reform.[116] Below, we provide an overview of these proposals and principles. We then seek comment on specific questions concerning discrete aspects of these comprehensive reform plans.

1. Description of Industry Proposals[117]

40. *Intercarrier Compensation Forum (ICF)*. The ICF is a diverse group of nine carriers that represent different segments of the telecommunications industry.[118] The ICF has developed a comprehensive plan for reforming current network interconnection, intercarrier compensation, and universal service rules. With respect to network interconnection, the ICF plan establishes default technical and financial rules that generally require an originating carrier to deliver traffic to the "Edge" of a terminating carrier's network.[119] The designated network Edge must accept all kinds of public switched telephone network (PSTN) traffic, must allow other carriers to interconnect using multiple methods, and must consist of certain types of facilities, among other things.[120] Under this proposal, each carrier must have at least one Edge in every LATA where it needs to receive traffic; however, a carrier having no network within a LATA may designate another carrier to provide the Edge function.[121] A modified version of the Edge proposal applies to eligible rural carriers, called "Covered Rural Telephone Companies" (CRTCs), which have no obligation to deliver originating traffic beyond the boundaries of the study area in which a call originates.[122]

41. With respect to compensation, the ICF plan would reduce per-minute termination rates from existing levels to zero over a six-year period.[123] Specifically, the compensation rate for interstate access, intrastate access, and most other types of non-access traffic[124] would be reduced in equal steps

[116]The National Association of Regulatory Utility Commissioners Study Committee on Intercarrier Compensation – Goals for a New Intercarrier Compensation System (May 5, 2004) (NARUC Principles). This document is available on NARUC's web site at http://www.naruc.org/associations/1773/files/intercarriercompgoals_whitepaper04.pdf (Visited February 14, 2005).

[117]The summaries provided herein do not attempt to capture every aspect of the detailed proposals submitted in this proceeding. Interested parties are strongly encouraged to review these proposals in their entirety.

[118]The nine carriers are AT&T, GCI, Global Crossing, Iowa Telecom, Level 3, MCI, SBC, Sprint and Valor. ICF Oct. 5 *Ex Parte* Letter at 1.

[119]ICF Proposal at 3-9. Specific obligations depend on whether a carrier operates a hierarchical network or a non-hierarchical network. *See id*. at 9-13.

[120]*Id*. at 4. "Edges" may be access tandems, end offices, wireless MSCs, points of presence (POPs), or "trunking media gateways." *Id.* at 6-7.

[121]*Id*. In addition, the proposed rules limit the number of a carrier's Edges to the lower of the total number of incumbent LEC access tandems in a LATA or the number of the carrier's network-defined Edges in the LATA. *Id.* These rules are intended to "prevent a carrier from proliferating Edges in order to shift transport responsibility from itself to other carriers, and ensure that an interconnecting carrier can choose direct interconnection." *Id.* at 5.

[122]*Id.* at 19-25. A CRTC may designate an end office within its study area or an access tandem outside its study area as an Edge. *Id.* at 19-20.

[123]*Id.* at 31.

[124]Although not entirely clear, "non-access" traffic for purposes of the ICF proposal appears to include ISP-bound traffic and section 251(b)(5) traffic (including foreign exchange (FX) or virtual FX traffic provided on a non-access (continued….)

over four years to a unified rate of $.000175 per MOU.[125] This rate is further reduced in the fifth year of the transition to $.0000875 per MOU and finally eliminated a year later.[126] The plan also includes a settlement proposal to address existing intercarrier compensation disputes between CRTCs and CMRS providers.[127]

42. Revenue eliminated as a result of the transition to bill-and-keep under the ICF plan would be replaced by a combination of end-user charges and a new universal service support mechanism.[128] As intercarrier payments decline, the cap on the subscriber line charge (SLC) would increase in equal steps from the current level of $6.50 to $10.00 in areas served by non-rural carriers and up to $9.00 in areas served by CRTCs.[129] In addition, the ICF plan permits SLC pricing flexibility for price cap incumbent LECs, subject to certain consumer protection safeguards.[130] The ICF plan also includes a "more measured transition" for CRTC customers and gives CRTCs the option to increase the residential monthly SLC cap by two additional $.50 annual increments beginning July 1, 2010.[131]

43. The ICF proposal includes two new universal service mechanisms to provide explicit support for amounts that otherwise are not recoverable under the plan. One mechanism, the Intercarrier Compensation Recovery Mechanism (ICRM), is available to non-rural incumbent LECs and all competitive eligible telecommunications carriers (CETCs) on a per-line basis in non-CRTC areas.[132] The other mechanism, the Transitional Network Recovery Mechanism (TNRN), is available only to CRTCs and certain eligible CETCs.[133] Under this mechanism, rate-of-return CRTCs would receive support based

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basis), among other things. *Id.* at 40-41. Although the ICF touts a uniform rate approach, we note that its detailed proposal contains numerous exceptions and different transition rates and rules for some types of non-access traffic. *See* ICF Proposal at 40-48.

[125] *Id*. at 31-33, 42-47. The ICF plan also includes new transit service, interconnection transport, and CRTC terminating transport rates that replace the existing transport rate structure. *Id*. at 25-31, 36-40.

[126] *Id*. at 37. In the fifth year of the plan, the ICF proposal calls for a further proceeding to evaluate whether or not the timing of the rate reductions should be modified. *Id*. at 82

[127] *Id.* at 46-47. The proposed settlement provides clarification as to when reciprocal compensation applies to traffic exchanged between CMRS providers and CRTCs and establishes default reciprocal compensation rates that apply in the absence of an agreement between the parties. *Id.*

[128] *Id*. at 48.

[129] *Id.* at 60-63. *See also* Regulatory Reform Proposal of the Intercarrier Compensation Forum, August 13, 2004 (ICF August Proposal), attached to Letter from Gary Epstein, Counsel for the Intercarrier Compensation Forum, to Marlene Dortch, Secretary, Federal Communications Commission, CC Docket No. 01-92, Tab 3, at 27 (filed Aug. 16, 2004) (providing a comprehensive overview of the SLC transition under the ICF plan).

[130] ICF Proposal at 63-68.

[131] *Id*. at 62-63.

[132] *Id.* at 69-73. By default, ICRM is available as a uniform, per-line amount to all eligible lines. *Id*. at 69. Alternatively, a recipient incumbent LEC may establish a Zone Disaggregation Plan or a Residential Targeting Plan. *Id*. at 69-72.

[133] *Id.* at 73. TNRN support may be disaggregated under the existing Commission rules governing disaggregation for rural carriers. *Id*.

on their revenue requirement, without regard to the number of lines they serve.[134]

44. Finally, the ICF plan includes several changes to existing universal service support mechanisms.[135] These changes include a modification to the rural high cost loop support and the safety valve support mechanisms.[136] In addition, the proposal provides an option for certain price cap CRTCs to receive support under the non-rural, model-based high cost mechanism.[137] The existing per-line universal service support amount would remain portable to eligible competitive carriers.[138] The ICF plan also prescribes a single contribution methodology used to collect funding for both the new and existing universal service support mechanisms.[139]

45. *Expanded Portland Group (EPG)*. The EPG is a group of small and mid-sized rural LECs (and consulting organizations serving rural carriers) that came together to develop a proposal distinct from a bill-and-keep mechanism.[140] Stage one of the EPG proposal is intended to address more immediate issues arising under the current regimes, including unidentified or "phantom" traffic, the scope of the ESP exemption, and the termination of traffic in the absence of agreements between carriers.[141] To address these issues, the EPG plan would implement "truth-in-labeling" guidelines, establish default termination rules and rates, and eliminate the ESP exemption for ISPs terminating traffic to the PSTN.[142] ISPs would be permitted to continue to use flat-rated business lines to receive calls from their customers, however.[143]

46. In the second stage of the EPG plan, all per-minute rates would be set at the level of interstate access charges and a new Access Restructure Charge (ARC) would be implemented to make up any revenue shortfall.[144] The EPG proposes that a national benchmark price level of $21.07 per line be established for computing the eligibility for ARC funding.[145] Carriers with rates below the national

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[134]*Id.* at 54-58, 73.

[135]*See id*. at 75-81.

[136]*Id*. at 80-81.

[137]*Id*. at 81.

[138]*Id*. at 80.

[139]*Id*. at 75-78 (describing a "unit-based" assessment of working telephone numbers and non-switched, high-speed, dedicated network connections).

[140]EPG Proposal at 1-2.

[141]*Id*. at 5-6, 15-20.

[142]*Id.*

[143]*Id.* at 5, 20.

[144]*Id*. at 7, 21-22. Under the EPG plan, the ARC initially equals the residual intercarrier "revenue requirement" offset by net intercarrier revenues, universal service support, and subscriber line charges. *Id*. at 26-27. Calculation of the "intercarrier revenue requirement" is done using the current process laid out in the Commission's rules. *Id.*

[145]*Id*. at 7, 23-26. Thus, a company with basic rate plus SLC of less than $21.07 would not qualify for full ARC recovery for their intercarrier revenue reductions. *Id.* at 25. The $21.07 per line benchmark is the sum of the (continued….)

benchmark would be subject to reduced ARC funding they otherwise would qualify for.[146] The ARC would be a capacity-based charge calculated by NECA and bulk-billed to all carriers based on working telephone numbers, but distributed only to those carriers that lose access charge revenue, *i.e*., wireline LECs.[147] The EPG asserts that it is not a universal service mechanism and therefore need not be portable to wireless carriers.[148]

47. In the final stage of the EPG plan, per-minute access charges are converted to a capacity-based "Port and Link" structure.[149] Under the EPG plan, carriers would purchase "Ports" to provide a connection into a local carriers network and "Links" to connect the two networks.[150] The Port and Link charges would be set to recover the average equivalent interstate per minute rate with rate banding.[151] Initially, the EPG plan would convert only dedicated switched transport services (*i.e*., direct interconnection) to a capacity-based structure.[152] Common switched transport services (*i.e*., indirect interconnection) would remain on a per MOU basis with the option of converting to a capacity-based rate structure.[153] These Port and Link charges would not apply to local traffic, including Extended Area Service (EAS), and ISP-bound traffic.[154]

48. *Alliance for Rational Intercarrier Compensation (ARIC) – Fair Affordable Comprehensive Telecom Solution (FACTS)*. ARIC is comprised of small telecommunications companies providing service in rural, high-cost areas.[155] The FACTS plan developed by ARIC calls for a unified per-minute rate for all types of traffic that would be capped at a level based on a carrier's unseparated,

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average urban residential rate and the average residence and single line SLC. *Id*. at 24 (citing rates from the Commission's *Reference Book of Rates, Price Indicies, and Household Expenditures for Telephone Service, Industry Analysis and Technology Division*, Wireline Competition Bureau, at Table 1.2 (rel. July 1, 2004)).

[146] *Id*. at 24-25. Under the EPG plan, carriers subject to reduced ARC funding could either request a basic rate increase from state commissions or obtain additional revenue from individual end users under their access tariffs. *Id.* at 25.

[147] *Id*. at 7, 22.

[148] *Id*. at 22-23.

[149] *Id*. at 7-8, 29-33.

[150] *Id*. at 7, 30. It is unclear whether all carriers, or only LECs, are entitled to assess Port and Link charges on other carriers.

[151] *Id.* at 31. Link charges would be set equal to the charge for the equivalent interstate special access service, and rate banding may be necessary to recognize the high cost of transport in rural areas. *Id*.

[152] *Id*. at 32.

[153] *Id*. The EPG states that many small LECs connect with most other carriers using common transport arrangements. *Id*. at 31.

[154] *Id*. at 32-33. Per minute reciprocal termination charges would apply to local or EAS traffic, and the existing compensation rules governing the compensation for ISP-bound traffic would remain in effect. *Id*.

[155] ARIC Proposal at 1.

interoffice embedded costs.[156] Specifically, the unified compensation rates for rate-of-return carriers would be calculated by dividing the appropriate interoffice, traffic-sensitive, unseparated, embedded costs by minutes (both access and reciprocal compensation) that utilize a company's interoffice facilities.[157] The rates for price cap carriers would be determined by calculating reinitiated price cap rates on an unseparated basis to be applied to all network minutes.[158] If the existing price cap rates are higher than the reinitiated rates, the rates would be reset to the reinitiated rates; if the existing rates are lower, the price cap rates would remain in place.[159] The FACTS plan also includes a proposal for extending this compensation regime to IP-enabled services.[160]

49. In addition to more uniform rates, the FACTS plan calls for local retail rate rebalancing to benchmark levels established by state commissions.[161] These benchmarks would be set within a nationwide rate range recommended by the Joint Board on Universal Service and approved by the Commission.[162] In adopting these benchmark levels, state commissions may consider local calling scope and affordability between rural and non-rural exchanges.[163] In addition to rate rebalancing, the FACTS plan would retain the federal SLC cap and unify SLCs among all companies on a state-specific basis.[164] For rural carriers, these SLCs would be set at the weighted-average residential and business SLCs for price cap carriers in that state.[165] The SLCs for price cap carriers will depend on whether there is an excess of revenues from the reinitiated access rates or current price cap rates.[166]

50. The FACTS plan also includes a joint process by which the Commission and the states review the procedures and data to determine the appropriate unified rates.[167] The resulting per-minute rates would be charged to the retail service provider, *i.e.*, the originating LEC on a local call or the IXC

[156] *Id.* at 2. Under the FACTS plan, special access rates would be unified at interstate levels at which time carriers will have an opportunity to revise and file unified cost-based rates for both jurisdictions. *Id*. at 44.

[157] *Id.* at 39-41. The rates developed under the FACTS plan would be developed separately for both switching and transport. *Id*. at 42.

[158] *Id*.

[159] *Id*. at 42-43. Under the FACTS plan, unified compensation rates for competitive LECs are capped at the level of the competing incumbent LEC in the same market, unless an exemption applies. *Id*. at 44-45.

[160] *Id*. at 46-54, 89-107.

[161] *Id.* at 61-62.

[162] *Id*. at 61, 63-65.

[163] *Id.*

[164] *Id*. at 68-69.

[165] *Id*.

[166] *Id.* at 70.

[167] *Id.* at 37-39. Specifically, the FACTS plan would be implemented through the section 410(c) Joint Board mechanism. *Id.* at 56-57.

on both ends of an interexchange call.[168] Any costs still not recovered through application of these per-minute compensation rates, rebalanced local service rates, and unified SLCs would be recovered through a state equalization fund (SEF).[169] SEFs would be under the control of state commissions but would be funded from both federal and state sources.[170] SEF distributions would be available to all ETCs.[171]

51. *Cost-Based Intercarrier Compensation Coalition (CBICC)*. The CBICC is a coalition of competitive LECs. The CBICC proposal calls for the Commission to require that carriers adopt a single termination rate in each geographic area that would apply to all types of traffic.[172] The rate would be based on the incumbent LEC's cost of providing tandem switching, transport, and end office switching, calculated using the Commission's TELRIC methodology.[173] Under the CBICC plan, interstate access rates immediately would be reduced to this TELRIC level, while the question of how to transition intrastate rates would be referred to a Joint Board.[174] Any loss of revenue associated with these reductions would be offset by increases in end-user charges and, in the case of rural LECs, increased universal service support.[175] CBICC proposes no change in network interconnection rules, and under this plan the carrier with the retail relationship with the originating caller pays all other carriers whose networks are used to complete a call.[176] The CBICC proposal also covers VoIP traffic to the extent that it originates or terminates as circuit-switched traffic.[177]

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[168] *Id*. at 33-35. The retail provider also would be responsible for any transiting costs. *Id*. at 35. Additionally, under the FACTS plan, the tandem owner is responsible for the payment of compensation to the terminating carrier for all unidentified traffic. *Id.* at 55.

[169] *Id*. at 73-75. Stated differently, under the FACTS plan, per-minute compensation rates would be designed to recover only those costs not recovered through local service rates, special access, SLCs, and existing federal and state universal service support mechanisms. Consequently, where these other revenue streams are sufficient to recover all of a carrier's costs, that carrier might not be able to impose any per-minute rate at all. Any costs still not recovered after application of the per-minute compensation rate would be recovered through a state equalization fund (SEF). *See id*. at 74.

[170] *Id*. at 76-80. The minimum federal contribution would be 25 percent and the maximum would be 75 percent. *Id*. at 77-79.

[171] *Id*. at 85. The FACTS plan also retains existing federal universal service support, although it would move some traffic-sensitive costs to the new per-minute compensation rates and lift the existing cap on High Cost Loop support. *Id*. at 71-72.

[172] CBICC Proposal at 1.

[173] *Id*. Because the CBICC advocates use of the TELRIC cost methodology, it supports an average, rather than incremental, cost approach.

[174] *Id*. at 2.

[175] *Id*.

[176] *Id*. at 2-3. Thus, under this proposal, IXCs would continue to pay LECs for the origination of interexchange traffic. *Id*. at 2. Further, transit service providers would charge TELRIC-based rates for the functions actually provided, such as tandem switching and/or interoffice transport. *Id.*

[177] *Id*. at 3.

52. *Home Telephone Company and PBT Telecom (Home/PBT).* Home Telephone Company and PBT Telecom are rural LECs that developed an alternative proposal to those advanced by the larger groups discussed above.[178] Under this proposal, all carriers offering service to customers that make telecommunications calls would be required to connect to the PSTN and obtain numbers for assignment to customers.[179] The plan would replace existing per minute access charges and reciprocal compensation with connection-based intercarrier charges. Specifically, every carrier would develop and tariff a charge to be assessed on all interconnected carriers based on a DS-0 level of connection.[180] If the carrier has an access tandem, it would develop an alternative access tandem connection (ATC) fee that would include the additional costs of the tandem service, including the connections to subtending switches and transport to those offices.[181] Under this proposal, network interconnection between carriers would be accomplished through one POI per LATA, except in the case of rural carriers.[182]

53. To help offset revenues lost from elimination of the current intercarrier compensation charges, the proposal permits carriers to increase SLCs up the current federal cap.[183] Any remaining revenue shortfall may be recovered from a new bulk-billed intercarrier cost recovery fund, called the high cost connection fund (HCCF).[184] Some of the existing universal service mechanisms would be added into the HCCF and one existing mechanism would be eliminated from universal service.[185] The HCCF funding mechanism would be administered by NECA and carriers seeking HCCF funding would need to submit cost support to use in developing the HCCF charge.[186] The HCCF would be funded through a monthly assessment based on activated telephone numbers and such assessment may be passed through to subscribers.[187] Home and PBT explain that, under this plan, the "access charges" are placed on the number which allows connectivity to the network.[188]

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[178]Home/PBT Proposal at 1.

[179]*Id*. at 12-13.

[180]*Id.* at 13. The connection charge is intended to cover the switching and transport costs for use of the local calling network and may not exceed the national average retail fee for a standard business line. *Id*.

[181]*Id*. at 14. The ATC fee is assessed on trunks the tandem owner requires for intra-company traffic and is specific to each tandem. *Id*.

[182]*Id.* In the case of rural carriers, the POI must be located within the local exchange area established by the state commission. *Id*.

[183]*Id*.

[184]*Id*. at 14-15. Home and PBT state that the HCCF represents "the above average network cost required to be recovered from all connected to the network." *Id*. at 15.

[185]Id. at 15. Specifically, the Local Switching Support mechanism and the ICLS would be added to the HCCF, and the Interstate Access Support for non-rural carriers would be taken out of the existing universal service fund. *Id*. The plan would retain the remaining universal service mechanisms. *Id*. at 17. The states may elect to add intrastate universal service or other funding mechanisms to the HCCF. *Id.* at 16.

[186]*Id*. at 17.

[187]*Id*. at 16.

[188]*Id.* at iii.

54. *Western Wireless Proposal.* Western Wireless is a wireless carrier that has been designated as an eligible telecommunications carrier (ETC) in 14 states and the Pine Ridge Indian reservation. On December 1, 2004, Western Wireless submitted a reform plan based on a unified bill-and-keep system for all forms of traffic.[189] This plan would reduce per-minute compensation rates to bill-and-keep in equal steps using targeted reductions over a four-year period, with a longer transition period for small rural incumbent LECs.[190] Over the four-year transition period, incumbent LECs would be permitted to increase SLCs as proposed in the ICF plan, except that there would be no difference between the SLC caps for rural and non-rural incumbent LECs.[191] At the end of the four-year transition, the SLC would be deregulated for an incumbent LEC that can demonstrate that it is subject to competition.[192] The Western Wireless proposal also includes default network architecture rules based on carrier "edges" or mutual meet-point arrangements.[193] The plan relies on carrier-to-carrier negotiation of interconnection agreements pursuant to section 251(b)(5) of the Act.[194]

55. The Western Wireless proposal also would replace all existing universal service mechanisms with a unified high-cost mechanism based on forward-looking costs.[195] This new support would be fully portable to all designated ETCs and additional portable funds could be dispersed in states with forward-looking costs higher than the national average.[196] The plan also would include a transition period for rural incumbent LECs and ETCs during which existing USF funds would be phased out, and new funds phased in, over four years.[197] This transition would be extended to six years for the smallest

[189] *See* Western Wireless Proposal at 6. *See also* Letter from David L. Sieradzki, Counsel for Western Wireless Corp., to Marlene H. Dortch, Secretary Federal Communications Commission, CC Docket No. 01-92, Attach. (filed Nov. 18, 2004) (attaching an outline of the Western Wireless Proposal). We note that the Western Wireless Proposal incorporates many of the reforms it proposed in October 2003 in a Petition for Rulemaking in which it urged the Commission to eliminate rate-of-return regulation of rural incumbent LECs for purposes of determining their federal high-cost universal service support and interstate access charges. *See generally Elimination of Rate-of-Return Regulation of Incumbent Local Exchange Carriers*, RM-10822, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Western Wireless Petition for Rulemaking to Eliminate Rate-of-Return Regulation of Incumbent Local Exchange Carriers (filed Oct. 30, 2003). Due to the similarity of issues and reform proposals raised in the petition and in this *Further Notice*, we assume that the more recent reform plan represents the most comprehensive version of the reforms advocated by Western Wireless.

[190] Western Wireless Proposal at 13.

[191] *Id.* at 14. Under the Western Wireless plan, carriers must identify the SLC as part of the basic price of service rather than as a regulated "add-on" charge. *Id*.

[192] *Id*. Western Wireless also includes a description of the criteria used to determine whether an incumbent LEC is subject to competition. *Id*.

[193] *Id*. at 12. For interconnection between hierarchal incumbent LECs and other carriers, the proposal permits interconnection at the carrier "edge" or under a shared transport arrangement at the option of the competitive carrier. *Id*. The proposal also requires incumbent LECs to offer transit service at capped rates. *Id*.

[194] *Id*. at 10, 20.

[195] *Id*. at 15.

[196] *Id.* Western Wireless states that, at the end of the four-year transition, the fund would be "right-sized," with "sufficient" support, but provides no further detail on fund size and support amounts. *Id*.

[197] *Id*. at 16

rural incumbent LECs and other ETCs, and would include additional support for a limited period if a carrier can demonstrate "extreme hardship."[198]

56. *National Association of State Utility Consumer Advocates (NASUCA) Principles*. NASUCA advocates a minimalist approach that addresses the disparity among some existing intercarrier compensation rates and reduces certain rate levels over a five-year period.[199] Under the NASUCA plan, the Commission would establish a target rate in each year of a five-year transition down to a rate of $0.0055 per minute.[200] Intercarrier compensation rates already under the target rate (*e.g.*, reciprocal compensation rates) would remain at current levels.[201] State commissions would be encouraged to match the target rate for intrastate rates, but they would retain authority concerning how to reach that rate.[202] The NASUCA plan also would retain the existing network interconnection rules and existing wholesale and retail relationships.[203] Further, it would retain the current USF mechanisms[204] and the current SLC rate caps.[205] In addition to its proposal, NASUCA urges the Commission to reject efforts to guarantee current revenue streams, such as access revenues.[206] It argues that revenue assumptions in the absence of demonstrated financial need would create artificial incentives for customers to migrate to services that generate fewer access revenues.[207] NASUCA concludes by proposing ways to address access revenue reduction issues.[208]

57. *NARUC Principles*. In an effort to create a vehicle for evaluating the various reform proposals developed by the industry, a group of NARUC commissioners and staff developed a set of principles addressing the design and functioning of any new intercarrier compensation plan, as well as

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[198] *Id.*

[199] *See* NASUCA Proposal at 1. NASUCA believes that elimination of the rate disparities combined with revenue reductions will encourage carriers to enter into negotiated bill-and-keep arrangements. *Id*. at 1-2. NASUCA states, however, that a mandatory elimination of intercarrier payments is ill-advised and unnecessary. *Id*. at 2.

[200] *Id.* The plan would permit a higher target rate ($0.0095 per minute) for rural carriers. *Id*. The NASUCA plan contemplates interim reform but not a final comprehensive solution. *Id*. at 1, 3.

[201] *Id*.

[202] *Id*. Thus, under the NASUCA plan, the Commission would continue to have jurisdiction over interstate access rates and the state commissions would continue to have jurisdiction over intrastate access rates and local service rates. *Id.*

[203] *Id*.

[204] *Id*. NASUCA states that the existing local switching support (LSS) fund could be amended to allow recovery of a portion of the revenue shortfall if necessary. *Id*.

[205] *Id*. Additional funding could be recovered, however, through local rates or universal service as determined by the states. *Id*.

[206] *Id*. at 2.

[207] *Id*. at 2.

[208] *Id.* at 3.

prerequisites for implementation of any plan.[209] NARUC favors the application of a unified regime to all companies that exchange traffic over the Public Switched Telephone Network.[210] NARUC would permit a carrier to impose charges to recover the cost of services requested by another carrier (*e.g*., terminating access service) provided that those charges do not discriminate based on the classification of the requesting carrier or its customers, the location of those customers, or the network architecture of the requesting carrier's network.[211] NARUC also favors charges that are competitively and technologically neutral and reflect underlying economic costs.[212]

58. NARUC supports market-based intercarrier compensation rates in competitive markets, and supports price-regulated rates based on a "reasonable return" in non-competitive markets.[213] In addition, NARUC advocates a continuing and significant role by the states in establishing rates and protecting consumers, including the ability to exercise substantial discretion in developing retail rates for providers of last resort.[214] NARUC favors an approach that ensures continuity of services, reasonable and affordable retail rates (especially for rural consumers), and minimizes the impact on universal service support programs.[215] Finally, the principles include a number of issues the Commission should consider before implementing any new plan, such as the estimated cost impact on a carrier-by-carrier basis, the impact on universal service support mechanisms, and any effects on consumer rates.[216]

59. *CTIA – The Wireless Association (CTIA) Principles*. On November 29, 2004, CTIA submitted a statement of principles for the Commission to consider as part of its review of any proposals to reform intercarrier compensation.[217] In its statement, CTIA expresses concern that the comprehensive reform proposals submitted in the record do not reflect an appropriate balancing of consumer and carrier interests and do not adequately reflect the views and concerns of wireless carriers and customers.[218]

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[209] NARUC Principles at 1.

[210] *Id*.

[211] *Id*. at 2.

[212] *Id*. Moreover, NARUC believes that any intercarrier compensation system should be simple and inexpensive to administer. *Id.*

[213] *Id*. at 2-3. Although NARUC supports a "rigorous definition of 'competitive markets,'" it does not provide a suggested definition.

[214] *Id*. at 3.

[215] *Id*. at 3-4.

[216] *Id*. at 4.

[217] *See* CTIA Nov. 29 *Ex Parte* Letter at 1. Prior to the filing of the principles submitted by CTIA, a group of independent wireless carriers (IWCs) submitted a statement of principles for consideration in this proceeding. *See* Letter from Thomas J. Sugrue, Vice President, Government Affairs, T-Mobile USA, Inc., Gene A. DeJordy, Vice President, Regulatory Affairs, Western Wireless Corp., and David M. Wilson, Counsel to Dobson Cellular Systems, Inc., to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket No. 01-92, at 1 (filed Nov. 17, 2004). We note that the general principles supported by the IWCs are substantially similar to those submitted by CTIA and that the IWCs are members of CTIA. Thus, we need not separately detail the earlier principles submitted by the IWCs.

[218] CTIA Nov. 29 *Ex Parte* Letter at 1.