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June 12, 2003

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JUN 12 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

VIA OVERNIGHT MAIL

Secretary James P. McNulty  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120

**DOCKETED**

JUN 19 2003

Re: AT&T Communications of Pennsylvania, Inc.,  
v. Verizon North, Inc., Docket No. C-20027195

Dear Mr. McNulty:

Please remove the undersigned counsel from the service list for the above-captioned proceeding.

If you have any questions regarding this matter, please do not hesitate to contact the undersigned.

Sincerely,

DOCUMENT

Russell M. Blau  
Robin F. Cohn

RJC

cc: Administrative Law Judge Cynthia W. Fordham  
Attached Service List

RECEIVED

JUN 12 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**CERTIFICATE OF SERVICE**

I hereby certify that on the 12<sup>th</sup> day of June 2003, a copy of the foregoing letter (Docket No. C-20027195) was served upon the participants listed below by first-class mail, postage prepaid.

Patricia Armstrong, Esq.  
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E-mail: [anjones@state.pa.us](mailto:anjones@state.pa.us)

Thomas W. Snyder, Esq.  
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**RECEIVED**

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PA PUBLIC UTILITY COMMISSION  
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---

Robin F. Cohn

Anthony E. Gay  
Assistant General Counsel  
Law Department

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JUN 16 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Verizon Pennsylvania Inc.  
1717 Arch Street, 32NW  
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Anthony.E.Gay@Verizon.com

June 16, 2003

VIA EMAIL & UPS OVERNIGHT DELIVERY

Philip F. McClelland, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Floor 5  
Harrisburg, PA 17101

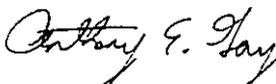
RE: AT&T Communications of Pennsylvania, Inc. v. Verizon North Inc.  
Docket No. C-20027195

Dear Mr. McClelland:

Enclosed are the Objections of Verizon Pennsylvania Inc. to Interrogatories of the Office of Consumer Advocate, Set III and Set IV, in the above captioned matter.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

  
Anthony E. Gay

AEG/meb

Enclosure

cc: VIA UPS OVERNIGHT DELIVERY  
James J. McNulty, Secretary (cover letter & certificate of service)  
Honorable Cynthia Williams Fordham  
Attached Certificate of Service

DOCUMENT  
FOLDER

CERTIFICATE OF SERVICE

I, Anthony E. Gay, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s Objections to the Office of Consumer Advocate's Discovery Requests, Sets III and IV, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia; Pennsylvania, this 16<sup>th</sup> day of June, 2003.

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

RECEIVED

JUN 16 2003

Patricia Armstrong, Esquire  
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212 Locust Street, Suite 500  
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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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DOCUMENT  
FOLDER

*Anthony E. Gay*

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DOCKETED  
JUN 21 2003

Anthony E. Gay  
Assistant General Counsel  
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June 18, 2003

**VIA E-MAIL AND UPS OVERNIGHT DELIVERY**

Philip F. McClelland, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

**DOCUMENT FOLDER**

RE: AT&T Communications of Pennsylvania, Inc.  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

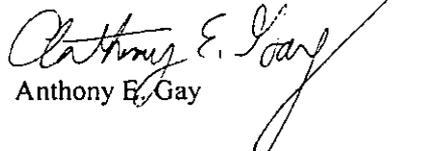
Dear Mr. McClelland,

Enclosed please find the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. respectively to the Office of Consumer Advocate's Set III and Set IV Interrogatories relating to Verizon's December 30, 2002 merger compliance access filing.

We are providing the Office of Consumer Advocate with two copies of these Responses. Please note that the Responses contain certain proprietary information, and that certain attachments are proprietary as well.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Anthony E. Gay

RJP

AEG/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
- Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

**RECEIVED**  
JUN 18 2003  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I, Anthony E. Gay, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s Responses to the Office of Consumer Advocate's Discovery Requests, Sets III and IV, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 18<sup>th</sup> day of June, 2003.

DOCKETED

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

JUN 20 2003

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DOCUMENT FULL...

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JUN 18 2003

PA PUBLIC UTILITY COMMISSION  
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June 20, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

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3033 Chain Bridge Road  
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**DOCUMENT FOLDER**

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

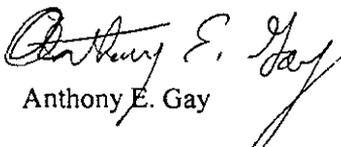
Dear Mr. Barber,

Enclosed please find the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. respectively to AT&T Communications of Pennsylvania, LLC's Discovery Requests, Set I, relating to Verizon's December 30, 2002 merger compliance access filing.

Please note that the Responses contain certain proprietary information.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Anthony E. Gay

RJP

AEG/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

**RECEIVED**  
JUN 20 2003  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I, Anthony E. Gay, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s Responses to AT&T Communications of Pennsylvania, LLC's Discovery Requests, Set I, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 20<sup>th</sup> day of June, 2003.

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

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DOCUMENT FOLDER

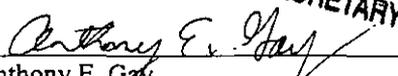
DOCKETED

JUL 11 2003

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JUN 20 2003

PA PUBLIC UTILITY COMMISSION  
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Law Department

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JUN 25 2003



PA PUBLIC UTILITY COMMISSION  
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June 25, 2003

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VIA E-MAIL AND UPS OVERNIGHT MAIL

The Honorable Cynthia W. Fordham  
Administrative Law Judge  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130

**DOCUMENT FOLDER**

Re: AT&T Communications of Pennsylvania, LLC. v. Verizon North Inc.  
And Verizon Pennsylvania Inc., Docket No. C-20027195

Dear Judge Fordham:

Enclosed is a copy of the Direct Testimony of Debra M. Berry, Michael J. Wirl, Ann A. Dean and Gary Sanford on behalf of Verizon Pennsylvania Inc. and Verizon North Inc. in reference to the above captioned case. Please note the testimony contains proprietary information.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Suzan DeBusk Paiva

RJP

SDP/dkf  
Enc.

Via UPS Overnight Mail  
cc: James J. McNulty (cover letter and certificate of service only) ✓  
Via E-Mail and UPS Overnight Mail  
Attached Certificate of Service

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of the Direct Testimony of Debra M. Berry, Michael J. Wirl, Ann A. Dean and Gary Sanford on behalf of Verizon Pennsylvania Inc. and Verizon North Inc., upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 25<sup>th</sup> day of June, 2003.

VIA E-MAIL AND UPS OVERNIGHT MAIL

Patricia Armstrong, Esquire  
Thomas, Thomas, Armstrong  
& Niesen  
212 Locust Street, Suite 500  
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Carl D. Giesy, Esquire  
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Qwest Communications Corp.  
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Denver, CO 80202

**INDEXED**  
**JUL 11 2003**

**DOCUMENT FOLDER**

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**JUN 25 2003**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



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Law Department

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JUL 02 2003

ORIGINAL

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July 2, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Robert Barber, Esquire  
AT&T Communications of Pennsylvania, LLC  
3033 Chain Bridge Road  
Oakton, VA 22185

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Mr. Barber,

Enclosed please find the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to AT&T Communications of Pennsylvania, LLC's Interrogatories, Set II, relating to Verizon's December 30, 2002 merger compliance access filing.

Please note that attachments to the Responses contain proprietary information.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Suzan DeBusk Paiva

RJP

SDP/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

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CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to Set II Interrogatories of AT&T Communications of Pennsylvania, LLC, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 2<sup>nd</sup> day of July, 2003.

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212 Locust Street, Suite 500  
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Shaun A. Sparks, Esquire  
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Ryan, Russell, Ogden & Seltzer LLP  
800 North Third Street, Suite 101  
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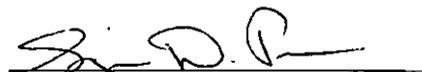
Kristin L. Smith, Esq.  
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Denver, CO 80202

Alan Kohler, Esquire  
Daniel Clerfield, Esquire  
Wolf Block Schorr & Solis—Cohen  
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212 Locust Street  
Harrisburg, PA 17101

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JUL 02 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



Suzan DeBusk Paiva  
Verizon Pennsylvania Inc.  
And Verizon North Inc.  
1717 Arch Street, 32NW  
Philadelphia, PA 19103  
(215) 963-6068

DOCUMENT  
FOLDER

DOCKETED  
JUL 08 2003

Suzan DeBusk Paiva  
Assistant General Counsel  
Law Department

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JUL 09 2003

PA PUBLIC UTILITIES COMMISSION  
SECRETARY'S OFFICE

Verizon Pennsylvania Inc.  
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Philadelphia, PA 19103

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Tel: (215) 963-6068  
Fax: (215) 563-2658  
Suzan.D.Paiva@Verizon.com

July 9, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Robert Barber, Esquire  
AT&T Communications of Pennsylvania, LLC  
3033 Chain Bridge Road  
Oakton, VA 22185

ORIGINAL

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Mr. Barber,

Enclosed please find the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to AT&T Communications of Pennsylvania, LLC's Interrogatories, Set III, relating to Verizon's December 30, 2002 merger compliance access filing.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery

cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

RJP

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

gp

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to Set III Interrogatories of AT&T Communications of Pennsylvania, LLC, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 9<sup>th</sup> day of July, 2003.

VIA E-MAIL AND UPS OVERNIGHT MAIL

Patricia Armstrong, Esquire  
Regina Matz, Esquire  
Thomas, Thomas, Armstrong  
& Niesen  
212 Locust Street, Suite 500  
Harrisburg, PA 17108

Robert C. Barber, Esquire  
AT&T Communications of PA  
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Joel H. Cheskis, Esquire  
Shaun A. Sparks, Esquire  
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Kenneth Mickens, Esquire  
PA Public Utility Commission  
Office of Trial Staff  
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Second Floor West  
400 North Street  
Harrisburg, PA 17120

Michelle Painter, Esquire  
MCI WorldCom, Inc.  
1133 19<sup>th</sup> Street, NW  
Washington, DC 20036

Kristin L. Smith, Esq.  
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1801 California St., Suite 4900  
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JUL 14 2003

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JUL 09 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



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And Verizon North Inc.  
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Suzan DeBusk Paiva  
Assistant General Counsel  
Law Department

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July 10, 2003



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VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Kenneth L. Mickens, Esquire  
Senior Prosecutor  
Office of Trial Staff  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

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JUL 10 2003

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Mr. Mickens,

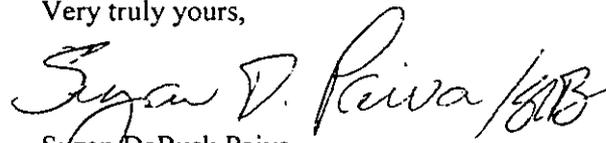
Enclosed please find the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to the Office of Trial Staff's Set III Interrogatories relating to Verizon's December 30, 2002 merger compliance access filing.

Please note that certain responsive material is proprietary to the Verizon companies.

As you requested, we are providing the Office of Trial Staff with four copies of these Responses. Attachments are being provided in hardcopy form only.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery

cc: James J. McNulty (cover letter and certificate of service only)  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

RJP

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to Set III Interrogatories of the Office of Trial Staff, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 10<sup>th</sup> day of July, 2003.

VIA E-MAIL AND UPS OVERNIGHT MAIL

DOCUMENT FOLDER

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& Niesen  
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Alan Kohler, Esquire  
Daniel Clerfield, Esquire  
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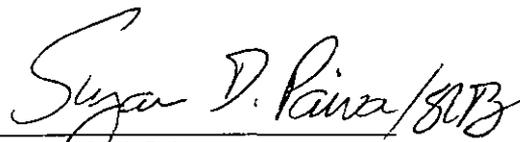
DOCKETED

JUL 14 2003

Kenneth Mickens, Esquire  
PA Public Utility Commission  
Office of Trial Staff  
Commonwealth Keystone Building  
Second Floor West  
400 North Street  
Harrisburg, PA 17120

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JUL 14 2003

Suzan DeBusk Paiva  
Assistant General Counsel  
Law Department

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

BTL



Verizon Pennsylvania Inc.  
1717 Arch Street, 32NW  
Philadelphia, PA 19103

July 14, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Philip F. McClelland, Esquire  
Office of Consumer Advocate  
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Tel: (215) 963-6068  
Fax: (215) 563-2658  
Suzan.D.Paiva@Verizon.com

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

DOCKETED

JUL 22 2003

Dear Mr. McClelland,

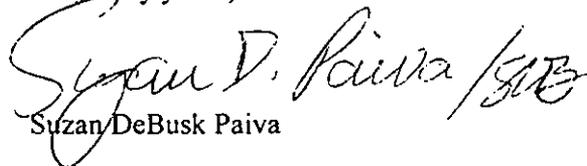
Enclosed please find the Responses of Verizon Pennsylvania Inc. and Verizon North Inc. to the Office of Consumer Advocate's Interrogatories, Sets V and VI, relating to Verizon's December 30, 2002 merger compliance access filing. The response to Interrogatory V-2 is not complete at this time and will be provided when final.

Please note that certain responsive material, including material in attachments, is proprietary to the Verizon companies.

Please do not hesitate to contact me if you have any questions.

DOCUMENT  
FOLDER

Very truly yours,

  
Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery

cc: James J. McNulty (cover letter and certificate of service only)  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

Anthony E. Gay  
Assistant General Counsel  
Law Department

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JUL 16 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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Anthony.E.Gay@Verizon.com

July 16, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

DOCUMENT  
FOLDER

Robert Barber, Esquire  
AT&T Communications of Pennsylvania, LLC  
3033 Chain Bridge Road  
Oakton, VA 22185

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

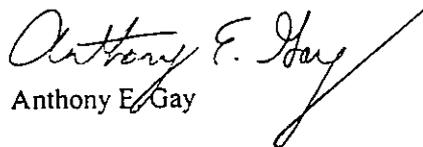
Dear Mr. Barber,

Enclosed please find the Revised Response of Verizon Pennsylvania Inc. and Verizon North Inc. to AT&T Communications of Pennsylvania, LLC's Discovery Request, Set I, Number 8, relating to Verizon's December 30, 2002 merger compliance access filing.

Please note that the Revised Response is proprietary to Verizon.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Anthony E. Gay

RJP

AEG/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

CERTIFICATE OF SERVICE

I, Anthony E. Gay, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s Revised Response to AT&T Communications of Pennsylvania, LLC's Discovery Request, Set I, Number 8, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

RECEIVED

Dated at Philadelphia, Pennsylvania, this 16<sup>th</sup> day of July, 2003.

JUL 16 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S OFFICE

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Regina L. Matz, Esquire  
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& Niesen  
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Joel Cheskis, Esquire  
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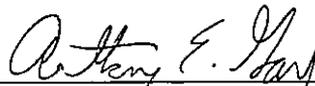
Alan Kohler, Esquire  
Daniel Clearfield, Esquire  
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Kenneth Mickens, Esquire  
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Kathleen Misturak-Gingrish, Esquire  
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Kristin L. Smith, Esquire  
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Anthony E. Gay  
Attorney for Respondents  
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Verizon North Inc.  
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(215) 963-6023

Suzan DeBusk Paiva  
Assistant General Counsel  
Law Department

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JUL 16 2003

PA PUBLIC UTILITY COMMISSION  
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Suzan.D.Paiva@Verizon.com

July 16, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Philip F. McClelland, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

DOCUMENT  
FOLDER

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Mr. McClelland,

Enclosed please find the Response of Verizon Pennsylvania Inc. and Verizon North Inc. to the Office of Consumer Advocate's Interrogatory V-2, relating to Verizon's December 30, 2002 merger compliance access filing.

Please do not hesitate to contact me if you have any questions.

RJP

Very truly yours,

Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery

cc: James J. McNulty (cover letter and certificate of service only)  
Elizabeth Barnes  
Robert Marinko  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of the Response of Verizon Pennsylvania Inc. and Verizon North Inc. to Interrogatory V-2 of the Office of Consumer Advocate, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 16<sup>th</sup> day of July, 2003.

RECEIVED

JUL 16 2003

VIA E-MAIL AND UPS OVERNIGHT MAIL

Patricia Armstrong, Esquire  
Regina Matz, Esquire  
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Joel H. Cheskis, Esquire  
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1133 19<sup>th</sup> Street, NW  
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Kristin L. Smith, Esq.  
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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



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And Verizon North Inc.  
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# ORIGINAL

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WWW.RYANRUSSELL.COM  
July 18, 2003

SAMUEL B. RUSSELL (RETIRED)  
HAROLD J. RYAN (1972)  
JOHN S. MCCONAGHY (1981)

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19610-1221  
TELEPHONE: (610) 372-4761  
FACSIMILE: (610) 372-4177

VIA UPS OVERNIGHT MAIL

The Honorable Cynthia L. Fordham  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130

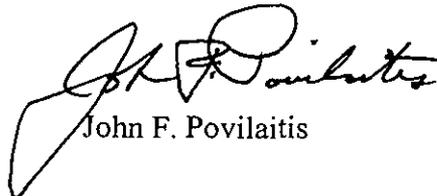
DOCUMENT  
FOLDER

Re: AT&T Communications of Pennsylvania, Inc. v. Verizon North, Inc.,  
Docket No. C-20027195

Dear Judge Fordham:

Enclosed is a copy of the Rebuttal Testimony Statement No. 1.0 of Scott A. McNytre submitted on behalf of Qwest Communications Corporation in the above-captioned proceeding. Copies of this rebuttal testimony have been served in accordance with the attached certificate of service.

Very truly yours,

  
John F. Povilaitis

RJP

JFP/cc  
Enclosures

c. James J. McNulty, Secretary  
(cover letter and certificate of service)

Certificate of Service

SECRETARY'S BUREAU  
03 JUL 18 PM 3:56

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

AT&T Communications of Pennsylvania, Inc. :

v. :

Verizon North, Incorporated :

Docket No. C-20027195

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing documents in accordance with the requirements of 52 Pa. Code § 1.54 et seq. (relating to service by a participant).

VIA UPS OVERNIGHT MAIL

Susan Debusk Paiva, Esquire  
Julia A. Conover, Esquire  
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Fax (717) 772-2677  
[kmickens@state.pa.us](mailto:kmickens@state.pa.us)

DOCKETED  
JUL 25 2003

SECRETARY'S OFFICE  
PA PUBLIC UTILITY COMMISSION

03 JUL 18 PM 3:06

DOCUMENT  
FOLDER

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Barrett C. Sheridan, Esquire  
Joel H. Cheskis, Esquire  
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[bsheridan@paoca.org](mailto:bsheridan@paoca.org)  
[jcheskis@paoca.org](mailto:jcheskis@paoca.org)

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Carl D. Giesy, Esquire  
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[michelle.painter@mci.com](mailto:michelle.painter@mci.com)

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Carol Kuhnaw, Esquire  
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[klsmi23@qwest.com](mailto:klsmi23@qwest.com)

Kathleen Misturak-Gingrich, Esquire  
Eckert, Seamons, Cherin & Mellott,  
LLC  
213 Market Street, 8<sup>th</sup> Floor  
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(717) 237-6067  
Fax (717) 237-6019  
[kmg@escm.com](mailto:kmg@escm.com)  
MCI Worldcom Inc.

Date: July 18, 2003

  
\_\_\_\_\_  
John F. Povilaitis  
RYAN, RUSSELL, OGDEN & SELTZER LLP  
800 North Third Street, Suite 101  
Harrisburg, PA 17102-2025  
Phone: (717) 236-7714  
Fax: (717) 236-7816  
Email: [JPovilaitis@RyanRussell.com](mailto:JPovilaitis@RyanRussell.com)

Counsel for Qwest Communications Corporation

ECKERT SEAMANS CHERIN & MELLOTT, LLC

213 Market Street  
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July 21, 2003

Via Federal Express

The Honorable Cynthia I. Fordham  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, Pennsylvania 19130

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JUL 21 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

DOCUMENT

Re: AT&T Communications of Pennsylvania, Inc., v. Verizon North, Inc.  
Docket No.: C-20027195

Dear Judge Fordham:

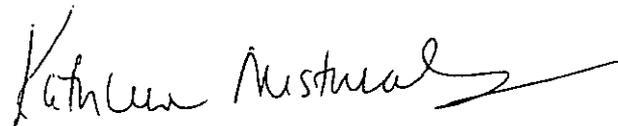
Enclosed please find both public and proprietary versions of the Rebuttal Testimony, Statement 1.0, of Michael D. Pelcovits submitted on behalf of MCI WorldCom Network Services, Inc. ("MCI") in the above-captioned access charge proceeding. Copies of MCI's Rebuttal Testimony have been served in accordance with the attached Certificate of Service.

Please note that the Testimony is marked as "proprietary" and is subject to the Protective Order entered as of June 9, 2003.

As you are also aware, MCI requested a one (1) day extension of time in which to file its rebuttal testimony. The requested extension was necessitated by MCI's in-house counsel being injured in an accident and being out of the office. As such, MCI is timely filing the within Rebuttal Testimony pursuant to said extension.

Please feel free to call if you have any questions respecting this filing. Thank you for your professional courtesy in this matter.

Very truly yours,



Kathleen Misturak-Gingrich, Esquire

RJP

KMG:smb  
Enclosures

cc: The Honorable James J. McNulty  
Parties of Record  
Michelle Painter, Esquire

Via Federal Express  
Via Federal Express  
Via Federal Express

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

AT&T Communications  
of Pennsylvania, Inc.

v.

Verizon North, Inc.

:  
:  
:  
:  
:  
:  
:

Docket Number

C-20027195

**DOCKETED**  
JUL 31 2003

REBUTTAL TESTIMONY OF MICHAEL D. PELCOVITS

ON BEHALF OF MCI WORLDCOM NETWORK SERVICES, INC. ("MCI")

STATEMENT 1.0

July 21, 2003

PUBLIC VERSION

DOCUMENT

RECEIVED

JUL 21 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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1 **I. INTRODUCTION AND SUMMARY.**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Michael D. Pelcovits. I am a principal with the economic consulting firm  
4 of Microeconomic Consulting and Research Associates (MiCRA). My business  
5 address is 1155 Connecticut Avenue, N.W., Washington, D.C. 20036.

6 **Q. Would you please summarize your qualifications?**

7 A. I received my Ph.D. in Economics from the Massachusetts Institute of Technology in  
8 1976. After serving on the economics faculty of the University of Maryland and as a  
9 Senior Economist at the Civil Aeronautics Board, I have spent my entire career  
10 specializing in the economics of regulation and competition in the  
11 telecommunications industry.

12 From 1979 to 1981, I was a Senior Economist at the Federal Communications  
13 Commission, Office of Plans and Policy. From 1981 to 1988, I was a founding  
14 member and principal of the consulting firm Cornell, Pelcovits and Brenner. In 1988  
15 I joined MCI Communications Corporation and remained with the Company  
16 following its merger with WorldCom, until 2002. I held positions of increased  
17 responsibility at MCI, and was appointed Vice President and Chief Economist of the  
18 corporation. In this position I was responsible for the economic analyses of policy  
19 and regulatory matters provided and presented by the Corporation before federal,  
20 state, foreign, and international government agencies, legislative bodies and courts.

21 I have written a number of professional publications on economic and regulatory  
22 issues. I have also appeared and spoken frequently before government bodies,

1 regulatory, industry, and academic forums. I have also testified over thirty times  
2 before state regulatory commissions. The details of my background are included in  
3 my attached curriculum vitae.

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to address the proposals made by Verizon in this  
6 proceeding to adjust the structure and level of its rates for switched access services  
7 provided to interexchange carriers.

8 **Q. Please summarize your testimony.**

9 A. I begin my testimony with a description of switched access services and the rates  
10 charged by local exchange carriers to IXCs in connection with those services. I then  
11 provide a brief history of the development of the structure of switched access charges  
12 in both the federal and the state jurisdictions, and show that the trend in that  
13 development has been toward the elimination of subsidies to other services derived  
14 from access charges and toward pricing of access services near to the cost of  
15 providing those services.

16 The next section of my testimony discusses the benefits to consumers of prices for  
17 services that closely reflect the costs of providing those services. I also explain the  
18 deleterious effects of above-cost pricing of switched access services on competition  
19 both in the market for long distance services and in the market for local exchange  
20 services.

21 Finally, I recommend that the Commission act to immediately bring each element of  
22 switched access to the corresponding rate that the Commission has already approved

1 for unbundled network elements (“UNEs”). The reason for my recommendation is  
2 that I believe the current UNE rates can serve as a proxy for economic cost. I also  
3 recommend that the non-cost based Carrier Charge be eliminated.

4 **II. DESCRIPTION OF SWITCHED ACCESS SERVICES AND CHARGES.**

5 **Q. What are access charges?**

6 A. Access charges are the fees paid by long distance companies to local exchange  
7 carriers to use existing local facilities to originate and terminate long distance calls.  
8 Access charges are paid on both the originating and terminating end of long distance  
9 calls. On the originating end of a call, the long distance provider pays Verizon to  
10 carry the call from the calling party to the long distance provider’s closest facility.  
11 On the terminating end of a call, the long distance provider pays Verizon to carry the  
12 call from its facility to the called party.

13 **Q. What is the difference between switched access and special access?**

14 A. There are two broad categories of access: special access and switched access.  
15 Special access service refers to direct connections between large business customers  
16 and their long distance providers. These direct connections are “always on,” meaning  
17 that the path between the customer and the long distance provider is devoted to that  
18 customer’s traffic. This connection is not shared with other customers, and does not  
19 have to pass through a local switch, because the path is connected on a semi-  
20 permanent basis (for a month or longer) rather than on a call-by-call basis. Special  
21 access service is available at different capacities, depending upon the traffic demands  
22 of the customer. These capacities are shown in Table 1 below, which provides the

1 type of circuit, the capacity in terms of bit rate, and the number of simultaneous voice  
2 calls that can be carried on the circuit (i.e. voice grade capacity).

3 **Table 1: Special Access Service**  
4

<u>Circuit Type</u>	<u>Bit Rate Capacity</u>	<u>Voice Grade Capacity</u>
DS-0	56 Kbps	1
DS-1	1.5Mbps	24
DS-3	45 Mbps	672

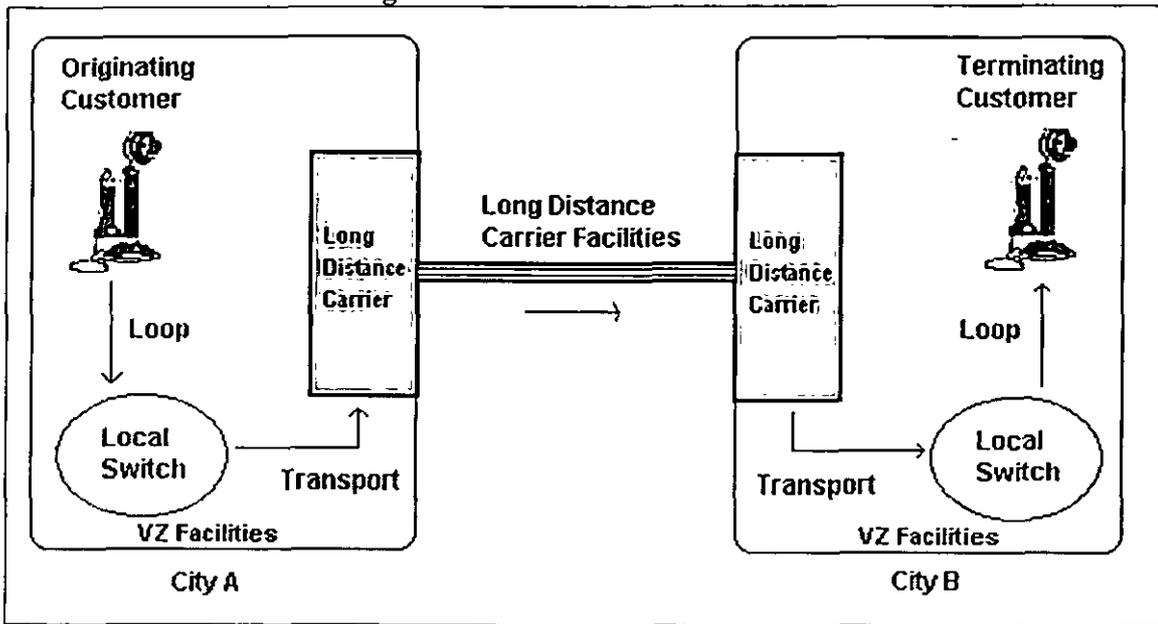
5  
6 Residential customers and small business customers are rarely connected via special  
7 access, because they do not generate the volume of long distance calls necessary to  
8 justify the cost of a connection that is used only for long distance calling. Rather,  
9 these customers are almost always connected to their long distance carrier with  
10 switched access service.

11 **Q. What are the physical facilities used to provide intrastate switched access**  
12 **service?**

13 A. As shown in Figure 1 below, an intrastate long distance call originates on the  
14 customer's telephone in City A. The call is carried on the local loop to Verizon's  
15 central office switch, and then transported to the long distance carrier's point of  
16 presence ("POP"). This transmission constitutes originating switched access  
17 services, and it is carried entirely on Verizon's facilities, until it reaches the nearest  
18 physical location of the long distance carrier. The long distance carrier will transmit  
19 the call on its own facilities to its own physical location in City B, where the called  
20 party is located. At that point, the long distance carrier hands off the call to Verizon,  
21 which then routes the call on its own transport, switching and loop facilities to reach  
22 the called party. This is the terminating access function.

1

Figure 1: Switched Access Service



2  
3

4

**Q. When and why were access charges instituted?**

5

A. Access charges were first instituted by the FCC in 1984 upon the divestiture of the Bell System into separate local companies (the Regional Bell Operating Companies) which were expected to function as regulated monopolies, and a nationwide long distance company (AT&T) which was expected to compete against other long distance providers such as MCI. The purpose of access charges was to replace intra-company payments previously made within the Bell System with a regulated system of nondiscriminatory fees to be paid by all long distance companies for access to each local network. Shortly after the FCC established access charges for interstate long distance calls, the state regulatory commissions established access charges for intrastate long distance calls. This regime of access charges was adopted throughout the country, even in areas that prior to 1984 were served by companies that were not part of the Bell System.

16

1 **Q. Historically, how have switched access charges been levied?**

2 A. The FCC and state commissions have recognized that switched access charges  
3 historically had been a way to recover a portion of the allowed revenue requirement  
4 of local exchange companies from interstate and intrastate long distance services.  
5 Switched access rates had generally exceeded the economic, incremental cost of  
6 providing access services, though the clear modern trend (as throughout the  
7 telecommunications industry) is for access charges to be driven close to economic  
8 cost.

9 Historically, switched access charges have been applied to the three basic network  
10 components used to originate or terminate a long distance call. First, charges  
11 associated with the subscriber loop, have been imposed in a variety of ways by  
12 federal and state regulators. Previously, the long distance carriers paid large per  
13 minute charges for use of the loop. Also, federal regulators imposed a portion of the  
14 cost of the loop on the subscriber (often called a "subscriber line charge," or SLC).  
15 More recently, a larger share of the cost of the loop has been recovered from higher  
16 SLC charges or directly from the long distance carrier presubscribed by the customer  
17 (often called a "presubscribed interexchange carrier charge," or PICC). Second,  
18 access charges for use of the local switch are paid on a per minute-of use basis by the  
19 long distance carrier. Third, charges associated with the use of interoffice transport  
20 facilities, used to route calls between switches, are paid through a variety of  
21 mechanisms, which I will explain later in the testimony.

1 **Q. What is the difference between intrastate and interstate switched access?**

2 A. Intrastate switched access charges are applied to all dial-up intrastate long distance  
3 calls and are regulated by this Commission. Interstate switched access charges are  
4 applied to all dial-up interstate calls; the FCC regulates this service.

5 **Q. What is the relation between the facilities used to provide intrastate switched  
6 access service to the facilities used to provide unbundled network elements?**

7 A. Identical facilities are used to provide intrastate switched access service as are used to  
8 provide unbundled network elements. In particular, the local switch is used in the  
9 same way to provide the local switching element of intrastate access and the  
10 unbundled switching element. Interoffice facilities (trunks and tandems) are also  
11 used in the same way to provide the transport elements of intrastate access and the  
12 unbundled transport elements. Indeed, the local telephone network provides a  
13 number of services (local service, intrastate access service, interstate access service,  
14 and unbundled network elements) using the identical facilities in exactly the same  
15 way.

16 **III. DESCRIPTION OF INTRASTATE SWITCHED ACCESS RATES IN PENNSYLVANIA.**

17 **A. Brief History of Commission Orders on Switched Access Rates.**

18 **Q. Historically, how has the Commission set intrastate access rates in  
19 Pennsylvania?**

20 A. While access rates initially were set substantially above cost, in the belief that a  
21 subsidy to rates for basic local exchange service was required, the Pennsylvania  
22 Commission has, since passage of the Telecommunications Act of 1996, adopted a  
23 policy of replacing such implicit subsidies with explicit subsidies. In the process, the  
24 access rates charged by incumbent local exchange carriers have been substantially

1 reduced. Most notably, in the *Global Order*, the Commission ordered a \$32 million  
2 reduction in Verizon PA's local switching rate, resulting in a per minute rate of  
3 approximately \$0.009.

4 At the same time, however, the Commission has left in place the Carrier Charge, a  
5 monthly charge to interexchange carriers ostensibly designed to recover some non-  
6 traffic sensitive costs associated with the local loop. The Carrier Charge was adopted  
7 in the *Global Order* to replace, on a revenue-neutral basis, the Carrier Common Line  
8 Charge ("CCLC"), which had been imposed on interexchange carriers on a per-  
9 minute of use basis. Growth in access minutes had caused revenues from this rate  
10 element to increase dramatically. Consequently, the Commission had imposed a cap  
11 on CCLC revenues in 1998, requiring frequent filings by Verizon to lower the rate  
12 and thus bring the revenues derived from the rate to a level below the cap. By  
13 adopting a flat monthly rate per line, the Commission stabilized the amount of  
14 above-cost revenue derived from this rate element.

15 While the Commission recognized in the *Global Order* that Verizon's access rates are  
16 substantially above cost, and that efforts to more closely align those rates with cost  
17 were appropriate, Verizon's rates for access service remain above cost, both through  
18 the imposition of the Carrier Charge, and, as I will discuss later in this testimony, by a  
19 remaining disparity between traffic-sensitive access rates and the cost of providing  
20 access services.

1 **B. Description of Current Intrastate Switched Access Rates in Pennsylvania.**

2 **Q. What is the current structure of access rates or successor charges in**  
 3 **Pennsylvania?**

4 A. Table 2 below shows the tariff elements that correspond to the physical components  
 5 of the network.

6 **Table 2: Elements of Switched Access or Successor Charges**

Network Element	Rate Element	How Applied	Interstate Charge?	Intrastate Charge?
<b>Loop</b>	Subscriber Line Charge (SLC)	Per Line, to the retail customer	Yes	No
	Carrier Charge	Per Line, to the presubscribed long distance carrier	No	Yes
<b>Switching</b>	Local Switching Charge	Per minute of use to the long distance carrier	Yes	Yes
<b>Transport</b>	Direct Trunk	Per circuit per month	Yes	Yes
	Tandem switching	Per minute rates, depending upon facility configuration	Yes	Yes

7  
 8 These charges have evolved over the last twenty years sometimes in similar ways at  
 9 the interstate and intrastate jurisdictions, and sometimes in very different ways.

10 **Q. How are access charges for local switching applied?**

11 A. Long distance carriers are charged for use of local switches in originating or  
 12 terminating access, on a per minute-of-use basis.

1 **Q. Please explain how transport charges are applied.**

2 A. The identical rate structure applies to both interstate and intrastate switched access

3 charges. The structure of transport rates is quite complicated, because these rates

4 reflect two different types of transport arrangements used for switched access service.

5 As shown in Figure 2 below, access traffic can be routed directly from the local

6 switch to the long distance carrier, or indirectly via a tandem switch. In the case of

7 directly routed traffic, dedicated transport charges are applied. In the case of tandem

8 routing, the long distance carrier must pay for the transport links and for use of the

9 tandem switch. The transport link between the local switch and the tandem and the

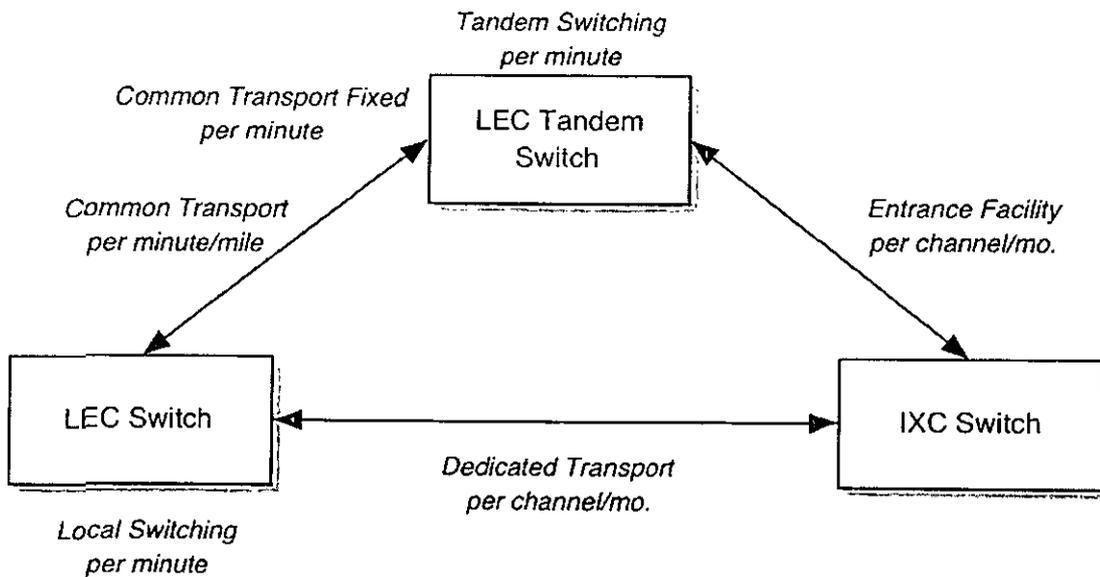
10 tandem switch itself is used in common by all the long distance carriers, rather than

11 being dedicated to a single long distance carrier, therefore the fees for these facilities

12 are set on a per minute of use basis.

13 **Figure 2: Transport Routing – Tandem And Direct**

14



15

1 **Q. How do intrastate and interstate switched access rates for Pennsylvania**  
2 **compare?**

3 A. As demonstrated in Table 3 below, Verizon's intrastate rates are generally higher than  
4 Verizon's interstate rates for comparable tariff elements.

5 **Table 3: Verizon's Intrastate vs. Interstate Switched Access Rates**

<b>Rate Element</b>	<b>Intrastate rates<sup>1</sup> Cents per minute</b>	<b>Interstate rates<sup>2</sup> Cents per minute</b>	<b>Intrastate as Percent of Interstate</b>
Local Switching	0.9336	0.17085	546.4%
Tandem transport termination	0.0195	0.0000	∞
Tandem transport facility (per Mile)	0.0045	0.0030	150.0%
Tandem-switching	0.0983	0.1000	98.3%
Carrier Charge	0.63	0	∞

6

7 **Q. Why is there such a large disparity between the intrastate and interstate**  
8 **switched access rates charged by Verizon?**

9 A. Interstate switched access charges have declined steadily since their inception in 1984  
10 for two fundamental reasons: the FCC has tried to reduce interstate access charges to  
11 the level of forward-looking cost, and since telecommunications is a declining cost  
12 industry, the economic cost of providing access services has fallen substantially. The  
13 FCC has implemented its policy of moving interstate switched access charges toward  
14 cost in two main ways. First, the FCC adopted a policy of shifting recovery from per-  
15 minute charges to per-line charges (*i.e.* the SLC and the PICC). Second, over the past  
16 ten years, the FCC has required LECs to reduce rates under a price cap regime to  
17 reflect productivity improvements in the telecommunications industry. The total

<sup>1</sup> Verizon Testimony of Debra Berry and Michael Wirl, Exhibit MJW-1.

<sup>2</sup> Tariff FCC No. 1, §§ 6.9.1.B; 6.9.2.A.

1 effect of productivity adjustments (net of offsets for inflation) over the past 10 years  
2 has been about a 70% reduction in prices.

3 **Q. Weren't the reductions in the LECs' interstate switching and transport rates**  
4 **offset by increases in SLCs as part of the FCC's "CALLS Order"?**

5 A. No. Significant reductions in interstate switching and transport rates took place on  
6 July 1, 2000 without any offsetting increase in SLC charges. As the FCC stated in its  
7 CALLS order, "price cap LECs will be making significant reductions to switched  
8 access usage charges on July 1, 2000 without recovering these reductions through  
9 flat-rated end-user charges."<sup>3</sup> The FCC further noted that the increases in the SLC  
10 were used to reduce or eliminate other charges, such as the residential PICC.<sup>4</sup> The  
11 FCC recognized that interstate switched access charges remained far above cost, that  
12 high access rates served as an obstacle to the development of competition, and that  
13 enacting the CALLS proposal to reduce interstate access rates toward cost-based  
14 levels would have tremendous consumer benefits but would not require any offsetting  
15 increases in other rates charged by LECs.<sup>5</sup>

16 Reductions in interstate switching and transport rates continued after July 1, 2000,  
17 because the FCC continued to apply the 6.5% productivity factor, at least until the  
18 rates reached the FCC's estimate of cost. Moreover, the productivity factor applied to  
19 the entire interstate rate base of the ILECs, including the common line (subscriber

---

<sup>3</sup> *In the Matters of Access Charge Reform and Price Cap Performance Review for Local Exchange Carriers*, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1 (May 31, 2000) ("FCC's CALLS Order"), ¶ 158.

<sup>4</sup> *FCC's CALLS Order*, ¶ 166.

<sup>5</sup> *FCC's CALLS Order*, ¶ 158.

1 line) portion, and the FCC applied all of these savings to the switching and transport  
2 rates, bringing them down by more than 6.5% (net of inflation) per year.<sup>6</sup>

3 By contrast, the price cap plan that applies to Verizon's intrastate rates in  
4 Pennsylvania does not generate any benefits to ratepayers from productivity gains in  
5 the common line portion of the local network. The intrastate carrier charge has  
6 stayed at \$0.63 since adopted in 1999 in the *Global Order*, and was calculated to  
7 generate the same gross revenue as the prior Carrier Common Line Charge. Verizon  
8 has not made any reductions to its Carrier Charge rate to reflect the productivity  
9 improvements over the course of the past five years, which have far outpaced  
10 inflation.

11 **Q. What does the large difference in the intrastate and interstate switched access**  
12 **rates charged by Verizon indicate about Verizon's role in the Pennsylvania**  
13 **intrastate access market?**

14 A. This indicates that Verizon has market power in the switched access market in  
15 Pennsylvania, and that competitive forces are not restraining Verizon's ability to  
16 charge intrastate switched access rates that far exceed its costs. This means that  
17 Verizon is able to set prices without regard to the cost of providing particular  
18 services. If Verizon did not have market power, it would be unable to charge two  
19 separate and substantially different prices for identical uses of its network.

---

<sup>6</sup> FCC's *CALLS Order*, ¶ 161.

1 **IV. THE BENEFITS OF COST-BASED PRICING.**

2 **A. Consumer Benefits from Efficient Pricing at Economic Cost.**

3 **Q. You have summarized the Commission's previous determinations that intrastate**  
4 **switched access rates should be moved to a level closer to cost. What are the**  
5 **benefits of setting switched access rates at cost?**

6 A. Setting access rates at cost will benefit Pennsylvania consumers now and in the  
7 future. The greatest benefit is that long distance carriers will be free to introduce new  
8 and creative products and services to the Pennsylvania market. Their ability to do so  
9 is currently hampered by the artificially high switched access charges that they must  
10 pay Verizon. A reduction in access charges will benefit all consumers of intrastate  
11 long distance service.

12 From an economic standpoint, it is possible to divide the benefits to the consumer  
13 from driving prices to cost into short-term or "static efficiency" gains, and long-term  
14 or "dynamic efficiency" gains.

15 **Q. What do you mean when you refer to "static efficiency gains"?**

16 A. From an economic perspective, static efficiency occurs when the value that a buyer  
17 places on consuming a good equals the marginal cost of producing the good.

18 Consumers in a free market system benefit when goods and services are priced at  
19 cost. When prices are set at cost, consumers and producers are given the right signals  
20 of when to use, and how much to use, a particular good or service. By contrast, if  
21 prices are set above cost, users will consume too little of service and substitute other  
22 services which are not as desirable.<sup>7</sup>

---

<sup>7</sup> Richard Lipsey, Peter Steiner, Douglas Purvis, *Economics*, 8<sup>th</sup> Edition, 1987, at 248-249.

1 Static efficiency is achieved in a free market economy in most industries through the  
2 workings of the competitive market. If a single firm attempts to price above cost  
3 (thereby denying consumers the benefits of static efficiency), then other firms will  
4 reduce prices to attract their customers' business. By contrast, a firm with significant  
5 market power, such as Verizon, will not set prices at cost unless it is compelled to by  
6 regulation. Therefore, regulators have an important role to play in controlling market  
7 power and driving results that parallel the outcome in competitive markets.

8 **Q. Why is it important to give users of intrastate switched access the right price**  
9 **signals by ensuring that access charges are set at cost?**

10 A. Above-cost switched access charges will push long distance prices above their true  
11 social costs. This will have the effect of discouraging long distance customers from  
12 placing calls for which the benefit derived from the call exceeds the social cost.  
13 Some calls either will not be made, or they will be made using an alternative  
14 technology, such as voice over the Internet. Because of early technological  
15 shortcomings, the use of the Internet for voice communications is perceived by  
16 consumers as inferior and thus is not as valuable to consumers as a long distance call  
17 made over customers' regular phones.

18 Furthermore, if switched access prices are set above cost, then long distance carriers  
19 will be encouraged to use less efficient means of connecting to their customers. They  
20 will be given an artificial incentive to bypass the switched access services of Verizon,  
21 either by using special access provided by the LECs, or where available, by CLECs.  
22 Because additional costs are incurred in supporting this bypass with no underlying  
23 economic justification, this causes inefficient utilization of society's scarce resources.

1 **Q. What do you mean when you refer to “dynamic efficiency”?**

2 A. Dynamic efficiencies are created over time by the acceleration of technological  
3 change, which relies upon long distance telecommunications networks. To the extent  
4 that long distance rates are artificially high, usage will be depressed below optimal  
5 levels and technological change will be skewed. Specifically, technologies that rely  
6 upon use of long distance will be discouraged, and new services and innovations,  
7 which otherwise might have appeared, may fail to materialize. The social costs of  
8 these effects are difficult to measure, but are certainly an important consideration for  
9 the Commission.

10 **B. The Effect of Above-Cost Access Charges on Competition in the Long**  
11 **Distance Market.**

12 **Q. What is the effect of above-cost access charges on competition in the long**  
13 **distance market?**

14 A. Whenever firms must compete against a vertically-integrated supplier that holds  
15 market power over a critical input, there is a very strong likelihood that the supplier  
16 will engage in anticompetitive conduct. The vertically integrated supplier in this  
17 market is Verizon. Verizon provides switched access to independent long distance  
18 carriers and also competes directly with those same carriers in the long distance  
19 market. Verizon has had and continues to have both the incentive and ability to use  
20 above-cost access charges to maintain an unfair and anticompetitive advantage in the  
21 Pennsylvania long distance market.

1 **Q. How does a vertically integrated firm like Verizon engage in anticompetitive**  
2 **behavior?**

3 A. Verizon's incentive to take advantage of its vertical structure to disadvantage  
4 competitors is relatively straightforward. By taking business away from its rivals in  
5 the long distance market, Verizon can increase profits and also disrupt its rivals' plans  
6 to enter the local market and threaten Verizon's core monopoly. This is a very  
7 powerful incentive, which I will discuss at greater length in the next section.

8 Moreover, Verizon is able to gain an unfair pricing advantage from above-cost  
9 switched access charges because it does not face the same cost structure as its  
10 competitors. Interexchange carriers wishing to provide long-distance service to a  
11 Verizon retail customer incur actual marginal cost of access equal to the tariffed  
12 switched access rates charged by Verizon. By comparison, Verizon incurs the much  
13 lower actual marginal cost of providing the service rather than the tariffed rates; for  
14 Verizon, the tariffed rates are just an internal transfer from one pocket of the  
15 corporation to another. Verizon can and will ignore the tariff rates and set prices in  
16 the long distance market that squeeze out competitors and increase its own profits.

17 **Q. What is a price squeeze?**

18 A. A price squeeze exists if the margin between (i) the LEC's toll price that it charges its  
19 retail customers for long-distance service, and (ii) the tariffed switched access charge  
20 that the LEC imposes on interexchange carriers that wish to offer competing long-  
21 distance service to the same retail customers, fails to cover (iii) the cost of providing  
22 long distance service. In such a case, although the LEC may be able to offer long  
23 distance service profitably – because it does not incur the high access charges faced

1 by its wireline long-distance competitors – those competitors would be unable to earn  
2 a profit. I will explain a price squeeze by giving a hypothetical example. Assume the  
3 following:

- 4 1) The tariffed rate for switched access is 3 cents a minute.
- 5 2) The actual marginal cost of access is 1 cent a minute.
- 6 3) The cost of long distance service (above and beyond the cost or charge for  
7 switched access) is 2 cents a minute. This cost is the same for the LEC  
8 and the long distance carrier.

9 Under these conditions, if the LEC set a price for toll service below 5 cents a minute,  
10 the long distance carriers would be subjected to a price squeeze. The LEC could  
11 make a significant profit at, say 4.5 cents a minute: such a retail charge for long  
12 distance would exceed the LEC's own costs of only 3 cents (1¢ for access + 2¢ for  
13 toll cost). However, the competing long distance carriers would incur far higher costs  
14 of 5 cents (3¢ for access + 2¢ for toll cost), and thus could not make any money.

15 **Q. Would you expect Verizon to set across-the-board toll prices below the**  
16 **breakeven level of its competitors?**

17 A. Not necessarily. An across-the-board price squeeze may not be the most profitable  
18 strategy, and may expose the LEC to regulatory scrutiny. A better choice for the LEC  
19 is to establish a variety of pricing plans that give discounts to customers, which  
20 competitors are not able to match.

21 Continuing with the example just given, suppose a customer would use 100 minutes  
22 of long distance if the price were 5 cents a minute, and 150 minutes if the price were

1 4 cents a minute. If the LEC were not integrated into the long distance business, the  
2 market price would be 5 cents a minute, and this customer would use 100 minutes of  
3 long distance. But with the unfair advantage of lower access costs, the LEC could  
4 offer the customer a plan that priced the first 100 minutes at 5 cents a minute and  
5 additional minutes at 4 cents a minute. This would yield \$7.00 in revenue to the  
6 LEC, rather than the \$5.00 that a competitor would earn by charging 5 cents a minute,  
7 and generate \$2.50 in profits. (The profits are the revenues of \$7.50 minus the costs  
8 of \$4.50, which are obtained by multiplying 150 minutes times the LEC's per minute  
9 cost of 3 cents). All the other long distance companies could not offer such a plan  
10 profitably and would lose customers to the LEC.

11 In summary, above-cost switched access charges provide the LEC with a significant,  
12 artificial advantage, which will allow it to take customers away from equally, or more  
13 efficient, long distance carriers without having to sacrifice profits. This is one of  
14 those rare cases of having one's cake and eating someone else's lunch, too.

15 **Q. Is there any evidence that a price squeeze currently exists in the Pennsylvania**  
16 **toll market?**

17 A. Indirect evidence of a price squeeze can be seen in the average revenues derived from  
18 access charges to interexchange carriers and to Verizon's affiliated long distance  
19 company. In response to AT&T's First Set of Interrogatories, Verizon provided  
20 information on the switched access minutes billed to interexchange carriers and the  
21 revenues derived from those minutes, as well as information on the switched access  
22 minutes and revenues derived from billings to its affiliated carrier. Table 4 presents a

1 comparison of the average revenue per switched access minute derived from  
 2 interexchange carriers and Verizon's affiliated carrier.

3 \*\*\*\*\* BEGIN ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\*

4 **Table 4: Average Revenue Per Minute – IXC's vs. Verizon Affiliate**

	2000	2001	2002	YTD 2003
Intrastate Access MOU - VZPA (millions)	*,***.*	*,***.*	*,***.*	*,***.*
Intrastate Access Rev - VZPA (\$ millions)	***	***	***	**
Average revenue per minute	\$ *.***	\$ *.****	\$ *.****	\$ *.****
Affiliate MOU - VZPA (millions)	*	*,*	***.*	***.*
Affiliate Rev - VZPA (\$ millions)	*,****	*,***	*,***	*,***
Average revenue per minute		\$ *.****	\$ *.****	\$ *.****

5

6 \*\*\*\*\* END ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\*

7 The intrastate access revenues shown do not include revenues derived from the  
 8 Carrier Charge.

9 The comparison shows that the average revenue per minute derived from intrastate  
 10 switched access charges to interexchange carriers exceeds the average revenue per  
 11 minute derived from access payments by Verizon's affiliate to Verizon. Moreover,  
 12 while the average revenue per minute derived from IXCs has been increasing from  
 13 2001 to 2003, the average revenue per minute derived from Verizon's affiliate has  
 14 actually been declining in the same time period.

1 **Q. You have discussed the benefits of lowering access charges to cost. Won't there**  
2 **be an offsetting cost of doing this, because it will be necessary, as Verizon claims,**  
3 **to raise local rates to offset the revenues lost by Verizon?**

4 A. No. There is no reason to expect that access charge reductions must be offset by  
5 increases in local rates. From a purely factual standpoint, Verizon has faced only  
6 limited competition in local markets in the last several years. This has allowed  
7 Verizon to continue to earn substantial profits in Pennsylvania, during a time when its  
8 cost of capital has declined significantly.

9 From a conceptual standpoint, the notion that decreases in one set of rates must be  
10 made up by increases in other rates is based on an outdated model of rate-of-return  
11 regulation. Under this old form of regulation, the ILEC's rates were set to achieve a  
12 level of revenues (the "revenue requirement") that was calibrated to enable the ILEC  
13 to earn its allowed rate of return. In the past several years, the FCC and most states,  
14 including Pennsylvania, have introduced incentive regulation plans, which eliminate  
15 the concept of a revenue requirement and replace it with price caps on large baskets  
16 of services provided by the ILECs. As a result, there is no guarantee that reductions  
17 in one set of regulated rates must be offset by increases in other rates.

18 It is also important to put the possibility of switched access charge reductions into the  
19 proper perspective. In 2001, Verizon's Pennsylvania revenues from intrastate access  
20 services were only \$195 million. This amounts to only 5.5 percent of Verizon total  
21 operating revenues of \$3.5 billion.<sup>8</sup> Any reductions in intrastate access charges  
22 would thus have a very small effect on Verizon's overall revenues. Therefore, there

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<sup>8</sup> Source: Verizon-PA Annual Report to the Pennsylvania Public Utility Commission.

1 is no reason to expect that a reduction in switched access charges would lead now, or  
2 in the future, to an increase in local rates.

3 **Q. Verizon has claimed that it is no different than other local exchange carriers in**  
4 **Pennsylvania, and that therefore it should be treated the same with regard to**  
5 **offsetting access charge reductions with increases in rates for basic local**  
6 **exchange service. Do you agree?**

7 A. No, I do not. While intrastate access revenues constitute a very small proportion of  
8 total revenues for Verizon, the same is not true of other local exchange carriers in  
9 Pennsylvania. For those carriers reporting state access revenues in their annual reports  
10 to the Commission,<sup>9</sup> 2001 intrastate access revenues constituted an average of 25.2%  
11 of total revenues for Class A telephone companies, and 22.2% of total revenues for  
12 Class B telephone companies. Clearly, reductions in rates for intrastate access  
13 services, if not offset by other rate increases, would have a much larger impact on  
14 these companies than on Verizon.

15 **Q. Verizon has claimed that, even with the rate increases for basic local exchange**  
16 **service that it has proposed to offset reductions in access charges, the rate**  
17 **charged for basic local service will still be substantially below the cost of that**  
18 **service. Do you find this claim credible?**

19 A. While I have not examined Verizon's cost studies for basic local exchange service in  
20 detail, I find the claim by Verizon that the statewide average cost of a dial tone line is  
21 \*\*\*\*\* BEGIN ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\* \$\*\*.\*\*  
22 \*\*\*\*\* END ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\* per month  
23 strains credibility. Although I have not performed a Pennsylvania-specific TELRIC  
24 analysis, I believe that the Commission's findings in the *Global Order* may serve as a

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<sup>9</sup> Not all companies provided a separate break-out for intrastate access revenues.

1 better indication of the level of Verizon's TELRIC costs.<sup>10</sup> In the *Global Order*, the  
2 Commission found that a cost-based monthly rate for unbundled local loops is  
3 \$14.01, and that a cost-based monthly rate for a basic local switch port is \$1.90, for a  
4 total of \$15.91. While the cost of an unbundled local loop does not include certain  
5 costs associated with retail basic local exchange service, retail costs cannot account  
6 for the difference of \*\*\*\*\* BEGIN ALLEGEDLY PROPRIETARY  
7 INFORMATION\*\*\*\*\* \$\*\*.\*\* \*\*\*\*\* END ALLEGEDLY PROPRIETARY  
8 INFORMATION \*\*\*\*\* per month between the cost-based UNE rates and the cost  
9 claimed by Verizon here.

10 In the *Global Order*, the Commission approved a wholesale discount for resale of  
11 local exchange service of 18.43% (including operator services). Because the  
12 wholesale discount is designed to eliminate retail costs avoided by the incumbent  
13 LEC when local service is resold by a CLEC, adding the amount implied by this  
14 discount to the UNE loop and port rate should, then, approximate the full retail cost  
15 of the dial tone line. This cost, approximately \$19.50, \*\*\*\*\* BEGIN ALLEGEDLY  
16 PROPRIETARY INFORMATION \*\*\*\*\* \*\*\*\*\*  
17 \*\*\*\*\* \*\*\*\*\*. \*\*\*\*\* END ALLEGEDLY PROPRIETARY INFORMATION  
18 \*\*\*\*\* For purposes of comparison of UNE rates to Verizon's average monthly rate  
19 for basic residential local exchange service, I calculated the average monthly usage  
20 UNE rate (including local switching, transport, and tandem switching) per residential

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<sup>10</sup> It is my understanding that MCI has presented evidence in other proceedings that the UNE rates adopted in the *Global Order*, do not, in fact, represent the actual TELRIC of Verizon's network, and that the true TELRIC is, in fact, lower.

1 line to be \*\*\*\*\* BEGIN ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\*  
2 \$.\*\*. \*\*\*\*\* END ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\*

3 Verizon has calculated the average residential monthly service rate to be \$13.50,  
4 based on intrastate charges for the dial tone line and local usage. Verizon also  
5 receives monthly revenue of \$6.44 per residence line from the interstate Subscriber  
6 Line Charge<sup>11</sup> to defray a portion of the cost of the loop, as well as an average of  
7 \*\*\*\*\* BEGIN ALLEGEDLY PROPRIETARY INFORMATION \*\*\*\*\* \$.\*\*. \*\*\*\*\*  
8 END PROPRIETARY INFORMATION \*\*\*\*\* in monthly revenue for calling  
9 features, for a monthly total of \*\*\*\*\* BEGIN ALLEGEDLY PROPRIETARY  
10 INFORMATION \*\*\*\*\* \$.\*\*. \*\*\*\*\* END PROPRIETARY INFORMATION  
11 \*\*\*\*\* Because Verizon's monthly local service revenues are thus already above the  
12 monthly cost of \$19.50, the proposed average monthly increase of \$1.90 proposed by  
13 Verizon would increase revenues far above the cost of local exchange service.

14 **C. The Effect of Above-Cost Access Charges on Competition in Local**  
15 **Markets.**

16 **Q. How does your analysis of above-cost switched access charges affect the prospect**  
17 **of competition developing in local markets?**

18 A. I believe that above-cost access charges pose great danger because of developments  
19 (or the lack of development) in local telecommunications markets. The reason is that  
20 the greatest competition in the local telephone market for residential and business  
21 customers is coming from the existing, large long distance carriers. To the extent that  
22 the ILECs can irreparably damage the long distance carriers before they are able to

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<sup>11</sup> Tariff FCC No. 11, §31.4.3.

1 gain a meaningful foothold in local markets, the ILECs will be able to perpetuate  
2 their monopoly for many years to come.

3 CLECs have pursued different strategies to enter different segments of the market.

4 CLECs have invested significant capital in fiber optic facilities in the central business  
5 districts of major cities. These facilities are used primarily to serve large business  
6 customers, as well as to compete for the direct transport of traffic from LEC central  
7 offices to the network nodes of the long distance carriers. These facilities are not  
8 used to compete for the business of small business or residential customers, who are  
9 the biggest originators and terminators of switched access traffic.

10 The only viable competitors to the LECs' local exchange service provided to  
11 residential and small business customers are the CLECs that use the unbundled  
12 network element platform (UNE-P). These CLECs are able to provide mass market  
13 telecommunications products by purchasing unbundled network elements from the  
14 LECs at TELRIC prices and then combining those UNEs with their own services or  
15 functions.

16 **Q. What is the relation between the local exchange market and the long distance**  
17 **market?**

18 A. The long distance market is highly competitive and has been so for many years. The  
19 largest toll carrier is AT&T, and its share of the national long distance market has  
20 fallen steadily over the past twenty years. Its share is now in the range of 40%,  
21 depending upon how it is measured.<sup>12</sup> There are hundreds of long distance carriers in

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<sup>12</sup> FCC, Trends in Telephone Service, May 2002, Chapter 10.

1 the market, and there are no significant barriers to entry or expansion, as shown by  
2 the ease with which the RBOCs have entered and gained market share.

3 By contrast, competition in the local market has been very slow to develop. I have  
4 explained this phenomenon early in my testimony. I want to emphasize here,  
5 however that the asymmetry of the entry conditions in the local and long distance  
6 markets creates a significant risk that the ILECs will be able to compete unfairly in  
7 the market for bundled services, which may create significant problems down the  
8 road for consumers of local and long distance services.

9 **Q. What is the effect of bundled products on competition in the local market?**

10 A. Bundled services have become increasingly important in residential telephone  
11 markets. The ILECs and the IXCs are heavily advertising products that bundle local,  
12 long distance, as well as several vertical features (*e.g.* call waiting, voice messaging).  
13 It appears that consumers have a preference for bundled products, and that it will be  
14 difficult for long distance providers to survive in this market in the long run, if they  
15 are not able to offer a bundle.

16 **Q. If long distance carriers are free to compete in local markets using UNE-P, why**  
17 **is it necessary to safeguard competition in the long distance market by forcing**  
18 **switched access services to be priced at forward looking cost?**

19 A. There are several reasons for the Commission to remain concerned about the level of  
20 switched access charges. First, to be competitive with Verizon, CLECs must have  
21 access to the UNE platform at cost-based rates, and the platform must be provided  
22 with well-functioning operational support systems. It is not in Verizon's interest,  
23 however, to provide their competitors with a well-functioning UNE platform.

1 Therefore, CLECs will remain dependent on the Commission to establish and  
2 maintain regulatory control over the pricing and operational aspects of UNE-P. The  
3 LECs have attacked UNE-P on every legal and regulatory front, and it is still possible  
4 that the eventual outcome of the recent Triennial Review at the FCC will be a slow  
5 erosion of the UNE-P framework. Given these circumstances, the local market is not  
6 fully and irreversibly open to competition.

7 It is especially important that the Commission do whatever is necessary to preserve  
8 competition in intrastate long distance markets. As I mentioned above, the long  
9 distance carriers are the most active CLECs competing for local customers in the  
10 mass markets. They have the customer base, marketing expertise, and technical  
11 expertise needed to enter and compete for local mass market customers. Moreover,  
12 because many customers seem to prefer a bundle of local and long distance service,  
13 the long distance carriers are the most natural entrants into the local market. At this  
14 juncture, if Verizon were to use its control over switched access to gain an unfair  
15 advantage over the long distance providers in the long distance market, they could  
16 inflict severe damage on their most important rivals in the local market. The result  
17 could be a return to the world of a vertically integrated monopoly controlling both the  
18 local and long distance market.

19 **Q. What is the effect of the trend toward bundling upon competition in the local**  
20 **exchange market?**

21 A. Bundling of different packages of services, targeted toward customers with different  
22 usage characteristics, points up the necessity of ensuring that LECs and CLECs/IXCs  
23 face similar cost structures. The cost structure faced by the LECs is a result of the

1 structure of prices that they pay to their suppliers for inputs into their services. The  
2 cost structure faced by the CLECs/IXCs is the result of the rate structure for UNEs  
3 and switch access services approved by this Commission. If there is a mismatch in  
4 these two cost structures, the ability of competitive service providers to offer effective  
5 competition may be impaired relative to the incumbent.

6 Of particular concern in this regard is an increasing divergence in the nature of  
7 switching costs incurred by the incumbent and the usage-sensitive rate structure  
8 imposed upon both CLECs and IXCs. In recent years, the prices charged by switch  
9 manufacturers for end office switches has moved from a usage sensitive structure to  
10 one driven by the number of lines served by the switch. This price structure follows  
11 naturally from the rapidly increasing processing power and rapidly declining cost of  
12 the computer chips that perform call processing within the local exchange switch.  
13 Switches now are built to be capable of handling the calling needs of all the lines that  
14 might potentially be connected, and are said to be line-limited, rather than processor-  
15 limited. The usage sensitive price structure incorporated into switched access tariffs  
16 and the UNE prices for unbundled local switching has become a relic of a time when  
17 switch capacity was expanded over time by increasing the number of processing  
18 units.

19 The disparity between the usage-insensitive cost structure faced by the ILEC and the  
20 usage-sensitive prices charged by the ILEC for use of local switches is creating a  
21 competitive advantage for the ILECs. In effect, the ILEC incurs no incremental  
22 switching cost as usage by its customers increases, while high usage-sensitive local  
23 switching rates impose significant incremental costs on CLECs and IXCs as usage by

1 their customers increases. The popularity of flat-rated bundled offerings of local and  
2 long distance services may, in relatively short order, make it impossible for  
3 CLECs/IXCs to match the rate that the ILECs can offer. This competitive  
4 disadvantage can only be remedied if the rates for switched access and unbundled  
5 local switching are more closely aligned with both the cost structure and the cost level  
6 that actually faces the incumbent LECs.

7 **IV. COMPETITION WILL NOT DRIVE PENNSYLVANIA INTRASTATE SWITCHED ACCESS**  
8 **RATES TO COST.**

9 **Q. Verizon witnesses Berry and Wirl have stated that market forces may drive**  
10 **access rates toward cost. Can competition in the market for local exchange**  
11 **service be expected to drive intrastate switched access rates closer to cost over**  
12 **time?**

13 A. The first step is to make sure that we have a clear understanding and definition of  
14 what market we are talking about. A market is defined by the United States  
15 Department of Justice's Merger Guidelines as "a product or group of products and a  
16 geographic area in which it is produced or sold such that a hypothetical profit-  
17 maximizing firm, not subject to price regulation, that was the only present and future  
18 producer or seller of those products in that area likely would impose at least a "small  
19 but significant and nontransitory increase in price."<sup>13</sup>

20 One way to conduct an inquiry about market definition is to begin with a narrow  
21 product (service) and geographic market and asks whether a hypothetical monopolist  
22 over that service could raise prices by a small but significant and non-transitory

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<sup>13</sup> United States Department of Justice, *Merger Guidelines*,  
[http://www.usdoj.gov/atr/public/guidelines/horiz\\_book/10.html](http://www.usdoj.gov/atr/public/guidelines/horiz_book/10.html).

1 amount?<sup>14</sup> If the answer to that question is “yes,” then the relevant market has been  
2 identified. If, however, in response to the price increase consumers would switch to  
3 alternative services in sufficient amounts that the price increase of the “monopolist”  
4 would be defeated, then the market must be expanded to include those services and  
5 the market definition exercise repeated. This exercise continues until the smallest  
6 service and geographic market areas are identified that could, in response to a price  
7 increase by the hypothetical monopolist, sustain the price increase.

8 **Q. How should the Commission define the market for intrastate switched access?**

9 A. The intrastate access market consists of the originating and terminating switched  
10 access connections provided by Verizon to long distance providers for intrastate long  
11 distance calls. Because long distance carriers have no feasible alternative to reach  
12 most local telephone customers in Pennsylvania, except by using the switched access  
13 service of Verizon, this service constitutes a single market from an economic  
14 perspective.

15 **Q. Can you illustrate this definition of the intrastate access market?**

16 A. Yes. Consider a hypothetical call originating in Pittsburgh with Mr. O and  
17 terminating in Philadelphia to Mr. T. I will assume that Mr. O has selected Verizon  
18 to be its local service provider and Sprint to be his long distance provider. On the  
19 originating end, Mr. O will use his Verizon local telephone line to dial the long  
20 distance call. Verizon will route the call to Sprint, which will carry the call to

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<sup>14</sup> See United States Department of Justice and Federal Trade Commission, Horizontal Merger Guidelines, April 2, 1992.

1 Philadelphia, where it will hand off the call to Verizon. Verizon will then terminate  
2 the call to Mr. T.

3 Sprint must pay Verizon for the switched access service connection to Mr. O, even  
4 though Mr. O is Verizon's local customer and has originated the call. The reason is  
5 that under existing tariffs and established commercial practices, long distance carriers  
6 rather than customers buy switched access service directly from LECs. Therefore, in  
7 order to offer long distance service to residential customers, Sprint has no choice but  
8 to use that customer's local carrier (Verizon), pay the applicable tariffed rate for  
9 originating intrastate switched access, and attempt to recover the cost of switched  
10 access indirectly in its own long distance rates.

11 **Q. What does this hypothetical demonstrate about the ability (or inability) of the**  
12 **market to constrain Verizon's access rates?**

13 A. Under these circumstances, the marketplace does not constrain Verizon to set  
14 switched access rates at cost. There are two separate and important reasons for this.  
15 First, Mr. O does not pay these rates, so he has no direct incentive to pressure  
16 Verizon to lower its rates. Second, even if Sprint could compensate Mr. O for using a  
17 local carrier with lower switched access rates, Mr. O may not have a choice among  
18 acceptable local carriers in Pennsylvania.

19 Sprint's hands are tied even more tightly on the terminating end of this call. In order  
20 to complete the call, and provide long distance service to its customer, Mr. O, Sprint  
21 has no choice but to purchase terminating switched access from Verizon. Sprint has  
22 no alternative path to connect the call to Mr. T, as long as Mr. T is served by only one  
23 LEC at a time. Quite simply, only one loop goes to Mr. T's house: Sprint has no

1 choice but to buy terminating access from Verizon, because there is no competing  
2 carrier with a loop to Mr. T. Thus, the marketplace does not and cannot constrain  
3 Verizon on terminating access rates.

4 **Q. Why is it necessary for the Commission to regulate the market for switched**  
5 **access?**

6 A. Commission regulation is necessary to prevent Verizon from exercising its market  
7 power. Market power is defined by the ability of a firm or firms to maintain price  
8 above cost. The simple reason why Verizon has market power is that its switched  
9 access customers, namely the long distance providers, have virtually no alternatives  
10 to reach most of their long distance customers.

11 The absence of a choice for long distance providers allows Verizon to set prices  
12 substantially in excess of cost without losing so much traffic as to make this high  
13 price unsustainable or unprofitable. Above-cost switched access charges are  
14 detrimental to the public interest because they increase the long distance carriers' cost  
15 of doing business, cause consumers to pay higher retail rates, and distort the  
16 development of competition in the marketplace.

17 **V. INTRASTATE ACCESS RATES SHOULD BE SET AT COST.**

18 **A. TELRIC Plus Joint and Common Costs Is the Correct Standard.**

19 **Q. You stated that it is harmful for switched access rates to be set above cost. What**  
20 **measure of cost is appropriate for judging whether the rates of Verizon are**  
21 **reasonable?**

22 A. The Commission has previously determined that intrastate access rates should be  
23 aligned more closely with costs. I agree with that finding.

1 The appropriate benchmark for setting intrastate access rates is forward looking  
2 incremental cost. There are several measures of forward-looking incremental cost,  
3 including:

- 4 1) Long run incremental cost – LRIC;
- 5 2) Total service long run incremental cost – TSLRIC;
- 6 3) Total element long run incremental cost – TELRIC.

7 Estimates of cost based on any of these methods can be used for ratemaking purposes.  
8 There are some differences between these methodologies, but they share important  
9 features. First, as the names of the methodologies make clear, they consider only the  
10 costs that the LEC will incur in the future and ignore historic or sunk costs. Second,  
11 these costing methodologies attempt to estimate the costs that are incurred to provide  
12 a specific service or use of the LEC's network, and exclude the costs of other  
13 services.

14 **Q. If prices are set at forward-looking incremental cost, how will Verizon recover**  
15 **common costs?**

16 A. To respond to this question it is necessary to explain the meaning of common costs.  
17 Common costs are costs that are not attributable to a particular service. The  
18 categories of costs that have been considered, in other contexts, as common costs are:  
19 the fixed cost of network elements such as the switch, marketing cost, corporate  
20 overhead cost, and the cost of the subscriber loop. Each one of these categories  
21 should be treated differently.

1 **Q. Should marketing costs or other retailing costs be included in switched access**  
2 **charges?**

3 A. No. These costs have nothing to do with the provision of switched access. These  
4 costs should be recovered from the customers of the retail services provided by  
5 Verizon. It would be anticompetitive to impose these costs on the competitors of  
6 Verizon, who have their own retailing and marketing costs to recover from their own  
7 customers.

8 **Q. How should corporate overhead costs be recovered?**

9 A. Corporate overhead is a catch-all term and can hide many sins. Some “overhead”  
10 costs may actually have nothing to do with providing switched access or UNEs to  
11 competitors. For example, the costs of Verizon’s Washington D.C. advocacy to enter  
12 the long distance market in other states do not benefit switched access customers in  
13 Pennsylvania. Other costs in this bucket may be legitimate costs of running the  
14 business and should be recovered from all users. For example, a corporate-wide  
15 human resources department benefits all of the company’s services, and its costs  
16 should be recovered from all users. Much of a corporation’s true overhead costs are  
17 actually very sensitive to the total size of the company and are therefore part of the  
18 incremental cost of output. The reason these costs are usually referred to as overhead  
19 cost is because they are difficult to assign to particular services or to estimate on a  
20 forward-looking basis.

1 **B. Bringing Intrastate Access Charges to TELRIC.**

2 **Q. You stated earlier that the switched access charges of Verizon are in excess of**  
 3 **cost. What is the basis for this statement?**

4 A. Pricing for unbundled networks offered by Verizon to CLECs are supposed to be set  
 5 at the TELRIC of providing each element, and at this level are thus are fully  
 6 compensatory of Verizon's forward-looking costs. A comparison of Verizon's  
 7 intrastate switched access rates to Verizon's rates for the corresponding unbundled  
 8 network elements demonstrates that Verizon's intrastate switched access rates  
 9 currently are set substantially above cost, assuming that Verizon's current UNE rates  
 10 accurately reflect the TELRIC of the network facilities used to provide the UNEs.

11 The details of this comparison are set forth in the following Table 5.

12 **Table 5: Comparison of Verizon's Intrastate Switched Access Rates to Verizon**  
 13 **UNE Rates**

Rate Element	Intrastate Switched Access Rates <sup>15</sup> Cents per minute	Verizon UNE Rates Cents per minute <sup>16</sup>	Access Rate as Percent of UNE Rate
Local Switching	0.9336	0.17085	546.4%
Tandem transport termination	0.0195	0.0144	135.4%
Tandem transport facility (per Mile)	0.0045	0.0003	1500.0%
Tandem-switching	0.0983	0.0795	123.6%
Carrier Charge	0.63	0	∞

14  
 15 **Q. What is your recommendation to the Commission about switched access rates?**

16 A. As an interim measure, I recommend that the Commission order Verizon to  
 17 immediately lower switched access rates to the TELRIC-based unbundled network

<sup>15</sup> Verizon Testimony of Debra Berry and Michael Wirl, Exhibit MJW-1.

<sup>16</sup> Verizon Tariff Pa. P.U.C. No. 216. The local switching rate shown is the average of originating and terminating rates.

1 element rates already established by this Commission. This equalization of rates and  
2 costs should be done as soon as possible, in order to mitigate the harm to consumers  
3 and to competition from the existing above-cost access charges. I further recommend  
4 that the Commission order Verizon to reduce intrastate access rates to the level of  
5 each corresponding intrastate UNE rate at such time as the Commission completes its  
6 pending re-evaluation of UNE rates. There simply is no sound economic or policy  
7 reason for permitting Verizon to keep charging excessive intrastate access rates.

8 **C. The Carrier Charge Should Be Eliminated.**

9 **Q. Should switched access charges include any contribution associated with the**  
10 **local loop?**

11 A. No. Switched access charges should not include any contribution to recovery of the  
12 cost of the local loop. The reason for this is that the cost floor of the long distance  
13 carriers will be increased above true marginal cost, which will force long distance  
14 rates above cost, and repress the demand for long distance service.

15 **Q. Do you believe it is economically efficient to recover a portion of the loop cost**  
16 **from wholesale prices charged to long distance carriers?**

17 A. No. Access services do not result in any incremental cost (the "IC" in TELRIC)  
18 associated with the loop. The loop is needed to provide any form of telephone service  
19 to the end user, and it is not driven or caused by the amount of usage, or the category  
20 of services, utilized by the customer.<sup>17</sup> For this reason, the most economically  
21 rational way to recover the full cost of the loop is in prices charged to retail customers  
22 or to CLECs that lease the entire loop using the UNE tariff.

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<sup>17</sup> For purposes of this testimony, I am looking at the usage of the loop and the other components of the local exchange network for voice-grade quality of service. To the extent the customer wishes to receive broadband service, there may be a cost associated with improving the quality of the loop.

1 Verizon currently recovers the cost of the loop in their interstate subscriber line  
2 charges, which will increase to \$6.50 per line this month, and in the prices they  
3 charge for local and other retail services. There has been no showing that there are  
4 any loop costs which Verizon does not already recover through charges other than  
5 intrastate access rates. Indeed, when Verizon provided its estimates for the TELRIC  
6 of intrastate access, it did so only with respect to the switching and transport  
7 elements, but not with respect to the loop. This makes good sense: there is no  
8 TELRIC for access services associated with the loop element.

9 Even if Verizon did not already recover the full cost of the loop through their other  
10 charges, which it does, there would be nothing to be gained by charging a portion of  
11 the loop cost to the subscriber's presubscribed long distance carrier. The  
12 Commission has recognized that it is inefficient to attempt to recover the non-traffic  
13 sensitive cost of the loop from the usage-based CCLC charge. Converting these  
14 charges to a line-based Carrier Charge is less problematic than the CCLC charge, but  
15 is still inferior to recovering these costs through retail rates. The reason is that the  
16 Carrier Charge becomes part of the marginal costs of the long distance providers,  
17 which will be compelled to recover those costs from their customers – in a manner  
18 that most closely reflects how they incur these costs. Since the Carrier Charge is  
19 incurred on a per-line basis, the long distance carriers will be driven to flow through  
20 the Carrier Charge to their customers on a per-line basis. Therefore, at best, the  
21 Carrier Charge will simply convert a local per-line charge into a long distance per-  
22 line charge. There is nothing to be gained by creating this mechanism that turns the  
23 long distance carriers into intermediaries to collect some of the per-line costs from

1 customers. The additional steps required to compute the Carrier Charge, bill it to  
2 long distance carriers, and have the long distance carriers bill and collect it from their  
3 customers, create costs and have no offsetting benefits.

4 **Q. Is there any need for Verizon to offset reductions in access charges with**  
5 **increases to rates for basic local exchange service?**

6 A. No. Because the access rates that I propose fully compensate Verizon for the forward-  
7 looking costs that it incurs in providing access services, because the cost of capital  
8 has decreased significantly in recent years, and because the proposed access charge  
9 reductions will have only a minimal impact on Verizon's overall revenues, I can see  
10 no reason why any other rates should be increased to offset access charge reductions.

11 **VI. CONCLUSION.**

12 **Q. Please summarize your recommendations.**

13 A. The intrastate switched access charges of Verizon are substantially in excess of cost.

14 This is detrimental to consumers, who ultimately must pay higher rates for long  
15 distance service. Excessive access charges also distort competition between LECs  
16 and long distance providers, who are among the best-positioned companies to enter  
17 the local market and break the long-standing bottleneck monopoly of the LECs.

18 I recommend that the Commission remedy this problem by requiring Verizon to  
19 immediately bring their switched access rates to a level more closely approximating  
20 forward looking costs, as embodied in Verizon's current rates for unbundled network  
21 elements, and to maintain parity of switched access rates with UNE rates as the  
22 Commission completes its re-evaluation of UNE rates. I also recommend that the  
23 Commission eliminate the Carrier Charge immediately.

1 Q. Does this conclude your testimony?

2 A. Yes, it does.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

AT&T Communications of Pennsylvania, Inc., :  
Plaintiff, : Docket No. C-20027195  
v. :  
Verizon North Inc., :  
Defendant :

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SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a true copy of MCI WorldCom Network Services, Inc.'s Rebuttal Testimony, Statement 1.0, of Michael D. Pelcovits to be served electronically and via Federal Express, upon the parties of record in Docket No. C-20027195 in accordance with the requirements of 52 Pa. Code Sections 1.52 and 1.54.

Dated in Harrisburg, Pennsylvania on July 21, 2003:

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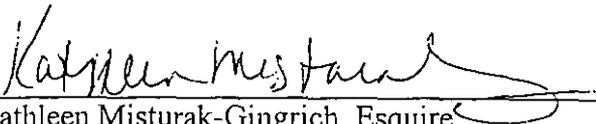
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August 4, 2003

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Judge Fordham:

Enclosed is a copy of the Surrebuttal Testimony of Debra M. Berry, Michael J. Whirl, Ann A. Dean, Gary Sanford and William Taylor on behalf of Verizon Pennsylvania Inc. and Verizon North Inc. in reference to the above captioned case. Please note that this testimony contains proprietary information.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

RJP

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s Surrebuttal Testimony, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 4<sup>th</sup> day of August, 2003.

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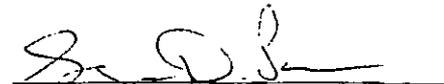
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The Honorable Cynthia I. Fordham  
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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: AT&T Communications of Pennsylvania, Inc., v. Verizon North, Inc.  
Docket No.: C-20027195

Dear Judge Fordham:

Enclosed please find the Surrebuttal Testimony, Statement 1.1, of Dr. Michael D. Pelcovits submitted on behalf of MCI WorldCom Network Services, Inc. ("MCI") in the above-referenced matter.

Please contact me at 1-866-679-9154 if you have any questions or concerns regarding this matter.

Very truly yours,



Michelle Painter,  
Senior Attorney

*Enclosure*

cc: *James J. McNulty, Secretary*  
*Certificate of Service*

*Via Federal Express*  
*As Noted*

RJP

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

AT&T Communications of Pennsylvania, Inc.,	:	
Plaintiff,	:	Docket No. C-20027195
v.	:	
	:	
Verizon North Inc.,	:	
Defendant	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused a true copy of MCI WorldCom Network Services, Inc.'s Surrebuttal Testimony, Statement 1.1, of Dr. Michael D. Pelcovits to be served electronically and via Federal Express, upon the parties of record in Docket No. C-20027195 in accordance with the requirements of 52 Pa. Code Sections 1.52 and 1.54.

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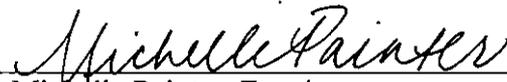
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Date: August 4, 2003

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

AT&T Communications  
of Pennsylvania, Inc.

v.

Verizon North, Inc.

:  
:  
:  
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:  
:

Docket Number

C-20027195

**DOCKETED**  
AUG 20 2003

**SURREBUTTAL TESTIMONY OF MICHAEL D. PELCOVITS**

**ON BEHALF OF MCI WORLDCOM NETWORK SERVICES, INC. ("MCI")**

STATEMENT 1.1

August 4, 2003

**DOCUMENT**

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II. Non-traffic sensitive nature of the loop. .... 5  
III. Loop Costs should not be allocated to services. .... 7  
IV. Conclusion ..... 10

1 **I. INTRODUCTION AND SUMMARY.**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Michael D. Pelcovits. I am a principal with the economic consulting firm  
4 of Microeconomic Consulting and Research Associates (MiCRA). My business  
5 address is 1155 Connecticut Avenue, N.W., Washington, D.C. 20036.

6 **Q. Have you already filed testimony in this proceeding?**

7 A. Yes. I filed rebuttal testimony on behalf of MCI on July 21, 2003.

8 **Q. What is the purpose of your surrebuttal testimony?**

9 A. The purpose of my testimony is to respond to the positions taken by Mr. Dunkel, on  
10 behalf of the OCA, Mr. Kubas, on behalf of the OTS, and Mr. Buckalew, on behalf of  
11 the OSBA, regarding the recovery of loop costs.

12 **Q. What is your understanding of Mr. Dunkel's, Mr. Kubas' and Mr. Buckalew's**  
13 **testimony on the issue of loop cost recovery?**

14 A. Mr. Dunkel, Mr. Kubas and Mr. Buckalew all take the position that a portion of the  
15 cost of the subscriber loop should be allocated to and recovered from intrastate toll  
16 service. Hence, they all support retention of the carrier charge ("CC") currently  
17 imposed on a flat per-line basis on intrastate long distance carriers.

18 Mr. Dunkel's position is that the residential dial tone line facility cost (i.e. the loop)  
19 "is not a cost that is properly included in the TSLRIC of residential service,"<sup>1</sup> and  
20 therefore it is inappropriate to recover the entire cost of the loop only from local  
21 exchange service. Mr. Dunkel maintains that all services (including interstate toll,  
22 intrastate toll, interstate switched access, intrastate switched access, and DSL) should

---

<sup>1</sup> Rebuttal Testimony of William W. Dunkel, at 48.

1 contribute to the cost of the loop, because these services could not be provided  
2 without the loop being in place. Mr. Dunkel performs an analysis of the relative  
3 contribution to the loop cost paid by various services and concludes that it is  
4 reasonable for intrastate long distance carriers to pay a carrier charge (“CC”) of \$1.20  
5 per-line per-month.

6 Mr. Kubas also opposes the elimination of the CC. Mr. Kubas states in his testimony  
7 that “there should be a CC to recover a reasonable portion of the cost of providing  
8 local loops.”<sup>2</sup> Mr. Kubas recommends that 26% of the cost of the local loop should  
9 be recovered from services other than local exchange rates.<sup>3</sup> He further recommends  
10 that the 26% should be broken down so that 14% of the cost of the local loop should  
11 be recovered from intrastate access, ITORP and intrastate toll.<sup>4</sup> Mr. Kubas  
12 recommends recovering more of the loop from intrastate than from interstate based on  
13 his belief that “more people use intrastate toll service than interstate and ‘other’  
14 services.”<sup>5</sup>

15 Mr. Buckalew takes a similar position, arguing that the loop “is part of the integrated  
16 telephone network and was built to serve both local and toll usage.”<sup>6</sup> He states that  
17 loop costs should not be viewed as “subscriber facilities in terms of cost  
18 responsibility,” because they do vary in the long run with usage.<sup>7</sup> Mr. Buckalew

---

<sup>2</sup> Testimony of Joseph Kubas at 10.

<sup>3</sup> Kubas at 6.

<sup>4</sup> Kubas at 7.

<sup>5</sup> Id.

<sup>6</sup> Testimony of Allen G. Buckalew, at 6-7.

<sup>7</sup> Buckalew, at 10.

1 recommends that 25% of loop cost be allocated and charged to intrastate carriers,  
2 which would be allowed to decide how to collect it from their customers.<sup>8</sup>

3 **Q. Would you summarize your testimony in response to these three witnesses?**

4 A. Yes. First, I believe that Mr. Buckalew's statements about the sensitivity of access  
5 line cost to usage cost are not substantiated in his testimony and for the most part are  
6 inconsistent with studies that I have seen of the cost of local telephone networks.  
7 Second, Mr. Dunkel's, Mr. Kubas' and Mr. Buckalew's proposals to allocate costs to  
8 services, rather than to establish non-discriminatory, rational rates for identical uses  
9 of the network is inconsistent with economic theory and incompatible with a market  
10 that is, hopefully, in transition to greater competition.

11  
12 **II. NON-TRAFFIC SENSITIVE NATURE OF THE LOOP.**

13 **Q. What is "the loop" and what are the primary factors that drive its cost?**

14 A. The loop is comprised of a pair of wires that begin at the customer's premises and  
15 eventually terminate at the local exchange carrier's switch. In some geographic areas,  
16 the wire pair terminates at a remote terminal before it reaches the local switch. The  
17 remote terminal houses electronic equipment, which converts the analog signal  
18 carried on the wire pair to a digital signal, which is then transmitted on fiber optic  
19 cable to the central office. The cost of the subscriber plant ("the loop") is driven  
20 primarily by the number of lines being provisioned and line density (i.e. the ratio of  
21 lines to the size of the geographic area being served). It is also driven by the

---

<sup>8</sup> Buckalew, at 13.

1 capabilities of the network, and in particular, by the amount of bandwidth that the  
2 network is capable of carrying.

3 **Q. Are loop costs traffic sensitive?**

4 A. The vast majority of the loop plant used in this country is not traffic sensitive. The  
5 wire pair that connects the subscriber to the local exchange network is dedicated to  
6 the particular customer and is not more costly to operate as usage increases. The  
7 same is true for the electronics housed in the remote terminal and the fiber optic  
8 cables that carry dedicated subscriber channels to the central office. The switch port  
9 is also dedicated to the individual customer and is not sensitive to the customer's  
10 usage.

11 The only condition under which loop plant could be traffic sensitive is when the  
12 electronics used in the remote terminals concentrates the signals coming from the  
13 copper loops before transmitting them on the fiber optic cable. In this case, the  
14 channels between the remote terminal and the switch are not dedicated to a single  
15 subscriber, but are shared by several subscribers. This creates the possibility that the  
16 required capacity on the fiber optic systems will depend upon the number of  
17 subscriber lines that can be concentrated on a single trunk, which in turn could  
18 depend upon the amount of traffic generated by the typical subscriber.

19 Based upon my knowledge of local exchange cost studies, however, I believe that the  
20 sensitivity of costs to the amount of traffic, even under the most extreme conditions,  
21 would be minuscule and is too small to be reflected in the rates for use of the local  
22 loop. The cost per voice grade channel on a high capacity fiber trunk is only pennies

1 a month, so even a customer using the phone constantly would at most increase loop  
2 plant costs by a few pennies a month.

3 **Q. Will loop costs be sensitive to the type of services provided by the local exchange**  
4 **carrier?**

5 A. Yes. Loop plant that is capable of carrying higher bandwidth services will often be  
6 more expensive. For example, in order to provide digital subscriber line services  
7 (DSL) the LECs have had to add equipment at remote terminals or modify some of  
8 the copper loop plant to improve the quality of the signal. Some LECs are planning  
9 to upgrade the loop plant even more by replacing some of the copper loop with fiber  
10 optic cable. This would enable transmission of even higher bandwidth service to the  
11 customer. It is certainly appropriate for the customers of these higher bandwidth  
12 services to pay more for service than the ordinary local exchange customer.

13 I disagree with other parties' suggestions, however, that the cost of the loop plant  
14 should be allocated or apportioned in some manner among the many voice grade  
15 services that use the loop, rather than being recovered from the end user on a per line  
16 basis.

17 **III. LOOP COSTS SHOULD NOT BE ALLOCATED TO SERVICES.**  
18

19 **Q. Why should the cost of the local loop not be allocated to and then recovered**  
20 **from the services that use the loop?**

21 A. There are many reasons not to allocate the cost of a non-traffic sensitive piece of the  
22 network to the different services that use it.<sup>9</sup> First, any such allocation will be

---

<sup>9</sup> I recognize that 25% of the loop cost is allocated to the interstate jurisdiction. From an economic standpoint, any allocation of non-traffic sensitive costs across jurisdictions is entirely arbitrary.

1 completely arbitrary and unrelated to cost causation. Second, any such allocation will  
2 create distortions and give subscribers an artificial incentive to circumvent rates that  
3 are driven by arbitrary cost allocations. Third, any such allocation is incompatible  
4 with competitive markets, which are beginning to develop in Pennsylvania.

5 **Q. Why is the allocation of non-traffic costs to different voice-grade services**  
6 **arbitrary?**

7 A. Allocation of loop costs to the services that use the loop is arbitrary, because there is  
8 no sound basis either for determining what should constitute a separate service, or for  
9 selecting the percentage of loop costs that should be allocated to each service.

10 Mr. Buckalew testifies that he has in the past recommended using the assumption of  
11 “equal availability of the loop, i.e. 50% local, 50% toll (25% interstate and 25%  
12 intrastate toll).”<sup>10</sup> He further states that this Commission could allocate the 75% of  
13 the loop costs which are in its jurisdiction any way it decides is reasonable.

14 Mr. Buckalew is ignoring, however, that the labeling of some calls as local and some  
15 as long distance, is itself arbitrary, and that these service distinctions lead to retail  
16 price differences that are entirely artificial. This is evident from the proliferation of  
17 calling plans, by wireline and wireless carriers, that treat all calls the same. These  
18 calling plans are being made possible, in part, because there is no artificial cost  
19 allocation scheme imposed on wireless carriers or CLECs that use the UNE-Platform.

20 Mr. Buckalew, Mr. Kubas and Mr. Dunkel argue that each “service” should pay a  
21 portion of the loop cost, because the loop is needed to provide these services. By this

---

Nevertheless, the FCC has mitigated the distortion created by this allocation by creating the subscriber line charge.

<sup>10</sup> Buckalew, at 12.

1 logic, it would make just as much sense in today's environment to label each of the  
2 dozen or so vertical services made possible by the loop, e.g. caller ID, call waiting,  
3 call forwarding, as a separate service and then recover an equal portion of the loop  
4 costs from each of these services, along with toll and local service. The arbitrary  
5 nature of this exercise should be obvious, because the LECs can freely shrink or  
6 expand the number of these "services" by bundling vertical services into packages.  
7 By Mr. Buckalew's, Mr. Kubas' and Mr. Dunkel's logic, loop costs should be  
8 reallocated every time there is a new vertical service or repackaging of existing  
9 services.

10 **Q. Why will there be distortions caused by allocation of loop costs to different**  
11 **services?**

12 A. Distortions will be created because the rates for the "services" will need to recover  
13 loop costs that are unrelated to the actual cost of these services. As I explained in my  
14 July 21 testimony, rates set above cost discourage efficient use of the network and  
15 give customers' incentives to use services that are free of inflated or artificially  
16 allocated costs.

17 To take an example, if 25% of the loop cost is allocated to intrastate toll, then  
18 competition will drive up toll rates to cover these loop costs. Previously, when loop  
19 costs were imposed on toll carriers based on the volume of traffic, these costs were  
20 recovered in the higher per-minute price of toll service. This depressed the demand  
21 for toll service and gave customers an artificial incentive to use services that did not  
22 have to pay these loop costs on a minute-of-use basis.

1 The Carrier Charge, which was established to reduce this distortion by charging loop  
2 costs to long distance carriers on a per-line basis, is an improvement, but is far from  
3 ideal. As I explained in my July 21 testimony, there is nothing to be gained by  
4 creating this mechanism that turns the long distance carriers into intermediaries to  
5 collect some of the per-line costs from customers. The additional steps required to  
6 compute the Carrier Charge, bill it to long distance carriers, and then have the long  
7 distance carriers bill and collect it from their customers, create transactions costs and  
8 have no offsetting benefits.

9 **Q. Why is the allocation of loop costs to different services incompatible with**  
10 **competition?**

11 A. Competition drives prices to cost. As I explained above, there is no cost relationship  
12 between the loop costs and the different voice grade services provided by the LECs.  
13 Since some competitors will not be subject to these cost allocation rules, they will be  
14 freer to create more rational price structures than other carriers that are still burdened  
15 by these rules, and better-positioned to attract customers. Ultimately, the cost  
16 allocation system will break down, if more and more customers have a choice of  
17 using the unburdened services.<sup>11</sup>

18 **IV. CONCLUSION**

19 **Q. Please summarize your recommendations.**

20 A. The cost of the subscriber loop should not be allocated or apportioned among the  
21 intrastate voice-grade services that use the local exchange network. None of these

---

<sup>11</sup> Certain allocation schemes would actually give the incumbent LECs a pricing advantage over its competitors. For example, if loop costs are assessed on toll or access services on a per-minute-of-use basis, this would increase the long distance carriers' marginal cost above the incumbent LECs' marginal cost. I have already described in my July 21 testimony how a difference in marginal costs can lead to a price squeeze in toll markets

1 services cause these costs directly, and any allocation method chosen will be arbitrary  
2 and introduce pricing distortions into the marketplace. I recommend that all forward-  
3 looking loop costs should be recovered directly from the subscriber, or where  
4 necessary from a competitively-neutral universal service fund. Thus, the Carrier  
5 Charge should be eliminated in its entirety for both Verizon Pennsylvania, Inc. and  
6 Verizon North, Inc.

7 **Q. Does this conclude your testimony?**

8 A. Yes, it does.

**ORIGINAL**

NON-PROPRIETARY VERSION

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

**DOCKETED**

AUG 13 2003

AT&T COMMUNICATIONS OF PENNSYLVANIA, INC. :

V.

DOCKET NO. C-20027195

VERIZON NORTH INC.

**DOCUMENT**

MOTION OF  
OFFICE OF SMALL BUSINESS ADVOCATE  
TO STRIKE A PORTION OF VERIZON STATEMENT NO. 1.1  
OR IN THE ALTERNATIVE  
JUDGMENT ON THE PLEADINGS

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The Office of Small Business Advocate (OSBA) pursuant to 52 Pa. Code §§ 5.103(a), (b), and 5.412(c) moves to strike portions of Verizon Pennsylvania Inc. and Verizon North Inc. Statement No. 1.1 because the testimony is overly vague and ambiguous with regard to increases proposed to business customers. Secondly, the portions at issue concern a proposal of Verizon and the Office of Consumer Advocate (OCA) that has been inappropriately included in testimony supported by a Verizon witness. The OSBA moves to strike the following sections of Verizon Statement No. 1.1: 1 line 21 - 2 line 1; 2 line 9 - line 10; 3 line 5 - line 9; 4 line 1 - line 4; 6 line 5 - line 7; 6 line 16 - 6 line 18; 7 line 1 - 13 line 13; 25 line 8 to line 9; and 26 line 8 - line 9; (Surrebuttal Testimony supported by Mrs. Debra M. Berry dated August 4, 2003). In the alternative, the OSBA submits that Verizon Pennsylvania Inc. and Verizon North Inc. failed to present specificity of the rate increase for a rate case at least as to business customers. The OSBA alternatively moves for judgment on the pleadings pursuant to 52 Pa. Code § 5.102(a) The proposed record testimony does not include what service or services will be increased for business customers or

## NON-PROPRIETARY VERSION

the amount if any of the increase for business customers with specificity. In support of these Motions the OSBA states as follows:

### BACKGROUND

1. The purpose of this proceeding is to establish traffic sensitive and non-traffic sensitive intrastate and intraLATA access rates for entities that use the local loop of Verizon Pennsylvania Inc. (VZ-PA) and Verizon North Inc. (VZN) (collectively VZ) in the course of their business handling consumers telecommunications services within VZ service territories.

2. This case is a rate case where VZ is requesting that increases in residential and perhaps business services be offset by decreases in access charges presenting a revenue neutral change.

3. This case originated as a complaint against a VZ petition proposing rate changes involving both increases in some rates and offsetting decreases. By statutory mandate the burden of proof is upon VZ to show the proposed rates are just and reasonable. 66 Pa. C.S. § 315(a).

4. Although the parties to this proceeding are litigating this matter, settlement negotiations have been conducted with proposals disclosed both orally and electronically. OCA offered a proposal and VZ and OCA offered a joint proposal for settlement purposes.

5. Surrebuttal is to be a response to the opposition's rebuttal. Surrebuttal is not to be used to introduce a partial settlement proposal as new matter. Such a stipulation constitutes inappropriate surrebuttal testimony since the parties who have not entered the stipulation have no opportunity to respond to the new matter or conduct discovery on the new matter.

NON-PROPRIETARY VERSION

6. 52 Pa. Code § 5.412 requires written testimony to observe the same rules of admissibility as if the witness were presenting oral testimony.

7. VZ provided direct testimony to all participants in this proceeding on June 25, 2003 in accordance with the schedule established by Administrative Law Judge Cynthia Fordham in Prehearing Order dated, May 20, 2003.

8. The VZ direct testimony did not contain any information concerning the substance of privileged settlement discussions. The VZ direct testimony did not contain any increase to business rates or any overall increase to local exchange rates amounting to [BEGIN VZ PROPRIETARY] \_\_\_\_\_ [END VZ PROPRIETARY] with the corresponding non-traffic sensitive access rate of [BEGIN VZ PROPRIETARY] \_\_\_\_\_ [END VZ PROPRIETARY]. The only statement in the VZ direct testimony related to a possible increase to business services was a statement in an exhibit attached to the testimony concerning VZ's discretion to "offset ...B-1 rates up to a limit". See Verizon Pennsylvania Inc. and Verizon North Inc. Statement No. 1, Exhibit MJW-6. No concrete proposal for a rate increase for business customers was provided to the parties.

9. The OSBA, among other parties, submitted rebuttal testimony to the VZ direct testimony on July 18, 2003 pursuant to the Prehearing Order. The OSBA testimony did not contain any reference to the settlement negotiations. No other parties' testimony contained information about the settlement negotiations.

10. Neither the OSBA nor any other party conducted discovery on the substance of the VZ/OCA settlement proposal testimony included in the VZ Statement No. 1.1 or the actual proposal in DMB Exhibit 1 showing the access rate and corresponding increase in residential and business local service.

NON-PROPRIETARY VERSION

11. No party has had an opportunity to respond to the new matter regarding regarding DMB Exhibit 1 and the testimony at issue contained in VZ Statement No. 1.1.

12. The OSBA submits that the procedure used to introduce this proposal into the record is flawed and that the parties are prejudiced. This inappropriate new matter is outside the scope of rebuttal testimony and presents new direct testimony which is untimely and cannot be rebutted or be subject to discovery.

13. It is inappropriate for what is correctly a Stipulation of Settlement between OCA and VZ (DMB Exhibit 1) to be submitted as potential record testimony. This is simply erroneous procedure.

14. The parties are not given any specifics as to whether the B-1 rate will be increased or some ancillary business service will be increased or the definite rate for business local service under this VZ/OCA settlement proposal.

15. As a matter of procedure, a request for a revenue neutral rate rebalancing should include notice of what the affected rates will be in the various density cells and what rates/services are in jeopardy if the rebalancing is implemented.

16. At VZ Statement 1.1 at 7 line 21 to 8 line 1, there is a sense that local business service rates are in jeopardy. However, there is no explanation as to whether it is local business service rates, B-1 rate, dial tone line rate for business customers, or something else. There are approximately 95 local service business rates that could potentially be affected. (See Attachment 1 originally introduced in Petition of Verizon Pennsylvania, Inc., for Determination that Provision of Business Telecommunications Services is a

NON-PROPRIETARY VERSION

Competitive Service Under Chapter 30 of the Public Utility Code at Docket No. P-00021973.) There is simply no limit expressed as to the magnitude of any increase on business customers rates or the service(s) that will be affected.

17. By contrast, there is more detail about the effect on residential rates. The "\$40 million of access revenue reduction will be recovered through increases to residential basic local service rates on a combined [VZ-PA] and [VZN] basis, and that any such increase will not exceed \$1.00 per residential line." VZ Statement 1.1 at 7 lines 18 - 21. Further specified as "...such increases would be less than \$1.00 per residential line based on recovery across the combined companies' customer base. The residential increases would apply to dial tone line rates for all customers subscribing to that service on a non-package basis." See DMB Exhibit 1. There is no such specificity concerning business service rates.

18. Vagueness and ambiguity of proposed rates in the record are justifiable reasons to deny a rate proposal. Pa. P.U.C., et al. v. The Peoples Natural Gas Co., 69 Pa. PUC 138, Docket Nos. R-880961, R-880961C001-C005 (January 1989). The Pennsylvania Public Utility Commission has denied a rate request because of inadequate evidence to permit calculation and evaluation of a rate increase. Lower Frederick Township Water Co. v. Pa. P.U.C., 409 A.2d 505, 506, Pa. Cmwlth Ct. (1980). It is the Company's burden to prove each element of its rate request with convincing and substantial evidence. Pa. P.U.C. v. National Fuel Gas Distribution Corp., 84 Pa. P.U.C. 134, 167-68.

SPECIFIC PREFILED TESTIMONY THAT SHOULD BE STRICKEN

19. The portion of the Verizon Pennsylvania Inc. and Verizon North Inc. Statement No. 1.1 at at 1 line 21 - 2 line 1; at 2 line 9 - line 10; at 3 line

NON-PROPRIETARY VERSION

5 - line 9; at 4 line 1 - line 4; at 6 line 5 - line 7; at 6 line 16 - 6 line 18; at 7 line 1 - 13 line 13; at 25 line 8 to line 9; and at 26 line 8 - line 9 should be stricken because it is outside the scope of rebuttal testimony previously presented on July 18, 2003 and is simply improper use of record testimony. No party has introduced this concept contained in the VZ/OCA proposal in this proceeding. Therefore, it cannot be a reply to rebuttal testimony. In the alternative, the OSBA requests judgment on the pleadings finding that Verizon Pennsylvania Inc. and Verizon North Inc. did not provide sufficient specific information to the parties of the rate increase for business services and that they have failed to meet their burden of proof as proscribed by statute at 66 Pa. C.S. § 315(a).

WHEREFORE, for the reasons set forth above, OSBA respectfully moves the Administrative Law Judge to strike Verizon Pennsylvania Inc. and Verizon North Inc. Statement No. 1.1 at the designated pages identified above. In the alternative the OSBA moves the Administrative Law Judge to find Verizon Pennsylvania Inc. and Verizon North Inc. did not satisfy its burden of proof to specifically identify rates that would increase concerning business customers, and therefore, the proposed rate increase concerning business customers be denied.

Respectfully submitted,

  
Angela T. Jones  
Assistant Small Business Advocate

Date: August 8, 2003

Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101  
(717) 782-2525

# ATTACHMENT 1

Petition  
Attachments

VERIZON PENNSYLVANIA'S BUSINESS SERVICE COMPETITIVE FILING		
LIST OF SERVICES and TARIFF REFERENCES		
	Noncompetitive	500 Tariff
	Tariff Reference	Reference
Alternate Service Wire Center	No. 1, Section 15	Section 15
Appointment ReQuest	No. 1, Section 5	Section 9
ATM Cell Relay I & II		Section 28D
Audiotex Restriction (Blocking)	No. 1, Section 36A	Section 31A
Audiotex Service	No.1, Section 36	Section 31
Automatic Identified Outward Dialing (AIOD)	No. 1, Section 26	Section 27
Bridged Line Service	No. 1, Section 26	Section 27
Business Dial Tone Line - Individual Line	No. 1, Section 22C	Section 26
Business Dial Tone Line - Multi Line	No. 1, Section 22C	Section 26
Call Block	No. 1, Section 30E 1&3	Section 29C
Call Diverting	No. 1, Section 26	Section 27
Call Forwarding	No. 1, Section 30E 1&3	Section 29C
Call Gate Service	No. 1, Section 26	Section 27
Call Mover Services	No. 1, Section 5B	Section 9B
Call Trace	No. 1, Section 30E 1&3	Section 29C
Call Waiting	No. 1, Section 30E 1&3	Section 29C
Caller ID	No. 1, Section 30E 1&3	Section 29C
Caller ID Deluxe	No. 1, Section 30E 1&3	Section 29C
Calling Card Customer Dialed	Nos. 180A, 182, 182A, 185B, 185C, Sec.3	Sections 36A-40A
Connect ReQuest Service	No. 1, Section 5	Section 9
Construction and Attachment Charges	No. 1, Section 9	Section 11
Control Equipment for Exchange Access Lines	No. 1, Section 26	Section 27
Custom Redirect Svc & Switched Redirect Svc	No. 1, Section 29C	Section 28A
Dial Tone Line Arrangement for Guest Dialing	No. 1, Section 26	Section 27
Digital Data Service	No. 304	Section 34
Direct Inward Dialing Service (DID)	No. 1, Section 26	Section 27
Directory Assistance Svc (Local DA, National DA)	No. 1, Section 5	Section 9
Directory List Service	No. 1, Section 5	Section 9
Directory Listings	No. 1, Section 5	Section 9
Directory Listings for Publishers	No. 1, Section 5	Section 9
Distinctive Ring	No. 1, Section 30E 1&3	Section 29C
Easy Number Call Routing Service	No. 1, Section 37	Section 32
Extended Area Unlimited	Nos. 182, 182A, 185B, 185C, Section 2	Sections 36-40
Four-wire Service Terminating Arrangement	No. 1, Section 26	Section 27
Frame Relay		Section 28C
Group Alerting and Dispatching Telephone System	No. 1, Section 2	Section 7
High Capacity Digital Hand-Off Service	No. 304	Section 34
IntelliLinQ - BRI Service	No. 1, Section 21E	Section 23
IntelliLinQ - PRI Service	No. 1, Section 21D	Section 22
IntelliMux Service	No. 304	Section 34
Interactive Distance Learning Service	No. 1, Section 7	Section 10
Intraexchange and Interexchange Channels	No. 1, Section 12	Section 14
IP (Internet Protocol) Routing Service	No. 1, Section 20I	Section 20
Local Area Standard	Nos. 182, 182A, 185B, 185C, Section 2	Sections 36-40
Local Area Unlimited	Nos. 182, 182A, 185B, 185C, Section 2	Sections 36-40
Local Area Valu-Pak	Nos. 182, 182A, 185B, 185C, Section 2	Sections 36-40
Measured Metropolitan Use	Nos. 182, 182A, 185B, 185C, Section 2	Sections 36-40
Mechanized Station to Station	Nos. 180A, 182, 182A, 185B, 185C, Sec.3	Sections 36A-40A

VERIZON PENNSYLVANIA'S BUSINESS SERVICE COMPETITIVE FILING		
LIST OF SERVICES and TARIFF REFERENCES		
	Noncompetitive Tariff Reference	500 Tariff Reference
Messaging Services Interface (MSI) Premier MSI	No. 1, Section 26	Section 27
Metallic Service	No. 304	Section 34
Miscellaneous Equipment for use with "9-1-1"	No. 1, Section 2	Section 7
Network Controlled Coin Line	No. 1, Section 18C	Section 16C
Network Controlled Inmate Line	No. 1, Section 18B	Section 16B
Network Controlled Non-Coin Line	No. 1, Section 18D	Section 16D
ONA Svcs (DID Queuing, Hot Line, Warm Line)	No. 1, Section 26	Section 27
Operator - All Types Operator Person to Person	Nos. 180A, 182, 182A, 185B, 185C, Sec.3	Sections 36A-40A
Operator Station to Station	Nos. 180A, 182, 182A, 185B, 185C, Sec.3	Sections 36A-40A
Pay-Per-View Ordering Service	No. 1, Section 10	Section 12
Preferred Telephone Number Service	No. 1, Section 26	Section 27
Premises Work for Business Service	No. 1, Section 22A	Section 25
Priority Call	No. 1, Section 30E 1&3	Section 29C
Program Audio Service	No. 304	Section 34
Public Emergency Reporting Service	No. 1, Section 2	Section 7
REACT Alarm Transport Service	No. 1, Section 2B	Section 7A
Referral Services	No. 1, Section 5A	Section 9A
Remote Call Forwarding	No. 1, Section 31B	Section 30
Return Call	No. 1, Section 30E 1&3	Section 29C
Ring Count Change Interface	No. 1, Section 26	Section 27
Safe-T Service	No. 1, Section 11	Section 13
Select Forward	No. 1, Section 30E 1&3	Section 29C
Select-A-Station Service	No. 304	Section 34
Series 1000 Channels	No. 1, Section 12	Section 14
Series 2000 Channels	No. 1, Section 12	Section 14
Series 3000 Channels	No. 1, Section 12	Section 14
Series 6000 Channels	No. 1, Section 12	Section 14
Series 9000 Channels	No. 1, Section 12	Section 14
SMDS	-	Section 28B
Station Controlled Lines	No. 1, Section 18A	Section 16A
Statistical Multiplexer Service	No. 304	Section 34
Switched 56 Kilobit Service	No. 1, Section 21	Section 21
Switched Services Networks	No. 1, Section 29	Section 28
Telegraph Service	No. 304	Section 34
Telemetry and Alarm Bridging Service	No. 304	Section 34
Termination of Service	No. 1, Section 30	Section 29
Three Way Calling	No. 1, Section 30E 1&3	Section 29C
Three-Way Call Transfer on Trunks	No. 1, Section 26	Section 27
Time and Charge Service	No. 1, Section 30B	Section 29A
Time of Day Service	No. 1, Section 30C	Section 29B
Ultra Forward	No. 1, Section 30E 1&3	Section 29C
Uniform Call Distribution	No. 1, Section 26	Section 27
Universal Emergency Service Number - "9-1-1"	No. 1, Section 2	Section 7
Verification Service	No. 1, Section 30F	Section 29D
Virtual Private Network Service	No. 1, Section 211	Section 24
Voice Grade Service	No. 304	Section 34
Work at Home Billing Service	No. 1, Section 26	Section 27

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August 13, 2003

VIA UPS OVERNIGHT MAIL and ELECTRONIC MAIL

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DOCUMENT  
FOLDER

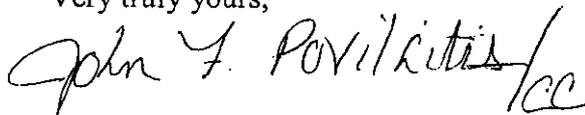
Re: In Re The Joint Application of Bell Atlantic Corporation  
And GTE Corporation for Approval of Agreement And of Merger

AT&T Communications of Pennsylvania, Inc. v. Verizon North, Inc.,  
Docket No. C-20027195

Dear Suzan:

Enclosed please find Qwest Communication Company's Set I  
Interrogatories to Verizon Pennsylvania Inc. in the above-captioned proceeding.

Very truly yours,



John F. Povilaitis

JFP/cc  
Enclosures

c. Certificate of Service

James J. McNulty, Secretary ✓  
(transmittal letter and certificate of service only)

SECRETARY'S BUREAU

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2003 AUG 14 AM 9:32

AT&T Communications of Pennsylvania, Inc. :  
:  
v. :  
:  
Verizon North, Incorporated :

SECRETARY'S BUREAU

Docket No. C-20027195

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the foregoing documents in accordance with the requirements of 52 Pa. Code § 1.54 et seq. (relating to service by a participant).

VIA UPS OVERNIGHT AND ELECTRONIC MAIL

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Date: August 13, 2003



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August 15, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

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AUG 15 2003

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

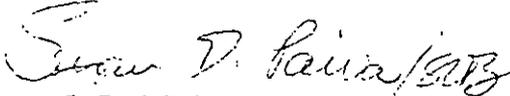
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Mr. Mickens,

Enclosed please find Verizon Pennsylvania Inc.'s and Verizon North Inc.'s First Set of Data Requests to the Office of Trial Staff in the above captioned matter.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

  
Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

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CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s First Set of Data Requests to the Office of Trial Staff, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 15<sup>th</sup> day of August, 2003.

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ORIGINAL

August 18, 2003

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SECRETARY'S BUREAU

James J. McNulty, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: AT&T Communications of Pennsylvania, Inc.  
v. Verizon North Inc.,  
Docket No. C-20027195

Dear Secretary McNulty:

Enclosed please find for filing an original and three (3) copies of the Office of Consumer Advocate's Answer to the Motion to Strike of the Office of Small Business Advocate in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Joel H. Cheskis  
Assistant Consumer Advocate

Enclosures

cc: All parties of record  
Hon. Cynthia Fordham, ALJ  
\*68614

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**ORIGINAL**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**AT&T Communications of Pennsylvania, Inc.** :

**v.** :

**Verizon North Inc.** :

**Docket No. C-20027195**

**ANSWER  
OF THE OFFICE OF CONSUMER ADVOCATE  
TO THE MOTION TO STRIKE  
OF THE OFFICE OF SMALL BUSINESS ADVOCATE**

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Pursuant to Section 5.103(c) of the Public Utility Code, 52 Pa. C.S. §5.103(c), the Office of Consumer Advocate ("OCA") hereby files this Answer to the Motion of the Office of Small Business Advocate ("OSBA") to Strike a Portion of Verizon Statement No. 1.1 or in the Alternative for Judgment on the Pleadings. The OCA submits that the testimony is proper surrebuttal testimony and should not be stricken.

**INTRODUCTION**

1. On December 30, 2002, Verizon Pennsylvania and Verizon North Inc. (hereafter referred to as "the Verizon Companies") filed a petition to open this proceeding to adopt statewide access rates in response to the Public Utility Commission's ("Commission") Merger Order,<sup>1</sup> Global Order<sup>2</sup> and generic access charge investigation at Docket No. M-00021596.

<sup>1</sup> *Re Joint Application of Bell Atlantic Corporation and GTE Corporation for Approval of Agreement and Plan of Merger*, Docket Nos. A-310200F0002, A-311350F0002 and A-310222F0002 (November 4, 1999)("Merger Order").

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AUG 27, 2003**

2. As part of the adjudication of that Petition, the Verizon Companies filed their direct testimony on June 25, 2003, the OCA, OSBA and other intervening parties filed rebuttal testimony on July 18, 2003 and several parties filed surrebuttal testimony on August 4, 2003.

3. Throughout that time, many parties engaged in settlement negotiations in an effort to reduce or eliminate the contested issues. As a result of those negotiations, the OCA and the Verizon Companies developed a Joint Proposal for settlement which represents a compromise on behalf of both parties of the level of access reductions and revenue neutral increases which should be instituted as a result of this proceeding. The surrebuttal testimony of Verizon witnesses Debra M. Berry and Michael J. Wirl dated August 4, 2003 discussed the OCA/Verizon Joint Proposal and included the specific terms as Exhibit DMB-1.

4. On August 8, 2003, the OSBA filed its Motion specifically seeking to strike all references in the Berry/Wirl surrebuttal testimony which pertain to the OCA/Verizon Joint Proposal because, among other things, the testimony constitutes improper surrebuttal. For the reasons discussed below, the OCA submits that those portions of the Berry/Wirl surrebuttal testimony which pertain to the OCA/Verizon Joint Proposal and which the OSBA seeks to strike are, in fact, admissible and should not be stricken from the Berry/Wirl surrebuttal testimony.

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<sup>2</sup> *Re Nextlink Pennsylvania, Inc.*, Docket No. P-00991648 and P-00991649, 93 PaPUC 172 (September 30, 1999)(“Global Order”); 196 PUR 4<sup>th</sup> 172, *aff’d sub nom.*, *Bell Atlantic Pennsylvania, Inc. v. Pennsylvania Public Utility Commission*, 763 A.2d 440 (Pa.Cmwlth. 2000), *alloc. granted*.

ANSWER

5. Section 5.243(e) of the Commission's regulations specifically provides:

No participant will be permitted to introduce evidence during a rebuttal phase which is repetitive, which should have been included in the participant's case-in-chief or which substantially varies from the participant's case-in-chief unless the evidence is introduced in support of a proposed or partial settlement between or among any of the participants.

52 Pa Code §5.243(e)(emphasis added). Despite this regulation, the OSBA argues that the Berry/Wirl surrebuttal testimony is inappropriate since the Joint Proposal is "new matter [that] is outside the scope of rebuttal testimony and presents new direct testimony which is untimely." OSBA Motion at 4. The OSBA argument, however, should be rejected..

6. The Joint Proposal fits squarely into the provisions of Section 5.243(e) and should not be stricken from the record in this proceeding. The Joint Proposal is a "proposed or partial settlement" between the OCA and the Verizon Companies and could not have been included in the OCA's or the Verizon Companies' case-in-chief because the Joint Proposal, in fact, represents a compromise between the two parties' cases-in-chief. The Joint Proposal is a compromise between the litigation positions of the OCA and the Verizon Companies and is within the range of the two parties' proposals. As such, the Joint Proposal is responsive testimony such that the OCA or the Verizon Companies are willing to accept positions that are closer to one another than the original testimony. The Joint Proposal is within the range of the testimony originally provided by the OCA and the Verizon Companies such that other parties are not disadvantaged by the introduction of this testimony. Rather, this testimony is responsive to other parties'

concerns, as expressed in their rebuttal testimony, that the prior positions of the OCA and the Verizon Companies were too severe. The Joint Proposal is an effort to modify those positions and seek a compromise. Therefore, other parties would not be prejudiced through the introduction of this testimony into the record and the OSBA argument to the contrary should be rejected.

7. The OSBA also argues that the discussion of the OCA/Verizon Joint Proposal in the Berry/Wirl surrebuttal testimony “constitutes inappropriate surrebuttal testimony since the parties who have not entered the stipulation have no opportunity to respond to the new matter or conduct discovery on the new matter.” OSBA Motion at 2. The OCA submits, however, that all parties could respond to any issues raised in surrebuttal including responding to the Joint Proposal through the use of oral rejoinder testimony during the hearings scheduled for August 25<sup>th</sup>-27<sup>th</sup> which is specifically allowed for in the this proceeding. Prehearing Order #2 at 7. Parties could make a determination whether to provide any oral rejoinder testimony during the hearings if parties choose to respond to the Joint Proposal. As such, all parties will have ample opportunity and time to respond to the Joint Proposal and the OSBA argument to the contrary should be rejected.

8. The OSBA also argues that the Berry/Wirl surrebuttal testimony is inappropriate since the parties who have entered the stipulation have no opportunity to conduct discovery on the new matter. OSBA Motion at 2-4. The OCA submits, however, that all parties have an opportunity to issue discovery on all parties’ surrebuttal testimony including those portions of the Berry/Wirl testimony which is the subject of this Motion. The litigation schedule established for this proceeding provides no deadline

for the issuance of discovery and also requires answers to interrogatories be served in-hand within ten (10) calendar days of services. Prehearing Order #2 at 6. Therefore, discovery could have been served on Verizon regarding the Joint Proposal so that responses would be due as early as August 15<sup>th</sup>, a full ten days prior to the commencement of the hearings. Furthermore, the record will not close in this proceeding until September 3, 2003 so that a second round of discovery regarding the Joint Proposal could also be reviewed and entered into the record. As such, all parties will have ample opportunity and time to issue discovery regarding the Joint Proposal and the OSBA argument to the contrary should be rejected.

9. The OSBA also argues in its Motion that “it is inappropriate for what is correctly a Stipulation of Settlement between the OCA and the Verizon Companies to be submitted as a potential record testimony.” OSBA Motion at 4. The OCA submits that this argument is without merit and should not be grounds for striking those portions of the Berry/Wirl surrebuttal testimony because this is not “simply erroneous procedure,” as the OSBA argues. Rather, the presentation of the Joint Proposal, whether couched as a “Stipulation of Settlement” or not, is allowable in surrebuttal testimony. The Verizon Companies could have presented the Joint Proposal to the presiding officer at the time of the hearings for its admission into the record. At that point, however, there would be little opportunity for other parties to respond or to do any meaningful discovery. Yet, the Verizon Companies presented the Joint Proposal at a time when other parties have sufficient time to respond to it on the record and have an opportunity to adequately analyze it. Therefore, the OSBA’s argument that the Joint Proposal cannot be submitted as potential record testimony is without merit and should be rejected.

10. The Commission encourages parties to seek negotiated settlements in lieu of incurring the time, expense and uncertainty of litigation. 52 Pa. Code §41.31. The OSBA argument would essentially prohibit the admission of testimony regarding any settlement after the filing of direct testimony. Clearly, such a result is contrary to the Commission regulations.

**CONCLUSION**

WHEREFORE, for the reasons set forth above, the Office of Consumer Advocate submits that the Motion of the Office of Small Business Advocate to Strike a Portion of Verizon Statement No. 1.1 or in the Alternative for Judgment on the Pleadings should be denied. The OCA submits that the testimony is proper surrebuttal testimony and should not be stricken.

Respectfully submitted,



Philip F. McClelland  
Senior Assistant Consumer Advocate  
Joel H. Cheskis  
Assistant Consumer Advocate

For: Irwin A. Popowsky  
Consumer Advocate

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Dated: August 18, 2003  
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SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

Re: AT&T Communications of Pennsylvania, Inc. v. Verizon North Inc.,  
Docket No. C-20027195

I hereby certify that I have this day served a true copy of the foregoing document, Office of Consumer Advocate's Answer to the Motion to Strike of the Office of Small Business Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 18th day of August, 2003.

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**\* Receiving Proprietary Information**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

**DOCKETED**

AUG 28 2003

AT&T COMMUNICATIONS OF  
PENNSYLVANIA, INC.,

v.

VERIZON NORTH INC.

**DOCUMENT**

Docket No. C-20027195

**RESPONSE OF VERIZON PENNSYLVANIA INC. AND VERIZON NORTH INC.  
TO THE MOTION OF THE OFFICE OF SMALL BUSINESS ADVOCATE TO  
STRIKE PORTIONS OF VERIZON STATEMENT 1.1, OR IN THE  
ALTERNATIVE FOR JUDGMENT ON THE PLEADINGS**

The Office of Small Business Advocate ("OSBA") moves to strike from Verizon's surrebuttal testimony those portions that discuss a joint proposal by Verizon Pennsylvania Inc. and Verizon North Inc. ("Verizon") and the Office of Consumer Advocate ("OCA") for a reasonable resolution of this proceeding in a manner that is within the range of options presented in Verizon's original filing and testimony, and represents a midpoint between the extreme positions taken by the advocate and IXC factions in this case. OSBA has stated no reasonable basis to strike this extremely pertinent testimony – and, in fact, admission of this evidence at this stage of the proceedings is explicitly contemplated by this Commission's regulations and its stated policy "to encourage settlements."

In their testimony, the advocates (OSBA, OTS and OCA) generally opposed any reduction in access charges, so that there would be no need to increase basic rates (OCA has since compromised this view for settlement purposes, as discussed below). The IXC's (AT&T, MCI and Qwest) demanded that the access carrier charge be eliminated and that traffic sensitive access rates be slashed down to cost or below, which would result in

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

correspondingly large offsetting increases to basic rates. Verizon's testimony contained a framework under which the Commission could choose from a range of options, from no access revenue reduction at all to total elimination of the carrier charge for both Verizon companies (but no further reduction of traffic sensitive rates), with resulting revenue reductions ranging from \$0 to [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY]. Revenue neutral offsets through basic rate increases are an essential component of Verizon's proposal.

Verizon and the OCA since agreed on a compromise within the range of options that Verizon originally proposed, under which Verizon North's access rates would be reduced to match the level of Verizon PA's (which are the lowest access rates in the state). Specifically, Verizon would restructure the traffic sensitive portion of Verizon North's access rates to match Verizon PA's rate structure and would add some new rate elements, but would keep the traffic sensitive rates at the same level as the current consolidated traffic sensitive rates of the two Verizon companies. Verizon would reduce the carrier charge rate for Verizon North to match the level of Verizon PA's current carrier charge rate of \$0.63, a significant reduction from Verizon North's current carrier charge of \$8.64. These changes would result in a total access revenue decrease of approximately [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] per year. OCA and Verizon agree that these reductions would be offset with revenue neutral rate increases, and the Joint Proposal specifies that no more than \$40 million of the access revenue reduction will be recovered through increases to residential basic local service rates on a combined Verizon PA and Verizon North basis, and that any such increases will not exceed \$1.00 per residential line. Verizon will

recover the remainder of the access reduction (that is, the amount above \$40 million) through increases to business local service rates, again on a combined Verizon PA and Verizon North basis. Verizon and OCA have agreed that no rate changes would occur before January 1, 2004.

OSBA seeks to strike all references in testimony to the Verizon/OCA proposal for resolution of this proceeding. OSBA's motion should be denied.

*First*, OSBA's argument is contrary to the Commission's own regulations on this subject. The Commission's rules specifically provide for the presentation of partial settlements, such as the OCA/Verizon settlement proposal, in a rebuttal phase of the proceeding. Rule 52 Pa. Code § 5.243(e) states that new evidence may be introduced during a rebuttal phase if "the evidence is introduced in support of a proposed full or partial settlement between or among any of the participants." This rule comports with the Commission's general regulation on Offers of Settlement, 52 Pa. Code § 5.231, which states:

It is the policy of the Commission to encourage settlements. Nothing contained in this chapter or Chapter 1 or 3 (relating to rules of administrative practice and procedure; and special provisions) precludes a participant in a proceeding from submitting, at any time, offers of settlement. . .

Therefore, even if the Verizon/OCA settlement proposal introduced "new" material – which as discussed below it does not – its introduction through Verizon's surrebuttal testimony is expressly permitted by Commission rules.

*Second*, OSBA incorrectly claims that the Verizon/OCA proposal is beyond the scope of surrebuttal and introduces "new" matters into the record. The proposal does not introduce a "new" resolution to this proceeding, but simply reflects one of the options discussed at length in Verizon's direct testimony (reducing Verizon North's carrier

charge to equal Verizon PA's), which Verizon projected would cost approximately

[BEGIN VERIZON PROPRIETARY]

[END VERIZON

PROPRIETARY].<sup>1</sup> The only modification is an additional revenue reduction to the

traffic sensitive rates of approximately [BEGIN VERIZON PROPRIETARY]

[END VERIZON PROPRIETARY] that was suggested in the rebuttal

testimony of AT&T, to offset the revenue gained from the new trunk port rate elements

Verizon proposes to add.<sup>2</sup> In short, the resolution proposed by Verizon and OCA is a

result the Commission itself could reach based on the direct testimony already in the

record. It is certainly a pertinent factual issue for this Commission to know that Verizon

and OCA would support such a resolution. OSBA chose not to file rebuttal testimony to

these statements in Verizon's and AT&T's direct testimony. To the extent OSBA

believes additional comment is necessary beyond what it has already stated in its direct

testimony, however, OSBA will still have the opportunity to comment on the

Verizon/OCA proposal in its briefs, as well as to present its witness at the hearings

scheduled for the week of August 25.<sup>3</sup>

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<sup>1</sup> Verizon Proposal filed December 30, 2002 at Attachment B; Verizon Statement 1.0 at 15 and Exhibit MJW-3.

<sup>2</sup> AT&T St. 1.0 at 27 ("Since the restructuring that Verizon is proposing here will add new traffic sensitive rates, the appropriate place for any such 'offsets' would be in Verizon's existing traffic sensitive rates"). The [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] figure can be calculated by adding the projected revenue from the individual new rate elements depicted on Exhibit MJW-2 to Verizon St. 1.0.

<sup>3</sup> As part of this argument OSBA claims that it had no opportunity to conduct discovery on the proposal. However, not only has OSBA served no discovery at all during the whole course of this proceeding, but also Verizon's surrebuttal was filed on August 4 – two weeks ago – and OSBA has not attempted to take any discovery since then.

*Third*, OSBA incorrectly claims that Verizon’s original proposal for offsetting revenue-neutral increases to basic local rates and its supporting direct testimony did not propose increases to business rates. To the contrary, both Verizon’s direct testimony and its proposal filed on December 30, 2002 clearly stated that Verizon proposed, at its sole option, to have the choice of placing part of the revenue-neutral offset on business rates. Verizon’s original proposal filed December 31, 2002 stated that Verizon “may, at its sole option, increase its weighted average Business line rate by up to the same amount on a dollar basis that its weighted average R-1 rate is increased, but in no event may the B-1 rate be less than the R-1 rate.”<sup>4</sup> Verizon’s direct testimony clearly stated that “[t]he proposal gives Verizon an option to place the rate increases wholly on residential lines, or to place some of the increase on business lines.”<sup>5</sup>

*Fourth*, OSBA claims that the Verizon/OCA proposal is “vague” regarding the proposed business rate increase. The proposal is specific in stating that **[BEGIN VERIZON PROPRIETARY]** **[END VERIZON PROPRIETARY]** in additional revenue will be recovered from business rates. OSBA contends that “[t]he parties are not given any specifics as to whether the B-1 rate will be increased or some ancillary business service will be increased.” However, Verizon’s original proposal, quoted above, clearly states that Verizon’s option is to increase the “B-1 rate.” OSBA also complains that it does not know the “definite rate” for business local service under this proposal. However, rate rebalancing proposals commonly specify that an overall increase would be made to the weighted average rate, or that rates would be increased up

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<sup>4</sup> Attachment A to Petition, Elements of Proposal, 2(e).

<sup>5</sup> Verizon St. 1.0 at 18, lines 8-10.

to a certain amount, rather than giving exact rate increases.<sup>6</sup> OSBA could easily calculate the monthly increase to the weighted average B-1 rates by dividing [BEGIN VERIZON PROPRIETARY] [END VERIZON PROPRIETARY] by the number of business lines and dividing by 12.<sup>7</sup> Verizon's proposal is therefore as specific as other proposals of this nature that the Commission has approved, and no less specific than the RTCC/Sprint settlement that the Commission has already approved and that OSBA did not dispute.

Notably, Verizon's proposal has always included the option to increase business rates, without giving the specific details of the increase that OSBA demands, yet OSBA's filed testimony raised no issue at all regarding vagueness or ambiguity in Verizon's proposal. Moreover, OSBA was a party to the recently approved RTCC/Sprint settlement, which contained even less detail in the record about the proposed business rate increases. While Verizon has subsequently learned that the RTCC companies plan to increase their weighted average business rates, some by significant amounts (See VZ St. 1.1, Exhibit DMB-1), there was nothing filed in the public record before the Commission that constituted a "concrete proposal" for rate increases for business customers of the type OSBA demands here.

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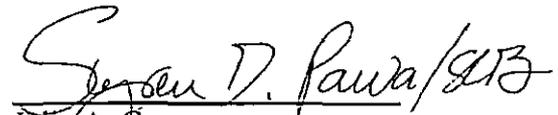
<sup>6</sup> See, e.g., *PUC v. The United Telephone Company of Pennsylvania, d/b/a Sprint*, Docket No. P-00981410 (Opinion and Order entered October 24, 2002) at 3 (approving proposal to increase "weighted average" residential and business rates); *PUC v. ALLTEL Pennsylvania, Inc.*, Docket No. R-00027231 (Opinion and Order entered June 27, 2002) (approving proposal to increase basic residential local exchange rates by "up to" \$2.50).

<sup>7</sup> This number could fluctuate somewhat based on the actual demand figures and line counts at the time of the implementation of the rebalancing, especially if there is a delay.

Therefore, the OSBA's Motion to Strike or in the Alternative for Judgment on the Pleadings should be denied.

Respectfully submitted,

Date: August 18, 2003



Julia A. Conover  
Suzan DeBusk Paiva  
1717 Arch Street, 32N  
Philadelphia, PA 19103  
(215) 963-6068

Counsel for Verizon  
Pennsylvania Inc.

Suzan DeBusk Paiva  
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Suzan.D.Paiva@Verizon.com

August 18, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

The Honorable Cynthia W. Fordham  
Administrative Law Judge  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130

DOCUMENT

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Judge Fordham:

Verizon Pennsylvania Inc. and Verizon North Inc. filed the Direct Testimony of Ann A. Dean and Gary Sanford on June 25, 2003. Although the copy of that Testimony, Verizon Statement 2.0, was marked as Proprietary, Verizon inadvertently left off some Proprietary designations in the text of the Statement. Enclosed is a copy of Verizon Statement 2.0 with all the appropriate designations; this is the copy that Verizon intends to introduce into the record at the hearings. The text of the Statement has not been changed except for the insertions of the specific Proprietary designations, and a copy of this Testimony is being provided to all parties.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

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AUG 18 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s and Verizon North Inc.'s Direct Testimony, Statement 2.0, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 18<sup>th</sup> day of August, 2003.

**DOCKETED**  
AUG 28 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Patricia Armstrong, Esquire  
Regina L. Matz, Esquire  
Thomas, Thomas, Armstrong  
& Niesen  
212 Locust Street, Suite 500  
Harrisburg, PA 17108

Michelle Painter, Esquire  
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Joel Cheskis, Esquire  
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Office of Small Business Advocate  
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Harrisburg, PA 17101

Kenneth Mickens, Esquire  
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Commonwealth Keystone Building  
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Harrisburg, PA 17120

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Ryan, Russell, Ogden & Seltzer LLP  
800 North Third Street, Suite 101  
Harrisburg, PA 17102-2025

Kristin L. Smith, Esquire  
Qwest Communications Corporation  
1801 California Street, Suite 4900  
Denver, CO 80202

**DOCUMENT**

*Suzan DeBusk Paiva*  
Suzan DeBusk Paiva  
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PA PUBLIC UTILITY COMMISSION  
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Suzan.D.Paiva@Verizon.com

August 18, 2003

**VIA E-MAIL AND UPS OVERNIGHT DELIVERY**

Robert Barber, Esquire  
AT&T Communications of Pennsylvania, LLC  
3033 Chain Bridge Road  
Oakton, VA 22185

**DOCUMENT**

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Mr. Barber,

Enclosed please find the the Amended Response of Verizon Pennsylvania Inc. and Verizon North Inc. respectively to AT&T Communications of Pennsylvania, LLC's Discovery Request, Set I, Number 20, relating to Verizon's December 30, 2002 merger compliance access filing. The Response has been amended to designate certain information originally contained in the Response as Proprietary.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery  
cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

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AUG 18 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of the Amended Response of Verizon Pennsylvania Inc. and Verizon North Inc. to AT&T Communications of Pennsylvania, LLC's Discovery Request, Set I, Number 20, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 18<sup>th</sup> day of August, 2003.

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

**DOCKETED**

AUG 28 2003

**DOCUMENT**

Patricia Armstrong, Esquire  
Regina L. Matz, Esquire  
Thomas, Thomas, Armstrong  
& Niesen  
212 Locust Street, Suite 500  
Harrisburg, PA 17108

Philip F. McClelland, Esquire  
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Joel Cheskis, Esquire  
Shaun A. Sparks, Esquire  
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Robert C. Barber, Esquire  
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Angela Jones, Esquire  
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400 North Street  
Harrisburg, PA 17120

Kathleen Misturak-Gingrish, Esquire  
Eckert, Seamons, Cherin & Mellott, LLC  
213 Market Street, 8<sup>th</sup> Floor  
Harrisburg, PA 17101

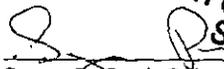
John F. Povilaitis, Esquire  
Ryan, Russell, Ogden & Seltzer LLP  
800 North Third Street, Suite 101  
Harrisburg, PA 17102-2025

Kristin L. Smith, Esquire  
Qwest Communications Corporation  
1801 California Street, Suite 4900  
Denver, CO 80202

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AUG 18 2003

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

  
Suzan DeBusk Paiva  
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Verizon Pennsylvania Inc.  
Verizon North Inc.  
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ORIGINAL

August 22, 2003

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

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John F. Povilaitis, Esquire  
Ryan, Russell, Ogden & Seltzer LLP  
Suite 101  
800 North Third Street  
Harrisburg, PA 17102

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RE: AT&T Communications of Pennsylvania, LLC  
v. Verizon North Inc. and Verizon Pennsylvania Inc.  
Docket No. C-20027195

Dear Mr. Povilaitis,

Enclosed please find the the Responses of Verizon Pennsylvania Inc. to Qwest Communications Company's Set I Interrogatories relating to Verizon's December 30, 2002 merger compliance access filing. Please note that the Responses include Verizon proprietary information.

Please do not hesitate to contact me if you have any questions.

Very truly yours,



Suzan DeBusk Paiva

SDP/slb  
Enc.

Via UPS Overnight Delivery

cc: James J. McNulty (cover letter and certificate of service only)  
Honorable Cynthia Williams Fordham  
William W. Dunkel

Via E-Mail and UPS Overnight Delivery  
Attached Certificate of Service

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115

CERTIFICATE OF SERVICE

I, Suzan DeBusk Paiva, hereby certify that I have this day served a copy of Verizon Pennsylvania Inc.'s Response to Qwest Communications Company's Interrogatories, Set I, upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Philadelphia, Pennsylvania, this 22<sup>nd</sup> day of August, 2003.

VIA E-MAIL AND UPS OVERNIGHT DELIVERY

Patricia Armstrong, Esquire  
Regina L. Matz, Esquire  
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& Niesen  
212 Locust Street, Suite 500  
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Barrett Sheridan, Esquire  
Joel Cheskis, Esquire  
Shaun A. Sparks, Esquire  
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Harrisburg, PA 17102-2025

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1801 California Street, Suite 4900  
Denver, CO 80202

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Suzan DeBusk Paiva  
Attorney for Respondents  
Verizon Pennsylvania Inc.  
Verizon North Inc.  
1717 Arch Street, 32NW  
Philadelphia, PA 19103  
(215) 963-6068

**OALJ Hearing Report**

Please check Those Blocks Which Apply

Docket No.:	C-20027195	Prehearing Held:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Case Name:	AT&T Communications of PA, Inc. v. Verizon North Incorporated	Hearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Testimony Taken:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Hearing Concluded:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Location:	HBG	Further Hearing Needed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Estimated Add'l Days:		
Date:	August 25, 2003	RECORD CLOSED:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ALJ:	Cynthia W. Fordham	DATE:		
Reporting Firm:	Commonwealth Reporting	Briefs to be Filed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		DATE:		
		Bench Decision:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		REMARKS:	Further hearings Aug 26, 27	

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PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
Robert C. Backer Telephone: 703-691-6061	3033 CHAIN Bridge Road City: OAKTON State: VA Zip: 22185 E-mail Address: RCBACKER@ATT.COM	AT&T COMMUNICATIONS OF PENNSYLVANIA, LLC Fax Number: 703-691-6023
Julia A. Conover Susan Paiva Telephone: 215-963-6068	1717 Arch St., 320W City: Phila State: PA Zip: 19129 E-mail Address: suzan.d.paiva@verizon.com	Verizon Fax Number: 215-563-2658
Shawn A. Sparks Joel H. Cheskis Telephone: 717-783-5048	555 Walnut Street Forum Plaza, 5th Floor City: Harrisburg State: Pa Zip: 17101 E-mail Address: sparksa@procs.org	Office of Consumer Advocate Fax Number: 717-783-7152

Check this box if additional parties or attendees appear on back of form.

John A. Kelly, CRC, Inc.  
Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
Kenneth L. Mickens	P.O. Box 3265	Office of Trial Staff
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Telephone: (717) 287-1976	E-mail Address:	Fax Number: 772-2627
ANGELA T. JONES	1102 COMMERCE BLDG. 300 N. 2ND ST.	OFFICE OF SMALL BUSINESS ADVOCATE
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Telephone: 717-783-2525	E-mail Address: anjones@state.pa.us	Fax Number: 717-783-2831
Thomas Thomas Armstrong & Nieser Patricia Armstrong	212 Locust St #500	Rural Telephone Company Coalition
	City: Harrisburg State: Pa Zip: 17108	
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John F. Povilitis	Ryan Russell Ogden, Saltzer 800 N. Third St	QUEST COMMUNICATION CORPORATION
	City: Harrisburg State: PA Zip: 17102	
Telephone: 717-236-7714	E-mail Address: J.Povilitis@quest.com	Fax Number: 236-7816
KRISTIN L. SMITH	1801 California St. 4900	QWEST
	City: DENVER State: CO Zip: 80203	
Telephone: 303 672 2820	E-mail Address: KRISTIN.SMITH@qwest.com	Fax Number: 303 295 7069
	City: State: Zip:	
Telephone:	E-mail Address:	Fax Number:

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

# OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	C-20027195		YES	NO
		Prehearing Held:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Case Name:	AT&T Communications of PA, Inc. v. Verizon	Hearing Held:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	North Incorporated and Verizon PA, Inc	Testimony Taken:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Transcript Due:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		Hearing Concluded:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Location:	HBG	Further Hearing Needed:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Estimated Add'l Days:		
Date:	August 26, 2003	RECORD CLOSED:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		DATE:	9/3/03	
ALJ:	Cynthia W. Fordham	Briefs to be Filed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		DATE:		
Reporting Firm:	Commonwealth Reporting	Bench Decision:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		REMARKS:	main briefs 9/18; reply briefs 9/29 Hearing for 8/21/03 cancelled	

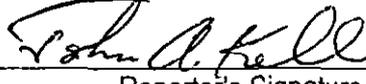
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PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
Robert C. Baiber Telephone: 703-691-6061	3033 CHAIN BRIDGE ROAD City: OAKTON State: VA Zip: 22185	AT&T COMMUNICATIONS OF PENNSYLVANIA, LLC Fax Number: 703-691-6093
Kenneth L. Mickens Telephone:	P.O. Box 3265 City: Hbg. State: PA Zip: 17105-3265	Office of Trial Staff Fax Number:
ANGELA T. JONES Telephone: 717-783-2525	1102 COMMERCE BLDG. 300 N. 2ND ST. City: HARRISBURG State: PA Zip: 17101	OFFICE OF SMALL BUSINESS ADVOCATE Fax Number: 717-783-2831
	E-mail Address:	

Check this box if additional parties or attendees appear on back of form.

  
 Reporter's Signature

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

Name and Telephone Number	Address	Who are you representing?
Sharon A. Sparks Joel H. Cheski's	555 Walnut Street Forum Place, 5th Floor City: Harrisburg State: Pa Zip: 17101	Office of Consumer Advocate
Telephone: 717.983.5048	E-mail Address: ssparks@pacson.org	Fax Number: 717.983.9152
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Telephone: 717 255-7627	E-mail Address: p.armstrong@TANLAW.	Fax Number: 717 236-8278
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Telephone:	E-mail Address: Sue.E.Benedek@na1.sprint.com	Fax Number: (717) 245-7044
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Telephone: 215-963-6068	E-mail Address: Suzan.d.paiva@verizon.com	Fax Number: 215-563-2658
John F. Povilaitis	Ryan Russell Ogden & Selzer 800 N. Third ST City: Harrisburg State: PA Zip: 17102	Qwest Communications Corporation
Telephone: 717-236-7714	E-mail Address: J.Povilaitis@RyanRussell.com	Fax Number: 717-236-7816
KRISTIN L. SMITH	1801 California St Suite 4900 City: Denver State: CO Zip: 80202	Qwest
Telephone: 3036722820	E-mail Address: KRISTIN.SMITH@Qwest.com	Fax Number: 3032957069
Michelle Painter	1133 19th St NW City: Washington State: DC Zip: 20036	McI WorldCom Network Services, Inc.
Telephone: 2027366204	E-mail Address: michelle.painter@mcicom	Fax Number: 2027366242
Kutlcer Misturak - Gingrich	213 Market St. 5th Fl City: Harrisburg State: Pa Zip: 17101	McI WorldCom Network Services, Inc.
Telephone: 717-237-6067	E-mail Address: kmb@escm.com	Fax Number: 717.237.6019

Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.

# OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	C-20027195		YES	NO
		Prehearing Held:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Case Name:	AT&T Communications of PA, Inc. v. Verizon	Hearing Held:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
North Incorporated <i>and Verizon PA, Inc</i>		Testimony Taken:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Transcript Due:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Hearing Concluded:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Location:	HBG	Further Hearing Needed:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Estimated Add'l Days:		
Date:	August 27, 2003			
		RECORD CLOSED:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ALJ:	Cynthia W. Fordham	DATE:	<i>9/3/03</i>	
		Briefs to be Filed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Reporting Firm:	Commonwealth Reporting	DATE:		
		Bench Decision:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
RECEIVED OFFICE OF C.A.L.J. 03 AUG 28 PM 3:12 PA PUC DOCUMENT FOLDER		REMARKS:	<i>Initial + Further hearings held 8/25 + 8/26, 8/27 Hearing CANCELLED</i>	

PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
	City      State      Zip	
Telephone:	E-mail Address:	Fax Number:
	City      State      Zip	
Telephone:	E-mail Address:	Fax Number:
	City      State      Zip	
Telephone:	E-mail Address:	Fax Number:

Check this box if additional parties or attendees appear on back of form.

\_\_\_\_\_  
Reporter's Signature

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office Of Administrative Law Judge

P.O. Box 3265, Harrisburg, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

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August 27, 2003

In Re: C-20027195

(See letter dated 05/29/2003)

AT&T Communications of PA, Inc.

v.

Verizon North Incorporated

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SEP 04 2003

Verizon North's Intrastate Carrier Access Rates are unjust and unreasonable, and seek an immediate reduction to no more than the Rates charged by Verizon Pennsylvania.

Hearing Notice

This is to inform you that the Further Hearing on the above-captioned case scheduled to be held on Wednesday, August 27, 2003 at 10:00 a.m. was canceled.

Presiding: Administrative Law Judge Cynthia W. Fordham  
1302 Philadelphia State Office Building -  
1400 West Spring Garden Street  
Philadelphia, PA 19130  
Telephone: (215) 560-2105  
Fax: (215) 560-3133

Please mark your records accordingly.

pc: Judge Fordham  
Steve Springer, Scheduling Officer  
Beth Plantz  
Docket Section  
Calendar File