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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**In the Matter of the
CONTINUED COSTING AND PRICING OF
UNBUNDLED NETWORK ELEMENTS,
TRANSPORT, TERMINATION, AND RESALE**

**Docket No. UT-003013, Part D
QWEST'S RESPONSE TO
WORLD COM'S REQUEST TO
RE-ESTABLISH UNE RATES**

The Commission should reject WorldCom's request to revisit the rate for the unbundled loop that the Commission established in Docket No. UT-960369. WorldCom's request here in Part D is nothing more than a recycled argument from Part B, where WorldCom asked for the same relief. That request has not yet been decided. In Part B, WorldCom asserted broadly (without supporting evidence) that the loop rate cannot be cost-based because there is minimal competition in the residential local exchange market in Washington and because the cost models that WorldCom and others presented in Docket No. UT-960369 were "in a process of evolution." WorldCom Part B Brief at 4.

WorldCom cites no more evidence here than it did in Part B. As the Commission is fully aware, the Commission and the parties to Docket No. UT-960369 devoted substantial time and effort to develop the unbundled loop rate that resulted from that proceeding. That docket was opened in late 1996, hearings took place in 1997, and the initial loop cost was established in 1998. Additional hearings were held in 1998 and 2000. The statewide average price was established in 1999, and deaveraged prices were established and took effect in 2000. The proceedings took many days of hearing, and the conclusions were based upon thousands of pages of testimony, exhibits, and cost studies. The current deaveraged loop rates are based upon cost studies

1 that are TELRIC-based, including a study that was co-sponsored by WorldCom, and inputs that the
2 Commission determined are consistent with a cost-based approach to setting prices.

3 Moreover, as Qwest discussed in its Part B opening and reply briefs, WorldCom put forth a
4 flawed financial analysis of the likelihood of earning a profit on residential service in Washington.
5 Evidence developed during the hearing demonstrated that the revenue assumptions underlying
6 WorldCom's profit analysis were both too conservative and inconsistent. That evidence fell far short
7 of demonstrating that the unbundled loop rate is not cost-based.

8 WorldCom's lengthy discussion in its October 3, 2001 letter to the Commission regarding
9 loop rates in other states and SBC's "Project Pronto" is neither relevant nor helpful. Loop rates are
10 by their very nature state-specific, and are driven by factors such as the density of the areas served.
11 WorldCom presents no evidence that the states of Texas, Pennsylvania, New York, or others, are
12 comparable in any meaningful way with Washington.

13 Finally, WorldCom notes that a more recent version of the Hatfield cost model, HAI 5.0a,
14 produces a loop cost of \$11.69. Presumably, this information is provided to persuade the
15 Commission that this more recent result is closer to the true cost of the loop. This argument is flawed
16 in numerous ways. First, in Docket No. UT-960369, the Commission identified a number of faults
17 with the Hatfield model, and adjusted the inputs and outputs to correct those faults to the extent that
18 it was possible to do so. There is no evidence here that the newer version addressed those issues,
19 nor is there any evidence that the \$11.69 result was produced by a run of the model that is consistent
20 with the requirements of the 8th Supplemental Order in Docket No. UT-960369.

21 Further, \$11.69 is perhaps more remarkable in comparison to WorldCom's proposal in the
22 prior docket than it is for the difference between \$11.69 and the current statewide average loop
23 price of \$18.16. In Docket No. UT-960369, WorldCom (then MCI) advocated that the proper
24 loop cost for U S WEST was \$10.34 (Rebuttal Testimony of Robert Mercer, April 27, 1997;
25 Exhibit T-40 at 4). WorldCom's current proposal is 13% higher than its proposal four years ago. It
26 is doubtful that WorldCom currently believes that the correct loop cost is 13% higher today than it
27 was when the Commission reached its conclusion of \$18.16. However, the point is that the

