

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's)	
Investigation into Intrastate Carrier)	Case No. 10-2387-TP-COI
Access Reform Pursuant to Sub.)	
S.B. 162.)	

**REPLY COMMENTS OF T-MOBILE CENTRAL, LLC
AND VOICESTREAM PITTSBURGH, LP**

T-Mobile Central LLC and VoiceStream Pittsburgh, LP (“T-Mobile”) hereby submits these reply comments in response to Reply Comments of other parties that responded to the Public Utilities Commission of Ohio (“PUCO’s”) Entry dated November 3, 2010 (“PUCO Order” or “Entry”) regarding the PUCO Staff’s proposed Access Restructuring Fund (“ARF”). As explained in more detail below, T-Mobile agrees with several parties’ comments urging the Commission to conduct a comprehensive analysis to determine the need for the ARF before implementing the Staff’s proposal. T-Mobile supports the PUCO’s Staff proposal to require incumbent local exchange carriers (“ILECs”) to reduce intrastate switched access rates to mirror interstate rates, but believes it is unnecessary and harmful to Ohio consumers for the state to create a state fund to further insulate carriers from the effects of changes in customer preferences.

I. DISCUSSION

Several parties in this matter have urged the Commission to conduct full evidentiary hearings before implementing the Staff’s Plan to create the ARF. Before even considering the ARF, T-Mobile supports these commenters and urges the Commission to undertake a thorough analysis to determine whether individual ILECs require subsidies that all Ohioans would be

required to pay. Before the PUCO grants any financial subsidies to a limited class of carriers, it should require each individual carrier to demonstrate a need by looking at the full financial picture of that carrier and all the revenues it currently receives from customers on the same common network in provides basic local exchange service.

A. Revenue Neutrality Can Be Accomplished Through Means Other than Creation of the ARF

Several parties have explained that revenue neutrality does not necessarily require the PUCO to create a state fund as proposed by the Staff. As noted by Cincinnati Bell, revenue neutrality for utilities means the companies have an *opportunity* to recover lost revenues, not a guarantee.¹ (*emphasis added*). Specifically, “. . . eligible carriers should have to demonstrate in detail what their revenue shortfalls would be through reducing intrastate access charges and to demonstrate that they have exhausted reasonable opportunities to raise such revenues from other services.”² If the PUCO chooses to bypass this important step in implementing access reform, it will basically migrate access subsidies into another form, namely the ARF. SB 162 was implemented to expand competition in Ohio to all consumers. The Staff’s Plan provides guaranteed funding to certain carriers, at the expense of all other competitors which insulates some companies from competition --- a plan at odds with the goals of SB 162.

1. The PUCO Should Look at All Revenues that an ILEC Receives Off the Common Network Before Granting Guaranteed Subsidies in an ARF

Instead of implementing the Staff’s Plan, T-Mobile recommends that the PUCO undertake an analysis to determine whether individual ILECs can recover the revenues from their end user customers. As explained by Sprint, ILECs have multiple sources of revenue from the end users that

¹ Comments of Cincinnati Bell Telephone Company LLC, Cincinnati Bell Extended Territories LLC, Cincinnati Bell Wireless, LLC and Cincinnati Bell Any Distance Inc. (collectively, “Cincinnati Bell”) at page 5.

² *Id.*

were never contemplated when access rates were originally approved.³ ILECs are now offering wireline long distance, numerous new calling features (e.g., call waiting, voicemail services), broadband services and even in some cases video. Often these services are bundled with the customer's voice service into one monthly rate --- all using the same common network that competitors historically subsidized. For the PUCO to ignore all of these revenues and grant further subsidies to a limited class of ILECs is to ignore expansion of competition in the market and to pick winners and losers of which companies should receive guaranteed revenues in the face of competition.

Some commenters, such as Centurytel of Ohio, Inc, (a company soon to be wholly owned by the third largest ILEC in the country) ("CenturyLink") have claimed that they require such subsidies because they are the provider-of-last resort and that the obligations are unique to ILECs.⁴ However, CenturyLink fails to cite to any specific regulations associated with its obligations, and fails to define what those costs are and how they are calculated. In claiming unique ILEC requirements, CenturyLink fails to distinguish itself from other ILECs in Ohio that were required to implement switched access reform without the guaranteed subsidies proposed in the ARF.⁵

³ Initial Comments of Sprint Nextel ("Sprint") at page 5.

⁴ Comments of United Telephone Company of Ohio and CenturyTel of Ohio, Inc. (collectively "CenturyLink") at pages 2-3.

⁵ See Cincinnati Bell at pages 2-3 (listing out other ILECs that do not receive subsidies when implementing access reform and also operated in high-cost areas).

2. Before Creating a State Fund, it is Imperative to Create a Statewide Benchmark

In addition to looking at all revenues generated by facilities receiving support, the PUCO should also establish an appropriate statewide benchmark rate. By adopting a statewide benchmark, the Commission can set an affordable rate for local services while making sure one company's customers do not unnecessarily subsidize the operations of another company. As explained by Verizon, the state can meet revenue neutrality requirements by implementing rate rebalancing for local exchange services.⁶ Verizon further explains how SB 162 intended for the PUCO to implement rate rebalancing to offset lost access revenues. Specifically, SB 162 states that "any resulting rate changes necessary to comply with division (B) or (C) of this section shall be in addition to any upward [retail] rate alteration[s] made under section 4927.12 of the Revised Code."⁷

As previously explained by T-Mobile, if the State does not impose this requirement, certain ILECs could choose not to increase rates, and effectively prevent the development of competition in their markets through subsidies funded by potential competitors. As noted by Cincinnati Bell, some companies have charged rates as low as \$5.60 per access line and \$6.25 per line.⁸ Subsidizing certain ILECs' local rates keeps those rates artificially low, which makes it difficult for competitors to enter the market and compete when competitors' rates are not subsidized. This policy is anticompetitive and harmful to consumers in those ILEC territories because they are unable to experience the benefits of competition. Furthermore, forcing other companies to pay for below-benchmark rates by ILECs increases the other companies' costs, thereby forcing those companies to pass the costs onto their customers and to delay investment in

⁶ Verizon's Initial Comments Regarding Staff's Proposed Access Restructuring Plan ("Verizon") at pages 13-14.

⁷ Verizon at page 14, *citing* Sec. 4927.15(B), Revised Code.

⁸ Cincinnati Bell at page 3, footnote 3.

their network. It also serves to insulate the ILEC from the effects of changes in consumer preferences, effectively turning an ILEC business problem into a public-policy subsidy problem. As noted by Verizon, “[t]his would hinder, not promote, staff’s objective of ‘encouraging greater competition.’”⁹

B. Any Future Fund Should Be Limited in Size and Duration and Based on Current Data

As previously explained by T-Mobile in its Initial Comments, it is wholly unnecessary for the state of Ohio to create a fund to implement revenue-neutral access reform. ILECs should always look to their customers to recover the costs of providing services, including benchmark retail rates and other revenues from services over the common network, such as bundles, broadband and video. However, if it does proceed forward in creation of the ARF, it should be temporary for all ILECs operating in Ohio, including non-priced capped carriers. Additionally, the fund should only be based on current data, calculated at least on an annual basis.

As explained by Cincinnati Bell, Section 4927.15(B), Revised Code states that the Commission can order reductions of “rates for carrier access that are in effect on the effective date of this section, which was September 13, 2010.”¹⁰ As a result, any subsidies from the ARF that are tied to ILEC revenues occurring before September 13, 2010 are not related to access revenues but merely direct subsidies to ILECs paid by their competitors. As explained by Cincinnati Bell, an ARF based on 2009 data would improperly compensate eligible carriers for reductions in access revenue that had already occurred before the statute was in effect.¹¹ The Staff has proposed the ARF based on 2009 data, which runs afoul of the explicit language contained in SB 162. If the PUCO proceeds forward in creation of the ARF, it is imperative that

⁹ Verizon at page 16, *citing* Entry, Appendix at 1.

¹⁰ Cincinnati Bell at page 19.

¹¹ Cincinnati Bell at page 19.

it is based on data no earlier than September 2010. Additionally, an ARF should be based on annual adjustments. Waiting two years between adjustments is unreasonable and unnecessarily insulates the eligible ILECs from competition for each year.¹²

Taking aside the PUCO's statutory limits of implementing access reform anytime on or after the effective date of SB 162, it is harmful for both consumers and carriers if the PUCO creates a subsidy fund based on outdated data. As T-Mobile and other carriers (including Sprint¹³ and AT&T¹⁴) explained, an ARF using 2009 data would simply give the ILECs a windfall, when 2010 data is readily available. Indeed, using outdated data insulates the ILECs from competitive market forces. To create a fund that promotes inefficiencies and favors one carrier over others, runs counter to the legislature's directives contained in SB 162.

II. CONCLUSION

For the reasons set forth above, T-Mobile strongly urges the PUCO to implement revenue-neutral switched access reform in a manner that requires each carrier to demonstrate a need for any additional subsidies by looking at the full financial picture of each carrier including all revenues that it currently receives from customers on the same common network it provides basic local exchange service. T-Mobile is supportive of the implementation of switched access reform in the state of Ohio, but not when it transfers subsidies from access rates into a state fund. To this end, T-Mobile believes the state can implement all necessary access reforms without creation of a fund.

¹² Cincinnati Bell at pages 11-12.

¹³ Sprint at pages 6-7.

¹⁴ AT&T's Initial Comments at Appendix B, pages 5-6.

Dated: January 19, 2011

Respectfully submitted,

/s/

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served via electronic mail upon the following persons this 19th day of January, 2011:

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Summary: Comments Reply Comments of T-Mobile Central, LLC and VoiceStream Pittsburgh, LP electronically filed by Mr. Stephen M Howard on behalf of T-Mobile Central, LLC and VoiceStream Pittsburgh, LP