

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

)	
In the Matter of)	
Windstream Petition for Conversion to Price)	WC Docket No. 07-171
Cap Regulation and for Limited)	
Waiver Relief)	
)	

COMMENTS OF VERIZON¹

Windstream’s proposed conversion to price cap regulation is in the public interest because it would result in an additional price cap carrier, a likely reduction in access rates, and a potential reduction in the size of the Universal Service Fund. Accordingly, its petition should be granted.

The Commission has previously recognized that price cap regulation “is superior to rate of return [regulation]” because price cap regulation promotes competition and efficiency by “creating incentives for carriers to become more productive” thereby “generat[ing] powerful motives to innovate.” *LEC Price Cap Order*² ¶¶ 29, 32. Accordingly, under price cap regulation, Windstream would have more incentive than it does under rate of return regulation to increase its efficiency and productivity, which would ultimately lead to more innovation.

The Commission has also previously recognized that market-based rates or rates that approximate the prices that a competitive market would produce, such as those that would result from Windstream’s conversion to price cap regulation, “best serve the

¹ The Verizon companies (“Verizon”) participating in this filing are the regulated, wholly-owned affiliates of Verizon Communications Inc.

² Second Report and Order, *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, 5 FCC Rcd. 6791 (1990) (“*LEC Price Cap Order*”).

public interest.” *Access Charge Reform Order*³ ¶ 42; *see id.* ¶¶ 262, 263. As the Commission explained, market-based rates or rates that approximate market-based rates provide “a better combination of prices, choices, and innovation than can be achieved through rate-prescription.” Consistent with this principle, Verizon has previously recommended that the Commission move *all* carriers’ interstate access rates toward the market-based rates charged by price cap carriers under the CALLS regime. This would place all carriers on equal footing, and would also allow for a smoother transition to a regime of voluntarily negotiated rates.

Windstream’s conversion to price cap regulation is a positive step towards creating a regime of voluntarily negotiated rates because it would, among other things, require Windstream to convert its switched access rates to the price cap switched access structure used in the CALLS regime. As a result, Windstream’s access rates would likely be stabilized at reduced levels, placing Windstream on equal footing with comparable price cap carriers. Further, because Windstream’s proposed framework relies heavily upon the existing CALLS framework, it would serve as a model framework for converting from rate of return regulation to price cap regulation.

In addition to the above benefits, Windstream’s conversion to price cap regulation may also serve the public interest by reducing the size of the Universal Service Fund (USF). Windstream’s analysis and proposed path to receive USF support under price cap regulation appear to be sound. If Windstream’s analysis is correct, Windstream would draw less support from the fund under price cap regulation. *See* Windstream Petition,

³ First Report and Order, *Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Transport Rate Structure and Pricing; End User Common Line Charges*, 12 FCC Rcd. 15982 (1997) (“*Access Charge Reform Order*”).

WC Docket 07-171 (August 6, 2007) at 5. This would result in a corresponding reduction in the size of the USF, and the public interest would be served.

CONCLUSION

The Commission should permit Windstream to convert to price cap regulation.

Respectfully Submitted,

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