

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AT&T Communications  
of Pennsylvania, Inc.

v.  
Verizon North, Inc.

Docket Number

C-20027195

DOCUMENT  
FOLDER

PREHEARING ORDER

**DOCKETED**

MAY 28 2003

History

On December 30, 2002, Verizon Pennsylvania Inc. (Verizon-Pa.) and Verizon North, Inc. (Verizon-North) filed a separate Joint Petition (Verizon Joint Petition) regarding the further reduction of their access charges pursuant to the Bell Atlantic-Pa.-GTE Merger Order,<sup>1</sup> the Global Order of 1999<sup>2</sup>, and the generic access charge investigation at M-00021596. This joint proposal was published January 18, 2003 at 33 Pa. B. 502. Comments were filed by the Office of Consumer Advocate ("OCA"), AT&T Communications of Pennsylvania, Inc. ("AT&T"), Sprint Communications Co & United Telephone Co of Pa ("Sprint/United"), the Rural Telephone Company Coalition ("RTCC"), the Office of Small Business Advocate ("OSBA") and Qwest Communications Corporation ("Qwest").

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<sup>1</sup> *Re Joint Application of Bell Atlantic Corporation and GTE Corporation for Approval of Agreement and Plan of Merger*, Docket Nos. A-310200F0002, A-311350F0002, and A-310222F0002, (November 4, 1999) (Merger Order).

<sup>2</sup> *Re Nextlink Pennsylvania, Inc.*, Docket No. P-00991648; P-00991649, 93 PaPUC 172 (September 30, 1999) (Global Order); 196 P.U.R. 4<sup>th</sup> 172, *aff'd sub nom. Bell Atlantic-Pennsylvania, Inc. v. Pennsylvania Public Utility Commission*, 763 A.2d 440 (Pa.Cmwlth. 2000), *alloc. granted*.

The Global Order of September 30, 1999 reduced access charges of all local incumbent exchange carriers operating in Pennsylvania. That Order directed a Pennsylvania Universal Service Fund (PaUSF) be established to enable the rural incumbent local exchange carriers (ILECs) and Sprint/United to reduce access charges and intraLATA toll rates while keeping residential basic service prices under the \$16.00/month cap. The Global Order also required that an investigation be initiated in January 2001 to determine how the carrier charge (CC) pool can be reduced and to consider the appropriateness of a toll line charge to recover any resulting reductions.

The mandated access charge investigation was delayed because of Verizon's Section 271 hearings in January and February of 2001. In addition, the RTCC and Sprint/United were given time to prepare a settlement proposal in an effort to save time and costs involved with litigation and to narrow the issues. It was expected that the settlement proposal would take notice of the recent FCC's Multi-Association Group ("MAG")<sup>3</sup> and Access Charge Reform ("CALLS")<sup>4</sup> Orders which further reduced interstate access charges for rural and non-rural companies, respectively. The Commission opened a docket at M-00021596 in January 2002 to accommodate the access charge investigation required by the Global Order in the form of a collaborative proceeding.

On March 21, 2002, AT&T filed a formal complaint against Verizon-North seeking to have Verizon-North's access charges reduced to Verizon-PA's levels pursuant

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<sup>3</sup> *In re: Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers et al., Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45 and Report and Order in CC Docket Nos. 98-77 and 98-166, FCC 01-304, November 8, 2001.*

<sup>4</sup> *In Re: Access Charge Reform, et al., Sixth Report and Order in CC Docket Nos. 96-262 and 94-1 Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45, May 31, 2000.*

to the requirements in the Commission's Merger Order at A-310200F0002.<sup>5</sup> The complaint was docketed at C-20027195. The complaint, which was initially dismissed by Chief Administrative Law Judge Robert Christianson, was reinstated by Commission Order entered December 24, 2002. That order also bifurcated the access charge investigation so that all Verizon matters, including the complaint, would be litigated at the C-20027195 docket.

On November 26, 2002, Verizon-Pa. submitted its annual Price Change Opportunity (PCO) filing requesting authority to use its \$17.7 million negative PCO money for 2003 to fund its contributions to the PaUSF. That filing was docketed at M-00031694 and P-00930715 (Verizon's Chapter 30 Plan docket). On January 31, 2003, AT&T filed a complaint at M-00031694C0001 challenging Verizon-Pa.'s proposal to use its negative PCO money to support Verizon's 2003 contribution to the PaUSF. On February 27, 2003, Verizon-Pa. filed an answer and motion to dismiss the complaint.

Although Verizon-Pa. and Verizon-North agreed to one proposed access charge reduction plan, Qwest, OCA, OTS, OSBA, AT&T and MCI WorldCom have objected to the Joint Petition. AT&T and MCI WorldCom emphasized the need to move switched access rates to cost. Qwest mentioned the need to mirror interstate access charges. AT&T, MCI WorldCom, OCA, and OSBA objected to the revenue-neutral reductions. OTS requested that the Commission deny Verizon's Joint Proposal for the following reasons: Verizon is subject to a rate freeze through December 31, 2003; no cost studies were filed to support the proposal; and other rates besides residential could be increased, including business rates and optional services, or Verizon could adjust the Price Stability Mechanism to get to revenue neutral. OTS requested that the Commission reject Verizon's proposed elimination of the carrier charge.

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<sup>5</sup> *Joint Application of Bell Atlantic Corporation and GTE Corporation for Approval of Agreement and Plan of Merger*, Docket No. A-310200F0002, etc. (Opinion and Order entered November 4, 1999) (Merger Order).

Given that there were contested, material factual issues, (i.e., what the cost of traffic sensitive rates are and how low the intrastate access charges should be) by Order entered May 5, 2003, the Commission referred the Verizon Joint Petition to the Office of Administrative Law Judge for evidentiary hearings and a recommended decision. The Commission recognized that the parties to the proceeding raised factual and non-factual/policy issues. Since the Commission is committed to developing a full record while ensuring judicial efficiency, the presiding ALJ was given the discretion to classify the issues as either factual or non-factual/policy and to permit the parties to brief those issues that do not warrant an evidentiary hearing. Inasmuch as the generic access charge investigation at M-00021596 was bifurcated to separate the Verizon and the RTCC/Sprint access charge investigations, the Commission stated that the two joint petitions would be kept on separate tracks but with the same six month deadline from the date of entry of the order. The Verizon Joint Petition for Access Charge Reductions was consolidated with the *AT&T Communications of Pennsylvania, Inc. v. Verizon North, Inc* complaint at C-20027195 regarding Verizon-North's access charges pursuant to the Commission Order of December 24, 2002, and would proceed under that docket number. The assigned ALJ will also address, at this docket, Verizon's compliance with the Merger Order directive that Verizon-North and Verizon-Pa. have access charges which are at parity with each other. *In re the Joint Application of Bell Atlantic Corporation and GTE Corporation for Approval of Agreement and Plan of Merger* at Docket Nos. A-310200F0002, A-311350F0002, and A-310222F0002.

In accordance with the Commission's order, the matter was assigned to Administrative Law Judge Cynthia Williams Fordham.

A prehearing conference in this matter will be held on Thursday, May 29, 2003 at 10:00 a.m. The parties in Philadelphia will meet in an available room on the 13<sup>th</sup> floor of the Philadelphia State Office Building. The parties in Harrisburg will meet in

Hearing Room Number 4, Plaza Level, Commonwealth Keystone Building. The Harrisburg parties will participate by telephone.

The Commission's regulation concerning prehearing conferences in rate proceedings is located at 52 Pa. Code §5.224. We will discuss the following:

- 1) A proposed plan and schedule of discovery;
- 2) Possibility of settlement;
- 3) Issues;
- 4) Amount of hearing time needed;
- 5) Witnesses;
- 6) Schedule for submission of testimony, hearings and briefs;  
and
- 7) any other appropriate matter.

Counsel should submit a prehearing memorandum addressing the agenda items on or before 4:30 p.m. on Wednesday, May 28, 2003. Counsel can fax or e-mail the memoranda to me and the other counsel.

The following is a proposed schedule for hearings and briefs:

Hearings for cross-examination Of all witnesses, oral Rebuttal/Surrebuttal	Week of August 11 or 18, 2003
Close of Record	August 27, 2003
Main Briefs Due	September 16, 2003
Reply Briefs Due	September 26, 2003

Any documents filed in this proceeding should be served on me at the Philadelphia office and the active participants. 52 Pa. Code §154(a) and (d).

Since documents can be submitted to the presiding officer and the participants by fax and e-mail, fax and e-mail addresses will be included on the service list. Please check the list for omissions and errors and contact my office to make corrections. My fax number is (215) 560-3133 and my e-mail address is [cfordham@state.pa.us](mailto:cfordham@state.pa.us).

**ORDER**

THEREFORE,  
IT IS ORDERED:

That the parties shall comply with the procedural rules and regulations discussed herein.

Date: May 20, 2003

  
CYNTHIA WILLIAMS FORDHAM  
Administrative Law Judge

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