INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, EMPLOYER AND PRESENT POSITION.

A. My name is Roy Lathrop, and my business address is 1133 19th Street, NW, Washington, DC 20036. I am an economist in the Regulatory Analysis group of WorldCom Inc.'s ("WorldCom") Law and Public Policy section.

Q. PLEASE DESCRIBE YOUR QUALIFICATIONS AND BACKGROUND.

A. I am responsible for developing and promoting WorldCom's public policy positions before state and federal regulators. These policy positions generally involve encouraging competition by ensuring that ILECs are required to provision collocation and unbundled network elements in a non-discriminatory manner at prices based on Total Element Long Run Incremental Costs ("TELRIC"). In my seven years at MCI/WorldCom, I have had a variety of responsibilities, including testifying as an expert witness in a variety of state regulatory proceedings addressing collocation costing, pricing and terms and conditions, explaining the need for and defining the basic requirements for line splitting over the UNE-platform, and other public policy issues, as well as participating in panels at the National Association of Regulatory Utility Commissions ("NARUC").

Prior to joining WorldCom, I was employed in the Telecommunications section of the Washington Utilities and Transportation Commission ("WUTC"), where I analyzed economic and policy issues involved in developing an alternative form of regulation for US West, and costing and pricing issues related to network unbundling proposals. Prior to working at the WUTC, I was employed by the

California Public Utilities Commission ("CPUC"). My assignments at the CPUC included three years in the Telecommunications Rate Design Branch of the Division of Ratepayer Advocates, where I provided analysis and expert testimony on various rate design, cost and tariffing issues, including cases implementing incentive regulation for California local exchange carriers. Subsequently, I served as a Commission Advisor responsible for economic and policy analysis for the electricity, natural gas and water industries. Prior to working at the CPUC, I was employed as a Research Economist at the Community and Organization Research Institute, where I conducted econometric and policy analysis related to water demand. I received a Bachelor of Arts degree in Economics and Environmental Studies, and a Master of Arts degree in Economics from the University of California at Santa Barbara.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to analyze certain cost studies filed November 7, 2001 by Qwest Corporation ("Qwest"). Specifically, I address CLEC to CLEC Interconnection, Channel Regeneration, Space Inquiry, Space Optioning, Remote Terminal Collocation and Bona Fide Request. By addressing issues in these studies, I do not mean to imply that there are no other problems with Qwest's or Verizon Northwest Inc.'s ("Verizon") various proposals in this docket. To the extent other issues are not covered in this testimony, does not imply WorldCom agrees with Qwest's or Verizon's positions.

TOTAL ELEMENT LONG RUN INCREMENTAL COST ("TELRIC") METHOD

Q. WHAT IS TELRIC?

A. TELRIC is the costing method defined by the FCC in its First Report and Order in the Local Competition proceeding opened to establish national rules to implement the Telecommunications Act of 1996. Generally, TELRIC is

> the forward-looking cost over the long run of the total quantity of the facilities and functions that are directly attributable to. Or reasonable identifiable as incremental to, such element, calculated taking as a given the incumbent LEC's provision of other element.[1]

The TELRIC cost of an element should be measured based on the use of the most efficient technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.[2]

Q. **HAS QWEST ADHERED TO TELRIC PRINCIPLES IN DEVELOPING NONRECURRING COSTS FOR THE SERVICES YOU HAVE ANALYZED?**

A. No. First, Qwest did not apply a forward-looking analysis. Such an analysis requires Qwest to assume that all inputs are variable (the "long run" part of TELRIC) – in particular, its Operations Support Systems ("OSS").[3] Rather, Qwest relied on its current experience with its existing OSS. Qwest states that its Enhanced Nonrecurring Cost ("ENRC") model "contains inputs based on Qwest's current experience in processing orders and provisioning network

[1] See 47 CFR 51.505 (b).
[2] See 47 CFR 51.505 (b).
[3] WorldCom witness Mr. Sidney Morrison discusses the implications of forward-looking OSS in more detail in his testimony.

plant."[4] Qwest's approach fails to recognize that a forward-looking, long run economic cost construct for NRCs develops costs based on using forward-looking OSS efficiently, forward-looking technologies and efficient labor costs.

Second, Qwest assumes inefficient operations in developing its cost model inputs. Adhering to TELRIC principles requires activities to be performed in an efficient manner, and Qwest assumed excessive time to perform functions, thereby violating TELRIC principles. For example, in the nonrecurring cost studies that I examined, Qwest included unnecessary or inappropriate activities. In addition, Qwest treats separately activities that could be performed in parallel or in combination. In addressing the various cost studies below, I identify these errors and recommend alternative inputs to recalculate costs. I note that my recommended changes address the cost model inputs prior to the application of cost factors.

CLEC TO CLEC INTERCONNECTION: DIRECT CONNECTION

Q. WHAT IS QWEST'S CLEC TO CLEC INTERCONNECTION SERVICE?

A. Qwest's CLEC-to-CLEC interconnection service is used to connect together different CLECs' collocation arrangements or multiple collocation arrangements of the same CLEC in the same central office ("CO"). Qwest offers two types of CLEC-to-CLEC interconnection service: "Direct Connection," in which cables (provided and placed by the CLEC) connect together different collocation

[4] Direct Testimony of Teresa K. Million on Behalf of Qwest Corporation, November 7, 2001 at page 16

arrangements, and "Cross Connections," available when the collocation arrangements have available capacity on termination cables at a Qwest intermediate distribution frame and the collocation arrangements are connected by running a "jumper" (cable) between the existing CLEC cables.[5]

For its Direct Connections service, Qwest assesses a nonrecurring "flat charge" which includes two components, engineering and cable racking (material and installation). Qwest also assesses recurring charges for cable racking on a per foot basis. Qwest assesses separate nonrecurring charges for virtual collocation connections (if one or both collocation arrangements to be connected is a virtual collocation). In addition, Qwest assesses a nonrecurring charge for opening and closing a cable hole, if applicable. For Cross Connections service, Qwest assesses separate nonrecurring charges for installation and disconnection.

Q. DO YOU AGREE WITH QWEST'S DERIVATION OF THE NONRECURING "FLAT" CHARGE FOR DIRECT CONNECTION SERVICE?

A. No. I will discuss the component parts of the engineering portion of Qwest's "flat" charge before turning to the cable racking portion. (The engineering and cable racking costs are not separately identified charges, but are separately developed in Qwest's cost study.) Before doing so, it is useful to keep in mind that the Direct Connection service simply connects two collocation arrangements identified by the CLEC, and Qwest does not provide or install the cable itself.

(emphasis added).

[5] Qwest's proposed charges for Direct Connection and Cross Connections appears in sections 8.8.1-

Although Qwest's cost study description implies that cost development assumes cable racking is rarely installed, the cost study includes additional assumptions related to cable racking that are derived from Qwest's Collocation Cost Model and act to increase the "flat" charge (discussed below).

BEGIN PROPRIETARY DISCUSSION

END PROPRIETARY DISCUSSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, at this time.

8.8.5 and 8.8.6 which appear on page 1 of Exhibit TKM-28, attached to the Direct Testimony of Teresa K. Million on Behalf of Qwest Corporation, November 7, 2001.