BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

PART A RESPONSE TESTIMONY

OF

REX KNOWLES

On Behalf of

NEXTLINK Washington, Inc.

July 21, 2000

Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.

A. My name is Rex Knowles. I am a Vice President Regulatory for NEXTLINK, 111 East Broadway, Suite 1000, Salt Lake City, Utah 84111. I previously provided direct testimony in this proceeding on behalf of NEXTLINK Washington, Inc. ("NEXTLINK"), on whose behalf I am providing this response testimony.

Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?

A. The purpose of my response testimony is three-fold. First, I apply the general principles I discussed in my direct testimony for cost recovery for competing local exchange company ("CLEC") access to incumbent local exchange company ("ILEC") operations support systems ("OSS") to the proposals made by Qwest Communications Corporation, f/k/a U S WEST Communications, Inc. ("Qwest") and Verizon Northwest Inc., f/k/a GTE Northwest Incorporated ("Verizon"). Both Qwest and Verizon propose to recover primarily embedded costs of modifying their networks to permit CLEC access, rather than the forward-looking costs that Congress, the FCC and this Commission have authorized ILECs to recover for providing unbundled network elements ("UNEs"). Both ILECs also seek recovery of costs that should be shared with, or offset by corresponding costs incurred by, CLECs. NEXTLINK therefore recommends that the Commission reject the ILECs' OSS cost proposals.

The second area I cover in my response testimony is collocation costs. With the exception of cage enclosure, building modification, and cable splicing, NEXTLINK does not dispute the prices Verizon proposes for collocation elements. Many of Qwest's proposed prices, on the other hand, are grossly inflated and patently unreasonable. Qwest continues to base its proposed rates on assumptions that are unsubstantiated or bear no relationship to reality or forward-looking costing principles. I address some of these assumptions and propose that Qwest's rates be established at a level no higher than the collocation rates proposed by Verizon.

Finally, I briefly address Verizon's loop conditioning proposal. This issue was not assigned to Part A of this proceeding until July 17, and NEXTLINK has not had sufficient opportunity to evaluate Verizon's proposal prior to filing this testimony. I will supplement this testimony, to the extent permitted, after undertaking that evaluation, but in the meantime, NEXTLINK opposes loop conditioning charges that are many times higher than the rates the Commission established in the previous cost proceeding.

I. OPERATIONS SUPPORT SYSTEMS

Q. DO QWEST'S AND VERIZON'S PROPOSALS COMPLY WITH THE GENERAL PRINCIPLES APPLICABLE TO COST RECOVERY FOR CLEC

ACCESS TO ILEC OSS THAT YOU OUTLINED IN YOUR DIRECT TESTIMONY?

A. No, neither ILEC proposal complies with those principles.

Q. HOW DO THE ILECs' PROPOSALS FAIL TO COMPLY WITH THE FIRST PRINCIPLE YOU DISCUSSED?

A The first principle I discussed is that cost recovery for OSS as an unbundled network element is limited to total element long-run incremental cost ("TELRIC") plus a reasonable share of forward-looking common costs. Neither Qwest nor Verizon even attempt to restrict their cost estimates to forward-looking costs. While I understand that the FCC's TELRIC rules have once again been vacated by the Eighth Circuit Court of Appeals, the National Association of Regulatory Utility Commissioners ("NARUC") issued a statement in the wake of the appellate court's decision confirming that the court upheld the FCC's requirement that unbundled network elements ("UNEs") prices be based on forward-looking costs. Accordingly, NEXTLINK continues to believe that Qwest's and Verizon's proposals to recover embedded OSS development costs through rates for OSS access as a UNE is fundamentally inconsistent with the pricing principles established by Congress, the FCC, and this Commission.

Q. WHAT ABOUT THE SECOND PRINCIPLE?

A The second principle is that to the extent that ILECs incur non-TELRIC costs to make OSS access available, the ILECs should recover those costs from all customers, not from CLECs alone. Consistent with this principle, I understand that the parties in a proceeding before the California Public Utilities Commission have developed a cost recovery mechanism for OSS development costs that would establish an end-user surcharge, rather than a charge that would impose those costs entirely on CLECs. Both Qwest and Verizon, however, propose to recover their entire OSS development costs from CLECs in direct contravention of this principle.

Q. DO THE ILECs ADDRESS THE THIRD PRINCIPLE YOU DISCUSSED?

A No. The third principle is that CLECs also incur costs to comply with federal legal requirements, and CLECs should be entitled to recover their costs from the ILECs to the same extent that the ILECs are authorized to recover those costs from the CLECs. Neither ILEC acknowledges that CLECs incur many of the same costs for which the ILECs seek recovery. To the contrary, both Qwest and Verizon would impose their entire OSS modification costs on CLECs without any offer to compensate the CLECs for the costs they incur to modify their systems to be able to access the ILECs' OSS.

Indeed, the ILECs add insult to injury by seeking recovery of costs for developing OSS processes for ordering and provisioning interconnection facilities that benefit both interconnecting carriers. CLECs, as well as ILECs, are obligated to interconnect their networks, and CLEC and ILEC customers alike benefit from the ability to exchange calls over those facilities. The ILECs, however, have not historically ordered interconnection facilities from other carriers, and the ILECs, as the established providers, obtain a market advantage if calls cannot be completed to or from CLEC customers. A CLEC, therefore, must place orders for the interconnection facilities that the ILEC provides, as well as provide the necessary facilities on the CLEC's side of the interconnection point without an order from the ILEC. Qwest and Verizon have included costs to develop the systems to process and provision those orders for interconnection facilities among the OSS development costs that they seek to recover from CLECs, and Qwest would impose its OSS surcharge on every service order, including service orders for interconnection facilities.

The ILECs, having required the CLECs to place orders for the interconnection facilities the ILEC provides for the mutual exchange of traffic, now propose that the CLECs pay for the ILECs' ability to accept and process those orders. In other words, CLECs not only

must do part of the ILECs' work for them but must pay for the privilege of taking on more than the CLECs' share of the responsibility to ensure that sufficient trunk capacity exists between the carriers. Such a proposal is discriminatory and patently unfair.

Q. AND THE FOURTH PRINCIPLE?

A The fourth principle is that any authorized OSS cost recovery should ensure that each entity contributing to that cost recovery is responsible only for the costs attributable to that entity's use of other carrier's OSS. Neither Qwest nor Verizon make any such effort, but simply total all their OSS development costs and spread them indiscriminately among all CLECs. A CLEC ordering UNEs, for example, should not be required to pay for resale OSS development, but the ILECs' proposals would impose just such a requirement.

Q. DO YOU HAVE ANY ADDITIONAL CONCERNS WITH RESPECT TO THE ILECs' OSS COST RECOVERY PROPOSALS?

A Yes, I do. One of the problems with cost recovery based on embedded costs is the inherent necessity to determine the amounts actually spent and whether those amounts are properly accounted and allocated. The problem is even more acute under the circumstances presented here, where the ILECs have every incentive to impose additional costs on their competitors. The Commission cannot determine the accuracy and propriety of Qwest's and Verizon's embedded OSS development costs without a third-party audit verifying the accuracy of those costs and their allocation to activities reasonably related to

OSS development. No such audit has been performed on either Qwest's or Verizon's cost calculations. The lack of verified and verifiable data underscores the need to base OSS prices on forward-looking, rather than embedded, costs.

Q. WHAT DOES NEXTLINK RECOMMEND WITH RESPECT TO THE ILECs' OSS COST RECOVERY PROPOSALS.

A. NEXTLINK recommends that the Commission reject the ILECs' proposals and require the ILECs to refile proposals in conformance with the principles I have discussed above. Specifically, the Commission should require the ILECs to file proposals for UNE rates for OSS based solely on appropriate forward-looking costs. If the ILECs seek recovery of non-forward-looking costs, such as OSS development costs, the Commission should address that request as it would a request from any other regulated utility seeking to recover the costs of a one-time, unforeseen event – by opening a separate docket to develop a competitively neutral cost recovery mechanism that will spread those costs across all Washington ratepayers, as California is in the process of doing.

Q. WHAT DOES NEXTLINK RECOMMEND IF THE COMMISSION PERMITS THE ILECs TO RECOVER THEIR EMBEDDED OSS DEVELOPMENT COSTS FROM CLECs?

A In that case, NEXTLINK recommends that the Commission disallow any cost recovery for OSS development related to interconnection facilities and permit each CLEC to recover the costs it has incurred to modify or construct its OSS to be compatible with the

ILECs' modifications, including construction of electronic gateways. As I discussed in my direct testimony, the Commission should presume that each CLEC's costs are equal to the costs incurred by each of the ILECs. The CLECs and the ILECs should then be authorized to impose the same charge per local service order ("LSR") for the same specified period of time, or until all costs have been recovered, whichever occurs first.

Q. WHAT ABOUT QWEST'S PROPOSAL TO IMPOSE CHARGES PER SERVICE ORDER?

A. Under no circumstances should the Commission adopt such a rate design. Even Qwest concedes that rates based on service orders bear no reasonable relationship to OSS costs incurred on a service order basis. In addition, a "service order" is a Qwest convention, not an industry standard, and thus the definition and number of Qwest service orders generated by industry standard LSRs or access service requests ("ASRs") is subject to change or modification at Qwest's sole discretion. Qwest has yet to comprehensively identify the "service orders" subject to Qwest's proposed surcharges that would result from the different ASRs, LSRs, or other types of requests CLECs submit to Qwest. Accordingly, any OSS charges should be on a per LSR basis, as Verizon has proposed, and at a level no higher than the rate Verizon has proposed.

II. COLLOCATION

Q. HAVE YOU REVIEWED THE COLLOCATION RATE PROPOSALS

SPONSORED BY QWEST AND VERIZON?

A. Yes, I have. NEXTLINK and other CLECs also sent data requests to Qwest and Verizon to obtain additional information about their respective proposals.

Verizon

Q. DOES NEXTLINK HAVE ANY ISSUES WITH VERIZON'S PROPOSED COLLOCATION RATES?

A. Only with respect to three elements: (1) Cage Enclosure; (2) Building Modification; and (3) Fiber Cable Splice. With respect to other elements, Verizon generally has modified the collocation pricing proposal it originally submitted in the prior cost proceeding, but those modifications are largely realigning rate elements, restructuring cost recovery by converting some prices to monthly recurring rates, and reducing some rates. While NEXTLINK is not prepared to say that Verizon's rates other than the three elements I mentioned reflect no more than the underlying costs of providing collocation, those proposed rates as a whole do not appear to be unreasonable, subject to further on-going review.

<u>Cage Enclosure</u>

Q. WHAT ISSUES DOES NEXTLINK HAVE WITH VERIZON'S PROPOSED RATES FOR CAGE ENCLOSURE?

A. Verizon's Cage Enclosure element represents the costs to construct the fencing and gate surrounding a CLEC's physical collocation space. Verizon proposes rates that range from $5,693.57 (for a cage up to 100 square feet) to $11,446.04 (for a 400-500 square foot cage), based on a cost per square foot of fencing material. These rates are excessive for construction of chain link fencing. As Mr. Sobieski testified in the prior cost docket, NEXTLINK obtained a bid of less than $7,000 for the construction of ten contiguous 100 square foot cages with gates. Qwest and Verizon criticized Mr. Sobieski's derivation of individual cage costs from this bid for assuming economies that would not exist when cages are constructed individually, but Verizon's proposal to base cage construction costs on an average cost per square foot of fencing suffers from the opposite problem. Invoices Qwest has provided from actual collocation cage construction demonstrate that cage construction costs are less than $5,000, including dust partitioning to protect surrounding equipment during construction and installation of lighting and electrical outlets. Accordingly, Verizon's proposed Cage Enclosure rates are two to three times higher than the level that would be reasonable.

Building Modification

Q. WHAT ARE NEXTLINK'S CONCERNS WITH RESPECT TO VERIZON'S PROPOSED BUILDING MODIFICATION CHARGE?

A. Verizon proposes a monthly recurring charge of $162.65 for Building Modification, which includes costs for (a) site modification to the central office to accommodate collocation (including demolition of existing structures, dust partition for protection of surrounding equipment during construction of collocation space, and minor modifications to heating, ventilation and air conditioning ("HVAC") systems); (b) security (including storage security for Verizon equipment and central office security access); (c) lighting fixtures for the collocation space; (d) electrical outlets for the collocation space; and (e) grounding bar for collocated equipment. As I will discuss, the Building Modification charge should be eliminated and these costs recovered, to the extent that CLECs are responsible for these costs, through other collocation rate elements.

Site Modification, Lighting, and Electrical Outlets. Several of the costs included in Verizon's proposed Building Modification charge should be included with the Cage Enclosure or corresponding element for cageless collocation space construction: site modification (including demolition, dust partition, and minor HVAC modification), lighting, and electrical outlets. By excluding these activities from the Cage Enclosure

element and costing them on a stand-alone basis, Verizon is eliminating the economies realized when all of these functions are performed as part of a single construction project. The addition of Verizon's cost estimates for these activities to its Cage Enclosure rate, however, would more than double Verizon's proposed rate for a Cage Enclosure up to 100 square feet – a rate that is already twice as high as it should be. With the possible exception of minor modifications to the HVAC, all of these activities can be conducted for under $5,000, as the Qwest contractor invoices demonstrate. Accordingly, NEXTLINK proposes that the Commission require Verizon to include site modification, lighting, and electrical outlet in the Cage Enclosure element at the rates that Verizon currently proposes to charge for the fencing alone. For cageless collocation, Verizon should establish a separate rate that recovers the applicable costs as part of the cageless collocation site preparation.

Security. The Building Modification charge includes costs for Storage Security and Security Access, but those costs should be shared with all users of the Verizon central office, including Verizon, in proportion to their use of that central office. The FCC has precluded ILECs from imposing more stringent security measures on CLECs than the ILECs impose on its own employees and contractors. The costs of modifying the security

arrangements in the central office, therefore, should be apportioned between Verizon and collocating CLECs, not leveled entirely on the CLECs. Indeed, Verizon appears to allocate the entire costs of these modifications to each CLEC. NEXTLINK proposes that the Commission require Verizon to spread these security costs among all users of the central office, including Verizon, in proportion to that use and to recover each collocating CLEC's proportional share of those costs through a separate security rate element.

Grounding. Providing a grounding bar for grounding collocated equipment is the other cost that Verizon currently includes in its proposed Building Modification charge. Verizon's supporting documentation also appears to impose the entire costs of a bar used for multiple collocators onto each collocating CLEC. The Commission should require Verizon to spread these costs among all collocating CLECs through a separate rate element for Grounding.

Fiber Cable Splicing

Q. WHAT ABOUT FIBER CABLE SPLICING?

A. Verizon proposes a nonrecurring charge for Fiber Cable Splice of $65.29 per fiber to splice fiberoptic cable used by the CLEC to connect the equipment in its collocation space with the rest of its network. NEXTLINK pays its outside contractor $28 per splice,

which is less than half of Verizon's proposed Fiber Cable Splice charge. The Commission should not permit Verizon to impose a charge that is more than double the market rate for the same service.

Qwest

Q. ARE QWEST'S PROPOSED RATES REASONABLE?

A. No. Qwest, too, has modified its original proposal, but Qwest continues to rely on assumptions and unsubstantiated information with which NEXTLINK and other CLECs took issue in the last cost proceeding. Specifically, NEXTLINK opposes Qwest's proposed rates for the following elements: (1) entrance facilities; (2) space construction/dc power; (3) DS-0, DS-1, and DS-3 terminations; and (4) fiber splicing. NEXTLINK also objects to Qwest's failure to permit, or propose a reasonable price for, CLEC-to-CLEC cross-connections at the central office.

Entrance Facilities

Q. WHAT IS QWEST'S PROPOSAL WITH RESPECT TO ENTRANCE FACILITIES?

A. "Entrance facilities" is the element that enables a CLEC to connect its collocated equipment with the rest of its network. Fiberoptic cable from the CLEC's network is routed through the point of interconnection ("POI") between the companies' networks, into the Qwest central office, and over cable racking to the CLEC's collocation space.

Qwest offers CLECs the option of having Qwest provide the fiber from the POI to the collocation space (Standard Shared, CLEC POI, or Cross-Connection Entrance Facilities) or having Qwest pull CLEC-provided fiber from the POI to the collocation space (Express Fiber Entrance Facilities). Qwest proposes the following charges for each type of entrance facility:

Type	Non-recurring	Recurring
Standard Shared (per fiber)	$1,241.75	$6.98
CLEC POI (per fiber)	$1,682.33	$3.17
Cross Connect (per fiber)	$1,622.28	$3.39
Express (per cable)	$7,589.47	$7.47

Q. WHY IS NEXTLINK OPPOSED TO QWEST'S PROPOSED RATES FOR ENTRANCE FACILITIES?

A. On their face, Qwest's proposed prices are exorbitant. Qwest's proposed rate of $7,589.47 in nonrecurring charges for Express Fiber Entrance Facilities, for example, is approximately *7 times higher* than the rates Verizon proposes for the equivalent element.[1] Qwest's proposed rates for entrance facilities are not even internally consistent. Qwest's

[1] Verizon proposes the following nonrecurring charges for Fiber Cable Pull: $606.30 per project for Engineering, $1.32 per linear foot for Place Innerduct ($264 for 200 feet), and $0.73 per linear foot for Labor ($146 for 200 feet). Verizon also has a separate element for construction of dedicated cable racking used for fiber, power, and terminations ("Overhead Superstructure" at $2,482.64 per project), a proportion of which would be attributable to fiber entrance facilities.

proposed nonrecurring charges are virtually double its FCC tariff nonrecurring rate, while the proposed recurring charges are as much as 7 times higher than the tariff rate.

Q. WHAT IS THE BASIS FOR THESE DISCREPANCIES?

A. Unfortunately, Qwest does not provide sufficient information to explain why its proposed rates are so much higher than Verizon's proposed rates. At least some of the discrepancy, however, is attributable to the assumptions on which Qwest relies to calculate its proposed rates. Qwest, for example, continues to assume that entrance facility costs will be shared among only 3 collocating CLECs. Information that Qwest provided in response to NEXTLINK's data requests indicates that an average of over 7 CLECs collocate in each Qwest central office in which at least one CLEC is collocated in Washington. Modifying this assumption to reflect reality would reduce Qwest's proposed rates by over one-half.

Qwest also assumes that the cable racking for almost half of the assumed distance between the cable vault and the CLEC collocation space is dedicated to the exclusive use of collocating CLECs. When asked to substantiate this assumption in a data request, Qwest responded that it "is in the process of gathering supporting information and will supplement this data request at a later time." Qwest Response to NEXTLINK, et al. Data

Request No. 01-19. NEXTLINK has received no such supplementation and thus cannot verify Qwest's assumption.

Q. DO YOU HAVE ANY OTHER CONCERNS SPECIFIC TO ENTRANCE FACILITIES?

A. Yes. A significant portion of Qwest's proposed charges for Entrance Facilities are the costs associated with constructing a manhole outside the central office that is dedicated to the use of CLECs (the "CLEC POI") or used by all carriers, including Qwest, to route fiber and copper cables through "manhole 0." Verizon permits CLECs to construct their own manhole and conduit into the central office. Qwest indicated during central office field visits conducted as part of collocation workshops in Utah that it was considering whether to offer this option, but Qwest has not proposed any such option in this docket. Consistent with its determination that CLECs should be permitted to self-provision collocation facilities in areas under CLEC control, the Commission should require that Qwest permit CLECs to self-provision the portion of the Entrance Facilities element outside the central office itself.

Space Construction/DC Power

Q. WHAT DOES QWEST PROPOSE FOR SPACE CONSTRUCTION?

A. Qwest has bundled together several collocation elements into a single element called "Space Construction." These elements include construction of the collocation cage or

equipment racks for cageless collocation and providing both ac and dc power, grounding, lighting, and HVAC. Qwest contends that this new mega-element was developed in response to CLEC desires for more predictable and less confusing collocation pricing. While I agree that CLECs, as well as the FCC, have raised concerns about pricing collocation elements on an individual case basis ("ICB") or a "per foot" or other incremental basis, bundling several elements into one does not address those concerns. To the contrary, bundling only frustrates CLECs' attempts to determine exactly what they are paying for. Indeed, in response to a data request asking Qwest to explain the calculation of, or otherwise support its cost estimates for caged expense inputs, Qwest stated that it "is in the process of gathering this data and will supplement this response when the information is available." Again, NEXTLINK has received no such supplemental response, and thus cannot fully evaluate or respond to Qwest's proposal without this additional information.

Q. HAVE YOU MADE AN EVALUATION BASED ON THE INFORMATION THAT IS AVAILABLE?

A. Yes. Again, I begin with a comparison of Qwest's proposal with Verizon's proposed collocation rates. Qwest proposed rates of $49,517.77 (nonrecurring) and $72.98 (recurring) for a 100 square foot cage and one 40 amp feed for dc power, while Verizon

proposes nonrecurring charges of $8,423.58 and recurring charges of $212.68 for approximately the same elements.[2] Even though Verizon's recurring charges are higher than Qwest's, Qwest's overall proposed prices are several times higher than Verizon's proposed rates and impose most of those costs up front, rather than over time.

Q. WHAT ACCOUNTS FOR THESE DIFFERENCES?

A. Currently available information suggests several contributing factors. As discussed above, cage construction, including dust protection for surrounding equipment and installation of lighting and electrical outlets, costs less than $5,000 based on Qwest's own contractor invoices. The cost estimates Qwest used to develop the rate for the Space Construction for caged collocation are more than double that amount.

More generally with respect to both caged and cageless collocation, Qwest presumably constructed its collocation cost study consistently, and accordingly would have developed

[2] The corresponding Verizon elements are Cage Enclosure ($5,693.57 nonrecurring), DC Power ($2,730.01 nonrecurring), and Environmental Conditioning ($73.35 recurring). In addition, a portion of Verizon's recurring charge for DC Power would correspond to the costs included in Qwest's Space Construction element, which I have estimated by subtracting Qwest's proposed recurring charge for Power Plant Usage from the Verizon rate ($512.93 - $373.60 = $139.33). A portion of Verizon's proposed Building Modification charge also corresponds to Qwest's proposed Space Construction element, but as I discussed, those costs should be included in Verizon's Cage Enclosure charge.

its Space Construction costs – particularly the grounding and ac and dc power costs – using the same assumptions it used to estimate Entrance Facilities costs, *e.g.*, 3 collocators per central office and approximately half of the cable racking dedicated to those 3 collocators. These assumptions would improperly inflate Qwest's Space Construction cost estimates just as they inflate the Entrance Facilities cost estimates.

Qwest also continues to use the same deficient method of determining costs for ac and dc power on which it relied in the prior cost proceeding. Qwest averages cost data from five central offices – only one or two of which are in Washington – to develop a per foot price for power cables and installation. Qwest then multiplies this per foot price by an assumed distance. In the case of dc power feeds, the assumed distance is between the collocation space and the battery distribution fuse board ("BDFB"), essentially an intermediate circuit breaker, (for runs of 60 amps or less) or the main power distribution board ("PDB") for the central office (for runs of 60 amps or more).

There are several problems with this methodology. First, the cost estimates for the Washington central offices are consistently and substantially lower than the average of the cost estimates of the five central offices that Qwest selected. When asked to explain

how each of the selected offices is representative of some or all of Qwest's central offices in Washington, Qwest stated, "U S WEST has data from all the job orders not only in Washington, but for all the U S WEST region." Qwest Response to NEXTLINK, et al. Data Request No. 01-020. This answer bears no relationship to the question asked, and NEXTLINK can only assume that Qwest either cannot or will not provide an explanation. Qwest's power cable and installation cost estimates, therefore, bear no demonstrable relationship to the costs Qwest incurs in Washington.

Qwest similarly refused to provide any information about the lengths of power cables installed between the BDFB or PDB and the collocation spaces in its Washington central offices to substantiate its distance assumptions. In response to a request for this information Qwest stated only, "This will vary and will depend on the size of the cages and or the cageless collocation area." Qwest Response to NEXTLINK, et al. Data Request No. 01-006. Data that Qwest provided in the previous cost proceeding, however, indicates that the distance between the PDB and the collocation space on which Qwest bases its cost estimate is approximately 48% longer than the actual average distance between those points in Qwest's Washington central offices. Correspondingly, Qwest's cost estimates based on an average price per foot multiplied by the assumed distance are

overstated by almost half.

Terminations

Q. WHAT HAS QWEST PROPOSED FOR TERMINATIONS?

A. Terminations are the elements necessary to connect a CLEC's collocated equipment with ILEC unbundled loops, including DS-1 and DS-3 loops. Qwest proposes to install cables from the CLEC collocation space to blocks on an intermediate distribution frame ("IDF"). Qwest will then run cross connects on the IDF to access DS-1 or DS-3 loops or to the COSMIC frame to access DS-0 (voice grade) loops. In sharp contrast to its proposal to combine multiple elements into Space Construction, Qwest proposes to replace the element formerly called Expanded Interconnection Channel Termination ("EICT") with four Termination subelements: (1) Cable; (2) Cable Placement; (3) Block (DS-0), Panel (DS-1) or Connector (DS-3); and (4) Block, Panel or Connector Placement. Each of these subelements, in turn, has two sets of nonrecurring and recurring charges, one per block and one per termination. The total of the non recurring subelement prices for DS-0 is $1,859.88 per block and $27.11 per termination. If a CLEC were to order 100 DS-0 terminations, therefore, the total nonrecurring charges under Qwest's proposal would be $4,570.88. Nonrecurring rates for 28 DS-1 terminations would be $6,411.06, while the rates for a single DS-3 termination would total $817.80.

Q. HOW DO THESE RATES COMPARE TO VERIZON'S PROPOSALS?

A. Consistent with other collocation elements, Qwest's proposed rates are significantly higher than the rates Verizon has proposed. Verizon proposes four elements that in combination are equivalent to Qwest's Terminations subelements: (1) Facility Pull/Termination Engineering; (2) Facility Pull; (3) Cable Termination; and (4) Facility Cable. The nonrecurring charges for 100 DS-0 terminations Verizon has proposed would total $622.24 – over *7 times less* than the rates Qwest has proposed. Qwest's proposed rates are over 10 times higher than Verizon's proposed rates for 28 DS-1 terminations ($595.32) and more than double the single DS-3 termination rates Verizon has proposed ($370.39).

Q. CAN NEXTLINK ACCOUNT FOR THESE DISCREPANCIES?

A. No, we cannot. The information that accompanies Qwest's proposals does nothing more than give conclusory cost numbers without providing any data on how those numbers were developed. Once again, I would expect Qwest's unrealistic assumptions of 3 collocators per central office and exaggerated cable lengths to be contributing factors. NEXTLINK engineers have informed me that these terminations should be no more than the rates that Verizon has proposed.

Cable Splicing

Q. WHAT DOES QWEST PROPOSE WITH RESPECT TO CABLE SPLICING?

A. Qwest proposes two nonrecurring charges for Cable Splicing: $515.79 per set-up (essentially preparing the cable for splicing) and $38.08 per fiber spliced. As I discussed above, NEXTLINK's outside contractor charges only $28 per fiber spliced, without any set up charge. Even Verizon's proposed rate of $65.29 per fiber spliced is lower than Qwest's combined rates for Cable Splicing if 18 or fewer fibers are spliced on a single occasion. Neither Qwest nor Verizon should be permitted to impose super-market rates for collocation services or facilities, and Qwest, like Verizon, should be entitled to charge a total of no more than $28 per fiber for Cable Splicing.

Q. WHAT DOES NEXTLINK RECOMMEND WITH RESPECT TO COLLOCATION COSTING AND PRICING?

A. NEXTLINK recommends that the Commission reject Qwest's proposals with respect to the collocation elements I have discussed and establish rates for those elements that are at the same level that Verizon has proposed, except for Cage Enclosure, Building Modification, and Cable Splicing elements. With respect to Cable Splicing, NEXTLINK recommends that the Commission establish a single nonrecurring charge of $28 per fiber spliced for both Qwest and Verizon. Verizon's Building Modification charge should be eliminated and site preparation, lighting, and electrical outlet costs should be included in the Cage Enclosure element at Verizon's proposed rates for Cage Enclosure, while

security and grounding costs attributable to each collocating CLEC should be recovered through separate elements.

CLEC-to-CLEC Cross-Connection

Q. DO YOU HAVE ANY OTHER CONCERNS WITH QWEST'S COLLOCATION PROPOSAL?

A. Yes, I do. Qwest does not include any element or provision for permitting CLECs that are collocated in a Qwest central office to cross-connect their collocated facilities. While Qwest formerly permitted such CLEC-to-CLEC cross-connection, Qwest recently informed NEXTLINK that such cross-connection would no longer be permitted. As closure of the merger between Qwest's parent corporation and U S WEST, Inc., approached, however, Qwest indicated that it was reviewing this policy and would likely permit some form of CLEC-to-CLEC cross-connection. The Commission should require that Qwest permit CLEC-to-CLEC cross-connections and establish a cost-based rate for such cross-connections.

Q. WHY IS IT NECESSARY FOR COLLOCATED CLECs TO INTERCONNECT THEIR NETWORKS AT THE ILEC CENTRAL OFFICE?

A. CLEC-to-CLEC cross-connects at the ILEC central office permit CLECs to interconnect their networks more efficiently and to access facilities and services provided by other CLECs. CLECs with limited network facilities may find it more economical, as well as

efficient, to exchange local traffic via such cross-connects, rather than constructing much more costly outside plant to interconnect their networks. In addition, a facilities-based CLEC may be collocated in several ILEC central offices and would offer private line or transport services between those central offices to other CLECs, such as data CLECs that rely on leased network facilities. The only way a CLEC can provide such private line or interoffice transport services to other CLECs is to cross-connect with those CLECs at the central office where they are all collocated. Qwest's refusal to permit such cross-connection thus serves to increase CLECs' network costs and to further monopolize the local exchange market.

Q. WHAT IS REQUIRED FOR CLECs TO CROSS-CONNECT THEIR COLLOCATED EQUIPMENT?

A. Very little. The ILEC (or CLEC if allowed to self-provision) would simply run a cable from its collocation space to the other CLEC's collocation space. The CLECs generally could use existing cable racking to route the cable, particularly if the collocation space is in the same area of the central office. Appropriate costs would therefore be limited to the cost of the cable, a proportional cost of the cable rack, and the labor required to install the cable. Although Verizon does not have a specific rate for this service, Verizon permits CLECs to cross-connect at the Verizon central office. The Commission should require Qwest to provide, and establish appropriate rates for, the same option.

III. LINE CONDITIONING

Q. HAS NEXTLINK HAD AN OPPORTUNITY TO EVALUATE VERIZON'S PROPOSAL FOR LINE CONDITIONING CHARGES?

A. No. Based on the initial prehearing conference order in this proceeding, NEXTLINK understood that line conditioning would be addressed in Part B, rather than Part A, despite Verizon's decision to file testimony on that issue in Part A. The Commission's Third Supplemental Order dated July 17, 2000, however, determined that loop conditioning costing and pricing will be addressed in Part A. NEXTLINK has not had sufficient opportunity since the entry of the Third Supplemental Order to evaluate Verizon's line conditioning proposal and supporting testimony. Accordingly, NEXTLINK intends to request additional time to supplement its response testimony to address this issue.

Q. DO YOU HAVE A PRELIMINARY ANALYSIS OF VERIZON'S PROPOSAL?

A. Yes. Verizon proposes nonrecurring charges of between $926.49 and $1,866.12 to remove bridged taps and load coils from a loop to permit digital transmission over that loop. The Commission previously determined that cost-based nonrecurring charges for Qwest and Verizon should be set at $304.12 for cable unloading and $147.37 for bridged tap removal. Verizon's proposal to impose charges that are 4 to 12 times higher than the rates previously established for undertaking the same function is patently unreasonable.

Indeed, Verizon's proposed loop conditioning rates exceed the average investment for an entire loop. Verizon cannot credibly claim that it costs more to condition an existing loop than to build a new one. Accordingly, the Commission should reject Verizon's loop conditioning proposal.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, it does.