BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

UNDOCKETED

STAFF WORKSHOP

POLICY ISSUES RELATING TO ELIGIBLE TELECOMMUNICATIONS CARRIERS

COMMENTS OF ALLTEL COMMUNICATIONS, INC.

A Staff Workshop was held at the Florida Public Service Commission ("Commission") offices in Tallahassee on August 20, 2007, to discuss certain policy issues related to Eligible Telecommunications Carriers ("ETCs"). Numerous parties, including Alltel Communications, Inc. ("Alltel"), participated in the workshop to discuss various policy issues surrounding the designation of ETCs in Florida. At the conclusion of the workshop, Staff requested that the parties supplement the workshop discussions with written comments related to the designation of additional ETCs in Florida. Alltel appreciates the opportunity to work with Staff in this matter and offers the following comments in an effort to provide Staff with useful information to aid the development of beneficial public policy related to this very important matter. The everyday lives of Florida citizens will be directly and significantly impacted by the results of the development of this ETC policy.

In these comments Alltel will provide general comments regarding appropriate public policy for the designation of additional ETCs in Florida. Additionally, we will provide specific responses to some of the questions discussed at the August 20 workshop and reply to some of the comments offered by other parties at the workshop.

GENERAL COMMENTS

The Federal Communications Commission ("FCC") released a Report and Order ("FCC Order") on March 17, 2005, in CC Docket No. 96-45, that established the requirements for a telecommunications carrier to be designated as an ETC for those carriers that are subject to the designation jurisdiction of the FCC. In paragraphs 1 and 2 of the FCC Order, the FCC said:

> 1. This Report and Order addresses the minimum requirements for a telecommunications carrier to be designated as an "eligible telecommunications carrier" or "ETC," and thus eligible to receive federal universal service support. Specifically, consistent with the recommendations of the Federal-State Joint Board on Universal Service (Joint Board), we adopt additional mandatory requirements for ETC designation proceedings in which the Commission acts pursuant to section 214(e)(6) of the Communications Act of 1934, as amended (the Act).[1] In addition, as recommended by the Joint Board, we encourage states that exercise jurisdiction over ETC designations pursuant to section 214(e)(2) of the Act, to adopt these requirements when deciding whether a common carrier should be designated as an ETC.[2] We believe that application of these additional requirements by the Commission and state commissions will allow for a more predictable ETC designation process.[3]
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> 2. We also believe that because these requirements create a more rigorous ETC designation process, their application by the Commission and state commissions will improve the long-term sustainability of the universal service fund.[4] Specifically, in considering whether a common carrier has satisfied its burden of proof necessary to obtain ETC designation, we require that the applicant: (1) provide a five-year plan demonstrating how high-cost universal service support will be used to improve its coverage, service quality or capacity in every wire center for which it seeks designation and expects to receive universal service support; (2) demonstrate its ability to remain functional in emergency situations; (3) demonstrate that it will satisfy consumer protection and service quality standards; (4) offer local usage plans comparable to those offered by the incumbent local exchange carrier (LEC) in the areas for which it seeks designation; and (5) acknowledge that it may be required to provide equal

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[1]47 U.S.C. § 214(e)(6). Section 214(e)(6) of the Act directs the Commission to designate carriers when those carriers are not subject to the jurisdiction of a state commission.
[2]47 U.S.C. § 214(e)(2). Section 214(e)(2) of the Act provides state commissions with the primary responsibility for designating ETCs.
[3]*See Federal-State Joint Board on Universal Service*, Recommended Decision, CC Docket No. 96-45, 19 FCC Rcd 4257, 4258, para. 2 (2004) (*Recommended Decision*).
[4]*See id.*

> access if all other ETCs in the designated service area relinquish their designations pursuant to section 214(e)(4) of the Act. In addition, we make these additional requirements applicable on a prospective basis to all ETCs previously designated by the Commission, and we require these ETCs to submit evidence demonstrating how they comply with this new ETC designation framework by October 1, 2006, at the same time they submit their annual certification filing. As explained in greater detail below, however, we do not adopt the Joint Board's recommendation to evaluate separately whether ETC applicants have the financial resources and ability to provide quality services throughout the designated service area because we conclude the objective of such criterion will be achieved through the other requirements adopted in this Report and Order.

Alltel advocates that the Commission should generally adopt the FCC's ETC rules for use in designating and certifying ETCs in Florida, with limited exceptions. The FCC Order is the result of an exhaustive investigation undertaken by the Joint Board wherein the Joint Board held public hearings and received significant input from service providers, consumer representatives, and state and federal regulators. This input was critical to develop a comprehensive recommendation regarding ETC matters for consideration by the FCC. Subsequent to the filing of the Joint Board's recommendation, the FCC received and considered additional comments from a broad range of parties.

The result of these extensive national efforts is a highly debated, thoroughly analyzed set of comprehensive rules adopted by the FCC for use in designating and certifying ETCs. The FCC encouraged states that exercise jurisdiction over ETC designations to adopt the requirements of the FCC Order.[5] The FCC emphasized that application of the requirements by the FCC and state commissions will provide a more predictable designation process and improve the sustainability of the universal service fund.[6]

Alltel agrees with the FCC's statements. While the FCC Order does not resolve all issues in the exact manner that Alltel would have preferred, the FCC Order provides a mechanism that, if applied uniformly to ETCs, will achieve the objectives of universal service envisioned by the

[5] FCC Order at paragraph 2.
[6] FCC Order at paragraphs 1 and 2.

Telecommunications Act of 1996 in a sufficient and sustainable manner. Alltel encourages the Commission to adopt the standards established in the FCC Order and to refrain from adopting state specific standards that may not be consistent with the national standards, or that result in significant costs without any real corresponding public benefits. Numerous states where Alltel serves as an ETC have generally adopted the FCC rules for use in their state proceedings including California, Colorado, Idaho, Iowa, Kansas, Michigan, Minnesota, Mississippi, Nebraska, New Mexico, North Dakota, South Dakota, West Virginia, Wisconsin and Wyoming.

Adopting the FCC rules will bring efficiency and predictability to the ETC process, thereby benefiting consumers. These FCC standards have proven to be effective in establishing a challenging ETC designation process and protecting the on-going integrity of universal service funding. The Commission should therefore adopt the requirements contained in the FCC Order, except as explained below.

One exception that the Commission should make to the FCC standards is that an applicant for ETC designation should be required to submit a two-year service improvement plan rather than the five-year plan required by the FCC. The FCC specified the requirements for a five-year build out plan in paragraph 23 of the FCC Order. On June 24, 2005, the CTIA filed a Petition for Reconsideration with the FCC in CC Docket 96-45, asking that the FCC replace the five-year planning requirement with a twelve to eighteen month plan. In its petition the CTIA stated, "Wireless carriers face too many variables to accurately and predictably project or plan their network improvements for five years in the future. Moreover, the variables are often outside the control of the wireless carrier. Technological innovations and changing customer needs require carriers to constantly update their plans. Population patterns change, affecting where improvements in the network are needed." Alltel agrees with CTIA. Five-year plans are not realistic for any American business and especially not for telecommunications providers because of the rapidly changing marketplace and the rapid evolution of new technologies. Any attempt to develop a network plan beyond an eighteen to twenty-four month window is extremely unreliable. Market conditions and technology are changing so rapidly that any plans beyond this window are certain to change greatly.

Alltel believes that the Commission will be better served, and that carriers will be able to provide more useful information, under a two-year service improvement plan requirement plan than under a five-year plan. Adopting a two-year plan rather than a five-year plan will accomplish the same objective in a more efficient manner. The Commission will still receive build out information well in advance of the actual build out, but at a time when the provided information is more accurate. The last three years of data that would be provided under a five-year plan will be provided as part of subsequent two-year plans, when it is more reflective of actual expenditures. By requiring a two-year plan neither Company nor Commission resources will wasted on preparing and or analyzing unreliable data for the latter years of a five-year plan until such time as that data becomes more meaningful and realistic. Alltel strongly recommends the adoption of a two-year service improvement plan requirement.

The standards adopted by the FCC are codified in Part 54 of Title 47 of the Code of Federal Regulations. Alltel recommends that the Commission adopt these standards, with the exception of the five-year service improvement plan as discussed above, for use in designating and certifying ETCs in Florida.

SPECIFIC DISCUSSION ITEMS

A number of items were discussed in the Staff Workshop held on August 20. In this section of Alltel's comments, we will provide a summary of the positions we presented at the workshop on these issues in order to provide Staff with a concise summary of Alltel's positions and reasons for supporting these positions.

The appropriate number of ETCs to be designated in rural and non-rural areas.

As Alltel and others expressed at the Staff Workshop, there is no specific number of ETCs that appropriate for designating in all service areas. The test of whether or not designation of an additional ETC is appropriate is whether or not the public interest will be served by such additional designation. Consumers benefit from additional designations that are consistent with the public interest. Congress and the FCC both declined to name a specific number of ETCs that should be designated in a given service area and instead rely on the public interest to determine whether or not to designate an additional ETC. The FCC provided extensive direction regarding determining the public interest in their March 17, 2005 Universal Service Order. Alltel will discuss these public interest factors below. Finally, from a practical standpoint, it is not very likely that a customer would purchase wireline or wireless service from multiple wireline or wireless providers. Since CETCs receive USF support only for those customers that it serves, any suggestion that the designation of multiple CETCs some how increases the demand for universal service funding is not well founded.

What factors to consider when determining the public interest of designating additional ETCs.

The FCC described with specificity in paragraphs 40 through 57 of its March 17, 2005 Universal Service Order, the process that it will use to analyze public interest in applications for ETC designations that are brought before the FCC. The FCC also encouraged state commissions to follow these same guidelines when they designate ETCs. The FCC specifically stated in paragraph 59 of its March 17, 2005 Universal Service Order that, "A single set of guidelines will encourage states to develop a single, consistent body of eligibility standards to be applied in all cases, regardless of the characteristics of the incumbent carrier."

The FCC further described the key elements of the public interest test in paragraphs 44 through 47 of their march 17, 2005 Order:

> 44. We conclude that we will continue to consider and balance the factors listed below as part of our overall analysis regarding whether the designation of an ETC will serve the public interest. In determining whether an ETC has satisfied these criteria, the Commission places the burden of proof upon the ETC applicant.
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> > (1) *Consumer Choice*: The Commission takes into account the benefits of increased consumer choice when conducting its public interest analysis. In particular, granting an ETC designation may serve the public interest by providing a choice of service offerings in rural and high-cost areas. The Commission has determined that, in light of the numerous factors it considers in its public interest analysis, the value of increased competition, by itself, is unlikely to satisfy the public interest test.
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> > (2) *Advantages and Disadvantages of Particular Service Offering*: The Commission also considers the particular advantages and disadvantages of an ETC's service offering. For instance, the Commission has examined the benefits of mobility that wireless carriers provide in geographically isolated areas, the possibility that an ETC designation will allow customers to be subject to fewer toll charges, and the potential for customers to obtain services comparable to those provided in urban areas, such as voicemail, numeric paging, call forwarding, three-way calling, call waiting, and other premium services. The Commission also examines disadvantages such as dropped call rates and poor coverage.
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> 45. In addition, we believe that the requirements we have established in this Report and Order for becoming an ETC will help ensure that each ETC designation will serve the public interest. For example, the requirements to demonstrate compliance with a service quality improvement plan and to respond to any

> reasonable request for service will ensure designation of ETC applicants that are committed to using high-cost support to alleviate poor service quality in the ETC's service area.
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> 46. We disagree with commenters who contend that we should adopt a more precise cost-benefit test for the purpose of making public interest determinations. While we believe that a consideration of both benefits and costs is inherent in conducting a public interest analysis, we agree with the Joint Board's recommendation and decline to provide more specific guidance at this time on how this balancing should be performed. The specific determination, and the relative weight of the relevant considerations, must be evaluated on a case-by-case basis.
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> 47. We also reject the assertions of several commenters that a more stringent analysis is necessary to determine whether an ETC designation is in the public interest. These commenters argue that the current ETC application process is not rigorous enough to meet section 214(e)(2) of the Act and that ETC applicants should be required to demonstrate the public benefit they will confer as a result of the ETC designation. We believe that the factors set out in the *Virginia Cellular ETC Designation Order*, as expanded in this Report and Order, allow for an appropriate public interest determination.

Alltel supports these requirements for use by state commissions as well.

Comparable local usage.

Alltel supports the Commission's adoption of the FCC's requirement regarding the offering of local usage, and requests that the Commission recognize that comparable local usage does not mean requiring identical local usage or rates for incumbent LECs and wireless ETCs because many factors must be considered in determining comparable value of local usage plans.

Local usage is a concept that is rapidly changing in today's world of telecommunications and is evolving into something quite different than in the days of monopoly wireline service. Then, local usage generally meant unlimited calling to a relatively small geographic area. Calls beyond a very limited geographic area resulted in additional toll charges often based on both time and distance. As competition entered the telecommunications marketplace, providers found that while some customers were satisfied with existing local calling scopes, others preferred a much broader geographic area for local calling without necessarily needing unlimited local usage. The competitive marketplace provides many different options for local calling from which consumers may choose. Different competitors offer different options to consumers and consumers are free to choose the option and carrier that best fits their individual preferences. The idea that one size fits all no longer appeals to today's consumers.

Consumers are the winners in a competitive market as each consumer can choose the services and service provider that meet his or her needs most effectively. Consumers consider many factors as they evaluate their choice of service. Some consumers prefer low monthly rates and may opt for a limited geographic calling area and limited minutes. Consumers who make most of their calls to a small local area may prefer a larger number of minutes or even unlimited minutes as opposed to a broader local calling area. Consumers who spend much of their workday outside of their home or office may place significant value on mobility and larger local calling areas rather than on a large number of local minutes. The value of various local-calling options varies greatly from consumer to consumer. Today's competitive marketplace gives consumers the opportunity to choose a plan or service provider that gives them the best value based on their individual preferences.

The FCC was correct when it chose not to mandate a specific number of local minutes for ETC purposes. The FCC specifically noted that:

> …an ETC applicant may offer a local calling plan that has a different calling area than the local exchange area provided by the LECs in the same region, or the applicant may propose a local calling plan that offers a specified number of free minutes of service within the local service area. We also can envision circumstances in which an ETC is offering an unlimited calling plan that bundles local minutes with long distance minutes. The applicant may also plan to provide unlimited free calls to government, social service, health facilities, educational institutions, and emergency numbers. Case-by-case consideration of these factors

> is necessary to ensure that each ETC provides a local usage component in its universal service offerings that is comparable to the plan offered by the incumbent LEC in the area.[7]

The reality of today's market is that if a provider does not provide value to a consumer, then the consumer will not purchase service from that provider. To the extent that consumers choose to purchase service from one provider over others, then that provider must be providing adequate local usage. Unlike wireline carriers, when a competitive ETC does not retain a customer, it also loses the federal support associated with that customer. Therefore, the customer determines not only what service to use and what rate plans meet expectations, but also whether the competitive ETC continues to receive federal universal service support. It would be foolhardy for a carrier to undergo the designation process and not provide competitive rate plans that are attractive in the marketplace.

Limiting eligible lines to one per household.

As discussed at the Staff Workshop, this is not an issue that can be addressed by the Commission. It is part of the basic structure of the administration of the federal universal service fund and can only be changed by the FCC on a national basis. In paragraph 5 of the March 17, 2005 universal service order, the FCC declined to adopt this recommendation of the Joint Board.

Service improvement plan details.

As stated at the Staff Workshop and as discussed above, Alltel supports a requirement for accountability for all ETCs regarding the appropriate use of federal universal service funds received. The details provided by the FCC for inclusion in ETC service improvement plans will provide the Commission with the information it needs to determine that the ETC does use federal

7 FCC Order at Paragraph 33.

universal service funds for the purposed intended, specifically for the *provision, maintenance and upgrading* of facilities and services for which the support is intended.

As discussed above, Alltel believes that the Commission will be better served by adopting a two-year service improvement plan requirement for all ETCs than a five-year plan.

<u>Comparison of ETC vs. COLR obligations.</u>

The obligation of ETCs to provide service in response to any reasonable request for service is, in practice, virtually the same as the requirement for ILECs to serve as a Carrier of Last Resort. Wireline providers who have COLR obligations have tariffs that specify where they are required to provide service in response to a request from consumers. For example, The TDS tariff for Quincy Telephone Company specifies in Section A2 on second revised Sheet 30 that, "The furnishing of telephone service is dependent upon the availability of facilities. Where no facilities exist, service may be subject to additional charges as specified in Section A5.A." Where facilities to provide service are not already in place for the wireline company, it may assess a construction charge to consumers, as specified in Section A5.A of the Quincy tariff.

Much like the six step service provisioning process for wireless ETCs, this ILEC process, providing for construction charges to consumers in cases where costs would be particularly high, defines what constitutes a reasonable request for service so that other customers are not unreasonably burdened with paying for the provision of service to a consumer request that is unusual in nature and extremely costly.

<u>The portion of wireless support that should be dedicated to providing additional towers in unserved areas.</u>

As Alltel stated at the Staff Workshop, there is no particular percentage of federal universal service support that should be dedicated to providing additional towers in unserved areas. The decision of where and when to provide additional towers will always need to be determined on an individual basis, taking into consideration numerous factors including the amount of funding available to the ETC in its service area, the existing status of its service in the area, the demand for additional services and service improvements from customers in a particular area, other demands for fund expenditures in the area including capacity enhancements, etc. Universal service support must be used to provide, maintain and upgrade facilities and services in the ETC's service area. Sometimes this will mean providing additional towers and at other times it may mean adding capacity or upgrading the network to be more dependable, or making other improvements to provide better services to consumers. In fact the company must consider the switching, transport and capacity needs and capabilities of its network each time a new cell site is planned for construction. When discussing this issue in its March 17, 2005 Order, the FCC stated in paragraph 23 that, "We clarify that service quality improvements in the five-year plan do not necessarily require additional construction of network facilities." Alltel believes that the portion of funding that should be used for the construction of additional towers is a decision that must be made on an individual case basis and on a year to year basis. There simply is not a one-size fits all approach to this question. The provision of the detailed two-year service improvement plan by ETCs will provide the Commission with the opportunity to review this question on an annual basis to ensure that funds are being used as intended.

OTHER ISSUES

Requirement for parity with ILEC regulations.

At the August 20 Workshop, some ILECs advocated that all ETCs should be required to comply with ILEC regulation in order to be designated as an ETC. Alltel urges the Staff and the Commission to avoid being misled by this argument. Many of these regulations go well beyond any meaningful application to the ETC context and simply reflect existing ILEC regulation not related to a provider's status as an ETC. The FCC encouraged states to "consider, among other things, the extent to which a particular regulation is necessary to protect consumers in the ETC context, as well as the extent to which it may disadvantage an ETC specifically because it is not the incumbent LEC" and agreed with the Joint Board's conclusion that "states should not require regulatory parity for parity's sake."[8] The Commission should follow the FCC's lead in this regard and adopt the requirements of the FCC Order rather than the requirements proposed in the name of parity by some of the ILECs.

Unlike wireline carriers, when a wireless ETC loses a customer, it also loses the federal USF support associated with that customer. Therefore, the customer determines not only whether the service meets his expectations but, by his ability to choose a different provider, also determines whether the competitive ETC continues to receive federal universal support. Competitive ETCs have a strong financial incentive to satisfy and retain customers. This incentive combined with consumers' ability to file a complaint with the Commission if a carrier fails to meet its service obligations is adequate to ensure that competitive carriers provide quality services.

Criterion Economics Study.

At the August 20 Workshop, Verizon indicated that they would provide the Commission with a study conducted by Criterion Economics to provide some items for consideration in this analysis of ETC public policy. Alltel is quite familiar with this Criterion Economics study and has found that it is of little or no use because it depends on severely invalid assumptions used to determine the availability of various wireless providers' network service areas. Alltel included the following information as part of its reply comments filed at the FCC in WC Docket No. 05-337 on June 21, 2007. This information is provided to Staff in order to provide information showing that the Criterion Study is fatally flawed and should not be relied upon in this proceeding.

> Last week, a team of analysts funded by Verizon submitted two papers purporting to show that high-cost support for wireless CETCs has no significant impact on the availability of wireless service or on competition, and contending that unsubsidized wireless carriers provide as much as or more service in high-cost areas than carriers receiving USF support.[9]/ These contentions are entirely wrong. In particular, the two Criterion Economics papers launch a meritless, ad hominem attack on Alltel (as well as US Cellular). Alltel intends to present a more detailed rebuttal, including data in addition to that presented below demonstrating the falsity of the Criterion Economics claims, in the near future. Here we set forth some preliminary observations about the fundamental flaws in

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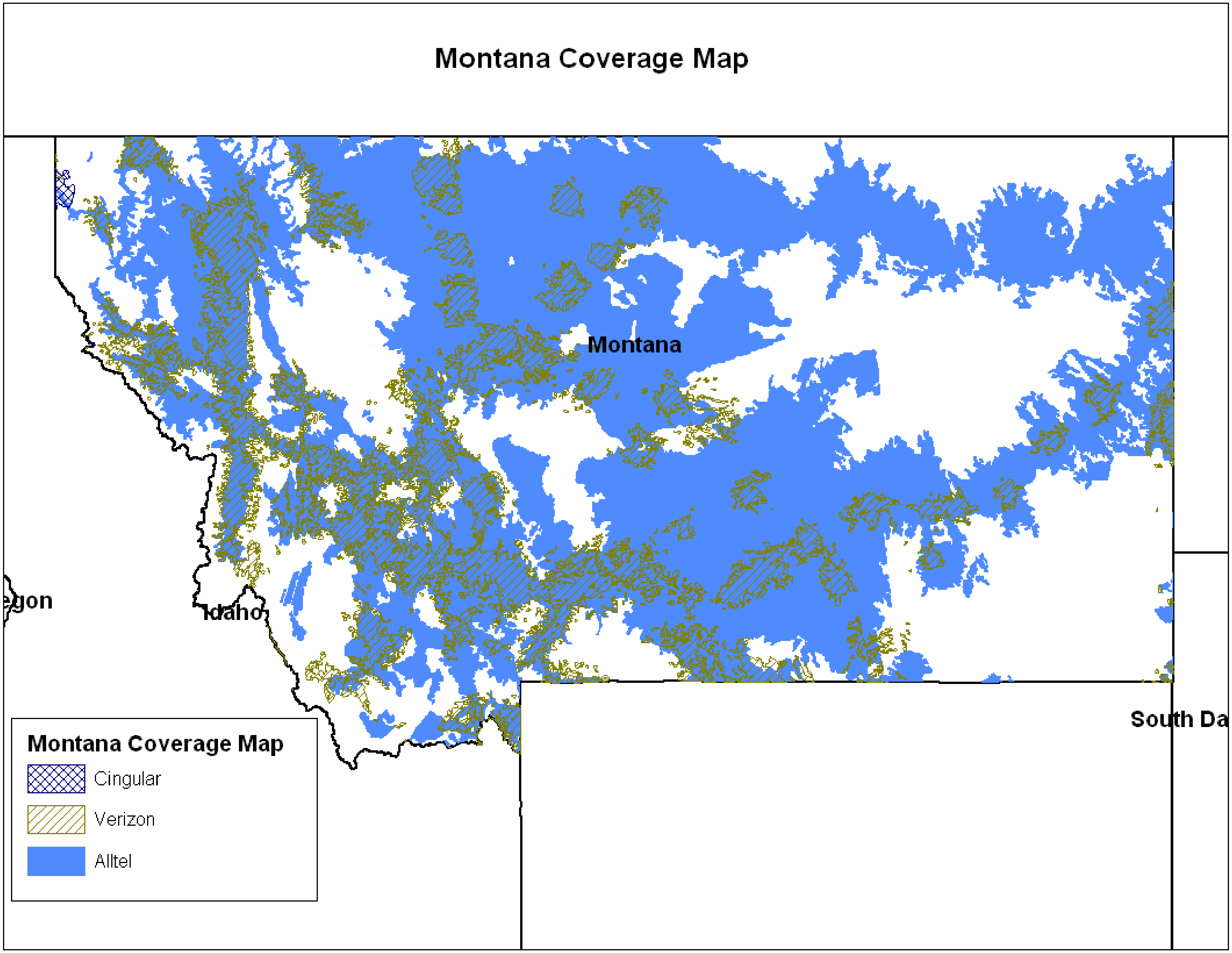
8 FCC Order at ¶ 30.

9/ Kevin W. Caves & Jeffrey A. Eisenach, Criterion Economics, LLC, "The Effiects of Providing Universal Service Subsidies to Wireless Carriers" (June 13, 2007); Nicholas Vantzelfde, Criterion Economics, LLC, "The Availability of Unsubsidized Wireless and Wireline Competition in Areas Receiving Universal Service Funds" (June 13, 2007).

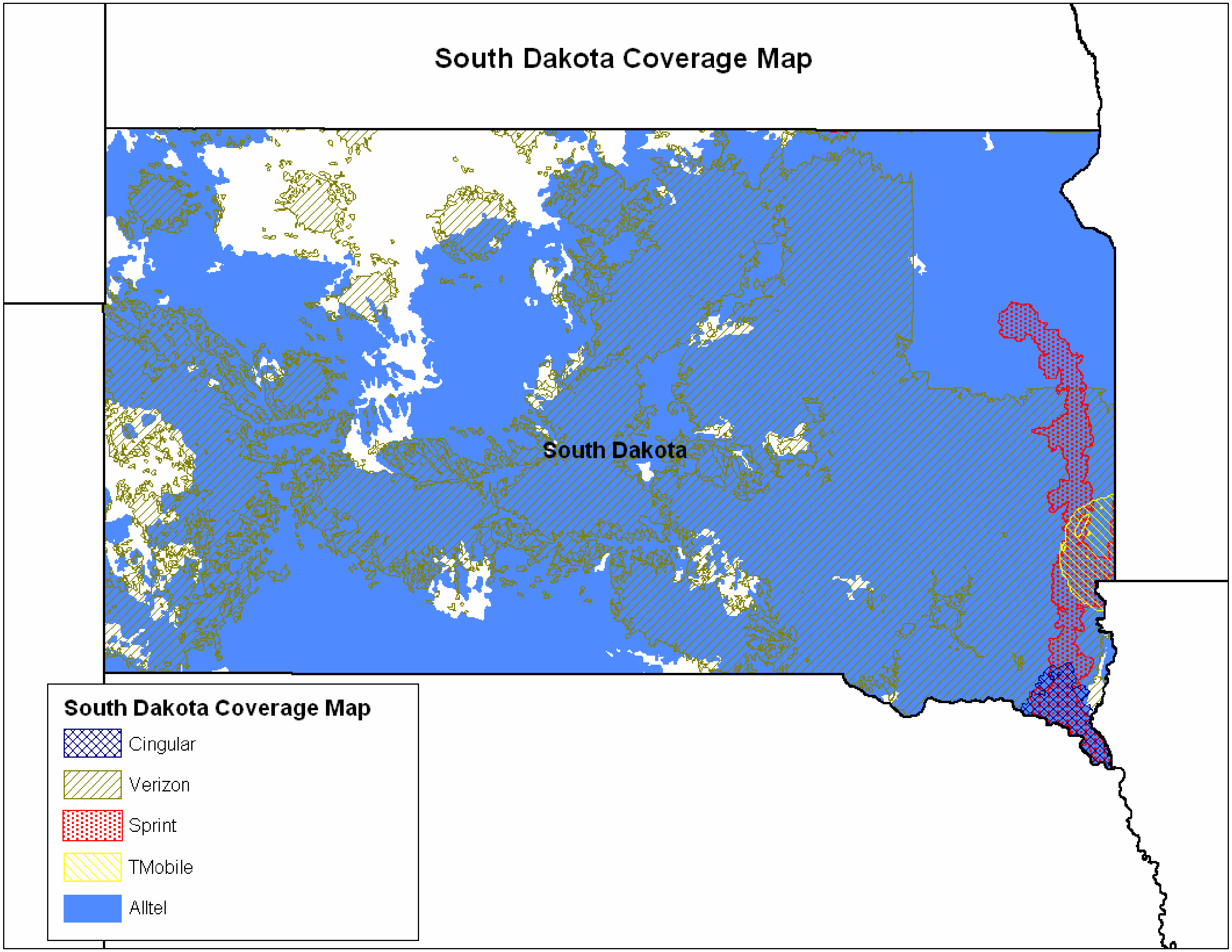
the analytical methods used in these papers, and the misleading premises for these analyses.

First, the data analysis in Criterion Economics' Vantzelfde paper, (on which the conclusory opinions in the Caves/Eisenach papers are based, relies heavily and improperly on wireless carriers' websites' retail coverage maps as a tool to determine where service is available. The result is a highly misleading picture of where wireless service is actually available. In fact, Alltel, which as a CETC is obligated to satisfy rigorous service and build-out standards, provides much more extensive service in rural states where it receives support, such as Montana and South Dakota, than carriers that do not have CETC status in those states (*e.g.*, Verizon Wireless, AT&T, Sprint, and T-Mobile).

The coverage map in Vantzelfde's paper (p.13) shows most of Montana and South Dakota as served by "unsubsidized" wireless carriers that overlap CETCs' coverage. But a more granular analysis, drawn from engineering data collected by the American Roaming Network, makes it clear that Alltel has far greater facilities coverage than any of the four national carriers, none of which has CETC designation in these states. The maps below show areas where carriers' own network facilities provide coverage at -95 dBm or better. Notably, Alltel has facilities covering 95.1% of the population and 58.4% of the land mass in Montana; Verizon Wireless covers only 78.1% of the population and 13.1% of the land mass in Montana. Alltel's facilities serve 97.2% of the population and 86.2% of the land mass in in South Dakota; Verizon Wireless' network covers only 82.7% of the population and 52.8% of the land mass in South Dakota.



Montana Coverage Map
Montana
egon
Idaho
South Da
Montana Coverage Map
Cingular
Verizon
Alltel


South Dakota Coverage Map
South Dakota
South Dakota Coverage Map
Cingular
Verizon
Sprint
TMobile
Alltel

Montana				
Carrier	**CovgPOPs**	**CovgSqMi**	**%PopCovg**	**%SqMiCovg**
Cingular	752	126	0.1%	0.1%
Verizon	713,941	19,180	78.1%	13.1%
Sprint	0	0	0.0%	0.0%
Tmobile	0	0	0.0%	0.0%
Alltel	868,948	85,570	95.1%	58.4%
State	**914,130**	**146,600**		

South Dakota				
Carrier	**CovgPOPs**	**CovgSqMi**	**%PopCovg**	**%SqMiCovg**
Cingular	21,221	535	2.8%	0.7%
Verizon	629,597	40,600	82.7%	52.8%
Sprint	230,988	2,133	30.3%	2.8%
Tmobile	151,535	622	19.9%	0.8%
Alltel	739,792	66,320	97.2%	86.2%
State	**761,252**	**76,950**		

Note: Using American Roamer Coverage files to compute Pops and Sqmi

Criterion Economics reaches its erroneous conclusions about the overlap or "redundancy" of services being provided by wireless CETCs versus services offered by "unsubsidized" wireless carriers by examining coverage maps available on the carriers' websites. However, Criterion appears to misunderstand the nature and purpose of these "coverage maps," which as a general matter portray the locations at which their customers' handsets will receive a signal and can originate and receive calls, rather than showing in detail where carriers actually operate network facilities.[10]/ Criterion's vastly overstated portrayal of "unsubsidized"

[10]/ Some of the website coverage maps appear not to disclose that in many areas, a wireless carrier's "on-net" coverage is actually provided via roaming or a comparable arrangement involving resale of another carrier's service. Wireless carriers *with non-redundant* networks have large incentives to enter into such agreements, so as to provide their customers with the largest coverage possible without having to make unnecessary, uneconomic facilities investments. For example, Alltel has entered into such

carriers' coverage suffers from some of the same defects as certain other data compilations, such as that supplied by the FCC in its annual wireless competition reports. [11]/ The difference is that the Commission honestly discloses caveats about the likely overstatement of coverage in its analysis. Criterion Economics does not.

Second, the Vantzelfde paper (p.15) contains unsupported and inaccurate conclusions as to "incremental" coverage provided by CETCs. Criterion uses the misleading term "incremental coverage" to refer to areas that at present are served solely by CETCs and by no other "unsubsidized" carrier. But this fundamentally *static* definition gives no recognition to the *timing* of entry by the CETC vs. the "other" carrier. In Criterion's "analysis," a CETC could have commenced operations years before the arrival of a Verizon or other "national" carrier, but as long as both service areas now overlap, in Criterion's view the CETC is the one providing the "redundant" service. Indeed, if such "other" carrier were offering service

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arrangements with Verizon Wireless and other carriers to allow those carriers to extend their "on-net" coverage into areas where only Alltel has facilities. In such circumstances, there is no "redundancy" between the CETC and another carrier; in fact, the "other carrier" might well be unable to offer even roaming service to its customers but fur the presence of the CETC.

[11]/ "As mentioned in previous reports, there are several important caveats to note when considering the data. First, to be considered as 'covering' a county, an operator need only be offering any service in a portion of that county. Second, multiple operators shown as covering the same county are not necessarily providing service to the same portion of that county. Third, the figures for POPs and land area in this analysis include all of the POPs and every square mile in a county considered to have coverage. Therefore, our analysis overstates to some unknown and unavoidable degree the total coverage in terms of both geographic areas and population covered." *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act; Annual Report and Analysis*

exclusively via the use of the CETC's network, in Criterion's view the CETC – not the "other" carrier – would be the one providing the "redundant" service.

Third, the Criterion studies proceed from an unrealistic static snapshot of the marketplace, using static assumptions as to the extent of wireless CETC network deployment at a single point in time. Examining coverage in 2007 does not provide a valid basis to demonstrate where and to what extent USF funding of CETCs has allowed a CETC to deploy facilities in an otherwise unserved market *in the past*. Criterion also makes no attempt to account for ongoing network construction and deployment activities. And they improperly assume static amounts of USF funding, based on "the cumulative amount of support for 2003-2006," Caves/Eisenach at 34, and fail to consider the dynamic impact of high-cost support (in the future as well as the present) on wireless CETCs' deployment decisions over time.

Fourth, the Criterion studies misleadingly overstate the extent of overlap between areas served by wireless CETCs and areas served by "unsubsidized" carriers, by basing its population calculations on the entirety of large ILECs' study areas. The Vantzelfde paper (pp.9-14) purports to show that some 147.7-million people, or roughly half of the total US population, reside in areas where service is purportedly "available" from at least one wireless CETC. This preposterous

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of Competitive Market Conditions With Respect to Commercial Mobile Services, Eleventh Report, 21 FCC Rcd 10947 (2006).

conclusion is based upon wireless coverage maps publicly available on carrier websites, Census Bureau population counts, and *entire ILEC study area boundaries*. By using the full ILEC study area boundaries -- which in the case of RBOCs often includes most or all of an entire state -- Criterion has incorrectly attributed huge counts of population as being "covered" by a CETC, where in reality only a portion of such a study area is eligible for USF funding. Moreover, the study does not recognize that CETCs often are designated for only a limited number of wire centers within a large ILEC's study area.

Most critically, the studies vastly overstate the population in areas where wireless CETCs *are receiving high-cost funding*, by failing to account for the fact that both ILECs and CETCs receive Interstate Access Support ("IAS") only in a limited number of "density zones" in a given non-rural "study area," and receive High-Cost Model ("HCM") funding only in a limited number of wire centers in those few states where such funds area available mechanisms..[12]/ Instead of counting the population that resides

[12]/ Criterion's Figure 6 at page 10 purports to show study areas where wireless CETCs receive USF funding. A close analysis of this map reveals that Criterion has included in its population counts of CETC-eligible areas a number of major metropolitan areas in the US that are decidedly not eligible to receive High Cost USF funds. These include New York City, Long Island, Westchester, Albany, Syracuse, and Buffalo (in New York); Tampa, St. Petersburg, Miami and Orlando (in Florida); San Francisco, San Jose, San Diego, and Los Angeles (in California); as well as Denver CO, Seattle WA, Minneapolis MN, and Albuquerque *NM, among others*. New York City alone has a population of approximately 8.5-million, which represents fully 5.5% of the population count that Criterion has included as being "covered" by a CETC. USAC's quarterly filings provide detailed tables showing the per-line IAS funds disbursed in each zone and the per-line HCM funds disbursed in each separate wire center. These resources confirm that in every one of the cities noted above, no IAS or HCM funds are available.

in the specific zones and wire centers that receive support, it appears that Criterion included the population of the *entire* ILEC study area that is purportedly "covered" by a CETC. Population estimates of the study area zones eligible for USF support could have been estimated; by electing not to do so, however, Criterion has presented highly misleading and exaggerated data as to the actual extent to which CETC support is available.

These patently inaccurate population counts provide the foundation for almost every analysis included in the Criterion study, including the incremental coverage analysis, carrier-by-carrier case studies, and the regression analysis presented in the Caves/Eisenach paper to measure the effects of CETC USF funding. All of these analyses are flawed as a result of this basic data element, and cannot provide any reliable evidence as to CETC coverage, or the effects of USF funding for CETCs.

The foregoing simply represent flaws in Criterion's data analysis and methodology. More significant by far are the defects in the studies' public policy analysis. Contrary to Criterion's flawed assessment, the presence of multiple wireless carriers (including one or more not eligible for CETC status) in a given geographic market in no way provides a legitimate policy basis for capping or eliminating USF support. For example, the studies purport to examine in depth the impact of high-cost funding to wireless CETCs upon the availability of service, the number of competitive choices available in an area, and the proportion of consumers with multiple competitive options. (Caves/Eisenach at 32) But they make no effort to examine whether funding to *ILECs* has any impact upon the same variables. They simply assume implicitly that ILEC funding is appropriate at current levels.

Alltel strongly suspects that the subsidy funding disbursed to ILECs – over 3/4 of the total high-cost fund -- has little or no impact on the availability of service in rural areas or the range of competitive choices available to consumers with respect to the voice services currently supported by the high-cost program. For example, Verizon's landline telephone companies receive approximately $250 million of high-cost funding each year. Criterion Economics does not even consider, and Verizon has made no showing, that these hundreds of millions of dollars of ratepayer contributions had any impact whatsoever on the incremental availability of network facilities or competitive choices for consumers. The funds disbursed to Verizon bear absolutely no relationship to the company's actual costs or network investments..[13]/ These funds most likely go straight to Verizon's bottom line. By contrast, every dollar of funding disbursed to Alltel and other wireless CETCs must be spent on maintaining and improving the supported facilities and services, and is subject to stringent and rigorous oversight by the FCC and virtually all state commissions. The FCC now requires FCC-designated CETCs to

[13]/ The U.S. Supreme Court has expressed concern about the FCC's finding nearly a decade ago that Verizon's and other ILECs' "book costs may be overstated by approximately $5 billion." *Verizon Communications, Inc. v. FCC*, 535 U.S. 467, 518 (2001).

submit detailed 5-year plans for how funds will be used to improve service for consumers, 47 C.F.R. § 209(a)(1), and many states have similar requirements. So every dollar of funding taken away from wireless CETCs via a funding cap or other policy change represents a dollar less investment in wireless services in rural areas.

CONCLUSION

Alltel appreciates the opportunity to provide this information to the Commission to assist in the development of beneficial public policy related to the designation and certification of ETCs in Florida. Alltel has provided the reasons that the Commission should generally adopt the standards established by the FCC in its March 17, 2005 universal service order, with the exception of the requirement for a five-year service improvement plan which should be replaced with a requirement for a rolling two-year service improvement plan. Alltel looks forward to continuing to work with the Commission to bring the benefits of wireless universal service to consumers in Florida, thereby providing them with the same benefits that consumers in other states are already enjoying.