

**THE VERIZON TELEPHONE COMPANIES**

**TARIFF F.C.C. Nos. 1, 11, 14 and 16**

**IntelliLight<sup>®</sup> Optical Transport Service**

**Price Cap Restructure**

**and**

**Price Flex Update of Certain IOTS Rate Elements**

**DESCRIPTION AND JUSTIFICATION**

**Transmittal No. 605**

**August 1, 2005**

<b>SECTION</b>	<b>DESCRIPTION</b>
1	DESCRIPTION AND JUSTIFICATION
2	COMPLIANCE WITH COMMISSION RULES
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## **1.1 INTRODUCTION**

Verizon<sup>1</sup> submits tariff pages and supporting information for a price cap filing restructure under Section 61.3(II) of the Commission's rules and to waive termination liabilities in its Tariff F.C.C. Nos. 1, 11, 14 and 16 on IntelliLight Optical Transport Service ("IOTS") under certain circumstances.

The following two restructures are included in this filing: (a) restructure the Switched Access and Special Access IOTS service into a Category I rate structure (existing) and a Category II rate structure (proposed); and (b) waiver of termination liability when existing customers move to the new Category II rate structure.

### **(a) Restructure of Switched Access and Special Access IOTS into Category I and Category II rate structures**

The Category I rate structure and the corresponding rates and charges apply to existing customers whose IOTS is in service or on order prior to the effective date of the instant filing. Category I includes separate rates and charges for At-Node Amplification as further described in this Section 1.1.

The Category II rate structure and corresponding rates and charges apply to customers who subscribe to new IOTS on or after the effective date of the instant filing, and to existing customers that are subject to Category I rates and charges who voluntarily convert to Category II rates as further described in the attached tariff pages.

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<sup>1</sup> The Verizon Telephone Companies 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. These companies will now be referred to as Verizon-East. Verizon East is comprised of the former Bell Atlantic-North (NYNEX) and Bell Atlantic-South. The Verizon Telephone Companies in the states of CA, FL, ID, IL, IN, MI, NC, NV, OH, OR, PA, SC, TX, VA, WA, and WI, will be referred to as Verizon-West (formerly GTE Telephone Operating Telephone Companies (GTOC) and GTE System Telephone Companies (GSTC). Also, Hawaiian Telcom, Inc., which operates in the territory formerly served by Verizon Hawaii Inc. and is a

The Category II rate structure eliminates the separate rates and charges for At-Node Amplification and changes existing rate levels in Tariff F.C.C. Nos. 1, 11, 14 and 16 for many of the remaining IOTS rate elements.

**(b) Waiver of Termination Liability for converts from Category I rate structure to Category II rate structure**

Termination Liabilities will be waived when current customers convert from the existing Category I rate structure to the proposed Category II rate structure in accordance with the requirements set forth in the tariff as outlined below.

With this filing, Verizon submits tariff pages and supporting information for a price cap restructure, as defined in Section 61.3(l) of the Commission's rules. That section defines a restructured service as "an offering which represents a method of charging or provisioning a service, or the introduction of a new method of charging or provisioning that does not result in a net increase in options available to customers."

Verizon will not be submitting any supporting information for a price cap filing restructure of Termination Liabilities under Section 61.49(e) of the Commission's rules since the changes have no impact on revenue under the Cap. This is explained more fully in Section 2 below. Verizon will be submitting data for the restructure into Category I and Category II rates for Tariff F.C.C. Nos. 1 and 11. Since there is no demand for those items in Tariff F.C.C. Nos. 14 and 16, no changes to the indices will occur. As a result, Tariff Review Plan ("TRP") support for those tariffs is not included in this filing.

The Category I and Category II rate structures proposed in the instant filing are not applicable in the State of Hawaii. Under Transmittal No. 567, Verizon established

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concurring carrier effective May 17, 2005, will not be affected by the changes proposed in the instant tariff

Hawaiian Telcom, Inc. as a Concurring Carrier in FCC Tariff Nos. 14, 20 and 21 as of May 17, 2005.

## **1.2 SERVICE DESCRIPTION**

IntelliLight Optical Transport Service (IOTS) is a DWDM metro ring based service, offering multi-node diversely routed ring architecture. This design allows for the provisioning of protected (self-healing) channels and unprotected channels. IOTS utilizes a DWDM metro ring solely for use by the customer of record. Both the facilities and network elements [including Optical Add/Drop Multiplexer (OADM), nodes and amplification devices (either At-Node Amplification or Mid-Span Amplification)] are fully dedicated to the customer. The service allows a customer to specify the location of the nodes. IOTS rings are currently available for 3, 5, and 7-year term plans. They are designed for those customers with more than one optical service, or with transmission requirements only available on a DWDM platform. Users in need of fully available bandwidth within a defined community are ideally positioned to benefit from the IOTS product, which has proven successful in the high bandwidth marketplace.

The service is designed as a diversely routed DWDM ring. The fiber path or links interconnect each network element to form a complete ring. This design criterion provides a customer with its own optical transport platform that has an architecture that supports the provisioning of protected channels, which would have no single point of failure (excluding the end points of any service riding the ring). Amplification of the signal may be required in order to ensure acceptable optical levels. Amplification can

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filing.

occur at the node (At-Node Amplifier) or in a Telephone Company wire center (Mid-Span Amplification).

IOTS has been available across Verizon-East since December 29, 2001, and Verizon-West since November 15, 2002. This service provides a high-speed, diversely routed topology for a variety of purposes including SONET transport, ATM, Mainframe, and interconnectivity of high-speed IP routers. An optical signal carrying multiple wavelengths provides the connection between IOTS nodes in a dedicated ring configuration providing the basis of this service. Customers currently interface with the IOTS at OC3/3c, OC12/12c, OC48/48c, OC192/192c, ESCON, FICON, FICON Express, 1Gbps and 2Gbps Fiber Channel, ETR, FDDI, ISC, ISC3, Fast Ethernet, Gigabit Ethernet, 10Gigabit Ethernet and D1 Video.

### **1.3 DESCRIPTION AND JUSTIFICATION**

Verizon is seeking several changes to the IOTS provisions in Tariffs F.C.C. Nos. 1, 11, 14 and 16. Specifically, this filing includes:

1. Additional provisions governing the application of termination liability (TL) in order to permit an IOTS customer subject to the Category I rate structure and rates to convert to the Category II rate structure and rates. When the customer orders such conversion within the first three months of the effective date of this filing (ending November 16, 2005), and the conditions set forth in the attached tariff pages are met, the conversion to the Category II rate structure and rates will occur without the application of TL that would otherwise apply for early termination of the term plan subject to the Category I rate structure and rates. A customer electing to convert from the Category I rate structure

and rates to the Category II rate structure and rates at any time after the first 90 days following the effective date of this filing is subject to TL as it would normally apply for early termination of the term plan subject to the Category I rate structure and rates. This period of time will ensure that any customer subject to the Category I rate structure and rates (whether subscribing to IOTS under general tariff or under a contract tariff option) will have ample time in which to convert to the new Category II rate structure and rates.

2. Modifications to the provisions that govern the application of the At Node

Amplification rate elements to create the Category I and Category II charging structures.

These revisions are beneficial to certain existing term plan customers who likely will subscribe to the new Category II structure, and therefore will result in a change in demand which will be reflected in the TRP. The overall revenue change in this filing is a reduction of \$74,000.

3 Price flex rate elements in Tariffs F.C.C. Nos. 1, 11 and 14 for new IOTS services which are now eligible for pricing flexibility. Verizon has received Pricing Flexibility relief for Special Access and Dedicated Transport Services in qualifying Metropolitan Statistical Areas (MSAs).

## **SECTION 2**

### **2.1 COMPLIANCE WITH RULES**

Support information as specified in Sections 61.49 of the Commission's rules is attached. The support documentation contains the necessary Workpapers. The supporting documentation addresses 1) the modification of the rate structure and 2) the modification of the termination liability provisions.

In this filing, the revenues associated with the waiver of termination liabilities were analyzed to identify only that portion of the total Termination Liability Revenue associated with conversions from the Category I to the Category II rate structure. The revenue change was estimated by comparing the relationship of IOTS Termination Liabilities to total Termination Liabilities. Then the relationship of IOTS conversion from Category I to Category II to all other IOTS termination liabilities was used to arrive at the final revenue impact. The initial analysis revealed that for Tariff F.C.C. Nos. 1 and 11, there were no IOTS Termination Liabilities in the base period; therefore, no matter what the percentage of service, no reduction for Termination Liabilities will need to be reflected in the indices. Since there was no base period demand for IOTS services, there also were no Termination Liability charges associated with Special Access IOTS in Tariff F.C.C. No. 14 or 16. As a result, no supporting information under Section 61.49(e) is required for the Special Access Basket for those tariffs. In summary, the overall revenue change associated with this part of the restructure is zero. Since there was no impact in Tariff F.C.C. Nos. 1, 11, 14 or 16 Termination Liabilities, and therefore no changes to any Price Cap Revenues, no supporting information as specified in Sections 61.49 of the Commission's rules is required.

Further, in this filing, the demand for the At Node Amplification in Tariff F.C.C. Nos. 1 and 11 areas under Category I and Category II has been adjusted to reflect the new structure. Based on analysis that Verizon performed on the existing IOTSs priced under Tariff F.C.C. Nos. 1 and 11, Verizon can assume that four of the five IOTSs priced under Tariff F.C.C. No. 1 will move to Category II pricing, and that four of the nine IOTS priced under Tariff F.C.C. No. 11 will move to Category II pricing. Based on these

assumptions, this restructure results in revenues being lowered by \$74,000 as the customers migrate to the new Category II structure. Workpapers providing documentation for this restructure are found in the Workpaper Restructure, Workpaper SA Rates and Revenues, Workpaper TK Rates and Revenues, and Workpaper Revenue Summary.

### SECTION 3

#### 3.1 WORKPAPERS AND TARIFF REVIEW PLANS

##### INTRODUCTION

The Verizon companies have provided the necessary detail to support the calculations of indices in various Workpapers. The following is the index of such Workpapers.

##### Workpaper Index

Workpaper Revenue Summary	Revenue Summary
Workpaper SA Rates and Revenues	Rates and Revenues—Special Access Basket
Workpaper TK Rates and Revenues	Rates and Revenues – Trunking Basket
Workpaper Restructure-Current and Proposed TK FCC 1	Current and Proposed Structure FCC 1, Trunking Basket
TK FCC 11	Current and Proposed Structure FCC 11, Trunking Basket
SA FCC 1	Current and Proposed Structure FCC 1, Special Access Basket
SA FCC 11	Current and Proposed Structure FCC 11, Special Access Basket

##### Tariff Review Plan

<b>ANALYZER</b>	TRP Analyzer
<b>BNTR IND-1</b>	Price Cap Indices Display-Verizon-East
<b>BNTR PCI-1</b>	Price Cap Index Calculations-Verizon-East

<b>BNTR TGT</b>	Targeting: Inputs and Aggregate Target-Verizon-East
<b>NXTR TGT</b>	Targeting: Inputs and Aggregate Target-Verizon-East, North, FCC No. 11
<b>BATR TGT</b>	Targeting: Inputs and Aggregate Target -Verizon-East, South, FCC No. 1
<b>BNTR SUM-1</b>	Price Out Summary-Verizon-East
<b>NXTR SUM-1</b>	Price Out Summary-Verizon-East, North, FCC No. 11
<b>BATR SUM-1</b>	Price Out Summary-Verizon-East, South, FCC No. 1
<b>BNTR EXG-1</b>	Exogenous Cost Changes-Verizon-East
<b>BNTR EXG-2</b>	Net Exogenous Cost Shifts-Verizon-East
<b>BNTR RTE-1</b>	Rate Detail-Verizon-East
<b>NXTR RTE-1</b>	Rate Detail-Verizon-East, North, FCC No. 11 Pages 2-40
<b>BATR RTE-1</b>	Rate Detail-Verizon-East, South, FCC No. 1
<b>CAP-1 (BNTR)</b>	Calculation of EUCL Limit, PICC and CCL Rates—Verizon-East
<b>CAP-2 (BNTR)</b>	Manual Input of EUCL rates-Verizon-East
<b>CAP-3 (BNTR)</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>CAP-4 (BNTR)</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>CAP- 5 (BNTR)</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>NXTR RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 11 Page 1
<b>NXTR CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>NXTR CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>NXTR CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>NXTR CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>NXTR CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>NXTR ANALYZER – JURIS</b>	Analyzer Page 2
<b>DC RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>DC CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>DC CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>DC CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>DC CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>DC CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>DC ANALYZER – JURIS</b>	Analyzer Page 2
<b>MD RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>MD CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>MD CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>MD CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>MD CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>MD CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>MD ANALYZER – JURIS</b>	Analyzer Page 2
<b>VA RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>VA CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>VA CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>VA CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>VA CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>VA CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>VA ANALYZER – JURIS</b>	Analyzer Page 2
<b>WV RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>WV CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>WV CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>WV CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>WV CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>WV CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>WV ANALYZER – JURIS</b>	Analyzer Page 2
<b>DE RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>DE CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>DE CAP-2J</b>	Manual Input of EUCL rates-Verizon-East

<b>DE CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>DE CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>DE CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>DE ANALYZER – JURIS</b>	Analyzer Page 2
<b>NJ RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>NJ CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>NJ CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>NJ CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>NJ CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>NJ CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>NJ ANALYZER – JURIS</b>	Analyzer Page 2
<b>PA RTE-1J</b>	Rate Detail-Verizon-East, North, FCC No. 1 Page 1
<b>PA CAP-1J</b>	Calculation of EUCL Limit, PICC and CCL Rates
<b>PA CAP-2J</b>	Manual Input of EUCL rates-Verizon-East
<b>PA CAP-3J</b>	Calculation of Minimum and Maximum End User Rates-Verizon-East
<b>PA CAP-4J</b>	Allocation of Pool Revenues to MLB PICC and MLB EUCL-Verizon-East
<b>PA CAP- 5J</b>	Verification of Recovered CMT Revenue-Verizon-East
<b>PA ANALYZER – JURIS</b>	Analyzer Page 2
<b>Supplemental TRP</b>	Percent Change in Revenues by Band BATR-Verizon-East, South
<b>Supplemental TRP</b>	Percent Change in Revenues by Band NXTR-Verizon-East, North