

## WASHINGTON UNIVERSAL SERVICE/ACCESS REFORM PACKAGE

The public communications network is the communication link that supports economic development, broadband access and modern communications in rural Washington. The goal of universal service legislation is to promote and preserve a network which brings vitality into rural Washington. The concept is to create a fund that meets the economic and communication needs of rural Washington, will transition over time to a broadband fund and accomplishes access reform goals.

### 1) Washington Universal Service Reform - Contributions

- a. All carriers, defined broadly, who use the network pay to support the public communications network
- b. Contribution mechanism developed by Commission
- c. Universal Service Fund administered by the Commission through WECA or such other administrator as the Commission may designate
- d. Commission sets definitions and contribution amount. Commission has enforcement powers.

### 2) Access Reform Track

- a. Eligible providers - ILECs with less than 2% of state access lines.
- b. Support based on switched access revenue reduction, adjusted for local service benchmark rate which includes EAS
- c. One time calculation
- d. Simplified earnings review as threshold--uses total company regulated revenues and expenses with Part 64 adjustments explained
- e. ILEC may propose transition plan for reaching benchmark
- f. May elect to seek high cost support

High cost support elements:

- i. High cost measured on wire center basis under cost standard set by Commission
- ii. COLR obligations established by Commission
- iii. One supported carrier per area for high cost purposes
- iv. All other service providers operating in the designated area are automatically relieved of COLR responsibilities, except to the extent of commitments for federal ETC status
- v. ILEC may opt for competitive status if no longer COLR

### g. Transition to Broadband

- i. Commission defines broadband goal
- ii. High cost areas for broadband operation, maintenance and deployment determined by Commission
- iii. Support for high cost areas is provided if needed to reach or maintain goal
- iv. Transitions old fund to new fund over ten years - begins after access reform goal is met
- v. Standards established by Commission - not the same as High Cost Track, Phase 2

- 3) High Cost Track - applicable to areas traditionally served by ILECs with 2% or more of the state's access lines

Definitions:

**Low cost areas** - areas within the wire centers where the forward-looking cost per line is less than the high cost threshold.

**High Cost areas** - service areas where forward-looking cost per line is greater than \$45 per month or in the alternative exceeds any national benchmark established through a federal USF/national broadband proceeding.

**Phase 1 - support of existing multi-use networks**

a. Eligible providers -

- i. Incumbent local exchange companies with 2% or more of state access lines.
- ii. Competitive local exchange companies

b. Funding of high cost (HC) areas - draws will be determined from forward looking cost model using the following criteria:

- i. Sub-wire center level granularity
- ii. HC sub-wire center level costs only
- iii. Offset draw using revenues from supported services within HC areas.
- iv. Each Carrier's support is capped at no more than it's existing support levels regardless of actual cost to serve it's existing HC footprint (shift from intrastate to interstate access rates, less additional revenues resulting from increases to local rate benchmark level).
- v. Each Carrier must, at a minimum, maintain existing broadband and voice deployment levels throughout its footprint, whether the entire HC area is funded (i.e. costs associated with serving HC areas exceed amount of phase 1 funding)
- vi. Carrier receiving support has COLR obligation

Regulatory treatment under Phase 1:

Low-cost areas with alternative providers with functionally equivalent services will be automatically classified as competitive. A facilities based provider or a designated CETC qualifies as a functionally equivalent service provider.

**Phase 2 - State broadband plan** - Triggered when "universal service" is redefined to include both voice and broadband services or if broadband speeds mandated<sup>1</sup>

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<sup>1</sup> is not triggered by commitments negotiated in settlement of adjudicated proceedings

Eligible providers -

- Incumbent local exchange companies with 2% or more of state access lines.
- Competitive local exchange companies
- All other facilities based service providers operating in High Cost Track areas

State plan must include the following:

- State sets out minimum deployment levels and targets required to be met to continue to receive funding.
- Competitively/technology neutral process
- A single "forward looking cost model" used by all applicants
- A process to designate a single COLR provider (either awarded or designated) per each high cost area
- Periodic reviews (five years minimum)
- Acknowledgement that awardees accept COLR obligations/responsibilities currently applied to ILECs for designated areas (not quasi-regulation as provided for in CETC model). All other applicants and/or providers relieved of state level COLR obligation.
- The same retail regulatory obligations will be applied to all awardee/designees without regard for technology type. ROR regulation will be eliminated and stream lined regulatory protection rules will be identified and implemented.

Application process - Provider application must include the following:

1. Completed forward-looking cost data consistent with Commission approved high-cost model using its own costs.
2. Confirmation that provider willing and able to provide COLR responsibilities if awarded the HC area.
3. Broadband - Each applicant must submit a broadband plan consistent with the objectives and goals set out by the state, including a construction plan if needed to fulfill obligations under the plan.
4. Non-ILEC awardees acknowledge that within the awarded area the provider must submit to and comply with all current Commission rules and regulations application to competitively classified companies.
5. Must agree to implement the Commission's prescribed local service benchmark (or impute to the benchmark).
6. Must file as part of its application file service extension plan consistent with WAC 480-120-071. Each plan will provide the following:
  - a. Facilities based providers must apply distance based allowance consistent with ILEC treatment under the rule.
  - b. Wireless/satellite providers must provide an auditable cost based allowance that replicates the distance sensitive allowance.

- c. Providers must track each customer request that involves a service extension, including the quote and the final resolution.
7. An applicant that must construct facilities to provision required service must do so within 12 months of being awarded the HC area. Funding to begin once services are provided.

#### Evaluation and designation of COLR providers

- The State's evaluation process must balance the need to control the size of the fund with the long term sustainability of the applicants business plan and ability to provide quality services to high cost areas (i.e. Commission not bound to take lowest bidder).
- Should no non-ILEC providers apply to serve a HC area, the Commission may designate the ILEC as the COLR provider. USF support would be determined using an updated forward-looking cost model.

#### Regulatory treatment under this phase:

Low-cost areas with alternative providers with functionally equivalent services will be competitively classified. A facilities based provider or a designated CETC qualifies as a functionally equivalent service provider.

Unsupported service providers within a wire center are relieved of COLR responsibilities (except to the extent of commitments for federal ETC status) and are treated as competitively classified.<sup>2</sup>

#### 4. Access reform all participating providers

- a. Reduce intrastate switched minute of use access charge rates to at least that company's composite interstate switched minute of use access rate levels or lower Commission prescribed level, maximum of over four years
- b. CLEC rates capped at ILEC rate for same serving area
- c. Commission set a single "benchmark" local service rate that includes EAS (not SLC) - move to the benchmark or impute the benchmark rate in order to be eligible to draw from WUSF. Movement to benchmark not considered a general rate case.

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<sup>2</sup> Applies only to companies under the UTC's jurisdiction