

AT&T Exhibit 2 - Verizon Costs Improperly Included in its Transmittal No. 207

	<b>Application/ Functional Area*</b>	<b>Modifications Verizon Asserts Were Required*</b>	<b>System Function/ Explanation by Verizon*</b>	<b>Verizon Rationale for Cost Recovery</b>	<b>AT&amp;T Comments</b>
1	Revenue Requirements include expenditures for the years 1998 through 2001	None directly identified.	None directly identified.	Revenue Requirement includes prior year expenditures.	Expenditures prior to the implementation of National number pooling are sunk costs that have already been recovered. The costs of state trials are recovered in the state jurisdiction.
2	Pooling-specific NPAC releases/ Shared Industry Costs	Implementation of NPAC releases.	Enable TBNP functionality for NPAC.	Verizon claims this as a cost that would not have been incurred "but for" TBNP and therefore should be eligible for recovery.	NPAC Release 3.1 does not satisfy the "but for pooling" criteria. Although TBNP may have been a contributor to the performance issues that drove 3.1, Release 3.1 has no pooling specific functionality and would have been needed even without TBNP.
3	Donation/Receipt of Pooled Numbers	Use of third party vendors to to issue service orders in conjunction with donated blocks. Establish an administration center to manage the TN inventory. Perform code administration. Establish a porting center for events associated with TBNP.	Ensure that service orders align properly with OSS updates. Establish two network centers - one for number administration the other for porting calls.	TBNP has directly caused an increase to Verizon's share of industry costs.	Establishing two work centers for processes that already exist - number administration and porting of calls, brings into question the efficiency of Verizon's implementation of TBNP. First, these are processes that already exist. What is the incremental cost caused by TBNP? Second, these costs are being recovered from competitors. Verizon must be held to an efficient implementation.
4	Methods & Procedures	Develop and distribute TBNP methods.	Develop and distribute TBNP methods.	The development of these methods and the subsequent training are directly caused by TBNP.	Testing and training functions are an "incidental consequence" of number pooling. These costs are not recoverable.
5	Operations Support Systems (OSS)	Automate processes created by the need to identify, donate and receive pooled numbers.	Automate processes that support creation and population of number pooling databases, routing of calls, order entry, number assignment, customer record storage and NXX-X capability.	These processes are affected by TBNP. Only the costs associated with upgrading these systems to recognize a pooling indicator for TBNP are included.	Verizon claims \$7.7M in capital and expense for its systems to recognize a pooling indicator. On its face, this appears excessive. Further, Verizon includes systems that are not incurred for the provision of TBNP. Examples of such systems are maintenance, repair and billing.

\* Verizon Transmittal No. 207, Description and Justification.

\*\* Third NRO Order, ¶¶ 44 and 45.

\*\*\* Third NRO Order, ¶ 39.

\*\*\*\* Third NRO Order, ¶¶ 43 and 46.