Donna Epps
Vice President
Federal Regulatory Affairs

1300 I Street, NW, Suite 400 West
Washington, DC 20005

December 5, 2011

Phone 202 515-2527
Fax 202 336-7922
donna.m.epps@verizon.com

VIA HAND DELIVERY

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Competition Data Requested in Special Access NPRM, WC Docket No. 05-25 and RM 10593

Dear Ms. Dortch:

Verizon submits the attached response to the Federal Communications Commission's request, by Public Notice,[1] for voluntary submission of data in the *Special Access NPRM*. The attached version has been redacted for public review; a highly confidential version, as discussed below, will be filed under separate cover.

Verizon submits the attached comments and responses in response to the Federal Communications Commission's request, by Public Notice,[2] for voluntary submission of data in the *Special Access NPRM*. The responses have been redacted for public review. A highly confidential version will be filed under separate cover.

Verizon's responses to the information requested by the Commission contain some of Verizon's most commercially sensitive information, the disclosure of which would place Verizon at a significant competitive disadvantage. Accordingly, Verizon has designated many of its responses "Highly Confidential Information," subject to protections in the *First Protective Order as Modified*[3] and the *Second Protective Order*[4] in this docket as extended, including the

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[1] *Competition Data Requested in Special Access NPRM*, Public Notice, 26 FCC Rcd 14000 (2011) ("*Competition Data Request*").

[2] *Competition Data Requested in Special Access NPRM*, Public Notice, 26 FCC Rcd 14000 (2011) ("*Competition Data Request*").

[3] *Special Access for Price Cap Local Exchange Carriers*, Protective Order, 20 FCC Rcd 10160 (2005); *Special Access for Price Cap Local Exchange Carriers*, Modified Protective Order, 25 FCC Rcd 15168 (2010) ("*First Protective Order as Modified*").

limitations on access to that information only to Outside Counsel of Record and Outside Consultants in this proceeding, and the prohibition on additional copying of such information. Consistent with the terms of the *Second Protective Order*, Verizon has identified the portions of its filing that contain Highly Confidential Information, and is submitting herewith two redacted copies of the filing, which do not contain either Highly Confidential or Confidential Information.

Because the Commission issued the *Second Protective Order* to cover specific categories of information that parties filed in response to the *Special Access Data Request Public Notice*,[5] and because the *Competition Data Request* asks for different, specific categories of information, in an abundance of caution Verizon requests that contemporaneously with its submission the Commission expand the scope of or modify the *Second Protective Order* so that it explicitly provides the heightened level of protection of highly confidential information that parties may submit into the record in response to the *Competition Data Request*.

Specifically, companies that respond to the *Competition Data Request* may submit into the record of this proceeding detailed or granular information regarding the following:

- Revenues related to DS1 and DS3 services, including but not limited to revenues related to One Month Term Only Rates, Term Discounts, Tariff Benefit Plans, Tariff Discount Plans, Contract-Based Tariffs, Prior Purchase-Based Discounts, and other discounts.
- Revenues related to PSDS service.
- Data based on the Price Cap Tariff Review Plan.
- Collocation, including wire-center specific revenue information and number and names of collocators.
- Tariff Discount Plans, including the number of subscribers and revenue information per plan, per LSA, information regarding the number of customers who failed to meet certain commitments related to the Tariff Discount Plan, and the number of DS1s and DS3s purchased under Tariff Discount Plans by LSA.
- Contract-Based Tariffs, including the number of subscribers and revenue information per plan, per LSA, and information regarding the number of customers who failed to meet certain commitments related to the Tariff Discount Plans.
- Pricing, for DS1s and DS3s sold as unbundled network elements (UNEs) and as non-UNEs, as well as all PSDS, including circuit identifying information and including information concerning vendors.
- Circuits Purchased, for DS1s and DS3s purchases from ILECs, including the total number of intrastate and interstate circuits purchased, the rates at which those circuits were purchased and the discount plans under which those circuits were purchased.

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[4] *Special Access for Price Cap Local Exchange Carriers*, Second Protective Order, 25 FCC Rcd 17725 (2010) ("*Second Protective Order*").

[5] *Data Requested in Special Access NPRM*, Public Notice, 25 FCC Rcd 15146 (2010) ("*Special Access Data Request Public Notice*").

- Expenditures, including dollar volumes of purchases of intrastate and interstate DS1 and DS3 services, and expenditures under certain rate structures and discount plans.
- The specific identity of the parties which purchase DS1 and DS3 services under the terms and provisions of contract-based tariffs.
- RFPs, including responses received to RFPs parties have issued.

These types of information constitute highly confidential and commercially sensitive information, and disclosure of this information could place submitting companies at a significant competitive disadvantage. If another party were to obtain such information, it would likely be able to exploit the information to gain a competitive advantage over the submitting party.

In the past, the Commission has afforded heightened protection to information that pertains to existing and future business plans and strategies.[6] In the *National Broadband Plan* proceeding, for example, the Commission permitted submitting parties to designate as "highly confidential" any information "that is not otherwise available from public sources and that consists of detailed or granular information regarding the location, type, or cost of last-mile infrastructure used by a Submitting Party to offer broadband service."[7] And the Commission has already recognized the need for heightened protection for information submitted in this proceeding in response to the earlier Special Access Data Request.

Accordingly, the Commission should permit parties submitting proprietary information that falls into one of the above-listed categories or that is of a similarly competitively-sensitive nature to designate such information as "highly confidential." Expanding the scope of the *Second Protective Order* to protect explicitly parties' competitively sensitive information submitted in response to the *Competition Data Request* would enable the Commission to develop a more complete record in this proceeding than would be the case in the absence of such protections. If the scope of the *Second Protective Order* is not expanded to cover the highly competitively

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[6] *See*, *e.g.*, *A National Broadband Plan for Our Future*, Protective Order, 24 FCC Rcd 12479, ¶ 3 (2009) ("*National Broadband Plan Protective Order*"); *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Phoenix, Arizona Metropolitan Statistical Area*, Second Protective Order, 24 FCC Rcd 9509, n.2 (2009) ("*Qwest Phoenix Forbearance Second Protective Order*") ("On other occasions, the [Wireline Competition] Bureau has granted similar protection to materials which, if released to competitors, would allow those competitors to gain a significant advantage in the marketplace."); *AT&T Inc. and BellSouth Corporation Applications for Approval of Transfer of Control*, Second Protective Order, 21 FCC Rcd 7282, ¶ 3 (2006) ("*AT&T-BellSouth Merger Second Protective Order*") ("The Commission will grant more limited access to those materials which, if released to competitors, would allow those competitors to gain a significant advantage in the marketplace."); *Petitions of the Verizon Telephone Companies for Forbearance Pursuant to 47 U.S.C. §160(c) in the Boston, New York, Philadelphia, Pittsburgh, Providence, and Virginia Beach Metropolitan Statistical Areas*, Second Protective Order, 22 FCC Rcd 892 (2007) (granting Verizon's request for protective order).

[7] *National Broadband Plan Protective Order*, ¶ 5; *see also id*. ¶ 3.

sensitive data that Verizon is submitting today, Verizon reserves the right to withdraw that information from the record.

In addition, out of an abundance of caution, Verizon is claiming protection from disclosure of the information submitted herewith in accordance with Exemption 4 of the Freedom of Information Act (FOIA), and the Commission's rules, and requests that such information be withheld from public inspection, except as provided in the *Second Protective Order*.[8] We request that specified information in this submission be treated as confidential and not made available for public inspection pursuant to the Commission's rules related to the Freedom of Information Act ("FOIA"),[9] the Commission's decision in *Examination of Current Policy Concerning the Treatment of Confidential Information Submitted to the Commission*,[10] and in accordance with FOIA and the Commission's Rules related to public information and inspection of records.[11]

<u>Statement pursuant to 47 C.F.R. § 0.459(b)</u>

(1) Identification of the specific information for which confidential treatment is sought.

> Verizon is submitting specific, granular, and highly confidential information and data regarding its revenues, expenditures, customers, vendors, its business decisions to attract DS1 and DS3 purchasers, and its business decisions when making DS1 and DS3 purchases in response to the *Competition Data Request*. This information and data are confidential commercial information under Exemption 4 of the FOIA.[12] Accordingly, in accordance with Commission Rule 0.459(a), Verizon requests that such information not be made routinely available for public inspection except as provided in the *Second Protective Order* in this proceeding. .

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[8] 5 U.S.C. § 552(b)(4); 47 C.F.R. § 0.457 (d) (exempting from disclosure "[t]rade secrets and commercial or financial information obtained from any person and privileged or confidential").

[9] *See* 47 C.F.R. §§ 0.457 and 0.459; 5 U.S.C. § 552, *et seq*.; *Washington Post Co. v. U.S. Department of Health and Human Services*, 690 F.2d 252 (D.C. Cir. 1982) (FOIA exemption 4 protects from public disclosure confidential commercial or financial information obtained from a person outside of the government).

[10] GC Docket No. 96-44 (FCC 98-184), released Aug. 4 1998 ("*Confidential Information Order*")

[11] *See, e.g.* 47 CFR §§ 0.457 and 0.459

[12] 47 U.S.C. §§ 552(b)(4)

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission.

The information is being provided to the Commission in response to the *Competition Data Request*.

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged.

Verizon's responses to the data requested by the Commission in the *Competition Data Request* contain some of Verizon's most commercially sensitive information (including, among other things, information regarding Verizon's revenues, expenditures, customers, vendors, its business decisions to attract DS1 and DS3 purchasers, and its business decisions when making DS1 and DS3 purchases), the disclosure of which would place Verizon at a significant competitive disadvantage. This confidential commercial and financial information is not routinely available for public inspection.[13] Similarly, the Commission has consistently treated information relating to carriers' sales as protected confidential information not subject to public inspection.[14] Revenue information is regularly withheld from public disclosure as sensitive competitive information.[15] And the Commission in this proceeding has previously found that similar types of confidential business information including the extent to which companies rely on incumbent local exchange carrier and non-incumbent LEC last-mile facilities and local transport facilities to provide special access-like services and the nature of those inputs; the location of companies' collocations; the location of companies' fiber network routes; the business rules and other factors companies take into consideration when deciding whether to self-deploy channel termination and local transport facilities or lease such facilities from a third party; the types of customers companies serve and the types of special access-type

[13] *See, e.g.* 47 C.F.R. §0.457(d).

[14] *See Implementation of Section 9 of the Communications Act, Assessment and Collection of Regulatory Fees for Fiscal Year 1997*, 12 FCC Rcd 17859, ¶¶ 9-10 (1997); *see also Cox Communications, Inc.; Request for Confidentiality for Information Submitted on Forms 325 for the Year 2003*, 19 FCC Rcd 12,160 ¶ 6 (2004).

[15] *See, e.g. John E. Wall, Jr.; On Request for Inspection of Records*, 22 FCC Rcd 2561, ¶ 3 (2007) ("the records sought by Wall may be withheld pursuant to FOIA Exemption 4 [because] …. the information sought would result in competitive harm by enabling competitors to identify demand for individual types of services, thereby targeting facility construction and service marketing to the detriment of Verizon Business"); *The Lakin Law Firm, P.C.; On Request for Inspection of Records*, 19 FCC Rcd 12727, ¶ 6 (2004) (permitting withholding of information related to USF contributions because such information "would enable competitors to estimate carrier revenues for specific product families, particular customers, and geographic areas, giving competitors a substantial competitive advantage.").

services demanded by those customers; and the location of individual companies' cell sites and the wire center associated with these cell sites, the name of the provider that provides a connection to individual companies' cell sites, and the type or capacity for the connections provided to companies' cell sites should be kept highly confidential.

(4) Explanation of the degree to which the information concerns a service that is subject to competition.

The records being provided to the Commission involve various services provided by Verizon in a highly competitive industry, and Verizon's services are subject to significant competition throughout the country. The presence of such competition and the likelihood of competitive injury threatened by the release of the information provided to the Commission by Verizon should compel the Commission to withhold the information from public disclosure, except as provided in the *First Protective Order as Modified* and *Second Protective Orders*.[16]

(5) Explanation of how disclosure of the information could result in substantial competitive harm.

Disclosure of confidential financial information "could allow competitors already serving particular markets to respond to new entry or allow other competitors to free ride on the efforts of the first new entrants to identify areas where competition is more likely to be successful [and] could also provide 'valuable information about where [a] filer is focusing its efforts to acquire customers and [about] the overall financial health of the filer.'"[17] If Verizon's revenues, expenditures, and other confidential financial information were made public, a competitor could use this information to target its marketing efforts and to attempt to undercut Verizon. Over time, competitors could use this information to determine Verizon's market plans, penetration, strategies, and changes in those strategies, including assessment of any increasing or decreasing revenues.

(6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure.

The highly confidential materials being provided to the Commission in response to the *Competition Data Request* are not customarily released to the public, are maintained on a confidential basis, and are not ordinarily disclosed to parties outside the company. Disclosure would subject Verizon to substantial competitive harm.

(7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties.

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[16] *CNA Financial Corp. v. Donovan*, 830 F.2d 1132, 1152 (D.C. Cir. 1987); *Frazee v. U.S. Forest Service*, 97 F.3d 367, 371 (9th Cir. 1996); *Gulf & Western Indus. V. U.S.*, 615 F.2d 527, 530 (D.C. Cir. 1979).

[17] *Center for Public Integrity v. FCC*, 505 F. Supp. 2d 106, 116 (D.D.C. 2007).

The information regarding Verizon’s revenues, expenditures, customers, vendors, its business decisions to attract DS1 and DS3 purchasers, and its business decisions when making DS1 and DS3 purchases is not made available to the public and has not been disclosed to third parties.

(8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure.

Given the competitively sensitive nature of Verizon’s information for which confidentiality is requested, Verizon requests that confidential treatment apply indefinitely. This period of time is necessary to prevent an unfair competitive advantage for Verizon’s competitors who may be able to use historical data to forecast Verizon’s deployment plans and to gain insight into Verizon’s competitive offerings.

(9) Any other information that the party seeking confidential treatment believes may be useful in assessing whether its request for confidentiality should be granted.

Here, as described above, the information for which the exemption is requested is confidential commercial and financial information, submitted by Verizon, a non-government entity, and thus should be considered confidential.[18]

Accordingly., Verizon requests that the information regarding Verizon’s revenues, expenditures, customers, vendors, its business decisions to attract DS1 and DS3 purchasers, and its business decisions when making DS1 and DS3 purchases) submitted here be treated under the Commission’s Rules as not available for public inspection.

Please contact me should you have any questions.

Sincerely,

Donna Epps

Enclosure

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[18] *See* 5 U.S.C. § 552(b)(4); *National Parks and Conservation Ass’n v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974) (information submitted to the government involuntarily is considered to be “confidential” if disclosure is likely to harm substantially the competitive position of the person from whom the information was obtained); *see also Critical Mass Energy Project v. Nuclear Regulatory Comm’n*, 975 F.2d 871, 873 (D.C. Cir. 1992).

REDACTED FOR PUBLIC INSPECTION

cc: Andrew Mulitz

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
	)	
	)	
Competition Data Request	)	
	)	
	)	
Special Access Rates for Price Cap Local Exchange Carriers	)	WC Docket No. 05-25
	)	
	)	
	)	
AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services	)	RM 10593
	)	
	)	
	)	
	)	
	)	

RESPONSE OF VERIZON[1]

Of Counsel:
Michael E. Glover

Edward Shakin
Katharine R. Saunders
Curtis L. Groves
VERIZON
1320 North Courthouse Road
Ninth Floor
Arlington, Virginia 22201
(703) 351-3097

December 5, 2011

[1] The Verizon companies participating in this filing ("Verizon") are the regulated, wholly owned subsidiaries of Verizon Communications Inc. and Verizon Wireless.

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A. All Providers. We request that members of the public that are providers of *DS1*, *DS3* and *PSDS* services respond to the following questions.

1. *Terms and conditions.* Describe any logistical constraints on a customer's ability to make the transition from *DS1*s and *DS3*s: (a) to unregulated access services offered by your company; and (b) to unregulated access services offered by a competitor. Are there any constraints on how many circuits can be switched per day, per week, per month? Within what geographic region are those constraints applicable? Also state where your upgrade constraint policies are recorded, and how they are communicated to customers.

Verizon's Response, A.1

Transitioning from DS1 or DS3 service to unregulated services that Verizon or its competitors offer is a straightforward process. Verizon's customers are free to purchase whichever services they choose, either from Verizon or from the many competitive providers offering special access services. And customers are able to change their service as they like, either by switching or upgrading to other Verizon services, or by transition to a competitor's service. Although customers who agree to purchase service under one of Verizon's Tariff Discount Plans or other contractual discount offerings may have termination charges if they choose to disconnect service before satisfying their contractual commitments, Verizon does not place limits on the number of circuits that customers can disconnect and switch to another carrier – neither by day, week, or month, nor by region.

In some circumstances, customers will ask Verizon to use its resources and work force to help realign the customer's network by moving circuits on Verizon's network or to a collocation arrangement. This process, known as "grooming," requires work on Verizon's part, and Verizon must allocate resources in order to accomplish the circuit grooms. This is ordinarily coordinated with the customer and depends on the customer's individual requirements, as well. If the customer chooses a project-managed groom, the customer and Verizon will negotiate a process through which Verizon assigns a program manager that works with the customer to establish a detailed implementation plan. The customer provides a forecast of its plans – typically a six-month forecast – and Verizon and the customer negotiate time frames for the project, including the number of circuits to be groomed over certain time periods. Verizon also offers a grooming option with less Verizon project management oversight. For those "over-the-counter" grooms, customers may groom up to five circuits or one trunk group per day.

Generally speaking, in order to transition from DS1 and DS3 service to an unregulated service that Verizon offers, Verizon's customer first negotiates a commercial contract for the non-regulated services it plans to purchase. Then the customer submits a request for new service, such as an Access Service Request (ASR). When the new service is installed, the customer can submit orders to disconnect the DS1 or DS3 service.

If Verizon's customer chooses to transition from DS1 or DS3 services to unregulated services that a competitor offers, the customer would disconnect the DS1 and DS3 circuits it purchases from Verizon, once the competitor's service is installed (Verizon typically does not know if the customer is disconnecting service to migrate to a competitor or for other reasons), using

Verizon's regular disconnect process. As with migrations to its own unregulated services, Verizon does not limit the number of circuits that a customer can move to another provider's services.

2. *Terms and conditions.* Explain what steps a customer must take to transition from regulated *DS1* and/or *DS3* services to unregulated *PSDS* provided by: (a) your company; and (b) a competitor, in order to avoid early termination or other penalties. In your response, provide the relevant *Tariff* or *Contract-Based Tariff* and section numbers, if applicable.

Verizon's Response, A.2

Verizon allows customers to switch from DS1 and DS3 services to unregulated (PSDS) services that Verizon offers regardless of the number of circuits the customer wants to transition. In 2010, Verizon introduced language in all four of its ILEC FCC tariffs so that Verizon now waives termination liability charges, as long as certain conditions are met, when customers upgrade from DS1 and DS3 services to higher bandwidth services that Verizon offers. These conditions are listed in FCC 1 Section 2.9.6; FCC 11 Section 2.10.5; FCC 14 Section 2.10.5; and FCC 16 2.9.4. They include requirements related to (A) Length of Commitment; (B) Bandwidth; (C) Revenue Test; (D) Terminating Location; (E) Timing; and (F) Notification.

For example:

1. The length of the term on the unregulated services must be equal to or greater than the remaining months on DS1 and DS3 commitments, if any;
2. The bandwidth of the unregulated service must be equal to or greater than the bandwidth on the DS1 and DS3 circuits;
3. The monthly-recurring-charges associated with the unregulated service must be equal to or greater than the monthly-recurring-charges for the DS1 and DS3 circuits; or, the overall value of Ethernet term must be equal to or greater than the remaining value of the DS1 and Ds3 circuits;
4. Generally, at least one of the locations of the unregulated service must be the same as one of the location of the DS1 or DS3 service;
5. The customer must connect the unregulated services within three months of the disconnect of the DS1 or DS3 services; and
6. The customer must meet certain notification requirements within ten days of ordering the unregulated service (such as circuit IDs and locations).

If a customer chooses to switch from DS1 or DS3 circuits that Verizon offers to an unregulated PSDS service that a competitor offers, if those circuits are part of a term or term and volume discount tariff plan, the customer can avoid an early termination penalty by satisfying the term or volume commitment associated with the circuits. Similarly, the customer would avoid a shortfall liability by maintaining the volume level the customer committed to when it subscribed to the tariff discount plan. See, for example, FCC 1 Section 25.1.7(B) for CDP shortfall liability, FCC 1 Section 25.3.7(C) for NDP shortfall liability, and FCC 14 Section 5.6.14(I) for TVP and ETTVP shortfall liability. For termination liability, see, for example, FCC 1 Section 25.1.9 for CDP, FCC 1 Section 25.3.13 for NDP, and FCC 14 Section 5.6.14(O) for TVP and ETTVP. Also, in its contracts for DS1 or DS3 services that its CLEC provides, Verizon often includes provisions that allow customers to upgrade to an unregulated service. In addition, those contracts typically include revenue commitments that allow customers to shift service between regulated and unregulated services in order to meet the overall commitment.

3. *Terms and conditions.* In each *LSA* in which you have submitted a response to a request for proposal (RFP) for *DS1* and/or *DS3* channel terminations to end users as defined by 47 C.F.R. §69.703(a)(2), but were not selected as the vendor, please describe the reasons your firm was not selected, if known, and whether those reasons were associated with terms and conditions for *DS1* and/or *DS3* services.

Verizon's Response, A.3

In the competitive environment in which we operate, Verizon has little information regarding RFPs for which Verizon was not selected as the vendor. For those RFPs from which we have received feedback, reasons for which Verizon was not selected include price, a preference for network diversity, relationships with other providers, terms and conditions, and other providers' unique bundles.

B. ILEC Providers. We request that members of the public that are incumbent local exchange carrier (ILEC) providers of *DS1*, *DS3*, or *PSDS* services respond to the following questions.

Methodology. To respond to the FCC's special access public notice, Verizon retrieved data from various business systems for its mass market, wholesale, wireless, and enterprise business segments. Verizon does not routinely report much of this type of information to the FCC or to other government agencies. In many instances, it was necessary to pull and consolidate information from different resources and databases to provide the requested information. This synchronization required substantial resources and manual efforts, and may inadvertently include some imprecision due to variations in how different systems collect and maintain data. In other instances, the requested information could not be readily and accurately obtained. The following describes the data retrieval methodology Verizon followed for those requests for which data will be submitted. In other instances, narrative or other responses are provided:

Verizon retrieved intrastate and interstate ILEC revenue data from its billing systems for DS1 and DS3 services. Because Verizon's systems do not associate non-recurring charges with a particular discount level, Verizon captured only monthly-recurring charges. Verizon then aggregated the revenue by the type of discount plan.

The sum of the revenue reported for the subcategories does not always add up to the total revenues because customers can subscribe to both generally available discount plans such as the Commitment Discount Plan (CDP) and the National Discount Plan (NDP) concurrently with a pricing flexibility contract. In those instances, revenue for that customer would be reported under both the discount plan and the pricing flexibility contract sub-categories.

Verizon's billing systems do not provide information on the level of discount associated with a billed revenue amount. To derive this information, Verizon aggregated billed revenue based on its associated discount plan and term commitment for its East regions (former Bell Atlantic FCC 1 and FCC 11 tariffs). Because discounts in Verizon's West regions (former GTE FCC 14 and FCC 16 tariffs) vary by state, volume commitment, and term commitment, aggregating the associated billed revenue by discount level would be overly burdensome. Thus, Verizon prorated the revenue in the Verizon West region based on the allocation of the revenue in the East region. The Verizon East region revenue for DS1 and DS3 account for approximately [**BEGIN HIGHLY CONFIDENTIAL**] [**END HIGHLY CONFIDENTIAL**] of the total DS1 and DS3 revenue. In the case of non-prior purchase-based discount plans, revenue in Verizon's East region was not available to use as an allocator, hence, Verizon did not prorate those revenue (reported as "not available").

In response to III.B.1, j-k, Verizon is submitting pricing flexibility contract DS1 and DS3 revenue aggregated by discount level for its contracts that are sold to wholesale customers. The comparable revenue information is not available for the pricing flexibility contracts associated with Verizon's retail customers in Verizon's billing systems, and aggregating these data by discount level for contracts sold to retail customers would require highly burdensome manual manipulation that could likely introduce substantial errors; thus, this data was not included.

Verizon is filing its billed PSDS revenue aggregated by bandwidth speed. The revenue was first determined by rate element for each bandwidth and then aggregated for all rate elements. Those portions of the PSDS revenue that did not have an associated bandwidth speed are reported as "unspecified."

Verizon submits the information for its Verizon Total Company COSA (VZTC), based on what Verizon files in its tariff review plan (TRP) of its annual access tariff filing. The amounts for the total refunds and penalties are greater than the amounts for the reported refunds and penalties primarily due to the refunds and penalties in pricing flexibility regions, which are excluded from price cap regulation and not reported on the TRP.

Regarding the requested revenue in III.B.3, Verizon is submitting billed special access revenue for DS3, DS1, voice grade, video and other special access services with bandwidth lower than the DS1 level. Where billing records made identification possible, Verizon excluded revenues for channel terminations connecting at a POP. Verizon is filing information regarding the virtual and physical collocation arrangements it sold as of December 31, 2010. The information here includes total collocation and does not attempt to segregate out fiber-based collocation. Determining which entities are fiber-based would require physical inspection at the relevant offices, which is beyond the scope of the document-based response Verizon provides here.

Verizon is also submitting data listing DS1 and DS3 channel terminations that have a five-year or longer time commitment.

1. *ILEC Revenues.* Please provide the information requested below on a national basis.

<u>Verizon's Response, B.1(a)-(l)</u>

Please see attached Highly Confidential Exhibit 1.[2]

[2] Verizon is submitting Highly Confidential Exhibits 1, 2, and 3, as referenced throughout this narrative response, as data files on an attached compact disk.

2. Data from Price Cap Tariff Review Plan (TRP). For each study area in which you operate, report the data identified below from TRPs filed in support of rates that took effect on July 1, 2011. If the initial TRP filed in support of the July 1, 2011 rates was revised, report data from the most recently revised TRP filed in support of these rates.

Verizon's Response, B.2(a)-(i)

Please see attached Highly Confidential Exhibit 2.

3. *Collocation.* Provide the information requested below related to the *Phase I* and *Phase II Pricing Flexibility* triggers described in 47 C.F.R. §69.711. With the exception of III.B.3.b.iii-iv, please provide information as of the default time period of calendar-year 2010 as per Instruction II.1. of this Public Notice.

Verizon's Response, B.3(a)-(b)

Please see attached Highly Confidential Exhibit 1.

4. *Terms and Conditions.* For each of the *LSAs* in Attachment A, list, separately for sales of *DS1*s and *DS3*s, the names of all *Tariff Discount Plans* and *Tariff Benefit Plans* available that could be applied to these services. For each *Tariff Discount Plan* listed, provide: (a) all *Tariff* and section numbers which discuss the plans; (b) the number of customers within each *LSA* subscribing to the *Tariff Discount Plan* and *Tariff Benefit Plan* as of December 31, 2010; and (c) the amount of annual *Revenue* (incorporating all discounts, penalties, and other adjustments) generated by the plan between.

Verizon's Response, B.4

Verizon responds to this request on a national basis. Verizon does not maintain much of this information by LSA. Further, Verizon's terms and conditions do not change by LSA within a given tariff.

Verizon offers the following Tariff Discount Plans, which provide discounted month-to-month rates: Commitment Discount Plan (CDP); National Discount Plan (NDP); Term Volume Plan (TVP); Eight and Ten Year Term Volume Plan (ETTVP); DS3 Term Volume Plan (DS3 TVP); Term Payment Plan (TPP); and grandfathered Facilities Management Service (FMS). Verizon also offers several other small plans to which there are few subscribers. The discounts may be based on term and volume commitments (or revenue) commitments, and they can be regional or nationwide, depending on the Plan.

Plan	Tariff Reference	No. of Customers
CDP	FCC 1/11- 25.1	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**
NDP	FCC 1 -25.3/ 11-25.2/ 14 - 23.1/ 16-22.1	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**
TVP	FCC 14 – 5.6.14	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**
ETTVP	FCC 14 – 5.6.14	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**
DS3 TVP	FCC 14 – 5.6.19	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**
FCC 16 TPP	FCC 16	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**
FMS	FCC 1 – 7.2.13/11 – 7.2.16	**[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]**

For the associated revenue, please see attached Highly Confidential Exhibit 3.

The number of customers per plan is based on estimates drawn from Verizon's contract database.

Verizon does not offer Tariff Benefit Plans, as defined by this Data Request.

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5. *Terms and Conditions.* For each of the *Tariff Discount Plans* listed in response to question III.B.4, by *LSA*, provide the information outlined below.

Verizon's Response, B.5

Because the terms and conditions of Verizon's discount plans do not vary by LSA, Verizon's response to this part of the data request applies across its serving areas.

a. Whether the Tariff Discount Plan allows or restricts customers from subscribing to other Tariff discount plans within the same LSA, and if so, the names of which Tariff Discount Plans may be combined and which may not

Generally speaking, customers that subscribe to the Commitment Discount Plan (CDP) cannot subscribe to another discount plan for DS1s and DS3s within the same tariff, but those customers can subscribe to CDP plans and other discount plans in Verizon's other FCC tariffs. For example, if a customer subscribes to CDP under FCC Tariff No. 1, that customer can subscribe to a CDP plan in FCC Tariff No. 11, or other available discount plans in FCC Tariff Nos. 11, 14 and 16. That customer cannot subscribe to another discount plan for DS1s and DS3s in the FCC Tariff No. 1, however.

Similarly, a customer that subscribes to the Term Volume Plan under FCC Tariff No. 14 cannot subscribe to the Eight or Ten Year Volume Pan, and vice-versa (there is no such restriction under the FCC Tariff No. 16 Term Volume Plan).

The National Discount Plan, as its name suggests, is national in scope. Therefore a customer that subscribes to the NDP must subscribe under all four Verizon tariffs (but is not required to have service in all four tariffed regions), and that customer cannot subscribe to any other tariffed discount plans for DS1s or DS3s.

The grandfathered Facilities Management Service (FMS) covers only a portion of a customer's DS1 or DS3 circuits, customers can subscribe to any available special access plan for the other portion of their circuit. Most FMS customers subscribe to CDP, which is available in the same FCC tariffs.

b. Whether the Tariff Discount Plan allows or restricts customers from subscribing to other Tariff Discount Plans outside the LSA, and if so, the names of which plans may be combined and which may not

Please see Verizon's response to Data Request B.5(a).

c. A description of: (1) duration options for the Tariff Discount Plan (i.e., 5-year term, 7-year term, etc.); (2) a description of the contingency (or contingencies) on which the Tariff Discount Plan's discount is based (i.e., term, volume, revenue, or other commitment); (3) the business rationale for each contingency (include discussion of maximum as well as minimum purchase requirements); and (4) the timing and process of the true-up process, if any

Verizon's generally available special access Tariff Discount Plans (and also its pricing flexibility contracts) are a competitive response to the dynamic, rapidly growing, competitive marketplace for the provision of high-capacity services. Verizon's special access discount plans are entirely voluntary. They do not restrict customers' ability to obtain high-capacity services from Verizon's competitors or through self-supply, and they contain a wide range of terms and provisions to meet the needs of many different types of special access purchasers.

Some customers may choose circuit-specific plans that provide substantial discounts in exchange for a term (but not volume) commitment for specific circuits. Others may choose non-circuit specific plans that provide customers with substantial discounts for all special access services purchased in the covered region in exchange for a term and volume commitment for a percentage of the customer's Verizon special access purchases. The discount levels are comparable regardless of whether customers participate in a circuit specific or a non-circuit-specific discount plan.

Not only do Verizon's circuit-specific discount plans not require any volume commitment, but Verizon's non-circuit-specific discount plans and pricing flexibility contracts that do require a volume commitment do not require customers to purchase special access services exclusively from Verizon. In fact, those volume commitments apply only to the special access services that the customer plans to purchase from Verizon, and not the customer's overall high-capacity or special access usage. Customers that participate in Verizon's volume-based discount plans and pricing flexibility contracts may, and in fact do, obtain high-capacity services from several different providers as well as through self- supply without penalty under Verizon contract terms.

For example, customers may choose to enter into circuit-specific or "term" plans that provide customers with substantial discounts in exchange for a term (but not volume) commitment for specific circuits. These plans are tariffed, open to all customers, and may cover as few as one circuit.

Customers may also choose non-circuit specific or "term and volume" plans which provide customers with substantial discounts in all special access services purchased in the covered region in exchange for a term and volume commitment based on a percentage of the customer's Verizon special access purchases. The volume commitments in these plans apply only to the special access services that the customer decides to purchase from Verizon, and not the customer's overall high-capacity or special access usage. Customers may swap circuits within the tariff regions without incurring shortfall or termination penalties, so long as they maintain their overall volume commitment.

These plans, and the associated discounts, are very attractive to customers of DS1 and DS3 special access service, and the large volumes of customers that choose to subscribe to them demonstrate the real and tangible benefits they offer. About eighty-five percent of Verizon's ILEC DS1 and DS3 revenues are from customers who subscribe to generally available Tariff Discount Plans, and almost sixty percent of the revenues associated with those plans are based on prices discounted at least forty percent off of basic tariff rates.

Verizon conducts periodic reviews of customer accounts to determine whether customers are meeting their commitments under the Plans. These reviews are done annually, except for the reviews under the CDP, which are semi-annual.

Verizon's generally available Tariff Discount Plans include the Commitment Discount Plan (CDP), the National Discount Plan (NDP), the Term Volume Plan (TVP), the Eight and Ten-Year Volume Plan (ETTVP), the DS3 Term Volume Plan (DS3 TVP), the Facilities Management Service (FMS), and the Term Payment Plan (TPP).

<u>CDP (Tariff Nos. 1 and 11)</u>: For DS1s, customers can choose between two-year, three-year, five-year, and seven-year terms. For DS3s, under FCC Tariff No. 11, customers have the same choices, whereas under FCC Tariff No. 1, customers can choose a three-year term or a five-year term. Customers agree to maintain 90% of their initial quantity of DS1 and DS3 channel terminations with Verizon, and they receive a discount based on the length of the term commitment they choose to make. The longer the term commitment the customer makes, the larger the discount that they receive. The maximum commitment level for the CDP is 130% of the minimum commitment level, and in order to be eligible to subscribe to the CDP, a customer must purchase at least 336 DS0-equivalent channel terminations.

<u>NDP (Tariff Nos. 1, 11, 14, and 16)</u>: The NDP has a five-year term. Verizon offers customers three different types of NDPs: Standard, Premier, and Deluxe. With each offering there is a different channel termination and mileage commitment – 85% for Standard, 90% for Premier, and 92% for Deluxe. Customers that subscribe to either the Standard NDP or the Premier NDP receive discounts based on their overall amount of in-service channel terminations and mileage, which determines which discount tier within the Plan applies. The amount of the discount for each tier is larger in the Premier plan, because of the higher commitment level. For the Deluxe option, the available discounts do not vary by tier. The maximum commitment level for the NDP is 160% above the minimum commitment.

<u>TVP (Tariff No. 14)</u>: Customers can choose between one-year, two-year, three-year, and five-year terms for TVP (for DS1s). The TVP includes volume thresholds. Customers receive discounts on DS1 special access lines, based on the combination of the term and volume threshold they select. Customers that select longer terms and higher volume thresholds receive higher volume discounts. Customers can select any volume tier that is at or below their current in-service quantity at the start of their TVP. At the annual review, Verizon will increase the customer's commitment level as appropriate to match the customer's current in-service quantity.

DS3 TVP (Tariff No. 16): The DS3 TVP for Individual DS3 special access lines is available for three-year, five-year, and seven-year terms. The DS3 TVP includes volume thresholds. Customers receive discounts based on the combination of the term and volume thresholds they select. Customers that select longer terms and higher volume thresholds receive higher volume discounts. A customer can commit to an unlimited quantity of special access lines, with a minimum of at least 20 DS3s.

ETTVP (Tariff No. 14): Customers can choose either an eight-year or ten-year term. ETTVP includes volume thresholds. Customers' discounts are based on the combination of the term and volume thresholds they select. Customers that select longer terms and higher volume thresholds receive higher volume discounts. The initial commitment is set at 90% of a customer's in- service quantities of special access lines at the time the customer subscribes.

TPP (Tariff No. 16): Customers can choose either a one-year, three-year, or five-year term. Customers select the number of states to include in the plan, and they agree to keep a minimum number of DS1 channel terminations in service. Customers receive discounts based on these agreements, and the discounts increase with the longer term commitments.

FMS (Tariff Nos. 1 and 11): The grandfathered FMS plan has several term options, but all remaining customers have selected a five-year term. FMS is a term plan that provides discounts on rate elements based on the term selected. The channel termination also has additional discounts based on the volume of circuits at a Point of Presence (POP). When the customer subscribes to the FMS, it commits all special access circuits in service in a given LATA. The minimum subscription requirement in a LATA for FMS is an equivalent of 672 DS0s in at least one point of presence (POP) or collocation. There is no maximum commitment obligation. The commitment quantity obligation does not increase for the duration of the term. An annual true up is conducted, based on the number of circuits in service for the prior year. Customers must maintain ninety percent of the committed quantity throughout the term. Existing customers may remain on FMS through their current term and the one year extension under the terms of the grandfathering.

d. A description of penalties (such as shortfall provisions) and/or contract adjustments (such as a "Discount Tier Adjustment") that apply to customers who fail to achieve the discount contingency (or contingencies) described above and the business rationale for the penalties

Verizon's special access discount plans are entirely voluntary; do not restrict customers' ability to obtain high-capacity services from Verizon's competitors or through self-supply; and contain a wide range of provisions to meet the needs of many different types of special access purchasers. These Tariff Discount Plans, and the commitments customers make when they enter into them offer an advantage to both parties. They provide Verizon with a level of certainty regarding volumes, allowing Verizon to plan its network accordingly. Customers' commitments also help to lower Verizon's costs associated with marketing and customer acquisition, all of which allow Verizon to offer higher discount levels to customers.

Under each of the tariff discount plans, Verizon conducts reviews to determine whether customers have met the commitment levels to which they agreed when they subscribed to the offerings. Verizon conducts these reviews annually, except for the Commitment Discount Plan, which has semi-annual reviews. If, upon review, Verizon determines that a customer has not satisfied the agreed-upon commitment levels, shortfall charges may apply. For CDP, NDP, and FMS, these charges are designed so that customers will pay, after the shortfall charge is applied, approximately what they would have paid if they had satisfied their commitment. For TVP, ETTVP, DS3 TVP, and TPP, the shortfall charge may be less than what the customer otherwise would have paid.

For example, under the Commitment Discount Plan (CDP) in FCC Tariff Nos. 1 and 11, if Verizon's semi-annual review demonstrates that a customer has not met its commitment on average during the prior six months, Verizon applies a shortfall charge so that the customer pays, on average, what it would have paid had it satisfied the commitment. The CDP also has a maximum commitment level, set at 130% of the minimum commitment level. If a customer exceeds the maximum commitment level, the customer can choose to increase its commitment level to 90% of its new base or pay an overage charge. The overage charge covers the difference, on average, between the rates the customer actually paid and the month-to-month rates for the excess circuits.

Similarly, under the National Discount Plan (NDP) in Verizon's four FCC tariffs, a shortfall charge will apply if a customer falls below its commitment level, on average, over the prior twelve months. Also, the maximum commitment level is 160% of the minimum commitment level, and customers will pay an overage charge if they exceed that level. As with the CDP, the NDP overage charge covers the difference between the rates the customer paid and the month-to-month rates for the channel terminations and mileage that exceed the maximum commitment level. The NDP also includes volume discount tiers at the Standard and Premier levels. These tiers, set when a customer first subscribes, help determine the customer's discount percentage. If Verizon determines at the Annual Review that a customer should have been in a different discount tier, it will adjust the tier, and Verizon will issue a debit or a credit to account for the difference between what the customer received and what it should have received.

Under the Term Volume Plan (TVP) in FCC Tariff No. 14, if a customer is within 3% of its initial commitment, the customer is considered to have met the volume commitment for an annual review period. If the customer falls below that level, a shortfall charge applies. The shortfall charge is computed by multiplying by four the lowest TVP rate for the threshold/term combination in the states where the customer has service, which is applied to the quantity of the shortfall. Verizon then resets the customer's volume commitment to its current in-service quantity. Conversely, if the customer meets or exceeds the range for the commitment level, the customer can increase its commitment level to its current in-service base. Verizon also makes available an option for customers to begin a second TVP or to convert the excess capacity to month-to-month rates.

The DS3 TVP in FCC Tariff No.14 has a similar process. Verizon assesses a shortfall charge if a customer falls below its minimum volume commitment by more than 3%. In this case, the shortfall charge is equal to the rate for the service type that the customer predominantly purchases, multiplied by the shortfall quantity, multiplied by twelve months. And if a customer exceeds the minimum volume commitment by more than 30%, Verizon will increase the customer's commitment level by 50% of the overage. The customer then has the option to remove DS3s from the plan commitment after the annual review, by paying 20% of the monthly charges, based on the predominant service type, for the remaining months in the term.

The Eight and Ten-Year Term Volume Plan (ETTVP) in FCC Tariff No. 14 also includes a shortfall charge if a customer does not satisfy its commitment level. The charge is equal to the average monthly recurring charge per special access line in the plan, multiplied by the shortfall quantity, multiplied by six months. Verizon will adjust the commitment level to 90% of the existing in-service quantity of special access lines after the annual review, so long as the commitment remains above the initial level.

Under FCC Tariff No. 16's Term Payment Plan (TPP), a customer meets its obligation if it comes within 98% of its commitment. If below this level, the customer receives a shortfall charge. In the first year of the TPP, the shortfall charge is equal to the shortfall quantity multiplied by the full monthly charges for 4 months, plus the shortfall quantity multiplied by 10% of the monthly charges for the remainder of the plan. In later years, the shortfall charge is equal to the shortfall quantity multiplied by 10% of the monthly charges for the remainder of the plan. As with the DS3 TVP, the customer can pay a charge to remove circuits from the commitment. If a customer exceeds its commitment by more than 5%, the customer has the option either to increase its commitment level to their current in-service quantity or to convert the excess to month-to-month rates.

Finally, for Facilities Management Service in Tariffs Nos. 1 and 11, the customer must maintain an annual minimum of 90% of the initial commitment of DS0 equivalent service for the duration of the term plan. When the annual average number of services falls below the commitment level, the customer has two the following options. First, the customer can reduce the commitment level by paying early termination charges on the shortfall. The monthly charge for the discontinued portion of the service is equal to the shortfall amount multiplied by the customer's average DS0 rate based on the previous twelve months of billing. Alternatively, the customer can retain the original commitment level and pay twelve months of charges for the DS0 equivalent shortfall, using the customer's average DS0 rate based on the previous twelve months billing. If FMS Term Plans in multiple LATAs share a common expiration date and the same type of Primary Premises, then the associated commitment level will be aggregated to a single total, and the calculations will be based on the aggregated total.

<u>e.</u>	For discount contingencies based on a revenue or volume commitment, an explanation of how the customer's discount is affected if the customer increases the commitment, and how the discount is impacted if the customer decreases the commitment (e.g., whether the discounts increase as volumes increase) and the business rationale for these terms and conditions;

For two of Verizon's discount plans -- the Commitment Discount Plan in FCC Tariff Nos. 1 and 11 and the Term Payment Plan in FCC Tariff No. 16 – the discounts are based only on the length of the term the customer chooses and not on a revenue or volume commitment.

For the remainder of the plans, if the customer's volume commitment increases, the customer will receive a larger discount from Verizon. The discounts are designed generally to encourage customers to purchase more service from Verizon in an environment where customers have competitive choices available to them.

The Term Volume Plan, the Eight and Ten-Year Term Volume Plan, and the DS3 Term Volume Plan, all in FCC Tariff No. 14, are volume and term discount plans under which, if a customer's commitment level is increased to the point at which the customer is in a higher volume threshold, the customer's discount will increase. Similarly, for TVP and DS3 TVP, if a customer's commitment level is decreased to the point at which the customer is in a lower volume threshold, the customer's discount will decrease.

The National Discount Plan, in Verizon's four tariffs, includes Standard and Premier options, under which there are discount tiers. If a customer's discount tier changes during a plan year because of changes in a customer's average in-service quantities, the customer's discount percentage will either increase or decrease.

The only rate element associated with Facilities Management Service (FMS) in FCC Tariff Nos. 1 and 11 that is affected by changes in volume is the channel termination. If there is a greater volume of circuits in place at a POP, the rate for the channel termination per DS0 will be reduced.

f.	A description of the fees, penalties, and/or plan adjustments applicable to a customer who terminates the plan prior to its full term and the business rationale for these terms and conditions;

Verizon's special access discount plans are entirely voluntary; do not restrict customers' ability to obtain high-capacity services from Verizon's competitors or through self-supply; and contain a wide range of terms and conditions to meet the needs of many different types of special access purchasers. These Tariff Discount Plans, and the commitments customers make when they enter into them offer an advantage to both parties. They provide Verizon with a level of certainty regarding volumes, allowing Verizon to plan its network accordingly. Customers' commitments also help to lower Verizon's costs associated with marketing and customer acquisition, all of which allow Verizon to offer higher discount levels to customers, affording customers who know that they plan to have service for a long period of time to take advantage of the reduced pricing.

When a customer chooses to end a plan before satisfying its commitment, termination charges typically apply. In the case of Verizon's circuit-specific term plans (term-only commitments), Verizon calculates the termination charge so that the customer generally pays an amount equivalent to what it would have paid under the shorter term commitment it actually met. The customer therefore generally is no worse off. And for Verizon's non-circuit specific term and volume plans, if a customer terminates its plan before satisfying its commitment, the termination charge is also typically based on the time remaining in the plan.

For example, under the Commitment Discount Plan, early termination charges apply in one of two ways. Under the first option, the charge is equal to 50% of the remaining balance of the term commitment. Under the second option, the charge is equal to the difference between the rates a customer had been paying for the plan it subscribed to and the rates associated with the longest plan that it could have satisfied, multiplied by the number of months the customer was under the Plan. (For FCC Tariff No. 11, the time period for this option 2 is limited to only the previous twenty-four months.) Verizon applies the option that results in the lesser charge for the customer.

Under the National Discount Plan, the applicable termination charge declines each year. If a customer terminates its commitment in year 1, the charge is equal to 100% of the monthly charges remaining for year 1, and 50% of the charges remaining for each subsequent year. If a customer terminates in year 2, the charge is equal to 50% of the monthly charges for each plan year remaining. If a customer terminates in year 3, the charge is equal to 25% of the monthly charges for each plan year remaining. If a customer terminates in year 4, the charge is equal to 15% of the monthly charges for each plan year remaining. And, if a customer terminates in year 5, the charge is equal to 10% of the monthly charges remaining.
The Term Volume Plan has variable termination charges, depending on the length of the TVP to which the customer subscribed. For a one-year TVP, the charge is equal to 50% of the remaining monthly charges. For a two-year or three-year TVP, the charge is equal

to 50% of any remaining year one monthly charges and 5% of any remaining year two or year three monthly charges. For a five-year TVP, the charge is equal to 50% of any remaining year one monthly charges and 15% of any remaining monthly charges over the final four years of the commitment.

Under the Eight and Ten Year Term Volume Plan, the termination charge is equal to 100% of any remaining monthly charges for year one, and for 25% of any remaining monthly charges for the balance of the term.

Similarly, under the DS3 TVP, the termination charge when a customer terminates its Plan before the commitment term expires is equal to 100% of any remaining monthly charges for year one, and 15% of any remaining monthly charges for the balance of the term.

Under the Term Payment Plan, if a customer terminates its plan before the commitment term expires, FCC Tariff No. 16, Section 7.2.1(G)(10) authorizes termination charges.

And under the Facilities Management Service (FMS), generally, if a customer discontinues the plan before the end of the selected plan period (except as set forth for example in FCC Tariff No. 1 Section 7.2.13(E)), a termination charge will apply. If the customer discontinues the plan within the first year, the customer will be liable for 100% of the total monthly FMS charges for the unexpired portion of the initial twelve months, plus 20% of the total monthly charges for the remaining unexpired portion of the commitment plan period. If the customer discontinues the plan after the first twelve months of a plan period but before the end of the selected plan period, the termination charge is equal to 20% of the total monthly charges for the unexpired portion of the plan period.

g.	A description of your requirements or conditions for Changing Service Providers, such as any constraints on the number of circuits that can be changed on a daily, weekly or monthly basis, and how the customer is billed for circuits waiting to be changed.

As discussed in response to Data Request III.A, Verizon does not constrain the number of circuits that a customer can migrate to another service provider on either a daily, weekly, or monthly basis. As explained in that response, a customer typically initiates the process with Verizon by submitting an order to disconnect its existing service. Verizon does not have insight into the customer's plans or intentions with another carrier, or what the customer plans to do with the disconnected service.

In terms of billing, Verizon stops billing for a DS1 or DS3 circuit within two days of receiving a disconnect notice from its customer or on the disconnect due date (DDD), whichever is later (see exceptions for DS3 circuits under FCC1, Section 7.4.13(D)). See, as an example, FCC Tariff No. 1, Section 5.2.7. Verizon does not charge for a circuit disconnect.

6. *Terms and Conditions.* For each *Contract-Base*d Tariff in the LSAs listed in Attachment A of this Public Notice, provide by LSA:

Verizon's Response, B.6

Verizon's response to this request includes information for active contracts containing DS1, DS3, and other regulated services. Verizon's tariffs also include pricing flexibility contracts that have been expired for years; Verizon has not included information about those contracts in this response. All of Verizon's pricing flexibility contracts are publicly available at Verizon's Tariffs FCC No. 1, Section 21, FCC No. 11, Section 32, and FCC No. 14, Section 21.[3]

a. A statement describing whether the *LSA* is subject to *Phase I Pricing Flexibility* and/or *Phase II Pricing Flexibility*, and for what elements

This chart describes the pricing flexibility in LSAs in which Verizon operates as an ILEC:

Code	LSA	VZ Relief Channel Terminations[4]	VZ Relief Transport and Other[5]
27780	Johnstown PA MSA	Price Cap	Phase II
31100	Los Angeles-Long Beach-Santa Ana CA MSA	Price Cap	Phase II
35620	NY-Northern New Jersey-Long Island NY-NJ-PA MSA	Phase I	Phase II
38300	Pittsburgh PA MSA	Phase II	Phase II
41940	San Jose-Sunnyvale-Santa Clara CA MSA	Price Cap	Price Cap
47260	Virginia Beach-Norfolk-Newport News VA-NC MSA	Phase II	Phase II
47900	Washington-Arlington-Alexandria DC-VA-MD-WV MSA	Phase I	Phase II

3 *See* www.verizon.com/tariffs.

4 As defined by CFR 69.703(a)(2).

5 As defined by CFR 69.709(a).

b.	If applicable, a description of any of the *Contract-Based Tariff's* non-rate benefits, such as the ability to move services without penalty, that are based on term, volume, revenue or other commitment requirements

Verizon's Contract-Based Tariffs contain many non-rate benefits, as Verizon strives to accommodate particular customers' needs in particular arrangements. Some benefits are significant by themselves; others may be significant collectively even if not particularly significant (and therefore difficult to parse and enumerate) individually. Also, some benefits are implicit in the scope of the arrangement (for example, a Contract-Based Tariff may apply only to a certain geographic market that the customer requests, leaving the customer free to seek other offers in other markets, or a Contract-Based Tariff may tailor a term or volume commitment to the customer's particular business plans over several years). In the responses below, Verizon has undertaken to describe significant non-rate benefits of the Contract-Based Tariffs, the full terms of which are on file with the Commission.

1. <u>Contract Option 9 (FCC 11, Section 32.10)</u>: Customer may add additional circuits to the contract option at reduced rates until the twenty-fourth month of the service period, so long as the term commitment for all circuits ends at the end of the option period. This benefit provides the customer with flexibility in managing its circuit inventory, because the commitment for all circuits expires concurrently.

2. <u>Contract Option 12 (FCC 11, Section 32.13)</u>: Customer may disconnect and reconnect circuits without a penalty as long as it maintains its revenue commitment.

3. <u>Contract Option 49 (FCC 1, Section 21.50), Contract Option 50 (FCC 11, Section 32.51), and Contract Option 24 (FCC 14, Section 21.25):</u> Customer may aggregate DS1 and DS3 services for purposes of measuring the commitment. This allows increases in one tariff to offset decreases in the other related contract tariffs, as long as the combined purchases still meet the overall volume commitment.

4. <u>Contract Option 56 (FCC 1, Section 21.57), Contract Option 54 (FCC 11, Section 32.55), and Contract Option 28 (FCC 14, Section 21.29:</u> Same as No. 3 above.

5. <u>Contract Option 57 (FCC 1, Section 21.58), Contract Option 55 (FCC 11, Section 32.56), and Contract Option 29 (FCC 14, Section 21.30)</u>: Same as above.

6. <u>Contract Option 59 (FCC 1, Section 21.60), Contract Option 57 (FCC 11, Section 32.58), and Contract Option 31 (FCC 14, Section 21.32)</u>: Same as No. 3 above.

7. <u>Contract Option 60 (FCC 1, Section 21.61) and Contract Option 58 (FCC 11, Section 32.59)</u>: Customer may move revenues between the two tariffs as long as it maintains the total Minimum Annual Revenue Commitment (MARC).

8. Contract Option 61 (FCC 1, Section 21.62) and Contract Option 59 (FCC 11, Section 32.60): Customer may aggregate revenue for the subscribed services under the regions FCC1, Option 61, and FCC 11, Option 59, for purposes of meeting the revenue commitments. Further, after six months of subscribing to a circuit, the customer can disconnect and reconnect that circuit without a penalty as long as it maintains its revenue commitment.

9. Contract Option 62 (FCC 1, Section 21.63) and Contract Option 60 (FCC 11, Section 32.61): Same as No. 8 above.

c.	If applicable, a description of the contingency (or contingencies) on which the *Contract-Based Tariff's* discount is based (that is, requirement of a commitment of term, volume, revenue, a combination, or other) and the business rationale for the discount (include discussion of maximum as well as minimum purchase requirements)

The Contract-Based Tariffs contain arrangements that were voluntarily negotiated based on the needs and circumstances of Verizon's customers, who are sophisticated purchasers in the market for telecommunications services. Each of the Contract-Based Tariffs reflects the benefits and the accompanying obligations (such as term or volume commitments) that together form the mutually-beneficial bargain. In the responses below, Verizon has undertaken to describe the primary contingencies on which the Contract-Based Tariffs (the full terms of which are on file with the Commission) are based.

1. <u>Contract Option 3 (FCC 1, Section 21.4) and Contract Option 3 (FCC 11, Section 32.4)</u>: These contract options offer discounted rates for new installations of DS1 and DS3 connecting premises within NY-NJ Corridor for a three-year or five-year term period.

2. <u>Contract Option 4 (FCC 1, Section 21.5) and Contract Option 2 (FCC 14, Section 21.3)</u>: These contract options offer a discounted promotion on purchases of new DS1, DS3 and other services in selected MSAs for a specified period of time.

3. <u>Contract Option 9 (FCC 11, Section 32.10)</u>: This option requires the customer to be a current subscriber of one OC12 DSR Ring and one OC48 DSR Ring. Each of those rings must be configured with at least eight Nodes. Also, the customer must maintain, in the New York MSA, between 450 and 1,000 DS1 circuits and between four and twenty-five DS3 circuits during each year of the service period. The service period for DS1 and DS3 circuits may not exceed sixty months under this option.

4. <u>Contract Option 12 (FCC 11, Section 32.13)</u>: This contract option requires a minimum of 960 Advanced Uncompressed Digital Video Service channel terminations in the New York MSA, at least 600 of which are to be ordered during the sixty-day subscription period and the remaining 360 within 120 days of subscription. The contract option also requires a term period commitment of forty-eight months.

5. <u>Contract Option 49 (FCC 1, Section 21.50), Contract Option 50 (FCC 11, Section 32.51), and Contract Option 24 (FCC 14, Section 21.25)</u>: To be eligible for these options, the customer must be a commercial mobile radio service provider and have been billed a minimum of $155 million for the prior twelve-month period. In order to receive the billing credits associated with the contract filed in the three tariffs, the customer must concurrently subscribe to the National Discount Plan (NDP) and meet or exceed an Annual Revenue Commitment (ARC). Finally, the customer must commit to a term of

eight years and agree to certain groom limitations designed to minimize operational disruptions in consideration of the benefits the customer receives.

6. Contract Option 53 (FCC 1, Section 21.54): This option requires that the customer must have achieved $4 million in aggregate Verizon DS1 and DS3 monthly recurring revenues for a twelve-month period ending September 30th, 2008. The customer must concurrently subscribe to a Commitment Discount Plan (CDP) with a minimum five-year term period and be a Commercial Mobile Radio Service provider. The customer must meet a yearly DS1 and DS3 cumulative minimum circuit purchase commitment, retain a certain quantity of DS1 and DS3 circuits through the last three years of the plan, and meet an established Minimum Annual Revenue Commitment (MARC).

7. Contract Option 54 (FCC 1, Section 21.55) and Contract Option 52 (FCC 11, Section 32.53): These options require the customer to be a current subscriber of the DS1 circuits in the New York/New Jersey Corridor under Contract Option 9 in FCC 1 (Section 21.10) or Option 10 in FCC11 (Section 32.11). Also the customer must maintain a minimum of twelve DS1 corridor circuits and cannot exceed a maximum of 65 DS1 circuits during each year of the service period. The Service Period for DS1 circuits is 60 months under these contract options.

8. Contract Option 55 (FCC 1, Section 21.56) and Contract Option 53 (FCC 11, Section 32.54): To be eligible for these options the customer must be a provider of Commercial Mobile Radio Services in LATAs 126, 128, 130, 132, 220, 222, 224, 236, and 238. The customer must also have achieved a minimum of $77 million in billed revenues for the qualifying services in 2008. The customer must also commit at least 3,300 cell sites in LATAs 132 and 224 (FCC#1, Option 55 and FCC#11, Option 53 respectively).

9. Contract Option 56 (FCC 1, Section 21.57), Contract Option 54 (FCC 11, Section 32.55), and Contract Option 28 (FCC 14, Section 21.29): A customer must concurrently subscribe to FCC 1, Section 21.57, FCC 11, Section 32.55, and FCC 14, Section 21.29 in order to receive quarterly revenue credits for their purchases of DS1 and DS3 circuits. To be eligible for enrollment to these contract options, the customer must have been billed more than $650 million of qualifying services in 2008 and be enrolled in the Commitment Discount Plans (CDP) in FCC 1 and FCC 11, Section 25.1, and the Eight and Ten Year DS1 Term and Volume Plan (ETTVP) in FCC 14, Section 5.6.14. The customer must also maintain established DS1 and DS3 circuit volume levels to continue to receive the discounts.

10. Contract Option 57 (FCC 1, Section 21.58), Contract Option 55 (FCC 11, Section 32.56), and Contract Option 29 (FCC 14, Section 21.30): A customer must concurrently subscribe to FCC 1, Section 21.58, FCC 11, Section 32.56, and FCC 14, Section 21.30 in order to receive quarterly revenue credits on DS1 and DS3 purchases. To be eligible for enrollment to these Contract Tariffs the customer must by June 1st, 2009 (i) have between 25,000 and 60,000 billed DS1 units, (ii) have billing between 60,000 and 150,000 total transport miles, (iii) be subscribed to Special Access Facilities Management Services

(FMS), iv) and be enrolled in the Commitment Discount Plans (CDP) in FCC 1 and FCC 11, the DS1 Term Volume Plan (TVP) in FCC 14, and the DS1 Term Payment Plan (TPP) in FCC 16. The customer must maintain established DS1 and DS3 circuit volume levels to be eligible to receive the discounts.

11. Contract Option 59 (FCC 1, Section 21.60), Contract Option 57 (FCC 11, Section 32.58), and Contract Option 31 (FCC 14, Section 21.32): Subscription to any of these options automatically subscribes the customer to all three options. In order to subscribe to these options the customer must meet the following requirements:

- The customer must have reached a minimum of $74 million billed special access DS1 and DS3 revenues by Verizon and $15 million in DS1 and DS3 UNE/EEL revenues by Verizon for the twelve-month period ending October 1st, 2009.
- The customer must have been billed for a combined total of no less than 19,000 miles of DS1 and DS3 unbundled Inter Office Facilities (IOF) transport.
- The customer must meet a minimum Total Billed Revenue (TBR) targets for DS1 and DS3 qualifying services and specific transport services.
- The customer may get an additional discount if it converts 75% of its DS1and DS3 UNEs/EELs to special access and agrees not to purchase additional DS1 and DS3 UNEs during the term of the option.
- Customer must commit to a five-year service period.

12. Contract Option 60 (FCC 1, Section 21.61) and Contract Option 58 (FCC 11, Section 32.59): These options require the customer to subscribe to all three tariff options. In order to subscribe to this contract tariff option the customer must meet a Minimum Annual Revenue Commitment (MARC) of qualifying services in eligible LATAs. To be eligible for this option the customer must have 95% of its 2008 special access spend from Verizon within Verizon's FCC 1 and FCC 11 tariffs and have been billed more than $35 million for all qualifying services in 2008. Lastly, the customer must commit to a five-year service period. The customer may also receive additional bonus discounts under the contract option if it refrains from purchasing DS1 unbundled network elements and commits to limit certain types of grooms during the service period.

13. Contract Option 61 (FCC 1, Section 21.62) and Contract Option 59 (FCC 11, Section 32.60): These options require the customer to commit to one of several levels of aggregate revenue spend. The options also require a term commitment of thirty-six months.

14. Contract Option 62 (FCC 1, Section 21.63) and Contract Option 60 (FCC 11, Section 32.61): These options require the customer to commit to one of several levels of aggregate revenue spend. The options also require a term commitment of thirty-six months.

d.	A description of the Contract-Based Tariff's provisions for Changing Service Providers, such as whether any constraints on the number of circuits that can be changed on a daily, weekly, or monthly basis exist, and whether the customer must continue to pay for circuits that are waiting to be changed (and if so what the rate for those circuits would be).

Verizon does not constrain the number of circuits that a customer can switch to another provider on a daily, weekly, or monthly basis. As described elsewhere in this response, a customer initiates this process by submitting an order to disconnect service. The disconnect order determines the disconnection date, which determines the last day for which Verizon will bill the customer for service. Also, as Verizon describes in response to Request A, if the customer requests that Verizon assist customer moves by grooming circuits, the amount of circuits that can be groomed in a particular time period is ordinarily negotiated between Verizon and the customer.

7. *Terms and Conditions.* For each *Contract-Based Tariff* in the *LSAs* listed in Attachment A of this Public Notice, provide by *LSA*

Verizon's Response, B.7

Verizon's response to this request includes information for active contracts containing DS1 or DS3 services under which customers are currently receiving benefits. Verizon's tariffs also include pricing flexibility contracts that have been expired for years, and Verizon has not included that information in this response.

a.	A statement, if applicable, describing whether the customer's *DS1* and/or *DS3* purchases in areas not subject to either *Phase I Pricing Flexibility* or *Phase II Pricing Flexibility* count towards any discount contingencies in the *Contract-Based Tariff*, and if so identify which of the non-*Phase I/Phase II Pricing Flexibility* areas count and the associated *Tariff* and section numbers

<u>Contract Option 3 (FCC 1, Section 21.4) and Contract Option 3 (FCC 11, Section 32.4)</u>: The customer's DS1 and DS3 purchases in areas not subject to pricing flexibility do not count towards the customer's commitment levels.

<u>Contract Option 4 (FCC 1, Section 21.5) and Contract Option 2 (FCC 14, Section 21.3)</u>: The customer's DS1 and DS3 purchases in areas not subject to pricing flexibility do not count towards the customer's commitment levels, except for end user channel terminations purchased in the Los Angeles MSA.

<u>Contract Option 9 (FCC 11, Section 32.10)</u>: The customer's DS1 and DS3 purchases in areas not subject to pricing flexibility do not count towards the customer's commitment levels.

<u>Contract Option 49 (FCC 1, Section 21.50), Contract Option 50 (FCC 11, Section 32.51), and Contract Option 24 (FCC 14, Section 21.25)</u>: Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.

<u>Contract Option 53 (FCC 1, Section 21.54</u> Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.

<u>Contract Option 54 (FCC 1, Section 21.55) and Contract Option 52 (FCC 11, Section 32.53)</u>: The customer's DS1 and DS3 purchases in areas not subject to pricing flexibility do not count towards the customer's commitment levels.

<u>Contract Option 55 (FCC 1, Section 21.56) and Contract Option 53 (FCC 11, Section 32.54)</u>: Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.

Contract Option 56 (FCC Tariff No. 1 (FCC 1), Section 21.57), Contract Option 54 (FCC Tariff No. 11 (FCC 11), Section 32.55), and Contract Option 28 (FCC Tariff No. 14 (FCC 14), Section 21.29): Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.

Contract Option 57 (FCC 1, Section 21.58), Contract Option 55 (FCC 11, Section 32.56), and Contract Option 29 (FCC 14, Section 21.30): Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.

Contract Option 59 (FCC 1, Section 21.60), Contract Option 57 (FCC 11, Section 32.58), and Contract Option 31 (FCC 14, Section 21.32): Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.

Contract Option 60 (FCC 1, Section 21.61) and Contract Option 58 (FCC 11, Section 32.59): Yes, the customer's DS1 and DS3 purchases in areas not subject to pricing flexibility count towards the customer's commitment levels.
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b.	A statement, if applicable, describing whether the customer's *DS1* and/or *DS3* purchases in the *Contract-Based Tariff* count towards any discount contingencies in another area (either another *MSA*, or *Non-MSA*) subject to a *Tariff Discount Plan*, and if so, identify the other areas and the associated *Tariff* and section numbers(s)

Contract Option 4 (FCC 1, Section 21.5) and Contract Option 2 (FCC 14, Section 21.3): Circuits under these contract options do not count toward discounts offered by Verizon Tariff Discount Plans.

Contract Option 9 (FCC 11, Section 32.10): Circuits purchased under this option could count toward commitments under a Tariff Discount Plan generally available under FCC Tariff No. 11.

Contract Option 49 (FCC 1, Section 21.50), Contract Option 50 (FCC 11, Section 32.51), and Contract Option 24 (FCC 14, Section 21.25): DS1 and DS3 circuits purchased under these options count toward discounts under the National Discount Plan (NDP). See FCC 1, Section 25.3, FCC 11, Section 25.2, and FCC 14, Section 23.1.

Contract Option 53 (FCC 1, Section 21.54): The DS1 and DS3 purchases under these contract options count toward meeting the CDP requirements (FCC 1 and FCC 11, Section 25.1).

Contract Option 54 (FCC 1, Section 21.55) and Contract Option 52 (FCC 11, Section 32.53): Circuits purchased under these options could count toward benefits offered by Verizon under a Tariff Discount Plan generally available under Verizon's Tariffs.

Contract Option 55 (FCC 1, Section 21.56) and Contract Option 53 (FCC 11, Section 32.54): DS1 circuits purchased under these options cannot be applied to any other available discount plans.

Contract Option 56 (FCC Tariff No. 1 (FCC 1), Section 21.57), Contract Option 54 (FCC Tariff No. 11 (FCC 11), Section 32.55), and Contract Option 28 (FCC Tariff No. 14 (FCC 14), Section 21.29): The DS1 and DS3 purchases under these contract options count toward discounts under Verizon's CDP in FCC 1 and FCC 11, Section 25.1 and ETTVP in FCC 14 Section 5.6.14.

Contract Option 57 (FCC 1, Section 21.58), Contract Option 55 (FCC 11, Section 32.56), and Contract Option 29 (FCC 14, Section 21.30): The DS1 and DS3 purchases under these contract options count toward discounts under Verizon's FMS in FCC 1, Section 7.2.13, the CDP in FCC 1 and FCC 11, Section 25.1 and TVP in FCC 14 Section 5.6.14, and TPP in FCC 16, Section 7.2.1(G).

Contract Option 59 (FCC 1, Section 21.60), Contract Option 57 (FCC 11, Section 32.58), and Contract Option 31 (FCC 14, Section 21.32): The DS1 and DS3 purchases under these contract options count toward discounts under any of Verizon's Tariff Discount Plans under FCC Tariff Nos. 1, 11, and 14.

Contract Option 60 (FCC 1, Section 21.61) and Contract Option 58 (FCC 11, Section 32.59): The DS1 and DS3 purchases under these contract options may count toward discounts offered Verizon's CDP, NDP, SDP or TPP.

c.	A statement, if applicable, describing whether the customer's *DS1* and/or *DS3* purchases in the *Contract-Based Tariff* count towards any discount contingencies in areas outside of the *LSA* that are subject to *Phase I* and/or *Phase II Pricing Flexibility*, and if so, identify the areas at issue outside the *LSA* (e.g., *MSA* or *Non-*MSA) and the associated *Contract-Based Tariff* number and section numbers

Contract Option 4 (FCC 1, Section 21.5) and Contract Option 2 (FCC 14, Section 21.3): The DS1 and DS3 purchases under these contract options may apply toward discounts under other contracts options that rely on a minimum billed revenue commitment (for example, Contract Option 60in FCC Tariff No. 1).

Contract Option 9 (FCC 11, Section 32.10): Circuits purchased under this contract option could count toward a discount by another contract option offered in another MSA by Verizon.

Contract Option 49 (FCC 1, Section 21.50), Contract Option 50 (FCC 11, Section 32.51), and Contract Option 24 (FCC 14, Section 21.25): The DS1 and DS3 services purchased in any of the MSAs in Verizon's respective tariff regions are combined to determine the Annual Revenue Commitment (ARC) level of credit earned. These three Tariffs cover the entire Verizon footprint, offering the customer a plan with a national scope. The DS1 and DS3 circuits purchased in any of these three Tariffs will contribute directly toward the overall discount the customer receives. Notwithstanding, DS1 and DS3 circuits purchased under these contract options do not count toward discounts offered by other pricing flexibility options.

Contract Option 53 (FCC 1, Section 21.54): DS1 and DS3 circuits purchased under this contract option do not count toward discounts offered by other pricing flexibility options.

Contract Option 54 (FCC 1, Section 21.55) and Contract Option 52 (FCC 11, Section 32.53): Circuits purchased under these contract options could count toward a discount by another contract option offered in another MSA by Verizon.

Contract Option 55 (FCC 1, Section 21.56) and Contract Option 53 (FCC 11, Section 32.54): The combined cell site count from these contract options contributes toward the 3,300 commitment contingency. The quantity of cell sites purchased in any of the MSAs in one of these Tariffs will directly contribute toward meeting the overall commitment and the discount or credit the customer receives. Notwithstanding, DS1 and DS3 circuits purchased under these contract options do not count toward discounts offered by other pricing flexibility options.

Contract Option 56 (FCC 1, Section 21.57), Contract Option 54 (FCC 11, Section 32.55), and Contract Option 28 (FCC 14, Section 21.29): These options require the customer to concurrently enroll in all three contract tariffs, which are directly linked together. The DS1 and DS3 services purchased under all three contract tariffs are combined to determine the discount credit level. These three Tariffs create a blanketing effect which covers the entire Verizon footprint and creates a plan with a national scope. DS1 and

DS3 services purchased in any of these three Tariffs directly contribute toward the discount level in the other two tariffs. Notwithstanding, DS1 and DS3 circuits purchased under these contract options do not count toward discounts offered by other pricing flexibility options.

Contract Option 57 (FCC 1, Section 21.58), Contract Option 55 (FCC 11, Section 32.56), and Contract Option 29 (FCC 14, Section 21.30): These options require the customer to concurrently enroll in all three contract tariffs, which are directly linked together. The DS1 and DS3 services purchased under all three contract tariffs are combined to determine the discount credit level. These three Tariffs cover the entire Verizon footprint and create a plan with a national scope. DS1 and DS3 services purchased in any of these three Tariffs directly contribute toward the discount level in the other two tariffs. Notwithstanding, DS1 and DS3 circuits purchased under these contract options do not count toward discounts offered by other pricing flexibility options.

Contract Option 59 (FCC 1, Section 21.60), Contract Option 57 (FCC 11, Section 32.58), and Contract Option 31 (FCC 14, Section 21.32): These options require the customer to be enrolled in all three contract tariffs concurrently and are directly linked together. The DS1 and DS3 services purchased under all three tariffs are combined to determine the final overall annual credit level. These options offer the customer a pricing flexibility contract with a national scope. Thus, the DS1 and DS3 circuits purchased in any of the MSAs in the three tariffs regions will contribute directly toward the overall discount the customer receives. Notwithstanding, DS1 and DS3 purchases under these options may count toward other contract options already in effect or new contract options that permit including the purchases.

Contract Option 60 (FCC 1, Section 21.61) and Contract Option 58 (FCC 11, Section 32.59): Subscription to one of these options automatically subscribes the customer to both. The MARC is measured by combining DS1 and DS3 revenues in the MSAs under the eligible LATAs from both Tariffs to determine the amount of credit or discount will be rendered. Notwithstanding, DS1 and DS3 circuits purchased under these contract options do not count toward discounts offered by other pricing flexibility options.

d.	A statement, if applicable, describing whether the customer's *DS1* and/or *DS3* purchases in the *LSA* subject to the *Contract-Based Tariff* do <u>not</u> apply toward discounts in any other areas (e.g., another *MSA or Non-MSA*) – whether in a *Tariff Discount Plan* or *Contract-Based Tariff*

With the exceptions noted above, the DS1 and DS3 purchases under the contracts options listed above do not apply toward discounts under other tariff discount plans or other contract options.

8. *Terms and Conditions.* By *LSA*, provide the customer information requested below.

Verizon's responses to this request cover January 1 through December 31, 2010.

a.	The number of customers subscribing to each *Tariff Discount Plan* listed in Question III.B.4

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b.	The number of customers that failed to meet any volume and/or revenue commitments (either by falling below minimum requirements or exceeding maximum allowable volumes) required to retain a discount they originally agreed to when entering into the *Tariff Discount Plan*

[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] failed to meet volume or revenue commitments.

c.	The number of customers that failed to meet commitments other than volume or revenue required to retain a discount they originally agreed to when entering into the *Tariff Discount Plan*

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d.	The number of customers subscribing to each *Contract-Based Tariff* available in the *LSA*, if applicable

[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL], of which **[BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]** subscribe to DS1 or DS3 related contracts. The number of retail customers who subscribe to pricing flexibility contracts by LSA is not readily available in Verizon's systems.

e.	The number of customers that failed to meet any volume and/or revenue commitments (either by falling below minimum requirements or exceeding maximum allowable volumes) required to retain a discount they originally agreed to when entering into the *Contract-Based Tariff*

[BEGIN HIGHLY CONFIDENTIAL] **[END HIGHLY CONFIDENTIAL]** failed to meet any volume and/or revenue commitments.

f.	The number of customers that failed to meet any commitments, other than volume or revenue, required to retain a discount they originally agreed to when entering into the *Contract-Based Tariff*

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9. *Terms and Conditions.* What are the steps involved in *Changing Service Providers*, if a customer elects to do so? Other than provisions in *Contract-Based Tariffs* addressing a customer's ability to *Change Service Providers*, are there any legal and/or operational constraints on how many circuits can be changed per day, per week, per month? Within what geographic region are those constraints applicable? Are all changes subject to the same constraints? Where are your *Changing Service Providers* policies recorded, and how are they communicated to customers?

Verizon's Response,B.9

Please see Verizon's response to Data Request B.4.

Verizon's disconnect policies are recorded in Verizon's tariffs:

FCC 1 Section 5.2.7
FCC 11 Section 5.2.8
FCC 14 Section 3.2.2 (C); and
FCC 16 Section 5.3.3 (B).

10. *Terms and Conditions.* For each *Tariff Discount Plan* based on revenue or volume commitments, explain how your company determines the initial commitment level at the beginning of a *Tariff Discount Plan* and whether that initial commitment level can be reset to a lower level once the *Tariff Discount Plan* expires.

<u>Verizon's Response,B.10</u>

For the Commitment Discount Plan, in both FCC Tariff No. 1 and No. 11, the initial commitment is set at 90% of customer's in-service quantity of circuits for CDP-eligible services. There is a separate commitment level for DS1s and a separate commitment level for DS3s. The quantities are based on billing records for the current month of data. When the CDP expires, the customer can reset its commitment level to a lower level and start a new term. The customer can also do this by selecting the Renewal Option under the CDP, which allows a customer who has completed a full five or seven year term to renew for another term of equal or greater length with the right to terminate the plan up to two years early without a termination liability.

For the National Discount Plan in FCC Tariff Nos. 1, 11, 14, and 16, the initial commitment is set at 85%, 90% or 92% of a customer's in-service quantity of circuits and mileage for NDP-eligible services, depending upon whether the customer selects the Standard, Premier or Deluxe option. DS1s and DS3s are combined into a single commitment level and expressed as DS1 equivalents. The quantities are based on billing records for a current month of data. When the NDP expires, the customer can reset their commitment level to a lower level and start a new term.

For the Term Volume Plan in FCC Tariff No. 14, the customer can select any quantity it chooses for an initial commitment level. The discount the customer receives is based upon the commitment level it chooses. When the plan expires, the customer can once again select any quantity it would like for an initial commitment.

For the Eight and Ten Year Term Volume Plans in FCC Tariff No. 14, the initial commitment is set at 90% of a customer's in-service quantity of DS1 special access lines. The quantities are based on billing records for the current month of data. When the ETTVP expires, the customer can reset its commitment level to a lower level and start a new term.

For the DS3 TVP in FCC Tariff No. 14, the initial commitment is set at whatever quantity of DS3s the customer chooses, as long as it is twenty DS3s or greater. The discount the customer receives is based upon the customer's chosen commitment level. When the plan expires, the customer can once again select any quantity, of 20 DS3s or greater, that it chooses for an initial commitment.

For the Term Payment Plan in FCC Tariff No. 16, the initial commitment for TPP is based upon the number of states a customer selects to include in the plan. The minimum number of DS1 circuits ranges from twenty-five to 125. When the plan expires, the customer can begin a new plan and establish new commitment levels based on the number of states included in the plan at that time.

For Facilities Management Service (FMS), the initial commitment level is determined by the number of point-to-point DS3, DS1, and DS0 circuits in place. Because FMS has been grandfathered, there is no longer an option to renew the plan.

11. *Terms and Conditions.* For each *LSA*, state the number of *DS1*s, and separately, the number of *DS3*s, that are purchased under a *Tariff Discount Plan* that has a five-year or longer time commitment.

Verizon's Response, B.11

Annual Channel Terminations with Term Commitment of Five Years or Longer - By LSA

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C. CLEC Providers. We request that members of the public that are competitive local exchange carrier (CLEC) or out-of-region ILEC providers of *DS1*, *DS3* or *PSDS* services respond to the following questions

<u>Methodology</u>. As noted above, Verizon retrieved data from multiple business systems to identify and coordinate responsive data to the *Competition Data Request*. In some instances, data did not exist or could not be consolidated without highly burdensome efforts and/or the risk of introducing substantial error.

In response to the requests in Part C, Verizon submits its CLEC and interexchange carrier (IXC) revenue billed outside its ILEC territory, including sales for DS1 and DS3 revenue, but excluding interLATA long-haul revenue. Because Verizon's billing systems do not maintain information on the type of discount plan or the level of discount associated with billed revenue, aggregating by discount plan or discount level is highly burdensome and would likely introduce errors. As such, Verizon submits data in the aggregated total.

Verizon submits its total billed PSDS revenue outside its ILEC territory. Bandwidth speed is not readily available in the requested format.

> 1. CLEC *Sales.* Describe how your firm structures sales of *DS1*and *DS3* products to its customers.
>
> 2. *CLEC Pricing.* Provide a general description of your pricing structure. For example, how do you price the *DS1* and *DS3* products to your customers? Do you offer reduced prices based on high volume or revenue commitments? If so, please describe those agreements and explain why they were structured in that way.
>
> 3. *CLEC Discounts.* Describe whether you have sold *DS1* or *DS3* products to customers at higher rates, but offered certain non-rate benefits, such as an ability to move circuits within a region. Have any of those sales been contingent on meeting certain revenue or volume commitments? If so, please describe those agreements and explain why they were structured in that way.

<u>Verizon's Response</u>

Verizon responds to Data Requests C.1(a)–(c), C.2, and C.3 with this combined response.

Verizon's non-ILEC affiliates sell DS1 and DS3 services outside of Verizon's ILEC territory. Verizon's non-ILEC affiliates sell out-of-region interstate DS1 and DS3 services through contracts.

The contracts through which Verizon's CLEC sells its DS1 and DS3 services ordinarily include term or volume based discounts. In most cases, the volume-based discounts are based upon the customer's commitment to spend a certain amount with Verizon, rather than on the number of circuits in service. These spending commitments can include PSDS, long distance, and other voice services, in addition to DS1 and DS3 services. Verizon also offers "achievement credits," through which it offers customers additional discounts or credits when they exceed their spending commitments. Verizon does offer month-to-month standard pricing, but most of Verizon's out-of-region customers contract for discounted rates.

In order to compete for customers in the dedicated high capacity marketplace, Verizon makes may efforts to ensure that its customers meet the spending levels to which they commit. For example, Verizon typically offers its customers the flexibility to add or subtract volumes of different services, so long as customers maintain the overall dollar spend level to which they committed. Verizon also usually enables customers to negotiate and amend their contracts to substitute other services, in order to maintain their overall spend commitment. And Verizon's customers can shift spending between services as long as they meet the overall commitment. This not only allows customers to move circuits between regions, but also to upgrade services from DS1 and DS3 to other services, like Ethernet or MPLS.

Verizon's CLEC DS1 and DS3 pricing is based on region, and it varies depending on whether Verizon provisions the service on its own network or over circuits leased from other providers. Within a LATA, Verizon typically prices its DS1 and DS3 services on a flat-rated, monthly recurring basis. Verizon also charges a non-recurring charge. Verizon's pricing is publicly available on its website, through its online service guide, at http://www.verizonbusiness.com/external/service_guide/reg/cp_access_mpls_metro_private_line_service.htm.

4. *CLEC Revenues for DS1s/DS3s.* For the categories listed, please provide the information requested below, on a national basis.

<u>Verizon's Response, C.4(a)-(c)</u>

Please see attached Highly Confidential Exhibit 1.

5. *CLEC Revenues for PSDS.* Provide the following information, on a national basis for sales of *PSDS*.

Verizon's Response, C.5(a)-(b)

Please see attached Highly Confidential Exhibit 1.

D. All Purchasers. We request that members of the public that are purchasers of *DS1, DS3*, or *PSDS* services respond to the following questions.

1. *Prices.* For DS1s and DS3s sold as unbundled network elements (UNEs) and as non-UNEs, as well as all *PSDS*, submit the following information by rate element by circuit billed in each *LSA* for each month from January 1, 2008 through December 31, 2010.

2. *Prices.* For each adjustment or true-up (including credits for meeting or penalties for not meeting contractual obligations) to billed DS1 or DS3 rate elements purchased in each *LSA*, provide the following information below.

3. *Circuits Purchased*. State how many *DS1* and/or *DS3* circuits your firm has purchased from ILECs, if applicable, in accordance with the categories below.

4. *Expenditures.* If applicable, submit responses to the information requested below on expenditures on ILEC *DS1* and/or *DS3* services, on a national basis.

5. *Terms and Conditions.* Explain what impact, if any, terms and conditions in *Tariffs* and/or *Contract-Based Tariffs* for *DS1* and/or *DS3* services have had on your ability to: a. Decrease your purchases from your current providers; b. Purchase services from alternative providers currently operating in the geographic areas in which you purchase services; Purchase alternative services, such as Ethernet services, from your current provider of *DS1* and/or *DS3* services or from alternative providers operating in the geographic areas in which you purchase *DS1* and/or *DS3* services; d. Contract with firms that are considering entering the geographic areas in which you purchase *DS1* and/or *DS3* services.

6. *Terms and Conditions.* Describe any circumstances in which you have purchased circuits for *DS1* and/or *DS3* services, solely for the purpose of meeting volume or revenue commitments required for a discount from your vendor of *DS1* and/or *DS3* services, that you have not used.

7. *Terms and Conditions.* Describe, if applicable, any previous attempts to *Change Service Providers* or discussions relating to *Changing Service Providers*. What were the steps involved in having your service changed? Other than provisions in *Tariffs* or *Contract-Based Tariffs* addressing a customer's ability to *Change Service Providers*, did the vendor impose any constraints on how many circuits could be changed per day, per week, per month? Within what geographic region were those constraints applicable? Were all changes subject to the same constraints? If not, explain. How were these logistical constraints for changes communicated to your company? How did you overcome the logistical constraints if you were able to do so?

8. *Terms and Conditions.* Explain how, if at all, sales for *DS1* and *DS3* services in markets subject to *Phase I* or *Phase II Pricing Flexibility* may be effectively conditioned on sales in price cap markets, or vice versa. Provide in your explanation at least one specific example which, at a minimum, states: (a) the geographic area(s) impacted (e.g., *MSA* or *Non-MSA)*; (b) the provider potentially conditioning sales between areas; (c) the

special access service(s) at issue; (d) a description of the conditional requirement(s); and (e) if applicable, the number and section of the *Tariff(s)* or *Contract-Based Tariff(s)* at issue.

9. *Terms and Conditions.* In *LSA*s in which you ceased buying *DS1* and/or *DS3* services from one vendor and, instead, purchased comparable *DS1* and/or *DS3* services from a competing provider, state the number of times within the past 5 years you have done so, the name(s) of the provider(s) from whom you switched, the name(s) of the competing provider(s) to whom you switched, and the percentage of *DS1* and/or *DS3* circuits within the *LSA* that you switched to the competing provider. Within the same 5-year period, state the number of times your procurement division considered switching from its provider of *DS1* and/or *DS3* services to a competing provider, but decided not to do so, and explain why if those reasons are related to terms and conditions.

10. *Terms and Conditions.* Explain the circumstances under which you have paid *One Month Term Only Rates* for *DS1* and/or *DS3* services and the impact, if any, it had on your business. If you have never paid *One Month Term Only Rates* for *DS1* and/or *DS3* services, explain what impact, if any, paying such rates would likely have on your business.

<u>Verizon's Response, D.1-10</u>

Verizon purchases high capacity service from more than 800 providers, including ILECs, CLECs, utilities and cable providers. Examples include:

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Outside of its ILEC territory, Verizon often leases dedicated high-capacity facilities from other providers to supplement its own network. The marketplace for these facilities is dynamic and competitive, and Verizon purchases dedicated high capacity from a large number of vendors and from different types of suppliers such as ILECs, CLECs, and cable providers. Verizon generally bases its purchase decision in this competitive environment on the overall price and quality of the available offers.

Although Verizon occasionally purchases special access on a month-to-month basis, it typically subscribes to discount plans that have either term or term and volume commitments. In exchange for the certainty regarding volumes and other benefits that these commitments provide to our suppliers, those suppliers are able to offer Verizon reduced pricing on DS1 and DS3 special access services. Furthermore, discount plans with national scope, or at least with a wide geographic scope, allow Verizon to maximize its ability to port circuits between locations, and simplifies operational logistics by minimizing the number of vendors with which Verizon interacts.

Verizon also negotiates pricing flexibility contracts with ILECs in eligible regions, which ordinarily cover the ILEC's national footprint. These contracts are typically term and volume-based, and they provide Verizon additional discounts on its special access purchases.

Other providers have offered plans with differing scope and requirements. These plans are often individually negotiated between parties and may include variations in length, terms, and applicable conditions. Some plans include static terms; others may incorporate changes over time, including at least one suggested plan Verizon received (that, for other reasons, it did not accept), which would present increasing discounts commensurate with increasing levels of commitment.

While Verizon generally commits to a term or a certain level of volume in order to receive discounted pricing under these tariff and contract-based tariff plans, the terms and conditions of these plans generally do not prohibit Verizon from purchasing dedicated high capacity from other providers. The discounts are based on what Verizon commits to purchase from the particular provider, under the relevant plan.

Because Verizon plans for future network growth, migration, and upgrades when it negotiates contracts with its vendors, Verizon is able to upgrade circuits and switch service to competitors when it chooses to while minimizing the effect of any potential termination or shortfall penalties.

Some of the discount plans to which Verizon subscribes allow Verizon to upgrade from DS1 and DS3 special access services to PSDS services like Ethernet. Verizon is particularly interested in deploying and purchasing these PSDS services, which are available from an array of ILEC and competitive providers. Verizon is currently in discussions with several providers, including several CLECs, to purchase Ethernet service over the next twelve months.

Verizon does not purchase DS1 or DS3 services for the sole purpose of meeting volume or revenue commitments.

In some cases, Verizon purchases DS1 and DS3 service under national tariff discount plans or pricing flexibility contracts. These national plans and pricing flexibility contracts may encompass purchases in areas subject to either pricing flexibility or price cap regulation.

In the vast majority of cases, Verizon purchases DS1 and DS3 services under tariff plans or contract-based tariffs that involve discounted rates in exchange for term or volume commitments. When Verizon has only a very short-term need for certain circuits, Verizon will purchase services on a month-to-month basis. This can occur when Verizon is uncertain how long it will need the service, for example, or if Verizon's customer has not finalized and committed to the volume of circuits it will need, or how long it will need them. Verizon may decide to purchase on a month-to-month basis if a discount plan expires and Verizon needs additional time to determine the best long-term course for its special access needs.

11. *Terms and Conditions.* By *LSA*, provide the following information about each *Contract-Based Tariff* through which you buy *DS1* and *DS3* services.

<u>Verizon's Response, D.11</u>

Verizon responds to this request with information concerning its main pricing flexibility contracts that affect DS1 and DS3 purchases.

a.	A description of the contingency (or contingencies) on which the *Contract-Based Tariff's* discount, if any, is based (that is, requirements for a commitment of term, volume, revenue, combination, or other)

<u>Contract Option A</u>: **[BEGIN HIGHLY CONFIDENTIAL]**

[END HIGHLY CONFIDENTIAL].

<u>Contract Option B</u>: **[BEGIN HIGHLY CONFIDENTIAL]**

[END HIGHLY CONFIDENTIAL].

<u>Contract Option C</u>: **[BEGIN HIGHLY CONFIDENTIAL]**

[END HIGHLY CONFIDENTIAL].

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Contract Option D: **[BEGIN HIGHLY CONFIDENTIAL]**

[END HIGHLY CONFIDENTIAL].

b.	A description of whether the customer's *DS1* and/or *DS3* purchases in areas not subject to either *Phase I* or *Phase II Pricing Flexibility* count towards any discount contingencies in the *Contract-Based Tariff*, and if so identify which of the *non-Phase I/Phase II Pricing Flexibility* areas (e.g. *MSAs* or *Non-MSAs*) count and their associated *Tariff* and section numbers

Purchases in areas not subject to pricing flexibility regulation count towards discounts under Contract Options A, B, C, and D, described in Verizon's response to Data Request D.11(a).

c.	A description of whether the customer's *DS1* and/or *DS3* purchases in the *Contract-Based Tariff* count towards any discount contingencies in other areas (e.g., other *MSAs* or *Non-MSAs*) that are subject to *Tariff Discount Plans*, and if so, identify the other areas and the associated *Tariff* and section numbers(s) of those *Tariff Discount Plans.*

Purchases of DS1 and DS3 circuits that apply toward discounts under Contract Options A, B, C, and D, described in Verizon's response to Data Request D.11.a, also apply toward discounts under at least one Tariff Discount Plan offered by the ILECs.

d.	A description of whether the customer's *DS1* and/or *DS3* purchases in the *Contract-Based Tariff* count towards any discount contingencies in other areas (e.g., other *MSAs* or *Non- MSAs*) subject to *Phase I* or *Phase II Pricing Flexibility*, and if so, identify the other areas at issue and their associated *Contract-Based Tariff* and section numbers.

<u>Contract Option A</u>: Purchases of DS1 and DS3 circuits that count toward discounts under this option do not count toward discounts under other contract options.

<u>Contract Option B</u>: Purchases under this contract option do not count toward discounts under other contract options, except for those other related substantively equivalent contract tariffs.

<u>Contract Option C</u>: Purchases under this contract option do not count toward discounts under other contract options, except for those other related substantively equivalent contract tariffs.

<u>Contract Option D</u>: Purchases under this contract option do not count toward discounts under other contract options, except for those other related substantively equivalent contract tariffs.

e. A description of whether the customer's *DS1* and/or *DS3* purchases in the *LSA* do not apply toward other discounts in any other areas – whether in a *Tariff Discount Plan* or *Contract-Based Tariff*.

Contract Option A: Purchases under this contract option do count toward discounts under other Tariff Discount Plans (see contingencies above).

Contract Option B: Purchases under this option do count toward discounts under other plans.

Contract Option C: Purchases under these options do apply toward other discount plans, as explained above.

Contract Option D: Purchases under these options do apply toward other discount plans, as explained above.

12. *Terms and Conditions.* If your company did *Change Service Providers*, or entered into discussions related to doing so, identify and describe the relevant *Tariff* and/or *Contract-Based Tariff* and section numbers discussing policies for *Changing Service Providers*. Include in your description whether the *Tariff* or *Contract-Based Tariff* discusses constraints on the number of circuits that can be changed on a daily, weekly, or monthly basis, and whether the customer must continue to pay for circuits until they are changed, and at what rate.

13. *Terms and Conditions.* In each *LSA* in which you issued an RFP for *DS1* and/or *DS3* channel terminations to an end user within the past 5 years, but either received no responses or received responses that failed to meet your minimum selection criteria, describe the reasons your RFP failed, if known, and whether those reasons were associated with terms and conditions.

Verizon's Response, D.12 and D.13

When Verizon issues RFPs, which is generally for its wireless affiliate, the RFPs are typically associated with Ethernet services, not DS1 or DS3 special access services. **[BEGIN HIGHLY CONFIDENTIAL]**
[END HIGHLY CONFIDENTIAL].

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