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April 19, 2012

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

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**Re:** *Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers, and the Pennsylvania Universal Service Fund; Docket No. I-00040105*  
and  
*AT&T Communications of Pennsylvania, LLC et al v. Armstrong Telephone Company – Pennsylvania, et al; Docket Nos. C-2009 – 2098380 et al*

Dear Secretary Chiavetta:

Enclosed please find Sprint's consolidated Answer to the Updated Petition for Reconsideration and Stay of the Pennsylvania Telephone Association and The United Telephone Company of Pennsylvania and the Petition for Reconsideration of AT&T in the above-captioned matter. Please note that Sprint's Answer contains confidential information, and accordingly, both public and confidential versions of the Answer are being submitted for filing.

Copies of the Answer have been served in accordance with the Certificate of Service. Thank you and please contact me if you have any questions.

Best regards,

STEVENS & LEE

*Michael A. Guin / KDD*

Michael A. Guin

Enclosures

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Secretary Chiavetta  
April 19, 2012  
Page 2

cc: Honorable Robert F. Powelson, Chairman  
Honorable John F. Coleman, Jr., Vice-Chairman  
Honorable James H. Cawley, Commissioner  
Honorable Wayne E. Gardner, Commissioner  
Honorable Pamela A. Witmer, Commissioner  
Cheryl Walker-Davis, Director, Office of Special Assistants  
Certificate of Service

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation Regarding Intrastate Access :  
Charges and IntraLATA Toll Rates of :  
Rural Carriers, and the Pennsylvania :  
Universal Service Fund :

Docket No. I-00040105

AT&T Communications of :  
Pennsylvania, LLC :  
Complainant :

v. :

Docket No. C-2009-2098380, et al.

Armstrong Telephone Company - :  
Pennsylvania, et al. :  
Respondents :

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**ANSWER TO UPDATED PETITIONS FOR RECONSIDERATION  
\*PUBLIC VERSION\***

On March 20, 2012, an Opinion and Order was entered by the Pennsylvania Public Utility Commission (“Commission”) in the above referenced docket (the “July 2011 Order”) authorizing Petitions for Reconsideration, and Answers thereto, to be filed by litigants in response to an Order issued by the Federal Communications Commission (“FCC”) on November 18, 2011.<sup>1</sup> This Answer to Updated Petitions for Reconsideration is filed by Sprint<sup>2</sup> in response to the Petitions for Reconsideration filed by AT&T and the Pennsylvania Telephone Association/Centurylink (“PTA”). To their credit, both PTA and AT&T largely support prompt implementation of the CAF Order, and Sprint is in agreement with much of the sentiment

<sup>1</sup> See Report and Order and Further Notice of Proposed Rulemaking, *In the Matter of Connect America Fund; A National Broadband Plan for our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, 2011 FCC Lexis 4859 (Rel., November 18, 2011)(“CAF Order”).

<sup>2</sup> Sprint Communications Company L.P., Sprint Spectrum L.P., Nextel Communications of the Mid-Atlantic, Inc., and NPCR, Inc. are collectively referred to as “Sprint.”

expressed by both parties. Nevertheless, Sprint herein responds to the Petitions for Reconsideration filed by AT&T and PTA. Sprint also submits the Verified Statement of James A. Appleby in support of its Answer.

**1. Whether the substance and the time frame of the FCC's intercarrier compensation reforms should totally or partially replace the Commission's intrastate carrier access charge reform directives contained in our *July 2011 Order*.**

The Commission's directives regarding reform of *terminating* access charges have been completely superseded by the CAF Order. The July 2011 Order falls far short of the two-year, two-step implementation of mirroring interstate terminating access rates required under the CAF Order. The CAF Order permits, even welcomes, state implemented reform that achieves interstate mirroring of terminating intrastate switched access rates in advance of the CAF Order timeline, but such is not the case with the Commission's July 2011 Order. Thus, the Commission's approach to intrastate switched access reform for terminating traffic is necessarily superseded in full by the FCC's approach, and the parties appear to be in full agreement on this point.

Nevertheless, The CAF Order expressly preserves the authority of the states to implement rate reductions not addressed by the CAF Order.<sup>3</sup> Accordingly, Sprint encourages the Commission to take action to reform originating switched access charges – an issue the FCC has announced its intention to address at a later date. The Commission has already indicated its willingness to address originating switched access reform. Indeed, the July 2011 Order required each RLEC's intrastate originating access rates, except the carrier charge, to mirror its interstate rates. The carrier charge was to be transitioned to \$2.50, a reduction Sprint and others opposed as inadequate. Reviewed today, with the FCC's CAF Order appropriately addressing terminating

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<sup>3</sup> CAF Order at ¶ 816, fn. 1542.

access charges, Sprint believes the Commission's carrier charge reductions should be retained or expanded to the extent they reflect a procompetitive reduction to originating access charges.

Since the CAF Order reduces considerably the breadth of the access reforms over which the Commission retains jurisdiction, the Commission should focus on reforming originating intrastate access rates and the carrier charge. The Commission's reform task is simplified since it need only address revenue neutral access reductions in the context of originating access charges. Sprint proposes the Commission modify the approach it took to originating intrastate access rate reform in the July 2011 Order, and promotes a different approach than that advocated by AT&T.

Sprint proposes that RLECs' carrier charge rates should be reduced further than the \$2.50 rate level originally ordered. In most cases the RLECs can eliminate the carrier charge by implementing corresponding local rate increases, and can do so without causing total end user charges, both state and federal, to exceed the \$30 residential rate ceiling the FCC established in the CAF Order. Each RLEC's cap on its local service rate for residential service should be increased (with a corresponding downward adjustment of the carrier charge) to the lesser of:

RLEC's current residential local service rate

Plus: carrier charge per line per month

Plus: the revenue difference between intrastate originating access demand at intrastate rate levels and interstate rate levels

OR

\$30 (FCC Residential Rate Ceiling)

Minus: RLEC's projected ARC at the end of the terminating access rate transition

Minus: the RLEC's residential Subscriber Line Charge (SLC)

Minus: the Telephone Relay Service (TRS) surcharge

Minus: E-911 surcharge

This approach ensures the largest possible reduction to originating access rates without increasing local rates to the point where the FCC's new end user charge, the Access Recovery Charge (ARC), is limited by the \$30 residential rate ceiling. Sprint's proposal ensures residential end users are not impacted by basic local service rates higher than those contemplated in the July 2011 Order. Sprint's proposal also avoids impacting the level of the RLECs' ARC.

- 2. Will there be cross-effects on various regulated telecommunications carriers with intrastate operations in Pennsylvania and their end-user consumers if the Commission proceeds with the implementation of its *July 2011 Order* while the FCC's directives in the CAF Order are also coming into effect?**
  - a. Can or will the implementation of the *July 2011 Order* have cross-effects with the FCC's mechanisms of Eligible Recovery and potentially available federal CAF support and over what time frame?**
  - b. Can or will the implementation of the July 18, 2011 Order in conjunction with the FCC Order directives have potential cross-effects for end-user consumers of intrastate regulated retail telecommunications services and over what time frame?**

As discussed above, the FCC's CAF Order has fully preempted the July 2011 Order with regards to terminating access. The Commission should, nevertheless, implement originating access reform as described above. The record in this docket is replete with evidence describing the net-positive impacts accruing to consumers from access reductions (indeed, such positive impacts are discussed in the CAF Order and in the Commission's Orders and Recommended Decisions in this and other dockets as well), and those positive effects will flow from implementation of originating access reform. As Sprint has cautioned the Commission before, delaying implementation of access reform is merely a formula for ensuring that such reform will be ordered by the FCC on its dictated terms rather than on terms dictated by the Commission.

Implementing Sprint's above described proposal will avoid the cross-effects described in the question, will have procompetitive effects, and will ensure that originating access reform in Pennsylvania occurs on a trajectory set by the Commission.

**3. Will the FCC's adoption of a Residential Rate Ceiling for purposes of the federal Eligible Recovery mechanism and associated CAF support distributions have any cross-effects on the Commission's findings regarding the adopted \$23 per month benchmark rate in the *July 2011 Order*?**

To the extent Pennsylvania law requires that access reductions ordered by the Commission be revenue neutral,<sup>4</sup> the Commission should be careful to preserve sufficient flexibility in local rates to ensure that it will be able to accomplish originating access reform without having local rates increase to a level that impacts the federal eligible recovery mechanisms described in the CAF Order. Sprint has proposed above an approach to originating access reform that can be accomplished without local rate increases that have such an impact.

**4. How will the Pennsylvania ILECs that have alternative regulation and network modernization plans (NMPs) in place under Chapter 30 of the Public Utility Code, 66 Pa. C.S. §§ 3011 *et seq.*, be affected by the implementation of the FCC's intercarrier compensation reforms?**

**Will they be able to seek intrastate rate relief of any type beyond the levels provided under the FCC's Eligible Recovery mechanism and associated federal CAF support?**

- a. **The continuous applicability of the Commission's directives that the mandated intrastate switched carrier access charge reform and the associated "revenue neutral rate rebalancing called for in this Opinion and Order does not implicate the RLECs' various Chapter 30 exogenous event provisions." *July 2011 Order*, at 141.**
- b. **The legal and technical interaction between the FCC's intercarrier compensation reforms, the "revenue neutrality" mandated for ILEC intrastate carrier access reforms under Section 3017(a) of Chapter 30, 66 Pa. C.S. § 3017(a), the rural ILEC Chapter 30 NMPs, and Section 3019(h) of Chapter 30, 66 Pa. C.S. § 3019(h).**

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<sup>4</sup> See 66 Pa. C.S. § 3017(a).

- c. Whether implementation of the contemplated federal ARC by any Pennsylvania Chapter 30 rural ILEC could lead to the permissible creation of revenues that would become part of the intrastate regulated services revenue pool that is utilized in the ILECs' annual price stability mechanism and price cap formula submissions under Section 3015 of Chapter 30, 66 Pa. C.S. § 3015(a)(1)(iii).**

The CAF Order provides recovery mechanisms for the rate reductions that it implements. The FCC also provided a mechanism for carriers to establish that their recovery under the CAF Order's recovery mechanisms is insufficient to allow them a reasonable return on their investment. To the extent the CAF Order creates a uniform national plan the Commission is not at liberty to create exceptions to that plan in Pennsylvania – to do so would defeat the purpose of having a single, national plan. Furthermore, if carriers impacted by the CAF Order seek additional revenue due to any claimed deficiency their avenue for such recovery is through the aforementioned mechanism before the FCC, not by seeking additional recovery in the states. The FCC specifically tasked the states with protecting against such windfalls or double recovery, and did not empower them to provide revenue offsets available to carriers via petition to the FCC. The Commission should focus on the task of avoiding windfalls and double recovery, and in doing so should recognize that it is not the appropriate forum for any revenue offsets occasioned by the FCC's CAF Order reforms.<sup>5</sup> Only to the extent that the Commission implements reform above and beyond the level required under the CAF Order, such as the originating access reforms suggested above, is it at liberty to implement further recovery.<sup>6</sup> At present, the CAF Order is effective and no party – including the Commission – has requested it be stayed. Accordingly, the access reductions required by the CAF Order must be implemented, are not discretionary, and already provide for adequate revenue recovery.

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<sup>5</sup> CAF Order at ¶ 813.

<sup>6</sup> CAF Order at ¶ 816.



As pertains to the “revenue neutral” access reductions required by Pennsylvania law,<sup>7</sup> that statute is wholly and completely inapplicable as the law only prohibits *the Commission itself* from implementing access reductions that are not revenue neutral. The law is entirely silent on access reductions accomplished by some other jurisdictional body. Furthermore, the CAF Order provides revenue replacement, so it is consistent with the intent behind Section 3017(a). Similarly, Section 3019(h) is by its own terms limited to conflicts with Pennsylvania law, not federal law, so it is inapplicable.<sup>8</sup>

Finally, the ARC is a charge implemented by order of the FCC and must be accounted as interstate revenue.

#### CONCLUSION

WHEREFORE, for those reasons described herein, Sprint respectfully requests that the Commission either modify its July 2011 Order to harmonize with and reflect the access reform implemented in the CAF Order or stay the July 2011 Order indefinitely, and implement reform of originating intrastate switched access rates in a manner consistent with the proposal described herein.

Respectfully submitted this 19th day of April, 2012.



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<sup>7</sup> 66 Pa. C.S. § 3017(a).

<sup>8</sup> 66 Pa. C.S. § 3019(h).

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BEFORE THE  
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Investigation Regarding Intrastate Access	:	
Charges and IntraLATA Toll Rates of	:	
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Universal Service Fund	:	
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Pennsylvania, LLC	:	
Complainant	:	
	:	
v.	:	Docket No. C-2009-2098380, <i>et al.</i>
	:	
Armstrong Telephone Company -	:	
Pennsylvania, et al.	:	
Respondents	:	

**Verified Statement of James A. Appleby on behalf of  
Sprint Communications Company L.P.  
Sprint Spectrum L.P.  
Nextel Communications of the Mid-Atlantic, Inc.  
NPCR, Inc.**

On March 20, 2012, an Opinion and Order was entered by the Pennsylvania Public Utility Commission ("Commission") in the above referenced docket authorizing Petitions for Reconsideration, and Replies thereto, to be filed by litigants in light of certain actions taken by the Federal Communications Commission ("FCC"). This Verified Statement is provided in support of the Reply to Petitions for Reconsideration filed by Sprint.<sup>1</sup>

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<sup>1</sup> Sprint Communications Company L.P., Sprint Spectrum L.P., Nextel Communications of the Mid-Atlantic, Inc., and NPCR, Inc. are collectively referred to as "Sprint."

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**The July 2011 Order Should be Modified to Harmonize Access Reform with the  
FCC's Connect America Fund Order**

To create a fully competitive telecommunications market, reform of the intercarrier compensation system is essential. The Commission recognized that in its July 2011 Order in the instant docket and the FCC also recognized that in its November 18, 2011 CAF Order.<sup>2</sup> Each took a slightly different approach to reform but both plans would foster the continuing development of competition in Pennsylvania.

The Commission seeks input on how the FCC's CAF Order effects the Commission's July 2011 Order. The two orders can be harmonized to move the reform of the intercarrier compensation system forward quickly to the benefit of Pennsylvania consumers and businesses. By implementing the provisions of the FCC's CAF Order and by modifying the Commission's July 2011 Order to reflect the changes the FCC has adopted, reform of the intercarrier compensation system can proceed through a jointly authorized multi-jurisdictional mechanism.

**FCC's CAF Order Addresses Terminating Intercarrier Compensation and  
Alternative Recovery of Those Revenues**

The FCC's CAF Order implements an overhaul of the intercarrier compensation system by phasing out the antiquated access charge regime, both intrastate and interstate, in favor of a reciprocal compensation regime in accordance within Section 251(b)(5) of the Telecommunications Act. The CAF Order establishes a rate transition for terminating

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<sup>2</sup> Report and Order and Further Notice of Proposed Rulemaking, *In the Matter of Connect America Fund; A National Broadband Plan for our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, 2011 FCC Lexis 4859 (Rel., November 18, 2011)(“CAF Order”).

end office, intrastate and interstate access and reciprocal compensation, as well as certain terminating transport rates.<sup>3</sup> All of these terminating compensation rates are to be transitioned to Bill and Keep over a multi-year plan<sup>4</sup>. The CAF Order establishes alternative recovery mechanisms sufficient to allow Incumbent Local Exchange Carriers (“ILECs”) to earn a reasonable return on their investment.<sup>5</sup> The FCC established a “Total Cost and Earnings Review” through which an ILEC may petition the FCC and seek to rebut the presumption that it can earn a reasonable return on investment and request additional support.<sup>6</sup> The FCC has fully addressed reform of terminating intrastate access charges, and the rulings in the Commission’s July 2011 Order that addressed the RLEC’s terminating intrastate access rates are no longer necessary. Those aspects of the July 2011 Order should be stayed at a minimum, and as explained below should be modified to reflect reform in line with the FCC’s CAF Order.

**Commission Support of the Implementation of the FCC Intrastate Rate Transition  
is Essential**

To support the intercarrier compensation reform transition plan the FCC has ordered, each state Commission has been tasked with monitoring carriers’ compliance with new rules. The Pennsylvania Commission should undertake the following steps to ensure LECs’ compliance with the FCC’s intrastate rate transition.

On July 1, 2012, each LEC is required to begin the transition of its terminating intrastate switched access rates for end office and transport to the corresponding interstate

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<sup>3</sup> CAF Order at ¶ 801.

<sup>4</sup> Federal Price cap ILECs and rate of return ILECs are addressed under two different transition plans.

<sup>5</sup> CAF Order at ¶ 924.

<sup>6</sup> *Id.*

rate levels. On that date, intrastate access revenues are to be reduced one-half of the revenue difference between current intrastate revenues and the revenues that would be generated if the rates were set equal to the corresponding interstate rate level.<sup>7</sup> LECs are then permitted to recover portions of the revenue reduction from end-users in the form of an Access Recovery Charge (ARC) and from FCC CAF universal service support. It is essential that each LEC demonstrate that the rate changes eliminate fully 50% of the revenue difference. The LECs should also be required to quantify the access revenue reduction that is shifted to other recovery mechanisms. Such a quantification of the revenue shift is necessary in order for the Commission and the FCC to ensure carriers are not taking actions that could enable a windfall and/or double recovery.<sup>8</sup>

It is also important that the Commission ensure LECs are not shifting recovery for reductions in terminating rates to originating rates that are capped by the CAF Order as of the effective date of the CAF Order.

**FCC's CAF Order Doesn't Include a Rate Transition of Originating Access at this Time and Does Not Preclude State Reform of Originating Access Rates**

As discussed above, in the CAF Order the FCC has brought all intercarrier compensation within Section 251 of the Telecom Act, including originating access. The FCC has also defined "Bill and Keep" as the end state for all intercarrier compensation.<sup>9</sup> Although the CAF Order mandates a rate transition to Bill and Keep for most terminating

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<sup>7</sup> If the rate of an intrastate switched access element was below the corresponding interstate rate level on December 29, 2011, that rate is capped and must remain at that current level through July 1, 2013 and then move in line with the further reductions to reciprocal compensation rates.

<sup>8</sup> See e.g. Order, *In the Matter of the Motion by Joint Movants AT&T Communications of New Jersey, Rate Counsel and Sprint Requesting the Board Suspend and Investigate CenturyLink's Phase II Access Rate*, Docket No. TO11020064 (New Jersey Board of Public Utilities May 16, 2011)(finding that CenturyLink's methodology for implementing access reductions was inappropriate).

<sup>9</sup> CAF Order, ¶ 741

charges, the CAF Order does not change the existing rate levels for originating access charges. Instead, the FCC solicited comments in its further notice of proposed rulemaking (FNPRM). It is unclear if or when the FCC will proceed with further reform that addressed originating intrastate and interstate charges. But the FCC was clear that it was not its intent to preclude state actions that reform originating intrastate access rates.<sup>10</sup>

**The Reform of the RLEC Originating Access Rates Established in the July 2011  
Order should be Modified to Compliment the FCC CAF Order Reforms**

Sprint has consistently voiced its belief that intrastate switched access rates including originating rates should be reformed. Sprint has stated the incremental cost of carrying a minute of voice traffic on a modern broadband network approaches zero. The FCC's decision in the CAF Order to set bill and keep as the end point for voice traffic exchange supports our position. Sprint's support of reforming access charges has only wavered in instances where a particular "reform" plan would result in a mere shifting of high carrier switched access rates to another carrier-to-carrier mechanism, such as a state USF, because such "reform" would simply continue burdening other providers and their customers. Shifting excessive charges from one form to another solves nothing.

In the July 2011 Order, the Commission signaled its willingness to reform originating access rates in conjunction with local service rate increases and without additional state universal service funding. The cap on residential and single line business

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<sup>10</sup> CAF Order, ¶816, fn 1542 ("To the extent that states have established rate reduction transitions for rate elements not reduced in this Order, nothing in this Order impacts such transitions. *See, e.g.*, Letter from John R. Liskey, Executive Director, MITA, to Marlene H. Dortch, Secretary, FCC, CC Docket Nos. 01-92, 96-45, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51 at 2 (filed Oct. 17, 2011). Nor does this Order prevent states from reducing rates on a faster transition provided that states provide any additional recovery support that may be needed as a result of a faster transition.").

local service rates was increased from \$18 to \$23. The intrastate originating access rates of each of the RLECs were to be transitioned to mirror the RLEC's interstate rates with the exception of the carrier charge which was to be transitioned to \$2.50. All of these rate changes are consistent with the FCC's plan to transition originating access rates to bill and keep. These changes in the original July 2011 Order should be retained.

In addition, the FCC's CAF Order has provided the Commission with further opportunity to extend the reform of RLEC intrastate originating access rates. The FCC's CAF Order greatly diminishes the magnitude of the access reform the Commission must address within the Pennsylvania jurisdiction. Since the FCC's CAF Order sets the transition for terminating intrastate rates, the Commission can limit its reform to originating intrastate access rates (including the originating portion of the "carrier charge"). Reform of only originating access rates decreases the access revenues that are replaced and the corresponding increase in the local service rates required by Pennsylvania law is much smaller.

Sprint proposes several modifications to the originating intrastate access rate reform the Commission mandated in the July 2011 Order. The RLECs carrier charge rates can be reduced further than the \$2.50 rate level originally ordered and in most cases the RLECs can eliminate the carrier charge with corresponding local rate increases, without causing total end user charges, both state and federal, to exceed the \$30 residential rate ceiling the FCC established in the CAF Order. Each RLEC's local service rate for residential service should be capped at the lesser of:

RLEC's current residential local service rate

Plus: carrier charge per line per month



Plus: the revenue difference between intrastate originating access demand at intrastate rate levels and interstate rate levels

Or

\$30 (FCC Residential Rate Ceiling)

Minus: RLEC's projected ARC at the end of the terminating access rate transition

Minus: the RLEC's residential Subscriber Line Charge (SLC)

Minus: the Telephone Relay Service (TRS) surcharge

Minus: E-911 surcharge

By limiting the residential local service rate to the lesser of those two results, originating intrastate access rates are reduced by the greatest amount possible but the local service rates do not increase to the point where the FCC's new end user charge, the Access Recovery Charge (ARC), is limited by the \$30 residential rate ceiling.

This plan also will not burden residential end users with higher end user rates than those contemplated in the July 2011 Order. That order permitted local service rates of \$23.00 added to the prevailing \$6.50 SLC, \$1.25 E-911 surcharge and TRS surcharge of \$.08, so the total end user charges under the July 2011 Order could have been as high as approximately \$30.83. Sprint's proposal, by design, caps the total end user charge at \$30.00. Further, Sprint's proposal does not change the level of the RLEC's ARC that is created by the FCC's CAF Order. If the local rate is permitted to increase beyond the level in Sprint's proposal, excess access charges that would have been recovered by the RLEC's ARC would shift to the FCC's new CAF. In summary, Sprint proposal reforms RLEC originating access rates more than the original July 2011 Order without causing

higher end user rates or resulting in greater access charge recovery shifting to the FCC's CAF.

**Originating Rate Transition and Corresponding Local Rate Increase Should  
Occur over two Steps on 7-1-12 and 7-1-13**

The vast majority of intrastate terminating access charge reform will occur in the first two years of the FCC's rate transition plan. In the FCC plan, rate parity for terminating access charges is reached in two steps on July 1, 2012 and July 1, 2013. Sprint recommends originating access rates should also reach parity in two steps on July 1, 2012 and July 1, 2013. AT&T's plan is slightly different from Sprint's plan. AT&T estimates the shift for the largest RLECs will not exceed **[Begin Proprietary]** **[End Proprietary]** per line.<sup>11</sup>

Sprint's proposal and the AT&T proposal diverge in one aspect. Under AT&T's proposal RLEC originating access rates will reach rate parity no matter what the resulting local service rate becomes. Sprint's proposal only reduces originating access rates for each RLEC to the point at or below which the local service rate does not cause the RLEC's ARC to be limited by the FCC's residential rate ceiling.

**Rate Parity for RLEC Originating Access Rates Is Important**

Reducing RLECs' originating intrastate switched access rates to parity with originating interstate switched access rates is yet another step in the transition of access rates. The FCC has signaled that originating access rates will eventually come under the

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<sup>11</sup> Update Petition for Reconsideration and Comments of AT&T in Response to Commission's Opinion and Order Entered March 20, 2012, Proprietary Exhibit A

reciprocal compensation framework. In the meantime, mirroring originating intrastate and interstate rates has several advantages. First, the FCC set the current interstate rate level as the rate cap for VoIP-PSTN toll traffic exchanged in TDM format. This traffic classification applies to originating and terminating access charges. If the rate of originating access is the same for intrastate and interstate, disputes about whether traffic is VoIP-PSTN toll traffic is eliminated. All traffic VoIP or TDM traffic would be treated the same, reducing administration costs on all providers by simplifying the billing processes and eliminating many disputes. Second, the rate for originating access would be moving closer to the cost of handling the traffic to the benefit of consumers.

**Increasing the \$18 Local Service Rate Cap is only Necessary if Reform of the RLEC's Originating Intrastate Access Charges Occurs**

The RLECs state “The July 18, 2011 Rural Access Investigation Order must be stayed in its entirety with the exception of lifting the Commission-imposed caps on retail rates of the RLECs ...”<sup>12</sup> The RLECs suggest the local rate cap needs to increase because of some of the changes in the CAF Order. They state “... the *Connect America Fund Order* imposes restrictions, reductions and/or modifications to existing and proposed support mechanisms, all of which will place further pressure on local rates.”<sup>13</sup> As we have discussed above, the CAF Order provides alternative recovery for all of the changes it authorizes. If the ILECs disagree, the Commission has established a needs test.

Accordingly, it is inappropriate for the RLECs to suggest they need to increase their local rates to offset FCC imposed USF and ICC reform. The Commission need not create an

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<sup>12</sup> Joint Petition for Reconsideration and Stay of the Pennsylvania telephone Association and CenturyLink – April 9, 2012, Page 10, ¶23.

<sup>13</sup> *Id.* at page 16, ¶44.

alternative recovery mechanism for the reforms the authorized under the CAF Order. To do so would simply create a double-recovery benefiting the RLECs at the expense of consumers, a result the FCC has sought assistance from the states in order to prevent.<sup>14</sup>

The Commission approved an increase in the local rate cap within the July 2011 Order to facilitate the reform of access charges. Unless the Commission reforms the originating intrastate access rates of the RLECs, the local rate cap should not be increased. As discussed above, Sprint's proposal would limit the residential local rate to the lesser of two amounts. Sprint's proposal will certainly limit the residential local rate to less than the previously authorized \$23 local rate cap. Rate caps should be increased to facilitate the reform of the RLEC's originating access rates, not to permit the RLECs additional revenue beyond the recovery provided in the rule changes promulgated in the CAF Order.

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<sup>14</sup> See CAF Order at ¶ 813.

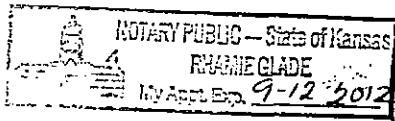
AFFIDAVIT

STATE OF KANSAS )  
 ) ss  
COUNTY OF JOHNSON )

James A. Appleby, being duly sworn under oath, states that he is a Regulatory Policy Manager for Sprint Nextel Corporation, and that in that capacity he is authorized to make the statements set forth in the Verified Statement of James A. Appleby, and that the facts and statements contained therein are true and correct to the best of his knowledge information and belief.

James A Appleby  
Sworn to and subscribed before me this 17<sup>th</sup> day of April, 2012.

Rhame Glade  
Notary Public



(Seal)

My Commission Expires: 9-12-2012

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigation Regarding Intrastate Access : Charges and IntraLATA Toll Rates of : Rural Carriers and The Pennsylvania : Universal Service Fund :  AT&T Communications of : Pennsylvania, LLC : Complainant :  v. :  Armstrong Telephone Company - : Pennsylvania, et al. : Respondents :	Docket No. I-00040105           Docket No. C-2009-2098380, et al.
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**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing Answer to Updated Petitions for Reconsideration upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 and 1.55, via electronic mail and first class US Mail.

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