

Agenda Date: September 16, 2010
Item Numbers: A1 through A31

Dockets: **UT-103020**
(Staff Investigation: ETC Certification and Rate Comparability)

**UT-101231, UT-101246, UT-101247, UT-101256,
UT-101257, UT-101272, UT-101274, UT-101275,
UT-101284, UT-101285, UT-101286, UT-101289,
UT-101290, UT-101291, UT-101293, UT-101294,
UT-101295, UT-101296, UT-101311, UT-101312,
UT-101313, UT-101314, UT-101315, UT-101317,
UT-101318, UT-101319, UT-101321;**
(Rural and Competitive ETCs' Requests for Certifications and their
Certifications and Reports)

and UT-101292, UT-101316, UT-101320
(United, Qwest and Frontier's Certifications and Reports)

Company Names: As listed on the agenda for each docket number above

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Recommendation

1. Direct the Executive Secretary to certify to the Federal Communications Commission (FCC) and the Universal Service Administrative Company (USAC) that the rural and competitive Eligible Telecommunications Carriers (ETCs) listed in the appendix to Attachment 2 will use all federal high-cost support only for the provision, maintenance, and upgrading of the facilities and services for which the support is intended.
2. Direct the Executive Secretary to certify to the FCC and USAC that the residential rates in rural areas in Washington served by non-rural incumbent local exchange carriers (Qwest Corporation and Frontier Communications Northwest Inc.) are reasonably comparable to urban rates nationwide, for purposes of Section 254(b)(3) of the Telecommunications Act of 1996.

Discussion

A. Annual Certification of Eligible Telecommunications Carriers

The FCC's rules, 47 C.F.R. 54.313 and 47 C.F.R. 54.314 require states to certify to the FCC and USAC annually that all federal high-cost support¹ provided to the ETCs will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. A state must file the certification on or before October 1 of each year in order for the certified ETCs to receive support for all four quarters of the succeeding year.

WAC 480-123-070 and -080 specify that the Washington Utilities and Transportation Commission (commission) will certify an ETC's use of federal high-cost support to the FCC and USAC if the ETC complies with the following filing requirements: substantive descriptions of investments made and expenses paid with the federal high-cost support in the previous calendar year; reports on outages, unfulfilled service requests and customer complaints; certifications on compliance with applicable service quality standards, emergency functionality and low income program advertisements; and planned use of federal high-cost support or the planned investment and expenses related to federal support.

Pursuant to WAC 480-123-060, each ETC seeking certification of its use of federal high-cost funds pursuant to 47 C.F.R. 54.307,² 54.313,³ or 54.314⁴ must request certification by July 31 of each year. All ETCs submitted their filings on or before July 31, 2010.

Currently, there are 23 rural ETCs, two non-rural ETCs and five wireless ETCs in Washington. Attachment 1 lists the names of the companies in the three categories. Staff reviewed the certifications and reports filed by all ETCs. Staff also met with selected companies to discuss the companies' use of federal high-cost funds in more detail. Staff concludes that all ETCs meet the certification and reporting requirements set forth in WAC 480-123-070 and -080.

Staff recommends the commission certify to the FCC and USAC that the ETCs in Washington will use federal high-cost funds as Congress and the FCC intended. Attachment 2 is the proposed letter for ETC certification from the commission to the FCC and USAC to comply with 47 C.F.R. § 54.314. The letter must be filed with the two agencies on or before October 1, 2010.

United Telephone Company of the Northwest (United, d/b/a CenturyLink), Qwest Corporation (Qwest) and Frontier Communications Northwest Inc. (Frontier, formerly Verizon Northwest Inc.) do not seek the commission's certification under WAC 480-123-060 because the three

¹ The high-cost support mechanisms include embedded high-cost loop support, safety net additive support, safety valve support, forward-looking non-rural high-cost model support, interstate common line support for rate-of-return carriers, interstate access support for price-cap carriers, and local switching support for carriers that serve 50,000 or fewer access lines.

² 47 C.F.R. § 54.307 concerns support to competitive ETCs.

³ 47 C.F.R. § 54.313 concerns state certification of support for non-rural carriers .

⁴ 47 C.F.R. § 54.314 concerns state certification of support for rural carriers.

companies do not receive the support specified in 47 C.F.R. 54.313 or 54.314. United, Qwest and Frontier provided certifications and reports required by WAC 480-123-070 and -080.

B. Rate Comparability Review for Areas Served by Non-Rural Carriers

FCC rule, 47 C.F.R. § 54.316, requires states to review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and to certify annually to the FCC and USAC on rate comparability in order for non-rural ILECs to receive federal high-cost model support. Even though the two non-rural ILECs in Washington, Qwest and Frontier, currently do not receive high-cost model support, staff still reviewed their rates and recommends the commission file the associated certification with the FCC in the continuation of past practices and in anticipation of future changes in the high-cost model mechanism.

Based on the FCC's most recent annual rate survey,⁵ Qwest's and Frontier's monthly charges for residential local telephone service, including all applicable surcharges and taxes, are \$21.23 and \$28.96, respectively. The urban rate benchmark, calculated as the national average plus two standard deviations, is \$37.36. Therefore, staff concludes that the residential local telephone rates in rural areas of Washington served by non-rural ILECs are reasonably comparable to urban rates nationwide, for purposes of section 254(b)(3) of the Telecommunications Act of 1996. Attachment 3 is the proposed letter for rate comparability certification from the commission to the FCC and USAC to comply with 47 C.F.R. § 54.316. The letter must be filed with the two agencies on or before October 1, 2010.

Conclusion

The commission should direct the Executive Secretary to: (1) certify to the FCC and USAC that the ETCs listed in the appendix to Attachment 2 will use all federal high-cost fund support only for the provision, maintenance, and upgrading of the facilities and services for which the support is intended, as expressed in Attachment 2; and (2) certify to the FCC and USAC that the residential rates in rural areas served by non-rural incumbent local exchange carriers in Washington are reasonably comparable to urban rates nationwide, for purposes of Section 254(b)(3) of the Telecommunications Act of 1996, as expressed in Attachment 3.

Attachments (3)

⁵ FCC. 2008. *Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service (2008 Report)*, available at <http://www.fcc.gov/wcb/iatd/lec.html>. The FCC has not published the 2009 report as of today.