

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: September 18, 2003
TO: Division of Competitive Markets and Enforcement (Cater)
FROM: Denise N. Vandiver; Division of Auditing and Safety
RE: Docket No. 030867-TL; Petition by Verizon Florida Inc. to reform intrastate network access and basic local telecommunications rates in accordance with Section 364.164, Florida Statutes; Audit Control No. 03-247-2-1

Attached is a memo addressing our review of the billing units in the docket referenced above. I am also sending the company a copy. If the company desires to file a response to the audit report, it should send the response to the Division of Commission Clerk and Administrative Services. There are confidential work papers associated with this audit.

Attachment

cc: Division of Auditing and Safety (Hoppe, Harvey, District Offices, File Folder)
Division of Commission Clerk and Administrative Services (2)
Office of General Counsel

Verizon Florida Inc.
Ms. Michelle A. Robinson
201 North Franklin Street, FLTC0616
Tampa, FL 33602-5182

DOCUMENT NUMBER-DATE

09001 SEP 19 8

FPSC-COMMISSION CLERK

MEMORANDUM

September 15, 2003

TO: DENISE VANDIVER, BUREAU CHIEF, BUREAU OF AUDITING, TALLAHASSEE

VIA: JOSEPH ROHRBACHER, REGUALTORY ANALYST SUPERVISOR, AUS, TAMPA

FROM: JOCELYN Y. STEPHENS, REGULATORY ANALYST, AUS, TAMPA

RE: VERIFICATION OF BILLING UNITS REPORTED BY VERIZON FLORIDA

Attached is the summary of the verification of billing units reported by Verizon Florida, Inc.

The verification process included both annualized billing units and billing usage for the period June 2002 through May 2003.

Errors were noted in the company's filed testimony (witness Fulp), Exhibits ODF-1. The impact of these errors to the Required Access Revenue Reduction is a reduction of \$1,091,791.

All of the information used to determine the above difference was requested confidential by the company.

If you have any questions regarding this audit, please contact me.

STEPS PERFORMED

Exhibit ODF-1

- 1) Verified usage units (for Per MOU, Per Month, Per MOU/Mile, Per Mile/Month) as applicable, for Interstate, Intrastate and PICC demand.
 - a) Traced all units to company provided (PBC) schedules detailing usage units and calculation of annualized amounts, for the period June 2002 to May 2003. These monthly schedules were extractions from the Carrier Access Billing System (CABS) using the SAP system (the function of which is to store data).
 - b) Recalculated annualized usage units for End Office Switching-Bundled (Interstate). This consisted of MOUs extracted from Bud Lines 1301 SwAcc P EOS IS/IL ORIG (Switched Access Premium End Office Switching Interstate/IntraLata Origination) and 1302 SwAcc P EOS IS/IL Term (Termination). These MOUs were used in the calculation of the Interstate Average Revenue for Rates per Minute (ARPM)
 - c) Recalculated annualized usage units for End Office Switching-Bundled)Intrastate. This consisted of MOUs extracted from Bud Lines 3301 SWAcc P EOS ST/IL ORIG (Switched Access Premium End Office Switching Intrastate/IntraLata Origination); 3302 SwAcc P EOS ST/IL Term; 4301 SwAcc P EOS ST/LT IXC Orig (Switched Access Premium End Office Switching Intrastate/IntraLata Interexchange Origination); and, 4302 SwAcc P EOS ST/LT IXC Term. These MOUs were used in the calculation of Intrastate ARPM and Presubscribed ILEC Charges (PICC) Equivalent ARPM.
- 2) Staff verified Interstate and Intrastate switched access rates using the Company's Tariff sheet in effect during the 12 month period June 02-May 03.
- 3) Recalculated Interstate, PICC and Intrastate Revenues using Usage units times applicable interstate and intrastate billing rates in effect for the period 6/02-5/03.
- 4) Recalculated company's computation for ATS ARPM, PICC Equivalent ARPM and Intrastate ARPM.
- 5) Recalculated company's computation for reduction in interstate access revenues.
- 6) Determined that switched access reductions proposed for year 1 and year 2 agree to total revenue reduction in 3 above.

Exhibit ODF-2

- 1) Verified Annualized units - Residential and Business used to calculate proposed increases in basic exchange access. The business and residential units were pulled using the SAP within the billing system.

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- 2) Traced basic local exchange service rates in effect for the 12 month period ending May 2003 using company tariff sheet.
- 3) Recalculated Annual Present and Annual Proposed (Year 1 and Year 2) Revenues for both Business and Residential Basic Exchange Access.

Testimony

Verified calculations used to produce the required access revenue reduction of \$76,819,250.

FINDINGS

Calculation of Interstate ATS ARPM

- 1) Per month usage of DS1 (of Dedicated Tandem Trunk Port) is understated by 90 units. The effect upon interstate revenue in computing the ARPM is \$537. *See pg. 3*

Calculation of Intrastate Rate Reduction (ARPM) to reach Interstate Composite

- 2) MOU for Tandem Switching Rate overstated by 2,000,000 units. Effect upon Intrastate Revenues is \$1,500 *See pg 3*
- 3) Each DS1 Per month DSI - Additional Systems (of Entrance Fac) is overstated by 99 units. Effect upon Revenues is \$12,870. *See pg. 3*

Calculation of PICC Equivalent ARPM

- 4) Per line, Per month demand for Multiline Business, ISDN - PRI and Centrex are understated by: 320,567; 950; and 141,045, respectively. Effect upon revenue is \$1,091,791.

See pg 5

The impact of the above findings on the computation of the ARPMs, used to compute the Required Access Revenue Reduction, is \$1,106,227 which represents 1.44% of the original Required Access Revenue Reduction.

See pg 4