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

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| In the Matter of | ) | |
| | ) | |
| Sandwich Isles Communications, Inc. | ) | WC Docket No. 09-133 |
| Petition for Declaratory Ruling | ) | |

## COMMENTS OF VERIZON[1]

The Commission cannot grant Sandwich Isles' request[2] for inclusion of undersea cable leasing expenses in the NECA pool based on this sparse record.

In all of seven pages, most of which are devoted to background information, Sandwich Isles asks the Commission to conclude that the cost of constructing an undersea cable network to serve 69 sparsely populated, non-contiguous areas scattered across six volcanic islands are "used and useful" based on the standard for determining just and reasonable rates. Sandwich Isles Petition at 1, 6. Sandwich Isles suggests that NECA's decision to reject these costs for purposes of access charge pool settlements should be reversed because the carrier kept NECA "fully informed" of its plans for these facilities, and Sandwich Isles expected NECA to be supportive. Sandwich Isles Petition at 3. Without more, there is no basis for this request.

Sandwich Isles' petition is woefully insufficient for interested parties to offer meaningful comment – much less for the Commission to reasonably evaluate the merits of the carrier's request. Sandwich Isles does not even disclose the total cost (on a confidential basis to the

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1 The Verizon companies participating in this filing ("Verizon") are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

2 Petition for Declaratory Ruling, Sandwich Isles Communications, Inc., WC Docket No. 09-133 (June 26, 2009) ("Sandwich Isles Petition").

Commission or otherwise)[3] of the lease expenses associated with the undersea cable network or the carrier's relationship with the company that built the network and rented the facilities to Sandwich Isles after the Rural Utility Service apparently rescinded funding for construction costs. Sandwich Isles Petition at 2. To support the network in the long-run, Sandwich Isles suggests that it will see "increasing transport revenue over the next few years." Sandwich Isles Petition at 3. What Sandwich Isles undoubtedly means is that it expects to realize sizable access charge revenues, paid by other carriers forced to terminate traffic on the network at very high rates, and substantial high cost Universal Service Fund subsidies, paid for by all consumers.

Context is important here. Sandwich Isles has fewer than 2,000 access lines, yet last year alone the carrier drew more than $26 million in federal subsidies from the high cost fund.[4] Year over year Sandwich Isles has consistently received approximately $13,000 in universal service support for every line. And over just the last three years Sandwich Isles collected about $40,000 *per line* in universal service subsidies and ranked No. 1 in the nation in per-line support among carriers with a material number of lines.[5] Universal access to quality communication services is important, but it is hard to imagine how it would not be significantly more efficient to serve so few customers in such a remote territory with an alternative technology such as a wireless or satellite.

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[3] Sandwich Isles' joint motion with NECA for a protective order, which the Commission granted, suggests that more information may be coming – but that is of course unhelpful at this stage. *Sandwich Isles Communication, Inc. Petition for Declaratory Ruling*, Protective Order, WC Docket No. 09-133, DA 09-1880 (Aug. 26, 2009).

[4] *See* Federal Communications Commission Response to United States House of Representatives Committee on Energy and Commerce Universal Service Fund Data Request of April 1, 2009, Part 3 – Largest Per-Line Subsidies, by Study Area, http://energycommerce.house.gov/Press_111/20090605/Request_3.pdf, at 1 (2009).

[5] *Id*.

Irrational as the current intercarrier compensation and universal service systems may be, the Commission must insist on reasonable checks and balances. For pool participants, the Commission has delegated to NECA authority to evaluate carrier cost studies to ensure that they comply with Commission rules and to "correct revenue requirement and revenue distribution computations that include the noncompliant data."[6] Those rules include the requirement that carrier costs, which ultimately determine access charge rates and eligibility for high cost universal service subsidies for pool participants, are just and reasonable based on the "used and useful doctrine and its associated prudent expenditure standard."[7] Traditionally, this NECA review process has not been transparent to other carriers that must pay access charges to pool participants nor to consumers who ultimately pay for the Universal Service Fund. And it is unusual for NECA to reject a pool participant's cost data in a way that is ever subject to public scrutiny. Given this history and NECA's deferential approach to member cost submissions, the Commission should be wary of reversing any decision by NECA to reject a pool participant's proposed cost data absent clear evidence of error, which is lacking in this instance.

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[6] *Safeguards to Improve the Administration of the Interstate Access Tariff and Revenue Distribution Processes, Consideration of NECA's Incentive Compensation Plan*, Report and Order and Order to Show Cause, 10 FCC Rcd 6243, ¶¶ 5, 36 (1995).

[7] *Establishing Just and Reasonable Rates for Local Exchange Carriers*, Notice of Proposed Rulemaking, 22 FCC Rcd 17989, n.47 (2007) (citations omitted).

For these reasons, the Commission should deny Sandwich Isles' petition based on the existing record.

Respectfully submitted,

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