

THE VERIZON TELEPHONE COMPANIES

TARIFF F.C.C. NOs. 1, 14 and 20

WASHINGTON INTERAGENCY TELECOMMUNICATIONS SYSTEM (WITS)

YEAR 5 RATE UPDATE

DESCRIPTION AND JUSTIFICATION

Transmittal No. 489

September 16, 2004

INTRODUCTION

This section outlines compliance with Section 61.38 of the Commission's Rules, which provides the guidelines for cost support when filing new services excluded from price cap regulation. Services to the Federal Government are excluded from price caps. *See Policy and Rules Concerning Rates for Dominant Carriers*, 5 FCC Rcd 6786, ¶ 196(1990).

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, interexchange carriers, and other designated users.

The WITS specialized arrangement was originally filed in July 2000 under Bell Atlantic Transmittal No. 1312 as an eight-year arrangement. The tariff provides for revision of the rates on an annual basis. *See, e.g.*, Tariff FCC No. 1, Section 10.9.5(B). This filing supports the amended rates for year 5.

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 Tariff F.C.C. Nos. 1 and 14. These costs for Tariff F.C.C. No. 20 are displayed in Workpapers 55 - 64.

Projection of Revenues and Costs

A projection of the annual revenues and costs appears in Workpapers 30 through 54 for Tariff F.C.C. Nos. 1 and 14. For Tariff F.C.C. No. 20, a projection of the annual revenues and costs appears in Workpapers 55 through 64.