

# Collaborative Workshop Session Regarding the Implementation of the FCC's November 18, 2011 Order

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behalf of  
The Pennsylvania Office of the Consumer  
Advocate  
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# 1. Appropriate legal boundaries of the Commission authority and jurisdiction

- Jurisdictional Issues
- NECA Pool Issues
- Additional Data Reporting Issues

# Jurisdictional Separations Issues

- Does the elimination of LSS cause the expense adjustment associated with that support to revert to the Intrastate jurisdiction?
- Can states assign ARC revenue and Recovery Mechanism support to the Intrastate jurisdiction?
- How do the FCC's forbearance orders and the current forbearance petition affect the state's authority in these matters?

# NECA Traffic Sensitive Pool Issues

- The revenue for the NECA Traffic Sensitive Pool includes:
  - \$200 million of LSS
  - \$175 million in network access revenue
  - LSS will be eliminated and network access revenue will decrease substantially
- Is it appropriate to assign any other revenues to the TS pool, such as Recovery Mechanism Support?

# Data Requirements

- Carriers should provide income statements that allocate revenue and costs among the federal and state jurisdictions and a carrier's deregulated affiliates
- Carriers that operate in more than one state should provide ARC revenue and Recovery Mechanism support calculations on Pennsylvania stand-alone basis.

## 2. Appropriate and demonstrative methods and quantitative examples

- Carriers should provide the Commission with their baseline revenue, calculated using an October 1, 2010 through September 30, 2011 fiscal year.
- The Commission must decide what part of the CCL is considered part of transitional intrastate services.
- Carriers should provide the Commission with these calculations based on Pennsylvania stand-alone data.

# Additional Question 2 information

- Carriers should provide the Commission with all billing determinants and revenue required to make the rate and revenue calculations used to determine the revenue offset.
- Carriers should provide the Commission with their plans to use ARC revenue and Recovery Mechanism to offset state access reductions or whether the carrier plans to use the funds for other purposes.

## 4. Broadband Obligations and the use of federal universal support

- Federal broadband deployment obligations include: 4 Mbps downstream and 1 Mbps upstream, with latency suitable for real-time applications and services such as VoIP, and with monthly usage capacity reasonably comparable to that of residential terrestrial fixed broadband offerings in urban areas.

## 4. Broadband Obligations and the use of federal universal support

- The federal obligation requires faster speeds than are required by current Pennsylvania law.
- The 4Mbps downstream requirement should not be a problem for most carriers
- Carrier should identify why the 1Mbps upstream requirement might impose additional cost on the carrier and whether those costs would be recovered by utilizing ARC revenue and RM support.

# Changes in Existing Federal Universal Service Programs

- Price Cap Carriers
  - When the FCC adopts its broadband model, scheduled for January 1, 2013, current support will be eliminated
  - The current support that will be eliminated represents 84% of federal support funds received by PA ILECs
- Rate of Return Carriers
  - LSS support will be eliminated on June 30, 2012
  - LSS support represents 5% of federal support funds received by PA ILECs and 31% of federal support received by Rate of Return Carriers

# Price Cap Carrier Federal Universal Support – Part 1

Study Area Name	Price Cap Holding Company	* Frozen High Cost Monthly Support	Total High Cost Monthly
UTC OF PENNSYLVANIA	CenturyTel, Inc. dba CenturyLink	\$ 433,362	\$ 433,362
NORTH PITTSBURGH TEL	Consolidated Communications, Inc.	\$ 361,424	\$ 361,424
BENTLEYVILLE TEL CO	FairPoint Communications, Inc.	\$ 32,289	\$ 32,289
MARIANNA - SCENERY	FairPoint Communications, Inc.	\$ 21,813	\$ 21,813
FRONTIER-BREEZEWOOD	Frontier Communications Corporation	\$ 11,803	\$ 11,803
FRONTIER-CANTON	Frontier Communications Corporation	\$ 7,788	\$ 7,788
COMMONWEALTH TEL CO	Frontier Communications Corporation	\$ 1,616,970	\$ 1,616,970
FRONTIER-PA	Frontier Communications Corporation	\$ 30,956	\$ 30,956
FRONTIER-LAKEWOOD	Frontier Communications Corporation	\$ 3,485	\$ 3,485
FRONTIER-OSWAYO RIVR	Frontier Communications Corporation	\$ 20,330	\$ 20,330

# Price Cap Carrier Federal Universal Service Support – Part 2

Study Area Name	Price Cap Holding Company	* Frozen High Cost Monthly Support	Total High Cost Monthly
VERIZON NORTH-PA	Verizon	\$ 180,808	\$ 180,808
VERIZON N-PA(CONTEL)	Verizon	\$ 145,899	\$ 145,899
VERIZON N-PA(QUAKER)	Verizon	\$ 133,359	\$ 133,359
VERIZON PENNSYLVANIA	Verizon	\$ 668,035	\$ 668,035
BUFFALO VALLEY TEL	Windstream Corporation	\$ 126,079	\$ 126,079
THE CONESTOGA TEL	Windstream Corporation	\$ 298,947	\$ 298,947
DENVER & EPHRATA	Windstream Corporation	\$ 305,166	\$ 305,166
WINDSTREAM PA	Windstream Corporation	\$ 178,873	\$ 178,873
Total		\$ 4,577,386	\$ 4,577,386

# Rate of Return Carrier Federal USF Support

Study Area Name	HCL Monthly Support	ICLS Monthly Support	Frozen LSS Monthly Support	Total High Cost Monthly
CITIZENS - KECKSBURG	\$ -	\$ 27,996	\$ 11,406	\$ 39,402
HICKORY TEL CO	\$ -	\$ 11,359	\$ 7,708	\$ 19,067
IRONTON TEL CO	\$ -	\$ 33,629	\$ 26,375	\$ 60,004
LACKAWAXEN TELECOM	\$ -	\$ 18,833	\$ 17,296	\$ 36,846
LAUREL HIGHLAND TEL	\$ -	\$ 40,796	\$ 15,738	\$ 56,534
MAHANAY & MAHANTANGO	\$ -	\$ 13,358	\$ 4,976	\$ 18,334
ARMSTRONG TEL CO-PA	\$ 32,755	\$ 40,800	\$ 19,797	\$ 93,352
NORTH EASTERN PA TEL	\$ -	\$ 103,762	\$ 47,215	\$ 150,977
NORTH PENN TEL CO	\$ 30,069	\$ 65,907	\$ 29,631	\$ 125,607
ARMSTRONG TEL NORTH	\$ 1,823	\$ 7,384	\$ 6,125	\$ 15,332
PALMERTON TEL CO	\$ -	\$ 62,732	\$ 33,875	\$ 98,878
PENNSYLVANIA TEL CO	\$ -	\$ 13,475	\$ 5,660	\$ 19,135
PYMATUNING IND TEL	\$ -	\$ 14,208	\$ 8,265	\$ 22,473
SOUTH CANAAN TEL CO	\$ -	\$ 24,172	\$ 9,867	\$ 34,039
SUGAR VALLEY TEL CO	\$ -	\$ 10,145	\$ 3,244	\$ 13,389
VENUS TEL CORP	\$ -	\$ 12,238	\$ 7,607	\$ 19,845
YUKON - WALTZ TEL CO	\$ 1,007	\$ 8,875	\$ 8,630	\$ 18,512
WEST SIDE TEL CO-PA	\$ 737	\$ 1,662	\$ 944	\$ 3,343
Total	\$ 66,391	\$ 511,331	\$ 264,359	\$ 845,069

# New Federal Universal Support Mechanisms

- Price Cap Carriers
  - CAF II Model support is limited to geographic areas not served by other unsubsidized broadband providers
  - The baseline revenue in the Recovery Mechanism support does not include former LSS support
- Rate of Return Carriers
  - The baseline revenue in the Recovery Mechanism includes former LSS support

# Additional New Federal Universal Service Programs

- CAF I Price Cap Carrier Support
  - \$300 million to support the build-out of broadband facilities
  - It is not clear how much, if any, of these funds will support investment in Pennsylvania
- Remote Area Support
  - \$100 million for all Remote areas in the country

# Data Requirements

- Monitor the financial status of the Rural ILECS
- Monitor interexchange carrier rates to ensure that access reductions are passed through to residential consumers
- Monitor FCC mandated broadband deployment and quality of service requirements
- Mapping the support areas

# Data Requirements: Mapping

- The CAF II support mechanism will divide a geographic region into three areas: a low-cost unsupported area, a high cost model supported area and a very high cost remote area that will not receive model support.
- The CAF II support mechanism will not provide support in areas where an unsubsidized broadband provider operates.
- Alternative broadband providers' service areas and model cost regions are not uniquely aligned with Census block boundaries.
- The Commission should enhance the current mapping procedures such that it can uniquely determine support boundaries.