

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the  
Commission to Consider Cost  
Recovery by Verizon and to  
Investigate the Future Regulatory  
Framework**

**Case 00-C-1945**

**EXHIBIT IN SUPPORT OF  
INITIAL TESTIMONY OF ALFRED E. KAHN  
ON BEHALF OF VERIZON NEW YORK INC.**

**PART A**

**EXHIBIT IN SUPPORT OF  
INITIAL TESTIMONY OF ALFRED E. KAHN  
ON BEHALF OF VERIZON NEW YORK INC.**

**PART A**

**ALFRED E. KAHN**

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Professor Kahn is the Robert Julius Thorne Professor of Political Economy, Emeritus, at Cornell University and a Special Consultant to NERA.

He has been Chairman of the New York Public Service Commission; Chairman of the Civil Aeronautics Board; and Advisor to the President (Carter) on Inflation and Chairman of the Council on Wage and Price Stability.

Professor Kahn received his Bachelor's (summa cum laude) and Master's degrees from New York University and a Doctorate in Economics from Yale University. Following service in the Army, he served as Chairman of the Department of Economics at Ripon College, Wisconsin. He moved to the Department of Economics at Cornell University, where he remained until he took leave to assume the Chairmanship of the New York Public Service Commission. During his tenure at Cornell, Professor Kahn served as Chairman of the Department of Economics, member of the Board of Trustees of the University and Dean of the College of Arts and Sciences.

Throughout his career, Professor Kahn has served on a variety of public and private boards and commissions including: the Attorney General's National Committee to Study the Antitrust Laws; the senior staff of the President's Council of Economic Advisors; the Economic Advisory Council of American Telephone & Telegraph Company; the National Academy of Sciences Advisory Review Committee on Sulfur Dioxide Emissions; the Environmental Advisory Committee of the Federal Energy Administration; the Public Advisory Board of the Electric Power Research Institute; the Board of Directors of the New York State Energy Research and Development Authority; the Executive Committee of the National Association of Regulatory Utility Commissioners; the National Commission for Review of Antitrust Laws and Procedures; the New York State Council on Fiscal and Economic Priorities; the Governor of New York's Fact-Finding Panel on Long Island Lighting Company's Nuclear Power Plant at Shoreham, L.I.; the Governor of New York's Advisory Committee on Public Power for Long Island; the National Governing Board of Common Cause; in

1990, as Chairman of the International Institute for Applied Systems Analysis Advisory Committee on Price Reform and Competition in the USSR; in 1999, Member of the National Academy of Sciences, National Research Council/Transportation Research Board Committee for a Study of Competition in the U.S. Airline Industry; and in 2000, Chair of the Blue Ribbon Panel to Study Pricing in the California Electricity Market.

He has also served as a court-appointed expert in *State of New York v. Kraft General Foods, Inc.*, et al., U.S. District Court, S.D.N.Y.; Advisor to New York Governor Carey on Telecommunications Policy; and as a consultant to the Attorneys General of New York, Pennsylvania and Illinois, the Ford Foundation, the National Commission on Food Marketing, Federal Trade Commission, Antitrust Division of the Department of Justice, the U.S. Department of Agriculture and the City of Denver on charging and financing of Stapleton Airport.

He has received L.L.D. honorary degrees from Colby College, Ripon College, Northwestern University, the University of Massachusetts and Colgate University, and an honorary D.H.L. from the State University of New York, Albany; he also received the Distinguished Transportation Research Award of the Transportation Board Forum, The Alumni Achievement Award of New York University, the award of the American Economic Association's Transportation and Public Utilities Group for Outstanding Contributions to Scholarship, The Henry Edward Salzberg Honorary Award from Syracuse University for Outstanding Achievement in the Field of Transportation, the Burton Gordon Feldman Award for Distinguished Public Service from Brandeis University, the Wilbur Cross Medal for outstanding achievement (Yale University), The 1997 L. Welch Pogue Award For Lifetime Contributions to Aviation, the 1997 Sovereign Fund Award Honoring Vision, Commitment and Achievement in the Pursuit of Individual Freedom, and the J. Rhoads Foster Award for achievements in economic regulation; and was elected to membership in the American Academy of Arts and Sciences and Vice President of the American Economic Association. He was for 15 years a regular commentator on PBS's "The Nightly Business Report."

He has testified before many U.S. Senate and House Committees, the Federal Power Commission, the Federal Energy Regulatory Commission and numerous state regulatory bodies.

Professor Kahn's publications include *Letting Go: Deregulating the Process of Deregulation*; *Great Britain in the World Economy*; *Fair Competition: The Law and Economics of Antitrust Policy* (co-authored); *Integration and Competition in the Petroleum Industry* (co-authored); and *The Economics of Regulation*. He has written numerous articles which have appeared in *The American Economic Review*, *The Quarterly Journal of Economics*, *The Journal of Political Economy*, *Harvard Law Review*, *Yale Journal on Regulation*, *Yale Law Journal*, *Fortune*, *The Antitrust Bulletin* and *The Economist*, among others.



**EDUCATION:**

YALE UNIVERSITY

Ph.D., Economics, 1942

UNIVERSITY OF MISSOURI

Graduate Study, 1937-1938

NEW YORK UNIVERSITY

M.A., Economics, 1937

A.B. (summa cum laude), Economics, 1936

**EMPLOYMENT:**

1961-1974 NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC.

1980- Special Consultant

CORNELL UNIVERSITY

1947-1989 Assistant Professor; Associate Professor; Robert Julius Thorne Professor of Economics; Robert Julius Thorne Professor of Political Economy, Emeritus, 1989-; Chairman, Department of Economics; Dean, College of Arts and Sciences; on leave 1974-80.

NEW YORK UNIVERSITY SCHOOL OF LAW

Spring 1989 Visiting Meyer Professor of Law

UNITED STATES GOVERNMENT

1978-1980 Advisor on Inflation to President Carter

1978-1980 Chairman, Council on Wage and Price Stability

1977-1978 Chairman, Civil Aeronautics Board

1955-1957 Senior Staff, Council of Economic Advisors to the President

1943 U.S. Army, Private

1943 War Production Board

1942 Associate Economist, International Economics Unit, Bureau of Foreign and Domestic Commerce, Department of Commerce

1941-1942 Associate Economist, Antitrust Division, U.S. Department of Justice

NEW YORK STATE PUBLIC SERVICE COMMISSION

1974-1977 Chairman

BROOKINGS INSTITUTION

1940,

1950-1951 Staff Economist

RIPON COLLEGE

1945-1947 Assistant Professor, Chairman, Department of Economics

TWENTIETH CENTURY FUND

1944-1945	Research Economist
	COMMISSION ON PALESTINE SURVEYS
1943-1944	Economist
	UNIVERSITY OF MISSOURI
1937-1938	Teaching Assistant

**CONSULTANCIES AND PROFESSIONAL ACTIVITIES:**

1994-1995	Antitrust Division, U.S. Department of Justice, on the application of Ameritech for waivers of the interexchange restrictions in the AT&T Modified Final Judgment
1994	American Airlines on code-sharing
1993-1994	Court-appointed expert in State of New York v. Kraft General Foods, Inc., et al., U.S. District Court, S.D.N.Y.
1992	New Zealand Telecom on the progress of competition in New Zealand telecommunications
1992	Rochester Telephone Company on corporate restructuring and deregulation
1992	Russian Government on economic reform
1991	British Mercury on terms of competition with British Telecom
1989	City of Denver on charging and financing of Stapleton Airport
1988-1990	Attorneys General, New York and Pennsylvania, on airline mergers
1985	Attorney General, State of Illinois, on Illinois Bell rates
1981-1984	City of Long Beach, California, the Coca-Cola Company and American Airlines on antitrust litigation
1981-1997	Economic commentary, Nightly Business Report (PBS)
1980-1982	Advisor to Governor Carey on Telecommunications Policy
1968	Ford Foundation
1966	National Commission on Food Marketing
1965, 1974	Federal Trade Commission
1963-1964	Antitrust Division, Department of Justice
1960-1961	U.S. Department of Agriculture
1957-1961	Boni Watkins, Jason & Co.

See also the list of testimony below.

**MEMBERSHIPS:**

2000	Chairman, Blue Ribbon Panel to Study Pricing in the California Electricity Market
1998-1999	Member, Committee for a Study of Competition in the U.S. Airline Industry, National Research Council/Transportation Research Board, National Academy of Sciences
1992-1994	Member, New York State Telecommunications Exchange
1992-1993	Member, Ohio Blue Ribbon Panel on Telecommunications Regulation

1991-	Board of Editors, <i>Review of Industrial Organization</i>
1990-1992	Chairman, International Institute for Applied Systems Analysis Advisory Committee on Price Reform and Competition in the USSR
1986	Governor Cuomo's Advisory Panel on public power for Long Island
1983-1989	Governor Cuomo's Fact-finding Panel on Long Island Lighting Company's Nuclear Power Plant at Shoreham, L.I.
1983-1990	New York State Council on Fiscal and Economic Priorities
1982-	<i>The American Heritage Dictionary</i> Usage Panel
1982-1985	Governing Board, Common Cause
1980-1986	Director, New York Airlines
1978-1979	National Commission for the Review of Antitrust Laws and Procedures
1975-1977	Project Committee, Electric Utility Rate Design Study, Electric Power Research Institute
1974-1975	National Academy of Science Review Commission on Sulfur Oxide Emissions
1974-1977	Public Advisory Board, Electric Power Research Institute
1974-1977	Environmental Advisory Committee, Federal Energy Administration
1974-1977	Executive Committee, National Association of Regulatory Utility Commissioners, and Chairman, Committee on Electric Energy
1968-1974	Economic Advisory Board, American Telephone & Telegraph Corporation
1965-1967	Economic Advisory Committee, U.S. Chamber of Commerce
1967-1969	Chairman, Tompkins County Economic Opportunity Corporation
1964-1969	Board of Trustees, Cornell University
1961-1964	Board of Editors, <i>American Economic Review</i>
1953-1955	Attorney General's National Committee to Study the Antitrust Laws

#### **HONORS AND AWARDS:**

Dec. 1999	AEI-Brookings Joint Center for Regulatory Studies First Distinguished Lecturer
Apr 1999	J. Rhoads Foster Award for achievements in economic regulation
Jan 1998	Recipient of the 1997 Sovereign Fund Award "Honoring Vision, Commitment and Achievement in the Pursuit of Individual Freedom"
Dec 1997	The 1997 L. Welch Pogue Award For Lifetime Contributions to Aviation
May 1995	Wilbur Cross Medal for outstanding achievement, Yale University
Mar 1989	Burton Gordon Feldman Award for Distinguished Public Service, Gordon Public Policy Center, Brandeis University
Feb 1989	Distinguished Service Award, Public Utility Research Center, University of Florida
Nov 1988	International Film and TV Festival of New York, Bronze Medal presented to The Nightly Business Report/WPBT2 for Editorial/Opinion Series written by Alfred E. Kahn
Apr 1986	Harry E. Salzberg 1986 Honorary Medallion for outstanding achievement in the field of transportation
Oct 1984	Distinguished Transportation Research Award of the Transportation Research Forum
1981-1982	Vice President, American Economic Association
1978	Richard T. Ely lecturer, American Economic Association, 1978

1978	Rejection Scroll, International Association of Professional Bureaucrats
May 1985	State University of New York (Albany), DHL (Hon.)
May 1983	Colgate University, LL.D. (Hon.)
June 1982	Northwestern University, LL.D. (Hon.)
May 1980	Ripon College, LL.D. (Hon.)
May 1979	University of Massachusetts, LL.D. (Hon.)
May 1978	Colby College, LL.D. (Hon.)
1977-	Fellow of the American Academy of Arts and Sciences
1976	Distinguished Alumni Award, New York University
1976	American Economic Association, Section on Public Utilities and Transportation, citation for distinguished contributions
1954-1955	Fulbright Fellowship, Italy
1935-	Phi Beta Kappa
1939-1940	Yale-Brookings Fellow

#### BOOKS:

*Whom the Gods Would Destroy, or, How Not to Deregulate*, AEI-Brookings Joint Center for Regulatory Studies, forthcoming May 2001.

*Letting Go: Deregulating the Process of Deregulation*, Michigan State University Institute of Public Utilities, July 1998.

*The Economics of Regulation*, 2 volumes, John Wiley, 1970 and 1971. Reprinted by The MIT Press, 1988, with a new "Introduction: A Postscript, Seventeen Years After," pp. xv-xxxvii.

*Integration and Competition in the Petroleum Industry* (with Melvin G. DeChazeau), Petroleum Monograph Series, Volume 3, Yale University Press, 1959. Reprinted in 1971.

*Fair Competition: The Law and Economics of Antitrust Policy* (with Joel B. Dirlam), Cornell University Press, 1954. Reprinted by Greenwood Press, 1970.

*Great Britain in the World Economy*, Columbia University Press, 1946. Reprinted in 1968.

#### MAJOR ARTICLES:

"Enhancing Competition for Broadband Services: The Case for Removing the Prohibition Against High-Speed InterLATA Transmission by Regional Bell Operating Companies" (with Timothy J. Tardiff), prepared for the United States Telecom Association, May 22, 2000.

"The Telecommunications Act At Three Years: An Economic Evaluation of Its Implementation by The Federal Communications Commission" (with Timothy J. Tardiff and Dennis L. Weisman), *Information Economics and Policy*, December 1999, pp. 319-365.

"Bribing Customers to Leave and Calling it 'Competition,'" *The Electricity Journal*, May 1999, pp. 88-90.

"Comments on Exclusionary Airline Pricing," *Journal of Air Transport Management*, Volume 5, Issue 1, January 1999, pp. 1-12.

"Resisting the Temptation to Micromanage: Lessons from Airlines and Trucking," *Regulators' Revenge: The Future of Telecommunications Deregulation*, CATO Institute, August 1998, pp. 17-27.

"Electric Deregulation: Defining and Ensuring Fair Competition," *Electricity Journal*, April 1998.

"Deregulation: Micromanaging the Entry and Survival of Competitors," Edison Electric Institute, February 1998.

"Competition and Stranded Costs Re-Visited," 37:1 *Natural Resources Journal*, Winter 1997, pp. 29-42.

"How to Treat the Costs of Shared Voice and Video Networks in a Post-regulatory Age," *Policy Analysis*, #264, November 27, 1996, Cato Institute.

"Deregulation of the Public Utilities—Transitional Problems and Solutions," *Economic Papers*, Economic Society of Australia, September 1995, pp. 1-17. (Published in *Réseaux* nos. 72-73 Juillet/Octobre 1995 by CNET as "Déréglementation des Services Publics: Problèmes transitoires et solutions.")

"The Challenge for Federal and State Regulators: Transition from Regulation to Efficient Competition in Electric Power" (with William J. Baumol and Paul L. Joskow), Edison Electric Institute, December 9, 1994.

"Competition in the Electric Industry Is Inevitable and Desirable," *The Electric Industry in Transition*, Public Utility Reports, Inc. and New York State Energy Research and Development Authority, December 1994, Chapter 3, pp. 21-31.

"Can Regulation and Competition Coexist? Solutions to the Stranded Cost Problem and Other Conundra," *The Electricity Journal*, Volume 7, Number 8, October 1994, pp. 23-35.

"The Pricing of Inputs Sold to Competitors: A Comment" (with William E. Taylor), in *Yale Journal on Regulation*, Vol. 11, No. 1, Winter 1994, pp. 225-240.

"Airline Deregulation," in *The Fortune Encyclopedia of Economics*, David R. Henderson, Ph.D., ed., New York: Warner Books, 1993, pp. 379-384.

"Change, Challenge and Competition The Report of the National Commission to Ensure a Strong Competitive Airline Industry, August 1993," *Regulation*, No. 3, 1993.

"The Competitive Consequences of Hub Dominance: A Case Study," in *Review of Industrial Organization*, Vol. 8, 1993, pp. 381-405.

"Pricing of Telecommunications Services: A Comment," in *Review of Industrial Organization*, Vol. 8, 1993, pp. 39-41.

"The Purposes and Limitations of Economic Regulation; The Achievements and Problems of Deregulation" and "Reflections and Conclusions on British and U.S. Experience: The Future of Regulation," in *Incentive Regulation: Reviewing RPI-X & Promoting Competition, Proceedings 2*, Based on papers presented at two CRI seminars in London on 4 June and 15 July 1992, CRI (Centre for the Study of Regulated Industries), October 1992, pp. 1-17 and 93-104.

"Market Power Issues in Deregulated Industries," in *Antitrust Law Journal*, Vol. 60, Issue 3, American Bar Association, 1992, pp. 857-866.

"Regolamentazione e concorrenza nelle imprese de pubblica utilità: un <<inquadramento teorico>>," *L'INDUSTRIA* / n.s., a. XIII, n. 2, aprile-guigno 1992, pp. 147-166.

"Least cost planning generally and DSM in particular," in *Resources and Energy* 14 (1992), Elsevier Science Publishers, North-Holland, pp. 177-185.

"Price Deregulation, Corporatization and Competition" (with M.J. Peck), in *What is to be Done? Proposals for the Soviet Transition to the Market*, M.J. Peck and T.J. Richardson, eds., New Haven: Yale University Press, 1991.

"Thinking About Predation—A Personal Diary," in *Review of Industrial Organization*, Vol. 6, The Netherlands: Kluwer Academic Publishers, 1991, pp. 137-146.

"An Economically Rational Approach to Least-Cost Planning For Electric Power," *The Electricity Journal*, Vol. 4, Number 5, June 1991, pp. 11-20.

"The Changing Focus of Electric Utility Regulation," *Research in Law and Economics*, Richard O. Zerbe, Jr., Victor P. Goldberg, eds., Vol. 13, JAI Press, Inc., Spring 1991, pp. 221-231.

"The Soviet Economic Crisis: Steps to Avert Collapse" (co-author), Executive Report 19, International Institute for Applied Systems Analysis, Laxenburg, Austria, February 1991.

"Telecommunications, Competitiveness and Economic Development—What Makes Us Competitive?," *Public Utilities Fortnightly*, Vol. 126, No. 6, September 13, 1990, pp. 12-19.

"Deregulation: Looking Backward and Looking Forward," *Yale Journal on Regulation*, Vol. 7, Spring 1990, pp. 325-354.

"Do We Need to Curb the Investments Foreigners are Making in the United States?" in *The Impact of Foreign Investment in the United States*, Touche Ross & Co., June 1989.

"Innovative Pricing of Electricity," in *New Dimensions in Pricing Electricity: Proceedings*, Palo Alto, CA: Electric Power Research Institute, April 1989.

"Competition: Past, Present and Future, Perception vs. Reality," in *Proceedings: 1988 Utility Strategic Issues Forum Planning in a Competitive Environment*, Palo Alto, CA: Electric Power Research Institute, March 1988.

"Thinking About The Record of Deregulation," in The Donald S. MacNaughton Symposium Proceedings 1987, *Economic Deregulation: Promise and Performance*, Syracuse, NY: Syracuse University, 1988, pp. 21-35.

"In Defense of Deregulation," in *Cleared For Takeoff: Airline Labor Relations Since Deregulation*, Jean T. McKelvey, Editor, Ithaca, NY: Cornell University ILR Press, 1988, pp. 343-347."

"I Would Do It Again," *Regulation*, 1988 Number 2, pp. 22-28.

"Airline Deregulation," *The Senior Economist*, Joint Council on Economic Education, Spring 1988.

"Airline Deregulation - A Mixed Bag, But a Clear Success Nevertheless," *Transportation Law Journal*, Volume 16, No. 2, Spring 1988, pp. 229-251.

"Surprises of Airline Deregulation," *The American Economic Review, Papers and Proceedings*, Volume 78, No. 2, May 1988, pp. 316-322.

"Thoughts on the Past, Present, and Future of Telecommunications Regulation," talk presented to the Current Issues in Telephone Regulation conference at the University of Texas, Austin, October 5, 1987, reprinted in *Telecommunications Deregulation: Market Power and Cost Allocation Issues*, John R. Allison and Dennis L. Thomas, eds., Westport, CT: Quorum Books, 1990, pp. 259-268.

"The Future of Local Telephone Service: Technology and Public Policy," Fishman Davidson Center for the Study of the Service Sector, The Wharton School of the University of Pennsylvania, Discussion Paper #22, June 1987. Reprinted in *Toward The Year 2000*, ITT Key Issues Lecture Series, 1986, (New York: ITT Corp. 1987), pp. 86-99.

"Current Issues in Telecommunications Regulation: Pricing" (with William B. Shew), *Yale Journal on Regulation*, Vol. 4: 191-256, Spring 1987.

"Deregulatory Schizophrenia," *California Law Review*, Volume 75, Number 3, May 1987, pp. 1059-1068.

"A Critique of Proposed Changes," *The Future of Electrical Energy: A Regional Perspective of an Industry in Transition*, Sidney Saltzman and Richard E. Schuler (eds.), Praeger Publishers, New York, 1986, pp. 340-347.

"The Tyranny of Small Decisions and the Perils of Big Ones," in *Allocation, Ethics, and Innovation in Research and Public Policy*, National Symposium on Science and Technology, Cornell University, Washington, D.C., May, 20, 1986.

"The Theory and Application of Regulation," *Antitrust Law Journal*, Spring Meeting Issue, 1986, Volume 55, Issue 1, pp. 177-184, from ABA Antitrust Section Annual Meeting.

"Transportation Deregulation...And All That," Honorary Salzberg Memorial Lecture, Syracuse University School of Management, Syracuse, New York, April 1986. Reprinted, revised, in *Economic Development Quarterly*, May 1987, Volume 1, Number 2, pp. 91-99.

"Frontier Issues in Telecommunications Regulation," Mountain Bell Academic Seminar, Lakewood, Colorado, August 1985.

"Telecommunications Regulation: A Case Study of the Impact of a Technology on Social Institutions," for presentation at Cornell University Electrical Engineering Centennial Symposium, Ithaca, New York, June 12, 1985.

"Public Policies for Our Telecommunications Future," in *Funding the Future of Telecommunications*, a conference sponsored by Rensselaer Polytechnic Institute, supported by the NYNEX Telephone Companies, Saratoga Springs, New York, June 3-5, 1985.

"Industrial Policy and Deregulation," *Federal Bar News & Journal*, Washington, D.C., January 1985.

First Distinguished Lecture on Economics in Government, "The Macroeconomic Consequences of Sensible Microeconomic Policies," Dallas, December 28, 1984. American Economic Association meetings.

"The Regulatory Agenda," and "Concluding Comments: The Future of Access," in Alan Baughcum and Gerald R. Faulhaber, *Telecommunications Access & Public Policy*, Ablex Publishing Corporation, Norwood, New Jersey, 1984, pp. 205-210 and pp. 245-253.

"The Uneasy Marriage of Regulation and Competition," *Telematics*, Washington, D.C., September 1984, pp. 1-2, 8-17.

"The Next Steps in Telecommunications Regulation and Research," *Public Utilities Fortnightly*, Arlington, VA., July 19, 1984.

"The Road to More Intelligent Telephone Pricing," *Yale Journal on Regulation*, Volume 1, Number 2, 1984, pp. 139-157.

"Telephone Deregulation: Two Views: A Needed Dose of Competition," *Challenge*, March/April 1984, pp. 24-29.

"Economic Policies For The 80s," Oppenstein Brothers Foundation Lecture, Rockhurst College and the University of Missouri, Kansas City, April 19, 1983.

"The Relevance of Industrial Organization," *Industrial Organization, Antitrust, and Public Policy*, John V. Craven, ed., Kluwer-Nijhoff, 1983.

"Some Thoughts on Telephone Access Pricing," National Economic Research Associates, April 1983.

"Deregulation: Its Meaning and Implications for Antitrust Enforcement," New York State Bar Association, 1983 *Antitrust Law Symposium*, pp. 2-14.

"The Passing of the Public Utility Concept: A Reprise," in *Telecommunications Today and Tomorrow*, Eli Noam (ed.) Harcourt Brace Jovanovich, 1983.

"Deregulation and Vested Interests: The Case of Airlines," *The Political Economy of Deregulation*, Roger G. Noll and Bruce M. Owen, eds., American Enterprise Institute Studies in Government Regulation, 1983.

"An Alternative to Reaganomics," *Increasing Understanding of Public Problems and Policies*, 1982, Farm Foundation, January 1983.

"Utility Diversification," *The Energy Journal*, Volume 4, No. 1, January 1983, pp. 149-160.

"The Airline Industry: Is It Time to Reregulate?" *Second Annual William A. Patterson Transportation Lecture*, The Transportation Center, Northwestern University. Published jointly



with National Economic Research Associates, 1982. Reprinted in *The World Economy*, December 1982, London: Basil Blackwell, pp. 341-360.

"On Changing the Consumer Price Index, A Comment," *Journal of Policy Analysis and Management*, Vol. 1 (Summer 1982), pp. 512-15.

"The Political Feasibility of Regulatory Reform: How Did We Do It?" *Reforming Social Regulation: Alternative Public Policy Strategies*, Leroy Graymer and Frederick Thompson (eds.), Sage Publications, 1982.

"The Reform of Government Regulation: Recent Progress in the United States," University of Leuven Press, Leuven, Belgium, 1981.

"The New Merger Wave," *N/E/R/A Topics*, National Economic Research Associates, December 1981.

"Liberals Must Face Facts," *Challenge*, Nov/Dec. 1981, pp. 25-32.

"Is Inflation Abating?" *N/E/R/A Topics*, National Economic Research Associates, November 1981.

"Utility Regulation Revisited," National Economic Research Associates: New York, 1981, republished in *Current Issues in Public Utility Economics: Essays in Honor of James C. Bonbright*, Albert L. Danielsen and David R. Kamerschen (eds.), Lexington, MA., D.C. Heath and Company, 1983.

"Must We Live With Inflation Through the 1980s?" *Major Issues of the 1980s Lecture Series*. Sponsored jointly by the Lowell Institute of Boston and Harvard University Extension, April 1981.

"Ethical Values in a Market System," *Across the Board*, The Conference Board, April 1981, pp. 57-63.

"Can Liberalism Survive Inflation?" *The Economist*, March 7, 1981, pp. 21-25.

"Health Care Economics: Paths to Structural Reform," in Mancur Olson (ed.), *A New Approach to the Economics of Health Care*, Washington, American Enterprise Institute, 1981.

"Regulation and the Imagination," *Proceedings of a Regulatory Council Conference*, United States Regulatory Council, July 22, 1980, pp. 1-9.

"Health Care and Inflation: Social Compassion and Efficient Choice," *National Journal*, August 2, 1980, pp. 1294-97.

"A Paeon to Legal Creativity" (with Michael Roach), *Administrative Law Review*, Washington, D.C., Winter 1979, Volume 31, No. 1, pp. 97-114.

"Applications of Economics to an Imperfect World," The Richard T. Ely Lecture, *The American Economic Review, Papers and Proceedings*, Volume 69, No. 2, May 1979, pp. 1-13. Modified and published as "Applying Economics to an Imperfect World," *Regulation*, Washington, D.C., November/December 1978, Volume 2, No. 6, pp. 17-27.

"The Changing Environment of International Air Commerce," *Air Law*, (Netherlands Journal), Volume 3, No. 3, 1978.

"Deregulation of Air Transportation—Getting from Here to There," *Regulating Business: The Search for an Optimum*, Institute for Contemporary Studies, San Francisco, California, 1978, pp. 37-63.

"Load Control, Resource Conservation and King Charles' Head," Iowa State University Regulating Conference, *Proceedings*, May 19, 1977, pp. 68-74.

"Recent Developments in Cost Analysis and Rate Design," *Proceedings of the Third Annual Symposium on Problems of Regulated Industries*, Kansas City, Missouri, February 14, 1977, pp. 15-28.

"An Economist at Work on Utility Rate Regulation," a series of three articles, *Public Utilities Fortnightly*, Washington, D.C., January 5, 19, and February 2, 1978.

"New Rate Structures in Communications" (with Charles A. Zielinski), *Public Utilities Fortnightly*, March 25, 1976, pp. 19-24 and April 8, 1976, pp. 20-23.

"Efficient Rate Design: The Transition from Theory to Practice," *Proceedings of the Symposium on Rate Design Problems of Regulated Industries*, February 23-26, 1975, Kansas City, Missouri, pp. 34-51.

"Between Theory and Practice: Reflections of a Neophyte Public Utility Regulator," *Public Utilities Fortnightly*, January 2, 1975, pp. 3-7.

"Economic Theory as a Guideline for Government Intervention and Control: Comment," *Journal of Economic Issues*, Vol. VIII, No. 2, June 1974.

"Market Power Inflation: A Conceptual Framework," in *The Roots of Inflation*, Burt Franklin and Co., 1975.

"The Economics of the Electricity-Environmental Issue: A Primer," P.I.P. National Environmental Press Seminar, Minneapolis, Minnesota, May 31-June 1, 1972.

"Evaluation of Economic Regulation: Discussion," *Ibid*, LXI (May 1971) 235-237.

"National Communications Policy: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 60, May 1970, pp. 219-20.

"Dual Pricing in Southern Louisiana: A Reply," *Land Economics*, XLVI (August 1970): 338-42.

"The Combined Effects of Prorating, the Depletion Allowance and Import Quotas on the Cost of Producing Crude Oil in the United States," U.S. Senate, Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, 91st Congress, 1st Session, *Government Intervention in the Market Mechanism, Hearings, The Petroleum Industry*, Part I, Washington, 1969, Reproduced in *Natural Resources Journal* (January 1970) X:53-61.

"Incentives to Superior Performance: Pricing," Harry Trebing (ed.), *Performance Under Regulation*, Michigan State University Press, 1968.

"The Graduated Fair Return," *The American Economic Review*, March 1968.

"Cartels and Trade Associations," *Encyclopedia of the Social Sciences*, MacMillan, 1968.

- "The Merits of Reserving the Cost-Savings From Domestic Communications Satellites for Support of Educational Television" (with Joel B. Dirlam), *Yale Law Journal*, Volume 77, No. 3, January 1968, pp. 494-520.
- "Tyranny of Small Decisions: Market Failures, Imperfections, and the Limits of Economics," *Kyklos*, Volume 19, 1966.
- "Mergers in the Petroleum Industry and Problems of the Independent Refiner," U.S. Senate Judiciary Committee, *Economic Concentration*, Part II, Washington, 1965, pp. 562-609.
- "The Depletion Allowance in the Context of Cartelization," *The American Economic Review*, Volume 54, 1964, pp. 286-314.
- "Efficiency in the Use of Natural Resources: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 54, May 1964, pp. 221-226.
- "Market Power and Economic Growth: Guides to Public Policy," *Antitrust Bulletin*, Volume 8, May-June 1962, p. 531.
- "Agricultural Aid and Economic Development: The Case of Israel," *The Quarterly Journal of Economics*, Volume 76, November 1962, pp. 568-591.
- "The Role of Patents," in J.P. Miller, ed., *Competition, Cartels and Their Regulation* (North Holland Publishing Company, Amsterdam), Chapter 8, pp. 308-346.
- "The Chemical Industry," Walter Adams (ed.) *The Structure of the American Industry*, First, Second and Third Editions, New York, MacMillan, 1948, 1954 and 1961.
- "Economic Issues in Regulating the Field Price of Natural Gas," *The American Economic Review, Papers and Proceedings*, Volume 50, May 1960, pp. 506-517.
- "Pricing Objectives in Large Companies: Comment," *The American Economic Review*, Volume 49, September 1959, pp. 670-678.
- "Selected Papers: A.E.A. Competition: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 48, May 1958, pp. 600-602.
- "Economic and Legal Approaches to Antitrust: An Attempt to Clarify the Issues," *Antitrust Bulletin*, Volume 2, January 1957, pp. 267-279.
- "Report on Antitrust Policy: Discussion," *The American Economic Review, Papers and Proceedings*, Volume 46, May 1956, pp. 496-507.
- "My Antitrust Philosophy: Evidence of Schizophrenia or Shattering Transformation?" *Antitrust Bulletin*, Volume 1, November 1955, p. 355.
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Testimony on behalf of AMR Corporation and American Airlines, Inc., against UAL Corporation, United Airlines, Inc., UAL Acquisition, Inc., Air Wisconsin Services, Inc., and Air Wisconsin, Inc., 91 CIV. 7773 (KMW), analyzing United Airlines' acquisition of Air Wisconsin's 50 O'Hare jet slots, March 2, 1991. Supplemental and Second Supplemental Testimonies, March 10 and 15, 1992.

Testimony before the Illinois Commerce Commission on behalf of Illinois Power Company, Docket No. P91-0001, on certification of a competing natural gas pipeline, February 24, 1992.

Rebuttal Testimony before the Florida Public Service Commission, Tampa Electric Co. Docket No. 910883EI, on electric utility company responsibilities for demand side management, November 20, 1991.

Affidavit before the Federal Communications Commission *In the Matter of Expanded Interconnection Between Local Telephone Facilities*, CC Docket No. 91-141 ENF-87-14, August 5, 1991.



Statement on behalf of United Kingdom of Great Britain and Northern Ireland in US/UK Arbitration. Concerning Heathrow Airport User Charges, April 1991; Rebuttal and Surrebuttal Statements, June and July 1991; testimony before the International Court, The Hague, July 1991.

"The Treatment of New Services Under Price Cap Regulation," on behalf of BellSouth, Federal Communications Commission, June 10, 1991.

Testimony on behalf of Fireman's Fund Insurance Company before the Insurance Commissioner of the State of California re proposed action to repeal and adopt regulations concerning property and casualty insurance rates, February 20, 1991.

Testimony before the Federal Energy Regulatory Commission on behalf of Conoco, Inc. Kaneb Pipeline Operating Partnership, L.P., and Kerr-McGee Refining Corporation (Williams Pipeline), February 4, 1991.

Affidavit to the U.S. District Court for District of Columbia on behalf of Bell Atlantic Corporation in *United States of America v. Western Electric Company, Inc. and American Telephone and Telegraph Company*, re MFJ restrictions on Bell Operating Companies' ability to offer information services, January 8, 1991.

Oral testimony before the Puerto Rican Legislature on privatization and future regulation of the Puerto Rico Telephone Company, June 20, 1990.

Testimony on behalf of Central Telephone Company of Florida before the Public Service Commission, June 12, 1990.

Testimony on behalf of Fireman's Fund Insurance Company on Proposition 103 Rate Regulation Hearings, February 5, 1990.

Testimony before Denver County District Court, Denver, Colorado, on behalf of Southgate Water District vs. Denver Water Authority on conduit extension charges, May 25, 1989.

"Efficient Pricing of Congested Airport Facilities," A Report to the Department of Transport, Great Britain, April 1989.

Testimony on behalf of ETSI Pipeline Project v. Burlington Northern Inc., et al, in the United States District Court for the Eastern District of Texas, Beaumont Division, Civil Action No. B-84-979-CA, February 23, 1989.

Reply Verified Statement on behalf of Concerned Shippers, In the Matter of Railroad Cost Recovery Procedures—Productivity Adjustment; Ex Parte No. 290 (Sub-No. 4), January 17, 1989.

Testimony on behalf of California Coalition for Trucking Deregulation before the Public Utilities Commission of the State of California, In the Matter of the Regulation of General Freight Transportation by Truck, Case No. I-88-08-046, October 27, 1988.

Testimony before the Public Service Commission of the State of New York on the application to construct the Empire State gas pipeline, Case No. 88-T-132, October 1988.

Testimony before the Federal Communications Commission on behalf of Bell South on adjustment factor for local exchange companies under rate cap regulation, In the Matter of Policy and Rules Concerning Rates for Dominant Carriers (CC Docket 87-313), July 1988.

Affidavit on behalf of Massachusetts Port Authority in a proceeding on the proposed structure of landing fees for Logan Airport, Boston, U.S. District Court, District of Massachusetts, June 1988.

Affidavit on behalf of Financial Interchange Inc. in an antitrust arbitration proceeding on the legality of jointly set interchange fees of an electronic funds transfer network, April 1988.

Verified Statement before the Interstate Commerce Commission in Coal Trading Corporation, et al. v. Baltimore & Ohio Railroad Company, et al. (Docket No. 38301S) on the computation of rail stand-alone costs, April 1988.

Testimony on behalf of Public Service Electric & Gas Company, New Jersey on the used and useful doctrine in the context of utility performance standards, April 1988.

Testimony on behalf of the U.S. Postal Service on the pricing of Express Mail, March 28, 1988.

Testimony on behalf of Kentucky Industrial Utility Customers Case No. 9934 on the criteria for deciding whether a nuclear plant should be completed, February 8, 1988.

Testimony and Rebuttal Testimony before the Iowa State Utilities Board Department of Commerce on behalf of Northwestern Bell on the regulatory treatment of depreciation reserve deficiencies, October 1987 and November 1987.

Testimony before the State of Connecticut Department of Public Utility Control on behalf of the Connecticut Cable Television Association on regulating cable television rates, November 13, 1987.

Testimony before the Federal Communications Commission on behalf of Bell South In the Matter of Policy and Rules Concerning Rates for Dominant Carriers (CC Docket 87-313) October 1987 and Reply Testimony, November 1987.

Reply Verified Statement before the Interstate Commerce Commission on behalf of McCarty Farms et. al. and Montana Department of Commerce, on the stand-alone cost constraint on railroad rates to captive shippers, October 2, 1987.

Testimony before the New York State Public Service Commission on behalf of New York Telephone Company on assessing the competitiveness of telecommunications markets, April 1987.

Testimony before the New Jersey Senate Energy and Environment Committee on behalf of Public Service Electric and Gas Company on draft bill, No. 2801, the "Electricity Market Pricing Act of 1986," January 26, 1987.

Testimony before Federal Energy Regulatory Commission on behalf of Interstate Natural Gas Association of America on "Competitive Implications of Natural Gas Pipeline Marketing Affiliates," December 29, 1986.

Testimony before the New York State Public Service Commission on behalf of the Owners Committee on Electric Rates, Inc., on rent-inclusion and submetering, November 19, 1986.

Testimony before the Illinois Commerce Commission on behalf of Commonwealth Edison Company on standard for deciding whether Braidwood Unit 2 should be cancelled, August 4, 1986.

Verified Statement on Standards for Railroad Revenue Adequacy, on Interstate Commerce Commission's Ex Parte No. 393, Sub-No.1, July 1986.

Verified Statement and Surrebuttal Verified Statement Before the Interstate Commerce Commission, Finance Docket No. 30300 on behalf of the Water Transport Association, in opposition to the application of CSX Corporation to acquire American Commercial Barge Lines, Inc., February 14, 1984 and April 19, 1984.

Direct and rebuttal testimony, Federal Energy Regulatory Commission, Trans Alaska Pipeline System, on behalf of the State of Alaska, Dockets Nos. OR 78-1-014 and OR 78-1-016 (Phase I Remand) November 1, 1983 and December 23, 1983.

Verified Statement, Interstate Commerce Commission, on the stand alone test for rail rates to captive shippers, on behalf of Utility Fuels, Inc., Docket No. 39002, October 3, 1983.

Testimony on telephone rate structures before the Colorado Public Utilities Commission for Mountain States Telephone & Telegraph Company, May 27, 1983; the California Public Utilities Commission, for Pacific Telephone & Telegraph Company, August 18, 1983; the Missouri Public Service Commission, September 8, 1983; and Texas Public Service Commission, September 19, 1983, for Southwestern Bell Company.

Testimony before the Utility Diversification Committee of the Legislature of the State of New Mexico, September 2, 1982.

Testimony before the Ad Hoc Committee on Utility Diversification, National Association of Regulatory Utility Commissioners, May 6, 1982.

Testimony before Motor Carrier Ratemaking Study Commission, Orlando, Florida, April 2, 1982.

Testimony before the State of Connecticut Department of Public Utility Control on methods of regulating rates for basic television cable service, March 9, 1982.

Testimony before the Committee of Energy and Public Utilities, The General Assembly of the State of Connecticut on regulation of cable television, March 1, 1982.

Testimony before the Public Utilities Commission of the State of California, for Pacific Power & Light Company on methods of allocating aggregate revenue requirements, September 24, 1981.

Verified Statement, Interstate Commerce Commission, Ex Parte No. 347 (Sub-No. 1), "Coal Rate Guidelines-Nationwide," September 1981.

Testimony for the Department of Justice in the U.S. v. Standard Oil Co. (Indiana) et al. Civil Suit 40212, filed July 28, 1964.

(Rev. 04/01)

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the  
Commission to Consider Cost Recovery  
by Verizon and to Investigate the Future  
Regulatory Framework**

**Case 00-C-1945**

**THE VERIZON INCENTIVE PLAN  
  
FOR  
  
NEW YORK**

**May 15, 2001**

## **I. INTRODUCTION**

The Verizon Incentive Plan for New York (the "Plan") establishes the method by which the Public Service Commission of the State of New York ("Commission") will regulate the intrastate telecommunications services that Verizon New York Inc. ("Verizon NY") offers pursuant to tariff in New York.

## **II. TERM OF THE PLAN**

This Plan supersedes the Performance Regulation Plan for New York Telephone Company that went into effect on September 1, 1995.

Subject to Section V below, this Plan shall be in effect from January 1, 2002 through December 31, 2004. The Commission and Verizon NY each shall have the right to terminate the Plan at any time after January 1, 2005. If neither party terminates the Plan, the Plan shall continue in effect.

## **III. SERVICE PRICING**

### **A. General Terms**

Verizon NY shall limit rate filings during the Plan to those allowable under the provisions of the Plan and shall not file for a "major change" in rates, as defined in Section 92(2)(c) of the Public Service Law, while the Plan is in effect. The Commission shall not institute a general rate proceeding for Verizon NY while the Plan is in effect, and shall not institute any proceeding to reduce any rates that are subject to this Plan, except as specified in Section III(D) below.

### **B. LifeLine Services**

Verizon NY shall continue to offer LifeLine services pursuant to its current tariff. LifeLine service prices may not be increased while the Plan is in effect without the express approval of the Commission.

### **C. Basic Services**

The rates for residential and business basic local exchange service (i.e., 1MB, 1FR, 1MR) and for analog PBX trunks shall be increased by \$1.25 effective January 1, 2002. Thereafter, subject to Section III(D) below, Verizon NY will not increase the rates for Primary Basic Services as defined below for at least three years after the effective date of the Plan.

For the purposes of this Plan, Primary Basic Services are defined as:

1. The first line at a particular location associated with a residential network access line account, flat rate or message rate (1FR, 1MR).

2. The first line at a particular location associated with a business network access line account (1MB).

#### **D. Switched Carrier Access Services**

Should the Commission reduce intrastate switched carrier access charges during the term of this Plan, any such reduction shall be part of a revenue-neutral rate restructure with basic local exchange services. In determining whether such a restructure is revenue-neutral, toll revenues lost as a direct or indirect result of the switched carrier access rate reductions shall be taken into account should carriers be required to flow through access reductions in their retail rates. For purposes of this section, "switched carrier access" includes intrastate Feature Group B or D (both intraLATA and interLATA) carrier access.

Except as authorized by the preceding paragraph, any changes to switched carrier access rates made by Verizon during the term of this Plan shall be made on a revenue-neutral basis, taking only switched carrier access rates into account. Any such rate change shall be subject to Commission approval.

Determinations of revenue neutrality shall be based on the actual intrastate switched carrier access minutes of use for the most recent calendar year prior to the restructuring and basic local exchange service lines in service as of the end of such year.

#### **E. Wholesale Services-Rates**

Rates for access to Unbundled Network Elements and interconnection with Verizon NY's facilities and equipment and the level of its wholesale discount for services offered for resale will be set in accordance with the Federal Telecommunications Act of 1996, as amended and other applicable regulations, laws and orders of the courts, the Federal Communications Commission and this Commission. This Plan will have no effect on the pricing rules applicable to such services, or the procedures by which such rates are reviewed, approved, and modified.

#### **F. Other Services**

Pricing for new or existing services will be at the discretion of Verizon NY subject only to the specific prohibitions in this Plan. Except to the extent specifically prohibited by this Plan, Verizon NY may change the rates and rate structures for all new or existing intrastate retail services or facilities by filing appropriate amendments to its tariffs.

Verizon NY may file tariffs for new service offerings at any time during this Plan. New services for the purposes of this Plan may also include combinations of any new and/or existing services. Verizon NY may offer services on an individual case basis that include any or all of its tariffed services.

All new services are to be priced at or above Verizon NY's incremental cost of the new service. Verizon NY will have complete pricing flexibility in the provision of all

services not subject to Sections III(B), (C), (D), and (E), so long as the price is above incremental cost.

Increases and/or decreases in the Gross Revenue taxes (including local revenue taxes and applicable surcharges) shall be reflected in Verizon NY's Gross Revenue Tax surcharge. Any replacement tax, in whole or in part, for the Gross Revenue Tax shall be recovered in a surcharge.

Verizon NY will continue to file tariffs with the Commission, to the extent required by applicable law, for the telecommunications services subject to regulation in New York. Tariff changes required by or permitted by the provisions of this Plan shall be subject to the notice and other requirements of the Public Service Law, State Administrative Procedure Act and Commission rules and regulations. Such filings shall be deemed to be reasonable and shall not be suspended by the Commission if they are in accord with this Plan, the Public Service Law, and the Commission's rules and regulations.

#### **G. Exogenous Changes**

Verizon NY shall recover allowable exogenous changes through rate changes for any services not subject to Sections III(B), (C), (D), and (E). Rates may be increased or decreased in the event of an exogenous event that increases or decreases Verizon NY's costs or increases or decreases its revenues subject to the limitations below. Such exogenous changes are limited to the effects of:

1. Jurisdictional Separations Rules Changes
2. PSC mandates (excluding revenue effects of market share loss)
3. Legislative tax changes affecting only utilities

Verizon NY shall calculate annually the net impact of exogenous changes on its operations. The proposed rate changes to recover allowable exogenous increases (or flow through of net decreases) shall not be withheld if Verizon NY shows that the proposed adjustments are correctly calculated in accordance with the terms of this Plan. Unless directed otherwise by the Commission, Verizon NY shall be limited to one annual filing for the recovery of net exogenous changes. The proposed tariff revisions reflecting any allowable exogenous changes shall be filed with the Commission on October 1 of each year and shall have an effective date of January 1 of the next year.

#### **H. Depreciation**

Verizon NY shall set its own intrastate depreciation rates. Verizon NY shall provide a statement reflecting both old and new depreciation rates to the Commission Staff when any changes are made to intrastate depreciation rates and/or amortizations. Verizon NY commits to set intrastate depreciation rates so as to accrue annual intrastate depreciation expense during the life of the Plan equal to or greater than that accrued in 2000.

## **I. Regulation of Services**

The Commission shall not retariff or reregulate those services provided by Verizon NY that are currently detariffed or deregulated. Verizon NY may petition at any time during the term of this Plan to detariff or deregulate any services including basic services. Services deregulated during the term of this Plan shall not be subject to the provisions of this Plan.

## **IV. SERVICE QUALITY**

Verizon NY is committed to providing high quality service to ensure customer satisfaction in accordance with Title 16 NYCRR Part 603, Service Standards Applicable to Telephone Companies. Verizon NY shall report its Service Quality performance to the Commission pursuant to these regulations.

## **V. OTHER TERMS AND CONDITIONS**

The Commission reserves the authority to act on the level of Verizon NY's rates in the event of unforeseen circumstances that, in the opinion of the Commission, have a substantial impact upon the range of earnings levels to render Verizon NY's actual return unreasonable for the provision of safe and adequate service at just and reasonable rates.

Verizon NY reserves the right to terminate the Plan and to petition the Commission to adopt another form of regulation prior to the expiration of the initial three-year term of the Plan if conditions so warrant.



**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the  
Commission to Consider Cost  
Recovery by Verizon and to  
Investigate the Future Regulatory  
Framework**

**Case 00-C-1945**

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART A**

**PART B**

**PART C**

**PART D  
[REDACTED VERSION]**

**PART E  
[REDACTED VERSION]**

**PART F**

**PART G**

**PART H**

**PART I  
[REDACTED VERSION]**

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART A**

NATIONAL ECONOMIC  
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DR. KENNETH GORDON

BUSINESS ADDRESS

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617-621-0444

Dr. Kenneth Gordon, as of April 2001, is a Special Consultant with National Economic Research Associates, Inc. specializing in utility regulation and related issues. Prior to that date, Dr. Gordon was a Senior Vice President with National Economic Research Associates. He was Chairman of the Massachusetts Department of Public Utilities from January 1993 to October of 1995. He came to the Massachusetts Commission from the Maine Public Utilities Commission, where he held the office of Chairman from 1988 through the end of 1992. Prior to that, he was an Industry Economist at the Federal Communications Commission's Office of Plans and Policies. Prior to that, he taught at several colleges since 1965, the most recent position having been at Smith College.

Dr. Gordon was an active member of the National Association of Regulatory Utility Commissioners (NARUC) and served as president of that organization in 1992. He was also a member of the Executive Committee, and the Committee on Communications of NARUC. He has served as Chairman of the New England Conference of Public Utilities Commissioners Telecommunications Committee, and is a former Chairman of the Power Planning Committee of the New England Governors' Conference. He currently also serves on several boards and committees. Dr. Gordon has authored a number of publications and lectures widely on topics related to utility regulation.

Dr. Gordon is a graduate of Dartmouth College and holds a doctorate in economics from the University of Chicago.

## EDUCATION

University of Chicago	Ph.D	1973
University of Chicago	M.A.	1963
Dartmouth College	A.B.	1960

## EMPLOYMENT

April 2001 -	<b>National Economic Research Associates, Inc., Cambridge, MA</b> <u>Special Consultant</u>
August 1996 - March 2001	<b>National Economic Research Associates, Inc., Cambridge, MA</b> <u>Senior Vice President</u>
November 1995 - July 1996	<b>National Economic Research Associates, Inc., Washington, D.C.</b> <u>Senior Vice President</u>
October 1995	<b>Consulting Economist</b>
January 1993 - October 1995	<b>Massachusetts Department of Public Utilities</b> <u>Chairman</u>
October 1988- December 1992	<b>Maine Public Utilities Commission</b> <u>Chairman</u>
1980 - 1988	<b>Federal Communications Commission, Office of Plans and Policy</b> <u>Industry Economist</u>
1965 - 1980	<b>University and College Teaching (most recently at Smith College)</b>
1963 - 1964	<b>University of Chicago</b> <u>Research Associate</u>

## CURRENT APPOINTMENTS AND MEMBERSHIPS

**Telecommunications Policy Research Conference**

Chair, 1995-1996

Board Member, 1994

**Energy Modeling Forum (EMF 15, A Competitive Electricity Industry),  
Stanford University**

Member

**American Economic Association**

**Transportation and Public Utilities Group, AEA**

## PAST APPOINTMENTS AND MEMBERSHIPS

**National Association of Regulatory Utility Commissioners**

Communications Committee, 1990 - 1995

Executive Committee, 1991-1995

President, 1992

**New England Conference of Public Utility Commissioners**

**Power Planning Committee**

Chairman

**Governor's Electric Utility Market Reform Task Force**

Co-Chairman

**Boston University Telecommunications Forum**

Advisor

**Center for Public Resources, Legal Program to Develop**

**Alternatives to Litigation**

Chairman, Utilities Committee

**Office of Technology Assessment, Advisory Panel on International  
Telecommunications Networks**

**Belcore Advisory Committee,**

Member and Chairman, 1993 to 1996.

## ACTIVITIES

Participant in numerous regional and state committees, organizations, and task forces.

Participant in various NARUC/DOE conferences on gas and electricity issues.

Frequent speaker on electric, telephone and environmental issues nationally.

## TESTIMONIES

Before the New York State Public Service Commission on behalf of New York State and Gas Corporation, Affidavit on the proper treatment of proprietary competitive information by regulators. Affidavit filed April 23, 2001.

Before the Virgin Islands Public Services Commission, Government of the Virgin Island of the United States (PSC Docket No. 526) on behalf of Innovative Telephone, Rebuttal testimony regarding rural exemption, request for interconnection for Innovative Telephone. Filed April 10, 2001.

Before the State of New York Public Service Commission on behalf of Energy East Corporation, RGS Energy Group, Inc., New York State electric & Gas Corporation, Rochester Gas and Electric Corporation, and Eagle Merger Corp. Affidavit filed March 23, 2001.

Before the Indiana Utility Regulatory Commission on behalf of PSI Energy, Inc. (IURC Docket No. 41445-S1): Rebuttal testimony, Petitioner's Exhibit F, on the continued use of a purchased power tracker. Filed March 10, 2001.

Before the Indiana Utility Regulatory Commission on behalf of PSI Energy, Inc. (IURC Docket No. 41445-S1): Rebuttal testimony on the continued use of a purchased power tracker. Filed February 8, 2001.

Before the Pennsylvania Public Utility Commission on behalf of Verizon PA: Rebuttal testimony on why the structural separation model used in electricity does not apply to telecommunications. October 30, 2000.

Before the State of New York Public Service Commission on behalf of New York State Electric & Gas Corporation (Case 96-E-0891): Rebuttal testimony on market power analyses used in setting the backout credit. October 30, 2000. (Cosponsored with David Kathan.)

Before the Connecticut Department of Public Utility Control, on behalf of Connecticut Natural Gas Corporation (Docket No. 99-09-03, Phase II): Rebuttal testimony on role of incentive ratemaking. October 11, 2000.

Before the New York Public Utilities Commission on behalf of New York State Electric & Gas Corporation (Case 96-E-0891): Direct testimony on whether the backout credit set in a stipulation continues to be proper. October 4, 2000. (Cosponsored with David Kathan.)

Before the Virginia State Corporation Commission on behalf of Appalachian Power d/b/a/ American Electric Power Company (Docket Case No. PUA980020): Direct testimony regarding use of "asymmetric" transfer price rules. Filed September 20, 2000.

Before the Alberta Energy and Utilities Board, on behalf of ATCO Gas, ATCO Pipelines, and ATCO Electric: Direct testimony addressing affiliate issues. August 31, 2000.

Before the Iowa Utilities Board on behalf of Qwest Corporation (Docket No. INV-00-3): Direct testimony on deregulation of local directory assistance services. August 11, 2000.

Before the Connecticut Department of Public Utility Control on behalf of the Southern Connecticut Gas Company (Docket No. 99-04-18, Phase III): Late-filed Exhibit No. 159 (direct testimony) on the proper design of an incentive ratemaking plan. August 11, 2000.

Before the Connecticut Department of Public Utility Control on behalf of Connecticut Natural Gas Corporation (Docket No. 99-09-03 Phase II): Prefiled supplemental testimony addressing incentive rate-making issues. Filed August 11, 2000.

Before the Maine Public Utilities Commission on behalf of Central Maine Power Company. Surrebuttal testimony regarding the proper role of incentive ratemaking. August 10, 2000.

Before the Pennsylvania Public Utility Commission on behalf of Bell Atlantic PA (now Verizon PA): Direct testimony on the costs and problems with structural separation in telecommunications. June 26, 2000.

Before the Maine Public Utilities Commission on behalf of Central Maine Power Company (Docket No. 99-666): Rebuttal testimony on incentive rate-making issues. Filed June 22, 2000.

Before the Connecticut Department of Public Utility Control, The Southern Connecticut Gas Company Bench Request/Late file Exhibit (direct testimony) on proper implementation of incentive ratemaking. May 24, 2000.

Before the Public Utilities Commission of Ohio, on behalf of the Cincinnati Gas & Electric Company (Case No. 99-1658-EL-ETP): Supplemental testimony addressing shopping incentive and market power issues. Filed May 1, 2000.

Before the New York Public Service Commission on behalf of New York State Electric & Gas Corporation (NYSEG). Affidavit on the proper calculation of the billing credit customers would receive that switch. Filed April 20, 2000.

Before the Public Utilities Commission of Ohio, on behalf of the Cincinnati Gas & Electric Company: Direct testimony addressing shopping incentive and market power issues. Filed December 28, 1999.

Before the Federal Communications Commission, on behalf of Virgin Islands Telephone: Comments addressing Federal universal service support in the U.S. Virgin Islands. Filed December 19, 1999.

Before the Connecticut Department of Public Utility Control, on behalf of Connecticut Natural Gas Corp.: Direct testimony on performance based ratemaking. Filed November 8, 1999.

Before the Public Service Commission of Maryland, on behalf of Baltimore Gas and Electric Co., etc.: Reply testimony on "code of conduct" issues. Filed October 26, 1999.

Before the Illinois Commerce Commission, on behalf of Illinois Power Company: Rebuttal testimony addressing the pricing of metering and billing services. Filed October 21, 1999.

Before the Maine Public Utility Commission, on behalf of CMP Group, Inc.: Rebuttal testimony on issues related to acquisition of CMP by Energy East. Filed October 13, 1999.

Before the Illinois Commerce Commission, on behalf of Illinois Power Company: Direct testimony addressing the proper pricing of metering and billing services. Filed October 8, 1999.

Before the Public Service Commission of Maryland, on behalf of Baltimore Gas and Electric Co., etc.: Direct testimony on "code of conduct" issues. Filed October 1, 1999.

Before the Maine Public Utilities Commission, on behalf of Central Maine Power Co.: Direct testimony addressing the proposed alternative ratemaking plan. Filed September 30, 1999.

Before the Michigan Public Service Commission, on behalf of Ameritech Michigan: Direct testimony regarding economic consequences resulting from full avoided cost discount as applied to resale of existing contracts. Filed September 27, 1999.

Before the Public Service Commission of West Virginia, on behalf of Allegheny Power and American Electric Power: Rebuttal testimony on "code of conduct" issues. Filed July 14, 1999.

Before the Maine Public Utilities Commission, on behalf of Central Maine Power Co.: Direct testimony on the acquisition of CMP by Energy East. Filed July 1, 1999.

Before the Public Service Commission of West Virginia, on behalf of Allegheny Power and American Electric Power: Direct testimony on "code of conduct" issues. Filed June 14, 1999.

Before the Illinois Commerce Commission, on behalf of Commonwealth Edison: Rebuttal testimony addressing the design of delivery services tariffs. Filed May 10, 1999.

Before the Subcommittee on Energy and Power, on behalf of National Economic Research Associates: Statement addressing electric restructuring market power issues. Filed May 6, 1999.

Before the New Jersey Public Utilities Board, on behalf of the Edison Electric Institute: Direct testimony on the PUC's draft affiliate relations standards. Filed May 3, 1999.

Before the US District Court, Western District of Pennsylvania, on behalf of Allegheny Energy, Inc.: Expert report on regulatory issues regarding the recovery of stranded costs, filed May 1989



Expert report, on behalf of ICG/Teleport addressing the way in which Denver's ordinance allocates costs among users of public rights-of-way. Filed April 21, 1999.

Before the Ohio Senate Ways and Means Committee, on behalf of the Ohio Electric Utility Institute: Direct testimony regarding restructuring of Ohio electricity industry. Filed April 20, 1999.

Before the Federal Energy Regulatory Commission, on behalf of the Central Vermont Public Service Corporation: Rebuttal testimony regarding CVPSC's reasonable expectation to serve its Connecticut Valley affiliate. Filed April 8, 1999.

Before the Joint Committee on Utilities and Energy, on behalf of the Central Maine Power Company: Direct testimony on rate design for recovery of stranded costs. Filed March 23, 1999.

Before the Illinois Commerce Commission, on behalf of the Commonwealth Edison Company: Direct testimony on Commonwealth Edison's delivery service tariffs. Filed March 1, 1999.

Before the Indiana Utility Regulatory Commission, on behalf of Ameritech Indiana: Direct testimony on interconnection issues between RBOC and independent LECs. Filed February 19, 1999.

Before the Indiana Utility Regulatory Commission, on behalf of Ameritech Indiana: Direct testimony on competitive flexibility and alternative rate plan issues. Filed January 29, 1999.

Before the Rhode Island Public Utilities Commission, on behalf of Bell Atlantic-Rhode Island: Rebuttal testimony regarding economic consequences of granting a request by CTC to assume BA-RI retail contract without customer penalty or termination charges. Filed December 4, 1998.

Before the Michigan Public Service Commission, on behalf of Ameritech Michigan: Surrebuttal testimony regarding interconnection agreement. Filed November 9, 1998.

Before the Michigan Public Service Commission, on behalf of Ameritech Michigan: Direct testimony regarding interconnection dispute with a CLEC. Filed October 20, 1998.

Before the Wisconsin Public Service Commission, on behalf of the Edison Electric Industry: Surrebuttal testimony on utility diversification issues. Filed October 16, 1998.

Before the Wisconsin Public Service Commission, on behalf of The Edison Electric Institute: Supplemental direct testimony addressing DSM issues and electric restructuring. Filed October 13, 1998.

Before the Virgin Islands Public Service Commission, on behalf of the Virgin Islands Telephone Company: Testimony regarding the Industrial Development Corporation tax benefit. Filed October 5, 1998.

Before the Wisconsin Public Service Commission, on behalf of The Edison Electric Institute: Rebuttal testimony addressing affiliate interest issues in a traditional regulatory environment. Filed October 2, 1998.

Before the Wisconsin Public Service Commission, on behalf of The Edison Electric Institute: Direct testimony addressing affiliate interest issues in a traditional regulatory environment. Filed September 9, 1998.

Before the Maine Public Utilities Commission, on behalf of Bell Atlantic-Maine: Declaration describing state regulation and special tariffs filed by Bell Atlantic. Filed August 31, 1998.

Before the Vermont Public Service Board, on behalf of Bell Atlantic-Vermont: Rebuttal testimony regarding economic consequences of granting CTC's request to allow assignment of BA-VT retail contracts without customer penalty or termination charges. Filed August 28, 1998.

Before the Massachusetts Department of Telecommunications and Energy, on behalf of Bell Atlantic-Massachusetts: Direct testimony commenting on economic consequences of CTC's policy of allowing customers to assign service agreements, without customer penalty, on resold basis to CTC. Filed August 17, 1998.

Before the Vermont Public Service Board, on behalf of Bell Atlantic-Vermont: Testimony regarding the economic consequences of granting a request by CTC to assume BA-VT retail contract without customer penalty or termination charges. Filed August 14, 1998.

Before the Illinois Commerce Commission, on behalf of Ameritech Illinois: Direct testimony on rate rebalancing plan. Filed August 11, 1998.

Before the Maine Federal District Court, on behalf of Bell Atlantic: Expert report responding to CTCs anti-competitive claims against Bell Atlantic-North. Filed July 20, 1998.

Before the New Hampshire Public Utilities Commission, on behalf of Bell Atlantic: Direct testimony on petition by CTC to assume contracts that CTC had won for Bell Atlantic when it was an agent. Filed July 10, 1998.

Before the Virgin Islands Public Service Commission, on behalf of VITELCO: Testimony on use of consultants by regulatory commissions; benefits of incentive regulation and treatment of tax benefits. Filed July 10, 1998.

Before the Public Utility Commission of California, on behalf of The Edison Electric Institute: Comments on the enforcement of affiliate transactions rules proposed by the California Public Utility Commission. Filed May 28, 1998.

Before the Public Service Commission of New Mexico, on behalf of Public Service Company of New Mexico: Rebuttal testimony regarding the Commission's investigation of the rates for electric service of PNM. Filed May 6, 1998.

Before the Oklahoma Corporation Commission, on behalf of Southwestern Bell Communications: Reply affidavit regarding SBC's application for provision of in-region interLATA service in Oklahoma. Filed April 21, 1998.

Before the Public Utility Commission of Texas, on behalf of Southwestern Bell Communications: Rebuttal testimony regarding SBC's application for provision of in-region interLATA service in Texas. Filed April 17, 1998.

Before the Public Service Commission of New Mexico, on behalf of the Public Service Company of New Mexico: Direct testimony to address the economic efficiency, equity, and public policy concerning PNM's company-wide stranded costs. Filed April 16, 1998.

Before the Illinois Commerce Commission (Docket nos. 98-00013 and 98-0035), on behalf of The Edison Electric Institute: Rebuttal testimony addressing the adoption of rules and standards governing relationships between energy utilities and their affiliates as retail competition in the generation and marketing of electricity is introduced, filed March 25, 1998. Surrebuttal filed March 11, 1998.

Before the Public Utility Commission of Texas, on behalf of Southwestern Bell Communications: Testimony regarding SBC's application for provision of in-region interLATA service in Texas. Filed February 24, 1998.

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Before the House Committee on Energy and Commerce Committee, Subcommittee on Telecommunications and Finance on H.R. 4789, the Telephone Network Reliability Improvement Act of 1992, on behalf of NARUC, May 13, 1992.

Before the Senate Committee on Commerce, Science and Transportation on H.R. 2546, a bill proposing the Infrastructure Modernization Act of 1991, on behalf of NARUC., June 26, 1991.

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Remarks before the American Bar Association Section of Antitrust Law, "Charging Competitors and Customers for Stranded Costs: Competition Compatible?" Four Seasons Hotel, Chicago, IL, September 19, 1996.

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Remarks before the Innovative Fuel Management Strategies for Electric Companies Conference sponsored by The Center for Business Intelligence, "Anticipating the Impact of Fuel Clause Reversal on Fuel Management," Vista Hotel, Washington, D.C., March 15, 1996.

Remarks before Electricity Futures Trading Conference, "Electricity Futures Trading: What the States Are Doing," Houston, Texas, March 14, 1996.

Panelist, "Regulatory Panel: Who Has Jurisdiction?" Public Power in a Restructured Industry, Washington, D.C., December 8, 1995.

Participant, "Public Policy for Mergers in a Time of Restructuring," Harvard Electric Policy Group, Crystal City, Virginia, December 7, 1995.

Panelist, Roundtable on "Competitive Markets in Electricity and the Problem of Stranded Assets," Progress and Freedom Foundation, Washington, D.C., December 1, 1995.

Panelist on "The Range of Uncertainty" at the Illinois Electricity Summit, Northwestern University, Evanston, IL., November 28, 1995.

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"Utilities as Conservationists: One Regulator's Viewpoint", in *The Economics of Energy Conservation*, proceedings of a POWER Conference, Berkeley, CA, 1992.

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*Public Utilities Fortnightly, State Regulators' Forum*, Contributor since 1992.

"Competition, Deregulation and Technology: Challenges to Traditional Regulatory Process", *In Your Interest*, Minnesota Utility Investor, Inc., 1992.

"Policing the Environment", *Institutional Investor*, October, 1992.

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"L'impact de la television par cable sur les autres medias" (The Impact of Cable Television on other media in the United State"), *Trimedia*, numero 18019, printemps, 1983 (in French, also reprinted in Spanish).

"FCC Policy on Cable Ownership" in Gandy, Espinosa & Ordover, (eds.) *Proceedings from the Tenth Annual Telecommunications Policy Research Conferences*, ABLEX, Norward, N.Y., 1983.

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"Social Security and Welfare: Dynamic Stagnation", *Public Administration Review*, March 1967.

#### INCIDENTAL TEACHING AND LECTURING

**University and College**

Yale School of Management and Organization  
Harvard Law School, Telecommunications Seminar  
Suffolk University Law School  
University of Maine  
Boston University

**Other**

Edison Electric Institute  
(Electricity Consumers Resource Council)

May 4, 2001

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART B**

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Dr. Taylor received a B.A. magna cum laude in Economics from Harvard College, an M.A. in Statistics and a Ph.D. in Economics from the University of California at Berkeley. He has taught economics, statistics, and econometrics at Cornell and the Massachusetts Institute of Technology and was a post doctoral Research Fellow at the Center for Operations Research and Econometrics at the University of Louvain, Belgium.

At NERA, Dr. Taylor is a Senior Vice President, heads the Cambridge office and is Director of the Telecommunications Practice. He has worked primarily in the field of telecommunications economics on problems of state and federal regulatory reform, competition policy, terms and conditions for competitive parity in local competition, quantitative analysis of state and federal price cap and incentive regulation proposals, and antitrust problems in telecommunications markets. He has testified on telecommunications economics before numerous state regulatory authorities, the Federal Communications Commission, the Canadian Radio-Television and Telecommunications Commission, federal and state congressional committees and courts. Recently, he was chosen by the Mexican Federal Telecommunications Commission and Telmex to arbitrate the renewal of the Telmex price cap plan in Mexico. Other recent work includes studies of the competitive effects of major mergers among telecommunications firms and analyses of vertical integration and interconnection of telecommunications networks. He has appeared as a telecommunications commentator on PBS Radio and on The News Hour with Jim Lehrer.

He has published extensively in the areas of telecommunications policy related to access and in theoretical and applied econometrics. His articles have appeared in numerous telecommunications industry publications as well as *Econometrica*, the *American Economic Review*, the *International Economic Review*, the *Journal of Econometrics*, *Econometric Reviews*, the *Antitrust Law Journal*, *The Review of Industrial Organization*, and *The Encyclopedia of Statistical Sciences*. He has served as a referee for these journals (and others) and the National Science Foundation and has served as an Associate Editor of the *Journal of Econometrics*.

## EDUCATION

UNIVERSITY OF CALIFORNIA, BERKELEY  
Ph.D., Economics, 1974

UNIVERSITY OF CALIFORNIA, BERKELEY  
M.A., Statistics, 1970

HARVARD COLLEGE  
B.A., Economics, 1968  
(Magna Cum Laude)

## EMPLOYMENT

NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC. (NERA)  
1988- Senior Vice President, Office Head, Telecommunications Practice Director. Dr. Taylor has directed many studies applying economic and statistical reasoning to regulatory, antitrust and competitive issues in telecommunications markets. In the area of environmental regulation, he has studied statistical problems associated with measuring the level and rate of change of emissions.

BELL COMMUNICATIONS RESEARCH, INC. (Bellcore)  
1983-1988 Division Manager, Economic Analysis, formerly Central Services Organization, formerly American Telephone and Telegraph Company. While at Bellcore, Dr. Taylor performed theoretical and quantitative research focusing on problems raised by the implementation of access charges. His work included design and implementation of demand response forecasting for interstate access demand, quantification of potential bypass liability, design of optimal nonlinear price schedules for access charges and theoretical and quantitative analysis of price cap regulation of access charges.

BELL TELEPHONE LABORATORIES  
1975-1983 Member, Technical Staff, Economics Research Center. Performed basic research on theoretical and applied econometrics, focusing on small sample theory, panel data and simultaneous equations systems.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY  
Fall 1977 Visiting Associate Professor, Department of Economics. Taught graduate courses in econometrics.

CENTER FOR OPERATIONS RESEARCH AND ECONOMETRICS  
Université Catholique de Louvain, Belgium.  
1974-1975 Research Associate. Performed post-doctoral research on finite sample econometric theory and on cost function estimation.

CORNELL UNIVERSITY

1972-1975     Assistant Professor, Department of Economics. (On leave 1974-1975.) Taught graduate and undergraduate courses on econometrics, microeconomic theory and principles.

MISCELLANEOUS

1985-1995     Associate Editor, *Journal of Econometrics*, North-Holland Publishing Company.  
1990-         Board of Directors, National Economic Research Associates, Inc.  
1995-         Board of Trustees, Treasurer, Episcopal Divinity School, Cambridge, Massachusetts.

PUBLICATIONS

- "Smoothness Priors and Stochastic Prior Restrictions in Distributed Lag Estimation," *International Economic Review*, 15 (1974), pp. 803-804.
- "Prior Information on the Coefficients When the Disturbance Covariance Matrix is Unknown," *Econometrica*, 44 (1976), pp. 725-739.
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- "Access Charges and Bypass: Some Approximate Magnitudes," in W.R. Cooke (editor), *Proceedings of the Twelfth Annual Telecommunications Policy Research Conference*, 1985.
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- "Panel Data" in N.L. Johnson and S. Kotz (editors), *Encyclopedia of Statistical Sciences*. John Wiley & Sons, New York, 1986.
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- "Efficient Estimation and Identification of Simultaneous Equation Models with Covariance Restrictions," *Econometrica*, 55 (1987), pp. 849-874 (with J.A. Hausman and W.K. Newey).
- "Alternative NTS Recovery Mechanisms and Geographic Averaging of Toll Rates," in *Proceedings of the Thirteenth Annual Rate Symposium: Pricing Electric, Gas, and Telecommunications Services*. The Institute for the Study of Regulation, University of Missouri, Columbia, 1987.
- "Price Cap Regulation: Contrasting Approaches Taken at the Federal and State Level," in W. Bolter (editor), *Federal/State Price-of-Service Regulation: Why, What and How?*, Proceedings of the George Washington University Policy Symposium, December, 1987.
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- Arkansas Public Service Commission (Docket No. 83-042-U), October 7, 1985.
- Public Utility Commission of Texas (Docket No. 8585), December 18, 1989.
- Mexican Secretariat of Communications and Transport, affidavit filed October 18, 1995 (with T. Tardiff).
- Federal Communications Commission (CC Docket No. 96-98), affidavit July 8, 1996; *ex parte* letters filed July 22, 1996 and July 23, 1996.
- Federal Communications Commission (CC Docket No. 96-262 et. al.) with Richard Schmalensee, January 29, 1997). Rebuttal February 14, 1997.
- New York Public Service Commission (Case 94-C-0095 and 28425), Panel Testimony, May 8, 1997. Rebuttal Panel Testimony July 8, 1997.

Pennsylvania Public Utility Commission (Docket No. I-00960066), June 30, 1997. Rebuttal July 29, 1997. Surrebuttal August 27, 1997.  
Connecticut Department of Public Utility Control (Docket No. 96-04-07), October 16, 1997.  
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Federal Communications Commission (Docket 87-313), June 8, 1990 (2 filings).  
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Montana Public Service Commission (Docket No. 90.8.46), October 4, 1990.  
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Tennessee Public Service Commission, February 20, 1991.  
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Montana Public Service Commission (Docket No. 90.12.86), November 4, 1991. Additional testimony January 15, 1992.  
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Delaware Public Utilities Commission (Docket No. 33), June 22, 1992.  
Florida Public Service Commission (Docket No. 920260-TL), December 18, 1992.



California Public Utilities Commission (Docket No. I.87-11-033), with T.J. Tardiff, April 8, 1993, reply testimony May 7, 1993.

Canadian Radio-Television and Telecommunications Commission (Docket No. 92-78), with T.J. Tardiff, April 13, 1993 (2 filings).

Federal Communications Commission (Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region), April 16, 1993. Reply Comments, July 12, 1993.

Delaware Public Utilities Commission (Docket No. 33), June 1, 1993. Supplementary statement, June 7, 1993. Second supplementary statement," June 14, 1993.

Vermont Public Service Board (Dockets 5700/5702), September 30, 1993. Rebuttal testimony July 5, 1994.

Pennsylvania Public Utility Commission (Docket No. P-009350715), October 1, 1993. Rebuttal January 18, 1994.

Massachusetts Department of Public Utilities (Docket No. D.P.U. 94-50), April 14, 1994. Rebuttal October 26, 1994.

Federal Communications Commission (CC Docket 94-1), May 9, 1994. Reply June 29, 1994.

Federal Communications Commission (CC Docket 94-1) with R. Schmalensee, May 9, 1994. Reply June 29, 1994.

New York State Public Service Commission (Case 92-C-0665), panel testimony, October 3, 1994.

State of Maine Public Utilities Commission (Docket Nos. 94-123/94-254), December 13, 1994. Rebuttal January 13, 1995.

Canadian Radio-Television and Telecommunications Commission (Application of Teleglobe Canada for Review of the Regulatory Framework of Teleglobe Canada Inc.), December 21, 1994.

Kentucky Public Service Commission, testimony re concerning telecommunications productivity growth and price cap plans, April 18, 1995.

California Public Utilities Commission (U 1015 C), May 15, 1995. Rebuttal January 12, 1996.

State of Connecticut, Department of Public Utility Control (DPUC Docket No. 95-03-01), June 19, 1995.

Louisiana Public Service Commission (Docket No. U-17949, Subdocket E), July 24, 1995.

California Public Utilities Commission (Investigation No. I.95-05-047), with R.L. Schmalensee and T.J. Tardiff, September 8, 1995. Reply September 18, 1995.

Mississippi Public Service Commission (Docket No. 95-UA-313), October 13, 1995.

Louisiana Public Service Commission (Docket No. U-20883), November 21, 1995.

Federal Communications Commission (CC Docket No. 94-1), with T. Tardiff and C. Zarkadas, December 18, 1995. Reply March 1, 1996.

North Carolina Utilities Commission (Docket No. P-7, Sub 825; P-10, Sub 479), February 9, 1996.

Rhode Island Public Utilities Commission (Docket No. 2370), February 23, 1996. Rebuttal June 25, 1996.

Pennsylvania Public Utility Commission (Docket No. P-00961024), April 15, 1996. Rebuttal July 19, 1996.

Canadian Radio-Television and Telecommunications Commission, in response to CRTC Telecom Public Notice CRTC 96-8 (2 filings), June 10, 1996.

Federal Communications Commission (CC Docket 96-262 et al.), *ex parte* March 1997.  
Federal Communications Commission (CC Docket Nos. 93-193, Phase 1, Part 2, 94-65), May 19, 1997.  
Vermont Public Service Board (Docket no. 6000), January 19, 1998.  
Colorado Public Utilities Commission (Docket No. 97A-540T, January 30, 1998. Rebuttal May 14, 1998.  
California Public Utilities Commission, affidavit on economic principles for updating Pacific Bell's price cap plan. Filed February 2, 1998.  
California Public Utilities Commission, reply comments on Pacific proposal to eliminate vestiges of ROR regulation and inflation minus productivity factor formula/index, filed June 19, 1998.  
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May, 2001

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART C**

**PART C: SUMMARY OF DATA ON COMPETITORS' NETWORK FACILITIES—  
SWITCHES AND FIBER ROUTE MILEAGE BY REGION**

Below we present a series of tables identifying each of the competitors for which data were available on their local network facilities. We list the competitors who were reportedly operating in each area based on market research data collected for Verizon by Ibulient<sup>1</sup> and on data tabulated from the Telcordia Local Exchange Routing Guide.<sup>2</sup> These data are the basis for the tabulation in the testimony summarizing the number of competitors with facilities in each area of the state. The data are organized by region: New York Metropolitan area, including tables for Manhattan, the Rest of New York City, Westchester County, and Nassau/Suffolk counties; and for each of the other regions served by Verizon NY in upstate NY.

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<sup>1</sup> Ibulient Verizon CLEC Northern States 4Q00 Report, March 2001.

<sup>2</sup> Telcordia LERG ("LERG"), January 2001.



Competitive Facilities in the New York Metro Area — Manhattan		
	Fiber Route Miles	Switches
Allegiance	400 leased from MFN statewide	3
AT&T	646	16
Cablevision Lightpath		1
e.spire Communications	262 throughout the state	1
Focal Communications	Leases fiber from Verizon, MCI WorldCom and AT&T	2
Global Crossing	Leases 40 in Manhattan from Telergy	2
Level 3 communications	100 in all NYC	0
MCI WorldCom	175 in all NYC	9
Network Plus		2
Net2000	Leases fiber from Verizon	2
PaeTec Communications	Leases UNE Platform from Verizon	1
RCN	170 in all NYC	1
SBC	Leases fiber from Verizon, Williams and Level 3	1
Sprint		1
Telergy	100 intracity	0
Teligent	Fixed Wireless	2
Time Warner	78 in all NYC	3
Winstar	Fixed Wireless	3
XO	900 in all NYC	2
Other Carriers		14
Total		66

Other CLECs with switches include American Network, Connect!, CoreComm, Eagle., Ernest, Gillette Global Network, Global NAPS, ICG Telecom, MetTel, MGC, NECLEC, Plan B, and US Datnet.

Competitive Facilities in the New York Metro Area – other NYC		
CLEC	Fiber Route Miles	Switches
AT&T	Unknown	4
FiberNet	384 in all NYC	0
Global Crossing	Leases 60 in rest of NYC (non-Manhattan) from Telergy	0
Intermedia	Leases fiber from Verizon	0
MCIWorldCom	175 in all NYC	0
North American Telecom	Undetermined	0
RCN Telecom	170 in all NYC	1
SBC Telecom	Leases fiber from Verizon, Williams and Level 3	0
Telergy	200 between Manhattan and Albany	0
Time Warner	78 in all NYC	0
Winstar Wireless	Fixed wireless	0
XO	900 in all NYC	1
Other Carriers		9
Total		15

Other CLECs with switches include Broadview, Cablevision Lightpath, Comav Telco, Global NAPS, and IG2.

Competitive Facilities in the New York Metro Area - Long Island		
CLEC	Fiber Route Miles	Switches
AT&T Local	2,000 throughout the state	1
Cablevision Lightpath	7,300 throughout the network	4
Conversent	Leases fiber	1
e.spire	262 throughout the state	0
Focal	Leases fiber from Verizon, AT&T and MCI WorldCom	0
Long Island Telephone	Undetermined	0
MCI WorldCom	63 on Long island	2
Net2000	Leases fiber	0
Time Warner	Undetermined	0
XO	Currently laying fiber on Long Island	0
Other Carriers		5
Total		13

Other Carriers with switches includes IG2, NextGen Telephone, North American Telecom, SBC, and Telergy.

Competitive Facilities in New York Metro Area - White Plains (Westchester)		
CLEC	Fiber Route Miles	Switches
Allegiance	400 leased from MFN statewide	0
AT&T	2,000 statewide	4
Conversent	Leases fiber	0
e.spire	32 in White Plains	0
Focal	Leases fiber from Verizon, MCI WorldCom and AT&T	0
Global Crossing	100 leased throughout New York	0
Intermedia	Leases fiber	0
MCI WorldCom	57 in White Plains	1
Net2000	Leases fiber from Verizon	0
North American Telecom	Undetermined	0
PaeTec Communications	Lease UNE Platform from Verizon	0
Teligent	Wireless	0
Total		5

Competitive Facilities in Upstate New York – Albany		
CLEC	Fiber Route Miles	Switches
Adelphia Business Solutions	75	0
AT&T	Currently leasing	3
Broadview	Leases Fiber from Verizon	0
Choice One Communications	Leases fiber from Verizon and Fiber Technologies	1
MCI WorldCom	10	1
Mid-Hudson Communications		2
PaeTec Communications	Leases fiber from Verizon	1
Telergy	83 intracity	0
Time Warner	170	1
Other Carriers		9
Total		18

Other Carriers with switches includes Fairpoint, Global Crossing, Level 3, Primelink, US Datanet, and Westelcom.

Competitive Facilities in Upstate New York – Buffalo		
CLEC	Fiber Route Miles	Switches
Adelphia Business Solutions	400	1
AT&T	Unknown	4
Broadview	Leases Fiber from Verizon	0
Choice One Communications	Leases UNE platform from Verizon	1
Global Crossing	Leases UNE Platform from Verizon	0
MCI WorldCom	55	1
PaeTec Communications	Leases UNE platform from Verizon	2
Telergy	100 Miles in Buffalo	0
Other Carriers		8
Total		17

Other CLECs with switches include Connect!, ICG Telecom, Level 3, MGC, Time Warner, Timely Information, and US Datanet.

Competitive Facilities in Upstate New York - Syracuse		
CLEC	Fiber Route Miles	Switches
Adelphia Business Solutions	1300 throughout Central New York	1
AT&T	Under Construction	2
Broadview	Verizon UNE Platform	1
Choice One Communications	UNE Platform from Verizon	1
Global Crossing	UNE Platform from Verizon	0
Northland	UNE Platform from Verizon	2
PaeTec Communications	UNE Platform from Verizon	1
Telergy	107	2
Other		8
Total		18

Other CLECs with switches include CTSI, Fairpoint, Thousand Islands, and US Datatnet.

Competitive Facilities in Upstate New York – Poughkeepsie/Dutchess		
CLEC	Fiber Route Miles	Switches
Global Crossing		3
Global Naps		1
MCI Worldcom		2
US Datanet		1
Warwick Valley		1
Total		8

Competitive Facilities in Upstate New York – Binghamton/Ithaca		
CLEC	Fiber Route Miles	Switches
CTSI Inc		1
Fairpoint Communications		1
Telergy		1
Time Warner	81 route miles	1
US Datanet		1
Total		5

Note: Ibulient's Verizon CLEC Northern States 4Q00 Report did not have data for Poughkeepsie/Dutchess or Binghamton/Ithaca.

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART D  
[REDACTED VERSION]**



## PART D: PROFILES OF SELECTED CARRIERS PRESENT IN VERIZON NY'S TERRITORY

The following are descriptive summaries of the major facilities-based competitive local exchange providers currently operating in Verizon's New York territory. The data were obtained from market research reports, company web sites and news stories. Part C summarizes data on other facilities based carriers competing with Verizon NY; and Part E reports data from Verizon NY's records on each company. The latter has been coded to avoid revealing information proprietary to these companies.

### A. AT&T

AT&T is the largest CLEC in New York, offering a combination of facilities-based and resale local service<sup>1</sup>. In July 1998, AT&T completed the acquisition of TCG,<sup>2</sup> the first CLEC in New York.<sup>3</sup> A few months earlier, TCG had acquired another facilities-based competitor in New York – ACC.<sup>4</sup> And even before AT&T acquired these CLECs, it had deployed its own competitive local facilities in the State.<sup>5</sup> AT&T is also the Nation's largest long-distance provider, wireless carrier, and cable operator,<sup>6</sup> and is using, or plans to use, its long-distance, wireless, and cable facilities to provide competitive local services throughout New York state.

<sup>1</sup> Including the assets and lines of its subsidiaries, AT&T Corp has the most local lines in service (337,219) and the highest revenues (over \$161 million) of any CLEC in New York, as of December 31, 1999. New York State Public Service Commission, "Analysis of Local Exchange Service Competition in New York State," May 2000 ("NYPSC 1999 Competition Report") at 28.

<sup>2</sup> See AT&T News Release, *AT&T Completes TCG Merger*, Jul. 23, 1998. According to AT&T's chairman, "[w]hat [the TCG merger] says about AT&T is that we will invest in the local market and that we will invest to grow." S. Schiesel, *AT&T to Pay \$11.3 Billion for Teleport*, N.Y. Times, Jan. 9, 1998, at D1.

<sup>3</sup> TCG began offering service in New York City on its fiber optic network in 1985. In 1991, TCG became the first competitive local carrier to offer switched access services in New York; in 1994, it became the first competitor in New York to offer switched local services.

<sup>4</sup> TCG acquired ACC in a stock swap worth over \$1 billion on April 22, 1998. See *Teleport Communications Group Inc. Completes the Merger with ACC Corp.*, Business Wire, Apr. 22, 1998. At the time, ACC provided local exchange services, at least partially over its own facilities, in Albany, Buffalo, New York, and Syracuse. See New Paradigm Resources Group and Connecticut Research, *1998 Annual Report on Local Telecommunications Competition*, 9th ed. at ACC – 6 of 8 (1998). According to data reported by the New York Public Commission in November 1998, ACC served over 12,000 access lines – almost 3,000 access lines in the Albany area, over 2,000 in the Buffalo area, and 4,000 in the Syracuse area. See New York Public Service Commission, *Competitive Analysis of Telecommunications in New York State*, Nov. 1998.

<sup>5</sup> For example, in 1997, AT&T testified before the NYPSC that it had one local switch in New York. See *Technical Sessions Transcript* at 835.

<sup>6</sup> See FCC Industry Analysis Division, *Statistics of the Long Distance Telecommunications Industry*, January 2001.

AT&T's local network in New York state comprises over 2,000 route miles, including 646 in Manhattan alone, and connects to over 800 buildings.<sup>7</sup> AT&T operates twenty local voice switches in the New York metro area.<sup>8</sup> AT&T also provides service to over 17,000 lines in parts of upstate New York<sup>9</sup>, and has switches in Albany, Buffalo, Long Island, Rochester, Syracuse and Westchester County.<sup>10</sup>

AT&T provides service to both business and residential customers in both the New York metro area and upstate New York. AT&T has more than 223 thousand business and more than 50 thousand residential local lines in the New York metro area, and 7,000 business and 10,000 residential lines in upstate New York.<sup>11</sup> In recognition of Verizon's recent entry into the long-distance market,<sup>12</sup> AT&T expanded its service in New York by obtaining UNEs from Bell Atlantic.<sup>13</sup> As of December 2000, AT&T was serving 750 thousand residential customers alone in New York state through Verizon's UNE Platform.<sup>14</sup> In August 1999, AT&T began telemarketing this service to a cross-section of the company's 5 million long-distance subscribers; it achieved "a good rate of acceptance."<sup>15</sup>

AT&T also provides competitive local telephony using its own cable networks. In the last two years, AT&T has acquired two large cable providers, TCI and MediaOne, and formed a 20-year joint venture with another, Time-Warner. The assets of all these deals give AT&T access to cable systems in New York state, passing 662,953 homes.

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<sup>7</sup> *Ibuprofen 4Q00*, p. 96-120.

<sup>8</sup> In Manhattan, AT&T has sixteen switches, including nine operated by TCG. In the other boroughs of NYC, AT&T has four switches, including three operated by TCG. LERG data.

<sup>9</sup> NYPSC 1999 Competition Report, at 14. Does not include any upstate lines served by ACC National Telecom.

<sup>10</sup> Telcordia LERG, January 2001.

<sup>11</sup> NYPSC 1999 Competition Report, p. 14.

<sup>12</sup> See D. Johnson, *AT&T Makes Plans to Enter Local Phone Service in New York via Bell Atlantic*, Associated Press, Apr. 21, 1999 (quoting AT&T spokesperson Gary Morganstern: "We want to enter the local phone market as soon as we can. . . . We know that Bell Atlantic will eventually pass the tests, it's just a matter of waiting for that to happen."); M. Mosquera, *Bell Atlantic Edging Closer to Long Distance*, TechWeb News, Apr. 1, 1999 (quoting Mike Morrissey, AT&T Vice President for Law and Government Affairs in the Northeast Region: "It would be foolish to base a business strategy on the illusion that we could keep Bell Atlantic out indefinitely." "Bell Atlantic may well get approval (to offer long-distance) by the end of 1999.").

<sup>13</sup> See D. Johnson, *AT&T Makes Plans to Enter Local Phone Service in New York via Bell Atlantic*, Associated Press, Apr. 21, 1999.

<sup>14</sup> New Paradigm 2001 CLEC report, at AT&T 4 of 29.

<sup>15</sup> J. May, *AT&T Quietly Tests Local Service in Bell Atlantic New York Territory*, The Star Ledger, Aug. 4, 1999 (quoting George Burnett, president of local services Eastern and Central regions, AT&T).

AT&T is using both fixed and mobile wireless facilities in New York to compete against Bell Atlantic's wire-line local service.<sup>16</sup> AT&T is using 38-GHz licenses to establish fixed wireless links to buildings that are not reached by AT&T's fiber network. And with AT&T's flat-rate PCS service – Digital OneRate – eliminating roaming and long-distance charges, mobile wireless services are increasingly becoming a substitute for landline service for many customers.<sup>17</sup>

Finally, AT&T is using its long-distance facilities to provide competitive local service. AT&T is using several of its 4ESS switches in New York to provide competitive local service to large business customers.<sup>18</sup> AT&T's Digital Link Service connects end users directly to these switches using high-capacity trunks. The New York metro area was the first area in which AT&T offered inbound calling as part of this service.<sup>19</sup> In 2000, AT&T expanded its Digital Link service to cover other areas of New York State.<sup>20</sup>

AT&T's extensive facilities make it uniquely able to provide bundled services. AT&T already permits its local customers to aggregate their local usage with AT&T long-distance usage "to ensure maximum volume discounts."<sup>21</sup> AT&T's Seamless Link service "is a bundled offer that packages a number of switched features," including "local, AT&T IntraLATA, long distance (domestic and international), calling card and toll-free services."<sup>22</sup> AT&T's CERFtone service – is "a turnkey equipment, voice and Internet solution"<sup>23</sup> that offers customers a single price for local service, high-speed Internet access and all necessary hardware, at "substantial discounts"<sup>24</sup> over the cost of purchasing these services individually from multiple vendors. AT&T's cable telephony strategy includes plans to enhance its bundled offerings further still, particularly for residential customers.<sup>25</sup> As Chairman Armstrong has

<sup>16</sup> AT&T's chairman has stated that, even with the acquisitions of MediaOne and TCI, there will be markets AT&T will have to address "with either joint ventures or fixed wireless or with mobile wireless or . . . with the resale of access lines." CNBC/Dow Jones – Business Video, *Power Lunch – AT&T – Chairman & CEO – Interview*, May 6, 1999 (quoting Michael Armstrong).

<sup>17</sup> See AT&T, *AT&T Digital OneRate*, <http://www.attws.com/personal/onerate/main.html>.

<sup>18</sup> Telcordia LERG, January 2001.

<sup>19</sup> See L. Turmelle, *AT&T Takes First Step to Local Service*, Bridgewater (NJ) Courier-News, Jan. 28, 1997, at A2. AT&T has since expanded the availability of this service, in addition to adding other services, like calling toll-free numbers. See AT&T Press Release, *AT&T Expands Local Calling for Business Customers in Four States*, Jun. 8, 1998.

<sup>20</sup> From AT&T's website, <http://www.attbroadband.com/services/products/TelephonyLearnMore.html>

<sup>21</sup> AT&T, *The Convenience: Why AT&T Local Service*, <http://www.att.com/local/why>.

<sup>22</sup> AT&T, *AT&T Seamless Link*, <http://www.att.com/local/services/slink.html>.

<sup>23</sup> AT&T, *AT&T CERFtone*, <http://www.att.com/local/services/cerf.html>.

<sup>24</sup> *Id.*

<sup>25</sup> See *Power Lunch – AT&T, Time Warner – Chairmen & CEOs – Interview*, CNBC/Dow Jones – Business Video, Feb. 1, 1999.

summarized it: "The more you buy from AT&T, the less it's going to cost you."<sup>26</sup>

## B. WorldCom

WorldCom is the second largest CLEC in New York<sup>27</sup>, and one of the largest in the U.S.<sup>28</sup> WorldCom developed its CLEC business through a series of major acquisitions. MFS, which WorldCom acquired in December 1996, began offering business services over its New York City network in 1991.<sup>29</sup> In January 1998, WorldCom completed its acquisition of Brooks Fiber,<sup>30</sup> which operated a local fiber network in White Plains, New York. Finally WorldCom acquired all of MCI in September 1998,<sup>31</sup> including MCI's CLEC subsidiary, MCI metro, with over 191 thousand lines in service in the New York metro area alone.<sup>32</sup>

WorldCom operates its own networks in New York City, Long Island, Rochester, White Plains, Albany and Buffalo.<sup>33</sup> In New York City, WorldCom's network consists of 175 miles of fiber, over 800 on-net buildings,<sup>34</sup> and eight switches.<sup>35</sup> WorldCom's Westchester network consists of at least 57 route miles<sup>36</sup>, 22 on-net buildings<sup>37</sup>, and one switch.<sup>38</sup> In Albany, WorldCom's network covers the downtown area with 10 route miles, 27 on-net buildings<sup>39</sup>, and one switch.<sup>40</sup> WorldCom's Buffalo network has 55 route miles of fiber, over 40 on-net buildings<sup>41</sup>, and one switch.<sup>42</sup>

<sup>26</sup> N. Knox, *AT&T and Comcast Divide the Spoils of MediaOne, They Face Scrutiny*, Associated Press, May 6, 1999.

<sup>27</sup> Through its own operations and those of its subsidiaries, WorldCom served 304,973 lines as of December 1999 in New York state, including 296,280 over its own facilities. NYPSC 1999 Competition Report, page 14, 28.

<sup>28</sup> New Paradigm 2001 CLEC Report, at WorldCom 3 of 21.

<sup>29</sup> See New Paradigm Resources Group and Connecticut Research, *1998 Annual Report on Local Telecommunications Competition*, 1998 (9th ed.), at MFS-WorldCom 11 of 14.

<sup>30</sup> See WorldCom Press Release, *WorldCom/Brooks Fiber Merger Completed*, Jan. 30, 1998.

<sup>31</sup> See WorldCom Press Release, *WorldCom Completes Merger with MCI*, Sept. 14, 1998.

<sup>32</sup> NYPSC 1999 Competition Report, at 14.

<sup>33</sup> New Paradigm 2001 CLEC report, at WorldCom p. 13-15.

<sup>34</sup> *Ibulent 4Q00* at 21

<sup>35</sup> Two of those eight are operated by WorldCom's subsidiary, MCI metro. LERG data.

<sup>36</sup> *Ibulent 4Q00* at 19

<sup>37</sup> *New Paradigm 2001 CLEC Report* at WorldCom p. 15.

<sup>38</sup> Telcordia LERG, January 2001.

<sup>39</sup> *Ibulent 4Q00* at 29.

<sup>40</sup> Telcordia LERG, January 2001.

<sup>41</sup> *Id.* at 27.

WorldCom has made a significant investment in wireless technology, which enables the company to extend its networks to customers that are not on existing fiber routes. In 1999 WorldCom acquired CAI wireless, which has licenses that serve New York City, Albany, Buffalo, Long Island, Rochester, Poughkeepsie, Ithaca, Utica, Glens Falls and Syracuse.<sup>43</sup> WorldCom has also invested \$200 million in People's Choice TV, Wireless One, and CS Wireless Systems.<sup>44</sup> MCI WorldCom invested \$300 million for a 37 percent interest in Metricom, Inc., a leading provider of mobile data networking and technology.<sup>45</sup> Metricom offers services in New York City.<sup>46</sup>

WorldCom provides service to both business and residential customers in the New York metro area and in several upstate cities.<sup>47</sup> As of December 1999, WorldCom was serving 296,280 lines in New York over its own facilities or UNE Ps.<sup>48</sup> Including subsidiaries, WorldCom has more than 89 thousand business lines and more than 159 thousand residential lines in service in the New York metro area, and 46,680 business lines and 9,600 residential lines in service in upstate New York.<sup>49</sup>

In recognition of then-Bell Atlantic's entry into the long-distance market, WorldCom began in February 1999 to pursue a new residential market entry strategy in New York, by leasing a platform of Bell Atlantic's unbundled network elements.<sup>50</sup> In its first seven months of pursuing this strategy, WorldCom signed up more than 160,000 residential customers in New York.<sup>51</sup> More recently, WorldCom has begun marketing bundled local and long distance services to consumers. WorldCom's "OneCompany Advantage"

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<sup>42</sup> Telcordia LERG, January 2001

<sup>43</sup> See CAI Wireless 8-K report August 3, 1999.

<sup>44</sup> See *WorldCom Boosts Wireless Access*, Internet Week, Apr. 5, 1999.

<sup>45</sup> See [http://www.worldcom.com/investor\\_relations/mergers/other\\_investments](http://www.worldcom.com/investor_relations/mergers/other_investments), downloaded May 2, 2001.

<sup>46</sup> See Metricom, *About Us*, <http://www.metricom.com/about/>.

<sup>47</sup> MFS began offering business services over its New York City network in 1991, and in Albany and Buffalo in 1994. See New Paradigm Resources Group and Connecticut Research, *1998 Annual Report on Local Telecommunications Competition*, at MFS-WorldCom 11 of 14. Brooks Fiber began offering business services in White Plains in 1997. *Id.* at Brooks Fiber Properties 15 of 18. MCI, through its wholly-owned subsidiary, MCImetro, began offering facilities-based local services to business customers in the New York metro area in the February 1997. See G. Mannes, *MCI Makes Call for NYNEX Territory*, Daily News (New York), Feb. 7, 1997, at 71.

<sup>48</sup> NYPSC 1999 Competition Report, at 14.

<sup>49</sup> *Id.*

<sup>50</sup> See *AT&T Taps Bell Atlantic for Local Residential Service in N.Y.*, Washington Telecom Newswire, Apr. 21, 1999.

<sup>51</sup> See MCI WorldCom Press Release, *MCI WorldCom Shifts Resources to Florida Test of BellSouth*, Sept. 9, 1999.

service offers unlimited local calling and affordable long distance rates to New York consumers.<sup>52</sup>

### C. Cablevision Lightpath

Cablevision Lightpath is a wholly-owned subsidiary of Cablevision, the second largest cable operator in New York.<sup>53</sup> Statewide Lightpath has over 7,300 fiber route miles in place. Traditionally Lightpath has focused on serving customers on Long Island, though recently has made a series of moves designed to increase the company's presence in the New York metro area and beyond. In a license swap with AT&T, Lightpath gained cable systems in Westchester, Rockland, Putnam, Orange, Ulster and Dutchess counties, increasing the company's opportunities to serve both the cable and telephony markets in these areas.<sup>54</sup> Lightpath was also chosen to supply broadband services to county offices and public buildings in Westchester County.<sup>55</sup>

Cablevision Lightpath operates traditional CLEC facilities – fiber and switches – that it uses to serve primarily business customers. Cablevision Lightpath also provides local telephone service to residential customers over Cablevision's cable network, which has been upgraded to Hybrid Fiber Coax (HFC).<sup>56</sup> In its core Long Island network, Cablevision has 844 route miles of fiber<sup>57</sup> and two switches.<sup>58</sup> In the New York Metro area, Lightpath has recently added switches in the Bronx and in Yonkers.<sup>59</sup> And to serve its new customers in Westchester County, Lightpath is building a 125 fiber route mile network in White Plains.<sup>60</sup>

Cablevision Lightpath provides facilities-based service to both business and residential customers in the New York metro area.<sup>61</sup> According to a company press release, as of February 2001 the company served 66,000 access lines

<sup>52</sup> See [http://www.mciworld.com/for\\_your\\_home/products\\_services/local/ny/oca200.shtml](http://www.mciworld.com/for_your_home/products_services/local/ny/oca200.shtml), downloaded May 2, 2001

<sup>53</sup> *New Paradigm 2001 CLEC report*, at Cablevision Lightpath 2 of 8.

<sup>54</sup> Cablevision Press Release, "AT&T and Cablevision Complete Cable Systems Transaction" January 8, 2001

<sup>55</sup> *New Paradigm 2001 CLEC report*, at Cablevision Lightpath 3 of 8.

<sup>56</sup> See Cablevision, *About Cablevision*, <http://www.cablevision.com/cvhome/frame/fabouto.htm>.

<sup>57</sup> *Ibuprofen* 4Q00 at 41.

<sup>58</sup> Telcordia LERG, January 2001.

<sup>59</sup> *New Paradigm 2001 CLEC Report*, at Cablevision Lightpath 6 of 8; LERG data

<sup>60</sup> *Id.*, at 3 of 8

<sup>61</sup> NYPSC 1999 Competition Report, at 14.

over its entire network in New York, New Jersey and Connecticut.<sup>62</sup> In December 1999, Cablevision Lightpath served more than 54 thousand business and 13 thousand residential lines over its own facilities in the New York metro area, which in this case includes Long Island.

Cablevision offers local telephone service in combination with toll, long distance, and cable services, and offers substantial discounts (up to 30 percent) to customers who take both phone and cable service.<sup>63</sup> Cablevision is a partner with @Home Corporation and offers its Optimum @Home cable modem to many parts of Long Island.<sup>64</sup>

#### D. Global Crossing

Global Crossing is the sixth largest long-distance company in the United States,<sup>65</sup> as well as a major local service provider to 33 states.<sup>66</sup> GC has been providing local service in New York since 1996, but was a minor player until it purchased Frontier Communications in early 1999. Initially a facilities-based ILEC in parts of upstate New York, Frontier had begun providing competitive local service in New York City in November 1996.<sup>67</sup> Though Frontier's ILEC assets remained under the original brand name, the CLEC business is now run under the Global Crossing brand name.

Global Crossing's nationwide strategy combines the use of the company's own switching equipment with resold local lines nationwide.<sup>68</sup> GC operates five local voice switches in New York statewide.<sup>69</sup> Two of those switches operate in the New York metro area<sup>70</sup>, where GC leased 100 miles of fiber from Telergy, 40 of which lie in Manhattan.<sup>71</sup> The remaining switches are located upstate, one in Albany and two in Poughkeepsie.

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<sup>62</sup> See Cablevision Lightpath Press Release, "Cablevision to combine its Lightpath, Wireless and IP Telephony Assets into One Operating Unit", Feb. 27, 2001.

<sup>63</sup> See [http://www.lightpath.net/about/about\\_lightpath.html](http://www.lightpath.net/about/about_lightpath.html).

<sup>64</sup> See J. Higgins, *At Home Stock Drops*, *Broadcasting & Cable*, Jan. 18, 1999, at 120.

<sup>65</sup> See FCC Industry Analysis Division, *Statistics of the Long Distance Telecommunications Industry*, January 2001.

<sup>66</sup> See [http://www.globalcrossing.com/services/ps\\_local\\_services.htm](http://www.globalcrossing.com/services/ps_local_services.htm).

<sup>67</sup> *Frontier Launches Local Telephone Service in New York City as an A-LEC*, PR Newswire, Nov. 26, 1996. Frontier filed a resale agreement with Bell Atlantic on July 22, 1996; the agreement was approved on October 3, 1996.

<sup>68</sup> Frontier Press Release, *Frontier Communications Doubled Number of Competitive Local Access Lines in 1998*, Jan. 12, 1999.

<sup>69</sup> Telcordia LERG, January 2001.

<sup>70</sup> *Id*

<sup>71</sup> *Ibulient 4Q00*, at 183

As of the end of 1999, Global Crossing was offering only facilities based business line service in New York, serving 7,864 lines in the New York metro area and over 300 lines upstate. According to proprietary Verizon E911 data from December 2000, GC has more than [BEGIN PROPRIETARY] [END PROPRIETARY] lines in service in the New York metro area now, and more than [BEGIN PROPRIETARY] [END PROPRIETARY] lines in upstate New York.<sup>72</sup>

#### E. NEXTLINK/XO

XO was founded as NEXTLINK in 1994 by Craig McCaw. XO is the largest holder of fixed wireless spectrum in North America, with licenses covering 95 percent of the population in the top 30 markets in the United States.<sup>73</sup> It operates 32 facilities-based networks in 51 markets, and has over 5,380 route miles with 435,992 fiber miles nationally.<sup>74</sup> NEXTLINK began offering switched services in New York during the third quarter of 1998.<sup>75</sup>

NEXTLINK's network in New York City spans 900 route miles, connects to over 70 buildings,<sup>76</sup> and contains three switches.<sup>77</sup> The company is also in the process of rolling out fiber in Long Island.<sup>78</sup> NEXTLINK also has licenses for LDMS and 39 Ghz fixed wireless service in New York City, Albany, Buffalo, Syracuse and Rochester,<sup>79</sup> and is using this spectrum in New York and elsewhere to extend its networks.

NEXTLINK serves [BEGIN PROPRIETARY] [END PROPRIETARY] primarily business customers in all of New York state. The company has more than [BEGIN PROPRIETARY] [END PROPRIETARY] lines in service in the New York metro area alone, and an additional [BEGIN PROPRIETARY] [END PROPRIETARY] in Long Island.<sup>80</sup>

<sup>72</sup> Verizon E911 data.

<sup>73</sup> See <http://www.xo.com/news/mediakit/factsheet.html>.

<sup>74</sup> As of June 2000. See *id.*

<sup>75</sup> *Ibulant 4Q00 at 20 and 22.*

<sup>76</sup> *Ibulant 4Q00 at 22.*

<sup>77</sup> Telcordia LERG, January 2001.

<sup>78</sup> *Ibulant 4Q00 at 20.*

<sup>79</sup> *NEXTLINK 2000 10K*

<sup>80</sup> Verizon E911 Data.



## F. Broadview

Broadview Networks has been providing local exchange service in New York state since 1996. Originally a reseller of Verizon service, Broadview installed its first switch in New York in 1999 and has since begun moving towards a more facilities-based service offering to its customers.<sup>81</sup> Broadview serves over 100,000 total in New York and other major markets in the northeast, including Boston and Philadelphia.<sup>82</sup>

Broadview's first switch in New York was installed on eastern Long Island in 1999, and began immediately serving customers in the New York metro area.<sup>83</sup> Broadview installed a second switch in Syracuse in March 2000.<sup>84</sup> Though the company has no fiber of its own at this time, it does currently lease several miles of fiber from Verizon and other carriers.<sup>85</sup>

In December 1999, prior to the activation of the Syracuse switch, Broadview's facilities based customers were exclusively in the New York Metro area. Broadview was serving at least 3,249 residential and 3,4000 business lines through its own facilities or UNE Ps at the end of 1999.<sup>86</sup> Through resale, Broadview was serving 15,572 residential and 21,297 business lines in the New York metro area, in addition to 5,408 residential and over 23 thousand business lines upstate.<sup>87</sup> More recently, Broadview was reported to have over [BEGIN PROPRIETARY] [END PROPRIETARY] total facilities-based lines in the New York metro area, including Long Island, and [BEGIN PROPRIETARY] [END PROPRIETARY] total facilities-based lines upstate.<sup>88</sup>

Along with its local service offerings, Broadview also supplies long distance voice service and Internet access over DSL. In August 2000, Broadview began selling bundled voice and data services to business consumers in New York. The company's "BusinessOne" plan is a "simple, flat-rate, integrated voice and Internet communications plan," available to customers in New York

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<sup>81</sup> Ibulient 4Q00 at 68

<sup>82</sup> See Broadview's web site, *About Us*, [http://www.broadviewnet.com/about\\_us/about\\_us\\_frame.asp?ID=3](http://www.broadviewnet.com/about_us/about_us_frame.asp?ID=3).

<sup>83</sup> Broadview Press Release, "Community NetWorks Launches Integrated Network and Changes Name to Broadview Networks," October 4, 1999.

<sup>84</sup> Broadview Press Release, "Broadview Networks Announces that Syracuse Switch Is Serving Customers," March 27, 2000.

<sup>85</sup> Ibulient 4Q00, at 68

<sup>86</sup> NYPSC 1999 Competition Report, at 14.

<sup>87</sup> Id

<sup>88</sup> Verizon E911 Data, December 2000.

City, Buffalo, Albany, Syracuse, Long Island and Westchester and Rockland counties.<sup>89</sup>

## G. RCN

RCN (formerly C-TEC) was formed by Peter Kiewit Sons, the same company that established MFS.<sup>90</sup> RCN bills itself as "the nation's first and largest facilities-based competitive provider of bundled phone, cable television and high-speed Internet services to the most densely populated markets in the U.S."<sup>91</sup> RCN has been offering local service to both business and residential customers in the New York metro area since August 1996.<sup>92</sup> RCN claims to be "the only residentially focused competitive local exchange carrier in the industry."<sup>93</sup>

RCN's network in New York City contains two switches<sup>94</sup> and approximately 170 route miles of fiber connecting to over 800 buildings.<sup>95</sup> In 1999 RCN and Level 3 agreed to jointly build a fiber network through Manhattan, and provide RCN with access to Level 3's national fiber backbone.<sup>96</sup>

Though RCN began competing in New York on a resale basis,<sup>97</sup> RCN now focuses on providing facilities-based service.<sup>98</sup> RCN serves more than [BEGIN PROPRIETARY] [END PROPRIETARY] lines over its own facilities in the New York metro area.<sup>99</sup>

RCN currently offers bundled cable service with its telephone service to over 600 buildings in the New York metro area.<sup>100</sup> In April 1996, RCN acquired 80

<sup>89</sup> See Broadview Press Release, "Broadview Networks Launches BusinessOne -- Integrated Voice and Internet Plan -- In New York State, Boston and Philadelphia Markets," August 28, 2000.

<sup>90</sup> See B.J. Roberts, Ladenburg, Thalman & Co., Investext Rpt. No. 1609879, C-TEC Corporation at \*3 (Jun. 26, 1995). In September 1997, C-TEC Corporation separated its operations into three separate, publicly traded companies X RCN, Commonwealth Telephone Enterprises, and Cable Michigan. RCN Corp., 1998 10-K405 (SEC Mar. 31, 1999).

<sup>91</sup> RCN Press Release, "RCN Announces First Quarter 2001 Results," May 3, 2001.

<sup>92</sup> See *C-TEC Corporation to Restructure into Three Public Companies*, PR Newswire, Feb. 13, 1997.

<sup>93</sup> RCN, *RCN Company Profile*, <http://www.rcn.com/investor/index.html>.

<sup>94</sup> Telcordia LERG, January 2001.

<sup>95</sup> Ibulient 4Q00, at 22.

<sup>96</sup> See RCN Corp., SEC Form 10-K405 (Mar. 31, 1998).

<sup>97</sup> *Id.* (RCN "provides resale telephone service with a view to extending the advanced fiber optic network and fully activating RCN's own telephone switches to service many of those customers.").

<sup>98</sup> At the end of 1998, "[t]he company ceased all activity related to the resale of its competitors' local phone service." RCN Press Release, *RCN Announces Record 1998 Results*, Feb. 5, 1999.

<sup>99</sup> Verizon E911 Data, December 2000.

<sup>100</sup> See RCN Press Release, *RCN Announces Joint Network Expansion with Level 3 Communications*, Feb. 16, 1999.

percent of Liberty Cable, one of the first wireless cable companies in the country.<sup>101</sup> RCN operates its own Hybrid Fiber Coaxial cable television networks upstate New York, approximately 70 percent of which have two-way broadband (750 MHz) capabilities.<sup>102</sup> In New York, RCN has achieved a voice and video penetration rate of more than 60 percent in buildings where it has gained total control over facilities serving the customers.<sup>103</sup> The company offers customers who subscribe to both local phone and cable services a discounted cable fee.<sup>104</sup> RCN also offers Internet access to its local service and cable subscribers as well as special low rates on long-distance service.<sup>105</sup>

## H. Adelphia

Adelphia Business Solutions (ABS), formerly called Hyperion Telecommunications, is the CLEC subsidiary of Adelphia Communications, the fifth largest cable operator in the U.S.<sup>106</sup> ABS operates networks in upstate New York, which it originally developed through NewChannels Hyperion Telecommunications, a partnership with TCI and the Time Warner Entertainment-Advance/Newhouse joint venture (TWE-A/N).<sup>107</sup> Hyperion has been providing switched local services in Syracuse since the second quarter of 1997, and in Buffalo since April 1997.<sup>108</sup>

ABS's central New York state network contains over 1300 route miles, mostly around Syracuse, where it connects to 150 on-net buildings.<sup>109</sup> ABS's Buffalo

<sup>101</sup> See A. Ramirez, *Neighborhood Report: Manhattan Up Close; Cable Wars: Liberty Gets New Ally*, N.Y. Times, Apr. 7, 1996, Sec. 13 at 6. At the end of 1997, RCN had approximately 42,600 wireless video service and other connections in New York City, accounting for approximately 38,000 wireless video customers. RCN, SEC Form 10-K A (filed Apr. 12, 1998, for fiscal year ended Dec. 31, 1997).

<sup>102</sup> See RCN, SEC Form 10-K (Mar. 31, 1999).

<sup>103</sup> See RCN Press Release, *RCN's McCourt Says Company Sees Strong Penetrations in Buildings in Which It Controls All Services*, Jan. 11, 1999.

<sup>104</sup> E. Garcia, *Gov't Out of Cable Mix; Companies Say Rates Won't Be Affected*, Daily News, Apr. 1, 1999.

<sup>105</sup> See RCN Press Release, *RCN Enters Fifth Major Market*, Apr. 28, 1998; RCN Corp., SEC Form 10-K405 (Mar. 31, 1999).

<sup>106</sup> Including the acquisition of 100,000 subscribers from GS Communications in March 2001, Adelphia has over 6.2 million cable subscribers nationally. See National Cable Television Association's website, Top 25 MSOs, as of December 2000 ([http://209.25.246.151/industry\\_overview/top50mso.cfm](http://209.25.246.151/industry_overview/top50mso.cfm)).

<sup>107</sup> See *Joint Petition of Hyperion Telecommunications of New York, Inc., Advance/Newhouse Partnership, NewChannels Hyperion Telecommunications of New York, NHT Partnership and Time Warner AxS of Albany, L.P. for Authority to Transfer and Acquire Partnership Interests, a Certificate of Public Convenience and Necessity and Telephone Assets Amongst the Petitioners*, Case 97-C-1205 (NYPSC Aug. 20, 1997).

<sup>108</sup> See 1999 CLEC Report at Hyperion 11 of 14. Hyperion has been providing special access services in Buffalo since January 1995 and in Syracuse since August 1992. See *id.*

<sup>109</sup> *Ibulient 4Q00* at 28.

network contains 400 route miles and 58 on-net buildings,<sup>110</sup> and 75 route miles in Albany.<sup>111</sup> Most recently, ABS has launched networks in Long Island and Utica/Rome, and plans to expand further into New York City in the near future.<sup>112</sup>

ABS offers facilities-based service to business customers and a limited number of residential customers. ABS serves [BEGIN PROPRIETARY] [END PROPRIETARY] lines over its own facilities in New York, including more than [BEGIN PROPRIETARY] [END PROPRIETARY] in and around Buffalo and more than [BEGIN PROPRIETARY] [END PROPRIETARY] in and around Syracuse.<sup>113</sup> ABS offers its local business customers bundled offerings of long-distance services, voice mail, and Internet access service.<sup>114</sup>

## I. Allegiance

Allegiance Telecom is a facilities-based CLEC, based in Dallas but with a broad national footprint and emphasis on serving the local calls of small and medium sized businesses in large metropolitan areas. In New York, Allegiance serves the New York metro and Long Island markets through a combination of its own facilities and the lease of dark fiber from other carriers.<sup>115</sup>

Allegiance has three switches in Manhattan.<sup>116</sup> The company leases 400 miles of fiber from MFN to service its customers in the New York metro area, including Long Island, Queens, Brooklyn and Westchester, where it has been providing service since 1996.<sup>117</sup>

According to proprietary Verizon E911 listings, Allegiance serves almost [BEGIN PROPRIETARY] [END PROPRIETARY] local lines over its own facilities throughout New York state. In New York City the company has [BEGIN PROPRIETARY] [END PROPRIETARY] lines and [BEGIN PROPRIETARY] [END PROPRIETARY] in Long Island.

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<sup>110</sup> *Id.* at 280-284.

<sup>111</sup> *Id.* at 29.

<sup>112</sup> Adelphia Business Solutions web site, <http://www.adelphia-abs.com/html/local/1.htm>.

<sup>113</sup> Verizon E911 Data, December 2000.

<sup>114</sup> *Id.*, <http://www.adelphia-abs.com/html/products/2.htm>.

<sup>115</sup> *New Paradigm 2001 CLEC report*, at Allegiance Telecom

<sup>116</sup> Telcordia LERG, January 2001

<sup>117</sup> *Ibulant 4Q00* at 58

## J. Time Warner

Time Warner Telecom was formed in 1998 by Time Warner Cable,<sup>118</sup> the largest cable operator in New York, and the second largest in the U.S.<sup>119</sup> Time Warner Telecom operates networks in 39 metropolitan areas that span nearly 13,000 fiber route miles and connect to over 8,000 buildings.<sup>120</sup> Four of the areas that Time Warner Telecom serves are in New York: New York City (including Long Island), Albany, and Binghamton and Rochester.<sup>121</sup> Recent acquisitions and expansion plans have Time Warner Telecom on track to be in 44 markets by the end of 2001.<sup>122</sup>

Time Warner Telecom's Manhattan network has been operational since February 1996; it contains 78 route miles of fiber, 120 on-net buildings,<sup>123</sup> and three switches.<sup>124</sup> Time Warner Telecom's Albany network has been operational since July 1995; it contains 170 fiber route miles, 22 on-net buildings,<sup>125</sup> and one switch.<sup>126</sup> Time Warner Telecom's Binghamton network has been operational since January 1995; it contains 81 fiber route miles and 27 on-net buildings.<sup>127</sup>

Time Warner Telecom provides facilities-based service to business customers in Manhattan.<sup>128</sup> Time Warner has announced a 20-year agreement with AT&T under which the two companies plan jointly to offer local services over Time Warner's cable lines.<sup>129</sup>

<sup>118</sup> See Time Warner Telecom, SEC Form 10-Q (Mar. 31, 1999).

<sup>119</sup> Time Warner has over 12 million subscribers nationwide. See National Cable Television Association's website, Top 25 MSOs, as of December 2000 ([http://209.25.246.151/industry\\_overview/top50mso.cfm](http://209.25.246.151/industry_overview/top50mso.cfm)). It has 1 million customers in the New York metro area alone. See *id.* Top 25 Cable Systems, as of December 1999 ([http://209.25.246.151/industry\\_overview/top50CS.cfm](http://209.25.246.151/industry_overview/top50CS.cfm)).

<sup>120</sup> Time Warner Telecom, SEC form 10-K (March 28, 2001)

<sup>121</sup> See Time Warner Telecom, <http://www.twtelecom.com/natnet.html>.

<sup>122</sup> *Id.*, <http://www.twtelecom.com/cgrowth.html>.

<sup>123</sup> *Ibulient 4Q00*, at 22.

<sup>124</sup> Telcordia LERG, January 2001.

<sup>125</sup> *Ibulient 4Q00*, at 259-262

<sup>126</sup> Telcordia LERG, January 2001.

<sup>127</sup> See Time Warner Telecom, SEC Form 10-K, at 10 (Dec. 31, 1998).

<sup>128</sup> Time Warner has asserted before the NYPSC that its "entry into the local exchange market in New York has been as [a] facilities-based carrier." Direct Testimony of Rochelle Jones on Behalf of Time Warner Communications Holdings, Inc., Cablevision Lightpath, Inc., Tele-Communications, Inc. and Cable Television and Telecommunications Association of New York, Inc., Consolidated Cases 95-C-0657, 94-C-0095, 91-C-1174, 2 (NYPSC Jul. 3, 1996).

<sup>129</sup> See Time Warner Press Release, *AT&T and Time Warner Form Strategic Relationship to Offer Cable Telephony*, Feb. 1, 1999.

Time Warner Telecom offers its customers long-distance service, and provides bundled packages of local and long-distance services at a discount.<sup>130</sup> Time Warner also provides cable modem services in New York through Road Runner, which Time Warner owns in part.<sup>131</sup> Time Warner's Road Runner cable modem service has been deployed in various cities in New York City and upstate New York, including Albany, Binghamton, Elmira, and Syracuse.<sup>132</sup>

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<sup>130</sup> See Time Warner Telecom, *Integrated Business Line*, [www.twtelecom.com/products/services/ibl.html](http://www.twtelecom.com/products/services/ibl.html) (better rates than "what you are now paying.").

<sup>131</sup> Road Runner is a joint venture among Time Warner Telecom, MediaOne, Microsoft, Compaq, and Advance/Newhouse. Road Runner, <http://www.rdrun.com/rdrun/company/index.html>.

<sup>132</sup> See Road Runner, [http://www.rdrun.com/rdrun/availability/citystate\\_fs.html](http://www.rdrun.com/rdrun/availability/citystate_fs.html). Penetration rates range from 1.5 to 3.5 percent in these markets. *Time Warner Launches High-Speed Net Access Campaign*, Media Daily, Oct. 22, 1997.

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART E  
[REDACTED VERSION]**

## Page 1 of 2

[illegible]



Numerous and Substantial Competitors are Present in Verizon NY's Service Area

Carrier Number	E911 Listings	Resold Lines			Provides UNE-Ps to		Total Lines			Collocation Completed	Voice Switches <sup>1</sup>
		Bus	Res	Total	Businesses	Residences	Bus	Res	Total		
	(a)	(b)			(c)	(d)				(h)	(o)
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Sources: E911 Listings: Verizon NY E911 Data, December 2000  
 Resale Data: Verizon NY Wholesale Data, December 2000  
 UNE-P Data: Verizon NY, April 2001  
 Collocation Data: Verizon NY, February 2001  
 Switch Data: Telcordia Local Exchange Routing Guide ("LERG"), January 2001

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART F**

Interconnection Agreements for Wireless Services

Company	Type of Service
1 360 Communications Company	Wireless
2 AA Beep, LP	Wireless
3 Aerial Communications, Inc. on behalf of its affiliate, APT Pittsburgh, Inc	Wireless
4 Airtouch Paging	Wireless
5 Albany Telephone Company	Wireless
6 Alexandra Cellular Corporation	Wireless
7 American PCS Communications, LLC d/b/a APC	Wireless
8 Appalachian Cellular, LLC, d/b/a Appalachian Wireless	Wireless
9 Aquis Wireless Communications, Inc.	Wireless
10 Arch Paging Incorporated and Mobile Communications Corporation of America	Wireless
11 AT&T Wireless Services, Inc.	Wireless
12 Atlantic Cellular Company, LP	Wireless
13 Cellco Partnership a general partnership on behalf of itself and partners it manages listed on the signature page d/b/a Bell Atlantic NYNEX Mobile	Wireless
14 COMAV Corp.	Wireless
15 Comcast Cellular Communications, Inc., Amcell of Atlantic City, Inc., AWACS, Inc., Cell South of New Jersey, Long Branch Cellular Telephone Company, New Brunswick Cellular Telephone Company, Ocean County Cellular Telephone Company, Vineland Cellular Telep	Wireless
16 Conestoga Wireless Co.	Wireless
17 Cricket Communications, Inc.	Wireless
18 D&E Wireless, Inc.	Wireless
19 Dover Radio Page, Inc.	Wireless
20 Easterbrooke Cellular Corporation	Wireless
21 Highland Cellular, Inc.	Wireless
22 Horizon Personal Communications, Systems	Wireless
23 Northeast Digital Network, Inc.	Wireless
24 NYNEX Mobile LP	Wireless
25 Omnipoint Communications Cap Operations, LLC	Wireless
26 Pagemart Wireless, Inc.	Wireless
27 Paging SourceUSA, Inc.	Wireless
28 Pennsylvania Cellular Telephone Corp.	Wireless
29 PhillieCo, LP and through its general partner and agent Sprint Spectrum L.P.	Wireless
30 Portland Cellular Partnership d/b/a Bell Atlantic Mobile	Wireless
31 PrimeCo Personal Communications, LP	Wireless
32 RSA 3, LP and RSA 4, LP	Wireless
33 SNET Cellular, Inc.	Wireless
34 South Canaan Cellular Communications	Wireless
35 Southwestern Bell Mobile Systems	Wireless
36 Sprint Spectrum LP	Wireless
37 Tern Wireless, LLC	Wireless
38 TSR Wireless LLC	Wireless
39 Upstate Cellular Network d/b/a Frontier Cellular	Wireless
40 Virginia RSA 3 LP	Wireless
41 Washington/Baltimore Cellular LP d/b/a Cellular One Washington/Baltimore	Wireless
42 West Virginia Cellular Telephone Corp.	Wireless
43 WirelessCo, LP	Wireless

Source: Verizon New York, April 2001

Interconnection Agreements by Facilities Based Provider

Company	Type of Service
1 @link Networks, Inc. f/k/a Dakota Services Limited	Facilities Based
2 2nd Century Communications	Facilities Based
3 360 Communications Company	Facilities Based
4 ABNT, Inc.	Facilities Based
5 Access Point, Inc.	Facilities Based
6 ACSI d/b/a e.spire	Facilities Based
7 Adelphia Business Solutions f/k/a Hyperion	Facilities Based
8 Advanced Telcom Group, Inc.	Facilities Based
9 AES Communications, LLC	Facilities Based
10 Allegiance Telecom	Facilities Based
11 American Network, Inc.	Facilities Based
12 Arbros Communications Licensing Company f/k/a NuTel Communications, Inc.	Facilities Based
13 ARC Networks, Inc. d/b/a InfoHighway	Facilities Based
14 AT&T	Facilities Based
15 ATX Telecommunications Services, Ltd. (A Corecomm, Inc. company)	Facilities Based
16 Austin Computer Enterprises	Facilities Based
17 Avatar Telecom, Inc.	Facilities Based
18 Baltimore Washington Telephone Company	Facilities Based
19 Barnstable Telephone	Facilities Based
20 Biddeford Internet Corporation d/b/a Great Works Internet	Facilities Based
21 BrahmaCom	Facilities Based
22 Broadband Digital Technologies, Inc.	Facilities Based
23 BroadRiver Communications of the Northeast, Inc.	Facilities Based
24 BroadStream Corporation	Facilities Based
25 BroadStreet Communications, Inc.	Facilities Based
26 Broadview Networks, Inc.	Facilities Based
27 Business Telecom, Inc.	Facilities Based
28 C2C Fiber	Facilities Based
29 Cablevision Lightpath	Facilities Based
30 Cambrian Communications	Facilities Based
31 Cardinal Communications, Inc.	Facilities Based
32 Cavalier Telephone	Facilities Based
33 Cellular Vision of NY, LLP	Facilities Based
34 CFW Wireless	Facilities Based
35 Choice One	Facilities Based
36 CLEC Communications Corp.	Facilities Based
37 Coastal Internet Access, Inc.	Facilities Based
38 Comcast Telecommunications, Inc.	Facilities Based
39 Communications Designs	Facilities Based
40 Community Service Long Distance (CommTel)	Facilities Based
41 Compass Telecommunications	Facilities Based
42 Complete Business Systems, Inc.	Facilities Based
43 Computer Business Sciences (IG2, Inc.)	Facilities Based
44 Comscape Communications, Inc.	Facilities Based
45 Conectiv Communications, Inc	Facilities Based
46 Conestoga Communications, Inc. f/k/a Northern Telecommunications, Inc.	Facilities Based
47 Connect!	Facilities Based

Interconnection Agreements by Facilities Based Provider

Company	Type of Service
48 Convergent Telesis, LLC	Facilities Based
49 Conversent Communications f/k/a New England Voice and Data, LLC	Facilities Based
50 Cooperative Communications, Inc.	Facilities Based
51 Core Communications	Facilities Based
52 Country Roads Communications of Maine, Inc. d/b/a Pine Tree Networks	Facilities Based
53 Cox Communications	Facilities Based
54 CTC Communications Corp.	Facilities Based
55 CTSI, Inc. a/k/a Commonwealth Telecom Services	Facilities Based
56 D&E Systems, Inc. d/b/a D&E Nucleus (Note: Denver and Ephrata Telephone Company affiliate)	Facilities Based
57 Dialalot.com, Inc.	Facilities Based
58 DIECA Communications, Inc. d/b/a Covad Communications Company	Facilities Based
59 Digital Broadband Communications, Inc. f/k/a Digital Broadband Solutions	Facilities Based
60 Digital Signal Broadband	Facilities Based
61 DSL.net Communications d/b/a DSL.NET	Facilities Based
62 D-Tel, LLC	Facilities Based
63 Dynamic Telco Services, Inc. d/b/a Dynamic Concepts	Facilities Based
64 Eagle Communications, Inc. d/b/a Eagle Teleco, Inc.	Facilities Based
65 Econophone	Facilities Based
66 Edge Connections	Facilities Based
67 EGIX Network Services, Inc.	Facilities Based
68 Equal Access Networks, LLC	Facilities Based
69 Ernest Communications, Inc.	Facilities Based
70 Essex Communications, Inc.	Facilities Based
71 Fairpoint Communications, Corp. f/k/a MJD TeleChoice Corp. d/b/a C&E TelAdvantage	Facilities Based
72 Fibernet	Facilities Based
73 First Regional Telecom, LLC	Facilities Based
74 Focal Communications Corp.	Facilities Based
75 Fort Point Telephone Company, Inc.	Facilities Based
76 Freedom Ring f/k/a Bay Ring Communications	Facilities Based
77 Full Service Computing Corp. d/b/a Full Service Network	Facilities Based
78 Fuzion Wireless Communications, Inc.	Facilities Based
79 Gateway Telecom, LLC d/b/a StratusWave Communications	Facilities Based
80 GCR Telecommunications, Inc.	Facilities Based
81 GFC Communications, Inc.	Facilities Based
82 Gillette Global Network, Inc.	Facilities Based
83 Global Broadband	Facilities Based
84 Global Crossing Local Services, Inc. f/k/a Frontier Local Services, Inc. (Frontier Telephone Company affiliate)	Facilities Based
85 Global NAPS	Facilities Based
86 GTE Communications, Corp. (GTE North, Inc. affiliate)	Facilities Based
87 HarvardNet, Inc.	Facilities Based
88 Health Care Liability Management Corporation d/b/a Fibre Channel Networks, Inc.	Facilities Based
89 Hudson Valley DataNet	Facilities Based
90 ICG Communications, Inc.	Facilities Based
91 ICI Services, Inc.	Facilities Based
92 Inlec	Facilities Based

Interconnection Agreements by Facilities Based Provider

Company	Type of Service
93 Intermedia Communications, Inc.	Facilities Based
94 InterNAP Network Services Corporation f/k/a CO Space Services	Facilities Based
95 International Telecom Ltd.	Facilities Based
96 InterNext Communications Corp.	Facilities Based
97 Interpath Communications, Inc.	Facilities Based
98 JATO Communications Corp.	Facilities Based
99 Jones Telecommunications d/b/a Comcast Corporation	Facilities Based
100 KMC Telecom III, Inc.	Facilities Based
101 LBC Communications	Facilities Based
102 Level 3 Communications f/k/a XCOM	Facilities Based
103 LightBonding.Com	Facilities Based
104 Lightship Telecom	Facilities Based
105 Lightwave Communications (an Atlantic Media Company)	Facilities Based
106 Line Systems, Inc.	Facilities Based
107 Local Fiber, LLC	Facilities Based
108 Local Telecom Holdings, LLC d/b/a Transpoint Communications, LLC	Facilities Based
109 Log On America, Inc.	Facilities Based
110 Looking Glass Networks, Inc.	Facilities Based
111 Manhattan Telecommunications Corporation d/b/a Metropolitan Telecommunications Corporation	Facilities Based
112 MAW Communications d/b/a R Telco	Facilities Based
113 MCI Worldcom Communications, Inc. f/k/a MFS Intelenet	Facilities Based
114 Media One f/k/a AlterNet of Virginia and CCI Telecommunications of Virginia	Facilities Based
115 MegaClec, Inc.	Facilities Based
116 Metromedia Fiber Network Services, Inc.	Facilities Based
117 MGC Communications Inc. d/b/a Mpower Communications, Corp.	Facilities Based
118 Mid Maine Communications	Facilities Based
119 Mid-Hudson Communication	Facilities Based
120 Monmouth Telephone & Telegraph, Inc.	Facilities Based
121 MVX.COM	Facilities Based
122 NA Communications	Facilities Based
123 National Mobile Communications, Corp.	Facilities Based
124 Navigator Telecommunications, LLC	Facilities Based
125 NECLEC	Facilities Based
126 NEP TelCom, Inc.	Facilities Based
127 Net2000 Communications aka Ntel Communications, LLC	Facilities Based
128 Net-Tel Corporation	Facilities Based
129 Network Access Solutions, Inc.	Facilities Based
130 Network Plus	Facilities Based
131 Network Telecom Exchange Corp.	Facilities Based
132 New Edge Network, Inc.	Facilities Based
133 New Frontiers Telecommunications	Facilities Based
134 NextGen Telephone, Inc.	Facilities Based
135 Nextlink	Facilities Based
136 Norfolk County Internet, Inc.	Facilities Based
137 North American Telecommunications Corporation	Facilities Based
138 North County Communications, Corp.	Facilities Based

Interconnection Agreements by Facilities Based Provider

Company	Type of Service
139 Northland Networks, LTD	Facilities Based
140 Northpoint Communications	Facilities Based
141 NPCR, Inc. d/b/a Nextel Partners	Facilities Based
142 Ntelos f/k/a CFW Network, Inc.	Facilities Based
143 NYLT, Inc. f/k/a New York Local Telephone, Inc.	Facilities Based
144 OneStar Long Distance, Inc.	Facilities Based
145 OnSite Access Local, LLC	Facilities Based
146 OpenBand of Virginia	Facilities Based
147 PAETEC Communications Inc.	Facilities Based
148 Pathnet	Facilities Based
149 Penn Telecom, Inc.	Facilities Based
150 PICUS Communications, Inc. f/k/a Atlantic Telecom of Virginia	Facilities Based
151 Pilgrim Telephone, Inc.	Facilities Based
152 Plan B Communications f/k/a Advantel, LLC f/k/a Advanced American Telecom	Facilities Based
153 PREXAR, LLC f/k/a Aliant Internet, LLC (A subsidiary of Aliant Inc.)	Facilities Based
154 Prism f/k/a Transwire Communications	Facilities Based
155 Quantum Telecommunications, Inc.	Facilities Based
156 Qwest Communications Corp.	Facilities Based
157 R&B Network, Inc.	Facilities Based
158 RCN (Residential Communications Network, Inc.) f/k/a CTEC Services, Inc.	Facilities Based
159 Reflex Communications, Inc.	Facilities Based
160 Rhythms Links Inc. f/k/a ACI Corp. d/b/a Accelerated Connections, Inc.	Facilities Based
161 Richmond NetWorx	Facilities Based
162 RNK, Inc. d/b/a RNK Telecom	Facilities Based
163 SBC Telecom, Inc. f/k/a SBC National, Inc.	Facilities Based
164 Service Electric Telephone (Ironton Telephone Company affiliate)	Facilities Based
165 Shentel Communications Co.	Facilities Based
166 Skowhegan OnLine, Inc.	Facilities Based
167 Smart Communication	Facilities Based
168 SNiP	Facilities Based
169 Sprint	Facilities Based
170 ST Long Distance, Inc.	Facilities Based
171 Stargate Local Services, LLC	Facilities Based
172 Starpower Communications, LLC	Facilities Based
173 Supra Telecom & Information Systems, Inc. (STIS)	Facilities Based
174 Talk.com	Facilities Based
175 TalkingNets Holdings, LLC	Facilities Based
176 TCI Telephony Service of CT	Facilities Based
177 TDS Metrocom, subsidiary of TDS Telecom	Facilities Based
178 Telephone Company of Central Florida	Facilities Based
179 Telergy MidAtlantic, LLC	Facilities Based
180 TeleServices Group Inc. f/k/a COMAV	Facilities Based
181 Teligent LLC	Facilities Based
182 TELJET, Inc.	Facilities Based
183 Thorn Communications	Facilities Based
184 Thousand Islands Communication Company, LLC	Facilities Based
185 Tidalwave Telephone	Facilities Based

Interconnection Agreements by Facilities Based Provider

Company	Type of Service
186 Time Warner Telecom	Facilities Based
187 Transbeam f/k/a Media Log, Inc.	Facilities Based
188 Tri-Tel Communications, Inc.	Facilities Based
189 Troy City Internet Exchange d/b/a Meganet Communications	Facilities Based
190 Tsunami Networks, Inc.	Facilities Based
191 Urban Communications Transport	Facilities Based
192 US Datanet Corporation	Facilities Based
193 US Lec, Corp.	Facilities Based
194 US Wats, Inc.	Facilities Based
195 US West Interprise	Facilities Based
196 USA Digital, Inc.	Facilities Based
197 VDL Inc. d/b/a Global Telecom Brokers	Facilities Based
198 Verizon Avenue, Corp.	Facilities Based
199 VF Communications	Facilities Based
200 Vitcom Corporation	Facilities Based
201 Vitts Network	Facilities Based
202 Warwick Valley Telephone Company	Facilities Based
203 Williams Local Network, LLC f/k/a Williams Local Network, Inc.	Facilities Based
204 Winstar Wireless	Facilities Based
205 World Network International Services	Facilities Based
206 Xand Corporation f/k/a Cube Computer	Facilities Based
207 xDSL Networks, Inc.	Facilities Based
208 Xtel Communications, Inc.	Facilities Based
209 Yipes Transmission, Inc.	Facilities Based
210 Z-Tel Communications, Inc.	Facilities Based

Source: Verizon New York, April 2001



Resale Interconnection Agreements

Company	Type of Service
1 1-800-Reconex, Inc	Resale
2 A.R.C. Networks, Inc.	Resale
3 Access Dialing, Inc.	Resale
4 Accutel of Texas, Inc. d/b/a 1-800-4-A-Phone, Inc.	Resale
5 Advanced Telecommunications Network, Inc.	Resale
6 Affinity Network, Inc.	Resale
7 Affordable Phone Company, Inc.	Resale
8 Alliance Network, Inc. d/b/a C2k, Inc.	Resale
9 ALLTEL Communications, Inc.	Resale
10 American Fiber Network of Virginia, Inc. d/b/a AFN	Resale
11 American Network Exchange, Inc.	Resale
12 Annox, Inc.	Resale
13 Atlantic Cellular	Resale
14 Atlantic Connections, L.L.C.	Resale
15 ATX Telecommunications Services, Ltd.	Resale
16 Ax Telecommunications, Inc.	Resale
17 Balpri Communications, Inc.	Resale
18 Bell South BSE of Virginia, Inc.	Resale
19 Birdsong Leasing, Inc.	Resale
20 Blue Ribbon Rentals II, Inc.	Resale
21 Business Long Distance, Inc.	Resale
22 Business Services Group d/b/a Telnet Global Communications	Resale
23 CanCall Comm, Inc.	Resale
24 Capital Telecommunications, Inc.	Resale
25 CAT Communications International, Inc. d/b/a C.C.I.	Resale
26 CCL Telecommunications, Inc.	Resale
27 Cellular Rentals, Inc.	Resale
28 Choctaw Communications of Virginia, Inc. d/b/a Smoke Signal Communications	Resale
29 Ciera Network Systems, Inc.	Resale
30 Claricom Networks, Inc. d/b/a Staples Communications	Resale
31 CloseCall America, Inc.	Resale
32 COMAV Telco, Inc.	Resale
33 Comm South Companies, Inc.	Resale
34 Committed Telephone Service, Inc.	Resale
35 Community Service Long Distance d/b/a CommTel Communications	Resale
36 Conestoga Communications, Inc.	Resale
37 Cooperative Communications, Inc.	Resale
38 CRG International of Virginia, Inc. d/b/a Network One	Resale
39 Crystal Communications Corporation	Resale
40 CTC Communications	Resale
41 Curry Communications, Inc.	Resale
42 Delta Communications, Inc.	Resale
43 Digatel Communications Systems, LLC	Resale
44 Digital Connections, Inc.	Resale
45 Direct-Tel, Inc.	Resale
46 DMJ Communications, Inc.	Resale
47 DPI-Teleconnect, LLC	Resale
48 DSCI Corporation	Resale
49 East Coast Communications, Inc.	Resale
50 Echo Communications	Resale
51 Empire Communications, Inc.	Resale
52 Energy Research Group, Inc. d/b/a Northeast Telephone Services	Resale
53 Essential.Com, Inc.	Resale
54 Essex Communications, Inc.	Resale
55 EZ Talk Communications, L.L.C.	Resale
56 Federal Transtel, Inc.	Resale
57 First Line Communications, L.L.C.	Resale
58 Flatel, Inc. d/b/a Florida Telephone Company	Resale
59 Frontier Telemanagement, Inc.	Resale

Resale Interconnection Agreements

Company	Type of Service
60 Gillette Global Network, Inc.	Resale
61 Green State Communications, Inc.	Resale
62 HJN Telecom, Inc.	Resale
63 Hooks Communications Group, Inc.	Resale
64 ICG Telecom Group, Inc.	Resale
65 Interactive Communications Systems, Inc.	Resale
66 Jerry LaQuiere	Resale
67 JTC Communications, Inc.	Resale
68 KCI Long Distance, Inc.	Resale
69 Keystone Kalling, Inc.	Resale
70 Laker Telecommunications, Inc.	Resale
71 LaRepublica Communications, Inc.	Resale
72 LCI International Telecom Corp.	Resale
73 Log On America, Inc.	Resale
74 Lyxom, Inc.	Resale
75 Massachusetts Local Telephone Company, Inc.	Resale
76 MAX-TEL Communications, Inc.	Resale
77 MegaCLEC, Inc.	Resale
78 Metro Teleconnect, Inc.	Resale
79 MMT, Gori, Inc.	Resale
80 MountainNet Telephone Company	Resale
81 Netel, Inc. d/b/a Tel3	Resale
82 NET-tel Corporation	Resale
83 Network Plus, Inc.	Resale
84 NTEL Communications, LLC	Resale
85 OneStar Long Distance, Inc.	Resale
86 Optimum Global Communications, Inc. d/b/a Local Phone Company	Resale
87 Palmerton Long Distance Company d/b/a Blue Ridge Telephone Company	Resale
88 Phoenix Communications Solutions, Inc.	Resale
89 Phone Reconnect of America, LLC	Resale
90 Preconnection, Inc.	Resale
91 Preferred Carrier Services, Inc. d/b/a Phone for All (Spanish) Telefonos Para Todos	Resale
92 Public Telecommunications, Inc.	Resale
93 Qtel, Inc.	Resale
94 Quality Telephone, Inc.	Resale
95 Quantrex Communications, Inc.	Resale
96 Sam Associates, Inc.	Resale
97 ServiSense.com, Inc.	Resale
98 Silver Communications International	Resale
99 Single Source of Virginia Incorporated	Resale
100 State Communications, Inc.	Resale
101 Sterling International Funding, Inc. d/b/a Reconex	Resale
102 Telecom Funding, Inc.	Resale
103 Telergy Network Services, Inc.	Resale
104 Tie Communications, Inc.	Resale
105 Tri-Tel Communications, Inc.	Resale
106 Trucom Corporation	Resale
107 Unified Communications Company of New Jersey, Inc.	Resale
108 US Telco, Inc.	Resale
109 USA eXchange, LLC d/b/a Omniplex Communications Group	Resale
110 VDL Incorporated d/b/a Global Telecom Brokers	Resale
111 We Connect Communications, Inc.	Resale
112 WorldLink Technologies, LLC	Resale
113 Your First Choice Communications, Inc.	Resale

Source: Verizon New York, April 2001

Pending Interconnection Agreements by Company

Company	
1	1-800-RECONEX, Inc.
2	2nd Century Communications
3	360 Communications Company
4	3N1 Networks
5	ACC N
6	Access Integrated Networks
7	Acme Telephone Co., Inc.
8	ACSI d/b/a e.spire
9	Adelphia Business Solutions f/k/a Hyperion
10	Advance 2000, Inc.
11	Advanced Telcom Group, Inc.
12	AES Communications, LLC
13	Affinity Network, Inc.
14	Al Tera Bit Net
15	Allegiance Telecom
16	Alliance Network, Inc.
17	Allpage Communications, Inc.
18	Always Answer Services
19	American Fiber Systems, Inc.
20	American International Telephone
21	American Long Lines, Inc.
22	American Network Services
23	American Prepaid Telephone Service, LLC
24	American Voice Mail Systems, LLC
25	AmeriVoice Telecommunications, Inc.
26	ARC Networks, Inc.
27	Arthur Evans
28	AT&T
29	Atlantic Alliance
30	Atlantic Connections
31	Atlas Communications
32	ATX Telecommunications Services, Ltd.
33	Backbone Communications, Inc.
34	Baltimore Washington Telephone Company
35	BBIS Communications, Inc.
36	Beeper Street, Inc.
37	BELLSOUTH BSE, INC.
38	BellTone, Inc.
39	BestWeb CLEC, Ltd.
40	Blue Sky Communications
41	Bookdigital.com
42	Boston Telecom, Inc.
43	Boulevard Communications, Inc.
44	Bridgecom
45	Bridgecom International, Inc.
46	Broadband Communications of Boston
47	BroadRiver Communications of the Northeast, Inc.

Pending Interconnection Agreements by Company

	Company
48	BroadStream Corporation
49	BroadStreet Communications, Inc.
50	Broadview Networks, Inc.
51	Broadwing Local Services, Inc.
52	Business Autophones, Inc.
53	Cable & Wireless
54	Cablevision Lightpath
55	Cambrian Communications
56	Cardinal Communications, Inc.
57	Cavalier Telephone
58	Cbeyond Communications, Inc.
59	Chazy & Westport Telephone Corp.
60	Choice One
61	CI2, Inc.
62	Citizens
63	City of Holyoke Gas and Electric
64	CityNet Telecommunications, Inc.
65	Clariti Telecom
66	Cleartel
67	CLEC Communications Corp.
68	CloseCall America
69	Com.Unlimited, Inc.
70	Comcast Business Communications
71	Comm South
72	Communications Designs, Inc.
73	Community Communications
74	Compuline International, Inc.
75	Computer Business Sciences (IG2, Inc.)
76	ComScape Communicaitons, Inc.
77	Conectiv Communications, Inc
78	Conestoga Communications, Inc.
79	Connect Communications a/k/a CCCCT
80	Consolidated Edison Communications, Inc.
81	Conversent Communications
82	Cooperative Communications, Inc.
83	Core Communications
84	CoreComm, Inc.
85	Covista, Inc.
86	Cox Communications
87	CRG International, Inc. d/b/a Network One
88	Cricket Communications, Inc.
89	CRT, Inc.
90	CrysTel Communications, Inc.
91	CTC Communications Corp.
92	CTSI, Inc. a/k/a Commonwealth Telecom Services
93	Curry Communications, Inc.
94	Cyber Services, Inc.

Pending Interconnection Agreements by Company

	Company
95	Cyris, LLC
96	D&E Systems, Inc. d/b/a D&E Nucleus
97	Data Genie, Inc.
98	Datalines USA
99	Dean Networks of Virginia, Inc.
100	DesTek Communications, LLC
101	Devon Mobile Communications
102	DFT Communications
103	Dial-Tek
104	DIECA Communications, Inc.
105	Digatel Connections, Inc.
106	Digital Broadband Communications, Inc.
107	Digital Relay Corporation
108	Digital Signal Communications
109	Digital World Communications
110	DMJ Communications
111	DSL net Communications d/b/a DSL.NET
112	D-Tel, LLC
113	Dynamic Telco Services, Inc.
114	E Tel
115	e.NVIZION Communications LTD.
116	Eagle Communications, Inc. d/b/a Eagle Teleco, Inc.
117	Eastern Tel Long Distance Service
118	Econocall, Inc. d/b/a Uncle Sam's Telephone
119	Econophone
120	Edge Connections
121	eGility Communications, LLC
122	EGIX Network Services, Inc.
123	El Paso Networks, LLC
124	El Trebol
125	Empire Communications Corp.
126	Empire Communications, Inc.
127	Enkido
128	Enron Telecommunications, Inc.
129	Epoch Network Communications
130	Equal Access Networks, LLC
131	Ernest Communications, Inc.
132	Essex Communications, Inc.
133	eVoice Telecom
134	Evolution Networks
135	Excel Telecommunications, Inc.
136	Expert Systems Development Corp.
137	EZ Fon Services, Inc.
138	Eziaz, Inc.
139	Fibernet
140	First USA, Inc.
141	Firstel, Inc.

Pending Interconnection Agreements by Company

	Company
142	Florida Telephone Co.
143	Focal Communications Corp.
144	Full Service Computing Corp. d/b/a Full Service Network
145	Gateway Telecom, LLC d/b/a StratusWave Communications
146	GCR Telecommunications, Inc.
147	GFC Communications, Inc.
148	GiantLoop Network, Inc.
149	Gillette Global Network, Inc.
150	Global Com Telecommunications
151	Global Crossing Local Services, Inc.
152	Global Lightwave Corp.
153	Global Metro Networks
154	Global NAPS
155	Global One
156	Global Online Electronic Services
157	Global Telecom
158	Global TeleLink
159	GOES
160	Greater Media Telephone
161	GS Communications, LLC
162	GTE Communications, Corp.
163	Harmony International
164	HarvardNet, Inc.
165	Health Care Liability Management Corporation
166	Health Group Telecommunications, Inc.
167	Highland Cellular, Inc.
168	ICG Communications, Inc.
169	IDS Telcom
170	IDT America
171	Infonxx
172	Information Technology
173	Inlec
174	Integrated Communications Consultants, Inc.
175	Intelecom Solutions, Inc.
176	Intelligent Data Services, LLC
177	Interactive Information Network, Inc.
178	Intercontinental Communications Group, Inc.
179	Intermedia Communications, Inc.
180	InterNAP Network Services Corporation
181	International Telcom Ltd.
182	Internet Communications, LLC
183	InterNext Communications Corp.
184	Interpath
185	IPS Telecom, Inc.
186	IXNet
187	JATO Communications Corp.
188	John-Comm ISP

Pending Interconnection Agreements by Company

	Company
189	Jones Telecommunications d/b/a Comcast Corporation
190	KMAR Communications
191	KMC Telecom I, Inc.
192	KMC Telecom IV, Inc.
193	Larry Weiss Associates
194	LBC Communications
195	LCI International Telecom Corp.
196	LightBonding.Com
197	LightNetworks, Inc.
198	Lightship Telecom
199	Lightsource Telecom II, LLC
200	Lightwave Communications
201	Lightyear/UniDial Communications
202	Lincoln Communications
203	Lincolnville Communications, Inc.
204	LMDS Communications, Inc.
205	Local Fiber, LLC
206	Looking Glass Networks, Inc.
207	Low Tech
208	Lyxom, Inc.
209	Manhattan Telecommunications Corporation
210	Massachusetts Local Telephone Company (MLTC)
211	Maxess, Inc.
212	McGraw Communications, Inc.
213	MCI Worldcom Communications, Inc. f/k/a MFS
214	McLeodUSA
215	Meg Radio
216	MegaClec, Inc.
217	METCOM Access, Inc.
218	Metro Electronics
219	Metro One
220	Metro Teleconnect
221	Metromedia Fiber Network Services, Inc.
222	MGC Communications Inc.
223	MICROLAND Telecommunications Solutions
224	MIDCOM COMMUNICATIONS, INC.
225	Mid-Hudson Communication
226	Millenium Optical Networks, Inc.
227	Monmouth Telephone & Telegraph, Inc.
228	MVX.COM
229	MY-Tel, Inc.
230	NA Communications
231	NCI Data.com
232	NECLEC
233	NEP TelCom, Inc.
234	Net2000 Communications aka Ntel Communications, LLC
235	NetCarrier Telecom, Inc.

Pending Interconnection Agreements by Company

	Company
236	Net-Tel Corporation
237	Network Access Solutions, Inc.
238	New Access Communications, LLC
239	New Century Telecom, Inc.
240	New Edge Network, Inc.
241	New England Digital Distribution, Inc.
242	New Frontiers Telecommunications
243	New Line Telephone and Communications Company, Inc.
244	New Millenium
245	NewComm Net, Inc. and NCN Midlantic, Corp.
246	NewPath Holdings, Inc.
247	NewSouth Communications, Corp.
248	NewTel Communications
249	NEXTEL Communications
250	NEXTEL Partners
251	NextGen Telephone, Inc.
252	Nextlink
253	NM Communications, Inc.
254	Norcom, Inc.
255	Norfolk County Internet, Inc.
256	North American Communications Services, Inc.
257	North American Telecommunications Corporation
258	Northcoast Communications, LLC
259	Northeast Internet Services, Inc.
260	Northland Networks, LTD
261	Northstar Network, Inc.
262	NOS Communications, Inc.
263	NTC Net
264	Ntegrity
265	Ntelos f/k/a CFW Wireless
266	NuStar Communications Corp.
267	NuTel Phone Service
268	One Call Telecom
269	One Tel, Inc.
270	One Voice Communications, Inc.
271	OnePoint Communications, Inc.
272	OTC, Inc.
273	Oxford County Telephone Service Company
274	P.V. Tel. Of Va., LLC
275	PAETEC Communications Inc.
276	Palmerton Long Distance Company
277	Path Enterprises, Inc.
278	Pathnet
279	PELL-TELL, Inc.
280	Penn Telecom, Inc.
281	Pilgrim Telephone, Inc.
282	PINNACLE TELECOMMUNICATIONS, INC.



Pending Interconnection Agreements by Company

	Company
283	PKMM, Inc.
284	Plan B Communications
285	PNG Telecommunications, Inc.
286	PNI, Technologies, Inc.
287	PointeCom, Inc.
288	PowerNet Wireless, Inc.
289	Pre Cell Solutions, Inc.
290	Preferred Carrier Services, Inc.
291	Premier Paging
292	Premiere Network Services, Inc.
293	Pre-Paid Phones, LTD
294	Pre-Tell Communications, Inc.
295	PREXAR, LLC f/k/a Aliant Internet, LLC
296	Prime Telecom Potomac
297	Primelink
298	Prism f/k/a Transwire Communications
299	PulseNET, Inc.
300	Qratings, Inc.
301	Qtel, Inc.
302	Quality Telephone, Inc.
303	Quantrex Communications, Inc.
304	Quantum Telecommunications, Inc.
305	Quintelco
306	Quorum Communications, Inc.
307	Qwest Communications Corp.
308	R.W. Beck, Inc.
309	RCN
310	Reach Communications, Inc.
311	Redi-Call Communications Co.
312	REON Broadband
313	Revolution Networks, LLC
314	RGTU Utilities, Inc.
315	Rhythms Links Inc.
316	Richmond NetWorx
317	RNK Telecom
318	Rocky Mountain Broadband, Inc.
319	Salisbury Mobile Telephone, Inc.
320	SASNET, Inc.
321	SBC Telecom, Inc. f/k/a SBC National, Inc.
322	SCC Telcom
323	Schuylkill Mobile Fone, Inc.
324	Seacoast Communications Service Bureau, Inc.
325	ServiSense.com
326	Shortline Systems, Inc.
327	Sigma Networks Telecommunications, Inc.
328	Smart.Connect
329	Smarticom, Inc.

Pending Interconnection Agreements by Company

Company	
330	SNiP Link
331	Southwestern Bell Mobile Systems
332	Spectrum Internet Services, Inc.
333	Sprint
334	ST Long Distance, Inc.
335	Stargate Local Services, LLC
336	Statdirect, Inc.
337	Stickdog Telecom, Inc.
338	Supernet
339	Supra Telecom & Information Systems, Inc. (STIS)
340	Sure-Tel, Inc.
341	Synecom Services Corporation
342	Talk.com
343	Talking Drum LLC
344	TalkingNets Holdings, LLC
345	Tatos Beepers, Inc.
346	TDS Metrocom, subsidiary of TDS Telecom
347	Tech Valley Communications
348	Tel West Communications, LLC
349	Telebeam
350	Telecom Fiber Systems
351	Telecomshelf.com
352	Teleconnex, Inc.
353	Tele-Global Communications, Inc.
354	Telepage Communication Systems
355	Telephone Company of Central Florida
356	Telergy Network Services, Inc.
357	TeleServices Group Inc.
358	Telespire, Inc.
359	Telgenics Communications Corporation
360	Telia International Carrier, Inc.
361	Teligent LLC
362	TELJET, Inc.
363	Third-Rail Wireless Services
364	Thousand Islands Communication Company, LLC
365	Tidalwave Telephone
366	Total Tel.
367	TOTALink
368	TotalTel USA
369	Touchtone Communications, Inc.
370	Transbeam f/k/a Media Log, Inc.
371	Transpoint Communications, LLC
372	Tri-Tel Communications, Inc.
373	Trucom, Inc.
374	TSI Cable
375	United Telecom, Inc.
376	Universal Access, Inc.

Pending Interconnection Agreements by Company

Company	
377	Urban Media Communications
378	US Datanet Corporation
379	US Lec, Corp.
380	US West Interprise
381	USA Digital, Inc.
382	USA Telecom
383	User Centric Communicaitons, Inc.
384	USN Communications
385	Valence Communications Services, Ltd.
386	Valley Net
387	Venture 36, LLC
388	Verizon Avenue, Corp.
389	Viatel, Inc.
390	Viking Communications, Inc.
391	Virginia Network, Inc.
392	Vitcom Corporation
393	Vitts Network
394	Voice Stream Wireless Corporation
395	Voice Vision International, Inc.
396	VPS Communications, Inc.
397	Vulkan, Inc. d/b/a beMany
398	Warwick Valley Telephone Company
399	Wavenex
400	Web Express
401	West Side Communications
402	Westelcom Communications, Inc.
403	Williams Local Network, LLC
404	Winstar Wireless
405	Worldcall Communications
406	Worldwide Internet Services
407	WORLDxCHANGE
408	Xand Corporation f/k/a Cube Computer
409	xDSL Networks, Inc.
410	Yipes Transmission, Inc.
411	Yonkers Network, Inc.
412	Your First Choice
413	YourTel Telecom Corporation
414	Zama Networks
415	Zephion Networks Communications, Inc.

Source: Verizon New York, April 2001

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

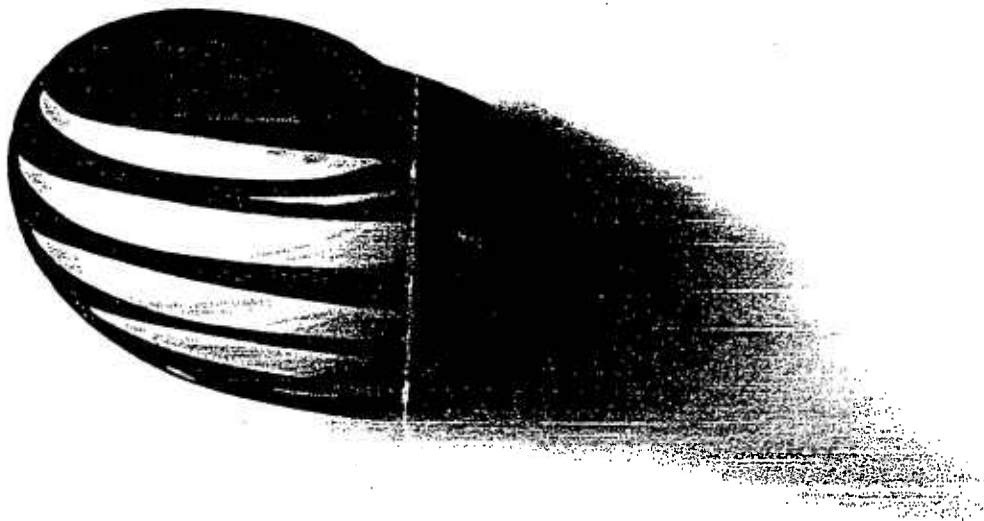
**PART G**

List of Competitive Service Offerings

Services	Regions Served	Adelphia	Alltel	AT&T	Broadview	Citizens Telecom	CTC	Lightyear	MCI WorldCom	Qwest	Sprint	Winstar	XO	TOTALS
		Upstate New York	New York	New York City	New York	Middletown, NY	New York	New York	New York	New York City	New York	New York	New York	
1 Call Block														3
2 Call Forward Busy Line/Don't Answer														9
3 Call Forwarding Variable														10
4 Call Trace														1
5 Call Waiting														10
6 Caller ID Manager with Name														8
7 Caller ID with Name														9
8 Caller ID														3
9 Repeat Dialing														10
10 Return Call														6
11 Speed Dialing														10
12 Three-way Calling														4
13 Touch Tone														12
14 Uniform Call Distributor														9
15 Exchange Access Lines - Basic														1
16 Switched Long Distance														10
17 Dedicated Long Distance														4
18 Toll-free														7
19 Data Services														8
20 Analog PBX w/ DID														6
21 Digital PBX w/ DID														8
22 IntelliNet PRI														9
23 Dial-up Internet access														9
24 Web hosting (shared)														4
25 Centrex														5
26 ADSL														2
27 SDSL														4
28 T1														4
29 T3														7
30 Calling Card														2
31 Call Routing														9
32 Call Origination														2
33 Voice Mail														5
34 Menta Ring														2
35 Voice Activated Dialing														5
36 Call Transfer														1
37 Group Speed Calling														5
38 Hunting														1
39 Call Hold														4
40 Call Park														3
41 Caller ID Blocking														3
42 Intercom Dialing														2
43 Private Line Service														1
44 Special Access Services														7

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

**PART H**



# Ask

why

A MILLION PEOPLE

SAID YES TO **AT&T LOCAL**  
AND YOU'LL GET A MILLION ANSWERS



“ I chose AT&T Local Service because I was tired of getting two bills  
from two different companies. It was a mess, and getting two bills was confusing.

Now my service is great, and my questions are resolved quickly.”

John R., Huntington, NY



UP TO 360 FREE MINUTES • AT&T LOCAL SERVICE • ONE CUSTOMER SERVICE NUMBER • ONE BI



# one

MILLION PEOPLE  
CAN'T BE WRONG

More than one million people selected AT&T for their local telephone service last year. They liked the plans, the rates, and the quality we offer. There are no switching fees, activation charges, or disruptions in your current service. Isn't it time you added a great local calling plan to your AT&T Long Distance Service? Check out **AT&T Local Service\*** and see why a million people signed up for local calling.

# one

GREAT PLAN

AT&T Local Service offers you plenty of local calling per month for a low monthly fee, plus 360 minutes of free domestic long distance calling<sup>†</sup> from home when you sign up today. Switch to **AT&T Local Service** and get:

- 75 hours of local calling a month; 2¢ a minute after that
- Low monthly fee of just \$19.95
- 60 FREE minutes of domestic long distance calling every month for the first 6 months

# one

BILL

All your local and long distance needs on one bill.

Call AT&T toll free now and switch to a local calling plan you can feel really good about: **AT&T Local Service**. New Yorkers love us — find out why.

ONE DEDICATED COMPANY

# one

FREE MONTH OF FEATURES

We've combined three popular calling features into one low-priced package just for you. What can these features do for you? Call Waiting "beeps" you when you receive an incoming call, allowing you to put your current call on hold while you answer the incoming call. Caller ID lets you see the number and name of incoming calls. And Three-Way Calling lets you conference yourself with two incoming calls — for an instant business meeting or family phone get-together.

Get Call Waiting, Caller ID, and Three-Way Calling for only \$12.50 a month. That's a lot of power for such a low price — try them out for the first month absolutely free.

I like AT&T's **Call Waiting** and **Caller ID** features

because of the convenience and good value.

Ernestine C., Oswego, NY



# 360

FREE MINUTES

Choose **AT&T Local Service** today and get 60 minutes of domestic long distance calling time from home every month for the first 6 months.<sup>†</sup> That's a total of up to 360 minutes of free calling. Any time you want. Anywhere in the continental U.S. you want.

**CALL 1 800 503-6961, EXT. 99474**

8 a.m.—11 p.m. Monday–Saturday, 10 a.m.—10 p.m. Sunday

\* Offer not available in all areas — for residential customers only.  
† Unused monthly minutes cannot be carried over to subsequent months.  
If you've recently accepted another offer to switch to AT&T Local Service, we can fulfill only on the first response received.



EXHIBIT  
PART H  
Section 1  
Page 3 of 4

4342059  
[REDACTED]  
[REDACTED]  
Brooklyn, NY 11211-2220

PRESORTED  
STANDARD  
U.S. POSTAGE  
PAID  
AT&T

3/01

P.O. Box 9385  
Farmingdale, NY 11735-9385



one

fresh

IS ALL YOU NEED



**AT&T** LONG DISTANCE, REGIONAL TOLL, AND LOCAL SERVICES TO AT&T.

CALL 1 877 248-6182, EXT. 97246, FOR YOUR  
CHECK CODE BEFORE CASHING YOUR CHECK

WRITE YOUR CODE HERE  
□ □ □ □

NO: 05373700  
ISSUE Date 3/2/01  
Check expires 30 days  
from date of issue.

Check Amount  
**\*\*75.00**

516 PBNW 087 L O T  
**Seventy-Five and 00/100 DOLLARS**

PAY TO THE ORDER OF:  
Rockville Ctr, NY 11570-2729

Attention financial institution: Check must be endorsed  
with payee's signature to be valid for cashing and/or  
deposit. Payee's name cannot be altered.

VOID IF ALTERED  
Amount not to exceed \$75.

*Eduard M. Dwyer*  
AUTHORIZED SIGNATURE  
Citizens State Bank, Clara City, MN 56222

⑈05373700⑈ ⑆091904856⑆ 71 056 3⑈

EXHIBIT  
PART H  
Section 2  
Page 2 of 5

**1. Call.**  
**2. Cash.**  
**3. Enjoy!**

INPM 0001898

**A \$75 check and 5¢ long distance  
all weekend.**

Dear \_\_\_\_\_:

It really is that simple. In fact, your \$75 AT&T check is already in your hands — at the top of this page. Just call us at 1 877 248-6182, ext. 97246, and we'll switch your residential long distance, regional toll, and local services to AT&T. Then sign and cash this check and spend the money however you'd like. You could use \$75 right now, couldn't you?

Want more? How about state-to-state long distance calling from home for just 5¢ a minute every Saturday and Sunday and 7¢ a minute the rest of the time? Those are the rates you'll enjoy with **AT&T 5¢ Weekends**.

What's more, you'll pay just 5¢ a minute for regional toll calls (calls from home to places outside your local calling region but not far enough to be considered long distance). And you'll pay 10¢ a minute for in-state long distance calls from home. But even that's not all.

This package of services also includes local calling with no per-call charge. Up to 75 hours worth of local calling from home every month, which works out to about 150 minutes a day — plenty of time to keep in touch with friends and neighbors. And if you happen to use all 75 hours, additional local calls are just 2¢ a minute.

What's the price of all this? A modest \$24.90 a month.\* That's a good value no matter how you look at it. Or, if you'd prefer a different combination of services, just let us know when you call.

So come back to AT&T today. Then start enjoying low rates and \$75 cash in your pocket — all from a world leader in telecommunications technology. What could be better than that?

Call us now at 1 877 248-6182, ext. 97246.

Sincerely,

*Gina Grossmann*

Gina Grossmann  
AT&T Marketing Program Manager



\* Monthly fee may vary in other New York areas. A per-line access fee for Local Service (FCC Line Charge) and Universal Connectivity Charges of 35¢ per line and 9.9¢ on state-to-state and international calls apply. State charges may apply. Enrollment in the state-to-state calling plan expires 6/15/01. The \$24.90 monthly fee is calculated by combining the \$4.95 fee for the specific AT&T domestic long distance calling plan and the \$19.95 fee for AT&T Local Service. To complete your order for AT&T Local Service, you must call our toll-free number and speak to an AT&T representative to indicate the local calling features you wish to receive and your local directory listing.

Please see important information on the back.



LONG DISTANCE, REGIONAL TOLL, AND LOCAL SERVICES TO AT&T.

CALL 1 800 276-1400, EXT. 79119, FOR YOUR  
CHECK CODE BEFORE CASHING YOUR CHECK.

WRITE YOUR CODE HERE

☐ ☐ ☐ ☐

NO: 00578225

Issue Date 5/5/00

Check expires 90 days  
from date of issue.

Check Amount

**\*\*25.00**

718 OHHB 556 T O I

Twenty-Five and 00/100 DOLLARS

PAY TO THE ORDER OF:

[REDACTED]

Astoria, NY 11106-2644

|||||

Attention financial institution: Check must be endorsed  
with payee's signature to be valid for cashing and/or  
deposit. Payee's name cannot be altered.

VOID IF ALTERED  
Amount not to exceed \$25.

*Edward M. Dwyer*

AUTHORIZED SIGNATURE  
Citizens State Bank, Clara City, MN 56222

⑈00578225⑈ ⑆091904856⑆

71 056 30

Section 2  
Page 3 of 5

How many companies does it take to handle your  
local and long distance calls?

JUST ONE.

Now get  
local and  
long distance  
together

AT&T  
local one rate  
new york

4JCH 00018441

Dear [REDACTED],

For years you've needed at least two companies for complete calling service — one for local, another for long distance, and possibly a third for regional toll. But those days are over.

Now, whether you're calling around the corner or across the country, AT&T can handle all of your calls from home with AT&T Local One Rate™ New York.

- Virtually unlimited local calls — 75 hours a month\*
- 7¢ a minute for state-to-state long distance calling
- 10¢ a minute for in-state long distance calling
- 5¢ a minute for regional toll calling (in between local and in-state long distance calling)
- \$25 cash, yours to spend any way you like

All for just \$24.90 a month.<sup>†</sup> With no time-of-day restrictions. And no hassles.

Call 1 800 276-1400, ext. 79119, today for your check code and your local, regional toll, and long distance services will all be switched to AT&T for free. If you'd prefer to receive a different combination of services from AT&T, be sure to let us know when you call for your check code.

So how many phone companies are you using? Keep it simple with AT&T Local One Rate New York — one company, one bill, one less thing to worry about.

Sincerely,

*Gina Grossmann*

Gina Grossmann  
AT&T Marketing Program Manager

P.S. Be sure to call 1 800 276-1400, ext. 79119, to have AT&T handle all of your calling needs. Finally, one company for it all.

\* After 75 hours, the rate is 2¢ a minute.

† Monthly fee may vary in other New York areas. Rate excludes Carrier Line Charge and Universal Connectivity Charge. State charges may apply.

Please see important information on the back.

JOLC

ONE company

ONE easy-to-read bill

ONE customer  
service number

ONE less thing to  
worry about

**360**  
*Free Minutes*  
of domestic long distance  
calling from home

IMPORTANT ACCOUNT INFORMATION ENCLOSED

Brooklyn, NY 11211-2220



Call

1 800 503-6961, ext. 91841.

Enjoy **75 hours** of local calling  
every month of the year.

Dear [redacted],

Last year more than a million people selected AT&T for their local telephone service. They liked the plans, the rates, and the quality we offer. Now you can enjoy the same level of convenience that so many others have discovered, just by signing up for AT&T Local Service.\*

**AT&T Local Service includes 75 hours of local calling each month.**

That's more than enough to keep in touch with friends and neighbors whenever you feel like it. And if you do happen to use all 75 hours, additional local calls are just a low 2¢ per minute. So go ahead — make as many calls as you like. For a monthly fee of only \$19.95,<sup>1</sup> it's a great value no matter how you look at it.

**One simple bill, one customer service number for everything.**

Switching to AT&T Local Service is as easy as it gets; there's nothing complicated about it. There are no switching fees, activation charges, or disruptions in your current service. Just one easy-to-understand monthly bill for all your long distance and local charges. And one service number, no matter what you need.

**Get three great features free for a month with the AT&T Three-Feature Package.**

Get our Three-Feature Calling Package — Call Waiting, Caller ID with Name, and Three-Way Calling — **free for the first month**,<sup>2</sup> then keep these three features for 20% less than you'd pay if you ordered them separately. (If you don't want all three features, you can order just one or two of them for a competitive low price.) We also offer a wide variety of other calling features for you to choose from; an AT&T representative will be happy to explain what's available when you call to sign up for AT&T Local Service.

**Switch now and get up to 360 FREE minutes of domestic long distance calling from home.** Call 1 800 503-6961, ext. 91841, to enroll in AT&T Local Service.

Sign up for AT&T Local Service right now and we'll credit you with up to 60 minutes of domestic long distance calling from home every month for the first six months.<sup>3</sup> That's a total of up to six full hours of free calling. Your free long distance calling is great for catching up with friends, and you'll be able to enjoy it every month through the summer and beyond!

Call 1 800 503-6961, ext. 91841, 8 a.m.—11 p.m. Monday–Saturday, 10 a.m.—10 p.m. Sunday, and sign up for AT&T Local Service today!

Sincerely,

*Linda L. Hennessy*

Linda L. Hennessy  
AT&T Local Service Marketing

\* Offer not available in all areas — for residential customers only.

<sup>1</sup> A per-minute access fee for local service (FCC Line Charge) and Universal Connectivity Charge apply.

<sup>2</sup> Offer expires 6/30/01.

<sup>3</sup> Unused monthly minutes cannot be carried over to subsequent months. If you've recently accepted another offer to switch to AT&T Local Service, we can fulfill only on the first response received.

Here's what's  
included for just  
**\$19.95**  
per month:

• 75 hours of local  
calling every  
month, 2¢ a  
minute  
after that

• A welcome  
BONUS of up to  
360 minutes of  
free domestic  
long distance  
calling from  
home

Sign up for the  
Three-Feature  
Package and  
get the first  
month Free!

**CALL**  
1 800 503-6961,  
ext. 91841,  
to enroll and  
receive your  
FREE minutes.

*ATT LD  
Customer*





212

Telephone line to which features are to be added.

## IMPORTANT ACCOUNT INFORMATION ENCLOSED

New York, NY 10003-5245

**\$12.50 Bill Credit\***

when you sign up for the AT&amp;T Three-Feature Package

☐ **Yes. Sign me up for the AT&T Three-Feature Package for just \$12.50 a month.**  
Or choose them separately.

- ☐ Call Waiting — \$4.88 a month  
☐ Caller ID with Name<sup>1</sup> — \$7.08 a month  
☐ Three-Way Calling — \$3.89 a month

☐ **Plus, sign me up for the optional AT&T Inside Wire Maintenance Plan for an additional \$2.95 a month.**

PEOM

Detach here and return top portion in enclosed envelope.

EXHIBIT  
PART H  
Section 2  
Page 5 of 5

**\$12.50 Bill Credit**

when you sign up for the AT&amp;T Three-Feature Package

Dear [redacted],

Now you can know who's calling before you answer. Stop missing important calls because you're already on the line. Share special occasions or discuss important plans with two people at the same time.

How? Just choose the AT&T Three-Feature Package — three of our most popular calling features offered together for 20% less than you'd pay if you ordered them individually from AT&T. Here's what the Three-Feature Package includes for just \$12.50 a month<sup>2</sup>:

- **Caller ID with Name<sup>1</sup>** displays the phone number and name of the caller before you pick up the phone, so you can decide in advance whether you want to take the call. It's great for screening calls you don't want to take or calls you'd rather return later.
- **Call Waiting** signals you with a special beep if there's another incoming call while you're already on the phone. The caller will just hear a regular ring until you pick up by pressing your phone's switch hook or Flash button. After that, you can switch back and forth between the two calls with complete privacy.
- **Three-Way Calling** lets you conference-in a third party to any call so that all three of you can talk together. It's perfect if you've got friends or family members living in different cities and want to coordinate travel plans or share holiday greetings.

Remember, by choosing the AT&T Three-Feature Package, you'll receive a \$12.50 bill credit for the first month<sup>3</sup> and 20% savings each month after that on what these features would cost if you ordered each one separately from AT&T. Need other calling features? We have those, too — just ask the AT&T representative when you call the toll-free number below.

You may also want to consider our AT&T Inside Wire Maintenance Plan. For only \$2.95 a month, it covers repairs on the telephone wiring inside your home and will help you avoid significant unforeseen expenses if you ever need work done.

Don't miss out on this great opportunity to take control of your calls at terrific savings. Sign up for the AT&T Three-Feature Package today by filling out and returning the attached reply form, or, if you prefer, by calling 1-800-929-8090, ext. 99988.

Sincerely,

*Linda L. Hennessy*

Linda L. Hennessy  
AT&T Local Service Marketing

**Here's what the  
AT&T Three-Feature  
Package includes:**

- Caller ID with Name
- Three-Way Calling
- Call Waiting

Get a  
**\$12.50**  
Bill Credit

in your first month and

**20% savings<sup>4</sup>**

after that when you  
sign up for the AT&T  
Three-Feature Package!

UPSECC

ATT Local  
Customer

\*Offer expires 6/30/01.

<sup>1</sup> One-time \$5 service order charge applies.<sup>2</sup> Caller ID equipment required.<sup>3</sup> As compared to purchasing these features separately.

BC4-01



**Get 5,000 miles  
when you go local!**

\*\*\*\*\* AUTO\*\*5-DIGIT 10003

[REDACTED]  
New York, NY 10003-5245

|||||

Dear [REDACTED]

Dividend Miles Account #: 100U468

**New Yorkers now have a choice in local service.**

*Introducing*  
**OneCompany**  
**ADVANTAGE<sup>SM</sup>**

With One Company Advantage 200, you can get *both* local and long distance calling — all on one simple phone bill. And you can earn up to 5,000 bonus miles\*.

- **Totally unlimited local** calling
- **200 minutes** of long distance every month  
all day, every day, in-state and out-of-state
- **7¢ a minute** over 200 minutes\*\*
- **All for \$34.99** a month†
- **Great savings** on convenient features such as caller ID and call waiting
- **Up to 5,000** bonus Dividend Miles®
- **5 miles** for every dollar spent on local and long distance††

Only MCI WorldCom<sup>SM</sup> can give you the opportunity to earn Dividend Miles with every local and long distance dollar you spend.

Sincerely,

  
Colleen McCauley

Manager, Dividend Miles Partnership Marketing  
US Airways

  
Christina Boyle

Marketing Manager  
MCI Local Savings

P.S. Hurry! 5,000 bonus miles offer expires 2/28/01!

**FOR 5,000 DIVIDEND MILES call 1-800-624-5021!**

**MCIWORLD.COM.**



**Just a little more,  
get a whole lot more!**

**Upgrade to ResiLink™ Gold today and get one month free\*.**

ResiLink is RCN's way of packaging multiple services together for one low flat monthly rate. And it's easy to upgrade to ResiLink Gold. With ResiLink Gold, you keep the great RCN services you already have and for just a few dollars more each month, you get something big to talk about—RCN local and long distance phone service:

**Telephone:**

- Local and long distance telephone service including unlimited local and regional toll calling in all of these area codes: 212, 646, 917, 914, 631, 516, 718, 347, 845, 203.
- Ultra Feature Package with 10 features including Caller ID Deluxe\*\*, Call Waiting ID Deluxe and Basic Voice Mail.
- Attractive long distance rates, either 9¢ a minute, or just 7¢ a minute (with a \$4.95 monthly fee) for calls within the continental United States. A separate, itemized long distance bill will be provided.

**Cable TV:**

- Includes expanded HBO and CineMax channels.

**Internet:**

- Unlimited high-speed Internet access.

**All this for just \$118 month!**

**That's a savings of \$367/year vs. the competition!**

**It's easy to upgrade.**

**Just call 1.866.603.4471**

Offer begins 6/30/01 and is good for new ResiLink customers only. \*Cost of selected package will be credited to the customer's account on the first month's bill. Subject to availability of network connections. If in the future a portion of the package is canceled (voluntarily or due to non-payment), remaining service charges will revert to a la carte rates. No substitutions. Prices subject to change. Some restrictions may apply. RCN Digital converter required for all digital premium services. Additional outlet charges may apply. Cost comparisons to Time Warner and Verizon are based on comparative offerings and are la carte products, accurate as of 10/3/01. A fully configured 10 Base-T Ethernet card must be installed in the subscriber's computer prior to installation of the RCN cable modem by our technicians. \*\*Caller ID not included. ©2001 RCN Corporation. RNYCJH



825 Third Avenue, 1st Floor  
New York, NY 10022

PRESORTED  
FIRST-CLASS MAIL  
U.S. POSTAGE  
PAID  
RCN

S1 P1 \*\*AUTO\*\*\*\*\*5-DIGIT 10003  
#NYVCU1

New York NY 10003-5245



EXHIBIT  
PART 4  
Section 4  
Page 1 of 3

# A big deal for RCN customers.

**Upgrade to ResiLink™ Gold and save!  
Plus, get something extra if you order now.**



One Penn Plaza, 54th Floor, New York, NY 10119

PRESORTED  
FIRST CLASS  
U.S. POSTAGE  
PAID  
RCN

Get the RCN Ultra Calling  
Plan and get 3 months  
of calling features

**FREE!**

**A \$44.97 value!**

**Hurry, offer expires Dec. 31, 2000.**

51 P9 \*\*\*\*\*5-01617 10021  
301 E 78 ST OWNERS  
301 E 78TH ST BLK ACCT  
NEW YORK NY 10021

RCN Ultra Calling Plan is available only in RCN residential serviceable wire areas. No substitutions. Some restrictions may apply. All RCN prices and services subject to change without notice. Additional outlet and installation charges may apply. ©2000 RCN Corporation. RCN and Megaband are registered service/trademarks.

UFNY

10021-1322 52

**Get out your little  
black book.**

**Now you can call everyone for less than you'd  
ever imagined with the RCN Ultra Calling Plan.**

# Get the RCN Ultra Calling ultra economical. And if you sign up now, you'll get the Ultra Feature Package FREE.\*

## The Clear Choice.

RCN delivers the best in telephone service thanks to our Megaband™ network. This super-advanced fiber optic network brings you crystal clear telephone service overflowing with features and packaged for great savings.

## The Ultra Calling Plan.

The Ultra Calling Plan is an incredible deal. It gives you 1500 minutes of local and regional calling per month for just \$35/month.\* And, if you sign up for the Ultra Calling Plan now, you'll get 3 months of the Ultra Feature Package FREE.\*\* That's a \$44.97 value!

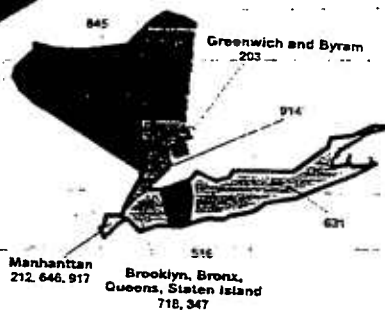
# Plan. It's ultra clear &

Now, you get 3 months of the  
FREE. Now that's an Ultra deal!

## The Ultra Feature Package

Caller ID Deluxe*	Basic Voice Mail
Call Waiting ID Deluxe	Touch-Tone
Call Return Unlimited	Speed Call B
Repeat Call Unlimited	Call Waiting
Three-Way Calling	
Call Forward Busy Line/ Don't Answer <sup>§</sup>	

The RCN Local &  
Regional Calling Area



You make the call. Sign Up Today and Save!

# Call 1.800.RING.RCN

Offer expires 12/31/00

\*Includes New York Metro area codes 212, 646, 917, 347, 718, 516, 845, 631 and 914 (Rockland, South Orange, Westchester and Putnam counties only). Also includes area code 203 for Greenwich and Byram, Connecticut only. \*\*Customer will be billed regular monthly recurring rate of \$14.99 plus taxes upon the completion of the initial three free months of service. †RCN Caller ID feature requires customer to obtain own Caller ID box. § Forwards all incoming calls that either receive a busy signal or are unanswered directly to voice mail.



## Great News! Residents of 111 4<sup>th</sup> Avenue can enjoy additional savings as an RCN customer!

- **Cable Television:** Over 85 channels on basic cable television.
- **Local Phone:** Competitively priced to be lower than your current local provider on all local and regional calls, as well as calling features.
- **Long Distance:** Long Distance calls for only \*\$.05 per minute through December 2000 when signing up for RCN local and long distance phone service.
- **High Speed Cable Modem:** Only \*\$19.95 per month through December 2000 when signing up today.
- **Special Offers:**
  - FREE telephone installation...(Installation is FREE on the first pre-wired jack).
  - FREE cable modem installation...a \$99.00 value.
  - FREE cable television installation...a \$49.95 value.

*All rates and promotions are subject to change.*

*Taxes are not included.*

*\* Offer expires October 31, 2000*

**We will be in the Lobby of your building on:**  
**October 23<sup>rd</sup> – 25<sup>th</sup>, 2000**  
**4:30 – 8:30 PM**

**For more information, please contact:**  
**RCN at (212) 842-7770**  
**Fax (212) 842-7890**

# RCN

## RCN Offers You The Best In Local And Long-Distance Telephone, Cable Television, And High-Speed Cable Modem Internet Access!

### LOCAL PHONE SERVICE

RCN local phone service is competitively priced to be lower than your current provider on all local and regional calls. Receive ten calling features including Call Waiting, Caller ID<sup>1</sup>, 3-Way Calling, Call Forwarding and Basic Voice Mail for only \$14.99 by ordering the Ultra Feature Package or get 16 features for only \$19.99 with the Ultra Feature Package Deluxe.

### LONG-DISTANCE PHONE SERVICE

RCN long distance offers you additional savings! If you are an RCN cable, Internet or local phone customer, your RCN long-distance rate is just 9.9 cents per minute, 24 hours a day, 7 days a week, any time, any place in the domestic U.S.! RCN has low international rates as well!

### CABLE TELEVISION SERVICE

RCN cable customers enjoy a rich array of programming including the most popular cable channels, coupled with a variety of the best new services available. In addition, unlike other cable companies who charge extra, RCN includes Disney Channel and Sundance Channel with full basic cable. See reverse for channel line-up and pricing information.

### CABLE MODEM INTERNET SERVICE

Experience the speed with RCN cable modems! RCN offers Internet access up to 100<sup>1</sup> times faster than the traditional dial-up service. Cable modem service is just \$39.95<sup>2</sup> a month when taken with RCN's basic cable television service.

SATISFACTION GUARANTEE. If the customer is not satisfied with RCN's Internet access service, for any reason, within the first 30 days following activation, RCN will refund to the customer the purchase price for this service. Providing state-of-the-art telecommunications technology and the opportunity to save you money is just the beginning. RCN also brings customer service to a new level in the industry. RCN is available 24 hours a day, 7 days a week to provide assistance.

To find out how easy it is to take advantage of RCN's services,  
and to start saving today, call our local office at **1.212.842.7770.**  
Monday-Friday (9:00am-9:00pm)



Phone. Cable. High-Speed Internet.  
**1.800.RING RCN or RCN.com**  
1.800.746.4726

1 The actual speed a user receives data depends on the cable modem and the web server to which the user is connected. Your connection is also affected by traffic on the Internet and your computer. Therefore, no actual download speeds can be guaranteed. 2 Specific hardware requirements must be met. Ethernet card must be installed into your computer prior to cable modem hook-up. Prices listed are for customers who subscribe to RCN full basic cable service. Customers must reside in a residential, wired RCN serviceable area to receive cable modem access. Check availability in your area. Prices are subject to change without notice. Some restrictions may apply. 3 Does not include Caller ID box. Check availability in your area.



OF THIS CHECK WILL SWITCH MY LONG DISTANCE, LOCAL TOLL AND LOCAL TELEPHONE SERVICE TO TALK.COM HOLDING CORP.

3-50  
310

07DBK800985695

No. 0080985695  
Issue Date July 28, 2000

PAY TO THE ORDER OF:

PAY Fifty & 00/100 DOLLARS \$50.00

New York, NY 10003-5245

Attention Financial Institution:  
Check must be endorsed with payee's signature to be valid for cashing and/or deposit. Check value not to exceed \$50.00

*Paul Vician*  
Authorized Signature

First Union Bank

If the telephone number or address is printed incorrectly, please make changes on the reverse side.

Customer Phone Number (212) [REDACTED]

0080985695 03 1000 503 2000003284 180

Section 7  
Page 1 of 5

GET \$50  
TO ENROLL  
TODAY

UNLIMITED  
LOCAL CALLS\*\*

SAME CALLING  
FEATURES

200 MINUTES  
OF LONG  
DISTANCE  
EVERY MONTH

NO CHANGE  
IN PHONE  
NUMBER  
AND CALL  
QUALITY

## This \$50 check is real. And so is the money you'll save.

Dear [REDACTED]:

As an AOL Member, you have been selected to receive \$50 to enroll in a new savings plan. Simply cash the attached check on or before August 31, 2000, and get an extra \$50 to spend any way you wish.

When you do, you'll join the thousands of people who've discovered they finally have a choice over their local Bell company. A choice that guarantees simplicity and savings for local and long distance telephone service through one simple plan.

**Unlimited local calls and 200 minutes of long distance every month—  
for one affordable price.**

You get unlimited local calling, and the same calling features you have now—like call waiting, caller ID and voice mail.\* Plus 200 minutes of long distance\*\* (including state-to-state and in-state calls) each month—all for just \$49.95. It's one of the best values in telephone service anywhere.

**It's easy. Same phone number. A brand new way to save.**

No hassles to change, and you won't notice anything but the savings. You'll keep the same number, the same phone lines and the same features you have now. What's more, you'll enjoy the convenience of having one phone company for both long distance and local service.

**You'll get \$50 for enrolling today.**

To start enjoying all of these benefits today—including the convenience of one bill for all your local and long distance charges—just sign and cash the attached \$50 check and you'll be automatically enrolled.

Remember, the \$50 is yours to use as you wish. If you have any questions, just call our Customer Service professionals at 1-877-955-4255. Don't wait! The sooner you join, the sooner you'll start saving on all your calls each month. For additional information, just go to KEYWORD: Local Phone.

Sincerely,

*Gregory Luff*

Gregory Luff  
America Online

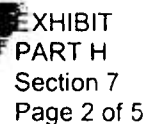
P.S. Due to the special nature of this program, the attached check is only valid until August 31, 2000. So be sure to cash or deposit your \$50 check today.

\* Voice mail access numbers in New York may vary. There will be a one-time \$10 connection fee for voice mail if you do not currently have this service. For terms of service and additional information, please go to KEYWORD: Local Phone, or call us at 1-877-955-4255.

\*\* Unlimited non-toll local calling. The 200 long distance minutes apply to domestic dial-1 calls placed from your home phone. Includes in-state, local toll and state-to-state long distance minutes, and does not include international calls. A low rate of 9.9¢ per minute applies to long distance usage exceeding the 200 minutes within a billing cycle. The 200 minutes do not include international calls. International rates may vary.

**Another Special AOL Member Perk**





**Yes, this is a real \$25 check!** Just call 1-800-398-3787 to switch your local and long distance telephone service to Z-Line Home Edition, **get your activation code to cash the check below**, and begin saving up to \$23 every month versus Verizon®... almost \$278 per year! Jumpstart your savings now and you'll join the thousands of savvy consumers who've already made the smart choice and switched to New York's new local and long distance phone service.

For years you've been able to choose your long distance provider, but never before has there been a choice in local phone service. Now there is: Z-Line Home Edition, the Smart Choice.

Here's why making the switch to Z-Line Home Edition just makes sense:

For **\$49.99 per month** you get **unlimited local calling, 200 free minutes of long distance calling per month**, and premium features like *Caller ID, Call Waiting, Speed Calling and 3-Way Calling, FREE*. You also get a package of Web and phone features no other local phone company offers you, like Voicemail and Find Me multiple-number call forwarding, absolutely free. And you keep your current phone number!

So call in for your check activation code today, enjoy the cash, and we'll do the rest.

See reverse for Z-Line Home Edition plan details and pricing comparison.  
For more information call 1-800-398-3787 or visit [www.myzline.com](http://www.myzline.com).

Your Z-Line Home Edition includes all these features. Compare and see how you can save up to \$299.

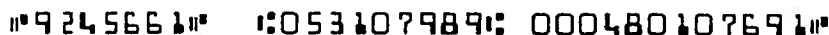
\* 2-1a made certain assumptions regarding an individual's monthly calling patterns and behavior. 2-1a believes these assumptions accurately reflect usage patterns of a typical residential consumer in any given month. Savings could be higher or lower than the Pricing Comparison, depending upon the particular usage of the individual. The assumptions used in preparing the Pricing Comparison are based upon rates contained in publicly available tariffs and price lists from major telecommunications carriers. The underlying rates used for comparison purposes are subject to change.

*Save with*  
**Z-Line Home Edition!**

*Why have a phone line when you can have a Z-Line™?*

*P.S. Make sure your phone number appears correctly on the check below. Offer valid for new Z-Line Home Edition customers only. Limit one check per household.*

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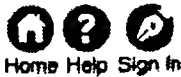


\* Z-Tel made certain assumptions regarding an individual's monthly calling patterns and behavior. Z-Tel believes these assumptions accurately reflect the usage patterns of a typical residential consumer in any given month. Savings could be higher or lower than the Pricing Comparison, depending upon the particular usage of the individual. The assumptions used in preparing this Pricing Comparison are based upon rates contained in publicly available tariffs and price lists from major telecommunications carriers. The underlying rules used for comparison purposes are subject to change.

Control No. 1000.001.0074

Social Security Number

[illegible]



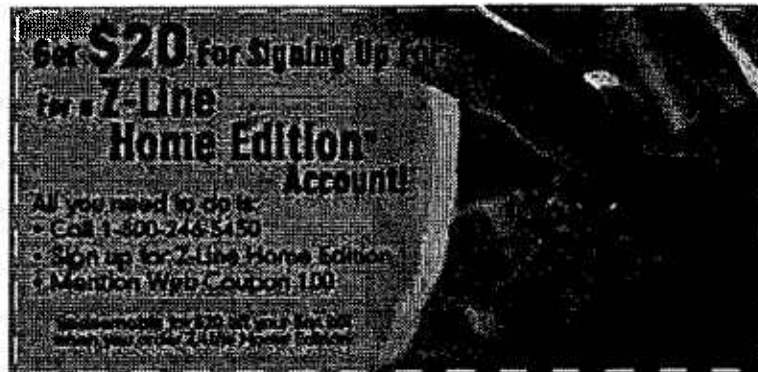
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Save \$20 on Z-Line  
Home Edition

Save \$20 on Z-Line Home Edition™

Refer Someone and Get  
Paid

Switch and Save with **Z-Line Home Edition™**. The Smart  
Choice!



Send the cou  
to a friend!

Your Name

Your Friend's E-m

Send Coupon

Yes, you can redeem this \$20 coupon from Z-Tel™! Just call  
**1-800-246-5450** now to switch your local and long distance telephone  
service to Z-Line Home Edition. You'll get \$20 off your first bill, plus incredit  
savings month after month. And you don't even have to change your home  
phone number!

Check out the [Pricing and Availability](#) for Z-Line Home Edition in your state  
and learn about all the great features that are included with this new,  
enhanced phone service.

**Why have a phone line when you can have a Z-Line?**

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 Save \$20 on Z-Line Home Edition
 

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**Refer Someone and Get Paid**


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## Refer Someone and Get Paid

Z-Line™ becomes even more valuable when your friends, associates, and family are Z-Line Members too. You can automatically send them information about Z-Line, along with your Z-Line number, by signing in, going to the [Refer Others](#) page and entering their e-mail addresses. You can send it directly or forward it yourself if you prefer.

Z-Line Product	Referral Credit	Receive Credit When
Z-Line Home Edition™	\$20.00	Credit received after 31 days of service for the new Member
Z-Line Anywhere™	\$5.00	Credit received after new Member uses \$5.00 in services

\*Credits will be issued to referring party on the next consecutive billing cycle following the 31st day of uninterrupted new member service. Members making multiple referrals are limited to one (1) \$20.00 credit per consecutive billing cycle. To refer additional members, simply have them call 1-800-246-5450 to begin service. Make certain they give us your Z-Line number (your home phone number) in order for you to receive credit for the referral.

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**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

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**PART I  
- [REDACTED VERSION]**

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE NEW YORK COMPETITIVE MARKETPLACE**

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**PART I  
[REDACTED VERSION]**

61 CHKTNYFR CHEEKTOWAGA-FRENCH RD. NY CHKTNYFR



Wire Center	CLLI Code	Verizon NY Lines	Percent of Total Lines	UNE Loops	Ported Numbers	UNE-Cs			Resold Lines		Lost Lines			Collocation Arrangements Completed
						Residence	Business	Public	Residence	Business	Business			
											Consumer	General	Enterprise	
----- (Count, 1998-2001) -----														
62 CHPQNYCP_CHAPPAQUA NY	CHPQNYCP													
63 CHTGNYZH_CHATEAUGAY NY	CHTGNYZH													
64 CHVYNYZV_CHERRY VALLEY NY	CHVYNYZV													
65 CICRNYCJ_CICERO NY	CICRNYCJ													
66 CLAYNYOS_CLAY/LIVERPOOL NY	CLAYNYOS													
67 CLCNNYCN_CALLICOON NY	CLCNNYCN													
68 CLCRNYCC_CLINTON CORNERS NY	CLCRNYCC													
69 CLCTNYCC_CLARENCE CENTER NY	CLCTNYCC													
70 CLEVNYCE_CLEVELAND NY	CLEVNYCE													
71 CLNCNYBA_CLARENCE NY	CLNCNYBA													
72 CLPKNYCP_CLIFTON PARK NY	CLPKNYCP													
73 CLTNNYZI_CLINTON NY	CLTNNYZI													
74 CLVLNYCK_CLARKSVILLE NY	CLVLNYCK													
75 CLVRNYCV_CLAVERACK NY	CLVRNYCV													
76 CLYDNYCY_CLYDE NY	CLYDNYCY													
77 CMBRNYCM_CAMBRIDGE NY	CMBRNYCM													
78 CMDNNYZM_CAMDEN NY	CMDNNYZM													
79 CMLSNIID_CAMILLUS NY	CMLSNIID													
80 CMLSNYON_SYRACUSE-FAIRMOUNT NY	CMLSNYON													
81 CMMKNYCM_COMMACK NY	CMMKNYCM													
82 CMPBNYCP_CAMPBELL NY	CMPBNYCP													
83 CMRRNYCF_CAMERON NY	CMRRNYCF													
84 CNBRNYCD_CENTRAL BRIDGE NY	CNBRNYCD													
85 CNDLNYCL_CLINTONDALE NY	CNDLNYCL													
86 CNGRNYCN_CONGERS NY	CNGRNYCN													
87 CNSRNYCX_CANASERAGA NY	CNSRNYCX													
88 CNSTNYZA_CANASTOTA NY	CNSTNYZA													
89 CNTNNYZO_CANTON NY	CNTNNYZO													
90 CNTTNYCI_CONSTANTIA NY	CNTTNYCI													
91 COTNNY56_COLTON NY	COTNNY56													
92 CPNHNYZP_COPENHAGEN NY	CPNHNYZP													
93 CPTWNYZW_COOPERSTOWN NY	CPTWNYZW													
94 CRHDNYCH_CROTON-ON-HUDSON NY	CRHDNYCH													
95 CRLDNYCR_CORTLAND NY	CRLDNYCR													
96 CRMLNYCL_CARMELO NY	CRMLNYCL													
97 CRNGNYCG_CORNING NY	CRNGNYCG													
98 CRNWNYCW_CORNWALL NY	CRNWNYCW													
99 CRTHNYZG_CARTHAGE NY	CRTHNYZG													
100 CSPPNYCS_COLD SPRING NY	CSPPNYCS													
101 CSTNNYCS_CASTLETON NY	CSTNNYCS													
102 CTBRNYCB_CENTER BRUNSWICK NY	CTBRNYCB													
103 CTCHNYCU_CUTCHOQUE NY	CTCHNYCU													
104 CTNGNYCH_CHITTENANGO NY	CTNGNYCH													
105 CTONNYZN_CATON NY	CTONNYZN													
106 CTRGNYSO_CATTARAUGUS NY	CTRGNYSO													
107 CTSKNYCT_CATSKILL NY	CTSKNYCT													
108 CUBANYEM_CUBA NY	CUBANYEM													
109 CYTNNYZY_CLAYTON NY	CYTNNYZY													
110 DBFYNYDF DOBBS FERRY NY	DBFYNYDF													
111 DLGVNYDG_DOLGEVILLE NY	DLGVNYDG													
112 DLMRNYDA_DELMAR NY	DLMRNYDA													
113 DLSNNYDL_DELANSON NY	DLSNNYDL													
114 DNKRNYDK_DUNKIRK NY	DNKRNYDK													
115 DNMRNYDN_DANNEMORA NY	DNMRNYDN													
116 DRBYNYDB_DERBY NY	DRBYNYDB													
117 DRPKNYDP_DEER PARK NY	DRPKNYDP													
118 DVPLNYDP_DOVER PLAINS NY	DVPLNYDP													
119 DVPTNYDT_DAVENPORT NY	DVPTNYDT													
120 EAUARNYEA_E. AURORA NY	EAUARNYEA													
121 EDENNYED_EDEN NY	EDENNYED													
122 EDTNNYET_EDMESTON NY	EDTNNYET													

[illegible]

Wire Center	CLLI Code	Verizon NY Lines	Percent of Total Lines	UNE Loops	Ported Numbers	UNE-Ps			Resold Lines		Lost Lines			Collocation
						Residence	Business	Public	Residence	Business	Business			Arrangements Completed
											Consumer	General	Enterprise	
184 HMPSNYHS_HEMPSTEAD NY	HMPSNYHS													
185 HMTNNYHA_HAMILTON NY	HMTNNYHA													
186 HNDLNYHI_HINSDALE NY	HNDLNYHI													
187 HNSTNYHU_HUNTINGTON NY	HNSTNYHU													
188 HNTRNYHN_HUNTER NY	HNTRNYHN													
189 HOMRNYHM_HOMER NY	HOMRNYHM													
190 HRFRNYHR_HARTFORD NY	HRFRNYHR													
191 HRKMNYHC_HERKIMER NY	HRKMNYHC													
192 HRNLNYHL_HORNELL NY	HRNLNYHL													
193 HRSNNYAD_HARRISON NY	HRSNNYHN													
194 HRVLNYHV_HARRISVILLE NY	HRVLNYHV													
195 HRWKNYHW_HARTWICK NY	HRWKNYHW													
196 HSFLNYHS_HOOSICK FALLS NY	HSFLNYHS													
197 HSHDNYHH_HORSEHEADS NY	HSHDNYHH													
198 HVTNNYHX_HEUVELTON NY	HVTNNYHX													
199 HYPKNYHK_HYDE PARK NY	HYPKNYHK													
200 ILINNYIL_ILION NY	ILINNYIL													
201 ITHCNYIH_ITHACA-TIOGA ST. NY	ITHCNYIH													
202 ITHCNYPG_ITHACA-PLEASANT GROVE NY	ITHCNYPG													
203 JAVANYJA_JAVA NY	JAVANYJA													
204 JFVLNYJF_JEFFERSONVILLE NY	JFVLNYJF													
205 JHCYNYJC_JOHNSON CITY NY	JHCYNYJC													
206 JNVLNYJV_JONESVILLE NY	JNVLNYJV													
207 JRDNNYJD_JORDAN NY	JRDNNYJD													
208 KENDNYKD_KENDALL NY	KENDNYKD													
209 KGTNNYKG_KINGSTON NY	KGTNNYKG													
210 KNVYNYKV_KEENE NY	KNVYNYKV													
211 KRHNNYKR_KERHONKSON NY	KRHNNYKR													
212 KTBANYKB_KATTSKILL BAY NY	KTBNANYKB													
213 KTNHNYKA_KATONAH NY	KTNHNYKA													
214 LBRTNYLB_LIBERTY NY	LBRTNYLB													
215 LCPTNYLK_LOCKPORT NY	LCPTNYLK													
216 LFRVNYLE_LAFARGEVILLE NY	LFRVNYLE													
217 LFYTNYLF_LAFAYETTE NY	LFYTNYLF													
218 LHSTNYLH_LINDENHURST NY	LHSTNYLH													
219 LKGRNYLR_LAKE GEORGE NY	LKGRNYLR													
220 LKHNNYLH_LAKE HUNTINGTON NY	LKHNNYLH													
221 LKKTNYLK_LAKE KATRINE NY	LKKTNYLK													
222 LKPCNYLA_LAKE PLACID NY	LKPCNYLA													
223 LMSTNYLM_LIMESTONE NY	LMSTNYLM													
224 LNBHNYLB_LONG BEACH NY	LNBNHNYLB													
225 LNCSNYLC_LANCASTER NY	LNCSNYLC													
226 LNDYNYLN_LINDLEY NY	LNDYNYLN													
227 LNNGNYLG_LANSING NY	LNNGNYLG													
228 LRMTNYLA_LARCHMONT NY	LRMTNYLA													
229 LSTNNYLW_LEWISTON NY	LSTNNYLW													
230 LTFLNYLS_LITTLE FALLS NY	LTFLNYLS													
231 LTHMNYTS_LATHAM NY	LTHMNYTS													
232 LTVYNYLI_LITTLE VALLEY NY	LTVYNYLI													
233 LVMNNYLV_LIVINGSTON MANOR NY	LVMNNYLV													
234 LVTWNYLT_LEVITTOWN NY	LVTWNYLT													
235 LXTNNYLX_LEXINGTON NY	LXTNNYLX													
236 LYBRNYLB_LYNBROOK NY	LYBRNYLB													
237 LYMTNYLO_LYON MOUNTAIN NY	LYMTNYLO													
238 LYNSNYLY_LYONS NY	LYNSNYLY													
239 LYVLNYLL_LYNDONVILLE NY	LYVLNYLL													
240 MACDNYMC_MACEDON NY	MACDNYMC													
241 MAINNYME_MAINE NY	MAINNYME													
242 MALNNYMM_MALONE NY	MALNNYMM													
243 MARNNYMR_MARION NY	MARNNYMR													
244 MARVNYMV_MARIAVILLE NY	MARVNYMV													

Wire Center	CLLI Code	Verizon NY Lines	Percent of Total Lines	UNE Loops	Ported Numbers	UNE-Ps			Resold Lines		Lost Lines			Collection Arrangements Completed
						Residence	Business	Public	Residence	Business	Business			
											Consumer	General	Enterprise	
245 MCDGNYMD_MAC DOUGALL NY	MCDGNYMD													
246 MCGRNYMG_MCGRAW NY	MCGRNYMG													
247 MCHSNYMA_MACHIAS NY	MCHSNYMA													
248 MCHVNYMC_MECHANICVILLE NY	MCHVNYMC													
249 MCLNNYMZ_MCLEAN NY	MCLNNYMZ													
250 MDPTNYMP_MIDDLEPORT NY	MDPTNYMP													
251 MDRDNYMK_MADRID NY	MDRDNYMK													
252 MEDNNYPA_MEDINA NY	MEDNNYPA													
253 MEXCNYMX_MEXICO NY	MEXCNYMX													
254 MHPCNYMP_MAHOPAC NY	MHPCNYMP													
255 MINLNYMI_MINEOLA NY	MINLNYMI													
256 MINONYMI_MINOA NY	MINONYMI													
257 MIVLNYNV_MINEVILLE NY	MIVLNYNV													
258 MLBKNYML_MILLBROOK NY	MLBKNYML													
259 MLFRNYMU_MILFORD NY	MLFRNYMU													
260 MLTNNYMN_MILTON NY	MLTNNYMN													
261 MMRNNYMA_MAMARONECK NY	MMRNNYMA													
262 MNHSNYMH_MANHASSET NY	MNHSNYMH													
263 MNTINYMT_MONTICELLO NY	MNTINYMT													
264 MNTKNYMT_MONTAUK NY	MNTKNYMT													
265 MOIRNYMY_MOIRA NY	MOIRNYMY													
266 MORVNYMO_MORAVIA NY	MORVNYMO													
267 MRBONYMB_MARLBORO NY	MRBONYMB													
268 MRTWNYMW_MORRISTOWN NY	MRTWNYMW													
269 MSPQNYMP_MASSAPEQUA NY	MSPQNYMP													
270 MSSNNYMQ_MASSENA NY	MSSNNYMQ													
271 MSTCNYMC_MASTIC NY	MSTCNYMC													
272 MTKSNYMK_MOUNT KISCO NY	MTKSNYMK													
273 MTRVNYMV_MOUNT VERNON NY	MTRVNYMV													
274 NCHLNYNL_NICHOLS NY	NCHLNYNL													
275 NCLNNYNO_N. COLLINS NY	NCLNNYNO													
276 NCLVNYNC_N. CLOVE NY	NCLVNYNC													
277 NGFLNY76_NIAGARA FALLS-76TH ST. NY	NGFLNY76													
278 NGFLNYPO_NIAGARA FALLS-PORTAGE NY	NGFLNYPO													
279 NGFLNYWO_NIAGARA FALLS-WOODLAND NY	NGFLNYWO													
280 NGRNNYNG_N. GREENBUSH NY	NGRNNYNG													
281 NRFLNYNO_NORFOLK NY	NRFLNYNO													
282 NROSNYNR_N. ROSE NY	NROSNYNR													
283 NRWDNYND_NORWOOD NY	NRWDNYND													
284 NSYRNYNS_N. SYRACUSE NY	NSYRNYNS													
285 NWBRNYNW_NEWBURGH NY	NWBRNYNW													
286 NWBRNYWT_NEWBURGH WEST NY	NWBRNYWT													
287 NWCYNYNC_NEW CITY NY	NWCYNYNC													
288 NWFDNYNF_NEWFIELD NY	NWFDNYNF													
289 NWFNNYMA_NEWFANE NY	NWFNNYMA													
290 NWPLNYNP_NEW PALTZ NY	NWPLNYNP													
291 NWRCNYNR_NEW ROCHELLE NY	NWRCNYNR													
292 NWRKNYNK_NEWARK NY	NWRKNYNK													
293 NWWNNYNW_NEW WINDSOR NY	NWWNNYNW													
294 NYACNYNK_NYACK NY	NYACNYNK													
295 NYCKNY14_14TH ST. NY	NYCKNY14													
296 NYCKNY71_71ST ST. NY	NYCKNY71													
297 NYCKNY77_77TH ST. NY	NYCKNY77													
298 NYCKNYAI_AVE. I NY	NYCKNYAI													
299 NYCKNYAL_ALBEMARLE RD. NY	NYCKNYAL													
300 NYCKNYAR_AVE. R NY	NYCKNYAR													
301 NYCKNYAU_AVE. U NY	NYCKNYAU													
302 NYCKNYAY_AVE. Y NY	NYCKNYAY													
303 NYCKNYBR_BRIDGE ST. NY	NYCKNYBR													
304 NYCKNYBU_BUSHWICK AVE. NY	NYCKNYBU													
305 NYCKNYCL_CLINTON AVE. NY	NYCKNYCL													

[illegible]

Wire Center	CLLI Code	Verizon NY Lines	Percent of Total Lines	UNE Loops	Ported Numbers	UNE-Ps			Resold Lines		Lost Lines			Collocation Arrangements Completed
						Residence	Business	Public	Residence	Business	Consumer	Business		
												General	Enterprise	
											(Count, 1998-2001)			
367 OKFDNYOK_OAKFIELD NY	OKFDNYOK													
368 OKHLNYOH_OAK HILL NY	OKHLNYOH													
369 OLENNYHA_OLEAN NY	OLENNYHA													
370 ONEDNYOD_ONEIDA NY	ONEDNYOD													
371 ONNTNYOA_ONEONTA NY	ONNTNYOA													
372 ONTRNYON_ONTARIO NY	ONTRNYON													
373 ORBGNYOB_ORANGEBURG NY	ORBGNYOB													
374 ORPKNYST_ORCHARD PARK NY	ORPKNYST													
375 OSNGNYOS_OSSINING NY	OSNGNYOS													
376 OSWGNYOS_OSWEGO NY	OSWGNYOS													
377 OTEGNYOT_OTEGO NY	OTEGNYOT													
378 OWEGNYOW_OWEGO NY	OWEGNYOW													
379 OWSCNYOO_OWASCO NY	OWSCNYOO													
380 OYBANYOY_OYSTER BAY NY	OYBANYOY													
381 PASNNYPN_PATTERSON NY	PASNNYPN													
382 PCHGNYPH_PATCHOGUE NY	PCHGNYPH													
383 PERUNYPE_PERU NY	PERUNYPE													
384 PGHKNYSH_POUGHKEEPSIE-S. HAMILTON NY	PGHKNYSH													
385 PGHKNYSP_POUGHKEEPSIE-SPACKENKILL NY	PGHKNYSP													
386 PHLANYPF_PHILADELPHIA NY	PHLANYPF													
387 PHMTNYPM_PHILMONT NY	PHMTNYPM													
388 PHNCNYPH_PHOENICIA NY	PHNCNYPH													
389 PJSTNYPJ_PORT JEFFERSON NY	PJSTNYPJ													
390 PKSKNYPS_PEEKSKILL NY	PKSKNYPS													
391 PLBGNYPB_PLATTSBURGH NY	PLBGNYPB													
392 PLMYNYPY_PALMYRA NY	PLMYNYPY													
393 PLVLNYPL_PALENVILLE NY	PLVLNYPL													
394 PLVWNYPV_PLAINVIEW NY	PLVWNYPV													
395 PNYNNYPN_PENN YAN NY	PNYNNYPN													
396 POMNNYPO_POMONA NY	POMNNYPO													
397 PPRGNYPF_POPLAR RIDGE NY	PPRGNYPF													
398 PRDYNYPD_PURDYS NY	PRDYNYPD													
399 PRISNYPA_PARISH NY	PRISNYPA													
400 PRRVNYNP_PEARL RIVER NY	PRRVNYNP													
401 PRTVNYPV_PORTVILLE NY	PRTVNYPV													
402 PRVINYPR_PRATTSVILLE NY	PRVINYPR													
403 PSVLNYPV_PLEASANTVILLE NY	PSVLNYPV													
404 PTCHNYPC_PORT CHESTER NY	PTCHNYPC													
405 PTHNNYPO_PORT HENRY NY	PTHNNYPO													
406 PTNMNYPX_PUTNAM NY	PTNMNYPX													
407 PTSDNYS POTSDAM NY	PTSDNYS													
408 PTTWNYPI_PITTS TOWN NY	PTTWNYPI													
409 PTVNYPY_PUTNAM VALLEY NY	PTVNYPY													
410 PTWANYPW_PORT WASHINGTON NY	PTWANYPW													
411 PVYDNYPD_PLEASANT VALLEY NY	PVYDNYPD													
412 PWNGNYSS_PAWLING NY	PWNGNYSS													
413 RCSPNYRS_RICHFIELD SPRINGS NY	RCSPNYRS													
414 RCVLNYSRH_RICHMONDVILLE NY	RCVLNYSRH													
415 RDCKNYRC_RED CREEK NY	RDCKNYRC													
416 RNKNYSRN_RONKONKOMA NY	RNKNYSRN													
417 RNLKNYRL_ROUND LAKE NY	RNLKNYRL													
418 RODLNYSRD_ROSENDALE NY	RODLNYSRD													
419 ROMENYSRM_ROME NY	ROMENYSRM													
420 RSFRNYRF_RUSHFORD NY	RSFRNYRF													
421 RSLNNYSRO_ROSLYN NY	RSLNNYSRO													
422 RSVLNYSRV_RANSOMVILLE NY	RSVLNYSRV													
423 RVHDNYSRV_RIVERHEAD NY	RVHDNYSRV													
424 RXBYNYRX_ROXBURY NY	RXBYNYRX													
425 RYE-NYSRY_RYE NY	RYEENYSRY													
426 SALKNYQT_STAR LAKE NY	SALKNYQT													
427 SALMNYSM_SALEM NY	SALMNYSM													

[illegible]

**Lines Not Matched to Wire Centers**  
**Grand Total**



**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the  
Commission to Consider Cost  
Recovery by Verizon and to  
Investigate the Future Regulatory  
Framework**

**Case 00-C-1945**

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE VERIZON INCENTIVE PLAN FOR NEW YORK**

**PART A  
[REDACTED VERSION]**

**PART B**

**PART C**

**PART D**

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE VERIZON INCENTIVE PLAN FOR NEW YORK**

**PART A  
[REDACTED VERSION]**

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE VERIZON INCENTIVE PLAN FOR NEW YORK**

**PART A  
[REDACTED VERSION]**

VERIZON NEW YORK  
HISTORIC INTRASTATE EARNINGS AND RETURNS

LINE		PLAN YR 1 9/95-8/96	PLAN YR 2 9/96-8/97	PLAN YR 3 9/97-8/98	PLAN YR 4 9/98-8/99	PLAN YR 5 9/99-8/00	2000
1	REVENUES	5,895.4	5,787.5	5,732.1	5,721.4	5,686.2	5,601.9
2	EXPENSES	4,897.6	4,658.4	4,635.4	4,821.0	4,900.1	4,807.1
3	TAXES/OTHER INCOME	596.6	645.9	627.4	570.7	483.9	498.4
4	EARNINGS (ADJUSTED FOR IDC) (L1-L2-L3)	401.2	483.3	469.3	329.7	302.2	296.3
5	CUSTOMER DEPOSIT INTEREST	0.7	0.5	0.4	0.3	0.2	0.2
6	TAX DEDUCTION FOR IMPUTED INTEREST	21.1	10.3	25.3	30.2	30.5	25.8
7	TOTAL EARNINGS AVAILABLE (L4 THRU L6)	423.1	494.0	495.0	360.2	332.9	322.2
8	RATE BASE	7,507.3	7,980.3	7,904.2	7,813.0	7,820.2	7,900.1
9	RATE OF RETURN (L8/L9)	5.6%	6.2%	6.3%	4.6%	4.3%	4.1%
10	WEIGHTED COST OF NEW YORK DEBT	3.6%	3.2%	3.7%	3.9%	4.0%	4.1%
11	EQUITY % OF NY CAPITAL	52.0%	53.3%	48.8%	45.3%	45.2%	43.9%
12	RETURN ON EQUITY ((L9-L10)/L11)	4.0%	5.6%	5.2%	1.6%	0.6%	0.0%

VERIZON NEW YORK  
HISTORIC INTRASTATE EARNINGS AND RETURNS

LINE		PLAN YR 1 <u>9/95-8/96</u>	PLAN YR 2 <u>9/96-8/97</u>	PLAN YR 3 <u>9/97-8/98</u>	PLAN YR 4 <u>9/98-8/99</u>	PLAN YR 5 <u>9/99-8/00</u>	<u>CUM</u>
1	TOTAL EARNINGS AVAILABLE	423.1	494.0	495.0	360.2	332.9	2,105.3
2	RATE BASE	7,507.3	7,980.3	7,904.2	7,813.0	7,820.2	
3	RATE OF RETURN (L1/L2)	5.6%	6.2%	6.3%	4.6%	4.3%	
4	EARNINGS AT AUTHORIZED RATE (TRACK I - 9.15% * L2)	686.9	730.2	723.2	714.9	715.5	3,570.8
5	EARNINGS SHORTFALL (L1-L4)	(263.8)	(236.2)	(228.3)	(354.7)	(382.6)	(1,465.5)
6	TRACK II PROJECTED RATES OF RETURN	7.01%	9.16%	9.44%	11.92%	10.72%	
7	EARNINGS AT TRACK II PROJECTED RATES (L2*L6)	526.3	731.0	746.2	931.3	838.3	3,773.1
8	EARNINGS SHORTFALL AT TRACK II RATES (L1-L7)	(103.2)	(237.0)	(251.2)	(571.1)	(505.4)	(1,667.8)

VERIZON NEW YORK  
FORECASTED INTRASTATE EARNINGS AND RETURNS  
(\$MILLIONS)

LINE		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1	REVENUES				
2	EXPENSES				
3	TAXES/OTHER INCOME				
4	EARNINGS (ADJUSTED FOR IDC) (L1-L2-L3)				
5	CUSTOMER DEPOSIT INTEREST				
6	TAX DEDUCTION FOR IMPUTED INTEREST				
7	TOTAL EARNINGS AVAILABLE (L4 THRU L6)				
8	RATE BASE				
9	RATE OF RETURN (L8/L9)				
10	WEIGHTED COST OF NEW YORK DEBT				
11	EQUITY % OF NY CAPITAL				
12	RETURN ON EQUITY ((L9-L10)/L11)				

VERIZON NEW YORK  
FORECAST OF INTRASTATE EARNINGS  
(\$MILLIONS)

	2001	2002	2003	2004
<b>Revenues:</b>				
Local				
Access				
Long Distance				
Ancillary Services				
VADI/Fast Packet				
Uncollectibles				
<b>Total Revenue</b>				
<b>Expense:</b>				
Salaries and Wages				
Pension and Benefits				
Reciprocal Compensation				
Affiliate Billing				
Depreciation				
VADI/Fast Packet				
All Other				
Merger Savings				
Merger Costs				
TBO Amortization				
<b>Total Operating Expense</b>				
<b>Net Operating Revenue</b>				
<b>Taxes</b>				
Total Non-Income Taxes				
Income Taxes				
<b>Total Operating Taxes</b>				
<b>Other Income and Expense</b>				
<b>Interest</b>				
<b>Net Income</b>				

## (\$ Millions)

[illegible]



**VERIZON NEW YORK**  
**Income Statement**  
(\$ Millions)

	Norm 2000	PLAN 2001	PLAN 2002	PLAN 2003	PLAN 2004
<b>Revenues:</b>					
Local					
Access					
Long Distance					
Ancillary Services					
VADI/Fast Packet					
VADI/DSL					
Uncollectibles					
<b>Total Revenue</b>					
<b>Expense:</b>					
Salaries and Wages					
Pension and Benefits					
Reciprocal Compensation					
Affiliate Billing					
Rents					
Energy					
Depreciation					
VADI/Fast Packet					
VADI/DSL					
All Other					
Merger Costs					
Merger Savings					
<b>Total Operating Expense</b>					
<b>Net Operating Revenue</b>					
Gross Receipts Tax					
Property Tax					
Other Non-Income Tax					
<b>Total Non-Income Taxes</b>					
Income Taxes					
<b>Total Operating Taxes</b>					
<b>Other Income and Expense</b>					
<b>Interest</b>					
<b>Net Income</b>					

[illegible]

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[illegible]

[illegible]

[illegible]

\*\*\* REDACTED VERSION \*\*\*

EXHIBIT  
PART A  
SECTION 8

VERIZON NEW YORK  
FORECASTED INTRASTATE RATE BASE

	2001	2002	2003	2004
TEL. PL. IN SVC				
TEL. PL. CONST				
PROP HLD FUT				
OTHER RATE BASE ADJ				
LESS-DEPR. RES				
LESS-DF.FIT	_____	_____	_____	_____
NET PLANT				
MAT & SUPPLIES	_____	_____	_____	_____
NET PROPERTY BASE				
PSC ADJUSTMENTS				
TPUC				
CASH WORKING CAPITAL				
EARNINGS/CAPITAL BASE ADJ				
COE REMOVAL COST ADJ	_____	_____	_____	_____
NET RATE BASE				

VERIZON NEW YORK  
DEVELOPMENT OF FORECASTED INTRASTATE RATE BASE  
(\$MILLIONS)

Telephone Plant in Service

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
PSC BASIS				
Total PSC Beginning of Period				
Additions				
Retirements				
EOP				
Average PSC REG				
Less: Intra CT				
Less Interstate				
Average PSC REG				
ReReg				
ReReg Intrastate				

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Depreciation Reserve				
Total PSC Beginning of Period				
Additions				
Retirements				
EOP				
Average PSC REG				
Less: Intra CT				
Less Interstate				
Average PSC REG				
ReReg				
ReReg Intrastate				



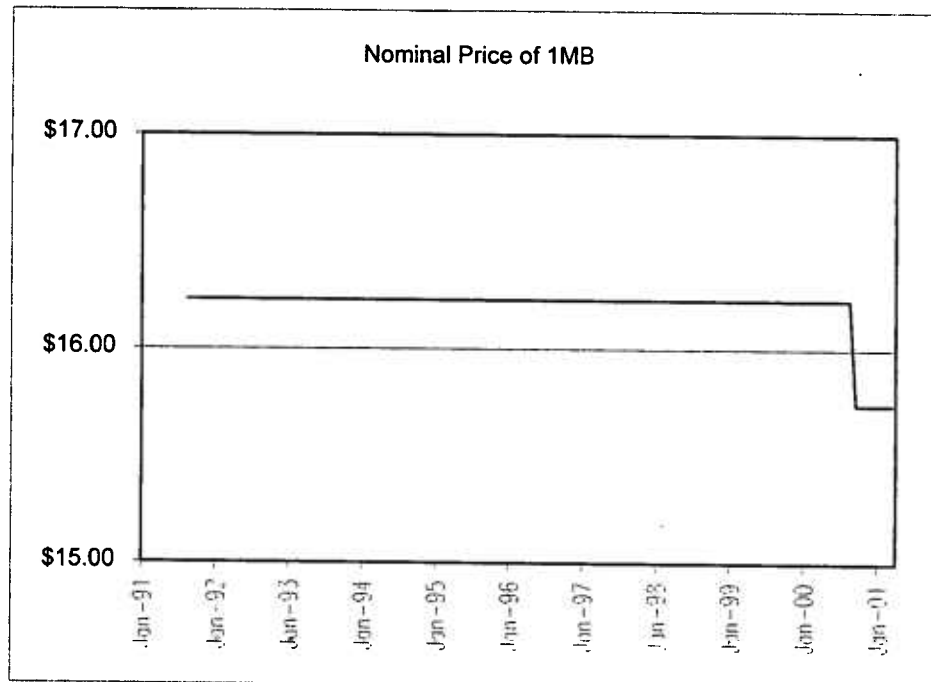
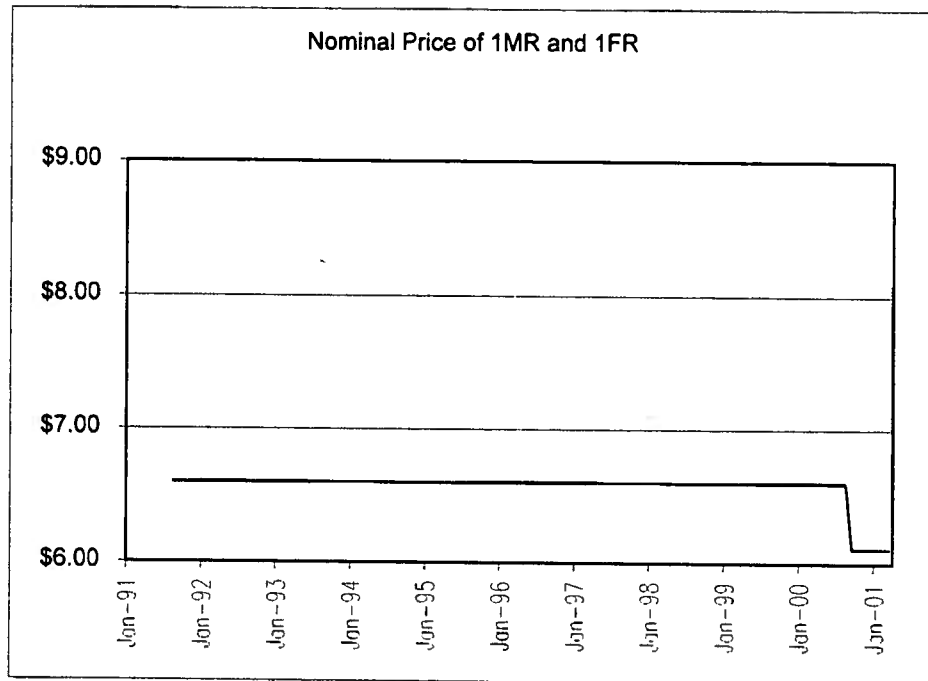
VERIZON NEW YORK  
FORECASTED INTRASTATE EARNINGS AND RETURNS  
OVERLAYING PROPOSED REVENUE INCREASES  
(\$MILLIONS)

LINE		2002	2003	2004
1	BASIC EXCHANGE SERVICE INCREASE			
2	2.5% RATE INCREASE			
3	TOTAL REVENUE IMPACT (L1 + L2)			
4	EARNINGS IMPACT			
5	FORECASTED EARNINGS			
6	ADJUSTED EARNINGS (L5 + L6)			
7	RATE BASE			
8	ADJUSTED RATE OF RETURN (L6/L7)			
9	WEIGHTED COST OF NEW YORK DEBT			
10	EQUITY % OF NY CAPITAL			
11	RETURN ON EQUITY ((L8-L9)/L10)			

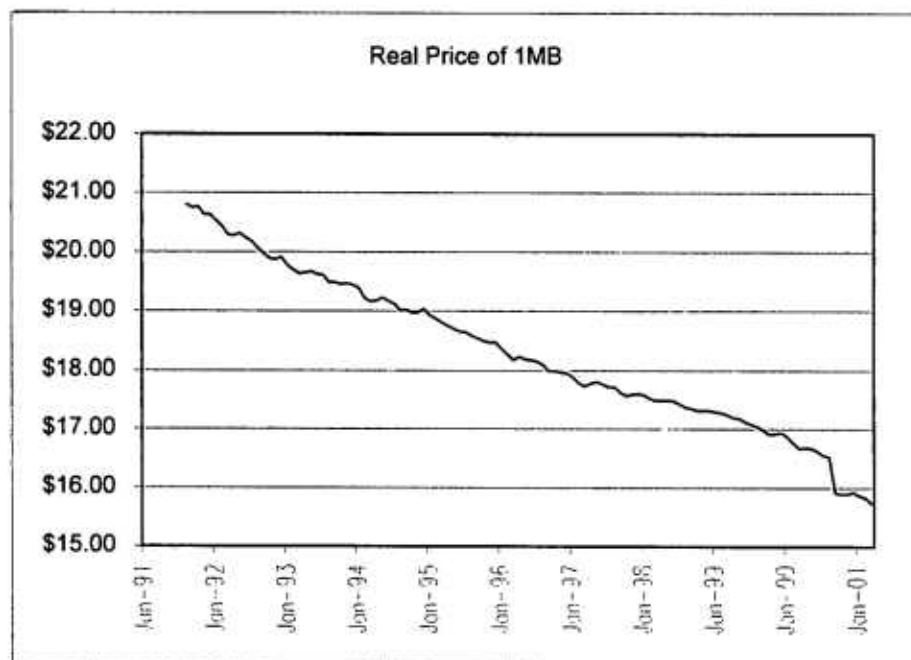
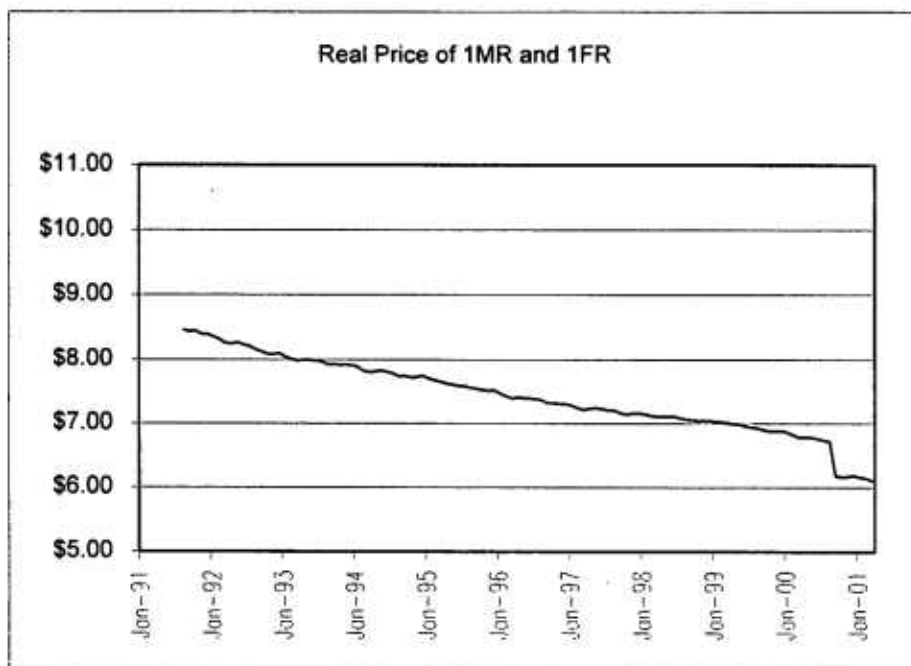
**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE VERIZON INCENTIVE PLAN FOR NEW YORK**

**PART B**

NOMINAL PRICE HISTORY FOR 1MR, 1FR, AND 1MB

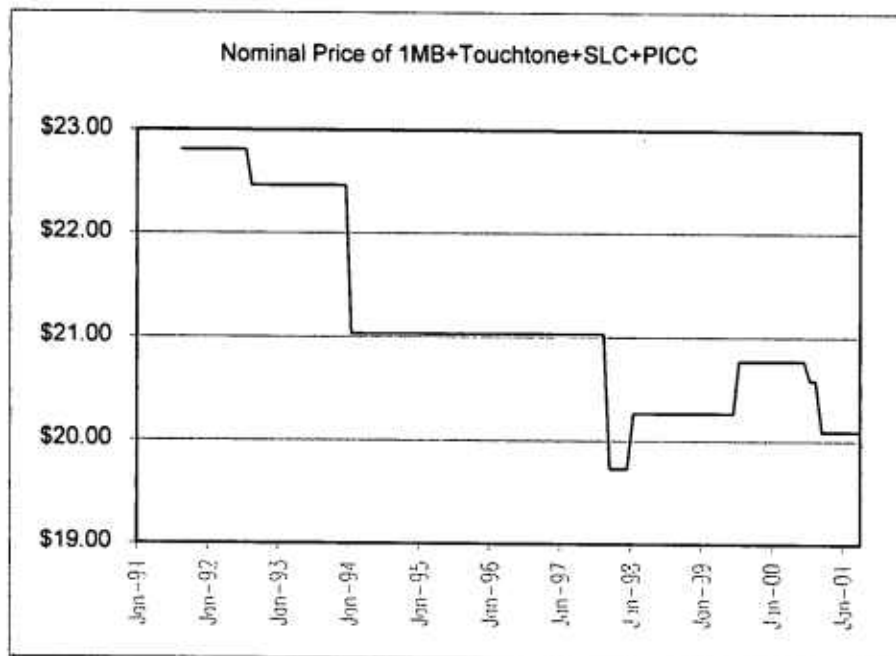
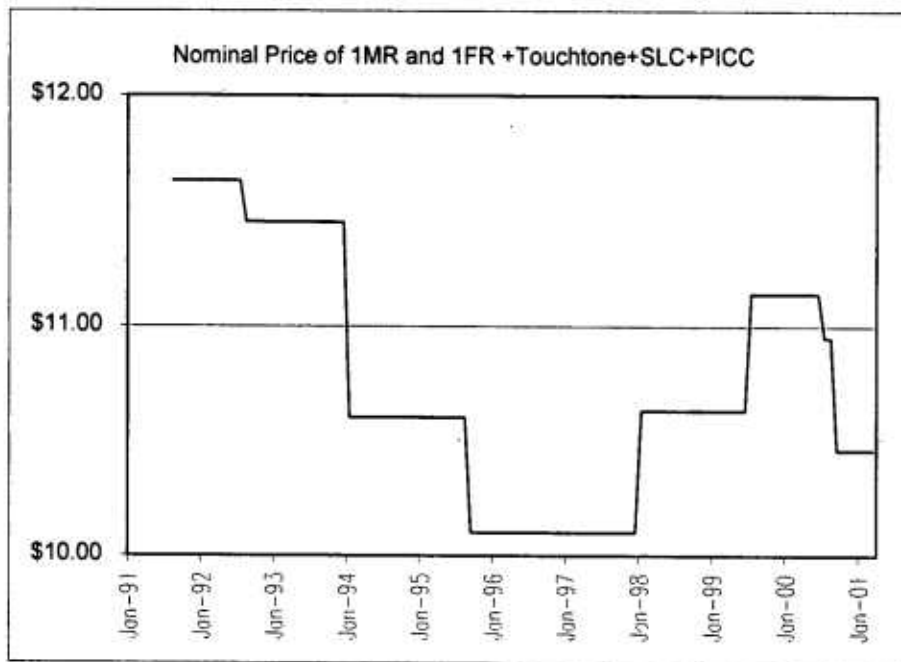


# REAL PRICE HISTORY FOR 1MR, 1FR, AND 1MB

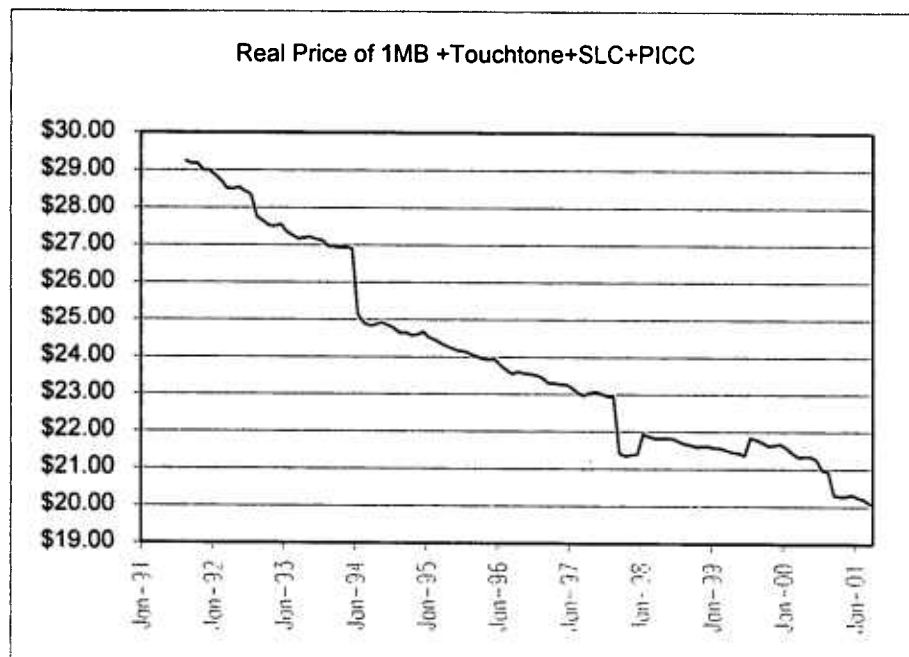
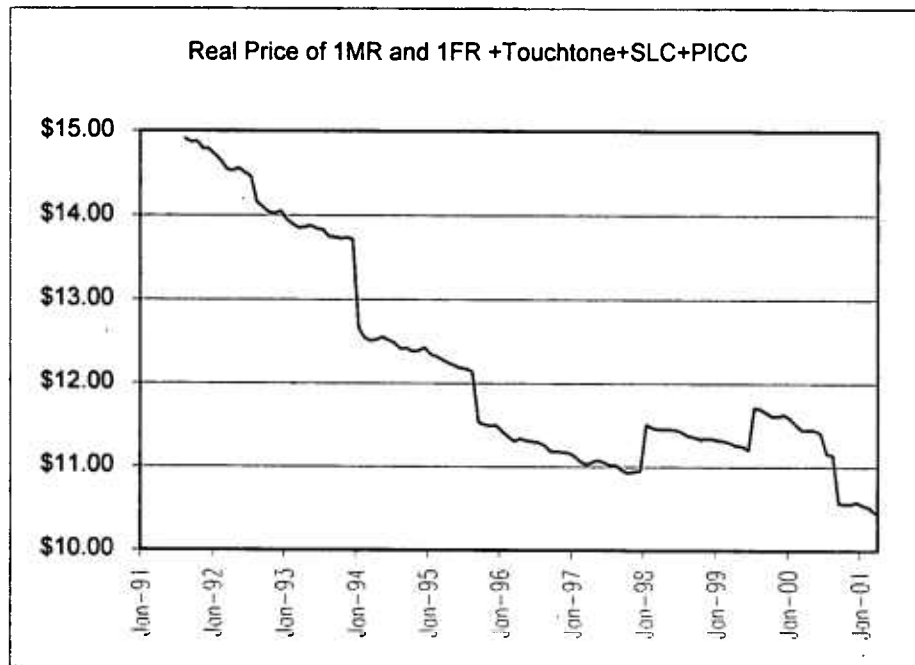


Note: Nominal prices are deflated by the CPI-U for the NY Metropolitan Area. Base month is 3/01.

NOMINAL PRICE OF 1MR, 1FR, AND 1MB PLUS TOUCHTONE, SLC AND PICC

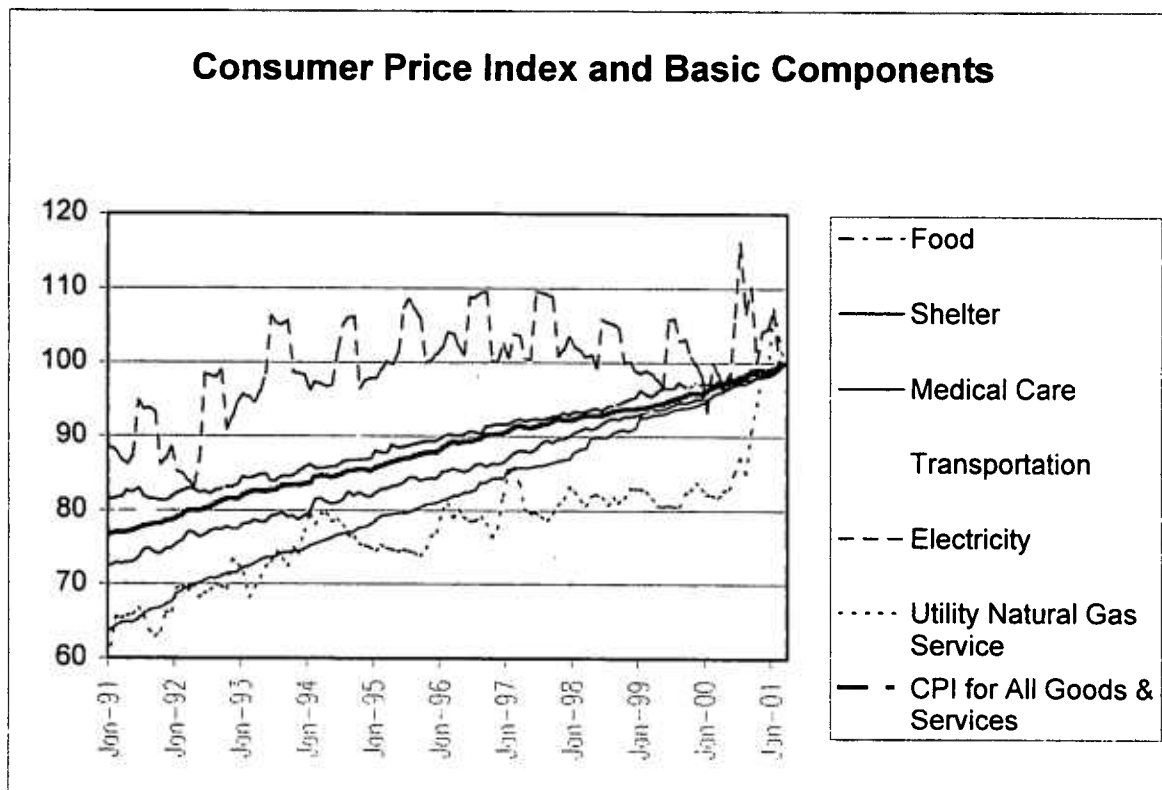
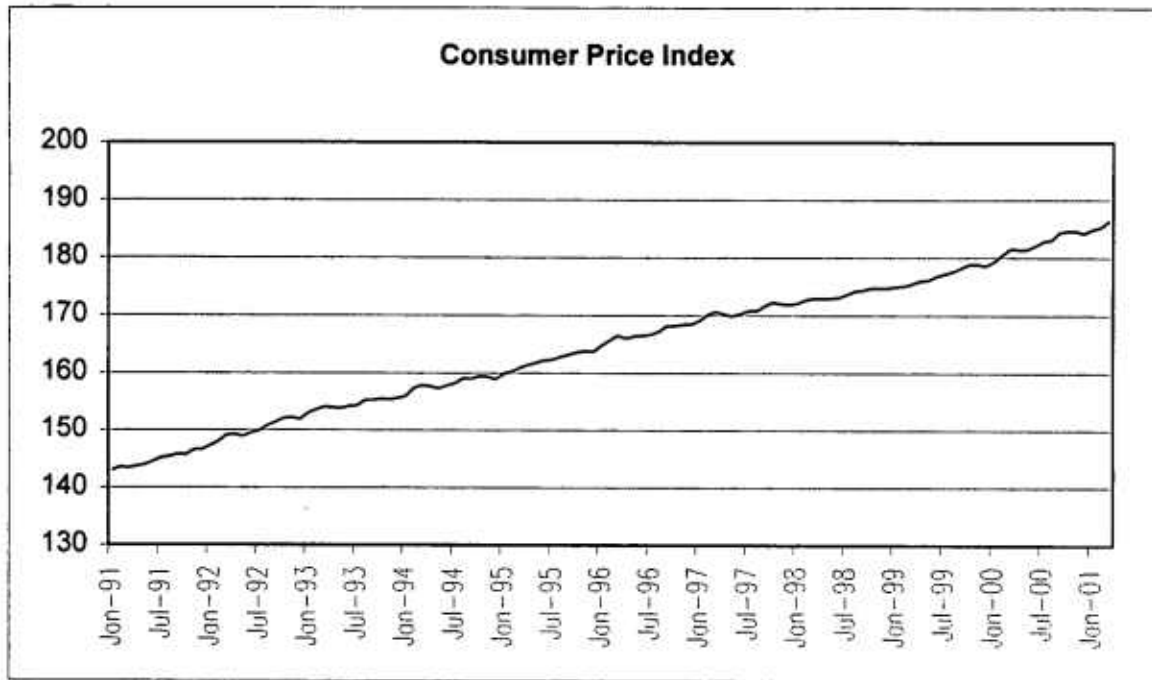


REAL PRICE OF 1MR, 1FR, AND 1MB PLUS TOUCHTONE, SLC AND PICC

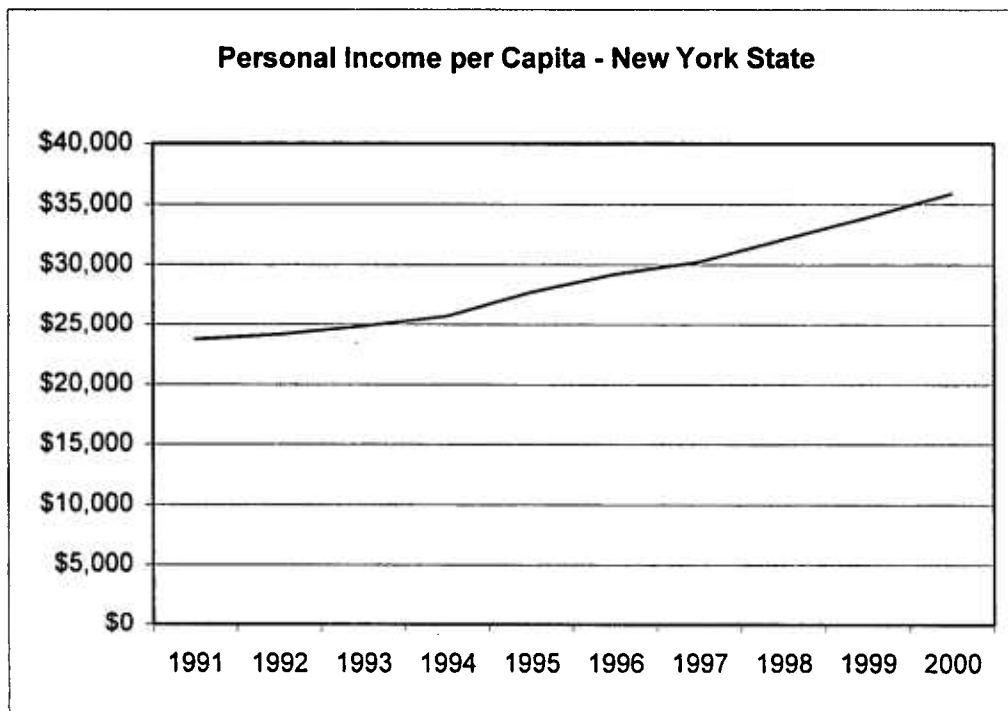


Note: Nominal prices are deflated by the CPI-U for the NY Metropolitan Area. Base month is 3/01.

## NY METRO CPI AND BASIC COMPONENTS



## PERSONAL INCOME-NY STATE



**Source: Statistical Abstract of the United States, 1995-2000**

**Notes: Personal Income includes income from all sources minus personal contributions for social insurance.  
Personal Income is prior to the deduction of personal income taxes.**



COMPARISON OF  
2000 REVENUE EFFECT OF INCREASE ON EXCHANGE LINES  
TO 2.5% REVENUE THRESHOLD

LINE	ITEM A	AMOUNT B (000)
1	Intrastate Operating Revenue	\$5,601,885
2	Revenue Threshold at 2.5%	\$140,047
3	Access Lines Subject to Increase	7,603,677
4	Revenue Effect of Increase at \$1.25	\$118,021

**THE EFFECT OF INCREASES IN FLAT-RATED CHARGES  
ON NETWORK SUBSCRIBERSHIP**

**1984-2000**

## **A. Introduction**

Since 1984, the price of residential flat-rate service has increased in the United States on several occasions. In this attachment, we examine the historical relationship between these price increases and telephone subscribership. After reviewing the evidence, we conclude that the \$1.25 per-line basic local exchange service price increase that Verizon NY proposes would not significantly reduce residential telephone subscribership in New York for several reasons:

- Empirical evidence has found that prices affect consumer demand for telephone service only slightly.
- Continuing inflation would eliminate the real impact of the proposed rate increase in less than two years.
- The availability of LifeLine service at unchanged nominal rates—and thus at decreasing rates in real (inflation-adjusted) terms—will prevent cancellations of service and even stimulate new subscriptions for the lowest-income groups, which are also the most price-sensitive.
- Rising incomes will stimulate additional telephone subscriptions.
- Continued reductions in toll prices in the competitive New York market will stimulate additional telephone subscriptions.
- As discussed in the Competition testimony, customers have competitive alternatives to Verizon NY's higher basic rate, and such competition would intensify at the higher rate.

## **B. As Flat Rates for Service Rose, Subscribership Rose in All Income Segments**

The potential impact of telephone rate changes on subscribership levels and on the policy goal of universal service was a source of substantial controversy as the divestiture of AT&T's local telephone company subsidiaries was being implemented. At that time, some consumer advocates made dire predictions regarding the impact of higher residence rates on subscription to telephone service.<sup>1</sup> The actual results since that time show that the FCC's partial rebalancing of rates through the phasing-in of the Subscriber Line Charge ("SLC") and the reduction in toll rates between 1985 and 1989

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<sup>1</sup> See L.J. Perl and W.E. Taylor, "Telephone Penetration and Universal Service in the 1980s," in B. Cole (ed.), *Divestiture Five Years Later*, New York: Columbia University Press, 1989.

did not harm telephone subscription. Thus, despite a rise in monthly flat rates from about \$13.35 in 1984 to \$17.53 in 1989 (largely attributable to the FCC's increasing the SLC to \$3.50 and tax increases totaling \$0.45),<sup>2</sup> telephone penetration rose from about 91.4 percent in November 1983 to about 93.0 percent in November 1989.<sup>3</sup> Viewed another way, over this period, the percentage of households not subscribing to telephone service declined from 8.6 to 7.0. This 19 percent reduction in the percentage of households without service represents substantial progress during the very period in which rates were being rebalanced by the FCC.<sup>4</sup>

Further progress has occurred since 1989. By November 1994, the percentage of subscribing households had risen to 93.8, or, in other words, the percentage of households without service had declined to from 7.0 percent to 6.2 percent. Thus, in the eleven years following divestiture, the number of households without service had declined from 8.6 percent of total households to 6.2 percent of total households, a decrease of about 28 percent. By October 1994, flat rates (not including touch-tone) had increased by another \$1.47 to \$19.00 per month. By November 2000, the percentage of subscribing households had risen even further to 94.1 percent; leaving only about 5.9 percent of households without telephone service, and bringing the cumulative post-divestiture decline in the number of households without telephone service to about 31 percent.<sup>5</sup>

By November 2000, even for the lowest-income households tracked in the *Subscribership Report* (households with annual incomes below \$5,000), the

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<sup>2</sup> Residential flat rates, excluding these increases, rose from \$12.10 to \$12.30 in the same time period. FCC *Statistics of Communications Common Carriers, 1994-95*, Table 8.4, at 340.

<sup>3</sup> These penetration figures are based on the Census Bureau Current Population Survey (CPS). The CPS estimates are similar to but somewhat lower than those based on data gathered during the decennial census. The CPS figures are lower because of minor differences in the questions asked in the two surveys and in sampling techniques. According to the FCC, the actual figure may be between the two. See the FCC's *Telephone Subscribership in the United States* (by Alexander Belinfante), April 1995, at 2.

<sup>4</sup> Note that progress was also made according to the data reported in the decennial census of households. Using those data, which use a slightly different measure of telephone penetration, subscription rose from 92.9 percent in 1980 to 94.8 percent in 1990. During this period, flat rates increased from \$8.74 to \$17.79 in nominal dollars. Adjusted for inflation, the increase was only about \$3.12, from \$11.02 to \$14.14 in 1984 dollars. Data from FCC *Telephone Subscribership*, April 1995, at 2; FCC *Trends*, February 10, 1995 (Updated) Table 8, at 13; *Statistical Abstract of the United States*, 1995, Table 762, at 493, and 1991, Table 769, at 476.

<sup>5</sup> See Alexander Belinfante, *Telephone Subscribership in the United States, Data through November 2000*, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, March 2001, at 1. ("FCC 2001 Subscribership Report").

subscribership rate had risen to over 80 percent.<sup>6</sup> For households below the federally-defined poverty level, average penetration is even higher.<sup>7</sup> Based on the FCC's latest report on telephone penetration, the average penetration rate for the income groups below the poverty level (the under \$5,000, \$5,000-\$7,499, \$7,500-\$9,999, and \$10,000-\$12,499 class intervals in Table 4 of the FCC report<sup>8</sup>) was about 84.35 percent.

The average penetration rate for the average impoverished household increased steadily between 1983 and 1998. For households that were above the poverty level, the penetration rate averaged 96.19 percent, based on the average for all income groups in the \$12,500 and above annual income classes as reported by the FCC.

Table 1 summarizes comparable statistics for these groups since 1984.<sup>9</sup> The average subscribership for the two income classes in the FCC's 2000 subscribership report that would fall into the definition of poverty (*i.e.*, household incomes below \$7500 annually) was 77.25 percent in 1984. Penetration has increased steadily among impoverished groups since that time.

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<sup>6</sup> FCC 2001 Subscribership Report.

<sup>7</sup> We estimate that in 1998, the average size of an impoverished household was 2.61 persons. Using the fact that the poverty threshold as defined in Tables 738 and Tables 756 of the *Statistical Abstract of the United States, 2000* was \$10,634 for a two-person household and \$13,003 for a three-person household, we conclude that the poverty threshold for a family the size of the average impoverished household was \$12,079.

<sup>8</sup> FCC 2001 Subscribership Report, at 27.

<sup>9</sup> Data based on *The Statistical Abstract of the United States, 1995*, Tables 65, 726, 746, and 753, at 57, 471, 481, 484 respectively; *The Statistical Abstract of the United States, 1986*, at 447, and the FCC Telephone Subscribership Report, April 1995, Table 4. In 1984, we estimated that the average impoverished household size was 2.72 persons. (Page 429 of the 1985 Statistical Abstract of the United States, and Table 736 of the same publication were the basis of our calculations.) Based on linear interpolation between the established poverty thresholds for two and three-person households, we estimated that the poverty level for such a family in unadjusted 1984 dollars was \$7,532.

**Table 1: Average Penetration Rates for Telephone Service, 1984-1998**

	Household Income Group					
	Below Poverty Level		Above Poverty Level		Total <sup>10</sup>	
	With Tel. Service	Without Tel. Service	With Tel. Service	Without Tel. Service	With Tel. Service	Without Tel. Service
1984	77.25	22.75	95.62	4.38	91.4 <sup>11</sup>	8.6
1998/2000	84.35	15.65	96.19	3.81	94.1 <sup>12</sup>	5.9

**C. Subscription Growth is Attributable to Small Growth in Real Subscriber Access Prices, Decline in Other Prices, Income Growth, and Other Factors**

Residential demand for telephone access service is related to real (*i.e.*, inflation-adjusted) prices for flat-rated and measured service, connection charges, toll rates, income and other demographics, the uses to which telephone service can be put, and prices of complementary and competing services.

Since real prices, not nominal prices, affect the demand for telephone services, it is important to assess how inflation-adjusted prices have changed. Since divestiture, inflation has essentially offset increases in flat rate charges. Using 1984 as the base year, the effects of the SLC, changes in other taxes and in intrastate price increases acted together to increase flat-rated charges from \$13.35 to \$19.76 for the nation as a whole.<sup>13</sup>

<sup>10</sup> This column is simply the total penetration rate for all households as reported in the FCC's *Telephone Subscribership Reports*.

<sup>11</sup> Based on November 1983 penetration.

<sup>12</sup> Based on November 2000 penetration.

<sup>13</sup> For computing the 1984 charge, we have used the "unlimited local calling" charge, the SLC charge (\$0.00 in 1984), and the taxes charge, to compute \$13.35 (\$12.10 unlimited charge, plus \$0.00 SLC, plus \$1.25 in taxes). The source for this information was the 1997 FCC *Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service*, Table 12. For the 1998 charge, we have used Table 1.2 of the May 1999 *Reference Book* and added the sample monthly charge to the SLC (\$3.55) and the "other charges" to arrive at \$19.76. Neither the 1984 nor 1998 number includes touch-tone charges.

Adjusted for inflation from 1984 to 1998, \$19.76 translates to about \$12.60 in 1984 dollars. Thus, even including the effects of intrastate price increases, changes in taxes and the SLC, the real price of local phone service fell between 1984 and 1998.

Declines in other telephone service prices offset nominal increases in flat rates. Adjusted for inflation, from 1984 to 2000:<sup>14</sup>

- Interstate toll rates declined by about 61.4 percent.
- Intrastate toll rates fell by about 46.9 percent
- Overall telephone service rates declined by about 21 percent (between 1984 and 1997; in 1997, the Bureau of Labor Statistics issued a new telephone service price index that accounts for the prices of cellular service, and thus is not comparable to the previous series).
- Connection charges fell by 41 percent.<sup>15</sup>

Figure 1<sup>16</sup> shows the inflation-adjusted prices described above.<sup>17</sup> The figure reflects both rate rebalancing and the impact of inflation on rates for residential telephone services. Note especially that real local rates increased during the mid-1980s and after 1998; yet telephone subscribership did not decline during those periods.<sup>18</sup>

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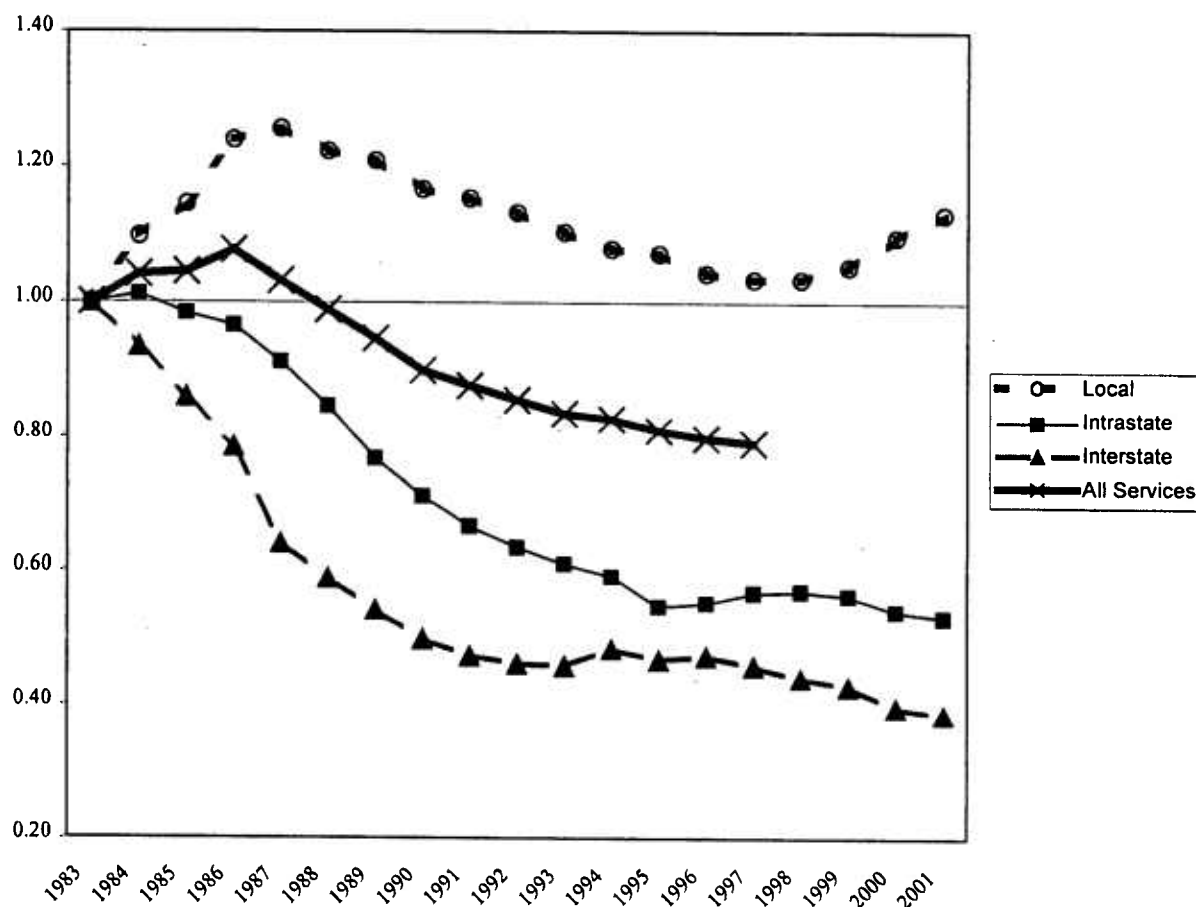
<sup>14</sup> The calculations are based on the differences between the growth rates of (a) the BLS series CUUR0000SS27061 (Consumer Price Index for Interstate Long-Distance Telephone Service for all-urban consumers) and the series CUUR0000SA0 (Consumer Price Index for all Urban Consumers, or CPI-U), (b) the BLS series CUUR0000SS27051 (Consumer Price Index for Intra-state Long-Distance Telephone Service) and CPI-U, and (c) Consumer Price Index for all telephone services (1984-1997) or CUUR0000SEED less the effects of Federal Excise Tax (FET), and CPI-U.

<sup>15</sup> Table 14.1 of the FCC's December 2000 *Trends in Telephone Service* provides connection charge data going from 1986 to 1999. 1983, 1984 and 1985 data are not comparable to data from 1986 onwards, because the data from 1986 onwards include surcharges that count toward company revenue; source for information regarding 1983-85 data is Appendix 4 from the FCC's 1997 *Reference Book*.

<sup>16</sup> Bureau of Labor Statistics, CPI-Data, as described in Footnote 13. Base year is 1984.

<sup>17</sup> Prices were adjusted for inflation with CPI data from *The Statistical Abstract of the United States*, 1995, Table 762, at 493, *The Statistical Abstract of the United States*, 1991, Table 769, at 476. The CPI for each service was divided by the overall CPI for all goods and services. The data were then adjusted so all services had a 1984 base year.

<sup>18</sup> See FCC 2001 Subscribership Report, at 6.



**Figure 1: Inflation Indices for Telephone Services**

A study by Hausman, Tardiff, and Belinfante suggests that rate rebalancing (*i.e.*, reducing toll rates and increasing flat-rate charges) will stimulate demand for telephone access service.<sup>19</sup> A 1988 Southwestern Bell study comparing telephone bills from a sample of 500,000 customers with another sample of 500,000 customers in low income areas found that

... the reductions in toll rates since the introduction of SLCs have more than offset the amount of those charges for the average customer in both

<sup>19</sup> Jerry Hausman, Timothy Tardiff, and Alexander Belinfante, "The Effects of the Breakup of AT&T on Telephone Penetration in the United States, *American Economic Review*, 83, 1993, 178-184.



samples, resulting in a lower toll bill; the reduction of toll rates has greatly stimulated toll usage since divestiture, the growth rate of toll usage has been about twice as great for low-income subscribers as for subscribers in general, resulting in toll usage patterns that are now nearly equal for both groups; and the SLC constitutes a small percentage of the average subscriber's total bill (including subscribers in low-income areas). This study provides evidence [that] the reductions in toll rates have provided significant benefit to low-income households ... by making toll calls more affordable ... and ... by reducing the total bill of average and above average users of interstate toll service.<sup>20</sup>

According to Belinfante, disconnect studies performed by the Regional Bell Operating Companies and GTE in the Monitoring Docket during 1988

... [found that] virtually no households disconnected due to the SLC increase, ... most of the households disconnected for economic reasons were involuntarily disconnected due to nonpayment of their bills, and most involuntarily disconnected households were heavy users of telephone service, including toll service. These findings led me to conclude that there are far more households without phone service today because of their inability to pay for toll charges than because of their inability to pay for SLCs. This conclusion was reinforced by the observation that involuntary disconnects declined after toll rates were reduced.<sup>21</sup>

These studies were complemented by a survey that found that 56 percent of respondents said that they do not have telephone service because of cost—*i.e.*, 44 percent do not have service for reasons other than cost.<sup>22</sup> The reasons varied widely. Some respondents wanted to avoid bothersome incoming calls, some felt no need to call anyone, some preferred to live in remote areas, *etc.* The basic monthly cost ranked near the bottom (only 23 percent of respondents) among reasons for finding telephone service hard to afford. Thus, only for a small subset of households that did not subscribe would any change in residential basic rates possibly have affected the affordability of telephone service. Further, of those for whom affordability was an issue, the most frequently cited impediments to subscribing were not the monthly rate but the "cost of calls outside the U.S." (49 percent) and the "cost of calls within the

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<sup>20</sup> Belinfante, in B.Cole (ed.), at 379, *op cit.*, supra, note 31.

<sup>21</sup> *Id.*, at 378.

<sup>22</sup> Field Research Corporation, *Affordability of Telephone Service: A Survey of Customers and Non-Customers*, 1993.

U.S." (40 percent). Evidently, these respondents either could not control their own toll calls, or they could not control the toll calling behavior of other household members.<sup>23</sup>

Increases in the flat-rate charges have also been offset by the increased availability of lower-cost measured rate and Lifeline options. Options such as local measured service ("LMS") and message rate service are typically offered at substantially lower access prices than flat rate service. For instance, in 1998, the average monthly rate for local service in cities with Lifeline and Link-up rates was \$19.75, while the lowest available rate on average was \$11.71, implying an average benefit of \$8.04.<sup>24</sup> The availability of LMS has increased in recent years, from about 51 percent of lines in 1989 to 67 percent in 1995 for the BellSouth region, for example.<sup>25</sup> Lande's study of local service finds that availability in his sample of 95 cities throughout the U.S. has increased from 80 percent in 1987 to 89 percent in 1992<sup>26</sup> to 93 percent of cities in 1998.<sup>27</sup>

The two federal subsidy programs created to assist low-income households have also grown substantially. The Lifeline program provides subsidies to offset the SLC. Lifeline has grown since its inception in 1985 to all the states in the United States. Table 2.2 of the FCC's September 2000 *Monitoring Report* shows that there were Lifeline program dollars being spent in every U.S. state in 1999, amounting to a total outlay of more than \$437 million. The number of subscribers under the Lifeline plan grew from about 1 million households in 1987 to 4.4 million in 1994<sup>28</sup> to 5.62 million in 1999.<sup>29</sup> The Link-Up program provides one-time assistance to low-income

---

<sup>23</sup> See also Randy Kennedy, "Phone Plan is Attracting Immigrants in New York," *New York Times*, March 18, 1996, page B1. The story explains how a firm made a niche for itself by providing resale phone service for customers in New York City who have been disconnected from NYNEX (as it was then called) for failure to pay large toll bills among other reasons. The new company only allowed customers to make long distance and overseas calls that are pre-paid.

<sup>24</sup> Federal Communications Commission, May 1999 Reference Book, Table 1.6.

<sup>25</sup> Data from BellSouth. Figures apply to residential subscribers.

<sup>26</sup> James L. Lande, *Reference Book: Rates, Price Indexes, and Household Expenditures for Telephone Service*, FCC Common Carrier Bureau (Industry Analysis Division), at 14.

<sup>27</sup> See FCC May 1999 Reference Book at Table 1.1. This number pertains to residential customers only. Message rate or local measured service was available in 88 of the 95 sample cities.

<sup>28</sup> Federal-State Joint Board, *Monitoring Report*, CC Docket No. 80-286, May 1995, Tables 2.5 and 2.6.

<sup>29</sup> FCC, September 2000 *Monitoring Report*, Table 2.5.

households to help pay for the initial installation fee. Link-Up currently exists in 51 states and territories and had helped over 9 million households to subscribe by 1999.<sup>30</sup>

Real income growth also stimulates demand for subscriber access. Real income has grown modestly during recent years. Expressed in constant 1998 dollars, median household income in the United States has grown from \$35,778 in 1985 to \$38,885 in 1998, or an increase of about 9 percent.<sup>31</sup>

Although overall rates for telephone service have decreased by 20 percent in inflation-adjusted terms, average monthly expenditure on telephone services in total has increased sharply over time; in 1984, the average monthly expenditure for telephone service was about \$27.08,<sup>32</sup> while in 1997, the average monthly expenditure was \$67.41.<sup>33</sup> This represents an increase of almost 88 percent in real (inflation-adjusted) terms over the 14-year period from 1984 to 1997. Demand for most residence telephone services is inelastic; thus, this expenditure growth suggests that the demand curve has shifted over time. This shift appears to have been caused by the availability of a growing number of telecommunications products and services, particularly beyond pure voice communication services and applications—e.g., fax, data, voice mail, Internet, etc. It might also reflect lower prices for these services and higher prices for substitutes.

#### **D. Proposed Increases in Local Rates Will Not Harm Universal Service**

A \$1.25/month increase in local rates would have a much smaller effect today than when the SLC transition began. There are two reasons for this. First, the same nominal increases would mean even smaller increases in real terms. The effect of inflation implies that an increase of \$1.25 in local rates in 2002 would be equivalent to only a \$0.74 increase in 1984.<sup>34</sup> This increase is less than the FCC's initial SLC charge of \$1.00, which did not depress subscription levels in the U.S.

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<sup>30</sup> *Ibid.*, Table 2.8.

<sup>31</sup> Statistical Abstract of the United States, 2000, Table 737 at 466.

<sup>32</sup> Table 3.1 of the May 1999 Reference Book lists annual expenditures— in 1984, the average annual expenditure across all households was \$325, which is about \$27 per month.

<sup>33</sup> Or \$809 per year, as reported by the same source as above.

<sup>34</sup> The consumer price index rose by about 66 percent from 1984 to December 2000, and it will probably increase by about another three percent by January 2002, for a total of about 69 percent. So \$1.00 in January 2002 would be only  $\$1.25/1.69 = \$0.74$  in 1984 dollars.

Second, the demand elasticity for access to the public switched network is smaller today than it was in the past. The sensitivity of subscription levels to changes in flat-rate charges is lower today than it was when the states and the FCC rebalanced rates in the 1980s. The same factors that offset the increases in flat-rate charges for telephone service during the last decade (e.g., wider availability of low-price access service, lower toll rates, lower connection charges, and an exogenous shift in the demand curve in response to increased quality and uses of telephone service) have also reduced the elasticity of demand with respect to basic exchange rates. That is, as prices of complements decrease, the desirability of the service increases, and income levels rise, the sensitivity of access demand to price will also decrease. This means that, faced with an equivalent percentage price increase, fewer households would discontinue service today than would have discontinued service during the 1980s. Therefore, a given increase in local exchange rates today will likely have less of an effect on the average household today than it did during the 1980s.

## E. Conclusions

The proposed \$1.25 increase in the price of flat-rate telephone service in New York represents a price increase of approximately five percent above the average monthly rate of \$24.86. If nothing else changed in the economy, a five percent price increase would lead in the long run to a reduction in subscription somewhere between 1/100 and 8/100s of a percent.<sup>35</sup> However as we have observed, since 1984, the effect of reductions in toll prices, inflation, and increases in real income have offset the effect of price increases for local exchange service. The same forces are in effect in New York today. Income levels can be expected to continue rising over the long term. Toll prices have fallen in New York and will continue to fall as a consequence of the entry of Verizon NY's affiliates into the interLATA markets. Using consensus estimates of the cross-price elasticity of residential access service with toll, a one-time five percent reduction in toll rates would completely offset the reduction in subscription rates stemming from a \$1.25 per month increase in basic exchange rates. In addition, if inflation continues to average three percent per year, the implied reduction in real (inflation-adjusted) basic exchange rates would offset the effect of the basic exchange rate increase in less than two years.<sup>36</sup> In sum, the proposed increase in the price of

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<sup>35</sup> A measured-rate customer currently pays \$6.11 per month plus a SLC of \$4.35, for a total of \$10.46, plus any surcharges. The proposed rate increase of \$1.25 per month is a larger percentage increase for such measured-rate customers than it is for flat-rate customers. However, with such a low rate, the price elasticity would be smaller than it would be for flat-rate customers paying higher rates.

<sup>36</sup> These calculations are based on an own-price elasticity of demand for flat-rate service ranging between -0.005 and -0.016 and cross-price elasticities (with toll) ranging from -0.005 to -0.013; see Eriksson, R.C., D.L. Kaserman, and J.W. Mayo. 1998. "Targeted and Untargeted Subsidy Schemes: Evidence from Postdivestiture Efforts to Promote Universal Telephone Service." *Journal of Law and Economics* 41:477-502, and Hausman, J. A., T. Tariff, and A. Belinfante, (1993) "The Effects of the (continued...)

flat-rate telephone service is not a threat to universal service; given the historical relationships among toll prices, inflation, real income and telephone subscribership, we would not expect subscribership to decrease as a result of Verizon NY's price proposals. Further, if the Commission were to order reductions in carrier access charges, then the reduction in toll rates that would naturally follow in the competitive New York toll market would prevent any reduction in telephone subscriptions that might otherwise result from the revenue-neutral increase in basic rates.

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(...continued)

Breakup of AT&T on Telephone Penetration in the United States," *American Economic Review*, May 1993, pp. 178-184. These sources cite income elasticities between +0.05 and +0.12.

# ILLUSTRATIVE

EXHIBIT  
PART B  
Section 4  
Page 1 of 1

## ACCESS RATE REDUCTIONS WITH DIFFERENT BASIC EXCHANGE RATE INCREASES

LINE	ITEM A	BASIC RATE INCREASE REVENUE EFFECT B	SWITCHED ACCESS		REVENUE PER MINUTE E
			REVENUE C	MINUTES D	
1	Total Intrastate Switched Access		\$217,511,741	11,131,065,925	\$0.019541
2	Basic Rate Increase of \$1.00	\$94,416,460	\$123,095,281	11,131,065,925	\$0.011059
3	Basic Rate Increase of \$1.25	\$118,020,575	\$99,491,166	11,131,065,925	\$0.00894
4	Basic Rate Increase of \$1.35	\$127,462,221	\$90,049,520	11,131,065,925	\$0.00809

**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE VERIZON INCENTIVE PLAN FOR NEW YORK**

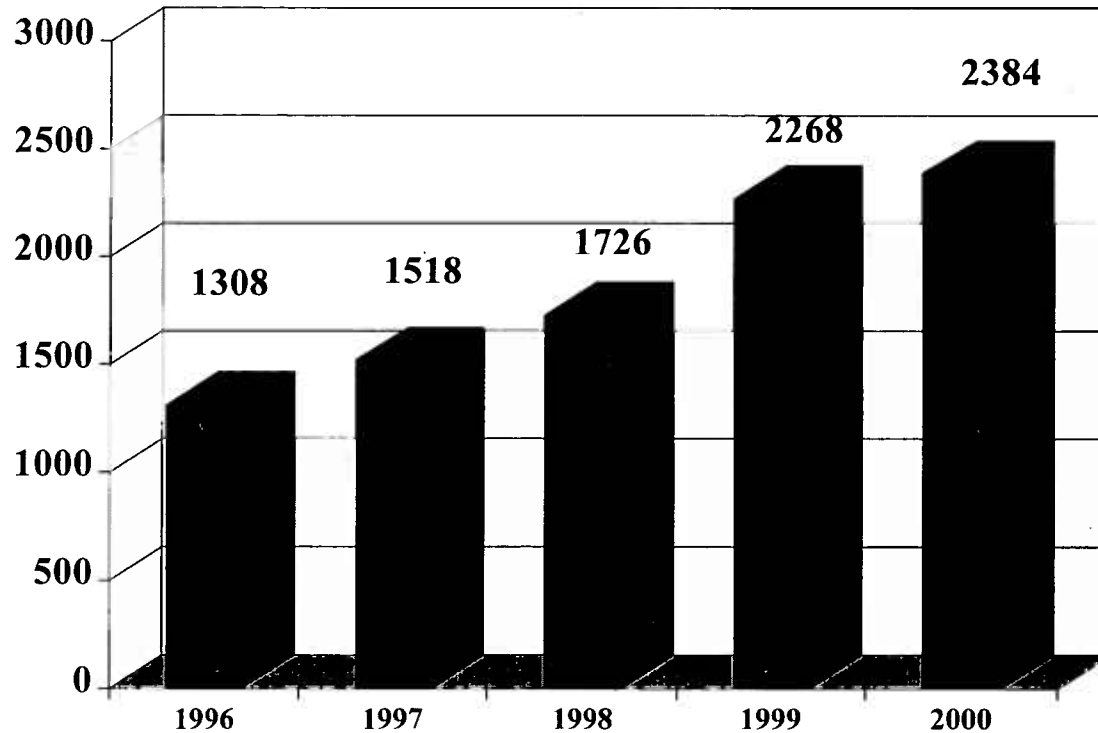
**PART C**

# **CAPITAL PROGRAM 1996-2000**

## **TOTAL CAPITAL \$M's**

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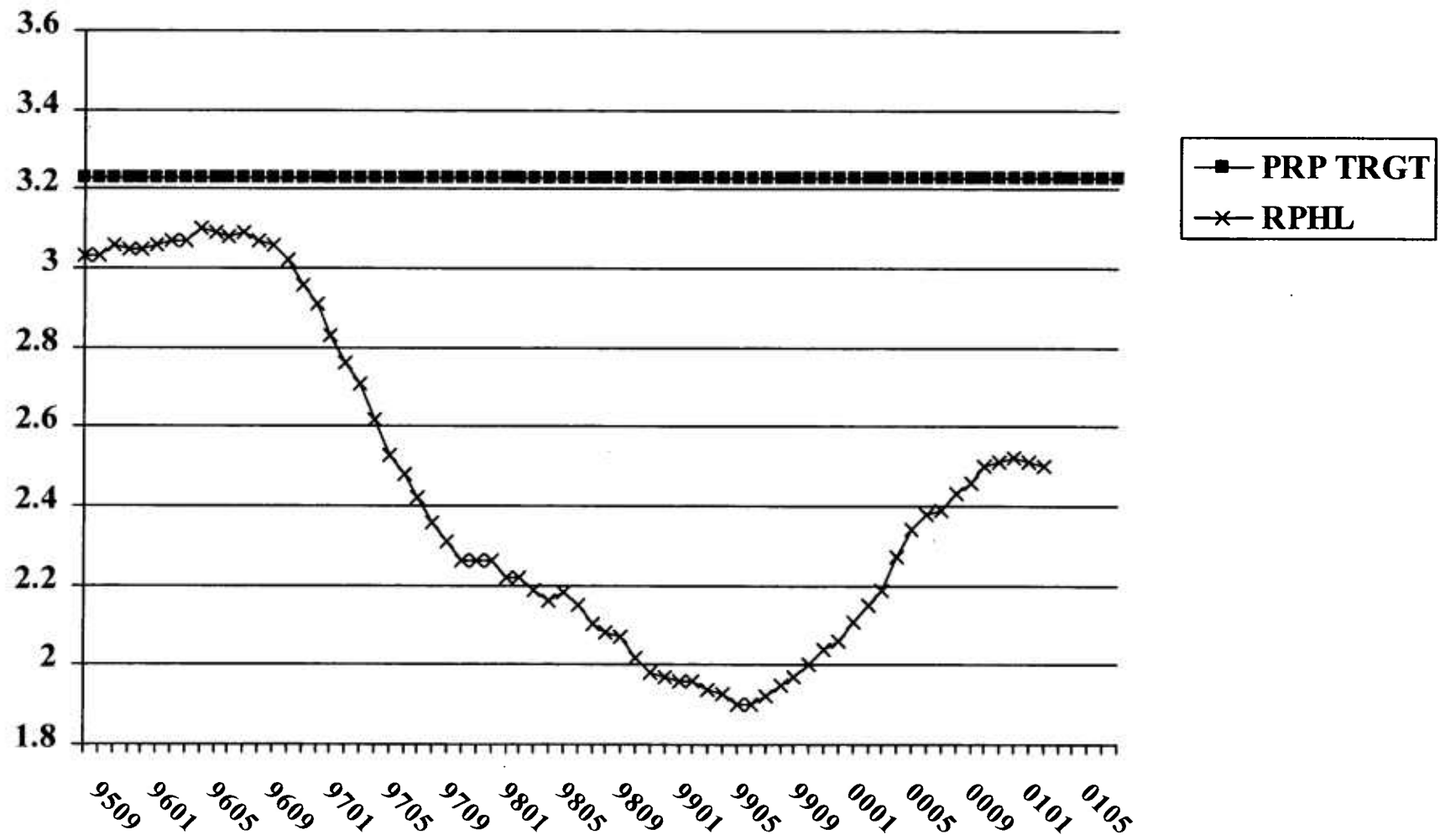
**EXHIBIT  
PART C  
Section 1**





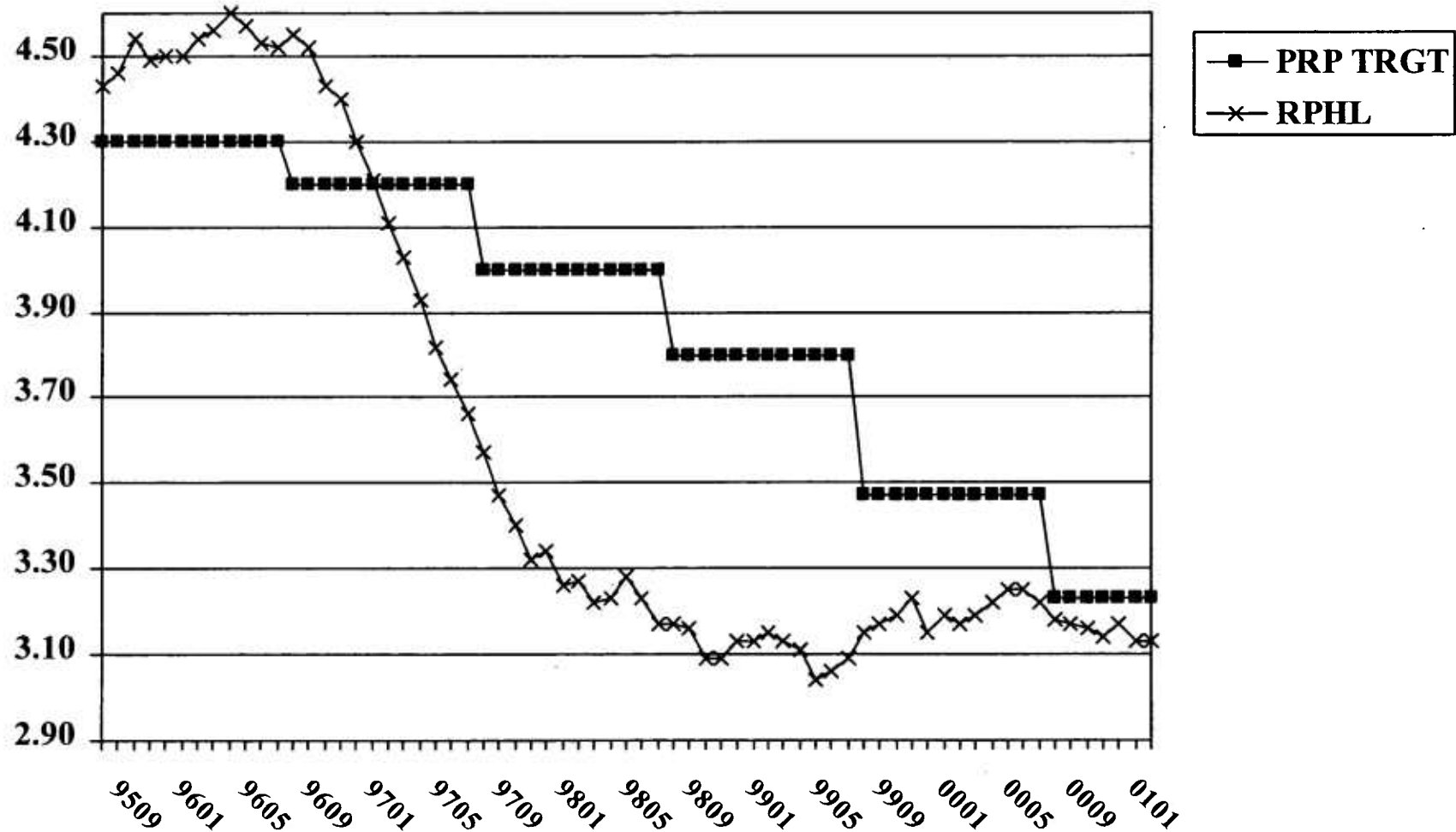
# CTRR - 12 Month Rolling Average MANHATTAN

EXHIBIT  
PART C  
Section 2



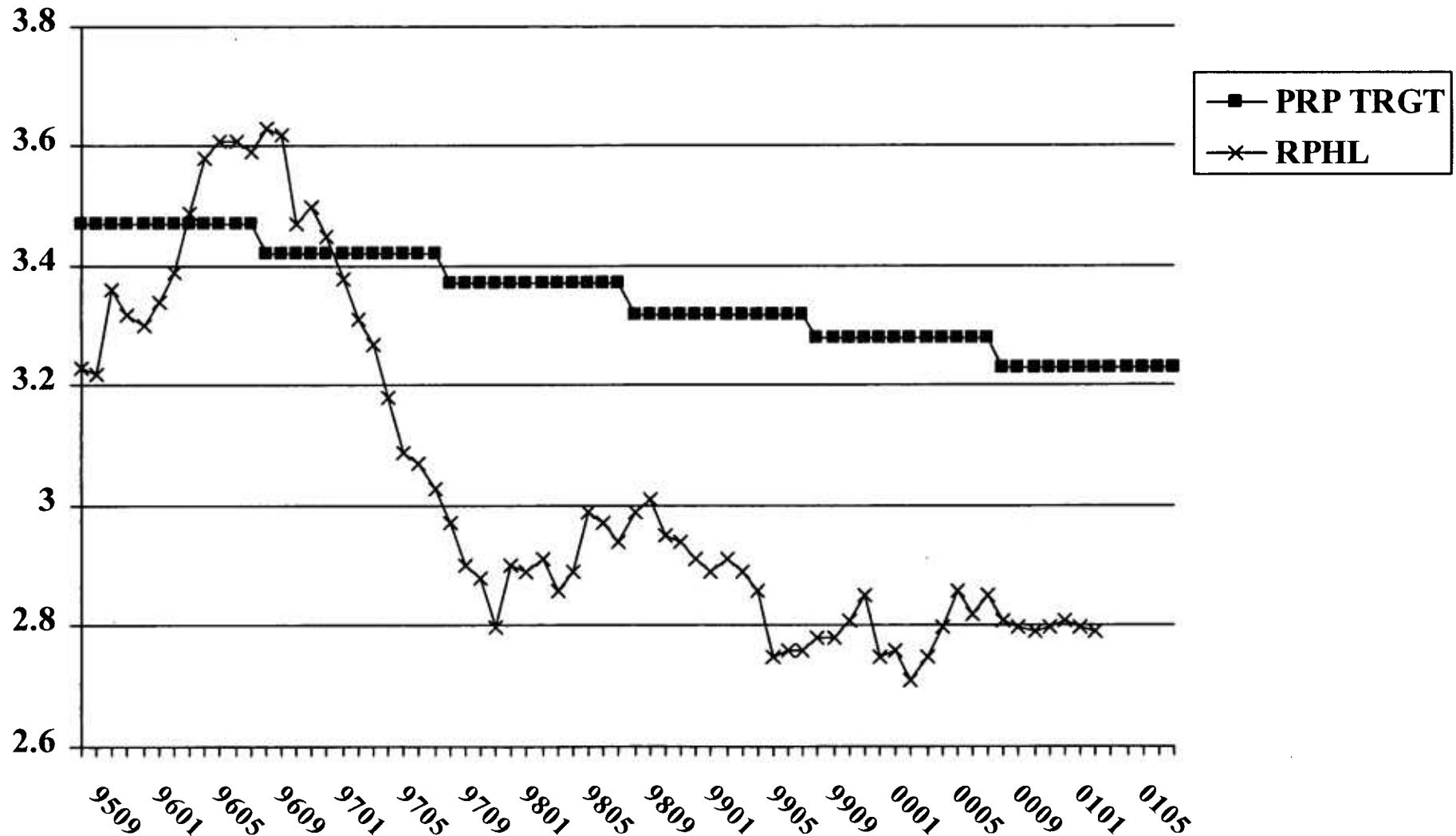
# CTRR - 12 Month Rolling Average GREATER METRO

EXHIBIT  
PART C  
Section 3



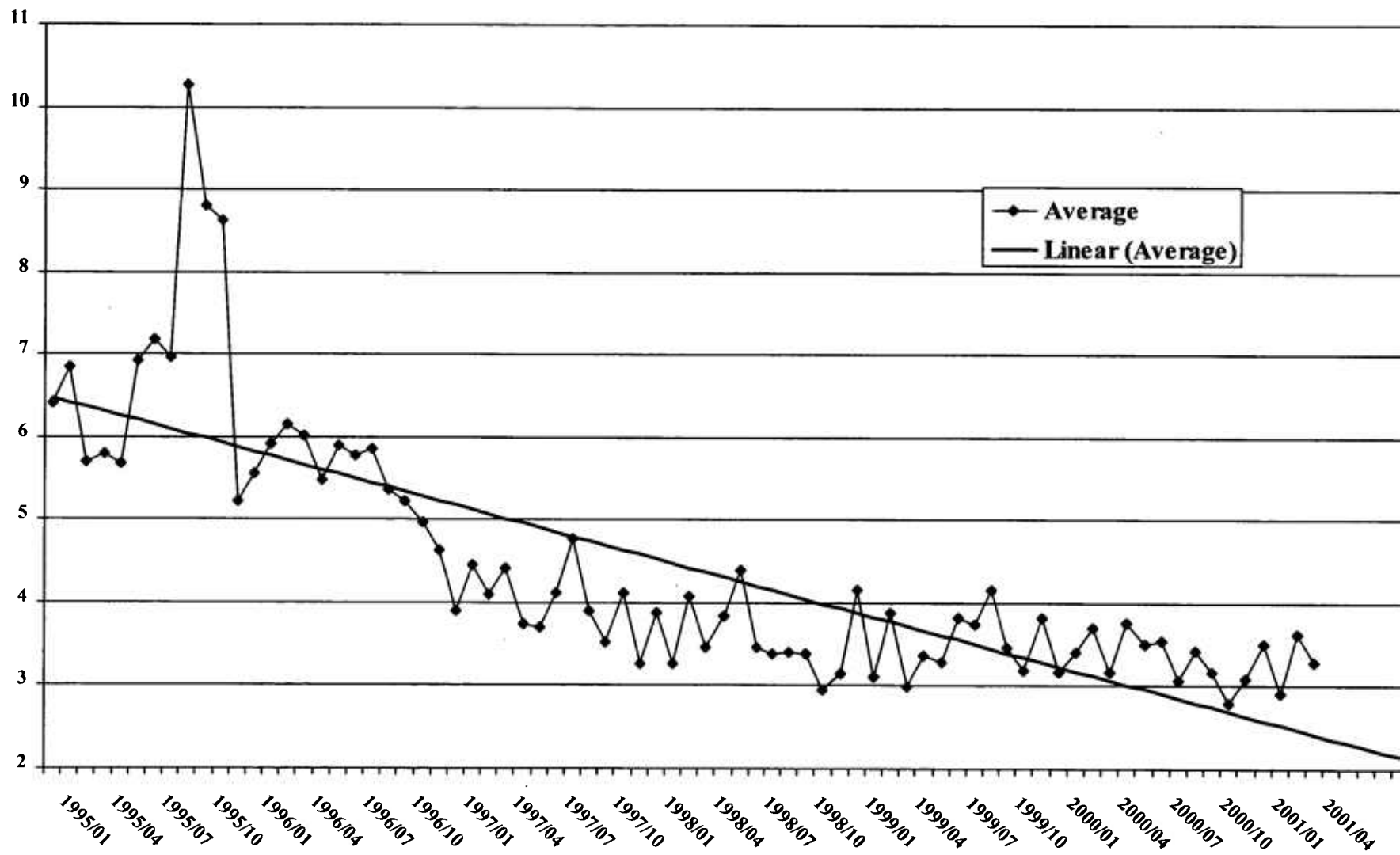
# CTRR - 12 Month Rolling Average STATE

EXHIBIT  
PART C  
Section 4



# CTRR AVERAGE - TARGETED 10 WIRE CENTERS

EXHIBIT  
PART C  
Section 5



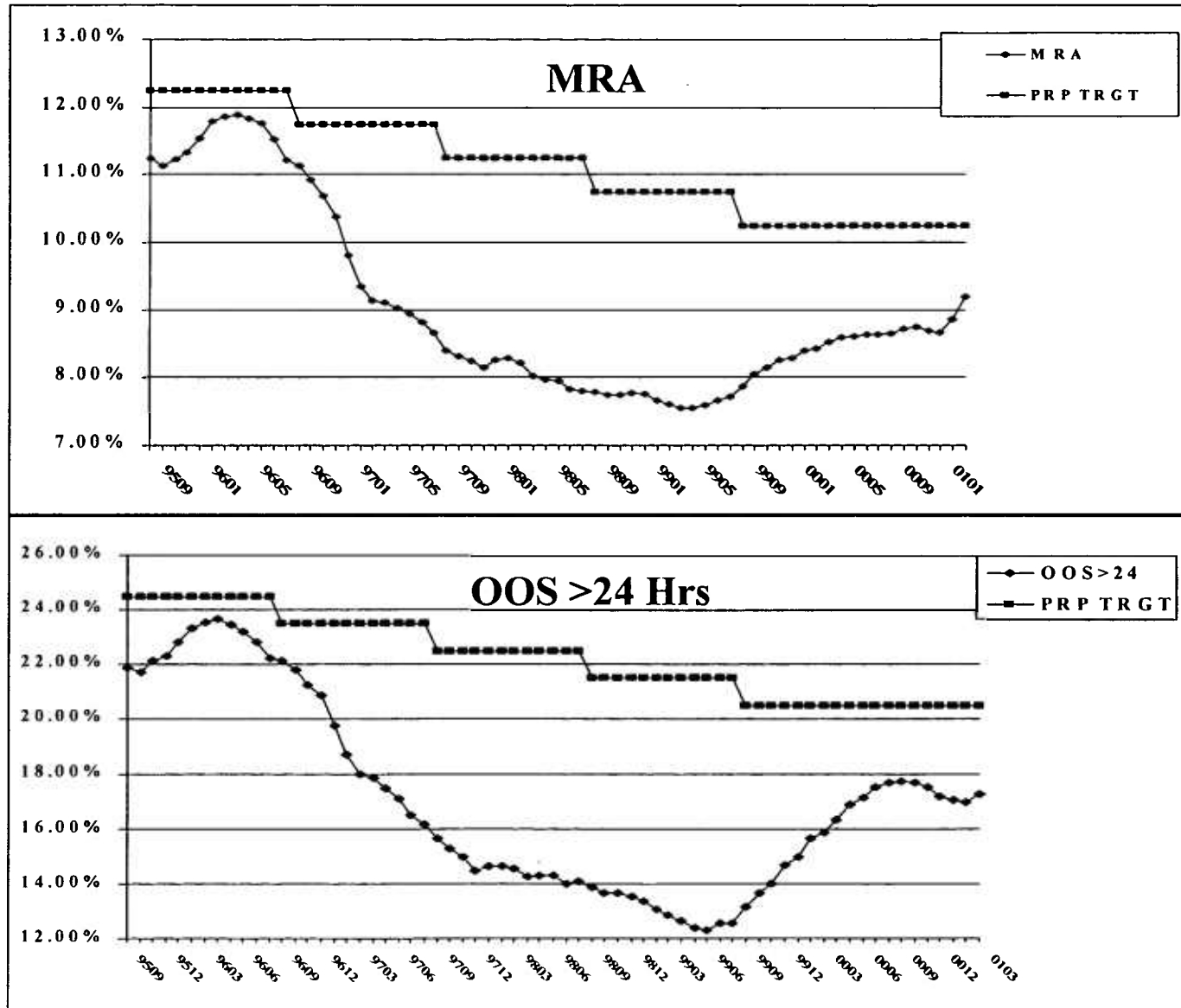
# "TARGETED 10" WIRE CENTERS (PY5)

EXHIBIT  
PART C  
Section 6

<u>NPA/COE</u>	<u>NAME</u>	<u>PLAN YEAR 1 AVG</u>	<u>PLAN YEAR 5 PEN. OBJ.</u>	<u>PLAN YEAR 5 AVG</u>
212234	CONVENT	5.77	3.5	3.19
718252	KENMORE	4.41	3.6	3.47
718369	14TH ST	6.45	3.6	3.07
718387	WILLIAMSBURG	6.09	3.4	3.79
718398	CLINTON	6.22	3.6	3.44
718443	BUSHWICK	6.47	3.4	3.52
718604	TROY	5.66	3.6	3.52
718647	LIBERTY	4.79	3.6	2.75
718861	HOE	6.16	3.9	4.37
718922	ROCKAWAY	6.58	3.5	3.91

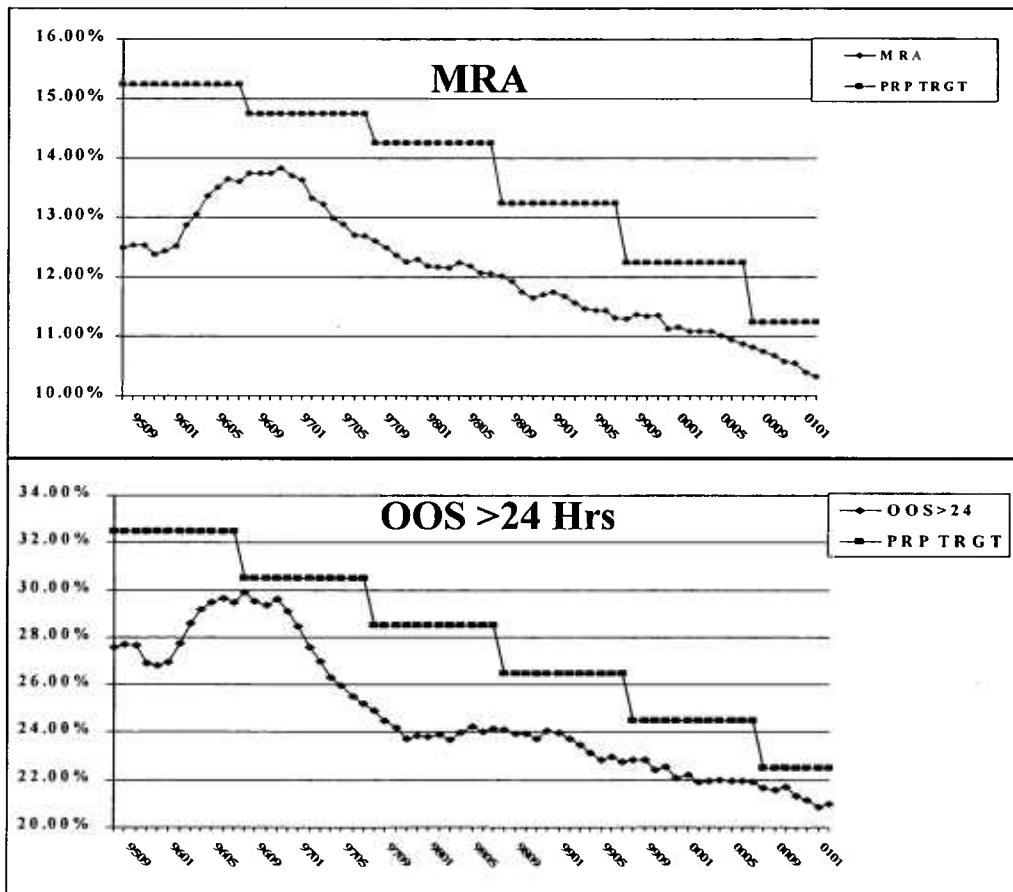
# Manhattan - MRA and OOS >24 Hrs 12 Month Rolling Average

## EXHIBIT PART C Section 7



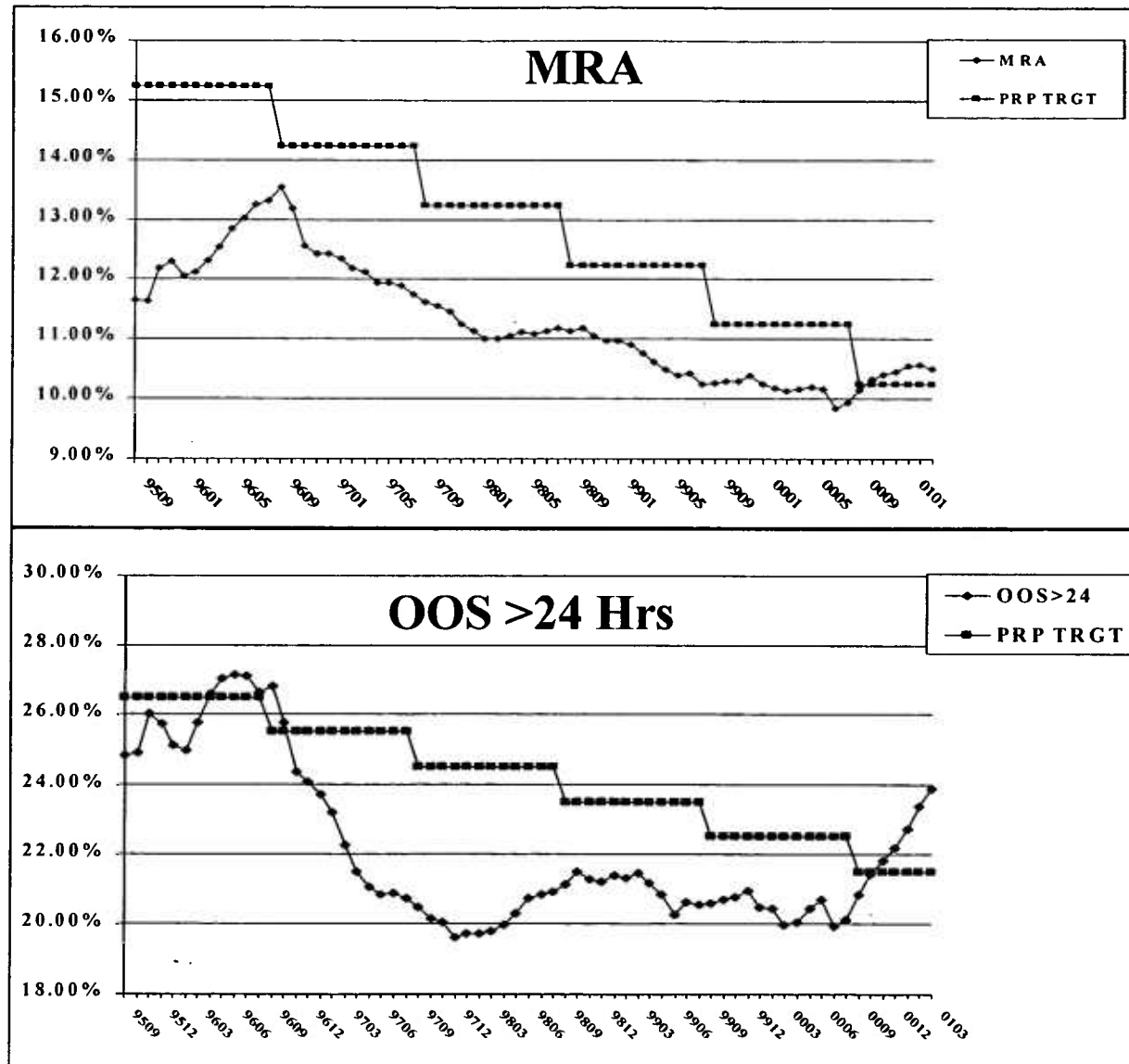
# Greater Metro - MRA and OOS >24 Hrs 12 Month Rolling Averages

**EXHIBIT  
PART C  
Section 8**



# State - MRA and OOS >24 HrS 12 Month Rolling Averages

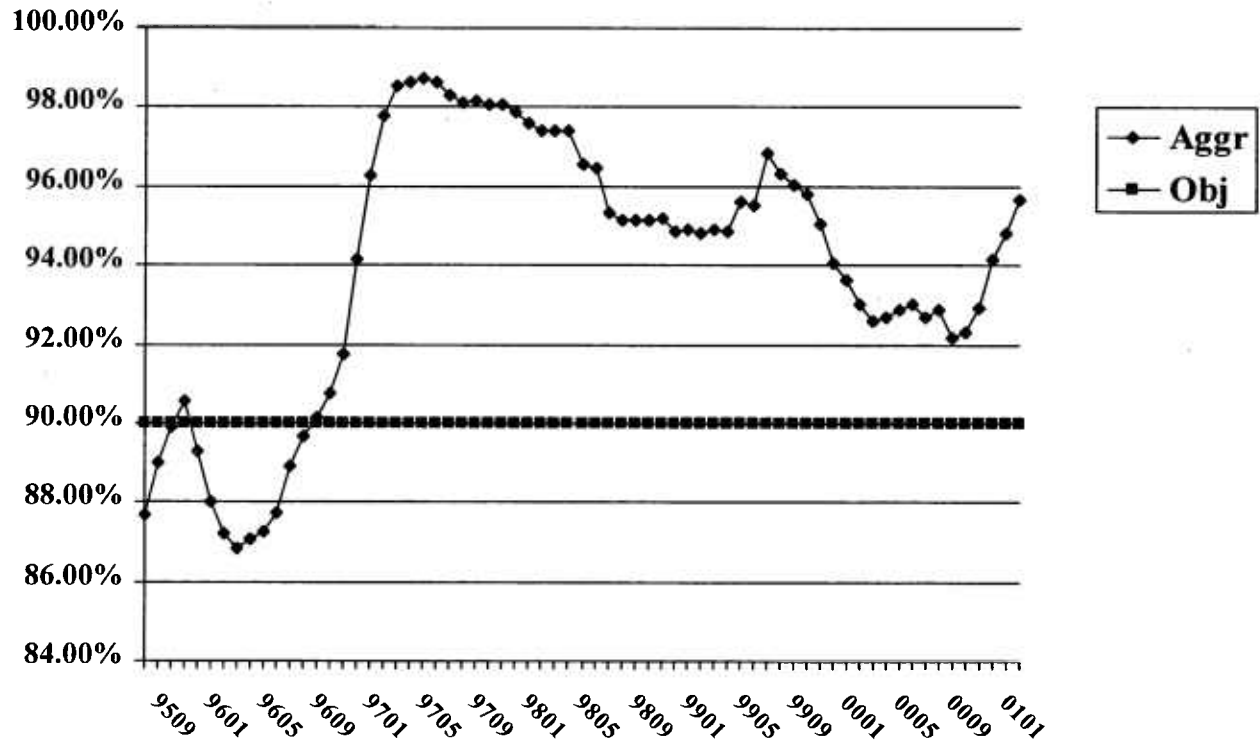
## EXHIBIT PART C Section 9





# Aggregate of Other Measures 12 Month Rolling Average (Objective = 90%)

EXHIBIT  
PART C  
Section 10

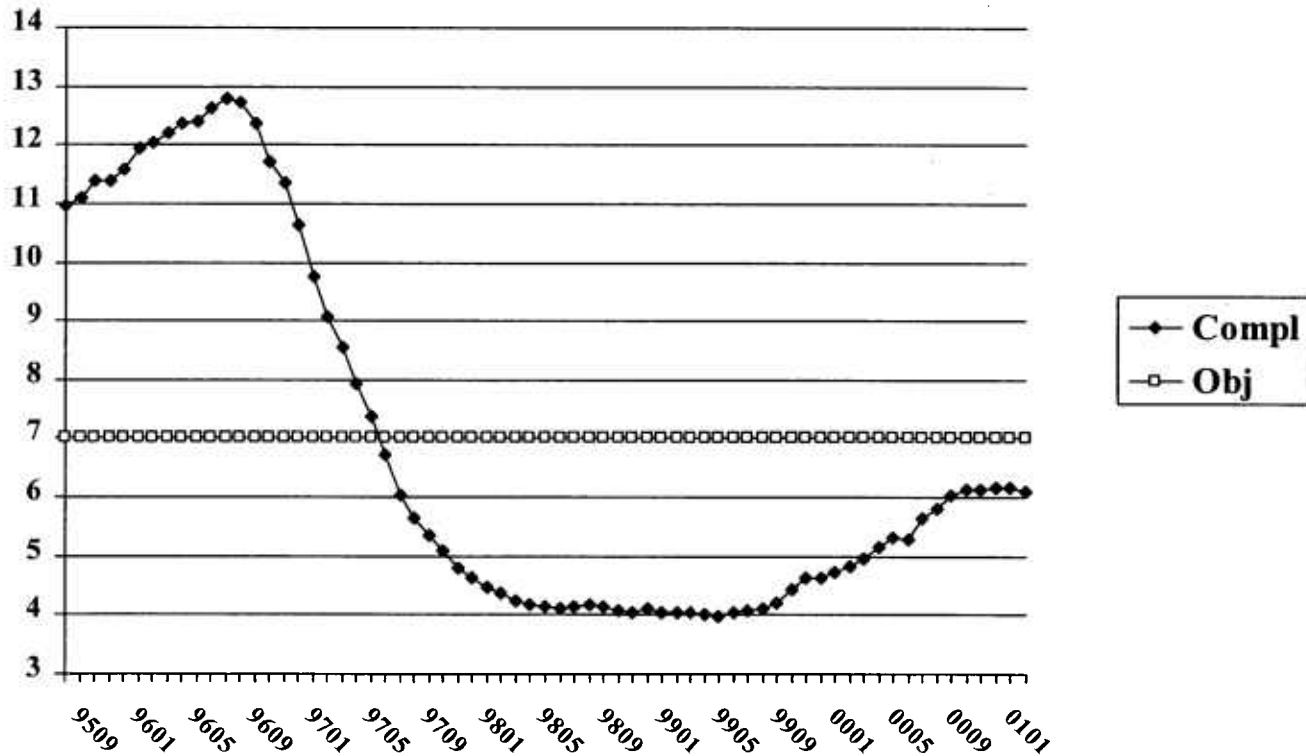


Note: Business Offices converted to % Answered in 20 Seconds from APB in Year 2 of the plan

# PSC Complaints - 12 Month Rolling Average

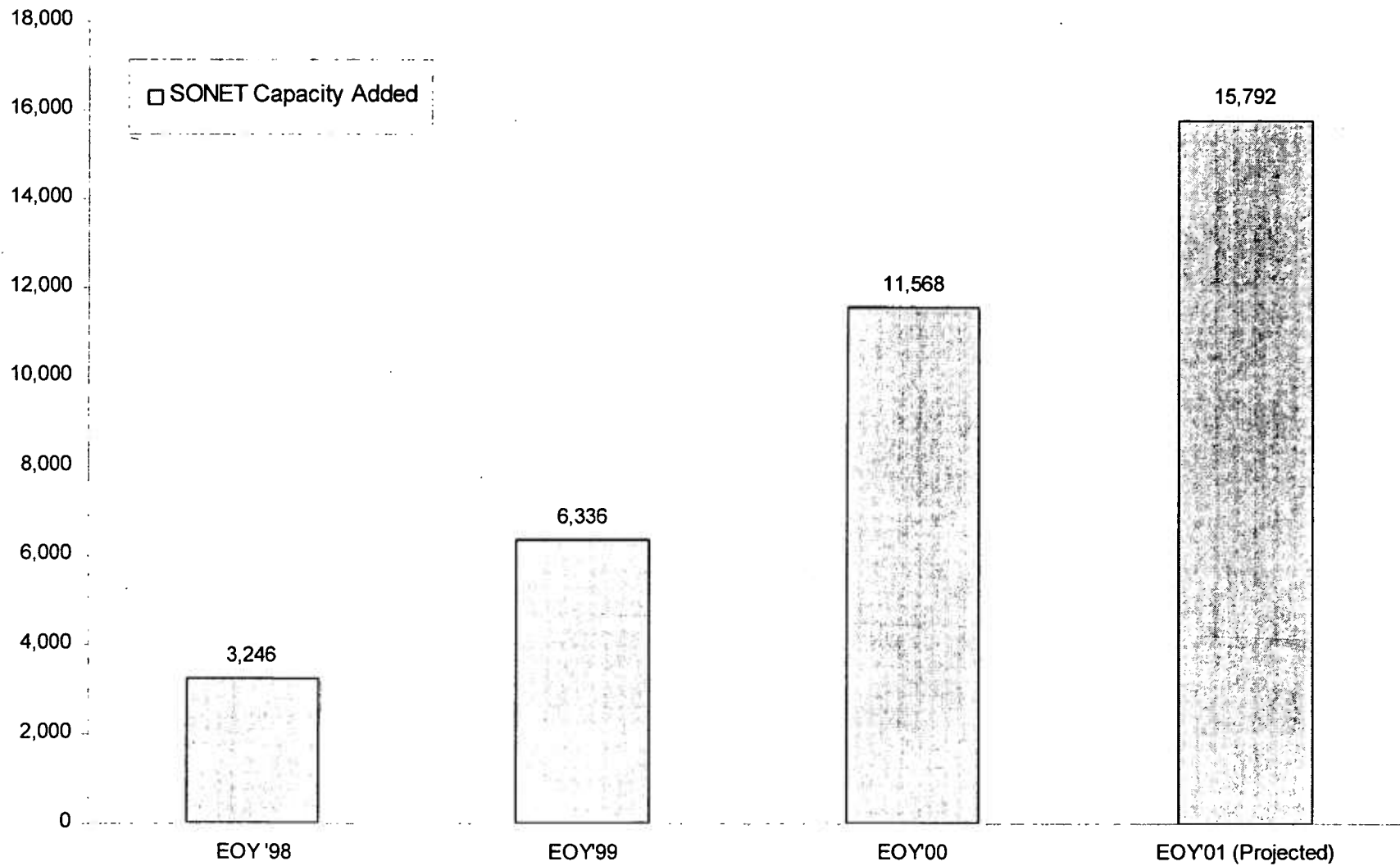
Objective = 7 Complaints per 100K Customers

EXHIBIT  
PART C  
Section 11



**NEW YORK IOF SONET CAPACITY ADDED VS DEMAND  
(DS3 Equivalents)**

**EXHIBIT  
PART C  
Section 12**



**EXHIBIT IN SUPPORT OF  
INITIAL PANEL TESTIMONY OF VERIZON NEW YORK INC.  
ON THE VERIZON INCENTIVE PLAN FOR NEW YORK**

**PART D**

EXHIBIT  
PART D

Verizon New York Inc.  
1095 Avenue of the Americas  
Room 3745  
New York, NY 10036  
Tel 212 395-6515  
Fax 212 768-7568

Sandra Dilorio Thorn  
Vice President & General Counsel, NY & CT



May 15, 2001

**BY HAND**

Lawrence G. Malone, Esq.  
General Counsel  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223-1350

**Re: Case 91-C-0102**

Dear Mr. Malone:

This is to advise you that effective December 31, 2001 Verizon New York Inc. ("Verizon NY") will no longer adhere to the Plan for the Comprehensive Restructuring of NYNEX Corporation and its Affiliates (the "Restructure Plan"). Verizon NY has complied with this voluntary Restructure Plan for more than ten (10) years. Our decision to discontinue conformity with it is consistent with the Commission's adoption of the Restructure Plan as a temporary remedial action designed to address specific concerns. As Staff has stated, "In accepting the original Restructure Plan, the Commission's objective was to protect the captive

rate-payer from financial harm associated with affiliate transaction improprieties while improving service quality and enhancing the company's ability to operate in an independent mode."<sup>1</sup>

The regulatory and competitive environment in New York has drastically changed over the past ten years. For the past six years, Verizon NY has been operating under the Performance Regulation Plan that ended the prior rate-of-return environment. Today, Verizon NY has filed a successor alternative regulation plan which even further departs from rate-of-return regulation and goes a long way towards completing the movement to market-driven pricing. In today's environment there are no longer "captive rate-payers" for which protection was sought under the Restructure Plan. Rather, Verizon NY faces a robust competitive environment in which the loss of efficiencies resulting from the Restructure Plan are more damaging to the interests of consumers than any benefits that could be derived from the Restructure Plan. Further, consistent with the Commission's Mission Statement, once markets become sufficiently competitive, regulatory involvement should be eliminated to the extent permitted by law. Since the Restructure Plan was wholly voluntary and, as discussed below, serves no useful purpose, it is right that it be eliminated.

The Restructure Plan has long outlived its usefulness. No longer captive to one local service provider, customers have numerous choices. The market for telecommunications in New York is irreversibly open to competition. But one company alone, Verizon NY, is

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<sup>1</sup> Case 91-C-0102, Memorandum from Communications Division to the Commission (dated June 19, 1996), at 2.

saddled with commitments which are no longer reasonable or necessary. It is clear that these commitments were undertaken by Verizon NY on a voluntary basis. But it was equally clear that at the time the Restructure Plan was adopted, neither the Commission nor Verizon NY contemplated that the Restructure Plan would continue forever.<sup>2</sup> In the past ten years, the parent corporation of Verizon NY has changed substantially. In 1990, there were just two operating telephone companies under NYNEX's control; today there are numerous local exchange companies spread over 31 states and the District of Columbia. The Commission has indicated that it expects Verizon NY to benefit from the synergies of the mergers which have transformed the company. Yet the efficiencies resulting from these mergers cannot be realized under the artificial construct of stand-alone former NYNEX telephone companies.

In addition, the competitive marketplace demands that Verizon NY be able to serve its customers just as its competitors do. Verizon NY – and its customers – can no longer afford to be hobbled by costly restrictions and commitments that its competitors do not bear. In Verizon NY's presentation submitted today in Case 00-C-1945, it describes in greater detail the changes in the current environment which militate against the continuation of the Restructure Plan. Ratepayers are no longer "captive" but rather are free to make choices for local voice, data and long distance services. The underlying predicate of the Restructure Plan – to ensure that affiliate transactions are in the best interests of ratepayers – is no longer a valid rationale.

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<sup>2</sup> Case 91-C-0102, "Opinion and Order Suspending Investigation," Opinion No. 92-10 (issued and effective April 24, 1992), at 49 (the plan should be reviewed for a five-year period only).

Lawrence G. Malone, Esq.  
May 15, 2001  
Page 4

EXHIBIT  
PART D

Verizon NY will continue to be bound by applicable law.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sandra Dilorio Thom". The signature is fluid and cursive, with the first name "Sandra" being the most prominent.

Sandra Dilorio Thom

cc: Mr. Allan H. Bausback  
Case 91-C-0102 Service List





**Cynthia Shorts**

02/19/02 09:53 AM

To: [secretary@dps.state.ny.us](mailto:secretary@dps.state.ny.us)

cc:

Subject: PULP Exhibit from Verizon discovery

Cynthia A. Shorts-Fields  
Assistant to the Secretary  
NYS Public Service Commission  
518 474-6530

----- Forwarded by Cynthia Shorts/Exec/NYS DPS on 02/19/02 11:04 AM -----

"Ben Wiles" <bwiles@pulp.tc>  
02/15/02 03:04 PM  
Please respond to bwiles

To:

Laurie\_Gibbs/OHADR/NYS DPS<Laurie\_Gibbs/OHADR/NYS DPS@dps.state.ny.us>,  
<abataille@broadviewnet.com>, <aeconomou@mettel.net>,  
<amaimon@mettel.net>, <apetrilla@covad.com>, <bfitzger@llgm.com>,  
<bmutschelknaus@kelleydrye.com>, <bregal@law.nyc.gov>,  
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<ssawyer@conversent.com>, <sthomas@talk.com>, <tefinn@swidlaw.com>,  
<thomas.j.farrelly@verizon.com>, <tkoutsky@z-tel.com>,  
<william.r.allan@verizon.com>, <wayne\_brindley@dps.state.ny.us>, "Judith  
Lee \ (E-mail\)" <Judith\_Lee@dps.state.ny.us>

cc:

Subject: PULP Exhibit from Verizon discovery

Attached are materials provided to PULP on Wednesday in response to PULP's information requests. Verizon supplied this information by email to PULP and did not provide copies of the email to all parties. This message will supply all parties with a copy of the responses and will advise all parties

that PULP intends to introduce these responses as an exhibit at the Verizon

hearing next Tuesday and to move for the introduction of this exhibit into the record.

Ben Wiles

Public Utility Law Project

90 State Street - Suite 601

Albany, NY 12207

bwiles@pulp.tc

518-449-3375 ext. 14



PULP-VZ-1.doc PULP-VZ-1attach1.xl: PULP-VZ2.doc PULP-VZ-2PAttach.xl PULP-VZ-3A.doc PULP-VZ-3B.doc



PULP-VZ-3C.doc PULP-VZ-4.doc

**PULP-VZ-1** For each quarter in the period from January 1995 to the present, please state for the Verizon service territory and for each county which is part of such service territory:

A. The number of Verizon customers receiving residential service

- As flat rate customers.
- As measured rate customers.

B. The number of Verizon customers receiving residential service under the Verizon lifeline tariff

- As flat rate customers.
- As measured rate customers.

C. The number of Verizon customers added to the Lifeline rate in such quarter

- Which were switched to service under the Lifeline tariff from service under the Verizon residential tariff.
- Which commenced telephone service in such month.
- Which were previously taking service from another carrier and switched to service from Verizon in such month.

D. The number of Verizon customers which were taking residential service from Verizon in the preceding quarter under the Lifeline tariff and

- Which were switched to service under the Verizon residential tariff.
- Which switched to service from another carrier.
- Which had their telephone service disconnected altogether[]

**RESPONSE:**

A. & B. Verizon-NY objects to these data requests on the grounds that the information requested is not available in the format requested, so that responding to the request would require preparation of a special report or study. Subject to such objection and not waiving it, Verizon-NY provides the data available in attached file labeled PULP-VZ-1Attach.xls.

C. Verizon-NY objects to these data requests on the grounds that the information requested is not available in the format requested, so that responding to the request would require preparation of a special report or study. Subject to such objection and not waiving it, Verizon-NY responds as follows:

i. & ii

Year end	# of customers added to Lifeline rate
1997	171,744
1998	102,314
1999	56,786
2000	57,029
2001	78,617

Data available for total customer additions only. Data not available for 1996  
Data not available by quarter or by month

iii. Data not tracked

D. Verizon-NY objects to these data requests on the grounds that the information requested is not available in the format requested, so that responding to the request would require preparation of a special report or study. Subject to such objection and not waiving it, Verizon-NY responds as follows:

i.

Year end	LL customers switched to Verizon residential service
1997	122,356
1998	91,581
1999	57,253
2000	41,495
2001	41,897

Data not available by quarter. Data not available for 1996

ii. Data not available

iii. Data not available

				<b>PULP-VZ-1Attach</b>			
<b>Residence Access Lines and LifeLine Lines</b>							
<b>PULP-VZ-1A</b>							
<b>Residence Access Lines</b>							
	<b>Total MR</b>	<b>Total FR</b>	<b>Total</b>				
Dec-95	4,892,468	2,130,407	7,022,875				
Dec-96	5,011,987	2,144,348	7,156,335				
Dec-97	5,157,793	2,174,008	7,331,801				
Dec-98	5,270,417	2,194,567	7,464,984				
Dec-99	5,162,390	2,144,210	7,306,600				
Dec-00	4,523,025	1,803,428	6,326,453				
Jun-01	4,409,871	1,747,979	6,157,850				
<b>PULP-VZ-1A</b>							
<b>LifeLine Lines</b>							
	<b>LL MR</b>	<b>LL FR</b>	<b>Total LL</b>				
Dec-95	513,191	153,507	666,698				
Dec-96	561,317	166,574	727,891				
Dec-97	497,745	155,660	653,405				
Dec-98	484,499	153,856	638,355				
Dec-99	430,074	135,056	565,130				
Dec-00	357,261	120,699	477,960				
Dec-01	324,641	128,875	453,516				

**PULP-VZ-2P** Please identify each supplemental or value added service or package of services offered by Verizon to residential customers in the period from January 1995 to the present and state the terms under which this service or package of services could be purchased. For each service or package of services, please provide

- A copy of the promotional materials used to describe the service or package of services to the public.
- The number of customers subscribing to each such service or package of services on in each quarter of each year in this period.
- Whether such service or package of services could be purchased by LifeLine customers.
- The number of LifeLine customers purchasing such services in each quarter of each year in this period.

**RESPONSE:**

- Verizon-NY objects to these data requests on the grounds that they are so broadly phrased that it would be impossible to assemble all potentially responsive documents; that compliance with the requests would be unduly burdensome; and that the requests would require production of materials that are neither relevant to the subject matter involved in this action nor reasonably calculated to lead to the discovery of admissible evidence. Subject to such objection and not waiving it, Verizon-NY responds that such material was provided in response to PSC-VZ-139PS.
- Verizon-NY objects to these data requests on the grounds that the information requested is not available in the format requested, so that responding to the request would require preparation of a special report or study. Subject to such objection and not waiving it, Verizon-NY responds with In-service quantities by quarter where data is available as follows:

<b>ValuePack</b>	<b>3/00</b>	<b>6/00</b>	<b>9/00</b>	<b>12/00</b>
	292,221	293,625	266,005	241,937
	<b>3/01</b>	<b>6/01</b>		
	239,062	217,954		
<b>Call Manager</b>	<b>3/00</b>	<b>6/00</b>	<b>9/00</b>	<b>12/00</b>
	24,938	34,228	38,433	40,201
	<b>3/01</b>	<b>6/01</b>		
	39,813	36,201		
<b>Local Package</b>	<b>3/00</b>	<b>6/00</b>	<b>9/00</b>	<b>12/00</b>
	0	27,450	99,613	153,734
	<b>3/01</b>	<b>6/01</b>		
	299,400	422,203		

- C. All packages are available to LifeLine customers. However, the Local Package does not offer a LifeLine discount so when a previous LifeLine customer chooses to purchase Local Package they are no longer marked as LifeLine and are treated as a regular customer for billing purposes. Add-on Value Added Service packages like Call Manager and ValuePack are added to existing LifeLine Classes of Service so the customer still receives their LifeLine treatment for basic service but no discounts on these two packages.
- D. Verizon-NY objects to these data requests on the grounds that the information requested is not available in the format requested, so that responding to the request would require preparation of a special report or study. Subject to such objection and not waiving it, Verizon-NY responds as follows:

Local Package – None, see response to C. above.

ValuePack – data not available.

Call Manager - data not available.

Value Added Services -- See attached file labeled PULP-VZ-2PAttach.xls.

The information provided in this response is considered "Proprietary" and is provided pursuant to the Protective Order in Case 00-C-1945, issued February 28, 2001.



CONSUMER - SEPTEMBER 1999  
 VAS QUANTITIES FOR LIFELINE SUBSCRIBERS  
 RESOLD ACCOUNTS EXCLUDED

	<u>NY - US</u>	<u>NY - DS</u>	NY Total
<u>VALUE ADDED SERVICE</u>	QTY	QTY	QTY
1 ANONYMOUS CALL REJECTION	42,254	97,257	139,511
2 CALL FORWARDING	10,408	23,725	34,133
3 CALL RETURN	13,362	32,055	45,417
4 CALL WAITING	49,683	165,480	215,163
5 CALLER ID	44,556	108,327	152,883
6 HOME VOICE MAIL	8,018	14,210	22,228
7 REPEAT DIALING	10,605	24,353	34,958
8 RINGMATE	6,185	12,746	18,931
9 SPEED CALLING	18,618	32,469	51,087
10 ULTRA FORWARD	1,389	7,989	9,378
11 VOICE DIALING	3,950	11,244	15,194
12 3 WAY CALLING	12,334	33,454	45,788
13 VALUEPACK	9,312	20,447	29,759
	230,674	583,756	814,430

**PULP-VZ-3A** Please confirm whether the following chart accurately report the residential charges imposed on Lifeline and non-Lifeline customers (exclusive of taxes) (a) at the inception of the previous rate plan. If the following charts do not accurately report these charges, please indicate the correct charges.

CHART:

(a) From the mid-nineties until the federal subscriber line charges changed and until, in 2000, the Verizon basic service charges changed, New York Telephone (now Verizon) residential and low income customers paid the following:

**Flat rate residential (1FR):**

<u>Residential customer:</u>		<u>Lifeline customer:</u>	
Basic service	6.60		2.00
Local usage	5.85		5.85
	12.45		7.85
Fed Subscriber Line Charge	3.50		0
	\$15.95		\$7.85

Before the Fed SLC, the difference was \$4.60.

The \$4.60 comes from:

\$1.75 in further federal support
0.95 in federal matching support (1/2 of state support)
<u>1.90 in state support</u>
\$4.60

**Measured rate residential (1MR):**

<u>Residential customer:</u>		<u>Lifeline customer:</u>	
Basic service	6.60		1.00
Local usage	various		various
	6.60		1.00
Fed Subscriber Line Charge	3.50		0
	\$10.10		\$1.00

Before the Fed SLC, the difference was \$5.60.

The \$5.60 comes from:

\$1.75 in further federal support
1.28 in federal matching support (1/2 of state support)
<u>2.57 in state support*</u>
\$5.60

**RESPONSE:**

Verizon-NY objects to this data request on the grounds that the request is as readily performed by PULP as it is Verizon-NY. Subject to such objection and not waiving it, Verizon-NY responds as follows:

Verizon-NY has no corrections to the chart contained in this data request.

**PULP-VZ-3B** Please confirm whether the following chart accurately report the residential charges imposed on Lifeline and non-Lifeline customers (exclusive of taxes) (b) currently. If the following charts do not accurately report these charges, please indicate the correct charges.

CHART:

(b) After the subscriber line charge increase scheduled for July 1, 2001, the federal SLC will rise to \$5.00, and as a result of the August 30, 2000 Price Reduction Order, the basic service charge falls, leaving the following result:

**Flat rate residential (1FR):**

Residential customer:

Basic service	6.11
Local usage	<u>5.85</u>
	11.96
Fed Subscriber Line Charge	<u>5.00</u>
	\$16.96

Lifeline customer:

2.00
<u>5.85</u>
7.85
<u>0</u>
\$7.85

Before the Fed SLC, the difference is \$4.11.

The \$4.11 comes from:

\$1.75 in further federal support
0.79 in federal matching support (1/2 of state support)
<u>1.57</u> in state support
\$4.11

**Measured rate residential (1MR):**

Residential customer:

Basic service	6.11
Local usage	<u>various</u>
	6.11
Fed Subscriber Line Charge	<u>5.00</u>
	\$11.11

Lifeline customer:

1.00
<u>various</u>
1.00
<u>0</u>
\$1.00

Before the Fed SLC, the difference in savings is \$5.11.

The \$5.11 comes from:

\$1.75 in further federal support
1.12 in federal matching support (1/2 of state support)
<u>2.24</u> in state support
\$5.11

**RESPONSE:**

Verizon-NY objects to this data request on the grounds that the request is as readily performed by PULP as it is Verizon-NY. Subject to such objection and not waiving it, Verizon-NY responds as follows:

Verizon-NY has no corrections to the chart contained in this data request.

Case: 00-C-1945  
Public Utility Law Project  
Date of Request: TBD  
Respondent: VZ Panel

**PULP-VZ-3C** Please confirm whether the following chart accurately report the residential charges imposed on Lifeline and non-Lifeline customers (exclusive of taxes) (c) if the Verizon incentive plan is implemented as currently proposed. If the following charts do not accurately report these charges, please indicate the correct charges.

**CHART:**

(c) If the Verizon rate plan goes into effect, the Basic service charge for non-Lifeline customers would rise by \$1.25 effective January 1, 2002, which changes the calculations as follows:

**Flat rate residential (1FR):**

Residential customer:

Basic service	7.36
Local usage	<u>5.85</u>
	13.21
Fed Subscriber Line Charge	<u>5.00</u>
	\$18.21

Lifeline customer:

2.00
<u>5.85</u>
7.85
<u>0</u>
\$7.85

Before the Fed SLC, the difference in savings is \$5.36.

The \$5.36 comes from:

\$1.75 in further federal support
1.20 in federal matching support (1/2 of state support)
<u>2.41</u> in state support
\$5.36

**Measured rate residential (1MR):**

Residential customer:

Basic service	7.36
Local usage	<u>various</u>
	7.36
Fed Subscriber Line Charge	<u>5.00</u>
	\$12.36

Lifeline customer:

1.00
<u>various</u>
1.00
<u>0</u>
\$1.00

Before the Fed SLC, the difference in savings is \$6.36.

The \$5.11 comes from:

\$1.75 in further federal support
1.54 in federal matching support (1/2 of state support)
<u>3.07</u> in state support
\$6.36

**END CHART.**

**RESPONSE:**

Verizon-NY objects to this data request on the grounds that the request is as readily performed by PULP as it is Verizon-NY. Subject to such objection and not waiving it, Verizon-NY responds as follows:

Verizon-NY finds that the chart contained in this data request needs to be corrected to read "The \$6.36 comes from" rather than "The \$5.11 comes from".

**PULP-VZ-4** For each year from 1995 to the present, please state:

A. The amount that was assessed to Verizon for payment into the State's Targeted Assistance Fund.

B. The amount that Verizon was eligible to receive from the State's Targeted Assistance Fund for providing service to each Lifeline eligible customers and the total amount that Verizon was eligible to receive from the State Targeted Assistance Fund for service to Lifeline customers during such year.

C. The amount that Verizon was eligible to receive from the federal Universal Service Fund for providing service to each Lifeline eligible customers and the total amount that Verizon was eligible to receive from the federal Universal Service Fund for service to Lifeline customers during such year.

**RESPONSE:**

The information provided in this response is considered "Proprietary" and is provided pursuant to the Protective Order in Case 00-C-1945, issued February 28, 2001.

The Targeted Accessibility Fund (TAF) became effective in New York State on October 1, 1998. The total amount paid to the State Targeted Accessibility Fund during each year is:

A)

1998 (Oct – Dec)	\$833,794
1999 (Jan – Dec)	\$5,664,301
2000 (Jan – Dec)	\$3,680,106
2001 (Jan – Dec)	\$5,384,991

B) The total amount Verizon was eligible to receive from the State Targeted Accessibility Fund for service to Lifeline customers is:

1998 (Oct – Dec)	\$1,216,872
1999 (Jan – Dec)	\$3,140,562
2000 (Jan – Dec)	\$4,290,176
2001 (Jan – Dec)	\$3,039,187

C) Verizon – New York's reimbursement from the Universal Service Administration Co., (USAC) for participation in the Low Income Programs, was effective with 1/1/98 reporting. The total amount Verizon – New York received reimbursement for providing Lifeline Service to each eligible Lifeline customer during each year is:

1998 (Jan – Dec)	\$51,304,014
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1999 (Jan - Dec)	\$47,240,913
2000 (Jan - Dec)	\$43,985,611
2001 (Jan - Dec)	\$41,799,887

Doc-1945

2-Tel exhibit  
Donald Rans

**TAB A**



Communications, Inc.

## **An Empirical Exploration of the Unbundled Local Switching Restriction**

**Z-Tel Public Policy Paper No. 3  
Z-Tel Communications, Inc.  
601 S. Harbour Island Blvd., Suite 220  
Tampa, Florida 33602**

February 2002

(Original Version: November 2001)

# An Empirical Exploration of the Unbundled Local Switching Restriction\*

**Abstract:** In this paper, we examine empirically the impact of the ULS restriction on the realization of competition for residential and small business consumers in the United States. Econometric analyses suggest that the ULS restriction reduces both the absolute and relative level of competition for residential and small business telecommunications consumers. Our estimates indicate that the ULS restriction has reduced CLEC market share of residential and small business customers by an average of 36%.

## I. Introduction

Nearly six years after the passage of the Telecommunications Act of 1996 and two years after the FCC's *UNE Remand Order*, competition for mass-market, residential and small business customers remains elusive in many, if not most, states. In the *UNE Remand Order*, the FCC ordered access to unbundled local switching ("ULS") in order to foster competition for these mass-market consumers, but the FCC simultaneously placed a significant restriction on the availability of ULS in the Top 50 metropolitan statistical areas ("MSAs").

This Z-Tel Public Policy Paper shows that where the availability of ULS is restricted, there is substantially *less* competition for residential and small business customers. In fact, an empirical examination of the FCC's own data shows that residential and small business customers benefit from significantly *more* competitive entry in regions where the ULS restriction does not apply than in regions where the restriction applies.

These results undermine the fundamental rationale for the FCC's rule. Nearly two years have passed since the *UNE Remand Order*, and entry strategies based on the patchwork availability of ULS have had sufficient opportunity to develop. The FCC's rationale for the restriction was that entry via "self-provisioning" of switching could occur in the restricted areas as robustly and timely as entry by means of ULS. This empirical analysis shows that not to be the case: competition for residential and small business customers in states where the restriction applies lags behind competition in areas where ULS is unrestricted. In short, residential and small business consumers in restricted areas face considerably less competition and are still waiting for choices.

## II. Background on the Unbundled Local Switching Restriction

Unbundled local switching is a key component of the UNE-Platform, which new entrants utilize to provide competitive local service to mass-market, residential and small business customers. In the *UNE Remand Order*, the Federal Communications Commission ("FCC") reiterated its position that CLEC access to unbundled local switching ("ULS") is necessary to bring competition to the mass market. Specifically, the FCC concluded, "that, in general, lack of access to unbundled local switching materially raises entry costs, delays broad-based entry, and limits the scope and quality of the new entrant's service offerings."<sup>1</sup> Primary motivators for the FCC decision include the desire "to encourage the rapid introduction of competition in *all* markets, including residential and small business markets";<sup>2</sup> to allow CLECs "to serve the *greatest number* of customers";<sup>3</sup> and "to benefit *all* Americans by opening *all* telecommunications markets to competition."<sup>4</sup>

- This policy paper was originally released in November of 2001. After helpful comments and suggestions by numerous parties, the statistical analysis was updated and the changes to this analysis are reflected in this paper.

<sup>1</sup> In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, THIRD REPORT AND ORDER AND FOURTH FURTHER NOTICE OF PROPOSED RULEMAKING, CC Docket No. 96-98, ¶253 (rel. Nov. 5, 1999) ("*UNE Remand Order*").

<sup>2</sup> *Id.* at ¶9 (emphasis added).

But despite those findings, the FCC restricted access to unbundled local switching under certain conditions. Specifically, the FCC chose to remove the unbundled switching obligations of the ILECs for customers with more than three switched access lines in the densest portions (density zone 1) of the fifty largest Metropolitan Statistical Areas ("MSA"), as long as the ILEC provided access to enhanced extended links ("EELs") in these areas. The rationale for this exclusion was that in these regions, sufficient alternatives to ILEC-provided switching (namely, self-provisioning of switching) existed so that entrants could serve in a "timely" manner residential and small business consumers at levels of comparable scale and scope as access to unbundled local switching would allow.

This Z-Tel Public Policy Paper evaluates empirically the effect of the ULS restriction on the extent of competition in the residential and small business markets and finds that the restriction is hampering competitive entry. We first consider the impact of the switching restriction on the share of residential and small business consumers served by CLECs. Using CLEC market share statistics supplied by the FCC, we find that the absolute level of competition for residential and small business customers is lower in states where the switching restriction applies to large portions of the state population. Thus, the econometric analysis suggests that the switching restriction reduces the overall level of competition for residential and small business telecommunications consumers.

Second, we evaluate empirically the effect of the switching restriction on the level of CLEC entry in the residential and small business consumer group relative to larger telecommunications consumers. Because the size of the residential and small business markets vary by state, it is sensible to account for this variation in measuring the intensity of CLEC entry into the residential and small business market.<sup>5</sup> Our regression analysis, using FCC and Census data, indicates that the switching restriction reduces the relative level of competition for residential and small business consumers.

### III. Empirical Analysis

The empirical analysis to test the incumbent hypothesis is straightforward. Data from publicly available sources are utilized and empirical models are generated to test whether the ULS restriction plays any role in the level of CLEC market share in a state. Our approach differs from existing analysis on the ULS restriction. Specifically, we employ econometric methods to evaluate any systematic effects of the ULS restriction on competition. Earlier "studies" of the ULS restriction have used, at best, anecdotal evidence, and most consist of little more than public policy propaganda and rhetoric.

The FCC's *Local Competition Report* (Tables 6 and 8) provides CLEC and ILEC access lines by state and the percentage of CLEC and ILEC lines serving residential and small business customers.<sup>6</sup> The *Local Competition Report* also provides the total number of lines in the state. Data on these variables is provided for 35 states. The U.S. Census Bureau's website ([www.census.gov](http://www.census.gov)) provides median household income and population data for these 35 states. The percentage of the state's population residing in the fifty largest MSAs where the ULS restriction applies also is computed from Census data.

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<sup>3</sup> *Id.* at ¶10 (emphasis added).

<sup>4</sup> *Id.* at ¶2 (emphasis added).

<sup>5</sup> For example, if 50% of CLEC lines serve residential and small business consumers, this share has a very different meaning if 80% of the total lines in the market serve residential and small business consumers versus 30% of the total lines. In the former case, CLECs appear to pursue residential and small business consumers with less intensity than in the latter.

<sup>6</sup> Federal Communications Commission, Common Carrier Bureau, Industry Analysis Division, *Local Telephone Competition: Status as of December 31, 2001* (May 2001) ("*Local Competition Report*").

It is important to note that because of proactive actions by many States, the FCC's ULS restriction is not applicable in all of the fifty largest MSAs. For example, in Texas, the "T2A" interconnection agreement assured unrestricted access to ULS.

The variables employed in the empirical analyses include:

<i>CLECSHR</i>	Market Share of CLECs for residential and small business consumers;
<i>TARGET</i>	Percentage of CLEC lines serving residential and small business customers divided by percentage of state lines serving residential and small business customers;
<i>LINES</i>	Total access lines in the state serving residential and small business customers;
<i>CITYPOP</i>	Population of state living in city centers of metropolitan areas;
<i>INC</i>	Median household income in the state;
<i>RESTRICT</i>	Percentage of state population in restricted, Top 50 markets.

The variable *CLECSHR* measures the absolute level of competition in the state for residential and small business consumers. *TARGET* captures the intensity with which CLECs target residential and small business consumers relative to other, larger consumers. This variable exceeds (is below) 1.00 if the CLECs have a greater (smaller) percentage of residential and small business customers than the market as a whole. To illustrate the meaning of the variable *TARGET*, consider a state where the share of residential and small business lines is 60%. If CLECs acquire customers in a random fashion or target all consumers equally, then the expected percent of residential and small business lines is 60% (the market's distribution of such lines). If the CLEC's share of residential and small business lines is 20%, alternately, then CLECs are pursuing larger customers more aggressively. If 80% of CLEC lines are serving residential and small business consumers, then the CLECs are targeting the residential and small business consumers with greater intensity than larger customers.

## 1. The ULS Restriction and the Level of Competition

This section describes the empirical test designed to measure the impact of the ULS restriction on CLEC market share of residential and small business customers (*CLECSHR*). The absolute level of competition for residential and small business customers in a state is defined as the percent of residential and small business access lines in a state served by CLECs.<sup>7</sup> The level of competition is specified as a function of state market size in terms of residential and small business access lines, household income, and the ULS restriction. The econometric equation therefore is:

$$CLECSHR = \alpha_0 + \alpha_1 RESTRICT + \alpha_2 LINES + \alpha_3 INC + \alpha_4 CITYPOP + \varepsilon \quad (1)$$

where the  $\alpha$ 's are the estimated coefficients and  $\varepsilon$  is the econometric disturbance term. If CLECs favor markets with greater telecommunications demand, more densely populated markets, and large household incomes, then the signs of the estimated coefficients on *LINES*, *CITYPOP*, and *INC* should be positive ( $\alpha_2, \alpha_3, \alpha_4 > 0$ ). A positive sign on *RESTRICT* indicates that the ULS restriction is conducive to competitive choice for residential and small business consumers. Alternately, if the ULS restriction limits opportunities for competitive entry for residential and small business customers, a negative relationship between the restriction and CLEC market share is expected. Because the ULS restriction is designed to limit the opportunities for competitive entry by UNE-P CLECs, our a priori expectation is that the sign on *RESTRICT* will be negative.

<sup>7</sup> This is the "mass market" market definition that the FCC utilized in the *UNE Remand Order* regarding ULS.

Equation (1) is estimated by Ordinary Least Squares (OLS) and the Minimum Chi-Square (MCS) methods.<sup>8</sup> The Minimum Chi-Square Method is essentially a weighted least-squares technique, where the weight is the inverse of the square root of the variance of the dependent variable.<sup>9</sup> This weighting scheme corrects for the heteroscedastic errors (theoretically) endemic to models with dependent variables expressed in percentage terms (i.e., dependent variables that are based on grouped data). Importantly, this heteroscedasticity leads only to inefficient estimates (the t-statistics are too low), not biased estimates. The Minimum Chi-Square technique did improve the efficiency of the estimated coefficients.<sup>10</sup>

The marginal effects from the OLS estimates of Equation (1) are provided in Table 1.<sup>11</sup> All of the explanatory variables except *LINES* are statistically significant at the 10% level using OLS and 5% level using MCS. The fit of the regression is good for cross-sectional data (the  $R^2$  is 0.29 for the untransformed data and 0.86 for the weighted data). For the OLS regression, the F-statistic of the Ramsey RESET test is 1.34, which is not statistically significant at standard levels. RESET is a rather general test for specification errors related to omitted variables, incorrect functional form, and correlations between the explanatory variable and the error (e.g., caused by endogenous variables).<sup>12</sup> The insignificant RESET F-statistic indicates our model does not suffer from these major types of specification error.

Table 1. Results		
Variable	Equation (1): <i>CLECSHR</i>	Mean [St. Dev.]
Constant	-0.24 (-6.48) <sup>a,b</sup>	...
<i>LINES</i>	1.10E-09 (0.94)	3,874,127 (3,758,247)
<i>CITYPOP</i>	0.08 (2.56) <sup>a,b</sup>	0.29 (0.156)
<i>INC</i>	2.24E-06 (2.59) <sup>a,b</sup>	42435 (5,977)
<i>RESTRICT</i>	-0.04 (1.70) <sup>a,b</sup>	0.34 (0.25)
<i>CLECSHR</i>	...	0.036 (0.03)

<sup>a</sup> Statistically Significant at 10% level or better with OLS.

<sup>b</sup> Statistically Significant at 5% level or better with MCS.

<sup>8</sup> Jack Johnston and John DiNardo, *Econometric Methods*, 4<sup>th</sup> ed., McGraw-Hill: New York (1997), pp. 433-4.

<sup>9</sup> For the linear specification, the variance for state  $j$  is  $p_j(1 - p_j)/n_j$ , and for the semilog specification the variance for state  $j$  is  $(1 - p_j)/n_j p_j$ , where  $p_j$  is the dependent variable and  $n_j$  the denominator of  $p_j$  (in this case, the state total of residential and business access lines).

<sup>10</sup> The White test suggests that the null hypothesis of homoscedastic errors cannot be rejected ( $F = 0.32$ , Probability level 0.95).<sup>10</sup>

<sup>11</sup> The marginal effects are computed from a semi-logarithmic regression model. The RESET test indicated that the semilog specification was preferred to the simple linear specification. The marginal effects are computed by multiplying the estimated coefficients by the mean of *CLECSHR* (0.036). The linear model performed similarly to the semilog model, and the coefficient on *RESTRICT* was -0.07 (with t-statistic of 1.86). The Minimum Chi Square method for the linear specification did not materially influence the estimated coefficients, but, as in the semilog case, reduced the estimated t-statistics. In the linear model, all variables were statistically significant at the 10% level or better. However, for the linear model, the null-hypothesis of the RESET test was easily rejected.

<sup>12</sup> James Ramsey (1969) "Tests for Specification Errors in Classical Linear Least Squares Regression Analysis," *Journal of the Royal Statistical Society, Series B*, Vol. 31, pp. 350-371. While able to detect a wide array of specification errors, the RESET test only indicates specification error is present. The RESET test provides no guidance as to the particular source of the specification error.

Not surprisingly, the regression model indicates that CLEC market share is higher in larger, more densely populated markets with relatively high median household incomes: the signs on *LINES*, *CITYPOP*, and *INC* are all positive. Both *CITYPOP* and *INC* are statistically significant at the 10% level or better, but *LINES* is not.

Table 2.  
Increase in Competition for Residential and Small Business  
Customers from Removing ULS Restriction

State	Percent Increase in Competition		State	Percent Increase in Competition
AZ	47%		MN	45%
CT	29%		NC	28%
DC	63%		OH	29%
FL	39%		OR	37%
GA	39%		PA	42%
IL	51%		SC	3%
IN	23%		TN	19%
KS	22%		UT	45%
LA	26%		VA	19%
MD	35%		WA	36%
MA	44%		WI	24%
MI	36%		Avg	36%

The negative and statistically significant coefficient on *RESTRICT* indicates that *the ULS restriction reduces competition for residential and small business consumers*. The coefficient on *RESTRICT* indicates that a 10 percentage point increase in the percent of population living in the restricted markets reduces, on average, the CLEC market share for residential and small business customers by 10%.<sup>13</sup> In other words, the larger the restricted market, the more impact the restriction has on CLEC market share.

The econometric model (Equation 1) can be used to estimate the increases in CLEC market shares if the ULS restriction is eliminated. For each relevant state, Table 2 summarizes the increase in the percentage of residential and small business lines served by CLECs if the ULS restriction is eliminated. The increased level of competition for residential and small business customers ranges from 3% in South Carolina to 63% in the District of Columbia. On average, eliminating the ULS restriction increases CLEC market share by 36% in states where the ULS restriction is relevant.<sup>14</sup>

## 2. The ULS Restriction and the Intensity of Competition for Residential and Small Business Customers

The econometric results above indicate that the ULS restriction reduces the absolute level of competition for residential and small business consumers. It is also important to understand the impact the ULS restriction may have on the *intensity* of CLEC competition for residential and small business customers. In this second model, we evaluate the intensity with which CLECs target the residential and small business markets within a state by examining the share of CLEC access lines serving residential and small business lines in a state relative to the total share of the residential and small business access lines in the state (*TARGET*).

<sup>13</sup> The impact is calculated using  $\exp(-1 \cdot 0.10) - 1$ , where  $-1.00$  is the estimated coefficient  $\beta_1$  from the semi-log model.

<sup>14</sup> The average of *RESTRICT* and *CLECSHR* for all states where the restriction applies are 0.45 and 0.03. The marginal effect is computed using  $[\exp(\beta_1 \cdot \Delta \text{RESTRICT}) - 1]$ , or  $\exp(-1 \cdot 0.45) - 1 = 0.36$ , or 36%.



This second model is similar to the first, except the dependent variable has changed:

$$TARGET = \beta_0 + \beta_1 RESTRICT + \beta_2 LINES + \beta_3 INC + \beta_4 CITYPOP + \varepsilon \quad (2)$$

where the  $\beta$ 's are the estimated coefficients and  $\varepsilon$  is the econometric disturbance term. Also, Equation (2) can be estimated with ordinary least squares. Our expectation is that CLECs target markets with larger, more densely populated markets with larger incomes ( $\beta_2, \beta_3, \beta_4 > 0$ ). If the coefficient on *RESTRICT* is positive ( $\beta_1 > 0$ ), then the ULS restriction promotes competition for residential and small business customers. If the coefficient is negative ( $\beta_1 < 0$ ), however, then the restriction reduces competition in the residential and small business markets, directing CLECs to pursue alternative business plan. Given that the restriction precludes entry by particular CLECs, the a priori expectation is that the restriction will reduce competition for residential and small business market customers.

The results from the estimation of Equation (2) are provided in Table 2. All of the explanatory variables, except for *LINES* and the constant term, are statistically significant at the 5% level or better (OLS). The fit of the regression is good for cross-sectional data with an  $R^2$  of 0.26. The hypothesis of no specification error cannot be rejected: the F-Test from the Ramsey RESET test is 0.28, which is not statistically significant. The White test suggests that the null hypothesis of homoscedastic errors cannot be rejected.<sup>15</sup>

**Table 3.  
Results**

Variable	Equation (1): <i>TARGET</i>	Mean [St. Dev.]
Constant	-0.49 (1.22)	...
<i>LINES</i>	6.07E-09 (0.61)	3,874,127 (3,758,247)
<i>CITYPOP</i>	0.59 (2.17)*	0.29 (0.156)
<i>INC</i>	1.88E-05 (2.58)*	42435 (5,977)
<i>RESTRICT</i>	-0.47 (2.64)*	0.34 (0.25)
<i>TARGET</i>	...	0.45 (0.23)

\* Statistically significant at the 5% level or better.

As with the absolute level of competition evaluated in the previous section, the *TARGET* regression model indicates that CLECs target residential and small business customers more intensely in larger, more densely populated states with relatively high median household incomes. The negative and statistically significant coefficient on *RESTRICT* again indicates that the ULS restriction reduces competition for residential and small

<sup>15</sup>

The F-Statistic for the White test is 0.66, having a probability level of 0.72.

business customers. The z-statistic on *RESTRICT* is 2.64, having a probability level lower than 0.01. The coefficient on *RESTRICT* indicates that a 10 percentage point increase in the percent of population living in the restricted markets reduces, on average, the CLEC's pursuit of residential and small business customers by 11%. If the ULS restriction were removed, the proportion of CLEC lines serving residential and small business customers would increase by about 53 percent or 21 percentage points.<sup>16</sup>

#### IV. Conclusions

The FCC's unbundling policy should be properly focused upon advancing the introduction of competition for all consumers, including mass-market residential and small business customers. In the *UNE Remand Order*, the FCC ordered unlimited access to unbundled local switching in many regions but placed substantial restrictions on ULS in the top 50 MSAs. The FCC's rationale was that in large cities, CLECs could serve the entire mass market as intensely without access to ULS as CLECs could serve with access to ULS.

Our empirical analysis suggests that the FCC's policy of favoring one type of competition over another in those larger markets is in fact harming residential and small business consumers in those areas. Consumers in states where there is unrestricted availability of ULS enjoy a considerably more robustly competitive environment than their compatriots in restricted states. Business-focused, downtown CLECs are not serving mass-market, residential and small business consumers in states where the ULS restriction applies to the same extent that UNE-Platform and other entrants serve mass-market consumers in unrestricted areas.

Those harmed by the ULS restriction are residential and small businesses in states where the restriction applies. Even conservative estimates regarding the potential cost savings mass-market consumers would enjoy from competition indicates that millions of dollars of consumer welfare are being sacrificed by operation of this industrial policy. The empirical evidence shows that contrary to the FCC's conclusion in November 1999, entry by means of self-supplied switches (for residential and small business customers) is simply not as robust and timely as entry by means of unbundled local switching. The empirical evidence shows that CLECs of all types that seek to provide service to residential and small business customers are most definitely impaired in their entry efforts by the ULS restriction.

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<sup>16</sup>

For states where the restriction applies, the average value of *TARGET* is 0.396.

The Z-Tel Public Policy Paper Series is designed to arm policymakers and the public with a rigorous set of analytical tools and analyses regarding the development of local telecommunications competition. For more information, contact any of the following members of Z-Tel's Strategic Policy Department.

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## CERTIFICATE OF SERVICE

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