[Service Date December 20, 2002]

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, and Termination	)	FORTY-FOURTH SUPPLEMENTAL ORDER; PART D FINAL ORDER ESTABLISHING NONRECURRING AND RECURRING RATES FOR UNBUNDLED NETWORK ELEMENTS
………………………………………..	)	

I. SYNOPSIS

1 *This Final Order affirms in part, reverses in part, and clarifies the Part D Initial Order related to the nonrecurring and recurring costing and pricing of numerous unbundled network elements for Qwest and Verizon.*

REVISED TABLE OF CONTENTS

II. PROCEDURAL SUMMARY

2 This proceeding was opened on February 17, 2000, to address issues arising out of Docket Nos. UT-960369, 960370, and 960371 ("UT-960369") (also referred to as the "Generic Costing and Pricing Proceeding").[1] On March 16, 2000, the Commission[2] established a two-part schedule. Several other parts to this proceeding were subsequently established, including this Part D.

3 On January 31, 2001, the Commission entered the Thirteenth Supplemental Order ("Part A Order") addressing line sharing, operations support systems, collocation, and certain nonrecurring charges. On July 20, 2001, the Commission entered the Twenty-Third Supplemental Order ("Part A Reconsideration Order").

4 On June 21, 2002, The Commission entered the Thirty-Second Supplemental Order ("Part B Order") addressing digital subscriber line provisioning, including line splitting and line sharing over fiber-fed loops, updated operational support systems ("OSS") cost recovery, loop conditioning, reciprocal compensation, including tandem rates and interconnection cost sharing, and the nonrecurring and recurring costs and rates of numerous unbundled elements. On September 26, 2002, the Commission entered the Thirty-Eighth Supplemental Order ("Part B Reconsideration Order").

5 Part C proceedings regarding microwave entrance facilities have been completed.

---

[1] *See In the Matter of the Pricing Proceeding For Interconnection, Unbundled Elements, Transport and Termination, and Resale*, Docket Nos. UT-960369 (general), UT-960370 (US WEST), and UT-960371 (GTE), Order Instituting Investigations (November 20, 1996). Qwest was formerly known as US WEST. Verizon was formerly known as GTE.

[2] In this Order, the Washington Utilities and Transportation Commission is referred to as the "Commission." The Federal Communications Commission is referred to as the "FCC."

6 Part D evidentiary hearings began on May 6, 2002, and concluded on May 10, 2002. Parties filed opening and reply briefs on July 23 and August 13, 2002, respectively. The Forty-First Supplemental Order Part D Initial Order ("Initial Order"), of the Presiding Administrative Law Judge was entered on October 11, 2002. Qwest filed its Petition for Administrative Review of the Part D Initial Order on October 31, 2002. Verizon, WorldCom and Commission Staff filed answers to Qwest's petition on November 12, 2002.

7 On November 1, 2002 the Commission entered its Forty-Third Supplemental Order vacating the Part E schedule of proceedings and stating that all issues scheduled to be considered in Part E will now be considered in Docket No. UT-023003, the new generic cost docket.[3]

8 **Parties***:* The following parties of record participated in the Part D hearings: Qwest Corporation ("Qwest"), by Lisa Anderl and Adam Sherr, attorneys, Seattle; Verizon Northwest Inc. ("Verizon"), by Jennifer McClellan, attorney, Richmond, Virginia; WorldCom, Inc. ("WorldCom"), by Michel Singer-Nelson, attorney, Denver, CO; Covad Communications Company ("Covad") by Megan Doberneck, attorney, Denver, CO; AT&T Communications of the Pacific Northwest, Inc., by Gregory J. Kopta, attorney, Seattle; and Commission Staff, by Mary Tennyson and Gregory Trautman, Assistant Attorneys General, Olympia.

III. MEMORANDUM

A. BACKGROUND

9 The Part D Initial Order addresses both Qwest's and Verizon's nonrecurring and recurring costs. Although the bulk of the Initial Order deals with Qwest's cost and rate issues, the Initial Order would review and reject the nonrecurring cost

[3] Docket No. UT-023003 will be referred to in this Order both by docket number and as "the new generic cost docket."

studies of both Qwest and Verizon. The basis for the proposed rejection is the use by both companies of anonymous subject matter experts ("SMEs") – company employees familiar with the individual processes used for each type of activity – to derive work-time estimates and probabilities that an activity would need to occur in order to process a competitive local exchange carrier's ("CLEC") request for an unbundled network element ("UNE"). The Initial Order would also reject the Qwest cost studies because it is not possible to determine that they have taken into account gains in productivity in accord with total element long-run incremental cost ("TELRIC") principles. Furthermore, the Initial Order would reject Verizon's cost studies because, to the extent the cost studies were supported by time and motion studies, the data was stale and had previously been rejected by the Commission in the Part B Order.

10 In spite of its proposed rejection of the Qwest's cost methodology, the Initial Order would accept Qwest's numerous specific proposed UNE rates as long as the rates reflected a 30% reduction to the company's SME-based work time estimates. Qwest would be permitted to implement the reduced rates on an interim basis, until Qwest provides costs, accompanied by time and motion studies, capable of independent validation by the parties. Similarly, even though the Initial Order would reject Verizon's underlying cost methodology, it would adopt Verizon's specific proposed UNE rates on an interim basis and would require Verizon to resubmit cost studies supported by time and motion studies in the new generic cost docket.

11 Only Qwest filed a petition for administrative review of the Initial Order. In its petition for review, Qwest does not challenge the Initial Order's overall requirement that Qwest submit future nonrecurring cost studies accompanied by time and motion studies. Qwest raises nine issues in its petition, among them, a challenge to the Initial Order's application of the 30% reduction to uncontested cost items. The other issues Qwest raises are largely related to specific rate findings in the Initial Order.

12 This Part D Final Order will follow generally the outline of the Initial Order, altering the Initial Order to indicate where no challenge was made to Initial Order findings, and expanding the discussion where necessary to address the issues raised in the Petition for Administrative Review.

B. ISSUES

1. QWEST'S NONRECURRING COSTS ("NRC")

a. Work Time Estimates and Fallout Rates.

13 In Part D, the Commission considers Qwest's and Verizon's updated nonrecurring and recurring cost studies for the pricing of UNEs.[4] The bulk of the Part D proceedings address Qwest's proposed nonrecurring and recurring costs and rates. Qwest's nonrecurring costs rely on largely anonymous SMEs who: 1) identified the tasks required to be performed in order to provide UNEs; 2) estimated the time required to perform the tasks; and 3) estimated the probability that the tasks would need to be performed. The SMEs were not made available for cross-examination.

14 Qwest's time and probability estimates developed by its SMEs were then multiplied by the appropriate labor rate to yield the direct nonrecurring cost associated with each activity. Qwest then applied expense factors to the direct nonrecurring cost calculations to provide the proposed TELRIC for each UNE and interconnection service. Finally, Qwest applied the direct and common loading factors of 19.62 % and 4.05 %, respectively. The Commission has previously approved these factors.

---

[4] UNEs include: loops, including loops used to provide high-capacity and advanced telecommunications services; network interface devices ("NIDs"); local circuit switching; dedicated and shared transport; signaling and call related databases; and operations support systems ("OSS"). In Part D, the Commission considered all of these except UNEs related to high capacity loops and OSS. The former were considered in Part B, the latter was reserved for consideration in Part E, but will now be considered in the new generic cost docket.

15 Qwest's NRC study also incorporated a flow-through or fallout rate. This rate takes into account errors that occur in the mechanized flow-through process associated with CLEC orders for UNEs.

16 The Initial Order finds that because Qwest's SMEs were anonymous and not available for cross-examination, there is no way to determine whether their time estimates are forward-looking as required by TELRIC costing principles. The Initial Order observes that the record showed Qwest's proposed costs were overstated because Qwest failed to demonstrate that the efficiency gains that have occurred since 1998 were properly accounted for in the NRC. Although the Initial Order would accept Qwest's proposed fallout rate as reasonable, the Initial Order recommends a composite 30% reduction to Qwest's work-time estimates. This reduction results in reduced interim UNE rates that the Initial Order recommends should remain in effect until Qwest supplies new cost studies, supported by time and motion studies.[5]

17 With regard to Verizon, the Initial Order similarly finds that Verizon's nonrecurring cost study is incapable of verification. Because no other evidence was provided to assist in determining what were the appropriate costs to support Verizon's prices, the Initial Order directs Verizon to resubmit its nonrecurring and recurring costs, accompanied by time and motion studies, in the new generic cost docket.[6]

[5] Some of the work-time estimates contained in Qwest's cost study are the result of previous Orders of the Commission. We affirm the Initial Order finding that the Part D composite 30% time estimate reduction does not apply to those estimates (e.g., six minutes at the interconnection service center, UT-960369, *8th Supplemental Order*, at para. 468; one hour of outside plant engineering time to identify the location of load coils, UT-960369, *8th Supplemental Order*, at para. 151; a craftsman will only require two minutes to analyze a disconnection order and will spend three minutes removing a jumper, UT-960369, *8th Supplemental Order*, at para. 473; disconnect call work-time on carrier service-center telephone calls should be equal to that of Verizon, UT-003013, Part B Order, at para. 133). Rather, Qwest should abide by the Commission's prior decisions and explicitly demonstrate where this exemption applies within its nonrecurring cost study.

[6] See Section III.B.5 of this Order.

18 Because of the excessive length of Qwest's nonrecurring cost study, the Initial Order finds it "unduly burdensome" for the Commission to individually identify and remedy the abundance of problems created by Qwest's complete reliance on anonymous SME work time estimates. Because Qwest fails to meet its ultimate burden to demonstrate that all the costs it sought to recover were cost-based, reasonable, and nondiscriminatory, the Initial Order would apply the 30% adjustment to contested as well as uncontested cost items.

Administrative Review Issue No. 1: Application of 30% Work Time Reduction to Uncontested Elements (Initial Order ¶¶ 62-65)

19 **Background.** No party challenges the Initial Order's conclusions regarding fallout rates or the requirement of time and motion studies to support future nonrecurring costs studies. However, in its Petition for Administrative Review, Qwest challenges the application of the 30% composite reduction to uncontested cost items.

20 **Qwest.** Qwest argues that this aspect of the Initial Order is in error for several reasons. Qwest cites the language of the order stating that it is unduly burdensome for the Commission to study each element of the cost study and make individual decisions as to whether Qwest has met its burden of proof. Qwest contends that it is the Commission's duty as a decision-maker to review each contested and uncontested rate element and make individual decisions based on the evidence about them.

21 Qwest further asserts that the SMEs were not anonymous because their identities were disclosed in an evidentiary exhibit. Qwest argues that the Initial Order fails to identify problems that might be created by use of SMEs or why a blanket 30% reduction is rationally or precisely related to those problems.

22 Furthermore, Qwest argues that it presented prima facie support for each uncontested rate element contained in Qwest's direct case. Because the rates were uncontested, Qwest had no opportunity to present additional evidence beyond its prima facie case, to rebut any challenge.

23 Qwest also contends that the composite 30% adjustment applied to uncontested rate elements departs from prior Commission practice. Qwest argues that it provided the exact same level of support for its Part D rates as it did for rates in Docket No. UT-960369 and in Part B. In both cases, those nonrecurring rates that were not challenged were accepted by the Commission. Based on this prior Commission practice, Qwest had no reason to approach its Part D presentation differently. Also, although the Part B Order was critical of aspects of Qwest's rate presentation in Part B, the Part B order was entered prior to the time Qwest was required to file its testimony in Part D.

24 **WorldCom.** WorldCom urges the Commission to affirm the composite 30% reduction in work time estimates applied to all Qwest's nonrecurring rates. WorldCom points out that, because the Commission is responsible for reviewing all proposed rates, Qwest bears the burden to demonstrate that its proposals are supported by the evidence, whether its proposals are contested or not. The Commission's final order will approve all Qwest's rates, not just those in dispute.

25 WorldCom observes that the Initial Order found Qwest's nonrecurring study methodology flawed as a whole, based on Qwest's reliance on SMEs. WorldCom points out that Qwest did not dispute that it failed to present either its SMEs for cross-examination or time and motion studies to validate its cost studies.

26 WorldCom challenges Qwest's argument that because Qwest presented a prima facie case for each nonrecurring rate element, and all uncontested rate elements should be adopted on that basis, without further adjustment. WorldCom contends that Qwest failed to show that its proposed rates are consistent with

TELRIC principles, due to the deficiencies found with its nonrecurring cost study as a whole.

27 **Staff.** Staff also urges the Commission to affirm the 30% composite reduction. Staff argues that the Initial Order reflects the "global concern" regarding the issue of SME time estimates, and appropriately applies a "global remedy" for the problem. Staff contends that the Initial Order at ¶¶ 62-65 sets forth the rationale for the reduction, including the fact that Qwest has failed to demonstrate that its proposed rates properly account for efficiency gains experienced since 1998. This rationale applies to all rates, not merely those that were specifically challenged by the parties.

28 Staff further asserts the Commission should reject Qwest's contention that it is unnecessary to bolster its direct case when proposed rates are uncontested. Staff states that Qwest's presentation of a minimal direct case, which is further supported only when there is a specific challenge should not be encouraged by allowing Qwest's argument to prevail. Staff argues that Qwest had many opportunities to provide support for its nonrecurring costs and failed to take advantage of those opportunities.

29 **Decision.** We affirm the 30% composite reduction applied to all rate elements, including uncontested elements, except as noted otherwise. The Commission has made clear in several prior cases, outlined in the Initial Order, that the cost methodology used by ILECs must be open, capable of easy adjustment and capable of verification. Qwest's reliance on SMEs precludes easy verification and infects all rates, not just those that are contested.

30 The burden of proof rested with Qwest to show that its cost estimates complied with the FCC's pricing rules. Its cost methodology and use of SMEs makes verification that its rates comply with TELRIC standards difficult if not impossible for the parties and the Commission. In fact, both Commission Staff

and WorldCom voiced strenuous objections to Qwest's cost study on the basis of its use of SMEs.[7] During the proceeding, Qwest argued that it would be inappropriate to adjust Qwest's estimates unless the proposed adjustments were "based in fact."[8] No party is able to propose adjustments based in fact when Qwest fails to present competent, verifiable evidence in the first place. Thus Qwest must adjust all its rates, except as noted, to reflect a 30% reduction to SME work time estimates.

31 That Staff may have recommended approval of some of Qwest's otherwise uncontested individual nonrecurring rates is of no consequence in the face of our findings about the flaws that afflict the cost study as a whole. Therefore, without further discussion, we affirm the Initial Order's proposed application of the 30% composite reduction to be incorporated into the following proposed individual Qwest nonrecurring rates:

a. Resale Customer Transfer Charge ("CTC") – Initial Order, p. 26.
b. Coordinated Installation w/o Cooperative Testing, Initial Order, p.35.
c. UDF Field Verification, Initial Order, p.42.
d. Dark Fiber Splice, Initial Order, p. 43
e. Vertical Features, Initial Order, p. 44
f. Subsequent Order Charges, Initial Order, p. 44.
g. Digital Line Side Port, Initial Order, p. 44.
h. Digital Trunk Port, Initial Order, p. 45.
i. Digital Analog Port, Initial Order, p. 45.

[7] See WorldCom Initial Brief, pp. 8-9; Reply Brief, pp. 3-5; Reply to Petition for Administrative Review, pp. 2-7. Staff Initial Brief, pp. 6-8; Reply Brief, pp. 2-4; Reply to Petition for Administrative Review, pp. 1-2.
[8] Ex. 2049, p. 25.

b. Qwest SGAT.

32 The Initial Order would require Qwest to revise Exhibit A to its SGAT for rates approved in this proceeding subsequent to entry of a final order.

33 **Decision.** No party objected to this requirement and it is accepted for purposes of this proceeding.

c. Cost Factors.

34 Qwest proposes that it continue to use previously approved factors of 19.62% and 4.05% to account for attributed and common costs. Qwest also proposes its continued use of direct expense factors to account for product management, sales, and business fee expenses. Qwest states that these factors were used in both the recurring and the nonrecurring cost studies submitted by Qwest in this proceeding, as they were in past proceedings. The Commission has approved not only the use of these factors, but their values as well.

35 The Initial Order determines that Qwest's proposal to approve the use of the existing cost factors was reasonable because there was insufficient evidence in this proceeding for the Commission to modify its previous decision. The Initial Order further recommends that the Commission revisit the issue in the new generic cost docket.

36 **Decision.** No party objected to the Initial Order determinations on this issue and they are accepted for purposes of this proceeding..

2. QWEST'S INDIVIDUAL NONRECURRING RATES

a. Adjacent Collocation

37 In this proceeding Qwest proposes that adjacent collocation be priced on an individual case basis ("ICB"). Qwest states that the company has yet to receive a request for adjacent collocation, and therefore does not have experience in performing the work activities necessary to provide this service. Thus, standard costs and prices could not yet be developed.

38 The Initial Order determines that because Qwest has yet to receive a request for Adjacent Collocation anywhere in its service territory, there is insufficient data from which to develop standard costs and prices for this network element. The Initial Order finds Qwest's proposal to price Adjacent Collocation on an individual case basis to be reasonable and would approve it. The Initial Order encourages the parties to petition for further review of this element in the event that Qwest receives one or more requests for Adjacent Collocation sufficient to warrant development of standard costs and rates.

39 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

b. Remote Collocation and Remote Adjacent Collocation.

40 Qwest's Remote Terminal Collocation proposal offers CLECs space in available remote cabinets on a Standard Mounting Unit ("SMU") level.[9] Qwest proposes to charge CLECs a flat rate based on the number of SMUs their equipment occupies within a cabinet. Qwest's Remote Terminal Collocation cost study includes two cost elements: collocation space, and the feeder distribution interface ("FDI") terminations. Qwest proposes nonrecurring rates for the maintenance of a CLEC's collocation at a remote terminal on an as-needed basis, including a flat rate for the service order and follow up for each job associated

[9] An SMU is a standard measurement of vertical space, in this case 1.75 inches, within a hardened cabinet. *Qwest Brief, at page 17*.

with remote collocation, and half-hourly rates for engineering, maintenance, installation and training.

41 WorldCom challenges Qwest's proposed ICB Quote Preparation Fee ("QPF") nonrecurring charge associated with Remote Collocation because it does not provide an opportunity for the Commission to ensure that Qwest's costs are just and reasonable, and because it cannot guarantee that duplicate charges would not be assessed because there was no cost study to examine. WorldCom claims that Qwest's other collocation cost studies indicate that the QPF is associated with engineering activities that are duplicated in other charges. Thus, if the Commission approves a QPF for Remote and Remote Adjacent Collocation, the QPF should be derived from a cost study and credited against Qwest's Space Construction nonrecurring charge.

42 Covad claims that Qwest proposes to provide access to loops where fiber optic cable is present via Qwest's Remote Terminal Collocation offering referred to as the DA Hotel. Covad states that the Commission, in its Part B Order, ruled that Qwest's DA Hotel architecture creates a significant barrier to entry and thus is an inappropriate method by which to provide CLECs with access to fiber fed loops.

43 The Initial Order finds that Qwest had not provided adequate support for its use of ICB charges for Remote Collocation and Remote Adjacent Collation QPFs and would require Qwest to file a cost study supporting its proposed QPFs. The Initial Order further recommends that Qwest be required to credit the QPF against any Space Construction nonrecurring charge approved by the Commission, in order to avoid the double recovery of certain costs included in the QPF that are also associated with completing Remote Collocation and Remote Adjacent Collocation orders.

44 Finally, the Initial Order would affirm the Commission's decision in the Part B Order to address issues regarding CLEC access to fiber-fed loops, such as the proposed DA Hotel proposal, at a later date.[10] However, the Initial Order retains Qwest's proposed Space and FDI Termination charges on an interim basis so that CLECs may acquire this element at a rate reviewed by the Commission.

45 **Decision.** No party challenged these conclusions of the Initial Order and they are accepted for purposes of this proceeding.

c. CLEC -to -CLEC Collocation.

i. Direct Connections

46 CLEC -to -CLEC direct connection involves placement of a cable between the collocations of each CLEC. Qwest proposes that CLECs ordering the direct connection be charged design, engineering, and installation flat charges. These flat, nonrecurring charges are designed to cover order processing, development of the price quote, and the time to engineer and install cable racking. Qwest proposes additional nonrecurring charges for virtual connections to cover the labor that connects a cable to a virtual collocation but not the cable itself. Qwest proposes a nonrecurring charge, if applicable, for each cable hole to cover the labor and material that is required to open and close holes, or slots, between floors or through interior walls, designed to be compartmentalized.

Administrative Review Issue No. 2: Cable Racking (Initial Order ¶ 101)

47 **Background.** The Initial Order finds that Qwest should not be compensated for engineering associated with cable racks that do not need to be installed. In addition to the composite 30% work time adjustment required for all elements, the Initial Order would require Qwest to assign the same probabilities used in its cable racking estimates to any engineering tasks that are only required when

[10] *See* decision section regarding Qwest's nonrecurring rates for unbundled packet switching. *Also see* Part

cable racking must be installed. Furthermore, the Initial Order would require Qwest to assume that its cable rack capacities will be no less than 20 DS0 cables, 10 DS1 cables and 3 DS3 cables, because Qwest's cost study had assumed too few cables would occupy existing cable racks. The Initial Order otherwise recommends acceptance of Qwest's proposed rates for Direct Connections.

48 **Qwest.** Qwest asserts that in making its arguments disputing cable-racking capacities, WorldCom has misinterpreted the testimony of Qwest's witness, Teresa Million.[11] Qwest contends that because the one foot of new cable racking included in the nonrecurring cost study is dedicated to the CLECs, the assumption of "three" relates to the number of CLECs that will share the additional one foot of racking, not the number of cables in the rack. A CLEC can place as many cables in the dedicated cable racking as there is capacity. In this scenario, Qwest cannot assume rack capacities as the Initial Order requires because Qwest does not control how much cable the CLECs place in the rack. For this reason Qwest asks the Commission to eliminate the requirement.

49 **WorldCom.** WorldCom asserts that Ms. Million's testimony does not clearly demonstrate any inaccuracy in WorldCom's evidence regarding cable rack capacity. WorldCom's witness, Roy Lathrop, analyzed Qwest's cost study and found that it assumed a cable racking capacity of only three cables. Mr. Lathrup pointed out that since an existing cable rack can serve many carriers and that a cable "pile-up" of over a foot and a half can occur, spreading cable racking capacity costs over only three cables will overstate cable racking costs and will require premature or unnecessary additions to cable racking. WorldCom recommends the Commission affirm the Initial Order's conclusions on this issue.

50 **Decision.** We reverse and clarify the Initial Order on this issue. The testimony cited by Qwest indicates that the company developed cable racking rates in a

---

B Order, at para. 43-44.
[11] Ex. T-2049, pp. 25-26.

way that entitles a CLEC virtually unlimited use of the installed capacity for one-third the cost of the rack, rather than a per cable rate. Given its magnitude, a one-time fee of approximately $78,[12] the cable racking charge is reasonable. We note that Qwest's cost study information did not provide certainty to the parties on this issue. It implies that only three cables will be placed in a rack that can hold many times that capacity, instead of explicitly stating that the cost of the rack will be split three ways. Due to the lack of clarity in the cost study, we clarify that since this charge is designed to allow for virtually unlimited use of the installed capacity, the CLECs connecting collocations A and B will not be assessed any additional nonrecurring charges related to cable racking between collocations A and B until additional racking capacity is required.

51 We otherwise accept the Initial Order's approval of Qwest's proposed Direct Connection rates for purposes of this decision.

ii. Cross Connections

52 Qwest's Cross Connection service is available when a CLEC's collocation arrangements have available capacity on termination cables at a Qwest intermediate distribution frame. To provision this element the collocations are connected by running a "jumper" between the existing CLEC cables. Qwest's proposed CLEC-to-CLEC cross connection nonrecurring charges are designed to cover Qwest's costs for processing the order, and designing and installing the cross connection between CLECs. WorldCom challenged Qwest's proposed charges.

53 The Initial Order would require Qwest to develop separate manual and electronic ordering rates, consistent with previous Commission Orders regarding

---

[12] Ex. 2026, pp. 11 and 15-16.

other network elements.[13] The Initial Order also would apply the composite 30% reduction to Qwest's work time estimates for this item. Otherwise, the Initial Order would accept Qwest's proposed rates.

54 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

d. Space Availability Charge

55 Qwest proposes a nonrecurring space availability charge to apply to each request for a space inquiry report. The space inquiry report provides CLECs with information regarding the existing collocation conditions within an office. Qwest's proposed charge for the space inquiry report applies on a "per office" basis each time a report is requested. WorldCom challenged Qwest's proposed charges.

56 The Initial Order concludes that much of the information required to produce a space inquiry report is inventoried, and thus readily available. For this reason, Qwest's costs include an unreasonable amount of time to assemble and verify its data. The Initial Order would apply the composite 30% work time estimate reduction to this charge.

57 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

e. Space Optioning

58 Collocation Space Optioning permits CLECs, Qwest, and Qwest affiliates to option space for future collocation needs. Space reservation options provide the

---

[13] *See Seventeenth Supplemental Order*, at para. 112. *See also* Part B Reconsideration Order, at paragraph 68, and the *Fortieth Supplemental Order* in this proceeding.

CLEC with a right of first refusal on collocation space when requests are made by other parties with firm collocation orders. Qwest offers optioned space to CLECs for caged, cageless, and virtual collocation arrangements. Space can be optioned for transmission equipment for up to 1 year, circuit-switched equipment for up to 3 years, or power plants for up to 5 years. Qwest's cost study identified costs associated with application processing, feasibility determination, common space engineering, records management, and administration of the first right of refusal process. WorldCom challenged Qwest's proposed charges.

59 The Initial Order finds that the engineering time Qwest assumes in developing this charge should include only the amount of time necessary to determine if a CLEC's potential collocation request is technically feasible. The Initial Order would further require Qwest to reduce the work time estimates for this element by the composite 30% reduction amount.

60 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

f. DS1 / DS3 / OC Capable Loops

61 Qwest's nonrecurring costs for installation disconnection of high capacity loops were approved by the Commission in the Part B Order. These rates were not at issue in the Part D Proceeding. The Initial Order determines that the Commission has resolved these issues in the Part B Order and that they need not be further addressed in Part D.

62 **Decision.** The Commission resolved these issues in the Part B Order, and no party identified additional concerns in this proceeding. Thus, these issues need not be addressed in this Final Order.

g. Basic Install with Cooperative Testing

63 Qwest offered five provisioning options for installing loops. Each of Qwest's provisioning options offers CLECs a different "level" of testing and coordination of unbundled loops at installation, and each "level" involves different work groups and performance of a greater or lesser number of work steps. The only one of these charges disputed during the proceeding was Qwest's proposed charge for "basic installation with cooperative testing."

64 Basic installation consists of work performed by a technician to connect an end user with a CLEC's network. Testing to assure continuity of signal to the end user's NID is integral to this process. This testing, done by Qwest on its portion of the network, is called performance testing. Basic installation with cooperative testing includes additional work by Qwest to contact the CLEC to perform cooperative testing and to provide all test results to the CLEC.

65 Qwest proposes to charge CLECs the same charge for the cooperative testing option as it charges for the performance testing option.

66 Covad disputes Qwest's charge on the basis that it was not supported by a cost study on the record in Part D; that the cost information submitted was outdated and that CLECs should not be charged for testing required because Qwest provides unreliable loop installation.

67 The Initial Order would reject Covad's arguments and concludes that basic installation with cooperative testing enables a CLEC to test loop facilities on its own network at the same time as testing is performed on Qwest's network. Most of the time, it is not technically necessary that both networks be tested at the same time. Thus a CLEC request for cooperative testing requires Qwest to incur costs associated with performing additional work steps. The Initial Order finds

these costs justified but would require that the composite 30% work time estimate reduction be applied.

68 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

h. Multiplexing

69 Qwest proposes a nonrecurring charge for installation and disconnection for DS3 to DS1 multiplexing. The nonrecurring cost study presented for this element in Part D was conducted in the same manner as the predecessor Part B study, which was approved by the Commission. On that basis, Qwest argues that its Part D rates should likewise be approved. Commission Staff recommended approval of Qwest's charges. WorldCom challenged Qwest's proposal.

70 The Initial Order would require Qwest to adjust its multiplexing rates as required by the Part B Order, if it has not already done so. The Initial Order would also apply the 30% composite work time estimate reduction to this charge.

71 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

i. UDIT/EUDIT

72 The Initial Order finds that Qwest has complied with the Commission's orders in Docket Nos. UT-003022/003040, where the Commission required Qwest to eliminate the distinction between unbundled dedicated interoffice transport ("UDIT") and extended UDIT ("EUDIT") pricing. Qwest withdrew its testimony on this issue in the Part D proceeding based on its compliance with these orders.

73 **Decision.** We find that Qwest has complied with the Commission's orders in Docket Nos. UT-003022/003040. This issue need not be addressed further in the Part D proceeding.

j. Local Tandem Switching

74 Qwest proposes nonrecurring charges to apply when a CLEC chooses to purchase use of a DS1 trunk port, terminating at a DS1 demarcation point on a local tandem switch. Each DS1 tandem trunk port includes a subset of 24 DS0 channels that incur nonrecurring charges to establish both the first and each additional trunk group member. Commission Staff found Qwest's proposed charges appropriate. WorldCom challenged Qwest's proposal.

75 The Initial Order concludes that Qwest failed to provide a meaningful opportunity to scrutinize Qwest's purported costs for this item and would require Qwest to apply the composite 30% work time estimate reduction to this item.

76 **Decision.** No party challenged the Initial Order's conclusion on this issue and it is accepted for purposes of this proceeding.

k. Local Switching

77 Access to unbundled local switching involves line-side and trunk-side facilities, plus the features, functions and capabilities of the switch including access to vertical features that the switch is capable of providing, as well as any technically feasible customized routing functions. Qwest's specific nonrecurring charges for various aspects of the local switching element are addressed in other sections below.

l. Customized Routing

78 Customized routing is a software function of a switch that enables CLECs to direct particular classes of calls to specific outgoing trunks. Qwest claims that even though customized routing applications are, for the most part, unique to each CLEC, Qwest has developed a "standardized" offering for which it proposes to assess nonrecurring charges based on the development and installation of customized line class codes. For Operator Services ("OS") or Directory Assistance ("DA") routing only, Qwest proposes a nonrecurring charge for the development of a customized line class code, and a second nonrecurring charge per installation per switch. Qwest proposes an ICB charge for all other forms of customized routing designed to meet the specific requirements of an individual CLEC.

79 Qwest maintains that the FCC determined in the UNE Remand Order[14] that OS and DA do not have to be provided on an unbundled basis when an ILEC offers customized routing. Qwest believes that its customized routing proposal meets the FCC's requirement and, therefore, Qwest is no longer required to provide OS and DA as UNEs at TELRIC rates.

80 WorldCom and Staff challenge Qwest's proposal to charge market-based rates for OS and DA. They argue that Qwest's refusal to implement Feature Group D ("FGD") customized routing violates the parties' interconnection agreement, the Telecom Act and FCC orders; that Qwest's customized routing offering does not meet the FCC's requirements; that Qwest's ICB pricing proposal is discriminatory; that Qwest did not provide adequate cost support for its OS/DA rates to allow the Commission to determine if Qwest's proposed price exceeds its

[14] *In the Matter of the Petition of U S WEST Communications, Inc. for Competitive Classification of its Directory Assistance Services*, Docket No. UT-990259, Order Granting Petition (April 29, 1999) at 6; *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, *Third Report and Order and Fourth Further Notice of Proposed Rulemaking*, FCC 99-235 (rel. Nov. 5, 1999)("*UNE Remand Order*")

costs so that cross-subsidization is not an issue; that Qwest's proposal denies CLECs the option to designate where their end-users' OS/DA traffic is routed so that the CLEC can self-provision OS/DA services.

81 The Initial Order concludes that this generic cost proceeding is not an appropriate forum to resolve WorldCom's claim that Qwest's refusal to implement FGD customized routing violates the parties' interconnection agreement. Instead, the Initial Order recommends that WorldCom to initiate a separate process to address its grievances.[15]

82 Based on a review of the FCC's UNE Remand Order and other recent FCC decisions,[16] the Initial Order determines that at such time as Qwest implements the FGD customized routing requested by WorldCom, Qwest would then be able to seek recovery of its costs for software upgrades and the attendant right to use fees, in the nondiscriminatory manner described by the FCC. Subsequent to that, Qwest would then properly make its request that the Commission again address the company's proposal to offer OS and DA at market-based rates.

83 The Initial Order also would approve Qwest's proposed nonrecurring charges based on the development and installation of customized line class codes, with the exception that the 30% composite work time estimate reduction be applied to the charges.

84 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

---

[15] For instance, WorldCom can file a petition for enforcement of interconnection agreement under WAC 480-09-530 of the Commission's rules.

[16] See *In the Matter of Application of BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc. for Provision of IN-Region, InterLATA Services in Louisiana*, CC Docket No. 98-121 (Rel. October 13, 1998) and *In the Matter of Petition of MCI for Declaratory Ruling that New Entrants Need Not Obtain Separate License or Right to Use Agreements before Purchasing Unbundled* Elements. CC Docket No. 96-98, FCC 00-139 (rel. April 27, 2000) at para. 9.

m. Common Channel Signaling/SS7

85 Common Channel Signaling/Signaling System 7 ("SS7") provides multiple pieces of signaling information via the SS7 network. This signaling information includes, but is not limited to, specific information regarding calls made on associated Feature Group D trunks and/or LIS trunks, Line Information Database ("LIDB") data, local Number Portability, Custom Local Area Signaling Services (CLASS"), 8XX set up information, call set up information and transient messages. Qwest proposes nonrecurring charges for CCS/SS7 that include: 1) Common Channel Signaling Access Service ("CCSAC") Options Activation charge for basic translations; and 2) CCSAC Options Activation charge for database translation.

86 Advanced Intelligent Network ("AIN") is a call-related database platform that enables telecommunications companies to provide customized incoming and out-going call management services. Qwest offers AIN Customized Services, AIN Platform Access and AIN Query Processing. Qwest proposes that the nonrecurring rates for AIN Customized Services and AIN Platform Access will be determined on an individual case basis because the feature functionality of the service is defined by the CLEC. WorldCom challenges Qwest's proposal.

87 The Initial Order finds that Qwest fails to provide the necessary support for its proposal and would require Qwest to apply the 30% composite reduction to work time estimates underlying these charges.

88 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

n. Miscellaneous Charges

89 Qwest's proposed miscellaneous nonrecurring charges are intended to cover the costs of additional engineering, labor and testing incurred by Qwest at the request of the CLEC. Miscellaneous charges may be assessed when, at the direction of a CLEC, work activity is requested that is not part of the nonrecurring charges normally associated with a product.

Administrative Review Issue No. 3: Miscellaneous Charges (Initial Order ¶194)

90 **Background.** The Initial Order concludes that Qwest had not provided adequate support for these charges on the record and would apply the 30% composite work time estimate.

91 **Qwest.** Qwest argues that there are no "work times" associated with these charges. Rather, these charges represent a technician's labor rate on a per-half-hour basis. No party challenged the rates during the hearing. Covad's challenge was raised in its post-hearing brief. The Initial Order rejected Covad's arguments. Qwest requests that the Commission clarify that the 30% work time estimates reduction does not apply to miscellaneous charges.

92 **Staff.** Staff states that Qwest's arguments have merit and recommends that the Commission review this finding in the Final Order.

93 **Decision.** We have reviewed the evidence and arguments and conclude the Initial Order should be reversed because the 30% composite reduction is not appropriate for application to miscellaneous charges that consist solely of hourly work rates. We have applied the 30% reduction to work time estimates derived by Qwest's anonymous SMEs. Hourly work rates are not estimates, but rather

are posted hourly rates for work performed. Hourly rates are not affected by the same questions about reliability as are the work time estimates.

o. UNE Combinations

94 UNE-Platform (“UNE-P”) involves the provision of UNE combinations to CLECs. UNE-P consists of either 1) UNEs already existing in combination to serve existing customers, or 2) combinations of UNEs not previously combined to serve new customers. Commission Staff found Qwest’s charges appropriate. WorldCom challenged Qwest’s proposal.

95 The Initial Order finds that Qwest failed to provide the necessary support for its proposal and would require Qwest to apply the composite 30% reduction to work time estimates underlying these charges.

96 **Decision.** No party challenged the Initial Order’s conclusion on this issue and it is accepted for purposes of this proceeding.

p. UNE-P Conversions

97 Qwest’s nonrecurring cost study identifies the costs associated with the provision of UNE-P for POTS[17] (including Centrex, Public Access Line (“PAL”) and analog Private Branch Exchange (“PBX”), PBX Direct Inward Dialing (“DID”) Trunks, BRI-ISDN and Primary Rate Interface (“PRI”)-ISDN. In addition, this study purportedly identifies the nonrecurring costs associated with providing combinations of design type services, the nonrecurring costs incurred by Qwest to convert existing customers to UNE-P, and the nonrecurring costs to provide new UNE-P service.

[17] Plain old telephone service (“POTS”).

Administrative Review Issue No. 4. UNE-P Conversion (Initial Order ¶199)

98 **Background.** The Initial Order finds that Qwest failed to provide the necessary support for its proposed cost for UNE-P conversions. The Initial Order would require Qwest to reduce its work time estimates for it by 30% for reasons stated earlier in the Order.

99 **Qwest.** Qwest argues that there are a number of different rate elements associated with UNE-P conversion, depending upon the underlying retail service that is being converted to UNE-P, and that a blanket reduction of these rates is not supported by the record. Qwest points out that these rates are already structured to comply with the Part B requirement to establish separate charges for manual and mechanized ordering. Also, with regard to UNE-P POTS, Qwest contends these rates were approved only four months ago by the Commission in the Part B Order.[18] The nonrecurring rate for a mechanized order for UNE-P POTS is $0.68 for the first line and $0.14 for each additional line. The work times for these activities are less than the six minutes ordered by the Commission for processing orders at the Interconnect Service Center. Thus Qwest argues that the Initial Order's conclusion does not properly reflect process improvements or efficiency gains since 1998 is demonstrably incorrect as to these elements and should be reversed.[19]

100 **Staff.** Staff recommends that the Commission affirm the findings of the Initial Order on this issue. Staff rejects Qwest's contention that a divided rate structure reflecting manual and mechanized provisioning mitigates the need to determine the reasonableness of the overall level of charges. Staff reiterates its earlier argument about the overall problem with Qwest's use of SME time estimates, which are incapable of external verification, to support its cost studies. Finally,

---

[18] Part B Order at ¶ 144.

[19] Qwest points out that the documentation for UNE-P Conversion work time estimates shows that the estimates were reviewed and updated in March and June of 2001, just prior to the time Qwest filed its Part D direct testimony. Ex. C-2024, pp. 379-389.

Staff suggests that, as an alternative, Qwest may propose increases in these charges in the new generic cost case if it can support its assertions with verifiable time and motion studies.

101 **Decision.** We affirm the Initial Order, except as stated below. The mere fact that Qwest has bifurcated its rates for manual and mechanized orders, or has provided updated support for these rates, does not mitigate the overall problem with Qwest's use of SMEs to develop its cost studies. Furthermore, while Qwest may have reviewed and updated its work time estimates for UNE-P conversion rates in March and June 2001, only months before Qwest's testimony was filed in November 2001, this fails to address the Initial Order's concern that neither the base work time estimates provided by Qwest's SMEs nor the magnitude of the forward-looking adjustments can be determined based on the record.

102 We note here that the rates established in Part B for UNE-P-existing will not be subject to the 30% composite reduction. These rates were put in place only a few months ago when we specifically adopted in the Part B Order Qwest's proposed UNE-P-existing charge from its Part D filing.[20] This action had the effect of removing the Part D rate for UNE-P existing to the Part B proceeding, where Qwest must make a compliance filing including that rate. However, this finding does not obviate the requirement that Qwest resubmit rates for UNE-P-existing, supported by time and motion studies, in the new generic cost docket.

q. UNE-P New Connection

103 Qwest's UNE-P POTS nonrecurring cost study identifies the nonrecurring costs incurred by Qwest to provide new service via UNE-P to a CLEC under circumstances where the customer does not have an existing connection. WorldCom proposes a 50% reduction to Qwest's work time estimates.

[20] Part B Order ¶¶ 143-144.

Administrative Review Issue No. 5: UNE-P POTS New Connection (Initial Order ¶ 202)

104 **Background.** The Initial Order finds WorldCom's argument to be without sufficient evidentiary support. The Initial Order notes inconsistencies in Qwest's cost study and support documentation, including data that had not been updated to reflect recent productivity gains. Furthermore, the Initial Order finds that the supporting documentation inexplicably includes the cost of reconnecting a customer line even though its purpose was to support the cost of establishing a new service connection. The Initial Order recommends elimination of the work time for reconnecting a customer line, and that other work times be reduced by 30%.

105 **Qwest.** Qwest points out that the record contains evidence that several of the underlying work times had been updated recently. Qwest acknowledges that other work time estimates associated with this element are of an older vintage, but argues that the evidence shows that a UNE-P new connection is the same as a new retail customer connection. Qwest argues it has many years of experience with this latter activity and does not expect work times associated with dispatching a technician and installing service will be different for UNE-P.

106 Qwest also disputes the Initial Order recommendation to eliminate the work time for reconnecting a customer line. Qwest argues that the reconnection time reflects that the customer is a "new" customer rather than a "conversion" or "existing" customer. The reconnection time also reflects that the customer likely has Qwest facilities to the premises that were connected at one time. If an order requires a dispatch and the facilities need to be connected to activate service, the work time estimates associated with these activities must be included for cost coverage.

107 **WorldCom.** WorldCom urges the Commission to affirm the Initial Order's finding that Qwest's supporting documentation on UNE-P New Connections lacked adequate descriptions of the tasks being performed, was inconsistent, failed to adequately reflect recent productivity gains, and included improper costs. WorldCom pointed out that WorldCom witness Morrison could not verify Qwest's proposed costs, and found that many unnecessary tasks were included in Qwest's time estimates that were not described in the cost study.

108 **Decision.** We affirm the Initial Order in part and reverse it in part. Qwest's arguments acknowledge that some of the work time estimates in its supporting documentation have not been recently updated, so concerns about the age of the estimates are still outstanding. Furthermore, the strict reliance on anonymous SMEs to provide unverifiable work time estimates, regardless of vintage, still calls into question the validity of most of Qwest's cost estimates for this element. Thus we affirm the Initial Order except for its recommendation to eliminate the reconnection charge.

109 With regard to the elimination of the reconnection charge, we reverse the Initial Order. It is reasonable to assume that Qwest is entitled to recover the cost if it is necessary to dispatch a technician. But because Qwest's supporting evidence is inadequate, verification of the need for the charge and the correct magnitude and probability of the work is problematic. The best approach is to subject this particular item to the composite 30% reduction applicable to Qwest's other similarly poorly supported nonrecurring cost time estimates.

r. Unbundled Packet Switching

110 Qwest proposes to offer unbundled packet switching ("UPS") at TELRIC rates when: 1) Qwest is providing a similar service to its own retail customers through remote Digital Subscriber Line Access Multiplexers ("DSLAMs") at the end of Qwest fiber-feeder; 2) there is no available space for a CLEC to collocate a similar

DSLAM; and, 3) there is no alternative to provide DSL service through a direct copper loop between the customer and the CLEC.

111 Covad mounts an extensive challenge to Qwest's unbundled packet switching proposal. Covad argues that 1) because the Commission concluded in Part B that Qwest's "DA Hotel" proposal constituted a significant barrier to entry, Qwest's proposed UPS rates in Part D create similar barriers because they are based on similar architecture; 2) Qwest's UPS rates should be considered in a separate proceeding examining all aspects of CLEC access to fiber fed loops; 3) Qwest's proposal is discriminatory because Qwest provides an end-to-end service to its customers but restricts CLECs to transmission and Subscriber Line Access Multiplexers ("SLAM") functionality between the central office and a remote terminal; 4) Qwest's proposal is not the most efficient least cost solution; 5) the use of Next Generation Digital Line Carrier ("NGDLC") architecture would provide a more efficient solution; 6) Qwest's use of an "overlay" approach allows Qwest to include embedded costs and does not comply with TELRIC principles; 7) Qwest's proposal is inappropriate because it offers UPS at an unspecified bit rate; and, 8) Qwest's proposal would prevent CLECs from differentiating their product from Qwest's and would create a price squeeze for CLECs.

112 The Initial Order notes that in the Part B Order the Commission rejected both Qwest's and Verizon's proposals for providing CLECs access to fiber fed loops. In the Part B Order the Commission also declined to adopt Covad's proposal to base these costs on NGDLC architecture because the record was not sufficiently developed at the time. In reaching that decision, the Commission found that its interests were best served by waiting for the outcome of one or both of two investigations – one being conducted by the California Public Utilities Commission and the other by the FCC. These investigations were long underway and presumably close to assessing the technical feasibility of various linesharing-over-fiber and UPS architectures.

113 The Initial Order observes that neither the FCC nor the CPUC has yet released an order in either of the proceedings referred to in Part B. The Initial Order would approve Qwest's UPS rates on an interim basis, but applies the composite 30% work time estimate reduction to them. The Initial Order further finds that even though Qwest's UPS proposal was based on the same DA Hotel architecture that the Commission rejected in the Part B Order, the record in Part D does not support rejecting Qwest's UPS proposal in favor of costs based on NGDLC. The Initial Order recommends that the Commission affirm its previous decision to address issues regarding CLEC access to fiber-fed loops at a later date.[21]

114 Finally, the Initial Order would reject Covad's concern about a price squeeze because it was not sufficiently developed on the record. The Initial Order recommends approval of the remainder of Qwest's proposed UPS rates.

115 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

s. Operator Services / Directory Assistance

116 Based on its interpretation of FCC Orders, Qwest proposes to charge a market-based rate for call branding and switch set up associated with OS and DA. Qwest has included this market-based rate in its SGAT.

117 WorldCom challenges Qwest's interpretation of FCC orders and argues that even if the incumbent provides customized routing, it is still obligated to provide nondiscriminatory access to its OS/DA. Thus, even if the Commission concludes that TELRIC rates are not required for call branding, the Commission should nonetheless establish TELRIC rates for branding so that CLECs may receive nondiscriminatory access (i.e., access to branding at Qwest's cost.) WorldCom

[21] *See* Part B Order, at para. 43-44.

requested that Qwest's proposed branding rates be rejected and that Qwest be required to submit cost studies to support its nonrecurring rates.

118 Commission Staff also challenges Qwest's proposal and argues that regardless of how the Commission resolves disputes relating to customized routing, Qwest should be required to submit cost studies for its OS/DA costs, to allow the Commission to determine whether Qwest's price exceeds its costs to ensure that these rates are not being subsidized by other services in violation of RCW 80.36.300(4).

Administrative Review Issue No. 6: Operator Services/Directory Assistance (Initial Order ¶ 220)

Background. The Initial Order would require Qwest to file a cost study for call branding and switch set-up associated with operator services and directory assistance.

119 **Qwest.** Qwest indicates that it will comply with this portion of the Initial Order but merely seeks guidance as to when the cost study should be filed. Qwest suggests that the filing be made in the new generic docket, No. UT-023003.

120 **Staff.** Staff recommends that Qwest be required to file its cost studies for these elements along with its compliance filing in Part D. Staff suggests this would be consistent with the Initial Order's requirement that all adjusted NRCs be resubmitted in Qwest's compliance filing. If there is a dispute related to this portion of the compliance filing, the Commission would retain the option of requiring further consideration in the new generic cost docket.

121 **Decision.** We clarify the Initial Order's directive to Qwest. Qwest must file its cost study for call branding and switch set-up in the new generic cost docket. This will provide adequate time for all parties to review the filing and air any disputes about it, a process which is less suited to the compliance phase of a case,

especially since the compliance filing is already expected to be quite large and complex.

t. Directory Assistance Listings

122 Directory assistance listing ("DAL") information consists of name, address and telephone number information for all end users of Qwest and other LECs that are contained in Qwest's directory assistance database, and -- where available -- related elements required in the provision of directory assistance service to CLEC's end users. Qwest proposes the use of market-based pricing for the provision of DAL information.

Administrative Review Issue No. 7: Directory Assistance Listings (Initial Order ¶¶ 232-239)

123 **Background.** The Initial Order would reject Qwest's proposed market-based rate for DAL for the same reasons that it rejects Qwest's OS/DA proposal.[22] The Initial Order also recommends that even if Qwest's provisioning of customized routing qualifies for the FCC's OS/DA exemption, Qwest's DAL proposal should be rejected because its proposed market-based rates are discriminatory under section 251(b)(3). Finally, the Initial Order would accept U S West's 1999 TELRIC prices for DAL as interim rates, until Qwest submits a Washington-specific cost study that complies with TELRIC principles.

124 **Qwest.** Qwest contends that the Initial Order was in error in finding the proposal for market- based DAL rates to be discriminatory. Qwest argues that the FCC's DAL Provisioning Order [23] criticized certain other ILECs for discrimination, but that Qwest was not implicated in this criticism.

[22] The Initial Order finds that Qwest's customized routing proposal does not meet the FCC's requirements and thus Qwest is not released from the obligation to provide OS and DA at cost- based rates. ¶ 188.
[23] *Provision of Directory Listing Information under the Telecommunications Act of 1934, As Amended, First Report & Order*, FCC 01-27, CC-Docket No. 99-273 (2001) *("DAL Provisioning Order*").

125 Qwest further argues that neither the FCC nor the Commission has determined the DAL database to be a UNE subject to TELRIC pricing. Quest contends that previous FCC and Commission findings on DAL and related issues indicate that DAL information is not a bottleneck service requiring cost-based pricing to further competition.[24]

126 **WorldCom.** WorldCom contends that Qwest's argument, that it can charge market-based rates for DAL pursuant to the UNE Remand Order, because it provides customized routing, is without foundation, in light of the Initial Order's conclusion that Qwest is not providing customized routing as required by the FCC. WorldCom argues that because Qwest has not sought administrative review of the Initial Order's customized routing finding which requires Qwest to offer operator services and directory assistance services at TELRIC rates, Qwest has no basis for challenging the Initial Order's determinations regarding Qwest's DAL proposal.

127 WorldCom asserts that the FCC has confirmed that ILECs enjoy a competitive advantage with respect to the provision of directory assistance service as a result of their legacy monopoly positions and their dominance in the local exchange and exchange access markets. The ILECs' dominant market position makes cost-based pricing for DAL consistent with FCC guidelines.

128 WorldCom asserts that the FCC has determined that the DAL database is a UNE under Section 251(c)(3).[25] Furthermore, WorldCom contends that Qwest is obligated to provide nondiscriminatory access to the DAL database at TELRIC rates.[26] WorldCom cites the DAL Provisioning Order in which the FCC found that Section 251(b)(3) prohibits ILECs from charging discriminatory and

---

[24] *UNE Remand Order* at ¶¶ 457, 450.
[25] *First Report and Order, In re Implementation of the Local Competition Provisions the Telecommunications Act of 1996*, No. 96-98, 11 FCC Rcd 21905 (rel. Aug. 8, 1996)("Local Competition Order") at para. 538.
[26] *Local Competition Order* at fn. 1126.

unreasonable rates to CLECs and other eligible directory assistance providers. WorldCom states that although the Order did not adopt a specific pricing structure for DAL, it encouraged states to set their own rates consistent with the nondiscriminatory access requirements of 251(b)(3). In reaching its decision, the FCC recognized that state-imposed rates, developed by using cost-based methods, were consistent with dialing parity. The FCC cited a state commission that had implemented a cost-based price model for nondiscriminatory provision of directory assistance.

129 WorldCom also cited the FCC's SBC Forbearance Order, which reaffirmed that ILECs must make available to unaffiliated entities all of the in-region telephone numbers they use to provide non-local directory assistance service at the same rates, terms and conditions they impute to themselves.[27] WorldCom contends that such imputation requires Qwest to provide DAL to CLECs at cost-based, rather than market-based, rates.

130 WorldCom points out that the Texas Commission set cost-based rates for initial listings at $0.0011, and $0.0014 for updates. WorldCom further points out that as late as fourth quarter 1999, the average TELRIC pricing for DAL over the 14 state Qwest region ranged between $0.0073 per listing for initial loads and $0.0171 per listing for daily updates. WorldCom compares this with Qwest's proposed market-based rates in this case of 2.5 cents per initial listing and 5 cents for each update.

131 **Staff.** Staff agrees with the conclusions set forth in the Initial Order on the basis that DAL is an essential input into any OS/DA offering and that the Initial Order correctly interpreted FCC orders on the proper pricing of DAL.

---

[27] *FCC Memorandum Opinion and Order, In the Matter of the Petition of SBC Communications Inc for Forbearance of Structural Separation Requirements and Request for Immediate Interim Relief in Relation to the Provision of Nonlocal Directory Assistance Services*, et al CC Docket No. 97-172, DA 00-514 (adopted April 11, 2000)("*SBC Forbearance Order*").

132 **Decision.** We affirm the Initial Order. Qwest did not challenge the Initial Order's determination that Qwest was not eligible to charge market-based rates for OS/DA. Since DAL is integral to provision of OS/DA, Qwest is similarly not eligible to charge market-based rates for DAL. Furthermore, the Initial Order correctly determined that Qwest's proposal to charge a market-based rate is discriminatory under Section 251(b)(3).

u. Operator Services

133 The Initial Order finds that in light of its proposed decision to reject Qwest's customized routing proposal, Qwest's market-based rate proposal would similarly be rejected. The Initial Order would require Qwest to offer OS and DA at the TELRIC rates established in UT-960369 to CLECs whose customized routing needs have not been accommodated by Qwest.

134 **Decision.** No party contested the Initial Order with regard to this issue. It is accepted for purposes of this Order.

v. Access to Poles, Conduit, and Rights of Way

135 Access to poles, ducts and rights-of-way ("ROW") provides CLECs the ability to attach facilities to Qwest-owned or controlled poles, ducts, and ROW in order to provide telecommunications services. Qwest offers access on a "first-come, first-served" basis to existing facilities that are not allocated for repair, emergency or projects in progress. Although some of these rate elements were considered in Part B, Qwest filed revised rates for each of the nine pole, conduit, and ROW access elements in this proceeding because Qwest believed that updates were necessary. Qwest's proposal calls for nonrecurring rates associated with Pole Inquiry Fee (per inquiry), Innerduct Inquiry Fee (per inquiry), ROW Inquiry Fee, ROW Document Preparation Fee, Field Verification Fee (per Pole), Field Verification Fee (per Manhole), Planner Verification (per Manhole), Manhole

Verification Inspector (per Manhole), and Manhole Make-Ready Inspector (per Manhole).

Administrative Review Issue No. 8: Poles, Ducts and Rights of Way (Initial Order ¶ 243)

136 **Background.** The Part B Order adopted Qwest's proposed nonrecurring charges for database inquiries and field verifications as interim rates to be revisited during the new generic cost case because the Commission needed more information to determine whether or not Qwest was achieving a double recovery of costs associated with these two items. The Part B Order also limited recovery for manhole inspections along a route based on the density of the area of inspection, and limited work time for manhole inspection activities to two hours.

137 The Part D Initial Order would require work time estimates for data base inquiries and field verifications to be reduced by 30%, except to the extent the reduction conflicts with the Part B Order.

138 **Qwest.** Qwest contends that because of the Commission's decision in Part B, the 30% work time reduction is unnecessary with regard to these activities. Qwest points out that the Part B Order allowed Qwest to assess charges for field verifications based on inspecting only one manhole per block in congested areas and one manhole every four blocks in non-congested areas, even though Qwest will actually be physically inspecting each manhole. Furthermore, the Commission approved a work time of 2 hours per manhole, which was less than Qwest's proposed rate. Additionally, Qwest suggests that it has restructured the pole and innerduct inquiry fees from a per-mile basis (Part B) to a per-inquiry basis (Part D). Thus, even though the per-inquiry fee may be higher than the per-mile fee, a CLEC is able to make an inquiry for multiple route miles of pole line or innerduct, which would end up costing less than the equivalent request on a per-mile basis. Qwest asks the Commission to allow it to charge the approved Part B rates for field verification, and the proposed Part D rates, without reduction, for the inquiry activity.

139 **WorldCom.** WorldCom suggests that the Initial Order appears to supersede the Part B Order on the issue of database and field verification. WorldCom does not agree with the arguments set forth in Qwest's Petition regarding the Part B and Part D Orders, but does agree that clarification is needed as to how to implement the Orders as they pertain to field verification and inquiries relating to poles, conduit and rights of way.

140 **Staff.** Staff agrees with Qwest's proposed treatment of field verifications, but disagrees on the issue of inquiry charges. Staff urges the Commission to affirm the Initial Order on inquiries and affirm the 30% reduction in estimated work times for those items. Staff observes that Qwest's contention that the "per inquiry" fee may be higher than the "per mile" fee is not supported on the record with information about the actual or average number of miles for CLEC orders that Qwest has processed. If most CLEC orders are within short distances from the central office, a "per mile" fee may be lower than a "per inquiry" fee.

141 On the issue of field verifications, Staff notes that prior orders of the Commission provide specific direction about field verification charges that is inconsistent with the 30% composite reduction in work times. Staff requests that the Commission clarify whether Qwest has properly interpreted the intention of the initial order.

142 **Decision.** We clarify the holding of the Part D Initial Order, which must be interpreted as continuing in effect Qwest's Part B database inquiry and field verification rates as interim rates until Qwest can provide more information regarding the double recovery issue in the new generic cost docket. The import of this clarification is that we reject Qwest's restructuring of the inquiry fee from a "per mile" basis to a "per inquiry" basis. We are persuaded that there is not adequate support in the record for us to determine whether the per inquiry fee would be fair and reasonable.

143 We further clarify that the Part D Initial Order also retains the Part B Order limitation on recovery for manhole inspections and the manhole inspection work time limitation of two hours. Any other work time estimates associated with access to poles, ducts and rights of way that were not previously addressed in the Part B Order must be reduced by 30%, as established earlier in this Order.

w. Bona Fide Request Process

144 Qwest's estimate of the time needed to complete a bona fide request ("BFR") process is based on the experience of its SMEs in analyzing requests by CLECs for services or arrangements that it does not currently provide. These SME estimates allegedly represented the average amount of time spent on each particular activity.

145 WorldCom argues that Qwest costs are based on inflated work times and that the work times were inflated because Qwest did not exclude the costs associated with "thinking time" for BFRs that address identical issues.

146 The Initial Order agrees that Qwest has inflated its work time estimates and requires application of the 30% composite work time estimate reduction to them. The Initial Order does not agree with WorldCom's "thinking time" argument because Qwest has remedied the situation by agreeing, during the Section 271 workshop process, that once physical feasibility has been addressed, future requests will be addressed via the special request process. The Initial Order would require Qwest to provide CLECs, upon request, an updated company-wide list of topics for which technical feasibility had already been considered in the BFR process. This will allow CLECs to more accurately determine and audit the charges they expect to incur when making requests for different interconnection services.

147 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

3. QWEST'S RECURRING COSTS

a. Overview

148 Qwest uses several different investment models to calculate UNE investments supporting Qwest's recurring costs. UNE investments represent the capital expenditures for materials and installation that would be necessary in order for Qwest to replace its network facilities.

b. Factors

149 Discussion and decisions regarding factors in the context of Qwest's nonrecurring cost proposal are identical to factors issues in the context of recurring costs, and will not be repeated here.

4. QWEST'S INDIVIDUAL RECURRING RATES

a. Collocation

i. Channel Regeneration

150 Qwest proposes to provide channel regeneration without additional charge to a CLEC if such regeneration is necessary to meet the ANSI standard for the particular facility requested. Qwest also offers channel regeneration as an optional service that a CLEC may request even though regeneration is not required to meet the ANSI standards.

151 Staff supports Qwest's rates but WorldCom expresses concern that Qwest inflated costs by assuming an excessive percentage of outside vendor labor in its

study. WorldCom suggests that the Commission require Qwest to recalculate its costs assuming 80% Qwest labor.

152 The Initial Order rejects WorldCom's adjustment as having insufficient support in the record. The Initial Order would approve Qwest's proposed channel regeneration rates.

153 **Decision.** No party challenged the Initial Order's conclusions regarding Qwest's channel regeneration rates and they are accepted for purposes of this proceeding.

ii. Fiber Terminations

154 In Part A of this proceeding the Commission ordered Qwest to make a compliance filing using Verizon's proposed rates for DS0, DS1 and DS3 terminations. According to Qwest, however, Verizon's rates for fiber terminations do not provide any recovery for the recurring costs associated with the equipment on which the fibers terminate. Therefore, Qwest submits a cost study that develops a rate for recovery of the cost of the fiber distribution frame ("FDF") and fiber distribution panel ("FDP") upon which the fibers terminate, and the fiber jumpers necessary to make the connections.

155 Based on the evidence cited by Qwest, the Initial Order finds Qwest's proposed fiber termination rates reasonable and would approve them.

156 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

b. Remote Collocation and Remote Adjacent Collocation

157 Qwest proposed two recurring charges associated with Remote Collocation and Remote Adjacent Collocation – Collocation Space and FDI Terminations. Qwest

claims that Collocation Space charges are assessed on a per-SMU basis. The recurring cost purportedly includes maintenance costs associated with collocated equipment, plus a small portion of the power pedestal expense. The recurring FDI termination cost includes the maintenance costs associated with this equipment.

158 The Initial Order determines that, consistent with the Initial Order decision regarding Qwest's nonrecurring remote collocation proposal, Qwest's recurring remote collocation charges should be approved on an interim basis until the Commission is able to address them in a separate proceeding.

159 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

c. CLEC to CLEC Collocation

160 Qwest proposes a recurring charge for cable racking. The charge is a per foot, per month charge that recovers the cost of the racking used to support the cabling, but not the cabling itself. Prices vary by the type of cabling being supported (e.g., DS0, DS1, DS3 and fiber).

161 The Initial Order would approve Qwest's proposed rates on an adjusted basis, consistent with the decision regarding its nonrecurring CLEC to CLEC collocation rates, which were addressed earlier in the Order.

162 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

d. Space Optioning

163 Qwest proposes a recurring charge for space optioning, known as the space option fee, of $2.00 per square foot. This fee is based on the amount of space being optioned on per-month and per-square foot basis. According to Qwest there is no cost study to support that charge because it was agreed to in the 271 workshops.

164 The Initial Order finds Qwest's proposed space optioning rate reasonable and would approve it.

165 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

e. OCn Capable Loops

166 Optical Carrier n-level ("OCn") capable loops are digital transmission paths that transport bi-directional high capacity SONET (Synchronous Optical Network) signals at varying rates of signaling capacity. The transmission path runs from a Qwest serving wire center network interface to the end user network interface located at the end user's premises within the serving area of the wire center. The installed investments for OCn loops are calculated in the cost model.

167 Based on the evidence cited by Quest, the Initial Order finds Quest's proposed rates for this element reasonable and would approve them.

168 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

f. OC-48 UDIT

169 Qwest's cost study supporting its rate for OC-48 UDIT[28] is consistent with the cost studies submitted in Part B for OC-3 and OC-12 UDIT. Quest maintains that the rates for the lower capacity UDITs were accepted in the Part B Order, at paragraphs 244-246. The OC-48 UDIT rate was not challenged in Part D. Qwest proposes that these rates be approved as filed.

170 The Initial Order would find Qwest's proposed rates for this element reasonable and approve them as set out in Exhibit No. 2050.

171 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

g. UDIT/EUDIT

172 Because testimony on this issue was withdrawn in the Part D proceeding, this issue was not addressed in the Initial Order and need not be addressed here.

h. Unbundled Dark Fiber

173 Qwest filed a cost study supporting its costs and prices for unbundled dark fiber.

174 The Initial Order would find that, based on the evidence cited by Qwest, Qwest's proposed rates for this element are reasonable and approves them as set out in Exhibit No. 2050.

175 **Decision.** No party challenged the Initial Order's conclusion on this issue and it is accepted for purposes of this proceeding.

---

[28] "OC" refers to Optical Carrier.

i. Local Switching

176 Vertical switch features are software attributes of end office switches. Qwest offers a list of vertical features that are available to CLECs that purchase a line side port. The unbundled line port has a recurring charge to recover the cost of the port previously established by this Commission. Qwest claims that in UT-960369 the Commission approved switching costs for Washington based on an FCC Staff analysis of 1995 switch investments. This analysis failed to include Qwest's capitalized lease costs that represent the right-to-use fees Qwest pays for the additional software needed to provision vertical features in the switch. In this proceeding, Qwest proposes an additional element of recurring cost to recover the previously unaccounted for capitalized lease cost.

177 Qwest proposes that these capitalized lease costs be added to the existing analog line-side port rate. This will result in a new port rate that more appropriately reflects the costs of the port and vertical features. In addition to a basic analog line-side port, Qwest proposes to offer a new premium 6-way port for use primarily by Centrex customers. The premium port rate is incremental to the analog line-side port rate so no additional costs for vertical features are included. However, like the analog port, the premium port would also include the capitalized lease costs associated with vertical features.

178 The Initial Order would find that the Commission decision in UT-960369 relied on more than just the FCC Staff analysis of 1995 switch investments. It placed equal weight on various factors, including most significantly, vendor contracts. Because Qwest fails to demonstrate that the right-to-use fees it now seeks to impose were not accounted for in the Commission's prior decision, the Initial Order would reject Qwest's proposed port rate for analog services. However, the Initial Order further would find that since the digital market was in too early a stage of development to have been considered in UT-960369, the cost of the

digital BRI ports was not fully reflected in the cost data. On that basis, the Initial Order would approve Qwest's port rate for BRI-ISDN port terminations.

179 **Decision.** No party challenged the Initial Order's conclusion on this issue and it is accepted for purposes of this proceeding.

j. Vertical Features

180 Qwest proposes that the CLASS Call Trace switch feature be included in switching costs.

181 The Initial Order finds Qwest's CLASS Call Trace proposal reasonable and would approve it.

182 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

k. Digital Line Side Port

183 Qwest proposes to offer a digital line-side port, supporting BRI-ISDN, in both a basic and a premium port.

184 The Initial Order finds Qwest's proposed rates reasonable and would approve them.

185 **Decision.** No party challenged the conclusion of the Initial Order on this issue and it is accepted for purposes of this proceeding.

l. Digital Trunk Ports

186 Qwest proposes rates for digital trunk ports based on its belief that trunk port investment was not included in the FCC data originally used to calculate switching costs.

187 The Initial Order reviews Qwest's response to Bench Request No. 49 which indicated that the FCC data used to calculate switching costs did not include certain costs related to BRI-ISDN trunk ports. However, Qwest's response only discussed changes with respect to BRI trunk ports, not standard PBX trunk ports. For this reason, the Initial Order finds that the cost of PBX trunk ports was already reflected in the FCC's calculations because PBX trunk ports were commonly available at the time the calculations were performed. Therefore, the Initial Order would approve Qwest's proposal only with respect to BRI-ISDN trunk ports. All other proposed costs would be rejected.

188 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

m. DS0 Analog Trunk Ports

189 Qwest proposes these rates based on its belief that these investments were excluded from the FCC data originally used to calculate switching costs as supported by the company's response to Bench Request No. 49.

190 For the same reasons stated in the section devoted to Digital Trunk Ports, the Initial Order would reject Qwest's proposed rates for DS0 analog trunk ports.

191 **Decision.** No party challenged the conclusion of the Initial Order on this issue and it is accepted for purposes of this proceeding.

n. Customized Routing

192 Qwest did not propose any specific monthly recurring charges for the customized routing solutions it is currently offering. Therefore, the Initial Order does not address the issue and it need not be addressed here.

o. Common Channel Signaling/SS7

193 Qwest's proposed recurring rates for its Common Channel Signaling/SS7 proposal are assessed on a per-terminating-call basis.

194 WorldCom challenges Qwest's Common Channel Signaling/SS7 recurring rates as vague, and argues that neither a review of Qwest's SGAT nor Qwest's discovery responses allows WorldCom to determine with particularity the circumstances under which Qwest proposes to assess these rates. WorldCom contends that Qwest failed to meet its burden of proof, therefore, its proposed SS7 charges should be rejected.

195 The Initial Order would rejects WorldCom's arguments as being without sufficient support in the record. Consistent with the Initial Order's decision regarding nonrecurring rates for this element, the Initial Order would find Qwest's recurring rates reasonable and approve them.

196 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

p. ICNAM

197 WorldCom seeks to obtain from Qwest bulk access to Qwest's inter-network calling name ("ICNAM") database. WorldCom argues that ICNAM is a UNE and, as such, Qwest is obligated to provide access on just, reasonable, and

nondiscriminatory terms. Thus, WorldCom maintains that Qwest should be required to provide access to its ICNAM database on a bulk download or “batch” basis. WorldCom claims that limiting access to a per-query or "dip" basis discriminates against WorldCom and other CLECs by giving Qwest an unfair advantage regarding costs, service quality, and the provision of new and innovative services.

198 WorldCom concedes that the Commission considered this issue in the Qwest 271 proceeding. However, WorldCom claims the scope of the Section 271 docket was limited to the FCC’s requirements for a Regional Bell Operating Company (“RBOC”) to satisfy the competitive checklist. Thus, WorldCom claims that the Commission did not necessarily analyze the issues in that docket based on its ability to expand the unbundling obligations set by the FCC.

199 WorldCom states that the FCC has determined that query-only access to other databases is discriminatory based on FCC holdings regarding CLEC access to call-related databases such as the DAL database. Similarly, WorldCom claims that the ICNAM database is also a call-related database and competitors’ access to this database should not be limited to a per-query or per-dip basis only.

200 WorldCom states that the Michigan commission has found that the ILEC is obligated to provide full or batch access to the ICNAM database in a downloadable format.[29]

201 The Initial Order finds that query only access to the ICNAM database is supported by the FCC’s rules and orders. Therefore the Initial Order would reject WorldCom’s request that Qwest provide access to ICNAM on a per batch basis.

---

[29] *See In the Matter of the Application of SWBT Michigan for Approval of Cost Studies and Resolution of Disputed Issues Related to Certain UNE Offerings,* Case No. U-12540 at 21, 2001 Mich. PSC LEXIS 33 (March 2001).

202 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

q. EEL Transport

203 Qwest proposes recurring fixed and recurring per mile charges for OC-3, OC-12, and OC-48. Qwest also introduced OC-48 fixed and per mile recurring charges for four separate mileage bands. Similar rates were presented in Part B and were not contested. Therefore Qwest requests acceptance of these rates on the same basis.

204 The Initial Order would find Qwest's proposed rate structure for EEL Transport to be reasonable and approve it.

205 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

r. Unbundled Packet Switching

206 Qwest interprets FCC orders as only requiring ILECs to offer unbundled packet switching ("UPS") in certain circumstances where the ILEC does not provide CLECs access to remote terminal collocation.[30] In this context, Qwest proposes that UPS costs be based on Qwest's DA Hotel architecture.

207 Covad challenges Qwest's proposed UPS rates on the basis that the network architecture, equipment, assumptions, and inputs underlying the DA Hotel architecture are not TELRIC-compliant, and have been previously rejected by the Commission as an appropriate method for access to fiber fed loops. Covad offers an alternative architecture – NGDLC – as it did in the discussion above on nonrecurring rates for unbundled packet switching.

---

[30] *See* UNE Remand Order, at para 313.

208 Consistent with its decision on nonrecurring rates for unbundled packet switching, the Initial Order would approve Qwest's UPS rates on an interim basis, and subject to the same requirements as decided for nonrecurring rates, so that CLECs may order UPS. The Initial Order also would find that while Qwest's UPS proposal was based on the same DA Hotel architecture that the Commission rejected in the Part B Order, the record in Part D does not support rejection of Qwest's UPS proposal in favor of costs based on NGDLC. Finally the Initial Order recommends that the Commission affirm its previous decision to address these issues at a later date.[31]

209 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding. We will separately address issues related to Unbundled Packet Switching as we indicated in the Part B Order.

s. Operator Services / Directory Assistance

210 The Initial Order does not address this issue, other than to indicate that no new arguments had been presented in the recurring cost discussion that had not been presented under nonrecurring costs. The Initial Order rejects Qwest's market-based rate proposal, and requires Qwest to submit a cost study for OS and DA so that these network elements could be made available at cost based rates to CLEC's whose customized routing needs have not been accommodated by Qwest.

211 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding. Qwest must file a cost study for OS and DA in the new generic cost docket.

---

[31] *See* Part B Order, at para. 43-44.

t. Directory Listings

212 This issue has been fully addressed above with respect to Qwest's nonrecurring cost proposal.

u. Category 11 and Daily Usage Record File

213 The Initial Order deferred further consideration of these elements to the new generic cost docket.

5. VERIZON'S NONRECURRING AND RECURRING COSTS AND RATES

a. Overview

214 Verizon proposes UNE costs and rates for multiplexing, fiber optic patchcord ("FOP") Collocation, Virtual Collocation and Dedicated Transit Service ("DTS"). Verizon's proposes rates were few in number compared to Qwest, and the majority of them were uncontested. They are discussed individually below.

215 The Initial Order indicates that there was comparatively little testimony about Verizon's submission. However, as with the Qwest study, the Initial Order notes various problems associated with the Verizon NRC study. First, the study relies on time and motion data that the Company submitted in Part B. Because the Commission found the values submitted by Verizon in Part B to be unreasonable, the Initial Order would require Verizon, in its Part D compliance filing, to make the same methodological adjustment to its work time estimates that were required in Part B.[32]

[32] Part B Reconsideration Order, at para. 113-14. The 20% factor should only be used where Verizon has adopted a true-up value that exceeds 20%.

216 The Initial Order also finds that Verizon failed to submit adequate support for the data provided by its SMEs. But unlike Qwest, no testimony was submitted that suggested the adoption of alternative values. Thus the Initial Order would not require adjustments similar to those required of Qwest. Rather the Initial Order would approve Verizon's SME nonrecurring cost work time estimates as reasonable on an interim basis only, and would require Verizon to resubmit nonrecurring cost studies supported by time and motion studies in Docket No. UT-023003.

217 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

b. Multiplexing Service Connection

218 Multiplexing is the combining of two or more channels into a single channel for transmission over the telecommunications network. Multiplexing also refers to the division of a transmission facility into two or more channels. For transmission of data signals, the more channels or the higher the bandwidth of a signal, the more data that can be transmitted over the medium. Special telecommunications equipment is necessary to combine or divide channels at various frequency levels.

219 In Part D, Verizon submits nonrecurring service connection rates for DS3 to DS1 multiplexing based on the cost of central office activity to respond to a CLEC order. Verizon does not identify separate service connection costs for DS1 to DS0 multiplexing, and thus does not propose separate nonrecurring service connection rates for this item.

220 Verizon's proposal calls for multiplexing service connection rates to apply when a CLEC places a wholesale loop and transport UNE order with a specific request for DS3 to DS1 multiplexing. Separate rates are identified for installation orders

and disconnection orders. The proposed multiplexing nonrecurring rates do not include the recovery of common costs, as Verizon does not mark-up its nonrecurring costs.

221 Based on the evidence, the Initial Order would approve Verizon's proposed multiplexing service connection rates on an interim basis, subject to being resubmitted in the new generic cost case with adequate supporting evidence.

222 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

c. Fiber Optic Patchcord

223 The fiber optic patchcord is an optical fiber jumper with fiber connections on each end that provide a connection between a collocator's equipment and Verizon's fiber distribution panel.

224 Verizon proposes nonrecurring rates for Fiber Optic Patchcord Pull, Fiber Optic Patchcord Termination, and Fiber Optic Patchcord – 24 Fiber Connectorized. Verizon proposed recurring rates for Fiber Optic Patchcord – Facility Termination and Fiber Optic Patchcord – Cable Duct Space. These proposed fiber optic rates apply to caged, cageless, and virtual collocation arrangements.

225 According to Verizon the monthly recurring rates for all collocation elements include an equal percentage mark-up above their TELRIC for recovery of forward-looking common costs (i.e., a fixed-allocation pricing approach). Verizon applied the fixed allocator of 24.75% approved by the Commission in UT-960369. Verizon does not mark up the costs supporting its proposed nonrecurring rates to recover common costs. Verizon agrees with Commission Staff's position that prices for fiber optic cables should be set on the "per connector cable" basis, rather than on a per foot basis.

226 The Initial Order would approve Verizon's proposal, as corrected with regard to setting prices for fiber optic cables, with one specific modification. While Verizon's proposal implemented the Common Cost Factor ("CCF") of 24.75% approved in the Commission's Part A Order, the Commission in Part B of this proceeding ordered Verizon to recalculate its costs using a CCF of 19.3%.[33] Therefore, the Initial Order would require Verizon, as part of its Part D compliance filing, to recalculate its costs for all recurring and nonrecurring rate elements filed in Part D using the CCF of 19.3%. Further, the Initial Order would approve Verizon's rate proposal on an interim basis, subject to Verizon's presentation of revised rates in the new generic cost case.

227 **Decision.** No party challenged these conclusions of the Initial Order and they are accepted with the clarification that since Verizon does not apply common cost factors to nonrecurring costs, Verizon need not recalculate its nonrecurring rate elements in Part D using the common cost factor of 19.3%.

d. Virtual Collocation

228 Virtual collocation is an arrangement between a CLEC and Verizon to place equipment provided by the CLEC in Verizon's central office. Under this arrangement, Verizon installs and maintains CLEC-provided equipment that is dedicated to the exclusive use of the CLEC. The equipment is installed on a relay rack in the Verizon central office. Like caged or cageless collocation, the CLEC provides the fiber optic facilities that connect Verizon's entrance manhole to the CLEC's virtually collocated equipment.

i. Power Cable

229 Virtual collocation includes costs for "power cable." Verizon relies on the same average power cable lengths for virtual collocation that were established for

[33] *See* Part B Order, at para. 379. *Also see* Part B Order on Reconsideration, at para. 154.

physical collocation in Part A of this proceeding. Commission Staff disputes Verizon's proposed costs. Staff argues that there are differences in power cable lengths for virtual and physical collocation because physically collocated equipment is situated more distant from battery supplies than virtually collocated equipment.

230 Verizon argues that cable lengths for virtually collocated equipment are not always shorter than those for physically collocated equipment. Verizon's use of battery distribution fuse bays ("BDFB") minimizes power cable lengths to equipment. Furthermore, equipment is placed throughout Verizon's central offices based on available vacant space, with similar types of equipment placed together in a specific part of the central office. Therefore, because equipment is placed in a central office based on function and not ownership, Verizon argues that there is no reason to assume that power cable lengths will differ depending on the type of collocation being considered. Finally, Verizon conducted a survey of its three Washington central offices and determined that the average power cable length for Washington central offices with virtual collocation was within 4 feet of the average power cable length assumed by Verizon in its physical collocation cost study.

231 The Initial Order finds fault with the small size of Verizon's sample (three Washington central offices) to determine comparability of power cable lengths, as well as with the lack of information about when the spot check of the Washington offices took place. The Initial Order also points out that Verizon fails to explain why the company does not rely on power cable lengths between BDFBs in Washington central offices and Verizon's own telecommunications equipment. Ultimately, the Initial Order would reject Verizon's proposed rates for power cables. Because no alternative rate was proposed and no adjustment to Verizon's rate was appropriate based on the record, the Initial Order would approve Verizon's rate on an interim basis. The Initial Order would require Verizon to file new rates in the new generic cost case and to file in the new generic cost case a revised study based on power cable lengths between BDFBs and the company's own telecommunications equipment and virtual collocation arrangements located in Washington central offices.

232 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

ii. Other Virtual Collocation Costs

233 Verizon's Engineering/Major Augment Fees are designed to apply to each virtual collocation arrangement that is designated as a major augmentation. Major augments are those requests that add telecommunications equipment requiring: additional AC or DC power systems; heating, ventilation and air conditioning system modifications; or a change in the size of the collocation arrangement.

234 Verizon develops two different Engineering/Major Augment rates to address Commission Staff's concerns that CLECs should not pay for outside plant engineering activities in all circumstances.

235 Verizon's proposes Virtual Equipment Installation rate applies on a per quarter rack (or quarter bay) basis to recover the costs for engineering and installation of virtual collocation equipment. This rate applies to the installation of powered equipment including, but not limited to, ATM, DSLAM, frame relay, routers, OC3, OC12, OC24, OC48, and NGDLC.

236 Verizon develops a weighted cost for the installation of circuit equipment based on the frequency that each type of equipment is virtually collocated in Verizon's central offices. Verizon agrees to recalculate its per rack installation costs if the equipment allocation percentages change significantly.

237 The Initial Order finds that no party disputed Verizon's other virtual collocation rates. The Initial Order finds Verizon's virtual collocation rates, except for Power Cable, to be reasonable and would approve them.

238 **Decision.** No party challenged this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

e. Dedicated Transit Service

239 Verizon proposes rates for Dedicated Transit Service ("DTS") to comply with the FCC's Collocation Remand Order.[34] DTS is available for DS0, DS1, DS3, and dark fiber connections. In addition, Verizon proposes to provide other technically feasible cross-connection arrangements, including lit fiber, on an Individual Case Basis as requested by CLECs.

240 Verizon proposes nonrecurring rates for the following service order and service connection elements for DS0 (or voice grade levels), DS1/DS3 and optical (dark fiber) levels:

- Service Order – Semi-Mechanized;
- Service Order – Manual;
- Service Connection– CO Wiring; and
- Service Connection – Provisioning.

241 Verizon proposes to use the record order cost of $3.70 for a manual order and $2.09 for a semi-mechanized order that were approved in Part B of this proceeding. Verizon also proposed that the OSS Transition cost of $3.27 and the OSS Transaction cost of $3.76 approved by the Commission in the Part A Order apply to DTS orders.

242 Consistent with prior Commission orders, Verizon proposes separate nonrecurring rates or charges for manual and semi-mechanized orders, and separate rates for installation and disconnection. Verizon does not mark-up the costs that support its proposed nonrecurring rates to recover common costs. Verizon anticipates that DTS requests for DS0, DS1, and DS3 will be processed in the same manner as dedicated non-switched transport requests, and DTS requests for dark fiber will be processed in the same manner as dark fiber dedicated transport requests. Thus, Verizon proposes that the company's costs for dedicated non-switched transport and dark fiber that were submitted in the Part B proceeding be adopted for relevant DTS costs.

243 Based on the record, the Initial Order would approve Verizon's proposed rates on an interim basis subject to submission of revised rates in the new generic cost docket. However, to the extent that Verizon's proposed DTS rates relied upon costs filed in Part B of this proceeding, the Initial Order would require Verizon to make a compliance filing to amend its rates to reflect any cost study adjustments that the company was required to make pursuant to the Commission's Part B Order.

244 **Decision.** No party disputed this conclusion of the Initial Order and it is accepted for purposes of this proceeding.

IV. FINDINGS OF FACT

245 Having discussed above in detail the written testimony and the documentary evidence concerning all material matters, and having stated findings of fact and conclusions of law in the text of the Order, the preceding detailed findings and conclusions are incorporated by this reference.

---

[34] *In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability*, Fourth Report and Order, F.C.C. Comm'n Order No. 01-204, 16 FCC Rcd 15435 (2001) ("Collocation

246 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of public service companies, including telecommunications companies.

247 (2) Qwest Corporation and Verizon Northwest, Inc., are each engaged in the business of furnishing telecommunications service within the state of Washington as a public service company.

V. CONCLUSIONS OF LAW

248 The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of this proceeding and all parties to this proceeding.

249 (1) Tariffs that are filed with the Commission pursuant to the findings, conclusions, and directions of the final order in this docket will be just and reasonable in accordance with the pricing standards stated in Section 252(d) of the Telecommunications Act of 1996, and fair, just, reasonable, and sufficient in accordance with RCW 80.36.080.

VI. ORDER

250 The Commission hereby orders as follows:

251 The rates proposed by Qwest and Verizon, respectively, are approved, in part, and rejected, in part, consistent with findings and conclusions as follows:

252 (1) As to each network rate element that is uncontested or is approved without change, Qwest and Verizon shall file tariffs consistent with a final order in this proceeding no later than eight business days after the service

Remand Order”).

date of a final order, with a stated effective date of twelve business days after the date of filing, unless additional time is specifically requested and granted by letter of the Commission's executive secretary. The tariff filings must be limited to uncontested rate elements, rate elements approved without change, or those specifically authorized in this Order.

253 (2) As to each network rate element that is rejected as proposed, Qwest and Verizon shall file rate tariffs and supporting compliance filings consistent with this Order no later than ten business days after the service date of a final order. Other parties may respond to those items no later than fifteen business days after the service date of a final order, unless additional time is specifically requested and granted by letter of the Commission's executive secretary. The Commission will enter an order approving or disapproving the subsequent filings or giving further instructions.

Administrative Review Issue No. 9: Deadline for Filing Compliance Tariffs (Initial Order ¶¶ 359-360

254 **Initial Order.** The Initial Order would require Qwest to file compliance tariffs eight business days after entry of the order.

255 **Qwest.** Qwest observes that the eight-business day requirement does not allow enough time to accomplish compliance filings. Qwest observes that when an order is entered, Qwest must evaluate the order, determine what compliance filings must be made, determine how much time will be required, and prepare and file a request for an extension of time, when it becomes clear that the deadline will not be able to be met. Often, the request for an extension is then made very close to the deadline, causing disruption to the ALJ and the Commission, who must act expeditiously to grant or deny the request prior to the deadline. Qwest suggests the problem could be greatly alleviated by routinely requiring compliance filings in 15 days from the order entry date.

Qwest does not represent that this would eliminate every request for an extension, but that for the most part, extensions would be much less frequently requested.

256 **Staff.** Staff does not challenge Qwest's request for additional time to make compliance filings, but advocates that additional time also be allowed for review of compliance filings. Staff recommends that if the compliance filing deadline is extended to 15 business days after entry of the order, the stated effective date for uncontested items should be 30 days from the date of the order. Staff further suggests that 30 business days be allowed after the service date of a final order for other parties (including Staff) to respond to contested items.

257 **Decision.** We adopt both Qwest's and Staff's proposals for this particular proceeding. The Commission may vary the customary eight business day schedule for compliance on an individual case basis. Because of the expected length and complexity of the anticipated compliance filings in this case, lengthening the periods for filing and review is reasonable.

258 (3) A copy of each filing with the Commission must be served on counsel for other parties so that it is received on the date filed with the Commission.

259 (4) Each compliance filing must be accompanied by a brief description of what is accomplished by the filing, how it complies with the terms of the final order, and specifically must identify each input modified, including the exhibit, page, and line number where the modification was made.

260 (5) The Commission retains jurisdiction over all matters and the parties in this proceeding to effectuate the provisions of this Order.

Dated at Olympia, Washington and effective this _____ day of December, 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner

NOTICE TO THE PARTIES: This is a Final Order of the Commission. The statutory time for seeking judicial review commences with the date of entry of this order, or, if a petition for reconsideration has been filed, with the date the petition is considered denied or is otherwise disposed of. Any party may seek a stay of this order, pursuant to WAC 480-09-800, by filing a petition within ten days after its service. Any party may seek reconsideration of this order by filing a petition for reconsideration within ten days after the order is served in accord with the provisions of WAC 480-09-810.One copy of any Petition or Answer filed must be served on each party of record, with proof of service as required by WAC 480-09-120(2). An original and nineteen copies of any Petition or Answer must be filed by mail deliver to:

Attn: Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

APPENDIX A

PART D FINAL ORDER – TELECOMMUNICATIONS ACRONYMS

AIN	Advanced Intelligent Network
ANSI	American National Standards Institute
ATM	Asynchronous Transfer Mode
BDFB	Battery distribution fuse bay
BFR	Bona Fide Request
BRI-ISDN	Basic Rate Interface Integrated Services Digital Network
BT	Bridge tap
CCF	Common Cost Factor
CCSAC	Common Channel Signaling Access Service
CLASS	Custom Local Area Signaling Services
CLEC	Competitive local exchange company
CMS	Centrex Management Systems
CO	Central office
CTC	Customer Transfer Charge
DA	Directory Assistance
DAL	Directory assistance listing
DID/DOD/PBX	Direct Inward Dial/Direct Outward Dial/Private Branch Exchange
DLC	Digital loop carrier
DSLAM	Digital Subscriber Line Access Multiplexers
DTS	Dedicated Transit Service
ENRC	Enhanced nonrecurring cost model
EUDIT	Extended unbundled dedicated interoffice transport
FGD	Feature Group D
FDI	Feeder distribution interface
FDF	Fiber distribution frame

FDP	Fiber distribution panel
FOP	Fiber Optic Patchcord
FV/QP	Field verification/quote preparation
ICB	Individual case basis
ICNAM	Inter-network calling name
ILEC	Incumbent local exchange companies
LIDB	Line Information Database
NID	Network Interface Device
NGDLC	Next Generation Digital Line Carrier
NRC	Nonrecurring Costs
OCn	Optical Carrier "n" level
OC	Optical Carrier
OS	Operator Services
OSS	Operational support systems
PAL	Public access line
PBX	Private branch exchange
PID	Performance indicator definition
POTS	Plain old telephone service
PRI-ISDN	Primary rate interface-ISDN
QPAP	Qwest's performance assurance plan
QPF	Quote Preparation Fee
RBOC	Regional Bell Operating Company
ROW	Rights-of-way
SLAM	Subscriber line access multiplexers
SME	Subject matter experts
SMU	Standard Mounting Unit
SS7	Signaling System 7
TELRIC	Total element long run incremental cost

UDF	Unbundled dark fiber
UDIT	Unbundled dedicated interoffice transport
UNE	Unbundled network elements
UNE-P	UNE-Platform
UPS	Unbundled packet switching