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WORLDCOM

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Keith L. Seat
Senior Counsel
Federal Law and Public Policy

1133 19th Street, NW
Washington, DC 20036
202 887 2993
Fax 202 736 6492

February 1, 2002

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FEDERAL COMMUNICATIONS COMMISSION
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Hand Deliver

Mr. William Caton
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: CC Docket No. 01-347; Application by Verizon for Authorization to Provide In-Region InterLATA Services in New Jersey

Dear Ms. Salas:

Enclosed are WorldCom's Reply Comments in the above proceeding, one of which contains confidential information. The confidential version and a redacted version of the document are being submitted with appropriate cover letters with the understanding that the confidential material will be fully protected by the Protective Order established specifically for this docket (CC Docket No. 01-347; rel. December 20, 2001) and that the requirements for review and use of this document will be fully satisfied.

Please call me with any questions.

Sincerely,

Keith L. Seat (few)

Keith L. Seat
Senior Counsel
Federal Advocacy

Enclosure

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

In the Matter of	)	
	)	
Application by Verizon for Authorization	)	
Under Section 271 of the Communications	)	
Act to Provide In-Region, InterLATA	)	CC Docket No. 01-347
Services in the State of New Jersey	)	
	)	

REPLY COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN NEW JERSEY

Robert Lopardo
Keith L. Seat
WORLDCOM, INC.
1133 19th St., N.W.
Washington, D.C. 20036

(202) 887-2993

February 1, 2002

INTRODUCTION AND EXECUTIVE SUMMARY

Verizon can no longer attempt to defend its high unbundled network element ("UNE") rates in New Jersey based on the old UNE rates in New York or those New York rates as imported into Massachusetts. That argument has been laid to rest by the New York Public Service Commission's ("PSC's") decision last week to substantially cut Verizon's UNE rates. Verizon must markedly improve its UNE rates in New Jersey to eliminate the glaring TELRIC errors identified in WorldCom's original comments and to permit local residential competition. The switching rates in New York were well known to be far too high, and there is no longer even any arguable support from the old New York (or Massachusetts) rates that can be used to prop up non-TELRIC rates in New Jersey.

If Verizon corrects even the known TELRIC errors identified to date, Verizon's UNE rates in New Jersey would fall significantly. For example, brief inspection of Verizon's newly submitted cost models reveals that Verizon's failure to count weekends or holidays in setting switching rates requires by itself a *** *** reduction in the usage rate, far more than the 18.5% that WorldCom conservatively estimated in our initial comments without having the benefit of Verizon's newly filed information. Correction of TELRIC errors in switching rates, along with resolution of errors in the loop rates, would eliminate the biggest part of the price squeeze discussed in WorldCom's initial comments, and additional TELRIC errors may become apparent once the New Jersey Board of Public Utilities ("BPU") issues an order explaining its December 2001 pricing decision.

WorldCom's sole focus in this and other section 271 proceedings is how to adequately open local markets so that we (and other competitors) can offer the full benefits of competition to as many consumers as possible. While other issues raised by commenters should be remedied, such as Verizon's dismal record on reciprocal compensation which also plagues WorldCom, UNE pricing remains the most critical competitive roadblock in New Jersey. As emphasized in our initial comments, unless UNE rates are reduced to reflect Verizon's costs, WorldCom would on average lose money on every consumer every month in every zone in the state. That does not make for a market open to competition, and should not provide the basis for section 271 authorization.

Unfortunately, Verizon has made no progress toward lowering its high UNE rates in New Jersey since initial comments were filed in this case. While it now seems clear that the high end of any conceivable "reasonable range" of TELRIC is dramatically less than previously asserted, New Jersey rates in any case should be at the low end of that range in order to eliminate the price squeeze in the state and permit robust local residential competition. Until Verizon's above-cost prices are so reduced to eliminate the price squeeze, its application for New Jersey must be denied because its rates do not comply with the requirements of the competitive checklist, and because its entry into the in-region long-distance market would not be in the public interest.

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TABLE OF CITATION FORMS

FCC Orders	
Massachusetts Order	In re Application of Verizon New England Inc., Bell Atlantic Communications Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d//b/a Verizon Enterprise Solutions), And Verizon Global Networks Inc., For Authorization to Provide In-Region, InterLATA Services in Massachusetts, CC Docket No. 01-9, Memorandum Opinion and Order, 16 F.C.C.R. 8988 (2001), appeal pending, 01-1198 (D.C. Cir. filed Apr. 25, 2001).
DOJ Evaluations	
DOJ Eval.	Evaluation of the United States Dept. of Justice, In re Application of Verizon for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Services in the State of New Jersey, CC Docket No. 01-347 (filed Jan. 28, 2002).
Declarations and Affidavits	
Frentrup Decl.	Reply Declaration of Chris Frentrup on Behalf of WorldCom (Tab A hereto).

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

In the Matter of	)	
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Application by Verizon for Authorization	)	
Under Section 271 of the Communications	)	
Act to Provide In-Region, InterLATA	)	CC Docket No. 01-347
Services in the State of New Jersey	)	
	)	

REPLY COMMENTS OF WORLDCOM, INC. ON THE APPLICATION BY VERIZON FOR AUTHORIZATION TO PROVIDE IN-REGION, INTERLATA SERVICES IN NEW JERSEY

The inadequacy of Verizon's UNE rates in New Jersey has been revealed more clearly by the action taken by the New York PSC to substantially reduce Verizon's UNE rates there. In New Jersey, Verizon has made no progress toward UNE rates that comply with the FCC's TELRIC requirements and the public interest requirements of the Telecommunications Act since filing its application. Pricing thus remains the central issue of concern in this application, and the issues raised in WorldCom's initial comments remain unresolved. In addition, WorldCom obtained new information about the TELRIC errors in New Jersey underlying Verizon's high UNE rates from Verizon's confidential cost models (which Verizon did not include in its original application and only provided to WorldCom this week), and we expect to have additional information once we obtain the New Jersey BPU's order. Verizon's rates present an ongoing barrier to ubiquitous local residential competition anywhere in the state, depriving New Jersey consumers of all the benefits of competition. The Commission should reject Verizon's section 271 application until it has corrected its UNE rates to reflect TELRIC in the range that will eliminate the price squeeze of competitors and permit broad scale local competition in New Jersey.

New York UNE Rate Improvements Highlight New Jersey Deficiencies

Verizon can no longer attempt to justify its high New Jersey switching rates by comparison to the rates in New York and Massachusetts. WorldCom long pointed out the misrepresentations by Verizon which led to excessive New York switching rates in the first place, and which resulted in the New York PSC beginning another cost proceeding at the time of the New York section 271 application. That effort resulted in action by the New York PSC on January 23, 2002 announcing revisions in the permanent UNE rates for New York and establishing substantially improved and reduced rates.[1] Verizon can no longer argue that outdated non-TELRIC rates in New York justify its excessive UNE rates in New Jersey.

Verizon attempts to rely on the Massachusetts switching rates as well, but the Massachusetts rates now provide no more cover for Verizon than the old New York rates. The current Massachusetts switching rates were set by simply adopting the high New York rates, and were defended during Verizon's section 271 proceeding for Massachusetts solely on the basis that they were the same as the New York rates. While the Commission felt constrained to find the rates acceptable in Massachusetts because they had been previously approved in New York, the Commission made clear that once the New York rates were lowered (which was widely

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1 The New York PSC issued a press release and lengthy order outlining its revised UNE rates, which are posted on the PSC's website at http://www.dps.state.ny.us/fileroom/doc11086.pdf (press release) and http://www.dps.state.ny.us/fileroom/doc11122.pdf (order).

expected even at that time), then Verizon would have to similarly lower its switching rates in Massachusetts, and could no longer rely on the higher rate level in other section 271 applications. Massachusetts Order ¶¶ 29-30, 251.

The Commission expressly stated that:

> [T]he New York Commission is actively investigating UNE rates and may modify those rates to reflect changed market conditions, technologies, and information. If the New York Commission adopts modified UNE rates, future section 271 applicants could no longer demonstrate TELRIC compliance by showing that their rates in the applicant states are equivalent to or based on the current New York rates, which will have been superceded. Moreover, because Verizon would have us rely on switching rates from the New York proceeding, a decision by the New York Commission to modify these UNE rates may undermine Verizon's reliance on those rates in Massachusetts and its compliance with the requirements of section 271.

Massachusetts's Order ¶¶ 29-30 (emphasis added).[2]

TELRIC Problems with Verizon's UNE Rates

Verizon's switching and loop rates in New Jersey are not TELRIC-compliant, as they remain infected by several substantial TELRIC errors. Moreover, additional errors may be apparent once the New Jersey BPU issues its written order explaining how it arrived at the UNE rates that it recently established for Verizon. Two points illustrate the magnitude of Verizon's TELRIC errors.

First, the confidential cost models that WorldCom was only recently able to obtain from Verizon show that the TELRIC problem relating to the calculation of switch costs has a much

2 The Department of Justice ("DOJ") also recognized that this action by the New York PSC is significant, DOJ Eval. at 7 n.27, but did not have any opportunity to consider its impact as the NY order was issued the same day DOJ filed its New Jersey evaluation at the Commission.

bigger impact than we conservatively estimated in WorldCom's initial comments. As explained in our initial comments, Verizon erred in using only the usage on 251 business days, rather than the usage in the 365 calendar days in setting its switch usage rates. Changing this input in the switch cost models recently filed by Verizon lowers the originating and terminating switch usage rates by *** ***.[3]

In addition, we explained in WorldCom's initial comments that Verizon incorrectly included the switch features (which Verizon calls "getting started" costs) in the usage rather than the port charge. Removing these costs from the usage charge lowers the computed originating usage cost by *** *** and the terminating usage cost by *** ***.[4] Combining this change and the change to the total number of days in a year, results in *** *** reductions in the originating and terminating switch usage costs, respectively, that are computed by Verizon's model. Clearly, these two Verizon errors alone greatly overstate the switch usage charge.

CONCLUSION

Verizon's New Jersey application should be denied.

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3 *** .***
4 *** ***

Respectfully submitted,

Keith L Seat (few)

Robert Lopardo
Keith L. Seat
WORLDCOM, INC.
1133 19th St., N.W.
Washington, D.C. 20036

(202) 887-2993

February 1, 2002

CERTIFICATE OF SERVICE

I, Vivian Lee, do hereby certify that copies of the foregoing Reply Comments of WorldCom, Inc. were sent via hand deliver (as indicated) or e-mail to the following on this 1st day of February, 2002.

Janice Myles*
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Alex Johns
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Qualex International*
445 12th Street, SW
Washington, DC 20554

Susan Pie
Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Scott H. Angstreich*
Kellogg, Huber, Hansen, Todd & Evans
Sumner Square
1615 M Street, NW, Suite 400
Washington, DC 20036

John M. Lynch
US Department of Justice
Antitrust Division
Telecommunications Task Force
1401 H Street, NW, Suite 8000
Washington, DC 20530

Anthony Centrella
Division of Telecommunications
New Jersey Board of Public Utilities
Two Gateway Center
8th Floor
Newark, NJ 07102

Henry Ogden
Division of Telecommunications
New Jersey Board of Public Utilities
Two Gateway Center
8th Floor
Newark, NJ 07102

Michael E. Glover
Verizon
1515 North Court House Road,
Suite 500
Arlington, VA 22201

Eric J. Branfman
Patrick J. Donovan
Swidler Berlin Shereff Friedman
3000 K Street, NW, Suite 300
Washington, DC 20007
Marybeth Banks

H. Richard Juhnke
Sprint Corporation
401 9th Street, NW, Suite 400
Washington, DC 20004

Mark C. Rosenblum
Lawrence Lafano
AT&T Corporation
295 North Maple Avenue
Basking Ridge, NJ 07920

Mark E. Haddad
David L. Lawson
Sidley Austn Brown and Wood
1501 K Street, NW
Washington, DC 20005

Cherie R. Kiser
James J. Valentino
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo
701 Pennsylvania Avenue, NW,
Suite 900
Washington, DC 20004

Tom Alliborne
Bruce Kushnick
TeleTruth
C/o New Networks Institute
826 Broadway, Suite 900
New York, NY 10003

Rodney L. Joyce
Shook, Hardy & Bacon
600 14th Street, NW, Suite 800
Washington, DC 20005

Anna Sokolin-Maimon
Metropolitan Telecommunications
44 Wall Street
New York, NY 10005

Jonathan E. Canis
Kelley Drye & Warren
1200 19th Street, NW, 5th Floor
Washington, DC 20036

Stephen T. Perkins
Alan M. Shoer
Cavalier Telephone
2134 West Laburnum Avenue
Richmond, VA 23227

Blossom A. Peretz
Division of the Ratepayer Advocate
31 Clinton Street 11th Floor
P.O. Box 46005
Newark, NJ 07102

Francis R. Perkins
Meyner & Landis
One Gateway Center
Suite 2500
Newark, NJ 07101

Charles C. Hunter
Chatherine M. Hannan
Hunter Communications Law Group
1424 16th Street, NW, Suite 105
Washington, DC 20006

Dirck A. Hargraves
Telecommunications Research and Action Center
P.O. Box 27279
Washington, DC 20005

Matthew D. Bennett
Alliance for Public Technology
919 18th Street, NW, Suite 900
Washington, DC 20006

Michael Pryor
Mintz Levin Cohn Ferris Glovsky and
Popeco
701 Pennsylvania Avenue, NW
Washington, DC 20004

Roxanne Vivanco
New Jersey Citzen Action
400 Main Street
Hackensack, NJ 07601

Jack Robinson
New Jersey State Grange and the Order of
Patrons of Husbandry
164 Woodstown-Daretown Road
Pilesgrove, NJ 08098

Shaun D. Wiggins
Keep America Connected
P.O. Box 27911
Washington, DC 20005

*HAND DELIVERED

Vivian Lee

Vivian Lee

DOCKET NO. 01-347 Attachment A

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