

THE VERIZON TELEPHONE COMPANIES

TARIFF F.C.C. Nos. 1, 11, 14 and 16

Regulatory Fee Exogenous Cost Filing and Rate Change Filing

DESCRIPTION AND JUSTIFICATION

Transmittal No. 949

September 16, 2008

DESCRIPTION AND JUSTIFICATION

1.0 INTRODUCTION

The Verizon Telephone Companies¹ hereby submit tariff pages and support data in compliance with the F.C.C.'s August 8, 2008 Order² on the Regulatory Fee factor for the period July 1, 2008 to June 30, 2009 and the associated exogenous costs. This filing is in compliance with and includes the necessary support material required by Sections 61.41 through 61.49 of the Commission's Rules. The total annualized exogenous cost decrease of \$ 129 thousand reflects the new Regulatory Fee factor that was released on August 8, 2008.

Overall, in this filing, Verizon is decreasing its actual Price Cap revenues by \$ 355 thousand. See Workpaper Revenue.

1.1 COMPLIANCE WITH INDICES

In this filing, the Commission requires Verizon to compute the appropriate adjustments to the Price Cap Index (PCI) for each Price Cap basket. The PCI calculations are set forth in the Tariff Review Plan (TRP), form PCI-1. The sources for the existing necessary indices are in TRP form IND-1.

¹ The Verizon Telephone Companies 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.; Verizon West Virginia Inc; and (b) Verizon California Inc., Verizon Florida LLC, Verizon North Inc., Verizon Northwest Inc., Verizon South Inc., Verizon West Coast Inc., Contel of the South, Inc. d/b/a Verizon North Systems; and GTE Southwest Incorporated d/b/a Verizon Southwest. The companies in (a) will be referred to as Verizon-East. The companies in (b) will be referred to as Verizon-West.

² In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2008, MD Docket 08-65, F.C.C. 08-182, released August 8, 2008.

1.1.1 COMPUTATION OF INDICES and CMT

Verizon applied the formula prescribed in Section 61.45 of the Commission's Rules to compute the PCIs for Traffic Sensitive, Trunking, Special Access and Interexchange baskets and CMT per Line for the Common Line basket. The PCIs used in the Trunking, Traffic Sensitive, Interexchange and Special Access baskets are based on rates and indices brought forward from the last filing in each of those baskets.

1.2 EXOGENOUS COST CHANGES

In this filing, Verizon proposes to change the Regulatory Fee exogenous cost to reflect the Regulatory Fee factor from the F.C.C. released on August 8, 2008 for the period of July 1, 2008 through June 30, 2009. Therefore, it is necessary to update the exogenous cost data Verizon previously filed on June 16, 2008, under Transmittal No. 925, to reflect the most current factor. The Regulatory Fee contributions were calculated by determining the difference between the Regulatory Fee contribution obligation in Verizon's current tariff rates and the Regulatory Fee contribution required for the July 1, 2008 through June 30, 2009 tariff period in the F.C.C.'s Order DA 08-182. The proposed Regulatory Fee factor of 0.00314 in F.C.C. Order DA 08-182 replaces the previous factor of 0.00317. The exogenous cost amount is calculated and then it is adjusted to collect the 12-month amount over 9 months. The total impact on rates is a decrease of approximately \$117 thousand in Verizon Price Cap Common Line revenues, which resulted in decreases in certain SLC, PICC and CCL rates. See Figures 2, 3 and 4. The

Special Access PCI is decreased by \$12 thousand for the updated Regulatory Fee exogenous costs. See Workpaper 1.

1.3 BASIS OF RATEMAKING

1.3.1 INTRODUCTION

In this filing, Verizon is implementing changes to rates in the Common Line, Traffic Sensitive, Trunking and Special Access baskets. Verizon's new rate levels produce indices that are in full compliance with the Commission's Rules. Overall, this filing will decrease Verizon's price cap revenues by \$355 thousand. In this filing, the SLC, PICC, CCL and certain Special Access rates are adjusted to reflect the updated Regulatory Fee exogenous costs. In addition, Verizon is also rebalancing some Traffic Sensitive and Trunking, as well as Special Access rates.

1.3.2 SLC RATES

For Verizon-East Tariff F.C.C. No. 1 SLC rates are developed on a state-specific basis. For Verizon-East Tariff F.C.C. No. 11, SLC rates are developed on a regional (Tariff F.C.C. No. 11) basis. In Verizon-West SLC rates are established on a jurisdictional basis for each jurisdiction in both Tariff F.C.C. Nos. 14 and 16. In this filing, only certain jurisdictions' SLC rates³ were impacted by the Regulatory Fee Exogenous Costs. Figure 2 provides a listing of the proposed SLC rates and Workpaper SLC Rates Delta shows the change in SLC rates.

³ MLB SLC (and ISDN PRI) rates are changing in GTID, GAMI, and GTWI.

1.3.3 PICC RATES

The Multi-line Business (MLB) PICC cap is \$4.31. Since the Subscriber Line Charges do not recover the total CMT revenues, the overflow creates a MLB PICC rate. When the PICC reaches the Cap of \$4.31, the overflow creates a CCL rate. The MLB PICC rate development is shown on TRP CAP-1. Figure 3 shows the proposed PICC rates⁴ by jurisdiction.

1.3.4 CARRIER COMMON LINE RATES

The premium MOU (Common Line and Marketing) originating and terminating rates remain at zero for both Verizon-East Tariff F.C.C. Nos. 1 and 11. The rate development for CCL charges is shown on the TRP CAP-1. The premium MOU (Common Line and Marketing) originating and terminating rates for both Verizon-West Tariff F.C.C. No. 14 and Tariff F.C.C. No. 16 are shown on Figure 4. The rate development for CCL charges⁵ is shown on the TRP CAP-1.

1.3.5 SWITCHED ACCESS RATES

Since all the Verizon jurisdictions reached the ATS revenue/MOU \$0.0055 target before the consolidation of former GTE and Bell Atlantic into a single Verizon (total company) TRP, there is now a single ATS rate for the footprint. After the adjustment for the 2007 base period demand the Verizon target rate is now \$0.00709759. The ATS rate after the Trunking and Traffic Sensitive rate changes is \$0.00709757.

⁴ PICC rates are changing in GTCA, GTOH and CONC.

⁵ CCL MOU rates are changing in GTOR, COVA, and COWA

1.3.5.1 TRAFFIC SENSITIVE BASKET

The resulting PCI for the Traffic Sensitive basket is 27.1893. As required by Section 61.45 (d) (3) of the Commission's rules, no exogenous costs were allocated to the rate elements in this basket that were used to calculate the ATS charges. In this filing rate changes are being made so that, when multiplied by the base period demand, the resulting API is in compliance with the Commission's rules.

On average, Verizon's proposed Traffic Sensitive revenues decreased by approximately 0.57%. These Tariff F.C.C. No. 1 and Tariff F.C.C. No. 11 rate changes decreased the Local Switching revenues and Local Trunk Port revenues. The SBI values for the Switched Traffic Sensitive basket are within the ranges permitted under the Commission's Price Cap Plan. See *TRP IND-1*. Calculations supporting the Switched Traffic Sensitive basket indices and upper limits can be found in the *TRP RTE-1*.

1.3.6 TRUNKING BASKET

In this filing, Verizon's Tariff F.C.C. No. 1 and Tariff F.C.C. No. 11 rate changes in the Trunking basket increase revenues approximately 0.9%. Rates were changed in the Tandem Switched Transport band. On average, Verizon proposed Trunking basket revenues for the Tandem Switched Transport band increased by 1.12%. As displayed in the *TRP PCI-1*, the PCI for the Verizon Trunking basket is 45.0428. The SBI values for the Trunking basket are within the ranges permitted under the Commission's Price Cap Plan. See *TRP IND-1*. Calculations supporting the Trunking basket indices and upper limits can be found on the *TRP RTE -1*.

1.3.7 SPECIAL ACCESS RATES

As displayed in the *TRP PCI-1*, the new PCI for the Verizon Special Access basket is 44.0903. Overall, Verizon's proposed revenues in the Special Access basket decreased by 0.0007%. The resulting API is 44.0902. Special Access rates were only changed in Tariff F.C.C. Nos. 14 and 16, respectively. Specifically, Special Access rates for all of GTOC DS1 TVP 8 year and 10 year NRCs (except GTCA Zone 1) are being reduced. In addition one DS1 rate for COPT is being increased. The SBI values for the Special Access basket are within the ranges permitted under the Commission's Price Cap Plan. See *TRP IND-1*. Calculations supporting the Special Access basket indices and upper limits can be found in the *TRP RTE -1*.

1.4 WORKPAPERS AND TARIFF REVIEW PLANS

1.4.1 INTRODUCTION

The Verizon Telephone Companies have provided the necessary detail to support the calculations of indices and exogenous costs in various Workpapers. The following is the index of such Workpapers.

1.4.2 INDEX

Verizon

Figure 1	Regulatory Fee Exogenous Cost Summary by Basket
Figure 2	Proposed SLC Rates
Figure 3	Proposed PICC Rates
Figure 4	Proposed CCL Rates
Figure 5	Proposed CMT per Line
Workpaper Revenue	Revenue Summary

Workpaper CL Rate Detail	Rates and Revenues—Common Line basket
Workpaper TS Rate Detail	Rates and Revenues—Traffic Sensitive basket
Workpaper TKG Rate Detail	Rates and Revenues—Trunking basket
Workpaper SA Rate Detail	Rates and Revenues—Special Access basket
Workpaper CAP-Initial	CAP showing initial rates before Receipts Reallocation
Workpaper CAP-Final	CAP showing Final Rates resulting from Receipts reallocation
Workpaper USAC Receipts Allocation for PICC	Details of Reallocation of Receipts for PICC Purposes
Workpaper SLC Rates Delta	Existing and Proposed SLC Rates and Rate Delta

Exogenous Cost Workpapers
Workpaper 1

Calculation of Regulatory Fee Exogenous Cost

Tariff Review Plan (VZTC)

ANALYZER	TRP Analyzer
COSA IND-1	Price Cap Indices Display
COSA PCI-1	Price Cap Index Calculations
COSA TGT	Targeting: Inputs and Aggregate Target
COSA SUM-1	Price Out Summary
COSA EXG-1	Exogenous Cost Changes
COSA EXG-2	Net Exogenous Cost Shifts
COSA RTE-1	Rate Detail
CAP-1 (COSA)	Calculation of EUCL Limit, PICC and CCL Rates
CAP-2 (COSA)	Manual Input of EUCL rates
CAP-3 (COSA)	Calculation of Minimum and Maximum End User Rates
CAP-4 (COSA)	Allocation of Pool Revenues to MLB PICC and MLB EUCL
CAP- 5 (COSA)	Verification of Recovered CMT Revenue