

Verizon Transmittal No. 232

Cost issues

Generally, Verizon should be required to provide cost information at the same level of detail as was required by the expanded interconnection TRP Order, 9 FCC Rcd 5679. The TRP Order required:

- ? a “complete list of plant and equipment, including the name of the plant or equipment item, the associated Part 32 account numbers, gross investment amounts, and estimated depreciable lives” (para. 7)
- ? “If costs are derived from cost factors (e.g., ‘annual charge factors’ or ‘carrying charge factors’) such factors should be fully explained and justified as consistent with cost-causation principles” (para. 9)
- ? Detailed labor rate information (para. 10)
- ? Overhead information (paras. 12-15)

Monthly Recurring Charges

A. Unit Investments

- ? Are the equipment and facilities used in the provision of PARTS shared with other services, such as voice services, Infospeed DSL services offered in Verizon Tariff No. 20, or Internet access services offered by Verizon? List those services and describe the extent of sharing.
 - ? Verizon should be required to provide a schematic of the PARTS service (and all other services that might use the PARTS architecture, e.g. Infospeed, voice services).
1. ATM Port charge
 - ? Verizon should be asked to show the derivation of the unit investments in workpaper 4, column A:
 - describe the equipment (type, make, model) represented by the “Digital Switch” category (lines 1, 5)
 - provide the cost for each equipment item
 - identify the Part 32 account for each equipment item and depreciation life
 - show and explain any allocation of costs between PARTS and other services (Infospeed, voice services, etc.)
 - show and explain the derivation of the per-unit costs, including the derivation of the demand and any fill or utilization factors
 - this information should be shown separately for East and West
 2. PVC charge
 - ? Verizon should be asked to show the derivation of the unit investments in workpaper 4, column A
 - provide the same information as above, for the “Cxt Digital SPG,” “Digital Switch,” “Pole,” “Conduit,” “Aerial Fiber,” “Underground Fiber,” and “Buried Fiber” categories

- Verizon should be asked to explain any allocation of NGDLC and fiber costs between PARTS and other services (Infospeed, voice) that might use the NGDLC and fiber
- Verizon should be asked to explain why the PVC costs vary by bandwidth
- ? Verizon should explain why there are fiber, pole, and conduit costs included in the PVC cost
 - in particular, Verizon should explain why these loop costs are not already recovered through local exchange rates and the SLC (under Configuration 1) or state-established unbundled loop rates (Configuration 2)
- 3. Line charge (configuration 3):
 - ? Verizon should be asked to show the derivation of the unit investments in column A
 - provide the same information as above, for the "Cxt Digital SPG," "Pole," "Conduit," "Aerial Metallic," "Underground Metallic," and "Buried Metallic" categories
 - ? Does the loop cost study assume only PARTS-capable loops, or all Verizon loops?
 - ? Verizon should be required to compare the \$32 loop rate proposed in the PARTS tariff to unbundled loop prices used for Configuration 2, and explain why the PARTS loop rate is so much higher (particularly since the \$32 PARTS loop rate appears to recover only the cost of the distribution).
 - ? Verizon should be asked to explain why it believes it is lawful for the loop rate to vary depending on the customer's use of PARTS, i.e., why one loop rate when the customer is providing voice services (Configuration 2) and a different, higher, rate when the customer is not providing voice services (Configuration 3).

B. Monthly Costs

- ? Verizon should be asked to show the derivation of the OSS costs (workpaper 4, lines 18, 29, 39, 40, 51)
 - OSS costs account for 1/3 of claimed direct costs
 - describe the systems purchased or modified, their function, and the modifications undertaken (as in LNP/TBNP cost studies)
 - explain why the OSS costs are assigned to the PVC element
 - explain whether those OSS costs are specific to PARTS; if not, show any allocation between PARTS and other services
- ? Show the derivation of the annual cost factors (ACFs) used for Verizon East and West
 - among other things, explain whether the depreciation lives and salvage percentages are those prescribed by the Commission
- ? Explain the costs captured by each factor, e.g., what is "network cost," "GRL," "Other Support" cost
- ? show that the factors used do not double-count costs already included in direct costs (e.g., OSS costs are already included in direct costs)

C. Overhead (Workpaper 1, lines 11 & 12)

Note: Many costs that Verizon counts as "direct costs" have in other proceedings been considered "overhead" (e.g., marketing costs, support costs – See Expanded Interconnection Suspension Order, 8 FCC Rcd 4589, 4659-4660)

- ? Verizon should be required to justify the overhead loading factor.
(Loop-based services may not recover “more than a just and reasonable portion of the carrier’s overhead costs.” 47 C.F.R. § 61.46(f)(2). “In determining a just and reasonable portion of overhead costs to be attributed to services offered to competitors, the LECs must justify the methodology used to determine such overhead costs.” Bureau Payphone Order, 15 FCC Rcd 9978, para. 11, citing Part 69 Order, 6 FCC Rcd 4524, para. 44)
- ? In particular, Verizon should be required to demonstrate that it does not recover a greater share of overheads from PARTS than from “comparable services,”
(“Absent justification, LECs may not recover a greater share of overheads in rates for the service under review than they recover in rates for comparable services.” Bureau Payphone Order, 15 FCC Rcd 9978, para. 11, citing Expanded Interconnection Tariff Order, 9 FCC Rcd 5154, 5189 para. 128.)
- ? Verizon should be required to (1) compute the direct costs for Tariff FCC No. 20 infospeed services and other “comparable” services using the same methodology and ACFs used in the PARTS cost study; and (2) subtract those costs from the lowest rates charged for those comparable services, taking into account all volume and term discounts. The overhead loading factor for PARTS may not exceed the lowest overhead loading resulting from that calculation.
(Commission Payphone Order, CCB/CPD No. 00-01, released January 31, 2002, at para. 53 (citing Physical Collocation Investigation Order, 12 FCC Rcd 18730, paras. 313-314.) See also expanded interconnection TRP Order, 9 FCC Rcd 5679, 5682 paras. 12-15)

Nonrecurring Charges (Workpaper 2)

- ? Verizon should be required to describe in detail the process by which a “port” or “PVC” order is installed, i.e., systems used, manual steps (if any)
- ? What activities are included in the “service order,” “central office,” “provisioning,” and “field installation” costs (columns A-D, workpaper 2) for both the Port Charge and PVC Charge?
- ? Show the derivation of the “service order,” “central office,” “provisioning” and “field installation” costs
 - Explain the extent to which Verizon’s cost study assumes manual processes
 - If any portion of the process is manual, show the labor rates and time assumed
- ? In its reply (at 12), Verizon contends that the PARTS nonrecurring costs include “substantial additional field installation and provisioning costs” not involved with DSL
 - Verizon should be required to describe in detail the process by which non-PARTS Infospeed DSL service is installed

Terms and Conditions

Transmission rates and capabilities

- ? Can an end user customer served by a PARTS-capable RT receive transmission rates under Tariff No. 20 that are not available through PARTS? If so, does Verizon provision Tariff 20 services to those customers using the same architecture used for PARTS? Note: Verizon Tariff FCC No. 20, Section 5.1.1(B) offers 7.1 Mbps/768kbps and 768kbps/768kbps options, neither of which is available under PARTS.
- ? In the future, if Verizon offers new services or new data rates (e.g., for Infospeed) using capabilities of the NGDLC, will it make those capabilities available to PARTS customers? How and when will PARTS customers be notified of those changes?
- ? Is the NGDLC equipment that Verizon is deploying capable of data rates or service types (for example, CBR (constant bit rate) services) other than those offered in Transmittal No. 232? What modifications or changes, if any, would be required to enable those capabilities? Will Verizon make those capabilities available upon reasonable request?
- ? Is the NGDLC equipment that Verizon is deploying capable of providing a DS1 interface to CLECs? What modifications or changes, if any, would be required in order to provide such an interface? Will Verizon make such an interface available upon reasonable request?

Configuration 2 (CLEC voice/CLEC data)

- ? Is the voice grade component of Configuration 2 an interstate access service? What terms and conditions apply to the voice grade offering? Does the interconnection agreement govern only the rates for the voice grade offering, or terms and conditions as well? In particular, could a customer order the voice grade component combined with unbundled switching, i.e., UNE-P?

Collocation requirement

- ? Is there any technical limitation that requires customers to collocate in order to obtain access to PARTS? Note: Verizon cited no such limitation in its reply comments.

Information on Availability of PARTS

Provisioning Intervals