

November 22, 2002

Carole Washburn, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504

Re: Continued Costing and Pricing Proceeding
Docket No. UT-003013 *Part B*

Dear Ms. Washburn:

On November 7, 2002, Verizon filed Advice 3059 as directed by the Commission's 32nd and 38th Supplemental Orders in Docket UT-003013. The filing contains the non-recurring charges for network elements which were contested in the Part B proceeding.

Staff has reviewed the tariff filings and believes that the filings substantially comply with the Commission's orders with the exception of the Loop Conditioning rates.

Staff has identified two concerns with Verizon's proposed loop conditioning non-recurring costs.

The first issue is in Verizon's use of Qwest's loop conditioning work times. In the 32nd Supplemental Order at ¶61, the Commission stated that the distance-sensitive work times should be increased by a ratio of 17:13 for Verizon. The supporting work papers submitted with the compliance filing show that Verizon applied the 17:13 adjustment to all Qwest loop conditioning work times including engineering and splicing work times. Verizon's response to staff's inquiry regarding the application of the ratio to all work times is shown below:

2. The supporting documentation for Loop Conditioning explains that Qwest distance sensitive work times were increased by a ratio of 17:13. (See NRC cost narrative, p.1) The increased work times include Engineering, Travel time and Splicer work time for one and three locations. Why did Verizon apply the 17:13 ratio to the Qwest Engineering and Splicing times?

Response: Prior to adjusting the study, we discussed the ordered adjustments with Qwest. They indicated that all the loop conditioning times were considered distance sensitive, since they are assumed to be for loops 18kft in length.

Staff does not understand why engineering or splicing times should be longer because the loop is longer, and asks the Commission to provide further direction to Verizon as necessary.

The second issue regards the absence of rates for conditioning additional loops beyond the initial loop. Verizon's response to staff's inquiry regarding additional loop rate element is shown below:

1. WN U-21, Section 5, sheet 4.4 shows rates for Loop Conditioning Initial, but no "Additional Unit" rates are included. Was this an oversight or what? (The additional unit rates were included in Appendix B of Verizon's opening brief.)

Response: The additional rate element had to be removed because Qwest's work times, which we were ordered to use, did not contain sufficient cost detail to develop an initial/additional structure.

Staff is perplexed as to why Verizon failed to raise this concern in the past and instead unilaterally decided to omit the Additional Unit rates in the compliance filing. Staff believes the loop conditioning tariff rate for just the initial loop will be of limited value to CLECs and asks the Commission to direct Verizon to include the Additional Unit loop rate elements shown in Appendix B of Verizon's brief in the compliance filing. If Verizon believes the Additional Unit rates are not appropriate, they can file new cost studies in Docket UT-023003 and ask the Commission to modify them.

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Staff therefore recommends that the Commission approve Verizon's compliance filing in Advice No. 3059, with the exception of the proposed Loop Conditioning nonrecurring rates addressed above.

Very truly yours,

MARY M. TENNYSON
Sr. Assistant Attorney General

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Enclosures
cc: All Parties