

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554**

In the Matter of	)	
	)	
Petition of Verizon For Forbearance Under	)	WC Docket No. 07-273
47 U.S.C 3 160(c) From Enforcement of	)	
Certain of the Commission's	)	
Record Keeping and Reporting	)	
Requirements	)	

**COMMENTS OF THE MICHIGAN PUBLIC SERVICE COMMISSION**

INTRODUCTION

On November 26, 2007, Verizon filed a petition with the Federal Communication Commission (FCC) requesting forbearance from enforcement of certain of its record keeping and reporting requirements. The requirements that are the subject of this Petition include: (i) the Automated Reporting Management Information System (ARMIS) reporting rules; (ii) the Commission’s affiliate transaction and related rules (affiliate transaction rules); (iii) Part 65, Subpart E and Part 69, Subparts D and E (rate-of-return reporting rules); and (iv) the Commission’s property record and related rules (property record rules). The Petition also seeks limited forbearance from 47 U.S.C. 5 254(k) to the extent this provision contemplates the accounting methodology for assets and services transferred or provided between an incumbent local exchange carrier (“LEC”) and any of its non-regulated affiliates embodied in the Commission’s affiliate transaction rules.

Verizon characterizes these record keeping and reporting requirements as “obsolete relics of a bygone regulatory era” (Petition of Verizon for Forbearance, page

1). Verizon contends that competition and other legal reporting obligations eliminate the need for these record keeping and reporting requirements. Verizon contends that these reports have nothing to do with rates and are not necessary to ensure that Verizon's practices are just, reasonable and nondiscriminatory and protect the customer. Verizon further contends that forbearance is also consistent with the public interest since these reports are an unnecessary investment in resources and costs affecting only a few among many competitors. Pursuant to the schedule set by the FCC, the Michigan Public Service Commission (MPSC) hereby submits these comments on the Verizon Petition for Forbearance.

#### MPSC POSITION

The MPSC disagrees with Verizon's generalization that all of the record keeping and reporting requirements for which it seeks forbearance are "obsolete relics of a bygone regulatory era."

#### ARMIS Requirements

The three areas for which Verizon seeks forbearance from its ARMIS reporting requirements include the general categories of financial reports (Reports 43-01, 43-02, 43-03, 43-04, and 495A and 495B), service quality reports (Reports 43-05 and 43-06) and infrastructure reports (43-07 and 43-08). The MPSC's greatest concern is in this area of Verizon's request for forbearance from its ARMIS reporting requirements.

The MPSC is concerned regarding Verizon's request for forbearance from the general category of ARMIS financial reports. As recently as August 31, 2007, Verizon filed Comments in the form of witness testimony in Case No. U-15210, a proceeding to

establish Verizon's total element long run incremental cost/total service long run incremental cost (TELRIC/TSLRIC) pursuant to federal and state costing rules, These Comments relied on its ARMIS financial reports as a basis to support its TELRIC/TSLRIC case. Consequently, the use of ARMIS data still plays a crucial role in Michigan's formulation of Verizon's unbundled network element (UNE) costs and rates of services provided to competitive carriers.

Verizon's state specific ARMIS financial reports remain important to the MPSC. The loss of detailed Michigan jurisdictional financial reporting information from the ARMIS reports would undermine the MPSC's TELRIC/TSLRIC cost study process. Verizon's annual reports to the Security and Exchange Commission (SEC) maintained under Generally Accepted Accounting Principles (GAAP) are useful to stockholders but not regulators. These SEC financial reports do not provide the jurisdictional specific financial reporting information that is required by state regulators.

For the purpose of regulatory oversight and market conditions monitoring, state specific ARMIS service quality reports (Reports 43-05 and 43-06) and infrastructure reports (43-07 and 43-08) also are important for state commissions to be able to access and analyze industry data. However, due to a variety of deregulations and federal preemptions, state commissions have little authority to require providers to submit detailed infrastructure information. State specific ARMIS reports provide a very significant tool for state commissions to obtain a large amount of detailed information that is readily available to them. Annual reports to the SEC based on GAAP are not mechanisms that provide state specific information.

Verizon states that information about its infrastructure is reported on Form 477 and that this report would be another source of information for states to use. Verizon states that this form is geared toward describing broadband infrastructure and competition for local telephone service (page 9). On August 20, 2007, the MPSC filed comments in WC Docket 07-139 (AT&T Forbearance Case) relating to Form 477. In those comments, the MPSC stated that:

“AT&T argues that rather than retaining outdated ARMIS reports, the Commission should modify the Form 477 to collect network infrastructure information. The MPSC agrees that Form 477 provides valuable data and could be modified to provide even more constructive data particularly in the areas of broadband. As such, the MPSC is following the FCC’s open proceeding regarding modifications to the collection of such data. However, the MPSC notes that Form 477 data is confidential.....and it is highly unlikely the confidential status of the information contained in Form 477 will change.”

Even with the availability of Form 477, the MPSC will still need timely, state specific information with which to assess the entire spectrum of services provided in Michigan, not just broadband and local competition. Form 477 could be part of that information reporting mechanism.

The use of ARMIS information is necessary in order to insure the accuracy of cost information in Michigan and the formulation of the most competitive rates for services provided. In its application, Verizon contends that ARMIS reporting requirements are not necessary to insure just, reasonable and nondiscriminatory rates due to the “robust” state of competition that exists in the telecommunications industry. Verizon states that customers seeking voice service have a host of choices including cable companies, wireless carriers and VoIP providers. Without appropriately calculated

TELRIC/TSLRICs, this competition may not remain viable. In order to insure that competition thrives in Michigan, TELRIC/TSLRIC costs need to be as accurate as possible. ARMIS data is an important tool used by the MPSC in determining the appropriate TELRIC/TSLRIC costs for providers such as Verizon.

#### Affiliate Transaction Rules

Verizon also seeks forbearance from affiliate transaction rules. Verizon contends that these rules are a complex and time consuming exercise of recording assets and services transferred or provided between themselves and any of their non-regulated affiliates. Verizon contends that this violates the just, reasonable, nondiscriminatory, customer protection and public interest rules. MPSC rules, specifically provided for in MCL 4304.2308, set standards that prevent providers from subsidizing affiliates and impose legal duties to notify the MPSC of affiliate transactions. These rules are straight forward and do not require any further refinement (U-11103 page 15). A complete reliance on SEC, Sarbanes-Oxley, and GAAP rules to meet the Michigan statutory affiliate transaction rules may not provide the detailed information necessary to calculate the cost of Michigan specific competitive services.

#### Continuing Property Records

Verizon also seeks forbearance from the requirements in Part 32 of the FCC's rules that prescribe specific requirements for recording investment in property, plant, and equipment and for maintaining certain supporting records, including basic property records and Continuing Property Records. Verizon believes forbearance is appropriate

because the property records required by the FCC are not necessary to ensure Verizon's rates are just, reasonable and nondiscriminatory or to protect consumers. The MPSC believes that a reduction in the current standards related to continuing property records may be appropriate. The MPSC does not agree that a complete elimination of these requirements, however, is appropriate. Eliminating detailed property records may leave the company infrastructure vulnerable to damage when contractors cannot locate company lines and facilities buried underground. Without adequate property records, outages could increase and repair time might increase. During natural or man-made disasters, the lack of adequate property records may leave citizens of Michigan without vital services for extended periods.

#### CONCLUSION

The MPSC relies on Verizon's jurisdictional ARMIS financial reports. This is the starting point for determining costs for UNE's provided by Verizon to its competitors in the Michigan jurisdiction and its regulated Primary Basic Local Exchange Service. The FCC should deny Verizon's Petition For Forbearance from its requirement to provide ARMIS financial reports as indicated in these comments.

The MPSC also relies on the FCC rules pertaining to affiliate transactions and to a lesser extent continuing property records. In a competitive environment, the only way to ensure just, reasonable and nondiscriminatory rates, with consumer protection and public interest considerations, is to be able to isolate state specific information. Accurate, detailed, state specific information is vital in order to calculate rates for competitive services. The FCC should deny Verizon's Petition for Forbearance from its requirements

to provide affiliate transaction information but could consider modifications to lessen, but not eliminate, the requirements related to detailed continuing property records as indicated in these comments.

Respectively Submitted,

MICHIGAN PUBLIC SERVICE COMMISSION

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