Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
Federal State Joint Board on Universal Service	)	CC Docket No. 96-45
Low-Volume Long Distance Users	)	CC Docket No. 99-249
Access Charge Reform	)	CC Docket No. 96-262

REPLY COMMENTS OF VALOR TELECOMMUNICATIONS SOUTHWEST, LLC ON THE REVISED PLAN OF THE COALITION FOR AFFORDABLE LOCAL AND LONG DISTANCE SERVICE

Pursuant to the Commission's request for supplemental comments in the above-captioned proceedings (released March 8, 2000), VALOR Telecommunications Southwest, LLC ("VALOR") hereby submits its reply comments on the revised proposal submitted by the Coalition for Affordable Local and Long Distance Service ("CALLS"). As set forth in its initial comments, VALOR strongly supports the overall goals of the plan. VALOR initially had questions concerning how the CALLS plan would address VALOR's position as a new price-cap LEC serving rural markets in three states. However, the ongoing and productive discussions between VALOR and the Coalition have resulted in a handful of critical modifications to the plan that address the issues of concern to VALOR (and potentially other small price cap LECs). These modifications will allow VALOR to participate in the CALLS plan while still fulfilling its promise to bring better and more advanced telecommunications services to its markets. VALOR therefore joins with many other commenters, representing all of the various interests in the industry, in recommending that the Commission adopt the CALLS plan in its entirety.

The details of these modifications are discussed generally below and are fully described in the joint *ex parte* filed by VALOR and the CALLS coalition with the Commission on April 14, 2000.

DISCUSSION

As a price cap LEC serving largely rural areas, VALOR believes that the CALLS plan, with the adjustments discussed below (and described in the *ex parte*), will be particularly beneficial for all consumers living in low-density areas. The CALLS plan will bring much needed regulatory stability to a large segment of the telecommunications industry. This is especially important for a company such as VALOR, which is seeking to roll out new services to many rural and sparsely populated markets – an endeavor for which regulatory stability is as critical as a realistic revenue stream. The CALLS plan, as modified, should secure both goals and accordingly will serve the public interest. The plan will lower rates for consumers in VALOR's markets and will position VALOR to fulfill its commitments to bring those consumers advanced telecommunications services in the near future. The two crucial modifications to the CALLS plan that have allowed VALOR to support the plan are as follows:

1. **Average Traffic Sensitive Rates:** VALOR was concerned that the target Average Traffic Sensitive Rate for a smaller price cap LEC was too low to accommodate the realities of VALOR's low-density markets and did not reflect the costs that VALOR will experience serving these rural areas. The plan initially would have required VALOR to achieve the same efficiencies that are available to the BOCs and GTE – a goal that simply would not have been attainable. In response to these concerns, the CALLS proposal now sets the Average Traffic

Sensitive Rate for VALOR at the more realistic target of $.0095.[1] This target rate would be available not just to VALOR but to any price cap carrier that has an average teledensity of less than 19 lines per square mile at the holding company level.

A target rate of $.0095 will help to ensure that VALOR and other low-density price cap carriers can operate successfully under the CALLS regime. This more realistic rate still represents a significant reduction in access charge rates (and rates will drop even lower as CCL charges fall), but, in contrast to the initial proposal, the new rate will preserve VALOR's ability to fund substantial upgrades to its operations and facilities. These upgrades are vital if VALOR is to modernize the telecommunications offerings available to its customers and bridge the "digital divide" that some of its markets face. With the proposed modification to the target rates, VALOR is confident that it will be able to participate in CALLS and still provide the advanced services (including dial-up Internet services and DSL) that it has committed to offer its customers.

2. **Timing Issues.** VALOR previously expressed concern that the CALLS proposal would have subjected VALOR's exchanges to different target rates -- some of which VALOR could not have met -- solely because of the timing of VALOR's acquisition of those exchanges. Specifically, VALOR was concerned that, notwithstanding the largely rural nature of its exchanges, it might still be required to adopt GTE's much lower target rates for those exchanges that closed after, rather than before, the adoption of the CALLS plan. The Coalition has now

[1] The modified CALLS proposal also provides for a smaller initial reduction in Average Traffic Sensitive Rates than would be true for the larger price cap LECs. This lower initial reduction would be counter-balanced by greater reductions over time in CCL rates, which are substantially higher for smaller price cap LECs than for the BOCs and GTE. Once the Average Traffic Sensitive Rate hits the target, the X-factor for VALOR will not be set equal to the inflation rate (as is true for the BOCs and GTE); instead, it will remain at 6.5% and the

agreed that the $.0095 rate would apply to all exchanges owned as of July 1, 2000, or that are under contract as of April 1, 2000. Thus, all exchanges that were under contract as of April 1, 2000 would be treated the same by the CALLS plan.

CONCLUSION

With the modifications outlined above and discussed in detail in the VALOR-CALLS *ex parte*, VALOR wholeheartedly endorses the CALLS plan and recommends that the Commission adopt the proposal in full.

Respectfully Submitted,

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reductions applicable to the CMT category will be targeted to CCL rates until they are reduced to zero.