

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE INTRASTATE)	
SWITCHED ACCESS RATES OF ALL)	
KENTUCKY INCUMBENT AND COMPETITIVE)	ADMINISTRATIVE
LOCAL EXCHANGE CARRIERS)	CASE NO. 2010-00398

COMMENTS OF VERIZON¹

Pursuant to the Commission’s March 22, 2012 Order (“*Order*”), Verizon hereby provides its comments regarding the impact that the Federal Communications Commission’s November 18, 2011 Report and Order reforming the intercarrier compensation system (the “*Report and Order*”)² has on this access charge investigation. As set forth below, the Report and Order represents a comprehensive solution for access charge reform, such that no further Commission action is necessary beyond adhering to and implementing the Report and Order.

The Commission initiated this docket to explore the access charge regime in Kentucky, including a review of both intrastate access rates, in general, and the non-traffic sensitive rate element (“*NTSRR*”), in particular.³ As Verizon advised the Commission, some Kentucky carriers have continued to charge the same intrastate switched access rates for many years, maintaining charges at levels that far exceed any just and reasonable rate.⁴ In many cases, their

¹ As used herein, “Verizon” refers collectively to MCImetro Transmission Access Transmission Services LLC d/b/a Verizon Access Transmission Services, MCI Communications Services, Inc. d/b/a Verizon Business Services, Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions, TTI National, Inc., Teleconnect Long Distance Service & Systems d/b/a Telecom*USA and Verizon Select Services, Inc.

² *Connect America Fund*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (Nov. 18, 2011) (“*Report and Order*”).

³ *See Order* at 4.

⁴ *See, e.g.,* Comments of Verizon (Apr. 15, 2012).

excessive rates have been driven by the inclusion of NTSRR recovery as part of the intrastate carrier common line charge (“CCLC”).

The Commission largely has shared that view. Even before launching this proceeding, the Commission long recognized the need for access reform, finding that removing excessive subsidies from switched access rates and pricing access services more closely to their costs is in the public interest.⁵ In approving access reductions for certain carriers over the past decade, the Commission specifically has cited such public interest benefits.⁶ And, with respect to the NTSRR specifically, the Commission years ago made the policy decision to eliminate the NTSRR as competition developed.⁷ The Commission recognized that – whatever good the NTSRR originally may have done – the public policy harms of continuing to subsidize certain wireline carriers through this switched access rate element in today’s competitive marketplace outweighed any benefits. Accordingly, Verizon and other parties to this docket urged the Commission to reform the intrastate switched access regime in Kentucky by reducing intrastate switched access charges on a uniform basis and eliminating the NTSRR.⁸

Since then, the Federal Communications Commission (“FCC”) issued its Report and Order, which this Commission recognized as “comprehensively reform[ing] intercarrier compensation” – including for *both* interstate and intrastate switched access traffic.⁹ Indeed, the

⁵ *Inquiry into Universal Service and Funding Issues*, Adm. Case No. 360, Order (June 18, 1997); *see also* Certification of the Carriers Receiving Federal Universal Service High-Cost Support, Adm. Case No. 381 (Mar. 24, 2000) (“2000 Certification Order”).

⁶ *Review of BellSouth Telecomm., Inc.’s Price Regulation Plan*, Order, Case No. 99-434 (Aug. 3, 2000) at 9-10; *Tariff Filing of BellSouth Telecommunications, Inc. to Mirror Interstate Rates*, Order, Case No. 98-065 (Mar. 31, 1999) at 4-5; *Cincinnati Bell Telephone*, Order, Case No. 98-292 (Jan. 25, 1999) at 13-14.

⁷ *2000 Certification Order* at 2 (stating that “[t]he Commission ... has an established policy of working to eliminate the NTSRR”).

⁸ *See, e.g.*, Comments of Verizon (Apr. 15, 2012).

⁹ *Order* at 1.

FCC Report and Order is a comprehensive solution for intrastate access reform, obviating the need for the Commission to consider any of the other reform proposals put forth in this docket.

Among other things, the FCC Report and Order requires all carriers to transition down their terminating access rates to parity with their interstate access rates – as some parties had recommended here – before ultimately moving to a bill-and-keep regime.¹⁰ Compliance with these requirements not only will address all terminating intrastate switched access rates generally, but also will require elimination of the NTSRR element. The FCC long ago eliminated the CCLC (and any NTSRR recovery) from interstate rates,¹¹ such that achieving parity with those interstate rates will necessitate eliminating the CCLC and NTSRR from Kentucky intrastate rates. This is entirely consistent with this Commission’s directive that the “[e]limination of NTS is a priority and will be considered along with the elimination of other implicit subsidies.”¹²

At the same time, the FCC has implemented a federal recovery mechanism to “provide carriers with recovery for reductions to both interstate and intrastate revenue” resulting from these access rate reductions.¹³ While certain parties to this docket previously had suggested that intrastate switched access reform here should be accompanied by the creation of a new state recovery fund, Verizon explained why such a state fund would be inefficient, anti-competitive and poor public policy.¹⁴ It also would be unnecessary in light of, and inconsistent with, the FCC’s Report and Order, which is expressly intended to eliminate the need for any such

¹⁰ *See id.* at 2-3.

¹¹ *See generally Access Charge Reform*, First Report & Order at ¶ 68, 12 FCC Rcd 15982 (1997), *aff’d sub nom.*, *Southwestern Bell Tel. Co. v. FCC*, 153 F.3d 523 (8th Cir. 1998) (“*Access Reform Order*”).

¹² *Inquiry into Universal Service and Funding Issues*, Adm. Case No. 360, Order, at 35 (May 22, 1998).

¹³ Report and Order at ¶ 795.

¹⁴ *See, e.g.*, Comments of Verizon (Apr. 15, 2012) at 21-30.

additional state funding. By “adopting a uniform federal transition and recovery mechanism ...,” the FCC made clear that “states will not be required to bear the burden of establishing and funding state recovery mechanisms for intrastate access reductions”¹⁵ Under the FCC’s comprehensive new approach, there is no need to supplement the federal recovery mechanism with an additional state recovery fund here.

Accordingly, the Commission should not proceed with this docket. The FCC already has put in place the reforms that encompass what the parties were proposing and the Commission was considering here. Nothing more is needed. The Commission should formally close this docket, and the Commission and Kentucky carriers instead should focus their resources on adhering to and implementing the comprehensive access reform regime and recovery mechanisms set forth in the FCC Report and Order.

¹⁵ Report and Order at ¶ 795.

April 20, 2012

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that the electronic version of this filing made with the Commission on April 20, 2012, is a true and accurate copy of the document filed herewith in paper form, and the electronic version of the filing has been transmitted to the Commission.

A handwritten signature in black ink, appearing to read "Douglas F. Brent", with a long horizontal stroke extending to the right.

Douglas F. Brent