

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Review of:)	DOCKET NO. UT-023003
Unbundled Loop and Switching)	
Rates; the Deaveraged Zone Rate)	
Structure; and Unbundled Network)	THIRTIETH SUPPLEMENTAL
Elements, Transport, and)	ORDER REQUIRING REVISED
Termination (Recurring Costs))	COMPLIANCE FILING AND
)	FURTHER DOCUMENTATION
.....)	

1 **SYNOPSIS:** *The Commission requires Verizon to revise its compliance filing and to provide further documentation of the calculation of its compliance filing rates.*

2 **PROCEEDING.** Docket No. UT-023003 (cost docket) is a proceeding to review recurring costs and rates for unbundled network element (UNE) loops, switches, transport, and termination, and to review the deaveraged zone rate structure for loops.

3 **APPEARANCES.** Verizon Northwest Inc. (Verizon), by Catherine Ronis, attorney, Washington, D.C.; Qwest Corporation (Qwest) by Lisa Anderl, attorney, Seattle, Washington; AT&T Communications of the Pacific Northwest, Inc. (AT&T), Pac-West, Inc. (Pac-West), and XO Washington, Inc. (XO), by Gregory J. Kopta, attorney, Seattle, Washington; MCI/WorldCom (MCI) by Michel Singer-Nelson, attorney, Denver, Colorado; Covad Communications Company (Covad), by Karen Frame, attorney, Denver, Colorado; WeBTEC, by Arthur Butler, attorney, Seattle, Washington; Eschelon Telecom, Inc. (Eschelon), by Dennis Ahlers, Minneapolis, Minnesota; and Commission Staff, by Shannon Smith, Assistant Attorney General, Olympia, Washington.

4 **BACKGROUND.** We convened an evidentiary hearing in this proceeding in May 2004 and subsequently entered our 24th through 28th Supplemental Orders resolving and clarifying issues and establishing rates for Verizon's unbundled network elements. On September 7, 2005, the Commission entered its 29th Supplemental Order providing further clarification of past orders and requiring Verizon to make a compliance filing showing its calculation of the rates according to determinations made in our Orders. Verizon made its compliance filing on September 27, 2005.¹ Commission Staff filed a response to the filing on October 5, 2005. Verizon and Staff filed additional joint supplemental comments on October 19, 2005.

5 In its response to the Verizon compliance filing Staff identified the following concerns, each of which will be more fully identified and addressed below:

- A.) Verizon did not file a tariff sheet showing wire center² assignments to density zones for unbundled loops.
- B.) Verizon did not file DS-1 loop rates for the five density zones; Verizon's subloop rate elements do not add up to the loop cost.
- C.) Verizon applied a 3.14% markup to non-loop UNE rate elements
- D.) Verizon filed sub-loop feeder and dark fiber rates that were not at issue in this proceeding.
- E.) Verizon did not provide sufficient support to allow Staff to fully review the compliance filing.

¹ Advice No. 3160.

² To assist the reader, we have provided a glossary of telecommunications terms as Appendix A to this Order.

MEMORANDUM

A. Wire Center Assignments.

6 In the 24th Supplemental Order, the Commission adopted Staff's proposal to deaverage the unbundled loop rate across Verizon's Washington service territory to better reflect the cost of providing the loop in different geographic areas.³ Staff's proposal called for deaveraging the unbundled loop rates into five different density zones. Each density zone was comprised of Verizon wire centers⁴ that experienced similar costs. The Commission first adopted a five-zone deaveraged loop rate system for Verizon in Docket No. UT-960369.⁵ However, under Staff's proposal in this proceeding, some of Verizon's wire centers were re-assigned to different density zones.

7 Staff points out that in its compliance tariff, WN U-21, Section 6, Verizon did not change the assignment of wire centers to density zone as proposed by Staff, but rather, maintained the current assignment of wire centers to density zones. Verizon agrees to make a supplemental compliance filing showing the appropriate new wire center assignments.⁶

8 We have reviewed information from our initial output of HM 5.3 and VzCost model runs. We conclude that in order to insure consistency between the two models the following assignment of wire centers to density zones should be included in Verizon's tariff:

³ 24th Supplemental Order at ¶ 500.

⁴ Verizon has 99 wire centers in the state of Washington.

⁵ See, Docket No. UT-960369, 24th Supplemental Order, ¶ 81.

⁶ Joint Commission Staff, Verizon Supplemental Comments, ¶ 2.

Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
ANCRWAXX	ARTNWAXX	ACMEWAXA	BRWSWAXA	THTNWAXA
BLANWAXB	BGLKWAXX	ALGRWAXX	CRLWWAXA	
BOTHWAXB	BRBAWAXA	BNCYWAXX	ENTTWAXX	
BURLWAXA	CAMSWAXX	BRPTWAXX	FRFDWAXA	
CLVWWAXA	CMISWAXA	CHLNWAXX	FRTNWAXX	
EVRTWAXC	CNWWYWAXX	CNCRWAXX	GERGWAXX	
EVRTWAXF	CPVLWAXX	DMNGWAXA	GRFDWAXX	
HLLKWAXX	CSHRWAXX	DRTNWAXX	LATHWAXA	
JUNTWAXA	CSTRWAXA	EDSNWAXX	LOMSWAXA	
KNWCWAXA	DVLLWAXX	HMTNWAXA	MLDNWAXA	
KNWCWAXB	EVSNWAXX	LKWNWAXA	MLSNWAXA	
KRLDWAXX	EWNCWAXA	LVWOWAXX	MNFDWAXX	
LKSTWAXA	FNDLWAXA	MNSNWAXA	OKDLWAXX	
MONRWAXX	GRFLWAXX	MPFLWAXA	RCFRWAXB	
MRWYWAXA	GRLDWAXX	MRBLWAXX	ROSLWAXA	
MTVRWAXX	KNWCWAXC	NILEWAXX	TEKOWAXX	
MYVIWAXX	LACNWAXX	NWPTWAXX	TNSKWAXA	
OKHRWAXX	LARLWAXX	PALSWAXX	WTVLWAXA	
RCBHWAXX	LKGWWAXA	QNCYWAXX		
RCLDWAXA	LYNDWAXX	RPBLWAXA		
RCLDWAXB	NCHSWAXX	SKYKWAXX		
RDMDWAXA	PLMNWAXX	SOLKWAXX		
SLLKWAXA	STWDWAXX	STPSWAXA		
SMSHWAXA	SULTWAXX	SUMSWAXX		
SNHSWAXX	SWLYWAXA	WSRVWAXA		
WNTCWAXX	WDLDWAXA			
WSPTWAXA	WRLDWAXA			
	WSHGWAXA			

B. DS-0/DS-1 Loop and Sub-loop Rates By Density Zone

9 In the 24th Supplemental Order in this case we ran both the HM 5.3 cost model and Verizon's VzCost model and provided Verizon with the results. We required Verizon to include the results of our cost runs in its compliance filing of unbundled loop rates weighted 40% for the HM 5.3 result and 60% for the

VzCost result.⁷ In the 28th Supplemental Order we provided Verizon with a DS-1 loop rate for each of the five density zones derived from our run of the VzCost model.⁸ However we neglected to provide DS-0 and DS-1 sub-loop rates from the HM 5.3 model so that Verizon could calculate weighted loop and subloop rates for its compliance filing. We remedy that omission now by providing the following deaveraged DS-0 and DS-1 cost estimates from HM 5.3 that Verizon should use in its revised compliance filing.

	DS-0	Feeder	Distribution	Concentrator	NID⁹
Zone-1	\$10.79	\$1.14	\$6.99	\$2.23	\$0.44
Zone-2	\$23.91	\$3.72	\$15.78	\$3.98	\$0.44
Zone-3	\$53.07	\$15.60	\$30.19	\$6.84	\$0.44
Zone-4	\$107.25	\$45.98	\$50.42	\$10.41	\$0.44
Zone-5	\$214.83	\$107.87	\$82.06	\$24.47	\$0.44

	DS-1	Feeder	Distribution	Concentrator
Zone-1	\$94.37	\$1.09	\$10.94	\$82.34
Zone-2	\$110.50	\$0.95	\$27.50	\$82.06
Zone-3	\$182.27	\$1.88	\$49.03	\$131.36
Zone-4	\$247.14	\$4.59	\$72.45	\$170.10
Zone-5	n/a ¹⁰	n/a	n/a	n/a

C. Markup to Non-loop UNE rate elements.

¹⁰ In the 24th Supplemental Order, we required a 5% line reduction to the HM 5.3 model results because in a forward-looking competitive market, Verizon would experience some degree of line loss to competitors.¹¹ The result of the 5%

⁷ See, 24th Supplemental Order, Appendix A.

⁸ See, 28th Supplemental Order, Appendix A.

⁹ Network Interface Device (NID); since the NID in Washington is not deaveraged, use of the statewide average cost estimate for the NID in the HM 5.3 sub-loop rates requires that we adjust the cost estimate from one of the other sub-loop elements so that the sum of the parts is equal to the whole. Thus we adjusted the distribution cost estimate to account for using a single weighted average NID cost in all five zones.

¹⁰ HM 5.3 did not provide a cost estimate for Density Zone 5.

¹¹ 24th Supplemental Order, ¶ 312.

reduction was an increase in the loop rate produced by HM 5.3 of 3.1%. Because we were unable to apply the 5% line reduction directly in the VzCost model, we required the VzCost loop rate to be increased by 3.1%.¹²

11 Staff contends that in its compliance filing, Verizon improperly applied the 3.1% increase not only to its loop rate, but also to other non-loop elements. Verizon states that it will revise its compliance filing to delete the 3.1% markup from non-loop elements.

12 We find that Verizon correctly applied the 3.1% markup to all recurring rate elements at issue in this proceeding. In establishing the 3.1% adjustment, the 24th Supplemental Order addressed only its application to loop cost estimates.¹³ However, limiting the adjustment in that way makes little sense because a telephone company builds its entire network to serve a given level of demand, not just its loop plant. If demand for loops is reduced, then other plant required to serve the loops is also reduced. We implicitly agreed with this logic when we reduced the inputs to the HM 5.3 switching calculations by 5% in the 27th Supplemental Order.¹⁴

D. Subloop Feeder and Dark Fiber Rates.

13 In its compliance filing, Verizon included rates for 2- and 4-wire feeder subloops and dark fiber loops and subloops.¹⁵ Staff observes that early in this proceeding, we excluded these rates from consideration in this case.¹⁶

¹² *Id.*

¹³ *Id.*

¹⁴ 27th Supplemental Order, ¶ 158 and Appendix B.

¹⁵ *See*, Advice 3160, Section 5, O.S.1.1 and 1.2; 1st Rev. Sheet 4.6.1.

¹⁶ 21st Supplemental Order, ¶ 19, Appendix B.

14 Verizon responds that the rates included in its compliance filing for these elements are existing rates and that the company would make the required “housekeeping” changes to eliminate the items from its tariff in a subsequent filing. Staff concurs.

15 We find Verizon’s approach to be reasonable and direct Verizon to make the required tariff corrections within 30 days of the completion of the compliance phase of this docket.

E. Additional Documentation.

16 In order to verify Verizon’s compliance filing, Staff requests that Verizon provide additional documentation supporting the company’s calculation of its local switching rate, feeder and distribution subloop rates and reciprocal compensation rates.

17 We direct Verizon to provide the additional documentation required by Staff for purposes of verifying the compliance filing.

ORDER

18 THE COMMISSION ORDERS That Verizon provide a revised compliance filing in accordance with the terms of this Order on or before November 7, 2005. The Commission further orders that Verizon provide the additional documentation required by Commission Staff on or before November 7, 2005. Staff must submit the results of its review of Verizon’s revised compliance filing on or before November 14, 2005. In its notification to the parties that Verizon has complied with the terms of the orders in this docket, the Commission will establish an effective date for Verizon’s new recurring unbundled network element rates.

DATED at Olympia, Washington, and effective this 26th day of October, 2005.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

APPENDIX A - GLOSSARY

Act – The Federal Telecommunications Act of 1996.

Central office – the place where switching equipment is located. Central offices are located in wire centers. Verizon has 99 wire centers. Each wire center may have more than one central office.

CLEC – Competitive local exchange company; not an ILEC, and generally subject to very limited regulation.

Distribution – The portion of the loop that runs from a Serving Area Interface (SAI) to a customer's premises.

Distribution areas – in Verizon's network, local customer demand areas, usually serving 400 to 600 customer telephone lines.

Federal Communications Commission (FCC) – Federal body charged with regulation of interstate telecommunications.

Feeder – The portion of the loop that runs from an ILEC's central office to the Serving Area Interface (SAI) where it is connected to the distribution portion of the loop.

HM 5.3 – the HM 5.3 cost model was presented by AT&T in this proceeding. HM 5.3 is a successor version of the Hatfield cost model which has been presented to many state commissions and the FCC in telecommunications cost proceedings.

ILEC – Incumbent local exchange carrier.

Loop -

2-wire loop – a pair of wires that runs from the local exchange carrier's central office to the telephone set or system at the customer's premises. This is the most basic unit of a wireline telecommunications system. The loop consists of feeder wire, running from the central office to a Serving Area Interface (SAI) in the local distribution area, and distribution wire, running from the SAI to the customer's premises.

deaveraged loop rate – loop rates charged to CLECs are deaveraged to reflect the different costs of providing loops in different geographic areas. The Commission has ordered 5-zone loop deaveraging in Washington.

Non-recurring rates - rates charged by the ILEC for CLEC access to the ILEC's Unbundled Network Elements. Non-recurring rates are one-time charges, usually related to service ordering and installation. Non-recurring rates differ from recurring rates for UNEs, which are monthly or period charges for access to a given UNE.

Reciprocal compensation – the payment carriers make to each other when more than one carrier handles part of a telephone call. For example, if a CLEC customer calls an ILEC customer, the CLEC compensates the ILEC for the cost of terminating a call on the ILEC's network. In reverse, the ILEC compensates the CLEC for terminating a call on the CLEC's network. Reciprocal compensation includes a charge for call termination and for transport and is closely linked with the switching function. Reciprocal compensation is a rate that the Commission will continue to govern after the UNE switching element disappears.

Recurring rates – rates charged by the ILEC for CLEC access to the ILEC's Unbundled Network Elements. Recurring UNE rates are monthly or period rates, as opposed to non-recurring rates, that are one-time charges, usually related to service ordering and installation.

Switching System Cost Information System (SCIS) – Verizon's switching cost model, used in conjunction with Verizon's COSTMOD program to develop switching costs.

Switching – the process of connecting the calling party to the called party. This may involve passing the call through several switches depending on the location of the two parties.

Termination – see definition for Reciprocal Compensation.

Total Element Long Run Incremental Cost (TELRIC) – this is the costing methodology the Federal Communications Commission (FCC) has established for purposes of developing rates for Unbundled Network Elements (UNEs).

Traffic-sensitive rate – the switching UNE rate has usually been a bifurcated rate, composed of a traffic-sensitive or per-Minute-of-Use (MOU) rate and a non-traffic sensitive, flat rate. The bifurcated rate addresses the fact that some switching costs increase with the number of calls flowing through a switch. For example the size of the switch may need to be larger to accommodate high usage peaks. On the other hand, some switching costs do not vary with usage and can be recovered through a flat rate.

Transport – the carriage of traffic between wire centers.

Unbundled Network Elements (UNEs) – the basic components of an ILEC telephone network that are purchased by CLECs from the ILEC so that the CLECs may provide telecommunications service to CLEC end-use customers.

Vertical switch features – functions that a switch performs other than the basic function of routing a call, usually without the need to add additional programming or hardware. Examples of such features are speed dialing and call-forwarding.

VzCost – Verizon's cost model. Actually Verizon's cost model consists of a number of cost modules, such as VzLoop or SCIS. These modules develop plant investment inputs to VzCost, which in turn calculates UNE rates. For ease of reference, the whole Verizon loop modeling system is referred to as VzCost. The switching model is referred to as SCIS.

Wire center – a place where a switch is located.