2000 through December 31, 2000. For a sample of five transactions selected by the Specified Users, we obtained the related allocation reports and settlement reports, which indicated that VSSI was billed and paid for these transactions.

The Company utilizes a cost allocation system that is based on direct assignment for those costs that can be directly attributed to the entity receiving the services. Where costs cannot be directly assigned, the allocation is based on an indirect cost causative principle. The services rendered by VSG and VSC to VSSI are priced using a FDC methodology.

14. We obtained the balance sheets and the detailed listings of fixed assets for VSSI as of December 31, 2000. We performed the procedures indicated in Objective 1, Procedure 5.

    We inquired of management and management indicated that VSSI did not purchase and was not the transferee of any fixed assets during the Engagement Period.

15. Where services were priced pursuant to Section 252(e) or pursuant to a statement of generally available terms following Section 252(f), for a sample of services, we compared the price the ILECs charged VSSI to the stated price in the interconnection agreement or related tariff and documented the difference.

    For VSSI, using the five invoices selected by the Specified Users, we randomly selected three billed items from each invoice for a total sample size of 15. We obtained from management the components of the selected billed items and compared the price the ILECs charged VSSI to the stated price in the interconnection agreements or related tariffs and noted the following:

    - For 9 of 14 billed items, we compared the price of the components' the ILECs charged VSSI to the stated price in the interconnection agreements or related tariffs with no exceptions.
    - For 5 of 14 billed items, we did not obtain the related tariffs for some of the components of the billed items.
    - For one billed item, we did not obtain the related tariff to compare the price the ILECs charged VSSI.

16. We inquired of management and management indicated that no part of the ILECs' Official Services Network was transferred or sold to VSSI.

17. We inquired of management and management indicated that VSSI did not purchase and was not the transferee of any facilities from the ILECs during the Engagement Period.

18. We inquired and documented that joint marketing is occurring between VSSI and the ILECs. We noted that VSSI and the ILECs engaged in joint marketing for the following products: frame relay, private line, and ATM.

    We inquired of management and management indicated that the manner in which the ILEC employees performed joint marketing services for VSSI included the following:

    - The ILEC Corporate Account Managers received orders from the customers and forwarded such orders to the VSSI Document Compliance Group.
    - The orders were entered into the VSSI NOMES (data circuits system) and BOBCO (billing system).

We inquired of management which interfaces were used to provide the services, what type of information was made available to ILEC representatives, and whether VSSI and unaffiliated providers of Advanced Services had access after December 27, 2000 through the same interfaces that were made available to the ILECs to the same customer specific information for pre-ordering and ordering, other than credit history, that was made available to the ILECs for joint marketing. The ILECs did not market local advanced services during the Engagement Period on behalf of VSSI.

We inquired of management and noted the procedures that were followed by the ILEC to bill VSSI for joint marketing services rendered. The Affiliate Transaction Group used two methods for billing - IMBR and the Accounts Receivable Module in SAP:

- The IMBR was used to document all the accounting information and was sent to the appropriate finance personnel in both companies. The information was then uploaded to SAP and used to create journal entries. At the end of the month, the payables and receivables were settled through the intercompany settlement process.
- Within SAP, the information was transferred to the Accounts Receivable module, which recorded the journal entries.

We inquired of management regarding the controls in place to ensure that the joint marketing costs are fully recovered by the ILECs. Management indicated that joint marketing for VSSI was priced pursuant to CC Docket 96-150. Joint marketing services are included in the Cost Allocation Manual, which is subject to separate audit requirements.

We obtained the amounts billed by the ILECs to VSSI for joint marketing services by month during the Engagement Period. We randomly selected September 2000 and December 2000 and obtained invoices and compared the amounts per the invoices to the related Joint Marketing Agreement and detailed unit reports. The detailed unit reports display how the ILECs track and calculate the amounts to be billed to VSSI for joint marketing. No discrepancies were noted.

For the selected months, we compared the selected joint marketing invoices to the IMBR and noted the invoices were included in the IMBR. We obtained the monthly intercompany cash settlement journal entries and noted the IMBR was included.

We inspected Verizon's Internet web site, www.gte.com/AboutGTE/272s.html, and noted that joint marketing was posted to the web site as an affiliate transaction.

Objective VII: Determine whether the ILECs discriminated between the separate Advanced Services affiliates and any other entity in the provision or procurement of goods, services, facilities, and information, or the establishment of standards.

1. We obtained the ILECs' written procurement procedures, practices, and policies for services and goods provided by VSSI. We noted no stated purchasing preferences contained in the ILECs' procedures. We obtained and documented the details of the ILECs' bidding process, the selection process, and the methodology by which the ILECs disseminated requests for proposals to affiliates and third parties. The following processes are summarized from Verizon's Sourcing Policy and Procedures obtained from the Company's website at http://baims.bell-atl.com/network.corp_sourc/spp/index.htm:

   The sourcing process may be initiated in any of the following ways: 1) internal customers approach Corporate Sourcing (the department within the ILECs responsible for the procurement process) with a procurement need, 2) Corporate Sourcing begins an initiative when an existing contract is expiring, or 3) a technology group begins an evaluation of new technology or service. As the process evolves, Corporate Sourcing forms a Cross Functional Team ("CFT") made up of individuals representing the organizations impacted by the product or service to be procured. The purpose of the CFT is to provide the expertise needed to ensure the quality, accuracy, and integrity of the process used to select the suppliers and to allow the ILEC to obtain the best overall value in the product or service procured. Corporate Sourcing and the CFT then work together to develop the Request for Proposal ("RFP"), detailing contract terms and conditions that will apply. Upon completion of the RFP, the CFT and Corporate Sourcing form a list of potential suppliers, and the RFP is then distributed to these suppliers. RFP responses from suppliers are received and reviewed by Corporate Sourcing and the CFT, and negotiations are held with the most qualified suppliers. The CFT and Corporate Sourcing consider cost, quality, service, and technology when selecting a supplier. Based on those qualities, the selected supplier is awarded the contract.

2. We inquired of management and documented the process that VSSI followed to request a service under an interconnection agreement, a service under tariff, and a service offered by written agreement from the ILECs. We inquired of management and documented that VSSI did not request services directly from the ILEC business unit that provided the service. Management indicated that VSSI obtained information about services through the Verizon East Wholesale Source website, 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. Depending on the location and the type of request, VSSI submitted requests using one of the following methods: 1) through an EDI , 2) through a Verizon Wholesale Systems Web GUI, or 3) on the standard Local Service Request ("LSR") form.

   We documented that the ILECs and VSSI execute contracts that serve 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. The ILECs then determine that the contract is in compliance with pricing and affiliate transaction rules. After contract negotiations are complete, the ILECs must obtain legal approval and signatures necessary to execute the contracts.

3. We inquired of the ILECs' management and documented the process that an unaffiliated entity followed to request a service under an interconnection agreement, a service under tariff, and a service offered by written agreement from the ILECs. We inquired of the ILECs' management and documented that the unaffiliated entities did not request services directly from the ILEC business unit 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, and through the Verizon West Communications Customer Support website, 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 VSSI and that VSSI 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 VSSI.

   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	****proprietary****	Time required to notify parties of change in service description and charges	120 Days	***proprietary***
2. Capacity Agreement	****proprietary****	Monthly Recurring Charges		
		DS3		
		1 yr	$1,400	$***proprietary***
		3 yr	$1,325	$***proprietary***
		5 yr	$1,250	$***proprietary***
		7 yr	$1,175	$***proprietary***
		OC3/OC3c		
		1 yr	$3,200	$***proprietary***
		3 yr	$3,050	$***proprietary***
		5 yr	$2,900	$***proprietary***
		7 yr	$2,750	$***proprietary***
		OC12/OC12c		
		1 yr	$7,500	$***proprietary***
		3 yr	$7,125	$***proprietary***
		5 yr	$6,750	$***proprietary***
		7 yr	$6,375	$***proprietary***
		OC48/OC48c		$***proprietary***
		1 yr	$15,000	$***proprietary***
		3 yr	$14,250	$***proprietary***
		5 yr	$13,500	$***proprietary***
		7 yr	$12,750	
		Service Commitment Pricing OC12 MRC From LA to Santa Monica	$6,375	$***proprietary***
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***

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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 is 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 VSSI 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 VSSI 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, www.bell-atl.com/wholesale, and 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 VSSI 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 VSSI 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 inquires, 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 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.

   Management indicated that VSSI did not file any collocation applications during the Engagement Period.

   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.

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 VSSI as required by Paragraph 9 in the Merger Conditions and management indicated that the performance measures are reported by the ILECs for VSSI 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 VSSI 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 45 items, we compared the measurements for the ILECs' performance for services provided to VSSI 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 VSSI is GOP is 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.

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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**
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**

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Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate. Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
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**
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**

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Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate. Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
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**
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**

PUBLIC VERSION – REDACTED

Random Sample	Metric	Product	Date	ASA ID	State	Benchmark	ASA Result	CLEC Aggregate. Result	ILEC Result	Absolute Difference Between the ASA and CLEC Aggregate
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**
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**
1254	PO-1-06 Avg Response Time-Facility Availability		20001201	GOP	CA		**proprietary**	26599.62	**proprietary**	**proprietary**
1485	MR-2-01 Network Trouble Report Rate	Resale POTS	20001201	GOP	NC		**proprietary**	0.81	**proprietary**	**proprietary**
1633	PR-3-08 % Completed in 5 Days - No Dispatch	Resale POTS NonDisp	20001201	GOP	TX		**proprietary**	99.34	**proprietary**	**proprietary**

For certain measurements for which VSSI 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 VSSI 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 VSSI 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 VSSI 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 VSSI 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.

3. 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 VSSI:

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.
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 VSSI 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 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 VSSI, excluding interconnection agreements. We listed all services offered by the ILEC and compared this list with the list of services offered to VSSI 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 VSSI and similar agreements between the ILECs and unaffiliated companies.

   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 VSSI. Management indicated that there were

no occurrences of a nonaffiliated CLEC requesting to opt-in to an interconnection agreement that an ILEC had with VSSI.

4. We inquired of management and management indicated that the ILECs did not provision UNEs to VSSI.

Attachment 1

verizon

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March 12, 2001

Joint Federal/State Oversight Team
For the Biennial Audit Required under Section 272
c/o J. Paretti

and

PricewaterhouseCoopers
1301 Avenue of the Americas
New York, New York 10019

Please find attached the report required in the March 1 version of the General Standard Procedures for Biennial Audits Required under Section 272 indicating the corrective actions Verizon took between July 1 and September 30, 2000.

Susan Browning

Executive Director – Affiliate Interest Compliance

cc:
J. Ward
G. Asch
J. DiBella

March 12, 2001

In connection with the engagement to perform an agreed-upon procedures examination related to the compliance of Verizon Communications, Inc. ("the Company") with the Federal Communication Commission's ("FCC's") rules implementing Section 272 of the Act, *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, 11 FCC Rcd 21905 (1996), and Sections 53.201-213 of the FCC's rules (collectively, the "FCC's Section 272 Rules"), this report provides the corrective actions taken by the Company after the Bell Atlantic/GTE merger relating to section 272 requirements.

1. The former GTE affiliates that became section 272 affiliates after the merger are Verizon Select Services Inc. (formerly GTE Communications Corp.), Codetel International Communications Incorporated; Telus Communications Incorporated, and Quebec Telephone.

2. Verizon Select Services provides interLATA services in New York, Codetel leases switch capacity from Verizon Select Services in New York City, and Telus and Quebec Telephone are foreign local exchange carriers whose calling cards can be utilized in New York.

3. After the Merger Closing Date, Verizon reviewed the former GTE affiliates for section 272 compliance as part of its integration of the Bell Atlantic and GTE compliance programs. This review identified four transactions involving the former GTE affiliates that required corrective action, which has been taken. Specifically,

   a. One Codetel International transaction with Verizon New Jersey and two Telus contracts with the GTE local exchange carriers had not been posted on their Internet sites. This was corrected on September 22, 2000.

   b. A contract with one customer for services provided in New York had not been transferred from one GTE affiliate (GTE Data Services, Inc.) to Verizon Select Services. This also was corrected on September 21, 2000.

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June 8, 2001

Joint Federal/State Oversight Team
For the Biennial Audit Required under Section 272
c/o J. Paretti

and

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On March 12, 2001, in accordance with the March 1, 2001 version of the General Standard Procedures for Biennial Audits Required under Section 272 , I provided a memo indicating corrective actions Verizon took between July 1 and September 30, 2000 for the former GTE affiliates. In the last month Verizon confirmed a similar matter requiring correction. The details are attached.

Susan Browning
Executive Director — Affiliate Interest Compliance

cc:
J. Ward
G. Asch
J. DiBella

June 8, 2001

In connection with the engagement to perform an agreed-upon procedures examination related to the compliance of Verizon Communications, Inc. ("the Company") with the Federal Communication Commission's ("FCC's") rules implementing Section 272 of the Act, *Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended*, 11 FCC Rcd 21905 (1996), and Sections 53.201-213 of the FCC's rules (collectively, the "FCC's Section 272 Rules"), this report provides the corrective actions taken by the Company after the Bell Atlantic/GTE merger relating to section 272 requirements.

Last month a number of circuits in New York which should have been provided through a Section 272 affiliate were identified as having been inadvertently provided through a Verizon affiliate Telecommunications Service Inc (TSI). The customers for these circuits were reassigned to Verizon Select Services, a Section 272 affiliate. This correction was completed on May 30, 2001.

Observation of the
Federal/State Joint Audit Team For the
Verizon Section 272 Biennial Audit

On June 14, 2001, Verizon notified the Federal/State Joint Audit Team of the existence of an affiliate, Telecommunications Service Inc. ("TSI"), and its associated interLATA service operations. Verizon notified the Federal/State Joint Audit Team by letter dated June 8, 2001. As a result, no procedures in the section 272(d) biennial audit were applied to TSI for the engagement period.