Exhibit No. ____ (LR-5T)
Docket No. UT-003013 – Part E

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE CONTINUED COSTING AND PRICING PROCEEDING FOR INTERCONNECTION, UNBUNDLED ELEMENTS, TRANSPORT AND TERMINATION, AND RESALE	**)** **)** **)** **)** **)**	**DOCKET NO UT-003013 PART E**

PART E DIRECT TESTIMONY OF

LARRY RICHTER

ON BEHALF OF

VERIZON NORTHWEST INC.

SUBJECT: 2000 – 2001 OSS TRANSITION COSTS

SEPTEMBER 5, 2002

TABLE OF CONTENTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Larry Richter, and my business address is 600 Hidden Ridge, Irving, Texas 75038.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Verizon Services Group as Sr. Staff Consultant – Witness. I am testifying here on behalf of Verizon Northwest Inc.

Q. WHAT ARE YOUR RESPONSIBILITIES IN THIS CAPACITY?

A. I am responsible for testifying in support of Verizon's non-recurring wholesale, retail, access, and collocation cost studies. In this role, I work directly with Verizon's Costing group that prepares the cost studies.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN TELECOMMUNICATIONS?

A. I received a Bachelors Degree in Business Administration from Northwood University, in Cedar Hill, Texas in 1995.

I have been employed by Verizon for over 33 years. I joined General Telephone Company in 1968 in California, working in the Outside Plant Installation, Repair and Maintenance Department. I moved to Texas in 1973 and remained in the

same job capacity. In 1975 I was promoted to a management position where I was primarily associated with Network Operations in varying capacities, including first line supervision, area support, service and facilities management, each with increasing responsibilities. The responsibilities included the supervision of craft and management employees performing activities in the installation, repair, and maintenance of residential, business, and special access services in various exchanges in Texas. In 1987 I assumed a manager position in the Dispatch, Assignment, Repair, and Test ("DART") Center for one of the largest service centers in Texas. In 1988 I accepted a position in the Finance group providing business analysis, service results, and budget creation and tracking for Network Operations and Engineering and Construction work groups. In 1996 I accepted another position in the Finance group responsible for all capital dollars allocated to the Texas/New Mexico Region[1] for central office equipment and outside plant construction. In 1998 I accepted a position at GTE Headquarters with the Costing group where I was responsible for the preparation and development of collocation, retail, wholesale, and access non-recurring cost studies. In 2000, I assumed the position of Senior Staff Consultant – Witness, with primary responsibility for testifying before state commissions in support of Verizon's non-recurring cost studies.

[1]The Texas/New Mexico Region included the states of Texas, New Mexico, Oklahoma and Arkansas.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE PUBLIC UTILITY COMMISSIONS?

A. Yes. I have testified before the Washington, Oregon, California, Florida, Illinois, North Carolina, Michigan, Ohio, and Hawaii public utilities commissions.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to explain how the Company identified and tracked the Verizon West[2] Operational Support Systems ("OSS") transition costs that were included in its non-recurring cost study, and the methodology used in the study to develop the costs the Company is seeking to recover. Specifically, I will describe the five service categories of OSS transition costs that Verizon is seeking recovery for in this phase of this proceeding.

II. OSS TRANSITION COST STUDY OVERVIEW

Q. PLEASE IDENTIFY VERIZON'S COST SUPPORT FOR ITS 2000-2001 OSS TRANSITION COSTS RECOVERY PROPOSAL.

A. The OSS cost support is provided in my Exhibit LR-6C. Verizon's OSS cost study summarizes the 2000-2001 OSS enhancements by the following five service categories: 1) Local Wholesale, 2) Network Wholesale, 3) Mechanized Loop Pre-Qualification ("MLPQ"), 4) Line Sharing, and 5) Line Shared Unbundled

[2]See the description of "Verizon West" at the beginning of Company witness Thomas Rodger's testimony.

Subloop Arrangement ("LSUSLA"). I provide additional back-up material in Exhibit LR-7C, which consists of a break down of the OSS enhancements or Data Processing Service Requests ("DPSRs") into individual cost components.

Q. DOES THE COST STUDY CONTAINED IN EXHIBIT LR-6C INCLUDE THE SAME OSS TRANSITION COSTS FOR WHICH VERIZON SOUGHT RECOVERY IN PART A OF THIS PROCEEDING?

A. No. Verizon's OSS cost study submitted in Part A of this proceeding included the OSS transition costs Verizon West incurred for the period 1996 –1999. Exhibit LR-6C submitted in Part E of this proceeding includes Verizon West's OSS transition costs incurred for the period 2000-2001.

Q. DO VERIZON'S INTEGRATED COST MODEL ("ICM") RECURRING COST STUDIES SUBMITTED IN PART B OF THIS PROCEEDING INCLUDE THE 2000-2001 OSS TRANSITION COSTS FOR WHICH VERIZON IS SEEKING RECOVERY IN PART E OF THIS PROCEEDING?

A. No. On August 4, 2000, Verizon filed its Total Element Long Run Incremental Cost ("TELRIC") Recurring Study for UNEs in Part B of this proceeding. This study used expense factors developed from 1998 year-end data. Since the base year was 1998, Verizon's recurring cost study did not include the 2000 or 2001

costs currently included in the Company's 2000-2001 OSS transition cost study (LR-6C).[3]

Q. DO VERIZON'S NON-RECURRING COST STUDIES SUBMITTED IN PARTS B AND D OF THIS PROCEEDING INCLUDE THE 2000-2001 OSS TRANSITION COSTS FOR WHICH VERIZON IS SEEKING RECOVERY IN PART E OF THIS PROCEEDING?

A. No. On May 19, 2000, Verizon filed a non-recurring loop conditioning cost study in Part A of this proceeding that was subsequently deferred to Part B.[4] On August 4, 2000 Verizon filed its non-recurring cost study in Part B of this proceeding.[5] Verizon also filed non-recurring cost studies for line splitting and UNE migration for Enhanced Extended Loops ("EELs") on January 8, 2001 in Part B of this proceeding.[6] In addition, a multiplexing non-recurring cost study was filed on November 7, 2001 in Part D of this proceeding. Verizon's 2000 and 2001 OSS transition costs were not included in any of the non-recurring cost studies noted above, because the OSS module of Verizon's non-recurring cost study was not submitted as part of those filings.

[3]The 1998 base year calculations for ICM excluded Verizon's 1998 OSS transition costs that it requested recovery for in Part A of this proceeding.
[4]Verizon filed a revision to its loop conditioning study on December 22, 2000.
[5]Verizon filed revisions to its non-recurring cost study on November 13, 2000 and March 30, 2001.
[6]A revised non-recurring cost study for UNE migration charge for EELs was filed on February 28, 2001.

Q. DO VERIZON'S NON-RECURRING COST STUDIES SUBMITTED IN PARTS B AND D OF THIS PROCEEDING INCLUDE THE EFFICIENCIES FROM THE 2000-2001 OSS ENHANCEMENTS?

A. The non-recurring cost studies submitted in Parts B and D reflect the forecasted efficiencies for those enhancements that were then scheduled for release during the 2000-2001 timeframe. These increased efficiency gains were based on input from expert staff and field personnel who were responsible for the work activities impacted by the enhancements. Verizon's non-recurring cost studies that it plans to submit in Docket UT-023003 will reflect the actual efficiencies associated with the Company's 2000-2001 OSS enhancements, in addition to forecasted efficiencies for those OSS enhancements scheduled for release at the time the cost study is conducted.

Q. WHY DID VERIZON NOT INCLUDE PROJECTED OSS TRANSITION COSTS FOR 2002 AND BEYOND IN ITS COST STUDY?

A. Since the Company cannot reasonably predict the level of future OSS requirements, it has not included any forecasts of costs for 2002 and beyond. However, Verizon will continue to incur additional transition costs to comply with the requirements of the Act. Therefore, Verizon reserves the right to seek future recovery as these costs become known.

III. 2000-2001 OSS TRANSITION COSTS

Q. PLEASE DESCRIBE OSS TRANSITION COSTS.

A. OSS transition costs include the costs to upgrade Verizon West's existing OSS and the start-up costs to establish new mechanized systems supporting Competitive Local Exchange Carriers' ("CLECs") functionalities. These infrastructure changes were required to make Verizon West's OSS functionalities for pre-ordering, ordering/provisioning, repair/maintenance and billing/usage accessible to the CLECs. OSS transition costs were also incurred to implement OSS performance measurements that provide CLECs with information regarding the level of service that Verizon provides.

These transition costs are the result of complying with 1) national standards determined by the industry through the Ordering and Billing Forum ("OBF"), 2) FCC orders requiring Incumbent Local Exchange Carriers ("ILECs") to provide access to their OSS functionalities, and 3) state commission mandates.

Q. HOW WERE THE 2000-2001 OSS TRANSITION COSTS IDENTIFIED AND TRACKED?

A. The OSS costs for which Verizon seeks recovery in this proceeding are costs incurred by Verizon Data Services, whose costs have been identified as internal use software costs. For the 2000-2001 Development & Enhancement ("D&E") costs, Verizon's OSS cost study shows the actual development costs capitalized

by Verizon Data Services and subsequently billed to Verizon Services Group for Verizon West. These D&E costs for the OSS enhancements completed during 2000 and 2001 were identified and tracked by assigning a distinct DPSR identifier for each OSS enhancement. These DPSRs are maintained in the Project Activity and Collaborative Environment ("PACE") database, which is the source of the OSS transition costs contained in Exhibit LR-6C.

I should point out two things about the OSS transition costs contained in Exhibit LR-6C. First, these costs are only associated with the system enhancements made to Verizon West's OSS that is used to process CLEC requests. Second, Verizon's OSS transition costs are incurred on a Verizon West basis and are not attributable to any particular state. Thus, the OSS transition costs contained in Exhibit LR-6C are on a Verizon West basis and not a Washington-specific basis.

Q. PLEASE DESCRIBE THE METHODOLOGY VERIZON EMPLOYED TO DOCUMENT ITS OSS COSTS.

A. Verizon's OSS cost study includes the incremental costs Verizon West incurred during 2000 and 2001 to continue to convert its OSS in order for CLECs to have non-discriminatory access to OSS functions for pre-ordering, ordering/provisioning, maintenance/repair, and billing/usage as required by the Telecommunications Act of 1996. As noted above, these incremental costs have been divided into five distinct service categories: 1) Local Wholesale; 2) Network Wholesale; 3) MLPQ; 4) Line Sharing; and 5) LSUSLA.

The costs for each service classification of OSS were then divided by the applicable volume forecast to develop a cost per order for each of the five service categories. A five-year forecast (2002-2006) was used to develop a cost per order for the Local Wholesale and Network Wholesale service categories, which is consistent with the methodology Verizon used in Part A of this proceeding to develop a cost per order for the 1996-1999 OSS transition costs. A three-year forecast (2002-2004) rather than a five-year forecast was used to develop a cost per order for the MLPQ, Line Sharing and LSUSLA service categories to better match the life of the products and costs incurred.

I describe the five service categories in more detail below. Mr. Rodgers provides additional information concerning how the CLECs benefited from these system enhancements.

IV. LOCAL WHOLESALE OSS TRANSITION COSTS

Q. PLEASE DESCRIBE VERIZON'S LOCAL WHOLESALE OSS COSTS THAT ARE CONTAINED IN EXHIBIT LR-6C.

A. As a result of its UNE Remand Order[7] and Line Sharing Orders[8], the FCC has detailed additional OSS requirements that ILECs are required to implement. Verizon West continues to incur one-time D&E costs for the changes to its OSS to comply with these orders. As explained in more detail by Mr. Rodgers, D&E costs were also incurred during 2000 and 2001 to reduce operational costs and improve National Market Center ("NMC")[9] efficiency, increase flow through capabilities; improve CLECs' ease of use of Verizon West's OSS interfaces, and improve OSS performance.

The Local Wholesale OSS transition costs are those D&E costs the Company incurred to provide CLECs access to the Company's OSS functions for the ordering and provisioning of Resale/UNE services submitted through the Local Service Request ("LSR") process. The product or product groups included in Local Wholesale services are Loops, Ports, UNE-Ps, Subloops and Loop Conditioning. The detailed D&E costs capitalized by Verizon Data Services for

[7] *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order and Fourth Further Notice of Proposed Rulemaking in CC Docket No. 96-98, FCC 99-238, released November 5, 1999 ('UNE Remand Order").

[8] *In the Matters of Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147, Fourth Report and Order in CC Docket No. 96-98 rel. Dec. 9, 1999) and Third Report and Order on Reconsideration in CC Docket No. 98-147, Fourth Report and Order on Reconsideration in CC Docket No. 96-98, Third Further Notice of Proposed Rulemaking in CC Docket No. 98-147, Sixth Further Notice of Proposed Rulemaking in CC Docket No. 96-98, FCC 01-26, January 19, 2001 (Line Sharing Orders).

[9] In Part A of this proceeding, NMC was referred to as the National Open Market Center ("NOMC").

these system enhancements can be found in Section A1 on pages 1-4 of Exhibit LR-6C.

Q. HOW WERE THE LOCAL WHOLESALE OSS COSTS DEVELOPED?

A. The Local Wholesale D&E costs that were capitalized in 2000 and 2001 were totaled and the result was then divided by the number of forecasted LSRs Verizon West expects to receive from CLECs for the next five-year period (2002-2006). This calculation results in a Local Wholesale OSS Transition Cost per LSR of $2.29 can be found in Section 1 on Page 11 of Exhibit LR-6C.

V. NETWORK WHOLSALE OSS TRANSITION COSTS

Q. PLEASE DESCRIBE VERIZON'S NETWORK WHOLESALE OSS COSTS THAT ARE CONTAINED IN EXHIBIT LR-6C.

A. The Network Wholesale OSS transition costs were incurred for the same reasons that I noted above for the Company's Local Wholesale OSS transition costs. Verizon's Network Wholesale OSS transition costs are those D&E costs the Company incurred to provide CLECs access to the Company's OSS functions for the ordering and provisioning of UNE services submitted through the Access Service Request ("ASR") process. The product or product groups included in Network Wholesale services are Dark Fiber, Dedicated Transport, Signaling System Seven ("SS7"), and Enhanced Extended Links ("EELs"). The detailed

D&E costs capitalized by Verizon Data Services for these system enhancements can be found in Section A1 on page 5 of Exhibit LR-6C.

Q. HOW WERE THE NETWORK WHOLESALE OSS COSTS DEVELOPED?

A. The Network Wholesale D&E costs that were capitalized in 2000 and 2001 were totaled and the result was then divided by the number of forecasted ASRs Verizon West expects to receive from CLECs for the next five-year period (2002-2006). This calculation results in a Network Wholesale OSS Transition Cost per ASR of $0.02 can be found in Section 1 on Page 11 of Exhibit LR-6C.

VI. MLPQ OSS TRANSITION COSTS

Q. WHAT IS MECHANIZED LOOP PRE-QUALIFICATION?

A. MLPQ is a process developed by Verizon to ensure that CLECs obtain the same loop make-up detail that Verizon obtains for its internal retail operations in order for the CLECs to make an independent judgment about whether a loop is capable of supporting advanced services.

Q. WHY DID VERIZON IMPLEMENT THE MLPQ PROCESS?

A. The FCC Remand Order, in paragraph 427, states that ILECs must provide CLECs with nondiscriminatory access to the same detailed information about the loop that is available to the ILEC. This information is made available to the

CLECs through Verizon's MLPQ process. The information includes (1) composition of the loop material, including but not limited to fiber optics or copper; (2) the existence, location and type of any electronic or other equipment on the loop, including but not limited to digital loop carrier or other remote concentration devices, feeder/distribution interfaces, bridge taps, load coils, pair-gain devices, disturbers in the same or adjacent binder groups; (3) the loop length, including the length and location of each type of transmission media; (4) the wire gauge(s) of the loop; and (5) the electrical parameters of the loop, which may determine the suitability of the loop for various technologies.

Q. HOW DOES A CLEC USE THE MLPQ PROCESS TO PERFORM LOOP PRE-QUALIFICATION?

A. CLECs utilize a Graphic User Interface ("GUI") on Verizon's Internet-based Wholesale Internet Services Engine ("WISE") to request loop qualification information through Verizon's MLPQ process. This access was chosen because CLECs currently have access to this interface and utilize it on a regular basis. When a CLEC submits a request by either entering a working telephone number ("WTN") or end user address, WISE interfaces with a report generation program that in turn can access several different systems that gather the loop make-up data based on the facility path associated with the WTN or address. The following data is returned to the CLEC via the same method by which it was submitted.

NPA and NXX
Local Termination CLLI
Existence of a pair gain or Digital Loop Carrier ("DLC") and if present, the type

Existence of Digital Added Main Line ("DAML") in the loop
Type of loop length provided (actual or electronic measurement)
Loop length
Loop length by gauge of cable
Type of any load coils
Quantity of load coils
Location of load coils
Quantity of bridged taps
Location of bridged taps
Type and number of disturbers in the feeder cable of the loop
Type and number of disturbers in the distribution cable of the loop
Composition of the feeder and distribution cables
Wire center name
OBF response codes and descriptions

Q. PLEASE DESCRIBE VERIZON'S MLPQ OSS COSTS THAT ARE CONTAINED IN EXHIBIT LR-6C.

A. The MLPQ OSS transition costs are those D&E costs the Company incurred to establish the MLPQ process. To access the systems that contain the facility information, numerous interfaces had to be established to gather the facility information and compile it into a report that could be sent to the CLEC. This cost applies to all line sharing and line splitting LSRs. The detailed D&E costs that were capitalized by Verizon Data Services for these system enhancements can be found in Section A1 on page 6 of Exhibit LR-6C.

Q. HOW WERE THE MLPQ OSS COSTS DEVELOPED?

A. The MLPQ D&E costs that were capitalized in 2000 and 2001 were totaled and the result was then divided by the number of forecasted line sharing and line splitting LSRs Verizon West expects to receive for the next three-year period (2002-2004). This calculation results in a MLPQ OSS Transition Cost per Line

Sharing/Line Splitting LSR of $2.51 can be found in Section 1 on Page 11 of Exhibit LR-6C.

VII. LINE SHARING OSS TRANSITION COSTS

Q. PLEASE DESCRIBE LINE SHARING.

A. In accordance with the FCC's Line Sharing Orders, Verizon implemented line sharing in June 2000. Line sharing is the capability for two different service providers to each offer services over the same physical line, with each provider employing different frequencies in order to transport the voice or data components for their respective service. Line sharing consists of an xDSL-based service provisioned by a CLEC or Data Local Exchange Carrier ("DLEC") and the voice band service provisioned by Verizon.

Q. PLEASE DESCRIBE THE LINE SHARING OSS COSTS.

A. The line sharing OSS transition costs are the D&E costs that were incurred to establish the line sharing process. The detailed D&E costs capitalized by Verizon Data Services for these system enhancements can be found in Section A1 on page 7 of Exhibit LR-6C.

Q. PLEASE DESCRIBE HOW THE LINE SHARING OSS COSTS WERE CALCULATED.

A. The line sharing OSS D&E costs were totaled and then divided by the number of forecasted line sharing orders that Verizon West expects to receive from CLEC/DLECs for the next three-year period (2002-2004). This calculation then provides a cost per line sharing LSR of $0.61 that can be found in Section 1 on Page 11 of Exhibit LR-6C.

Q. ARE THERE OSS SERVICE SPECIFIC COSTS ASSOCIATED WITH IMPLEMENTING LINE SPLITTING AS THERE ARE WITH LINE SHARING?

A. Yes. However, the OSS costs associated with implementing line splitting were not incurred during 2000 or 2001 and have not yet been identified. Verizon will submit these costs at a later date for recovery.

VIII. LSUSLA OSS TRANSITION COSTS

Q. PLEASE DESCRIBE LSUSLA.

A. In accordance with the FCC's Line Sharing Orders, Verizon implemented LSULSA in February 2002. LSUSLA provides a CLEC access to Verizon West's metallic distribution pairs/facilities at the Verizon Feeder Distribution Interface ("FDI") for access to the high frequency portion of the distribution transmission facility. LSUSLA provides an ADSL capable high frequency transmission channel between the Telecommunication Outside Plant Interconnection Cabinet ("TOPIC") and the Network Interface Device ("NID") or Rate Demarcation Point

at the end user location. LSUSLA is only available on distribution pairs that are currently equipped with Verizon Retail dial tone and where the high frequency portion of the loop is available for ADSL use.

Q. PLEASE DESCRIBE THE LSUSLA OSS COSTS CONTAINED IN EXHIBIT LR-6C.

A. LSUSLA OSS transition costs are the D&E costs that were incurred to establish the LSUSLA process. The detailed D&E costs capitalized by Verizon Data Services for these system enhancements can be found in Section A1 on page 8 of Exhibit LR-6C.

Q. PLEASE DESCRIBE HOW THE LSUSLA OSS COSTS WERE CALCULATED.

A. The LSUSLA OSS D&E costs were totaled and then divided by the number of forecasted LSUSLA orders that Verizon West expects to receive from CLECs for the next three-year period (2002-2004). This calculation then provides a cost per LSUSLA LSR of $0.54 that can be found in Section 1 on Page 11 of Exhibit LR-6C.

IX. SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Verizon has developed a non-recurring OSS transition study that accurately captures the costs that Verizon West has incurred for 2000 through 2001 as a result of the requirement to provide CLECs access to Verizon's OSS functionalities. This cost study identifies five service categories of OSS transition costs, including Local Wholesale, Network Wholesale, MLPQ, Line Sharing, and LSUSLA. Verizon anticipates that it will continue to incur OSS transition costs and reserves the right to address these costs in future proceedings as they become known. Verizon is entitled to recover the costs it must necessarily expend to satisfy the requirements of the regulatory mandates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.