

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

<p>In the Matter of High-Cost Universal Service Support Federal-State Joint Board on Universal Service</p>	<p>WC Docket No. 05-337 CC Docket No. 96-45</p>
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**REPLY COMMENTS OF THE UTAH RURAL TELECOM ASSOCIATION**

**June 2, 2008**

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**I. INTRODUCTION**

The Utah Rural Telecom Association (“URTA”), by and through its undersigned counsel, files these reply comments in response to initial comments submitted by other parties on the Commission’s three Notices of Proposed Rulemaking (“NPRMs”) released January 29, 2008.<sup>1</sup> URTA also filed initial comments in these dockets April 17, 2008 in which it identified itself as an association of fourteen rural local exchange

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<sup>1</sup> *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-22 (rel. Jan. 29, 2008); *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-4 (Fed.-State Jt. Bd., rel. Nov. 20, 2007) (*Recommended Decision*) (attached as Appendix A to FCC 08-22); *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-4 (rel. Jan. 29, 2008) (*Identical Support Rule NPRM*); *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 08-5 (rel. Jan. 29, 2008) (*Reverse Auctions NPRM*).

carriers who serve customers throughout rural Utah and receive high-cost universal service support.<sup>2</sup>

In its initial comments URTA identified the following reform objective: “URTA supports universal service support reform that is sufficient, predictable, sustainable, and acceptable to lenders to maintain access to capital for investment in rural areas.”<sup>3</sup>

URTA summarized its position on the three NPRMs as follows:

Dividing the fund into the Broadband Fund, the Mobility Fund, and the POLR Fund with separate budgets and purposes could achieve these objectives if the POLR Fund is held harmless and any cap the Commission proposes is sufficient support to address traditional universal service needs.

Reverse auctions will not accomplish these reform objectives. Instead, they will harm quality and availability of service in rural areas and the Commission should reverse its tentative conclusion to implement them.

URTA agrees with the Commission’s conclusion to eliminate the identical support rule. This rule has been a mistake and should be abandoned as soon as possible.<sup>4</sup>

## **II. NONE OF THE COMMENTS BY OTHER COMMENTERS HAVE ALTERED URTA’S POSITIONS**

### **A. URTA Strongly Opposes the Use of Reverse Auctions**

URTA continues to strongly oppose the development and implementation of any reverse auction mechanism because of the negative effect it will have on

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<sup>2</sup> The URTA members are All West Communications, Bear Lake Communications, Beehive Telephone, Carbon Emery Telcom, Central Utah Telephone, Direct Communications, Emery Telcom, Gunnison Telephone, Hanksville Telcom, Manti Telephone Company, Skyline Telecom, South Central Communications, UBTA-UBET Communications, and Union Telephone Company.

<sup>3</sup> URTA, at p. 12.

<sup>4</sup> *Id.*

investment in telecommunications and broadband infrastructure in rural areas. Many diverse commenters in these dockets concur with URTA that reverse auctions will stifle the availability of capital, reverse investment incentives, and harm telecommunications service to rural customers.<sup>5</sup> It is widely recognized that reverse auctions are inconsistent with the original principle of universal service to ensure access to high quality service at reasonable rates in rural areas. They will also negatively affect the Commission's objective to make broadband ubiquitously available, even if the fund is divided into three separate funds, because of their dampening effect on investment generally in high cost territories. URTA therefore urges the Commission to reconsider and reverse its tentative conclusion that a reverse auction mechanism be developed to distribute universal service funds.

**B. The Commission Should Eliminate the Identical Support Rule**

The URTA concurs with the Commission's tentative conclusion that the identical support rule be eliminated.<sup>6</sup> The record in these dockets and the initial comments filed herein provide ample support to eliminate the rule. The chart in OPASTCO's comments illustrates the incredible demand and growth the identical support rule has caused in the universal service support fund.<sup>7</sup> From 2005 to 2008, the growth in universal service support for Competitive Eligible Telecommunications

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<sup>5</sup> For example, see Qwest, at p. 8; NTCA, pp. at 30-46; USTelecom, at pp. 24-26; WTA, at pp. 29-37; GVNW, at pp. 19-26; ITA at pp. 1-7; KRITC, at pp. 2-10; RIITA, at pp. 1-8; TCA, at pp. 15-18; ATA, at pp. 13-16; TSTCI, at pp. 3-7; MoSTCG, at pp. 8-19; MITS, at p. 18; MTA, at pp. 22-23; TAM, at pp. 3-4; JSI, at p. 4; Rural Telecommunications Associations, at pp. 8-15; Panhandle, at p. 2; Embarq, at pp. 17-19; Frontier, at p. 7; ITTA, at pp. 36-42; RICA, at pp. 21-23; and SWC, at pp. 5-6.

<sup>6</sup> *Identical Support Rule NPRM* FCC 08-4 at ¶ 1.

<sup>7</sup> OPASTCO, at p. 10.

Carriers (“CETCs”) has grown from \$120 million to \$252 million.<sup>8</sup> The chart shows clearly that the identical support rule has been the sole source of growth in the support fund; support for rural incumbent providers actually decreased slightly during the same period.<sup>9</sup> Recent actions by the Commission to cap CETC support are helpful to stop this hemorrhage within the federal universal service support programs. Requiring a cost showing by CETCs as URTA recommended in its initial comments, however, will ensure that support is distributed prudently and in accordance with congressional goals and the Commission’s tentative conclusions in the *Identical Support Rule NPRM*.<sup>10</sup>

**C. URTA Conditionally Supports the Division of the Fund and There is Record Support To Do So**

Like URTA, there are several commenters who support the Joint Board’s recommendations to include broadband as a supported service and to separate the high-cost universal service support fund into the Broadband Fund, the Mobility Fund, and the Provider of Last Resort (“POLR”) Fund.<sup>11</sup> URTA’s support for these proposals is conditioned on the POLR Fund being held harmless and that the operation of the POLR Fund be predictable, sufficient, and sustainable using embedded costs to determine the level of support. The Joint Board recognized rural providers’ commendable work in providing voice and broadband service to their customers under the current high-cost

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<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Identical Support Rule NPRM* FCC 08-4 at ¶ 12. See also, *Federal-State Joint Board on Universal Service Seeks Comment on Long Term, Comprehensive High-Cost Universal Service Reform*, WC Docket No. 05-337, CC Docket No. 96-45, Public Notice, 22 FCC Rcd 9023,9026, ¶ 7 (2007 Joint Board Public Notice).

<sup>11</sup> See e.g., WTA, at pp. 10-26 and Frontier, at pp. 10-12.

support program.<sup>12</sup> No commenter provided any persuasive evidence that would support significant change to the POLR Fund. URТА therefore urges the Commission to keep the fund intact and unchanged to allow rural providers to continue building on the success they have had in serving the customers in rural America.

As stated in its initial comments, URТА opposes the Joint Board's recommendation to cap the combined funds at \$4.5 billion.<sup>13</sup> That sum is arbitrary and unsupported by any evidence on the record of this case. The elimination of the identical support rule should almost immediately relieve the tremendous upward pressure on the fund and allow the Commission to achieve its other objectives to ensure the availability of high-quality telecommunications, broadband, and mobile service in rural America.

### **III. CONCLUSION**

In summary, URТА supports universal service support reform that is sufficient, predictable, sustainable, and acceptable to lenders to maintain access to capital for investment in rural areas. Dividing the fund into the Broadband Fund, the Mobility Fund, and the POLR Fund with separate budgets and purposes could achieve these objectives if the POLR Fund is held harmless.

The identical support rule should be eliminated which should alleviate the perceived need to cap the combined funds at \$4.5 billion. If the Commission decides that a cap is necessary, the cap should be supported by evidence and be sufficient support to address traditional universal service needs.

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<sup>12</sup> *Recommended Decision*, FCC 07J-4 at ¶ 39.

<sup>13</sup> URТА, at p.4.

Reverse auctions would be a mistake and will not accomplish any of the Commission's reform objectives. Instead, they will harm quality and availability of service in rural areas and the Commission should reverse its tentative conclusion to implement them.

Respectfully submitted this 2<sup>nd</sup> day of June, 2008.

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