

11. *Terms and Conditions.* For each *LSA*, state the number of *DS1s*, and separately, the number of *DS3s*, 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

**[BEGIN HIGHLY CONFIDENTIAL]**

**[END HIGHLY CONFIDENTIAL]**

**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**

**Methodology.** 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.

**Verizon's Response**

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](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.

**Verizon's Response, C.4(a)-(c)**

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



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.

**Verizon's Response, D.11**

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

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| a. A description of the contingency (or contingencies) on which the <i>Contract-Based Tariff's</i> discount, if any, is based (that is, requirements for a commitment of term, volume, revenue, combination, or other) |
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Contract Option A: [BEGIN HIGHLY CONFIDENTIAL]

[END HIGHLY  
CONFIDENTIAL].

Contract Option B: [BEGIN HIGHLY CONFIDENTIAL]

[END HIGHLY CONFIDENTIAL].

Contract Option C: [BEGIN HIGHLY CONFIDENTIAL]

[END HIGHLY CONFIDENTIAL].

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

**CONFIDENTIAL].**

**[END HIGHLY**

- 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.

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

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

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

Contract Option D: 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].**