

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

In the Matter of	)	
	)	
Petition of AT&T Inc. For Forbearance	)	WC Docket No. 07-21
Under 47 U.S.C. § 160 From Enforcement	)	
Of Certain of the Commission's Cost	)	
Assignment Rules	)	
	)	
Petition of Verizon For Forbearance	)	WC Docket No. 07-273
Under 47 U.S.C. § 160(c) From Enforcement	)	
Of Certain of the Commission's Recordkeeping	)	
And Reporting Requirements	)	
	)	

**REPLY COMMENTS OF VERIZON<sup>1</sup>**  
**REGARDING ITS COST ASSIGNMENT FORBEARANCE COMPLIANCE PLAN**

Verizon's compliance plan satisfies all of the requirements of the *Cost Assignment Forbearance Order* and the *Recordkeeping and Reporting Forbearance Order*.<sup>2</sup> Only two sets of comments opposing Verizon's plan were filed, and those commenters largely take issue with the logic of the underlying forbearance orders, which is not relevant to the Wireline Competition Bureau's evaluation of Verizon's plan. The Bureau should approve Verizon's plan and the similar compliance plans filed by AT&T and Qwest, which also satisfy the requirements of the

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<sup>1</sup> The Verizon companies participating in this filing ("Verizon") are the regulated, wholly owned subsidiaries of Verizon Communications, Inc.

<sup>2</sup> *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160 From Enforcement of Certain of the Commission's Cost Assignment Rules*, WC Docket No. 07-21, Memorandum Opinion and Order, ¶ 32 (rel. April 24, 2008) ("*Cost Assignment Forbearance Order*"), *pet. for recon. pending*; *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission's ARMIS Reporting Requirements*; *Petition of Verizon For Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission's Recordkeeping and Reporting Requirements, et. al*, Memorandum Opinion and Order and Notice of Proposed Rulemaking, WC Docket Nos. 01-139, 07-273 (rel. Sept. 6, 2008) ("*Recordkeeping and Reporting Forbearance Order*").

Commission's cost assignment forbearance orders. Approval of the companies' compliance plans will allow them to implement the forbearance relief granted by the Commission and will help level the playing field with competitors that have never been constrained by the Commission's outdated and unnecessary cost assignment rules.

As required, Verizon's compliance plan: (i) includes "proposed procedures to ensure continued compliance with sections 272(e)(3) and 254(k) of the Act"; (ii) includes a description of Verizon's "imputation methodology that demonstrates its access charge imputation methodologies remain consistent with section 272(e)(3) and the *Section 272 Sunset Order*"; (iii) includes Verizon's "first annual certification that it will comply with its obligations under section 252(k) in the absence of the Cost Assignment Rules and will provide any requested cost accounting information necessary to prove such compliance"; (iv) demonstrates how Verizon will "maintain its accounting procedures and data in a manner that will allow it to provide useable information on a timely basis if requested by the Commission"; and (v) includes an explanation of the "transition process" that Verizon will undertake. *Cost Assignment Forbearance Order* ¶ 31. In addition, Verizon's compliance plan describes how it will maintain the requisite accounting data necessary to request and justify the high cost universal service support that Verizon receives in a limited number of study areas. *Recordkeeping and Reporting Forbearance Order* ¶ 30.

Both of the opposing comments were filed by the same parties that opposed forbearance from the cost assignment rules in the first place.<sup>3</sup> In one set, state consumer organizations agree that Verizon's procedures for maintaining the accounting data in the study areas where it

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<sup>3</sup> See Comments of Sprint Nextel Corporation, AdHoc Telecommunications Users Committee, COMPTel, One Communications Corp., and tw telecom inc. ("Joint Comments"); Comments of the National Association of State Utility Consumer Advocates and New Jersey Division of Rate Counsel ("NASUCA Comments").

receives high cost support are “adequate.” NASUCA Comments at 3. Otherwise, commenters merely summarize and repeat their opposition to the compliance plan filed by AT&T, to which Verizon has already responded, *see* Reply Comments of Verizon, Docket No. 07-21 (filed Sept. 3, 2008) (“Verizon Reply Comments”) (attached at Attachment A), or challenge the merits of granting forbearance relief to Verizon, even though the Bureau admonished parties that such comments “will not be considered.” *Comment Dates Set on Verizon Compliance Plan for Forbearance Relief From Cost Assignment Rules*, Public Notice, WC Docket No. 07-21, at 2 (rel. Sept. 23, 2008).

The argument that Verizon’s compliance plan will hinder “state commissions’ ability to fulfill their statutory mandates” is misguided. NASUCA Comments, Attachment at 3. Consistent with the Commission’s determination that it cannot lawfully “maintain regulatory burdens that may produce information helpful to state commissions solely for intrastate regulatory purposes,” *Recordkeeping and Reporting Forbearance Order* ¶ 31, Verizon’s compliance plan is intended to ensure continued compliance with federal regulatory requirements. Verizon will work with state commissions under appropriate circumstances for access to Verizon data. Verizon Reply Comments at 2.

Equally misguided are claims that price cap regulation does not “render cost data irrelevant,” NASUCA Comments, Attachment at 4, that Verizon’s compliance plan must maintain existing “regulatory cost allocations,” or that the Commission never questioned “the logic underlying [the affiliate transaction rules].” Joint Comments, Attachment at 3 & 11. Such claims are a clear challenge to the merits of the Commission’s forbearance decision, which the Bureau should disregard.

The same is true for the “Blueprint Plan” advocated by commenters, *id.*, which is nothing more than an attempt to revisit the Commission’s decision to forbear from the cost assignment rules. Rather than address Verizon’s compliance plan and its consistency with the requirements of the *Cost Assignment Forbearance Order* and the *Recordkeeping and Reporting Forbearance Order*, these commenters seek to create new accounting rules that are even more complex and burdensome than those from which the Commission has granted forbearance<sup>4</sup>

With respect to the substance of Verizon’s compliance plan, commenters offer various criticisms, none of which has merit. For example, commenters insist that “freezing” cost allocation ratios, which would be calculated based upon data from the calendar year immediately preceding approval of Verizon’s compliance plan, will result in ratios that “will quickly become outdated.” Joint Comments, Attachment at 6. However, without knowing whether the Commission will ever request cost assignment data or the uses to which such data would be put in the future, it is entirely speculative to assume that existing cost allocation ratios will necessarily become “outdated.” Furthermore, the use of historical ratios is not precluded. *See Jurisdictional Separations and Referral to the Federal-State Joint Board*, Order and Further Notice of Proposed Rulemaking, 21 FCC Rcd 5516 (2006) (extending freeze of Part 36 category relationships and jurisdictional cost allocation factors established in 2000). And, in any event, under Verizon’s compliance plan, if the Commission were to request cost allocation information or attendant data in the future, the ratios could be updated depending upon “the reliability of existing ratios and the relative burden of an updating process.” Verizon Compliance Plan at 3-4.

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<sup>4</sup> Of course, this proceeding is a forbearance proceeding to eliminate unnecessary rules, not a rulemaking to create new rules. And, as Verizon noted previously, the Bureau does not have the authority to invent a new cost assignment system under the guise of adopting the Blueprint Plan. *See* 47 C.F.R. § 0.291(e).

Similarly, commenters complain that Verizon's compliance plan fails to provide adequate details, such as the "methodology" Verizon would use to update cost allocation ratios or the process by which it would conduct "special cost studies" that the Commission may require in the future. Joint Comments, Attachment at 7-8. This complaint ignores the fact that the compliance plan must be flexible by design in order for Verizon to produce unspecified accounting data that the Commission may request "in the future." *Cost Assignment Forbearance Order* ¶ 21. Such flexibility would be completely lost if the compliance plan were to spell out every detail concerning how cost allocation ratios will be updated or special cost studies conducted. Furthermore, it is impossible to provide such details at this juncture because the specific accounting information the Commission may require for future regulatory purposes is unknown. Indeed, the ability to predict whether and to what extent the Commission may need cost assignment data in the future is complicated by the fact that Verizon operates under the Commission's price cap regime, which has been in place for more than 15 years and is cost agnostic. Verizon also competes in a vibrantly competitive market that increasingly makes carrier costs irrelevant.

Accordingly, the Bureau should approve Verizon's compliance plan and the similar compliance plans filed by AT&T and Qwest.

Respectfully submitted,

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