

The Missoula Plan: A View From the Sidelines

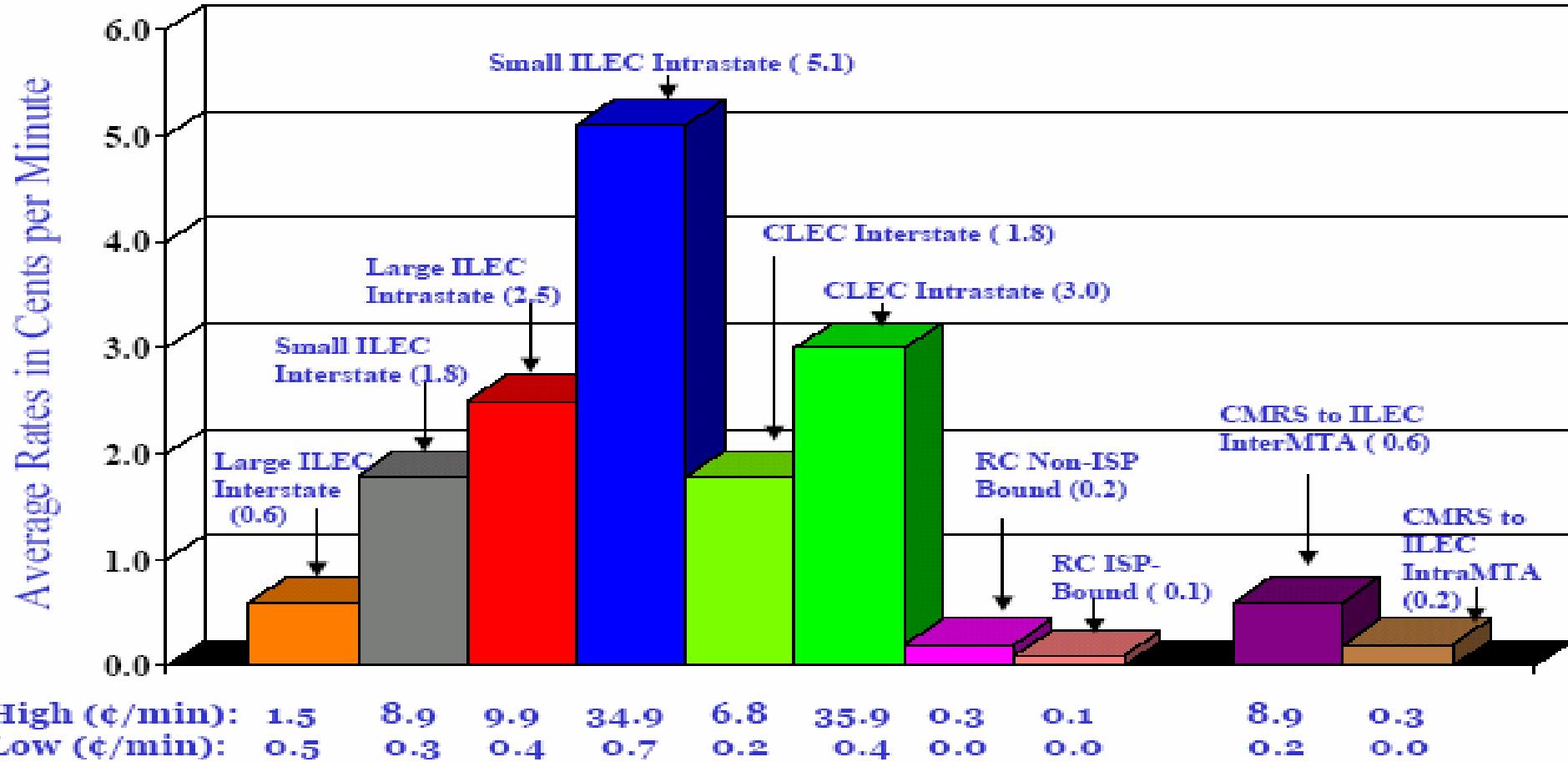
The National Regulatory Research Institute

**Washington Utilities and
Transportation Commission
Missoula Plan Workshop
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Intercarrier Compensation Rates



The Missoula Plan – Features

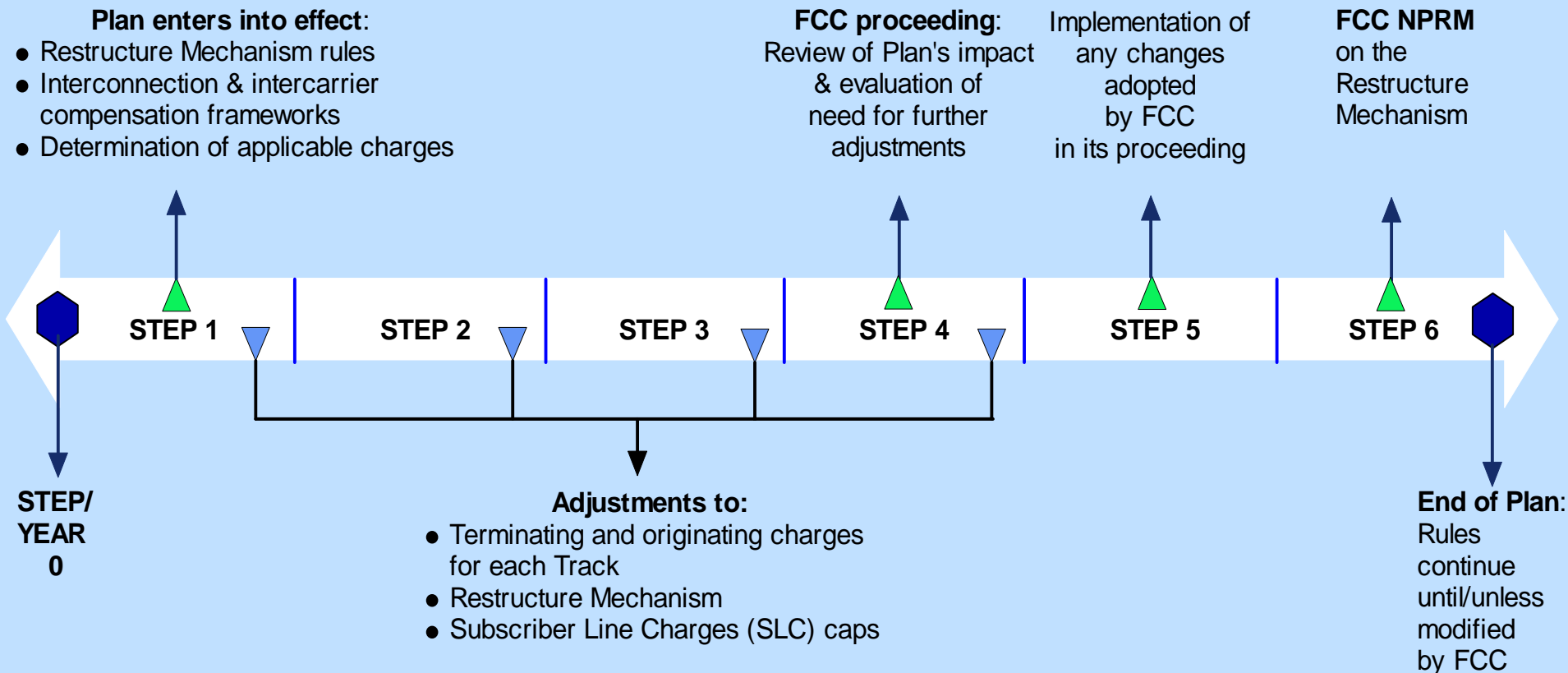
- Carrier Tracks
 - *Track 1* ... RBOCs, CLECs, wireless, and other non-rural carriers
 - *Track 2* ... most mid-sized rural ILECs
 - *Track 3* ... the smallest rural ILECs
 - Each Track given different treatment

Missoula Plan – Features

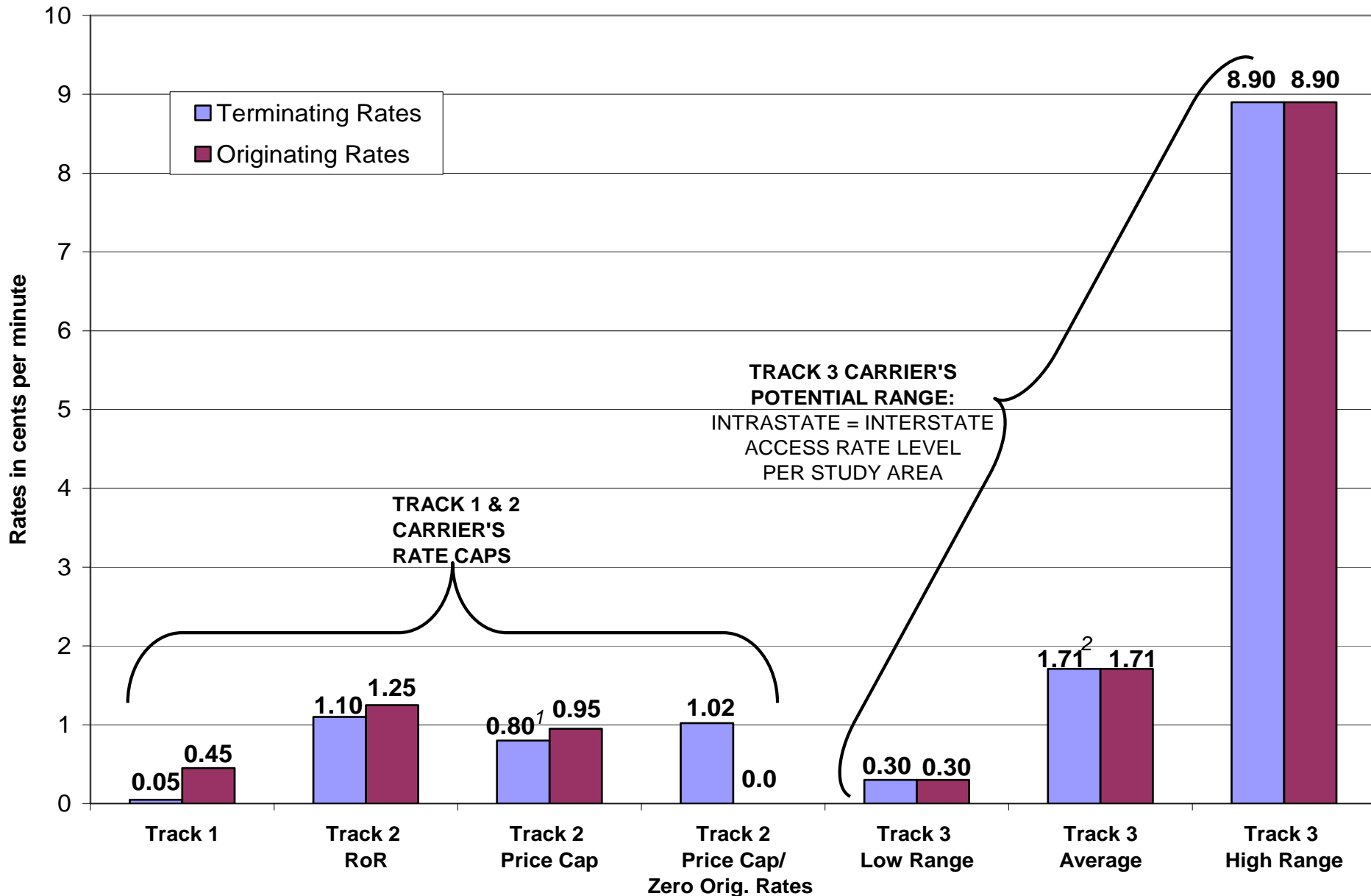
- Multi-year phase-in
- Subscriber Line Charge (SLC) caps increase by up to \$3.50 per line, per month
- Access rates decrease by about 1.4 cents/min on average

The Missoula Plan – Phase-in Over Four to Six Years

Implementation of the Missoula Plan: Plan Phases

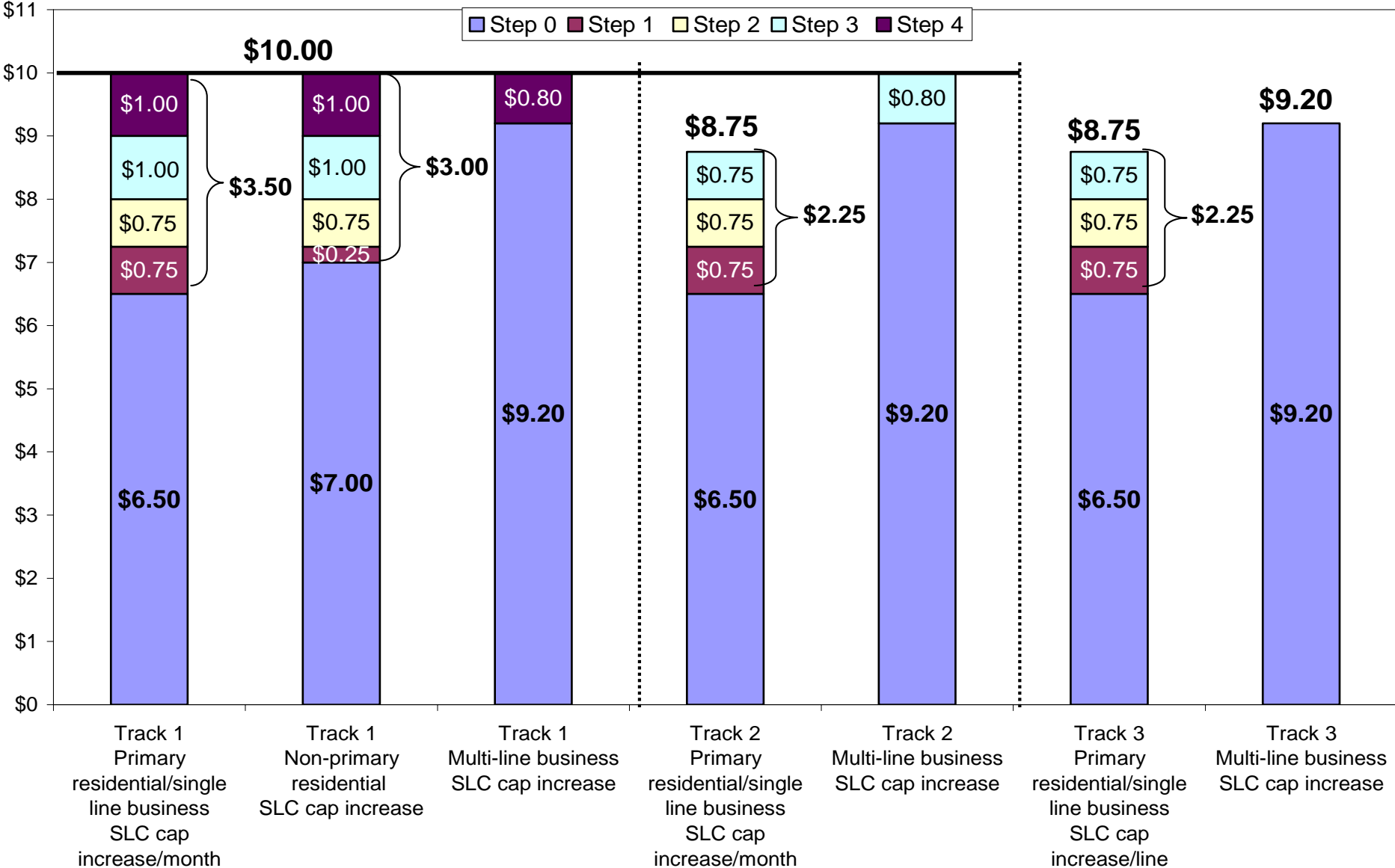


Rates for Each Category of Carrier

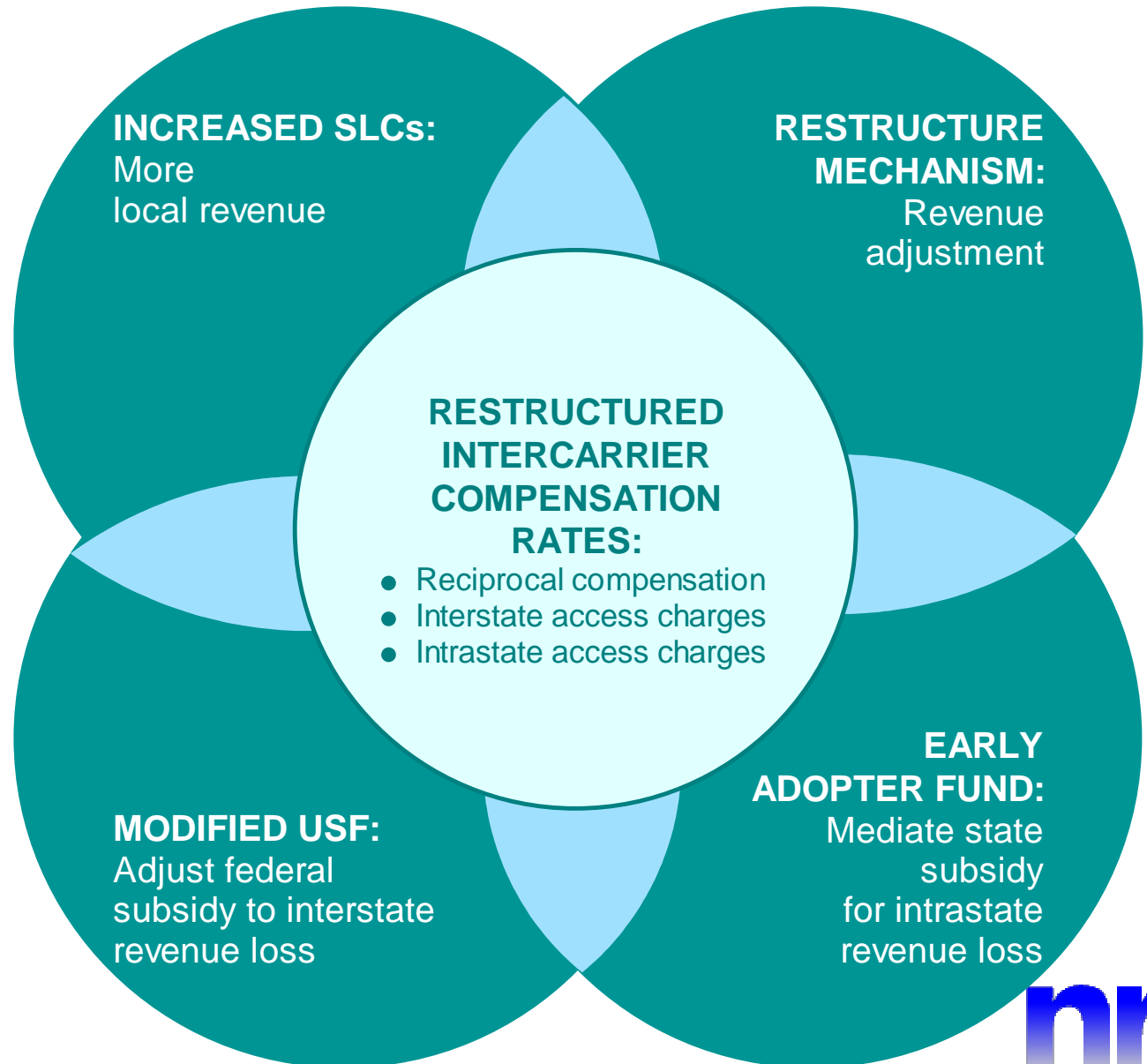


Gradual increases in SLC caps to as much as \$10.00

Nationwide SLC Constraint



The Missoula Plan – Interactions



Missoula Plan – Estimated Cost

(in millions, source: Missoula Plan Presentation 7/31/06)

Restructure Mechanism	\$1,500
Additional Items: Transition	
Early Adopter Fund	\$200
Lifeline Increases	\$225
High Cost Fund/USF Mechanism Adjustments	\$300
Sub-Total: RM Plus Additional Items	\$2,225

Missoula Plan – Effects

	Track 1	Track 2	Track 3
Target Rates (\$/access minute)			
Termination	\$0.0005	\$0.008	\$0.0171*
Origination	\$0.0045	\$0.0095	\$0.0171*
Rebalanced End-User Rates – Maximum SLC Increase (\$/line per month)			
	\$3.50	\$2.25	\$2.25
*Track 3 rate is an average not a cap ... actual caps will be current interstate rate for each carrier			

The Missoula Plan - Issues

- Increased universal service support
- Preemption
- Disputes over definition and location of “edges”

The Missoula Plan – Issues

- Effect of deaveraged SLCs
- Early Adopter Fund – vague and may be too small
- Is part Bill and Keep?

The Missoula Plan – Issues

- Low-usage customers will pay more
- Heavy wireline long distance users will benefit most
- Other industry sectors (cable, CLEC, wireless) and consumer advocates have concerns

The Missoula Plan – Comments

- May or may not be consistent with the FCC's goals
- Sets stage for adoption of Bill and Keep
- May not be end of the process, but is current framework for discussion

NRRI Resources

Available at: www.nrri.ohio-state.edu

On the “Telecommunications” page

- Commissioner Briefing Paper: *Intercarrier Compensation and the Missoula Plan*, August 2006.
- *Intercarrier Compensation: History and Reform*, Camp NARUC presentation.
- Additional resources at: <http://www.nrri.ohio-state.edu/Telecom/hot-topics-links/intercarrier-compensation/>