

**Before the
Federal Communications Commission
Washington, D.C. 20554**

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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 RURAL CARRIERS SUPPORTING
STATE UNIVERSAL SERVICE FUNDS**

Dated: April 18, 2011

The Rural Carriers Supporting State
Universal Service Funds
(Listed in Appendix A)

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The rural telecommunications carriers identified in Appendix A attached to these Comments (the “Rural Carriers”) respectfully submit these Comments in response to the Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking issued by the Federal Communications Commission (the “Commission”).¹ In these Comments, the Rural Companies respond to the Commission’s request for comments regarding the steps that the FCC should consider to incent states to reform their intrastate intercarrier compensation rates, and how to do so without penalizing states that have already begun the process or rewarding states that have not yet engaged in reform.² The Rural Carriers provide comments on this issue because of the important role that state high-cost universal service funds play in maintaining, and hopefully expanding broadband service availability in the areas that they serve.

The Rural Carriers operate in states that have enacted and operate high-cost universal service programs or are considering establishment of a high-cost fund. As a consequence, the Rural Carriers and their customers understand the importance of these programs to affordable voice and broadband services in rural America.

Both the Commission and the State-Federal Joint Board on Universal Service have recognized the importance of shared responsibility of federal and state funding of universal service.³ In the *NPRM*, the Commission cites three states – Indiana, Maine and Nebraska – that have established state funds in connection with implementation of reductions in intrastate access

¹ See, *Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking*, WC Docket No. 10-90 (rel. Feb. 9, 2011) (“*NPRM*”).

² *Id.*, para. 544.

³ See, *Connecting America: The National Broadband Plan*, (rel. March 16, 2010) at pp. 139-140,143, 145; *NPRM* at paras. 13, 50, 84-87.; See also, Loube, R. and Pilalis, L. *Inter-carrier Compensation, A White Paper To The State Members Of The Federal-State Joint Board On Universal Service*, (Feb. 7, 2011), pg. 2.

charges.⁴ Numerous other states have taken similar actions by establishing high-cost universal service funds⁵ or are considering doing so.⁶ In addition, another state – Oklahoma – is in the process of considering reducing intrastate switched access rates to be in parity with interstate switched access rates, and increasing the size of its state universal service fund. Such widespread existence of state universal service fund programs makes it apparent that explicit state funding of high-cost areas is essential to continuing voice service and to maintaining and expanding broadband availability.

The Rural Carriers urge the Commission to recognize that states have jurisdictional authority over intrastate intercarrier compensation rates, and thus it is far more productive to pursue a path of working cooperatively with states to identify ways to incent states to address their intrastate intercarrier compensation rates. Toward this end, the Commission should recognize the limits of its authority and not waste time and resources on the issue as to whether or how to bring intrastate rates under the reciprocal compensation framework if states do not act within a certain timeframe.⁷

It is essential that the Commission and the states make progress in bringing intrastate access charges in line with interstate rates to eliminate arbitrage and to provide a replacement revenue sources where necessary to facilitate the continued deployment of broadband services.

⁴ See, *NPRM*, para. 543.

⁵ See, Bluhm, P., Bernt, P. and Liu, Jing, *State High Cost Funds: Purposes, Design, and Evaluation*, National Regulatory Research Institute, (Jan. 2010).

⁶ See, State of New York Public Service Commission, Notice Establishing Universal Service Proceeding, Case 09-M-0527 (Issued Aug. 3, 2009). Available at: <http://documents.dps.state.ny.us/public/Common/ViewDoc.aspx?DocRefId={D5AE90DF-B92D-46B8-BEEC-4E6351500A68}>.

⁷ See, *NPRM*, para. 548.

The most expeditious means of making progress on this difficult issue is for the Commission to work with the states rather than against them so that the critical first step can be taken to align interstate and intrastate access charges. The Rural Carriers recommend that the Commission provide positive guidance to states to address intrastate access rates, and more specifically provide positive federal funding incentives to states that have undertaken state universal service fund programs and to states that implement state universal service funds in the future as the Commission evolves federal universal service funding to support broadband services.

There is extensive public policy rationale supporting state sharing in the funding responsibility for universal service, including:

- Federal law envisions joint responsibility for universal service.⁸
- The Commission has found that promotion of broadband availability requires state and federal coordination.⁹ The Rural Carriers note that reasonably comparable and affordable voice services must also be maintained for all Americans in addition to expanding broadband availability.¹⁰
- As a significant number of states have established funds, customers in those states who have provided the contributions to sustain those funds deserve to be treated equitably to states that have not yet done so.
- Customers in so-called net payer states should only be asked to contribute to other states' universal service costs after net recipient states have taken appropriate actions, such as lowering access rates and allowing recovery of the reduced revenue through

⁸ 47 U.S.C. § 254(b)(5).

⁹ See, *Connecting America: The National Broadband Plan*, (rel. March 16, 2010) at pg. 143.

¹⁰ 47 U.S.C. § 254(b)(2) and (3).

the establishment of high-cost universal service funds to support service in rural, high-cost and insular areas, and other steps are taken as deemed appropriate.

The Rural Carriers encourage the Commission to seek funding solutions that incent states to maintain or establish a universal service fund mechanism in order to share in the responsibility for funding of universal service. The Rural Carriers understand the criticality of state and federal cooperation regarding this issue – failure to do so would place continued provision of universal service to rural, high-cost areas at substantial risk, and would likely result in substandard or unavailability of broadband service in rural, high-cost areas.

Dated: April 18, 2011.

Respectfully submitted,

**The Rural Carriers Supporting State
Universal Service Funds (Listed in
Appendix A)**

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APPENDIX A

Alaska:

Cordova Telephone Cooperative Inc.

Arkansas:

E. Ritter Telephone Company
Tri-County Telephone Company

Nebraska:

Nebraska Rural Independent Telephone Companies consisting of:

Arlington Telephone Company
The Blair Telephone Company
Cambridge Telephone Company
Clarks Telecommunications Co.
Consolidated Telephone Company
Consolidated Telco, Inc.
Consolidated Telecom, Inc.
The Curtis Telephone Company
Eastern Nebraska Telephone Company
Great Plains Communications, Inc.
Hamilton Telephone Company
Hartington Telecommunications Co., Inc.
Hershey Cooperative Telephone Co.
K. & M. Telephone Company, Inc.
The Nebraska Central Telephone Company
Northeast Nebraska Telephone Company
Rock County Telephone Company
Stanton Telecom Inc.
Three River Telco

Other Nebraska Rural Local Exchange Carriers:

Benkelman Telephone Company
Cozad Telephone Company
Diller Telephone Company
Hartman Telephone Exchanges
Hemingford Cooperative Telephone Company
Plainview Telephone Company
Southeast Nebraska Communications, Inc.
Wauneta Telephone Company

Oklahoma:

Oklahoma Rural Telephone Coalition consisting of:

Atlas Telephone Company
Beggs Telephone Company
Bixby Telephone Company
Canadian Valley Telephone Company
Carnegie Telephone Company
Central Oklahoma Telephone Company
Cherokee Telephone Company
Chickasaw Telephone Company
Craw-Kan Telephone Cooperative, Inc.
Cross Telephone Company
Dobson Telephone Company
Hinton Telephone Company
KanOkla Telephone Association, Inc.
McLoud Telephone Company
Medicine Park Telephone Company, Inc.
Oklahoma Telephone & Telegraph, Inc.
Oklahoma Western Telephone Company
Panhandle Telephone Cooperative, Inc.
Pinnacle Communications
Pioneer Telephone Cooperative, Inc.
Santa Rosa Telephone Cooperative, Inc.
Shidler Telephone Company
South Central Telephone Association, Inc.
Southwest Oklahoma Telephone Company
Terral Telephone Company
Valliant Telephone Company

Texas:

Texas Statewide Telephone Cooperative, Inc. consisting of:

Alenco Communications, Inc.
Big Bend Telephone Company, Inc.
Brazoria Telephone Company
Brazos Telecommunications, Inc.
Brazos Telephone Cooperative, Inc.
Cameron Telephone Company
Cap Rock Telephone Cooperative, Inc.
Central Texas Telephone Cooperative, Inc.
Coleman County Telephone Cooperative, Inc.
Colorado Valley Telephone Cooperative, Inc.
Community Telephone Company, Inc.
Cumby Telephone Cooperative, Inc.
Dell Telephone Cooperative, Inc.

E.N.M.R. Telephone Cooperative, Inc.
Eastex Telephone Cooperative, Inc.
Electra Telephone Company
Etex Telephone Cooperative, Inc.
Five Area Telephone Cooperative, Inc.
Ganado Telephone Company, Inc.
Hill Country Telephone Cooperative, Inc.
Industry Telephone Company, Inc.
La Ward Telephone Exchange, Inc.
Lake Livingston Telephone Company
Lipan Telephone Company, Inc.
Livingston Telephone Company
Mid-Plains Rural Telephone Cooperative, Inc.
Nortex Communications, Inc.
Panhandle Telephone Cooperative, Inc.
Peoples Telephone Cooperative, Inc.
Poka Lambro Telephone Cooperative, Inc.
Riviera Telephone Company, Inc.
Santa Rosa Telephone Cooperative, Inc.
South Plains Telephone Cooperative, Inc.
Tatum Telephone Company
Taylor Telephone Cooperative, Inc.
Wes-Tex Telephone Cooperative, Inc.
West Plains Telecommunications, Inc.
West Texas Rural Tel. Cooperative, Inc.
XIT Rural Telephone Cooperative, Inc.