

DESCRIPTION AND JUSTIFICATION

1.0 INTRODUCTION

The former Bell Atlantic Telephone Companies¹ now doing business as Verizon Communications and herein referred to as "Verizon-East" hereby submit tariff pages and support data for its proposed Federal Universal Service surcharge rate changes in Bell Atlantic Tariffs FCC No. 1 and FCC No. 11 associated with the 2Q2001 USF Obligation. These tariff changes are being made on 15 days notice for effect April 3, 2001. This filing is in compliance with and includes the necessary support material required by the Commission's Price Cap CALLS Order² and Sections 61.41 - 61.49 of the Commission's Rules.³

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,⁴ 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 through a new end user per line charge (assessed to end user customers to whom End User Common

¹ The Bell Atlantic Telephone Companies participating in this filing include Verizon Delaware Inc.; 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.

² 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).

³ CALLS Order Appendix B, §§ 61.41 - 61.49.

⁴ CALLS Order at paragraph 221.

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 East's total contribution to the interstate Universal Service fund is based on the FCC's contribution rate for the second quarter of 2001⁵ times Verizon East's interstate end user revenues for the period of January through June 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 and PRI ISDN equivalency, to determine the basic FUSF per line charge of \$0.45. The methodology is described in the following six-step process below.

STEP 1 – CALCULATE USF OBLIGATION TO BE RECOVERED

The calculation of Verizon East's USF obligation is determined using current factors and revenues relevant to the obligation period. The second quarter 2001 FUSF factor is multiplied by Verizon East's contribution base to determine the USF contribution to be recovered. Verizon East's USF contribution base for 2Q2001 is the January through June 2000 total interstate end user revenues. 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 and adjusted downward as explained below 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 and multiplied by the FCC 1st quarter's contribution rate to determine the expected amount of recovery as shown on Workpaper USF-7.

STEP 2 – EUCL DEMAND MINUS LIFELINE

The demand being used is end of month June 30, 2000 EUCL data for North and South multiplied by a percentage factor less than 100% to account for EUCL losses due to competitive erosion. Since Verizon East'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 CENTREX EQUIVALENCY STRUCTURE

The Commission allows ILECs that are recovering USF through a per-line charge to apply that charge using the equivalency relationships established for the multi-line business PICC⁶ for ISDN PRI and Centrex lines. That is, the basic FUSF per-line charge is multiplied by 5 for ISDN PRI and divided by the number of lines per-system for Centrex. For example, the basic rate is divided by 2 for a 2-line Centrex system, by 3 for a 3-line system, etc. This allows each Centrex customer to be

⁵ FCC Public Notice , Proposed Second Quarter 2001 Universal Service Contribution Factor, CC Docket No. 96-45, DA 01-614, released March 9, 2001.

⁶ Code of Federal Regulations, Part 69.158.

billed only one FUSF charge for Centrex systems with less than 9 lines. Before this can be done, the demand must be adjusted to accommodate the Centrex equivalency structure, which breaks total Centrex demand down to 1 line, 2 line, 3 line, etc.. Since the Verizon East EUCL demand in Step 2 shows only total Centrex lines and not the breakout, relationships are developed from the PICC demand to create this breakout. The demand for each separate PICC Centrex rate is calculated as a percentage of total Centrex PICC demand. These percentages are then applied to total EUCL Centrex demand to convert Verizon East EUCL Centrex demand into the PICC Centrex equivalency structure. These calculations are shown on Workpaper USF-4.

STEP 4 - ADJUST EUCL DEMAND FOR ISDN PRI AND CENTREX EQUIVALENCIES

To develop total adjusted ISDN PRI demand, the ISDN PRI demand is multiplied by 5. Adjusted Centrex demand is developed by taking each demand amount and dividing by the number of Centrex equivalent lines. For example, the Centrex 2-line demand is divided by 2, the 3-line demand is divided by 3, and so on. For 9 lines and greater, the demand is divided by 9. The products of these calculations, along with the unadjusted EUCL demand produce the total USF per line adjusted demand with ISDN PRI and Centrex equivalencies. These calculations are shown on Workpaper USF-5.

STEP 5 – CALCULATE BASIC FUSF PER LINE RATE

The Verizon East USF obligation to be recovered in Step 1 is divided by the adjusted USF demand in Step 4 to produce the basic FUSF per line charge of \$.45. These calculations are shown on Workpaper USF-1. All per-line recovery amounts are shown on Workpaper USF-6.

STEP 6 – CALCULATE FUSF CHARGE FOR ISDN PRI AND CENTREX

The ISDN PRI and Centrex rates are adjusted to ensure that no more than one FUSF per line charge is applied for each Centrex service billed and five basic FUSF charges are to be applied to PRI customers. The basic rate developed in Step 5 is multiplied by 5 for ISDN PRI. Likewise, the per-line rate for Centrex 2-line service is the rate is Step 5 divided by 2, the rate for 3-line service is divided by 3 and so on. The per-line rate for Centrex 9-line and greater is divided by 9. These calculations are shown in Column B of Workpaper USF-6. This is consistent with the Centrex and PRI ISDN PICC methodology currently in the FCC rules.⁷

C 1.1.2 SPECIAL ACCESS END USERS FUSF CHARGE

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 Second Quarter 2001 Universal Service Contribution Factor, CC Docket No. 96-45, DA 01-614, Released March 9, 2000. The expected quarterly and Annual Special Access USF recovery amounts can be found on Workpaper USF-7.

C 1.2 WORKPAPERS

C 1.2.1 Introduction

⁷ See C.F.R 69.153 (d) and (e)

The Verizon East 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

Workpaper USF-1	Calculation of FUSF per-line Charge
Workpaper USF-2	Calculation of Switched USF Contribution
Workpaper USF-3	Unadjusted EUCL Demand
Workpaper USF-4	Conversion of CTX EUCL Lines to PICC Structure
Workpaper USF-5	PRI and CTX Equivalency
Workpaper USF-6	Ratemaking for FUSF per Line, ISDN PRI, and Centrex Equivalency
Workpaper USF-7	Interstate Special Access End User FUSF Charge