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Alexicon
Telecommunications Consulting

October 24th, 2008

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Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20544

ExParte Notice: In the Matters of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; High-Cost Universal Service Support, WC Docket No. 05-337; and Federal State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

Alexicon Telecommunications Consulting ("Alexicon") provides management, financial and regulatory consulting services to a variety of small, rate-of-return regulated Incumbent Local Exchange Carriers ("ILECs") that offer telecommunications services in rural, insular and tribal areas in twelve (12) states. Alexicon's clients range in geographic size from single wire center companies to those serving multiple wire centers. Based on third party sources and media reports, Alexicon understands that the Federal Communications Commission (FCC) is considering adopting significant changes to the rules for reforming Intercarrier Compensation and Universal Service Funding in its open meeting scheduled for November 4, 2008. Among the items under consideration by the Commission is the possible "freeze" or "capping" of the high cost universal service fund (USF) support for rural ILECs based on 2008 annual distribution levels. Such a freeze will not only have an adverse impact on all of Alexicon's clients but also will completely stifle the continued build out and enhancement of facilities necessary to bring advanced telecommunications to communities in rural America. Specifically, these companies will be precluded from recovering costs they have already incurred or will incur in the near future for facilities necessary to provide quality local exchange and broadband services in the rural exchanges and study areas they serve.

Alexicon submits the following statements and arguments detailing both legislative and practical negative impacts that would be realized by most (if not all) rate of return carriers across the United States if USF is capped at 2008 support levels:

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2055 Anglo Drive, Suite 201 • Colorado Springs, Colorado 80918
Phone: (719) 531-6342 • Fax: (719) 531-0788 • www.alexicon.net

- Section 254(b): The language contained in this section of the Telecommunications Act is clear: "....the Commission shall base policies for the preservation and advancement of universal service on the following principles":

  - 254(b)(2): Access to advanced services -
    - Without the continued receipt of high cost universal service funding, rate of return regulated carriers will not be able to provide access to advanced services that are (and will be) made available by, for example, fiber to the home deployment and modern central office switching & circuit equipment

  - 254(b)(3): Access in rural and high cost areas -
    - Rural and high cost areas will arguably be the most affected by any policy that inhibits access to basic and advanced services. Small and rural carriers are high cost by nature and depend on universal service funding to continue their exemplary record of providing the highest quality of service available to their customers. In addition, the record is clear that Competitive Eligible Telecommunications Carriers (CETCs), and not rural carriers, have caused the universal service fund to balloon out of control.[1] Arbitrarily freezing or capping USF is a blanket decision that prohibits a rural carrier's ability to provide access in high cost areas and therefore goes directly against this section of the Act

  - 254(b)(6): Access to advanced telecommunications services for schools, health care, and libraries –
    - As stated above, inhibiting access in rural and high cost areas ignores the "domino affect" of what will happen to schools, health care, and libraries in small and rural communities. These entities will not have access to telemedicine; basic education; economic stimuli; and all of the other benefits that will not only bring trade and industry to these small communities but will also modernize the nation's infrastructure to keep it competitive with other countries. Freezing or capping the USF in these communities will indisputably suppress the great progress that citizens in these areas have strived for and made.

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[1] See Alltel/Atlantis Holding FCC 07-185 in WT Docket 07-128, Released October 26, 2007, para 8; see also FCC 08-22, NPRM, para 39

- Alexicon asserts that many carriers, including many of its own clients, have exhausted significant financial resources for network enhancements while complying with Section 254 of the Act. Projects that have and are currently being worked on include:

    - Broadband deployment
    - Softswitch upgrades
    - Fiber to the Home build out
    - Un-served area build out
    - Loop Enhancements
    - Carrier system upgrades
    - Broadband Loop Carrier deployment
    - Fiber rings to increase customer subscribership, network quality, emergency protection, and access to PSTN
    - Optical Network Terminals to allow modern and advanced services to thrive

Without the assistance of USF to allow small and rural carriers to complete these projects, the opportunity does not exist for small communities to compete in today's world.

- Alexicon also asserts that many rate of return carriers rely on public and private monies to finance their operations. In fact, Alexicon has several clients that have not only purchased rural exchanges from non-rural carriers who scarcely provided any advanced and primarily only dial tone services, but have also agreed to upgrade these exchanges as a condition of acquisition as required by both their State Commission and Federal Communications Commission. With any impending freeze or cap of the USF, the FCC is effectively going against a policy decision that they themselves approved as a condition of the purchase. Without USF support, these companies, their customers, and their financers are being unjustly jeopardized to remain a viable entity. In addition, with the current economic and financial crisis that is impacting the nation, everyone in this synopsis is negatively impacted and put at risk should the FCC imposed a frozen or cap on USF.

- Lastly, Alexicon concurs with Congressmen Boucher and Terry in that we are deeply concerned the Commission has not released its full proposal for public view or comment. To our knowledge, this has never occurred and discards the necessity of a complete record to be developed in this proceeding. Furthermore, we are in agreement with NARUC that the FCC seems to be "rushing" to resolve a multi-billion dollar issue by virtue of meeting a timeline when the issues at stake could have substantial negative and grave repercussions on both the telecommunications industry and entire nation.

Respectfully submitted,

Douglas K. Kitch Vincent H. Wiemer Rob D. Strait

Principals, Alexicon Telecommunications Consulting

cc: The Honorable Kevin Martin, Chairman
The Honorable Deborah Taylor Tate, Commissioner
The Honorable Michael Copps, Commissioner
The Honorable Jonathon Adelstein, Commissioner
The Honorable Robert McDowell, Commissioner