

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, of the implementation of the local calling area provisions of the amended Michigan Telecommunications Act.)) Case No. U-12528))

LOCAL CALLING AREA EXPANSION PLAN OF VERIZON NORTH INC. AND CONTEL OF THE SOUTH, INC.

As the February 5, 2001, Opinion and Order (Order) of the Commission directed Verizon North Inc. and ConTEL of the South, Inc., d/b/a Verizon North Systems (collectively "Verizon" or "Company") to file implementation plans and related schedules to expand their local calling area to adjacent exchanges in compliance with the Commission's decision. As ordered, Verizon now files its specific work plans and schedules for implementation.¹

Verizon operates in 196 exchanges throughout the state. To comply with the Commission's order it will be required to convert 782 intra and interLATA toll routes to local calling points ("LCPs") in which 75% of the routes will be converted within the first 12 months; and over 89% of the routes will be converted in the first 15 months. Routes will be converted sequentially and systematically throughout the implementation timeframe in order to meet the percentage completion targets mentioned above. A few routes (primarily interLATA) will require construction of new facilities and will take a little longer, but all such facilities will be completed within 30 months of the plan effective date. Verizon will also be required to negotiate interconnection agreements with all of the CLECs and small ILECs who provide service in Ameritech exchanges but not in Verizon exchanges. Each one of these agreements must be filed and approved by the Commission. The time period for such approval process will be subject to the resources available to the Commission. As a result of the local calling area expansion, Verizon's customers will benefit by gaining access to an average of approximately four (4) LCPs per home exchange.

Verizon's implementation plan is for full implementation of the Commission's order, including plans for expansion of both the intraLATA and interLATA routes. Unlike Ameritech, since Verizon has no interLATA restrictions and does not have to obtain an interLATA waiver, the Company's proposed plan also reflects the required

¹This plan and schedule is being filed to comply with the Commission's February 5, 2001, order in this docket. By satisfying the Commission's directive, Verizon does not waive any of its rights to challenge any Commission order in this matter, nor any of its rights to challenge the constitutionality of the underlying law upon which the Commission's decision rests. Verizon reserves all its rights in such respect, including, but not limited to its rights to challenge Act 179 which amended the Michigan Telecommunications Act, effective July 17, 2000, and the Commission's order in this docket.

implementation of adjacent calling to interLATA exchanges. The schedule strikes the proper balance between complying with the Commission's desire for expeditious treatment without ignoring the critical need to ensure service integrity. Implementation of local calling area expansion requires careful planning and execution because virtually every aspect of customer service is impacted, including network provisioning, customer fulfillment, customer notifications, directories, switch translations, customer billing, and other components. In order to ensure an orderly process to expedited implementation, Verizon proposes to convert intra and interLATA toll routes into LCPs in three (3) distinct "waves" as shown in Attachment 1:

- **Wave 1** – Includes 369 Verizon-to-Verizon intraLATA routes requiring only augments to existing facilities. All Wave 1 routes will be completed within the first 12 months of the plan effective date.
- **Wave 2** – Includes 329 Verizon-to-Ameritech/Other LEC intraLATA routes requiring augments to existing facilities. This wave does not require some relatively minor construction of new facilities. All Wave 2 routes will be completed within the first 15 months of the plan effective date.
- **Wave 3** – Includes 84 intraLATA and interLATA toll routes that require construction of a new cable route. All Wave 3 routes will be completed within 30 months of the plan effective date.

To make the process manageable, these waves will be implemented so that all routes within an NPA (area code) will be completed sequentially (e.g., all Wave 1 routes in the 616 NPA would be completed before converting any routes within the next NPA.)

Because it is most efficient and expedient to implement this plan in waves, customers in certain home exchanges will be "touched" more than once in the process. This means that customers could have two LCPs converted at one point in time and other LCPs converted at a later point in time. Only in very limited circumstances would customers in a given home exchange be touched three times. The Company will explain this to impacted customers through its customer notification process.

The Company projects it will spend approximately \$16.6M in capital and \$1.1M in expense to fully implement the local calling area expansion as summarized in Attachment 2. Most of the capital expenditures are required to build facilities for the 65 interLATA toll routes since this traffic is currently being carried over IXC facilities today. In addition, nineteen (19) intraLATA toll routes will require new facilities to meet the extra traffic demand caused by this plan. Expenses will be incurred to plan and provision network facilities, make switch translations (1+ dialing to 10 digit/7 digit dialing), update directories for the new local calling areas, notify customers, and convert customer billing records from toll to local. The detailed cost assumptions are included with the specific work steps associated with each department in Attachment 3.

Section 321 of the Michigan Telecommunications Act prohibits Verizon from

charging rates for basic local exchange service that are below the total service long run incremental costs ("TSLRIC") of providing the service. It is possible that a point will be reached during the implementation process where the significant additional costs to expand local calling areas will push the TSLRIC of Verizon's basic local exchange service below the rates Verizon charges.

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Finally, Attachment 3 details the specific work steps and assumptions each department will make to implement the local calling area expansion. In some cases (see Network Design), high-level assumptions had to be made in order to meet the filing date for the work plans. The reliance on these assumptions coupled with the complex, multi-functional nature of this project is somewhat balanced by the Company's implementation schedule which breaks down the implementation into more manageable waves. Verizon's proposed work plans and schedules are the best process to ensure timely implementation and service integrity.

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