

**Before the
FEDERAL COMMUNICATIONS COMMISSION**

Washington, D.C. 20554

In the Matter of)	
)	
Establishing Just and Reasonable Rates)	
for Local Exchange Carriers)	WC Docket No. 07-135

COMMENTS OF JOHN STAURULAKIS, INC

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SUMMARY

John Staurulakis, Inc. (JSI) is a consulting firm offering regulatory, financial and business development services to more than two hundred rate-of-return rural incumbent local exchange carriers (ILECs) throughout the United States. Among services provided by JSI to its clients is maintenance of JSI Tariff FCC No. 1, an access tariff for which there are currently 23 issuing carriers who file under either Section 61.38 or 61.39 of the Federal Communications Commission's (Commission's) rules.

As the NPRM indicates, the purpose of the rulemaking proceeding is to examine whether the Commission's existing rules for setting tariffed rates by ILECs provide incentives and opportunities for carriers to increase access demand endogenously with the result that the tariff rates are no longer just and reasonable. The concerns underlying the NPRM arose because of alleged access stimulation or traffic-pumping schemes brought to the Commission's attention over the past year. The record for issuing carriers for JSI Tariff FCC No. 1 indicates no pattern of "gross" overearnings by JSI issuing carriers. JSI believes that JSI Tariff FCC No. 1 provides evidence that the current tariff filing rules for rate of return carriers (ROR) work to serve well the balanced interests of issuing carriers, end user customers and access customers.

The current proceeding appears to be based at least in part on the unusually large number of carriers who exited the NECA Traffic Sensitive (TS) pool as part of the 2007 annual access filing. JSI believes that the proceeding should reflect acknowledgement

that there are legitimate reasons for the significant level of carriers exiting the NECA TS pool in 2007, including decreases in average schedule settlements for line haul settlements that would have severely impacted many of the average schedule carriers exiting the pool. JSI also provides as part of these comments an analysis of the history of switched access minutes of use (MOUs) for JSI Section 61.39 issuing carriers that shows a pattern of MOUs lower in the tariff period than those in the historic demand period used for development of filed rates. Clearly, issuing carriers for JSI Tariff FCC No. 1 are not among the carriers at risk for using the Commission's tariff filing rules for traffic stimulation and associated "gross overearnings."

JSI believes that access stimulation is not intrinsically evil. There are circumstances in which access stimulation may be in the public interest. For example, location of call centers in rural areas can be important to the local economy and population. Moreover, stimulation of access minutes will help compensate for otherwise eroding access minutes. However, JSI recognizes that the combination of pool withdrawal, historic filings producing very high switched access rates and access stimulation undertakings occurring together requires the Commission's attention.

JSI recommends against prescriptions that depart significantly from the current rules. With respect to average schedule carriers filing tariffs under Section 61.39, the Commission should sustain the current lack of requirement for any earnings determination by average schedule companies as they do not have the means for such determinations. The Commission should not require section 61.38 or section 61.39 tariff filers to automatically have to file a revised tariff whenever a certain growth rate in

access minutes is exceeded. Additionally, forbearance is not an appropriate means for modification of ROR carrier tariff procedures.

In its comments, JSI recommends that the Commission prescribe a focused solution to address the narrow problem of access stimulation machinations and avoid eviscerating a tariff filing process that works well for non-abusive carriers. In its petition to suspend the filings of carriers exiting the NECA TS pool as part of the 2007 annual filing, AT&T compared the proposed rates of these carriers to the pre-annual filing NECA rates. A similar approach may be adopted by the Commission. JSI believes the Commission could focus on the reasonableness of company-specific rates that are multiples higher than the corresponding NECA switched access rates.

As a second safeguard, JSI believes that the Commission can eliminate the attractiveness for pattern of withdrawal from the NECA TS Pool, filing tariffs on an historic basis under Section 61.39 and engaging in access stimulation by ensuring that such carriers have “wash periods” equal to their “spike periods.” Currently, carriers can escape the consequences of wash periods by reentering the NECA TS Pool at the end of any spike period. To ensure wash periods are equal to spike periods, JSI recommends that the Commission consider adopting a two-pronged rule applicable prospectively to carriers withdrawing from the NECA TS Pool.

1. Carriers withdrawing from the NECA TS Pool and filing tariffs under Section 61.39 must make an even number of Section 61.39 filings before reentering the NECA TS Pool, and

2. The effective period for all Section 61.39 filings after the initial filing by carriers who exit the NECA TS Pool after 2007 must be the same length as the initial effective period absent the grant of a waiver by the Commission.

The second leg of the rule is necessary to ensure that the duration of each wash period matches the duration of the preceding spike period. JSI believes that the wash years should erode earnings so significantly as to make machinations not worthwhile.

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**COMMENTS
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I. INTRODUCTION

John Staurulakis, Inc. (JSI) hereby submits these comments in response to the Federal Communications Commission’s (Commission’s) Notice of Proposed Rulemaking (NPRM) in the above-captioned proceeding.¹ The NPRM seeks comment on proposals for ensuring that the rules governing the tariffing of Traffic Sensitive (TS) switched access services by incumbent local exchange carriers (ILECs) remain just and reasonable.

JSI is a consulting firm offering regulatory, financial and business development services to more than two hundred rate-of-return rural ILECs throughout the United

¹ *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, Notice of Proposed Rulemaking, FCC 07-176 (rel. Oct. 2, 2007) (NPRM).

States. Among services provided by JSI to its clients is maintenance of JSI Tariff FCC No. 1, an access tariff for which there are currently 23 issuing carriers.²

As the NPRM indicates, the purpose of the rulemaking proceeding is to examine whether the Commission's existing rules for setting tariffed rates by ILECs provide incentives and opportunities for carriers to increase access demand endogenously with the result that the tariff rates are no longer just and reasonable.³ The NPRM indicates concern for rates that produce earnings "grossly in excess of the maximum allowed rate of return."⁴ The concerns underlying the NPRM arose because of alleged access stimulation or traffic-pumping schemes brought to the Commission's attention over the past year.⁵

JSI believes that the record for issuing carriers for JSI Tariff FCC No. 1 filing on a Section 61.38 prospective basis indicate no pattern of "gross" overearnings by JSI

² A list of issuing carriers for JSI Tariff FCC No. 1 is included with this filing as Exhibit A.

³ See NPRM at para. 11.

⁴ See *Id.*

⁵ In the 2007 annual access tariff filing proceedings, interexchange carriers (IXCs) petitioning against the tariff filings of carriers exiting the NECA TS Pool, the most common term used by petitioners was "traffic-pumping." In the NPRM, the Commission uses the term "access stimulation." In its comments, JSI employs the terms interchangeably. In its petition against 2007 access filings, AT&T explained the mechanics of traffic-pumping schemes: "(1) the LEC leaves the NECA pool and files an individual tariff under Rule 61.39 that establishes high terminating access charges based on the false pretense that its traffic volume will continue at historically low levels commensurate with the very small population it serves; (2) the LEC enters into kickback arrangements with communications service providers offering (usually "free") chat and other domestic and international calling services, which results in millions of calls between non-residents of the rural communities the LEC serves being routed through the LEC's exchange; and (3) the LEC bills its access customers terminating access charges for these calls, generating revenues and returns that exceed the LEC's cost of service and authorized return by orders of magnitude." See July 1, 2007 Annual Access Charge Tariff Filings, WCB/Pricing File No. 07-110, *Petition of AT&T Corp.* (June 22, 2007) ("*AT&T 2007 Petition*").

issuing carriers.⁶ Additionally, while issuing carriers for JSI Tariff FCC No. 1 filing on a historic basis under Section 61.39 are not subject to earnings monitoring by the Commission's rules, as discussed below, JSI has in the past demonstrated for at least one Section 61.39 filer that overearnings did not exist.⁷ Finally, with respect to the lack of evidence of gross overearnings by issuing carriers for JSI Tariff FCC No. 1, JSI provides as part of these comments an analysis of the history of switched access minutes of use (MOUs) for JSI Section 61.39 issuing carriers that shows a pattern of MOUs lower in the tariff period than those in the historic demand period used for development of filed rates. Clearly, issuing carriers for JSI Tariff FCC No. 1 are not among the carriers at risk for using the Commission's tariff filing rules to effect gross overearnings.

The facts giving rise to this proceeding developed from very small, rural carriers who have exited the NECA TS Pool, filed rates under Section 61.39 based on either historic average schedule settlements (for average schedule companies) or historic calendar year cost studies⁸ (for cost companies) and historic demand and that produced

⁶ 47 C.F.R. § 61.38. Part 61 comprises the Commission's rules governing tariff filings. 47 C.F.R. § 61.1 *et seq.* Rate-of-return (ROR) carriers have the option of participating in the NECA Common Line (CL) Pool and/or the NECA Traffic Sensitive (TS) Pool or filing access tariffs for either CL or TS rates or both based on projected demand and cost under Section 61.38. Carriers who participate in both the National Exchange Carrier Association, Inc. (NECA) CL and TS pools are also issuing carriers for NECA Tariff FCC No. 5, the NECA access tariff. Carriers exiting either the CL or TS pool, or both, must file their own tariff or become an issuing carrier for a group tariff such as JSI Tariff FCC No. 1. Issuing carriers for JSI Tariff FCC No. 1 file carrier-specific rates within the tariff. Carriers with study areas serving 50,000 or fewer access lines have the additional option filing on a historic basis under Section 61.39, 47 C.F.R. § 61.39. Both ROR carriers settling on cost (cost companies) and average schedule companies can file access tariffs under Section 61.39.

⁷ During the 2005 annual access filing notice period, the Wireline Competitions Bureau-Pricing Policy Division worked extensively with JSI to review the annual filing under JSI Transmittal No. 108, June 16, 2005, effective July 1, 2005 by Pineland Telephone Cooperative, a cost company Section 61.39 filer.

⁸ The term "cost study" refers to the application of the Commission's Part 36 Jurisdictional Separations rules, 47 C.F.R. § 36.1 *et seq.* and, in turn, Part 69, Access Charges, 47 C.F.R. § 69.1.

rates significantly greater than NECA rates for similar switched access services and then experience extremely high increases in demand. Given that average schedule carriers do not complete cost studies and thus lack capability to calculate interstate revenue requirements, the Commission will not know the extent to which average schedule companies filing tariffs under Section 61.39 may “overearn” unless it vitiates their exemption from cost studies. Thus, one issue in this proceeding is whether the option for average schedule carriers to file interstate access tariffs under Section 61.39 should be modified or eliminated. JSI believes no such changes should be made. Absent the ability to properly analyze realized interstate rates of return by average schedule carriers who appear to have engaged in access stimulation, the real issue seems to JSI to be the level of the switched access rates filed by carriers exiting the NECA TS Pool and filing on a Section 61.39 historic basis. JSI recommends that the Commission adopt thresholds comprising the levels of increase for both local switching and composite tandem-switched transport based upon which the Commission may identify the carriers more likely to engage in traffic-pumping.

In its petition to suspend the filings of carriers exiting the NECA TS pool as part of the 2007 annual filing, AT&T compared the rates of these carriers to the pre-annual filing NECA rates. A similar approach may be adopted by the Commission. JSI believes the Commission could focus on the reasonableness of company-specific rates that are multiples higher than the corresponding NECA switched access rates. While JSI opposes any change in the current Section 61.39 rules that would strip average schedule carriers of their rights to file their own access tariffs, JSI believes the Commission can adopt

reasonable rules or policies that allow it to focus tariff filing reviews on carriers at risk for engaging in traffic pumping by adopting such thresholds for the limited purpose of triggering investigations by the Commission.

JSI believes that access stimulation is not intrinsically evil. There are circumstances in which access stimulation may be in the public interest. For example, location of call centers in rural areas can be important to the local economy and population. Moreover, stimulation of access minutes will help compensate for otherwise eroding access minutes. However, JSI recognizes that the combination of pool withdrawal, historic filings producing very high switched access rates and access stimulation undertakings occurring together require the Commission's attention.

In the NPRM, the Commission asks for data showing the effects of increases in access minutes juxtaposed with increases, if any, in costs.⁹ JSI has reviewed the data filed by issuing carriers for JSI Tariff FCC No. 1 who file on a prospective basis under Section 61.38. While we could have correctly responded to this issue intuitively, our review of test year cost of service (TYCOS) studies, subsequent actual cost studies and related FCC Form 492 earnings monitoring reports, switched access costs are relatively insensitive to changes in demand under the current Part 36 Jurisdictional Separations and Part 69 Access rules largely due to frozen factor. Thus, JSI recognizes that increases in switched access demand over that projected do produce higher earnings. However, the rate of increase in earnings is necessarily below the increase in demand due to the

⁹ See NPRM at paras. 14 through 16.

prevalence for JSI issuing carriers to use direct transport facilities in lieu of tandem switched transport.

II. JSI TARIFF FCC NO. 1 PROVIDES EVIDENCE THAT THE CURRENT TARIFF FILING RULES FOR RATE OF RETURN CARRIERS WORK WELL TO SERVE WELL THE BALANCED INTERESTS OF ISSUING CARRIERS, END USER CUSTOMERS AND ACCESS CUSTOMERS

JSI believes that the history of JSI Tariff FCC No. 1 demonstrates the effectiveness and balance of the Commission's current tariff filing regime for rate of return (ROR) carriers. JSI Tariff FCC No. 1 came into existence September 1, 1993 as a vehicle for rural ILECs to file company-specific End User or TS rates on either a section 61.38 prospective basis or a section 61.39 historic basis. The JSI tariff includes comprehensive regulations parallel to those of NECA Tariff FCC No. 5 as opposed to the more common practice by Section 61.39 filers of filing tariffs for which the terms and conditions reference NECA Tariff FCC No. 5 terms and conditions *in toto*.¹⁰ Additionally, there are regulations and rate structures unique to JSI Tariff FCC No. 1 designed to meet the needs of issuing carriers and their access customers not available in NECA Tariff FCC No. 5. Exhibit A, the list of JSI carriers includes the history of issuing carrier participation in JSI Tariff FCC No. 1.

¹⁰ Sections 61.74(a) of the Commission's rules limits references by tariffs to other tariffs. See 47 C.F.R. § 61.74. In order to allow small carriers to file simplified regulations, the Commission granted a blanket waiver in 1988 allowing small companies to reference NECA tariff terms in conditions so long as they do so *in toto*. See *Access Filings of Small Telephone Companies*, Memorandum Opinion and Order, 3 FCC Rcd 7173, DA 88-1893 (Rel. Dec. 9, 1988). A carrier having a need for terms and conditions different than NECA would necessarily have to file a complete set of terms and conditions without reference to those of NECA beyond the codified exceptions in Section 61.74.

The JSI tariff is demonstrably not a revolving door tariff. There have been, over time and including the issuing carriers added in the 2007 Annual Filing, 33 issuing carriers for JSI Tariff FCC No. 1 (one past issuing carrier, Warwick Valley Telephone Company, comprises two study areas). Excluding the nine new issuing carriers effective June 30, 2007, the average length of participation as an issuing carrier for JSI Tariff FCC No. 1 is nine years. Among the 14 issuing carriers continuing as issuing carriers from prior to the 2007 Annual Filing, eight have been issuing carriers for approximately 13 years each and four for ten years each. Of the nine carriers who have cancelled as issuing carriers for JSI Tariff FCC No. 1 during its history, the average duration as issuing carriers was approximately six years. Of these, seven returned to the NECA TS Pool and two became issuing carriers for the tariffs of holding companies purchasing the ILECs. One former JSI issuing carrier, Standard Telephone Company, first returned to the NECA TS Pool attendant to its purchase by ALLTEL (now part of Windstream) but became an issuing carrier for the Windstream tariff effective June 30, 2007.

JSI has analyzed the switched access minutes of use (MOUs) for the six Section 61.39 historic filers that became issuing carriers for JSI Tariff FCC No. 1 before 2000. As shown in Exhibit B, none of these carriers have engaged in any access minute stimulation or traffic pumping. With two comparisons over four years for each of the five carriers, nine out of ten comparisons indicate switched access MOUs in the historic period used for an annual filing are higher than any subsequent annual switched access MOUs for the two filing cycles for five carriers analyzed.

In the NPRM, the Commission dismisses concerns regarding decreases in access demand because of the ability of carriers to make carrier-initiated filings to modify rates. Because Section 61.39 cost company filers prepare cost studies on a calendar-year basis, they do not have much flexibility in reacting to decreases in demand. Even were a Section 61.39 filer to work out with the Commission a 12-month study for a period other than a calendar year, the expense of such a filing would be so onerous as to make such an option unrealistic. With the exception of filings as part of the 2002 annual access filing required for implementation of general support facilities (GSF) in compliance with the 2001 *MAG Order*, no JSI Section 61.39 issuing carrier has filed a non-mandatory annual filing under Section 61.39 since before 2000.¹¹

Notwithstanding decreases in demand as demonstrated in Exhibit B, these carriers have chosen to follow to limit revisions in switched access rates to those required as part of odd-numbered mandatory filings. Even were a Section 61.39 filer to make a filing in response to declining switched access MOUs, there would be a lag of several months between evaluating the demand changes, preparing 12-month cost studies and filing revised rates. Moreover, it would be difficult to time such a filing given that demand would likely continue to decline. Based on the experience of Section 61.39 issuing carriers for JSI Tariff FCC No. 1, JSI cautions the Commission regarding the apparent peremptory dismissal of any consideration that the risk of decreases in demand should

¹¹ See JSI Transmittal No. 73, June 17, 2002, Annual Access Filing. The GSF reapportionment filings were prescribed in the 2001 MAG Order. *In the Matter of Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Second Report and Order and Further Notice of Proposed Rulemaking, 16 FCC Rcd 19613, FCC 01-304 (rel. Nov. 8, 2001).

not be considered in evaluating the potential for increases in demand as appears to be the intent of the NPRM.¹²

Based on the experience demonstrated by the Section 61.39 issuing carriers for JSI Tariff FCC No. 1, JSI respectfully requests that the Commission take cognizance of the favorable history of JSI Tariff FCC No. 1 and its issuing carriers in limiting any actions it feels necessary to address traffic pumping so as not to undo a system that otherwise works well for both rural ILECs and their access customers.

III. THERE ARE LEGITIMATE REASONS FOR THE SIGNIFICANT LEVEL OF CARRIERS EXITING THE NECA TS POOL IN 2007

In the petitions against the 2007 annual access filings of carriers exiting the NECA TS Pool, the petitioners posited that there would be no other reason for ILECs to exit the NECA TS pool and file their own rates other than to engage in “traffic-pumping” schemes.¹³ This assertion ignores the fact the NECA average schedule settlements formula changes have brought about significant decreases in settlements for average schedule ILECs beginning July 1, 2007. As explained by NECA in the *NECA 2007 Modification of Average Schedules*, the decreases on a combined Common Line (CL) and TS basis will be, on average, 7.27 percent.¹⁴ For TS alone, NECA estimates the average decrease in average schedule settlements will be 10.33 percent.¹⁵

¹² See NPRM at para 11, note 38.

¹³ See, for example, *AT&T Petition* at page 5, where AT&T states: “These LECs are all now apparently hoping that the Commission will look the other way while they replicate the traffic pumping schemes that their Iowa brethren have used to earn millions of dollars above their Commission-prescribed interstate returns.”

¹⁴ *National Exchange Carrier Association, Inc. 2007 Modification of Average Schedules*, WC Docket No. 06-223 (Dec. 21, 2006) (“*NECA Average Schedule 2007 Filing*”) at page VII-62.

¹⁵ *Id.* at Page VII-65 – Exhibit 7.19.

In addition to addressing the significant reduction in interstate access revenues that would have occurred had the JSI ILECs remained in the NECA TS Pool, participating as an issuing carrier in JSI Tariff FCC No. 1 facilitates greater control over the rate structure for interstate access offerings. JSI Tariff FCC No. 1 includes numerous Special Access rate structures not available in NECA Tariff FCC No. 5. Additionally, the JSI tariff has several different versions of Public Packet offerings not found in the NECA tariff that the new issuing carriers may take advantage of in the future by introducing new offerings under those regulations. Finally, should the new issuing carriers have unique circumstances indicating a need for new tariff regulations, JSI can facilitate consideration and execution of such tariff strategies.

Clearly, there are significant, legitimate reasons for average schedule carriers such as the four average schedule carriers who exited the NECA TS pool and became issuing carriers for JSI Tariff FCC No. 1 effective June 30, 2007. These four carriers comprise Chesnee Telephone Company, Inc. (Chesnee), Gearheart Communications Company, Inc. d/b/a Coalfields Telephone Company (Coalfields), Skyline Telephone Membership Corporation (Skyline) and Yadkin Valley Telephone Membership Corporation (Yadkin). By filing under section 61.39, the average schedule companies gain much greater control over responding to fluctuations in demand and costs.

In addition to the legitimate, non access stimulation-based reasons for the NECA TS Pool withdrawal by Chesnee, Coalfields, Skyline and Yadkin, JSI believes that the switched access rates filed by these carriers effective June 30, 2007 are well below the

level of rates filed in the past by carriers appearing to have engaged in traffic-pumping. The respective local switching rates filed by these carriers effective June 30, 2007 are \$0.0095 for Chesnee, \$0.0092 for Coalfields, \$0.012 for Skyline and \$0.01305 for Yadkin. These all represent decreases from the pre-annual filing rates applicable to each carrier as indicated in Exhibit C. As evidenced in its reply to the petitions against the 2007 annual access filings,¹⁶ issuing carriers for JSI Tariff FCC No. 1 cannot reasonably be suspected of participation in traffic pumping schemes.

JSI believes the preceding evidence of the reasonable use of the Section 61.39 filing process by these average schedule carriers supports the need for the Commission to consider adoption of very narrow and focused prescriptions to address traffic-pumping. Moreover, JSI's review of filings in other tariffs for the 2007 annual access tariff filing process indicates that many other carriers exited the NECA TS Pool effective June 30, 2007 to preserve transport revenues and not for any untoward traffic pumping plans.

IV. JSI BELIEVES THE CURRENT PROCESS DEMONSTRATES THAT THE COMMISSION HAS THE ABILITY TO INVESTIGATE TARIFF FILINGS AND EFFECT REVISIONS

Over the years, JSI has provided significant, useful data in response to the requests of both the Pricing Policy Division and IXC's. Based on JSI's experience, the

¹⁶ See *July 1, 2007 Annual Access Charge Filings*, WCB/Pricing File No. 07-10, John Staurulakis, Inc. Tariff FCC No. 1, Transmittal No. 130, Chesnee Telephone Company, Inc., Gearheart Communications Company, Inc. d/b/a Coalfields Telephone Company, Skyline Telephone Membership Corporation, Yadkin Valley Telephone Membership Corporation, Reply to Petitions to Suspend and Investigate Tariff Filings, June 26, 2007.

FCC appears to have sufficient, effective tools to effect review of both Section 61.38 and 61.39 filings, including reviewing addressing in annual filings the consequences of past overearnings. JSI believes the Commission should focus any revisions of its rules or policies in this proceeding to those necessary to redress traffic-pumping and avoid collateral erosion of the efficiencies of the current process for issuing carriers not at risk of engaging in traffic pumping.

V. THE CONCERNS ENGENDERING THE NPRM ARISE FROM A NARROWLY DEFINED GROUP: CARRIERS EXITING THE NECA TS POOL AND FILING UNDER SECTION 61.39

JSI believes that the issuing carriers for JSI Tariff FCC No. 1 could not be blamed for feeling at though they have been pulled into a Kafkaesque situation whereby they are being tried without any knowledge of the charge. For JSI issuing carriers, the Commission's current tariff filing regime for ROR carriers works well, and balances the interests of ILECs and access customers. Moreover, the Commission is not without the means of effecting modifications in the annual filings that it deems necessary. Thus, JSI believes this proceeding should focus on a remedy for the circumstances described as access stimulation described by the Commission in the NPRM¹⁷, circumstances limited to carriers exiting the NECA TS pool and filing tariffs under Section 61.39 on a historic basis.

¹⁷ See NPRM at paras. 12, 18. See also discussion above at note 5 of the apparent synonymous relationship between "access stimulation" and "traffic-pumping."

The apparent abuses of the Section 61.39 historic cost filing process that have given rise to the concerns engendering the NPRM are well demonstrated by an exhibit provided by AT&T as part of its petition against the 2007 annual access filings of carriers exiting the NECA TS pool.¹⁸ The exhibit shows that for seven average schedule companies and three cost companies exiting the NECA TS Pool in 2005 and 2006, the average rate of increase in access MOUs for 2006 from the access MOUs used as historic period demand for the tariff filings was 4,312%, with the lowest level of increase at 735% and the highest at 22,941%. JSI believes that such vast increases indicate circumstances that can be identified and dealt with by measures not causing collateral increases in burdens on carriers with less dramatic fluctuations in access demand.

VI. THE RATE OF GROWTH OF DEMAND IS LIKELY NOT MATCHED BY THE RATE OF GROWTH IN COSTS IN THE COMMISSION'S CURRENT ACCESS REGIME FOR RATE-OF-RETURN CARRIERS

In the NPRM, the Commission emphasizes its desire to collect data from Section 61.38 and Section 61.39 filers based on recent annual filings indicating the relationship of the rate of increase in switched access costs to the rate of increase in switched access demand. JSI believes such data is inapposite to the true problem the Commission is trying to solve; to wit the alleged abuses of access stimulation by average schedule carriers exiting the NECA TS pool. NECA uses selected TS Pool members' cost filings for the purpose of setting TS average schedule settlements. Thus, JSI acknowledges that analysis of Section 61.38 tariff filing data might be useful in drawing inferences respecting average schedule company cost sensitivity to significant demand increases.

¹⁸ See Exhibit D.

However, the issuing carriers filing under Section 61.38 for JSI Tariff FCC No. 1 are not appropriate for this purpose because they each have significantly more access lines than the average NECA TS Pool member, higher ratios of direct trunk transport to tandem-switched transport and generally lower costs than the average NECA TS Pool member. Absent these facts, it is likely these carriers would still be in the NECA TS Pool and possibly among the cost companies used by NECA in development of average schedules.

JSI believes that the problem the Commission seeks to fix in this proceeding actually involves only a small number of carriers withdrawing from the NECA TS pool and filing under Section 61.39 and thereafter entering into access stimulation initiatives, a review of data for issuing carriers for JSI Tariff FCC No. 1 is not warranted. However, based on its experience in performing numerous cost studies each year and performing annual filings for the issuing carriers for JSI Tariff FCC No. 1, for these carriers alone JSI believes that interstate switched access end office and transport costs determined under the Commission's Part 36 Jurisdictional Separations rules and Part 69 access rules with frozen factors are not significantly sensitive to changes in demand. This conclusion applies both to increases in demand and decreases in demand.

JSI provides instead evidence that the issuing carriers for JSI Tariff FCC No. 1 filing on a historic basis under Section 61.39 have not engaged in access stimulation and in fact have mostly experienced decreases in access MOUs following historic data years

used for filings.¹⁹ Accordingly, JSI believes it is inappropriate for the Commission to expand efforts to mitigate the possibility of traffic pumping schemes by expansion to a broad review of the demand and cost relationships of otherwise successful Section 61.38 and 61.39 access tariff filing processes.

VII. ACCESS STIMULATION IS NOT INHERENTLY BAD AND CAN BE IMPORTANT TO RURAL ECONOMIES.

Reasonable efforts designed to increase access demand for rural ILECs should not be discouraged by the Commission. For example, a carrier experiencing access MOU decreases and facing increases in switched-access rates may wish to avoid returning to the NECA TS Pool in order to maintain its lower Special Access rates and/or flexibility in pricing structures for Special Access and packet-mode services beyond that permitted by status as an issuing carrier for NECA Tariff FCC No. 5 as a member of the NECA TS Pool. In this situation, for example, it would be reasonable for the carrier to explore opportunities to return its switched access MOU levels to the higher levels experienced in prior years.

Additionally, the Commission should not chill the ability of rural communities to recruit location of call centers in their service areas that might collaterally stimulate access MOU levels. It is reasonable for the Commission to prescribe precautions against tying such call centers to any economic ties to the carrier beyond assessment and payment of access charges comporting with the filed access tariff. However, JSI recommends the Commission take care not to prescribe requirements that would militate

¹⁹ See Exhibit B.

against recruitment of call centers or similar telecommunications traffic-intensive businesses to rural areas.

VIII. AVERAGE SCHEDULE CARRIERS FILING UNDER SECTION 61.39 HAVE NO MEANS OF DETERMINING THEIR REALIZED INTERSTATE RATE OF RETURN

Short of throwing out the baby with the bathwater, there is no way that the Commission can address the apparent access stimulation problem with average schedule company Section 61.39 by monitoring realized rates of return for such carriers. Under the Commission's rules, for the sake of relief from administrative burden average schedule companies do not separate costs by jurisdiction and therefore have no way of matching interstate costs with interstate revenue.

The Commission's rules recognize that it may be inefficient to require cost studies in all cases and, accordingly, permit certain ILECs to receive interstate settlements on the basis of a set of "average schedules" that are "designed to produce disbursements to an average schedule company that simulate the disbursements that would be received . . . by a [cost study] company that is representative of average schedule companies."²⁰ This procedure has the advantage of substantially reducing the costs that are imposed upon small exchange carriers in determining their compensation for interstate services, with the

²⁰ See Federal-State Joint Board on Universal Service; Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, End User Common Line Charge, CC Docket No. 96-45; CC Docket Nos. 96-262, 94-1, 91-213, 95-72, Fourth Order on Reconsideration in CC Docket no. 96-45, Report and Order in CC Docket Nos. 96-45, 96-262, 94-1, 91-213, 95-7, 13 FCC Rcd 5318, FCC 97-420 (Rel. Dec. 30, 1997) at para 51.

concomitant benefit to the public of reducing the expenses of accounting and separations studies that otherwise would have to borne, in part, by interstate ratepayers.²¹

With respect to average schedule carriers, JSI is at a loss regarding how it could respond to similar requests short of turning the average schedule carriers into *de facto*, if not *de jure*, cost companies. Such processes would certainly be more onerous than the current statutory investigation period. As JSI does not believe the Commission and industry are ready to weaken the average schedule settlements construct and related Section 61.39 tariff filing options, it makes sense to JSI that the Commission limit its focus in this proceeding to prescriptions directed at the kinds of situations that engendered this proceeding, obvious traffic pumping schemes.

IX. THE COMMISSION SHOULD NOT REQUIRE SECTION 61.38 OR SECTION 61.39 TARIFF FILERS TO AUTOMATICALLY HAVE TO FILE A REVISED TARIFF WHENEVER A CERTAIN GROWTH RATE IN ACCESS MINUTES IS EXCEEDED

The Commission should not require ROR carriers that file their own tariffs to automatically have to file a revised tariff whenever they exceed a certain percentage increase threshold in their interstate access traffic.²² As part of the investigation of 2007 tariff filings by carriers exiting the NECA TS Pool, the Commission prescribed safe harbor options by which carriers subject to the Commission's access tariff investigation

²¹ *Revisions to the Average Schedules Proposed by NECA on October 3, 1988*, Memorandum Opinion and Order, 4 FCC Rcd 2804, DA 89-353, (Rel. March 31, 1989).

²² *See*, NPRM, ¶¶21-26.

could meet direct case filing requirements and, ultimately, terminate the investigation.²³

The safe harbors included either cancelling the tariffs and rejoining the NECA TS Pool or making a filing to add a refile trigger to the carrier's switched access tariff. With respect to the refile trigger safe harbor, the FCC prescribed filing of language similar to the following:

If the monthly interstate local switching minutes of the issuing carrier exceeds [__] percent of the interstate local switching demand in the same month of the previous year (refile trigger), the issuing carrier will file revised local switching and transport tariff rates within [__] days of the end of the month in which the issuing carrier met the refile trigger.²⁴

The level of percentage change prescribed by the Commission that would trigger a refiling requirement was “a level that is more than 100 percent over the interstate local switching demand in the same month in the previous year.”²⁵

Of the 40 carriers withdrawing from the NECA TS Pool effective June 30, 2007 and named in the Commission's *2007 Access Tariff Suspension Order*,²⁶ six elected to cancel their tariffs and reenter the NECA TS pool and reinstatement as issuing carriers for NECA Tariff FCC No. 5.²⁷ The remaining 34 carriers filed refile triggers in their respective access tariffs, including eight carriers exiting the NECA TS Pool who became issuing carriers for JSI Tariff FCC No. 1.²⁸

²³ See *Investigation of Certain 2007 Annual Access Tariffs*, WC Docket No. 07-184, WCB/Pricing No. 07-10, Order Designating Issues for Investigation, DA 07-3738 (Rel. August 24, 2007) at para. 28 (*Designation Order*).

²⁴ *Id.* at para. 20.

²⁵ *Id.* at para 28.

²⁶ See *Order In the Matter of Annual Access Charge Tariff Filings*, WCB/Pricing File No. 07-10, DA 07-2862, released June 28, 2007 (*2007 Access Tariff Suspension Order*).

²⁷ See *Investigation of Certain 2007 Annual Access Tariffs*, WC Docket No. 07-184, WCB/Pricing No. 07-10, FCC 07-210 (Rel. Nov. 30, 2007), at para. 7.

²⁸ *Id.*

As mentioned in these comments and demonstrated over the years, JSI proved capability to meet, on behalf of issuing carriers, data requests from the Commission respecting access filings. However, given the choice between submitting to burdensome data requests under the *Designation Order* and the refile trigger based on demand more than double that for the same month in the preceding year, the eight issuing carriers for JSI Tariff FCC No. 1 named in the *Designation Order* elected to file the refile trigger described above.²⁹ Given that all 40 carriers named in the *Designation Order* elected either the NECA safe harbor filing or the refile trigger safe harbor filing, the Commission concluded its investigation at the end of the five-month statutory period.³⁰

Essentially, the issuing carriers for JSI Tariff FCC No. 1 were given a modified Hobson's choice. Instead of one horse, there was a choice between two horses. However, for carriers with legitimate needs to exit the NECA TS Pool and file their own tariffs under Section 61.38 or Section 61.39, there was only one horse: the refile trigger safe harbor. JSI does not believe this Hobson's choice is a reasonable mechanism for permanent addition to Section 61.38 or 61.39 filing requirements.³¹ As it will be difficult for the Commission to establish a trigger threshold that rises above an arbitrary nature, JSI believes adoption of such a mechanism on a permanent basis will engender protracted

²⁹ See JSI Transmittal No. 133, September 11, 2007, effective September 26, 2007

³⁰ See Investigation of Certain 2007 Annual Access Tariffs, WC Docket No. 07-184 WCB/Pricing No. 07-10, Order, FCC 07-210 (Rel. Nov. 30, 2007).

³¹ Of the eight carriers exiting the NECA TS Pool and making 2007 annual access filings as issuing carriers for JSI Tariff FCC No. 1, four are Section 61.38 cost company filers and four are Section 61.39 average schedule filers. None of the Section 61.38 filers were named in any petition to suspend and investigate. The Commission suspended, *sua sponte*, the filings for all carriers withdrawing from the NECA TS Pool, including both Section 61.38 Section 61.39 filers. See *July 1, 2007 Annual Access Tariff Filings*, WCB/Pricing No. 07-10, Order, DA 07-2862 (Wireline Comp. Bur., rel. Jun. 28, 2007) (*Suspension Order*).

legal challenges to such a prescription. Again, JSI recommends that the Commission focus on the situations that engendered this proceeding and not adopt prescriptions that cause collateral burdens to carriers with no history of abusive filings such as is the case for issuing carriers for JSI Tariff FCC No. 1.

X. FORBEARANCE IS NOT AN APPROPRIATE MEANS FOR MODIFICATION OF ROR CARRIER TARIFF PROCEDURES

It would be inappropriate for the Commission to forbear from enforcing the deemed lawful provision of section 204(a)(3) of the 1996 Act.³² JSI believes that such action would be inconsistent with the purpose of the forbearance authority granted to the Commission by section 10(a) of the Act and to effect deregulation. Thus, the Commission should terminate consideration of such a course as part of this proceeding. Any order adopting rules suspending or curtailing the streamlined tariff filing process established by the Telecommunications Act would likely be subject to appeals along the lines of those that led to the Vitelco decision. While JSI has not been a party to such appeals, we suggest that reliance by the Commission on forbearance with respect to the streamlined tariff filing process will likely delay the effective date for any new rules or policies designed to prevent abuses such as traffic-pumping. JSI again recommends that the Commission focus its prescription redressing the traffic-pumping problem on checking the fact-based situations evidenced in Exhibit D.

³² See, NPRM, ¶¶29-30.

XI. THE COMMISSION SHOULD PRESCRIBE A FOCUSED SOLUTION TO THE NARROW PROBLEM AND NOT EVISCERATE A PROCESS THAT OTHERWISE WORKS WELL

JSI believes that the Commission can eliminate the attractiveness for withdrawal from the NECA TS Pool, filing tariffs on an historic basis under Section 61.39 and engaging in access stimulation by ensuring that such carriers have “wash periods” equal to their “spike periods.” By spike period, we mean the tariff periods in which rates are unusually high because they are based on historic costs reflective, in most cases, of average schedule settlement levels or unusually high cost-company costs together with low historic demand. By wash period, we mean tariff periods in which rates are unusually low because they are based on a historic cost year in which costs are relatively similar to earlier years but demand is much higher because of the access stimulation.

Currently, carriers can escape the consequences of wash periods by reentering the NECA TS Pool at the end of any spike period. To ensure wash periods are equal to spike periods, JSI recommends that the Commission consider adopting a two-pronged rule applicable prospectively to carriers withdrawing from the NECA TS Pool.

1. Carriers withdrawing from the NECA TS Pool and filing tariffs under Section 61.39 must make an even number of Section 61.39 filings before reentering the NECA TS Pool, and
2. The effective period for all Section 61.39 filings after the initial filing by carriers who exit the NECA TS Pool after 2007 must be

the same length as the initial effective period absent the grant of a waiver by the Commission.

The second leg of the rule is necessary to ensure that the duration of each wash period matches the duration of the preceding spike period. JSI believes that the wash years should erode earnings so significantly as to make machinations not worthwhile.

XII. CONCLUSION: THE COMMISSION SHOULD NARROWLY FOCUS ANY PRESCRIPTIONS TO ADDRESS THE ACCESS STIMULATION PROBLEM IN ORDER TO AVOID UNWARRANTED, INCREASED BURDENS ON LEGITIMATE SECTION 61.38 AND 61.39 ACCESS TARIFF FILERS

JSI believes that the Commission currently has the ability to ensure just and reasonable rates for filings by ROR carriers under Section 61.38 and Section 61.39 for carriers not at risk for engaging in access stimulation machinations. As the situations engendering this proceeding arise from an isolated group of carriers with generally identifiable characteristics, JSI encourages the Commission to focus any prescriptive fixes on such carriers and take care not to upset a process that has otherwise worked well to balance the interests of ROR ILECs and access customers.

To identify carriers at risk of engaging in access stimulation, JSI proposes adoptions of benchmarks for switched access rates for the limited purpose of identifying switched access rates that might support access stimulation tied to gross overearnings to the extent they can be calculated or, in the case of average schedule carriers, assumed.

Finally, to discourage traffic stimulation schemes designed to produce gross overearnings, JSI recommends that the Commission adopt rules as described above mandating that carriers withdrawing from the NECA TS Pool not be allowed to the return to the pool, absent grant of a waiver by the Commission, until completion of even-numbers of wash tariff periods that match spike tariff periods. Such requirements will force carriers to disgorge in wash periods any gross earnings realized in spike periods.

December 17, 2007

Respectfully submitted,

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President

/s/ Scott Duncan
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EXHIBIT A - TABLE OF JSI ISSUING CARRIER HISTORY

<i>Company Name</i>	<i>State</i>	<i>Access Lines per 2006 NECA HCLS</i>	<i>Study Area Code</i>	<i>Settlement Method</i>	<i>Filing Rules When I.C. for JSI Tariff</i>	<i>End User</i>	<i>Traffic Sensitive</i>	<i>Date Became Issuing Carrier</i>	<i>Date Cancelled as Issuing Carrier</i>	<i>Tariff Prior to JSI</i>	<i>Current Tariff – 6/30/2007</i>	<i>Years in Tariff</i>
Warwick Valley Telephone Company	NY	15,905	150135	Cost	61.38	X	X	9/1/1993	7/1/2006	Company	NECA	12.83
Warwick Valley Telephone Company	NJ	8,759	160135	Cost	61.38	X	X	9/1/1993	7/1/2006	Company	NECA	12.83
Concord Telephone Company	NC	111,637	230474	Cost	61.38	X	X(1)	7/1/1994	6/30/2007	Company	NECA	13.00
Atlantic Telephone Membership Corp.	NC	42,429	230468	Cost	61.39		X	8/1/1994		Company	JSI	12.91
Coastal Utilities, Inc.	GA	36,109		Cost	61.38		X	8/1/1994	12/9/2004	Company	MRC	10.36
Farmers Telephone Cooperative	SC	57,061	240520	Cost	61.38		X	8/1/1994		Company	JSI	12.91
Fort Mill Telephone Company d/b/a/ Comporium Communications	SC	23,255	240521	Cost	61.38		X	8/1/1994		Company	JSI	12.91
Hargray Telephone Company, Inc.	SC	51,660	240523	Cost	61.38		X	8/1/1994		Company	JSI	12.91
Horry Telephone Cooperative, Inc.	SC	91,435	240528	Cost	61.38		X	8/1/1994		Company	JSI	12.91
Millington Telephone Co.	TN	27,014	290571	Cost	61.39		X	8/1/1994		Company	JSI	12.91
Mt. Horeb Telephone Co.	WI	4,636	330916	Cost	61.39		X	8/1/1994		Company	JSI	12.91
Pineland Telephone Cooperative, Inc.	GA	13,487	220377	Cost	61.39		X	8/1/1994		Company	JSI	12.91
Southeast Telephone Company of Wisconsin, Inc.	WI	10,265	330952	Cost	61.39		X	8/1/1994	7/1/2000	Company	NECA	5.92
Standard Telephone Company	GA	80,414	220386	Cost	61.38		X	7/1/1995	7/1/1996	NECA	Windstream	1.00
Home Telephone Company	SC	23,286	240527	Cost	61.38		X	7/1/1997		NECA	JSI	10.00
Lancaster Telephone Company d/b/a Comporium Communications	SC	25,792	240531	Cost	61.38		X	7/1/1997		NECA	JSI	10.00
Rock Hill Telephone Company d/b/a Comporium Communications	SC	53,212	240542	Cost	61.38		X	7/1/1997		NECA	JSI	10.00
Star Telephone Membership Corp	NC	19,969	230502	Cost	61.39			7/1/1997		NECA	JSI	10.00
Fort Bend Telephone Company	TX	42,484	442072	Cost	61.38		X	7/1/1998	2/7/2004	NECA	CCC	5.60
Guadalupe Valley Telephone Cooperative, Inc.	TX	41,023	442083	Cost	61.39		X	7/1/1999	7/1/2003	NECA	NECA	4.00

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Interstate Telephone Co.	GA	13,750	220371	Cost	61.39	X	X	7/1/1999	6/30/2007	NECA	JSI	8.00
South Canaan Telephone Company	PA	2,968	170204	AS	61.39		X	1/1/2000	9/16/2000	NECA	NECA	0.71
Taconic Telephone Company	NY	28,729	150084	Cost	61.38	X	X	10/25/2000	7/2/2002	NECA	NECA	1.68
Smart City Telecom	FL	14,405	210330	Cost	61.39		X	12/16/2003		Company	JSI	3.54
Bluffton Telephone Company, Inc.	SC	22,659	240512	Cost	61.38		X	7/1/2005		NECA	JSI	2.00
Camden Telephone and Telegraph Company, Inc. d/b/a TDS Telecom	GA	22,903	220351	Cost	61.38		X	6/30/2007		NECA	JSI	0
Chesnee Telephone Company, Inc.	SC	5,303	240515	AS	61.39		X	6/30/2007		NECA	JSI	0
Gearheart Communications Company, Inc. d/b/a Coalfields Telephone Company	KY	6,684	260408	AS	61.39		X	6/30/2007		NECA	JSI	0
Mt. Vernon Telephone Company d/b/a TDS Telecom	WI	13,252	330917	Cost	61.38		X	6/30/2007		NECA	JSI	0
Oklahoma Communication Systems, Inc. d/b/a TDS Telecom	OK	19,025	431984	Cost	61.38		X	6/30/2007		NECA	JSI	0
Skyline Telephone Membership Corp.	NC	36,207	230501	AS	61.39		X	6/30/2007		NECA	JSI	0
South Central Rural Telephone Cooperative Corporation, Inc.	KY	27,884	260418	Cost	61.38		X	6/30/2007		Company	JSI	0
Tennessee Telephone Company d/b/a TDS Telecom	TN	65,449	290575	Cost	61.38		X	6/30/2007		NECA	JSI	0
Yadkin Valley Telephone Membership Corporation	NC	30,438	230511	AS	61.39		X	6/30/2007		NECA	JSI	0

Current Access Lines for Issuing Carriers 747,304

Average Access Lines for All-Time I.C.s 32,044

Average Years in Tariff

- Excluding New Issuing Carriers

8.99

Switched Access MOU History for JSI Issuing Carriers Filing Under Section 61.39

Study Area Code	JSI Issuing Carrier - Section 61.39 Historic Filer	2002	2003			2004		
		Historic Demand used for 2003 Filing	Minutes Billed for 2003 but Not Used as Historic Data for any Filing	Increase (Decrease) in Minutes from 2002	% Change	Minutes Billed for 2004 - - and Used for 2005 Filing	Increase (Decrease) in Minutes from 2002	% Change
210330	SMART CITY TEL LLC	122,327,089	117,868,295	(4,458,794)	-3.6%	138,376,107	16,049,018	13.1%
220377	PINELAND TEL COOP	48,081,258	33,434,260	(14,646,998)	-30.5%	31,402,549	(16,678,709)	-34.7%
230468	ATLANTIC MEMBERSHIP	113,354,879	113,437,270	82,391	0.1%	121,302,238	7,947,359	7.0%
230502	STAR MEMBERSHIP CORP	58,589,537	63,847,693	5,258,156	9.0%	70,289,273	11,699,736	20.0%
290571	MILLINGTON TEL CO	72,815,674	73,066,784	251,110	0.3%	73,576,217	760,543	1.0%
330916	MOUNT HOREB TEL CO	10,428,484	10,738,904	310,420	3.0%	10,541,026	112,542	1.1%
	Combined	425,596,921	412,393,206	(13,203,715)	-3.1%	445,487,410	19,890,489	4.7%

Study Area Code	JSI Issuing Carrier - Section 61.39 Historic Filer	2004	2005			2006		
		Historic Demand used for 2005 Filing	Minutes Billed for 2005 but Not Used as Historic Data for any Filing	Increase (Decrease) in Minutes from 2004	% Change	Minutes Billed in 2006 and Used for 2007 Filing	Increase (Decrease) in Minutes from 2004	% Change
210330	SMART CITY TEL LLC	138,376,107	134,090,125	(4,285,982)	-3.1%	133,103,797	(5,272,310)	-3.8%
220377	PINELAND TEL COOP	31,402,549	28,907,971	(2,494,578)	-7.9%	25,554,890	(5,847,659)	-18.6%
230468	ATLANTIC MEMBERSHIP	121,302,238	119,171,951	(2,130,287)	-1.8%	114,265,900	(7,036,338)	-5.8%
230502	STAR MEMBERSHIP CORP	70,289,273	68,793,585	(1,495,688)	-2.1%	52,042,447	(18,246,826)	-26.0%
290571	MILLINGTON TEL CO	73,576,217	68,878,762	(4,697,455)	-6.4%	62,642,435	(10,933,782)	-14.9%
330916	MOUNT HOREB TEL CO	10,541,026	9,615,455	(925,571)	-8.8%	8,927,740	(1,613,286)	-15.3%
	Combined	445,487,410	429,457,849	(16,029,561)	-3.6%	396,537,209	(48,950,201)	-11.0%

Source of Data: NECA Access MOU Report to FCC

Network Usage by Carrier. Annual submission by NECA of access minutes of use. Reports prior to 2002 include dial equipment minutes and other relevant information. 2002 through 2006. NETWU06.ZIP (82K), available at <http://www.fcc.gov/wcb/iatd/neca.html>. Accessed December 13, 2007 for data above. OU DATA NECA TIER 2 COST COMPANIES 2002 - 2006

COMPARISON OF RATES FOR CARRIERS EXITING NECA TS POOL EFFECTIVE JUNE 30, 2007

Corrected AT&T Rate Change Comparison-61.39 Average Schedule(1) Companies Leaving NECA in 2007
(Based on AT&T Petition Exhibit 2)

#	Name	Tariff	Cost or AS	Access Lines	Old Rate				New Rate				Percent Change			
					A	B	C	D	E	F	G	H	I = (E/A)-1	J = (F/B)-1	K = (G/C)-1	L = (H/D)-1
					Tandem SW Trans-Fac	Tandem SW Trans-Term	Tandem Swtg Rate	LS Rate	Tandem SW Trans-Fac	Tandem SW Trans-Term	Tandem Swtg Rate	LS Rate	Tandem SW Trans-Fac	Tandem SW Trans-Term	Tandem Swtg Rate	LS Rate
1	Fort Jennings	BNG	Cost(1)	853	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.044390	\$0.051489	N/A	\$0.048599	27471%	6377%		154%
2	Bascom Mutual	BNG	AS	931	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.020579	\$0.049218	N/A	\$0.029059	12682%	6091%		52%
3	Vaughnsville	BNG	AS	320	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.016795	\$0.016331	N/A	\$0.092540	10332%	1954%		383%
4	Glandorf	BNG	AS	1174	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.009085	\$0.010559	N/A	\$0.043044	5543%	1228%		125%
5	Middle Point Home	BNG	AS	737	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.008556	\$0.009181	N/A	\$0.042923	5214%	1055%		124%
6	Buckland	BNG	AS	644	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.005216	\$0.007049	N/A	\$0.037902	3140%	787%		98%
7	Lynnville	ICORE	AS	362	\$0.000161	\$0.000795	\$0.002888	\$0.009570	\$0.004485	\$0.022108	N/A	\$0.016661	2686%	2681%		74%
8	Ridgeville	BNG	AS	806	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.003809	\$0.005143	N/A	\$0.025014	2266%	547%		31%
9	Kilduff	ICORE	AS	352	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.003504	\$0.017274	N/A	\$0.034373	2076%	2073%		79%
10	Benton Ridge	BNG	AS	1170	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.003503	\$0.010399	N/A	\$0.029703	2076%	1208%		55%
11	Kalida	BNG	AS	1573	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.003380	\$0.005145	N/A	\$0.024323	1999%	547%		27%
12	Arthur Mutual	BNG	AS	1313	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.002501	\$0.005885	N/A	\$0.020006	1453%	640%		4%
13	Royal	Royal	AS	477	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.002380	\$0.014860	N/A	\$0.021460	1378%	1769%		12%
14	Alliance -Baltic	Alliance	AS	3180	\$0.000161	\$0.000795	\$0.002888	\$0.013407	\$0.001680	\$0.005900	0.001841	\$0.001963	943%	642%	-36%	-85%
15	Sherwood	BNG	AS	1415	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.001552	\$0.004873	N/A	\$0.028250	864%	513%		47%
16	Ottoville	BNG	AS	1551	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.001516	\$0.003982	N/A	\$0.030295	842%	401%		58%
17	Gearheart d/b/a Coalfields	JSI	AS	6684	\$0.000161	\$0.000795	\$0.002888	\$0.009570	\$0.001220	\$0.006016	0.008901	\$0.009200	658%	657%	208%	-4%
18	Jordan-Soldier Valley	ICORE	AS	613	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000942	\$0.004643	N/A	\$0.022673	485%	484%		18%
19	Elsie	Elsie	AS	223	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000681	\$0.003357	N/A	\$0.074657	323%	322%		290%
20	Skyline	JSI	AS	36207	\$0.000161	\$0.000795	\$0.002888	\$0.013407	\$0.000531	\$0.002620	N/A	\$0.012000	230%	230%		-10%
21	Sully	ICORE	AS	2896	\$0.000161	\$0.000795	\$0.002888	\$0.005745	\$0.000518	\$0.002554	0.003722	\$0.013749	222%	221%	29%	139%
22	Beresford	Consortia	AS	1479	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000434	\$0.002141	N/A	\$0.015433	170%	169%		-19%
23	McCook	Consortia	AS	2149	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000434	\$0.002141	N/A	\$0.015433	170%	169%		-19%
24	Roberts County	Consortia	AS	1996	\$0.000161	\$0.000795	\$0.002888	\$0.013407	\$0.000434	\$0.002141	N/A	\$0.015433	170%	169%		15%
25	Western	Consortia	AS	1123	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000434	\$0.002141	N/A	\$0.015433	170%	169%		-19%
26	Farmers Mutual	Farmers	Cost(1)	3639	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000347	\$0.001712	N/A	\$0.048753	116%	115%		155%
27	Northeast Iowa	ICORE	AS	1991	\$0.000161	\$0.000795	\$0.002888	\$0.019153	\$0.000154	\$0.000761	0.000734	\$0.021446	-4%	-4%	-75%	12%
28	Chesnee	JSI	AS	5303	\$0.000161	\$0.000795	\$0.002888	\$0.011492	\$0.000146	\$0.000718	N/A	\$0.009500	-9%	-10%		-17%
29	Yadkin	JSI	AS	30438	\$0.000161	\$0.000795	\$0.002888	\$0.013407	\$0.000032	\$0.000156	0.001444	\$0.01305 (2)	-80%	-80%	-50%	-3%

(1) AT&T Petition Exhibit 2 was entitled "61.39 Average Schedule Companies Leaving NECA in 2007.

However, two of the LECs in AT&T's Exhibit 2 are, in fact, cost companies.

July 1, 2007 Annual Access Charge Tariff Filings, WCB/Pricing File No. 07-110, Petition of AT&T Corp. (June 22, 2007) ("AT&T 2007 Petition"), at Exh. 2.

(2) AT&T Exhibit 2 reflects a typographical error for the Yadkin Valley Local Switching rate, indicating an incorrect \$0.0135 instead of the correct \$0.013050 included in this schedule. Instead of the 1% increase in rate indicated by AT&T Exhibit 2, the Yadkin Valley Local Switching proposed rate reflects a decrease of 3%.

This Exhibit based on AT&T Exhibit 2, See July 1, 2007 Annual Access Charge Tariff Filings, WCB/Pricing File No. 07-110, Petition of AT&T Corp. (June 22, 2007) ("AT&T 2007 Petition"), at Exh. 2.

ICOs Exiting NECA Pool in 2005 and 2006 To Engage In Traffic Pumping

Exhibit 1

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J = (I - F)/F</u>
SAC	ST	61.39 Revenue Requirement	Company	Exited NECA	Rate Setting Demand	2004 Industry AMOUS*	2005 Industry AMOUS*	2006 Industry AMOUS*	Percent Growth Over Filed Demand
LECs Exiting T.S. Pool 7/1/2005 & 2006									
351150	IA	A.S.	Dixon Tel Co (1)	7/1/2005	1,427,421	1,425,557	30,836,944	211,115,428	14690%
351166	IA	A.S.	Farmers & Merchants Mutual Tel Co (1)	7/1/2005	1,474,944	1,420,625	33,122,646	339,846,656	22941%
351177	IA	A.S.	Farmers Tel Co-Riceville (1)	7/1/2005	4,281,178	1,420,646	33,018,138	214,618,371	4913%
371553	NE	Cost	Glenwood Tel Membership (5)	7/1/2005	5,057,350	4,927,706	10,539,930	57,616,243	1039%
351209	IA	A.S.	Interstate 35 Tel Co (1)	7/1/2005	2,867,478	2,777,230	39,743,523	241,192,909	8311%
351292	IA	A.S.	Searsboro Tel Co Inc (2)	7/1/2005	1,589,223	1,557,458	11,167,303	56,991,254	3486%
411831	KS	Cost	South Central Telephone Assoc Inc (3)	7/1/2005	8,746,139	8,643,407	35,057,417	73,018,687	735%
411847	KS	Cost	Wheat State Tel Inc (4)	7/1/2005	5,305,694	5,185,860	12,252,115	52,209,833	884%
351307	IA	A.S.	Superior Telephone (6)	7/1/2006	556,726	588,417	524,641	58,146,936	10344%
LECs receiving waivers									
350739	IA	A.S.	Reasnor	1/20/2006	450,469	450,469	9,876,694	96,258,035	21268%
Sum of Recent LECs Exiting NECA					31,756,622	28,397,375	216,139,351	1,401,014,352	4312%

* 2004, 2005, and 2006 Industry Demand is reported by NECA in "NECA and USAC Data", Network Usage By Carrier, See FCC.gov

- (1) Kiesling Associates, Transmittal No. 4, June 16, 2005
- (2) ICORE, Transmittal No. 70, June 16, 2005
- (3) Transmittal No. 14, June 16, 2005
- (4) Transmittal No. 1, June 16, 2005
- (5) Transmittal No. 1, June 16, 2005
- (6) Transmittal No. 1, June 16, 2006

This Schedule was filed by AT&T as Exhibit 1 in its petition for suspension and investigation of 2007 annual access filings. See July 1, 2007 Annual Access Charge Tariff Filings, WCB/Pricing File No. 07-110, *Petition of AT&T Corp.* (June 22, 2007).