

The UTC shares the concerns of the petitioning parties and those recently expressed by Chairman Wheeler⁵ concerning the potential effects of an immediate implementation of the result of the urban rate survey. Immediate implementation would lead to a dramatic increase in the residential telephone rates that many small eligible telecommunications carriers (ETCs) in Washington and across the nation must have in place by July 1 of this year in order to continue to receive the full level of high cost loop support (HCLS) provided from the Connect America Fund (CAF). As the petitioning organizations indicate, the contemplated increase in the urban rate floor from its current level of \$14.00 per month to \$20.46 per month is a dramatic price increase that, without a change or waiver of current Commission rules to allow some tempering, would be implemented within a very short period of time in order to maintain CAF funding levels prospectively.

The UTC supports the petition and urges the Commission to adopt both a delay in implementation of the new urban rate floor and a phase-in, rather than a flash cut increase of the urban rate floor of nearly 50 percent.

The Commission's new urban rate floor of \$20.46 is substantially higher than the prevailing single party residential telephone rates in the Washington services areas of the two largest incumbent telephone companies in the state, CenturyLink and Frontier Communications. The current stand-alone single party residential rate for CenturyLink and Frontier in most urban areas of Washington is \$13.50 and \$17.90 per month, respectively,⁶ well below the new urban rate floor determined by the Wireline Competition Bureau. These are the prevailing rates in

⁵ Testimony of Chairman Wheeler before the Subcommittee on Financial Services and General Government, Committee on Appropriations, Hearing on the FCC's Fiscal 2015 Budget Request, U.S. House of Representatives (March 25, 2014).

⁶ In accordance with a recently Alternative Form of Regulation Plan, CenturyLink's prevailing stand-alone single party residential rate will increase to \$15.00 per month beginning in May 2014. UTC Docket No. UT-130477, Final Order Approving Settlement Agreements And Establishing Alternative Form Of Regulation (Jan. 9, 2014).

virtually all of Washington's major metropolitan and suburban areas including, but not limited to, Seattle, Tacoma, Everett, Spokane and Vancouver. In the less urban areas of the state, where virtually all of Washington's smaller incumbent telephone companies provide local telephone service, all of the companies' current residential telephone rates are at or above the current urban rate floor of \$14.00 per month.

The UTC recognizes and accepts that local telephone rates should be comparable in urban and rural areas and that incumbent telephone companies that rely to some degree on federal CAF support should increasingly look to their own end users for a greater portion of their revenues through higher local rates. However, the UTC respectfully suggests that immediate implementation of the new urban rate floor would have a deleterious effect in Washington's rural areas if implemented within the next few months. Not only would rural telephone rates in large portions of the state rise dramatically, they would leapfrog the prevailing local telephone rates in the more urban areas of the state.

Recent legislation in Washington reflects the state's desire to prevent unreasonable and dramatic price increases in the rural areas served by smaller incumbent telephone companies. The legislation, which established a small state universal communications program, requires the UTC to oversee a temporary fund intended to assist Washington's smaller incumbent telephone companies adjust to the realities of a rapidly changing telecommunications marketplace.⁷ The new state universal communications program reflects Washington's commitment to make transitory support available to the state's smaller telephone companies in light of the changes in federal funding such carriers are experiencing pursuant to the Commission's *USF/ICC*

⁷ 2013 Wash. Laws, ch. 8, 12d SSHB 1971, 63rd Legislature, 2d ex. sess..

Transformation Order.⁸ Should the Commission proceed with implementation of the new urban rate floor by forcing the residential rates of Washington's smaller telephone companies to \$20.46 per month, well past the prevailing rates in Washington's urban areas, it would lead to a result contrary to the express intent of the Washington Legislature.

In addition to the objectionable consequence of implementing a dramatic and sudden residential price increase, there are also practical considerations concerning the timing of necessary actions by regulated telephone companies and state commissions in executing rate increases. Because the Commission released the results of the urban rate floor on March 20, 2014, there remains a very narrow window for affected companies and state commissions to make the required rate changes to avoid a reduction in federal CAF support for having rates below the new urban rate floor. Although the UTC has worked diligently and swiftly with affected telephone companies for past increases associated with the prevailing urban rate floor, having to administer a number of formal rate proceedings, even on an expedited basis, to meet the July 1, 2014 deadline will be extremely difficult to accomplish. Accordingly, along with its support for a phase-in of the new urban rate floor, the UTC strongly supports the petitioners request for a delay in implementing the new urban rate floor to January 2, 2015.

⁸See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17694, 17751, paras. 84-85, 238 (2011) (*USF/ICC Transformation Order*), *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. argued Nov. 19, 2013).

Respectfully submitted this 31st day of March, 2014.



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