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December 21, 2004

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive SW
Olympia, WA 98504-7250

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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

Re: Petition of Sprint Corporation - Docket No. UT-043120

Dear Ms. Washburn:

This letter is submitted by the Washington Independent Telephone Association (WITA) on behalf of its members. In this letter, WITA will describe several issues related to the Petition filed by Sprint Corporation in the above-referenced docket. Pursuant to the direction from the Record Center, I am filing the original and twelve copies of these comments.

1. Sprint's Petition is not clear on the area it is seeking for designation.

In the Petition, Sprint apparently is seeking designation as an eligible telecommunications carrier (ETC) in certain rural telephone company service areas. As stated by Sprint, "Sprint respectfully requests that the Commission grant this Petition to amend Sprint's designation as an ETC in Washington to include certain portions of its service territory served by the rural ILECs." Petition at ¶37. First, this is stated in the reverse. An applicant seeking ETC designation is seeking that designation for certain service areas of incumbent local exchange carriers, not for its own service area. 47 U.S.C. §214(e)(2).

It appears from Sprint's application, that what it is really seeking is a portion of each rural ILEC's service area. Although Sprint says that it provides the services and functionalities supported by federal universal service "throughout the rural ILEC's service areas for which Sprint seeks ETC

designation in Washington,”¹ that does not appear to be the case. Instead, what Sprint appears to be saying that it is seeking designation for those areas where it actually provides service today. As stated by Sprint, “Specifically, Sprint proposes a service area consisting of each of the rural ILEC exchanges in Washington in which PCS service is available over the Spring PCS network.” Sprint goes on to state that the area is depicted on the attached Exhibit B. Sprint Petition at ¶25.

This is a matter of first impression. Sprint is not seeking designation in its licensed CGSA service areas as earlier wireless applicants sought. Rather, what Sprint seems to be saying is that it is seeking designation only where it actually provides service today, which is some smaller portion of its licensed service area.

This reading of the Sprint application is further supported by Sprint’s description of how it will provide service. Although the Affidavit of Mr. Staihr states that Sprint will provide service using a combination of its own facilities and resale of other carriers’ facilities “as described in the foregoing Application” (Staihr Affidavit at ¶2), there is no description of the use of resale of other carriers’ service in the Petition. Instead, what is stated at Paragraph 23 of the Petition is as follows: “Sprint provides the supported services primarily using its existing network infrastructure, which includes the antennas, cell-sites, towers, trunking, mobile switching, and interconnection facilities owned or leased by Sprint, used to serve PCS customers.” This means that Sprint’s only commitment is to provide service where it physically provides service today. There is no explanation in the Petition as to how it uses resale, therefore it must be assumed that it does not. Further, this is contrary to Sprint’s statement of public interest that by granting it ETC designation, it will be able to increase its geographic coverage. Petition at ¶6. In any event, this is an issue that has not been presented to the Commission by earlier applications.²

2. Sprint’s Petition raises clear evidence of a desire to creamskim.

Having stated that it intends to seek ETC designation only for that area which it currently serves, a review of the Sprint physical service area is appropriate. That serving area is depicted on Exhibit B to the Petition. Even a

¹Sprint Petition at ¶11.

²If Sprint requests re-designation of the rural telephone company service areas, another issue is presented: is it consistent with FCC rules to have multiple and varying “re-designations” of the same service area?

casual review of Sprint's serving area clearly raises the issue of creamskimming. Sprint's serving area is a network that is set up to accommodate roaming. Its serving area encompasses I-5, most of I-90, major portions of I-82, portions of US-12 between Olympia and Aberdeen, portions of Highway 101, portions of State Route 14 along the Columbia River, and portions of US-97 and US-195. These routes are the major commercial arterials running through the State. This service area should raise the issue of creamskimming just on its own.

However, the creamskimming issues are heightened when one looks in more detail at the Sprint serving area. The rural telephone company service areas are also depicted on Exhibit B to the Sprint Petition. By comparing the Sprint serving area to the rural telephone company service areas, it is evident that in many cases, Sprint will serve very little of the rural telephone company service area.

In the FCC's Highland Cellular, the FCC found that where a wireless applicant seeks to become an ETC in only a portion of a rural service area, the concern about rural creamskimming is raised.³ This issue is of particular concern where the wireless ETC will serve only the lower cost portions of the rural telephone company service area to the exclusion of the high-cost, low-density areas.

Since Sprint PCS has not provided any density information, only general observations can be provided. Sprint has also presented its Petition in such a way that it is not possible for the rural ILECs to provide precise density calculations. However, general observations are appropriate.

Asotin Telephone Company Service Area

Asotin Telephone Company serves the Asotin and Anatone exchanges⁴ in southeastern Washington. Sprint has asked to be designated as ETC in both service areas. See Exhibit C to the Petition. However, based upon Sprint's own Exhibit B, Sprint serves absolutely no portion of the Anatone service area. Based upon Sprint's map, Sprint serves a small portion of the northeast corner

³ In the Matter of Federal-State Joint Board on Universal Service Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia, CC Docket 96-45, Memorandum Opinion and Order, FCC 04-37 (Rel. April 12,, 2004) beginning at ¶26.

⁴ For purposes of this portion of the discussion, the terms "exchange," "wire center" and "service area" are used interchangeably when discussing rural telephone companies.

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of the Asotin service area. It is very difficult to tell from the material that Sprint has provided, but it appears that Sprint will serve less than ten percent of the geographic scope of the service area. It may be that that portion of the service area is the City of Asotin. The City of Asotin is by far the most densely populated portion of the Asotin wire center.

Inland Telephone Company

Sprint is seeking designation in the Uniontown and Roslyn wire centers. It appears from Sprint's Exhibit B that they serve a little over one-half of the Uniontown wire center. This undoubtedly includes the relatively more densely populated City of Uniontown, but excludes the higher cost and harder to serve portions of the Uniontown wire center. In the Roslyn area, Sprint appears to serve about half of the wire center. The Town of Roslyn is in the half Sprint states that it serves. This is the higher density portion of the wire center.

St. John Co-Operative Telephone and Telegraph Company

Based on Sprint's description of the area it wishes to serve, it appears that Sprint's existing service area barely grazes the eastern edge of the St. John exchange. From the map it would appear that less than five percent of the St. John exchange is covered. There is no information on population densities available for the area since it is so hard to see the overlap on the Exhibit B map.

Ellensburg Telephone Company

Sprint's service area follows the east-west route of Interstate 90. Coming up from the southeast, Sprint's service area also covers the traffic that rides Interstate 82. These two interstate highways converge in Ellensburg. In looking at the Sprint map (Exhibit B to the Petition) it appears that Sprint's area covers a small portion of the Selah exchange, and very small portions of the Vantage and Lauderdale exchanges. It looks as though about half of the Ellensburg exchange is covered and approximately the same for the Kittitas exchange. It appears that the populated areas of Selah and the City of Ellensburg are covered. What this means is that Sprint is serving only the more dense areas along the I-90 and I-82 corridors, and not the less dense, harder to serve and higher cost portions of the Ellensburg service areas.

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The Commission may remember that when Ellensburg did a two-zone study of its exchanges in 1999, the City of Ellensburg had a density under which it would draw no USF support at all. Since then, the Commission has migrated to using the service area as equivalent to an exchange. This means there is USF support for customers in the City of Ellensburg. However, it also clearly shows that Sprint PCS will be creamskimming those densely populated customers and not undertaking to serve the less populated areas in the Ellensburg wire center or the Selah wire center or other of the Ellensburg Telephone Company wire centers.

Lewis River Telephone Company

Sprint PCS seeks designation in the La Center wire center served by Lewis River Telephone Company. It is not asking for designation in the other Lewis River wire centers such as Amboy and Cougar. Even looking at the La Center wire center, it appears that Sprint will serve less than half of the area. However, the area that Sprint states that it wants to serve contains the City of La Center, the most densely populated portion of the La Center exchange. Sprint PCS does not want to serve the higher cost portions of that service area.

Kalama Telephone Company

In looking at Exhibit B to Sprint's Petition, one can see that only the portion of the Kalama exchange that is right on Interstate 5 is proposed for designation for Sprint. That is by far the most densely populated portion of the Kalama exchange. Sprint wants nothing to do with the other ninety percent of the exchange that is less dense and higher cost to serve.

The Toledo Telephone Co., Inc.

Sprint PCS asks for designation as an ETC in roughly the western thirty to forty percent of the Toledo exchange. Although it is very difficult to tell from the way Sprint has depicted the Toledo wire center, it appears that Sprint is serving the town of Toledo, but not the more sparsely populated eastern portion of that wire center.

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McDaniel Telephone Company

Sprint PCS seeks ETC designation for portions of the Onalaska and Salkum exchanges. It appears that if Sprint serves any portion of the Salkum exchange, it brushes it in the slightest degree on the western edge of that wire center. As to Onalaska, it appears that they are proposing to serve less than half of the service area. This would again be the more densely populated portions of that wire center.

YCOM Networks, Inc.

Sprint PCS seeks designation for the service areas served by YCOM Networks, which are the Rainier and Yelm exchanges. It appears that Sprint serves a little over fifty percent of the Rainier exchange and a very small percentage of the geographic area of the Yelm exchange. It appears that the area served by Sprint PCS includes the City of Yelm, which, of course, is by far the most densely populated portion of the Yelm exchange. Sprint PCS does not want to undertake to serve the higher cost, less densely populated portions of the YCOM service area.

Whidbey Telephone Company

It appears that Sprint PCS may cover a small portion of the South Whidbey exchange served by Whidbey Telephone Company. It is not at all clear whether these are high or low density areas given the vagaries of the Sprint map.

Hat Island Telephone Company

It is not possible to tell from the material that Sprint has provided whether it does or does not serve any portion of Hat Island.

Rural creamskimming is a very serious issue. The potential effects from rural creamskimming are sufficient enough that the FCC found it appropriate to deny portions of applications where the wireless applicant sought to serve only the more densely populated, lower cost areas of a rural service area.

In two recent cases in Oregon involving US Cellular and RCC Minnesota, when the density analysis was undertaken, along with a careful examination of

where the wireless applicant actually provided service or could reasonably represent that it would provide service through its own facilities and resale of another carrier's services, it was determined that several of the rural service areas sought for designation should be dropped from the respective applications. Sometimes it was found that the service area was outside of the licensed area that the wireless carrier could actually serve. In other cases, it was found that the wireless carrier served such a small percentage of the overall rural telephone company service area that significant creamskimming issues were present and the wireless carriers agreed to withdraw their applications for those rural company service areas. The dockets for these two cases in Oregon are UM 1083 and UM 1084.

3. Is it in the public interest to designate multiple wireless ETCs in rural telephone company service areas?

One concern that is expressed on a nationwide basis is the impact of the designation of multiple ETCs in rural service areas on the size of the fund and the sustainability of the high cost fund. The draw from the incumbents out of the high cost fund has been flat. On the other hand, the draw to wireless ETCs has been increasing at a very substantial pace.

For example, the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO) put together a table of information relying on publicly available data from the United States Administrative Company's (USAC) web site. That table demonstrates as follows:

<i>(\$Millions)</i>	4th Quarter 2003 Support	4th Quarter 2004 Support	% Change 4Q 2003 – 4Q 2004	Annual Support Increase	% of Total Annual Support Increase
<i>Rural High- Cost Support</i>					
ILEC	\$609.0	\$632.6	3.9%	\$23.6	29.5%
CETC	\$49.3	\$105.6	114.0%	\$56.3	70.5%
Total	\$658.4	\$738.2	12.1%	\$79.8	100.0%

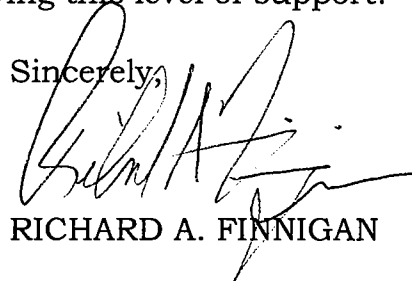
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In light of this very rapid growth in competitive ETC funding, the question must be asked as to whether it is in the public interest to have, for example, four ETCs designated for the Asotin wire center, an area of just a little over one thousand access lines? Does it make sense to have four ETCs for the Kalama wire center, particularly given the nature of Sprint's desire to serve only the highest density portion of that wire center? Does it make sense to have four ETCs for the 630 access lines in the St. John wire center? Does it make sense to have four ETCs for the approximately 2,200 access lines in the Toledo exchange?

Besides these areas, this Petition, if granted, would bring the third ETC to portions of Inland Telephone Company's serving areas, Lewis River, Mashell, Pioneer (with its 900 customers), Tenino and Wahkiakum.

In many of these areas, the per-line, per-month support is very high. For example, in Uniontown it is \$72.23. For Mashell's Eatonville exchange it is \$43.56 per month. For Toledo it is \$80.45 per month. Is it in the public interest to have three or four carriers drawing this level of support?

Sincerely,



RICHARD A. FINNIGAN

RAF/km

cc: Clients (via e-mail)
Chairwoman Showalter
Commissioner Hemstad
Commissioner Oshie
Bob Shirley
Tre Hendricks