

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

COMMENTS OF VERIZON AND VERIZON WIRELESS

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May 8, 2009

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I. Introduction and Summary.

The Commission should have two objectives in this proceeding: (1) to provide a meaningful and satisfactory response to the Tenth Circuit’s concerns in *Qwest II*;² and (2) to ensure that the high cost fund is sustainable going forward.

To respond to the court, the Commission must address how the non-rural fund fits within the larger context of the entire universal service program. The non-rural fund is only one small piece of the whole universal service puzzle. The non-rural fund itself is not designed to achieve all of Congress’ universal service objectives in the Act. There are many different universal service programs that, by design, work together. The result of all of these programs is today’s nearly ubiquitous access to and very high rate of subscribership to communications services. It is in this context that the Commission must explain how its non-rural fund rules are one part of its much larger program that, overall, must be “sufficient” to contribute to the “preservation and advancement” of

¹ In addition to Verizon Wireless, the Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

² *Qwest Communications Int’l v. FCC*, 398 F.3d 1222, 1236-37 (10th Cir. 2005) (“*Qwest II*”).

universal service, and must promote service at rates that are “reasonably comparable” between urban and rural areas.³ 47 U.S.C. § 254(b). After balancing all of the statutory principles, the Commission should define “sufficient” support as “an affordable and sustainable amount of support that is adequate, but no greater than necessary, to achieve the goals of the high cost program.” The Commission should define “reasonably comparable” rates as those “that are similar to or within a reasonable range of urban rates, accounting for rates of all competing services regardless of technology.”

But more important than revisiting these abstract definitions, the Commission – as the court instructed – must look at empirical data to determine if the non-rural high cost fund is sufficient and whether non-rural carrier customers enjoy reasonably comparable rates. *See Qwest II*, 398 F.3d at 1237. What the data show is that rates across rural and urban areas have been reasonably comparable in the past, are reasonably comparable today, and will continue to be reasonably comparable in the future. An updated analysis of non-rural carrier rates and national pricing plans offered ubiquitously by wireless carriers and Voice over Internet Protocol (“VoIP”) providers make clear that rates are reasonably comparable today and will continue to be so in the future. If anything, rates in rural areas are *lower* than rates in urban areas. Moreover, for five years now state commissions have submitted to the Commission annual certifications attesting to the reasonable comparability of rates across rural and urban areas. This certification process should continue so that the Commission will be able to monitor the comparability of rates going forward.

³ *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service*, Notice of Inquiry, WC Docket No. 05-337, CC Docket No. 96-45, FCC 09-28 (rel. April 8, 2009) (“*Notice of Inquiry*”).

Because reasonably comparable rates have been achieved, the Commission need not defend the non-rural fund to the court based solely on this statutory objective. If the Commission desires to retain the mechanism, it should find that the fund can also be based on the Commission's other statutory duties such as to "preserve and advance" universal service.

At the same time the Commission addresses the court's concerns, the Commission should consider other critical changes to universal service to ensure that the fund is sustainable and affordable for consumers going forward. These important reforms are necessary to bring the fund in line with changes in technology and the evolution of the market, including deployment of wireless and IP-based services that are rapidly displacing traditional wireline services.

On the contribution side, the Commission must replace the current interstate revenues-based contribution mechanism to conform the universal service contribution system to the realities of the market. This system is no longer viable. It was designed for a one-network world with meaningful distinctions between intrastate and interstate services and between telecommunications and information services. In today's any-distance market with converged services such distinctions are almost always arbitrary and increasingly impossible to make. A contribution system based on telephone numbers is a much better approach.

On the distribution side, reform is just as critical. The high cost program was designed to support yesterday's technology in one-network local service markets. Today, with aggressive competition from wireless and IP providers across the country, the fund should not continue to support multiple competing providers in areas that may not need

any support. To address these and other concerns, the Commission should place an overall cap on the high cost fund and award support to wireless carriers by competitive bidding. A cap on the high cost fund would protect consumers by ensuring that the fund, like other universal service programs, operates efficiently and on a budget. And awarding support to a single wireless carrier in a high cost area based on competitive bidding would effectively eliminate the troubled identical support rule and would provide the most efficient amount of wireless support that is reasonably required.

The result of these reforms would be a workable budget for the high cost fund within which funds could be freed up for other universal service priorities. For example, as we have proposed elsewhere, such priorities could include one-time funding for the “middle mile” transport costs of Internet traffic in areas that do not have broadband access or to support a transition to a more targeted funding mechanism to redistribute existing non-rural funds such as a wire-center based mechanism.

By taking these key steps to both address the court’s concerns and the more fundamental problems with the universal service fund (“USF”), the Commission can ensure that the goals of universal service are met and that the fund neither overburdens consumers nor jeopardizes the affordability of services in all parts of the country.

II. The Commission Should Respond to the Court’s Concerns In the Context of How the Non-Rural Fund Fits Into the Larger Universal Service Program And Based On Empirical Rate and Market Evolution Data.

A. The Whole Universal Service Picture.

The Tenth Circuit’s overarching concern with the last remand order⁴ was the Commission’s failure to “consider fully the Act’s principles as a whole.” *Qwest II*, 398 F.3d at 1234. The court instructed the Commission to examine “the evolving nature of the system of supports” and develop a “comprehensive picture” of how universal service programs should be structured in the current market. *Id.* at 1230. To address the court’s concerns, the Commission’s order on remand should first explain how the non-rural fund fits into the larger universal service program. The Commission and the court cannot reasonably evaluate the non-rural fund in isolation. No individual part of the USF is designed to achieve all of the universal service objectives in the Act.

The non-rural fund is only one of numerous mechanisms that the Commission has put in place to address universal service in particular areas or for particular groups of customers that historically have received subsidized communications services. Indeed, the non-rural fund accounts only for approximately \$350 million of the more than \$7 billion that the Commission ultimately collects from consumers and spends annually on universal service. *See Federal-State Joint Board on Universal Service, Universal Service Monitoring Report*, CC Docket No. 98-202, at 1-36 (2008) (“Monitoring Report”).

Specifically, while universal service historically was a concern in rural or other high cost areas, the non-rural fund is only one of several mechanisms that address that

⁴ *Federal-State Joint Board on Universal Service, Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order*, 18 FCC Rcd 22559 (2003).

concern. For example, in addition to the non-rural fund, the Commission also has established a separate “rural” high cost fund. Generally, the “non-rural” fund provides support to large carriers serving in high cost areas of the country based on a forward-looking statewide average of these carriers’ costs. High cost funding for “rural” carriers, in turn, is generally distributed to small carriers based on each carrier’s embedded costs. Rural carrier high cost funding comes from multiple sources within the overall high cost fund, the largest of which are the high cost loop and local switching support programs that collectively account for about \$2 billion of the Commission’s \$7 billion annual spending on universal service. *Id.* Many states also have their own supplemental high cost programs that address more localized universal service issues.

In addition to these federal high cost programs, the Commission and several state commissions have historically relied on “access charges” – charges that carriers pay each other when their customers initiate calls to or receive calls from different networks – to subsidize the cost of local service in some high cost areas. As the Commission has moved to reduce these “implicit” subsidies in interstate rates, it has simultaneously established separate replacement mechanisms intended to further universal service objectives in high cost areas previously subsidized by those rates. This has resulted in two additional federal high cost programs. The Commission’s Interstate Access Support, or “CALLS,” program is a \$650 million annual fund generally designed to replace some of the revenue “non-rural” carriers have lost as a result of related reductions in access charges. *Id.* Likewise, the Commission’s Interstate Common Line Support program is a \$1.4 billion annual fund generally designed to replace some of the same revenues lost by “rural” carriers. *Id.*

Likewise, the Commission has a number of separate mechanisms designed to help particular groups of customers that historically have received subsidized communications services. For example, beyond the various high cost programs, the universal service fund also subsidizes communications services for low income consumers (including those who reside in high cost areas) through the Lifeline and Link-Up programs. The Commission has two programs to subsidize service for qualifying low income consumers – Lifeline and Link-Up support. The Lifeline program subsidizes the ongoing cost of service for qualifying low income consumers; the Link-Up program subsidizes one-time connection charges for these consumers. The Commission spends about \$820 million annually on these programs. *Id.* Many states also have their own supplemental programs to assist low income consumers. Such state programs work in concert with the federal low income programs.

Further, another universal service objective has been equipping schools and libraries with the right network access so that these entities can carry out their educational missions with the most advanced technology available. The Commission’s schools and libraries program, commonly known as “E-rate,” is a capped \$2.25 billion annual fund that subsidizes the costs of eligible telecommunications services, Internet access, and internal connections for educational institutions. *See* 47 C.F.R. § 54.507.

Finally, a separate program is designed to help rural health care providers afford network connections that provide telemedicine opportunities to improve health care in rural areas. The Commission’s rural health care program is a capped \$400 million annual fund that subsidizes the costs of the communications services rural health care providers need. *See* 47 C.F.R. § 54.623.

The result of all of these universal service programs – in conjunction with independent advances in technology and the evolution of the market, *see infra* – is near ubiquitous access to communications services and very high subscribership rates. Nationally, 95.4 percent of all households have telephone service, either wireline or wireless, and no state has a subscribership rate lower than 90 percent.⁵ In fact, one of the most rural states – North Dakota – has the highest telephone subscribership rate in the country at 98.8 percent. *Id.* For wireless service alone, the penetration rate across the country has grown substantially in recent years to 87 percent of the total population.⁶

Thus, in responding to the court, the Commission should explain how the non-rural fund operates within a much larger framework that, overall, is quite effective in achieving Congress' broader goal of universal service. More specifically, this approach provides a response to the court's criticism that the Commission did not fully consider "the Act's principles as a whole" in justifying the non-rural mechanism. *Qwest II*, 398 F.3d at 1234.

B. Proposed Definitions of "Sufficient" and "Reasonably Comparable."

On remand, the Commission must define the terms "sufficient" and "reasonably comparable" and explain how the non-rural fund satisfies those objectives. *See Qwest II*, 398 F.3d at 1237; *Notice of Inquiry*, ¶¶ 14-20. The Tenth Circuit found that the Commission erred in defining the term "sufficient" by "focusing solely on the issue of

⁵ See Telephone Subscribership in the United States, FCC Wireline Competition Bureau, Industry Analysis and Technology Division, at 1 (released March 2009), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-289169A1.pdf.

⁶ See *Wireless Quick Facts, Year-End Figures*, CTIA—The Wireless Association (December 2008), available at <http://www.ctia.org/content/index.cfm/AID/10323> (comparing December 2000 to December 2008 figures).

reasonable comparability in §254(b)(3)” and directed it to “articulate a definition of ‘sufficient’ that appropriately considers the range of principles” under the statute. *Qwest II*, 398 F.3d at 1234. The court also held that the Commission’s definition of “reasonably comparable” was based on an impermissible statutory construction, because the Commission focused only on “preserv[ing]” universal service rather than, as the statute states, on “preservation and advancement.”⁷ The court remanded the non-rural mechanism, since it relied on the faulty definition of “reasonably comparable” that the court invalidated. *Id.* at 1237.

The Act provides that federal universal service support, viewed as a whole, “should be explicit and *sufficient* to achieve the purposes of [section 254].” 47 U.S.C. § 254(e) (emphasis added); *see also* 47 U.S.C. § 254(b)(5) (“There should be specific, predictable and *sufficient* Federal and State mechanisms to preserve and advance universal service”) (emphasis added). However, as the Tenth Circuit noted, sufficiency cannot be viewed in a vacuum and also must include consideration of principles of affordability and sustainability. *See* 47 U.S.C. § 254(b)(1); *Qwest II*, 398 F.3d at 1234 (“We are troubled by the Commission’s seeming suggestion that other principles, including affordability, do not underlie federal non-rural support mechanisms”). The principle of “sufficient” support also includes a concurrent prohibition against excessive funding in order to protect consumers, who pay for universal service through charges on

⁷ Specifically, in interpreting the statutory command to “preserve and advance” universal service, the court cautioned that the term “universal service” cannot be described separately for each verb. That is, the Commission cannot reason that “preserve” applies to one thing (rate variances) but “advance” applies to another (evolving rules recognizing changes in markets and technology). *Qwest II*, 398 F.3d at 1236.

their bills. *Id.*; see also *Alenco Communications v. FCC*, 201 F.3d 608, 620 (5th Cir. 2000).

Consistent with section 254 and the Tenth Circuit’s reasoning, the Commission should define “sufficient” as “an affordable and sustainable amount of support that is adequate, but no greater than necessary, to achieve the goals of the high cost program.” This incorporates the principle that whether funding is “sufficient” involves an inquiry not merely into whether there is *enough* support, but whether there is *too much*.⁸ In fact, the court specifically agreed that the Commission could limit the term “sufficient” by including in the definition the requirement that it be “only as large as necessary” to meet the statutory goal. *Qwest II*, 398 F.3d at 1234.

This proposed definition incorporates the goals of universal service as embodied in section 254. It ensures that the level of high cost support (as one component of the much broader federal program) is tied explicitly to all the principles underlying the universal service program and thus avoids the flaw in the Commission’s previous approach to defining “sufficient” that the Tenth Circuit found fatal. *Id.* (“the FCC’s definition [of sufficient] is impermissible in that it ignores all but one principle enumerated in § 254(b)”). The proposed definition also expressly incorporates the concept of “affordability” by ensuring that universal service levels are “sufficient” without growing so large as to be unsustainable and without rendering the rates for

⁸ “Sufficient” is not defined by the statute, but standard definitions of the term are “enough” or “adequate” or as much as is “necessary.” See WEBSTER’S II NEW COLLEGE DICTIONARY 1128 (3d ed. 2005); see also BLACK’S LAW DICTIONARY 1447 (7th ed. 1999) (“as is *necessary* for a given purpose”) (emphasis added).

supported services “unaffordable.” On remand, therefore, the Commission should define “sufficient” in relation to other principles including affordability and sustainability.

The Commission should define “reasonably comparable” rates as those “that are similar to or within a reasonable range of urban rates, accounting for rates of all competing services regardless of technology.”⁹ This proposed definition is faithful to the principles of section 254; it would ensure that services are “available at just, reasonable, and affordable rates” and that customers in “all regions of the Nation” have “[a]ccess to advanced telecommunications and information services” It also would both “preserve” as well as “advance” universal service by taking into account “changes in markets and technology” in defining reasonable comparability, consistent with the Tenth Circuit’s admonition. *Qwest II*, 398 F.3d at 1234-36.

There is no requirement that urban and rural rates be identical. Congress said rural rates should be “reasonably comparable” to urban rates, recognizing that there may be deviations in rates, which gives the Commission flexibility in implementing universal service goals. This flexibility is embodied in the definition proposed above, which incorporates a range of rates utilizing different technologies. The proposed definition avoids the inherent difficulties in attempting to quantify a concept such as “reasonably comparable,” which is bound to involve subjective determinations. It also obviates the need to establish inherently arbitrary benchmarks to measure reasonable comparability, an obvious concern of the court’s.

⁹ Again, the statute does not define “reasonably comparable;” however, “comparable” means “[l]ike or equivalent,” WEBSTER’S II NEW COLLEGE DICTIONARY 234 (3d ed. 2005).

The *Qwest II* court faulted the Commission for “designating a comparability benchmark at the national urban average plus two standard deviations,” which, according to the court, “ensured that significant variance between rural and urban rates will *continue unabated.*” *Qwest II*, 398 F.3d at 1236 (emphasis added). In particular, the court noted that, under a two standard deviations benchmark, “rural rates falling just below the comparability benchmark may exceed the lowest urban rates by over 100%.” *Id.* at 1237. Even though the Act does not require comparability in terms of “the lowest urban rates,” stepping away from the two standard deviation approach and adopting a more flexible approach to “reasonably comparable” rates avoids the possibility that any “significant variance between rural and urban rates will continue unabated.” *Id.* at 1236.

C. Empirical Evidence of Sufficient Support and Reasonably Comparable Rates.

More important than the abstract definitions that the Commission must revisit to respond to the court, the Commission and the Tenth Circuit should look, from a consumer perspective, to the marketplace itself to determine whether the Commission’s overall universal service program is consistent with the statutory objectives. Rather than an academic exercise to address statutory terms that Congress left undefined, this is the Commission’s charge in the Act.

The Act only promises universal service, and that is a goal that requires sufficient funding of *customers*, not *providers*. So long as there is sufficient and competitively-neutral funding to enable all customers to receive basic telecommunications services, the FCC has satisfied the Act and is not further required to ensure sufficient funding of every local telecommunications provider as well.

Alenco, 201 F.3d at 620 (emphasis in original). The key issue, therefore, is whether all of the universal service programs working together are sufficient to satisfy the objectives in the statute – one of which is reasonably comparable rates. And empirical data indeed

establish that rural and urban local telephone rates are reasonably comparable and have been since at least 2001.

1. Prior Period Rate Data.

Based on Verizon's 2006 analysis of rates of rural ILECs, the Commission can conclude that average rural rates are not only reasonably comparable to urban rates, but rural rates are actually, on average, *lower*. See March 27, 2006 Declaration of Patrick Garzillo ("Garzillo Declaration"), ¶ 11 (finding that based on a straight average measure rural rates are only 90.7 percent of urban rates; using a weighted average measure accounting for line counts rural rates are still only 95.2 percent of urban rates) (attached hereto as Exhibit 1).

For his declaration, Mr. Garzillo conducted a detailed, more than 20-page, analysis of rural and urban rates without regard to the type of carrier serving a particular area. To perform his analysis, Mr. Garzillo and his staff obtained and reviewed rate information from multiple sources, including rate data of more than 50 rural ILECs in six representative states. Garzillo Declaration ¶¶ 7, 8. Mr. Garzillo and his staff also analyzed and compared rate data for 95 urban areas. Garzillo Declaration ¶ 9. In addition, Mr. Garzillo and his staff examined the comparability to urban areas of sample basic telephone rates from rural areas that were originally identified in a 2002 GAO report, and for which rates could be found.¹⁰ Although the rural areas identified by the

¹⁰ See *Telecommunications: Federal and State Universal Service Programs and Challenges to Funding*, General Accounting Office Report to the Ranking Minority Member, Subcommittee on Telecommunications and the Internet, Committee on Energy and Commerce, House of Representatives (Feb. 2002) ("GAO Report").

GAO include some of the most rural areas of the country,¹¹ rates in even those areas also were reasonably comparable to urban rates, both in 2001 and in 2006. Garzillo Declaration ¶¶ 13-21; *see also id.* at p. 11, Chart 1.D.¹²

2. Updated ILEC Rate Analysis.

The previous analysis conducted by Mr. Garzillo and his conclusions regarding reasonably comparable rates remain accurate. Looking again at just ILEC rates (which, as explained below, makes little sense given the national pricing plans offered by competing intermodal providers), it is still the case today that rural and urban rates are reasonably comparable. *See* Declaration of Alan J. Buzacott, ¶ 4 (“Buzacott Declaration”) (attached hereto as Exhibit 2). And if anything rural rates are generally lower than urban rates. *Id.* To confirm that the rural versus urban rate trends have not changed in the intervening three years since Mr. Garzillo conducted his analysis, Mr. Buzacott reviewed and analyzed basic residential tariff rate data for every non-rural carrier in every state. Buzacott Declaration ¶ 3. Throughout the country, residential rates of non-rural carriers are typically very similar within the states they serve regardless of

¹¹ The GAO Report contains rural rate information from some of the most rural areas in the country because the GAO only sampled rural carriers serving non-Metropolitan Statistical Areas. *See* GAO Report, at Table 3. And MSAs, in general, contain at least one urbanized area of 50,000 or more inhabitants. Thus, if there were any discrepancy between rural and urban ILEC rates it would likely show up when comparing the rates charged by carriers serving non-MSAs to rates charged in urban areas.

¹² *See also* Comments of BellSouth Corporation, CC Docket No. 96-45, at 2-4, Attachment A (filed March 27, 2006) (concluding, based on a thorough review of rural and urban rate data in 146 urban and rural areas served by non-rural carriers, that, on average, “the nation’s rural residents pay \$0.89 less than the nation’s urban residents”); Comments of National Association of State Utility Consumer Advocates (“NASUCA”), CC Docket No. 96-45, at 2, 8, 41 (filed March 27, 2006) (confirming based on granular rate data from 11,000 wire centers served by non-rural carriers “that there is not that much difference between current rural rates and current urban rates”).

whether their exchanges are located in rural or urban areas. Buzacott Declaration ¶ 4. It is not possible – and the Act does not require – for the Commission to achieve exact parity in non-rural carrier rates across states because state commissions, not the Commission, establish basic residential rates based on state-specific factors and policy judgments.

In many states, including Alaska, Iowa, South Dakota and other states traditionally considered to be “rural,” rates of non-rural carriers are the same throughout the state. Buzacott Declaration ¶ 5. Where a non-rural carrier does charge different residential local exchange rates, in all but a few isolated instances that carrier’s rural rates are *lower* than its urban rates. Buzacott Declaration, ¶ 6. For example, the highest residential rate charged by AT&T in Mississippi (\$19.01) applies in urban areas such as Jackson, while rates as low as \$16.20 apply elsewhere in the state, including rural areas. Buzacott Declaration, Attachment A, at 5. Similarly, Qwest’s highest rate in Idaho (\$20.95) applies in Boise, Pocatello, and Twin Falls, three of the largest communities in the state. Buzacott Declaration, Attachment A, at 2. And Hawaiian Telecom’s highest rates (\$16.05) apply in Honolulu. *Id.*

No non-rural carrier study area has a rate structure that uniformly applies higher rates to rural exchanges than to urban exchanges. Buzacott Declaration ¶ 7. In fact, out of the more than 50 non-rural carrier study areas that do not have uniform rates across all exchanges in the study area, only three study areas have *any* rural exchanges with higher rates than the rates in the study area’s urban exchanges. Buzacott Declaration ¶¶ 6-7. In two of those study areas, Qwest-Nebraska and Qwest-New Mexico, the real dollar urban-rural rate differential is de minimis. Buzacott Declaration, Attachment A, at 5-6. The

third study area, Qwest-Wyoming, has a unique rate structure that applies uniformly statewide with higher rates substantially offset by federal and state USF credits. Buzacott Declaration ¶ 7.

If anything, this analysis suggests that the current non-rural universal service support mechanism is providing too much support to some states. The statute does not allow the Commission to tolerate artificially low rates in rural areas at the expense of higher rates in urban areas. The objective is to achieve “reasonably comparable” rates. 47 U.S.C. § 254(b)(3). Thus, the data show that rural rates in many areas could be raised without violating the principle of reasonable comparability.

3. Wireless and VoIP Competition.

The reasonable comparability between rural and urban rates is further assured by the current state of robust competition from intermodal providers throughout the country.¹³ Wireless carriers and VoIP providers, in particular, offer competing voice services (usually in bundles of access and usage) in virtually all parts of the country utilizing national pricing plans, thereby ensuring reasonable comparability between urban and rural rates.

¹³ *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements*, Report and Order and Memorandum Opinion and Order, 22 FCC Rcd 16440, ¶ 27 (2007) (“[T]he Commission has determined . . . that intermodal competition between wireline services and services provided on alternative service platforms, such as facilities-based VoIP and mobile wireless, has been increasing and is likely to continue to increase.”); *see also AT&T Inc. and BellSouth Corp., Application for Transfer of Control, Memorandum Opinion and Order*, 22 FCC Rcd 5663, ¶ 3 (2007) (“[W]e note the rapid growth of intermodal competitors – particularly cable telephony providers (whether circuit-switched or voice over IP (VoIP)) – as an increasingly significant competitive force in [the mass market], and we anticipate that such competitors likely will play an increasingly important role with respect to future mass market competition.”).

Nationwide wireless pricing is the dominant practice in the industry.¹⁴ Verizon Wireless, AT&T, T-Mobile and Sprint-Nextel offer nationwide calling plans for an average effective rate of \$0.05 to \$0.10 per minute.¹⁵ In addition, these carriers offer unlimited nationwide calling plans.¹⁶ Attracted by these nationwide pricing plans, consumers everywhere have flocked to wireless services.¹⁷ Almost the entire population – including the rural population – now has access to mobile service offered by one or

¹⁴ See *Implementation of Section 6002(B) of the Omnibus Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, Thirteenth Report, WT Docket No. 08-27, DA 09-54 ¶¶ 14, 111-12, 118 (rel. Jan. 16, 2009) (“*Thirteenth Report*”) (finding that nationwide wireless providers offered unlimited national flat-rate calling plans and many smaller operators offer some version of a national rate pricing plan.).

¹⁵ See JONATHAN ATKIN ET. AL., RBC CAPITAL MARKETS EQUITY RESEARCH INDUSTRY COMMENT, *U.S. Wireless Review* Exhibit 10, 11 (Mar. 9, 2009) (“*RBC Report*”); see also GOLDMAN SACHS, AMERICAS: TELECOM SERVICES, *1Q09 Wireless Pricing Survey: T and VZ take different paths*, Exhibit 4 (Mar. 25, 2009).

¹⁶ *RBC Report* at 3.

¹⁷ Wireless minutes of use now eclipse wireline minutes of use. See, e.g., THOMAS O. SEITZ, ET AL., LEHMAN BROTHERS, *Telecom Services - Wireline* at 9, Figure 12 (Mar. 27, 2008) (showing that by 2007, wireless minutes of use had surpassed 2,000 billion and was estimated to have eclipsed wireline minutes of use); TIMOTHY HORAN, ET AL., OPPENHEIMER, *Communications Services: Wireless Turbulence: Sprint's Woes, Weak Economy, Spectrum Spend = Bumpy Ride* at 10, Exhibit 6 (Feb. 21, 2008) (showing roughly 231 billion wireless and 141 billion wireline minutes of use per month for 2007 and estimating roughly 280 billion wireless and 136 billion wireline minutes of use per month for 2009); SIMON FLANNERY, ET AL., MORGAN STANLEY, *Telecom Services: 4Q Trend Tracker: Stable FCF Supports Sector* at 70, Exhibit 111 (showing that “[m]inutes of use (MOUs) among the leading national wireless providers climbed 22-fold between 1999 and 2008” to reach 2,334 billion); Timothy Horan & Ned Baramov, Oppenheimer, *Cautious on the RLEC Sector* at 8, Exhibit 5 (June 18, 2008) (showing that by 2007, “ILEC Originating Interstate Minutes” declined to just over 110 billion, while wireless minutes of use had climbed to over 2,000 billion).

more different providers in the census block in which they live.¹⁸ Over the last eight years, the number of wireless subscribers has skyrocketed from 109.5 million to 270.3 million, and the wireless penetration rate jumped from 38 percent to 87 percent of the total population.¹⁹

Furthermore, a rapidly increasing number of wireless subscribers are “cutting the cord” and disconnecting traditional wireline service in favor of wireless-only voice services. In the second half of 2008, the percentage of all households that had “cut the cord” rose to an all-time high of more than 20.2 percent – *i.e.*, more than one in every five households.²⁰ This represents an increase of 2.7 percentage points for wireless-only households since just the first half of 2008, which is the largest six-month increase ever observed since the Centers for Disease Control began collecting this data in 2003. *Id.* In addition, between 2006 and year-end 2008, wireless lines displaced approximately six million residential access lines,²¹ and the number of households “cutting the cord” is

¹⁸ See *Thirteenth Report* at ¶ 2. In addition, more than 95 percent of the total population lives in areas with at least three mobile service providers offering competing service, and more than half of the total population lives in areas with at least five competing providers offering mobile service. In rural areas, approximately 98.5 percent of the population has access to mobile service offered by one or more different providers. *Id.*

¹⁹ See *Wireless Quick Facts, Year-End Figures*, CTIA—The Wireless Association (December 2008), available at <http://www.ctia.org/content/index.cfm/AID/10323> (comparing December 2000 to December 2008 figures).

²⁰ *Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, July-December 2008*, Center for Disease Control, Division of Health Interview Statistics, National Center for Health Statistics, at 1 (May 6, 2009), available at <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless200905.pdf>.

²¹ See *Bernstein Report* at 28, Exhibit 50.

expected to increase to 27 percent by the end of 2009.²² Moreover, it is particularly appropriate for the Commission to consider wireless service and pricing data in this proceeding because many wireless carriers are now providing supported universal services and drawing a substantial amount of USF support as eligible telecommunications carriers (“ETCs”) designated by either a state commission or the Commission.²³

Customers in rural and urban areas also have the option to purchase voice services from competing VoIP providers, which offer competitive monthly rates under nationwide pricing plans. Vonage, for example, now offers unlimited local and long distance calling plans starting at \$9.95 per month for three months, and \$24.99 per month thereafter.²⁴ The Commission has recognized that “[i]nterconnected VoIP service subscribers represent an important and rapidly growing part of the U.S. voice service market, and interconnected VoIP services are becoming increasingly competitive with other forms of local telephone service.”²⁵

The result of the telecommunications market evolution over the last several years since *Qwest I and Qwest II*, combined with support from the existing non-rural

²² *Id.* at 30, Exhibit 52; D. BARDEN ET AL BANK OF AMERICA/MERRILL LYNCH, *Battle for the Bundle: Telcos Take Broadband Net Add Lead*, at 13,15, Table 15 (Mar. 16, 2009).

²³ See Universal Service Administrative Company, Second Quarter Appendices – 2009, LI03 – Eligible Telecommunications Carriers – 4Q2008, available at <http://www.usac.org/about/governance/fcc-filings/2009/quarter-2.aspx>.

²⁴ See *Best Offer Ever! Unlimited Local & Long Distance*, Vonage, available at <http://www.vonage.com/index.php?ic=1> (last visited Apr. 28, 2009).

²⁵ *Development of Nationwide Broadband Data to Evaluate Reasonable and Timely Deployment of Advanced Services to All Americans*, Report and Order and Further Notice of Proposed Rulemaking, ¶ 26, WC Docket No. 07-38, FCC 08-89 (rel. June 12, 2008).

mechanism and other high cost programs – imperfect as such mechanisms may be – is that reasonably comparable rates are now a reality.

4. State Certifications.

The ILEC rate data and market evolution analysis discussed above is all consistent with the annual filings by which the states certify to the Commission that they have compared individual rural rates with the national average urban rate benchmark and that their rural rates are reasonably comparable. *See, e.g., Qwest II*, 398 F.3d at 1228; 47 C.F.R. § 54.316(a). Although many states merely certify that their rural rates fall within the existing non-rural benchmark tied to the two standard deviation approach, other states present additional information confirming the reasonable comparability of rural and urban rates.

For example, according to the Kansas Corporation Commission’s 2005 and 2006 certifications, the local service charge for SBC Kansas was \$15.70 for rate groups 1-4.²⁶ Similarly, in other states such as Massachusetts, no difference exists between the ILEC rates charged in rural and urban areas.²⁷ The Public Service Commission of Wisconsin

²⁶ Letter from Brian J. Moline, Chair, Kansas Corporation Commission, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45 (Sept. 28, 2006); Letter from Brian J. Moline, Chair, Kansas Corporation Commission, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45 (Sept. 28, 2005). When the end user common line charge, state and federal universal service assessments, taxes, 911 assessments, and other charges are included, the monthly rural rate was \$26.76 and \$27.52 for urban and rural rate groups served by SBC Kansas in 2005 and 2006, respectively.

²⁷ Letter from Carlito P. Caliboso, Chairman, State of Hawaii, Public Utilities Commission, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45, Exhibit A, (Sep. 26, 2005) (showing that the non-rural ILEC charged uniform rates on an island by island basis); Letter from Michael A. Isenberg, Director, Telecommunications Division, The Commonwealth of Massachusetts Department of Telecommunications and Energy, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45 at 2 (Sep. 28, 2005) (“there is no disparity between residential rates in non-rural and rural areas served by the non-rural ILEC in Massachusetts”).

has certified “that urban and rural rates charged by Wisconsin nonrural ILECs are comparable,” noting that AT&T’s rates in rural areas ranged from \$32.65 to \$33.04, as compared to AT&T’s urban rates which ranged from \$32.67 to \$33.06, while Verizon’s rates in rural areas ranged from \$27.60 to \$32.91, as compared to Verizon’s urban rates, which ranged from \$28.07 to \$32.81.²⁸

Even though rates are reasonably comparable today, the Commission should continue to require state certifications so that it may monitor non-rural carrier rates. The Commission should, however, modify this process in a few important ways. First, it should require all states – not just those that receive non-rural high-cost support²⁹ – to gather and produce data regarding the specific rates being charged by ILECs in rural and urban areas in the states, rather than simply stating that such rates are below the applicable benchmark. This will allow the Commission to examine and monitor non-rural rates across states. Second, the Commission should change the consequences for failing to certify so that all states produce rate data. Currently, the only penalty for failure to file is a potential loss of non-rural high cost support; however, because only a few states currently receive non-rural funding, most states have no incentive to comply with the certification requirement – and many in fact do not. The Commission should change the rules to provide that states will risk losing all high cost funding (rural or non-rural), unless they annually certify to the rates in their states.

²⁸ Letter from Gary A. Evenson, Administrator – Telecommunications Division, Public Service Commission of Wisconsin, to Marlene H. Dortch, Secretary, FCC, CC Docket No. 96-45, Docket No. 05-6F-139 (Sept. 29, 2006).

²⁹ Currently, only states that receive non-rural high cost support are required to file annual rate comparability certifications. 47 C.F.R. § 54.313(a).

As for what states should certify to, the Commission should require states to compare their non-rural carrier rates to the existing national benchmark, which is set at two standard deviations from the national urban average rate. Continued adherence to the nationwide benchmark for this purpose will allow the Commission to track rates across states, with the understanding that the Commission cannot achieve precise parity because state commissions, not the Commission, set local rates and require different rate elements. As the Commission has recognized, rates may vary for a number of reasons, and factors such as calling areas, minutes of use and other concerns make any apples-to-apples rate comparisons impossible.³⁰ Use of the existing nationwide benchmark for this limited monitoring purpose will help the Commission satisfy its statutory obligations to “preserve and advance” universal service and also to achieve “just, reasonable, and affordable rates” and to ensure “access to advanced services. . .in all regions of the Nation.” 47 U.S.C. § 254(b). However, the benchmark itself is not necessary for the Commission to satisfy its statutory objective to achieve reasonably comparable rates. 47 U.S.C. § 254(b)(3).

D. The Current Non-Rural Fund.

The national offerings of intermodal providers, coupled with evidence about existing rates and current and future annual certifications filed by the states, provide the Commission with ample “empirical findings” to confirm that “reasonably comparable rates” have been achieved and will continue. Therefore, the Commission need not – and should not – attempt to defend the non-rural fund to the court solely on the basis of achieving reasonably comparable rates. If the Commission desires to retain the

³⁰ *Federal-State Joint Board on Universal Service, Order on Remand, 18 FCC Rcd 22559, 22572, 22609 (2003) (“Order on Remand”).*

mechanism, it should find that the fund can also be based on the Commission's other, independent, statutory duties. Those duties include the "preservation and advancement" of universal service generally, as well as achieving "just, reasonable, and affordable rates," and "access to advanced services . . . in all regions of the Nation." 47 U.S.C. § 254(b).

III. The Commission Should Reform Universal Service to Ensure the Sustainability of the Fund Going Forward.

At the same time the Commission responds to the court, the Commission should move forward with critical reforms of the fund to bring the universal service program in line with changes in technology and the market to ensure the fund is sustainable in the future.

On the contribution side, the Commission should replace the unworkable revenue-based system with a system based on telephone numbers. The current contribution system was designed for a world where telephone carriers offered customers separate local and long distance services. Today, consumers buy from a variety of providers "all distance" bundled offerings, which often include video, voice, and data for one price. To report revenues for purposes of USF contributions, providers must make increasingly difficult distinctions between what portion of their revenues is "interstate" or "intrastate" or "telecommunications" or "information services." These complexities worsen as companies roll out more advanced services like IP and broadband. As a result, companies that compete with each other for the same customers pay into the fund in different ways, skewing the competitive landscape.

A contribution system based on telephone numbers is more equitable for everyone and much easier to understand. Numbers-based contributions would stabilize the

contribution base because the “number of numbers” is growing. Such a system is also better for consumers because it puts more of the contribution obligation on business services and because the amount of the surcharge that appears on consumers’ bills will not vary from month to month. Finally, a numbers-based system fairly spreads the contribution burden among all competing providers and would be much more transparent and easier for the Commission and the Universal Service Administrative Company to audit.³¹

On the distribution side, the first and most important step is an overall cap on the high cost fund. The problem with the fund is not that too little money is being spent on universal service. Rather, the problem is that the high cost fund has not kept up with changes in the market and technology, and the result is that high cost support is not properly targeted. To correct this situation and retarget high cost funding to the right areas and the right services, the Commission should set a budget by capping the size of the high cost fund, as the Joint Board recommended in 2007.³²

³¹ See Comments of Verizon and Verizon Wireless, WC Docket No. 06-122, WC Docket No. 05-337, CC Docket No. 96-45, at 32-41 (filed Nov. 26, 2008); Comments of Verizon, WC Docket No. 06-122 at 4 (filed Aug. 9, 2006).

³² *Federal-State Joint Board on Universal Service, Recommended Decision*, 22 FCC Rcd 20477, ¶¶ 24-25 (Fed.-State Jt. Bd., rel. Nov. 20, 2007) (“*Recommended Decision*”) (concluding that “unrestrained growth in the universal service fund, regardless of the source, could be, and would likely be catastrophic for universal service,” as it would threaten the affordability of telecommunications services and erode public support for the universal service program). An overall cap on the high cost fund is consistent with the notion that government programs should operate on a budget, and the high cost fund should be no different. *Id.* ¶ 26 (noting that “[m]any areas of government enterprise operate within a budget, and we think that high-cost funding can do likewise ...”).

Unrestrained growth in the high cost fund imperils both the affordability and sustainability of the Commission's universal service mechanisms.³³ The Tenth Circuit has repeatedly recognized that "excessive subsidization arguably may affect the affordability of telecommunications services, thus violating the principle in § 254(b)(1)." *Qwest II*, 398 F.3d at 1234, citing *Qwest Corp. v. FCC*, 258 F.3d 1191, 1200 (10th Cir. 2001) ("*Qwest I*").³⁴ When *Qwest II* was argued in the summer of 2004, the USF contribution factor was 8.9 percent of each carrier's interstate and international revenues.³⁵ Today, the USF contribution factor stands at 11.3 percent³⁶ and is poised to increase even more in the third quarter of 2009.³⁷

Moreover, caps have long been used as a means of controlling growth of the universal service program. For example, funding for both the Schools and Libraries program and the Rural Health Care program has been capped since those funds were created.³⁸ There are also reasonable caps on high cost support to incumbent local exchange carriers, such as the annual target for Interstate Access Support and on safety

³³ 47 U.S.C. § 254(b)(5); see also *Petition of Mid-Rivers Telephone Cooperative, Inc. for Order Declaring it to be an Incumbent Local Exchange Carrier in Terry, Montana Pursuant to Section 251(H)(2)*, Notice of Proposed Rulemaking, 19 FCC Rcd 23070, 23077, ¶ 11 (2004) (finding that the "Commission has recognized the vital importance of avoiding excessive growth in the universal service fund size").

³⁴ See also *Alenco*, 201 F.3d at 620 ("[E]xcess subsidization in some cases may detract from universal service by causing rates unnecessarily to rise, thereby pricing some consumers out of the market.").

³⁵ *Proposed Third Quarter 2004 Universal Service Contribution Factor*, DA 04-1613 (June 7, 2004).

³⁶ *Proposed Second Quarter 2009 Universal Service Contribution Factor*, DA 09-584 (March 13, 2009).

³⁷ See *Federal Universal Service Support Mechanisms Fund Size Projections for the Third Quarter 2009*, Universal Service Administrative Company (May 1, 2009).

³⁸ 47 C.F.R. §§ 54.507(a), 54.623.

valve support.³⁹ More recently, the Commission adopted an interim cap on support to competitive ETCs.⁴⁰ An overall high cost fund cap of \$5 billion would provide sufficient resources to address the most pressing policy priorities while existing mechanisms are retargeted.⁴¹

Second, the Commission should distribute support to wireless carriers through competitive bidding for the subsidies and discontinue the policy of providing support to multiple wireless carriers in a study area. This policy wastes universal service dollars and exacerbates the problem of spiraling fund costs. As the Joint Board correctly observed two years ago, using universal service support to subsidize competition and build duplicative networks is not “in the public interest . . .” *Recommended Decision* ¶ 35.

The current system requires consumers to pay unjustifiably large subsidies to multiple wireless carriers in many “high cost” areas across the country. Multiple wireless carriers sought to provide service in these areas because of the identical support rule whereby universal service subsidies are calculated based on the incumbent wireline provider’s costs and distributed to wireless ETCs based on the often large number of handsets they sell. 47 C.F.R. § 54.307. Competitive bidding would rectify this problem

³⁹ 47 C.F.R. §§ 54.801(a), 54.305(e). *See Access Charge Reform, Price Cap Performance Review for LECs, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service, Order on Remand, 18 FCC Rcd 14976, ¶ 14 (2003).*

⁴⁰ *High-Cost Universal Service Support, Order, 23 FCC Rcd 8834 (2008) (“Interim Cap Order”).*

⁴¹ The \$5 billion figure is based on: (1) existing high cost support of \$4.3 billion (which currently includes \$350 million of non-rural high cost support); (2) a potential additional \$700 million for potential access replacement funding; (3) a potential additional \$500 million for non-rural wire center averaging; (4) a potential additional \$300 million for a “middle mile” broadband support program; and (5) projected savings of \$800 million from wireless competitive bidding.

and effectively eliminate the identical support rule. Rather than encouraging wireless carriers to simply sell more handsets, competitive bidding would provide a flat amount of subsidy for the service term, which would encourage efficiency by the subsidized wireless ETC in order to maximize profit. In addition to creating incentives for providers to operate more efficiently, competitive bidding is the best way to determine how much a wireless carrier really needs from the high cost fund to offer service throughout a high cost area and will eliminate duplicative subsidies.⁴²

Competitive bidding is not a new concept. A recently released paper examining reverse auctions for universal service support in several countries reveals that “reverse auctions have proven themselves both feasible and effective mechanisms for reducing expenditures on universal service and for revealing information about the true costs of supplying service in rural areas.”⁴³ And competitive bidding is the standard means by which government and businesses procure goods and services. Competitive bidding for wireless universal support also has the added benefit of increasing wireless coverage. To win the auction, a wireless carrier must agree to serve an entire area, not just the smaller, more densely populated locale for which the provider often receives support today. The

⁴² See *High Cost Universal Service Support; Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, WC Docket No. 05-337, CC Docket No. 96-45, FCC 08-5, ¶ 11 (rel. Jan. 29, 2008).

⁴³ Scott Wallsten, *Technology Policy Institute, Reverse Auctions and Universal Telecommunications Service: Lessons from Global Experience* at 17 (April 2008), available at http://www.techpolicyinstitute.org/files/wallsten_global_reverse_auctions-1.pdf. As evidenced by their use in other countries, reverse auctions are economically efficient and encourage investment. See James Stegeman, Dr. Steve Parsons, Robert Frieden, and Mike Wilson, *Controlling Universal Service Funding and Promoting Competition Through Reverse Auctions*, 2, , available at http://www.costquest.com/costquest/docs/Reverse_Auctions_Paper_Attachment_110806.pdf (2006).

contracted area could be a wire center or it could be an area that corresponds to the spectrum license that a wireless carrier holds. In either case, competitive bidding for wireless high cost support will require that the winning wireless bidder expand its service area in ways that today's system does not.

The Commission should also make clear that a new competitive bidding system to distribute wireless support “supersedes” merger conditions imposed on Verizon Wireless and Sprint that reduce support to these providers by 20 percent per year over five years, as it did when it adopted the interim CETC cap last year. *Interim Cap Order*, ¶ 5 n.21 (2008) (providing that the new interim cap on competitive ETC support replaces similar merger condition caps on high cost support to AT&T and Alltel).⁴⁴ In the Verizon-Alltel and Sprint merger orders, the Commission adopted the companies' voluntary commitments to accept the reductions as conditions of approval. Those commitments expressly provide that any action the Commission takes to reform wireless high cost support more broadly supersede the merger conditions.⁴⁵ If the Commission is not prepared to move to competitive bidding for wireless providers, the Commission should

⁴⁴ *Applications of Cellco Partnership d/b/a Verizon Wireless and Atlantis Holdings LLC For Consent to Transfer Control of Licenses, Authorizations, and Spectrum Manager and De Facto Transfer Leasing Arrangements and Petition for Declaratory Ruling that the Transaction is Consistent with Section 310(b)(4) of the Communications Act*, Memorandum Opinion and Order and Declaratory Ruling, 23 FCC Rcd 17444 ¶¶ 192-197 (Nov. 10, 2008); *Sprint Nextel Corporation and Clearwire Corporation Applications for Consent to Transfer of Control of Licenses, Leases, and Authorizations*, Memorandum Opinion and Order, 23 FCC Rcd 17570, ¶ 108 (Nov. 7, 2008).

⁴⁵ *See* Letter from John Scott, Verizon Wireless, to Marlene Dortch, FCC, WT Docket No. 08-95 (Nov. 3, 2008) (“In the event that the Commission adopts a different transition mechanism or a successor mechanism to the currently capped equal support rule in a rulemaking of general applicability, however, then that rule of general applicability would apply instead.”); *see also* Letter from Lawrence Krevor, Sprint, to Marlene Dortch, FCC, WT Docket No. 08-94 (Nov. 3, 2008) (same).

instead phase down support to all wireless providers on the same schedule that the Verizon Wireless and Sprint support will be phased out.⁴⁶

The combination of an overall cap on the high cost fund and competitive bidding for wireless support will set a reasonable budget for the fund within which funding could be freed up for other universal service priorities. For example, one of the most significant impediments to bringing broadband to areas that do not have access today is the “middle mile” transport costs some broadband providers face in these unserved areas. A broadband Internet service provider (“ISP”) serving a rural part of a state must transport its customers’ Internet traffic to and from the nearest connection point to long-haul networks. Some have referred to those transport services as the “middle mile” to distinguish them from the “last mile” connections to end-users. In many cases, rural broadband ISPs must transport their Internet traffic over a greater distance than a broadband provider serving an urban area.

In many states, rural providers have met the demand for middle-mile transport services by constructing their own fiber-optic transport networks, often through a consortium. In some rural high-cost areas, however, the cost of the additional transport mileage is high enough to impinge on a rural broadband provider’s ability to offer services in those areas. To address these additional mileage costs, the Commission could redirect a portion of any funding that is freed up to offset some of the transport-mileage costs in these rural areas. This program should fall within the overall cap on the high cost fund and should itself be capped at a set amount. Any support also should be available for a fixed duration sufficient to provide recipients an opportunity to build a customer

⁴⁶ See, e.g., Comments of Verizon and Verizon Wireless, *High Cost Universal Service Support*, WC Docket No. 05-337, at 28-32 (Nov. 26, 2008).

base, add new services, form a consortium or otherwise cover the costs of the transport. The program also should be technology neutral so that the most efficient technology is funded. Redirecting a portion of any funding that is freed up to middle mile transport costs would work in concert with the Commission's formulation of a rural and national broadband plan and with the funding programs being administered by the Rural Utilities Service and the National Telecommunications and Information Administration under the American Recovery and Reinvestment Act.

In addition to targeted support for certain broadband costs, the Commission will need to address the wireline high cost funding mechanisms that have not kept pace with changes in the market and advances in technology. For example, the non-rural fund cost model that averages carrier costs across a state can create inequities among carriers. A number of parties have suggested that the Commission could address this by replacing the system with wire-center based funding, which would allow existing non-rural support to be better targeted to truly high cost areas and would eliminate inequities between states. Any retargeting of non-rural support to the wire-center level must fit within the overall cap on the high cost fund.

IV. Conclusion

For the foregoing reasons, the Commission should respond to the court's remand and reform the universal service program consistent with the discussion herein.

Respectfully submitted,

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May 8, 2009

EXHIBIT 1

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of

Federal-State Joint Board on
Universal Service

High-Cost Universal Service Support

CC Docket No. 96-45

WC Docket No. 05-337

DECLARATION OF PATRICK GARZILLO

1. My name is Patrick Garzillo. My business address is One Verizon Way, Basking Ridge, New Jersey 07920-1097. I am Vice President- Finance, Service Costs, Verizon, and I have more than 30 years of experience with Verizon and its predecessor companies. My current responsibilities include managing and supervising the development, preparation and analysis of economic cost information, embedded costs of regulated and non-regulated services, separated costs, supporting data, cost analysis, and Universal Service Fund related issues. In this capacity, I have information and knowledge relating to the analysis of carrier rate and revenue data described below.

2. I hold a Bachelor of Science degree in Electrical Engineering Technology from the New York Institute of Technology, which I earned in 1969, and a Masters of Science degree in Management Science from Polytechnic University, which I earned in 1975. In addition, over the past several years I have attended business and educational seminars at Duke University's Fuqua School of Business, University of Pennsylvania's Wharton School of Business, Brookings Institute and Columbia University.

3. The purpose of my declaration is to present and explain Verizon's analysis of available data, which indicates that (a) based on a sample of rural and urban Incumbant Local Exchange Carrier ("ILEC") rates, it appears that these rates in rural areas by and large are reasonably comparable to urban areas; and (b) based on an analysis of ILEC revenue data, it appears that the high cost mechanism is providing more support than is necessary to achieve reasonable comparability between urban and rural rates.

I. Analysis of Sample Rural And Urban ILEC Rates Indicates They Generally Are Reasonably Comparable, And Have Been For Several Years.

4. Section I describes an analysis Verizon undertook to compare rural and urban rates from various sources. Although the analysis was performed for only a sample of rates, as discussed in more detail below, the data suggest that ILEC rates in rural areas are reasonably comparable to (or in many cases lower than) urban ILEC rates, and have been for several years.

A. Comparison of Sample Data Regarding Most Recently Available Rural And Urban ILEC Rates Demonstrates That Rural And Urban Rates Generally Are Reasonably Comparable

5. In this section, I will describe the analysis Verizon conducted of the most recently available sample rates from rural and urban areas. One major difficulty with attempting to analyze rural and urban ILEC rates from currently available data is that carriers' tariffs often cover areas that are not easily divided into "rural" and "urban" categories. For example, the study areas for large carriers often include both urban and rural areas, but, the tariffs often do not classify rate groups based on the same designations. Thus, when looking at a database of carrier rates, it can be difficult to determine which rates are "urban" and which are "rural."

6. Although the *Qwest Commc'ns Int'l v. FCC*, 398 F.3d 1222 (10th Cir. 2005) ("*Qwest II*") decision applies only to non-rural carriers, the statute makes a distinction between

“rural” and “urban” *areas*, not the type of carrier serving them. *See* 47 U.S.C. § 254(b)(3).

Therefore, it makes sense to look at *all* rural areas, not just rural areas served by non-rural carriers. Moreover, rates for rural carriers generally are likely to reflect rates charged in rural areas. With this in mind, Verizon selected rates charged by rural ILECs in six states as a proxy for “rural rates.”

7. *Source For Sample 2005 Rural Data From Six States: CCMI Rate Database Supplemented With Publicly Available Data, Where Available.* Verizon analyzed the 2005 basic residential telephone rates charged by rural ILECs operating in six states: Iowa, Maine, Montana, New Hampshire, Vermont, and Wyoming. Three of the states, Maine, Vermont, and Wyoming, were chosen because they contain areas that commenters have suggested are not receiving sufficient support under the high cost mechanism. Two other states, Montana and New Hampshire, were chosen because they are similar in population density and terrain to the other three states. Finally, Verizon chose to look at Iowa because it is a state that has a significant number of rural ILECs. Verizon obtained sample rural rate data for ILECs in these six states from a database of rates maintained by the Center for Communications Management Information (“CCMI”). *See* CCMI TelView Online Rate & Tariff database, *available at* www.CCMI.com.

8. From the list of carriers in the six states, Verizon limited its selection to rural ILECs that were receiving high cost loop support as of fourth quarter 2004. Using this criterion, Verizon was able to locate rural rate data for 31 carriers from the CCMI database. In order to supplement this sample, Verizon also searched publicly available resources (online websites) and identified rate data for another 54 rural ILECs who received high cost loop support in these states. A summary of the rates collected, and the source for each, is located at Attachment B. On both the

CCMI database and online websites, the rates are for carriers' basic, unlimited flat-rate service. Other charges from the customer's local service bill, such as the subscriber line charge ("SLC"), taxes, or other fees, were not included. And wherever the rural ILEC charged more than one rate in a study area, Verizon used the straight average of those rates for this analysis. Taking a straight average of the 85 available rates, Verizon calculated an average 2005 rural rate of \$12.89. The average, weighted by the number of lines served in each area, was \$13.83. Verizon calculated the line weighted average based on the number of working loops for each of the rural study areas as of December 31, 2004. See USAC, *Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2004*, at Appendix HC-05, column G (2004) (reporting the number of working loops for each study area) ("Q4 2004 Report").

9. *Source for 2004 Urban Rate Data: FCC Urban Rate Survey.* Verizon obtained the 2004 urban rates for ILECs' basic residential telephone service from the Federal Communication Commission's Industry Analysis & Technology Division's annual survey of ILEC local telephone service rates in 95 urban areas.¹ Data from that survey are summarized in the *FCC Reference Book of Rates, Prices Indices, and Household Expenditures for Telephone Service* (2005) ("FCC Reference Book"), available at <http://www.fcc.gov/wcb/iatd/lec.html>. The underlying data are available in a document entitled, *Raw Data from the Industry Analysis Division Urban Rates Survey* ("Urban Rates Survey Raw Data"), available at the same website.

¹ Urban rate data for 2005 are not yet available.

10. Like the 2005 rural data, Verizon collected information for carriers' basic, monthly unlimited flat-rate service, excluding charges such as the subscriber line charge, taxes, and other fees. Verizon calculated a straight average of the urban rates available in the FCC survey, which yielded a 2004 average urban rate of \$14.21. The FCC has calculated a weighted average of the Urban Rates Survey Raw Data to be \$14.53. *FCC Reference Book*, Table 1.2.

11. As shown in Chart 1.A below, based on the available data, not only is the average ILEC rural rate reasonably comparable to the urban rate, but it is actually, on average, lower than the average urban rate. Comparing a straight average of rural and urban ILEC rates (\$12.89 to \$14.21), the rural rates are only just over 90% (90.7%) of the urban rates. Using the weighted average, the rural rates on average are still lower than the urban rates, at a ratio of 95.2% (\$13.83 to \$14.53).

Chart 1.A
Average Rates For Rural And Urban ILEC Basic Residential Telephone
Service And the Rural-to-Urban Ratios
Based On A Database Sample Of Rural Rates From Six States

	Rural Average (2005)	Urban Average (2004)	Rural-to-Urban Ratios
Straight average	\$12.89	\$14.21	90.7%
Weighted average	\$13.83	\$14.53	95.2%

12. In addition, the distribution of the range of rural and urban rates is reasonably comparable, as is shown in Charts 1.B and 1.C. Only one rural rate in the survey of sample data (United Telephone of the West, in Wyoming, at an average rate of \$57.65 per month) falls outside the range of urban rates. The 95 urban data points contained in Charts 1.B and 1.C are from the *Urban Rates Survey Raw Data*. See *supra* ¶¶ 9-10. The 98 rural data points contained in the two charts are from two sources. See *supra* ¶¶ 7-8 (describing how Verizon obtained 85 rural data points); see also *infra* ¶¶ 17-18 (detailing how Verizon calculated 13 rural data points).

Chart 1.B
Distributions of Sample 2004 Urban and 2005 Rural Rates (Graph)

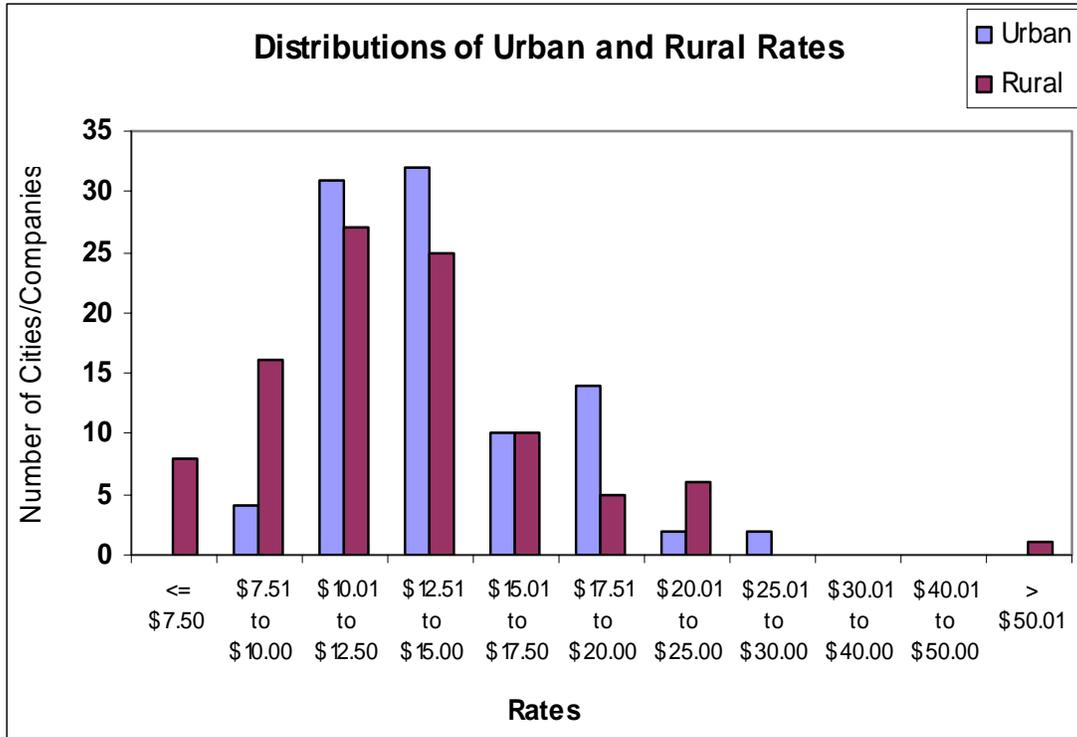
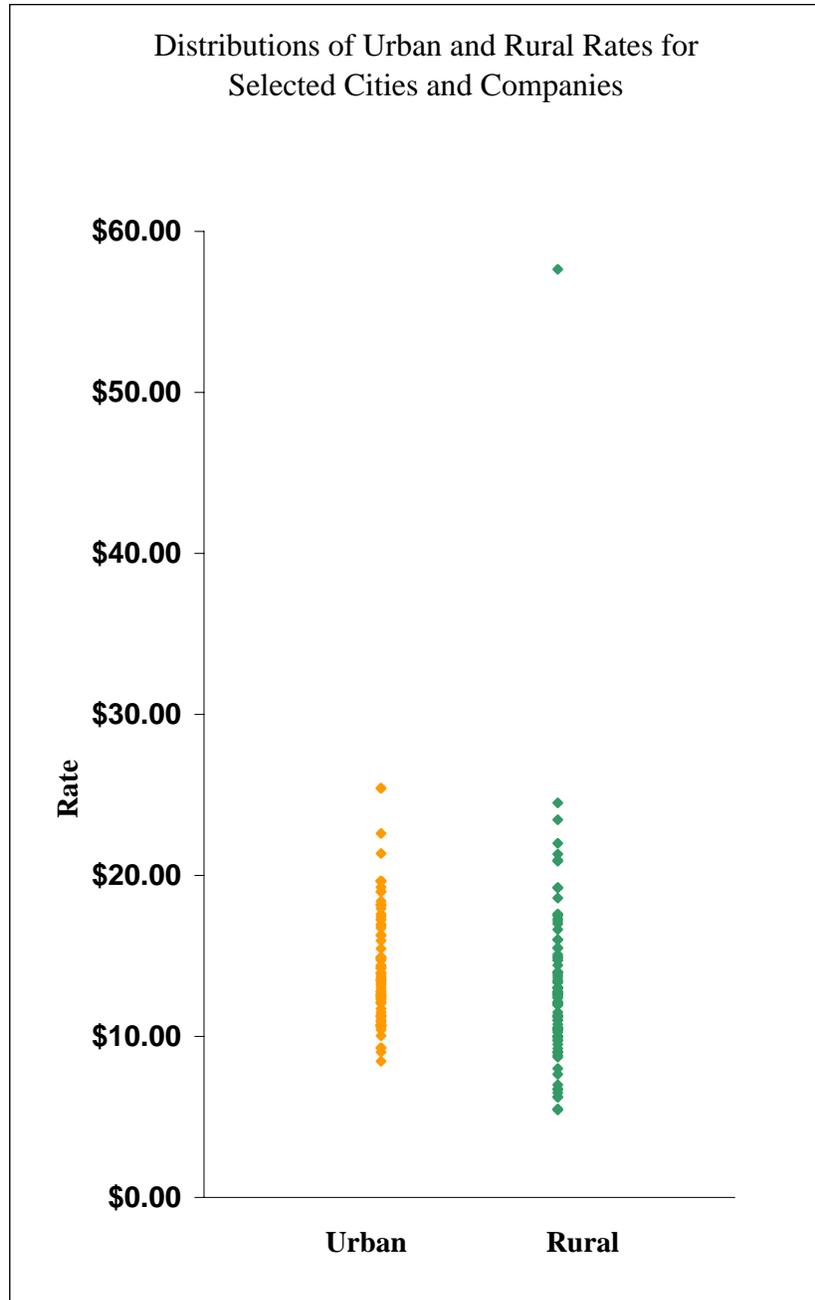


Chart 1.C
Distributions of Sample 2004 Urban and 2005 Rural ILEC Rates (Graph)



B. Sample Data of Rates Updated From the 2002 GAO Report Suggests That Rates From Even Some of the Most Rural Areas of the Country Generally Are Reasonably Comparable to Urban Rates, And Have Been For Several Years.

13. Verizon also compared sample ILEC basic telephone rates from the 95 urban areas identified above with 13 rural areas that were originally identified in the 2002 GAO Report, and for which 2005 rates could be found. *See Telecommunications: Federal and State Universal Service Programs and Challenges to Funding*, General Accounting Office Report to the Ranking Minority Member, Subcommittee on Telecommunications and the Internet, Committee on Energy and Commerce, House of Representatives (Feb. 2002) (“GAO Report”). Verizon analyzed rates both as they existed in 2001, and as reported in the most recently available year (2004 for urban data, 2005 for rural data). While this analysis is based on only a small snapshot of rates across the country, these data also indicate that even in some of the most rural areas of the country, ILEC rates for rural basic residential telephone service and urban basic residential telephone service are, in general, reasonably comparable, and have been since at least 2001.

14. *Source for 2001 Rural Rates: 2002 GAO Report.* Verizon started with the rate information contained in the 2002 GAO Report. The GAO Report collected sample data in every state from three categories of places, based on population density: central cities; suburbs; and non-metropolitan statistical areas (“non-MSAs”). *See* GAO Report, Table 3. The U.S. Office of Management and Budget defines MSAs and, in general, these areas must contain at least one urbanized area of 50,000 or more inhabitants.

15. Thus, if there were any discrepancy between rural and urban ILEC rates it would likely show up when comparing the rates charged by carriers serving non-MSAs to rates charged in urban areas because non-MSAs are the most extremely rural areas of the country. Nevertheless,

as discussed in more detail below, Verizon's analysis found that ILEC rates in non-MSAs, were reasonably comparable to urban ILEC rates.

16. Verizon used the GAO Report data regarding rates charged by carriers serving non-MSAs to calculate an average for rural rates during 2001. A straight average of all of the 2001 non-MSA data points available from the GAO Report would have yielded a figure of \$14.76. However, in order to make a meaningful comparison of the trend between rural rates in 2001 and 2005, Verizon calculated the average for 2001 rural rates based only on those data points for which it also could obtain 2005 rates. As explained below, Verizon was able to find 2005 rate data for 13 non-MSAs that were reported in the 2002 GAO Report. And these rates can be found in Attachment C. The average of the 2001 local rate data for these same 13 non-MSA data points was \$14.51.

17. *Source for 2005 Rural Rates: Update of Data For Available Sources Originally Identified in the GAO Report.* While the GAO Report identified rates for 136 different non-MSAs, it did not identify the names of carriers serving those areas, or which carriers were rural or non-rural. Therefore, Verizon asked the GAO to identify all of the rural ILECs that served the 136 non-MSA places listed in the 2002 report. The GAO responded to Verizon's inquiry and identified 41 of the 136 carriers as rural carriers. *See Attachment D.* Verizon again used the CCMI database of rates to attempt to locate rates for those carriers. *See CCMI TelView Online Rate & Tariff database, available at www.CCMI.com.* This database enabled Verizon to obtain the 2005 rates charged by 13 of the 41 rural carriers that GAO used for its 2002 report. *See Attachment C.*

18. Verizon took a straight average of the 2005 rural rates derived from the CCMI database to arrive at a 2005 average rural rate of \$15.03. Because Verizon did not have available

the line counts associated with the non-MSAs, a weighted average could not be calculated. Line counts are generally reported based on study areas and not based on a particular non-MSA.

19. *Source for 2001 and 2004 Urban Rates: Urban Rates Survey Raw Data.* Verizon obtained the 2001 and 2004 average urban rates for basic residential telephone service from the *Urban Rates Survey Raw Data*, available at <http://www.fcc.gov/wcb/iatd/lec.html>.² Data from that survey are summarized in the *FCC Reference Book*, available at the same website. The *Urban Rates Survey Raw Data* contained data on urban residential rates charged by ILECs in 95 cities in both 2001 and 2004.

20. By taking a straight average of the 95 data points for each year, Verizon calculated a 2001 average urban rate of \$13.80 and a 2004 average urban rate of \$14.21.

21. *Comparison of Rural and Urban Rate Data.* Comparing the sample data, it appears that the average rate for basic residential telephone service in rural areas is reasonably comparable to the average rate for basic residential telephone service in urban areas. Both in 2001 and in the most recently available year (2004/2005), the rates in these very rural areas have been, on average, at a ratio of 105% to 106% of urban rates. Thus, the ratio of rural rates to urban rates has remained relatively constant since 2001. *See Chart 1.D below.*

² Urban rate data for 2005 are not yet available.

Chart 1.D

**Average Rates For Rural And Urban Basic Residential Telephone
 Service And the Rural-to-Urban Ratios Based On Rural Data From the GAO Report**

	Rural Average	Urban Average	Rural-to-Urban Ratios
2001	\$14.51	\$13.80	105.2%
2005 (2004*)	\$15.03	\$14.21*	105.7%

C. Additional Rural And Urban Comparability Data From Public Sources

22. Verizon also analyzed rate comparability certifications that states filed with the Commission. Under the Commission’s rules, states must annually review the residential rates charged by non-rural ILECs serving rural portions of a state and compare those rates to the nationwide urban rate benchmark of \$34.21. *See* 47 C.F.R. § 54.316; *see also FCC Reference Book*, at I-4. And these state certifications confirm that the rates charged by non-rural ILECs serving rural areas are reasonably comparable to urban rates. Out of the 26 states that filed certifications with the Commission, 24 certified that the rates charged by non-rural carriers serving rural areas of their state are below the Commission’s urban benchmark.³

23. In addition, 15 out of the 26 states provided information about the actual rates charged by the non-rural ILECs operating in their states. Six non-rural ILECs operating in five

³ Only Wyoming and Vermont concluded that their non-rural ILECs charged rates above the national benchmark. *See* Wyoming Public Service Corporation, CC Docket No. 96-45 (Sept. 30, 2005); Vermont Public Service Board, CC Docket No. 96-45 (Sept. 26, 2005).

of those states charged the same rates in all areas of the state.⁴ Thus, the urban and rural rates charged by those non-rural ILECs are reasonably comparable.

II. Analysis of Per Line Revenue Data For Several Non-Rural ILECs Indicates That The Universal Service Fund Is Providing More High Cost Model Support Than Is Necessary

24. In Section II, I will describe how Verizon compared the rates of several non-rural carriers based on their revenues. Using reporting carriers' average per-line revenues as a proxy for rates, Verizon analyzed the correlation between the non-rural carriers that receive high-cost model support and the non-rural carriers that have the highest revenues per line (*i.e.*, highest rates). The data demonstrate that, through the non-rural high cost portion of the fund, (1) the Commission is providing more support than is necessary in many areas, particularly Mississippi; and (2) in general, non-rural carriers have sufficient resources to bring rates within their study areas within two standard deviations of the rates Verizon calculated, which is also within the presumptive "reasonably comparable" benchmark set by the Commission. *See FCC Reference Book*, at I-4 (providing the most recently available national urban rate benchmark of \$34.21).

⁴ In addition, Hawaii's non-rural ILEC charged a single rate on an island by island basis. Moreover, one of Wisconsin's non-rural ILECs and Utah's non-rural ILEC charged uniform statewide basic rates with varying extended area service calling areas. *See* State of Hawaii Public Utilities Commission, CC Docket No. 96-45 (Sept. 26, 2005); Public Service Commission of Wisconsin, CC Docket No. 96-45 (Oct. 3, 2005); State of Utah Department of Commerce, CC Docket No. 96-45 (Oct. 4, 2005).

A. In Many Areas, The Commission Is Providing More High Cost Support Than Is Necessary To Achieve Rates That Are Reasonably Comparable to Urban Rates

25. Verizon calculated the average monthly revenues of all Regional Bell Operating Companies (“RBOCs”) from data reported in the ARMIS 43-03 reports and for the mid-size carriers that file revenue data from Table 2.9 of the FCC’s Statistics of Communications Common Carriers. *See* FCC, Statistics of Communications Common Carriers, Table 2.9 (2004/2005 ed.). This set of data included all large and midsize ILECs that received high cost support.

26. Chart 2.A (which can be found in Attachment E) tracks the results of this analysis organized by Column D, average monthly revenues *with* high cost support, which is the sum of each carrier’s per-line revenue plus the per line high-cost support they receive. As described below, this amount is a proxy for the rates that carriers would likely charge end-user customers if they received no high-cost support. That is, assuming that if these carriers no longer received high-cost support, it is likely they would seek to increase rates, if permitted, to recover the discontinued support amount, these amounts are an estimate of the rates they would then charge end user customers. Chart 2.B (which can also be found in Attachment E) tracks the results of this analysis organized by Column G, average monthly revenue *without* support. As described below, this amount is a proxy for the rates that carriers actually charge end-user customers.

27. *Source for RBOC Per-Line Revenue Data: ARMIS Report 43-03, Rows 5001 and 5081 (Revenues) and ARMIS Report 43-08, Table II (Line Counts).* All regional Bell Operating Companies (“RBOCs”) are required to file ARMIS Report 43-03 revenue data. Verizon collected data from Report 43-03, row 5001, column b (“basic area revenue”) and Report 43-03, row 5081, column b (“end user revenue”). Row 5001 “basic area revenue” includes revenue derived from the

provision of basic area message services, such as flat rate and measured service, and extended area services. *See* 47 C.F.R. § 32.5001. Row 5081, “end user revenue,” includes “federally and state tariffed monthly rate charges assessed upon end users.” 47 C.F.R. § 32.5081. These are charges such as the SLC, 911 fees, taxes, and universal service charges. Account 5081, end user revenue contains interstate end user revenues, including the monthly flat rate charge assessed upon end users (local subscribers) for each residential and business line. This charge is for the subscriber’s portion of the common line charge covering the jointly used plant from the end office to the customer’s premises for the provision of exchange services in connection with the customer’s interstate calls. Verizon calculated each large carrier’s annual total residential local telephone service revenue by adding the revenues that each carrier reported on rows 5001 and 5081. Verizon used data from the most recently available ARMIS reports, filed in April 2005, which summarize carriers’ 2004 revenues. These categories include revenues from both residential and business services. The revenue data are reported by study area; however, if a carrier had more than one study area in a state, Verizon combined the study areas to create one, statewide revenue total. This was necessary for the per-line analysis because, as noted below, access line data, as reported for the large and mid-sized ILECs in the ARMIS 43-08 report, are only reported at a company’s statewide level. By combining study areas of a carrier within a state, this reduced 86 RBOC study areas to 69 separate RBOC statewide areas.

28. In order to calculate each carrier’s average per-line revenues, Verizon had to determine how many access lines the carriers served during 2004. Verizon calculated an average 2004 access line total by taking an average of data reported by carriers for the number of lines available for end of year 2003 and end of year 2004. This data was obtained from carriers’ ARMIS Report 43-08, Table II “switched access lines in service” for the past two years. The

average access lines are reported in Column H of both Chart 2.A and Chart 2.B, entitled, “2004 Average Access Lines.” *See* Attachment E.

29. Verizon calculated each carrier’s per-line average yearly revenue by dividing average revenues by average number of lines. Verizon then calculated a monthly average per-line revenue by dividing the average yearly revenue per line by 12. The results of this calculation are reported in Column D of Chart 2.A and Chart 2.B, entitled, “Average Monthly Revenue With Support Per Line.” *See* Attachment E.

30. The amounts reported in Column D include carriers’ high cost model support. In order to figure out what revenues the carriers received directly from end users, Verizon subtracted the high cost fund dollars these carriers received from the total revenue. Those carriers in Charts 2.A and 2.B that receive high-cost support are identified through the notation, “Hi Cost,” in Column E. The amounts of high cost support were obtained from Appendix HC-15 of USAC’s Q4 2004 Report, which provides the amount of high-cost model support that each carrier received by state and wire center. The monthly wire center data was annualized and summed by state and company to develop the annual high cost support per company. Verizon divided this figure by the carrier’s average number of access lines (Column H) to get the amount of support per line that the carrier received for 2004, and then divided that number by twelve to arrive at the monthly figure listed in Column F, “Average Monthly Support Per Line.”

31. For those carriers receiving high-cost support, Verizon subtracted their average monthly support per line (Column F) from their average monthly revenue per line with support (Column D). The results of this calculation are reflected in Column G, “Average Monthly Revenue without Support Per Line.” Thus, the distinction between Column D (“Average Monthly

Revenue With Support Per Line”) and Column G (“Average Monthly Revenue Without Support Per Line”) is that the figure in Column D includes the revenues, if any, that the carrier received from high-cost universal service support while Column G does not include any high-cost support. The figures in Column G more closely represent the average monthly per line revenue derived from end users.

32. *Source For Mid-Size Carrier Per-Line Revenue Data: FCC’s Statistics of Communications Common Carriers.* Verizon used information from the FCC’s Statistics of Communications Common Carriers to obtain the revenues of 28 mid-size ILECs, and performed calculations to make the data comparable to the RBOC data summarized above. *See* Statistics of Communications Common Carriers, Table 2.9. The Statistics of Communications Common Carriers report summarizes information that the mid-size ILECs submitted on FCC ARMIS Report 43-01. The Commission, however, does not require these mid-size ILECs to provide the same level of granularity for Report 43-01 as it requires the larger ILECs to submit for Report 43-03. Thus, the revenues the FCC reports on Statistics of Communications Common Carriers Table 2.9 are derived from a number of different revenue sources and are aggregated. For example, the Commission allows mid-size carriers to combine “basic area revenues,” “private line revenues,” and “other basic area revenues” into one line (ARMIS Report 43-01, row 1010 labeled “basic local services”), while the RBOCs must provide these data in separate ARMIS rows (ARMIS Report 43-03, rows 5001, 5040, and 5060). Similarly, the Commission does not require the mid-size ILECs to separate out and report their “end user revenues” on a single line like the larger carriers report on row 5081. Rather, the FCC requires the mid-size ILECs to report all of their revenues from “end user revenues” (the equivalent of row 5081), “switched access revenues” (the equivalent of row 5082), and “special access revenues” (the equivalent of row 5083) on a

combined ARMIS category, which is reported in Statistics of Communications Common Carriers, row 1020 (titled “network access services”).

33. Verizon used an analysis of RBOC data to estimate the portion of mid-size carrier revenues that was attributable to the same categories as the RBOC revenues reported above. First, Verizon calculated that the larger ILECs’ row 5001 revenue accounted for 67.9% of their revenues from rows 5001, 5040, and 5060 combined. Because the mid-size carriers report their combined revenues from rows 5001, 5040, and 5060 in one area (summarized on Statistics of Communications Common Carriers, row 1010), Verizon calculated each mid-size carrier’s “basic area revenue” (or the equivalent of RBOC ARMIS 43-03 row 5001) by assuming that their “basic area revenue” would be 67.9% of their row 1010 revenue. Similarly, Verizon determined that the RBOCs’ ARMIS 43-03 row 5081 revenue accounted for 32.5% of the sum of their revenues from rows 5081, 5082, and 5083. Because the mid-size carriers reported their revenues from rows 5081, 5082, and 5083 on one line (summarized in Statistics of Communications Common Carriers, row 1020), Verizon calculated each mid-size ILEC’s “end user revenue” (or the equivalent of RBOC ARMIS 43-03 row 5081) by multiplying their Statistics of Communications Common Carrier row 1020 revenue by 32.5%. Finally, Verizon combined the two totals to get one total average revenue number per carrier.

34. Verizon calculated the Column H 2004 average access lines for mid-sized carriers using the same method and data sources as were used for the RBOCs. *See supra* ¶¶ 28. Once Verizon obtained this figure, Verizon calculated the mid-size carriers’ average monthly revenue per line with support (Column D) and without support (Column G) by repeating the process detailed in paragraphs 29-31 of this Declaration.

35. This combination of data from RBOCs and mid-sized carriers resulted in a list of the average monthly revenues per line from basic local telephone service for 97 large and mid-sized ILECs in 2004. And this list of 97, which Verizon identifies in Charts 2.A and 2.B, includes revenue data for every large and mid-sized non-rural ILEC that received high cost support. *See* Attachment E.

B. The High Cost Mechanism Is Providing Too Much Support

36. Chart 2.A is organized in order of the carriers' average monthly revenues *with* high cost support (Column D). Assuming that if a carrier did not have high cost support it would have incentives (if able) to raise rates to recover these revenues directly from its end-user customers, the figures in this column represent a rough estimate of the average monthly rates carriers *would* charge their customers if they did not receive high cost support. Chart 2.B organizes the data in order of carriers' average monthly revenue without support (Column G), which can serve as a proxy for rates actually charged by these carriers.

37. Assuming that the carriers' average monthly revenue without support per line (Column G) can serve as a proxy for rates actually charged to end-user customers, Verizon calculated the line weighted average of the rates by performing a two-step calculation. First, for each of the carriers, Verizon divided the carrier's average number of access lines (Column H) by the sum of all the carriers' average number of access lines (the sum of Column H) and multiplied that figure by the carrier's average monthly revenue without support per line (Column G). Second, Verizon added all of the figures obtained from the first step and arrived at a line weighted average of the rates and calculated the standard deviation of that figure. Verizon calculated that the weighted average of Column G per-line monthly revenues without support is \$24.45; one

standard deviation above the average is \$28.82; and two standard deviations above the average is \$33.19. Verizon added grey lines on both Charts 2.A and 2.B to reflect these weighted averages and the one- and two-standard-deviations-below-average lines. *See* Attachment E. For Chart 2.A, the grey lines indicate the relationship of Column D amounts (which serve as a proxy for what rates would be *without* high cost support) to these weighted averages. In Chart 2.B, the grey lines indicate where Column G amounts (a proxy for the rates *actually* charged to end users) fall in relation to average rates, and the one- and two-standard-deviations-above-average lines.

38. Carriers in only two study areas currently appear to not have sufficient resources to charge reasonably comparable rates. Turning to Chart 2.B, and using Column G, total revenues *without* high cost support included, as a proxy for the rates actually charged end user customers, only four study areas fall outside the two standard deviation spread. *See* Attachment E, Chart 2.B. And two of those four have average proxy-derived rates that are only pennies above the two standard deviation line (with average per-line revenues of \$33.37 and \$33.21, compared to a two standard deviation benchmark of \$33.19), and those carriers' proxy-derived rates are below the actual rate benchmark set by the Commission (\$34.21). *See* Attachment E, Chart 2.B; *see also* *FCC Reference Book*, at I-4.

39. Even if non-rural high cost support were removed entirely, it appears that only four carriers would fall above the Commission's reasonable comparability benchmark. Looking at Chart 2.A, it appears that out of the 97 study areas reflected in the chart, only seven have per-line averages in Column D (Average Monthly Revenue With Support Per Line) that fall above the line of two standard deviations of average rates. In other words, if Column D represents the rates that customers *would* have to pay for local telephone service if their carriers were not receiving high

cost support, it appears that only seven areas would have rates that would be more than \$33.19, more than two standard deviations above the weighted average rate. Moreover, all but four of these carriers would have rates below the most recent national urban rate benchmark of \$34.21. *See FCC Reference Book*, at I-4.

40. Four of the seven carriers that have Column D amounts that are above the two standard deviations line are receiving high cost support. Thus, it appears that all but three of the carriers that would have the highest local rates without local support have been targeted by the current high cost mechanism to receive support.

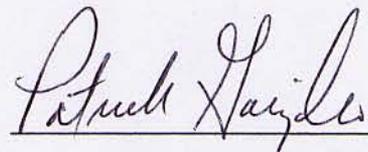
41. However, it also appears that several carriers that have Column D amounts that fall below the two-standard-deviations mark also are receiving high cost support. The most significant amount of support is that going to BellSouth in Mississippi. Looking at Column G, it appears that the high cost fund is providing enough support to allow BellSouth to charge end user rates that average \$25.60 per line per month, which is only slightly above the weighted average for all carriers. *See Attachment E, Chart 2.B.* However, with an average of \$7.41 in per line per month high cost model support, BellSouth is receiving \$33.01 per line per month in total revenues. This indicates that, even if the Commission were to remove all high cost model support from BellSouth, and the carrier was able to increase rates to replace the lost revenue, \$33.01 is a reasonable proxy for rates that BellSouth would charge customers in Mississippi if it had *no* high-cost model support. This hypothetical rate is within two standard deviations of the average rates charged by other non-rural carriers, and below the presumptive “reasonable comparability” standard reflected in the current rules. In other words, it appears that BellSouth would be able to achieve reasonably comparable rates in non-rural areas even with *no* high cost model support.

42. The amount of high cost model support given to Mississippi is a significant portion of total high cost model support. In fact, according to publicly reported figures, this one state receives more than half of all high cost model support. *See Federal-State Joint Board on Universal Service*, 2005 Universal Service Monitoring Report, CC Docket No. 98-202, Table 3.25 (December 29, 2005) (reporting that in 2005, Mississippi received \$148.1 million of the total \$290.85 million high cost model support that was disbursed). Over \$99 million of Mississippi's non-rural high cost model funding is for one carrier, BellSouth. *Id.* Because of the Commission's portability rules, CLECs in Mississippi are receiving an additional \$48.4 million in support, which are entirely derivative of the support calculations for the ILEC. *See id.*

43. This concludes my declaration

I declare under penalty of perjury that the foregoing is true to the best of my knowledge,
information, and belief.

Executed on March 27, 2006



Patrick Garzillo

ATTACHMENT B

Rates Charged by 85 Rural Carriers in 2005

SAC	Company or Study Area Name	State or Territory	Working Loops	Average Residential Rate	Source of Rate Data
351096	HEARTLAND TELECOMM CO OF IOWA DBA HICKORYTECH	IA	13514	\$ 13.05	CCMI
351105	AYRSHIRE FMRS. MUT. TEL. CO.	IA	349	\$ 16.00	Ayrshire Farmers Mutual Telephone Company - http://www.ayrshireia.com/services.htm
351106	ALPINE COMMUNICATIONS, L.C.	IA	6670	\$ 23.46	Alpine Communications, http://www.alpine-communications.com/services.htm
351113	BROOKLYN MUTUAL TEL. CO.	IA	1696	\$ 10.50	Brooklyn Mutual Telecommunications Cooperative - http://www.brooklyntelco.com/
351114	THE BURT TEL. CO. (Titonka-Burt)	IA	459	\$ 10.40	Titonka-Burt Communications (Titonka Telephone Co.) - http://www.tbctel.com/titonkalocal.htm
351115	BUTLER-BREMER MUT. TEL. CO.	IA	3197	\$ 9.03	Butler-Bremer Communications - http://www.butler-bremer.com/local-telephone.html
351118	CASCADE TEL. CO.	IA	1830	\$ 11.25	Cascade Communications Co. Telephone Services - http://www.cascadecomm.com/telephone/index.htm
351125	CENTRAL SCOTT TEL.	IA	6375	\$12.00	CCMI
351126	CENTURYTEL OF CHESTER, INC.	IA	218	\$14.91	CCMI
351127	FRONTIER COMMUNICATIONS OF IOWA, INC.	IA	58815	\$12.09	CCMI
351129	THE CITIZENS MUTUAL TEL. CO.	IA	4515	\$9.78	http://www.cmtel.com/telephone/index.htm
351130	CLARENCE TEL. CO., INC.	IA	906	\$11.25	http://www.clarencetelinc.com/telephone/local/local.html
351134	COLO TEL. CO.	IA	805	\$10.00	Colo Tel Services - http://showcase.netins.net/web/colohomepage/services.html
351136	COON CREEK TEL. CO.	IA	669	\$13.33	CCMI
351137	COON VALLEY COOP. TEL. ASSN., INC.	IA	710	\$6.50	Coon Creek Telephone Company - http://www.cooncreektelphone.com/
351152	DUMONT TEL. CO.	IA	1598	\$10.53	Dumont Telephone Company - http://www.dumonttelephone.com/Local%20Service.htm
351153	DUNKERTON TEL. COOP., INC.	IA	793	\$13.50	Dunkerton Telephone Cooperative -

					http://www.dunkerton.net/telephone/index.htm
351156	EAST BUCHANAN TEL. COOP.	IA	1644	\$14.75	East Buchanan Telephone Cooperative - http://www.eastbuchanan.com/telephone/res.htm
351160	FARMERS & BUSINESSMEN'S TEL. CO.	IA	1452	\$12.00	CCMI
351174	FARMERS MUTUAL TEL. CO.-STANTON	IA	1280	\$10.00	Farmers Mutual Telephone Company - http://www.fmtcnet.com/phone.html
351178	IOWA TELECOMM. SVCS. DBA IOWA TELECOM	IA	84035	\$13.99	CCMI
351187	PARTNER COMMUNICATIONS COOPERATIVE	IA	1463	\$14.94	Partner Communications Cooperative - http://www.pcctel.net/telephone_services/local_service.htm
351188	GOLDFIELD TEL. CO.	IA	587	\$9.95	CCMI
351191	GRAND MOUND COOP. TEL. ASSN.	IA	640	\$15.50	Grand Mound Cooperative Telephone Association - http://www.gmcta.coop/local.html
351195	GRISWOLD COOP. TEL. CO.	IA	2271	\$ 11.00	Griswold Cooperative Telephone Co. - http://www.griswoldtelco.com/telephone/index.htm
351205	HUXLEY COMMUNICATIONS COOPERATIVE	IA	1876	\$14.00	CCMI
351209	INTERSTATE 35 TEL. CO.	IA	1432	\$13.00	Schaller Telephone Company - Interstate Communications - http://www.i35-swt.com/telephone/p_telapp.htm
351212	JEFFERSON TEL. CO.-IA	IA	3679	\$6.25	CCMI
351229	LOST NATION-ELWOOD TEL. CO.	IA	701	\$12.00	CCMI
351232	LYNNVILLE TELEPHONE COMPANY	IA	480	\$7.00	CCMI
351235	MANILLA TEL. CO.	IA	646	\$10.75	Sold to fmctc 2/1/02 http://showcase.netins.net/web/manillatel/ now: http://www.fmctc.com/WhatsNew/requirements.asp
351247	MODERN COOP. TEL. CO.	IA	1013	\$ 8.00	Modern Coop. Telephone Co. - http://showcase.netins.net/web/mdrncoop/prod04.htm
351260	NORTHWEST IOWA TEL. CO., INC.	IA	8966	\$11.33	CCMI
351261	NORTHWEST TEL. COOP.	IA	1504	\$17.50	Northwest Telephone Cooperative Association - http://www.northwest.coop/services/telco-rates.htm
351263	OGDEN TEL. CO.-IA	IA	1998	\$5.50	CCMI
351264	OLIN TEL. CO., INC.	IA	838	\$ 9.25	Olin Telephone Company - http://www.olintelephone.com/services.html
351270	PALMER MUTUAL TEL. CO.	IA	322	\$12.50	Palmer Mutual Telephone Company - http://www.palmerone.com/services.htm
351271	PANORA COOP. TEL. ASSN., INC.	IA	2173	\$8.82	Panora Telco -

					http://www.panoratelco.com/tel/residential.htm
351274	CENTURYTEL OF POSTVILLE, INC.	IA	1878	\$9.00	CCMI
351283	ROYAL TEL. CO.	IA	489	\$14.00	Royal Telephone Company - http://www.royaltelco.com/tele_services.htm
351284	RUTHVEN TEL. EXCH. CO.	IA	872	\$13.00	Ruthven Telephone Exchange - http://www.ruthventel.com/services/phone.htm
351297	HEART OF IOWA COMMUNICATIONS COOP.	IA	2536	\$12.75	CCMI
351298	SOUTH SLOPE COOP. TEL. CO.	IA	12970	\$13.00	South Slope Cooperative Communications Telephone Company - http://www.southslope.com/residential/index.htm
351304	SWISHER TEL. CO.	IA	1017	\$11.50	Swisher Telephone Company - http://www.swishertelephone.com/telephone/index.htm
351305	STRATFORD MUTUAL TEL. CO.	IA	833	\$11.00	Stratford Mutual Telephone - http://www.stratfordtelephone.com/Services/For%20Home.htm
351310	TITONKA TEL. CO. (Titonka-Burt)	IA	615	\$10.40	Titonka-Burt Communications (Burt Telephone Co.) - http://www.tbctel.com/titonkalocal.htm
351319	VAN BUREN TEL. CO., INC.	IA	3103	\$10.00	Van Buren Telephone Company - http://www.vanburentelco.com/telephone.htm
351331	WEST IOWA TEL. CO.	IA	5478	\$11.95	CCMI
351334	WESTERN IOWA TEL. ASSN.	IA	3971	\$12.80	West Iowa Telephone Company dba WesTel Systems - http://www.westerniowatelephone.com/telephone/index.html
351346	ACE TEL. ASSN.-IA	IA	4781	\$10.50	Ace Communications Group, http://acegroup.cc/minnesota_iowa/company/service_area.shtml
351405	HILLS TEL. CO., INC.-IA	IA	2163	\$6.70	CCMI
359011	OMNITEL COMMUNICATIONS, INC.	IA	1666	\$10.25	CCMI
100003	LINCOLNVILLE TEL. CO.	ME	14541	\$13.79	Lincolnville Telephone Company - http://www.lintelco.net/Pages/lvbasicr.htm
100004	CHINA TEL. CO.	ME	3894	\$ 9.50	CCMI
100010	HAMPDEN TEL. CO.	ME	3666	\$17.58	CCMI
100011	HARTLAND & ST. ALBANS TEL. CO.	ME	4313	\$17.58	CCMI
100015	COMMUNITY SERVICE TEL. CO.	ME	12784	\$18.60	Community Service Telephone Company - http://www.northlandtelco.com/access_rates_standish.php

100020	PINE TREE TEL. & TELE. CO.	ME				Pine Tree Telephone & Telegraph Company - Country Road Communications - www.pinetreenetworks.com
			7367	\$13.93		
100022	SACO RIVER TEL. & TELE. CO.	ME				Saco River Telegraph & Telephone Company - Part of Pine Tree Telephone & Telegraph Company - www.pinetreenetworks.com
			10512	\$14.42		
100025	STANDISH TEL. CO.	ME	22035	\$15.50		CCMI
100031	WARREN TEL. CO.	ME	2137	\$12.16		CCMI
103313	NORTHLAND TEL. CO. OF MAINE	ME	26039	\$13.66		CCMI
482242	INTERBEL TEL. COOPERATIVE INC.	MT	2099	\$12.00		www.interbel.com/Services/services.html
482248	NORTHERN TEL. COOP INC.- MT	MT	1552	\$8.73		www.northerntel.net/phone.htm
482251	RANGE TEL. COOP INC.-MT	MT	4867	\$12.60		www.rangetel.coop/rates.htm
482254	SOUTHERN MONTANA TEL. CO.	MT	1155	\$10.00		www.smtel.com/rates.html
484322	CITIZENS TEL CO OF MT DBA FRONTIER COMM OF MT	MT	8370	\$12.68		CCMI
120038	BRETTON WOODS TEL. CO.	NH	836	\$12.65		CCMI
120039	GRANITE STATE TEL., INC.	NH				Granite State Telephone, Inc. - https://www.puc.nh.gov/Regulatory/Tariffs/GraniteStateTelephone.PDF
			10879	\$10.55		
120042	DIXVILLE TEL. CO.	NH				Dixville Telephone Company - http://www.puc.state.nh.us/Regulatory/Tariffs/DixvilleTelephoneCompany.PDF
			630	\$5.44		
120043	DUNBARTON TEL. CO.	NH				Dunbarton Telephone Company - http://www.puc.state.nh.us/regulatory/Tariffs/DunbartonTelephoneCompany.PDF
			1802	\$9.72		
120045	KEARSARGE TEL. CO.	NH	10902	\$11.20		CCMI
120047	MERRIMACK COUNTY TEL. CO.	NH	8465	\$11.22		CCMI
120049	UNION TEL. CO.	NH	7996	\$10.01		CCMI
120050	WILTON TEL. CO.-NH	NH	3706	\$6.74		CCMI
140069	WAITSFIELD/FAYSTON TEL. CO.	VT				Waitsfield Telecom - http://www.wcvt.com/services/localphone_servicesrates.htm
			21182	\$13.40		
147332	VERMONT TELEPHONE COMPANY, INC.	VT	21292	\$12.70		http://www.vermontel.com/home/services.html
511595	UNITED TELEPHONE CO. OF THE WEST-WY	WY	6798	\$57.65		http://www.psc.state.wy.us/htdocs/tariffs
512251	RANGE TEL. COOPERATIVE INC.-WY	WY	19245	\$16.00		www.rangetel.coop/rates.htm
512290	ALL WEST COMMUNICATIONS-WY	WY				All West/Wyoming, Inc. - http://psc.state.wy.us/htdocs/tariffs/wy_aww1/aww.p
			332	\$22.00		

					df
512291	DUBOIS TELEPHONE EXCHANGE INC.	WY	2373	\$19.25	http://psc.state.wy.us/htdocs/tariffs/wy_dub1/0001a.pdf
512295	SILVER STAR TEL. CO.- WY	WY	3087	\$24.50	http://www.silverstar.com/images/SSC_Wyoming_Application.pdf
512296	TRI-COUNTY TEL. ASSN. INC.-WY	WY	6784	\$17.00	http://www.tricountytelephone.com/ - Tri-County Telephone Cooperative
512297	UNION TELEPHONE CO.	WY	6870	\$9.06	http://www.uniontel.net
512299	CENTURYTEL OF WYOMING, INC.	WY	5549	\$21.33	CenturyTel of Wyoming, Inc. http://psc.state.wy.us/htdocs/tariffs/wy_ccw1/0007a.pdf
STRAIGHT AVERAGE				\$12.89	

ATTACHMENT C

Rate Data For the 13 Places Listed in the 2002 GAO Report

State	Non-MSA Place Name	2001 Residential Rate	2005 Residential Rate
Georgia	Tunnel Hill	\$20.78	\$20.95
Mississippi	Polkville	\$20.88	\$20.88
Arkansas	Pollard	\$18.65	\$19.65
Alaska	Toksook Bay	\$19.23	\$19.23
Louisiana	Jena	\$16.80	\$17.3
Ohio	Leipsic	\$16.65	\$16.65
Wisconsin	Clintonville	\$12.50	\$15.07
Colorado	Two Buttes	\$14.74	\$14.74
North Carolina	Broadway	\$12.26	\$12.55
Arizona	Clifton	\$12.40	\$12.40
Minnesota	Hutchinson	\$12.06	\$12.06
Iowa	Corning	\$7.50	\$7.65
Illinois	Pocahontas	\$4.22	\$6.22

ATTACHMENT D

**List of Rural Telephone Companies Serving
Non-MSAs Identified by the GAO**

	State	Place name	Rural Company
1	Alabama	Oak Hill	Frontier Comm of AL
2	Alaska	Allakaket	Bettles Tel Co
3		Toksook Bay	United Utilities Inc
4	Arizona	Clifton	Copper Valley Tel Inc
5	Arkansas	Pollard	CenturyTel
6	California	Dorris	Cal-Ore Tel Co
7	Colorado	Two Buttes	Century Tel of Eagle
8	Connecticut	Bethlehem	Woodbury Tel Co
9	Florida	Carrabelle	GTC, Inc – FL
10	Georgia	Tunnel Hill	Alltel Georgia
11	Idaho	Mackay	ATC Comm
12	Illinois	Pocahontas	Frontier Comm – Midland
13	Indiana	Elnora	Com Corp of Southern IN

14	Iowa	Corning	Frontier Comm of IA
15	Kansas	Milford	United Tel Co of KS
16	Kentucky	Lewisburg	Logan Tel Coop
17	Louisiana	Jena	Century Tel of Central LA
18	Minnesota	Hutchinson	Hutchinson Tel Co
19	Mississippi	Polkville	Bay Springs Tel Co
20	Missouri	Galt	Grand River Mutual Tel
21	Nebraska	Edison	GTE
22	Nevada	Yerington	Contel of NV – Verizon
23	New Hampshire	Hillsborough	Contoocook Valley Tel Co
24	New Mexico	Encino	E.N.M.R. Tel Coop
25	New York	Chaumont	Township Tel Co
26	North Carolina	Broadway	Alltel
27	North Dakota	Cayuga	Red River Telcom
28	Ohio	Leipsic	Orwell Tel Co

29	Oklahoma	Achille	Cherokee Tel Coop
30	Oregon	Hood River	United Telephone - NW
31	Pennsylvania	Burlington	Commonwealth Tel Entp
32	South Carolina	Bluffton	Bluffton Tel Co
33	Tennessee	Rutherford	West TN Telephone Co
34	Texas	Roaring Springs	Cap Rock Tel Coop
35	Utah	Castle Valley	Citizens Tel of Utah
36	Vermont	Westminster	Vermont Tel Co
37	Virginia	Iron Gate	CFW Tel Co
38	Washington	Mossyrock	McDaniel Tel Co
39	West Virginia	Keystone	Citizens Telecom of WV
40	Wisconsin	Clintonville	Frontier Comm of WI
41	Wyoming	Rock River	Union Tel Co

ATTACHMENT E

Chart 2.A

Summary of Year 2004 Average Monthly Local And End-User Monthly Revenue Per Line By ILEC With Support (Sorted on Column D)

A	B	C	D	E	F	G	H
	ILEC	State	Average Monthly Revenue With Support Per Line	Receives High Cost Support	Average Monthly Support Per Line	Average Monthly Revenue Without Support Per Line	2004 Average Access Lines
1	SUREWEST TELCO	CALIFORNIA	\$40.92		\$0.00	\$40.92	129,587
2	QWEST	NEBRASKA	\$36.82	Hi Cost	\$0.85	\$35.97	318,747
3	QWEST	WYOMING	\$35.81	Hi Cost	\$3.35	\$32.45	216,458
4	CENTURY	ALABAMA	\$35.63	Hi Cost	\$4.38	\$31.25	275,093
5	VERIZON	WEST VIRGINIA	\$33.84	Hi Cost	\$2.40	\$31.44	797,087
6	ALL-TEL	GEORGIA	\$33.37		\$0.00	\$33.37	322,446
7	QWEST	NORTH DAKOTA	\$33.21		\$0.00	\$33.21	144,896
WEIGHTED REVENUE WITHOUT SUPPORT + 2 STANDARD DEVIATIONS = \$33.19							
8	BELLSOUTH	MISSISSIPPI	\$33.01	Hi Cost	\$7.41	\$25.60	1,112,668
9	CINCY BELL	OHIO,IN, & KY	\$32.89	Hi Cost-KY	\$0.29	\$32.59	960,360
10	BELLSOUTH	GEORGIA	\$32.41		\$0.00	\$32.41	3,278,396
11	VERIZON	PUERTO RICO	\$32.17		\$0.00	\$32.17	1,188,694
12	UNITED TELCO	TEXAS	\$32.14		\$0.00	\$32.14	162,140
13	QWEST	MONTANA	\$32.01	Hi Cost	\$4.16	\$27.85	340,120
14	BELLSOUTH	KENTUCKY	\$31.35	Hi Cost	\$0.86	\$30.49	985,562
15	CENTRAL TELCO	TEXAS	\$30.99		\$0.00	\$30.99	214,957
16	VERIZON	VZ SO NC	\$30.99		\$0.00	\$30.99	345,987
17	QWEST	COLORADO	\$30.99		\$0.00	\$30.99	2,340,411
18	VERIZON	CONTEL-AZ	\$30.74		\$0.00	\$30.74	8,659
19	ALL-TEL	KENTUCKY	\$30.67	Hi Cost	\$0.91	\$29.76	499,699
20	BELLSOUTH	ALABAMA	\$30.64	Hi Cost	\$1.33	\$29.31	1,598,803
21	VALOR TELECOM	TEXAS	\$30.58		\$0.00	\$30.58	516,559
22	SPRINT	MISSOURI	\$30.34		\$0.00	\$30.34	245,376
23	QWEST	OREGON	\$30.26		\$0.00	\$30.26	1,133,593
24	VERIZON	VZ SO SC	\$30.21		\$0.00	\$30.21	196,970
25	BELLSOUTH	SOUTH CAROLINA	\$30.14		\$0.00	\$30.14	1,280,616
26	BELLSOUTH	LOUISIANA	\$29.97		\$0.00	\$29.97	1,931,756
27	VERIZON	VZ NW ID	\$29.84		\$0.00	\$29.84	135,871
28	VERIZON	VZ NORTH MI	\$29.55		\$0.00	\$29.55	697,470
29	VERIZON	VZ NORTH WI	\$29.29		\$0.00	\$29.29	386,364
30	VERIZON	VERMONT	\$29.15	Hi Cost	\$2.02	\$27.13	345,791
31	VERIZON	VZ NORTH IL	\$29.12		\$0.00	\$29.12	758,867
32	WESTERN	OHIO	\$29.08		\$0.00	\$29.08	179,441
33	VERIZON	VZ NORTH OH	\$28.86		\$0.00	\$28.86	916,516
34	SBC	SWB ARKANSAS	\$28.83		\$0.00	\$28.83	814,328
WEIGHTED REVENUE WITHOUT SUPPORT + 1 STANDARD DEVIATION = \$28.82							

35	IOWA TELECOM	IOWA	\$28.76		\$0.00	\$28.76	251,539
36	BELLSOUTH	NORTH CAROLINA	\$28.71		\$0.00	\$28.71	2,099,327
37	UNITED TELCO	OHIO	\$28.20		\$0.00	\$28.20	586,795
38	QWEST	SOUTH DAKOTA	\$28.10	Hi Cost	\$0.68	\$27.42	179,399
39	QWEST	IDAHO	\$28.04		\$0.00	\$28.04	510,435
40	ALL-TEL	NEBRASKA	\$28.04	Hi Cost	\$1.28	\$26.76	255,772
41	CENTURY	WASHINGTON	\$27.87		\$0.00	\$27.87	167,964
42	QWEST	NEW MEXICO	\$27.82		\$0.00	\$27.82	791,287
43	SBC	SWB KANSAS	\$27.80		\$0.00	\$27.80	958,118
44	UNITED TELCO	NORWEST (OR,WA)	\$27.78		\$0.00	\$27.78	154,010
45	SBC	SWB TEXAS	\$27.71		\$0.00	\$27.71	7,474,714
46	VERIZON	GTE CA	\$27.47		\$0.00	\$27.47	4,423,256
47	CENTRAL TELCO	VIRGINIA	\$27.40		\$0.00	\$27.40	298,068
48	VERIZON	VZ NW OR	\$27.28		\$0.00	\$27.28	436,075
49	VERIZON	VZ SW TX	\$27.18		\$0.00	\$27.18	1,570,394
50	VERIZON	VZ SO IL	\$27.16		\$0.00	\$27.16	35,127
51	VERIZON	VZ NORTH IN	\$26.97		\$0.00	\$26.97	946,383
52	CITIZENS	NEW YORK	\$26.90		\$0.00	\$26.90	315,009
53	UNITED TELCO	PENNSYLVANIA	\$26.75		\$0.00	\$26.75	393,468
54	QWEST	ARIZONA	\$26.58		\$0.00	\$26.58	2,279,608
55	BELLSOUTH	TENNESSEE	\$26.56		\$0.00	\$26.56	2,218,859
56	CAROLINA TEL&TEL	NORTH CAROLINA	\$26.42		\$0.00	\$26.42	1,158,696
57	UNITED TELCO	INDIANA	\$26.42		\$0.00	\$26.42	246,616
58	UNITED TELCO	SOEAST (TN,VA,WV)	\$26.34		\$0.00	\$26.34	333,057
59	SBC	SWB OKLAHOMA	\$25.97		\$0.00	\$25.97	1,315,469
60	SBC	SWB MISSOURI	\$25.84		\$0.00	\$25.84	2,145,975
61	ALL-TEL	PENNSYLVANIA	\$25.66		\$0.00	\$25.66	227,698
62	VERIZON	VERIZON FL	\$25.65		\$0.00	\$25.65	2,180,726
63	VERIZON	VZ NW WA	\$25.35		\$0.00	\$25.35	842,259
64	ALL-TEL	NORTH CAROLINA	\$25.24		\$0.00	\$25.24	228,022
65	BELLSOUTH	FLORIDA	\$25.15		\$0.00	\$25.15	5,460,619
66	VERIZON	MAINE	\$25.15	Hi Cost	\$0.23	\$24.92	686,536
67	QWEST	MINNESOTA	\$25.04		\$0.00	\$25.04	1,683,723
68	SPRINT	FLORIDA	\$24.86		\$0.00	\$24.86	2,079,707
69	QWEST	UTAH	\$24.64		\$0.00	\$24.64	884,554
70	SBC	SBC/SNET CT	\$24.63		\$0.00	\$24.63	2,084,270
71	VERIZON	MASSACHUSETTS	\$24.56		\$0.00	\$24.56	3,823,486
ACCESS LINE WEIGHTED WITHOUT SUPPORT REVENUE PER LINE = \$24.45							
72	VERIZON	RHODE ISLAND	\$24.22		\$0.00	\$24.22	491,119
73	VERIZON	NEW HAMPSHIRE	\$24.15		\$0.00	\$24.15	682,715
74	QWEST	WASHINGTON	\$24.04		\$0.00	\$24.04	2,125,307
75	VERIZON	NEW YORK	\$24.02		\$0.00	\$24.02	10,283,320
76	SBC	INDIANA BELL	\$23.94		\$0.00	\$23.94	1,863,856
77	FRONTIER	NEW YORK	\$23.71		\$0.00	\$23.71	515,951
78	SBC	MICHIGAN BELL	\$23.17		\$0.00	\$23.17	3,614,907
79	SBC	OHIO BELL	\$23.14		\$0.00	\$23.14	3,096,908
80	SBC	WISCONSIN BELL	\$23.09		\$0.00	\$23.09	1,627,039
81	CENTRAL TELCO	NC NV	\$23.08		\$0.00	\$23.08	1,138,016
82	VERIZON	VZ NW WCCA	\$23.06		\$0.00	\$23.06	15,020
83	QWEST	IOWA	\$22.86		\$0.00	\$22.86	893,746

Chart 2.B**Summary of Year 2004 Average Monthly Local and End-User Monthly Revenue Per Line By ILEC Without Support (Sorted on Column G)**

A	B	C	D	E	F	G	H
	ILEC	State	Average Monthly Revenue With Support Per Line	Receives High Cost Support	Average Monthly Support Per Line	Average Monthly Revenue Without Support Per Line	2004 Average Access Lines
1	SUREWEST TELCO	CALIFORNIA	\$40.92		\$0.00	\$40.92	129,587
2	QWEST	NEBRASKA	\$36.82	Hi Cost	\$0.85	\$35.97	318,747
3	ALL-TEL	GEORGIA	\$33.37		\$0.00	\$33.37	322,446
4	QWEST	NORTH DAKOTA	\$33.21		\$0.00	\$33.21	144,896
WEIGHTED REVENUE WITHOUT SUPPORT + 2 STANDARD DEVIATIONS = \$33.19							
5	CINCY BELL	OHIO, IN, & KY	\$32.89	Hi Cost- KY	\$0.29	\$32.59	960,360
6	QWEST	WYOMING	\$35.81	Hi Cost	\$3.35	\$32.45	216,458
7	BELLSOUTH	GEORGIA	\$32.41		\$0.00	\$32.41	3,278,396
8	VERIZON	PUERTO RICO	\$32.17		\$0.00	\$32.17	1,188,694
9	UNITED TELCO	TEXAS	\$32.14		\$0.00	\$32.14	162,140
10	VERIZON	WEST VIRGINIA	\$33.84	Hi Cost	\$2.40	\$31.44	797,087
11	CENTURY	ALABAMA	\$35.63	Hi Cost	\$4.38	\$31.25	275,093
12	CENTRAL TELCO	TEXAS	\$30.99		\$0.00	\$30.99	214,957
13	VERIZON	VZ SO NC	\$30.99		\$0.00	\$30.99	345,987
14	QWEST	COLORADO	\$30.99		\$0.00	\$30.99	2,340,411
15	VERIZON	CONTEL-AZ	\$30.74		\$0.00	\$30.74	8,659
16	VALOR TELECOM	TEXAS	\$30.58		\$0.00	\$30.58	516,559
17	BELLSOUTH	KENTUCKY	\$31.35	Hi Cost	\$0.86	\$30.49	985,562
18	SPRINT	MISSOURI	\$30.34		\$0.00	\$30.34	245,376
19	QWEST	OREGON	\$30.26		\$0.00	\$30.26	1,133,593
20	VERIZON	VZ SO SC	\$30.21		\$0.00	\$30.21	196,970
21	BELLSOUTH	SOUTH CAROLINA	\$30.14		\$0.00	\$30.14	1,280,616
22	BELLSOUTH	LOUISIANA	\$29.97		\$0.00	\$29.97	1,931,756
23	VERIZON	VZ NW ID	\$29.84		\$0.00	\$29.84	135,871
24	ALL-TEL	KENTUCKY	\$30.67	Hi Cost	\$0.91	\$29.76	499,699
25	VERIZON	VZ NORTH MI	\$29.55		\$0.00	\$29.55	697,470
26	BELLSOUTH	ALABAMA	\$30.64	Hi Cost	\$1.33	\$29.31	1,598,803
27	VERIZON	VZ NORTH WI	\$29.29		\$0.00	\$29.29	386,364
28	VERIZON	VZ NORTH IL	\$29.12		\$0.00	\$29.12	758,867
29	WESTERN	OHIO	\$29.08		\$0.00	\$29.08	179,441

30	VERIZON	VZ NORTH OH	\$28.86		\$0.00	\$28.86	916,516
31	SBC	SWB ARKANSAS	\$28.83		\$0.00	\$28.83	814,328
WEIGHTED REVENUE WITHOUT SUPPORT + 1 STANDARD DEVIATION = \$28.82							
32	IOWA TELECOM	IOWA	\$28.76		\$0.00	\$28.76	251,539
33	BELLSOUTH	NORTH CAROLINA	\$28.71		\$0.00	\$28.71	2,099,327
34	UNITED TELCO	OHIO	\$28.20		\$0.00	\$28.20	586,795
35	QWEST	IDAHO	\$28.04		\$0.00	\$28.04	510,435
36	CENTURY	WASHINGTON	\$27.87		\$0.00	\$27.87	167,964
37	QWEST	MONTANA	\$32.01	Hi Cost	\$4.16	\$27.85	340,120
38	QWEST	NEW MEXICO	\$27.82		\$0.00	\$27.82	791,287
39	SBC	SWB KANSAS	\$27.80		\$0.00	\$27.80	958,118
40	UNITED TELCO	NORWEST (OR, WA)	\$27.78		\$0.00	\$27.78	154,010
41	SBC	SWB TEXAS	\$27.71		\$0.00	\$27.71	7,474,714
42	VERIZON	GTE CA	\$27.47		\$0.00	\$27.47	4,423,256
43	QWEST	SOUTH DAKOTA	\$28.10	Hi Cost	\$0.68	\$27.42	179,399
44	CENTRAL TELCO	VIRGINIA	\$27.40		\$0.00	\$27.40	298,068
45	VERIZON	VZ NW OR	\$27.28		\$0.00	\$27.28	436,075
46	VERIZON	VZ SW TX	\$27.18		\$0.00	\$27.18	1,570,394
47	VERIZON	VZ SO IL	\$27.16		\$0.00	\$27.16	35,127
48	VERIZON	VERMONT	\$29.15	Hi Cost	\$2.02	\$27.13	345,791
49	VERIZON	VZ NORTH IN	\$26.97		\$0.00	\$26.97	946,383
50	CITIZENS	NEW YORK	\$26.90		\$0.00	\$26.90	315,009
51	ALL-TEL	NEBRASKA	\$28.04	Hi Cost	\$1.28	\$26.76	255,772
52	UNITED TELCO	PENNSYLVANIA	\$26.75		\$0.00	\$26.75	393,468
53	QWEST	ARIZONA	\$26.58		\$0.00	\$26.58	2,279,608
54	BELLSOUTH	TENNESSEE	\$26.56		\$0.00	\$26.56	2,218,859
55	CAROLINA TEL&TEL	NORTH CAROLINA	\$26.42		\$0.00	\$26.42	1,158,696
56	UNITED TELCO	INDIANA	\$26.42		\$0.00	\$26.42	246,616
57	UNITED TELCO	SO EAST (TN, VA, WV)	\$26.34		\$0.00	\$26.34	333,057
58	SBC	SWB OKLAHOMA	\$25.97		\$0.00	\$25.97	1,315,469
59	SBC	SWB MISSOURI	\$25.84		\$0.00	\$25.84	2,145,975
60	ALL-TEL	PENNSYLVANIA	\$25.66		\$0.00	\$25.66	227,698
61	VERIZON	VERIZON FL	\$25.65		\$0.00	\$25.65	2,180,726
62	BELLSOUTH	MISSISSIPPI	\$33.01	Hi Cost	\$7.41	\$25.60	1,112,668
63	VERIZON	VZ NW WA	\$25.35		\$0.00	\$25.35	842,259
64	ALL-TEL	NORTH CAROLINA	\$25.24		\$0.00	\$25.24	228,022
65	BELLSOUTH	FLORIDA	\$25.15		\$0.00	\$25.15	5,460,619
66	QWEST	MINNESOTA	\$25.04		\$0.00	\$25.04	1,683,723
67	VERIZON	MAINE	\$25.15	Hi Cost	\$0.23	\$24.92	686,536
68	SPRINT	FLORIDA	\$24.86		\$0.00	\$24.86	2,079,707
69	QWEST	UTAH	\$24.64		\$0.00	\$24.64	884,554
70	SBC	SBC/SNET CT	\$24.63		\$0.00	\$24.63	2,084,270
71	VERIZON	MASSACHUSETTS	\$24.56		\$0.00	\$24.56	3,823,486
ACCESS LINE WEIGHTED REVENUE WITHOUT SUPPORT PER LINE = \$24.45							

EXHIBIT 2

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

In the Matter of)	
)	
Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

DECLARATION OF ALAN J. BUZACOTT

1. My name is Alan J. Buzacott. I am Director, Federal Regulatory, for Verizon. I have more than 13 years experience with Verizon and its predecessor companies, in particular with the former MCI, Inc. I hold a Masters of Science degree in electrical engineering from the Massachusetts Institute of Technology, which I earned in 1990. My MIT graduate program combined engineering, economics, and public policy studies. In addition, I hold a Bachelor of Science degree from the University of Toronto, which I earned in 1987.

2. My current responsibilities for Verizon include managing federal regulatory matters involving universal service, intercarrier compensation, and other issues pending before the Federal Communications Commission. I was previously responsible for managing Verizon Business's (and before that MCI's) compliance with all aspects of the federal universal service program. My previous responsibilities also included supporting Verizon Business's carrier management organization in intercarrier compensation disputes with ILECs and competitive LECs. In these capacities, I have knowledge of the facts described herein.

3. I analyzed tariffed residential local exchange rates currently in effect for every non-rural ILEC in all 50 states, the District of Columbia, and Puerto Rico. To perform this analysis, I reviewed the state tariffs of every non-rural ILEC to determine the rates that a residential customer pays for basic local exchange service. I also reviewed the interstate access tariffs of every non-rural ILEC to determine the applicable federal subscriber line charge (SLC). I compiled the results of this analysis – which includes the state, study area code, ILEC name, range of residential local exchange rates in effect for that ILEC, mandatory extended area service (EAS) charges, and applicable federal SLC – on Attachment A to this Declaration. Attachment A also indicates whether the ILEC’s urban and rural rates are the same, or, for those ILECs with rates that are not uniform across the state, whether the highest rate is associated with an urban or rural exchange. For the purposes of this analysis, a “rural area” is defined as any non-metropolitan statistical area (MSA) county or county-equivalent, as defined by the Office of Management and Budget. The particular non-rural carrier state tariff references that I used for my analysis are compiled on Attachment B to this Declaration.

4. The data on Attachment A show that, throughout the country, the basic residential local exchange rates currently in effect for non-rural ILECs typically do not vary considerably within each state served by that non-rural ILEC. To the extent there are rate variances, non-rural ILEC rates generally are lower in rural areas than in urban areas.

5. In 18 states and in the District of Columbia, the largest non-rural ILEC offers basic residential local exchange service at the same rate in all exchanges. These

states include states traditionally considered to be “rural,” including, for example, Alaska, Iowa, and South Dakota. *See* Attachment A, at 1-2, 7.

6. In those states where a non-rural ILEC charges different basic residential local exchange rates within the state, rates in urban areas tend to be higher than rates in rural areas. There are a total of 53 study areas across the country where a non-rural ILEC’s basic tariffed residential local exchange rates vary between exchanges in the study area. For 50 of those 53 study areas, the ILEC’s highest rate is in more populated areas. Less populated areas in these study areas tend to see lower rates. For example, the highest rate for basic residential local exchange service charged by AT&T in Mississippi (\$19.01) applies in the larger urban areas of Jackson and Gulfport, while lower rates apply in other areas of AT&T’s service territory in the state, including rural areas of Mississippi. *See* Attachment A, at 5. Similarly, Qwest’s highest rates in Idaho apply in three of the largest urban areas, including Boise, of the state. *See* Attachment A, at 2. In Kansas, AT&T’s highest rates apply in three of the largest urban areas, including Kansas City, of the state. *See* Attachment A, at 3. And in Hawaii, Hawaiian Telecom’s highest rates apply in Honolulu. *See* Attachment A, at 2.

7. No non-rural ILEC study area has a rate structure that uniformly applies higher rates to rural exchanges than to urban exchanges. In fact, only three study areas have *any* rural exchanges with higher rates than the rates in the study area’s urban exchanges. *See* Attachment A, at 5-6, 10. In all three of those study areas – Qwest-Nebraska, Qwest-New Mexico, and Qwest-Wyoming – the basic rate structure is uniform across the study area, but EAS increments cause a handful of rural exchanges to have a higher rate than the urban exchanges. *Id.* The real dollar urban-rural rate differential for

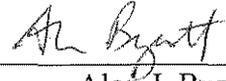
Qwest-Nebraska and Qwest-New Mexico is small. *Id.* Qwest-Wyoming also has a unique rate structure that applies substantially higher rates to those parts of an exchange that are located farther away from the central office. But that rate structure is uniform statewide, and the higher rates that apply to the zones farthest from the central office are substantially offset by federal universal service fund and Wyoming universal service fund credits.

8. Every non-rural ILEC assesses a federal SLC that is uniform across all exchanges in the state. *See* Attachment A, at 1.

9. This concludes my Declaration.

I declare under penalty of perjury that the foregoing is true to the best of my
knowledge, information and belief.

Executed on May 8, 2009



Alan J. Buzacott

Attachment A: Non-Rural Incumbent LEC Residential Local Exchange Rates (flat rate, unless noted)

State	Study Area Code	LEC	Statewide Local Exchange Rates			Exchange-Specific Mandatory Extended Area Service (EAS) Increments	MSA / non-MSA Local Rate Differential		Federal SLC (uniform statewide)
			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
AK	613000	ACS OF ANCHORAGE	• Single rate	\$12.05	\$12.05	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
AL	255181	SO CENTRAL BELL-AL	• Single rate	\$16.95	\$16.95	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
AL	259788	CENTURYTEL-AL-SOUTH	• Single rate	\$17.05	\$17.05	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
AL	259789	CENTURYTEL-AL-NORTH	• Two rate groups, \$17.05 and \$22.18. • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced group.	\$17.05	\$22.18	• No EAS increments	Urban	• Rate structure assigns exchanges in the Mobile MSA to highest-rate group.	\$6.50
AR	405211	SOUTHWESTERN BELL-AR	• Two rate groups, \$13.74 and \$19.00.	\$13.74	\$19.00	• EAS increments apply in a few exchanges, up to 6.51.	Urban	• Rate structure assigns exchanges in Little Rock, Pine Bluff, Fort Smith MSAs to highest-rate group. • If EAS increments included, highest rate (25.51) is West Memphis, in the Memphis MSA.	\$5.31
AZ	455101	QWEST CORP-AZ	• Single rate	\$13.18	\$13.18	• No EAS increments	Same	• Same rate for all exchanges.	\$6.30
CA	542302	VERIZON CA(CONTEL)	• Single rate	\$19.50	\$19.50	• 8 exchanges have EAS increment; highest is \$2.40.	Urban	• Same basic rate in all exchanges • If EAS increments included, highest rate (Triona exchange) is in the Los Angeles MSA.	\$5.97
CA	542319	VERIZON-CA (GTE)	• Single rate	\$19.91	\$19.91	• 5 exchanges have EAS increment; highest is \$4.23.	Urban	• Same basic rate in all exchanges • If EAS increments included, highest rate (Gaviota exchange) is in the Santa Barbara MSA.	\$6.50
CA	542334	SUREWEST TEL.	• Single rate	\$18.90	\$18.90	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
CA	545170	PACIFIC BELL	• Rates listed by exchange, but almost all exchanges have same rate (\$13.50). • Highest rate (\$20.53) applies in only one exchange (Big Sur).	\$13.50	\$20.53	• No EAS increments	Same	• Vast majority of exchanges (urban and rural) have same rate. • Highest rate (Big Sur exchange) is in the Salinas MSA.	\$4.39
CO	465102	QWEST CORP-CO	• Single rate	\$14.88	\$14.88	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50

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			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
CT	135200	SOUTHERN NEW ENGLAND	<ul style="list-style-type: none"> • 5 rate groups; rate ranges from \$10.53 (group 1) to \$14.53 (group 5). • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$10.53	\$14.53	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in the Hartford & New Haven MSAs to highest-rate group. 	\$5.77
DC	575020	VERIZON WA, DC INC.	<ul style="list-style-type: none"> • Single rate 	\$12.78	\$12.78	• No EAS increments	Same	<ul style="list-style-type: none"> • Same rate for all exchanges. 	\$3.86
DE	565010	VERIZON DELAWARE INC	<ul style="list-style-type: none"> • Rate is sum of line rate (uniform) and unlimited usage charge. • For unlimited usage rate, exchanges are classified into two usage rate groups based on # of lines in local calling area. Rate is either \$1.56 or \$2.22; highest rate applies to Wilmington exchanges. 	\$11.02	\$11.68	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Wilmington (Philadelphia MSA) to highest-rate group. 	\$6.45
FL	210328	VERIZON FLORIDA	<ul style="list-style-type: none"> • Single rate 	\$16.33	\$16.33	• No EAS increments	Same	<ul style="list-style-type: none"> • Same rate for all exchanges. 	\$6.50
FL	215191	SOUTHERN BELL-FL	<ul style="list-style-type: none"> • Two rates, one (\$12.45) applies to exchanges in rate groups 1-5 and the other (\$13.58) applies to exchanges in rate groups 6-12. • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$12.45	\$13.58	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Miami, Ft. Lauderdale MSAs to highest-rate group. 	\$6.50
GA	225192	SOUTHERN BELL-GA	<ul style="list-style-type: none"> • Exchanges assigned to rate groups based on # of lines in local calling area; some rate groups also reflect an EAS increment. 	\$12.57	\$20.80	• EAS reflected in rate for rate group.	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in the Atlanta MSA to highest-rate group. 	\$6.50
HI	623100	HAWAIIAN TELCOM, INC	<ul style="list-style-type: none"> • Separate rate for each island. • Rates shown include \$1.65 for touchtone. 	\$11.55	\$16.05	• No EAS increments	Urban	<ul style="list-style-type: none"> • Highest rate applies to Oahu (Honolulu MSA) exchanges. 	\$6.50
IA	355141	QWEST CORP-IA	<ul style="list-style-type: none"> • Single rate 	\$18.10	\$18.10	• No EAS increments	Same	<ul style="list-style-type: none"> • Same rate for all exchanges. 	\$4.84
ID	475103	QWEST CORP-ID	<ul style="list-style-type: none"> • Two rate groups, \$16.00 and \$20.95. 	\$16.00	\$20.95	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Boise, Twin Falls, and Pocatello MSAs to highest-rate group. 	\$6.39
IL	341015	VERIZON NORTH-IL	<ul style="list-style-type: none"> • Two rate groups, \$15.99 and \$16.99 	\$15.99	\$16.99	• No EAS increments	Urban	<ul style="list-style-type: none"> • Lower, \$15.99 rate applies in Bloomington and 5 other exchanges. • Higher rate applies in all other exchanges, including MSA exchanges. 	\$6.50
IL	341036	VERIZON N-IL(CONTEL)	See above						\$6.50

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			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
IL	345070	ILLINOIS BELL TEL CO	<ul style="list-style-type: none"> Exchanges assigned to 3 access areas (A, B, or C); A & B exchanges all in Chicago LATA Rate shown is for Consumer's Choice Extra (\$6.00 - area A; \$10.00 - area B; \$16.00 - area C). 	\$6.00	\$16.00	• No EAS increments	Urban	<ul style="list-style-type: none"> \$6.00 rate applies only to 6 exchanges in Chicago. \$10.00 rate applies only to approximately 35 exchanges in Chicago MSA. \$16.00 rate applies elsewhere in Chicago MSA and in the rest of Illinois, including Springfield, Champaign, Rock Island MSAs. 	\$4.52
IN	320772	VERIZON N-IN	<ul style="list-style-type: none"> 10 rate groups; rate ranges from \$12.35 (group 1) to \$18.56 (group 5a). Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$12.35	\$18.56	• No EAS increments	Urban	<ul style="list-style-type: none"> Rate structure assigns exchanges in the Fort Wayne MSA to highest-rate group. 	\$6.50
IN	320779	VERIZON N-IN(CONTEL)	See above						\$6.50
IN	325080	INDIANA BELL TEL CO	<ul style="list-style-type: none"> 3 rate groups; rate ranges from \$9.75 (group 1) to \$11.51 (groups L and 3). Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$9.75	\$11.51	• No EAS increments	Urban	<ul style="list-style-type: none"> Rate structure assigns Gary (Chicago MSA) and Indianapolis MSA exchanges to highest-rate group. 	\$5.55
KS	415214	SOUTHWESTERN BELL-KS	<ul style="list-style-type: none"> Two rates, one (\$15.70) applies to exchanges in rate groups 1-5 and the other (\$16.55) applies to exchanges in rate groups 6-8. Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$15.70	\$16.55	• No EAS increments	Urban	<ul style="list-style-type: none"> Rate structure assigns exchanges in Kansas City, Wichita, and Topeka MSAs to highest-rate group. 	\$5.31
KY	265061	CINCINNATI BELL-KY	<ul style="list-style-type: none"> 3 rate bands - \$16.95, \$18.95, and \$26.00 (highest rate reflects mandatory EAS in a handful of exchanges) 	\$16.95	\$26.00	• No EAS increments	Urban	<ul style="list-style-type: none"> CBT's KY service area is wholly within the Cincinnati MSA. 	\$5.27
KY	265182	SO CENTRAL BELL-KY	<ul style="list-style-type: none"> 5 rate groups; rate ranges from \$15.20 (group 1) to \$18.40 (group 5). Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$15.20	\$18.40	• No EAS increments	Urban	<ul style="list-style-type: none"> Rate structure assigns exchanges in Louisville MSA to highest-rate group. 	\$6.50
KY	269690	WINDSTREAM LEXINGTON	<ul style="list-style-type: none"> Rates range from \$13.20 to \$18.99; rate is based on # of lines in local calling area - exchanges with more lines bill higher rates. 	\$13.20	\$18.99	• No EAS increments	Urban	<ul style="list-style-type: none"> Rate structure assigns exchanges in the Lexington and Huntington-Ashland MSAs to highest-rate groups. 	\$6.50
LA	275183	SO CENTRAL BELL-LA	<ul style="list-style-type: none"> Single rate 	\$12.64	\$12.64	• No EAS increments	Same	<ul style="list-style-type: none"> Same rate for all exchanges. 	\$6.50

State	Study Area Code	LEC	Statewide Local Exchange Rates			Exchange-Specific Mandatory Extended Area Service (EAS) Increments	MSA / non-MSA Local Rate Differential		Federal SLC (uniform statewide)
			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
MA	115112	VERIZON MASS.	• Rate is sum of dial tone line rate (\$12.70) and unlimited usage rate (\$6.94).	\$19.64	\$19.64	• No EAS increments	Same	• Same rate for all exchanges.	\$6.42
MD	185030	VERIZON MARYLAND INC	• Rate is sum of dial tone line rate and unlimited usage rate. • Two rate groups; exchanges with more lines are assigned to higher-rate group.	\$16.27	\$17.51	• No EAS increments	Urban	• Rate structure assigns exchanges in largest urban areas - Baltimore, Washington MSAs -- to highest-rate group.	\$5.68
ME	105111	NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC	• Single rate	\$14.69	\$14.69	• No EAS increments	Same	• Same rate for all exchanges.	\$6.25
MI	310695	VERIZON NORTH-MI	• Single rate	\$23.42	\$23.42	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
MI	315090	MICHIGAN BELL TEL CO	• 2 rate groups;\$19.00 and \$19.75. • Rate group assignment based on # of lines / square mile - exchanges with more lines / square mile are assigned to higher-priced group.	\$19.00	\$19.75	• No EAS increments	Urban	• Rate structure assigns exchanges in Detroit, Ann Arbor, Grand Rapids MSAs to highest-rate group.	\$5.37
MN	365142	QWEST CORP-MN	• Two rates, one (\$15.76) for Minneapolis/St. Paul and one (\$14.96) for all other exchanges.	\$14.96	\$15.76	• EAS increments apply in several exchanges. Highest is \$10.00, in Buffalo, Cambridge, North Branch exchanges (in Minneapolis MSA).	Urban	• Rate structure assigns exchanges in Minneapolis MSA to highest-rate group. • If EAS increments included, highest rate (\$25.76) applies to 3 exchanges in Minneapolis MSA.	\$4.96
MO	425213	SOUTHWESTERN BELL-MO	• 2 rate groups (\$7.31 & 14.00); exchanges assigned to rate groups based on line counts.	\$7.31	\$14.00	• EAS increments apply in several exchanges. Generally, exchanges with highest EAS increments are in lowest (\$7.31) rate group. Highest EAS increment for an exchange in \$14.00 rate group is \$3.23 (Pond exchange, in St. Louis MSA).	Urban	• Rate structure assigns exchanges in Kansas City, Springfield, and St. Louis MSAs to highest-rate group. • If EAS increments included, highest rate (\$17.23) applies to Pond exchange in St. Louis MSA.	\$5.31
MO	429784	CENTURYTEL-MO CEN	• Rates in those exchanges designated as competitive range from \$9.61 to \$12.87. Highest rate in exchanges with most lines. • Other exchanges assigned to one of six rate groups, ranging from \$9.27 to \$13.08, based on line count.	\$9.27	\$13.08	• EAS increments up to \$3.53; highest EAS increments generally apply to exchanges in lowest-priced groups	Urban	• Rate structure assigns exchanges in the St. Louis MSA to highest-rate group (\$13.08 for "metro" exchanges).	\$6.50
MO	429787	CENTURYTEL-MO SW	See above						\$6.19

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			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
MS	285184	SO CENTRAL BELL-MS	<ul style="list-style-type: none"> Four rates, ranging from \$16.20 to \$19.01. Rate depends on exchange's rate group assignment. Exchanges with more lines are assigned to higher-priced groups. 	\$16.20	\$19.01	<ul style="list-style-type: none"> No EAS increments 	Urban	<ul style="list-style-type: none"> Rate structure assigns exchanges in Jackson, Gulfport-Biloxi MSAs to highest-rate group. 	\$6.50
MT	485104	QWEST CORP-MT	<ul style="list-style-type: none"> Single rate 	\$16.73	\$16.73	<ul style="list-style-type: none"> EAS increment of \$2.72 applies in Billings, Great Falls, Missoula, and certain other exchanges. 	Urban	<ul style="list-style-type: none"> Same basic rate for all exchanges. If EAS increments included, highest rate applies in Billings, Great Falls, and Missoula MSAs. 	\$6.50
NC	230479	VERIZON SOUTH-NC	<ul style="list-style-type: none"> Single rate 	\$19.95	\$19.95	<ul style="list-style-type: none"> No EAS increments 	Same	<ul style="list-style-type: none"> Same rate for all exchanges 	\$6.50
NC	230509	VERIZON S-NC(CONTEL)	<ul style="list-style-type: none"> Single rate 	\$21.50	\$21.50	<ul style="list-style-type: none"> No EAS increments 	Same	<ul style="list-style-type: none"> Same rate for all exchanges 	\$6.50
NC	235193	SOUTHERN BELL-NC	<ul style="list-style-type: none"> Single rate 	\$19.95	\$19.95	<ul style="list-style-type: none"> No EAS increments 	Same	<ul style="list-style-type: none"> Same rate for all exchanges 	\$6.50
NC	230491	N.ST. DBA N. ST.COMM (NORTH STATE)	<ul style="list-style-type: none"> Three exchanges, two with \$6.95 rate and one with \$9.95 rate. 	\$6.95	\$9.95	<ul style="list-style-type: none"> No EAS increments 	Urban	<ul style="list-style-type: none"> Highest rate applies to High Point exchange, largely within the Greensboro-High Point MSA. 	\$6.50
ND	385144	QWEST CORP-ND	<ul style="list-style-type: none"> Single rate 	\$18.00	\$18.00	<ul style="list-style-type: none"> EAS increments apply in several exchanges; highest rate with EAS increment is Leonard exchange (\$22.58). 	Urban	<ul style="list-style-type: none"> Same basic rate for all exchanges. If EAS increments included, highest rate applies to Leonard exchange, in Fargo MSA. 	\$6.50
NE	371568	WINDSTREAM NE	<ul style="list-style-type: none"> Single rate 	\$17.50	\$17.50	<ul style="list-style-type: none"> No EAS increments 	Same	<ul style="list-style-type: none"> Same rate for all exchanges 	\$5.00
NE	375143	QWEST CORP-NE	<ul style="list-style-type: none"> Single rate 	\$18.15	\$18.15	<ul style="list-style-type: none"> EAS increments apply in several exchanges; highest rate with EAS increment is 20.45 (Creston, Fremont exchanges). Omaha rate with EAS is \$19.45. 	Rural	<ul style="list-style-type: none"> Same basic rate for all exchanges. If EAS increments included, two non-MSA exchanges have higher rate than exchanges in Omaha MSA. 	\$4.78
NH	125113	NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC	<ul style="list-style-type: none"> 5 rate groups; rate ranges from \$11.09 (group A) to \$15.67 (group E). Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$11.09	\$15.67	<ul style="list-style-type: none"> No EAS increments 	Urban	<ul style="list-style-type: none"> Rate structure assigns exchanges in the Manchester-Nashua MSA to highest-rate group. 	\$6.25
NJ	165120	VERIZON NEW JERSEY	<ul style="list-style-type: none"> Single rate 	\$11.95	\$11.95	<ul style="list-style-type: none"> No EAS increments 	Same	<ul style="list-style-type: none"> Same rate for all exchanges. 	\$6.29

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			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
NM	495105	QWEST CORP-NM	• Single rate	\$13.50	\$13.50	• EAS increments in five areas; highest rate with EAS increment (\$14.60) is in the Portales and Clovis exchanges. Albuquerque rate with EAS is \$14.02.	Rural	• Same basic rate for all exchanges. • If EAS increments included, two non-MSA exchanges have higher rate than Albuquerque exchanges.	\$6.50
NV	552348	CENDEL OF NV	• Single rate	\$10.40	\$10.40	• No EAS increments	Same	• Same rate for all exchanges.	\$3.70
NV	555173	NEVADA BELL	• Single rate	\$10.75	\$10.75	• No EAS increments	Same	• Same rate for all exchanges.	\$5.14
NY	150121	FRONTIER-ROCHESTER	• 6 rate groups, ranging from \$10.23 to \$15.71	\$10.23	\$15.71	• 1.25 EAS increment in several exchanges, including Rochester	Urban	• Highest rate applies to Rochester metro exchanges.	\$4.74
NY	155130	VERIZON NEW YORK	• Single rate (effective 6-20-09); rate shown is sum of \$15.80 line rate and \$7.20 unlimited usage rate	\$23.00	\$23.00	• No EAS increments	Same	• Same rate for all exchanges.	\$6.42
OH	300615	VERIZON NORTH-OH	• 6 rate groups; rate ranges from \$13.03 (schedule I) to \$15.73 (schedule VI). • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups.	\$13.03	\$15.73	• No EAS increments	Urban	• Rate structure assigns exchanges in the Cleveland, Columbus, Dayton, Huntington-Ashland MSAs to highest-rate group.	\$6.50
OH	300665	WINDSTREAM OH	• Separate rate for each exchange; most exchanges \$10.50.	\$7.45	\$17.60	• No EAS increments	Urban	• Highest rate applies to Columbia Station exchange in Cleveland MSA.	\$6.50
OH	305062	CINCINNATI BELL-OH	• rates vary by exchange and band	\$16.95	\$21.70	• No EAS increments	Urban	• Highest rate is in Cincinnati MSA exchanges.	\$5.27
OH	305150	OHIO BELL TEL CO	• Single rate (\$4.40 line rate + \$2.30 CO termination rate + \$7.55 unlimited usage rate)	\$14.25	\$14.25	• No EAS increments	Same	• Same rate for all exchanges.	\$5.41
OK	435215	SOUTHWESTERN BELL-OK	• 5 rate groups; rate ranges from \$15.50 (schedule 1) to \$18.50 (schedules 6 and 7). • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups.	\$15.50	\$18.50	• 19 exchanges have EAS increments; highest is \$5.00	Urban	• Highest basic rate applies to exchanges in Tulsa, Oklahoma City MSAs. • If EAS increments included, a few non-MSA exchanges have higher rates than Tulsa, Oklahoma City.	\$5.31
OR	532416	VERIZON N'WEST-OR	• Single rate (rate reflects Premium Calling service)	\$12.59	\$12.59	• EAS increments range from \$1.19 to \$8.19 depending upon the # of lines in the EAS area and in the originating exchange.	Urban	• Same basic rate for all exchanges. • If EAS increments included, highest rate applies to exchanges in Portland MSA.	\$6.50

State	Study Area Code	LEC	Statewide Local Exchange Rates			Exchange-Specific Mandatory Extended Area Service (EAS) Increments	MSA / non-MSA Local Rate Differential		Federal SLC (uniform statewide)
			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
OR	535163	QWEST CORP-OR	<ul style="list-style-type: none"> • Three rate groups, ranging from \$12.80 to \$14.80. Portland, Eugene, Medford exchanges assigned to \$12.80 group. 	\$12.80	\$14.80	<ul style="list-style-type: none"> • Three EAS rate bands (\$1.28; \$2.20; \$4.97). Exchanges assigned to EAS rate bands based on # of lines in local calling area. 	Urban	<ul style="list-style-type: none"> • Rate structure assigns Portland, Eugene, Medford exchanges to lowest-rate group. • If EAS increments included, highest rates apply to Burlington and North Plains exchanges, both MSA exchanges. 	\$6.50
PA	170169	VERIZON NORTH-PA	<ul style="list-style-type: none"> • Same rate structure as Verizon Pennsylvania, but different unlimited usage rates. 	\$13.82	\$16.51	<ul style="list-style-type: none"> • No EAS increments 	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in York, Erie MSAs to highest-rate group. 	\$6.50
PA	175000	VERIZON PENNSYLVANIA	<ul style="list-style-type: none"> • Rate is sum of dial tone line rate and unlimited usage rate. • For dial tone rate, exchanges are classified into four cells based on line density. Rate ranges from \$7.19 in Philadelphia and Pittsburgh to \$8.27 in least dense cell. • For unlimited usage rate, exchanges are classified into three usage rate groups based on # of lines in local calling area. Rate ranges from \$3.82 to \$8.87; highest rate applies to Philadelphia and Pittsburgh exchanges. 	\$11.69	\$16.36	<ul style="list-style-type: none"> • \$2.00 charge applies to one exchange (Millheim). 	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Philadelphia and Pittsburgh MSAs to highest-rate group. 	\$5.91
PR	633200	P R T C - CENTRAL	<ul style="list-style-type: none"> • 2 rate groups, based on local service area line count 	\$19.35	\$23.05	<ul style="list-style-type: none"> • No EAS increments. 		<ul style="list-style-type: none"> • Tariff does not specify rate group assignments. 	\$6.50
PR	633201	PUERTO RICO TEL CO	See above						\$6.50
RI	585114	VERIZON RHODE ISLAND	<ul style="list-style-type: none"> • 4 rate groups, ranging from \$15.30 to \$19.76. 	\$15.30	\$19.76	<ul style="list-style-type: none"> • No EAS increments 	Urban	<ul style="list-style-type: none"> • Highest rate applies to Providence exchanges. 	\$6.42
SC	240479	VERIZON SOUTH-SC	<ul style="list-style-type: none"> • 2 rate groups, \$15.84 and \$17.99. Most exchanges in \$17.99 group. • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced group. 	\$15.84	\$17.99	<ul style="list-style-type: none"> • 1 exchange (Hollywood) has a \$0.62 EAS increment 	Urban	<ul style="list-style-type: none"> • If EAS increment included, highest rate applies to Hollywood exchange (Charleston MSA) 	\$6.50
SC	245194	SOUTHERN BELL-SC	<ul style="list-style-type: none"> • 7 rate groups; rate ranges from \$13.04 (group 1) to \$15.82 (group 7). • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$13.04	\$15.82	<ul style="list-style-type: none"> • EAS increments in 14 exchanges. 	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Charleston, Columbia MSAs to highest-rate group. • If EAS increments included, highest rate applies to Liberty exchange (Greenville MSA). 	\$6.50
SD	395145	QWEST CORP-SD	<ul style="list-style-type: none"> • Single rate. 	\$18.25	\$18.25	<ul style="list-style-type: none"> • No EAS increments 	Same	<ul style="list-style-type: none"> • Same rate for all exchanges. 	\$6.50

State	Study Area Code	LEC	Statewide Local Exchange Rates			Exchange-Specific Mandatory Extended Area Service (EAS) Increments	MSA / non-MSA Local Rate Differential		Federal SLC (uniform statewide)
			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
TN	295185	SO. CENTRAL BELL -TN	<ul style="list-style-type: none"> • 5 rate groups; rate ranges from \$8.62 (group 1) to \$13.50 (group 5). • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. 	\$8.62	\$13.50	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Nashville, Memphis MSAs to highest-rate group. 	\$6.50
TX	442080	GTE SW VERIZON-TX (GTE)	<ul style="list-style-type: none"> • 9 exchange groups; rate ranges from \$9.60 (group 1) to \$17.00 (groups 8 & 9). • Some exchanges "deregulated"; rate in deregulated group 9 exchanges is \$18.03. 	\$9.60	\$18.03	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Dallas, Houston, Corpus Christi MSAs to highest-rate groups (groups 8 & 9). 	\$6.50
TX	442154	GTE-SW VERIZON-TX (CONTEL)	<ul style="list-style-type: none"> • Same rate structure and rates as above but most exchanges are in groups 1 and 3; none in groups 7-9. 	\$9.60	\$14.60	• No EAS increments			\$6.50
TX	445216	SOUTHWESTERN BELL-TX	<ul style="list-style-type: none"> • 8 rate groups; rate ranges from \$10.15 (group 1) to \$13.05 (group 8). • Rate group assignment based on # of lines in local calling area - exchanges with more lines are assigned to higher-priced groups. • Some exchanges deregulated; in each group, rate for deregulated exchanges is \$1.00 more. 	\$10.15	\$14.05	• No EAS increments	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Austin, Dallas, Houston, San Antonio MSAs to highest-rate groups (6, 7 & 8). 	\$5.31
UT	505107	QWEST CORP-UT	<ul style="list-style-type: none"> • Single rate. 	\$11.00	\$11.00	<ul style="list-style-type: none"> • EAS increments of either \$1.00 or \$2.50 apply. \$2.50 increment applies to Salt Lake City & Provo exchanges. 	Urban	<ul style="list-style-type: none"> • Same basic rate for all exchanges. • If EAS increments included, highest rate applies to exchanges in Salt Lake City and Provo MSAs. 	\$6.50
VA	190233	VERIZON S-VA(CONTEL)	<ul style="list-style-type: none"> • Rate in exchanges designated as competitive is 17.37. • Other exchanges are classified into 10 rate groups based on # of lines in local calling area. Rate ranges from \$13.64 to \$16.87; exchanges with more lines are assigned to higher-priced groups. 	\$13.64	\$17.37	• EAS increments in several exchanges.	Urban	<ul style="list-style-type: none"> • Rate structure assigns exchanges in Washington, DC MSA to highest-rate groups. 	\$6.50
VA	195040	VERIZON VIRGINIA INC	<ul style="list-style-type: none"> • Rate in most exchanges designated as competitive is 17.37. • Other exchanges are classified into 7 rate groups based on # of lines in local calling area. Rate ranges from \$11.13 to \$16.87; exchanges with more lines are assigned to higher-priced groups. 	\$11.13	\$17.37	• EAS increments in several exchanges.	Urban	<ul style="list-style-type: none"> • Basic rate structure assigns exchanges in Washington, Richmond, and Norfolk/Newport News MSAs to highest-rate group. • If EAS increments included, highest rate applies to Powhatan exchange in Richmond MSA. 	\$6.25

State	Study Area Code	LEC	Statewide Local Exchange Rates			Exchange-Specific Mandatory Extended Area Service (EAS) Increments	MSA / non-MSA Local Rate Differential		Federal SLC (uniform statewide)
			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
VT	145115	TELEPHONE OPERATION COMPANY OF VERMONT LLC	<ul style="list-style-type: none"> No standalone flat rate service. Line rate is \$13.15 less \$2.37 "universal service high cost support credit"; peak minutes are \$0.022; offpeak minutes are \$0.005. Rate shown assumes 50 5-minute peak calls, 50 5 minute off-peak calls per month. (\$13.15 line rate + \$6.75 in usage charges - \$2.37 universal service credit) 	\$17.53	\$17.53	• No EAS increments	Same	• Same rate for all exchanges.	\$6.25
WA	522416	VERIZON N'WEST-WA (GTE)	• Single rate	\$16.90	\$16.90	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
WA	522449	VERIZON N'WEST-WA (CONTEL)	• Single rate	\$16.90	\$16.90	• No EAS increments	Same	• Same rate for all exchanges.	\$6.50
WA	525161	QWEST CORP-WA	• Single rate	\$13.50	\$13.50	• No EAS increments	Same	• Same rate for all exchanges.	\$5.88
WI	330886	VERIZON NORTH-WI	• Single rate	\$17.75	\$17.75	• EAS increments apply to most exchanges; highest is \$4.86	Urban	• Basic rate structure applies same rate to all exchanges. • If EAS increments included, highest rate is in Orfordville exchange (Janesville MSA).	\$6.50
WI	335220	WISCONSIN BELL	• Rate shown is for "Complete Choice Basic," includes caller ID and other features in addition to unlimited local calling. See letter from Gary A. Evenson, Wisconsin PSC, to Marlene H. Dortch, FCC, CC Docket No. 96-45, September 18, 2008 (Wisconsin 2008 Certification.)	\$21.00	\$21.00	• No EAS increments.	Same	• Same rate for all exchanges.	\$5.09
WV	205050	VERIZON W VA INC.	<ul style="list-style-type: none"> Three different flat rate plans; rate depends on calling scope. For each plan, rate is the same in all exchanges. Rate shown is Community Caller Plus - \$22.00 less \$2.00 USF credit. 	\$20.00	\$20.00	• No EAS increments.	Same	• Same rate for all exchanges.	\$6.50

State	Study Area Code	LEC	Statewide Local Exchange Rates			Exchange-Specific Mandatory Extended Area Service (EAS) Increments	MSA / non-MSA Local Rate Differential		Federal SLC (uniform statewide)
			Overview	Lowest Rate	Highest Rate		Highest Rate - Urban (MSA) or Rural (non-MSA)	Description	
WY	515108	QWEST CORP-WY	<ul style="list-style-type: none"> • Same rate structure in all exchanges - \$23.10 in "base rate area"; higher rates apply outside the base rate area of an exchange, in Zones 1-3 or "locality rate areas (LRAs)." • Higher Zone and LRA rates partially offset by federal USF and, in Zone 3, Wyoming USF credits. • Rates by Zone or LRA: <ul style="list-style-type: none"> - Zone 1 or LRA1: \$33.61 (\$23.10 + \$15.50 increment - \$4.99 FUSF credit) - Zone 2 or LRA2: \$33.61 (\$23.10 + \$ 25.50 increment - \$14.99 FUSF credit) - Zone 3: \$33.61 (\$23.10 + \$46.25 increment - \$30.19 FUSF credit - \$5.55 WY USF credit) 	\$23.10	\$33.61	<ul style="list-style-type: none"> • EAS increments in several exchanges, highest is \$2.02; others all less than \$1.00 	Rural	<ul style="list-style-type: none"> • Same rate structure in all exchanges. • Highest EAS increments in non-MSA exchanges. 	\$6.50

Attachment B: Tariff References

State	Study Area Code	LEC	State Tariff	Rates	Mandatory Extended Area Service (EAS) Increments	Federal SLC
AK	613000	ACS OF ANCHORAGE	RCA No. 120	§ 4.2.1.1.1		ACS FCC No. 1, § 16.1.1(A)
AL	255181	SO CENTRAL BELL-AL	GSST	§ A3.2.1.A.1		BellSouth FCC No. 1, § 4.7(A)(1)
AL	259788	CENTURYTEL-AL-SOUTH	GCST	§ 3.2.1.a		CenturyTel FCC No. 2, § 13.7
AL	259789	CENTURYTEL-AL-NORTH	GSST	§ 3.4-3.5 (rate groups) § 3.8 (rates)		CenturyTel FCC No. 3, § 4.7.1(A)
AR	405211	SOUTHWESTERN BELL-AR	Local Exch.	§§ 1.2.1, 1.3 (rate groups) § 1.2.5 (rates)	§ 1.3	SWBT FCC No. 73, § 4.4(A)
AZ	455101	QWEST CORP-AZ	ENS price cap	§ 5.2.4.A.2		Qwest FCC No. 1, § 4.7.1
CA	542302	VERIZON CA(CONTEL)	Cal. PUC A-1 Cal. PUC AB	§ II.A.2.b sheet 2 (list of exchanges)	A-1, § II.E	Verizon FCC No. 16, § 4.7.1(A)
CA	542319	VERIZON-CA (GTE)	Cal. PUC A-1 Cal. PUC AB	§ II.A.2.a sheet 1 (list of exchanges)	A-1, § II.E	Verizon FCC No. 14, § 13.11
CA	542334	SUREWEST TEL.	Cal. PUC A3	§ 3.2.1(A)-(B)		NECA FCC No. 5, § 17.1.2(A)
CA	545170	PACIFIC BELL	Cal. PUC A5	§ 5.2.2.D.1		Pacific Bell FCC No. 1, § 4.7(A)
CO	465102	QWEST CORP-CO	Colo. PUC No. 23	§ 5.2.4.E		Qwest FCC No. 1, § 4.7.1
CT	135200	SOUTHERN NEW ENGLAND	SNET, Part X	§§ 1.A.2, 1.B (rate groups) § 2 (rates)		SNET FCC No. 39, § 4.1.4(A)(1)
DC	575020	VERIZON WA, DC INC.	PSC DC No. 202	§ 2.C.2		Verizon FCC No. 1, § 4.1.7(A)(1)
DE	565010	VERIZON DELAWARE INC	PSC Del. No. 3A	§§ B.1,C.1 (line rate density cells); §§ B.2, C.1 (unlimited usage rate groups); § B.3.a (rates)		Verizon FCC No. 1, § 4.1.7(A)(1)
FL	210328	VERIZON FLORIDA	Gen. Svcs.	§ A3.2.1.a		Verizon FCC No. 14, § 13.11
FL	215191	SOUTHERN BELL-FL	GSST	§§ A.3.2.1, A.3.4.2.B.2 (rate groups) §§ A3.4.2.B.1.a; A.3.4.2.B.2 (rates)		BellSouth FCC No. 1, § 4.7(A)(1)
GA	225192	SOUTHERN BELL-GA	GSST	§§ A.3.2.1, A3.3.1 (rate groups) §§ A3.7.2.A.1, A3.10.3.B.1.a(1)(b) (rates)		BellSouth FCC No. 1, § 4.7(A)(1)
HI	623100	HAWAIIAN TELCOM, INC	HI PUC No. 2 HI PUC No. 3	§ 1.IV (rates) § 3.IV.A (touch-tone)		HTI FCC No. 1, § 13.7
IA	355141	QWEST CORP-IA	ENS Catalog No. 1	§ 5.2.4.B.2.a		Qwest FCC No. 1, § 4.7.1
ID	475103	QWEST CORP-ID	Southern Idaho ENS Catalog No. 1	§ 5.1.2 (rate groups) § 5.2.4.B.3 (rates)		Qwest FCC No. 1, § 4.7.1
IL	341015	VERIZON NORTH-IL	Ill. C.C. No. 9	§ 2.4.2.1.a, c		Verizon FCC No. 14, § 13.11
IL	341036	VERIZON N-IL(CONTEL)	see above			Verizon FCC No. 16, § 4.7.1(A)
IL	345070	ILLINOIS BELL TEL CO	Ill. C.C. No. 20	§ 4.2.6 (access areas) §§ 4.4.5.C, 4.5.5.C (rates)		Ameritech FCC No. 2, § 4.1.7(A)
IN	320772	VERIZON N-IN	IURC No. T-2	§§ 4.1, 4.5 (rate groups) § 4.3 (rates)		Verizon FCC No. 14, § 13.11

State	Study Area Code	LEC	State Tariff	Rates	Mandatory Extended Area Service (EAS) Increments	Federal SLC
IN	320779	VERIZON N-IN(CONTEL)	see above			Verizon FCC No. 16, § 4.7.1(A)
IN	325080	INDIANA BELL TEL CO	IURC No. 20	§ 4.2.C (rate groups) § 4.2, 6th revised sheet 3 (rates)		Ameritech FCC No. 2, § 4.1.7(A)
KS	415214	SOUTHWESTERN BELL-KS	Local Exch.	§§ 1.3.3, 1.6 (rate groups) § 1.7.1, 15th revised sheet 16 (rates)		SWBT FCC No. 73, § 4.4(A)
KY	265061	CINCINNATI BELL-KY	PSCK No. 2	§ 3 (rate bands) §§ 2.A.1-4.		CBT FCC No. 35, § 4.7.1(A)
KY	265182	SO CENTRAL BELL-KY	PSC KY No. 2A	§§ A.3.1.A, A3.2.1.A.1, A3.7.1.C (rate groups) §§ A3.2.1.A, A3.7.1.C (rates)		BellSouth FCC No. 1, § 4.7(A)(1)
KY	269690	WINDSTREAM LEXINGTON	PSC KY No. 7	§ 3.2.1 (rates)		Windstream FCC No. 3, § 4.7
LA	275183	SO CENTRAL BELL-LA	GSST	§ 3.2.1.B		BellSouth FCC No. 1, § 4.7(A)(1)
MA	115112	VERIZON MASS.	DTE MA No. 10	§ M.1.5.1		Verizon FCC No. 1, § 31.4.3
MD	185030	VERIZON MARYLAND INC	PSC MD No. 202	§ 2.B.4 (rate groups) §§ 2.C.2.a(1)(a); 2.C.2.b(1)(a) (line rate) §§ 2.C.2.a(1)(b), 2.C.2.b(1)(b) (unlimited usage rate)		Verizon FCC No. 1, § 4.1.7(A)(1)
ME	105111	NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC	PUC ME No. 15	§ M.1.5.1		Fairpoint FCC No. 1, § 31.4.3
MI	310695	VERIZON NORTH-MI	MPSC No. 2U	§ 6.M.6.29, 7th revised sheet 30 ("One - Party Unlimited")		Verizon FCC No. 14, § 13.11
MI	315090	MICHIGAN BELL TEL CO	MPSC No. 20R	§ 4.2, 4th revised sheet 13-1st revised sheet 35 (access areas) § 4.2, 23rd revised sheet 3 (rates)		Ameritech FCC No. 2, § 4.1.7(A)
MN	365142	QWEST CORP-MN	ENS No. 1	§ 5.2.4.B	§ 5.1.1.B	Qwest FCC No. 1, § 4.7.1
MO	425213	SOUTHWESTERN BELL-MO	PSC Mo. No. 24	§§ 1.2.1, 1.3 (rate groups) § 1.2.2 (rates)	§ 1.4	SWBT FCC No. 73, § 4.4(A)
MO	429784	CENTURYTEL-MO CEN	PSC Mo. No. 1	§§ 4.A.2.B, 4.H.4 (competitive exchanges) § 4.G.1 (rate groups) §§ 4.H.3, 4.H.5 (rates)	§ 4.G.1	CenturyTel FCC No. 2, § 13.7
MO	429787	CENTURYTEL-MO SW	see above			CenturyTel FCC No. 3, § 4.7.1(A)
MS	285184	SO CENTRAL BELL-MS	GSST	§§ A3.1, A3.7.1 (rate groups) §§ A3.2.1A.1, A3.7.1.A (rates)		BellSouth FCC No. 1, § 4.7(A)(1)
MT	485104	QWEST CORP-MT	ENS	§ 5.2.4	§ 5.1.6.D	Qwest FCC No. 1, § 4.7.1
NC	230479	VERIZON SOUTH-NC	GSST	§ 3.2.2		Verizon FCC No. 14, § 13.11
NC	230509	VERIZON S-NC(CONTEL)	GSST	§ 3.3.1.a		Verizon FCC No. 16, § 4.7.1(A)
NC	235193	SOUTHERN BELL-NC	GSST	§ A3.3.1.A		BellSouth FCC No. 1, § 4.7(A)(1)

State	Study Area Code	LEC	State Tariff	Rates	Mandatory Extended Area Service (EAS) Increments	Federal SLC
NC	230491	N.ST. DBA N. ST.COMM (NORTH STATE)	Gen. Exch. Tariff.	§ 3.2.		
ND	385144	QWEST CORP-ND	ENS Sched. No. 1	§§ 5.1.1.A, 5.2.4.B	§ 5.1.1.B	Qwest FCC No. 1, § 4.7.1
NE	371568	WINDSTREAM NE	Local Exch.	§ 1.1		Windstream FCC No. 3, § 4.7
NE	375143	QWEST CORP-NE	ENS Catalog	§ 5.2.4.B	§ 5.1.1	Qwest FCC No. 1, § 4.7.1
NH	125113	NOTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC	NH PUC No. 83	§ A.5.2.1 (rate groups) § M.1.5.1 (rates)		Fairpoint FCC No. 1, § 31.4.3
NJ	165120	VERIZON NEW JERSEY	BPU NJ No. 2	§ A5.2.1.C.1		Verizon FCC No. 1, § 4.1.7(A)(1)
NM	495105	QWEST CORP-NM	ENS Tariff	§ 5.2.4.B	§ 5.1.6	Qwest FCC No. 1, § 4.7.1
NV	552348	CENTEL OF NV	Tariff 2B	§§ 3.2.1-3.2.2		Embarq FCC No. 1, § 4.7(A)(1)
NV	555173	NEVADA BELL	PUCN No. A5	§ A5.2.4.C		Nevada Bell FCC No. 1, § 4.7(A)
NY	150121	FRONTIER-ROCHESTER	PSC NY No. 2	§ 20, 2nd revised page No. 1 (rate groups and rates)	§ 20, original page 8	Frontier-Rochester FCC No. 1, § 4.7(A)
NY	155130	VERIZON NEW YORK	PSC NY No. 3 PSC NY No. 2	§ 7, 6th revised page 41; 6th revised page 33; 6th revised page 25; 6th revised page 17; 6th revised page 9; 6th revised page 1 § 1, 2nd revised page 13, 7th revised page 6, 6th revised page 5, 9th revised page 1.		Verizon FCC No. 1, § 31.4.3
OH	300615	VERIZON NORTH-OH	PUCO No. 6	§§ 1.4.02 (rate groups) § 2 (rates)		Verizon FCC No. 14, § 13.11
OH	300665	WINDSTREAM OH	PUCO No. 2	§§ 2-13 (rates in subsection B.1)		Windstream FCC No. 1, § 17.1.2(A)
OH	305062	CINCINNATI BELL-OH	PUCO No. 1	§ 3.B.2 (rate bands) §§ 3.D.1-3 (rates)		CBT FCC No. 35, § 4.7.1(A)
OH	305150	OHIO BELL TEL CO	PUCO No. 20	§ 4.2.1.A.1 (line rate) § 4.2.1.C.4 (unlimited usage rate)		Ameritech FCC No. 2, § 4.1.7(A)
OK	435215	SOUTHWESTERN BELL-OK	Local Exch.	§§ 2.C.2.1, 3.1, 4 (rate groups) § 3.1 (rates)	§§ 5-6	SWBT FCC No. 73, § 4.4(A)
OR	532416	VERIZON N'WEST-OR	PUC OR No. 18	§ IV., original sheet 7.	§ IV., 3rd revised sheet 13-1st revised sheet 15	Verizon FCC No. 14, § 13.11
OR	535163	QWEST CORP-OR	PUC OR No. 33	§ 5.1.2.B (rate groups) § 5.2.4.C.1 (rates)	§ 5.1.1.C	Qwest FCC No. 1, § 4.7.1
PA	170169	VERIZON NORTH-PA	PA PUC No. 5	§§ 1.B.3, 1, 1.B.7 (dial tone cells) §§ 1.B.4, 1.B.7 (usage rate groups) § 1.B.8.a (rates)		Verizon FCC No. 14, § 13.11

State	Study Area Code	LEC	State Tariff	Rates	Mandatory Extended Area Service (EAS) Increments	Federal SLC
PA	175000	VERIZON PENNSYLVANIA	PA PUC No. 180 PA PUC No. 182 PA PUC No. 182A PA PUC No. 185B PA PUC No. 185C	§§ 1.B.4 (line cells, usage rate groups) § C.1.c (rates) § 2.E.2 (dial tone cells) § 1.D.1.2 (rates) § 1.D.2 (dial tone cells) § 1.D.3 (rates) § 1.D.3 (rates) § 1.D.2 (dial tone cells) § 1.D.3 (rates)		Verizon FCC No. 1, § 4.1.7(A)(1)
PR	633200	P R T C - CENTRAL	Local Exch.	§§ E.1, E.2		PRT FCC No. 1, § 17.1.1(A)
PR	633201	PUERTO RICO TEL CO	see above			PRT FCC No. 1, § 17.1.1(A)
RI	585114	VERIZON RHODE ISLAND	PUC RI No. 15	§ M.1.5.1		Verizon FCC No. 1, § 31.4.3
SC	240479	VERIZON SOUTH-SC	GSST	§ 3.2.1(a)(1)	§ 3.2.1(a)(2)	Verizon FCC No. 14, § 13.11
SC	245194	SOUTHERN BELL-SC	GSST	§§ A3.1, A3.3 (rate groups) § A3.2.1.2 (rates)		BellSouth FCC No. 1, § 4.7(A)(1)
SD	395145	QWEST CORP-SD	ENS Catalog No. 1	§ 5.2.4.A		Qwest FCC No. 1, § 4.7.1
TN	295185	SO. CENTRAL BELL -TN	GSST	§§ A3.1, A.3.7.A (rate groups) §§ A3.2.1.A-B, A3.7.A (rates)		BellSouth FCC No. 1, § 4.7(A)(1)
TX	442080	GTE SW VERIZON-TX	Gen. Exch. Tariff.	§ 6.8 (rate groups) § 6.4.2 (rates)		Verizon FCC No. 14, § 13.11
TX	442154	GTE-SW VERIZON-TX	Sched. A-1	6th revised sheet 3A-8th revised sheet 3B (rate groups) Original sheet 3D (rates)		Verizon FCC No. 16, § 4.7.1(A)
TX	445216	SOUTHWESTERN BELL-TX	Local Exch.	§§ 1.2.1, 1.4 (rate groups) § 1.3.1.1(A)(3) (rates)		SWBT FCC No. 73, § 4.4(A)
UT	505107	QWEST CORP-UT	ENS price list	§ 5.2.4.A	§ 5.1.1.A.4.a	Qwest FCC No. 1, § 4.7.1
VA	190233	VERIZON S-VA(CONTEL)	SCC VA No. 220 GCST	§ 1B (competitive exchanges, rates) §§ 3.2.2.a, 3.2.2.e (rate groups) § 3.2.2.e (rates)	§3.2.3.c	Verizon FCC No. 16, § 4.7.1(A)

State	Study Area Code	LEC	State Tariff	Rates	Mandatory Extended Area Service (EAS) Increments	Federal SLC
VA	195040	VERIZON VIRGINIA INC	SCC VA No. 220 SCC VA No. 202	§ 1B, 5th revised page 1 § 2.B.3 (rate groups) § 2.C.2.a-j (rates, residential line rates in subsection (2)(a), unlimited usage rates in subsection (2)(b)(l))	§ 2.C	Verizon FCC No. 1, § 4.1.7(A)(1)
VT	145115	TELEPHONE OPERATION COMPANY OF VERMONT LLC	PSB VT No. 20	§§ A.1.4.7, M.1.1.4 (USF credit) §§ A.5.1.C, M.1.5.3 (line rate, usage rates)		Fairpoint FCC No. 1, § 31.4.3
WA	522416	VERIZON N'WEST-WA (GTE)	WN U-17	§ E, 16th revised sheet 47.		Verizon FCC No. 14, § 13.11
WA	522449	VERIZON N'WEST-WA (CON)	see above			Verizon FCC No. 16, § 4.7.1(A)
WA	525161	QWEST CORP-WA	WN U-40	§ 5.2.4.B		Qwest FCC No. 1, § 4.7.1
WI	330886	VERIZON NORTH-WI	PSC WI No. 2	§ 1.4.1.A	§ 1.4.2	Verizon FCC No. 14, § 13.11
WI	335220	WISCONSIN BELL	PSC WI No. 20	§ 7.5.11		Ameritech FCC No. 2, § 4.1.7(A)
WV	205050	VERIZON W VA INC.	PSC W.Va. No. 202	§ 2.C.1.d		Verizon FCC No. 1, § 4.1.7(A)(1)
WY	515108	QWEST CORP-WY	ENS Sched. No. 2	§ 5.2.4.A (base rate) §§ 5.1.6.A-B (zone, LRA increments) § 5.1.6.C (USF credits)	§ 5.1.6.E	Qwest FCC No. 1, § 4.7.1

GCST: General Customer Services Tariff
GSST: General Subscriber Services Tariff
ENS: Exchange & Network Services