

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. <sup>1</sup> )	
..... )	
In the Matter of the Pricing Proceeding )	DOCKET NO. UT-960371
for Interconnection, Unbundled Elements, )	
Transport and Termination, and Resale for )	
)	
GTE NORTHWEST INCORPORATED <sup>2</sup> )	TWENTY-SIXTH
)	SUPPLEMENTAL
)	ORDER (PHASE II)
..... )	

**I. Synopsis**

*1* This Order addresses compliance filings of GTE Northwest and U S WEST Communications, Inc. on June 9, 2000 in response to the Commission's Seventeenth Supplemental Order in these dockets, and resolves issues relating to those matters.

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<sup>1</sup> Since the inception of this docket, USWC has merged and become known as Qwest Communications, Inc. For consistency and ease in reference we will use the prior name in this Order.

<sup>2</sup> 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.

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## II. Background

- 2 This proceeding has involved three phases. In Phase 1, the Commission focused on determining the direct cost of many unbundled network elements, as well as the wholesale discount for the resale of retail services. In Phase II, the Commission determined the mark-up that should be applied to the direct cost of unbundled network elements. The mark-up was added to the direct cost in order to include a contribution to the common costs incurred by incumbent local exchange carriers in the price of unbundled network elements. In addition, the Phase II proceeding addressed the recovery of operations support system (OSS) transition costs, non-recurring charges, collocation, and various other matters related to the costing and pricing of interconnection and unbundled network elements. The Commission's Phase III Order addressed the deaveraging of the price of unbundled network elements.
- 3 The Commission's Phase II Order (Seventeenth Supplemental Order) in these consolidated dockets required U S WEST Communications, Inc. (U S WEST) and General Telephone Company of the Northwest, Inc. (GTE) to calculate and present certain rates pursuant to instructions in the Order, with the rates to become effective after the Commission adopted deaveraged rates for the unbundled loop. In the Twenty-Fifth Supplemental Order the Commission reviewed the compliance filings. It found that some of them were acceptable, some were unacceptable and required refileing, and others required further explanation.
- 4 GTE and U S WEST made further compliance filings, in response to the Twenty Fifth Supplemental Order, on June 9, 2000.
- 5 The Commission Staff, AT&T, and the Joint CLECs (NEXTLINK Washington, Inc. Electric Lightwave, Inc., and Advanced TelCom Group, Inc.) filed responsive comments on June 28, 2000.
- 6 In this Order the Commission responds to the concerns regarding the revised compliance filings.

## II. U S WEST

The following matters relate to U S WEST's compliance filing.

## **A. Section F of 25<sup>th</sup> Supplemental Order–U S WEST’s Connection and Disconnection Cost Estimates**

### **1. Issues**

- 7 The Seventeenth Supplemental Order required U S WEST to file separate nonrecurring charges for connection and disconnection. *Par. 436, 471.*
- 8 U S WEST’s November 15, 1999 compliance filing stated that the Company had not yet developed different rates for connection and disconnection for the various categories because it is still evaluating the underlying demand for the various types of orders. It promised to address this demand issue in the next proceeding, now designated Docket No. UT-003013. *Id., p. 3.*
- 9 AT&T faulted the compliance filing for proposing identical rates for connections and disconnections. AT&T states that U S WEST “has the data needed to determine separate connection and disconnect rates and should comply with the Commission Order.” *AT&T Comments, December 15, 1999, p. 6.*
- 10 In paragraphs 38 and 39 of the 25<sup>th</sup> Supplemental Order, the Commission expressed doubts about the unavailability of the underlying demand data for the various types of orders. The Commission also expressed its disappointment with the procedure that was used to notify it of the unavailability of this data.
- 11 In its June 9, 2000 filing, U S WEST “takes exception to [the] suggestion that it has not been forthcoming with data in this proceeding, or that it has intentionally withheld data from the Commission.” The Company “respectfully submit[ted]...that it has accumulated only limited trend data based on actual CLEC orders.” Furthermore, it asserts that it has received virtually no forecasted data from its CLEC customers upon which to base order demand estimates which would specify the number of orders which are new connect, change, or disconnect.
- 12 In paragraph 43 of the 25<sup>th</sup> Supplemental Order the Commission chose not to approve U S WEST’s OSS compliance filing. In addition, the Commission ordered U S WEST to demonstrate that its compliance filing rates for bifurcated nonrecurring charges and OSS are no greater than the previously filed NRCs.
- 13 In its June 9, 2000 filing, U S WEST clarified and distinguished the differences between the charges proposed for OSS and its nonrecurring charges. The Company stated that the OSS charges are not “driven by nor are they related to, the processing of particular transactions.” U S WEST has advocated recovery of these costs through the service order charge. The Company believes that using service orders as the method for recovery is a “fair and equitable way to spread its OSS costs among CLECs.” *U S WEST, June 9, 2000, pp. 3-4.*

- 14 The Company also asserts that by recovering the cost of service through all its service orders, rather than limiting it to connection and disconnection orders, it is able to keep the per-order rate at a reasonable level. According to the Company, the universe of service orders is greater than the sum of connection and disconnections because the universe includes change orders. *U S WEST, June 9, 2000, pp. 5-6.*
- 15 According to U S WEST, there is not an absence of a relationship between costs and transactions for nonrecurring charges (NRC). The Company explained that NRC expenditures “are developed on the basis of the underlying activities that are associated with specific transactions.” U S WEST notes that it is possible to identify the costs of connecting and disconnecting service and the NRCs are designed to recover the associated costs of these activities. *U S WEST, June 9, 2000, p. 4.*
- 16 Finally, the Company included in its June 9, 2000 compliance filing a showing that its bifurcated nonrecurring charges are no greater than the nonrecurring charges that it had previously filed and that were adopted by Commission in paragraph 435 of our Seventeenth Supplemental Order. *pp. 6-7.*
- 17 U S WEST did not make a similar showing for OSS charges. *AT&T, June 27, 2000, p. 4.*
- 18 AT&T believes that U S WEST has failed to comply with the Commission’s 17<sup>th</sup> and 25<sup>th</sup> Supplemental Order. It points out that “[p]rior to U S WEST listing a separate charge for connection and disconnection, the single rate was roughly the same as each of the installation and disconnection rates separately.”<sup>3</sup> Now that the OSS costs are going to be recovered from connect and disconnect orders, rather than just connect, the price should decrease. *AT&T, June 28, 2000, p. 3.*
- 19 No party objected to the NRC rates contained on Attachment A of U S WEST’s revised Compliance Rate Table.

## **2. Commission Decision**

- 20 U S WEST’s June 9, 2000 explanation of the different treatment of OSS cost recovery and NRC cost recovery is illuminating. The Company has partially clarified a matter that caused some confusion when it filed its November 1999 compliance filing.
- 21 In deriving its initial OSS per-unit charge, the Company divided its costs by the number of service orders. U S WEST’s work papers suggest that its estimate of

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<sup>3</sup> For example, U S WEST initially recommended a \$2.49 per-order charge to recover the ongoing maintenance and operation costs of the electronic interfaces. Direct Testimony of Mark Reynolds, Phase II, Ex. 535, p. 10. The compliance filing rate is \$2.60. U S WEST, June 9, 2000. The difference is due to the subsequent loading for common costs.

service orders may only take into account UNE and interconnection inward movement: "This study assumes CLEC orders based on over 2.7 million U S WEST end user lines moving to CLECs during the 1997 - 2002 demand period." No explicit mention is made of disconnections, change orders, or transfers.<sup>4</sup>

22 During the proceedings, U S WEST witness Buhler was asked to define a service order. In his response, Buhler did not mention disconnections. Rather, Buhler discussed service orders being generated by orders for service. *Phase II Tr. 507-08.*

23 Later in the hearings, Buhler provided a clear discussion of how service orders are generated. He explained that a local service request for an unbundled loop would generate at least two service orders:

[W]hen you convert an existing service, let's say a POTS service to an unbundled loop, you have to have at least two orders and you may have more, depending on what products and services the current account has, like directory advertising, for instance, but you have to have two, because you need a disconnect that will sever the dial tone on the existing line and you have to have an order that establishes the unbundled loop and causes the jumper to be swung from the frame onto the facilities, say, leading to the SPOT frame, for instance.

*Tr. 541.*

24 In short, some of the evidence in this proceeding suggests that disconnections are treated as service orders. Other evidence is ambiguous or suggests the contrary.

25 More important, none of the evidence clearly demonstrates that the method used to estimate the prospective number of service orders in the development of the OSS proposed charges is consistent with the method by which U S WEST intends to bill its customers. The workpapers do not clearly state the type of service orders that have been used to determine the proposed prices. The Company has not clearly stated

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<sup>4</sup> The same volume of activity was used in the Company's initial study and its support for its compliance filing. Testimony of Dean Buhler, July 9, 1998, revised October 13, 1998, Attachment B. Ex. 515, Phase II; and U S WEST, "Access to Operational Support Systems for Interconnection: Ongoing Maintenance," 1999 Cost Study, November 10, 1999, Attachment B to November 15, 1999 Compliance filing, page 1.

More recently, U S WEST provided the following list of service orders that generate OSS cost recovery: "connections (both as is and new installs), change orders, disconnections, transfers to and transfers from, pending and record orders." U S WEST's response to Joint CLECs' Request for Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, p. 3, June 5, 2000.

which activities will generate OSS service order charges.<sup>5</sup> The record does not contain a list which states the activities to which the charges would apply. The CLECs have asked the Commission to order U S WEST to identify each and every service order that generates an OSS cost recovery charge. *Joint CLECs' Request for Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, May 30, 2000, par. 2.*<sup>6</sup>

26 Furthermore, the Company's witnesses were uncertain to which activities the charges would apply.<sup>7</sup> We are concerned that a mismatch may result in charges that are unreasonable,<sup>8</sup> and are also concerned that a basic tenet of ratemaking is that tariffs be sufficiently specific to allow the utility, its customers, and the regulators all to know exactly what charges will apply.

27 There are several possible resolutions to this dispute. We could authorize U S WEST to charge its proposed rates for the undefined service orders on an interim basis. The final charges could be resolved in Docket No. UT-003013. We will not adopt this first option because it provides U S WEST with too much discretion and affords it with an opportunity to create a barrier to entry.

28 A second possibility would be to undertake further evidentiary hearings. We will not adopt this option because it would further delay the completion of this proceeding. We note that the record is still open in Docket UT-003013 for responses to bench requests that may include at least some of the information that is missing and that evidentiary hearings in the docket are continuing, and we observe that a partial resolution may be possible in that proceeding.

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<sup>5</sup> For example, service could be discontinued in a different manner than described in paragraph 23. Rather than converting a retail to a wholesale service, a wholesale service could be completely terminated. It appears that U S WEST has excluded these disconnects from the demand forecast used in its cost study ["CLEC forecasts for the near future tend to focus on how many customers they expect to acquire, not [original emphasis] on the number of customers they expect to lose (i.e. disconnect)."] U S WEST, June 9, 2000, p. 5]. It is not clear if the Company plans on charging an OSS fee for stopping service.

<sup>6</sup> U S WEST responded that it believes that this issue has been explored on the record and that "it is unclear what the Joint CLECs hope to accomplish" with this request, "other than delay." *U S WEST's Response to Joint CLECs' Request for Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, June 5, 2000, p. 3.*

<sup>7</sup> See, for example, Tr. 541-42; 614-615.

<sup>8</sup> In Docket UT-003013, we order U S WEST to demonstrate the correspondence between the forecasted OSS demand and its proposed charges. The demonstration should include a showing that the same USOCs for which it intends to apply OSS charges are included in forecasted OSS demand.

29 U S WEST's interim OSS rate recovery charge is denied because of the lack of record evidence and the lack of tariff language specifying the exact activities to which the proposed charges would apply. U S WEST proposed that the rate apply to service orders. However, the Company failed to identify what constitutes a service order and it did not provide a list of specific activities to which the charges would apply so that reasonableness could be determined. We cannot approve a rate when we do not know what it would apply to.

30 The Commission approves the NRC rates contained in the Phase II Compliance Rate Table as revised June 9, 2000.

31 In Docket UT-003013, we will continue to explore procedures to assure that the OSS charges recover the appropriate costs as determined in that proceeding.

## **B. U S WEST's Recovery of OSS Costs**

### **1. Issues**

32 Paragraph 112 of the Seventeenth Supplemental Order directed U S WEST to make compliance filings of interim rates for interconnection mediated access (IMA), or manual ordering, and Electronic Data Interexchange (EDI), or electronic ordering. Furthermore, paragraph 465 of the Order required that U S WEST remove resale OSS system costs from its OSS cost studies in order to prevent double recovery in conjunction with its recovery in the Customer Transfer Charge (CTC).

33 In response to U S WEST's November 15, 1999 compliance filing, Staff expressed its interest in establishing a true-up mechanism in order to ensure that the OSS recovery charges collect no more revenue than the amount of the costs that are subject to recovery. The amount of OSS costs that are recoverable by the incumbent local exchange carriers [ILECs] will be determined in Docket No. UT-003013. *25<sup>th</sup> Supplemental Order at pars. 80, 86.*

34 In paragraph 87 of the 25<sup>th</sup> Supplemental Order we required U S WEST and GTE to file tariffs stating that a true-up will occur once U S WEST's permanent OSS rates have been approved by the Commission in Docket No. UT-003013.

35 U S WEST interpreted this directive as a requirement "that a true-up of interim to permanent OSS rates will occur once U S WEST's permanent OSS rates have been approved by the Commission." *U S WEST, June 9, 2000, p.7.*

36 The 25<sup>th</sup> Supplemental Order also required U S WEST and GTE to file tariffs that state that a true-up of the OSS rates will be implemented. We further instructed these parties to describe their proposed true-up through submissions in Docket No. UT-003013. *Par. 87.*

- 37 On June 9, 2000, GTE filed a description of its proposed tracking mechanism. Exhibit 3 of filing. GTE did not include a tariff stating that a true-up of the OSS rates will be implemented.
- 38 U S WEST did not file a description of its proposed mechanism. Neither does its tariff indicate that the rates are subject to a true-up. *CLECs, June 27, 2000, p. 2.*
- 39 U S WEST asserts that such a filing will be made after the Commission resolves the matter described in the prior section, Section F of the 25<sup>th</sup> Supplemental Order. U S WEST, June 9, 2000, p. 7.
- 40 The CLECs suggest that the Commission refuse to authorize U S WEST to impose or collect any interim OSS cost recovery charge until U S WEST has demonstrated both the ability to track the revenues collected and to implement a true-up on an individual CLEC basis. The CLECs recommend that U S WEST use the same true-up procedure as GTE. *CLECs, June 27, 2000, p. 2.*

## **2. Commission Decision**

- 41 The method of the “true-up” has not been discussed in this proceeding. For this reason, we stated in Paragraph 87 of the 25<sup>th</sup> Supplemental Order that the method should be fully addressed in Docket No. UT-003013. We also required the ILECs in this proceeding to file a description of their tracking methods and to state clearly in their tariffs that the interim OSS rates are subject to a true-up.
- 42 GTE is ordered to file a tariff consistent with the terms of this Order within ten days of this Order to implement the terms of this Order which states that their interim OSS rates are subject to a true-up. The true-up mechanism will be resolved in Docket No. UT-003013.

## **C. CLECs’ request that ILECs Limit and Specify the Interim OSS Rates**

### **1. Issues**

- 43 On May 30, 2000 the CLECs filed a request for reconsideration and clarification regarding the OSS cost recovery issues.
- 44 The Joint CLECs object to the application of two OSS service order charges for a single local service request. They also objected to any OSS charge being applied to the ordering of interconnection trunks: “Ensuring sufficient trunk capacity for the exchange of local traffic is a joint obligation of both carriers, and the ILECs are not entitled to recover the costs they incur to fulfill that mutual obligation from CLECs.”

*Joint CLECs' Request for Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, May 30, 2000, par. 2.*

45 U S WEST responded that service orders “provide a way to determine fairly who is using/accessing the systems and therefore benefitting from the modification, development, enhancement and maintenance of the OSS.” *U S WEST's Response to Joint CLECs' Request for Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, June 5, 2000, p.2.*

46 The Company adds that, because Commission has affirmed the principle of OSS cost recovery, the CLECs should address whether they have a better method for determining their use of U S WEST's OSS, and thus a better mechanism for recovering the OSS costs. It suggests that such proposals be offered in Part A of Docket No. UT-003013. *Id.*

47 The CLECs also request that the Commission require that any interim charge for OSS cost recovery be included as a separately identified element of the nonrecurring charges. *Joint CLECs' Request for Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, May 30, 2000, par. 3.*

## **2. Commission Decision**

48 We have addressed the CLECs' concerns at Paragraph 29 by deciding that U S WEST is not authorized in this docket to collect for its OSS costs.

49 The CLECs have requested that any interim charge for OSS cost recovery be included as a separately identified element of the nonrecurring charges. This request is denied. GTE's June 8, 2000 compliance filing provided additional information that explains how the cost elements generated by its November 1999 NRC study are used to develop the compliance rates (see Exhibit 2 and 3).<sup>9</sup> The CLECs have not shown us that additional billing information is necessary.

## **D. CLECs' Request for Recovery of Their OSS Costs**

### **1. Issue**

50 The Joint CLECs state that the Commission did not address their claim for the entitlement to recover costs they incurred as result of their legal obligations with regard to OSS. The CLECs suggest that these costs should offset any OSS transition cost recovery charge the ILECs are authored to charge. *Joint CLECs' Request for*

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<sup>9</sup> The Joint CLECs now appear to understand and accept how the OSS charges are being applied by GTE. *Responsive Comments of CLECs, June 28, 2000, p.2.*

*Reconsideration and Clarification of 25<sup>th</sup> Supplemental Order, May 30, 2000, par. four.*

## **2. Commission Decision**

51 On March 24, 2000 the Commission issued to the CLECs a written request for clarification. The Commission asked: “In this proceeding did the CLECs submit a cost study or rate proposal in which they asked for compensation for the costs associated with developing their electronic interfaces and developing systems to comply with their obligations under the Act? Has such a request been made in a separate proceeding? If so, please identify the case.”

52 The Joint CLECs responded that they had not submitted a cost study or rate proposal in this or any other docket. They added that they are considering filing such evidence in the new costing and pricing proceeding, Docket No. UT-003013. *CLECs Response to Commissions Request for Clarification, March 24, 2000.*

53 Because the CLECs made no request for compensation during the evidentiary hearings, we deny their repeated post-hearing requests for recovery of some unspecified costs. The Joint CLECs’ motion is denied.

## **E. U S WEST’s Customer Transfer Charge**

### **1. Issues**

54 Paragraphs 93 and 94 of the 25<sup>th</sup> Supplemental Order required U S WEST to provide documentation that demonstrates that U S WEST’s customer transfer charge (CTC) complies with the 17<sup>th</sup> Supplemental Order and Staff Exhibit C-664.

55 U S WEST provided the requested documentation on June 9, 2000.

56 Staff reviewed the supporting documentation and concluded that the Company has correctly complied with the Commission’s directive. *Staff, June 28, 2000, pp. 2-3.* No party objected.

### **2. Commission Decision**

57 The Commission accepts the documentation filed by U S WEST on June 9, 2000 as complying with the Commission’s 25<sup>th</sup> Supplemental Order.<sup>10</sup> The Commission approves this charge.

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<sup>10</sup> We accepted the filed rates at paragraph 96 of the 25<sup>th</sup> Supplemental Order. The OSS system charge is an interim rate that will be reviewed in Docket No. UT-003013.

## F. U S WEST's Per-Port Common Channel Signaling

### 1. Issues

58 In the 14<sup>th</sup> Supplemental Order we discussed the development of the per-port common  
channel signaling rate. The ILECs' position was that the common channel signaling  
components should mirror the rate structures and levels established in their access  
tariff. We rejected this position on the grounds that the access rates did not reflect the  
costing principles that govern this proceeding. *Pars. 50-53.*

59 In the 14<sup>th</sup> Supplemental Order, we asked parties to provide data that could be used to  
develop an estimate of the cost of the per-port common channel signaling rate.  
Specifically, we asked for the number of ports that were associated with the Hatfield  
cost estimates. *Pars. 57 and 58.*

60 AT&T and MCI responded that the value appears at cell D70 of the unit costs folder  
of the HAI 3.1 model. *Submission in Response to Fourteenth Supplemental Order,*  
*October 14, 1998, p. 1.*

61 The number of ports, 706, and the HAI reported annual cost of \$3,385,650, suggests a  
monthly cost of \$394.06.

62 U S WEST responded that it cannot derive a port quantity estimate from the Hatfield  
Model output. U S WEST added that its TELRIC model incorporates different costs  
into its port estimates than the Hatfield Model. *Submission in Response to Fourteenth*  
*Supplemental Order, October 12, 1998, p. 2.*

63 U S WEST's November 9, 1999 compliance filing included a per-port rate of \$148.80.  
At paragraph 115 of the 25<sup>th</sup> Supplemental Order we required U S WEST to explain  
the basis for its proposed per-port common channel signaling rate. We added that the  
filing should include an attachment that shows in detail and explains in narrative form,  
step by step, in detail, exactly how its proposed per-port cost of \$148.80 was  
developed.

64 U S WEST's June 9, 2000 filing pointed out that the Commission had not yet ruled on  
the port cost. The Company explained that the \$148.80 rate was based on the results  
of its own model, and not data from the Hatfield Model. The Company argued that it  
made sense to use only its models because the Commission had exclusively relied on U  
S WEST's link model. Since the link and port "are part of the same signaling system,  
it only makes sense to adopt costs consistently in a way that reflects the cost of a  
single system." *pp. 2-3.*

65 AT&T was the only party that addressed this issue. It did not object to the rate filed  
by U S WEST.

## 2. Commission Decision

66 U S WEST's per-port common channel signaling rate of \$148.80 is approved.

## G. Corrections to November 15, 1999 Compliance Filing

### 1. Issues

67 U S WEST's provided responses and supporting documentation to issues raised in Sections F., K., L., and O of the 25<sup>th</sup> Supplemental Order.

68 In addition, U S WEST pointed out that it was making two corrections to its November 15, 1999 compliance filing. These corrections were incorporated into a new version of its Phase II compliance rate table.

### 2. Commission Decision

69 No party objected to these corrections. The Commission accepts corrections.

## H. Terms and Conditions Contained in the Tariff

### 1. Issues

70 In the Fourteenth Supplemental Order we pointed out that the parties have indicated their preference that tariff terms and conditions not be addressed in this proceeding because it adds another level of complexity to the proceeding. "The Commission [found] that it should not consider tariff terms and conditions in the pricing phase of this proceeding." *Par. 74 and 75.*

71 At paragraph 156 of our Twenty-Fifth Supplemental Order we stated:

As to each item that is not addressed in this Order, and each item that is approved without change in this Order, U S WEST and GTE may file tariffs no later than five days after the service date of this Order with a stated effective date of three business days after the date of filing. The tariff filings must be limited to the elements specifically authorized in this Order.

72 On June 9, 2000 U S WEST submitted a tariff in "accordance with the requirements in the Twenty-Fifth Supplemental Order." *Advice No. 3135T.* The filing included general terms and conditions.

73 The CLECs object to the inclusion the general terms and conditions which compose section two of the tariff. They note that “[n]one of these terms, conditions, or definitions were established or approved by the Commission in this proceeding.” They ask that Commission require U S WEST to delete everything in Section 2 General Terms and Conditions except for the first two sentences in section 2.1. CLEC response, June 28, 2000.

74 These sentences state:

All service arrangements will be provided under interconnection agreements approved by the Commission. These agreements contain specific product descriptions, terms and conditions.  
Advice No. 3135T, Section 2.1, filed June 9, 2000.

75 The Joint CLECs object to the third sentence of Section Two: “Pricing for certain rate elements will be provided on an individual basis due to the uniqueness of the Carrier’s requirements, central office structure and arrangements.” *Advice No. 3135T, Section 2.1, filed June 9, 2000.*

76 The CLECs object to this sentence because the Commission did not authorize individual basis rates. *CLEC response, June 28, 2000.*

77 GTE did not file any terms and conditions along with its compliance rate filing.

## **2. Commission Decision**

78 The filed terms and conditions are not properly included as part of a compliance filing in the pricing phase of this proceeding. These terms and conditions were not requested in our Twenty-Fifth Supplemental Order. In our Fourteenth Supplemental Order we concluded that we would not consider tariff terms and conditions in the pricing phase of this proceeding. We therefore Order U S WEST to remove section two from its tariff and to refile in compliance with this Order.

## **I. GTE’s Interim Collocation Rates**

### **1. Issues**

79 In our Eighth Supplemental (Phase One) Order, we required GTE and U S WEST to submit testimony in Phase II of this proceeding regarding the degree to which their collocation cost studies comply and are consistent with the FCC’s Physical Collocation Order. We stated that “[t]o the extent that the studies are not consistent, we will require GTE and U S WEST to modify the studies to be in compliance with the FCC’s Order.” *Par. 417.*

80 GTE filed the requested information in Phase II. *Staff Brief, Phase II, February 18, 1999, p. 52.*

81 At the close of the Phase II hearings, GTE advocated that the its intrastate collocation rates be based on its federal collocation tariffs until the Commission can open a new proceeding to establish rates based on GTE's new collocation study. *GTE Post-Hearing Brief, February 18, 1999, p.70.*

82 Nextlink and Electric Lightwave supported the use of the Federal tariffs on an interim basis:

Unlike U S WEST, GTE apparently recognizes the deficiency of its collocation cost studies and recommends that the Commission adopt GTE's tariffed collocation rates on an interim basis pending additional proceedings that will allow GTE and other interested Parties to submit revised cost studies and additional evidence on GTE's forward-looking collocation costs. Ex. 584 at 5-6 (GTE Lee); Tr. at 993 (GTE Lee Cross). The reinstated FCC Rules permit the Commission to accept an ILEC's interstate tariff collocation rates on an interim basis. 47 C.F.R. § 51.513(c)(6). Because GTE's tariff rates are roughly comparable to the market prices NEXTLINK developed, NEXTLINK and ELI would agree with GTE's recommendation, with the exception that the Commission should not permit GTE to impose any charge for Building Modification or ICB priced elements, as discussed below.

*Brief at 48, February 18, 1999.*

83 In the Seventeenth Supplemental Order, the Commission generally established that the collocation rates in GTE's interstate tariff should be used as interim rates for both U S WEST and GTE, pending development of rates that comply with the pricing requirements of the Act and FCC orders and rules. *Paras. 302, 321, and 530.*

84 In response to our 25<sup>th</sup> Supplemental Order, GTE requests that the Commission reconsider its requirement that the Company file a compliance collocation study. Instead, GTE asks that its interim rates contained in its interconnection agreements remain in effect pending a final order in Docket No. UT-003013. According to GTE, its interconnection agreements incorporate by reference GTE's federal collocation tariff. *GTE Northwest Inc.'s Motion for Reconsideration and Clarification of the Commission's 25<sup>th</sup> Supplemental Order, May 30, 2000, p. 1.*

85 In support of its position, GTE points out that subsequent to the filing of its November 1999 compliance filing in this proceeding, "FCC and federal court rulings have

resulted in substantial changes to the cost methodology and resulting rates. Consequently, GTE has significantly modified its federal tariff and the Washington Compliance filing no longer reflects the federal tariff nor the way the Company calculates or recovers collocation costs from CLECs.” In order to avoid arbitrage opportunities, GTE requests that the Commission allow it to continue to use the federal rates on an interim basis, rather than the rates filed in November 1999. *Id.*

86 The Joint CLECs ask the Commission to deny the request. They state that the new rates are not part of the record. They add that the Commission adopted new rates, “not the concept that whatever GTE had filed with the FCC would automatically apply in Washington.” *Joint Response to GTE Motion, June 5, 2000, pp. 1-2.*

87 The Joint CLECs do not address GTE’s assertion that the interconnection agreements incorporate by reference GTE’s federal collocation tariff.

## **2. Commission Decision**

88 In the 25<sup>th</sup> Supplemental Order we addressed how U S WEST’s physical collocation rates should be set on an interim basis. We found that “Interim rates adopted in the arbitration proceedings will remain in effect until the Commission makes a final determination regarding collocation prices.” *Par. 122.*

89 Therefore GTE’s request is granted. Until we establish permanent collocation rates in Docket No. UT-003013, GTE’s interim collocation rates, with the exception of the building modification charge and HVAC charges,<sup>11</sup> shall be based on its federal tariff then in effect. As pointed out by Nextlink and Electric Lightwave, this procedure is consistent with the FCC rules. *47 C.F.R. § 51.513(c)(6).*

## **J. Modifications to the Compliance Collocation Building Modification Charges**

### **1. Issues**

90 At par. 304 of the Seventeenth Supplemental Order the Commission stated

that GTE’s practice of requiring the construction of separate entrance facilities in its central offices for the use of collocating CLEC personnel is not allowable under current FCC regulations. See, par. 42 of Order No. FCC 99-048. GTE is, therefore, directed to remove all costs related to the construction of separate personnel entrance facilities from its proposed Building Modification Charge.

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<sup>11</sup> This is consistent with our finding at pars. 302 and 304 of the 17<sup>th</sup> Supplemental Order.

91 The Staff and the Joint CLECs contended that GTE's compliance filing did not comply with the 17<sup>th</sup> Supplemental Order. *Id. pars., 138-140.*

92 GTE responded that the 17<sup>th</sup> Supplemental Order made no finding regarding the recovery of security costs, or the ability of GTE to recover its total start-up collocation costs from the first collocator. *Id. pars., 141-143.*

93 At par. 147 of the Twenty-Fifth Supplemental Order the Commission stated that

In light of the FCC's rules and the ruling of the United States Court of Appeals, however, GTE is ordered to modify its Building Modification charge to remove all fencing costs and to develop a rate proportionately distributing the remaining costs according to the total space available for collocation.

94 GTE's June 9, 2000 compliance filing states that it has removed all fencing costs associated with GTE's Building Modification charge. *p. 2, item 10.*

95 The filing also shows that the proposed building modification rates have fallen significantly as the result of decisions made by the Courts, the FCC, and this Commission. For example, where GTE's Phase II filing on September 4, 1998 contained a rate of \$16,460 for a simple building modification, the comparable compliance filing rate on June 9, 2000 was \$2,700. *GTE's June 9, 2000 compliance filing, Exhibit 6.C.*

96 Staff reviewed the compliance filing and concluded that "[i]t appears that GTE has removed the cost of the chain link fencing from its recent filing." Staff does not object to these rates taking effect on an interim basis given that the issue of collocation will be reviewed again in Docket No. UT-003013. *Commission Staff's Response to U S WEST and GTE Compliance Filings, June 28, 2000, p. 6.*

97 The Joint CLECs stated that GTE has removed the fencing costs from its Building Modification charge. *June 28, 2000, p.2.*

98 GTE did not allocate the remaining costs based on total space available for collocation. The Company reports that this information is not readily known, and to collect such information, "would be a substantial waste of resources." *GTE Northwest Inc.'s Motion for Reconsideration and Clarification of the Commission's 25<sup>th</sup> Supplemental Order, May 30, 2000, p. 2.*

99 GTE offered the following alternative building modification rate methodology:

After removal of chain link wire costs, only two building modification costs remain – card access and HVAC. GTE

proposes that for card access, the total cost be divided by the forecasted number of CLECs per central office and GTE itself. GTE estimates three CLECs will collocate in a central office, and therefore recommends dividing the card access costs by four to develop a proportionate rate. Since the HVAC costs and rates are developed per 100 square foot cage, a CLEC will only pay for HVAC based on the size of their collocation space. Therefore, GTE's compliance filing already recovers these costs in proportion to the amount of space a CLEC uses.

*Id.* p. 3.

- 100 GTE adds that the alternative proposal coincides with the method adopted in GTE's approved federal collocation tariff.
- 101 The Joint CLECs ask the Commission to deny GTE's request for reconsideration. The Joint CLECs imply that the methodology would be in violation of the FCC rules, but do not explain why GTE's alternative methodology would violate the Federal rules. *Joint Response to GTE Motion, June 5, 2000, p. 2.*
- 102 They add that GTE is effectively asking the Commission to adopt the revised rates that GTE is proposing in Docket No. UT-003013. Because the Commission has not reviewed the underlying methodology, the Joint CLECs recommend adopting the rates on an interim basis. *Id.*, p. 3.
- 103 The Joint CLECs further contend that the GTE could obtain the space data by surveying "central offices in which at least one CLEC has requested collocations or that serve loops that are in geographically deaveraged zones 1-3..." *Id.*, pp. 2-3.
- 104 In a subsequent filing with the Commission, the Joint CLECs contend that the revised study is flawed because it "has not developed a rate that initially spreads the costs of [Building Modifications] among all collocators, rather than making the first collocator responsible for the entire charge." *June 28, 2000, p.2.*

## **2. Commission Decision**

- 105 We find that the methodology proposed by GTE is reasonable for establishing interim rates. We note, for example, that the limited information available in the record supports the use of three collocators at each collocation site. During the hearings, U S WEST presented evidence that in its territory there is an average of 1.6 interconnectors per central office where collocation exists. U S WEST assumed that prospectively the value would increase to three. *Collocation Reply Testimony of Garrett Fleming, October 9, 1998, p. 18., Ex. 602.*

- 106 We approve the use of the methodology proposed by GTE for the development of the interim building modification rates. Our approval is limited to the establishment of interim rates. Parties may choose to further litigate this methodology in Docket No. UT-003013.
- 107 GTE's proposed rates were obtained by rounding up the building modification costs to the nearest \$100. For example, its proposed rate of \$2,700 for a simple building modification was obtained by rounding the adjusted building modification cost of \$2,605 up to \$2,700.
- 108 We do not approve the rounding up of the building modification costs. GTE is ordered to file new compliance rates that are equal to the total building modification costs. The total building modification costs are reported on line fifteen of Exhibit 6-C, which was an attachment to its June 9, 2000 compliance filing.
- 109 The CLECs asserted that GTE's filing is flawed because of its failure to spread the building modification costs to all collocators. The CLECs do not cite to any work papers or other evidence to support their contention. The filed work papers do not support the allegation. GTE has shown that while it initially proposed to recover the full cost of card access from the first collocator, it has modified its cost study so that the cost is spread evenly over four firms. *GTE, June 9, 2000, Exhibit 6.D and 6.E.*

## **K. Interim Local Number Portability Receiving Rate**

### **1. Issues**

- 110 Local number portability refers to the arrangements provided to a CLEC that permits local exchange customers to change service providers and retain their existing telephone numbers. Interim local number portability refers to the reliance of an interim technological solution, such as call forwarding, for providing number portability. *17<sup>th</sup> Supplemental Order at par. 341, 348.*
- 111 GTE states that it finds the Commission's statements on the interim local number portability rate confusing. At paragraph 75 of the 25<sup>th</sup> Supplemental Order we reaffirmed that we had established a permanent recurring rate of \$1.73 per month. At paragraph 77 we stated that we expected the CLECs to provide ILECs with data to establish an INLP rate. GTE requests that the Commission clarify what recurring rate it intends GTE to charge for ILNP, and what the Company is required to do to comply with par. 77 of the 25<sup>th</sup> Supplemental Order. *GTE Northwest Inc.'s Motion for Reconsideration and Clarification of the Commission's 25<sup>th</sup> Supplemental Order, May 30, 2000, pp. 3-4.*
- 112 The CLECs respond that the Commission should clarify that INP cost it approved in the 17<sup>th</sup> and 25<sup>th</sup> Supplemental Order are not the rates to be charged to CLECs but are

to be used to calculate the appropriate INP rates. *Joint Response to GTE Motion, June 5, 2000, p. 4.*

113 The New York method requires that the total costs of INP be spread evenly over all working telephone numbers in Washington. *17<sup>th</sup> Supplemental Order, par. 372.*

114 The Joint CLECs suggest that U S WEST and GTE calculate the rate as follows:

(1) multiply the number of telephone numbers that [it] has ported using INP by the recurring and nonrecurring INP costs (TELRIC plus common) that the Commission established in the Seventeenth Supplemental Order; and (2) divide the total by the number of telephone numbers in service in [their] service territory in Washington. The result is an INP rate per working telephone number. Each CLEC would then multiply that rate by the number of working telephone numbers that CLEC serves and remit that amount to [the ILEC]. Both the calculations and the remittance would be done on a semi-annual or other periodic basis.

*Joint Response to GTE Motion, June 5, 2000, p. 3.*

115 Step two of the procedure outline in the prior paragraph requires the ILEC to know the total number of telephone numbers in service in their respective territories. U S WEST has petitioned the Commission, asking the Commission to request and obtain from the CLECs their number of in service telephone numbers. U S WEST notes that while it could issue data requests to all of the carriers in this docket requesting that information, responses would not disclose a complete picture of all the working lines, as not all carriers are parties to this docket. Therefore it has petitioned the Commission to request and obtain that data from all of the CLECs registered in Washington. *U S WEST's Petition for Commission Inquiry of CLECs Regarding Data Required for Recovering Costs of Interim Number Portability, June 8, 2000.*

## **2. Commission Decision**

116 The Commission has previously addressed the issue of where the data for the calculation described at paragraph 114 would be obtained. In the 17<sup>th</sup> Supplemental Order we stated that if the CLECs are unwilling to provide the line data, revenue data may be used as a substitute. In the 25<sup>th</sup> Supplemental Order, we stated that if the parties are unable to resolve the line count data issue, they must address the matter again in Docket No. UT-003013. *par. 77.*

117 The Joint CLECs state that they “are (and have been) willing to cooperate in making the necessary calculations...” *Joint Response to GTE Motion, June 5, 2000, p. 4.*

118 We deny U S WEST's petition at this time. U S WEST has not indicated that it has attempted to obtain this data from the CLECs. We believe that the ILECs should attempt to resolve this data problem with the CLECs. The ILECs will likely have to provide assurance to the CLECs that this data will be treated as proprietary information. If the CLECs do not cooperate, despite receiving this assurance, the ILECs should try to use a proxy, such as revenues. If the ILECs are unable to obtain satisfactory data, they are free to bring this matter to our attention in Docket No. UT-003013.

119 With respect to GTE's request that the Commission clarify the recurring rate it intends GTE to charge for ILNP, the rate calculation is described at paragraph 114.

## **L. GTE's filing of Geographically Deaveraged Loop Rates**

### **1. Issues**

120 GTE filed modified rate sheets on June 9, 2000. The Joint CLECs point out that the filing does not include the geographically deaveraged loop rates or central office zone assignments as ordered in the 24<sup>th</sup> Supplemental Order.

### **2. Commission Decision**

121 In a companion decision issued today, we clarify the rate zone assignments for the GTE exchanges. GTE is ordered to make a compliance filing that incorporates the findings in the companion order.

## **M. GTE's Nonrecurring Charges for Connect and Disconnect**

### **1. Issues**

122 GTE was directed to file separate disconnect rates based on the nonrecurring costs associated with disconnecting the type of service. *25<sup>th</sup> Supplemental Order, par. 60.* Previously, GTE had included a \$13.19 charge per disconnect order, regardless of the type of order. GTE's June 8, 2000 compliance filing provides separate disconnect rates for five rate categories – resale engineered, resale non-engineered, unbundled loops engineered, unbundled loops non-engineered, and unbundled ports non-engineered. AT&T is concerned that two of the disconnect rates filed by GTE appear to be out of line. These are resale engineered at a rate of \$87.18 and unbundled loops engineered at a rate of \$80.19. *AT&T's Response to U S WEST's and GTE's Filing in Response to the 25<sup>th</sup> Supplemental Order, June 27, 2000, p. 5.*

123 In the documentation supporting its disconnect rates, GTE has five basic categories for costs – ordering, provisioning and dispatch, disconnect, CO activity, and field install.

There are amounts listed in each of these categories except for field install related to these disconnect rates.<sup>12</sup> AT&T states that “[i]t is not clear why there are amounts associated with other categories, other than disconnect.” They go on to argue that Exhibit 2.C provided by GTE attempts unsuccessfully to provide additional support for its nonrecurring charges: “This exhibit, which is fundamentally not any different from its previous filing, relies on a series of factors, ratios and weightings to derive its nonrecurring charges. Moreover, these supporting pages are not provided for any of the disconnect rates proposed by GTE.” *Id.*, p. 6.

124 On July 20, 2000 a technical conference was held to discuss this matter. During the conference, GTE explained how the disconnect rates filed on June 9, 2000 were derived. Furthermore, in response to a bench request, GTE showed that the rates filed on June 9, 2000 were in compliance with the Commission’s decisions in this docket.

## 2. Commission Decision

125 The Commission finds that GTE’s method for separating connection and disconnection charges is consistent with the Commission’s prior findings in this proceeding.

## N. GTE’s Methodology to Determine Separate Rates for Electronic and Manual Orders

### 1. Issues

126 Paragraphs 112 and 453 of the Seventeenth Supplemental Order directed U S WEST and GTE to make compliance filings supporting interim rates for IMA, or manual ordering, and EDI, or electronic ordering.

127 Paragraph 132 of the Twenty-Fifth Supplemental Order directed GTE to provide additional documentation on how its November 18, 1999 filing complied with the requirements of the Seventeenth Supplemental Order.

128 AT&T expressed concern about the documentation provided by GTE. AT&T noted that for most activities, such as provisioning, dispatch, and field installation, the cost of implementing an electronic and manual order are identical. AT&T questioned the reasonableness of a study in which a cost differential for manual and electronic orders only applied to the placement of orders. *AT&T’s Response to U S WEST’s and GTE’s Filing in Response to the 25<sup>th</sup> Supplemental Order, June 27, 2000, p. 7.*

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<sup>12</sup> GTE’s June 9, 2000 Filing in Response to the 25<sup>th</sup> Supplemental Order at Exhibit 2.B, page 15.

129 During the July 20, 2000 technical conference, GTE explained how once an order is placed, there is no difference between the cost of implementing a manual and electronic order. A manual order is more costly to record, but once the information is entered into its operational support systems, manual and electronic orders are completed in identical fashions.

## 2. Commission Decision

130 The Commission approves of the method used by GTE to determine separate rates for electronic and manual orders.

## O. Staff's Objection to GTE's Nonrecurring Charges for Connect and Disconnect

### 1. Issues

131 In the 17<sup>th</sup> Supplemental Order we accepted GTE's non-recurring cost study subject to certain modifications. At paragraph 454 we required GTE to modify certain of its work time activity estimates. GTE was ordered "to make a compliance filing adjusting its non-recurring cost study to conform with paragraphs 468, 469, and 473 of the Supp. These adjustments should be made in a manner consistent with Staff witness Roth's study, as explained in response to Bench Request No. 128." In addition, GTE was directed to make three specific adjustments as outlined in Response to Bench Request No. 128.

132 Staff contends that GTE has not complied with the Commission's decision. Staff points out that GTE has rounded-up the due date time assignment and this results in an increase in the estimated cost. Staff also contends that GTE did not fully implement the changes to the NRC study outlined in Bench Request No. 128. *Staff, June 28, 2000, pp. 3-5.*

133 GTE responds that it believes that it has correctly implemented the Commission's Order. GTE pointed out during the July 20, 2000 technical conference that the Commission's Order explicitly requires it to make the changes described in parts B and C of Bench Request No. 128. GTE contended that the Commission's Order did not require it to make the changes outlined in Part A of Staff's response to Bench Request No. 128.

134 Staff disagrees with GTE's interpretation of the 17<sup>th</sup> Supplemental Order. At the technical conference, Staff pointed out that the Order stated that the "adjustments should be made in a manner consistent with Staff witness Roth's study, as explained in response to Bench Request No. 128." Staff notes that the Commission did not state that its Order only applied to sections B and C of the response to the Bench request.

## 2. Commission Decision

135 We agree with Staff that GTE should not have rounded up the time estimate for due date assignments. GTE is ordered to file a compliance filing that does not reflect this rounding up.

136 We also order GTE to submit a compliance filing that reflects the changes described in Part A of Staff's response to Bench Request No. 128, but for one exception. Staff set the Manual LSR Receipt value to zero so that the study would reflect the least-cost technology, the electronic placement of orders. *Staff Response to Bench Request No. 128, p. 1.* We have previously found<sup>13</sup> that it is appropriate to include in a cost study the assumption that prospectively manual orders will be placed and therefore GTE should not implement the Manual LSR change described in the first paragraph of Section A of Bench Request No. 128.

## P. GTE's Outside Facility Connect Charge

### 1. Issues

137 The Commission has stated that it will use U S WEST's costs as a proxy and set GTE's interim rate for outside facility connect charges equal to the interim rate for U S WEST. *See 17<sup>th</sup> Supplemental Order, par. 235; 25<sup>th</sup> Supplemental Order, par. 103.*

138 Staff points out that GTE's filing does not reflect that interim rate.

### 2. Commission Decision

139 GTE's compliance filing must be modified to include the interim outside facility connect charges.

## Q. Approval by the Commission

140 In the sections above we have addressed various concerns raised by parties about the compliance filings. For those issues that were not explicitly addressed herein, and whereas no party has objected to the items not addressed herein, we approve the content of prior compliance filings.

141 Procedurally, we will reject all compliance filings and allow parties to refile in compliance with the terms of this Order.

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<sup>13</sup> See, for example, Twenty-Fifth Supplemental Order at par. 85.

## IV. ORDER

142 The Commission hereby orders as follows:

- 143 1. All filings in response to the Seventeenth and Twenty Sixth Supplemental Order are  
rejected. USWC and GTE NW are authorized and directed to refile tariffs consistent  
with the terms of this and consistent relevant prior orders.
- 144 2. All filings pursuant to this Order must be made within ten business days after the date  
of this Order and must be strictly limited to matters that have been approved. The  
tariff filings must bear an effective date allowing the Commission at least seven  
business days to renew the tariff.
- 145 3. A copy of each filing with the Commission must be served on counsel for other  
parties so that it is received on the date filed with the Commission.

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

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner