

Before the  
Federal Communications Commission  
Washington, D.C. 20554

In the matter of IP-Enabled Services

WC Docket No. 04-36

In the Matter of Vonage Holding Corporation  
Petition for Declaratory Ruling Concerning an  
Order of the Minnesota Public Utilities  
Commission

WC Docket No. 03-211

**LATE-FILED COMMENTS**  
**BY STATE MEMBERS OF SEPARATIONS JOINT BOARD**

Comments of State Members of 80-286 Joint Board  
October 26, 2004

substantial effect if the freeze is allowed to expire, and that might be one reason to extend the freeze.<sup>20</sup>

If VoIP is preemptively an interstate service, however, the freeze issue changes. Measurement problems would be compounded. A call that is today an intrastate toll call, for example, might be terminated by a VoIP carrier as intrastate-local; yet it would still be recorded as intrastate and would cause no jurisdictional errors. With preemption, however, those calls would be interstate, and a record of the call as a local call would be inaccurate.

## **G. Separations, VoIP and Costs**

### **1. Direct Assignment**

Some carrier equipment today is directly assigned. For example, private line equipment is assigned entirely either to the interstate or the intrastate jurisdiction. Most telephone plant, however, is commonly used for both interstate and intrastate services; and this equipment is separated using either fixed factors or usage factors.

If the Commission were to declare VoIP interstate, that decision would presumably apply to all carriers, including LECs. It seems likely that some joint and common LEC equipment would become single-purpose equipment. Such VoIP-dedicated equipment might include Internet routers, but also (depending on the telephone company's choice of technology) much or all of its switching, transport and loop plant.

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<sup>20</sup> Errors also can be expected to affect rate designs in at least one state that did not freeze separations for state ratemaking purposes.

More detailed special assignment rules may be needed reflecting varying levels of VoIP technology implementation.

In a full conversion of a LEC's system to VoIP, current rules may require all telephone plant to be directly assigned to interstate. This would leave the intrastate jurisdiction without any plant or expenses, and that could lead to elimination of and need for any state rates, including local exchange rates.

Carriers can be expected to oppose elimination of local exchange rates, particularly if the Commission does not provide a replacement revenue source. If the direct assignment rules are not clarified, carriers could be inadvertently deterred from converting their networks to IP networks.

## **2. Current Mismatches For Traffic Terminating As Local Calls**

We noted above that VoIP produces six kinds of jurisdictional mismatches. We consider here the cost implications of two such mismatches.

### *a) The Interstate Toll Call Terminated as Local*

A VoIP carrier can transport a call between end users in different states, but terminate the call from a retail business line.<sup>21</sup> The VoIP carrier uses that line for termination, using it as a kind of terminating trunk to the end user. Usage on these lines is not likely to be similar to typical business lines. The local exchange carrier records only a local call from the VoIP carrier's business line to the terminating end user.

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<sup>21</sup> This is a frequent occurrence because in many areas it is a least-cost termination method for VoIP calls. VoIP carriers may also use Centrex lines for the same purpose.

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the separations factors, and it would improve our understanding of the options  
surrounding the end of the freeze.

Respectfully Submitted,  
State Members of Separations Joint Board



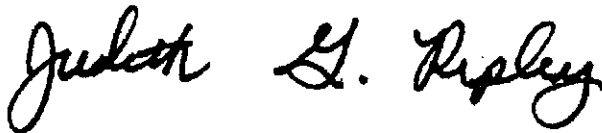
Paul Kjellander

State Chair of Federal-State Joint Board and  
President, Idaho Public Utilities Commission



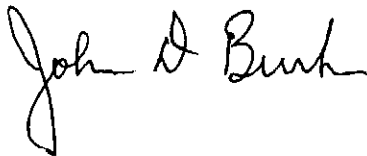
Diane Munns

Chair, Iowa Utilities Board



Judith Ripley

Commissioner, Indiana Utility Regulatory Commission



John Burke

Board Member, Vermont Public Service Board

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