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July 26, 2011

Via Electronic Filing

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

Re: AT&T Communications of Pennsylvania, LLC
v. Verizon North LLC and Verizon Pennsylvania Inc.
Docket No. C-20027195

Dear Secretary Chiavetta:

Enclosed please find the Reply in Support of Petition to Reopen the Record, being filed by Verizon Pennsylvania Inc. and Verizon North LLC (collectively, "Verizon") in the above captioned matter.

If you have any questions, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Suzan D. Paiva", with a long horizontal line extending to the right.

Suzan D. Paiva

SDP/meb

VIA E-Mail and First Class U.S. Mail
cc: The Honorable Cynthia W. Fordham
Attached Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of Verizon's Reply in Support of Petition to Reopen the Record, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 26th day of July, 2011.

VIA E-MAIL and FIRST CLASS U.S. MAIL

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AT&T Communications of Pennsylvania, LLC	:	
	:	
	:	
v.	:	Docket No. C-20027195
	:	
Verizon Pennsylvania Inc. and Verizon North LLC.	:	
	:	

**REPLY IN SUPPORT OF VERIZON'S
PETITION TO REOPEN THE RECORD**

When Verizon filed its Petition to Reopen the Record on July 11, 2011, the Commission had not yet released its written order in the RLEC access investigation. After it released that order on July 18, 2011, Sprint, AT&T and CenturyLink filed their answers to Verizon's petition to reopen, criticizing Verizon for failing to identify the specific factual development needed in light of the RLEC Access Order. (See Sprint Answer to Petition at 1; AT&T Answer at 3; CenturyLink Answer at 2). Because Verizon was unable to provide such specificity in its initial petition without having reviewed the RLEC Order, Verizon requests leave to file this short reply.

DISCUSSION

A. The Presiding Officer Must Apply The Commission's Guidance from RLEC Access Order in Addressing the Issues Under Consideration Here.

Sprint, AT&T and CenturyLink fail to acknowledge that the 197-page RLEC Access Order is a seminal decision in which the Commission made determinations on numerous factual and policy issues that are central to the regulation of intrastate access rates in Pennsylvania, and therefore crucial to the present case. AT&T and Sprint continue to sing the same old tune, demanding full speed ahead to an immediate

reduction to interstate rate levels. They suggest that Verizon's effort to ensure that this Commission has a full and relevant record on which to base its decision in this case is nothing more than a "delay-at-all-costs campaign." (AT&T Answer at 2). But they fail to point out that the Commission rejected the very premise of AT&T's and Sprint's substantive arguments in *this* case when it issued the RLEC Order. The impact of the Commission's legal and policy decisions there must apply with equal force here. To the extent there are facts that would be relevant to an application of the Commission's RLEC Order reasoning to this case, the significance of which the parties did not appreciate before they had the chance to review the RLEC Order, Verizon must be given the opportunity to put those facts in the record.

Although the RLEC Access Order moves the most excessive RLEC access rates in a more rational direction toward but not all the way down to the current Verizon rate level, the Commission also made a considered decision *not* to reduce the RLECs' rates all the way to interstate levels as AT&T and Sprint had urged, because it still believes interexchange carriers should contribute to the "joint and common" costs of LECs' networks through intrastate access rates, particularly the carrier charge. (RLEC Access Order at 118-23). The Commission also recognized that the burdens caused by asymmetric regulatory obligations on the ILECs are a significant factor to be considered when determining the proper level of intrastate access rates. (*Id.* at 105-06).

Verizon's position is that the Commission should move beyond those legacy paradigms and should work with Verizon and other stakeholders to eliminate asymmetrical regulatory burdens and to forge a new regulatory framework placing all competitors on a level playing field, and that this must be done *before* the Commission

considers the sort of dramatic access reductions advocated by AT&T and Sprint. However, regardless of the regulatory framework the Commission embraces, it must apply the framework consistently across all carriers and it must account for the consequences of its policy decisions. As discussed below, there a number of important factual and policy issues the Commission should consider here as it evaluates Verizon's rate structure and regulatory burdens in light of the principles established in the RLEC Access Order. While Verizon agrees with Sprint that "the purpose of reopening the record can only be to introduce new evidence," (Sprint Answer at 1), this is precisely what Verizon intends to do, as described specifically below.

B. The Commission Will Benefit Here from a Full Record Relating to the RLEC Access Order.

Verizon intends to present testimony explaining that there is no factual or policy basis to impose more onerous regulation on Verizon than what the Commission has deemed reasonable under Pennsylvania law for every other ILEC in the state. Verizon's witnesses intend to supply evidence and analysis demonstrating that neither Verizon's larger size nor any other attribute justifies applying any different analysis to Verizon's access rates, nor should Verizon's rates be held to a different set of reasonableness standards. For example, Verizon's witnesses intend to present economic evidence regarding Verizon's disproportionately high line losses in suburban and urban areas, in order to show that any historical cross-subsidy from Verizon's lower-cost non-rural territory to its high-cost rural territory cannot today form the basis for disparate treatment of Verizon. They will also explain that there is no economy of scale or similar justification for applying a reasonableness framework to Verizon that is different than the one set forth in the RLEC Access Order — especially in light of the fact (which Verizon

will establish) that under the RLEC Access Order's reasonableness framework Verizon would continue to charge among the lowest switched access rates in the state.

Verizon will show that the same factors that caused the Commission to conclude that RLEC access rates should not be reduced to interstate rate levels at this time also hold true for Verizon, and that if anything Verizon has specific evidence, lacking in the RLEC case, of its financial deterioration and line losses that go to the Commission's precise concerns. Verizon's witnesses will present testimony describing how Verizon's current switched access rates, and the switched access rates advocated by AT&T and Sprint in this case, compare to the switched access rates Verizon would charge if the standard developed in the RLEC Access Order is applied to Verizon. In particular, the only record evidence in this case depicts the results of reducing Verizon's access rates to interstate levels as advocated by AT&T and Sprint, but the Commission's RLEC Order makes clear that this is not the Commission's preferred outcome, and that the Commission considers other outcomes to be reasonable. It is essential to the development of a full and helpful record here to present the Commission with the facts it needs respecting a comparison of Verizon's rates to the result it deemed reasonable in the RLEC case.¹

Another area in need of factual development in light of the RLEC Access Order is one that AT&T raised at the eleventh hour in its surrebuttal testimony: whether the scope of this proceeding is limited to usage-sensitive rate elements and the carrier charge, or whether it should also include dedicated transport and entrance facilities. (*See*

¹ That testimony may involve, in addition to comparative analysis about composite switched access rate levels, testimony about the "headroom" Verizon would have under the \$23 benchmark discussed in the RLEC Access Order, and about whether Verizon's overall rate structure would be compensatory given the levels of losses on rate-regulated services that Verizon has already demonstrated.

Nurse/Oyefusi Surrebuttal at 8 n.6; Tr. at 108-12). Verizon's witnesses will explain that the RLEC Access Order, in the context of the record developed in that proceeding, indicates that dedicated transport and entrance facilities were not in play there – or here.

Verizon reserves the right to present other testimony that its witnesses, once they have fully digested the RLEC Access Order, may deem necessary. Without testimony engaging the various factual and policy issues in this proceeding that are relevant to the principles set forth in the RLEC Access Order, the record here will be deficient.

CONCLUSION

For the reasons set forth above and in Verizon's Petition to Reopen the Record, the Commission should reopen the record to provide for additional testimony limited solely to factual or policy issues not already addressed in the record that any party wishes the Commission to consider in light of the RLEC access decision, and suspend the briefing pending submission of such additional evidence. Verizon believes that such a limited reopening can be conducted in an efficient and expeditious manner, and will not unduly delay the resumption of briefing and a recommendation in this case.



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Date: July 26, 2011

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