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ARTHUR ANDERSEN

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Verizon Communications, Inc.

98-184

Unbundled Network Element and Line Sharing Examination

January 29, 2001

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ARTHURANDERSEN

Report of Independent Public Accountants

To the Board of Directors of Verizon Communications, Inc. and
the Federal Communications Commission

We have examined management's assertion, included in the accompanying Report of Management on Compliance with the Federal Communication Commission's ("FCC") Unbundled Network Element and Line Sharing Rules, that Verizon Communications, Inc. ("the Company") complied with the rules regarding the provision of unbundled network elements and line sharing as set forth in the FCC's *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, FCC 99-238 (rel. Nov. 5, 1999) ("*UNE Remand Order*") and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, FCC 99-355 (rel. Dec. 9, 1999) ("*Line Sharing Order*") and in Title 47 C.F.R. §§ 51.230, 51.231, 51.232, 51.233, 51.307, 51.309, 51.311(a)-(b) and (d)-(e), 51.313, 51.315(a)-(b), 51.317, and 51.319 and Section 13 of Appendix D of the FCC's Memorandum Opinion and Order in CC Docket No. 98-184 ("the Merger Conditions") (collectively the FCC's "Unbundled Network Element and Line Sharing Rules") for the period July 1, 2000 through October 31, 2000. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with the FCC's Unbundled Network Element and Line Sharing Rules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with the FCC's Unbundled Network Element and Line Sharing Rules.

Our examination disclosed the following noncompliance with certain FCC Unbundled Network Element and Line Sharing Rules specified above applicable to the Company during the period July 1, 2000 through October 31, 2000:

- As discussed in management's assertion, item 5, the Company must provide nondiscriminatory access to unbundled network elements on terms and conditions that are just, reasonable and nondiscriminatory. We noted instances where the Company did not bill

for unbundled network elements in accordance with either the rate established in approved tariffs or interconnection agreements.

- As discussed in management's assertion, item 14, the Company is required to provide nondiscriminatory access to unbundled network elements including dark fiber. In its UNE Remand Order, the FCC prohibits the reservation of dark fiber except where the incumbent local exchange carrier demonstrates to the relevant state commission that such a reservation is necessary in order to satisfy its obligation as carrier of last resort. The Company has not made the necessary demonstration before the relevant commissions in most of the states in which it operates. However, we noted the Company's standard proposal offered to carriers during interconnection agreement negotiations since August 29, 2000 contains a clause which limits the requesting carrier to leasing a maximum of 25% of the dark fiber in any given segment of the Company's network during any two-year period.

- As discussed in management's assertion, item 14, the Company is required to provide nondiscriminatory access to its operational support systems including access to the same detailed information about the loop available to the Company. The FCC's Unbundled Network Element and Line Sharing Rules require that such line information be made available to requesting carriers during the pre-order process and that access to such information should be in the same manner as the Company. We noted that one of the Company's loop qualification product offerings available to the requesting carrier takes place in the order, rather than the pre-order process. We also noted the Company maintains an electronic database that contains detailed line information about a limited number of loops. This information is accessible by both the Company and requesting carriers. Employees of the Company, though not the customer service representatives, may access the information in this database electronically. However, this line information is only accessible to requesting carriers through a manual process.

The Company's compliance with the FCC's Unbundled Network Element and Line Sharing Rules considers the Company's understanding of the Merger Conditions. Section 1 of the Merger Conditions addresses the provision of unbundled network element and line sharing services during the "functional equivalency period" subsequent to the merger between Bell Atlantic and GTE. During this period, advanced services were being transitioned from the Company's incumbent local exchange carrier to the Company's advanced services affiliate. The Company's position is that the scope of the audit of the FCC's Unbundled Network Element and Line Sharing Rules does not include compliance with the requirements of Section 1. Accordingly, we did not design our examination to provide assurance with respect to the operations of the advanced services affiliate as prescribed in Section 1 of the Merger Conditions.

In our opinion, except for certain instances of noncompliance described in the third paragraph and considering the Company's understanding of the Merger Conditions as described above, management's assertion that the Company complied with the FCC's Unbundled Network Element and Line Sharing Rules during the period July 1, 2000 through October 31, 2000, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Directors and management of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Arthur Anderson LLP

New York, New York
January 29, 2001

ARTHURANDERSEN

Report of Independent Public Accountants

To the Board of Directors of Verizon Communications, Inc. and
the Federal Communications Commission

We have examined management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with the Federal Communication Commission's ("FCC") Unbundled Network Element and Line Sharing Rules, that Verizon Communications, Inc. ("the Company") maintained effective internal controls over compliance with the rules regarding the provision of unbundled network elements and line sharing as set forth in the FCC's *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, FCC 99-238 (rel. Nov. 5, 1999) ("*UNE Remand Order*") and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, FCC 99-355 (rel. Dec. 9, 1999) ("*Line Sharing Order*") and in Title 47 C.F.R. §§ 51.230, 51.231, 51.232, 51.233, 51.307, 51.309, 51.311(a)-(b) and (d)-(e), 51.313, 51.315(a)-(b), 51.317, and 51.319 and Section 13 of Appendix D of the FCC's Memorandum Opinion and Order in CC Docket No. 98-184 ("the Merger Conditions") (collectively the FCC's "Unbundled Network Element and Line Sharing Rules") for the period July 1, 2000 through October 31, 2000. Management is responsible for maintaining effective internal controls over compliance with those requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal controls over compliance with the FCC's Unbundled Network Element and Line Sharing Rules, testing and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal controls over compliance with the FCC's Unbundled Network Element and Line Sharing Rules to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the internal controls may deteriorate.

The Company's internal controls have been designed to comply with the FCC's Unbundled Network Element and Line Sharing Rules and the Merger Conditions, as understood by the Company. Section 1 of the Merger Conditions addresses the provision of unbundled network element and line sharing services during the "functional equivalency period" subsequent to the merger between Bell Atlantic and GTE. During this period, advanced services were being transitioned from the Company's incumbent local exchange carrier to the Company's advanced services affiliate. The Company's position is that the scope of the audit of the FCC's Unbundled Network Element and Line Sharing Rules does not include compliance with the requirements of Section 1. Accordingly, we did not design our examination to provide assurance with respect to the operations of the advanced services affiliate as prescribed in Section 1 of the Merger Conditions.

In our opinion, considering the Company's understanding of the Merger Conditions as described above, management's assertion that the Company's internal controls over compliance with the FCC's Unbundled Network Element and Line Sharing Rules were effective in providing reasonable assurance that the Company complied with the FCC's Unbundled Network Element and Line Sharing Rules for the period from July 1, 2000 through October 31, 2000, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Directors and management of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New York, New York
January 29, 2001

Report of Management on Compliance with the FCC's Unbundled Network Element and Line Sharing Rules

Management of Verizon Communications Inc. ("Verizon") is responsible for ensuring the Company's[1] compliance with the Federal Communications Commission's ("FCC's") rules regarding the provision of unbundled network elements and line sharing, as codified in 47 C.F.R. §§ 51.230, 51.231, 51.232, 51.233, 51.307, 51.309, 51.311(a)-(b) and (d)-(e), 51.313, 51.315(a)-(b), 51.317, and 51.319, and as set forth in the FCC's *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, FCC 99-238 (rel. Nov. 5, 1999) ("*UNE Remand Order*") and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, FCC 99-355 (rel. Dec. 9, 1999) ("*Line Sharing Order*"), until the date of a final, non-appealable judicial decision providing that the unbundled network element or combination of unbundled network elements is not required to be provided by the Company in the relevant geographic area.[2]

Management has performed an evaluation of the Company's compliance with the requirements of the FCC's unbundled network element and line sharing rules, including those described below, for the period July 1, 2000 through October 31, 2000 (the "Evaluation Period"). Based on this evaluation, we assert that during the Evaluation Period, the Company complied with all requirements of the FCC's unbundled network element and line sharing rules, and merger conditions 8 and13, to the extent effective during the Evaluation period. In particular, the Company did the following;

(1) **Deployment of Advanced Services Loop Technology** – The Company did not deny a carrier's request to deploy advanced services loop technology that complies with existing industry standards, is approved by an industry standards body, the Commission, or any state commission, or has been successfully deployed by any carrier without significantly degrading the performance of other services. (§51.230)

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[1] The word "Company" or "Companies" used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows; Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc.

[2] *See Application GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000) Appendix D ("Merger Conditions"), Sections 8, 13.

(2) **Provision of Information on Advanced Services Deployment** – The Company provided and/or was prepared to provide information to requesting carriers seeking access to the loop or high frequency portion of the loop with respect to (1) spectrum management procedures and policies, (2) the rejection of requesting carrier's provision of advanced services, with specific reasons, and (3) the number of loops using advanced services technology within the binder group and the type of technology employed on those loops. (§51.231)

(3) **Binder Group Management** – With the exception of loops on which a known disturber technology was deployed, the Company did not designate, segregate, or reserve particular loops or binder groups for use solely by any particular advanced services loop technology. (§51.232)

(4) **Degradation of Services Caused By Deployment of Advanced Services** – The Company was prepared to notify carriers if their advanced services significantly degraded the performance of other advanced services or traditional voiceband services and to allow them a reasonable opportunity to correct the problem. If notified by another carrier that the Company's advanced services were degrading the performance of other carriers' services, the Company was prepared to respond and correct, if necessary, any degradation. (§51.233)

(5) **Access to Unbundled Network Elements** – The Company provided nondiscriminatory access to network elements to requesting telecommunications carriers on an unbundled basis at any technically feasible point on terms and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of any agreement, the requirements of sections 251 and 252 of the Act, and the Commission's rules. In some instances, the charges for unbundled network elements were billed incorrectly. In some states, the Company's billing system is not capable of assessing charges for unbundled network elements at different rate levels for different carriers in the same state. To avoid overbilling in those states, the Company billed all carriers at the lowest rate for an unbundled network element in any interconnection agreement in each state. (§51.307(a))

(6) **Technical Information About Unbundled Network Elements** – The Company provided requesting carriers technical information about the Company's network facilities sufficient to allow the requesting carrier to achieve access to unbundled network elements. (§51.307(e))

(7) **Use of Unbundled Network Elements** – The Company did not impose limitations, restrictions, or requirements on requests for, or the use of, unbundled network elements that would impair the ability of a requesting telecommunications carrier to offer a telecommunications service in the manner the requesting telecommunications carrier intends. (§51.309(a))

(8) **Quality of Unbundled Network Elements** – The Company provided the same quality of unbundled network elements as well as the same quality of access to unbundled network elements to all requesting telecommunications carriers, and at

least equal to the quality of unbundled network elements as well as the quality of access to such unbundled network elements that the Company provides to itself. (§51.311(a), (b))

(9) **Previously Successful Access to Unbundled Network Elements** – The Company treated previously successful access to an unbundled network element at a particular point in the network, using particular facilities, or at a particular level of quality, as substantial evidence that access is technically feasible at that point, or at that level of quality, in networks employing substantially similar facilities. (§51.311(d, (e))

(10) **Terms and Conditions of Access to Unbundled Network Elements** – Where applicable, the terms and conditions pursuant to which the Company provided access to unbundled network elements, including, but not limited to, the time within which the Company provided such access to unbundled network elements, were no less favorable to the requesting carrier than the terms and conditions under which the Company provides such elements to itself. (§51.313(b))

(11) **Access to Operations Support Systems** – The Company provided carriers purchasing access to unbundled network elements with the pre-ordering, ordering, provisioning, maintenance and repair, and billing functions of the Company's operations support systems. §51.313(c))

(12) **Combinations of Unbundled Network Elements** – The Company has allowed telecommunications carriers to combine unbundled network elements to provide telecommunications services. The Company has not separated requested unbundled network elements that the Company currently combines. (§51.315(a), (b))

(13) **Standards for Identifying Unbundled Network Elements** – The Company provided access to proprietary and non-proprietary network elements that meet the Commission's "necessary" and "impair" standards as defined in the Commission's rules. (§51.317)

(14) **Specific Requirements for Unbundled Network Elements** – The Company provided nondiscriminatory access, in accordance with §51.311 and section 251(c)(3) of the Act, to the following unbundled network elements; (1) local loop and sub-loop; (2) network interface device; (3) switching capability; (4) interoffice transmission facilities; (5) signaling networks and call-related databases; (6) operator services and directory assistance (where customized routing or a compatible signaling protocol is not provided); (7) operations support systems including access to the same detailed information about the loop that is available to the Company; and (8) the high frequency portion of the loop. During the audit period, the Company provided automated loop qualification data during the pre-order process for certain loops that describe the loop length and that provide an indication whether the loop is capable of supporting xDSL service and the reason for any incompatibility with xDSL service. For certain loops, only manual loop qualification information was available with the loop order; this information will be made available in the future as a pre-ordering function. The Company also offered to develop a means of electronic access to

information in a loop facility assignment database. In the Company's standard or "model" proposed interconnection agreement, an individual carrier is limited to no more than 25 percent of the available dark fiber in a particular interoffice facility. This is only a proposed agreement, and carriers may choose not to agree and to negotiate or arbitrate an alternative provision. The Company has voluntarily entered into post-merger interconnection agreements that do not contain this limitation. Carriers can adopt such agreements under the "most favored nation" provisions of Section 9 of the Merger Conditions. (§51.319)

Verizon Communications Inc.

Virginia Ruesterholz
Senior Vice President – Wholesale Markets

Dated: January 29, 2001

Report of Management on the Effectiveness of Controls over Compliance with the FCC's Unbundled Network Element and Line Sharing Rules

Management of Verizon Communications Inc. ("Verizon") is responsible for establishing and maintaining effective internal controls over the Company's[1] compliance with the Federal Communications Commission's ("FCC's") rules regarding the provision of unbundled network elements and line sharing, as codified in 47 C.F.R. §§ 51.230, 51.231, 51.232, 51.233, 51.307, 51.309, 51.311(a)-(b) and (d)-(e), 51.313, 51.315(a)-(b), 51.317, and 51.319, and as set forth in the FCC's *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, FCC 99-238 (rel. Nov. 5, 1999) ("*UNE Remand Order*") and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, FCC 99-355 (rel. Dec. 9, 1999) ("*Line Sharing Order*"), (collectively, the "UNE/Line Sharing Rules") until the date of a final, non-appealable judicial decision providing that the unbundled network element or combination of unbundled network elements is not required to be provided by the Company in the relevant geographic area.[2]

The Company's internal controls have been designed to comply with the UNE/Line Sharing Rules. There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of the objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

The Company has determined that the objectives of the internal controls with respect to compliance with the UNE/Line Sharing Rules are to provide reasonable, but not absolute, assurance that compliance with the UNE/Line Sharing Rules has been achieved.

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[1] The word "Company" in this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows: Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc.

[2] *See Application GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000) Appendix D ("Merger Conditions"), Sections 8, 13.

Report of Management on the Effectiveness of Controls over Compliance with the FCC's Unbundled Network Element and Line Sharing Rules
January 29, 2001

The Company has assessed its internal controls over compliance with the UNE/Line Sharing Rules. Based on this assessment, the Company asserts that for the period July 1, 2000 through October 31, 2000 (the "Evaluation Period"), its internal controls over compliance with the UNE/Line Sharing Rules were effective in providing reasonable assurance that the Company has complied with the UNE/Line Sharing Rules and Sections 8 and 13 of the Merger Conditions.

Verizon Communications Inc.

Virginia Ruesterholz
Senior Vice President – Wholesale Markets

Dated: January 29, 2001

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

December 21, 2000

Mr. Jeffrey Ward
Senior Vice President
Regulatory Compliance
Verizon Communications, Inc.
1310 North Court House Road
Arlington, VA 22201

RE: *Bell Atlantic/GTE Merger Order*, CC Docket No. 98-184, ASD File No. 00-30

Dear Mr. Ward:

This letter grants the request of Verizon Communications, Inc. ("Verizon") for an extension of time from December 27, 2000 to January 29, 2001 for submission of one audit report required by Condition VIII of the *Bell Atlantic/GTE Merger Order*.[1]

The Commission adopted Condition VIII, *Collocation, Unbundled Network Elements, and Line Sharing Compliance*, in the *Bell Atlantic/GTE Merger Order*[2] to help reduce barriers to local competition after the merger. The Commission required Verizon to obtain an independent audit of Verizon's compliance with the Commission's rules for unbundled network elements ("UNEs") and line sharing.[3] The independent auditor must be acceptable to the Common Carrier Bureau ("Bureau"), which oversees the required audits.[4] Pursuant to the schedule established in the *Merger Conditions*, Verizon must submit the audit report to the Commission by December 27, 2000. The Chief of the Common Carrier Bureau may extend the audit deadline "upon a request and showing of good cause" by Verzion.[5]

As required by the *Merger Conditions*, Verizon's independent auditor had sought interpretations of the Commission's UNE and line sharing requirements. In addition, the Bureau's audit staff raised questions with the independent auditor concerning a number of operational issues related to the audit. The ensuing discussions between the Bureau and the independent auditors lasted longer than anticipated.

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[1] GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, *Memorandum Opinion and Order*, FCC 00-221 (rel. Jun. 16, 2000) (*"Bell Atlantic/GTE Merger Order"*). The *Merger Conditions* are contained in Appendix D.

[2] Letter from Jeffrey Wm Ward, Senior Vice President, Regulatory Compliance, Verizon Communications, Inc., to Carol E. Mattey, Deputy Chief, Common Carrier Bureau, FCC (Dec. 19, 2000).

[3] *Bell Atlantic/GTE Merger Order* at paras. 297-99; *see id.* at Appendix D, para. 28 (describing independent audit requirements for the UNE/Line Sharing compliance audit).

[4] *Id.* at para. 338.

[5] *Id.* at Appendix D, para. 62.

In light of the delay caused by the need for interpretations and discussion of operations issues in recent weeks, the Bureau is granting the requested extension of time for the UNE/Line Sharing compliance audit from December 27, 2000 to January 29, 2001.[6] The Commission and the public are relying on the independent auditor to perform a thorough and systematic evaluation of Verizon's compliance with the UNE and line sharing requirements. The additional time will enable the independent auditor to complete its evaluation and prepare a report presenting its opinion of Verizon's compliance with the UNE and line sharing requirements.

Please do not hesitate to contact me if I can be of further assistance. You may also contact Anthony Dale in the Common Carrier Bureau directly at (202) 418-2260 for further information on this matter.

Sincerely,

Carol E. Mattey
Deputy Chief, Common Carrier Bureau

[6] Under the *Merger Conditions*, the deadline for submission of the Collocation compliance audit report is January 29, 2001. *See Bell Atlantic/GTE Merger Order* at Appendix D, para. 27(c)(5).

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FEDERAL COMMUNICATIONS COMMISSION
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98-184

Verizon Communications, Inc.

Collocation Examination

January 29, 2001

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ARTHURANDERSEN

Report of Independent Public Accountants

To the Board of Directors of Verizon Communications, Inc. and
the Federal Communications Commission

We have examined management's assertion, included in the accompanying Report of Management on Compliance with the Federal Communication Commission's ("FCC") Collocation Rules, that Verizon Communications, Inc. ("the Company") complied with the collocation rules set forth in the FCC's First Report and Order and Further Notice of Proposed Rulemaking (rel. March 31, 1999) ("Collocation and Advanced Services Order") and its Order on Reconsideration (rel. August 10, 2000) in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, and in Title 47 C.F.R. §§ 51.321 and 51.323 (collectively the FCC's "Collocation Rules") for the period July 1, 2000 through October 31, 2000. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with the FCC's Collocation Rules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with the FCC's Collocation Rules.

Our examination disclosed the following noncompliance with certain FCC Collocation Rules specified above applicable to the Company during the period July 1, 2000 through October 31, 2000:

- As discussed in management's assertion, item 1, the Company must provide to requesting carriers, on terms that are just, reasonable and nondiscriminatory, access to unbundled network elements through physical and virtual collocation. We noted the Company maintains a space utilization policy whereby, as a premise nears capacity, the Company may deny applications for caged collocation even though sufficient space for such an arrangement is available. In such cases, the Company offers cageless collocation instead.

- As discussed in management's assertion, item 1, the Company must provide to requesting carriers, on terms that are just, reasonable and nondiscriminatory, access to unbundled network elements through physical and virtual collocation. We noted the Company's collocation tariff requires requesting carriers to submit a fee along with their collocation application. This fee was collected from requesting carriers in the majority of cases. However, the application fee was not collected from the Company's advanced services affiliate. We also noted that the Company has not rendered bills to the advanced services affiliate for completed virtual collocation arrangements during the examination period.

- As discussed in management's assertion, item 3, the Company is not required to provide for physical collocation if it can demonstrate to the appropriate state commission that physical collocation is not practical for technical reasons or because of space limitations. We noted instances where the Company did not make the required demonstration with the appropriate state commissions when physical collocation was no longer available at various premises.

- As discussed in management's assertion, item 7, the Company must maintain a publicly available document, posted for viewing on the Company's Internet site, indicating all premises that are full, and update the document within 10 days of the date at which a premise runs out of physical collocation space. We noted instances where a premise was listed as "Full" on the Company's Internet site even though the premise had space available. The Company subsequently removed one of these premises from the Internet site. We noted instances where applications for physical collocation were denied yet the premises were not listed as "Full" on the Internet site. We noted instances where the Company did not post updates to the Internet site within the required 10-day period. Finally, we noted instances in which the Company denied applications for physical collocation on the basis of space availability and did not list the premise as "Full" on the Internet site. Rather, the Company listed such premise as "Pending Office Re-evaluation" which the Company defines internally to mean the premise cannot currently accommodate physical collocation but may be considered for reconfiguration to permit additional physical collocation space in the future.

- As discussed in management's assertion, item 38, the Company may not require competitors to use an intermediate interconnection arrangement in lieu of direct connection to the incumbent local exchange carrier's network, if technically feasible. The FCC staff interprets the definition of intermediate interconnection arrangements to include Point of Termination ("POT") bays. We noted the Company requires the use of POT bays, whether purchased from the Company or provided directly by the requesting carrier, in many collocation arrangements.

It is the Company's understanding that, under Title 47 Part 51.321(f), the Company satisfies its obligation to provide premise tours by scheduling and conducting a single tour at such time as a premise is considered closed and not capable of being further conditioned to provide additional physical collocation space. In such cases, upon receipt of a tour request, the Company invites all carriers with which it maintains an active interconnection agreement in the jurisdiction in which the premise is located to attend the tour. Further, it is the Company's understanding that it satisfies its obligation to conduct the premise tour within 10 days of the date the requesting carrier receives the denial notice by acknowledging receipt of the tour request and attempting to schedule the premise tour as soon as practical. However, the actual timing of the tour is dependent upon both the date the Company receives the tour request and the tour date agreed upon by the requesting carrier. Both dates can and do occur more than 10 days after the date the requesting carrier receives the denial notice.

Additionally, it is the Company's understanding that, under Title 47 Part 51.321(h), the Company satisfies its obligation by maintaining a publicly available Internet site indicating all central offices that are full. The Company's Internet site does not include other premises that may be "Full" because the Company believes sufficient technical guidance does not exist as to the meaning of "Full" in the context of anything other than a central office. Further, it is the Company's understanding that, under Title 47 Part 51.321(h), the Company satisfies its obligation by posting updates of space exhaustion to its Internet site only after it has received the first collocation request that exceeds the available space in a particular central office.

The Company's compliance with the FCC's Collocation Rules also considers the Company's understanding of Appendix D of the FCC's Memorandum Opinion and Order in CC Docket No. 98-184 ("the Merger Conditions"). Section 1 of the Merger Conditions addresses the provision of collocation services during the "functional equivalency period" subsequent to the merger between Bell Atlantic and GTE. During this period, advanced services were being transitioned from the Company's incumbent local exchange carrier to the Company's advanced services affiliate. The Company's position is that the scope of the audit of the FCC's Collocation Rules does not include compliance with the requirements of Section 1. Accordingly, we did not design our examination to provide assurance with respect to the operation of the advanced services affiliate as prescribed in Section 1 of the Merger Conditions.

In our opinion, except for certain instances of noncompliance described in the third paragraph and considering the Company's understanding of the requirements related to requests for premise tours, maintaining an Internet site listing full premises and the Merger Conditions as described above, management's assertion that the Company complied with the FCC's Collocation Rules during the period July 1, 2000 through October 31, 2000, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Directors and management of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New York, New York
January 29, 2001

ARTHURANDERSEN

Report of Independent Public Accountants

To the Board of Directors of Verizon Communications, Inc. and
the Federal Communications Commission

We have examined management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with the Federal Communication Commission's ("FCC") Collocation Rules, that Verizon Communications, Inc. ("the Company") maintained effective internal controls over compliance with the collocation rules set forth in the FCC's First Report and Order and Further Notice of Proposed Rulemaking (rel. March 31, 1999) ("Collocation and Advanced Services Order") and its Order on Reconsideration (rel. August 10, 2000) in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, and in Title 47 C.F.R. §§ 51.321 and 51.323 (collectively the FCC's "Collocation Rules") for the period July 1, 2000 through October 31, 2000. Management is responsible for maintaining effective internal controls over compliance with those requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal controls over compliance with the FCC's Collocation Rules, testing and evaluating the design and operating effectiveness of internal controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal controls over compliance with the FCC's Collocation Rules to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the internal controls may deteriorate.

The Company's internal controls have been designed to comply with the FCC's Collocation Rules, as understood by the Company. It is the Company's understanding that, under Title 47 Part 51.321(f), the Company satisfies its obligation to provide premise tours by scheduling and conducting a single tour at such time as a premise is considered closed and not capable of being further conditioned to provide additional physical collocation space. In such cases, upon receipt of a tour request, the Company invites all carriers with which it maintains an active interconnection agreement in the jurisdiction in which the premise is located to attend the tour. Further, it is the Company's understanding that it satisfies its obligation to conduct the premise tour within 10 days of the date the requesting carrier receives the denial notice by acknowledging receipt of the tour request and attempting to schedule the premise tour as soon as practical. However, the actual timing of the tour is dependent upon both the date the Company receives the

tour request and the tour date agreed upon by the requesting carrier. Both dates can and do occur more than 10 days after the date the requesting carrier receives the denial notice.

Additionally, it is the Company's understanding that, under Title 47 Part 51.321(h), the Company satisfies its obligation by maintaining a publicly available Internet site indicating all central offices that are full. The Company's Internet site does not include other premises that may be "Full" because the Company believes sufficient technical guidance does not exist as to the meaning of "Full" in the context of anything other than a central office. Further, it is the Company's understanding that, under Title 47 Part 51.321(h), the Company satisfies its obligation by posting updates of space exhaustion to its Internet site only after it has received the first collocation request for space that exceeds the available space in a particular central office.

The Company's compliance with the FCC's Collocation Rules also considers the Company's understanding of Appendix D of the FCC's Memorandum Opinion and Order in CC Docket No. 98-184 ("the Merger Conditions"). Section 1 of the Merger Conditions addresses the provision of collocation services during the "functional equivalency period" subsequent to the merger between Bell Atlantic and GTE. During this period, advanced services were being transitioned from the Company's incumbent local exchange carrier to the Company's advanced services affiliate. The Company's position is that the scope of the audit of the FCC's Collocation Rules does not include compliance with the requirements of Section 1. Accordingly, we did not design our examination to provide assurance with respect to the operation of the advanced services affiliate as prescribed in Section 1 of the Merger Conditions.

In our opinion, considering the Company's understanding of the requirements related to requests for premise tours, maintaining an Internet site listing full premises and the Merger Conditions as described above, management's assertion that the Company's internal controls over compliance with the FCC's Collocation Rules were effective in providing reasonable assurance that the Company complied with the FCC's Collocation Rules for the period from July 1, 2000 through October 31, 2000, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Directors and management of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New York, New York
January 29, 2001

Report of Management on Compliance
With the FCC's Collocation Rules

Management of Verizon Communications Inc. ("Verizon") is responsible for ensuring the Company's[1] compliance with the Federal Communications Commission's ("FCC's") collocation rules as defined in the FCC's First Report and Order and Further Notice of Proposed Rulemaking (rel. Mar. 31, 1999) ("Collocation and Advanced Services Order") and its Order on Reconsideration (rel. Aug. 10, 2000) in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, and in Title 47 C.F.R. §§ 51.321 and 51.323 (collectively the FCC's "Collocation Rules"), and as set forth in Appendix D (the "Merger Conditions") of the FCC's Memorandum Opinion and Order in CC Docket No. 98-184 approving the Bell Atlantic/GTE merger.[2]

Management has performed an evaluation of the Company's compliance with the requirements of the FCC's Collocation Rules, including those described below, for the period July 1, 2000 through October 31, 2000 (the "Evaluation Period"). Based on this evaluation, we assert that during the Evaluation Period, the Company has complied with all requirements of the FCC's Collocation Rules, as provided in paragraph 27 of the Merger Conditions. In particular, the Company did the following;

1. **Provision of Collocation on Just, Reasonable, and Nondiscriminatory Terms** – The Company provided, on terms that are just, reasonable, and nondiscriminatory, interconnection and access to unbundled network elements through physical collocation and virtual collocation at the Company's premises, provided that certain transactions were conducted with Verizon's advanced services affiliate on an exclusive basis pursuant to Section I of the Merger Conditions. Pursuant to its approved collocation tariffs, the Company limits the construction of "cages" around collocation space where the amount of space remaining in an office is limited. In some cases, the applicable fees have not been collected yet from the advanced services affiliate. (§51.321(a), (b))

2. **Previously Successful Methods of Obtaining Interconnection** – The Company did not deny any requests for interconnection or access to unbundled network elements through collocation where the requesting carrier demonstrated that either the

[1] The word "Company" or "Companies" used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows; Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, , Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc.

[2] *Application of GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Applications to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

Company or another local exchange carrier had successfully deployed the arrangement unless the Company demonstrated to the state commission that the requested method of obtaining interconnection or access to unbundled network elements at that point was not technically feasible. (§51.321(c), (d))

3. **Collocation Denials on the Basis of Space or Technical Reasons** – In cases where the Company demonstrated to a state commission that physical collocation of equipment necessary for interconnection or access to unbundled network elements was not practical for technical reasons or because of space limitations, the Company provided virtual collocation, except at points where the Company proved to the state commissions that virtual collocation was not technically feasible. Where physical collocation could not be provided due to space limitations, the Company provided detailed floor plans or diagrams of the premises to the extent required by the Commission's rules except as otherwise required by state procedures. In some instances, these reports were not filed by the end of the audit period. Starting on October 10, 2000, the Company was prepared to submit floor plans showing the space that the Company or its affiliates had reserved for their own future use and the uses for which space had been reserved and the length of time of each reservation. In cases where virtual collocation was not technically feasible, the Company was prepared to provide other methods of interconnection and access to unbundled network elements to the extent technically feasible. (§51.321(e) (f))

4. **Touring of Full Premises** – In cases where space for physical collocation was exhausted, the Company allowed requesting carriers to tour the entire premises, without charge, within 10 days of the requesting carrier's receipt of the denial of space. Upon receipt of a request for a tour, the Company schedules a tour with the requesting carrier and invites the state commission and all carriers with which it has an active interconnection agreement in the state in which the premise is located to participate in the tour. Depending upon the date that the requesting carrier submitted its request for a tour and agrees to the date of the tour, the tour may be conducted more than 10 days after the carrier's collocation application was denied. (§51.321(f))

5. **Access to Collocation Space During Construction** – Starting on October 10, 2000, the Company allowed collocators access to their collocation spaces during construction. (§51.321(f))

6. **Availability of Collocation Space** – Upon request, the Company was prepared to submit to requesting carriers, within 10 days of the submission of a request or as otherwise permitted in a state, a report indicating the availability of collocation space in a particular Company premises. Such report would specify the amount of collocation space available at each requested premises, the number of collocators, and any modifications in the use of the space since the last report, and also include measures that the Company is taking to make additional space available for collocation. (§51.321(h))

7. **Internet Posting of Full Premises** -- The Company maintained publicly available documents, posted for viewing on the Company's publicly available Internet sites, indicating all premises that are full. In most instances, the Company updated the document within ten days of the date at which a premises ran out of physical collocation space, but in certain instances the posting was made after the ten-day period expired. In some cases where the Internet site indicated that a premise was full, the Company determined that a request for physical collocation could be fulfilled. In other instances, the Company denied an application for physical collocation where the premise was not listed on the Internet site as full, but the Company determined that the particular collocation request could not be accommodated in the available space. Due to the fact that the Commission has not established technical standards for collocating equipment in remote terminals, there is no basis at this time for determining whether a remote terminal is "full" and cannot accommodate a particular collocation request. Accordingly, the Company does not list remote terminals as "full" on its Internet site. Because it is not possible to determine whether an office is full until an application for collocation is received that requests more than the available space, the Company's policy is to list an office on the Internet site only after it has received the first collocation request for space in that office that exceeds the available space. (§51.321(h))

8. **Removal of Obsolete Unused Equipment** – The Company was prepared to remove, upon request by a telecommunications carrier or upon order of a state commission, obsolete unused equipment from its premises to increase the amount of space available for collocation. No requests were received during the Evaluation Period. (§51.321(i))

9. **Provision of Physical and Virtual Collocation** – The Company provided physical collocation and virtual collocation to requesting telecommunications carriers. (§51.323(a))

10. **Interconnection of Equipment** – The Company permitted collocation of equipment necessary for interconnection or access to unbundled network elements. (§51.323(b))

11. **Collocation Denials of Equipment on the Basis that the Requested Collocation of Equipment is not within the Scope of Section 251(c)(6)** – The Company did not object to collocation of equipment by a requesting telecommunications carrier for purposes within the scope of section 251(c)(6) of the Act unless the Company proved to the state commission that the equipment was not necessary for the purpose of obtaining interconnection or access to unbundled network elements. (§51.323(b))

12. **Collocation Denials of Equipment on the Basis of Discriminatory Safety or Engineering Standards** – The Company did not object to the collocation of equipment on the grounds that the equipment did not comply with safety or engineering standards that were more stringent than the safety or engineering standards that the Company applies to its own equipment. (§51.323(b))

13. **Collocation Denials of Equipment on the Basis of Performance Standards** – The Company did not object to the collocation of equipment on the grounds that the equipment failed to comply with National Equipment and Building Specifications performance standards. (§51.323(b))

14. **Collocation Denials of Equipment on the Basis of Safety Standards** – When the Company denied collocation of competitor's equipment, citing safety standards, it provided to the competitive LEC within five business days of the denial a list of all equipment that the Company locates within the premises in question, together with an affidavit attesting that all of that equipment meets or exceeds the safety standard that the Company contends the competitor's equipment fails to meet. Beginning October 10, 2000, the Company was prepared to provide such affidavits setting forth in detail; the exact safety requirement that the requesting carrier's equipment did not satisfy; the Company's basis for concluding that the requesting carrier's equipment did not meet this safety requirement; and the Company's basis for concluding why collocation of equipment not meeting this safety requirement would have compromised network safety. (§51.323(b))

15. **Use of Features** – The Company did not place any limitations on the ability of requesting carriers to use all the features, functions, and capabilities of collocated equipment that are directly related to, and thus necessary, required, or indispensable to interconnection or access to unbundled network elements, provided that the equipment was not used solely for the purpose of switching or for providing enhanced services. (§51.323(c))

16. **Fiber Interconnection Points** – The Company provided interconnection point or points, physically accessible by both the Company and requesting carriers, at which the fiber optic cable carrying an interconnector's circuits could enter the Company's premises, and the Company designated interconnection points as close as reasonably possible to its premises. (§51.323(d)(1))

17. **Two Fiber Entry Points** – The Company provided at least two entry points at which the fiber optic cable carrying an interconnector's circuits could enter the Company's premises at each Company premises at which there were at least two entry points for the Company's cable facilities, and at which space is available for new facilities in at least two of those entry points. (§51.323(d)(2))

18. **Copper or Coaxial Cable Interconnection** – The Company permitted interconnection of copper or coaxial cable if such interconnection was first approved by the state commission. (§51.323(d)(3))

19. **Microwave Transmission Facilities** – The Company permitted physical collocation of microwave transmission facilities except where such collocation was not practical for technical reasons or because of space limitations, in which cases virtual

collocation of such facilities were permitted where technically feasible. (§51.323(d)(4))

20. **Provision of Virtual Collocation on Just, Reasonable and Nondiscriminatory Terms** -- When providing virtual collocation, the Company installed, maintained, and repaired collocated equipment within the same time periods and with failure rates that were no greater than those that applied to the performance of similar functions for the Company's comparable equipment. (§51.323(e))

21. **Allocation of Collocation Space** – The Company made space available within or on its premises to requesting telecommunications carriers on a first-come, first-served basis, provided, however, that the Company was not required to lease or construct additional space to provide for physical collocation when existing space was exhausted. (§51.323(f)(1))

22. **Contiguous Space** -- To the extent possible, the Company made contiguous space available to requesting telecommunications carriers that sought to expand their existing collocation space. (§51.323(f)(2))

23. **Renovations or New Construction** -- When planning renovations of existing facilities or constructing or leasing new facilities, the Company took into account projected demand for collocation of equipment. (§51.323(f)(3))

24. **Reservation of Floor Space** – The Company retained a limited amount of floor space for its own specific future uses, but did not reserve space for future use for itself or its affiliates on terms more favorable than those that apply to other telecommunications carriers seeking to reserve collocation space for their own future use. (§51.323(f)(4))

25. **Relinquishing Space for Virtual Collocation** – The Company relinquished space held for future use before denying requests for virtual collocation on the grounds of space limitations, unless the Company proved to the state commission that virtual collocation at that point was not technically feasible. (§51.323(f)(5))

26. **Warehousing of Collocation Space** – The Company imposed reasonable restrictions on the warehousing of unused space by collocating telecommunications carriers, but did not set maximum space limitations applicable to such carriers unless the Company proved to the state commission that space constraints made such restrictions necessary. (§51.323(f)(6))

27. **Transmission Facilities** – The Company permitted collocating telecommunications carriers to collocate equipment and connect such equipment to unbundled network transmission elements obtained from the Company, and did not require such telecommunications carriers to bring their own transmission facilities to the Company's premises in which they sought to collocate equipment. (§51.323(g))

28. **Security Arrangements** – The Company required reasonable security arrangements to protect their equipment and to ensure network reliability, but only imposed security arrangements that were as stringent as the security arrangements that Company maintains at its own premises for its own employees or authorized contractors. The Company did not impose discriminatory security requirements that resulted in increased collocation costs without the concomitant benefit of providing necessary protection of the Company's equipment. (§51.323(i))

29. **Access to Collocated Equipment** – The Company allowed collocating parties to access their collocated equipment 24 hours a day, seven days a week, without requiring either a security escort of any kind or delaying a competitor's employees' entry into the Company's premises, consistent with established security rules. (§51.323(i))

30. **Security Training** – The Company may require competitive LEC employees to undergo the same level of security training, or its equivalent, that the Company's own employees, or third party contractors providing similar functions, must undergo; however, the Company did not require competitive LEC employees to receive such training from the Company itself, and it provided information to the competitive LEC on the specific type of training required so the competitive LEC's employees could conduct their own training. (§51.323(i))

31. **Approval of Subcontractors** – The Company permitted a collocating telecommunications carrier to subcontract the construction of physical collocation arrangements with contractors approved by the Company. The Company did not unreasonably withhold approval of contractors, and approval was based on the same criteria the Company uses in approving contractors for its own purposes. (§51.323(j))

32. **Offering of Shared Cage Collocation** – The Company offered shared cage collocation arrangements as part of its physical collocation offerings. (§51.323(k)(1))

33. **Site Preparation for Shared Cage Collocation** – The Company did not receive requests for shared collocation arrangements. In making shared collocation arrangements available, the Company would not increase the cost of site preparation above the cost for provisioning a cage of similar dimensions and material to a single collocating party. (§51.323(k)(1))

34. **Allocation of Site Preparation Costs for Shared Cage Collocation** – The Company did not receive requests for shared collocation arrangements. It is the Company's policy to prorate the charge for site conditioning and preparation undertaken by the Company to construct a shared collocation cage or to condition the space for collocation use, regardless of how many carriers actually collocate in that cage, by determining the total charge for site preparation and allocating the charge to a collocating carrier based on the percentage of total space utilized by that carrier. (§51.323(k)(1))

35. **Shared Collocation in Single-Bay Increments** – The Company did not receive requests for shared collocation arrangements. The Company made shared collocation space available in single-bay increments or their equivalent, so that a competing carrier could purchase space in increments small enough to collocate a single rack, or bay, of equipment. (§51.323(k)(1))

36. **Cageless Collocation** – The Company offered cageless collocation as part of its physical collocation offerings. (§51.323(k)(2))

37. **Access to Facilities and Equipment** – Once inside the building, collocating carriers had direct access to their equipment, consistent with established security rules. (§51.323(k)(2))

38. **Direct Connections** – The Company did not require competitors to use an intermediate interconnection arrangement in lieu of direct connection to the Company's network if technically feasible. The Company allows a competitor a choice of purchasing a point of termination bay from the Company or providing its own point of termination equipment to serve as a demarcation point for direct connection between the Company's network and the competitor's collocated equipment. (§51.323(k)(2))

39. **Assignment of Collocation Space** – The Company designated unused space in which telecommunications carriers could collocate equipment within the Company's premises that could be properly secured for collocation, providing that if more than one space was available, the Company determined which space would be used first for collocation. (§51.323(k)(2))

40. **Cageless Collocation in Single-Bay Increments** – The Company made cageless collocation space available in single-bay increments, meaning that a competing carrier could purchase space in increments small enough to collocate a single rack, or bay, of equipment. (§51.323(k)(2))

41. **Offering of Adjacent Space Collocation** – The Company made available, where physical collocation was legitimately exhausted in a particular Company structure, collocation in adjacent controlled environmental vaults, controlled environmental huts, or similar structures located at the Company's premises to the extent technically feasible. (§51.323(k)(3))

42. **Construction of Adjacent Space Collocation** – The Company did not receive requests for adjacent space collocation arrangements. The Company's policy is to permit new entrants to construct or otherwise procure such an adjacent structure, subject only to reasonable safety and maintenance requirements. (§51.323(k)(3))

43. **Provision of Adjacent Space Collocation on Just, Reasonable, and Nondiscriminatory Terms** – The Company did not receive requests for adjacent

space collocation arrangements. The Company's policy is to provide power and physical collocation services and facilities as it would to its own similar structures, subject to the same nondiscrimination requirements as applicable to any other physical collocation arrangement. (§51.323(k)(3))

44. **Provision of Equipment in Adjacent Space** – The Company did not receive requests for adjacent space collocation arrangements. The Company's policy is to permit a requesting carrier to place its own equipment, including, but not limited to, copper cables, coaxial cables, fiber cables, and telecommunications equipment, in adjacent facilities constructed by the Company, by the requesting carrier, or, after October 10, 2000, by a third party. (§51.323(k)(3))

45. **Physical Collocation in a Previously Exhausted Structure** – After October 10, 2000, if physical collocation became available in a previously exhausted Company structure, the Company did not require a carrier to move, or prohibit a competitive LEC from moving, an adjacent space collocation arrangement into that structure. Instead, the Company continued to allow the carrier to collocate in any adjacent controlled environmental vault, controlled environment vault, or similar structure that the carrier had constructed or otherwise procured. (§51.323(k)(3))

46. **Application Acceptance or Denial** – After October 10, 2000, except where a state commission has allowed different deadlines for accepting or denying a collocation application, the Company informed a requesting carrier within 10 calendar days whether the application meets each of Company's established collocation application standards. The Company permitted a requesting carrier that resubmitted a revised application to cure any deficiencies in an application for physical collocation within 10 days after being informed of them while retaining its position within any collocation queue that the Company maintained. (§51.323(l))

47. **Completion of Collocation Arrangements** – The Company completed collocation arrangements during the Evaluation Period within reasonable intervals. (Advanced Services Order, ¶ 54)

48. **Offering of Collocation Options** – The Company made cageless, shared cage, and adjacent collocation available without waiting until a telecommunications carrier requested a particular arrangement, so that the carriers would have a variety of collocation options from which to choose. (Advanced Services Order, ¶ 40)

49. **Restrictions on Shared Collocation Cages** – The Company did not limit a new entrant's ability to contract with other competitive local exchange carriers to share a cage in a sublease-type arrangement. (Advanced Services Order, ¶ 41)

50. **Ordering UNEs in Shared Collocation Cages** – The Company did not receive requests for shared collocation arrangements. The Company's policy is that if two or more competitive local exchange carriers shared a collocation arrangement, the

Company would permit each carrier to order UNEs and provision service from the shared collocation space, regardless of which carrier was the original collocator. (Advanced Services Order, ¶ 41)

51. **Access to Basic Facilities** – The Company provided reasonable access to basic facilities, such as restroom facilities and parking at the Company' premises, consistent with established security rules. (Advanced Services Order, ¶ 49)

52. **Allocation of Collocation Charges** – The Company allocated space preparation, security measures, and other collocation charges on a pro-rated basis so that the first collocator in a particular premise was not be responsible for the entire cost of site preparation. (Advanced Services Order, ¶ 51)

53. **Restrictions on the Processing of Collocation Applications** – The Company did not refuse to consider an application for collocation space submitted by a telecommunications carrier while that carrier's state certification was pending, or before the carrier and the Company had entered into a final interconnection agreement. (Advanced Services Order, ¶ 53)

Verizon Communications Inc.

Virginia Ruesterholz
Senior Vice President – Wholesale Markets

Dated: January 29, 2001

Report of Management on the Effectiveness of Controls over Compliance with the FCC's Collocation Rules

Management of Verizon Communications Inc. ("Verizon") is responsible for establishing and maintaining effective internal controls over the Company's[1] compliance with the Federal Communications Commission's ("FCC's") rules regarding the provisioning and maintaining of collocation services. The internal controls are designed to provide reasonable assurance to the Company's management and Board of Directors that the Company is in compliance with the criteria promulgated in the FCC's collocation rules as defined in the FCC's First Report and Order and Further Notice of Proposed Rulemaking (rel. Mar. 31, 1999) ("Collocation and Advanced Services Order"), its Order on Reconsideration (rel. Aug. 10, 2000) in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, 47 C.F.R. §§51.321 and 51.323 (collectively, the FCC's "Collocation Rules") and as set forth in Appendix D (the "Merger Conditions") of the FCC's Order approving the Bell Atlantic/GTE merger.[2]

The Company's internal controls have been designed to comply with the FCC's Collocation Rules, as required by paragraph 27 of the Merger Conditions. There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of the objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

The Company has determined that the objectives of the internal controls with respect to the Company's compliance with the FCC's Collocation Rules are to provide reasonable, but not absolute, assurance that the Company has complied with the FCC's Collocation Rules.[3]

The Company has assessed its internal controls over compliance with the FCC's Collocation Rules. Based on this assessment, the Company asserts that for the Evaluation

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[1] The word "Company" or "Companies" used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows; Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, , Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc.

[2] *Application of GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Applications to Transfer Control of a Submarine Cable Landing License, CC Docket No. 98-184*, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

[3] Certain collocation arrangements involving advanced services equipment were completed on an exclusive basis pursuant to the transitional period permitted in Section 1 of the Merger Conditions.

Report of Management on the Effectiveness of Controls over Compliance with the FCC's Collocation Rules
January 29, 2001

Period July 1, 2000 through October 31, 2000, its internal controls over compliance with the FCC's Collocation Rules were effective in providing reasonable assurance that the Company complied with the FCC's Collocation Rules.

Verizon Communications Inc.

Virginia Ruesterholz
Senior Vice President – Wholesale Markets

Dated: January 29, 2001

CERTIFICATE OF SERVICE

I, Mary W. Malone, certify that I have, on this 28th Day of February 2001, caused a true and correct copy of the foregoing "Comments of The Commercial Internet Exchange Association" to be delivered to:

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/s/ Mary W. Malone