



Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

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Multi-Association Group (MAG) Plan for Regulation of
Interstate Services of Non-Price Cap Incumbent Local
Exchange Carriers and Interexchange Carriers

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CC Docket No. 00-256

CC Docket No. 96-45

Federal-State Joint Board on Universal Service

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CC Docket No. 98-77

Access Charge Reform for Incumbent Local Exchange Carriers
Subject to Rate-of-Return Regulation

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Prescribing the Authorized Rate of Return For Interstate
Services of Local Exchange Carriers

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CC Docket No. 98-166

REPLY COMMENTS OF JOHN STAURULAKIS, INC. ON THE MAG PLAN

John Staurulakis, Inc. ("JSI") hereby files these reply comments in response to the request by the Federal Communications Commission ("Commission") for comments and reply comments on a Petition for Rulemaking submitted by the Multi-Association Group ("MAG").¹ The Petition includes a plan for access reform and universal service support reform for incumbent local exchange carriers ("ILECs") under interstate rate-of-return regulation.

As mentioned in its initial comments, JSI is a consulting firm specializing in regulatory and financial services to ILECs and competitive LECs ("CLECs") throughout the United States. Since the Commission seeks reply comments on the Petition that has the potential to alter current interstate access and universal service rules, JSI is an interested party in this proceeding.

I. JSI SUPPORTS EFFORTS TO PRESERVE THE ELECTIVE STRUCTURE OF THE MAG PLAN

JSI observes that the majority of the comments on the MAG plan supported retaining the elective nature of the plan. Those opposing the elective nature of Path A and Path B options failed, in JSI's view, to provide anything other than general statements regarding rural carrier regulation.² On the other hand, those supporting the elective options of Path A and Path B referred to statements from the Commission highlighting the Commission's understanding that for rural ILECs, one size does not fit all.³ One plan, or one option, will not account for the cost differences or geographic diversity that exists among rural ILEC areas. JSI therefore supports the elective nature of the MAG plan.

II. JSI AFFIRMS ITS RECOMMENDATION THAT EMBEDDED COSTS BE USED TO DETERMINE THE LEVEL OF IMPLICIT SUPPORT IN CURRENT INTERSTATE ACCESS RATES.

The comments received by the Commission on access reform appear to span both the RTF Recommendation and the MAG plan. In comments on the MAG plan, AT&T and General Communications, Inc. recommend that the MAG CAR for Path A ILECs should be set at \$0.0095.⁴ Support for this proposal appears to reside solely on the fact that for price-cap ILECs under the CALLS plan, \$0.0095 was the agreed rate for "rural areas" served by price-cap ILECs.

JSI urges the Commission to reject the recommendation to use \$0.0095 for the Path A CAR because those advocating this access rate level for rural ILECs have not provided any basis that this rate is representative of the level of access costs for rural ILECs. The failure to demonstrate that this rate represents the level of access costs realized by rural ILECs provides no assurance that setting the CAR at this level will not lead to supporting per-minute interstate access costs with federal universal service support. JSI affirms the position stated in its initial comments that federal universal service support should only support services designated by law or by the Commission as universal services - "interexchange service" is not so designated.

JSI also affirms that embedded costs of rural ILECs should be used to determine the level of existing implicit support in access service rates. No other verifiably accurate alternatives to determine access costs currently exist. Therefore, any method other than the embedded cost method would be arbitrary, and there would be no assurance of the accuracy of determining the interstate access cost level.

In a related matter, the Commission received comments suggesting that the end-user customer bear sole responsibility for the cost of the common line used for interstate interexchange service.⁵ JSI rejects this notion and urges the Commission to do likewise. As stated in its initial comments, JSI believes that the common line costs assigned to the interstate jurisdiction are costs for an intermediate service used by interexchange carriers ("IXCs") in their retail product. JSI does not agree that the Commission should permit IXCs to shed legitimate common line costs allocated to the interstate jurisdiction. JSI urges the Commission to reject the notion that IXCs should not pay for their portion of the common line costs assigned to the interstate jurisdiction.

III. CONCLUSION

JSI supports the elective options of the MAG plan and encourages the preservation of these options as part of any final rules adopted by the Commission. Furthermore, JSI recommends that the Commission use the embedded cost methodology to determine the level of access cost for rural ILECs. Lastly, JSI urges the Commission to reject the notion that IXCs should not pay for their portion of common line costs assigned to the interstate jurisdiction.

Respectfully submitted,

John Staurulakis, Inc.
March 12, 2001

Footnotes

1 Notice of Proposed Rulemaking, FCC 00-448 (rel. Jan 5, 2001). The MAG is comprised of the National Rural Telecom Association ("NRTA"), National Telephone Cooperative Association ("NTCA"), Organization for the Promotion and Advancement of Small Telecommunications Companies ("OPASTCO"), and the United States Telecom Association ("USTA").

2 See, for example, Comments of Competitive Universal Service Coalition, page 10.

3 See, for example, LEC Multi-Association Group, page 5.

4 See AT&T Comments on MAG NPRM, page 6; and Comments of General Communications, Inc, page 3.

5 See AT&T Comments on MAG NPRM, page 6; and Comments of Competitive Universal Service Coalition, page 14.
