate their costs only to the extent necessary to separate costs associated with high cost areas from costs associated with service areas that do not qualify for high cost program support. Where an ETC's entire service area is a high cost area, there is no reason to disaggregate costs geographically. To the extent that geographic disaggregation is

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3/ *NPRM at* ¶ 9.

required, the Commission should not rely exclusively on LEC defined areas; such areas may not be relevant for ETCs.

PetroCom does not agree that wireless spectrum costs should be included in high cost support cost submissions for wireless ETCs. The Commission cannot be certain that a wireless provider will necessarily purchase spectrum at economically rational costs. If providers are permitted to recover costs of obtaining spectrum as ETC providers, they may overbid for spectrum. The Commission correctly suggests that wireless handsets should not be included in ETC cost reporting as the cost of handsets is typically borne by customers, not carriers. Moreover, there is typically little difference between costs of handsets in high cost areas and the cost of handsets in other areas.

C. Calculation of ETC Support and Limits on Support

The FCC suggests that calculation of high cost program support for an ETC based on its own costs should be benchmarked against incumbent local exchange carriers ("ILECs") in high cost areas. PetroCom believes that, with respect to wireless carriers, support should not be compared to ILEC costs to provide service in high cost areas. In most cases, ILEC costs may be higher than those attributed to wireless carriers. If wireless carriers' support is based on their costs compared to ILECs' costs, wireless carriers' costs may appear artificially low and a wireless carrier may not be entitled to an appropriate level of support. Instead, a wireless ETC's costs should be compared to the cost of an average wireless provider, calculated on a per subscriber basis. Wireless ETCs should be supported based on the difference between their cost structure and the average wireless providers' cost structure.

For wireless ETCs, subscribership should not be based on a number of "loops," a term only relevant in the wireline context. Instead, wireless ETC support should be based on the number of subscribers in the high cost area. An individual subscriber is most closely analogous to an active loop for a wireline carrier. Rural high cost areas are often remote areas where individuals and businesses routinely use their wireless telephones but often do not maintain offices or residences where they receive bills for their wireless service.[4/] Consistent with the approach the FCC has already taken in Alaska, ETCs serving remote areas should be provided an alternate to the current use of billing address as a method to identify the number of activated handsets to which the ETC provides service in the high cost area.

The Commission asks whether it should "examine wireless competitive ETC costs independently from wireline LEC costs for purposes of determining high-cost support."[5/]   As noted above, it is appropriate for the FCC to treat wireless carriers differently from wireline carriers with respect to cost calculations and other matters. The Commission should not delay necessary changes to its rules -- it should promptly proceed to permit wireless carriers to be designated ETCs in the manner suggested here. Nevertheless, to the extent that the FCC believes that it should further refine its rules to reflect different approaches to wireless carriers, it should initiate an additional phase of this proceeding to solicit additional comment on any specific wireless ETC high-cost support methodology that may develop as a result of its implementation of rules in this proceeding.

D. Ceiling on Competitive ETC Per-Line Support

The Commission should not limit the level of competitive ETC high cost support to the amount received by the incumbent LEC in the area. The competitive ETC is no more likely than

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4/ *See, e.g.*, Artic Slope Telephone Association Cooperative, Inc. Petition for Waiver of the Federal Communications Commission's Rules Concerning the Administration of the Universal Service Fund, CC Docket No. 96-45, Petition, at 1 (filed Jan 31, 2008) (describing ASTAC's service "on the rural North Slope region of Alaska to oil support industry companies and their workers and other subscribers working in the oil industry").

5/ *NPRM* ¶ 22.

the incumbent LEC to artificially inflate costs to receive additional high cost support. Limiting support on fears on inefficiency or cost inflation is unwarranted. On the other hand, where a competitive ETC legitimately has costs that exceed those of the incumbent LEC in the area – perhaps because it is investing more resources in serving remote areas – there is no reason to penalize the ETC by limiting the amount of support it can receive from the high cost fund.

III. Conclusion

For the reasons expressed above, PetroCom supports the Commission's proposal to eliminate the identical support rule in favor of computing high cost program support based on each ETC's own costs of providing service to customers in high cost areas.

Respectfully Submitted,

PetroCom License Corporation

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CERTIFICATE OF SERVICE

I, Ernest C. Cooper, hereby certify that on this 17th day of April 2008, the foregoing Comments of PetroCom License Corporation, were filed electronically through the FCC's Electronic Comments Filing System (ECFS) and copies were served on the following as indicated:

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