

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the  
CONTINUED COSTING AND PRICING OF  
UNBUNDLED NETWORK ELEMENTS,  
TRANSPORT, TERMINATION, AND RESALE

Docket No. UT-003013 (Part B)  
QWEST'S FILING IN ACCORDANCE  
WITH THE THIRTY-FOURTH  
SUPPLEMENTAL ORDER

**I. INTRODUCTION**

On July 19, 2002, the Commission entered its Thirty-Fourth Supplemental Order (34th Order) in this proceeding, approving Qwest's compliance tariffs filed under Advice No. 3330T. The Commission also required Qwest to make an additional compliance filing regarding feeder and distribution sub-loop rates no later than July 26, 2002 (34th Order at ¶ 7). Qwest filed Advice No. 3335T on July 25, 2002, in accordance with that requirement. In addition, in accordance with ¶ 6 of the 34th Order, Qwest states objections to the requirement to make the filing, and provides further explanation, as follows.

**II. DISCUSSION**

The 34th Order, ¶ 3, notes that Staff commented on Qwest's compliance filing, stating that Qwest did not file sub-loop rates based on paragraph 237 of the Part B Order. Additionally, the Commission notes that Qwest did not file a request for reconsideration of paragraph 237, and thus concludes that this additional compliance filing is necessary. Qwest respectfully disagrees with that conclusion, and believes that its compliance filing in Advice No. 3330T, coupled with the filing in Advice No. 3319T (Docket No. UT-020724), fully complies with the Commission's Part B Order.

1 The requirement to apply the sub-loop ratios from Exhibit T-1350 to the loop rates in Docket  
2 No. UT-020724 is inappropriate from both an analytical and a timing standpoint. Additionally, Qwest  
3 will explain why only the distribution portion of the DSO loop should be tariffed, not the feeder. Qwest's  
4 concerns are discussed more fully in response to questions posed in ¶ 6 of the 34th Order.

5 **Response to ¶ 6(a).** The Commission asks Qwest to discuss the issue of calculating the  
6 appropriate sub-loop rates, and asks Qwest to explain its position on the question of mixing the  
7 Washington-ordered sub-loop ratios with the benchmarked<sup>1</sup> rates in Docket No. UT-020724.

8 Qwest believes that it is not appropriate to apply the Commission-ordered sub-loop ratios from  
9 this docket to the benchmark rates. At the time the Part B Order was entered, June 21, 2002, Qwest's  
10 loop rates in Washington were still based on the statewide average rate of \$18.16/\$17.61, deaveraged  
11 into five zones. Although Qwest had already filed the benchmark rates under Docket No. UT-020724,  
12 those rates did not become effective until July 10, 2002. Qwest analyzed the benchmarked sub-loop  
13 rates proposed in Docket No. UT-020724 and compared them with the rate that would result from  
14 application of the Commission-ordered sub-loop ratios to the existing loop rates, and concluded that the  
15 benchmarked rates were lower. (See Attachment A for the comparison, and Attachment B for  
16 development of the ratios and rates used in the benchmarking analysis). Thus, in accordance with the  
17 analysis described below, Qwest remained with the benchmarked rates.

18 A benchmark analysis assumes that there are existing rates in a state that are being compared to  
19 the benchmark state to make the benchmarking determination. The benchmarking comparison also  
20 applies for the sub-loop. The first step in the analysis is to calculate the Commission-ordered sub-loop  
21 rate and compare it to the SM Adjusted Benchmark that results using the Colorado TELRIC sub-loop  
22 rate. However, in contrast to the loop analysis presented below, the SM does not calculate a separate  
23 sub-loop rate that can be used to develop a ratio, nor does Colorado have five zones. Thus, in order to  
24 find the appropriate benchmark for comparison purposes, it is necessary to multiply the Washington

25 <sup>1</sup> Qwest explains how benchmarking is performed in the discussion in response to ¶ 6(c) below. Qwest recommends  
26 reading that section first, as it contains information that provides a foundation to the information in this section.

1 Adjusted Benchmark deaveraged zone rates by the distribution sub-loop ratio for Colorado.

2 In Colorado the distribution ratio is the same for all loops (0.7028) and is shown on line 15 of  
3 Attachment B. For Zone 1, that calculation produces a distribution sub-loop rate of \$4.12. [ $\$5.86 \times$   
4  $0.7028 = \$4.12$ ] The rates produced by that calculation for each of the five zones are then compared to  
5 the Washington-ordered sub-loop rates to determine which is lower. The lower value becomes the  
6 Washington rate. Thus, the correct analysis requires application of the Commission-ordered ratio for  
7 Zone 1 (0.602 ) to the Commission-ordered rate (\$7.36). [ $\$7.36 \times 0.602 = \$4.43$ ] The result is \$4.43.  
8 This is greater than the result produced by application of the Colorado ratio to the Adjusted Benchmark  
9 rate. Thus, the benchmark rate of \$4.12 is appropriate.

10 Staff's proposed calculation would produce the incorrect sub-loop rate, inappropriately  
11 "discounted". This is because the lower loop benchmark would have a sub-loop ratio applied that was  
12 determined after the benchmark rates were proposed. The result is not a benchmark rate, (i.e., a  
13 comparison of Washington's ordered rates to comparable Colorado rates) but rather simply calculates a  
14 lower rate off of an already lower benchmark rate.

15 **Response to ¶ 6(b).** The Commission asks Qwest to explain why its revised loop rates in  
16 Docket No. UT-020724 do not contain any sub-loop rates for the feeder portion of the loop. The  
17 explanation is as follows. Qwest originally did not include DS0 feeder sub-loop rates in any of its tariff  
18 filings because this is not a product that Qwest has developed or intends to offer. Nevertheless, as Qwest  
19 researched this question, it became evident that its testimony in Part B, originally filed in August 2000, did  
20 identify the DS0 feeder sub-loop. Qwest's failure to file that element, and/or explain why such a filing  
21 was no longer appropriate, was simply an oversight, reflective of the many things that have happened  
22 since the first testimony in Part B.

23 Since August 2000 much has happened, including the loop and sub-loop workshops in Qwest's  
24 SGAT proceeding. In that proceeding, the DS0 feeder sub-loop was not identified as an element sought  
25 by any CLEC. Additionally, a proposed rate for the DS0 feeder sub-loop has never been included in any  
26 of the SGAT price lists. As the market for sub-loop elements has evolved over the past two years,

1 Qwest has concluded that there are no circumstances under which a CLEC would request or use such an  
2 element. For this reason, Qwest simply filed the DS0 distribution sub-loop, and the DS1 feeder sub-  
3 loop, in accordance with its current sub-loop offerings. In today's Advice No. 3335T, Qwest has  
4 complied with the Commission's 34th Order and included a rate element for DS0 feeder sub-loop,  
5 consistent with its original pricing proposal. However, for the reasons stated herein, Qwest recommends  
6 that the Commission reject the filing. If the Commission accepts the concept of the DS0 feeder rate  
7 element, Qwest notes that the rate would need to be adjusted if the Commission accepts Qwest's  
8 argument with regard to the proper pricing for the distribution sub-loop set forth above.

9 **Response to ¶ 6(c).** The Commission asks Qwest to describe the process used to establish the  
10 two-wire loop rates proposed in Docket No. UT-020724, including a copy of the work papers  
11 associated with the development of the proposed rates. Qwest has attached a spreadsheet (Attachment  
12 B) showing the development of the rates. The rates were developed as follows. First, the FCC's  
13 Synthesis Model (SM) is used to produce a loop rate for Colorado (\$14.14) and a loop rate for  
14 Washington (\$12.50). The SM rate for Washington is divided by the SM rate for Colorado to develop a  
15 ratio (shown as a percentage, 88.4%, on line 5). This ratio, or percentage, is then applied to the  
16 Colorado TELRIC loop rate, \$15.85, to calculate the SM Adjusted Benchmark rate for Washington,  
17 \$14.01.

18 Calculating the deaveraged zone rates requires additional steps, because Colorado does not have  
19 five zones. Thus, it is necessary to calculate the ratio of the Washington Adjusted Benchmark rate to the  
20 Washington-ordered rate. This is shown on line 16 as 79.56%. Application of that ratio to the  
21 Washington ordered zone rates produces the deaveraged zone rates. Thus, the Zone 1 rate of \$7.36 x  
22 79.56% = \$5.86. The rate of \$5.86 is the Washington Adjusted Benchmark rate for Zone 1 loops. This  
23 concludes the benchmarking *process*. In order to complete the benchmarking *analysis*, the comparison  
24 is made between the Washington ordered rate and the Washington Adjusted Benchmark rate to  
25 determine which is lower, and the lower value is chosen as the Washington rate.

### 26 III. CONCLUSION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

For the reasons stated, the Commission should reject the compliance filing submitted under Advice No. 3335T and allow the filing under Advice No. 3319T, Docket No. UT-020724 to remain in effect.

DATED this 26th day of July, 2002.

QWEST

---

Lisa Anderl, WSBA # 13236  
Qwest  
1600 7<sup>th</sup> Avenue, Room 3206  
Seattle, WA 98191  
Phone: (206) 398-2500  
Fax: (206) 343-4040