Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D.C. 20554

In the Matter of	)	
	)	
Jurisdictional Separations and Referral to the Federal-State Joint Board	)	CC Docket No. 80-286
	)	

COMMENTS OF GVNW CONSULTING, INC.

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INTRODUCTION AND BACKGROUND

GVNW Consulting, Inc. (GVNW) is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, jurisdictional separations, intercarrier compensation reform, and strategic planning for communications carriers in rural America. The purpose of these comments is to respond to the Public Notice in the above referenced proceeding which was released on March 30, 2010 (FCC 10J-1).

GVNW has participated in many of the earlier proceedings regarding separations reform, often with data illustration impacts of the proposed rule changes on rural incumbent local exchange carriers. GVNW believes the recommendations by the state members of the Federal State Joint Board merit serious evaluation and that proposed rules should be provided so that the impact on individual companies may be evaluated. Specifically, it is not clear if the proposal intended to change the allocation of Circuit Equipment as prescribed in Part 36.126. Also, it is not clear if the proposed change in categorization was intended to impact Part 36, Subpart F.

GENERAL COMMENTS

GVNW is in agreement with the desire of the state members to correct the misallocation of costs associated with interstate services to the state jurisdiction. We also agree with the state members' assessment that the primary problem with this misallocation relates to companies that have frozen categorization.

For high cost rural companies, however, it is likely that the result of the proposal will be the opposite of the intended effect. It is likely that many companies will experience a shift in cost from the interstate jurisdiction back to the state jurisdiction. This shift will result primarily as a result of removing costs from C&WF Category 1.3 and placing those costs in the new Categories 1.4, 1.5, and 1.6.

For many of the small rural high cost companies, the incremental cost associated with category 1.3 is 100% assigned to the interstate jurisdiction through the combined 25% allocation to the interstate common line element and a 75% allocation to the Interstate Expense Adjustment (High Cost Loop Support). For these high cost companies, the re-categorization from Category 1.3 to Category 1.4 will shift up to 50% of the incremental cost that has been assigned to interstate back to the state jurisdiction. To illustrate this, we have priced out the impact for three of our client companies. The following table shows the impact of this single change on the assignment of cost between interstate and state.

Company Name	Humboldt Telephone Company	Oregon-Idaho Utilities, Inc.	Pioneer Telephone Cooperative
SAC #	553304	532390	532393
2008 Interstate Revenue Requirement	$2,965,240	$3,014,972	$8,556,762
2008 with re-categorization from 1.3 to 1.4	$2,735,642	$2,857,636	$8,676,575
Shift from Interstate to State	$229,598	$157,336	-$119,813
Total Loops	1,065	719	14,395
Annual Shift per loop to State	$215.58	$218.83	-$8.32
Monthly Shift to State per loop	$17.97	$18.24	-$0.69

Based on this analysis and our evaluation of the mathematics associated with the Part 36 Rules and Regulations, we believe the crossover point for the re-categorization from Category 1.3 to Category 1.4 will result in a shift from State to interstate for companies with loop cost under about 175% of the national average loop cost. This re-categorization will result in a shift of cost from Interstate to State for companies with loop cost in excess of about 175% of the national average.

The second issue relates to the revenues that would be used to re-categorize the investments under the first proposal. It did not come through clearly whether billed revenues or settlement revenues should be used. There could be a drastic difference in the results depending on which base is used.

The third concern relates to the possible reassignment of costs related to the provision of DSL through a subsidiary that may also be providing video or other services over the wideband connection. Currently if the LEC provides the DSL service to either a subsidiary or a non-affiliated party, the party selling the DSL service to the customer can

package other non-regulated services with the DSL. Under this proposal, the affiliated company's provision of non-regulated services would be treated as if provided by the LEC with the requirement to allocate a portion of the facilities to non-regulated. This approach also brings into question the treatment of POTS (plain old telephone service) if the company sells a DSL service to an affiliate and the affiliate bundles local service with the DSL service. Would this change the rate charged under the tariff from a data only (naked DSL) rate to the DSL rate with local service?

RESPONSE TO SPECIFIC QUESTIONS

1. whether and to what extent the State Members' Interim Proposal would improve the accuracy of the apportionment of regulated costs between the intrastate and interstate jurisdictions;

GVNW believes the first proposal would significantly improve the alignment of costs between state and interstate for the price cap companies, and some of the rate of return companies that chose to freeze their category distributions. However, the proposal would not improve the assignment of costs for rural high cost rate of return companies that categorize their costs on an annual basis. As illustrated, the second proposal does not accomplish its intended purpose for high cost rate of return companies that have loop costs in excess of 175% of the national average as it results in a major shift from the interstate jurisdiction to the state jurisdiction.

2. whether and to what extent any refinements to the State Members' Interim Proposal or alternatives to the State Member Interim Proposal should be made in light of the recently released recommendations in the National Broadband Plan;

The alternatives should be modified to exclude the rate of return companies with loop cost in excess of 175% of the national average from the mandatory re-categorization and allow them the option of recalculating the frozen factors if they deem the current frozen factors are not representative. We also recommend an adequate time to review specific rule changes and an extension of the subsequent freeze to allow proper consideration of changes associated with Universal Service, Intercarrier Compensation, and other changes anticipated in the implementation of the National Broadband Plan.

3. whether the procedures set forth in the State Members' Interim Proposal raise implementation or operational issues that would have a significant adverse impact on carriers;

Potential implementation issues include considerations regarding the mechanized cost study programs used for the jurisdictional allocation of costs. Some programs are nearing their capacity regarding the numbers of categories of Cable and Wire Facilities and related Central Office Circuit Equipment. An evaluation of specific rule changes will need to take place in order to evaluate if the current programs can be modified to accommodate the changes, or if major rewrites of the program are required.

4. the time-frame in which companies could reasonably be expected to comply with the procedures in the State Members' Interim Proposal;

The time frame required to update the special access investment assignment as contained in the first proposal could be implemented very quickly for the rate of return companies, as we believe there would be very little additional work to be done to comply with this part of the recommendation. The re-categorization of loops, however, as

contained in the second proposal, would require significantly more work as the specific rules would have to be evaluated and mechanized cost study programs would have to be modified.

5. the impact on the universal service fund and other federal programs expected to result from the potential changes in the ratio of intrastate to interstate costs;

GVNW believes the proposal to re-categorize a portion of the Category 1.3 subscriber loops could have a significant negative impact on rate of return recipients of the High Cost Loop (HCL) fund for those companies with a loop cost that exceeds 175% of the national average. There may be an offsetting impact on the Local Switching Support (LSS) for companies that are near a threshold for the weighting factor prescribed in Part 36.125. We believe, however, that implementing the proposal for price cap companies and exempting these high loop cost rate of return companies would have very little impact on the universal service program.

6. what changes in rules regulations, or policies affecting jurisdictional separations, rate regulation, intercarrier compensation, or universal service would be necessary to implement the State Members' Interim proposal.

Some of the specific rules that would need to be changed include Part 36.154 and potentially Part 36.126, Part 36 Subpart F, and Part 69.304-305.

CONCLUSION

GVNW recommends that rural rate of return companies with loop cost in excess of 175% of the national average be exempted from the second proposal. If these companies are not exempted, we request that the Commission propose specific rules that may be evaluated prior to any consideration of adoption and implementation.

Respectfully Submitted

Via ECFS at 4/29/10

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