

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

**In the Matter of** )  
 )  
**The Missoula Plan Intercarrier** ) **Docket 01-92**  
**Compensation Reform Plan** ) **DA 06-1510**

**Comments of the Telephone Association of Maine**

The Telephone Association of Maine (TAM) is a trade association comprised of all of the independent rural incumbent local exchange companies in Maine.<sup>1</sup> TAM supports the comments filed in this docket by the Rural ILECs and agrees that the Missoula Plan is an appropriate solution to the intercarrier compensation issues before the FCC. However, there are some Maine-specific issues that must be addressed with regard to the Missoula Plan that are not contained in the comments of the Rural ILECs. Accordingly, TAM offers these comments in the above captioned proceeding.<sup>2</sup>

Maine is what has been referred to throughout the discussions concerning the Missoula Plan as an "Early Adopter" State. As a result of State-specific legislation, TAM's members have already reduced access rates to levels that are near those proposed as default access rates for Track 3 companies. At the same time, many of TAM's members have raised basic service rates to the level of Verizon-Maine's basic service rates, which are currently approximately \$19 per month. To address additional revenue losses that were not recovered by raising basic rates to the Verizon-Maine rates, the State adopted the Maine Universal Service Fund to provide further high-cost support as needed. As a result of these actions by the Maine Legislature and Public Utilities Commission, many of the revenue impacts that are anticipated as a result of the Missoula Plan have already been absorbed in Maine through State support and increases to basic service. It is important that when the FCC adopts the Missoula plan, it includes provisions to ensure that States that have been progressive in addressing intercarrier compensation issues are not effectively penalized for exercising their own initiative to rationalize rates for customers within their States.

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<sup>1</sup> TAM's member companies are: China Telephone Company; Cobbosseecontee Telephone & Telegraph Company; Community Service Telephone Company; Hampden Telephone Company; Hartland St. Albans Telephone Company; The Island Telephone Company; Lincolnville Telephone Company; Maine Telephone Company; Mid-Maine Telecom; Northland Telephone Company; Oxford Telephone Company; Oxford West Telephone Company; Pine Tree Telephone & Telegraph Company; Saco River Telegraph & Telephone Company; Sidney Telephone Company; Somerset Telephone Company; Standish Telephone Company; Tidewater Telecom, Inc.; Union River Telephone Company; Unitel, Inc.; Warren Telephone Company; and West Penobscot Telephone Company.

<sup>2</sup> These Comments reflect the position of the TAM Board of Directors, with the exception of Fairpoint Communications and TDS Telecom. TDS Telecom and Fairpoint Communications are the parent companies of a number of TAM's members. TDS Telecom and Fairpoint Communications are supporters of the Missoula Plan and as such cannot be a party to outside comments suggesting specific changes to the plan.

The first specific provision that TAM proposes is an explicit statement that State Universal Service Funds are not preempted by the adoption of the Missoula plan. The structure of the Missoula plan appears to contemplate migrating existing access charges and State Universal Service Funds into the Restructuring Mechanism. This effectively freezes those cost recovery mechanisms for Track 3 companies at their present level. A problem arises if companies begin to lose market share to competitors and, due to the freezing of those recovery mechanisms, are therefore forced to recover the lost revenue through basic rate increases over a smaller customer base. For companies in non-early adopter States, these increases in basic service rates would likely be easily accomplished. However, in Maine, most TAM members are already at the Verizon-Maine rate and requiring further rate increases to offset losses of access lines would place Maine's Rural LECs at an even greater competitive disadvantage, thereby amplifying the potential for further access line loss. In these circumstances, the customers who are left on the system are often the ones who do not see an advantage to the newer technologies such as wireless or Voice over IP and are often less able to afford substantial rate increases. In these circumstances, the existence of a State specific high cost support fund would allow companies to continue to offer comparable service at comparable rates to all customers throughout the State, even those in the rural high cost areas. TAM believes that we must not lose sight of these basic Universal Service goals. Allowing for the establishment of State-specific Universal Service Funds will allow States to ensure that in the rush to new technologies, we do not leave behind those who still rely on the basic telephone service network, especially in the rural areas of the Nation. TAM is concerned that by remaining silent on this issue, the FCC could inadvertently create a situation where parties could argue that the Missoula plan "occupies the field" of support mechanisms for telephone providers and as such States would be preempted from developing their own State Universal Service Fund. Accordingly, TAM requests that the FCC explicitly reaffirm the authority of States to adopt and maintain State Universal Service Funds.

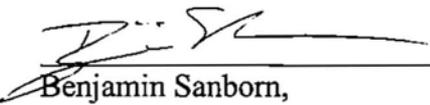
The second specific provision TAM would request is that the Subscriber Line Charge (SLC) increases not be mandatory for companies in Early Adopter States. As noted above, in Maine basic service rates and access rates have already been largely rebalanced to levels consistent with the desired goals of the Missoula Plan. As such, further increases to the SLC in Maine would be detrimental to customers in the State. Maine's customers have already shouldered the burden for revised intercarrier compensation through higher local rates. Requiring an increase in the SLC on top of the existing rate increases due to access rate reductions would seem to penalize the customers of the State simply by virtue of Maine's status as an Early Adopter State. TAM understands that the SLC increase is a necessary component of intercarrier compensation reform, but it must be applied in a flexible and targeted manner that will place larger SLC increases in those areas of the Nation that have not undergone intercarrier compensation reform and therefore have a greater imbalance in their access rate/basic rate structure and a smaller SLC burden on those States that have already taken steps towards rebalancing rate structures. Part of the need for a SLC increase could be offset if the FCC sets an explicit minimum benchmark for local rates which all companies must meet. That way, companies that currently have unusually low basic rates will first recover from their customers and then determine whether there is a need for additional Restructuring

Mechanism support through SLC increases. Moreover, the FCC must ensure that to the extent communications service customers are assessed a SLC, then all communications customers, including customers of wireless, cable telephony, and Voice over IP, must be assessed the SLC in a competitively and technology neutral fashion.

The final provision TAM would request the FCC to consider is the need for an Early Adopter Fund. The issues of State-specific Universal Service Funds and flexible applications of a SLC increase are both aimed at recognizing States that have already taken steps to resolve the problems in intercarrier compensation and have done so in ways that have placed the entire burden for those adjustments on the customers and companies within their specific State. With the Missoula plan, those States that have not undergone intercarrier compensation reform on their own will spread the impact of these changes among customers nationwide. To the extent customers in Early Adopter States such as Maine have experienced a burden beyond the one customers throughout the rest of the Nation are being asked to endure, it would be appropriate to establish an Early Adopter Fund that would help offset those burdens for customers in Early Adopter States. When the FCC adopts the Missoula Plan, TAM requests that there be a specific provision ensuring that in States such as Maine where customers have already been impacted by increased basic service rates and State Universal Service Fund charges, those States will receive additional support from an Early Adopter Fund to offset any SLC increases and keep basic service rates at levels comparable to those found throughout the rest of the Nation. Furthermore, TAM would request that the FCC specify that funds received through the Early Adopter Fund are not a "block grant" to State commissions and may only be used to offset any need for increases in customer rates due to the restructuring of intercarrier compensation or loss of revenue by an eligible telecommunications carrier due to competition in high cost areas.

Dated at Augusta Maine this 25<sup>th</sup> day of October, 2006.

Respectfully Submitted,



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