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October 25, 2010

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

RE: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; High-Cost Universal Service Support, WC Docket No. 05-337; A National Broadband Plan for Our Future, GN Docket No. 09-51

Dear Ms. Dortch:

On October 22, 2010, Hank Hultquist, Joel Lubin, David Hostetter, Christopher Heimann, Saikat Sen and the undersigned with AT&T, met with Carol Mattey, Rebekah Goodheart, Randy Clarke, Albert Lewis, Lynne Engledow, Kevin King and Jay Atkinson of the Wireline Competition Bureau, Michael Steffen of the Office of General Counsel and Patrick DeGraba of the Wireless Telecommunications Bureau. In the meeting, AT&T provided information on access reform in the states and noted that while many states had some access reform in the last six years and several others have open proceedings, only a few states have moved to complete parity between intrastate and interstate switched access rates and structures. Additionally, a presentation related to the distribution of ILEC residential lines by clusters of basic local voice rates nationwide, and for the top ten states by number of ILEC switched access lines, were provided and formed the basis of the discussion.

Please call me if you have any questions.

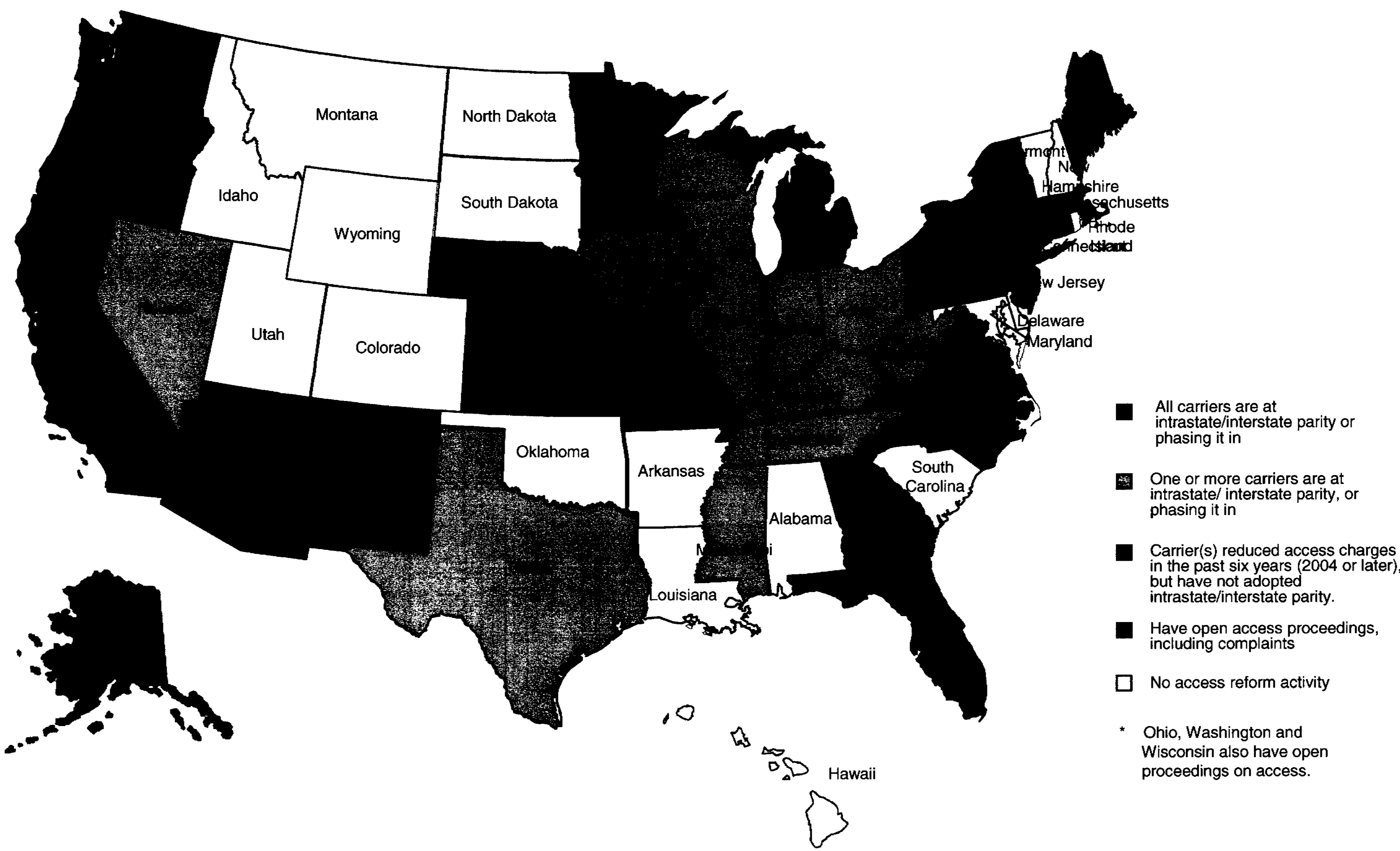
Sincerely,

/s/ Brian J. Benison

cc: Carol Mattey
Rebekah Goodheart
Randy Clarke
Albert Lewis
Lynne Engledow
Kevin King
Jay Atkinson
Michael Steffen
Patrick DeGraba

Attachment 1

The State of Access Reform



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Attachment 2

STATES WITH INTRASTATE/INTERSTATE ACCESS PARITY

I. States that Mandate Intrastate/Interstate Parity by Statute for Certain Carriers

Eight states have mandated reduction of intrastate access rates to interstate rate levels by statute, and some have also directed the state utilities commission to ensure compliance through further proceedings and tariff oversight.

Michigan: Largest ILECs - Since 1991, the Michigan Telecommunications Act (MTA), which has been revised on several occasions, has contained a provision that requires mirroring of interstate access rates.[1] In 2000, a provision was added to the MTA that exempted from this requirement carriers serving 250,000 or fewer customers, so only Verizon and AT&T remained subject to this requirement. Both Verizon (now Frontier) and AT&T have been mirroring their interstate access rates since about the mid-1980s, even before the 1991 MTA, as a result of Commission policy.

Smaller ILECs – The MTA was amended in 2009 to require rural LECs to mirror their interstate access rates by the end of September, 2010.[2] The Act also provided for a state Access Restructure Fund for certain eligible small carriers that will end in 10 years. The fund allows small carriers to recover the loss in state access revenue. No retail rate benchmark was set. The fund size will be adjusted at the end of the fourth year and the eighth year to reflect the loss of access lines and the new interstate access rates.

CLECs – The 2009 amendment to the MTA also required CLECs to establish parity in a five year stepped process (20% incremental reductions per year).[3] CLECs may not draw from the Access Restructure Fund.

Maine: Largest ILECs - In Maine, the legislature ordered the commission to ensure intrastate mirroring of interstate switched access rates: "By May 31, 2005, the commission shall insure that intrastate access rates are equal to interstate access established by the Federal Communications Commission as of January 1, 2003."[4] The Maine Public Utilities Commission implemented the statutory directive by adopting a rule requiring each local exchange carrier to implement access mirroring by June 1, 2003, and to refresh the mirrored rates on June 1 every two years thereafter.[5]

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1 Michigan Compiled Laws, chap. 484.2310, sec. 310(2) (1991).

2 *Id.* as amended Dec. 2009.

3 *Id.*

4 Maine Revised Statutes Annotated, Title 35-A, Chapter 71, sec. 7101-B Access Rates (effective May 2, 2003).

5 Code of Maine Rules, 65-407 Ch. 280, section 8B (current through Aug. 2008).

Smaller ILECs – The above requirement applies to all ILECs. Maine has also established a state universal service fund ("USF"), which is available, upon a proper showing, to rural LECs that are qualified as eligible telecommunications carriers ("ETCs").

CLECs – The above requirement applies to all LECs in the state, including CLECs. CLECs operating in rural LEC territories that are also ETCs may participate in the state USF.

Illinois: LECs Electing Market Regulation - In June 2010, the Governor signed SB 107, which provides, in relevant part, that any LEC electing market regulation must reduce its intrastate switched access rates to levels that mirror the rates and rate structure of its interstate switched access rates in four installments by June 30, 2013.[6] The first installment requires reduction of 33% of the difference between intrastate and interstate rates within 30 days of the Electing Provider's complete application for Notice of Election for Market Regulation. The second reduction (equal to 41% of the difference between its then-current rates) must be made within one year of the initial reduction. The third reduction (equal to 50% of the difference in the carrier's then-current rates) must be made within one year of the second reduction, The fourth reduction must be made by June 30, 2013 and must reduce the Electing Carrier's intrastate switched access rates to mirror its rates and rate structure for its then-current interstate switched access rates. Thereafter, Electing Providers must continue to mirror their interstate switched access rates and rate structure.[7]

Smaller ILECs and CLECs - SB 107 Sec 13-900.2 requires (i) ILECs serving more than 35,000 access lines that do not elect Market Regulation and (ii) CLECs that do not elect Market Regulation to reduce their intrastate switched access rates to interstate levels within two years as follows: By January 1, 2011, such carriers must reduce their intrastate switched access rates by 50% of the difference between their then-current intrastate and interstate switched access-rates. By January 1, 2012, they must reduce intrastate switched access rates by 50% of the then-current difference between their intrastate and interstate switched access rates. By July 1, 2012, they must reduce their intrastate access rates to mirror their then-current interstate switched access rates and rate structure. After July 1, 2012, these carriers must continue to mirror interstate access rates and rate structure.

Smallest ILECs – ILECs serving fewer than 35,000 access lines are not required to reduce intrastate access rates. However, if an ILEC serving fewer than 35,000 access lines elects into market regulation, its switched access rates would be required to be mirrored per the LECs Electing Market Regulation terms outlined above.

Kansas: Largest ILECs - Kansas statutes provide for reduction of switched access rates to interstate levels, with corresponding allowances for increases in retail local exchange rates:

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[6] A LEC that elects market regulation must also offer, for three years, three residential services/service packages at capped rates.

[7] SB 107 Sec. 13-506.2(g).

"Subject to the Commission's approval, all local exchange carriers shall reduce intrastate access charges to interstate revels as provided herein. Rates for intrastate switched access, and the imputed access portion of toll, shall be reduced over a three-year period with the objective of equalizing interstate and intrastate rates in a revenue neutral, specific and predictable manner. The Commission is authorized to rebalance local residential and business service rates to offset the intrastate access and toll charge reductions."[8] In March 2010, the Kansas Corporation Commission issued an order requiring Embarq (now CenturyLink) to reduce its intrastate access rates to parity with its interstate rates. Because the KCC ruled that Embarq/CenturyLink could recover reduced access revenues from the Kansas Universal Service Fund ("KUSF"), the KCC found that a phased-in reduction of access rates was not necessary. Carriers that contribute to the KUSF (including the AT&T ILEC) are allowed to pass on their USF contributions to their end users.

Smaller ILECs – The above requirements also apply to smaller ILECs, including rural ILECs, subject to a specific requirement that revenue reductions be recovered from the KUSF and that if the reductions exceed a specifically designated amount they may be deferred to odd-numbered years.

CLECs – The statute does not apply to CLECs and there are no rules that limit CLECs' intrastate access rates.

Texas: Largest ILECs - The Texas legislature established interstate-intrastate access parity with a directive to incumbent local exchange companies to "reduce both the company's originating and terminating per minute of use switched access rates in each market to parity with the company's respective federal originating and terminating per minute of use switched access rates" on the date the last market of that incumbent carrier is deregulated.[9] The statute also requires a "transitioning ILEC" – an ILEC for which at least one, but not all, of its markets has been deregulated – that has greater than 3 million access lines, to reach parity after a phased reduction occurring over 2 years from the date of commencement.[10] The statute further requires incumbent carriers that have established parity to maintain parity on an ongoing basis for all switched access rates.[11]

Smaller ILECs - Other statutory provisions shield certain ILECs from the requirement to reduce intrastate access charges to parity with interstate rates. Specifically, "transitioning" ILECs with fewer than 3 million access lines and "newly designated transitioning" ILECs are governed by other rate reduction provisions that could lead to parity with interstate rates but do not mandate

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[8] Kansas Code chap. 66. Sec. 66-2005(c)(1996).

[9] V.T.C.A., Utilities Code, sec. 65.201(a).

[10] V.T.C.A., Utilities Code, sec. 65.202(a). The initial 1/3 reduction occurred on 7/1/2006; the next 1/3 on 7/1/2007; the final 1/3 on 7/1/2008.

[11] *Id.* at sec. 65.201(b) & 65.202(b).

parity. Transitioning carriers are subject to phased rate reductions, but are not required to reach parity until 75% of their exchanges are deregulated by the Commission.[12] In addition, there are statutory provisions that permit certain ILECs (primarily small and rural companies) to elect incentive regulation under Chapter 59 of the Public Utility Regulation Act. ILECs electing such incentive regulation are not subject to the requirement that intrastate access rates be reduced to parity with interstate rates.[13] Instead, the smaller ILECs are insulated from switched access rate reductions when they opt into Chapter 59 incentive regulation as a *quid pro quo* for committing to meet various infrastructure investment goals prescribed by that chapter.

CLECs - In order to prevent abusive CLEC access rate practices, the cited statute requires all telecommunications utilities to charge switched access rates no higher than (a) the prevailing rates charged by the incumbent carrier serving that area; or (b) a statewide average ILEC composite switched access rate as calculated by the state commission.[14]

Georgia: Largest ILEC - By statute enacted in 1995, Georgia required all Tier 1 and Tier 2 local exchange carriers to reduce their switched access rates to interstate levels. The statute mandated for Tier 1 carriers (only) that "The rates for switched access ... shall be no higher than the rates charged for interstate access by the same local exchange company."[15] Based on this requirement, AT&T (the only Tier 1 carrier in Georgia), has been required to maintain parity between its intrastate and interstate switched access charges.

Tier 2 ILECs - The 1995 statute required Tier 2 carriers to reduce, by July 1, 2000, their intrastate rates to parity with their July 1, 1995 interstate rates.[16] In June 2010, Georgia's governor signed HB 168, which amended the earlier statute and requires Tier 2 ILECs to reduce their intrastate access charges to interstate levels in equal annual increments over five years, beginning January 1, 2011 and ending December 31, 2015. Georgia also implemented an Access Transition Fund, a component of the Universal Access Fund, that is a mechanism to allow the partial recovery of revenues lost by Tier 2 ILECs through intrastate access rate reductions. The fund may operate for a period of no more than 10 years, beginning January 1, 2011.

CLECs - HB 168 requires all certificated carriers other than Tier 2 ILECs to reduce their intrastate switched access rates to interstate levels in equal annual increments over a 10 year period, beginning January 1 2011 and ending December 31, 2020.

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12 V.T.C.A., Utilities Code, secs. 65.203 & 65.204.

13 V.T.C.A., Utilities Code, sec. 59.025 (Commission cannot reduce the switched access rates of carriers electing infrastructure commitment under Chapter 59).

14 *Id.* at sec. 52.155 (and allows for higher rates only upon specific commission approval based upon a cost justification or other rationale for implementation of a higher rate for each rate element).

15 Ga. Code Ann. sec. 46-5-166(f)(1)(1995).

16 *Id.* at (f)(2). See also discussion regarding statutes awaiting adoption at p. 6 below.

Oklahoma: Largest ILECs - Oklahoma by statute requires each local telecommunications service provider serving 15% or more of the access lines in the state to maintain intrastate switched access tariffs "in parity with the *terms and conditions* of the interstate access tariffs of that company," and to ensure on an ongoing basis to "maintain the terms and conditions of the intrastate access tariffs of that company so that they are in parity with the terms and conditions of the interstate tariffs of that company."[17] There is no current parity requirement for Switched Access *rates* for Oklahoma. Oklahoma had previously required mirroring until certain revenue reduction targets had been met.[18] Oklahoma carriers are no longer required to flow through any access reductions, effective July 1, 2009.

Smaller ILECs – The statute does not apply and there are no specific rules applicable to LECs serving fewer than 15% of the state's access lines.

CLECs – There are no specific rules applicable to CLECs. However, the Oklahoma Corporation Commission typically requests CLECs to reduce their switched access rates to the level of the ILECs in whose territory they operate before approving a tariff, unless the CLEC can justify a higher rate by demonstrating higher costs.

Virginia:[19] Large ILECs - On April 13, 2010, the Governor of Virginia signed a revision to Section 56-235.5:1 of the Virginia Code that requires the State Corporation Commission (SCC) to establish a schedule for ILECs that serve over 15,000 lines in their incumbent territory to eliminate the Carrier Common Line Charge ("CCLC") for intrastate switched access service no later than July 1, 2013. Carriers that received funding prior to April 1, 2010 from the Department of Agriculture's Broadband Initiatives Program are subject to the schedule for small ILECs described below. Carriers that have not been the subject of an SCC proceeding to investigate their CCLC may petition the commission for an extension of time for the elimination of the charge until July 1, 2014. The SCC is required to permit ILECs "to recover a reasonable amount of carrier common line charge revenue lost."[20] The new statutory provision is scheduled to become effective July 1, 2010.

Small ILECs - For small ILECs serving under 15,000 lines and carriers that have received a grant under the Broadband Initiatives Program, the SCC is required to determine no later than July 11, 2011 a schedule for the elimination of the CCLC.

[17] 17 Oklahoma Statutes sec. 17-139.103.D.4 (1997).

[18] *Id.* at 3.

[19] See also discussion regarding state commission actions at p. 10 below.

[20] Virginia Code Sec. 56-235-5:1.B.1 & 2.

CLECs – CLEC intrastate switched access rates may not exceed the higher of the CLEC's comparable interstate switched access rates or the aggregate intrastate access rate of the ILEC in whose service territory the CLEC is providing service.[21]

II. States That Mandate Intrastate/Interstate Parity or Substantially Reduced Pricing by Commission Order, Rule or Tariff, Including Where Subsequently Modified

Thirteen state commissions have instituted or approved mirroring or near-mirroring of interstate switched access rates for local exchange carriers, although two have subsequently modified this approach. These states generally permit carriers to implement some form of alternative price regulation to ensure revenue neutrality.

Iowa: Rural ILECs – in January of 2009 the Iowa Utilities Board (IUB) issued its final order instructing Iowa Telecom Association (ITA) to lower its intrastate switched access rates to mirror interstate NECA rates with the exception of the carrier common line charge. ITA is an association made up of rural telecommunications providers and the majority of its membership concurs in the ITA intrastate switched access tariff. The IUB determined that it would examine in a separate docket the necessity of the carrier common line charge to rural carriers in Iowa.

Massachusetts: Large ILECs - The Massachusetts Department of Telecommunications and Energy established intrastate mirroring of interstate switched access rates for Verizon in 2002, while also allowing for retail rate rebalancing: "Currently, intrastate switched access charges are higher than interstate switched access charges. This creates a situation where it could cost more for Massachusetts customers to make a call across the state than it does to make a call across the country. The Department concludes that this is inefficient. .. [T]herefore, intrastate switched access charges will be lowered to the more cost-based interstate levels."[22] In noting that the access revenues should be made up by retail rate increases, the Department also stated that "experience has shown that such rate-rebalancing enhances efficiency without negatively impacting universal service."[23]

CLECs - In an order issued June 22, 2009, the Department of Telecommunications and Cable directed that all CLEC intrastate switched access rates be established at or below Verizon's intrastate switched access rates, which, in turn, are required to be set at the levels of Verizon's

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[21] 20 VAC 5-417-50E (CLECs may use a blended or composite rate to reflect applicable price ceilings of more than one ILEC or to reflect an alternative rate structure of the ILEC).

[22] *Investigation by the Department of Telecommunications and Energy on its Own Motion into the Appropriate Regulatory Plan to Succeed Price Cap Regulation for Verizon New England, Inc. etc.*, 2002 Mass. PUC Lexis 10 (May 8, 2002), at 36.

[23] *Id.*

interstate switched access rates. The Department required that CLEC rates would be capped at Verizon's rate effective one year from the date of its Order.[24]

New Jersey: ILECs – On February 1, 2010, the New Jersey Board of Public Utilities ("Board") issued an order implementing a 4-step, 3-year plan that requires all three of the state's ILECs to reduce their intrastate switched access rates to parity (both as to rates and rate structure) with their interstate access rates.[25] In several prior proceedings, the Board had granted significant (and in many cases complete) retail local pricing flexibility to the two largest ILECs,[26] without addressing access rates. The amount of rate flexibility the Board had previously granted those carriers far exceeded the access revenue reductions required by the Board's Access Order. In addition, consistent with those ILECs' commitment not to seek additional pricing flexibility until after the Board issued an order addressing intrastate access rates, the Board expressed its willingness to consider further retail pricing flexibility for the ILECs in a follow-on proceeding. LECs have appealed the Board's ruling to the state's Appellate Division.

CLECs – In the same order, the Board rejected the proffered CLEC cost studies, found that CLECs had not shown their costs of access exceed their interstate access rates, and required CLECs to mirror the rates of the ILECs in whose territory they operate. This means that when the phase-in plan is complete the CLECs' intrastate access rates will be the same as their interstate rates.

Alabama: Largest ILECs - In 1995, the Alabama Public Service Commission allowed South Central Bell to elect price regulation with various conditions, including requiring South Central Bell to maintain intrastate access charges at a level not to exceed interstate access rates for a period of five years. The decrease to interstate parity was effective immediately. After expiration of the five year period, South Central Bell was required to continue to cap these rates at "the lower of the intrastate rates in effect on July 1, 1999, or the effective interstate prices and structures approved by the FCC."[27] In December 2004, the Commission adopted a Price Flexibility Plan for BellSouth that capped BellSouth's combination of the traffic sensitive per

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[24] *Petition of Verizon New England, Inc., et al for Investigation under Chapter 159, Section 14 of the Intrastate Access Rates of Competitive Local Exchange Carriers*, D.T.C. 07-9, Final Order, released June 22, 2009. One rural CLEC was permitted to charge a rate equal to the NECA tariff rate.

[25] *In the Matter of the Board's Investigation and Review of Local Exchange Carrier Intrastate Exchange Access Rates*, Docket No. TX08090830.

[26] The remaining New Jersey ILEC is a very small carrier that is subject to rate of return regulation.

[27] *In Re Petition of South Central Bell Telephone Company to Restructure its Form of Regulation, etc.*, Docket Nos. 24499, 24472, 24030, 24865, Report and Order, September, Ala. P.S.C. (1995) at par. 9.03.

minute charge for originating and terminating switched access service at the then "effective intrastate level (including any non-traffic sensitive rate elements)."[28]

Smaller ILECs - The Price Flexibility Plan for other ILECs is the same as BellSouth's for intrastate switched access rates.

CLECs – There are no state limitations on CLECs' intrastate switched access rates.

Ohio: Largest ILECs - ILECs in Ohio were initially required by the Public Utilities Commission of Ohio ("PUCO") to mirror their federal access rate structure for intrastate switched access rates in 1987.[29] In 1997, the PUCO ordered numerous companies to maintain their intrastate rates at then-current levels while it deliberated how to address anticipated interstate anticipated changes in interstate access rates. In 2001, the four largest ILECs (Ameritech, Cincinnati Bell, Sprint and Verizon) were ordered to cap their intrastate rates at the interstate level. In 2007, the Commission reiterated its support for earlier orders requiring the four largest incumbent local exchange carriers to mirror their interstate switched access rates for intrastate access services.[30] However, the Commission has made an exception to the mirroring requirement with respect to the intrastate Carrier Common Line Charge ("CCLC"), which was capped at 1987 levels. Nonetheless, Ameritech, CBT and Verizon have taken steps to reduce or eliminate the intrastate CCLC due to merger conditions and alternative regulation plans.

Smaller ILECs – All ILECs other than the four largest incumbents were required to mirror interstate rates that were in effect a decade ago.

CLECs – The PUCO's 2007 order also required competitive local exchange carriers to cap their intrastate rates at the level of the ILECs in whose territory they operate.[31]

Indiana: Largest ILECs – The Indiana Utility Regulatory Commission ("IURC") has embraced the concept of parity for over twenty years. In a series of dockets, the IURC adopted the principle of general structural and rate parity, and established that intrastate access charges that mirror interstate charges are "presumed to be lawful without further evidence." [32] When faced

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[28] *In Re Proposed Revisions to the Price Regulation and Local Competition Plan*, Docket No. 28590, Order Approving Alabama Telecommunications Regulation Plan, December, Ala. P.S.C. (2004) at Appendix A, page 9, section 7.C.

[29] *In Re Modification of Intrastate Access Charges*, Case No. 00-127-TP-COI, Opinion and Order, (2001 WL 283031) at par. 2, citing *In the Matter of the Commission's Investigation Relative to Establishment of Intrastate Access Charges*, Case No. 83-464-TP-COI, Subfile C (May 21, 1982 and March 12, 1987).

[30] *In the Matter o/the Establishment of Carrier-to-Carrier Rules*, Case No. 06-1344-TP-ORD, Entry on Rehearing, Ohio P.U.C.(October 17, 2007) ("2007 Order") at par. 29, p. 18.

[31] *Id.*

[32] *See Re Intrastate Carrier Access Charges*, Cause No. 38269, 1989 WL 418618 (April 12, 1989), *ORDER adopting the principle of structural and rate parity between intra- and interstate access tariffs, and approving implementation of an intraLATA access based compensation plan*; *see also* Cause Nos. 37200 and 37905.

with the issue in subsequent cases, the IURC found that mirroring (or parity) should be continued, approved streamlined tariff filing procedures for mirrored access rates, and, in the case of AT&T Indiana (formerly Indiana Bell), allowed for "instant mirroring" of interstate access charges. Although the mirroring requirement is not contained in Indiana statute, the 2006 Indiana Regulatory Reform Legislation (House Enrolled Act 1279) made the presumption of reasonableness for mirrored rates a component of state law. Indiana Code Section 8-1-2.6-1.5(c)(2) states that if a provider's rates/charges for switched or special access service are at issue in a dispute before the state commission, or are included in an interconnection agreement or statement of generally available terms and conditions reviewable by the commission, "the commission shall consider the provider's rates and charges for intrastate access service to be just and reasonable if the intrastate rates and charges mirror the provider's interstate rates and charges."

Smaller ILECs – The IURC has also applied the principles of access rate parity to the smaller ILECs, even during periods of access rate reform at the FCC. As a result of the revenue reductions facing rural carriers resulting from the federal MAG plan, the IURC approved a settlement agreement creating a state universal service fund (the Indiana Universal Service Fund or IUSF) in 2004 from which eligible telecommunications carriers may draw. The IURC order set benchmark residential and business rates that essentially required rural companies to recover part of the revenue losses resulting from the MAG plan through rate rebalancing.[33] The statutory provision creating a presumption of reasonableness for mirrored rates applies to small ILECS as well as large ILECs and CLECs.

CLECs – Although the above statutory provision does not literally require rate parity, its "just and reasonable" standard also applies to CLECs.

New Mexico: All LECs - New Mexico administrative rules provide that effective January 1, 2008, "a local exchange carrier's intrastate switched access charges may not exceed the interstate switched access charges approved by the federal telecommunications commission as of January 1, 2006, and its intrastate switched access elements and structure shall conform to the interstate switched access elements and structure approved by [the FCC)]."[34] The rules also provide a mechanism to require carriers to continue to mirror updated interstate switched access rates.[35] New Mexico has also created a state universal service fund ("USF") that is available to LECs (including CLECs) that have qualified as eligible telecommunications carriers.

33 *Re: Universal Service Reform.* Cause No. 42144, 2004 W.L. 1170315 at par.38. Due to appeals by certain parties, the IUSF order was not implemented until 2007, after the order was affirmed by the Indiana Court of Appeals.

34 N.M. Admin. Code 17. 11.1 0.8(C) (2005). *See also* N.M.S.A. 63-9H-6I (requiring state commission to ensure intrastate access charges are equal to interstate access charges by May 1, 2008).

35 *Id.* at 17. 11. 10.8(I).

West Virginia: Largest ILECs - By order of the state commission in March of 2007 approving Verizon's Market Transition Plan ("MTP"), Verizon is eliminating the carrier common line charge from its intrastate switched access rates and mirroring its interstate traffic-sensitive switched access rates over a phase-in period through year-end 2010. Verizon is being granted pricing flexibility for basic local exchange services commensurate with the revenue reductions attributable to switched access decreases. At the conclusion of the phase-in period, all Verizon intrastate switched access rates are expected to mirror interstate rates.[36]

CLECs - By Commission Order dated November 23, 2009, CLECs are required to mirror Verizon's intrastate rate (which will soon mirror its interstate rate) over a phase-in period ending thirty months from the date of the Order.[37]

Virginia: ILECs – In May, 2009, the Virginia State Corporation Commission ("SCC") issued an order requiring the CenturyLink companies (i) to restructure their carrier common line charges ("CCLCs") to a per minute rate by January 1, 2010; (ii) to reduce their CCLCs by 25% on or before July 1, 2010 and (iii) to reduce their CCLCs by 25% of their January 1, 2010 per minute rates no later than July 1, 2011.[38] In addition, the parties to the CenturyLink proceeding have sought SCC approval of a settlement that requires CenturyLink companies to reduce their CCLCs by 25% of their January 1, 2010 rates no later than July 1, 2012 and to eliminate their CCLCs entirely no later than July 1, 2013.

Alaska: ILECs – On August 18, 2010, the Regulatory Commission of Alaska ("RCA") issued an Order adopting new access regulations that will become effective 60 days after filing by the Lieutenant Governor.[39] The new regulations provide for elimination of the Carrier Common Line ("CCL") access charge rate element. The CCL will be replaced by (i) a new Alaska Universal Service Fund ("AUSF") surcharge and (ii) a gradual increase to the Alaska Network Access Fee ("NAF"), which is a flat fee paid by residential and business customers. The total NAF increase will vary by LEC, depending upon its costs of service. IXCs will lower their intrastate long distance rates, with the goal of reaching parity with interstate long distance

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[36] *Petition for Approval of Joint Stipulation and Agreement for Settlement and Joint Petition for Expedited Approval of a Joint Stipulation for a Market Transition Plan for Verizon West Virginia Inc.,* Case No. 06-1935-T-PC., W.V.P.S.C. (2007).

[37] *Petition of Verizon West Virginia Inc. et al.,* Commission Order, Case No. 08-0656-T-GI (November 23, 2009).

[38] *Petition of Sprint Nextel for Reductions in the Intrastate Carrier Access Rates of Central Telephone Company of Virginia and United Telephone-Southeast, Inc.*, Case No. PUC-2007-00108.

[39] *I/M/O Consideration of Modifying Alaska Access Charge Policies and the Use of the Alaska Universal Service Fund to Promote Universal Service in Alaska; I/M/O Petition of Alaska Exchange Carriers Association, Inc. for Amendments to the Alaska Intrastate Interexchange Access Charge Manual and Application for Temporary Waiver of Manual Provisions Pending Conclusion of Proceeding,* R-08-3, Order No. 8, R-09-3, Order No. 4 (August 18, 2010).

rates.[40] The Order also defines the obligations of a Carrier of Last Resort ("COLR"), establishes a process for selecting a COLR in various areas from among competing providers, and creates a new COLR Support program paid through the AUSF.[41] The new regulations also require ILECs in competitive markets to leave the state access charge pool and begin pricing access services on a company-specific basis.

Kentucky: ILECs - In 1995, the Kentucky Commission approved a price regulation plan for BellSouth that required BellSouth to implement switched access rates that mirrored analogous interstate access rate elements.[42] The Commission later stated that its earlier Order "clearly and unequivocally required mirroring of interstate access rates as the FCC changed access rates," and required mirroring rates to be effective no later than 30 days after the FCC changed interstate rates.[43] The Commission subsequently approved further access reductions for BellSouth and Cincinnati Bell, citing public interest benefits associated with removing economically inefficient subsidies.[44]

In July 2006, statutory revisions effectively changed this regulatory scheme. Current statutory provisions permit telephone utilities the option to elect a price regulation plan as described within the statute.[45] Under price regulation, an electing utility's rates for intrastate switched-access service "shall not exceed its rates for this service that were in effect on the day prior to the date the utility filed its notice of election."[46] Accordingly, Kentucky's switched access rates are capped and no longer need to mirror interstate rates. AT&T-KY filed notice of its price regulation plan election on July 12, 2006.

CLECs – There are no state limitations on CLECs' intrastate switched access rates.

Tennessee: Largest ILECs - BellSouth Telecommunications Inc. ("BellSouth") agreed to reduce intrastate switched access charges to achieve parity between intrastate and interstate switched access rates that existed as of August 1, 1995 under agreement with certain interexchange carriers operating in Tennessee. This agreement was never filed with nor approved by the

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40 AT&T Alaska and GCI, the two largest IXCs in Alaska, committed to lower their intrastate long distance rates after their CCL access payment obligations were eliminated.

41 A COLR will be required in all Alaska study areas except for Anchorage, where there is significant competition.

42 *Application of BellSouth Telecommunication, Inc., d/b/a South Central Bell Telephone Company to Modify Its Method of Regulation,* Case No. 94-121 (1995), Order; 1995 WL 135116 Ky. 1628 (1999), 1999 WL 135116 (Neb. P .S.C.), at 7. The Commission initially exempted the PICC and TIC for originating access and capped terminating rates at the levels of originating rates. The Commission also gave guidelines for residential and business rate rebalancing initiatives. *Id.* at 5.

43 *Telecomm, Inc.'s Application to Restructure Rates,* Case No. 97-074. Neb. P.S.C. (1997). *See also,* Tariff Filing of BellSouth Telecommunications, Inc. to Mirror Interstate Rates, Case No. 98-065 (1999).

44 *See, e. g., Review of BellSouth Telecomm, Inc.'s Price Regulation Plan,* Case No. 99-434 Ky. P.S.C. (2000), at 5.

45 Ky. Rev. Stat. 278.543.

46 *Id.* at 278.543(4).

Tennessee Regulatory Authority ("TRA"). On January 31, 1997, BellSouth filed with the TRA a tariff to implement the first step of these reductions. The TRA initiated a docket to consider this tariff filing,[47] and issued an Order approving BellSouth's tariff as filed.[48] The TRA also approved all subsequent tariff filings made to reduce rates under the agreement with IXCs.

CLECs – There are no state limitations on CLECs' intrastate switched access rates.

Oregon: Largest ILECs - In 2001, the Commission approved a Qwest rate rebalancing plan that provided substantial access reform. The Commission required Qwest to reduce switched access rates by decreasing the local switching rate and eliminating the carrier common line charge, a move calculated to "bring Qwest's intrastate switched access rates closer to its currently lower interstate switched access rates ... an equitable development with respect to consumers . . ."[49]

CLECs – There are no state limitations on CLECs' switched access rates.

III. States That by Tariff Establish Intrastate Access Rates Near Parity with Interstate Rates

LECs in two states have established by tariff intrastate switched access rates that are virtually at parity with corresponding interstate rates.

Mississippi: BellSouth's terminating intrastate access charges "are currently at parity with the FCC interstate rates and will be adjusted annually subject to a cap at parity."[50] The intrastate rates in total for a two-ended call are marginally higher than interstate rates ($0.0095 intrastate vs. $0.0088 interstate).

North Carolina: In 1996 as part of a retail rate plan filing, BellSouth began a 3 year phase-down of intrastate access toward interstate rates, which was completed in 1999. By order dated July 21, 2009, the Commission froze switched access rates at current levels for all LECs that have elected retail rate deregulation, pending the Commission addressing access charges in a generic proceeding.[51] The current BellSouth per-minute, two-ended intrastate access rate is almost identical to interstate rates at $0.0092, compared with an interstate rate of $0.0088.[52]

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47 *In Re: Tariff Filling by BellSouth Telecommunications. Inc. to Reduce Intrastate Access Charges.* Docket No. 9700185. Ten. R.A. (1997).

48 *Id.* The TRA's Order also required "the long distance companies certified to provide service within Tennessee to file tariffs as described in (TRA) Rule 1220-4-.55(2)(d). That rule requires the long distance companies to flow-through this access reduction to ratepayers in the form of lower long distance rates."

49 *Re: Qwest Corporation, UT 125/Phase II,* Order No. 01-810. 213 P.U.R. 4th 78 (2001).

50 BellSouth Telecommunications, Inc. Mississippi, Access Services Tariff, effective January 1, 2008.

51 NCUC Order, Docket No. P100, sub. 165 (July 21, 2009).

52 *See generally,* BellSouth Access Services Tariff, sec. E.6, for Mississippi, North Carolina, Alabama, South Carolina and Florida.

IV. Other State Actions

Wisconsin: ILECs - Wisconsin statutes establish a system for local exchange companies to elect price regulation, and for price-regulated local companies to reduce intrastate access rates to interstate levels.[53] Price-regulated local exchange carriers with more than 150,000 local lines are directed that "Intrastate access service rates ... may not exceed the utility's interstate rates for similar access services."[54] The directive includes eliminating half of all carrier common line charges within one year, a prohibition against reinstating these charges, and elimination of all carrier common line charges within the earlier of two years or receipt of authorization to provide interLATA services.[55] The statute provided a more graduated scale for access reductions for carriers with fewer than 150,000 lines.[56]

Wisconsin's statutes also establish a system to allow a telecommunications utility to file for approval of an alternative regulation plan ("ARP").[57] The statute lists factors that the Commission must assess in considering an ARP, but there is no specific requirement regarding intrastate switched access charge reductions. Carriers typically include such reductions in their plans, but the reductions are not required to establish parity with interstate rates. Typically, these rates are set with reference to benchmarks the Commission established in a 1993 proceeding.

Only Verizon and AT&T have elected price regulation. Therefore, they are the only ILECs subject to the state's mirroring requirement. All other independent companies are either regulated through the terms of their alternate regulation plan or have retained rate of return regulation.

CLECs – There are no state rules limiting CLECs' intrastate switched access rates.

Nevada: Large ILECs - The rates, terms and conditions for switched access services are currently regulated in Nevada and must be consistent with federal law.[58] Carriers may reduce switched access charges to parity with the associated interstate switched access rates without a rate proceeding.

CLECs - The Public Utilities Commission of Nevada may deregulate switched access services provided by a CLEC upon its own motion or acting upon a carrier petition.[59]

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[53] *See generally*, Wis. Stat. Ann. 196.196.

[54] *Id* at 196.196(2)(b)1.

[55] *Id.* at 196.196(2)(b)1-3.

[56] *Id.* at 196.196(2)(b)3.(c).

[57] Wis. Stat. Ann. 196.195(12).

[58] Nevada Revised Statutes 704.68873.

[59] Nevada Revised Statutes 704.68879.

Missouri: ILECs - Missouri enacted House Bill No. 1750, which adds Sec. 392.605 to the state's Revised Statutes. That section requires incumbent LECs that serve over 25,000 access lines to reduce their intrastate access rates by eighteen percent of the difference between their intrastate and interstate access rates in three equal installments. The first six percent reduction is to occur by March 1, 2011. The second and third reductions must occur by March 1 of the succeeding two years.

CLECs – As a condition of competitive classification, a CLEC is required to cap switched access rates at the level of the ILEC in whose territory it operates.[60]

Addendum

Additional States that Place Limits on CLEC Intrastate Switched Access Rates

The following states place limits upon CLEC switched access rates that are in most cases tied to the intrastate rates of incumbent LECs against which they compete.

Alaska: CLEC access rates are capped at the underlying ILEC's access rate.[61]

California: Effective January 1, 2009, CLEC access rates are capped at the higher of AT&T's or Verizon's intrastate access charges plus 10%. In addition, each intrastate rate charge element is capped at the level of AT&T or Verizon for the same element, plus 10%.[62]

Colorado: CLEC intrastate switched access rates must be cost based as determined by the Commission, and may not exceed the average price by rate element in effect on July 1, 1987.[63]

Connecticut: CLEC intrastate access rates are capped at $0.015 per minute, an amount equal to the principal ILEC's (AT&T's) access rate, which the Department of Public Utility Control ("DPUC") had reduced to cost based levels. Carriers seeking to charge a higher rate must provide a cost of service study to demonstrate a need for higher rates.[64]

Delaware: No CLEC may charge switched access rates under tariff that are higher than the tariffed switched access rates of the service provider serving the largest number of local exchange access lines in the state.[65]

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60 Missouri Statutes sec. 392.370.

61 Regulatory Commission of Alaska, Alaska Intrastate Interexchange Access Charge Manual, sec. 102.

62 *In re Review Policies Concerning Intrastate Carrier Access Charges*, 2007 W.L. 5086757 (Ca PUC 2007).

63 *I/M/O Emergency Rules Relating to Default Regulation of Competitive local Exchange Carriers*, 2006 WL 2135500 (Colo. P.U.C.) 2006 WL 2135500, Rule 2203 (a)(II).

64 *Re Intrastate Carrier Access Charges – Court Ruling*, Docket No. 02-05-17, 2005 WL 1566747 (June 15, 2005).

65 Del. Code sec. 707(e)

Louisiana: CLECs may not charge switched access rates that exceed the rates of the competing ILEC in each of the CLEC's certificated territories.[66]

Maryland: CLEC switched access rates are capped at the level of the principal ILEC (Verizon). Proposed access rates at or below the level of Verizon are deemed just and reasonable. Rates exceeding Verizon's rates must be supported with adequate cost data.[67]

New Hampshire: CLECs may not charge access rates greater than those charged by the ILEC.[68]

New York: CLEC switched access rates may not exceed those of the largest carrier in the LATA without a showing that higher rates are cost-based and in the public interest.[69]

South Dakota: CLECs (as all other LECs) must either file a cost study justifying its access rates or file a waiver to charge the average rate of all South Dakota carriers.[70]

Washington: CLEC intrastate rates for terminating switched access must not exceed the rates charged by the ILEC for terminating access service in the comparable geographic area, including any applicable universal service rate.[71]

Wyoming: CLEC rates for switched access service are capped at $0.03/minute for originating and terminating access as of January 1, 2010.[72]

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[66] Louisiana Public Service Commission Regulations for Competition in the Local Telecommunications Market, sec. 301-K-4.

[67] *Re Intelenet of Maryland, Inc., Re Policies Regarding Competitive Local Exchange Telephone Service*, Case 8584 Phase II, Order No. 72348 (December 28, 1995), 1995 WL 848272 (Md. P.S.C.).

[68] N. H. Public Utility Commission Rule 431.07.

[69] *Proceeding on Motion of Commission to Examine Issues relating to Continuing Provision of Universal Service*, N.Y.P.S.C. Case No. 94-C-0095, 28425, 1998 WL 518159 (June 02, 1998).

[70] S.D. PUC Rules, Chapter 20:10:27-29.

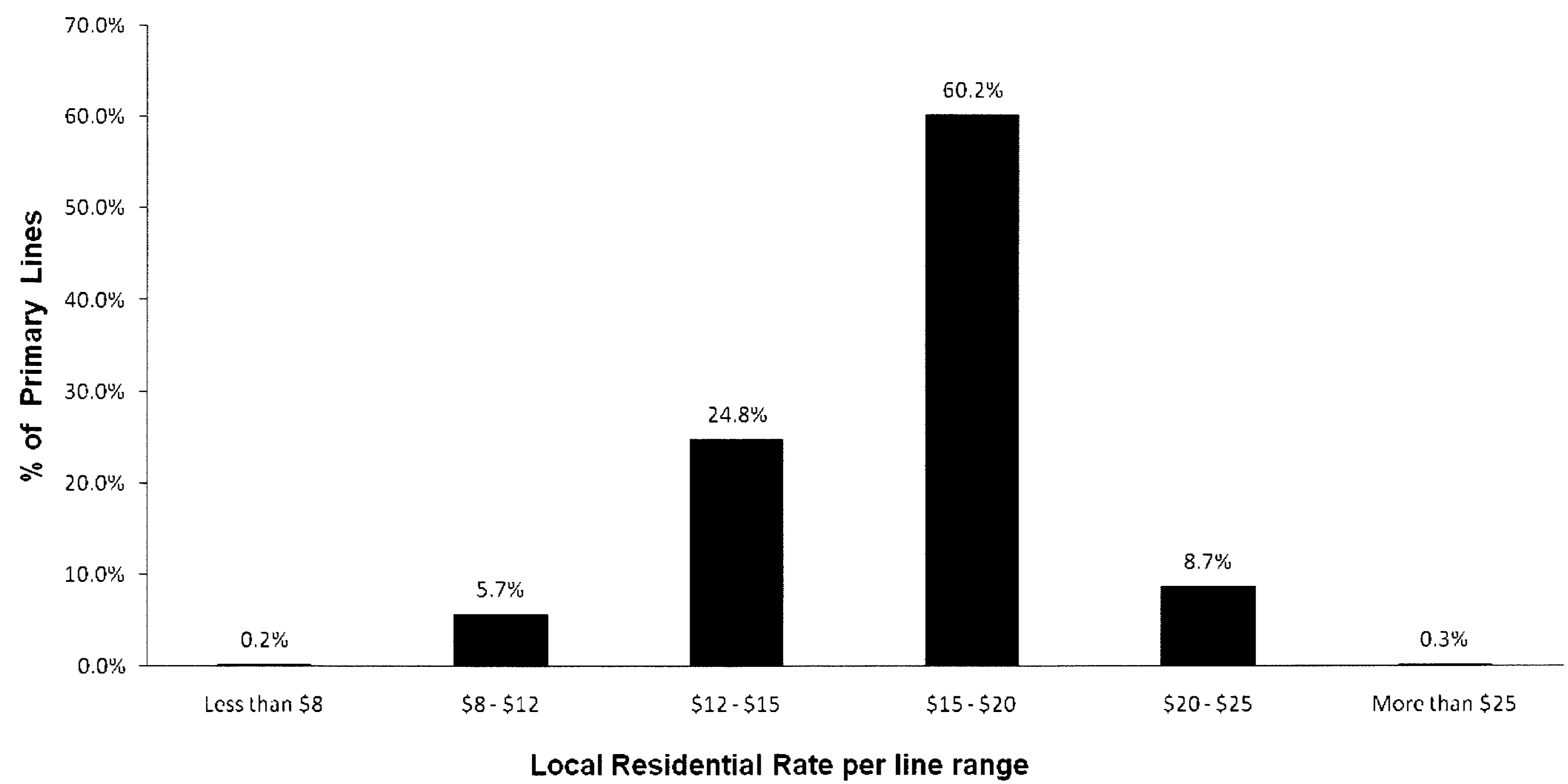
[71] Washington Administrative Code 480-120-540(2).

[72] Wyoming Statutes sec. 37-15-203(j).

Attachment 3

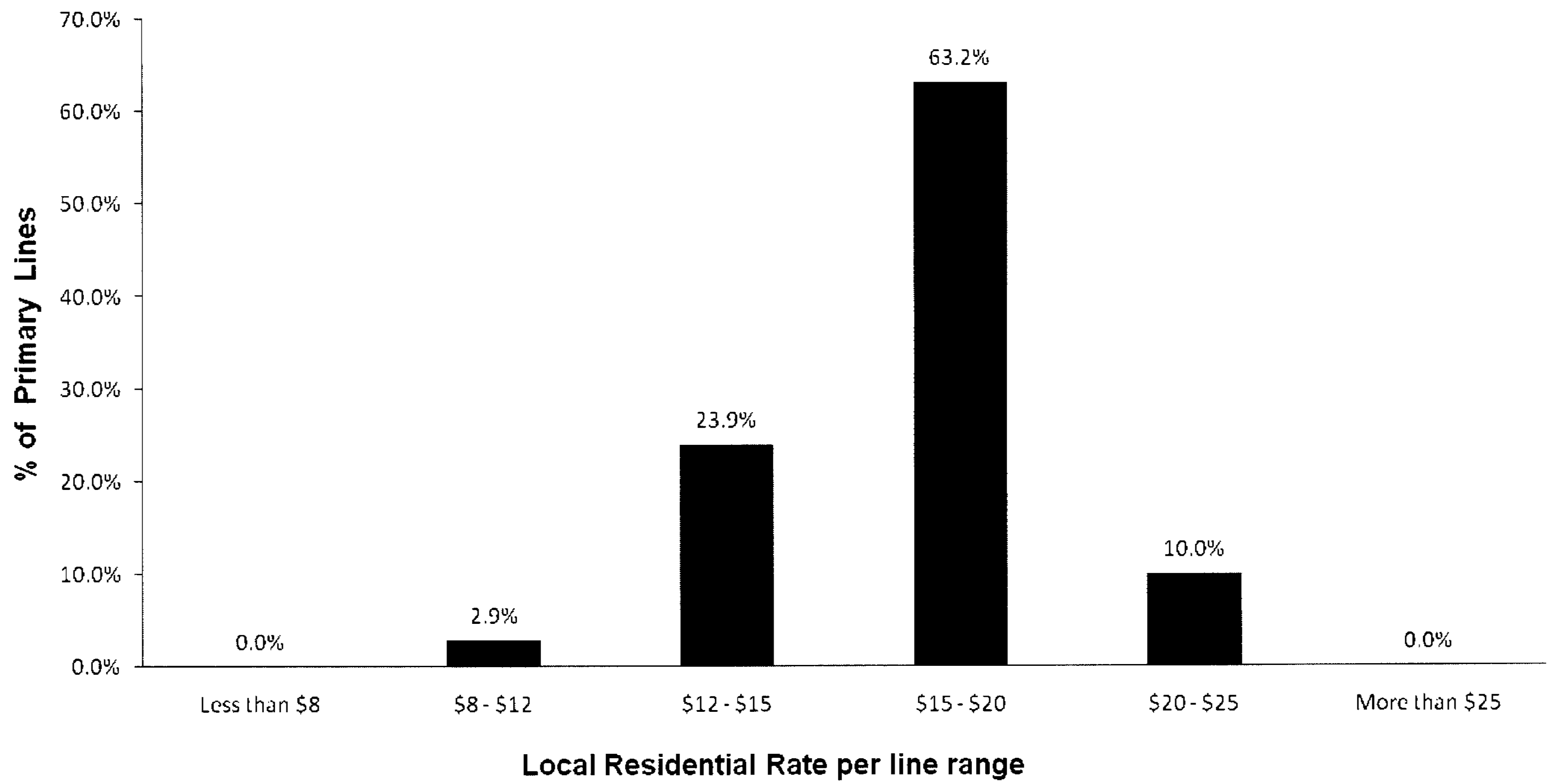
National

Distribution of ILEC Residential Lines by Local Residential Rate



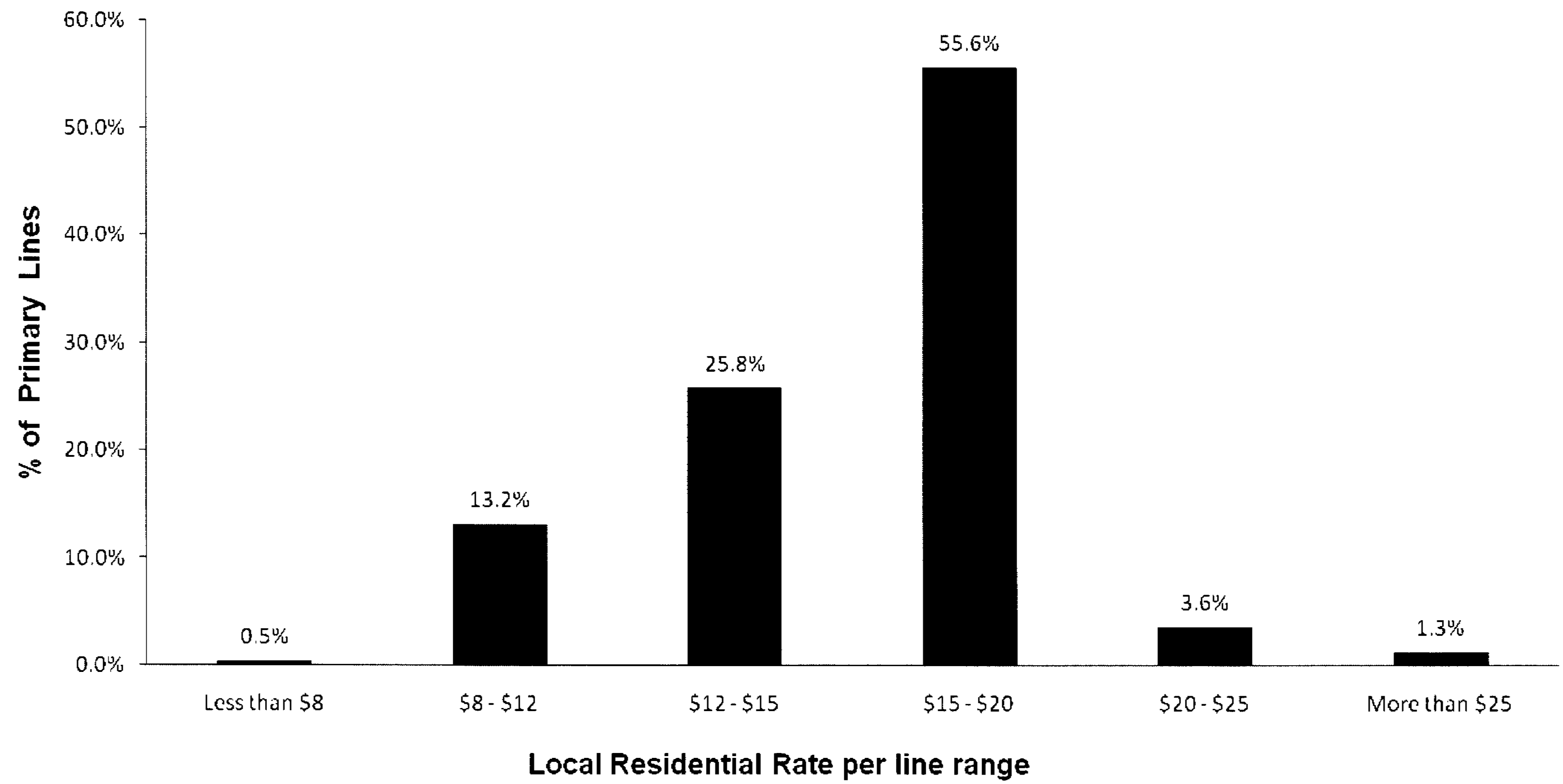
National Track 1

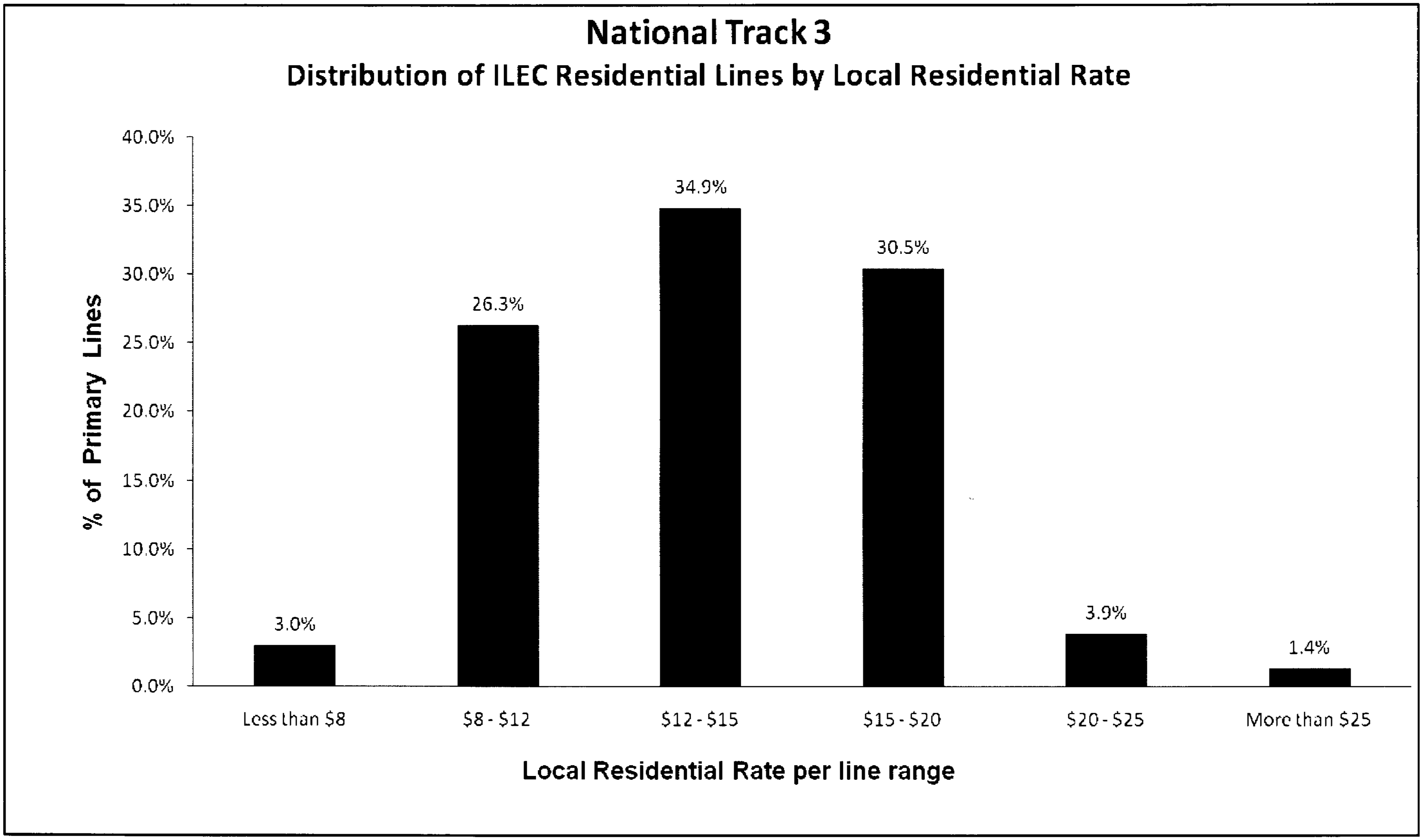
Distribution of ILEC Residential Lines by Local Residential Rate



National Track 2

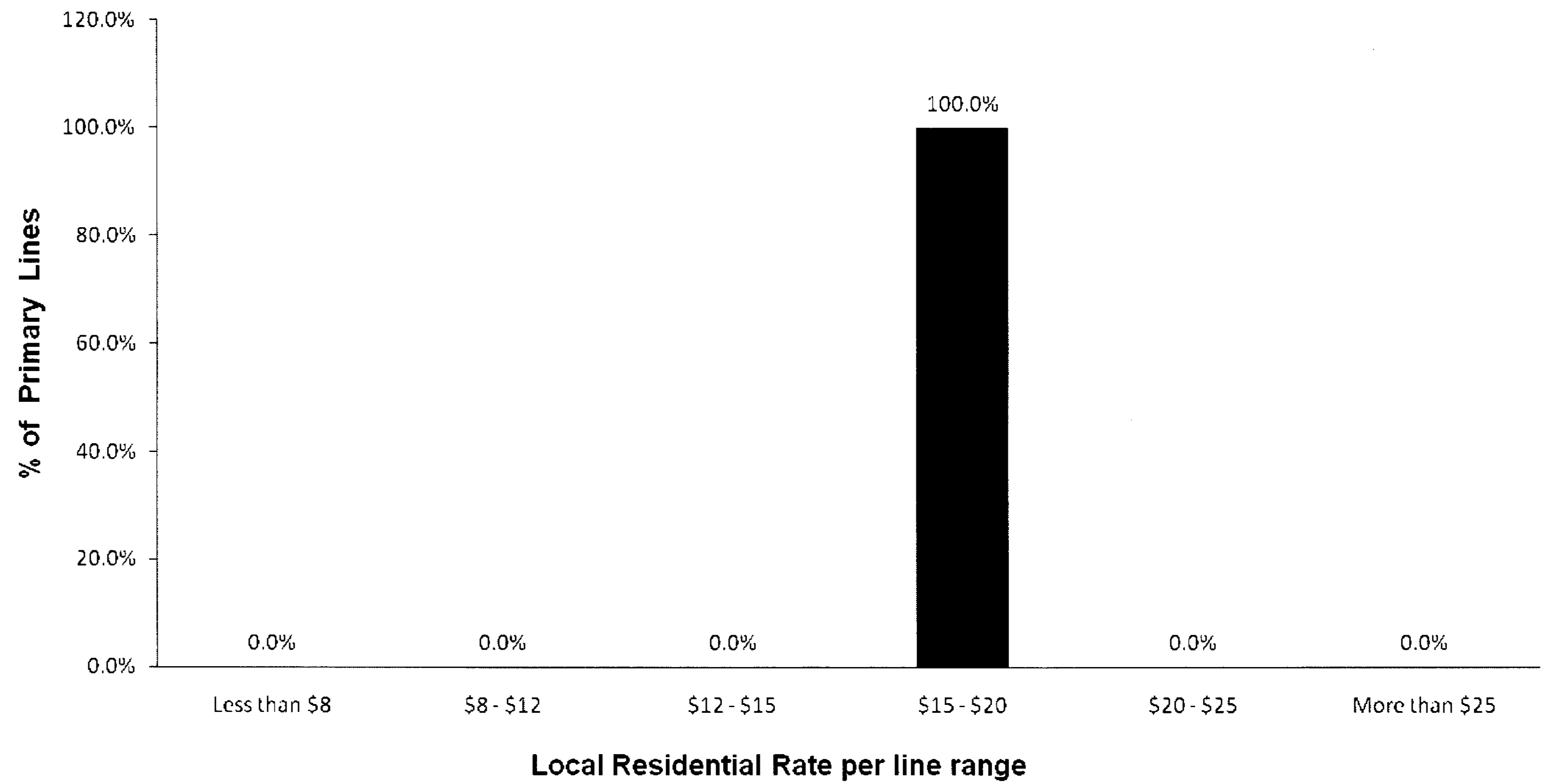
Distribution of ILEC Residential Lines by Local Residential Rate




National Track 3
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
3.0%
26.3%
34.9%
30.5%
3.9%
1.4%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range

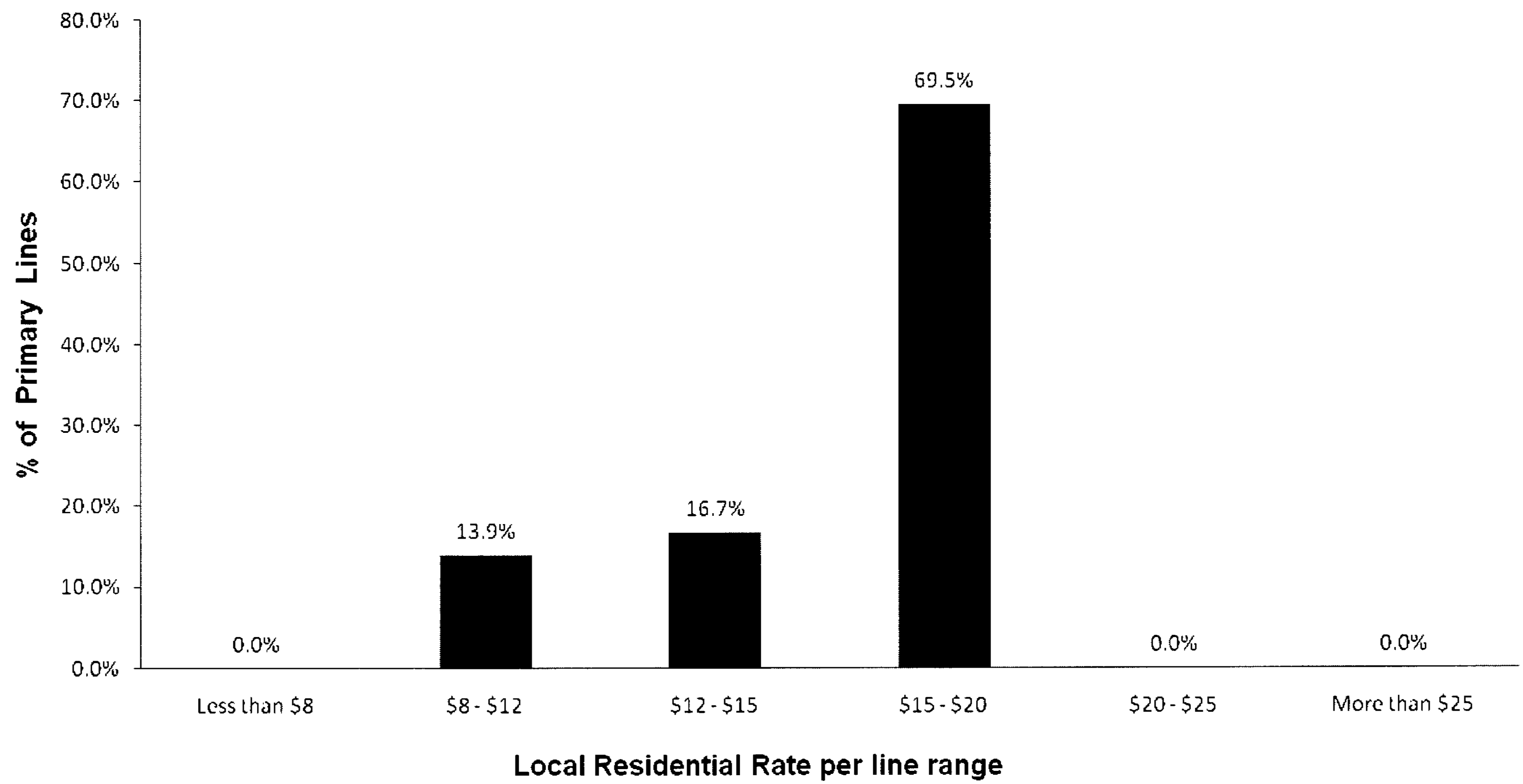
California

Distribution of ILEC Residential Lines by Local Residential Rate



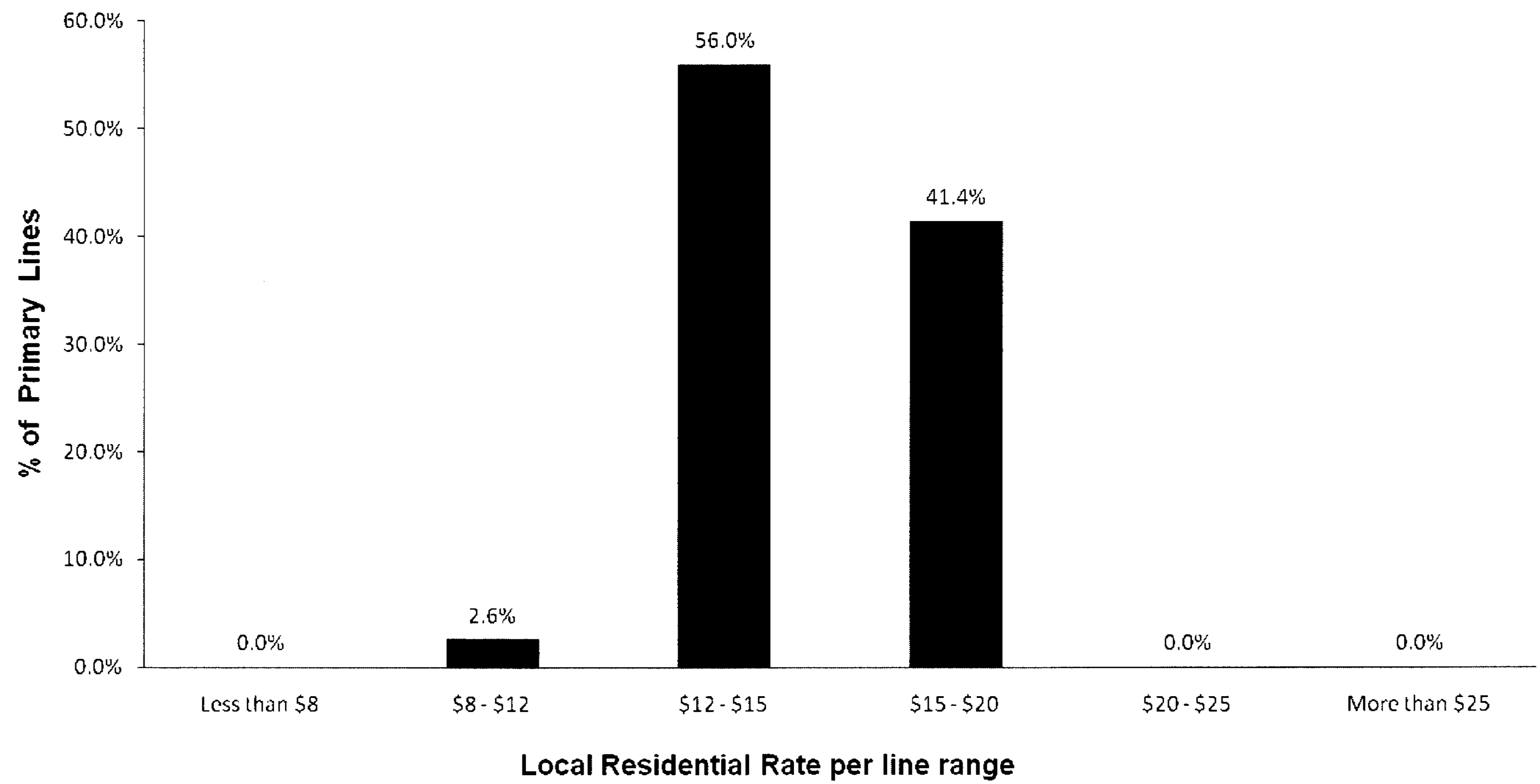
Texas

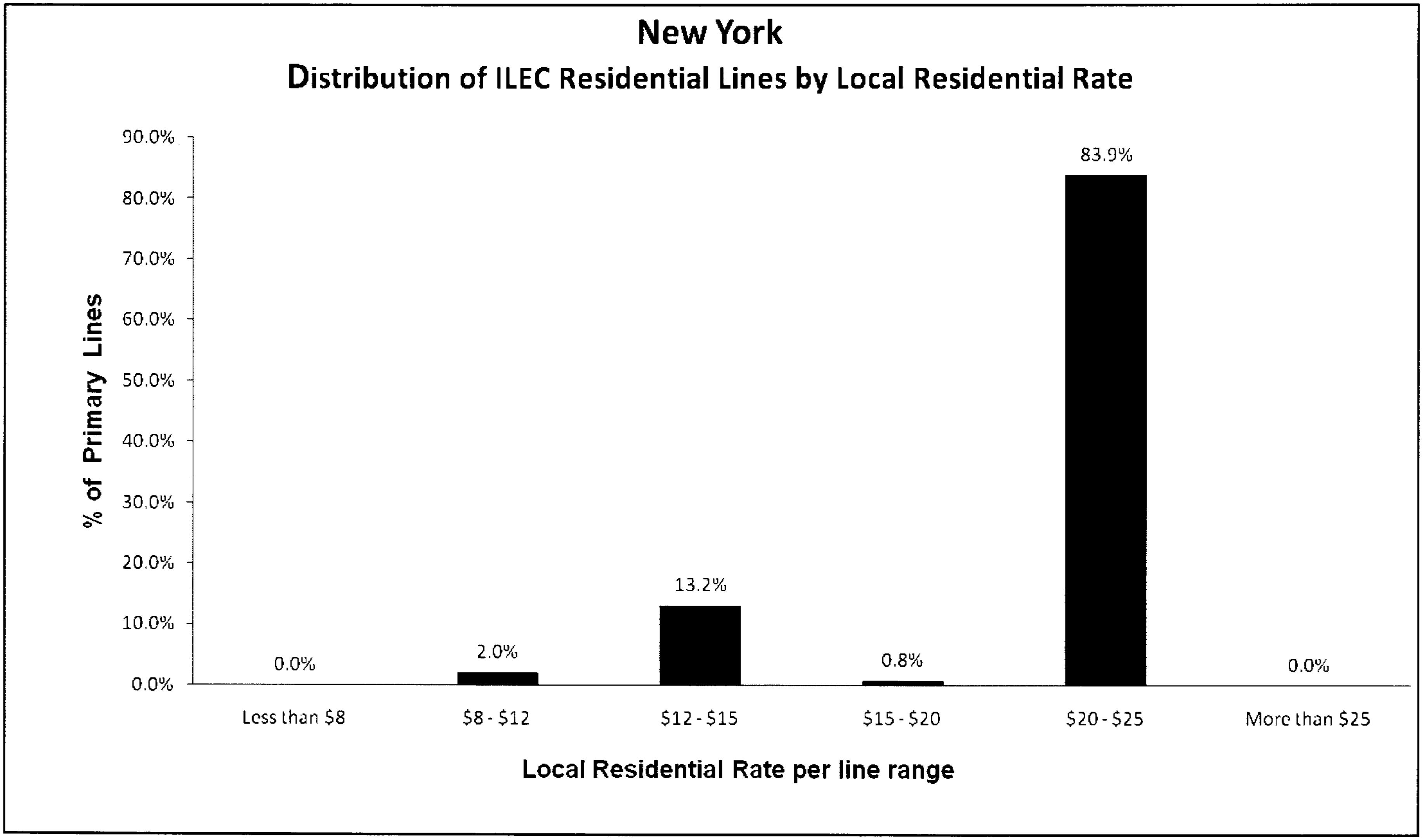
Distribution of ILEC Residential Lines by Local Residential Rate

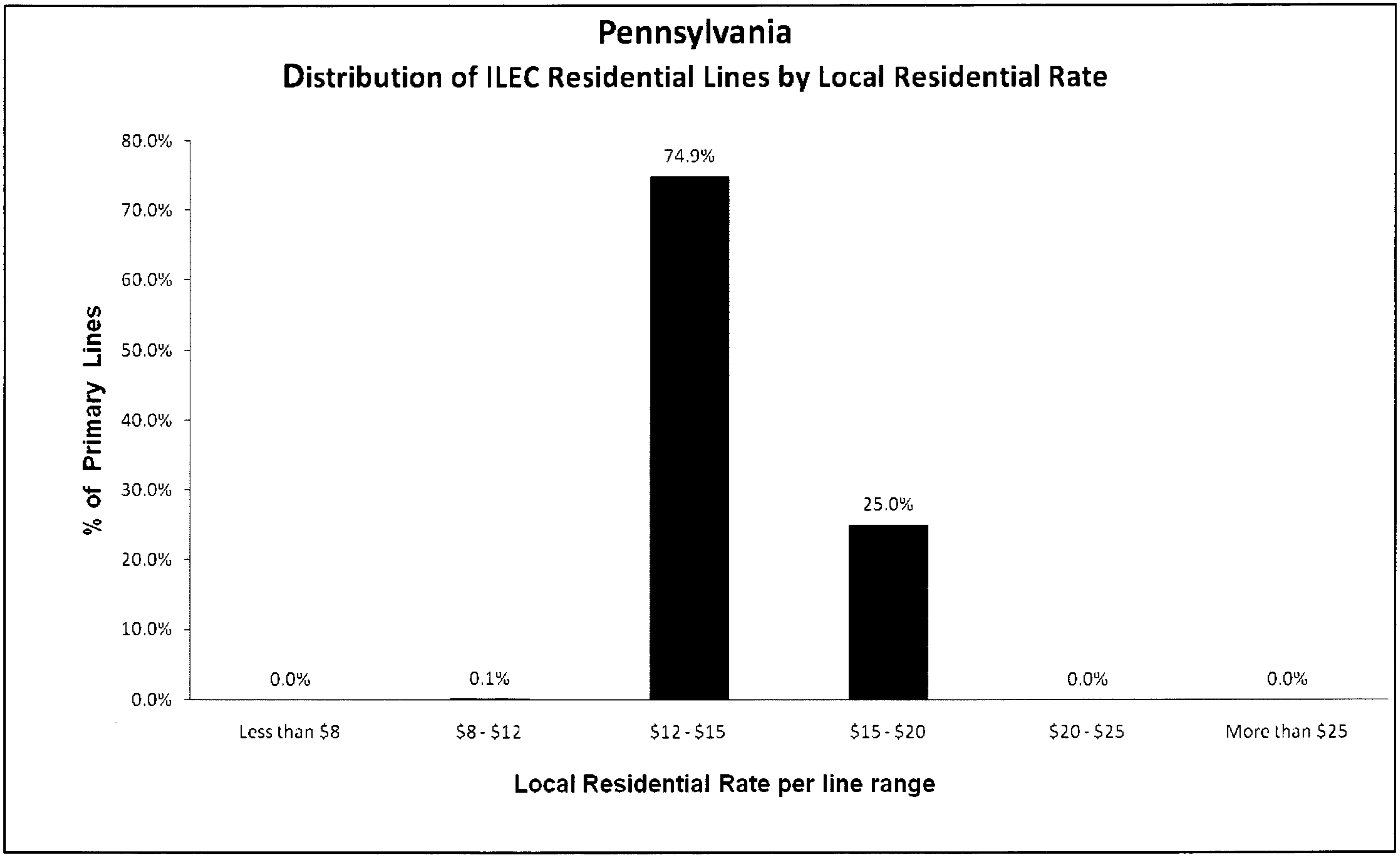


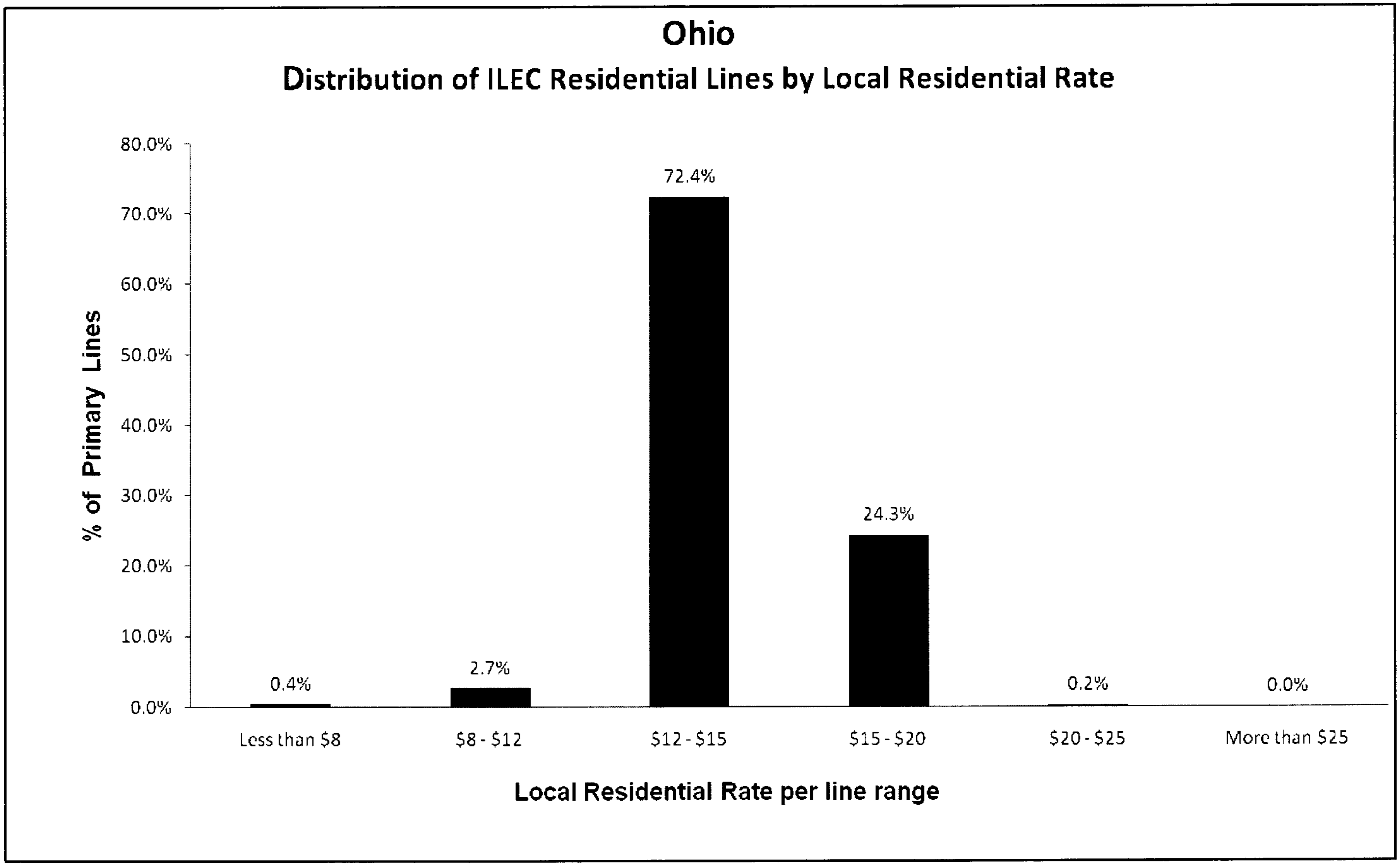
Florida

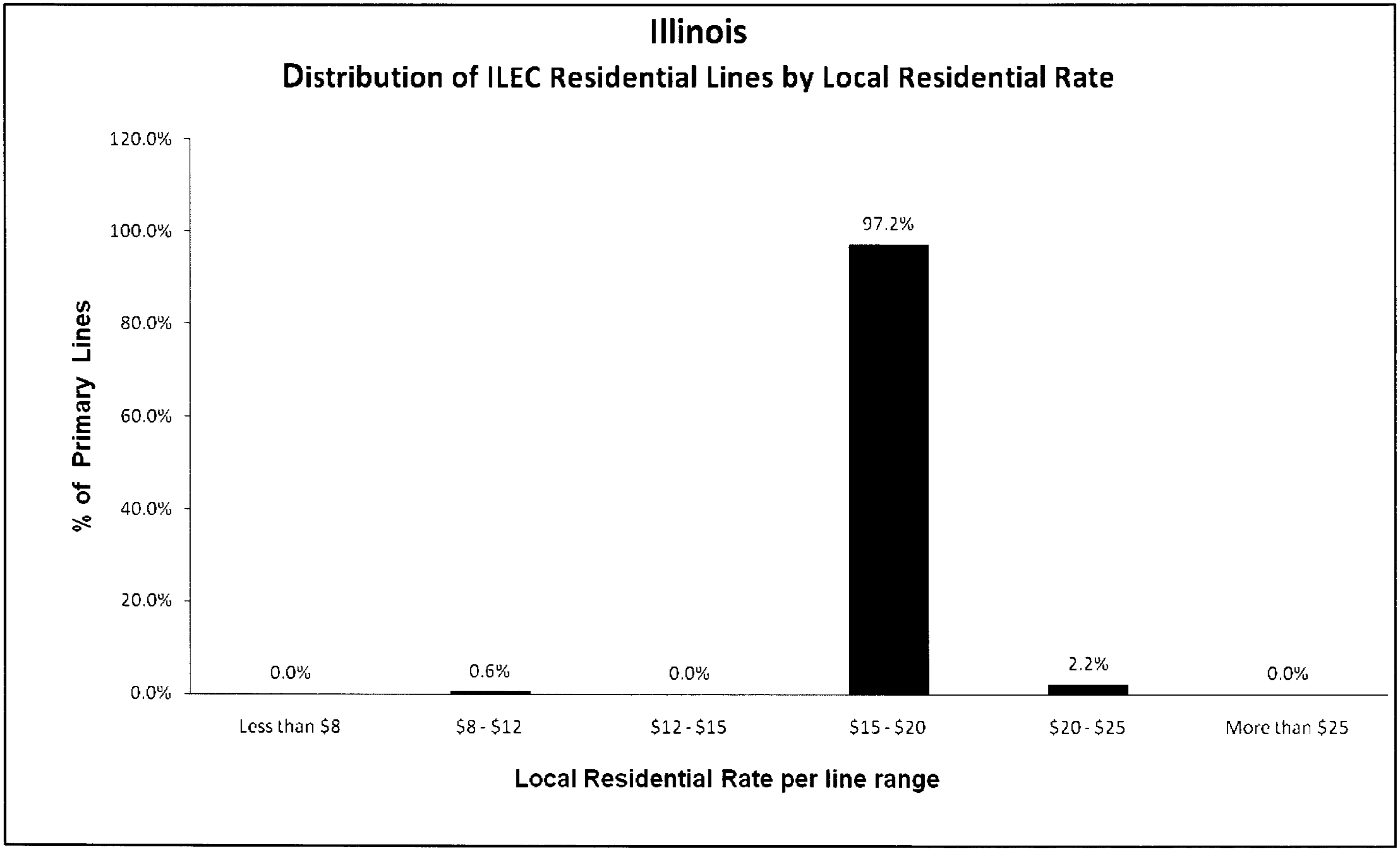
Distribution of ILEC Residential Lines by Local Residential Rate



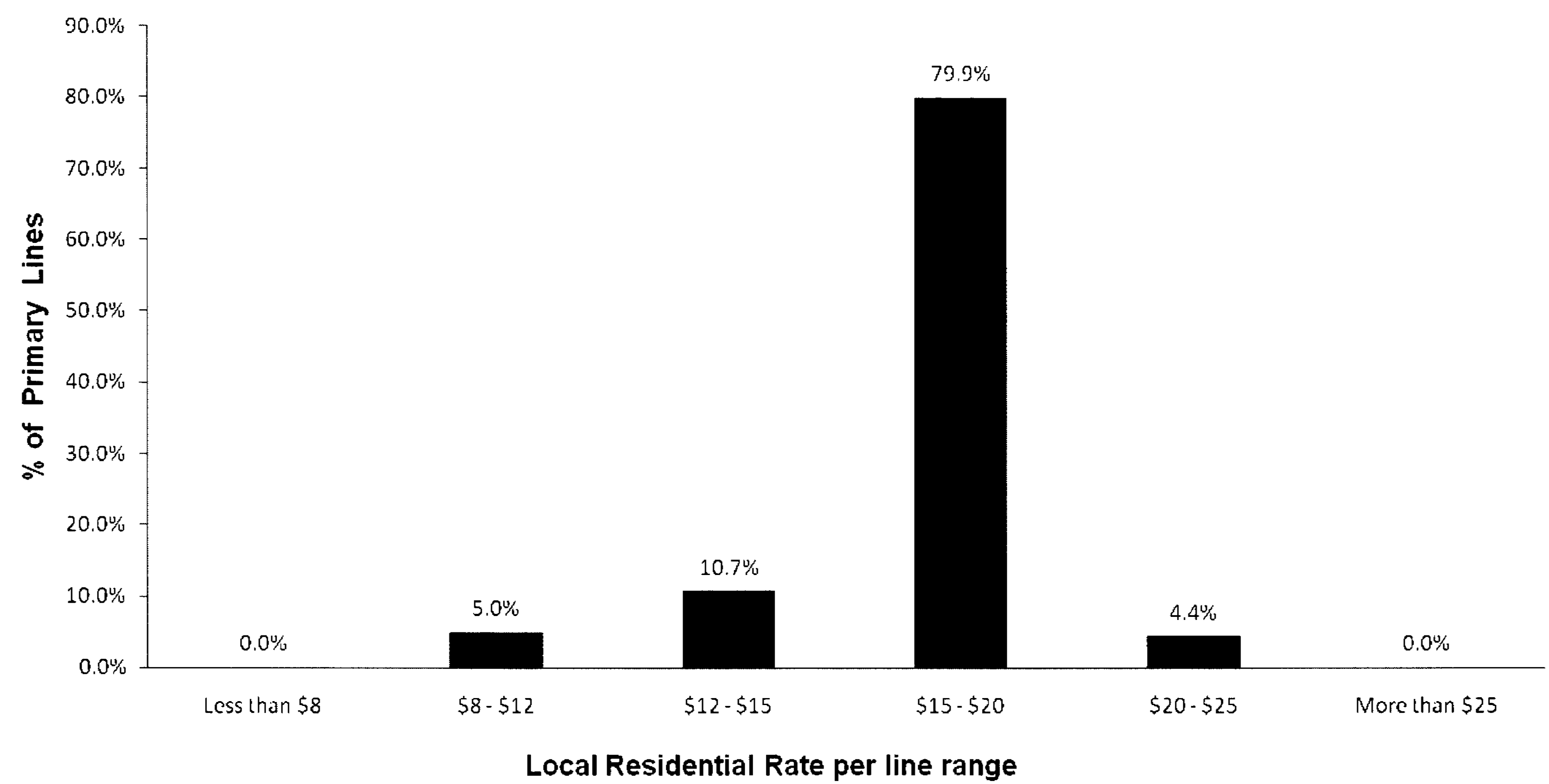

New York
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
0.0%
2.0%
13.2%
0.8%
83.9%
0.0%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range

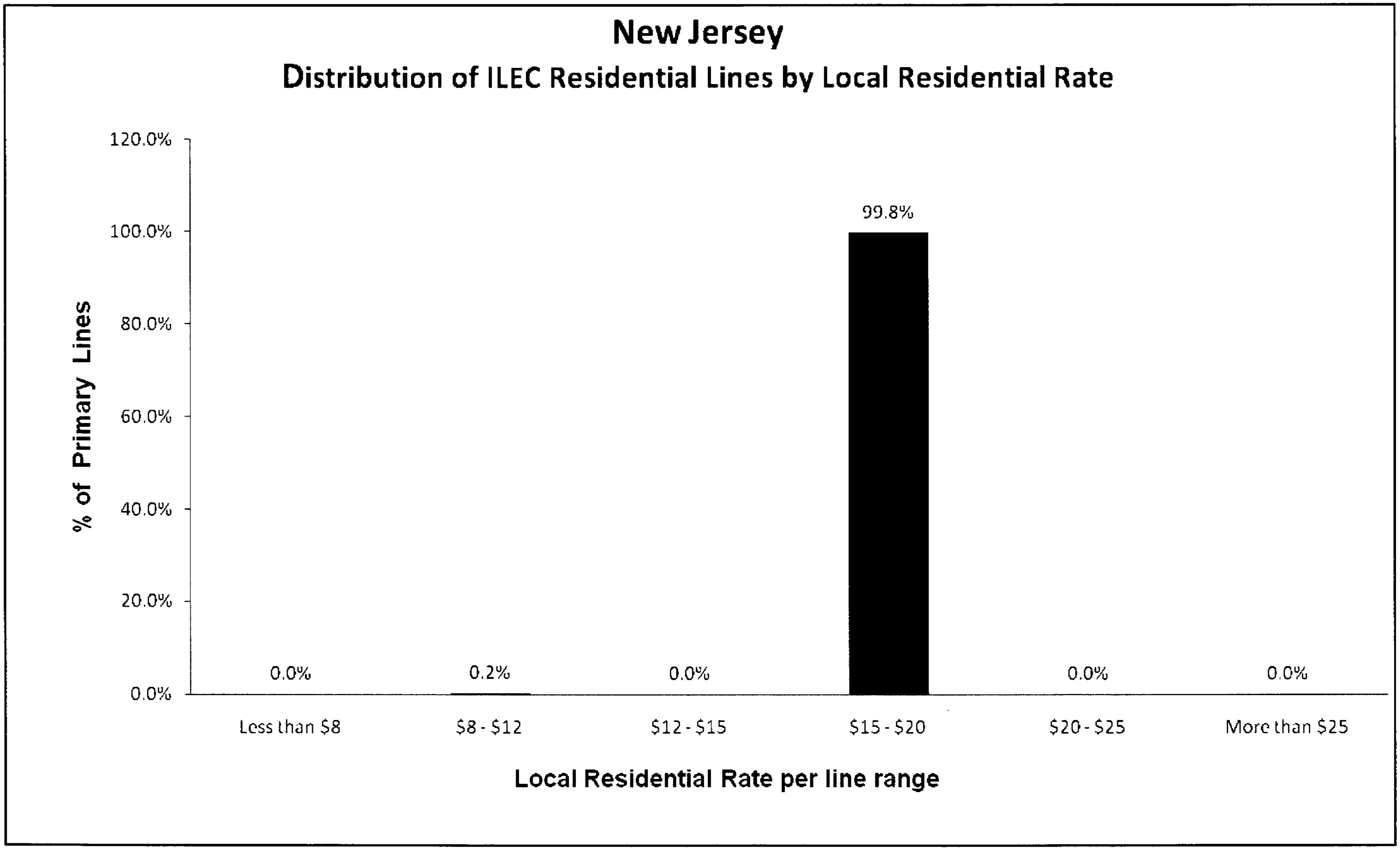

Pennsylvania
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
0.0%
0.1%
74.9%
25.0%
0.0%
0.0%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range

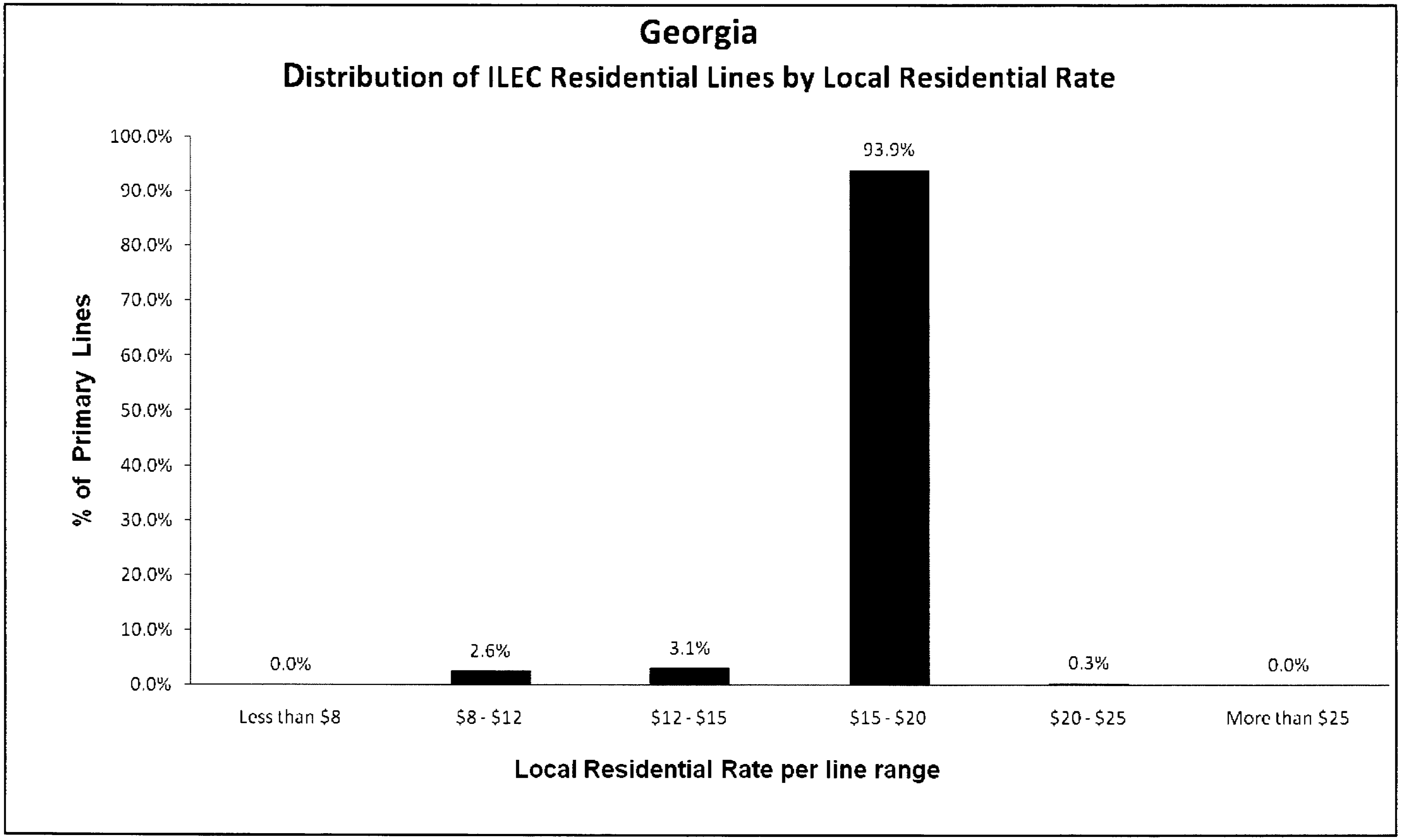

Ohio
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
0.4%
2.7%
72.4%
24.3%
0.2%
0.0%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range


Illinois
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
0.0%
0.6%
0.0%
97.2%
2.2%
0.0%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range

North Carolina
Distribution of ILEC Residential Lines by Local Residential Rate




New Jersey
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
120.0%
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
0.0%
0.2%
0.0%
99.8%
0.0%
0.0%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range


Georgia
Distribution of ILEC Residential Lines by Local Residential Rate
% of Primary Lines
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
0.0%
2.6%
3.1%
93.9%
0.3%
0.0%
Less than $8
$8 - $12
$12 - $15
$15 - $20
$20 - $25
More than $25
Local Residential Rate per line range

Attachment 4

Nebraska Public Service Commission

2009 Annual Report on Telecommunications

B. NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES
Effective September 1, 2009

Company	Exchange	Business	Residential
Matrix Telecom, Inc. d/b/a Trinsic Communications		$43.75	N/A
Metropolitan Telecommunications of Nebraska Inc.		$27.55	$18.15
Mobius Communications Company		$27.50	$17.50
Nebraska Technology & Telecommunications, Inc. (NT&T)	Group 1 Group 2 Group 3 Group 4 Group 5 Group 6	$27.55 $27.50 $30.10 $30.10 $30.10 $30.10	$18.15 $17.50 $17.50 $17.50 $17.50 $17.50
Nebraska Central Telephone Company		$27.50	$17.50
Northeast Nebraska Telephone Company		$27.50	$17.50
Northstar Telecom		$27.49	$19.99
NOS Communications d/b/a Blueridge Telecom System		$32.84	$18.15
OrbitCom, Inc.		$27.00	$27.00
Pierce Telephone Co., Inc.		$20.45	$17.50
Pinpoint		$27.95	$17.50
Plainview Telephone Company		$27.50	$17.50
Quantumshift Communications, Inc.		$32.84	N/A
Qwest First Line Add'l Line		$30.00 $30.00	$18.15 $16.35
Rock County Telephone Company		$27.50	$17.50
Sodtown Telephone Company		$17.50	$17.50
Southeast Nebraska Telephone Company		$27.50	$17.50
Stanton Telephone Co., Inc.		$27.50	$17.50
TCG Omaha		$36.40	N/A
Three River Telco		$27.50	$17.50
Time Warner Cable Informational Services		N/A	$49.95
Trans National Com. International, Inc.		$22.00	N/A
Wauneta Telephone Company		$27.50	$19.95
Windstream Communications of the Midwest, Inc.		$29.99	$17.50

B. NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES
Effective September 1, 2009

Company	Exchange	Business	Residential
Curtis Telephone Co.		$27.50	$17.50
Dalton Telephone Co.		$29.95	$19.25
Digital ISP Group	Group 2	$28.66	$17.88
	Group 5	$35.21	$19.59
	Group 7	$40.44	$20.11
	Group 12	$50.89	$20.58
Diller Telephone Co.		$27.50	$17.50
Eastern Nebraska Telephone Company		$27.50	$17.50
Elsie Telecom, Inc.		$29.95	$19.25
Embarq/United Telephone Co of the West dba		$27.50	$17.50
Ernest Communications, Inc.		$28.95	N/A
FiberComm, Inc.		$21.25	$19.00
First Communications, LLC		$27.55	$31.00
France Telecom. Corporation Solutions Inc.		$66.00	N/A
Glenwood Telephone Membership Corporation		$27.50	$17.50
Granite Telecommunications		$27.55	$18.15
Great Plains Communications		$29.95	$19.20
Hamilton Telephone Co.		$13.75	$13.75
Hartington Telephone Co.		$27.50	$17.50
Hartman Telephone Exchange		$27.50	$17.50
Hemingford Cooperative Telephone Company		$27.50	$17.50
Hershey Cooperative Telecom, Inc.		$27.50	$17.50
Hooper Telephone d/b/a Westel		$27.50	$17.50
Houlton Enterprise, Inc. d/b/a Guaranteed Phone Service		$69.95	$17.50
Huntel Cablevision, Inc. d/b/a American Broadband Nebraska Communications, Inc.		$24.59	$15.59
Huntel, Inc. d/b/a American Broadband Nebraska Communications, Inc.		$27.50	$17.50
Ionex Communications North, Inc.	Qwest	$37.55	$20.00
K&M Telephone Co.		$17.50	$17.50
Keystone-Arthur Telephone Company		$27.50	$17.50
Lightyear Network Solutions, LLC		$29.00	$32.99
Add'l Line			$27.99
Long Lines Siouxland LLC		$25.00	$10.00
MCImetro Access Transmission Services		$30.99	$20.99
Mainstay Technologies, LLC		$27.50	$17.50

B. NEBRASKA LOCAL EXCHANGE CARRIERS
BASIC LOCAL EXCHANGE RATES
Effective September 1, 2009

Company	Exchange	Business	Residential
AT&T		$31.20	N/A
Allo Communications		$31.00	$18.50
American Fiber Network, Inc.		$27.55	$18.15
Applied Communications Tech.		$44.80	$21.40
Arapahoe Telephone Co.	Group 1: Arapahoe, Hendley, Holbrook	$27.50	$17.50
	Group 2: Brule, Farnam, Loomis, Overton	$37.55	$17.50
Arlington Telephone Co.		$27.50	$17.50
Benkelman Telephone Co.		$27.50	$17.50
Blair Telephone Co.		$27.50	$17.50
Bullseye Telcom., Inc.		$27.55	N/A
Cambridge Telephone Co.		$27.50	$17.50
Charter Fiberlink-Nebraska LLC		$21.99	$24.99
Citizens dba Frontier		$27.50	$17.50
Clarks Telephone Co.		$27.50	$17.50
Comtel Telecom Assets LP d/b/a VarTec Telecom, d/b/a Excel Tele		N/A	$19.95
Consolidated Telco, Inc.		$27.50	$17.50
Consolidated Telephone Co.	Anselmo	$27.50	$17.50
	Arthur	$27.50	$17.50
	Ashby	$27.50	$19.25
	Bingham	$27.50	$19.25
	Brewster	$27.50	$17.50
	Brownlee	$27.50	$19.25
	Dunning	$27.50	$17.50
	Halsey	$27.50	$17.50
	Hyannis	$27.50	$17.50
	Merna	$27.50	$17.50
	Mullen	$27.50	$17.50
	Purdum	$27.50	$17.50
	Seneca	$27.50	$17.50
	Thedford	$27.50	$17.50
	Whitman	$27.50	$19.25
Cox Communications	(A) Flat Rate	$26.89	$17.65
	Add'l. Line	$26.89	$17.65
	(B) Comb. Ser.	$26.89	$15.89
	Second Line	$26.89	$11.99
	Add'l. Line	$26.89	$15.89
Cozad Telephone Co.		$27.50	$17.50