

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

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

**REPLY COMMENTS OF THE
VERMONT PUBLIC SERVICE BOARD
AND MAINE PUBLIC UTILITIES COMMISSION**

To: The Commission

June 8, 2009

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VERMONT/MAINE REPLY COMMENTS

I. INTRODUCTION AND SUMMARY.

The Vermont Public Service Board (“VtPSB”) and the Maine Public Utilities Commission (“MePUC”) (together, Vermont/Maine) submit these reply comments regarding the Commission’s Notice of Inquiry issued on April 8, 2009.¹ Commenters not only refreshed the record, but also offered recommendations on the remand proceeding’s scope and on the issues of integrating long-term universal service reform and broadband plans into the Commission’s agenda.

The Commission should remain focused on revising its cost benchmark and its “sufficiency” and “reasonable comparability” definitions in the remand proceeding so that it can adopt revised rules by April 16, 2010. Additionally, a number of other commenters agreed that the Commission should fix more easily remedied cost model deficiencies at the same time. Otherwise, the cost mechanism will not provide sufficient support for carriers that have experienced significant lines losses and other material changes in their operations. The Commission can and should fix certain model inputs such as line counts now and open a separate proceeding to remedy model deficiencies that will require more time to analyze. The

¹ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Notice of Inquiry, FCC 09-28 (rel. April 8, 2009) (“NOI”).

Commission simply cannot continue to use such a distorted, out-of-date model to calculate carriers' need for universal service support if it wants to respond to the Court's mandate in an effective and credible manner.

The Commission should make several basic changes to the cost-benchmark mechanism, while continuing to maintain a cost-based structure. A number of commenters concur that the Commission must lower the comparability percentage and compare rural with urban costs to determine comparability consistent with the Tenth Circuit's interpretation of Section 254. Vermont/Maine support the "urban" classification proposed by the Maine Office of Public Advocate ("Maine OPA") to use in this formula. The Maine OPA's net subscriber cost formula provides a reasonable alternative to the comparability method proposed by Vermont/Maine.

Vermont/Maine agree with commenters' concerns that the Commission consider how it will advance rural broadband service when it develops its revised non-rural mechanism. The Commission should design its high-cost program to advance service comparability as well as rate comparability in order to fulfill the requirements of Section 254(b)(3). If the Commission plans to support broadband deployment in some manner, it will need to identify funding requirements and determine how broadband funding will fit within the overall universal service program. The challenge for the Commission is to tackle broadband without slowing its response to the *Qwest II* remand.

Vermont/Maine continue to recommend that the Commission seek the Joint Board's recommendations regarding broadband in an expeditious manner with a firm deadline. The Joint Board should recommend whether or not to add broadband to the list of supported services, and should also identify and quantify what additional funding is needed to provide broadband service in rural areas that is comparable in quality and price to that available in urban areas. The Joint

Board could expedite evaluation of broadband proposals, particularly in light of new developments such as broadband stimulus funds and the Commission's broadband planning initiative.

In summary, Vermont/Maine recommend that the Commission:

- (1) Propose rules adopting a cost-based mechanism, with a comparability percentage no greater than 125%, that compares rural and average urban cost data as the measure of reasonable comparability;
- (2) Issue a data request by or before issuance of the NPRM that updates model inputs to be used for 2010 support calculations;
- (3) Open a proceeding to set a timetable and plan for longer term cost model changes;
- (4) Include proposed rules revising the 43-01 ARMIS report to implement reporting requirements; and
- (5) Issue an Order seeking expedited recommendations from the Joint Board on whether the universal service program should support rural broadband deployment, and if so, recommend appropriate technical standards and support levels.

II. THE COMMISSION SHOULD PROPOSE RULES TO ACHIEVE RATE COMPARABILITY BY LOWERING THE COMPARABILITY PERCENTAGE AND COMPARING RURAL TO URBAN COST.

The NOI sought input on several issues related to the high-cost program. Though every aspect of the high-cost program discussed in the NOI merits the Commission's attention, the Commission **must** address the two critical issues at the heart of the Vermont/Maine proposal: (1) lowering the comparability percentage to no more than 125%, and (2) using average urban costs as the basis for comparison to rural costs for non-rural carriers. The funding issues highlighted by Vermont/Maine, as well as a number of other commenters, will persist if these two critical reforms are not made part of the Order on Remand and accompanying revised rules.

A. The Comparability Benchmark Must Not Be Greater Than 125%.

In rejecting the previous *Remand Order*,² the Tenth Circuit directed the Commission to develop a new comparability percentage that would reduce the existing gap between urban and rural rates.³ Vermont/Maine's initial comments recommended a comparability percentage no higher than 125% of average urban rates.⁴ None of the parties who submitted comments in response to the NOI advocated a comparability benchmark above 125%. Qwest and the Rural Cellular Association ("RCA") both specifically agreed with Vermont/Maine that 125% of average urban cost is the appropriate ceiling for reasonable comparability.⁵ Any percentage above 125% would not satisfy the Tenth Circuit's interpretation of Section 254(b)(3) in *Qwest II*.

B. Commenters Agree That The Commission Should Make Comparisons Between Rural And Urban Data, Not Nationwide Average Data.

No commenter took serious issue with Vermont/Maine's recommendation that the Commission should base its reasonable comparability comparisons between rural and urban areas, comparing urban and rural, not nationwide, average.⁶ Qwest explained that comparing

² *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order, 18 FCC Rcd 22559 (2003) ("Remand Order").

³ *Qwest Communications Int'l v. FCC*, 398 F.3d 1222, 1236 (10th Cir. 2005) ("*Qwest II*").

⁴ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments on Notice of Inquiry of the Vermont Public Service Board and the Maine Public Utilities Commission (May 8, 2009) pp. 6-7 ("Vt/Me Comments").

⁵ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments of Qwest Communications International, Inc. (May 8, 2009) p. 12 ("Qwest Comments"); *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments of Rural Cellular Association (May 8, 2009) p. 26 ("RCA Comments").

⁶ Two commenters proposed other methods. Windstream suggests determining a national average cost per wire center and then allocating support directly to those wire centers whose costs exceed the national cost by the benchmark percentage. *In the Matter of High Cost*

average rural rates within each state to average urban rates, based on standard metropolitan statistical areas, “is a more practical comparison that is better aligned with states’ authority over local rates.”⁷ The National Association of State Utility Consumer Advocates (“NASUCA”) called the high-cost mechanism’s reliance on nationwide average cost a “fundamental problem” and based its data comparability to the national urban average cost.⁸ AT&T’s proposal endorses a rate comparability benchmark that uses “the relevant ‘urban’ rate... as the basis for comparison with rates in rural and high-cost areas. That rate, for example, could be the national average urban rate, median urban rate, or some average above the median rate.”⁹

Comparing rural costs to average urban costs will not place a significant administrative burden on the Commission. As the Maine OPA recommends, the Commission can easily identify “urban” wire centers as those in the UNI-Zone 1 category and then determine average urban costs by running the cost-based model for all of those wire centers.¹⁰

Universal Service Support, Federal-State Joint Board on Universal Service, WC Docket No. 05-337, CC Docket No. 96-45, Comments of Windstream Communications Inc. (May 8, 2009) p. 15 (“Windstream Comments”). Also, the Public Utilities Commission of Ohio argues that the Commission use national average cost to establish need for support but simultaneously suggests that reasonable comparability be determined on a state-by-state basis. *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments Submitted on Behalf of the Public Utilities Commission of Ohio (May 8, 2009) pp. 12-13 (“Ohio PUC Comments”).

⁷ Qwest Comments, pp.12-13.

⁸ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments of the National Association of State Utility Consumer Advocates (May 8, 2009) p. 53 (“NASUCA Comments”).

⁹ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments of AT&T, Inc. (May 8, 2009) pp. 34-35 (“AT&T Comments”).

¹⁰ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments of the Maine Public Advocate (May 8, 2009) p. 3 (“Maine OPA Comments”).

C. Vermont/Maine Updated Their Net Subscriber Cost Calculations.

Generally, parties that criticized the Vermont/Maine proposal (submitted over two years ago) focused on its use of “net subscriber cost.” By changing the comparability factor to use net model-adjusted costs instead of “net subscriber cost” in their initial comments, Vermont/Maine addressed many of these concerns. The current Vermont/Maine recommendation recognizes the fact that loop, switching, and some interoffice switching, are used to provide PSC, broadband, enhanced and vertical services, in addition to the provision of POTS.

III. VERIZON’S CLAIM THAT RATES ARE REASONABLY COMPARABLE HAS ALREADY BEEN REJECTED BY THE COURT AND IS BASED ON A SEVERELY FLAWED ANALYSIS.

A. Verizon’s Analysis Is Flawed Because It Ignores The Court’s Findings That The Commission Must Narrow The Rural/Urban Rate Gap, And Is Based On A Flawed Methodology.

Verizon’s claim that the Commission need not modify the non-rural mechanism because urban/rural rates are already reasonably comparable¹¹ has been rejected by the Tenth Circuit and should not be used to meet the Section 254 comparability requirements. The *Qwest II* Court clearly directed the Commission to revise its reasonable comparability standard in a manner that would narrow the existing gap between rural and urban rates to advance Congress’s universal service goals.¹² The Court found that the “two standard deviations” benchmark “ensured that significant variance between rural and urban rates will continue unabated.”¹³ Thus, the Tenth Circuit found that reasonable comparability was not met at that time, and that the proposed

¹¹ *In the Matter of High Cost Universal Service Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Comments of Verizon and Verizon Wireless (May 8, 2009) p. 12 (“Verizon Comments”).

¹² *Qwest II*, 398 F.3d at 1236.

¹³ *Id.*, at 1236-1237.

comparability benchmark was insufficient to close the gap.¹⁴ Since the Court directed the Commission to correct the mechanism, it should pay no heed to Verizon's protection of the *status quo*.

Moreover, Verizon's "analysis" is flawed, and its conclusion that rates are reasonably comparable is directly contradicted by rate data from non-rural carriers that are the subject of this proceeding. For its analysis, Verizon relies on a declaration from Mr. Patrick Garzillo that is merely a copy of the declaration previously submitted with Verizon's 2006 comments in this proceeding.¹⁵ Verizon did not update the declaration despite the fact that *Qwest II* clearly rejected its conclusions. Mr. Garzillo's sample data, taken from rural and urban rate data of *rural telephone companies* in six states, remains highly flawed. Mr. Garzillo's most significant error is that his calculations include only rural telephone company rates, ignoring data for non-rural carriers serving rural high-cost areas.¹⁶ This selective use of data produces highly inaccurate results.

The vast majority of customers in rural areas, 70% according to a 2006 study by the Washington Utilities and Transportation Commission,¹⁷ receive service from non-rural telephone companies. There is little to no evidence that rural telephone company rates are representative of the rates of rural customers served by non-rural companies. In fact, rural company rates may

¹⁴ *Id.* (noting that the Commission's own data would permit a 138% discrepancy between the national benchmark and the lowest available urban rates).

¹⁵ See *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, Comments of Verizon (Mar. 27, 2006) Declaration of Patrick Garzillo. ("Garzillo Declaration").

¹⁶ *Id.*, p. 3.

¹⁷ See *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, Comments of Washington Utilities and Transportation Commission (Mar. 27, 2006) pp. 1-2; see also *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, Comments of Qwest Communications International, Inc. (Mar. 27, 2006) (about one in four rural customers live in areas served by rural carriers).

actually be lower overall because of the differences in support mechanisms, including that rural companies receive substantially more average per-line support.¹⁸ In the end, Mr. Garzillo's study says nothing about whether non-rural telephone company rates in rural areas are reasonably comparable to average urban rates, or whether the existing reasonable comparability standard advances universal service for larger non-rural companies as required by *Qwest II*.

Verizon's omission of rate information for the rural customers of non-rural carriers is especially egregious for the Northern New England and Appalachian areas. At the time of Mr. Garzillo's analysis, Verizon (now FairPoint in Maine and Vermont) served hundreds of thousands of rural customers as a non-rural carrier in states like Maine, Vermont and West Virginia -- more customers than the so-called "rural carriers." Presumably, Mr. Garzillo had access to the rates Verizon charged these customers as well as to Verizon employees familiar with those areas and with census-based delineations of "urbanized areas." Moreover, Mr. Garzillo admitted that "it makes sense to look at *all* rural areas, not just rural areas served by non-rural carriers."¹⁹ Yet, he then proceeded to do exactly the opposite, using only the rates charged by rural carriers as a "proxy for 'rural rates'."²⁰

Even though Verizon generally averages its rates on a statewide basis, it would have been useful to learn whether Verizon's rates were significantly higher in its predominantly rural states. The data filed earlier in BellSouth's 2006 comments certainly suggest that this was the case. Within Verizon's old "Bell" footprint, rural states like Maine (\$24.58) and West Virginia

¹⁸ This conclusion can be derived from data in the HC01 and HC05 USAC reports submitted by incumbent carriers. (HC01 data divided by lines in service contained in HC05). Available at www.usac.org/about/governance/fcc-filings/2009/quarter-1.aspx, last viewed May 26, 2009.

¹⁹ Garzillo Declaration, ¶ 6.

²⁰ *Id.*

(\$35.46) were reported to have rates substantially higher than predominantly urban states like Pennsylvania (\$18.97) and the District of Columbia (\$17.12).²¹

Additionally, the Verizon analysis fails to take into account the service comparability requirements of Section 254(b)(3). Carriers with newer plant are better able to offer a full range of advanced telecommunications services, including DSL and high-speed broadband. Carriers with older, more depreciated plant may have lower rates due to lower embedded costs, but may not be able to offer comparable advanced services. This gap in service comparability is not reflected in a simple rate comparison. The only way to normalize for plant vintage and service capability differences is to use forward-looking cost studies for support calculation purposes and comparability comparisons. Those studies, by design, provide for the provision of the same level of service in all service areas and for all companies.

B. Verizon's Sole Use Of Rates Rather Than Costs To Measure Reasonable Comparability Makes Its Analysis Unreliable.

Verizon's reliance on customer rates, as opposed to carrier costs, is a second fundamental flaw in its analysis. Indeed, if the Commission evaluated sufficiency of support as Verizon advocated, the Court would likely reverse the Commission again. Verizon urges the Commission to look at reasonable comparability from a "consumer perspective" by focusing solely on rates for POTS without any analysis of underlying costs.²² This approach leads to the inaccurate conclusion that the Commission has achieved reasonable comparability and therefore, need not adjust the high-cost mechanism. As Vermont/Maine demonstrated in their initial comments, using costs as a proxy for rates produces the most accurate measure of reasonable

²¹ See., e.g., *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, Comments of BellSouth (Mar. 27, 2006), Appendix A Table, pp 1-3.

²² Verizon Comments, p. 12.

comparability because local rates are inherently unsuited to measure comparability.²³ Rate calculations include a host of local variables like the scope and size of local calling areas and access rate levels, making it impossible to compare local rates between states reliably.

A number of commenters agree that costs provide a more accurate basis for measuring the need for support. The Public Utilities Commission of Ohio argues that rates are impacted by a state's regulatory history, while costs are impacted by factors such as climate and geography.²⁴ Thus, "basing universal service support solely on a rate comparison between or across the states will either fail to achieve reasonable comparability... or will fail to be specific, predictable, and sufficient."²⁵ NASUCA explains that costs serve as the most accurate proxy for rates because state rate deregulation makes it impossible for the Commission to determine where high-cost support is needed.²⁶ However, a cost-based mechanism can "demonstrate what rates **would** be in the absence of state ratemaking and state universal service efforts – which is all that could be expected under a support mechanism that complied with § 254."²⁷ Qwest notes that "costs are a key driver of whether affordable rates and service quality can be maintained over an extended period of time."²⁸

Even those commenters that support a rate-based mechanism acknowledge that their approach has serious flaws. Embarq proposes that the Commission use its annual *Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service* to measure comparability, but simultaneously acknowledges that "the relationship between costs and rates

²³ Vt/Me Comments, pp. 14-16.

²⁴ Ohio PUC Comments, pp. 4-5.

²⁵ *Id.*, p. 9.

²⁶ NASUCA Comments, p. 23

²⁷ *Id.*, p. 33.

²⁸ Qwest Comments, p. 16.

can vary, particularly in response to regulation.”²⁹ Windstream advocates a rate benchmark, but notes that the current system benefits those states that have not rebalanced rates, and even opens its discussion by stating that “[d]isparate state regulatory regimes have caused consumer rates to vary substantially across the nation.”³⁰

Though the *Qwest II* court rejected the specific cost-based mechanism from the Order on Remand, it did not rule out an improved cost-based mechanism that better achieves reasonable comparability. The Court noted that “we would be inclined to affirm the FCC’s cost-based funding mechanism if it indeed resulted in reasonably comparable rates.”³¹ The Commission should comply with the Court’s order by modifying the cost-based mechanism to meet statutory goals. If the Commission provides sufficient support to make costs comparable, rate comparability will follow.

IV. THE COMMISSION SHOULD FIX COST MODEL DEFICIENCIES THAT IT CAN EASILY REMEDY NOW, AND OPEN A PROCEEDING ON LONGER TERM MODEL REVIEW.

A number of parties agree that the Commission should fix deficiencies in the model as an integral part of updating its cost mechanism, and provide additional evidence showing that the current model cost results are unrepresentative of current conditions and therefore unusable. As NASUCA points out, it makes little sense for the Commission not to update the model if it intends to rely on forward-looking cost to determine support needs.³² RCA notes that updating and correcting the model will reduce upward pressure on the size of the support mechanism.³³

²⁹ *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, Comments of Embarq (May 8, 2009) p. 16. (“Embarq Comments”).

³⁰ Windstream Comments, p. 18.

³¹ *Qwest II*, 398 F.3d at 1237.

³² NASUCA Comments, p. 51. RCA Comments, p. 30.

³³ RCA Comments, p. 32.

There are a number of problems with the model that make it glaringly unrepresentative. NASUCA also points out that switched and special access line counts and the special access line allocation among wire centers relies on a 1999 data request.³⁴ As NASUCA notes, special access deployment has changed significantly in the intervening years and the model as it now exists relies on a “serious misallocation” of special access lines.³⁵ NASUCA also concludes that network planning problems in the model are “widely recognized,” and that customer location files must be updated to accurately locate customers and design the network.³⁶

Commenters urge the Commission to fix more easily remedied defects in the model quickly and establish a separate timetable and plan for overall review.³⁷ As the Maine OPA notes, an immediate update to the model to geo-code customer locations, update wire center line counts, and update current expense information could occur in time to determine support for the calendar year 2010.³⁸ The Commission has already resolved many of the contentious issues that made model review time consuming.³⁹ As the RCA concludes, the timetable needed to fix the model should not deter the Commission from moving ahead with this process, especially in light of CostQuest’s demonstration that the Commission can accomplish much improvement through the use of newer network costing models.⁴⁰ Various model improvements have been developed and used in state regulatory proceedings since the Commission first adopted the current federal USF cost model.

³⁴ NASUCA Comments, p 52.

³⁵ *Id.*

³⁶ *Id.*

³⁷ RCA Comments, pp. 31-32; NASUCA Comments, p. 51; Maine OPA Comments, p. 21.

³⁸ Maine OPA Comments, p. 1.

³⁹ NASUCA Comments, p. 51.

⁴⁰ RCA Comments, pp. 31-32.

The Commission should propose new cost model inputs and send out data requests when it issues its NPRM. As the comments demonstrate, the Commission will not provide sufficient support to high-cost areas if it does not fix model inputs that greatly distort real-life operating conditions. Even the simpler revisions of the costing process recommended by some commenters (such as the use of density), require revised and additional data. Most of the current density data is not usable because it measures density per *square* mile and not density per *route* mile. Density per square mile distorts the measure of comparability because it inherently builds plant in areas where no one lives and no one has service.

V. THE COMMISSION SHOULD CONSIDER WHETHER BROADBAND SHOULD BE SUPPORTED BY EXPEDITING REVIEW THROUGH THE JOINT BOARD.

As Vermont/Maine explained in their initial comments, the Commission's highest priority in this proceeding must be to respond directly to the *Qwest II* remand.⁴¹ However, Vermont/Maine agree with commenters that if the Commission intends to support broadband deployment through the universal service program, it should take those plans into account when it modifies its non-rural mechanism. There is no way that the Commission can sift through broadband proposals on the same timeframe without an expedited referral to the Joint Board.

Several parties responded to the NOI with expansive proposals for broadband support. For example, the New Jersey Division of Rate Counsel recommended shifting the focus of the entire universal service program to broadband support, arguing that the near universal availability of basic local service and customers' increasing reliance on broadband means that the best way to achieve the range of principles in the Act is to ensure equal access to affordable

⁴¹ Vt/Me Comments, p. 3.

broadband.⁴² Vermont/Maine cannot agree with New Jersey's conclusion that broadband should be the only focus of universal service reform. The Tenth Circuit remand contemplates the establishment of a lawful comparability benchmark in an expedited manner.

In other comments, Embarq did not endorse making broadband a supported service or creating a separate fund, but did recommend that the Commission require carriers that receive high-cost fund support to offer broadband service to at least 85% of customers in each service area receiving support.⁴³ Windstream disagreed, explaining that because "there is no rational economic case for deploying high-speed networks to consumers in very high-cost, low-density areas," the Commission should not condition receipt of existing universal service support on a carrier's ability to offer broadband.⁴⁴

Vermont/Maine recognize that the Commission may need to support deployment of advanced telecommunications services in rural areas to achieve reasonably comparable rural and urban services. Expedited referral to the Joint Board could streamline synthesis of the multiple broadband proposals in the comments. The Commission should coordinate these processes so that it can consider incorporating broadband into the universal service program but still issue a final order in the remand before the April 16, 2010, deadline contained in the NOI.⁴⁵

⁴² *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, Comments of the New Jersey Division of Rate Counsel (May 8, 2009) pp. 6-7.

⁴³ Embarq Comments, p. 19.

⁴⁴ Windstream Comments, p. 20-21.

⁴⁵ NOI, Statement of Commissioner Robert M. McDowell.

VI. THE COMMISSION SHOULD ADOPT NEW REPORTING REQUIREMENTS TO ENSURE THAT THE UNIVERSAL SERVICE PROGRAM MEETS CONGRESS' GOALS AND THAT THE MODEL IS REGULARLY UPDATED.

Vermont/Maine endorse the enhanced reporting strategy suggested by the Maine OPA.⁴⁶

The Maine OPA recommends revising the 43-01 ARMIS reports to include:

- (1) A row for high-cost universal service support revenue and another row for low-income revenue;
- (2) A model-inputs report containing all of the ARMIS type data that is used in the model; and
- (3) An infrastructure report that details both plant build-out and service capability.⁴⁷

Comprehensive ARMIS reports will directly address several concerns that have been raised about the cost-based mechanism and the high-cost program as a whole. Improved reports will provide the Commission with the capability to reduce support payments when it identifies excessive support. Improved reports will also ensure that the Commission has an up-to-date and comprehensive picture of where support is being directed and which carriers are meeting deployment and service goals. The Commission will also be able to use updated model-input data from carriers to increase accuracy when it re-runs the model each year.

The Maine OPA's revised reporting proposal should be included in the NPRM in this proceeding. If, as part of forbearance orders, the Commission has relieved carriers of ARMIS reporting requirements, the carriers should still be required to file that data since it is necessary as inputs to the model.

⁴⁶ Maine OPA Comments, p. 11.

⁴⁷ *Id.*, pp. 11-12.

VII. CONCLUSION

For these reasons, the Commission should take the following actions:

- (1) Propose rules adopting a cost-based mechanism, with a comparability percentage no greater than 125%, that compares rural and average urban cost data as the measure of reasonable comparability;
- (2) Issue a data request by or before issuance of the NPRM that updates model-inputs to be used for 2010 support calculations;
- (3) Open a proceeding to set a timetable and plan for longer term cost model changes;
- (4) Include proposed rules revising the 43-01 ARMIS report to implement reporting requirements; and
- (5) Issue an Order seeking expedited recommendations from the Joint Board on whether the universal service program should support rural broadband deployment, and if so, recommend appropriate technical standards and support levels.

Respectfully submitted this 8th day of June, 2009.

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