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			IX. IOF - DEDICATED TRANSPORT ***Verizon Has Appropriately Estimated IOF Costs:*** Verizon's study produces reasonable, forward-looking costs for providing IOF (consisting of dedicated transport, common transport, and entrance facilities) in an efficient network based on reliable, testable data and reasonable engineering assumptions. ***Number of Nodes Per SONET Ring:*** Verizon's studies assume that, in a forwarding-looking network, SONET rings would have an average of **[VERIZON PROPRIETARY BEGIN]** ___ **[VERIZON PROPRIETARY END]** nodes per ring. This assumption appropriately balances the desire to reduce the number of ring interconnections, increase utilization of SONET electronics, and minimize planning costs. Verizon's studies conservatively assumes that, even though the average number of nodes per SONET ring would be higher in a forward-looking network (from **[VERIZON PROPRIETARY BEGIN]** ___ in the existing network to ___**[VERIZON PROPRIETARY END]**), the total ring length will not increase. Thus, Verizon appropriately multiplied the average number of rings per node in the existing network by the average distance between nodes in the existing network to determine the average length of a SONET ring. VZ-VA Recurring Panel Surrebuttal at 148-156. ***DCS and Multiplexing Equipment:*** Verizon's cost studies should not develop separate costs for DCS and multiplexing equipment, because multiplexing and DCS are not UNEs. VZ-VA Recurring Panel Surrebuttal at 159-161.

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			The Modified Synthesis Models IOF Module Is Fatally Flawed: The Modified Synthesis Model significantly underestimates the requisite number of switched interoffice trunks. The Model uses a flawed forecast of 2002 trunking needs, which fails to take into account appropriate forecasting methods and the realities of the industry. The Model omits two-thirds of the trunk groups deployed in Verizon's network, and overlooks the fact that, in the real world, trunks are built on an end-office to end-office basis in groups of 24. In addition, by failing to recognize that demand for switched access trunks is a function of how many trunks are ordered by interexchange carriers ("IXCs"), CLECs, and cellular providers, the Model builds a trunk network in which the number of access trunks is greatly understated. The Modified Synthesis Model also fails to account for the capitalized labor costs associated with trunk installation. These mistakes and oversights decrease the amount of trunk investment necessary to meet demand, and thereby violate the Commission's fundamental TELRIC principle that all demand be assumed as a given. Murphy Rebuttal at 57-60. In addition, the Modified Synthesis Model produces SONET rings used for interoffice transport that disregard proper engineering practices and produce estimates that are substantially less than the costs of rings in real-world networks. As a result, the Model is incapable of calculating accurately the costs Verizon will incur in providing transport UNEs to CLECs. In addition, the Model omits a substantial amount of terminal equipment (add-drop multiplexers ("ADMs"), OC-3 multiplexers, and digital cross-connect systems ("DCSs")) that would be required by the unrealistic rings assumed by the Model. The types of corrections AT&T/WorldCom have made in other proceedings more than quadruple the investment in the

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			electronic terminal equipment in SONET rings. (*See* Before the New Jersey Board of Public Utilities, Docket No. TO00060356, *Direct Testimony of Robert A. Mercer* (July 28, 2000); Before the New York Public Service Commission, Case 98-C-1357, *Panel Rebuttal Testimony of AT&T Communications of New York, Inc. and WorldCom* (Oct. 19, 2000); Before the Massachusetts Department of Telecommunications and Energy, D.T.E. 01-20, *Direct Testimony of Robert A. Mercer* (May 8, 2001).) Murphy Rebuttal at 61-66; Tardiff Rebuttal at 57-58. **X. COST FACTORS AND SPECIFIC EXPENSES** ***Annual Cost Factors (ACFs) Generally:*** Verizon VA's forward-looking costs were estimated through the use of three types of ACFs, which are ratios that represent the relationship between a type of cost and either (1) the associated plant account investment, (2) relevant expenses, or (3) total revenues. The ACFs are designed to attribute expenses to individual elements in a cost-causative manner; expenses incurred for specific plant accounts are attributed only to those investments, while expenses that are not specific to a particular plant account are spread equally across all affected investments. Verizon VA has made several adjustments to ensure that the ACFs result in an accurate rendition of the recurring costs of providing UNEs. These adjustments include the removal of non-recurring costs (approximately by the level of non-recurring revenues) and retail-avoided costs, and the backing out of pole attachment and conduit rental fees that Verizon VA receives. Unlike AT&T/WorldCom, however, Verizon's approach does not artificially reduce common overhead costs by entirely

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			ignoring certain classes of expenses, such as Other Support costs. VZ-VA Panel Direct at 48-77; VZ-VA Recurring Panel Surrebuttal at 15-58. Verizon VA has accounted carefully for the improvements in the forward-looking network that should reduce costs by making appropriate adjustments to expenses in the development of its cost factors. Contrary to AT&T/WorldCom's assertions, Verizon VA has reduced its expenses, where appropriate, by applying forward-looking productivity gains, reflecting reduced maintenance expenses in connection with new copper cable placements, and removing retail-related costs. The efficiencies related to newer equipment and plant mix -- for example, use of fiber over copper -- are reflected in the ACF calculations: for example, when fiber is more heavily represented in the network, the relevant ACFs will reflect the lower expenses associated with fiber. And the productivity adjustments reflect the fact that, for example, more advanced, efficient equipment will reduce work time or manpower needs. VZ-VA Panel Direct at 48-75; VZ-VA Recurring Panel Surrebuttal at 17-29. ***Copper Cable Repair and "Maintenance" Expenses:*** One example of Verizon VA's forward-looking expense reductions is the reduction in copper cable repair expenses. Verizon's projected reduction of such expenses by 5% is aggressive and appropriate, and far more realistic than the 30% proposed by AT&T/WorldCom. Verizon VA's estimate is based on the experience of its engineers and their very assumptions concerning future maintenance developments. AT&T/WorldCom's far higher estimate is entirely hypothetical; its only support allegedly comes from Verizon Maryland

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			documents that in fact demonstrate nothing about estimated repair expense reductions and instead compare the relative appeal of rehabilitating specific DAs assuming fixed repair expense reductions. Similarly, AT&T/WorldCom's assumption that Verizon VA's methods of clearing outside plant troubles lead to high repair costs is entirely misconceived. Verizon's assumption, which is based on actual network experience with rehabilitating copper plant, is the only reliable data in the record. Furthermore, expenses relating to "M" dollars should not be reduced as a result of copper cable rehabilitation, nor is there any basis to assume such expenses will be reduced at all in the forward-looking network. These "M" expenses, included in the network ACFs, do not relate to "maintenance" of defective plant. Rather, "M" dollars relate to "Moves and Rearrangements" of plant. These activities do not correlate in any manner with clearing trouble conditions, and thus will not experience any reduction as a result of the substitution of new copper for older copper. These "M" dollar "maintenance" activities -- which include, for example, pumping out manholes, relabeling the pair identifications on a distribution terminal, or raising or lowering an existing cable around an obstruction -- are quite often caused by the movement of customers, municipal requirements, and other necessary network changes. Because these maintenance activities are independent from the replacement of old, broken, or defective plant, there is simply no basis to assume (nor would it be appropriate to do so) that any level of reduction in these types of expenses (much less the 30% proposed by AT&T/WorldCom) is possible simply as a result of the use of the latest cable materials or designs. VZ-VA Recurring Panel Surrebuttal at 37-38; VZ-VA Recurring Panel

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			Surrebuttal at 62. ***Y2K:*** The 1999 (Information Services) IS expenses form an appropriate basis for calculating IS expenses. Expenditures related to Y2K projects in 1999 did not augment Verizon's budget for 1999; instead, such expenditures crowded out other projects planned for in the 1999 IS budget. This conclusion is buttressed by the fact that the 2000 IS budget for Verizon VA was 10% greater than the 1999 IS budget, a result that would not be expected if spending in preparation for 2000 involved significant one-time "Y2K" expenses above and beyond ongoing standard IS expenses. VZ-VA Recurring Panel Surrebuttal at 39-40. ***Wholesale Advertising:*** Verizon VA's inclusion of wholesale marketing expenses in its calculation of forward-looking expenses is entirely appropriate. Such activities, and related expenses, should be expected in the forward-looking marketplace. In the future, Verizon VA contemplates (consistently with the purposes of the Telecommunications Act) that it will face significantly increased competition from, for example, other facilities-based providers and providers of alternative network components. As a result, Verizon VA will engage in several forms of advertising, including advertising to CLECs, brand awareness, and market stimulation advertising. Thus, Verizon VA's marketing expenses simply cannot be considered fully retail-avoided, and must properly be accounted for in considering forward-looking expenses. VZ-VA Recurring Panel Surrebuttal at 40-46. ***Merger Savings:*** To the extent Verizon VA has experienced savings and productivity as a result of the Bell

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			Atlantic/GTE and Bell Atlantic/NYNEX mergers, this has been reflected in the calculation of the ACFs. In many instances, the estimated productivity may well be realized specifically because of the mergers; however, in other cases, the merger savings and efficiencies associated with the mergers were not even expected to benefit Verizon VA, but instead other companies within the Verizon corporate family offering services other than wireline local telephone service. Finally, any arguments raised by AT&T/WorldCom on this issue are entirely speculative -- even they cannot come up with any proposed reduction that would be appropriate or logical. No adjustment to Verizon VA's joint and common overhead cost factor is called for or supported by the vague argument that there perhaps may be some unrealized merger savings that have not been appropriately accounted for. VZ-VA Recurring Panel Surrebuttal at 46-49. ***Verizon's Forward-Looking-to-Current (FLC) Factor:*** Verizon VA's forward-looking-to-current factor (FLC) appropriately identifies forward-looking expenses. Contrary to AT&T/WorldCom's claim, it is not designed to, and in fact does not, identify embedded expenses. The FLC factor is a conversion factor that Verizon VA applies to its annual cost factors (ACFs) to ensure that, when applied to TELRIC-adjusted investments, the ACFs produce the identified forward-looking costs, which already reflect forward-looking adjustments for productivity and the removal of retail-related costs. The FLC is necessary because the ACFs are developed as a comparison of forward-looking adjusted expenses to embedded investment, when they are applied to TELRIC-adjusted investment. Without the FLC factor, application of the ACFs to TELRIC-adjusted expenses would

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			result in the identification of expenses even lower than the forward-looking expenses identified by Verizon in developing the ACFs -- but this inappropriate additional decrease in Verizon VA's costs would not be tied to any demonstrable cost reduction in the network. Accordingly, as recognized in the ALJ's Recommended Decision in the New York UNE proceeding, use of the FLC factor is needed to avoid the double application of TELRIC adjustments. *See Recommended Decision on Module Three Issues*, New York Case 98-C-1357 (New York State Public Service Commission, May 16, 2001), at 44. VZ-VA Panel Direct at 70-76; VZ-VA Recurring Panel Surrebuttal at 17-29. ***Use of the CC/BC Ratio:*** Verizon VA's use of the FLC factor is more appropriate for these studies than application of current cost to book cost ("CC/BC") ratios to investment. Application of CC/BC ratios in place of the FLC, as AT&T/WorldCom propose, would serve to reduce Verizon VA's cost factors without any justification or reasoning. Application of the CC/BC ratio simply adjusts embedded investment to current dollars, but does not take into account TELRIC-adjusted investment nor TELRIC network equipment, facility, and architectural assumptions. Accordingly, even if the CC/BC ratio were applied in calculating the ACFs, these ACFs still would produce significantly understated expenses when applied to TELRIC investments, unless something akin to an FLC (adjusted to incorporate the CC/BC ratio) also were applied. The CC/BC ratio itself is not a substitution for "forward-looking" TELRIC investments. The FLC is superior to the CC/BC ratio because it eliminates the unnecessary step of converting embedded investment to current dollars prior to converting to forward-looking investment dollars, while still

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			producing the appropriately identified forward-looking expenses. VZ-VA Recurring Panel Surrebuttal at 29-34. ***Non-Recurring and OSS Expenses:*** Verizon VA's non-recurring cost and OSS adjustments in the ACF calculations are appropriate. The removal of non-recurring revenue from Verizon VA's ACFs is designed to avoid double recovery of non-recurring costs; AT&T/WorldCom's argument rests on their flawed assertion that Verizon should recover non-recurring activities from its recurring costs -- or that, in essence, Verizon has almost no costs that may appropriately be considered non-recurring. This is inconsistent with the Commission's position on non-recurring costs, and the adjustment is inappropriate. Similarly, Verizon VA has made OSS adjustments because Access to OSS is a UNE, and it is more efficient to tie OSS costs to the related UNE, rather than to spread the costs indiscriminately over all users. AT&T/WorldCom's proposed removal of these adjustments is erroneous and inconsistent with the realities of the services Verizon VA provides to CLECs to meet their service requests. VZ-VA Recurring Panel Surrebuttal at 46-49; VZ-VA Panel Direct at 60-61, 66. ***Investment Loading Factors Generally:*** Verizon VA uses investment loading factors to translate the material-only prices for equipment or a facility into the total installed investment for that equipment or facility. These investment factors are appropriately calculated and result in ratios that allow for the accurate estimation of forward-looking costs. Verizon VA has calculated three types of investment loading factors: Engineer, Furnish & Install (EF&I), Land and Building (L&B), and Power factors. Verizon VA used its actual 1998 (and, for L&B, 1999) data to develop these investment loading factors.

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			VZ-VA Panel Direct at 40-47. ***EF&I Factors:*** Verizon VA's EF&I factors are accurate and appropriate for use in these cost studies. Verizon VA used actual data for equipment installed in calendar year 1998 to develop the EF&I factors based on the material-only investments for each class of equipment. There is no reason to think that the costs calculated from the 1998 data will vary simply because material investment may be reduced in the forward-looking network; there is no linear correlation between the cost of the material and the cost of installing it. Nor should the 1998 costs change significantly, as the technology employed in 1998 has not undergone major changes and is not expected to undergo significant transformation within the planning period. The EF&I factors thus state a relationship that is sensible to apply in the forward-looking environment. Moreover, notwithstanding AT&T/WorldCom's suggestions to the contrary, Verizon VA's EF&I calculations include neither removal costs for old equipment nor reconfiguration costs of buildings and office space. VZ-VA Recurring Panel Surrebuttal at 52-57; VZ-VA Panel Direct at 42-44. ***EF&I for DLC Equipment***: Verizon VA's EF&I factor for DLC equipment is far more sensible than AT&T/WorldCom's proposed approach. Verizon VA's calculations average the EF&I costs for plug-in and hardwire equipment and apply these to the total plug-in and hardwire investment. AT&T/WorldCom propose to separate plug-in and hardwire equipment EF&I rates, but then would apply the lower plug-in rate to DLC plug-ins

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			without applying the higher hardwire-only EF&I to all other DLC equipment. Their approach makes no sense and produces inconsistent results. VZ-VA Recurring Panel Surrebuttal at 56-58. ***EF&I Factor for SONET Equipment:*** Verizon VA's EF&I factor for SONET equipment is based on Verizon's actual experiences installing SONET equipment, with appropriate forward-looking adjustments, within the constraints of TELRIC. There is no evidentiary or other basis for adopting a lower EF&I factor. VZ-VA Recurring Panel Surrebuttal at 156-158. ***L&B Factors:*** AT&T/WorldCom's proposed adjustment to Verizon VA's Land and Building (L&B) factor is entirely inappropriate and is designed simply to reduce that factor, as is evident from their removal of the FLC and failure in this instance to apply their proposed CC/BC ratio. VZ-VA Recurring Panel Surrebuttal at 51-52; VZ-VA Panel Direct at 46. ***The Modified Synthesis Model Adopts Unreasonable and Erroneous Investment and Expense Assumptions:*** ***Power and Main Distribution Frame Investment:*** The Modified Synthesis Model uses an unreasonably low figure for power and main distribution frame ("MDF") investment. Technology Futures Inc. ("TFI"), the company that generated the data upon which these investment levels are based, has stated unequivocally that the Commission misused its study and that the actual investment for power and MDF is substantially higher than the estimates used in the Model. Murphy Rebuttal at 91-92.

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			Central Office Construction: The land and building investment used in the Modified Synthesis Model differs greatly from AT&T's own experience. AT&T stated that its central office construction costs averaged **[Begin AT&T Proprietary]** ___ **[End AT&T Proprietary]** per square foot (Before the Federal Communications Commission, CC Docket Nos. 00-218, -249, -251, AT&T's Response to Verizon's First Set of Data Requests, Request No. VZ-VA I-6 (h) (July 9, 2001).) The value used in the Model for central office construction ranges from $75 to $150 per square foot. (HAI Model, Release 5.0a, Inputs Portfolio at p. 78.) Even adding in the Model's most expensive land cost ($20 per square foot) results in a grossly understated construction cost of $190 per square foot. See Murphy Rebuttal at 90-93. ***Calculation of Plant-Specific Expenses:*** The Modified Synthesis Model's use of outdated national factors for plant-specific expenses fails to capture Virginia-specific or Verizon-specific operating conditions, thereby producing unreasonable estimates of Verizon's current costs of operating and maintaining its facilities. Moreover, the Model inappropriately applies expense ratios of current expenses to current investments to steeply discounted, forward-looking investments, thus inappropriately linking any decrease in investment with an automatic, proportionate decrease in ongoing expenses. Furthermore, the expense ratios that the Model uses are based on aggregate data and nationwide estimates of input costs, and thus there is no guarantee that the expense factors will align properly with the equipment price inputs. Tardiff Rebuttal at 58-61. ***Calculation of General Support:*** AT&T/WorldCom's

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			calculations of general support costs do not produce reasonable levels of support assets. Because the Modified Synthesis Model produces an unreasonably low estimate for total plant investment, multiplying that estimate by the ratio of book investment general support assets to investment in plant accounts automatically underestimates the support assets as well. The Model also excludes from the cost estimate such services as special access and toll, which must be included when estimating UNE costs. Moreover, the Modified Synthesis Model does not accurately use Verizon 2000 ARMIS data when calculating the investment ratios for each general support facility account. Tardiff Rebuttal at 62-65. ***Common Support Services Expense:*** The definition of Common Support Services expense employed by the Modified Synthesis Model incorrectly eliminates the ARMIS account for Marketing from its cost calculations, thereby omitting many of the costs of UNE-related activities, such as product forecasting, product management, and regulatory implementation. The Modified Synthesis Model also fails to include the cost of local number portability. The Model incorrectly assumes that a CLEC's ability to purchase individual UNEs means that the ILEC will no longer incur such costs. Murphy Rebuttal at 75. These platform flaws result in unrealistic and understated cost estimates. Murphy Rebuttal at 68-70. ***Network Operations Expense:*** The Modified Synthesis Model significantly understates the Network Operations expense assigned to UNEs. The Model uses an inaccurate forecast of Verizon-specific 2002 expense data, which are then inappropriately combined with 1998 nationwide expense factors

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			to develop per-unit values that are assigned to individual UNEs. This flawed approach substantially exaggerates demand growth and distorts any relationship between demand and expense, and generates understated cost estimates. Murphy Rebuttal at 31-37. Moreover, the Model's methodology for calculating Common Support Services expense is based on the original Synthesis Model's nationwide regression values, and results in DS3 network operations expenses that are 672 times greater than those of two-wire copper loop used to provide basic exchange service. Such an illogical assumption exaggerates a network's efficiencies and thus would not produce a reliable estimate of actual Network Operations expense for any UNE. Murphy Rebuttal at 73-74. Compounding these platform flaws is the fact that the calculations only assign about $81 million of the estimated total of $106 million in Network Operations expense. Tardiff Rebuttal at 65-67. ***Corporate Operations Expenses:*** The Modified Synthesis Model's 8% factor for Corporate Operations expenses is also conceptually flawed and inconsistent with the assignment of other Common Support Services expenses, as well as with the logic of the Modified Synthesis Model, which includes these expenses as a dollar amount per unit of demand. Additionally, this factor is applied to a base of expenses that is inconsistent with the base from which the factor was developed – an approach that overstates efficiencies for the Corporate Operations expenses that have already been accounted for in the cost base to which the factor is being applied. As a result, the Model understates the resources required to support the network's facilities and services, including the UNEs provided by Verizon, and produces less than one-third of Verizon's

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			corporate expenses in 2000. Tardiff Rebuttal at 67-68; Murphy Rebuttal at 75-76. **XI. <u>OSS</u>** ***Verizon VA Should Be Permitted To Recover Its costs for Making the Access to OSS UNE Available to CLECs:*** Verizon VA has demonstrated that it has incurred initial development costs to make access to Verizon VA's OSS possible and will continue to incur recurring capital costs and maintenance costs associated with provisioning Access to OSS on an ongoing basis. Verizon VA explains in detail how it calculated these costs in its direct testimony. VZ-VA Panel Direct at 254-93; VZ Panel Surrebuttal at 231-48. Verizon VA has established that Virginia's share of the annual costs for providing Access to OSS is $8.8 million and that these costs should be recovered through a recurring monthly charge of $0.84 per resold line/unbundled loop/ UNE-P/ Combination for the 10-year recovery period (when Verizon VA is recovering both one-time development costs and annual recurring costs) and through a recurring monthly charge of $0.47 per resold line/unbundled loop/ UNE-P/ Combination after the 10-year recovery period (when Verizon VA is recovering only the annual recurring costs). VZ-VA Panel Direct at 242-97. Verizon VA's costs of providing Access to OSS are forward-looking. They reflect the most forward-looking technology currently deployed to provide CLECs with Access to OSS. Contrary to the AT&T/WorldCom's claims, these costs are not "embedded" costs as the term has been defined in cost

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			proceedings under the Act. Although a portion of Verizon VA's OSS costs are based on actual costs, these costs were incurred after, and as a direct result of, Verizon's unbundling obligations under the Act. VZ-VA Panel Direct at 247-48; VZ-VA Recurring Panel Surrebuttal at 225-28. The costs for the Access to OSS UNE should be borne by CLECs. The Act requires ILECs such as Verizon to provide Access to OSS as a UNE, and the Act, as well as the Commission's rules, require UNEs to be priced to cover costs. AT&T/WorldCom's contention that the initial development costs are "competition-onset costs" that should not be recovered from the CLECs, *see* AT&T/WorldCom Rebuttal Panel at 145-46, simply ignores the law. It is irrelevant to this proceeding that Verizon VA is required under the Act to provide Access to OSS — this is true for all UNEs. It is equally irrelevant that Verizon VA must provide Access to OSS in order to obtain permission to offer long distance service. The CLECs have demanded that Verizon VA make significant changes to its OSS to benefit CLECs and should not now be permitted to shift the costs of these changes to Verizon VA. Forcing Verizon VA to bear these costs would result in an improper subsidy to the CLECs. VZ-VA Recurring Panel Surrebuttal at 212, 214-16, 224-25. It is likewise immaterial that the CLECs incur some costs of their own to obtain access to Verizon's OSS. Verizon modified its existing OSS to benefit the CLECs. Thus, the fact that the CLECs must spend some of their own money to obtain this benefit does not mean that Verizon VA should not be compensated for its costs. That would be akin to arguing that because a person had to spend money to drive to the theater, the

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			movie should be free. Other Commissions agree with Verizon's position, *e.g. AT&T Communications v. Bell South Telecommunications*, 20 F.Sup. 2d 1097, 1104-05 (E.D. Ky 1998); VZ-VA Recurring Panel Surrebuttal at 216. Although the CLECs claim that allowing Verizon VA to recover Access to OSS costs would give Verizon an incentive to act inefficiently, AT&T/WorldCom Panel Rebuttal at 152-53, the CLECs have provided no evidence that Verizon has done so. VZ-VA Recurring Panel Surrebuttal at 212-13, 215-16, 218-20. The CLECs alternative proposal — that Access to OSS costs should be borne by a surcharge on all end-users — likewise ignores the law and would constitute a subsidy for CLECs. VZ-VA Recurring Panel Surrebuttal at 214-224; Shelanski - Tardiff Surrebuttal at 59. The CLECs improperly analogize their proposal to the Commission's treatment of number portability costs. AT&T/WorldCom Rebuttal Panel at 151-52. As Verizon VA noted in surrebuttal testimony, the Commission specifically interpreted Congress's competitive neutrality mandate to require that number portability costs be assessed on end users. Congress did not impose a similar requirement for UNE costs. Indeed, the Commission has plainly held that the competitive neutrality mandate for number portability does not apply to other costs associated with competition. VZ-VA Recurring Panel Surrebuttal at 222-24. Contrary to AT&T/WorldCom's claims, Verizon VA has fully supported its Access to OSS costs. The CLCs do not point to a single system, feature or change that they think was unnecessary or inappropriate. Verizon used its financial reporting processes and systems to track Access to OSS

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			development costs. The New York Public Service Commission is in the process of auditing Verizon's Access to OSS costs. It has already completed it review of Verizon's 1996-1999 costs and found that Verizon had in fact incurred those costs. VZ-VA Recurring Panel Surrebuttal at 231-37. AT&T/WorldCom's other criticisms of Verizon VA's Access to OSS costs are equally without merit. VZ-VA Panel Surrebuttal at 23-48. **XII. <u>DAILY USAGE FILE</u>** Verizon has proposed reasonable, forward-looking proposed costs for daily usage file (DUF) service, which it has fully supported. The DUF service provides resellers and UNE purchasers with the IntraLATA local and toll call usage record details of their end users. DUF costs were developed for Record Processing, Data Transmission, and Tape or Cartridge. These costs include the computer processing usage time, computer termination maintenance, salary and wages of personnel handling the data transmission functions, software maintenance and disk maintenance. Contrary to AT&T/WorldCom's claims, Verizon VA's proposed charges are reasonable in light of the anticipated demand for this service, are supported in the cost studies, and are not duplicative since Verizon VA removed DUF expenses from the expenses used to develop its recurring cost factors. VZ-VA Panel Direct at 239; VZ-VA Recurring Panel Surrebuttal at 208-211.

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II-1-d	What rate schedules should be established for each network element and interconnection service provided by Verizon, including an appropriate measure of deaveraging for customer density and other cost determinants?	**XII. PROPOSED RATES** The rate schedules attached to the Pitkin Surrebuttal testimony set forth the rates that should be established for each network element and interconnection service provided by Verizon.	**XIII. PROPOSED RATES** Verizon's proposed rates are set forth in Attachment A. This Attachment is consistent with Part A, Summary of Cost of Verizon VA's July 2, 2001 Cost Studies, with minor clarifications regarding the application of these rates. This exhibit also corrects the rates for dark fiber, as discussed in Verizon VA Recurring Panel Testimony (as stated, these revisions do not affect the cost study, only the summary sheet). Verizon VA intends to make certain amendments to Attachment A as set forth in the VZ-VA Recurring Panel Surrebuttal.
RESALE DISCOUNT ISSUE	What discount should apply to Verizon's retail rates when it provides its services to resellers at wholesale, and to which services should that rate apply?	**I. VERIZON'S WHOLESALE DISCOUNT COST STUDY IS FUNDAMENTALLY FLAWED AND DOES NOT JUSTIFY A DECREASE IN THE WHOLESALE DISCOUNT.** Verizon advocates a wholesale discount for CLECs providing their own operator services and directory listing service of 14.32%, and 13.06% using Verizon's operators. Those rates are substantially lower than those the Virginia State Corporation Commission adopted in November 1996: 21.3% when CLECs provide their own operators and 18.5% using Bell Atlantic – VA's operators.[1] To support this drastic reduction, Verizon cites *Iowa Utils. Bd. v. FCC*.[2] Verizon's interpretation of the *Iowa Utils.* decision is overreaching, inconsistent with the Telecommunications Act, and yields a low wholesale rate that allows Verizon to recover avoided retail costs. Rather than determine the portion of retail rates attributable to Verizon's retail operation, Verizon has treated as avoided only those costs	**I. VERIZON'S PROPOSED RESALE DISCOUNT IS CONSISTENT WITH THE 8TH CIRCUIT DECISION AND SUPPORTED BY THE RECORD** ***The Commission Should Adopt Verizon VA's Proposed Resale Discount:*** Verizon VA filed an avoided cost study that identifies the specific costs Verizon VA avoids in making its retail telecommunications services available for resale in Virginia. Verizon VA developed discounts for two scenarios: (1) where the reseller continues to use Verizon VA Operator Services and Directory Assistance; and (2) where the reseller does not use Verizon VA's OS/DA platform. To calculate the resale discount, Verizon VA analyzed its expenses by function codes, which are used for accounting purposes to correlate Verizon VA expenses with specific activities or functions. Verizon VA's avoided cost study is explained in further detail in Verizon VA's Recurring Direct Panel Testimony, at 337-65. ***Verizon's Avoided Cost Study Is Consistent with the 8th Circuit's Decision:*** The Eighth Circuit plainly held that retail

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		that are entirely eliminated when Verizon sells services at wholesale, *even if the costs were incurred to support Verizon's retail operation.* In other words, to the extent a function allegedly supports both Verizon's retail and wholesale operations, Verizon incorrectly treats the entire cost as not avoided. That defect is evident in Verizon's handling of its advertising expenses. Verizon's advertising expenses are clearly retail costs, as they attempt to convince consumers to purchase Verizon services. Verizon's advertising costs do not benefit reseller CLECs, of course, as the goal is to stimulate retail sales of Verizon's services. That Verizon's cost model treats **all** of its retail advertising costs as unavoided shows how deeply flawed Verizon's methodology is. The FCC should also reject Verizon's invitation to adopt a different wholesale discount for stand-alone services. Verizon speculates that if it resells a stand-alone service, like a vertical feature, it somehow avoids fewer retail costs than if it sold basic service with vertical features. Verizon ignores the fact that if it retains the customer's basic service business, it still receives its full retail rate, which covers its retail costs. There is no basis for Verizon's assumption that the avoided costs are different for stand-alone services. Because Verizon's cost study does not treat all of its retail costs as avoided, the FCC should not lower the wholesale discount. Instead, the FCC should leave the existing wholesale discount in place until the FCC has an opportunity to revise its rules for calculating the wholesale discount.	avoided costs are only those that "the ILEC will actually avoid incurring in the future, because of wholesale efforts, not costs that 'can be avoided.'" *Iowa Utils. Bd. v. FCC*, 219 F.3d 744, 755 (8th Cir. 2000), *cert. granted sub nom., Verizon Communications v. FCC*, 121 S. Ct. 877 (2001). The Eighth Circuit also ruled that the avoided costs should recognize that the ILEC would continue to offer its services for retail. VZ-VA Panel Direct at 338. ***The Commission Should Not Defer Decision on the Resale Discount:*** AT&T/WorldCom's proposal that the Commission defer deciding the appropriate discount in this case until it issues new rules on how to calculate the resale discount should be rejected. The existing discount that was imposed by the Virginia Commission under the Commission's old resale rules is now contrary to the current state of the law. The Eighth Circuit decision could not be any clearer -- the Court ruled that only those costs that are *actually* avoided when Verizon VA provides a service on a wholesale rather than a retail basis should be considered in calculating the wholesale discount. Thus, any discounts issued under the old rules should not remain in place simply because the Commission has not yet issued new rules. The Commission, moreover, has already rejected AT&T/WorldCom's "wait and see" proposal in this proceeding. The Commission, at AT&T/WorldCom's insistence, decided to proceed with all TELRIC costing issues, notwithstanding that the TELRIC rules themselves are currently under review in the Supreme Court. AT&T/WorldCom cannot have it both ways. Minion Surrebuttal at 3.

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		A. Verizon's Interpretation of *Iowa Utils.* Is Overreaching And Yields An Incorrect Discount Rate. The Act requires that incumbent LECs sell services to other carriers for resale. The specific language in 47 U.S.C. § 252(d)(3) is that "a State commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service requested, *excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier."* (Emphasis added). Thus, to determine wholesale rates, the Act identifies marketing, billing, and collection as costs that are to be excluded. The Act also prescribes the removal from retail rates of any "other costs" that will be avoided. In *Iowa Utils.*, the Eighth Circuit construed the phrase "avoided costs" as it is used in the calculation of the wholesale discount. The court stated: > The phrase "will be avoided" refers to those costs that the ILEC <u>will actually avoid incurring in the future</u>, because of its wholesale efforts, not costs that "can be avoided." . . . The plain meaning of the statute is that costs that are actually avoided, not those that could be or might be avoided, should be excluded from the wholesale rates.[3] Verizon's cost study is inconsistent with the Eighth Circuit decision. Verizon's claim is that it will avoid few retail costs when it operates in a wholesale environment. Nothing in the Eighth Circuit decision, however, precludes the logical	***AT&T/WorldCom's Claim That Verizon's Proposed Discount Would Not Permit the CLECs To Make a Profit Is Misplaced:*** AT&T/WorldCom's claim that Verizon VA's proposed resale discount would not permit the CLECs to make a sufficient profit is equally misplaced. Nowhere in the Act, the Commission's rules or the Eighth Circuit's decision is it stated that the resale discount should be set at a rate that ensures that resellers make a particular profit. Minion Surrebuttal at 4. ***Verizon Has Properly Identified All Costs That Will Be Avoided:*** Contrary to AT&T/WorldCom's claims, Verizon VA has properly identified all costs that will be avoided by not providing services on retail basis. AT&T provides no credible evidence that Verizon VA has failed to exclude avoided costs. Minion Surrebuttal at 4. AT&T/WorldCom, for example, argues that Verizon VA should have considered advertising costs as avoided. As Verizon VA explained in the factor section of its Recurring Panel Surrebuttal Testimony, this criticism is wrong: there are many reasons why retail advertising by Verizon would benefit its wholesale customers by spurring market interest in telecommunication services. Minion Surrebuttal at 5. AT&T/WorldCom's claim that as a market grows more competitive, Verizon VA would naturally decrease its retail advertising expenditures is incorrect. Indeed, history has shown that advertising increases as competition increases. AT&T/WorldCom, for example, increased its long distance advertising as it share of the long distance market decreased. Minion Surrebuttal at 6.

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		assumption that the ILEC will behave like a rational business and will avoid all costs that it can. Without that presumption, the underlying premise would be that the ILEC would continue incurring retailing-related costs, even if the end-user had migrated to a CLEC. In addition, Verizon's cost study ignores the Eighth Circuit's holding that "avoided costs" are costs the ILEC will "actually avoid incurring in the future."[4] The Act clearly contemplated a fully competitive local service market in the future.[5] Verizon's cost model, however, implicitly assumes a market *exactly as it is today* – with one provider (Verizon) retaining a near monopoly in its retail operation, and with resale competitors having a tiny fraction of the market. Verizon's cost model treats the overwhelming majority of its retail costs as unavoided retail costs because it implicitly assumes there is so little resale competition – an assumption contrary to the Act. Verizon's incorrect reading of the *Iowa Utils.* decision corrupts the very foundation of its cost study. In essence, Verizon tallied all costs and then stripped out the costs attributable *solely* to retail sales. The result is that costs that support *both* Verizon's retail and wholesale operations are not avoided. That causes CLECs to shoulder a portion of Verizon's avoided retail costs if even a sliver of the costs also support the wholesale operation. This error, coupled with Verizon's failure to assume a competitive marketplace, causes it to treat a host of avoided costs as unavoided. B. Verizon's Errors In Methodology Cause It To Treat Obviously Retail Costs Like Product Advertising As Unavoided.	Verizon VA properly did not consider expenses relating to operator services and to directory assistance, and directory listing services, as avoided. If a reseller decides not to use Verizon's operator services and directory assistance/directory listing services, then it will not incur the Verizon charges associated with those services. The reseller is given a higher discount when it provides its own operator services. To also consider those costs as "avoided" would effectively give the reseller "double-avoidance" – once by not paying the rates in the first place and twice by artificially increasing the discount on the services that they are purchasing. Minion Surrebuttal at 7. AT&T/WorldCom's claim that Verizon VA has applied the avoided cost standard inconsistently is based on the mistaken assumption that Verizon counts a costs as avoided if the CLEC will incur similar costs. As Verizon explained in Mr. Minion's Surrebuttal Testimony, the test under the Act is what costs Verizon VA will avoid when its end user takes service from a reseller instead of Verizon VA. Minion Surrebuttal at 8-9. The Commission should also reject AT&T/WorldCom's claims regarding removing indirect costs related to the Information Management Account, as well as 100% of the salaries of the people who perform avoided sales functions for the reasons discussed in Mr. Minion's Surrebuttal Testimony, at 9-11. ***Verizon VA Will Avoid Few (If Any) Costs If It Is Required To Sell Vertical Features on a Stand-Alone Basis:*** Finally, if the Commission decides (contrary to the law) that Verizon VA must resell vertical features on a stand-alone basis, Verizon would avoid very few (if any) costs because Verizon

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		Advertising As Unavoided. Verizon treats the lion's share of its cost as unavoided. The result is to load Verizon's retail expenses onto resellers in the form of inflated wholesale prices. This means that resellers effectively would wind up paying for some retail functions twice: to support its own retail operations and to support Verizon's. The most obvious example is Product Advertising. Verizon treats *all* of its own retail advertising expense as not avoided. Put differently, when the market becomes competitive in the future and CLECs capture a substantial market share, Verizon assumes that it would not cut its advertising budget by even one dollar. Verizon further argues (without support) that its retail advertising will somehow stimulate demand for CLECs' services -- which illustrates Verizon's view that if it can conjure a baseless theory that even a sliver of a retail expense indirectly supports its wholesale operation, the entire expense is unavoided. Verizon's approach to product advertising is the clearest example of how Verizon's cost model is overreaching and inconsistent with the Act. Equally troubling are the implications for CLECs of allowing Verizon to treat all of its advertising budget as unavoided. CLECs must pay for their own advertising to capture retail market share, of course. But Verizon would be allowed to continue its own retail advertising efforts subsidized by resellers. CLECs would pay for advertising twice, once for their own, and once by having Verizon's advertising included in the resale price -- something that neither the Eighth Circuit nor	VA must still provide the basic dial tone service. AT&T/WorldCom makes the irrelevant point that Verizon VA will still receive the basic dial tone rate from the customers. But this has nothing to do with the issue at hand: what costs are ***avoided*** by Verizon when it provides vertical features on a stand-alone basis to resellers. The answer is that virtually no costs are avoided because Verizon must still provision the dial tone service. AT&T/WorldCom's other claims regarding vertical features should likewise be rejected. Minion Surrebuttal at 11-13.

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		the Act contemplates. C. The FCC Should Not Adopt A Separate Discount Rate For Stand-Alone Services. The Act imposes on ILECs the obligation to offer for resale "any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers."[6] Vertical features are separately-priced tariffed services, so Verizon has an obligation to resell them at the wholesale discount ordered by this Commission. Nevertheless, Verizon claims that it is entitled to offer these "stand-alone" services for resale at a different (presumably lower) wholesale discount rate, reasoning that if the reseller were reselling only a vertical feature, Verizon "would continue to provide the basic dial tone service and would not necessarily avoid any costs."[7] The fallacy in Verizon's analysis is that if a reseller purchases a stand-alone retail feature but Verizon provides basic service, Verizon still receives from the customer *the full retail rate* for the basic service. Verizon has made no showing that avoided costs differ for vertical features. Verizon necessarily avoids the retail expenses associated with the stand-alone service itself, so the discount should be the same despite Verizon's speculative assertions. D. The FCC Should Not Disturb The Existing Virginia Wholesale Discount Rate Until It Adopts New Rules. Verizon represents the Eighth Circuit decision as "the final word on the applicable law" and that its cost study is	

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		"designed to comply with the guidance provided by the Eighth Circuit."[8] In fact, neither Verizon not AT&T (nor anyone else, for that matter) knows for certain how the wholesale discount should be calculated post-Eighth Circuit. The FCC has two choices for correcting Verizon's mistakes. One is to do so within the confines of this proceeding. The other, and the one AT&T recommends, is to leave the existing wholesale discount in place for now until the FCC has an opportunity to revise its rules for calculating the wholesale discount. Even at the 21.3% discount available since late 1996, the resale market in Virginia is still quite small. Reducing the wholesale discount, as Verizon proposes, would drive a permanent stake in the heart of resale competition because an even lower wholesale discount would make resale an even less attractive alternative than it is now. If resale is to take hold in Virginia, the Commission should not lower the discount based solely on Verizon's flawed cost study.	

1 For GTE, the wholesale discount was 20.6% when GTE provided operators and 23.4% when GTE did not.

2 Iowa Utils. Bd. v. FCC, 219 F.3d 744 (8th Cir. 2000), vacated and remanded in part, AT&T Corp. v. Iowa Utils. Bd., 525 U.S. 1133 (2001).

3 219 F.3d 744, 755 (8th Cir. 2000) (emphasis added).

4 219 F.3d 744, 755 (8th Cir. 2000) (emphasis added).

5 Id. at 744, 747 (emphasis added).

6 Telecommunications Act, Section 251(c)(4)(A).

7 Panel Testimony at 365:13-14.

8 Verizon Virginia Panel Testimony On Unbundled Network Elements and Interconnection Costs ("Panel Testimony") at 338:15.

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VERIZON VIRGINIA, INC.
ARBITRATION PROCEEDING
FEDERAL COMMUNICATIONS COMMISSION
CC DOCKET NOS. 00-218, 00-249, and 00-251

PROPOSED SUMMARY OF RATES

EXHIBIT	UNBUNDLED NETWORK ELEMENT RECURRING	Proposed Recurring Rates (w/out Overhead Mod.)	COMMENTS
	Unbundled Loop		
Part B-1	2 Wire Basic Unbundled Loop Density Cell 1	$ 19.49	
Part B-1	2 Wire Basic Unbundled Loop Density Cell 2	$ 29.69	
Part B-1	2 Wire Basic Unbundled Loop Density Cell 3	$ 48.93	
Part B-1	2 Wire Basic Unbundled Loop - State Average	$ 25.12	
Part B-2	4 Wire & 4Wire Customized Specified Signalling Loop Density Cell 1	$ 59.94	
Part B-2	4 Wire & 4Wire Customized Specified Signalling Loop Density Cell 2	$ 80.95	
Part B-2	4 Wire & 4Wire Customized Specified Signalling Loop Density Cell 3	$ 117.87	
Part B-2	4 Wire Wire Customized Specified Signalling Loop - Statewide Average	$ 71.12	
Part B-3	2 Wire Customer Specified Signalling Density Cell 1	$ 27.45	
Part B-3	2 Wire Customer Specified Signalling Density Cell 2	$ 37.89	
Part B-3	2 Wire Customer Specified Signalling Density Cell 3	$ 56.60	
Part B-3	2 Wire Customer Specified Signalling Statewide Average	$ 33.06	
Part B-4	ISDN BRI Density Cell 1	$ 24.83	
Part B-4	ISDN BRI Density Cell 2	$ 35.31	
Part B-4	ISDN BRI Density Cell 3	$ 54.51	
Part B-4	ISDN BRI Statewide Average	$ 30.53	
Part B-5	Digital 4 Wire (56&64 Kbps) Density Cell 1	$ 63.58	
Part B-5	Digital 4 Wire (56&64 Kbps) Density Cell 2	$ 85.93	
Part B-5	Digital 4 Wire (56&64 Kbps) Density Cell 3	$ 124.71	
Part B-5	Digital 4 Wire (56&64 Kbps) Statewide Average	$ 75.40	
Part B-6	DS1/ISDN PRI Loop - Density Cell 1	$ 134.88	
Part B-6	DS1/ISDN PRI Loop - Density Cell 2	$ 166.61	
Part B-6	DS1/ISDN PRI Loop - Density Cell 3	$ 184.04	
Part B-6	DS1/ISDN PRI Loop Statewide Average	$ 142.22	
Part B-7	DS3 Loop - Statewide Average	$ 1,404.10	
	Unbundled Sub-Loop Arrangements		
Part B-8	Sub Loop Distribution - 2 Wire - Density Cell 1	$ 9.36	
Part B-8	Sub Loop Distribution - 2 Wire - Density Cell 2	$ 17.37	
Part B-8	Sub Loop Distribution - 2 Wire - Density Cell 3	$ 31.07	
Part B-8	Sub Loop Distribution - 4 Wire - Density Cell 1	$ 18.45	
Part B-8	Sub Loop Distribution - 4 Wire - Density Cell 2	$ 34.51	
Part B-8	Sub Loop Distribution - 4 Wire - Density Cell 3	$ 61.91	
Part B-8	Sub Loop Feeder - DS1 - Density Cell 1	$ 118.45	

Part B-8	Sub Loop Feeder - DS1 - Density Cell 2	$	132.40	
Part B-8	Sub Loop Feeder - DS1 - Density Cell 3	$	135.75	
Part B-9	Subloop Feeder - DS3 Density Cell Statewide Average	$	1,350.60	
Part B-10	Off Premise Extension Unbundled Loop Density Cell 1	$	19.49	See Part B-1 2W Loop rates.
Part B-10	Off Premise Extension Unbundled Loop Density Cell 2	$	29.69	See Part B-1 2W Loop rates.
Part B-10	Off Premise Extension Unbundled Loop Density Cell 3	$	48.93	See Part B-1 2W Loop rates.
Part B-10	Off Premise Extension Unbundled Loop Statewide Average	$	25.12	See Part B-1 2W Loop rates.
	Unbundled Network Interface Device (NID)			
Part B-11	NID to NID Connection 2 Wire (per NID)	$	1.16	
Part B-11	NID to NID Connection 4 Wire (per NID)	$	1.23	
Part B-11	Standalone NID - 2 Wire (Per NID)	$	1.16	
Part B-11	Standalone NID - 4 Wire (Per NID)	$	1.23	
Part B-12	Standalone NID - DS1(Per NID)	$	5.39	
Part B-11	UNE Shared NID (Per Line)	$	0.36	
	Unbundled xDSL Conditioning & Qualification			
Part B-13	Mechanized Loop Qualification	$	0.26	
Part B-13	Wideband Test Access	$	2.19	
Part B-13	Addition of Loop Electronics - Normal - NRC	$	1,118.11	
Part B-13	Addition of Loop Electronics - Expedite - NRC	$	1,126.34	
	Unbundled EEL Testing			
Part B-14	2 Wire Analog Test Charge	$	0.62	
Part B-14	2 Wire Digital Test Charge	$	0.77	
Part B-14	4 Wire Analog Test Charge	$	1.85	
Part B-14	1.544 Mbps (DS1) Digital Test Charge	$	3.95	
Part B-14	Digital 4 Wire (56 or 64 kbps) Test Charge	$	2.00	
Part D-2	Voice Grade Fixed includes both ends	$	34.04	See Part D-1 IOF study. The rates are the same as the IOF Voice Grade Fixed rates.
Part D-2	Voice Grade per Mile	$	0.16	See Part D-1 IOF study. The rates are the same as the IOF Voice Grade Per Mile rates.
	Line Sharing/Line Splitting			
	Admin & Support			
Part B-15	Option A	$	27.69	
Part B-15	Option C	$	34.89	
Part B-16	Splitter Equipment Only -Option C	$	4.28	

	Nonrecurring		
Part B-15	Splitter Installation	$	1,487.52
	Unbundled OSS rates for Line Sharing and Splitting		
Part B-17	OSS for Line Sharing	$	0.84
	Unbundled Line Ports		
Part C-1	POTS/PBX/CTX	$	3.15
Part C-1	ISDN BRI or Ctx Port	$	16.05
Part C-1	ISDN PRI Port	$	122.05
Part C-1	Unbundled Public Access Line Port (UPALP)	$	3.15
Part C-1	Unbundled Coin Port (UCP)	$	4.01
Part C-2	SMDI II (Simplified Message Desk Interface) Port	$	299.48
Part C-3	Switched DS1 Port (DS1 Port with Line Treatment)	$	81.96
Part C-1	Automatic Identified Outward Dialing (AIOD)	$	0.67
Part C-1	Direct Inward Dialing and Outward (DID/DOD)	$	8.44
Part C-4	IDLC Port per Interface Group (TR008/GR303)	$	377.92
	Unbundled Dedicated Trunk Ports		
Part C-5	Dedicated Trunk Port - End Office	$	88.88
Part C-6	Dedicated Trunk Port - Tandem	$	90.51
Part C-7	Dedicated Trunk Port - TOPS	$	77.56
	Unbundled Individual Line Port Features		
	Res/Bus Features		
Part C-1	Call Waiting Display Number	$	0.0186
Part C-1	Call Waiting Display Name	$	0.0186
Part C-1	Three Way Calling	$	0.3506
Part C-1	Remote Call Forwarding	$	2.2487
Part C-1	Calling Number Delivery	$	0.0182
Part C-1	Calling Number & Name Delivery	$	0.6033
Part C-1	Anonymous Call Rejection	$	0.0351
Part C-1	Automatic Recall (Return Call)	$	0.2758
Part C-1	Call Waiting	$	0.0001
Part C-1	Automatic Callback (Repeat Call)	$	0.2731
	Unbundled CENTREX Features		
Part C-1	CTX Intercom	$	0.4871
Part C-1	CTX Announcement	$	0.7253
Part C-1	Ctx 3-Way Conference	$	0.3506
Part C-1	Ctx Automatic Recall (Return Call)	$	0.1379
Part C-1	Ctx Distinctive ringing	$	0.0044
Part C-1	Ctx Loudspeaker Paging	$	8.4525
Part C-1	Ctx Meet-Me Conference	$	0.1302
Part C-1	Ctx Selective Call Acceptance	$	0.0339
Part C-1	Ctx Selective Call Forwarding	$	0.0078
Part C-1	Ctx Selective Call Rejection	$	0.0433
Part C-1	Ctx 6-Way Conference	$	1.2848
Part C-1	Ctx Station Message Detail Record (SMDR)	$	12.9835
Part C-1	Ctx Repeat Call	$	0.2731
Part C-1	Ctx Call Transer - All Calls	$	0.0156
Part C-1	Ctx Call Waiting Terminating (All Calls)	$	-
Part C-1	Ctx Directed Call Pick-up with Barge-In (Originating)	$	0.0020
Part C-1	Ctx Executive Busy Override	$	0.0003

	Unbundled ISDN Features		
Part C-1	ISDN Intercom	$	0.4871
Part C-1	ISDN Announcement	$	9.0728
Part C-1	ISDN 3-Way Calling	$	0.3506
Part C-1	ISDN 6-Way Conference	$	0.8063
Part C-1	ISDN Call Pickup	$	0.0003
Part C-1	ISDN Selective Call Rejection	$	0.0650
Part C-1	ISDN Call Transfer Individual - All Calls (Ftr. 578)	$	0.0487
Part C-1	Calling Number Delivery	$	0.5185
Part C-1	Calling Name Delivery	$	0.5185
	Unbundled Switching- Per MOU		
Part C-8	Originating EO Local Switching per MOU	$	0.002703
Part C-8	Termination EO Local Switching per MOU	$	0.002374
	Unbundled Tandem Switching		
Part C-8	Tandem Switching MOU	$	0.000785
	Unbundled Common Trunk Ports		
Part C-8	Common Trunk Port - End Office (per mou)	$	0.000397
Part C-8	Common Trunk Port - Tandem (per mou)	$	0.000710
Part C-8	Common Trunk Port - TOPS (per mou)	$	0.000339
	Unbundled Common Transport		
Part C-9	Fixed - Common	$	0.000099
Part C-9	Per Mile	$	0.000002
	Unbundled Reciprocal Compensation		
Part C-10	Meet Point A End Office (per mou)	$	0.001036
Part C-10	Meet Point B End Office (per mou)	$	0.001880
	Unbundled Dedicated Transport		
	Entrance Facilities		
Part D-1	DS-1 Entrance Facility	$	142.22
Part D-1	DS-3 Entrance Facility	$	498.73
Part D-1	STS-1 Entrance Facility - Per Facility	$	501.30
Part D-1	OC-3 Entrance Facility - Per Facility	$	1,155.06
Part D-1	OC-12 Entrance Facility - Per Facility	$	3,659.12
	IOF		
Part D-2	DS-1 Fixed includes both ends	$	54.76
Part D-2	DS-1 per Mile	$	3.91
Part D-2	DS-3 Fixed includes both ends	$	499.44
Part D-2	DS-3 per Mile	$	59.11
Part D-2	STS-1 - Fixed includes both ends	$	502.99
Part D-2	STS-1 - per mile	$	59.31
Part D-2	OC-3 - Fixed includes both ends	$	1,441.40
Part D-2	OC-3 - per mile	$	178.07
Part D-2	OC-12 - Fixed includes both ends	$	4,113.45
Part D-2	OC-12 - per mile	$	390.84
	Unbundled SS7		
Part E-1	STP Port - Monthly per Port	$	343.41

Part D-2	SS7 Link per Mile	$	0.16	See Part D-1 IOF study. The rates are the same as the IOF Voice Grade Per Mile rates.
	Unbundled Signaling Databases			
	800 Database			
Part E-2	Basic Per Query	$	0.000221	
Part E-2	Vertical Query	$	0.000221	
	LIDB			
Part E-3	Calling Card per query	$	0.018594	
Part E-3	Billed Number Screening per query	$	0.018594	
	Unbundled Dark Fiber - IOF			
	Verizon C.O. to Verizon C.O.			
Part F-1	Serving Wire Center ("SWC") Charge / SWC / Pair	$	16.23	
Part F-1	Inter Office Per Mile	$	173.22	
	Verizon C.O. to CLEC C.O.			
Part F-1	Serving Wire Center ("SWC") Charge / SWC / Pair	$	16.23	
Part F-1	Channel Termination Charge/CLEC CO	$	207.30	
	Unbundled Dark Fiber - Loop			
Part F-1	Serving Wire Center Charge / SWC / Pair	$	16.23	
Part F-1	Loop Charge/Pair per Rate Group			
Part F-1	Loop Charge/Pair per Density Cell 1	$	223.98	
Part F-1	Loop Charge/Pair per Density Cell 2	$	339.99	
Part F-1	Loop Charge/Pair per Density Cell 3	$	442.86	
Part F-2	**Customized Routing per line per month**	$	0.001400	
	Daily Usage File (DUF)			
Part F-3	Per Record Recording	$	0.001500	
Part F-3	Per Record Transmitted	$	0.000379	
Part F-3	Per Media (Tape or Cartridge)	$	20.31	
	SMS (AIN Service Creation)			
	Service Creation Usage			
Part F-4	Remote Access per 24 Hr. day	$	3,278.31	
Part F-4	On Premise per 24 Hr. day	$	3,278.31	
Part F-4	Certification and Testing per Hour	$	64.84	
Part F-4	Help Desk Support per Hour	$	69.36	
Part F-4	**Service Charges**			
Part F-4	Subscription Charges	$	4.02	
Part F-4	**Database Queries**			
Part F-4	Network Query	$	0.00045	
Part F-4	CLEC Network Query	$	0.00045	
Part F-4	CLEC Switch Query	$	0.00045	
Part F-4	**Utilization Element**	$	0.00009	
Part F-4	**Service Modification**			
Part F-4	DTMF Update Per Change	$	0.02207	
Part F-4	Switched Based Announcement	$	0.00258	
Part F-4	**Developmental Charges**			

Part F-4	Service Creation Access Ports per month, per Logon ID	$	1,502.82	
	Operations Support Systems (per UNE Loop/Platform/Combination or resold line)			
Part F-5	Ongoing and Recovery of one time (during 10 yr.Period)	$	0.84	
Part F-5	Ongoing only (after 10 yr. Period)	$	0.47	
Part F-6	**Resale Discount Study**		NA	
Part G	**Factor Support**			