

FEDERAL COMMUNICATIONS INDIANA COMMISSION
Washington, D.C. 20554

Urban Rate Survey and Issues)
Relating to Reasonable Comparability) WC Docket No. 10-90
Benchmarks and the Local Rate Floor)
)

COMMENTS OF
THE INDIANA UTILITY REGULATORY COMMISSION
ON PROPOSED URBAN RATE SURVEY,
AND ISSUES RELATED TO REASONABLE COMPARABILITY BENCHMARKS
AND THE LOCAL RATE FLOOR

I. Introduction

On July 26, 2012, the Federal Communications Commission (“FCC”) released a Public Notice (DA 12-1199) that requested comment on a proposed urban rate survey and issues related to determining reasonable comparability benchmarks and the local rate floor for fixed voice and fixed broadband services. The Indiana Utility Regulatory Commission (“Indiana Commission”) appreciates the opportunity to provide comments on the method the FCC will use to establish a rate floor for carriers that receive federal high-cost support or high-cost model support (“USF support”) or the successor support under the USF/ICC Transformation Order et seq.¹ The establishment of a rate floor can affect rural consumers by potentially requiring those customers to pay higher rates for local telephone service than they do today. They can also affect the USF support received by rural carriers whose rates are below the level of the rate floor once it is

¹ *In the Matter of Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*; WC Docket No. 10-90; GN Docket No. 09-51; WC Docket No. 07-135; WC Docket No. 05-337; CC Docket No. 01-92; CC Docket No. 96-45; WC Docket No. 03-109; WT Docket No. 10-208; 2011 FCC LEXIS 4859 (Adopted Oct. 27, 2011; Released Nov. 18, 2011 – Release Number:FCC 11-161).

established. Therefore, it is critical that the calculation of rate floor be fair and representative of comparable rates in urban areas across the nation.

II. Comments

The Indiana Commission supports the FCC proposal to use urban rates to determine the rate floor that carriers must meet in order to receive high-cost loop support or high-cost model support in accordance with the 47 U.S.C § 254(b)(3). When the Indiana Commission implemented the Indiana Universal Service Fund, it established benchmark rates for basic local service and single line business. The benchmark rates were determined based upon a statewide average of urban rates. The impact of the benchmark rates upon rural customers and the size of the fund were also examined.² The Indiana Commission found this information to be essential in establishing benchmark rates and recommends that the FCC use a similar methodology. Given that the comparability requirement in federal law involves the comparison of rural rates to urban rates, it is obvious that the information about urban rates is a relevant consideration in establishing a rate floor. However, the higher median income levels of urban areas, if used as a benchmark against which rural rates are measured, may systematically impose an undue burden on rural areas which have significantly lower median incomes. In order to meet the intent of the law, a cost of living adjustment must be considered. Gathering and using this urban rate information appropriately adjusted ensures that, while rural rates are supported to keep the rates from being unreasonably high, they are not supported so as to keep rural rates unreasonably low.

² Settling Parties proposed benchmark rates that rural carriers needed to charge in order to receive Indiana USF. The Commission Approved the Settlement Agreement in Cause No. 42144 on March 17, 2004. It is noteworthy, however, that urban rates and the cost of living in a particular, relatively homogenous state such as Indiana would be more uniform than would be the case nationally.

Accordingly, a survey of actual urban rates is an appropriate method to collect information prior to establishing a rate floor.

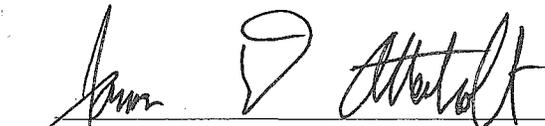
In addition, the data elements set forth in the FCC's proposed rate survey attached to the Public Notice are appropriate and will result in a fair and representative indication of urban rates for the purposes of establishing a rate floor for carriers receiving USF support. The FCC appropriately included questions about the use of interconnected Voice-over-Internet-Protocol (VoIP), as this is an emergent technology and has different cost components and capabilities. Knowing the technology used to provide service is relevant in determining comparability of rates and the establishment of a rate floor. The Indiana Commission also supports the collection of information in the survey regarding the basis of service being: 1) Unlimited Flat-Rate pricing; 2) Unlimited All-Distance Service; or 3) Measured or Messaged Local Service. It is appropriate to know the nature of service provided when considering the comparability of rates and the establishment of a rate floor.

Moreover, rural rates need to be comparable to urban rates not only to comply with federal law requiring such, but also because proper price signals are necessary to ensure efficient consumption of local telephone and broadband services. In particular, as the price of service decreases, the demand for service increases. If the price for local telephone and broadband services is artificially low, the amount of USF support provided will be unnecessarily and inefficiently high, which jeopardizes the stability of federal USF support. The FCC should ensure that the companies selected to be surveyed are either random or if not sample-based, fully comprehensive so that the collected data will be representative of the urban rates.

III. Conclusion

The Indiana Commission supports the FCC use of information collected through an on-line urban rate survey completed by randomly selected carriers in order to inform the establishment of a local rate floor. The data elements in the survey are appropriate and it is vital that the selection of companies to be surveyed be truly random and completely transparent to avoid the criticism generated by the Quantile Regression Analysis. The Commission cautions that the calculation of the rate floor should be truly representative of the urban rates found across the country. Without a representative survey of urban rates and proper calculation of rate floor for USF carriers, there is a real risk that rural consumers will be required to pay more for service than customers in urban areas; or conversely, more USF support could be required than is necessary to efficiently support the deployment of voice and broadband service in rural areas.

Respectfully submitted this 13th day of September, 2012

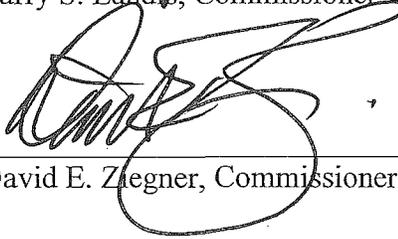

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