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ANN BAVENDER*
ANNE GOODWIN CRUMP
VINCENT J. CURTIS, JR.
PAUL J. FELDMAN
FRANK R. JAZZO
ANDREW S. KERSTING
EUGENE M. LAWSON, JR.
SUSAN A. MARSHALL*
HARRY C. MARTIN
RAYMOND J. QUIANZON
LEONARD R. RAISH
JAMES P. RILEY
ALISON J. SHAPIRO
KATHLEEN VICTORY
JENNIFER DINE WAGNER*
HOWARD M. WEISS
ZHAO XIAOHUA*

* NOT ADMITTED IN VIRGINIA

FLETCHER, HEALD & HILDRETH, P.L.C.
ATTORNEYS AT LAW
11th FLOOR, 1300 NORTH 17th STREET
ARLINGTON, VIRGINIA 22209-3801

(703) 812-0400
TELECOPIER
(703) 812-0486
INTERNET
www.fhh-telcomlaw.com

RETIRED MEMBERS
RICHARD HILDRETH
GEORGE PETRUTSAS

CONSULTANT FOR INTERNATIONAL AND INTERGOVERNMENTAL AFFAIRS
SHELDON J. KRYS
U. S. AMBASSADOR (ret.)

OF COUNSEL
EDWARD A. CAINE*
DONALD J. EVANS*
MITCHELL LAZARUS
EDWARD S. O'NEILL*

WRITER'S DIRECT

(703) 812-0403
feldman@fhh-telcomlaw.com

March 12, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BY HAND
Magalie Roman Salas, Esquire
Secretary
Federal Communications Commission
The Portals
445 12th Street, SW, Room TWB204
Washington, D.C. 20554

Re: CC Docket Nos. 00-256 and 96-45/
Reply Comments of Roseville Telephone Company

Dear Ms. Salas:

Enclosed, on behalf of Roseville Telephone Company, are an original and 4 copies of its Reply Comments in CC Docket Nos. 00-256 and 96-45.

Please contact me if you have any questions.

Very truly yours,

Paul Feldman

Paul J. Feldman
Counsel for Roseville Telephone Company

PJF:jpg

Enclosures

cc: Certificate of Service
Mr. Michael Campbell
Mr. Greg Gierczak
Mr. Jack Day

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MAR 12 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Multi-Association Group Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers	)	CC Docket No. 00-256
	)	
Federal-State Joint Board on Universal Service	)	CC Docket 96-45
	)	
Access Charge Reform of Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation	)	CC Docket 98-77
	)	
Prescribing the Authorized Rate of Return For Interstate Services of Local Exchange Carriers	)	CC Docket No. 98-166

REPLY COMMENTS OF ROSEVILLE TELEPHONE COMPANY

Roseville Telephone Company ("Roseville"), by its attorneys, hereby submits these Reply Comments in response to the Notice of Proposed Rulemaking, released January 5, 2001 in the above-captioned proceedings ("*Notice*"). In these Reply Comments, Roseville reaffirms its support for the comprehensive plan submitted by the LEC Multi-Association Group ("MAG Plan" or "Plan"), and briefly addresses two concerns revealed in the Comments in this proceeding: 1) the desire of state commissions to protect outdated regulatory regimes and re-litigate issues addressed in the CALLS proceeding, along with their apparent lack of awareness of the growing competitive environment that drives the need for access reform; and 2) the attempts of

interexchange carriers ("IXCs") to decrease access rates even more than that reflected in the MAG Plan, while resisting a requirement to pass through to end users the savings on per-minute access charges that IXCs will receive under the MAG Plan.

Roseville is a rate-of-return ("ROR") incumbent local exchange carrier ("ILEC") serving subscribers in the Roseville, California area, and it has been providing high quality communications services to its subscribers for over 85 years. Roseville is a mid-sized carrier, serving approximately 132,000 access lines, and has two central offices: Roseville and Citrus Heights. As an ROR ILEC that would be directly affected by the proposals of the MAG Plan, in its initial Comments, Roseville urged the Commission to adopt the Plan in its entirety, without modification. Roseville is a member of the United States Telecom Association (which is a member of the MAG), and was actively involved in the drafting of the MAG Plan. Roseville supports in their entirety the Comments and Reply Comments filed by the MAG in this proceeding,[1] and files separately to briefly address two issues.

I. The Comments of Certain State Commissions Reflect a Desire to Protect Their Outdated Regulatory Regimes.

First, the comments filed by certain state regulatory agencies suggest that these agencies are surprisingly unaware of the growing competitive environment that drives the need for ROR access reform, and that these agencies are more committed to protecting their outdated regulatory regimes than to resolving some of the important issues in this proceeding. For example, the Public Utility Commission of Texas states

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[1] Roseville is also a member of the Rate of Return Coalition, and fully supports the Comments filed by that group.

on page 2 of its Comments that "the MAG has not shown a need for access restructuring...." This is a stunning statement, in light of the on-going dialogue for years between companies and regulatory agencies on the need for ROR access reform. Thus, in its 1998 Notice of Proposed Rulemaking on ROR Access Reform, the FCC stated:

> The first step in this reform process is to enable these rate-of-return LECs to assess interstate access charges that are more consistent with the principles of cost causation and economic efficiency.... These rate-of-return LECs need to be allowed to move their rates to more efficient levels. Otherwise, they face the potential loss of customers to less efficient new entrants whose rates are lower than those currently assessed by the incumbent LECs, but higher than the rates these LECs would charge if our access charge rules were reformed.[2]

Far too strong of a record has been built, in federal and state proceedings, for a state commission to now seriously question the need for ROR access reform. Rather, such a statement must be interpreted as a proxy for the PUC's actual objection that some of its regulatory structure may be changed and loosened in the process of access reform.

Similarly mystifying are the Comments of the California Public Utilities Commission. The CPUC's Comments appear to criticize almost every element of the MAG Plan, and go so far as to suggest (CPUC Comments at page 8) that reduced per-minute access charge income to ILECs should not lead to increased universal service support, since "above-cost" access charges may in fact be used by ILECs to improperly cross-subsidize "below-cost" services, rather than to properly subsidize high-cost local

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[2] Rate-of-Return Carrier Access Reform, Notice of Proposed Rulemaking, 13 FCC Rcd 14238, 14239-40 (1998).

exchange services. Again, we are too far into the dialogue that commenced with the passage of the 1996 Telecommunications Act, to seriously question the fact that federal and state policies have long encouraged the use of revenue from access charges to subsidize the provision of local exchange service, and that as a result reduction of that implicit subsidy to local service must be replaced with increased explicit universal service support. *See, e.g.,* MAG Plan, Notice of Proposed Rulemaking, FCC 00-448 (released January 5, 2001) at para. 2; Access Charge Reform, Sixth Report and Order, 15 FCC Rcd 12962 (2000) at paras. 3 and 23-25 ("*CALLS Order*"). One can only assume that the CPUC's unsubstantiated concern about possible improper cross-subsidization is a substitute for their actual concern that access reform will deprive them of some of their regulatory control of ILECs.

The Comments discussed above are just a few examples of what appears to be a broad trend of state regulators missing the urgency of the need to reform ROR access charges, or attempting to re-address the same issues litigated in the CALLS proceeding. Such regulators appear to ignore or misunderstand the impact of competition on ROR carriers. Yet the impact is very real on a company like Roseville, which has interconnection agreements with eight CLECs that operate in its service area. Roseville estimates that approximately 10 percent of its business access lines have been lost in the last year to CLECs. Such lost revenue has a significant impact on the provision of service to residential subscribers. In addition to this lost revenue from lines once served by Roseville and then lost to CLECs, regulators must also consider the impact of new access lines that would be served by Roseville, but instead are served from the start by CLECs. Thus, while Roseville has in recent years had an

access line growth rate of between 5 and 8 percent, in the year 2000 the growth rate was only 1.6 percent overall, with growth in business access lines nearly flat. Access charge reform is essential now, if Roseville is to remain competitive in this market.

II. IXCs Must be Required to Pass Through Savings to End Users.

In spite of the wide-spread flaws in the comments of state regulators, there is one issue in which Roseville shares the concerns of the state regulators: ensuring that IXCs pass through to their customers the substantial savings they will gain from the significant reductions in per-minute access charges proposed in the MAG Plan.[3] A large part of the public interest benefit to consumers in the MAG Plan is the expected reduction that subscribers will pay for interexchange service, both on a per-minute basis, and in monthly recurring charges/minimum fees by IXCs. Roseville was not surprised to see the self-serving comments of IXCs uniformly expressing an unsupported desire to decrease access rates even more than reflected in the MAG Plan. Roseville was disturbed however, to see AT&T assert that a requirement to pass though such savings to end users is unnecessary, in light of its "commitment" to offer a calling plan with no monthly recurring charges or minimum usage requirements for the duration of the CALLS plan. Comments of AT&T at page 20. AT&T's "commitment" to pass along savings was seriously called into question when it attempted to raise rates

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[3] *See, e.g.,* Comments of the Florida PSC at page 3, Comments of the Regulatory Commission of Alaska at page 2.

immediately upon the release of the *CALLS Order*.[4] In any case, the mere absence of monthly recurring charges or minimum fees does not by itself ensure that savings are passed along to end users.

III. Conclusion

Roseville supports the rapid enactment of the MAG Plan without significant modification, and believes that doing so will best serve the public interest. The Commission should not be deterred by short-sighted attempts of state commissions to cling to regulatory structures that no longer address the current competitive environment. Furthermore, the Commission should ensure that enactment of the MAG Plan includes a requirement that IXCs pass through to their end users the substantial savings they will obtain from ROR access reform.

Respectfully submitted,

ROSEVILLE TELEPHONE COMPANY

Paul J. Feldman

Its Attorney

FLETCHER, HEALD & HILDRETH, PLC
1300 North 17th Street
11th Floor
Arlington, Virginia 22209
(703) 812-0400
March 12, 2001

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[4] *See, e.g.,* Statement of Chairman William E. Kennard Regarding AT&T Rate Increase, June 7, 2000 ("AT&T promised to pass on savings to all consumers. Their new rate plan does not do that. It is in our order and I am going to enforce it."); Statement of Commissioner Gloria Tristani Regarding AT&T Rate Increase, June 7, 2000 ("I was totally misled by AT&T.").

CERTIFICATE OF SERVICE

I, Joan P. George, a secretary in the law firm of Fletcher, Heald & Hildreth, do hereby certify that a true copy of the foregoing *Reply Comments* was sent this 12th day of March, 2001, via United States First Class Mail, postage prepaid, and by hand where indicated, to the following:

Ms. Sheryl Todd *
Accounting Policy Division
Federal Communications Commission
The Portals
445 12th Street, SW, Room 5-B540
Washington, D.C. 20554

Ms. Wanda Harris *
Competitive Pricing Division
Federal Communications Commission
The Portals
445 12th Street, SW, Room TWB204
Washington, D.C. 20554
(Diskette & paper version)

International Transcription Service
1231 20th Street, N.W.
Washington, D.C. 20037
(Diskette & paper version)

Cynthia B. Miller, Esq.
Bureau of Intergovernmental Liaison
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

G. Nanette Thompson, Esq.
Chair
Regulatory Commission of Alaska
1016 West Sixth Avenue, Suite 400
Anchorage, Alaska 99501

Pat Wood, III, Esq.
Chairman
Public Utility Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711

Jonady Hon Sun, Esq.
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Mark C. Rosenblum, Esq.
Judy Sello, Esq.
AT&T Corp.
295 North Maple Avenue, Room 1135L2
Basking Ridge, NJ 07920

William F. Maher, Jr., Esq.
Stephen L. Goodman, Esq.
Halprin, Temple, Goodman & Maher
555 12th Street, NW, Suite 950 North
Washington, DC 20004

Lawrence E. Sargeant, Esq.
Linda Kent, Esq.
Keith Townsend, Esq.
John W. Hunter, Esq.
Julie E. Rones, Esq.
USTA
1401 H Street, NW, Suite 600
Washington, DC 20005

Joan P. George

* By hand