Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of National Exchange Carrier Association, Inc. Petition to Amend Section 69.104 of the Commission's Rules	RM No. 10603

REPLY COMMENTS OF VERIZON[1]

All but one of the commenters agree with the National Exchange Carrier Association ("NECA") that the local exchange carriers need relief from the Commission's rule requiring them to apply one subscriber line charge ("SLC") per "voice grade line" on services provided over T-1 interfaces, which provide as many as 24 voice grade channels and currently are assessed up to 24 SLCs. The Commission's rules already allow the carriers to apply no more than five SLCs to primary rate interface ("PRI") ISDN services, which also are provided over T-1 interfaces.[2] Extending this principle to other similar T-1 based services would allow local exchange carriers to price their services on a more rational basis. If the Commission grants NECA's petition for the non-price cap carriers, it should allow price cap carriers to obtain waivers to apply five SLCs and five presubscribed interexchange carrier charges ("PICCs") to new services with T-1 interfaces. This would facilitate the introduction by price cap carriers of new, innovative services that give customers control over the number of voice grade channels on a T-1 facility.

[1] The Verizon telephone companies ("Verizon") are the affiliated local telephone companies of Verizon Communications Inc. These companies are listed in Attachment A.

[2] ***See*** 47 C.F.R. § 69.152(l)(2); *MAG Order*, 16 FCC Rcd 19613, ¶ 56 (2001).

Only AT&T challenges NECA's assertion that all services that are provisioned with T-1 interfaces should be assessed no more than five SLCs, because these services are provisioned identically to PRI ISDN. ***See*** AT&T, 8-12. While AT&T does not dispute NECA's basic argument that services provided over T-1 interfaces have far lower loop costs than 24 ordinary voice grade lines, it argues that NECA has not shown that the common line costs of T-1 based services such as digital channel service are sufficiently similar to those of primary rate interface ISDN to justify applying five SLCs to both types of services. ***See*** id., 10. However, if the Commission accepted AT&T's arguments, each carrier or group of carriers would have to price-out each type of T-1 based service and develop a different number of SLCs for each service. This would require burdensome cost proceedings that, ultimately, would result in insignificant differences in the number of SLCs for different T-1 based services, because all of these services use essentially the same outside plant facilities and have similar loop costs. Extending the five SLC rule for primary rate interface ISDN services to other T-1 based services is a reasonable approach that would spare the Commission and the carriers from undergoing unnecessary rate structure investigations.

If the Commission grants NECA's petition, it should find that it is presumptively reasonable for all local exchange carriers, including price cap carriers, to apply five SLCs to new T-1 based services.[3] The requirement to apply one SLC on each voice grade channel on T-1 based services has made it difficult to introduce new, innovative services that give customers greater flexibility to use transmission capacity. Unlike most existing T-1 based services, which

[3] Carriers should also be required to file cost-supported port charges for these services, as they do now for PRI ISDN, to capture the additional port costs associated with T-1 based services. ***See*** *Access Charge Reform*, 12 FCC Rcd 15982, ¶ 117 (1997); 47 C.F.R. § 69.157.

offer fixed combinations of voice channels and data channels, newer services give customers the ability to customize a single facility to meet their needs for voice and data channels as necessary for data transmission, Internet access, fax services, video, and other functionalities. Customers may change the mix of voice and data channels on such services at any point in time to meet their needs. Consequently, the number of voice grade channels for which SLCs and PICCs apply to such services can vary from one billing period to the next. This makes it difficult to develop rate structures and billing systems that track such changes. It does not make sense to make continual billing changes in ongoing attempts to capture the exact number of voice lines in use each month – and in some cases, each day – on these services for the purpose of applying a varying number of SLCs to the end user customers who, in all likelihood, are very likely to question the logic behind what the local carrier is attempting to do. The end user customer does not want to have to keep track of which channels are used to provide voice services for which days to ensure that their billing is correct. Neither should the local carrier.

For these reasons, if the Commission finds that it is reasonable to adopt the rule change requested by NECA for non-price cap carriers, the Commission should allow price cap carriers to file requests for waivers as needed to apply no more than five SLCs and PICCs for new T-1 based services. The inflexibility of the Commission's current rule inhibits the efforts of carriers to develop new alternatives that meet customer needs. Applying a fixed number of SLCs and PICCs to such services would simplify billing and allow more reasonable and understandable rate structures for new services.

The Commission should not prescribe a maximum of five SLCs and PICCs for existing T-1 services for price cap carriers unless it modifies its rules to permit the carriers to change their maximum "CMT revenue per line" under section 61.3(d) to recover the reduction of revenues caused by the reduction in demand for SLCs and PICCs. Without such a rule change, price cap carriers would have a significant revenue shortfall, because price cap revenue recovery was based on the assumption that T-1 based services would be assessed a SLC and PICC for each derived voice channel. Unlike non-price carriers, who can shift a reduction in SLC revenues to carrier common line charges, price cap carriers would not have an alternative means of recovering the revenues from a reduction in SLC demand for T-1 based services. Therefore, unless the Commission modifies its rules establishing the maximum CMT revenue per line, it should limit the reduction in SLCs and PICCs for price cap carriers to new T-1 based services for which the carriers seek waivers.

Conclusion

For the foregoing reasons, if the Commission grants NECA's petition for non-price cap carriers, it should allow price cap carriers to obtain waivers of Section § 69.152(l)(2) to apply no more than five SLCs and PICCs to new services offering T-1 interfaces.

Respectfully submitted,

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ATTACHMENT A

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.