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PUBLIC SERVICE COMMISSION

August 11, 2010

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

RE: WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, and
FCC Docket No. 10-58
Letter in Support of the Comments of Five MACRUC States

Dear Ms. Dortch:

This letter is being filed in the above referenced dockets in support of the Comments of Five MACRUC States (“Comments”) which were filed on July 12, 2010.¹ Those Comments were filed in response to the FCC’s May 13, 2010 Notice of Inquiry and Notice of Proposed Rulemaking published by the Federal Communications Commission in the Federal Register at 26906-26915.²

The Public Service Commission of Maryland supports the position of the Five MACRUC States that the FCC modify the Federal Universal Service Fund (“FUSF”) to promote the deployment of broadband services in unserved areas in a manner that mitigates the financial burden of the FUSF on the MACRUC states. Maryland shares the characteristic of the Five MACRUC States that it is a significant net contributor to the FUSF. In particular, in 2009, Maryland received \$14.7 million from all of the programs of the FUSF (low income, high cost, schools and libraries and rural health care) yet contributed \$165.4 million to FUSF, thus generating a net outflow from

¹ See *Comments of the Five MACRUC States*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337 and FCC Docket No. 10-58, July 12, 2010. The Comments were filed by the following five states: Delaware, the District of Columbia, New Jersey, Pennsylvania, and New York.

² *In the Matter of Connect America Fund, A National Broadband Plan For Our Future, High-Cost Universal Support*, WC Docket Nos. 10-90 and 05-337, GN Docket No. 09-51 and FCC 10-51. Comments were due on July 12, 2010 and Reply Comments are due on August 11, 2010.

Maryland's residents of approximately \$150 million in 2009.³ Those figures represent a loss of purchasing power to Maryland citizens of approximately \$70 per household per year.⁴

The Public Service Commission of Maryland agrees with the major concerns that were articulated in Comments of the Five MACRUC States. In particular, the Public Service Commission of Maryland does not support:

- Dramatic increases in FUSF assessments that may be needed to expand broadband availability.
- Transfer of funds from low income customers within Maryland to any customers in other parts of the country which permit recipients to enjoy prices for local telephone or broadband service that are lower than the prices paid by low income customers in Maryland.

Moreover, the Public Service Commission of Maryland also believes that:

- Telecommunications customers in Maryland should not lose current FUSF support for voice service as the FUSF evolves to support broadband service in regions that are largely outside of Maryland.
- FUSF funding should only be available in instances where there is a demonstrated market failure and such funding should only be available to the winning bidder of service territory auctions rather than to multiple carriers on the basis of cost model results.⁵
- The contribution base for supporting FUSF expenditures should be enlarged from interstate and international voice revenues to include broadband Internet connectivity, VoIP and wireless.⁶
- Broadband funding from the reformed FUSF to any recipient entity should be conditioned on (a) charging affordable local telephone rates, (b) charging access rates that reflect the elimination of subsidies, (c) taking advantage of state-funded USF support, and (d) taking advantage of state and local broadband deployment initiatives.⁷

³ *Federal Communications Commission Response to United States House of Representatives Committee on Energy and Commerce Universal Service Fund Data Request for June 15, 2010, Part 2, State by State USF Support, Estimated Contributions and Estimated Net Dollar Flows and State-by-State Top Ten Recipients of High cost Support (2009, 2008, 2007).*

⁴ Those figures for 2009 were not one-time or unique events, but rather are representative of annual net outflows from Maryland. Indeed, additional data provided by the FCC to the United States House of Representatives Committee on Energy and Commerce (see footnote 3 above) indicate annual net outflows from Maryland of \$140 million in 2008 and \$145 million in 2007.

⁵ The single winning bidder would be the sole recipient of FUSF support, function as the carrier of last resort and would be required to provide all supported services including wireless and landline voice and broadband services. Comments of the Five MACRUC States, pp. 7, 9, 10, and 13.

⁶ Comments of the Five MACRUC States, pp. 10-11.

⁷ Comments of the Five MACRUC States, pp. 11-12, 13.

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Thank you for your consideration of these comments.

Respectfully submitted,

Public Service Commission of Maryland

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