Before the
Federal Communication Commission
Washington, D. C. 20554

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

REPLY COMMENTS

of the

CORPORATION COMMISSION OF THE STATE OF KANSAS

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Introduction

In response to the Federal Communications Commission's (Commission) Public Notice[1] released July 25, 2006 in the above-captioned matter, many state commissions, industry and other parties submitted comments on the intercarrier compensation reform plan (the "Missoula Plan") filed July 24, 2006. The Corporation Commission of the State of Kansas (KCC) hereby submits the following reply comments addressing the Early Adopter Fund.

EARLY ADOPTER STATE ISSUE

Recap of KCC Initial Comments

In its initial comments, the KCC provided information on the amount of access reductions by state jurisdiction. This information has been refined

[1] *Comment Sought on Missoula Intercarrier Compensation Reform Plan,* CC Docket No. 01-92, DA 06-1510 (WCB July 25, 2006), See Fed. Reg. 45510.

with additional data reported by the state commissions. Attachment 1 is an updated list of states that reported to NARUC that they reduced access rates and the amount of the reduction. This information is the most comprehensive information gathered to this point, however, it is possible that some states have not reported. Attachment 1 shows that states have reduced intrastate access rates approximately $3.4 billion. The KCC also described how states may have implemented rebalancing by use of state USF support, local rate increases, increases in other services or not allowing rebalancing by the LEC. The KCC's initial comments discussed several reasons why 100% recovery of prior reductions is not appropriate. The KCC offered a plan that would allow first adopter states to recover part of their access reductions.

Comments of Other State Commissions

Several state commissions commented on the Early Adopter Fund contained in the Missoula plan. The Florida Public Service Commission (FPSC) questioned why such support is only available if an explicit intrastate universal service program was established. It states that it has performed significant rebalancing to local rates but not to a state USF. "The FPSC urges the FCC to consider broadening eligibility for Early Adopter funding to include more than those states that elected to establish explicit universal service funds."[2]

The California Public Utilities Commission expresses a similar concern, "The Plan requires the EAF to be utilized to decrease the size of explicit state funding mechanisms only. However, the Commission believes that the EAF funding of first adopter revenue losses should be distributed to eligible carriers regardless of the manner in which the revenues were recovered, but the carriers/states must demonstrate that the revenue losses are attributable solely to intrastate access charge reductions."[3]

Other states expressed similar concerns. The plan proposed by the KCC's initial comments addresses these concerns and focuses on the size of the access reductions made and then examines state USF funds and local rates to determine how much recovery is appropriate. This two pronged approach will recognize states that rebalanced to a state USF and those states that simply rebalanced to local rates.

Missoula Proponents Present an Update on the Early Adopter Fund and Benchmark Mechanism

On January 30, 2007, several state commissions and the proponents of the Missoula Plan filed updates to the Missoula Plan. This update also addresses

[2] Comments of the Florida Public Service Commission in Response to the Federal Communications Commission's Public Notice Seeking Comment on the Missoula Intercarrier Compensation Reform Plan, October 25, 2006, p 6.

[3] Comments of the People of the State of California and the California Public Utilities Commission, October 25, 2006, p12.

the concerns cited above by the Florida and California commissions. The KCC participated in the discussions to develop this new benchmark approach. In its initial comments the KCC recommended "that the SLC increase substantially when local rates are below a 'minimum benchmark' threshold. This would assure that customers in those states are paying their fair share before receiving RM support." This latest update recommends a mechanism to increase the SLC more in states where the local rates are low, and to not increase the SLC in states where the local rates are already very high. This is an important and much needed addition to the Missoula Plan. It will provide more equity among ratepayers and among states. It will reduce the likelihood that customers with very high rates will face substantial increases.

The KCC did not sponsor the update because of concern over the way the new revision treated State USF funds. The task force believed that affordability was the most important issue. This premise increased the likelihood that the local rates would not exceed the benchmarks in states that established a state USF program to make local service more affordable. The calculations took the high cost portion of the state funds and spread it over all the local lines in the state and included that portion in the comparison against the benchmark. The KCC thought it would have been more appropriate to recognize what would have happened had the fund not been created and to recognize the amount of support received by each study area, when making the benchmark comparison. For example, absent the state USF, local rates would have been $35 in a particular study area. The lines in those study areas should receive support to the extent that the total amount would exceed the benchmark. The task force chose to turn the state USF into an averaged amount over all the LEC lines in the state and added that to the local rate. This gives states that did not create a fund and allowed the local rates to increase to $35 at a distinct advantage over states that chose to deal with the high rates by creating a state USF.

One of the principles in our initial comments was that it should not matter whether the rebalancing involved local rates or state USF. To address this concern the task force added a special allocation for states that have state USF programs. The particular allocation selected by the task force allows up to $10 million per state as a way for states to recover rebalancing to state USF programs. While this may be less than what the KCC proposed in its initial comments (around $40M), when taken as a whole the new update to the Missoula Plan defines the distribution of the Early Adopter Fund, adds a much needed benchmarking mechanism, makes a valiant effort to make it more equitable among the states, and still provides partial recovery for states that made early access reductions. Considering that the Missoula Plan is constrained by the limits of the federal USF assessment process, this new update is a reasonable and conservative addition to the plan.

Recommendation

The KCC recommends that the Commission view this latest update to the Missoula Plan in a favorable light. If for some reason the Commission decides that such an approach is not the best choice to address the early adopter issue, then the KCC restates its belief that a distribution plan like that defined in its initial comments is appropriate.

Respectfully Submitted,

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