Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
	)	
Verizon Petition for Pricing Flexibility for Special Access and Dedicated Transport Services	)	WCB/Pricing No. 03-10
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MEMORANDUM OPINION AND ORDER

Adopted: June 4, 2003 **Released:** June 4, 2003

By the Senior Deputy Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. On February 26, 2003, Verizon Telephone Companies (Verizon) filed a petition seeking pricing flexibility in the provision of certain interstate access services.[1] Verizon states that it is filing its petition both to: (1) demonstrate that the Honolulu, Hawaii Metropolitan Statistical Area (MSA) continues to qualify for Phase II pricing flexibility and (2) to include in the Honolulu, Hawaii MSA eight wire centers that were inadvertently omitted from its November 2001 pricing flexibility petition, which was granted by the Common Carrier Bureau in its *2002 Verizon Pricing Flexibility Order*.[2] As detailed below, the Commission established the parameters for granting pricing flexibility for special access and dedicated transport services in its *Pricing Flexibility Order*.[3] In doing so, the Commission recognized the importance of granting pricing flexibility to incumbent local exchange carriers (LECs) as competition develops in the market for interstate access services "to ensure that our regulations do not unduly interfere

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[1] *See Pleading Cycle Established for Verizon Petition for Pricing Flexibility for Special Access and Dedicated Transport Services*, WCB/Pricing 03-10, Public Notice, DA 03-604 (rel. Feb. 27, 2003).

[2] In March 2002, Verizon obtained Phase II pricing flexibility for its remaining wire centers in the Honolulu, Hawaii MSA. *See Verizon Petition for Pricing Flexibility for Special Access and Dedicated Transport Services*, Memorandum Opinion and Order, CCB/CPD No. 01-27, 17 FCC Rcd 5359 (Com. Car. Bur. 2002)(*Verizon 2002 Pricing Flexibility Petition*)(granting pricing flexibility for special access and dedicated transport service for numerous MSA and non-MSA areas in its service territory). The eight wire centers that were omitted from its prior petition are: HNLLHIXA, HNLLHIXS, WPHUHIXB, CCAPH149, EWAHIXA, MKLOHICO, MILNHIXB, and PKAPHIXA. Verizon Petition at 3. The Common Carrier Bureau is now known as the Wireline Competition Bureau.

[3] *See Access Charge Reform,* CC Docket No. 96-262, Fifth Report and Order, 14 FCC Rcd 14221 (1999) (*Pricing Flexibility Order*), *aff'd*, *WorldCom, Inc. v. FCC*, 238 F.3d 449 (D.C. Cir. 2001) (*WorldCom*).

with the operation of those markets."[4] For the reasons that follow, we now grant Verizon's petition.[5]

II. BACKGROUND

2. To recover the costs of providing interstate access services, incumbent LECs charge interexchange carriers (IXCs) and end users for access services in accordance with the Commission's Part 69 access charge rules.[6] In the *Access Charge Reform First Report and Order*, the Commission adopted a market-based approach to access charge reform, pursuant to which it would relax restrictions on incumbent LEC pricing as competition emerges.[7] At that time, the Commission deferred resolution of the specific timing and degree of pricing flexibility to a future order.[8] Subsequently, in the *Pricing Flexibility Order*, the Commission provided detailed rules for implementing the market-based approach.[9]

3. The pricing flexibility framework the Commission adopted in the *Pricing Flexibility Order* grants progressively greater flexibility to LECs subject to price cap regulation as competition develops, while ensuring that: (1) price cap LECs do not use pricing flexibility to deter efficient entry or engage in exclusionary pricing behavior; and (2) price cap LECs do not increase rates to unreasonable levels for customers that lack competitive alternatives.[10] In addition, the reforms are designed to facilitate the removal of services from price cap regulation

[4] *Pricing Flexibility Order*, 14 FCC Rcd at 14224.

[5] In the *Pricing Flexibility Order*, the Commission amended its rules to delegate authority to the Chief, Common Carrier Bureau, to act on petitions for pricing flexibility involving special access and dedicated transport services. *See* 47 C.F.R. § 0.291(j)(1).

[6] 47 C.F.R. Part 69. Part 69 establishes two basic categories of access services: special access services and switched access services. *Compare* 47 C.F.R. § 69.106 *with* 47 C.F.R. § 69.114. Special access services employ dedicated facilities that run directly between the end user and an IXC point of presence (POP), the physical plant where an IXC connects its network with the LEC network. Charges for special access services generally are divided into channel termination charges and channel mileage charges. Channel termination charges recover the costs of facilities between the customer's premises and the LEC end office and the costs of facilities between the IXC POP and the LEC serving wire center. *See* 47 C.F.R. §§ 69.703(a)-(b). Channel mileage charges recover the costs of facilities (also known as interoffice facilities) between the LEC serving wire center and the LEC end office serving the end user. *See Pricing Flexibility Order*, 14 FCC Rcd at 14226-27.

[7] *Access Charge Reform*, CC Docket No. 96-262, First Report and Order, 12 FCC Rcd 15982 (1997) (*Access Charge Reform First Report and Order*), *aff'd, Southwestern Bell v. FCC,* 153 F.3d 523 (8th Cir. 1998).

[8] *Id.* at 15989.

[9] *Pricing Flexibility Order*, 14 FCC Rcd at 14225 (citing *Access Charge Reform First Report and Order*, 12 FCC Rcd at 15989, 16094-95).

[10] *Pricing Flexibility Order*, 14 FCC Rcd at 14225. The Commission instituted price cap regulation for the Regional Bell Operating Companies (RBOCs) and GTE in 1991, and permitted other LECs to adopt price cap regulation voluntarily, subject to certain conditions. *Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6786, 6818-20 (1990). The *Pricing Flexibility Order* applies only to LECs that are subject to price cap regulation.

as competition develops in the marketplace, without imposing undue administrative burdens on the Commission or the industry.[11]

4. In keeping with these goals, the Commission established a framework for granting price cap LECs greater flexibility in the pricing of interstate access services once they make a competitive showing, or satisfy "triggers," to demonstrate that market conditions in a particular area warrant the relief they seek. Pricing flexibility for special access and dedicated transport services[12] is available in two phases, based on an analysis of competitive conditions in individual MSAs.[13]

5. Phase I Pricing Flexibility. A price cap LEC that obtains Phase I relief is allowed to offer, on one day's notice, contract tariffs[14] and volume and term discounts for qualifying services, so long as the services provided pursuant to contract are removed from price caps.[15] To protect those customers that may lack competitive alternatives, a price cap LEC receiving Phase I flexibility must maintain its generally available price cap constrained tariffed rates for these services.[16] To obtain Phase I relief, a price cap LEC must meet triggers designed to demonstrate that competitors have made irreversible, sunk investments in the facilities needed to provide the services at issue. In particular, to receive pricing flexibility for dedicated transport and special access services (other than channel terminations to end users), a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 15 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 30 percent of the LEC's revenues from these services within an MSA.[17] In both cases, the price cap LEC also must show, with respect to *each* wire center, that at least one collocator is relying on transport facilities provided by an entity other than the incumbent LEC.[18]

6. Higher thresholds apply for obtaining Phase I pricing flexibility for channel terminations between a LEC's end office and an end user customer. A competitor collocating in

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[11] *Pricing Flexibility Order*, 14 FCC Rcd at 14225.

[12] For purposes of pricing flexibility proceedings, "dedicated transport services" refer to services associated with entrance facilities, direct-trunked transport, and the dedicated component of tandem-switched transport. *Pricing Flexibility Order*, 14 FCC Rcd at 14234. These services are defined in 47 C.F.R. § 69.2(qq) (entrance facilities), § 69.2(oo) (direct-trunked transport), and § 69.2(ss) (tandem-switched transport).

[13] *See* 47 C.F.R. § 22.909(a) (definition of MSA).

[14] A contract tariff is a tariff based on an individually negotiated service contract. *See Competition in the Interstate Interexchange Marketplace,* CC Docket No. 90-132, Report and Order, 6 FCC Rcd 5880, 5897 (1991) (*Interexchange Competition Order*); 47 C.F.R. § 61.3(o). *See also* 47 C.F.R. § 61.55 (describing required composition of contract-based tariffs).

[15] *Pricing Flexibility Order,* 14 FCC Rcd at 14287.

[16] *Id.* at 14234-35.

[17] *Id.* at 14274, 14277-81; 47 C.F.R.§ 69.709(b).

[18] 47 C.F.R. § 69.709(b).

a LEC end office continues to rely on the LEC's facilities for the channel termination between the end office and the customer premises, at least initially, and thus is more susceptible to exclusionary pricing behavior by the LEC.[19] As a result, a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 50 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 65 percent of the LEC's revenues from these services within an MSA.[20] Again, the LEC also must demonstrate, with respect to each wire center, that at least one collocator is relying on transport facilities provided by an entity other than the incumbent LEC.[21]

7. Phase II Pricing Flexibility. A price cap LEC that receives Phase II relief is allowed to offer dedicated transport and special access services free from the Commission's Part 69 rate structure and Part 61 price cap rules. The LEC, however, is required to file, on one day's notice, generally available tariffs for those services for which it receives Phase II relief.[22] To obtain Phase II relief, a price cap LEC must meet triggers designed to demonstrate that competition for the services at issue within the MSA is sufficient to preclude the incumbent from exploiting any individual market power over a sustained period. To obtain Phase II relief for dedicated transport and special access services (other than channel terminations to end users), a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 50 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 65 percent of the LEC's revenues from these services within an MSA.[23] Higher thresholds apply for obtaining Phase II pricing flexibility relief for channel terminations between a LEC end office and an end user customer. To obtain such relief, a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 65 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 85 percent of the LEC's revenues from these services within an MSA.[24] Once again, the LEC also must demonstrate, with respect to each wire center, that at least one collocator is relying on transport facilities provided by an entity other than the incumbent LEC.[25]

III. DISCUSSION

A. Petition

8. In March 2002, Verizon obtained Phase II relief for dedicated transport and special access services (not including channel terminations to end users) in 15 MSAs, including

[19] *Pricing Flexibility Order*, 14 FCC Rcd at 14279.

[20] *Pricing Flexibility Order*, 14 FCC Rcd at 14280-81; 47 C.F.R.§ 69.711(b).

[21] 47 C.F.R. § 69.711(b).

[22] *Pricing Flexibility Order*, 14 FCC Rcd at 14299-301; 47 C.F.R. § 69.727(b)(3).

[23] *Pricing Flexibility Order*, 14 FCC Rcd at 14299; 47 C.F.R. § 69.709(c).

[24] *Pricing Flexibility Order*, 14 FCC Rcd at 14235; 47 C.F.R. § 69.711(c).

[25] 47 C.F.R. § 69.711(c).

the Honolulu, Hawaii MSA, as well as one non-MSA area.[26] In its current petition, Verizon seeks Phase II relief for the dedicated transport and special access services (not including channel terminations between its end offices and customer premises) set forth in Appendix A of this order for eight additional wire centers in the Honolulu, Hawaii MSA. Verizon asserts that, due to a software mapping error, it inadvertently omitted these wire centers from its earlier petition.[27] Verizon further states that it has not implemented Phase II relief for these eight excluded wire centers.[28] To correct this omission, Verizon filed this petition, in which it includes the data for these offices and reexamines the data for the entire Honolulu, Hawaii MSA to determine whether it currently meets the Phase II criteria.[29] Verizon also asserts that it would have met the Phase II criteria in 2002 if the eight wire centers had been included in the prior petition.[30] No parties have filed comments in opposition to the petition.

B. Operational Status of Competitive Collocations

9. The evidentiary requirements established by the *Pricing Flexibility Order* reflect a multi-phased approach. The Commission found that, as an initial matter, the petitioning incumbent LEC may rely on billing records to make its initial showing that one collocator per qualifying wire center is using transport provided by an entity other than the incumbent LEC.[31] Second, the petitioner must serve each collocator that it relies on with a copy of its petition and the associated collocation information used to make its showing.[32] The second prong acts as a check on the first prong.

10. On November 29, 2001, Verizon petitioned for pricing flexibility in the Honolulu, Hawaii MSA using data from year 2000.[33] The Commission granted Verizon's pricing flexibility petition on March 22, 2002. Subsequent to receiving this pricing flexibility, Verizon became aware that, due to a software error, it failed to identify eight wire centers as belonging to the Honolulu, Hawaii MSA. Thus, as part of its current petition, to verify that it qualified for pricing flexibility in 2002, Verizon reviewed the year 2000 data that it submitted in support of its previous petition and included the previously omitted eight wire centers in the year 2000 data.[34]

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[26] *Verizon 2002 Pricing Flexibility Order,* 17 FCC Rcd at 5362 n.28. As part of its order, the Bureau also granted Verizon Phase I relief in a number of MSAs and Phase II relief for channel terminations between end offices and customer premises in a number of MSAs. *See id.* at 5362, nn. 27-30

[27] Verizon Petition at 2.

[28] Verizon Petition at 2.

[29] Verizon Petition at 3.

[30] Verizon Petition at 6.

[31] *Pricing Flexibility Order*, 14 FCC Rcd at 14221.

[32] *Pricing Flexibility Order*, 14 FCC Rcd at 14311; 47 C.F.R. § 1.774(e)(ii).

[33] *Verizon 2002 Pricing Flexibility Order,* 17 FCC Rcd at 5362 n.28.

[34] Verizon Petition at 3.

Verizon prepared this data by updating information that it filed in its previous petition and by using current collocation billing records.[35] In addition, as part of its current petition, Verizon now requests pricing flexibility for the previously omitted eight wire centers. To verify that it qualifies for pricing flexibility for these wire centers, Verizon prepared year 2001 data and included the previously omitted eight wire centers in this data.[36]

11. Pursuant to the requirement that qualifying wire centers have at least one collocator using non-Verizon-provided transport, Verizon validated both its years 2000 and 2001 data to ensure that the collocators are still in operation. In order to demonstrate use of non-Verizon provided transport, Verizon used its billing records to identify collocators that were being billed monthly recurring charges for cable space and cable support structure, charges that apply when collocators use their own or third-party fiber for transport.[37] In addition, Verizon physically inspected collocation facilities to confirm that: (1) powered equipment was in place; and (2) the collocator had non-Verizon fiber optic cable facilities from the collocation facility to the wire center's cable vault and beyond the building.[38] For this survey, Verizon adopted additional controls to ensure the reliability of the data, including supervision by the Executive Director in charge of provisioning collocation throughout the Verizon footprint, written procedures for each step of the inspections, development and implementation of standard forms to be filled out by each inspector that detailed the procedures performed and information provided, and signed statements by the inspectors verifying the accuracy and reliability of the information provided and the inspector's compliance with the written procedures.[39] For both years' data, Verizon then provided a copy of its petition and all attachments to every collocated party upon which it relied to demonstrate satisfaction of the relevant triggers.[40]

12. We find that the methodology Verizon used to review both its years 2000 and 2001 data is reasonably capable of demonstrating that a collocation arrangement with non-Verizon-provided transport is operational. The methodology used by Verizon is consistent with the methodology approved by the Bureau in the *Verizon 2002 Pricing Flexibility Order*. In that order, the Bureau approved Verizon's use of billing records, notice to collocated parties, and physical inspections as a means of establishing operational status of competitive collocators.[41] In addition**,** Verizon's use of billing records is consistent with the *Pricing Flexibility Order*, where the Commission recognized a likelihood of sunk investment in competitive transport whenever the incumbent bills a competitor for installation of non-incumbent LEC provided transport

[35] Verizon Petition at 3.

[36] Verizon Petition at 4 and Verizon Petition, Attachment B at 1.

[37] Verizon Petition at 3-4.

[38] Verizon Petition at 4.

[39] Verizon Petition at 4.

[40] Verizon Petition, Attachment F at 1 (attesting that each collocating party identified in its petition was served with a copy of its petition and the relevant attachment).

[41] *Verizon 2002 Pricing Flexibility Order*, 14 FCC Rcd at 5363-67.

facilities.[42] We note that every competitive LEC cited by the petition was served with notice pursuant to our rules.[43] No competitive LECs have notified us that they dispute the evidence presented by Verizon. Accordingly, we find that the methodology Verizon used to review both its years 2000 and 2001 data is reasonable and sufficient to demonstrate the operational status of the collocations cited by Verizon.

C. Competitive Showing Required for Pricing Flexibility

13. As noted above, pricing flexibility may be granted upon the satisfaction of certain competitive showings. An incumbent LEC bears the burden of proving that it has satisfied the applicable triggers for the pricing flexibility it seeks for each MSA.[44] For special access and dedicated transport services, the Commission established two means of satisfying this requirement. In the first, the incumbent must show: (1) the total number of wire centers in the MSA; (2) the number and location of the wire centers in which competitors have collocated; (3) the name, in each wire center on which the incumbent bases its petition, of at least one collocator that uses transport facilities owned by an entity other than the incumbent to transport traffic from that wire center; and (4) that the percentage of wire centers in which competitors have collocated and use competitive transport satisfies the trigger the Commission adopted with respect to the pricing flexibility sought by the incumbent LEC.[45] Alternatively, the incumbent must show: (1) the total base period[46] revenues generated by the services for which the incumbent seeks relief in the MSA for which the incumbent seeks relief; (2) the name, in each wire center on which the incumbent bases its petition, of at least one collocator that uses transport facilities owned by an entity other than the incumbent to transport traffic from that wire center; and (3) that the wire centers in which competitors have collocated and use competitive transport account for a sufficient percentage of the incumbent's base period revenues generated by the services at issue within the relevant MSA to satisfy the trigger the Commission adopted for the pricing flexibility sought by the incumbent LEC.[47]

1. Year 2000 Data

14. Verizon chose the latter, revenue-based alternative to demonstrate that it would have qualified for pricing flexibility in 2002 if the eight wire centers had been included in its prior petition.[48] Verizon used year 2000 data to meet this test. First it extracted information from its

[42] *Pricing Flexibility Order*, 14 FCC Rcd at 14221.

[43] Verizon Petition, Attachment F at 1; *see* 47 C.F.R. § 1.774(e)(1)(ii).

[44] *Pricing Flexibility Order*, 14 FCC Rcd at 14309.

[45] 47 C.F.R. § 1.774(a)(3)(i)-(iv)(A).

[46] For price cap LECs, the "base period" is the 12-month period (*i.e.*, the calendar year) ending 6 months before the effective date of the LECs' annual access tariffs. 47 C.F.R. § 61.3(g).

[47] 47 C.F.R. §§ 1.774(a)(3)(i)-(iii), (iv)(B).

[48] Verizon Petition at 2-3.

Carrier Access Billing System (CABS) to distinguish between channel terminations to end users and channel terminations to IXC POPs.[49] Historical billing records did not, however, contain sufficient detail to identify the end points of channel mileage circuits in order to allocate channel mileage revenue to particular wire centers.[50] Consequently, Verizon used October 2000 billing detail to develop, for each wire center, a ratio of mileage revenue for the particular wire center to total mileage revenue for all wire centers.[51] These ratios were then applied to total year 2000 mileage revenue from CABS to derive the total year mileage revenue for each wire center.[52]

15. With respect to its year 2000 data, Verizon identified the Honolulu, Hawaii MSA as qualifying for pricing flexibility by: (1) assigning wire centers to the individual MSA; (2) calculating end user channel termination revenue, together with all other special access and dedicated transport revenue, that was earned in each MSA; (3) calculating end user channel termination revenue, together with all other special access and dedicated transport revenue, that was attributable to each collocated wire center within the MSA; and (4) calculating the percentage of such revenue earned in the collocated wire centers against the total revenues earned in the MSA.[53]

16. No party has challenged Verizon's method of identifying revenue associated with the services at issue with respect to its year 2000 data. We have reviewed the public and confidential versions of its petition and find that, if Verizon had included the revenues for the omitted eight wire centers in its previous petition, the collocated offices would still have represented 68 percent of base year 2000 revenues for the services at issue for the Honolulu, Hawaii MSA.[54] After reviewing Verizon's verification method, as described in its petition, and the information contained in its public and confidential versions of its petition, we find that, if the eight wire centers had been included in its prior petition, Verizon still would have met the Phase II triggers in section 1.774 of the Commission's rules.[55]

2. Year 2001 Data

17. Similarly, Verizon chose the revenue-based alternative to demonstrate that it currently qualifies for pricing flexibility for the Honolulu, Hawaii MSA, including the previously omitted eight wire centers.[56] Verizon used year 2001 data for the purpose of verifying that it

[49] Verizon Petition, Attachment B at 1-2.

[50] Verizon Petition, Attachment B at 2.

[51] Verizon Petition, Attachment B at 2.

[52] Verizon Petition, Attachment B at 2.

[53] Verizon Petition, Attachment B at 2-3.

[54] Verizon Petition at 6.

[55] 47 C.F.R. § 1.774.

[56] Verizon Petition at 2-3.

currently qualifies for pricing flexibility. Just as it did with respect to the year 2000, Verizon first extracted information from CABS to distinguish between channel terminations to end users and channel terminations to IXC POPs.[57] Again, however, historical billing records did not contain sufficient detail to identify the end points of channel mileage circuits in order to allocate channel mileage revenue to particular wire centers.[58] Consequently, Verizon used December 2001 billing detail to develop, for each wire center, a ratio of mileage revenue for the particular wire center to total mileage revenue for all wire centers.[59] These ratios were then applied to total year 2001 mileage revenue from CABS to derive the total year mileage revenue for each wire center.[60]

18. With respect to its year 2001 data, Verizon identified the Honolulu, Hawaii MSA as qualifying for pricing flexibility by: (1) assigning wire centers to the individual MSA; (2) calculating end user channel termination revenue, together with all other special access and dedicated transport revenue, that was earned in each MSA; (3) calculating end user channel termination revenue, together with all other special access and dedicated transport revenue, that was attributable to each collocated wire center within the MSA; and (4) calculating the percentage of such revenue earned in the collocated wire centers against the total revenues earned in the MSA.[61] No party has challenged Verizon's method of identifying revenue associated with the services at issue with respect to its year 2001 data. We have reviewed the public and confidential versions of its petition and find that the collocated offices represent 65 percent of revenues for the servcies at issue in the Honolulu MSA, including the previously omitted eight wire centers.[62] After reviewing Verizon's verification method, as described in its petition, together with the data provided in the public and confidential versions of its petition, we find that Verizon has satisfied its burden of demonstrating that it has met the applicable triggers in section 1.774 of the Commission's rules for the current time period for each of the various services and the Honolulu, Hawaii MSA for which it requests relief. [63]

19. As a separate issue, we note that Verizon once again aggregated its data at the MSA level.[64] We continue to caution that the lack of data aggregated at the wire center level could lead to the disqualification of an entire MSA if a particular wire center does not qualify.[65]

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[57] Verizon Petition, Attachment B at 1-2.

[58] *See* Verizon Petition, Attachment B at 2.

[59] Verizon Petition, Attachment B at 2.

[60] Verizon Petition, Attachment B at 2.

[61] Verizon Petition, Attachment B at 2-3.

[62] *See* Verizon Petition at 6.

[63] 47 C.F.R. § 1.774.

[64] *See also Verizon 2002 Pricing Flexibility Order,* 17 FCC Rcd at 5370; *Verizon Petition for Pricing Flexibility for Special Access and Dedicated Transport,* CCB/CPD Nos. 00-24 and 00-28, Memorandum Opinion and Order, 16 FCC Rcd 5884, 5885 (Com. Car. Bur. 2001) (*Verizon 2001 Pricing Flexibility Order*).

[65] *See, e.g.*, *Verizon 2002 Pricing Flexibility Order*, 17 FCC Rcd at 5371, n.94.

If an individual wire center were disqualified, the Bureau would not have the data necessary to determine whether the remaining wire centers in the MSA provide the necessary revenue to meet the applicable threshold. Accordingly, by aggregating their data above the wire center level, incumbent LECs run the risk that their petitions may be denied in whole or in part.

IV. ORDERING CLAUSES

20. Accordingly, IT IS ORDERED that, pursuant to section 1.774 of the Commission's Rules, 47 C.F.R. § 1.774, and the authority delegated by sections 0.91 and 0.291 of the Commission's Rules, 47 C.F.R. §§ 0.91 and 0.291, and the *Pricing Flexibility Order,* the petition filed by the Verizon Telephone Companies IS GRANTED to the extent detailed herein.

FEDERAL COMMUNICATIONS COMMISSION

Jeffrey Carlisle
Senior Deputy Chief
Wireline Competition Bureau

APPENDIX A
SERVICES QUALIFYING FOR PRICING FLEXIBILITY

Special Access Services Basket

Metallic
Telegraph
Voice Grade
WATS Access Line
Program Audio
Video Connect
Wideband Analog
Wideband Data
DDS
Fractional T1 (FT1)
European T1 (ET1)
MetroLAN
DS1
DS3
FiberConnect
Optical Networking Services

Trunking Services Basket

Metallic
VG
Fractional T1 (FT1)
DS1
DS3
Optical Networking Services

APPENDIX B

PRICING FLEXIBILITY RELIEF FOR DEDICATED TRANSPORT AND SPECIAL ACCESS SERVICES*

MSA	Type of Relief Requested
Honolulu, Hawaii MSA	Phase II

* Verizon did not seek pricing flexibility relief for channel terminations to end users.