interests in each market.

The Michigan Legislature, in dealing with the interconnection arrangements between LECs and new entrants, understood the problems such a situation would have on small LECs, primarily MECA member companies. The Michigan Legislature granted MECA member companies a temporary exemption from the intrastate interconnection arrangements. Similarly, the FCC should leave to the state public service commissions the interconnection arrangements for LEC-CMRS providers.

The Michigan experience in dealing with interconnection issues between LECs and competing local exchange carriers is instructive for the FCC in one respect: the Michigan Legislature treated MECA member companies differently than large LECs in Michigan regarding local competition, primarily because of the size of the individual MECA members and the Legislature's commitment to universal service. The FCC should follow Michigan's lead and treat small LECs differently as the FCC institutes interconnection policies between LECs and CMRS providers. Although toll access rates may <u>not</u> be the appropriate interconnection rate for Ameritech, GTE North or other large LECs, the FCC should recognize that for small LECs, such a rate is reasonable. The FCC should, therefore, recognize the unique set of problems presented by small LECs and treat small LECs differently, much like the Michigan Legislature treated MECA member companies differently regarding local competition.

g. The FCC Proposes LEC-CMRS Interconnection Based upon the Use of a Percentage of Measured Local Service Rates. (¶ 73)

The FCC proposes that if a LEC currently charges its own measured local service customers five cents per minute, it could charge an interconnecting CMRS provider half that amount, for example -- 2.5 cents per minute. This option essentially assumes that the existing measured local service rates are cost-based, and that a LEC's cost of terminating a call placed by a CMRS customer is one-half of the cost of both originating and terminating a call placed by a LEC customer to another LEC customer.

It is MECA's position that use of a percentage of measured local service rates is inappropriate because local rates are not cost based. Local rates have been traditionally residually priced. The local rates are currently set below cost, and, until there is rate rebalancing, interconnection rates should not be based upon any percentage of local service rates.

Small LECs may not have the technology to measure and it may be cost prohibitive to require small LECs to measure. Measured local service is a very long term solution for interconnection rates and should not be considered in the near term or the long term as contemplated by this NOPR. If the FCC wants to reconsider the use of measured local service rates as an interconnection rate, it should do so by way of another NOPR many years in the future after all LEC telecommunications service rates have been rebalanced.

h. The FCC Proposes LEC-CMRS Interconnection Based upon a Uniform Per-minute Interconnection Rate. (¶ 74)

MECA takes the position that a uniform flat rate per minute interconnection rate is inappropriate because it is not based upon the terminating carrier's own cost. Although the FCC suggests a number of options under this uniform rate provision, MECA asserts that particularly for small LECs, costs can vary greatly and the FCC cannot provide for a suitable range of rates for small LECs throughout the country. Similarly, using an average level of all LECs' interstate access charges, not just those who are in the NECA pool, is inappropriate because uniform rates only work if there is pooling. If the FCC were to approve an average uniform rate for LEC-CMRS interconnection, then the FCC would have to allow LECs to participate in a NECA sub-pool or in separate intrastate pools. Although some LECs may not participate, they should have the opportunity to alternatively charge an interconnection rate that is based upon LRIC plus an additional amount to recover a proportionate share of their shared costs and overheads. Small LECs, in any event, should have the opportunity to participate in a pooling arrangement. Preferably, however, all interconnection rates should be established based upon each individual LEC's costs on a per minute of usage basis.

i. The FCC Proposes a Bill & Keep Interconnection Arrangement Until a Satisfactory Rate is Developed (¶ 75).

MECA takes the position that if a company has the technological ability to

measure CMRS calls, the CMRS provider and LEC should mutually compensate each other based upon cost on a per minute of usage basis at a rate in excess of LRIC in order to recover some portion of the companies' shared costs and overheads. On an interim basis small LECs should use toll access as the interconnection rate for LEC-CMRS interconnection. On a long term basis, CMRS interconnection with small LECs should be modeled after the in-place current toll access rates.

j. Long Term Approach.

MECA takes the position that LEC-CMRS interconnection be on a mutual compensation basis, compensated on a per minute usage basis for traffic sensitive costs based upon the terminating carrier's costs that would reflect costs in excess of LRIC in order to recover a sufficient portion of shared costs and overheads. It is important to establish this mutual compensation scheme so that all services and carriers are treated similarly. IXCs are charged toll access rates, therefore, CMRS providers should be treated the same way, until LECs have rebalanced their rates and all services are priced at rates that exceed LRIC, including basic local service rates.

The FCC requests comments on the impact of any long term approach on universal service (¶ 77). It is MECA's position that small LECs must recover costs in excess of LRIC not only to recover shared costs and overheads but to compensate small LECs for the costs of universal service. As stated earlier, providing basic local service in

MECA's service areas is significantly more expensive (on a per line basis) than in more urban areas. Toll access rates were instituted, in part, to compensate the small LECs for the construction of the network in these high cost areas and for universal service. In the near term, therefore, small LECs should recover toll access rates as interconnection charges from CMRS providers. In the long term, small LECs should be compensated for interconnection by cost-based rates, in part, to provide for universal service. It is MECA's position that without cost-based rates, other services, such as basic local services, must recover a larger portion of shared costs and overhead. As rates are rebalanced, regulators must be mindful of their longstanding commitment to universal service because, as the basic local service rates increase, the number of subscribers in rural areas will surely decrease without universal service support. In setting rates for interconnection of new telecommunications services, regulators must be mindful of their longstanding commitment to universal service because as these new services are introduced, they must be priced to recover a portion of shared costs and overheads in order to prevent the burden being shifted to basic local service customers.

The FCC also requests comment regarding the effect different interconnection rates would have on the reporting of traffic. MECA takes the position that if a different interconnection rate is set for CMRS providers than IXCs or other service carriers, companies providing multiple services have an arbitrage opportunity to misreport traffic to be the type with a cheaper form of interconnection.

k. Symmetrical Compensation Arrangements (¶¶ 78-81).

MECA again takes the position that LEC-CMRS interconnection rates should be on a mutual compensation basis based upon each carrier's particular terminating costs. Any other arrangement may prevent LECs, particularly smaller LECs, from recovering their costs, thus subsidizing CMRS providers.

The FCC states the symmetrical compensation rates would be administratively easier to derive and manage than asymmetrical rates based on the costs of each of the respective networks. Symmetrical rates, claims the FCC, could reduce LECs' ability to use their bargaining power to negotiate an excessively high termination charge that CMRS providers would pay LECs and an excessively low termination rate that LECs pay CMRS providers. The FCC argues that setting asymmetric, cost based rates might require evaluating the cost structures of non-dominant carriers, which would be complex and intrusive.

It is MECA's position that symmetrical rates are unnecessary for small LECs primarily because the FCC's fears of a LEC's abuse of its bargaining power will not materialize with small LECs. Small LECs, such as MECA member companies, do not have that level of bargaining power to exploit CMRS providers. It is also MECA's position that if the FCC is concerned with abusive and disproportionate bargaining power, at least with respect to small LECs, the FCC's or the Michigan Public Service Commission's complaint

process would work to limit a LEC's abuse of its bargaining power, even assuming such power exists for small LECs. Furthermore, symmetrical rates are incongruous to the FCC's stated objective to promote a competitive marketplace where each carrier will charge its own rates.

B. Implementation of Compensation Arrangements.

1. Negotiations and Tariffing.

The FCC tentatively concludes that interconnection compensation arrangements should be made publicly available to foster competition. The FCC is undecided as to the method of making this information publicly available -- tariff, public disclosure or other approach. MECA takes the position that tariffing is appropriate if all interconnecting companies are charged the same access rates (i.e., IXCs, cellular, CMRS, competitive local exchange carriers, etc.). Tariffing is probably not reasonable at this time because local rates are below LRIC. There should be rate rebalancing prior to tariffing of CMRS interconnection arrangements.

The current status of the telecommunications industry is in flux. There are different cost rules in effect for different services. FCC toll access rates are based upon embedded costs; while in Michigan, as it relates to Ameritech Michigan and GTE, local competition interconnection is based upon LRIC and basic local service has been residually priced. MECA takes the position that there should not be a separate set of rules for CMRS

providers.

If the FCC allows for negotiated arrangements, then small LECs should only need to file the rates before their use.

2. Jurisdictional Issues.

The FCC seeks comment on three alternative approaches to implementing interconnection policies.

a. Adopt a Federal Interconnection Policy Framework that Would Directly Govern LEC-CMRS Interconnection With Respect to Interstate Services and Serve as a Model for State Public Service Commissions Considering These Issues with Respect to Intrastate Services (¶ 108).

MECA supports the FCC's conclusion with respect to this option of implementation. Developing a federal interconnection policy framework that would govern interstate interconnection is appropriate for the FCC to regulate. Establishing a general "framework" also allows companies, particularly small LECs, to become creative in their service offerings to their customers and CMRS customers. Whether a state public service commission considering these issues with respect to intrastate services chooses to adopt a federal policy should be at the discretion of the state public service commission. The state public service commission is much more familiar to the issues presented by the market participants than is the FCC. It is the state's familiarity to these market issues that is important and particular market knowledge is required in order to appropriately regulate this

type of interconnection arrangement.

For example, and as stated earlier, in the recent interconnection debate between incumbent LECs and new entrants, the Michigan Legislature granted MECA member companies an exemption from this type of competition. The FCC may not be as familiar with local market issues, particularly as they relate to small rural LECs, as a state public service commission or legislature would be. For this reason, MECA supports the FCC's adoption of a federal interconnection policy framework that would directly govern LEC-CMRS interconnection with respect to interstate services while leaving the intrastate services to the discretion of the state public service commissions. The FCC should not preempt state policies on intrastate services.

b. Adopt a Mandatory Federal Policy But Allow States a "Wide Range of Choices" With Respect to Implementing Specific Elements Within the Federal Mandatory Parameters (¶ 109).

Any federal mandates are opposed by MECA. Again, MECA believes that state public service commissions would be more familiar with market issues in the state, particularly those issues that relate to small LECs. Any "wide range of choice" offered by the FCC would necessarily limit a state public service commission's options in implementing interconnection arrangements between LECs and CMRS providers. Any limitation prohibits state public service commission creativity in dealing with local market issues. For this reason MECA objects to any mandatory federal policy.

c. Adopt Mandatory Federal Standards with Specific Requirements for Interconnection Arrangements Between LECs and CMRS Providers (¶ 110).

MECA objects to any federal preemption for the reason that the FCC is not familiar with local market interests, particularly as they relate to smaller LECs. Since a state public service commission understands the market forces in small LEC communities and is better suited to regulate smaller LECs, the FCC should defer to the state public service commissions for this type of regulation.

III. INTERCONNECTION FOR ORIGINATION AND TERMINATION OF INTERSTATE INTEREXCHANGE TRAFFIC. (¶¶ 115-117)

On an interim basis, LECs should keep toll access charges for IXC traffic. On a permanent basis, parties should enter into meet-point-billing arrangements between CMRS providers and LECs similar to the way the LECs interconnect and bill access to IXCs.

CMRS providers are entitled to their portion of the toll access charges that relate to the use of their networks, but CMRS providers should create toll access tariffs and bill the IXCs themselves under a multiple bill/multiple tariff billing option.

IV. APPLICATION OF THESE PROPOSALS.

The FCC seeks comment on whether the proposals and options considered in this NOPR should apply to interconnection arrangements between LECs and: (1) broadband PCS providers only; (2) broadband PCS, cellular telephone, SMR, satellite telephony, and other CMRS providers that offer two-way, point-to-point voice communications, which could compete with LEC landline telecommunications; or (3) all CMRS providers.

MECA's concern is that there be a level playing field when its member companies and other small LECs face competition. MECA does not believe that there should be regulatory restrictions placed on any technology that might impede its value in the marketplace. Therefore, MECA proposes that the rules that the FCC is preparing to promulgate should consider small LEC issues apart from the RBOCs and other large LECs. These rules should apply no matter what technology is utilized for competition with the small LEC.

V. RESPONSES TO INITIAL REGULATORY FLEXIBILITY ANALYSIS.

The FCC's Initial Regulatory Flexibility Analysis states that any rule changes that might result from this NOPR could impact entities which are small entities. The FCC, after evaluating the comments of this proceeding, will further examine the impact of any rule changes on small entities and set forth findings in the Final Regulatory Flexibility analysis.

Many of MECA's comments are directed at the impact the FCC's proposed rule changes would have on small LECs. It is MECA's position that small LECs should have the authority to charge toll access rates to interconnecting CMRS providers and that any form of Bill & Keep is economically unsound. MECA, therefore, asserts that small LECs be granted an exemption from rules with which RBOCs or other large LECs are required to comply.

Although, the FCC has not specifically proposed differing standards for small LECs with regard to the implementation of any rule changes, MECA asserts that in its Final Regulatory Flexibility Analysis, the FCC must recognize the significant adverse impacts its decisions may have on small LECs and, therefore, allow small LECs to implement a

differing small LEC-CMRS interconnection arrangement.

Respectfully submitted,

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