**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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| In re: ETC Policy Workshop | ) | Undocketed |
| | ) | Filed: August 31, 2007 |

**POST-WORKSHOP COMMENTS OF VERIZON FLORIDA LLC**

Verizon Florida LLC ("Verizon") submits these comments in compliance with Staff's direction at the workshop held on August 20, 2007 that post-workshop comments be filed by August 31, 2007. Verizon provides introductory comments below followed by initial responses to the questions posed by staff prior to the August 20 workshop.

## INTRODUCTION

It would be premature to start extensive generic proceedings concerning eligible telecommunications carrier ("ETC") policy while federal action on the same subject is pending. On May 1, 2007, the Federal-State Joint Board on Universal Service recommended that the FCC impose an interim, emergency cap on the amount of high-cost support that competitive ETCs ("CETCs") may receive for each state based on the average level of CETC support distributed in that state in 2006.[1] The joint board further recommended that the cap remain in place until a year after it makes recommendations concerning comprehensive high-cost universal service fund ("USF") reform. The FCC soon afterward issued a Notice of Proposed Rulemaking on the joint-board's recommendation.[2] Because of the short-term and longer term changes to the high-cost USF under consideration, which may change federal policy concerning CETCs, moving

[1] *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, Recommended Decision, FCC 07J-1 (Fed.-State J. Bd., rel. May 1, 2007).
[2] *Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-4, Notice of Proposed Rulemaking (rel. May 14, 2007).

forward now with an extensive generic proceeding would not be an efficient use of Commission resources.

Verizon respectfully submits that the best way for the Commission to address USF policy would be to support federal reform of the USF program, as it did in its recent comments to the FCC concerning the joint board's recommendation. Such reform should include capping the growth of the high-cost fund, preventing inefficient and unnecessary subsidization of CETCs, and implementing innovative programs such as reverse auctions for CETCs. Such system-wide reform would be the most effective way to address USF issues, and would resolve many if not all of the ETC issues raised by staff before the August 20 workshop.

If the Commission nevertheless decides to move forward with a generic ETC proceeding, it should do so consistent with the concerns it already has expressed about the explosive growth of the USF. The Commission noted in its June 21, 2007 comments to the FCC that it supported the joint board's recommendation for an interim cap. The Commission stated that "the growth in the number of [CETCs], and the support they receive, has strained the program. . . . The escalation of the fund's size threatens the affordability that the program is intended to safeguard."

Verizon agrees that the current USF and distribution systems are not sustainable. The USF has grown from $1.8 billion in 1996 to $7.2 billion today, and consumers have paid for these increases through increasing surcharges on their bills. High-cost support to CETCs alone has grown from about $15 million in 2001 to about $1 billion in 2006. Left unchecked, it will skyrocket to $2.5 billion by 2009, with no assurance of a corresponding increase in service availability. CETCs should not be allowed to create or maintain wholly duplicative networks founded solely on subsidies from the USF, at a time when USF support mechanisms are already strained and the high cost fund is growing at an alarming rate.

Verizon's initial responses below to Staff's questions reflect its agreement with the Commission's concern about the growth of the USF caused by CETCs and the need to address that significant problem.

Respectfully submitted on August 31, 2007.

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## INITIAL RESPONSES TO STAFF'S QUESTIONS

**1. What is the role and authority of the FPSC in the USF process?**

**Verizon response:** The Commission's authority concerning the federal USF process arises from section 214(e) of the Telecommunications Act of 1996.

**2. How many ETCs should be designated in a rural wire center?**

**Verizon response:** The Commission should designate ETCs in rural study areas consistent with an appropriate public interest analysis that takes into account all relevant factors.

**3. How many ETCs should be designated in a non-rural wire center?**

**Verizon response:** The Commission should designate ETCs in non-rural study areas consistent with an appropriate public interest analysis that takes into account all relevant factors.

**4. If a limit is set on the number of ETCs designated in a wire center, how should it be decided which ETC(s) serve it? e.g., one wireline & one wireless?)**

**Verizon response:** Verizon advocates the use of reverse auctions to determine which providers would be subsidized in a rural and non-rural wire centers.

**5. How should "Public Interest" be determined for ETC designation in a rural area?**

**Verizon response:** Consistent with the FCC's guidance on this issue, the Commission should consider factors including (1) the benefits of increased consumer choice and the unique advantages and disadvantages of the applicant's service offering; and (2) in areas where an applicant seeks designation below the study area level of a rural telephone company, the results of a creamskimming analysis conducted by the Commission. Such a creamskimming analysis should include: (a) a comparison of the population density of and the extent the applicant's coverage within each wire center in which the applicant seeks designation against that of the wire centers in the study area in which the applicant does not seek designation; (b) the existing facilities of the applicant throughout the wire center and the degree to which resale will be relied upon in these areas for service to the wire center by the applicant; and (c) the densities of the areas in which the applicant will rely on resale and whether they vary significantly from the densities of the areas served with the applicant's own facilities. In its creamskimming analysis, the Commission should consider other factors, such as disaggregation of support by the incumbent local exchange carrier.

**6. Can a state apply a "Public Interest" standard found in s. 214(e)(2) of the Telecommunications Act of 1996, to carriers seeking ETC status in non-rural**

**study areas?  If so, how should "public Interest" be determined for ETC designation in a non-rural area?**

**Verizon response:** Consistent with the FCC's guidance, the Commission may and should apply a public interest standard when evaluating applications for non-rural study areas. As the FCC has noted, many of the same factors should be considered in evaluating the public interest for both rural and non-rural areas.

**7. What additional criteria should be required to obtain ETC status for high-cost funds? (e.g. USF funds must be invested in Florida? USF funds must be used in unserved areas?)**

**Verizon response:** The ETC designation process is not specific to particular USF programs. The federal criteria for designating an ETC are set forth in 47 C.F.R. § 54.202.

**8. Pursuant to s. 214(e)(1), should an entity be required to establish its ability to serve all customers of the current ETC, if the incumbent ETC relinquishes its designation?**

**Verizon response:** No position.

**9. In Order No. PSC-07-0288-PAA-TP, the FPSC concluded that "….we now have jurisdiction to consider CMRS applications for ETC designation." Given that the FCC's jurisdiction to designate a carrier as an ETC, in s. 214(e)(6) of the Telecommunications Act of 1996, is premised on a state commission not having jurisdiction, can the FCC designate any additional carriers within Florida?**

**Verizon response:** No position.

**10. Can the FCC continue to perform annual certification of carriers that it has designated if it no longer has jurisdiction under s. 214(e)(6) of the Telecommunications Act of 1996?**

**Verizon response:** No position.

**11. Should an ETC be required to offer <u>all</u> supported services pursuant to 47 C.F.R. s. 54.101(a)(1), not just, e.g., Lifeline and Link-Up?**

**Verizon response:** No position.

**12. If an ETC uses its ETC designation only for the purposes of providing Lifeline service, should a waiver be sought of other requirements to offer services? What is the extent of the FPSC's authority to grant such waivers?**

**Verizon response:** No position.

**13. What can Florida do to relinquish its role as being the number one net contributor to the USF fund?**

**Verizon response:** The Commission should continue to support federal reforms of the USF program, including implementing reverse auctions and capping CETC subsidies.

**14. In considering the "Public Interest" standard for ETC designation, to what degree should the following aspects be considered:**

**a. The benefits of increased customer choice?**

**Verizon response:** It is unlikely that subsidies to additional ETCs will bring more competitive choices to Florida consumers. See attached study by Criterion Economics.

**b. The impact of the designation on the universal service fund?**

**Verizon response:** Given the amount Florida currently pays into the fund ($336 million), the Commission should carefully consider the impact that designating CETCs would have on the fund.

**c. The unique advantages and disadvantages of the competitor's service offering?**

**Verizon response:** Features of the applicant's service offering are unlikely to be a significant consideration as long as the service offered by the applicant has a local usage component comparable to the incumbent.

**15. How should the comparable local usage requirement of ETC designation be considered?**

**Verizon response:** No position.

**16. Should the amount of per-line support received by the incumbent LEC be a consideration in ETC designation?**

**Verizon response:** The Joint Board is expected to make a recommendation on this issue. The Commission can address this issue best by providing pro-reform comments at the federal level.

**17. Should a requirement of one line per household for USF be imposed? Does the FPSC have the authority to take such action?**

**Verizon response:** Such a requirement could help control the size of the fund. Verizon takes no position, however, on whether the Commission has the authority to impose such a requirement.

**18. Should ETCs be required to list the projects and locations of all projects for which USF funds will be used in their five-year plans? Should ETCs be required to provide an explanation if a project isn't completed by the time of the next annual recertification?**

**Verizon response:** Non-ILEC carriers filing ETC applications with the FCC are required to list their proposed network build-out plans under 47 C.F.R. § 54.202(a)(1)(ii), which requires an applicant to:

Submit a five-year plan that *describes with specificity* proposed improvements or upgrades to the applicant's network on a wire center-by-wire center basis throughout its proposed designated service area. Each application shall demonstrate how signal quality, coverage or capacity will improve due to the receipt of high-cost support; the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; the specific geographic areas where the improvements will be made; and the estimated population that will be served as a result of the improvements. If an applicant believes that service improvements in a particular wire center are not needed, it must explain its basis for this determination and demonstrate how funding will otherwise be used to further support the provision of supported services in that area.

(Emphasis added.) The Commission should impose a similar requirement in Florida.

**19. How should benefit be measured of adding plant in a wire center using USF funds? (e.g., more customers? More handsets? Better coverage?)**

**Verizon response:** No position.

**20. What criteria should be used to determine if an ETC is meeting the Lifeline and Link-Up advertising requirements?**

**Verizon response:** An ETC must comply with the Lifeline and Link-Up advertising requirements in 47 C.F.R. § 54.405(b), which states that ETCs must "publicize the availability of Lifeline service in a manner reasonably designed to reach those likely to qualify for the service." In addition, ETCs in Florida must adhere to the additional obligations mandated by the Commission, including annual bill inserts or notices of the availability of Lifeline.

**21. What criteria should be met if an ETC decides it wishes to relinquish its ETC designation?**

**Verizon response:** The following federal regulation addresses relinquishment of ETC status:

47 C.F.R. § 54.205

(a) A state commission shall permit an eligible telecommunications carrier to relinquish its designation as such a carrier in any area served by more than one eligible telecommunications carrier. An eligible telecommunications carrier that seeks to relinquish its eligible telecommunications carrier designation for an area served by more than one eligible telecommunications carrier shall give advance notice to the state commission of such relinquishment.

(b) Prior to permitting a telecommunications carrier designated as an eligible telecommunications carrier to cease providing universal service in an area served by more than one eligible telecommunications carrier, the state commission shall require the remaining eligible telecommunications carrier or carriers to ensure that all customers served by the relinquishing carrier will continue to be served, and shall require sufficient notice to permit the purchase or construction of adequate facilities by any remaining eligible telecommunications carrier. The state commission shall establish a time, not to exceed one year after the state commission approves such relinquishment under this section, within which such purchase or construction shall be completed.

**22. What are the differences in the requirements to be an ETC versus the requirements of a carrier of last resort (COLR)?**

**Verizon response:** No position.

**23. Do the responsibilities associated with ETC designation differ from those afforded a COLR under state law? If so, what are the differences and similarities?**

**Verizon response:** No position.

**24. Should a company which is a reseller and who also leases network elements be required to have a certain percentage of customers served by the leasing of network elements to meet the "own facilities" requirement?**

**Verizon response:** No position.

**25. What percentage of wireless CETC support should go to new towers in unserved areas?**

**Verizon response:** No position.

**26. What other issues need to be addressed when considering ETC policy?**

**Verizon response:** No position