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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Application by Verizon New Jersey)
Inc., Bell Atlantic Communications,)
Inc. (d/b/a Verizon Long Distance),) CC Docket No. 02-____
NYNEX Long 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 DECLARATION OF
PATRICK A. GARZILLO AND MARSHA S. PROSINI**

1. My name is Patrick A. Garzillo. My background is described in the declaration that Marsha S. Prosini and I filed with Verizon's New Jersey Section 271 Application on December 20, 2001. I am responsible for all sections of this supplemental declaration.

2. My name is Marsha S. Prosini. My background is described in the declaration that Patrick A. Garzillo and I filed with Verizon's New Jersey Section 271 Application on December 20, 2001. I am responsible for all sections of this supplemental declaration.

3. The purpose of this declaration is to demonstrate that Verizon's recently reduced hotcut rate of \$35.00 is substantially below Verizon's true TELRIC costs and therefore meets the requirements of Section 271. We also provide the Commission with the applicable benchmark analyses for loop and switching rates.

I. HOTCUTS

A. Verizon's Non-Recurring Hotcut Rate Reduction.

4. On March 20, 2002, Verizon significantly reduced the non-recurring hotcut rates that had been adopted, after thorough and lengthy TELRIC proceedings, by the New Jersey Board of Public Utilities (the "Board"). *See* Attachment 1 (letter from Bruce D. Cohen, Verizon, to Kristi Izzo, Secretary, Board of Public Utilities (March 20, 2002) & attached rate list). A CLEC will now be charged \$35.00 for both initial and additional two-wire loop hotcuts, instead of the Board-approved rate of \$159.76 and \$73.01, respectively. Verizon also reduced to \$35.00 its non-recurring hotcut rates for both initial and additional lines for the following other elements: Four Wire Loop Hot Cut, ADSL/HDSL Loop Hot Cut, DDS/56KD Loop Hot Cut, IDLC to Copper Loop Hot Cut; and Line Port Hot Cut. *See id.*

5. Verizon's hotcut rate reductions in New Jersey track the terms of an agreement Verizon and other parties in New York reached as part of a comprehensive settlement of UNE and retail rate issues. *See* Order Instituting Verizon Incentive Plan, *Proceeding on Motion of the Commission to Consider Cost Recovery by Verizon and to Investigate the Future Regulatory Framework*, Case Nos. 00-C-1945, 98-C-1357 at 7 (NY PSC Feb. 27, 2002) ("*Joint Agreement*"). Over fifteen CLECs – including AT&T, WorldCom, and Conversent – have expressly agreed to, or filed statements with the New York PSC supporting, this rate in New York. *See id.* at 4. We discuss this *Joint Agreement* below. The voluntary rate reductions implemented in New Jersey will remain in place until the sooner of either two years (the term of the New York settlement rates), or until the Board sets a different rate.

6. Verizon's hotcut rate reductions in New Jersey remove any doubt that these rates satisfy the TELRIC requirements of Section 271 because, as we demonstrate below, Verizon's new hotcut rates are substantially *below* Verizon's actual TELRIC costs.

B. Verizon's Current Non-Recurring Hotcut Rates Are Well Below The Non-Recurring Hotcut Costs Recently Determined by the New York Public Service Commission and the New Jersey Board.

7. The New York Public Service Commission ("PSC") and the New Jersey Board are the only two state commissions that have issued rulings on Verizon's new generation hotcut cost studies. These newer cost studies reflect the hot procedures that were designed through the collaborative process under the auspices of the New York PSC and were agreed to by the CLECs. Previous studies conducted shortly after the passage of the 1996 Act did not reflect the costs of the current hotcut procedures – many aspects of which were agreed to at the request of the CLECs.

8. Both the New York and New Jersey commissions, after thorough and extensive proceedings, have determined that the costs to complete a hotcut are significantly higher than \$35.00. The New Jersey Board determined that the non-recurring cost for provisioning a two-wire initial hotcut is \$159.76, while the New York PSC determined that the cost for this element is \$185.19.

9. It is appropriate to compare non-recurring hotcut costs determined by the New York PSC with the non-recurring hotcut costs determined by the New Jersey Board. As Verizon explained in the *Lacouture/Ruesterholtz Declaration*, ¶¶ 89-93, Verizon uses the same hotcut processes in each of these two states. These hotcut steps are explained in Attachment 2. In fact, Verizon has one common set of methods and procedures for

hotcuts in New Jersey and New York. Thus, Verizon performs the same steps and associated work activities, using work forces with comparable skills, whether it is processing a CLEC's hotcut request in New York or New Jersey.

10. Verizon's hotcut process, moreover, received ISO 9000 certification from the International Organization of Standardization in December 2000; this process was recertified in May 2001 and November 2001. *See Lacouture/Ruesterholtz Declaration* ¶ 90. This ISO 9000 certification applies to the common hotcut process that is employed in both New Jersey and New York. Before granting this certification, the ISO 9000 certification team reviewed all Verizon centers responsible for processing hotcut requests in New Jersey and New York and found that Verizon' hotcut process: (1) was fully documented and universally followed across all centers in these states; (2) used process metrics to identify non-conformances; (3) was fully understood by all process workers, who had the ability to identify non-conformances and suggest process improvement, and who conducted regular root-cause analysis; and (4) used process improvement methodologies to act on findings resulting from these root cause analyses. In short, this ISO 9000 certification confirms that the same hotcut processes are followed in New York and New Jersey.

11. Finally, it is appropriate to compare New York and New Jersey hotcut costs because each commission based its decision on comparable non-recurring cost studies. In particular, as discussed below, Verizon used the same process for obtaining time estimates, and these time estimates were reviewed for reasonableness using the same internal review procedures. Verizon also used comparable time estimates, forward-

looking adjustment factors and occurrence factors in both the New York and New Jersey hotcut cost studies.

1. The New York PSC Ruling and Subsequent Settlement.

12. Verizon first filed TELRIC non-recurring cost studies for New York during the New York PSC's Phase 2 UNE cost proceeding in 1997 – only one year after the Act was passed and before Verizon had extensive experience provisioning hotcuts. The New York PSC found in that proceeding that Verizon had failed to meet its burden of demonstrating that these non-recurring rates were reasonable and complied with TELRIC. Among other things, the New York PSC found that Verizon's work times were statistically unreliable, and criticized Verizon for relying on an insufficient number of work time estimates. *Phase 2 Order* at 92. Instead of rejecting the costs studies in total, the PSC imposed a "placeholder" for NRCs at 43% below Verizon's proposals. This placeholder was arrived at by using the minimum work times produced by Verizon's old non-recurring studies. *See id.*

13. In the New York PSC's subsequent Phase 3 UNE cost proceeding, the New York PSC again addressed Verizon's non-recurring cost studies in connection with several new rate elements not addressed in the Phase 2 proceeding. Verizon presented a different non-recurring cost model, similar to the present model, designed to respond to concerns the PSC had expressed during the first TELRIC non-recurring cost proceeding. Among other things, Verizon dramatically increased the number of surveys it obtained to develop work times, and provided a statistical analysis verifying some work times that was prepared by National Economic Research Associates ("NERA"). The

Administrative Law Judge, Judge Linsider, found that Verizon “made a credible effort to produce a forward-looking study of its non-recurring costs, consistent with the demands of the Phase 2 Opinion.” *Phase 3 Recommended Decision* at 86. He further concluded that the “NERA analysis . . . validates, as a matter of statistical theory, the worktime estimates to which it applies, and those estimates resolve one of the concerns raised in Phase 2, namely, the small number of data points considered.” *Id. at 91*. The Commission likewise noted Verizon’s cost study improvements, including the statistical validation of work times, approving some work times, while disallowing others that were not part of the statistical analysis. *Phase 3 Order* at 33-34.

14. A third TELRIC non-recurring cost proceeding was held in 2000-2001. This third proceeding ultimately resulted in the New York PSC order referred to above, which determined that the cost to complete a hotcut is \$185.19. As part of this third proceeding, Verizon presented its new non-recurring cost study, which addressed all of the New York PSC’s previous concerns, and provided a statistical analysis validating all work times. Judge Linsider again ruled that Verizon had “made a credible effort to produce a forward-looking study of its non-recurring cost.” *Phase 3 Recommended Decision* at 186. In particular, Judge Linsider adopted all of Verizon’s work times, finding that they were well supported and statistically valid. He further concluded that NERA’s statistical analysis of time estimates resolved “any concerns about the statistical validity of the study.” *Id. at 188; see also id. at 186* (“[I]f anything, Verizon’s efforts to study its NRCs on a forward-looking basis represent a further improvement beyond Phase 3.”). Judge Linsider also adopted AT&T’s proposed flat 2% fallout rate instead of Verizon’s proposed 4%, but rejected AT&T’s argument that Verizon’s non-recurring cost

model could not be forward-looking because it took as its starting point the time it takes to perform tasks currently. He found that Verizon's forward-looking adjustments, based on expected efficiency gains and process improvements, to those "current" time estimates appropriately calculated forward-looking times. *See id.* at 187.

15. The New York PSC adopted Judge Linsider's recommended reductions to Verizon's proposed hotcut rates, noting that Judge Linsider had "fully recounted both the history of the issue in the earlier proceeding and the basis on which he found Verizon's current studies to be generally acceptable." *Phase 3 Recommended Decision* at 141. The New York PSC also upheld Judge Linsider's recommendation that AT&T's 2% fallout rate be adopted, but made no changes to Verizon's time estimates. *Id.* at 143. The \$185.19 rate (for a two-wire initial hotcut) approved by the PSC also reflects the PSC's recommended cost of capital, overhead factor, and other factors.

16. As we explained above, following the completion of this most recent New York PSC proceeding, Verizon entered into a comprehensive settlement agreement in which Verizon agreed to provide a "credit" so that the final net hotcut charge to the CLEC is \$35.00. In exchange for agreeing to this low rate and other wholesale service initiatives, Verizon received pricing flexibility with respect to its retail rates and was permitted to make several modifications to its existing incentive plan. *See Joint Proposal; Order Instituting Verizon Incentive Plan* at 1 ("*VIP Order*"). This \$35.00 charge is below Verizon's TELRIC costs, as all parties that participated in the settlement acknowledged. Indeed, the *Joint Agreement* specifically states that the \$35.00 charge does *not* represent "the cost-based rates established in the [New York PSC's January 28, 2002] UNE Rate Order." *Joint Proposal* at 2. New York's \$35.00 hotcut rate is

therefore the result of a settlement agreement, approved by the New York PSC, and endorsed by over fifteen CLECs. *See Joint Agreement* at 4.

2. The New Jersey Board Ruling.

17. As noted above, Verizon filed comparable hotcut cost studies and time estimates in the New York and New Jersey cost proceedings. The record on which the New Jersey Board based its \$159.76 hotcut rate is therefore comparable to the record underlying the New York PSC's approved hotcut rate of \$185.19. In both proceedings, Verizon used surveys obtained from the people responsible for processing hotcut orders to develop work times. For certain TISOC activities, Verizon relied in both states on an efficiency study performed by Arthur Andersen. Likewise, Verizon's time estimates in both states were reviewed for reasonableness by a panel of experts familiar with these hotcut activities. And Verizon used in both states a panel of experts to develop its forward-looking adjustment and typical occurrence factors. Finally, Verizon's hotcut costs were calculated in the same manner in both states by taking the forward-looking adjusted work times and applying the relevant labor rates, cost of capital, overhead factor, and other factors. These steps resulted in comparable hotcut time estimates in New York and New Jersey.

18. The New Jersey Board conducted a thorough and comprehensive investigation into Verizon's non-recurring costs. *See Garzillo/Prosini Declaration* ¶¶ 10-25. That proceeding involved an exhaustive review of Verizon's non-recurring cost model ("NRCM"), which included Verizon's proposed non-recurring hotcut costs. With respect to non-recurring costs generally, the Board opted to use Verizon's non-recurring

cost model as the starting point for setting non-recurring rates. The Board explained that “[w]hile the two models [submitted by Verizon and AT&T] were similar in their approach ... the AT&T NRCM identified far fewer elements than the Verizon NJ Model and assumed away a number of potential costs.” Decision and Order, *Board’s Review of Unbundled Network Elements Rates, Terms and Conditions of Bell Atlantic-New Jersey, Inc.* (attached to Ex Parte Letter from Eugene P. Provost, Deputy Attorney General, State of New Jersey, to Magalie Roman Salas, Secretary, FCC (March 7, 2002)) (“Final Order”) at 157. The Board, however, ordered eight task-specific modifications to Verizon’s NRCM.

19. In particular, the Board was concerned about several of Verizon’s time estimates and directed Verizon to reduce the specific estimates about which it had concerns. With respect to hotcuts, the Board ordered Verizon to revise all travel times, and – for “additional” lines – to eliminate times associated with various activities. For example, the Board reduced the forward-looking time estimate for RCCC Task #19 (“Schedule required Bell Atlantic work teams”) from 12.92 minutes to 0.00 minutes. These changes impacted Verizon’s other hotcut costs as well, resulting in overall time estimates that are comparable to the hotcut times adopted by the New York PSC. *See Final Order* at 158-63. With these changes, the Board approved a \$159.76 non-recurring rate for initial two-wire hotcuts, and rates significantly above \$35.00 for other types of hotcuts.

20. The Board determined that, after these adjustments, Verizon’s non-recurring cost methodology was “sound, in that it makes reasonable estimates of the time currently taken for each activity.” *See Final Order* at 162. Indeed, the New Jersey Board

ordered Verizon to reduce time estimates for some hotcut activities, even though the New York PSC found that Verizon's times for these activities were reliable. The Board also found that the adjustments were "suitable ... to ensure that the output from the study produces proper forward-looking results based on TELRIC principles." *Id.* at 158.

C. Verizon spends more than \$35.00 just to check whether the CLEC is ready to proceed with the hotcut, and to physically move the customer to the CLEC's switch.

21. As we show in Attachment 3, Verizon must perform numerous and detailed steps to transfer an end user from its own switch to the CLEC's switch. These steps were designed by Verizon and the CLECs in numerous collaboratives and reflect steps the CLECs have asked us to perform – many of which are designed to ensure that the CLEC has correctly completed the tasks that it must perform to successfully complete a hotcut and is ready to proceed. In fact, Verizon spends almost \$35.00 just to make sure that the CLEC has performed its own hotcut tasks correctly and is ready to proceed with the hotcut.

22. Specifically, as demonstrated in Attachment 4, Verizon must spend about 40 minutes just on the following activities. This calculation reflects the Board's modifications to Verizon's time estimates, including modifications to Verizon's travel times to reduce them to no more than 20 minutes. The New York PSC approved comparable times for these same activities. *See* Attachment 5.

- RCCC Task Number 18 – this task recovers the costs associated with calling the CLEC to make sure the CLEC's provisioning center is aware of and agrees with the information contained in the CLEC's order. This step was agreed to in the collaboratives and accounts for the fact that, in

Verizon's experience, the CLEC's provisioning center is often not aware of the exact details of the CLEC's order.

- RCCC Task Number 21 – this task accounts for the time it takes Verizon to notify the CLEC if Verizon detects a problem with the CLEC's dial tone (e.g., no dial tone on the assigned CLEC port, working service found on assigned CLEC port). Verizon applies a typical occurrence factor to this work time, to reflect the fact that Verizon is not required to perform this task in all cases.
- RCCC Task Number 22 – this task accounts for the time it takes Verizon to reverify the service order to determine whether the CLEC has made any due date or other changes. This step was agreed to in the collaboratives to address fact that CLECs often change the details of, or postpone, a hotcut order.
- RCCC Task Number 23 – this task, which involves placing a phone call to the CLEC, was agreed to in the collaboratives to ensure that the CLEC is ready to complete the hotcut and to obtain final authorization to proceed.
- RCCC Task Number 27 & RCCC Task Number 33 – these tasks account for the time it takes Verizon to notify all Verizon teams to “stand-down” and not complete their hotcut activities when it learns that the CLEC is not ready to proceed with the hotcut. Verizon applies a typical occurrence factor to this work time, to reflect the fact that Verizon is not required to perform this task in all cases.

- C.O. Frame Task 4 – this task accounts for the time it takes for the frame technician to travel to the remote unstaffed central office for the purpose of performing frame provisioning work in advance of the hotcut. The CLECs asked Verizon during the collaboratives to travel to the central office 48 hours before the hotcut to check their dial tone. Although Verizon also performs pre-wiring during this trip, this activity is not included in Verizon’s time estimate here.
- C.O. Frame Task 7 – this task accounts for the time it takes the frame technician to verify that CLEC dial tone is present at the assigned location, and that the dial tone appears on the correct assigned cable and pair.

23. It therefore costs Verizon, after the Board’s recommended adjustments, \$33.42 simply to perform the tasks necessary to ensure that the CLEC is ready to proceed with the hotcut. *See* Attachment 4. And, as noted above, the time estimates – and the corresponding costs – are comparable to the costs determined by the New York PSC to complete these same steps. *See* Attachment 5.

24. By performing the above tasks, Verizon prevents end users from losing service as a result of CLEC error. As explained in the *Lacouture/Ruesterholz Reply Declaration*, ¶ 17, Verizon analyzed the hotcuts performed during December, 2001, for two CLECs in New Jersey. For one CLEC, Verizon completed 68 hotcut orders and identified CLEC-caused problems affecting 9, or about 13%, of those orders. For the other CLEC, Verizon completed 40 hotcut orders; on 12 of those orders, or 30%, Verizon identified problems caused by the CLEC that would otherwise have placed the end user out of service. These problems included:

- CLEC provisioning team had no record of the hotcut order when called by RCCC (5% of problem orders);
- CLEC assignment of a switch port that was already in use for another customer (29% of problem orders)
- CLEC's port did not have dial tone (38% of problem orders)
- CLEC's port had the dial tone on the wrong line (14% of problem orders);
and
- CLEC was not ready to accept the hotcut on the due date (14% of problem orders).

This evidence demonstrates that Verizon provides a valuable service to both the CLECs and the end users, and is therefore entitled to recover its costs.

25. Importantly, the \$33.42 noted above does *not* include the costs associated with *any* of the central office frame activities required actually to move the customer to the CLEC's switch. *See* Attachment 3 (listing these activities). These physical central office activities alone take approximately 32 minutes and cost Verizon \$19.69 (using Verizon's forward-looking time estimates, as modified to comply with the New Jersey Board's requirements). *Id.* The New York PSC approved similar work times for these same activities. *See* Attachment 6. It therefore costs Verizon \$53.11 just to physically move the loop to the CLEC's switch and to make sure the CLEC has performed its hotcut tasks correctly and is ready to proceed with the hotcut. And this analysis does not even begin to address all the other tasks Verizon must perform to provision a hotcut, from coordination among Verizon workgroups, to additional tasks at the central office frame,

to the creation of service orders and assignment of orders that do not flow through Verizon's systems.

D. Verizon's work times are reliable and statistically valid.

26. There is no merit to the CLECs' claims that Verizon time estimates are unreliable. As discussed above, the New York PSC specifically found that Verizon's time estimates were reliable and resulted in accurate costs. *See Recommended Decision* at 139-43. And the New Jersey Board, after noting some problems with the work times, made specific adjustments to address its concerns, concluding that with these adjustments, Verizon "makes reasonable estimates of the time currently taken for each activity." *See Final Order* at 162. Thus, the Board, after careful consideration, expressly remedied any problems it perceived with Verizon's work times.

27. Nonetheless, some commenters previously suggested that the time estimates on which the Board set hotcut rates are somehow unreliable because of the survey approach that was used to compute Verizon's average task times. As the New York PSC and New Jersey Board concluded, their generalized claims are wrong, and the state commissions have already required adjustments to address those concerns they did have. Even if the commenters claims were incorrectly credited, however, the resulting rates would still substantially exceed the \$35.00 rate now in place. For example, if Verizon excluded all times reported by the survey respondents that were more than two standard deviations above the mean estimate received for that task, and recalculated the mean without those estimates, the result would still be a forward-looking rate of \$131.16. *See Attachment 7*. In addition, if Verizon excludes these higher than average work times *and* uses the median (rather than average) work time for each activity, as several CLECs

have argued (incorrectly) it should, the result for a two-wire initial hotcut is still \$110.98. See Attachment 7.

28. Of course, Verizon believes that excluding these times introduces a high degree of subjectivity into the analysis of costs and would have rendered under-recovery far more likely, because the modified sample would fail to reflect the experience of all workers. Moreover, there is no reason to believe that variation in work times results from differences in efficiency. Workers' experiences and average work times will differ due to the types of orders they process (*e.g.*, simple or complex), the environments in which they work (*e.g.*, rural versus urban), and their differing skills or experiences. Moreover, using the median work time, rather than the average, is not a statistically valid method for estimating average work times because it is biased and imprecise, and excludes valuable information, for the same reasons discussed above.

29. Nevertheless, these sensitivity analyses provide still further confirmation that Verizon's current hotcut rate of \$35.00 is substantially lower than Verizon's actual TELRIC costs for two-wire initial loops – and lower than its TELRIC costs for more complicated and costly hotcuts by an even wider margin.

II. BENCHMARK ANALYSIS

30. The Board-approved loop and non-loop rates satisfy this Commission's benchmark test for TELRIC compliance. Below we set forth a benchmark analysis comparing loop and non-loop rates in New York and New Jersey.

31. The following chart – which Verizon provided with its initial application, *see Ex Parte* Letter from Clint E. Odom, Verizon, to William Caton, Acting Secretary, FCC (Feb. 20, 2002) ("*February 20 Ex Parte*") at 8 – compares loop rates and relative

cost levels (as predicted by the Commission’s USF model) in New Jersey and New York. While relative cost levels are *higher* in New Jersey than in New York, the statewide average loop rate in New Jersey is *lower* than the statewide average rate in New York. The New Jersey loop rate therefore satisfies TELRIC requirements for Section 271 purposes.

Loop					
State	Statewide Model Cost (Loop)	Statewide Average Rate (Loop)	Cost Ratio to New York	Rate Ratio to New York	Compliant?
NY	\$10.37	\$11.49	100%	100%	–
NJ	\$11.99	\$9.52	116%	83%	Y

32. For non-loop elements (that is, the combined rates for switching usage, switch port, transport, and signaling), we present two analyses. Both begin with state-specific DEM minutes-of-use for New York and New Jersey. *See, e.g., Arkansas/Missouri Order* ¶ 60 n.161; *Rhode Island Order* ¶ 55 n.149. Specifically, for both analyses, Verizon used 1898 minutes of use in New York and 1767 minutes of use in New Jersey. Verizon computed these numbers by dividing the sum of all year 2000 DEM MOUs (reflecting all local, toll, and access usage) for all lines (retail, resale, and UNE-P) served by Verizon switches by the average number of in-service access lines (including all residence, business, public retail, resale and UNE-P lines) for 2000.

33. The first analysis uses actual state-specific data to allocate minutes among call types, just as Verizon did in its previously filed benchmark analyses of New Jersey non-loop rates. The details of these allocations are summarized in Attachment 9 to this declaration. This is the same calculation provided in Verizon’s previous New Jersey benchmark analyses. *See February 20 Ex Parte* at 8. As the following chart

demonstrates, relative cost levels for non-loop elements are *higher* in New Jersey than in New York, but non-loop rates in New Jersey are *lower* than in New York. The New Jersey non-loop rates therefore satisfy TELRIC requirements for Section 271 purposes.

Non-Loop (State-Specific Data)

34. The second analysis applies the standard inputs this Commission has used in other Section 271 proceedings to allocate the minutes of use among call types. These inputs are set forth in footnotes 248-252 of the *Pennsylvania Order*, see *Pennsylvania Order* ¶¶ 65-77 & nn. 248-252, and are summarized in Attachment 8. As the chart demonstrates, relative cost levels for non-loop elements are again *higher* in New Jersey than in New York, while non-loop rates in New Jersey are again *lower* than in New York. The New Jersey non-loop rates therefore satisfy TELRIC requirements for Section 271 purposes under this analysis as well.

Non-Loop (Commission Assumptions)

State	Statewide Model Cost (Non-Loop)	Statewide Average Rate (Non-Loop)	Cost Ratio to New York	Rate Ratio to New York	Compliant?
NY	\$3.50	\$5.51	100%	100%	-
NJ	\$3.55	\$4.95	101%	90%	Y

35. Moreover, the Commission can take additional comfort that the rates at issue here are well within the range of reasonableness from the fact that the combined loop plus non-loop rates set by the New Jersey Board are substantially lower (relative to

cost) than the new New York rates. As the following chart demonstrates, the combined rate in New Jersey (calculated using the Commission's inputs) is *lower* than the equivalent New York rate, whereas the predicted cost level in New Jersey is *higher* than that in New York.

Combined (Commission Assumptions)

State	Statewide Model Cost (Combined)	Statewide Average Rate (Combined)	Cost Ratio to New York	Rate Ratio to New York	Compliant?
NY	\$13.87	\$17.00	100%	100%	-
NJ	\$15.54	\$14.47	112%	85%	Yes

36. In fact, given the rate-to-USF-model-cost ratio in New York, which is about 122.5% ($\$17.00/\13.87), the combined loop and nonloop rate in New Jersey could be as high as \$19.03 ($\$15.54 * 1.225$, rounded down to the nearest cent) and still satisfy the benchmark test. In other words, the actual combined rate in New Jersey – \$14.47 – is about 24% *lower than* the maximum combined rate permitted by the Commission's benchmark analysis.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on March 19, 2002


Patrick A. Garzillo

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on March 25, 2002


Marsha S. Prosini
Marsha S. Prosini

**SUPPLEMENTAL DECLARATION OF
PATRICK A. GARZILLO AND MARSHA S. PROSINI**

ATTACHMENT 1

March 20, 2002

Via Hand Delivery

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

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, the Board prescribed non-recurring UNE rates for several types of hot cuts. The Board set the following rates for initial hot cuts, each including service order charges, central office wiring, and provisioning charges:

Two Wire Loop Hot Cut	\$159.76
Four Wire Loop Hot Cut	\$157.86
ADSL/HDSL Loop Hot Cut	\$154.73
DDS/56KD Loop Hot Cut	\$157.86
IDLC to Copper Loop Hot Cut	\$184.82
Line Port Hot Cut	\$158.81

Additional hot cuts of the same kind on the same order have lower rates.

These rates are amply justified by the non-recurring costs actually incurred in performing hot cuts. Nonetheless, to resolve concerns voiced by certain parties to this proceeding, Verizon New Jersey Inc. is, effective with the filing of this letter, implementing a change to its Non-Recurring Rate sheets, reflecting a reduced charge of \$35.00 to be applied to all non-expedited orders, initial or additional, for any of these six types of hot cuts. Additional charges will continue to apply beyond the \$35.00 rate for orders on which CLECs request expedited treatment or manual order handling, or for which a premise visit is required. (See attached rate sheet.) The service order and other charges applicable to other services in the Order of March 6, 2002, are not affected.

Secretary Kristi Izzo

March 20, 2002

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At present, we are charging competitive local exchange carriers a rate of \$25.46 for Initial Hot Cuts for two wire analog loops, including the service order fee. The rate varies by the type of loop being cut over. The range of rates is \$ 25.46 to \$ 53.71. Our present expectation is that within the next four months, those rates will be trued-up to the new rate of \$35.00, effective today. No CLECs will be charged the Board-authorized rates of from \$154.73 to \$184.82.

This net rate will be in effect until either the sooner of two years or the Board's final resolution of the AT&T motion regarding hot cut pricing in this proceeding, unless the Board otherwise modifies the rate. This net rate mirrors the result of a settlement agreement recently entered into in New York State that was endorsed by more than a dozen competitive local exchange carriers.

All CLECs will be notified by a change management notice that will be distributed via E-MAIL on March 20, 2002.

We note, as we did in our letter of January 10, 2002, to Acting Secretary Ogden in Docket No. TO0190541, that the implementation of such the adjusted rates set forth in this letter may require one or more billing cycles to be reflected in our billing systems; nonetheless, we will effect such implementation as expeditiously as possible, and provide notice to the Board when it has been completed.

We trust this correspondence is self-explanatory, but please do not hesitate to contact the undersigned should the Board require further information.

Very truly yours,

Bruce D. Cohen

BDC:dmp

Attachment

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

VERIZON NEW JERSEY INC.
NON-RECURRING HOTCUT RATES

UNE/Service Description	HotCut Rate	Premises Visit	Total With Premises Visit	Manual Surcharge	EXPEDITE					
					HotCut Rate	Expedite Charge ##	Total Without Premises Visit	Premises Visit	Total With Premises Visit	Manual Surcharge
B	E	F	G E+F	H	I	J	K I+J	L	M K+L	N
Two Wire HotCut Initial	\$35.00	\$73.36	\$108.36	\$15.02	\$35.00	\$67.63	\$102.63	\$95.59	\$198.22	\$29.18
Two Wire HotCut Additional	\$35.00	\$30.89	\$65.89	N/A	\$35.00	\$30.22	\$65.22	\$40.26	\$105.48	N/A
Four Wire HotCut Initial	\$35.00	\$106.20	\$141.20	\$20.42	\$35.00	\$67.59	\$102.59	\$138.38	\$240.97	\$29.18
Four Wire HotCut Additional	\$35.00	\$60.39	\$95.39	N/A	\$35.00	\$30.21	\$65.21	\$78.69	\$143.90	N/A
ADSL/HDSL Loop HotCut Initial	\$35.00	\$73.36	\$108.36	\$15.53	\$35.00	\$66.23	\$101.23	\$95.59	\$196.82	\$22.19
ADSL/HDSL Loop HotCut Additional	\$35.00	\$30.89	\$65.89	N/A	\$35.00	\$26.11	\$61.11	\$40.26	\$101.37	N/A
DDS/56KD Loop HotCut Initial	\$35.00	\$106.20	\$141.20	\$20.42	\$35.00	\$67.59	\$102.59	\$138.38	\$240.97	\$29.18
DDS/56KD Loop HotCut Additional	\$35.00	\$60.39	\$95.39	N/A	\$35.00	\$30.21	\$65.21	\$78.69	\$143.90	N/A
IDLC to Copper HotCut Initial	\$35.00	\$0.00	\$35.00	\$20.42	\$35.00	\$79.17	\$114.17	\$0.00	\$114.17	\$29.18
IDLC to Copper HotCut Additional	\$35.00	\$0.00	\$35.00	N/A	\$35.00	\$25.87	\$60.87	\$0.00	\$60.87	N/A
Line Port HotCut Initial	\$35.00	\$0.00	\$35.00	\$20.42	\$35.00	\$68.22	\$103.22	\$0.00	\$103.22	\$29.18
Line Port HotCut Additional	\$35.00	\$0.00	\$35.00	N/A	\$35.00	\$26.97	\$61.97	\$0.00	\$61.97	N/A

This charge is the difference between the Expedited and Standard Board approved rates in Docket No. TO00060356.

**SUPPLEMENTAL DECLARATION OF
PATRICK A. GARZILLO AND MARSHA S. PROSINI**

ATTACHMENT 2

HOT CUT PROCESS IN NEW JERSEY AND NEW YORK

Verizon's hot cut process is designed to move the local loop providing the customer's working POTS service from Verizon's switch to the CLEC's switch in a transparent fashion. The CLEC can request that each hot cut be scheduled for completion during a specific appointment window, with the objective being that the customer's service be interrupted for no more than five minutes. This requires finely coordinated work efforts by both Verizon and the involved CLEC.

Verizon worked extensively with the New York Public Service Commission ("New York PSC") and CLECs to develop the existing cooperative hot cut process. The entire purpose of that collaborative effort was to address perceived weaknesses in the old hot cut process employed by Verizon and CLECs alike, and to ensure the close cooperation needed to minimize customer service interruptions. Based on this collaboration, Verizon reworked its processes in response to CLEC demands to minimize the amount of time a customer is out of service and to ensure that the CLEC is ready to accept the customer upon cutover. Once that process was developed and agreed upon by Verizon, the New York PSC and the CLECs, Verizon implemented that same process in New York and New Jersey.

Verizon's hot cut process received ISO 9000 certification from the International Organization of Standardization in December 2000 and was recertified by ISO in May 2001 and November 2001. This ISO 9000 certification applies to New Jersey and New York and demonstrates that the hot cut process is the same in New Jersey and New York.

Verizon uses exactly the same process to perform hot cuts in New Jersey and New York. In fact, Verizon has one common set of methods and procedures for hot cuts that applies in New Jersey and New York. As explained further below, each of the work steps and the associated work activities involved in the hot cut process is identical in New Jersey and New York.

Verizon's hot cut process in New Jersey and New York includes a number of steps that Verizon and the CLEC must take during the several days preceding the actual hot cut. Upon receipt and acknowledgement of a good Local Service Request ("LSR") from the CLEC, the first step is for Verizon's Regional CLEC Coordination Center ("RCCC") to verify important information on the CLEC's hot cut order. During this step, Verizon's RCCC checks to make sure that the order has all the information necessary for Verizon to complete the hot cut on the requested date and at the requested time, such as the CLEC's Collocation Facility Assignment ("CFA") that identifies the terminals at the CLEC's collocation arrangement to which the hot cut loop will be connected. Perhaps the most important step taken by Verizon's RCCC at this time is the verification that the facility assignments on the CLEC order match the assignments used by Verizon to serve the customer, unless the customer is served by Integrated Digital Loop Carrier ("IDLC"). As explained further below, if the customer is served by IDLC, Verizon must make a transfer to alternative loop facilities in order to complete the hot cut. This is the only way to provide an unbundled loop where a customer is served by IDLC because there currently is no way to unbundle an IDLC loop. This work step was added during the New York collaboratives to make sure the CLECs are providing the necessary

information for the hot cut. This work step, and the associated work activities, are identical in New Jersey and New York.

At least two days before the scheduled hot cut, the CLEC must translate or program a port in its switch to serve the customer. The CLEC must also make Automatic Number Identification (“ANI”) testing capability available at its switch. This is a critical step because without the presence of CLEC dial tone on the CFA and the ability to check the telephone number associated with the CLEC’s switch port, Verizon’s technician cannot tell if the CLEC equipment is working properly. In addition, since the customer will be keeping his or her telephone number under Local Number Portability (“LNP”), hence the term “hot cut,” the CLEC must also make arrangements to move or port the customer’s current telephone number into its switch upon Verizon’s completion of the hot cut.

After Verizon’s RCCC verifies that it has the information necessary to complete the hot cut and that the necessary facility assignments are correct, the RCCC initiates the pre-wiring and dial tone verification for the hot cut. During this pre-wiring and verification step, Verizon’s central office technician runs wires from the CLEC’s CFA to Verizon’s main distribution frame adjacent to the terminals with the loop serving the customer that will be hot cut to the CLEC. This pre-wiring, which takes place approximately two days prior to the actual committed date and time of the hot cut, simplifies the actual hot cut and gives the central office technician the opportunity to ensure that the CLEC dial tone is working properly on the CFA and that it matches the telephone number currently on the local loop. To verify the telephone number on the CLEC’s activated port, Verizon’s central office technician connects a test set to the

terminals at the CLEC's collocation arrangement assigned for the hot cut, dials the access code for the CLEC's ANI testing capability, and listens for a voice response reciting the telephone number associated with the CLEC's activated port. This step was added as a result of the New York collaborative to ensure the CLEC has correctly performed the tasks necessary to deliver dial tone on the line. This pre-wiring step, and the associated work activities, are identical in New Jersey and New York.

If there is a problem with the CLEC's dial tone or the telephone number associated with the CLEC's dial tone, the customer will be put out of service during the hot cut. To prevent the customer from losing service, Verizon's RCCC calls the CLEC and provides notice of the problem with the CLEC's switch port. Alternatively, the CLEC can choose to receive this information through Verizon's hot cut web site. Again, this work step, and the associated work activities, are identical for New Jersey and New York.

While the central office technician does the physical pre-wiring and dial tone verification, Verizon also automatically sets the LNP trigger for porting or moving the customer's telephone number to the CLEC's switch. By setting the trigger, Verizon effectively marks the customer's telephone number in Verizon's switch with an indication that it will soon move to another service provider. Once the CLEC completes porting or moving the customer's telephone number to its switch, Verizon's switch will query the LNP database each time it receives a call to this number rather than attempting to complete the call within Verizon's switch. The process for setting the LNP trigger, and the associated work activities, are identical in New Jersey and New York.

On the day of the hot cut, Verizon's central office technician again verifies that there is dial tone on the terminals assigned by the CLEC for the hot cut at the CLEC's CFA. The Verizon central office technician also checks the telephone number associated with that dial tone to make sure it matches the customer's telephone number. These steps were added as a result of the New York collaborative to ensure that the CLEC still is delivering dial tone on the line and has not lost dial tone since the initial check. If there is any problem with the dial tone or telephone number, the central office technician notifies the RCCC and the RCCC contacts the CLEC to resolve the problem. A Verizon RCCC technician remains on stand-by while CLEC switch translations are programmed to correct cases where there is no CLEC dial tone. This work step, and the associated work activities, are identical for New Jersey and New York.

If Verizon's central office technician is able to verify the CLEC's dial tone and telephone number on the CLEC's assigned terminals, the technician notifies the RCCC. The RCCC then contacts the CLEC to find out whether the CLEC is ready to go forward with the hot cut. Again, this contact can be made by telephone or through Verizon's hot cut web site. This step was added as a result of the New York collaborative to ensure that the CLEC has completed the necessary tasks on its side of the process to proceed with the hot cut. Verizon's RCCC then notifies Verizon's central office technician whether to go ahead with the hot cut. This work step, and the associated work activities, are identical for New Jersey and New York.

If the CLEC gives the go ahead for the hot cut, Verizon's central office technician makes a second visit to Verizon's main distribution frame and simply lifts the cross wire with Verizon dial tone off of the loop serving the customer and replaces it with the wire

running from the CLEC's CFA. Once the hot cut is complete, Verizon's central office technician notifies Verizon's RCCC. Verizon's RCCC then notifies the CLEC that the hot cut is complete either by telephone or through Verizon's hot cut web site. This step was added as a result of the New York collaborative to provide the CLEC with notice that it can proceed with the next steps that it must take on its side of the process. This work step, and the associated work activities, are identical for New Jersey and New York.

If the customer is served by IDLC and there are alternative copper or Universal Digital Loop Carrier ("UDLC") facilities available, Verizon's RCCC notifies the CLEC of the facility situation and asks whether the CLEC wants to proceed with the hot cut in the morning or afternoon on the requested due date. This step was added as a result of the New York collaboratives to provide the CLEC an opportunity to cancel the order if it does not want to proceed with the transfer. Once the CLEC chooses how and when to proceed with the hot cut, Verizon will perform a coordinated "line and station" transfer from the IDLC facilities to the alternative copper or UDLC facilities. The coordinated "line and station" transfer requires two dispatches of a Verizon field technician to the terminal in the field serving the customer.

On the day before the requested due date, Verizon's central office technician wires the CLEC's CFA to the alternative loop facilities similar to the pre-wire step described above. Once this pre-wiring is complete, Verizon's field technician is dispatched to the serving terminal on the day before the due date to verify the CLEC's dial tone on the alternative loop facilities. If Verizon's field technician cannot verify dial tone on the alternative facilities, the field technician will work to resolve the problem before the due date. If the field technician verifies the CLEC's dial tone, the field

technician will be dispatched on the due date to complete the hot cut. Once Verizon's field technician arrives at the serving terminal on the due date, the technician contacts Verizon's RCCC to find out if the CLEC is ready to proceed with the hot cut. If the CLEC gives the go ahead, Verizon's field technician moves the aerial pair or service drop wire to the alternative loop facilities, thereby completing the hot cut in the field. The field technician then notifies Verizon's RCCC that the hot cut is complete and the RCCC notifies the CLEC that the hot cut is complete. The conversion of IDLC facilities to alternative copper or UDLC facilities and the associated work activities are identical in New Jersey and New York

Once Verizon has completed all of these hot cut steps, the CLEC must complete the porting or moving of the customer's telephone number under LNP. The CLEC performs this step by sending instructions to the LNP database administrator indicating that it is ready to accept the customer's telephone number and providing the new routing instructions for that telephone number. If successful, all calls to the customer's telephone number will be routed to the CLEC's switch rather than Verizon's switch. If there is any problem with implementing LNP for the customer's telephone number, the CLEC can contact Verizon's LNP Center, through Verizon's RCCC, to resolve the problem.

Verizon does not immediately remove the customer's service configuration from Verizon's switch after the hot cut. Verizon generally maintains the customer's service configuration until at least midnight of the day of the hot cut. This enables Verizon to "undo" a hot cut quickly if the CLEC discovers a problem in its network. The CLEC can contact Verizon's RCCC on the day of the hot cut and ask Verizon to take back the customer. By maintaining its switch configurations in this manner, Verizon assists

CLECs in minimizing the amount of time their customers may be out of service due to the CLEC's own network problems.

**SUPPLEMENTAL DECLARATION OF
PATRICK A. GARZILLO AND MARSHA S. PROSINI**

ATTACHMENT 3

Attachment 3
Verizon Costs to Place and Connect Central Office Frame Cross-Connect

C.O. Frame Task Number	Task Description	Time	Typical Occurrence Factor	Forward-Looking Adjustment Factor	Forward-Looking Adjusted Time
1	Receive notification from RCCC of pending hotcut. (Hotcut)	2.85	100%	100%	2.85
2	Retrieve FOMS/TIRKS output (paper copy) and verify the information that was provided by the RCCC.	6.42	100%	100%	6.42
4	Travel to remote/unmanned central office for the purpose of performing frame provisioning work.	20.00	12.5% ¹	100%	2.50
5	Check to insure that existing central office (end-user) dial tone is leaving the central office OK on the correct pair and cable; report back to the RCCC. (Hotcut)	3.63	100%	100%	3.63
6	Pre-wire the frame by terminating cross-connection at the CLEC port and at any tie pairs. Tie in the wire at the reuse facility and tag the wire for multi-line orders. (Hotcut)	6.47	100%	100%	6.47
10	On due date at frame due time, work under direction of RCCC and cut-off/cut-in wire at reuse facility. Perform multi-line hotcuts one line at a time (provide per line time average). Test to insure dial tone leaves central office OK. (Hotcut)	3.99	75%	100%	2.99

¹ Verizon's compliance NRCM lists a 25% typical occurrence factor for this task. This factor accounts for two trips to the C.O. frame on separate days. Here Verizon has only accounted for the second trip, during which the actual hotcut is performed, and has thus halved the typical occurrence factor described in its NRCM.

C.O. Frame Task Number	Task Description	Time	Typical Occurrence Factor	Forward-Looking Adjustment Factor	Forward-Looking Adjusted Time
15	Load WFA tickets, check status of order activity, and report completion of order/frame work for WFA tickets (NDSUP and NDSUT) to the RCCC. (Hotcut)	5.26	100%	100%	5.26
22	Complete order in FOMS/TIRKS.	2.30	100%	100%	2.30

Total C.O. Frame Time (in minutes) 32.41
 Levelized C.O. Frame Labor Rate (per minute) \$0.55
 Total C.O. Frame Cost -- Unloaded \$17.83
 Total C.O. Frame Cost -- With Common Overhead Loading (at 10%) \$19.61
Total C.O. Frame Cost -- With Common Overhead Loading (at 10%) and Gross Revenue Loading Factor (at 0.4007%) \$19.69