

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Verizon North Inc.)
(f/k/a GTE North Incorporated) and)
Verizon South Inc.)
(f/k/a GTE South Incorporated)) Docket No. 00-0812
)
Petition Seeking Approval of Cost Studies for)
Unbundled Network Elements, Avoided)
Costs and Intrastate Switched Access Services)

DRAFT PROPOSED ORDER

B. Commission Analysis and Conclusion

The Commission is of the opinion that the UNE rates and resale discount proposed by Verizon and supported by Staff and the IRCA are supported by the record and should be approved with the modification of one issue. The evidence presented demonstrates that these rates are cost-based, just and reasonable. No party took the position that the proposed UNE rates and resale discount should be rejected. However, the Commission wants to remind all companies that one of the prime objectives of the Illinois Commerce Commission (ICC) is:

“Bridging the Digital Divide in Rural Illinois - Rural areas across the country have traditionally faced limited access to broadband services. The ultimate goal of the Illinois Commerce Commission is to support the deployment of high speed networks across Illinois to ensure that all Illinois residents, even in the most rural areas of the state, have access to broadband services. <http://www.icc.illinois.gov/tc/tcDDElim.aspx>”

The State has moved closer to the above goal through this proceeding using the current information of the record and implementing one of the two issues Marion asked us to consider and that this Staff supported. In each case the record demonstrates that Marion Telephone’s concerns

warrants the approval of the proposal before this Commission with the implementation of one adjustment below that will help in Bridging the Digital Divide in Rural Illinois .

First, Marion Telephone states that it is concerned with the number of rate centers in zone 2, and that this Commission should consider the effect on the public interest. This Commission considering the public interest, concludes that, as Verizon witness Wood stated, the number of exchanges in an area is not a meaningful determinant of the number of customers served under zone 1 - an access line analysis is more useful here. For example, Marion Telephone serves Southern Illinois, which is made up of LATA 362 and LATA 975, which has a large number of zone 2 Rate Centers in those LATAs. Mr. Keller testified that in Southern Illinois 49% of the Rate Centers in LATA 362 are zone 2, and 67% of the Rate Centers in LATA 978 are in zone 2. The above information could lead to a false conclusion under an exchange analysis leading to the misleading figures that over 50% of the Marion telephone business is in zone 2. However, under an access line analysis, in the 362 LATA, VZ has 168,550 access lines. 81.8% are in zone 1, the remaining 18.2% are in zone 2, and in the 975 LATA, Verizon has 68,452 lines - 74.14% of which are in zone 1, with the remaining 25.84% in zone 2.

This Commission agrees with Verizon, Staff and the IRCA that this result is reasonable and in the public interest.

Marion Telephone also expresses concern with the use of a 12,000 ft assumption for the loop length. The Commission paid great attention to Staff witness Koch's testimony that "the most appropriate network design option for Verizon is the 18,000 foot option and that the impact on UNE loop costs between these network design options is not significant. This single change could increase the number of rural households and businesses that can receive invaluable advanced services.

Finally, Mr. Wood testified that Verizon's model sets the copper loop length restriction at 12,000 feet based on the requirements for the provision of advanced services (such as xDSL) for most customers. He further testified that the 12,000 foot threshold for the placement of the first digital loop concentrator ("DLC") on a route is also needed to meet the transmission requirements for advanced services. Evidence has shown that most customers are serviced within 12,000 feet in zone 1 and that higher loop cost due to the much longer length is already built into the zone 2 loops. Therefore, it is in the public interest for this Commission to require 18,000 ft conditioned loops, because more people in both zone 1 and zone 2 would be able to receive invaluable advanced services than with the suggested 12,000 ft loop.

Accordingly, this Commission is of the opinion that loops and subloops in both zone 1 and zone 2 will be conditioned up to 18,000 as recommended by the Staff and Marion Telephone. This Commission also orders that the cost-based UNE rates and resale discount percentage proposed by Verizon and supported by Staff and the IRCA are just and reasonable and in the public interest with the addition of the one modifications above which should help foster the elimination of the digital divide in the most rural areas of Illinois.

Finally, while the record contains discussions of negotiations between the parties, the Commission is not adopting these rates as the product of a settlement or a stipulation. Rather the reasonableness of these rates is demonstrated by the ample record before the Commission. Accordingly, the rates set forth in Verizon's Schedule 1 with the addition of the commissions two modifications are hereby adopted as Verizon's UNE rates and resale discount rate.

III. FINDINGS AND ORDERING PARAGRAPHS

This Commission, having reviewed the record developed so far and being fully advised of the premises, is of the opinion and finds that:

- (1) Verizon North Inc. and Verizon South Inc. are telecommunications carriers as defined by the Illinois Public Utilities Act;
- (2) this Commission has jurisdiction over the parties and the subject matter of this proceeding pursuant to the Illinois Public Utilities Act;
- (3) on December 21, 2000 Verizon filed the instant Petition seeking approval of cost studies for Unbundled Network Elements avoided costs and intrastate access services; and
- (4) the UNE rates and resale discount percentage proposed by Verizon in Phases II and III of this proceeding (as set forth in Exhibit A, Attachment 1, Schedules 1 and 2) are based on the record in this proceeding and are just and reasonable.
- (5) the 14.5% wholesale avoided cost discount proposed in Mr. Wood's direct testimony is just and reasonable and shall be the resale discount for Verizon under the federal act.
- (6) the recitals of fact and conclusions of law reached in the prefatory portion of this Interim Order are supported by the evidence in the record and the law and are hereby adopted as findings of fact and law.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the UNE rates and resale discount percentage proposed by Verizon in Phases II and III of this proceeding (as set forth in Exhibit A, Attachment 1, Schedules 1 and 2) are just and reasonable and should become effective 90 days from the effective date of this Order.

IT IS FURTHER ORDERED that Verizon has complied with the directives set forth in of prior Commission Orders in Docket No. 98-0866 (merger conditions 20, 21 and 22) and Docket Nos. 97-0601, 97-0602 and 97-0516 (consol.) and no further action on the part of Verizon is required.

IT IS FURTHER ORDERED that any petitions, objections or motions made in this proceeding and not otherwise specifically disposed of herein are hereby disposed of in a manner consistent with the conclusions contained herein.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is not final; it is not subject to the Administrative Review Law.

DATED: December XX, 2005

Administrative Law Judge