

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Policy Statement to Review State Universal Service Policies

Docket UT-100562

**COMCAST'S RESPONSE TO  
THE WUTC'S QUESTIONS CONCERNING  
APPROPRIATE UNIVERSAL SERVICE POLICIES IN WASHINGTON**

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**Comments of Comcast re: WUTC Questions Concerning Appropriate  
Universal Service Policies in Washington**

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1. What is the role of the public switched telecommunications network operated by incumbent local exchange carriers (ILECs) in providing universal service in the state of Washington?

Comcast Response: The role of the public switched telecommunications network operated by the ILECs is diminishing over time as a consequence of two interrelated developments in communications markets. First, competition for voice service has increased in size and scope throughout most geographic markets, as a result of private investments made by cable companies and wireless companies. Second, the increased importance of broadband service has shifted the government's focus in universal service policy towards increasing the availability and penetration of broadband to all Americans. In many parts of the country, broadband service is being provided or could be provided at much lower cost than by subsidizing the ILEC. These factors increase the importance of fostering competition in these markets in Washington and diminish any special status or role for the ILECs.

2. Does the UTC need to address intrastate switched access rates to ensure universal service and the widespread availability of telecommunications services at reasonable rates in Washington? What statutory or rule changes are needed in order to do so?

Comcast Response: Yes. The UTC needs to address excessive intrastate switched access rates to ensure that competitive markets function efficiently and incentives for private investment are promoted. Intercarrier compensation rates, such as intrastate switched access rates, should not be a source of subsidy. This creates distortions in the market by forcing one company's customers to pay for another company's costs -- even though these two companies are in direct competition. Therefore, the UTC should aim to move all intercarrier compensation rates down to long run incremental cost, or even better to adopt a bill and keep policy for all traffic exchange among voice service providers.

3. Should there be a Washington Universal Service Fund (WUSF)? If so, what factors should the State of Washington consider in weighing the need for establishing a WUSF? Commenting parties are encouraged to address the following factors:
  - a. trending reductions to incumbent carrier's intrastate access charge revenues,

- b. the need for comprehensive or streamlined earnings review including determination of the effective intrastate or overall rates of return of recipients of WUSF funding,
- c. revenues from regulated services,
- d. revenues from both regulated and unregulated services,
- e. carrier of last resort obligations of potential WUSF recipients,
- f. any other factors that should be used in determining the need for establishing a WUSF.

Comcast Response: There is no demonstrated need for a WUSF at this point in time. There have been proposals, however, to create a WUSF to serve as a make-whole fund for the ILECs. This should not be the purpose of a universal service fund. Make-whole is an antiquated concept dating to the era of monopoly local telephone companies subject to rate-of-return regulation. The reason to create a WUSF would be if there is a demonstrated need to provide regulated below-cost voice or broadband service to an identified group of citizens in the State. In that case, the subsidy should be competitively-neutral and based on the forward-looking cost of providing service.

a. A WUSF should not be used as an offset for falling incumbent carrier intrastate access charge revenues. The ILECs have many new sources of revenue to offset the costs of improving their network, most of which are not recognized in the regulatory books of account.

b, c, d. If a newly-created WUSF were to be based on forward looking economic cost principles, then it would not be necessary to examine the earnings of the companies seeking funding from the WUSF. On the other hand, if, contrary to good policy principles, a make-whole approach was taken to creating a WUSF, then it would be essential to examine all sources of revenue and the underlying costs reported by the potential recipients, in order to calibrate the level of funding needed.

e. Any recipient of public universal service funds should have obligations that are clearly spelled out in the regulations that create the fund. For example, if a fund is established to support the cost of investing in broadband facilities in rural areas, then the recipient of the funds (perhaps selected by a procurement auction) must be made aware of the obligations being assumed in return for receiving the funds.

f. It is difficult to spell out all of the steps that should be followed in creating a WUSF. It is important to establish first the nature of the problem that the WUSF is addressing. The next steps are to decide on the method for selecting fund recipients and also on the size of the fund (which is interrelated with the method used to select fund

recipients, such as an auction). At that point many of the procedural and operational details of the fund will need to be fleshed out.

4. What is the role of the National Broadband Plan in evaluating the need for a WUSF? If Congress and the Federal Communications Commission (FCC) implement the recommendations in the National Broadband Plan, what would be the role of a state USF? What are the possible effects on Washington consumers of the changes to federal rules contemplated in the National Broadband Plan if there is no state universal service fund? Does the National Broadband Plan alleviate or intensify the need for Washington to address intrastate access charge reform and universal service issues at this time?

Comcast Response: The NBP contains recommendations for the Commission to consider on a variety of issues relating to broadband adoption and deployment, including the use of USF funds for broadband. The Commission has initiated a proceeding to begin to consider retargeting Federal USF funding to support deployment of broadband service to all households in the U.S. If there is any need for additional funding by the State of Washington, this will become more apparent after the FCC's determines how it will implement its goals. As a consequence of the FCC's initiatives and the continued development of competition in the communications and information market, the need for regulation and subsidies will recede. Regardless of the evolution of these broadband initiatives, the WUTC should move expeditiously to reduce intrastate access charges to cost for the reasons explained above.

5. If the UTC addresses intrastate access charge reform, to what extent is there a need for a WUSF to replace some or all intrastate access charge revenues of ILECs in order to preserve and advance the telecommunications network in the State of Washington? Are statutory changes necessary in order to do so?

Comcast Response: There is no need for a revenue replacement fund to offset reductions in intrastate access charge revenues. The ILECs are no longer subject to rate cases where their revenue requirements are determined and rates for all services are set to yield that revenue requirement. If the WUTC determines that certain customers would be unable to afford local exchange service at market-based rates following these access reductions, then it could begin the process of identifying a mechanism to subsidize these customers' rates.

6. What direct benefits, if any, will there be to consumers in Washington by addressing intrastate switched access and universal service reform? If intrastate access charge

reform is implemented, how will access charge cost reductions realized by current interexchange carriers in Washington be flowed through to Washington consumers?

Comcast Response: In competitive markets, consumers will always benefit when the underlying costs borne by the firms serving a market fall. It may be difficult to track directly how the flow-through occurs, but nonetheless the market should be trusted as the best "enforcer" that this will happen.

7. Should intrastate switched access reform apply to all providers of intrastate switched access in Washington? What statutory or rule changes would be necessary?

Comcast Response: Yes. All providers of intrastate switched access service should be required to reduce prices to cost. In the case of the CLECs, the most efficacious way to implement this rule is to require them to set switched access rates at (or below at their option) the level of the ILEC operating in the same geographic area.

8. Assuming implementation of the National Broadband Plan, is there a need for a state WUSF during the period in which federal universal service support transitions to support for broadband?

Comcast Response: It is too soon to tell whether the NBP will meet all subsidy needs, but it would be premature to establish any supplemental state fund at this time.

9. If a WUSF is established, what should be the criteria for eligibility to draw from the fund? How should the size of the fund be determined? What should be the basis of the amount of support to be received?

Comcast Response: Since it is too soon to tell if a WUSF is needed, it is not possible to discuss the criteria for the fund or to size the fund. As a general principle it is critical that the fund be competitively neutral, which is a goal that can be advanced by using procurement auctions (where there will be multiple bidders for the funds) or alternatively some funding can be implemented by giving funds directly to the consumers that are being supported.

10. What, if any, is an appropriate contribution basis for a WUSF? To what extent should other telecommunications providers, including wireless and VoIP service providers (nomadic and fixed) contribute to a WUSF? If so, on what basis should they contribute?

Comcast Response: Ideally, the subsidy should be funded from general tax revenues to draw from a broad base. Any industry-specific fund would impose a unique burden on

the industry. If, however, a specific industry is going to be taxed, it is important that the assessment on voice providers be as competitively-neutral as possible.

11. What is the role of carrier of last resort in a state universal service fund? Should any carrier that receives support from the universal service fund be required to assume the obligations of carrier of last resort with respect to traditional voice services, with respect to broadband service, or both? Should the fund support more than one provider per geographic area? How should "area" be defined?

Comcast Response: Recipients of state funds will have to assume obligations, which might include a requirement to serve all customers in a specific geographic area. It is not possible to define these obligations in a vacuum, but rather they must be determined in conjunction with the goals of the fund and the method used to distribute the fund (e.g. procurement auctions).

12. Should a state universal service fund include a local rate benchmark? If so, for what purpose and how should it be determined?

Comcast Response: This depends on the nature of the fund. If the fund is being used to support broadband build-out, then the recipients must commit to provide some level of retail services at a reasonable price. This is likely to take a different form than the traditional benchmarking of local service rates.

13. Should there be a transition period from the current state universal service mechanism to a new WUSF? If so, how long should the transition period be?

Comcast Response: There should be no delay or a minimum of delay prior to implementing reductions in intrastate access charges.

14. Currently intrastate universal service support consists of at least two elements that are incorporated into intrastate access charges billed to intrastate interexchange carriers (the Universal Service rate element that is billed by all LECs on both originating and terminating intrastate interexchange usage and the Interim Terminating Access Charge (ITAC) that is billed only on terminating minutes by some carriers but not all). The administration of the traditional USF is currently performed by the Washington Exchange Carrier Association (WECA); but the LECs each administer their own ITACs. Should WECA continue to administer all of the ITACs in conjunction with the Traditional USF? Should WECA continue to administer any USF (traditional or otherwise)? Should the WECA Board be expanded to include the interests of contributors?

Comcast Response: No response.

15. In designating entities to be eligible for WUSF funding, should there be an eligible telecom carrier (ETC) designation process that is distinct from the existing federal ETC designation process, or should they be combined?

Comcast Response: As a general principle, there should be no difference on how carriers are treated for universal service funding. The goal of a USF should be clearly spelled out and the fund should be available to service providers that can help achieve that goal.

16. What other kind of oversight, if any, should the UTC have over administration of the WUSF?

Comcast Response: The key role of the UTC should be to determine whether the need for funding is justified and whether the level of funding is proven by costing analysis, financial analysis, or a competitive auction mechanism. This cannot be done after-the-fact but should be an essential part of creating a fund.