

**Statement of
Commissioner Rachelle Chong**

**Item 57---Verizon Interconnection Arbitrations
February 16, 2006**

Item 57 resolves a host of issues concerning the interconnection of Verizon and its competitors. My remarks will focus on only one issue, issue 6(d), the regulations that determine whether unbundling requirements apply to fiber optic loops used to provide Fiber to the Curb and Fiber to the Home packetized networks.

The controlling regulations are contained in 47 CFR 51.319 and in the FCC's Order on Reconsideration of October 14, 2004. These recently adopted regulations set a policy that continues to require the unbundling of older DS1 and DS3 loops that use time-division multiplexing, but do **not** require the unbundling of Fiber to the Home and Fiber to the Curb loops that will be incorporated into new packetized networks.

In short, the FCC continues to impose unbundling requirements on the legacy network, but exempts new technologies from these unbundling requirements.

FCC policies of this type are sometimes referred to as a policy of "**old network, old rules; new network, new rules.**" This shorthand expression is frequently mentioned by FCC Commissioners as a statement of their regulatory policies. This policy has the explicit goal of facilitating investments in new broadband technologies by exempting them from regulations, but ensuring open access to the legacy network which was financed in a monopoly environment.

Item 57 brings the interconnection agreements with Verizon into conformity with these new FCC regulations and policies.

In particular, the interpretation of the FCC's unbundling regulations adopted in Item 57 is consistent with both the plain language of the regulations contained in 47CFR 51.319 and with the FCC's stated goal of encouraging the construction of a new broadband

infrastructure by exempting these new investments from regulations and regulatory uncertainty.

Unfortunately, the language in the FCC orders that adopted and amended section 319 is not precise and therefore open to competing interpretations. Nevertheless, I support Item 57 because it offers the most reasonable interpretation of what the FCC has required.

In addition, I believe that this policy of regulatory forbearance will be good for California and provide for incentives to build more broadband infrastructure.

Finally, I would like to thank President Peevey, ALJ Jones, and the President's Advisor Lester Wong for working through these issues with my staff and me in such a collaborative manner.

In my view, the result is a good one – an order that complies with FCC regulations, resolves regulatory uncertainty, and sets workable policies.