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February 2, 2005

Via Electronic Submission

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A325
Washington, DC 20554

**Re: *Ex Parte* Presentation,
Intercarrier Compensation for ISP-bound Traffic, CC Docket No. 99-68
Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92**

Dear Ms. Dortch:

On February 1, 2005, Richard D. Coit, David Dunning, Mark Benton, Randy Houdek and George Strandell, representatives of the South Dakota Telecommunications Association (SDTA), Mark Shlanta of SDN Communications, Inc., and I met with Jessica Rosenworcel, Legal Advisor to Commissioner Capps, to discuss issues related to the above-referenced dockets. A copy of the presentation materials distributed and discussed at the meeting is attached hereto.

Also discussed at the meeting, SDTA and SDN argued that the issue of wireless and CLEC virtual NXX should not be resolved outside of the larger context of the intercarrier compensation proceeding.

Pursuant to Section 1.1206 of the Commission's rules, this letter is being electronically filed with your office. Please associate this letter with the files in the above-referenced proceedings.

Sincerely,


Benjamin H. Dickens, Jr.

cc: Jessica Rosenworcel

INTERCARRIER COMPENSATION

Inter-carrier Compensation Rules

- **Any inter-carrier compensation rules adopted must recognize rural realities.**
- **Over reliance on end-user charges and universal service support within any inter-carrier compensation scheme will doom universal service and stifle continued network investment in rural areas.**
- **All carriers utilizing the network must pay fair share for use of the network if continued investment in the network is to be encouraged.**

Inter-carrier Compensation Rules (Cont.)

- **Rural carriers and customers should not be penalized within any inter-carrier compensation scheme as a result of more limited networks and smaller service areas -- responsibilities for transport should not extend beyond rural carrier network and/or service area.**
- **Proposals under debate for imposing increased transport responsibility on rural carriers, if adopted, will have substantial and diverse impacts statewide.**

Any inter-carrier compensation rules adopted must recognize rural realities.

- **High-Cost realities faced by rural carriers:**
 - **See attached service area map.**
 - **Venture Communications Cooperative:**
 - **Number of subscribers – 11,004**
 - **Total route miles of facility (not cable miles) – 5,254**
 - **Density – 2.09 per route mile**

- **High-Cost realities faced by rural carriers (cont.):**
 - **Midstate Communications:**
 - **Number of subscribers – 4,580**
 - **Total route miles of facility (not cable miles) – 2,019**
 - **Density – 2.27 subscribers per route mile**

- **High-Cost realities faced by rural carriers (cont.):**
 - **Golden West Telecommunications Cooperative:**
 - **Number of subscribers – 11,245**
 - **Total route miles of facility (not cable miles) – 11,682**
 - **Density – 1.04 subscribers per route mile**

Over reliance on end-user charges and universal service support within inter-carrier compensation scheme will doom universal service and stifle continued network investment.

- **Current switched access revenue requirements of SDTA member ILECs (as established by FCC and State PUC):**

- **Interstate (annual):**

- Local Loop (CCL) – \$27,311,974
- Local Switching – \$18,460,485
- Local Transport – \$12,731,767
- Total Switching and Transport - \$31,192,252

- **Intrastate (annual):**

- Local Loop – \$18,738,197
- Local Switching – \$7,530,818
- Local Transport – \$9,904,463
- Total - \$36,173,478

- **Current switched access revenue requirements of SDTA member ILECs:**

- **Venture Communications Cooperative:**

- Total interstate (without CCL) and intrastate (with CCL) - \$6,332,894
- Interstate per line – \$14.30 per month
- Intrastate per line – \$25.21 per month
- Percentage of Gross Revenue – 31.6 percent
- Local Transport revenue requirement (interstate and intrastate) – \$2,738,830

- **Current switched access revenue requirements of SDTA member ILECs (cont.):**

- **Midstate Communications Cooperative:**

- **Total interstate (without CCL) and intrastate (with CCL) - \$2,678,985**
- **Interstate per line – \$19.86 per month**
- **Intrastate per line – \$28.83 per month**
- **Percentage of Gross Revenue - 44%**
- **Local Transport revenue requirement (interstate and intrastate) – \$1,129,689**

- **Current switched access revenue requirements of SDTA member ILECs (cont.):**

- **Golden West Telecommunications Cooperative:**

- **Total interstate (without CCL) and intrastate (with CCL) – \$7,295,950**
- **Interstate per line – \$13.90 per month**
- **Intrastate per line – \$24.08 per month**
- **Percentage of Gross Revenue - 34.44 percent**
- **Local Transport revenue requirement (interstate and intrastate)– \$2,565,482**

- **NTCA Study – Impact of Central Office Bill & Keep**

- **If both rural and non-rural companies were to pass on the lost revenue related to elimination of access, then the per line rate increase will be substantially greater for rural customers than for non-rural customers.**
- **NTCA 2003 Study (based on 2002 data) – 331 rural ILECs.**

- **NTCA Study – Impact of Central Office Bill & Keep**

- **Impact – Entire Study Group:**
 - **Elimination of access:**
 - **Interstate loss - \$9.50 per line**
 - **Intrastate loss - \$12.67 per line**
 - **Additional transport costs imposed on rural LECs not quantified.**

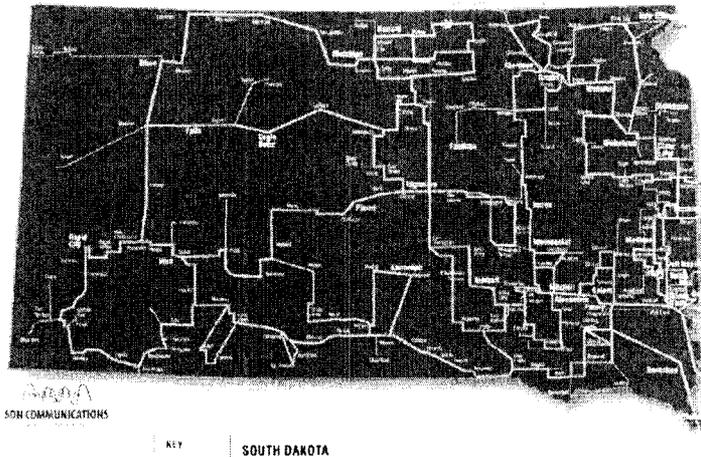
- **NTCA Study – Impact of Central Office Bill & Keep**
- **Impact – SD Rural LECs (10 companies):**
 - **Elimination of access:**
 - Interstate loss - \$11.48 per line
 - Intrastate loss -\$15.93 per line
 - **Additional transport costs imposed on rural LECs not quantified.**

- **Impact of Bill and Keep**
 - **Venture Communications Cooperative:**
 - Interstate loss – \$14.30 per line per month
 - Intrastate loss - \$25.21 per line per month
 - **Midstate Communications:**
 - Interstate loss – \$19.86 per line per month
 - Intrastate loss - \$28.83 per line per month
 - **Golden West Telecommunications Cooperative:**
 - Interstate loss – \$13.90 per line per month
 - Intrastate loss - \$24.08 per line per month
- **Additional Transport Costs Not Quantified**

All carriers utilizing the network must pay fair share for use if continued investment in the network is to be encouraged.

- **See attached map of regional and backbone networks of SD rural ILECs.**
- **Presentation of SDN Communications.**

South Dakota Fiber Map Backbone and ILEC Fiber Routes



What does it cost to build a Statewide Backbone Network?

▪ Fiber (2,500 miles x \$10,000/mile	\$25,000,000
▪ Land & Buildings	\$10,000,000
▪ DWDM Optics	\$12,000,000
▪ SONET Optics	\$ 8,000,000
▪ Total	\$55,000,000

The value of the network to our State exceeds its cost.

What is supported by Statewide Backbone Network?

- **Government (State, County and City)**
- **Public Safety (State Dispatch, 911)**
- **K12 Education (200 video locations sharing resources)**
- **Higher Education (Research Networks)**
- **Health Care (Collaborative support for Rural Clinics/Hospitals)**
- **Banking (Secure data transfer, Greater access to capital in Rural markets)**
- **Value added Agriculture (Ethanol, Animal Research)**
- **Economic Development for growing and sustaining communities.**

All are supported by "users" paying for access to the network. All will be in JEOPARDY if investment incentive is eliminated.

What have SDN and its ILEC owners accomplished together?

- A more cost effective shared network.
- A Statewide protected network.
- A cooperative effort to support advanced services Statewide.
 - DSL Penetration
 - Internet Access
 - Video Delivery
 - Aggregated Long Distance
- Created a model for finding solutions to issues in a collaborative manner for the benefit of the State, its Citizens and the companies.

All are supported by "users" paying for access to the network. All will be in JEOPARDY if investment incentive is eliminated.

The Internet is not "free"

- An examination of SDN's Internet costs.
 - Hardware

■ Edge Routers	\$200,000
■ Customer Aggregation Routers	\$400,000
■ BSN, Switches, Cables, etc.	\$100,000
■ Annualized Revenue needed	\$300,000
<ul style="list-style-type: none"> ■ Supports three year technology refresh, maintenance agreements, property taxes, etc. 	
 - Access to upstream providers (annual costs)

■ Three 155 Mbps connections	\$100,000
■ Subscription to 200 Mbps	\$300,000
 - 2004 cost to access "free internet" \$700,000
 - In addition, ILECs have costs associated with:
 - DSLAMs
 - Transport from DSLAMs to SDN or other IP carrier
 - Broadband access and Internet connectivity COST SDN and its ILEC members millions of dollars annually

Rural carriers and customers should not be penalized as a result of more limited networks and smaller service areas -- responsibilities for transport should not extend beyond rural carrier network and/or service area.

- **Intercarrier Compensation Forum Plan (Intercarrier Compensation and Universal Service Reform Plan) out of touch with rural America.**
- **Plan would reduce access to negligible levels and rely on end-user local service rates and increased universal service funding for replacement.**
- **Plan substantially changes transport responsibilities for rural carriers.**
- **Plan fails to recognize rural LEC realities and is especially unfair to rural LECs with centralized equal access backbone networks.**

Rural carriers and customers should not be penalized as a result of more limited networks and smaller service areas -- responsibilities for transport should not extend beyond rural carrier network and/or service area (cont.)

■ **Page 19 of ICF Plan, Section II.B.2.a, states:**

"If an Access Tandem is the source of equal access functionality, then the CRTC (Covered Rural Telephone Company) must designate the Access Tandem as its Edge for carriers that require equal access for interconnection, in which case the CRTC will be financially responsible for all transport costs in both directions on its side of the Access Tandem."

Proposals under debate for imposing increased transport responsibility on rural carriers, if adopted, will have substantial and diverse impacts statewide.

- **Imposing greater transport obligations on rural LECs in disregard of their limited networks and service areas further threatens universal service and will negatively impact network investment.**
- **Both local network investment and investment in statewide backbone facilities.**