Q. **PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS**.

A. My name is Thomas L. Spinks. I am employed by the Washington Utilities and Transportation Commission. My business address is P.O. Box 47250, Olympia, Washington, 98504.

Q. **IN WHAT CAPACITY ARE YOU EMPLOYED?**

A. I am employed as a Telecommunications Industry Expert.

Q. **HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PHASE OF THE PROCEEDING?**

A. Yes. I submitted direct testimony on deaveraging in December, 1999.

Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY AT THIS TIME?**

A. The purpose of my testimony is to present additional calculations of deaveraged loop rates for U S WEST and GTE-NW and to comment on the proposals of other parties.

Q. **WHAT ADDITIONS ARE YOU MAKING TO STAFF'S PROPOSALS?**

A. In my direct testimony filed in December, 1999, staff proposed flat and distance sensitive unbundled loop rates using four density zones for U S WEST and five zones for GTE-NW. Given that all other parties filing proposals in December proposed using only three zones, in this testimony I am providing unbundled loop estimates on a three zone basis for comparison purposes. In addition, I am providing unbundled loop rates for the

same zones as originally proposed by staff but substituting in the HAI 3.1 cost estimates that were provided by AT&T. The three zone estimates in this testimony also show loop rates using both HAI 3.1 and HAI 5.0(a) loop cost estimates. The cost estimates for the additional options are shown in Exhibits TLS-4 through TLS-7.

Q. **WHAT CONCERNS DOES STAFF HAVE WITH THE PROPOSALS OF OTHER PARTIES?**

A. Staff has several major concerns with the proposals as summarized below.

1. The AT&T proposal to define zones by cost group and the U S WEST proposal to define zones on the basis of "community of interest" are problematic.

2. The proprietary cost models used by U S WEST and GTE-NW to develop deaveraged estimates do not appear to be well suited for geographic deaveraging.

3. The AT&T proposal for a single statewide loop rate would create cost recovery problems for ILECs.

Q. **PLEASE EXPLAIN STAFF'S CONCERN WITH THE WAY AT&T AND U S WEST HAVE DEFINED DEAVERAGED ZONES**.

A. The basic problem with the way U S WEST and AT&T have defined zones is the amount of judgment that must be used to determine which wire centers or exchanges to include to make up a distinct zone. U S WEST includes exchanges with diverse geographic cost characteristics in zones intended for exchanges with like geographic cost characteristics (i.e., high cost rural exchanges). The company includes exchanges like Enumclaw,

Graham, and Roy in zone 1, as well as Seattle and Spokane. Including both high and low cost exchanges in the same zone results in higher costs to CLECs than they would otherwise pay if the exchange were assigned to zones based on density. In addition, while Seattle and Spokane are acknowledged to be major metropolitan areas in their respective areas of the state, there are even significant differences between them in both the loop density and loop cost. Certainly some wire center loop cost averaging can occur within the deaveraged zones. Staff included some high cost smaller wire centers in with larger low cost wire centers but only because they are both part of the same exchange. However, in U S WEST's case, some one-third of the access lines in the company's small and very small wire centers are assigned to zone 1.

Additionally, staff has problems with how AT&T selected zones and AT&T's use of wire centers as the unit for aggregating costs rather than exchanges. AT&T selected zones by simply choosing cutoff points, $16 and $32, without reference to any external indicator of geographic characteristics such as density. This method allows the user to determine a price target by simply varying the cutoff point. In staff's view the method is more akin to pure rate deaveraging than the geographic rate deaveraging required by FCC rules.

Second, using wire centers as the geographic loop cost unit results in loops within exchanges such as Seattle and Tacoma having different rates. Staff believes such a proposal is more difficult to administer and implement than proposals which use existing exchanges.

Q. **PLEASE EXPLAIN STAFF'S CONCERN WITH THE GTE AND U S WEST COST ESTIMATES.**

A. Staff's primary concern with the estimates of GTE-NW and U S WEST is that they are calculated using the companies' proprietary cost models. The proprietary cost models do not use detailed geographic information on wire center and customer location relationships in developing loop investments and, therefore, cannot produce accurate cost estimates for specific wire centers. Since wire centers are the basic geographic unit used to create the zones, the decision to use a model that does not estimate wire center specific cost can lead to inaccurate estimates of loop costs between zones. To demonstrate the differences between the models, staff calculated loop costs for U S WEST and GTE-NW's proposed zones using the same wire centers and line counts the companies used but substituting in the AT&T HAI model wire center loop costs. The results are shown in the table below.

| | **USWC** | | **GTE-NW** | |
|---|---|---|---|---|
| Zone | RLCAP | HAI | CostMod | HAI |
| 1 | $16.74 | $15.21 | $22.60 | $13.62 |
| 2 | $17.54 | $17.31 | $22.18 | $26.72 |
| 3 | $27.82 | $40.89 | $30.09 | $60.12 |

The difference between the HAI and company cost models is striking given that the same wire centers are included in each zone and both sets of estimates produce statewide average loop costs of $18.16 and $23.94, respectively. The table clearly shows the differences in loop cost that result from the choice of model used to produce the cost

estimates. Staff recommends the Commission use the relatively more accurate wire center cost estimates produced by the proxy cost models.

Q. **WHAT IS STAFF'S CONCERN WITH AT&T'S PROPOSAL FOR A SINGLE STATEWIDE LOOP RATE?**

A. AT&T proposes a single unbundled loop rate for each zone based on the combined costs of U S WEST and GTE-NW. However, U S WEST and GTE-NW do not have same costs in each density zone. The company with the higher cost in a density zone would not have the opportunity to recover its unbundled loop costs while the company with the lower cost would have the opportunity to over-recover its loop cost. For that reason, the Commission should reject the proposal.

Q. **DOES THIS COMPLETE YOUR TESTIMONY?**

A. Yes.