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February 19, 2004

VIA E-MAIL AND UPS OVERNIGHT

Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

Re: UT-033044: Errata to the Joint Rebuttal Testimony of Lichtenberg and Gates

Dear Ms. Washburn:

Enclosed are the original and 14 copies of the corrected pages 10-12 and 17-18 to the Joint Rebuttal Testimony of Sherry Lichtenberg and Timothy Gates (Batch Hot Cut Process) on behalf of MCI. The testimony has been updated to reflect recent revisions to the Direct Testimony of Teresa K. Million on Behalf of Qwest. Please remove pages 10-12 and 17-18 and replace them with the new pages. Thank you for your assistance in this matter.

Very truly yours,

Sarah Wallace

Enclosure

cc: Service List (via e-mail and U.S. Mail)
Art Butler
Tom Dixon
Sherry Lichtenberg
Timothy Gates

Q. AT PAGE 52 OF HIS TESTIMONY, MR. PAPPAS SAYS THAT THE CLEC CONCERNS REGARDING SCHEDULING HAVE BEEN RESOLVED BY VIRTUE OF THE "SCHEDULING" TOOL? DO YOU AGREE?

A. No. Obviously the transition planning process is absolutely critical to the successful conversion of CLEC UNE-P customers to a UNE-L architecture. Unless and until the CLECs understand the transition planning process and how it will impact scheduling, this issue will not be resolved. It is impossible to critique Qwest's proposed BHC process without understanding the transition plan process. It may be that Qwest's proposed volume limitation of 100 cuts per central office per day will be the center of controversies once CLECs sit down to negotiate with Qwest. Without understanding Qwest's intentions with respect to the transition plan, CLECs and the Commission are left in the dark as to how to evaluate Qwest's proposed BHC process.

V. BATCH HOT CUT PRICES

Q. HAVE YOU HAD AN OPPORTUNITY TO REVIEW QWEST'S PROPOSED RATES FOR ITS HOT CUT PROPOSAL?

A. Yes, we have reviewed Qwest's proposed rates as well as the *Batch Hot Cut Non-Recurring Cost Study ID* submitted by Qwest in support of its rates. Qwest is proposing a nonrecurring cost of ~~$45.96~~51.08 per loop. A comparison of the proposed rates with current rates is found in the table below:

Comparison of Qwest Proposed BHC Costs with Existing Rates						
State	Current 1st Loop	Current Add'l. Loop	SGAT Section	Proposed 1st Loop	Proposed Add'l Loop	
AZ	$ 53.86	$ 46.40	9.2.4.1	$ 45.96	$ 45.96	
CO	$ 55.72	$ 46.48	9.2.4.1	$ 45.96	$ 45.96	
IA	$ 46.01	$ 46.01	9.2.4.1	$ 45.96	$ 45.96	
MN	$ 4.33	$ 4.33	9.2.4.1	$ 45.96	$ 45.96	
NE	$ 65.00	$ 60.00	9.2.4.1	$ 45.96	$ 45.96	
NM	$ 51.94	$ 48.77	9.2.4.1	$ 45.96	$ 45.96	
ND	$ 55.27	$ 48.77	9.2.4.1	$ 45.96	$ 45.96	
OR	$ 47.75	$ 16.79	9.2.4.1	$ 45.97	$ 45.97	
UT	$ 47.66	$ 41.38	9.2.4.1-2	$ 45.96	$ 45.96	
WA	$ 72.21	$ 51.11	9.2.4.1	$ 51.08	$ 51.08	

Q. DO YOU BELIEVE QWEST'S PROPOSED RATES COMPLY WITH THE REQUIREMENTS OF FCC RULE §51.319(D)(2)(II)(A)(4)?

A. No, we do not.

Q. PLEASE DESCRIBE FCC RULE §51.319(D)(2)(II)(A)(4) AND ITS RELEVANCE TO QWEST'S PROPOSED BATCH HOT CUT RATES.

A. FCC rule §51.319(D)(2)(II)(A)(4) sets forth the manner by which Qwest must establish rates for its batch hot cut processes. It states as follows:

> (4) A state commission shall adopt rates for the batch cut activities it approves in accordance with the Commission's pricing rules for unbundled network elements. These rates shall reflect the efficiencies associated with batched migration of loops to a requesting telecommunications carrier's switch, either through a reduced per-line rate or through volume discounts as appropriate.

Q. WHEN THE FCC REFERENCES ITS "PRICING RULES FOR UNBUNDLED NETWORK ELEMENTS" IS IT REFERRING TO ITS TOTAL ELEMENT LONG RUN INCREMENTAL COST ("TELRIC") RULES?

A. Yes, it is. The FCC is referencing Subpart F of its rules at Part 51 – *Interconnection* (specifically §51.505 - §51.511). These are the TELRIC rules that govern the proper manner by which costs should be estimated for unbundled network elements, and subsequently, how rates should be applied.

Q. PLEASE EXPLAIN WHY YOU BELIEVE QWEST'S PROPOSED RATES DO NOT COMPLY WITH THE FCC'S RULES IDENTIFIED ABOVE.

A. Qwest's rate proposal fails to comply with the rules identified above for the following reasons:

1. Rule §51.319(D)(2)(II)(A)(4) specifically requires that Qwest's rate proposal "reflect the efficiencies associated with batched migration of loops" either through (a) "a reduced per-line rate" when compared to the existing hot cut rate or (b) "through volume discounts as appropriate." Qwest's proposal does neither. Indeed, Qwest's proposed hot cut rates, if adopted, would result in CLECs paying more in the future for a batch hot cut than they do today in several states.

2. Qwest's cost model supporting its rate proposal conflicts with FCC rule §51.505(b)(1), which states as follows:

> §51.505 (1) Efficient *network configuration*. The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.

Qwest's cost model does not employ the most efficient telecommunications technology currently available so as to arrive at the lowest cost network configuration. As we've described in detail below, Qwest's batch hot cut processes are overly manual in nature and do not take advantage of technology that is available to automate the wiring/frame components of its process. As such, the non-recurring activities and resultant costs included in Qwest's cost study substantially exceed TELRIC-compliant costs, resulting in rates in violation of the FCC's rules.

3. Qwest's cost study inappropriately includes costs (~~$14.57~~ 19.69 per loop)[12] associated with removing the Qwest customer from the Qwest network, and thereby attempts to recover these costs from the CLEC "winning" the customer. In a competitive market, all carriers incur costs associated with removing customers from their networks when a customer chooses another carrier, yet to this point, only Qwest has

[12] See Direct Testimony of Ms. Million, revised February 6, 2004, at page 16, line 20. ~~See Utah Direct Testimony of Mr. Brigham at page 9. The disconnect portion of Qwest's proposed rates can be as much as $26.51 in Washington.~~

that Qwest's twin used its modernized network to provision unbundled loops without dispatching a technician or requiring technicians to "lift & lay" wires or coordinate via the telephone with other provisioning personnel. Qwest's twin is able to provision unbundled loops using software-driven platforms and in some cases, automated frame technology that requires it to dispatch a technician only in rare circumstances when its automated processes do not function properly (i.e., "fallout"). Finally, assume, hypothetically, that for each loop it cuts for its UNE loop customers, it incurs approximately $1 per loop in underlying costs associated with its automated platform.

Q. HOW IS THIS SCENARIO RELEVANT TO QWEST'S ACTUAL COSTS?

A. If we compare this carrier and its least-cost, most efficient technology with Qwest, we quickly recognize that Qwest's manual process in this hypothetical is roughly 40 times more expensive. In this scenario no one looks skeptically at Qwest's cost estimates associated with its manual process as everyone understands that Qwest must pay its contracted hourly labor rates when its sends a technician to perform these manual functions.[15] What is important in this scenario is that it doesn't matter. If Qwest develops a hot cut cost of ~~$45.96~~51.08 based upon its actual costs, compared to its competitor's rate of $1, it is likely that Qwest will have very little business. However, what it will have is an overpowering incentive to modernize its processes and systems so as to more effectively compete. Arguments regarding labor contracts,

[15] As we explain in more detail later in this testimony, we not only believe that Qwest inappropriately excludes savings associated with more efficient technology, we also believe that Qwest has inappropriately exaggerated the costs that would result from a strictly manual process as well.

antiquated plant and recovery of costs associated with modernizing its network would gain little traction with customers asked to pay ~~$45.96~~51.08 when they could simply call Qwest's twin and pay $1. Likewise, consistent with the FCC's rules, those same arguments should gain no traction here. It is the cost of an efficient process that is relevant to the market, regardless of Qwest's actual costs to the contrary.

Q. PLEASE EXPLAIN WHY YOU BELIEVE QWEST'S COST STUDY DOES NOT ADEQUATELY INCORPORATE THE MOST EFFICIENT TECHNOLOGY CURRENTLY AVAILABLE EMPLOYED IN A LEAST-COST FASHION?

A. Qwest's cost study assumes that in every circumstance wherein a hot cut is required, a technician must be dispatched to first "pre-wire" the arrangement two days before the actual cut takes place (i.e., due-date minus 2 or "DD-2"), and then return on the due date ("DD") to coordinate with Qwest's provisioning personnel and the CLEC to cut the loop (lift and lay) and remove all unnecessary cross connects. Qwest likewise assumes that these same technicians will, in certain circumstances, be required to spend a large amount of time (20 minutes) simply traveling to central offices to perform these functions.[16] It is these manual work steps that generate the vast majority of Qwest's proposed costs (and subsequent rates); functions that can, with currently available technology, be performed without manual intervention).

Q. PLEASE EXPLAIN THE AVAILABLE TECHNOLOGY YOU REFER TO THAT CAN BE USED TO PERFORM THESE FUNCTIONS WITHOUT MANUAL INTERVENTION.

[16] It's remarkable, since most of Qwest's central offices are manned, that Qwest assumes a team of "2" central office technicians will travel half the time to accomplish a hot cut. In fact, Qwest assumes in its cost study that the technicians travel to the central offices twice – once to prewire, and again to perform the cut.