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August 30, 2013

Catrice C. Williams
Department of Telecommunications and Cable
1000 Washington Street, Suite 820
Boston, MA 02118

Re: Docket No. 13-7: ICC -- Inquiry by the Department on its Own Motion into the Intrastate Intercarrier Compensation Rate Reductions Mandated by the Federal Communications Commission

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are the original and three copies of the Reply Comments of Verizon MA.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Alex Moore", written over a horizontal line.

Alexander W. Moore

Enclosures

cc: Kerri DeYoung Phillips, Hearing Officer (electronic copy only)
Armine Simonyan, Analyst (electronic copy only)

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND CABLE**

Inquiry by the Department on its Own Motion into)
The Intrastate Inter-carrier Compensation Rate Reductions) D.T.C. 13-7
Mandated by the Federal Communications Commission)

REPLY COMMENTS OF VERIZON MA

Verizon New England Inc., d/b/a Verizon Massachusetts (“Verizon MA”) submits these reply comments pursuant to the Request for Comment and Notice of Technical Workshop issued in this docket on June 24, 2013, to address two issues that were discussed at the technical session on August 15, 2013.

- I. The Department should allow state tariffs to refer to rates in interstate tariffs where the FCC has expressly tied intrastate rates to interstate rates, in order to simplify the ICC transition process and alleviate the administrative burden on the Department and carriers.**

In the Request for Comment, the Department indicated its interest in facilitating and simplifying the ICC transition process under the FCC’s ICC orders, aligning its filing requirements with those of the FCC and alleviating the burden on carriers to file tariffs reducing access rates year after year. See Request for Comment at 3. The Department has also indicated its concern with the volume of past and expected tariff filings as carriers reduce rates in accordance with the FCC’s requirements.

Allowing state tariffs to refer to the interstate access rates in federal tariffs would go a long way toward meeting all of these goals. Both sets of written comments filed in this docket (by Verizon MA and AT&T) advocated for such a policy, which also received unanimous

support from the carriers that participated in the technical session. As explained at the technical session, once a carrier's tariff explicitly ties its intrastate access rates to the rates in its federal tariff, the state rates will change automatically with any change in the federal rates, eliminating the need to file tariff changes each time federal rates are reduced under the FCC's plan. That would guarantee compliance with the FCC's regulations in most cases while substantially reducing the burden on the Department (and on carriers) to process and review voluminous annual filings. Parties also advised the Department that this technique is common in other states and has been widely used in complying with the FCC's ICC reform program.

Conversely, there is no compelling argument for prohibiting carriers from referencing federal tariffs in their state tariffs, at least in the context of ICC reform. The Department need not eliminate its general practice against references to external documents but could implement this proposal as a limited exception where federal law caps state-tariffed rates at the level of the analogous federal rates. The state tariffing statute, M.G.L. c. 159, § 19, would not prohibit such a policy. The statute does not require that tariffs explicitly state each rate with a dollar sign but only that carriers file with the Department schedules "showing" the rates for their services. A tariff that refers to specific rates stated in a named federal tariff sufficiently "shows" those rates to inform the prospective purchaser of the amounts it will be required to pay for the service, especially where the purchaser is another carrier which regularly uses and is familiar with the referenced federal tariff.¹

¹ The Hearing Officer announced at the technical session, without explanation, that the Department will not change its current policy on this issue. We hope that is not the Department's final view and that the Department will consider the parties' reply comments and the unanimous position of the industry stated at the technical session in formulating its policy.

II. CLEC intrastate switched access rates may not exceed Verizon MA's current intrastate rates on a composite basis.

At the technical session, staff appeared to ask whether the rates of a CLEC filing an access tariff for the first time are capped by Verizon MA's current access rates or, possibly, by Verizon MA's access rates prior to changes that took effect in July of this year. Under the Department's decision in D.T.C. 07-9, CLECs' rates are capped by Verizon MA's current rates. In that case, the Department found that "[a] rate cap based on Verizon's intrastate switched access rates is an appropriate mechanism to ensure that CLEC switched access rates are just and reasonable...." D.T.C. 07-9, Final Order dated June 22, 2009, at 23. The Department then set forth its policy as follows:

Specifically, the Department adopts the following requirement, based in part on proposed language from Verizon, to regulate intrastate CLEC switched access rates in Massachusetts:

No competitive local exchange carrier ("CLEC") shall charge a rate for intrastate switched access services that is higher than the intrastate switched access rate of the incumbent local exchange carrier in whose areas the CLEC operates. The rate for intrastate switched access service shall mean the composite, per-minute rate for the service....

Id. at 24. Thus, CLECs were not merely required to match Verizon MA's intrastate switched access rates at a given point in time but are subject to an ongoing prohibition against charging intrastate rates that are higher than Verizon MA's analogous composite intrastate rate.

Federal law now imposes virtually the same rate cap, reinforcing the Department's policy. Under longstanding FCC rules, a CLEC's tariffed interstate switched access rates may not exceed those of the ILEC with which it competes. *See* 47 C.F.R. § 61.26. Because the ICC Reform order now prohibits both ILECs and CLECs from charging rates for intrastate terminating access that exceed their interstate rates, CLEC intrastate terminating access rates must be equal to or

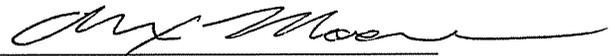
less than Verizon's *interstate* terminating access rates (which also cap Verizon MA's intrastate rates).

Accordingly, the Department should reject any CLEC tariff filing (whether an initial tariff or an amendment) that proposes intrastate rates higher than Verizon MA's current rates, on a composite basis. While the Department's policy would conceivably allow a CLEC to raise its intrastate terminating access rates if Verizon MA's recent changes to its individual intrastate access rate elements cause the relevant composite rate to increase, that is unlikely for a number of reasons. First, under the conditions set by the FCC, Verizon MA was allowed to increase individual rate elements only when coupled with decreases in other rate elements on a revenue neutral basis in each of three functional categories, so the likelihood that these adjustments will result in material changes in composite rate calculations is small. Second, the FCC's regulations preclude increases in CLEC terminating access rates even if the Department's policy would not. *See* 47 C.F.R. § 51.911(a).

Respectfully submitted,

VERIZON NEW ENGLAND INC.

By its attorney,



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Dated: August 30, 2013