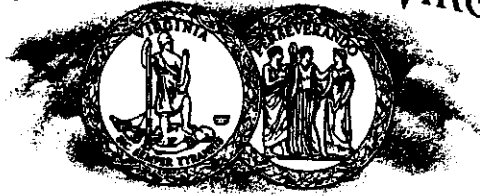


# COMMONWEALTH OF VIRGINIA



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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 Virginia Inc.'s ("Verizon Virginia" or "Verizon") tariff filing received on August 4, 2008 regarding business BLETs individual line service in the Ashland, Mechanicsville, and Manakin exchanges. 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:

SCC Tariff No. 202

Section 2    3<sup>rd</sup> Revised Page 1a  
                  16<sup>th</sup> Revised Page 7

SCC Tariff No. 220

Section 1C    5<sup>th</sup> Revised Page 1

We analyzed the supporting documentation submitted by Verizon as well as other available information regarding competitors in these exchanges and have determined that these exchanges do 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;

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- 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 two wireless carriers (AT&T Wireless and Sprint Wireless) and one other 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 and Sprint in the Richmond 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 available 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

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concludes that both Steps "a" and "b" are met in the Ashland, Manakin, and Mechanicsville exchanges.

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 Ashland, Manakin, and Mechanicsville exchanges can choose a facilities-based competitor. According to Verizon, it first determined the availability of Comcast's business cable telephony service in those exchanges by manually entering zip codes (for these exchanges) 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 each of the exchanges 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 Ashland, Mechanicsville, and Manakin exchanges." 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 Ashland, Manakin, and Mechanicsville exchanges. It is unable to verify or estimate that it is able to serve at least 50% of businesses in these exchanges. 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 Ashland, Mechanicsville, and Manakin exchanges 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 these individual exchanges.

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Our initial and primary concern with relying on Verizon's survey results was the very small number of business locations surveyed in each 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.<sup>1</sup>

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 surveys presented by Verizon consist of twelve addresses for both the Mechanicsville and Ashland exchanges, and twenty-one for the Manakin exchange. The results of all three surveys produce a margin of error such that, at a 95% level of confidence, the test can not affirm that 50% of businesses in these exchanges 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 surveys for the Ashland, Manakin, and Mechanicsville exchanges. 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 Ashland, Manakin, and Mechanicsville exchanges.

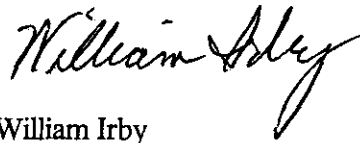
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<sup>1</sup> An additional concern with Verizon's survey is that it included "most likely" responses as affirmatives when Comcast has to conduct a site visit to determine if it will provide service. If necessary, we would need to also verify that the "most likely" responses should be considered as affirmatives. However, this next step was not necessary because the large margins of error yielded results that were not statistically significant.

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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,

A handwritten signature in cursive script that reads "William Irby". The signature is written in black ink and is positioned above the printed name.

William Irby

WI/slw

Enclosures  
Tariff ID No. 5647/2008

LOCAL EXCHANGE SERVICES TARIFF  
S.C.C.-Va.-No. 202

Verizon Virginia Inc.

Section 2  
3rd Revised Page 1a  
Cancels 2nd Revised Page 1a

LOCAL EXCHANGE SERVICE

B. REGULATIONS (Cont'd)

3. Exchange and Zone Rate Classes and Local Service Areas

<u>Exchange or Zone</u>	<u>Rate Class</u>	<u>Notes#</u>	<u>Exchange Map Date</u>	<u>Exchanges and Zones Included in Local Service Area</u>
<b>Alexandria-Arlington</b>	8,8,8	4,5,6	7-10-95	All zones of the WMEA, Arcola* Braddock, Catoctin, Dulles*, Dulles Metro*, Engleside, Herndon, Leesburg, Lorton*, Lorton Metro*
Appalachia	4,3,4	4	12-1-93	Appalachia, Big Stone Gap, Norton, Pennington Gap, Wise
<b>Ashland</b>	8b,7,8b	4,5,6	12-1-93	Ashland, Bethia, Chester, Hanover*, Manakin, Mechanicsville, Midlothian, Richmond, Rockville, Sandston, Varina (C)

\* Non-Verizon Virginia Exchange

# For note explanation, see Page 11 following.

COMPETITIVE PRICED LOCAL EXCHANGE SERVICES TARIFF  
S.C.C.-Va.-No. 220

Verizon Virginia Inc.

Section 1C  
5th Revised Page 1  
Cancels 4th Revised Page 1

EXCHANGE PRICES - BUSINESS

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

<u>Exchange or Zone</u>	<u>Flat Rate</u>	<u>Message Rate<sup>2</sup></u>	<u>Measured Rate<sup>2</sup></u>
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(For current rates in listed exchanges, see Local  
Exchange Services Tariff VA No. 202, Section 2)

Alexandria-Arlington			
Ashland			(N)
Blacksburg			
Braddock			
Chester			
Christiansburg			
Engleside			
Enon			
Fairfax-Vienna			
Falls Church-McLean			
Fredericksburg			
Hampton			
Herndon			
Hopewell			
Leesburg			
Lynchburg			
Manakin			(N)
Mechanicsville			(N)
Mount Gilead			(T)
Newport News			
Norfolk-Va. Beach			
Peninsula			
Petersburg			
Poquoson			
Portsmouth			
Radford			
Richmond			
Roanoke			
Salem			
Sandston			
Staunton			
Warrenton			
Williamsburg			
Winchester			

Note 2: For Usage Options and Charges see Tariff 202, Section 2, C.3.a

Issued: August 4, 2008

Effective: November 2, 2008