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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of

Bell Atlantic Telephone Companies
Revisions in Tariff FCC Nos. 1 and 11

Verizon Telephone Companies
Tariff FCC Nos. 1 and 11

CC Docket No. 01-140 /

Transmittal Nos. 1373 and 1374

Transmittal Nos. 23 and 24

**VERIZON DIRECT CASE
REDACTED PUBLIC VERSION**

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July 17, 2001

Attorney for the Verizon telephone
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VERIZON¹ DIRECT CASE

The information in this Direct Case demonstrates that Verizon's proposed DC power rates for expanded interconnection are reasonable. In the tariff filings and in subsequent responses to information requests from the Common Carrier Bureau, Verizon has already submitted more information than is normally required in a cost-based tariff filing under Part 61 of the Commission's rules.

In response to the bureau's *Designation Order*,² Verizon is submitting an extraordinary level of additional detail underlying its cost structure.³ Verizon fully documents the input prices

¹ The Verizon telephone companies ("Verizon") are the affiliated local telephone companies of Verizon Communications Corp. These companies are listed in Attachment A.

² *Bell Atlantic Telephone Companies*, DA 01-1525, Order Designating Issues for Investigation (rel. June 26, 2001) ("*Designation Order*").

³ In this filing, Verizon has submitted as much information as was possible in the time allowed. The order identified an unprecedented level of data to support a tariff change. Verizon is continuing to collect and prepare data in response to the order and will submit that data as it becomes available. Regardless, the data submitted herein and in prior filings are more than sufficient to support the tariff revisions.

for power-related equipment and the actual costs of engineering, furnishing, and installing that equipment on behalf of collocators. As requested by the bureau, Verizon adjusted its power investment to include a breakdown of costs between metro, urban, suburban, and rural areas based on the distribution of current collocation arrangements in those areas, weighted by the number of collocators in each office. This breakdown shows that modifying the distribution has little effect on the proposed power rates. Verizon has also justified its annual cost factors and the application of the switching depreciation rate to power equipment, which the Commission's rules require to be included in the digital switching account. Verizon's data on current overhead loading factors show that its use of the Commission's prescribed overhead loading factors for expanded interconnection is conservative – use of current factors would result in higher overall power rates. Verizon also shows that its rate levels are in the ballpark of other carriers' rates after taking into account that other carriers impose substantial up-front nonrecurring charges for power facilities to collocation arrangements, which Verizon does not. Verizon also documents the basis for applying the standard nonrecurring charge for augments to requests by collocators for new power feeds to existing collocation arrangements. Finally, Verizon shows that its proposed procedures for collocators to certify the amount of power ordered and to take actions to commence or adjust billing are reasonable.

The fact that Verizon's proposed rates for DC power are higher than the current rates in the federal tariffs does not mean that they are unreasonable. *See Designation Order*, ¶ 8.

Verizon developed its current rates when it had relatively little experience with expanded interconnection and limited information about the costs incurred to support those arrangements.

The 2000 cost study that Verizon submitted to support the instant tariff filing is a comprehensive

study based on 10 years of experience in provisioning thousands of collocation arrangements in over 1,300 central offices. This is the same type of cost study that Verizon has submitted to the state commissions, which have approved rates for DC power that are similar to those that Verizon now proposes for the interstate jurisdiction. For instance, the New York commission has approved rates of \$19.64 per amp for less than or equal to 60 amps and \$19.56 per amp for greater than 60 amps.⁴ The Massachusetts commission has approved power rates in the range of \$17.78 per amp in urban areas to as high as \$31.82 per amp in rural areas.⁵ Verizon's proposed rates are also close to the \$19.56 per amp rate that the industry agreed upon for the Verizon South states and that has been endorsed by the state commissions.⁶ Verizon's tariff filing simply brings the federal power rates in line with the state rates. The simple fact is that the current rates in the federal tariff, which are as low as \$4.88 per amp, do not compensate Verizon for the costs that it incurs to provide DC power to expanded interconnection arrangements.

⁴ *See* New York Public Service Commission, Opinion No. 99-4, Appendix B, p.1 (included hereto in Attachment 4).

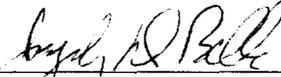
⁵ *See* Massachusetts Department of Public Utilities, D.P.U/D.T.E. 96-73/74, 96-75, 96-80/81, 96-83, 96-94-Phase 4-G, at 22 (included hereto in Attachment 4).

⁶ *See*, District of Columbia PSC Formal Case No. 962, *In the Matter of the Implementation of the District of Columbia Telecommunications Competition Act of 1996 and Implementation of the Telecommunications Act of 1996*; Order No. 11979, (rel. Apr. 20, 2001); *Pennsylvania Public Utility Commission v. Verizon Pennsylvania, Rhythms Link, Inc. v. Verizon Pennsylvania*, Opinion and Order, Pennsylvania PSC Docket Nos. R-00994697, R-00994697C0001 (rel. March 22, 2001); *In the Matter Of the Application of Bell Atlantic-Delaware, Inc. for Approval Of CLEC Collocation Interconnection Services*, Delaware PSC Docket No. 99-251, Order No. 5695 (rel. Apr. 10, 2001).

Conclusion

For these reasons, Verizon's proposed rates and terms and conditions for collocation power are fully justified. The bureau should terminate this investigation.

Respectfully submitted,

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Dated: July 17, 2001

INPUT PRICES

Issue: We direct Verizon to provide a detailed description of the precise functionality of each general type of hardware and plug-in item used to calculate the total material investment estimate. For example, without limitation, in Pennsylvania, one plug-in item is listed as “202T Modem.” Verizon should explain precisely how each such item is required for the provision of DC power to collocation arrangements. (para. 21)

Response: Attachment 1 describes each general type of power equipment. These general equipment types include hundreds of specific sub-component equipment types. Verizon will provide descriptions of the sub-components at a later date.

Issue: Verizon must provide the sources of the data used to derive the “material cost” of each hardware and plug-in item that factors into the total material investment estimate. (para. 21)

Response: See Attachment 2, tab 6.

Issue: For all equipment that Verizon installs to establish power service to a given collocation arrangement, Verizon must identify the Part 32 account category into which the equipment and associated installation fees fall for cost recovery. (para. 22)

Response: The following are the Part 32 account categories for the power equipment;

Power Equipment	Account Category	Installation Account
Microprocessor Plant (Buss Bar)	377C	377C
Rectifiers	377C	377C
Batteries	377C	377C
Automatic Breaker	377C	377C
Power Distribution Service Cabinet	377C	377C
Emergency engine/turbine	377C	377C
Battery Distribution Fuse Bay	357C	357C
Power Plant Distribution Bay	377C	377C

The 377C Account Category is booked to the Part 32 main account 2212 – Digital Switching.

Issue: Verizon has not submitted to the Commission the 2000 study to which it refers throughout its Reply. We direct Verizon to provide the cost study and all supporting data and assumptions. (para. 23)

Response: See Attachment 2.

Issue: Verizon must identify and justify the weights it assigned to the monthly rate for amps less than or equal to 60, and the monthly rate for amps greater than 60. Furthermore, Verizon must explain and justify its decision to divide its cost study into the two components of less than or equal to 60 amps, and greater than 60 amps. (para. 23)

Response: Verizon divided its cost study into arrangements providing less than 60 amps and arrangements providing more than 60 amps, because these arrangements reflect different power equipment configurations, resulting in different cost characteristics. Battery Distribution Fuse Bays (“BDFBs”) will support DC power cables up to 60 amps of fused power, whereas anything greater than 60 amps must originate directly from a Power Distribution Bay (“PDB”). A weighting of 75% was applied to the “less than or equal to 60 amps costs” and a weighting of 25% was applied to the “greater than 60 amps costs” in all 13 Verizon East jurisdictions. This was based on the estimated percentage of collocators who were expected to order power feeds less than or equal to 60 amps vs. those who would order power feeds greater than 60 amps. These weightings were based on an estimate of power requirements to each collocation arrangement. Subsequent to this filing, Verizon began to establish a matrix that logged the total number of feeds and the fused capacity of each feed that have been ordered by the collocators. Of more than 27,000 DC power feeds, 95% are less than or equal to 60 amps and only 5% are greater than 60 amps. These data are provided below;

COLLOCATION POWER FEEDS					
FUSED	Group 1	Group 2	Group 3	Group 4	TOTAL
A&B < 60	23251	2802	386	65	26504
A&B > 60	1330	26	1	0	1357
				Total A&B Power Feeds:	27861
				% < or = 60:	0.951294
				% > 60:	0.048706
				Total AMPS Power:	2,292,578

Verizon recalculated the power rates based on the actual distribution of 95% less than or equal to 60 amps and 5% greater than 60 amps. The results are as follows:

1. The average New England rate decreased from \$16.41 to \$16.40 per amp.
2. The average New York rate increased from \$25.32 per amp to \$25.33 per amp.
3. The average South rate decreased from \$20.23 per amp to \$20.20 per amp.

As these results show, the impact of the change in weightings is insignificant.

Issue: To the extent that Verizon seeks to justify the reasonableness of its new rates on the basis of inflation, we direct Verizon to provide a time series for the period 1993 to 2000 of *nominal annual material prices* for the following power equipment items: (1) microprocessor plant (BUSS BAR); (2) rectifiers; (3) batteries; (4) automatic breakers; (5) power distribution cabinets; (6) emergency engines/turbines; (7) battery distribution fuse bays; (8) plant distribution bays; and (9) any other plant associated with the provision of DC power, including jumpers, distribution cable, and any other bundled cable or connection equipment used in providing this service. Verizon also must provide supporting billing and/or vendor price data used in setting its annual equipment price estimates. (paras. 18-20)

Response: Because of the unavailability of the data sought by the Commission, Verizon will not attempt to justify the reasonableness of its proposed power rates on the basis of inflation between 1993, when the original cost studies were prepared for expanded interconnection power rates, and the current period. The relevant issue is whether Verizon's proposed power rates are reasonable based on its current costs, including current input prices for power equipment. In the tariff transmittal and in this Direct Case, Verizon has provided extensive supporting information, far in excess of the data supplied by the carriers in previous investigations of rates for expanded interconnection. These data show that Verizon's proposed power rates are reasonable and recover no more than its actual direct costs plus a reasonable amount of overhead costs.

COMPARISON TO PREVIOUS COST STUDIES

Issue: Verizon must quantify the effects of correcting for the defects in its 1993 and 1996 cost studies. In other words, Verizon must show what its tariffed region-specific monthly DC power rates for New York/Connecticut, Verizon New England, and Verizon South would have been in 1993 and 1996 had Verizon correctly estimated and/or included all relevant power provisioning costs. (para. 25)

Response: Because of the age and incompleteness of the 1993 and 1996 studies, it is not possible to “correct” those studies and determine what a reasonable rate for power would have been in that time frame. Most fundamentally, Verizon cannot reconstruct its property records for power equipment or its collocation configurations, nor can it determine the actual engineering, furnishing, and installation factors for power equipment. For this reason, Verizon conducted a comprehensive bottom-up cost study in each jurisdiction in 2000 using current material costs and cost factors which formed the basis for the revised power rates.

CENTRAL OFFICES SUPPORTING COLLOCATION ARRANGEMENTS

Issue: We designate for investigation: (1) whether it was reasonable for Verizon to include in its analysis central offices that lack collocation arrangements; and (2) given the cost disparities relative to the provision of power to metro, urban, suburban, and, in particular, rural offices, whether it was reasonable for Verizon to develop a single, averaged DC power rate. (para. 27)

Response: The Commission's rules generally require rates to be averaged at the study area level or higher, unless the rules provide for deaveraging at a lower level. *See* 47 C.F.R. § 69.3(e)(7) ("Such a tariff shall not contain charges for any access elements that are disaggregated or deaveraged within a study area that is used for purposes of jurisdictional separations, except as otherwise provided in this chapter"). Verizon disaggregated its *cost* support for this filing to reflect the fact that power costs are lower, per amp, in high density central offices and higher, per amp, in lower density rural offices. Verizon included the mix of all metro, urban, suburban, and rural offices in this analysis because collocation can occur in any office, not just in those that have already had collocation applications. Verizon did not weight the distribution of costs by the actual offices that currently contain collocation or the number of collocators in each office because the actual distribution of collocation arrangements among central offices changes monthly. A "snapshot" of the current distribution is not forward-looking and it says nothing about how collocation may be distributed in the future as more competitive local exchange carriers enter or exit the market and expand or contract their operations geographically. If a separate rate were to be charged for collocators in the small/rural offices, the rate would be considerably higher than those in the other zones. An averaged rate helps keep the rate lower throughout the study area. This is especially important in light of the fact that more collocators may be expanding into the rural areas in the future. Therefore, Verizon's methodology provides a reasonable long term rate for collocation power throughout the Verizon East footprint.

Issue: We direct Verizon to confirm whether it included in its analysis central offices that lack collocation arrangements, and, if so, to justify the inclusion of those offices. We also direct Verizon to provide a listing of the total number of collocators in each central office, by state, that it used in determining its state-specific total unit investments. (para. 28)

Response: For the reasons described above, Verizon included in its analysis all central offices, regardless of whether they currently contain collocation arrangements. Including offices in the metro areas that currently do not have collocation tends to reduce the statewide average rate, since unit costs are lower in the larger central offices, and, conversely, including offices in the suburban and rural areas that currently do not have collocation tends to increase the statewide average rate, since unit costs are higher in the smaller central offices in the suburban and rural areas. A forward-looking cost study should include both, given that collocation is likely to expand to the future beyond the offices that currently have collocation. In addition, population growth in suburban areas will likely drive the expansion plans of competitive local exchange carriers to the offices in those areas that have not yet had collocation applications. In Verizon

South, there are 125 rural central offices with collocation, with over 249 collocation arrangements in those offices. In Verizon North, there are 166 rural central offices with collocation, with over 276 collocation arrangements in those offices.

Attachment 3 provides a list of the total number of collocators in each central office, by state, based on June 5, 2001 survey.

Issue: Verizon also must recalculate its state-specific total unit investment estimates based upon the *actual* distribution of collocation arrangements among its offices, weighted by the number of collocators in each office. In other words, if Verizon determines that a central office upon which it had previously relied *does not* have any collocation arrangements, then Verizon must note the absence of collocation, and delete the costs associated with that central office from the calculation of its various state-specific unit investment estimates. Verizon must then calculate and present the results of its various state-specific unit investment estimates after making this adjustment and weighting the remaining offices by the number of collocators in each office. In addition, Verizon must calculate and present the corresponding region-specific monthly DC power rates. (para. 28)

Response: Verizon did not use the actual power costs in each office. Rather, Verizon developed unit investment for each density zone based on the most efficient hypothetical power plant design for each zone. The basic unit investments are based on vendor material prices that are not dependent on the location or distribution of the collocators. Every central office is placed into one of several categories (power zones), each of which has a different power design based on certain criteria, such as office size. However, the basic material price of a certain piece of equipment stays the same regardless of which power zone it is located in. The type of equipment may vary in some cases between power zones, but the material prices themselves are not affected. For example, see the South study (Attachment 2), Tab 2 of the cost study binder, Workpaper 1.0, page 3, Line 1. The numbers on Line 1 are the sum of several vendor material prices, as are those on Lines 10, 18, 23, 28, 37, and 42. These material prices are then weighted by power zone (Lines 4, 13, 20, 25, 30, 39, 44) and the final weighted material price for all the power zones is on Line 46. If the power zone weightings were to be changed, the final weighted material investment on Line 46 would change, but the individual basic material prices within each zone would still remain the same. Verizon also did not use the number of collocators in each central office to determine the state-specific total unit investments. Verizon weighted the unit investments in each state by the distribution of central offices in each zone in a state.

In Attachment 3, Verizon recalculated the power rates using the current distribution of collocation. These calculations produce the following results;

New England: changed to \$15.82 per amp from \$16.41 per amp.

New York: changed to \$24.11 per amp from \$25.32 per amp.

South: changed to \$19.51 per amp from \$20.23 per amp.

This resulted in a small decrease in costs that averaged about 4%. On a forward-looking basis, as more collocators expand into the rural and suburban areas, this percentage difference can be expected to become even smaller.

ENGINEERING, FURNISHED AND INSTALLED (“EF&I”) FACTOR

Issue: With respect to “total installed investment,” Verizon is directed to explain in detail the derivation of the “in-place cost” associated with each hardware and plug-in item. In its Reply, Verizon states that “[i]n 2000, the vendor material price was multiplied by a Verizon regional power-specific installation factor to obtain the total EF&I investment.” Verizon must explain this statement. How was the region-specific factor derived? Was the same region-specific factor applied to each state? If more than one region-specific factor was employed, then which region-specific factor was applied to each state and why? In addition, Verizon must provide the sources of the data used to derive its various “in-place cost” estimates. (para. 31)

Response: The power EF&I factor translates a material-only investment into an installed investment, including such items as vendor engineering, Verizon engineering, transportation, warehousing, vendor installation, Verizon installation, and acceptance testing. Power-only related investments were used to develop the Power EF&I factor for Field Reporting Code (FRC) 377C in Verizon’s accounting system.

The power EF&I factor is developed on the basis of the data contained within the Company’s Detailed Continuing Property Record (“DCPR”) database. Specifically, the total installed investment for hardwired equipment installed in calendar year 1998 was added to the plug-in equipment installed in calendar year 1998, which is the latest year for which data were available at the time that the studies were done. The sum of the installed investments was then divided by the sum of the material-only investments of the same equipment, also derived from DCPR. This yielded the final Power EF&I factor, which represents the ratio of Total Cost Installed (TCI) investment to materials investment. This ratio is then applied to unit equipment material investment in the current cost study to develop total installed equipment costs.

The power EF&I factor was developed on a Verizon East regional (*i.e.*, former Bell Atlantic region) basis. This is being done throughout the Verizon footprint to more accurately reflect how the costs are incurred, *i.e.* the fact that many investments are being installed in one state to serve multiple jurisdictions. This was done also because, for a given plant account, there can be relatively large variations from year to year in the amount of equipment being placed in any given state. However, the amount placed yearly across the footprint has less variability. As a result, in order to smooth out any anomalies while still maintaining the most up-to-date relationships, the factors were calculated on a region-wide basis rather than on a state-specific basis and the same power EF&I factor was applied in each state.

The sources of the data used to derive the “in-place cost” estimates will be provided with the information described above concerning the bills for installation jobs associated with power equipment in the 2000 cost study.

Issue: to the extent that Verizon seeks to justify its federal EF&I factor by reference to EF&I factors approved in state proceedings, Verizon must provide all relevant state decisions and all cost support adduced in those proceedings. (para. 36)

Response: See Attachment 4, which provides copies of the state decisions approving Verizon's EF&I factor, as discussed in the Verizon filings. *See* New York Public Service Commission, Opinion No. 99-4 at pp. 63-65, approving Verizon New York's 2.745 EF&I factor, and Appendix B, p. 1, approving power rates of \$19.56 per amp for greater than 60 amps and \$19.64 per amp for less than or equal to 60 amps; Massachusetts Department of Public Utilities, D.P.U./D.T.E. 96-73/74, 96-75, 96-80/81, 96-83, 96-94-Phase 4-G, at pp. 20-22, approving 3.1963 EF&I factor.

BUILDING AND LAND INVESTMENT FACTORS

Issue: We direct Verizon to explain in detail the methodology used to derive its Building and Land Investment Factors for each state. Verizon also must explain why it believes its methodology accurately estimates the shared costs of land and building *occupied by power equipment*. To the extent that its building factor reflects costs associated with power equipment located outside its enclosed central office space (e.g., rooftop), Verizon must justify this inclusion and report the degree to which power equipment is located outside its enclosed central offices. (para. 37).

Response:

The Land and Building factor identifies an amount of land and building investment that is required to support all central office equipment housed in central offices. The factors were developed on the basis of the data reported in the Company's financial reports. The formula is;

$$\frac{\text{Total Land \& Building investment associated with Central Office Equipment}}{\text{Total Central Office Equipment investment}}$$

Power equipment is included in the denominator (i.e., part of the composite Central Office Equipment investment) and so the methodology allocating land and building investment on the basis of COE investments requires Power Equipment to pick up the same pro-rata share of power costs as other services. Since all central office power equipment investment is included in the denominator, to the extent the power equipment is located outside of the enclosed central office space (e.g. rooftops) it serves to reduce the land and building investment factor. This occurs because it spreads a fixed amount of land and building investment over a greater amount of Central Office Equipment investment. Application of the land and building factor to power equipment located on the rooftop or on the side of a building is reasonable because the land and building costs are incurred to support that equipment as well as any other equipment located outside the enclosed central office, such as rooftop microwave transmitters. By applying the same land and building factors in cost studies for all services that use central office equipment, each service is allocated its fair share of common costs.

Issue: Verizon must demonstrate that no building or land expenses recovered through DC power rates are recovered through any other collocation charge. (para. 39)

Response: There is no double recovery of land and building costs associated with the provision of power to collocation arrangements in any other collocation charges. The nonrecurring rates for space preparation and monthly recurring rates for collocation space do not recover power-related land and building costs. First, the nonrecurring charges for space preparation do not include *any* of the costs of installing DC power facilities to collocation arrangements. Only the costs of lighting and AC power specific to a collocator arrangement are included in the nonrecurring costs for space preparation. Attachment 5 provides copies of Verizon's tariff filings for the nonrecurring space preparation charge. As noted in the tariff filings, the

nonrecurring space preparation charges include only AC power outlets and lighting. *See* Bell Atlantic Transmittal No. 1132, Workpaper 1; Telesector Resources Group Transmittal No. 165, Description & Justification, p. 12, Attachment. As the Commission noted in the *Physical Collocation Tariff Order*, the charges for DC power included only the costs of DC power installation and DC power generation. *See Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport*, 12 FCC Rcd 18730, ¶ 193 (1997). The order makes it clear that these costs are recovered in the rates for power, regardless of whether a carrier applies both a recurring and a nonrecurring rate for power, or only a recurring rate (as Verizon does).

Second, Attachment 2 shows that the land and building factors were applied only to the investment cost associated with power equipment, which occupies space that is separate from the space occupied by the collocator.¹ *See also id.*, ¶¶ 94, 253. The land and building costs associated with the space occupied by a collocation arrangement are included in the monthly charge for space. There is no overlap or double-counting between the collocation components. For example, the space occupied by the collocator's physical equipment (cage), the space occupied by the DSX cross connect panels (frame termination panels in the toll area) and the space occupied by the power equipment are all in different parts of the central office. Some of these components may be several hundred feet apart. Land and building costs are assigned separately to each of these components because they each occupy distinct and separate space. Therefore, there is no overlap or double counting of the land and building costs.

Issue: Alternative Methodology. Verizon also must present the following information for each central office with collocation relied upon in its Transmittal Nos. 1373 and 1374: (1) the amount of building investment;² (2) the amount of land investment;³ (3) the number of square feet in each central office dedicated to power equipment; (4) the number of square feet occupied by collocation arrangements in each central office; and (5) the average number of amps generated by each central office. Verizon must then calculate building and land investment per-amp according to the following two formulas, using as variables the inputs 1-5 defined above, for each central office: (para. 41)

¹ *See, e.g.*, Workpaper 1.1, p. 2 of 3. In reviewing the land and building loading factors, Verizon noticed that a small amount of collocator circuit equipment is included in the computation of the factor. However, Verizon has revised the factor to exclude this equipment, and the impact on the factor is negligible. It changes the rates per amp as follows:

Verizon - New England: changes from \$16.41 to \$16.36.

Verizon - New York: changes from \$25.32 to \$25.28.

Verizon - South: changes from \$20.23 to 20.18.

² This corresponds to the numerator used in determining its building investment factor, but on a central office-basis.

³ This corresponds to the numerator used in determining its land investment factor, but on a central office-basis.

[(1)*{(3)/(4)}]/(5); and
[(2)*{(3)/(4)}]/(5).

Response: Because Verizon provides collocation in over 1,300 central offices, it is not practical to survey each of these offices to determine the number of square feet in each office that is occupied by power equipment. Verizon will survey a statistically valid sample of central offices to determine the average amount of space occupied by power equipment in metro, urban, suburban, and rural offices and the average number of amps generated in each of those offices. Verizon will endeavor to develop the bureau's alternative methodology in a subsequent filing.

ANNUAL COST FACTORS

Issue: Verizon employed six separate ACFs (depreciation, cost of money, income tax, maintenance, administration, other tax) within each of three separate unit investment categories (land, building, and “switching” (*i.e.*, installed investment)). Verizon must present a complete listing of all ACF values for each state relied upon in its instant transmittals. (para. 42)

Response: See Attachment 6.

Issue: Verizon must explain and justify the derivation of, and accounting logic relevant to, each state-specific ACF. Verizon must include: (1) a summary and explanation of the specific cost components embedded within each state-specific ACF; (2) the methodology used to transform the individual components to the applied ACF; and (3) an explanation of how each derived ACF is relevant to cost recovery associated specifically with power equipment (*e.g.*, how exactly does the installation of power equipment justify the need for a separate Land Maintenance ACF? what is the nature of the Administration expense associated with the provisioning and operation of a battery or other power equipment?). Verizon also must present a summary of all data sources used to construct each individual state-specific ACF. (para. 43)

Response: Each state-specific ACF addresses the capital and on-going annual expense associated with specific investment components of the Collocation DC Power cost study. Each ACF represents the summation of six separate factors: depreciation, cost of money, income tax, other tax, maintenance, and administration. The cost components and methodology used to transform the costs into factors will be separately addressed for each of the six factors. In addition to the costs unique to each factor, each of these six factors also includes an allocation of revenue-related expenses; the cost components and methodology used to drive these expenses to each of the six factors will be separately addressed. The third and fourth questions will be addressed following the section on cost components and methodology.

I. Depreciation:

- **Cost components:** Represents the periodic write-off of capital assets over the life of that asset. The asset lives are determined either by special studies conducted by the Verizon Finance organization or by regulatory bodies who may prescribe lives for some accounts.
- **Methodology:** The total investment in each account is spread evenly over the asset life for that account. The Depreciation Factor represents an annuity from the sum of the present worth of the equal write-off for each year of the asset life. The formula for depreciation is: $\text{Original Investment} * (1 - \text{Future Net Salvage}) / \text{Asset Life}$

II. Cost of Money:

- Cost components: This factor represents a return to investors and to debtors of their contribution to investor and debtor supplied capital. The factor represents a combination of the return to both debtors and stockholders of their respective contributions and earnings.
- Methodology: The average investor supplied capital is calculated by averaging the beginning of year investment, for each year of the asset life, with the end of year investment. Then the return to debt and the return to equity are calculated from that average by multiplying the average investment by the percent debt and by the debt ratio. The equity return is calculated by multiplying the average investment by the percent equity and by the equity ratio. The overall “return” factor, for a specific year, is calculated by adding together the debt and equity returns. The overall factor for Cost of Money is an annuity from the present worth of each of the “returns” in each year of the asset life. The formula for Cost of Money is the sum of the following two calculations:

$$\begin{aligned} & \text{Debt Ratio} * \text{Cost of Debt} * \text{Avg. Investor Supplied Capital} \\ & \text{Equity Ratio} * \text{Cost of Equity} * \text{Avg. Investor Supplied Capital} \end{aligned}$$

III. Income Tax:

- Cost components: The Income Tax factor consists of the equity portion of return and the composite tax factor. The composite tax factor is a function of the federal income tax and the state income tax.
- Methodology: Income taxes are charged on the equity portion of the return only. The state income taxes are deductible from the federal income taxes so that the composite tax factor is calculated using the formula: (Federal Rate X (1-State Rate)) + State Rate. This Combined rate is multiplied by the equity return (as calculated above) to arrive at the tax factor for that particular year of the asset life. The overall factor is an annuity from the sum of the present worth of the factor for each year of the asset life.

IV. Other Tax

- Cost components: This factor includes tax expenses booked to account 7240 that are not included in the Income Tax factor or the Gross Revenue Loading factor. There is a Property Tax Component and Other Tax Component.
- Methodology: Each component of the Other Tax factor represents the ratio of tax expenses to relevant investments. This factor is used to drive tax expenses to particular products via each product’s investments. The Property Tax portion is applied to Land and Building accounts while the Other Tax portion is applied to all accounts. Factors are calculated as follows:

$$\text{Property Tax (L\&B Only)} = \text{Selected 7240 Accounts} \div \text{Land \& Bldg Investment}$$

Other Tax (all accounts) = Selected 7240 Accounts ÷ Total Investment

The 7240 accounts selected depend on the particular state.

V. Maintenance:

- Cost Components:
 - Costs associated with the on-going upkeep of each investment component considered in the cost study
 - Account 6212 for digital switching.
 - Central office portion of account 6121 for Land and Building (L&B). Note that expense associated with upkeep of non-central office L&B is excluded.
 - Investment-specific allocation of the following expenses:
 - provisioning (acct 6512)
 - power (acct 6531)
 - administration (acct 6532)
 - testing (6533)
 - plant operations administration (acct 6534)
 - engineering (acct 6535)
 - If investment type does not require the above activities, expenses are excluded. For example, testing and plant operations administration expenses are excluded from Land and Building factors.
- Methodology:
 - Expense to investment relationship (sub-factors) created for groupings of expenses delineated above. Above expense groupings divided by appropriate investment yield maintenance sub-factors. Sub-factors added together to create maintenance factor.
 - For example, maintenance factor for Digital Switching is calculated as follows: (account 6212 ÷ account 2212) + (testing expense ÷ all investment that gets tested) + (provisioning, administration, etc. expense associated with central office investments ÷ central office investments)
 - Certain expenses excluded from the factors, e.g., RTU fees in account 6212

VI. Administration

- Cost Components

- Annual expenses associated with the ongoing support and administration of the network and/or products of the Company
 - Marketing and Customer Services Expenses (Account 6611 (Product Management), 6612 (Product Sales), 6613 (Product Advertising), and 6623 (Customer Accounting & Services) considered). Data retrieved on a Regional Verizon East Basis, at Responsibility Code level for the VP – Wholesale and Access to estimate and reflect marketing costs only associated with marketing products under the jurisdiction of the FCC.
 - General and Network Support Equipment (Capital and Tax Expenses associated with Accounts 21XX) and the ongoing annual expenses of same (Account 61XX)
 - Product/Network Procurement (Account 6726), R&D-Research & Development (Account 6727)
 - Information Services or Information Management expenses associated with supporting the network or products/services.
- Methodology
 - Expense to investment relationship created for groupings of expenses delineated above. Above expense groupings divided by all Revenue-Producing Investment (Switch, Outside Plant, COE Land & Building, etc.) to yield expense sub-factors. Sub-factors added together to create Total Administration factor.
 - Product Management Factor = $\text{Account 6611} \div \text{Total Revenue-Producing Investments}$
 - Sales Factor = $\text{Account 6612} \div \text{Total Revenue-Producing Investments}$
 - Advertising Factor = $\text{Account 6613} \div \text{Total Revenue-Producing Investments}$
 - Customer Services Factor = $(\text{Account 6623} - \text{Billing \& Collection}) \div \text{Total Revenue-Producing Investments}$
 - Support Investment Carrying Cost Factor = $[(\text{Account 21XX Investments} - \text{Revenue-producing Land, Building, \& Computer Investments}) \times \text{Capital \& Tax Factors}] - (\text{Expense estimated to be related to Billing \& Collection and Corporate Overhead}) \div \text{Total Revenue-Producing Investments}$
 - Support Investment Ongoing Expense Factor = $(\text{Account 61XX} - \text{allocation of expense to Revenue-Producing Land, Building, \& Computer Investments}) \div \text{Total Revenue-Producing Investments}$
 - Information Services Factor = $(\text{Account 6724} - \text{adjustment for Billing \& Collection and Corporate related projects}) \div \text{Total Revenue-Producing Investments}$
 - Procurement Factor = $\text{Account 6726} \div \text{Total Revenue-Producing Investments}$
 - R&D Factor = $\text{Account 6727} \div \text{Total Revenue-Producing Investments}$

VII. Revenue-Related Expenses

- Cost Components:

- Gross Receipts Tax Rate (GRT) – only required when FCC product sold in Rhode Island (RI). All other gross receipts are passed through to the end user via a surcharge, or are waived for FCC products because GRT is an intrastate product assessment, and therefore, not captured in product costs.
- Regulatory Assessment Fees – fees assessed based on revenue requirements by Public Utility Commissions and/or the FCC (Account 7240, by varying Function Codes labeled as Regulatory Assessments and not captured in any other taxes, i.e., not in the other tax or gross receipts factors)
- Uncollectible Revenue Assessment (Account 5301X)
- Methodology
 - As stated above, only RI assesses a GRT on all products (interstate, intrastate, wholesale or retail). It is currently 5% - the rate is obtained directly from the tax department and not calculated.
 - Regulatory Assessment fees are extracted from the financial databases by Function Code to ensure no double count with other tax factors used. The FC expenses are accumulated and divided by total Company revenue to create a relationship of assessments to revenue.
 - Uncollectibles are extracted by revenue account (5301X) and also divided by total revenue to create a relationship of Uncollectibles to Total Company Revenue.
 - The sum of the sub-components is labeled as the Gross Revenue Loading factor.
 - A portion of the Gross Revenue Loading factor is assigned to each of the six factors described above based upon the proportion of each factor to the sum of all six factors.

Relevance of ACFs to cost recovery associated with power equipment; ACFs are an established, well-accepted methodology across the industry for assigning recovery of identified expenses across the base of products, services and elements. When the ACFs are multiplied against the power equipment or the land and building investment considered in the collocation power studies, the resulting values represent the annual costs directly associated with power equipment (such as maintenance or depreciation) and an allocation of costs that the corporation incurs because it offers many different types of products, services, and elements (such as information management and research and development). A Land Maintenance ACF is used in the collocation power studies because the annual expense associated with the land upon which the power equipment sits comprises part of the cost. The Land Maintenance factor is applied to the land investment associated with power equipment to include this expense as part of the overall cost of power equipment.

Data Sources Used in Constructing ACFs:

- Final Book/Final Report basis of expenses and investments
- Extracts from the Financial Database systems currently available

- Finance Department Special Studies (e.g., asset lives, cost of money)
- Special Studies of Functional Accounting (Function Codes, Responsibility Codes) to allocate some accounts to specific areas of the business. Examples:
 - Land & Building (L&B) studies split L&B into Central Office L&B (revenue-producing L&B), Other Support L&B (both directly supporting the network, products or indirectly supporting corporate operations)
 - Billing & Collection Studies produce expense adjustments so that Customer Services, Information Management, and Support Investment Factors do not include costs that are included in Billing & Collection costs
 - Marketing Costs are studied at a Vice President Level in order to eliminate any Residence/ Business product costs in an FCC study
 - Any costs associated with Corporate are removed from ADMIN expenses (Other Support Investments) and would be placed in a Common Overhead Factor, along with other 67XX expenses not mentioned above; e.g., HR, Executive, Planning, Accounting, etc.

Issue: Verizon must explain the reasons for the apparent differences in the various Maintenance and Administration ACFs applied to different states within and across its various regions. For example, without limitation, Verizon must explain why the applied Land Administration ACF is 0.0623 in Washington, D.C., yet only 0.0291 in Delaware. (para. 44)

Response: The following factors account for the regional and state differences in the Maintenance ACF:

- The age and condition of the network may vary from state to state. In general, network components that are newer and in better condition require less expenditure on upkeep, therefore lowering the maintenance factor when compared to states with older networks.
- The physical environment varies from state to state. Maintenance ACFs for states that experience more extreme weather conditions, for example, may be higher than Maintenance ACFs for states located in more moderate climates.
- Customer requirements vary from state to state. For example, because Washington DC is the seat of our federal government, the network there may require added scrutiny or non-standard arrangements, thus leading to higher Maintenance ACFs for certain types of investment.
- Labor costs vary from state to state. The higher the cost of labor for plant workers, the higher the Maintenance ACF.

The Administration ACF varies from state to state due to the support portion of the factor – since the value of support equipment and the on-going expense of maintaining this equipment is different in each state, the Administration factor reflects these differences between states.

Issue: Verizon must demonstrate that the costs recovered through each separate ACF are not also recovered in any other collocation charges. For example, without limitation, Verizon must demonstrate that no part of the cost recovered through application of its Building Maintenance ACF is also recovered through its space preparation charges. (para. 45)

Response: As is shown in Attachment 6, Verizon's costs for space preparation do not include application of ACFs. See Bell Atlantic Transmittal No. 1132, Workpapers 1-4; Telesector Resources Group Transmittal No. 165, Workpapers "Multiplexing Node Nonrecurring Costs" and "Expanded Interconnection Cage Construction Components."

SWITCHING DEPRECIATION ACF

Issue: The Commission seeks comments on the extent to which the Commission's rules either require or support Verizon's use of the digital switching account for determining power equipment depreciation. (para. 46)

Response: Application of the switching depreciation factor to power investment is appropriate because the Commission's rules mandate that equipment should be classified for depreciation purposes according to its predominant use. *See* 47 C.F.R. §§ 32.2(e); 32.2212 (digital switching account includes digital switches and "associated equipment"); *see also* § 32.2(a). Verizon utilized a 44-year depreciation life in its 1996 study for Verizon South, because power equipment was classified at that time in the building account, which had a 44-year depreciation life. In 1997-98, power equipment was re-classified into the 377C Digital Switching Account in Verizon South, as it had already been classified in Verizon North. Classification of the power equipment in the 377C Digital Switching account is appropriate because the predominant use of that equipment is to supply power to the central office switch.

Verizon uses group accounting for depreciation. This procedure does not base the depreciation life of a particular item on its individual life. Rather, the life is based upon the average life of the group to which it is classified. If power equipment is used to provide backup power for a digital switch (the predominant functionality) it would be classified to the digital switch account. If the average life for a group of assets has been determined to be (e.g.) 9 years, then every asset in that group will be depreciated over 9 years. Some of the assets in the group might become obsolete in 2 years. Others may not become obsolete or wear out for 20 years. The "life" of the asset group continues to be 9 years regardless of the life of an individual asset until such time as the average life of the group changes. The items in the group that have a longer life help to extend the average life of the shorter-lived asset. This is the nature of group accounting. Group accounting is not a regulatory issue, it is a GAAP accounting method. Most, if not all, of the operating telephone companies in the United States use group accounting. Therefore, it would be inappropriate for purposes of developing power rates to use depreciation lives that do not match the depreciation lives for the group in which the power equipment is classified in the company's books.

Issue: Verizon must provide data regarding the expected life of the following power investment items: microprocessor plant (BUSS BAR), rectifier, battery, automatic breaker, power distribution service cabinet, emergency engine/turbine, battery distribution fuse bay, and power plant distribution bay. Verizon also must cite the sources used to derive these estimates. (para. 47)

Response: The estimated, average lives of the power investment items are listed below. The average life of the batteries came from an AT&T Energy Systems manual. The estimated average lives of the other equipment items were provided by power equipment vendors and reviewed by Verizon Power Engineering.

Microprocessor Plant / BUSS Bar: 15 years

Rectifiers: 15 years

Batteries: 25 years

Automatic Breakers: 30 years

Power Plant Distribution Service Cabinet: 15 years

Emergency Engine: 30 years

Battery Distribution Fuse Bay: 15 years

Power Plant Distribution Bay: 15 years

Issue: Verizon must explain its decision *not* to base its depreciation rate for installed power investment on the actual depreciation lives of individual power equipment. For instance, Verizon must explain why the 44-year life for a backup generator used in its 1993 study does not accurately reflect the actual life of the equipment (based on Verizon's own experience). We note that power equipment is atypical of most telecommunications equipment, in that power equipment is less susceptible to obsolescence, and is typically changed-out only at the end of the equipment's designed service life. (para. 48)

Response: Verizon used the same depreciation classification for the costing study that it uses for its regulated books of account. That is, the power equipment is put into the class of equipment according to its predominant use. In a central office, power equipment is used predominantly to support switching equipment, which draws the most power. The vast majority of Verizon's central office equipment is located in buildings where there is central office equipment only. In those buildings where there are both central office equipment and administrative offices, a majority of the power is used for the central office equipment.

As noted above, the 44 year life for a backup generator used in the 1993 study was based upon the average life of a building, not the average life of a generator. It is unreasonable to expect power equipment to have the same useful life as a building. As shown in the response to paragraph 47, the estimated average life of an engine is about 30 years. Of the eight main power equipment components, five of them have an estimated average life of 15 years, one of them has a life of 25 years and two have a life of 30 years. As these examples show, the estimated average lives of the power equipment are much lower than the average building life of 44 years.

Issue: We direct Verizon to verify whether the company used a leveled net investment rate in calculating its applied Switching Depreciation ACF. If so, we direct Verizon to provide this figure. In addition, we direct Verizon to report the identity and the expected life of the digital switching equipment used in calculating its Switching Depreciation ACF. (para. 49)

Response: Verizon did use a levelized investment, but not a “net” investment, in calculating Switching depreciation. Depreciation is calculated by year on a straight line depreciation schedule. The asset life for Digital Switching used in the depreciation calculation was 16 years.

OVERHEAD LOADING FACTORS

Issue: To the extent that Verizon proposes a region-specific overhead loading factor greater than 1.0, it must demonstrate that its proposed factor does not exceed the lowest overhead loading factor applicable to any interstate service that competes with services offered by collocators, including DS1, DS3, and Digital Subscriber Line (DSL) services. In calculating the overhead loading factors applicable to these services, Verizon must take into account any and all volume and term discounts. (para. 54)

Response: In the tariff filing, Verizon complied with the overhead loading factors that the Commission prescribed in Appendix D of the *Physical Collocation Tariff Order*. As is shown in Attachment 7, the current lowest overhead loading factors, using a comparison of year 1999 and 2000 costs to July 1, 2001 average circuit rates, are higher in most states in the Verizon East region than the prescribed factors.

Issue: Verizon must calculate and present its region-specific monthly DC power rates resulting from any recalculation of its overhead loading factors pursuant to paragraph 54, above. (para. 55)

Response: The monthly DC power rates using the current lowest overhead loading factors would change as follows;

**** START PROPRIETARY****

**** END PROPRIETARY****

COMPARISON WITH OTHER CARRIERS' RATES

Issue: To the extent Verizon contends that its revised DC power rates are reasonable in light of rates charged by other ILECs for the same services, Verizon must provide an analysis to support that comparison, including all supporting assumptions. (para. 57)

Response: See Attachment 8. Unlike other carriers, Verizon does not apply a nonrecurring charge for installation of DC power facilities to collocation arrangements. For this reason, a simple comparison of Verizon's recurring DC power rates to the recurring DC power rates of other carriers is misleading. In Attachment 8, Verizon compares its rates to the recurring and nonrecurring power rates of Ameritech, SBC, and Qwest by including the costs over a one year period and a five year period. For the first year, Verizon's rate produce a total cost that is well within the range of the other carriers, and significantly below Qwest's. For a five year period, which allows a longer time for amortization of the other carriers' nonrecurring charges, Verizon's costs are still within the range of the other carriers. This does not take into account the time cost of money to the collocator, who must make a large up-front payment under the other carriers' tariffs. Verizon's practice of charging only recurring rates for power reduces the collocators' initial capital costs.

NON-RECURRING CHARGE AUGMENTATION FEE

Issue: If a collocation customer should order a change to its power configuration that requires a new 48-volt DC power feed, Verizon charges the customer a Non-Recurring Charge Augmentation Fee. In Tariff FCC No. 1, the fee is \$963.00 for virtual collocation and \$1506.00 for physical collocation; in Tariff FCC No. 11, the fee for both virtual and physical collocation is \$1,500.00 for New York/Connecticut, and \$1,717.02 for all other states. Verizon must provide the non-recurring cost information that formed the basis for this fee, and any justification for imposing it. (paras. 59-60)

Response: The proposed tariff provisions for nonrecurring charges for changes in power configurations apply the existing nonrecurring charges for augments to expanded interconnection. These nonrecurring augment charges apply to various types of changes to collocation arrangements after the initial construction and they are applicable for the same reasons to changes in power requirements. Attachment 9 provides copies of the tariff filings introducing these augmentation fees.

FCC No. 1, Section 19.7.5(A), Virtual Collocation, Design and Planning Fees, Site Augmentation was introduced under Transmittal No. 826 on October 6, 1995. The \$963.00 nonrecurring charge was fully described and justified in accordance with Commission rules. This option allowed for design changes to existing arrangements and clarified the changes that would be assessed when a collocator requested equipment-related work activities following the initial installation. Activities that qualified as augmentation included installation of additional equipment to an existing arrangement and the replacement of existing equipment with new equipment. The rate for the site augmentation fee was set at cost.

FCC No. 1, Section 19.7.4(A), Physical Collocation, Design and Planning Fees, Site Augmentation was introduced under Transmittal No. 883 on June 4, 1996. The \$1,506.00 nonrecurring charge was fully described and justified in accordance with Commission rules. This filing introduced Physical Collocation in accordance with the policies established in CC Docket No. 91-141. Design and Planning fees involved the tasks of application processing, planning, and preparation of a design proposal to meet the Collocator's specific interconnection requirements. The rate for the site augmentation fee was set at cost.

No augmentation fee has been filed for Physical Expanded Interconnection in FCC 11. In the DC power restructure (Verizon Transmittal No. 1373), the augmentation fee for DC power in a physical collocation arrangement was based on the Virtual Expanded Interconnection augmentation fee.

FCC No. 11, Section 31.28.2, Virtual Expanded Interconnection Site Augmentation Application Fees was initially filed under the NYNEX Telephone Companies Tariff FCC No. 11, Transmittal No. 494, filed April 2, 1998, and modified under the NYNEX Telephone Companies Tariff FCC

No. 11 Transmittal No. 532 on December 11, 1998.¹ The nonrecurring charges for the Site Augment Application Fee were introduced as \$1,500.00 for New York/Connecticut and \$1,717.02 for all other states. These nonrecurring rate levels have not been modified since introduction.

¹ Attachment 9 includes only the transmittal letter for Transmittal No. 532. Verizon has been unable to obtain the remainder of the tariff filing.

TERMS AND CONDITIONS

Issue: Certification of Not Exceeding Load Power Ordered. Verizon's tariff revisions require each collocator annually to submit a written statement signed by a responsible officer of the collocator's firm attesting that it is not exceeding the load power ordered for each collocation arrangement within Verizon's operating territories. Failure to submit such statement within a 30-day notice period results in the billing of DC power at each collocation arrangement to the total number of amps fused. Verizon must justify precisely why it requires such a written statement for each arrangement. In addition, Verizon must justify why it is reasonable to charge collocators for the total number of amps fused if such a statement is not submitted within 30 days. (paras. 61-63)

Response: A written statement is required because Verizon does not meter power to collocation arrangements and has no way of actively monitoring the thousands of arrangements that are drawing power. Since the collocator knows how much equipment it has installed and whether it has added equipment that exceeds the load in its initial collocation application, it is in the best position to identify when its equipment is exceeding the load power ordered. A written statement requires an affirmative act by the collocator to keep the status of its application current and eliminates disagreements about whether it has informed Verizon about changes in the load being drawn by its equipment. The procedure of billing to the fused power level provides an incentive for collocators to submit the written statement. Without it, a collocator would have no reason to inform Verizon that it was exceeding the power ordered.

Issue: Commencement of Billing. Verizon's tariff revisions also require that monthly billing begin on the occupancy date, or 30 days from the date Verizon provides access to the collocation arrangement, whichever comes first. Verizon must justify why it should charge the monthly rate when the collocator has its equipment in place either on the occupancy date or within 30 days from the date Verizon provides access to the collocation arrangement, even in such circumstances when Verizon's inability to inspect and/or fuse power prevents the collocator from drawing power. (paras. 64-66)

Response: Since Verizon does not impose a nonrecurring charge for installation of DC power facilities to collocation arrangements, it has no way of recovering its costs until it begins applying the recurring power rates. These costs are incurred regardless of whether the collocator has installed equipment or draws the power indicated in the collocation application. In many cases, collocators do not install equipment in completed collocation space for many months, if not years. This delay is completely within the control of the collocator, as Verizon installs the fuse shortly after it determines that the equipment has been properly and safely installed. Verizon is entitled to recover its costs when it has performed all of the work necessary for the collocator to install its equipment and request fusing. In addition, other providers of expanded interconnection apply recurring power charges upon completion of space preparation, in addition to substantial up front nonrecurring charges. For example, Qwest initiates power billing at the

completion of the collocation arrangement.¹ SBC has similar provisions in the interconnection agreement and tariff to begin billing recurring charges when space is made available to the collocator.² BellSouth begins billing monthly recurring rates for power upon completion of the installation of the power feeds.³

Issue: Ordering of Power Reduction. The tariff revisions allow Verizon to bill a non-recurring charge when a collocator orders a reduction in its power requirements. Verizon waived this charge if a collocator ordered a power reduction prior to May 26, 2001, which was 30 days after the effective date of Transmittal Nos. 1373 and 1374. Verizon must explain why 30 days is a reasonable period of time for a collocator to order a reduction in power requirements without incurring this charge. In its explanation, Verizon must indicate the number of collocators that had this charge waived, and the number that were actually assessed this charge after the 30-day period. (paras. 67-70)

Response: Verizon provided this window as a courtesy to the collocators to permit them to obtain the lower rates based on load amps actually drawn without incurring nonrecurring charges. Verizon adopted a 30-day window to encourage the collocators to submit the information that Verizon needed to develop appropriate billing within the next billing cycle. Actually, the collocators had a 45 day window to submit requests for reductions in power because the tariff was filed on April 11, 2001 and it states that “if a Collocator orders a power reduction prior to May 26, 2001, where only a change in the fuse size is necessary, the Telephone Company will waive this nonrecurring charge.”

The 30 day window is a reasonable period of time for a collocator to order a reduction in power requirements without incurring a charge to recover the labor hours to facilitate these changes. First, if a collocator’s initial application specified the required power based upon their engineered requirements, there was no need to reduce the actual amount of power ordered. Second, the collocation arrangements of an individual collocator are typically identical in the types and amounts of equipment deployed throughout the region, so if there were a change to their initial power requirements, the reductions would be the same at each arrangement. Therefore the collocator would simply identify each arrangement with the necessary power configuration. Third, Verizon notified all collocators of the tariff transmittals via an industry mailing to provide immediate notice of the opportunity to reduce their power requirements. (See

¹ Qwest Interconnection Agreement: “2.5.1.1 Upon completion of the Collocation construction activities and payment of the remaining nonrecurring balance, Qwest will provide CLEC a completion package that will initiate the recurring Collocation charges.”

² SWBT Collocation Agreement 6.9: “Charges will begin to accrue on the Effective Billing Date. The Effective Billing Date is the date SWBT made the Dedicated Collocation Space available to the Collocator.”

³ BellSouth Access Services Tariff, Expanded Interconnection Services (EIS), Section E20.2.21: “a. Recurring charges for -48V DC power will be assessed per ampere per month based upon the Company Certified Vendor engineered and installed power feed fused ampere capacity.”

April 13, 2001, mailing at: <http://128.11.40.241/east/wholesale/resources/master.htm>). Fourth, Verizon simplified the process for collocators to request a reduction of power by preparing a detailed matrix that permitted the collocator to submit one request electronically for all collocation arrangements for the jurisdictions covered under FCC tariffs No.1 and No 11, as well as all the state tariffs (*see Id.*) Finally, collocators requested reductions to power prior to these tariff filings and if they determined there was a change in power, they could have requested reductions at any time prior to these tariff filings. (Attachment 10 provides a list of all power reductions submitted to Verizon as of June 21, 2001, for collocation arrangements ordered from the FCC tariffs. Collocators requested reductions in power at 336 arrangements prior to the April 11 tariff filing.)

Attachment 10 shows that 33 collocators submitted 1,291 requests within the 30-day window to reduce power, which resulted in a waiver of the nonrecurring charges. An additional 470 requests were submitted a few days after the 30 day deadline, 465 of which were received from one collocator.