SULLIVAN & WORCESTER

Sullivan & Worcester LLP
1666 K Street, NW
Washington, DC 20006

T 202 775 1200
F 202 293 2275
www.sandw.com

July 15, 2011

***Ex Parte* Notice**

Filed Via ECFS

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

Re: *Ex Parte* Notice – Granite Telecommunications, LLC
WC Docket Nos. 10-90, 07-135, and 05-337, GN Docket No. 09-51,
and CC Docket No. 01-92

Dear Secretary Dortch:

On Thursday, July 14, 2011, Sam Kline and Geoff Cookman of Granite Telecommunications, LLC, the undersigned counsel to Granite from Sullivan & Worcester, LLP, and Joseph Gillan, Consultant with Regulatory Planning & Economic Analysis, met with Victoria Goldberg, Dan Ball, and Travis Litman from the Wireline Competition Bureau, and Kevin King from the Office of Strategic Planning and Policy Analysis, to discuss the Commission's pending intercarrier compensation rulemaking in the above-referenced dockets.

The discussion followed the attached presentation, which was distributed to all attendees. The discussion also was consistent with points expressed in Granite's Reply Comments filed in the above-referenced proceedings on May 23, 2011.

As set forth in the presentation, Granite provides over a million analog POTS lines and broadband services, obtained pursuant to long-term wholesale commercial contracts with underlying carriers such as Verizon and AT&T, to some 14,000 business customers with approximately 240,000 locations nationwide, including 68 of the nation's 100 largest companies. Granite explained that, while it must compete on price, it also differentiates itself from the incumbents by providing exceptional, customer-centric service such as live customer service, custom billing, and inside wiring, and is adding approximately 1,000 new analog POTS lines every business day.

Because of its dependence on long-term commercial agreements with its underlying carriers, which lock-in the compensation that Granite must pay, Granite explained that it will lose money if the intercarrier compensation it can collect is reduced without an appropriate transition period that allows for expiration of the underlying long-term agreements. In addition, Granite

explained, the transition period must account for the need to adjust the business model and end-user pricing over time to offset a reduction in intercarrier compensation rates. Granite also discussed the need for an end-point intercarrier compensation rate that has a justifiable cost basis, since its underlying wholesale agreements will never reflect a zero (bill-and-keep) or likely even a $.0007 rate. Granite emphasized that larger carriers, which have a broad and diverse customer base, have far greater flexibility in spreading out their costs and adjusting their end-user rates to adapt to changes in intercarrier compensation, than do smaller carriers focused exclusively on the business market, such as Granite.

Granite also explained that, because a majority of its lines serve retail locations and restaurants that have far more incoming than outgoing calls, its traffic is naturally asymmetric. The participants discussed how to differentiate such providers, while also addressing access stimulation issues.

Pursuant to section 1.1206(b) of the Commission's rules, a copy of this letter is being filed via the Commission's ECFS for inclusion in the public record of the above-referenced proceedings.

Respectfully submitted,

L. Elise Dieterich
Kathy L. Cooper

cc: Sharon Gillett
Marcus Maher
Rebekah Goodheart
Victoria Goldberg
Daniel Ball
Travis Litman
Kevin King
Lynne Engledow
Sam Kline
Geoff Cookman
Joseph Gillan

Attachment

Granite Telecommunications Presentation to :

The Federal Communications Commission

Presented by: Sam Kline

Meeting Agenda

- Who is Granite?
- Granite product overview
- Facts about Granite
- Some customers
- Key points
- Inter-Carrier Compensation
- Recommendations

Who is Granite?

- Professional Services company specializing in telecommunications management.
- Product suite centered around flexible, middleware solution.
- Headquarters in Quincy, MA, with offices in New York City, Atlanta, Providence and Miami.
- Customers include 68 of America's top 100 largest companies.
- 1,060,000 business lines under management.
- 14,000 clients with 240,000 locations nationwide.
- Wholesale contracts with all incumbent LEC's.
- Granite now has about 850 employees and has been recognized as one of the fastest growing companies adding new jobs in New England.

Product Overview

- **Local/Long Distance Telephone Service**
  - Contracted national distributor of local pots telephone line services.
  - No term plans, fees, volume commitments or start-up costs
  - Contracted national LD provider.
  - Consolidated inventory and invoicing.
- **Inside Wiring**
  - Provide inside wiring installation and maintenance nationwide.
  - Carefully installed, clearly labeled and well-tested wiring system.
- **Broadband**
  - Provision and management services of Broadband data lines.
  - DSL, Cable and Wireless.
- **Alarms**
  - Burglar and Fire alarm monitoring, installation and repair.

Facts About Granite

- We have long-term wholesale contracts with all major carriers.
- We serve no residential customers.
- No POTS customer contracts required.
- We differentiate ourselves based on Service, Billing, and Customer Support.
  - No IVR systems in our call center (a live person always answers the phone).
  - Customer wait time averages less than 8 seconds.
  - Custom bills - single customized file, compatible with Oracle, JP Edwards, SAP, and many others
  - Service – we address all customer service problems and regularly go above-and-beyond for our customers.

Granite Telecommunications

GE

Whole Foods Market

Pacsun

Ryder

Barnes & Noble Booksellers

Walgreens

7 Eleven

Domino's Pizza

Equity Office

Target

Pearle Vision

T.G.I. Friday's

Citi

Red Roof Inn & Suites

Ford

Applebee's Neighborhood Grill & Bar

Ryder

Claire's accessories

PetSmart

Burger King

CVS

Wal-Mart

Michaels Imaginate.

Hilton

FedEx

Sears

Wendy's Old Fashioned Hamburgers

United States Postal Service

Gander Mtn. We Live Outdoors

ALDO

Dana-Farber Cancer Institute

i'm lovin' it

Goodyear

Ralph Lauren

Lowe's Home Improvement Warehouse Improving Home Improvement

Reebok

Sunoco

AA American Airlines

Petco Where the pets go.

Yankee Candle

Equity Residential Apartment & Off-Campus Student Housing

Praxair

Continental Airlines

Granite Telecommunications

SIRIUS Satellite Radio

Fidelity Investments

ORKIN

BASF The Chemical Company

Talbots

Big Lots!

Dick's Sporting Goods

USDA

Chevron

alltel wireless

Citizens Bank Not your typical bank.

Sears

Dollar General

Kroger

Yankee Candle a passion for fragrance

Chuck E. Cheese's

JCPenney

Office Depot Taking Care of Business

McKesson Empowering Healthcare

Best Buy

adidas

Burlington coat factory

GE

O'Reilly Auto Parts Professional Parts People

Penske

Quest Diagnostics

BB&T

Coinstar

Tiffany & Co.

touchpoint media

Dave and Buster's

Land O'Lakes

The Vitamin Shoppe Since 1977 Answers For Every Body

Hess

Luxottica

Boeing

Commerce Bank America's Most Convenient Bank

Bristol-Myers Squibb

The Hartford

Cablevision

Public Storage

Granite
TELECOMMUNICATIONS
GOODYEAR
MEN'S WEARHOUSE
GYMBOREE
OCG
OHIO CASUALTY GROUP
Eddie Bauer
EST. 1920
KinderCare
LEARNING CENTERS
Where Lifetime Learning Begins
NINE WEST
comcast
Guitar Center
Bob Evans
RESTAURANT
Delta
LOWE'S
Let's Build Something Together
BED BATH & BEYOND
Cumberland Farms
BIG LOTS!
verizon
Dominion
CardinalHealth
ConocoPhillips
GMAC
FedEx Kinko's
Office and Print Center
U.S.ARMY
WILLIAMS-SONOMA
STAPLES
THE HOME DEPOT
SALLY BEAUTY
McKESSON
Empowering Healthcare
SAFEWAY
Ingredients for life..
citibank
SHERWIN-WILLIAMS.
bp
Anadarko
Petroleum Corporation
BJ'S WHOLESALE CLUB
K
Y
GNC
United Rentals
US Army Corps of Engineers
DELL
Abercrombie & Fitch
AutoZone
OUTBACK
STEAKHOUSE
PENSKE
BLOCKBUSTER

Key Points

- **Analog POTS is not dead!** Granite adds about 1,000 new analog POTS lines every business day.
  - Business customers still depend on analog POTS for much of their voice service.
- National customer service, custom billing and support work as a business model – Granite has less than 1% non-structural churn on POTS lines.

Inter-Carrier Compensation

- Granite pays compensation based on contract terms in our long-term commercial contracts. (Typically 5-years or longer).
- Granite traffic is NOT symmetrical.
  - Customers like AutoZone or Pizza Hut have <u>many</u> more incoming calls than outgoing calls.

Inter-Carrier Compensation

- A model where Granite is committed to pay compensation (by contract) at rates lower than it can collect creates a situation where every call loses money.
- Any change to the existing model must be over a timeframe to allow us to work through existing contracts and adjust business models.
- Any change process must have an end-point rate that has a justifiable cost basis.

Recommendations

- Remember that business customers are still dependent on Analog POTS and are likely to remain dependant for the many years.
- Create a process that allows CLECs enough time to work-through existing contracts and adjust business models to the new process.
  - This will require a minimum of 6 years for existing contracts and 2-3 additional years to converge on a new process.
- Create a end-point rate that allows us recover costs.
  - $.0007 assumes an ISP model .
  - TELRIC based transportation and termination costs are in the $.002 -$.004 range.