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October 22, 2002

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Application by Verizon for Authorization To Provide In-Region, InterLATA Services in State of Virginia, WC Docket No. 02-214

Dear Ms. Dortch:

On October 21, 2002, Karen Zacharia, Donna Epps, Rosemary Spell and Clint Odom of Verizon had a call with Richard Lerner, Tamara Preiss, Victoria Schlesinger and Richard Kwiatkowski of the Commission. The purpose of the call was to review a comparison of Verizon's new Virginia switching rates to the switching rates the Commission previously approved in the Texas, Louisiana and Oklahoma 271 proceedings.

As Verizon explained in its October 16, 2002 ex parte, the Commission should continue its well-established practice of applying its benchmarking analysis to non-loop elements in the aggregate to determine whether rates in an applicant state generally fall within the broad range that a reasonable application of TELRIC principles could produce. *See October 16, 2002 Letter from Ann Berkowitz to Marlene Dortch.* As the Commission has explained, among other things, this approach allows it to take into account both the fact that states employ different rate structures for various non-loop elements and allocate costs differently among various rate elements, as well as the practical reality that carriers only purchase the various non-loop elements in combination with one another.

As described during the call, a comparison of the switching rates now in effect in Virginia to the rates previously approved by the Commission in Texas, Louisiana and Oklahoma provides still further confirmation of the reasonableness of the aggregate benchmarking approach. Attachment 1 demonstrates that using certain basic assumptions, Verizon's current Virginia switching rates (separate from transport) compare favorably to the corresponding 271-approved switching rates in Texas, Oklahoma and Louisiana.

The fact that the Virginia switching rates compare favorably to 271-approved switching rates in SBC's and BellSouth's regions serves to further confirm the reasonableness of the well-established Commission approach of benchmarking non-loop elements in the aggregate. For any number of reasons, ranging from rate structure differences to differing allocations of costs between switching and transport, the benchmarking results will vary from state to state if the rate elements are examined individually. And that is precisely the case here. Applying the benchmarking analysis to non-loop elements in the aggregate, as the Commission has traditionally done, is the best way to account for and minimize the impact of state-specific differences to arrive at as equitable a comparison as possible.

The results of the comparison of the Virginia switching rates to the switching rates approved by the Commission in Texas, Oklahoma and Louisiana are attached. Because other Bell companies may have different rate structures and may use different assumptions in performing their benchmarking analyses, Verizon performed the comparison using standard equalizing assumptions to arrive at an apples-to-apples comparison. For example, Verizon used monthly MOUs from the same version of the Commission's USF Model that Verizon relies on to determine the relative switching costs among states. Additionally, Verizon assumed that 50 percent of the total minutes constituted originating traffic and 50 percent constituted terminating traffic. Verizon excluded signaling from its analysis to avoid the need to make additional assumptions regarding monthly call volumes and patterns. Signaling is included in the unbundled switching rate in Virginia, but there are small, separate signaling charges in Louisiana, Texas and Oklahoma. However, since the signaling charge is small in Texas, Oklahoma and Louisiana, it is unlikely that including signaling rates would have a material impact on the analysis. In any event, since Texas, Oklahoma and Louisiana have a separate signaling charge while the Virginia signaling charge is incorporated into the switching usage rate, including signaling in the analysis would have only increased the overall switching charges in Texas, Oklahoma and Louisiana. This would have resulted in an even more favorable comparison of the Virginia switching rates to the corresponding rates in the other states.

As shown in the attachment, this comparison shows that the Virginia switching rates that currently are in effect are comparable to or lower than the switching rates approved by this Commission in its decisions granting long distance relief in each of these states.

Please let me know if you have any questions. The twenty-page limit does not apply as set forth in DA 02-1857.

Sincerely,



Attachment

cc: U. Onyeije
B. Olson
G. Remondino
T. Preiss
V. Schlesinger
R. Lerner
R. Kwiatkowski

**Switching-Only Comparison
Virginia to Other States**

	Virginia		Texas		Oklahoma		Louisiana
USF Model MOUs per line per month	1972		2124		1974		2518
% Originating	50%		50%		50%		50%
Originating MOUs	986		1062		987		1259
Terminating MOUs	986		1062		987		1259
% Originating with Transport	75%		75%		75%		75%
Transport MOUs	740		797		740		944
UNE Rates:							
Originating Local Switching Rate	\$ 0.002643	\$	0.0014384	\$	0.0022170	\$	0.0018680
Terminating Local Switching Rate	\$ 0.001331	\$	0.0014384	\$	0.0022170	\$	0.0018680
End Office Trunk Port Rate	\$ -	\$	-	\$	-	\$	0.0001800
Line Port	\$ 1.30	\$	2.22	\$	2.28	\$	1.52
UNE Switching Element Revenue:							
Originating Local Switching Revenue	\$ 2.61	\$	1.53	\$	2.19	\$	2.35
Terminating Local Switching Revenue	\$ 1.31	\$	1.53	\$	2.19	\$	2.35
End Office Trunk Port Revenue	\$ -	\$	-	\$	-	\$	0.17
Line Port Revenue	\$ 1.30	\$	2.22	\$	2.28	\$	1.52
Switching Revenue	\$ 5.22	\$	5.28	\$	6.66	\$	6.39
USF Switching Cost:							
Port	\$ 0.95	\$	0.94	\$	0.96	\$	0.96
Usage	\$ 2.22	\$	2.19	\$	2.26	\$	2.24
Switching Cost (Port and Usage only)	\$ 3.16	\$	3.13	\$	3.22	\$	3.20
Switching Cost Relationship with VA							
Allowed Virginia Revenue	100.00%		101.09%		98.26%		98.86%
Actual Virginia Revenue	\$		5.33	\$	6.54	\$	6.32
Difference	\$		0.11	\$	1.32	\$	1.10
Favorable Comparison?			Yes		Yes		Yes