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September 19, 2008

EX PARTE PRESENTATION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 01-92; WC Docket No. 05-337; WC Docket No. 04-36; CC Docket No. 99-68.

Dear Ms. Dortch:

This letter is to inform you that on September 18, 2008, John Jones, Vice President, Regulatory-Government Relations for CenturyTel, Jeffrey Glover, Vice President, Carrier Relations, CenturyTel, and I met Donald Stockdale, Randy Clarke, Marcus Maher, Jeremy Marcus, Alex Minard, Al Lewis, Jennifer McKee, Claude Aiken, Jay Atkinson, Ted Burmeister, Nick Degani, Lynne Engledow, Victoria Goldberg, Rebekah Goodheart, Greg Guice, Katie King, Doug Slotten, Cindy Spiers, Matt Warner, all of the Wireline Competition Bureau, and Jane Jackson of the Wireless Telecommunications Bureau, in the above-referenced dockets. CenturyTel discussed the attached material during the meeting.

Pursuant to 47 C.F.R. § 1.1206, please include this ex parte filing in the above-referenced docket.

Sincerely,

/s/ Gregory J. Vogt

Gregory J. Vogt
Counsel for CenturyTel, Inc.

Enclosure

cc: Donald Stockdale
Randy Clarke
Marcus Maher
Jeremy Marcus
Alex Minard
Al Lewis
Jennifer McKee

Claude Aiken
Jay Atkinson
Ted Burmeister
Nick Degani
Lynne Engledow
Victoria Goldberg
Rebekah Goodheart
Greg Guice
Katie King
Doug Slotten
Cindy Spiers
Matt Warner
Jane Jackson

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Intercarrier Compensation and USF: Reform to Protect Rural Americans

CenturyTel, Inc.

September 2008

Reform Principles

- The Commission should move expeditiously to reform intercarrier compensation and modernize universal service.
- Declining access charge revenues threaten the affordable and comparable rate mandates of the Telecom Act for rural consumers.
- Stabilization is possible through a systematic rate reduction process that balances reforms among existing revenue sources and COLR responsibilities.
- For rural consumers, the cure must not be worse than the disease: continued network investment is needed as well as affordable local rates.
- Modernization of the universal service high cost fund should target funding where it is most needed.

CenturyTel's Access Revenues Have Been Declining and are in Jeopardy

- Billable access minutes of use are declining by approximately 10%.
- SS7 data indicates there are more minutes on our network, but fewer compensable minutes – which means more phantom traffic.
- Carriers are aggressively engaging in self-help in order to reduce or avoid access charge payments under the banner of "least cost routing."
- In a single study area where intrastate access rates are high, approximately 50% of a major carrier's traffic is unidentifiable and they claim it is interstate. In the same study area, other major carriers are sending through billing records with 95% accuracy.
- Increasing IXC traffic is being terminated over local interconnection trunks, with a difficult and lengthy dispute process.

Rate Unification Can Provide a Valuable Interim Step to Global Reform

- A single compensation rate for TDM and VoIP traffic is critical for minimizing the majority of today's arbitrage practices.
- Rate unification should ensure that consumers are not displaced by extensive rate increases.
- Long term consumer benefits should be the end goal, not simply rate reductions for carriers.
- Using an unrealistic national rate, such as $0.0007, is below cost, fails to protect rural consumers, and displaces costs on other consumers.
- The unified rate should reflect the underlying study area costs of serving an area.
- A rate floor of no less than $0.0095 should be implemented for carriers other than AT&T and Verizon.
- Higher unified rates should be provided for study areas that meet certain high cost criteria. A rate cap not to exceed $.02 in high cost areas should be utilized.
- Shortfalls would be filled by modest SLC increases that correspond to a reasonable local rate benchmark for midsize and smaller carriers.

Revenue Neutral Adjustments are Typical and Reasonable

- Revenue neutrality and long term revenue stability should be foundational reform goals in order to ensure long term network investment.
- A revenue neutral adjustment to rates makes sense as part of reform because access rates have been regulated for years.
- The FCC has used revenue neutral techniques in restructuring rates in the past, such as with price cap conversion and transport pricing.
- Wireless or cable companies which claim that reform should not “guarantee rates” or “make carriers whole” are simply trying to force down rates for their own benefit.

IP-Enabled Services Should Pay Access

- IP traffic ultimately places additional pressure on networks and capacity which creates real, increasing costs for network providers.
- IP traffic that terminates on the PSTN is subject to access charges like voice traffic.
- IP traffic that originates or terminates to a broadband connection should also pay access.
- No carve-out should be established, because that would lead to further destabilization.
- Rate unification is necessary because carriers cannot distinguish between interstate and intrastate VoIP.
- Internet services like Feature Group IP’s are simply riding on rural networks for free.
- The *IP-enabled Services* docket has been pending for over four years and should be decided.
- CenturyTel supports the AT&T declaratory ruling request, except the rate level condition is not compensatory for rural carriers.

The ISP-Remand Should Be Resolved

- The volume of dial-up ISP-bound traffic is still significant, and is growing in some areas.
- Subjecting ISP-bound traffic to reciprocal compensation would damage rural carriers because traffic is all one-way.
- The FCC should adopt its original conclusion to establish bill and keep for ISP-bound traffic.

Lowering Access Rates Requires a Feasible Alternative Recovery Mechanism

- If access rates are forced below cost, then an alternative recovery mechanism, such as ICLS, must be adopted.
- The new funding mechanism should not sunset after five years as proposed by Verizon because high costs will continue and should be recovered.
- Size of the alternative fund depends on whether a rate benchmark is used, the level of the unified rate, and the speed of implementation.
- Subscriber rates should only be increased a modest amount based on the current cap, or the phase-in must be sufficiently long.

Rate Benchmarks Can Be Useful If Set at a Reasonable National Level

- A national benchmark local rate can achieve competitive neutrality and offer legitimate customer value.
- Customers inside the Beltway and in other metropolitan areas can call hundreds of thousands of residential and business numbers as part of their local service rate.
- Rural consumers can normally call only a few hundred residential and business numbers as part of their local service rate.
- Expanded calling scopes for rural consumers are one of the key telecommunications outcomes sought by state legislators and should be considered as part of any increased benchmark rate.
- Local calling scopes should mirror MTA, LATA-wide or statewide calling areas.
- A $20 - $22 benchmark is achievable as part of a unified rate proposal, expanded calling scopes, and SLC changes.

Universal Service Should Be Stabilized

- CenturyTel supports AT&T and Verizon's position that would assess working telephone numbers with one exception.
- There should be no carve-out or reduced rate for wireless telephone numbers that are part of a family plan.
  - As long as wireless CETCs receive USF, there is no rationale for lowering their contribution.
  - For long term stability, funding should be based on the most subscribers possible.
  - Wireless phones represent the greatest growth in the industry.
  - Competitive neutrality justifies no carve-out.
- The identical support rule should be eliminated.
- Reverse auctions for ILECs would destabilize the USF distribution mechanism and should not be adopted.