

DESCRIPTION AND JUSTIFICATION
TML 306
March 28, 2003

1.0 INTRODUCTION

The Verizon Telephone Companies¹ hereby submit tariff pages and supporting data for proposed changes to the Federal Universal Service Fund rates associated with the second quarter 2003 federal universal service fund (“FUSF”) obligation in Verizon Tariffs FCC No. 1 and FCC No. 11 for Verizon-East, Tariffs FCC No. 14 and FCC No. 16 for Verizon-West. Verizon filed new FUSF rates on March 17, 2003 proposed rates, if approved, that would go into effect on April 1, 2003. These rates were designed to implement the FCC's new contribution methodology as described in the Report and Order and Second Notice of Proposed Rulemaking² and the Order and Second Order on Reconsideration³.

¹ The Verizon-East 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. The Verizon-West Telephone Companies participating in this filing include Verizon California Inc.; Verizon South Inc.; Verizon Hawaii Inc.; Verizon Florida Inc.; Verizon West Coast Inc.; Verizon Northwest Inc.; Verizon Southwest; Verizon North Inc.; and Micronesia Telecommunications Corp.

² *In the Matter of Federal-State Joint Board on Universal Service*, Report and Order and Second Further Notice of Proposed Rulemaking, FCC 02-329, (rel. December 13, 2003) (“December Order”).

³ *In the Matter of Federal-State Joint Board on Universal Service*, Order and Second Order on Reconsideration, FCC 03-58, (rel. March 14, 2003) (“Waiver Order”).

General

Verizon proposes revisions to Verizon-East Tariffs No.1 and No. 11 to (1) correct the omission of a separate Multi-line Private Branch Exchange (PBX) rate element that includes a total of nine local number portability (LNP) charges; (2) amend the March 17 tariffs to re-label the Direct Inward Dialing (DID) rate element to “PBX Trunks with End User Port charges,” and; (3)delete the Flexpath rate element for all states since it is billed using the revised rate elements as described herein. In addition, Verizon proposes to revise Verizon-West Tariffs No. 14 and No. 16 to re-label the DID rate element to “PBX Trunks with Nine Local Number Portability (LNP) charges,” as DID is only a subset of PBX trunks that incur the nine LNP charges.

Verizon-East

In the initial March 17, 2003 filing, PBX trunks were not separately identified on the tariff pages and supporting documentation. Verizon has determined that a separate Multi-line (ML) FUSF rate category is required for the ML PBX trunks for Verizon-East. Although the same state specific subscriber line charge applies to PBX trunks as to the existing ML-Other rate category, PBX trunks are charged a total of nine LNP charges on each customer's bill; whereas, ML - Other customers are charged only one LNP. The ML FUSF rates shown in the initial filing included only one LNP charge times the appropriate FCC prescribed FUSF rate.

In addition, Verizon-East has a federally tariffed end user port charge applicable to certain digital services, which requires a separate ML PBX FUSF rate category. The initial tariff shows this rate element as DID Trunks; however, this charge applies to Flexpath trunks as well. As a result, Verizon proposes to change the “DID Trunks” label to “PBX Trunks with End User Port Charge” to include the other applicable service.

Verizon-West

Verizon proposes changes to Verizon-West Tariffs No. 14 and No. 16 to re-label the DID FUSF rate element to “PBX Trunks with Nine Local Number Portability (LNP) Charges.” The DID FUSF rate element filed in the initial tariff included the very same rate interstate charges—ML subscriber line charge (SLC) and nine LNP charges—as the proposed PBX FUSF rate element. The change in description allows Verizon to bill the same FUSF rate for all PBX customers who incur the nine LNP charges, regardless of whether they have DID trunks or other trunking arrangements.

Rate Calculation

Verizon proposes a new ML FUSF rate element that includes a total of nine LNP charges times the FCC prescribed FUSF rate of 9.1 percent announced in its most recent Public Notice.⁴ Verizon proposes a new rate element computed in the same manner as was used for the other federal tariffed charges that are to be applied on the customer's bill beginning on April 1. That is, each state specific ML Business - Other FUSF rate (that already has one LNP charge embedded in its rate calculation) plus a PBX increment for eight additional LNP charges is multiplied times the FCC's prescribed rate. The PBX increment is then multiplied times the rate adjustment factor (RAF) in accordance with the Waiver Order, which allows carriers to recover their Centrex shortfall over all multi-line customers. See WP USF-1 for this calculation.

⁴ FCC Public Notice, Proposed Second Quarter 2003 Universal Service Contribution Factor, CC Docket No. 96-45, DA 03-851, released March 21, 2003.

For Verizon-West, the per-line FUSF DID FUSF rate, which already includes nine LNP charges and is renamed to “PBX Trunks with Nine LNP Charges.” The Verizon-West federal access tariff does not have a separate end user port charge for DID trunks as is the case for Verizon-East, so the DID FUSF trunk rate and PBX FUSF trunk rate are the same.

This filing also corrects a clerical error with regard to the previously filed \$1.48 rate in West Virginia for “DID.” That rate is corrected to \$1.68, and now appears under the re-labeled category of “PBX Trunks with End User Port Charge.”

In summary, Verizon has re-labeled the DID rate element for Verizon-East to “PBX Trunks with End User Port Charge” since the previous rate included the applicable ML SLC, nine LNPs, and a line port charge, and; re-labeled the DID rate element for Verizon-West to “PBX Trunks with Nine LNPs” since end user port charges do not apply in the Verizon-West tariff. In addition, Verizon has developed a new PBX rate without end user line port charges for Verizon-East. This new rate was calculated in the same manner as Verizon’s initial filing on March 17, 2003.

WORKPAPERS

Introduction

Verizon has provided the necessary detail to support the calculations of the FUSF per-line charge for the new Verizon-East PBX rate element as described in WP USF-1 .

Verizon - East
Calculation of PBX FUSF Rate w/o Port Charges

<u>Description</u>	<u>Tariff Entity</u>	(a)	(b)	(c = a x b)	(d=8 LNP x .091)	(e = b x d)	(f = c + e)
		Calculated ML Rate before Centrex Shortfall	Rate Adj. Factor (RAF)	Filed ML RATE (1)	Additional (8) LNPs @ .23 ea.	Total PBX Increment incl. RAF	PBX without end user Port Charges
PBX Trunks	DC	\$ 0.38	1.85	\$ 0.70	\$ 0.17	\$ 0.31	\$ 1.01
PBX Trunks	MD	0.54	1.63	0.88	0.17	0.27	1.15
PBX Trunks	VA	0.63	1.61	1.01	0.17	0.27	1.28
PBX Trunks	WV	0.78	1.66	1.30	0.17	0.28	1.58
PBX Trunks	DE	0.62	1.86	1.16	0.17	0.31	1.47
PBX Trunks	NJ	0.60	1.38	0.83	0.17	0.23	1.06
PBX Trunks	PA	0.58	1.63	0.95	0.17	0.27	1.22
PBX Trunks	NY/CT	0.67	1.41	0.94	0.17	0.24	1.18
PBX Trunks	NEW ENGLAND	0.67	1.39	0.93	0.17	0.23	1.16

Note:

1) The Multi-line rate included in column c already includes one LNP Charge.