

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 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
)	
Lifeline and Link Up)	WC Docket No. 03-109
)	
Universal Service Contribution Methodology)	WC Docket No. 06-122
)	
Numbering Resource Optimization)	CC Docket No. 99-200
)	
Implementation of the Local Competition Provisions of the Telecommunications Act Of 1996)	CC Docket No. 96-98
)	
Developing a Unified Inter-carrier Compensation Regime`)	CC Docket No. 01-92
)	
Inter-carrier Compensation for ISP-Bound Traffic)	CC Docket No. 99-68
)	
IP-Enabled Services)	WC Docket No. 04-36

**THE REPLY COMMENTS OF
THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Dated: December 22, 2008

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INTRODUCTION

The Pennsylvania Public Utility Commission (PaPUC) hereby submits their Reply Comments (Reply Comments) addressing some of the issues raised in Comments filed with the Federal Communication Commission (FCC) in the pending Intercarrier Compensation Notice of Proposed Rulemaking at Docket No. 01-92 (ICC NOPR). The ICC NOPR proposals are based on the Communications Act of 1934 as amended by the Telecommunications Act of 1996 (hereinafter TA-96). The Federal Register published the ICC NOPR on November 10, 2008. The notice established deadlines for filing Comments and Reply Comments on November 26, 2008 and December 3, 2008, respectively. By Order issued December 2, 2008, the FCC extended the deadline for filing Reply Comments to December 22, 2008.

The PaPUC appreciates this opportunity to file Reply Comments. As an initial matter, the PaPUC filing should not be construed as binding on the PaPUC in any proceeding before the PaPUC. The positions and suggestions taken in these Reply Comments could change in response to subsequent events. This includes a later review of the filed Comments and Reply Comments, including any Ex Parte filings, and subsequent legal or regulatory developments at the state and federal level.

The PaPUC reiterates the earlier observations, reflected in the Comments of multiple parties, about the abbreviated time periods for filing Comments and Replies given the complexity of the issues. Given those constraints, the Reply Comments are positions that could change in response to later developments. Phantom Traffic, Traffic Pumping, and Edge/Transit are issues that can be separated and decided now. Some state commissions have not acted on issues for a long time waiting for an FCC decision.

SUMMARY

The PaPUC supports FUSF and ICC reform. The FCC lacks legal authority to mandate intrastate rates for intrastate services. The PaPUC supports the Total Element Long Run Incremental Cost (TELCRIC) model as a credible costing methodology compared to the new “incremental” cost model.

Any FCC reform should be voluntary for the states and contain a Federal Access Rate Mechanism (FARM) to spur participation. The FARM must compensate rural incumbent local exchange carriers (ILECs) in states that are net contributors to the federal universal service fund (FUSF) and are “Early Adopter” states with demonstrated access reform in place prior to any final reform implemented by the FCC (the “net contributor/Early Adopter” states). This would provide compensation to rural ILECs for potential revenue losses due to future access charge reforms. Compensation is appropriate because these carriers’ current broadband deployment commitments are underway and those lost revenues may jeopardize those commitments. In addition, revenue losses could give rise to revenue neutral access recovery claims under independent state law, particularly Pennsylvania’s statute Pa.C.S. § 3017.

However, any recovery could be limited to five years for RLEC price-cap carriers that already support the five-year recovery proposed in the ITTA Plan.¹ Requirements that limit compensation to carriers in net contributor/Early Adopter states over a five year

¹ Pennsylvania carriers that support the ITTA Plan are United/Embarq, Frontier, and Windstream. *See In Re: Intercarrier Compensation*, Docket No. 01-92 Reply Comments of Embarq, Frontier, and Windstream (November 26, 2008). The Rural Rate of Return LECs (ROR RLECS) would receive compensation from the FARM if Appendix C is adopted but they also want clarification on whether this includes their originating access rates. *See In re: Intercarrier Compensation*, Comments of the Pennsylvania Rural Carriers (November 26, 2008).

period, as set out in the ITTA Plan, would avoid disrupting broadband deployment capital plans, reduce the cost of reform, and avoid unnecessary burdens on net contributor states.

The PaPUC supports the proposed FUSF cap. All FUSF recipients must be required to demonstrate their actual costs before they receive Eligible Telecommunications Carrier (ETC) support under Section 254 of TA-96. This should not be limited to competitive ETCs (CETCs).

The proposed \$300M Broadband Pilot should be limited to net contributor/Early Adopter states as well. The PaPUC suggests that fifty percent (50%) of the funding be reserved to promote rural broadband service with the remainder going to urban broadband service programs in the net contributor/Early Adopter states and districts. Eligibility should be limited to the net contributor/Early Adopter states and districts. Those areas, particularly Pennsylvania, have already undertaken the reforms needed to deploy broadband networks that are now available for this proposed pilot.²

FUSF support can be limited to one carrier but it must be consistent with competition. An FUSF recipient should have a ubiquitous network. This most likely will mean the network of an ILEC. Other carriers and providers need access to the relevant public switched telephone network (PSTN). The FCC must condition continuous FUSF support to a particular ILEC on the recipient's network being treated as a Title II Common Carrier network with an open access mandate and within the context of TA-96. Other networks also warrant a similar requirement for competitive neutrality purposes.

² *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the PaPUC (November 26, 2008), Appendix A and Appendix B.

The Five Year deployment mandate is a great leap forward for broadband. Most Pennsylvania RLEC carriers will be providing ubiquitous broadband availability by the end of 2008. The two remaining price-cap RLEC carriers, Windstream and United/Embarq, will complete their ubiquitous broadband availability by 2013. The two Verizon ILECs in Pennsylvania will finish their respective broadband deployment commitments in 2015.³

The PaPUC makes these suggestions because Pennsylvania's ratepayers already committed in excess of \$1.2B to access reforms and local rate increases to attain this significant broadband deployment milestone under relevant state laws.⁴ The FCC should condition FUSF support on the recipient carrier's getting state approval for per household contributions similar to those in Pennsylvania. Moreover, a similar contribution calculation may be appropriate to reflect other net contributor/Early Adopter states and districts as well. A "similar contribution" mandate would go a long way toward assuaging concerns about supporting broadband deployment and underwriting access reforms in other areas where similar documented efforts are not available to date.

Pennsylvania's 4.8M households contributed about \$248 per household to implement access reform and achieve broadband availability. This \$248 contribution

³ Given the proximity of 2015 to the price-cap LECs' broadband availability date (2013), the FCC should consider a reform plan that would end in 2015 as opposed to 2013. That approach better allows the FCC to address the issue of broadband availability in the rural exchanges of non-rural ILECs.

⁴ See Appendices A, B, and C attached to these Reply Comments. The only substantive change in the documented reform efforts is the inclusion of "banked" local rate increases. While those increases have not actually been imposed on end-users, they were already approved.

reflects the \$1.2B documented cost for access reform, universal service, and broadband deployment. This figure excludes rate increases from 1999-2006, an additional cost.⁵

These reforms cost each Pennsylvania resident about \$100 per capita based on the \$1.2B attached as Appendices A, B, and C to these Reply comments. Those costs addressed access reform while promoting broadband and universal service. Other states and carriers with similar challenges should be expected to replicate that kind of contribution as a precondition to FUSF.

The PaPUC cautions against using increased federal subscriber line charges (SLCs) and numbers assessments to fund interstate access charge reform and broadband availability. The National Cooperative Telephone Association (NCTA) Comments appropriately identify revenue assessments on regulated and unregulated services as a better solution. However, states must be authorized to impose a smaller assessment up to a predetermined percentage to support their universal service, broadband, operation, and revenue neutral recovery mandates given the increasing “federalization” of PSTN revenues. This is a more attractive choice compared to preemption and expecting every state to fund their operations and reforms from a diminishing pool of intrastate revenues.

If the FCC ultimately adopts some form of numbers assessment, the PaPUC recommends using the NRF data. There should be no exemptions as well.

The FCC must require that all carriers flow through access rate reductions by lowering their long-distance rates on end-users. End-users should not face SLC increases

⁵ The PaPUC makes this observation because the limited response time precluded a detailed documentation of those increases beyond representative carriers. The PaPUC may supplement these Reply Comments to provide updates on per household contributions.

like those in the CALLS and MAG decisions which hurt universal service, and did not result in substantial consumer savings for landline long-distance calls.

Phantom Traffic, traffic pumping, and edge/network proposals cannot be comprehensively solved at this time given the Comments. Those issues should be separated from FUSF and ICC reforms. However, they can be addressed and disposed of very quickly on separate tracks based on the record.

EXTENDED DISCUSSION

A. Universal Service Reform.

1. The FUSF CAP. The PaPUC continues to support the FCC's proposed cap on FUSF. The PaPUC suggests that the FUSF cap continue at least through 2015, the latest date when carriers in Pennsylvania will complete their broadband deployment commitments made under existing state law.

The PaPUC does not support increased assessments on net contributor carriers if that contribution increases local rates as a means of compensating the carrier for the increased assessment. This practice will, as occurred with CALLS and MAG, reduce the number of customers paying the local rates whose revenues are used to support federal reform. Although the CALLS and MAG local rate increases appeared as increased SLCs, there is no reason to expect a different result just because it is a numbers assessment as opposed to a SLC.

The PaPUC is particularly concerned if increased assessments on net contributor carriers are collected by increased rates when that net contributor carrier has significant

rural areas. Increased assessments on that class of carriers just because they are net contributors makes it harder, not easier, to complete their broadband deployment commitments in their own rural areas. This is important today given recent industry indications that Fiber-to-the-Home (FTTH) or Fiber-to-the-Premises (FTTP) is becoming increasingly expensive and possibly under stress in the current investment climate.⁶

2. The Identical Support Rule (ISR). The PaPUC continues to support reformation of the ISR with some conditions. The PaPUC supports Comments indicating that limiting FUSF reformation only to CETC and/or competitive local exchange carrier (CLEC) recipients and basing it on the ILECs costs is not competitively neutral.⁷ Any carrier with ISR revenue reductions will face a reduced ability to compete and provide service far more than would be the case if that support continued in perpetuity. Consequently, the PaPUC suggests that principles of competitive neutrality require that FUSF support should be based on actual costs for all FUSF recipients.⁸

Any resulting “revenue neutral” loss claims should be offset in several ways. There should be an offset to reflect the reduced costs of access paid by the claimant’s or the claimant’s affiliated long-distance, wireless, VoIP, or other operations. There should also be another offset for the payments that would come from any Federal Access Reform Mechanism (FARM).⁹ There should also be an offset by factoring in additional revenues

⁶ Compare “Verizon Outlines Leadership Strategy for Broadband Era; Announces Major New 3G Mobile Data and Wireline IP Expansions (January 4, 2008), Verizon News Release www.verizon.com and “Verizon Optimistic Despite Financial Crisis,” October 4, 2008 www.cnet.com with “Debt-Heavy Telecomms Won’t Escape the Credit Crunch,” October 18, 2008, www.businessweek.com.

⁷ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the CTIA (November 26, 2008), pp. ii, 8-9, and 11-13.

⁸ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of CTIA (November 26, 2008), pp. 11-13.

⁹ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Windstream (November 26, 2008), pp. 20-22.

beyond a pre-established base year (say 2008 in this case) coming from unregulated services provided over networks that rely on this high-cost support.¹⁰ In addition, there should be an offset to reflect revenues required on a per household basis in any net recipient state. Finally, any recipient of FARM support could be expected to forego ancillary claims arising under independent state law where the state commission voluntarily opts into a federal reform.

3. Broadband Pilot Program. The PaPUC appreciates this laudable proposal. However, Pennsylvania already has efforts in place which ensure that by not later than 2013 every Pennsylvania RLEC will have met their broadband deployment commitments. Pennsylvania's dominant non-rural carrier will also meet similar deployment commitments by 2015. Pennsylvania and other similarly situated net contributor/Early Adopter states or districts have networks in place. The net contributor/Early Adopter states have those networks because they undertook the hard reforms required to produce networks that can now be used to provide the FCC with experience on addressing broadband subscriptions. This is more effective than waiting until broadband networks are constructed and then dispensing subscription support.

The PaPUC's experience in broadband deployment in rural areas warrants several suggestions. First, the recipients should be limited to states that are net contributor/Early Adopter states or districts with successful rural broadband deployment efforts in place. This returns some support already provided by these net contributor/Early Adopter states and districts while also providing a good test bed for addressing broadband service.

¹⁰ In re: Intercarrier Compensation, Docket No. 01-92, Comments of NTCA (November 26, 2008), pp. 26-28.

The PaPUC further suggests that the FCC adopt a proposal allocating 50% of the Broadband Pilot to rural areas¹¹ although a portion of that support should be provided to non-rural carriers' rural areas.¹² An allocation to RLECs with broadband deployment commitments in place, which in Pennsylvania will be all but two of its rural carriers as of December 2008, provides a good test bed for examining broadband service impediments in rural areas. A specific allocation to the rural exchange areas of non-rural carriers' study areas provides an incentive to invest in those exchanges while returning a portion of their consumers' net FUSF contributions to rural consumers.

These suggestions also reflect the challenges that RLECs and non-rural carriers face in supporting broadband deployment in their net contributor/Early Adopter states.¹³ The prospect of additional subscribers above and beyond those anticipated in the carriers' own business plans provides an incentive to deploy that broadband if they can get additional subscriptions to their broadband services. This suggestion also reflects the filed Comments of significant rural carriers claiming that their broadband deployment commitments exceed those of the non-rural net contributor carriers.¹⁴

The remaining 50% allocation for Broadband Pilot programs for urban broadband services should be subject to the same limitation i.e., limited to urban areas of the net contributor/Early Adopter states. The PaPUC recognizes that this will likely benefit consumers in large urban areas, including the District of Columbia because the carrier is a

¹¹ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Windstream (November 26, 2008), pp. 57-59.

¹² In Pennsylvania, this would be Density Cell 4 service area exchanges.

¹³ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of NASUCA (November 26, 2008), pp. 5 and 28.

¹⁴ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Windstream (November 26, 2008), pp. 5-6. Windstream, a Pennsylvania price-cap RLEC, makes no mention of the role that contributions from Pennsylvania ratepayers under Chapter 30 played in the ability to make this claim about broadband deployment.

net contributor. However, the focus on rural and inner urban consumers in net contributor/Early Adopter areas will provide the FCC with a wealth of information on impediments to broadband subscriptions. This would be better than dispersing the limited program on a “first come” basis throughout the nation with no conditions.

4. The (POLR/COLR) Obligation. The PaPUC supports the FCC’s apparent recognition that telecommunications carriers also have Provider of Last Resort (POLR) and Carrier of Last Resort (COLR) issues. The ICC NOPR addresses the issue by limiting FUSF support to either one carrier (the ILEC in Appendix A since the CLEC or wireless ETC in Appendix A has support reduced based on the recipient’s cost not the incumbent’s cost) or confining support to one carrier (the reverse auction winner in Appendix B or the ILEC at the end of the five-year transition in Appendix C).

The PaPUC reiterates the earlier observation that the proposal to limit support to one carrier will reduce FUSF support costs, a laudable policy effort, but at a cost to customer choice and competition. This proposal is tantamount to the frank recognition that the PSTN is, and remains, the most ubiquitously deployed network compared to cable, wireless, satellite, or VoIP networks or network overlays. This is consistent with earlier filings showing that the PSTN network is many times the only network that reaches most end-users.¹⁵ Any “last mile” duopoly in physical networks that does exist largely occurs in areas where there is overlap between ILEC and cable facilities.¹⁶

¹⁵ *In re: IP-Enabled Services*, Docket No. 04-36, Comments of MCI (May 28, 2004), pp. 13-15.

¹⁶ *In re: IP-Enabled Services*, Docket No. 04-36, Comments of MCI (May 28, 2004), pp. 13-15. MCI noted that the physical layer last mile is not competitive. There are at most two facilities connecting to the premises: cable and telephone. Cable and wireline broadband services are not perfect substitutes for each other – cable provides greater bandwidth, often comes bundled with video services, and is deployed almost exclusively in residential markets. Equally important, physical layer alternatives are even more limited for enterprise customers because the vast majority of business customers obtain their IP-enabled services only over incumbent LEC special access services. As with residential market customers, there were very limited prospects for

The PaPUC supports the proposal to limit support to one dominant network but only if that entire network, and any successor network or networks, continues to be classified as a Title II Common Carrier network wherein the relevant facilities, wholesale access services, and other services are subject to tariffing, transparency, and accountability for costs and service quality.¹⁷ Otherwise, the FCC cannot provide support to preferred carriers (be they ILECs or winners in reverse auction bids) while reducing support to disfavored carriers (CETC/CLECs in Appendix B) or outright eliminating all support to other carriers (CETCs after five years in Appendix C). FUSF support for the preferred carrier and denial of support for all other competing carriers is not fully consistent with competitive neutrality. This could also constitute a prohibited promotion of one technology over another, particularly if other conditions like Phantom Traffic or edge/tandem transport mandates are attached as federal rules.

The PaPUC understands the FCC's preference to focus limited FUSF support on one network and that the obvious choice is the ubiquitous network. The Public Switched Telecommunications Network and the successor Packet Sending Transmission Network continue to be our nation's most ubiquitous network given the capital-intensive nature of networks. This remains a consideration consistent with the ITTA Comments noting that

expanding the number of locations with competitive alternatives because there are extremely high economic and operational barriers to deploying DS1 loops – the primary means by which enterprise customers obtain these kinds of services.

¹⁷ The PaPUC recognizes that opponents of Common Carriage may claim that common carriage means a complete return to the traditional extended review and approval process for tariffed Common Carrier services. The PaPUC's suggestion should not be interpreted in this manner. The PaPUC recognizes that there may be more flexible ways of accomplishing the same goals of the traditional process i.e., ensuring transparency, equal access, and review of costs so that charges are just and reasonable, that reflect new technologies. One solution could be posting the rates and services on a carrier's website in a conspicuous place, subject to investigation or formal complaint. The PaPUC suggests that, even if the extended review and approval process from the

broadband deployment costs include raw deployment as well as operation and maintenance (O&M) and “backhaul”.¹⁸

Consequently, the FCC and the states continue to have a joint jurisdictional interest in making sure that all carriers can reach all consumers using that FUSF-supported network (most particularly when it is the most ubiquitous) to provide access at just and reasonable rates under tariffs or transparent contracts which competitors can opt into. This approach should also be an express condition imposed on any FUSF recipient in order to ensure open access to the most ubiquitous network. Otherwise, an FUSF recipient secures an additional revenue benefit with no accompanying burden.

By the same token, any other network or service that relies on access to that FUSF-supported network (and the Comments indicate there are many) must have that access but only if they have a similar open network obligation but for a different reason i.e., competitive neutrality. Competitive carriers should not receive the benefit of avoiding the costs for a ubiquitous network compared to FUSF recipients with whom they compete (a competitive advantage over the costs for an open FUSF-supported network).

5. The Five-Year Broadband Mandate. The PaPUC commends the FCC for undertaking an effort to make the great leap forward in deploying broadband to rural study areas. The PaPUC reiterates the earlier observation that the Pennsylvania General Assembly already charged the PaPUC with implementing similar efforts.

analog era may be inappropriate, the transparency, access, and cost-rate verification goals retain their importance in a digital era.

¹⁸ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the ITTA (November 26, 2008), pp. 19-20.

In Pennsylvania, the result of decreasing access rates and increasing local rates means that all RLEC study areas, with the exception of United/Embarq and Windstream, will have broadband availability by 2008. The other two RLECs, United/Embarq and Windstream, will have broadband availability by 2013. The two Verizon operations will complete its broadband deployment commitments by 2015.

The PaPUC agrees that some RLEC study areas may need support from the FUSF to address competition and ensure the availability of these broadband networks but only after factoring in contributions similar to those in Pennsylvania.¹⁹ It is important to recognize that this challenge is also true for the rural territories of some non-rural carriers study areas.²⁰ Consequently, FUSF support must address the challenge facing non-rural carriers that are also deploying a broadband network in their own rural areas.

In Pennsylvania's experience, the net cost to address competition and ensure broadband availability is not cheap. The PaPUC implemented \$1.014B in access rate reforms and universal service support to reflect those reforms through 2006. From 2006 through the end of 2008, the PaPUC also collected an additional \$76M in actual local rate increases and disbursed another \$100M in universal service support.²¹

Pennsylvania is a Commonwealth with a population of about 12.4M citizens as of July 2008.²² Pennsylvania collected approximately \$1.19B in contributions from end-

¹⁹ This is evident in the role that ratepayer contributions played in ensuring broadband availability in most of the RLECs study areas by the end of 2008 and no later than 2013 in United/Embarq and Windstream. That is also evident in the Comments of price-cap RLECs alleging that revenue losses from access rate reductions impact their broadband investments.

²⁰ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Windstream (November 26, 2008), pp. 4-5 noting that non-rural deployment is behind RLEC deployment.

²¹ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the PaPUC (November 26, 2008), Appendix A and Appendix B.

²² <http://quickfacts.census.gov>.

users to address competition and the availability of a broadband network. This \$1.19B consists of \$1.014B collected through 2006, \$76M in local rate increases from 2005-2007, and \$100M in USF consisting of \$33.5M annually during the 2007-2009 period. These are the kind of reforms proposed for other states and carriers in this ICC NOPR.

The net contribution from every Pennsylvanian for those efforts is approximately \$100 per individual i.e., \$1.2B divided by 12.4M residents. Pennsylvania had approximately 4.8M households as of 2000.²³ Every Pennsylvania household contributed about \$248 to address competition and the availability of a broadband network.

The PaPUC believes that a similar contribution calculation is needed for the FUSF. Any net recipient carrier of FUSF should be required to calculate and secure similar contributions from every household as part of their FARM calculation. A similar contribution calculation may also be necessary to reflect similar contributions from other net contributor/Early Adopter states.

The PaPUC makes these suggestions realizing that there may be remaining need among net recipients to address competition and ensure the availability of a broadband network. The PaPUC realizes that there may be a residual need for FUSF in net recipient states even after their carriers undertake efforts similar to those in Pennsylvania and the other net contributor/Early Adopter states and districts. Moreover, the PaPUC recognizes the Section 254 mandate in the federal Telecommunications Act of 1996 (TA-96) to ensure the delivery of comparable services at comparable rates.

Consequently, the PaPUC's suggestions should not be interpreted to mean that the PaPUC is indifferent to the fact that some areas will need residual FUSF because of

²³ <http://quickfacts.census.gov>

unique population and geography constraints. The PaPUC simply recommends that a calculation contribution similar to that of Pennsylvania come from FUSF recipients.

The PaPUC understands that addressing competition and broadband availability benefit the entire nation, including the net recipient states. This enhances the nation's quality of life and economic development. However, contributions may be required in order to ensure compliance with any "comparability" mandate in Section 254(b)(3) as well as any "sufficiency" mandate required by the 10th Circuit remand decision.²⁴

Finally, states like Wyoming have demonstrated a residual support need even after they document substantial contributions from local rate increases, access reform, and their own SUSF.²⁵ In those situations, a state or district has realistically done as much as they can be expected to do as part of their establishing a claim for FUSF support. This indicates that there may still be situations where contributions cannot cover costs because of unique geographic, population, and, importantly, resulting rate disparities.

In those situations, however, support is appropriate but it should reflect the end-user's rates for services using benchmark rates for similar services in urban areas. The support should not be in perpetuity. It should be portable.

The universal service provisions in TA-96 focus on end-users services and rates, not carriers. The FCC's FUSF and contribution requirements should do the same.

²⁴ *In re: Inter-carrier Compensation*, Docket No. 01-92, Comments of Qwest Communications, Inc. (November 26, 2008), pp. 2-3; *In re: Inter-carrier Compensation*, Docket No. 01-92, Comments of the Wyoming Public Service Commission, (November 26, 2008), pp. 2-3.

²⁵ *In re: Inter-carrier Compensation*, Docket No. 01-92, Comments of the Wyoming Public Service Commission (November 26, 2008), pp. 2-6.

This exception should apply only in cases where the designated POLR/COLR can demonstrate with cost evidence that the revenue stream for comparable services at comparable rates cannot meet actual costs after factoring in contributions and all revenues, including revenues from unregulated and regulated services at comparable rates. In that narrow circumstance, the FCC would have to provide supplemental support to the POLR/COLR carrier based on end-user rates.

The PaPUC makes these suggestions because the federal sufficiency and comparability mandates do not prohibit reasonable conditions. This is particularly true if those conditions minimize FUSF costs, meet the comparability mandate of Section 254, and ensure that ubiquitous networks are open networks. The PaPUC proposes reasonable contribution conditions to ensure that all states undertake similar efforts to ensure the delivery of comparable services at comparable rates. Otherwise, contribution disparities could give rise to comparability or sufficiency claims from net contributor states.

The PaPUC suggests that support focus on the end-user's rates as part of the Section 254(b)(3) comparability mandate. There should be no grant in perpetuity to the POLR/COLR. Reasonable conditions violate neither comparability nor sufficiency.

6. Funding Reform: Surcharges or Revenue Assessments. The PaPUC also challenges reliance on a "numbers assessment" fee and SLC increases to fund reforms.²⁶ The PaPUC shares the concern that a "numbers assessment" should not replace the traditional "revenues assessment" because, as the NTCA indicates, there are multiple sources of revenues, including unregulated services, special access, and other services.²⁷

²⁶ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of NASUCA (November 26, 2008); Comments of NTCA (November 28, 2008), pp. 26-29.

²⁷ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of NTCA (November 26, 2008), pp. 26-29.

The PaPUC previously documented how SLC increases to fund “access reform” in the past had negative results on universal service in Pennsylvania and the MACRUC region.²⁸ The PaPUC reiterates this concern because neither the ICC NOPR nor the filed Comments address that evidence from the FCC’s own Universal Service reports.

The PaPUC filing illustrated that the November 2006 Universal Service Monitoring Report from the FCC demonstrated penetration rate declines for telephone service. Universal service went from 97.85 in 2001 to 97.2% in 2004. Delaware, the District of Columbia, Kentucky, Maryland, Virginia, and West Virginia also experienced similar declines in their respective telephone penetration rates.²⁹

The PaPUC notes that the 2007 Universal Service Monitoring Report shows what happens when “modest” SLC increases and number assessments like those supported in the Comments result in real rate increases. The MACRUC Region witnessed penetration rate declines following adoption of the CALLS Order and the accompanying SLCs. This is instructive because the MACRUC Region encompasses a large part of the nation’s population and most states and the District are net contributors to the FUSF.

The MACRUC Region also saw significant telephone penetration rate declines following CALLS and MAG. The latest USF Report shows that Pennsylvania’s penetration rate declined from 97.0% in 2001 to 96.1% in 2007.³⁰ Penetration rates in the District of Columbia declined from 94.5% in 2001 to 92.5% in March 2007. Maryland’s

²⁸ *In re: Intercarrier Compensation*, Docket No. 01-92, Ex Parte Comments of the PaPUC (October 27, 2008), pp. 2-3; *In re: Petition of AT&T*, Docket No. 08-152 and Docket No. 01-92, Comments of the PaPUC (August 21, 2008), pp. 22-25.

²⁹ *Universal Service Monitoring Report*, CC Docket No. 98-202 (Data Received through May 2006) (*USF Monitoring Report*), Table 6.4, p. 6-14.

³⁰ 2007 USF Monitoring Report, Table 6-9, pp. 6-30 and 6-33.

declined from 96.0% in 2001 to 95.5% in March 2007. New York's penetration rate declined from 95.1% in 2001 to 93.0% in 2007.

There were telephone penetration rate declines nationwide, most notably for end-users in the \$15,000 to \$49,999 income ranges. The PaPUC remains concerned because these end-users are more likely to feel the direct impact of SLC increases – particularly if the carrier can “deaverage” local and/or regional toll service rates and collect more in areas with less competition and less in areas with more competition. Moreover, these penetration rate declines occurred even after factoring in the growth in wireless service.³¹

A similar decline in telephone penetration rates is also apparent nationwide at incomes below \$50,000 during the same period. Penetration rates for incomes in the \$40,000-\$49,999 range were 97.8% in 2001 and 97.0% in 2007. Penetration rates in the \$15,000-\$19,999 range declined from 93.2% in 2001 to 92.3% in 2007.³²

There was a decline in telephone penetration rates across ethnic lines. The Caucasian penetration rate at the \$40,000-\$49,999 level declined from 97.9% in 2001 to 97.4% in 2008. The African-American penetration rates declined from 97.0% in 2001 to 94.1% in 2008 while Hispanic rates declined from 96.0% in 2001 to 94.3% in 2008.³³

In addition, the Caucasian penetration rate at the \$15,000-\$19,999 range declined from 93.8% in 2001 to 92.6% in 2007 while the African-American penetration rates rate barely increased from 91.1% in 2001 to 91.2% in 2008. The Hispanic penetration rates

³¹ 2007 Universal Service Monitoring Report, pp. 6-2 to 6-3.

³² 2007 USF Monitoring Report, Table 6-10, pp. 6-40 and 6-44.

³³ 2007 USF Monitoring Report, Table 6-10, pp. 6-40 and 6-44.

saw a substantial decline from 87.7% in 2001 to 87.0% in 2008,³⁴ virtually wiping out the .1 percentage increase in African-American penetration rates.

The conventional wisdom that “modest” SLC increases and numbers assessments like those supported in the Comments have little impact on telephone penetration rates either nationwide or in the MACRUC Region should be viewed skeptically. At the very least, the FCC must ensure that any access rate reductions enacted are accompanied with a carrier mandate to flow through every dollar in access rate reductions in the charges imposed on consumers for long-distance service.

A mandatory flow through in long-distance rate reductions for end-users, not just access payments between carriers, is required. End-users must see real declines in their long-distance calling charges to offset increased SLCs or numbers assessments. The FCC must reject claims that reductions in long-distance rates are miniscule given the large number of calling minutes. That means end-users see increases but no rate decreases.

There should be a mandate to flow through access rate reforms in long-distance calling rates if those reforms are funded by increased SLCs and number assessments. Otherwise, the imposition of SLCs and assessments with current long-distance calling rates will translate into the kind of rate increases that undermine telephone penetration rates. This occurred with CALLS and MAG in 2001-2007 and should be avoided here.

B. Intercarrier Compensation

The PaPUC does not agree that the new incremental cost model is better than the TELRIC model. The TELCRIC model appropriately includes joint and common costs.

³⁴ 2007 USF Monitoring Report, Table 6-10, pp. 6-40 and 6-44.

The PaPUC disputes the FCC's claim to plenary jurisdiction over intrastate access rates. Moreover, the PaPUC is concerned that selective access revenue recovery for some RLEC carriers compared to others will cause more harm than good.

1. **Revenue Neutral Recovery for Lost Access Revenues.** The PaPUC is also concerned about denying price-cap RLECs revenue neutral recovery compared to Rate-of-Return RLECs (ROR RLECS).³⁵

The PaPUC suggests that price-cap RLECs be allowed to seek revenue neutral recovery of lost access revenues albeit with some conditions. The PaPUC supports the concern expressed in the Comments of price-cap RLECs like United/Embarq, Frontier and Windstream. They are rightly concerned that revenue losses from access reforms seriously jeopardize or undermine their capital investment in broadband networks. If the FCC's reforms are supposed to address competition and promote broadband deployment, this new reform should not undermine older state reforms that already did that.

The PaPUC makes the following suggestions on how the ICC NOPR and Comments can include price-cap RLECs in the recovery of revenues attributed to federal reform.³⁶ These suggestions reduce costs, minimize litigation, and address revenue loss.

³⁵ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Cincinnati Bell (November 26, 2008), p. iv; Comments of Frontier (November 26, 2008), pp. 9-10; Comments of ITTA (November 26, 2008), pp. 5-8.

³⁶ The RBOC price cap carriers are not included for three reasons. They have not raised the issue as extensively as the price-cap RLECs. AT&T admits that revenue losses are a price to pay for reform. The ITTA Plan notes that the large RBOC carriers have alternative ways to address this loss. Neither Verizon nor AT&T raise this issue in their filed Comments. However, to the extent those carriers may raise that issue in an Early Adopter/Net Contributor state, the PaPUC suggests that those losses in those states may warrant inclusion but also only in rural exchanges.

The PaPUC suggests that revenue losses from access rate reductions be recovered through the equivalent of a Federal Access Recovery Mechanism (FARM) with some limitations. These conditions reduce cost while ensuring revenue neutral recovery.

Revenue loss claims should only be included if they represent revenues lost from reforms that threaten rural exchange broadband deployment in the Early Adopter/net contributor states or where the carriers and the state commissions agree to similar efforts. Carriers in states that have not nor will not undertake substantial access reform, increase local rates, and support broadband initiatives should be ineligible to make a FARM claim.

A submitting carrier must document their reform efforts in detail, including information on the per capita and household contributions toward reform. Those contributions must be at least similar in size and scope to those already underway in Pennsylvania on a per household basis. Carriers should not be able to recover their lost access revenues in the FARM if they have not proposed and implemented similar contributions in the FUSF net recipient states where the carrier operates.

Carriers lacking similar reforms and contributions should not secure the benefit of reduced access rates, broadband deployment, and revenue recovery from states that already implemented substantial intrastate access reforms. Carriers in net recipient states should not evade the burden of imposing local contributions to underwrite reform by choosing to wait until the FARM dispenses support. A decision that prohibits carriers other than carriers in the Early Adopter states/net contributor states from including their RLEC revenue losses in the FARM goes a long way to addressing the equity issue with carriers in Early Adopter/Net contributor states.³⁷

³⁷ The PaPUC recognizes that this limitation may cause conflict, particularly given the wide disparity in geography and population densities across the country. However, Pennsylvania is a

In addition, a price-cap RLEC supporting the ITTA proposal on lost revenue recovery should be limited to recovery over the period proposed in the ITTA Proposal. Price-cap RLECs that support the ITTA proposal include United/Embarq, Frontier, and Windstream.³⁸ Those RLECs should not be permitted to invoke independent state law or raise independent state law claims for losses attributed to results they support.

The ITTA Proposal would transition access charge recovery for price-cap RLECs over a five year period in which 100% of the lost revenues are recovered in Years 1 to 3 and 50% of the lost revenues are recovered in Years 4 to 5 along with 100% of the revenues from Years 1 to 3. That plan and the supporting Comments suggest that RLEC price-cap carriers in Early Adopter/net contributor states do not need or expect revenue recovery beyond a five-year period. Moreover, those carriers do not have concerns with independent state law provisions addressing the recovery for lost revenues during or after that period since that issue is not raised in their Comments.

Consequently, a carriers' eligibility and participation in the FARM, as proposed in the ITTA Plan, should be the floor and ceiling for access revenue rate recovery. Participation in the federal plan and FARM proposal should negate claims under

Commonwealth with approximately 12 million people and approximately \$1.3B in reforms in place. A similar kind of per capita or household contribution should be expected before a net recipient carrier seeks recovery as an RLEC. States with those carriers should, like Pennsylvania, manage that carrier compensation cost over the 5 year period. The point is that net beneficiary carriers should be expected to undertake a similarly difficult effort or, in the alternative, be required to deduct a similarly proportional amount from any FARM claim.

³⁸ *In re: Intercarrier Compensation*, Docket Nos. 01-92, Comments of Frontier (November 26, 2008), p. 9; Comments of Embarq (November 26, 2008), pp. 2 and 7; Comments of CenturyTel (November 26, 2008), pp. 22-24.

independent state law during or after the transition period.³⁹ This will help carriers meet their broadband deployment commitments. It also avoids more of the rate increases for reforms that undermined universal service in the past.⁴⁰ The price-cap RLECs could also be subject to offset calculations attributed to additional revenues from new or expanded regulated and unregulated services as well as savings from reductions in access paid by their affiliate wireless, CLEC, VoIP, long distance, or for similar services.

This approach also represents a good-faith effort to recognize and compensate Early Adopter/net contributor states for a considerable part of the contributions already secured to reform access rates and finance broadband deployment. This is particularly important in Early Adopter/net contributor states that witnessed penetration rate declines following adoption of the earlier CALLS and MAG proposals.

2. The TELRIC Model and the New Cost Model. The PaPUC opposes the abandonment of TELRIC in favor of the “new” incremental cost model. The PaPUC is not convinced by those comments which claim that the TELRIC inclusion of joint and common costs is inappropriate.

Two observations particularly support this position. First, the Comments from Cost Quest Associates claim that TELRIC may understate the economic costs of a real-

³⁹ The Comments of Pennsylvania, Oklahoma, and Wyoming demonstrate that they are states with revenue neutral rate recovery provisions. Those states carriers should be able to submit a FARM claim to the FCC so long as they also demonstrate that they meet the other criteria.

⁴⁰ In the alternative, RLEC price-cap carriers with broadband deployment commitments that extend beyond the five-year period set out in the ITTA Plan could be allowed to seek recovery under the Year 4-5 conditions set out if their commitments extend beyond 2014, the current end of the five-year period if the FCC adopts a final plan in December 2008 with implementation starting in January 2009. In Pennsylvania, that should not be the case because Pennsylvania’s remaining price-cap RLECs are set to complete their commitments in 2013 under state law. *See In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the PaPUC, Appendix B (November 26, 2008).

world producer.⁴¹ If TELRIC allegedly understates real world economic costs, the proposed “new additional cost” model’s exclusion of joint and common costs to justify the proposed \$.0007 rate will, if anything, markedly aggravate any inability to recover real world economic costs because they are so much lower. TELRIC has the merits of resulting in a better approximation of real-world costs because it includes joint and common costs compared to the “new additional cost” model’s absolute exclusion. In addition, supporters of TELRIC uniformly express concern about the proposed exclusion of joint and common costs. The supporters of the new incremental cost model do not present convincing arguments that joint and common costs should be excluded in developing rates for access services and reciprocal compensation.

C. Ancillary Issues

1. **Phantom Traffic and Traffic Pumping.** The PaPUC’s Comments originally supported the proposed requirement that carriers ensure that the required fields contain the Called Party Number (CPN) or Called Party (CN) information so that the terminating carrier knows what originating carrier is responsible for payment of the access charges. A non-complying carrier would pay the highest rate under a “default provision” in the proposal. These appeared to be reasonable solutions to a vexing problem in the ICC NOPR. In addition, the PaPUC notes that traffic pumping, a practice in which some LECs enter into arrangements with their underlying customers to extract higher rural LEC access compensation, needs to be resolved.⁴²

⁴¹ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Cost Quest Associates, p. 9, n. 5 (November 26, 2008).

⁴² *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of RCN et al. (November 26, 2008), pp. 30-31.

On the Phantom Traffic issue, the filed Comments by many parties suggest that limiting the Phantom Traffic solution to SS7/Signalling fields does not reflect the reality of modern IP networks. A better solution would be to rely on Uniform Resource Identifiers (URIs) or Internet Protocol Addresses (IP Addresses) more reflective of the evolving IP network.⁴³ On the other hand, several other Comments supported use of CPN and CN requirements as set out in the ICC NOPR.⁴⁴

On the “traffic pumping” issue, the PaPUC notes that some carriers provide qualified endorsement of the proposed rules. Essentially, some Comments claim that limits on CLEC access rates and revenue sharing are not always a nefarious practice. Moreover, some parties that are very concerned with traffic pumping recognize that all CLECs do not engage in such practices.⁴⁵

The PaPUC suggests that these issues are more complicated than a simple mandate to populate fields with the correct E.164 “number” resource or a request to absolutely prohibit all revenue sharing. The PaPUC recognizes that a simple mandate will not solve the Phantom Traffic and Traffic Pumping matters. However, a record on these issues can be developed far more quickly in the short-run as compared to Intercarrier Compensation and Access Reform.

The PaPUC asks the FCC to proceed apace with Phantom Traffic and Traffic Pumping. Multiple state proceedings are held in abeyance pending FCC resolution on many issues in this ICC NOPR. These two issues can be solved quickly.

⁴³ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of Feature Group IP (November 26, 2008), pp. 4-9.

⁴⁴ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the Wisconsin Public Service Commission (November 26, 2008), pp. 2-3. *Accord*, NASUCA Comments, p. 23.

⁴⁵ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of RCN et al. (November 26, 2008), pp. 30-31; and nn. 88 citing Qwest and Sprint-Nextel.

As an alternative, the PaPUC suggests that the FCC consider adopting the compromise proposal set out in the Feature Group IP Comments. Feature Group IP suggests that reliance on the E.164/SS7 approach is tolerable so long as there are amendments that mandate TELRIC as the basis for any tariff costs. Moreover, the final rules should avoid reliance on higher-priced special access.

The PaPUC's earlier suggestion that PSTN facilities and related services, like special access, are better classified as Common Carrier Title II retains relevance. A Title II Common Carrier approach would go a long way to ensuring that pricing issues for all network interconnection, including special access, are transparent, available to all requesting carriers, and that the charges are just and reasonable. The PaPUC makes this recommendation because higher-priced services, to the extent they even include special access, may also be a revenue source to finance broadband availability as the PSTN increasingly reflects competition and transformation into a packet-sending network.

2. The Transit "Edge/Tandem" Issue. This issue addresses services that provide for interconnection between two otherwise distinct networks. Transit service is a service in which third parties provide the "transport and termination" to facilitate interconnection between these otherwise distinct networks. In the alternative, the first "originating" network and its carrier can interconnect directly with the second "terminating" carrier and its network without using third-party transit service.

The current FCC rule only requires one Point of Interconnection per LATA (the so-called "one POI per LATA" rule) for direct (carrier-to-carrier) or third-party "transit"

service.⁴⁶ This typically takes place in the terminating carrier's tandem or, alternatively, the Point of Presence (POP) in a LATA. The Missoula Plan proposed to deregulate this.

This ICC NOPR should not mandate anything but "one POI per LATA" to preserve that rule. The new proposal seems to deviate from that in response to an earlier AT&T/Verizon position.⁴⁷

Several comments express deep reservation and outright opposition to the proposal. NCTA is concerned that a new "multiple POIs per LATA" rule is lurking within that proposal. This would affect financial recovery above the proposed "default rate" based on the new cost model. They believe that is contrary to federal law, vacates current FCC rules, and allows a terminating carrier to demand multiple connections at multiple sites at their network's edge. NCTA is upset that the proposal seems to require CLECs to directly interconnect with the terminating LEC.⁴⁸ Supporters of the proposal do not believe it abandons the "one POI per LATA" rule. The proposal simply allows RLECs to designate an end office for POIs even if a tandem subtends that end office.⁴⁹

The PaPUC believes that this transit issue is complex. This has been a controversial matter even before the Missoula Plan. Parties have differing interpretations of what the ICC NOPR is doing and how whether it repeals existing rules and practices. The FCC should examine these claims, particularly as it relates to the "one POI per LATA" rule, before issuing a final clarification.

⁴⁶ *In re: Application of Southwestern Bell to provide In-Region Inter and Intra LATA long distance service*, Docket No. 15 FCC Rcd 18354, 18390 (2000) (the "SBC Section 271" case).

⁴⁷ *ICC NOPR*, Appendix C, paragraph 270.

⁴⁸ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of National Cable & Telecommunications Association (NCTA) (November 26, 2008), pp. 16-19.

⁴⁹ *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of ITTA (November 26, 2008), pp. 14-15.

The PaPUC believes that an interpretative clarification on what the ICC NOPR actually intends to do with the “one POI per LATA” rule will solve a considerable part of this issue. Since a record on this issue is relatively developed, the PaPUC thinks this issue can be clarified quickly compared to other issues.

The PaPUC asks the FCC to simply clarify that the “one POI per LATA” rule continues in force. This is a clarification that can quickly solve an issue.

The PaPUC also recommends that the FCC shorten the implementation period from the proposed 10 year transition to five-years. Moreover, consistent with the PaPUC’s earlier suggestions, transit service should continue to be an interconnection telecommunications service and should be treated as a Title II Common Carrier service. In that regard, the FCC should consider suggestions that tandem switching and special access and transit service must be cost-based, as well.⁵⁰

3. FCC’s Legal Interpretation. The PaPUC still disagrees with the FCC’s expansive legal interpretation of their authority under Sections 201, 332, and Title I to impose a federal rate and pricing methodology on intrastate rates and pricing. The Comments severely criticizing the FCC’s weak legal interpretation are instructive.⁵¹

⁵⁰ *In re: Inter-carrier Compensation*, Docket No. 01-92, Comments of NTCA (November 26, 2008), p. 4 and pp. 37-38.

⁵¹ *In re: Inter-carrier Compensation*, Docket No. 01-92, Comments of Cincinnati Bell (November 26, 2008); Comments of RCN et al (November 26, 2008); Comments of Comptel (November 26, 2008); Comments of NARUC (November 26, 2008).

The PaPUC recommends, in the alternative, that state commissions be given a voluntary choice on opting into the federal reform. The PaPUC previously made that suggestion in other filings and supports similar comments in this cycle.⁵²

4. The Scope of the Study Area Rate. The ICC NOPR specifically asked if any federal reform should establish access rates based on the carriers' study areas or whether there should be a statewide rate. Since this issue goes to intrastate ratemaking matters beyond the FCC's purview, the PaPUC respectfully suggests that this is not an appropriate inquiry. If, however, the matter is to be addressed, the PaPUC suggests that this is a decision best left to the state commissions in their respective states.

Pennsylvania currently has intrastate access rates based on the carrier's study area. The PaPUC implemented access rate reforms totaling \$795.3M.⁵³ The PaPUC sees no need to depart from that practice at this time nor does the FCC have legal authority to preempt or vacate that determination, particularly on the ground that state laws or commission action impede implementation of TA-96.

CONCLUSION

The PaPUC supports FUSF and ICC reform but funding should come from assessments and not SLCs and numbers. A Broadband Pilot program should be limited to Early Adopter/net contributor states with 50% allocated to rural exchanges in rural areas. This is their prior reforms created broadband networks that can be used to test the pilot.

⁵² *In re: Intercarrier Compensation*, Docket No. 01-92, Comments of the National Telecommunications Cooperative Association (NTCA) (November 26, 2008), p. 4 and pp. 8-9.

A carrier receiving continuous FUSF support must provide open access and their network must be classified as a Title II Common Carrier network because this nation's evolving IP networks have providers that need interconnection with that PSTN. Other networks should be subject to the requirements but for competitive neutrality purposes.

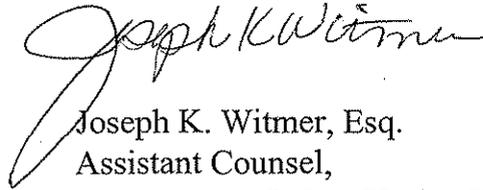
The FCC must structure a reform proposal that is voluntary because the FCC lacks legal authority to preempt or mandate intrastate rates for intrastate services. An FCC Federal Access Rate Mechanism (FARM) that compensates all ROR RLECs and price-cap RLECs in Early Adopter/net contributor states for lost revenues would be more attractive than unfunded federal mandates. Compensation could be limited to five years, as proposed in the ITTA Plan, because price-cap RLECs support that plan. Funding can come from assessments on interstate regulated and unregulated revenues. States should be authorized to collect an additional assessment up to a predetermined percentage to support universal service, operations, broadband, and revenue neutral recovery.

⁵³ *In re: Intercarrier Compensation*, Docket No. 01-92 (December 22, 2008), Reply Comments of the PaPUC, Appendix A. Appendix A reflects the access reform totals already provided to the Commission in the PaPUC's Comments filed October 25, 2006 in Docket No. 01-92 as well.

The PaPUC does not think that the Phantom Traffic, traffic pumping, and edge/network proposals can be solved right now. But, those issues can be separated from FUSF and ICC reforms and be solved more quickly on separate tracks.

Respectfully submitted,

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December 22, 2008

APPENDIX A

Broadband Deployment and Universal Service-PaPUC Efforts and costs

PA PRICE CAP ILEC

BROADBAND DEPLOYMENT INCREASES SINCE ACT 183

Total actual collected increases for all Price Cap ILECs	\$76,332,886
Total available banked increases for all Price Cap ILECs	\$26,492,841
Total Broadband Deployment	<u>\$102,825,727</u>

ACCESS REFORM (Rate Reductions)

Verizon Access Rate Reductions	\$605,900,000
Rural Carrier Access Rate Reductions	\$189,400,000
Total Access Rate Reductions	<u>\$795,300,000</u>

PA USF STATE SUPPORT (2000-2009)

April 1, 2000 - July 31, 2001	\$35,113,553
August 1, 2001 - December 31, 2002	\$49,037,000
2003	\$33,515,402
2004	\$33,523,868
2005	\$33,565,233
2006	\$33,565,234
2007	\$33,569,762
2008 (Projected by end of 2008)	\$33,570,452
2009 (Projected Support)	\$33,578,219
Total USF	<u>\$319,038,723</u>

<u>GRAND TOTAL</u>	<u>\$1,217,164,450</u>
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APPENDIX B

PENNSYLVANIA PRICE CAP ILECs

Combined amount of actual and banked increases since the passage of Act 183 of 2004

	<u>Total Actual and Banked Increases</u>
Bentleyville	\$77,954
Buffalo Valley	\$900,144
Citizens of Kecksburg	\$238,901
Conestoga	\$2,339,201
Consolidated Communications	\$3,723,560
D&E	\$3,135,930
Frontier Breezewood	\$158,976
Frontier Canton	\$175,232
Frontier Commonwealth Tel	\$14,808,300
Frontier Communications PA	\$1,068,730
Frontier Lakewood	\$68,222
Frontier Oswayo River	\$85,584
Hickory	\$64,320
Ironton	\$341,826
Lackawaxen	\$142,129
Marianna & Scenery Hill	\$133,129
North-Eastern PA	\$559,265
TDS - M&M	\$235,528
TDS - Sugar Valley	\$59,509
United Tel d/b/a Embarq	\$12,499,312
Verizon North	\$8,746,600
Verizon PA	\$39,463,200
Windstream PA	\$13,800,174
TOTAL	<u>\$102,825,727</u>

APPENDIX C

PENNSYLVANIA PRICE CAP ILECs

Total Implemented Revenue Increases since the passage of Act 183 of 2004

	<u>Total ACTUAL Revenue Increases</u>	<u>Broadband Completion Date</u>
Bentleyville	\$0	2008
Buffalo Valley	\$665,744	2008
Citizens of Kecksburg	\$0	2008
Conestoga	\$1,177,256	2008
Consolidated Communications	\$0	2008
D&E	\$1,553,064	2008
Frontier Breezewood	\$29,654	2008
Frontier Canton	\$26,259	2008
Frontier Commonwealth Tel	\$14,321,718	2008
Frontier Communications PA	\$159,736	2008
Frontier Lakewood	\$12,406	2008
Frontier Oswayo River	\$9,915	2008
Hickory	\$29,157	2008
Ironton	\$3,780	2008
Lackawaxen	\$12,715	2008
Marianna & Scenery Hill	\$0	2008
North-Eastern PA	\$0	2008
TDS - M&M	\$0	2008
TDS - Sugar Valley	\$0	2008
United Tel d/b/a Embarq	\$3,922,182	2013
Verizon North	\$8,582,100	2015
Verizon PA	\$39,463,200	2015
Windstream PA	\$6,363,999	2013
TOTAL	\$76,332,886	