



Verizon

Wholesale Services
Mail Code HQE02M51
600 Hidden Ridge
Irving, TX 75038-3897

July 2, 2001

Dear IC Customer:

On June 18, 2001, Verizon - West (the former GTE telephone companies) filed its Annual Interstate Access Tariff Filing, Transmittal No. 53 for the Verizon Tariff FCC No. 14 and Transmittal No. 54 for the FCC Tariff No. 16. This annual filing incorporates the effects of the GDPPI-X on Special Access rates as well as the targeting of Common Line, Traffic Sensitive and Trunking GDPPI-X to the Average Traffic Sensitive (ATS) rate in the Verizon - West jurisdictions that have not yet reached the target level. In addition, in a separate Transmittal (No. 52) Verizon - West has removed Special Access Services from Price Caps in those MSAs that currently qualify for interstate pricing flexibility. The rates for Special Access services in those MSAs are not effected by this Annual Filing and are uniquely displayed in the interstate tariffs.

The net impact of the proposed rate changes on all Price Cap Baskets is an annual reduction in interstate revenues subject to Price Caps of approximately \$42M, or about 1.5%, based on base-period 2000 demand data. This reduction is comprised of a net reduction in non-SLC charges of about \$139M, primarily associated with Wholesale Customers, such as IXCs, that purchase interstate access services, and an increase of about \$90M in end user SLC charges.

The \$139M (approximately 11.0%) reduction in non-SLC rates is broken down as follows:

- \$8M reduction in PICCs;
- \$80M reduction in CCL;
- \$30M reduction in Traffic Sensitive and Trunking charges (usage plus transport) and;
- \$21M reduction in Special Access charges.

The overall reduction in non-SLC access charges is comprised of the following components:

- GDPPI-X reduction of about \$30M in ATS rate elements to either achieve or further target \$0.0055 in those jurisdictions (Verizon - West) that have not reached the target ATS rev/MOU target of \$.0055 in a prior Annual Filing;
- GDPPI-X reduction of about \$17M in Special Access services subject to Price Caps;
- A reduction in CCL charges of about \$80M due to a shift in revenues from IXC Access Charges to End User SLCs as well as a change in USAC receipts;

- A reduction in PICC charges of about \$8M due to a shift in revenues from IXC Access Charges to End User SLC as well as a change in USAC receipts;
- A net reduction of \$17M due to exogenous costs primarily associated with the sale of exchanges in Missouri and Wisconsin to non-price cap entities.

The proposed rates are scheduled to become effective on July 3, 2001.

The following chart illustrates the proposed percent change in revenues associated with major service categories within their respective baskets. Specific, detailed rate element changes are contained in the annual filing support material.

| | Verizon – FCC 14 | Verizon – FCC 16 |
|---------------------------------|------------------|------------------|
| Carrier Common Line | | |
| End User | 7.6% | 6.5% |
| CCL | -40.9% | -36.7% |
| PICC | -4.3% | -12.7% |
| Total | +0.9% | -1.7% |
| Traffic Sensitive | | |
| Local Switching | -12.0% | -11.2% |
| Info. Surcharge | -2.9% | -78.4% |
| Trunk Ports | -5.0% | -6.7% |
| Other | -0.5% | -3.5% |
| Total | -7.9% | -9.6% |
| Trunking | | |
| Tandem Sw. Trans. | -8.7% | -4.4% |
| Dedicated Transport | -5.5% | -8.7% |
| Other | -0.0% | -0.0% |
| Total | -7.5% | -5.9% |
| Special Access (Total) | -3.2% | -6.0% |
| Total Price Cap Revenues | -1.22% | -3.3% |

Note: For those jurisdictions in Verizon - West that achieved the target ATS rev/MOU in the 2000 interstate annual (CALLS) filing, no further reductions in the Traffic Sensitive or Trunking rates are required, or taken, in this filing. In those Tariffs, any rate changes in the rate elements that comprise the ATS rev/MOU calculation were done on a revenue-neutral basis within the Price Caps Baskets. (For example, increases in End Office and Tandem Dedicated Trunk Ports were offset via decreases in the Local Switching and Tandem Switching minute of use rate elements in those jurisdictions.) In addition, the ATS rev/MOU in those states that achieved the ATS rev/MOU target in a prior annual filing are recalculated to reflect the change in Base Period (2000) demand.

If you have any questions, please contact your Account Manager.