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December 5, 2011

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 10-593

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 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

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[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).

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]

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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.

REDACTED FOR PUBLIC INSPECTION

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.

Verizon's Response, B.1(a)-(l)

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.

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.

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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.

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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