**ATTACHMENT 4**

DECLARATION OF QUINTIN LEW

REDACTED – FOR PUBLIC INSPECTION

**Before the**
**FEDERAL COMMUNICATIONS COMMISSION**
**Washington, D.C. 20554**

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| In the Matter of | ) | |
| | ) | |
| Verizon Communications Inc. and | ) | |
| MCI, Inc. | ) | WC Docket No. 05-75 |
| Applications for Approval of | ) | |
| Transfer of Control | ) | |

## REPLY DECLARATION OF QUINTIN LEW

1. My name is Quintin Lew. My business address is 1095 Avenue of the Americas, New York City, New York 10036. I am Vice President – Access Marketing in Verizon's Wholesale Markets Group and have worked at Verizon for 19 years. In this capacity, I am responsible for the marketing for our Special Access Products. I have nearly 20 years' experience with Verizon or its predecessors in most areas of marketing, strategic planning, and business development.

2. The purposes of this declaration are (1) to further explain why the combination of Verizon and MCI will not materially affect competition in the provision of wholesale high-capacity services in the areas where Verizon's and MCI's local access facilities overlap, and (2) to refute allegations that the merger will enable Verizon to increase special access prices or deprive smaller carriers of significant special access discounts.

## I. THE MERGER WILL NOT DIMINISH SPECIAL ACCESS COMPETITION.

3. MCI is just one of a number of other providers of wholesale high-capacity facilities. These other providers, which include CLECs, IXCs, and cable companies, compete with Verizon in the provision of wholesale high-capacity services using either their own facilities or reselling Verizon's and others' local access facilities, or through some combination of the two.

4. In Verizon's public interest statement, we were able to identify using third-party data and our own collocation inspection data many of the carriers who have deployed fiber facilities in the areas where Verizon's and MCI's local access facilities overlap. *See* Declaration of Quintin Lew and Ronald H. Lataille ("Lew/Lataille Declaration"), ¶¶ 19-23, Exhibits 9 & 10. This data revealed that there are at least 92 different competitive providers with fiber facilities in these areas of overlap, 2 or more competitors with fiber facilities in 92 percent of the wire center clusters locations where our facilities overlap, and at least one competitor with fiber facilities in all but one wire center cluster location – Carbondale, Illinois – where Verizon's and MCI's local access facilities overlap. *Id*. at ¶ 22. As we explained, however, this data tells only part of the story in that it fails to capture and, therefore, significantly understates competition from alternative providers or from intermodal providers that have by-passed Verizon's wire centers altogether.

5. To further explore the extent to which we face competition in the provision of wholesale high-capacity services in the areas where Verizon's and MCI's facilities overlap, therefore, we looked to our own experience in competing to retain and win wholesale business in these areas of overlap. Given the dynamic nature of our industry, we may not always know which carriers are competing with us to provide wholesale services in any particular area at a given point of time, or even those instances where we might have lost business to one of our wholesale competitors. Through our marketing intelligence efforts (primary and secondary research), company websites, feedback from our carrier account management teams, and the wholesale bidding processes, however, we are able to identify some of the providers who compete with us in the areas where Verizon's and MCI's facilities overlap and we know that competition for the provision for

wholesale services is intense in these areas and will remain so even after the combination of Verizon and MCI.

6. Verizon's Wholesale Markets Group manages the majority of Verizon's wholesale sales through Verizon's marketing and account management organization. The marking organization is responsible for the product management, competitive analysis, and new product development of all of Verizon's access products and services. Verizon wholesale account managers are responsible for the sales of our services to wholesale customers. Consistent with our goal of building a thriving wholesale business, it is their jobs to understand the needs and requirements of our wholesale customers and to work to develop and maintain our wholesale business with these customers. Accordingly, both groups regularly meet with our wholesale customers to determine how Verizon can maintain and win more of the customer's wholesale business. While in most instances, we do not know the identity of the CLECs competing in specific situations, we learn enough to identify some of the locations that the many carriers we are competing with (and losing business to) in the provision of wholesale services have offered service.

7. As we market and sell our services to our wholesale customers, we know that, in the areas where Verizon's and MCI's facilities overlap, there is extensive competition from multiple competitors. Although the identity of the competitors may vary from one location to the next, the competitors we see in the areas where Verizon's and MCI's facilities overlap most often include AT&T, Sprint, Level 3, Time Warner, and NEON. As described more fully below, our marketing and sales teams are aware of wholesale competition from at least one of these competing providers, either through the use of their own facilities, resale of our facilities, or a combination of the two, in *every one* of the 39 wire center cluster locations where Verizon's and

MCI's facilities overlap. *See* Exhibit 1A. This is not surprising. While it understates the extent to which competing providers have deployed fiber in the areas where Verizon's and MCI's facilities overlap, even the third-party fiber route information we obtained from GeoTel and our own collocation inspection data show that these five wholesale competitors alone compete with Verizon in 33 of the 39 wire center cluster locations – 85 percent – where Verizon's and MCI's facilities overlap. *See* Exhibit 2.

8. AT&T, Sprint, Level 3, Time Warner, and Neon each compete with Verizon in the provision of wholesale high-capacity services at virtually all capacity levels, and each one also purchases and resells in the wholesale market Verizon's special access services.

9. AT&T is a facilities-based provider that offers wholesale DS-1s, DS-3s, and OCn-level services to other CLECs, IXCs, and ISPs. AT&T reports that it offers these services in 91 U.S. cities with approximately 700 points of presence in the continental U.S. They also report to have direct access to nearly 7,000 buildings with over 8,600 metropolitan SONET rings. *See* AT&T Corp., Form 10-K (SEC filed March 10, 2005). Among the places that AT&T competes, our marketing and sales teams are aware of wholesale competition from AT&T in each of the 39 areas where Verizon's and MCI's facilities overlap. *See* Exhibit 1A.

10. Sprint is a facilities-based provider that offers, among other services, wholesale DS-1, DS-3, OCn, Frame Relay, ATM, and Private Line services to CLECs, IXCs, and Wireless carriers. *See* http://www.sprint.com/wholesale/clec_products.html. Sprint has 350 points of presence and over 550 SONET rings to support their services. Sprint also resells Verizon's special access services where they do not have facilities in Verizon's serving territory. Among the places that Sprint competes, our marketing and sales teams are aware of wholesale

competition from Sprint in each of the 39 areas where Verizon's and MCI's facilities overlap except Carbondale, Illinois; Laurel Springs, New Jersey; and St. Petersburg, Florida. *See* Exhibit 1A.

11. Level 3 is a facilities-based provider who offers wholesale DS-1s, DS-3s, SONET, InterLATA and Private Line services to other CLECS, the Federal and state governments, and to ISPs. Level 3 reports to have "97 on-net markets – 77 in the US. …," that "comprise[] almost one million miles of installed optical fiber and connect 792 on-net buildings." *See* http://www.level3.com/3385.html. Among the areas where Level 3 competes, our marketing and sales teams are aware of wholesale competition from Level 3 in Beaverton, Oregon; Boston, Massachusetts; Clearwater, Florida; Edison, New Jersey; Irving, Texas; Kirkland, Washington; Laurel Springs, New Jersey; Long Beach, California; Long Island, New York; New York Metro; North Long Beach, California; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; Plano, Texas; Raleigh, North Carolina; Redondo Beach, California; Richmond, Virginia; San Fernando, California; Santa Barbara, California; Santa Monica, California; South Los Angeles, California; St. Petersburg, Florida; Tampa, Florida; Washington, D.C.-Baltimore; and Wilmington, Delaware. *See* Exhibit 1A.

12. Time Warner Telecom is a facilities-based provider that continues to build out its local networks. Using its own network facilities, as well as reselling Verizon's special access service, Time Warner competes with us in the provision of wholesale DS-1, DS-3, SONET, Ethernet and Long Haul services. "Time Warner Telecom, headquartered in Littleton, Colorado, is a leading provider of managed networking solutions to a wide array of businesses and organizations in 22 states and 44 U.S. metropolitan areas." *See* http://www.twtelecom.com

/about_us/about_us.html. Among the areas where Time Warner competes, our marketing and sales teams are aware of wholesale competition from Time Warner in Albany, New York; Beaverton, Oregon; Clearwater, Florida; Irving, Texas; Kirkland, Washington; Long Beach, California; New York Metro; North Long Beach, California; Plano, Texas; Raleigh, North Carolina; Redondo Beach, California; San Fernando, California; Santa Barbara, California; Santa Monica, California; South Los Angeles, California; St. Petersburg, Florida; Syracuse, New York; Tampa, Florida; Washington, D.C.-Baltimore; and White Plains, New York. *See* Exhibit 1A.

13. NEON (recently purchased by Globix on March 8, 2005), is a facilities-based provider that offers wholesale DS-3 and OCn-level services and long-haul, Private Line, and DWDM services to traditional wireline customers such as LECs, CLECs, IXCs, and ISPs as well as to wireless, cable and VOIP providers. NEON indicates that it has network facilities that stretch from Burlington, Vermont and Portland, Maine along the Atlantic seaboard down to Washington D.C. *See* www.neoninc.com. As its network maps show, NEON's facilities pass through several major metropolitan areas in between and through many second and third-tier cities. Our marketing and sales teams are aware of wholesale competition from NEON in Albany, New York; Allentown, Pennsylvania; Boston, Massachusetts; Edison, New Jersey; Laurel Springs, New Jersey; Long Island, New York; Manchester-Nashua, New Hampshire; Morristown, New Jersey; New York Metro; Philadelphia, Pennsylvania; Portland, Maine; Poughkeepsie, New York; Providence, Rhode Island; Richmond, Virginia; Springfield, Massachusetts; Syracuse, New York; Washington, D.C-Baltimore; White Plains, New York; and Wilmington, Delaware. *See* Exhibit 1A.

14. In addition to these primary providers, through our account management organization, we have also identified a number of other providers that compete with us in the provision of wholesale services in various levels of capacity and in various locations where Verizon's and MCI's facilities overlap. While these providers may not have networks in as many locations or may not offer as many levels of services as AT&T, Sprint, Level 3, Time Warner, and NEON, they are significant competitors in the areas where Verizon's and MCI's facilities overlap and do take wholesale business from us in the locations where they operate and compete with us. As with our more ubiquitous competitors, we generally do not know which specific carriers are competing with us in particular instances; nevertheless, we have learned enough to match carriers with some of the locations where they compete. There are, for example, an average of 4 of these additional competitors in the 39 wire center cluster locations where Verizon's and MCI's facilities overlap. In addition, 79 percent of the 39 areas where Verizon's and MCI's facilities overlap have 2 or more of these smaller competitors, and 67 percent of the 39 areas where Verizon's and MCI's facilities overlap have 3 or more. *See* Exhibit 1B. As Exhibit 1A shows, some of these more targeted, wholesale competitors include:

(1) 360 Networks. 360 Networks is a facilities-based competitor that provides wholesale high-capacity DS-1, DS-3, OCn-level and Private Line services to other telecommunications providers in 15 western states, spanning over 16,000 route miles in 39 US Markets. *See* http://www.360.net/Our_Services/Dedicated_Internet/ and http://www.360.net/About_Us/. 360 Networks reports that it has facilities in Baltimore, Boston, Dallas, Los Angeles, New York, Newark, Philadelphia, Pittsburgh, Seattle, Tampa, and Washington, D.C. *See* http:/www. 360.net/Our_Networks/Markets_Served/. Among the areas where 360 Networks competes, we

are aware of wholesale competition from 360 Networks in Kirkland, Washington. *See* Exhibit 1A.

(2) AboveNet. AboveNet is a facilities-based service provider that provides wholesale high-capacity local access and transport services with over 1.5 million fiber miles deployed in the top 14 U.S. metro markets including New York Metro; Philadelphia, Pennsylvania; Washington D.C; Los Angeles, California; and Boston, Massachusetts. *See* http://www.above.net/products/index.html and http://www.above.net/about/AboveNetFactSheet.pdf. AboveNet states that its facilities "bypass the copper local loop by delivering private fiber connectivity and end-to-end optical performance directly to … [office buildings]. *See* http://www.above.net/products/access.html. Among the places where AboveNet competes, we are aware of wholesale competition from AboveNet in Boston, Massachusetts; New York City Metro (including Hackensack, Jersey City, Newark, and Rochelle Park, New Jersey); and Washington D.C.-Baltimore, and surrounding areas. *See* Exhibit 1A.

(3) Broadwing/Focal. Broadwing acquired Focal in September 2004. Broadwing presents itself as a "carrier's carrier," *see* http://www.broadwing.com/carrier.html, offering wholesale high-capacity services ranging from DS-1 through OCn and including Private Line, Frame Relay, and ATM. *See* http://www.broadwing.com/carrier-e3.html. Broadwing's network maps show that Broadwing has network facilities in most of the 39 locations where Verizon's and MCI's network facilities overlap, including Albany, New York; Boston, Massachusetts; Buffalo, New York; New York Metro; Philadelphia and Pittsburgh, Pennsylvania; Poughkeepsie, New York; Providence, Rhode Island; Richmond, Virginia; Syracuse, New York; Tampa, Florida; Trenton, New Jersey; Washington, D.C.; Baltimore, Maryland; and White Plains, New

York. *See* http://www.broadwing.com/about-b4.html. Focal provides wholesale high-capacity services in many of the same areas and also in Los Angeles, California. *See* http://www.focal.com/about/service_areas.html. Among the places that Broadwing/Focal competes, we are aware of wholesale competition from Broadwing/Focal in Irving, Texas and in New York City Metro, and are aware of wholesale competition from Focal in the New York City Metro area and in Philadelphia, Pennsylvania. *See* Exhibit 1A.

(4) Cablevision Lightpath ("Lightpath"). Lightpath markets wholesale transport services ranging from Ethernet and DS-1s to OC-192, augmented by their DWDM upgrade in 2004, to carriers in the New York and New Jersey region. *See* http://www.lightpath.net/Interior21.html. Lightpath operates a fully-redundant optical network facility comprised of over 400 SONET rings. They also have over 1600 buildings on-net. Among the places Lightpath competes, we are aware of wholesale competition from Lightpath in the New York Metro, Long Island, and White Plains, New York areas. *See* Exhibit 1A.

(5) Consolidated Edison ("ConEd"). ConEd is a facilities-based provider that provides wholesale high-capacity DS-1 and DS-3 services to other telecommunications providers. ConEd states that "[e]very carrier hotel in the New York City metropolitan area is On-Net," and that ConEd is "within 2 city blocks of 80% of Manhattan commercial real estate." *See* http://www.conedcom.com/. Among the places that ConEd competes, we are aware of wholesale competition from ConEd throughout the New York Metro area. *See* Exhibit 1A.

(6) Cox Communications ("Cox") "Cox is a facilities based provider of advanced voice, data and video products and services. Thousands of miles of fiber-optic cable make up the Cox system, designed with self-healing, fault tolerant SONET architecture for enhanced

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dependability." *See* http://www.coxbusiness.com/aboutus. Cox has facilities in 36 markets specifically including Santa Barbara, California; Gulf Coast, Florida; Rhode Island, Hampton Roads, Virginia; and Northern Virginia. *See* http://www.coxbusiness.com/systems. Among the places that Cox competes, we are aware of wholesale competition from Cox in Clearwater, Florida; Providence, Rhode Island; Richmond, Virginia; Santa Barbara, California; and Washington D.C.-Baltimore. *See* Exhibit 1A.

(7) CTSI, LLC ("CTSI"). CTSI is a wholly-owned subsidiary of Commonwealth Telephone Enterprise "operating in competitive markets throughout Pennsylvania." *See* http://www.ctsi.com/. CTSI offers wholesale high-capacity services ranging from DS-0 through OC-48, as well as Private Line and ATM. *See* http://www.ctsi.com/carrier/carrier_products .html. Among the places that CTSI competes, we are aware of wholesale competition from CTSI in Boston, Massachusetts. *See* Exhibit 1A.

(8) Dominion Telecom ("Dominion"). Dominion, now owned by Elantic, "is an inter-exchange and local carrier providing high bandwidth, collocation and Internet access services to wholesale customers throughout the Eastern and Midwestern states." *See* http://www.dom.com/ news/dom2000/pr0810.jsp (August 10, 2000 press release). Dominion has 20 fiber based metropolitan networks and offers wholesale high-capacity services ranging from DS-1 to OCn. *Id*. Among the places that Dominion competes, we are aware of wholesale competition from Dominion in Albany, Buffalo, and Syracuse, New York; Richmond, Virginia; and the Washington D.C. and Baltimore, Maryland areas. *See* Exhibit 1A.

(9) Edison Carrier Solutions ("Edison Carrier"). Edison Carrier, a business unit of Southern California Edison (SCE), is "a Competitive Local Exchange Carrier focused on

providing high capacity special access services, starting at DS3 and above … to local telecommunications service providers, Internet service providers and application service providers in the Southern California area." Edison Carrier has over 3,000+ route miles and over 115 POP's and hand offs to many carriers. *See* http://www.edisonconnect.com/home/default.asp. Among the places that Edison Carrier competes, we are aware of wholesale competition from Edison Carrier in Long Beach, North Long Beach, Redondo Beach, San Fernando, Santa Barbara, Santa Monica, and South Los Angeles, California. *See* Exhibit 1A.

(10) Electric Lightwave Inc. ("ELI"). ELI, a wholly-owned subsidiary of Citizen's Communication, is a facilities-based competitor that provides wholesale DS-1, DS-3s, OCn, ATM, and Frame Relay, *see* http://www.eli.net/products.html, to CLECs, IXCs, and Wireless providers among others. *See* http://www.eli.net/carriers.html. "Electric Lightwave currently offers its full suite of services in the following metropolitan areas: Boise, Phoenix, Portland, Sacramento, Salt Lake City, Seattle and Spokane. Electric Lightwave also offers high-speed broadband data transmission and Internet connectivity nationwide via its data points-of-presence in Atlanta, Chicago, Dallas, Houston, Las Vegas, Los Angeles, Minneapolis, Newark, Palo Alto, Rochester, New York, San Francisco, San Jose, Tacoma, and Washington, D.C." *See* http://www.eli.net/media/company_factsheet_0410.pdf. Among the places that ELI competes, we are aware of wholesale competition from ELI in Beaverton, Oregon and Kirkland, Washington. *See* Exhibit 1A.

(11) FiberNet. FiberNet "owns and operates fiber-optic networks," that "provide network transport services within and between carrier hotels, where service providers exchange and route communications traffic, as well as transport from carrier hotels directly to enterprise

users within commercial office buildings." *See* http://www.ftgx.com/company.shtml. FiberNet provides wholesale high-capacity transport services ranging from DS-1 to OCn-level services. *See* http://www.ftgx.com/transport_services.shtml. Among the places FiberNet competes, we are aware of wholesale competition from FiberNet in the New York City metropolitan area and in White Plains, New York. *See* Exhibit 1A.

(12) FPL Fibernet. FPL Fibernet, a subsidiary of Florida Power and Light, "offers more than 2,500 miles of high-count fiber with connectivity to more central offices, carrier hotels, and international cable-heads than any other fiber wholesaler in the state [of Florida]." *See* http://www.fplfibernet.com/capabilities/contents/a_leading_provider.shtml. FPL Fibernet provides wholesale high-capacity transport services ranging from DS-3 to OC-192 to CLECs, IXCs, ISPs, and other telecommunications providers. *See* http://www.fplfibernet.com/capabilities/contents/products_and_services.shtml. Among the places FPL Fibernet competes, we are aware of wholesale competition from FPL Fibernet in Clearwater, St. Petersburg, and Tampa, Florida. *See* Exhibit 1A.

(13) Global Crossing. Global Crossing is a facilities-based provider offering wholesale high-capacity services to CLECs, IXCs, ISPs, wireless providers and others. *See* http://www.globalcrossing.com/xml/carrier/car_fixed_over.xml. Global Crossing offers services ranging from DS-1 to OC-192, as well as ATM, Frame Relay, and IP VPN. *See* http://www.globalcrossing.com/xml/carrier/car_access.xml. Global Crossing has network facilities in most of the 39 locations where Verizon's and MCI's network facilities overlap, including Albany, New York; Boston, Massachusetts; Buffalo, New York; New York Metro; Philadelphia and Pittsburgh, Pennsylvania; Poughkeepsie, New York; Providence, Rhode Island; Raleigh, North

Carolina; Santa Barbara, California; Richmond, Virginia; Syracuse, New York; Tampa, Florida; and Washington, D.C., Baltimore, and surrounding areas. *See* http://www.globalcrossing.com/xml/network/net_map.xml. Among the places that Global Crossing competes, we are aware of wholesale competition from Global Crossing in the New York City Metro area. *See* Exhibit 1A.

(14) ITC Deltacom ("ITC"). Through Interstate Fibernet, ITC offers wholesales DS-1 to OCn level services as well as ATM, Frame Relay, and Private Line high-capacity services to CLECs, LECs, ILEC, and wireless carriers. *See* http://www.itcdeltacom.com/carrier.asp. ITC's network spans 14 states and consists of 236 POPs and 14,488 miles fiber optic infrastructure. *See* http://www.itcdeltacom.com/our_network.asp. According to its network maps, ITC serves many of the areas where Verizon's and MCI's facilities overlap including New York Metro; Philadelphia, Pennsylvania; Raleigh, North Carolina; Richmond, Virginia; Tampa, Florida; and Washington, D.C. and surrounding areas. *See* http://www.itcdeltacom.com/fiberoptic_network.asp. Among the places that ITC competes, we are aware of wholesale competition from ITC in Clearwater, St. Petersburg, and Tampa, Florida. *See* Exhibit 1A.

(15) KMC Telecom ("KMC"). KMC is a facilities-based provider with "35 local, facilities-based fiber-optic networks in Tier II and Tier III cities, with over 1700 on-net buildings, and interconnects with major central offices and carrier points of presence (POPs)." *See* http://www.kmctelecom.com/Wholesale/. KMC offers wholesale high-capacity services ranging from DS-1 to OCn level services as well as Private Line services. Among the places that KMC competes, we are aware of wholesale competition from KMC in Albany, New York; Allentown, Pennsylvania; Boston, Massachusetts; Buffalo, New York; Carbondale, Illinois; Clearwater, Florida; Kirkland, Washington; Manchester-Nashua, New Hampshire; Providence,

Rhode Island; Richmond, Virginia; Springfield, Massachusetts; Tampa, Florida; Washington-Baltimore; and White Plains, New York. *See* Exhibit 1A.

(16) Looking Glass Networks ("Looking Glass"). Looking Glass is a facilities-based provider of wholesale high-capacity services ranging from DS-1 to OC-n as well as Ethernet, Private Line, and Wavelength services. *See* http://www.lglass.net/products/litbandwidth.jsp. Looking Glass states that its "networks offer connections to major data aggregation facilities and enterprise buildings, ensuring reliable service and access to IXC, ISP, ILEC and CLEC locations as well as Web hosting facilities and data centers." *Id*. According to its network maps, Looking Glass provides these wholesale services, including connectivity to a number of office buildings, in the following areas where Verizon's and MCIs' facilities overlap: Philadelphia, Pennsylvania; New York Metro; and Washington D.C.-Baltimore. Among the places that Looking Glass competes, we are aware of wholesale competition from Looking Glass in New York Metro; Washington D.C.-Baltimore; and White Plains, New York. *See* Exhibit 1A.

(17) McLeod USA ("McLeod"). McLeod is a facilities-based competitor that provides wholesale high-capacity DS-1, DS-3, and OCn-level services to CLECs, IXCs, and other providers of telecommunications services. McLeod reports that its fiber-optic network spans 108 cities as well as rural areas through 25 Midwest, Southwest, Northwest, and Rocky Mountain states. *See* http://www.mcleodusa.com/ProductDetail.do;jsessionid=0000HbslgehVk051lSPf7g5SZJI:uqqeh5mv?com.mcleodusa.req.PRODUCT_ID=410960. Among the places that McLeod competes, we are aware of wholesale competition from McLeod in Kirkland, Washington. *See* Exhibit 1A.

(18) NTS Communications ("NTS"). NTS states that it offers "dedicated point-to-point transport, and wholesale internet access services to wholesale carrier customers from every corner of the United States." *See* http://www.ntscom.com/ wholesaleservices.html. NTS has an extensive fiber network in many of the areas where Verizon's and MCI's facilities overlap including Boston, Providence, Buffalo, Newark, New York Metro and Philadelphia, *see* http://www.ntscom.com/PDF/NTScoverageMapFA.pdf. Among the places where NTS competes, we are aware of wholesale competition from NTS in Kirkland, Washington. *See* Exhibit 1A.

(19) On Fiber. On Fiber is a facilities-based provider of wholesale high capacity transport services including point-to-point, DS-3s, SONET, Wavelength, and Ethernet services to other telecommunications providers. *See* http://www.onfiber.com/content/index.cfm?fuseaction =showContent&contentID=63&navID=62. According to its network maps, On Fiber provides these services in many of the areas where Verizon's and MCI's facilities overlap, including Boston, Massachusetts; New York City Metro; Philadelphia, Pennsylvania; Plano, Texas; and Washington-D.C.-Baltimore. *See* http://www.onfiber.com/content/index.cfm?fuseaction=show Content&contentID=28&navID=28. Among the places that On Fiber competes, we are aware of wholesale competition from On Fiber in Boston, Massachusetts and Washington, D.C. *See* Exhibit 1A.

(20) Paetec Communications ("Paetec"). Paetec is a provider of integrated communications services, including local and long distance voice services, data and Internet services, software applications, network integration services, and managed services. Paetec currently serve customers in 27 markets including: Albany, Baltimore, Boston, Buffalo, Chicago,

Connecticut, Long Island, Los Angeles, Miami, New Hampshire, New York City, New Jersey, Orange County, Orlando, Palm Beach/Boca Raton, Philadelphia, Pittsburgh, Poughkeepsie, Rhode Island, Rochester, San Diego, Syracuse, Northern Virginia, Washington D.C., and Western Massachusetts, Westchester County. *See* http://paetec.com/2_1/2_1_5__2.html. Among the places that Paetec competes, we are aware of wholesale competition in Albany, New York and the New York Metro area. *See* Exhibit 1A.

(21) PPL Telecom ("PPL"). PPL, a subsidiary of PPL Corporation, is a facilities-based provider of wholesale high-capacity services ranging from DS-1 to OCn, as well as ATM and Ethernet. PPL states that its "network consists of over 2,500 route miles of fiber utilizing a DWDM OC-192 system … [and] provides service to customers throughout the northeast corridor between New York and Washington, D.C. Locations." *See* http://www.ppltelcom.com/about.html. PPL's "fiber passes within half a mile of over 100,000 business locations." *See* http://www.ppltelcom.com/thenetwork.html. According to its network maps, PPL provides wholesale high-capacity services in a number of the locations where Verizon's and MCI's facilities overlap including Allentown, Pennsylvania; Philadelphia, Pennsylvania; Pittsburg, Pennsylvania; and Washington, D.C.-Baltimore. *See* http://www.ppltelcom.com/networkmaps.html. Among the places that PPL competes, we are aware of wholesale competition from PPL in each of these locations as well as in Long Island, New York, New York Metro, and Wilmington, Delaware. *See* Exhibit 1A.

(22) Progress Telecom ("Progress"). Progress provides wholesale high-capacity services ranging from DS-1 to OC-192, as well as Ethernet, Optical Wave, and IP services across the Eastern United States. According to its network maps, Progress provides these services in a

number of the areas where Verizon's and MCI's facilities overlap including Clearwater, Florida; New York Metro; Raleigh, North Carolina; Richmond, Virginia; St. Petersburg, Florida; Tampa, Florida; and Washington, D.C. Among the places that Progress competes, we are aware of wholesale competition from Progress in Clearwater, St. Petersburg, and Tampa, Florida. *See* Exhibit 1A.

(23) Qwest Communications ("Qwest"). Qwest acts as a facilities-based competitor and a provider of wholesale DS1 and higher access facilities, ATM, and Frame Relay to CLECs, IXCs, ISPs, wireless and other telecommunications providers. Among the places that Qwest competes, we are aware of wholesale competition from Qwest in Beaverton, Oregon; Kirkland, Washington; Philadelphia, Pennsylvania; and San Fernando, California. *See* Exhibit 1A.

(24) SBC Communications ("SBC"). SBC is a facilities-based provider of wholesale high-capacity services to CLECs, IXCs, wireless, and other telecommunications providers. *See* http://www.sbc.com/gen/general?pid=3853. Among the places that SBC competes, we are aware of wholesale competition from SBC in Boston, Massachusetts; Irving, Texas; Long Beach, California; North Long Beach, California; Plano, Texas; Redondo Beach, California; San Fernando, California; Santa Barbara, California; Santa Monica, California; and South Los Angeles, California. *See* Exhibit 1A.

(25) TelCove. TelCove is a facilities-based provider of wholesale DS-1, DS-3, SONET, Ethernet, and Long Haul services to other CLECs, ISPs, and Wireless Carriers. TeleCove reports that it has 20,000 miles of fiber-optic network in locations such as Allentown, Pennsylvania; Buffalo, New York; Burlington, Vermont; Erie, Pennsylvania; Fredericksburg, Virginia; Harrisburg, Pennsylvania; Harrisonburg, Virginia; Lancaster, Pennsylvania;

Lynchburg, Virginia; Newark, New Jersey; Norfolk, Virginia; Philadelphia, Pennsylvania; Pittsburg, Pennsylvania; Richmond and Roanoke, Virginia; Scranton, Pennsylvania; Staunton, Virginia; Syracuse, New York, and Tampa, Florida. *See* http://www.telcove.com/network/netmaps.htm. Among the places that TelCove competes, we are aware of wholesale competition from TelCove in Allentown, Pennsylvania; Buffalo, New York; Clearwater, Florida; Edison, New Jersey; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; St. Petersburg, Florida; and Tampa, Florida. *See* Exhibit 1A.

(26) WilTel Communications ("WilTel"). WilTel is a facilities-based competitor that provides wholesale high-capacity DS-1s, DS-3s, OCns, Private Line, SONET, ATM, and Frame Relay facilities to other telecommunications providers. *See* http://www.wiltel.com/products/index.htm. WilTel reports that its network links more than 100 U.S cities and that its "relationships with more than 40 non-RBOC vendors add 12,000 off-net locations for ubiquitous coverage." *See* http://www.wiltel.com/network/content/the_network.htm. Among the places that WilTel competes, we are aware of wholesale competition from Wiltel in Albany, New York; Allentown, Pennsylvania; Boston, Massachusetts; Buffalo, New York; Clearwater, Florida; Edison, New Jersey; Laurel Springs, New Jersey; Long Beach, California; Long Island, New York; Manchester-Nashau, New Hampshire; Morristown, New Jersey; New York Metro; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; Portland, Maine; Poughkeepsie, New York; Princeton, New Jersey; Providence, Rhode Island; Richmond, Virginia; San Fernando, California; Santa Barbara, California; Springfield, Massachusetts; Syracuse, New York; Trenton, New Jersey; Washington, D.C.-Baltimore; White Plains, New York; and Wilmington, Delaware. *See* Exhibit 1A.

(27) XO Communications/Allegiance ("XO"). XO, which acquired Allegiance in June 2004, is a facilities-based competitor that provides wholesale DS-1, DS-3, SONET, and InterLATA Private line services to other telecommunications providers. *See* http://www.xo.com/products/carrier/transport/. XO reports that its "metro-area networks are composed of enough metro fiber-optic cable to circle the globe more than 45 times – 1.16 million metro fiber miles throughout 40 major US cities, including the largest 30 cities in the United States." *See* http://www.xo.com/ about/network/details.html. XO's network maps indicate that it provides these services in major metropolitan areas such as Allentown, Pennsylvania; Boston, Massachusetts; Baltimore, Maryland; Philadelphia and Pittsburgh, Pennsylvania; Richmond, Virginia; Tampa, Florida; and Los Angeles and Long Beach, California. *See* http://www.xo.com /about/network/maps/complete_normal.html. Among the places that XO competes, we are aware of wholesale competition from XO in Allentown, Pennsylvania; Beaverton, Oregon; Boston, Massachusetts; Buffalo, New York; Edison, New Jersey; Irving, Texas; Kirkland, Washington; Long Beach, California; Long Island, New York; New York Metro; North Long Beach, California; Philadelphia, Pennsylvania; Pittsburgh, Pennsylvania; Plano, Texas; Redondo Beach, California; San Fernando, California; Santa Barbara, California; Santa Monica, California; South Los Angeles, California; Tampa, Florida; Washington, D.C.-Baltimore; and White Plains, New York. *See* Exhibit 1A.

15. Our wholesale customers confirm, through customer surveys and other information we obtain from them that they use these and other alternative providers of wholesale facilities. **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]**, for example, has provided information indicating that, in addition to Verizon, it uses XO

Communications, TimeWarner, Consolidated Edison, and On Fiber for high-capacity services in Verizon's serving territory. **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** also has indicated that it purchases wholesale high-capacity facilities from TimeWarner. Similarly, although **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** has not identified the alternative wholesale providers it uses, **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** provides Verizon with performance tracking information that compares Verizon's service to eight (8) other vendors **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** uses for wholesale services.

16. Verizon also obtains some information about who our wholesale competitors are through the wholesale bidding process. As I explained in my previous declaration, when large national accounts are involved or when a customer requests a large volume of high-capacity services in multiple locations that span multiple carriers' service areas, there is often a bidding process to obtain wholesale high-capacity services to meet the customers' needs. Again, we do not always know who our competitors are or even to whom we lose the bids when we lose; however, in at least two bids in the last two years, we learned the identity of other wholesale providers that we lost some or all of a bid to.

17. One bid that we lost was a bid to provide **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** high-capacity services from a cable landing station on the coast to a POP in New Jersey. We did not have all of the facilities we needed to provide a complete "on net" solution, so we also put out an RFP to **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** and to other carriers and used them to put together

our proposal. Our proposal was not accepted and we subsequently learned that **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** won the business.

18. A second bid where we won some of the business, but not the majority of it, was a bid from **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]**. **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** put out a four-part bid for several wholesale high-capacity SONET services in a number of locations across the country. These locations included, among others, California, Texas, New Jersey, Utah, Illinois, Maryland, and Massachusetts. We submitted a bid to provide services to each of the locations. **[VERIZON PROPRIETARY BEGINS]**

**[VERIZON PROPRIETARY ENDS]**. We won about 20 percent of the business and subsequently learned that **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** won part of it in the Northeastern part of our serving territory and that **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** won quite a bit of it as well.

19. In addition to purchasing high-capacity facilities from other wholesale providers, many carriers compete for end user customers by purchasing Verizon's wholesale high-capacity special access services or unbundled network elements and reselling those services to end user customers. In my previous declaration, we identified the extent to which there are competing providers in the serving wire centers where MCI has high-capacity loop facilities to buildings within those serving wire centers. Our analysis showed that for every lit building located in a wire center cluster location where there was overlapping fiber, there was at least one competing

carrier in that cluster and that 81 percent of MCI's buildings are in wire center serving areas where there are four or more competitive providers with fiber. *See* Lew/Lataille Declaration ¶ 24.

20. We have conducted additional analysis to determine the extent to which carriers are competing with Verizon using high-capacity special access in buildings located in Verizon's service area where MCI has deployed fiber (*i.e.*, MCI's lit buildings). We used a list of addresses provided by MCI to identify the competing carriers purchasing high-capacity special access service from Verizon at those addresses.

21. We obtained from Verizon's March 2005 billing records data for the special access DS-1, DS-3, and SONET circuits served out of the **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** wire centers identified by MCI, including the end-user address served by these circuits. These end-user addresses were compared to the building addresses provided by MCI. We were able to include in our analysis only those buildings where MCI's address list matched our own internal data. In some cases, the address information MCI provided was incomplete (*e.g.*, where the address provided is "Benjamin Franklin Pkwy"), or the directional indicators in Verizon's and MCI's data did not match (*e.g.*, "1720 Parham Road," "1720 East Parham Road," "1720 North Parham Road"). We excluded those locations from the study. We also omitted addresses of Verizon central offices. After these exclusions, we were able to analyze approximately 74 percent of MCI's lit buildings **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]**. Of the MCI-lit buildings that we analyzed, 92 percent have at least one other provider serving the building besides MCI; 74

percent have two or more providers serving the building besides MCI; and 58 percent have three or more providers serving the building other than MCI. *See* Exhibit 3.

22. In counting the number of competing carriers at these locations, we eliminated known wireless providers and large businesses to which Verizon provides high-capacity services on a wholesale basis, and we also combined data for merged or otherwise affiliated entities.

23. Because there are numerous providers of high-capacity local access services in the areas where Verizon's and MCI's local networks overlap, the combination of Verizon and MCI will not have a material impact on the provision of wholesale high-capacity access services.

## II. THE MERGER WILL NOT RESULT IN INCREASED SPECIAL ACCESS RATES.

24. Some of Verizon's special access competitors raise two broad arguments about the transaction: (1) they assert that MCI, as a facilities-based competitor, disciplines Verizon's special access rates, so that the loss of MCI will enable Verizon to increase those rates; and (2) they claim that terms and conditions in Verizon's special access discount plans result in smaller carriers being unable to obtain meaningful discounts, so that these carriers depend on MCI to act as an aggregator and reseller of Verizon's discounted special access services.

25. There is no factual basis for these concerns because (1) as we explain above, there are many other facilities-based competitors in the areas where there is overlap between Verizon's and MCI's special access facilities, and (2) as demonstrated in the Powell/Reynolds/Fleming Reply Declaration, MCI does not actively resell Verizon special access to other carriers.

26. In the remainder of this reply declaration, we will explain that our opponents' concerns are misguided for other reasons as well. In particular:

(1) Because Verizon's special access discount plans are generally available throughout broad geographic areas, the loss of MCI as a special access competitor will not affect Verizon's pricing of special access services. Put another way, Verizon establishes its special access rates to enable it to compete for the business of multi-location wholesale and retail customers, in the face of prevalent facilities-based competition, regardless of whether MCI or any other entity serves a particular building, wire center, or MSA.

(2) The termination liabilities in Verizon's special access discount plans are legitimate features of a competitive marketplace. The Commission already has found that termination liabilities such as those contained in Verizon's special access discount plans are reasonable.

(3) The majority of Verizon's special access discount plans do not contain volume commitment requirements. Accordingly, even small special access customers can receive significant discounts under Verizon's discount plans. In fact, the discounts available for circuit-specific term plans – which apply even if a customer orders only a single DS-1 from Verizon – are comparable to the discounts available under the relatively few Verizon plans that contain volume discounts.

(4) The requirement, under a small number of Verizon plans, that a customer commit to the equivalent of 90 percent of its circuits in-service with Verizon in order to receive the plan discounts, does not prevent customers from moving circuits to other providers. In fact, these few plans offer customers flexibility to move and delete circuits, enabling them, for example, to transfer end user customers from Verizon special access to their own facilities in one area while putting in place special access service in another area in order to ramp up demand before extending their networks to that new area.

(5) There are numerous actual and potential aggregator/resellers of Verizon special access, including AT&T, Time Warner Telecom, NEON, Level 3, Sprint, Global Crossing, Broadwing, and Qwest. Accordingly, the loss of MCI as a wholesale provider of Verizon special access -- to the limited extent that MCI resells Verizon special access to other carriers -- would not result in higher rates for smaller carriers even if those entities could not receive substantial discounts directly from Verizon or from other facilities-based competitors.

27. For these reasons, the loss of MCI as a special access competitor within Verizon's region will not enable Verizon to increase rates or otherwise disadvantage other special access competitors.

**A. Verizon's Special Access Discount Plans Meet Customer Requirements.**

28. Before addressing the specific concerns raised by some of the opponents of the merger, it is important to understand the role that special access discount plans play in the competitive marketplace. For good reasons, term and volume discount plans are offered by all competing providers of special access services. For example, term plans promote convenience and ease of administration for both the customer and the carrier. A carrier that does not have to expend resources constantly renegotiating terms of service can pass those savings on to the customer. Likewise, the expenses associated with deploying facilities, marketing, and training support personnel can be recovered over a longer period of time, allowing longer-term rates to be lower than shorter-term rates.[1] Similarly, volume discounts provide certainty of demand and reflect

[1] In contrast, month-to-month rates are higher because there is a risk that the customer will switch to an alternative provider at any time, making it essential to recover a greater portion of costs in the shortest possible time. And, for this reason, month-to-month rates in the most competitive areas – such as those where Verizon has received Phase II pricing flexibility – often are higher than in price cap areas (where regulation artificially constrains Verizon's ability to adjust its rates to mirror the structures employed by its competitors).

economies of scale associated with providing a larger amount of service to a single customer. And, from the customer's perspective, term and volume discount plans provide more than just a price break: they make it much easier for the customer to plan and budget for the development of its telecommunications network, to tailor services to its precise technical and geographic needs, to spread network design and implementation costs over the period of the contract, and to justify procurement of capital-intensive customer premise and network system equipment.

29. As is true of our competitors' offerings, Verizon's special access discount plans afford customers significant discounts off month-to-month special access rates when they agree to obtain specific services from Verizon for a set period of time (or, in some cases, when they combine both volume and term commitments). At the same time, as discussed below, customers do not need to commit large volumes of business to Verizon in order to receive large discounts. A special access customer can achieve savings through a discount plan even if the bulk of its special access demand is served through its own network or circuits obtained from a supplier other than Verizon. Against this background, I will now describe Verizon's special access discount offerings, including non-contract tariff discount plans as well as contract tariff offerings.

**Non-Contract Tariff Discount Plans**

30. Verizon offers two basic types of special access discount plans: circuit-specific and non-circuit-specific.

31. <u>Circuit-specific plans</u>. Circuit-specific plans have been around since long before the Commission adopted its special access pricing flexibility rules. Under these plans, the customer

commits to maintain specific special access circuits on Verizon's network for a set term.[2] These plans contain progressively greater discounts off month-to-month rates. For example, for DS-1 and DS-3 services, the discounts range from about 5 to more than 40 percent, depending on the term selected by the customer. Circuit-specific plans range from one to ten years, and the full range of high-capacity special access services (from DS-1 through SONET) can be purchased under these plans.[3]

32. Non-Circuit Specific Plans. As their name suggests, Verizon's non-circuit specific plans offer discounts regardless of whether particular circuits are kept in service for the term of the plan. Instead, the discounts are available as long as the customer maintains the committed volume of circuits for the agreed duration. A significant attraction of these plans is that customers need not concern themselves with the status of individual circuits or with being assessed termination liability due to end user churn. Thus, a carrier could reduce the number of special access circuits in one area as it builds out its own facilities, while adding special access circuits in another area as it begins to build a customer base in advance of deploying facilities there as well.

33. There are three basic types of non-circuit specific plans: Facilities Management Service (where customers buy Verizon's services managing network facilities and are charged for the

[2] For DS3 services in the East, the rate structure includes a volume component for the POP channel termination rate element. However, this volume component applies equally to month-to-month service and term plans. DS3 plans in the East are categorized as circuit-specific.

[3] Verizon's circuit-specific plans for DS-1 and DS-3 circuits are available throughout the territory of a single tariff filing entity, but very similar plans are offered by each of the entities. For example, in the former Bell Atlantic region, the plan labeled TPP-DS1 provides discounts on channel terminations ranging from 5 to 40 percent for terms for terms of 2, 3, 5, or 7 years. (The channel mileage discount is slightly different.) In the former NYNEX region, the plan known as SDP-DS1 offers discounts on channel terminations ranging from 15 to 40 percent for individual circuits (channel terminations and channel mileage) for terms of 2, 3, 4, 5, or 7 years.

capacity used in DS-0 equivalents), Commitment Discount Plans (in the former Bell Atlantic region), and Term and Volume Plans (in the former GTE region). In the Commitment Discount Plans, the discount level is based on a term of years, not volume, and the discounts available are the same as those in the circuit-specific plans. In the Term and Volume Plans, the discount level depends on both the volume of business and the term selected by the customer.[4]

## Contract Tariffs

34. Verizon offers contract tariffs to its wholesale special access customers on an MSA-wide basis – and generally across multiple MSAs – in areas where it has obtained either Phase I or Phase II pricing flexibility. Accordingly, contract tariffs provide additional discounts on special access services throughout at least an entire MSA, without regard to the number or identity of competitors in particular wire centers.[5]

35. Verizon offers two types of contract tariffs: (1) promotions for new installations and/or specific types of service; and (2) total billed revenue plans. Verizon's promotional contract tariffs offer customers a discount for new installations of a range of services, including DS-1, DS-3, Intellilight Optical Transport Service (IOTS), SONET, and facilities management services.[6] The total billed revenue plans offer credits based on a customer's total billed revenues

[4] Each non-circuit specific plan is offered throughout the area served by the tariff filing entity. In addition, similar plans are available under different Verizon tariffs (that is, in different Verizon regions). For example, the plan known as TPP-DS3 in Verizon's Tariff FCC No. 11 offers term and volume discounts on DS3s ranging from 5 to 40 percent, for terms of 2, 3, 4, 5, 7, or 10 years. A related plan in Verizon's Tariff FCC No. 1 offers term and volume discounts on DS3s ranging from 10 to 35 percent, for terms of 3 or 5 years.

[5] Notably, after the merger, Verizon will not be able to offer MCI new and unique contract tariff offerings. To the contrary, under the FCC's rules, Verizon may not provide service to MCI under a new contract tariff after it has become an affiliate until it has certified to the Commission that it provides service pursuant to that contract tariff to an unaffiliated customers. 47 C.F.R. § 69.727(a).

[6] Not only are Verizon's promotional contract tariffs available at least throughout a price flex MSA – including wire centers where MCI has facilities as well as wire centers where MCI does not have facilities – but over 90 percent of

from traditional special access services. The plans generally have one-year terms. Furthermore, services provided anywhere in Verizon's territory count towards the overall total revenue threshold.

36. Both types of contract tariffs function as overlays to existing circuit-specific or non-circuit specific discount plans, providing even greater discounts on top of those already available under the non-contract tariff plans. As a result, using contract tariffs, carriers can achieve additional discounts ranging from 5 to 33 percent (depending on the service offering) above the discounts they already receive under Verizon's basic pricing plans. All of Verizon's contract tariffs are available under the same terms and conditions to all qualifying customers.

### B. The Loss of MCI as a Special Access Competitor Will Not Enable Verizon To Increase Special Access Rates.

37. After taking into account the impact of Verizon's special access discount plans, it is clear that, Verizon's average revenue per circuit has been declining. Verizon's average revenue per special access line has consistently declined over time, and has declined even more rapidly since the introduction of pricing flexibility in 2001 than it did in the period between 1996 and 2001. In fact, since 2001, average special access revenue per line for Verizon has fallen significantly faster than the reduction that would have been required just to comply with changes to the price cap index – a cumulative average annual growth rate of -8.6 percent compared to -3.9 percent.

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them are available throughout the entirety of multiple MSAs. *See, e.g.,* FCC 1, Option 6, FCC 11, Option 5, FCC 14, Option 5 (offering discounts on SONET services in 10 MSAs from Norfolk through New York); FCC 14, Option 9 (offering a discount on new installation of IOTS in all qualifying MSAs in Verizon West). Only two of Verizon's promotional discount contract tariffs are targeted to a specific MSA: FCC Tariff 14, Option 11 (Tampa-St. Petersburg MSA) and FCC 1, Option 7 (Richmond, Virginia). Once again, however, in both cases the promotional discount is available at every wire center in the relevant MSA, regardless of the number or identity of competitors. Accordingly, there is no risk that Verizon can use these existing offerings to advantage MCI following the merger.

Looking at DS1 services individually, from 2000-2004, average revenue per circuit in Verizon East declined for DS1s by 3.50 percent per year.[7] These declines are greater than what price cap regulation would mandate (that is, they are greater than the formula adjustment of inflation minus the X factor).

38. Even so, some opponents contend that, regardless of the level of existing special access rates, the loss of MCI as a facilities-based competitor will enable Verizon to increase those rates. This claim is unfounded. Even if special access rates did not remain subject to price cap regulation in many areas – which they do[8] – the region-wide pricing in Verizon's special access discount plans reflects the fact that Verizon does not establish special access rates based on whether MCI (or any other competitor) competes to serve a particular building, wire center, or MSA.

39. In fact, each of Verizon's special access discount plans is offered, at a minimum, in every MSA within a Verizon tariff filing entity's serving territory.[9] Moreover, each of these plans is

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[7] To calculate the cumulative average growth rate for overall special access revenues, Verizon divided the amount of those revenues by the number of voice-grade equivalent special access lines reported in ARMIS. These numbers have not been adjusted for DSL. Similarly, to calculate the cumulative average growth rate for DS1 circuits, Verizon divided DS1 channel termination and channel mileage revenues (holding mileage constant to control for year to year variations in mileage) by the number of DS1 channel terminations. The DS1-specific figures were obtained from Verizon's billing systems.

[8] For end user channel terminations, Verizon currently has obtained Phase I relief in only 27 MSAs and Phase II relief in only 25 MSAs. For special access services other than end user channel terminations, Verizon has received Phase I relief in 11 MSAs and Phase II relief in 62 MSAs. Verizon has not obtained any pricing flexibility relief in the former Contel region. Of course, where Verizon has received Phase II flexibility, by definition there are multiple facilities-based collocators that discipline Verizon's prices.

[9] For FCC tariffing purposes, Verizon has organized itself into two main regions, each of which is further divided into two sub-regions. The main regions are Verizon East and Verizon West. The Verizon East region contains Verizon's operations in the former NYNEX and Bell Atlantic states. Verizon East has two FCC special access tariffs: Tariff FCC No. 1 is for the former Bell Atlantic states, and Tariff FCC No. 11 is for the former NYNEX states. Verizon West likewise has two FCC special access tariffs: Tariff FCC No. 14 for the former GTE states and Tariff FCC No. 16 for the former Contel states. Within each region, rates are set on the basis of the "tariff filing

available within both price cap and price flex MSAs under the same terms and conditions (such as discount tiers, minimum commitments, rate stability protections, and liability for early termination). The only thing that may be different between equivalent density zones in price cap and price flex areas is the actual rate.[10] (For purposes of determining the applicable rate, Phase I pricing flex areas are considered price cap areas, because Phase I volume and term discounts remain subject to price cap regulation. As a result, the "price flex" rates apply only in Phase II MSAs.)

40. Within price flex areas, the rates within a particular Verizon tariff filing entity's territory vary only among the three density zones. For example, under any particular discount plan, the base rate and discounts for a DS1 channel termination are the same in every zone 4 wire center within a tariff filing entity's region, regardless of whether MCI (or any other competitor) has a presence. The loss of MCI as a competitor thus will have no impact on Verizon's special access rates.

41. To illustrate this, Exhibit 4 hereto is a spreadsheet listing the rates for DS1 channel terminations in all Phase II wire centers in the Philadelphia MSA. Column E of the Exhibit indicates whether MCI has facilities in a particular wire center. Comparing rows 60 and 61, it is

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entity." In Tariff FCC No. 1, the tariff filing entity is the Verizon telephone company serving the entire former Bell Atlantic region. In Tariff FCC No. 11, there are two tariff filing entities: the company serving New York, and the company serving the former New England Telephone states (which is further divided between Massachusetts and all other New England states combined). In Tariff FCC Nos. 14 and 16, the tariff filing entity generally is the Verizon telephone company serving each state.

[10] For example, the SDP-DS1 plan offered under Tariff FCC No. 11 offers a 35 percent discount off month-to-month rates for a DS1 channel termination taken for a 5-year term. That discount level does not vary between equivalent density zones in price cap and price flex MSAs served by each tariff filing entity under Tariff FCC No. 11. However, the base month-to-month rate against which the discount is applied differs between equivalent density zones in price cap and price flex areas.

clear that the rates are the same within these two zone 6 wire centers, even though MCI has a presence in one but not the other. The same holds true for rows 73 and 74 (zone 5 wire cent ers) and rows 75 and 76 (zone 4 wire centers).

42. Notably, there is no regulatory reason for Verizon to price its services across such broad geographic regions in pricing flexibility areas.[11] For example, where Verizon has received Phase I pricing flexibility, it can offer contract tariffs outside the scope of price cap regulation. And where Verizon has received Phase II pricing flexibility, it is not subject to the Part 69 rate structure rules. Nonetheless, within each density zone, Verizon offers uniform rates for each special access discount plan in all pricing flexibility MSAs within the region of the tariff filing entity.[12]

43. Verizon establishes its special access rates across broad geographic regions because doing so often makes sense as a business matter. As my colleagues and I have explained, Verizon faces competitive pressure where there is significant demand for special access services.

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[11] Where Verizon's special access services remain subject to price cap regulation, Section 69.3(e)(7) [of the Commission's rules] requires [Verizon] to charge uniform rates throughout each study area." *Access Charge Reform*, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221, ¶ 122 n.322 (1999). (In general, a study area is an incumbent LEC's entire service territory within a state. *See M&L Enterprises, Inc., d/b/a Skyline Telephone Company, Petition for Waiver of Sections 36.611, 36.612, and 69.2(hh) of the Commission's Rules*, 19 FCC Rcd 6761, ¶ 10 (2004).) More specifically, the Commission allows price cap LECs to deaverage special access rates among up to three density pricing zones (listed, in price cap areas, as zones 1, 2, and 3 in Verizon's tariffs, with zone 1 being the most dense and zone 3 the least). Accordingly, within each price cap density zone in a study area, Verizon's special access discount plans must be available at the same rates, and Verizon makes those plans available at the same rates throughout the entire region of the tariff filing entity, even if that region encompasses more than one study area. (The same holds true for Verizon's non-discounted special access rates.)

[12] That is, the rates at any price band 4 location will be the same as the rates in any other price band 4 location within a tariff filing entity, the rates at any price band 5 location will be the same as the rates in any other price band 5 location within a tariff filing entity, and so forth. (In price flex areas, Verizon designates the density zones as "price bands" 4, 5, and 6, to differentiate them from the density zones in price cap areas.)

In all of the areas where MCI operates, in which there is at least one, and generally several, other facilities-based competitors. *See* Section I, above.

44. Equally as important, the nature of special access demand would compel Verizon to offer discounted pricing across broad areas even if, contrary to fact, competition were limited to discrete locations. In particular, many special access customers are interexchange carriers or commercial mobile radio service providers, which operate across broad geographic areas with multiple locations, and these sophisticated customers require vendors to offer attractive rates everywhere in order to win their business anywhere.

45. Recently, for example, three relatively small carrier customers, **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** separately approached Verizon and stated that if Verizon did not reduce its prices, they would take their business to alternative providers. In response, Verizon developed a single total billed revenue plan under which each carrier can obtain an additional credit on top of the discounts it receives under Verizon's other discount plans. Verizon filed this plan on March 28, 2005. *See* FCC Tariff 1, Option 23; FCC Tariff 11, Option 25; FCC Tariff 13, Option 13. (This experience also indicates that Verizon's contract tariffs are available to the full range of carrier customers; they are not limited to the largest users of special access.)

46. Similarly, **[CLEC PROPRIETARY BEGINS]** **[CLEC PROPRIETARY ENDS]** approached us last year seeking lower prices. In response, Verizon developed a total billed revenue plan with a facilities management service component to address the carrier's concerns. Under this plan, the carrier must spend a certain amount on facilities management services, which counts towards an overall total billed revenue minimum. If these thresholds are

met, the carrier obtains a discount in pricing flexibility MSAs above and beyond the discounts it receives under the general discount plans. *See* FCC Tariff 1, Section 21.22; FCC Tariff 11, Section 32.25; and FCC Tariff 14, Section 21.13.

47. Finally, rates that apply throughout broad geographic areas can be more efficient both from a marketing standpoint and for reasons of administrative convenience. For example, they may enable Verizon to respond more rapidly to customer requests for proposals and to avoid the need to maintain hundreds of location-specific rate plans.

48. For all of these reasons, therefore, the loss of MCI as a special access competitor will not result in increased special access rates within Verizon's region.

### C. Verizon's Special Access Termination Liabilities Are Not Unreasonable, and the Loss of MCI as a Reseller of Verizon Special Access Will Not Harm Smaller Carriers.

49. Certain opponents of the merger contend that they depend on MCI as an aggregator/reseller of Verizon special access because of supposedly onerous termination liability and volume commitment provisions in Verizon's special access discount plans. Also, some petitioners assert that large discounts are available only to large volume customers and that the "loss" of MCI will result in higher rates for smaller purchasers of special access because MCI obtains substantial discounts from Verizon and then resells special access to smaller customers at discounts that are greater than those for which the customers could qualify if they purchased directly from Verizon. *See generally* Global Crossing at 12-14, CompTel/ALTS at 12, Broadwing *et al.* at 4, Cbeyond *et al.* at 33. Cbeyond *et al.* at 33, Global Crossing at 14. None of these claims has any merit.

## Termination Liability

50. Imposing termination liability when a customer discontinues service under a term plan prior to its expiration is a legitimate means of assuring that a service provider recovers the costs incurred in initiating and continuing to provide service to customers that receive discounts in exchange for term commitments. For example, termination liabilities enable carriers to recover facility costs and up-front sunk costs involved in provisioning circuits to a special access customer. Likewise, when a customer agrees to a term commitment in exchange for a greater discount, termination liability assures that the service provider gets the benefit of the bargain if the customer terminates prior to expiration of the agreement. From the customer's perspective, customers benefit from termination liability provisions because they make term discounts possible; without termination liabilities, carriers would have to seek more onerous obligations (such as substantial up-front payments or deposits) or discontinue term discounts altogether.

51. The termination liabilities in Verizon's special access discount plans are fully consistent with FCC precedent.[13] For example, if a circuit in a circuit-specific plan is terminated prior to expiration of the term commitment, the customer generally is no worse off than if it had signed up for the term equivalent to the time the circuit actually remained in service. Thus, for DS1 and DS3 services in Verizon East, the customer pays the *lesser* of (1) a specified percentage (15 or 50 percent, depending on the plan) of the monthly rate for the unexpired portion of the term, or

[13] *See, e.g., Ryder Communications, Inc. v. AT&T*, FCC 03-163, File No. EB-02-MD-038 at ¶ 33 (rel. July 7, 2003) (citations omitted). Of course, because Verizon's discount plans come in a variety of terms, ranging from 1 to 10 years, customers that wish to move their special access circuits to another provider or to their own facilities in the relatively near future can opt for shorter-term plans and still receive discounts off Verizon's month-to-month rates.

(2) the differential between the rates for the term the customer subscribed to and the rates for the term the customer could have satisfied.[14]

52. For non-circuit specific plans, termination liability applies *only* if the plan is terminated in its entirety. That is, customers are free to terminate individual circuits as long as they maintain the minimum volume commitment. If a customer does terminate a non-circuit specific plan in its entirety, it generally will receive the discounts to which it was entitled; termination liability is calculated essentially as described above for circuit-specific plans.

53. Finally, termination liability under Verizon's contract tariffs likewise is not so high as to discourage unreasonably customers terminating their contracts. For example, Tariff FCC No. 1, Option 19 is a minimum commitment pricing flexibility contract that offers discounts on Intellilight Entrance Facility ("IEF") services. Under this contract the customer pays no termination liability once it has met the minimum service period of six months and the minimum IEF circuit commitment. Some contract tariffs, such as Tariff FCC No. 1, Option 2, simply cross-reference the termination liability provisions set forth in applicable circuit-specific plans.

## Volume Commitments

54. Fewer than a handful of Verizon's several dozen special access discount plans oblige a customer to commit at least 90 percent of the number of circuits that it already has in-service with Verizon at the time it signs up for the plan in order to obtain the discounts offered under the plan. This is essentially just a form of volume discount; if the customer maintains the agreed-

[14] In Verizon West, the customer pays a specified percentage of the monthly rate, which declines in later years of the plan term. For example, several plans have a 45 percent termination liability in the first year, declining to 30 percent in the second year, 25 percent in the third year, and 20 percent in the fourth and any subsequent years.

upon volume, it receives the discount. Some commenters contend that this requirement prevents customers from taking service from competing special access providers. They are incorrect.

55. First of all, customers can obtain substantial special access discounts from a large number of plans that do not contain a 90 percent commitment requirement, including circuit-specific plans that contain no volume commitments at all yet offer discounts of up to 40 percent, depending on the term – the same discounts as are available under the plans that do require a 90 percent commitment. Obviously, since the circuit-specific plans make discounts available even where a carrier purchases only a single DS-1 circuit from Verizon, there can be no argument that Verizon's pricing plans lock in customers, prevent them from utilizing either their own networks or other special access providers, or compel customers to commit almost all of their volume to Verizon in order to obtain the most attractive discounts.

56. Second, the 90 percent commitment must be understood in context. This commitment applies to the number of circuits in service with Verizon at the time the customer signs up for the plan, not to the customer's overall special access volume. For example, if a carrier has 100 DS1s with Verizon and subscribes to one of these plans, it must keep 90 DS1s with Verizon for the term of the plan, but could also have hundreds of circuits that it provides itself or obtains from other carriers. That need not be a lengthy commitment, because these plans have minimum service periods of only one year. Any growth in the number of circuits may be given to other suppliers or placed onto the carrier's own network. Moreover, because these plans are not circuit-specific, the carrier may remove individual circuits as it chooses, without termination liability, as long as it meets the minimum service period and maintains the minimum volume level. For example, as noted above, a carrier could reduce the number of special access circuits

in one area as it builds out its own facilities, while adding special access circuits in another area as it begins to build a customer base there in advance of deploying facilities there as well.

57. If a carrier under one of these plans does not maintain its minimum volume level, it must make up the difference or "shortfall." The shortfall is equal to the difference between the amount Verizon would have received had the carrier met the minimum volume level for the service in question and the amount Verizon actually received. This "true-up" process occurs at six-month intervals and is determined based on the average number of circuits in service over the six-month period. Thus, even if a carrier falls below the minimum volume level during any particular month within that six-month period, there is no shortfall assessment as long as, on average, the carrier met its minimum volume level.

**Availability of Discounts to Lower Volume Customers in the Absence of MCI as an Aggregator/Reseller**

58. As explained in the Powell/Reynolds/Fleming Reply Declaration, MCI is not an active aggregator/reseller of Verizon special access services to smaller carriers, so the factual predicate for the opponents' expressed concern that smaller carriers will suffer from MCI's absence is nonexistent. In any event, as the discussion in the foregoing section makes clear, there is no merit to arguments that relatively smaller customers cannot receive meaningful discounts from Verizon, so the "loss" of MCI as an aggregator/reseller, even assuming it played such a role, will not raise costs for smaller competitors.

59. To reiterate, low-volume customers can obtain discounts on Verizon's special access services that are similar to those available to much higher-volume customers. Indeed, the majority of Verizon's special access discount plans are term plans, which include discounts of up to 40 percent without regard to the volume of circuits that a customer obtains from Verizon. For

example, in Verizon East, a customer ordering an individual DS1 circuit for a 3-year term will receive a 25 percent discount off month-to-month rates. A customer ordering 100 DS-1 circuits under these plans will receive the same 25 percent discount off the same month-to-month rates. Several of Verizon's DS3 discount plans likewise contain no volume component, yet offer discounts of up to 40 percent even on individual circuits. And none of Verizon's optical circuit discount plans contains a volume component.

60. Furthermore, even if MCI were an active aggregator/reseller of Verizon special access, the "loss" of MCI within Verizon's region would not deprive smaller carriers of any volume discounts available through wholesalers.[15] As explained in Section I above, Sprint, Level 3, Time Warner, and NEON all resell Verizon special access (in addition to using their own, extensive competitive facilities). And companies like Qwest, Global Crossing, and Broadwing also are capable of reselling Verizon special access to smaller carriers. Likewise, AT&T, which is the largest purchaser of special access from Verizon, will remain in the market; AT&T does engage in some resale of Verizon's special access services, and it obviously could do so to an even greater extent. *See* ¶¶ 8-9, above.

61. Indeed, even smaller providers can and do take advantage of Verizon's discounts and pass such discounts on to others. For example, companies like Last Mile Connections and Global Internetworking act as aggregators of special access services and offer substantial discounts to other carriers.[16] Accordingly, smaller companies that do not wish to contract

[15] For a further response on this point, see the Reply Declaration of Gustavo Bamberger, Dennis Carlton, and Allan Shampine.

[16] *See, e.g.*, Last Mile Connections, *Overview*, http://www.lastmileconnections.com/pages/alliance/overview; Global Internetworking, *About*, http://www.globalinternetworking.com/?about.

directly with Verizon will remain free to obtain discounted Verizon special access from a variety of sources or to purchase facilities on other providers' networks.

## III. CONCLUSION

62. Verizon cannot use its special access discount plans and contract tariffs to advantage MCI or disadvantage any other special access competitor or customer.

63. This concludes my reply declaration.

[16] See Last Mile Connections, *Overview*, http://www.lastmileconnections.com/pages/alliance/overview.html.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on May 23, 2005

Quintin Lew

REPLY DECLARATION OF QUINTIN LEW

EXHIBIT 1A

## Wholesale Competitors in Wire Center Cluster Locations Where Verizon and MCI Facilities Overlap

| Wire Center Cluster Locations | 360 Networks | AboveNet | AT&T | Broadwing/ Focal | Cablevision Lightpath | Con Ed | Cox | CTC Comm | CTSI | Elantic/ Dominion | Edison Carrier Solutions/SCE | Electric Lightwave | Fiber Net | FPL Fibernet | Global Crossing | Interstate Fibernet/ITC Deltacom | KMC Telecom | Level3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Albany, NY | -- | -- | X | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X | -- |
| Allentown, PA including Bethlehem and Catasauqua | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- |
| Beaverton, OR including Tigard | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | X |
| Boston, MA including Cambridge, Framingham, Lawrence, Marlboro, Quincy, Somerville, Waltham | -- | X | X | -- | -- | -- | -- | X | X | -- | -- | -- | -- | -- | -- | -- | X | X |
| Buffalo, NY | -- | -- | X | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X | -- |
| Carbondale, IL | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- |
| Clearwater, FL including Countryside, Gandy, Pinellas | -- | -- | X | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X | -- | X | X | X |
| Edison, NJ including New Brunswick | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Irving, TX including Carrolton, Grapevine and Lewisville | -- | -- | X | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Kirkland, WA including Bothell and Redmond | X | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | X | X |
| Laurel Springs, NJ | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Long Beach, CA including Huntington Beach, Seal Beach and Westminister | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| Long Island Area, NY including Garden City, Hempstead and Mineola | -- | -- | X | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Manchester-Nashau, NH | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- |
| Morristown, NJ including Whippany | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| NY Metro including Hackensack NJ, Jersey City, Newark NJ, Rochelle Park, NJ | -- | X | X | X | X | X | -- | -- | -- | -- | -- | -- | X | -- | X | -- | -- | X |
| North Long Beach, CA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| Philadelphia, PA including Ambler, Camden NJ, Hatsboro, Paoli, Wayne, Willow Grove | -- | -- | X | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Pittsburgh, PA including Carnegie, Crafton, Coropolis, Monroeville, Robinson TWP, Sharpsburg | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Plano, TX | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Portland, ME | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Poughkeepsie, NY | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Princeton, NJ | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Providence, RI including Ashton, and Woonsocket | -- | -- | X | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- |
| Raleigh, NC including Durham | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |
| Redondo Beach, CA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| Richmond, VA | -- | -- | X | -- | -- | -- | X | -- | -- | X | -- | -- | -- | -- | -- | -- | X | X |
| San Fernando, CA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| Santa Barbara, CA | -- | -- | X | -- | -- | -- | X | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| Santa Monica, CA including Bel Air, Playa Del Rey, West LA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| South LA, CA including Artesia, Bellflower, Bell Gardens, Chino, Downey, La Puente, Norwalk, Ontario, Pomona, Whittier | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | X |
| Springfield, MA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- |
| St. Petersburg, FL | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | X | -- | X |
| Syracuse, NY | -- | -- | X | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- |
| Tampa, FL including Beach Park, Carrollwood, Hyde Park, Sweetwater Creek, Temple Terrace, Univ of South FL, Westside, Yuba City | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | X | X | X |
| Trenton, NJ | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Washington-Baltimore including Arlington VA, Chevy Chase, Herndon, Hyattsville MD, McLean, Manassas, Rockville MD, Silver Spring, Vienna | -- | X | X | -- | -- | -- | X | -- | -- | X | -- | -- | -- | -- | -- | -- | X | X |
| White Plains, NY including Fairview Park and Greenwich | -- | -- | X | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | X | -- |
| Wilmington, DE | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X |

## Wholesale Competitors in Markets where Verizon and MCI Facilities Overlap

| Wire Center Cluster Locations | Looking Glass | McLeod USA | Neon | NTS Comm | On Fiber | Paetec | PPL Telecom | Progress Telecomm | Qwest | SBC Comm | Sprint | TelCove | Time Warner | Wiltel | XO | Total Competitors |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Albany, NY | -- | -- | X | -- | -- | X | -- | -- | -- | -- | X | -- | X | X | -- | 8 |
| Allentown, PA including Bethlehem and Catasauqua | -- | -- | X | -- | -- | -- | X | -- | -- | -- | X | X | -- | X | X | 8 |
| Beaverton, OR including Tigard | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | X | -- | X | -- | X | 7 |
| Boston, MA including Cambridge, Framingham, Lawrence, Marlboro, Quincy, Somerville, Waltham | -- | -- | X | -- | X | -- | -- | -- | -- | X | X | -- | -- | X | X | 12 |
| Buffalo, NY | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | X | 7 |
| Carbondale, IL | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 2 |
| Clearwater, FL including Countryside, Gandy, Pinellas | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | X | X | X | -- | 11 |
| Edison, NJ including New Brunswick | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | X | 7 |
| Irving, TX including Carrolton, Grapevine and Lewisville | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 7 |
| Kirkland, WA including Bothell and Redmond | -- | X | -- | X | -- | -- | -- | -- | X | -- | X | -- | X | -- | X | 11 |
| Laurel Springs, NJ | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | 4 |
| Long Beach, CA including Huntington Beach, Seal Beach and Westminister | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | X | X | 8 |
| Long Island Area, NY including Garden City, Hempstead and Mineola | -- | -- | X | -- | -- | -- | X | -- | -- | -- | X | -- | -- | X | X | 8 |
| Manchester-Nashau, NH | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 5 |
| Morristown, NJ including Whippany | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 4 |
| NY Metro including Hackensack NJ, Jersey City, Newark NJ, Rochelle Park, NJ | X | -- | X | -- | -- | X | X | -- | -- | -- | X | -- | X | X | X | 16 |
| North Long Beach, CA | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 7 |
| Philadelphia, PA including Ambler, Camden NJ, Hatsboro, Paoli, Wayne, Willow Grove | -- | -- | X | -- | -- | -- | X | -- | X | -- | X | X | -- | X | X | 10 |
| Pittsburgh, PA including Carnegie, Crafton, Coropolis, Monroeville, Robinson TWP, Sharpsburg | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | X | X | -- | X | X | 7 |
| Plano, TX | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 6 |
| Portland, ME | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 4 |
| Poughkeepsie, NY | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 4 |
| Princeton, NJ | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 3 |
| Providence, RI including Ashton, and Woonsocket | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 6 |
| Raleigh, NC including Durham | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | X | -- | -- | 4 |
| Redondo Beach, CA | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 7 |
| Richmond, VA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 8 |
| San Fernando, CA | -- | -- | -- | -- | -- | -- | -- | -- | X | X | X | -- | X | X | X | 9 |
| Santa Barbara, CA | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 8 |
| Santa Monica, CA including Bel Air, Playa Del Rey, West LA | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 7 |
| South LA, CA including Artesia, Bellflower, Bell Gardens, Chino, Downey, La Puente, Norwalk, Ontario, Pomona, Whittier | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | X | -- | X | -- | X | 7 |
| Springfield, MA | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 5 |
| St. Petersburg, FL | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | -- | X | X | -- | -- | 7 |
| Syracuse, NY | -- | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | X | X | -- | 6 |
| Tampa, FL including Beach Park, Carrollwood, Hyde Park, Sweetwater Creek, Temple Terrace, Univ of South FL, Westside, Yuba City | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | X | X | -- | X | 10 |
| Trenton, NJ | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | X | -- | -- | X | -- | 3 |
| Washington-Baltimore including Arlington VA, Chevy Chase, Herndon, Hyattsville MD, McLean, Manassas, Rockville MD, Silver Spring, Vienna | X | -- | X | -- | X | -- | X | -- | -- | -- | X | -- | X | X | X | 14 |
| White Plains, NY including Fairview Park and Greenwich | X | -- | X | -- | -- | -- | -- | -- | -- | -- | X | -- | X | X | X | 10 |
| Wilmington, DE | -- | -- | X | -- | -- | -- | X | -- | -- | -- | X | -- | -- | X | -- | 6 |

REPLY DECLARATION OF QUINTIN LEW

EXHIBIT 1B

**Number of Wholesale Competitors in Wire Center Cluster Locations Where Verizon and MCI Facilities Overlap**

**Excluding the Top 5 Competitors: AT&T, Sprint, Level 3, Time Warner, and NEON**

| | |
|---|---|
| Avg. # of Competitors | 4 |

| Wire Center Cluster Locations | | % of Total |
|---|---|---|
| 2 or More Competitors | 31 | 79% |
| 3 or More Competitors | 26 | 67% |
| | | |
| No Other Competitors | 1 | 3% |

REPLY DECLARATION OF QUINTIN LEW

EXHIBIT 2

REDACTED – FOR PUBLIC INSPECTION

REDACTED – FOR PUBLIC INSPECTION

REPLY DECLARATION OF QUINTIN LEW

EXHIBIT 3

REDACTED – FOR PUBLIC INSPECTION

REDACTED – FOR PUBLIC INSPECTION

REPLY DECLARATION OF QUINTIN LEW

EXHIBIT 4

**Channel Termination Pricing Analysis**

| MSA | State | CLLI | Price Band | MCI Location | DS1 mtm | DS1 2yr | DS1 3yr | DS1 5yr | DS1 7yr | DS3 mtm | DS3 3yr | DS3 5yr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PHILADELPHIA | PA | AMBLPAAM | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | ARMRPAAR | 6 | 1 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | BCYNPABC | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | BRSTPABR | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | BRYMPABM | 6 | 1 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | BTHYPABH | 6 | 1 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | CGVLPACL | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | CHESPACA | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | CHESPACB | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | CHTTPACT | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | CHVLPACH | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | CNSHPACN | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | CTVLPACV | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | DWTWPADT | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | DYTWPADB | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | EAGLPAEG | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | EDTNPAED | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | EXTNPAEX | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | GLLDPAGN | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | HRLVPAHV | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | HTBOPAHB | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | JENKPAJK | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | KGPRPAKP | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | KNSQPAKS | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | KRLNPAKL | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | LANGPALA | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | LARCPALM | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | LNDLPALD | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | LNLXPALN | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | LNSDPALD | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | MEDIPAME | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | MRSLPAMV | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | NRTWPANR | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | NWLSPANW | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | NWTWPANW | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PAOLPAPA | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | PHLAPABA | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPACH | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPADB | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPADE | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | PHLAPAEV | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | PHLAPAEW | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PHLAPAGE | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPAIV | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PHLAPAJE | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPAKR | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PHLAPALO | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | PHLAPAMK | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | PHLAPAMY | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPAOR | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPAPE | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | PHLAPAPI | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPAPO | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPARE | 6 | 1 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PHLAPASA | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PHLAPASH | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPATR | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PHLAPAWV | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PNBGPAPB | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PRKSPAPE | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | PTTWPAPT | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | PXVLPAPV | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | QKTWPAQT | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | RDPKPARP | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | SDTNPASD | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | SPFDPASF | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |
| PHILADELPHIA | PA | TRPRPATR | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | TULYPATU | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | WAYNPAWY | 4 | 1 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | WCHSPAWC | 4 | 0 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,125.00 | $812.50 |
| PHILADELPHIA | PA | WGTNPAWR | 5 | 0 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | WLGRPAWG | 5 | 1 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,181.25 | $853.13 |
| PHILADELPHIA | PA | YRDLPAYL | 6 | 0 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,237.50 | $893.75 |

## Rate Table

| Band | DS1 mtm | DS1 2yr | DS1 3yr | DS1 5yr | DS1 7yr | DS3 mtm | DS3 Base | 10%<br>DS3 3yr | 35%<br>DS3 5yr |
|---|---|---|---|---|---|---|---|---|---|
| 4 | $225.63 | $191.79 | $169.22 | $146.66 | $135.38 | $1,375.00 | $1,250.00 | $1,125.00 | $812.50 |
| 5 | $283.55 | $241.02 | $212.16 | $184.31 | $170.13 | $1,443.75 | $1,312.50 | $1,181.25 | $853.13 |
| 6 | $293.06 | $249.10 | $219.80 | $190.49 | $175.84 | $1,512.50 | $1,375.00 | $1,237.50 | $893.75 |