Mclean & Brown

ISSUE UPDATE

July 23, 2005

FCC Receives Reply Comments in Intercarrier Compensation FNPRM

On July 20, 2005, the FCC received reply comments from parties in response to comments filed May 23, 2005 regarding its Further Notice of Proposed Rulemaking (FNPRM) issued March 3, 2005 (see *Issue Update* dated March 7, 2005). This Notice asked a number of specific questions on a wide array of issues related to the reform of intercarrier compensation (ICC).

Due to the complexity of the subject matter and the volume of the responses, what follows is a very high-level summary of the main themes established in each party's reply comments. Similar to our summary of opening comments in this proceeding (see *Issue Update* May 25, 2005) we have used no more than three bullet points to summarize the major conclusions stated in each party's comments. While this in no way constitutes a complete summary of the comments, it will give the reader an idea of the general direction that each party's comments take. Interested readers are encouraged to read the full text of the comments, which can be found on the FCC's web site at www.fcc.gov.

ACS
- The Commission should consider the economic and political implications of proposals that shift substantial levels of local network costs to end users and the USF.
- All carriers that use the local network should fairly share the cost of operating, maintaining and upgrading facilities that transport their traffic.
- The Commission should adopt a plan that affords a reliable and predictable means of recovering local network infrastructure costs that support universal service.

Ad Hoc Telecom Users Committee
- No party has justified revenue neutrality for any class of carrier in ICC reform.
- Contrary to some parties, competition is insufficient to inhibit SLC increases or justify LEC pricing flexibility.
- The Commission should defer action on RLEC ICC reform.

Alexicon
- Rate of return regulation and related intercarrier compensation is necessary and essential to the ongoing viability of rural carriers.
- Rural areas do not have the economies of scale to neutrally compete without high-cost fund assistance.
- The Commission should consider all aspects of a new ICC regime that would allow rural carriers the opportunity to be fairly compensated for the costs they incur to provision telecommunications services.

Allied National Paging
- Calls to paging numbers must be treated by the originating LEC on a basis that is no less favorable that calls to other numbers in the same rate center.
- The intraMTA rule must prevail over contrary state "PIC" rules.
- Basing USF contributions on assigned telephone numbers would be both inequitable and discriminatory against paging carriers.

AT&T
- The Commission should reject claims that loop, switching and transport costs must, as a matter of cost-causation principles, be recovered through traffic-sensitive charges.
- The ICF plan makes rural customers better off and rural carriers' concerns about the ICF plan are not justified.
- Retention of intercarrier charges would leave the problems raised by the rate averaging and rate integration requirements of Section 254(g) unaddressed.

Arizona Corporation Commission
- Critical issues surrounding IP networks remain unsolved; however the resolution of these issues is critical.
- There should be a rural carve-out, and rural issues are best addressed at the state level.
- Major USF and Separations issues should not be resolved in this docket but should be referred to the Federal-State Joint Boards.

Balhoff and Rowe

- Phantom traffic is a growing concern to small, medium and large companies that terminate traffic over their networks.
- Phantom traffic presents important and immediate systemic enforcement issues, in contrast to the complex policy, economic, and allocative issues at stake in the larger ICC docket.
- The Commission can and should adopt a separate order, in this docket, to address phantom traffic as a first priority issue.

BellSouth

- The Commission should adopt a unified, nationwide compensation mechanism that is based on BellSouth's proposal.
- It should adopt pricing flexibility for SLCs.
- The Commission should permit indirect interconnection through market-based, negotiated transit arrangements.

Cablevision

- The Commission should reject Verizon's calls for deregulation of all intercarrier compensation arrangements, including traffic exchanged on an IP-to-IP basis.
- Ensure that CLECs are not penalized by imposing crippling costs on them or by hampering their ability to design and offer their own unique services independent of ILEC-defined templates.
- Bill and keep is the most practical and efficient method for exchanging carrier traffic.

Coalition for Capacity-Based Access Pricing

- The solution for resolving ICC issues on the circuit-switched network must consider how traffic will be exchanged and settled on the emerging packet network.
- Intercarrier compensation support should be tied to support of the existing circuit-switched system and should be funded by all who use or benefit from this system.
- ICC support should be differentiated from universal service support by classifying high-cost loop funding along with the social policy initiatives of schools and library discounts, rural health care, and low income support as universal service, and greatly expanding the funding base to support these objectives.

CCG Consulting

- Adoption of mandatory bill and keep will deny rural CLECs access to other revenue recovery alternatives and will squeeze these providers out of the market.
- It will be impossible for these carriers to make up any lost access revenues through increases in charges to end-user consumers.
- Small competitive providers extend the benefit of competition to rural areas, and should be allowed the option of submitting company specific studies to qualify for USF support based on their own costs.

Centralized Equal Access Providers

- CEA networks serve a valuable and unique function for rural Iowa, Minnesota and South Dakota and the carriers that operate in these states.
- CEA providers are dependent on access charges for cost recovery.
- The Commission should continue to apply the current access charge rules to CEA providers and entities that use their regulated access services.

CenturyTel

- The Commission can immediately bring needed stability to the ICC regime by implementing truth-in-labeling requirements, revising the USF contribution methodology and granting pricing flexibility for RoR carriers, modifying the Rural Growth Factor, and removing the cap on High-Cost Loop support.
- The interconnection architecture aspects of the ICF Plan will not harm rural carriers, and present the most comprehensive solution to pending interconnection problems.
- The Commission should clarify ILEC interconnection requirements including VNXX rules to properly compensate ILECs for non-local calls, elimination of the intraMTA rule, and clarification that IP-enabled traffic is subject to intercarrier compensation.

Chariton Valley Communication Corp.

- The Commission should consider and address transit and indirect interconnection issues prior to undertaking complete ICC and USF reform.
- The Commission should provide guidance to carriers and the states to clarify the obligations of transiting, originating, and terminating carriers.
- The FCC should establish reasonable default termination rates in the absence of negotiated or arbitrated termination rates, and should also establish default traffic factors to specify the percentage of traffic that is considered 251(b)-traffic as opposed to interMTA traffic.

Cincinnati Bell

- Small and mid-size carriers would be particularly disadvantaged by a bill and keep solution.
- Any plan should allow recovery of any net reductions, and should rely foremost on SLC increases coupled with benchmarks to ensure comparability of rates between urban and rural areas, before further taxing the USF.
- The Commission should promptly take action to ensure that all users of the PSTN properly pay for their use of the network as required under the existing rules.

Comporium

- The Commission's new intercarrier compensation regulations should provide for embedded cost-based rates that recognize the value of network investment.
- Numerous commenters support the creation of a non-portable cost recovery fund similar to the USF that will offset any access revenue lost by rural carriers when new regulations are adopted.
- Competitively and technologically neutral reform can best be achieved with a revenue-neutral, capacity-based compensation regime that allows carriers to fully recover embedded costs.

CompTIA

- The Commission should recognize that very significant industrial and technological convergence is occurring between IT and telecommunications sectors and work to develop a relevant policy framework.
- The Commission's policy of regulatory restraint in Internet services has been successful in fostering and growing a wide range of innovative services from which consumers have benefited enormously.
- Legacy telecommunications regulations and their inherent problems should not be imposed upon emerging IP or other information services.

Cox Communications

- Bill and Keep is the preferred post-transition compensation mechanism for termination between carriers for both local and access traffic.
- The Commission should not adopt rules that guarantee that all ILECs maintain their current revenues following access reform.
- The Commission should require ILECs to continue to provide transit service at cost-based rates.

CTA, OTA, WITA and California Small LECs

- To address phantom traffic the Commission should adopt mandatory standards that require truth-in-labeling of all traffic.
- The Commission should carefully consider the effect that any ICC reform proposal may have on the USF and on end user rates.
- A bill and keep solution is inappropriate – ICC should reflect embedded-cost-based rates.

CTIA

- A unified bill and keep ICC system, supported by neutral interconnection rules, and a unified forward-looking, least-cost universal service support mechanism should be adopted.
- The Commission should also consider other market-driven mechanisms that would reward efficiency, such as a system of competitive bidding (or reverse auctions) to determine high-cost support levels for both incumbents and competitors.
- The Commission should exercise its authority under the Communications Act to carry out these reforms.

Dobson Cellular

- Whatever the Commission does in this matter, it should be technically efficient, and in conformity with the Act.
- Allowing the smaller ILECs to collect terminating compensation for intra-MTA, CMRS originated calls, but letting them escape the same obligation when the route intra-MTA calls to IXCs would be both discriminatory and violative of the reciprocity provisions of the Act.
- Permitting the largest ILECs to charge what the market will bear for tandem switching would allow them to leverage their monopoly over transit facilities, and would nullify the "direct" or "indirect" language of the Act.

Earthlink

- IP-enabled traffic should not be singled out from other services for special or adverse treatment.
- The Commission should reaffirm its sound policy to not subject ISPs to access charges, and also retain VNXX arrangements.
- The FCC must assess the impact its new compensation regime will have on large end-users, and provide for "fresh look" renegotiations.

Eschelon Telecom

- The Commission should apply its existing ICC and network interconnection rules in a uniform manner to all uses of local facilities.
- The Commission should not institute a mandatory bill and keep system.
- The Commission should work with the state commissions rather than pre-empting them, to unify rates currently under disparate jurisdictional regimes.

Florida PSC

- Universal service funding should not be the sole or primary source of replacement revenues.
- To the extent that universal service support is required as a source of replacement revenues, a rate benchmark, such as proposed by EPG, is worthy of further consideration.
- The FPSC opposes the NARUC Task Force proposal that urges the establishment of a "floor: for USF based on 2004 disbursements, as this would be inconsistent with the 254(b)(5) requirement that USF should only be sufficient to achieve the goals of the Act.

Frontier Communications

- Frontier's UTF plan eliminates the minute-of-use based regime, resolving current problems stemming from arbitrage and phantom traffic.
- Mandatory bill and keep would create new arbitrage opportunities and create either growth in USF that would be unsustainable, or end user rates that would unfairly impact rural users.

- By retaining the “Retail Service Provider” pays concept as the default mechanism, the Commission will acknowledge that there is value in networks, and by moving to a default capacity-based system the Commission will crate a culture of efficient network use.

GCI
- The ICF plan will produce $32 million in positive benefits for Alaskan consumers.
- ICC reform will benefit consumers of telecommunications services nationwide by enhancing the investment climate.
- The Commission should move quickly to adopt the ICF plan.

GSA
- Consumers will benefit from a framework that allows vigorous and fair competition to develop for all telecommunications services and technologies.
- The Commission should adopt an ICC reform plan that is economically efficient, competitively neutral, technologically neutral, balanced to promote retail rate stability, administered efficiently without undue cost, and legally sustainable to prevent uncertainties attendant to reconsideration and court reviews.
- End users obtaining telecommunications services through contracts have some unique concerns with ICC plans.

GVNW
- Rural carriers are different than non-rural carriers and face a different paradigm that must be considered in any policy evaluation.
- The impact of the ICF plan for a sample of rural carriers ranged from a $4.08 to $823.63 shift per line per month from access to either the end user customer or revenue support mechanisms.
- There is a logical progression to the tasks that the Commission should address for ICC reform.

State of Hawaii
- The rate integration and geographic averaging requirements of 254(g) provide benefits to the public interest that are as important today as they were when these policies were developed in the 1970s.
- Congress was clearly aware of the potential economic impacts of requiring IXCs and other long distance carriers to average their rates between geographic areas.
- The Section 254(g) mandates continue to serve important public interest goals and the Commission does not have the statutory authority to forbear from these beneficial requirements.

ICF
- The ICF plan offers a comprehensive solution that achieves all of the Commission’s goals.
- The ICF plan will produce direct consumer benefits within the wireline and wireless industries of over $44B and spillover benefits to the overall economy of an additional $61B, for an overall actual positive impact of roughly $105B.
- The Commission should adopt the ICF plan in its entirety and without delay.

Indiana Consume Counsel
- From a consumer’s perspective, the NASUCA proposal appears to be the most fair and reasonable approach to developing a unified ICC regime.
- A mandatory bill and keep process such as that proposed by the ICF ignores the basic principles of cost causation which would require all network users to help pay network costs.
- NASUCA;s proposed use of an interim solution gives the Commission more time to consider all of the possible impacts of a more permanent change in the federal ICC regime, including the possible impacts on the current federal USF programs.

Industry Telephone Company
- Rural carriers play a vital role in ensuring that all Americans have access to critical telecommunications infrastructure and services.
- RLECs depend heavily upon the current ICC regimes and universal service mechanisms to provide state-of-the-art telecommunications services to the rural communities that they serve.
- To ensure that RLECs will be able to continue providing quality telecommunications services to rural communities, the Commission should consider only ICC plans that are the least disruptive to existing mechanisms and which propose are reasonable transition period.

Integra Telecom
- Abandoning the current compensation structure in its entirety and replacing it with an unproven system is a radical solution unlikely to achieve the Commission’s goals.
- The Commission should make repairs to the current regime, realizing that further changes will be necessary to accommodate future developments that cannot now be foreseen.
- The Commission should unify access and reciprocal compensation rates at TELRIC levels, require ILECs to make tandem transit available at regulated rates, reject calls for SLC pricing flexibility, allow RLEC to recover any net reductions from the USF or other recovery mechanism, and establish wholesale “truth in billing” regulations.

Interstate Telcom Consulting

- The Commission's most important task in this and other ICC and USF proceedings is to encourage private investment in telecommunications infrastructure.
- The Commission and its state counterparts need to recognize the positive impact of ICC on rural investment.
- The most effective and efficient pro-investment reform is the establishment of a unified and equitable intercarrier compensation system that requires all existing and future service providers, including VoIP, to pay equivalent cost-based prices for their use of "last mile" networks to originate or terminate their traffic.

Iowa Telecommunications Association

- The Commission's actions must enable all carriers to offer quality services and promote investment, while assuring affordability and availability of universal service for all citizens.
- The Commission should give consideration to the Office of Advocacy of the SBA as it discusses the economic impact on small telecommunications carriers.
- ITA supports the Rural Alliance, the ongoing efforts of NARUC, and the fifteen points of the initial comments of the Iowa Utilities Board.

Iowa Utilities Board

- Any plan that requires a rural carrier to be responsible for all transport costs to and from the tandem will unfairly penalize rural carriers for their use of a centralized equal access tandem.
- The ICF plan would require each rural carrier to pay transport to and from the CEA tandem, and penalize rural carriers that had the foresight to establish a CEA tandem in order to provide equal access to the IXCs and their customers.
- This successful arrangement should not be upset by a proposal that was developed by a group that did not include any rural LECs that use CEA services.

Rural Iowa Independent Telephone Association

- Proponents of the ICC reform plans offered in this proceeding have not determined what the impact will be on rural independent companies using actual data from the individual companies.
- The reply comments of GVNW show the impact on 97 different rural independents, demonstrating the shortfalls for each company.
- If an adequate evaluation of the impact of the plans is performed, and if carriers are compensated for the use of the networks built by their investment, a plan can be designed to meet the needs of the large carriers while treating rural independents separately, fairly and legally.

KMC Telecom and Xspedius Communications

- The comments in this proceeding indicate that carriers have a strong incentive to arbitrage the disparities in the existing scheme by attempting to collect high rates for traffic that they terminate and pay low rates for the traffic that they originate.
- Bill and keep will only lead to new versions of arbitrage whereby carriers seek to obtain free termination service from others, even though all parties acknowledge providing service costs money.
- The Commission should focus on implementing the Act in a faithful way, and support tariffed-based ICC arrangements that set rates no higher than TELRIC, and permit carriers to supercede tariffs through negotiated interconnection arrangements.

Kansas Corporation Commission

- The Commission should strongly consider the tenets of the NARUC Task Force plan and give special attention to retaining the many advantages and freedoms built into the plan, and adopting the mechanism to address the SLC.
- The NARUC plan should be augmented by allowing states with USF programs to ability to assess the increase in SLC charges.
- The FCC should not adopt the State Allocation Mechanism (SAM) to give block grants to the states, as it could potentially create a triangular relationship where inadequate funding will lead to finger pointing among the federal government, state commissions and the companies.

Leap Wireless

- The CTIA plan is the only proposal that truly implements bill and keep in a timely manner while also accomplishing the Commission's other goals of promoting efficiency, eliminating arbitrary regulatory distinctions, and advancing competitive and technological neutrality.
- The Commission should reaffirm basic interconnection principles that some ILECs are attempting to circumvent or avoid including: a single POI within a LATA; the right to indirectly interconnect; and to provide transiting at cost-based rates.
- The Commission should implement USF reform based on forward-looking costs.

Level 3

- By ultimately phasing out carrier-to-carrier recovery of termination costs and replacing that with recovery from the carrier's end user customer, the ICF plan migrates PSTN-based services to the cost recovery system that characterized the Internet and wireless networks.
- The Commission should reaffirm that the ESP exemption applies to all traffic that an ISP receives or sends to the PSTN.

- The Commission should not treat ISP-bound traffic differently than other non-access traffic during the transition or in the final regime.

Massachusetts Dept. of Telecommunications and Energy

- Negotiated intercarrier compensation arrangements should be the primary basis for ICC reform.
- ICC reform should not increase the size of the federal USF.

Michigan Exchange Carrier Association

- Bill and keep is inappropriate for RLECs.
- It is critically important for all carriers to properly identify their traffic by including and passing on call information with every call.
- RLECs should not be required to transport calls beyond their local calling area boundary, and carriers who do not have a physical direct connection to a rural exchange must connect to the RLECs designated tandem.

Minnesota Independent Coalition

- Annual and overall caps should be placed on local rate increases to prevent severe adverse effects on customers of RoR ILECs. Annual increases to end-user charges should not exceed $1.50 per month during each year of the transition, and total monthly charges should not exceed statewide benchmark levels.
- All users of RoR ILEC networks must pay a reasonable portion of the cost of that network, and RoR ILECs should not be required to transport or pay for transport of calls beyond their networks.
- The Commission must establish an ICC restructuring mechanism to provide adequate alternatives for lost revenue that cannot be recovered through a controlled and moderate phase-in of increased local charges to a statewide benchmark.

MITS, MTA, Mid-Rivers and Ronan

- While benchmark rates may be required, such rates should be established over a transition period of not less than five years.
- The Commission should reject proposals for a single POI that requires transport of calls for hundreds of miles and/or to points on some other carrier's network, and any "edge" proposal that imposes unsustainable transport costs within RLEC networks.
- The notion of least cost technology ignores issues of service quality and broadband functionality.

Missouri Independent Telephone Co. Group

- The Rural Alliance principles set forth the minimum principles necessary to develop unified carrier compensation rates, based upon actual carrier costs, preserving the statutory requirements of universal service with rural rates in parity with urban rates.
- Any action of the Commission in reducing small rural ILCE ICC rates without affording a complete revenue replacement would be unconstitutional.
- There is a real and immediate need for the Commission to quickly resolve issues related to indirect interconnection and the transiting of traffic.

Montana Consumer Counsel

- The Montana Consumer Counsel agrees with and joins the reply comments of the Montana Commission.

Montana Public Service Commission

- All stakeholders in this proceeding must return to first principles and recognize the primacy of universal service.
- Because of the greater obligations (e.g., Carrier of Last Resort) imposed on ILECs that serve customers in rural and high-cost areas, compared with other carriers (e.g., wireless, VoIP), the "lowest-cost technology" basis of support, if adopted, would leave ILECs in the lurch.
- The MPSC disfavors proposals for a State Allocation Mechanism (SAM) or Block Grants that could freeze USF allocations at 2004 levels and lead to protracted battles over shares of a diminished federal USF.

NASUCA

- The NASUCA plan is the most evolutionary of the proposals and the most respectful of the state jurisdiction.
- Adoption of the NASUCA plan would reduce disparities in ICC rates, would result in ICC becoming a proportionately smaller issue, and would set the stage for transition to capacity-based ICC charges if deemed appropriate at the end of the five-year phase-down.
- A mandatory bill and keep regime ignores basic principles of cost causation and would create opportunities for arbitrage that are just as problematic as those under the current fragmented regime.

Nebraska Public Service Commission

- The Commission should endorse the NARUC principles and support the efforts of NARUC to develop data and metrics sufficient to evaluate the impact of the industry and end users with respect to the reform plans being considered.
- All users of the PSTN should compensate the owners of the network, and mandatory bill and keep regimes should be rejected.
- The Commission should ensure the sustainability of federal and state USF programs.

Nextel Communications

- Bill and keep should be the ultimate form of intercarrier compensation.
- No commenter made a justifiable case under law or policy for guaranteeing the full recovery of revenues lost from ICC reform.
- There is a critical need for regulatory oversight of transit service, and the Commission should adopt a single POI per LATA rule and continue treatment of intraMTA traffic as local under interconnection rules.

New Jersey Ratepayer Advocate

- The Commission should quantify and consider the impact of proposed changes on consumers, particularly those with low volumes, in rural areas, and/or with low incomes.
- The Commission should reject mandatory bill and keep, reject any industry proposals that are based on a purported entitlement by carriers to an arbitrary revenue stream, and reject any arbitrary increases in SLCs.
- The Commission should implement a new cost-based ICC regime over a multi-year transition period and defer to states on intrastate access charges.

Nextel Partners

- Law and policy support a regime for local competition in which the originating carrier must provide local dialing parity to locally-rated numbers, and must take responsibility to deliver the call to the terminating carrier's network.
- Federal and state USF programs are already supporting high-cost RLEC networks, and once these funds are considered, the high reciprocal compensation rates demanded by small ILECs are not necessary to allow for appropriate cost recovery.
- The Commission should establish an efficient bill and keep regime for ICC that sends the right signals to consumers in the marketplace.

NTCA

- Competitors that choose to interconnect indirectly with RLEC networks are required to bear the cost of transport beyond the RLEC service area and beyond the RLEC's local calling area.
- The Commission should eliminate the intraMTA rule: a wireless carrier's unilateral rating a routing of traffic does not obligate a RLEC to honor such designations for purposes of designating a wireless call local or toll for billing purposes.
- The FCC should eliminate the ESP exemption for ISPS, and any new access charge reduction should not be applies to centralized equal access providers.

OnStar

- The USF collection system should be revenue-based with safe harbors.
- Number and connections-based funding schemes place a disproportionate burden on low-call volume services.
- For pre-paid interconnected calling, a connection or number-based system is administratively infeasible for systems that do not have the capability to determine month-end unused minute status.

Oregon PUC

- The Commission should use the principle established by the NARUC Task Force to unify rates based on forward-looking costs that are viable in a competitive market.
- Even if 251(b)(5) does not apply to exchange access mandatorily, the FCC should adopt an ICC backstop with a uniform termination charge for all intercarrier traffic.
- The FCC should adopt the NARUC Task Force Proposal v.7, without origination charge or with an origination charge that is phased out, and adopt the ICF edge proposal with some modifications.

Pac-West, et. al.

- Radical approaches to ICC reform, such as the ICF proposal, have limited support, demand too much change too soon, are inconsistent with the law, and disrupt network interconnection arrangements that have been reached through substantial litigation to date.
- The Commission must first and foremost unify all of the disparate ICC mechanisms into a single cost-based regime that makes no distinction between type of carrier, jurisdiction of the call, or identity of the calling and called party.
- Preemption of the states' authority would be unwise, not justified, and ultimately counterproductive.

Pennsylvania PUC

- The FCC should consider an approach that does not preempt the states but rather provides states with the choice to opt-in to a federal solution.
- The Commission should develop a compensation model that reflects the declining importance of distance and capacity on modern networks.
- Any federal solution should be reevaluated on a 5-year basis, and the state commissions which decide to opt-in should be empowered to conduct the initial examination and certification of need for support from the longstanding federal fund.

PrairieWave Communications

- Any government-mandated regime that does not allow recovery of the cost of building, maintaining and provisioning the network is confiscatory and an unconstitutional taking or property.

- Tandem switch operators must not allow traffic to transit their switches without appropriate call billing detail.
- So that PrairieWave may continue to provide competitive rural broadband services, its rates should be established through company-specific forward-looking cost studies.

Qwest

- The Commission should adopt Qwest's "bill and keep at the edge" proposal that puts the onus on each carrier to bring its originating traffic to the "edge" of the receiving carrier's network.
- Current ICC revenues foregone because of the move to a bill and keep structure would be recovered through increased SLC charges.
- Special problems of high-cost carriers are dealt with through a benchmark rate and a uniform termination charge on all interexchange traffic.

RICA

- Revised ICC rules should recognize the unique role of rural CLECs and provide adequate revenues from ICC.
- Retail service providers must continue to compensate carriers whose networks they use to provide service – bill and keep would neither serve the public interest nor comply with the Act, and vast differences in size and market power preclude negotiated agreements.
- Legislation clarifying the Commission's authority to unify ICC rates, with a meaningful state role, could provide a timely resolution and certainty to all.

Ritter and Tri-County Telephone Companies

- Any changes in ICC must insure that rural carriers continue to be compensated by other carriers for use of their networks and that they are made whole financially.
- Plans that maintain pooling and unitary rate-of-return should be seriously considered, while plans that propose significant increases in SLCs should be rejected.
- Plans that propose a reasonable transition period would be less disruptive and thus should also take precedence in consideration.

Ronan and Hot Springs Telephone Companies

- The current ICC systems have flaws, but have been successful in maintaining universal service at affordable rates, therefore the Commission should take a cautious and measured approach to reform directed specifically at the problem areas.
- To move toward addressing transiting issues, the Commission should mandate that ILECs can require direct connections with their network pursuant to 251(a)(1), and that transiting and originating carriers cannot use common trunk groups to avoid paying appropriate ICC.
- Any national unified ICC approach should be based on state commission participation and consent.

Rural Alliance

- Any ICC reform proposal must be evaluated in the context of how it will affect universal service goals, including providing broadband connectivity to rural areas.
- A unified cost-based ICC system will provide all carriers, including RLECs, with both the incentives and ability to deliver rural consumes telecom services that are reasonably comparable to urban areas in quality and price.
- The Rural Alliance presents a plan for a collaborative federal-state process that respects the legal authority of all parties, and has the greatest probability of achieving a sustainable, unified ICC regime in the shortest period of time.

Sage Telecom

- The Commission should adopt a revised ICC mechanism that prevents perverse subsidy flows whereby residential and rural consumers subsidize certain business and "specialized" carriers that generate largely inbound traffic.
- In restructuring the access charge regime, the Commission must ensure that originating LECs providing equal access retain the right to collect originating compensation.
- The new system must include an equitable and non-discriminatory mechanism for funding universal service.

South Dakota Telecommunications Association

- SDTA supports the positions expressed by NTCA, the Rural Alliance and the SDPUC that recommend that nay new ICC plan encourage investment in rural telecom infrastructure, protect affordable end-user rates and provide for the sustainability of universal service.
- Given the high transport costs inherent in serving sparsely populated rural states, failure to develop an ICC regime that includes access charges would threaten RLECs and violate the Act's comparability requirements.
- Shifting network cost recovery from access to end-user revenues and the USF would violate the comparability requirement of the Act and would destabilize the USF.

South Slope Coop

- The facts of South Slope's operations in rural Iowa, entirely facility-based in nature, represent that which stands to be catastrophically damaged by most of the FNPRM's proposals for ICC reform.
- The sustainable path to achieve the Commission's policy is to honor NARUC's goal that ICC should ensure that telecommunications providers have an opportunity to earn a reasonable return and that they maintain high-quality service.
- The "Edge" proposal fails to take into account the added costs which are to be imposed on the LECs to the benefit of the IXCs.

SouthernLINK Wireless

- The FCC should adopt default interconnection rules that apply only in the absence of voluntarily negotiated interconnection agreements.
- Economically sound default rules must be competitively, technologically and geographically neutral, establish rates that are uniform and cost-based, eliminate arbitrage opportunities, and encourage voluntary interconnection between service providers.
- The FCC should reaffirm the statutory duty of ILECs to provide transit at TELRIC rates, and should reform universal service in order to achieve the goals of the Act.

SureWest Communications

- Nothing in the comments yet provides the detail sufficient to evaluate the impact of the various ICC proposals on the industry and on residential and other customers and to test alternatives, nor can one estimate the impacts on the deployment of broadband and other advanced services.
- The Commission would not allow a single carrier to file a tariffed rate without cost support; here, the risk is that a rate would be prescribed for an entire industry segment without adequate documentation and analysis of the resulting impacts.
- The Commission should promote continued industry-based discussions before it ventures further, and any plan that is presented to the Commission should be considered suspect if it is unable to generate support from the broad base of ILECs whose customers would be most directly affected.

T-Mobile

- Only a unified, default bill and keep regime with competitively neutral interconnection rules as proposed by T-Mobile, CTIA, and other parties can offer maximum benefits for consumers, while achieving all of the Commission's goals for intercarrier compensation reform.
- To mitigate the cost burden of serving high-cost areas, the Commission should adopt a unified high-cost universal service mechanism based upon the forward-looking cost of providing service using efficient and least-cost technology.
- The Commission should affirm once and for all wireline carrier's obligations to handle wireless traffic in a competitively neutral manner, reaffirm the intraMTA rule, and wireline carriers' obligation to load wireless number with different rating and routing points.

TCA, Inc.

- For RLECs, elimination of ICC, such as is advocated by the supporters of bill and keep plans, will adversely impact RLEC efforts to maintain, let alone advance, universal service in rural areas of this country.
- The Commission must be cautious in this proceeding, and not cause more problems by short-term fixes.
- The Commission must carefully consider the impact on universal service of the myriad of plans presented in this proceeding.

TDS

- The wide spread opposition to bill and keep stems from a well-reasoned conclusion that a mandatory bill and keep system would not be economically efficient, would not be easy to implement and administer, and would not advance the Commission's other articulated goals for this proceeding.
- The comments do not justify radical ICC reform, and instead the Commission should take steps to minimize phantom traffic, clarify transiting obligations, define financial responsibility for VNXX calls, address compensation for IP-based calls terminating on the PSTN, and eliminate the intraMTA rule.
- To the extent that the Commission decides to pursue more fundamental reform it should be through the collaborative framework in the Rural Alliance comments, and should enable transition to unified rates, preserve compensation for originating and terminating calls, and preserve incentives for infrastructure investment.

Time Warner Telecom, et. al.

- The Commission should focus on ensuring, to the extent possible: that carriers charge the same positive rate for the exchange of different types of traffic; that incumbents cannot engage in unreasonable discrimination by recovering ICC revenues associated with multi-line business customers from residential customers; and that reform does not create significant new subsidies.
- The Commission must reject Verizon's tired argument that ISP-bound traffic is not governed by 251(b)(5).
- The Commission must reject Verizon's rather absurd proposal that the Commission adopt the unregulated internet backbone market as the model for the exchange of telecommunications service traffic.

Texas Office of Public Counsel, CFA, and CU

- The Commission cannot adopt any of the proposals before it, nor can it cobble together an access charge regime by mixing and matching piece parts of the proposals because they generally lack the most basic foundation of any principled ratemaking – cost justification.

- Several of the proposals by the industry urge the Commission to seize control over intrastate rates that are expressly beyond its ratemaking authority.
- Moreover, the proposals are devoid of evidence on one of the central public policy criteria that the Commission is charged by Congress to consider - the impact on ratepayers.

US Cellular
- Intercarrier compensation and universal service funding must be competitively and technologically neutral – but not revenue neutral.
- Bill and keep promises administrative simplicity and economic efficiency, ensuring stability after reform.
- Existing CMRS policies should be maintained during the transition period to a unified bill and keep regime and universal service system.

USTelecom
- There is agreement on the need for ICC reform, and the record supports the USTelecom's five policy recommendations.
- The Commission clearly has the authority to preempt inconsistent state regulation of intercarrier compensation.
- ICC reform must not itself harm network owners, and telecommunications providers must be able to follow ICC rules without requiring local network owners to bear burdensome enforcement costs.

Verizon Wireless
- The comments presented in this proceeding demonstrate that the current calling party network pays system is in need of reform.
- In its place, the Commission should apply a unified set of principles to all traffic, regardless of whether it originates and terminates on wireline or wireless networks.
- Although long-term reform is important, the Commission should immediately clarify certain numbering issues that have been outstanding for several years, affirm the application of the MTA rule to traffic that originates and terminates on CMRS networks, and confirm that indirect interconnection is a lawful alternative to direct connection.

Verizon
- The Commission should not establish a requirement that carriers, or incumbent carriers alone, provide transiting service to other carriers.
- The Commission should reject the proposals of some commenters to extend new (or existing) ICC rules to the exchange of traffic between networks on an IP-to-IP basis.
- The Commission should reject various proposals to establish "cost"-based rates for ICC for circuit-switched traffic – rates should be established through negotiated, commercial agreements between carriers.

Voice on Net Coalition
- The Commission should seize this opportunity to create a regulatory environment that will accelerate the transition to a nationwide IP framework and the realization of the benefits to consumers, business and government stemming from such a transition.
- The new ICC regime should be competitively, technologically and geographically neutral, adopt bill and keep or establish rates that are uniform and cost-based for all traffic connected to the PSTN and preclude origination charges, and encourage voluntary interconnection between service providers.

Vonage
- Applying a legacy access charge system to packet-switched networks is impractical, inefficient and bad policy in part because such networks do not currently track the geographic point of origination or termination of communications.
- The problem with access charges is the system itself – a broken system should not be applied to new IP-enabled services.
- The imposition of a failed legacy access charge system could result in stifling "killer applications" that are spurring demand for broadband services and fostering the deployment of broadband networks and broadband penetration throughout the United States.

Western Wireless
- The Commission should adopt a plan that results in a bill and keep regime, absent extraordinary circumstances, after a four-year transition period.
- The Commission must eliminate rate of return regulation and overhaul existing high-cost universal service support policy in order to produce a consistent, logical, and unified system for all carriers serving similarly situated areas.
- The Commission should affirm that separate rating and routing for local numbers is fully consistent with the Commission's rules and principles of local competition, state commission decisions, and court decisions.

Wisconsin PSC
- The various plans submitted to date continue to reflect a polarized industry, and there is no complete ICC reform package on the table that can be implemented without further work to avoid introducing new problems to replace old ones.
- The FCC should adopt NARUC's v.7 plan as a platform upon which to pursue further development.
- This framework can eventually lead to a balanced consensus plan that meets public policy goals, including the core principles set forth in the PSCW's initial comments.

WilTel

- Access remains a monopoly – regulation must directly address market failure – “negotiation” is not the answer.
- The Commission should immediately set intercarrier compensation at a uniform, subsidy-free rate and then move to bill and keep.
- The Commission must prevent discrimination resulting from off-tariff, exclusive agreements.

WTA

- WTA supports the reply comments filed by Balhoff & Rowe discussing issues related to “phantom traffic.”

Wyoming Independent Telephone Cos.

- Supports the comments of NTCA, Rural Alliance and other state associations that advocate for appropriate compensation to rural carriers for the services that they provide, so that service to rural consumers remains affordable.
- The Commission should not mandate bill and keep.

XO Communications

- Mandatory bill and keep is unlawful and will not achieve the results proponents claim.
- The Commission should not modify the existing network interconnection rules and should confirm that ILECs must provide transiting at cost-based rates.
- The Commission should cooperate with state Commissions to develop a unified ICC plan that may include compensation for intrastate switched access services.