



Competition Bureau (“Bureau”) extend the deadline for compliance with the new, as yet unannounced, 2014 local service rate floor<sup>7</sup> from July 1, 2014, to January 2, 2015.<sup>8</sup> Subsequent adjustments to the local rate floor, as needed, should then be made annually on January 2 and mid-year corrections should be permitted on July 1 of each succeeding year.

Rate-of-return eligible telecommunications carriers (“ETCs”) must be at the local rate floor for voice services in order to receive the full amount of high cost loop support (“HCLS”). Price cap ETCs must be at the local rate floor for voice services to receive the full portion of frozen support attributable to HCLS and/or model support.<sup>9</sup> This year, for the first time, the local rate floor will be established based on information collected in the Bureau’s urban rate survey on local residential rates for voice services.<sup>10</sup> As of the date of this request, the Bureau has not issued a public notice informing ETCs of the 2014 local rate floor.<sup>11</sup>

Due to the numerous forms of earnings or rate regulation in the states, there are varying time lags between when an ETC notifies the state regulatory body and when the ETC is authorized to change the local rate. These can range from a full-blown traditional rate case to a simple customer notice. Since many states require telephone companies to provide notice to state regulatory bodies or customers prior to implementation of local rate increases, even a

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<sup>7</sup> See §54.318(f).

<sup>8</sup> To be in compliance with the July 1, 2014 rate floor, carriers must certify to rates in effect as of June 1, 2014 (see §54.313).

<sup>9</sup> See §54.318(d) and §54.309.

<sup>10</sup> See §54.318(f)(3). See also Public Notice, Wireline Competition Bureau Announces Timeline for Completion of Urban Rates Survey, WC Docket No. 10-90 (rel. Dec. 16, 2013).

<sup>11</sup> The very brief and necessary extensions provided to several ETCs of the date for submission of the urban rate survey data have little if any impact on the inadequacy of the time period for seeking local rate increases, as the additional time needed to obtain such increases is best measured in months, not days.

simple customer notice can require substantial lead time.<sup>12</sup> It is also safe to assume that a large volume of local rate increases, and/or requests for relatively large local rate increases, will take

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<sup>12</sup> States have an assortment of notice requirements that may apply to customers, regulatory bodies or both. Customer notifications must be made following decisions issued by state regulatory bodies, so the time required for these notifications reduces the time available to allow ETCs to comply with the Bureau's current June 1 deadline for rates to be in effect. The following is an illustrative list of states with notification requirements: **Alabama** – Rate increases are capped at 5 percent. Also requires 30-day customer notice of an increase in rates; **California** – Rate case required for rate increase; **Colorado** – State commission approval required along with 30-day customer notice; **Georgia** – Can only file with the state commission in January to the state maximum rate, currently \$18.49. Also requires 30-day customer notice of a rate increase; **Iowa** – Rate increases require notice to the Iowa Board of Utilities and 30-day notice to the end user (Iowa Code § 476.97); **Maine** – Rate case needed for rate increase; **Minnesota** – Rate-of-return carriers with fewer than 30,000 lines can petition for rates to be effective within 30 days, while non-rate-of-return regulated companies can amend rates on 60 days' notice. (Minnesota Stat. §§ 237.01, 237.075). However, common practice for rate-of-return companies contemplates a 45-day process, and non-rate-of-return amendments are commonly subject to a 75-day process; **Mississippi** – 4% rate increase cap. Also requires 30-day customer notice of a rate increase and 30 days for the tariff to become effective; **Missouri** – Rate case needed for rate increase; **Nevada** – 30-day notice period for a tariff filing followed by being placed on the Nevada Commission's semi-monthly agenda for approval; **New York** -- \$2 rate increase cap; **North Carolina** – 5% rate increase cap; **Ohio** -- \$1.25 rate increase cap; **Oklahoma** – 60-day customer petition process; **Oregon** – 45-day customer petition process; **Tennessee** – Requires 30-day customer notification of a rate increase and 21 days for the tariff to become effective; **Texas** – Rates can be increased only with notice to the consumer and a 10-day filing period with the state commission. Rates can be increased 50% in a 12-month period, but the commission process is subject to consumer participation that could affect a company's ability to implement desired changes (Texas HB 2680 (2011), amending Texas Utilities Code § 53.304); **Washington** –For the first two rounds of local rate floor filings, the Washington Commission has processed rate increase applications in sixty days, on average. By law, the process for increasing local rates can take up to ten months after a filing is suspended until the Washington Utilities and Transportation Commission issues an order. (Wash. Rev. Code §80.04.130(1)(2008). Under the state commission's rules, if the commission determines that it will follow its normal ratemaking process, carriers must provide substantial information, including full financial support for the increase in rates. (Wash. Admin. Code § 480-07-510)(2008); **Wisconsin** – Although tariffs are effective when filed (2009-2010 Wis. Stat. Chap. 196.91(d)(1), local regulations mandate a 25-day subscriber notice period. (WI Dept. Agriculture, Trade, Consumer Protection Administration Rule (123.04(1). Since most local exchange carriers bill once per month, this notice requirement generally expands to approximately 30 days. Moreover, compliance with the subscriber notice obligation requires provision of the appropriate language several days before a closing deadline; for carriers billing at the 30<sup>th</sup> day of the month, billing messages would typically be established by the 20<sup>th</sup> day of

time to work through state commissions that retain jurisdiction over local rates. Many of the legal and regulatory resources used by small companies to apply for local rate increases will be overwhelmed as many small companies will need to move forward in a very short period of time with local rate increases. The same is true for the internal resources of price cap companies serving multiple states. Some ETC cooperatives' bylaws require board of director votes accepting proposed local rate increases, and it is frequently the practice of both cooperative and commercial telephone companies to reflect board of director approval in board meeting minutes. Even if all these legal, regulatory, and customer notification hurdles are overcome prior to June 1, billing systems must be updated to reflect the new rates. Further complicating billing changes are impacts on other lines of the customer bill, such as fees based on the local rate or total bill amounts.

If a public notice with the new local rate floor was issued in mid-March 2014, ETCs would have less than 90 days to apply for rate increases, have them approved and go into effect, provide customer notification in monthly bills, and update all billing systems by the June 1 deadline for rates to go into effect, which is required to make the necessary certification. Absent grant of the requested extension of time, ETCs unable to make that certification on a timely basis would lose support on a dollar for dollar basis to the extent their local rates (plus state regulated fees) do not meet the new 2014 local rate floor.<sup>13</sup> Section 54.318 of the Commission's rules specifically ensures that funds generated by support reductions due to the local rate floor will not flow to other rate-of-return ETCs that receive HCLS, but rather will be used to fund other

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the month. In sum, the marriage of local regulations to typical billing processes contemplates at least 35 days after an internal rate decision has been made.

<sup>13</sup> While ETCs may be able to avail themselves of the mid-year update option provided in §54.313(h)(2) of the Commission's rules by certifying rates in effect as of December 1, 2014, this option does not provide retroactive adjustment of support amounts.

aspects of the CAF. Thus, the total amount of HCLS allocated to rate-of-return carriers would decline, further discouraging broadband investment. ETCs and their customers should not be penalized due to the inadequate period allotted for meeting the new, as yet unannounced, 2014 local rate floor.

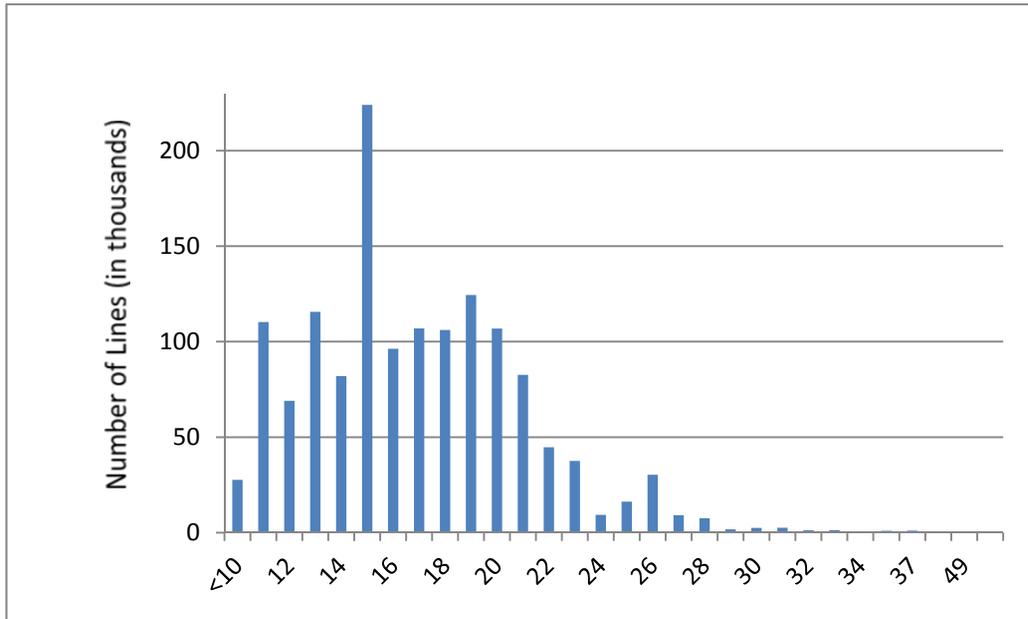
Regardless of the level of the new, higher local rate floor, a substantial number of rate-of-return ETCs will have to raise local rates. Obviously, the higher the new local rate floor, the greater the number of rate-of-return ETCs needing to seek local rate increases. NECA has updated the local rate chart that was included in the USF Transformation Order,<sup>14</sup> for lines receiving HCLS in the NECA traffic sensitive pool. These data demonstrate the extent of the challenge facing small rate-of-return carriers.<sup>15</sup> If the Commission raises the local rate floor as a result of the urban rate survey to \$16, about 700,000 rural customers served by NECA pool members will incur a sudden rate increase. If the local rate floor is raised to \$18, about 900,000 rural customers will incur a sudden rate increase, and if the rate floor is raised as high \$20, about 1.2 million customers will incur sudden rate increases.

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<sup>14</sup> See Figure 6, “Total Impacted Access Lines”, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, FCC 11-161 (2011) (*USF/ICC Transformation Order*).

<sup>15</sup> The NECA data are as of January 1, 2013, and therefore do not reflect rate increases implemented after that date.

### Total Impacted Access Lines\*



### Total Local Charges\*\*

***\*Total Impacted Access Lines are residential lines in NECA's Traffic Sensitive Pool receiving High Cost Loop Support.***

***\*\* Total local charges as of January 1, 2013, including standalone R1 rate, mandatory EAS, additional mandatory basic local rate, state SLC and state USF. The charges exclude E911, TRS and Federal SLC, per the FCC local rate floor definition.***

The extension of time requested herein for 2014, and the new date of January 2 for subsequent years, will provide ETCs and state commissions sufficient time this year and in following years to adjust rates and avoid loss of universal service high-cost funding. The Bureau should promptly grant the request of the Associations and extend the date for compliance with the new 2014 local rate floor from July 1, 2014, to January 2, 2015, and January 2 thereafter, with provision for an annual July 1 mid-year correction.

Respectfully submitted,

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<b>Proceeding</b>	
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<b>Contact Info</b>	
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