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Arizona Corporation Commission
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January 30, 2012

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: T-03214A-11-0451 - Verizon's Objections to Proposed Tariff Revisions of Citizens Telephone Company of the White Mountains, Inc. d/b/a Frontier Communications of the White Mountains

Dear Sir or Madam:

On December 15, 2011, the Frontier companies (collectively, "Frontier"), including Citizens Telephone Company of the White Mountains, Inc. d/b/a Frontier Communications of the White Mountains, filed tariff revisions purporting to implement the VoIP-PSTN intercarrier compensation regime the FCC established in its November 18, 2011 Order reforming the intercarrier compensation and universal service support systems.[1] That regime applies rates no higher than interstate switched access rates to non-local VoIP-PSTN traffic (absent an agreement otherwise between carriers). (*See, e.g.*, FCC Order, ¶ 961 ("We therefore permit LECs to file tariffs that provide that, in the absence of an interconnection agreement, toll VoIP-PSTN traffic will be subject to charges not more than originating and terminating interstate access rates.") Citizens Telephone Company of the White Mountains' tariff revisions, filed in Docket T-03214A-11-0451, however, violate the FCC's Order because they do not apply the FCC's VoIP-PSTN compensation regime to *all* VoIP-PSTN traffic, as ordered by the FCC, but only to VoIP-PSTN traffic that originates as VoIP. For VoIP-PSTN traffic that terminates as VoIP, Citizens Telephone Company of the White Mountains plans to charge higher *intrastate* originating access rates, while it pays lower *interstate* rates when it buys originating access from Verizon and other carriers that correctly implement the FCC's regime for *all* VoIP-PSTN traffic.

The Commission cannot sanction this asymmetrical compensation approach, which the FCC explicitly rejected. The FCC "decline[d] to adopt an asymmetric approach that would apply VoIP-specific rates for only IP-originated or only IP-terminated traffic," as some commenters had urged. (FCC Order, ¶ 942; *see also* ¶ 948.) The FCC cited arbitrage concerns relating to asymmetric payments on VoIP traffic, concluding that "[a]n approach that addressed only IP-originated traffic would perpetuate—and expand—such concerns." *Id.*

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[1] *See In re: Connect America Fund, etc.*, Report & Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011) ("FCC Order").

Nor can the Commission accept the notion that the pre-existing intrastate access regime applies to some VoIP-PSTN traffic, because the FCC rejected that, too. It expressly decided *not* to apply the pre-existing access regime, including intrastate access rates, to any VoIP-PSTN traffic, whether IP-originated or IP-terminated, because it could not "enunciate a policy rationale for expressly imposing that regime on VoIP-PSTN traffic in the face of the known flaws of existing intercarrier compensation rules and notwithstanding the recognized need to move in a different direction." (FCC Order, ¶ 948.)

The FCC's new Rule 51.913 plainly applies the VoIP-PSTN compensation regime to *all* VoIP-PSTN traffic, including traffic terminating in IP. It requires the application of interstate switched access rates to traffic exchanged between carriers in Time Division Multiplexing ("TDM") format "that originates and/or *terminates* in IP format." (Rule 51.913 "Transition for VoIP-PSTN traffic") (FCC Order App. A) (emphasis added).) Again and again, the Order makes clear that its VoIP-PSTN compensation regime includes *both* IP-terminating *and* IP-originating traffic. (*See*, *e.g.*, FCC Order, ¶ 940, *quoting* Joint Letter of U.S. Telecom Ass'n, AT&T, Fairpoint Comm., Frontier, Verizon, Windstream, OPASTCO & Western Telecomm. Alliance (filed July 29, 2011 in FCC Docket Nos. 01-92 etc. ("'VoIP-PSTN traffic' is 'traffic exchanged over PSTN facilities that originates and/or terminates in IP format.'"); ¶ 941 (explicitly including "VoIP services that are originated or terminated on the PSTN, such as 'one-way' services that allow end-users either to place calls to, or receive calls from, the PSTN"); ¶ 956 n. 1952 (referring to "IP-originated or IP-terminated VoIP traffic"); ¶ 961 ("toll VoIP-PSTN traffic will be subject to charges not more than originating and terminating interstate access rates" [footnote omitted]); ¶ 963 observing that "information the terminating LEC has about VoIP customers it is serving can be used to identify traffic subject to the VoIP-PSTN compensation regime); ¶ 969 (the VoIP-PSTN framework includes "origination and termination charges").

Indeed, in a number of states, Frontier first filed tariffs correctly applying the FCC regime to all VoIP-PSTN traffic, before revising them to take the incorrect approach reflected in its tariffs here. In fact, Citizens Telephone Company of the White Mountains' tariffs here still correctly define VoIP-PSTN traffic the same way the FCC's Rule does—as traffic exchanged "in time division multiplexing ("TDM") format that originates and/or terminates in Internet protocol ("IP") format"—and they recognize that VoIP-PSTN traffic is "required to be compensated at interstate access rates."[2] But then the tariffs inexplicably fail to apply that compensation to all VoIP-PSTN traffic, by leaving IP-terminating VoIP-PSTN traffic out of the determination of the percent-VoIP-usage ("PVU") factor.[3]

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[2] See proposed Citizens Telephone Company of the White Mountains Tariff, § 2.3.11(A)(1).

[3] See proposed Citizens Telephone Company of the White Mountains Tariff, § 2.3.11(C). An additional problem with Citizens Telephone Company of the White Mountains' tariffs is that they do not contemplate the determination of any PVU factor for Citizens Telephone Company of the White Mountains itself, and, therefore, do not take into account traffic that it originates or terminates on its own network in IP format. This may be because Citizens Telephone Company of the White Mountains does not currently provide retail VoIP services. If so, it should be required to certify to that fact. But, in any event, the tariffs should

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Verizon asks the Commission to order Citizens Telephone Company of the White Mountains to revise and refile its tariffs to reflect application of interstate switched access rates to *all* PSTN-VoIP traffic, including PSTN-originating/VoIP-terminating traffic.

Should you have any questions, please feel free to call me at 805/480-0702 or via e-mail at don.eachus@verizon.com.

Very truly yours,

VERIZON

Don Eachus

Donald Eachus
Director – State Government Affairs

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be revised to provide for separate company and customer factors — and thus take into account explicitly the manner in which calls are originated or terminated by each of the companies' own end-user customers — since such an approach would not require any tariff amendments (just factor changes) if and when companies begin providing VoIP-based end-user services. This is the approach that was taken in the tariffs that were filed by Verizon and a number of other carriers.