

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

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

**REPLY COMMENTS
OF
NTCA–THE RURAL BROADBAND ASSOCIATION**

NTCA–The Rural Broadband Association (“NTCA”)¹ hereby submits these reply comments in response to comments filed on the Notice of Proposed Rulemaking (“NPRM”)² issued on May 19, 2017 by the Federal Communications Commission (“Commission”) in the above-captioned proceeding. The NPRM seeks comment on the High Cost Universal Service Fund (“USF”) voice service “rate floor,”³ specifically inquiring as to whether the rule should be eliminated or whether amendments to the methodology underlying the rate floor are in order.

The record in this proceeding supports elimination of the voice service “rate floor.” Nearly every party commenting on the NPRM agrees that the provision should be eliminated.⁴ USTelecom summarizes the rate floor best when stating that it “penalizes rural customers

¹ NTCA represents more than 800 independent, community-based telecommunications companies. All NTCA members are full service local exchange carriers and broadband providers, and many of its members provide wireless, cable, satellite, and long distance and other competitive services to their communities.

² *Connect America Fund*, WC Docket No. 10-90, Notice of Proposed Rulemaking and Order, FCC 17-61 (rel. May 19, 2017) (“NPRM” or “Order”).

³ Like the NPRM, all references herein to the “rate floor” refer to the “national average of local rates plus state regulated fees” and the “phased-in approach to implement the increase in the rate at which carriers lose universal service support.” *See* NPRM, ¶ 1, fn. 2.

⁴ Comments of USTelecom, WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 5; Comments of WTA – Advocates for Rural Broadband (“WTA”), WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 2; Comments of the Oregon Telecommunications Association and the Washington Independent Telecommunications Association, WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 2; Comments of Gila River Telecommunications, Inc. (“GRTI”), WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 1; Comments of the State Independent Telephone Association of Kansas, WC Docket No. 10-90 (fil. Jul. 7, 2017), p. 3; Comments of the Pennsylvania Public Utility Commission (“PA PUC”), WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 5.

without any real benefit to the overall size of the fund. This hardly seems to be a benefit to the overall program that encourages the adoption of telephone and broadband throughout the country.”⁵ In addition to the harms to rural consumers to which USTelecom alludes – yearly rate increases, among others – the provision also produces a significant burden on state commissions with respect to considering and approving rate increases and small carriers in terms of seeking such rate increases and notifying customers in advance. The latter process also strains the relationship between rural incumbent local exchange carriers (“RLECs”) and their customers, causing substantial consumer confusion and frustration.

In addition, like NTCA,⁶ the Pennsylvania Public Utility Commission notes that the rate floor interferes with state commissions’ traditional role in the local service rate making process.⁷ GRTI states as well that the Commission should eliminate the rate floor as it “fails to take into account local and regional differences in costs, which has traditionally been performed by state or Tribal regulatory bodies.”⁸

The one dissenting party commenting on the NPRM bases that opposition on the notion that eliminating the rate floor would benefit consumers nationwide.⁹ Yet, this single party inexplicably misses what the NPRM and all other parties do not; High Cost Loop Support funding reductions flowing from non-compliance with the rate floor do not accrue back to

⁵ USTelecom, p. 4.

⁶ Comments of NTCA–The Rural Broadband Association (“NTCA”), WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 3 (stating that “Congress saw fit to extend principles of federalism to the Communications Act by retaining states’ authority over telephone exchange rates, and thus elimination of the rate floor would respect that congressional directive.”).

⁷ PA PUC, p. 5.

⁸ GRTI, p. 2.

⁹ Comments of NCTA – The Internet & Television Association, WC Docket No. 10-90 (fil. Jul. 10, 2017), p. 2.

ratepayers. Such support is redistributed to other carriers by operation of the Commission's rules, and no additional burden would be placed upon American ratepayers by virtue of eliminating the rate floor. Moreover, this commenter misses the mark when it argues that competitive options for voice service limit the harm that the rate floor imposes on rural consumers. This argument misses the fact that mobile wireless service continues to be spotty and unreliable in the rural areas served by many RLECs, and cable services (where they offer voice at all), tend not to tread beyond confined franchise footprints into more rural areas. Most importantly, however, assuming *arguendo* that competitive options do exist, that would still not justify the continued use of a rate floor provision that interferes with the role of state commissions as recognized by the 1996 Act, that produces yearly rate increases and produces a rate that far exceeds that available in some large urban areas and thus is one that runs counter to Section 254(b)(3).¹⁰

The record in this proceeding also supports modification to the methodology underlying the rate floor should the Commission deem it necessary instead to retain the provision. While the NPRM proposes both a standard deviation approach as well as a "localized" rate floor, as NTCA noted in initial comments,¹¹ the use of a two standard deviation approach would be the simplest change to the methodology and most consistent with how "reasonable comparability" is measured for the rate ceiling. A localized rate survey would inject additional complication and process (particularly for the Commission staff that must create and administer such a survey) into

¹⁰ NPRM, Statement of FCC Chairman Ajit Pai ("In 2016, the average rate for basic phone service in Washington, DC was \$13.78 a month. But since July 1 of last year, federal law has mandated that rural telephone companies charge their customers at least \$18 per month for the same service.").

¹¹ NTCA, p. 8.

the rule without the promise of increased accuracy.¹² The use of a two standard deviation method would also enable the Commission to retain a provision to address artificially low rates to the extent it considers this a continuing problem but would ensure that the rate floor does not produce significantly higher rates, an outcome both counter to statute and the original purpose of the rule.¹³ Based on available data, the use of the two standard deviation approach would produce a rate floor of \$13.66.¹⁴

Finally, like NTCA, WTA also supports taking steps to reduce the administrative burden associated with the provision, namely updating the rate floor every five years.¹⁵ The benefits of this amendment to the rate floor rule would accrue to both RLECs and state commissions, reducing the burden on both of pursuing and approving rate increases. It would also spare consumers yearly rate increases.

¹² See WTA, p. 7.

¹³ In addition, use of the two standard deviation approach would not require the Commission to “reconsider [its] broader determination that it is inappropriate for consumers across the country to subsidize the cost of service for some consumers that pay local service rates that are significantly lower than the national urban average.” Connect America Fund, WC Docket No. 10-90, et al., Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012), ¶ 23.

¹⁴ Urban Rate Survey Data & Resources, Federal Communications Commission, available at: <https://www.fcc.gov/general/urban-rate-survey-data-resources>.

¹⁵ WTA, p. 8.

Respectfully submitted,



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