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STATE CORPORATION COMMISSION
DIVISION OF COMMUNICATIONS

November 3, 2008

Mr. Stephen C. Spencer
Director- Regulatory
Verizon
703 East Grace Street
Richmond, Virginia 23219

Dear Mr. Spencer:

The Division of Communications ("Staff") has completed its evaluation of Verizon South Inc.'s ("Verizon South" or "Verizon") tariff filing received on August 4, 2008 regarding business BLETS individual line service in the Haymarket exchange. This was filed pursuant to the administrative process authorized by the Commission's December 14, 2007 Order in Case No. PUC-2007-00008 ("PUC-2007-00008 Order").

Tariff pages included in this filing are:

General Customer Services Tariff		SCC Tariff No. 220	
Section 3	11th Revised Page 8	Section 1C	1st Revised Page 1
	10th Revised Page 36	Section 1E	1st Revised Page 1
	8th Revised Page 76		
	8th Revised Page 81		

We analyzed the supporting documentation submitted by Verizon as well as other available information regarding competitors in this exchange and have determined that this exchange does not meet the competitive test criteria set out in the aforementioned order. Following, as required by the administrative process authorized by the PUC-2007-00008 Order, are the reasons for rejecting the proposed tariff filing.

The PUC-2007-00008 Order established a competitiveness test for business BLETS, that if met, would deregulate the prices for certain BLETS (and associated OLETS) in an exchange. The competitiveness test for business BLETS has three steps as follows:

a. A minimum of 75% of the businesses in the telephone exchange area can choose local telephone service from among at least two (2) competitors to Verizon;

b. A minimum of two (2) of the competitors in Step "a" must offer local exchange service that may be purchased by the business customer without a corresponding requirement to purchase non-telecommunications services (e.g. video or broadband internet service) from the competitor; and

c. At least 50% of the businesses in the telephone exchange area can choose a facilities based competitor that owns its wireline network facilities.

In accordance with the PUC-2007-00008 Order, Verizon must follow an administrative process when submitting tariffs that it believes meets the Commission's competitiveness test. The administrative process requires Verizon to "...file proposed tariffs with supporting data." Verizon submitted supporting data consisting of two Attachments (A and B) as evidence that three wireless carriers (AT&T Wireless, T-Mobile Wireless, and Sprint Wireless) and another competitor (AT&T) offer service to at least 75% of businesses under Step "a" of the Commission's competitiveness test, and that a minimum of two of these competitors meet the requirements for Step "b". Attachments A and B include wireless coverage maps from Verizon's exhibits in Case No. PUC-2007-00008 for Cingular, T-Mobile, and Sprint in the Washington MSA, as well as general information about the identified companies' service offerings from their websites.

Verizon's supporting data for Steps "a" and "b" is similar to that filed in past competitiveness test filings. As we have previously advised Verizon, such general information is of limited value in determining specific compliance with the Step "a" mandate that a **minimum of 75%** of businesses in a telephone exchange can choose business telephone service from at least 2 competitors.

First, the wireless coverage maps submitted by Verizon do not correspond to actual exchange boundaries. In addition, the coverage maps shown in Appendix A do not recognize any geographic or other technical limitations that may prevent a carrier from adequately serving certain business locations in a given exchange. For instance, service coverage maps on AT&T Wireless' website are color coded with respect to signal strength. The areas shown in those maps with the darkest orange have the strongest signal strength that is "...sufficient for most in-building coverage," but areas shown in the lightest orange "...may not have sufficient signal strength for in-vehicle coverage or in-building coverage." Therefore, it cannot be assumed that AT&T Wireless (and/or other wireless carriers) meets the requirement of Step "a" (i.e. that a minimum of 75% of businesses in an exchange can be served) without further evaluation.

Nonetheless, as with all Verizon competitiveness test filings to date, we conducted a more specific and independent evaluation of the wireless carriers' ability to serve businesses at the actual exchange level. This evaluation considers limitations on signal strength. Our analysis concludes that both Steps "a" and "b" are met in the Haymarket exchange.

In its August 4, 2008 filing, Verizon identified Comcast as the facilities-based carrier that meets the Step "c" requirement that at least 50% of businesses in the Haymarket exchange can choose a facilities-based competitor. According to Verizon, it first determined the availability of Comcast's business cable telephony service in this exchange by manually entering zip codes (for this exchange) into Comcast's online database "...to generate estimates of business cable coverage." Attachment C to Verizon's filing included information from Comcast's website regarding its business service offerings.

Verizon also conducted a limited survey involving a small number of business locations in this exchange to determine whether those locations could actually be served by Comcast. According to Verizon, "These estimates indicate that cable telephony is available to more than 50 percent of businesses in the Haymarket exchange." Verizon did not include the actual survey results or any other relevant information on its details (not even the sample sizes) with its August 4, 2008 tariff filing. We subsequently obtained additional information on the survey through data requests.

In evaluating past competitiveness test filings, we have found that the identified carrier itself is the best source for determining whether a facilities-based carrier is able to serve at least 50% of businesses (or households for residential BLETS) in a given exchange. Therefore, we contacted Comcast directly. Comcast has been extremely helpful in past evaluations. However, those evaluations dealt with residential BLETS, and Comcast is better able to estimate the percentage of households to which it can offer telephony service in given exchanges because its core cable television business is in the residential market. Comcast agrees that it offers business services in the Haymarket exchange. It is unable to verify or estimate that it is able to serve at least 50% of businesses in this exchange. However, Comcast stated that generally it did not believe it could serve 50% of businesses in its overall service area at the present time. Unlike the residential market, Comcast's current facilities to serve businesses are more limited and it has various technical and economic limitations that must be overcome to serve many business locations. In fact, in many instances (as Verizon also recognizes), Comcast must conduct site surveys before it can determine whether it can offer service to a business customer requesting service.

Our discussions with Comcast did not confirm that it could serve 50% of businesses in the Haymarket exchange as required under Step "c" of the competitiveness test. However, as this was still a somewhat inconclusive finding, we evaluated Verizon's survey results to see if those could provide more information regarding the percentage availability of Comcast services to businesses in this exchange.

Our initial and primary concern with relying on Verizon's survey results was the very small number of business locations surveyed in the exchange. A larger sample would more

likely produce statistically significant results at acceptable levels of confidence. However, because "cold" calls to Comcast's business office representatives were the source of the survey information, there are sample size limitations in conducting such a survey. Therefore, we focused on evaluating the statistical parameters of Verizon's survey and verifying the actual survey results, if necessary.[1]

Verizon's surveys can be described as examples of simple random sampling. In order for the Staff to evaluate the results from Verizon sample surveys, there are three statistical components that must be considered. These components are the sample size, the level of confidence of the test, and the margin of error desired. Statistical theory allows two of these three components to be chosen by the individual implementing the test. The third component will depend mathematically on the values chosen for the other two components. The sample survey presented by Verizon consists of twelve business addresses from the Haymarket exchange. Our initial statistical evaluation of the Haymarket survey made it viable for us to take the additional step of verifying Verizon's survey results. We made calls to Comcast's business office representatives (as Verizon did) to ascertain independently whether we would get the same answer for the business addresses used in Verizon's survey. Unfortunately, we obtained one additional negative response.[2] This change to Verizon's survey results increased the margin of error of the sample such that, at a 95% level of confidence, the test cannot affirm that 50% of businesses in the Haymarket exchange could likely obtain business local exchange service from Comcast.

As mentioned previously, the inherent problem with Verizon's surveys is that small sample sizes yield imprecise results. Improvement in the precision of the surveys, without compromising a 95% level of confidence, can be best accomplished by increasing the sample size of the surveys. The lack of precision in a sample survey may be overcome, however, if the number of affirmative responses in a survey yields a higher proportion than those exhibited in Verizon's sample survey for Haymarket. Nonetheless, at this time, we are unable to rely on Verizon's survey results as sufficient documentation that Comcast is able to serve at least 50% of businesses in the Haymarket exchange.

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[1] An additional concern with Verizon's survey is that it included "most likely" responses as affirmatives when Comcast has to conduct a site visit to determine if it will provide service. If necessary, we would need also to verify that the "most likely" responses should be considered as affirmatives.

[2] Therefore, it was not necessary to take the additional step to verify how the "most likely" responses should be treated in the survey results.

Accordingly, we have determined that Verizon's August 4, 2008 filing is not in accordance with the PUC-2007-00008 Order, and the proposed tariffs are hereby rejected. Verizon may challenge this determination by filing a petition with the Commission within 30 days pursuant to the Commission's Rules of Practice and Procedure. We are available to discuss this analysis with you if further explanation would be helpful.

Very truly yours,

William Irby

William Irby

WI/slw

Enclosures
Tariff ID No. 5646/2008

S3. BASIC LOCAL EXCHANGE SERVICE

S3.2 Flat Rate Service (Continued)

S3.2.3 Rates (Continued)

	Rate Group	Individual Access Line Residence	Individual Access Line Business	Automatic Access Line (PBX Trunk) 1-10 Lines	Automatic Access Line (PBX Trunk) 11+ Lines
GSEC/IOSC:		R1/74864	B1/11135	AALB/11823	AALB11+/10280
Edom	7	$ 16.21	$ 28.05	$ 56.92	$ 48.38
Elkton	8	16.37	30.06	61.03	51.88
Emporia	7	16.21	28.05	56.92	48.38
Eppes Fork	8	16.37	30.06	61.03	51.88
Farnham	7	16.21	28.05	56.92	48.38
Franklin	10	16.37	34.17	69.29	58.90
Gladstone	9	16.37	32.15	65.12	55.35
Gloucester [A]	10	16.37	34.17	69.29	58.90
Great Bridge [A, B] (includes Battlefield)	10	16.37	34.17	69.29	58.90
Grottoes	8	16.37	30.06	61.03	51.88
Grundy	6	15.14	25.96	52.82	44.90
Hague	6	15.14	25.96	52.82	44.90
Hanover	10	16.37	34.17	69.29	58.90
Harrisonburg	7	16.21	28.05	56.92	48.38
Hayes [A]	9	16.37	32.15	65.12	55.35
Haymarket [A,B]	10	16.37	34.17	69.29	58.90 (C)
Heathsville	6	15.14	25.96	52.82	44.90
Hickory [A]	10	16.37	34.17	69.29	58.90

Note [A]: Residential basic telephone services under the exchanges (in bold print) are Competitive and priced as indicated under Tariff 220.
Note [B]: Business basic telephone services under the exchanges (in bold print) are Competitive and priced as indicated under Tariff 220.

S3. BASIC LOCAL EXCHANGE SERVICE

S3.4 Optional Usage Sensitive Service (USS) (Continued)

S3.4.5 Usage Sensitive Service Rates (Continued)

a. Access Line Rates (Continued)

GSEC/ IOSC	Rate Group	Individual Access Line Residence R1USS/ 11944	Individual Access Line Business 1USS/ 11917	Automatic Access Line (PBX Trunk) AALBUSS/ 75521	Exchange Only Residence MIX/75520	Customer Owned Coin PTAL/11939	
Franklin	10	$ 8.48	$22.09	$48.08	$14.80	$18.09	
Gladstone	9	8.48	20.67	45.16	14.80	17.08	
Gloucester [A]	10	8.48	22.09	48.08	14.80	18.09	
Great Bridge [A, B] (includes Battlefield)	10	8.48	22.09	48.08	14.80	18.09	
Grottoes	8	8.48	19.21	42.29	14.80	16.03	
Grundy	6	7.96	16.33	36.55	13.71	13.98	
Hague	6	7.96	16.33	36.55	13.71	13.98	
Hanover	10	8.48	22.09	48.08	14.80	18.09	
Harrisonburg	7	8.48	17.80	39.41	14.66	15.03	
Hayes [A]	9	8.48	20.67	45.16	14.80	17.08	
Haymarket [A,B]	10	8.48	22.09	48.08	14.80	18.09	(C)
Heathsville	6	7.96	16.33	36.55	13.71	13.98	
Hickory [A]	10	8.48	22.09	48.08	14.80	18.09	
Hinton	8	8.48	19.21	42.29	14.80	16.03	
Holland	10	8.48	22.09	48.08	14.80	18.09	
Hurley	5	7.55	14.98	33.77	12.88	12.99	
Independent Hil [A]	10	8.48	22.09	48.08	14.80	18.09	
Irvington	5	7.55	14.98	33.77	12.88	12.99	
Ivor	7	8.48	17.80	39.41	14.66	15.03	
Jarratt	5	7.55	14.98	33.77	12.88	12.99	
Jewell Ridge	8	8.48	19.21	42.29	14.80	16.03	
Keezletown	7	8.48	17.80	39.41	14.66	15.03	

Note [A]: Residential basic telephone services under the exchanges (in bold print) are Competitive and priced as indicated under Tariff 220.
Note [B]: Business basic telephone services under the exchanges (in bold print) are Competitive and priced as indicated under Tariff 220.

VERIZON SOUTH INC.
VIRGINIA

Section 1C
First Revised Page 1
Cancels Original Page 1

ISSUED: August 4, 2008
BY: President
Richmond, Virginia

EFFECTIVE: November 2, 2008

EXCHANGE PRICES – BUSINESS

Business Dialtone Service Price (Per Month, usage indicated where applicable)

Exchange	Flat Rate	Message Rate[1] (50 Call Allowance)	Optional Usage Sensitive[1] (USS)		
	(For current rates in listed exchanges, see General Customer Services Tariff, Section 3.2)				
Great Bridge					
Haymarket					(N)
Princess Anne					

Note 1: For Usage options and Charges see General Customer Services Tariff, Sections 3.4 and 3.5.

VERIZON SOUTH INC.
VIRGINIA

Section 1E
First Revised Page 1
Cancels Original Page 1

ISSUED: August 4, 2008
BY: President
Richmond, Virginia

EFFECTIVE: November 2, 2008

OPTIONAL LOCAL CALLING PLAN PRICES - BUSINESS

Business Dialtone Service Price (Per Month) (T)

Exchange	BASIC[1]	COMMUNITY PLUS[1]	PREMIUM
	(For current rates in listed exchanges, see General Customer Services Tariff, Section 3.11		
Great Bridge			
Haymarket			
Princess Anne			

(N)

Note 1: For Usage options and Charges see General Customer Services Tariff, Section 3.11.