

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In the Matter of the Pricing Proceeding)	DOCKET NO. UT-960369
for Interconnection, Unbundled Elements,)	
Transport and Termination, and Resale)	
.....)	
In the Matter of the Pricing Proceeding)	DOCKET NO. UT-960370
Interconnection, Unbundled Elements,)	
Transport and Termination, and Resale for)	
)	
U S WEST COMMUNICATIONS, INC. ¹)	
.....)	
In the Matter of the Pricing Proceeding)	DOCKET NO. UT-960371
for Interconnection, Unbundled Elements,)	
Transport and Termination, and Resale for)	
)	
GTE NORTHWEST INCORPORATED ²)	TWENTY-SEVENTH
)	SUPPLEMENTAL
)	ORDER (PHASE III);
.....)	FINAL ORDER

I. Synopsis

1 In this Order, the Commission resolves remaining issues relating to these generic dockets for the costing and pricing of unbundled network elements. The Commission also enters this Order as its final Order in these dockets pursuant to RCW 34.05.461(1)(a). This Order incorporates by reference the prior findings, conclusions, and orders in these dockets.

II. Background

2 In the 24th *Supplemental Order*, the Commission determined the wholesale rate for the unbundled loop and directed parties to file tariffs to effect the decision. GTE, U S WEST, and other parties requested clarification or reconsideration of those

¹ Since the inception of this docket, U S WEST has merged and become known as Qwest Communications, Inc. For consistency and ease in reference we will use the prior name in this Order.

² Since the inception of this docket, GTE Northwest, Inc. has merged and become known as Verizon Northwest, Inc. For consistency and ease in reference we will use the prior name in this Order.

decisions, and other parties responded to the requests. We first address issues relating to GTE, and then issues relating to U S WEST.

III. Issues Relating to GTE

3 Commission Staff asks the Commission to verify the line counts used in calculating the
deaveraged rates for GTE. Staff states that "...it appears that the Commission used
current line counts, rather than line counts from the *Eighth Supplemental Order*."
Staff Request for Clarification, p. 2.

4 Staff also points out that *Appendix B* of the Commission's 24th *Supplemental Order*
does not list the Malden, Thorton, Loomis, and Fairfield wire centers, and asks the
Commission to correct this omission.

5 GTE responds that it has been able to verify that "...the lines used in that proposal are
the current GTE line counts used by David Tucek to develop GTE's deaveraging
proposals." *GTE Response to Requests for Clarification*, p. 1.³

6 GTE goes on to state that it has no objection to clarifying *Appendix B* so that it
includes the Malden, Thorton, Loomis, and Fairfield wire centers. GTE says, "...since
the Malden, Thorton, Loomis and Fairfield wire centers are assigned to Zone 5 in the
Joint CLEC proposal, GTE assumes those wire centers are in the ordered Zone 6."

7 In par. 80 of the 25th *Order* the Commission states, "On the other hand, with respect
to GTE, replacement Exhibit 2-C uses only cost data that was available during the
hearing. Therefore we rule that it should be used to determine GTE's rates." By this
the Commission intended to mean that it adopted replacement Exhibit 2-C and all it
contained, including the line counts utilized therein, in determining GTE's rates.⁴

8 As for the Malden, Thorton, Loomis, and Fairfield wire centers, the Commission
acknowledges that these were inadvertently left out of *Appendix B* of its 24th
Supplemental Order.

9 The Commission assigned these wire centers to ordered Zone 5, the zone designation
they were given in the Joint CLEC proposal, and the calculations were performed

³ The Commission take note of the fact that GTE is the only party to have filed a Response to Requests for Clarification.

⁴ Use of 8th *Supplemental Order's* Line Counts for U S WEST is justified because of the argument made in ¶¶79-80.

using this designation. The Commission assumes that GTE's reference to "...the Ordered Zone 6" is a typographical error, as a Zone 6 was not part of any of the submissions to the Commission. Nor was a reference to a Zone 6 contained in the Commission's 24th *Supplemental Order*.

IV. Concerning U S WEST

- 10 The majority of questions generated by the parties concerning the Commission's 24th *Supplemental Order* with respect to U S WEST stem from the parties' stated inability to replicate the Commission's HAI cost model runs for U S WEST.
- 11 For example, staff states that "...the average cost of the loops in the Tacoma Fort Lewis wire center is greater than the average cost of the loops in the Tacoma Fawcett wire center and other wire centers included in Zone 2. Under a proposal to group wire centers by cost, the Tacoma Fort Lewis wire center more appropriately falls within Zone 5."
- 12 While the Joint CLECs state that "[m]any of the U S WEST wire centers are assigned to zones without a demonstrable cost relationship. The Spokane Hudson central office, for example, has an average loop cost of \$14.27 in Exhibit 2C, but the Commission has assigned that central office to zone 5 with a loop price of \$24.18." *Joint CLECs' Request for Clarification, pp. 2-3.*
- 13 The type of cost disparities and disconnects between wire center costs and zone assignments that have been illustrated above are not present in the wire center groupings derived from the Commission's model run. The Commission can only conclude that the illustrations provided by the various parties are derived from model runs that do not conform with the model runs performed by the Commission, which conform with the 8th *Supplemental Order*.
- 14 The approved UNE loop cost for U S WEST, as laid out in par. 81 of the 24th *Supplemental Order*, was modeled on the five-zone, cost-based concept proposed by AT&T and the joint CLECs.
- 15 In deriving its loop costs the Commission ran the HAI 3.1 model that was used in the 8th *Supplemental Order*, at the wire center level. The cost of the loop for each wire center was then calculated from this output. The wire centers were then sorted hierarchically, with the wire center having the lowest cost being at the top of the list. The loop costs for each wire center were then adjusted so that the total average cost of the loop for all the wire centers would equal \$18.16, the Average TELRIC plus Common Loop Cost per Par. 205 of the 17th *Supplemental Order*. For example, suppose the total average cost of the loop for all the U S WEST wire centers were

\$12.19 and the cost of the loop for a specific wire center were \$4.52. This latter figure would be adjusted in the following manner: $\$4.52 * (\$18.16 / \$12.19) = \6.73 . Once this adjustment was accomplished the wire centers would be given zone assignments in a fashion similar to that utilized in Revised Exhibit 2C.

- 16 The above discussion should make plain that the Commission's wire center assignments have a demonstrable cost relationship; any contentions to the contrary appear to be unfounded and, apparently, arise from the parties' inability to replicate the Commission's results.
- 17 Concerning the parties' apparent difficulty seem in replicating the Commission's U S WEST results, the Commission directs the parties' to par. 226 of the *8th Supplemental Order* where it states, "We have used the revised versions of the proxy models to determine the cost of the loop. In light of the large differences in loop lengths discussed, supra, at paragraph 221, we believe the reasonableness of the costs are greatly improved by these modifications."
- 18 As further clarification, the Commission offers the following:
- 19 In performing the Wire Center runs for the Commission's *24th Supplemental Order* the Commission utilized the CD entitled Hatfield Model Release 3.1; w/ WA Loop Length Analysis: Docket No. UT-960369; provided by HAI for the *8th Supplemental Order*. The Commission used the database from the USW_WA_CASE2B_DB scenario as well as the HAI module files which were provided on this CD.
- 20 The line counts used for U S WEST were the normalized line counts from the *8th Supplemental Order*, provided for HAI in response to a request from the bench. These line counts were also provided on the *Hatfield Model Release 3.1; w/ WA Loop Length Analysis: Docket No. UT-960369* CD. They are located in the *cbg data* table of the Hm31.mdb Access database file found in the USW_WA_CASE2B_DB scenario folder.⁵
- 21 U S WEST raises the issue, on page 4, that putting only two U S WEST wire centers in zone 1 is inconsistent with what the Commission did for GTE. U S WEST goes on to point out that GTE zone 1 contains 20% of GTE's total lines while the wire centers that the Commission has assigned to U S WEST's zone 1 contain only 5% of its total lines.

⁵ The process by which HAI "normalized" the actual line count data for inclusion into the HAI 3.1 model is described in the file **WA_Final_Draft_report.doc** at Attachment 1: *Entering Proprietary Line Counts into the Hatfield Model data set (CBG data)*. This report is found on the aforementioned CD in the **WA_LOOP_LENGTH_ANALYSIS.zip** file.

22 In response the Commission would like to point out to U S WEST that GTE's cost estimates did not exhibit the same degree of variation that was observable in U S WEST's cost estimates. For example, a comparison of the GTE cost estimates for the second and third wire center zones, found in Replacement Exhibit 2C, shows only a 65 cent difference between the two (a difference of 4.5 per cent). For U S WEST the difference between the second and the third wire center zones is - cents or 60.5 per cent. Clearly the greater variation in wire center costs found in the U S WEST data would necessarily result in a pattern of cost-based zone assignments for U S WEST wire centers that would be different from what might be appropriate for GTE.

V. Questions Regarding Original Exhibit 2C

23 The Joint CLECs have argued that “[t]he Commission's decision not to use the updated cost estimates on which AT&T relied to calculate the U S WEST rates and wire center groupings should have resulted in the use of the wire center cost estimates in the original Exhibit 2C, which neither U S WEST nor GTE challenged.” *Joint CLECs' Request for Clarification*, p. 2.

24 As stated in par. 80 our 24th *Supplemental Order* we have declined to utilize Replacement Exhibit 2C in making our wire center zone assignments for U S WEST; we reaffirm that decision here. The Commission further decided not to rely on the Original Exhibit 2C because Mr. Denny, on cross examination, made it clear that Original Exhibit 2C used the HAI 3.1 national line counts for U S WEST and not actual U S WEST line counts as mandated in our 8th *Supplemental Order*. *Transcript Vol. X, p. 02255, Docket No. UT-960369, Phase III*.

VI. The Issue of Order Finality

25 The Joint CLECs sought “...clarification that the 24th Order is not a ‘final order’ and that no subsequent order the Commission issues in this proceeding will be considered a ‘final order’ unless the Commission expressly states that the order is the final order resolving all outstanding issues.”

26 The 24th *Supplemental Order* was an interim order and not a final order as defined in chapter 34.05 RCW. The Commission today in serving this 27th *Supplemental Order* intends that it conclude the docket and designates it the final order of the Commission in these Dockets pursuant to RCW 34.05.461(1)(a).

VII. Conclusion

27 The Commission in prior orders has stated its findings and conclusions on all material facts inquired into during the course of this docket. Each such order has been subject

to responses of the parties of record, who have petitioned for changes or clarifications as they deemed appropriate. The Commission sees no need to restate all of the findings and conclusions entered heretofore, but instead incorporates into this Order all of the findings of fact and conclusions of law of the interim orders in these dockets, as corrected, supplemented and modified in subsequent orders.

VIII. ORDER

- 28 The Commission grants the motions for clarification, and clarifies the 24th *Supplemental Order* as noted in the text of this order. Parties who need to file revised tariffs to comply with the provisions of this Order must do so within ten days of the date of this Order. Filings must be strictly limited to matters addressed herein. The filings must bear an effective date allowing the Commission at least seven business days to review the tariff.
- 29 The Commission enters this as its Final Order in these dockets pursuant to RCW 34.05.461(1)(a).

Dated at Olympia, Washington and effective this day of September, 2000.

THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner

MARILYN SHOWALTER, Chairwoman (Concurring in part and abstaining in part): I join fully in the Commission's decisions in this Order on matters arising in Phase III of this docket. As to those portions of the Order which incorporate the results of prior phases, I abstain because I did not personally hear the evidence in those phases.

MARILYN SHOWALTER, Chairwoman

NOTICE TO PARTIES: This is a final Order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this Order pursuant to RCW .34.04.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).