

## Access Recovery Charge FAQs

### **Q. What is the Access Recovery Charge?**

A. The Access Recovery Charge, or ARC, allows incumbent local exchange carriers such as KMTelecom to recover part of the revenues lost through FCC required reductions to access rates.

### **Q. What are access rates?**

A. When you make a long distance call, your long distance carrier must pay KMTelecom for starting, or originating, the call. In addition, your long distance carrier must pay the telephone company that provides local service to the person you are calling to complete, or terminate the call. The charges that the long distance provider pays to KMTelecom to originate the call and the other local exchange company to terminate the call is referred to as access (as in the access the long distance provider must get to the local network).

### **Q. What reductions to access rates are being made?**

A. In an Order released on November 18, 2011, the FCC required local exchange carriers to reduce the rates they charge to long distance companies to complete or terminate long distance calls.

### **Q. Why did the FCC require reductions in access rates?**

A. The current system that is used by long distance companies to compensate local companies for use of the local network was first established in 1984, after the AT&T divestiture, and at a time when there was no competition for local service. Much has changed since 1984 and the FCC recognized that this system did not work well when there is competition for local service. In addition, the FCC believes the current system may make it difficult to develop and use new technologies, such as internet protocol networks.

### **Q. Who will benefit from these changes?**

A. The access reductions will reduce the costs for long distance carriers, as one of their largest costs is the payments for access to local networks.

### **Q. So the long distance carriers are getting reductions in their costs, but my costs are increasing because of the ARC? Why is this fair?**

A. The access revenues that local exchange carriers receive from the long distance carriers help offset the cost of providing local service. The FCC recognizes that the local exchange carriers will need another revenue source to offset the revenues lost from these required access reductions. Therefore the FCC is allowing local exchange carriers such as KMTelecom to recover a portion of the revenues lost from these access reductions through the ARC. The FCC determined that the customer (you) chooses to place a long distance call and the long distance carrier that is used; therefore the customer should bear more of the cost.

### **Q. But I don't make many long distance calls. Why should I have to pay?**

A. Local exchange companies incur significant costs to provide service to their customers. The access revenues that local exchange companies receive from long distance companies help offset some of those costs to keep the cost of local service affordable. As the costs are associated with local service, the FCC determined that it was appropriate to allow local exchange carriers to recover a portion of the lost access revenues from their customers.

### **Q. How will the ARC charge be applied?**

A. The ARC charge will be generally applied in the same manner as the SLC charge.

### **Q. How will this charge appear on my bill?**

A. The ARC will appear as a separate charge in the telephone section of the bill.

### **Q. Is this charge optional?**

A. No. The ARC is not an optional charge and cannot be adjusted off the bill.

**Q. I didn't ask for this service. How can I get this charge removed from my bill?**

A. The ARC charge is associated with your landline telephone service and cannot be removed from your bill.

**Q. Can I complain to the state commission about this charge?**

A. The FCC authorized local carriers such as KMTelecom to assess the ARC. The state commission has no authority over this charge so the appropriate body to direct regulatory inquiries is the FCC.

**Q. Will all customers see an ARC charge?**

A. Any customer with a Subscriber Line Charge (SLC) will see an ARC charge.

**Q. Which products or services will the ARC be applied to?**

A. If you subscribe to local telephone service, an ARC charge may be applied.

**Q. Is the ARC a tax?**

A. No, it is not a tax. Tax exempt organizations will also pay the ARC.

**Q. How much is the ARC charge?**

A. The ARC for the first year (August 1, 2012 through July 30, 2013) will be \$0.50 per line per month for residential and single line business customers and \$1.00 per line per month for multi-line business customers. The ARC may change over time.