

GVNW Consulting, Inc.
Comments in CCD No. 01-92 (DA 07-738)
March 19, 2007

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Executive Summary

At the time of the initial submission of the Missoula Plan, consensus had not been reached on how best to recognize the efforts of states that had previously achieved intrastate access rate reductions. Pursuant to this need, the supporters of the Missoula Plan have worked diligently with state commissions and their respective staff members to determine how additional funding should be applied in situations where states have previously rebalanced access.

The Federal Benchmark Mechanism (FBM) proposal seeks to ameliorate such concerns with FBM funding being used to replace some or all of the subscriber line charge (SLC) increases that are scheduled to occur if the Commission adopts the Missoula Plan proposal. Without some form of relief, some consumers in states that previously adopted access reform could face higher than reasonable end-user rates that would not pass a “comparability” test with consumers in states that have not previously adopted access charge reform.

The unrecovered embedded costs of investment in the rural carriers’ network facilities are real costs that will continue to be borne by the rural carriers. If carriers are not permitted to recover these costs, such actions would ultimately be deemed confiscatory. Any changes to access rates that result in revenues that do not recover total costs associated with past investment decisions reviewed by regulators do not comport to the intent of the Telecommunications Act of 1996. Rural rate-of-return carriers are entitled to establish cost-based intercarrier compensation rates that recognize the value other carriers receive when they utilize the rural networks to originate and terminate traffic.

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INTRODUCTION AND BACKGROUND

GVNW Consulting, Inc. (GVNW) is a management consulting firm that provides a wide variety of consulting services, including regulatory and advocacy support on issues such as universal service, intercarrier compensation reform, and strategic planning for communications carriers in rural America. The purpose of these comments is to respond to the Public Notice concerning the modifications filed¹ concerning the Missoula Plan proposal in the above-captioned docket.

The initial Missoula Plan filing did not include any mechanism to recognize that a number of states had previously taken steps to reduce intrastate access rates. In order to achieve more fully key public policy objectives, Missoula Plan supporters worked collaboratively with several state commissions to develop the concept of a federal benchmark mechanism (FBM) that addresses issues surrounding pre-Missoula plan access reduction activity.

¹ *Letter from Peter Bluhm, Esq., Vermont Public Service Board; Christopher Campbell, Telecommunications Director, Vermont Department of Public Service; Steve Furtney, Chairman, Wyoming Public Service Commission; Angela DuVall Melton, Esq., Nebraska Public Service Commission; Joel Shifman, Esq., Maine Public Utilities Commission; Joseph Sutherland, Executive Director, Indiana State Regulatory Commission; and the Supporters of the Missoula Plan to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket No. 01-92 (filed January 30, 2007) (FBM).*

**THE PROPOSED FEDERAL BENCHMARK MECHANISM SHOULD RESULT
IN IMPROVED RATE COMPARABILITY**

At the time of the initial submission of the Missoula Plan, consensus had not been reached on how best to recognize the efforts of states that had previously achieved intrastate access rate reductions. Pursuant to this need, the supporters of the Missoula Plan have worked diligently with state commissions and their respective staff members to determine how additional funding should be applied in situations where states have previously rebalanced access charge rates² whether through intrastate funding mechanisms, local rate increases to customers, or through other items on the customer's bill.

The result of this effort was the recent filing of the FBM proposal, which measures what customers pay today against a benchmark. Comparing these end-user rates to a High Benchmark Target on a carrier by carrier basis, the proposed FBM would allocate funding to ameliorate higher end-user rates that have resulted from previous access charge reduction activity. Concomitantly, the FBM proposal would serve to reduce the RM funding amount in states that have maintained comparatively lower end-user rates.

The result of this approach would be that this addition to the Missoula Plan would impact favorably the measurement of end-user rate comparability for consumers across the country.

² See, for example, *Letter from Tony Clark, Commissioner and Chair, NARUC Committee on Telecommunications, Ray Baum, Commissioner and Chair, NARUC Task Force, and Larry Landis, Commissioner and Vice-Chair, NARUC Task Force, CC Docket No. 01-92 (filed July 24, 2006) (attaching Missoula Plan proposal), p. 76, footnote 27.*

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**THE PROPOSED FEDERAL BENCHMARK MECHANISM SHOULD RESULT
IN RECOGNITION OF ACCESS REDUCTIONS PREVIOUSLY ACHIEVED IN
EARLY ADOPTER STATES**

One of the criticisms of the initial Missoula Plan proposal is that some states have already increased end-user rates concomitant with their individual state actions to reduce intrastate access charges, and the imposition of Missoula Plan SLC increases is not equitable to consumers in those states.

The FBM proposal seeks to ameliorate such concerns with FBM funding being used to replace some or all of the subscriber line charge (SLC) increases that are scheduled to occur if the Commission adopts the Missoula Plan proposal. Without some form of relief, some consumers in states that previously adopted access reform could face higher than reasonable end-user rates that would not pass a “comparability” test with consumers in states that have not previously adopted access charge reform.

In the situations where states have used a state universal service fund mechanism to enact access reform, a different level of FBM funding has been proposed. In either circumstance, we respectfully submit that the FBM would result in a more equitable result from a public policy perspective as the federal reform enacted would account for activity previously achieved on a state basis.

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Respectfully submitted

Via ECFS on 3/19/07

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