

# **2024 Annual Access Filing and Intercarrier Compensation Compliance**

**June 17, 2024**

**Appendix A—2024 Annual Access Filing**

**Appendix B—Intercarrier Compensation Compliance**

## **Appendix A: 2024 Annual Access Filing**

### **Description and Justification**

#### **A1.0 INTRODUCTION**

The Verizon Telephone Companies<sup>1</sup> hereby submit Long Form Tariff Review Plan (TRP) pages and the necessary supporting data in accordance with the 2024 Annual Access Tariff Filing Orders<sup>2</sup> and Sections 61.41 through 61.49 of the Commission’s rules. Appendix A contains the documentation associated with the Verizon TRP under identifier “VZTC.”

This filing removes the gross-up amount reflected in existing rates for the Telecommunications Relay Services (TRS) exogenous costs that were included in the October 2023 mid-year filing.

The total effect on indices in this filing is an overall decrease of \$4,227,437, which reflects the TRS exogenous costs and the change in demand in the Common Line Basket.

#### **A1.1 DESCRIPTION AND JUSTIFICATION**

The Commission’s Price Cap Plan employs a combination of caps on aggregates of service rates (“baskets”) and maximum limits on prices in individual service categories (“bands”).

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<sup>1</sup> The Verizon Telephone Companies include Verizon Delaware LLC, Verizon Maryland LLC, Verizon New England Inc., Verizon New Jersey Inc., Verizon New York Inc., Verizon North LLC, Verizon Pennsylvania LLC, Verizon South Inc., Verizon Virginia LLC, and Verizon Washington, D.C. Inc.

<sup>2</sup> *In the Matter of July 1, 2024 Annual Access Charge Tariff Filings*, Order, WC Docket No. 24-41, DA 24-434 (May 10, 2024) (“May 10th Order”); *In the Matter of July 1, 2024 Annual Access Charge Tariff Filings*, Order WC Docket No. 24-41 DA 24-294 (March 27, 2024).

Under this Plan, Verizon's services subject to Price Cap regulation are grouped into three baskets:

- (1) Common Line
- (2) Special Access
- (3) Interexchange (IX)

The Common Line basket includes CAP-1 adjustments for USAC Receipts. The Special Access basket is also subject to individual service-specific price bands. The Special Access basket contains four service bands:

- (1) Voice Grade, Metallic, Telegraph, and WATS
- (2) Program Audio and Video
- (3) High-Cap/Digital Data Services (includes DDS, DS1 and DS3 as well as sub-indices for DS1 and DS3 rate zones)
- (4) Wideband

For each basket of services, the Price Cap Plan places a ceiling on the aggregate revenue-weighted price changes.

Section 1.2 below describes the development of the exogenous cost adjustments. Section 1.3 describes the demand used in this filing. Section 1.4 describes ratemaking. Section 1.5 below contains an index of the supporting workpapers.

The Price Cap and service band constraints were compared to an index of the aggregate revenue-weighted price changes within each basket (the Actual Price Index, or API) and an index of the revenue-weighted aggregate price changes of the rate elements that comprise each service category (the Service Band Index, or SBI). These indices were determined with reference to actual 2023 base period demand, appropriately adjusted to reflect services, tariff structures, and rates to be effective as of July 2, 2024.

## **A1.2 EXOGENOUS COST CHANGES**

This filing includes an exogenous cost adjustment to remove the effect of the TRS gross up amount from the October 1, 2023 mid-year filing. Exogenous cost adjustments for Regulatory Fees and NANPA will be reflected in rates that take effect October 2024 as these fees are obligations covering a fiscal year that begins in October 2024.<sup>3</sup> Exogenous costs for Excess Deferred Taxes continue to be zero as of the July 1, 2020 filing. The Price Cap portion of the above exogenous cost amount is (\$4,386,599) and is summarized on *Workpaper 1*.

### **A1.2.1 ALLOCATION OF EXOGENOUS COST CHANGES TO PRICE CAP BASKETS**

The exogenous costs are allocated to Common Line and Special Access as shown on *Workpaper 1*. The Common Line exogenous cost amount is (\$4,302,268), and the Special Access exogenous cost amount is (\$84,331) for a total of (\$4,386,599).

### **A1.2.2 TELECOMMUNICATIONS RELAY SERVICE**

In accordance with the Commission's May 10th Order, Verizon removed the gross-up amount reflected in existing rates for TRS that were included in the October 2023 mid-year filing, and treated these amounts as exogenous costs in this filing. This was done by 1) calculating the difference between the factors in effect at the October 2023 mid-year filing and those in effect as of last year's annual filing multiplied by the applicable Interstate 499A revenues used in last year's annual filing, and then grossing up this difference; 2) calculating the value of the new applicable Interstate 499A revenue times

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<sup>3</sup> May 10th Order, para. 34.

the current factors. The difference between 1 and 2 equals the exogenous costs of (\$4,386,599) that have been reversed out in this year's filing. *Workpaper 2* displays the calculation and the allocation to the Price Cap Baskets. The TRS exogenous costs can be found in Tariff Review Plan (TRP), Form EXG-1.

### **1.2.3 FLOW THROUGH OF EXCESS DEFERRED TAXES**

The 2023/2024 exogenous cost adjustment for Excess Deferred Taxes is zero. Verizon has included *Workpaper 3* ("Excess Deferred Taxes"), even though the values are zero. See *Workpaper 3*, Columns 1 and 2.

## **A1.3 DEMAND**

### **A1.3.1 INTRODUCTION**

Current rates and base period demand quantities were used to determine the base period revenues. The base period demand is for the year 2023 and was multiplied by rates at the last PCI update to determine the weighted revenue for each rate element. This weighted revenue was used in the development of the PCI, APIs, and SBIs.

### **A1.3.2 DATA SOURCES**

Verizon's Carrier Access Billing System (CABS), Customer Records Information System (CRIS), Express Trak (ETRAK) and Company demand and revenue tracking systems served as the primary sources for demand data. These billing and tracking systems provide the demand data for each rate element for the Common Line, Special Access, and

Interexchange baskets. The 2023 base period demand has been used in this filing in accordance with the Commission's rules for development of API and SBI indices.<sup>4</sup>

### **A1.3.3 DEMAND RESULTS**

Price Cap base period demand detail used in the calculations of the PCIs, APIs, and SBIs is contained in this filing. *See Workpaper VZTC Rate Detail*. There were no new Price Cap services introduced in the 2023 base period; therefore, no demand is included in the Price Cap baskets pursuant to Section 61.42(g) of the Commission's rules.

### **A1.3.4 TREATMENT OF NEW SERVICES**

*Figures 3 and 4* indicate that no new price cap services were introduced.

### **A1.3.5 OUT PC-2**

Out PC 2 workpaper identifies services removed from Price Caps.

## **A1.4 RATEMAKING**

### **A1.4.1 ANNUAL FILING RATEMAKING**

In this filing, Verizon is implementing rate changes in the Common Line basket. Verizon's new rate levels produce indices that are in full compliance with the Commission's rules.<sup>5</sup>

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<sup>4</sup> *See* 47 C.F.R. §§ 61.46, 61.47.

<sup>5</sup> *See* 47 C.F.R. §§ 61.43, 61.45(a), 61.46(a), and 61.47(a).

Overall, Verizon revenues subject to price caps decreased by \$4,227,437 due to changes in exogenous costs and demand. The decrease is in the Common Line basket revenues,

The Interexchange basket revenues are zero. *See TRP Sum-1.*

Sections A1.4.2 through A1.4.4 following provide descriptions of the methodology and ratemaking calculations included in this filing. Rate changes in this filing are indicated by light green highlighting in the attached rate detail files.

#### **A1.4.2 Common Line Basket**

As shown in the TRP CAP-1, the Revenue for the Verizon Companies is capped at the CMT rate. *Figure 8* lists the CMT per line for each Verizon jurisdiction.<sup>6</sup> Verizon calculated the Common Line charges pursuant to the Commission's rules.

The Subscriber Line revenues decreased by \$4,227,437. Rate calculations are displayed in the *TRP CAP-1* and Revenues are displayed in *TRP Sum-1*.

##### **A1.4.2.1 SUBSCRIBER LINE CHARGES (SLCs)**

In this filing, the SLC rates are adjusted to reflect the change in exogenous costs and change in demand. The current caps for SLC rates are Primary Residence and Single Line Business at \$6.50, Non-Primary Residence at \$7.00 and Multiline Business at \$9.20. The actual SLC

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<sup>6</sup> CMT per line is capped CMT adjusted for Exogenous Costs.

rate for Primary Residence and Single Line Business is the SLC caps or the CMT revenue calculation per line. For Verizon Tariff F.C.C. No. 1, SLC rates are developed on a state-specific basis. For Verizon Tariff F.C.C. No.11, SLC rates are established at the tariff filing entity level. SLC rates are established by jurisdiction in both Verizon Tariff F.C.C. Nos. 14 and 16. *Figure 5* provides a listing of the proposed SLC rates.

#### **A1.4.2.2 PICC Rates**

When the SLCs do not recover the total CMT revenues, the overflow creates a Multiline Business PICC rate. The Multiline Business PICC cap is the rate that was in place on December 29, 2011. Since the SLCs do not recover the total CMT revenues, the overflow creates a Multiline Business PICC rate, and when any PICC reaches its cap and cannot collect all the revenues allowed, the remaining amount is then to be included in the calculations of the Access Recovery Charge (ARC). The impact of exogenous costs and change in demand in this filing resulted in no change to the PICC revenues and no overflow to the ARC.

The Multiline Business PICC rate development is shown on *TRP CAP-1*. *Figure 6* shows the PICC rates by jurisdiction.

#### **A1.4.2.3 Carrier Common Line Rates**

The premium MOU (Common Line and Marketing) originating and terminating rates are zero for Verizon Tariff F.C.C. Nos. 1, 11, 14 and 16. Since the FCC order does not allow increases to the CCL rates after December 29, 2011, current rates will remain in place. However, if a Regulatory Fee, TRS or NANPA exogenous cost would have resulted in a



CCL rate, those revenues, not collected in CCL, would be allowed to be recovered from the ARC. The premium MOU (Common Line and Marketing) originating and terminating rates for Verizon Tariff Nos. F.C.C. 1, 11, 14 and 16 are shown on *Figure 7*. The rate development for CCL charges is shown on the *TRP CAP-1*.

#### **A1.4.3 SPECIAL ACCESS RATES**

As displayed in the *TRP PCI-1*, the new PCI for the Verizon Special Access basket is 60.10745%. Verizon is not changing any Special Access rates in this filing. 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*.

#### **A1.4.4 INTEREXCHANGE**

As displayed in the *TRP PCI-1*, the PCI for the Verizon Interexchange basket is 77.8366%. Since there are no revenues in the Interexchange basket, there is no change to current indices. The indices are in compliance with the rules.

### **A1.5 WORKPAPERS AND TARIFF REVIEW PLAN**

#### **A1.5.1 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. Appendix A below contains the list of supporting documentation for this Annual Access filing.

## **A1.5.2 SUPPORTING DOCUMENTATION INDEX**

### **Appendix A**

#### **Figures**

<b>Figure 1</b>	Exogenous Cost Summary
<b>Figure 2</b>	IND-1 Transmittal Documentation
<b>Figure 3</b>	New Price Cap Services Introduced Jan. 2024 through June 2024
<b>Figure 4</b>	New Price Cap Services Introduced July 2023 through Dec. 2023
<b>Figure 5</b>	SLC Rates
<b>Figure 6</b>	PICC Rates
<b>Figure 7</b>	CCL Rates
<b>Figure 8</b>	CMT per line

#### **Price Cap Rate Detail**

<b>VZTC Rate Detail 2024</b>	Rate Detail BATR
	Rate Detail NXTR
	Rate Detail VZNC
	Rate Detail COPT
	Rate Detail COVA
	Rate Detail GTPA
	Rate Detail GTVA

<b>Workpaper GDP-PI</b>	GDP-PI Factor Development
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<b>Workpaper Revenue Summary</b>	Revenue Summary
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#### **Exogenous Cost Workpapers**

<b>Workpaper 1</b>	Allocation of Exogenous costs-VZTC
<b>Workpaper 2</b>	Regulatory Fee-VZTC
	Telecommunications Relay Service-VZTC
	North American Numbering Plan Administration
<b>Workpaper 3</b>	Excess Deferred Taxes-VZTC

**Tariff Review Plan--Long Form (VZTCAN061724 TML 1445)**

<b>ANALYZER</b>	TRP Analyzer
<b>COSA IND-1</b>	Price Cap Indices Display
<b>COSA PCI-1</b>	Price Cap Index Calculations
<b>COSA SUM-1</b>	Price Out Summary
<b>COSA EXG-1</b>	Exogenous Cost Changes
<b>COSA EXG-2</b>	Net Exogenous Cost Shifts
<b>COSA RTE-1</b>	Rate Detail
<b>CAP-1 (COSA)</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>CAP-2 (COSA)</b>	Manual Input of EUCL rates
<b>CAP-3 (COSA)</b>	Calculation of Minimum and Maximum End User Rates
<b>CAP-4 (COSA)</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL
<b>CAP- 5 (COSA)</b>	Verification of Recovered CMT Revenue
<b>VZTCOUTPC-1</b>	Services Excluded from Price Cap
<b>VZTCOUTPC-2</b>	Services Removed from Price Cap
<b>Certification Letter</b>	Certification Letter for Price Cap

# Appendix B Intercarrier Compensation Compliance

## **Appendix B**

### **Description and Justification**

#### **B 1.0 INTRODUCTION**

##### **Intercarrier Compensation Compliance**

Per the May 10th Order, Verizon is providing the TRP pages and supporting documentation necessary to determine the ARC rates. This documentation was created to comply with sections 51.915(e) and (f) of the Commission's rules<sup>7</sup>, and includes the 2024 Rate Ceiling, 2024 Tariff Rate Comparison, and 2024 True Up spreadsheets. The 2024 Eligible Recovery spreadsheet calculates the amount of Eligible Recovery a price cap incumbent LEC is entitled to receive pursuant to section 51.915(d) of the Commission's rules.

Appendix B includes the necessary supporting data and documentation for this filing.

##### **B 1.1 Demand collection**

Verizon determined Eligible Recovery using Fiscal Year 2011 demand for which Verizon received payments by March 31, 2012. The systems that Verizon uses to track and analyze intercarrier compensation demand, however, are based on billed data. To determine collected demand, Verizon developed a factor to apply against billed demand. First, Verizon identified the total charges billed for switched access and reciprocal compensation by customer during the twelve months of the Fiscal Year 2011. Next,

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<sup>7</sup> 47 CFR § 51.915 et seq.

Verizon identified the amounts that each customer paid to Verizon for switched access and reciprocal compensation. Verizon adjusted both the billed and paid amounts to exclude late payment charges. Verizon also adjusted the Fiscal Year 2011 paid amounts to exclude payments for charges incurred before the Fiscal Year and to include payments for Fiscal Year charges that were received after the Fiscal Year. Verizon then used the resulting billed and paid amounts to calculate a factor that represents the amount collected as a percentage of the amount billed during the Fiscal Year. Verizon multiplied the factor by the billed demand for each access rate element to calculate the demand used to determine Eligible Recovery from reductions in Transitional Intrastate Access Service revenues. In addition, Verizon multiplied the factor by the CMRS reciprocal compensation billed revenue to determine the portion of Eligible Recovery from reductions in CMRS Net Reciprocal Compensation Revenues.

### **B1.3 Recovery Mechanism**

The *USF-ICC Transformation Order* established a “transitional recovery mechanism to facilitate incumbent LECs’ gradual transition away from ICC revenues reduced” as part of the *USF-ICC Transformation Order*.<sup>8</sup> The mechanism has two basic components: the revenue that ILECs are eligible to recover, known as “Eligible Recovery,” and the limited end-user charges through which incumbent LECs can recover Eligible Recovery.<sup>9</sup>

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<sup>8</sup> *USF-ICC Transformation Order* ¶847.

<sup>9</sup> *Id.* ¶850.

The Commission “permits[s] incumbent telephone companies to charge a limited monthly Access Recovery Charge (ARC) on wireline telephone service, with a maximum annual increase of \$0.50 for consumers and small business, and \$1.00 per line for multiline business, to partially offset [intercarrier compensation] revenue decline.”<sup>10</sup>

Section 51.915 of the Commission’s rules describes the extent to which Price Cap carriers such as Verizon may recover certain revenues through the recovery mechanism.

#### **B1.4 Eligible Recovery**

Section 51.915(d) establishes the Eligible Recovery for price cap carriers. Generally speaking, the Eligible Recovery for price cap carriers like Verizon – that is, the revenue subject to the recovery mechanism – is “the difference between: (a) the Price Cap Baseline, subject to 10 percent annual reductions; and (b) the revenues from the reformed intercarrier compensation rates in that year, based on estimated MOUs multiplied by the associated default rate for that year.”<sup>11</sup>

The way in which Eligible Recovery is to be calculated is set forth in Section 51.915(d)(1)(i). That rule has three pieces, and the sum of those pieces, multiplied by the Price Cap Carrier Traffic Demand Factor and the Calls Study Area Base Factor, determines the Eligible Recovery.

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<sup>10</sup> *Id.* ¶36.

<sup>11</sup> *Id.* ¶851.

The first of the three components is described in Section 59.915(d)(1)(i)(A). This component is based upon the reduction in Transitional Intrastate Access Service revenues determined pursuant to Section 51.907(b)(2). The Access Reduction Spreadsheets have been eliminated because the adjustment to bill-and-keep required by section 51.907(h) of the Commission's rules is complete. The total amount of this calculation is \$205,454,852.

The second of the three components is described in Section 59.915(d)(1)(i)(B). This component is based upon the reduction in CMRS Net Reciprocal Compensation Revenues, defined at Section 51.915(b)(3). The Reciprocal Compensation Spreadsheets have been eliminated because the adjustment to bill-and-keep required by section 51.705(c)(4) of the Commission's rules is complete. The total amount of this calculation is \$4,746,363.

The third of these three components, described in Section 59.915(d)(1)(i)(C), is based on certain reductions in Fiscal Year 2011 net reciprocal compensation. Section 59.915(d)(1)(i)(C) (3) permits a price cap carrier to elect to forgo this step and receive no recovery for reductions in net reciprocal compensation. Consistent with that option, Verizon has elected to forgo this third step.

There is a separate workpaper that adds up these components and provides Verizon's total Eligible Recovery. That workpaper, *VZTC\_ER\_24*, multiplies the sum of the amounts produced by the three components of Eligible Recovery by the Price Cap Carrier



Traffic Demand Factor and the CALLS Study Area Base Factor, as Section 59.915(d)(1) requires. The total amount of Verizon's Eligible Recovery is \$47,198,557.

### **B1.5. Access Recovery Charge Calculations**

Section 51.915(e) describes the Access Recovery Charge and sets forth a series of constraints and limitations regarding the ARC. Generally speaking, the monthly ARC cannot increase more than \$0.50 per year for a residential or single line business customer or more than \$1.00 per line per year for a multiline business customer. Moreover, the consumer ARC cannot increase if the increase would result in certain residential End-User rates exceeding the Residential Rate Ceiling of \$30.00. And third, ARCs can only be charged in a particular year to recover Eligible Recovery for that year, and total revenue from ARCs cannot exceed Eligible Recovery.<sup>12</sup>

Carriers are required to make true-ups to certain revenue amounts to reflect differences between projected and actual demand. For the tariff year 2022-2023 Verizon determined that actual ARC revenues exceeded the expected ARC revenue by \$888,738.39.

Verizon's Eligible Recovery for the tariff year 2024-2025 therefore is decreased by that amount. Verizon calculated the Maximum ARC Revenue Opportunity using workpaper *VZTC\_ARC\_24*.

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<sup>12</sup> *Id.* ¶908.

Verizon also calculated the Tariffed ARC Revenue using workpaper *VZTC\_TRC\_24*.

Verizon set ARC rates that comply with Section 51.915(e)'s constraints, as workpaper *VZTC\_TRC\_24* demonstrates.

The monthly, per-line ARC rates are as follows:

- Residential: \$2.04
- Single Line Business and BRI: \$2.04
- Centrex: \$1.16
- Multiline Business: \$2.87

Note that Verizon will not be charging the ARC for residential lines in Maryland, New Jersey, New York, North Carolina and Virginia. In those states, all or some exchanges exceed the \$30 Residential Rate Ceiling, and as a result, Verizon has elected not to bill the ARC for residential service in those states. In addition, Verizon will be charging a reduced ARC in Washington, D.C. to recover only the interstate portion of the Access Recovery Charge; that reduced ARC remains at \$0.24 for Residential, Single Line Business, and BRI lines.

Based on the ARC rates listed above, the amount of Verizon's Tariffed ARC Revenue is in workpaper *VZTC TRC 24*, is \$47,080,061. Consistent with Section 59.15(e)(2), this amount does not exceed Verizon's Eligible Recovery.

The true up for the 2024-2025 tariff ARC revenues will be in 2025-2026 ARC calculation.

## **B 1.6 WORKPAPERS AND TARIFF REVIEW PLAN**

### **B1.6.1 INTRODUCTION**

The Verizon Telephone Companies have provided the necessary detail to support the calculations of reductions required by the Intercarrier Compensation Regulations. The following is the index of such workpapers. Appendix B contains the workpapers and the Intercarrier TRP for VZTC.

### **B 1.6.2 SUPPORTING DOCUMENTATION INDEX**

#### **Appendix B**

#### **Tariff Review Plan**

##### **Verizon ARC Calculations**

VZTC\_ARC\_24\_Proprietary  
VZTC\_ARC\_24\_Public

Maximum ARC Opportunity Calculations -- Proprietary  
Maximum ARC Opportunity Calculations -- Public

##### **Verizon Tariff Rate Comparison**

VZTC\_TRC\_24\_Proprietary  
VZTC\_TRC\_24\_Public

Tariff Rate Comparison -- Proprietary  
Tariff Rate Comparison -- Public

##### **Eligible Recovery**

VZTC\_ER\_24

Verizon Eligible Recovery

##### **Eligible Recovery Summary**

VZTC\_SUMER\_24\_Proprietary  
VZTC\_SUMER\_24\_Public

2023 and 2024 Eligible Recovery Summary -Proprietary  
2023 and 2024 Eligible Recovery Summary -Public

##### **True Up**

VZTC\_TrueUp\_24\_Proprietary

2024 Annual True up Process for 2022-2023 Tariff year  
- Proprietary

VZTC\_TrueUp\_24\_Public

2024 Annual True up Process for 2022-2023 Tariff year  
- Public

##### **Certification Letter**

Certification Letter for Intercarrier Compensation