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September 12, 2011

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265

In re: Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers and The Pennsylvania Universal Service Fund, Docket No. I-00040105

AT&T Communications of Pennsylvania, LLC v. Armstrong Telephone Company - Pennsylvania, *et al.*, Docket No. C-2009-2098380, *et al.*

Dear Secretary Chiavetta:

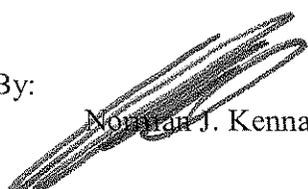
Enclosed for filing are the Comments of the Pennsylvania Telephone Association in the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By:


Norman J. Kennard

Enclosures

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation Regarding Intrastate Access	:	
Charges and IntraLATA Toll Rates of Rural	:	Docket No. I-00040105
Carriers, and the Pennsylvania Universal	:	
Service Fund	:	
AT&T Communications of Pennsylvania, <i>et al.</i>	:	
	:	
v.	:	Docket No. C-2009-2098380, <i>et al.</i>
	:	
Armstrong Telephone Company of	:	
Pennsylvania, <i>et al.</i>	:	

**COMMENTS OF
THE PENNSYLVANIA TELEPHONE ASSOCIATION**

Pursuant to Ordering Paragraph No. 11 and Annex C of the Order of the Pennsylvania Public Utility Commission (“PUC” or “Commission”) entered July 18, 2011, in the above captioned matter, the Pennsylvania rural incumbent local exchange carriers (“RLECs”) represented by the Pennsylvania Telephone Association (“PTA”)¹ in this matter submit these Comments to the RLEC Access Charge/Local Rate Rebalancing Template (“Template”) issued by Secretarial Letter dated August 19, 2011.

I. INTRODUCTION

The Template consists of 6 Tabs (excluding the template intro): (1) Statement of Income; (2) Phase I Reduction Summary; (3) Revenue Neutrality Calculation; (4) Rate Detail; (5)

¹ The thirty RLECs represented by the PTA at this implementation stage of this proceeding are identified by utility code on Annex B to the Secretarial Letter. Citizens Telecommunications Company - New York was identified by the PTA as a participant in the investigation at the prehearing conference because it receives support from the PA USF and, therefore, participated in the Investigation at Docket No. I-00040105 to the extent the PA USF was implicated. However, Citizens Telecommunications Company – New York has neither a Pennsylvania access tariff nor a Chapter 30 Plan, and it was not the subject of an AT&T complaint (as it does not have a PA access tariff). That company, therefore, is not affected by nor is it participating in the process resulting from the Commission’s July 18, 2011 Order.

Summary of Rate Changes; and (6) Summary of Revenue Impacts. The PTA provides these comments to the Staff's proposed Tabs. The PTA Companies reserve the right to comment on any tab not address herein through replies, as necessary or appropriate.

II. COMMENTS

Tab (1) Statement of Income

Provision of the expense and income-related information requested in this Tab is unnecessary to the Commission's stated purpose of calculating revenue neutrality. The calculation of overall *income* is not relevant to what the Commission requires in a *revenue-neutral* rate adjustment. Moreover, the data proposed to be provided does not appear to be used in any subsequent revenue-neutral calculation since nonregulated and nonjurisdictional revenues ultimately are removed from Tab 6, Summary of Revenue Impacts, as discussed below. Thus, this Tab should be removed in its entirety as unnecessary.

Moreover, this sheet requires the disclosure of income from sources that will not be impacted by revenue-neutral rate rebalancing, such as rows 19 and 20, miscellaneous and uncollectible revenues, and rows 18 and 89, long distance toll revenue and nonregulated net income, all of which are non-regulated revenue sources. The Commission rejected consideration of non-jurisdictional and competitive revenue sources in any revenue-neutrality calculations. Rather, the Commission concluded that "revenue neutral rebalancing may be accomplished only through allowed increases in noncompetitive services to offset reductions to access charges, rather than through consideration of non-jurisdictional or competitive revenues."²

In addition, the information requested in Tab 1 is virtually identical to the income statement in the annual reports that the RLECs are required to file by April 30 of each year. For

² July 18, 2011 Order at 127.

each of the PTA Companies, the form has already been completed and filed with the Commission for the calendar year ended December 31, 2010, the same period on which the Phase I calculations are to be based. The same can be said for the noncompetitive revenues of price cap regulated carriers, which these carriers are annually required to include as part of their PSI filings. Instead of requiring the RLECs to duplicate filings and information, staff can and should reference the data already on file.

Finally, this expansive overall income and earnings information was not required to be filed in accomplishing the revenue-neutral rate rebalancing ordered by the Commission following the Phase I Global Order rebalancing or in the subsequent Phase II RLEC rebalancing in the 2003-04 time period. There is no reason to require this expansive information now.

Tab (2) Phase I Reduction Summary

For purposes of this Phase I rebalancing, the PTA Companies understand from the note on row 35 that they are required to complete only the Phase 1 information of this Tab. Rebalancing will occur over a period of four years and will be implemented in three phases. In Phase 1, intrastate switched access rates will begin to be reduced to parity with their interstate counterparts through implementation of a 40% reduction. Phases II and III will see reductions to parity in the amounts of 35% and 25%, respectively, at which time the rates will be mirrored. Thus, the RLECs understand the remaining parts of this Tab to be for future reference only. This is appropriate, since no one can predict the level of rates in the future. The PTA Companies reserve their rights to provide current data for Phases 2 and 3 at the time completion of those sections of this Tab is due, using the then current end of year data as required by the Commission.³

³ See July 18, 2011 Order at Annex C, ¶ D, page 4.

Tab (3) Revenue Neutral Calculation

This Tab, rather than Tab 1, contains the only revenue information that is relevant for revenue-neutral rebalancing purposes. Information provided on this sheet will confirm that, for every dollar in intrastate access rate reductions implemented, the RLECs will have offset revenue-neutral rate increases on noncompetitive services or have had the “opportunity” imputed to them for the purpose of calculating revenue neutrality.⁴ To that end, the PTA proposes, in addition to the R-1, B-1 and other “noncompetitive local rate increases” identified in rows 9 through 14, that the RLECs also include lines identifying other noncompetitive rate elements that might be increased.

Tab (4) Rate Detail

The PTA agrees with the request on row five of this sheet to “provide detail, by exchange *or* rate group, of the rate changes under the rebalancing filing.” That description, however, is inconsistent with the requirement in row 12 across columns B through E to provide demand units for “**every**” affected exchange. The calculation need only be undertaken by rate band, not exchange. In this way, lines with common local rates are categorized and the revenue impact calculated and summarized. The further geographic breakout of increases by **exchange** is unnecessary and irrelevant as it adds nothing to the revenue-neutral calculation because it is not a financial measure, but simply a geographic representation of the lines’ locations.

In addition, the headings on columns D and F should not be labeled “proposed.” The PTA Companies understand that these columns would reflect the rates resulting from the mathematical exercise of rebalancing at any given proposed rate level. However, because ultimately the marketplace will determine which rates can actually increase, a “proposed” rate

⁴ The PTA, by acknowledging the math of the Commission’s Order, continues to state its disagreement with it and reserves all rights to contest it at the appropriate place and time.

increase for purposes of mathematically demonstrating revenue-neutrality may never actually be implemented. Therefore, column headers D and F should be separated into three columns: a first labeled “Revenue Neutral Calculation,” which represents the dollars shifting to local ratepayers under the calculation; a second labeled “Proposed,” which reflects the proposed tariff increase in the RLEC’s filing; and a third labeled “Imputed,” which is the amount that the RLEC will not recover through the tariff change. The effect is the same -- identify increased or imputed revenues to be credited against access revenue reductions, but there is no confusion over what rates were implemented and what revenues were lost.

Consistent with PTA’s comment above regarding Tab 3, that all noncompetitive service rates over which access rate revenue losses could be recovered are identified and not just “local” rates, PTA also notes that row 73 may include more than the lines that currently appear above it. As it stands now, it appears that row 73 intends to be an accumulation of all the rows that appear above it. However, the carrier common line (“CCL”) charge is spread out over additional lines beyond those that would be captured in the rows above row 73, which are only R-1, B-1, and other “miscellaneous local rates.” Thus, in the completed Tab, the RLECs should include all lines over which the CCL charge is currently spread.

Tab (5) Summary of Rate Changes

The cells on this Tab should be revised accordingly per the PTA’s comments on Tab 4, rate detail.

Tab (6) Summary of Revenue Impacts

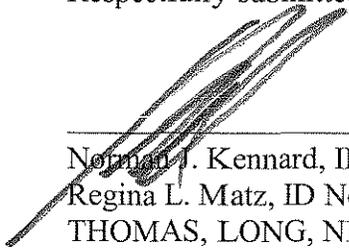
Columns E and G should be removed. As stated in comments to Tab 1, Statement of Income and Retained Earnings, above, the Commission rejected consideration of nonregulated, nonjurisdictional, and competitive services as sources for revenue-neutral rate rebalancing. Thus,

inclusion of the information from those columns is irrelevant and should not be provided. Plus, the data provided in column D is intrastate regulated revenue only, so interstate and competitive intrastate revenues do not need to be backed out. Similarly, rows 15 and 16 should be removed since the information provided in rows 12-13 will capture revenues from all services over which the Commission has authorized rate rebalancing.

III. CONCLUSION

The PTA Companies appreciate the opportunity to provide these comments to the Staff's proposed template, and remain committed to working with Staff to finalize the information required to effectuate the Commission's July 18, 2011 Order.

Respectfully submitted,



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Date: September 12, 2011

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of September, 2011, I did serve a true and correct copy of the foregoing document upon the persons below via electronic mail and first class mail as follows:

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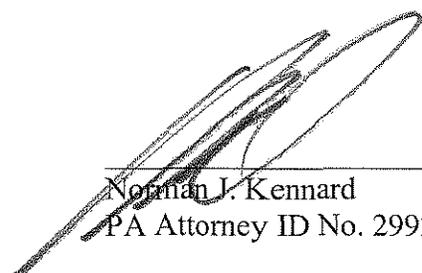
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