WORLDCOM

April 19, 2002

By Electronic Filing

Ms. Marlene H. Dortch
Acting Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 02-67: Application by Verizon for Authorization to Provide In-Region InterLATA Services in New Jersey

Dear Ms. Dortch:

WorldCom submits this letter as its reply comments in opposition to Verizon's section 271 application for New Jersey in order to provide additional calculations showing the extent to which Verizon's switching rates in New Jersey exceed its switching rates in New York (notwithstanding our ongoing objections to the "benchmarking" concept). The New Jersey switching rates are plainly excessive even considering Verizon's purported reduction in its switch terminating rate and varying usage assumptions. Due to the excessive switching rates in New Jersey (where Verizon's costs are virtually identical to New York), this application cannot be approved based on "benchmarking" New Jersey rates to New York. Nor can it be approved based on the cost study conducted in New Jersey due to the serious total element long run incremental cost ("TELRIC") errors that WorldCom has explained at length in our April 8 and earlier comments, had raised with the New Jersey Board of Public Utilities ("BPU") during its proceedings, and is still attempting to get the BPU to remedy.

At the request of Commission staff, WorldCom has recalculated the New Jersey figures in our switching rate summary sheet (see Att. 1) using a lower terminating rate of $0.001888 per minute, as listed in the March 11, 2002 ex parte filed by Verizon in its first New Jersey section 271 application. Rate reductions are good news. WorldCom is intensely focused on bringing the high price of switching down to cost-based levels that will permit competition, and we sought a reduction in Verizon's switch terminating rate in our April 2 motion for reconsideration of the BPU's Final UNE Order. But Verizon's actions need to be actual reductions in the marketplace and not merely regulatory hype. It is not yet clear to WorldCom that this reduction to $0.001888 is in effect and generally applicable to all local calls. In its March 11 ex parte, Verizon ambiguously states in its attachment on terminating "access" rates that it "intends" to apply this rate where terminating charges apply (Att. 3), but does not specify when or how the rate will take effect. Moreover, in the cover letter filed with the Commission, Verizon states that this is the price that a CLEC pays for "access traffic from an IXC POP" to the CLEC end user and does not state that this rate applies generally to termination of all local calls.

Worse, Verizon apparently has not made a new compliance filing with the BPU incorporating this lower rate, although we remain hopeful that it will do so soon. Verizon needs to make clear that this rate is in effect and applies to all terminating minutes, not just to some narrow subset.

The bigger problem, however, is that this reduction in its switch terminating rate is not enough. It may be a helpful first step, but Verizon needs to go further to correct the problems with its switching rates. As shown on Att. 1, even if this reduction is fully applicable as Commission staff believes, the total charge for switch usage and port is still 32% higher in New Jersey than in New York using our standard assumptions. That is certainly an improvement on the 48% excess that exists with the old termination rate, but far from sufficient and points to the need to fully correct Verizon's TELRIC errors.[1]

Given that Verizon claims that minutes of use should be much lower than actual CLEC experience, we have also calculated switching charges using Verizon's proposed New Jersey minutes in both New Jersey and New York. As shown in Alternative 1 of Att. 2, even then the result is that switch usage and port in New Jersey is 11% higher than in New York.[2]

We have further calculated the effect of using a lower minute assumption in New Jersey than New York as Verizon proposes, even though that is an apples-to-oranges comparison for the reasons WorldCom previously explained. Verizon asserts that usage in New Jersey is 93% of the level in New York. But as shown in Alternative 2 (of Att. 2), with WorldCom's standard usage assumptions in New York and 93% of that level in New Jersey, the switch usage and port charges in New Jersey are 24% higher in New Jersey than in New York.[3]

In short, even assuming the reduction in Verizon's switch terminating rate and even applying Verizon's various ways of minimizing the usage levels that CLECs face in New Jersey, it remains clear that Verizon's switching rates are significantly higher in New Jersey than across the river in New York. Thus, Verizon's clear TELRIC errors need to be redressed in order to reduce switching rates to levels that are cost-based and which will permit widespread residential competition in the state.

[1] The total "non-loop" charges in New Jersey exceed New York by 8% with the new switch terminating rate, although as explained in WorldCom's April 8 comments, this analysis improperly mixes in non-switch elements that distort the conclusion.
[2] Total non-loop charges are 5% less in New Jersey than New York by this calculation, but that is not a meaningful comparison as we have previously explained.
[3] Total non-loop charges are 1.3% higher in New Jersey than New York under this set of assumptions.

Pursuant to the Commission’s rules, I am filing an electronic copy of this letter and request that it be placed in the record of this proceeding.

Sincerely,

Keith L. Seat
Senior Counsel
Federal Advocacy

Attachments

cc (w/att.): Janice Myles, Alex Johns, Susan Piϑ, Deena Shetler, Josh Swift, Richard Kwiatkowski, Robert Tanner, Nese Guendelsberger, Scott H. Angstreich, Katherine Brown, Laura Starling, Anthony Centrella, Henry Ogden, Michael E. Glover, Eric J. Branfman, Charles C. Hunter, Patrick J. Donovan, Marybeth Banks, H. Richard Juhnke, Mark C. Rosenblum, Lawrence Lafano, Mark E. Haddad, David L. Lawson, James J. Valentino, Tom Alliborne, Bruce Kushnick, Rodney L. Joyce, Anna Sokolin-Maimon, Jonathan E. Canis, Stephen T. Perkins, Alan M. Shoer, Blossom A. Peretz, Francis R. Perkins, Chatherine M. Hannan, Dirck A. Hargraves, Matthew D. Bennett, Michael Pryor, Roxanne Vivanco, Jack Robinson, Shaun D. Wiggins, Qualex International,