

CHARLES CURTISS
STATE REPRESENTATIVE
43RD DISTRICT

34 LEGISLATIVE PLAZA
NASHVILLE, TENNESSEE 37243-0143
(615) 741-1963

120 GENERAL JONES ROAD
SPARTA, TENNESSEE 38583
(615) 761-2765



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House of Representatives
State of Tennessee

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August 19, 2009

Honorable Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Re: Study of the Merits of Rural Affordability Fund;
Docket No. 09-00096

Dear Chairman Kyle:

As sponsor of House Bill 2117 (Senate Bill 2147), I want to thank you for opening Docket No. 09-00096, Docket to Study the Merits of Rural Affordability Fund in response to the request of Representative Richard Montgomery, Chairman, Utilities and Banking Subcommittee, and the other members of the Committee.

The goal of promoting universal service including broadband service throughout Tennessee at affordable rates, and to provide for comparable services between urban and rural areas, is an important public policy objective of the Authority and the legislature. The Telecommunications Act of 1996 ushered in a new era of reforms intended to provide and enhanced telecommunications services. With technology innovations, carriers are operating with different business models and are subject to different forms of regulation.

In addition to local exchange rates and federal support mechanisms, intercarrier compensation revenue (i.e., charges to telecommunications carriers to terminate or originate services on another carrier's network) has provided a significant source of cost recovery that has enabled Tennessee's incumbent local exchange carriers to foster the provision of universal service and the maintenance of carrier-of-last-resort obligations in Tennessee and, in particular, the rural areas of the State. Evolution of technology and services has called into question whether the reliance on intercarrier compensation should be shifted to other mechanisms in order to continue to ensure fulfillment of the universal service objectives.

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SARA KYLE, COMMISSIONER
TN REGULATORY AUTHORITY

The following are some issues I request the Authority to consider in this docket:

1. Should the Authority continue the historical goal of promoting universal service throughout Tennessee? If so, how should the Authority maintain the goal of universal service in particular for the rural areas of Tennessee? T.C.A. § 65-5-107 provide the Authority with appropriate levels of jurisdiction to fulfill this objective?
2. Does T.C.A. § 65-5-107 provide the Authority jurisdiction over carriers who use the public switched network and provide telecommunications / communications service for a fee in TN?
3. Should it be a goal of the Authority to promote comparable services and comparable rates throughout Tennessee? Would the value of the public switched network be lessened without comparable services and rates between rural and urban areas? If there is recognition of the continued value of ensuring that Tennessee is not divided into telecommunications haves and have-nots, what is the best mechanism to achieve the goal?
4. Intercarrier compensation between carriers has been the focus of much discussion at both the federal and state levels. With access charges representing a significant majority of revenues received by rural incumbent carriers, does the loss of intrastate access revenue impact universal service and carrier of last resort obligations for carriers serving rural areas? Does intrastate access revenue contribute to universal service objectives and assist incumbent ILECs in fulfilling their carrier-of-last-resort obligations? If so, how should the Authority proceed to ensure and maintain universal service throughout Tennessee?
5. Should the Authority review the existing level of intrastate access rates? If so, what is the appropriate level of intrastate access rates for rural ILECs? For rural ILECs, should the appropriate level of access rates be reduced to their respective interstate rate levels? If it is established that universal service objectives should continue, how should revenue reductions resulting from any access rate reductions be recovered?
6. If the Authority established a recovery mechanism for any access rate reductions, what should be the criteria, if any, for revenue recovery?
7. Should the Authority establish a state-wide universal service basic residential local line rate benchmark rate? If companies have basic residential local line rate below a state benchmark rate, should they be required to increase their line rate? Or, should they be required to impute revenues from a benchmark rate in the determination of funding available from State universal service support mechanisms?

Chairman Sara Kyle

August 19, 2009

Page 3

8. All citizens of Tennessee benefit from being able to reach and be reached by rural consumers that reside in the higher cost to serve areas of our State. Should all customers of all telecommunications service providers and those carriers who provide service for a fee in Tennessee be required to support universal service objectives of the Authority? If so, how should the Authority accomplish this? Does the Authority have existing jurisdiction to determine an assessment, if decided, applicable to incumbent local exchange carriers, competitive local exchange carriers, long distance providers, wireless, VOIP, and municipals that provide communications services to support universal service objectives?

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Curtiss". The signature is fluid and cursive, with the first name "Charles" being more prominent than the last name "Curtiss".

Charles Curtiss