

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held July 8, 2004

Commissioners Present:

Terrance J. Fitzpatrick Chairman, Dissenting
Robert K. Bloom, Vice Chairman
Glen R. Thomas
Kim Pizzingrilli
Wendell F. Holland

Generic Investigation Re
Verizon Pennsylvania Inc.'s
Unbundled Network Element Rates

R-00016683

COMPLIANCE ORDER

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I. Introduction

This is the compliance phase of the Commission's *Generic Investigation Re: Verizon Pennsylvania Inc.'s Unbundled Network Element Rates (Generic UNE Investigation)*. By Order entered August 31, 2001, this Commission began the instant proceeding to consider whether existing, tariffed rates for Verizon Pennsylvania Inc.'s (Verizon) unbundled network elements (UNEs) continued to be just and reasonable. 66 Pa. C.S. § 1301; 47 U.S.C. § 251-252. In our Final Opinion and Order entered December 11, 2003, (*Final Order*) we directed Verizon to, *inter alia*:

. . . file a tariff or tariff supplement, and supporting data and documentation, implementing revisions to the UNE rates in its Tariff Pa. P.U.C. No. 216, and any related tariffs or tariff amendments, which conform to and are in compliance with the modifications and directives set forth in this Final Opinion and Order (Compliance Filing) . . .

(*Final Order*, Ordering Para. 4)

Because of a concern over substantial variances from existing UNE rates, we also required Verizon to:

. . . provide a specific, concise explanation and verifiable documentation for each specific UNE rate that varies by 50% or more, up or down, from the current rate. Verizon Pennsylvania Inc. shall address, among other things, whether the increase or decrease is due to: (1) changes in the cost model (assumptions, allocation factors, or methodology); (2) changes in cost inputs (wages, benefits, equipment prices, taxes, etc.); or (3) other factors.

(*Final Order*, Ordering Para. 5).

On January 26, 2004, Verizon filed its Initial Compliance Filing (January 26 Filing) in response to our Final Opinion and Order. On February 25, 2004, AT&T Communications of Pennsylvania, Inc. (AT&T) and MCIWorldCom Network Services, Inc. (MCI) filed Joint Exceptions (AT&T/MCI Jnt. Exc.) to the January 26 Filing. The following parties also filed Comments to the January 26 Filing, most of which centered upon Verizon's justification and support for variances in UNE rates which were in excess of 50% over existing rates: AT&T, RCN Telecom Services, Inc. (RCN), Full Service Computing Corporation, t/a Full Service Network (FSN), and the Pennsylvania Carriers' Coalition (PCC).¹

Also on February 25, 2004, the Commission received the Petition to Intervene of Remi Retail Communications, L.L.C. (Remi) and Line Systems, Inc. (LSI). On March 8, 2004, Verizon filed an Opposition to the Petition to Intervene of Remi and LSI.

On March 9, 2004, Verizon filed its Replies to Exceptions and Comments (Reply Comments). With its Replies to Exceptions and Comments, Verizon also submitted a revised compliance filing dated March 8, 2004 (March 8 Filing). The revisions were made in response to the AT&T/MCI Jnt. Exceptions, and other comments of the competitive local exchange carriers (CLECs).²

Due to the submission of a revised compliance filing on March 8, 2004, which contained substantive changes including, *inter alia*, corrected computations pertaining to the growth rate assumptions and unilateral revisions to the port rate structure, the Commission issued a Secretarial letter on March 22,

¹ On February 26, 2004, the Office of Small Business Advocate advised that it would not be filing Comments. On February 27, the Office of Consumer Advocate advised that it would not be filing Comments.

² The January 26 Filing included a proposed effective date for the Verizon compliance UNE tariffs of March 26, 2004. This proposed effective date was later postponed.

2004, advising the parties of a further opportunity to comment on the March 8 Filing by April 2, 2004.

On March 15, 2004, MCI filed a Letter-Response to the March 8 Filing challenging Verizon's port rate structure as inconsistent with the Commission's *Global Order*³ and *Final Order* directives. On April 2, 2004, AT&T responded to the March 8 Filing noting that Verizon's revised calculations did not correct all of the errors that were raised in the AT&T/MCI Jnt. Exceptions. These issues were, use of the growth adjustment in the calculation of loop rates, the use of the Forward-Looking Conversion Factor (FLC) in the development of the common overhead factor, and the "failure to follow the Commission's directions to revise its [Verizon's] port rate structure to match the existing structure."⁴ On April 2, pursuant to the March 22 Secretarial Letter, MCI further responded to the March 8 Filing.

By correspondence dated March 24, 2004, Verizon responded to MCI's letter of March 15, 2004, which raised objections to Verizon's revisions to its port rate structure. On April 15, 2004, Verizon additionally responded to the issues raised by AT&T and MCI with regard to its March 8 Filing. Verizon asserted that the objections of the CLECs on port rate structure should have no bearing on how its port rate vertical features should be priced "going forward."

³ Re: Nextlink Pennsylvania, Inc., 93 PA PUC 172, 196 PUR4th. 172(1999), aff'd. sub nom., Bell Atlantic-Pennsylvania, Inc. v. Pa. Public Utility Comm'n, 763 A.2d 440 (Pa. Cmwth. Ct. 2000), vacated-in-part on jurisdictional grounds, MCI v. Pa. PUC, 844 A.2d 1239 (Pa. 2004).

⁴ AT&T's April 2, 2004 Letter-Response states that Verizon's calculations only addressed the growth adjustment calculations.

DISCUSSION

II. Issues

A. Remi and LSI Petition to Intervene

Remi and LSI allege that they are certificated Pennsylvania CLECs who are domiciled in Greensburg and Newton Square, respectively. They assert that the outcome of this proceeding will largely determine the underlying costs faced by Remi and LSI in providing local service to their customers. (Petition at 1). Each rely, exclusively, on the purchase of UNEs from Verizon to serve their existing local service customers and will rely on the purchase of UNEs from Verizon to serve future customers. (Petition at 2). These petitioners explain that their participation prior to this compliance phase was precluded due to a lack of resources. *Id.*

In opposition to the Petition, Verizon responds that the Petition should be denied as untimely. Verizon also cites the fact that the interests of these petitioners may be adequately represented by other parties.⁵ In support of denial, Verizon further relies on *Pa. PUC v. Phila. Gas Works*, Docket No. M-00021612 (Order entered March 31, 2003), 223 P.U.R. 4th 412;52 Pa. Code § 5.74 (a) (requiring showing of good cause to allow late intervention) and *Joint Application of Pa.-American Water Co. and Thames Water Aqua Holdings*, Docket No. A-212285F0096 (Order entered March 9, 2002).

⁵ Verizon points out that Remi and LSI proffer comments on its compliance filings. However, FSN, an existing and active party to this case, is a signatory to the exact comments that Remi and LSI seek to submit. (VZ-PA Opposition at 5).

Disposition

On consideration of the positions of the parties, we shall deny the intervention of Remi and LSI. We find that the interests which these petitioners would assert are adequately represented by existing participants.

B. Summary of Issues in Dispute

The Parties have raised the following issues for our consideration in this compliance phase of our review of Verizon's UNE rates. The issues are summarized, below:

- The proper implementation of the removal of the Forward-Looking Conversion (FLC) factor from calculations in the cost model – (Use of a revised overhead percentage figure to recover historic overhead dollar value)
- Reargument on the use of a Current Cost to Book Cost (CC/BC) adjustment rather than the FLC factor in the cost model calculations
- Port features in the Full and Limited Port option – (What features should be included based on what features were included under the *Global Order* directives)
- Growth rate assumptions used in the cost model. Verizon admitted its error in the January 26 Filing and submitted a revised rate table making the correction.
- Justification for significant variances (variances exceeding 50%) of rates from current tariff.
- Elimination of certain UNE rates from tariff Pa. P.U.C. No. 216 due to the Federal Communication Commission's (FCC) TRO Order⁶ and UNE-P language removal.

⁶ See *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, et al.*, CC Docket No. 01-338, et al., reversed in part, *U.S. Telecom Assoc. v. FCC*, 359 F.3d 554 (D.C. Cir. 2004).

C. Application of Forward Looking Conversion (FLC) factor in rate calculations

Applicable FCC regulations implementing the Total Element Long-Run Incremental Cost (TELRIC) methodology require that the appropriate network configuration which should be used is a least cost, most efficient network, given the location of the utility's existing wire centers.⁷ Because Verizon used Annual Cost Factors or Annual Conversion Factors (ACFs), which were calculated by comparing embedded expenses to embedded investment, it used an FLC factor adjustment to apply to the ACFs to make them "forward-looking." However, because the FLC factor, as used by Verizon, was circular in its application and had other defects, *see Final Order* at 36-42, it was rejected.

The approach represented by the FLC was also rejected (albeit on varying grounds) by the FCC's Wireline Bureau Staff in the recent arbitration proceeding wherein the FCC Staff adjudicated UNE rate issues for Verizon Virginia. *See In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act*, CC Docket No. 00-218, 18 FCC Rcd 17722, (DA 03-2738, rel. Aug. 29, 2003), *applications for review pending* (FCC) and *petitions for review and mandamus pending* (D.C. Cir., filed Feb. 4, 2004, at Docket Nos. 04-1043 and 04-1044).

Accordingly, our *Final Order* directed Verizon to remove the FLC factor from its calculation of ACF's when determining direct expenses for

⁷ 47 C.F.R. § 51.505(b)(1) provides as follows:

(1) Efficient network configuration. The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.

inclusion in UNE rates. Our *Final Order* instructed Verizon to revise its FLC in the following manner:

The FLC was used similarly to adjust the Verizon PA ACFs used to calculate Pennsylvania-specific rates. Verizon PA adjusted its Pennsylvania-specific ACFs by the FLC increase in the multiplier by the same ratio that the booked expenses were reduced in making them forward looking. Consequently, we would eliminate the FLC adjustment to the ACFs and would direct that Verizon PA adjust its UNE rates accordingly. Generally, we accept the capital cost expense portion ACFs. See 7.1 Vcost Worksheet. However, we reject the direct expense ACFs because they are overstated due to Verizon PA's improper application of the FLC. We direct Verizon PA to remove its application of the FLC factor in developing its ACFs and to rerun its cost study on that basis, consistent with the discussion contained in this Opinion and Order.

Final Order at 42 (footnote omitted).

In their Joint Exceptions, AT&T and MCI argue that the Commission should direct Verizon to rerun its loop rates to correct calculation and implementation errors. They challenge Verizon's compliance with our *Final Order* FLC determination on the limited issue of Verizon's use of an FLC factor in determining the common overhead factor (COH). They note that the COH factor has increased from 8.87% computed in compliance with the *Tentative Order* to a percentage of 10.82 % under the *Final Order*. AT&T/MCI estimate, based on the booked expenses in Verizon's January 26 Filing, the COH factor without any FLC adjustment would be approximately 7.21 %. (Jnt. Exc. at 3).

AT&T/MCI take the position that the increase in the COH percentage is due primarily to the use of the FLC factor in four separate formulas

pertaining to the capital component of the utility's forward looking costs. (Jnt. Exc., pp. 3-4). They maintain that the Commission should direct Verizon to eliminate the FLC from all aspects of the COH computation.

No other party challenged Verizon's compliance with our *Final Order* directive on the use of the FLC factor in rate calculations.

Verizon maintains that it precisely followed the *Final Order* in modifying the use of the FLC factor in its compliance calculations. Verizon observes that, as a result, it "substantially reduced the ACFs by between 12% and 18% depending upon the account." (Reply Comments at 3).

Disposition

On review of the removal of the FLC factor from Verizon's calculation of direct operating costs, we conclude that the adjustment was implemented consistent with the directives of the *Final Order*.

The total annual operating expense that would make up the costs to be included in Verizon's UNE rates also included an element of "common overhead." See Verizon December 2002 filing at Part G-2d. This figure was submitted in Verizon's previous filings as a historic dollar value based on a corporate-wide percentage of overhead cost to expense. *Id.* The estimation of overhead expense in a TELRIC environment should not reasonably differ from those expenses in the present environment. For example, executive salaries and corporate office expenses do not, necessarily, decrease with newer technologies. Consequently, Verizon calculated its overhead expense as 8.87% of calculated expenses in December 2002 (*Tentative Order*). With the removal of the FLC from the expense portion of the calculation and a correspondingly lower expense

calculation in March 2004, Verizon's use of a 10.51%⁸ factor for COH results in the company obtaining a \$1.376 billion net overhead expense, corporate wide. This is the same basic figure (adjusted for increased cost of capital) used previously. *See* Verizon Compliance Filing, March 8, 2004, Part G-2d.

Based on the foregoing, the use of the ratio of forward looking expense to historic expense to adjust the multiplier of calculated overhead (when using forward looking expense rather than historic expense) to arrive at the same overhead cost as had been experienced historically is proper. Therefore, Verizon's use of a 10.51% multiplier--adjusted downward by estimated merger savings to 7.91%⁹--is also appropriate. We note that in the *Virginia Arbitration Order*, a common overhead multiplier of 8% was deemed acceptable without any allowance for merger savings. *See* FCC DA 03-2738, ¶143. We conclude that Verizon has complied with this directive in our *Final Order*.

D. Reargument on Commission's decision not to adopt CC/BC ratio

Throughout this proceeding there has been considerable discussion of the FLC factor as well as a proposed adjustment to accomplish the same objective of the FLC, incorporating a Current Cost to Book Cost (CC/BC) ratio. In the *Final Order*, we concluded that Verizon's application of the FLC factor in determining capital and direct expense calculations, should be rejected, in part. We found the adjustment, as applied, to be circular. The application of the FLC was rejected in that it merely converted the expense calculation back to the historic dollar amount Verizon had incurred with its existing network.

⁸ AT&T and MCI alleged Verizon used 10.82%, but Verizon actually used 10.51%. Verizon Reply at Ex. A.

⁹ For an explanation of merger savings, see Part G-2a Commonvz99 PA 11-02 Rev 12-03 Final (Tab WP1) of Verizon's March 8 Filing; *see also Tentative Order*, slip op. 68-71.

In their Comments, FSN and AT&T have again questioned why the CC/BC ratio was not utilized. In support of the use of a CC/BC ratio in lieu of Verizon's ACFs and FLC, these parties cite the adoption of the CC/BC ratio by the FCC Staff in the *Virginia Arbitration Order*.

Disposition

Based on the discussion of this issue in the *Final Order*, we will not revisit our conclusion. We are not able to ascertain that use of the CC/BC is a better vehicle to estimate forward-looking expenses as compared to our consideration of ACFs. Therefore, usage of the CC/BC ratio is neither necessary nor appropriate in this proceeding.

E. Port Rate Structure

AT&T/MCI, in particular, object that Verizon's port rate structure does not comply with the requirements of the *Final Order*. They point out that, pursuant to the *Global Order*, the Commission established a two-tiered rate structure for ports in two options – a full featured port (Option A), which includes every feature, at a current rate of \$2.67 per month, and a limited port (Option B), which includes all features with the exception of four enumerated features, at a current rate of \$1.90 per month. In the *Final Order*, Verizon was directed to maintain the port rates and port rate structure established in the *Global Order*. AT&T/MCI except to Verizon's compliance filing. They observe that the limited port rate (\$1.68 per month) does not exclude only the four enumerated features of the *Global Order*. Rather, Verizon's January 26 Filing excludes the four enumerated features plus an additional six features for a total exclusion of 10 features. (Jnt. Exc., pp. 6-8). The six features are Call Waiting Display Name and Number, Calling Number and Name Delivery, Anonymous Call Rejection, Centrex Loudspeaker Paging, Centrex Meet-Me Conference, and Centrex Station

Message Detail Recording (SDMR). MCI further asserts that these six features “clearly existed at the end of 1997, and there is no record evidence to show that such features [are] ‘new.’” It complains that Verizon’s Reply Comments are “the very first time” Verizon claims that the Full Featured Port does not include popular Caller ID and Anonymous Call Rejection features, or, in fact, any of the six excluded features. March 15 Response at 1-2.

In its Reply Comments, Verizon acknowledges that its compliance filing limited port rate excludes the enumerated six features and that the *Final Order* required it to use the same structure as mandated in the *Global Order*.¹⁰ Verizon argues that at the time of the *Global Order*, these six features were “quite new” and were available only in limited areas. Verizon maintains that it neither calculated costs for these features nor included these features in their port offerings under the *Global Order*. Verizon maintains that its March 8 Filing properly omits these six features from the port rates and that the Commission should allow Verizon to offer the features as separately purchased items. Verizon argues that it cannot be required to give features away for free. If the six features are included, Verizon states that the full featured port rate would be \$4.80 and the limited feature port rate would be \$4.63. (Reply Comments at 5 8. Cmnts. At 7)

Disposition

On consideration of the positions of the parties, Verizon’s proposed revisions to its port rates and structure shall be rejected as inconsistent with our *Final Order*. Verizon is expressly directed to conform its final tariff consistent with the discussion contained in this Compliance Order.

¹⁰ Verizon proposes that the disputed six features be purchased by CLECs on an “a la carte” basis.

Verizon's current tariff, as prescribed by our *Global Order*, delineates two local switching port rates. One is a rate per port "with all vertical features" for \$2.67 per month and the other is a rate per port with all vertical features for \$1.90 per month except those listed below:

3-way Calling	\$0.52 per month
Centrex Intercom	0.45 per month
Custom Ringing	0.16 per month
Calling Number Delivery Block	0.002 per call

These rates have been in effect since December 1, 1999. During the period of their effectiveness, what specifically was included in Verizon's term "all vertical features" has never been an issue. The current port structure was adopted in the *Global Order* for a full-featured port rate, set at the MFS-III rate of \$2.67 per month and a limited port, set at \$1.90 per month, which included all features in the port except for four (3-way calling, Centrex Intercom, Custom Ringing and Calling Number Delivery Blocking), which would then be available for purchase separately.

In the *Final Order*, Verizon was directed to provide two port rates in its tariff, one Full Featured and one Limited with "all but four" features. In its January 26 Filing, Verizon included every feature in the full featured port but withheld ten, rather than four, features from the limited port offering. In the January 26 Filing, Verizon attached Pa. P.U.C. – No. 216, Section 3, Original Sheet 7E to the filing setting forth rates for unbundled services. Under its Section 2.a. Local Switching Ports in the January 26 Filing, the utility listed "Rate per port, per month with all vertical features" at a tariffed rate of \$1.91, and a "Rate per port, per month with all vertical features except:

3-way Calling	\$0.13
Centrex Intercom	0.26
Custom Ringing	0.002
Call Waiting Display Name and Number	0.08
Calling Number Delivery	0.07
Calling Number and Name Delivery	0.69
Anonymous Call Rejection	0.01
Centrex Loudspeaker Paging	3.15
Centrex Meet-Me Conference	0.11
Centrex Station Message Detail Recording	10.69”

In summary, the January 26 Filing would indicate that “all vertical features” are included in the full port rate, including the six “Additional Features,” i.e. added to the four enumerated exclusions of the *Global Order*. Yet, there were ten features excluded from the limited port rate. This would not be in compliance with the Commission’s *Final Order*.

In Verizon’s revised tariff filing on March 8, 2004, the port rate definitions changed dramatically. The March 8 Filing was filed principally to correct the utility’s improper use of the growth rate inputs in its calculations. However, in the March 8 Filing, Verizon, unsolicited, and without notice to the Commission or the participants, revised the language for the full featured port under Section C.2.a., to read as follows: “Rate per port, per month with all vertical features **except those noted by an asterisk (*) . . .**” (emphasis our own). After revising the language in this manner, those enumerated vertical features which now (as of March 8, 2004) have an asterisk and are no longer covered by the \$1.91 rate are as follows:

- Call Waiting Display Name and Number
- Calling Number and Name Delivery
- Anonymous Call Rejection
- Centrex Loudspeaker Paging
- Centrex Meet-Me Conference
- Station Message Detail Recording (SMDR)

The limited featured port still excluded the ten features enumerated above.

We note that Verizon made a correction in the March 8 Filing by removing Calling Number Delivery at a charge of \$0.07 from the list of excluded items for the "limited port" option and included Calling Number Delivery Block, per call at a charge of \$0.00 to the list. The "limited port" rate was then increased to \$1.74.

The essential difference in the January 26 and March 8 Filings, is the re-designation of the exclusion of the six "Additional Features" from the Full Featured port rate and the inclusion of Calling Number delivery to the "limited" port rate.

Verizon provided no rationale for its revision of the language attendant to port rates prior to the March 8 Filing. On March 9, 2004, Verizon, in its Reply Comments, proposed as a "compromise rate" two more sets of port rates for full and limited ports. The additional rates for full and limited ports are \$2.57 and \$2.40 which would include three of the excluded options stated above and \$4.80 and \$4.67 with all six of the excluded features.

In support of the propriety of including these rates for vertical features in its tariff at this stage of the proceedings, Verizon in letter responses to the objections of AT&T and MCI, makes two arguments. First, Verizon claims that the Commission's direction in the *Final Order*, to retain the port rate structure and availability of features which were directed in our *Global Order* for a full featured port and a limited port did not contemplate the addition of new features to the two port options that were not included in the specified port rate package options at the time of the *Global Order*. See VZ PA March 24, 2004 Letter.

Verizon states: “ It [the *Final Order*] simply required that Verizon make the same offering available that it had previously offered to CLECs. That is the reason that neither the six features **nor** their costs were included in the limited and full featured port rate packages in Verizon’s Compliance Filing, but were made available for purchase individually.” *Id.* (emphasis Verizon).

Second, Verizon asserts that even if it has misinterpreted the Commission’s ruling in the *Final Order*, it must be permitted to charge for these features at this time, or else a violation of Section 252(d)(1)(a)(i) of TA96 [47 U.S.C. § 252(d)(1)(a)(i)] would occur – that rates be based on the cost of providing the interconnection or network element. March 24, 2004 Letter.

On consideration of the proposed justification for the revisions to Verizon’s March 8 Filing regarding port rates, they shall be rejected. We find the revisions made to Section C.2.a., to constitute an egregious violation of the due process rights of the participants. The March 8 Filing was ostensibly necessitated by the need for Verizon to correct its improper use of growth rate assumption inputs. It was in the March 8 Filing that the utility also took the opportunity to make the changes to this section. Such substantial revisions at this stage of the proceedings is improper. For these reasons, we shall also decline to endorse Verizon’s proposed “compromise” on the issue of the applicable port rate structure.

We note that MCI has vigorously raised substantial questions of fact as to whether or not the vertical services that Verizon now seeks to exclude from the full-featured port and charge on an “a la carte” basis, have been provided to it as part of its “Neighborhood Complete plan.” Verizon’s position regarding its failure to separately list and price these features prior to this stage of the proceedings is because they were “new” at the time of the *Global Order*. MCI,

contrary to Verizon’s position; asserts that the features included in this plan have been offered for years in Pennsylvania. *See* MCI April 2, 2004 Letter. In light of the substantial questions of fact raised at this juncture of the proceedings, we find Verizon’s exclusion of additional features and its proposal to separately offer and price them in its January 26th filing as well as the March 8th filing, to be improper.

We also find no merit in Verizon’s citation to Section 252(d) of TA96 as a basis for this Commission’s adoption of its proposed revisions to its port rates at this stage of proceedings.¹¹ In our approval of the underlying costs associated with the port UNE, we find no indication concerning the proposed revisions to the port rate structure and options. To the contrary, it appears from our review of the record in these proceedings, that the port rate discussions all proceeded on the assumption that the two-tiered structure of the *Global Order* was not modified. While we accept that the fact that the *Global Order* rate structure for port rates will not necessarily continue, in perpetuity, we reject the inclusion of this issue at this phase of proceedings.

Verizon is directed to include in its final tariff the full featured port rate structure, at the tariffed rate of \$1.91, which conforms to its January 26 Filing. In addition, Verizon is directed to include a limited port rate structure, at the tariffed rate of \$1.68, which includes all vertical features except:

3-way Calling	\$0.13 per month
Centrex Intercom	\$0.26 per month
Custom Ringing	\$0.002 per month
Calling Number Delivery Block	\$0.002 per call

¹¹ We also note Verizon’s reference to our *Tentative Order* discussion of port rate costs at slip op. pp. 153-158. Our review of this discussion does not provide any support for adoption of its revisions under these circumstances.

The above directive will keep port rate structures consistent with those required by the *Global Order* which was the Commission's intent in its *Final Order*.

F. Loop Rate Calculations Using Line Growth Assumptions

When Verizon re-ran its cost model to develop loop costs for the January 26 Filing, it improperly used a 3% growth assumption which had been disallowed in previous filings in this docket. When AT&T and MCI raised this issue in their Joint Exceptions, Verizon responded that it had committed an inadvertent error.¹² Verizon, thereafter, filed a revised tariff using a "No Growth" assumption regarding line growth and investment increases after the base year of the study. *See* VZ R. Comments, p. 4.

Disposition

On review of the March 8 Filing and associated documents, we conclude that Verizon corrected the erroneous inclusion of a 3% growth factor assumption. This error was corrected when it reran the cost study using zero growth in its investment assumption option. The results of the rerun showed a decrease in all loop rates from the January 26 Filing to the March 8 Filing.

G. Rates Variances Over 50%

Our *Final Order* expressly placed rates with variances of 50% or more over existing rates in question because we noted that ". . . it is the magnitude of the variation from current rates that is of concern. Such a substantial increase does not comport with the general industry trend of declining costs." (*Final order* at

¹² Prior computation errors discovered upon review of a Verizon compliance filing in this proceeding are discussed in the *Final Order* at 65-67.

pp. 43-44; note omitted).¹³ Our *Final Order* specifically directed Verizon to meet its burden of proof as to why rates varied to such an extreme from current rates. Ordering Paragraph 5 required Verizon to “provide a specific, concise explanation and verifiable documentation for each specific UNE rate that varies by 50% or more, up or down, from the current rate.” The Commission reserved the right “to reject any rate that is not properly justified and adjust the UNE rate in question.” *Final Order* at 45.

In response, Verizon submitted an attachment that provides a one or two sentence explanation for rate variations. January 26 Filing, Attachment III; March 8 Filing, Attachment III. The company did not present any additional supporting data to justify these variances. Verizon interprets the *Final Order* as not intending “to reopen the record and invite renewed argument as to every rate that has changed by half,” rather the company views the information as merely “intended to facilitate the CLECs’ ability to ‘comment on the rates and Verizon PA’s explanation if they disagree with Verizon PA’s *calculation of the rates.*” Reply Comments at 9, quoting *Final Order* at 45.

AT&T and the PCC argue that, with respect to several rates that increased by more than 50%, Verizon failed to comply with the *Final Order*’s requirement to provide a sufficient explanation. AT&T Feb. 25 Comments; PCC Feb. 25 Comments. AT&T argues that the Commission should not allow the “extraordinary” rate increases to go into effect with the other rate proposals, but should direct Verizon to continue to assess the current rate for those specific UNEs. *Id.* (AT&T) at 4. PCC recommends that the Commission allow the

¹³ In its March 8 Filing, Verizon listed 73 UNE rates falling in this category, with 57 of these UNE rates showing an increase ranging from 50% to 1486% and 16 which showed a decrease ranging from 52% to 99%.

existing rates, particularly the interoffice facility and dedicated transport (collectively IOF) and Daily Usage File (DUF) rates,¹⁴ to remain in effect pending a thorough Commission investigation. *Id.* (PCC) at 2. PCC argues that the proposed increase in IOF mileage rates is directly at odds with the Commonwealth's objective to bring meaningful, facilities-based competition to rural Pennsylvania. *Id.* at 5. It further argues that DUF rates are comprised of a discrete charge for recording and another for transmitting per message, with a combined rate increase of 622%. It claims that the rates are out of proportion and that the Communications Assistance to Law Enforcement Act (CALEA) compliance costs are inappropriately being shifted from Verizon to CLECs. *Id.* at 6-7 and Exhibit.

Disposition

Based on our review of the record and the proffered justification for these variances, we accept Verizon's justification for extreme rate variances for some UNEs.¹⁵ While Verizon provided only a token justification for DUF and IOF rates in their response to the *Final Order*, a more detailed consideration of those rates was conducted in the *Tentative Order* and in ALJ Schnierle's *Recommended Decision*. (*Tentative Order* at pp158 – 168, 170 – 172, R.D. p. 63)

In the case of the IOF rates, the examination of the number of nodes in the Synchronous Optical Network (SONET) ring, the amount of Digital Cross Connect expense included and the amount of Engineer, Furnish & Install (EF&I) costs applied to these facilities resulted in all of these costs being justified and

¹⁴ IOF is the UNE that switch-based CLECs utilize to transport traffic on a dedicated basis between Verizon central offices. DUF rates are charges paid by CLECs to acquire the usage records necessary to issue retail bills to CLEC customers and access bills to other carriers. PCC Feb. 25 Comments at 2-3.

¹⁵ For example, we find Verizon has adequately justified the rate increase for Network Interface Device (NID) by citing, with specificity, the fact that the rates changed due to an increase in material requirements and labor installation, and relating this to a specific reference to a labor contract and rate.

allowed. In the case of the DUF rates, all applicable expenses were deemed to be appropriate and while the demand estimate was challenged, the resulting conclusion was that these rates were properly calculated as well. In the case of NID rates we accepted the increase due to a change in number of wires as well as the change in labor rates necessitated by a new labor contract. For these categories of rates we accept the proposed rate increases as being adequately justified.

However, for certain specific UNEs, as discussed below, we must conclude that Verizon has failed to meet its burden of proof in justifying substantial rate variances. In a declining cost industry where significant technological advancements are occurring almost daily which reduce costs, a proposal which calls for the, overall, average doubling of costs must be questioned as to the underlying assumptions regarding cost allocation. *See Final Order* at 43.

Upon review of the reasons for the rate variance discussed, below, we find the company's justification for certain rates to be inadequate. Those rates for which we feel the significant proposed changes have not been sufficiently justified in accordance with our *Final Order* are rejected as Verizon has failed to meet its burden of proof. We conclude that the outputs for these rates appear patently anomalous and are rejected. These delineated rates shall be retained at the existing levels and, as existing rates are presumptively just and reasonable and consistent with TELRIC principles.¹⁶ These rates are explained by category, below:

¹⁶ *See* VZ Reply Comments at 12.

- 1. Rates which Verizon claimed were artificially low due to the Global Order or the MFS III Order and would not have changed so dramatically had the proper rates been in effect originally.**

Verizon's proposed justification for the variances in the rates in this category is generally stated as follows:

The 50 percent or more increase in loop rates is due to the PA PUC ordering these artificially low rates in the *Global Order*. If the appropriate loop rates had been allowed to become effective, then the current differences would be less than 50% because the current rates would be higher. (Part B-2)

The underlying reason for rejecting Verizon's rates in the *Global Order* and the *MFS III Orders* was due to the overstatement of certain input costs and assumptions in its model used for determining rates. When the rates were finally established in those proceedings, they were done so pursuant to the record developed in those proceedings and the FCC determined them to be consistent with the mandated pricing methodology. To now review rates which vary so extremely from existing rates in this proceeding based on a stale, collateral attack on the existing rate is unpersuasive. We reject Verizon's proffered justification for extreme variances in the below listed rates and shall retain them at their present levels:

- B-2 4 Wire/4 Wire Customer Specified Signaling Loop – Density Cell 1, 2, 3, 4
- B-8 Subloop Distribution – 2 Wire - Density Cell 2, 3, 4
- B-8 Subloop Distribution – 4 Wire - Density Cell 1, 2, 3, 4
- B-8 Subloop Feeder - 4 Wire - Density Cell 1, 2, 3, 4

2. A change in methodology which places more material and equipment into the calculation for the same basic service.

Verizon's explanation for rates in this category is to, generally, state, "[i]ncreases due to a change in methodology. The study supporting the current rates applied only the test equipment expense factor to the investment whereas the current study applies the entire testing factor." *See* Attachment III, Part B-14. Given that the cost model adopted for use in this proceeding is based on 1999 pro forma data, we find Verizon's explanation to be inadequate. Verizon has failed to explain why additional equipment and costs should be added to the original basis in these instances. *See* AT&T Cmnts., p. 4.

B-5 Digital 4 Wire (56KD/64KD) Loop Density Cell 1,2,3,4

Unbundled EEL Testing

B-14 2 Wire Analog Test Charge

B-14 2 Wire Digital Test Charge

B-14 4 Wire Analog Test Charge

B-14 4 Wire Digital (56 or 64 kbps) Test Charge

B-14 DS1 (1.544 mbps) Test Charge

3. Remaining Rates

All other rates which were identified as varying more than 50% from existing rates and which have not been expressly rejected in the above discussion, shall be allowed to remain at the levels proposed by Verizon in its compliance filing. We find that Verizon has adequately justified such variances.

H. Miscellaneous issues

1. Removal of UNE rates due to FCC TRO

Pursuant to Ordering Paragraph 8 of the *Final Order*, Verizon's January 26 Filing contains an Attachment V that provides a summary description of those UNEs that Verizon believes should be removed from Tariff No. 216 as a result of the FCC's *Triennial Review Order (TRO)*. In its Comments, RCN asserts that the Commission should not allow Attachment V to become a part of any revised version of Tariff No. 216 at this time.¹⁷ As Verizon's Reply Comments at 14 aptly acknowledge, the Commission did not intend to address the *TRO*'s elimination of UNE's in this proceeding, but merely wished to learn which UNEs Verizon believes are impacted by the *TRO*. Accordingly, Attachment V shall not become a part of any revised version of Tariff No. 216 as a result of this Compliance Order.

As the regulatory landscape changes, the Commission urges carriers to continue efforts to negotiate interconnection agreements that will govern their business relationship. In these matters, negotiation is clearly superior to litigation and the parties are encouraged in the strongest possible terms to reach agreements that will help provide additional stability to the market.

Should the need arise, the Commission expects the ILECs and CLECs will follow the interim guidelines for abandonment of service that are currently in place. CLECs shall inform the Commission, in particular the Bureau

¹⁷ RCN also makes extensive comment regarding the necessity for Verizon to continue to provide dedicated transport used for interconnection even if it is ultimately permitted to discontinue its provision as a UNE. We need not address this argument at this time.

of Consumer Services, at least 30 days prior to abandoning any customer or customers.¹⁸

2. UNE-P

A portion of Verizon's compliance filing proposes to delete UNE-P language from Tariff No. 216, Section 3, Sheet 5E on the ground that this language "expired on December 31, 2003." *See* Letter of Ronald F. Weigel (March 8, 2004). We shall reject this portion of the filing as not within the scope of matters to be decided on compliance. This proceeding is not the proper place for such change nor has the issue been developed on the record. Rejection of the proposed change is without prejudice to our consideration of the issue in a separate proceeding.

3. Shift in Federal UNE Policy

Recently, federal policy on unbundled access to network elements at TELRIC rates has fundamentally shifted due to release of the FCC's *Triennial Review Order (TRO)* and subsequent affirmance-in-part and reversal-in-part of the *TRO*. *USTA v. FCC*, 359 F.3d 554 (D.C. Cir. 2004), *stay denied*, 2004 U.S. App. LEXIS 11603 (D. C. Cir. 2004), *petitions for cert. pending*. Pennsylvania must now refocus its telecommunications strategy. The Commonwealth has strived to develop a competitive model where UNEs, particularly UNE-P, comprised an

¹⁸ Specifically, the Commission has Interim Guidelines in effect that set forth the process to be followed when a carrier decides to abandon offering service. *Interim Guidelines Establishing Local Service Provider Abandonment Process for Jurisdictional Telecommunication Companies*, Docket No. M-00011582F0004, Order (entered April 23, 2002), 32 Pa. Bulletin 2559 (May 18, 2002). We have opened a Proposed Rulemaking, Docket No. L-00030163, on this issue which was published for comment in April of this year. 34 Pa. Bulletin 1795 (April 3, 2004). We note that the Proposed Rulemaking provides for a 90 day notice for plan of abandonment.

integral part of telecommunications competition. At this time, the future availability of various UNEs under federal law is highly uncertain.

Verizon has committed to the FCC that it will not unilaterally increase the wholesale price for UNE-P arrangements that are used to serve mass market consumers (those with fewer than 4 lines) before November 2004.¹⁹ Additionally, Verizon promised to provide wholesale customers at least 90 days notice of any future price changes. These commitments will help to make for a smoother transition and we expect Verizon to honor them. The Commission also expects that CLECs will honor any and all appropriate guidelines or regulations, as well as any agreements that are in place.

The Commission has an opportunity and the obligation to assist in this smooth transition as well.

III. Conclusion

Based on the foregoing, we shall approve tariff revisions for Verizon's UNE rates which conform to, and are consistent with the attached schedule of rates appended to this Order on Compliance as Appendices A and B. Verizon shall file a tariff implementing the revised rates, consistent with our ordering paragraphs below; **THEREFORE,**

IT IS ORDERED:

1. That within fifteen (15) days after the date of entry of this Compliance Order, Verizon Pennsylvania Inc. shall file, or cause to be filed, a tariff or tariff supplement implementing rates according to the schedules attached

¹⁹ Verizon's June 11, 2004 Letter to FCC Chairman Michael Powell.

to this Compliance Order. Any deviations, or modifications, without advance notice and Commission approval could result in a civil penalty or fine consistent with 66 Pa. C.S. § 3301.

2. That the rates referred to in Ordering Paragraph No.1 shall be effective 60 days following the filing of the tariff.

3. That the Petitions to Intervene of Remi Retail Communications, L.L.C. and Line Systems, Inc. are denied.

4. That Verizon Pennsylvania Inc. shall conform its tariff pertaining to port rates consistent with the discussion contained in this Compliance Order.

5. That this case shall be marked closed.

BY THE COMMISSION

**James J. McNulty,
Secretary**

(SEAL)

ORDER ADOPTED: July 8, 2004

ORDER ENTERED: July 16, 2004

APPENDIX A

VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
RECURRING RATE SUMMARY
FINAL RATES

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
UNBUNDLED LOOP		
Part B-1 (R)	2 Wire Basic Unbundled Loop - Density Cell 1	\$ 6.77
Part B-1 (R)	2 Wire Basic Unbundled Loop - Density Cell 2	\$ 9.25
Part B-1 (R)	2 Wire Basic Unbundled Loop - Density Cell 3	\$ 12.39
Part B-1 (R)	2 Wire Basic Unbundled Loop - Density Cell 4	\$ 22.39
Part B-1 (R)	2 Wire Basic Unbundled Loop - Statewide Avg	\$ 13.76
Part B-2 (R)	4 Wire/4 Wire Customer Specified Signalling Loop - Density Cell 1	\$ 19.93
Part B-2 (R)	4 Wire/4 Wire Customer Specified Signalling Loop - Density Cell 2	\$ 22.81
Part B-2 (R)	4 Wire/4 Wire Customer Specified Signalling Loop - Density Cell 3	\$ 28.69
Part B-2 (R)	4 Wire/4 Wire Customer Specified Signalling Loop - Density Cell 4	\$ 34.43
Part B-2 (R)	4 Wire/4 Wire Customer Specified Signalling Loop - Statwide Avg	
Part B-3 (R)	2 Wire Customer Specified Signalling Loop - Density Cell 1	\$ 13.54
Part B-3 (R)	2 Wire Customer Specified Signalling Loop - Density Cell 2	\$ 16.26
Part B-3 (R)	2 Wire Customer Specified Signalling Loop - Density Cell 3	\$ 19.36
Part B-3 (R)	2 Wire Customer Specified Signalling Loop - Density Cell 4	\$ 28.11
Part B-3 (R)	2 Wire Customer Specified Signalling Loop - Statewide Avg	\$ 20.40
Part B-4 (R)	ISDN-BRI Loop - Density Cell 1	\$ 8.27
Part B-4 (R)	ISDN-BRI Loop - Density Cell 2	\$ 10.72
Part B-4 (R)	ISDN-BRI Loop - Density Cell 3	\$ 13.90
Part B-4 (R)	ISDN-BRI Loop - Density Cell 4	\$ 23.66
Part B-4 (R)	ISDN-BRI Loop - Statewide Avg	\$ 15.21
Part B-5 (R)	Digital 4 Wire (56KD/64KD) Loop - Density Cell 1	\$ 14.14
Part B-5 (R)	Digital 4 Wire (56KD/64KD) Loop - Density Cell 2	\$ 17.81
Part B-5 (R)	Digital 4 Wire (56KD/64KD) Loop - Density Cell 3	\$ 21.92
Part B-5 (R)	Digital 4 Wire (56KD/64KD) Loop - Density Cell 4	\$ 29.02
Part B-5 (R)	Digital 4 Wire (56KD/64KD) Loop - Statewide Avg	
Part B-6 (R)	DS1 / ISDN-PRI Loop - Density Cell 1	\$ 67.90
Part B-6 (R)	DS1 / ISDN-PRI Loop - Density Cell 2	\$ 93.62
Part B-6 (R)	DS1 / ISDN-PRI Loop - Density Cell 3	\$ 101.84
Part B-6 (R)	DS1 / ISDN-PRI Loop - Density Cell 4	\$ 131.51
Part B-6 (R)	DS1 / ISDN-PRI Loop - Statewide Avg	\$ 99.15
Part B-7	DS3 Loop - Statewide Avg	\$ 1,187.71
Part B-7	OC3 Loop - Statewide Avg	\$ 1,930.99
Part B-7	OC12 Loop - Statewide Avg	\$ 3,098.75

**VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
RECURRING RATE SUMMARY
FINAL RATES**

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
UNBUNDLED SUBLOOP ARRANGEMENTS		
Part B-8 (R)	Subloop Distribution - 2 Wire - Density Cell 1	\$ 2.26
Part B-8 (R)	Subloop Distribution - 2 Wire - Density Cell 2	\$ 2.56
Part B-8 (R)	Subloop Distribution - 2 Wire - Density Cell 3	\$ 3.95
Part B-8 (R)	Subloop Distribution - 2 Wire - Density Cell 4	\$ 6.76
Part B-8 (R)	Subloop Distribution - 4 Wire - Density Cell 1	\$ 2.65
Part B-8 (R)	Subloop Distribution - 4 Wire - Density Cell 2	\$ 3.71
Part B-8 (R)	Subloop Distribution - 4 Wire - Density Cell 3	\$ 6.04
Part B-8 (R)	Subloop Distribution - 4 Wire - Density Cell 4	\$ 10.92
Part B-8 (R)	Subloop Feeder - 2 Wire - Density Cell 1	\$ 4.92
Part B-8 (R)	Subloop Feeder - 2 Wire - Density Cell 2	\$ 5.30
Part B-8 (R)	Subloop Feeder - 2 Wire - Density Cell 3	\$ 5.73
Part B-8 (R)	Subloop Feeder - 2 Wire - Density Cell 4	\$ 10.02
Part B-8 (R)	Subloop Feeder - 4 Wire - Density Cell 1	\$ 10.16
Part B-8 (R)	Subloop Feeder - 4 Wire - Density Cell 2	\$ 13.32
Part B-8 (R)	Subloop Feeder - 4 Wire - Density Cell 3	\$ 15.58
Part B-8 (R)	Subloop Feeder - 4 Wire - Density Cell 4	\$ 18.29
Part B-8 (R)	Subloop Feeder - DS0 - Density Cell 1	\$ 4.92
Part B-8 (R)	Subloop Feeder - DS0 - Density Cell 2	\$ 5.30
Part B-8 (R)	Subloop Feeder - DS0 - Density Cell 3	\$ 5.73
Part B-8 (R)	Subloop Feeder - DS0 - Density Cell 4	\$ 10.02
Part B-8 (R)	Subloop Feeder - DS1 - Density Cell 1	\$ 65.28
Part B-8 (R)	Subloop Feeder - DS1 - Density Cell 2	\$ 85.12
Part B-8 (R)	Subloop Feeder - DS1 - Density Cell 3	\$ 88.96
Part B-8 (R)	Subloop Feeder - DS1 - Density Cell 4	\$ 105.63
Part B-9	Subloop Feeder - DS3 - Statewide Avg	\$ 1,166.16
Part B-9	Subloop Feeder - OC3 - Statewide Avg	\$ 1,901.89
Part B-1	Off Premise Extension Unbundled Loop - Density Cell 1	\$ 6.77
Part B-1	Off Premise Extension Unbundled Loop - Density Cell 2	\$ 9.25
Part B-1	Off Premise Extension Unbundled Loop - Density Cell 3	\$ 12.39
Part B-1	Off Premise Extension Unbundled Loop - Density Cell 4	\$ 22.39
Part B-1	Off Premise Extension Unbundled Loop - Statewide Avg	\$ 13.76

VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
RECURRING RATE SUMMARY
FINAL RATES

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
UNBUNDLED DROP SUB-ELEMENT (UDSE)		
Part B-18	Unbundled Drop Sub-Element - 2 Wire - Density Cell 1	\$ 5.89
Part B-18	Unbundled Drop Sub-Element - 2 Wire - Density Cell 2	\$ 5.89
Part B-18	Unbundled Drop Sub-Element - 2 Wire - Density Cell 3	\$ 5.89
Part B-18	Unbundled Drop Sub-Element - 2 Wire - Density Cell 4	\$ 5.89
Part B-18	Unbundled Drop Sub-Element - 2 Wire - Statewide Avg	\$ 5.89
Part B-18	Unbundled Drop Sub-Element - 4 Wire - Density Cell 1	\$ 7.75
Part B-18	Unbundled Drop Sub-Element - 4 Wire - Density Cell 2	\$ 7.75
Part B-18	Unbundled Drop Sub-Element - 4 Wire - Density Cell 3	\$ 7.75
Part B-18	Unbundled Drop Sub-Element - 4 Wire - Density Cell 4	\$ 7.75
Part B-18	Unbundled Drop Sub-Element - 4 Wire - Statewide Avg	\$ 7.75
LINE SHARING UNBUNDLED SUBLOOP ARRANGEMENT		
Part B-10	Line Sharing USLA - 2 Wire - Density Cell 1	\$ 1.47
Part B-10	Line Sharing USLA - 2 Wire - Density Cell 2	\$ 1.47
Part B-10	Line Sharing USLA - 2 Wire - Density Cell 3	\$ 1.47
Part B-10	Line Sharing USLA - 2 Wire - Density Cell 4	\$ 1.47
Part B-10	Line Sharing USLA - 2 Wire - Statewide Avg	\$ 1.47
UNBUNDLED NETWORK INTERFACE DEVICE (NID)		
Part B-11	NID to NID Connection - 2 Wire (per NID)	\$ 1.04
Part B-11	NID to NID Connection - 4 Wire (per NID)	\$ 1.12
Part B-11	Standalone NID - 2 Wire (per NID)	\$ 1.04
Part B-11	Standalone NID - 4 Wire (per NID)	\$ 1.12
Part B-12 (R)	Standalone NID - DS1 (per NID)	\$ 4.70
Part B-11	UNE Shared NID (per line)	\$ 0.32
Unbundled xDSL Conditioning & Qualification		
Part B-13	Mechanized Loop Qualification	Disallowed by PUC
Part B-13	Wideband Test Access	\$ 1.83
Part B-13	Addition of Loop Electronics - Normal - Non-Recurring	Disallowed by PUC
Part B-13	Addition of Loop Electronics - Expedite - Non-Recurring	Disallowed by PUC
Unbundled EEL Testing		
Part B-14	2 Wire Analog Test Charge	\$ 0.07
Part B-14	2 Wire Digital Test Charge	\$ 0.08
Part B-14	4 Wire Analog Test Charge	\$ 0.14
Part B-14	DS1 (1.544 mbps) Test Charge	\$ 0.16
Part B-14	Digital 4 Wire (56 or 64 kbps) Test Charge	\$ 0.74

VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
RECURRING RATE SUMMARY
FINAL RATES

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
	Unbundled EEL IOF	
Part D-2	Voice Grade Fixed includes both ends	\$ 31.51
Part D-2	Voice Grade per Mile	\$ 0.14
	Line Sharing / Line Splitting Admin & Support	
Part B-16	Splitter Equipment - Option C Only	\$ 4.02
	Unbundled OSS Costs for Line Sharing & Line Splitting	
Part B-17	OSS for Line Sharing & Line Splitting	\$ 0.83
	Unbundled Line Ports - per month	
Part C-1 (R)	POTS / PBX / CTX Limited Port	\$ 1.68
Part C-9	POTS / PBX / CTX Full-featured Port	\$ 1.91
Part C-1	ISDN BRI / CTX Port	\$ 7.73
Part C-1	ISDN PRI Port	\$ 74.18
Part C-1	Unbundled Public Access Line Port (UPALP)	\$ 1.06
Part C-1	Unbundled Coin Port (UCP)	\$ 1.10
Part C-5	Simplified Message Desk Interface (SMDI) Port	\$ 193.87
Part C-1	Switched DS1 Port	\$ 44.18
Part C-2	Automatic Identified Outward Dialing (AIOD) Port	\$ 0.53
Part C-1	Direct Inward Dialing (DID) Port	\$ 3.08
Part C-1	IDLC Port per Interface Group (TR008)	\$ 42.63
	Unbundled Dedicated Trunk Ports	
Part C-1	Dedicated Trunk Port - End Office (per month)	\$ 44.20
Part C-1	Dedicated Trunk Port - Tandem (per month)	\$ 71.48
Part C-1	Dedicated Trunk Port -TOPS (per month)	\$ 77.43
	Unbundled Individual Line Port Features	
	Res/Bus Features	
Part C-2	Call Waiting Display Name & Number	In Port
Part C-2	Three Way Calling	\$ 0.13
Part C-2	Remote Call Forwarding	In Port
Part C-2 (R)	Calling Number Delivery	In Port
Part C-2	Calling Number & Name Delivery	In Port
Part C-2	Anonymous Call Rejection	In Port
Part C-2	Automatic Recall (Return Call)	In Port
Part C-2	Call Waiting	In Port
Part C-2	Automatic Callback (Repeat Call)	In Port
	Calling Number Delivery Block, per call	\$ 0.002

VERIZON PENNSYLVANIA INC.
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RECURRING RATE SUMMARY
FINAL RATES

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
	Centrex Features	
Part C-2	CTX Intercom	\$ 0.26
Part C-2	CTX Announcement	In Port
Part C-2	Ctx 3-Way Conference	\$ 0.13
Part C-2	Ctx Automatic Recall (Return Call)	In Port
Part C-2	Ctx Distinctive ringing	\$ 0.002
Part C-2	Ctx Loudspeaker Paging	In Port
Part C-2	Ctx Meet-Me Conference	In Port
Part C-2	Ctx Selective Call Acceptance	In Port
Part C-2	Ctx Selective Call Forwarding	In Port
Part C-2	Ctx Selective Call Rejection	In Port
Part C-2	Ctx 6-Way Conference	In Port
Part C-2	Ctx Station Message Detail Record (SMDR)	In Port
Part C-2	Ctx Repeat Call	In Port
Part C-2	Ctx Call Transfer - All Calls	In Port
Part C-2	Ctx Call Waiting Terminating (All Calls)	In Port
Part C-2	Ctx Directed Call Pick-up with Barge-In (Originating)	In Port
Part C-2	Ctx Executive Busy Override	In Port
	ISDN Features	
Part C-2	ISDN Intercom	\$ 0.26
Part C-2	ISDN Announcement	\$ 2.76
Part C-2	ISDN Three-Way Calling	\$ 0.13
Part C-2	ISDN Six-Way Conference	\$ 0.28
Part C-2	ISDN Call Pickup	\$ 0.0002
Part C-2	ISDN Selective Call Rejection	\$ 0.02
Part C-2	ISDN Call Transfer Individual - All Calls (Ftr. 578)	\$ 0.02
Part C-2	Calling Name & Number Delivery	\$ 2.49
	Unbundled Switching - Per MOU	
Part C-3	Originating EO Local Switching per MOU	\$ 0.001373
Part C-3	Terminating EO Local Switching per MOU	\$ 0.001175
	Unbundled Tandem Switching	
Part C-3	Tandem Switching MOU	\$ 0.000120
	Unbundled Common Trunk Ports	
Part C-3	Common Trunk Port - End Office (per mou)	\$ 0.000361
Part C-3	Common Trunk Port - Tandem (per mou)	\$ 0.000513
Part C-3	Common Trunk Port - TOPS (per mou)	\$ 0.001665
	Unbundled Tandem Transit Service	
Part C-9	Unbundled Tandem Transit Service (per mou)	\$ 0.001361

**VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
RECURRING RATE SUMMARY
FINAL RATES**

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
	Common Transport - per MOU	
Part C-6	Fixed- Common	\$ 0.000206
Part C-6	Per Mile	\$ 0.000010
	Reciprocal Compensation	
Part C-4	Meet Point A - Termination at End Office (per mou)	\$ 0.000987
Part C-4	Meet Point B - Termination at Tandem (per mou)	\$ 0.002439
	Unbundled Dedicated Transport - per Month	
	UNE Entrance Facilities	
Part B-6 (R)	DS-1 UNE Entrance Facility	\$ 99.15
Part D-1	DS-3 UNE Entrance Facility	\$ 446.43
Part D-1	STS-1 UNE Entrance Facility	\$ 448.76
Part D-1	OC-3 UNE Entrance Facility	\$ 926.73
Part D-1	OC-12 UNE Entrance Facility	\$ 3,146.08
	Interoffice Facilities (IOF)	
Part D-2	DS-1 Fixed includes both ends	\$ 47.48
Part D-2	DS-1 per Mile	\$ 0.60
Part D-2	DS-3 Fixed includes both ends	\$ 492.68
Part D-2	DS-3 per Mile	\$ 51.31
Part D-2	STS-1 - Fixed includes both ends	\$ 495.91
Part D-2	STS-1 - per mile	\$ 51.48
Part D-2	OC-3 - Fixed includes both ends	\$ 1,435.14
Part D-2	OC-3 - per mile	\$ 154.56
Part D-2	OC-12 - Fixed includes both ends	\$ 3,741.07
Part D-2	OC-12 - per mile	\$ 342.85
	Unbundled SS7	
Part E-1	STP Port - per Month per Port	\$ 354.58
Part D-2	SS7 Link Fixed	\$ 31.51
Part D-2	SS7 Link per Mile	\$ 0.14
	Unbundled Signalling Databases	
	800 Database	
Part E-2	Basic, per query	\$ 0.000719
Part E-2	Vertical, per query	\$ 0.000719
	LIDB (Per Query)	
Part E-3	Calling Card per query	\$ 0.020924
Part E-3	Billed Number Screening per query	\$ 0.020924

VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
RECURRING RATE SUMMARY
FINAL RATES

EXHIBIT	UNBUNDLED NETWORK ELEMENTS	RATE
	DARK FIBER - IOF	
	Verizon CO to Verizon CO	
Part F-1	Serving Wire Center Charge/SWC/Pair	\$ 15.95
Part F-1	Interoffice Per Mile	\$ 149.32
	Verizon CO to CLEC CO	
Part F-1	Serving Wire Center Charge/SWC/Pair	\$ 15.95
Part F-1	Channel Termination Charge/CLEC CO	\$ 118.88
	DARK FIBER - LOOP	
Part F-1	Serving Wire Center Charge/SWC/Pair	\$ 15.95
Part F-1	Loop Charge/Pair - Density Cell 1	\$ 71.66
Part F-1	Loop Charge/Pair - Density Cell 2	\$ 117.04
Part F-1	Loop Charge/Pair - Density Cell 3	\$ 169.14
Part F-1	Loop Charge/Pair - Density Cell 4	\$ 200.95
Part F-2	Customized Routing (per line per month)	\$ 0.0007
	Daily Usage File (DUF)	
Part F-3	Per Record Recorded	\$ 0.00149
Part F-3	Per Record Transmitted	\$ 0.001079
Part F-3	Per Media (Tape or Cartridge)	\$ 20.45
	SMS Pricing (AIN Service Creation)	
	Service Creation Usage	
Part F-4	Remote Access per 24 Hr. day	\$ 3,532.12
Part F-4	On Premise per 24 Hr. day	\$ 3,532.12
Part F-4	Certification and Testing per Hour	\$ 67.89
Part F-4	Help Desk Support per Hour	\$ 72.62
	Service Charges	
Part F-4	Subscription Charges	\$ 0.67
	Database Queries	
Part F-4	Network Query	\$ 0.00044
Part F-4	CLEC Network Query	\$ 0.00044
Part F-4	CLEC Switch Query	\$ 0.00044
Part F-4	Utilization Element	\$ 0.00001
	Service Modification	
Part F-4	DTMF Update Per Change	\$ 0.004248
	Service Order Input	
Part F-4	Switched Based Announcement	\$ 0.000780
	Developmental Charges	
Part F-4	Service Creation Access Ports per month	\$ 1,401.13
	Access to Operations Support Systems (per month/per line)	
Part F-5	Ongoing and Recovery of one time expense (during 10 yr. Period)	\$ 0.82
Part F-5	Ongoing only (after 10 yr. Period)	\$ 0.45

APPENDIX B

VERIZON PENNSYLVANIA INC.
DOCKET NO. R-00016683
NONRECURRING RATE SUMMARY
FINAL RATES

1	POTS / ISDN BRI Migration (TSR)	0.26
2	POTS / ISDN BRI Install (TSR)	0.26
3	POTS / ISDN BRI Migration (UNE Platform)	0.26
4	POTS / ISDN BRI Install (UNE Platform)	0.26
5	POTS / ISDN BRI Disconnect (TSR / UNE Platform)	0.26
6	POTS / ISDN BRI Migration (UNE Loop)	1.49
7	POTS / ISDN BRI Install (UNE Loop)	1.44
8	POTS / ISDN BRI Disconnect (UNE Loop)	1.30
9	Feature Changes	0.26
10	4 Wire Migration (UNE Loop)	19.73
11	4 Wire Install (UNE Loop)	9.96
12	4 Wire Disconnect (UNE Loop)	8.01
13	2 Wire Migration at the FDI	22.56
14	2 Wire Disconnect at the FDI	21.71
15	4 Wire Migration at the FDI	61.52
16	4 Wire Disconnect at the FDI	37.57
17	2 Wire Migration at 6 line NID	41.85
18	Channelized DS1 Virtual Feeder to RT Install	19.18
19	Channelized DS1 Virtual Feeder to RT Disconnect	14.93
20	DS1 Interoffice Transport Install	8.14
21	DS1 Interoffice Transport Disconnect	0.49
22	DS3 Interoffice Transport Install	8.14
23	DS3 Interoffice Transport Disconnect	0.49
24	2 Wire Loop, different CO Migration	20.19
25	2 Wire Loop, different CO Install	6.70
26	2 Wire Loop, different CO Disconnect	6.18
27	4 Wire Loop, different CO Migration	20.41
28	4 Wire Loop, different CO Install	6.98
29	4 Wire Loop, different CO Disconnect	6.75
30	DS1 Loop to Customer Premise Migration	34.92
31	DS1 Loop to Customer Premise Install	25.23
32	DS1 Loop to Customer Premise Disconnect	17.46
33	DS3 Loop to Customer Premise Migration	33.39
34	DS3 Loop to Customer Premise Install	19.30
35	DS3 Loop to Customer Premise Disconnect	10.84
36	Line Port (DS0, Analog, ISLU) Install	1.40
37	Line Port (DS0, Analog, ISLU) Disconnect	1.30
38	Channelized DS1 line port (TR-303-IDT) Install	19.18
39	Channelized DS1 line port (TR-303-IDT) Disconnect	14.11
40	Fiber Cross Connects Install (LGX)	9.35
41	Fiber Disconnect (LGX)	10.23
42	SS7 Links (DS0) Install	23.90
43	SS7 Links (DS0) Disconnect	6.53
44	SS7 Links (DS1) Install	22.65
45	SS7 Links (DS1) Disconnect	6.07
46	SS7 STP global title translations 'A Link' only Install	30.23
47	SS7 STP global title translations 'A Link' only Disconnect	30.23
48	SS7 STP message transfer part 'A Link' only (port) Install	21.43
49	SS7 STP message transfer part 'A Link' only (port) Disconnect	20.55