

1 **Q. How does Staff propose that wirecenter costs be deaveraged into zones?**

2 A. Staff proposes to continue using the five zone method that the Commission
3 adopted in Phase 3 of Docket UT-960369. In the testimony filed last June, Staff
4 used an AT&T optimization program to develop zone costs. Since that time,
5 Staff has developed its own optimization program based on minimizing the sum
6 of squared error. Supporting testimony for the new optimization program will
7 be provided by staff witness Dr. Blackmon in the Qwest deaveraging testimony
8 due February 7, 2004. The program used to develop the zones is included in
9 Ex._TLS-7, the Staff revised workpapers exhibit.

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11 **Q. What are the proposed statewide average and zone rates for 2-wire analog**
12 **loops?**

13 A. The deaveraged zone loop rates for Verizon, are as follows:

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
Verizon	\$11.41	\$18.38	\$39.44	\$80.77	\$157.69

16 Revised Exhibit__(TLS-9) shows the wirecenter assignments to each zone. The
17 statewide average 2-wire analog loop costs is estimated to be \$16.30 for Verizon.
18 If the cost of equity is increased by one percent, the statewide average loop rate
19 would increase to \$16.75, and if the cost of equity is increased two percent, the

1 statewide average loop rate would increase to \$17.20. The supporting
2 calculations are found in file Vz_calcs_rev.xls under tabs "ave.loop cost" and
3 "5_zones" in the staff workpapers CD-ROM.

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5 **Q. What are your proposed zone rates for 4-wire analog loops?**

6 A. I developed the 4-wire loop rates using the 1.50 factor for Verizon that the
7 Commission ordered in Docket UT-960369, which are as follows:

	Zone 1	Zone 2	Zone 3	Zone4	Zone 5
Verizon	\$17.11	\$27.57	\$59.16	\$121.15	\$236.53

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11 **Q. What rates do you propose for non-loaded loops?**

12 A. The non-loaded loop rates are shown as follows:

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
Verizon	\$6.43	\$12.74	\$31.11	\$65.40	\$134.23

15 The supporting calculations are found in file Vz_calcs_rev.xls under tab
16 "NL_loops" in the staff workpapers CD-ROM.

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18 **Q. What ratios do you propose for sub-loop elements?**

19 A. The Verizon feeder and distribution ratios are shown as follows:

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Verizon

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
Feeder	.379	.341	.403	.477	.565
Distribution	.621	.659	.597	.523	.435

The supporting calculations are found in file Vz_calcs_rev.xls under tab "subloops" in the staff workpapers CD-ROM.

Q. What rates do you propose for ports with local switching?

A. The proposed rates for ports including flat-rated local switching are as follows:

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
Verizon	\$2.86	\$3.43	\$5.20	\$10.75	\$9.39

The tariffed port rate is currently \$1.34 for both Qwest and Verizon. The reason for the increase in the port rate between this study and prior studies is that flat-rated usage is now included in the port rate in the HAI 5.3 model. This change to the model is consistent with prior Staff testimony in the pricing phase of the earlier generic proceeding and is consistent with the Commission's Seventeenth Supplemental Order in Docket UT-960369 et al., where the Commission stated: "The Commission prefers a capacity-charge concept because it better reflects the

1 cost structure of the telecommunications network." *In the Matter of the Pricing*
2 *Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and*
3 *Resale*, Docket Nos. UT-960369 et al., Eighth Supplemental Order, at 5 (Aug. 30,
4 1999). Staff recommends the Commission adopt the port charges that include a
5 flat-rated usage charge. In addition, as can be seen from the rate spread between
6 zones, there are material differences in costs between zones. Therefore, I also
7 propose that the combined port and switching rate element be deaveraged into
8 five zones. The supporting calculations are found in file Vz_calcs_rev.xls under
9 tab "port_sw_cost" in the staff workpapers CD-ROM.

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11 **Q. What rates do you propose for the NID?**

12 A. The monthly rate for the NID is \$.40 for Verizon. The supporting calculations are
13 found in file Vz_calcs_rev.xls under tab "NID" in the staff workpapers CD-ROM.

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15 **Q. Is Staff also proposing additional wirecenter deaveraging?**

16 A. Yes, Staff is proposing that certain wirecenters exhibiting a strong core-fringe
17 cost relationship be further deaveraged into a core and fringe zone scheme rather than
18 the entire wirecenter being assigned to a single zone. The genesis for this proposal is a
19 Petition that was filed with the WUTC by Fairpoint.