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ILLINOIS COMMERCE COMMISSION

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ILLINOIS INDEPENDENT TELEPHONE)
ASSOCIATION)
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Petition for initiation of an investigation of)
the necessity of and the establishment of a)
Universal Service Support Fund in accordance)
in accordance with Section 13-301(d) of The)
Public Utilities Act.)

Docket No. 00- 0233

PETITION

NOW COMES, the ILLINOIS INDEPENDENT TELEPHONE ASSOCIATION ("IITA"), by its Attorneys, and files this Petition with the Illinois Commerce Commission ("Commission") to initiate the investigation provided for an amended Section 13-301(d) of The Public Utilities Act ("Act") and in support of said Petition states as follows:

1. Section 13-102(a) states as follows:

"§ 13-102. Findings. With respect to telecommunications services, as herein defined, the General Assembly finds that:

"(a) universally available and widely affordable telecommunications services are essential to the health, welfare and prosperity of all Illinois citizens;"

2. Section 13-103(a) states as follows:

"§ 13-103. Policy. Consistent with its findings, the General Assembly declares that it is the policy of the State of Illinois that:

"(a) telecommunications services should be available to all Illinois citizens at just, reasonable, and affordable rates and that such services should be provided as widely and economically as possible in sufficient variety, quality, quantity and reliability to satisfy the public interest;"

3. On August 20, 1999, Governor Ryan signed into law Public Act 91-636. Public Act 91-636 amended Section 13-301 of the Act (220 ILCS 5/13-301).

4. Amended Section 13-301(d) states as follows:

“Sec. 13-301. Consistent with the findings and policy established in paragraph (a) of Section 13-102 and paragraph (a) at Section 13-103, and in order to ensure the attainment of such policies, the Commission shall:

“(d) investigate the necessity of and, if appropriate, establish a universal service support fund from which local exchange telecommunications carriers who pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 or the orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679 received funding and whose economic costs of providing services for which universal service support may be made available exceed the affordable rate established by the Commission for such services may be eligible to receive support, less any federal universal service support received for the same or similar costs of providing the supported services; provided, however, that if a universal service support fund is established, the Commission shall require that all costs of the fund be recovered from all local exchange and interexchange telecommunications carriers certificated in Illinois on a competitively neutral and nondiscriminatory basis. In establishing any such universal service support fund, the Commission shall, in addition to the determination of costs for supported services, consider and make findings pursuant to paragraphs (1), (2), and (4) of item (e) of this Section. Proxy cost, as determined by the Commission, may be used for this purpose. In determining cost recovery for any universal service support fund, the Commission shall not permit recovery of such costs from another certificated carrier for any service purchased and used solely as an input to a service provided to such certificated carrier’s retail customers.”

5. Portions of amended Section 13-301(e) that are referenced in Section 13-301(d) state as follows:

“In any order creating a fund pursuant to this item, the Commission, after notice and hearing, shall:

“(1) Define the group of services to be declared ‘supported telecommunications services’ that constitute ‘universal service’. This group of services shall, at a minimum, include those services as defined by the Federal Communications Commission and as from time to time amended. In addition, the Commission shall consider the range of services currently offered by

telecommunications carriers offering local exchange telecommunications service, the existing rate structures for the supported telecommunications services, and the telecommunications needs of Illinois consumers in determining the supported telecommunications services. The Commission shall, from time to time or upon request, review and, if appropriate, revise the group of Illinois supported telecommunications services and the terms of the fund to reflect changes or enhancements in telecommunications needs, technologies, and available services.

“(2) Identify all implicit subsidies contained in rates or charges of incumbent local exchange carriers, including all subsidies in interexchange access charges, and determine how such subsidies can be made explicit by the creation of the fund.

“(4) Establish an affordable price for the supported telecommunications services for the respective incumbent local exchange carrier. The affordable price shall be no less than the rates in effect at the time the Commission creates a fund pursuant to this item. The Commission may establish and utilize indices or models for updating the affordable price for supported telecommunications services.”

6. The IITA is an Association of small incumbent local exchange carriers serving rural, high cost areas in the state of Illinois, The IITA's membership includes local exchange telecommunications carriers who receive funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 or the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679 as referenced in Section 13-301(d).

7. The larger Illinois local exchange carriers, specifically, Illinois Bell Telephone Company, d/b/a Ameritech Illinois, GTE North Incorporated, GTE South Incorporated, Illinois Consolidated Telephone Company and Gallatin River Communications, LLC, do not receive funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 nor the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679. Any investigation of the necessity for or the establishment of a Universal Service Support Fund for the above-referenced larger Illinois local exchange carriers would result from an investigation

initiated pursuant to Section 13-301(e) and is not the subject matter of the investigation initiated by this Petition.

8. The Illinois High Cost Fund initially established by the Twenty-Seventh Interim Order in Docket No. 83-0142 has a “fund cap” of \$3,000,000 plus administrative expenses. The funding requirements as set forth in applicable Commission Orders exceed \$3,000,000 and is, therefore, subject to the “fund cap”. As a result, in the year 2000, total funding of \$3,000,000 will be provided by the Illinois High Cost Fund to qualifying carriers.

9. The DEM Weighting Fund was established by the Commission’s Order in Docket No. 97-0621 and was extended for the years 1999 and 2000 pursuant to the Commission’s approval of a Stipulation in Docket No. 98-0679. Pursuant to the Stipulation approved in Docket No. 98-0679, the fund for the year 2000 is in the fixed amount of \$10,385,264 plus administrative expenses, As a result, in the year 2000, total funding of \$10,385,264 will be provided by the DEM Weighting Fund to qualifying carriers.

10. The Illinois High Cost Fund and the DEM Weighting Fund are administered by the Illinois Small Company Exchange Carrier Association (“ISCECA”). The ISCECA was created pursuant to the Thirty-Seventh Interim Order of this Commission in Docket No. 83-0142.

11. Qualifying carriers receive substantial support from the existing Illinois funds allowing them to maintain affordable basic local service rates in rural high cost areas served by those carriers consistent with Sections 13-102(a) and 13-103(a) of the Act. On the average for all qualifying carriers, support in excess of \$10.00 per access line per month is provided by the existing funds. Certain carriers receive support in excess of \$40.00 per access line per month from the Illinois funds. The expiration of the DEM Weighting Fund on December 31, 2000

threatens the continued availability of basic telephone service at affordable rates in many rural areas of Illinois.

12. The IITA believes that the investigation called for by Section 13-301(d) needs to be conducted on an expedited basis so the Commission can make the necessary findings and determinations to establish a Universal Service Support Fund to be implemented by January 1, 2001. So that any Universal Service Support Fund established as a result of the investigation can be put in place for implementation by January 1, 2001, the IITA believes a Commission Order in the first phase of the proceeding needs to be entered by no later than October 1, 2000.

13. In accordance with Section 13-301(e)(1) in the investigation, the Commission must define the group of services to be declared "supported telecommunications services" that constitute "universal service". That group of services must, at a minimum, include those services as defined by the Federal Communications Commission as from time to time amended. In light of numerous issues that will need to be addressed and resolved in the investigation and the need for the investigation to be concluded on an expedited basis, the IITA believes that in this initial investigation the group of services that constitute "universal service" should be those services as presently defined by the Federal Communications Commission. The Commission in the second phase of the proceeding should further consider the range of services currently offered by telecommunications carriers offering local exchange telecommunications service, the existing rate structure for the supported telecommunications services, and the telecommunications needs of Illinois consumers in determining whether to revise the group of Illinois supported telecommunications services adopted in this proceeding.

14. In the investigation, the IITA will submit evidence demonstrating the economic costs of providing universal service (as described in paragraph 13 above) as determined by the results of cost models or cost proxies for those carriers receiving funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 and the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679.

15. In the investigation, the Commission will need to determine the affordable rate for the group of services that constitute universal service. In light of the number of other issues to be considered and the need for an expedited resolution of the investigation, the IITA believes the Commission should in the first phase of the proceeding find that the existing basic local service rates of each of the respective local exchange telecommunications carriers receiving funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 or the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679 are the affordable rates of the supported telecommunications services that constitute universal service for the respective carriers. Such a determination would be in accordance with the requirements of Section 13-301(e)(4). In Phase 2 of the proceeding, the Commission could further examine issues related to affordable rates or prices and consider the use of indices or models for updating the affordable rate or price of supported telecommunications services.

16. In the investigation, the IITA will present evidence establishing the amount of any federal universal service support that each carrier, who presently receives funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 and the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679, receives for the same or similar costs of providing the supported services.

17. If as a result of an investigation the Commission establishes a Universal Service Support Fund pursuant to Section 13-301(d), as the IITA believes it must, the Commission must require that all costs of the Fund be recovered from all local exchange and interexchange telecommunications carriers certificated in Illinois on a competitively neutral and non-discriminatory basis. In determining cost recovery, the Commission shall not permit recovery of such costs from another certificated carrier for any service purchased and solely used as an input to a service provided to such certificated carrier's retail customers. In light of this requirement, the IITA requests that notice of this investigation be served upon all local exchange and interexchange telecommunications carriers certificated in Illinois. The IITA believes that any cost recovery mechanism adopted by the Commission should, in addition to meeting the other statutory requirements, be based upon information related to the cost recovery mechanism that is publicly available and easily attainable for the purposes of Fund administration.

18. If the Universal Service Support Fund is established pursuant to Section 13-301(d), the Commission will need to select an appropriate Fund administrator.

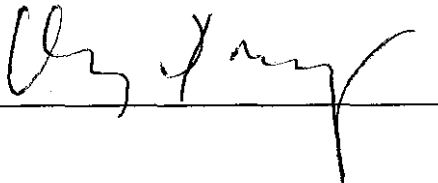
19. In the investigation, the IITA will present evidence that the economic costs of those local exchange telecommunications carriers receiving funding pursuant to the Twenty-Seventh Interim Order of the Commission in Docket No. 83-0142 or the Orders of the Commission in Docket No. 97-0621 and Docket No. 98-0679 of providing interexchange access exceed on an aggregated basis the interexchange access revenues received in the aggregate pursuant to existing intrastate interexchange access charges. Based on this evidence, the Commission would be able to determine in accordance with Section 13-301(e)(2) that there are no existing implicit subsidies provided by intrastate interexchange access charges.

20. The IITA requests that a prehearing conference be held at the earliest possible time to establish an appropriate schedule for the first phase of this Section 13-301(d) investigation so the Commission will be in a position to enter an Order concluding the investigation and establishing a Universal Service Support Fund to be effective on January 1, 2001 by no later than October 1, 2000.

WHEREFORE, the Illinois Independent Telephone Association prays that the Illinois Commerce Commission determine the necessity of and, based upon that determination, establish a Universal Service Support Fund pursuant to Section 13-301(d) of The Public Utilities Act.

Respectfully submitted,

ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION

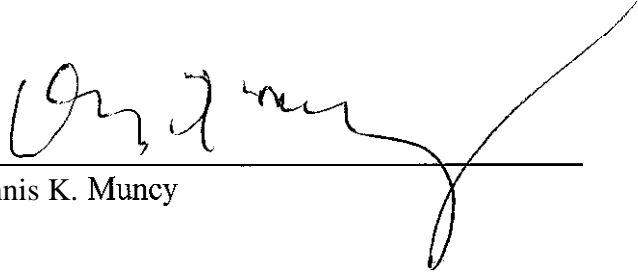
By:  _____

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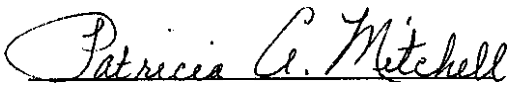
VERIFICATION

DENNIS K. MUNCY, being first duly sworn on oath, deposes and states that he is one of the Attorneys for the Illinois Independent Telephone Association, that he has read the above and foregoing Petition and knows the contents thereof, and that the same are true to the best of his knowledge, information and belief.



Dennis K. Muncy

Subscribed and sworn to before
me this & day of March, 2000.



Notary Public

