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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

2 COMMISSION

3 In the Matter of the Review of)
4 Unbundled Loop and Switching) DOCKET NO. UT-023003
5 Rates and Review of the) Volume III
Deaveraged Zone Rate Structure.) Pages 115 - 204
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7 A prehearing conference in the above matter
8 was held on October 16, 2002, at 1:40 p.m., at 1300
9 South Evergreen Park Drive Southwest, Olympia,
10 Washington, before Administrative Law Judges LARRY BERG
11 and THEODORA MACE.

12 The parties were present as follows:

13 THE WASHINGTON UTILITIES AND TRANSPORTATION
14 COMMISSION, by SHANNON E. SMITH, Assistant Attorney
General, 1400 South Evergreen Park Drive Southwest,
Post Office Box 40128, Olympia, Washington 98504.
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16 QWEST CORPORATION, INC., by LISA A. ANDERL
and ADAM L. SHERR, Attorneys at Law, 1600 Seventh
Avenue, Suite 3206, Seattle, Washington 98191.
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18 AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST,
INC., XO WASHINGTON, INC., and PAC-WEST TELECOMM, INC.,
by GREGORY J. KOPTA, Attorney at Law, Davis Wright
Tremaine, LLP, 1501 Fourth Avenue, Suite 2600, Seattle,
Washington 98101.
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21 VERIZON NORTHWEST, INC., by JEFF EDWARDS and
MEREDITH MILES (via bridge line), Attorneys at Law,
Hunton and Williams, 951 East Byrd Street, Richmond,
Virginia 23219.
23

24 Kathryn T. Wilson, CCR
25 Court Reporter

0116

1 WORLDCOM, INC., by MICHEL SINGER NELSON (via
bridge line), Senior Attorney, 707 17th Street, Suite
2 4200, Denver, Colorado 80202.

3 ESCHELON TELECOM OF WASHINGTON, INC., by
DENNIS D. AHLERS (via bridge line), Senior Attorney,
4 730 Second Avenue South, Suite 1200, Minneapolis,
Minnesota 55402.

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6 COVAD COMMUNICATIONS COMPANY, by K. MEGAN
DOBERNECK (via bridge line), Senior Counsel, 7901 Lowry
Boulevard, Denver, Colorado 80230

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8 TRACER, by LISA F. RACKNER (via bridge line),
Attorney at Law, Ater Wynne, LLP, 222 Southwest
Columbia, Suite 1800, Portland, Oregon 97201.

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10 ALLEGIANCE TELECOM OF WASHINGTON, INC., by
DALE DIXON (via bridge line), Attorney at Law, Davis
Dixon Kirby, 519 Southwest Third Avenue, Suite 601,
11 Portland, Oregon 97204.

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P R O C E E D I N G S

2 JUDGE BERG: We'll be on the record. This is
3 a combined prehearing conference in Docket Nos.
4 UT-003013, Part E, and UT-023003. The UT-003013 may be
5 referred to as the Part E proceeding. The 023003
6 proceeding may be referred to as the new generic case.

7 This prehearing conference is being conducted
8 for the Washington Utilities and Transportation
9 Commission at its offices in Olympia, Washington.
10 Today's date is October 16th, 2002. These prehearing
11 conferences were originally separately noticed on
12 September 23rd for UT-023003 and September 26th for the
13 Part E proceeding. Subsequently, a combined notice of
14 prehearing conference was served to parties on October
15 the 7th. My name is Larry Berg. I'm presiding in
16 Docket UT-003013, Part E, along with the Commissioners.
17 Also with me on the Bench is Judge Theo Mace. Judge
18 Mace and myself will copreside with the Commissioners
19 in the new generic case.

At this time, we will take appearances of the parties, and we will begin with parties who are present in the hearing room, and then I'll assist parties on the bridge line by cuing the parties, and we will begin with Commission staff.

25 MS. SMITH: Shannon Smith, assistant attorney

0118

1 general, counsel for Commission staff in Docket No.
2 023003. Also counsel for Commission staff in both
3 dockets 023003 and the Part E proceeding, UT-003013, is
4 Mary Tennyson, senior assistant attorney general.
5 She's absent today, so I'm appearing in both
6 proceedings for Commission staff.

7 MR. KOPTA: Gregory Kopta of the law firm
8 Davis Wright Tremaine, LLP, on behalf of AT&T, XO, and
9 Pac-West in both dockets.

10 MS. ANDERL: Lisa Anderl and Adam Sherr,
11 in-house counsel for Qwest.

12 JUDGE BERG: For Covad?

13 MS. DOBERNECK: Megan Doberneck on behalf of
14 Covad Communications Company representing Covad in both
15 proceedings.

16 JUDGE BERG: For WorldCom?

17 MS. SINGER NELSON: Michel Singer Nelson
18 representing WorldCom in both proceedings.

19 JUDGE BERG: For TRACER?

20 MS. RACKNER: Lisa Rackner with the law firm
21 of Ater Wynne. My address is 222 Southwest Columbia --

22 JUDGE BERG: I need you to speak up just a
23 little bit.

24 MS. RACKNER: Lisa Rackner with the law firm
25 of Ater Wynne. The address is 222 Southwest Columbia,

0119

1 Suite 1800, Portland, 97201. My phone number is (503)
2 226-1191. Fax is (503) 226-0079. My e-mail address is
3 lfr@aterwynne.com.

4 JUDGE BERG: For Verizon?

5 MR. EDWARDS: This is Jeff Edwards of the law
6 firm of Hunton and Williams representing Verizon
7 Northwest, and with me here is Meredith Miles.

8 JUDGE BERG: Mr. Edwards, I did mention it
9 earlier, but I do recall that although you've been
10 present at other hearings up to this point in time,
11 Ms. Jennifer McClellan was lead counselor. For the
12 record, could I also have you enter your full contact
13 information?

14 MR. EDWARDS: Law firm again is Hunton,
15 H-u-n-t-o-n, and Williams, 951 East Byrd Street,
16 Richmond, Virginia, 23219. Phone number is (804)
17 788-8721. Fax is (804) 788-8218, and e-mail address is
18 jedwards@hunton.com.

19 JUDGE BERG: Thank you, Mr. Edwards, and I'll
20 just indicate that Verizon is a party in both
21 proceedings. For Allegiance Telecom?

22 MR. DIXON: Dale Dixon representing
23 Allegiance Telecom of Washington in both dockets with
24 the law firm of Davis Dixon Kirby, LLP. My address is
25 519 Southwest Third Avenue, Suite 601, Portland,

0120

1 Oregon, 97204. Telephone number is (503) 727-2500.
2 Fax is (503) 727-2501, and my e-mail address is
3 ddixon@davisdixon.com.

4 JUDGE BERG: For Eschelon Telecom?

5 MR. AHLERS: Dennis Ahlers on behalf of
6 Eschelon Telecom of Washington in these dockets.

7 JUDGE BERG: And let me just ask if there are
8 any other parties who I've either missed or wish to
9 enter an appearance at this time? Let the record
10 reflect that there is no response.

11 Mr. Dixon, let me just check with you, first
12 of all. Previously, and this is according to my
13 records, Allegiance had entered an appearance in Docket
14 023003, but it wasn't clear to me that Allegiance was
15 also entering an appearance in the Part E proceeding.
16 Do you have a clear understanding whether your client
17 intends to participate in the Part E proceeding
18 regarding updated OSS transition costs for Qwest and
19 Verizon?

20 MR. DIXON: It was my understanding that
21 Allegiance had previously filed petitions to be in both
22 of the dockets. I know specifically they will be
23 participating in the new generic case, and I need to
24 verify that they are going to participate in Part E.

25 JUDGE BERG: Would you please check that, and

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1 if, in fact, your client also wishes to participate in
2 Part E as a party, notify the Commission by way of a
3 petition to intervene and we will address that at the
4 first available opportunity, and Mr. Ahlers, let me
5 just say, I had the same understanding with regards to
6 Eschelon, that Eschelon was a party to the 023003
7 proceeding but had not specifically sought to be
8 identified as a party in the Part E proceeding.

9 MR. AHLERS: I believe that's correct, and I
10 will double-check on that and we will file in the other
11 docket if we intend to participate also.

12 JUDGE BERG: Thank you, sir, and let me
13 comment I know the matter is somewhat confusing by
14 having a combined prehearing conference here this
15 afternoon. Mr. Kopta, I understand that you have a
16 petition to intervene to present?

17 MR. KOPTA: Yes, Your Honor. We had
18 intervened on behalf of Pac-West Telecomm in Part E of
19 the existing docket at the time that the Commission had
20 issued its Part B order listing reciprocal compensation
21 as one of the issues to be addressed in Part E. Since
22 that time, the Commission has moved that issue into the
23 new generic cost docket, and therefore, Pac-West would
24 move at this time to intervene in the new cost docket
25 on the same basis in which it sought intervention in

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1 Part E of the existing cost docket.

2 JUDGE BERG: Are there any parties that have
3 any objections?

4 MS. ANDERL: No objection from Qwest, Your
5 Honor. For clarification for purposes of keeping our
6 service lists accurate, I would ask whether there is a
7 withdrawal of participation from Part E then.

8 MR. KOPTA: It's my understanding that
9 Pac-West doesn't plan to participate in Part E of the
10 existing docket.

11 JUDGE BERG: Mr. Kopta, would you submit a
12 letter to the Commission notifying them of that? It
13 will assist our internal administrative recordkeeping.

14 MR. KOPTA: Yes.

15 JUDGE BERG: Any other parties on the bridge
16 line, any other objections to intervention of Pac-West
17 Telecomm, Inc., in Docket 023003? Hearing nothing, the
18 petition to intervene is granted. That will be
19 reflected in a follow-up prehearing conference order.

20 MR. KOPTA: Thank you, Your Honor.

21 JUDGE BERG: Let me indicate to parties that
22 the Commission's Part B order on reconsideration
23 affirmed that petitions for increased total transition
24 cost recovery by Qwest and Verizon must be supported by
25 a nonrecurring cost studies, including time and motion

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1 studies. Let me just check with both Qwest and Verizon
2 to see if there is any need to further clarify that
3 part of the Part B orders.

4 MS. ANDERL: Yes, Your Honor. This is Lisa
5 Anderl on behalf of Qwest. That is not how we read the
6 order on reconsideration, and I apologize. I don't
7 have that with me. I have been traveling, and so I
8 don't have copies of all of the orders with me that I
9 now wish I did.

10 In any event, when we read the order on
11 reconsideration, the Commission appeared to recite
12 Staff's position and then said kind of, We agree with
13 Staff. As we understood the way Staff's position had
14 been recited was that OSS transition costs, to the
15 extent we were going to ask for them in Part E, that
16 when we filed new nonrecurring costs, those new
17 nonrecurring costs had to be supported with time and
18 motion studies, but no order had ever identified which
19 nonrecurring costs were to have been included in
20 Part E, if any, and I believe that Verizon and Qwest
21 both, although I'm not representing Verizon, just
22 observing that neither party understood that any
23 nonrecurrings were at issue in Part E and therefore did
24 not submit any nonrecurring cost studies, and absent a
25 nonrecurring cost study, there is nothing which could

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1 be supported by a time and motion study.

2 Qwest has probably close to 200 nonrecurring
3 rate elements, and without some further definition as
4 to which nonrecurrings, if any, were to have been
5 addressed, couldn't have complied with that
6 requirement, and indeed, had we understood that --
7 again, I'm apologizing because I can't remember the
8 timing of how these things happened, but I don't
9 believe we got the reconsideration order until after we
10 had filed our direct case, but when that
11 reconsideration order came out, I know that Qwest read
12 it and said, Well, that confirms in our understanding
13 the proceeding, which is Part E is OSS transition costs
14 and the rest is pushed out.

15 There are no nonrecurrings and there are no
16 time and motion studies in the Part E docket, and
17 that's where we are, and Your Honor, I want Verizon to
18 be able to talk to this as well, but if we end up today
19 or subsequent to today talking about doing something
20 differently, there is kind of a lengthy discussion we
21 have to have with regard to the time lines necessary to
22 prepare time and motion studies and also would like to
23 advise the Bench of some discussions we've been having
24 amongst the parties on that subject as well.

25 JUDGE BERG: We'll have that discussion

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1 today. Mr. Edwards?

2 MR. EDWARDS: Thank you, Judge Berg.

3 Verizon's understanding was certainly very similar to
4 Qwest with respect to the anticipated scope of Phase E,
5 and in fact, our understanding of the anticipated scope
6 of Phase E was confirmed by our filing, which addressed
7 the updated OSS transition costs which we thought
8 combined the scope of Phase E.

9 It was not a question in my mind about that
10 until, I believe, Ms. Singer Nelson sent around an
11 e-mail initially about perhaps there ought to be a
12 delay in the filing of response testimony because Phase
13 B order and a requirement to file time and motion
14 studies. There was some communication among counsel at
15 that time that certainly highlighted the fact that
16 there may have been some disagreement or confusion
17 about that, and I think everybody checked the various
18 orders and found perhaps some inconsistency about when
19 NRC's would be addressed again. It was clearly our
20 understanding to the extent they were going to be
21 addressed they would be addressed in the new generic
22 cost docket.

23 It's a little unclear to me, sort of
24 following along the lines of Lisa, about actually what
25 Staff's recommendation was in this regard about whether

0126

1 the NRC's, and I use that term loosely. I'm not sure
2 exactly what subset of NRC's we are talking about, but
3 what NRC's would be addressed and whether they would be
4 addressed in the new generic docket at all. If, in
5 fact, Phase E is going to address NRC's or even some
6 portion of the NRC's, then Verizon needs to inform the
7 Commission that that will need to proceed on a much
8 different schedule than what we talked about
9 previously, and also it changes the scope of that
10 docket, at least in our contemplation, dramatically.

11 JUDGE BERG: Other parties wish to state
12 their understanding of the Commission's decisions in
13 the Part B order and the Part B reconsideration order?

14 MR. KOPTA: Yes, Your Honor. At a minimum, I
15 think we do have some confusion here about what the
16 Commission's intent was. I don't mean to directly
17 contradict Ms. Anderl's representation or take
18 advantage of the fact that she doesn't have all her
19 materials in front of her, but my recollection was that
20 Ms. Million in her direct testimony that was filed in
21 Part E had a rather sizable section devoted to whether
22 or not it was appropriate to file time and motion
23 studies and explaining why Qwest believed that it was
24 not, so I think it was more than just the order on
25 reconsideration. It was actually the Part B order that

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1 raised this issue, and I think the Commission did seem
2 to contemplate that there was a need for time and
3 motion studies before it could review the transition
4 costs.

5 Certainly in our minds, one of the issues on
6 cost recovery for these costs is whether they were
7 reasonably incurred and whether they actually
8 contribute to an improvement in order processing for
9 our wholesale orders, and so we don't think that it's
10 inappropriate at all, in fact, quite appropriate, to
11 see what kind of an impact these OSS improvements have
12 on the nonrecurring costs and the cost estimates that
13 the incumbents have proposed, and therefore, we don't
14 see any reason why that shouldn't be an issue to be
15 addressed when looking at these transition costs.

16 JUDGE BERG: Anyone else?

17 MS. SINGER NELSON: On behalf of WorldCom, I
18 would agree with the comments made by Mr. Kopta, and
19 when you look at Paragraph 51 of the Commission's
20 Part B order, basically, it looks like the Commission
21 is saying, We will give you OSS start-up costs if you
22 show us that all the money that you spent on OSS is,
23 for Qwest, anyway, was 157 million dollars, has somehow
24 reduced the NRC's that you have previously charged the
25 CLEC's, so I agree.

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1 It seems to me that until Qwest and Verizon
2 have filed time and motion studies consistent with the
3 Commission's order, we can't really assess the
4 reasonableness of the start-up costs because we don't
5 know whether we've gotten anything from them spending
6 all that money to improve their OSS's.

7 JUDGE BERG: Other parties, and then we will
8 come back around.

9 MS. SMITH: Shannon Smith with Commission
10 staff, and it's Staff's position that the nonrecurring
11 costs and the accompanying time and motion studies need
12 to be reviewed along with the OSS transition costs, and
13 to that extent, we agree with the comments made by
14 Mr. Kopta and Ms. Singer Nelson.

15 JUDGE BERG: Ms. Doberneck, any comment?

16 MS. DOBERNECK: I don't, Your Honor.

17 JUDGE BERG: Briefly, any response or
18 anything else that you want to mention, Ms. Anderl?

19 MS. ANDERL: Briefly, Your Honor. I think
20 there is a very legitimate disagreement here and room
21 for more than one reasonable interpretation. I would
22 point out Ms. Tennyson circulated to the parties a list
23 of issues, and if she's accurately quoting the
24 Commission's orders, and I believe she is, she
25 references the reconsideration order at Paragraph 9

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1 wherein the Commission stated: "Staff argued that
2 Paragraph 51 of the Part B order required Qwest and
3 Verizon to file time and motion studies in the new
4 generic cost proceedings --" emphasis, added by me "--
5 with respect to nonrecurring costs that are affected by
6 OSS-related cost savings. In the next paragraph of the
7 reconsideration order, the Commission says, "We agree
8 with Staff's interpretation of Paragraph 51," and then
9 there is some additional language about OSS transition
10 costs intended to be filed in Part E.

11 I think that as the parties read through
12 these, depending on what their view of the world is,
13 they are going to interpret things to say, Well, that
14 the Commission meant in the new generic proceeding is
15 where you look at those nonrecurring and time and
16 motion studies, and other parties are going to say, No,
17 there was enough discussion about the OSS transition
18 costs in Part E that those were all linked, but I did
19 want to point out that it does appear from the most
20 recent guidance that we have from the Commission,
21 looking at Paragraph 9 and 10 of the reconsideration
22 order, in my view directs the parties more definitively
23 towards the new generic proceeding as the place for the
24 time and motion studies to be filed.

25 JUDGE BERG: Here is how we are going to

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1 proceed. I'm going to provide the parties with a
2 perspective of what these orders say, and then on that
3 basis, we will continue in the exercise of identifying
4 a certain nonrecurring costs to be considered in
5 Part E, and we will set up a tentative schedule.

6 Paragraph 51 of the Part B order says, "As
7 Qwest and Verizon update their OSS transition costs in
8 Part E, including modifications to implement line
9 sharing and line splitting, they must also file updated
10 nonrecurring cost studies supported by time and motion
11 studies that reflect decreased work times that have
12 been achieved through their increasingly mechanized
13 processes in the Part B reconsideration order."

14 At Paragraph 39, the Commission describes
15 what it understands Commission staff's interpretation
16 of Paragraph 51 to be. Paragraph 39 says, "Staff
17 argued that Paragraph 51 of the Part B order required
18 Qwest and Verizon to file time and motion studies in
19 the new generic cost proceeding with respect to
20 recurring costs that are affected by OSS-related cost
21 savings."

22 Paragraph 40 picks up, "We agree with Staff's
23 interpretation of Paragraph 51. Our Part B directive
24 to file time and motion studies was made with respect
25 to the updated OSS transition costs Qwest and Verizon

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1 intended to file in Part E." So I acknowledge that
2 there is some confusion that is generated or at least
3 traces to the Commission's characterization of
4 Commission staff's position and whether or not
5 nonrecurring costs will be addressed in Part E or in
6 the new generic cost case.

7 For purposes of the rest of this prehearing
8 conference, I want the parties to proceed on the basis
9 that what the Commission seeks to achieve is to look at
10 the same time at requests for updated OSS transition
11 costs and at the same time look at nonrecurring costs
12 that should also or may also incur some reduction
13 because of the increased mechanization that's linked to
14 the increased transition cost investment.

15 So let me say this another way: Cost and
16 transition costs go up. Cost and transaction costs go
17 down. So that's the assumption that we will proceed on
18 for the remainder of this discussion, and we will seek
19 some further guidance from the Commissioners as to
20 clarifying as a formal matter what the Commission
21 intended with regards to these orders, and then parties
22 can take whatever procedural steps they need to protect
23 their interests, but for the purposes of this
24 prehearing conference on a going-forward basis at this
25 time, what we need to do is to identify the

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1 nonrecurring costs where parties would expect to see
2 some reduction in costs commensurate or at least
3 related to the increased costs and transition cost
4 investments. After we conduct this exercise, we can
5 also talk about a schedule for Qwest and Verizon to
6 produce supplemental direct testimony. Any questions
7 about how we are going to proceed?

8 MS. ANDERL: No, Your Honor.

9 MS. SINGER NELSON: I don't know if any of
10 the other parties are prepared for it, but I'm not at
11 this point prepared to specifically list the NRC's that
12 are objected, and I would ask that as part of our
13 scheduling we maybe include a filing date for filing
14 our views on which NRC's should be affected by the OSS
15 transition costs that the ILECs have incurred. I think
16 my expert witnesses in this Part E could do that for
17 you. They've started looking at the cost studies and
18 they are familiar with the NRC's, but at this point,
19 I'm unable to delineate that list today.

20 JUDGE BERG: So we are talking about going
21 beyond service order charges, service connection
22 charges, and disconnect service order charges,
23 Ms. Singer Nelson?

24 MS. SINGER NELSON: I just don't know.

25 JUDGE BERG: One moment, please, while I

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1 confer with Judge Mace.

2 (Discussion off the record.)

3 JUDGE BERG: Let's me also hear from other
4 parties on this point, and let me just single a couple
5 of parties out. Mr. Kopta, do you have any
6 understanding of what NRC's would fit the scope of a
7 Part E proceeding based on the scenario that I've
8 provided parties?

9 MR. KOPTA: Not at this time, Your Honor. I
10 think one of the concerns that I have based on your
11 explanation is to the extent that the Commission was
12 also going to be looking at nonrecurring charges in
13 general for loops and switching, for example, how much
14 sense it makes to try and divvy up the nonrecurring
15 charges and look at the OSS components and then look at
16 the provisioning component, for example, in a different
17 proceeding.

18 So I thought that one of the things we might
19 want to talk about here or subsequently is, in light of
20 your explanation, how to better divide this, or whether
21 everything should be moved into the new generic cost
22 proceeding or how to do it from a procedural mechanism.
23 I think it does raise some of those efficiencies and
24 procedural issues that we probably ought to discuss.

25 JUDGE BERG: So what I hear you saying is

0134

1 given that one possible way to address the controversy
2 is to move the consideration of updated OSS transition
3 costs into the new generic cost proceeding?

4 MR. KOPTA: Yes, that's one alternative, and
5 I think that would allow for consideration of
6 nonrecurring costs and charges and OSS transition
7 charges together in one review as opposed to trying to
8 somehow bifurcate the consideration of nonrecurring
9 charges into the OSS portion and then the provisioning
10 portion.

11 JUDGE BERG: Let's do this. Let's set Part E
12 aside, and I'm convinced that we are not going to be
13 able to proceed and set up any kind of tentative
14 schedule for Part E , but let's go ahead and segue into
15 some discussion regarding the new generic cost
16 proceeding, and then we can come back to some
17 consideration of how to manage all of these various
18 issues in a coherent fashion. Ms. Anderl?

19 MS. ANDERL: Thank you, Your Honor. A couple
20 of points I would like to make, if I may be heard on
21 this issue. One is, I don't believe that the record
22 will bear out the assumption that OSS transition cost
23 expenditures always drive reduced nonrecurring charges,
24 because many of those expenditures enable access by
25 CLEC's and do not make anything faster than it was

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1 before or faster than it is on the retail side, so I
2 can't accept the assumption that there is a direct
3 correlation there.

4 There is, however, a direct correlation
5 between the OSS costs that we spend and enabling access
6 to the CLEC's on a mechanized basis, so to the extent
7 that mechanization is present and reflects efficiencies
8 that are tied to the OSS costs, I think the Commission
9 has already gone a long ways to accomplishing something
10 that of nonrecurring by requiring Qwest to file in Part
11 B separated nonrecurring charges reflecting manual
12 ordering and mechanized ordering. Those rates are due
13 to the Commission on November 7th. I am about to
14 raise, either now or in writing later, a request for an
15 extension of that deadline because it's going to take
16 us a long time to separate those out.

17 But I would like to point out, to layer on
18 yet another factor for consideration to juggle all of
19 these things, once we are able to comply with the
20 Commission's Part B order that says, for every order
21 you not only have a new-connect charge and a disconnect
22 charge, within the new-connect and the disconnect, you
23 have a new-connect manual and a new-connect mechanized,
24 a disconnect manual and a disconnect mechanized, and I
25 think that drives very much towards reflecting

0136

1 efficiencies achieved by the mechanization associated
2 with the OSS interface, so I would kind of like to
3 layer that on for consideration.

4 I would also like to suggest that we hold
5 open the thought of addressing the OSS transition costs
6 while the evidence is fresh on the record, and perhaps
7 the Commission could address the concerns about syncing
8 those up with its view of the nonrecurring charges
9 through some sort of implementation order where the
10 Commission could establish a reasonable amount for
11 recovery but condition the ability to make those
12 charges or postpone the implementation of those charges
13 to a later time. It seems to me we've already got
14 information in the record on these two years worth of
15 OSS costs. Discovery is being done. We do have
16 hearing dates reserved. Whether those are still viable
17 or not, I don't know, but I would sure hate to just
18 kick everything out together, because then we run into
19 some of the concerns I've raised in my remarks, which
20 is that these dockets get too big to be manageable.

21 JUDGE BERG: Let me stick with that point and
22 ask the CLEC's and Commission staff, if Commission
23 staff is in a position, if they are accepting that
24 there is an issue as to whether or not there is a
25 relationship between increased transition costs and

1 decreased transaction costs, are the CLEC's or other
2 parties at any disadvantage if the Commission proceeds
3 to consider transition costs on a different schedule
4 then it would consider those other costs that might
5 show some reduction? Mr. Kopta?

6 MR. KOPTA: I believe we are because I think
7 one of the fundamental issues that the Commission needs
8 to review in any kind of cost recovery is not only what
9 are the costs that were incurred but were they
10 reasonably incurred, and I don't think the Commission
11 can look at whether the OSS transition costs were
12 reasonably incurred without looking at what impact it
13 had on the ability of Qwest and Verizon to process the
14 orders that have been submitted via OSS, so I think
15 those two things, as the Commission it seems to me has
16 already determined, are inextricably intertwined and
17 need to be kept together.

18 JUDGE BERG: Anybody else?

19 MS. SINGER NELSON: I would like to just add
20 to that. I would agree with what Mr. Kopta said. An
21 example of that is there is a cost element in either
22 Qwest or Verizon's studies that said that it costs 14
23 million dollars, let's say, to increase flow-through.
24 Well, what we are going to have to do is evaluate
25 whether that 14 million dollars, in fact, did increase

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1 flow-through, so it goes to the reasonableness of the
2 cost in whether that expenditure of money actually
3 achieved its purpose, which would reflect in the NRC's.

4 So I think that as the Commission has already
5 ruled, there is a direct link between the OSS
6 transition costs and NRC's, and if the Commission
7 weren't going to examine these two things together in
8 one proceeding, I would suggest that we wait until
9 after the NRC's are reexamined before we evaluate the
10 OSS transition costs.

11 JUDGE BERG: Anybody else?

12 MS. SMITH: This is Shannon Smith for
13 Commission staff. The Commission staff agrees with the
14 notion there is a link between the NRC's and the OSS
15 transition costs, and we can't really speak to whether
16 or not there would be prejudice in how those are
17 considered, but we do see some efficiencies in
18 considering the OSS transition costs along with the
19 nonrecurring costs in the time and motion studies that
20 would be necessary as the Commission has stated in its
21 earlier orders.

22 JUDGE BERG: Anyone else? Let me ask Qwest
23 and Verizon how those companies would be disadvantaged
24 by deferring consideration of updated OSS transition
25 costs until such time when related nonrecurring costs

0139

1 can also be considered.

2 MS. ANDERL: Your Honor, I guess all I could
3 say is that the delayed or deferred recovery when Qwest
4 has already incurred the costs is some measure of
5 prejudice. We are looking at costs from 2000 and 2001.
6 By the first quarter of 2003, we will have costs for
7 2002. That's already money out of Qwest's pocket, and
8 the CLEC's are not contributing in any way towards
9 recovery of those costs until there is a Commission
10 order affirming the amount by which they have to
11 contribute, and so there is that.

12 There is also the fact that the docket is
13 already under way, and we believe that there are no
14 compelling reasons at this point to defer consideration
15 of testimony that is prepared, evidence of actual costs
16 that is now ready to be heard.

17 JUDGE BERG: Ms. Anderl, to the extent that
18 Qwest is allowed to recover its transition costs
19 through a mechanism that applies on a per-service order
20 basis, do you know how far along Qwest is to recovering
21 the costs that have already been approved?

22 MS. ANDERL: No. But I do know that in our
23 petition for reconsideration of the Part A order asking
24 for a higher amount than the \$3.27, we did indicate
25 that on an estimated service order basis it would be in

0140

1 excess of 20 years before we could totally recover
2 those costs.

3 JUDGE BERG: I understand that the Company
4 may choose to raise that issue at some time in the
5 future, but that's not at issue now. So my concept is
6 that whatever would be done with regards to increasing
7 the total OSS transition cost recovery would still be
8 bound by the Commission's decision that those costs
9 would be recovered on a per local service request
10 basis. I'm just sort of ferreting out the idea that by
11 delaying an increased total amount that the Company
12 might be in some way deprived of use of money or on
13 some other basis for the investments made, but its
14 going to have the wait, because it appears on the
15 current scheme, at least, we would have to wait
16 anyways.

17 MS. ANDERL: Your Honor, as I hope you know,
18 I'm always candid with the Bench, and in all candor,
19 this isn't a pound-the-table issue for me. I would
20 like to see it as perceived because I think we are
21 ready, and I do have continuing concerns about mushing
22 many, many issues together into one large docket
23 because many, many issues then get short shrifted, but
24 I think I'll just rest with that.

25 JUDGE BERG: I think the Bench shares your

0141

1 concern on the latter point, and because these issues
2 will be discussed with the Commissioners, who are also
3 presiding in this proceeding, outside the hearing room
4 it's important that I all the questions I can think of
5 to explore the relative merits and weaknesses of the
6 positions that the parties are so adventuresomely
7 presenting on short notice, so I do appreciate the
8 candor, and I appreciate parties willing to think out
9 loud, and my comments are not meant to be critical in
10 any way. It's just to try and push the analysis a
11 little further.

12 Mr. Edwards, let me also ask you from your
13 perspective, is there anything you want to say in the
14 way of how Verizon would be prejudiced if, in fact, the
15 issue of OSS transition cost recovery was pushed out?

16 MR. EDWARDS: Like Ms. Anderl, I'm not
17 pounding the table on this one. I don't think that
18 there would be a significant disadvantage if it's
19 pushed out. I don't think that there is a significant
20 disadvantage to Verizon if OSS transition costs are
21 considered at the same time as NRC costs are also
22 considered.

23 We've already highlighted the fact there was
24 some confusion about where we were in Phase E, and that
25 was my major concern, about making sure the Commission

0142

1 understood that Verizon takes its responsibility
2 seriously about what is due and that there was a
3 legitimate belief on our part with respect to what
4 Phase E's scope was, and now that we are past that, the
5 only concern that I have is that if it is pushed out
6 and NRC's are to be considered at the same time as OSS
7 transition costs, either in a Pushed-out Phase E docket
8 or rolled together in the new generic cost docket, that
9 sufficient time be allowed to produce the cost studies
10 that have been requested.

11 JUDGE BERG: We may have to rename the new
12 generic case and call it Godzila.

13 Let me raise one other point, and this is for
14 Qwest and Verizon, if you can, if we were to think of
15 the nonrecurring costs that would be reviewed with
16 transition costs recovery to be transaction costs. In
17 other words, the transaction costs which are
18 nonrecurring costs of a sort, and I'm thinking in
19 particular of service order charges, service connection
20 charges, and disconnect service charges. Ms. Anderl,
21 I'm seeing a signal that those are different than
22 transaction costs?

23 MS. ANDERL: I don't know what you mean, Your
24 Honor, when you say transaction costs are --
25 nonrecurrings recover all of the one-time activities

0143

1 that it takes from the time a CLEC let's an order go
2 directly to us and up until when we provision the
3 circuit. A small portion of that is the costs
4 associated with the very first stage, which is either
5 the manual or the electronic ordering. It depends on
6 how the CLEC submits the order, via fax, which is the
7 manual method, or via one of the interconnect mediated
8 access interfaces, the IMA GUI, graphical user
9 interface, or the IMA EDI, electronic data interchange,
10 and we have work times mostly associated with that
11 front-end ordering process.

12 Most of those are captured in what's called
13 the interconnection service center costs. Then as the
14 order flows through the system, depending on whether it
15 is an order that's processed and needs manual
16 intervention or processed electronically, we have
17 different work time estimates for different work
18 groups. Say it's the high capacity loop Your Honor
19 just dealt with in the Part D proceeding, there is
20 circuit design that is always a manual process in the
21 provisioning of a high-capacity loop, so that isn't
22 affected by the OSS transition costs at all.

23 So when I look at this issues list that says
24 service order charges, service connection charges, and
25 disconnect service order charges, I guess in part I'm

0144

1 kind of confused about what that means. Service order
2 charges I don't know, so my view of the world with
3 regard to OSS costs and nonrecurring costs is that
4 there is the \$3.27 that we are allowed to charge per
5 service order for OSS cost recovery, and then there is
6 the nonrecurring charge for connection or new-connect
7 service that is unique to the service that's ordered, a
8 loop or a port or a high-capacity loop, and each of
9 those nonrecurring charges is calculated by taking the
10 time estimates for all the disparate work groups and
11 adding those together, and many of those work groups
12 that participate in the provisioning of an order have
13 nothing to do with the OSS transition costs and argue
14 it's really only the front-end order intake that's
15 affected.

16 There may be some UNE's or some services or
17 some systems further down the stream that are impacted,
18 and certainly, that's what one of my witnesses, such as
19 Renee Albersheim, would have to address if we go into
20 this in the docket, and I don't know if that cleared
21 things up or not.

22 JUDGE BERG: In some ways you did. In some
23 ways you didn't, but nothing was unclear. It just
24 makes things more difficult. What I was trying to get
25 to is I understand there is a universe of many, many,

0145

1 many nonrecurring costs, and that an expansive view
2 would be that every nonrecurring cost that has ever
3 been identified in these proceedings would in some way
4 be impacted, potentially impacted by increased
5 investment in OSS, and what I was trying to do on the
6 other end was look at what would the minimum be? What
7 would be the minimum elements that if the Commission
8 was interested in investigating whether or not there
9 was some commensurate offset for improvements in OSS,
10 what would the minimum class of nonrecurring costs be,
11 and that's why I was focusing on service order charges,
12 service connection charges, disconnect service order
13 charges, and in my mind, I was thinking about
14 transaction costs.

15 What I hear you say is it's not that simple,
16 but likewise, if you have an opinion as to what a
17 minimum set of nonrecurring costs would be, something
18 you could comment on now or subsequently, that would be
19 of interest.

20 MS. ANDERL: That is the concern we have had
21 with the Commission's order is when the folks who work
22 on these issues get a decision like this and they call
23 me up and say, "Every single nonrecurring charge," and
24 I say, well, and we talk about it, and really the
25 conclusions that we've been able to reach and what I

0146

1 can share with you is that it is probably all the
2 nonrecurring charges, but it's probably only for the
3 most part a sliver of those nonrecurring.

4 It's what happens right at the beginning of
5 the service order process for each and every single one
6 of the nonrecurring charges, and that is the time that
7 happens either at the interconnect service center or
8 one of the other service centers that takes the orders
9 and, of course, overlaid on that is this whole issue of
10 the six-minute order processing time that the
11 Commission has already ordered Qwest to use to reflect
12 efficiencies that the Commission perceive we should
13 reflect in our nonrecurring cost study.

14 So if I had to recommend a way to do it that
15 didn't cause this to mushroom, I might say that for the
16 most part, the Commission would be safe in assuming
17 that if it only looks at the element of each
18 nonrecurring charge that is the interconnect service
19 center piece, that's still a lot of nonrecurring
20 charges, and the Commission may want to further limit
21 it by saying that what really impacts the CLEC's is the
22 services that they order the most. What impacts Qwest
23 is the services that are ordered the most, so we really
24 ought to look at loops and ports, and that's it. We
25 could certainly begin to come to a more narrow universe

0147

1 that would give the Commission an understanding of
2 whether a broader inquiry was warranted.

3 JUDGE BERG: If the Commission were inclined
4 to pursue that more limited package, is it also
5 possible to say what a minimal time to conduct time and
6 motion studies would be?

7 MS. ANDERL: Yes. Would you like me to do
8 that?

9 JUDGE BERG: Yes.

10 MS. ANDERL: Before I tell you the time
11 estimate, I would like to say that the parties have
12 been discussing, and I hope the parties don't object to
13 my mentioning this, but have been discussing on the
14 front end whether we can reach an agreement as to what
15 would constitute a properly conducted time and motion
16 study so we didn't spend the entire hearing arguing
17 about methodology, so I don't know when we can reach a
18 resolution on that. I think it would be in all the
19 parties' and the Commission's best interest to do that
20 so resources were not wasted to produce a product that
21 would subsequently deem to not have the type of value
22 that the Commission thought it would.

23 We do believe that even the limited scope of
24 time and motion studies would take four to five months
25 to prepare simply because these are not things that can

0148

1 be done quickly. They need to be done over time to
2 accurately sample and reflect a whole universe of busy
3 days and slow days and high-volume orders and different
4 people taking the orders. I don't think this is
5 anything you could do even intensely, in a week or
6 something like that. There is an amount of time at the
7 front end to develop the time and motion study, a fair
8 amount of observation time, and then discussions with
9 the people who perform the tasks to ascertain what the
10 correct probabilities are because, say, for a
11 particular order something might happen that the person
12 who is conducting the time and motion study would
13 record as a time element, this took five minutes, but
14 would subsequently learn that doesn't happen with every
15 order, so you need to have a probability.

16 All those things gets woven together in a
17 time and motion study. Depending on what the scope
18 was, I am told by the people who would be responsible
19 for ensuring that these time and motion studies happen
20 that they would like four to five months.

21 JUDGE BERG: Let me check in with
22 Mr. Edwards. I understand Mr. Edwards is at a slight
23 disadvantage being outside counsel, and we will also
24 take some comment from other parties. Mr. Edwards?

25 MR. EDWARDS: Thank you, Your Honor.

0149

1 Ms. Anderl covered a lot of ground. I have had
2 discussions at least on two separate occasions, the
3 most recently being earlier today with our cost folks,
4 with respect to trying to identify where it's possible
5 or is it possible to identify some set of NRC's that be
6 would be directly linked to OSS transition costs.

7 Using the tariffs, can we define them as the
8 ordering costs? Can we define them st the ordering and
9 provisioning NRC costs, and my cost folks, like
10 Ms. Anderl, said, No, that doesn't really make a lot of
11 sense, because what are talking about really are
12 portions of costs that are rolled up into other NRC
13 costs in a lot of instances which then has a ripple
14 effect with respect to the total universe of NRC's that
15 are affected. It's not a disagreement necessarily with
16 a link in some instances, particularly on the front end
17 with respect to ordering, but the ripple effect sort of
18 cascades, if you will, through the remainder of the
19 NRC's so that my folks tell me that there is really no
20 difference in time that would be required to address
21 service costs only, for example, as opposed to a full
22 NRC cost study.

23 Second, I don't know from my discussions what
24 would be a minimal time to conduct time and motion
25 studies with respect to the NRC study. Frankly, we are

0150

1 still evaluating that, and we are evaluating the
2 Commission's orders in that regard. Ultimately, I'm
3 not prepared today to say what the Company's position
4 on that is going to be.

5 Having said that, the time period that we
6 would be looking at to do a complete NRC study that I
7 think would be contemplated here would be at least as
8 long as Qwest has said, and frankly, my cost folks tell
9 me midsummer to complete it and have it in a position
10 ready to file. That would also raise a separate issue
11 along the lines that Mr. Kopta had raised also about
12 where we would be with respect to cost study for the
13 new generic docket. The time lines run roughly the
14 same.

15 JUDGE BERG: Thank you, Mr. Edwards. I
16 presume that concluded your remarks?

17 MR. EDWARDS: Yes, sir. Thank you.

18 JUDGE BERG: Mr. Kopta?

19 MR. KOPTA: I don't think I disagree with
20 what Mr. Edwards or Ms. Anderl was saying. At least as
21 I understand what they were saying, we've got pretty
22 much an interwoven set of costs and nonrecurring costs,
23 and it doesn't seem it would be terribly efficient to
24 pull some of them out and link them with OSS and take
25 the rest of them over into a different review, that it

0151

1 would end up duplicating a lot of effort. It doesn't
2 seem to make a whole lot of sense. I understand why
3 you are trying to explore that, how can we make this
4 animal work, but my view, I think, is the same as
5 theirs, that that doesn't seem to be terribly truthful
6 to look at it that way.

7 One other possible approach would be to link
8 the whole NRC's with the OSS transition costs as a
9 Part E and then do the recurring costs and that sort of
10 thing in the new generic proceeding. I just throw that
11 out thinking off the top of my head without having
12 really consulted with my clients or any other party,
13 and since we are all trying to grapple this, how do we
14 make a proceeding so it isn't just overwhelming, that
15 might be one possibility that we would want to
16 consider.

17 JUDGE BERG: That was also a consideration we
18 had on the Bench, and Judge Mace will explore with the
19 parties and how that relates to the recommendations
20 contained in the Part D order.

21 MR. KOPTA: I will confirm, as Ms. Anderl
22 represented, that the parties are in discussions in
23 terms of how we can limit the issues having to do with
24 time and motion studies, including whether we can agree
25 on how this can be conducted, whether we can narrow the

0152

1 universe down to those elements that it makes sense to
2 have time and motion studies to support that tend to be
3 the big ticket or significant portions of the
4 nonrecurring costs.

5 I do think there are efforts going on that
6 the Commission is not directly overseeing, but the
7 parties certainly anticipate that the Commission would
8 rather us work out as much as we can before coming to
9 the Commission. There are those efforts under way, and
10 I hope that we can at least narrow things down, but as
11 far as the time frame, I think Ms. Anderl's
12 representation was consistent with what they
13 represented to the parties is that it would take some
14 significant amount of time to be able to do that, and I
15 don't have any basis to disagree with that or agree
16 with it, for that matter, but agree that that is what
17 we have been discussing off-line, if you will.

18 JUDGE BERG: Ms. Singer Nelson, anything else
19 you want to add?

20 MS. SINGER NELSON: No thank you, Judge. I
21 don't have anything to add.

22 JUDGE BERG: Ms. Doberneck? Ms. Doberneck
23 does not have anything else to add. Ms. Rackner, I've
24 been passing you over. Let me just check and see if
25 there is anything you want to add to the discussion.

0153

1 MS. RACKNER: No, that's fine. In general,
2 we concur with Ms. Singer Nelson's comments and
3 Mr. Kopta's comments.

4 JUDGE BERG: One moment everybody while I
5 confer with Judge Mace.

6 (Discussion off the record.)

7 JUDGE BERG: Thank you, everyone. That's
8 been very valuable. I appreciate the thought that
9 parties have put into some of these issues on their
10 own, and for the main moment, I think that concludes
11 our Part E specific discussion, and Judge Mace will
12 lead the discussion about some parallel issues to be
13 addressed with regards to the new generic cost case.

14 Let me just state for the record and for
15 other parties, there was a contact from Simon ffitch,
16 Public Counsel. Mr. ffitch informed me that he
17 regrettably had an unavoidable conflict and was unable
18 to be here today, but he will continue to represent
19 Public Counsel in the new generic case as we move
20 forward.

21 JUDGE MACE: Thank you. Well, I was
22 intending to sort of divide this discussion up into two
23 categories. One is what issues would we talk about in
24 the new cost docket, and then what would be the
25 process, structure, time for hearing that we would use

0154

1 to put a framework around those issues. So the first
2 thing was to go to the list of issues, and I recognize
3 there may be some problems with coming up with the
4 definitive list of issues, but we have had circulated
5 an issue list -- well, there was an Attachment A to the
6 prehearing conference order, and then Staff circulated
7 a list of issues that included issues from the Part B
8 reconsideration order, the Part B order, and issues
9 from the -- well, included the issues that were in
10 Attachment A as well as the prehearing conference
11 order.

12 We've also heard from Verizon and Qwest about
13 their approach to issues in the new generic cost case,
14 and what I propose to do is first ask Staff to
15 elaborate on their list of issues. I understand also
16 there is at least one question amongst those issues
17 that were listed that had to do with Page 4, paragraph
18 89 of the reconsideration order. Hear from Staff
19 first, then hear from Qwest and Verizon about their
20 proposal about the list of issues or the approach to
21 the issues and then take comments from the other
22 parties. Anybody have any problems with that or any
23 suggestions about how better to approach it.

24 MS. SMITH: I would suggest that Staff not go
25 first simply because this list of issues was prepared

0155

1 by Mary Tennyson, who is counsel for Staff in the
2 Part B case, and she is much more familiar with the
3 Part B issues and the Part B orders than I am. I am
4 now just catching up on the Part B orders, so I would
5 file at a disadvantage if I went through the list that
6 she prepared, and we all have it, but I think the
7 comments made by other parties might be more helpful at
8 this point than if we began from Commission staff.

9 JUDGE MACE: Then we can go ahead and hear
10 from Verizon and Qwest about the e-mails they sent out
11 and then go from there. Ms. Anderl?

12 MS. ANDERL: Thank you, Your Honor. I think
13 this list is very helpful and I appreciate Staff put it
14 together. I didn't understand that it was necessarily
15 an advocacy piece, that Staff recommends that these
16 issues all be addressed. I understood it to be a
17 compilation for discussion purposes of the issues that
18 Staff believes the Commission has identified through
19 its various orders.

20 MS. SMITH: That is correct. It's not an
21 advocacy piece.

22 MS. ANDERL: So I have no reason to take
23 issue with any of these identified issues. I don't
24 think that there is anything in here that's incorrect,
25 other than the things that we've already discussed that

0156

1 are subject to multiple interpretations.

2 We do feel strongly that there ought to be a
3 more limited scope of the new generic docket, and
4 unless Your Honor has some questions about some
5 specific things, I think we set forth the rationale for
6 that in the comments that were filed yesterday. It
7 does seem --

8 JUDGE MACE: Since we don't have those on the
9 record, I thought it would be helpful if you would at
10 least outline those for the record.

11 MS. ANDERL: Sure. We do believe that the
12 scope of the docket as currently identified is too
13 broad. It appears as though the Attachment A
14 identifies virtually all of the network elements that
15 have been the subject of cost dockets to date, and I
16 think all the parties recognize that -- I think in my
17 comments I said it has been almost five years -- it's
18 frighteningly been six since the Commission first
19 noticed a generic docket in November of 1996.

20 I don't know that it's realistic given this
21 Commission's very detailed examination of the cost
22 issues, which is frankly at a much more granular level
23 than other state commissions sometimes do, that it is
24 realistic to expect that the Commission could get the
25 level of analysis and depth of exploration of the

0157

1 issues and the various competing cost studies for all
2 of these network elements in any sort of a reasonable
3 time frame designed to implement rates so that the
4 evidence upon which those rates were based is still
5 fresh.

6 As I noted in our comments, we have been able
7 to determine that there are certain issues that are
8 kind of hot buttons for various parties, and Staff's
9 issue is certainly deaveraging the loop rate, looking
10 at the five zones that currently exist and maybe
11 reevaluating everything, I guess, whether there should
12 be five zones or more or less and whether there ought
13 to be loop length considerations thrown into the
14 deaveraging equation. We don't object to having those
15 issues addressed and think it may be appropriate to
16 have those issues addressed in the new generic docket.

17 I would like to note so it is clear, we
18 originally agreed to the scope of the new generic case
19 to include costs and prices for the two- and four-wire
20 loops and some of the other elements we now think now
21 ought to be excluded. An intervening factor in that
22 has been that Qwest had voluntarily reduced its loop
23 rate by almost four dollars in the State of Washington
24 from a statewide arrange of \$18.16 to a statewide
25 arrange of \$14.56 or \$14.01, depending on whether the

0158

1 loop is purchased with or without a port, and that just
2 happened in June and July of this year.

3 I recognize that parties may well come back
4 and say, "Well, that doesn't mean anything. We didn't
5 get to participate in that, and we would like to
6 recommend to the Commission that the loop rate should
7 be eight or nine dollars." I recognize that that may
8 well be coming. However, we think the reduced loop
9 rate benchmarked off the Colorado proceeding, which was
10 held very recently, and rates which we believe will be
11 acceptable to the FCC as TELRIC rates as they consider
12 our 271 application, are rates that ought to enjoy some
13 continued life for some period of time in the state and
14 are reasonable as established. Therefore, we think
15 that if you are looking at where do you direct your
16 resources, the place to direct the resources may be on
17 the deaveraged zones, which was something that was done
18 a longer time ago and seems to be of greater interest
19 to the parties.

20 There are other issues that are related to
21 that. As I said loop-length data, consideration of
22 whether other rates ought to be deaveraged, such as
23 switching. I think we've said on the record we don't
24 think they should be, but we don't object to parties
25 being able to explore that issue in the docket on the

0159

1 record, and there are other issues that are in this
2 list that have never been addressed in a cost docket,
3 and those could certainly be pulled into the new
4 generic proceeding as well. The daily record usage
5 file and the EICTITP issue are two that come to mind.

6 I think when we look at this, we should
7 remember that the Part B final order just came out this
8 summer and the reconsideration order not long ago. The
9 Part D order is still an initial order and will be
10 potentially pending administrative review while we go
11 through this next new generic docket. There are a lot
12 of issues that were just decided in Part B or that will
13 be pending consideration in Part D that are also teed
14 up for consideration in the new generic docket, and I
15 think it causes unnecessary overlap and potential
16 confusion with regard to party position and the
17 implementation of various Commission requirements to be
18 kind of revisiting those things so soon after they were
19 just the subject of a docket.

20 JUDGE MACE: Excuse me for interrupting. In
21 the memo, Part D issues that are pending, you listed a
22 few, and you put down "etcetera," and you mentioned the
23 Part B issues as well, and while that may be
24 self-evident, I wonder if you actually did have other
25 items in mind that encompass the "etcetera."

1 MS. ANDERL: I think that Part D, dark fiber
2 was addressed in Part D as well, and if I had said dark
3 fiber and had added the hot cut coordinated conversion,
4 then I probably wouldn't have needed the "etcetera,"
5 and in Part B -- and with a lot of these, it's both
6 recurring and nonrecurrings, and those are two entirely
7 separate cost studies for Qwest, the nonrecurring as a
8 stand-alone cost study that encompasses all of the
9 nonrecurrings or as many of them as are identified as
10 issues, and then the monthly recurring charges are a
11 whole set of models, but it does appear from the issues
12 list here that it is contemplated that both recurring
13 and nonrecurring be considered for those rate elements.

14 What was just addressed in the Part B order
15 were the high-capacity loops both nonrecurring and
16 recurring. I think subloops were addressed to some
17 extent in Part B. I don't think there was any
18 switching. I don't think there was any shared
19 transport. That's probably it. There were a lot of
20 other issues too.

21 JUDGE MACE: Thank you. Anything else?

22 MS. ANDERL: No.

23 JUDGE BERG: Mr. Edwards?

24 MR. EDWARDS: Thank you, Your Honor. Like
25 Ms. Anderl, I have no reason to raise a question

0161

1 regarding Ms. Tennyson's list. We have been relying
2 mainly on the Attachment A to the prehearing conference
3 order as the scope of the issues in the new generic
4 docket and then as supplemented into subsequent orders
5 that have been issued, and I think Ms. Tennyson has
6 probably captured those. I have not gone back and
7 checked each, but it seems that when I glanced at it,
8 that's exactly done.

9 Second, I read Ms. Anderl's filing yesterday.

10 Verizon really does not have a position, I think, on
11 that same issue one way or the other. We are in a
12 little bit different position than Qwest with respect
13 to the scope of the Phase D docket. For example, many
14 more issues as to Qwest were dealt with as opposed to
15 Verizon. Our loop rate in Washington is what was set
16 in the most recent order that addressed that issue, so
17 our position is a little different than that.

18 There is no question that the contemplated
19 scope of this docket is large and is getting larger
20 before we discuss matters today, but I recognize that
21 the number of issues that the Commission may want to
22 address are many, which would just require sufficient
23 time to prepare the case for filing and sufficient time
24 to address it.

25 JUDGE MACE: Mr. Edwards, I wonder if you

0162

1 would address a small issue that appears in the list at
2 one place. It has to do with the question of
3 intrabuilding riser cables. There is a question
4 whether that would be addressed in 011219 or in the new
5 cost docket, and I'm wondering if you can give us some
6 indication where you think that would be best
7 addressed.

8 MR. EDWARDS: I don't know the answer to
9 that, Judge Mace. If I could take that question back,
10 I will do that.

11 JUDGE MACE: Let me ask the other parties
12 whether they have any comments on the Staff list or
13 Qwest's or Verizon's input, and let me ask first
14 Ms. Rackner? Mr. Kopta.

15 MR. KOPTA: Following protocol, not meaning
16 to trump Ms. Rackner, I'm afraid we disagree with Qwest
17 on the scope of the proceeding. If the Commission will
18 recall, this new docket was set up specifically in
19 response to a request that WorldCom made, and
20 Ms. Singer Nelson can elaborate on this, to review the
21 Commission's prior determination with respect to loop
22 and switching costs, and I don't see the need that the
23 Commission recognized when it established this docket
24 has changed.

25 Certainly, as Mr. Edwards acknowledges,

0163

1 Verizon is not in a position of having any costs or
2 prices that are any different than what the Commission
3 has established, and most certainly, we are glad to pay
4 lower loop rates than what the Commission established
5 sometime ago for Qwest, and that does not really get at
6 the issue of what the appropriate loop rate should be.
7 As Ms. Anderl predicted, we certainly do not believe
8 that \$14 is the appropriate loop rate and would be
9 introducing evidence to support our position.

10 We realize that there are a lot of issues,
11 but many of those issues arose because of concerns that
12 we've had with the way that things have progressed in
13 the prior cost docket, recognizing that things happen
14 and we deal with what happened in the past as we sit
15 here today, but one of the real concerns that we have
16 had consistently is that facilities that are used for
17 more than one element should be, the cost of those
18 facilities should be estimated consistently, and
19 unfortunately, when you break elements into diffuse
20 parts and/or different phases and look at them
21 individually in different phases, it's sometimes hard
22 to be able to accomplish that, and I think the
23 Commission recognized that we had a concern along those
24 lines and has allowed us to explore that in the new
25 cost docket, and the last thing we want to do is

0164

1 replicate the same kind of procedures that we had in
2 the past that seem to have led to this being an issue.

3 We are aware that it makes for a large
4 proceeding, but there have been similar large
5 proceedings in Colorado and in Arizona and in
6 Minnesota, and they have been handled expeditiously and
7 in a reasonable amount of time, a lot of issues on the
8 table, but it can be done, and we think the same thing
9 should be done here in Washington. Certainly as I had
10 suggested before in the context of the existing cost
11 docket, there may be someway to split it in two so
12 that, for example, you do the nonrecurring costs and
13 the OSS transition cost recovery together separately
14 from all of the other issues, but in that case, we
15 aren't dealing with any overlap between elements. In
16 other words, dealing with two-wire loops in one
17 proceeding and then high-capacity loops in a separate
18 proceeding.

19 We believe a lot of common facilities need to
20 be examined at the same time, so therefore, it's
21 important that all the loops be considered in the same
22 proceeding, similar with switching and ports and shared
23 transport, the other elements that are on the table for
24 consideration in the new cost docket, and as I say, I
25 realize that that's a rather large mouthful, but I

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1 think that it's important that we consider all of those
2 issues together with respect to specifically to Qwest's
3 proposal that we, for example, look at geographic
4 deaveraging. I think that that's hard to do again
5 outside the context of how you establish the costs of a
6 loop. What model do you use, how you estimate costs
7 according to wire centers.

8 I'm not sure how Qwest has benchmarked its
9 Washington rates to the rates that were established in
10 Colorado. I'm not aware that this Commission has
11 established anything other than what it has already
12 established with respect to estimating the cost of a
13 loop, and if we have to get into how does one estimate
14 the cost of a loop on a wire center basis using the
15 numbers that Qwest has, then all of a sudden backing
16 into an established number in trying to come up with a
17 methodology that does that, and then when we reconsider
18 loop at some future unspecified date, we have to do it
19 all over again, and that's what we are trying to avoid
20 here. Let's do it all in one proceeding where we can
21 look at all the interrelated issues together and not
22 separate them out, and while that might be an
23 aggressive and ambitious undertaking, I think it's
24 doable and it's the best way to accomplish it. Thank
25 you.

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1 JUDGE MACE: Ms. Rackner?

2 MS. RACKNER: The only thing I would add to
3 Mr. Kopta's comments is that while what he's proposing
4 is a large docket, there truly are certain efficiencies
5 in considering all of these matters together, and I
6 believe that ultimately there will still be time saved
7 for the parties not having to go back and look at this,
8 so I'm in complete agreement.

9 JUDGE MACE: Ms. Singer Nelson?

10 MS. SINGER NELSON: I really don't have
11 anything to add. I would just agree with the comments
12 by Mr. Kopta and Ms. Rackner.

13 JUDGE MACE: Thank you. Ms. Doberneck, I
14 believe, was the individual not on the bridge.

15 Ms. Doberneck? I hear no response. Mr. Ahlers?
16 Mr. Dixon?

17 MR. DIXON: I don't have anything to add,
18 Your Honor. Thank you.

19 JUDGE BERG: Ms. Smith?

20 MS. SMITH: Yes, very briefly. As Ms. Anderl
21 stated earlier, the list provided by Staff was a list
22 of what we identified, the issues that the Commission
23 has identified need resolution, and because the
24 Commission has identified those issues as needing
25 resolution, the Commission staff doesn't think it's

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1 appropriate to take some of those issues off the table
2 entirely, and the Commission staff, we do believe that
3 the Commission needs to look at the loop rates and
4 needs to look at deaveraging as the new generic case
5 originally was determined to consider, was initiated to
6 consider those issues as well as the other issues that
7 the Commission has identified for resolution.

8 And I would bring into these comments the
9 comments I made with respect to the Part E docket that
10 the NRC's and the OSS transition costs ought to be
11 considered together, and how the Commission decides to
12 separate, to put those two issues linked together into
13 whatever docket is something I don't believe we have a
14 position on, but we do believe those positions need to
15 be considered in conjunction.

16 JUDGE MACE: Anything else from Verizon or
17 Qwest?

18 MS. ANDERL: No, Your Honor.

19 JUDGE MACE: Mr. Edwards, anything else?

20 MR. EDWARDS: No, Your Honor.

21 JUDGE MACE: Let's be off the record.

22 (Discussion off the record.)

23 JUDGE MACE: I was conferring with Judge Berg
24 to make sure we had covered everything with regard to
25 the issues, and Mr. Edwards, I want to return to your

0168

1 e-mail message yesterday where you proposed that if the
2 new cost case addresses the loop rate, then it should
3 also address the rate for EEL's, and also if it
4 addresses switching and transport rates, it should
5 address adjusted reciprocal compensation rate. Could
6 you elaborate on what you mean by the addition of those
7 two issues?

8 MR. EDWARDS: Yes. That's why I raised the
9 issue because I wanted to make sure we got that on the
10 record. I heard from my cost folks that said that the
11 loop rates or some portion of the loop rates also feed
12 into the cost of the EEL rate so if the loop rate is
13 adjusted, then that adjustment should flow through to
14 the EEL rate and wanted to make sure there ended up not
15 being a disconnect between the loop and EEL rate.

16 With respect to the second issue, to the
17 extent switch and transport costs are addressed, those
18 costs also feed into the appropriate recip comp rate,
19 and so again, to alleviate a potential disconnect
20 between a revised switch and transport cost, the recip
21 comp rate should also be addressed at the same time.

22 JUDGE MACE: Does any party want to comment
23 on that or have problems with that addition.

24 MS. SMITH: We would object to the inclusion
25 of reciprocal compensation or transport rates in the

0169

1 new generic proceeding.

2 JUDGE MACE: Why is that?

3 MS. SMITH: If you give me a moment, I
4 probably can.

5 (Discussion off the record.)

6 MS. SMITH: Thank you for the moment, and I
7 misspoke. The Commission staff is not opposed to
8 considering transport rates, but we are opposed to
9 considering reciprocal compensation rates. I'm told by
10 the Staff's expert in this matter that there isn't a
11 connection between the issues that have already been
12 identified in the new generic case with reciprocal
13 compensation, and I am led to believe, although I'm not
14 terribly familiar with the Part B case, that the
15 Commission made a similar determination in the Part B
16 proceeding.

17 JUDGE MACE: Anyone else want to comment on
18 this?

19 MR. KOPTA: Very briefly, Your Honor. I
20 think certainly with respect to the EEL's, that's
21 consistent with what we have been saying, that any
22 facilities which are common to other elements should be
23 considered at the same time, and to the extent we are
24 going to be addressing transport, an EEL is a
25 combination of a loop and transport, and I'm not aware

0170

1 that the rates are any different than a combination of
2 the recurring rates for a loop and a transport when
3 provisioning an EEL, but to the extent that loops and
4 transport are on the table, then EEL's should be as
5 well.

6 I know the Commission has identified any
7 reciprocal compensation issue for consideration, and I
8 know that in the last order, the Commission did
9 establish rates for reciprocal compensation based on
10 unbundled switching and transport rates, but I don't
11 really have any position one way or the other about
12 whether the Commission should limit reciprocal
13 compensation in this proceeding beyond the issue that
14 has already identified, but certainly be consistent.
15 If the Commission were to change switching rates and
16 transport rates, then I would be hard-pressed to argue
17 that there shouldn't be some relationship with
18 reciprocal compensation based on what the Commission
19 had to date.

20 JUDGE MACE: Anyone else? Anyone on the
21 bridge? Mr. Edwards, did you have any thing further
22 about this?

23 MR. EDWARDS: Nothing further, Your Honor. I
24 think we stated our position. Frankly, I was surprised
25 there would be an objection to it, but I have nothing

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1 to add.

2 JUDGE MACE: The next thing I wanted to turn
3 to is actually to return to the list that appeared on
4 Attachment A to the Third Supplemental Order. It has
5 to do with identification of issues regarding service
6 order charges, service connection charges, disconnect
7 service order charges, and apparently, there is some --
8 it appears that there is some question from Qwest about
9 what those actually mean, and since there has been some
10 apparent magnitude of discussion about these in the
11 past in terms of adding them to this list in the first
12 place, we have a concern that we know exactly what the
13 problem is with including those on the list or what
14 Qwest's understanding of them is.

15 MS. ANDERL: Thank you, Your Honor. I guess
16 I didn't give as much thought to this as I should have
17 prior to today, but I did think that I wanted to seek
18 some clarification on this. I wasn't sure if these
19 were particular descriptors meant for Qwest or Verizon
20 or both.

21 I understand service order charges to be the
22 OSS cost recovery service order charges that the
23 Commission has authorized Qwest and Verizon to impose.
24 My recollection of the docket to date and the history
25 of those dockets is that that is how that phrase is

0172

1 used, so if that is what it means, I guess I would
2 question whether that's appropriate in there, because I
3 thought as far as this proceeding is concerned, it
4 seemed as that would be an issue that would be
5 addressed in Part E, so that probably doesn't belong
6 there if that's what that means.

7 For service connection charges, loop, ports,
8 and NID'S, nonrecurring NRC, I understood that to mean
9 the nonrecurring installation or connection charge that
10 is the part of the nonrecurring charge that the
11 Commission allows Qwest to recover when service is
12 first requested. Way back in the old docket, oldest
13 docket, the Commission ordered us to bifurcate our
14 nonrecurrings to collect the costs associated with
15 connection up front and the costs associated with the
16 disconnection when the service is actually
17 disconnected.

18 That's different from how we recover costs on
19 the retail side, and we debated that issue.
20 Ultimately, the Commission held firm in its decision on
21 that, so we have nonrecurring install and nonrecurring
22 disconnect charges. There is potentially some
23 confusion there because there is more than one label
24 referring to those charges. As you have just heard me
25 say, there is nonrecurring installation or nonrecurring

0173

1 connection or new-connect. I mean the same thing by
2 all of these phrases. So if the Commission is looking
3 at loop costs and ports and wanted to reevaluate the
4 nonrecurring charges associated with those, we thought
5 that that's appropriate in that that was what service
6 connection charges meant.

7 The disconnect service order charges is kind
8 of a whole other animal. If it just said service
9 disconnect charges, and I think that's what it means, I
10 would understand that to mean just the other half of
11 the nonrecurring charge that you get to collect when
12 you disconnect a service, but the use of the word
13 "service order" in there makes it look like it's
14 associated with the OSS cost recovery. I think that
15 just may be an error. That's all I wanted to clarify
16 on those.

17 MR. KOPTA: If I might, I would just
18 interject that I think I share Ms. Anderl's puzzlement
19 on those terms. My understanding and certainly our
20 proposal was that for each of the elements that are
21 listed on that list, it would be both the recurring and
22 nonrecurring charges that the Commission would be
23 reviewing, and those items that Ms. Anderl was
24 discussing are subsets of the nonrecurring charges, at
25 least as I understand it, maybe that Verizon has broken

0174

1 their NRC's into a service order charge and a service
2 provisioning charge. Mr. Edwards can correct me if I'm
3 wrong, but I think that only adds potential confusion
4 by listing those out separately. So I think from our
5 perspective, we would be just as happy to take those
6 off the list because we believe they are already
7 included, and the Commission would already be looking
8 at the nonrecurring charges of which they are a part.

9 JUDGE MACE: You are referring just to the
10 service order charges.

11 MR. KOPTA: Yes.

12 JUDGE MACE: Mr. Edwards, did you have
13 anything to add to this discussion?

14 MR. EDWARDS: Only that I agree with both
15 Ms. Anderl and Mr. Kopta. I think Mr. Kopta stated it
16 very well.

17 JUDGE MACE: Anyone else want to address
18 this?

19 JUDGE BERG: Let me step in so I understand,
20 and I will say that certainly I was primarily
21 responsible for producing Attachment A. At the time,
22 it was intended as a compilation of the various
23 elements proposed by the various parties that the
24 Commission agreed to address, and certainly with
25 regards to service connection charges, it sounds

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1 correct that the disconnect should be the service
2 disconnect charges, the other piece with the other side
3 of that coin, and those go together. Except that for
4 one we have loops, ports, and NIDS identified, and the
5 other, we have loops and ports identified, and again,
6 that may be a typo, but I wanted to bring that up
7 without having to -- I could go back and perform a
8 little archeology and figure out where that language
9 came from, but I thought I would check with the parties
10 again as to whether or not there is any basis for
11 distinguishing one from the other based on loops,
12 ports, and NIDS, and the other loops and ports, and
13 then it sounded like I was hearing you say, Mr. Kopta,
14 is that there should also be a recurring cost
15 component?

16 MR. KOPTA: What I believe I was saying is
17 that all the other elements that are included on the
18 list, I'm assuming based on how the list was compiled
19 that those elements would include both a recurring
20 charge and a nonrecurring charge. So for example, if
21 we order a loop from Qwest and the recurring charge is
22 \$14 but we have to pay a nonrecurring charge of \$50,
23 both of those component charges would be at issue in
24 the new proceeding, and when we submit our order and
25 pay our \$50 for the loop, that includes the service

0176

1 order component of the nonrecurring charge, so my
2 concern is that it may be that this terminology has
3 been used in the past by the parties or whomever, and
4 we apologize if that ended up resulting in some
5 confusion, but from our perspective, those really are
6 subsumed within the nonrecurring charges, and I think
7 it would be more simple and straightforward if we just
8 clarify that all the elements that are listed include
9 both recurring charges and nonrecurring charges.

10 JUDGE BERG: All right, sir. I will state
11 that down at the bottom of Page 1 of 3 on that
12 Attachment A, there is a reference to Paragraph 51.
13 That was just a carryover, and unless Qwest or Verizon
14 was proposing to address OSS transition costs in both
15 Part E and the new generic case, that was a typo and
16 doesn't belong there. So that just taking the status
17 quo for now, that Paragraph 51 should be deleted,
18 reference to Paragraph 51 should be deleted for Part E
19 issues to be addressed in the new generic case.

20 And then I wanted to just be really clear
21 about what to do about these three bullet points up
22 above under network elements. Under network elements,
23 service order charges for loop ports and NIDS would be
24 associated with OSS transition costs and would not be a
25 separate network element to be investigated or reviewed

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1 in the new generic case separate from OSS, and I want
2 to see if that's what's being proposed, and likewise,
3 with regards to service connection charges, service
4 disconnection charges, whether that language should be
5 implemented in those items, likewise, remain on the
6 list, or do they come off the list.

7 MS. SINGER NELSON: If I could just interject
8 for a minute, as far as going back and tracing where
9 you got that language to include in this list, those
10 three bullet points were taken directly out of Jennifer
11 McClellan's April 8th letter to Carol Washburn under a
12 heading of nonrecurring rates, so Ms. McClellan is the
13 attorney or Verizon is the party that worded it that
14 way and requested that those rates be reviewed in the
15 new generic cost case, if that helps at all.

16 JUDGE BERG: It does. From that point, we
17 will move forward here, and since we have all the
18 parties at the table or at least at the speaker phone,
19 let's clean this up so that any confusion, to get it
20 right, so that all parties agree what it should be, if
21 we can.

22 MR. KOPTA: I think that comports with my
23 recollection that Verizon does have separate parts of
24 their nonrecurring charges that are called service
25 order charges, and that's where the terminology gets to

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1 be confusing, and that's why I thought it might be
2 simpler rather than using that terminology to be more
3 generic and just say nonrecurring charges for loops,
4 ports, NIDS, or even just listing the limits.

5 Now, Ms. Anderl properly pointed out there
6 are a couple of bullet points that talk about
7 coordinated cuts that are somewhat the flavor of
8 nonrecurring charges for loops, but I think what we are
9 trying to do is make things simple so we don't have
10 confusion, and if we take out specific references to
11 service orders, and Mr. Edwards can certainly chime in
12 if Verizon has some concerns, but just using the
13 general term "nonrecurring charges," I think we all
14 know what that means.

15 JUDGE BERG: Would that be acceptable to you,
16 Mr. Edwards?

17 MR. EDWARDS: Yes.

18 JUDGE BERG: Ms. Anderl?

19 MS. ANDERL: Yes, Your Honor. If I could
20 just suggest that if we were to rewrite this list, at
21 the top I would say "network elements (recurring and
22 nonrecurring unless otherwise noted)", and then I would
23 delete the bullet points that said "service order
24 charges, service connection charges, disconnect service
25 order charges." After "coordinated conversion and hot

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1 cut coordinated conversion," I would put "NRC only,"
2 because there are no monthly recurring charges
3 associated with those. Those are one-time activities,
4 and I don't frankly even know what the rate structure
5 is for the daily record usage file. I think it's a
6 nonrecurring only.

7 And then the EICT, and there is a typo there.

8 It's ITP, not TIP. "Interconnection tie pair" is what
9 it stands for, and I don't even think that that is a
10 cost or a pricing issue so much as an issue of
11 interpretation of prior Commission orders and proper
12 application of rates, and the parties agreed in one of
13 the prior prehearing conferences that it could well be
14 the subject of a complaint as easily as it could be in
15 the cost docket, but we would all just as soon handle
16 it in the cost docket.

17 JUDGE BERG: Let's just leave that. We will
18 correct the acronym and the parenthetical notation
19 there as to mean this is something of another animal,
20 and then we will delete the three, service order,
21 service connection charges, disconnect service order
22 charges, references, bullet points, and we will add
23 another bullet point in its place, NRC's for loops,
24 ports, and NIDS. Is that acceptable to all parties, or
25 do any parties have differences with that wording

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1 notation?

2 MR. KOPTA: I have to say that I think
3 Ms. Anderl captured it a bit more accurately by saying
4 that the header should be that each of the elements
5 listed would be both recurring and nonrecurring.

6 JUDGE BERG: You are right. We certainly
7 have loops and NIDS, and we have the basic analog port.
8 Good.

9 MR. KOPTA: In addition, we have transport
10 and shared transport, so I wouldn't want to have any
11 misinterpretation of the list of someone thinking
12 something is not included.

13 MS. ANDERL: That's right. There are
14 nonrecurring charges associated with the UDIT element
15 and switching that parties may wish to discuss if the
16 Commission does go ahead and decide to discuss the
17 issues this broadly, and we don't mean to foreclose
18 that.

19 JUDGE MACE: Thank you.

20 (Discussion off the record.)

21 JUDGE MACE: I want to refer to Page 4 of the
22 list that Staff submitted at Paragraph 89 where the
23 reconsideration order is discussed, and there is a
24 question asked there, and this is a little bit what I
25 alluded to when I asked you to address this initially,

0181

1 Ms. Smith, but I understand your position, but I did
2 want to bring it up.

3 In any event, there is a question. Is this
4 for recurring charges for both companies? Now, my
5 understanding is that AT&T raised this issue with
6 regard to Qwest, and we want to ask the question now,
7 does any party raise this question with regard to
8 Verizon and on what basis?

9 MR. KOPTA: Yes. We raise it in connection
10 both with Qwest and Verizon, and again, it was on the
11 basis of consistency of how common facilities are
12 costed, and I believe in our brief, we did specifically
13 raise it with respect to both Qwest and Verizon, and if
14 I'm not mistaken, I thought the Commission allowed us
15 that opportunity in the new cost docket to explore that
16 issue with respect to both companies.

17 JUDGE MACE: Anyone else want to address
18 this? Nothing?

19 (Discussion off the record.)

20 JUDGE MACE: I think the next thing we are
21 going to try to do is talk about scheduling to the
22 extent we can, but I think we need to have an
23 understanding. We've talked about the possibility of
24 handle nonrecurring charges in conjunction with OSS
25 matters and moving that off the plate for right now and

1 talking about what issues are left -- to the extent
2 that this is what happens, what issues would be left
3 for the new generic case. Does this mean then that for
4 the new generic case, for example, and if I'm reading
5 the notes correctly, the Attachment A that we were just
6 discussing, the list of network elements, is supposed
7 to be composed of the investigation of both recurring
8 and nonrecurring charges. Does that mean that the
9 parties are suggesting that the examination of
10 nonrecurring charges for those elements would be moved
11 off to be discussed with and investigated along with
12 the OSS costs?

13 MR. KOPTA: That was my suggestion as a
14 possibility.

15 JUDGE BERG: Let me elaborate, we are just
16 looking to see if parties would address what the
17 relative advantages and disadvantages would also be of
18 considering nonrecurring costs separate from recurring
19 costs. Does the Commission's consideration of
20 recurring costs become any more or less difficult from
21 having nonrecurring costs separated?

22 MR. KOPTA: Let me tell you what my thinking
23 was in making this suggestion. There were two
24 concerns. One is Qwest's stated concern that they are
25 concerned that the docket would just be unmanageable,

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1 that it would be too big, and I'm not sure that's
2 necessarily the case, but this would be one way to
3 split it up in a way that made sense from our
4 perspective so that is doesn't raise the issue we are
5 most concerned about, which is the issue of
6 consistency.

7 The second is a more practical concern, which
8 is in light of the parties' discussion on time and
9 motion studies, there will be some time before those
10 can be done. However, we agree on whatever we are able
11 to agree, I think everyone recognizes that that will
12 take some time, and we don't want to delay everything
13 just because it's going to take six months, four
14 months, however long it's going to take to complete the
15 time and motion studies that Verizon and Qwest need to
16 undertake to support their nonrecurring cost estimates.

17 So my thought was that if you could separate
18 those out and do a separate track, then we could
19 proceed with the recurring charges for the other
20 elements so we wouldn't be losing time waiting on this
21 one aspect that involved all the issues that the
22 Commission wants to consider, but try and realize there
23 is a piece that might logically be separated off and
24 one that would take longer to prepare than the other
25 portion of the docket so that we could be working on

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1 things, not *seriatim*, but at least start working on the
2 recurring charge issues and then bring in the
3 nonrecurring in a different proceeding or different
4 phase.

5 JUDGE BERG: Is there anything about
6 recurring costs and nonrecurring costs that would
7 compel them to be considered together, Mr. Kopta?

8 MR. KOPTA: My only concern is to the extent
9 which there is any dispute over whether a particular
10 cost attributable to an element may be recurring or
11 nonrecurring. I'm not aware as I sit here right now as
12 to those kinds of issues, disputes among parties as to
13 whether a particular cost is a recurring cost or a
14 nonrecurring cost, but that's the only thing that
15 immediately comes to my mind why I think there might be
16 some concern why there might be some need to address
17 them together.

18 JUDGE BERG: Other parties?

19 MS. ANDERL: I think the issues that
20 Mr. Kopta just raised, in other words, is that a
21 nonrecurring cost or recurring cost most frequently
22 arrived at in connection with collocation issues, and
23 we don't have any of those under anybody's proposal for
24 any scope of the docket, so we can count our blessings
25 there.

1 The issue is whether if Qwest incurs an
2 expense in equipment or other kind of hard assets for a
3 CLEC specifically, can Qwest recover that as a
4 nonrecurring cost item, and there is some debate there.
5 These nonrecurring costs that we have before us on the
6 list, the issue is always just how much time does it
7 take to process the order. There are no equipment
8 costs or whatever associated with any of these
9 nonrecurrings, at least that I'm aware of, that there
10 would be a debate whether you ought to recover that
11 cost over time or up front.

12 So then to more directly answer your
13 question, I don't think there are any particular
14 efficiencies with considering them together,
15 nonrecurring and recurring, other than a fairly small
16 efficiency, which is that in each docket, you have to
17 describe the network elements that you are looking at,
18 and if you describe the network element once and say,
19 We are going to look at those recurring and
20 nonrecurring costs associated with this element, you've
21 gotten a little bit of efficiency there. In other
22 words, you don't have to describe what a port is twice,
23 but I don't think that should be dispositive.

24 JUDGE BERG: Any other comments? Ms. Smith?
25 MS. SMITH: Yes, Your Honor. Thank you. We

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1 don't see any efficiencies gained by considering the
2 recurring and the nonrecurring costs together or
3 necessarily separate.

4 JUDGE BERG: Any differing opinions from any
5 party on the bridge line?

6 JUDGE MACE: I just wanted to raise one more
7 issue, and I think Staff raised this earlier. There
8 are some nonrecurring costs that seem to have been
9 referred to the new generic case from the Part B
10 orders. I'm just looking at one at Paragraph 125.

11 It's the reconsideration of the six-minute
12 assumption -- I'm just looking at the titles of the
13 these, and I just wanted to make sure that we are
14 talking about the possibility of eliminating any of the
15 nonrecurring rate issues from the new generic case
16 under this scenario that AT&T is talking about,
17 including these items that came from earlier orders.
18 That's your understanding of what you are suggesting
19 here; is that right, Mr. Kopta?

20 MR. KOPTA: My understanding of what I threw
21 out as an off-the-top-of-my-head suggestion, and
22 hopefully, my client doesn't take me to task for doing
23 so, is that all nonrecurring charge issues would be
24 combined with OSS transition cost recovery in a
25 discreet proceeding and that the other issues, the

0187

1 recurring issues and other things on the list to
2 Attachment A would be considered in their own
3 proceeding.

4 MR. EDWARDS: On the issue of efficiencies, I
5 understood Mr. Kopta's suggestion to be that the NRC's
6 in total would be addressed separately in a docket,
7 Phase E docket, I guess, with the OSS transition costs.
8 The only efficiency that I see is that one of the
9 things that this prehearing conference has shown is
10 that when we try to parse issues that sometimes don't
11 lend themselves to parsing, reasonable people reach
12 different decisions regarding what issue is where in
13 terms of a docket, and to the extent we try to proceed
14 along separate dockets, we may run that risk.

15 Raise that in the context of -- I have
16 discussed with our cost folks the scheduling issues
17 that would arise if we did exactly what Mr. Kopta has
18 suggested, and are we really talking about any
19 meaningful schedule savings in terms of being able to
20 move with one on a more accelerated pace than the
21 other, and frankly, the answer that I get from
22 Verizon's cost folks is that not really, that in terms
23 of when would we be prepared to file a recurring cost
24 study, and given other due dates and resources and when
25 we would be prepared to file a nonrecurring cost study

1 if it's done separately, is really not all that
2 different.

3 MS. ANDERL: Just a refinement on that from
4 our perspective. Our recurring cost studies are more
5 complicated and would take longer to prepare and file
6 than a nonrecurring study. However, the nonrecurring
7 study has the baggage of the time and motion studies on
8 it, so they probably do end up taking at least the same
9 amount of time, and in my client's view, the
10 nonrecurring could take even longer depending on how
11 things are clarified with regard to the need for time
12 and motion studies.

13 JUDGE MACE: Does anyone else want to address
14 this?

15 MS. SINGER NELSON: I would just like to say
16 that it seems to me that you can split the two sets of
17 issues up by nonrecurring studies and recurring
18 studies, and it's important to WorldCom, as we said a
19 year ago or more than a year ago when we asked the
20 Commission to open this docket, that the recurring
21 rates for the UNE-P elements be revisited so that they
22 can be brought down to what we view as a TELRIC basis.

23 So it's our hope that the Commission will
24 first address the recurring rates if it does decide to
25 break the sets of rates up in order to condense so it's

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1 not the complicated case where you are addressing every
2 rate for these elements. We would like to see the
3 recurring rates be addressed before the nonrecurring
4 rates.

5 JUDGE MACE: Thank you.

6 JUDGE BERG: Ms. Singer Nelson, do you have
7 any basis for disputing the length of time that it
8 would take Qwest and Verizon to prepare their direct
9 recurring testimony?

10 MS. SINGER NELSON: Judge, I haven't been
11 involved with a Verizon comp case for some length of
12 time so I don't remember really. I don't know what
13 their needs are in putting together the most recent
14 recurring cost model.

15 It seems to me that Qwest, however, has
16 participated in a couple of cases recently,
17 specifically in Arizona and Colorado, where they have
18 put forth a recurring rate proposal, and I don't know
19 if the Utah case and the New Mexico case are addressing
20 recurring rates. I think they are, so I was kind of
21 puzzled by that response by Ms. Anderl, but it could be
22 that perhaps they've got plans to revise the recurring
23 model, but I was surprised by that representation.

24 JUDGE BERG: Ms. Anderl, and I know other
25 parties may want to also comment, but what was

0190

1 filtering through my mind was that recurring cost study
2 of Qwest were to -- if we were to resolve these issues
3 today and say, Okay, recurring costs. We are going
4 forward. Here is a schedule, what I understood you to
5 say is it might be four months, four to five months for
6 a recurring cost study.

7 MS. ANDERL: I think four, three to four, and
8 partly, Ms. Singer Nelson, it's a workload issue. You
9 identify two other dockets going on. We do not have a
10 lot of witnesses who can testify to these issues, so
11 they can't do a whole bunch of dockets in parallel.

12 I'm not sure what the plans are to revise the
13 models. I know we have not filed a full loop cost
14 study in Washington in awhile, and it would be a
15 different model than the one from the oldest generic
16 docket, and there are compliance issues with regard to
17 sifting through prior Commission orders and performing
18 an actual Washington specific Commission prescribed
19 sort of study that add some complexity.

20 I don't mean to suggest it would take five to
21 six months for the recurring. All I was trying to
22 identify was that the recurrences are more complex than
23 the nonrecurrences. I think if you order us to file
24 recurring costs, and depending on deaveraging which
25 also adds a layer of complexity, I think we could do

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1 that in February.

2 MR. KOPTA: We share the same concerns in
3 terms of getting things moving expeditiously, and I
4 know AT&T intends to introduce an updated version of
5 the HAI model and would need some additional
6 information from Qwest and Verizon before being able to
7 make a Washington specific run but anticipates that it
8 would be able to do that by the middle of January. So
9 certainly, if Qwest could have their recurring cost
10 studies around that same time, somewhere in late
11 January, then that would make sense.

12 The outlier here seems to be Verizon, at
13 least as Mr. Edwards has represented as I put together
14 his comments sometime midsummer, which I find a little
15 bit strained because certainly, as Judge Berg knows, we
16 went through this discussion of what kind of
17 requirements were needed to change Verizon's ICM to
18 comply with the latest Commission order, and Verizon
19 will be filing compliance rates based on the ICM and
20 the prior Commission order about this time next month,
21 and I'm not sure, unless they are making changes to the
22 ICM, why it would take them another eight months to
23 provide what essentially would be the same sort of
24 information for Washington. My question is why they
25 couldn't have cost studies for recurring rates that are

0192

1 on that list at the same time that AT&T and Qwest
2 should be able to have them.

3 JUDGE MACE: Mr. Edwards?

4 MR. EDWARDS: To the extent I can address
5 that, we do, in fact, have compliance runs that will be
6 filed in November. Those compliance filings are going
7 to be based as a result of the technical conference and
8 as a result of what we understand what we are required
9 to do. The ICM model is not for the most part going to
10 be modified or adjusted. Many of what we have to do
11 for compliance filing is going to be done outboard to
12 the model because of resources and also because the way
13 the model is structured makes it very difficult, as we
14 have explained, to do some of those things. So we will
15 be filing compliance runs with compliance filings but
16 not based on modifications made to the model.

17 From Verizon's perspective as a result of the
18 former GTE and former Bell Atlantic merger, the Company
19 is a different company than existed during the last
20 generic cost docket with respect to the cost studies,
21 and the hope is that the schedule would be such that we
22 could file a new model reflecting the combined company.
23 That model will be filed in some other states that
24 already have dockets ongoing beginning toward the end
25 of first quarter and the end of second quarter of next

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1 year. Because of resources and trying to get the
2 Washington filing in the queue, our cost folks have
3 looked at what's on their plate, and the realistic date
4 they've given me is midsummer.

5 MS. ANDERL: Off the subject, I was going to
6 ask if we would be taking a break any time soon?

7 JUDGE BERG: This would be a good time to
8 take a break. That would give Judge Mace and myself a
9 chance to look over our list, so we'll take a break and
10 be back on the record close to four o'clock, in ten
11 minutes.

12 (Recess.)

13 JUDGE MACE: We would like to turn to the
14 question of scheduling, but before we do that, I want
15 to address a question to Qwest. You were talking about
16 filing a recurring cost study in February, that it
17 would be possible.

18 MS. ANDERL: Yes.

19 JUDGE MACE: Do you intend to include in that
20 study recurring costs related to the loop? I know you
21 have filed loop rates, benchmark loop rates, or you are
22 using benchmark loop rates, but does your recurring
23 cost study contemplate including that?

24 MS. ANDERL: Our recurring cost study
25 calculates a loop cost, and if the recurring costs for

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1 the loop were an issue that's included in this docket,
2 we would do that.

3 JUDGE MACE: I wanted to confirm with you,
4 Mr. Kopta, that when you were speaking earlier about
5 that \$14.01 loop cost that was adopted from the
6 Colorado proceeding that that does not mean that AT&T,
7 for example, agrees to that cost, and that you would
8 seek to examine recurring loop costs in the new cost
9 docket.

10 MR. KOPTA: That's correct. We will be
11 submitting a revised version of the HAI model that has
12 our estimates of the loop costs in Washington.

13 JUDGE MACE: Then what I want to try to do is
14 talk about scheduling. Assuming, for example, that on
15 Day X or Day 1, Verizon and Qwest can file their --
16 let's assume that we are eliminating nonrecurring
17 costs -- that they could file whatever they need to
18 file for the rest of the issues to be examined in the
19 new cost docket on a given day, how much time would be
20 needed for other parties to respond?

21 MS. ANDERL: May I interject, Your Honor?

22 JUDGE MACE: Yes.

23 MS. ANDERL: I think in past dockets where
24 this was an issue, I think it's been decided, and I
25 think it's a good practice, that any party who is going

0195

1 to make a proposal with regard to loop costs be
2 required to file in the first round, and I think when
3 we originally had this docket on track for testimony to
4 be filed back in August or September, Staff and
5 Mr. Kopta's clients and Qwest and Verizon all agreed
6 that everybody would file opening testimony in cost
7 studies.

8 JUDGE BERG: That's right. Commission staff
9 was to file a study regarding the geographic
10 deaveraging of switching rates, and if there was to be
11 a revised HAI file by AT&T and possibly other parties,
12 that would not be in response testimony. That would be
13 in direct --

14 MS. SMITH: That's correct, Your Honor. We
15 had a staggered schedule as we originally proposed in
16 this case way back when we had a proposed schedule that
17 would look for Staff to work on this case after it had
18 finished with the 271 recommendation. That was the
19 only reason we had a staggered filing schedule for
20 Staff at that time.

21 JUDGE MACE: So essentially, everyone who had
22 a cost filing would make that filing, and then there
23 would be responses by all parties.

24 MS. ANDERL: Yes, Judge.

25 JUDGE MACE: Then how much time would it take

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1 to get to that filing by all parties in response to the
2 cost filings?

3 MS. ANDERL: My experience with this is that
4 the discovery process is often fairly extensive in
5 these cases, and we may have some efficiencies that all
6 parties can gain because there are other dockets
7 proceeding, such as in New Mexico or Utah.

8 So maybe some of that discovery is already
9 under way in terms of Qwest being able to examine the
10 newest HAI model, and XO or AT&T being able to examine
11 the Qwest filing, but I don't know if we can assume
12 that. My guess would be a minimum of eight and
13 probably better ten or twelve weeks. If I'm too
14 generous, I'm sure someone will step in and correct me,
15 but it takes awhile to get through the discovery
16 process to fully explore the models.

17 JUDGE MACE: Does anyone have any other
18 estimate that they would make for this responsive
19 filing period than?

20 MS. SMITH: I would probably estimate
21 anywhere from eight to ten weeks as well. If that's
22 what you said, I'm not different by much.

23 MR. KOPTA: I think certainly from our
24 perspective, since we will be trying to review the
25 Qwest model, the Verizon model, and potentially Staff's

0197

1 filing, then I will say probably ten weeks sounds like
2 a reasonable amount of time.

3 JUDGE MACE: Anyone else from the bridge?

4 MR. EDWARDS: I don't disagree with that. I
5 had 75 days before I heard Ms. Anderl, so we are
6 relatively close.

7 JUDGE MACE: Thank you. Then after the
8 responsive filing, a time for filing rebuttal.

9 MS. ANDERL: Generally shorter, four to six
10 weeks.

11 JUDGE MACE: Anyone else have anything
12 different to say about that phase?

13 (Discussion off the record.)

14 JUDGE MACE: Then I --

15 MS. SINGER NELSON: Excuse me. I'm sorry for
16 speaking up so late, but I was thinking about it, and
17 because both Qwest and Verizon are involved in this
18 case, I would agree that it would be four to six weeks
19 for rebuttal, and I would ask that it be more along the
20 lines of the six weeks than the four.

21 MS. ANDERL: That's fine.

22 JUDGE MACE: Then moving right along, we get
23 to the question of a hearing. Based on the assumption
24 that the nonrecurring costs and deaveraging -- pardon
25 me -- the nonrecurring costs would not be at issue in

0198

1 the new generic case, I need to hear from the parties
2 what their thinking is on how long a hearing would take
3 to cover the remaining issues.

4 MS. ANDERL: Typically, Your Honor, parties
5 want at least four weeks after the last testimony
6 filing before the hearings commence, just so you are
7 aware of that, and because of the fairly recently
8 instituted procedures where parties are required to
9 prefile their cross-examination exhibits and meet a
10 week or so in advance of the hearing to distribute
11 those and whatever, I think that's a minimum, because
12 typically, parties do do discovery on the last round of
13 testimony, and in order to guess responses in and
14 cross-examination exhibits prepared in any sort of
15 meaningful way, I think you need at least that
16 four-week interval. I know you didn't ask that
17 question but....

18 JUDGE MACE: That's good to know.

19 JUDGE BERG: There is always the possibility
20 of surrebuttal, maybe just a little bit of extra
21 leeway.

22 MS. ANDERL: But I think while you were out
23 of the room we talked about that amongst ourselves, and
24 we decided that two weeks would be what we need.
25 Although I did say --

0199

1 JUDGE MACE: Did you talk with people on the
2 bridge as well?

3 MS. ANDERL: No, we didn't, and just so it's
4 clear, when I think two weeks, I think I really mean
5 more like ten business days, and I think realistically
6 on the Commission's schedule, you don't get ten
7 business days in two weeks because of open meetings and
8 other things. I think some of the other parties may
9 think it could be done in less time than that so I'll
10 be quiet.

11 JUDGE MACE: Anyone else have an estimate for
12 the amount of time required for hearing?

13 MR. KOPTA: I think we agree it would take
14 two weeks. Obviously, the Commission is going to
15 decide whether we will get ten business days or two
16 physical weeks, and it may depend upon the calendar in
17 terms of when there is an open meeting and what
18 preparation the Commission needs and that sort of
19 thing, but I think we ought to schedule at least two
20 weeks.

21 JUDGE MACE: Ms. Smith?

22 MS. SMITH: Your Honor, I will agree.

23 JUDGE MACE: On the bridge, Ms. Singer
24 Nelson?

25 MS. SINGER NELSON: Agree, Judge.

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1 JUDGE MACE: Ms. Doberneck? Mr. Edwards?

2 MR. EDWARDS: I agree to at least two weeks.

3 JUDGE MACE: Mr. Ahlers? Mr. Dixon?

4 MR. DIXON: I agree with that estimate.

5 MR. EDWARDS: That two weeks is based on --

6 if we have four cost studies that are at issue in this

7 docket, it's going to be a minimum of two weeks.

8 JUDGE MACE: Thank you.

9 MS. SMITH: Would you like a proposed
10 schedule based on that discussion, or are we not there
11 yet?

12 JUDGE BERG: I think, Ms. Smith, there is
13 still the disparity of the time that other parties can
14 claim they can produce direct evidence, in the time
15 that Verizon says it can produce direct evidence, so I
16 think we probably have done as much work here today as
17 possible, and I know it's now a matter of reviewing the
18 situation with the Commissioners based upon the
19 representations of the parties.

20 MS. SINGER NELSON: If I could just add one
21 suggestion, possible suggestion. I don't know how the
22 other parties feel about it, but one way to deal with
23 that would be perhaps to bifurcate Qwest and Verizon so
24 that if Qwest is able to submit its recurring study and
25 AT&T and WorldCom can submit its study in January, but

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1 Verizon is unable to do it, absolutely unable to do it
2 until the summer, maybe we could go forward on the
3 Qwest and HAI models and consider Verizon at some later
4 time.

5 JUDGE BERG: We have heard that before,
6 Ms. Singer Nelson, and let me just state that's not the
7 Commission's preference. There has certainly been a
8 benefit in the past from being able to look at both the
9 Qwest model and the Verizon model at the same time, but
10 we will keep that in mind.

11 JUDGE MACE: I guess I am somewhat curious
12 whether you have discussed some type of proposed
13 schedule, even though it's probably nothing we could
14 confirm today.

15 MS. SMITH: No, Your Honor, we haven't, and
16 again, it was something that was discussed off the
17 record, and Verizon was not part of the discussion, so
18 it probably wouldn't make sense in hind site to go
19 forward with that exercise.

20 JUDGE MACE: That pretty much concludes the
21 agenda that we had for this prehearing conference.
22 Does anybody else have anything they want to raise?

23 MS. ANDERL: No, Your Honor. Well, yes, Your
24 Honor. I would like to propose that to the extent that
25 the Commissioners themselves would like to explore

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1 these issues in more detail, certainly as happened with
2 the discussion about Verizon's compliance filing, I
3 think the parties -- I'll speak only for myself but
4 probably the other parties as well -- would be more
5 than willing to come together again to describe to the
6 Commissioners face-to-face in more detail the concerns
7 and the issues that we have around the time and motion
8 studies, the linkage with the OSS transition costs.
9 Anything that kind of peaks their interest, I would
10 certainly be more than willing to participate in an
11 informal conference or oral argument of sorts to maybe
12 facilitate the lines of communication.

13 JUDGE MACE: Thank you. Anything further?

14 MS. ANDERL: Mr. Kopta kindly reminded me
15 that I had mentioned earlier that I would be pursuing
16 an extension time for the requirement to file
17 compliance filings in Part B.

18 JUDGE MACE: Are you going to file a written
19 request to that?

20 MS. ANDERL: Yes, and I still have some
21 parties to check off that I'm consulting, so I'm not
22 going to do that orally today.

23 JUDGE BERG: I'll also take note that there
24 was a defined extension of time for parties to file
25 response testimony in Part E to October 25. It won't

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1 be necessary for parties to make further requests. The
2 Commission on its own will take that under
3 consideration and let parties know in short order that
4 there will be an additional extension of time while the
5 Commission considers the many scheduling issues that
6 have been raised here today.

7 MR. KOPTA: At this point, may I clarify that
8 that date has been continued indefinitely? We don't
9 need to prepare for filing testimony on October 25th?

10 JUDGE BERG: The administrative law division
11 has some direction not to grant open-ended extensions,
12 but I think what you would see would be a three-week
13 extension or an extension of at least three weeks
14 beyond any Commission decision on these issues, so if
15 the Commission were to decide -- let me backtrack.

16 It will be extended. It may have to be
17 indefinitely because at this point, I don't see any way
18 that the Commission could go forward on the current
19 schedule, so the practical effect is yes, it will be
20 indefinite until further notice.

21 MR. KOPTA: Thank you. I want to be able to
22 tell my folks to stand down, if you will, and not be
23 concerned about having to file something on the 25th.

24 JUDGE BERG: If I thought that a Commission
25 decision would be such that we could retain the

0204

1 schedule, I would see to it that a date certain was
2 set, but I think at this point, that schedule cannot be
3 retained, and we will have to, in any event, be pushed
4 back beyond the December hearing date in which case
5 there is no point in trying to set a date certain.

6 JUDGE MACE: I want to thank the parties for
7 their participation, and we appreciate your input and
8 your patience with this procedure. Do you have
9 anything else that you wanted to say? Thank you very
10 much. We are concluded.

11 (Prehearing conference concluded at 4:25 p.m.)

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