

Resolution on REA's Proposed Rules

WHEREAS, The Rural Electrification Administration (REA), in response to the Rural Electrification Loan Restructuring Act of 1993 (RELRA), proposes to permanently implement an interim rule which would require that a State Telecommunications Modernization Plan (STMP) be established before any telephone company in the State could be eligible for REA loans; and

WHEREAS, A key component of REA's proposed rule is that a STMP must apply to all telecommunications providers in the State, even if they are not REA borrowers; and

WHEREAS, The REA rules exceed the requirements of the RELRA, and in effect mandate through the STMP ubiquitous deployment of new technologies and services, including the following:

- * installation of ISDN (BRI and PRI) in all new switches and establish PRI (1.544 mb/s or 24 channels) as the new standard telecommunications channel;
- * custom calling features be made available to every subscriber regardless of capital deployment plans or costs;
- * design 150 mb/s in all new construction, upgrade all facilities to that design level within 15 years and make 150 mb/s universally available; and

WHEREAS, Compliance with the REA's mandate through the STMP to ubiquitously deploy these services and technologies is estimated to exceed \$400 billion in cost, or approximately \$50 per loop per month nationally and cause engineering difficulties, such as the provision of ISDN without local power and any demonstrated customer demand for the service; and

WHEREAS, The FCC has not revised, in a comprehensive manner, the Part 36 Jurisdictional Allocation Rules to deal with the costs associated with the investments and expenses including increased depreciation charges associated with premature retirement of existing plant contemplated under the REA rules; and

WHEREAS, The costs for the REA proposed rules would primarily fall on the local customer to recover under the existing FCC separation rules; and

WHEREAS, The REA proposal attempts to preempt and usurp Federal and State Commission jurisdictional authority through its policies, which include:

- a. Mandating the elimination of zone and mileage charges,
- b. Mandating the required installation of new facilities and technologies, while

leaving responsibility for the associated cost recovery to the Commissions and LECs,

c. Mandating "flexible" tariffs for distance learning and medical imaging applications; now, therefore, be it

RESOLVED, That the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1994 Winter Meetings in Washington, D.C., supports the REA objective to "promote improvements in the nation's public switched network" provided it properly balances the deployment of new investment and the revenues required to recover deployment costs in rural areas; and be it further

RESOLVED, That the REA proposed rules be modified to limit their application to REA borrowers under the provisions of the RELRA, and the remaining telecommunications requirements be left up to the appropriate State and Federal commissions; and be it further

RESOLVED, That the REA's proposed rules be modified to allow for more jurisdictional flexibility in the adoption of the STMP with regard to technology, demand, cost (including premature retirement of plant), and the effect on universal service; and be it further

RESOLVED, That the REA's proposed rule be modified to define goals (not mandates) and address specific services, products, or functionalities rather than to identify required technologies; and be it further

RESOLVED, That should the REA continue to endorse the 150 mb/s video dial tone standards that the costs be identified and directly assigned to the interstate jurisdiction since all video dial tone revenues have been assigned by the FCC to the interstate jurisdiction; and be it further

RESOLVED, That the rate recovery of video dial tone costs not be recovered from existing or future explicit Federal or State support mechanisms (Universal Service Fund, DEM Weighting, etc.) and/or local exchange rates; and be it further

RESOLVED, That mandated custom calling features be dropped from the REA interim rules; and be it further

RESOLVED, That the requirement for the elimination of mileage or zone charges which is not a condition of the Act be removed from the STMP; and be it further

RESOLVED, That the requirement for "flexible" tariffs for distance learning and medical imaging which is not a condition of the Act be removed from the STMP; and be

it further

RESOLVED, That the REA reissue its proposed rules as interim rules and solicit further comment before they are enacted as final rules; and be it further

RESOLVED, That the NARUC General Counsel be directed to provide late filed comments in the REA rulemaking proceeding and be further directed to file a Petition for Reconsideration to the REA to readdress this issue.

Sponsored by the Committee on Communications
Adopted March 2, 1994
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