

**Verizon New England Inc.  
d/b/a Verizon Massachusetts**

**Commonwealth of Massachusetts**

**D.T.E. Docket No. 06-61**

**Respondent:** Joseph S. Williams  
**Title:** Specialist Financial Planning & Analysis – Service Costs

**REQUEST:** CLEC Coalition, Set #5

**DATED:** October 10, 2006

**ITEM:** CLEC 5-1

Referring to p.5, lines 1-10, of the Rebuttal Panel's testimony, please identify the specific amount of VZ-MA's 2005 Product Management (account 6611) and 2005 Sales (account 6612) expenses that are directly attributable to VZ-MA's Network Access Services. VZ-MA's response should include amounts recorded in specific sub-accounts with accounts 6611 and 6612 and detailed descriptions of the Product Management and Sales activities required to support VZ-MA's Network Access Services.

**REPLY:**

Verizon does not record expenses to its general ledger in such a way to identify expenses directly attributable to Verizon's Network Access Services. See Attachment II of Verizon MA's Reply to CLEC 1-10 in which Verizon provided the list of sub-account detail for Accounts 6611 and 6612. This is precisely the reason why Verizon uses the interstate percentages in the ARMIS 43-04 report to determine the expenses associated with Network Access Services.

This approach is conservative in that it provides a higher discount for the reseller. In fact, by using separated data, Verizon excluded 45 percent of total revenues as not subject to resale, but, only excluded an average of 27 percent of the expense as shown in the attached chart.

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**ITEM:** CLEC 5-2      Referring to p.5, lines 12-14, of the VZ-MA Rebuttal Panel's testimony, is it VZ-MA's position that the amount of revenue subject to separations that is missing from the CLEC Coalition's example is that attributable to Network Access Services only (\$822,144,000) as opposed to all of VZ-MA's revenue subject to separations (\$2.37 billion)?

**REPLY:** If total expense subject to separations (combined state and interstate) is to be included in the resale discount calculation, the corresponding regulated revenue must also be included, or \$2.4 billion as shown on Exhibit 3 of Verizon's Rebuttal Testimony. All revenue, both interstate and intrastate should be included in the calculation including revenue not subject to resale.

Access revenue is the majority of the interstate revenue excluded from the Coalition's example. Page 5 of Verizon MA's Rebuttal Testimony should be corrected to read:

As shown on Exhibit 2 to Verizon MA's Rebuttal Testimony, the Coalition's example is missing a significant amount of revenue, specifically \$822 million in associated access revenue, which also incurs Product Management and Sales expense to provide these services.

ATTACHMENT  
CLEC 5-1  
VZ # 58  
MA DTE 06-61

(\$000's)

USOA Account	Account Title	Total Regulated Amount	Amount Excluded as Not Subject to Resale	Amounts Relating to Services Subject to Resale	Percent Excluded as Not Subject to Resale
<b>5XXX</b>	<b>Total Regulated Revenue</b>	<b>\$ 2,372,344</b>	<b>\$ 1,074,167</b>	<b>\$ 1,298,177</b>	<b>45%</b>
6533	Customer Repair Center Testing	\$ 39,157	\$ 14,147	\$ 25,010	36%
6611	Product Line Management	\$ 40,414	\$ 11,979	\$ 28,435	30%
6612	Marketing Sales	\$ 46,810	\$ 13,875	\$ 32,935	30%
6220	Operator Systems	\$ 197	\$ 65	\$ 132	33%
6621 & 6622	Call Completion/Number Svcs.	\$ 46,424	\$ 10,619	\$ 35,805	23%
6623	Customer Services & Billing	\$ 188,615	\$ 46,828	\$ 141,787	25%
	<b>Total Expense</b>	<b>\$ 361,617</b>	<b>\$ 97,514</b>	<b>\$ 264,103</b>	<b>27%</b>