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December 12, 2003

*Ex Parte Memorandum*

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 – 12<sup>th</sup> Street, S.W., Room TW-A325  
Washington, DC 20554

Re: In the Matter of Developing a Unified Intercarrier  
Compensation Regime, CC Docket No. 01-92

Dear Ms. Dortch:

On December 11, 2003, Messrs. H. Keith Oliver, on behalf of Home Telephone Company, Inc., and L. B. Spearman, on behalf of PBT Telecom, made *ex parte* presentations concerning the above-referenced proceeding to Jessica Rosenworcel, Legal Advisor to Commissioner Copps; Daniel Gonzalez, Senior Legal Advisor to Commissioner Martin; and Lisa Zaina, Senior Legal Advisor to Commissioner to Commissioner Adelstein. A copy of their presentation is enclosed.

Should there be any questions concerning this matter, kindly contact the undersigned.

Very truly yours,

s/Kenneth E. Hardman

Kenneth E. Hardman

Enclosure

# Intercarrier Compensation – A Rural LEC's Perspective

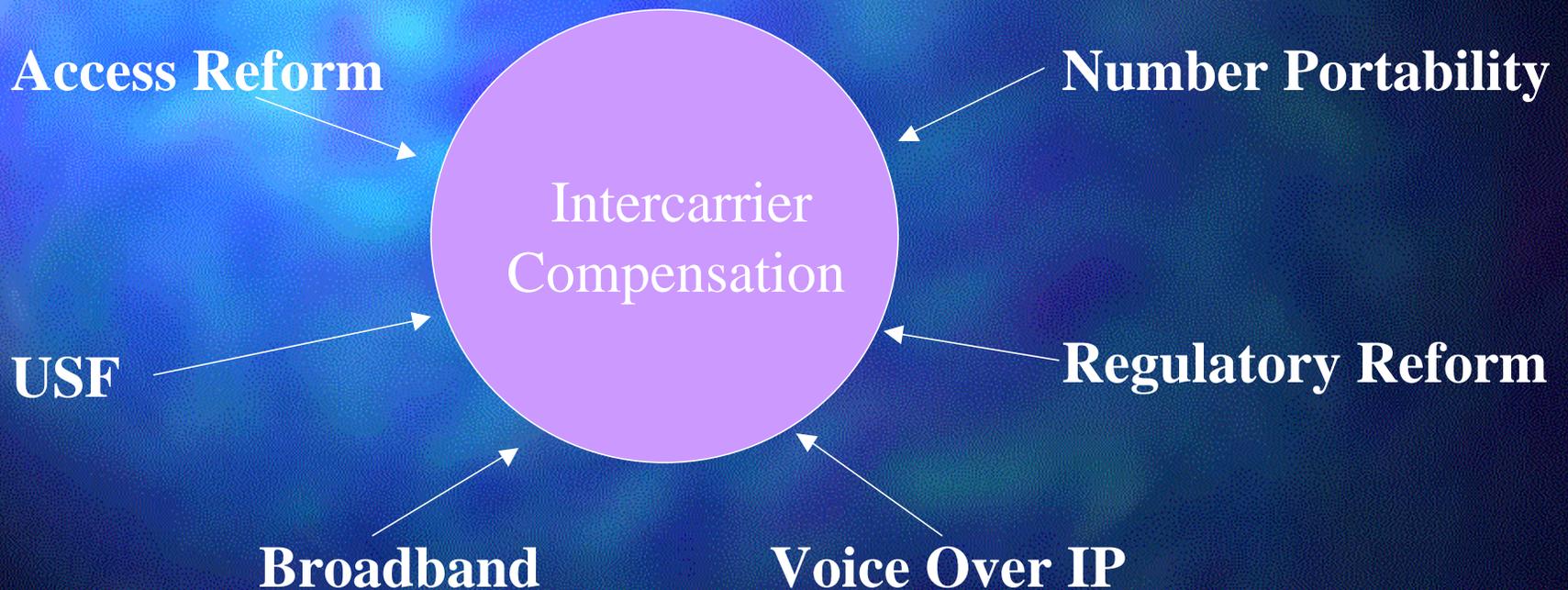
H. Keith Oliver, Vice President  
Home Telephone Company, Inc.  
Moncks Corner, SC

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Ben Spearman, Chief Regulatory Officer  
PBT  
Gilbert, South Carolina

# Intercarrier Compensation – A Rural LEC's Perspective

Many major issues converge into Intercarrier Compensation Debate



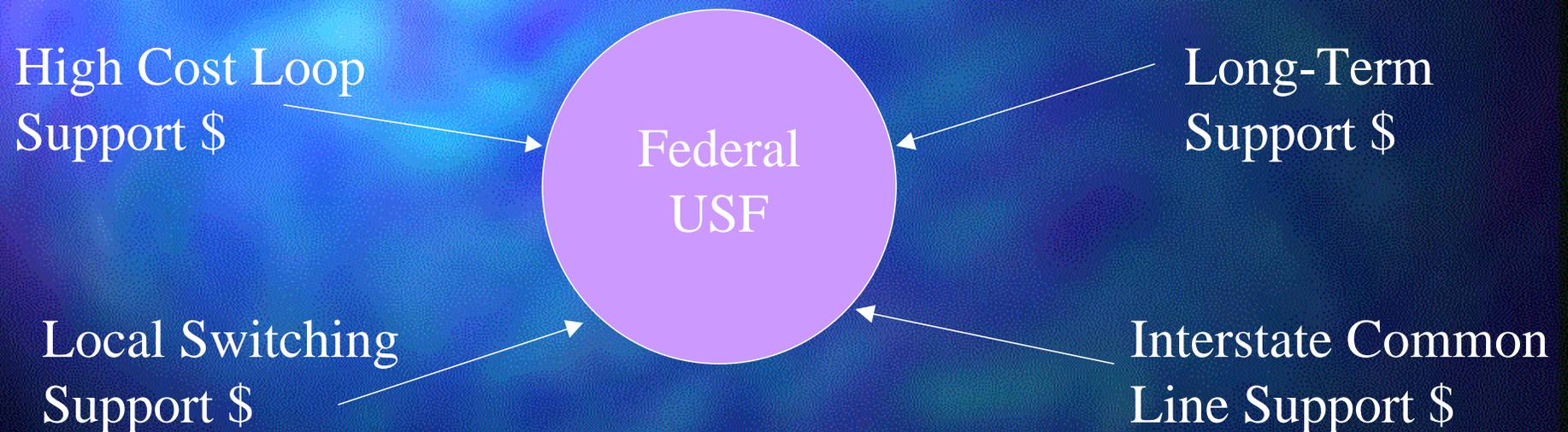
## Intercarrier Compensation – A Rural LEC's Perspective

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- Resolution of all issues in a comprehensive manner is required in order to remove regulatory uncertainty before the telecom industry can regain its economical vitality

# Intercarrier Compensation – A Rural LEC's Perspective

USF proceedings have shifted rural LEC cost recovery out of access into USF



## Intercarrier Compensation – A Rural LEC's Perspective

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- America's network is a series of individual interconnected networks
- All connected to the networks have the ability to benefit equally
- BUT: Cost varies between networks

## Intercarrier Compensation – A Rural LEC's Perspective

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- Intercarrier Compensation is the way that subscribers residing in low cost network areas pay for their “fair share” for the use of high cost networks

## Intercarrier Compensation – A Rural LEC's Perspective

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- Pure Bill and Keep does not provide for cost sharing between high and low cost networks.
  - Rural areas would be severely disadvantaged
  - Rural customers would be left to support the entire cost of the rural network
  - Low cost network customers would use rural networks for **FREE**

# Intercarrier Compensation – A Rural LEC's Perspective

An intercarrier compensation plan must:

1. Eliminate arbitrage (between services and jurisdiction)
2. Recognize the emergence of the packet switched network
3. Allow for nationwide transportation mechanism
4. Allow for continued pooling of rural cost
5. Insure that all benefiting from the use of the rural network pay to use it

## Intercarrier Compensation – A Rural LEC's Perspective

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- The packet-switched network requires a per connection or a capacity based interconnection fee.
- Minutes of use (access) fees will not be sustainable in the packet switched environment

## Intercarrier Compensation – A Rural LEC's Perspective

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- What is needed is a comprehensive solution that deals with USF, intercarrier compensation and related issues at the same time
- A comprehensive solution is needed to keep *America* connected

# Intercarrier Compensation – A Rural LEC's Perspective

## Details of a Comprehensive Connect America Plan

1. Identify net intrastate intercarrier compensation revenue required
2. Combine intrastate revenue requirement with interstate revenue requirement (switched access plus funds transferred to USF)
3. Develop a capacity-based fee to be charged for entry into the public switched network (i.e., port charge)

## Intercarrier Compensation – A Rural LEC's Perspective

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4. Price cap LEC increase SLCs to offset any net revenue shortfall resulting from the elimination of access fees and implementing port charges
5. Rural LECs mirror any actual SLC increases implemented by price cap LECs (not current capped amounts)
6. Rural LECs pool costs and revenues resulting from the implementation of the plan

## Intercarrier Compensation – A Rural LEC's Perspective

7. Pooled revenue requirements not recovered from the SLC increase and the creation of a port fee would be recovered based on a per-connection or per-assigned number basis fee
8. Pooling option would be available to all entities meeting public interest test as a rural ETC<sup>1</sup>, based on the adoption of common accounting and pooling rules

<sup>1</sup>Any company seeking designation as a rural ETC would be required to adhere to all the rules that a rural LEC would follow such as Part 32 (common accounting) and various pooling guidelines.

## Intercarrier Compensation – A Rural LEC's Perspective

9. Remaining federal universal service programs (after removal of LEC costs) recovered on expanded revenue base (all broadband and ISP services)
10. LECs receive regulatory pricing flexibility to bundle other services with basic local service

# Intercarrier Compensation – A Rural LEC's Perspective

## Benefits of Connect America Plan

1. Allows for all subscribers connected to the network to pay a low flat fee for use of the rural network
2. Allows public switched network to be priced similar to a packet switched network
3. Allows for continuation of existing special access and dedicated line pricing
4. Eliminates arbitrage
5. Allows for seamless number portability
6. Resolves existing USF issues
7. Resolves regulatory difference with broadband and VOIP service

**A SINGLE SOLUTION FOR MANY COMPLICATED PROBLEMS**