

NARUC Task Force on Intercarrier Compensation Process FACT SHEET

1. INTERCARRIER COMPENSATION DEFINED:

Federal and State intercarrier compensation rules control how various carriers compensate one another for handling calls or for leasing dedicated circuits. “Intercarrier Compensation” is the fee charged by one carrier to another to pay for the use of their networks to originate and/or terminate calls. Aside from so called special access fees (for dedicated circuits), it includes interstate switched access charges¹ for interstate “toll” calls, intrastate switched access charges for intrastate “toll” calls,² reciprocal compensation for “local” calls, and EAS agreements for toll free “local” calls.³

2. THE PROBLEM:

The charges for each type of intercarrier compensation frequently differ even though the use of the local network is for basically the same services—originating and terminating calls. This means the costs should be basically the same. But the rates charged for such services are not. They are not, because the rates structures for various types of calls were derived in a monopoly environment to meet various jurisdictional and ratemaking purposes. But free VoIP services and wireless to wireless calls bypass high interstate and intrastate access charges. Wireless companies generally don’t pay any intercarrier compensation to each other. Also For profit nomadic “VoIP” services currently arbitrage the existing access charge system. The growth of wireless, VoIP arbitrage, so-called phantom traffic, and other problems are stressing portions of the current regime. There is disagreement among stakeholders over the appropriate solutions. Various industry groups have been working separately to develop a plan. The proposals are reportedly designed to replace some or all of the existing compensation mechanisms.

3. NARUC’S RESPONSE:

In April of 2003, recognizing the problems with the existing intercarrier compensation regime, the National Association of Regulatory Utility Commissioners Committee on Telecommunications created the NARUC Task Force on Intercarrier Compensation (NTFIC). The NTFIC, originally chaired by Iowa Commissioner Elliott Smith, was an outgrowth of a broader committee, designed to facilitate FCC-NARUC cooperation and interaction, appointed by then President David Svanda.

4. CURRENT NTFIC COMMISSIONERS:

Oregon Commissioner Ray Baum (Chair), Indiana Commissioner Larry Landis (Vice Chair), Washington State Commissioner Philip Jones, Iowa Commissioner Curt Stamp, Missouri Commissioner Connie Murray, and Vermont Commissioner John Burke

¹ *Interstate access charges are regulated by the FCC and applied on a per minute basis for origination and termination of interstate calls. These charges have been restructured and repeatedly lowered by the FCC over the last twenty years. Part of the per minute costs were shifted to a flat per line monthly charge (“interstate Subscriber Line Charge”) currently capped at \$6.50 for residential customers. Some of the remaining revenue losses were shifted to the federal Universal Service Fund.*

² *Intrastate access charges were historically established by state commissions but now deregulated in some states. Some states that retain authority have lowered intrastate access charges to come closer to or “mirror” interstate rates, but many have not. Some are higher than the corresponding interstate charges.*

³ *Reciprocal compensation is the fee paid for transport and termination of “local” calls. Carriers can enter into voluntary agreements pursuant to 47 USC 251 but, when they can’t work out a deal, State commissions arbitrate the terms and conditions of service pursuant to 47 USC 252.*

5. CHRONOLOGY OF NTFIC ACTIVITY:

In April 2003, NARUC created the NTIFC. Approximately one year later, in May 2004, NARUC adopted, and filed with the FCC, NTIFC-generated intercarrier compensation policy principles. The principles were designed to be a template for examining any of the myriad of reform proposals filed at the FCC.

At the summer 2004 NARUC meeting, the task force sponsored a panel discussion of intercarrier compensation, and, on July 12, 2004 held the first of the first of thirteen industry workshops, and innumerable conference calls, seeking a consensus solution to reform issues. Throughout, NTFIC members have kept both FCC and Congressional leaders apprised of the workshop deliberations.

At each meeting, NTIFC Commissioners met to discuss various proposed solutions to the current regime with up to 50+ stakeholders from the full range of telecommunications industries.

In the first three workshops focused on the relative merits of the plans that had already been submitted. The discussion increased the level of understanding of the issues for all participants, but resulted in little movement towards a consensus proposal. Finally, industry stakeholders suggested the NTFIC state commissioners and staff develop a series of “strawman” proposals to serve as a basis for discussion. The December 2004 NTFIC proposal created, for States that opt in, a unified State-wide scheme of intercarrier compensation. Various iterations of NTFIC proposal were discussed during the next six workshops. Again, at the request of the stakeholders, the NTIFC proposal was filed in FCC docket in March of 2005. In May 2005, a revised version of the Task Force proposal was also filed. The Task Force proposal drew elements from several plans proposed by industry groups, but also proposed some new ideas that are well within the Commission’s authority to address. However, the Task Force proposal did not receive any significant industry support.

Given the lack of support for the NTFIC-proposal, the regular face-to-face workshops with industry continued. During the four workshops that followed the filing of the NTFIC draft in May, 2005 NTFIC commissioners pressed the industry stakeholders to come up with their own draft proposal with limited involvement of NTFIC Commissioners or staff. The industry met several times without NTFIC members present and reported to the task force on progress. In September of 2005, NTFIC Chair Elliott Smith retired from public service, and NARUC President Diane Munns appointed Oregon Commissioner Ray Baum to take over as Chair.

Unfortunately, again there was little progress. It appeared the group was too large for meaningful consensus building on so complex a subject so after consulting with other members of the task force, NTFIC Chair Ray Baum appointed a group of 11 stakeholders to develop a compromise proposal and bring it back to the larger group for discussion. That effort met with success and resulted in the attached “Missoula Plan.” The smaller working group presented a plan to the stakeholders on March 8, 2006.

6. WHO SUPPORTS THIS PLAN?

Given NTFIC’s handoff approach to the final deliberations, it should come as no surprise that neither individual NTFIC members, nor NARUC as an association, have taken any positions – pro or con – on this industry drafted and sponsored proposal. However, as filed, this proposal has attracted support from AT&T, BellSouth Corp., Cingular Wireless, Commonwealth Telephone Company, Consolidated Communications, Epic Touch, Global Crossing, Iowa Telecom, Level 3 Communications, Madison River Communications, and the following 336 member companies of the Rural Alliance: Agate Mutual Tel. Coop. Assoc., Albany Mutual Tel. Assoc., Alenco Comm., Allendale Comm., Alliance Comm. Coop., Inc., Andrew Tel. Co., ARK Comm., Arkansas Tel. Co., Arlington Tel. Co., Armour Indep. Tel. Co., Armstrong Tel. Co., Arthur Mutual Tel. Co., Atlas Tel. Co., Ayersville Tel. Co., Ayrshire Farmers Mutual Tel. Co.,

Bascom Mutual Tel. Co., Beehive Tel. Co., BEK Comm. Coop., Beresford Municipal Tel. Co., Big Bend Tel. Co., Blair Tel. Co., Bloomingdale Tel. Co., Blue Valley Tele-Comm., BPS Tel. Co., Brazos Tel. Coop., Inc., Bretton Woods Tel. Co., Bridgewater-Canistota Indep. Tel. Co., Bristol Bay Tel. Coop., Butler-Bremer Comm., Calavaras Tel. Co., Cambridge Tel. Co., Cameron Comm., Campiti-Pleasant Hill Tel. Co., Canadian Valley Tel. Co., Canby Tel. Assoc., Cap Rock Tel. Coop., Inc., Carnegie Tel. Co., Cascade Comm. Co., Central Oklahoma Tel. Co., Central Texas Tel. Coop., Inc., Chazy Westport Tel., Cherokee Tel. Co., Cheyenne River Sioux Tribe Tel. Authority, Chickasaw Tel. Co., Chippewa Tel. Co., Cimarron Tel. Co., Citizens Mutual Tel. Coop., Citizens Tel. Corp. (Indiana), Citizens Tel. Coop., City of Brookings Utilities, City of Faith Tel. Co., Clarks Telecom. Co., Clay County Rural Tel. Coop., Inc, Coleman County Tel. Coop., Inc., Colo Tel. Co., Colorado Valley Tel. Coop., Inc., Columbus Tel. Co., Comanche County Tel. Co., Inc., Community Tel. Co., Inc., ComSouth Telecom., Consolidated Comm., Consolidated Tel. Co., Consolidated Telco, Inc., Consolidated Telecom, Inc., Cooperative Tel. Co., CopperValley Tel. Co., Cordova Tel. Coop., Council Grove Tel. Co., Craigville Tel. Co., Craw-Kan Tel. Coop., Cross Tel. Co., Crown Point Tel. Co., Cumberland Tel. Co., Cumby Tel. Coop., Inc., Cunningham Tel. Co., Curtis Tel. Co., Dakota Central Telecom. Coop., Danville Mutual Tel. Co., Darien Tel. Co., Daviess-Martin County Rural Tel., Dell Tel. Coop., Inc., Dickey Rural Tel. Co., Diller Tel. Co., Direct Comm. Rockland, Dixville Notch Tel. Co., Dobson Tel. Co., Doylestown Tel. Co., Ducor Tel. Co., Dumont Tel. Co., Dunbarton Tel. Co., East Buchanan Tel. Coop., Eastern Nebraska Tel. Co., Eastern Slope Rural Tel. Co., Eastex Tel. Coop., Inc., Egyptian Tel. Co., Empire Tel. Corp., Enhanced Telecom. Corp., ENMR Tel. Coop., Inc., Etex Tel. Coop., Inc., F&B Comm., FairPoint Comm., Inc., Farmers Coop. Tel. Co., Farmers Mutual Coop Tel. Co., Farmers Mutual Tel. Co. (Bellingham, MN), Farmers Mutual Tel. Co. (Nora Springs, IA), Farmers Mutual Tel. Co. (Shellsburg, IA), Farmers Tel. Co., Federated Tel. Co., Fenton Coop. Tel. Co., Five Area Tel. Coop., Inc., Flat Rock Tel. Coop, Franklin Tel. Co., Ganado Tel. Co., Inc., Genesco Tel. Co., Georgetown Tel. Co., Germantown Indep. Tel. Co., Gervais Tel., Glandorf Tel. Co., Glenwood Tel. Co., Golden Belt Tel. Assoc., Golden West Telecom. Coop, Goldfield Tel. Co., Gorham Tel. Co., Granite State Tel. Co., Great Plains Comm., Inc., H&B Comm., Inc., Hancock Rural Tel. Co., Harrisonville Tel. Co., Hartington Telecom. Co., Haviland Tel. Co., Heart of Iowa Comm. Coop., Hershey Coop. Tel. Co., Hiawatha Tel. Co., Hinton Tel. Co., Home Tel. Co., Hospers Tel. Co., Hubbard Coop Tel. Assoc., Humboldt Tel. Co., Huxley Comm. Coop., Industry Tel. Co., Interstate Comm., Interstate Telecom. Coop., James Valley Coop. Tel. Co., JBN Tel. Co., Jefferson Tel. Co., K&M Tel. Co., Kadoka Tel. Co., KanOkla Tel. Assoc., Kennebec Tel. Co., Kingdom Tel. Co., La Ward Tel. Exchange, Inc., LaHarpe Tel. Co., Lake Livingston Tel. Co., Laurel Highland Tel. Co., Leaf River Tel. Co., Lennon Tel. Co., Le-Ru Tel. Co., Liberty Comm., Ligonier Tel. Co., Lincoln County Tel. System, Lipan Tel. Co., Inc., Livingston Tel. Co., Lone Rock Coop Tel. Co., Lost Nation / Elwood Tel. Co., Madison County Tel. Co., Madison Tel., Margaretville Tel. Co., Mark Twain Rural Tel. Co., Marne & Elk Horn Tel. Co., Matanuska Tel. Assoc. Coop., McClure Tel. Co., McCook Coop. Tel. Co., McNabb Tel. Co., Mechanicsville Tel. Co., Medicine Park Tel. Co., Middle Point Home Tel. Co., Middleburgh Tel. Co., Mid-Plains Rural Tel. Coop., Inc., Midstate Comm., Inc., Midstate Tel. Co., Midway Tel. Co., Millry Tel. Co., Minburn Telecom., Inc., Minerva Valley Tel. Co., Inc., Missouri Valley Comm., Inc., Modern Coop Tel. Co., Montrose Mutual Tel. Co., Moultrie Indep. Tel. Co., Moundridge Tel. Co., Inc., Mt. Rushmore Tel. Co., Mutual Tel. Co. (Iowa), Mutual Tel. Co. (Kansas), Nebraska Central Tel. Co., Nemont Tel. Coop., Inc., New Knoxville Tel. Co., New Lisbon Tel. Co., Inc., New Port Tel. Co., Nortex Comm. - Tel. Operations, North Dakota Tel. Co., North Penn Tel. Co., North Pittsburgh Tel. Co., Northeast Missouri Rural Tel. Co., Northeast Nebraska Tel. Co., North-Eastern Pennsylvania Tel. Co., Northern Arkansas Tel. Co., Northwest Comm. Coop., Northwest Tel. Coop, Northwest Tel. Coop. Assoc., Nushagak Electric & Tel. Coop., Ogden Tel. Co., Oklahoma Western Tel. Co., Ontonagon County Tel. Co., Oran Mutual Tel. Co., Oregon-Idaho Utilities, Oregon Farmers Mutual Tel. Co., Ottoville Mutual Tel. Co., Palmer Mutual Tel. Co., Panhandle Tel. Coop., Inc., Panora Comm. Coop., Park Region Mutual Tel. Co., Partner Comm. Coop, Pattersonville Tel. Co., Peetz Coop., Peoples Tel. Coop., Inc., Peoples Telecom., Perry-Spencer Rural Tel. Coop., Inc., Pierce Tel. Co., Pine Drive Tel. Co., Pine Tel. Co., Inc., Pinnacle Comm., Pioneer Comm., Pioneer Tel. Assoc., Inc., Pioneer Tel. Coop., Inc., Plains Coop. Tel.

Assoc., Plains Co-Operative Assoc., Poka Lambro Tel. Coop., Inc., Polar Comm., Ponderosa Tel. Co., Pottawatomie Tel. Co., Prairie Grove Tel. Co., PrairieWave Community Tel., Inc., Premier Tel. Co., Preston Tel. Co., Project Tel. Co., Pulaski/White Rural Tel. Coop., Rainbow Tel. Co-op, Randolph Tel. Co., Range Tel. Coop., RC Comm., Inc., Red River Tel. Co., Reservation Tel. Co., Ringsted Tel. Co., River Valley Telecom., Riviera Tel. Co., Inc., Roberts County Tel. Coop. Assoc., Rochester Tel. Co., Inc. (Indiana), Rock County Tel. Co., RTC Comm., Rural Tel. Service Co., Rye Tel. Co., S & A Tel. Co., S & T Tel. Coop., Salina-Spavinaw Tel. Co., Sandwich Isles Comm., Inc., Santa Rosa Tel. Coop., Inc., Santel Comm. Coop., Schaller Tel. Co., Shidler Tel. Co., Sioux Valley Tel. Co., Siskiyou Tel. Co., Skyline Tel. Co., South Arkansas Tel. Co., South Central Tel. Assoc. (Kansas), South Central Tel. Assoc. (Oklahoma), South Park Tel. Co., South Plains Tel. Coop., Inc., Southern Kansas Tel. Co., Southern Montana Tel. Co., Southwest Arkansas Tel. Co., Southwest Oklahoma Tel. Co., Spencer Municipal Utilities, SRT Tel. Co., Stanton Tel. Co., Star Tel. Co., State Long Distance Tel. Co., Stockholm-Strandburg Tel. Co., Stratford Mutual Tel. Co., Sully Tel. Assoc., Surry Tel. Membership Corp., Swayzee Tel. Co., Swisher Tel. Co., Sycamore Tel. Co., Taylor Tel. Coop., Inc., TDS Telecom, Tel. Service Co., TelAlaska, Tenino Tel. Co., Terral Tel. Co., The Ft. Jennings Tel. Co., Three River Telco, Titonka-Burt Comm., Toledo Tel. Co., Inc., Topsham Tel. Co., Totah Comm., Inc., Triangle Tel. Coop., Tri-County Telecom, Inc., Tularosa Basin Tel. Co., Twin Valley Tel., Inc., Union Tel. Co., United Tel. Assoc., Valley Telecom. Coop., Valliant Tel. Co., Van Buren Tel. Co., Inc., Van Horne Tel. Co., Venture Comm. Coop., Vermont Tel. Co., Vivian Tel. Co., Volcano Tel. Co., Waitsfield and Champlain Valley Telecom., Wamego Telecom., West Kentucky Rural Tel. Coop., West River Coop. Tel. Co. (Bison, SD), West River Telecom., West River Telecom. Coop. (Hazen, ND), West Texas Rural Tel. Coop., Inc., Western New Mexico Tel. Co., Inc., Western Tel. Co., Wes-Tex Tel. Coop., Inc., Westphalia Tel. Co., Wheat State Tel., Wiggins Tel. Assoc., Wilson Tel. Co., Winneabago Tel. Coop., Woodstock Tel. Co., XIT Rural Tel. Coop., Inc., Yukon Tel. Co., and Zenda Tel. Co.