

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

**Commonwealth of Massachusetts**

**Docket No. 03-50**

**Respondent:** Julie Canny  
**Title:** Executive Director

**REQUEST:** Department of Telecommunications and Energy, Set #1

**DATED:** February 22, 2007

**ITEM:** DTE 1-1 On page 3 of Verizon's Reply Comments, Verizon states that, as in the New York Public service Commission ("NYPSC") Performance Assurance Plan ("PAP") Order, the proposed 65% reduction of the total dollars at risk in Massachusetts is consistent with and/or reflects the following changes between the current MA PAP and the proposed Revised MA PAP:

- 1) a reduction in the services covered;
- 2) a significant drop in lines covered; and
- 3) elimination of certain sections of the PAP.

Please ascribe to each of these three factors a percentage signifying how much each factor contributed to the 65% decrease in total dollars at risk. If there are any factors other than the ones listed above, please describe them and ascribe to each a percentage signifying how much each factor contributed to the 65% decrease in total dollars at risk.

**REPLY:** The NY PSC did not assign specific levels of reductions to various factors. The comment on page 3 of Verizon MA's Reply comments was also not intended to suggest that the categories could be assigned specific levels of reductions. In fact, the reductions in the Revised MA PAP are in direct proportion to the reductions approved by the NY PSC for the Revised NY PAP. The Revised NY PAP reduced the overall dollars at risk by about 65% and the Revised MA PAP reduces the amounts at risk by about 65%. In order to reflect the FCC's decisions regarding the availability of certain UNEs, the Revised PAP eliminates metrics for UNE Platform, Line Splitting and Line Sharing, which means not only a reduction in the services covered but also a significant drop in the lines covered.

**ITEM:** DTE 1-1      The elimination of the Special Provisions and the Change Control  
**REPLY:** Cont'd      Assurance Plan ("CCAP") from the Revised MA PAP is also consistent  
with the Revised NY PAP

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**ITEM:** DTE 1-2 Regarding the approximately 60% decrease in the number of lines covered by the PAP, is all of this decrease attributable to commercial agreements?

**REPLY:** No. The vast bulk of the decrease is a consequence of the FCC's TRRO decision eliminating certain UNEs and the NY PSC's subsequent decision eliminating metrics associated with those UNEs from the PAP. In addition, there has been a small reduction in the number of lines associated with those services which will continue to be measured in the Revised PAP.

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**ITEM:** DTE 1-3 On page 6 of Verizon's Reply Comments, Verizon explains that as a result of intermodal competition (attributed to cable, wireless, and VoIP), Verizon is motivated to keep its current customers on the network while continuing to provide its CLEC customers "with an excellent level of service." Please explain how competition from other providers aimed at *retail* customers provides incentive for Verizon to continue providing a high level of service to *wholesale* customers. In addition, please provide a breakdown of what percent of Verizon retail wireline customers were lost during 2006 to each of the following types of service providers: CLECs, cable, wireless, and VoIP.

**REPLY:** Competition is not aimed solely at retail customers, rather it is aimed at all customers whether they are customers of Verizon or some other provider, such as a CLEC. Intermodal competitors -- CableTV providers, wireless, and VoIP providers -- market to all potential customers including the CLECs' end users.

As Verizon pointed out in its Initial Comments, a number of Commissions have recognized that intermodal competition puts substantial economic pressure on an ILEC's wholesale services. In the New York PAP proceeding, the Commission stated:

"Changes in the telecommunications market also underscore a need to reduce the overall amount in the Plan. The PAP is intended to reflect Verizon's current wholesale service obligations, and, in the face of *increased intermodal competition*, Verizon claims that it has more of an incentive to provide high levels of retail and wholesale services. When competitors can bypass the ILECs' facilities, these facilities are no longer critical for entrance to the mass market and the ILECs' incentives are substantially modified as they seek to keep traffic on its network.

**ITEM:** DTE 1-3  
**REPLY:** Cont'd

Market pressure on Verizon from emerging cable voice offerings, together with voice over internet protocol (VoIP) and wireless, should provide that additional incentive.”<sup>1</sup>

Verizon MA does not have data necessary to provide the percent of retail wireline customers who were lost to various types of intermodal customers. In addition, the market is so dynamic, customers can easily shift from one type of carrier to another.

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<sup>1</sup> *Petition filed by Bell Atlantic—New York for Approval of a Performance Assurance Plan and Change Control Assurance Plan, filed in C 97-C-0271, Order Amending Performance Assurance Plan, Case No. 99-C-0949, at 15, (9/25/06).*

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**ITEM:** DTE 1-4 For each year from 2001 up to and including 2006, please provide aggregate data listing the PAP categories for which Verizon issued bill credits and the respective amount credited. Specifically, please provide such data for the following categories: Mode of Entry (including a breakdown of UNE platform, DSL, Resale, UNE Loop, and Trunks), MOE Doubling, Critical Measures (including a breakdown of UNE platform, DSL, Resale, UNE Loop, Trunks, Specials, and Other), Special Provisions, and CCAP. In addition, please provide similar data for each year from 2001 up to and including 2006 based on an assumption that the Consolidated Arbitration Wholesale Performance Plan had not existed for those years.

**REPLY:** The attached Chart entitled "Massachusetts PAP Penalties," provides the level of the billing credits for each category.

## Massachusetts PAP Penalties

	2001	2002	2003	2004	2005	2006 <sup>2</sup>
<b>Mode of Entry</b>						
UNE <sup>3</sup>	\$3,069,980	-	\$480,337			
UNE Platform			-	-	-	-
UNE Loop			-	-	-	-
DSL	\$88,178	-	-	-	-	-
Resale	\$123,128	-	-	-	-	-
Trunks		-	-	-	-	-
<b>Critical Measures</b>						
UNE	\$881,797	\$282,282	\$925,339			
UNE Platform			\$377,545	\$438,038	\$868,139	\$1,553,566
UNE Loop			\$11,358	\$38,695	\$48,842	\$15,554
DSL	\$64,788	\$82,520	\$65,603	\$19,693	\$6,929	\$14,603
Resale	\$181,786	\$359,459	\$323,811	\$114,565	\$278,697	\$101,408
Trunks	\$2,705	\$243	-	\$716	\$559	\$123
Specials			\$23,723	\$36,712	\$45,314	\$32,499
Other			\$53,047	-	-	-
<b>Special Provisions</b>	\$2,645,000	-	-	-	-	-
<b>CCAP</b>	-	-	-		-	-
<b>Total</b>	\$7,057,362	\$724,504	\$2,260,768	\$656,061	\$1,251,520	\$1,717,958
Mass Consolidated Arbitration	\$5,441,847	\$838,042	\$1,893,658	\$1,201,361	\$2,306,389	\$102,252
Net PAP Penalties	\$6,637,096	\$544,252	\$2,054,480	\$562,463	\$1,185,512	\$1,654,806

<sup>2</sup> The PAP dollars are final through November 2006 and the Mass. Consolidated Arbitration dollars are final through the 3<sup>rd</sup> Quarter of 2006.

<sup>3</sup> In July 2003, the UNE MOE split into two Modes of Entry: UNE Platform and UNE Loop.

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**ITEM:** DTE 1-5 From year end 2003 through year end 2006, please provide the total number of the following: UNE-L lines, trunks, DSL loops, specials, and resale lines by mass market and enterprise categories.

**REPLY:** Year-end lines in service are below<sup>4</sup>. Verizon cannot determine which CLEC customers are Mass Market or Enterprise. That information would have to come from CLECs.

Lines in Service December -	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
UNE Loop	120,555	116,520	116,460	117,368
DSL	11,814	13,388	14,475	15,035
Resale	73,897	58,095	63,508	53,711
Trunks	411,481	394,420	342,432	282,999
Specials	16,904	18,421	19,098	17,712

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<sup>4</sup> Source: C2C Reported Results for MR-2



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**ITEM:** DTE 1-6 Please provide the number of UNE-P lines in Massachusetts prior to the elimination of UNE-P by the TRRO. Also, please provide the same information for line sharing and line splitting lines prior to the elimination of those UNEs.

**REPLY:** In March 2006, Verizon was no longer required to offer UNE Platform and UNE Line Splitting as UNEs. Massachusetts lines in service as of February 2006 were 205,240 for UNE Platform and 597 for Line Splitting, respectively. The FCC's order on Line Sharing was effective in October 2003. Lines in service for Line Sharing were 7,390 in September 2003.<sup>5</sup>

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<sup>5</sup> Source: C2C Reported Results for MR-2 for specific products

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**ITEM:** DTE 1-7 Referring to Verizon's January 17, 2007 presentation material to the Department, at 16, please provide numbers for the "Cumulative Ports off Verizon's network" for year end 2000 through year end 2006.

**REPLY:** Cumulative Ports reflects the denominator of PR-4-07 as reported on the C2C reports since October 1999. Because that data was not tracked prior to October 1999, cumulative ports do not include ports prior to that date. These stand-alone Ports also do not include numbers ported to any Verizon affiliate including Verizon Wireless. They also do not include Ports that are included with Hot Cuts to UNE Loops.

	1999	2000	2001	2002	2003	2004	2005	2006
<i>January</i>		2,895	10,450	5,850	5,755	2,677	3,289	8,421
<i>February</i>		3,225	10,756	3,810	4,753	2,929	3,652	10,524
<i>March</i>		4,981	10,106	4,862	3,959	3,475	4,589	11,905
<i>April</i>		5,388	11,635	5,881	3,552	3,102	4,829	9,583
<i>May</i>		6,606	11,689	6,386	2,529	2,631	4,262	9,301
<i>June</i>		6,877	8,242	6,025	2,598	2,969	4,308	9,260
<i>July</i>		6,397	6,457	6,842	2,538	2,489	4,566	7,847
<i>August</i>		7,920	6,700	7,601	2,574	2,664	7,556	9,524
<i>September</i>		8,319	6,117	6,887	2,124	3,254	6,885	10,325
<i>October</i>		9,791	6,453	8,457	2,623	3,901	8,385	11,629
<i>November</i>	4,052	9,921	8,203	7,780	2,585	3,884	7,585	11,009
<i>December</i>	4,107	9,706	7,986	6,838	2,362	4,102	7,401	10,217
<b>Total - Per Year</b>	8,159	82,026	104,794	77,219	37,952	38,077	67,307	119,545
<b>Cumulative Total</b>	8,159	90,185	194,979	272,198	310,150	348,227	415,534	535,079

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**ITEM:** DTE 1-8 Please indicate the level of wholesale revenue (i.e., revenue from services subject to the PAP) and overall instate revenue for year end 2003 through 2006.

**REPLY:** Verizon is unable to provide revenues for the specific subset of wholesale services subject to the PAP as they are not separately tracked and therefore cannot be disaggregated, if at all, without undertaking an onerous and time consuming special study.

Total in-state revenues for year-end 2003 - 2005, as reported in the ARMIS 43-01 report, line 1090, column "state," are shown below. Please note that the total in-state revenues from ARMIS for year-end 2006 have not yet been published, and will be available on April 2, 2007.

**Massachusetts Total Instate Revenues**

2003:	\$1,561,573,000
2004:	\$1,458,873,000
2005:	\$1,461,879,000
2006:	Not Available