

Decision 08-04-040 April 10, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for network Architecture Development of Dominant Carrier Networks.

Rulemaking 93-04-003
(Filed April 7, 1993)

Investigation on the Commission's Own Motion Into Open Access and Network Architecture Development of Dominant Carrier Networks.

Investigation 93-04-002
(Filed April 7, 1993)
(Verizon UNE Phase)

DECISION ADOPTING BILLING ADJUSTMENT PROCESS**1. Summary**

This decision resolves outstanding issues in this proceeding relating to the adjustment or "true-up" of interim unbundled network element (UNE) rates to permanent rate levels since permanent rates have been adopted for Verizon California Inc. (Verizon) in Decision (D.) 06-03-025.

This order lifts the stay of billing adjustments established through Ordering Paragraph 4 of D.06-03-025 and orders payment of billing adjustments as follows:

- Verizon and any Competitive Local Exchange Carrier (CLEC) whose cash or cash equivalents indicate it possesses cash at least 10 times the amount of its true-up debt shall pay its true-up obligations immediately, within 10 business days of this order.
- Any carrier that demonstrates to Verizon that it does not possess cash or cash equivalents at least 10 times the

amount of its true-up debt shall pay in equal installments over 12 months, subject to interest and late payment penalties.

- All billing disputes arising from payment of the true-up shall be handled through provisions in existing interconnection agreements (ICAs).

The issue of adopting a process for re-examination of UNE rates is deferred to a subsequent decision.

2. Background

In D.06-03-025, we established final unbundled network element (UNE) rates for Verizon. The rates adopted in D.06-03-025 replace interim rates adopted in D.03-03-033, and revised in D.05-01-057. Pursuant to Ordering Paragraph 4 of D.06-03-025, Verizon was ordered to calculate any billing adjustments owed to or by interconnecting carriers based on the modification of interim rates to the rates in D.06-03-025. However, the payment of any billing adjustments or “true-up” was stayed pending the outcome of further proceedings in this docket to consider payment options or other mitigations to lessen any negative effects of the true-up.

The assigned Administrative Law Judge (ALJ) held a Prehearing Conference on April 25, 2006, followed by a ruling on May 15, 2006 setting the scope and schedule for the proceeding. The scope was to include two issues: the true-up and a process for re-examining UNE rates in the future. In this phase, the Commission is considering the following issues relating to the true-up:

- 1) Verizon’s calculation of true-up amounts;
- 2) Whether payment of the true-up will have negative effects on the competitive local exchange market or constitute financial hardship for certain competitive local exchange carriers (CLECs); and

- 3) Whether the Commission should order mitigation, including but not limited to long-term payment options and interest limits, to alleviate possible negative effects of true-up payments.

The ruling also ordered interested parties to file comments on the process the Commission should use for future re-examination or adjustment of UNE rates adopted for Verizon and Pacific Bell Telephone Company (Pacific Bell now AT&T California [AT&T]). This decision focuses strictly on the true-up issue; the UNE re-examination process will be addressed in a subsequent Commission order.

On June 27, 2006, parties filed their true-up and rate re-examination proposals. Verizon also included a motion for leave to file under seal the CLEC-specific true-up proposal and a compact disc (CD) containing CLEC-specific detail.

3. Verizon's Calculation of True-up Amounts

Verizon indicates that it used a straightforward methodology to calculate the true-up. First, beginning March 13, 2003, all data were tracked by Verizon's billing and accounting systems in accordance with D.03-03-033, the 2003 Interim Order. All data gathered from that date through the effective date of D.06-03-025 were compiled and utilized in the true-up progress.

Verizon then eliminated consideration of CLECs for whom commercial agreements or other UNE or enterprise arrangements were in place during the true-up period; these carriers were subject to negotiated terms for which true-up is not appropriate. Carriers whose bankruptcy filings made them ineligible for true-up were similarly removed.

Verizon then indicates that it used three-month commercial paper rates for interest-calculation purposes in accordance with D.03-03-033, and then prepared

CLEC-specific estimates in Excel format. Those estimates were served on each CLEC in conjunction with its filing.

Each of the steps set out in the general methodology also applied for switching, but one additional conversion was required for the more sophisticated task of reconciling D.06-03-025, Appendix A with the interim, billed tandem switching rates. This is because the prescribed UNE tandem switching rates contain different rate elements than those utilized in earlier Commission orders.

Specifically, the decision sets forth switching rates for tandem switching that contains:

- (1) a set-up per message charge; and
- (2) a holding time per minute of use (MOU) charge.

According to Verizon, earlier Commission rulings used a single per-MOU-based rate for tandem switching. For this reason, Verizon appropriately tracked MOUs and does not have call detail available to apply the ordered rate structure to historical data.

To arrive at an appropriate true-up, Verizon converted the switching rate structure of the decision into a per-MOU structure, assuming a 3.95 minute average call holding time to calculate a single per-MOU rate for tandem switching.

Appendix A

<u>Tandem Switching</u>		Divided by Average Hold Time	
Set Up Per message	0.000217	/3.95	0.000055
Holding Time per MOU	0.000309		<u>0.000309</u>
			0.000364 per MOU

This per-MOU figure was then used to calculate the true-up.

Two parties submitted comments on Verizon's true-up proposal. Covad Communications Company (Covad) indicates that it has reviewed Verizon's proposed UNE true-up calculations, and after reviewing additional clarifying information, Covad does not object to the amount proposed by Verizon as the appropriate amount of monies owed Verizon as a result of implementing D.06-03-025.¹

In footnote 1 above, we cited Covad's concern expressed in mid-2006 that Verizon had not implemented the rates established by the Commission in a timely fashion. Since several months had passed since Covad made its filing and we had heard nothing further about this issue, we assumed that Verizon had updated its rates to reflect those we adopted in D.06-03-025. Three parties — CALTEL, XO Communications Services, Inc. (XO), and AT&T — all stated that the Commission's assumption is not correct. According to XO, Verizon should have no objection to the Commission's modifying the PD to require Verizon, to the extent it has not already done so, to implement D.06-03-025 (as clarified by D.07-10-033) and begin charging CLECs the UNE rates adopted therein. We agree and have added a conclusion of law and an ordering paragraph to this

¹ While Covad did not dispute the true-up amounts, it expressed concern about Verizon's implementation of all rates established in D.06-03-025 and requests the Commission's assistance in assuring that Verizon timely and simultaneously implement all rates established in that order. Covad indicates that the Commission's decision actually reduced certain DS1 loop rates and also revised zones, so that many of Covad's loops are now moved to Zone 1. Those rates were effective March 15, 2006, but as of the date of Covad's filing (July 28, 2006), Verizon had not implemented the rates established by the Commission. Several months have passed since Covad made its filing, and since we have heard nothing further about this issue, we assume that Verizon has updated its rates to reflect those we adopted in D.06-03-025.

effect to ensure that there is no further delay on the part of Verizon in actually charging the prices ordered by the Commission.

In their comments on the Proposed Decision (PD), CALTEL, XO and AT&T each propose that the Commission adopt an order that addresses not only the true-up adjustment for interim rates that were in effective March 13, 2003 to March 14, 2006 but also for the retroactive rate adjustment for March 15, 2006 to March 1, 2008 (retroactive period) when Verizon began billing the final rates adopted in D.07-10-033. Verizon opposes the CLECs' proposal to merge the two billing adjustments because the two adjustments are different in scope and applicability. According to Verizon, any effort to combine them would significantly complicate the process and potentially delay completion. Verizon points out that the history of this phase of the proceeding relates solely to the interim period true-up adjustment.

In contrast, the retroactive period adjustment encompasses a different, broader group of UNE product sets that may involve a different group of CLECs. Carriers may be billed for their different product sets in different bills or in multiple bill cycles, pursuant to the terms of their ICAs, so there may be no single bill on which to combine or net both adjustments as the CLECs propose. Verizon indicates that it has already initiated efforts to issue mechanized adjustments for the retroactive period by June 2008 as a normal course of doing business. We agree with Verizon that it would complicate matters to combine the true-up adjustments for interim rates with the retroactive rate adjustment. However, we are concerned that Verizon complete the retroactive rate adjustment process in an expeditious fashion. In order to see that Verizon stays on track to complete the process by June, we will order that the retroactive rate adjustments be completed by June 30, 2008.

A second CLEC, Telscape Communications, Inc. (Telscape) filed comments on Verizon's true-up proposal. Telscape asserts that true-ups of unbundled basic two-wire loop charges should be based on an apples-to-apples comparison of the new rates and the rates that were paid by CLECs. Before D.06-03-025, Verizon's interim rates for basic two-wire loops were differentiated into two geographic zones, whereas, by contrast, D.06-03-025 adopts four new geographic pricing zones.

Telscape suggests that this could result in overly-hard true-up obligations for CLECs. Telscape gives the example that if it had a very small number of customers in areas that are now considered to be Zone 2 or Zone 3, it could result in over \$1 million in true-up liability if the loops that Telscape leased from Verizon were re-rated at the new prices on a zone-by-zone basis. Telscape states that this unfair result would not occur if true-up amounts were calculated using the same two geographic pricing zones that applied when the loops were leased. Therefore, Telscape proposes to calculate the true-up using the same two geographic pricing zones that applied when the loops were leased.

On June 28, 2006, Telscape filed an errata to its true-up proposal saying that Telscape made a serious error in calculating its potential true-up obligation stemming from adoption of new UNE prices for Verizon. Telscape failed to account for the refunding of usage-based local switching charges and excess loop charges. With the correction of this error, it appears that Telscape would have no true-up obligation, and would actually be entitled to a net refund from Verizon. Notwithstanding that error, Telscape asserts that there continues to be a substantial mismatch between the new four-zone geographic deaveraging scheme and the old two-zone scheme and urges the Commission to adopt its proposal that the rates be trued-up against two zones.

We concur with Verizon that Telscape was aware that the prices were interim and subject to potential true-up. Moreover, Telscape made its business decisions based on the best information available at the time: UNE loop prices established by the Commission specifically for the purpose of enabling CLECs to offer competitive choices to end users in Verizon territory. CLECs were aware that prices were going to need to be true-up, and they were also aware that the Federal Communications Commission's (FCC) rules required that loop prices were to be geographically deaveraged into at least three zones. Therefore, Telscape had no expectation that this Commission would adopt only two geographic zones and, indeed, we adopted prices for loops, which are deaveraged into four zones, which is in compliance with the FCC's dictate.

We reject Telscape's request. The true-up must be against the actual rates and rate structure adopted by the Commission. In any event, Telscape acknowledges that it has no true-up obligation even if its proposal is rejected. Instead, Telscape would be entitled to a refund from Verizon. No other party raised this issue, or any other issues relating to Verizon's calculation of the true-up amounts. Also, Verizon presents convincing evidence that it needed to adjust the adopted rate for tandem switching in order to true-up the rates, and no party objected to Verizon's modification of tandem switching rates. In conclusion, we find that the true-up calculations submitted by Verizon should be approved.

4. Does the True-up Process Constitute Financial Hardship for Certain CLECs? Should the Commission Order Mitigation to Alleviate Possible Negative Effects of True-up Payments?

According to Verizon, in accordance with the Commission's orders and the terms of their interconnection agreements (ICAs), carriers should be required to pay any true-up amounts due to Verizon by the due date of the first Verizon bill that sets out the true-up amounts. Verizon states that since 2003, carriers

have known that the Commission's orders and their ICAs will require an adjustment and true-up of the Commission-ordered interim UNE rates when the Commission adopts final UNE rates.

However, Verizon notes that in its opinion resolving billing adjustment issues in the true-up phase of the Pacific Bell case, Docket A.01-02-024 et al., D.05-03-026, the Commission directed that carriers whose cash or cash equivalents indicated they possess cash at least 10 times the amount of their true-up were to make immediate payment, while all others were given 12 months, subject to interest and late payment penalties. While Verizon finds this a reasonable approach, it asserts that the methodology unfairly presumed that only companies AT&T was able to identify as meeting that standard were required to immediately satisfy their obligations, while all others were given 12-month terms as a matter of course.

According to Verizon, an approach which mandates not only that Verizon calculate the debts of its competitors, but also independently determine their ability to satisfy them is inappropriate. Many of the CLECs at issue are privately held and therefore do not publicly release data regarding their cash holdings. Also, all of them are in a far better position to determine their ability to satisfy lawful debts than outsiders, including both Verizon and the Commission.

Assuming that the Commission sees merit in the 10:1 ratio, Verizon proposes the following process by which carriers may self-identify for payment terms other than those specified in their ICAs:

- (1) Within 15 days of issuance of the final order in this proceeding finalizing the true-up amount for any carriers, a carrier who demonstrates (a) average cash and/or cash equivalents over the prior 12 months less than ten times the amount of the true-up amount, including interest to the time of the order, and (b) no accrued reserve for this true-up liability, may file a notice with

the Commission, authenticated by an officer of the carrier and including as an exhibit financial statements (which need not be audited) reflecting cash and cash equivalents for the prior 12 months. Such notice need only be served on Verizon.

- (2) Within 5 days of receipt of such notice, Verizon will identify any carrier whom it believes has not met its burden; if it chooses to contest such notice, the parties will use the dispute resolution procedures set forth in the relevant ICA, with the exception that all costs will be borne by the losing party, and
 - (a) if the competitor's notice is found valid, its interest obligation will be suspended from the date of the decision; but
 - (2) if its notice is found invalid, its payment shall be deemed overdue and subject to late payment penalties from the date of the decision. If Verizon has no objection with respect to a carrier's notice, it will implement the 12-month payment plan for that carrier.
- (3) As with the Pacific Bell proceeding, all credits and debits from the same carrier, or from carriers with common parent corporations, should be determined before the net amount is billed, and services or payments that were arranged outside the scope of this proceeding are not subject to the present order or its notice obligations.

According to Verizon, this process removes Verizon from determining both the cash position and the business judgment of its competitors, and respects the privacy of the ICA between the parties.

Telscape notes that in past instances where changes in regulation or unanticipated circumstances would result in potentially harmful impacts on telecommunications carriers or their customers, the Commission has allowed or adopted extensive mitigation measures. This is especially true of small CLECs such as Telscape that focus on the provision of service to residential customers. Telscape points out that while those CLECs have regulatory freedom to increase prices upon appropriate notice to the Commission and their customers, the realities of the marketplace place substantial restrictions on the extent to which

CLECs can actually exercise this freedom. CLECs seeking to impose higher rates to cover increased costs are confronted by significant customer sensitivity to price changes and customers who have a far greater tendency to switch carriers than is typical of ILEC customers. As a result, the Commission cannot simply assume that CLECs have the ability to respond to unexpected, radical changes in regulated prices, especially on a retroactive basis. Instead, the Commission must recognize that imposition of true-up obligations may result in severe hardship in some instances and, for that reason, put in place a mechanism that allows true-up obligations to be paid over a reasonable period of time.

Telscape believes that the one-year installment payment plan adopted by D.05-03-026 for the purpose of truing up the UNE rates of Pacific Bell would be appropriate. As in that case, such installment payment plan should be available to any CLEC that does not possess cash equal to or greater than 10 times its true-up obligation.

Clearly, there is a need for mitigation measures to ensure that smaller CLECs are able to meet their obligations to Verizon by giving them time to integrate these costs into their operations. No party has opposed the installment payment plan outlined by Verizon, namely the installment plan will be available to any CLEC that does not possess cash equal to or greater than 10 times its true-up obligation. Verizon or any CLEC that does possess cash equal to or greater than 10 times its true-up obligation is not entitled to installment payments. This is the same plan adopted for Pacific Bell in D.05-03-026.

The only difference is that in the Pacific Bell proceeding, there was information on the record as to which CLECs possessed cash equal to or greater than 10 times their true-up obligation, while we do not have that information before us in the Verizon proceeding. Verizon has presented a proposed plan,

and no party has objected to the specifics of Verizon's plan. However, as part of the process, any CLEC that wishes to prove that it does not have cash equal to or greater than 10 times its true-up obligation, must present information to the Commission and to Verizon. Verizon does not explain the Commission's role in this process, since it is Verizon that must review the CLEC's financial information and make a determination, and we do not see a need for the Commission to be involved in the true-up process. Therefore, we adopt Verizon's proposed process, with the exception of that portion which calls for providing the financial information to the Commission.

As was the case with the Pacific Bell proceeding, the Commission will defer to the parties' ICAs to settle any disputes relating to the billing and payment of true-up amounts.

For all carriers that do not meet the cash standard, we find that 12 months is a reasonable time period for true-up payment. We will require carriers to pay in 12 equal installments because this is an obligation that carriers have anticipated and they should work to gradually decrease it rather than defer it. A 12-month payment period should mitigate competitive harm to smaller carriers by giving them time to integrate these costs into their operations. During the 12-month period, the unpaid balance will continue to accrue interest at the three-month commercial paper rate and carriers should pay any late fees if they fail to make a timely installment during the 12-month deferral period.

5. Motion to Issue Ruling directing Parties to Commence Immediate True-up Process

On February 5, 2008, California Association of Competitive Telecommunications Companies (CALTEL) filed a motion asking the Commission to issue a ruling directing the parties to commence immediate true-up. CALTEL points out that the Commission established permanent UNE

rates for Verizon which were effective March 15, 2006. In its order, the Commission recognized that true-ups would be necessary to address the difference between the interim rates charged by Verizon and the permanent rates. In instances in which the permanent rates are lower than the interim rates, refunds are due to the CLECs that purchased UNEs. In instances in which the permanent rates are higher than the interim rates, additional payments are due to Verizon. Verizon was directed to calculate billing adjustments owed to, or by, CLECs within 90 days, though commencement of the true-up process was temporarily stayed to allow time for examination of payment options and possible mitigations to minimize financial hardship of the true-up on the CLECs.

CALTEL notes that all issues regarding the true-up process were fully briefed in the summer of 2006, yet no decision was ever issued. CALTEL submits that a Proposed Decision (PD) is not necessary. During the comment cycle, the only CLEC that filed comments requesting mitigation measures for true-up amounts owed to Verizon was Telscape. CALTEL states that it has consulted with Telscape and concludes that its concern may no longer exist. Furthermore, CALTEL asserts that the Commission can provide a mechanism for a carrier to obtain the Commission's assistance if it is unable to reach agreement on payment terms with Verizon. Given the limited scope and lack of material dispute, CALTEL states that the true-up issue can be easily addressed in an immediate procedural ruling, rather than a PD. CALTEL submits that it is unreasonable for the Commission to continue to delay thousands of dollars in refunds for numerous other CLECs on the basis of this single procedural issue.

After finalizing its calculations, Verizon concluded that "competitive carriers are, by far, net recipients of true-up recoveries not net payers." While CALTEL does not wish to minimize the financial impact of the true-up on "net

payer” CLECs, the majority of current CALTEL members are owed refunds. CALTEL concludes that its members have been harmed and continue to be harmed by the inability to access funds owed to them. CALTEL asks the Commission to issue a ruling within 30 days directing parties immediately to commence the true-up process and to provide an expedited process of Commission resolution of disputes over amounts or payment terms.

AT&T filed in support of CALTEL’s motion. AT&T indicates that it operates as a CLEC in Verizon’s territory and in that capacity is owed a significant true-up amount by Verizon. AT&T requests that the Commission promptly issue a decision resolving any outstanding true-up issues and order Verizon to make true-up payments in a timely manner.

Verizon indicates that, by and large, it concurs in CALTEL’s request for a prompt resolution of this long-pending phase of the proceeding, but takes issue with the relief requested in CALTEL’s motion. Verizon notes that Telscape filed an alternative proposal for a true-up of deaveraged loop prices. Unless Telscape wishes to formally withdraw this proposal, Verizon believes that some disputed issues remain for Commission ruling, and these are better suited to resolution in a PD rather than a procedural ruling.

We concur with Verizon’s statement that the Telscape proposal is still before us, and are not convinced by CALTEL’s comment that it has spoken with Telscape and the reason for its concern “may no longer exist.” Telscape’s rebuttal comments filed on August 15, 2006, reiterated Telscape’s original proposal to calculate the true-up using the same geographic pricing zones that applied when the loops were leased. Since Telscape did not file anything with the Commission to withdraw its prior proposal, its original comments stand and must be considered a valid proposal for how the true-up should be handled.

That said, in light of various parties' comments on the urgency of getting this done, we have moved to get a PD out for comments within 30 days of CALTEL's request.

We agree with Verizon that a PD is necessary to resolve the disputed issues in this case. CALTEL's request for an immediate "procedural ruling" is not appropriate. CALTEL's motion to issue a ruling directing parties to commence an immediate true-up process is granted in part and rejected in part. The motion is granted, in that we are moving forward to resolve the true-up issue, but CALTEL's request that we issue a procedural ruling rather than a PD is rejected.

Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 24, 2008, by Verizon, XO, AT&T, and CALTEL, and Reply Comments on April 1, 2008 by Verizon. Those comments have been taken into account, as appropriate, in finalizing this order.

Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Dorothy Duda is the assigned ALJ in this proceeding.

Findings of Fact

1. Telscape was aware that the prices were interim and subject to potential true-up.
2. CLECs were aware that the FCC's rules required that loop prices were to be geographically deaveraged into at least three zones.

3. Telscape acknowledges that it has no true-up obligation even if its proposal is rejected. Instead, Telscape would be entitled to a refund from Verizon.

4. Verizon presents convincing evidence that it needed to adjust the adopted rate for tandem switching in order to true-up the rates, and no party objected to Verizon's modification of tandem switching rates.

5. No party has opposed the installment payment plan outlined by Verizon, namely the installment plan will be available to any CLEC that does not possess cash equal to or greater than 10 times its true-up obligation.

6. Verizon or any CLEC that does possess cash equal to or greater than 10 times its true-up obligation, is not entitled to installment payments.

7. There is a need for mitigation measures to ensure that smaller CLECs are able to meet their obligations to Verizon.

8. For all carriers that do not meet the cash standard, 12 months is a reasonable time period for true-up payments.

9. A 12-month payment period should mitigate competitive harm to smaller carriers by giving them time to integrate these costs into their operations.

Conclusions of Law

1. Verizon should be required, to the extent that it has not already begun doing so, to charge CLECs the UNE prices adopted in D.06-03-025, as clarified in D.07-10-033, as soon as possible, and in any event by not later than five days after the effective date of this decision.

2. The loop prices adopted by the Commission, which were deaveraged into four geographic zones, are in compliance with the FCC's rules.

3. The true-up amounts submitted by Verizon as Confidential Exhibit A of its June 27, 2006 UNE true-up proposal are reasonable and should be adopted.

4. Verizon's proposed payment process is fair and should be adopted, as described in this order.

5. Telscape's rebuttal comments filed on August 15, 2006, which reiterated Telscape's original proposal to calculate the true-up using the same geographic pricing zones that applied when the loops were leased, are still before the Commission.

6. A PD is necessary to resolve the disputed issues in this case.

7. The Commission should grant the confidentiality request relating to the individual carriers' true-up debts.

8. CALTEL's motion asking the Commission to issue a ruling directing parties to commence immediate true-up process is granted in part, and rejected in part, as described in this order.

O R D E R

IT IS ORDERED that:

1. The stay ordered in Decision 06-03-025 of billing adjustments related to the adoption of permanent unbundled network element (UNE) rates for Verizon California Inc. (Verizon) is lifted and Verizon and any Competitive Local Exchange Carrier (CLEC) with average cash and/or cash equivalents over the prior 12 months at least 10 times the amount of their true-up commitment shall make immediate payment, within 10 business days of the effective date of this order.

2. Within 10 business days of the effective date of this order, a carrier who believes that its average cash and/or cash equivalents over the prior 12 months is less than 10 times the amount of its true-up amount, shall serve notice on Verizon. Such notice, which shall be served on Verizon's counsel assigned to

this proceeding: Elaine M. Duncan, 711 Van Ness Avenue, Suite 300, San Francisco, CA 94102, elaine.duncan@verizon.com, shall be authenticated by an officer of the carrier and include financial statements (which need not be audited) reflecting cash and cash equivalents for the prior 12 months.

3. Pursuant to the terms of Ordering Paragraph 2 above, Verizon shall determine which carriers have met their burden within five business days of receipt of the carrier's notice. Any carrier which demonstrates average cash and/or cash equivalents over the prior 12 months less than 10 times the amount of the true-up amount, including interest to the time of the order and with no accrued reserve for this true-up liability, may elect the 12-month payment plan described in this order.

4. During the 12-month period, the unpaid balance will continue to accrue interest at the three-month commercial paper rate and carriers shall pay any late fees if they fail to make a timely installment during the 12-month deferral period.

5. If Verizon identifies a carrier whom it believes has not met its burden, that carrier shall use the dispute resolution procedures set forth in the relevant interconnection agreement if it chooses to dispute Verizon's decision.

6. The June 27, 2006 motion of Verizon to file information under seal is granted for two years from the date of this order. During that period, the information shall not be made accessible or disclosed to anyone other than the Commission staff except upon execution of an appropriate non-disclosure agreement with Verizon, or on the further order or ruling of the Commission, the assigned Commissioner, the assigned ALJ, or the ALJ then designated as Law and Motion Judge.

7. If Verizon or any of the carriers listed on Exhibit A believes that further protection of the information filed under seal is needed, they may file a motion

stating the justification for further withholding of the information from public inspection, or for such other relief as the Commission rules may then provide. This motion shall be filed no later than one month before the expiration date of today's protective order.

8. The February 5, 2008 motion of California Association of Competitive Telecommunications Companies is adopted in part and rejected in part, as described in this order.

9. Within three days of the date of issuance of this order by any medium, Verizon shall serve a date-stamped copy of this decision upon each of the Competitive Local Exchange Carriers to whom or from whom a true-up obligation exists, along with an updated calculation (including interest) of the true-up amount for that carrier.

10. To the extent that it has not already begun doing so, Verizon shall charge CLECs the UNE prices adopted in D.06-03-025, as clarified in D.07-10-033, no later than five days after the effective date of this decision.

11. Verizon shall complete the retroactive rate adjustments for all CLECs for the period March 15, 2006 to March 1, 2008 by June 30, 2008.

This order is effective today.

Dated April 10, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners