

**THE VERIZON TELEPHONE COMPANIES**

TARIFF F.C.C. NOs. 1, 11, 14 and 16

INTRODUCTION OF NATIONAL DISCOUNT PLAN

DESCRIPTION

TRANSMITTAL NO. 811

May 25, 2007

The Verizon Telephone Companies (“**Verizon**”) hereby submit tariff pages to introduce National Discount Plan (“**NDP**”) into Tariffs F.C.C. Nos. 1, 11, 14 and 16 (individually, “**Tariff**” and collectively, “**Tariffs**”). NDP is an optional offering for customers who seek a single discount plan for their Special Access High Capacity 1.544 Mbps (“**DS1**”) and 44.736 Mbps (“**DS3**”) Services that is administered and managed on a nationwide basis. The NDP is generally available to any customer who purchases Special Access DS1 and DS3 Services, and meets the terms and conditions for the NDP. The principal terms and conditions of the NDP are described in Section 1 through Section 7 following. A description of the capitalized terms used herein can be found in each Tariff.

## **Section 1 – Overview of the NDP**

The NDP allows a NDP Customer to aggregate all of its Qualifying Services that it purchases from Verizon within the operating territories of the Tariffs (collectively “**the Verizon Footprint**”). NDP provides discounts on certain rate elements of the NDP Customer’s Special Access DS1 and DS3 Qualifying Services. The level of discount received by the NDP Customer under the NDP is based on (1) the NDP Customer’s quantities of DS1 equivalent Channel Terminations or DS1 equivalent Channel Mileage for the Qualifying Services; and (2) the NDP Customer’s selection of a Commitment Matrix Option (i.e., percentage of the number of Qualifying Services that are used to set Commitment Levels); and (3) the Plan Year of the NDP Term. NDP is established and maintained as a single discount plan across the Verizon Footprint.

## **Section 2 – Establishment of an NDP**

At the initial establishment of an NDP, all of the following occur:

**Cancellation of Existing Term Plans** - As of the NDP Start Date, the NDP Customer must cancel all of its circuit-specific term plans, commitment term plans, and term and volume plans for its Special Access DS1 and DS3 Services that it purchases from Verizon in order to include all of its Special Access DS1 and DS3 Services in the NDP. Termination liability does not apply to such cancelled plans. The NDP Customer may subscribe to IntelliLight® Entrance Facilities Service (**IEF Service**) term plans and/or Facilities Management Service (**FMS Service**) term plans during the term of the NDP.

**Inclusion of ACNAs** - All of the subscribing customer's Access Carrier Name Abbreviations (**ACNAs**) must be included in the NDP, as well as any ACNAs of any other Person who is included in the NDP by the subscribing customer. All such Persons and the subscribing customer are together referred to as the NDP Customer.

**Qualifying Services** – The NDP Customer must include in its NDP certain quantities of its Qualifying Services that are in-service in the month prior to the NDP Start Date. Qualifying Services are comprised of the channel terminations of Special Access DS1, DS3, IEF and FMS Services (subject to certain exceptions), and channel mileage of Special Access DS1, DS3 and FMS Services (subject to certain exceptions). Qualifying Services are used to establish Commitment Levels and Discount Tiers for the NDP.

**Commitment Matrix Choice and Establishment of Commitment Levels** – The NDP Customer must select either a Premier Commitment Matrix (which requires a commitment of 90% of Equivalent DS1 CTs (channel terminations) and Equivalent DS1 CMs (channel

mileage)), or a Standard Commitment Matrix (which requires a commitment of 85% of Equivalent DS1 CTs and Equivalent DS1 CMs)). Using the number of Equivalent DS1 CMs and Equivalent DS1 CTs that are in-service in the month prior to the NDP Start Date, Verizon will establish Commitment Levels for the Initial Term. Verizon will establish a single commitment level for channel terminations (“**CT Commitment Level**”), and a single commitment level for channel mileage (“**CM Commitment Level**”) by multiplying the in-service quantities of Qualifying Services that the NDP Customer has across the Verizon Footprint by either 85% commitment (if the Standard Commitment Matrix is selected) or 90% commitment (if the Premier Commitment Matrix is selected). The resulting Commitment Levels will apply for the entire Initial Term of the NDP, unless otherwise adjusted at an Annual True-Up as further described in Section 5 following and the attached tariff pages.

**Discount Tiers** - Using the actual quantities of Qualifying Services described above, Verizon will assign the Discount Tiers and corresponding Plan Year 1 discount percentages applicable to the Special Access DS3 and DS1 Service channel termination, multiplexer, and channel mileage rate elements. On an annual basis, Verizon will assign new Discount Tiers as part of the Annual True-Up process. Such new Discount Tiers will apply for the next plan year of the NDP Term.

**Term of the NDP** - The NDP has an Initial Term of five (5) years and an option to renew for an additional five year Renewal Term(s), with some additional benefits associated with renewals as described in the attached tariff pages.

### **Section 3 – Application of Discounts under NDP**

During each Plan Year, Verizon will apply the applicable discount percentage to the Discounted Rate Elements. Discounted Rate Elements are the following: (1) Special Access DS3 and DS1 channel terminations; (2) multiplexers (Tariff FCC No. 1 and Tariff FCC No. 11

only, subject to certain exceptions); and (3) and channel mileage (including Banded Channel Mileage and channel mileage that applies on a fixed and per mile basis). The discount percentages vary based upon (i) the Discounted Rate Element involved; (ii) the Plan Year; (iii) the Commitment Matrix selected; and (iv) the Discount Tier. Although IEF Service STS1 terminations and FMS Service channel terminations and channel mileage are Qualifying Services and will be used to set the Commitment Levels and Discount Tiers for the NDP, IEF Service and FMS Service are not subject to discounts under NDP. The NDP Customer will continue to receive discounts on IEF Services and FMS Services during the Term of the NDP under their existing IEF term plans and FMS term plans, respectively.

#### **Section 4 – Application of DS3 Channel Mileage**

With NDP, Verizon is introducing a new Banded Channel Mileage rate structure that applies to certain Special Access DS3 Services that are included in the NDP. The Banded Channel Mileage rate structure organizes all DS3 channel mileage into bands (e.g. 1-4 miles, 5-8 miles, 9-15 miles, and the like), and provides a flat rate by mileage band based on the NDP Customer's choice of Commitment Matrix, Plan Year, and its placement in a Discount Tier. This Banded Channel Mileage rate structure provides clarity and the consistency of a single rate to NDP Customers. For example, if an NDP Customer orders a 3-mile Special Access DS3 Service under Tariff FCC No. 1, the NDP Customer would receive a flat rate of \$645.14 for such circuit (assuming, as an example, that the NDP Customer has selected the Premier Commitment Matrix and is in Discount Tier F for Plan Year 1). That circuit would be rated under the 1-4 mile band, which has a flat rate of \$1,049.00, and would receive in addition a discount of 38.5% associated with the NDP Customer's Discount Tier F in Plan Year 1 and the Premier

Commitment Matrix selection. Banded Channel Mileage rates apply to (i) each Special Access DS3 Service that is provided between two serving wire centers of the same Verizon Telephone Company; and (ii) each Special Access DS3 Service that is jointly provided by two different Verizon Telephone Companies within certain operating territories of FCC1 as specified in the attached tariff pages. For NDP Customers, this Banded Channel Mileage rate structure would apply in lieu of the fixed and per mile rate structure that currently exists in the Tariffs.

The Banded Channel Mileage rate structure is being introduced in the NDP in response to customers requesting a simplified channel mileage rate structure for Special Access DS3 channel mileage. Currently, a customer purchasing a 3-mile Special Access DS3 Service purchased under FCC1 would need to specifically calculate the applicable fixed and per mile charges for the service, while taking into account the applicable price cap or price flex rates. With the Banded Channel Mileage structure, the NDP Customer can receive one flat channel mileage rate that applies to that circuit. This creates a new pricing convenience for Verizon customers. In addition, this Banded Channel Mileage rate structure is available to all customers who subscribe to the NDP. However, since the NDP is an optional discount plan, customers who wish to maintain the fixed and per mile rate structure can choose to remain on their current term plans or choose other discount plans offered by Verizon. Thus, in accordance with Section 61.40 of the Commission's Rules, the new Banded Channel Mileage rate structure is just, reasonable, and nondiscriminatory.

Channel mileage rates for all other Special Access DS3 Services that are included in the NDP and that are jointly provided by two different Verizon Telephone Companies, or that are jointly provided by a Verizon Telephone Company and another exchange telephone company, apply as

a fixed rate and a rate per mile. In this case, the NDP discount percentages are applied to the fixed rate and the rate per mile.

## **Section 5 – Adding and Removing Services**

While subscribed to the NDP, all of the NDP Customer's Qualifying Services are automatically included under the NDP. All services included in the NDP have a coterminous end date which is the end date of the Initial Term or Renewal Term, as applicable. Upon inclusion in the NDP, the Discounted Rate Elements of each Qualifying Service begin receiving the applicable NDP discount (as further described in the attached tariff pages). For example, if an NDP Customer orders a Special Access DS1 in Plan Year 2 of the Initial Term, that DS1 will automatically be added to the NDP Customer's NDP, and will have an end date that is coterminous with the end of the Initial Term. The channel termination, channel mileage, and multiplexing rate elements, as applicable, will receive the NDP discount percentages for the remainder of Plan Year 2, and the NDP discount percentages for the Achieved Discount Tier for the remaining Plan Years of the NDP Term.

If individual Special Access DS1 and DS3 Services under a NDP are disconnected, termination liability under NDP does not apply to such disconnections. Termination liability only applies if the NDP is cancelled in its entirety prior to completing the Initial Term, or any Renewal Term, as applicable.

## **Section 6 – Annual True-Up Process**

During the Term of the NDP, Verizon will conduct an Annual True-Up after each twelve month anniversary of the NDP Start Date. The Annual True-Up shall be used to determine the

NDP Customer's compliance with its established Commitment Levels and Discount Tiers for the prior twelve month period (each an "**Annual True-Up Period**"). The Annual True-Up will include the following:

- ❖ Determine if the NDP Customer has met or exceeded its established CT Commitment Level and/or established CM Commitment Level. If the NDP Customer has not met the applicable Commitment Level, then Verizon will calculate and assess the applicable Shortfall Penalty. If the NDP Customer has exceeded its established CT Commitment Level and/or the CM Commitment Level by more than one hundred-sixty percent (160%), then Verizon will adjust the applicable Commitment Level.
- ❖ Determine if the Discount Tier that the NDP Customer achieved was (i) the same Discount Tier that was in effect during the Annual True-Up Period; or (ii) a higher or lower Discount Tier than the Discount Tier that was in effect during the Annual True-Up Period, in which case a Discount Tier adjustment will be made. The Discount Tier adjustment will result in an increase or decrease in the discounted rates that were applied during the Annual True-Up Period.
- ❖ Determine if the NDP Customer is eligible for an optional buy-up of its CT Commitment Level and/or CM Commitment Level for which the NDP Customer will receive a Commitment Buy-Up Bonus discount.
- ❖ Determine if the established Commitment Levels will be increased or reduced as a result of the NDP Customer adding or removing one or more ACNAs during the Annual True-Up Period.
- ❖ Assign Discount Tiers for the next plan year of the NDP.



- ❖ Determine if the NDP Customer is eligible to change from Standard Commitment Matrix to Premier Commitment Matrix.

## **Section 7 – Terms and Conditions**

The attached tariff pages provide the complete terms and conditions associated with the National Discount Plan offering as introduced under FCC1, FCC11, FCC14 and FCC16.