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**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of

Connect America Fund
High Cost Universal Service Support

WC Docket No. 10-90
WC Docket No. 05-337

COMMENTS OF THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA
REGARDING PETITION FOR WAIVER FILED BY THE WEST VIRGINIA RURAL
COMPANIES

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I. INTRODUCTION

The Public Service Commission of West Virginia (WVPSC) hereby tenders comments to the Federal Communications Commission (Commission) in support of a Petition for Waiver of Sections 54.313(a)(10) and 54.318(i) of the Commission Rules. On February 5, 2013, four small rural telecommunications providers operating in West Virginia including Armstrong Telephone Company–Northern Division, Armstrong Telephone Company–West Virginia, Hardy Telecommunications, Inc., and Spruce Knob Seneca Rocks Telephone, Inc. (together WVRC) requested a waiver from the method established by the Commission for calculating the rate floor for recipients of Universal Service Fund (USF) support. Without using a weighted average, WVRC must increase rates paid by customers subscribed to certain tiers of their measured local calling services to avoid losing a portion of their USF support. WVRC projected a loss of USF support for each carrier ranging from one to fifty percent. Petition at 6. In response to the Petition for Waiver, the Wireline Competition Bureau solicited comments from interested parties in public notice DA 13-168.

WVPSC notes that Frontier Communications Corporation, the incumbent carrier throughout most of West Virginia, previously submitted comments to the Wireline Competition Bureau on July 26, 2012, advocating for a similar calculation.¹ It

¹ WVPSC filed comments in support of the first Frontier filing on October 25, 2012, and further comments regarding the December 7, 2012 Frontier filing in WC Docket No. 10-90.

subsequently filed a parallel Petition for Waiver requesting that the Commission allow Frontier to employ a weighted average when calculating the rate floor for continued receipt of full USF support.

WVPSC supports the waiver request WVRC filed and takes this opportunity to reiterate its views regarding the weighted average proposal advocated by WVRC and other carriers. WVPSC believes that the current rate structure used by WVRC and other wireline telephone providers throughout West Virginia for local service provides West Virginia customers an affordable option for telecommunications services that compliments the USF. Further, WVPSC believes that the combination of low average incomes, rural mountainous terrain and a relatively elderly population all weigh in favor of the Commission applying its rate floor in a manner that permits the largest number of available telecommunications options instead of penalizing small rural West Virginia telecommunications providers for offering an inexpensive option, particularly in a state with large areas bereft of wireless service.

II. FACTUAL BACKGROUND

WVPSC has reviewed the factual background within the Petition for Waiver and concludes that it adequately described the process behind formulation of the current local calling structure that applies throughout West Virginia and the motivation for the Petition for Waiver. Exhibit B to the Petition for Waiver also reflects the current local calling

structure of the WVRC carriers. Therefore, WVPSC will dispense with reiterating the factual background, adopt the WVRC background statement and incorporate it by reference.

III. COMMENTS OF WVPSC

WVPSC offers the following comments in support of the Petition for Waiver filed by WVRC requesting that the Commission allow them to employ a weighted average in calculating the rate floor applicable to landline telecommunications providers relying on high cost USF support.

A. An inexpensive measured landline rate tier such as the Thrifty Caller plan is in concert with the goals of the USF.

The Commission has recently implemented a number of reforms to the USF, but it retained the goal of extending affordable telecommunications services to rural and low-income consumers. In the Matter of Lifeline and Link Up Reform and Modernization, WC Docket 11-42, et al., Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (Rel. February 6, 2012) at ¶3. In support of that goal, the Commission employs tools including high-cost USF support, its mobility fund and the Lifeline program. WVPSC believes that each is a worthwhile means to expand telecommunications to consumers otherwise unable to obtain those services. WVPSC

also believes, however, that the bottom or Thrifty Caller² tier within the current WVRC local calling price structures in West Virginia advance a similar goal. West Virginia consumers using the Thrifty Caller rate plan or the parallel offerings of other carriers in this State obtain a complementary service to the Lifeline program supported from the USF. Similar to Lifeline, but without the restraints thereon, an elderly or low income WVRC customer in West Virginia may choose the Thrifty Caller plan and voluntarily restrict outgoing telecommunications usage to maintain a low-cost landline.

The flat monthly fee plus a measured service rate for Thrifty Caller subscribers may appear to be a highly subsidized rate, but that view fails to account for the impact of the measured service element or the relative expense of telecommunications services in the budget of a low income consumer. A subscriber to this rate tier has chosen (from either economic necessity or as a reflection of historic usage) to minimize outgoing calls or pay a higher variable rate at times of increased telephone usage. Essentially, a Thrifty Caller participant has elected to ration his or her telecommunications service. The low flat rate in this plan, however, does not necessarily result in an unjust capture of federal subsidies by that consumer, but only reflects low consumption of telecommunications services.

² Hardy Telecommunication, Inc., calls its analog to the Thrifty Caller tier the Basic Plan.

WVPSC believes that Thrifty Caller plans provide an additional tool for reaching customers with telecommunications services they can afford. Even if the Commission concludes that WVRC rates are indirectly subsidized by the USF, the result is merely the extension of service to customers that the Commission probably intended to reach through other means such as the Lifeline program. Further, WVPSC believes that the lack of direct federal subsidies to the Thrifty Caller plan may attract customers that would shun direct government support from the Lifeline program. Therefore, applying a rate floor in a manner that penalizes these customers by requiring increased rates for full USF participation indirectly harms Thrifty Caller customers and impedes the longstanding goal of universal service.

B. Participants in low-cost rate plans in this State are likely older and have lower incomes than average telecommunications consumers nationally.

WVPSC believes that many customers participating in inexpensive calling plans in West Virginia, including Thrifty Caller subscribers, share many of the demographic characteristics of West Virginia residents in general. On average, West Virginia residents are older than telecommunications consumers nationally. West Virginia residents also have an average income below that of other states. While either elderly or lower income consumers may be unable (or unwilling) to participate in programs such as Lifeline, WVPSC believes that these residents need affordable market-based offerings that allow them access to at least some level of telecommunications services. Customers using

lower tier telecommunications services such as Thrifty Caller represent a minority of landline customers, but WVPSC believes that this group is sufficiently significant to warrant consideration by the Commission. WVPSC urges the Commission to accommodate these consumers when applying its rate floor mechanism to WVRC consumers because WVPSC believes they share many characteristics with other consumers that the Commission assists through the USF. WVPSC cannot imagine that the Commission would intend to advance universal service for one class of customers with the USF at the expense of a similarly situated class of customers.

C. Areas of West Virginia served by WVRC have few telecommunications alternatives and may see increased rates directly attributable to a rate floor that does not include weighted usage.

WVPSC believes that geography is an important factor supporting the need for landline carriers to retain low-cost rate plans based on measured service in West Virginia. Unlike other areas of the United States, most areas served by WVRC have little effective telecommunications competition.³ Relatively populous areas of this State have landline providers, cable offerings and cellular coverage, but rural portions of West Virginia do not share these benefits. In many instances, the only available options are the landline incumbent carrier and resold service. Rural landline customers are often beyond the range of cellular service and terrestrial cable infrastructure. Therefore, these customers

³ Hardy Telecommunications, Inc., however, operates as a competitive carrier in certain areas of its territory.

must obtain telecommunications services from landline carriers in the tiers described in Exhibit B to the Petition. Applying a rate floor without the weighted average WVRC requested provides an incentive to increase rates on lower tier telephone packages for a segment of essentially captive customers without competitive alternatives, many of whom are the elderly and low income customers discussed above.

IV. CONCLUSION

Based on the foregoing, WVPSC urges the Commission to grant the Petition for Waiver and adopt the weighted average method for calculating the rate floor as WVRC requested.



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CERTIFICATE OF SERVICE

I hereby certify that on February 22, 2013, I have served a copy of the foregoing document on the following by mailing a true copy thereof by United State First Class Mail, postage paid:

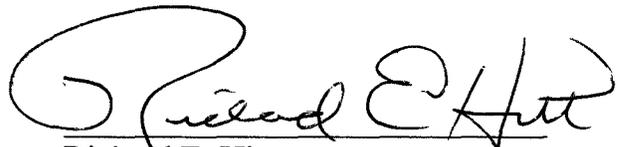
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