

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

Policy Statement to Review State Universal Service Policies

Docket UT-100562

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

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Integra Telecom of Washington, Inc., Eschelon Telecom of Washington, Inc., Electric Lightwave, LLC., Advanced TelCom, Inc., Shared Communications Services, Inc., Oregon Telecom, Inc., and United Communications, Inc. (collectively referred to as “Integra” or “Integra Telecom”), respectfully submit the following comments on selected questions in response to the Commission’s May 26, 2010, Notice of Workshop. Integra is a Competitive Local Exchange Carrier (“CLEC”) operating in 11 western states. Integra operates in Qwest and Frontier (formerly Verizon) territories within the state of Washington.

The Federal Communications Commission’s (“FCC’s”) National Broadband Plan outlines the FCC’s intention to dramatically reform Federal Universal Service goals and funding, as well as the current intercarrier compensation (“ICC”) mechanism, which includes inter- and intrastate switched access charges.¹ As part of this reform, the National Broadband Plan outlines the FCC’s intent to take jurisdiction away from the states with respect to intrastate access. This proposed jurisdictional change will undoubtedly raise disputes among various carriers and state commissions. Given the jurisdictional changes proposed at the federal level, Integra believes that intrastate access reform should not be *mandated* on all local exchange carriers (“LECs”) within the state. Instead, resources are best spent in determining the outcome of the disputed federal issues first, and then, if necessary, determining what additional action, if any, should be taken at the state level.² It is not efficient for interested parties to debate these issues simultaneously before multiple state commissions while these issues are still under consideration at the federal level.

¹ National Broadband Plan, Recommendations pp. 135-136.

² The state already has mechanisms in place for rate of return carriers to address revenue shortfalls. Integra is only concerned with the resources required to respond to the efforts by some large IXC’s to impose mandated access reductions in multiple jurisdictions simultaneously.

WUTC Question 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?

Universal Service is the widespread availability of telecommunications services at reasonable rates.³ The ILEC network has traditionally delivered Universal Service. In many, if not all cases, this network continues to be essential for the provisioning of Universal Service.

WUTC Question 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?

It is not necessary to address intrastate switched access reform in order to achieve the goals of Universal Service. It is understandable why ILECs, which rely on intrastate switched access revenue, might wish to preserve this dwindling revenue stream by moving this revenue stream to a source that is less likely to be eroded, such as a Universal Service Fund. It is also understandable why IXC's, which pay intrastate access charges in order to utilize another carrier's network, would seek to eliminate these costs. However, it is a mistake to automatically link access charge reform to Universal Service reform. The policy goals for Universal Service should first be established; then the most efficient mechanism for achieving these goals can be determined. Whether achieving Universal Service requires access reform can only be ascertained once Universal Service goals are defined and the extent to which these goals need funding is determined.

WUTC Question 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.

Whether or not a WUSF is necessary can only be answered by a clear definition of Universal Service goals and a specific investigation into whether these goals are being met (and will be met going forward), and if not, the most efficient mechanism for achieving these goals.

Assuming the Universal Service goals are not being met, or that it is highly likely that these goals will not be met in the near future, the Commission should then determine what policies and/or reforms can be put in place to achieve (or maintain) Universal Service goals.

³ Notice of Workshop, April 14, 2010, page 1.

Universal Service should not be a mechanism to protect eroding revenue streams of ILECs, but should be a mechanism to protect consumers in Washington. Before a carrier is allowed to receive support from a WUSF the Commission should consider 1) whether the carrier currently has significant pricing flexibility, 2) the level of competition faced by the carrier, and 3) the current lack of (or threat to) Universal Service for consumers in the area served by the carrier. Once it is determined that a WUSF may be necessary, then the Commission should seek ways to minimize the need to draw support from the WUSF, such as rate rebalancing, before a carrier becomes eligible for WUSF funding.

WUTC Question 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?

The National Broadband Plan has put into motion a number of federal rulemaking proceedings that will shape the future of Universal Service and access reform, as well as a plethora of other issues that relate to the future of the telecommunications industry. The Commission should closely monitor the National Broadband Plan proceedings and carefully evaluate the implications of moving ahead with changes to Universal Service in Washington ahead of, or inconsistent with, the FCC. For example, the Commission should consider whether and how the FCC plans to consider state universal service funds as a source of funding to reach the universal service goals outlined in the National Broadband Plan.⁴ This could impact the overall level at which Washington consumers pay for universal service and could result in Washington consumers paying more for universal service than consumers in other states.

Regarding intrastate access reform, here too the Commission should monitor and participate in the FCC's rulemaking proceedings scheduled to start in the fourth quarter of this year.⁵ The FCC has indicated that it plans to take jurisdiction away from the states with regard to intrastate access.⁶ As stated previously, Integra believes that it is not an efficient use of resources to dispute the future of intrastate access at both the federal and state level simultaneously.

In addition, it should be kept in mind that access reform is but one aspect of the National Broadband Plan – a plan that includes multiple pro-competitive goals.⁷ Implementing one part of the plan, such as access reform, ahead of or without regard for other parts of the plan, such as special access pricing reform, may unduly harm one class of carrier over another.

⁴ National Broadband Plan, pp. 138-140.

⁵ Presentation of Carol Matthey on behalf of Federal Communications Commission, RE: The National Broadband Plan, May 5, 2010, p. 11.

⁶ National Broadband Plan, Recommendation 8.7, p. 148.

⁷ National Broadband Plan, Executive Summary, p. XI.

WUTC Question 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?

There should not be a default replacement of ILEC intrastate access revenues with support from a WUSF. First, before a declining revenue stream is locked into a WUSF contribution formula it should be determined whether that revenue stream is necessary and whether support from a WUSF is the most effective replacement mechanism for that revenue stream. For example, does the ILEC have pricing flexibility? If the ILECs rates are regulated, how do those rates compare to rates of other carriers in Washington (i.e. can they be increased).

WUTC Question 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?

The direct benefits to Washington consumers as a result of reductions in intrastate access rates cannot be clearly determined. IXCs are typically unwilling to promise or demonstrate that reductions in access charges actually flow through to consumers. IXC pricing plans generally have very little variability from state to state, thus the direct relationship between Washington intrastate access rates and long distance rates in Washington is unclear.

In addition, if revenue lost to ILECs as a result of access reductions is simply replaced with increases to end user rates or Universal Service, Washington customers may end up paying more for phone service than they previously did. Even if IXCs reduced end-user rates by 100 percent of any access cost reductions, these reductions are unlikely to impact the same consumers who would experience rate increases in other telecommunication services. This alone does not mean that changes in access rates are ill advised, it simply means that the impact of changes in access rates should be properly considered before changes are mandated in Washington.

Although Universal Service reform may protect ILEC revenue streams, it is not clear whether such reform necessarily advances the State's Universal Service goals. It is clear that changing Universal Service funding and distribution will impact Washington consumers and carriers differently.

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

There is no reason to mandate intrastate access changes to all carriers in the state simultaneously. Certain ILECs in the state may rely upon intrastate access to provide Universal Service support. These carriers may desire changes to protect a falling revenue stream, but this alone does not dictate that changes be mandated to all ILECs in the state. As stated previously, Integra does believe it is not an efficient use of resources to undertake access reform

simultaneously at both the federal and state level, especially given that the FCC has indicated it plans to take jurisdiction over intrastate access away from the states.

WUTC Question 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?

Integra does not have an opinion at this time.

WUTC Question 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?

Integra does not have an opinion at this time.

WUTC Question 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?

To the extent that the Commission makes changes to the WUSF, the contribution methodology should be as broadly based, and technologically and competitively neutral, as possible. All carriers providing telecommunications services in the state should contribute to a WUSF, including IXCs, wireless, and VoIP service providers.

WUTC Question 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?

If multiple providers are competing for customers in an area that is supported by Universal Service, then the Commission should undertake a review of the funding levels going to support that particular area. The presence of competition may indicate that support levels are too high and could be reduced.

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

Carriers that wish to collect from the WUSF should set their local rates at a minimal level. There is no reason to use the WUSF to support extraordinarily low local rates.

WUTC Question 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?

To the extent a new WUSF is established, the transition period should be sufficiently long to minimize rate shock to end user customers and the carriers providing them service. The length of the transition period should be dependent upon the extent of the changes and their potential impacts.

WUTC Question 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?

Integra does not have an opinion at this time.

WUTC Question 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?

Integra does not have an opinion at this time.

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

Integra does not have an opinion at this time.