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

In the Matter of	)	
	)	
National Exchange Carrier Association, Inc.'s Proposed 2007 Modification Of Average Schedule Formulas	)))	WC Docket No. 06-223 DA 07-306

NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION
REPLY COMMENTS

The National Telecommunications Cooperative Association (NTCA)[1] submits these reply comments in response to initial comments filed February 13, 2007, as part of the Federal Communications Commission's (Commission's or FCC's) Public Notice[2] seeking comment on the National Exchange Carrier Association's (NECA) "2007 Modification of Average Schedule Formulas" filed with the Commission on December 21, 2006.[3] Silence on any positions or proposals raised by parties in this proceeding connote neither agreement nor disagreement with their positions or proposals.

[1] NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents more than 575 rural rate-of-return regulated telecommunications providers. All of NTCA's members are full service local exchange carriers (LECs) and many of its members provide wireless, cable, Internet, satellite and long distance services to their communities. Each member is a "rural telephone company" as defined in the Communications Act of 1934, as amended (Act). NTCA's members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

[2] "National Exchange Carrier Association, Inc.'s Proposed 2007 Modification of Average Schedule Formulas, Pleading Cycle Established," WC Docket No. 06-223, DA 07-306 (rel. Jan. 29, 2007) (Public Notice).

[3] *NECA 2007 Modification of Average Schedules*, WC Docket No. 06-223 (filed Dec. 21, 2006) (NECA 2007 Modification).

NTCA asserts again[4] that it is reasonable, prudent and necessary for the Commission to adopt the proposed two year transition period to NECA's proposed average schedule formula modifications,[5] contrary to claims by AT&T and Verizon.[6] Furthermore, NTCA agrees that the Commission should adopt NECA's proposed formula modifications for average schedule interstate settlement disbursements for July 1, 2007 through June 30, 2008.[7]

I. The Two-Year Transition Period Is Critical To Ease Settlement Reductions For Rural Carriers.

NECA conducted extensive analytical work in 2006 to create its proposed new average schedule formulas for interstate access services for July 1, 2007 through June 30, 2008. NECA's updated changes to settlements calculations for the distance sensitive line haul function appear to be more accurate and better target future settlements. Because these formula changes will reduce the access charge settlements for rural carriers, many of whom are NTCA members, on average by 7.27 percent,[8] the Commission should permit carriers a two-year time window during which to ease into the reductions, as NECA proposes.[9] OPASTCO correctly noted that the transition period will allow rural carriers to reshape their business plans so as not to impede maintenance,

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[4] NTCA Comment, pp. 2-3.

[5] NECA 2007 Modifications, pp. VII-67 and VII-68.

[6] AT&T Comment, p. 4; Verizon Comment, pp. 2-3.

[7] NECA 2007 Modifications.

[8] NECA, "2007 Modification of Average Schedule Formulas," p. I-6. According to NECA, the hardest-hit group (and the largest group), those with 1001 to 2500 access lines, will experience a 9.92% drop. *Id.* at VII-65.

[9] NECA 2007 Modifications, pp. VII-67 and VII-68.

upgrade and deployment plans.[10] A reduction in settlement rates of this magnitude could have significant financial impacts on some rural carriers (as detailed by NECA)[11], so good cause exists to implement a transition period of two years.

The only non-rural commenters participating in this docket, Verizon and AT&T, complain that small rural carriers do not need or deserve a two-year transition period to adjust to reduced settlements for access charges.[12] These multi-billion dollar regional Bell operating carriers (RBOCs)[13] do not share small rural carriers' circumstances or perspective on the need for a transition period, yet the necessity is obvious. Rural carrier budgets cannot withstand the shock of significant, immediate access revenue reductions and, consequently, must have an extended transition time to adapt to new pricing systems. The proposed two-year transition time aligns with Commission precedent[14] and provides an adequate frame for making those adjustments without unduly harming the financial conditions of rural carriers or their customers. The Commission, consequently, should adopt the proposed transition period.

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[10] OPASTCO Comment, p. 3.

[11] NECA Modifications, p. VII-68.

[12] AT&T Comment, p. 3; Verizon Comment, pp. 8-10.

[13] Verizon's net income for 3Q2006 was $1.922 billion, while AT&T's net income for 3Q2006 was $2.165 billion. AT&T recently merged with BellSouth, which had net income for 3Q2006 of $1.059 billion. Verizon Communications, Inc., SEC Form 10-Q, period ending September 30, 2006, accessed Feb. 22, 2007 at: http://investor.verizon.com/sec/sec_frame.aspx?FilingID=4743939; AT&T, Inc., SEC Form 10-Q, period ending September 30, 2006, accessed Feb. 22, 2007 at: http://ccbn.10kwizard.com/cgi/image?repo=tenk&ipage=4462422&doc=9&fdl=1&odef=8&dn=2; BellSouth Corporation, SEC Form 10-Q period ending September 30, 2006, accessed Feb. 22, 2007 at: http://ccbn.10kwizard.com/cgi/image?repo=tenk&ipage=4459855&doc=13&fdl=1&odef=8&dn=2. In contrast, NECA's proposed 2007 transition payment of $24.89 million is 0.12 of 1% of those companies' combined annualized net incomes.

[14] *See* NECA Modifications, pp. VII-67, n. 19; Verizon Comment, p. 10, n. 13; *NECA 2006 Modification of Average Schedules*, WC Docket No. 05-347 (rel. Dec. 29, 2005).

II. NECA's Proposed Average Schedule Changes Are Reasonable.

NECA's modifications fully comply with the standards set forth in 47 CFR §69.606(a). Furthermore, the Commission's Part 69 access charge rules do not include the requirement that the NECA must use a market-based rate, as Verizon suggests,[15] nor should the Commission use CALLS-type market rates (designed for price-cap local exchange carriers [LECs]) for average schedule purposes. Section 69.606 requires the average schedule payment computation formula to "be designed to produce disbursements to an average schedule company that simulate the disbursements that would be received pursuant to §69.607 by a company that is representative of average schedule companies."[16] Nowhere in that regulation is there a reference, much less a requirement, that the Commission use CALLS-type market based rates designed for price cap LECs. The Commission should reject the RBOCs' urgings to change average schedule settlement policies and should, instead, adopt NECA's propose formula modifications.

III. Conclusion.

NECA's recommended transition plan will mitigate the hardships caused to small rural average schedule carriers who would otherwise experience abrupt interstate revenue losses. The magnitude of the proposed settlement changes would adversely impact business operations of many average schedule companies. NTCA believes the transition plan proposed by NECA would provide time for small rural carriers to adjust their

[15] Verizon Comment, pp. 4-5.

[16] 47 C.F.R. § 69.606(a).

operations and business plans to take into account reductions in the formulas. Consequently, NTCA supports NECA's proposed transition plan and proposed 2007 average schedule formula modifications.

Respectfully submitted,

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February 23, 2007

CERTIFICATE OF SERVICE

I, Adrienne L. Rolls, certify that a copy of the foregoing Comments of the National Telecommunications Cooperative Association in WC Docket No. 06-223, DA 07-306 was served on this 23rd day of February 2007 by first-class, United States mail, postage prepaid, or via electronic mail to the following persons:

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