

THE VERIZON TELEPHONE COMPANIES

TARIFF FCC NO. 1

**UNITED STATES DEPARTMENT OF DEFENSE
SPECIALIZED SERVICE**

DESCRIPTION AND JUSTIFICATION

Transmittal No. 478

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SECTION	DESCRIPTION
1	DESCRIPTION AND JUSTIFICATION
2	COMPLIANCE WITH COMMISSION RULES
3	WORKPAPER INDEX

DESCRIPTION AND JUSTIFICATION

SECTION 1

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 guidelines for cost support when filing new services excluded from price cap regulation.

SECTION 2

COMPLIANCE WITH SECTION 61.38(B)

Explanation and data supporting either changes or new tariff offerings:

Service Description

With this filing, Verizon submits tariff pages and supporting documentation in support of introducing a specialized service for the United States Department of Defense ("the Customer") in Verizon's Tariff FCC No. 1. The specialized service is an extension of the Washington Interagency Telecommunications System 2001 ("WITS 2001") specialized arrangement set forth in Tariff FCC No. 1, Section 10.9.5 which provides a uniquely rated and designed data arrangement for the General Services Administration ("GSA"). The specialized service introduced in this filing provides unprotected Optical Carrier ("OC") 192 Optical Transport Channel to the customer. These channels allow varying protocols to be transmitted over a backbone network that deploys Dense Wave Division Multiplexing ("DWDM") technology. Unlike the remaining services in the WITS 2001 specialized arrangement which are offered to all branches of the Federal Government, Unprotected OC192 Optical Transport Channels under this specialized service are only available to the United States Department of Defense. The provisions set forth in the attached tariff pages for this specialized service apply in lieu of all other terms and conditions set forth in the WITS 2001 specialized arrangement contained in

Tariff FCC No. 1, Section 10.9.5.

This arrangement is being provided for a term of five (5) years beginning with the effective date of this filing. The monthly rate for each Unprotected OC192 Optical Transport Channel applies as a single rate for the entire end-to-end channel, regardless of the underlying protocol being transmitted over the channel. Each Unprotected OC192 Optical Transport Channel is subject to a nonrecurring installation charge. The nonrecurring installation charge is differentiated by when the channel is installed (i.e., initial delivery of the service or subsequent to the initial delivery of the service).

Upon completion of the 5 year term, the customer may discontinue service or continue with the service on a month-to-month basis at the rate applicable to this specialized service.

This specialized service is available only in LATA 236 and is subject to the availability of suitable facilities to provide the service.

Reason for 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 component 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 in the attached workpapers.

Projection of Revenues and Costs

A projection of the annual revenues and costs appears in Workpapers -Revenue.

SECTION 3

WORKPAPER INDEX

Workpaper 1

Revenue Analysis

The attached tariff pages provide a complete description of this specialized service for the United States Department of Defense.