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November 13,2006

BY ELECTRONIC AND OVERNIGHT MAIL

Mary L. Cottrell, Secretary
Department of Telecommunications & Energy
Commonwealth of Massachusetts
One South Station, Second Floor
Boston, MA 02110

Re: D.T.E. 06-61

Dear Ms. Cottrell:

Enclosed for filing in the above-referenced proceeding is Broadview Networks, Inc.; DSCI Corporation; Eureka Telecom, Inc., d/b/a InfoHighway Communications; Metropolitan Telecommunications of Massachusetts, Inc., d/b/a MetTel; New Horizon Communications; and One Communications' (collectively the "CLEC Coalition") Responses to the Third Set of Information Requests of the Department of Telecommunications and Energy to the CLEC Coalition.

An extra copy of this filing is also attached, Please date stamp and return this extra copy in the enclosed self-addressed envelope.

Please call the undersigned if you have any questions.

Very truly yours,

Philip J. Macres

CC: DTE 06-61 Service List

CERTIFICATE OF SERVICE

I certify that on this 13th day of November, 2006 in DTE 06-61, the attached Responses of Broadview Networks, Inc.; DSCI Corporation; Eureka Telecom, Inc., d/b/a InfoHighway Communications; Metropolitan Telecommunications of Massachusetts, Inc., d/b/a MetTel; New Horizon Communications; and One Communications (collectively "the CLEC Coalition") to the Third Set of Information Requests of the Department of Telecommunications and Energy to the CLEC Coalition have been sent to the individuals on the DTE 06-61 service list via postage prepaid first-class mail and electronic mail (unless otherwise noted below) as follows: (1) overnight mail in lieu of first class mail (if noted with one asterisk); or (2) via electronic mail only (if noted with two asterisks).

Philip J. Macres

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CLEC Coalition

Mass. Dept. of Telecommunications and Energy

Respondent: August **H. Ankum** and Warren R. Fischer,
QSI Consulting Inc. on behalf of the CLEC Coalition

REQUEST: Dept. of Telecommunications and Energy, Third Set to CLEC Coalition

DATED: November 13,2006

ITEM:
DTE-CC 3-1 Assuming, arguendo, that: (1) indirect costs can be avoided, and **(2)** indirect costs do vary with the level of retail output. Is there some easily-determinable method (e.g., a proxy or other ratio) of identifying those costs in an indirect cost category that are avoided from those costs in the same indirect cost category that are not avoided? If not, are there any means, whether easily determinable or not, that could be used to identify those costs in an indirect cost category that are avoided fkom those costs in the same indirect cost category that are not avoided? Specifically, is it possible to conduct a special study that would identify those costs in each indirect cost category that are avoided fkom those costs in the same indirect cost categories that are not avoided, by assigning all costs at the most basic level in each indirect cost category to either retail or wholesale depending on whether the function underlying the cost supports retail services or wholesale services? If your answer is no, please explain why such a special study can not be done for these types of costs when Verizon was able to conduct a special study to refine (lower) its avoided costs for the Billing Operations portion of Account 6623.

CLEC COALITION RESPONSE: **A** detailed review of indirect costs at the job function code level would be the most accurate method of identifying avoided indirect costs. Since Verizon no longer has reliable expense information at the job function code level, the CLEC Coalition believes that a proxy for identifying avoided indirect costs is the best approach to take for certain types of indirect costs.

For indirect cost categories containing infrastructure costs that support employees in direct cost functions, the ratio of avoided direct expenses to total direct expenses can serve as a proxy for the portion of related indirect costs that are also avoided.

Verizon Virginia applied the ratio of avoided direct costs to total direct costs to the indirect expenses in account **6728** (General & Administrative expenses). The CLEC Coalition applied Verizon Virginia's methodology to the indirect expenses in accounts **6123** (Office Equipment) and **6723** (Human Resources) **as** well as to those in account **6728** (General & Administrative expenses) because they all contain supporting infrastructure costs that should vary with the number of employees on the payroll.

For other indirect cost categories such as accounts **6124** (General Purpose Computers) and **6724** (Information Management) a special study may be required. Special studies for these types of indirect costs are feasible given the vast array of cost accounting metrics at Verizon's disposal. However, they would likely take a significant amount of time to prepare. This is why the CLEC Coalition used the results of Verizon's existing regional analysis of General Purpose Computer costs within its Virginia avoided cost study.

CLEC Coalition

Mass. Dept. of Telecommunications and Energy

D.T.E. 06-61

Respondent: August **H. Ankum** and Warren R. Fischer, QSI Consulting Inc. on behalf of the CLEC Coalition

REQUEST: Dept. of Telecommunications and Energy, Third Set to CLEC Coalition

DATED: November 13, 2006

ITEM:
DTE-CC 3-2

Would it be appropriate to adopt the FCC's approach in the Virginia Order, 693, correlating the level of avoided indirect expenses with the level of avoided direct expenses for the corresponding categories?

CLEC COALITION RESPONSE:

Literal adoption of the Wireline Competition Bureau's (FCC) approach in 693 of the Virginia Arbitration Order would not result in a complete identification of avoided indirect costs that support avoided direct cost functions. A review of the testimony filed in the Virginia Arbitration on which this portion of the FCC's decision was based indicates that the correlation between avoided direct costs in account 6612 (Sales) and accounts 6123 (Office Equipment) and 6723 (Human Resources) was illustrative of a larger issue – Verizon Virginia did not consistently apply its own method of determining avoided indirect costs.

In 693 of the Virginia Arbitration Order, the FCC required Verizon Virginia to "re-run its avoided cost study, removing the appropriate percentage of expenses from accounts 6123 and 6723 that are associated with expenses in account 6612." This finding was based upon the Rebuttal Testimony of AT&T witness Robert J. Kirchberger, which cited Verizon Virginia's stated methodology of excluding the same percentage of infrastructure support as a percentage of the expenses associated with a function or activity that was avoided. His observation pertained to the methodology contained in Verizon Virginia's Panel Testimony, pages 358-359 (see Exhibit **AA-WF-4** filed with the CLEC Coalition's Rebuttal Testimony). Mr. Kirchberger demonstrated Verizon Virginia's failure to adhere to its stated methodology by pointing out that no supporting office equipment or human resource costs were identified as avoided when **100%** of sales expenses are considered avoided.

Application of the methodology adopted by the FCC in the Virginia Arbitration Order in this proceeding would be more in line with the argument made by Mr. Kirchberger if Verizon Massachusetts were required to remove costs in accounts **6123** (Office Equipment) and 6723 (Human Resources) associated with the avoided functions and activities in the direct expense accounts affected by resale activities. This would include costs associated with personnel reductions in accounts **6611** (Product Management) and **6623** (Customer Services & Billing Operations) as well as in 6612 (Sales).

The CLEC Coalition's Rebuttal Testimony, pp. **45-46,** recommended an avoided cost percentage for accounts **6123,** 6723, and 6728 based upon the ratio of avoided direct costs to total direct costs as a proxy for a more specific identification of such costs. This approach is consistent with how Verizon Virginia identified avoided indirect costs for account 6728.