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December 4, 2008

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

Re: WC Docket No. 05-337; CC Docket No. 96-45; WC Docket No. 03-109; WC Docket No. 06-122; CC Docket No. 99-200; CC Docket No. 96-98; CC Docket No. 01-92; CC Docket No. 99-68; WC Docket No. 04-36
Notice of *Ex Parte* Presentation

Dear Ms. Dortch:

On December 3, 2008, Keith Oliver of Home Telephone Company ("Home"), Ben Spearman of PBT Telecom ("PBT") and John Kuykendall of John Staurulakis, Inc. ("JSI") met with Scott Deutchman of Commissioner Michael J. Copps' office to discuss the above proceeding in the matter of proposed reforms to High-Cost Universal Service Support and Intercarrier Compensation. The discussion is summarized in the attached meeting presentation.[1]

Please contact the undersigned with any questions.

Respectfully submitted,

/s/ John Kuykendall

John Kuykendall
Director – Regulatory Affairs
on behalf of Home Telephone Company and PBT Telecom

cc: Scott Deutchman

Attachment

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[1] A copy of Home/PBT comments in the proceeding was also provided to Commissioner staff.

<u>Invitation of the FCC to Comment on Proposals to Reform High-Cost Universal Service Support and Intercarrier Compensation ("USF-ICC")</u>[1]

<u>Ex Parte Presentation of Home Telephone Company and PBT Telecom</u>
December 3 & 4, 2008

- Home Telephone Company and PBT Telecom (collectively "SC Commenters") serve rural portions of South Carolina. SC Commenters appreciate the fact that the USF-ICC reform plan as set forth in Appendix C of the FCC's FNPRM represents a compromise proposal that attempts to balance the concerns of various parties while accomplishing meaningful reform. While there are many areas within the plan where the SC Commenters would prefer to see improvements, we realize that compromise is necessary if progress on this complex issue is to be made.

- In Appendix C of its FNPRM, the FCC has proposed a ten-year Transition Plan consisting of three stages. The first stage of the plan requires that all local exchange carriers ("LECs") reduce *terminating* intrastate switched access rates to interstate rates over a two year period. If adopted this would have unintended consequences for LECs in states that have already reduced terminating intrastate switched access rates to levels at or below interstate rates, namely South Carolina.

- South Carolina began the removal of implicit support from intrastate access rates with the creation of a state Interim LEC Fund in 1996 and a state Universal Service Fund in 2001. Both of these state funds were created as the result of the reduction of intrastate switched access charges for the South Carolina LECs over a period of time to levels at or below the interstate switched access charges. The interim LEC Fund also included end-user rate rebalancing thereby increasing the SC LECs' local rates for R-1 and B-1 up to state-wide averages set by the Public Service Commission of South Carolina.

    - For states like South Carolina that have previously made efforts to reduce intrastate terminating access rates to levels equal to or less than interstate terminating access rates, the FCC should be aware that the provisions that increase the caps on subscriber line charges ("SLCs") will effectively burden end-user customers with rate increases, but will not provide the corresponding benefit in terminating switched access reductions.

- The FCC should consider alternative proposals for states that have already reduced intrastate terminating access rates to levels at or below interstate rates where rural LECs participate in the NECA End User Common Line Access Tariff.

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1 In the Matter of High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Lifeline and Link Up; Universal Service Contribution Methodology; Numbering Resource Optimization; Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Developing a Unified Intercarrier Compensation Regime; Intercarrier Compensation for ISP-Bound Traffic; IP-Enabled Services; WC Docket No. 05-337; CC Docket No. 96-45; WC Docket No. 03-109; WC Docket No. 06-122; CC Docket No. 99-200; CC Docket No. 96-98; CC Docket No. 01-92; CC Docket No. 99-68; WC Docket No. 04-36, Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, FCC 08-262 (rel. Nov. 5, 2008) ("FNPRM").

- The first option is for the FCC to modify its proposal to exclude states that have already reduced intrastate terminating switched access rates to levels at or below the interstate terminating switched access rate level from the requirement for incumbent LECs to increase the SLC cap.

- The second option is for the FCC to allow the state commissions for incumbent LECs in states that have already reduced intrastate terminating switched access rates the flexibility to reduce other intercarrier compensation rates. These reductions could include interstate originating or terminating switched access rates, intrastate originating or terminating switched access rates, or reciprocal compensation rates, along with the increases to the SLC cap.

- In conclusion, the SC Commenters oppose the adoption of the plans outlined in Appendix A and Appendix B as both of these plans would be very detrimental to the SC Commenters' end-user customers. However, the SC Commenters do support the adoption of the plan as outlined in Appendix C with the modifications as outlined in its comments in this proceeding and this ex parte filing to ensure that the residents of states that have previously reduced intrastate access rates are not unintentionally harmed.