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

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|---|---|---|
| In the Matter of | ) | |
| | ) | |
| Connect America Fund | ) | WC Docket No. 10-90 |
| | ) | |
| A National Broadband Plan for our Future | ) | GN Docket No. 09-51 |
| | ) | |
| Establishing Just and Reasonable Rates For Local Exchange Carriers | ) | WC Docket No. 07-135 |
| | ) | |
| High-Cost Universal Service Support | ) | WC Docket No. 05-337 |
| | ) | |
| Developing an Unified Intercarrier Compensation Regime | ) | CC Docket No. 01-92 |
| | ) | |
| Federal-State Joint Board on Universal Service | ) | CC Docket No. 96-45 |
| | ) | |
| Lifeline and Link-Up | ) | WC Docket No. 03-109 |

**COMMENTS OF THE MISSISSIPPI PUBLIC SERVICE COMMISSION**

The Mississippi Public Service Commission (MPSC) respectfully submits these comments to the Federal Communications Commission (FCC) in response to the Notice of Proposed Rulemaking (NOPR) released February 9, 2011, in the above-captioned proceedings.[1]

## I. Introduction

These comments specifically address subject matter in remaining Sections, other than that discussed in Section XV of the NOPR, and provide the MPSC's perspective

[1] *See Connect America Fund,* WC Docket No. 10-90; *A National Broadband Plan for Our Future,* GN Docket No. 09-51; *Establishing Just and Reasonable Rates for Local Exchange Carriers,* WC Docket No. 07-135; *High-Cost Universal Service Support,* WC Docket No. 05-337; *Developing an Unified Intercarrier Compensation Regime,* CC Docket No. 01-92; *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45; *Lifeline and Link-Up,* WC Docket No. 03-109; Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 11-13 (rel. Feb. 9, 2011) (*USF/ICC Transformation NPRM)*

regarding Mississippi's current broadband infrastructure deficiency and the potential that Mississippi can realize from National Broadband Plan (NBP) proposals supported by the NOPR's Connect America Fund (CAF).

In addition, the MPSC will address the state's accomplishments derived from the focused support Mississippi Eligible Telecommunications Carriers (ETCs) have received from the federal Universal Service Fund (USF), as defined in Section 214 (e)(1) of the Telecommunications Act of 1996 (TA96). The MPSC will also express concerns it harbors should the underpinnings of USF funding, as outlined in the NOPR, be withdrawn in an accelerated manner.

The MPSC will conclude its comments by offering recommendations regarding Intercarrier Compensation (ICC) reform. In this recommendation, the MPSC will suggest the impact that federal ICC reform will potentially have on the revenue requirements of Mississippi ETCs and other local exchange carrier's over the long term.

## II. Leveling the Playing Field With Broadband Technology

### A. Mississippi's Current Demographics Demonstrate a Need for Broadband

Mississippi has the highest rate of poverty nationwide and is last in broadband availability with only about 35% of Mississippi households having access to broadband in the home.[2] According to the U.S. Census Bureau, Mississippi ranks last among the states in per capita income (75% of the national average); and first in poverty. In the aftermath of one of the nation's longest and most serious economic recessions (December 2008 through June 2010), Mississippians currently experience a statewide 10.1% unemployment rate[3] with Tunica County residents enduring the highest unemployment

[2] Census Bureau statistics.
[3] Bureau of Labor Statistics current population survey, January 2011.

rate in the state at 21.1%.[4] Further, a 2000 study at Cornell University provided additional evidence for Mississippi's historically low employment by reporting that Mississippi is the fifth highest state in terms of people with work-impairing disabilities.

In addition, the Rural Policy Research Institute reported in 2006 that 386 counties nationally are persistent poverty counties[5] and 51 of them are located in Mississippi. Of the 51 persistent poverty counties in Mississippi, 45 are non-metro counties. In 24 counties, over 30% of total personal income originates from transfer payments (retirement and disability payments, social security benefits, public assistance, and medical benefits) – 22 of these counties are non-metro. Furthermore, the population working in public sector enterprises in Mississippi is 35% more than the national average. Mississippians populate these jobs because there are limited private sector work opportunities available.

Also, over 40% of Mississippians live more than an hour from a Level I trauma center. Nearly 60% of the state's physicians practice in one of four urban areas. In total, Mississippians are being shortchanged by deficiencies in educational opportunities, limited access to healthcare facilities, low private sector job creation and other quality of life determinants.

Many of Mississippi's neighboring states are more fortunate. Their economies boast more robust 21st Century Internet communications technologies. According to the NBP, 62% of American workers rely on the Internet to perform their jobs. These workers' productivity has improved as the use of high-speed Internet in the work place grew by 50% between 2003 and 2007. The Bureau of Labor Statistics projects the jobs

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[4] Mississippi Department of Employment Security Labor Market Data Publication, January 2011.
[5] Rural Policy Research Institute in 2006.

depending on broadband and information and similarly-enhanced technologies will grow by 25% from 2008-2018. The NBP also notes that broadband infrastructure and a digitally skilled workforce are essential for a region to attract new jobs and investment. This data substantiates the great "broadband divide" separating Mississippi's hard-working, industrious citizens from those in other states who are equipped with more pervasive broadband capabilities. In short, Mississippians are being foreclosed from the quality of life opportunities they desire and deserve.

### B. FCC Broadband Plan and NOPR Offer Promise to Mississippi

The MPSC is pleased that the NBP includes among its priorities the following:

- Providing Jobs and Creating Economic Opportunity
- Improving Healthcare and Controlling Costs
- Providing More Educational Opportunities and Improving Outcomes
- Promoting Energy Independence and Efficiency
- Enhancing Government Performance and Increasing Civic Engagement
- Increasing Public Safety and Homeland Security

Mississippians' needs, relevant to their goals and ambitions, closely parallel the solutions offered by the NBP's priorities and many of the NOPR's proposals. The MPSC applauds the FCC's vision, articulated through the CAF, in its identification of the critical need for broadband availability for all Americans.

## III. USF is the Catalyst for Rural Broadband Deployment

### A. Mississippi ETC Operations

The MPSC wishes to emphasize that Mississippi's deficiencies for broadband access are already being addressed by the state ETCs' utilization of high cost funding.

Moreover, the MPSC takes seriously its authority under the Act to scrutinize diligently the application made by each common carrier seeking ETC status. This obligation is reflected in the stringent requirements that the MPSC has assigned to all designated ETCs. These requirements have been clearly delineated in MPSC Orders and checklists associated with such Orders.

To be specific, the MPSC lists required services that all ETC applicants must satisfy either through their own facilities or a combination of their own facilities and resale of another carrier's services. These include, as follows:

a. Voice grade access to the public switched network;

b. Access to free-of-charge "local usage";

c. Dual-tone multi-frequency signaling or its functional equivalent;

d. Single-party service or its functional equivalent;

e. Access to emergency services;

f. Access to operator services;

g. Access to directory assistance;

h. Access to interexchange services;

i. Toll limitation services for qualifying low-income customers.

The MPSC also requires ETC applicants' compliance with provision of supporting documentation. Hence, carriers must utilize media to advertise the availability and price of required services. Lifeline and Link-Up services must also be offered. Applicants must supply contact information for company personnel knowledgeable of customer service, repair and quality of service matters. Also, applicants are required to offer all supported services throughout their designated service area and must be in full

compliance with MPSC orders and rules and regulations. In addition, wireless carrier applicants must comply with the Cellular Telecommunications and Information Administration Consumer Code – a checklist of items pertinent to the provisioning of high quality wireless service.

Once the MPSC has designated a common carrier as an ETC, each company receiving federal USF high cost support must file a USF Utilization Plan (Plan) annually on or before June 1. This Plan provides an itemization of all projects the ETC forecasts to undertake in high cost areas of Mississippi during the upcoming calendar year. The Plan is financed by quarterly support payments paid during the Plan calendar year by the Universal Service Administrative Company to the respective ETC. The MPSC requires each ETC to file quarterly status reports during the Plan year to identify Plan expenditures, customer complaints received per 1000 access lines or handsets and the number of service requests that go unmet, together with the rationale for the unfulfilled request. Also, each ETC must have a functional emergency operations plan and certify annually to its ability to function in an emergency.

Today, Mississippi has 32 designated ETCs receiving federal USF high cost support. Annually, by October 1, the MPSC must certify each ETC to the FCC. The certification process is an intensive three-and-one-half month process that involves a demanding examination by the Mississippi Public Utilities Staff (Staff). Upon recommendation by the Staff, the MPSC makes final determination concerning renewal of the ETC's certification to the FCC.

**B. Mississippi ETC Accomplishments**

The MPSC is cognizant of the ETC's accomplishments throughout the state. Both wireline and wireless ETCs have utilized their high cost funding effectively and efficiently. The wireline ETCs have focused funding on improvements in feeder cabling from central offices to digital loop carrier terminals and in distribution cabling from these terminals to each residential and business customer premise. In fact, much of today's feeder cabling is fiber in composition and offers substantial data carrying capacity. Plus, fiber is now becoming the transmission source of choice for an increasingly higher proportion of distribution cabling in lieu of copper. These companies are also upgrading and expanding network capacity through the installation of new switching platforms that allow for faster processing of subscriber traffic. Interestingly, the 18 Mississippi Rural Incumbent Local Exchange Carriers (RLECs) have allocated portions of their high cost USF reimbursements to provision broadband in rural areas of Mississippi. Were it not for this high cost support, substantial numbers of Mississippi rural customers would not currently have access to broadband.

Earlier in these comments, the MPSC indicated that statistics position Mississippi as last in broadband availability adoption. One need only ponder how low the broadband adoption numbers would have been if Mississippi RLECs had not been able to pursue broadband provisioning within the USF framework. The MPSC earnestly recommends the FCC refrain from proposals included in the NOPR that would reduce funding to several high cost support mechanisms needed by RLECs to achieve rural broadband provisioning. The RLECs have used USF high cost funding prudently and should be assured of this continuing means of cost recovery.

In addition, it should be noted that Mississippi's Incumbent Non-Rural Local Exchange Company (ILEC), AT&T Mississippi, is currently not allowed an exemption from FCC's rules that prohibit USF allocations for expansion of broadband provisioning. However, AT&T has pursued substantial improvements in Internet access transmission speeds (albeit dial-up) and transmission quality through deployment of fiber feeder cabling. Further, it has deployed remote digital loop carrier remote terminals to complement fiber feeder cabling investments; these are efforts that improve rural customer quality of service. Should the FCC, under the guidance and direction of this NOPR, allow specific purchasing of Digital Subscriber Line Access Multiplexer (DSLAM) equipment by ILECs, it is conceivable that the numbers of rural Mississippians gaining access to the Internet would markedly increase. All of the other ingredients for this process to occur – the fiber feeder, the digital loop carrier remote terminals, and the subscriber modem or splitter – are in place. The MPSC strongly recommends the FCC deviate from a course designed to reduce high cost support and, on the contrary, act quickly and forcefully to allow use of high cost USF funding to ILECs for broadband provisioning.

Furthermore, Mississippi's ETCs include six wireless carriers that are investing in cellular sites, 3G radio equipment, radio transmission cabinets and switching office equipment upgrades to expand broadband data transmission. These wireless carriers are making Internet access a reality for thousands of Mississippians in rural areas. All USF high cost support allocated to these wireless ETCs is used solely for the provision, maintenance and upgrading of services and facilities for which the support was intended. The MPSC echoes the recommendation and position it has espoused regarding the FCC's

continued high cost support for both the RLECs and ILECs, by stating that high cost funding currently directed to Mississippi's wireless ETCs must continue unabated.

The MPSC would further suggest that the FCC's proposal to utilize a reverse auction approach, for the selection of one or more wireline or wireless carriers to provision broadband in unserved and underserved areas of the country, may not prove conducive to the broadband access challenge that President Obama announced in his 2011 State of the Union Address to Congress. In his speech, the President committed funding to ensure 98% of Americans have access to the Internet. Were the CAF initiative to be implemented as currently conceived, **all** Mississippi wireless ETCs (i.e., Competitive ETCs) could potentially lose 100% of high cost funding after a five-year phase down - assuming no Mississippi wireless ETC were selected under a reverse auction. While it is true that the FCC's selected broadband service provider will provide Mississippians in unserved and underserved areas access to Internet, unfortunately, our state's efficient, effective wireless ETCs will bear the financial hardship burden from lost USF support.

In reality, today's approach to high cost funding, based on TA96 policies, can continue to serve as an agent for broadband expansion. This effort will ensure the President's commitment is met and that monies are used even more efficiently by carriers operating in high cost states like Mississippi. It should also be recognized that these carriers are better equipped to interpret the National Telecommunications Information Administration's broadband map from a local state perspective.

### C. NOPR's USF Proposals Will Substantially Reduce ETC Funding Nationwide

The MPSC understands that one of the repurposing efforts of the NOPR is to reform the high cost fund that distributed $4.3 billion in 2010 through five separate mechanisms designed to support different kinds of costs and different types of carriers. Three components of the high cost program primarily support smaller carriers (i.e. RLECs) regulated under "rate-of-return" rules. These three support mechanisms are:

a. High Cost Loop Support (HCLS) which helps offset the non-usage based costs associated with the local loop in areas where the cost to provide voice service exceeds 115% of the national average cost per line. It shifts some loop cost recovery from the intrastate jurisdiction to the interstate jurisdiction. Nationally, HCLS provided $1 billion to incumbents in 2010. The NOPR will reduce support to working loops in all study areas where costs exceed 115% of national average costs. It will also eliminate Safety Net Additive (SNA) support, used to provide additional support to RLECs that make incremental significant investments above capped support. This phase down would begin in 2012 with the first 25% reduction and would continue with 25% annual reductions in SNA until it was eliminated nationally on January 1, 2015.

b. Local Switching Support (LSS) which allows incumbent LECs serving 50,000 access lines or fewer to allocate a higher portion of their switching costs to the interstate jurisdiction and recover those costs through the federal USF. LSS provided incumbents nationwide $276 million in support during 2010. Under

the FCC's NOPR proposals, LSS would be reduced 33 per cent annually beginning in 2012, and would continue with annual 33 per cent reductions until all LSS support is eliminated beginning January 1, 2014. Actually, LSS support reductions are exacerbated by concurrent 33 per cent annual reductions in the amount of corporate operations' expense used to calculate LSS support.

c. Interstate Common Line Support (ICLS) helps rate-of-return carriers, whether classified as rural or non-rural, to recover their interstate common line revenue requirements. ICLS provided $1.1 billion for incumbents throughout the US in 2010.

Likewise, Interstate Access Support (IAS) would be phased-out beginning in 2012 when it would be capped at 50% of the amount paid in 2011. Then, in 2013, all IAS support would be eliminated. For benchmark purposes, IAS support totaled $545 million in 2010. This high cost mechanism provides funding to price cap carriers. It is important to carriers because it has historically supported a portion of the local loop; the facility to the end user that delivers both interstate and intrastate services. IAS acts to reduce the amount of revenues that price cap carriers need to recover from end users and other carriers to meet allowable interstate revenues. It was put in place in 2000, when interstate access charges were reduced by the FCC. Coincident with this action, the FCC instituted the federal subscriber line charge. Currently billed by most carriers at $6.50 per residential access line, the federal subscriber line charge was offered to carriers along with the IAS component to offset losses in revenues that carriers incurred from reduced interstate access rates.

The MPSC is concerned that the FCC, in its efforts to expand the provisioning of broadband, is seeking to "wrestle away" substantial support levels from ETCs across the nation. The shift in dollars is sudden, dramatic and unprecedented in our national telecommunications regulatory history. The MPSC would suggest that the USF expand rather than contract support to currently designated ETCs. This can be accomplished by either expanding the number and type of contributors to the federal USF or changing the basis for contribution from interstate and international toll revenues to that of the use of assigned numbers, connections or some other mechanism.

**D. FCC's NOPR Will Financially Harm Mississippi's ETCs**

It is the MPSC's intent to communicate the shortcomings of the FCC's NOPR USF proposals given the disruption that ETCs will experience from imminent reductions to their support mechanisms. The FCC's NOPR proposes to streamline and modernize USF through a frequent reference to the term, "repurposing of support". A better interpretation of the FCC's actions would be to describe it as a "withdrawal of commitment" to ETCs that have pursued TA96 requirements for use of funds and have provided rural, high cost America an improved quality of telecommunications at reasonable rates. Another unintended consequence of the FCC's initiatives will be the creation of potential financial hardships for those rural ETCs who have entered into promissory loan arrangements with private financial institutions, as well as the Rural Utilities Services, in these ETCs' efforts to meet customer demands.

The MPSC has produced and is including in its comments, a data set, Attachment MS-1 to these comments, that provides estimated loss impacts for Mississippi's ETCs should the FCC's NOPR USF rules be implemented as proposed. On Pages 1-2 of the

data set is a USAC 2010 High Cost Disbursements Analysis reflecting all four categorizations of Mississippi high cost ETCs. The categorizations are: Wireless, RLECs, Competitive Wireline, and the AT&T Wireline ILEC. Further, the data set provides 2010 funding levels for each USF support mechanism associated with an ETC categorization. The represented support mechanisms were defined earlier in these comments. Total disbursements by category are:

| | |
|---|---|
| 1. Wireless | $150,063,585 |
| 2. RLECs | $ 28,477,644 |
| 3. Competitive Wireline | $ 1,256,778 |
| 4. AT&T Mississippi ILEC | $ 80,754,625 |
| TOTAL | $260,552,632 |

As shown above, today's USF receipts, annually exceed a quarter of a billion dollars and serve as a critical source of funding for Mississippi ETCs. To reiterate, the overall telecommunications service level provided to all rural Mississippians is dependent on such USF disbursements.

In addition, the data set employs assumptions drawn from the FCC's proposed realignment of USF funding. APPENDIX A, Pages 229-239, of the NOPR outlines the proposed Universal Service Rules. The MPSC's assumptions, developed from its interpretation of the FCC's rules, are shown on Page 3 of its attached data set. The significant takeaway from Page 3 is the total loss, under the proposed FCC Universal Service Rules, for all Mississippi ETCs through end of year 2016. **This total is a startling $674,950,639.** Hence, the MPSC is very concerned that FCC pursuit of their

proposed service rules will impose potentially serious financial hardships on all Mississippi ETCs.

Further edification is demonstrated on Pages 4-6 of the data set with proposed losses by each ETC, respectively. Through 2016, these losses are expected to total:

| | |
|---|---|
| 1. Wireless | $463,655,123 |
| 2. RLECs | $ 49,102,758 |
| 3. Competitive Wireline | $ 2,023,653 |
| 4. AT&T Mississippi ILEC | $160,169,105 |
| TOTAL | $674,950,639 |

The total loss shown above is so staggering that it bears repeating. All categories of Mississippi's CLECs through 2016, shown on Page 6, are expected to lose $674,950,639. The point of this demonstration is to communicate the enormity of the reduction's impact over the five-year period, 2012-2016. The MPSC agrees that broadband availability is a critical need for all Americans, but the funding mechanism that the FCC has conceived is myopic and financially devastating to many of our country's carriers. This is certainly the case with the impact of these funding proposals on Mississippi's ETCs.

The MPSC implores the FCC to review their assumptions and find a different way to "repurpose support".

## IV. Intercarrier Compensation Reform

The MPSC addressed ICC reform tangentially in the NOPR comments it filed on March 25, 2011, in response to Section XV. In those comments, the MPSC suggested that interstate access rate levels should be reduced over a time frame of no less than five

years. This glide path was recommended to allow the industry an opportunity for transition from a circuit-switched environment to an increasingly packet-switched operation. The gradual reduction in interstate switched access rates will provide carriers appropriate cost recovery. The MPSC further posits that terminating intrastate switched access rates should be reduced over roughly the same time frame as that for interstate access rate reductions. The goal would be to ensure intrastate access rates move to a level in parity with the respective wireline carrier's interstate access rate level.

The MPSC, in its initial set of comments to the FCC, also suggested implementation of a methodology whereby interconnected Voice over Internet Protocol traffic would be subjected to the payment of terminating access over a yet to be determined glide path. The MPSC also supports utilization of reciprocal compensation to address costs associated with the transport and termination of local traffic.

Should the FCC adopt the above recommendations, the MPSC is aware that wireline carriers, incurring both intrastate and interstate access rate reductions, should be "made whole". The MPSC acknowledges that it must take several options under careful review to determine how, when, and by what amount any future explicit subsidy will be created and enacted to assist Mississippi carriers. These options include:

1. Establishment of benchmark residential rate levels;
2. Support of a potential FCC phased-in increase in interstate subscriber line charges;
3. Implementation of a state USF.

## V. Conclusion

In summary, the MPSC is supportive of the philosophy that the FCC espouses in the NOPR. However, the MPSC has serious doubts concerning the focus of a Connect America Fund, as described in the NOPR. Further, the MPSC is very distraught concerning the means the FCC has propagated to financially support it. This distress is intensified given the dire broadband needs of rural Americans when a system is already in place today to support such provisioning.

Therefore, based on the reasons set forth above, the MPSC exhorts the FCC to substantially temper its approach to achieve reform of the current USF and ICC programs.

Respectfully Submitted,

MISSISSIPPI PUBLIC SERVICE COMMISSION

Lynn Posey, Chairman

Leonard Bentz, Vice Chairman

Brandon Presley, Commissioner

April 5, 2011

Attachment

# MISSISSIPPI USAC 2010 HIGH COST DISBURSEMENTS ANALYSIS

SPIN=Service Provider ID Number; HCL=High Cost Loop; HCM=High Cost Model; IAS=Interstate Access Support; ICLS=Interstate Common Line Support; LSS=Local Switching Support; LTS=Long Term Support; SNA=Safety Net Additive Support; SVS=Safety Valve Support.

High Cost Disbursement Data (Spin = ALL , Sac = ALL , San = ALL , Year = 2010 , Month = ALL , State = MS )

| WIRELESS | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Spin | Study Area Code | Study Area Name | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| MS | 143008900 | 289010 | ALLTEL COMMUNICATIONS, INC. | 911,360 | 2,878,327 | 93,084 | 627,075 | 77,473 | - | (9,659) | - | 4,577,660 |
| MS | 143025223 | 289001 | CELLULAR SOUTH LICENSE, INC. | 12,023,549 | 45,649,687 | 3,615,171 | 7,034,995 | 1,588,015 | - | 215,950 | - | 70,127,367 |
| MS | 143000442 | 289005 | CENTENNIAL CELLULAR TRI-STATE OPERATING | 70,051 | 352,747 | 19,202 | 35,134 | 2,380 | - | 1,598 | - | 481,112 |
| MS | 143000307 | 289004 | CENTENNIAL CLAIRBORNE CELLULAR CORP. | 96,629 | 634,641 | 27,615 | 18,457 | (466) | - | 3,181 | - | 780,057 |
| MS | 143029765 | 289912 | NEW CINGULAR WIRELESS PCS, LLC | - | 66,291,985 | 3,876,027 | - | - | - | - | - | 70,168,012 |
| MS | 143019623 | 289006 | NPCR, INC. | - | 346,533 | 3,198 | - | - | - | - | - | 349,731 |
| MS | 143000896 | 289002 | RCC MINNESOTA, INC. | 61,570 | 570,730 | 25,647 | 73,507 | (7,465) | - | 2,304 | - | 726,293 |
| MS | 143000910 | 289008 | SPRINT SPECTRUM, LP | - | 2,714,801 | 138,552 | - | - | - | - | - | 2,853,353 |
| | | | Total Wireless | 13,163,159 | 119,439,451 | 7,798,496 | 7,789,168 | 1,659,937 | - | 213,374 | - | 150,063,585 |

| RLEC'S | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Spin | Study Area Code | Study Area Name | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| MS | 143001603 | 280446 | BAY SPRINGS TEL CO | 3,337,836 | - | - | 1,965,798 | 237,852 | - | - | - | 5,541,486 |
| MS | 143001604 | 280447 | BRUCE TEL CO - MS | 699,414 | - | - | 500,856 | 98,556 | - | - | - | 1,298,826 |
| MS | 143001605 | 280448 | CALHOUN CITY TEL CO | 23,856 | - | - | 69,168 | 45,996 | - | - | - | 139,020 |
| MS | 143001613 | 280458 | CENTURYTEL - N. MISS | 4,238,631 | - | - | 1,586,397 | 237,888 | - | - | - | 6,062,916 |
| MS | 143001606 | 280451 | DECATUR TEL CO -MS | 9,006 | - | - | 159,900 | 76,104 | - | - | - | 245,010 |
| MS | 143001607 | 280452 | DELTA TEL CO | 556,026 | - | - | 308,220 | 341,604 | - | - | - | 1,205,850 |
| MS | 143001609 | 280454 | FRANKLIN TEL CO - MS | 3,462,666 | - | - | 1,504,878 | 159,768 | - | 109,776 | - | 5,237,088 |
| MS | 143001614 | 280460 | FRONTIER-MISSISSIPPI | 74,868 | - | - | 508,512 | 205,320 | - | - | - | 788,700 |
| MS | 143001610 | 280455 | FULTON TEL CO | 441,456 | - | - | 703,746 | 127,236 | - | 351,396 | - | 1,623,834 |
| MS | 143001611 | 280456 | GEORGETOWN TEL CO | 459,636 | - | - | 222,474 | 99,708 | - | 10,788 | - | 792,606 |
| MS | 143001612 | 280457 | LAKESIDE TEL. CO. | 421,212 | - | - | 158,136 | 24,264 | - | (27,000) | - | 576,612 |
| MS | 143001616 | 280462 | MOUND BAYOU TEL & CO | 162,828 | - | - | 117,924 | 29,568 | - | 31,536 | - | 341,856 |
| MS | 143001621 | 287449 | MYRTLE TEL CO | 22,104 | - | - | 87,960 | 47,160 | - | 22,836 | - | 180,060 |
| MS | 143001615 | 280461 | NOXAPATER TEL CO | 488,574 | - | - | 369,408 | 83,424 | - | 26,016 | - | 967,422 |
| MS | 143001617 | 280466 | SLEDGE TEL CO | 426,024 | - | - | 299,706 | 108,996 | - | 2,748 | - | 837,474 |
| MS | 143008722 | 280467 | SMITHVILLE TEL CO | 21,576 | - | - | 92,286 | 39,036 | - | - | - | 152,898 |
| MS | 143001619 | 283301 | SOUTHEAST MS TEL CO | 952,173 | - | - | 379,920 | 158,352 | - | - | - | 1,490,445 |
| MS | 143030766 | 280453 | WINDSTREAM MS | 454,518 | - | - | 529,815 | 11,208 | - | - | - | 995,541 |
| | | | Total RLEC's | 16,252,404 | - | - | 9,565,104 | 2,132,040 | - | 528,096 | - | 28,477,644 |

# MISSISSIPPI USAC 2010 HIGH COST DISBURSEMENTS ANALYSIS

| CLECS | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Spin | Study Area Code | Study Area Name | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| MS | 143027421 | 289012 | DIALOG TELECOMMUNICATIONS, INC. | - | 45,131 | 2,648 | - | - | - | - | - | 47,779 |
| MS | 143025673 | 289003 | DIXIENET COMMUNICATIONS | - | 501,292 | 21,613 | - | - | - | - | - | 522,905 |
| MS | 143019597 | 289015 | GULFPINES COMMUNICATIONS | - | 41,993 | 2,463 | - | - | - | - | - | 44,456 |
| MS | 143024859 | 289013 | MEGAGATE BROADBAND, INC. | - | 240,037 | - | - | - | - | - | - | 240,037 |
| MS | 143003864 | 289009 | TEC of Jackson, Inc. | - | 190,122 | 7,876 | - | - | - | - | - | 197,998 |
| MS | 143021979 | 289011 | TELEPAK NETWORKS, INC. | - | 117,735 | 9,907 | - | - | - | - | - | 127,642 |
| MS | 143031249 | 289007 | Xfone USA, Inc. | - | 74,306 | 1,655 | - | - | - | - | - | 75,961 |
| | | | Total CLEC's | - | 1,210,616 | 46,162 | - | - | - | - | - | 1,256,778 |

| South Central Bell - Mississippi (BellSouth) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Spin | Study Area Code | Study Area Name | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| MS | 143004824 | 285184 | SO CENTRAL BELL-MS | - | 67,742,236 | 13,012,389 | - | - | - | - | - | 80,754,625 |

| TOTAL ALL | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Spin | Study Area Code | Study Area Name | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| MS | | | Total All Companies | 29,415,563 | 188,392,303 | 20,857,047 | 17,354,272 | 3,791,977 | - | 741,470 | - | 260,552,632 |

# MISSISSIPPI USAC 2010 HIGH COST USF REFORM LOSS CALCULATION PROJECTION FOR 2012 - 2016 TOTALS

| Total Companies | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2010 | 29,415,563 | 188,392,303 | 20,857,047 | 17,354,272 | 3,791,977 | - | 741,470 | - | 260,552,632 |
| 2012 | 25,157,691 | 157,609,128 | 10,428,524 | 14,839,928 | 2,540,625 | | 556,103 | | 211,131,997 |
| 2013 | 20,899,819 | 126,825,952 | - | 12,325,584 | 1,251,352 | | 370,735 | | 161,673,442 |
| 2014 | 16,641,946 | 96,042,777 | - | 9,811,240 | - | | 185,368 | | 122,681,331 |
| 2015 | 12,384,074 | 65,259,601 | - | 7,296,896 | - | | - | | 84,940,572 |
| 2016 | 8,126,202 | 34,476,426 | - | 4,782,552 | - | | - | | 47,385,180 |

| Total Losses by Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2012 | 4,257,872 | 30,783,175 | 10,428,524 | 2,514,344 | 1,251,352 | - | 185,368 | - | 49,420,635 |
| 2013 | 8,515,744 | 61,566,351 | 20,857,047 | 5,028,688 | 2,540,625 | - | 370,735 | - | 98,879,190 |
| 2014 | 12,773,617 | 92,349,526 | 20,857,047 | 7,543,032 | 3,791,977 | - | 556,103 | - | 137,871,301 |
| 2015 | 17,031,489 | 123,132,702 | 20,857,047 | 10,057,376 | 3,791,977 | - | 741,470 | - | 175,612,060 |
| 2016 | 21,289,361 | 153,915,877 | 20,857,047 | 12,571,720 | 3,791,977 | - | 741,470 | - | 213,167,452 |
| Total | 63,868,083 | 461,747,631 | 93,856,712 | 37,715,160 | 15,167,908 | - | 2,595,145 | - | 674,950,639 |

## Assumptions

1. Safety Net Additive for Wireless CLECs and certain ICOs, apply a 25% loss to SNA beginning 2012.
2. HCL and HCM impact is estimated at a 10% loss in support annually beginning 2012 for wireline ETCs.
3. Local Switching Support impacts both wireless CLECs and ICOs; 33% loss each year 2012 and 2013; no support in 2014.
4. IAS reduced to 50% of 2011 amount in 2012; goes away in 2013; impacts wireless CLECs, AT&T wireless and wireline CLECs.
5. ICLS which impacts wireless CLECs and ICOs is hurt by loss of Corp. Operations Expense; per Appendix A, Corporate Operations Expense allocated to the Common Line Revenue Requirement, pursuant to section 69.409 of this chapter, shall be reduced by multiplying the corporate operations expense allocated by 67% in 2012; then multiplying by 33% in 2013. 0% allocation in 2014. Use factor of 10% first year, 20% for second year and 30% for third year, etc. for wireline
6. The $3,000/line cap cannot be measured at this time.
7. Disaggregation is not modeled in this projection
8. Wireless ETCs HCM, HCL, and ICLS were decremented at 20% per year.

# MISSISSIPPI USAC 2010 HIGH COST USF REFORM LOSS CALCULATION PROJECTION FOR 2012 - 2016 BY CATEGORY

| Wireless | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2010 | Total Wireless | 13,163,159 | 119,439,451 | 7,798,496 | 7,789,168 | 1,659,937 | - | 213,374 | - | 150,063,585 |
| 2012 | Total Wireless | 10,530,527 | 95,551,561 | 3,899,248 | 6,231,334 | 1,112,158 | | 160,031 | | 117,484,859 |
| 2013 | Total Wireless | 7,897,895 | 71,663,671 | - | 4,673,501 | 547,779 | | 106,687 | | 84,889,533 |
| 2014 | Total Wireless | 5,265,264 | 47,775,780 | - | 3,115,667 | - | | 53,344 | | 56,210,055 |
| 2015 | Total Wireless | 2,632,632 | 23,887,890 | - | 1,557,834 | - | | - | | 28,078,356 |
| 2016 | Total Wireless | - | - | - | - | - | | - | | - |

| | | Losses - Wireless | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2012 | Total Wireless | 2,632,632 | 23,887,890 | 3,899,248 | 1,557,834 | 547,779 | - | 53,344 | - | 32,578,726 |
| 2013 | Total Wireless | 5,265,264 | 47,775,780 | 7,798,496 | 3,115,667 | 1,112,158 | - | 106,687 | - | 65,174,052 |
| 2014 | Total Wireless | 7,897,895 | 71,663,671 | 7,798,496 | 4,673,501 | 1,659,937 | - | 160,031 | - | 93,853,530 |
| 2015 | Total Wireless | 10,530,527 | 95,551,561 | 7,798,496 | 6,231,334 | 1,659,937 | - | 213,374 | - | 121,985,229 |
| 2016 | Total Wireless | 13,163,159 | 119,439,451 | 7,798,496 | 7,789,168 | 1,659,937 | - | 213,374 | - | 150,063,585 |
| Totals | Total Wireless | 39,489,477 | 358,318,353 | 35,093,232 | 23,367,504 | 6,639,748 | - | 746,809 | - | 463,655,123 |

| RLEC | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2010 | RLEC | 16,252,404 | - | - | 9,565,104 | 2,132,040 | - | 528,096 | - | 28,477,644 |
| 2012 | RLEC | 14,627,164 | - | - | 8,608,594 | 1,428,467 | | 396,072 | | 25,060,296 |
| 2013 | RLEC | 13,001,923 | - | - | 7,652,083 | 703,573 | | 264,048 | | 21,621,628 |
| 2014 | RLEC | 11,376,683 | - | - | 6,695,573 | - | | 132,024 | | 18,204,280 |
| 2015 | RLEC | 9,751,442 | - | - | 5,739,062 | - | | - | | 15,490,505 |
| 2016 | RLEC | 8,126,202 | - | - | 4,782,552 | - | | - | | 12,908,754 |

| | | Losses - RLEC | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2012 | RLEC | 1,625,240 | - | - | 956,510 | 703,573 | - | 132,024 | - | 3,417,348 |
| 2013 | RLEC | 3,250,481 | - | - | 1,913,021 | 1,428,467 | - | 264,048 | - | 6,856,016 |
| 2014 | RLEC | 4,875,721 | - | - | 2,869,531 | 2,132,040 | - | 396,072 | - | 10,273,364 |
| 2015 | RLEC | 6,500,962 | - | - | 3,826,042 | 2,132,040 | - | 528,096 | - | 12,987,139 |
| 2016 | RLEC | 8,126,202 | - | - | 4,782,552 | 2,132,040 | - | 528,096 | - | 15,568,890 |
| Totals | RLEC | 24,378,606 | - | - | 14,347,656 | 8,528,160 | - | 1,848,336 | - | 49,102,758 |

# MISSISSIPPI USAC 2010 HIGH COST USF REFORM LOSS CALCULATION PROJECTION FOR 2012 - 2016 BY CATEGORY

| CLEC | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2010 | CLEC | - | 1,210,616 | 46,162 | - | - | - | - | - | 1,256,778 |
| 2012 | CLEC | - | 1,089,554 | 23,081 | - | - | | - | | 1,112,635 |
| 2013 | CLEC | - | 968,493 | - | - | - | | - | | 968,493 |
| 2014 | CLEC | - | 847,431 | - | - | - | | - | | 847,431 |
| 2015 | CLEC | - | 726,370 | - | - | - | | - | | 726,370 |
| 2016 | CLEC | - | 605,308 | - | - | - | | - | | 605,308 |

| | | Losses - CLEC | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2012 | CLEC | - | 121,062 | 23,081 | - | - | - | - | - | 144,143 |
| 2013 | CLEC | - | 242,123 | 46,162 | - | - | - | - | - | 288,285 |
| 2014 | CLEC | - | 363,185 | 46,162 | - | - | - | - | - | 409,347 |
| 2015 | CLEC | - | 484,246 | 46,162 | - | - | - | - | - | 530,408 |
| 2016 | CLEC | - | 605,308 | 46,162 | - | - | - | - | - | 651,470 |
| Totals | CLEC | - | 1,815,924 | 207,729 | - | - | - | - | - | 2,023,653 |

| BellSouth | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2010 | BellSouth | - | 67,742,236 | 13,012,389 | - | - | - | - | - | 80,754,625 |
| 2012 | BellSouth | - | 60,968,012 | 6,506,195 | - | - | | - | | 67,474,207 |
| 2013 | BellSouth | - | 54,193,789 | - | - | - | | - | | 54,193,789 |
| 2014 | BellSouth | - | 47,419,565 | - | - | - | | - | | 47,419,565 |
| 2015 | BellSouth | - | 40,645,342 | - | - | - | | - | | 40,645,342 |
| 2016 | BellSouth | - | 33,871,118 | - | - | - | | - | | 33,871,118 |

| | | Losses - BellSouth | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Category | HCL | HCM | IAS | ICLS | LSS | LTS | SNA | SVS | Total |
| 2012 | BellSouth | - | 6,774,224 | 6,506,195 | - | - | - | - | - | 13,280,418 |
| 2013 | BellSouth | - | 13,548,447 | 13,012,389 | - | - | - | - | - | 26,560,836 |
| 2014 | BellSouth | - | 20,322,671 | 13,012,389 | - | - | - | - | - | 33,335,060 |
| 2015 | BellSouth | - | 27,096,894 | 13,012,389 | - | - | - | - | - | 40,109,283 |
| 2016 | BellSouth | - | 33,871,118 | 13,012,389 | - | - | - | - | - | 46,883,507 |
| Totals | | - | 101,613,354 | 58,555,751 | - | - | - | - | - | 160,169,105 |

## MISSISSIPPI USAC 2010 HIGH COST USF REFORM LOSS CALCULATION PROJECTION FOR 2012 - 2016 BY CATEGORY

| TOTAL LOSSES | | | | | | |
|---|---|---|---|---|---|---|
| Category | 2012 | 2,013 | 2014 | 2015 | 2016 | TOTAL |
| Wireless | 32,578,726 | 65,174,052 | 93,853,530 | 121,985,229 | 150,063,585 | 463,655,123 |
| RLEC | 3,417,348 | 6,856,016 | 10,273,364 | 12,987,139 | 15,568,890 | 49,102,758 |
| CLEC | 144,143 | 288,285 | 409,347 | 530,408 | 651,470 | 2,023,653 |
| BellSouth | 13,280,418 | 26,560,836 | 33,335,060 | 40,109,283 | 46,883,507 | 160,169,105 |
| TOTAL LOSSES | 49,420,635 | 98,879,190 | 137,871,301 | 175,612,060 | 213,167,452 | 674,950,639 |

### Assumptions

1. Safety Net Additive for Wireless CLECs and certain ICOs, apply a 25% loss to SNA beginning 2012.

2. HCL and HCM impact is estimated at a 10% loss in support annually beginning 2012 for wireline ETCs.

3. Local Switching Support impacts both wireless CLECs and ICOs; 33% loss each year 2012 and 2013; no support in 2014.

4. IAS reduced to 50% of 2011 amount in 2012; goes away in 2013; impacts wireless CLECs, AT&T wireless and wireline CLECs.

5. ICLS which impacts wireless CLECs and ICOs is hurt by loss of Corp. Operations Expense; per Appendix A, Corporate Operations Expense allocated to the Common Line Revenue Requirement, pursuant to section 69.409 of this chapter, shall be reduced by multiplying the corporate operations expense allocated by 67% in 2012; then multiplying by 33% in 2013. 0% allocation in 2014. Use factor of 10% first year, 20% for second year and 30% for third year, etc. for wireline ETCs.

6. The $3,000/line cap cannot be measured at this time.

7. Disaggregation is not modeled in this projection

8. Wireless ETCs HCM, HCL, and ICLS were decremented at 20% per year.