

that provides the service. Management indicated that unaffiliated entities initially requested services through the Verizon East Wholesale Source website, [www.bell-atl.com/wholesale/html/handbooks/clec](http://www.bell-atl.com/wholesale/html/handbooks/clec), and through the Verizon West Communications Customer Support website, [http://128.11.40.241/clec\\_guide/master.htm](http://128.11.40.241/clec_guide/master.htm). Depending on the location and type of request, the unaffiliated entity submitted requests using one of the following methods: 1) through EDI 2) through a Verizon Wholesale Systems Web GUI, or 3) on the standard LSR form.

We documented that the ILECs and unaffiliated entities execute a contract that serves as the proper approval to request services from the ILECs. The process to execute a contract begins by determining the type of contract to be formed, providing a description of the product or service to be performed, and noting the terms of the contract. After contract negotiations are complete, the ILECs must obtain legal approval and signatures necessary to execute the contracts.

4. We inquired of management and management indicated that there were no procurement awards by the ILECs to the separate Advanced Services affiliates and that the separate Advanced Services affiliates did not submit bids to the ILECs during the Engagement Period.
5. We obtained a list of equipment (including software), furniture, fixtures, services, facilities, and customer network services information, excluding Consumer Proprietary Network Information (“CPNI”) as defined in Section 222(f)(1) of the Communications Act of 1934, as amended, made available to each separate Advanced Services affiliate by the ILECs. This list excludes services and facilities provided pursuant to interconnection agreements. For a random sample of 100 items for VADI and VADI-VA, we noted that the entire sample of assets was transferred from the ILECs to the separate Advanced Services affiliates. Per the Merger Conditions paragraph 3(e), ILECs are permitted to transfer these assets on a discriminatory basis.

We obtained a list of services made available to VSSI by the ILECs. We inquired of management and management indicated that the ILECs made available only services to VSSI. For 12 VSSI items selected by the Specified Users, we noted that the ILECs used the website, <http://gte.com/AboutGTE/272s/index.html>, to inform unaffiliated entities of the aforementioned transactions.

6. We obtained a list from the ILECs of unaffiliated entities who have purchased the same goods (including software), services, facilities, and customer network services information from the ILECs as the separate Advanced Services affiliates.

Management indicated that the services purchased by unaffiliated entities that are the same services as purchased by VADI and VADI-VA are billing and collections services, which are available to unaffiliated entities on the same rates, terms and conditions. For the sample selected by the Specified Users for VADI and VADI-VA, we obtained the 15 billing service agreements between the ILECs and unaffiliated entities and compared the rates, terms, and conditions offered in the agreements to the rates, terms and conditions offered to VADI and VADI-VA. We noted the following differences:

Table 19

Type of Agreement	Unaffiliated Party Name	Type of Rate, Term, or Condition	Differences	
			VADI & VADI-VA	Unaffiliated Entities
1. Billing & Collection Services	**proprietary**	Term of Contract	1 year	**proprietary**
2. Billing & Collection Services	**proprietary**	Price Per Bill	\$1.00	\$**proprietary** *
		Price Per Message Billed	\$0.02	\$**proprietary** *
		Minimum Charge	\$4,000	\$**proprietary** *
		Startup Fee	\$30,000	\$**proprietary** *
		Manual Adjustment Fee	\$5.00	\$**proprietary** *
				\$**proprietary** *

1. Management indicated that the terms in the contract between VADI and VADI-VA and **\*\*proprietary\*\*** were different than those of other carriers due to a renegotiated contract, which consolidated two separate contracts that **\*\*proprietary\*\*** held with Bell Atlantic-North and Bell Atlantic-South into one agreement. The contract with Bell Atlantic-North expired in 2000, and the contract with Bell Atlantic-South is to expire in 2002.

2. Management indicated that the "Price per Bill" rate was different for VADI and VADI-VA and the unaffiliated entities because it reflects the discount given based on contract negotiations. The rate is tied to the commitments outlined below (minimum of 85% of End User Volume). The standard Price per Bill is **\*\*proprietary\*\*** per bill; discounts were available in consideration of the following commitments:

Table 20

Commitment	Discount Rate	Condition
Billing Commitment	\$0.10	Customer agrees to utilize Verizon Billing and Collection Services for billing a minimum of 85% of End-User to whom Verizon also provides Local exchange services.
Bill Volume Commitment	\$0.05	1 million bills/year
	\$0.10	5 million bills/year
	\$0.15	10 million bills/year
	\$0.20	40 million bills/year
	\$0.25	70 million bills/year

Management indicated that the services purchased by unaffiliated entities that are the same services as purchased by VSSI include inside wire installation and repair, capacity services, operator services, voice messaging services, and miscellaneous blanket services for VSSI, which are available to unaffiliated entities on the same rates, terms and conditions. From the list obtained, we selected a random sample of 10 services purchased by unaffiliated entities and compared the rates, terms and conditions of the selection to the rates, terms, and conditions offered to VSSI. We noted the following differences:

Table 21

Type of Agreement	Unaffiliated Party Name	Type of Rate, Term, or Condition	Differences	
			VSSI	Unaffiliated Entities
1. Inside Wire Installation and Repair Service Agreement	<b>**proprietary**</b>	Time required to notify parties of change in service description and charges	120 Days	<b>*proprietary*</b>
2. Capacity Agreement	<b>**proprietary**</b>	Monthly Recurring Charges DS3 1 yr 3 yr 5 yr 7 yr OC3/OC3c 1 yr 3 yr 5 yr 7 yr OC12/OC12c 1 yr 3 yr 5 yr 7 yr OC48/OC48c 1 yr 3 yr 5 yr 7 yr  Service Commitment Pricing OC12 MRC From LA to Santa Monica	   \$1,400 \$1,325 \$1,250 \$1,175  \$3,200 \$3,050 \$2,900 \$2,750  \$7,500 \$7,125 \$6,750 \$6,375  \$15,000 \$14,250 \$13,500 \$12,750   \$6,375	   <b>*proprietary*</b> <b>*proprietary*</b> <b>*proprietary*</b> <b>*proprietary*</b>  <b>*proprietary*</b> <b>*proprietary*</b> <b>*proprietary*</b> <b>*proprietary*</b>  <b>*proprietary*</b> <b>*proprietary*</b> <b>*proprietary*</b> <b>*proprietary*</b>          <b>*proprietary*</b>

Type of Agreement	Unaffiliated Party Name	Type of Rate, Term, or Condition	Differences	
			VSSI	Unaffiliated Entities
3. Capacity Agreement	*proprietary*	Term of Contract	7 years	*proprietary*
4. Operator Service Agreement	*proprietary*	Busy Line Verification	\$0.99	*proprietary*
		Busy Line Interrupt	\$1.05	*proprietary*
5. Operator Service Agreement	*proprietary*	Term of Contract	3 years	*proprietary*

1. Management indicated that the VSSI agreement differed from the **\*\*proprietary\*\*** agreement in the time required to notify the parties of changes in rates and conditions. Management indicated that the **\*\*proprietary\*\*** was used as the basis for negotiating an Inside Wire Installation and Repair Service Agreement with VSSI. The **\*\*proprietary\*\*** required a **\*\*proprietary\*\***-day notification of changes in services description and charges to the parties. During VSSI contract negotiations, a new model agreement was developed which changed the notification provisions from **\*\*proprietary\*\*** to **\*\*proprietary\*\*** days. The new model agreement was subsequently used as the basis for negotiations with **\*\*proprietary\*\*** (and other CLECs). Management indicated that the VSSI agreement was executed on November 4, 1999. The **\*\*proprietary\*\*** agreement was executed on June 2, 2000.
  2. Management indicated that the Capacity Agreements for **\*\*proprietary\*\*** and VSSI were ICBs. For ICBs, the calculation for the rates for the Monthly Recurring Charges (MRCs) and Service Commitment Term & Pricing depend on the following variables:
    - Type of service requested, which is the capacity of the service
    - Contract term selected by the customer
    - Termination point of service
  3. Management indicated that the Capacity Agreements for **\*\*proprietary\*\*** and VSSI were ICBs. For ICBs the customer may select the contract term.
  4. Management indicated that differences exist because the **\*\*proprietary\*\*** was established prior to the Bell Atlantic/GTE merger. The agreement was executed on August 29, 2000.
  5. Management indicated that the parties have an option of a term of either **\*\*proprietary\*\***.
7. We documented the ILECs' procedures for disseminating information about network changes, establishing or adopting new network standards, and making available new network services to each separate Advanced Services affiliate and to unaffiliated entities. We noted that the ILECs disseminated such information via the Internet and noted no differences in the dissemination of such information between the separate Advanced Services affiliates and unaffiliated entities. We compiled a list of network changes, network standard changes, and changes in available services during the Engagement Period from [www.bell-atl.com/disclose](http://www.bell-atl.com/disclose), [www.bell-atl.com/wholesale](http://www.bell-atl.com/wholesale), and [www.gte.com/regulatory](http://www.gte.com/regulatory).
8. We observed service representatives at ILEC call centers responding to inbound callers and attempting to market Advanced Services. We listened to five service representatives for at least one-half hour each at the following locations:

Verizon New York

Manhattan (BSC Demand Call Center)

Verizon New England	Lowell, MA (BSC Demand Call Center)
Verizon Virginia	Richmond, VA (BSC Demand Call Center)
Verizon Washington, D.C.	Richmond, VA (BSC Demand Call Center)
Verizon Consumers	Tampa, FL (Customer Contact Center)
Verizon North	Fort Wayne, IN (Business Sales Center)
VerizonMidwest	Fort Wayne, IN (Business Sales Center)
Verizon Midstates	Fort Wayne, IN (Business Sales Center)

We documented whether the service representatives provided the information to the separate Advanced Services affiliates and how this information was provided to the affiliates. Of the calls monitored, we noted a total of five calls in the Richmond Demand Call Center and the Tampa Customer Contact Center that related to Advanced Services, specifically DSL service. Topics of the calls included inquiries about DSL service and availability. Service representatives located in Richmond transferred customers interested in DSL subscriptions to an ILEC Technical Center located in Portland, ME or Greenbelt, MD. Service representatives located in Tampa transferred customers interested in DSL subscriptions to ILEC DSL sales representatives located in Wentsville, MO. Because potential customer orders were transferred to another location, we were unable to determine how the service representative passed on to the separate Advanced Services affiliates the information necessary for placement of the order. We also listened to calls that were not related to Advanced Services. The primary topics of these calls were billing inquiries, payment inquiries, and service requests.

We inquired of management and management indicated that Verizon has not received the necessary regulatory approvals in California, Hawaii, and New Jersey, and a portion of Virginia to provide Advanced Services through a separate affiliate. Therefore, Verizon did not provide Advanced Services through a separate affiliate in these areas by December 27, 2000. Consequently, we did not perform this procedure for the Verizon California Business Sales Center in Huntington Beach, California or the Verizon New Jersey Demand Call Center in Trenton, New Jersey.

9. We observed the processing of customer service orders received by VADI and VADI-VA either as a result of joint marketing with the ILECs or from VADI's and VADI-VA's own marketing efforts. We inquired of management and documented how customer service orders are received by VADI and VADI-VA. For customer service orders requiring interconnection facilities and/or additional telecommunication facilities, we inquired and documented how VADI and VADI-VA place orders for interconnection facilities with the ILECs. Management indicated that Internet Service Providers submit requests for Advanced Services using a VADI automated ordering system that forwards the requests to the Telecommunications Service Operations Center ("TISOC") for provisioning. The TISOC is a division of Verizon Carrier Services in the ILECs. We inquired and documented that the interfaces used for placing orders for interconnection facilities with the ILECs were the same as those made available to unaffiliated providers of Advanced Services.

We inquired of management and management indicated that there were no customer orders for Advanced Services placed with VSSI dated on or after December 27, 2000.

We inquired of management and management indicated that customer service orders were not received by Verizon Global Networks Inc. ("GNI"), either as a result of joint marketing with the ILECs or through GNI's own marketing efforts. For customer service orders requiring interconnection facilities and/or additional telecommunication facilities, we inquired and documented how GNI placed orders for the interconnection facilities with the ILECs. These orders are placed as follows:

- For orders from Bell Atlantic Communications Inc (BACI)

Verizon Global Networks Inc. utilizes an ordering system provided by an unaffiliated vendor to receive orders from BACI. Orders are then reviewed by GNI personnel and Access Service Requests (ASRs) are issued to the Verizon Communications Carrier Account Team center.

- For orders from Verizon Online or NLD (d/b/a Verizon Enterprise Solutions) GNI receives contracts for orders from Verizon Enterprise Solutions via email. GNI personnel review the emails. Circuits are ordered with the ILEC via email.

We inquired of management and management indicated that the interfaces used for placing orders for such interconnection facilities with the ILECs were also made available to unaffiliated providers of Advanced Services.

We attempted to observe the processing of customer service orders received by NYNEX Long Distance (“NLD”) and noted that no orders were processed. We inquired of management and management indicated that NLD did not place interconnection facilities orders with the ILECs.

10. We inquired of management and documented that VADI and VADI-VA filed applications for virtual collocation. Management indicated that VSSI did not file any collocation applications during the Engagement Period. We noted that the number of collocation applications for VADI and VADI-VA during the Engagement Period is as follows:

**Table 22**

State	July	August	September	October	November	December
Alabama	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
California	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Connecticut	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Delaware	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Florida	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Hawaii	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Idaho	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Illinois	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Indiana	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Kentucky	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Maine	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Maryland	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Massachusetts	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Mississippi	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Missouri	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Nevada	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
New Hampshire	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
New York	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
North Carolina	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Ohio	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Oregon	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Pennsylvania	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Rhode Island	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**

State	July	August	September	October	November	December
South Carolina	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Texas	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Vermont	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Virginia	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Washington	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Washington DC	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
West Virginia	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**
Wisconsin	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**	**proprietary**

In instances where VADI and VADI-VA did not file a collocation application in a given state for a particular month, management indicated one of the following explanations: 1) Verizon had not yet converted Advanced Services operations to VADI and VADI-VA; 2) the equipment in the Central Office had enough capacity to handle the current customer base; or 3) VADI and VADI-VA were responsible for purchasing Advanced Services equipment after September 29, 2000.

We inquired of management and documented that VADI and VADI-VA have placed Advanced Services Equipment within an ILEC's central office. We requested but did not receive from management a list of locations where VADI and VADI-VA have placed Advanced Services Equipment. Management provided a list of all central office locations. Using this list, we selected a random sample of 94 locations and determined that there was a collocation application for 85 of the locations. For the nine locations where we did not find a collocation application, we noted the following:

- Five of the locations selected in the sample were in New Jersey, where VADI is not yet providing Advanced Services.
- Two of the Advanced Services Equipment orders were cancelled. Collocation applications were not filed.
- Two of the locations selected did not have any Advanced Services Equipment. Collocation applications were not filed.

For the sample of 85 locations, management indicated that collocation applications were for embedded Advanced Services equipment. We inquired of management and management indicated that VADI and VADI-VA were not required to pay application fees for placing Advanced Services equipment into service as application fees are included in the cost of the embedded Advanced Services equipment. We inquired of management and management indicated that the only applicable nonrecurring charge is the application fee.

We inquired of management and management indicated that VSSI did not place any Advanced Services Equipment within an ILEC's central office and/or remote terminal location during the Engagement Period.

We inquired of management and management indicated that there were no instances of collocation between the ILECs and NLD or GNI during the Engagement Period. We inquired of management and management indicated that neither NLD nor GNI placed Advanced Services equipment in an ILECs' central office or remote location.

**Objective VIII: Determine whether the ILECs and separate Advanced Services affiliates subject to Section 251(c) of the Act fulfilled requests from unaffiliated entities for access to facilities and unbundled network elements within a period no longer than the period in which it provides such access to themselves or their affiliates.**

1. We inquired of management whether performance measurements are reported for each state for the separate Advanced Services affiliates as required by Paragraph 9 in the Merger Conditions and management indicated that the performance measures are reported by the ILECs for each separate Advanced Services affiliate for all measures as defined in Merger Condition 5. Management also indicated that Competitive Local Exchange Carrier (“CLEC”) specific measures under Merger Condition 5 do not appear on CLEC specific reports where there is no activity for the CLEC. Additionally, management noted that Merger Condition 5 does not require merger metric reports in any state where Verizon has received Section 271 approval (i.e. for NY in 2000).
2. With respect to the measures referred to in Objective VIII, Procedure 1, we performed the following:

For measures where CLEC specific data is routinely reported and for measures where a separate Advanced Services affiliate purchased the product or service being measured, we obtained performance measurement data from management. Management indicated that the performance measures for Verizon East were collected starting in November 2000, and for Verizon West the data was collected starting in July 2000. For Verizon East, we performed the procedure noted below on November and December 2000 data, while in Verizon West, we performed the procedure on data from July through December 2000.

For a random sample of 91 items, we compared the measurements for the ILECs’ performance for services provided to the separate Advanced Services affiliate as compared to the ILECs’ performance for services provided to other CLECs and noted the following:

**Key to matrices:**

- Random Sample The unique line number assigned to each report record received from the ILEC.
- Metric The measurement as defined by Condition 5 of the Merger Conditions.
- Product The product for which the measurement was reported.
- Date The month and year in which the measurement was reported.
- ASA ID The unique identifier for the separate Advanced Services affiliates:
  - BAND is the VADI identifier in the Bell Atlantic North region
  - BNK is the VADI identifier in the Bell Atlantic South and GTE region
  - GOP is the identifier for VSSI in the GTE region
- State The state in which the measurement activity was reported.
- Benchmark The performance standard against which management measures results. Management indicated that for Verizon West the ‘Benchmark’ is only populated when it is other than parity with GTE Retail.
- ASA Result The performance measurement result for the separate Advanced Services affiliate.
- CLEC Aggregate Result The performance measurement result for all of the aggregated CLEC population (excluding the separate Advanced Services affiliate).
- ILEC Result The performance measurement result for the ILEC.
- Absolute Difference Between the ASA and CLEC Aggregate The difference between the separate Advanced Services affiliate result and the aggregated CLEC result in absolute value

## Verizon East Matrix:

Table 23

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
4	OR-2-04 % On Time LSR Reject < 10 Lines Loops	UNE - POTS & Pre-qualified Complex - Electronically Submitted - Ordering	20001101	BAND	CT	95% within 24 Hours	**proprietary**	94.11	**proprietary**	**proprietary**
10	MR-2-03 Network Trouble Report Rate - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	MA	Parity with BA Retail	**proprietary**	0.51	**proprietary**	**proprietary**
12	MR-3-02 % Missed Repair Appointment - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	MA	Parity with BA Retail	**proprietary**	8.14	**proprietary**	**proprietary**
13	MR-4-01 Mean Time To Repair - Total	UNE - Special Services - Maintenance	20001101	BAND	MA	Parity with BA Retail	**proprietary**	6.45	**proprietary**	**proprietary**
26	MR-3-02 % Missed Repair Appointment - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	ME	Parity with BA Retail	**proprietary**		**proprietary**	**proprietary**
27	MR-4-03 Mean Time To Repair - Central Office Trouble	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	ME	Parity with BA Retail	**proprietary**		**proprietary**	**proprietary**
39	MR-4-03 Mean Time To Repair - Central Office Trouble	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	NH	Parity with BA Retail	**proprietary**	19.08	**proprietary**	**proprietary**
48	MR-2-02 Network Trouble Report Rate - Loop	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	RI	Parity with BA Retail	**proprietary**	2.26	**proprietary**	**proprietary**
49	MR-2-03 Network Trouble Report Rate - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001101	BAND	RI	Parity with BA Retail	**proprietary**	0.32	**proprietary**	**proprietary**
55	PR-4-05 % Missed Appointment - Line Sharing	UNE - 2-Wire xDSL Services - B1 Provisioning	20001101	BAND	RI	Parity with BA Retail	**proprietary**		**proprietary**	**proprietary**
69	MR-4-03 Mean Time To Repair - Central Office Trouble	UNE - 2-wire xDSL Services - Maintenance	20001201	BAND	CT	Parity with BA Retail	**proprietary**		**proprietary**	**proprietary**
78	OR-2-04 % On Time LSR Reject < 10 Lines Loops	UNE - POTS & Pre-qualified Complex - Electronically	20001201	BNK	DC	95% within 24 Hours	**proprietary**	60.61	**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
		Submitted - Ordering								
80	BI-2-01 Timeliness of Carrier Bill	Billing	20001201	BNK	DE	98% in 10 Business Days	**proprietary**		**proprietary**	**proprietary**
91	MR-3-02 % Missed Repair Appointment - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001201	BAND	MA	Parity with BA Retail	**proprietary**	3.77	**proprietary**	**proprietary**
99	OR-2-04 % On Time LSR Reject < 10 Lines Loops	UNE - POTS & Pre-qualified Complex - Electronically Submitted - Ordering	20001201	BAND	MA	95% within 24 Hours	**proprietary**	96.98	**proprietary**	**proprietary**
100	PR-4-05 % Missed Appointment - Line Sharing	UNE - 2-Wire xDSL Services - B1 Provisioning	20001201	BAND	MA	Parity with BA Retail	**proprietary**	1.18	**proprietary**	**proprietary**
101	BI-2-01 Timeliness of Carrier Bill	Billing	20001201	BNK	MD	98% in 10 Business Days	**proprietary**		**proprietary**	**proprietary**
102	MR-2-02 Network Trouble Report Rate - Loop	UNE - 2-wire xDSL Services - Maintenance	20001201	BNK	MD	Parity with BA Retail	**proprietary**	0.80	**proprietary**	**proprietary**
113	MR-5-01 % Repeat Reports within 30 Days	UNE - 2-wire xDSL Services - Maintenance	20001201	BAND	ME	Parity with BA Retail	**proprietary**		**proprietary**	**proprietary**
119	MR-2-01 Network Trouble Report Rate	UNE - Special Services - Maintenance	20001201	BAND	NH	Parity with BA Retail	**proprietary**	1.48	**proprietary**	**proprietary**
123	MR-3-02 % Missed Repair Appointment - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001201	BAND	NH	Parity with BA Retail	**proprietary**	0.00	**proprietary**	**proprietary**
127	OR-1-04 % On Time LSRC < 10 Lines Loop	UNE - POTS & Pre-qualified Complex - Electronically Submitted - Ordering	20001201	BAND	NH	95% within 24 Hours	**proprietary**	98.08	**proprietary**	**proprietary**
133	MR-2-03 Network Trouble Report Rate - Central Office	UNE - 2-wire xDSL Services - Maintenance	20001201	BNK	PA	Parity with BA Retail	**proprietary**	0.20	**proprietary**	**proprietary**
138	MR-2-01 Network Trouble Report Rate	UNE - Special Services - Maintenance	20001201	BAND	RI	Parity with BA Retail	**proprietary**	0.94	**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
139	MR-2-02 Network Trouble Report Rate - Loop	UNE - 2-wire xDSL Services - Maintenance	20001201	BAND	RI	Parity with BA Retail	**proprietary**	1.86	**proprietary**	**proprietary**
144	MR-4-03 Mean Time To Repair - Central Office Trouble	UNE - 2-wire xDSL Services - Maintenance	20001201	BAND	RI	Parity with BA Retail	**proprietary**	0.92	**proprietary**	**proprietary**
149	PR-4-05 %Missed Appointment - Line Sharing	UNE - 2-Wire xDSL Services - BIProvisioning	20001201	BAND	RI	Parity with BA Retail	**proprietary**	0.00	**proprietary**	**proprietary**
167	BI-2-01 Timeliness of Carrier Bill	Billing	20001201	BNK	WV	98% in 10 Business Days	**proprietary**		**proprietary**	**proprietary**
172	PR-4-05 %Missed Appointment - Line Sharing	UNE - 2-Wire xDSL Services - BIProvisioning	20001201	BNK	WV	Parity with BA Retail	**proprietary**		**proprietary**	**proprietary**

Verizon West Matrix:

Table 24

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
25	PO-1-07 % CSR Queries On Time-Manual		20000701	GOP	CA	95	**proprietary**	95.41	**proprietary**	**proprietary**
39	MR-2-01 Network Trouble Report Rate	UNE Loop xDSL Capable	20000701	GOP	FL		**proprietary**	11.37	**proprietary**	**proprietary**
55	PO-1-03 Avg Response Time-Address Verification		20000701	GOP	FL		**proprietary**	7.20	**proprietary**	**proprietary**
58	PO-1-08 % CSR Queries On Time-WISE		20000701	GOP	FL	95	**proprietary**	96.00	**proprietary**	**proprietary**
88	OR-5-03 % Flow Through-Achieved	Resale	20000701	GOP	IL		**proprietary**	19.44	**proprietary**	**proprietary**
119	PO-2-02 OSS Interface Availability - Scheduled Hours	WISE CSR Requests	20000701	GOP	IN	99.5	**proprietary**	100.00	**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
139	OR-1-05 % On Time LSC < 10 Lines (Specials-No Flow Through)	Spc w/ < 10 Lines	20000701	GOP	KY	95	**proprietary**	98.94	**proprietary**	**proprietary**
173	OR-1-02 % On Time LSC-Flow Through	Spc	20000701	GOP	OR	95	**proprietary**	100.00	**proprietary**	**proprietary**
193	PR-4-02 Average Delay Days - Total	Resale POTS	20000701	GOP	OR		**proprietary**	1.67	**proprietary**	**proprietary**
211	OR-2-02 % On Time LSR Reject-Flow Through	Spc	20000701	GOP	TX	95	**proprietary**	84.73	**proprietary**	**proprietary**
214	OR-5-01 % Flow Through-Total	Resale	20000701	GOP	TX		**proprietary**	11.88	**proprietary**	**proprietary**
257	PO-2-02 OSS Interface Availability - Scheduled Hours	WISE Repair	20000701	GOP	WA	99.5	**proprietary**	99.20	**proprietary**	**proprietary**
417	OR-5-03 % Flow Through-Achieved	Resale	20000801	GOP	KY		**proprietary**	42.57	**proprietary**	**proprietary**
426	PO-2-02 OSS Interface Availability - Scheduled Hours	WISE Repair	20000801	GOP	KY	99.5	**proprietary**	100.00	**proprietary**	**proprietary**
446	OR-1-04 % On Time LSC < 10 Lines (No Flow Through)	Resale POTS w/ < 10 Lines	20000801	GOP	OR	95	**proprietary**	98.53	**proprietary**	**proprietary**
475	MR-5-01 % Repeat Reports within 30 Days	Resale POTS	20000801	GOP	TX		**proprietary**	7.05	**proprietary**	**proprietary**
481	OR-2-02 % On Time LSR Reject-Flow Through	Spc	20000801	GOP	TX	95	**proprietary**	79.88	**proprietary**	**proprietary**
541	PR-6-02 % Installation Troubles reported within 7 Days	Resale POTS	20000801	GOP	WA		**proprietary**	2.24	**proprietary**	**proprietary**
547	MR-4-08 % Out of Service > 24 Hours	Resale POTS	20000901	GOP	CA		**proprietary**	8.45	**proprietary**	**proprietary**
566	PR-5-03 % Orders Held for Facilities > 60 Days	Resale POTS	20000901	GOP	CA		**proprietary**	0.10	**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
575	PO-1-03 Avg Response Time-Address Verification		20000901	GOP	FL		**proprietary**	7.09	**proprietary**	**proprietary**
579	PO-1-08 % CSR Queries On Time-WISE		20000901	GOP	FL	95	**proprietary**	99.48	**proprietary**	**proprietary**
630	PR-4-04 % Missed Due Dates - Dispatch	Resale POTS Disp	20000901	GOP	IN		**proprietary**	2.23	**proprietary**	**proprietary**
642	PO-1-06 Avg Response Time-Facility Availability		20000901	GOP	KY		**proprietary**	140.00	**proprietary**	**proprietary**
668	PO-1-06 Avg Response Time-Facility Availability		20000901	GOP	OR		**proprietary**	2309.43	**proprietary**	**proprietary**
682	MR-4-01 Mean Time to Repair	Resale POTS	20000901	GOP	TX		**proprietary**	11.45	**proprietary**	**proprietary**
699	PR-4-04 % Missed Due Dates - Dispatch	Resale POTS Disp	20000901	GOP	TX		**proprietary**	3.62	**proprietary**	**proprietary**
709	MR-4-01 Mean Time to Repair	Resale POTS	20000901	GOP	WA		**proprietary**	8.36	**proprietary**	**proprietary**
729	PR-6-02 % Installation Troubles reported within 7 Days	Resale POTS	20000901	GOP	WA		**proprietary**	4.68	**proprietary**	**proprietary**
738	OR-5-03 % Flow Through-Achieved	Resale	20001001	GOP	CA		**proprietary**	10.30	**proprietary**	**proprietary**
757	PR-4-05 % Missed Due Dates - No Dispatch	UNE Loop NonDes NonDisp	20001001	GOP	CA		**proprietary**	2.92	**proprietary**	**proprietary**
763	PR-6-02 % Installation Troubles reported within 7 Days	Resale POTS	20001001	GOP	CA		**proprietary**	1.87	**proprietary**	**proprietary**
782	PR-3-08 % Completed in 5 Days - No Dispatch	Resale POTS NonDisp	20001001	GOP	FL		**proprietary**	98.55	**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
791	PR-6-02 % Installation Troubles reported within 7 Days	Resale POTS	20001001	GOP	FL		**proprietary**	3.75	**proprietary**	**proprietary**
804	OR-5-03 % Flow Through-Achieved	Resale	20001001	GOP	IL		**proprietary**	10.17	**proprietary**	**proprietary**
822	PO-1-02 Avg Response Time-Service Appointment Scheduling		20001001	GOP	IN		**proprietary**	8.63	**proprietary**	**proprietary**
855	PR-4-02 Average Delay Days - Total	Resale POTS	20001001	GOP	KY		**proprietary**	3.19	**proprietary**	**proprietary**
876	OR-5-03 % Flow Through-Achieved	Resale	20001001	GOP	OR		**proprietary**	1.78	**proprietary**	**proprietary**
1132	MR-4-08 % Out of Service > 24 Hours	Resale POTS	20001101	GOP	OR		**proprietary**	2.86	**proprietary**	**proprietary**
1148	PR-6-02 % Installation Troubles reported within 7 Days	Resale POTS	20001101	GOP	OR		**proprietary**	2.18	**proprietary**	**proprietary**
1170	PO-1-08 % CSR Queries On Time-WISE		20001101	BNK	TX	95	**proprietary**	97.83	**proprietary**	**proprietary**
1200	OR-2-02 % On Time LSR Reject-Flow Through	UNE Loop Des	20001101	BNK	WA	95	**proprietary**	71.43	**proprietary**	**proprietary**
1203	PO-1-03 Avg Response Time-Address Verification		20001101	GOP	WA		**proprietary**	5.09	**proprietary**	**proprietary**
1205	PO-1-06 Avg Response Time-Facility Availability		20001101	GOP	WA		**proprietary**	7823.05	**proprietary**	**proprietary**
1243	MR-4-01 Mean Time to Repair	Spc	20001201	BNK	CA		**proprietary**	6.22	**proprietary**	**proprietary**
1254	PO-1-06 Avg Response Time-Facility Availability		20001201	GOP	CA		**proprietary**	26599.62	**proprietary**	**proprietary**
1349	MR-4-08 % Out of Service > 24 Hours	Spc	20001201	BNK	HI		**proprietary**		**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
1355	OR-2-04 % On Time LSR Reject < 10 Lines (No Flow Through)	UNE Loop Des w/ < 10 Lines	20001201	BNK	IL	95	**proprietary**		**proprietary**	**proprietary**
1418	MR-3-01 % Missed Repair Commitment	UNE Transport Des	20001201	BNK	KY		**proprietary**		**proprietary**	**proprietary**
1429	OR-2-02 % On Time LSR Reject-Flow Through	UNE Loop Des	20001201	BNK	KY	95	**proprietary**	92.86	**proprietary**	**proprietary**
1468	MR-4-08 % Out of Service > 24 Hours	Spc	20001201	BNK	MO		**proprietary**		**proprietary**	**proprietary**
1481	PR-3-08 % Completed in 5 Days - No Dispatch	UNE Loop NonDes NonDisp	20001201	BNK	MO		**proprietary**		**proprietary**	**proprietary**
1485	MR-2-01 Network Trouble Report Rate	Resale POTS	20001201	GOP	NC		**proprietary**	0.81	**proprietary**	**proprietary**
1490	MR-4-01 Mean Time to Repair	Spc	20001201	BNK	NC		**proprietary**		**proprietary**	**proprietary**
1526	MR-4-08 % Out of Service > 24 Hours	UNE Transport Des	20001201	BNK	OH		**proprietary**		**proprietary**	**proprietary**
1533	PO-1-08 % CSR Queries On Time-WISE		20001201	BNK	OH	95	**proprietary**	97.96	**proprietary**	**proprietary**
1578	MR-4-01 Mean Time to Repair	Spc	20001201	BNK	PA		**proprietary**		**proprietary**	**proprietary**
1595	MR-4-01 Mean Time to Repair	Spc	20001201	BNK	SC		**proprietary**		**proprietary**	**proprietary**
1608	MR-4-01 Mean Time to Repair	UNE Transport Des	20001201	BNK	TX		**proprietary**	0.00	**proprietary**	**proprietary**
1633	PR-3-08 % Completed in 5 Days - No Dispatch	Resale POTS NonDisp	20001201	GOP	TX		**proprietary**	99.34	**proprietary**	**proprietary**
1651	OR-1-04 % On Time LSC < 10 Lines (No Flow Through)	UNE Loop Des w/ < 10 Lines	20001201	BNK	VA	95	**proprietary**	95.24	**proprietary**	**proprietary**

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
1708	OR-2-04 % On Time LSR Reject < 10 Lines (No Flow Through)	UNE Loop Des w/ < 10 Lines	20001201	BNK	WI	95	**proprietary**		**proprietary**	**proprietary**

For certain measurements for which a separate Advanced Services affiliate result was reported but for which no CLEC Aggregate result was reported, we inquired of management and management indicated that, for states and periods in which there was separate Advanced Services affiliate activity but no other CLEC activity, there are no CLEC aggregate results. Management further indicated that in these instances, the CLEC aggregate result would be blank because the separate Advanced Services affiliate results are removed from the aggregate leaving no other value to report for CLEC aggregate.

We inquired of management what procedures the Company uses to review ILEC treatment of the separate Advanced Services affiliate relative to unaffiliated CLECs. Management indicated that FCC aggregate performance assurance plan metrics that are not meeting the standard are reviewed each week with Verizon senior management, including metrics where the separate Advanced Data affiliate is the retail comparison. The root cause for the missed performance is discussed and actions are initiated to bring the performance back into standard. In addition, management noted that the above review cycle is used for internal management of performance and as such is not a formal or fully documented process.

- We inquired of management and management indicated that for telephone exchange service and exchange access service the following Sec. 272(e)(1) measures are used by Verizon for the separate Advanced Services affiliates:

**Table 25**

Measurement	Definition
Firm Order Confirmation Response Time	The amount of elapsed time between the receipt of a valid order request (Access Service Request -ASR) from Interexchange carriers/customers and the distribution of a service order confirmation back to the customer.
Average Installation Interval	The average interval expressed in business days, between the date the service order of Interexchange carriers/customers was placed and the date the service order was completed for orders completed during the current reporting period. This amount excluded orders having commitment dates set by customers. This amount is calculated by dividing the total business days for all installation orders or circuits from Interexchange carriers/customers by the number of installation orders or circuits from Interexchange carriers/customers.
% Installation Commitments Met	The percentage of commitments met during the current reporting period. This amount is calculated by dividing the number of installation orders or circuits from Interexchange carriers/customers completed by commitment date by the total number of installation orders or circuits.

<b>Measurement</b>	<b>Definition</b>
Average Time of PIC Change	Time measured from receipt of carrier initiated change to Completion at switch.
Total Trouble Reports	The total number of circuit-specific trouble reports referred to the ILEC by Interexchange carriers/customers during the current reporting period.
Average Repair Interval	The average interval, expressed in hours to the nearest tenth based on a stopped clock, from the time of the reporting carriers receipt of the trouble report to the time of acceptance by the complaining Interexchange carrier/customer. This interval is defined as Interval measure in clock hours, excluding only time when maintenance is delayed due to circumstances beyond the ILEC's control. Typical reasons for delay include, but are not limited to, premise access when a problem is isolated to the location or to absence of customer support to test facilities. This amount is calculated by dividing the total hours for the total trouble reports divided by the number of total trouble reports.

For exchange telephone service, Verizon does not maintain reports unique to a specific end user indicating time intervals for ordering, provisioning and performing repair services. Verizon would need to compile such a report from underlying service order data and compare this result to aggregate end user performance data should a carrier request the information. No entity has requested such a report.

We inquired of management and documented how the ILECs provide individual CLECs with performance measures, for telephone exchange service and exchange access service per Sec. 272(e)(1). The ILEC addresses requests from individual CLECs (or other entities) for results under Section 272(e)(1) for service interval data on a case-by-case basis. Information requests of this nature enter the business through various channels (e.g. account managers, Carrier Account Team Centers (CATCs), legal, or senior management). Once the request is identified, the Company's Regulatory Department is notified. Regulatory, in turn, contacts the business owners to aggregate information pertinent to the request using the business rules identified above for 272(e)(1) reporting. Management further indicated that this response, limited to data consistent with Verizon's current obligations under regulation, is provided in a timely manner to the requesting party. Management also indicated that no requests were made during the year 2000.

We obtained the results of the annual examination engagement regarding Verizon's compliance with the Merger Conditions (see Para. 56 of the Merger Conditions). We reviewed those results and documented auditor observations regarding the accuracy and completeness of performance measures reported for 272(e)(1) measurements. We noted the following relevant observations:

#### **Verizon East Observations**

1. The East Installation measurements, "Average Installation Interval" and "Percent Commitments Met" could not be replicated. Data in the relevant operational support systems (TIRKS) was not archived beyond 45 days and therefore historical transaction data necessary to execute our audit procedures was no longer available when we requested it. Management indicated that the archiving procedures for the relevant data have been modified to correct this problem effective with the January 2001 data month.

2. The New Jersey Maintenance metrics, Total Troubles Reported & Average Repair Interval, for September reporting period were reported incorrectly. The New Jersey Maintenance measures incorrectly included troubles for circuits originated in New York. This impacted one month for one state. Management indicated that a mechanized control process has been implemented to detect this condition in the future, which replaces the previous manual process. The Company filed revised reports with the FCC on May 15, 2001.

#### **Verizon West Observations**

1. Data extractions for the West "Total Trouble Reports" for the 3rd and 4th quarter 2000 resulted in inconsistent record counts on two separate occasions. The record counts were investigated further and the difference was determined to be approximately 80 out of 7.1 million records (0.001% of the population).
  2. The Percent (%) Commitments Met measure is being reported with only one decimal place although the business rules indicate the measure should be presented with two decimal places. Management indicated that this has been corrected and the Company has filed revised reports with the FCC on May 15, 2001.
  3. Average Repair Interval: Per the July 31, 2000 letter to the FCC from the Company, time when maintenance is delayed due to circumstances beyond the ILEC's control should be excluded from the measurement calculations. Verizon is not excluding this interrupt time for the measurements calculated for Genuity only due to the lack of circumstance-specific data in the underlying source system data used for Genuity.
  4. Average Installation Interval metric: Verizon is not excluding official state holidays and weekends from the calculations of the average installation interval. Per the July 31, 2000 letter to the FCC from the Company, the average interval should be calculated using business days only. On May 15, 2001, in a letter to the FCC Common Carrier Bureau, Verizon requested a change in the business rules for the Average Installation Interval to address this.
  5. The "Average Installation Interval" for Verizon West is not excluding records with commitment dates set by the customer although per the July 31, 2000 letter to the FCC from the Company, the measurement should "exclude[s] orders having commitment dates set by customers." On May 15, 2001, in a letter to the FCC Common Carrier Bureau, Verizon requested a change in the business rules for the Average Installation Interval to address this.
  6. The results of two Verizon companies (GTE Mobilenet and Primeco) were not reported due to a manual processing error for December 2000. The companies resumed reporting on the January 2001 reports. This impacted one month across five states. This was corrected in revised reports submitted by the Company to the FCC on May 15, 2001.
  7. For five Verizon West states, the "Total Trouble Reports" measure incorrectly included trouble reports in the measure for properties not subject to the merger conditions (properties sold or to be sold). Management indicated that this has been corrected and the Company has filed revised reports with the FCC for all of 2000 on May 15, 2001.
  8. The metric, "Average Installation Interval" for Florida - October 2000, was including duplicates within their results. The error affects filed measurements for July through December 2000. Management indicated that this has been corrected and the Company has filed revised reports with the FCC for all of 2000 on May 15, 2001.
  9. The metric, "Average Installation Interval", did not exclude 'why\_miss' customer reason codes from the denominator as stated in the requirements. The 'why\_miss' codes were being excluded from the numerator. Management indicated that this has been corrected and the Company has filed revised reports with the FCC for all of 2000 on May 15, 2001.
4. We obtained a list of the Advanced Services provided, by state, by the separate Advanced Services affiliates and the ILECs as of December 31, 2000.

Management indicated there are three instances where the Verizon ILECs sell private networks that provide both voice and advanced services using the same switching, transmission, and network equipment: Commonwealth of Pennsylvania, State of West Virginia and City of Philadelphia. The networks are provided pursuant to individual case basis contracts. Verizon indicated that to split these networks apart would substantially disrupt service and increase their cost. Management indicated that they notified the FCC of this condition in a letter dated December 18, 2000.

5. We inquired of management and management indicated that VADI and VADI-VA are neither offering nor providing voice grade services through its tariffs in any jurisdictions that VADI and VADI-VA have been certified to conduct business operations. In addition, Verizon indicated that VSSI is providing, on a resale basis, local voice grade services in the states of California, Florida, Illinois, Indiana, Kentucky, Oregon, Tennessee, Texas, and Washington.

**Objective IX: Determine whether the ILECs and any affiliate subject to Section 251(c) of the Act made available unbundled network elements, or other facilities or services, to other providers of Advanced Services on a nondiscriminatory basis.**

1. We obtained the written agreements offered to VADI, excluding interconnection agreements. We listed the services offered by the ILECs and compared this list with the list of services offered to the separate Advanced Services affiliates in Objective I, Procedure 4. We noted no differences between the list of services provided in Objective I, Procedure 4 and the services listed in the agreements.

With respect to the list of services offered by the ILECs to VADI and VADI-VA, we determined and noted that each of the following services was offered through a written agreement:

- Order Processing (Functional Equivalency)
- Network Planning, Programming and Data Conversion
- Universal Service Fund contribution determination
- Accounting Services Related to Revenue Recognition Requirements Under the Securities and Exchange Commission Staff Accounting Bulletin #101: Revenue Recognition
- Joint Marketing and Customer Care
- Programming of Nondiscriminatory Order Processing
- Access to Advanced Services Equipment (Resale)
- Billing and Collection Services
- Network Testing
- Training – Joint Marketing related
- Operations and Maintenance
- Trouble Referrals
- Technical Services (use of regional systems)
- Traffic Data Collection
- Interim Capacity
- Maintenance of Customer Premises Equipment
- Interim Loaned Employees
- Installation and Repair of DSL Premise Equipment
- Lease of Real Estate
- Telephone/Centrex Service
- Access Services

We obtained the written agreements offered to VSSI, excluding interconnection agreements. We listed all services offered by the ILEC and compared this list with the list of services offered to the separate Advanced Services affiliates in Objective I, Procedure 4. We noted the following difference:

- Tariff Special Access Services, Tariff Switched Access Services, and Tariff Telephone Services are included in the Objective I, Procedure 4 list but are not included in the Objective IX, Procedure 1 list. These services are purchased for VSSI's own use. They are purchased in accordance with the ILEC's publicly filed and approved state and federal tariffs."

With respect to the list of services offered by the ILECs to VSSI, we determined and noted that each of the following services was offered through a written agreement:

- Billing Services
- Capacity
- Technical Support

- General, Administrative, and Operating Services
  - Inside Wire Installation & Repair Services
  - Work Force Management Training
  - CPE Maintenance
  - Network Monitoring
  - National Directory Assistance (includes call completion and branding)
  - Communication Medium Services
  - National Operator Assistance (includes call recording and rating)
  - Payment Agent Services
  - Routing and Rating Database Maintenance
  - Sales Agency Services
  - Joint Marketing
  - Slamming/Liability Services
  - Provision of Licensed Software
  - Technical Support for Licensed Software
  - Interlata Call Completion Services
  - Warm Transfers
  - Voice Messaging
  - Conference Connection
2. We obtained a list of the agreements, excluding the interconnection agreements and tariffs, in effect between the ILECs and the separate Advanced Services affiliates and similar agreements between the ILECs and unaffiliated companies. For VADI and VADI-VA, management indicated that Billing and Collection Agreements were the only similar agreements between the separate Advanced Services affiliates and unaffiliated entities and the related services are available to unaffiliated entities on the same rates, terms and conditions. We reviewed these agreements in Objective VII, Procedure 6. For the sample selected by the Specified Users for VADI and VADI-VA, we obtained the 15 billing service agreements between the ILECs and unaffiliated entities and compared the rates, terms, and conditions offered in the agreements to the rates, terms and conditions offered to VADI and VADI-VA. We noted the following differences:

Table 26

Type of Agreement	Unaffiliated Party Name	Type of Rate, Term, or Condition	Differences	
			VADI & VADI-VA	Unaffiliated Entities
1. Billing & Collection Services	**proprietary**	Term of Contract	1 year	**proprietary**
2. Billing & Collection Services	**proprietary**	Price Per Bill	\$1.00	\$**proprietary** *
		Price Per Message Billed	\$0.02	\$**proprietary** *
		Minimum Charge	\$4,000	\$**proprietary** *
		Startup Fee	\$30,000	\$**proprietary** *
		Manual Adjustment Fee	\$5.00	\$**proprietary** *

1. Management indicated that the terms in the contract between VADI and VADI-VA and **\*\*proprietary\*\*** were different than those of other carriers due to a renegotiated contract, which consolidated two separate contracts that **\*\*proprietary\*\*** held with Bell Atlantic-North and Bell Atlantic-South into one agreement. The contract with Bell Atlantic-North expired in 2000, and the contract with Bell Atlantic-South is to expire in 2002.
2. Management indicated that the "Price per Bill" rate was different for VADI and VADI-VA and the unaffiliated entities because it reflects the discount given based on contract negotiations. The rate is tied to the commitments outlined below (minimum of 85% of End User Volume). The standard Price per Bill is \$1.10 per bill; discounts were available in consideration of the following commitments.

Table 27

Commitment	Discount Rate	Condition
Billing Commitment	\$0.10	Customer agrees to utilize Verizon Billing and Collection Services for billing a minimum of 85% of End-User to whom Verizon also provides Local exchange services.
Bill Volume Commitment	\$0.05	1 million bills/year
	\$0.10	5 million bills/year
	\$0.15	10 million bills/year
	\$0.20	40 million bills/year
	\$0.25	70 million bills/year

For VSSI, we obtained a list of unaffiliated entities and selected a random sample of ten agreements. We compared the rates, terms and conditions offered to VSSI to those offered to the unaffiliated companies and noted no differences.

3. We requested a list of each occurrence of a non-affiliated CLEC request to opt-in to an interconnection agreement the ILEC has with a separate Advanced Services affiliate. Management indicated that there were no occurrences of a nonaffiliated CLEC requesting to opt-in to an interconnection agreement that an ILEC had with a separate Advanced Services affiliate.
4. We obtained a list of invoices for access to UNEs for the months of September and November rendered by each ILEC to VADI and VADI-VA and randomly selected a sample of ten invoices from the list. For each of the ten invoices, except Connecticut 212M400006614, we selected ten billed items for a total sample of 90 items. We were unable to select billed items for Connecticut as the balance of **\*\*proprietary\*\*** consisted of taxes, adjustments, and past due balances. For the 90 items selected, we inspected the underlying details of the selected items and compared the rates charged to VADI and VADI-VA with those charged to other providers of advanced services for the same services and noted that the rates charged to VADI and VADI-VA agreed to the rates charged to unaffiliated entities.

Management indicated line sharing was a UNE also provided to VADI by the ILECs during the Engagement Period. Although line sharing charges were incurred in September and November 2000,

the charges were not invoiced during the Engagement Period and therefore were not included in the population for testing. Management indicated line sharing charges from July 1, 2000 to December 31, 2000 were billed manually in April 2001 invoice. We obtained from management the manual invoice for this retroactive billing record and the underlying support for these amounts.

We inquired of management and management indicated that the ILECs did not provision UNEs to VSSI, NLD, or VGNI.

5. We received summaries of invoice amounts corresponding to the amounts recorded by VADI and the ILECs for access to UNEs in Objective IX, Procedure 4. Management indicated that the invoices for Unbundled Facility Access charges to VADI were retrieved from the ILECs' CABS North System and that the "payments applied" sections of these invoices are reflective of the payments made to these accounts by VADI.

### Paragraphs 3 & 4: BA/GTE Merger Conditions

1. We inquired of management and management indicated that the ILECs offered B&C services to the separate Advanced Services affiliates and unaffiliated entities pursuant to written agreements. We identified and documented the B&C categories offered during the Engagement Period. The B&C categories offered included preparation and/or printing and distribution of customer bills, preparation and/or printing and distribution of customer service records, and receipt of customer payments.
2. We obtained the ILECs' written agreements in effect during the Engagement Period and documented the B&C categories offered including rates and conditions. The written agreements for each ILEC, detailing the billing categories, elements, and rates are posted on the websites at [www.banetworkdata.com](http://www.banetworkdata.com) and [www.gte.com/About/272s/index.html](http://www.gte.com/About/272s/index.html).
3. We inquired of management and management indicated that the procedures to determine that purchases of Advanced Services equipment were recorded on the books of VADI and VADI-VA during the Engagement Period were as follows:
  - VADI personnel approved purchase orders and invoices for both VADI and VADI-VA. Assets received were reconciled to the purchase order system, to accounts payable transactions, and to asset management system.
  - Capital expenditures were recorded through the VADI and VADI-VA purchasing systems using a unique VADI and VADI-VA code. Only authorized VADI employees were able to access the systems.

We obtained a detailed listing of all Advanced Services equipment, including associated software, purchased by VADI and VADI-VA. Management indicated that all VADI and VADI-VA Advanced Services equipment were transferred from the ILECs. From the VADI and VADI-VA listing of Advanced Services equipment, we randomly selected 100 items transferred to VADI and VADI-VA during the Engagement Period. Management indicated that all items from the sample were transferred from the ILECs and were not purchased from unaffiliated parties. For the selected items, we inspected schedules prepared by management reflecting the transfer of Advanced Services equipment from the ILECs to VADI and VADI-VA, which included payments to a trust account, issuance of stock certificates (Verizon Ventures III), and cash payments made by VADI and VADI-VA. We inspected the schedules and noted that VADI and VADI-VA paid the ILECs for the selected assets.

Using the same selected items, we determined and documented that the Advanced Services equipment was transferred from an ILEC. For the selected items, we obtained the net book cost and FMV. We inspected the sampled transactions and determined that they were recorded in the books of the ILECs at the higher of FMV or net book cost. Also, we inquired of management and management indicated that the Advanced Services equipment was transferred to VADI and VADI-VA as stipulated by Paragraph 3.d. of the merger conditions.

We inquired of management and documented which continuous property record ("CPR") numbers were used to record the following equipment types in the ILEC CPR for Verizon New York, Verizon California, and Verizon Virginia: DSLAMs, spectrum splitters, packet switches, multiplexers, ATM switches, Frame Relay switches, modems, DACS frames. Using the CPR numbers, we requested and obtained a list of equipment purchased during the Engagement Period for central offices or remote terminals in the following locations: the city limits of New York, NY, the city limits of Santa Monica, CA, and the city limits of Manassas, VA. We randomly selected 100 purchases from the ILEC listing of purchases and for each item selected, we inquired of management and management indicated that the equipment's use could be determined by reviewing the description of the equipment included on the ILEC listing of purchases. We inspected the descriptions of the equipment on the ILEC listing of

purchases and inquired of management as to the use of the equipment. Management indicated the equipment was used to expand network capacity and was not purchased to provision Advanced Services.

We obtained from management the ILECs' and separate Advanced Services affiliates' policy for capitalizing versus expensing Advanced Services equipment.

We selected the month of November 2000 and obtained ILEC expense detail for certain expense accounts. We randomly selected 100 expense items from the ILEC detail. We reviewed documentation such as purchase orders and invoices to determine whether the items selected were not defined as Advanced Services equipment and, therefore, should have been on the books of VADI and VADI-VA and not the books of the ILEC. We noted the following:

- For 80 expense items, we inspected the supporting invoices and did not note any Advanced Services equipment. For 26 of those 80 items, we were unable to compare some of the components of the supporting documentation to the ILEC detail.
- For 10 expense items, management provided purchase orders, which did not contain the information to determine whether the purchased items were Advanced Services equipment as management indicated these items are repairs on Non-Advanced Services cards.
- For 10 expense items, management did not provide the documentation necessary to determine whether the purchased items were Advanced Services equipment.

We inquired of management and management indicated that as a reseller of Advanced Services, VSSI did not own Advanced Services equipment.

4. We obtained the ILECs' policies and procedures for the sales forces' taking of orders and forwarding of orders to VADI and VADI-VA. We obtained and inspected training materials provided to the ILEC sales representatives for taking and placing Advanced Services orders on behalf of VADI and VADI-VA. We inquired of management and management indicated that all ILEC sales representatives receive training on the proper procedures to be used to take an order on behalf VADI and VADI-VA, and that placement of any necessary service orders by the ILEC is prohibited.

We obtained the ILECs' policies and procedures for the sales forces' receipt of orders and forwarding of orders to VSSI. We requested from management training materials provided to the ILEC sales representatives for placing Advanced Services orders on behalf of VSSI. Management indicated that the ILEC sales representatives are responsible for establishing contracts with the customers and that most of the order taking is performed by VSSI. We obtained from management high-level training provided to the ILEC sales representatives, which covers the characteristics of the Advanced Services being marketed. We inquired of management whether all ILEC sales representatives receive training on the proper procedures to be used to take an order on behalf of VSSI, and that placement of any necessary service orders by the ILEC is prohibited. Management indicated that all ILEC sales representatives have been provided with self-study training materials but could not verify that all sales representatives have been trained on the proper procedures to take an order on behalf of VSSI.

Management indicated that placement of any necessary service orders by the ILEC is prohibited.

5. We inquired of management and management indicated the number of customer lines transferred to VADI and VADI-VA, including the dates of transfer during the Engagement Period are as follows: