

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 19, 2003

PETITION OF

AT&T COMMUNICATIONS OF
VIRGINIA, LLC

CASE NO. PUC-2003-00091

For reductions in the
intrastate carrier access
rates of Verizon Virginia Inc.
and Verizon South Inc.

ORDER ESTABLISHING INVESTIGATION

On May 8, 2003, AT&T Communications of Virginia, LLC (“AT&T”), filed a Petition with the State Corporation Commission (“Commission”) seeking a reduction in the intrastate carrier access rates charged by Verizon Virginia Inc. (“Verizon Virginia”) and Verizon South Inc. (“Verizon South”) (collectively, “Verizon”). On June 6, 2003, Verizon filed a Motion to Dismiss, Answer, and Affirmative Defenses. On June 17, 2003, AT&T filed a Response; and on June 27, 2003, Verizon filed a Reply. In their pleadings, both AT&T and Verizon discuss the Commission’s Orders in two prior cases where the Commission approved settlement agreements between Verizon and the Commission Staff (“Staff”) regarding intrastate access service prices.¹

On July 24, 2003, the Commission issued an Order Requesting Additional Filings. We directed Staff to file a report on the results that have been achieved through implementing the settlement agreements adopted in Case Nos. PUC-2000-00242 and PUC-2000-00283, and we permitted the parties to file additional comments subsequent thereto.

¹ Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte, In re: Investigation of the appropriate level of intrastate access service prices of Verizon Virginia Inc., Case No. PUC-2000-00242, 2000 S.C.C. Ann. Rep. 361; Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte, In re: Investigation of the appropriate level of intrastate access service prices of Verizon South Inc., Case No. PUC-2000-00283, 2000 S.C.C. Ann. Rep. 368.

Staff filed its report on September 22, 2003, which included the following observations:

- (1) Both settlements have produced access revenue and average access revenue per minute (“ARPM”) reductions to date;
- (2) The actual access and ARPM reductions resulting from the settlements to date have not been at the levels originally estimated and are not expected to meet those original estimates during the remainder of the settlement period;
- (3) The access revenues of both Verizon Virginia and Verizon South are significantly decreasing; however, a large proportion of the decreases are a result of the overall decrease in minutes of use (“MOU”) rather than the rate/structure changes adopted in the settlements;
- (4) The forecasts of MOUs and access lines used in the original settlement estimates were not unreasonable at the time in light of historical trends; however, actuals have been significantly different during the settlement period to date;
- (5) The ARPMs are estimated to be higher in 2003 than they were in 2000 for both Verizon Virginia and Verizon South; however, without the settlements the ARPMs would have been even higher;
- (6) The ARPM for Verizon Virginia is expected to increase through the remaining settlement period based on the revised forecast; however, without the settlement the ARPM would increase even further;
- (7) The ARPM for Verizon South is still expected to decline somewhat during the settlement period based on the revised forecast; however, without the settlement the ARPM would increase dramatically; and

- (8) The continuation of the previous per line Carrier Common Line (“CCL”) recovery method instead of the fixed CCL revenue method would have resulted in further access revenue reductions and lower ARPMs.

MCI Worldcom Communications of Virginia, Inc. (“MCI”), filed comments on October 3, 2003. MCI requests that the Commission commence an investigation of Verizon’s intrastate carrier access charges.

AT&T filed comments on October 3, 2003. AT&T states that the Commission should reduce Verizon’s access charges to cost-based levels and that one approach would be to require Verizon to match its access rates to its existing UNE rates. AT&T asserts that, at a minimum, the Commission should direct Verizon to reduce its intrastate access rates to levels no higher than the rates Verizon currently charges at the interstate level.

Verizon filed comments on October 3, 2003. Verizon states that the amount of revenue collected by Verizon Virginia and Verizon South has substantially decreased in the past several years to a level far below that anticipated by the settlements and that no participant suggests that Verizon’s current access rates are not just and reasonable. Verizon requests that the Commission deny the relief requested by AT&T and dismiss the Petition in its entirety. In the alternative, Verizon states that if the Commission is inclined to address access charges at this time, it should do so in a generic proceeding for all carriers in Virginia.

NOW THE COMMISSION, upon consideration of the pleadings and applicable law, finds as follows. We deny Verizon's Motion to Dismiss and grant AT&T's Petition for purposes of initiating an investigation to determine the proper level of intrastate access charges for Verizon Virginia and Verizon South. No participant has asserted that Verizon’s current access charges are based on cost of service. Futhermore, it is unclear whether Verizon’s access charges

should be based solely on cost of service. We assign this case to a Hearing Examiner to conduct all further proceedings in this matter and to prepare a report and recommendations on, among other things, the proper level of intrastate access service prices for Verizon Virginia and Verizon South.

Accordingly, IT IS HEREBY ORDERED THAT:

- (1) We deny the Motion to Dismiss filed by Verizon.
- (2) We grant the Petition filed by AT&T for purposes of establishing an investigation to determine the proper level of intrastate access charges for Verizon Virginia and Verizon South.
- (3) This case is assigned to a Hearing Examiner, pursuant to 5 VAC 5-20-120, for further proceedings.
- (4) This matter is continued.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Lydia R. Pulley, Vice President and General Counsel, and Jennifer L. McClelland, Regulatory Counsel, Verizon Virginia Inc., 600 East Main Street, Eleventh Floor, Richmond, Virginia 23219; Mark A. Keffer, Chief Regulatory Attorney, and Ivars V. Mellups, Esquire, AT&T Communications of Virginia, Inc., 3033 Chain Bridge Road, Room 3-D, Oakton, Virginia 22185-0001; C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and to the Commission's Office of General Counsel and Division of Communications.