1	BEFORE THE WASHINGTON UTILITIES AND
2	TRANSPORTATION COMMISSION
3	In the Matter of the Review of) Docket No. UT-023003 Unbundled Loop and Switching) Volume IV
4	Rates and Review of the) Pages 205-252 Deaveraged Zone Rate Structure.)
5)
6	
7	A prehearing conference in the
8	above matter was held on February 6, 2003, at 1:38
9	p.m., at 1300 Evergreen Park Drive Southwest,
10	Olympia, Washington, before Administrative Law Judges
11	LAWRENCE BERG and THEODORA MACE.
12	
13	The parties were present as
14	follows: QWEST CORPORATION, by Lisa A. Anderl and Adam Sherr, Attorneys at Law, 1600 Seventh
15	Avenue, Room 3206, Seattle, Washington 98191.
16	VERIZON NORTHWEST, INC., by Catherine Ronis, Attorney at Law, Wilmer, Cutler &
17	Pickering, 2445 M Street, NW, Washington, D.C., 20037 (Appearing via bridge.)
18	THE COMMISSION, by Mary M.
19	Tennyson and Shannon E. Smith, Assistant Attorneys General, 1400 S. Evergreen Park Drive, S.W., P.O. Box
20	40128, Olympia, Washington 98504-0128.
21	AT&T OF THE PACIFIC NORTHWEST,
22	INC.; XO WASHINGTON, INC.; PAC-WEST, INC., by Gregory J. Kopta, Attorney at Law, Davis, Wright, Tremaine, 2600 Century Square, 1501 Fourth Avenue,
23	Seattle, Washington 98101-1688 (Appearing via bridge.)
24	
25	Barbara L. Nelson, CCR Court Reporter

WEBTEC, by Arthur A. Butler, 1 Attorney at Law, Ater Wynne, Two Union Square, Suite 2 5450, 601 Union Street, Seattle, Washington 98101 3 4 (Appearing via bridge.) 5 6 COVAD COMMUNICATIONS COMPANY, by Brooks Harlow, Attorney at Law, Miller Nash, Two 7 Union Square, 601 Union Street, Suite 4400, Seattle, 8 9 Washington 98101-2532 (Appearing via bridge.) 10 MCI/WORLDCOM, INC., by Michel 11 12 Singer Nelson, Attorney at Law, 707 17th Street, Suite 4200, Denver, Colorado, 80202 (Appearing via 13 bridge.) 14 15 16 ESCHELON TELECOM, INC., by Dennis 17 D. Ahlers, Attorney at Law, 730 Second Avenue South, 18 Suite 1200, Minneapolis, Minnesota, 55402-6349 19 (Appearing via bridge.) 20 21 ALLEGIANCE TELECOM OF WASHINGTON, 22 INC., by R. Dale Dixon, Attorney at Law, Davis, 23 Dixon, Kirby, 519 SW Third Street, Suite 601, 24 Portland, Oregon 97204 (Appearing via bridge.) 25

JUDGE BERG: Let's be on the record. 1 This 2 is a prehearing conference in Docket Number UT-023003, before the Washington Utilities and 3 4 Transportation Commission. This case is also 5 captioned In the Matter of the Review of Unbundled Loop and Switching Rates, the Deaveraged Zone Rate б 7 Structure and Unbundled Network Elements, Transport and Termination. This case is also stylized the New 8 9 Generic Case, and will continue -- we'll continue to do so until some point in the future when it gets old 10 11 for everyone.

12 Today's date is February 6th, 2003. The 13 prehearing conference is being conducted at the 14 Commission's headquarters in Olympia, Washington, 15 pursuant to due and proper notice that was served on 16 January 10th, 2003. My name is Lawrence Berg. I'm 17 one of the two presiding officers that have been 18 assigned to this case. Joining me on the bench is 19 Judge Theodora Mace.

As the parties will recall, the Commissioners will preside at evidentiary hearings in this case that are scheduled for December 2003 and January 2004.

At this time, let's proceed to take appearances of the parties. We'll begin with

Commission Staff and Qwest in the hearing room, and 1 I'll assist parties by prompting the parties as we 2 3 move down the list. 4 MS. SMITH: Shannon Smith, appearing for 5 Commission Staff. б MS. TENNYSON: Mary Tennyson, appearing for Commission Staff. 7 MR. SHERR: This is Adam Sherr, appearing 8 9 for Qwest. MS. ANDERL: Lisa Anderl, on behalf of 10 11 Qwest. 12 JUDGE BERG: On behalf of AT&T, XO, and 13 Pac-West? MR. KOPTA: Gregory Kopta, of the law firm 14 15 Davis, Wright, Tremaine, LLP. 16 JUDGE BERG: Verizon Northwest, Inc. 17 MS. RONIS: Catherine K. Ronis, Wilmer, Cutler & Pickering, 2445 M Street, M, as in mom, 18 N.W., Washington, D.C., 20037. Phone is 19 20 202-663-6380; fax is 202-663-6363, representing 21 Verizon. 22 JUDGE BERG: And Ms. Ronis, would you also, 23 for the record, state your e-mail address? 24 MS. RONIS: C, as in cat, r-o-n, as in Nancy, i-s, as in Sam, @wilmer, w-i-l-m, as in mom, 25

1 e-r.com. 2 JUDGE BERG: Why do I get the feeling you've done that before? WeBTEC. 3 4 MR. BUTLER: Arthur A. Butler. 5 JUDGE BERG: Covad Communications. MR. HARLOW: Brooks Harlow. б JUDGE BERG: MCI/WorldCom. 7 MS. SINGER NELSON: Michel Singer Nelson, 8 on behalf of MCI/WorldCom. 9 JUDGE BERG: Eschelon Telecom. 10 11 MR. AHLERS: Dennis Ahlers, on behalf of 12 Eschelon. 13 JUDGE BERG: Allegiance Telecom. MR. DIXON: Dale Dixon. 14 15 JUDGE BERG: Are there any other parties 16 that wish to enter an appearance at this time? Let 17 the record reflect that there was no response. There are several purposes for today's prehearing 18 19 conference. While off the record, I mentioned the 20 specific purposes to the parties, and at this time, 21 I'd like to address those purposes one at a time, 22 beginning with a brief discussion of the filing and 23 service requirements pursuant to WAC 480-09-120. 24 I just want to indicate to parties that the

Bench's position is that filing and service must be

strictly construed in accordance with Commission
 rules unless prior notice issues altering those
 requirements. This includes granting parties
 permission to file documents with the Commission by
 facsimile or by electronic attachment.

б As the parties perceive a need for some 7 change from the strict requirements of the Commission's rule, we expect counsel to notify the 8 9 Bench and other parties just as soon as possible. We 10 know, from having worked together in the past, that 11 those instances will arise and, in fact, there may be 12 ways to streamline those strict requirements of the 13 rule to make the proceeding work efficiently and --14 but we want to start fresh here, and as parties have 15 suggestions, please feel free to bring them up.

16 I'll also indicate to the parties that if 17 you do not comply with the filing and service 18 requirements of the Commission's rule or receive some 19 notice changing those requirements prior to deviating 20 from the rule, then you do so at your own peril.

As far as filing requirements go, for this part of the proceeding, parties should plan on filing an original and 17 copies of all pleadings with the Commission. It may be that that list will be shortened over time, but it's probably equally

possible that that list will be expanded. If there's 1 any change, we'll be sure to let parties know. We 2 3 remain sensitive to the costs that parties incur, 4 even when it comes down to the matter of making 5 copies, and we'll try and work with the parties on an ongoing basis. Are there any questions? б 7 MS. ANDERL: Your Honor, when would be an 8 appropriate time to suggest consideration of 9 electronic service, especially of testimony and 10 whether all of the parties would consent to do things 11 and receive matters via electronic service, as long 12 as they were followed with a hard copy? 13 JUDGE BERG: Now, I'm taking a look right now. The Commission's rule 480-09-120, I'm going to 14 15 give you a specific reference, (2)(d), does refer to electronic mail, and it states that a party may 16 17 consent to receive service by electronic mail. The consent, which waives the party's rights to other 18 19 forms of service, must be in writing and filed with 20 the Commission in the docket for which consent is 21 given.

If parties want to enter into some kind of modified consent where they're consenting to receive service electronically, but also want to receive a hard paper copy, if the parties were to enter into

1 such a consent, we would allow for that change from the strict terms of the Commission's rule. But I 2 3 think it would be prudent for parties entering into 4 those agreements to do so in writing and to make such 5 a filing with the Commission, so that if there's a б later dispute, we'll have a clear understanding what 7 the obligations are. Does that work, Ms. Anderl? MS. ANDERL: I think so, unless the other 8 9 parties want to have a more detailed discussion about 10 that. But I quess I have one more question, then. 11 Do I correctly understand that the Commission does 12 not wish to receive documents in this matter via 13 e-mail, but only wishes to receive them via hard copy filing accompanied by a disk? Because we have 14 15 typically in the past sent things to the records center electronically, and if that is really an extra 16 17 step that bears no value to the Commission, then we would adjust our internal processes. 18

JUDGE BERG: I appreciate you bringing up that specific point. The Commission continues to request that parties provide a copy of all pleadings that are filed in electronic format. That electronic copy can be provided as an e-mail attachment directed to the Commission's records center. When doing so, we would certainly appreciate a courtesy e-mail

version also being provided to the presiding 1 officers, myself and Judge Mace, but I want to make 2 3 clear that doing so does not constitute filing with 4 the Commission. The provision of an electronic copy, 5 unless there's some further decision about what б constitutes service, merely fulfills the request by 7 the Commission that an electronic copy be provided. It need not be provided by electronic attachment. It 8 9 could also be provided by electronic disk that's 10 delivered to the Commission at the same time that a 11 paper copy is filed.

12

MS. ANDERL: Thank you.

JUDGE BERG: You're welcome. Anything further on that particular point or any other? Hold on for one moment, please.

16 The second matter to be addressed with the parties is to review Part D issues identified on the 17 issues list attached to the Fourth Supplemental Order 18 in this proceeding. That list was headed Issues 19 20 List, New Generic, and purported to be a list of all 21 of the issues that have previously been identified to 22 be addressed in this case. And the various issues 23 have some additional subheading indicating the source 24 of the issue that is to be addressed. There are two 25 columns, one column is Recurring Costs, Plus Other

Issues. The second column is OSS, All Nonrecurring 1 Costs. I should say OSS/All Nonrecurring Costs. At 2 3 the bottom of each column is a subheading of From 4 Part D with an asterisk, the asterisk indicating at 5 the time this list was prepared and distributed, that б the Part D issues were subject to administrative 7 review and reconsideration in that proceeding. At this time, a final order has been 8 9 entered in Part D, and I want to check with the 10 parties to see if the parties are in agreement that 11 the issues identified as relating to the Part D 12 proceeding, in fact, are to be addressed in this 13 proceeding, and whether or not parties have knowledge 14 of any other issues arising out of the Part D 15 proceeding that are not on this list. 16 We'll just open that up for comment by any 17 of the parties. And I know this may take a moment or two for parties to review and to think about it, and 18 19 so we may just have a minute or two of silence here 20 while everybody contemplates the matter. 21 Does anybody need more time to think about 22 this? All right. Any comments? MS. TENNYSON: This is Mary Tennyson, for 23 24 Commission Staff. One issue that we're not sure it needs to be addressed here, but we would like to 25

1 raise it for discussion by the parties, is whether 2 the direction in the Part D order about for Qwest to 3 use -- to split the manual and the mechanized rates, 4 whether we need further testimony and litigation on 5 that issue and --

6 JUDGE BERG: Does that sound familiar to 7 you, Ms. Anderl?

MS. ANDERL: Well, yes, it's listed right 8 9 now on OSS/All Nonrecurring Costs, and it's listed on From Part B, as in boy. The issue's actually teed up 10 11 in the compliance filings that are pending in Parts D 12 and B, and we may get enough clarification from the 13 Commission in those compliance filings that the 14 question of how do you split out electronic versus 15 manual is not a disputed issue in the new generic 16 docket, but we don't know yet.

17 MS. TENNYSON: So it's not resolved at this
18 point?

JUDGE BERG: All right. Ms. Anderl, just help me and just point me right to that. MS. ANDERL: It's in the right-hand column, about -- in the middle of the From Part B heading. JUDGE BERG: Yes, I do see that. All right, good. What we can do is, after the compliance issues in Parts B and D are resolved, we'll initiate

some further inquiry from the parties as to whether
 or not there are issues that have been resolved on
 this list.

4 MS. ANDERL: The only other thing that I 5 saw, Your Honor, is the daily usage record file is б listed in a couple of different places, and it's listed in the left-hand column in the first subgroup 7 and also in the Part D subgroup, and it's also listed 8 9 in the right-hand column. I'm not sure what our rate structure on that is. I'm not sure if that is a rate 10 element that has both recurring and nonrecurring 11 12 pieces to it or not, but just understand that if we 13 don't file it in one area, either recurring or 14 nonrecurring, it's because there isn't any in there. 15 But I can't represent one way or the other right now. 16 JUDGE BERG: Okay. 17 MS. ANDERL: Because I thought it was a per-record or per-inquiry type of a charge. 18 19 MS. TENNYSON: I was recalling that there's an initial access cost to it, so it would be 20 21 nonrecurring. 22 MS. ANDERL: And then a per-record or 23 recurring type per-request. You may be right, and that's what I mean. I can't remember. But we'll 24 25 see.

JUDGE BERG: All right. 1 2 MS. ANDERL: That just kind of jumped out 3 at me. 4 JUDGE BERG: I'm making some notes. 5 MS. ANDERL: But I think, with regard to the Part D issue specifically, there -- the final 6 7 order in Part D did not raise any questions or make me say that this issues list is wrong in any way. 8 9 JUDGE BERG: Anything from any other party? All right. Then, certainly, if someone thinks of 10 something, we can come back to this. If not, in the 11 12 meantime, we'll move on to a discussion of some of 13 the specific issues raised by parties for discussion at today's prehearing conference. 14 15 The first issue that I would like to bring up was the matter mentioned by Verizon with regards 16 17 to the rate for transfer of installed splitter issue. Ms. Ronis, would you take the lead on this 18 particular item? 19 20 MS. RONIS: Yes. 21 JUDGE BERG: And please do speak up. 22 MS. RONIS: Yes, it was my understanding 23 that this issue first arose when Verizon made the 24 offer to sell the splitters to the CLEC when they transferred from a line sharing to a line splitting 25

arrangement, and that that issue was then put into 1 2 this case per this Fourth Supplemental Order. I've been told by our subject matter 3 4 experts that in the last year or so we have really 5 worked this out with the CLECs and, in most cases, б they've either owned splitters and that we really don't have the demand for them to purchase our 7 splitters, and so we didn't see the need to address 8 9 that rate element in this case. Now, the other CLECs can speak up and 10 11 confirm that I'm right or wrong, but that was the 12 basis for our request that that be excluded from this 13 case. JUDGE BERG: Are there any parties that 14 15 believe it's necessary to establish this rate in this 16 proceeding? 17 MR. HARLOW: Your Honor, I got a preliminary indication, kind of a 90, 95 --18 19 JUDGE BERG: This is Mr. Harlow? 20 MR. HARLOW: Yes, sorry, Brooks Harlow, 21 from Covad. Got a preliminary indication from Covad 22 that that probably was not going to be at issue, but 23 that was supposed to have been confirmed. It still 24 hasn't been a hundred percent confirmed. Perhaps you could give us a few days or a week. If you don't 25

hear from us, assume that that's not an issue for
 Covad.

JUDGE BERG: Anybody else? 3 4 MS. SINGER NELSON: Judge, this is Michel 5 Singer Nelson, on behalf of WorldCom. I would say б that I'm not prepared today to agree that that should 7 not be on the list, but, like Mr. Harlow, I'll double check with that, because I know in the past we did 8 9 want that rate element to be established, so I don't want to see it go away. I don't want to see it go 10 11 away just yet. So let me double check on that and 12 I'll get back. 13 JUDGE BERG: All right. MS. RONIS: Catherine Ronis. Can I add, 14 15 also, we thought that if, in fact, there were some 16 lingering issues on that, would the parties object to 17 moving it to -- I guess there's a line splitting collaborative being held or to be held. It could 18 19 possibly be addressed there, to the extent it's still 20 an issue. So I ask you, Covad and WorldCom, maybe to 21 take that question back to your people, as well? 22 MR. HARLOW: Sure. JUDGE BERG: What I think makes sense --23 24 Ms. Anderl, I see you leaping forward. MS. ANDERL: Thank you, Your Honor. I 25

1 wanted to confirm, my understanding was this was an issue only for Covad -- or only for Verizon. It's 2 3 not identified as a Verizon-specific issue on the 4 issues list, but I wanted to confirm that that is 5 everyone's understanding. It's not a Qwest issue. JUDGE BERG: Well, I'll just step right in б 7 and I'll just state to that. That's certainly my understanding and the way it came up in the 8 9 Commission orders. MS. ANDERL: Well, you know, time passes, 10 11 and it's nice to confirm these things. 12 JUDGE BERG: All right. That's your job. 13 Let me suggest that the CLECs who are in this case 14 confer with your subject matter experts, and please 15 respond to Ms. Ronis, either on a formal or informal 16 basis, over the course of the next week and discuss 17 this with her. The Commission has indicated in previous 18 orders its intention to initiate a line splitting 19 20 collaborative in the state of Washington, but as 21 everyone's no doubt aware, that collaborative has not

22 been kicked off at this point in time, nor do I have 23 any information about the status of that

24 collaborative.

25

I'd like to reach some closure on this

issue in this proceeding as soon as possible, and
 would like to have parties specifically file either
 some follow-up statement of their agreement or
 disagreement, whether this is an issue that needs to
 be addressed in this proceeding.

6 Mr. Harlow, give me your guess of what 7 would be a reasonable time to talk with your client 8 and to follow up with Ms. Ronis and then prepare a 9 letter for the Commission.

10 MR. HARLOW: Yes, certainly, Your Honor. 11 This is Brooks Harlow. I think a week would be just 12 fine. I expected an answer by today, because we 13 discussed this a couple days ago, and the lack of an 14 answer is probably further indication that it's not 15 an issue. Not that anyone cares about it anymore, 16 but I'm sure we could nail it down in a week.

JUDGE BERG: Ms. Singer Nelson, do you feel that you can communicate with your client, Ms. Ronis, and file a letter with the Commission within a week's time?

MS. SINGER NELSON: Yes, Judge. JUDGE BERG: All right. Let's say that -six, 13 -- let's say we'll make this a Valentine day special, ask that parties that have an interest in this issue submit a letter to the Commission on or

before February the 14th, either stating their 1 agreement or disagreement, whether this is an issue 2 3 that needs to be addressed in this proceeding. 4 Ms. Ronis, if there's a disagreement, then 5 what I'd like to see from Verizon is some kind of a written motion as to an alternative -- to an 6 7 alternative to addressing this issue if Verizon wants 8 to pursue that. MS. RONIS: Yes, we will. Thank you. 9 JUDGE BERG: All right. I'll note that's 10 11 one of 66 issues on my list. The next item is 12 probably our -- one of our big ticket items for the 13 afternoon, and that's time and motion studies. Ms. 14 Anderl, although I'm somewhat certain that this is of 15 interest to other parties, since you took the 16 initiative and brought it up, let me ask you to take 17 the lead and state your concern. MS. ANDERL: Yes, Your Honor. We have been 18 19 having some discussions with the parties, and I 20 believe that we had earlier represented to you that 21 we would give you a status update or present some 22 sort of a proposal at this prehearing conference with 23 regard to time and motion studies. 24 I find that we're not able to really

25 present an all-party proposal, but I would like to

1 clarify, I guess, that Qwest's approach at this point is going to be consistent with the Staff memorandum 2 3 that was sent around on January 31st, '03, and I know 4 that the judges, although not the records center or 5 the Commission formally, were copied on that, but Staff described their view of the potential scope of 6 7 the time and motion study, that it should be broadly inclusive of all rate elements, but only the ordering 8 9 component, not the provisioning component of the 10 whole nonrecurring activity set that goes into 11 ordering and provisioning an order, and we are 12 comfortable with going forward with that as the scope 13 of the nonrecurring studies.

We are -- we believe that that's consistent with what the Commission did order and the linkage that the Commission has in mind between the time and motion studies and the OSS expenditures and cost recovery for those OSS expenditures. And so that's how we will proceed.

I don't know if I'm -- I don't think I'm asking specifically for Commission blessing of that, but I would like to kind of throw it out there and say that I think there are a number of different ways that time and motion studies could be approached, and this is the way we think we will do it.

1 We also wanted to advise the Commission and 2 the parties that there has been discussion about 3 whether an independent third party ought to be 4 retained to conduct the studies or whether Qwest 5 could conduct those studies in-house and present its б own internal experts to support those studies. 7 At this point, to be able to file testimony in the summer, we would have to do those studies 8 9 in-house. We would not have time at this point in 10 the game to create an RFP, a request for proposal, 11 get responses to those, and have an independent third 12 party conduct those studies in such a way as to be 13 able to be ready in July. And I know that some of the parties will 14 15 not agree with that as the proper approach. However, 16 absent us all being able to agree on the proper 17 approach, I quess I just advised you that even though 18 we had hoped to take that issue out of the 19 litigation, we may not be able to. 20 JUDGE BERG: Does Qwest have plans to

21 continue negotiations with any other parties

22 regarding time and study methodology?

MS. ANDERL: Well, it's kind of hard,
because we feel as though we need to -- we would like
to do that, but we feel as though we need to arrive

1 at a conclusion rather quickly in order to be able to start on things. We don't want to come back to you 2 in April, and say, Well, you know, gee, we really 3 4 think all the parties still -- negotiated in good 5 faith for two months, but nobody was able to start б doing anything because we were negotiating, and then 7 tell you we're nowhere near ready to go. So we're kind of stuck there. 8

9 JUDGE BERG: I think I speak for Judge Mace 10 and myself when I say that we have a strong feeling 11 that parties should be prepared to file their direct 12 evidence at this point on June 2nd, or any other such 13 date that the Commission agrees for the filing of 14 direct evidence, and parties need to do whatever they 15 need to do to meet that responsibility. So I 16 appreciate the status update from Qwest's 17 perspective.

We'll hear from other parties, but let me 18 19 also say that the Commission is willing to assist the 20 parties in their negotiations in any way. If some 21 assistance is requested, it would most likely be in 22 the form of a mediation and -- but that, as the case 23 with every mediation, it requires that all parties be 24 in agreement to the process. Would other parties 25 like to comment?

MS. SINGER NELSON: Yes, Judge, this is 1 2 Michel Singer Nelson, on behalf of WorldCom. I do 3 have a brief response to what Ms. Anderl has said. 4 I don't agree that the scope of the 5 Commission's order relating to time and motion б studies was limited to ordering. I think that it was 7 a broader order, and there are several paragraphs in that Commission Part D order that demonstrate that. 8 9 There's nothing in the Part D order that expressly 10 says that the scope of the time and motion studies 11 issue was limited to the ordering process. So I 12 disagree with that. 13 The second thing is I think that if Qwest 14 is just going to do time and motion studies through

15 in-house personnel, that is not going to alleviate 16 some of the problems that the Commission noted in its 17 order relating to Qwest's SME testimony. So I think that we need to have more of a discussion about that. 18 I do think that, in order to get an objective time 19 20 and motion study or properly conducted time and 21 motion study, it needs to be done by someone other 22 than Qwest. Or if Qwest does do it, then there has 23 to be participation by the other carriers.

24 So I think it will be tough to meet an 25 objectivity test if Qwest is performing the time and

motion studies in-house. That's my brief response. 1 I think that this can lead into a long discussion 2 3 about alternatives and things that the parties have 4 talked about on some other calls, but I don't agree 5 that we could proceed as Ms. Anderl has expressed. б As far as pushing the dates out, one idea 7 to consider is that, since the time and motion 8 studies relate to nonrecurring rates, that we at 9 least go forward on the recurring piece of this case. 10 And if the parties need more time and, obviously, if 11 the Commission would allow it, WorldCom wouldn't have 12 any objection to putting the NRC portion of this 13 docket at a little bit of a delay. I'm done. 14 JUDGE BERG: Let me ask a couple questions, 15 Ms. Singer Nelson. Is it your position that the 16 Commission should resolve issues regarding time and 17 study methodology before parties prepare and file direct evidence? 18 19 MS. SINGER NELSON: Well, the time and

20 motion studies don't relate to the recurring cost 21 rate elements, so I don't think the time and motion 22 studies have to be complete prior to the recurring 23 models being filed and the direct testimony relating 24 to the recurring rates.

25

On the nonrecurring rates, based on the

Commission's order, the time and motion studies do 1 have to be performed prior to the parties -- or Qwest 2 3 and Verizon filing direct testimony relating to NRCs. 4 JUDGE BERG: All right. 5 JUDGE MACE: Can I just ask, Ms. Singer Nelson, you mentioned there were some sections of the 6 7 Part D order that you felt supported your position. I'm wondering if you could refer us to those 8 9 sections? MS. SINGER NELSON: I mean, I think the 10 11 entire section talking about time and motion studies, 12 so starting with -- in the Commission's final order, 13 the 44th Supplemental Order, the discussion is 14 contained at paragraph 19 through -- at least through 15 paragraph 31. 16 JUDGE MACE: Thank you. 17 MS. SINGER NELSON: It's also throughout the order. There are several rate elements that were 18 19 at issue in Part D that also included provisioning 20 time, and those provisioning times were at issue. 21 The issues were resolved by the Commission's order 22 relating to time and motion studies. 23 JUDGE BERG: So I have two issues that 24 you've brought up, Ms. Singer Nelson. The first is 25 the issue as to whether or not time and motion

studies apply to both ordering and provisioning, and 1 the second point that I've written down, I want to 2 make sure I've got this, I understand this clearly, 3 4 is that WorldCom believes that the -- at least with 5 regards to the time and motion study methodology that б Qwest proposes to use with regards to ordering, that 7 your position is that the outcome of that methodology does not meet the directives in the Commission's 8 9 prior orders; is that correct? MS. SINGER NELSON: Well, Judge, yes, in 10 11 part. To the extent that time and motion studies are 12 done to comply with the Commission's order, it's 13 WorldCom's position that a third party should perform 14 those time and motion studies, and Qwest's in-house 15 personnel should not be the ones performing the time 16 and motion studies. That would not -- having Qwest 17 personnel performing the time and motion studies would not satisfy the requirements of the 18 19 Commission's order.

20 However, so that the bottom line is that 21 WorldCom believes that a third party should perform 22 the time and motion studies.

JUDGE BERG: I'll just share with the parties, I did take the time to review both the 41st Supplemental and the 44th Supplemental Orders in

UT-003013 before this afternoon's prehearing 1 conference, and in particular, with regards to the 2 44th Supplemental Order, Paragraph 60, Paragraph 66, 3 4 and Paragraph 70, where it was emphasized that a time 5 and motion study should produce verifiable results, б and there was also discussion of the Commission's 7 requirement that empirical data be produced, with regards to your position regarding a third party, Ms. 8 9 Singer Nelson, is it your position that the 10 Commission's order directed that that methodology be 11 employed?

12 MS. SINGER NELSON: No, Judge. I think 13 it's implicit in the Commission's order. It's not 14 explicit. As we were talking about how to implement 15 the Commission's order, what the parties discussed, 16 and WorldCom's view on this, I'll just speak from 17 WorldCom, is that, from WorldCom's position, it would 18 be difficult to have an objective test done if it is 19 done by Qwest's in-house personnel.

20 And the Commission, both in the initial 21 order in this docket and then in the final order, 22 refer to the need for objective tests and how 23 difficult it is to get an objective cost study when 24 in-house personnel perform that cost study.

25 So the next logical step in my mind is that

1 it should be performed by a third party. And if 2 that's not possible, then it needs to be done as more 3 of a group effort, where parties to this proceeding 4 perhaps could participate jointly with Qwest and 5 Verizon in performing these kinds of studies, so that 6 there's some kind of verification, some kind of check 7 to make it less biased.

8 JUDGE BERG: Ms. Anderl, before we hear 9 from any other parties, do you want to respond to any 10 of Ms. Singer Nelson's comments?

11 MS. ANDERL: Well, yes. I don't think that 12 -- well, I guess her comments seem to assume that any 13 testimony or study or analysis conducted by anyone 14 in-house is inherently biased and flawed, and I don't 15 really think that, you know, the folks who witness 16 for Commission Staff who are in-house or the people 17 who witness for Qwest who are in-house, many of whom conduct and perform all of our recurring cost 18 19 studies, and I don't think that the AT&T cost 20 witnesses would agree that just because they are 21 employed directly by the party for whom they are 22 witnessing makes their analysis, their study, or 23 their conclusions inherently flawed or biased, so I'd 24 just kind of like to lay that out at the beginning. I think that the problem that the 25

Commission was trying to address with regard to the 1 nonrecurring cost studies, in our view, was that the 2 3 witness who was on the stand was relying on 4 information that was fed to her maybe directly, maybe 5 indirectly, by a number of subject matter experts who б performed the work within the business, but who are 7 not themselves witnesses in this case, and that the Commission found it very difficult to check and 8 9 verify and test the empirical validity of the cost --10 the time estimates when they were presented in that 11 manner.

12 I think when you have a time and motion 13 study, the way the Commission anticipated that that 14 problem would be addressed would be because there 15 would be someone on the stand under oath who had 16 conducted the study who could then be examined on the 17 persons with whom they spoke, the activities that they looked at, how they measured the times 18 19 associated with those activities, what other factors 20 they took into account, and that all of those checks 21 and safeguards, at least, were what the Commission 22 anticipated would solve the, quote, unquote, 23 anonymous SME problem, and that there is nothing 24 neither implicit or explicit in the Commission's 25 order that would require us to go outside to a third

1 party.

2 MS. SINGER NELSON: Judge, may I respond? JUDGE BERG: Yes, and then I want to open 3 4 it up for other parties to comment. I know Ms. 5 Tennyson has something to say. б MS. SINGER NELSON: Thank you, Judge. I 7 would say I agree with Ms. Anderl, that that was part of the Commission's analysis, but also the 8 9 objectivity was part of the Commission's analysis, and I think to get away, although the Commission 10 11 didn't say a third party needs to perform the test, I 12 think to get away from the problem of any bias and 13 lack of objectivity, that a third party would be the 14 best approach to take. 15 JUDGE BERG: Ms. Tennyson. 16 MS. TENNYSON: Thank you. Staff's concern 17 with Qwest possibly doing the study on an in-house basis is not so much with an issue of bias. I think 18 19 we can explore those kinds of things if we have a 20 witness on the stand. Through cross-examination, you 21 can determine whether or not there's bias. But our 22 concern is more that we don't know that Qwest has 23 persons with experience or expertise to conduct a 24 time and motion study, whether or not they do it with their own personnel only or with allowing CLEC 25

1 experts also to participate in it.

2	We see an advantage of an independent
3	study, being that it gives it provides time
4	estimates that are concrete, and then Qwest and other
5	parties can argue about the interpretation of that
6	data, whether it's made forward looking in one way or
7	another, you know, how do we make it forward looking,
8	but we at least have some concrete data that we're
9	confident that is done by an outside source.
10	In addition, I wanted to reflect that after
11	the Staff had after I sent out the e-mail that has
12	been referred to on the 31st, that some members of
13	Staff did have some additional conversations with Ms.
14	Singer Nelson about whether or not the Commission had
15	ordered whether to include provisioning or not in it,
16	and I would say we're more leaning towards WorldCom's
17	position at this point than what is expressed in the
18	e-mail that I sent out.
19	MS. ANDERL: Well, and Your Honor, I mean,
~ ~	

20 if that is indeed the case, then we have a lot of 21 other issues that we need to raise in terms of 22 costliness and time. It's not the scope that we had 23 understood the Commission's order to encompass, and 24 it's really not the path we've been going down.

MS. RONIS: This is Catherine Ronis, from

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Verizon. And Verizon absolutely agrees. We read the 1 2 order the same way Qwest read it and --JUDGE MACE: Sorry. I'm having a lot of 3 4 trouble hearing you, Ms. Ronis. I'm wondering if you 5 could speak up a little bit. б MS. RONIS: I apologize. I was saying that 7 Verizon has interpreted the prior Commission orders in the same way Qwest has and has been proceeding 8 9 along those lines, in that we were looking at ordering activities only. And it opens up a whole 10 11 can of worms and really raises the issue of 12 significant delay, in addition to how you would 13 actually study some of the activities that have not 14 been discussed among the parties or with the 15 Commission. So it concerns me quite a bit if we 16 change direction at this point. 17 MR. HARLOW: Brooks Harlow, on behalf of Covad. 18 19 JUDGE BERG: Yes, Mr. Harlow. MR. HARLOW: Covad supports MCI's position 20 21 on this issue and --22 JUDGE MACE: Mr. Harlow, I'm sorry, I can't hear you, either. 23 24 MR. HARLOW: Let me try to move the microphone closer. Is that better? 25

JUDGE BERG: Yes, sir. 1 2 MR. HARLOW: Covad supports MCI/WorldCom's position on this issue. And while we would prefer 3 4 not to delay the proceeding, I think we feel it would 5 be preferable to have some delay to do the proper time and motion studies. б 7 JUDGE BERG: And could you explain what you mean by proper time and motion studies, Mr. Harlow? 8 9 MR. HARLOW: As outlined by WorldCom, MCI/WorldCom. 10 11 MS. ANDERL: Well --12 JUDGE BERG: Well, let me push the point one step further, Mr. Harlow. Are you stating that 13 the Commission should essentially determine the 14 15 methodology that should be employed for the parties? 16 MR. HARLOW: If the parties can't work it 17 out, I think that that has to be done, because otherwise you just inject the highly-contentious 18 19 nonproductive issue into the hearings, that being 20 whether you can even rely on the time and motion 21 studies at all. 22 JUDGE BERG: Is that to suggest, if the 23 Commission were to make such a determination, that 24 there would be no disagreement among the parties

25 later?

1	MR. HARLOW: Well, I think you would narrow
2	the disagreement to kind of specifics, in terms of
3	whether the process was proper in a particular regard
4	or some particular element of the process is properly
5	observed and measured or something like that. I
б	think you could narrow it considerably, rather than
7	having serious questions raised as to the whole
8	process as to every study and every provisioning
9	element study.
10	JUDGE BERG: If what I've
11	MR. HARLOW: I don't want to get out beyond
12	WorldCom here. Briefly, we're basically in agreement
13	with them.
14	JUDGE BERG: All right.
15	MS. ANDERL: Well, and Your Honor, you
16	know, I don't know really where we're going to end up
17	with this, but I would request, if there were any
18	consideration being given to a decision that would
19	broaden the scope of the studies into provisioning or
20	affirmatively require a third party to perform those,
21	that we think that those are not clearly contemplated
22	within the Commission's orders. Those are not areas
23	that we the paths that we've been going down.
24	We'd actually like an opportunity to argue this in a

JUDGE BERG: Let's go ahead and take some more comments from other parties, if other parties have a perspective on the issue. Anyone else? One moment, please, while I confer with Judge Mace.

5 Judge Mace and myself have consulted about the issues that are raised by the parties. First, 6 7 with regards to the issue of methodology, Judge Mace and I are of a single mind that the Commission's 8 9 orders simply require that time and motion studies 10 performed by the parties must be verifiable, and I 11 think implicit in that directive is the conclusion, 12 if not expressed, then implicit, is that the former 13 approach that has been used by the parties was not 14 verifiable and not acceptable.

15 Other than that, we don't believe that it 16 would be possible for the Commission to dictate to 17 the parties what a proper methodology is without an 18 unacceptable delay in the proceeding.

19 In this instance, there are -- we have the 20 benefit of having two incumbents who presumably see 21 things differently and who will be developing their 22 own time and motion studies, which will give us some 23 perspective on the issue of methodology. We also 24 believe that the parties, other parties may bring to 25 bear expertise from within the scientific community

or other experts as to whether or not these studies
 that have been produced, in fact, produce reliable,
 verifiable data.

4 In many ways, this is the same problem that 5 we faced in the past with regards to other studies, but we feel that by stressing the issue of б 7 verifiability, that the Commission goes a long ways to ensuring that the record that's produced will be 8 9 of benefit. To go further at this point in time 10 would also presume that there was one way and only 11 one way in which to produce a study, and the 12 Commission is open to the concept at this time that 13 there may be more than one way to conduct a time and 14 motion study that produces verifiable, reliable data. 15 With regards to the -- so at this point in 16 time, the Commission would not impose any specific 17 requirements, other requirements on the parties, other than -- other than restating what has already 18 19 been addressed in Commission orders. 20 With regards to whether or not the

21 Commission orders require that time and motion 22 studies be performed for provisioning, as well as 23 ordering, Judge Mace and I believe that we understand 24 the issue, we understand the positions of the 25 parties, and that the Commission will address that

issue in a prehearing conference order to follow,
 after which, if necessary, parties may make whatever
 other motions are necessary to protect their
 interests.

5 At this point, we would look to go forward 6 and schedule the remainder of the -- not immediately, 7 but before the conclusion of today's proceeding, we 8 will go ahead and complete the scheduling chore that 9 is presently before the Commission, and not delay 10 that aspect further.

11 There is another issue that has been raised 12 by one of the parties, and that is what Verizon 13 characterizes as the timing of nonrecurring cost 14 studies. And Ms. Ronis possibly could explain what 15 you mean by that.

MS. RONIS: Yes. Of course, this was before the possibility was raised that it would have -- that the time and motion studies would have to include the provisioning. So my comments will proceed under the assumption that we are still just talking about ordering activities.

For two reasons, Verizon is proposing that we bifurcate the nonrecurring and recurring parts of the case. First of all, I think it would be much more manageable for all the parties to have a little
bit of a stagger in the schedule. I think there's going to be a lot to do here, massive amount of testimony and issues, and having everything due on the same day is often very difficult.

5 So for that reason alone, I think it just 6 makes sense to have a, say, four or five-week 7 stagger, and I'm not proposing to change the hearing 8 dates for the nonrecurring portion of the case, so it 9 should not delay the Commission's timely resolution. 10 I think we'd just catch up to the recurring part of 11 the case at the end.

12 And then the second reason is Verizon could 13 use a few more weeks. That's more of a secondary 14 concern, and if the Commission continues to order 15 that it be filed on the 2nd, we will do that, but 16 having a little bit of play in that respect would be 17 helpful. So I am prepared to propose something specific, but I'm assuming we'll do that when we talk 18 19 about the schedule in general.

20 JUDGE MACE: Are you talking about a delay 21 simply in filing or are you talking about a delay in 22 the hearing?

MS. RONIS: No, just in the filing.
JUDGE MACE: Thank you.
JUDGE BERG: You may be at just some slight

disadvantage, Ms. Ronis. There have been some 1 discussions in the past about the relative merits of 2 one massive proceeding, much less the staggering of 3 4 the filing of evidence, but that doesn't mean that 5 it's not a topic that parties can discuss further and will -- we will carry that into the off-the-record 6 7 discussion with the parties regarding scheduling. Is 8 that satisfactory? 9 MS. RONIS: Yes. Thank you, Your Honor. JUDGE BERG: All right. Are there any 10 11 other issues that the parties want to raise at this 12 time before we go off the record to discuss scheduling? All right. Hearing nothing, let's be 13 off the record. 14 15 (Recess taken.) 16 JUDGE BERG: We need to go back on the record momentarily for one clarification on the issue 17 of time and motion study methodology, and both Judge 18 19 Mace and I have the same sense and impression, but we 20 wanted to check off with the parties one last time 21 before we leave the subject of what constitutes 22 verifiable data, and ask both Qwest and Verizon whether your time and study -- time and motion study 23 24 methodology, as contemplated, will be based on 25 measurements or opinions?

1	MS. ANDERL: For Qwest, Your Honor, my
2	understanding, in the discussions that I've had with
3	the individuals in the cost organization, it will be
4	based on measurements.
5	JUDGE BERG: All right, and Ms. Ronis?
6	MS. RONIS: Yes, same thing for Verizon,
7	with the caveat that, to the extent it's a UNE that
8	is not used very often, we may have to use actual
9	measurements with some adjustments to account for the
10	special UNE that we could not study or capture actual
11	measurements on. I don't have specific examples,
12	because we're still looking into that, but I don't
13	want to represent that, for every single UNE, there
14	will be actual measurements. For example, we may
15	have a baseline UNE, and then give an estimate to say
16	it should be X percent higher.
17	JUDGE BERG: All right.
18	MS. RONIS: But I'm talking very generally
19	right now.
20	JUDGE BERG: We understand that
21	interpretation of data will certainly be some matter
22	of opinion, but we were just somewhat wanted to
23	make clear whether or not, in fact, the studies were
24	being based on what might otherwise be called
25	empirical data, as opposed to subject matter expert

1 opinion.

2 MS. ANDERL: And we're in the exact same position, Your Honor, as Verizon. In fact, as we 3 4 started to look into this, we learned that even now, 5 in 2003, some seven years to the day, I think, after the Act passed, we have some UNEs where we have a б total of over 14 states fewer than 100 of that 7 particular element in service. The odds that even a 8 9 single order of that nature would hit our service 10 centers during the time that the study was being 11 conducted are perhaps very slim. So we would have 12 to, of course, present an explanation of something 13 like that, but for those things that can be measured, 14 measurements would be made. 15 MS. SINGER NELSON: Judge, this is Michel 16 Singer Nelson. I wanted to just raise a question on 17 this issue, as well. I needed a point of clarification from you, if I can get it today, so 18 19 whenever you're ready to take that, just let us know. 20 JUDGE BERG: Go ahead at this time. 21 MS. SINGER NELSON: On the verifiability 22 issue of the time and motion studies, it's WorldCom's 23 view that in order to verify the study, we would need 24 to have some kind of authorization. And so as a further verification of the time and motion studies 25

that are contemplated, we would request that we be allowed to observe the studies to -- in order to, you know, I guess basically verify what's going on and to have firsthand knowledge of what constitutes the study. So I'd like to make that request at this time. It was unclear to me whether your earlier order precluded that kind of observation.

JUDGE BERG: The earlier order did not 8 9 address that in any way. What I would expect on 10 something of that level is that, you know, first, 11 that borders on discovery, and it seems in other 12 cases, at a minimum, the request has been made prior 13 to it being presented to the Commission for some 14 resolution, so I would ask that you approach that as 15 a matter for discovery and that if you don't get a 16 satisfactory response, that you address it in a 17 motion to compel.

18 MR. HARLOW: Your Honor.

19

JUDGE BERG: Yes, sir, Mr. Harlow.

20 MR. HARLOW: Brooks Harlow, for Covad. We 21 strongly support that MCI position, and we don't 22 think it is a discovery issue. I think the prior 23 discovery issues went to observing kind of ordinary, 24 everyday processes, but this is totally different. 25 This is a study that's manufactured for purposes of

the proceeding, and we think it should be handled 1 2 differently and, you know, would basically seek to try to resolve the issue now, that the parties be 3 4 able to observe the special studies.

5 JUDGE BERG: All right. Let me just bring б up, this has this been discussed before, Ms. Anderl? 7 MS. ANDERL: Well, when we were working 8 towards trying to reach an agreed-upon study 9 methodology and scope, we did discuss whether CLEC 10 parties or Staff would attend the time and motion 11 studies. I'm not prepared to say that I can agree 12 today the extent to which we would allow third 13 parties to observe the time and motion study that 14 we're planning on conducting.

15 JUDGE BERG: When would you be prepared to 16 respond to the CLECs as to whether or not you would 17 be willing to accommodate them?

MS. ANDERL: We'd like to know more what 18 the CLECs would like in terms of, you know, number of 19 20 personnel in attendance, et cetera, but I would say 21 that, after they were to get us that, we could 22 respond in a week or two. I'm personally going to be 23 out of the country next week, and so probably we'd be 24 looking at the last week in February, realistically. 25

JUDGE BERG: And Ms. Singer Nelson and Mr.

Harlow, this just seems to be too big of an issue 1 just to deal with on an impromptu oral basis, but I 2 3 would like the parties to explore this further, but 4 resolve it within a time that the Commission can then 5 address it and deal with it before the studies are actually performed. So Ms. Ronis, do you have any б 7 idea of what your client's position is? 8 MS. RONIS: Not at this time, because it 9 has not been requested of Verizon, and I know we're 10 still gathering data and gathering our thoughts on 11 what we plan to present, and I'm not sure if it lends 12 itself to observation. So I would need to have some off-line discussions with the CLECs. It has not yet 13 14 been -- it hasn't to this day been presented to 15 Verizon, the question. 16 JUDGE BERG: Ms. Singer Nelson and Mr. Harlow, are you also requesting that Verizon allow 17 observers during the performance of time and motion 18 19 studies? 20 MS. SINGER NELSON: I would say yes. The 21 only matter would be resources, Judge. That would be 22 the only limitation on that, but at this point, I 23 would -- my answer's yes. 24 JUDGE BERG: Mr. Harlow. MR. HARLOW: Well, Your Honor, I'd have to 25

1 say the same thing with the caveat that, simply because of limited resources, we may not be able to 2 attend both the Qwest and Verizon studies, but we'd 3 4 certainly like to have the option available to us. 5 JUDGE BERG: Ms. Anderl, tell me again when you're going to be unavailable? 6 7 MS. ANDERL: Next week, the 10th through the 14th. 8 MS. RONIS: And may I add that -- this is 9 Catherine -- I will also be out next week. Not out 10 11 of the country, but in Colorado. 12 JUDGE BERG: Well, having lived in Colorado 13 before at times, it seemed like it was so different and so wonderful as to be out of the country. All 14 15 right. 16 Let's -- I want the parties to lay some 17 groundwork on this tomorrow, and I'm going to ask the parties, too, to resolve this. See if this makes 18 19 sense to you. Hold on a sec. 20 All right. What we'll do, we'll discuss 21 this in terms of scheduling off the record, because I 22 think what we're headed towards is more of a formal 23 motion and responses to be filed, and that may 24 require some coordination with the rest of the schedule, so we'll take this up in an off-the-record 25

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1 discussion.

2 Any other comments by the parties before we
3 proceed to scheduling? All right. Let's be off the
4 record.

(Discussion off the record.)

5 JUDGE BERG: We'll be back on the record. 7 While off the record, there were discussions among 8 parties regarding the scheduling of key dates for the 9 filing of testimony, motions, conduct of prehearing 10 conferences prior to the hearings. These are the 11 dates that the parties have agreed to.

12 First of all, with regards to resolving 13 issues relating to opportunities for CLECs to observe 14 the conduct of time and motion studies, parties 15 interested in observing the conduct of time and 16 motion studies shall submit their interest in writing 17 to the incumbents no later than February the 14th. CLECs should provide the incumbents with as much 18 19 information -- relevant information as they might 20 reasonably anticipate to assist the incumbents in 21 processing the request as soon as possible.

Parties shall thereafter engage in ongoing discussions and negotiations to see if they can reach any kind of mutual agreement regarding the observed conduct of those studies. And the ILECs, Qwest and Verizon, shall provide some written statement of
 their final position no later than February 21st,
 2003.

4 Parties may file motions arising out of the 5 positions of the parties regarding the observed 6 conduct of time and motion studies no later than 7 February 28th, 2003. If parties need more time with 8 regards to any three of those milestones, the 9 Commission urges the parties to notify the Commission 10 as soon as that need is known.

11 With regards to the preparation of 12 testimony and supporting evidence, the parties have 13 agreed to go forward on a bifurcated schedule. We'll 14 take note at this time that the hearings have also 15 been bifurcated and that the issues relating to 16 recurring costs and other issues are scheduled to 17 begin on December the 2nd, and issues relating to OSS 18 and nonrecurring costs are scheduled to begin on 19 January 5, 2004.

20 With that in mind, the parties have agreed 21 to the following dates with regards to a schedule for 22 the preparation of recurring cost and other issues. 23 Direct evidence to be filed on June 26th, response 24 evidence to be filed on September 4, and rebuttal 25 evidence to be filed on October 16th, 2003.

A prehearing conference to address motions 1 2 and to exchange cross exhibits shall be conducted in 3 the morning of November 21st, 2003. 4 With regards to preparation of testimony 5 and supporting evidence regarding OSS and nonrecurring cost issues, the parties agree that б 7 direct evidence shall be filed on August 7th, response testimony shall be filed on October the 2nd, 8 9 and rebuttal testimony shall be filed on November 13th, 2003. The prehearing conference will be 10 11 conducted on December 30th, 2003. 12 Are there any other relevant dates that 13 parties believe have been agreed to that need to be 14 noted or other dates that need to be determined? No 15 response is heard. Are there any other items that 16 the parties wish to raise or address before we 17 adjourn? (Discussion off the record.) 18 19 JUDGE BERG: The reporter has requested 20 whether any parties on the bridge request a copy of 21 today's prehearing conference transcript? Please 22 respond if you would like a copy. MS. RONIS: This is Ms. Ronis. I would, 23 24 thank you.

25 JUDGE BERG: All right. Then, at this

1	time, the prehearing conference is adjourned. Thank	
2	you, everybody.	
3	(Proceedings adjourned at 4:09 p.m.)	
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