

## INTRODUCTION

This section outlines compliance with Section 61.38 of the Commission's Rules which applies to this filing because the Commission has found Verizon to be a dominant carrier. Section 61.38 provides the guidelines for cost support when filing new services excluded from price cap regulation.

Support for services in Tariff F.C.C. Nos. 1, 14 and 20 are included herein.

## COMPLIANCE WITH SECTION 61.38(b)

### Explanation and data supporting either changes or new tariff offerings:

#### Service Description

With this filing, Verizon is revising rates in Tariffs F.C.C. Nos. 1, 14, and 20 for a previously filed specialized service arrangement for the Federal Government. The Washington Interagency Telecommunications System (WITS) network arrangement is designed to provide transmission service between and among the General Services Administration (GSA), various federal agencies, IXCs and other designated users.

The WITS specialized arrangement was originally filed in July 2000 as Bell Atlantic Transmittal No. 1312. This filing supports the amended rates for year 4 of this eight-year arrangement. The rates are as described in the contract for year 4.

#### Reason for this Filing

Verizon is making this specialized arrangement filing to fulfill a specific and unique Federal Government service request.

#### Basis of Ratemaking

Verizon performed a cost study to determine the investment and costs for the transmission services. The investment components included interoffice transport equipment, fiber and network monitoring equipment. These investments were multiplied by account specific cost factors to calculate the annual recurring capital costs and operating expenses for the investment. In addition to investment related costs, labor related costs for network design, engineering, operations, network monitoring and vendor support for each group of service components are included where appropriate.

Nonrecurring costs for installation and administration was developed by multiplying the estimated staff hours by the appropriate labor rates

Recurring and nonrecurring costs and rates are displayed on Workpapers 1 through 29 for F.C.C. 1 and 14. These costs for F.C.C. 20 are displayed in Workpapers 50 - 59.

**Projection of Revenues and Costs**

A projection of the annual revenues and costs appears in Workpapers 30 through 49 for F.C.C. 1 and 14. For F.C.C. 20 the projection of annual revenue is shown in line 8 of Workpaper 59.