

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

In the Matter of)	
)	WC Docket No. 10-90
Connect America Fund)	

**REPLY COMMENTS
OF THE
MONTANA PUBLIC SERVICE COMMISSION**

The Wireline Competition Bureau (WCB) of the Federal Communications Commission (FCC) on March 20, 2014 released Public Notice DA 14-384 (Public Notice) in which the WCB announced the results of the urban rate survey for fixed voice services, which is to be used to determine the 2014 rate floor for incumbent eligible telecommunications carriers (ETCs) and the reasonable comparability benchmark for voice services.

In the Public Notice the WCB seeks comment on the March 11, 2014 joint petition of the Eastern Rural Telecom Association (ERTA), the Independent Telephone and Telecommunications Alliance (ITTA), the National Telephone Cooperative Association (NTCA), the National Exchange Carriers Association (NECA), the United States Telecom Association (USTelecom), and the Western Telecommunications Alliance (WTA) requesting the deadline for compliance with the 2014 local service rate floor be extended from July 1, 2014 to January 2, 2015. In addition the petition requests that subsequent adjustments to the rate floor should then be made annually on January 2. In addition, the Public Notice states the WCB is allowing parties to comment on the petition, as well as any alternative approaches that would protect consumers while ensuring swift implementation of the Commission's statutory obligation to ensure reasonably comparable rates, including comments on a longer phase-in of the rate floor than the extension requested by petitioners.

The Montana Public Service Commission (MPSC) respectfully submits the following comments.

The FCC should implement the rate floor in two increments rather than going from \$14.00 per month to \$20.46 per month or a 46% increase in one step.

The MPSC believes a jump in local rates of this magnitude is rate shock for many rural Montana customers. For example, the 1,400 customers of three Central Montana Communications exchanges will see their monthly rate increase by almost \$6.00 or 41% from \$14.50 per month to \$20.46 per month. Other regulated incumbent local exchange carriers (ILECs) in Montana are also facing significant local rate increases if they do not want to lose a portion of their high cost support. Phasing in the rate floor implementation will mitigate the impacts to Montana rural customers.

The MPSC supports the joint petition filed by ERTA, ITTA, NTCA, NECA, USTelecom, and the WTA which requests the initial implementation date be extended to January 2, 2014.

To comply with the current implementation date of July 1, 2014, Montana ILECs would be required to have effective rates complying with the rate floor by June 1, 2014.¹

It is unreasonable for the WCB to release the new rate floor on March 20, 2014 and expect ILECs regulated by state commissions to receive approval to raise regulated rates to the new rate floor by June 1, 2014. A significant number of states will have different rules which regulated ILECs will need to comply with in order to receive approval to increase rates to the price floor. In Montana, the statute pertaining to “Rate Regulation of Small Telecommunications Providers”² states for regulated rural companies in Montana to increase rates they must file at least 60 days before the effective date of any increase a notice of the proposed increase to each affected subscriber, the MPSC, and the Montana Consumer Counsel (MCC). In that 60 day period either subscribers or the MCC may request the MPSC to review the proposed rates. If the MPSC is requested to review the proposed rate increase for any rural company the proposed rates will not be in effect until sometime after the 60-day window. In MPSC discussions with the regulated rural companies, all are still evaluating the impact of the new rate floor in order to prepare the filings described above, if needed. None have yet filed with the MPSC although several have indicated they intend to do so. In order to have rates effective June 1, 2014 each

¹ 47 CFR 54.313(h)

² MCA 69-3-901-910

company must notice its subscribers, the MPSC, and the MCC by April 2, 2014. It is quite possible there will be Montana rural companies who will not have rates equal to the rate floor effective by the June 1, 2014 date because of either the inability to prepare a filing on such short notice, or a request for review of proposed rates will be filed with the MPSC. In order to ensure Montana's regulated rural companies have the ability to have effective rates equal to the price floor to avoid a loss of high cost support, the June, 1, 2014 date must be extended.

The FCC exceeds its jurisdiction by effectively setting a minimum intrastate local rate floor for Montana ILECs.

All ILECS in Montana are also Eligible Telecommunications Carriers (ETCs) and receive high cost support. The new \$20.46 rate floor is now the minimum intrastate local residential rate which must be charged by Montana ILECs if those ILECs do not want lose a portion of their high cost support. The MPSC is aware that Montana ILECs are not mandated to increase rates. However, for the ILECs whose current rates are below that price floor, they will lose a portion of their high cost support. They can raise rates, if required, to the new price floor which will certainly lead to the loss of additional subscribers and the revenue associated with those subscribers, or they can leave rates at the present level and definitely lose a portion of their high cost support. Through conversations with the various regulated Montana ILECs, the MPSC has been informed that most of those ILECs believe they have no choice but to file to increase intrastate local residential rates to avoid the loss of high cost support. Thus, the FCC has set a de facto minimum residential intrastate local residential rate for all Montana ILECs. Local rates are clearly the jurisdiction of the MPSC, not the FCC. Once again, as was the case with intrastate access rates, **the FCC has usurped state commission intrastate jurisdiction.**

The FCC has eliminated the benefit of measured rate residential service for Montana ILEC customers.

The MPSC has always had a policy of trying to ensure Montana regulated ILECs have a lower cost residential measured service rate available for lower income customers, part time customers, or those customers who rarely make outbound phone calls. For example, Lincoln Telephone Company currently has an \$18.45 monthly rate for unlimited calling within the Helena Extended Area Service (EAS) region and a lower cost measured option which is \$13.95

plus \$.09 a minute for calls to the EAS region. At the time the EAS region was created, the measured rate was made available because there were customers who did not call outside of the Lincoln exchange to the EAS region. Twenty eight percent of Lincoln's residential customers subscribe to the measured rate. In conversations with Lincoln, in calculating the measured rate for comparison to the previous \$14.00 rate floor, it calculated the average monthly usage revenue for measured service customers was \$1.17 so the measured rate for the comparison was \$13.95 plus \$1.17 or \$15.17 for the July 1, 2013 rate floor certification.³ The effect of the new rate floor for Lincoln is that, if it does not wish to lose a portion of its high cost support, it must move not only its unlimited \$18.45 rate to the \$20.46 rate floor, it must also increase its measured service to an estimated \$19.29 so that when the monthly usage revenue is added the average measured rate will also be \$20.46. The consequence of this treatment of the measured service rate is that Lincoln, because the average measure service rate now equals the flat rate, is filing a proposed flat rate of \$20.50 per month for all residential customers and eliminating the measured rate option. Other Montana ILECs are facing similar dilemmas. The MPSC is extremely disturbed that, whether foreseen or unforeseen, the FCC rate floor treatment of measured service rates has effectively eliminated measure service as a lower cost option for Montana consumers. Once again, **the FCC is setting intrastate rate policy** for Montana which is clearly the purview of the MPSC. The MPSC strongly urges the FCC to revisit the treatment of measured service rates in the rate floor comparison.

The FCC should revisit the rate floor comparison process.

Extending the implementation date or the rate floor implementation also would give the FCC time to revisit its rate floor processes.

The MPSC would point out that the "urban" ILEC in Montana which serves all of Montana's larger urban areas⁴ is CenturyLink. Qwest dba CenturyLink serves Billings, Butte, Helena, Great Falls, Bozeman, and Missoula. Its monthly rate is \$14.73. CenturyTel dba CenturyLink serves Kalispell and its flat rate Valleywide calling rate is \$15.14. Those rates are

³ The measured rate is calculated per CFR 54.318(i)(2)

⁴ Montana "urban" areas are quite different than major national "urban centers". The average population density of the Montana's two Metropolitan Statistical Areas (MSAs) and six Micropolitan Statistical Areas (MISAs) is 24.3 persons per square mile. The population densities of New York City and Las Angeles are 56,012 and 23, 857 persons per square mile respectively.

the “urban” rates in Montana and all of the rate charged by Montana’s rural ILECS are at or exceed the CenturyLink rates.

Customers of Montana rural ILECs reside in much smaller communities. It is simply not logical to require a customer in Martinsdale, Montana, who can call 148 other Martinsdale subscribers for the monthly rate of \$14.50 to pay exactly the same rate as customers in the urban areas of the United States who can call millions of customers on a local basis. The policy of rural areas having comparable rates for comparable services in urban areas does not require those rates to be exactly equal. The FCC should revisit the issue of what constitutes comparable rates.

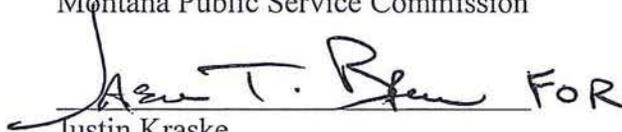
Conclusion.

The MPSC appreciates this opportunity to express our concerns regarding the implementation of the new rate floor. In addition, the MPSC strongly supports the reply comments of the Montana Telephone Association (MTA), Montana Independent Telecommunications Systems (MITS), and the National Telephone Cooperative Association (NTCA)

March 31, 2014

Respectfully submitted,

Montana Public Service Commission

A handwritten signature in black ink that reads "Justin T. Kraske FOR". The signature is written in a cursive style and is positioned above a horizontal line.

Justin Kraske

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