FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
July 3, 2012	)	
Annual Access Charge Tariff Filings	)	WCB/Pricing File No. 12-07
	)	
Verizon Telephone Companies	)	
Tariff FCC Nos. 1, 11, 14, 16	)	Transmittal No. 1191

REPLY OF VERIZON[1]
TO COMMENTS OF THE PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

Verizon complied with Commission rules established in the *USF-ICC Transformation Order*[2] to calculate and implement the new Access Recovery Charge (ARC) at the Verizon holding company level. The Commission should deny the District of Columbia Public Service Commission (DC PSC or "PSC") request[3] to reject Verizon's annual access charge tariffs implementing the ARC.

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1 The Verizon companies participating in this filing ("Verizon") are the Verizon Telephone Companies, which include (a) Verizon Delaware LLC; Verizon Maryland Inc.; Verizon New England Inc.; Verizon New Jersey Inc.; Verizon New York Inc.; Verizon Pennsylvania Inc.; Verizon Virginia LLC; and Verizon Washington, D.C. Inc.; and (b) Verizon California Inc.; Verizon Florida LLC; Verizon North LLC; Verizon South Inc.; and GTE Southwest Incorporated d/b/a Verizon Southwest. The companies in (a) may be referred to as Verizon-East. The companies in (b) may be referred to as Verizon-West.

2 *Connect America Fund, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("*USF-ICC Transformation Order*").

3 Comments of the Public Service Commission of the District of Columbia, *Verizon Telephone Companies Tariff Nos. 1, 11, 14, and 16*; *Transmittal No. 1191* (June 25, 2012) ("DC PSC Comments").

The DC PSC's comments largely rehash the PSC's pending petition for reconsideration regarding ARC calculations.[4] The DC PSC categorically objects to assessing the ARC in the District, which does not have intrastate access rates, and the PSC takes issue with not charging an ARC to Verizon residential customers in Virginia. The reconsideration process is the proper venue for the DC PSC's concerns. Unless and until the Commission changes the ARC rules (which it should not do) there is no basis to reject Verizon's tariffs, which comply with those rules. Moreover, consistent with the Commission's directives, charging the ARC at the holding company level spreads cost recovery over a broader set of customers, thereby minimizing the increase experienced by any individual customer. With respect to Virginia, Verizon clearly has the flexibility under the Commission's new rules not to charge the ARC to residential customers. Regardless, as Verizon's tariffs indicate, Verizon will apply a $0.86 multi-line business ARC in all states and a $0.36 residential ARC rate in all states where local rates (in some or all Verizon ILEC exchanges) do not exceed the Commission's $30 rate ceiling. Verizon is not charging residential customers the ARC in Virginia because rates in some Verizon exchanges in Virginia exceed the rate ceiling.

DISCUSSION

1. The DC PSC's comments concede that the PSC's real concern is with the flexibility carriers have in making ARC charging decisions in the first place – not with Verizon's tariffs, which clearly comply with Commission rules. The DC PSC comments say exactly that. "The DC PSC reiterates its opposition to the new 47 C.F.R. § 51.915(e)(3), which *permits* companies to calculate the ARC on a holding company basis. . .[ILECs] *are permitted* to assess

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[4] Petition for Reconsideration of the Public Service Commission of the District of Columbia, *Connect America Fund, et al.*, WC Docket No. 10-90 (filed Dec. 28, 2011) ("DC PSC Petition for Reconsideration").

the ARC on end users *in any* of their jurisdictions, not just a jurisdiction in which they experience revenue reductions. . . ." DC PSC Comments at 1-2 (emphasis added). Most of the DC PSC comments simply restate the PSC's objection to any ARC fees in the District. In its nearly identical reconsideration petition on this aspect of the *USF-ICC Transformation Order*, the PSC suggests that ARC fees are inappropriate because there are no intrastate access rates to reduce in the District. *See* DC PSC Reconsideration Petition at 3.

Whatever the merits (or lack of) of the DC PSC Reconsideration Petition, the PSC's complaint is with the ARC rules themselves – not with Verizon's tariffs. As the DC PSC knows, new section 51.915(e)(3) plainly allows ARC recovery in the District regardless of whether intrastate access charges apply within the District. The rule provides that carries "may recover the eligible recovery attributable to any price cap study areas operated by its wholly-owned operating companies through assessments of the Access Recovery Charge on end users in any price cap study areas operated by its wholly owned operating companies. . . ." 47 C.F.R. § 51.915(e)(3).

In adopting this approach, the Commission made a rational policy judgment to "spread the recovery of Eligible Recovery among a broader set of customers, minimizing the increase experienced by any one customer." *USF-ICC Transformation Order*, ¶ 910. And this is precisely what Verizon was able to accomplish by calculating and implementing the ARC at the ILEC holding company level. Nationwide, where it applies, Verizon's residential ARC was set at $0.36 per line, well below the $0.50 Commission maximum. Verizon's multi-line business ARC is also well below the $1.00 maximum, set at $0.86 per line nationwide where the charge applies.

In providing for holding company ARC calculations, the Commission also sought to ensure that price cap carriers would actually be able to recover lost intercarrier compensation revenues from their own end-users to the greatest extent possible in order to limit the potential impact of recovery on the Universal Service Fund (USF). *Id*. Here, too, the Commission was successful vis-à-vis Verizon; all of Verizon's "eligible recovery" will be recouped from its own customers, not from the USF. Lastly, the Commission wanted to avoid "consumer confusion resulting from too many variations" in end-user charges. *Id*. at n.1792. Verizon adhered to this Commission objective by charging, or not charging, the ARC to classes of customers on a statewide basis in each state (or the District in this instance) where Verizon ILEC(s) operate.

Moreover, while it is true that there are no lost intrastate revenues to recover in the District, the purpose of the ARC is broader. Ultimately, the Commission's plan in the *USF-ICC Transformation Order* is to phase all terminating access charges down to bill-and-keep, including intrastate, interstate, and reciprocal compensation charges. Verizon will lose interstate and reciprocal compensation revenues in *all* of its ILEC jurisdictions – including the District – in later years of the intercarrier compensation reform plan. And District consumers will have the same protections under the Commission's rules, including the Commission's $30 rate ceiling, as consumers in all jurisdictions.

2. The DC PSC's observation that residential Verizon customers in Virginia will not be charged an ARC is irrelevant. Pursuant to the *USF-ICC Transformation Order* carriers have the flexibility to charge or not charge the ARC for a variety of reasons. The Commission made clear that carriers are "*not* required to charge the ARC" and observed that in some situations carriers indeed would likely not be able to, or may choose not to, charge an ARC. *See USF-ICC Transformation Order* ¶ 908 (emphasis in original).

Regardless of this flexibility, Verizon is not charging an ARC to residential customers in Virginia because, as indicated in the workpapers attached to Verizon's tariff materials, there are local rates in certain Verizon exchanges in Virginia that exceed the $30 rate ceiling. As an administrative matter, it would have been difficult and costly to implement different residential ARC rates on an exchange-by-exchange basis, particularly within the same state. Consistent with the Commission's objective to avoid customer confusion from variation in end-user charges, Verizon also determined to charge, or not charge, the residential ARC on a statewide basis. These were rational decisions and entirely consistent with the Commission's ARC rules and objectives in the *USF-ICC Transformation Order*.

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For these reasons, the Commission should deny the DC PSC's request and allow Verizon's tariffs to take effect.

Respectfully submitted,

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