**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of	)	
	)	
Developing a Unified Intercarrier	)	
Compensation Regime	)	CC Docket No. 01-92
	)	
Comment Sought on the Missoula Intercarrier	)	DA 06-1510
Compensation Reform Plan	)	

Reply Comments of Rock Hill Telephone Company d/b/a Comporium Communications, Lancaster Telephone Company d/b/a Comporium Communications and Fort Mill Telephone Company d/b/a Comporium Communications (Comporium)

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February 1, 2007

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I. INTRODUCTION

Rock Hill Telephone Company d/b/a Comporium Communications, Fort Mill Telephone Company d/b/a Comporium Communications, and Lancaster Telephone Company d/b/a Comporium Communications (collectively "Comporium") hereby submit these reply comments to the Federal Communications Commission ("FCC" or "Commission") in response to the above-captioned proceeding.

The Comporium companies are rural local exchange carriers ("RLECs") that provide wireline telephone service to over 100,000 access lines in portions of York, Lancaster, Chester, and Kershaw counties in the South Carolina Piedmont region. The Comporium companies are rural telephone companies as defined in 47 U.S.C. Sec. 153(37). In addition to local telephone service, the Comporium companies and their affiliates provide a wide array of communications services, including dial-up and highspeed internet, long distance, wireless, and video programming services to rural consumers.

II. BACKGROUND

The Comporium companies applaud the Commission's continued efforts in attempting to bring about fair and sustainable intercarrier compensation reform by seeking and considering comment on the Missoula Plan. The current compensation systems are comprised of access charges, pooling arrangements and interconnection agreements spread across local, intrastate and interstate jurisdictions. These mechanisms value the transport and delivery of certain types of traffic over others, and are no longer sustainable in this era of converging technologies. The current compensation rate structures also improperly provide incentives for carriers to misrepresent, mislabel or misdirect their traffic thereby disguising its jurisdiction.

Further, these inequities have evolved to create an environment where companies are forced to commit resources simply to research, identify and attempt to bill other carriers for fraudulent or 'phantom' traffic terminating and originating on their networks. The reward obtainable simply by rerouting traffic or omitting certain identifying information has created opportunities for arbitrage on an ever-increasing scale.

Nearly six years have passed since April 2001 when the Commission released a Notice of Proposed Rulemaking (NPRM) seeking comment on the development of a unified intercarrier compensation regime. The Commission also released a Further Notice of Proposed Rulemaking (FNPRM) in March 2005 in order to refresh the record. Since then, the Commission has received extensive comment and response from industry members, industry associations, State Public Service Commissions and other entities. Multiple reform plans have been submitted containing various concepts for a new compensation regime including bill and keep, capacity-based charges, number-based charges, flat-rated charges, jurisdictionally unified per-minute charges, and TELRIC-based per-minute charges.

The latest reform plan on which the Commission seeks comment is informally known as the Missoula Plan, which was filed with the Commission in July 2006.

III. MISSOULA PLAN SUMMARY

The Missoula Plan is a comprehensive proposal structured to provide an industry-wide compensation solution without shoehorning all carriers onto the same pathway to reform. Comporium believes the Missoula Plan provides a great deal of both flexibility and certainty necessary for successful reform. We recognize the Plan represents the culmination of significant efforts on the part of a large group of industry members who took upon themselves the task of building a bridge to the future of intercarrier compensation. We appreciate their work.

In general, Comporium supports the basic assumptions and proposed mechanics of the Missoula Plan, but cannot unequivocally and completely endorse the Plan as filed. The Missoula Plan does many things well, but we have several areas of concern with certain principles and components of the Plan. Comporium and many others feel certain aspects of it must receive further development or clarification before we can consider the Plan complete and give our complete support.

IV. MISSOULA PLAN COMPONENTS

The Plan assigns companies to three separate tracks for purposes of compensation treatment. Each track has its own parameters for reform and the restructuring and unification of switched access charges. Generally the industry's largest members are within the specifications for Track 1. Most other non-rural and price-cap regulated companies fall under Track 2, with the industry's rural, rate-of-return companies, including Comporium, operating within Track 3.[1] Although the Track definitions are clear, certain carriers may make an upward election of their chosen Track if they feel this is appropriate for their unique circumstances[2] There are a few exceptions to the general descriptions above, and several carriers have already expressed their concern over the Plan's Track qualifications.[3] This provision exemplifies the flexibility of the Plan by recognizing that some carriers may be comfortable accepting a certain degree risk if their study area is experiencing competition for dedicated and advanced services.

The Plan is truly comprehensive in that it creates a pathway for carriers based on their individual size and type of regulation, and also addresses interconnection with network architecture solutions. Meet-points for non-access traffic or Edges and each carrier's interconnection responsibility are defined with clarity and detail. The Plan also has provisions for the treatment of tandem transit service, a vital network function allowing carriers to connect indirectly through an access tandem provider. Various compensation-restructuring requirements are spread over multiple years or Steps. These

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[1] The Missoula Plan for Intercarrier Compensation Reform (Missoula Plan) pages 6-7.
[2] *Id.*
[3] Cincinnati Bell and SureWest comments filed October 25, 2006.

Steps are designed to provide a glide path and a smooth transition from the current world of varying rate structures to a new unified compensation regime.

The Plan does recognize perhaps the most important and central aspect of compensation reform, and that is the value of a diverse interconnected network. There is no greater benefit to customers, both urban and rural, than the ability to communicate with each other via a stable telecommunications network. Further, the good of universal service can only be achieved through a fully interconnected and continuous network. The Missoula Plan may generally shift network compensation arrangements from carriers to end users through the use of the Recovery Mechanism ("RM"). But without question the Plan continues to support the principles of universal service and the proposition that network providers must be compensated for their investment in infrastructure.

We do, however, have some concerns with certain components of the Plan. To begin with, the Plan is quite complex in its varying treatment of carriers within Tracks. There are many "moving parts" within the Plan, which increase the likelihood of mistakes and oversights for those responsible for managing change. Implementation of the Plan specifics will likely create a significant and costly administrative burden for many carriers. For example, all interconnection agreements with reciprocal compensation at levels above interstate access will have to be amended and or renegotiated at Step 1 immediately upon Plan implementation.

Also, the Missoula Plan will potentially shift a tremendous amount of compensation from tariff access charges into the RM, which is similar to components of the Universal Service Fund ("USF").[4] Whether or not the RM is considered an access element under Section 201 of the Act or a USF element under Section 254 is undetermined, although Comporium and others strongly assert the RM is clearly a non-portable access replacement.[5]

Most significantly, Comporium is concerned that the size of the Early Adopter Fund appears to be insufficient, and the operational details of the fund are not fully described. Finally, rate uniformity may not be attained in states that have already restructured access charges.

V. RESTRUCTURE MECHANISM

The Restructure Mechanism ("RM") is an integral part of the Missoula Plan. It represents a vital bridge between the current regime of disparate intercarrier access rates and a unified system of compensation. The RM will provide compensation to carriers who reduce intercarrier rates within their various tracks if they suffer a net revenue loss in the process. However, the RM must not be considered a Universal Service Fund-like support program. It is imperative that the Commission recognizes RM compensation as an access cost recovery mechanism and not as a portable form of support. The access revenues and costs that are being reformed are unique to each company. In the case of a rate-of-return carrier, RM compensation is specifically designed to provide revenue or cost recovery for investments made within a carrier's entire network.

[4] Plan authors estimate the Restructure Mechanism to be $1.5 billion at the end of transition, Missoula Plan p.13.
[5] South Carolina Telephone Coalition comments p. 5, Fairpoint Communications comments p. 5, US Telecom comments p. 13-14, Missouri Small Telephone Companies p. 7.

Simply because a local exchange carrier loses a customer or even a handful of customers, the overall network cost of that carrier is not reduced. Incremental reductions in access lines served do not reduce or eliminate a carrier of last resort's obligation to continue building a network designed to provide universal service. Restructure Mechanism compensation must remain with the carrier that made the initial network investment, and that is forgoing the access revenue designed to recover the cost of that investment.

Transferring RM compensation away from that carrier to an acquiring carrier could also impact the affordability of local service in the case of a rural service provider. Intrastate costs must be recovered from intrastate ratepayers. Since the RM is primarily a substitute for intrastate switched access revenue, porting some of that revenue away to other carriers could necessitate a local rate increase by the incumbent carrier. This would surely have a negative effect on the policy of universal service.

Because the RM is a keystone to the success of the Plan, Comporium believes it should have a broad, stable and sustainable support system. In our 2005 comments in this same proceeding, Comporium urged the Commission to adopt a numbers-based contribution methodology for future USF assessments.[6] Using a numbers-based assessment will tie cost to those causing the cost, end users using the resources required to send and receive calls. Comporium urges the Commission to adopt this same type of assessment procedure for the RM. We support the belief of the SCTC that a numbers-

[6] Comporium comments filed May 23, 2005, p. 12.

based methodology will ensure the RM is funded in an equitable and competitively neutral by all carriers accessing the public switched telephone network.[7]

VI. EARLY ADOPTER FUND

The Early Adopter Fund ("EAF") is another critically important aspect of the Plan. The EAF will act as a replacement for miscellaneous state universal service funds that currently compensate carriers operating in states that have already undergone some form intrastate access rate reform. Implementation of the EAF is an excellent way to recognize states that have already taken the initiative to restructure compensation.

However, the details of the EAF as filed are thin. The EAF is referenced numerous times within the Plan, but the Plan description consists of only two paragraphs within the entire 193-page filing.[8] All Comporium companies filing these reply comments operate in South Carolina, a state that has already restructured intrastate access charges. These earlier access rate reduction efforts included offsetting local exchange service rate increases, so we would hope that our ratepayers are treated fairly by this aspect of the Missoula Plan. However, the Plan's EAF provisions are simply too undeveloped to make any determination of fairness at this time. Comporium would like to see more details about the EAF including those raised by the South Carolina Telephone Coalition ("SCTC").[9]

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[7] SCTC comments p. 9.
[8] Missoula Plan p. 76-77.
[9] On page 7 of their comments the SCTC raise issues such as How will the EAF be funded?, How will dollars be allocated to Early Adopter states?, What are EAF qualifications?, Could EAF dollars be used to offset SLC increases in early adopter states?, What is the impact of local rate increases in Early Adopter states?.

Also, the EAF is initially established at $200 million under the Plan. Comporium and others believe the EAF will need significantly more funding in order to absorb the state access reform initiatives working and in place around the country. For example, in their initial comments, the Corporation Commission of the State of Kansas ("KCC") included an attachment with comprehensive state USF details from around the country.[10] The table in the attachment indicates that total intrastate access rate reductions already implemented may average approximately $2.7 billion. Another table shows states that have implemented high cost funds to compensate carriers with prior access reductions totaling approximately $1.379 billion.[11] Were these states to adopt the Missoula Plan and request compensation from the EAF, it would immediately become under-funded. In order to prevent a potentially doubling of cost reassignment (RM and EAF combined), Comporium recommends the Commission request significantly more detail on the EAF, and also prepare to increase funding for it.

An alternative to the potential under funding issue would be to allow states to roll their earlier adopted reform programs into the RM, an idea proposed by the SCTC.[12] This seems an equitable proposition given that some states have not yet enacted access reform, and those who adopt the Plan will essentially be doing just that by exchanging intrastate carrier access revenue for RM funding. Should early adopter states and their ratepayers be penalized for proactive reform efforts? We think not, and consolidating South Carolina's and other states' access recovery funds into the RM will prevent that from happening.

[10] KCC comments attachment 1.
[11] KCC comments attachment 2.
[12] SCTC comments page 8.

VII. OTHER ISSUES

A. Reciprocal Compensation

The Missoula Plan also requires that reciprocal compensation rates be reduced to the level of interstate access rates in the first step of the Plan. This may seem like a fairly innocuous proposition, but many carriers currently receive a significant amount of revenue from traffic exchange and termination agreements with reciprocal compensation components. Primarily due to earlier access rate restructuring in South Carolina, reciprocal compensation represents approximately 72% of the total RM impact for the Comporium companies. Comporium proposes that the Plan should be modified to implement the reciprocal compensation rate unification described above over multiple steps rather than at Step 1. Making the reasonable assumption that many other carriers have arrangement similar to Comporium, a phased approach for addressing reciprocal compensation will not place an immediate strain on the RM, and will allow this component of the Plan to build over time.

B. Next Steps

Comporium still supports the concept of a capacity-based intercarrier compensation system and provided comment on the issue in 2005.[13] At Step 4 of the Plan, the beginning of the fourth year, the Plan specifies that the Commission will conduct a proceeding to review the results of the Plan. Along with overall plan performance, another issue to be considered at this time is the possible transition to a capacity-based structure. Comporium believes this type of plan should receive strong

[13] Comporium comments filed May 23, 2005.

consideration as a successor to the Missoula Plan and looks forward to participating in the proceeding.

C. Rate Parity

As previously mentioned, South Carolina has already undergone intrastate access rate reform. However, the purpose of our state's reform efforts was to reduce access rates and not necessarily unify them with interstate. As a result, any parity among Comporium's access rates across jurisdictions is purely coincidental, and some interstate rate elements are actually lower than their intrastate counterparts.[14] This rate disparity will continue to leave open the door for rate arbitrage and traffic manipulation. To eliminate continuing arbitrage opportunities, intrastate and interstate rates should truly be in unison. The Plan only briefly mentions the possibility of rates increasing in order to meet ultimate Plan rates, and this reference is confined to a single paragraph within the Track 2 rate program.[15] Comporium believes Track 3 carriers should have the opportunity to take steps whatever steps are necessary to achieve rate parity including raising intrastate rate elements to interstate levels. Any resulting revenue shifts could be reconciled appropriately via the RM when that carrier's total revenue requirement is calculated.

VIII. CONCLUSION

Although Comporium does not endorse the Missoula Plan as filed, we do acknowledge the tremendous effort that went into developing it. The Plan represents a solid foundation for beginning intercarrier compensation reform, and sets the table for

[14] Comporium does not participate in NECA's traffic sensitive pool, and is not an issuing carrier of its F.C.C. Tariff No. 5. Comporium files its own cost-based rates for switched access, and is an issuing carrier in John Staurulakis Inc. F.C.C. Tariff No. 1.
[15] Missoula Plan p. 14.

further proceedings. We also believe our recommendations for further refinement will enhance the viability and appeal of the Plan to industry members, state commissions and the consuming public. Accordingly, Comporium recommends the Commission further consider the Missoula Plan with the modifications we present here.

Respectfully Submitted,

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