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September 30, 2002

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TWB-204
Washington, D.C. 20554

Dear Ms. Salas:

Re: Ex Parte:
In re: Application of GTE Corp. and Bell Atlantic Corporation For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License, CC Docket No. 98-184

The enclosed materials are being filed pursuant to Verizon Communications, Inc.'s ("Verizon") obligations under Appendix D, Section XXII, Paragraph 56 (e) of the above referenced docket to obtain independent examinations of its compliance with the merger conditions and its controls over compliance with the merger conditions, as amended by a letter to the Senior Vice President, Regulatory Compliance of Verizon, dated May 29, 2002 from the Deputy Chief, Investigations and Hearings Division, Enforcement Bureau of the Federal Communications Commission. The accompanying material includes:

- Report of Management on the Effectiveness of Controls Over Compliance with Merger Conditions V, VIII, and XIX
- Report of Independent Accountants on the Report of Management on the Effectiveness of Controls Over Compliance with Merger Conditions V, VIII, and XIX
- Report of Management on Compliance with Merger Conditions V, VIII, and XIX
- Report of Independent Accountants on the Report of Management on Compliance with Merger Conditions V, VIII, and XIX

Paragraph 56(e) requires that these examination reports be made publicly available. Therefore, their distribution is not limited. Please place a copy of the attached independent accountant's report in the Ex Parte file of the above referenced proceeding.

Very truly yours,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Enclosures

cc: Ms. M. Del Duca
Mr. H. Boyle
Mr. A. Dale

Jeffrey Wm Ward
Senior Vice President
Regulatory Compliance

verizon

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Report of Management on the Effectiveness of Controls over Compliance with the Merger Conditions V, VIII and XIX September 30, 2002

Management of Verizon Communications Inc. ("Verizon") is responsible for establishing and maintaining effective internal controls over the Company's[1] compliance with the conditions set forth in Appendix D (the "Merger Conditions") of Federal Communications Commission's ("FCC's") Memorandum Opinion and Order in CC Docket No. 98-184 approving the Bell Atlantic/GTE Merger.[2] Management's assertions that follow relate only to compliance with Condition V (Carrier-to-Carrier Performance Plan, Including Performance Measurements), Condition VIII (Collocation, Unbundled Network Elements and Line Sharing Compliance) and Condition XIX (Additional Service Quality Reporting) of the Merger Conditions. The internal controls are designed to provide reasonable assurance to the Company's management and Board of Directors that the Company is in compliance with these Merger Conditions.

The Company's internal controls have been designed to comply with these Merger Conditions. There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the internal controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to the

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[1] The word "Company" or "Companies" used throughout this assertion refers to the Verizon telephone companies operating as incumbent local exchange carriers ("ILECs"), collectively as follows: Contel of Minnesota, Inc. d/b/a Verizon Minnesota, Contel of the South, Inc. d/b/a Verizon Mid-States, GTE Alaska Incorporated d/b/a Verizon Alaska, GTE Arkansas Incorporated d/b/a Verizon Arkansas, GTE Midwest Incorporated d/b/a Verizon Midwest, GTE Southwest Incorporated d/b/a Verizon Southwest, The Micronesian Telecommunications Corporation, Verizon California Inc., Verizon Delaware Inc., Verizon Florida Inc., Verizon Hawaii Inc., Verizon Maryland Inc., Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North Inc., Verizon Northwest Inc., Verizon Pennsylvania Inc., Verizon South Inc., Verizon Virginia Inc., Verizon Washington, DC Inc., Verizon West Coast Inc., Verizon West Virginia Inc., provided that, with regard to the Micronesian Telecommunications Corporation, these assertions only apply to Merger Condition XIX. (see Merger Conditions, n.3).

[2] *Application GTE Corp, and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License,* CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

achievement of the objectives of internal controls. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

The Company has determined that the objective of the internal controls with respect to compliance with these Merger Conditions is to provide reasonable, but not absolute, assurance that compliance with these Merger Conditions has been achieved.

The Company has assessed its internal controls over compliance with Merger Condition V (Carrier-to-Carrier Performance Plan, Including Performance Measurements), Condition VIII (Collocation, Unbundled Network Elements and Line Sharing Compliance) and Condition XIX (Additional Service Quality Reporting) of the Merger Conditions. Based on this assessment, the Company asserts that for the period from July 1, 2001 through December 31, 2001 for Condition VIII, and for year ended December 31, 2001 for Conditions V and XIX, its internal controls over compliance with these Merger Conditions were effective in providing reasonable assurance that the Company has complied with the Merger Conditions.

During 2001, the processes used by Verizon to provide the Carrier-to-Carrier performance metrics required by Merger Condition V resulted in certain errors. Verizon's internal controls are designed to prevent errors before they affect the performance measurements and to provide timely corrections in the event that certain errors do affect the performance measurements. Given the number of metrics, the complexity of the systems and processes employed to provide data to populate these metrics and the size of the errors, Verizon does not believe the errors revealed a control weakness. Verizon continues to reduce errors affecting the performance measurements and to implement corrective actions for errors identified.

Because these errors could affect Verizon's liability for performance payments, Verizon instituted a process to evaluate the impact on the metric reports and performance payments based on the restated performance measurements for those errors where Verizon could restate the performance measurements. As of the date of this report, the results of the payment adjustments related to the evaluation period have not been material.

Verizon Communications Inc.

Jeffrey W. Ward
Senior Vice President – Regulatory Compliance

Dated: September 30, 2002

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Report of Independent Accountants

To the Board of Directors of Verizon Communications Inc.

We have examined Verizon Communications Inc.'s (the "Company") internal control over compliance with Condition V, *Carrier to Carrier Performance Plan,* Condition VIII, *Collocation, Unbundled Network Elements and Line Sharing Compliance,* and Condition XIX, *Additional Service Quality Reporting,* set forth in Appendix D (the "Merger Conditions") of the Federal Communications Commission's (the "FCC") Memorandum Opinion and Order in Common Carrier Docket No. 98-184 approving the Bell Atlantic/GTE Merger[1], during the Evaluation Period[2], and management's assertion, included in the accompanying Report of Management on the Effectiveness of Control Over Compliance with Conditions V, VIII and XIX (the "Assertions"), that the Company maintained effective internal control over compliance with Conditions V, VIII and XIX during the Evaluation Period. The Company's management is responsible for maintaining effective internal control over the Company's compliance with Merger Conditions V, VIII and XIX. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the Company's internal control over compliance with Conditions V, VIII and XIX, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the Company's internal control over compliance with Conditions V, VIII and XIX to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our examination disclosed that the Company's processes for producing the performance measurements and related voluntary payments to the United States Treasury for Condition V identified certain errors relating to the performance measurements. These errors and the Company's inability to correct certain of these errors within the Evaluation Period indicates that the Company should have implemented additional controls to reduce the number of errors and make more timely corrections for the identified errors.

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[1] *Application GTE Corp, and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License,* CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

[2] The Evaluation Period is the year ended December 31, 2001, with the exception of Condition VIII for which the Evaluation Period is July 1, 2001 through December 31, 2001, as provided in Paragraphs 27c and 28a of Appendix D.

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In our opinion, except for the effect of the control deficiencies described in the preceding paragraph, the Company maintained effective internal control over compliance with Conditions V, VIII and XIX during the Evaluation Period, in all material respects.

This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

September 30, 2002

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Report of Management on Compliance
With the Merger Conditions V, VIII and XIX
September 30, 2002

Management of Verizon Communications Inc. ("Verizon") is responsible for ensuring that Verizon complies with the conditions set forth in Appendix D ("the Merger Conditions") of the Federal Communications Commission's ("FCC's") Memorandum Opinion and Order in CC Docket No. 98-184 approving the Bell Atlantic/GTE Merger.[1] Management's assertions that follow relate only to compliance with Condition V (Carrier-to-Carrier Performance Plan, Including Performance Measurements), Condition VIII (Collocation, Unbundled Network Elements and Line Sharing Compliance) and Condition XIX (Additional Service Quality Reporting) of the Merger Conditions.

Management has performed an evaluation of Verizon's compliance with the requirements of these Merger Conditions for the period from July 1, 2001 through December 31, 2001 for Condition VIII, and for the year ended December 31, 2001 for Conditions V and XIX (the "Evaluation Period")[2]. Based on this evaluation, we assert that, during the Evaluation Period, Verizon has complied with all requirements of these Merger Conditions in all material respects, except as specifically noted in assertions V.a and c and XIX.d. In addition, Verizon provides the following information regarding compliance with these Merger Conditions.

V. Carrier-to-Carrier Performance Plan (Including Performance Measurements)

The Companies complied with the requirements of this condition in the following manner and as described in Attachment I. In particular, the Companies carried out the following activities:

a. On February 23, 2001, March 23, 2001, April 25, 2001, May 25, 2001, June 25, 2001, July 25, 2001, August 24, 2001, September 25, 2001, October 25, 2001, November 26, 2001, December 26, 2001, and January 25, 2002, the Companies provided the FCC with the required monthly performance reports for each of the required states in the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions, for the prior month. By the 25th of each month, Verizon provided these reports via web posting. Such performance measurement data

[1] *Application of GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000).

[2] As provided in Paragraphs 27c and 28a of Appendix D, the Evaluation Period for Collocation, Unbundled Network Elements and Line Sharing Compliance (Condition VIII) is July 1, 2001 to December 31, 2001.

contained in these performance reports is complete and accurate, with the exception of the items listed on Attachment I.

b. The Companies provided the Chief of the Common Carrier Bureau with notice of any changes to the design or calculation of these measurements adopted by the New York or California State commissions and on July 24, 2001 Verizon met with the Common Carrier Bureau staff to conduct a review of the performance metrics.

c. The Companies made voluntary performance payments for 2001 results in accordance with Attachments A, A-3, A-4, A-5a, A-5b, A-6, A-7a and A-7b of the Merger Conditions on August 24, 2001, September 25, 2001, October 25, 2001, November 26, 2001, December 26, 2001, January 25, 2002, and February 25, 2002, with the exception of the following item:

    For parity metrics only, when calculating data points, the Company calculated the difference between actual CLEC performance and actual Verizon performance rather than comparing actual CLEC performance to the calculated CLEC performance that would have yielded the Critical Z value. As a result of this calculation, the Company overpaid the voluntary payments made for the three month periods ended June 2001 and July 2001 by $712,436.00 and deducted that amount from the voluntary payment made for the three month period ended August 2001.

   In addition, for performance measurement data that are reported as means or averages, in calculating the percentage difference between the actual average and the calculated average (or benchmark value for benchmark measurements), which is a required step in the payment calculation, the Company applied a cap of 100% of such percentage difference regardless of whether the percentage difference was greater than 100%. The Company calculates data points for means or averages in a manner that limits the number of CLEC observations affected to 100% since the data points represent the number of occurrences to which the per occurrence voluntary payment calculations in Attachment A-3 of Appendix D to the Merger Conditions apply and should not exceed the number of observations in a given month. The Company is reviewing this methodology with the FCC.

   Notices were provided to the FCC within five business days after such payments were made.

d. Effective as of April 26, 2001, July 30, 2001, and September 28, 2001, the Companies were authorized to provide in-region interLATA service in Massachusetts, Connecticut, and Pennsylvania, respectively, and in accordance with paragraph 17 of the Merger Conditions discontinued reporting the performance measurements.

e. On January 8, 2002, the Common Carrier Bureau found that the Illinois and Ohio state performance plans were comprehensive and qualified for removal from the merger plan. Verizon ceased reporting these two states under the Merger Conditions.

f. On January 25, 2002, in accordance with the implementation schedule proposed by the Company on December 26, 2001 and approved by the Deputy Chief of the Common Carrier Bureau on

January 8, 2002, the Company filed December 2001 performance results incorporating those metric changes approved for implementation by the FCC on December 11, 2001.

g. The Companies voluntarily made corrections to the performance measurement data for the months of January 2001 through June 2001 for known errors that the company had the ability to correct on a retroactive basis and filed such performance data with the FCC six months after the original filing date. The corrected data was used to adjust the voluntary payments previously made to the United States Treasury.

VIII. Collocation, Unbundled Network Elements and Line Sharing Compliance

The Companies complied with the requirements of this condition in the following manner:

a. The Companies complied with the FCC's Collocation, Unbundled Network Element and Line Sharing rules and the final rules as amended through appropriate state tariff filings and interconnection agreement amendments.
b. Where applicable, the Companies waived, credited or refunded non-recurring costs for collocation if the collocation due date was missed by more than 60 days, unless the Companies could demonstrate that the miss was solely caused by equipment vendor delay beyond the Companies' control.
c. In some states to avoid over billing, Verizon's policy has been to bill all carriers at the lowest rate for unbundled network elements in any interconnection agreement, state-approved rate, or tariff in each state. Verizon has no plans to re-coup this under-billing to customers.

XIX. Additional Service Quality Reporting

The Companies complied with the requirements of this condition in the following manner:

a. The Companies submitted to the Reporting Management staff of the FCC for the public record the four quarterly NARUC retail service quality reports relating to calendar year 2001 on May 22, 2001, August 16, 2001, November 15, 2001 and February 12, 2002. A copy of each report for a state was included on an Internet Website or provided to the relevant state commission. Upon agreement between the Company and the FCC staff, PricewaterhouseCoopers LLP was requested to perform procedures and report on the completeness and accuracy of eight NARUC White Paper service quality measures, as listed below, included on the quarterly NARUC Service Quality Reports:
   1) Line 100, Number of Orders for Basic Service
   2) Line 110, Number of Orders Completed within 5 Working Days
   3) Line 120, Number of Orders Delayed over 30 Days
   4) Line 135, Number of Missed Installation Commitments
   5) Line 210, Number of Initial Trouble Reports
   6) Line 270, Number of Repairs Out-of-Service Equal to or Greater than 24 Hours
   7) Line 280, Average Repair Interval (Hours)
   8) Line 290, Number of Missed Repair Commitments

The eight NARUC retail service quality data were based on information contained in the operating support systems used by the Companies for installation, maintenance and repair. This data was calculated in accordance with the definitions in the NARUC Service Quality White Paper. The Companies' calculations of these data are complete and accurate, except as listed in d. below.

b. The Companies provided, through an Internet Website or directly to the relevant state commission, quarterly local service quality data relating to calendar year 2001 from Table 1, ARMIS Report 43-05. These reports were provided on May 15, 2001, August 14, 2001, November 14, 2001 and February 13, 2002.

c. The Companies reported to the Commission, to Mitchell & Titus, LLP, the independent auditor engaged to perform the Genuity Merger Compliance Engagement, and to PricewaterhouseCoopers LLP, the independent auditor engaged to perform the Merger Compliance Engagement, service quality data described in Table 1 of ARMIS Report 43-05 showing the service level provided to Genuity compared to other companies for Special Access and High Capacity services (Genuity Reports). Reports were issued monthly throughout the Evaluation Period, reflecting the business rules approved by the Common Carrier Bureau on September 19, 2000, February 11, 2002, and April 3, 2002. Such service quality data is complete and accurate, except as listed in d. below.

d. There were a few instances during 2001 where data were incorrectly reported.

- Genuity Report - Average Installation Interval for Verizon-West[3] included duplicate records in the results for January through March 2001. Corrected results were reported on May 15, 2001.
- Genuity Report - Percent Commitments Met and Average Installation Intervals were incorrectly reported in December 2001, using November 2001 results, for the states of Massachusetts, New York, and Pennsylvania. The corrected December 2001 results were reported on March 4, 2002.
- In Verizon-East[4] the NARUC service quality measurements "Held Orders" and "Missed Installation Commitments" excluded customer caused misses. Verizon-East reporting has been corrected effective with first quarter 2002 reporting.

Verizon Communications Inc.

Jeffrey W. Ward

Dated: September 30, 2002

Jeffrey W. Ward
Senior Vice President - Regulatory Compliance

[3] The word "West" used throughout this report refers to the service areas of the former GTE local exchange carriers

[4] The word "East" used throughout this report refers to the service areas of the former Bell Atlantic local exchange carriers.

September 30, 2002
Attachment I
Report of Management on Compliance with the Merger Conditions
Condition V – Carrier-to-Carrier Performance Plan (Including Performance Measurements)

Data Extraction - Pre-Ordering Domain

1. In November 2001, Enview transactions used to measure Electronic Data Interchange (EDI) were incorrectly marked as successful. Also in November 2001, New Jersey Enview scripts sent an 11 digit, instead of 10 digit, telephone number to the EDI parser server which caused transaction failures impacting the PO-1-02 metric in November 2001 (East[1] PO-1-01, 1-02, 1-03, 1-06, 2-02).

2. The numerator calculation did not reflect a response time of zero since the source system recorded the same date and time for the pre-order query and associated response from January 2001 through June 2001 (West[2] PO-1-05).

Data Extraction - Ordering Domain

1. Complex orders for Unbundled Network Element (UNE) Specials were not identified correctly in the data extract file; therefore, the daily confirmation information was not transmitted in the extract file from January 2001 through February 2001 (East OR-1-02, 1-04, 1-06, North[3] states only).

2. Dark fiber orders were reported in the UNE Loop and Specials metrics from January 2001 through April 2001 in all states except Connecticut (East OR-1-04, 1-06, 2-04, 2-06).

3. DS1s and DS3s, which required facility verification, ordered in quantities of less than 10 lines were incorrectly measured against a 48 hour interval and UNE Specials orders with less than 10 lines should have been included in the OR-1-06 metric rather than the OR-1-04 metric from January 2001 through December 2001 (East OR-1-04, 1-06).

4. Facility based stand-alone directory services orders were omitted from the UNE metrics from June 17, 2001 through August 2001 (East OR-1-04, 2-04, 5-01).

5. Certain UNE Loop orders were not classified properly in the Complex, Specials and POTS categories from January 2001 through September 2001. The UNE Specials performance measures impacted were reject timeliness in Maine, Rhode Island, Virginia, and West Virginia and order confirmation timeliness in Virginia and West Virginia (East OR-1-04, 2-04).

6. Disconnect orders received on an Access Service Request (ASR) were not included in the UNE Specials metrics from January 2001 through December 2001 (East OR-1-04, 2-04).

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[1] The word "East" used throughout this Attachment refers to the service areas of the former Bell Atlantic local exchange carriers, except the state of New York, the state of Massachusetts beginning with April 2001 data, the state of Connecticut beginning with August 2001 data, and the state of Pennsylvania beginning with October 2001 data, unless otherwise noted.
[2] The word "West" used throughout this Attachment refers to the service areas of the former GTE local exchange carriers, except the states of Illinois and Ohio beginning with December 2001 data, unless otherwise noted.
[3] The word "North" used throughout this Attachment refers to the service areas of Verizon New England Inc., and Verizon New York Inc., except the state of New York, the state of Massachusetts beginning with April 2001 data and the state of Connecticut beginning with August 2001 data, unless otherwise noted.

7. Line sharing Local Service Requests (LSRs) requiring loop qualification were categorized as Specials rather than as 2-wire xDSL services from November 2001 through December 2001 (East OR-1-04, 2-04).

8. Trunk project orders were incorrectly excluded from the metric from January 2001 through December 2001 (East OR-2-12).

9. CLEC two-way trunks were not classified as CLEC Trunks and were not included in the metrics from March 2001 through December 2001 (East OR-1-12).

10. New manual error codes were not correctly incorporated in the program that generates the reject data feed and were therefore not correctly captured in the performance metric results from January 2001 through February 2001 (West OR-2).

11. The initial receipt date was incorrect on some orders from January 2001 through March 2001 which impacted the UNE and Resale metrics (West OR-1, 2).

12. Certain electronic rejects were not identified accurately from January 2001 through March 2001 causing an overstatement in the UNE and Resale metric numerators (West OR-2).

Data Extraction - Provisioning Domain

1. Results for the South[4] states in January 2001 did not include DS1/DS3 ASR UNE ordered products. In addition from January 2001 through February 2001 three Extended Enhanced Loop (EEL) products ordered via a LSR and billed in Customer Records Information System (CRIS) had not been included in the metrics captured by Service Order Relational Database (SORD) (East PR-4-01, 4-02, 5-03, 6-01, South states only).

2. A portion of DS1 and DS3 retail orders was not captured in the retail comparison from January 2001 through April 2001 for Connecticut and Rhode Island, from January 2001 through May 2001 for the remaining North states, and from January 2001 through October 2001 for the South states. This impacted Retail DS1 and DS3 and Total Specials metrics (East PR-4-01, 4-02, 5, 6-01).

3. EELs and Inter Office Facilities (IOF) were not captured in the metrics. Additionally, due to the complexity in identifying EEL DS0, DS1 and DS3 products, these products were reported as under development from January 2001 through April 2001 for the South states and through August 2001 for the remaining states (East PR-4-01, 4-02, 5, 6-01).

4. The interval table used in Pennsylvania to automatically populate Appointment Type Code (ATC) on orders was not updated from January 2001 through August 2001. This impacted Resale and UNE metrics (East PR-3).

[4] The word "South " used throughout this Attachment refers to the service areas of Verizon Delaware Inc., Verizon Maryland Inc., Verizon New Jersey, Inc., Verizon Pennsylvania Inc. (former Bell Atlantic only), Verizon Virginia Inc. (former Bell Atlantic only), Verizon Washington DC Inc., and Verizon West Virginia, Inc., except the state of Pennsylvania beginning with October 2001 data, unless otherwise noted.

5. An automated process applied a Company Other (CO) Missed Appointment Code to all Wholesale orders in the Awaiting Provisioning Complete Step, rather than to backlogged orders in the Awaiting Provisioning Complete Step for both Retail and Wholesale. This occurred from January 2001 through September 2001 in Maryland, Virginia, Washington, DC, and West Virginia (East PR-4, 5).

6. A source file used to score installation trouble reports contained inconsistent circuit data for New Jersey Retail and Resale 2-wire digital products causing some installation trouble reports to not be scored and included in the metric from January 2001 through July 2001 (East PR-6-01).

7. The Missed Appointment Code of Subscriber CLEC (SC) on UNE POTs orders was not provided to the SORD extract file and therefore was not included in the metrics from January 2001 through October 2001 (East PR-3-09, North states only).

8. ExpressTRAK orders in Maryland, Virginia, Washington, DC, and West Virginia that were identified by a Uniform Class of Service Code (USOC) were not included in the Resale, UNE, and Retail metric results for the 2-wire digital, Platform, POTs-Total, and xDSL products from January 2001 through October 2001. Additionally, the UNE platform product was omitted from the PR-6-02 metric for the same states from January 2001 through November 2001 (East PR-3, 4-02, 4-04, 4-05, 4-10, 5, 6).

9. The data used in the January 2001 through October 2001 New Jersey calculation of the Resale 2-wire digital metric captured installation troubles for the 201 area code only, rather than all the area codes in the state (East PR-6-01).

10. In some instances, CLEC and ILEC data were not differentiated correctly when extracted from National Order Collection Vehicle (NOCV). This affected UNE Loop Non-designed Dispatch (PR-3-09), Retail Loop xDSL Capable, POTs, Specials, Loop-designed, Resale Specials, UNE Platform (PR-4-02), Retail Loop xDSL Capable Dispatch, UNE Loop Non-designed Dispatch (PR-4-04), Retail Loop xDSL Capable Non-dispatch, Resale POTs Non-dispatch (PR-4-05) and the PR-9 metric from January 2001 through April 2001 (West PR-3-09, 4-02, 4-04, 4-05, 9).

11. A NOCV system update caused the 'G' indicator not to populate correctly when a date beyond the interval offered was requested from February 6, 2001 through March 8, 2001 causing the metric results to incorrectly include performance relating to orders with requested due dates beyond the interval offered. (West PR-3).

12. The process used from September 2001 through December 2001 did not include all CLEC orders where the service was reserved in advance and exclude all orders where the customer requested due date was beyond what was offered. This impacted Resale POTS and UNE Loop Non-designed metrics (West PR-3).

Data Extraction - Maintenance Domain

1. Resale POTS and UNE Platform multi-line accounts were not populated with the CLEC ID in the maintenance records causing an under reporting of the denominator for Resale and UNE and an over reporting of the Retail denominator from January 2001 through May 2001 (East MR-2-02, 2-03, South states only).

2. Certain ExpressTrak trouble reports containing a 5-digit service code were not included in the metrics in Maryland, Virginia, Washington, DC, and West Virginia from January 2001 through December 2001 (East MR-2-02, 2-03, 3, 4-02, 4-03, 4-08, 5).

3. All centranet ILEC access lines were not included in the denominator of the metric. This affected UNE Port from January 2001 through March 2001 (West MR-2-01).

4. CLEC line count was understated and ILEC line count was overstated in the denominator of the metric due to a data feed error. This affected Resale Specials and POTS metrics from January 2001 through April 2001 (West MR-2-01).

5. Certain CLEC trouble reports were not categorized accurately across the Specials, Trunks, and UNE Transport products from January 2001 through March 2001 (West MR-2-01, 3, 4-01, 4-07, 4-08, 5).

Data Extraction - Network Performance Domain

1. The CLEC override indicator, used to identify due date extensions resulting from CLEC milestone misses, was not captured accurately from January 2001 through February 2001 (West NP-2-05).

Data Extraction - Billing Domain

1. When a CLEC received two types of bill media, only one type of bill media was included in the metric from January 2001 through June 2001. Additionally, in Maryland, Virginia, Washington, DC, and West Virginia CRIS paper bills were excluded from the metric from January 2001 through December 2001 (East BI-2, South states only).

2. CRIS and CABS master bills in the North states, from March 2001 through December 2001, and CABS master bills in the South states from January 2001 through December 2001 that contained multiple states were not counted as separate records in each state. In addition, in Maryland, Virginia, Washington, DC, and West Virginia some zero balance final bills were counted in the metric in subsequent months from January 2001 through December 2001 (East BI-2).

Data Extraction - Maintenance and Provisioning Domains

1. Some Retail Special Services were not included in the metrics impacting Retail Specials from January 2001 through December 2001 (East MR-4-01, 4-08, PR-6-01).

2. The absence of a valid CLEC ID or valid Wire Center caused some line records and troubles to be excluded or improperly classified in the metrics impacting UNE Platform and Loop from January 2001 through December 2001 (East MR-3-01, 3-02, 4-02, 4-03, 4-08, 5-01, PR-6-02).

Data Extraction - Maintenance, Ordering and Provisioning Domains

1. Certain CLEC activity was not identified and referenced to a specific CLEC, and therefore was not included in the CLEC results. This impacted UNE Transport for certain Maintenance and Repair metrics in all states, and certain Ordering metrics in California, Florida and Oregon from January 2001 through February 2001. Additionally, certain Ordering Trunk metrics were impacted for all states and certain Collocation metrics for California, Nevada and Washington were impacted during the same time period. (West MR-3-01, 4-01, OR-1-12, NP-2-05).

Data Calculation - Ordering Domain

1. A number of flow through orders were included in the denominator, but erroneously excluded from the numerator. This impacted the Virginia UNE and Resale metrics in April and May 2001 and the New Jersey UNE and Resale metrics in May 2001 (East OR-5-01).

2. Non-flow through Purchase Order Numbers (PONs) with a particular CLEC ID were excluded from certain ordering metrics from March 2001 through August 2001 and those of another particular CLEC ID from April 2001 through August 2001 (East OR-1-04, 1-06, 2-04, 2-06, South states only).

3. The UNE Specials metrics included duplicate rejects from January 2001 through December 2001 (East OR-2-04, 2-06).

4. From January 2001 through December 2001 the calculations of the CLEC Trunk metric excluded all subsequent rejects (East OR-2-12).

5. The numerator for Trunks and UNE Transport metrics was calculated as the sum of the number of days it took to issue a Firm Order Confirmation (FOC), rather than the sum of the number of FOCs issued within 10 days from January 2001 through February 2001 (West OR-1-12).

6. Stand-alone Local Number Portability (LNP) order volume was incorrectly reported from January 2001 through December 2001 impacting the UNE metrics (West OR-5-01, 5-03).

Data Calculation – Provisioning Domain

1. Orders for certain Resale and Retail non-designed circuits were counted as designed circuits. This affected the metrics from January 2001 through March 2001 (East PR-4-01, 4-02, 5, 6-01).

2. The denominator for UNE EEL, IOF, and Specials was calculated as the count of orders completed for the product group, rather than as the count of completed orders missed for company reasons by the product group. This impacted the metrics from February 2001 through April 2001 (East PR-4-02, South states only).

3. Certain non-dispatched migration orders for Resale POTS/Platform and UNE were excluded incorrectly from the denominator of the metrics due to a table error from January 2001 through March 2001. Additionally, certain dispatched migration orders were given the incorrect Appointment Type Code causing them to be incorrectly excluded from the denominator of the metric from January 2001 through March 2001 (East PR-3, South states only).

4. In Maine, New Hampshire, Rhode Island, and Vermont IOFs were counted twice in the denominator of the UNE Specials metric from May 2001 through December 2001 (East PR-6-01).

5. From January 2001 through December 2001 certain Retail ISDN (2-wire digital) orders in Maryland, Virginia, Washington, DC, and West Virginia were incorrectly excluded from the metric calculations (East PR-4-02, 4-04, 4-05, 6-01).

6. The denominator of the UNE Loop metric included 2-wire digital and 2-wire xDSL rather than just analog loops from January 2001 through December 2001 (East PR-6-02).

7. Certain products were incorrectly categorized causing the metrics to be inaccurate for Resale 2-wire digital (PR-4-04, 6-01), UNE POTs (PR-3-09), UNE Specials and EELs (PR-4-01, 4-02), and UNE Specials (PR-6-01) from January 2001 through December 2001 (East PR-3-09, 4-01, 4-02, 4-04, 6-01).

8. Certain troubles were not identified and included in the xDSL numerator calculation for UNE Loop xDSL capable metrics from January 2001 through May 2001 (West PR-6-02).

9. The circuit numbers for UNE Platform, Line Sharing, Specials, and all UNE Loop products were not extracted properly and were not included in the metrics from January 2001 through December 2001 (West PR-3, 4, 5, 6).

10. All information on conversions and hot cut performance was not captured causing hot cut performance to be understated from January 2001 through May 2001 (West PR-9).

Data Calculation - Maintenance Domain

1. Trouble reports that should have been excluded were counted in certain New Jersey CLEC-specific Resale POTS/Complex metrics from January 2001 through October 2001 (East MR-2-02, 2-03, 3, 4-02, 4-03, 4-08).

2. Separate trouble reports for different legs of the same circuit that were received on the same day as another separate earlier report were counted as repeaters in the metric calculation. This impacted the Specials metrics from January 2001 through December 2001 (West MR- 5).

Data Calculation - Network Performance Domain

1. Response time intervals for virtual and physical collocation were not calculated in accordance with the intervals listed in the New Hampshire and Vermont state tariffs impacting the metrics from January 2001 through June 2001 (East NP-2-01, 2-02).

Data Calculation – Maintenance and Provisioning Domains

1. The data used in the calculation of Flexpath incorrectly included DS0 level circuits rather than just the DS1 portion of a Flexpath request from January 2001 through December 2001. This impacted Retail Specials for PR-6-01 and MR-2-01 and Resale Specials for MR-2-01. Additionally, official circuits were included in the denominator of the MR-2-01 metric from January 2001 through December 2001 (East MR-2-01, PR-6-01, North states only).

2. Due to inaccurate categorization of classes of service and CLEC identification, certain Resale Specials troubles and line counts were incorrectly included in Retail Specials metrics and some UNE Specials troubles and line counts were incorrectly excluded from UNE Specials metrics (East MR-4-01, 4-08, 5-01, South states only).

3. Some CLEC trouble activity was not included in the metrics because certain Operating Company Numbers (OCNs) did not correctly correspond to the state in which the trouble was reported from January 2001 through December 2001 (West MR-2, 3, 4, 5, PR-6).

Report Mapping

1. The OR-5-03 metric was reported as under development (UD) from January 2001 through June 2001 (East OR-5-03).

2. ASRs were doubled causing CLEC performance to be reported incorrectly for UNE Specials and EELs for June 2001 (East PR-4-01, 4-02, 6-01).

3. Verizon Advanced Data, Inc. (VADI) CLEC-specific results were reported as NA from January 2001 through April 2001 (East NP-2).

Data Calculation Changes

1. Subsequent to the filing of the BA/GTE merger measure definitions, the PR-9-01 measure was discussed with the California collaborative and an agreement was reached. At a meeting with CCB staff members on August 17, 2000, Verizon proposed this new definition of a successful conversion to be consistent with the new California measurement. Verizon reported this metric according to this new definition beginning with July 2000 data. As part of the semi-annual review process, Verizon recommended this change to the business rules of Attachment A-2b of the Merger Conditions, which was approved by the CCB in December 2001 (West PR-9).

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Report of Independent Accountants

To the Board of Directors of Verizon Communications Inc.:

1. We have examined Verizon Communications Inc.'s (the "Company") compliance with Condition V, *Carrier to Carrier Performance Plan,* Condition VIII, *Collocation, Unbundled Network Elements and Line Sharing Compliance,* and Condition XIX, *Additional Service Quality Reporting,* as set forth in Appendix D (the "Merger Conditions") of the Federal Communications Commission's (the "FCC") Memorandum Opinion and Order in Common Carrier Docket No. 98-184[1] approving the Bell

[1] Merger Conditions are set forth in Appendix D of the Federal Communications Commission's ("FCC's") Order Approving the Bell Atlantic/GTE Merger (*Application of GTE Corporation, and Bell Atlantic Corporation for Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License,* CC Docket No. 98-184, Memorandum Opinion and Order, FCC 00-221 (rel. June 16, 2000)). Condition VIII, *Collocation, Unbundled Network Elements, and Line Sharing Compliance*, of the Merger Conditions requires the Company to provide collocation consistent with the FCC's rules as defined in *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, First Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, (FCC 96-325) 11 FCC Rcd 15499 (1996) ("Local Competition Order"), *Deployment of Wireline Service Offering Advanced Telecommunications Capability, CC Docket No. 98-147*, First Report and Order (FCC 99-48), 14 FCC Rcd 4761 (1999) ("Advanced Services Order"), as modified by *GTE Services Corporation v. FCC*, 205 F.3d 416 (D.C. Cir. 2000) ("GTE Services Corporation"), and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket Nos. 98-147 and 96-98, Order on Reconsideration And Second Further Notice of Proposed Rulemaking in CC Docket 98-147 And Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98 (FCC 00-297), 15 FCC Rcd 17806 (2000), including collocation rules codified in 47 CFR Sections 51.321 and 51.323 as modified by the waiver granted to Verizon Communications Inc. in *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, 16 FCC Rcd 3748 (2000) and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, Fourth Report and Order, 16 FCC Rcd 15435 (2001) and *In the Matter of Verizon Communications, Inc., Order and Consent Decree*, (DA 01-2079) 16 FCC Rcd 16270 (2001). Condition VIII also requires the Company to provide unbundled network elements and line sharing consistent with the FCC's rules as defined the Local Competition Order, *Implementation of Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth Notice of Proposed Rulemaking, CC Docket No. 96-98, (FCC 99-238) 15 FCC Rcd 3696 (1999) ("UNE Remand Order") and *Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147 and Fourth Report and Order in CC Docket No. 96-98, (FCC 99-355) 14 FCC Rcd 20912 (1999) ("Line Sharing Order"), *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, (FCC 00-183) 15 FCC Rcd 9587 (2000) and *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket 96-98, 16 FCC Rcd 2101 (2001), including unbundled network elements and line sharing rules codified in 47 CFR Sections 51.230; 51.231; 51.232; 51.233; 51.307; 51.309; 51.311(a)-(b) and (d)-(e); 51.313; 51.315(a)-(b); 51.317; and 51.319. This examination did not include procedures necessary to determine compliance with the FCC's pricing rules.

Atlantic/GTE Merger, during the Evaluation Period[2], and management's assertions, included in the accompanying Report of Management on Compliance with Merger Conditions V, VIII and XIX (the "Assertions"), that the Company complied with Merger Conditions V, VIII and XIX during the Evaluation Period, except as noted herein. Management is responsible for the Company's compliance with Merger Conditions V, VIII and XIX. Our responsibility is to express an opinion on the Company's compliance based on our examination.

2. Except as discussed in paragraphs 3, 4 and 7b. of this report, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with the requirements of Conditions V, VIII and XIX and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

3. For the period from January 1, 2001 through April 30, 2001, the Company did not maintain historical transaction data related to the Verizon South[3] Average Installation Interval (Condition XIX) and Verizon South Percentage Commitment Met (Condition XIX) measurements. The unavailability of this historical transaction data prevented us from applying the procedures we considered necessary in the circumstances to test these reported measurements. Additionally, upon agreement of the FCC staff and the Company, for Condition XIX we were requested to perform procedures on all the Genuity measurements and only the eight specified NARUC service quality measurements as listed below:
   i. Line 100, Number of Orders for Basic Service
   ii. Line 110, Number of Orders Completed within 5 Working Days
   iii. Line 120, Number of Orders Delayed over 30 Days
   iv. Line 135, Number of Missed Installation Commitments
   v. Line 210, Number of Initial Trouble Reports
   vi. Line 270, Number of Repairs Out-of-Service Equal to or Greater than 24 Hours
   vii. Line 280, Average Repair Interval (Hours)
   viii. Line 290, Number of Missed Repair Commitments

4. Under Condition V, the Company is required to submit monthly performance measurement data. The Company makes corrections to the performance measurement data for known errors that the Company has the ability to correct on a retroactive basis and to file such corrected performance measurement data with the FCC six months after the original filing date. The corrected performance measurement data is then used to adjust the voluntary payments previously made to the United States Treasury under Condition V. In a letter to the Company from the Deputy Chief, Common Carrier

[2] The Evaluation Period is the year ended December 31, 2001, with the exception of Condition VIII for which the Evaluation Period is July 1, 2001 through December 31, 2001, as provided in Paragraphs 27c and 28a of Appendix D.

[3] The word "South " used throughout this report refers to the service areas of Verizon Delaware Inc., Verizon Maryland Inc., Verizon New Jersey, Inc., Verizon Pennsylvania Inc. (former Bell Atlantic only), Verizon Virginia Inc. (former Bell Atlantic only), Verizon Washington DC Inc., and Verizon West Virginia, Inc.

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Bureau of the FCC, dated December 26, 2001, the Deputy Chief states that the FCC staff recognizes that the Company may identify errors after the filing of such performance measurement data and that there should be a regular process for corrections to occur. We were engaged to examine the corrected performance measurement data for purposes of assessing the resulting payment adjustments for the performance measurement data for the months of January 2001 through June 2001. We did not perform procedures on corrected performance measurement data for purposes of assessing the resulting payment adjustments for the months of July 2001 through December 2001 because those months were corrected and filed after the Evaluation Period of our examination.

5. In applying the provisions of Condition VIII, it is the Company's understanding that, under Title 47 Parts 51.321(h) of the Code of Federal Regulations, the Company satisfies its obligation by maintaining a publicly available Internet site indicating all central offices that are full. The Company's Internet site does not list other premises as "full" because the Company believes that the FCC has not established minimum space requirements for collocation in premises other than central offices and that it cannot rule out potential means of collocation that are technically feasible in such premises. The FCC staff has been requested to provide their interpretation of this matter in a letter to the Assistant Chief, Investigations and Hearings Division of the Enforcement Bureau of the FCC, dated August 13, 2002. The Company's compliance with this specific collocation rule is primarily a legal determination, and as discussed in paragraph 2 above, we are unable to make a legal determination of the Company's compliance with this specific collocation rule.

   In applying the provisions of Condition VIII, the Company offers a standard interconnection agreement that contains a clause limiting the requesting carrier to leasing a maximum of 25% of the dark fiber in any given segment of the Company's network during any two-year period. The Company does not require CLECs to accept this clause, and any CLEC can adopt an agreement without such a limitation under the "most favored nation" provisions of Merger Condition IX, *Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements.* Verizon has entered into several post-merger agreements that do not contain the 25% dark fiber limitation. The FCC staff has been requested to provide their interpretation of this matter in a letter to the Assistant Chief, Investigations and Hearings Division of the Enforcement Bureau of the FCC, dated May 9, 2002. The Company's compliance with this specific interconnection rule is primarily a legal determination, and as discussed in paragraph 2 above, we are unable to make a legal determination of the Company's compliance with this specific interconnection rule.

6. We have been informed that, under the Company's interpretation of the rules for reporting the Genuity service quality data for Condition XIX, that the Company is not required to report CLEC service quality data on a monthly basis for jurisdictions where Genuity had no activity in that month, as the purpose for reporting such CLEC service quality data is to compare the CLEC service quality data to the Genuity service quality data. The FCC staff has been requested to provide their interpretation of this matter in a letter to the Assistant Chief, Investigations and Hearings Division of the Enforcement Bureau, of the FCC dated May 14, 2002. The Company's compliance with this specific service quality data rule is primarily a legal determination, and as discussed in paragraph 2 above, we are unable to make a legal determination of the Company's compliance with this specific service quality data rule.

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7. Our examination disclosed the following instances of material noncompliance with the Merger Conditions applicable to the Company during the Evaluation Period:

   a) Condition V and Attachment A to Appendix D of the Merger Conditions require the Company to report monthly performance measurement data as defined by the criteria set forth in Attachments A-2a and A-2b to Appendix D of the Merger Conditions. As described in Attachment I to this report, our examination and the Company's own processes identified certain instances where the Company did not comply with the requirements of Condition V and Attachments A-2a and A-2b regarding the calculation and reporting of the performance measurement data.

   b) Condition V and Attachment A to Appendix D of the Merger Conditions require the Company to make voluntary payments to the United States Treasury as defined by the criteria set forth in Attachments A-3, A-4, A-5a, A-5b, A-6, A-7a, and A-7b to Appendix D of the Merger Conditions based on the performance measurement data described in the preceding paragraph. We noted instances of noncompliance with the requirements of Attachment A-3 to Appendix D to calculate the voluntary payments:

      i. The Company made an error in the calculation of the "critical z score" used to calculate voluntary payments based upon the difference between the actual CLEC performance and the calculated CLEC performance. This error resulted in the Company making an overpayment of approximately $712,000 on its voluntary payments based on the performance measurement data, as originally filed, for the three month periods ended June 2001 and July 2001. Subsequently, the Company corrected this error and reduced its voluntary payment for the three-month period ended August 2001 by this amount.

      ii. For performance measurement data that are reported as means or averages, in calculating the percentage difference between the actual average and the calculated average (or benchmark value for benchmark measurements), which is a required step in the payment calculation, the Company applied a cap of 100% of such percentage difference regardless of whether the percentage difference was greater than 100%. In a letter to PricewaterhouseCoopers LLP dated May 29, 2002, the Deputy Chief, Investigations and Hearings Division of the Enforcement Bureau of the FCC, found that the Merger Conditions do not allow such a cap on the calculation. In a letter to the Chief, Enforcement Bureau of the FCC dated September 20, 2002, the Company disagrees with the FCC staff's conclusion and seeks further review of this matter. The application of this cap in the calculation resulted in the Company making underpayments of approximately $558,000 based on the performance measurement data, as originally filed, during the Evaluation Period. Verizon has not paid this amount pending the resolution of their disagreement with the FCC staff's conclusion.

   Additionally, the Company has informed us that certain of the errors described in Attachment I to this report for the performance measurement data are only corrected on a prospective basis due to the inability of the Company to retrieve the underlying data necessary to correct the performance measurement data or due to the fact that the correction to the underlying data used to calculate the performance measurement data occurred after the performance measurement data was recalculated in the Company's resubmission six months after the performance measurement data was originally filed for the months of January 2001 through June 2001 as described in paragraph 4. The Company has also informed us that it is unable to determine the impact of the performance measurement data errors on the voluntary payments paid to the United States Treasury.

c) Condition XIX requires the Company to periodically report service quality data. We noted the following instances where the Company did not comply with the requirements of Condition XIX:

   i. For the months of January through March 2001 in Verizon West[4], the results of the Genuity measurement, "Average Installation Interval", included certain duplicate records.

   ii. Genuity "Percentage Commitment Met" and "Average Installation Interval" measurements were incorrectly reported in December 2001 using November 2001 results for the states of Massachusetts, New York, and Pennsylvania.

   iii. In Verizon East[5], the NARUC service quality measurements "Held Orders" and "Missed Installation Commitments" excluded customer caused misses.

8. In our opinion, except for our inability to apply the procedures we considered necessary to test the Condition XIX performance measurements for Verizon South Average Installation Interval and Verizon South Percentage Commitment Met for the period from January 2001 through April 2001 and the agreement of the FCC staff and the Company for us to perform procedures over only the eight NARUC service quality measurements and the Genuity measurements, as discussed in paragraph 3, the corrected performance measurement data and resulting payment adjustments for the months of July 2001 through December 2001, as discussed in paragraph 4, and the instances of material non-compliance, as discussed in paragraph 7, and considering the Company's interpretations of Condition VIII, as discussed in paragraph 5, and considering the Company's interpretation of Condition XIX, as discussed in paragraph 6 of this report, i.) the Company complied, in all material respects, with Conditions V, VIII and XIX of the Merger Conditions during the Evaluation Period, including the filing of an accurate annual compliance report, ii.) the Company provided the FCC with timely and accurate notices pursuant to specific notification requirements, and iii.) the Company provided telecommunications carriers and regulators with accurate and complete performance measurement data. Because of the Company's inability to retrieve the underlying data necessary to correct the performance measurement data or to make timely corrections to the performance measurement data as discussed in paragraph 7b, the scope of our work was not sufficient to enable us to express, and we

[4] The word "West" used throughout this report refers to the service areas of the former GTE local exchange carriers.

[5] The word "East" used throughout this report refers to the service areas of the former Bell Atlantic local exchange carriers.

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do not express, an opinion on the Company's corrected performance measurement data based upon the originally filed data for the months of January 2001 to June 2001 and the voluntary payments relating to the Evaluation Period for Condition V.

9. This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

September 30, 2002

Report of Independent Accountants

Below is a listing of errors by cause and performance measurement domain which were noted during our examination of the Company's compliance with Condition V, *Carrier-to-Carrier Performance Plan*:

Data Extraction - Pre-Ordering Domain

1. In November 2001, Enview transactions used to measure Electronic Data Interchange (EDI) were incorrectly marked as successful. Also in November 2001, New Jersey Enview scripts sent an 11 digit, instead of 10 digit, telephone number to the EDI parser server which caused transaction failures impacting the PO-1-02 metric in November 2001 (East[1] PO-1-01, 1-02, 1-03, 1-06, 2-02).

2. The numerator calculation did not reflect a response time of zero since the source system recorded the same date and time for the pre-order query and associated response from January 2001 through June 2001 (West[2] PO-1-05).

Data Extraction - Ordering Domain

1. Complex orders for Unbundled Network Element (UNE) Specials were not identified correctly in the data extract file; therefore, the daily confirmation information was not transmitted in the extract file from January 2001 through February 2001 (East OR-1-02, 1-04, 1-06, North[3] states only).

2. Dark fiber orders were reported in the UNE Loop and Specials metrics from January 2001 through April 2001 in all states except Connecticut (East OR-1-04, 1-06, 2-04, 2-06).

3. DS1s and DS3s, which required facility verification, ordered in quantities of less than 10 lines were incorrectly measured against a 48 hour interval and UNE Specials orders with less than 10 lines should have been included in the OR-1-06 metric rather than the OR-1-04 metric from January 2001 through December 2001 (East OR-1-04, 1-06).

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[1] The word "East" used throughout this Attachment refers to the service areas of the former Bell Atlantic local exchange carriers, except the state of New York, the state of Massachusetts beginning with April 2001 data, the state of Connecticut beginning with August 2001 data, and the state of Pennsylvania beginning with October 2001 data, unless otherwise noted.

[2] The word "West" used throughout this Attachment refers to the service areas of the former GTE local exchange carriers, except the states of Illinois and Ohio beginning with December 2001 data, unless otherwise noted.

[3] The word "North" used throughout this Attachment refers to the service areas of Verizon New England Inc., and Verizon New York Inc., except the state of New York, the state of Massachusetts beginning with April 2001 data and the state of Connecticut beginning with August 2001 data, unless otherwise noted.

4. Facility based stand-alone directory services orders were omitted from the UNE metrics from June 17, 2001 through August 2001 (East OR-1-04, 2-04, 5-01).

5. Certain UNE Loop orders were not classified properly in the Complex, Specials and POTS categories from January 2001 through September 2001. The UNE Specials performance measures impacted were reject timeliness in Maine, Rhode Island, Virginia, and West Virginia and order confirmation timeliness in Virginia and West Virginia (East OR-1-04, 2-04).

6. Disconnect orders received on an Access Service Request (ASR) were not included in the UNE Specials metrics from January 2001 through December 2001 (East OR-1-04, 2-04).

7. Line sharing Local Service Requests (LSRs) requiring loop qualification were categorized as Specials rather than as 2-wire xDSL services from November 2001 through December 2001 (East OR-1-04, 2-04).

8. Trunk project orders were incorrectly excluded from the metric from January 2001 through December 2001 (East OR-2-12).

9. CLEC two-way trunks were not classified as CLEC Trunks and were not included in the metrics from March 2001 through December 2001 (East OR-1-12).

10. New manual error codes were not correctly incorporated in the program that generates the reject data feed and were therefore not correctly captured in the performance metric results from January 2001 through February 2001 (West OR-2).

11. The initial receipt date was incorrect on some orders from January 2001 through March 2001 which impacted the UNE and Resale metrics (West OR-1, 2).

12. Certain electronic rejects were not identified accurately from January 2001 through March 2001 causing an overstatement in the UNE and Resale metric numerators (West OR-2).

Data Extraction - Provisioning Domain

1. Results for the South[4] states in January 2001 did not include DS1/DS3 ASR UNE ordered products. In addition from January 2001 through February 2001 three Extended Enhanced Loop (EEL) products ordered via a LSR and billed in Customer Records Information System (CRIS) had not been included in the metrics captured by Service Order Relational Database (SORD) (East PR-4-01, 4-02, 5-03, 6-01, South states only).

[4] The word "South " used throughout this Attachment refers to the service areas of Verizon Delaware Inc., Verizon Maryland Inc., Verizon New Jersey, Inc., Verizon Pennsylvania Inc. (former Bell Atlantic only), Verizon Virginia Inc. (former Bell Atlantic only), Verizon Washington DC Inc., and Verizon West Virginia, Inc., except the state of Pennsylvania beginning with October 2001 data, unless otherwise noted.

2. A portion of DS1 and DS3 retail orders was not captured in the retail comparison from January 2001 through April 2001 for Connecticut and Rhode Island, from January 2001 through May 2001 for the remaining North states, and from January 2001 through October 2001 for the South states. This impacted Retail DS1 and DS3 and Total Specials metrics (East PR-4-01, 4-02, 5, 6-01).

3. EELs and Inter Office Facilities (IOF) were not captured in the metrics. Additionally, due to the complexity in identifying EEL DS0, DS1 and DS3 products, these products were reported as under development from January 2001 through April 2001 for the South states and through August 2001 for the remaining states (East PR-4-01, 4-02, 5, 6-01).

4. The interval table used in Pennsylvania to automatically populate Appointment Type Code (ATC) on orders was not updated from January 2001 through August 2001. This impacted Resale and UNE metrics (East PR-3).

5. An automated process applied a Company Other (CO) Missed Appointment Code to all Wholesale orders in the Awaiting Provisioning Complete Step, rather than to backlogged orders in the Awaiting Provisioning Complete Step for both Retail and Wholesale. This occurred from January 2001 through September 2001 in Maryland, Virginia, Washington, D.C., and West Virginia (East PR-4, 5).

6. A source file used to score installation trouble reports contained inconsistent circuit data for New Jersey Retail and Resale 2-wire digital products causing some installation trouble reports to not be scored and included in the metric from January 2001 through July 2001 (East PR-6-01).

7. The Missed Appointment Code of Subscriber CLEC (SC) on UNE POTs orders was not provided to the SORD extract file and therefore was not included in the metrics from January 2001 through October 2001 (East PR-3-09, North states only).

8. ExpressTRAK orders in Maryland, Virginia, Washington, D.C., and West Virginia that were identified by a Uniform Class of Service Code (USOC) were not included in the Resale, UNE, and Retail metric results for the 2-wire digital, Platform, POTs-Total, and xDSL products from January 2001 through October 2001. Additionally, the UNE platform product was omitted from the PR-6-02 metric for the same states from January 2001 through November 2001 (East PR-3, 4-02, 4-04, 4-05, 4-10, 5, 6).

9. The data used in the January 2001 through October 2001 New Jersey calculation of the Resale 2-wire digital metric captured installation troubles for the 201 area code only, rather than all the area codes in the state (East PR-6-01).

10. In some instances, CLEC and ILEC data were not differentiated correctly when extracted from National Order Collection Vehicle (NOCV). This affected UNE Loop Non-designed

Dispatch (PR-3-09), Retail Loop xDSL Capable, POTs, Specials, Loop-designed, Resale Specials, UNE Platform (PR-4-02), Retail Loop xDSL Capable Dispatch, UNE Loop Non-designed Dispatch (PR-4-04), Retail Loop xDSL Capable Non-dispatch, Resale POTs Non-dispatch (PR-4-05) and the PR-9 metric from January 2001 through April 2001 (West PR-3-09, 4-02, 4-04, 4-05, 9).

11. A NOCV system update caused the 'G' indicator not to populate correctly when a date beyond the interval offered was requested from February 6, 2001 through March 8, 2001 causing the metric results to incorrectly include performance relating to orders with requested due dates beyond the interval offered. (West PR-3).

12. The process used from September 2001 through December 2001 did not include all CLEC orders where the service was reserved in advance and exclude all orders where the customer requested due date was beyond what was offered. This impacted Resale POTS and UNE Loop Non-designed metrics (West PR-3).

Data Extraction - Maintenance Domain

1. Resale POTS and UNE Platform multi-line accounts were not populated with the CLEC ID in the maintenance records causing an under reporting of the denominator for Resale and UNE and an over reporting of the Retail denominator from January 2001 through May 2001 (East MR-2-02, 2-03, South states only).

2. Certain ExpressTrak trouble reports containing a 5-digit service code were not included in the metrics in Maryland, Virginia, Washington, D.C., and West Virginia from January 2001 through December 2001 (East MR-2-02, 2-03, 3, 4-02, 4-03, 4-08, 5).

3. All centranet ILEC access lines were not included in the denominator of the metric. This affected UNE Port from January 2001 through March 2001 (West MR-2-01).

4. CLEC line count was understated and ILEC line count was overstated in the denominator of the metric due to a data feed error. This affected Resale Specials and POTS metrics from January 2001 through April 2001 (West MR-2-01).

5. Certain CLEC trouble reports were not categorized accurately across the Specials, Trunks, and UNE Transport products from January 2001 through March 2001 (West MR-2-01, 3, 4-01, 4-07, 4-08, 5).

Data Extraction - Network Performance Domain

1. The CLEC override indicator, used to identify due date extensions resulting from CLEC milestone misses, was not captured accurately from January 2001 through February 2001 (West NP-2-05).

Data Extraction - Billing Domain

1. When a CLEC received two types of bill media, only one type of bill media was included in the metric from January 2001 through June 2001. Additionally, in Maryland, Virginia, Washington, D.C., and West Virginia CRIS paper bills were excluded from the metric from January 2001 through December 2001 (East BI-2, South states only).

2. CRIS and CABS master bills in the North states, from March 2001 through December 2001, and CABS master bills in the South states from January 2001 through December 2001 that contained multiple states were not counted as separate records in each state. In addition, in Maryland, Virginia, Washington, D.C., and West Virginia some zero balance final bills were counted in the metric in subsequent months from January 2001 through December 2001 (East BI-2).

Data Extraction - Maintenance and Provisioning Domains

1. Some Retail Special Services were not included in the metrics impacting Retail Specials from January 2001 through December 2001 (East MR-4-01, 4-08, PR-6-01).

2. The absence of a valid CLEC ID or valid Wire Center caused some line records and troubles to be excluded or improperly classified in the metrics impacting UNE Platform and Loop from January 2001 through December 2001 (East MR-3-01, 3-02, 4-02, 4-03, 4-08, 5-01, PR-6-02).

Data Extraction - Maintenance, Ordering and Provisioning Domains

1. Certain CLEC activity was not identified and referenced to a specific CLEC, and therefore was not included in the CLEC results. This impacted UNE Transport for certain Maintenance and Repair metrics in all states, and certain Ordering metrics in California, Florida and Oregon from January 2001 through February 2001. Additionally, certain Ordering Trunk metrics were impacted for all states and certain Collocation metrics for California, Nevada and Washington were impacted during the same time period. (West MR-3-01, 4-01, OR-1-12, NP-2-05).

Data Calculation - Ordering Domain

1. A number of flow through orders were included in the denominator, but erroneously excluded from the numerator. This impacted the Virginia UNE and Resale metrics in April and May 2001 and the New Jersey UNE and Resale metrics in May 2001 (East OR-5-01).

2. Non-flow through Purchase Order Numbers (PONs) with a particular CLEC ID were excluded from certain ordering metrics from March 2001 through August 2001 and those of another particular CLEC ID from April 2001 through August 2001 (East OR-1-04, 1-06, 2-04, 2-06, South states only).

3. The UNE Specials metrics included duplicate rejects from January 2001 through December 2001 (East OR-2-04, 2-06).

4. From January 2001 through December 2001 the calculations of the CLEC Trunk metric excluded all subsequent rejects (East OR-2-12).

5. The numerator for Trunks and UNE Transport metrics was calculated as the sum of the number of days it took to issue a Firm Order Confirmation (FOC), rather than the sum of the number of FOCs issued within 10 days from January 2001 through February 2001 (West OR-1-12).

6. Stand-alone Local Number Portability (LNP) order volume was incorrectly reported from January 2001 through December 2001 impacting the UNE metrics (West OR-5-01, 5-03).

Data Calculation – Provisioning Domain

1. Orders for certain Resale and Retail non-designed circuits were counted as designed circuits. This affected the metrics from January 2001 through March 2001 (East PR-4-01, 4-02, 5, 6-01).

2. The denominator for UNE EEL, IOF, and Specials was calculated as the count of orders completed for the product group, rather than as the count of completed orders missed for company reasons by the product group. This impacted the metrics from February 2001 through April 2001 (East PR-4-02, South states only).

3. Certain non-dispatched migration orders for Resale POTS/Platform and UNE were excluded incorrectly from the denominator of the metrics due to a table error from January 2001 through March 2001. Additionally, certain dispatched migration orders were given the incorrect Appointment Type Code causing them to be incorrectly excluded from the denominator of the metric from January 2001 through March 2001 (East PR-3, South states only).

4. In Maine, New Hampshire, Rhode Island, and Vermont IOFs were counted twice in the denominator of the UNE Specials metric from May 2001 through December 2001 (East PR-6-01).

5. From January 2001 through December 2001 certain Retail ISDN (2-wire digital) orders in Maryland, Virginia, Washington, D.C., and West Virginia were incorrectly excluded from the metric calculations (East PR-4-02, 4-04, 4-05, 6-01).

6. The denominator of the UNE Loop metric included 2-wire digital and 2-wire xDSL rather than just analog loops from January 2001 through December 2001 (East PR-6-02).

7. Certain products were incorrectly categorized causing the metrics to be inaccurate for Resale 2-wire digital (PR-4-04, 6-01), UNE POTs (PR-3-09), UNE Specials and EELs (PR-4-01, 4-02), and UNE Specials (PR-6-01) from January 2001 through December 2001 (East PR-3-09, 4-01, 4-02, 4-04, 6-01).

8. Certain troubles were not identified and included in the xDSL numerator calculation for UNE Loop xDSL capable metrics from January 2001 through May 2001 (West PR-6-02).

9. The circuit numbers for UNE Platform, Line Sharing, Specials, and all UNE Loop products were not extracted properly and were not included in the metrics from January 2001 through December 2001 (West PR-3, 4, 5, 6).

10. All information on conversions and hot cut performance was not captured causing hot cut performance to be understated from January 2001 through May 2001 (West PR-9).

Data Calculation - Maintenance Domain

1. Trouble reports that should have been excluded were counted in certain New Jersey CLEC-specific Resale POTS/Complex metrics from January 2001 through October 2001 (East MR-2-02, 2-03, 3, 4-02, 4-03, 4-08).

2. Separate trouble reports for different legs of the same circuit that were received on the same day as another separate earlier report were counted as repeaters in the metric calculation. This impacted the Specials metrics from January 2001 through December 2001 (West MR-5).

Data Calculation - Network Performance Domain

1. Response time intervals for virtual and physical collocation were not calculated in accordance with the intervals listed in the New Hampshire and Vermont state tariffs impacting the metrics from January 2001 through June 2001 (East NP-2-01, 2-02).

Data Calculation – Maintenance and Provisioning Domains

1. The data used in the calculation of Flexpath incorrectly included DS0 level circuits rather than just the DS1 portion of a Flexpath request from January 2001 through December 2001. This impacted Retail Specials for PR-6-01 and MR-2-01 and Resale Specials for MR-2-01. Additionally, official circuits were included in the denominator of the MR-2-01 metric from January 2001 through December 2001 (East MR-2-01, PR-6-01, North states only).

2. Due to inaccurate categorization of classes of service and CLEC identification, certain Resale Specials troubles and line counts were incorrectly included in Retail Specials metrics and some UNE Specials troubles and line counts were incorrectly excluded from UNE Specials metrics (East MR-4-01, 4-08, 5-01, South states only).

3. Some CLEC trouble activity was not included in the metrics because certain Operating Company Numbers (OCNs) did not correctly correspond to the state in which the trouble was reported from January 2001 through December 2001 (West MR-2, 3, 4, 5, PR-6).

Report Mapping

1. The OR-5-03 metric was reported as under development (UD) from January 2001 through June 2001 (East OR-5-03).

2. ASRs were doubled causing CLEC performance to be reported incorrectly for UNE Specials and EELs for June 2001 (East PR-4-01, 4-02, 6-01).

3. Verizon Advanced Data, Inc. (VADI) CLEC-specific results were reported as NA from January 2001 through April 2001 (East NP-2).

Data Calculation Changes

1. Subsequent to the filing of the BA/GTE merger measure definitions, the PR-9-01 measure was discussed with the California collaborative and an agreement was reached. At a meeting with CCB staff members on August 17, 2000, Verizon proposed this new definition of a successful conversion to be consistent with the new California measurement. Verizon reported this metric according to this new definition beginning with July 2000 data. As part of the semi-annual review process, Verizon recommended this change to the business rules of Attachment A-2b of the Merger Conditions, which was approved by the CCB in December 2001 (West PR-9).