ATTACHMENT 1

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

In the Matter of	)	
Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers	)	**CC Docket No. 01-338**
Implementation of the Local Competition Provisions of the Telecommunications Act of 1996	)	**CC Docket No. 96-98**
Deployment of Wireline Services Offering Advanced Telecommunications Capability	)	**CC Docket No. 98-147**

DECLARATION OF JUDY K. VERSES, RONALD H. LATAILLE, MARION C. JORDAN AND LYNELLE J. RENEY

1. My name is Judy Verses. My business address is 1880 Campus Commons Drive, Reston, Virginia 20191. I am Senior Vice President National Marketing and have worked for Verizon for twenty-one years, including positions in Sales and Product Line Management. My current responsibilities include marketing to all mass markets Consumer and Business customers, including retention and winback marketing, market intelligence, geographic segmentation, channel and business development, and market planning. In this capacity, I have information and knowledge relating to the third party sources of data Verizon has used to identify competitive local exchange carrier ("CLEC") fiber transport and loop facilities and to determine the correlation between customer telecommunication spending and CLEC deployment of fiber facilities as described specifically in paragraphs 15-44 of this declaration.

2. My name is Ron Lataille. My business address is 1095 Avenue of the Americas, New York City, NY 10036. I am Vice President – Financial Planning and Analysis Domestic Telecom Finance and have worked for Verizon for more than twenty years. My current responsibilities include managing Domestic Telecom's financial objectives; consolidation of total Domestic Telecom's financial results; revenue booking, analysis and reporting functions and implementation of standardized financial business processes and systems platforms; preparation of SEC reports; and developing contingency plans and setting budget targets and guidelines. In this capacity, I have information and knowledge relating to the sources of data described specifically in paragraphs 7-8 and 49-57 of this declaration.

3. My name is Marion Jordan. My business address is 1320 North Courthouse Road, Arlington, Virginia 22201. I joined Verizon in 1994 and am currently Vice President, Regulatory Compliance and Metrics Process Assurance within the Wholesale Markets organization. I am responsible for directing Wholesale activities in support of the FCC Triennial Review Order, state and federal regulatory matters, state and federal audits, metrics management and change controls. In this capacity I have information and knowledge relating to the data sources Verizon used to determine the extent to which competing carriers have been able to use Verizon's special access services to compete in providing customers with high-capacity services as described specifically in paragraphs 45-58 of this declaration.

4. My name is Lynelle Reney. My business address is 125 High Street, Boston, Massachusetts 02110. I am the Director of Collocation and have worked for Verizon for twenty years, including positions in Real Estate, Equipment Installation and Corporate Services. I currently oversee all functions related to collocation including application receipt and processing, collocation project management, and billing. I have knowledge of the facilities and processes

used by competitive local exchange carriers ("CLECs") collocating in Verizon Central Offices to interconnect with Verizon's networks and the physical inspections Verizon conducted of various central offices as described specifically in paragraphs 10-14 of this declaration.

5. The purpose of this Declaration is to provide an overview of the sources of data upon which Verizon has relied in determining: (i) where demand for high-capacity services is most concentrated in major metropolitan statistical areas ("MSAs") within Verizon's serving territory; (ii) the extent to which CLECs have self-provisioned high-capacity transport and loop facilities in those MSAs; (iii) how CLECs are using Verizon's special access services to extend the reach of their networks and to compete in providing high-capacity services to customers in those MSAs; and (iv) the extent to which CLECs have used Verizon special access services instead of UNEs for the high capacity loop and transport facilities they need to serve customers.

6. This Declaration addresses these general topics and the data sources upon which Verizon relied in six sections. *First*, Verizon focused its analysis on the 20 MSAs in Verizon's serving territory with the highest demand for high capacity special access services. *See infra* ¶¶ 7-8. *Second*, for those areas of highly concentrated demand within a given MSA, Verizon used two different approaches to determine where and the extent to which CLECs have self-provisioned high-capacity transport facilities. *See infra* ¶¶ 10-18. *Third*, for those areas of highly concentrated demand within a given MSA, Verizon determined where and the extent to which CLECs have self-provisioned high-capacity loop facilities, again using two sources of data. *See infra* ¶¶ 19-30. *Fourth*, Verizon determined that there was a correlation between CLECs' self-provisioning of high-capacity facilities to serve a given building and Verizon's estimate of demand for high-capacity services in a given building. *See infra* ¶¶ 31-44. *Fifth*, based on data for a sample of CLECs who purchase Verizon's special access services, Verizon

determined the extent to which CLECs are serving customers using special access services purchased from Verizon. *See infra* ¶¶ 45-48. *Finally*, based on an analysis of financial records and databases containing access line information, Verizon determined the extent to which CLECs were obtaining high capacity loop and transport facilities through Verizon's special access services instead of as UNEs. *See infra* ¶¶ 49-54.

I. Identification of MSAs With High Demand for Special Access Services

7. Verizon focused its analysis on those MSAs in which demand for high-capacity special access services (DS-1 and above) is greatest. Based on the reasonable assumption that demand for high-capacity facilities corresponds to demand for high capacity special access services (DS1 and above), Verizon identified these MSAs as follows. First, for each of the nearly 6,900 wire centers from which special access billing is generated, Verizon gathered billing records for its sales of high capacity special access services (DS1 and above) in 2003. Using this information, Verizon determined the contribution of each wire center to Verizon's revenues for high capacity special access services.

8. This review established that less than 8 percent of Verizon's wire centers (or approximately 532 wire centers) accounted for approximately 80 percent of the total billed revenue generated by Verizon's sales of high capacity special access services. Relying upon definitions of MSAs provided by the Office of Management and Budget, OMB Bulletin No. 03-04, *Revised Definitions of Metropolitan Statistical Areas, New Definitions of Micropolitan Statistical Areas and Combined Statistical Areas, and Guidance on the Uses of the Statistical Definitions in these Areas* (June 6, 2003), Verizon determined that these approximately 532 wire centers were located in 75 MSAs. Accordingly, Verizon concluded that there was greatest demand for high-capacity services in these MSAs, and it conducted the various analyses

described below for the 20 MSAs in its serving territory where high capacity demand is most heavily concentrated. In the maps of the MSAs that Verizon studied, each wire center that is one of the approximately 532 wire centers responsible for 80 percent of Verizon's high capacity special access revenues is shown in cross-hatching. *See* Maps B attached to Ex Parte Letter from Dee May, Verizon, to Marlene Dortch, FCC, CC Docket Nos. 01-338, 96-98, and 98-147 (June 24, 2004) (attaching presentation entitled "Competing Providers Are Successfully Providing High-Capacity Services to Customers Without Using Unbundled Elements" and attaching maps as Attachments 5A through 5T to the presentation, with 6 maps for each of 20 MSAs, referred to here as Maps A through F).

II. Identification of Areas Where CLECs Have Self-Provisioned Known Transport Facilities.

9. Verizon next identified areas where CLECs have self-provisioned known fiber transport facilities in the MSAs that it studied and the extent to which CLECs had self-provisioned transport facilities in the areas where wire centers generating the greatest demand for high capacity services are located. To accomplish this task, Verizon relied on data from two sources: (1) Verizon's own physical inspection of CLEC collocation and competitive alternative transport terminal ("CATT") arrangements in various Verizon central offices; and (2) information obtained from GeoTel Communications, Inc. ("GeoTel"), an outside consultant that is a leading provider of information related to telecommunications geography.

10. Verizon performed physical inspections of CLEC collocation and CATT arrangements to determine the extent to which CLECs had self-provisioned transport facilities terminating at those arrangements. It performed most of this inspection work from late June 2003 to August 2003 in anticipation of filing state cases in compliance with the Federal Communications Commission's Triennial Review Order. *See* Report and Order and Order on

Remand and Further Notice of Proposed Rulemaking, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, 18 FCC Rcd 16978 (2003), *vacated in part and remanded, United States Telecom Ass'n v. FCC*, 359 F.3d 554 (D.C. Cir. 2004) ("TRO").

11. Consistent with the standards required in the *Triennial Review Order*, Verizon conducted inspections in wire centers for which Verizon had determined there was a likelihood that two or more CLECs had self-provisioned fiber transport facilities and where demand for high capacity services was most concentrated. Verizon considered it likely that a CLEC had self-provisioned fiber transport facilities if one of the three following criteria were met: (1) the CLEC in its collocation application stated that it intended to bring its own fiber to the collocation arrangement; (2) the CLEC ordered a CATT arrangement in any of Verizon's wire centers (a CATT is an arrangement specifically designed for wholesale providers of high-capacity transport); or (3) the CLEC's collocation arrangement was installed prior to 1998 (*i.e.*, before CLECs were able to obtain high-capacity transport as an unbundled network element ("UNE")). In this manner, Verizon identified more than 480 wire centers in which two or more CLECs had likely self-provisioned high-capacity transport. Verizon physically inspected 433 of these wire centers.

12. In each of these 433 wire centers, Verizon physically inspected *all* collocation arrangements. Verizon performed these inspections pursuant to detailed written protocols. Inspectors were Verizon employees who were familiar with fiber-based collocation arrangements and "collocation arrangement to CATT" installations.

13. Inspectors checked each collocation facility in those Verizon wire centers to verify that there was powered equipment in place (*i.e.*, the collocation arrangement was

operational), and that the collocating carrier had non-Verizon fiber optic cable that both terminated at its collocation facility and left the wire center.

14. Verizon adopted rigorous controls to ensure the reliability of these data, including written procedures for each step of the inspection process, standard forms that were filled out by each inspector, signed statements by the inspectors verifying the accuracy and reliability of the information provided and the inspector's compliance with the written procedures, and signed statements by each inspector's supervisor confirming that the inspector had followed the appropriate procedures. A collocating CLEC was presumed to have deployed fiber in a given collocation arrangement *only* if, through this rigorous process of inspection and verification, its facilities were found to be operational and to have non-Verizon fiber. These results, however, will understate the extent of fiber deployment both because Verizon did not inspect all offices and because in some cases CLEC fiber will bypass Verizon's offices completely.

15. In addition to the data that Verizon obtained from its inspections of collocation arrangements, Verizon also used data from GeoTel to gather more information about where CLECs have self-provisioned high-capacity transport facilities. GeoTel, a leading provider of information related to telecommunications geography, performs telecommunications research and maps geographic information systems.[1] GeoTel maintains a "MetroFiber" data set that includes information regarding carriers and fiber routes for approximately 85 different carriers in more than 100 MSAs. GeoTel's MetroFiber data sets contain information regarding the locations of carrier collocation facilities, Internet exchanges (*i.e.*, privately or publicly owned internet network access points where Internet service providers exchange traffic), carrier networks, and carrier fiber routes in metropolitan areas. Verizon understands that much of this

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[1] A geographic information system is a database system with specific capabilities for spatially referenced data, as well as a set of operations for analyzing that data.

information comes from the carriers themselves. All of GeoTel's data sets may be layered on digital street maps, digital elevation models, aerial photography, and three-dimensional imagery.

16. GeoTel's MetroFiber data is widely used in the telecommunications industry. The data provides telecommunications service providers within a given geographic area information about their competitive position and enables them to view their entire network, other carriers' assets, and current areas of market penetration. Some carriers, including Verizon, may use this information to determine the locations of wholesale providers of alternative high capacity transport from which they may purchase high-capacity transport facilities. In addition, businesses outside the telecommunications industry use this data to determine where to locate new buildings, the potential for economic development in a specific area, and the extent of communications services currently available in a particular geography.

17. As GeoTel itself recognizes, GeoTel's information regarding CLEC fiber routes, while extensive, is not comprehensive. GeoTel continually works to update its databases, and it provides Verizon with updates approximately every six months. Each of these updates contains significant amounts of new information. Thus, there is reason to believe that the GeoTel information understates, perhaps significantly, the extent to which CLECs have self-provisioned high-capacity transport facilities.

18. Verizon has mapped the data obtained from Verizon's wire center inspections and GeoTel to show central offices where CLECs have deployed identifiable known fiber transport facilities in each of the MSAs that Verizon studied. *See* Maps B.

III. Identification of Buildings Where CLECs Have Self-Provisioned Facilities.

19. Next, using information from two sources, Verizon has determined the extent to which CLECs have self-provisioned high-capacity loop facilities to buildings in the MSAs

Verizon studied. GeoResults, a consultant to vendors and service providers in the telecommunications industry, maintains a number of databases with information about various aspects of telecommunications operations in different geographical areas.

20. First, Verizon obtained information from GeoResults, a consultant to vendors and service providers in the telecommunications industry. Geotel maintains a number of databases with information about various aspects of telecommunications operations in different geographical areas.

21. GeoResults derived the information that it provided to Verizon from "Common Language" data products developed and maintained by Telcordia Technologies ("Telcordia"). Telcordia's Common Language database contains information about many network elements that have been deployed by service providers. The database includes information entered by carriers themselves on their network sites, transmission facilities, network equipment, circuits, switching entities, and carrier and manufacturer names. Telecommunications providers identify their network elements using Common Language coding.

22. Common Language coding enables the telecommunications industry to establish standards, rules, and identifiers that facilitate the efficient exchange of information among providers, customers, and suppliers about network facilities. The Common Language coding system was initially developed by Bell Laboratories in the 1960s to keep track of network elements in the Bell network. After the 1984 breakup of AT&T, in order to facilitate network interoperability and network management, telecommunications service providers continued to use Common Language coding information regarding their networks and to supply this information to Telcordia. Today, Telcordia's Common Language database products are recognized as an industry standard by numerous national and international telecommunications

standards-setting bodies. Telcordia reports that twenty-eight out of the top thirty CLECs, twelve hundred small telecommunications providers, and one thousand equipment vendors use Common Language products to characterize their networks.

23. GeoResults extracts information regarding CLEC networks that is contained in various Common Language database products. This information enables GeoResults to identify and locate buildings in the United States that are served by fiber-enabled network equipment. These buildings are flagged as "fiber-lit" buildings. GeoResults then analyzes the information associated with each piece of fiber-enabled network equipment to identify the telecom service provider and the bandwidth capacity of each piece of "fiber-enabled" network equipment. The information that GeoResults obtains from this evaluation is entered into its "GeoLit Plus Report" and its "GeoLit Node Report" for further analysis.

24. The GeoLit Plus Report is a unique summary of building locations to which carriers have provisioned fiber-enabled equipment. Using this report, it is possible to obtain information on more than 80,000 fiber-lit buildings throughout the United States, along with the identity of each service provider that has deployed equipment in each of these buildings. Accordingly, in the 20 MSAs Verizon studied, Verizon has been able to identify and locate many of the buildings in which CLECs have provisioned high-capacity equipment, as well as the names of the service providers that have deployed such equipment in these buildings.

25. The GeoLit Node Report is a listing of all fiber-lit buildings and the bandwidth capacity of any identified ring or piece of fiber-optic-enabled equipment in the building, as well as the name of the CLEC or incumbent carrier that provides that ring or fiber-optic equipment system. The bandwidth capacity of all identified ring or fiber-optic-enabled equipment systems in each fiber-lit building is stated in OC3, OC12, OC48, OC192 or dense wavelength division

multiplexing ("DWDM") terms. The GeoLit Node report provided Verizon with additional information regarding the characteristics of the high-capacity equipment deployed in various buildings located in the MSAs Verizon studied.

26. The GeoLit Plus and the GeoLit Node Reports contain useful information about the extent to which CLECs have self-provisioned high-capacity equipment in areas in which there is significant demand for high-capacity services. Because CLECs are not required to supply information regarding their networks to Telcordia for inclusion in the Common Language databases from which the GeoLit Plus and GeoLit Node Reports are prepared, and may in some cases choose not to provide that information, there is reason to believe that these reports likely understate, perhaps significantly, the extent to which CLECs have deployed high-capacity facilities to buildings in the top MSAs in the country.

27. Accordingly, Verizon supplemented the information derived from the GeoLit Plus and the GeoLit Node Reports with a second source of data extracted from a product provided by Universal Access Global Holdings Inc. ("Universal Access"). Universal Access is an independent buyer, seller, and manager of multi-carrier networks on behalf of telecommunications carriers, network service providers, cable companies, system integrators, and government agencies. As a broker of transmission services, its core competency is provisioning circuits among diverse network components. Universal Access is also a certificated carrier in all of Verizon's service areas. In support of these operations, Universal Access has developed a comprehensive database containing information on network infrastructure in the United States.

28. The Universal Access databases are prepared using network and market data from hundreds of sources from across the United States, including detailed network data reports made

by interexchange carriers, competitive access providers ("CAPs"), and CLECs themselves. The Universal Access database includes information relating to location, service level, hand-off, pricing, and fiber-routing attributes.

29. Universal Access has developed a product (called the "CAP/CLEC Building Product") that contains information regarding the footprint of CAPs and CLECs that have deployed fiber-enabled equipment in a given geographical area. The database contains the following information, on a building-by-building basis, for those buildings in which fiber-enabled equipment has been deployed: (1) address; (2) building name; (3) building carrier count (*i.e.*, the number of CAP and CLEC entities that reported a presence in each building); and (4) the local access and transport area code area, MSA, and wire center boundary within which the building is located.

30. Using the GeoLit Plus and the GeoLit Node Reports, as well as the Universal Access data supplied by GeoResults, Verizon was able to establish, for each of the MSAs that it studied, a list of buildings in which high-capacity fiber equipment has been deployed by CLECs. It is reasonable to assume that for the great majority of the buildings in which CLECs have deployed fiber-enabled equipment, they have also self-provisioned high-capacity loops. The extent to which CLECs have deployed high-capacity equipment (and presumably have self-provisioned high-capacity loops) is shown in Maps D and E.

IV. Correlation Between Telecom Expenditures and CLEC Facilities Deployment.

31. Verizon next sought to confirm that there was a correlation between actual CLEC self-provisioning of high-capacity loop facilities, determined using the methodology described above and demand for high capacity facilities, measured by telecommunications expenditures. To estimate the demand for high-capacity facilities in all buildings Verizon considered within a

given MSA, Verizon first established the locations of all buildings in the MSAs that it evaluated and obtained information regarding the characteristics of the tenants located in each of those buildings. Next, to determine the demand for high-capacity facilities in a particular building, Verizon used a model designed to estimate demand for high-capacity services based on the types of businesses in that building and their geographical location.

32. To establish the locations of buildings in a given MSA and the characteristics of the various tenants located in those buildings, Verizon relied on data provided by *infoUSA* Inc. ("infoUSA").[2]

33. infoUSA is a leading provider of sales and marketing support products for many different types of businesses. Among other things, infoUSA has developed a proprietary, copyrighted database containing information on approximately 13 million businesses that are located throughout the United States. The database contains information regarding businesses that produce, purchase, or provide goods and services. infoUSA uses more than 7,500 proprietary software programs to operate its data compilation and enhancement processes. The infoUSA database is designed to provide information on active business sites throughout the United States.

34. According to information provided by infoUSA, the company compiles its information through an annual review of telephone directories and other sources of information regarding new businesses (such as filings with Secretaries of State and county courthouses). infoUSA employees also annually contact each business for which the company maintains information to verify that the information collected from these sources of publicly available information is accurate and to gather additional information. Among many other things, for a given business, infoUSA is able to provide the following data: (1) company name; (2) address;

[2] infoUSA was formerly known as American Business Information or "ABI."

(3) phone number; (4) type of business (by standard industrial classification ("SIC") code); and (5) number of employees.

35. infoUSA has advised Verizon that infoUSA's proprietary data compilation software enables it to update, change, or verify approximately 1.5 million business listings every month. A quality assurance group checks input quality to ensure the information is 99 percent accurate from the original source. The company also uses state-of-the-art telephony software that greatly improves the accuracy of the verification process.

36. Using its proprietary software, infoUSA provided Verizon with, among other things, the address, SIC code, and number of employees for each business located within each of the MSAs Verizon studied. Using this information, Verizon was able to determine the addresses shared by multiple businesses, thereby establishing the addresses of the multi-tenant buildings within each MSA. Verizon also identified large single-tenant buildings. In addition, Verizon was able to compile a database of relevant information regarding the businesses located in each of the buildings that it studied. For example, for a specific building, Verizon obtained information regarding the number of businesses located in that building; the number of employees that work for each business; and the SIC codes that are assigned to each of the businesses.

37. Verizon then estimated the demand for high-capacity services associated with each of the buildings that it studied within each MSA. To do this, it employed a methodology developed by Global Insight, Inc. ("Global Insight").[3]

38. Global Insight is a firm that provides a range of consulting and information services for many different industries around the world, including the telecommunications

[3] Global Insight was formed through the merger of two economic and forecasting firms, Data Resources Inc. ("DRI") and Wharton Econometric Forecasting Associates ("WEFA"). It began operating under the name "Global Insight" in October 2002.

industry. In simple terms, the model developed by Global Insight has enabled Verizon to estimate the demand for high-capacity services generated by each of the tenants of the multi-tenant buildings in the MSAs that Verizon evaluated, based on those tenants' businesses and locations.

39. The process that Global Insight uses to model a given tenant's demand for high-capacity loops begins with an initial estimate, at the national level, of spending by different industries for different types of telecommunications services. This initial distribution is prepared using forecasts of total spending, on an industry-wide basis, for various telecommunications services. The data that is used to make these forecasts comes from the Federal Communications Commission; the United States Telecom Association; the Cellular Telecommunications Industry Association; the MultiMedia Telecommunications Association; and the United States Bureau of the Census. These total spending estimates are then further refined, using a statistical analysis that is part of Global Insight's Industry Analysis Service, to generate an estimate, on a national level, of total spending for various types of telecommunications services and products for every industry assigned a 4-digit SIC code.

40. These industry-by-industry estimates of national demand are then further enhanced using more detailed state- and county-level data on telecommunications spending. Through a series of iterative calculations, adjustments are made to the initial nationwide estimates to generate a picture of demand for various telecommunications services and products, on an industry-by-industry basis and at a localized level.

41. Thus, the Global Insight model is capable of estimating demand for a variety of telecommunications services and products, including demand for access lines. In estimating demand for access lines, the Global Insight model segments the analysis into demand for

standard (switched) and high-capacity (non-switched) access lines. Its methodology assumes that those industries that use telecommunications services, telecommunications equipment, and information technology more intensively will also be the most intensive users of high-capacity access lines.

42. The modeling process results in a detailed "top-down" and "bottom-up" view of telecommunications products and services usage — including demand for non-switched, high-capacity service lines measured in terms of the number of lines installed — by business segments and geographic areas. Using Global Insight's modeling methodology, it is possible to evaluate demand at the national, state, MSA, county, and wire-center levels. The data and forecasts typically cover five historical years, the current year, and five forecast years.[4]

43. Using the information from infoUSA on the occupants of each of the buildings that Verizon studied, as well as the demand estimates generated for those occupants by Global Insight's model, Verizon was able to estimate, on a building-by-building basis, demand for the high-capacity lines for each of the multi-tenant buildings in a given MSA.

44. Verizon has charted this data compared with data reflecting whether the building is lit by CLEC fiber. *See* Attachment 10.

V. Selected CLEC's Use of Verizon Special Access to Serve Customers.

45. Verizon also determined, in each of the MSAs that it studied, the extent to which a sample of competing carriers have been able to use Verizon's special access services to compete in providing customers with high-capacity services.

46. To make this determination, Verizon began with a review of its December 2003 billing records to determine the carriers to which it had sold high-capacity circuits (*i.e.*, DS1,

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[4] The Global Insight model can also be used to assess demand for the residential segment, as well as demand by both the business and residential segments for wireless telecommunications services.

DS3, or synchronous optical networking ("SONET") facilities).[5] Next, from this information, Verizon identified a sample of at least 11 CLECs that it determined rely on Verizon's special access services to provide high-capacity services to end users. All of these CLECs are significant purchasers of special access services. Some of these CLECs are larger carriers that provide high-capacity services both through the use of their own facilities or a combination of their own facilities and special access services (and to a lesser extent UNEs), whereas others provide such services exclusively (or virtually exclusively) through the use of Verizon's special access services.

47. From its billing records as of the last billing period in February 2004, Verizon obtained information regarding the high-capacity DS-1, DS-3, and SONET circuits that these purchasers of Verizon special access services use to provide services. Verizon obtained the following information for each circuit: (1) carrier code; (2) description of high-speed service (*e.g.*, DS1, DS3, or SONET); (3) serving wire center common language location identifier ("CLLI") code; (4) end-user's name; and (5) end-user address. Verizon also had information that allowed Verizon to obtain the central office address based on the CLLI code.

48. In each of the MSAs it studied, Verizon mapped information regarding the location of end users served by 3 to 8 selected carriers using Verizon's special access services. Significantly, the information included in these maps is limited to those special access circuits for which Verizon was able to identify a customer address from its billing records. In many cases, Verizon's data showed that CLECs had purchased a special access circuit, like a DS-3, to a central office, but did not provide a corresponding end user address for the circuit, suggesting

[5] Voice grade, wide-area telephone service, and digital data services were not included in this review. High-capacity services were identified using the service code modifier of circuit identification (where available), circuit class of service universal service order code (where available), billing account number, and class of service description.

that the circuit may in some cases terminate at the central office. These services may include circuits terminating in a central office for a collocation POP/ACTL, Fast Packet switch, muxed or channelized facility for special access riders, facilities requiring switched trunk riders, or a cross-connect service between 2 channelized facilities in the same central office. Verizon did not attempt to capture this use of its special access services, but instead mapped only that data that showed a single DS1 or DS3 circuit extended to an end user's premises. The maps, therefore, probably understate significantly the extent to which CLECs are using special access services to provide high-capacity services. This does mean, however, that each circuit mapped included a DS-1 or DS-3 loop to an end user's location that is purchases as special access. The majority of the high capacity loops that are purchases as special access are DS-1s.

VI. Competitor Use of Special Access Services Instead of UNEs for High Cap Facilities.

49. Competitors make extensive use of Verizon's special access services to serve their own customers. More than 80 percent of Verizon's total special access revenues are generated from sales to other carriers. Accordingly, Verizon next analyzed the extent to which competitors use Verizon's special access services instead of UNEs for the high capacity loop and transport facilities they need to serve customers.

50. To determine the percentage of DS-1 loops competitors purchased through Verizon's special access services compared with DS-1 loops purchased as UNEs, Verizon obtained, from a database containing information on access lines, unit counts for special access DS-1 channel terminations (the special access term for loops), UNE DS-1 loops, UNE DS-1 EELs, and UNE DS-1 entrance facilities in service as of March 2004. Verizon added the total number of UNE components and then divided that by the total number of DS-1 loops purchased as special access to determine the ratio of DS-1 UNE loops to DS-1 special access loops.

Verizon found that 93 percent of the DS-1 loops purchased by competitors were purchased through Verizon's special access services, while only 7 percent of the DS-1 loop facilities competitors purchased consisted UNEs.

51. To determine the percentage of DS-3 loops competitors purchased through Verizon's special access services compared with DS-3 loops purchased as UNEs, Verizon obtained, from the same database and for the same time period, unit counts for special access DS-3 end user channel terminations and UNE DS-3 loops and DS-3 EELs. Verizon added the total number of UNE components (loops and EELs) and then divided that by the total number of DS-3 loops purchased as special access to determine the ratio of DS-3 UNE loops to DS-3 special access loops. Verizon found that 98 percent of the DS-3 loops purchased by competitors were purchased through Verizon's special access services, while only 2 percent of the DS-3 loop facilities competitors purchased were purchased as UNEs.

52. Verizon next determined the percentage of entrance facilities purchased from Verizon using special access services compared to entrance facilities purchased as UNEs. Verizon again extracted from its access line database March 2004 in service unit counts for special access DS-3 channel terminations between carrier POPs and Verizon central offices (entrance facility equivalents), and UNE DS-3 entrance facilities. For New England states, where there is no separate rate element for UNE entrance facilities, Verizon obtain information on UNE entrance facilities from its Regional CABS Reporting System. Verizon added the total number of UNE entrance facilities from each of these databases and divided by the total number of entrance facilities purchased through Verizon's special access services to obtain the percentage of entrance facilities purchased as UNEs. Verizon determined that approximately 96

percent of the entrance facilities purchased were purchased as special access compared with 4 percent purchased as UNEs.

53. Finally, Verizon sought to determine the percentage of loop and transport combinations purchased as special access compared to EELs. Verizon obtained from its access line database March 2004 in service unit counts for DS-1 EEL IOF. To obtain the special access equivalent to these EELs, Verizon obtained from its Carrier Access Revenue Data system ("CARD") March 2004 in service unit counts for special access DS-1 interoffice circuits and multiplexing arrangements. Verizon then made the following adjustments to this data.

54. In the East, fixed mileage units were extracted for DS-1 and Facilities Management Service ("FMS") DS-1s. Since FMS tracking codes include both DS-0 and DS-1 (all on a DS-0 equivalent basis), DS-0 units were removed by subtracting the FMS 0/1 multiplexing arrangements to obtain a reasonable estimate of the FMS DS-1 units. The remaining units were converted to DS-1 by dividing by 672 channels. In the West, interoffice transport is billed on a channel termination basis. Although most circuits are assumed to have 2 channel terminations per circuit, due to meet point billing arrangements, Verizon assumed a conversion factor of 1.7. Thus, the West DS-1 units were divided by 1.7 in order to convert to DS-1 circuits. Finally, to properly compare EELs to special access "EEL-like" circuits, the special access circuits needed to be adjusted to be comparable to point-to-point circuits. Accordingly, the 0/1 multiplexing arrangements were subtracted from the DS-1 units, again a reasonable proxy for these units. The EEL IOF circuits then were divided by the adjusted special access circuits to determine the ratio of UNE to special access EELs. Based on this data, Verizon determined that 95 percent of DS-1 loop and transport combinations are purchased as special access as opposed to EELs.

55. Even those carriers who have purchased EELs from Verizon first served customers for extended periods of time using special access before converting to EELs. One of Verizon's largest purchasers of special access services has waited an average of nearly 2 years, and in some cases more than 7 years, to convert its special access circuits to UNEs. A number of carriers that use special access services extensively have not converted any special access circuits to UNEs or have converted only a small fraction. For example, this same carrier has converted only a small fraction (1/30) of its special access circuits to EELs; another of Verizon's largest purchasers of special access services has not converted any of its circuits to EELs, nor have several other CLECs that use special access extensively.

56. Few wholesale customers that purchase special access service from Verizon pay the tariffed "base" rates for these services — that is, the standard rates that apply to customers that do not qualify for any volume or term discounts. Verizon offers significant discounts off of those base rates — on the order of 5 to 40 percent — to customers that enter into term commitments (ranging from 1 to 7 years, depending on the service and geographic area). Competing carriers are availing themselves of these discounted rates. On the whole, wholesale customers are purchasing special access services from Verizon at an average of approximately 35 to 40 percent off the base rates for these services.

57. This concludes our declaration.

I hereby certify, under penalty of perjury, that the foregoing is true to the best of my knowledge, information, and belief.

Executed on June 15, 2004

Judy K. Verses

I hereby certify under penalty of perjury that the foregoing is true to the best of my knowledge, information, and belief.

Executed on July 1, 2004

Ronald H. Lataille

Ronald H. Lataille

I hereby certify under penalty of perjury that the foregoing is true to the best of my knowledge, information, and belief.

Executed on July 1, 2004

Marion C. Jordan

Marion C. Jordan

I hereby certify under penalty of perjury that the foregoing is true to the best of my knowledge, information, and belief.

Executed on June 30, 2004

Lynelle J. Reney

Lynelle J. Reney