

USF NPRM
1st PSC Roundtable: Sec. XV
4/7/11
MTA Talking Points

Montana's RLECs Invest in Montana's Economy

Montana's RLECs provide:

- 1,000 jobs
- \$63.7 million payroll
- \$28 million in total benefits
- \$11 million in state and local taxes
- 14,000 miles of fiber
- \$133 million of planned capital expenditures in 2011
- *not including RLEC investment in community activities*

Universal Service & Intercarrier Compensation in Montana

- The "3-legged stool." On *average*:
 - Local rates = **23.9%** of RLEC revenues
 - Intercarrier compensation = **39.6%** of revenues
 - Interstate access = 26.7%
 - Intrastate access = 12.9%
 - Universal Service Support = **35.6%** of revenues
- A case study: what's *potentially* at risk
 - In the case of Southern Montana Telephone Co:
 - \$252/month in combined USF and ICC

Rural Associations Comments on NPRM Sec. XV (re: VOIP access; Phantom Traffic and Access Stimulation). Filed, 4/1/11

- NECA, NTCA, OPASTCO, WTA, ERTA, and Rural Alliance
- VOIP
 - VOIP service is subject to the same intercarrier compensation (ICC) rates—including access charge obligations—as any other traffic originating from or terminating to the PSTN
 - Discriminatory/differential treatment of voice traffic based on technology or other construct leads to arbitration and access avoidance (reclassifying traffic; misrouting traffic on inappropriate trunks; least cost routing abuse; etc.)
 - Interconnected VOIP must be subject to same ICC rates as all other traffic. IP-originated traffic uses the same network and is indistinguishable from any other voice telecom traffic.
 - FCC has already stated (2004), "any service provider that sends traffic to the PSTN should be subject to similar compensation obligations...[T]he cost of the PSTN should be borne equitably among those that use it in



- similar ways.” Courts have affirmed that “like” services depend on customer use/perception, not technology platform.
- FCC has already imposed most telecom obligations on VOIP (lifeline/link-up; number resource optimization; HAC; 911; TRS; USF; CALEA; CPNI)
 - Other approaches to VOIP access (e.g., bill and keep, or “special” VOIP access rate) do not resolve uneconomic arbitrage. A rate of “zero” for VOIP (or other access) would constitute a takings.
 - Phantom Traffic
 - All traffic providers and transmitters are responsible for ensuring proper call signaling information accompanies all forms of traffic originating or germinating on the PSTN.
 - Support NPRM proposals to:
 - Determine appropriate service provider to bill for calls sent to the terminating provider, particularly when traffic is delivered through indirect interconnection arrangements. Rules are intended to remain applicable to IP traffic/networks
 - Require calling party number (CPN) be provided by originating carrier
 - Prohibit stripping or altering call signaling information by originating or transiting carrier
 - Extend signaling requirements to all traffic originating or terminating on the PSTN
 - Prohibit populating the SS7 Charge Number (CN) field with information other than the CN to be billed.
 - In addition, rural associations recommend:
 - Signaling information (or billing records) must include Carrier Identification Code (CIC) or Operating Company Number (OCN) in addition to CPN and CN
 - Clarify that providers may not substitute a number of a calling “platform” or “gateway” for CPN or CN, or misroute traffic
 - Prepaid Calling Card Order already establishes this requirement
 - Truth in Caller ID Act prohibits transmission of misleading or inaccurate caller ID information
 - Confirm that in the absence of sufficient information or carrier agreement, terminating carriers may rely on the originating and terminating numbers of a call to determine jurisdiction for billing
 - Allow terminating carriers to charge highest rate to provider delivering unidentified traffic (as proposed by FCC in 2008), or allow terminating carrier to charge originating telephone number as default
 - Allow the transiting carrier to pass along the rate
 - Adopt the “*T-Mobile Order*” provision:
 - Allow terminating carrier to require interconnection negotiation
 - Access Stimulation
 - FCC should adopt rules that require carriers to establish access rates that reasonably reflect actual demand volumes



- FCC should adopt triggers that focus on minutes of use (MOUs), rather than proposed access revenue sharing agreements
- If the commission uses revenue sharing, it should explore the terms of the agreement so that “rural-sourcing” or other legitimate traffic stimulation is not penalized
 - Capital credits should not be considered revenue sharing
- Self-help
 - FCC will not assist carriers in resolving payment disputes, forcing carriers to court
 - FCC should allow carriers to discontinue service, pursuant to relevant provisions, and should adopt expedited dispute resolution process. (Note: carriers unlikely to discontinue service.)

Montana Issues

- Self-help: Call Completion
 - An increasing number of long distance calls is “failing to terminate” properly on local networks (read: *originating carriers and/or least cost providers are choosing not to terminate traffic on local nets*)
 - This affects critical business, residential, and emergency traffic
 - It’s illegal
 - National Association slides, ex parte meetings
 - FCC Enforcement—or lack thereof
 - Local providers have complained
- VOIP Access & Phantom Traffic:
 - CommPartners
 - \$1.3 million of “lost access” revenues
- Phantom Traffic: Montana Law (69-3-815) and PSC Rules (38-5-3101-3106)
 - 69-3-815.
 - Originating carriers “shall transmit information necessary to enable the terminating carrier to identify, measure, and appropriately charge the originating carrier for” terminating traffic.
 - Transiting carriers shall deliver traffic to terminating carriers “any and all information that the originating carrier transmits....”
 - Transiting carriers are required to provide billing records upon request
 - A local exchange carrier of CMRS provider that delivers traffic to a terminating carrier shall, upon request negotiate an interconnection agreement with the terminating carrier (“*T-Mobile Order*”)
 - Complaints filed with the PSC. PSC may authorize terminating carrier to refuse to terminate traffic or order other appropriate relief.
 - Commission rules must provide for expedited resolution of complaints and identify types of transit records to be provided at what cost.
 - 38-5-3101-3106
 - to the extent information has been transmitted by the originating carrier to the transiting carrier, transit records shall identify OCN, CIC or other



- call detail necessary to identify, measure and appropriately charge for traffic that terminates on a carrier' network
- Transiting carrier must pass to the terminating carrier, unaltered, all information the transiting carrier receives in the signaling stream of the call from the originating carrier
 - Originating carriers must transmit to terminating or transiting carriers information that permits the terminating carrier to: a) identify; b) measure; and c) charge the originating carrier for the call.
 - At a minimum, such information must include: a) OCN or CIC or other source identification information; b) CPN; c) called party number; d) date, time, duration of call; e) billed to number; f) JIP or equivalent parameter; g) other information to enable the terminating carrier to identify, measure and appropriately charge the originating carrier for termination of local telecommunications service.
 - Expedited complaints will be implemented on a case-by-case basis

PSC & MCC Issues

- Sec. XV. "The Ask:"
 - PSC, MCC should support carriers' efforts to ensure just, reasonable and equal compensation from all providers who benefit from carriers' network services.
 - NARUC, Joint Board participation
- NPRM Issues that will or may affect the PSC and/or MCC
 - Intrastate access reform
 - Intrastate access rates
 - Legal issues re: tariffs, mandates?
 - State Universal Service/Recovery Mechanism
 - Can a rural state reasonably implement a SUSF?
 - Disaggregation
 - Reverse auctions
 - Unserved areas
 - ETC Designation
 - Eligibility
 - Public interest
- Other NPRMs: Low Income, Rural Health Care, Native Nations, etc.

Conclusion

- Arbitrage, in the form of self-help schemes and access avoidance, is equivalent to shoplifting: taking something of value and failing to pay for it. By failure to pay adequately for the cost of network infrastructure, arbitrageurs force RLEC consumers effectively subsidize those providers who avoid paying for the services they receive from RLECs. Moreover, access avoidance and self help schemes add pressure on end-user rates, universal service support and intercarrier compensation rates.

