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April 9, 2002

VIA ELECTRONIC FILING
Mr. William F. Caton
Acting Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: *Application by Verizon New England Inc., et. al. To Provide In-Region, InterLATA Services In Vermont, CC Docket No. 02-7.*

Dear Mr. Caton:

AT&T submits the attached Supplemental Declaration of Michael R. Lieberman showing the impact of potential universal service ("USF") revenues in Vermont on the margins that are available to new entrants in Vermont. As shown in that declaration, including potential federal universal service fund ("USF") revenues in a Vermont margin analysis does not change the results of that analysis (there appears to be no state USF support available to new entrants in Vermont). The potential per line federal USF support available to new entrants in zone 1 is zero. The potential per line federal USF support available to new entrants in zones 2 and 3 are $0.11 and $5.19, respectively. Thus, even after adding USF support, the per line margin in zone 3 (which comprises 48 percent of the lines in Vermont) is still *negative* $0.40. Moreover, adding all potential federal USF support revenues to the initial margin analysis shows that the statewide margin available to new entrants in Vermont is only $3.91, an amount that is still not sufficient to allow new entrants to recover the $10.00+ internal cost of providing local services.

As a separate matter, the attached supplemental declaration of Michael Lieberman also corrects a typographical error in his initial declaration. The exhibits to Mr. Lieberman's initial declaration show that Verizon's Vermont DUF rates are four times higher than its New York DUF rates. *See* Lieberman Decl., Att. A-7. The text of the declaration, however, states that Verizon's Vermont DUF rates are "7 times" higher than its New York DUF rates. *See id.* ¶ 30. The phrase "7 times," therefore, should be changed to "4 times." That same typographical error also is reflected in the *ex parte* letter filed by in the above captioned proceeding on March 25, 2002. Accordingly, the phrase "seven times" on page 6 of that *ex parte* letter should be changed to "four times."

Sincerely,

Robert W. Quinn, Jr.

cc: Dorothy Attwood
Deena Shetler
Tamara Priess
Julie Saulnier
Julie Veach
Ann Berkowitz (Vz)
Gary Remondino

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon New England Inc.,	)	
Bell Atlantic Communications, Inc. (d/b/a	)	CC Docket No. 02-7
Verizon Long Distance), 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 Vermont	)	

SUPPLEMENTAL DECLARATION OF MICHAEL LIEBERMAN
ON BEHALF OF AT&T CORP.

I. BACKGROUND AND SUMMARY

1. My name is Michael R. Lieberman. I am the same Michael R. Lieberman that filed testimony with AT&T's initial comments in opposition to Verizon's Vermont Application. The purpose of my supplemental testimony is to show the potential impact of federal and state universal service ("USF") support revenues on the margin analysis that I submitted with my initial testimony. In addition, I correct a typographical error contained in my initial declaration.

2. In my initial declaration I demonstrated that residential UNE-based entry in Vermont is not economically feasible. Specifically, I showed that residential gross margins in Vermont are *negative* with respect to nearly half of the available lines in Vermont. The margins that are available to local entrants in Zone 3 – which comprises 48% of the lines in Vermont – are *negative* $5.59. At the state-wide level, the average margin available to local entrants is $1.35. That margin, however, is not remotely sufficient to allow the entrant to recover an entrant's $10.00+ internal cost of providing local services.

3. Adding potential federal universal service fund revenues to my margin analysis does not change these results (there is no relevant state USF support available to new entrants in Vermont).[1] The potential federal USF support available to new entrants in zone 1 is zero. The potential per line federal USF support available to new entrants in zones 2 and 3 are $0.11 and $5.19, respectively. Thus, even after adding USF support, the per line margin in zone 3 (which comprises 48 percent of the lines in Vermont) is still *negative* $0.40. Moreover, adding all potential USF support revenues to my initial margin analysis shows that the statewide per line margin available to new entrants in Vermont is only $3.91. *See* Attachments (showing the margin analyses with and without federal USF support). That amount is still not sufficient to allow new entrants to recover the $10.00+ internal cost of providing local services.

4. As a separate matter, my initial declaration contained a typographical error in the section relating to DUF rates. My analysis shows that Verizon's Vermont DUF rates are four times higher than its New York DUF rates. *See* Lieberman Decl., Att. A-7. The text of my declaration, however, states that Verizon's Vermont DUF rates are "7 times" higher than its New York DUF rates. *See id.* ¶ 30. The phrase "7 times" should be changed to "4 times." This change has no impact on my conclusion that Verizon's Vermont DUF rates are vastly inflated above TELRIC levels.

[1] The only state support available to carriers in Vermont is that for lifeline services, E-911 services, and telecommunications relay service. These specialized programs have no impact on my margin analysis.

VERIFICATION PAGE

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

/s/ Michael Lieberman

Michael Lieberman

Executed on: April 9, 2002

Connectivity Margin for Verizon Vermont Including USF

COSTS	Statewide Average	Zone 1	Zone 2	Zone 3
Zone weights		15%	36%	48%
Loop	$14.69	$7.72	$8.35	$21.63
Port	$1.03	$1.03	$1.03	$1.03
Usage	$8.75	$8.75	$8.75	$8.75
DUF	$1.03	$1.03	$1.03	$1.03
Platform - Recurring Cost	$25.50	$18.53	$19.16	$32.44
NRC	$0.00	$0.00	$0.00	$0.00
Total Platform (w/NRC)	$25.50	$18.53	$19.16	$32.44

REVENUES		RES @ VZ VT
Basic Local Svc		
Zone 1	$	18.35
Zone 2	$	18.35
Zone 3	$	18.35
Basic Local Svc -Statewide	$	18.35
Other Revenue Sources		
Features	$	2.25
Subscriber Line Charge	$	5.00
Access	$	1.25
USF		
Zone 1	$	-
Zone 2	$	0.11
Zone 3	$	5.19
Statewide	$	2.55
Total Revenue		
Zone 1	$	26.85
Zone 2	$	26.96
Zone 3	$	32.04
Total Revenue -Statewide	$	29.40

MARGINS - RES @ VZ VT		Level	%
Zone 1	**$**	**8.32**	**31%**
Zone 2	**$**	**7.80**	**29%**
Zone 3	**$**	**(0.40)**	**-1%**
Residence Statewide	**$**	**3.91**	**13%**
Connectivity margin			

Connectivity Margin for Verizon Vermont

COSTS	Statewide Average	Zone 1	Zone 2	Zone 3
Zone weights		15%	36%	48%
Loop	$14.69	$7.72	$8.35	$21.63
Port	$1.03	$1.03	$1.03	$1.03
Usage	$8.75	$8.75	$8.75	$8.75
DUF	$1.03	$1.03	$1.03	$1.03
Platform - Recurring Cost	$25.50	$18.53	$19.16	$32.44
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REVENUES		RES @ VZ VT
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Zone 1	$	18.35
Zone 2	$	18.35
Zone 3	$	18.35
Basic Local Svc -Statewide	$	18.35
Other Revenue Sources		
Features	$	2.25
Subscriber Line Charge	$	5.00
Access	$	1.25
Total Revenue		
Zone 1	$	26.85
Zone 2	$	26.85
Zone 3	$	26.85
Total Revenue -Statewide	$	26.85

MARGINS - RES @ VZ VT		Level	%
Zone 1	**$**	**8.32**	**31%**
Zone 2	**$**	**7.69**	**29%**
Zone 3	**$**	**(5.59)**	**-21%**
Residence Statewide Connectivity margin	**$**	**1.35**	**5%**