Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	)	
	)	
Universal Service Contribution Methodology	)	WC Docket No. 06-122
	)	
A National Broadband Plan For Our Future	)	WC Docket No. 05-337

FURTHER NOTICE OF PROPOSED RULEMAKING

COMMENTS OF
ALEXICON TELECOMMUNICATIONS CONSULTING

INTRODUCTION

Alexicon Telecommunications Consulting (Alexicon) hereby submits its Comments to the Federal Communications Commission (Commission) in response to the Further Notice of Proposed Rulemaking on the Universal Service Contribution Methodology.[1]

Alexicon provides professional management, financial and regulatory services to a variety of small rate-of-return Incumbent Local Exchange Carriers (ILECs) who serve diverse geographical areas characterized by rural, insular or Native American Tribal Lands. These ILECs, similar to most other small rate-of-return regulated ILECs, currently provide a wide range of technologically advanced services to their customers. These companies, through participation in various State and Federal high cost funding programs, and with their continued investment in network infrastructure, are providing customers in rural, insular and Tribal areas with services equal to or greater than urban areas, and at comparable pricing. Furthermore, these ILECs have been committed to providing their customers with innovative solutions, by adapting technologies that fit rural America, including Broadband and IP-enabled services.

SUMMARY

In this proceeding, the Commission is again attempting to address the ongoing problem of the universal service fund (USF) contribution mechanism, a task it has undertaken many times in the past, but has yet to adopt any substantial changes. The Commission has attempted to address the numerator in the overall USF equation by virtue of its sweeping Intercarrier Compensation/USF Order, and now it is time to address the denominator. To this end, Alexicon urges the Commission to move swiftly to adopt changes in the USF Contribution Mechanism that 1) ensure fairness of the mechanism, and 2) expand the contribution base as much as possible while at the same time causing as little operational disruption as possible.

I. The Commission's Fairness Goal Should Take Immediate Priority

The Commission rightly adopts "fairness" as one of its goals in revising the USF contribution methodology.[2] Inherent in this goal is the policy that all companies benefitting from use of the

[1] Universal Service Contribution Methodology, WC Docket No. 06-122; A National Broadband Plan for the Future, GN Docket No. 09-51, *Further Notice of Proposed Rulemaking* (rel. April 30, 2012) (*FNPRM*)

supported communications infrastructure pay into the fund making such support possible. Currently, many providers that clearly benefit from the use of the supported communications network do not contribute to the USF, either by virtue of loopholes in the rules[3] or because certain providers and/or services have not been considered as liable for contributions in the past.[4] Either way, the Commission now has the opportunity to correct these anomalies and ensure the USF is properly supported by all those who benefit.

The Commission lists a number of examples of service providers and services that should contribute to the USF – Enterprise Communications Service Providers[5], Text Messaging[6], One-way VoIP service providers[7], and retail broadband Internet access[8]. The Commission has provided ample evidence in support of ensuring each of these services and/or service providers contributes to the USF on a competitively neutral basis with those providers already contributing. Of specific interest to the Commission should be broadband Internet access service (BIAS). While the total USF assessable revenue base continues to decline[9], the revenues derived from BIAS are, by all indications, increasing.[10]

It is undeniable that BIAS service utilizes, depends on, and benefits from the communications infrastructure and services supported by the USF. Furthermore, the Commission has expanded the definition of supported universal services to include broadband.[11] Therefore, there can be no further reason for not including BIAS in the contribution base for the USF. In addition, recent data suggests that adding BIAS revenues to the USF contribution base would significantly lower the overall contribution rate.[12] The most recent information collected by the Commission

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[2] *FNPRM* at 24
[3] *Id* at 38
[4] *Id* at 24
[5] *Id* at 41
[6] *Id* at 49
[7] *Id* at57
[8] *Id* at 65
[9] *Id* at 20
[10] *Id* at 71
[11] See *Connect America Fund et al*, WC Docket 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking (*ICC/USF Order*) at 45
[12] *The Omaha Plan – A White Paper to the State Members of the Federal-State Joint Board on Universal Service* at p. 20

demonstrates that while the total contribution base is declining, revenues that include BIAS are steadily increasing.[13]

Other parties support adding BIAS revenues to the overall USF contribution base.[14] This group includes a wide diversity of interests, and thus should provide the Commission with a solid basis to move forward and begin assessing BIAS revenues. Furthermore, the Commission can make the revenue-based contribution methodology sustainable in the long-term by making this one simple, reasonable, and rational revision.

II. The Commission Should Retain the Revenue-Based Contribution Methodology

The Commission offers several alternatives for moving forward with the USF contribution system: reforming the current revenues-based system, assessing contributions based on connections, and assessing contributions based on numbers. Alexicon believes the Commission should move forward expeditiously with reforming the revenues-based contribution methodology. It is imperative that the Commission accomplish its goals in this proceeding with a minimum of disruption to RoR LEC operations and at as little cost as possible to these entities. Only the revenues-based system meets these criteria.

Many RoR LECs are faced with an incredible level of uncertainty as a result of the Commission's *ICC/USF Order*. Moreover, RoR LECs are tasked with ensuring all rural Americans, including those living in Tribal areas, have access to affordable broadband services at rates that are reasonably comparable to rates available in urban areas, and these companies are expected to accomplish this task with less support. Furthermore, what support is available is unpredictable and in many cases insufficient. As a result, RoR LECs are looking at ways to fit within this new paradigm by any number of methods, including cutting costs to the probable detriment of customer service. In fact, many RLECs are attempting to conform their cost

[13] See 2011 Monitoring Report, Table 1.8. "Other Revenues", which includes revenues derived from enhanced services, inside wiring maintenance, billing and collection, customer premises equipment, published directory, dark fiber, internet, foreign carrier, and other non-U.S. telecommunications service revenues.

[14] See e.g., FNPRM at footnotes 178 and 179 (parties include the State Members of the Joint Board, NECA et al, AT&T, and XO Communications); February 3, 2012 Ex Parte Notice filed by the National Telecommunications Cooperative Association in WC Docket No. 10-90 *et al*.

structures to operate within the moving target known as the Commission's Benchmarking rule.[15] If the Commission were to adopt a numbers-based, connections-based, or other methodology for determining universal service fund contributions, then RLECs would be forced to incur additional costs to revise billing, accounting, and reporting systems – not only at a time when USF support has never been as unpredictable, but also at a time when the very funding for costs necessary to comply with this type of reporting has been significantly reduced. This simply is not reasonable given the focus on efficiency that is prevalent in the ICC/USF Order.[16]

III. Conclusion

The Commission should take the opportunity in this proceeding to finally make some progress in the decade old quest to fix the USF contribution system. Instead of completely overhauling the system by, for example, adopting a numbers-based or connections-based system, the Commission should moderately reform the current revenues-based system and expand the base by finding that BIAS revenues are assessable for USF purposes. In doing this, the Commission can limit the disruption to RLEC operations and ensure a measure of long term sustainability in the USF contribution system, all while meeting the Commission's goals for the contribution system – especially the fairness goal. This approach will also have the benefit of not causing RLECs to incur substantial additional costs while at the same time being told by the Commission that recovery for these costs may be capped.

Respectfully Submitted,

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[15] *ICC/USF Order* at 210; see also WCB Order in WC Docket No. 10-90 *et al*. released April 25, 2012. The Benchmarking rule in general refers to the Commission's methodology for limited recovery of certain operating and capital expenditures based on a statistical analysis method (the Quantile Regression Analysis)
[16] *ICC/USF Order* at 195