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WIRELINE COMPETITION BUREAU ANNOUNCES \$20.46 AS NEW BENCHMARK RATE FOR VOICE SERVICES

On March 20, 2014, the Wireline Competition Bureau ("Bureau") announced the results of the long anticipated urban rate survey for voice services that will be used as the floor rate for incumbent Eligible Telecommunications Carriers ("ETC") for 2014. The Bureau also calculated a Reasonable Comparability Benchmark for voice services that includes both state and federal mandatory charges based on the price of voice services offered by all ETC voice providers in urban areas. However, the Bureau is seeking comments on a recent petition to extend the deadline for compliance with the 2014 floor rate and is seeking comments regarding a possible phase-in of the floor rate.

WHAT IS THE NEW FLOOR RATE

In the FCC ICC / USF Transformation Order (released November 18, 2011), a three year phase-in of basic local rates was implemented with a floor rate of \$10.00 for 2012 and floor rate of \$14.00 for 2013. For 2014, the floor rate was to be based upon a survey of the average urban local rates. According to the Bureau, the results of the survey of ETC local exchange carriers for local end user rates plus state regulated fees (state subscriber line charges, mandatory extended area service / extended local calling, and state USF surcharges) in urban areas is \$20.46. Therefore, this will be the new floor rate for 2014.

This average urban rate is higher than the industry was anticipating from the survey and there is some hope that the Bureau will allow a two year phase-in of the \$20.46 residential floor rate since some companies will need to increase their local rates by as much as \$6.46 to meet the new floor rate. However, the decision of whether there should be a phase-in to the latest floor rate will be addressed after the comment period announced by the Bureau.

THE NEW REASONABLE COMPARABILITY BENCHMARK

The Bureau also calculated a Reasonable Comparability Benchmark for voice services of \$46.96 based on the rates of all local flat-rate providers (both ILEC and non ILEC) plus federal subscriber line charges. The Bureau stated that the purpose of the Reasonable Comparability Benchmark is to ensure that local rates do not exceed urban rates. Thus,

this Reasonable Comparability Benchmark is a sort of ceiling on local rates that includes both state and federal mandatory charges.

WHAT ARE THE IMPORTANT DATES TO REMEMBER?

July 1, 2014 is the date ETC ILECs receiving high cost support must report the number of residential lines, as of **June 1, 2014**, that are below the mandated charge of \$20.46. They must also certify that its rates are not above \$46.96. **IMPORTANT NOTE:** To the extent an ILECs rates are below the \$20.46 floor rate, that carrier's support will be reduced on a dollar-for-dollar basis.

COMMENTS REGARDING EXTENDING THE TIME TO REPORT THE NEW FLOOR RATE AND PHASE-IN OF THE RATE OVER TIME

On March 11, 2014, several national associations filed a Joint Petition requesting that the deadline for compliance with the floor rate be extended from July 1, 2014 to January 2, 2015, and that subsequent adjustments should then be made thereafter annually. The Bureau has extended the time that interested parties may file an opposition to the Joint Petition to March 21, 2014 and any replies will be due by March 31, 2014. This period was extended to provide parties more time to comment on the petition, as well as any alternative approaches that would protect consumers while still ensuring a swift implementation of the Commission's obligation to ensure reasonably comparable rates. More specifically, the Bureau is seeking comments regarding a longer phase-in of the floor rate than the extension the petitioners requested.

If you have any questions about the 2014 floor rate, or need assistance in assessing whether your company needs to increase its residential rates to meet the floor rate or if you want to consider your company's alternatives regarding the floor rate, please contact your GVNW consultant.

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