


www.xo.com

IP Interconnection Panel Overview

35th Annual National Conference of Regulatory Attorneys

May 21, 2012

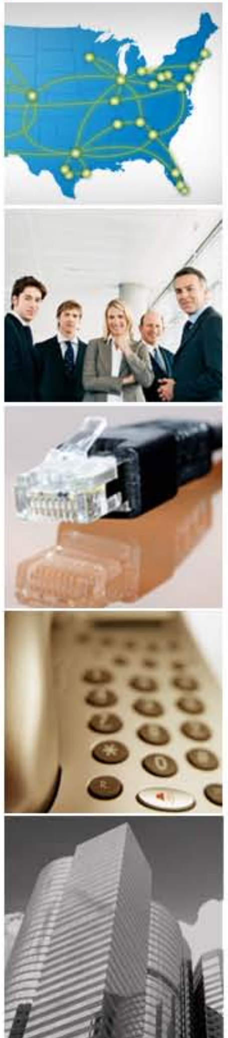
ICC and USF Reform Actions





- 10/27/2011 FCC adopted a comprehensive order and FNPRM (text released 11/18/2011)
  - Reforming the high cost Universal Service Fund (distribution side only)
  - Reforming the intercarrier compensation regime
  - Set issues for Further Notice
  - To date, five orders on clarification or reconsideration
- 4/27/2012 FCC adopted FNPRM on USF reform (contribution side) (text released 4/30/2012)
  - Which mechanism? Revenues, numbers, connections, hybrid?
  - Expand the pool of contributors?
  - Changes to the administration of the fund?

ICC Reform: Comprehensive Reform

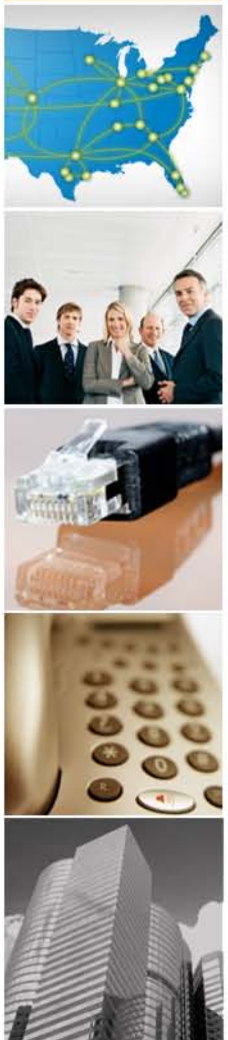


- FCC established default terminating rates that can be included in federal and state tariffs, but carriers may negotiate alternate agreements.
- Terminating intrastate access rates reduced to terminating interstate access rates by July 2013. Price cap terminating rates further reduced to bill-and-keep by July 2018; 2020 for RoR LECs.
- ILECs may recover revenue through end-user Access Recovery Charge (ARC) with limitations and Connect America Fund (CAF). CLECs may recover revenue through end-user charges.
- Issues set for further comment (FNPRM): originating access, dedicated transport, remaining tandem switching and transport, and transit rates; network and interconnection issues under bill-and-keep; IP interconnection.

Transition to Bill-and-Keep

- July 2012 – Intrastate terminating end office, transport, and reciprocal compensation rates are reduced by 50% of the differential between those rates and the carrier's interstate rates. Terminating rates for VoIP-PSTN traffic are equal to interstate rates.
- July 2013 – Intrastate terminating end office, transport, and reciprocal compensation rates are equal to interstate rates.
- July 2014 – Terminating end office and reciprocal compensation rates are reduced by one-third of the differential between those rates and $0.0007. (Transport rates remain at interstate level.) RoR carriers: reduced by one-third of the differential between end office rates and $0.005.
- July 2015 – Terminating switched end office and reciprocal compensation rates are reduced by an additional one-third of the original differential to $0.0007. (Transport rates remain at interstate level.) RoR carriers: reduced by an additional one-third of the original differential to $0.005.

Transition to Bill-and-Keep (cont'd)



- July 2016 – Terminating switched end office and reciprocal compensation rates are reduced to $0.0007. (Transport rates remain at interstate level.) RoR carriers: reduced to $0.005.
- July 2017 – Terminating switched end office and reciprocal compensation rates are reduced to bill-and-keep. Transport rates are reduced to $0.0007. RoR carriers: Terminating end office and reciprocal compensation rates are reduced by one-third of the differential between its end office rates ($0.005) and $0.0007.
- July 2018 – Transport rates are reduced to bill-and-keep, so all terminating rates are equal to zero. RoR carriers: reduced by an additional one-third of the differential between its end office rates as of July 1, 2016 and $0.0007.
- July 2019 – RoR carriers: Terminating switched end office and reciprocal compensation rates are reduced to $0.0007.
- July 2020 – RoR carriers: Terminating switched end office and reciprocal compensation rates are reduced to bill-and-keep.

ICC Reform: VoIP-PSTN Traffic

- Default charges for "toll" VoIP-PSTN traffic are interstate access rates. Default charges for other VoIP-PSTN traffic are reciprocal compensation rates. Symmetrical framework applies to traffic that originates and/or terminates in IP.
- FCC did not preempt state jurisdiction so toll VoIP-PSTN rates may be tariffed at both federal/state level in the absence of alternate agreement
- Traffic may be identified as VoIP-PSTN by various means, including call detail records or factors.
- 4/24/12 FCC determined on reconsideration that LECs may (beginning 45 days after order publication until June 30, 2014) prospectively tariff a rate equal to their intrastate originating access rates when they originate intrastate toll VoIP-PSTN traffic. Thereafter rates must equal interstate originating access rates.

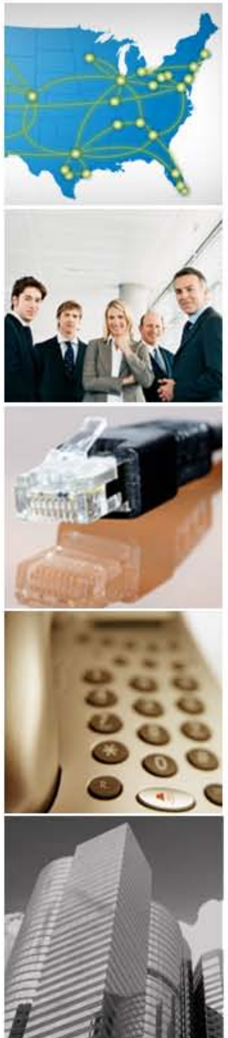
ICC Reform: Phantom Traffic/Call Signaling





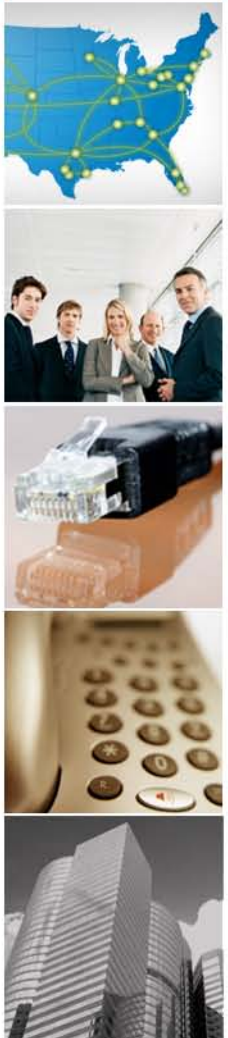
- Carriers must transmit the telephone number received from or assigned to or otherwise associated with the calling party to the next provider in the path from the originating provider to the terminating provider.
- Charge Number (CN) field, which indicates originating location of the call, must be passed unaltered where it is different from the calling party number (CPN) used for caller ID.

ICC Reform: Access Stimulation



- Revenue sharing is not per se unreasonable but new rules apply when a carrier has a revenue sharing agreement that results in net payment to another party and traffic volume conditions are met.
- If a LEC meets the access stimulation trigger, it must file a new interstate tariff within 45 days. Rate-of-return LECs meeting trigger may no longer participate in NECA pool/file tariffs based on historical costs. CLECs meeting trigger must benchmark to highest price cap LEC rate in state.
- Can rely on traffic volume conditions to show rule violation.

IP Interconnection



- Until new rules adopted, FCC expects all carriers to negotiate in good faith for IP-to-IP interconnection. The Act applies regardless of technology.
- FCC seeks comment on proposal to require every telecommunications carrier to provide IP-based carrier-to-carrier interconnection (directly or indirectly) within 5 years, regardless of the technology used.
- FCC seeks comments on broader IP interconnection issues including scope of traffic to be covered; reasonableness of rates, terms, and conditions; statutory authority; responsibility for costs of IP-TDM conversion; and points of interconnection.