

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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In the Matter of Review of)	
Unbundled Loop and Switched Rates)	
And Review of Deaveraged Zone)	Docket No. UT-023003
Rate Structure)	
)	
)	

MOTION FOR A DECLARATORY RULING

Pursuant to WAC 480-09-420, Verizon Northwest Inc. (“Verizon”) respectfully seeks confirmation that it need not perform time and motion studies to support nonrecurring costs associated with the virtual collocation elements the Commission rejected in the *Part D Proceeding*. With respect to these low-volume and difficult to study collocation nonrecurring elements, Verizon believes that “extraordinary circumstances” exist which make performing statistically valid time and motion studies impossible or unduly burdensome.

The Commission has determined that, in general, the practice of relying solely on subject matter expert (“SME”) testimony is not an acceptable methodology for establishing nonrecurring costs. *Fifth Supp. Order* ¶ 4. Based on that conclusion, the Commission determined that, in the new generic case, it may reject any nonrecurring costs “that are not the product of measured time intervals and subject to validation, except under exceptional circumstances.” *Sixth Supp. Order* ¶ 18. Since the Commission issued this order, Verizon has been preparing work plans designed to replace prior SME estimates with new data premised on time interval measurements. Specifically, Verizon currently plans to support its nonrecurring UNE costs with a combination of time and motion studies performed by its systems, by independent third parties, and by Verizon personnel. As detailed in its opposition to WorldCom’s motion to compel, also filed today, Verizon has agreed to allow WorldCom to view detailed work plans before Verizon

performs the time and motion studies. Verizon currently anticipates finalizing those work plans by the end of April.

Throughout its orders requiring Verizon and Qwest to perform time and motion studies, the Commission has recognized that extraordinary circumstances may exist that make performing time and motion studies impossible or impractical. *See, e.g., Part D Initial Order* ¶ 66 (“Thus, the submission of nonrecurring cost studies without supporting time and motion data in the future will be rejected absent extraordinary circumstances.”); *Fifth Supp. Order* ¶ 4 (“[P]rior Commission orders simply conclude that the former practice of relying on subject matter expert testimony was not acceptable and that parties must prepare verifiable time and motion studies to support nonrecurring cost studies, except under extraordinary circumstances.”); *Sixth Supp. Order* ¶ 18 (“The Commission may reject any nonrecurring costs that are not the product of measured time intervals and subject to validation, except under extraordinary circumstances.”). The Commission also anticipated that limited use of subject matter experts would continue to be necessary: “To the extent that any of Qwest’s and Verizon’s cost studies may still rely on estimates from subject matter experts, those experts and the cost factors that they develop must be identified in relevant work papers.” *Fourth Supp. Order* ¶ 20.

Verizon requests that the Commission confirm that the collocation elements rejected by the Commission in the *Part D Proceeding* present the type of extraordinary circumstances warranting a very limited exception to the Commission’s requirement.¹ In *Part D*, Verizon

¹ At this time, Verizon anticipates that it will be able to rely on measured time intervals for all other elements. In accordance with the Commission’s desire to monitor the progress of the parties on this issue, *Sixth Supp. Order* ¶ 21, Verizon will promptly notify the Commission of any unanticipated obstacles to that plan.

submitted a total of seven nonrecurring collocation rate elements, all for the virtual collocation filing:²

1. Engineering/Major Augment – Virtual with Entrance Facilities
2. Engineering/Major Augment – Virtual without Entrance Facilities
3. Virtual Equipment Installation
4. Virtual Software Upgrades
5. Virtual Card Installation
6. Fiber Optic Patchcord Pull
7. Fiber Optic Patchcord Termination

There is an extremely low volume of orders for any of these virtual collocation activities, as well as for all other collocation offerings in Washington. In fact, of Verizon's 121 central offices in Washington, only 25 (20.7%) even have collocation arrangements. These 25 central offices have approximately 72 collocation arrangements, only four of which (6%) are virtual arrangements. The most recent collocation arrangement of any kind was completed one year ago, and that was the only new collocation arrangement provided during all of 2002. The most recent *virtual* collocation arrangement was completed five years ago.

² This total excludes dedicated transport service rates, which are developed using UNE time and motion proxies and thus will be updated according to the time and motion studies Verizon performs for the relevant UNEs. Two other nonrecurring elements, "Facility Cable – Category 5 Connectorized" and "Fiber Optic Patchcord-24 Fiber (Connectorized)" were also at issue in *Part D*. However, those elements are for cable material and thus are not dependent on SME estimates. There were also three recurring elements at issue, "Virtual Equipment Maintenance," "Facility Termination – Fiber Optic Patchcord," and "Cable Duct Space – Fiber Optic Patchcord." Those rates were supported by SME estimates, but they are recurring costs, and thus also not subject to the Commission's order. However, to the extent the Commission intended to include any of these rates in its order, the relief requested here applies equally to those elements.

Given the extremely low volume of collocation orders in Washington, Verizon believes that the burden of performing time and motion studies for the seven nonrecurring virtual collocation rates affected by SME estimates that were filed in the Part D proceeding would greatly outweigh any benefit that such a study would provide. First, it is clear that CLECs are not interested in purchasing virtual collocation arrangements in Washington, based on the fact that no CLEC has ordered a virtual collocation arrangement for many years — and that no CLEC objected to Verizon’s proposed costs for these items in the *Part D Proceeding*. Second, collocation products do not easily lend themselves to time and motion studies. Installation of collocation arrangements requires substantially more time than other provisioning activities.³ It is not a constant, routine, or ongoing process. Moreover, because CLECs do not provide Verizon with forecasts, it would be difficult to anticipate customer orders and to measure or observe collocation the processes.⁴ Perhaps most important, the reliability of any such studies would suffer from the lack of an adequate statistical sample.

Finally, Verizon continues to believe that its SME estimates for these collocation-specific activities (to which no CLEC objected) are reasonable for these purposes. Because the burden of performing time and motion studies for these elements far outweighs any resulting benefits, Verizon believes these low-volume collocation nonrecurring elements present precisely the sort of extraordinary circumstances warranting a limited exception under the Commission’s orders. Verizon proposes that, for these activities only, the Commission allow Verizon to

³ As a demonstration of how long this process can take, see Wash. Admin. Code 480-120-560.

⁴ There are no SME time estimates used to recover collocation order processing time. Rather, those costs are recovered through a fixed allocator factor applied to the monthly recurring collocation rate elements. Only engineering and equipment installation work functions are recovered using SME estimates.

support these elements with subject matter expert opinions. Consistent with the Commission's order, Verizon will identify the experts upon which it has relied to support the costs, as well as the factors developed by those experts. To the extent the Commission and the parties have concerns about the forward-looking nature of Verizon's proposed costs, they may raise those concerns in the new proceeding.

For the reasons stated above, Verizon respectfully requests that the Commission grant its motion for a declaratory ruling and confirm that Verizon is not required to conduct time and motion studies for the virtual collocation nonrecurring rates at issue in the *Part D Proceeding*.

Respectfully submitted,

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