

**THE VERIZON TELEPHONE COMPANIES**

**TARIFF F.C.C. NOs. 1, 11 and 14**

**PRICING FLEXIBILITY CLEANUP**

**AND**

**REMOVAL OF SERVICES FROM PRICE CAPS**

**DESCRIPTION AND JUSTIFICATION**

**Transmittal No. 469**

**July 9, 2004**

## **INTRODUCTION**

The Verizon Telephone companies (“Verizon”) are submitting tariff pages to revise regulations pertaining to pricing flexibility in Tariff F.C.C. Nos. 1, 11 and 14. Verizon makes this filing pursuant to receiving Pricing Flexibility relief for Special Access and Dedicated Transport Services in qualifying Metropolitan Statistical Areas (MSAs)<sup>1</sup>. The revisions in this filing include:

### **A. Removal of Certain Services from Price Caps and Establishment of Pricing Flexibility Rates and Charges for the Removed Services**

These services are identified in Figure 1 which is attached to this filing. Figure 1 illustrates the services for which pricing flexibility rates and charges are introduced, the specific annual access tariff filing in which Verizon demonstrated that the new service should be granted Phase I and Phase II regulatory relief, the transmittal number under which the service was introduced, and the price cap service category into which the service was initially added. Supporting information associated with the demand revisions to Special Access and Trunking services subject to Price Caps and justification of the revenue effects of removing those services from Price Caps in the qualifying areas can be found at the end of this description and justification.

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<sup>1</sup> Memorandum Opinion and Order, In the Matter of Verizon Petitions for Pricing Flexibility for Special Access and Dedicated Transport Services, WCB/Pricing No. 04-01 (DA 04-1338), released May 12, 2004.

**B. Revision to the Listing of Special Access Services that are Subject to MSA Price**

**Bands in Tariff F.C.C. Nos. 1, 11 and 14**

These lists identify which Special Access Services are subject to price band rates and charges in the applicable tariff. These lists are being revised in Tariff F.C.C. Nos. 1, 11 and 14 to add services subject to price band rates that have been added to the tariff since the lists were last updated and to add services subject to price band rates that are being added to the tariff under this transmittal.

**C. Update of Switched Access Pricing Flexibility Rates**

Certain Switched Access Service pricing flexibility rates and charges are revised in Tariff F.C.C. Nos. 1 and 11 such that these rates and charges are being set at the same rate levels as their corresponding Switched Access Service rates and charges for non-pricing flexibility rates and charges.

**D. MSA List Revisions**

Additional Phase II MSAs are added to Tariff F.C.C. Nos. 11 and 14 for those MSAs which have achieved pricing relief since Verizon's last pricing flexibility cleanup filed under Transmittal No. 334, which was issued on July 3, 2003. The additional Phase II MSAs that are added in this filing include:

TARIFF F.C.C. NO. 11 - Dutchess County NY MSA

TARIFF F.C.C. NO. 14 - Elkhart-Goshen MSA

**E. Optical Networking Clarification**

In its Tariff F.C.C. No. 14, Verizon is updating certain Optical Networking rates to clarify that the rates apply to both Pricing Flexibility pricing bands and to all other rates and charges (e.g., Non-MSA). Optical Networking became eligible for pricing relief under Transmittal No. 52, which was issued on June 18, 2001.

**F. Optical Networking Clarification**

In its Tariff F.C.C. No. 11, Verizon is restructuring its monthly and nonrecurring Price Band rate elements for Switched Access DS3 Entrance Facility Channel Terminations in the states of Maine, New Hampshire, Rhode Island and Vermont. These rates currently apply as a single rate per termination, regardless of the number of terminations that are provided between the same two locations. This filing restructures these rates into a tapered schedule that provides for the application of lesser channel termination rates and charges when multiple DS3 services are ordered between the same two locations.

The attached tariff pages provide a detailed description of the revisions proposed in this filing.

**Description and Justification of Pricing Flexibility Removal**  
**of Certain Services from Price Caps**

**1. Introduction**

With this filing, Verizon<sup>2</sup> is submitting the detail of its demand revisions for Special Access and Trunking Services subject to Price Caps, which reflects the May 12, 2004 approval of Verizon's Petition for Pricing Flexibility<sup>3</sup>, as well as the necessary supporting workpapers. Workpaper Revenue Summary, Workpaper Revenue Comparison, and Workpaper TK and SA Rates and Revenues demonstrate the revenue effects of removing those services in the qualifying geographic areas<sup>4</sup> contained in the Pricing Flexibility Petition from the Trunking and Special Access baskets.

**2. Demand Removal**

In this filing, Special Access 2003 Base Period demand for the additional geographic areas which qualified for Phase II Pricing Flexibility was obtained from billing system records on a rate element basis. Phase II Pricing Flexibility demand for these geographic areas was determined by summing all the demand at rate element detail for the Special Access services in these geographic areas approved by the F.C.C. on May 12, 2004 as meeting the pricing flexibility criteria. This demand was then removed from the total base period demand that was used in the 2004 Annual Filing for those same rate elements. In addition, Trunking Base Period demand for the additional geographic areas that qualified was also obtained from billing system records. Phase II Pricing Flexibility demand for these geographic areas was determined by summing all the demand at rate element detail for the Switched Access services in these

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<sup>2</sup> The Verizon East company includes Verizon New York Inc (Verizon-East). This filing includes the Verizon Telephone Company (GTOC) in the state of Indiana. This jurisdiction will be referred to as Verizon-West.

<sup>3</sup> In the Matter of Verizon Petition for Pricing Flexibility for Special Access and Dedicated Transport Services, Memorandum Opinion and Order, DA 04-1338, Released May 12, 2004

geographic areas approved by the F.C.C. on May 12, 2004 as meeting the pricing flexibility criteria. This demand was then removed from the total base period demand that was used in the 2004 Annual Filing for those same rate elements. ATS calculations were re-calculated after the geographic area demand was removed. See Workpaper Transport MOU.

### **3. Results**

In this filing, Verizon East will be removing \$1.9 million of revenue from the Special Access Price Cap Basket associated with the Special Access demand in the additional qualifying Pricing Flexibility geographic area. The amount of total Price Cap Special Access Revenue remaining in the Basket is \$1.3 billion. The Trunking Basket, for the qualifying geographic area, will be reduced by \$150 thousand. The amount of Trunking Revenue remaining in the Trunking Basket is \$200.3 million. See Workpaper Revenue Comparison in Appendix A. For Verizon West, the amount of revenues being removed from the Special Access Price Caps Basket is \$1.6 million, and the amount of total Price Cap Special Access Revenue remaining in the Basket is \$19.5 million. The Trunking Basket, for the qualifying geographic area, will be reduced by \$250 thousand. The amount of Trunking Revenue remaining in the Trunking Basket is \$4.3 million. See Workpaper Revenue Comparison in Appendix B.

The ATS rates have been recalculated to account for the reduction of revenues and transport MOUs for the qualifying geographic areas. The new ATS rates are found in the TRP TGT forms.

### **4. Workpaper Index**

Workpaper Revenue Comparison demonstrates the aggregate effects on revenue due to removal of those services from the Special Access and Trunking Baskets. Workpaper Summary

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<sup>4</sup> Geographic areas include MSA territories.

displays existing revenues and revenues at last PCI update for the Special Access and Trunking basket. Workpaper SA Rates and Revenues provides the rate element detail for the Special Access basket. Workpaper TKG Rates and Revenues provides the rate detail for the Trunking basket. Workpaper Transport MOU identifies the reduction in transport MOUs for the qualifying geographic areas.

#### **Appendix A (VZ East)**

Workpaper Revenue Summary	Revenue Summary
Workpaper Revenue Comparison	Comparison of Revenues Before and After Demand Removal
Workpaper SA Rates and Revenues	Rates and Revenues-Special Access Basket
Workpaper TKG Rates and Revenues	Rates and Revenues-Trunking Basket
Workpaper Transport MOU	Transport MOU Demand

#### **Tariff Review Plan**

ANALYZER	TRP Analyzer
BNTR IND-1	Price Cap Indices Display-Verizon-East
BNTR PCI-1	Price Cap Index Calculations-Verizon-East
BNTR TGT-1	Targeting: Inputs and Aggregate Target-Verizon-East
NXTR TGT-1	Targeting: Inputs and Aggregate Target-Verizon-East, North, F.C.C. No. 11
BATR TGT-1	Targeting: Inputs and Aggregate Target -Verizon-East, South, F.C.C. No. 1
BNTR SUM-1	Price Out Summary-Verizon-East
NXTR SUM-1	Price Out Summary-Verizon-East, North, F.C.C. No. 11
BATR SUM-1	Price Out Summary-Verizon-East, South, F.C.C. No. 1
BNTR EXG-1	Exogenous Cost Changes-Verizon-East
BNTR EXG-2	Net Exogenous Cost Shifts-Verizon-East
BNTR RTE-1	Rate Detail-Verizon-East
NXTR RTE-1	Rate Detail-Verizon-East, North, F.C.C. No. 11
BATR RTE-1	Rate Detail-Verizon-East, South, F.C.C. No. 1
CAP-1 (BNTR)	Calculation of EUCL Limit, PICC and CCL Rates-Verizon-East
CAP-1 (NXTR)	Calculation of EUCL Limit, PICC and CCL Rates-Verizon-East, North
CAP-1 (DC)	Calculation of EUCL Limit, PICC and CCL Rates-District of Columbia
CAP-1 (MD)	Calculation of EUCL Limit, PICC and CCL Rates-Maryland

CAP-1 (VA)	Calculation of EUCL Limit, PICC and CCL Rates-Virginia
CAP-1 (WVA)	Calculation of EUCL Limit, PICC and CCL Rates-West Virginia
CAP-1 (DE)	Calculation of EUCL Limit, PICC and CCL Rates-Delaware
CAP-1 (NJ)	Calculation of EUCL Limit, PICC and CCL Rates-New Jersey
CAP-1 (PA)	Calculation of EUCL Limit, PICC and CCL Rates-Pennsylvania
CAP-2 (BNTR)	Manual Input of EUCL rates-Verizon-East
CAP-3 (BNTR)	Calculation of Minimum and Maximum End User Rates-Verizon-East
CAP-4 (BNTR)	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
CAP- 5 (BNTR) Supplemental TRP	Verification of Recovered CMT Revenue-Verizon-East Percent Change in Revenues by Band BATR-Verizon-East, South

#### **Appendix B (VZ West)**

Workpaper Revenue Summary	Revenue Summary
Workpaper Revenue Comparison	Comparison of Revenues Before and After Demand Removal
Workpaper SA Rates and Revenues	Rates and Revenues-Special Access Basket
Workpaper TKG Rates and Revenues	Rates and Revenues-Trunking Basket
Workpaper Transport MOU	Transport MOU Demand

#### **Tariff Review Plan**

A TRP is being provided for the Verizon West COSA, GAIN.

ANALYZER	TRP Analyzer
COSA IND-1	Price Cap Indices Display-Verizon-West
COSA PCI-1	Price Cap Index Calculations-Verizon-West
COSA TGT-1	Targeting: Inputs and Aggregate Target-Verizon-West
COSA SUM-1	Price Out Summary-Verizon-West
COSA EXG-1	Exogenous Cost Changes-Verizon-West
COSA EXG-2	Net Exogenous Cost Shifts-Verizon-West
COSA RTE-1	Rate Detail-Verizon-West
CAP-1	Calculation of EUCL Limit, PICC and CCL Rates-Verizon-West Jurisdiction
CAP-2	Manual Input of EUCL rates-Verizon-West Jurisdiction
CAP-3	Calculation of Minimum and Maximum End User Rates-Verizon-West Jurisdiction
CAP-4	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-West Jurisdiction
CAP- 5	Verification of Recovered CMT Revenue-Verizon-West Jurisdiction