

TAB 14

APPENDIX A – NH 271 EXHIBITS

April 5, 2002 Presentation of Kate Bailey to NH Legislature

PUBLIC VERSION



NH Public Utilities Commission

Telecommunications Oversight Committee

Presented by

Kate Bailey

Director Telecommunications

April 5, 2002



Agenda

- ▶ Modified Final Judgement
- ▶ Telecommunications Act of 1996
- ▶ Section 271 Review
- ▶ PAP Review
- ▶ Summary



Modified Final Judgement

- ▶ Broke up AT&T into long distance (LD) company and local companies
- ▶ Neither was allowed to provide service in others area



Telecommunications Act of 1996

- ▶ Catalyst for local competition
- ▶ Allows long distance, cable cellular and electric companies to compete for local
- ▶ Allows Verizon opportunity to compete for interstate long distance
- ▶ Promised Advanced Services



Telecommunications Act of 1996

- ▶ Verizon must demonstrate local market is irreversibly open to competition.

- ▶ Section 271 of the Act lists the 14 point competitive checklist.

- ▶ FCC requires state commission to verify compliance with the checklist and presence of facilities-based competitor.



Section 271

In 90 days FCC must determine whether

- ▶ applicant (Verizon):
 - ▶ meets the 14 point local competition checklist
 - ▶ has a binding interconnection agreement
 - ▶ will provide interLATA service through affiliate
- ▶ requested authorization is in the public interest



State Produces Record for FCC

▶ 271 Process at the FCC has evolved

▶ FCC explained the role of a state commission:

“We will look to the state to resolve factual disputes wherever possible. Indeed, we view the state’s and DOJ’s roles to be similar to that of an ‘expert witness.’”

▶ FCC relies on state commission to create its record

▶ Result is PUC opinion



FCC Requirements for Approval





FCC Requirements for Approval

- ▶ Final TELRIC rates for UNEs approved by State Commission
- ▶ PAP approved by State Commission
- ▶ Compliance with 14 point checklist



PUC 271 Review

- ▶ 271 review docket to determine checklist compliance and public interest and create record for FCC
- ▶ PAP docket to establish data to be measured and performance plan
- ▶ Pricing dockets to establish TELRIC rates



PUC 271 Review

Careful review of testimony, declarations, exhibits, briefs, comments & 6 hearing days

- ▶ Verizon
- ▶ Joint CLECs
- ▶ Office of Consumer Advocate
- ▶ PUC Staff
- ▶ Facilitator



PUC 271 Conclusions

- ▶ Verizon meets most checklist items
- ▶ Verizon has binding interconnection agreements
- ▶ Concerned about:
 - ▶ 5 checklist items
 - ▶ Verizon corporate commitment to serving CLECs
 - ▶ Whether public interest is served when Verizon enters long distance market



PUC 271 Conclusions

PUC Concerns with checklist items:

- ▶ Interconnection available at non-discriminatory TELRIC prices
- ▶ Non-discriminatory access to UNEs
- ▶ Local loop transmission from CO to end-user (including those for broadband service)
- ▶ Local transport (facilities between COs)
- ▶ Number portability



PUC 271 Conditions

Upon request, PUC advised Verizon it would provide favorable opinion to FCC if :

- ▶ 10 conditions were met to address PUC concerns
- ▶ Verizon complies with PAP Order
- ▶ Verizon complies with UNE Remand TELRIC Order



PUC 271 Conditions



Verizon responded by letter

- ▶ Did not object to 6 conditions
- ▶ Strongly opposed others
- ▶ Suggested willingness to discuss some

CLECs strongly objected to Verizon letter

- ▶ Urged Commission to reaffirm all conditions



Conditions to Which Verizon Objects

- ▶ Reduce TELRIC rates to account for merger savings (6.43%) as in RI and apply NJ return on equity of 10%
- ▶ Apply local switch charge once for intraoffice calls as in MA and NY
- ▶ Create CLEC only tariff for necessary broadband components
- ▶ Refund discriminatory dc power charges



NH Rates Compared to Others

Local Loops							
Zones	NH	MA	ME	VT	RI	NY	Prop. NH
1	11.97	7.54	11.44	7.72	11.19	7.70	9.57
2	16.04	14.11	13.47	8.35	15.44	11.31	12.77
3	34.87	16.12	18.75	21.63	19.13	15.51	27.81
4		20.04					



Performance Assurance Plan

- ▶ Verizon filed PAP and asked for PUC review.
- ▶ Performance plan ensures Verizon continued good service to CLECs after obtaining 271 approval.
 - ▶ Keeps local market open
 - ▶ Prevents backsliding
- ▶ FCC relies on PUC to evaluate effectiveness of performance plan in order to obtain 271 approval.



Performance Assurance Plan

- ▶ Verizon argued PUC has no authority to impose or substantively change voluntary penalty proposal.

- ▶ FCC has said:
 - ▶ “...states may create plans that ultimately vary in their strengths and weaknesses as tools for post-section 271 authority monitoring and enforcement...[and] development of performance measures and appropriate remedies is an evolutionary process that requires changes to both measures and remedies over time.”



Performance Assurance Plan

FCC's Five (5) key aspects:

- ▶ Meaningful and significant financial penalties to act as compliance incentive;
- ▶ Clear measures and standards for carrier to carrier performance;
- ▶ Reasonable structure that is designed to detect and sanction poor performance when it occurs;
- ▶ Self-executing plan which avoids litigation and appeal;
- ▶ Assurances that the reported data is accurate.



PUC PAP Decision

- ▶ PUC approved Verizon's PAP subject to minor changes Verizon had agreed to in other states.
- ▶ In order to avoid delay of 271 petition and protracted litigation, the Commission ruled "squarely within the unchallenged purview of its authority."
- ▶ When asked at hearing, Verizon's attorney agreed the PAP was not intended to be exclusive or to limit statutory authority over quality of service.



PUC PAP Decision

- ▶ To ensure Verizon's quality of service to wholesale customers, the PUC will also establish standards
 - ▶ violations will be penalized under RSA 365:41

- ▶ PUC found that when Verizon's voluntary plan was augmented with PUC's statutory authority, the FCC's 5 key aspects were satisfied



Summary

- ▶ Commission decisions ensure local competition has the chance to survive after Verizon enters long distance market.
 - ▶ Imposed reasonable conditions to satisfy concerns raised about compliance with certain checklist items.
 - ▶ Considered public interest and importance to NH of broadband deployment.
- ▶ Approved Verizon's PAP and will establish wholesale quality of service standards as a safety net.



Key Definitions

PAP: Performance Assurance Plan

LD: Long Distance

TELRIC: Total Element Long Run Incremental Cost

UNEs: Unbundled Network Elements

CLEC: Competitive Local Exchange Carrier

CO: Central Office