COMMENT SUMMARY

UT-073014

Service Extension Rulemaking

September, 2007

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Effect of Existing Rule	Embarq	Believes existing rule has achieved desired effects - "The effect of the proposed rule will be to provide customers with extensions of service at reasonable rates, provide companies with an incentive to include as many customers as is reasonable on new extensions, provide a more workable process for persons seeking extensions, and provide cost recovery for companies extending service." (From the adoption Order in 2000.) As a result, from a current public policy perspective, the Commission's objective of furthering the availability of telecommunications services has been achieved.
	Verizon	A cumbersome rule that at bottom provides only two general methods to address the problem of potentially costly service extensions: a means to recover direct service extension costs and a waiver process to seek avoidance of such costs in given cases. Yet both methods require a lengthy, application-specific process that is burdensome on companies and the Commission. That burden results largely from the absence of a threshold standard clearly defining which customers are not reasonably entitled to service or an amount of direct cost to extend service that is *per se* unreasonable.…Verizon must incur significant costs and resources (including expenditures of employee time) to present numerous cases to the Commission . It is a burden to use engineering and tech staff to make investigations necessary to request a waiver.
	Qwest	Difficult to administer because of lack of specific limits to cost; rule does not use alternative

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		providers that may be ETCs; cost-recovery mechanism is unworkable due to burdensome regulatory and accounting processes; the waiver process is costly for companies, customers and the commission. The costs of line extensions can vary greatly, but will typically average around $10,000. The values of properties where customers are seeking line extension often exceed $500,000 and may reach over $1,000,000. Subsidy is too large.
	CenturyTel	CenturyTel believes that the Commission's underlying policy goal which prompted the move to the existing rule and the adoption of the current funding mechanism has been achieved. In other words, virtually all existing communities within companies' service territories have been served. Today, more often than not, line extension requests are received from service applicants who are in the process of building new homes, and not from established residents in established communities.
	WITA	Current rule complex because company must determine whether a particular development falls into a particular category to determine the responsibility for extension construction costs. The rule is more burdensome than it should be.
	Public Counsel	Threshold question is whether the rule needs to be revised. The rule and other policies have been highly successful in preserving and advancing universal service; WA leads nation in households connected to PSTN. In general, Public Counsel thinks the rule contains a carefully developed and detailed framework for dealing with line extension issues.
Alternative Services	Verizon	Rule is burdensome because the waiver rules have been interpreted to require telecommunications companies to investigate and provide information on the comparative price and capabilities of alternative communications service. That has been required even if a particular company does not generally deploy or support alternative communications services…. it is overly burdensome, as it requires on-site visits by Verizon technicians to

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		determine the economic and technical feasibility of alternative communications services regarding which the technicians may have limited knowledge and training.
	Qwest	In today's competitive environment where multiple ETCs apply for universal service funding in service areas where line extensions are being requested, it is simply unfair that responsibility for service extensions should be borne solely by the incumbent wireline service provider. … regardless of the ETC status of an alternative provider, if comparable alternative service is available at a fraction of the cost, customers should be required to avail themselves of the alternative service before the incumbent wireline provider is required to engage in a costly extension of service.
	CenturyTel	At the time the rule was adopted consumers essentially had only one viable option for service – wire line communications. Today consumers, even in rural areas, may have access to a variety of technologies, provided by both regulated and deregulated providers including CLECs, cable companies, VOiP providers, wireless carriers, and satellite providers. The question that needs to be asked and answered is if an applicant has viable access to one of these alternative service types or providers, other than incumbent wire-line service, what should be the relative obligations of the various service providers. Can a non-regulated service be considered an alternative, CenturyTel believes it can. In the case of wireless service does it mean one, two, three or four bars?
Timelines in Existing Rule	Verizon	A telecommunications company may lack the time necessary to make a complete and thorough investigation of the factors specified in the waiver subsections of the service extension rule (including estimated direct cost, technological or physical barriers, and feasibility of alternative technologies)….especially in snowy conditions…as a result investigations may be incomplete or provide inaccurate data.

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Waiver Provision in Existing Rule	Verizon	The rule does not specify a threshold standard for determining which customers are not reasonably entitled to service, nor does it establish an amount of direct cost to extend service that is *per se* unreasonable. Without more guidance, the current rules necessitate a burdensome case-by-case analysis for carriers and the Commission.
	Qwest	The history of waivers is one of contentious, lengthy, and costly proceedings that consume the resources of the companies, the commission, and the customers.
	WITA	Waiver provision has no standards and thus the transaction cost to pursue is great.
	Public Counsel	One issue is whether a burdensome number of waivers are being requested and whether additional criteria need to be added to the list to aid the commission and companies in deciding when there is not obligation to extend service.
Access Charges as Recovery Mechanism	Embarq	Embarq has completed 135 extensions under the rule. The ability to recover the costs of line extensions partially from the requesting customer and partially through the line extension access rate element has made it possible to economically provide service to those customers, when it would otherwise have not been possible to do so. While the costs of these line extensions varied, it is likely that few, if any, of the extensions would have been possible without the cost recovery mechanism provided by the current line extension rule. Embarq believes that the ability to fully recover its costs for completing line extensions is critical, but also recognizes that the current recovery mechanism through an access charge rate element may need to be reevaluated…. The Commission may want to consider alternatives to existing method of recovery, including methods which provide more explicit recovery of these costs. One possible approach would be through an explicit state universal service fund.

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	Qwest	Requires cost study for each extension. Requires filing a tariff every twelve months; requires reports. Also requires accounting for funds recovered through mechanism. Qwest has never used mechanism because of accounting and regulatory requirements. Cross-subsidy cannot be maintained in a competitive environment.
	RCC & USCC	Wireline carriers can recover their costs expended in compliance with the Rule under subsection (4)(a) as part of their terminating access tariffs. The Rule specifically allows wireline carriers to file "a service extension element on terminating access." In contrast, this remedy is unavailable to wireless carriers because wireless carriers do not file tariffs and therefore cannot collect terminating access. This makes it impossible for wireless carriers to recover costs in the manner that wireline carriers are able to recover easily.
Increase Customer Payment	Embarq	Because the demand for line extensions appears to have decreased since the current rule went into effect in 2001, the Commission may want to consider whether it is appropriate to place more of the obligation for funding line extensions on the customers requesting the extensions, and not on the greater body of consumers.
	Verizon	All of the customer payment (now under $700) should be paid before engineering and construction is begun. Time-value of money is lost.
ETC Obligations	CenturyTel	CenturyTel strongly urges the Commission to adopt policies that hold ETCs responsible for provision of service within the areas they voluntarily sought and received certification to serve in the capacity as an ETC. When a service applicant seeks service in an incumbents territory with one or more CETCs each company should be required to review costs to serve that service applicant. The company that can serve the locale in the most cost effective manner, whether with existing facilities, reinforcement of existing facilities or placement of new facilities should be tasked with providing service to the location…This approach furthers

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		both state and federal universal service goals and ensures ETCs are providing service throughout the area in which they sought and received ETC status.
	RCC & USCC	The Commission should clarify that the Rule does not apply to wireless carriers because (1) the Rule by its own terms does not apply to wireless carriers, (2) it would discriminate against them, since wireless carriers cannot recover line extension costs through access tariffs as wireline carriers may do, and (3) the Commission lacks jurisdiction to apply the Rule to wireless carriers.
Policy Suggestions	Verizon	A standard should state that a telecommunications company would not be required to build a line extension that: (i) is longer than a certain distance from the closest company facility to the customer's premises or (ii) exceeds a specified cost. If the cost of the service extension exceeds the standard set forth in (ii), the extension would not need to be constructed even if it were shorter than the prescribed distance standard set forth in (i). For any service extension that must be built under such a threshold standard, the rules should be revised to permit a telecommunications company to recover all direct costs associated with the service extension from the applicant. The applicant causes the costs, and thus should bear them, rather than be subsidized by other end user customers and/or companies. Such costs should be recovered in full from the applicant at the outset, rather than recovered over some period of time.
	Qwest	Qwest believes that if the line extension rule is modified to provide an equitable distribution of obligations and reasonable cost sharing allocations, the need for waivers will be limited…. In any line extension evaluation, the first step should be to determine if there is an alternative provider that can provide service to the customer at a reasonable cost. For example, if existing wireless service is available to the customer and the cost of extending wireline service is above a certain threshold, the wireline service extension should not be required. If an existing alternative service is not available, then all of the ETCs serving that area should be

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		required to provide extension of service cost estimates to determine the most cost effective means of serving the customer. ETCs that won't participate in the extension of service evaluations should not be allowed to participate in Universal Service Fund distributions. Costs should be shared. For example, for line extension costs up to $2,000, the wireline company could be responsible for a threshold amount of $1,500 and the customer could be responsible for a threshold amount of $500. If the cost exceeds $2000, the company and the customer could be responsible for sharing the cost up to $7,500. So for a $7,500 line extension job, the company would be responsible for $4,250 of the total cost and the customer would be responsible for $3,250 of the total cost. For line extensions that exceed $7,500, the customer would be responsible for all costs. Although these dollar amounts are illustrative, the concept is a practical cost sharing proposal.
	CenturyTel	The Commission should adopt a new policy that requires customers to contribute amounts that more closely reflect actual extension costs. The new procedure should provide each service applicant a basic free allowance in recognition that even a single customer adds some value to the network. Beyond the free allowance there should be an additional level where the extending company and the customer make equal contributions up to a capped amount. Any additional costs beyond the capped amount should be borne by the service applicant.
	WITA	Should consider requiring customers to bear a greater share of the cost. Should reexamine whether access charges are the appropriate mechanism for funding costly line extensions.