

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON D.C. 20554**

In the matter of:

Federal-State Joint Board on)	CC Docket No. 96-45
Universal Service)	

**REPLY COMMENTS OF THE
MICHIGAN PUBLIC SERVICE COMMISSION**

Pursuant to the Federal Communications Commission's (FCC) procedural schedule established in the above docket, the Michigan Public Service Commission (MPSC) hereby submits its reply comments.

I. Introduction

The FCC requested comment on four issues related to the State-Federal Joint Board's Recommended Decision adopted on October 15, 2002. The recommendations are an effort to comply with the Tenth Circuit's decision that the FCC must develop further explanation on the FCC's Ninth Report and Order. The Ninth Report and Order established the federal high-cost universal service support mechanism for non-rural carriers. The MPSC offers reply comments on the four issues.

II. Modification of the Non-Rural High-Cost Support Mechanism

The MPSC believes that telephone rates in the United States are, in general, affordable and comparable. Therefore, the MPSC opposes the implementation of additional measures to permit states to demonstrate the need for additional funding. The

MPSC concurs with the New York State Department of Public Service (NYDPS) that the Joint Board has not demonstrated a need for additional funding for individual states.¹ States that require supplemental funding for universal service costs may wish to develop a state universal fund, instead of working toward adjusting the national program. The development of a supplemental rate mechanism at the national level would be cumbersome, costly, potentially litigious, and may lead to telephone rates that are not comparable throughout the country.²

III. Implementation of a Supplementary Rate Review Process

The MPSC believes that the implementation of a supplementary rate review process, as a part of the state certification, to assist the FCC in determining that eligible telecommunications carriers (ETCs) have rates comparable to the national rate benchmark would be acceptable. Telephone rates may vary between states due to local calling plans, state taxes and fees, and various subscriber line charges (SLCs) such as 9-1-1.

The MPSC concurs with the California Public Utilities Commission (CPUC) that the FCC may fulfill the Tenth Circuit's requirement by ordering states to provide information on basic service rates in high-cost areas, to ensure comparability between rural and urban rates.³

¹ CC Docket 96-45, Comments of the New York State Department of Public Service, pg. 2.

² CC Docket 96-45, Comments of the California Public Utilities Commission, pg. 14.

IV. States To Certify Basic Service Rates Comparable to National Urban Rate Benchmark

The MPSC concurs with the CPUC that a nationwide urban rate benchmark will “inflate” the universal service fund and create an imbalance in the comparability between urban and rural rates.⁴ The universal service fund equation was designed to provide the necessary funds for specific programs, while not being burdensome to the consumer. The Joint Board is proposing to require states to certify that their basic service rates in high-cost areas, served by ETCs, are comparable to the national rate benchmark. As stated in Section III, the MPSC does not object to this proposal and believes that states should provide rate data to ensure carrier need for universal service funding.

V. Opportunity for States to Demonstrate Need for Further Federal Support

Although the MPSC recognizes the perceived need for individual states to provide information to the FCC for supplemental funding, the MPSC believes that basic service rates are comparable nationwide and, therefore, there is no need to burden the FCC with additional information from states that believe they require additional funding.

VI. Conclusion

The MPSC is generally supportive of the Joint Board’s proposals for the Universal Service Fund. The MPSC, however, opposes the proposal that individual

³ CC Docket 96-45, Comments of the California Public Utilities Commission, pg. 11.

states could receive supplemental universal service funds by providing the FCC with additional information.

Respectfully submitted,

**MICHIGAN PUBLIC SERVICE
COMMISSION**

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⁴ CC Docket 96-45, Comments from the California Public Utility Commission, pg. 9