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September 28, 2006

## **BY ELECTRONIC FILING**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554

Re: CC Dockets 01-92 and 96-45 -- *Ex Parte Presentation*

Dear Ms. Dortch:

On September 26, 2006, Jeff Glover of CenturyTel, Inc., Rob Binder of Citizens Communications, Jack Day of SureWest Communications, and I met with Don Stockdale, Marcus Maher, Jennifer McKee and Tim Stelzig of the Wireline Competition Bureau. In this meeting, the companies described the challenges posed by inter-carrier compensation reform, and their views on the "Missoula Plan" filed July 24, 2006 in docket 01-92.

The companies support certain aspects of the "Missoula Plan" such as the goals of unifying inter-carrier charges, eliminating arbitrage of networks, and resolving the growing problem of Phantom Traffic. The companies urged that Phantom Traffic rules should be adopted as a *first step* in inter-carrier compensation reform, rather than awaiting action on the larger rate reform proceeding. The Phantom Traffic proposal set forth in the Missoula Plan largely represents the views of an industry cross-section. The adoption of this proposal now will provide clear and reasonable rules to stem the still growing numbers of minutes that cannot be billed because proper identification is lacking, and help the Commission understand the amount of inter-carrier compensation at stake in the larger rulemaking proceeding.

The companies also advocate a more balanced approach to inter-carrier compensation reform than the "Missoula Plan" represents. The companies noted that the proposed plan places a disproportionate burden on residential consumers, particularly in those markets served by carriers that would be classified as "Track 2" under the plan. There should be only two classes of carriers, the mandatory price cap companies, and all others. Residential customers should not bear a disproportionate share of the burden of the reforms advocated by the sponsors of that proposal. Rather, an incremental approach should be adopted, with reasonable allowance for transitions and a more moderate restructuring of rates. The companies suggested that any increase in subscriber line charges be limited to no more than \$1.00 to \$1.50 total over the course of a 5-year plan, with some degree of pricing flexibility so carriers can recover that amount as part of their bundled rates. All terminating rates (for 2-way traffic) should be unified at a reasonable per minute rate appropriate for the scale and scope economies

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of the carrier. The targeted termination charge of \$0.0005 proposed in the Missoula Plan would not adequately compensate these carriers for switching and termination of switched traffic. Moreover, the “Missoula Plan” understates the amount of revenues that would likely be shifted to end-users through a combination of subscriber charge increases and the access replacement mechanism, which ultimately is funded by end-users. The companies advocate an approach under which rates are unified but more robust, so the overall size of the access replacement mechanism would be more modest, and the impact on consumers would be less harsh, than under the Missoula Plan. The companies also are of the view that any new access replacement fund created as a result of action in Docket 01-92 should not be made “portable” to competitors that do not charge access today. This would also help curb the growth of the fund. At the end of this 5-year period the Commission could evaluate the impact of these changes on consumers, competition and network investment, before considering further changes.

Finally, the companies urged that resolution of the rulemaking on the universal service contribution methodology would help stabilize universal service funding, a necessary precursor to implementing significant inter-carrier compensation reform.

The attached materials, prepared by a Wisconsin PSC staff member analyzing the impact of the “Missoula Plan” in Wisconsin, were discussed in the meeting. Please direct any questions concerning this matter to me.

Very truly yours,

/s/ Karen Brinkmann  
*Counsel to CenturyTel, Inc.*

Attachment

cc: Tom Navin  
Don Stockdale  
Jennifer McKee  
Tom Stelzig  
Marcus Maher