Exhibit _____ (DEG-1T)
Docket No. UT-0003013 *Part D*
Witness: David E. Griffith

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the	**)**	
	)	
Continued Costing and Pricing of	**)**	
Unbundled Network Elements,	**)**	**DOCKET NO. UT-003013**
Transport, Termination, and Resale.	**)**	***PART D***
	)	
_____	**)**	

SUPPLEMENTAL RESPONSE TESTIMONY OF

DAVID E. GRIFFITH

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

December 21, 2001

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David E. Griffith. My business address is 1300 S Evergreen Park Dr SW, P.O. Box 47250, Olympia, Washington, 98504.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am an employee of the Washington Utilities and Transportation Commission (The Commission). My title is Senior Telecommunications Policy Specialist.

Q. WHAT ARE YOUR QUALIFICATIONS?

A My qualifications and work experience are shown in my résumé, which is attached as Exhibit ___ (DEG-2).

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THE GENERIC COST PROCEEDING?

A. Yes. I filed testimony in Phase 2 of the generic cost proceeding, Docket Nos. UT-960369, *et al.*[1], for: (1) recurring and nonrecurring charges for interim number portability; (2) on the treatment of single point of termination (SPOT) frames; (3) the pricing for physical collocation in incumbent local exchange carrier (ILEC) central offices; (4) the use of cages to enclose equipment for competitive local exchange carriers

[1] *In the Matter of the Pricing Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and Resale,* Docket Nos. UT-960369, *et al.*

(CLECs); and (5) whether third-party vendors should be used to determine prices for site preparation. I also filed testimony in Part A of Docket UT-003013 to address Qwest Communications Corporation's, (Qwest) and Verizon Northwest, Inc.'s (Verizon) costs for: (1) space preparation; (2) power cabling; (3) cages, entrance facilities, and security; and (4) some additional issues.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony in this proceeding is to present Commission Staff's position on several issues that were deferred from Part B of Docket Nos. UT- 003013. Specifically, I will address the costs of: (1) virtual collocation; (2) regeneration; and (3) dedicated transit service. I will discuss each issue in order and specify how each issue applies to the cost studies of Verizon and Qwest.

VIRTUAL COLLOCATION

Q. DID VERIZON PROVIDE A VIRTUAL COLLOCATION COST STUDY?

A. Yes. Verizon's witness Mr. Larry Richter at Exhibit LR-1T, page 12, lines 4 thru 14, of his direct testimony presents Verizon's engineering costs for the planning and engineering for virtual collocation. The accompanying cost study (Exhibits LR-2C and LR-3C), includes engineering and installation costs for Virtual Equipment Installation, as explained by Mr. Richter in Ex. LR-1T, page 14, lines 3 through 10,. Virtual Equipment Installation is based on a weighted calculation using costs derived from several different

shelf arrangements that have been installed within Verizon's central offices. The derivation of these costs is provided in Exhibit LR-3C, pages 29-31. The final calculation made by Verizon in Exhibit LR-3C is the determination of the cost of provisioning one-quarter of the rack that houses the virtual collocation equipment.

Q. HAS VERIZON USED THE PROPER METHODS FOR DETERMINING VIRTUAL COLLOCATION COSTS?

A. In the planning and engineering section of the cost study, Verizon includes costs for the use of an Outside Plant Engineer in the planning process. Staff does not understand why an Outside Plant Engineer is needed in this process in Exhibit LR-3C, page 22. Outside Plant Engineering is used for activities outside the central office, hence the name "outside" plant engineer. Staff understands Outside Plant Engineering functions stop at the outside plant termination at the main distributing frame. Cabling between the main distribution frame and the virtual collocation equipment should be the job of the Central Office Equipment Engineer.

Additionally, the cost study represents a "snap-shot" in time and uses the assumption that the make-up of the shelves provisioned for virtual collocation will continue in the current ratio as presented in Verizon's study (Exhibit LR-3, page 30). The equipment configurations are predominantly for today's DSL services. However, the study also shows equipment that costs as little as one half as much per quarter rack (cost study, Exhibit LR-3C, page 30, line 9 compared to line 10) as the weighted average per

quarter rack to install.

Q. WHAT IS STAFF'S RECOMMENDATION?

A. Staff recommends that Verizon not be allowed to use costs for Outside Plant Engineering in its planning and engineering costs. Staff also recommends that Verizon be required to expand its virtual collocation price list to include several configurations, such as; (1) DSL equipment, (2) next generation DLC (or NGDLC) equipment, and (3) ATM / Frame Relay Equipment. An alternative to this recommendation is to require Verizon to file a new cost study if there is a dramatic shift in demand away from DSL equipment to either NGDLC, ATM/Frame Relay, or some other technology.

Q. IS VERIZON'S INCLUSION OF PART A COLLOCATION COSTS APPROPRIATE FOR VIRTUAL COLLOCATION?

A. Staff is concerned that there are significant differences between virtual and physical collocation, and that Verizon has failed to recognize these differences. In Mr. Steele's direct testimony in Exhibit BIS-1T, at page 5, lines 4-6, he mentions approval in Part A of this proceeding for Verizon's rates for caged, cageless and adjacent collocation. At lines 17-19, he states, "Certain rates approved in Phase A of this docket support Verizon's caged, cageless and *virtual* collocation offerings, (e.g. DC Power non-recurring and recurring rates)" (emphasis added). Mr. Richter's direct testimony in Exhibit LR-1T, page 5, line 20 through page 6, line 1, provides a similar discussion. Mr. Richter testifies:

> Certain collocation costs already approved by this Commission in Phase A are also applicable to Verizon's virtual collocation offering. For example, the costs previously approved for facility pull, facility terminations, and DC power are relevant for virtual collocation arrangements as well. In Phase D of this proceeding, I am only presenting those additional costs that were not addressed in Phase A.

Apparently Verizon sees no reason to address or change these rates in Part D. However, Verizon has altered its original offerings, which were based only on caged, cageless and adjacent collocation in Part A, by now including virtual collocation as another option, in Part D. Virtual collocation is generally made available in space found in spare racks or on vacant shelves in existing equipment lineups that should generally be closer to the incumbent LEC's power plant than either caged or cageless collocation. Staff believes that the cable distances approved in Part A of this proceeding may not be appropriate for virtual collocation. Staff has requested additional information from Verizon through Data Requests that are currently outstanding, and may seek to supplement this testimony after receiving the responses.

Q. WHAT IS STAFF'S RECOMMENDATION?

A. Staff recommends that Verizon be required to adjust its rates to reflect changes that will result from the inclusion of virtual collocation in its options for collocation.

REGENERATION

Q. WHAT IS QWEST'S PROPOSAL FOR INTRAOFFICE REGENERATORS?

A. Regeneration may be required to maintain the transmission of digital signals at or above a certain electrical magnitude within a central office. According to the testimony of Mr. Robert J. Hubbard of Qwest in Exhibit RJH-T8 at page 12, lines 14-17, of his direct testimony (Ex. RJH-T8) Qwest agrees to provide regenerations to CLECs without charge if cable distances exceed Qwest's standards. On the other hand, in Mr. Robert F. Kennedy's direct testimony in Exhibit RFK-T4 at page 6, lines 15-19, Qwest proposes to charge CLECs if regeneration would not be required under specifications in "ANSI T1.102-1993 Digital Hierarchy-Electrical Interface, Annex B." It is unclear from Qwest's testimony whether Qwest's standards and the ANSI standards are the same or different.

Q. WHAT DOES STAFF RECOMMEND?

A. Qwest needs to be specific. If Qwest is using the ANSI standards, staff recommends that Qwest specify this standard in its Statement of Generally Available Terms and Conditions (SGAT). Staff also recommends that Qwest state in its SGAT that regeneration is provided without cost to the CLECs when cable lengths within Qwest's central offices exceed the standards specified by ANSI.

Q. HOW IS QWEST CALCULATING ITS COSTS FOR REGENERATION?

A. Messrs. Kennedy and Hubbard indicate CLECs will be charged for regeneration when the CLECs request regeneration and the cable lengths do not exceed requirements in the standards. Qwest calculates both recurring and non-recurring charges for regenerators in

its cost study, Exhibit TKM-33. Ms. Theresa K. Million testifies in Exhibit TKM-T26 page 21, lines 10 – 12, that "material and labor costs associated with the repeater cards and the connecting cable" are included in the non-recurring charges for the regenerators.

In addition, Qwest has applied the entire cost of the circuit card to non-recurring charges (Ex. TKM-33, page 10). Staff believes it is not appropriate to recover the entire cost of the regenerator card in the nonrecurring charge.

Q. IS QWEST'S USE OF THE NRC CONSISTENT WITH THE COMMISSION'S ORDER IN PART A REGARDING UP-FRONT RECOVERY OF STARTUP COSTS?

No. At paragraph 265 of the Commission's Thirteenth Supplemental Order in Part A of Docket No. UT-003013 (January 31, 2001), the Commission states "The Commission concurs with the FCC's opinion that requiring an interconnector to pay nonrecurring startup costs up-front is a reasonable requirement." The FCC's Second Report and Order (June 13, 1997), *In the Matter of Local Exchange Carriers' Rates, Terms , and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport (Second Order)*, FCC 97-208, CC Docket No. 93-162, requires the incumbent to provide a pro rata refund on equipment that is reused. The regenerator card has an expected depreciable life that will likely be longer than the period of its depreciation class, i.e., cable, digital switch, digital circuit, etc. Staff has two concerns. First, to the extent a card has a remaining undepreciated value when a CLEC

stops using the card, this value should be returned to the CLEC, when the card is reused. Qwest does not appear to be making allowances for the pro rata refund, or for a reduction in cost for the reuse of regenerators that have been partially depreciated. Second, and more importantly, Staff believes that the regenerator card does not fit into the FCC's definition of equipment, and that the application of the nonrecurring charge is therefore inappropriate.

In footnote 86 to paragraph 32 of the FCC's *Second Order*, the FCC lists equipment such as panels, cables, jumpers, frames, terminals, and ironwork, as items it considers recoverable through nonrecurring charges. These items are essentially "inactive" elements. That is, the list does not include electronics, which is an "active" element. Staff believes that a regenerator, which is clearly electronics, is outside of the FCC's definition of equipment in this instance. While the "inactive" elements in the FCC order may be considered reusable; they may only be reused to the extent that another CLEC, or Qwest, decides to move into the collocation area. On the other hand, the electronic regenerator is not only highly reusable it is also portable and can be easily reused by Qwest, an interexchange carrier, or another CLEC, either in this location or elsewhere within Qwest's network.

Staff believes that it is more appropriate to spread the costs of the regenerator card over its depreciable life, as set by this Commission for digital circuit equipment, and recover these costs in the monthly recurring charge. It is appropriate, however, to include the cost of labor and installation and any "inactive" equipment in the nonrecurring

charges for regeneration.

Q. WHAT DOES STAFF RECOMMEND?

A. Staff recommends that the Commission order Qwest to follow the requirements of the FCC's Second Report and Order in CC Docket No. 93-162, including the use of pro rata refunds in instances where Qwest is recovering the costs of "inactive" equipment that is reusable with nonrecurring charges. Staff also recommends that Qwest be required to recover the costs of regenerator cards in the monthly recurring charge.

DEDICATED TRANSIT SERVICE

Q. WHAT IS VERIZON'S PROPOSAL FOR A DEDICATED TRANSIT SERVICE CHARGE?

A. Verizon includes costs for dedicated transit service (DTS) in Mr. Steele's direct testimony, Exhibit BIS-1T, beginning on page 8. On page 9, lines 16 and 17, Mr. Steele refers to Exhibits BIS-2 and LR-3C for cost study details. In LR-3C, pages 15 and 16 contain summary of all the DTS rates. This table also includes costs for jumpers (lines 38 to 41) on a "per linear foot basis" Staff believes these costs should be per jumper or per circuit. This position is supported by Verizon's cost study in Exhibit LR-2C, page 64, where Verizon uses per jumper rates. Jumper costs in Exhibit LR-3C, pages 59 through 62, line 3 of each page, use costs per circuit.

Q. WHAT DOES STAFF RECOMMEND?

A. Staff recommends that the Commission order Verizon to use costs on a per jumper or per circuit basis only.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.