



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD • TALLAHASSEE, FLORIDA 32399-0850

REC'D - FPSC
JUL 31 12:39

-M-E-M-O-R-A-N-D-U-M- COMMISSION CLERK

DATE: AUGUST 2, 2001

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF COMPETITIVE SERVICES (DOWDS) *[Signature]*
DIVISION OF LEGAL SERVICES (B.KEATING) *[Signature]*

RE: DOCKET NO. 010977-TL - STATE CERTIFICATION OF RURAL TELECOMMUNICATIONS CARRIERS PURSUANT TO 47 C.F.R. 54.314.

AGENDA: 08/14/01 - REGULAR AGENDA - FINAL AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\010977.RCM

CASE BACKGROUND

On May 23, 2001, the Federal Communications Commission (FCC) released its Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256 (hereafter, the RTF order). In this order the FCC modified its rules for providing high-cost interstate universal service support to rural telephone companies, in response to various proposals made previously by the Rural Task Force (RTF); these modified rules applicable to rural carriers are designed to be in place for five years, while the FCC continues to develop a long-term coordinated universal service plan for rural and non-rural carriers.

The RTF submitted its Recommendation to the Federal-State Universal Service Joint Board on September 29, 2000. The RTF consisted of representatives drawn from throughout the telephone industry and their final report, the product of exhaustive

DOCUMENT NUMBER-DATE

09315 JUL 31 01

FPSC-COMMISSION CLERK

deliberations, reflected a consensus proposal. This consensus proposal consists of various modifications to the existing embedded cost methodology used to determine high-cost funding for rural telephone companies; on balance, the effect of these proposals is an increase over the next five years in funding to rural carriers.

Section 254(e) of the Telecommunications Act of 1996 provides that a carrier that receives universal service support ". . . shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." In its Ninth Report and Order in CC Docket No. 96-45, which dealt with high-cost funding for non-rural carriers, the FCC had concluded that the purpose of interstate high-cost support was to enable the reasonable comparability of intrastate rates. Since state commissions have primary jurisdiction over intrastate rates, the FCC further concluded that it was reasonable for states to determine whether support was being used in accord with section 254(e). Thus, the FCC adopted a rule requiring that states who wish for non-rural carriers in their territory to receive federal high-cost support must file a certification annually with the FCC and with the Universal Service Administrative Company (USAC). This certification is to state that all federal high-cost funds flowing to non-rural carriers in the state, or to competitive eligible telecommunications carriers requesting support for serving within a non-rural carrier's service area, will be used in a manner that comports with section 254(e).

In the RTF Order the FCC has now extended the state certification requirement to rural carriers. The key new rule provisions are:

§54.314. State certification of support for rural carriers.

- (a) *State certification.* States that desire rural incumbent local exchange carriers and/or eligible telecommunications carriers serving lines in the service area of a rural incumbent local exchange carrier within their jurisdiction to receive support pursuant to §§54.301, 54.305, and/or 54.307 of this part and/or part 36, subpart F of this chapter must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers

within that State will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. . .

- (c) *Certification format.* A certification pursuant to this section may be filed in the form of a letter from the appropriate regulatory authority for the State, and shall be filed with both the Office of the Secretary of the Commission clearly referencing CC Docket No. 96-45, and with the Administrator of the high-cost universal service support mechanism, on or before the deadlines set forth below in subsection (d). . . .

The FCC requires that initial certifications for the first full year, January 1, 2002 - December 31, 2002, must be submitted by October 1, 2001, in order for a rural carrier to be eligible for high-cost universal service support for all of calendar year 2002.

This recommendation pertains to the Commission's certification of Florida's rural LECs for 2002.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission certify to the FCC and to USAC that for the year 2002 ALLTEL Florida, Inc., Frontier Communications of the South, Inc., GTC, Inc., Indiantown Telecommunications Systems, Inc., Northeast Florida Telephone Company, TDS Telecom, and Smart City Telecom will only use the federal high-cost support they receive for the provision, maintenance and upgrading of facilities and services for which the support is intended?

RECOMMENDATION: Yes. (DOWDS)

STAFF ANALYSIS: As indicated in the Case Background, unless the Commission submits certifications to the FCC and to USAC by October 1, 2001, Florida's seven rural carriers will receive no interstate high-cost universal service funds during the first quarter of 2002, and if certification is not eventually forthcoming from the FPSC, these LECs could forego all support during 2002. With the exception of Frontier, these rural LECs are under intrastate price regulation and thus this commission's regulatory oversight over their operations is somewhat limited. However, the FCC anticipated that certain state commissions may have restricted authority:

In the case of non-rural carriers, we concluded that states nonetheless may certify to the Commission that a non-rural carrier in the state had accounted to the state commission for its receipt of federal support, and that such support will be "used only for the provision, maintenance and upgrading of facilities and services for which the support is intended." We determined that, in states in which the state commission has limited jurisdiction over such carriers, the state need not initiate the certification process itself. . . . We conclude that this approach is equally appropriate here with regard to rural carriers and competitive eligible telecommunications carriers serving lines in the service area of a rural local exchange carrier. (RTF Order, ¶188)

Each of the seven Florida rural LECs has submitted an affidavit (see Attachments A through G) in which they have certified that their use of interstate high-cost universal service support received during 2002 will comport with section 254(e) of the Act and applicable FCC rules. Given these LECs' certifications, staff recommends that the Commission certify to the FCC and to the USAC that these LECs will be using interstate high-cost universal service support in 2002 in a manner that complies with section 254(e).

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open in order to deal with future certification of rural telephone companies. (B.KEATING)

STAFF ANALYSIS: Under the FCC's rule 54.314, state commission certification that their rural LECs will use interstate high-cost universal service support in a manner that comports with section 254(e) will need to be addressed once a year. We anticipate that in subsequent years, Florida's rural LECs who continue to desire to receive interstate high-cost universal service support will again submit affidavits to this Commission; such affidavits would need to be received on a schedule that allows for an order to be issued and forwarded with a letter to the FCC and the USAC prior to October 1. Accordingly, staff believes it is appropriate for this docket to remain open to handle subsequent year's certifications.

AFFIDAVIT

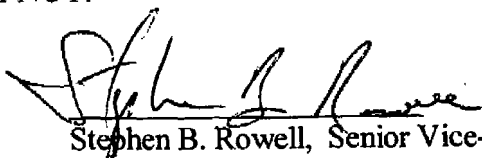
STATE OF ARKANSAS
COUNTY OF PULASKI

BEFORE ME, the undersigned authority, appeared Stephen B. Rowell, who deposed and said:

1. My name is Stephen B. Rowell. I am Senior Vice President of ALLTEL Florida, Inc. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.

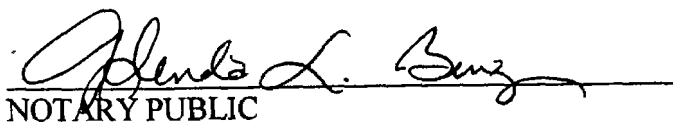
2. ALLTEL Florida, Inc. hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended as indicated by 47 C.F.R. §54.101.

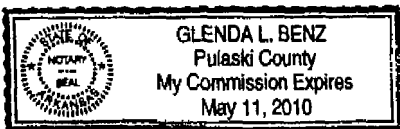
FURTHER AFFIANT SAYETH NOT.


Stephen B. Rowell, Senior Vice-President

STATE OF ARKANSAS
COUNTY OF PULASKI

Acknowledged before me this 23 day of July, 2001, by Stephen B. Rowell, as Senior Vice-President of ALLTEL Florida, Inc. who is personally known to me or produced identification and who did take an oath.


NOTARY PUBLIC



Glenda L. Benz
Printed Name of Notary

Personally Known gs
Produced Identification _____
Type of Identification Produced _____

AFFIDAVIT

STATE OF NEW YORK
COUNTY OF MONROE

BEFORE ME, the undersigned authority, appeared Martin Mucci, who deposed and said:

1. My name is Martin Mucci . I am Vice President and Chief Operating Officer of Frontier Communications of the South, Inc. ("Frontier" or the "Company"). I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.

2. Frontier hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended.

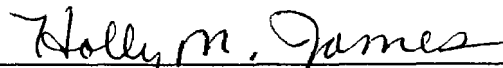
FURTHER AFFIANT SAYETH NOT.



Martin Mucci
Vice President and Chief Operating Officer
Frontier Communications of the South, Inc.

STATE OF NEW YORK
COUNTY OF MONROE

Acknowledged before me this 13th day of July, 2001, by Martin Mucci, as Vice President and Chief Operating Officer of Frontier Communications of the South, Inc., who is personally known to me or produced identification and who did take an oath.



NOTARY PUBLIC

HOLLY M. JAMES
Notary Public, State of New York
Qualified in Monroe County
My Commission Expires Nov. 30, 2002

Printed Name of Notary

Personally Known X
Produced Identification _____
Type of Identification Produced _____

AFFIDAVIT

STATE OF WISCONSIN
COUNTY OF DANE

BEFORE ME, the undersigned authority, appeared Kevin Hess who deposed and said:

1. My name is Kevin Hess. I am employed by TDS TELECOM, the parent company of Quincy Telephone Company d/b/a TDS TELECOM/Quincy ("TDS" or the "Company") as its Vice President, Government & Regulatory Affairs. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.

2. TDS TELECOM hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended.

FURTHER AFFIANT SAYETH NOT.

Kevin Hess

Kevin Hess
Vice President, Government & Regulatory Affairs

STATE OF WISCONSIN
COUNTY OF DANE

Acknowledged before me this 16th day of July, 2001, by Kevin Hess, as Vice President, Government & Regulatory Affairs of TDS TELECOM, parent company of Quincy Telephone Company d/b/a TDS TELECOM/Quincy Telephone, who is personally known to me or produced identification and who did take an oath.

Lois L. Spath

NOTARY PUBLIC

Lois L. Spath

Printed Name of Notary

Personally Known _____
Produced Identification _____
Type of Identification Produced _____

AFFIDAVIT


STATE OF FLORIDA
COUNTY OF ORANGE

BEFORE ME, the undersigned authority, appeared James T. Schumacher, who deposed and said:

1. My name is James T. Schumacher. I am employed by Smart City Telecommunications LLC d/b/a Smart City Telecom ("Smart City" or the "Company") as its Vice President, Finance and Administration. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.

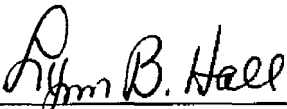
2. Smart City hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended.

FURTHER AFFIANT SAYETH NOT.


James T. Schumacher
Vice President, Finance and Administration

STATE OF FLORIDA
COUNTY OF ORANGE

Acknowledged before me this 13th day of July, 2001, by James T. Schumacher, as Vice President, Finance and Administration of Smart City Telecommunications LLC d/b/a Smart City Telecom, who is personally known to me or produced identification and who did take an oath.



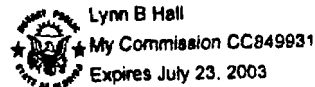
NOTARY PUBLIC
LYNN B. HALL

Printed Name of Notary

Personally Known X_____

Produced Identification_____

Type of Identification Produced_____



AFFIDAVIT

STATE OF FLORIDA
COUNTY OF BAKER

BEFORE ME, the undersigned authority, appeared Leon Conner, who deposed and said:

1. My name is Leon Conner. I am employed by Northeast Florida Telephone Company, Inc. ("Northeast" or the "Company") as its President. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.

2. Northeast hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended.


FURTHER AFFIANT SAYETH NOT.


Leon Conner, President

STATE OF FLORIDA
COUNTY OF BAKER

Acknowledged before me this 18th day of July, 2001, by Leon Conner, as President of Northeast Florida Telephone Company, Inc., who is personally known to me or produced identification and who did take an oath.


NOTARY PUBLIC

 Eileen Stavelly
Printed Name of Notary MY COMMISSION # CC770365 EXPIRES August 25, 2002
BONDED THROUGH TINDY FAIR INSURANCE, INC.

Personally Known
Produced Identification _____
Type of Identification Produced _____

AFFIDAVIT

STATE OF FLORIDA
COUNTY OF MARTIN

BEFORE ME, the undersigned authority, appeared Jeffrey S. Leslie, who deposed and said:

1. My name is Jeffrey S. Leslie. I am employed by Indiantown Telecommunications Systems, Inc. ("ITS" or the "Company") as Chief Financial Officer. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.

2. ITS hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended.

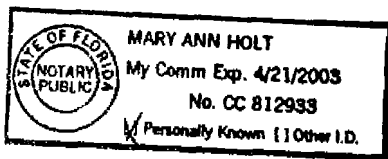
FURTHER AFFIANT SAYETH NOT.



Jeffrey S. Leslie
Vice President, Chief Financial Officer
ITS Telecommunications Systems, Inc.

STATE OF FLORIDA
COUNTY OF MARTIN

Acknowledged before me this 16th day of July, 2001, by Jeffrey S. Leslie, as Vice President, Chief Financial Officer of ITS Telecommunications Systems, Inc., who is personally known to me or produced identification and who did take an oath.



Mary Ann Holt

NOTARY PUBLIC

Mary Ann Holt

Printed Name of Notary

Personally Known _____
Produced Identification _____
Type of Identification Produced _____

DOCKET NO. 010977-TL
AUGUST 02, 2001

ATTACHMENT G

AFFIDAVIT

STATE OF FLORIDA
COUNTY OF GULF

BEFORE ME, the undersigned authority, appeared John H. Vaughan, who deposed and said:

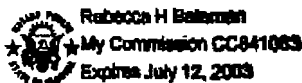
1. My name is John H. Vaughan. I am employed by GTC, Inc. d/b/a GT Com ("GT Com" or the "Company") as its President. I am an officer of the Company and am authorized to give this affidavit on behalf of the Company. This affidavit is being given to support the Florida Public Service Commission's certification as contemplated in 47 C.F.R. §54.314.
2. GT Com hereby certifies that it will only use the federal high-cost support it receives during 2002 for the provision, maintenance and upgrading of facilities and service for which such support is intended.


FURTHER AFFIANT SAYETH NOT.


 John H. Vaughan, President

STATE OF FLORIDA
COUNTY OF GULF

Acknowledged before me this 12th day of July, 2001, by John H. Vaughan, as President of GTC, Inc., who is personally known to me or produced identification and who did take an oath.




 NOTARY PUBLIC

Rebecca H. Bateman
 Printed Name of Notary

Personally Known ✓
 Produced Identification _____
 Type of Identification Produced _____