

STATE OF NEW YORK

Public Service Commission

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10064/09-M-0527

TEMPORARY EXTENSION GRANTED FOR RURAL PHONE FUND

— Coming Up: A Review of the Future of Traditional Phone Systems in NY —

Albany, NY—07/15/10—The New York State Public Service Commission (Commission) today voted to adopt the terms of a Joint Proposal that extends transition funding support for basic local exchange telephone service in limited rural areas of New York State for an additional four months, at a cost of \$600,000 spread over customers of other communications carriers throughout the state. The Joint Proposal also provides for schedules for the consideration of complex related issues in further phases of the Commission’s Universal Service proceeding.

“Given the anticipated exhaustion of this fund, as well as the rapid changes that have affected the communications industry in recent years, an extension of the fund reasonably balances the interests of customers of contributing and receiving telephone companies,” said Commission Chairman Garry Brown. “Equally as important, this extension will allow additional time to resolve complex issues concerning the universal availability of basic telephone service to all residents of the State, including the future viability of the traditional wireline local exchange telephone carriers, with or without funding support.”

The Commission’s current proceeding is the latest in a long series of steps to address the gradual transition of monopoly heritage telephone system to a much more diverse, competitive, and continually evolving telecommunications environment. Competitive pressures have provided customers an increasingly wide array of alternative means of communication, but have eroded revenues for many of New York’s traditional wireline local exchange telephone carriers.

As the communications marketplace has become increasingly competitive, the Commission, as well as the Federal Communications Commission and other state utility regulatory commissions, have recognized the importance of pricing services competitively and creating a level playing field.

In recent years, New York has relied primarily upon technological developments and increased competition to keep telephone service prices affordable. The transition fund, which has now been extended, provides limited additional funding to local telephone companies in rural areas of New York if the local service rates (not to exceed \$23 per month) are insufficient to meet their intrastate revenue requirement while maintaining reliable service.

This proceeding was instituted to examine universal service issues in August 2009, when it appeared that the transition fund might be exhausted in early 2011. Approval by the Commission of the first phase of the joint proposal in this proceeding provides for an additional \$600,000 in carrier contributions for a four-month extension (from May 31, 2011, to September 30, 2011) of the currently projected exhaustion date of the transition fund.

Additionally, the first phase establishes two additional phases for the proceeding setting schedules for the orderly consideration of complex issues related to universal availability of telephone service in the future in New York. Those issues include: whether there should be a long-term successor to the transition fund; reduction of intrastate access charges that interexchange carriers pay to local exchange carriers for originating and terminating calls; and whether there should be changes to the fund that supports Lifeline service, emergency 911 service, and relay service for the hearing impaired, among others.

The Commission's written decision, when available, in Case 09-M-0527, may be obtained by going to the documents section of the Commission's Web site at www.dps.state.ny.us and entering the appropriate case number in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. The Commission's decision may also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).