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EXHIBIT B

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040604-TL

Consultant Agreement

Between

Telesector Resources Group, Inc. d/b/a Verizon Services Group

And

Wilk & Associates/LECG, LLC.

**ENTIRE AGREEMENT IS CONFIDENTIAL
PAGES VZ 1-1.1 THRU 1-1.12**

DOCUMENT 13157 VZ 1011E

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EPSC-COMMISSION CLERK

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July 22, 2004

Privileged & Confidential

To: Richard Chapkis
From: Carl Danner & Mitch Wilk
Re: Strategic Considerations for Florida Lifeline Workshop

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PAGES VZ 2-3.1 THRU 2-3.3

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South Carolina State Universal Service Fund Update of South Carolina USF Calculation As of December 31, 2003

Data as of December 31, 2003			Residential	Business	Total
1.	Cost Per Line Approved by Public Service Commission of SC	SC USF Order			
2.	Authorized Rate	Per Approved Tariff			
3.	Gross USF Per Line	(Line 1 - Line 2)			
4.	Federal Per Line Support	FCC			
5.	Subscriber Line Charge	FCC			
6.	Net State USF Support Per Access Line	(Line 3 - Line 4 - Line 5)			
7.	State USF Lines as of 12/31/2003	Company Records			
8.	State USF Per Month	(Line 6 * Line 7)			
9.	Annual State USF	(Line 8 * 12 Mo.)			
10.	Other Approved Tariff Reductions	Commission Approved			
11.	Annual State USF After Other Tariff Reductions	(Line 9 + Line 10)			
12.	Annual State USF in Place as of 12/31/2003 (excluding Lifeline)	Commission Approved Amount			
13.	Percent State USF in Place	(Line 12 / Line 11)			
14.	State USF Support Per Line Per Month in Place	(Line 6 * Line 13)			
15.	State Lifeline Support Per Line	Approved Amount			
16.	Number of Lifeline Customers as of 12/31/2003	Company Records			
17.	Annual State Lifeline Support	(Line 15 * Line 16 * 12)			
18.	Total Annual State USF Support	(Line 11 + Line 17)			

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South Carolina State Universal Service Fund Update of South Carolina USF Calculation As of December 31, 2002

Data as of December 31, 2002			Residential	Business	Total
1.	Cost Per Line Approved by Public Service Commission of SC	SC USF Order	REDACTED		
2.	Authorized Rate	Per Approved Tariff			
3.	Gross USF Per Line	(Line 1 - Line 2)			
4.	Federal Per Line Support	FCC			
5.	Subscriber Line Charge	FCC			
6.	Net State USF Support Per Access Line	(Line 3 - Line 4 - Line 5)			
7.	State USF Lines as of 12/31/2002	Company Records			
8.	State USF Per Month	(Line 6 * Line 7)			
9.	Annual State USF	(Line 8 * 12 Mo.)			
10.	Other Approved Tariff Reductions	Commission Approved			
11.	Annual State USF After Other Tariff Reductions	(Line 9 + Line 10)			
12.	Annual State USF in Place as of 12/31/2002 (excluding Lifeline)	Commission Approved Amount			
13.	Percent State USF in Place	(Line 12 / Line 11)			
14.	State USF Support Per Line Per Month in Place	(Line 6 * Line 13)			
15.	State Lifeline Support Per Line	Approved Amount			
16.	Number of Lifeline Customers as of 12/31/2002	Company Records			
17.	Annual State Lifeline Support	(Line 15 * Line 16 * 12)			
18.	Total Annual State USF Support	(Line 11 + Line 17)			

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South Carolina State Universal Service Fund Update of South Carolina USF Calculation As of December 31, 2001

Data as of December 31, 2001			Residential	Business	Total
1.	Cost Per Line Approved by Public Service Commission of SC	SC USF Order	REDACTED		
2.	Authorized Rate	Per Approved Tariff			
3.	Gross USF Per Line	(Line 1 - Line 2)			
4.	Federal Per Line Support	FCC			
5.	Subscriber Line Charge	FCC			
6.	Net State USF Support Per Access Line	(Line 3 - Line 4 - Line 5)			
7.	State USF Lines as of 12/31/2001	Company Records			
8.	State USF Per Month	(Line 6 * Line 7)			
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10.	Other Approved Tariff Reductions	Commission Approved			
11.	Annual State USF After Other Tariff Reductions	(Line 9 + Line 10)			
12.	Annual State USF in Place as of 12/31/2001 (excluding Lifeline)	Commission Approved Amount			
13.	Percent State USF in Place	(Line 12 / Line 11)			
14.	State USF Support Per Line Per Month in Place	(Line 6 * Line 13)			
15.	State Lifeline Support Per Line	Approved Amount			
16.	Number of Lifeline Customers as of 12/31/2001	Company Records			
17.	Annual State Lifeline Support	(Line 15 * Line 16 * 12)			
18.	Total Annual State USF Support	(Line 11 + Line 17)			

Company	In-Service In March 2004	March 2004 Lifeline (Y/N)	Sept 2004 Lifeline (Y/N)	Res. Customer Count Sept 2004	Res. Customer Count Sept 2004
GTFL	Yes	N	N		
	No	N	N		
GTFL	Yes	Y	N		
	No	y	n		
GTFL	Yes	N	Y		
	No	N	Y		
GTFL	Yes	Y	Y		
	No	Y	Y		

CONTINUING CUSTOMER W/O LIFELINE
NEW CUSTOMERS W/O LIFELINE

CONTINUING CUSTOMERS WHO STOPPED LIFELINE
IMPOSSIBLE COMBINATION

CONTINUING CUSTOMERS WHO STARTED LIFELINE
NEW CUSTOMERS WHO STARTED LIFELINE

CONTINUING CUSTOMERS WHO HAD LIFELINE SINCE MARCH
IMPOSSIBLE COMBINATION

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	Mar-03 All Residence	Sep-04 R1	Sep-04 Lifeline	Sep-04 Total
Access MRC	\$			
Other Local	\$			
LMS/ECS	\$			
Toll	\$			
IXC	\$			
Total	\$			
SLC's	\$			
Total	\$			

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Year ended: December 31,2003 Utility No. 2180 - VERIZON NORTH INC - WI OPERATION Copy 1 of Page 50

SERVICE DATA

Access Line—Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency, and/or time slot. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice or 64 Kilobits/second. Customer—A person who uses a telephone as a subscriber.

Item (a)	FOY (b)	EOY (c)
Business		
1 Party		
2 Party		
4 Party		
PBX Trunks/System Trunks		
Centrex Trunks		
Centrex Lines		
Key System Trunks		
Mobile (Utility Provided Service)		
Paging (Utility Provided Service)		
FX-Out (Switched)		
Pay Telephone		
Coin-Operated Pay Telephone		
Independent Pay Telephone Provider		
Other		
Total Business Lines		
Residential (Incl. Emp. Concess.)		
1 Party		
2 Party		
4 Party		
FX-Out (Switched)		
Other		
Total Residential Lines		
Total Bus & Res Lines		
Company Used Lines		
Total Lines Used		

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SERVICE DATA (cont.)

Access Line--Central office line equipment, or equivalent, and all outside plant facilities, or equivalent, required to connect the serving central office with the customer premises via physical connection, frequency, and/or time slot. From an engineering perspective, a channel connection is at a DS0 level. A DS0 level is a 4 KHz voice or 64 Kilobits/second. Customer--A person who uses a telephone as a subscriber.

Item (a)	FOY (b)	EOY (c)
Miscellaneous		
WATS Lines - OutWATS		
WATS Lines - 800 Service		
FX-In-intraLATA		
Special Access-intraLATA (expressed in equiv. access lines)		
Special Access-interLATA (expressed in equiv. access lines)		
Feature Group A Lines		
Feature Group B Trunks		
Feature Group C Trunks		
Feature Group D Trunks		
TSPS - Trunks		
EAS and ECC - Trunks		
Cellular Trunks (Pub. Sw. Net.)		
Video Distance Learning - discounted (special tariff)		
Customers		
Number of Lifeline customers at FOY (January 1, 2003) and EOY (December 31, 2003):		
Number of Linkup customers connected during FOY (Calendar year 2002) and EOY (Calendar year 2003):		
Other		
Total Company Square Miles		
Total Company Route Miles		
Footnotes		

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1 access lines included in each new calling area and the
2 expected rate impact to consumers....”
3

4 Verizon NJ’s analysis provided in Attachment 7 to our Direct Testimony included
5 several options that identify the cost of expansion, the number of access lines
6 included in each new calling area and expected rate impact to consumers, along
7 with a recommendation. Not a single witness objected to or challenged the
8 analysis Verizon NJ provided in its scenarios. It was suggested however, by the
9 DRA, that the Board also consider rate center consolidation as a way to conserve
10 telephone numbers.
11

12 It continues to be Verizon NJ’s recommendation that the Board consider Optional
13 Calling Plan (“OCPs”) as the way to address local calling issues in New Jersey.
14 Verizon NJ presently offers a wide variety of optional intraLATA toll calling
15 plans which meet the varying calling needs of our customers. [BEGIN
16 VERIZON NJ PROPRIETARY] [END VERIZON NJ
17 PROPRIETARY] percent of Verizon NJ’s residential intraLATA toll customers
18 are taking advantage of OCPs. OCPs provide customers with the flexibility to
19 select the calling plan that best meets their individual needs. Expanding local
20 calling areas is a “one-size fits all” approach. Furthermore, there are more
21 effective methods to conserve telephone number resources other than rate center
22 consolidation.
23

24 Should the Board, however, elect to expand local calling areas and/or rate center
25 consolidation, Verizon NJ suggests that consideration be given to recovery of all
26 costs and revenue impacts, consolidation of rate groups, implementation time
27 frames and the effect of such a change on Independent Telephone Companies’
28 and CLECs’ local calling areas.
29

30 Please see Attachment A to this testimony for Verizon NJ’s analysis of the DRA’s
31 proposal.
32

**EXPANSION OF LOCAL CALLING AREAS &
RATE CENTER CONSOLIDATION**

RATEPAYER ADVOCATE'S PROPOSAL

On behalf of the Division of Ratepayer Advocate, Douglas Williams submitted testimony including a proposal to reduce the number of local calling areas to 21 and mirror county boundary lines. As we show below, Mr. Williams' recommendation to expand local calling areas is based on inaccurate and misleading information and incomplete analysis.

First, he presents inaccurate information about the New Jersey situation and rate structures. For example, Table I of his testimony (at 8) indicates that he applied a \$0.65 monthly credit and \$1.00 for Touch-Tone Service to the current rates for business message rate service. As stated in publicly available tariffs, the monthly credit only applies to single line business customers and the monthly Touch-Tone rate for business is \$2.01. In addition, the state of New Jersey has a total of 208 rate centers, not 180.

Second, he offers misleading information by assuming that all Optional Calling Plan (OCP) customers pay a monthly fee to obtain savings. Many of Verizon NJ's optional calling plans -- Consumer Opportunity Savings Plan, Fixed Rate Toll Plan (commonly known as Sensible Minute) and Weekend Choice -- do not require customers to pay a monthly recurring charge to take advantage of intraLATA toll discounts. Accordingly, only [BEGIN VERIZON NJ PROPRIETARY] [END VERIZON NJ PROPRIETARY] of residential lines pay a monthly charge for optional calling plans, not [BEGIN VERIZON NJ PROPRIETARY] [END VERIZON NJ PROPRIETARY] as Mr. Williams represents. Typically, these customers are high usage customers that are willing to pay a flat monthly rate to obtain even greater savings on intraLATA toll calling based upon their calling patterns.

Third, Mr. Williams provides an incomplete analysis of national intraLATA toll rates, suggesting expansion of New Jersey's local calling areas because New Jersey has high toll rates when compared to other states. To account for years of public policy rate making, when looking at existing local calling areas in New Jersey, it is necessary to analyze the value customers receive from both intraLATA toll and local exchange services and consider the fact that New Jersey has the lowest flat rate residential basic exchange service in the nation.

Table 1. – New Jersey Monthly Basic Exchange Service Rates for unlimited local calling and the number of customers in the local calling area.

Rate Group	Unlimited Local Calling Monthly Residence Basic Exchange Service	Number of Customers in Local Calling Area
A	\$6.75	0-40,000
B	\$7.45	40,001-115,000
C	\$7.95	115,001-300,000
D	\$8.19	300,001-600,000

Mr. Williams refers to local calling areas in other states to justify changes for New Jersey. For example, when comparing New Jersey to California, it is evident that expanding local calling areas is not necessary. With 1,134.5 persons per square mile,³ New Jersey is second only to the District of Columbia in population density and five times denser than California. In terms of reach, customers in two of Verizon NJ's largest local calling areas [BEGIN VERIZON NJ PROPRIETARY] --

[END VERIZON NJ PROPRIETARY] Verizon NJ lines for the low monthly basic exchange rate of \$8.19. The average local calling area in Verizon NJ contains [BEGIN VERIZON NJ PROPRIETARY] [END VERIZON NJ PROPRIETARY]. Local calling areas in New Jersey are reachable at flat rate monthly rates ranging from \$6.75 to \$8.19 per month. By comparison, Verizon California's monthly basic exchange rate for a relatively small rural local calling area is \$17.25. Table 2 below provides a comparison of the rates for basic local exchange service and intraLATA Toll in New Jersey to those in California.

Table 2. – Comparison of Residence Basic Exchange Service and Average Monthly Residence IntraLATA Toll Revenue Per Presubscribed Line for Verizon as of April 2001.

³ U.S. Census Bureau Information, <http://www.census.gov>.

⁴ Exhibit 7, Attachment A to the Panel Testimony of West and Taylor filed February 15, 2001.

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State	Highest Flat Rate Residence Monthly Rate including TT Service	Average Monthly Residence IntraLATA Toll Revenue Per Presubscribed Line	Total
New Jersey (VZ)	\$9.19	[BEGIN VERIZON NJ PROPRIETARY]	[BEGIN VERIZON NJ PROPRIETARY]
California (VZ)	\$17.25	[END VERIZON NJ PROPRIETARY]	[END VERIZON NJ PROPRIETARY]

When viewed objectively and in the proper context, Verizon's residential basic exchange customers in New Jersey enjoy a considerable bargain at today's local and toll rates over customers in California.

EXPECTED RATE IMPACT ON CONSUMERS

If the Board were to adopt a scenario to expand local calling areas, which it should not do, rate structure changes are a necessary prerequisite for a couple of reasons. First, expanding local calling areas would enhance the value of basic exchange service. In addition to extending the area within which customers can make unlimited local calls, customers would continue to realize benefits over time as per minute of use toll billing is replaced with a flat rate monthly basic exchange service charge that would still be priced below its incremental costs.

Second, the recovery of revenue losses and implementation costs provides the Board with a unique opportunity to address the public policy issues associated with pricing of residential basic exchange service in New Jersey with minimal impact on customers as increases in basic exchange service would be offset by decreases in intraLATA toll billing.

EXHIBIT 7

PAGES 1-15

OF OPC POD 21-VZ 21-1

PROPRIETARY AND CONFIDENTIAL

EXHIBIT 7, ATTACHMENT A

PAGES 1-11

OF OPC POD 21-VZ 21-1

PROPRIETARY AND CONFIDENTIAL

Verizon Top Ten States - Based on the Number of Access Lines - Lifeline State Statistics

	(as of December 2003) Verizon Residential Subscribers			(as of November 2003)* Average Lifeline Support per Line			Lowest Available	March 2003** Telephone Penetration Rates		
	<u>Lifeline</u>	<u>Non-Lifeline</u>	<u>% to Total</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Lifeline Rate</u>	<u>Low Income</u>	<u>Total</u>	
Florida				\$	10.00	\$ 3.50	\$ 13.50	Retail - 13.50	89.8	95.1
California				\$	7.89	\$ 2.46	\$ 10.35	\$ 2.85	93.1	97.1
Indiana				\$	7.51	\$ -	\$ 7.51	\$ 4.84	87.5	94.1
Maryland				\$	9.27	\$ 3.50	\$ 12.77	\$ 0.66	95.7	98.3
Massachusetts				\$	9.95	\$ 8.45	\$ 18.40	\$ 0.41	93.3	97.3
New Jersey				\$	9.76	\$ 3.41	\$ 13.17	No Charge	91.3	96.5
New York				\$	9.74	\$ 3.30	\$ 13.04	\$ 1.00	90.7	95.7
Pennsylvania				\$	8.38	\$ 1.07	\$ 9.45	<u>See Below</u>	93.9	97.4
East								\$ 1.68		
West								No Charge		
Texas				\$	8.82	\$ 3.18	\$ 12.00	\$ 0.10	88.1	94.5
Virginia				\$	9.21	\$ 2.97	\$ 12.18	<u>See Below</u>	84.9	95.4
East								\$ 2.50		
West								No Charge		

2003 Estimate of Low Income Lifeline Support From All Carriers

	<u>Total Contrib</u>	<u>Contrib Attrib to Low Income</u>	<u>Low Income Receipts</u>		<u>Low Income NET</u>
Florida	\$ 357,951	\$ 47,858.00	\$ 16,663.00	\$	(31,195.00)
California	\$ 567,727	\$ 75,905.00	\$ 302,892.00	\$	226,987.00
Indiana	\$ 103,945	\$ 13,894.00	\$ 4,522.00	\$	(9,372.00)
Maryland	\$ 125,553	\$ 16,786.00	\$ 492.00	\$	(16,294.00)
Massachusetts	\$ 135,598	\$ 18,129.00	\$ 17,563.00	\$	(566.00)
New Jersey	\$ 217,087	\$ 29,025.00	\$ 10,791.00	\$	(18,234.00)
New York	\$ 361,760	\$ 48,367.00	\$ 53,625.00	\$	5,258.00
Pennsylvania	\$ 228,586	\$ 30,562.00	\$ 13,610.00	\$	(16,952.00)
Texas	\$ 346,980	\$ 46,391.00	\$ 50,140.00	\$	3,749.00
Virginia	\$ 165,520	\$ 22,130.00	\$ 2,265.00	\$	(19,865.00)

Source: Table 1.12 of 2003 JB Monitoring Report. Total Fed Fund was \$5420M, Total Low income Support was \$715M or 13.37%

NOTES

- * Represents the discount off of retail residential rates. In FL there is no Lifeline rate. There is only a discount off of tariff rates.
- **Penetration information is made available 4 times a years by the FCC. During the period for the March 2003 report, MD had the highest Total penetration for all states.
- * MD's Low Income Penetration (95.7%) for March 2003 was second only to Maine which had a penetration of 98.1% for that report period.
- * There was no 2003 average annual state report for the Total. However, Maine was reported to have the highest Total penetration for the average of 2003 with 97.8% penetration.
- **Penetration rates in MD, NJ, PA and VA may appear low because the FCC considers all lines in its calculation. In those states Lifeline service is available only to customers with a single line. Unit information for Verizon Residential Subscribers (as of December 2003) in PA and VA East and West has been averaged.

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