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October 20, 2014

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**Re: Joint Petition of Verizon Pennsylvania LLC and Verizon North LLC for  
Competitive Classification of all Retail Services in Certain Geographic Areas,  
and for a Waiver of Regulations for Competitive Services  
Docket Nos. P-2014-2446303 and P-2014-2446304**

Dear Secretary Chiavetta:

Enclosed please find Verizon's Prehearing Memorandum, being filed by Verizon Pennsylvania LLC and Verizon North LLC (together, "Verizon") in the above referenced dockets.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Suzan D. Paiva

SDP/slb  
Enc.

**Via E-Mail and Federal Express**  
cc: The Honorable Joel H. Cheskis

**Via First Class U.S. Mail**  
cc: Attached Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition of Verizon Pennsylvania LLC :  
And Verizon North LLC for Competitive : Docket No. P-2014-2446303  
Classification of all Retail Services in Certain :  
Geographic Areas, and for a Waiver of : Docket No. P-2014-2446304  
Regulations for Competitive Services :

**VERIZON'S PREHEARING MEMORANDUM**

Verizon Pennsylvania LLC and Verizon North LLC ("Verizon"), pursuant to 52 Pa. Code § 5.222 and the October 9, 2014 prehearing order, respectfully submit this prehearing memorandum for purposes of the prehearing conference scheduled for October 23, 2014 in this matter.

**I. HISTORY OF PROCEEDING**

Verizon's October 6, 2014 petition demonstrates that Verizon's retail services in the metropolitan areas of Philadelphia, Pittsburgh, Erie, Harrisburg/York and Scranton/Wilkes-Barre are "competitive" under the statutory standard of 66 Pa. C.S. § 3016(a).<sup>1</sup> This statute requires the Commission to determine whether a "service or other business activity in [Verizon's] service territory or a particular geographic area, exchange or group of exchanges or density cell within [Verizon's] service territory is competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers," by considering "all relevant information submitted to it, including the availability of like or substitute services

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<sup>1</sup> Many of Verizon's jurisdictional retail services have already been classified or declared "competitive" on a state-wide basis under 66 Pa. C.S. § 3016(a) or predecessor provisions, including all bundles and packages that include a local calling component and most business services. The Verizon retail services that have not yet been classified as "competitive" are those that are categorized as "protected services" under Chapter 30, specifically stand alone local calling for residential and business customers. In addition, intrastate switched access services and a small portion of special access services have not been classified competitive, but Verizon does not propose to reclassify those services here.

or other business activities.” 66 Pa. C.S. § 3016(a). Competitive reclassification under Section 3016(a) requires that “[t]he commission, after notice and hearing, shall enter an order granting or denying the petition within 60 days of the filing date or within 150 days of the filing date where a protest is timely filed, or the petition shall be deemed granted.”

Verizon’s petition and the accompanying testimony show that customers are rapidly moving away from landlines served by traditional incumbent telephone companies such as Verizon. The share of lines served by traditional landlines has declined dramatically, as customers take advantage of the alternatives offered by other providers including cable telephony, wireless and “over-the-top” VoIP. The evidence shows that each of the specified wire centers has alternative service available from numerous competitors, including (1) at least one cable telephony provider, and (2) at least one unaffiliated wireless provider. Cable telephony is available in all of these exchanges, there is broad voice and wireless broadband coverage in these areas from the major wireless carriers, and broadband service is available throughout these areas. Accordingly, the competitive standard of Section 3016(a) is satisfied.

To ensure that customers enjoy the full benefits of the competitive market, Verizon also seeks a waiver of certain of the Commission’s regulations set forth in Chapters 63 and 64 of 52 Pa. Code, as applied to competitive services in these exchanges. Such regulations do not apply to Verizon’s competitors, and it is no longer necessary to apply them to Verizon in the competitive geographical areas listed above. Chapter 30 “recognize[s] that the regulatory obligations imposed upon the incumbent local exchange telecommunications companies should be reduced to levels more consistent with those imposed upon competing alternative service providers.” 66 Pa. C.S. § 3011(13). Regulation arose in certain markets to replicate—to the extent possible—the effects of a

competitive market. But the Legislature determined in Chapter 30 that, where the evidence demonstrates that markets are competitive, the level of regulation must be tailored to competitive conditions. Accordingly the Legislature directed that where services or geographic areas meet the competitive standard in the statute, “[t]he commission may not fix or prescribe the rates, tolls, charges, rate structures, rate base, rate of return or earnings of competitive services or otherwise regulate competitive services except as set forth in this chapter.” 66 Pa. C.S. § 3019(g). Simply put, *less regulation* is warranted where competitive forces are sufficient to discipline firms to produce the products and services customers want at reasonable prices. With the conclusive demonstration that Verizon’s retail services meet the statutory criteria for reclassification in the listed exchanges, traditional regulations become unnecessary. The Commission should waive these unnecessary regulations on those competitive services for the benefit of Pennsylvania consumers.

Pursuant to 66 Pa. C.S. § 3016(a)(2), Verizon served the petition upon “the Office of Consumer Advocate, the Office of Small Business Advocate and each of the parties to the commission's proceeding in which the company's network modernization plan that was in effect on December 31, 2003, was approved by the commission.” As directed by the Commission, Verizon published notice of the filing in several major newspapers in the relevant areas. The Commission also published Verizon’s petition in the Pennsylvania Bulletin on October 11, 2014, setting a protest deadline of October 21, 2014.

## **II. SERVICE LIST**

Pursuant to 52 Pa. Code § 1.55, Verizon's representative for the service list in this proceeding is as follows:

Suzan D. Paiva  
Assistant General Counsel  
Verizon  
1717 Arch St., 3<sup>rd</sup> Floor  
Philadelphia, PA 19103  
Phone: (215) 466-4755  
Fax: (215) 563-2658  
[Suzan.d.paiva@verizon.com](mailto:Suzan.d.paiva@verizon.com)

## **III. SETTLEMENT**

Verizon is open to discussions regarding the possibility of a reasonable settlement of this matter.

## **IV. DISCOVERY**

Verizon has already responded to one set of discovery from the Office of Consumer Advocate ("OCA").<sup>2</sup> Verizon proposes that the Commission's standard discovery rules be modified so that answers and objections to discovery (interrogatories, document requests or requests for admission) are due within 15 days of service. Discovery served after noon on a Friday or the day before a Commission holiday shall be deemed to have been served on the next business day.

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<sup>2</sup> Verizon will make these discovery responses available to other parties in this case once the service list is finalized at the prehearing conference and suitable provisions are made for the protection of proprietary information contained in the responses.

## **V. PROCEDURAL SCHEDULE**

Verizon proposes the following proposed schedule:

October 6, 2014 – Verizon Reclassification Petition and Direct Testimony Filed

October 21, 2014 – Any Formal Protests Due

October 23, 2014 – Prehearing Conference

October 31, 2014 – Rebuttal Testimony of Parties other than Verizon

November 18-19, 2014 - Evidentiary Hearings with Verizon Oral Surrebuttal

December 22, 2014 – Main Briefs

January 16, 2015 – Reply Briefs

Verizon further proposes that all due dates for testimony, briefs and discovery be satisfied by e-mail service, with a hard copy provided by United States or overnight mail.

## **VI. WITNESSES**

Verizon expects to call the following witness, who already submitted pre-filed direct testimony together with Verizon's petition:

Paul B. Vasington  
Director-State Public Policy  
Verizon  
125 High Street, Oliver Tower  
Boston, Massachusetts 02110.

Verizon reserves the right to supplement and/or modify its witness list as may become necessary upon review of any additional testimony submitted in this matter.

## **VII. ISSUES**

1. Are Verizon's retail services that have not yet been classified as competitive in the areas subject to the petition competitive based on the demonstrated availability of like or substitute services or other business activities provided or offered by alternative service providers and the availability of like or substitute services or other business activities?

Verizon Response: Yes

2. Should the Commission waive the following regulations as applied to competitive services in these geographic areas: Chapter 63, Subchapters B (Services and Facilities), C (Accounts and Records), G (Public Coin Services), E (Quality of Service), F (Extended Area Service), and the entirety of Chapter 64.

Verizon Response: Yes

### **VIII. PUBLIC INPUT HEARINGS**

Public input, through letters or other written submissions to the Commission, is welcome. Public input hearings, however, are unnecessary and not required by the process set forth in Section 3016(a). The interest of the public at large also will be represented by the statutory advocates such as the OCA.

### **IX. PROTECTIVE ORDER**

Together with its petition, Verizon submitted a petition for a protective order to govern the disclosure of information that the parties view as competitively sensitive or otherwise proprietary, and provided a proposed form of order that is substantially the same in form as the protective orders entered in other recent cases in which Verizon has been involved. Under 52 Pa. Code § 5.365(c)(4), Verizon has already produced proprietary information to OCA pursuant to OCA's agreement to treat the information as if it were covered by this form of protective order. Verizon respectfully requests that the protective order be entered expeditiously.

Respectfully submitted,

A handwritten signature in blue ink that reads "Suzan D. Paiva" with a stylized flourish at the end.

Suzan D. Paiva (Atty ID No. 53853)

Verizon

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[Suzan.D.Paiva@verizon.com](mailto:Suzan.D.Paiva@verizon.com)

Counsel for Verizon

Dated: October 20, 2014

**CERTIFICATE OF SERVICE**

I, Suzan D. Paiva, hereby certify that I have this day served a copy of Verizon's Prehearing Memo in the matter the Joint Petition of Verizon Pennsylvania LLC and Verizon North LLC for Competitive Classification of all Retail Services in Certain Geographic Areas, and for a Waiver of Regulations for Competitive Services, upon the representatives listed below in accordance with the requirements of 52 Pa. Code Section 1.54 and 1.55 and 66 Pa. C.S. § 3016(a)(2) .

Dated at Philadelphia, Pennsylvania, this 20<sup>th</sup> day of October, 2014.

**VIA FIRST CLASS U.S. MAIL**

Barrett Sheridan, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Steven C. Gray, Esquire  
Office of Small Business Advocate  
Suite 202, Commerce Building  
300 North Second Street  
Harrisburg, PA 17102

Johnnie E. Simms, Esquire  
Bureau of Investigation & Enforcement  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Broadband Cable Association of Pennsylvania  
127 State Street  
Harrisburg, PA 17101-1025

AT&T Communications of Pennsylvania, LLC  
Teleport Communications Group  
Eastern TeleLogic Corporation  
1120 20<sup>th</sup> Street, NW  
Suite 1000  
Washington, DC 20036

Time Warner Cable Information Services, LLC  
Time Warner AxS  
60 Columbus Circle  
New York, NY 10023

Central Atlantic Payphone Association  
15 Benner Road  
Royersford, PA 19468

Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101-1414

Community Legal Services of Philadelphia  
1424 Chestnut Street  
Philadelphia, PA 19102

Richard Chevrefils, State Director  
AARP Pennsylvania  
30 North Third Street, #750  
Harrisburg, PA 17101

Shared Communications Services  
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Philadelphia, PA 19103

Digital Direct of Pittsburgh, Inc.  
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Terrace Tower II  
5619 DTC Parkway  
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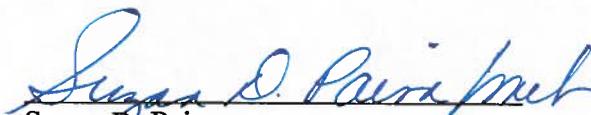
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