

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

POSTHEARING BRIEF OF COMMISSION STAFF

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I. INTRODUCTION

In November 1996, the Washington Utilities and Transportation Commission (Commission) issued an Order Instituting Investigation, creating the Generic Costing and Pricing Proceeding under Docket Nos. UT-960369, UT-960370, and UT-960371. The proceeding was instituted to fulfill the Commission's obligations under the Telecommunications Act of 1996 (1996 Act) and under Title 80 RCW to establish rates and charges for telecommunications services.

This is the fourth part of the Commission's proceedings in Docket No. UT-003013 to develop the costs and prices that Qwest Corporation (Qwest), f/k/a U S WEST Communications, Inc., and Verizon Northwest, Inc. (Verizon), f/k/a GTE Northwest Incorporated, Incumbent Local Exchange Carriers (ILECs), charge for various unbundled network elements, continuing the process started by the Commission in Docket No. UT-960369, et al. The prices established through this proceeding are intended to replace interim prices set in arbitration proceedings and in ILEC tariffs and/or Qwest SGAT for interconnection rates and charges. The issues to be addressed in this phase (designated as Part D) of the proceedings, and the procedural schedules, were originally set out in the Commission's Twenty-Sixth Supplemental Order—Prehearing Conference Order, issued on October 19, 2001, and revised by the Twenty-Ninth Supplemental Order, Docket No. UT-003013; Notice Rescheduling Part D Proceedings, etc., served January 18, 2002.

The issues addressed in this Phase D include Qwest's proposals for numerous nonrecurring charges, Qwest's proposals for numerous recurring charges, and Verizon's proposals for similar elements (albeit not as many).

Qwest has proposed rates for additional nonrecurring services are as follows:

(a) resale customer transfer charge; (b) adjacent collocation; (c) remote collocation and remote adjacent collocation; (d) CLEC to CLEC collocation; (e) space availability charge; (f) space optioning; (g) DS1/DS3/OC capable loops; (h) coordinated install without cooperative testing; (i) basic install with cooperative testing; (j) multiplexing; (k) UDIT/EUDIT; (l) UDF field verification; (m) dark fiber splice; (n) local tandem switching; (o) local switching; (p) vertical features; (q) subsequent order charge; (r) digital line side port; (s) digital trunk ports; (t) DS0 analog trunk ports; (u) customized routing; (v) common channel signaling/SS7; (w) miscellaneous charges; (x) UNE combinations; (y) UNE-P conversion; (z) UNE-P new connection; (aa) unbundled packet switching; (bb) directory assistance/operator services; (cc) directory listings; (dd) operator services; (ee) access to poles, conduit and right of way; and (ff) bona fide request process.

Qwest has also proposed additional rates for the following recurring services:

(a) channel regeneration; (b) remote collocation and remote adjacent collocation; (c) CLEC to CLEC collocation; (d) space optioning; (e) OC capable loops; (f) OC-48 UDIT; (g) UDIT/E-UDIT; (h) Unbundled Dark Fiber; (i) digital line side port; (j) digital trunk ports; (k) DS0 analog trunk ports; (l) customized routing; (m) common channel signaling/SS7; (n) ICNAM; (o) channel regeneration; (p) EEL transport; (q) unbundled packet switching; (r) directory assistance/operator services; (s) directory listings; and (t) category 11 and daily usage record file.

Verizon has proposed rates for the following services: (a) multiplexing service connection; (b) fiber optic patchcord; (c) virtual collocation; and (d) dedicated transit service.

II. LEGAL AND POLICY STANDARDS

A. LEGAL

The objective of the 1996 Act was to “provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition. . . .” H.R. Conf. Rep. No. 104-458, 104th Cong., 2d Sess. 13 (1996). A fundamental requirement of the 1996 Act imposes on the ILECs the obligation to provide their competitors with access to unbundled network elements. (Thirteenth Supplemental Order, Docket No. UT-003013, ¶ 86.) This phase of the proceedings arises out of the FCC’s UNE Remand Order, Third Report and Order, *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98. FCC 99-238 (1999). As noted by the FCC in its press release announcing the release of that order:

...This FCC decision removes a major uncertainty surrounding the unbundling obligations of the Telecommunications Act of 1996 and is expected to accelerate the development of competitive choices in local services for consumers. Unbundling allows competitors to lease portions of the incumbent’s network to provide telecommunications services.

Today’s order adopts a standard for determining whether incumbents must unbundle a network element. Applying the revised standard, the Commission reaffirmed that incumbents must provide unbundled access to six of the original seven network elements that it required to be unbundled in the original order in 1996:

- (1) loops, including loops used to provide high-capacity and advanced telecommunications services;
- (2) network interface devices;
- (3) local circuit switching (except for larger customers in major urban markets);
- (4) dedicated and shared transport;
- (5) signaling and call-related databases; and,
- (6) operations support systems.

FCC Report No. CC 99-41, September 15, 1999.

This Commission initiated this proceeding to establish rates for those UNEs that were not yet priced, to fulfill its obligations under the 1996 Act and its authority under Title 80 RCW and Title 480 WAC. In the earlier Generic Proceeding, Docket No. UT-960369, et al., the Commission adopted the TELRIC costing methodology for setting UNE prices. The Commission noted that the FCC's Interconnection Order and rules (*In the Matter of the Implementation of the Local Competition Rules of the Telecommunications Act of 1996*, CC Docket 96-98, First Report and Order (1996), Appendix B – Final Rules) (Interconnection Order) provide guidance, but that its recommendations are “largely unbinding.” Eighth Supplemental Order, Docket No. UT-960369, et al., ¶ 9. The Commission also noted that all of the parties in the case advocated the use of the TELRIC methodology as the appropriate costing analysis, and thus adopted use of TELRIC for these proceedings. *Id.* The Commission stated that the TELRIC methodology: (1) assumes the use of best available technology within the limits of existing network facilities; (2) makes realistic assumptions about capacity utilization rates, spare capacity, field conditions, and fill factors; (3) employs a forward-looking, risk-adjusted cost of capital; (4) uses economic depreciation rates for capital recovery; and (5) properly attributes indirect expenses to network elements on a cost-causative basis. *Id.* at ¶ 10.

The Supreme Court's recent decision in *Verizon Communications, Inc., v. Federal Communications Commission*, ___ U.S. ___, 122 S.Ct. 1646, 152 L.Ed.2d 701 (2002), upholding the FCC's Rules requiring costs to be set using the TELRIC methodology, is consistent with this Commission's stance in this and prior phases of these proceedings. The costs and prices determined according to TELRIC are properly at issue in this proceeding. Although the FCC's UNE Rules were remanded to that agency by the D.C. Circuit Court of Appeals in *U.S. Telecom*

Ass'n v. Federal Communications Commission, 290 F.3d 415 (2002), the rules were not vacated by that court, and the current unbundled network elements are in full force and effect until the remand proceeding is complete.¹ Therefore, this Commission should set costs and prices for each element required by the FCC and proposed by the parties in this case, in this Part D proceeding.

B. POLICY

The Commission should continue to price at TELRIC the elements identified in the FCC's UNE Remand Order as well as those elements this Commission finds appropriate [pursuant to 47 CFR 51.317(4) and based on the evidence in this case] in order to develop a more competitive environment in Washington State

III. QWEST

A. Non-recurring Costs

1. Overview

Commission Staff does not address each rate element or cost proposed by Qwest in this brief, but reserves the right to reply to and/or concur in arguments made by other parties in their opening briefs.

2. Factor Issues

The Commission determined in its June 21, 2002, Part "B" Order that Qwest's proposed wholesale cost factors are reasonable and has approved those factors.² Therefore, Staff will not reargue the cost factor issues based on the evidence presented at the hearings in Part "D" during the week of May 6 - 8, 2002.

¹ The FCC's line-sharing rules were vacated by the Court. The FCC's UNE rules, as set forth in its Local Competition Order, were remanded to the agency, but were not vacated.

² Thirty-Second Supplemental Order; Part B Order; Line Splitting, Line Sharing Over Fiber Loops; OSS; Loop Conditioning; Reciprocal Compensation; and Nonrecurring and Recurring Rates for UNEs, Docket No. UT-003013, served June 21, 2002, at paragraph 139.

3. Work Time Estimate Issues

a. Subject Matter Experts

This topic, and the related topic of time and motion studies, have been highly disputed areas in both Parts B and D of this docket. Qwest insists that its costs should be developed solely on the basis of the estimates of its subject matter experts, or “SMEs.” Staff disagrees. It is amply clear that subject-matter expert testimony cannot be substituted for properly conducted time and motion studies.

WorldCom in this docket has submitted testimony in which its subject matter experts disagree with Qwest on the amounts of time required to perform various activities, often by wide margins. Qwest responds, through Ms. Million, that these counter-estimates should be dismissed altogether, leaving the Commission with only Qwest’s subjective figures:

Q [By Dr. Gabel]: As I understand your response or your rebuttal testimony, you say, Well, the CLECs have their opinions, but they’re not actually involved in carrying out these orders, so unless they come up with better evidence, you recommend that the Commission rely on Qwest’s subject matter experts, because they’re involved in carrying out these kinds of orders on a regular basis. Is that a fair characterization of your testimony and your understanding of the testimony?

A [Ms. Million]: That certainly captures it, I think.

Tr. at 4319-4320.

Obviously, if this is the test to be applied, then no one could ever successfully challenge Qwest’s SME testimony. Qwest admitted, in response to a question by Dr. Gabel, that it has not done any benchmarking or comparisons with the time estimates of other companies--even other RBOCs, such as Verizon or SBC. The purported reason is that “the way that we set up a nonrecurring charge or the way that we provision something, it appears to be very different from the way that another company might provision it.” In any event, “we have not conducted a

formal analysis of those differences.” Tr. at 4321-4322. Qwest then dismisses the attempts of CLECs to challenge its own SME estimates (for example, WorldCom’s estimate that certain functions would take only half the time that Qwest has estimated) as “not very scientific.”

But Qwest’s approach begs a critical question, as pointed out by Dr. Gabel’s questions: the ability to validate the reasonableness of estimates provided by SMEs. Simply put, when Ms. Million was asked whether she had any suggestions on how the Commission could validate the reasonableness of Qwest’s SME time estimates, she had none. Tr. at 4321-23.

Furthermore, Qwest has never shown that its SME estimates are forward-looking estimates based on TELRIC principles. Indeed, Qwest’s estimates cannot accurately reflect changes in times due to technological or other improvements (such as switching from manual to electronic functions). In response to a question from Dr. Gabel, Ms. Million acknowledged this deficiency:

Q [By Dr. Gabel]: But it’s not possible to look at your work papers and say that you expected a three percent improvement in time or a nine percent; rather, your work papers just show here’s our time estimate and we believe it reflects anticipated improvements in the process?

A [Ms. Million]: That’s correct.

Tr. at 4316-17.

The SME estimates used in Qwest’s studies cannot be audited, because there is no indication of the actual work time for a particular task, nor are the tasks broken down into small enough elements to permit a re-creation of the task. Because Qwest provided no information on the actual time a SME, or an average of SMEs, take to perform a task, and how process or equipment improvements would change that time, either to make it greater or smaller, the Commission should not accept Qwest’s invitation to rely on SME estimates. Rather, the

Commission should rely upon properly conducted time and motion studies. The Commission has required that Qwest and Verizon file such studies, as indicated below.

b. Time and Motion Studies

The Commission determined in its June 21, 2002, Part "B" Order that both Qwest and Verizon must file updated nonrecurring cost studies in Part "E", to be supported by time and motion studies that reflect the decreased work times that have been achieved through their increasingly mechanized processes as a result of OSS investments over the past several years.³ Therefore, Staff suggests that Qwest's NRC's should be approved on an interim basis in this part of the docket with the understanding that they will be updated during Part "E" of this proceeding.

c. Other Forms of Validation

4. Discussion of Individual Rates.

Staff provides its observations and recommendations on the rate elements as set out below. Where no text is included after the listing of a rate element in the agreed brief outline, Staff takes no position on the proposed charges for that element.

a. Resale customer transfer charge

Staff believes that Qwest's proposed rates for this element are appropriate.

b. Adjacent Collocation

Qwest has not processed any requests for adjacent collocation, as defined by the FCC, in Washington or any other state in Qwest's territory. *See* Exhibit 2120.

c. Remote Collocation and Remote Adjacent Collocation

d. CLEC to CLEC Collocation

e. Space Availability Charges

f. Space Optioning

³ See paragraphs 50 and 51 of the 32nd Supplemental Order in UT-003013 issued on June 21, 2002.

g. DS1/DS3/OC Capable loops

Staff believes that Qwest's proposed rates for this element are appropriate.

h. Coordinated Install without Cooperative Testing

i. Basic Install with Cooperative Testing

j. Multiplexing

Staff believes that Qwest's proposed rates for this element are appropriate.

k. UDIT/EUDIT

In the Commission's 32nd Supplemental Order in Part B of this Docket (Part B Order) the Commission discussed Qwest's rates for UDIT and EUDIT, and determined that because the record in the 271/SGAT case⁴ was more comprehensive, the policy issues relating to UDIT and EUDIT would be resolved in the 271/SGAT case. In the 24th Supplemental Order in that docket, the Commission ruled that Qwest should eliminate the technical distinction between UDIT and EUDIT, and that the price for each should be the same. Therefore, in ¶246 of the Part B Order, the Commission ordered Qwest to eliminate the pricing distinction between UDIT and EUDIT, and provided direction on the application of recurring charges to both services.

Qwest subsequently withdrew the testimony of Mr. Hubbard related to UDIT and EUDIT. In addition, Qwest struck the testimony of Mr. Kennedy on this issue. (Exhibit T-2100, page 17, line 7, to page 21, line 16) with the submission of the Errata to Exhibit T-2100. Exhibit 2127, Qwest's response to Staff data request 75, explains these changes; in essence, Qwest indicated that it plans to file rates for UDIT and EUDIT in a later phase of this proceeding or a subsequent proceeding.

⁴ *In the Matter of the Investigation into U S West Communications, Inc.'s Compliance with Section 271 of the Telecommunications Act of 1996*, Docket No. UT-003022 and *Statement of Generally Available Terms Pursuant to Section 252(f) of the Telecommunications Act of 1996*, Docket No. UT-003040.

l. UDF - field verification

m. Dark fiber splice

n. Local Tandem Switching

Staff believes that Qwest's proposed rates for this element are appropriate.

o. Local switching

p. Vertical features

Staff believes that Qwest's proposed rates for this element are appropriate.

q. Subsequent Order Charge

r. Digital Line Side Port

Staff believes that Qwest's proposed rates for this element are appropriate.

s. Digital Trunk Ports

Staff believes that Qwest's proposed rates for this element are appropriate.

t. DSO Analog Trunk Ports

Staff believes that Qwest's proposed rates for this element are appropriate.

u. Customized Routing

Customized routing allows CLECs to direct certain calls to themselves or third parties so that the CLECs can select alternatives to Qwest's operator services, directory assistance, (OS/DA), or other services. Qwest provides two explicit nonrecurring rates (Tr. at 4305, Million). There is one charge to establish the line class codes, and one charge to install the class codes in the switches. Both rates are for Operator Services or Directory Assistance routing only (Malone Direct Testimony, page 10, lines 14-17. There is also an ICB option for other forms of customized routing (*Id.* lines 18 and 19; Exhibit 2050 at Section 9.13).

Qwest witness Ms. Million testified that Qwest has not provided cost support for customized routing (Tr. at 4184, lines 6-8.). Qwest witness Ms. Malone states that Qwest has not received a request for customized routing in Washington state (Tr. at 4403, lines 17-18), and that the FCC 99-238 *UNE Remand Order* allows Qwest to price Operator Services/Directory Assistance at market rates. WorldCom would like Qwest to provide customized routing using Feature Group D trunks. In its *UNE Remand Order*, the FCC states at paragraph 462, “Commenters state that a key component of providing carriers with a choice of competitive Operator Service/Directory Assistance suppliers is the availability of Line Class codes in the unbundled switching element.” At paragraph 464, the FCC replied to this assertion:

Finally, we find that the ability to obtain nondiscriminatory access to operator services and directory assistance under section 251(b)(3) significantly mitigates any potential impairment a requesting carrier may experience if denied access to the incumbent’s OS/DA services as an unbundled network element. There are a substantial number of regional and national alternative providers of OS/DA service that are serving a variety of customers, including some incumbent LECs and IXC. We do not find differences in cost, quality, timeliness, and ubiquity that would lead to the conclusion that requesting carriers’ ability to provide local exchange and exchange access services would be materially diminished without access to the incumbent’s OS/DA service as an unbundled network element. Rather, we find that these alternative sources of OS/DA service are available as a practical, economic, and operational matter. Moreover, we believe that not requiring that incumbent LECs unbundle OS/DA service is consistent with the goals of the Act, because it will reduce competitors’ reliance on the incumbent’s network and create new opportunities for competitors of OS/DA service to differentiate their services through increased quality and increased prices.

Staff believes that if WorldCom wants customized routing using Feature Group D, it should use the Bona Fide Request (BFR) process suggested by Qwest witness Ms. Malone (Tr. 4473, line 23).

v. Common Channel Signaling/SS7

w. Miscellaneous Charges

x. UNE Combinations

Staff believes that Qwest's proposed rates for this element are appropriate.

y. UNE-P

Staff believes that Qwest's proposed rates for this element are appropriate.

z. UNE-P New Connection

Staff believes that Qwest's proposed rates for this element are appropriate.

aa. Unbundled Packet Switching

bb. Operator Services/Directory Assistance

Operator Services and Directory Assistance (OS/DA) are services related to assisting callers in finding a customer's listing or in completing a call. This is distinct from Directory Listings, which is discussed in section A.4.cc. of this brief. The FCC's *UNE Remand Order*, FCC 99-238 (Nov. 5, 1999) classified OS/DA services as a UNE pursuant to §251(b)(3) *only when* the ILEC does not provide customized routing to allow a requesting carrier to route traffic to alternative OS/DA providers.

Staff believes that Qwest has provided customized routing that satisfies the requirements of the FCC's UNE Remand Order. See also the discussion under section A.4.u. of this brief.

cc. Directory Listings

Directory Listings are the underlying customer listing information that constitutes the Directory Assistance database. WorldCom witness Michael Lehmkuhl states in Exhibit 2320, pages 6-7, that the Commission should adopt TELRIC rates for DAL. Staff agrees that the Commission may do so pursuant to §251(d)(3) of the 1996 Act. Section 251(d)(3) – entitled “Preservation of State Access Regulations” – expressly states that the FCC “*shall not preclude the enforcement* of any regulation, order, or policy of a State commission that establishes access and interconnection obligations of local exchange carriers,” as long as those obligations are

“consistent with the requirements of [Section 251]” and do not “substantially prevent implementation of [Section 251] and the purposes of this part.” 47 U.S.C. § 251(d)(3) (emphasis added). The Act thus recognizes that states may adopt additional unbundling requirements above and beyond those on the FCC’s national list.

WorldCom also wishes to have access to the full Qwest DAL database on a bulk basis. However, in this Commission’s review of Qwest’s compliance with section 271 of the 1996 Act the Commission determined that FCC decisions and orders require access to call-related databases only at the signaling transfer point; that is, on a per-query basis. Allowing CLECs to access and purchase the database services on a bulk basis in this proceeding would be inconsistent with the Commission’s prior order. *See* Dockets UT-003022 and UT-003040, Qwest Section 271 Application for Washington State, Twenty-Fifth Supplemental Order, ¶¶ 146-162. Therefore, Staff supports Qwest’s position on the per-query issue.

dd. Operator Services

ee. Access to Poles, Conduit and Right of Way

ff. Bona Fide Request Process

B. Recurring Costs

1. Overview

2. Discussion of Individual Rates

a. Channel Regeneration

In response to Staff data request 49, Qwest referenced national standards and Qwest internal documents for determining acceptable cable lengths for regenerators. *See* Exhibit 2125. Staff has reviewed the documents submitted by, and referenced by Qwest in this exhibit, and confirms that Qwest internal documents are consistent with national standards. Qwest proposes

to charge the CLEC for regeneration only if the cable lengths are within the national standards, but the CLEC nevertheless requests regeneration. Staff agrees that the rates proposed by Qwest, as contained in Exhibit 2050, are appropriate. With this exhibit, which updated the figures in Exhibit 2022, *See* Tr. at 4294, Qwest has removed the recurring cost for this item, and adjusted the nonrecurring charge, in accord with Staff's recommendation contained in Exhibit T-2380.

b. Remote Collocation and Remote Adjacent Collocation

In the Commission's 32nd Order in Part B of Docket UT-003013⁵, the Commission rejected Qwest's concept of a DA hotel. The Commission noted:

We also reject Qwest's DA Hotel proposal because the company's proposal for sharing the cost of the DA Hotel would create a significant barrier to entry.

(Part B Order, ¶ 42). CLECs have requested access to Qwest's line splitters and packet switches when potential DSL customers are only served via remote terminals. Staff believes the Commission should apply the "necessary and impair" standards of the 1996 Act to determine whether line splitters and packet switching should be classified as UNEs. Unfortunately, the FCC has required access to these elements only when there is not enough room to collocate a CLEC's equipment in the remote terminal. Qwest has proposed the remote DA hotel which it alleges would satisfy space requirements for collocation of CLECs equipment.

Clearly, a CLEC will be impaired if there is not adequate space to collocate at the remote terminal. Also, if a CLEC does not have access to subloops at the remote location, it will be impaired and unable to provide DSL service to potential customers. Staff also believes that a CLEC is impaired if it only has one customer at a remote location and is forced to provide its

⁵ Thirty-Second Supplemental Order; Part B Order; Line Splitting, Line Sharing Over Fiber Loops; OSS; Loop Conditioning; Reciprocal Compensation; and Nonrecurring and Recurring Rates for UNEs, Docket No. UT-003013, served June 21, 2002.

own splitter and access to packet switching. In addition, if the FCC's requirements⁶ are all that the incumbent is required to provide, then competitors will be substantially disadvantaged in their ability to serve their customers with DSL. For example, Qwest's response to Record Requisition #2503⁷ shows Qwest has installed 242 "Remote DSL DMT Interfaces and DA Hotels" in this State. They are listed by wire center and address, and appear to cover most populated areas. Therefore, without access to unbundled packet switching (UPS), a CLEC would have to install its equipment in each DA Hotel to provide ADSL to its customers for all 242 locations.

The FCC used its "rule of four" when it determined that unbundled switching would no longer be required in Zone 1 wire centers for end users having four or more switched access lines. *UNE Remand Order*, ¶ 278⁸. Similarly, Staff believes that CLECs would not be impaired if they had four or more DSL customers at a remote location. Four is not a precise or "magic" number, but does provide a standard for when a CLEC may have a sufficient number of DSL customers that the impairment is lessened. Therefore Staff proposes that ILECs be required to provide unbundled splitters and packet switching at remote locations for CLECs having fewer than four DSL lines at that location.

In the *UNE Remand Order* at ¶ 357, the FCC discusses the disadvantages to CLECs of having to collocate in each of the incumbent's central offices, to use alternative transport facilities. Because Qwest's use of remote terminals (DA Hotels) creates numerous additional points at which CLECs will have to collocate equipment, not to allow CLECs to access

⁶ The current FCC requirements are that the ILECs provide unbundled access to packet switching only if there is no room for CLECs to collocate at the remote terminal.

⁷ The response to the records requisition is dated May 20, 2002. Staff has filed a motion, concurrent with the filing of this brief, to admit this response into the record.

⁸ Requesting carriers are not impaired without access to unbundled local circuit switching when they serve customers with four or more lines in density zone 1 in the top 50 metropolitan statistical areas (MSAs), where incumbent LECs have provided nondiscriminatory, cost-based access to the enhanced extended link (EEL) throughout density zone 1.

unbundled packet switching will certainly impair them in their ability to provide advanced services to end users.

c. CLEC to CLEC Collocation

d. Space Optioning

e. OC Capable Loops

Staff believes that Qwest's proposed rates for this element are appropriate.

f. OC-48 UDIT

Staff believes that Qwest's proposed rates for this element are appropriate.

g. UDIT/EUDIT

Qwest withdrew its testimony on this issue, indicating that it would be addressed in a future proceeding in this case.

h. Unbundled Dark Fiber

i. Local Switching

j. Vertical Features

k. Digital Line Side Port

Staff believes that Qwest's proposed rates for this element are appropriate.

l. Digital Trunk Ports

Staff believes that Qwest's proposed rates for this element are appropriate.

m. DSO Analog Trunk Ports

Staff believes that Qwest's proposed rates for this element are appropriate.

n. Customized Routing.

See the discussion above related to this product in the nonrecurring charge section, A.4.u.

o. Common Channel Signaling/SS7

Staff believes that Qwest's proposed rates for this element are appropriate.

p. ICNAM

q. EEL transport

r. Unbundled Packet Switching.

s. Operator Services/Directory Assistance

Staff believes that if WorldCom wants customized routing using Feature Group D, it should use the Bona Fide Request (BFR) process suggested by Qwest witness Ms. Malone (Tr. 4473, line 23.)

t. Directory Listings.

See the discussion above related to this product in the nonrecurring charge section of this brief, A.4.cc.

u. Category 11 and Daily Usage Record File

IV. VERIZON

A. Multiplexing Service Connection

B. Fiber Optic Patchcord

Verizon agreed with Staff's recommendation in Exhibit T-2380 (Griffith) page 11, lines 1-2, that prices for fiber optic cables should be set on the "per connector cable" basis, rather than on a per foot basis. *See* Exhibit T-2004 (Steele/Richter) page 7, lines 10-12.

C. Virtual Collocation

The FCC has established rules for Competitive Local Exchange Carriers (CLECs) to locate their telecommunications equipment within Incumbent Local Exchange Carriers' (ILECs) central offices. This process is defined as "collocation", and includes physical collocation and

virtual collocation. Physical collocation takes place in a defined dimensional area of the office where a single CLEC is responsible for locating equipment within the perimeter of the defined space. On the other hand, virtual collocation allows a CLEC to locate equipment anywhere within the central office that space is available. This space may include a single rack within a lineup, or may be on a vacant shelf of a rack. In either case the CLEC shares space with either other CLECs, the incumbent, or both.

Part of the equipment installation requires providing adequate power to the equipment to be collocated. Based on the physical layout of an office, power generating equipment (batteries) is usually placed in a central location to minimize cabling to telecommunication equipment. In general, since central offices already have equipment in place, it is easier to find the small spaces used for virtual collocation within the existing equipment bays. In contrast, physical collocation, which requires an allocation of significantly more space (usually 100 square feet or more) will be located away from the existing equipment arrangements or at the extremities. Based on location alone, the physically collocated equipment can be expected to be located farther from the power generators than the virtually collocated equipment.

Qwest recognized this fact in its cost models submitted in part A of this docket in that it designates longer lengths for power cables used for physical collocation than it does for virtual collocation.⁹ In the evidence presented in this case, however, Verizon apparently believes that the power cable lengths for virtual and physical collocation are the same. In Mr. Steele's testimony adopted by Mr. Richter (Exhibit T-2005), Mr. Steele states "Certain rates approved in

⁹ UT-003013, Part A, Exhibit C-15, page 126, lines 28-30; Colocation Model, Interconnection TELRIC Results. Qwest considers the length for physical collocation to be for caged collocation, and the length for virtual collocation to include cageless collocation. For power requirements above 60 amps, Qwest does not use a BDFB, and determines its costs based on the cable lengths found on line 30 of Exhibit C-15, page 126. On the other hand, Verizon has combined data from physical and cageless collocation, and implies that the length also applies to virtual.

Part A of this docket support Verizon's caged, cageless and virtual collocation offering (e.g., DC Power non-recurring and recurring rates)." Exhibit T-2005, page 5, lines 17-19.

Staff is concerned that there are differences in power cable lengths for virtual and physical collocation, and that Verizon has not recognized the difference. *See* Exhibit T-2380 (Griffith) page 5, lines 12-13. Based on physical distances from the battery supplies, Staff believes that the physically collocated equipment would require longer lengths of cabling than are required for virtual collocation. (*Id.* page 6, lines 7-9). Staff believes that Verizon has reached the opposite conclusion without providing any verifiable data that the cable lengths are the same.

In his reply testimony, Mr. Richter indicates that battery distribution fuse bays (BDFBs) are located near the physical collocation area to keep the power cable lengths short. Exhibit T-2004, page 6, lines 1-6. During cross-examination, Mr. Richter testified that a short cable "could be as close as 25 to 30 feet, and depending on where the BDFB to the first piece of equipment, it could be 70 feet." (Tr. at 4102, lines 6-8). Based on data Verizon provided in Attachment Three, pages 2-4 of its response to Staff's Data Request No. 13 (Exhibit 2017), Verizon's average power cable length is 123 feet. These data include several cable lengths of 250 feet or longer and one that is more than 400 feet long. None of the data points were from Washington central offices. (Tr. at 4093, lines 10-12). In Verizon's response to Staff's Record Requisition Request No. 2501, Verizon admits that all of the data in Attachment Three to Exhibit 2017 are cables used for physical collocation, not for virtual collocation. (Tr. at 4833).

Staff does not believe that Verizon has adequately proven its case. Staff believes that the virtual power cable length should be based on verifiable data using power cables from virtual collocation sites in Washington State. Since Verizon's data is from out of state, it is not clear

whether all sites analyzed in its calculation actually used optimally placed BDFBs as appears to be the case today in Washington. Also, Mr. Richter stated “ I don’t recall the exact dates” when the data were collected (Tr. at 4111, lines 10-11), “so I’m going to say it was in the '97, '98 range, because that’s when collocation started to pick up,” (Tr. at 4114, lines 13-15) and “at that particular time, that there was only a small amount of collocation taking place in Washington.” (Tr. at 4120, lines 8-10). Staff is concerned the data may be outdated and may not take into account efficiencies Verizon has gained since the initial collocation projects took place. Therefore Verizon should be required to provide verifiable data using power cables preferably from virtual collocation sites in Washington State.

1. Rack Mounted Space

In response to Staff’s recommendation in Exhibit 2380 (Griffith) page 5, lines 3-8, Verizon agreed to recalculate its costs for rack mounted space, if the allocation percentages changed significantly. Exhibit T-2004 (Richter) page3, lines 16-19. This approach is acceptable to Staff.

2. Engineering

In Staff’s testimony, Mr. Griffith pointed to the misapplication of outside plant (OSP) engineering costs in Verizon’s Virtual Collocation cost study. Exhibit T-2380, page 4,lines 7-14. Through Mr. Richter, Verizon agreed (T-2004, page 7, line 17 to page 8, line 2) to establish two rate elements—1) Engineering/Major Augment—Virtual with Entrance Facilities; and 2) Engineering/Major Augment—Virtual without Entrance Facilities. This approach to eliminating OSP engineering costs when there is no entrance facility involved is acceptable to Staff.

D. Dedicated Transit Service

V. CONCLUSION

With this Part D proceeding, the Commission continues to make progress in refining the manner in which the incumbent local exchange carriers price the network elements that the FCC requires to be unbundled, and in determining whether additional elements must be unbundled pursuant to the Commission's authority under §251(d)(3) of the Act. Staff in this Part D proceeding again recommends that the Commission require Qwest to conduct time and motion studies to provide the basis for its TELRIC cost studies. By relying on SME estimates of the times to perform certain tasks, with no benchmarking or description of how future changes to its work processes and systems will change the time required to perform the tasks, Qwest's estimates are unauditible and unverifiable. Staff recommends that the Commission accept Qwest's nonrecurring costs (except for those specifically discussed in this brief) on an interim basis, pending the completion of time and motion studies that the Commission in the part B order directed Qwest to perform.

Staff concurs in Qwest's position on its obligations relating to providing customized routing. In accord with the Commission's determination in its Twenty-fifth Supplemental Order in Qwest's SGAT/271 proceeding, Docket Nos. UT-003022 and UT-003040, Staff recommends that Qwest not be required to provide access to its Directory Listing database on a bulk basis. Finally, because Qwest's use of remote terminals (DA Hotels) creates numerous additional points at which CLECs will have to collocate equipment, Qwest should be required to provide CLECs with access to unbundled packet switching, with the price to be set based on a cost study that does not rely on the DA Hotel architecture.

Staff recommends that the Commission require Verizon to provide Washington-specific data regarding the length of power cables used for virtual collocation. Staff generally concurs with other rates proposed by Verizon in Part D of this proceeding, as Verizon has revised those proposals to concur with the recommendations in Staff's testimony in this case.

Respectfully submitted this 23rd day of July, 2002.

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