

ISSUE ALERT

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FCC USF Notices of Proposed Rulemaking

On January 29, 2008, the FCC released three Notices of Proposed Rulemaking (NPRMs) related to federal USF. In the first NPRM, the FCC seeks comment on the USF Joint Board recommendation from November 20, 2007, in which the Joint Board recommended the establishment of three separate high cost funds – broadband, mobility, and providers of last resort - and the elimination of the identical support rule that allows competitive eligible telecommunications carriers (CETCs) to receive the same per line support as incumbent local exchange carriers (ILECs).

In the second NPRM, the FCC seeks comment on its tentative conclusion to eliminate the identical support rule. The FCC also seeks comment on its tentative conclusion to provide support to a competitive ETC based on its own costs of providing the supported services. The FCC then seeks comment on methodologies for determining a CETC's relevant costs for universal service support purposes, including, specifically, the WiCAC proposal that GVNW was instrumental in developing. In addition, the FCC seeks comment on other matters related to how the support should be calculated, including the appropriate reporting obligations, and whether it should cap such support at the level of the incumbent LECs.

In the third NPRM, the FCC seeks comment on the merits of using reverse auctions (a form of competitive bidding) to determine the amount of high-cost universal service support provided to ETCs serving rural, insular, and high-cost areas. In a reverse auction, support generally would be determined by the lowest bid to serve the auctioned area. The FCC tentatively concludes that reverse auctions offer several potential advantages over current high-cost support distribution mechanisms, and that it should develop an auction mechanism to determine high-cost universal service support. The FCC seeks comment on a number of specific issues regarding auctions and auction design that must be resolved in order for it to implement an auction mechanism.

Rural LECs are likely to be in general agreement that a number of the FCC's tentative conclusions are good ideas. But there is likely to be a divergence of opinions in the rural LEC community about some of the FCC's other tentative conclusions. Given the potential impact on your revenue streams from the FCC's decisions on these issues, GVNW encourages you to review the NPRMs. GVNW will be filing comments on the NPRMs and we want to ensure that our comments are reflective of your positions and concerns. Accordingly, we will provide further information on these issues as our comments are being developed and we encourage you to contact us with any questions or concerns you may have about the NPRMs. You can obtain copies of the NPRMs here:

- NPRM on Joint Board RD: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-08-22A1.pdf
- NPRM on Identical Support: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-08-4A1.pdf
- NPRM on Reverse Auctions: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-08-5A1.pdf



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