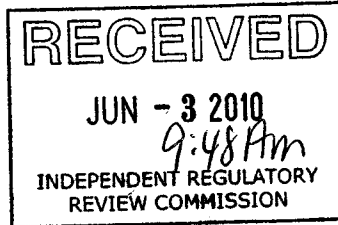


2673

Suzan DeBusk Paiva
Assistant General Counsel



Verizon Pennsylvania Inc.
1717 Arch Street, Floor 17W
Philadelphia, PA 19103

Tel: (215) 466-4755
Fax: (215) 563-2658
Suzan.D.Paiva@Verizon.com

June 4, 2010

VIA HAND DELIVERY

The Honorable Arthur Coccodrilli, Chairman
Independent Regulatory Review Commission
333 Market Street, 14th Floor
Harrisburg, PA 17101

Re: "Abbreviated Procedures for Review of Transfer of Control and Affiliate Filings for Telecommunications Carriers," Public Utility Commission Final Regulation 57-260, IRRC # 2673

Dear Chairman Coccodrilli:

Verizon¹ submits this letter to comment on the above final-form Pennsylvania Public Utility Commission ("PUC") regulations that are scheduled to be considered by the Independent Regulatory Review Commission ("IRRC") at its June 17, 2010 public meeting.

Verizon supports approval of the final-form regulations, but only with certain changes to ensure that they do not inadvertently *add* regulatory burdens rather than remove them.

Verizon continues to be concerned that the proposed regulations – while an improvement over the prior version – are still too complex, with unnecessary regulatory hurdles that undermine their purpose. IRRC's observation from its June 9, 2008 comments on the previous version unfortunately continues to apply: "We . . . question whether the complexity of these classifications, reclassifications, appeals and differing procedures could compromise the Commission's objective of 'streamlining the review and approval process for mergers and stock transactions under sections 1102 and 1103(a) of the Public Utility Code.'" (IRRC Comments at 3).

Verizon requests that IRRC work with the PUC to make the necessary revisions and approve the regulations as revised. It is imperative that the PUC achieve meaningful streamlining of its application processes for regulated telecommunications carriers because the current cumbersome and outdated procedures unfairly burden these carriers in the marketplace and serve no real public interest function today. The PUC regulates only one segment of the highly competitive telecommunications market. Unregulated competitors (cable companies, wireless carriers and Voice over Internet Protocol

¹ These Comments are filed on behalf of Verizon Pennsylvania Inc. ("Verizon PA"), Verizon North Inc. ("Verizon North") and MCImetro Access Transmission Services LLC (collectively "Verizon").

("VoIP") providers) are free to react nimbly to the market by restructuring, selling property and engaging in numerous other routine business transactions without the burden, uncertainty and delay of seeking PUC approval under 66 Pa. C.S. § 1102. Chapter 30's alternative form of regulation has eliminated PUC oversight of rate base or rate of return for telecommunications carriers and thus eliminated much of the purpose for having the PUC review routine, uncontested transactions such as the sale/leaseback of a building or a minor corporate restructuring. In today's intensely competitive telecommunications market the PUC must ensure that outdated regulatory requirements do not place those entities subject to its jurisdiction at a competitive disadvantage as compared to their unregulated competitors. *See, e.g.,* 66 Pa. C.S. § 3011(13).

Verizon therefore supports the general process established in the final-form regulations, which is intended to allow uncontested applications to be approved 30 or 60 days after publication, and leaves to a more lengthy review only unusual cases or where a party opposes PUC approval.

The final-form regulations require changes, however, in order not to add requirements that actually make the process *more* burdensome. The following changes should be made to avoid making the currently bad situation worse:

- (1) ***Content of Application:*** The final form regulations add the following burdensome, unnecessary, unfair application filing requirements:
 - a. A listing of all state and federal proceedings within the past 3 years where the applicant was found *or alleged* to have violated some state or federal requirement. (*See* 63.324(d)(12) and 63.325(d)(12)). For an applicant with multi-state operations, assembling this information could be onerous and will yield information of marginal or no relevance (i.e., an allegation that the applicant violated some routine regulation in a distant state would be difficult to locate and would likely not be relied upon by the PUC in any event). If federal or other state regulatory issues are relevant to a particular application, they are likely to be brought up in the evidentiary record for a protested transaction, but applicants should not be burdened with the obligation to scour the nation for alleged regulatory violations to make even the most routine application to the PUC, where that information in the vast majority of cases will not have any bearing on the matter before the PUC.
 - b. A verified statement of the transaction's effect on affiliated interest agreements. (*See* 63.624(16) and 63.625(16)). Under 66 Pa. C.S. § 3019(b)(1), only a limited subset of affiliated interest agreements are still filed with the PUC (those involving noncompetitive services) and even those filings are informational only. This application condition therefore requires applicants to provide information that the PUC is not statutorily authorized to require, and which would be of little to no

relevance to the transaction since the PUC no longer has authority to review the terms of affiliated interest agreements.

- c. A verified statement establishing that no state or federal regulatory agency is expected to undertake a formal or informal investigation, complaint or other proceeding related to the transaction. (*See* 63.624(16) and 63.625(16)). The applicant is not likely to be privy to the intentions of federal and other state regulators in this regard and applicants may be penalized if their predictions of the actions of other regulators turn out to be erroneous.
- d. A verified statement setting forth the expected public effect of the transaction on the capital structure of the applicant over the next 5 years. (*See* 63.624(20) and 63.625(20)). This burdensome level of financial analysis is not likely to be material for most routine, uncontested asset sales and corporate transactions. In a complex or contested case it can be specially requested, but should not appear in the application requirements for every transaction.
- e. A verified statement of compliance with broadband deployment obligations (*see* 63.624(21) and 63.625(21)) and eligible telecommunications carrier (ETC) requirements (relating to universal and lifeline service). (*See* 63.624(22) and 63.625(22)). Typically routine applications, such as real estate sales and corporate reorganizations, would not impact broadband deployment or ETC obligations. If there is some general allegation of noncompliance unrelated to the specific transaction, the PUC should not use it to deny approval, particularly where the transaction may in fact be necessary to provide the financing to meet regulatory obligations. The PUC remains free to investigate compliance with these obligations with or without a pending application. It should not burden every application with the need to verify irrelevant information. Where a particular transaction actually has the potential to impact broadband deployment or ETC obligations (certainly the exception, rather than the rule), this information can be specially requested, but should not appear in the application requirements for all cases.

(2) **Customer Notice:** The final form regulations erroneously presume that prior individual customer notice is required for all transactions. (*See* 63.324(d)(13) (requiring a verified statement of prior customer notice), 63.324(g), 63.325(d)(13), 63.325(f)(1)). But many routine transactions that do not impact customer rates or service terms do not today require individual customer notice and the regulations should not require new and burdensome notices that would likely confuse or even irritate customers. The regulations also subject all customer notices to prior approval by the PUC's Bureau of Consumer Services, a new burden that will only prolong and complicate the

approval process. The regulations should be corrected and simplified simply to require that notice be given to the extent required under other PUC regulations or applicable law, rather than to create new notification burdens and a new time-consuming PUC staff review process.

Verizon therefore urges IRRC to request the PUC make the above revisions to the regulations, together with any other changes IRRC deems necessary, and to give final approval to the regulations only if they are revised.

Very truly yours

A handwritten signature in black ink, appearing to read 'Suzan D. Paiva', with a stylized flourish at the end.

Suzan D. Paiva

Scott Schalles, IRRC Analyst (via e-mail)
Hon. Lisa M. Boscola, Senate Consumer Affairs and Professional Licensure Committee
Hon. Robert M. Tomlinson, Senate Consumer Affairs and Professional Licensure
Committee
Hon. Robert W. Godshall, House Consumer Affairs Committee
Hon. Joseph Preston, Jr., House Consumer Affairs Committee
B. Pankiw, PUC (via e-mail)
Joseph K. Witmer, PUC (via e-mail)

2673

RECEIVED

JUN - 3 2010

9:48 AM

INDEPENDENT REGULATORY
REVIEW COMMISSION

From: Paiva, Suzan D [suzan.d.paiva@verizon.com]
Sent: Friday, June 04, 2010 9:28 AM
To: Schalles, Scott R.; IRRC
Cc: Wood JR, Philip J (Philip); Woolever, Debra J
Subject: RE: PUC final regulation #57-260 "Abbreviated Procedures for Review of Transfer of Control and Affiliate Filings for Telecommunications Carriers" (IRRC #2673)
Attachments: VZ Comments to IRRC 6-4-10.pdf

Hello Scott,

Verizon is filing the attached comments with IRRC. A hard copy will be delivered today. Please feel free to contact me if you would like to discuss.

Suzan Paiva

From: Schalles, Scott R. [mailto:sschalles@IRRC.STATE.PA.US]
Sent: Monday, May 10, 2010 10:33 AM
To: undisclosed-recipients
Subject: PUC final regulation #57-260 "Abbreviated Procedures for Review of Transfer of Control and Affiliate Filings for Telecommunications Carriers" (IRRC #2673)

FYI...

You are receiving this email from IRRC staff because you commented on the proposed version of the rulemaking.

Last week, the PUC delivered the above-referenced final-form regulation to the standing committees and IRRC. This regulation is scheduled to be considered by IRRC on June 17th. IRRC's meetings start at 10:00 a.m. The standing committees can take action on the regulation at any time up to 24 hours before IRRC's meeting.

You can access a copy of the final regulation (and other documents such as the proposed regulation, public comments and IRRC comments) through IRRC's website – www.irrc.state.pa.us.

Attached is link to the information noted above – <http://www.irrc.state.pa.us/Regulations/RegInfo.cfm?IRRCNo=2673>.

It would be helpful to know if you have any remaining concerns with the regulation as soon as possible. We would also be interested to know if you support the rulemaking.

If you have any questions about the regulatory review process, please contact me at the number below or Jim Smith at 783-5439 or jsmith@irrc.state.pa.us.

Thank you.

Scott Schalles
Analyst
IRRC
717-214-8955