

## DESCRIPTION AND JUSTIFICATION

### 1.0 INTRODUCTION

The former GTE Telephone Companies<sup>1</sup>, excluding properties sold in 2000, now doing business as Verizon Communications and herein referred to as "Verizon-West" hereby submit tariff pages and support data for its proposed Federal Universal Service surcharge rate changes in GTE Tariffs FCC No. 1 associated with the 1Q2001 USF Obligation. These tariff changes are being made on 15 days notice for effect January 2, 2001. This filing is in compliance with and includes the necessary support material required by the Commission's Price Cap CALLS Order<sup>2</sup> and Sections 61.38 of the Commission's Rules.<sup>3</sup>

### **Federal Universal Service Fund (FUSF) End User Charges Development**

#### 1.1 CALCULATION OF FUSF END USER CHARGES

One of the changes mandated in the recent CALLS order,<sup>4</sup> is that recovery of amounts assessed for various universal service support mechanisms will be recovered outside of access rates. Starting with the third quarter of 2000, the Common Line amount of its USF obligation is now recovered

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<sup>1</sup> The GTE Telephone Companies participating in this filing include Verizon California Inc.; Verizon South Inc.; Contel of the South, Inc. d/b/a Verizon South Systems; Verizon Hawaii Inc.; Verizon Florida Inc.; Verizon West Coast Incorporated.; Verizon Northwest Inc.; GTE Midwest Incorporated d/b/a Verizon Midwest Inc.; GTE Southwest Incorporated d/b/a Verizon Southwest Inc.; Verizon North Inc.; and Micronesia Telecommunications Corp.

<sup>2</sup> In the Matter of Access Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service. Sixth Report and Order in CC Docket Nos. 96-262 and 94-1. Report and Order in CC Docket 99-249. Eleventh Report and Order in CC Docket No. 96-45. Released May 31, 2000. ("CALLS" Order).

<sup>3</sup> CALLS Order Appendix B, §§ 61.41 - 61.49.

<sup>4</sup> CALLS Order at paragraph 221.

through a new end user per line charge (assessed to end user customers to whom End User Common Line charges apply). The Special Access USF obligation amount is now recovered through a FUSF factor that is applied to End User Special Access revenues. Below is a description of how these charges are developed.

### **1.11 End User FUSF Charges**

Verizon West's total contribution to the interstate Universal Service fund is based on the FCC's contribution rate for the first quarter of 2001<sup>5</sup> times Verizon West's interstate end user revenues for the period of January through June 2000. This calculation excludes those revenues from the same period for properties sold between July through November 2000. The contribution amount (excluding Interexchange End User services and interstate End User Special Access) to be recovered through the End User FUSF charge is then divided by the total number of end user common lines (excluding Lifeline and resold basic exchange service lines), adjusted for Centrex equivalency, PRI ISDN and DCS/Flexgrow equivalency, to determine the basic FUSF per line charge of \$0.39. The methodology is described in the following five-step process below.

### **STEP 1 – CALCULATE USF OBLIGATION TO BE RECOVERED**

The calculation of Verizon West's USF obligation is determined using current factors and revenues relevant to the obligation period. The first quarter 2001 FUSF factor is multiplied by Verizon

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<sup>5</sup> FCC Public Notice , Proposed First Quarter 2001 Universal Service Contribution Factor, CC Docket No. 96-45, DA 00-2764, released December 8, 2000.

West's contribution base to determine the USF contribution to be recovered. Verizon West's USF contribution base for 1Q2001 is the January through June 2000 total interstate end user revenues less revenues from the sold properties. These revenues are determined from the Form 499-S filed September 1, 2000 as shown on Workpaper USF-2. The FUSF per-line charge for switched lines is developed independent of Special Access. Interstate End User Switched revenues less Interexchange End User revenues from Company records are divided by the total number of end user common lines (excluding Lifeline and resold lines) at June 30, 2000 to develop the per-line rate as shown on Workpaper USF-1. The Interstate End User Special Access revenues are derived from the non-filed 499-S support information for the same period (adjusted for the property sales) and multiplied by the FCC 1<sup>st</sup> quarter's rate to determine the expected amount of recovery as shown on Workpaper USF-6.

## **STEP 2 – EUCL DEMAND MINUS LIFELINE**

The demand used is end of month June 30, 2000 EUCL data excluding lines from sold properties for the same period. Since Verizon West's FUSF per-line rate will not be charged to Lifeline customers, these demand counts are removed from the EUCL demand counts. These calculations are shown on Workpaper USF-3.

## **STEP 3 - ADJUST EUCL DEMAND FOR ISDN PRI AND CENTREX EQUIVALENCIES**

The Commission allows ILECs recovering USF through a per-line charge to apply that charge using the equivalency relationships established for the multi-line business PICC<sup>6</sup> for ISDN PRI, DCS/Flexgrow and Centrex lines. That is, the basic FUSF per-line is multiplied by 5 for ISDN PRI

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<sup>6</sup> Code of Federal Regulations, Part 69.158.

and divided by 9 for Centrex. To develop total adjusted demand, the ISDN PRI demand is multiplied by 5 and DCS/Flexgrow demand is multiplied by 24 to determine line equivalency. Adjusted Centrex demand is developed by taking the demand amount and dividing by 9 for all Centranet customers. The product of these calculations, along with the unadjusted EUCL demand, produces the total USF per-line adjusted demand that includes ISDN PRI, DCS/Flexgrow and Centrex equivalencies. These calculations are shown on Workpaper USF-4.

#### **STEP 4 – CALCULATE BASIC FUSF PER LINE RATE**

The Verizon West USF obligation to be recovered in Step 1 is divided by the adjusted USF demand in Step 4 to produce the monthly basic FUSF per line charge of \$.39. These calculations are shown on Workpaper USF-1. All per-line recovery amounts are shown on Workpaper USF-5.

#### **STEP 5 – CALCULATE FUSF CHARGE FOR ISDN PRI, DCS/FLEXGROW & CENTREX**

The ISDN PRI, DCS/Flexgrow and Centrex rates are adjusted to ensure that no more than one FUSF per line charge is applied for each service billed. The basic rate developed in Step 4 is multiplied by 5 for ISDN PRI. The rate for DCS/Flexgrow is derived by multiplying the basic rate by 24. Likewise, the per-line rate for Centrex service takes the basic rate and divides it by 9. These calculations are shown in Column B of Workpaper USF-4. This is consistent with the Centrex, DCS/Flexgrow and PRI ISDN methodology currently in the FCC rules.<sup>7</sup>

#### **C 1.1.2 SPECIAL ACCESS END USERS FUSF CHARGE**

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<sup>7</sup> See C.F.R 69.153 (d) and (e)

The Special Access FUSF charge is a factor that will be assessed to the End User Interstate special access revenues less amounts applicable to customers transferred to the separate data affiliate-- Verizon Advanced Data Inc.(VADI). This factor is the same as provided in FCC Public Notice, Proposed First Quarter 2001 Universal Service Contribution Factor, CC Docket No. 96-45, DA 00-2764, Released December 8, 2000. The expected quarterly and Annual Special Access USF recovery amounts can be found on Workpaper USF-6.

## **C 1.2 WORKPAPERS**

### **C 1.2.1 Introduction**

The Verizon West companies have provided the necessary detail to support the calculations of the FUSF per line charge. The following is the index of such Workpapers.

### **C 1.2.2 INDEX**

<b>Workpaper USF-1</b>	Calculation of FUSF Switched per-line Charge
<b>Workpaper USF-2</b>	Calculation of Switched USF Contribution
<b>Workpaper USF-3</b>	Unadjusted EUCL Demand
<b>Workpaper USF-4</b>	ISDN PRI, DCS/Flexgrow and CTX Equivalency
<b>Workpaper USF-5</b>	Ratemaking for FUSF per line, ISDN PRI, and CTX Equivalency
<b>Workpaper USF-6</b>	Interstate Special Access End User FUSF Charge Calculations