

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Jurisdictional Separations Reform and	)	CC Docket No. 80-286
Referral to the Federal-State Joint Board	)	
	)	
Options for Comprehensive Separations	)	
Reform	)	

**COMMENTS OF VERIZON<sup>1</sup> ON ROSEVILLE TELEPHONE COMPANY'S  
PETITION FOR RECONSIDERATION**

The petition for reconsideration filed by Roseville Telephone Company (“Roseville”) does nothing but rehash arguments about adjustments to local dial equipment minutes (“DEM”) that already have been considered and rejected by the Commission. The Commission has already declined to impose a reduction in DEM “as a short-term way to shift some costs to the interstate jurisdiction, pending further review of the issue of how Internet-bound traffic should be treated for separations purposes.”<sup>2</sup> That decision is undoubtedly correct, as a DEM adjustment is unnecessary and would undermine the simplicity and stability offered by the current separations freeze. Because the Commission properly rejected an adjustment to DEM, and because the petition for reconsideration raises no new arguments or facts, the Commission should deny Roseville’s petition.

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<sup>1</sup> The Verizon telephone companies (“Verizon”) are the local exchange carriers affiliated with Verizon Communications Inc., and are listed in Attachment A.

<sup>2</sup> *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, 16 FCC Rcd 11382, ¶ 40 (2001) (“Order”).

## **I. The Commission Properly Rejected Proposals to Adjust the DEM Factor**

The Commission properly rejected the proposals for a DEM reduction and other adjustments designed to correct for purported “misallocation[s] of costs,” Order, ¶ 12, and for good reason. If the Commission were to reallocate separations for every carrier who believed the existing separations balance “inappropriately shift[s] costs,” separations would never be frozen.<sup>3</sup> Indeed, while Roseville argues that a DEM reduction is necessary, other commenters opposed the DEM adjustment originally proposed by the Joint Board, arguing that the adjustment would “improperly allocate costs between the jurisdictions.” Order, ¶ 37 & n. 98.

The Commission already considered the information Roseville relies upon to support the DEM reduction, but found that there was “no reliable data . . . upon which to set any reasonable local DEM reduction on an across-the-board, nationwide basis.” Order, ¶ 40.<sup>4</sup> As Roseville itself recognizes, “no recasted jurisdictional DEM factors, even if based on NECA’s data, could be 100 percent accurate.” Roseville Petition, at 6. Indeed, the Joint Board has recognized that the portion of local calls that are attributable

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<sup>3</sup> See Roseville Telephone Company, Petition for Reconsideration, In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board, at 8 (2001) (“Roseville Petition”).

<sup>4</sup> The Commission had before it the National Exchange Carrier Association (“NECA”) survey upon which Roseville relies. See generally Order, ¶ 38. That survey was very limited, both in terms of participating members and the type of data gathered. For example, Roseville admits that “NECA pool members represent less than ten percent of the nation’s access lines.” Roseville Petition, at 5. Moreover, NECA told the Commission that only approximately 25% of those it surveyed “gathered data using some type of actual measurement over various time periods.” October 28, 1999 NECA letter to Dorothy Attwood, at 1.

to Internet traffic is “possibly unidentifiable.”<sup>5</sup> That is because Verizon, like other carriers, does not (and, as a practical matter, cannot) break out the Internet-bound traffic from general minutes.

And the reality is that, even if there were a cost-efficient way to determine that a specific portion of intrastate minutes have in the past been attributable to interstate Internet usage, there is no way to be certain whether that trend will continue. It is possible – if not likely – that the portion of ISP-bound intrastate minutes will actually decline in the near future as more and more, customers turn to new broadband technologies (such as cable modem and satellite). These technologies are completely outside the regulated telephone network and minutes on these systems mean a reduction in the use of the LECs’ networks.<sup>6</sup> Thus, any reduction in DEM in order to “shift some costs to the interstate jurisdiction” might have to be reversed as soon as the minutes shift back, again undermining the simplicity and stability the freeze sought to achieve.

More fundamentally, however, as the Commission has recognized, there simply is no reason to undertake any DEM adjustment. The Commission has previously stated that there was “no concrete evidence . . . that the current situation has, in fact, had any detrimental impact upon consumers.” Order, ¶ 40. That is still the case.

Roseville argues that although the Commission has made a policy decision to exempt ESPs from paying interstate access charges, that fact “does not change the

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<sup>5</sup> See *Glide Path Paper from the State Members of the Federal-State Joint Board on Separations*, CC Docket No. 80-286, at 6 (filed Dec. 19, 2001).

<sup>6</sup> See *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Intercarrier Compensation for ISP-Bound Traffic*, 16 FCC Rcd 9151, ¶ 63, n.122 (2001) (“It is important to note that a dial-up call to an ISP will not even be required when broadband services arrive”).

interstate nature of the services provided to the ESPs, or the need to recover the cost of those services properly.” Roseville Petition, at 8. However, costs for these services already are being recovered “properly” because they are being matched to revenues, which are treated as if they were intrastate because the so-called ESP exemption allows ISPs to pay rates for these interstate services that are based on intrastate tariffs. As the Commission has explained, the traffic-sensitive local switching costs that ISPs incur are treated as intrastate “because these switching costs are recovered through intrastate business tariffs, and enhanced service providers such as ISPs are exempt from paying carrier access charges.” Order, ¶ 39. Thus, the Commission’s current policy “prevents a cost-revenue mismatch that the separations rules are designed to avoid.” *Id.*, ¶ 41 (footnote omitted). While Roseville argues that the intrastate revenues are insufficient to cover the costs, the cure it proposes – to switch minutes to interstate, where there are no revenues to support costs – is worse than the supposed malady.

### Conclusion

The Commission should deny Roseville’s petition for reconsideration.

Respectfully submitted,



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THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States  
GTE Midwest Incorporated d/b/a Verizon Midwest  
GTE Southwest Incorporated d/b/a Verizon Southwest  
The Micronesian Telecommunications Corporation  
Verizon California Inc.  
Verizon Delaware Inc.  
Verizon Florida Inc.  
Verizon Hawaii Inc.  
Verizon Maryland Inc.  
Verizon New England Inc.  
Verizon New Jersey Inc.  
Verizon New York Inc.  
Verizon North Inc.  
Verizon Northwest Inc.  
Verizon Pennsylvania Inc.  
Verizon South Inc.  
Verizon Virginia Inc.  
Verizon Washington, DC Inc.  
Verizon West Coast Inc.  
Verizon West Virginia Inc.

## Certificate of Service

I hereby certify that, on this 26th day of March, 2002, I caused one copy of the forgoing "Comments of Verizon on Roseville Telephone Company's Petition for Reconsideration" to be served by first class mail upon the party listed below.

  
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