

THE VERIZON TELEPHONE COMPANIES

TARIFF FCC Nos. 1 and 11

Enhancements to Commitment Discount Plan (CDP)

Price Cap Restructure Filing (FCC Nos. 1 and 11)

DESCRIPTION AND JUSTIFICATION

Transmittal No. 871

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SECTION	DESCRIPTION
1	DESCRIPTION AND JUSTIFICATION
2	COMPLIANCE WITH COMMISSION RULES
3	WORKPAPER INDEX

1.1 INTRODUCTION

Verizon¹ submits tariff pages and supporting information for tariff changes and the resulting impacts associated with the Commitment Discount Plan (“CDP”) in FCC Tariffs Nos. 1 and 11. These changes affect CDP in four general categories: consolidation of plans; sale of assets; addition of Access Customer Name Abbreviations (“ACNAs”); and changes for greater consistency between FCC Nos. 1 and 11. Certain of these changes are considered restructures under current Price Cap Rules. There is no revenue impact for the Price Cap restructures.

1.2 GENERAL

CDP provides for the application of discounted monthly rates based on a minimum commitment level of channel terminations for certain Switched and Special Access service types.

With CDP, all of the customer’s circuits of a service type are managed as a single plan, even though each service type may have its own commitment period and corresponding discounted rate or percentage discount.

As individual circuits are added to the customer’s network, they are automatically included in the customer’s CDP for that service type and receive the discount accordingly (e.g., when the customer adds a Special Access DS1 to its network, that DS1 will automatically be included in the customer’s CDP and be discounted under CDP along with the customer’s other DS1s). As individual circuits are disconnected under a CDP,

¹ The Verizon Telephone Companies participating in this filing include (a) Verizon Delaware LLC; Verizon Maryland Inc.; Verizon New England Inc.; Verizon New Jersey Inc.; Verizon New York Inc.; Verizon Pennsylvania Inc.; Verizon Virginia Inc.; Verizon Washington, D.C. Inc.; and Verizon West Virginia Inc.

termination liability does not apply to those individual circuits. CDP is managed as a single plan through the use of a true up process for each service type that compares the customer's commitment level over the prior true up period to the average number of equivalent channel terminations that were actually in service during the same period. The true-up process for each service type will determine if the customer (1) has not met its minimum commitment and is therefore subject to a shortfall adjustment, (2) has met its minimum commitment and no adjustment to the commitment level is necessary, or (3) has met its minimum commitment and exceeded its maximum service level in which case a charge-up will apply if the customer does not increase its minimum commitment.

In order to be eligible for CDP, the customer must have at least 336 DS0 equivalents across the operating territories of the applicable tariff. The customer must commit seventy-five percent (75%) of its Voice Grade (FCC1 only) and/or Digital Data/DIGIPATH digital service II services and ninety percent (90%) of its DS1, DS3, and IEF services (if the customer chooses to include IEF) upon establishing the CDP. Customers may combine certain Switched and Special Access Services into a single commitment level under the CDP.

Additionally, service types under a CDP are subject to a one-year minimum service period.

1.3 DESCRIPTION AND JUSTIFICATION

(1) ACNAs THAT A CUSTOMER MUST INCLUDE IN THE INITIAL ESTABLISHMENT OF A CDP

Provisions pertaining to the ACNAs that a customer must include in the initial establishment of its CDP are modified in FCC No. 1. A CDP Customer will no longer be required to include the ACNA(s) [search and make consistent] of its Affiliates in its CDP at the time the CDP is established. With this enhancement, the CDP Customer will now have the option to 1) include its own ACNAs in its CDP, or 2) include its own ACNAs and the ACNAs of its Affiliate(s) that it wishes to include in its CDP. In either case, all of the ACNA(s) belonging to the CDP Customer and all of the ACNA(s) belonging to any included Affiliate(s) must be included in the Customer's CDP.

(2) ADDITION OF ACNAs AFTER INITIAL ESTABLISHMENT OF A CDP

Regulations are added pertaining to the addition of ACNAs to a CDP.

Where the CDP Customer wishes to add one or more ACNA(s) to its CDP (whether such ACNAs are newly acquired or already exist for one of its Affiliates that is not included in its CDP) the ACNA(s) will be added as follows:

- ❖ Where the customer wishes to add one or more ACNA(s) that are not already under a different CDP, the CDP Customer's CDP shall be augmented to include the eligible services of the added ACNA(s).
- ❖ Where the customer wishes to add one or more ACNA(s) that are already under a different CDP, the CDPs involved must be consolidated using one of the following two options.

Option 1 - Surviving CDP Option

This option consolidates two or more CDPs into one of the existing plans so that all of the ACNAs involved are under a single CDP. The customer must specify which of the CDPs involved will be retained, and such CDP will be deemed the Surviving CDP. All other plans (non-surviving plans) will be cancelled. The Surviving CDP will be augmented to add the ACNAs of the cancelled plan(s). The attached tariff pages provide a complete description of the process used to augment the Surviving CDP, including the effect on the true up, commitment quantity, commitment periods, new service types, renewal options, and time-in-service credit that may be associated with the CDPs involved

Option 2 – New CDP Option

This option combines two or more CDPs into a new CDP that includes the ACNAs of all of the CDPs involved. The new CDP is subject to all of the terms and conditions applicable to the initial establishment of a CDP with the exception of TISC, where it will be granted based on term [need something more descriptive]. All of the existing CDP plans will be cancelled. The attached tariff pages provide a complete description of the process used to establish the new CDP and to cancel the old CDPs.

(3) SALE OF ASSETS

Regulations are added that specify the effect on a customer's CDP if Verizon sells all or a portion of the assets of an operating territory and ceases to

provide the associated services that are currently under a customer's CDP. The attached tariff pages provide a complete description of the effect on a customer's CDP if such a sale were to occur.

(4) CLARIFICATION OF THE START DATE OF THE COMMITMENT PERIOD

The regulations regarding the deadline for submitting requests for new subscriptions or changes to CDP have been clarified.

(5) CLARIFICATION OF THE EFFECT ON COMMITMENT PERIODS FOR COMBINED SERVICE TYPES AT EXPIRATION OF THE COMMITMENT PERIOD

Regulations pertaining to the effect on the commitment period if one of the services under a combined service type were to continue without any discount plan at the end of the commitment period are clarified.

(6) PRICE CAP RESTRUCTURES RESULTING FROM THE CHANGES IN CDP

Changes to the CDP pertaining to (1) Termination Liability, (2) Minimum Commitments and maximum service levels, and (3) clarification of the deadline for submitting requests for new subscriptions or changes to CDP are considered to be restructures under the Price Cap Rules. Impact on the Price Cap indices, for such restructures, is outlined in Section 2 below. Overall impact to Revenues due to the restructures is zero.

SECTION 2

2.1 COMPLIANCE WITH RULES

Support information as specified in Sections 61.49 of the Commission's Rules is attached. The support documentation for changes that impact the indices is contained in the necessary Workpapers. More specifically, there are certain changes included in this Transmittal that are considered restructures of Price Cap elements and those changes may or have impacted the price cap indices. They are as follows:

- ❖ Tariff FCC No. 11 contains a change which eliminates Termination Liability for those customers who cancel the plan if the rates that increase more than 8%. Verizon has no record of any customer canceling a plan as a result of any rate increase of 8% or more. Therefore, no adjustment to Termination Liability Revenue is necessary, and no impact to the API or SBI needs to be reflected.
- ❖ Tariff FCC Nos. 1 and 11 propose revisions that modify maximum service level amounts. The maximum service level for Voice Grade (FCC1 only) and/or Digital Data/DIGIPATH digital service II services is being increased from 130% to 156%. Since all customers in the base period increased their commitments if they hit the existing 130% maximum service level, the larger maximum service level will not cause any impact in Price Cap revenues.
- ❖ Tariff FCC Nos. 1 and 11 propose revisions to clarify Regulations that specify the day on which commitment periods and discounts commence on a new CDP or when changes are made to an existing CDP. Currently, customers are allowed to subscribe or change CDP during the entire month and the CDP will become effective in the next month. With these revisions, customers ordering

after the 20th of the month will not realize the discount in the month immediately following, but instead in the next following month. Review of current customers indicates that the customers added to CDP in the base period who ordered after the 20th of the month were already realizing discounts in their current plans therefore moving over to CDP did not impact the revenues Verizon would realize due to the change in timing of billing of CDP. Therefore there is no impact to the Price Cap indices.

Since no Price Cap indices are impacted by any of the changes no further documentation will be filed.

SECTION 3

3.1 WORKPAPERS AND TARIFF REVIEW PLANS

INTRODUCTION

Since no impact occurred to the Price Cap demand or Indices, no documentation is being filed with this Tariff Filing.