

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of)
)
Application of Verizon New Jersey, Inc.,)
BellAtlantic Communications, Inc. (d/b/a)
Verizon Long Distance), NYNEX Long) CC Docket No. 01-347
Distance Company (d/b/a/ Verizon Enterprise)
Solutions), Verizon Global Networks, Inc., and)
Verizon Select Services, Inc., for)
Authorization to Provide In-Region InterLata)
Services in New Jersey)

SUPPLEMENTAL COMMENTS OF AT&T CORP.

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SUPPLEMENTAL COMMENTS OF AT&T CORP.

Pursuant to the Commission's *Public Notice*,¹ AT&T Corp. ("AT&T") respectfully submits these supplemental comments in opposition to the application of Verizon for authorization to provide in-region, interLATA services in New Jersey.

I. THE NJBPU'S FINAL RATE ORDER CANNOT SAVE VERIZON'S PREMATURE APPLICATION.

Verizon made a calculated gamble to file a premature New Jersey Section 271 Application before state proceedings to establish its UNE rates were concluded. In the absence of any explanation how the New Jersey Board of Public Utilities ("NJBPU") set Verizon's UNE rates, Verizon has obviously been unable to satisfy its checklist burden to prove that the NJBPU followed the Commission's TELRIC rules. Verizon's gamble that a final explanatory rate order would issue promptly did not pay off, and Verizon must bear the consequences of that gamble –

¹ See Comments Requested in Connection With Verizon's Section 271 Application For New Jersey, CC Docket No. 01-347, DA 02-580 (dated March 8, 2002) ("*Public Notice*").

the NJBPU's final rate order issued on day 76 of this 90-day proceeding is both too late and too little to cure Verizon's premature Application.

Unlike Verizon in New Jersey, previous Section 271 applicants have filed their applications only *after* the state commission issued its final order approving and explaining the rates on which that application is predicated. That is no coincidence. Previous applicants have all realized that in the absence of explanation how rates were determined, the applicant has no way – absent presenting a full cost case to the Commission, which Verizon did not even attempt here – to meet its burden to prove that its rates reflect proper application of the Commission's TELRIC rules and are accordingly just, reasonable and nondiscriminatory. Thus, Verizon's application in this proceeding could only have been predicated on the hope that the NJBPU would issue a final rate order days or weeks after the Application was filed, and that the Commission would then excuse the initial deficiency in the Application as harmless error. That did not happen.

On December 17, 2001, the NJBPU issued a *Summary Order*² adopting UNE rates for New Jersey. The New Jersey Board of Public Utilities ("NJPU") promised to follow the *Summary Order* with a final order "fully setting forth the [NJBPU's] . . . analysis of the issues, the positions of the parties, and the reasoning underling the Board's determinations." *Summary Order* at 2. Verizon, however, did not wait for the NJBPU to issue a final order and instead rushed to file its application just three days after the *Summary Order* was released. Consequently, neither the Commission nor interested parties could fully assess whether the

² Summary Order of Approval, *In the Matter of the Board's Review of Unbundled Network Elements Rates, Terms and Conditions of Bell Atlantic New Jersey, Inc.*, Docket No. To00060356 (released December 20, 2001) ("*Summary Order*").

NJBPU's determinations were faithful to the governing TELRIC rules, or even whether the Verizon "compliance" rates announced in the *Summary Order* in fact complied with the NJBPU's (in part undisclosed) resolution of the many disputed rate issues. The NJBPU did not issue a final order until day 76 of this proceeding – only 14 days before the statutory deadline for ruling on Verizon's New Jersey Application. That means that from day one until day 76, critical evidence was not on the record in this proceeding – *i.e.*, the principles applied by the NJBPU in setting the rates on which Verizon's Application is premised.

Reliance on the NJBPU's *Final Order* this late in the game would plainly and inexcusably violate both the letter and core purposes of the Commission's "complete when filed" rule and would be patently arbitrary and capricious. As emphasized by the Commission, "new evidence after the filing of its application . . . impairs the Commission's ability to evaluate the credibility of such new information" and "undermine[s] this Commission's ability to render a decision within the 90-day statutory period." *Michigan 271 Order* ¶ 55. Because a full evaluation of the *Final Order* is critical to evaluating whether Verizon's Application complies with Checklist Item 2, and because that order was not available until day 76 of the 90 day statutory period in which the Commission must render a decision, the Commission's "complete when filed rule" demands denial of Verizon's Application. If Verizon believes that the *Final Order* would provide a basis for a sustainable determination that Verizon's New Jersey rates are TELRIC-compliant – and, as explained below, it does not – Verizon should refile its Application so that the full 90-day period is available to assess Verizon's application in light of the NJBPU's *Final Order* setting UNE rates for New Jersey.

Verizon cannot look for help in the Commission's recent Rhode Island 271 Order. Verizon's Rhode Island Application was arguably complete when it was filed – that application

relied on rates that had been approved by the state commission (which had issued its final order explaining and approving those rates) and on a comparison to New York's rates that were in effect at the time that Verizon filed its Rhode Island Application. The issue that arose in that case was whether Verizon should be permitted to reduce its Rhode Island rates based on the actions of *another* state commission (New York) on day 80 of the 90-day period for Commission review. The Commission determined that the timing of the release of the New York Commission's Order "was not within Verizon's control" and that, in any event, parties had "an opportunity to evaluate the new rates and to comment." *See RI 271 Order* ¶ 11. The situation in New Jersey is not remotely analogous to that in Rhode Island.

Verizon was fully in control of when to file its New Jersey Application. To the extent that Verizon expected to rely on the rates adopted by the NJBPU, and indeed to urge the Commission to defer to the NJBPU's findings, it was incumbent upon Verizon to ensure that the NJBPU's findings were available and subject to full review by the Commission and the parties throughout this proceeding. Verizon did not do so, and it cannot now be saved because the NJBPU has finally issued its *Final Order* in the last days of the Commission 90-day review period. Verizon's New Jersey Application was *not* rendered deficient by the unexpected actions of another state commission, but was fatally flawed from the day that Verizon filed that Application due to Verizon's decision to prematurely file the Application.

The *RI 271 Order* also noted that a waiver of the complete when filed rules was appropriate because the Commission and interested parties had enough time to assess the impact of the New York decision on Verizon's Rhode Island Application. There, parties had about a month to assess the impact of the New York decision on Verizon's Rhode Island Application. That clearly is not the case here, where the Commission and the parties have only days to assess

the impact of the NJBPU *Final Order* on Verizon's Application. Relatedly, the *RI 271 Order* noted that a waiver was appropriate in that case because the "rate changes at issue were limited." *Id.* ¶ 10. That also is not the case here. The NJBPU's *Final Order* purports to supply the reasoning for *every rate* relied on by Verizon.

Finally, it is not even clear that the *Final Order* will stand. Verizon responded to the Board's direction to "submit a verified statement no later than March 12, 2002, indicating whether Verizon NJ waives its right to challenge the Board's UNE rates in any court or before this Board" (*Final Order* at ¶ 82, p. 279), by indicating that Verizon "has not determined" whether it will appeal the Board's decision and "cannot waive its rights to do so." March 12, 2002, letter from Bruce D. Cohen to Kristi Izzo, BPU Secretary (attached as Attachment 1).³ At a minimum, this leaves finality of the Board's UNE rate determinations as a wholly unsettled question, and in any event elevates the prospect for a Verizon appeal to increase its UNE rates as soon as this Commission acts on its 271 application.

For the foregoing reasons, there is no question that Verizon's application could not possibly be saved by deference to last-minute NJBPU rate analysis. Rewarding Verizon for its unsuccessful gambit would end any semblance of order in the section 271 process and encourage future applicants to prematurely file applications before state commissions issue the orders that are necessary for the Commission and the parties to know whether the Act and the Commission's rules were followed in establishing the terms and conditions for access to the applicant's network.

³ In response, AT&T filed a letter motion on March 13, 2002, (attached as Attachment 2) asking the Board to rescind its recommendation to this Commission that Verizon's 271 application be

II. THE NJBPU'S FINAL ORDER ONLY CONFIRMS THAT VERIZON'S UNE RATES ARE SUBSTANTIALLY OVERSTATED AND PRECLUDE COMPETITIVE ENTRY.

In all events, even if the Commission were to endorse Verizon's request to effectively overrule the complete when filed rule and consider the NJBPU's *Final Order* this late in the process, that order raises more questions than answers about the validity of Verizon's New Jersey rates.

A. Verizon's Hot Cut Rates.

The record overwhelmingly demonstrates that Verizon's grossly inflated New Jersey hot cut rates preclude profitable facilities-based entry and are grossly inflated above TELRIC levels.⁴ Verizon's New Jersey hot cut NRC is \$159.76; its Pennsylvania hot cut NRC is \$4.17. Verizon has not even attempted to explain why its New Jersey hot cut costs could rationally exceed costs for the very same processes in Virginia, Maryland, Delaware and Massachusetts by as much as 1000 percent.

Verizon now attempts to justify its inflated New Jersey hot cut NRCs by asserting that the relevant hot cut rate for New York should be \$185, notwithstanding that the hot cut NRC actually paid by CLECs in New York is \$35. According to Verizon, the only reason that New York's hot cut NRC is \$35 is because Verizon "volunteered" to the lower its \$185 New York hot cut NRC to \$35. *See* VZ March 8 *ex parte* Letter at 5. Verizon concludes, therefore, that the \$35 hot cut NRC is meaningless and that its New Jersey hot cut rates should be benchmarked

approved. The Board had expressly conditioned its endorsement of Verizon's 271 application on Verizon's acceptance of the Board's UNE rates.

⁴ *See, e.g.*, ASCENT Comments at 5; Cavalier Comments at 10; AT&T Comments at 14; AT&T Reply Comments at 8.

against the \$185 hot cut NRC. Verizon fundamentally misunderstands the relevant benchmarking practices.

The Commission's benchmarking analysis relies only on *actual* rates that the Commission has *actually approved* in the Section 271 context. Verizon's \$185 New York hot cut rates were never even implemented in New York, and, if Verizon had not agreed to reduce them, they would have been subject to reconsideration petitions by AT&T and others. Indeed, the NYPSC Staff recognized implicitly that an increase of hot cut rates from the then existing rate of \$24 to \$185 would have been the death knell for competitors, when it testified in support of the settlement to reduce the hot cut rate to \$35. *See* In the Matter of Verizon – New York, Case 00-C-1945, at 29-30 (NYPSC Feb. 2002). Certainly, this Commission has never approved such a high hot cut NRC for New York or, indeed any section 271 proceeding. The sole basis for permitting a benchmarking approach is that a rate which is equivalent to a rate that the Commission has *already approved* is deemed by the Commission to be presumptively valid. Benchmarking against rates that the Commission has never even examined, much less approved, literally makes no sense. It would be the worst of policies, encouraging all manner of political gamesmanship that inevitably would lead to insurmountable barriers to entry.

Verizon's New Jersey hot cut rates are a perfect example. As numerous competitors have shown, such extreme rates would spell the end of facilities-based competitive entry. *See, e.g.*, ASCENT Comments at 5; Cavalier Comments at 10; AT&T Comments at 14; AT&T Reply Comments at 8. Indeed, that is obvious from the numbers alone – it defies common sense even to suggest that new entrants could profitably absorb an *additional* \$50-100 *per customer* each year. And with Commission approval of a \$160 New Jersey (or \$185 New York) hot cut rates, Verizon would then seek to leverage that “benchmark” into all other states in

its region, and claim that this Commission would be bound by the New Jersey determination in all future section 271 proceedings.

Verizon's only other response is to complain that if hot cut and other non-recurring charges are amortized over 36 or 60 months and mixed with recurring charges, New Jersey does not seem so far out of line. *See* Verizon Reply, Garzillo/Prosini Decl. 28. Even if that were true, *but see* AT&T's *March 1 Ex Parte*, new entrants are not indifferent about the allocation of costs between recurring and non-recurring charges. In the face of such extraordinarily high non-recurring charges, new entrants must be cautious in their assumptions about how long they will retain customers, because the consequence of error is certain losses. That is presumably why the Commission's rules *forbid* the shifting of recurring costs to non-recurring charges 47 C.F.R. 51.507(d) ("recurring costs shall be recovered through recurring charges") that Verizon apparently contends through its comparison of combined recurring/non-recurring charges occurred in New Jersey. But even if such misallocations were not flatly unlawful, no new entrant would, as Verizon claims, assume a five year customer retention under any circumstances.⁵ With non-recurring charges this high, it would be imprudent to assume much more than two years; and, at any reasonable customer retention assumption, even Verizon must concede that its New Jersey hot cut NRCs remain out of line, regardless whether they are combined with recurring charges for purposes of comparison.

As fully documented by AT&T, the reason that Verizon's New Jersey hot cut NRCs are so inflated is that they are infected by myriad fundamental TELRIC errors in

⁵ The NJBPU found that assumption appropriate only with respect to Verizon, and that makes sense given that Verizon faces almost no competition and "loses" customers only when they move.

Verizon's cost studies. *See, e.g.*, AT&T March 1 *ex parte* Letter at 2-6 & Walsh Decl. ¶¶ 9-30. Verizon's hot cut rates (1) are based on improper assumptions regarding the ratio of integrated digital loop carrier ("IDLC") lines and end-to-end copper lines; (2) double count costs that Verizon already recovers from its retail customers; (3) are inflated by improper assumptions regarding the use of manual processes to perform hot cuts. *See id.*; *see also* Walsh Supp. Decl. ¶¶ 4-24 (attached as Attachment 3). Verizon's has offered no legitimate response to these showings.⁶

In its March 1 *ex parte* Letter, AT&T demonstrated that Verizon's methodology for computing New Jersey hot cut NRCs violates the NJBPU's finding that Verizon's NRCs should be computed based on the assumption that 60 percent of its lines are integrated digital loop carrier ("IDLC") and that 40 percent of its lines are copper-to-copper. *See Final Order* at 71. Verizon effectively concedes this point. Verizon admits that it currently charges CLECs a *separate* hot cut NRC for performing IDLC and copper-to-copper hot cuts. *See VZ* March 8, 2001 *ex parte* Letter at 7-8. The problem with that rate structure is that Verizon's embedded network does not remotely reflect a forward-looking network with a 60/40 split of IDLC and copper-to-copper lines. Rather, Verizon's embedded New Jersey network contains only 17 percent IDLC lines and 83 percent copper-to-copper lines. *See, e.g., Summary Order* at 6. Consequently, CLECs end up paying the IDLC hot cut rate only 17 percent of the time (rather than 60 percent of the time) and the copper-to-copper hot cut rate 83 percent of the time (rather

⁶ Verizon's general response to these TELRIC errors is that the "New Jersey Board already has addressed [the arguments raised in AT&T's *ex parte* Letter] regarding the efficiency of the hot cut process." Verizon at 10. That is no response at all. Whether or not the NJBPU addressed those TELRIC errors does not remedy the fact that they still inflate Verizon's hot cut rates and must be eliminated.

than 40 percent of the time). Verizon's hot cut NRCs, therefore, plainly contravene the clear mandate of the NJBPU's *Final Order*. See Walsh Supp. Decl. ¶¶ 4-6.

As Verizon points out, however, the problem is even worse than described above because Verizon's IDLC hot cut rate assumes that the IDLC loop will first be converted to copper and therefore Verizon's rates effectively reflect a 100 percent copper loop assumption, in direct contravention of the NJBPU's determinations and any possible application of TELRIC. See VZ March 8 *ex parte* at 5-8. Specifically, Verizon's cost study assumes that hot cuts cannot be performed on IDLC lines without first converting those lines to copper-to-copper lines and then performing a copper-to-copper hot cut. See, *id.* In other words, Verizon's current IDLC rates include all of the manual and other non-TRIC processes that are reflected in Verizon's copper-to-copper hot cut rate *plus* the additional cost of converting the IDLC line to a copper-to-copper line. That entire process is plainly unnecessary. There is no question that Verizon can easily complete IDLC-to-IDLC hot cuts using virtually all electronic processes at very low cost. See Walsh Decl. ¶ 28 & Attachment 2. In fact, even Verizon's own "notes" confirm that IDLC-to-IDLC hot cuts easily can be performed electronically. See Walsh Supp. Decl. ¶ 6 & Attachment 1.

Verizon's hot cut NRCs are inconsistent with the NJBPU's *Final Order* in many other respects as well. For example, the NJBPU ordered Verizon to remove all "Field Installation" costs from its hot cut NRCs. *Final Order* at 161. However, according to Verizon's Compliance Filing, Verizon has not even begun to remove all of those costs from its New Jersey hot cut NRCs. See Walsh Supp. Decl. ¶¶ 7-9. To the contrary, Verizon's hot cut rates continue to be inflated by numerous "Field Installation" costs, again in direct violation of the NJBPU's *Final Order*. See *id.*

Verizon's hot cut NRCs also are inflated by well-documented double-counting. Specifically, Verizon's hot cut NRCs reflect certain disconnection costs that Verizon already recovers through its retail rates. *See* AT&T March 1 *ex parte* Letter at 4 & Walsh Decl. ¶¶ 17-25; *see also* Walsh Supp. Decl. ¶¶ 10-17. Verizon denies this fact, claiming that "the [connect] costs associated with a hot cut, when a retail customer chooses to migrate to a Verizon retail competitor, account only for Verizon's costs for connecting a hot cut *beyond those associated with the disconnection of the end-user's service.*" But Verizon's own New Jersey Compliance Filings show that this statement is not true. According to Verizon's Compliance Filing, Verizon's hot cut rates reflect numerous costs associated with the "RCMAC" workgroup, which focuses almost entirely in retail disconnect services. *See* Walsh Supp. Decl. ¶¶ 10-17. For example, Verizon's non-recurring cost model reflects a RCMAC task for releasing of translation packets. *See id.* That process is required only to disconnect the retail service – and Verizon has already recovered those costs from its retail customers. *See id.*

Remarkably, Verizon actually boasts about its inefficient hot cut processes. According to Verizon, it "does not simply turn off its dial tone at the exact date and time scheduled for migrations" rather "Verizon's dial tone is [not] disconnected [until] 11:59 pm on the due date – well after the customer has been migrated by the CLEC." VZ March 8 *ex parte* at 13. According to Verizon, this expensive process allows Verizon to "resolve any problems." *Id.* In a forward-looking network, however, this process would be entirely unnecessary. *See* Walsh Supp. Decl. ¶ 20. Verizon's responsibility should end at the time that the hot cut was scheduled to take place. *See id.* And CLECs should not have to pay for the increased costs caused by Verizon's inefficient methodologies.

Lacking any better response, Verizon attempts to justify the use of non-TELRIC manual processes and other inefficiencies that inflate its costs by blaming CLECs. According to Verizon, CLECs requested the inefficient methodologies used by Verizon to implement hot cuts. *See, e.g., VZ March 8 ex parte* at 11. However, Verizon fails to note that these additional activities have been implemented only because Verizon's hot cut provisioning process was so poor and often resulted in outages for new CLEC customers. *See Walsh Decl.* ¶ 25; *Walsh Supp. Decl.* ¶ 18. For example, Verizon maintains a technician on stand-by while AT&T switch translations are programmed so that the technician will be available to correct errors in the hot cut provisioning that would result in no dial-tone for the new AT&T customer. *See id.* In a forward-looking network, where many hot cuts can be provisioned using only electronic processes and where the rest of the hot cuts are properly and efficiently performed by Verizon, these protective mechanisms would not be necessary. *See id.* Thus, the costs incurred by Verizon are due to inefficiencies in its embedded network and its hot cut functions, and would not exist in a forward-looking network (*i.e.*, the type of network for which Verizon is paid through recurring charges). But Verizon's costs are inflated by superfluous processes that are not even necessary taking Verizon's existing network as given. *See id.*

Verizon's only response to these facts is that its hot cut process is stellar and has received "accolades" from "independent standards bodies." *See VZ March 8 ex parte Letter* at 12. The only "accolade" Verizon is able to cite, however, is an ISO-9000 certification. *See id.* Predictably, Verizon neglects to mention the "prestigious" ISO-9000 certification takes the process to be certified as a given and only examines whether that process is well-documented and carried out as planned. ISO-9000 in no way examines whether the process is efficient or forward-looking. Thus, Verizon could obtain ISO-9000 certification for a hot cut process that

relied on 100 technicians and hand delivery of instructions from one Verizon department to another, so long as Verizon properly documented and followed that patently inefficient process. *See* Walsh Supp. Decl. ¶ 19.

Lastly, Verizon retreats to its age old argument that it should be permitted to recover the costs of the numerous inefficient activities reflected in its hot cut rates simply because those activities are required given its embedded network. *See* VZ March 8 *ex parte* at 13-14. There are two fundamental problems with that argument. First, as fully documented by Mr. Walsh, it is not true that Verizon's embedded network requires hot cut processes that include the myriad manual and other inefficient procedures that its hot cut NRCs currently reflect. *See* Walsh Decl. ¶¶ 21-24.⁷ Second, it is axiomatic that TELRIC allows Verizon to recover only efficient forward-looking costs, not the costs caused by inefficiencies in its embedded network. *See, e.g., Local Competition Order* ¶ 685 (the forward-looking pricing methodology for interconnection and unbundled network elements should be based on costs that assume that . . . [the] local network will employ the *most efficient technology*") (emphasis added). Thus, Verizon's claims that it should be allowed to recover the costs associated with inefficiencies in its network must be rejected.

Correcting for all of the problems with Verizon's hot cut rates, AT&T has demonstrated (and fully documented) that Verizon's New Jersey hot cut NRC should be no

⁷ Contrary to Verizon's claim that the efficient hot cut methodology described by Mr. Walsh is "imaginary" and could not actually be implemented, VZ March 8 *ex parte* at 12, the process described in his testimony has been commonly used for years to migrate customers in a matter of seconds from one switch to another during switch cut-over conversions. *See* Walsh Decl. ¶¶ 22-23. The new switch office equipment is cross-wired to existing cable pairs and translations are programmed in the switch. On the night of the conversion, instructions are sent to the old (disconnecting) switch to terminate (or shut-down) service to that switch. Within a few seconds, a similar instruction is sent to the new switch to turn-on translations.

higher than \$4.35. *See* Walsh Decl. ¶ 27. The NJBPU found that a forward-looking network in New Jersey would contain 60 percent IDLC and 40 percent end-to-end copper. The costs for 60 percent of hot cuts in New Jersey, therefore, would be \$0.54. *See id.* The copper-to-copper loops will require only minimal manual processes, not the overblown processes asserted by Verizon. *See id.* The cost of these processes for the remaining 40% of the hot cuts in New Jersey would be \$10.06 per line. *See id.* Taking a weighted average of these costs, the average hot cut NRC in New Jersey, based on the NJBPU's definition of a forward-looking network, would be \$4.35, not the \$159.73 to \$233.12 charged by Verizon. *See id.*

B. Verizon's Switching Rates.

Verizon's switching rates also plainly violate TELRIC principles. Verizon admits that it recovers its costs of vertical features through its usage-based switch rates rather than through its flat-rated port rate. *See* Verizon Reply at 36. Because the cost of vertical feature software does not vary with usage, CLECs with above-average usage will pay more than the actual cost of the vertical feature and CLECs with below-average pay less than the actual cost of the features. Verizon's practice of recovering vertical feature costs through is usage-sensitive switch rates violates, therefore, violates fundamental TELRIC principles. *See, e.g., Local Competition Order* ¶ 743 (as a general rule . . . incumbent LECs' rates for interconnection and unbundled elements must recover costs in a manner that reflects the way they are incurred"); *see also id.* ¶ 744 ("we require that the charges for dedicated facilities be flat-rated" not "[u]sage-based").

III. VERIZON'S CLAIMS THAT AT&T'S SUBMISSION IS LATE ARE BASELESS.

Verizon asserts that AT&T's March 1, 2002 *ex parte* relating to hot cuts is "the first time in the current proceeding that AT&T has attempted to provide substantive support for

its claim” that Verizon’s hot cut NRCs are substantially inflated. VZ March 8 *Ex Parte* at 1. That is false. As Verizon is fully aware, AT&T’s March 1 *Ex Parte* was only a reply to Verizon’s misleading response to the hot cut problems that AT&T identified in both the state proceedings and in its comments in this proceeding.

Contrary to Verizon’s assertions, AT&T (and several other parties) provided substantial evidence and detailed testimony demonstrating that Verizon’s hot cut NRCs are massively inflated above TELRIC levels. Specifically, AT&T explained that Verizon’s hot cut rates were the result of numerous non-TRILIC assumptions, including reliance on several manual processes that the NJBPU had expressly forbidden. AT&T attached a portion of the testimony submitted by Richard Walsh in the proceeding before the NJBPU showing that TRILIC-compliant hot cut rates in New Jersey should be under \$10/month/line. AT&T also submitted the testimony of John Szcpaniski who provided comparisons of Verizon’s New Jersey hot cut rates to those in other states showing that Verizon’s New Jersey hot cut rates are from 117 to over 3000 percent above those in its other states. Mr. Szcpaniski further explained that, because of Verizon’s massively inflated hot cut rates, AT&T will have to reconsider its UNE-L local entry strategy for business customers. In addition, AT&T submitted the testimony of Stephen Huels who explained that Verizon’s inflated hot cut rates also negatively impact AT&T’s UNE-L local entry strategy for residential customers. Thus, contrary to Verizon’s assertions, AT&T did not identify the critical flaws in Verizon’s testimony for the first time in its March 1, *Ex Parte*.

In reality, AT&T filed its March 1, *Ex Parte* in direct response to Verizon’s new (and misleading) statements relating its hot cut rates contained in Verizon’s Reply Comments and in its February 20, 2002 *Ex Parte* Letter. On February 1, 2002, Verizon raised for the first

time the flawed argument that its hot cut NRCs, although substantially higher than those in other states, can be evaluated only after amortizing those hot cut NRCs over three to five years and then combining those hot cut rates with its non-recurring costs. Then, on February 20, 2002, Verizon submitted an *Ex Parte* Letter to the Commission stating that its inflated hot cut rates are consistent with the NJBPU Summary Order, and submitted *new testimony* from the state proceeding purporting to support this assertion. AT&T's March 1, 2002 *Ex Parte* Letter and supporting testimony was a prompt response, at the Commission Staff's request, to Verizon's new arguments relating to its overstated hot cut NRCs. AT&T's response included a short declaration by its witness in the state proceeding which responded directly to the new issues raised in Verizon's February 20 *Ex Parte* Letter. Thus, contrary to Verizon's assertions, AT&T's March 1, 2002 *ex parte* Letter was appropriately filed in direct response to new claims raised by Verizon and to the Commission Staff's requests for additional information.

CONCLUSION

For the foregoing reasons, Verizon's application for interLATA authorization in New Jersey should be denied.

Respectfully submitted,

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March 13, 2002

ATTACHMENT 1

March 12, 2002

Via Hand Delivery

Kristi Izzo, Board Secretary
Board of Public Utilities
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Re: In the Matter of the Board's Review of Unbundled Network Element Rates, Terms and Conditions of Bell Atlantic-New Jersey, Inc. -- Docket No. TO00060356

Dear Secretary Izzo:

In its Order of March 6, 2002 in this proceeding, the Board directed Verizon New Jersey Inc. to:

submit a verified statement no later than March 12, 2002 indicating whether Verizon NJ waives its right to challenge the Board's UNE rates in any court or before this Board; and certifying that it will not charge rates greater than the UNE rates herein adopted; and affirmatively stating that it is currently charging these rates.

Verizon NJ presumes that this letter, submitted by counsel of record in the matter and an officer of the company, satisfies the Board's prescribed requirements respecting "verifi[cation]" and "certif[ication].]"

Verizon NJ has not determined whether it will "challenge the Board's UNE rates in any court or before this Board," but it cannot waive its right to do so. At a minimum, there may come a time in the future when Verizon NJ would want to change one or more of those rates because of a change in costs or a change in the law. For example, the FCC recently initiated its Triennial Review of UNEs;¹ similarly, a case currently pending before the United States Supreme Court may materially affect the TELRIC

¹ *In re: Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Notice of Proposed Rulemaking; and Review of Regulatory Requirements for Incumbent LEC Broadband Telecommunications Services, Notice of Proposed Rulemaking.* FCC Docket No. CC 01-339, dated Dec. 12, 2001.

Secretary Kristi Izzo

March 12, 2002

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methodology.² Decisions in either of those proceedings could require that the Board re-examine the matters before it in this case. Nonetheless, Verizon NJ commits to taking no action to seek a stay or delay of implementation of the rates specified in the Order of March 6, 2002.

As indicated in correspondence of January 10, 2002 to Acting Secretary Ogden in Docket No. TO01090541, Verizon NJ is currently charging its wholesale customers the rates prescribed in the summary order of December 17, 2001, which, upon belief, are the same rates that are included in the Order of March 6, 2002. Verizon NJ will not charge more than those rates as long as they remain in effect.

We trust this correspondence is responsive to the Board's directive, but please do not hesitate to contact the undersigned should the Board require further information.

Very truly yours,

Bruce D. Cohen

BDC:dmp

cc: Service List (via e-mail & first class mail)

² *Verizon Comms. Inc. v. FCC*, S. Ct. Docket No. 00-511, argued October 10, 2001.

ATTACHMENT 2

March 13, 2002

BY HAND

Kristi Izzo
Secretary
Board of Public Utilities
State of New Jersey
Two Gateway Center
Newark, NJ 07102

Re: I/M/O the Consultative Report on the Application of
Verizon New Jersey Inc. for FCC Authorization to
Provide In-Region, InterLATA Service in New Jersey
BPU Docket No. TO01090541

Dear Secretary Izzo:

AT&T Communications of NJ, L.P. ("AT&T") submits this letter motion requesting that the Board reverse its finding that Verizon New Jersey Inc. ("VNJ") has complied with checklist item (ii), non-discriminatory access to unbundled network elements ("UNEs") of Section 271 of the Telecommunications Act of 1996 ("Act") and immediately notify the Federal Communications Commission that the Board no longer recommends approval of VNJ's Section 271 application for interLATA authority. AT&T respectfully requests that the Board decide this motion on an expedited basis because the Act's ninety-day period in which the FCC must decide VNJ's Section 271 application expires on March 20, 2002.

The Board should take this action because recent events demonstrate that VNJ is not in compliance with checklist item (ii). First, VNJ has not satisfied the Board's explicit condition that

Kristi Izzo
Secretary
March 13, 2002
Page 2 of 5

VNJ agree to not challenge the Board's UNE rate decisions. Second, new facts demonstrate that VNJ does not provide an accurate wholesale bill to CLECs as required by the Act.

I. VNJ Has Not Agreed To Waive Any Right To Challenge The Board's UNE Rates

The Board's consultative report to the FCC made it clear to VNJ, the CLECs and the FCC that its willingness to support VNJ's 271 application was expressly conditioned on VNJ's willingness to adhere to the UNE rates the Board established in the UNE proceeding.¹

Based upon the evidence in the record, and because the Board has established TELRIC-compliant rates for UNEs in the UNE Summary Order dated December 17, 2001, which are the lowest in the Verizon region and among the lowest in the country, we conclude that Verizon NJ will demonstrate compliance with Checklist Item 2 if it charges no more than the new rates to all CLEC's in New Jersey, effective December 17, 2001, irrespective of any rates currently being charged either through previous agreements or otherwise. *A Verizon NJ challenge to the validity or effective date of the rates or any attempt to increase or otherwise change these rates, will raise the question of whether the modified rates are TELRIC compliant, thus not permitting the Board to find compliance with Checklist Item 2.*

Consultative Report at 24 (emphasis added).

For nearly two months, VNJ stood silent on whether it would accept the Board's condition. Yesterday, however, in response to the Board's demand that VNJ disclose its position, VNJ stated, in no uncertain terms, that it does not accept this condition and will not waive its right to challenge the UNE rates. Letter of B. Cohen to Secretary Izzo, dated March 12, 2002, Docket No. TO00060356. Thus, VNJ has failed to provide the assurance required by the Board in its Consultative Report. Indeed, it is obvious that VNJ intends to challenge the Board's UNE rate

¹ I/M/O the Board's Review of Unbundled Network Elements Rates, Terms and Conditions of Bell Atlantic New Jersey, Inc., Docket No. TO00060356.

Kristi Izzo
Secretary
March 13, 2002
Page 3 of 5

determinations as soon as its Section 271 application is not pending before the FCC – which is directly at odds with the Board’s decision.

The Board was unequivocal in its statements that any VNJ challenge to the rates would cause the Board to reverse its recommendations to the FCC. VNJ had to know from the day the Board announced its UNE rate decision that it planned an appeal, yet stood silent in the hopes that it could win 271 approval before being required to show its hand. This sort of gamesmanship, where VNJ only pretends to comply with the Act’s and the Board’s market opening conditions long enough to get what it wants, is exactly what the Board’s condition was intended to prevent. Accordingly, the Board should modify its consultative report to reflect VNJ’s non-compliance with the Section 271 checklist.

It goes without saying that this must be given immediate attention. By law, the FCC must act on VNJ’s 271 application one week from today, March 20, 2002. In order for the Board’s views to be given full consideration by the FCC, the agency must hear from the Board as soon as possible.

II. VNJ’s Wholesale Bills Are Discriminatory

In its Consultative Report, the Board recognized that accurate wholesale bills were critical to the development of a competitive local exchange market and were required by the Act.² During this proceeding, numerous parties cautioned the Board against any finding that VNJ provided non-discriminatory access to its OSS absent further commercial data and VNJ’s implementation of the new UNE rates. New evidence demonstrates that these cautions were well-founded. VNJ’s

² The Board stated that “Verizon NJ must render timely, accurate and auditable carrier bills to be paid for Verizon-provided services to its CLEC customers.” Consultative Report at 40.

Kristi Izzo
Secretary
March 13, 2002
Page 4 of 5

wholesale bills provided after VNJ allegedly implemented the Board's UNE order contain significant errors. This performance harms CLECs and establishes that VNJ does not provide nondiscriminatory access to its OSS.

AT&T provides local service to certain New Jersey business customers through the purchase of the UNE-platform ("UNE-P") from VNJ. VNJ bills AT&T for these wholesale services on a monthly basis. As the Board is well aware, the UNE-P includes the unbundled port and switch. Purchasing VNJ's unbundled port and switch provides a CLEC with, among other things, the ability to provide vertical features to its customers without any additional charges. Thus, any wholesale bill for UNE-P should not include separate charges for features such as touchtone or call waiting.

However, in reviewing a sample of its January and February 2002 UNE-P wholesale bills from VNJ, AT&T discovered that VNJ imposed on certain accounts charges for *both* unbundled switching at UNE rates and for vertical features at retail rates. Copies of such bills along with their billing claims forms are attached to this letter motion. As noted above, there is no basis for both charges to ever appear on the same bill for a customer. This substantial deficiency in VNJ's OSS performance harms CLECs. In order to protect itself from paying numerous incorrect charges, AT&T must expend substantial resources reviewing and analyzing the wholesale bills and requesting credits from VNJ. This imposes unnecessary and significant costs upon CLECs that VNJ does not incur.

Based on this indisputable evidence, the Board should notify the FCC that its previous findings regarding the accuracy of VNJ's wholesale bills are no longer correct.

CONCLUSION

Kristi Izzo
Secretary
March 13, 2002
Page 5 of 5

No doubt, VNJ has placed the Board in a position that the Board did not expect when the Consultative Report was filed. Despite serious misgivings regarding this docket's process overall and VNJ's filing with the FCC before the Board even completed the proceeding, the Board elected to conditionally support VNJ's request for interLATA authority. Two months ago the Board expected VNJ to comply with the conditions in the Consultative Report. VNJ has not done so. VNJ did not satisfy two critical conditions established by the Board.

Thus, now the Board should take appropriate action. AT&T respectfully requests that the Board immediately and formally notify the FCC that the Board's support of VNJ's Section 271 application is withdrawn.

Respectfully submitted,

Frederick C. Pappalardo

Gregory K. Smith

Encl.
cc: Attached Service List (by e-mail and regular mail)

ATTACHMENT

BELL ATLANTIC CLEC MANUAL CLAIMS FORM

Select One: Usage () Non-recurring () Recurring (x)

Ban/Acct #: 609Z101003 End User Acct #: 973-5048

Bill Date: 1/20/02 Invoice #: Amount of Claim: \$6.59

Reason for Claim: AT&T does not pay for touch tone \$2.00 and call waiting \$4.59.

Type of Call: NA No. Called: NA (usage claims only)

Duration: NA Date of Call: NA

From Bill Page No: NA To Bill Page No: (usage and non-recurring claims only)

From Bill Line ID: NA To Bill Line ID:

USOC: NA PON/Order #: NA (recurring claims only)

From Date: NA To Date: NA

Notation:

CLEC Contact Name: AT&T - Chris Weekley

CLEC Tel. No: 770-750-8247

CLEC Fax No: 770-750-8201

STATUS OF CLAIM:

REASON:



973 5048-480 08Y

Summary of your account

January 20, 2002

Charges from last month

Amount of your last bill.....	\$43.12	
Amount transferred to Summary Bill ..	-43.12	
Amount you still owe		\$.00

Charges for this month

Our charges	\$15.25	
Call 1 888-847-6288 if you have a question		
Total for this month.....		\$15.25

Total amount you owe-transferred to Summary Bill \$15.25



Page 2 of 8
973 5048-480 08Y

Verizon charges

January 20, 2002

BASIC CHARGES

Basic service includes all charges that are regulated by the New Jersey Board of Public Utilities, such as the line charge, local calling, etc.

These monthly charges are for your service from Jan 20 to Feb 19	
2 TOUCH TONE-PER LINE-RES.....	\$2.00
NON PUBLISHED TEL LISTING	-1.45
Local Number Portability Surcharge46
Additional credits and charges	
Adjustment due to change in rate for	
Minutes of Use	-2.72

w/blank
↓
\$1.19

TAX KEY: US=* NJ=@ BOTH=&

Continued

January 20, 2002

Total Verizon basic charges \$1.19

NON-BASIC CHARGES

Non-basic service includes all charges, except tolls, that are not regulated by the New Jersey Board of Public Utilities, such as Inside Wiring and Guardian.

These monthly charges are for your service from Jan 20 to Feb 19	
CALL WAITING.....	\$4.59
2 Analog Residence Individual Message	1.46
Line - Platform	-16.24
2 Rebundled Basic Loop	8.02

w/blank
↓
\$4.59
1.46
-16.24
8.02



973 5048-480 08Y

January 20, 2002

Additional credits and charges

Adjustment due to change in rate
From Dec. 17, 2001 to the date of this bill -11.00@

TAX KEY: US=* NJ=@ BOTH=£

Total Verizon non-basic charges \$11.29

VERIZON TOLL CHARGES

Unbundled Residence Port Usage

Usage from Dec 20 to Jan 22

	Qty		Rate	
Originating Minutes	481.6	x	.002773	+1.34
Terminating Minutes	529.4	x	.002508	+1.33

Continued



Page 5 of 8
973 5048-480 08Y

January 20, 2002

Usage from Nov 20 to Dec 19

	Qty		Rate	
Originating Minutes	33.2	x	.002773	+.09
Terminating Minutes	5.5	x	.002508	+.01

800 Query Dip Usage

Dec 20 to Jan 22 0 x @ 0.0009060 +.00

Operator Applied Credits

Dec 20 to Jan 22 0 x @ 0.0044030 -.00

Total Verizon toll charges \$2.77

Total Verizon charges \$15.25

If you have a question call toll free 1 888-847-6288.
For repair call 1-800-275-2355



Page 6 of 8
973 5048-480 08Y

For Your Information

January 20, 2002

The Federal Universal Service Fund (FUSF) charge is increasing to \$.54. The FUSF charge, which is reviewed quarterly, helps to keep local telephone rates affordable for all customers and gives a discount to schools, libraries and low-income families. This charge is not applied to Lifeline customers. To find out if you are eligible for Lifeline, go to <http://www.lifelinesupport.org> on the internet or contact your Verizon business office.

BELL ATLANTIC CLEC MANUAL CLAIMS FORM

Select One: Usage () Non-recurring () Recurring (x)

Ban/Acct #: 609Z031005 End User Acct #: 201-3959

Bill Date: 2/10/02 Invoice #: Amount of Claim: \$12.74

Reason for Claim: AT&T does not pay for features: touchtone \$10.05, call forwarding \$2.69.

Type of Call: NA No. Called: NA (usage claims only)

Duration: NA Date of Call: NA

From Bill Page No: NA To Bill Page No: (usage and non-recurring claims only)

From Bill Line ID: NA To Bill Line ID:

USOC: NA PON/Order #: NA (recurring claims only)

From Date: NA To Date: NA

Notation: These charges are for features that ATT should not be paying for.

CLEC Contact Name: AT&T - Chris Weekley

CLEC Tel. No: 770-750-8247

CLEC Fax No: 770-750-8201

.....
STATUS OF CLAIM:

REASON:



201 3959-013 56Y

Summary of your account

February 10, 2002

AT&T
AT&T CALLER SVC 6908
ATTN ACC BL COORDINATOR
ALPHARETTA, GA 30009

Charges from last month

Amount of your last bill.....	\$98.52	
Amount transferred to Summary Bill ..	-98.52	
Amount you still owe		\$.00

Charges for this month

Our charges-See Page 2	\$23.55	
Call 1 888-847-6288 if you have a question		\$23.55
Total for this month.....		\$23.55

Total amount you owe-transferred to Summary Bill \$23.55



Page 2 of 8
201 3959-013 56Y

Verizon charges

February 10, 2002

This month's charges Regular service	See Page 4 ...	\$56.99
Local Number Portability Surcharge .		+1.15

Unbundled Business Port Usage

Usage from Jan 10 to Feb 12

	Qty		Rate	
Originating Minutes	2344.2	x	.002773	+6.50
Terminating Minutes	2031.2	x	.001885	+3.83

Usage from Dec 10 to Jan 9

	Qty		Rate	
Originating Minutes	22.8	x	.002773	+.06
Terminating Minutes	8.2	x	.001885	+.02

Additional charges ..See Page 8 -45.00

800 Query Dip Usage

Continued



Page 3 of 8
201 3959-013 56Y

February 10, 2002

Jan 10 to Feb 12	0	x	@ 0.0009060	+.00
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Operator Applied Credits

Jan 10 to Feb 12	0	x	@ 0.0044030	-.00
------------------	---	---	-------------	------

Total Verizon charges				\$23.55
For repair call 1-800-275-2355				



Page 4 of 8
201 3959-013 56Y

Monthly charges

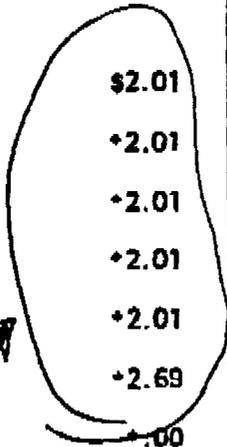
February 10, 2002

These monthly charges are for your service from Feb 10 to Mar 9

Monthly charges

TOUCHTONE-PER LINE-BUS	
201 288-9239.....	\$2.01
TOUCHTONE-PER LINE-BUS	
201 288-8427.....	*2.01
TOUCHTONE-PER LINE-BUS	
201 288-7971.....	*2.01
TOUCHTONE-PER LINE-BUS	
201 288-3959.....	*2.01
TOUCHTONE-PER LINE-BUS	
201 288-1823.....	*2.01
CUSTOM CALL SVC-CALL FORWARDNG	
201 288-3959.....	*2.69
700 & 900 BLOCKING OPTION	
201 288-9239.....	.00

W/20.16
↑



Continued



Page 5 of 8
201 3959-013 56Y

February 10, 2002

700 & 900 BLOCKING OPTION	
201 288-8427.....	+.00
700 & 900 BLOCKING OPTION	
201 288-7971.....	+.00
700 & 900 BLOCKING OPTION	
201 288-3959.....	+.00
700 & 900 BLOCKING OPTION	
201 288-1823.....	+.00
Analog Business Individual Message	
Line - Platform 201 288-9239	+.73
Analog Business Individual Message	
Line - Platform 201 288-8427	+.73
Analog Business Individual Message	
Line - Platform 201 288-7971	+.73
Analog Business Individual Message	
Line - Platform 201 288-3959	+.73

Continued



February 10, 2002

Analog Business Individual Message	
Line - Platform 201 288-1823	+ .73
Specialized Routing AIN Solution 201 288-9239	+ .00
Specialized Routing AIN Solution 201 288-8427	+ .00
Specialized Routing AIN Solution 201 288-7971	+ .00
Specialized Routing AIN Solution 201 288-1823	+ .00
Specialized Routing AIN Solution	+ .00
Rebundled Basic Loop 201 288-9239	+8.12
Rebundled Basic Loop 201 288-8427	+8.12
Rebundled Basic Loop 201 288-7971	+8.12

Continued



February 10, 2002

Rebundled Basic Loop 201 288-1823	+8.12
Rebundled Basic Loop	+8.12

Call 1 888-847-6288 if you have a question.



Additional credits and charges

February 10, 2002

Adjustment due to change in rate From Dec. 17, 2001 to the date of this bill	-45.00
---	--------

TAX KEY: US=* NJ=@ BOTH=

Total for additional credits and charges	\$ -45.00
---	------------------

If you have a question call toll free 1 888-847-6288.

BELL ATLANTIC CLEC MANUAL CLAIMS FORM

Select One: Usage () Non-recurring () Recurring (x)

Ban/Acct #: 609Z031005 End User Acct #: 201 1777

Bill Date: 2/10/02 Invoice #: Amount of Claim: \$12.35

Reason for Claim: AT&T does not pay for touch-tone\$2.01, call waiting \$7.65, calling card toll charges \$5.36.

Type of Call: NA No. Called: NA (usage claims only)

Duration: NA Date of Call: NA

From Bill Page No: NA To Bill Page No: (usage and non-recurring claims only)

From Bill Line ID: NA To Bill Line ID:

USOC: NA PON/Order #: NA (recurring claims only)

From Date: NA To Date: NA

Notation: These charges are for features and calls that ATT should not be paying for.

CLEC Contact Name: AT&T - Chris Weekley

CLEC Tel. No: 770-750-8247

CLEC Fax No: 770-750-8201

STATUS OF CLAIM:

REASON:



201 1777-137 63Y

Summary of your account

February 10, 2002

AT&T
 AT&T CALLER SVC 6908
 ATTN ACC BL COORDINATOR
 ALPHARETTA, GA 30009

Charges from last month		
Amount of your last bill.....	\$32.56	
Amount transferred to Summary Bill ..	-32.56	
Amount you still owe		\$.00
<hr/>		
Charges for this month		
Our charges-See Page 2	\$21.85	
Call 1 888-847-6288 if you have a question		
Total for this month.....		\$21.85
<hr/>		
Total amount you owe-transferred to Summary Bill		\$21.85



Page 2 of 6
 201 1777-137 63Y

Verizon charges

February 10, 2002

This month's charges	Regular service	See Page 4 ...	\$18.51
	Local Number Portability Surcharge .		+ .23
	Unbundled Business Port Usage		
	Usage from Jan 10 to Feb 12		
	Qty	Rate	
Originating Minutes	1613.8	x .002773	+4.48
Terminating Minutes	1131.5	x .001885	+2.13
	Usage from Dec 10 to Jan 9		
	Qty	Rate	
Originating Minutes	44.1	x .002773	+ .12
Terminating Minutes	8.6	x .001885	+ .02
	Additional charges ..See Page 5		-9.00
	<hr/>		
	800 Query Dip Usage		

Continued



Page 3 of 6
 201 1777-137 63Y

February 10, 2002

Jan 10 to Feb 12	0	x @ 0.0009060	+ .00
<hr/>			
	Operator Applied Credits		
Jan 10 to Feb 12	0	x @ 0.0044030	- .00
	Toll charges.....See Page 6		+5.36
<hr/>			
Total Verizon charges			\$21.85
For repair call 1-800-275-2355			



201 288-1777-137 63Y

Monthly charges

February 10, 2002

These monthly charges are for your service from Feb 10 to Mar 9

Monthly charges

TOUCHTONE-PER LINE-BUS

201 288-1777.....

CALL WAITING 201 288-1777.....

700 & 900 BLOCKING OPTION

201 288-1777.....

Analog Business Individual Message

Line - Platform 201 288-1777.....

Specialized Routing AIN Solution.....

Rebundled Basic Loop.....

Call 1 888-847-6288 if you have a question.

\$2.01
+7.65
+3.00
+.73
+.00
+8.12

WRANG



Page 5 of 6
201 288-1777-137 63Y

Additional credits and charges

February 10, 2002

Adjustment due to change in rate
From Dec. 17, 2001 to the date of this bill -9.00

TAX KEY: US=* NJ=@ BOTH=E

Total for additional credits and charges \$ -9.00

If you have a question call toll free 1 888-847-6288.



DISPUTE

Page 6 of 6
201 288-1777-137 63Y

Verizon toll charges

February 10, 2002

No.	Date	Time	Call type	Place	Number	Minutes	Cost	T
1	Jan 18	2:56PM	Flat	Fr HACKNSK	NJ 201-343-9579	1r	1.35	A
2	Jan 23	5:51PM	Flat	Fr HACKNSK	NJ 201-343-9596	1r	1.33	A
3	Jan 23	5:58PM	Flat	Fr HACKNSK	NJ 201-343-9596	1r	1.33	A
4	Jan 24	2:49PM	Flat	Fr HACKNSK	NJ 201-343-9595	1r	1.35	A

T= Tax rate applied: A=0.00%

Calls marked with an "r" have been placed using 1-800-255-CALL

Total for our toll calls \$5.36

Call 1 888-847-6288 if you have a question.

Service List

DOCKET NO. T001090541

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*Proprietary

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ATTACHMENT 3

and to explain the impact of the NJBPU's *Final Order* on my findings. In short, the *Final Order* confirms the findings in my initial declaration, and Verizon has offered no legitimate response to these showings.

II. CONTRARY TO VERIZON'S CLAIMS, ITS HOT CUT NRCs PLAINLY VIOLATE THE NJBPU'S 60/40 IDLC TO COPPER-TO-COPPER SPLIT.

4. As I demonstrated in my initial declaration Verizon's methodology for computing New Jersey hot cut NRCs violates the NJBPU's finding (*see, e.g., Final Order* at 71) that hot cut NRCs should be computed based on the assumed use of 60 percent IDLC lines and that 40 percent copper-to-copper lines. In attempting to rebut that claim, Verizon has now effectively conceded that point.

5. Verizon admits that it currently charges CLECs a separate hot cut NRC for performing IDLC and copper-to-copper hot cuts. *See* VZ March 8, 2001 *ex parte* Letter at 8. The problem with that rate structure is that Verizon's embedded network does not reflect a forward-looking network with a 60/40 split of IDLC and copper-to-copper lines. Verizon's embedded New Jersey network actually contains only 17 percent IDLC lines and 83 percent copper-to-copper lines. *See, e.g., Summary Order* at 6. Consequently, CLECs actually pay the IDLC hot cut rate only 17 percent of the time (rather than 60 percent of the time) and the copper-to-copper hot cut rate 83 percent of the time (rather than 40 percent of the time). Verizon's hot cut NRCs, therefore, plainly contravene the clear mandate of the NJBPU's *Final Order* (at 71).

6. As Verizon points out, however, the problem is even worse than described above because Verizon's IDLC hot cut rate fully reflects the cost of a copper-to-copper hot cut. *See* VZ March 8 *ex parte* at 5-8. Therefore, CLECs in New Jersey effectively pay the copper-to-copper hot cut rate for 100% of Verizon's lines, not the 40 percent of lines as required by the NJBPU's *Final Order*. Specifically, Verizon's cost study assumes that hot cuts cannot be

performed on IDLC lines without first converting those lines to copper-to-copper lines and then performing a copper-to-copper hot cut. That means that Verizon's current IDLC rates include all of the manual and other non-TELRIC processes that are reflected in Verizon's copper-to-copper hot cut rate plus the additional cost of converting the IDLC line to a copper line. That entire process is plainly unnecessary. As I demonstrated in my initial declaration, there is no question that Verizon can easily complete IDLC-to-IDLC hot cuts using virtually all electronic processes at very low cost. *See* Walsh Decl. at 28 & Attachment 2. In fact, even the Telcordia "notes" confirm that IDLC-to-IDLC hot cuts easily can be performed. *See* Exhibit 1 (attached).

III. VERIZON'S HOT CUT NRCs REFLECT "FIELD INSTALLATION" CHARGES IN VIOLATION OF THE NJBPU'S *FINAL ORDER*.

7. The *Final Order* identified non-TELRIC activities in Verizon's non-recurring cost model and ordered Verizon to remove the cost of those activities from its NRCs. My examination of Verizon's Compliance Filing shows that Verizon did not comply with those instructions. For example, the *Final Order* (at 163) requires Verizon to "Eliminate all field installation charges associated with migration orders." To accomplish this modification Verizon would first have to identify all migration type orders (including hot-cut orders) and then, within each supporting worksheet that supports the migrating element, remove each work task related to field installation. This can be accomplished by zeroing out the forward-looking occurrence factor at the task level.

8. Verizon's Compliance Filing does not reflect these changes. To comply with the *Final Order*, Verizon should (at a minimum) have modified worksheet #3 ("Two Wire Hotcut Initial") to reflect the removal of all Field Installation related activities. That process requires first the elimination of the "Field Installation" cost category and also the elimination of

all activities related to field installation. Verizon did not remove either of these costs from its hot cut NRCs.

9. For example, Verizon's Compliance Filing shows that "Two Wire Hotcut Initial" CO Frame activity task #18 in its non-recurring cost model states that "[i]f a problem occurs, resolve the problem with *field installation technicians* and the RCCC to insure that the CLEC can reach its end-user at the time of installation." By its own description, this task relates to the field installation activities that, according to the *Final Order*, should not be reflected in Verizon's hot cut NRCs. Likewise, the RCCC workgroup and its tasks generally deal with technicians and the involvement of the Field Installation work. But Verizon has made no modifications to the RCCC workgroup tasks that are reflected in Verizon's hot cut NRCs.¹ Put simply, Verizon's hot cut NRCs continue to reflect the costs of many Field Installation Activities in direct violation of the *Final Order*.

IV. CONTRARY TO VERIZON'S CLAIMS, ITS HOT CUT NRCs DO IN FACT DOUBLE RECOVER DISCONNECTION COSTS.

10. As I explained in my initial declaration, Verizon's Hot Cut NRCs double-recover disconnection costs by recovering those costs from CLECs through hot cut rates even though Verizon has already recovered those costs from its retail customers. Verizon denies this fact, claiming that "the [connect] costs associated with a hot cut, when a retail customer chooses to migrate to a Verizon retail competitor, account only for Verizon's costs for connecting a hot cut *beyond those associated with the disconnection of the end-user's service.*" VZ March 8 *ex parte* Letter at 9. Verizon's own Compliance Filing shows that this statement is not true.

¹ In addition, as I explained in my rebuttal testimony before the NJBPU, Verizon's presentation of non-recurring costs inappropriately reflects the cost of Field Installation activities. In cases where the outside plant facilities were being re-used and no field installation is required,

Verizon's hot cut NRCs do, in fact, recover many costs associated with disconnecting Verizon's end users' service.

11. Verizon's Compliance Filing reflects, for example, the cost of individual tasks of the RCMAC (Recent Change Memory Administration Center) workgroup in its "Provisioning" cost category for computing hot cut NRCs. The RCMAC workgroup, however, is required only to disconnect Verizon's retail services. Indeed, Verizon's own cost study shows that RCMAC activities are unnecessary to provision the UNE-loop portion of the hot cut. Moreover, the descriptions of the RCMAC tasks in Verizon's Compliance Filing confirm that those tasks relate solely to disconnecting Verizon's retail services.

12. Verizon's NRC model for the "Two Wire Hotcut Initial" reflects RCMAC task #1 which states: "Obtain direct notification from RCCC for UNE migration to collocation arrangement which requires the *release of translation packets* held in MARCH." The "release of translation packets" are the actual switch translations required to *disconnect the retail service*. But Verizon already collects the non-recurring costs associated with the retail service disconnect from its customer.

13. RCMAC task #2 in Verizon's non-recurring cost model for "Two Wire Hot Cut Initial" says "Receive notification through PARIS of need to perform a manual translation change on *working service*." But the only "working service" during a hot cut migration process is Verizon's retail service. The work identified in that task relates to translations for the disconnection of Verizon's retail customer. Indeed, after the loop has been disconnected from Verizon's switch, the hot-cut is simply a UNE-Loop, and the connection of

Verizon's NRCM includes the related (Field Installation) RCCC activities. This model design flaw allows Verizon to collect non-recurring cost for activities that are not actually performed.

the UNE-loop to the CLEC switch would not require the participation of the RCMAC workgroup.

14. RCMAC task #3 for “Two Wire Hot Cut Initial” says “Release translation change, under direction of the RCCC, into MARCH to effect number portability when required with a Hotcut.” This task relates to number portability and may be the only task that would be necessary when migrating a customer to a competitor. However, in the retail service environment, Verizon may have to perform this same task to effect number portability when they acquire customers from competitors. Hence, the work involved for the retail service would be collected from the customer when the service was initially established.

15. “Two Wire Hotcut Initial” RCMAC task #5 states: “Obtain notification from the RCMC of trouble conditions on a CLEC end-user’s line requiring RCMAC analysis and translation changes.” Here Verizon is requiring the CLEC to pay a non-recurring cost associated with a trouble condition that Verizon has caused. When a hot-cut is fully migrated, and thus comes under the control of the RCMC, it is a UNE-Loop without any connection to a Verizon switch. The error condition that requires Verizon “analysis” or “translation changes” can only be related to number portability errors because the UNE-Loop is not connected to the Verizon switch. This is a maintenance expense that is already recovered by the UNE-Loop recurring rate and, therefore, should not be recovered as a non-recurring cost hot cut rate.

16. Two Wire Hotcut Initial RCMAC task #7 states: “Research and refer to the RCCC those translation packets held in MARCH for which no coordination call was received.” There is no question that this activity reflects Verizon’s retail disconnect activities. The “translation packets held in MARCH” is necessary only for disconnecting the retail service. Under Verizon’s inefficient migration methodology, disconnecting retail service translations are

not released to the Verizon switch unless directed by the RCCC. In the event that Verizon's RCMAC has created translation packets, and received no call from the RCCC, Verizon is attempting to charge CLECs for the cost of that internal error through hot cut NRCs.

17. Thus, contrary to Verizon's assertions, its hot cut NRCs reflect the cost of numerous activities associated with disconnecting retail service. But Verizon has already recovered those costs through retail disconnect charges.

V. VERIZON OFFERS NO VALID EXPLANATION FOR THE MYRIAD MANUAL AND OTHER INEFFICIENT ACTIVITIES REFLECTED IN ITS HOT CUT NRCs.

18. In my initial declaration, I identified numerous inefficient manual and other activities that inflate Verizon's New Jersey hot cut rates. Verizon attempts to justify the use of these non-TELRIC manual processes and other inefficiencies by blaming CLECs. According to Verizon, CLECs requested the inefficient methodologies used by Verizon to implement hot cuts. *See, e.g., VZ March 8 ex parte* at 11. However, as I explained in my initial declaration, Verizon fails to note that these additional activities are required because Verizon's hot cut provisioning process was so poor and often resulted in outages for new CLEC customers. For example, Verizon maintains a technician on stand-by while AT&T switch translations are programmed so that the technician will be available to correct errors in the hot cut provisioning that would result in no dial-tone for AT&T's new customer. In a forward-looking network, where many hot cuts can be provisioned using only electronic processes and where the rest of the hot cuts are properly and efficiently performed by Verizon, these protective mechanisms would not be necessary. Thus, the costs incurred by Verizon are due to inefficiencies in its embedded network and its hot cut functions, and would not exist in a forward-looking network.

19. Verizon's only response to the fact that its hot cut NRCs reflect the numerous non-TELRIC activities due to its poor hot cut provisioning processes is that its hot cut

process is actually stellar and has received “accolades” from “independent standards bodies.” See VZ March 8 *ex parte* Letter at 12. The only “accolade” Verizon is able to cite, however, is an ISO-9000 certification. See *id.* Predictably, Verizon neglects to mention the “prestigious” ISO-9000 certification takes the process to be certified as a given and only examines whether that process is well-documented and carried out as planned. ISO-9000 in no way examines whether the process is efficient or forward-looking. Thus, Verizon could obtain ISO-9000 certification for a hot cut process that relied on 100 technicians and hand delivery of instructions from one Verizon department to another, so long as Verizon properly documented and followed that patently inefficient process.

20. Lastly, Verizon actually boasts about one of its inefficient hot cut processes. According to Verizon, it “does not simply turn off its dial tone at the exact date and time scheduled for migrations” rather “Verizon’s dial tone is [not] disconnected [until] 11:59 pm on the due date – well after the customer has been migrated by the CLEC.” VZ March 8 *ex parte* at 13. According to Verizon, this expensive process allows Verizon to “resolve any problems.” *Id.* In a forward-looking network, however, this process would be entirely unnecessary. Verizon’s responsibility should end at the time that the hot cut was scheduled to take place. And CLECs should not have to pay for the increased costs caused by Verizon’s inefficient methodologies.

VI. CONTRARY TO VERIZON’S CLAIMS, THERE EXIST TODAY MORE EFFICIENT METHODS FOR PROVISIONING HOT CUTS THAN THOSE ASSUMED BY VERIZON’S HOT CUT NRC COST MODEL.

21. I demonstrated in my initial declaration that Verizon could immediately adopt more efficient methodologies for provisioning hot cuts. In particular, I explained that many of the labor intensive processes used by Verizon are not necessary. A more efficient and less labor intensive hot cut methodology would be for the central office frame technician to

terminate (ahead of the scheduled due date and due time) the cross-connections at the CLEC equipment to the cable and pair without affecting working service. The cable pair would then be double tapped going to both Verizon's port and the CLEC port. If the service order says the due time is 10:00 am, it is expected that Verizon's OSS would release the translation message at that time to Verizon's switch, thus terminating their service. The CLEC's OSS would then release its translation message to activate their service, thus migrating the customer without the need for constant monitoring by Verizon.

22. Contrary to Verizon's claim that this methodology is unproven and "imaginary," this process and methodology has been commonly used for years to migrate customers in a matter of seconds from one switch to another during switch cut-over conversions. The new switch office equipment is cross-wired to existing cable pairs (in essence the switch ports are double tapped) and translations are programmed in the switch. On the night of the conversion, instructions are sent to the old (disconnecting) switch to terminate (or shut-down) service to that switch. Within a few seconds, a similar instruction is sent to the new switch to turn-on translations. This allows everyone in the old switch to be migrated to the new switch. While I was in NYNEX, I was personally involved with many switch conversions during the 1980's as an ESS Conversion supervisor.

23. At that time, NYNEX replaced "electro-mechanical" and "analog" switching centers with both #1A ESS switches and more updated Digital switches. This was accomplished using the "double tapped" methodology, *i.e.*, the end user's cable-pair was cross-wired to both the old switch and the new switch simultaneously. At a prescribed date and time, the old switch would be de-activated, immediately following the newer switch was activated, thus migrating thousands of working customers between switches in a matter of minutes. The

switching center conversions I was personally involved with included such places as Broad Street Central Office, Providence RI, (40,000 ++ working Lines), Green Street Central Office, Providence, RI (65,000 ++ working lines), Pawtucket, RI (50,000 ++ working lines), to name a few. Verizon should have modeled their hot cut process to reflect the efficiencies long used in their switch conversion process. Instead, Verizon modeled an unnecessarily labor intensive process that has the effect of inflating NRCs.

24. The only manual labor (and non-recurring cost) that should be assessed to the CLEC in the hot cut process, therefore, is for the connection of the UNE-Loop to the CLEC's equipment. The manual activity involved in the connection of the UNE-Loop is the connection of two copper wires at the Central Office MDF, which can be accomplished in a matter of minutes (when the customer receives service over fiber feeder this connection can be made electronically with no manual labor). Verizon's elaborate cost scheme, involving numerous coordinating personnel from the RCCC and other Verizon employees, as they identify and disconnect the already paid-for retail service is, therefore, unjustified.

VII. CONCLUSION.

25. For the foregoing reasons, Verizon's New Jersey hot cut rates are far above those that it would incur in the forward-looking network defined by the NJBPU.

Comments of AT&T Corp. - Walsh Supp. Decl.
Verizon NJ 271 Application

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.



Richard J. Walsh

Executed on: March 13, 2002

EXHIBIT 1

Subsequent to the passing of the Telecommunications Act of 1996, the ILECs sought judicial relief and won an appeal at the U.S. Eighth Circuit Court to repeal the UNE mandates. Upon appeal by the FCC and CLECs, the U.S. Supreme Court issued its "FCC Remand Order," which required the FCC to re-examine all seven UNEs and justify/explain the rationale for each UNE that the FCC considers necessary.

In November 1999, the FCC released its Docket 99-238, which eliminated the Operator/Directory Services UNE, but retained the other six UNEs. In addition, the FCC added a new UNE called "Sub-Loop". A sub-loop unbundled network element refers to any portion of the ILEC's whole loop which is outside the central office and that a CLEC can access and make interconnection to offer service to a customer.

In December 1999, the FCC released its Docket 99-366, which mandated another UNE, this one relating to the high-frequency portion of the loop. The mandate requires line sharing arrangements between an ILEC and a CLEC for both whole loop and sub-loop unbundling configurations. Line sharing, which is also known as spectrum unbundling, refers to the same twisted copper pair being used by more than one carrier. The ILEC can carry traditional voice-switched telephone service within the 0- to 3-Khz spectrum, and the CLEC can provide DSL services over the spectrum above 3 KHz. All ILECs must begin line sharing implementations by mid-year 2000.

12.13.2 Loop Unbundling

There are two main types of loop unbundling. The first is called "whole loop" unbundling, which is the unbundling of a whole loop from the MDF in the ILEC's central office to the customer premises. The second type is called "sub-loop" unbundling, which refers to a portion of the ILEC's whole loop being offered to a CLEC. This section provides more information about each type of loop unbundling.

12.13.2.1 Whole Loop Unbundling Configurations

Typically, when a customer requests dial tone service from a CLEC, the ILEC removes the wired connection to the ILEC switch in the central office and rewires the customer's loop to a CLEC "meet" point in the central office. Figure 12-32 depicts whole loop transfers in the ILEC central office when the customer is served by copper facilities or by a UDLC system. In most cases, there is an analog handoff from the ILEC. If the CLEC requests a digitized handoff, the ILEC may utilize a D4 channel bank to digitize the circuits. Most CLECs transport the unbundled loops back to their central offices (switches) using GR-303 IDLC systems. To do this, the CLECs deploy GR-303 RDTs within their collocation cages in the ILEC's central offices.

The most critical factor associated with unbundling a customer loop is the type of loop facility that the customer is already utilizing for service, such as all-copper, UDLC system, or IDLC system.

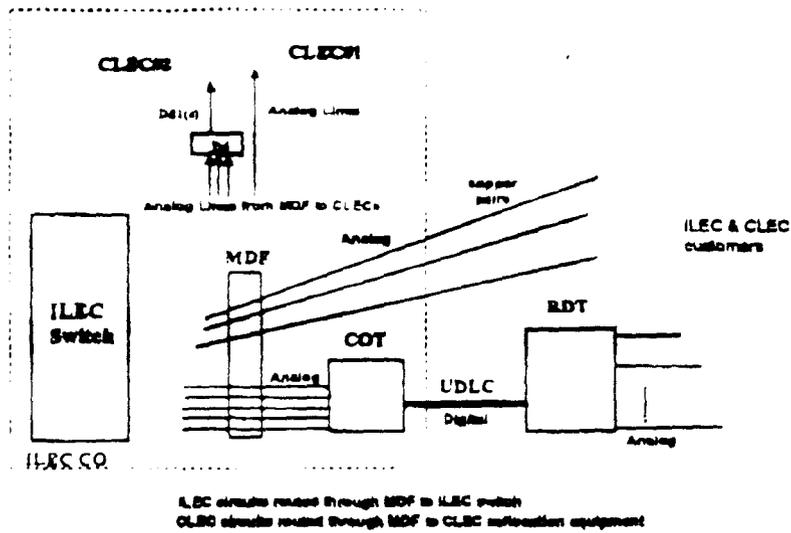


Figure 12-32. Unbundling Loops Served by Copper or UDLC Systems

- If the customer is receiving service over all-copper facilities, the transfer of the whole loop is straightforward as indicated in Figure 12-32. The ILEC removes the central office connection to its switch and places a jumper from the MDF to the meet point at the CLEC's collocation cage. There is no need to rewire the outside plant or visit the customer premises.
- If the customer is receiving service over a UDLC system, the transfer of the whole loop can be straightforward as shown in Figure 12-32. The ILEC removes the central office connection to its switch and places a jumper from the MDF to the meet point at the CLEC's collocation cage. Again, there is no need to rewire the outside plant or visit the customer premises.
- However, if the customer is served by an IDLC system, the loop is digitally transmitted to the ILEC switch. There are a variety of "technically feasible" options available to the ILEC to unbundle the loop. Each ILEC has established its own set of approved unbundling options along with the corresponding methods, procedures, and practices needed for implementing these options. Numerous unbundling options are possible because many of today's RDTs support multiple kinds of interfaces such as GR-303, FR-08, UDLC, and D4-DS1. Also, some RDTs are capable of supporting multiple GR-303 Interface Groups, thereby permitting a single RDT to connect to multiple switches.

Some common IDLC unbundling options are:

1. Bypass the IDLC system and transfer the loop to an all-copper pair

If there are available spare copper facilities serving the customer's neighborhood, transferring the IDLC customer to a spare all-copper circuit may be a viable option for the ILEC as shown in Figure 12-33. Although this

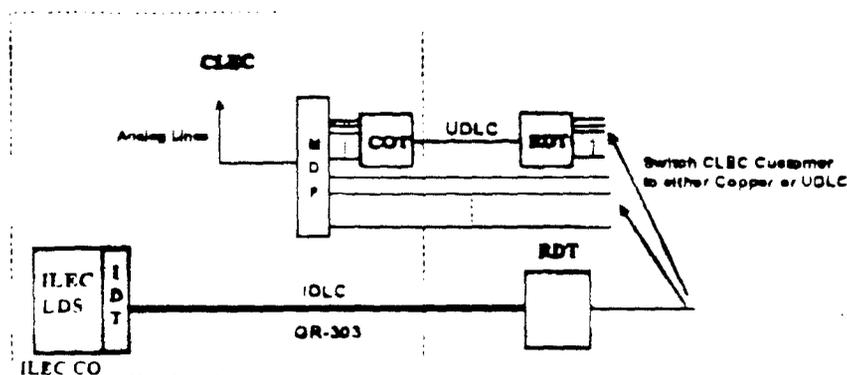


Figure 12-33. IDLC Unbundling - Bypass the IDLC System

procedure is relatively simple, it requires central office and outside plant rewiring to complete the new circuit from the MDF to the customer. The all-copper unbundled loop is the easiest unbundling architecture for the ILEC to perform maintenance and testing.

Some ILECs serve new neighborhoods/housing developments with DLC systems and install a very limited number of copper pairs to support certain services. In these areas, spare copper facilities can be quickly exhausted if used for unbundled loops.

2. Bypass the IDLC system and transfer the loop to a UDLC system

If there are no spare copper facilities in the customer's neighborhood, the ILEC may transfer the customer's circuit from the IDLC system to a UDLC system (see Figure 12-33). This transfer will also involve both central and outside plant work activity.

The customer fill rates at IDLC/UDLC CEV sites are typically 60 to 70%. There is a moderate amount of spare capacity on the UDLC systems to support transfers from IDLC systems.

3. Utilize the UDLC capability of the IDLC system

If the IDLC system is equipped to support UDLC functionality, the ILEC can electronically re-provision the circuit from IDLC to UDLC (see Figure 12-34). No outside plant work activity is needed. Central office work activity is needed to run jumpers from the MDF to the collocation cage and, if necessary, place a UDLC plug-in at the COT.

4. Utilize a separate GR-303 Interface Group for the CLEC customers

Figure 12-35 shows the use of separate GR-303 Interface Groups to carry ILEC and CLEC traffic. The RDT must support the MIG (Multiple Interface Group) capability defined in the GR-303 specification. This configuration allows a CLEC switch to connect to the ILEC's RDT at the GR-303 interface level.

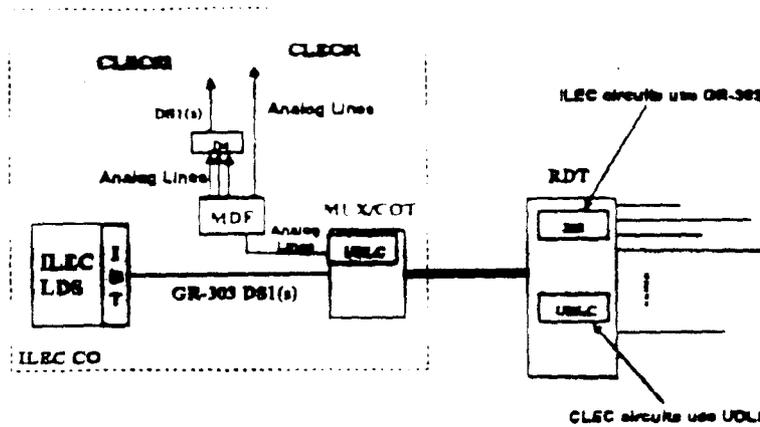


Figure 12-34. IDLC Unbundling Using the UDLC Capability of RDT

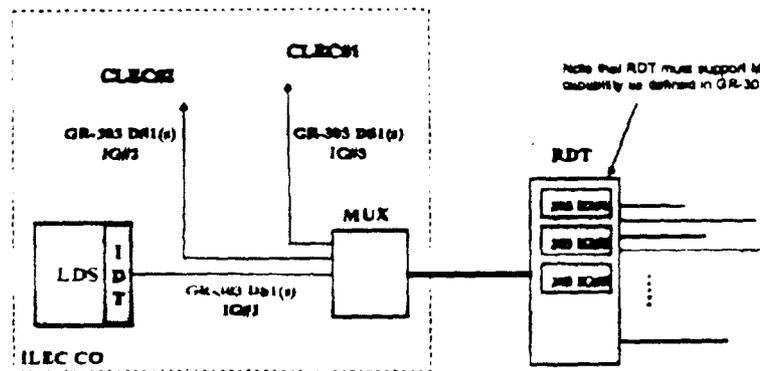


Figure 12-35. IDLC Unbundling Using Separate GR-303 Interface Groups

This arrangement may be cost effective for those CLECs having a "critical mass" of subscribers served by the RDT or group of RDTs in a CEV. Since the GR-303 Interface Group supports operations functionality, there are a variety of issues (provisioning, fault reporting, sharing of test resources, etc.) that are currently being addressed by the industry.

In response to the Telecommunications Act of 1996, GR-303 requirements were changed in 1997 to permit a single DS1 to be called a 303 Interface Group. A minimum of two DS1s was previously required. This change allows a CLEC to serve a small base of customers at an RDT more economically (but at the risk of lower service availability and reliability).

5. Share a GR-303 Interface Group and use the sidedoor port of the switch to transport CLEC traffic out of the ILEC switch

Figure 12-36 shows the use of a GR-303 Interface Group sharing ILEC and CLEC traffic where all CLEC traffic is routed through sidedoor port DS1s out of the ILEC's switch.

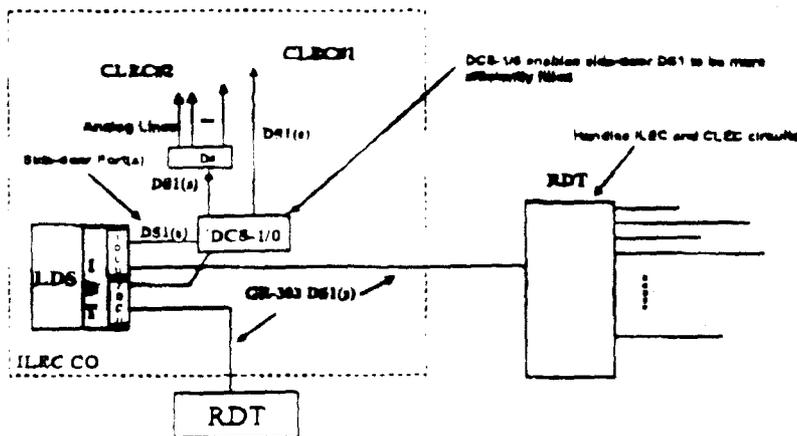


Figure 12-36. IDLC Unbundling Using Sidedoor Port

CLEC circuits are provisioned as non-switched, non-locally switched circuits within the IDLC system. While the DCS-1/0 is shown in the figure, it is not a requirement of this architecture. The advantage of using a DCS-1/0 is realized if the CLEC is not fully utilizing a DS1 from the ILEC LDS to the CLEC, and multiple switch modules with IDCUs are used by the ILEC. If a DCS-1/0 is placed between the LDS DS1 sidedoor port and the CLEC DS1s, it would permit full utilization of the sidedoor LDS/IDCU hardware by enabling CLEC DS0s to be rearranged in the DCS-1/0 and placed on the individual CLEC DS1s.

The ILEC must address the following issues associated with the sidedoor port arrangement:

- A. The cost of a DS1 switch termination for a sidedoor port is about ten times the cost for a DS1 line card on a RDT.
- B. Since each CLEC circuit requires a nailed up DS0, the ILEC may encounter blocking over the IDLC system as other circuits compete for DS0 channels.
- C. The number of sidedoor ports that can be engineered varies depending on the LDS supplier.
- D. There is limited support in existing special services design systems and databases to support sidedoor port circuits.
- E. The ILEC may need field visits to install special service D4 channel units at the RDT.

6. Utilize separate TR-08 Interface Groups to transport CLEC traffic

Figure 12-37 shows the use of separate TR-08 Interface Groups to carry CLEC traffic while utilizing the GR-303 Interface for ILEC traffic. In the figure, the RDT supports both GR-303 and TR-08 generic interface capabilities. CLEC switches can interconnect with the ILEC's RDT utilizing the DS1 handoff from the TR-08 interface.

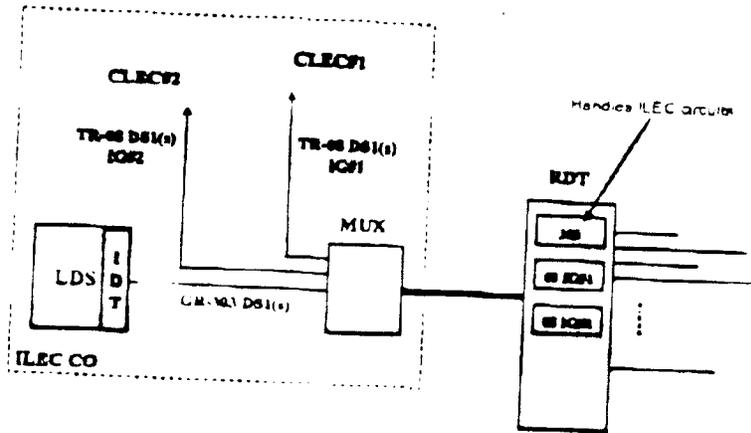


Figure 12-37. IDLC Unbundling Using Separate TR-08 Interface Groups

7. CLEC leases entire RDT

Figure 12-38 shows the configuration when a CLEC leases an entire RDT from the ILEC.

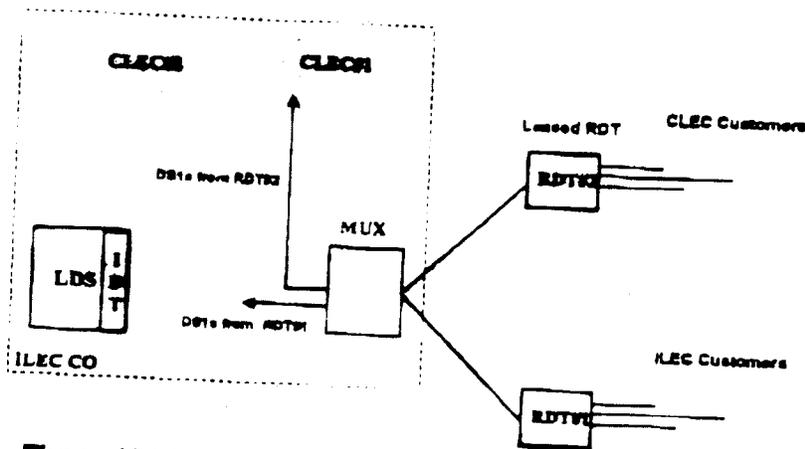


Figure 12-38. IDLC Unbundling - CLEC Leases Entire RDT

RDT#1 serves the ILEC customers, and RDT#2 serves the CLEC customers. This unbundling option may be cost-effective for the CLEC if the CLEC has a significant number of residential customers in the neighborhood or is serving a business park or campus.

12.13.2.2 Sub-Loop Unbundling Configurations

Sub-loop unbundling occurs when a CLEC interconnects to a loop facility at a point outside the ILEC's central office. The Sub-Loop UNE is defined by the FCC as portions of the loop that can be accessed at terminals in the ILEC's outside plant. An accessible terminal is a point on the loop where technicians can access the wire or fiber within the cable without removing a splice case to reach the wire or fiber within. Examples of access terminals are: poles, pedestals, the NID, the Minimum Point Of Entry (MPOE) to the customer premises, the MDF, and the Fiber/Distribution Interface (including CEV's, utility rooms, and DLC Remote Terminals). Figure 12-39 shows sub-loop unbundling at a GR-303 Remote Terminal (RDT) where a CLEC interconnects at the ILEC's RDT using its own GR-303 Interface Group facilities to provide service to its customers. In this configuration, the CLEC leases from the ILEC the RDT equipment and the RDT line facilities to each of its customer premises.

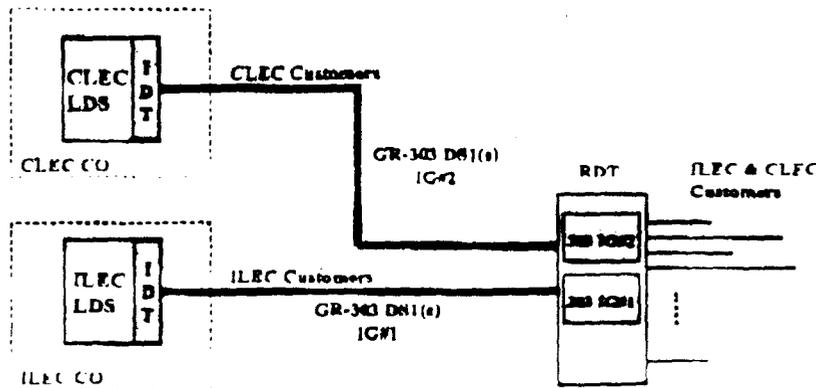


Figure 12-39. Sub-Loop Unbundling at an RDT

The FCC mandate on sub-loop network elements places the burden on each state regulatory commission to determine whether specific interconnection points in the outside plant are "technically feasible." The law directs the state commission to examine the ILEC's specific architecture and the specific technology used over the loop to determine whether it is really technically feasible to unbundle the sub-loop at a potential access point where a competing carrier requests access. Two key factors that are considered in this "technically feasible" determination are whether there is adequate space for collocated CLEC equipment to be installed and if the site has sufficient security safeguards to prevent mischief or sabotage. The FCC has

indicated that its central office collocation rules are also applicable to collocation in outside plant locations.

Since the FCC sub-loop unbundling mandate was announced in 1999, there has been little time for ILECs, CLECs, and state commissions to deal with this UNE. Sub-loop UNEs are an emerging market and, at this time, it is not clear which portions of the ILEC outside plant will be aggressively pursued by CLECs.

Numerous sub-loop unbundling configurations are possible. A CLEC may lease facilities from multiple carriers to create circuits, or it may deploy some of its own facilities and lease other facilities to extend its network to reach a greater customer base. Depending on the CLEC's network architecture, some of the transmission and technical issues associated with IDLC and UDLC configurations (described in Section 12.13.3) may be observed.

12.13.3 Unbundling Issues Associated with UDLC and IDLC Systems

There are various transmission and other technical issues associated with the use of UDLC and IDLC systems in the unbundling environment. In many loop unbundling configurations, the CLEC utilizes an IDLC system to economically transport unbundled loops from the ILEC's central office to the CLEC's central office. Issues arise when the ILEC terminates long length all-copper loops or DLC-transported loops to the CLEC's RDT (meet points at the collocation cage).

When an unbundled all-copper loop greater than 900 ohms or 12 Kft long is terminated at the CLEC's RDT, the customer may encounter degraded voice frequency transmission. To maintain the POTS grade of service, the CLEC may need to install an RDT line unit with a higher DC supervisory range to accommodate the long loop.

When an unbundled UDLC loop is terminated at the CLEC's RDT, the following impacts may be observed:

- Increased dial tone delay
- Degradation of on-hook transmission services, such as caller ID (due to delays)
- Degradation of signal quality (as a result of multiple A/D and D/A conversions)
- Reduction in analog modem operation speed (connection speed depends on loop length, number of A/D conversions, local switch type, and interoffice facility type).

Figure 12-40 shows the back-to-back DLC configuration.

transmission impairments and operational issues associated with interconnection at any other location.

When these RDTs are within 3,000 feet of the customer, either the ILEC or CLEC can have the ability to use xDSL technology to offer high-speed data access as well as video services. The CLEC may also choose to offer traditional telephone services using "voice over IP" technology. With this technology, it is possible to have the ILEC owning the 0- to 3-kHz bandwidth on a twisted pair from the RDT to the customer NID and having no services connected at the customer premises. The CLEC utilizes the frequency above 3 kHz (xDSL) and provides voice, data, and video services.

The evolution of the loop plant is shifting toward greater fiber deployment. When fiber systems advance to the situation where a significant number of residences are served using FTTC systems, CLECs will request access to some of the interconnection points in the fiber network.

Figure 12-36 shows the use of a GR-303 Interface Group sharing ILEC and CLEC traffic where all CLEC traffic is routed through sidedoor port DS1s out of the ILEC's switch.

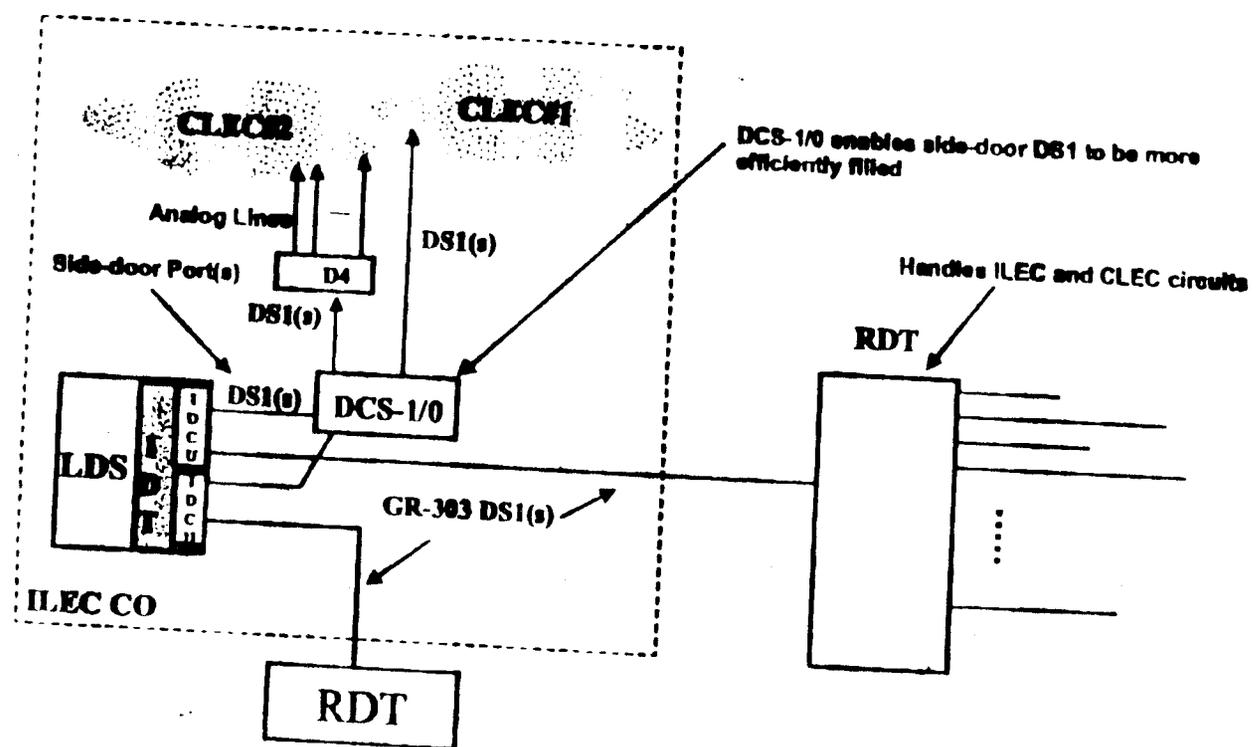


Figure 12-36. IDLC Unbundling Using Sidedoor Port

CLEC circuits are provisioned as non-switched, non-locally switched circuits within the IDLC system. While the DCS-1/0 is shown in the figure, it is not a requirement of this architecture. The...

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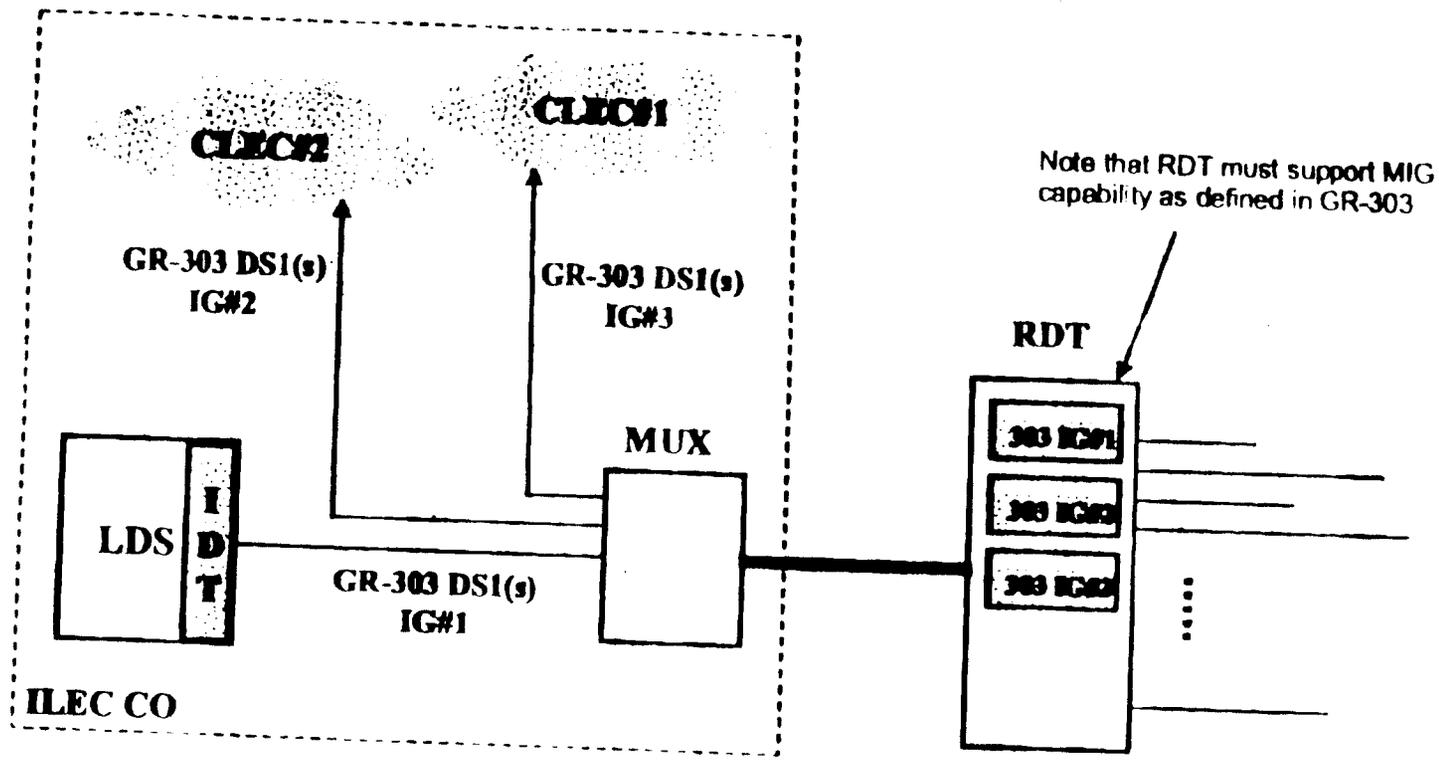


Figure 12-35. IDLC Unbundling Using Separate GR-303 Interface Groups

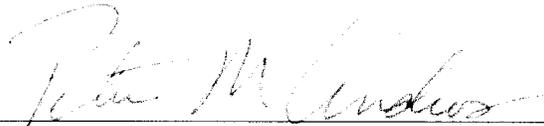
This arrangement may be cost effective for those CLECs having a "critical mass" of subscribers served by the RDT or group of RDTs in a CEV. Since the GR-303 Interface Group supports operations functionality, there are a variety of issues (provisioning, alarm reporting, sharing of test resources, etc.) that are currently being addressed by the industry.

In response to the Telecommunications Act of 1996, GR-303 requirements were changed in 1997 to permit a single DS1 to be called a 303 Interface Group. A minimum of two DS1s was previously required. This change allows a CLEC to serve a small base of customers at an RDT more economically.

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of March, 2002, I caused true and correct copies of the forgoing Comments of AT&T Corp. to be served on all parties by mailing, postage prepaid to their addresses listed on the attached service list.

Dated: March 13, 2002
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