BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

REPLY COMMENTS OF VERIZON REGARDING THE IMPACT OF THE FCC'S ORDER ON THIS PROCEEDING

Pursuant to the Commission's January 18, 2012 entry ("Entry"), Verizon¹ hereby provides its reply comments in response to the comments filed by other participants in this proceeding regarding the impact of the Federal Communications Commission's November 18, 2011 Report and Order² on this docket. The initial comments submitted by the other participants reinforce Verizon's view that the Report and Order has obviated the need for additional intrastate access reform efforts by this Commission, which now should focus its efforts on implementing — the Report and Order.

I. THE INITIAL COMMENTS CONFIRM SIGNIFICANT AGREEMENT REGARDING THE SCOPE AND IMPACT OF THE FCC REPORT AND ORDER.

The initial comments submitted by Verizon and the other parties regarding the Report and Order underscore certain key areas of agreement regarding the effect of the FCC's action on the Commission's investigation in this docket. In particular, the comments collectively demonstrate that the following points are undisputed:

> The Report and Order shares the same purpose as the Commission's investigation - namely, access reform, including "the elimination of

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As used herein, "Verizon" includes MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services, MCI Communications Services, Inc. d/b/a Verizon Business Services and Cellco Partnership and its subsidiaries providing wireless services in the state of Ohio, collectively d/b/a Verizon Wireless.

Connect America Fund, WC Docket No. 01-90, et al., Report and Order and Further Notice of Proposed Rulemaking (Nov. 18, 2011), ¶¶ 933-975; 47 C.F.R. § 51.913(a) ("Report and Order").

- the implicit subsidies inherent in the disparity between interstate switched access rates and their intrastate counterparts ...";³
- The Report and Order is a "comprehensive overhaul,"⁴ in which "the FCC adopted an intercarrier compensation restructuring framework for both intrastate and interstate telecommunications traffic ...";⁵
- The Report and Order mandates certain reductions in Ohio intrastate switched access rates, with "the first step ... [being] to bring these intrastate terminating and transport rates to parity with interstate rates ...," thereby taking the "reform steps that were contemplated in Staff's Plan" in this docket and "set[ting] out a comprehensive plan that accomplishes the reforms that were contemplated by this Commission"; and

³ AT&T's Additional Supplemental Comments at 2.

⁴ Additional Supplemental Comments of Sprint Nextel ("Sprint Comments") at 2.

⁵ Comments of the MACC Coalition Regarding the Impact of the FCC's Report and Order ("MACC Comments") at 2. See also Additional Supplemental Comments of the Ohio Cable Telecommunications Association ("OCTA Comments") at 1; Additional Supplemental Comments of the Small Local Exchange Carriers Group ("SLEC Comments") at 5 (referring to the FCC "establishing a national framework for terminating intrastate and interstate switched access traffic").

⁶ AT&T's Additional Supplemental Comments at 2. As AT&T noted, under the Report and Order, "[e]ventually, all switched end office and reciprocal compensation rates will be bill and keep" *Id*.

⁷ See Initial Comments of United Telephone Company of Ohio d/b/a CenturyLink and CenturyTel of Ohio, Inc. d/b/a CenturyLink Concerning Impact of FCC's USF/ICC Transformation Order ("CenturyLink Comments") at 4. See also id. (noting that the FCC's Report and Order "reduces intrastate terminating access and transport rates to parity with interstate rates, thus appearing to be much like the Staff Plan").

⁸ Supplemental Comments of Cincinnati Bell Telephone Company LLC, Cincinnati Bell Extended Territories LLC, Cincinnati Bell Wireless, LLC and Cincinnati Bell Any Distance Inc. ("Cincinnati Bell Comments") at 2. See also MACC Comments at 2 (referring to Report and Order as a "comprehensive reform"); Initial Further Comments of Windstream Ohio, Inc. and Windstream Western Reserve, Inc. ("Windstream Comments") at 1 (indicating that the FCC Report and Order "largely addresses the issues that the Commission sought to address in this investigation").

• The Report and Order "permits LECs to replace lost intrastate access revenues" associated with the ordered rate reductions by establishing a framework under which "carriers will look first to their subscribers to cover the costs of the network," allowing carriers "to charge a limited monthly Access Recovery Charge ('ARC') ... to recover a portion of the lost intercarrier compensation revenue resulting from" the ordered rate reductions and then providing "explicit universal service support where necessary."

Under these circumstances, there is nothing more for the Commission to do in this docket. Indeed, as the Office of Ohio Consumers' Counsel ("OCC") cogently observed, "[t]he FCC's Report and Order ... would effectively render this proceeding moot." 13

The vast majority of commenting parties agree with OCC's assessment. For example, the MACC Coalition concluded that, "[e]ssentially, there is nothing outside the scope of the FCC's plan of reform that is left for the Commission to address through this proceeding." The Ohio Cable Telecommunications Association ("OCTA") concurs, noting that "the FCC has now fully

⁹ Cincinnati Bell Comments at 3.

¹⁰ CenturyLink Comments at 2. See also Report and Order at ¶ 34.

¹¹ CenturyLink Comments at 3. See also Frontier North Inc. and Frontier Communications of Michigan, Inc. Reply to Supplemental Initial Comments and Response ("Frontier Comments") at 2 (noting that the Report and Order "provides for a transition recovery mechanism for carriers in the form of an Access Recovery Charge (ARC)").

¹² CenturyLink Comments at 3. See also Cincinnati Bell Comments at 3-4 (indicating that, if ARC charges prove "insufficient to recover lost access revenues, the FCC Order provides for a federally funded recovery mechanism"); MACC Comments at 2-3.

¹³ Comments on the Impact of the FCC's Report and Order by the Office of the Ohio Consumers' Counsel ("OCC Comments") at 1. See also id. at 4 ("The FCC's Report and Order eliminates the need for this proceeding.").

¹⁴ MACC Comments at 3-4.

addressed the concerns raised by the incumbent local exchange companies ('ILECs') in this proceeding and detailed in the proposed Access Restructuring Plan, which includes the Access Reform Fund ('ARF')" and, "[a]s a result, the Plan and ARF are no longer necessary." Cincinnati Bell echoed that position, stating that, because the FCC comprehensively has addressed intrastate switched access reform, "[i]t is now unnecessary to implement the proposed Staff Plan or any variation thereof" In short, as Frontier succinctly summed up, "there is no longer a need for the Commission to consider access reform ... in this proceeding."

With the FCC's comprehensive plan in place, AT&T and other parties have joined Verizon in urging the Commission to shift its focus to implementing the Report and Order: "[t]he Commission's first priority should be the timely and accurate implementation of the ... rate reductions ordered by the FCC." 18

II. THE COMMISSION NEED NOT AND SHOULD NOT TAKE ANY FURTHER INDEPENDENT ACTION REGARDING INTRASTATE ACCESS REFORM, NOR ESTABLISH ANY STATE ACCESS REVENUE REPLACEMENT FUND.

Despite the comprehensive nature of the Report and Order, three commenting parties – CenturyLink, the SLEC Group and Sprint – contend that the Commission should take additional reform action here, although they disagree on the form of the additional action and the time frame in which it should be taken. But the Commission need not and should not take any such additional action.

¹⁶ Cincinnati Bell Comments at 2.

¹⁵ OCTA Comments at 1-2.

¹⁷ Frontier Comments at 2.

¹⁸ AT&T's Additional Supplemental Comments at 5. See also OCTA Comments at 7 (suggesting that the Commission instead "adopt processes to address the key role that the Commission is to play in implementing the FCC ... Order"); Windstream Comments at 1 ("Windstream respectfully suggests that the Commission terminate its investigation into intrastate carrier access reform so that all stakeholders can focus on the significant efforts required to implement the current reforms").

Sprint and the SLEC Group both appear to suggest that the Commission can and should require Ohio local exchange carriers to reduce their intrastate switched access rates more quickly than contemplated by the FCC. More specifically, while the Report and Order contemplates a transitional reduction of terminating intrastate access rates, starting with requiring carriers to reduce the difference between their current intrastate and interstate terminating rates for traditional access traffic by 50% on July 1, 2012, 19 Sprint and the SLECs indicate that — in line with the original Staff plan in this docket — all Ohio intrastate access rates should be brought into parity with interstate rates immediately. 20 Although Verizon, in earlier comments in this docket, supported an immediate alignment of interstate and intrastate access rates as advocated by the Staff, Verizon recognizes that — despite the slightly longer transitional period — the FCC's approach is consistent with the ultimate objective of this aspect of the Staff plan.

As CenturyLink notes, the Report and Order "reduces intrastate terminating access and transport rates to parity with interstate rates, thus appearing to be much like the Staff Plan," albeit with a slightly longer transitional period. Other commentators make this same point, *i.e.*, the FCC's "reduction of intrastate access rates to mirror interstate rates is ... not all that different from what was proposed in the Staff plan." As noted above, the FCC's reduction of intrastate terminating rates represents part of "a comprehensive plan that accomplishes the reforms that

¹⁹ As discussed below, the Report and Order required that – absent an agreement between the parties – intrastate toll "VoIP-PSTN" traffic would be billed at interstate rates, effective January 1, 2012. See FN 46, infra.

²⁰ See SLEC Comments at 8-9; Sprint Comments at 3.

²¹ CenturyLink Comments at 4.

²² Cincinnati Bell Comments at 3.

were contemplated by this Commission,"²³ even if the timing is somewhat different than Staff originally proposed and other parties, including Verizon, would have preferred.²⁴ Thus, Verizon has no objection in this case to the slightly longer transition period contemplated by the FCC's Report and Order, particularly when the FCC has established a uniform framework and transition period across the different states. Accordingly, Verizon joins the remaining parties in this docket in advising the Commission not to take any additional steps with respect to intrastate access rate reductions here.

Despite its comment that the Report and Order is much like the Staff plan in terms of creating parity between interstate and intrastate access rates, CenturyLink nevertheless "endorses eventually moving forward in this docket after the FCC has substantially reviewed all issues regarding intercarrier compensation reform...," including with respect to establishing a state fund to replace revenue reductions associated with the ordered access rate reductions. The SLEC group agrees to an extent, contending that the Commission should proceed with the new state "Access Recovery Fund" originally proposed by Staff, although the SLECs argue that fund should be established immediately. For its part, Sprint urges the Commission to reject the proposed ARF or any similar fund. 28

²³ Id. at 2. See also MACC Comments at 3 (referring to "comprehensive, national reform put forth by the FCC") and 3-4 (concluding that "there is nothing outside the scope of the FCC's plan of reform that is left for the Commission to address through this proceeding").

²⁴ As the SLECs and CenturyLink acknowledge, originating access reductions are the subject of a further, pending rulemaking proceeding before the FCC. See SLEC Comments at 8 n. 29; CenturyLink Comments at 5. In its Further Notice of Proposed Rulemaking regarding originating access charges, the FCC indicated that originating access charges ultimately will be eliminated, as well. See Report and Order ¶ 1298; SLEC Comments at 8 n. 29.

²⁵ CenturyLink Comments at 1.

²⁶ *Id.* at 4-5.

²⁷ SLEC Comments at 9-14.

²⁸ Sprint Comments at 5.

In fact, there is no need for any examination into state funding for access charge reductions. As CenturyLink acknowledges, the Report and Order is intended to ensure that "carriers will look first to their subscribers to cover the costs of the network," and allows carriers "to charge a limited monthly Access Recovery Charge ('ARC') ... to recover a portion of the lost intercarrier compensation revenue resulting from" the ordered intrastate access charge reductions³⁰ and provides for "explicit universal service support where necessary." The SLECs likewise acknowledge that the Report and Order "fundamentally alters the current federal support mechanisms" and, among other things, "establishes a new Connect America Fund ('CAF')" and "establishes a new Access Recovery Charge ('ARC')" through which local exchange carriers can recoup revenue losses associated with access charge reductions.³² However, both CenturyLink and the SLECs insist that the ARF is still necessary to provide additional monies to them and other Ohio carriers on top of the recovery mechanisms established by the FCC.³³ However, as Verizon explained in its initial comments, the ARF was never necessary in the first place - and certainly should not be adopted now that the FCC has established explicit recovery mechanisms for revenue reductions associated with intrastate switched access rate reductions.34

The Report and Order properly recognizes that carriers should look first to their own end users to recover their costs, to be supplemented where necessary with limited explicit federal

²⁹ CenturyLink Comments at 2.

³⁰ *Id.* at 3.

³¹ *Id*.

³² SLEC Comments at 9.

³³ CenturyLink Comments at 4-5; SLEC Comments at 9-14.

³⁴ See Comments of Verizon Regarding the Impact of the FCC's Order on This Proceeding at 3-4.

funding mechanisms. But, there is no need to guarantee carriers like CenturyLink and the SLECs a guaranteed revenue stream from **both** the comprehensive federal funding mechanisms **and** an additional state fund as the result of the same intrastate rate reductions.

The other commenting parties echo that view. For example, OCTA observed that:

The record in this proceeding has already established that the ARF is not necessary, but more important, the intercarrier compensation plan that has been enacted by the FCC and its revenue replacement fund address each of the purposes of the Plan indicated as necessary by the staff The intercarrier compensation plan adopted in the FCC ICC/USF Order, thus, eliminates the need to move forward with the Plan or ARF.³⁵

Similarly, Cincinnati Bell explained that "[t]he federal cost recovery mechanism makes it unnecessary to create a parallel state funding mechanism," while Frontier concluded that, "[b]y adopting a standardized, national terminating access transition plan with a cost recovery included, the FCC has relieved the state commissions of the need to establish a separate, duplicative universal service fund"

As the MACC Coalition pointed out, "[n]owhere in the FCC's discussion of its undertaking of intercarrier compensation reform does it indicate that the adoption of a state-specific fund for keeping LECs revenue neutral in the face of access charge reform would be in any way consistent with this comprehensive, national reform." Sprint shared that view, noting that:

[T]here is nothing in the Report and Order that requires states to replace through state funding mechanisms any funds subject to the federal reform. On the contrary, the lost intercarrier compensation revenues are replaced

³⁵ OCTA Comments at 2. See also id. at 4.

³⁶ Cincinnati Bell Comments at 4.

³⁷ Frontier Comments at 3.

³⁸ MACC Comments at 3. See also id. at 4 ("it is apparent that Staff's proposed ARF is inconsistent with the FCC's vision of access charge reform").

with a federal access replacement charge ("ARC") and funds from the CAF. Creating an ARF in Ohio would contradict the FCC's plainly expressed policy ... and ... there is no need to burden Ohio consumers with an additional new tax.³⁹

Nor is there anything in Ohio law that would require a state fund, as S.B. 162 does not require any revenue replacement mechanism as a result of action by the FCC, rather than by the Commission.⁴⁰ In other words, as OCC explained, whatever revenue neutrality requirement might exist in Ohio law "arises only if this Commission reduces carriers' access rates." But, because the rate reduction here "was taken by the FCC and not the PUCO, [any revenue neutrality requirement] does not apply." Instead, "the FCC gave companies recourse through a federal funding mechanism."

Plainly, these comments confirm that "there is no legal or policy reason for the Commission to act now that the FCC has laid out a comprehensive reform plan. And there is no reason to undertake the cost or burden of creating and administering an ARF for whatever small cost recovery" – if any – that "might be left to ILECs beyond what would be afforded by the federal funding mechanism." Quite simply, "the PUCO should not and need not do anything at this time in this proceeding."

³⁹ Sprint Comments at 4 (footnote omitted).

⁴⁰ See Cincinnati Bell Comments at 4.

⁴¹ OCC Comments at 1-2.

⁴² *Id.* at 2.

⁴³ *Id*, at 4.

⁴⁴ Cincinnati Bell Comments at 2. See also MACC Comments at 4 ("Certainly there is nothing that would call for the implementation of an ARF.").

⁴⁵ OCC Comments at 2.

III. THE COMMISSION SHOULD FOCUS ON IMPLEMENTATION OF THE FCC REPORT AND ORDER.

Rather than pursuing access reform that the FCC already has undertaken, the Commission should devote its efforts to implementing the Report and Order and ensuring compliance with the FCC's new intercarrier compensation scheme.⁴⁶

In particular, AT&T notes that, as part of the FCC mandated transition of intrastate rates to interstate levels, Ohio carriers that do not already have parity between their intrastate and interstate rates will need to file revised intrastate rates to be effective on July 1, 2012.⁴⁷ In view of the number of tariff filings that requirement is likely to spark, AT&T suggests that the normal 30-day filing interval may not be sufficient in these circumstances. Thus, AT&T recommends that: (1) the Commission establish a specific process for filing those revised access tariffs, identifying the information that must be included and establishing the necessary procedures in advance so as to ensure that the Commission and interested parties are able to conduct a sufficient review prior to the July 1 effective date; and (2) each carrier's revised rates should become effective automatically on July 1 for billing purposes, even if they have not formally been approved, with any necessary true-up following completion of the Commission's review.

OCTA makes a similar point, recognizing the important role the Commission will play in overseeing the tariff filings Ohio carriers will make pursuant to the FCC Report and Order and recommending that the Commission "establish a process ... for its review [of those tariff filings],

⁴⁶ In this regard, Commission Staff continues to review tariff revisions intended to implement the FCC's VoIP-PSTN intercarrier compensation regime that took effect on January 1 and seek changes in tariffs that do not comply with the FCC's framework. Soon, the Commission will need to address scores of additional tariff revisions implementing the first of the FCC's mandatory reductions of terminating access rates for traditional traffic, which will take effect on July 1, 2012.

⁴⁷ AT&T's Additional Supplemental Comments at 3.

the process to correct filings that are not consistent with the FCC ... Order, and a means to allow others to challenge a filing as not being consistent with the FCC ... Order."48

As Windstream noted, there is no need to continue this docket in order to establish that process. Rather, Windstream recommends terminating the Commission's investigation⁴⁹ and allowing the "limited resources" of its company, the Commission, and others to be "focused on the many activities required to begin the transition to the bill-and-keep compensation regime established in the [FCC] Order."⁵⁰

Verizon agrees that the Commission should focus its efforts on how to implement the Report and Order, including establishing a process for reviewing and entertaining challenges to tariff filings made by Ohio carriers seeking to comply with the Report and Order. Such implementation details need not be a part of this docket, however, and can be established separately by the Commission. For example, the Commission can issue an order spelling out instructions for when Ohio local exchange carriers should file their tariffs and what information should be contained in or submitted with those tariffs in order to demonstrate that the proposed new rates are correct (e.g., the calculations underlying the new rates). The order also could detail the timing and process by which objections should be made to those tariffs. Given the volume of tariffs involved, the Commission should allow additional time for objections to and/or Commission review of each filing.

⁴⁸ OCTA Comments at 5.

⁴⁹ Windstream Comments at 3.

⁵⁰ Id. at 2.

IV. CONCLUSION.

As set forth above and in Verizon's initial comments, the Report and Order represents a comprehensive solution for access charge reform, such that no further Commission action is necessary. As other commenting parties agree, "[t]here is no reason for the Commission to independently order access charge reductions that will already occur under the FCC Order and no need to create a complex and expensive state access recovery fund." Accordingly, the Commission should reject the proposed ARF and formally close this docket, so that the Commission and Ohio carriers instead can focus their resources on adhering to and implementing the comprehensive access reform regime and recovery mechanisms set forth in the FCC Report and Order.

Respectfully submitted on February 24, 2012.

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⁵¹ Cincinnati Bell Comments at 5.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served upon the following parties by first class US mail, postage prepaid, and by electronic mail this 24th day of February 2012.

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