

THE VERIZON TELEPHONE COMPANIES

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

Telecommunications Relay Service Exogenous Cost Filing

DESCRIPTION AND JUSTIFICATION

Transmittal No. 735

September 15, 2006

DESCRIPTION AND JUSTIFICATION

1.0 INTRODUCTION

The Verizon Telephone Companies¹ hereby submit tariff pages, and support data for compliance with the FCC's Order² on the final Telecommunications Relay Service ("TRS") factors and the associated exogenous costs. This filing is in compliance with and includes the necessary support material required by Sections 61.41 through 61.49 of the Commission's Rules. The exogenous cost changes of \$2.3 million reflect the new TRS factor that has been released since the 2006 Annual Filing.

Overall, Verizon increases actual revenues by \$1.9 million dollars. See Workpaper Revenue.

1.1 COMPLIANCE WITH INDICES

In this filing, the Commission requires Verizon to compute the appropriate adjustments to the Price Cap Index (PCI) for each Price Cap basket.⁶ The PCI calculations are set forth in the Tariff Review Plan, form PCI-1. The sources for the existing necessary indices are in TRP form IND-1.

¹ 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)).

² In the matter of Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, FCC Order 04-199, released June 30, 2006.

1.1.1 COMPUTATION OF INDICES and CMT

Verizon applied the formula prescribed in Section 61.45 of the Commission's Rules to compute the PCIs for Traffic Sensitive, Trunking, Special Access and Interexchange baskets and CMT per Line for the Common Line basket. The PCIs used in the Trunking, Traffic Sensitive, Interexchange and Special Access baskets are based on rates and indices brought forward from the last filing in each of those baskets.

1.2 EXOGENOUS COST CHANGES

In this filing, Verizon proposes to change the TRS exogenous cost to reflect the most recent factor change. On June 30, 2006 the FCC released a new TRS factor for the period of July 1, 2006 through June 30, 2007. Therefore it was necessary to update the exogenous cost data filed in the 2006 Annual filing to reflect the most current factors.

The Telecommunications Relay Service (TRS) contributions were calculated by determining the difference between the TRS contribution obligation in the current tariff rates and the TRS contribution required for the July 1, 2006 through June 30, 2007 tariff period. The proposed TRS factor of 0.00535 in FCC Order 04-199 replaces the previous factor of 0.00494. This exogenous amount calculated then had to be adjusted to collect the 12-month amount over 9 months. The total impact on rates is approximately \$2M in Verizon, which resulted in increases in certain SLC, PICC and CCL rates. See Figures 2, 3 and 4.

1.3 BASIS OF RATEMAKING

1.3.1 INTRODUCTION

In this filing, Verizon is implementing changes to rates only in the Common Line basket. Verizon's new rate levels produce indices that are in full compliance with the Commission's Rules. Overall, Verizon increases revenues by \$1.9 million. In this filing, the SLC, PICC and CCL rates are adjusted to reflect the updated TRS exogenous costs.

1.3.2 SLC RATES

For Verizon-East FCC Tariff No. 1, SLC rates are developed on a state-specific basis. In Verizon-West SLC rates are established on a jurisdiction basis for each jurisdiction in both FCC Tariff Nos. 14 and 16. Figure 2 provides a listing of the proposed SLC rates.

1.3.3 PICC Rates

The Multi-line Business PICC cap is \$4.31. Since the Subscriber Line Charges do not recover the total CMT revenues, the overflow creates a MLB PICC rate. When the PICC reaches the Cap of \$4.31, the overflow creates a CCL rate. The MLB PICC rate development is shown on TRP CAP-1. Figure 3 shows the proposed PICC rates by Jurisdiction.

1.3.4 Carrier Common Line Rates

The premium MOU (Common Line and Marketing) originating and terminating rates remain at zero for both Verizon-East Tariff FCC No. 1 and Tariff FCC No. 11. The rate development for CCL charges is shown on the TRP CAP-1. The premium MOU (Common Line and Marketing) originating and terminating rates for both Verizon-West Tariff FCC No. 14 and Tariff FCC No. 16 are shown on Figure 4. The rate development for CCL charges is shown on the TRP CAP-1.

1.3.5 SPECIAL ACCESS RATES

As displayed in the TRP PCI-1, the new PCIs for the Verizon's Special Access basket reflect the change in exogenous cost for TRS. No changes to special access rates are being made at this time.

1.4 WORKPAPERS AND TARIFF REVIEW PLANS

1.4.1 Introduction

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

1.4.2 INDEX

Verizon

Figure 1 TRS Exogenous Cost Summary by Basket

Figure 2 Proposed SLC Rates

Figure 3 Proposed PICC Rates

Figure 4 Proposed CCL Rates

Figure 5 Proposed CMT Per Line

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| Workpaper Revenue | Revenue Summary |
| Workpaper CL Rate Detail | Rates and Revenues—Common Line basket |
| Workpaper CAP-Initial | CAP showing initial rates before Receipts Reallocation |
| Workpaper CAP-Final | CAP showing Final Rates resulting from Receipts reallocation |
| Workpaper USAC Receipts Allocation for PICC | Details of Reallocation of Receipts for PICC Purposes |

Exogenous Cost Workpapers

Workpaper 1 Calculation of TRS Exogenous Cost

Tariff Review Plan (VZTC)

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