

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE CONTINUED)
COSTING AND PRICING OF UNBUNDLED) DOCKET NO. UT- 003013
NETWORK ELEMENTS, TRANSPORT,) PHASE A
TERMINATION, AND RESALE)

PHASE A RESPONSIVE DIRECT TESTIMONY OF

DAVID L. BEHRLE

STAFF MANAGER - ECONOMIC ISSUES

ON BEHALF OF

VERIZON NORTHWEST INC.

Formerly Known as GTE Northwest Incorporated

SUBJECT: COSTS SUPPORTING LINE SHARING MRCS

JULY 21, 2000

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is David L. Behrle. My business address is 201 N. Franklin Street, Tampa, FL
3 33602.

4

5 **Q. HAVE YOU FILED PHASE A DIRECT TESTIMONY IN THIS CASE?**

6 A. Yes, I have.

7

8 **ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?**

9 I am presenting testimony on behalf of Verizon Northwest Inc., which was formerly known as GTE
10 Northwest Incorporated. The company recently changed its name after the closure of the
11 merger between its parent company, GTE Corporation, and Bell Atlantic Corporation. The
12 merged company name is Verizon Communications.

13

14 **IN YOUR TESTIMONY HOW DO YOU USE THE TERMS "VERIZON NW" AND
15 "GTE"?**

16 My fellow witnesses and I use "Verizon NW" to refer to Verizon Northwest Inc., the company that
17 is a party to this proceeding and on whose behalf we are testifying. I use "GTE" to refer to
18 the former GTE companies, which are now part of the Verizon Communications companies
19 along with the former Bell Atlantic companies. This will make clear that we are talking
20 about cost studies and inputs that have been developed by and for the GTE telephone

1 operating companies and about those companies' operations, practices and procedures.

2

3 **Q. WHAT IS THE PURPOSE OF YOUR PHASE A RESPONSIVE DIRECT TESTIMONY?**

4 A. The purpose of my phase A responsive direct testimony is to present Verizon NW's costs
5 that support the monthly recurring charges associated with Verizon NW's proposed line
6 sharing Configuration #1 (CLEC-owned splitter in a virtual collocation-like arrangement).

7 At the time I submitted my phase A direct testimony, Verizon NW was still in the process
8 of determining the costs of operating and maintaining the splitter, the splitter shelf, and
9 associated jumper connections for Configuration #1. The costs that support the nonrecurring
10 charges for Configuration #1 are addressed by Verizon NW witness Linda Casey in her phase
11 A responsive direct testimony.

12

13 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

14 A. Yes. I am sponsoring Confidential Exhibit DLB-4C, which contains Verizon NW's
15 maintenance and operation costs for line-sharing Configuration #1. Confidential Exhibit
16 DLB-4C includes the following:

17 Confidential Schedule 1: Incremental Maintenance and Operation Costs

18 Confidential Schedule 2: CLEC-Owned Investments Being Maintained by Verizon
19 NW

20 **Q. WHAT IS THE SERVICE ARRANGEMENT FOR CONFIGURATION #1?**

1 A. In this line-sharing configuration, the CLEC provides the splitter, and it is placed in a virtual
2 collocation-like arrangement and leased to Verizon NW. This configuration is diagrammed
3 in Exhibit No. JJB-4 attached to Verizon NW witness John Boshier's phase A direct
4 testimony. With this configuration, which is Verizon NW's preferred configuration for
5 provisioning line sharing with CLECS, the Company does not incur the cost of a splitter.
6 However, Verizon NW will incur the incremental costs of engineering, installing, operating
7 and maintaining the equipment on behalf of the CLEC. The operating expenses are those
8 associated with wholesale sales, marketing, and advertising activities. In addition, Verizon
9 NW will incur costs associated with service ordering and cross connect activities. Verizon
10 NW witness Linda Casey explains in her phase A responsive direct testimony how the costs
11 associated with service ordering, cross-connect activities, and splitter installation were
12 derived.

13

14 Q. HOW WERE THE MONTHLY COSTS THAT SUPPORT THE MONTHLY RECURRING
15 CHARGES FOR CONFIGURATION #1 DEVELOPED?

16 A. The cost support can be found in Schedules 1 and 2 of Confidential Exhibit DLB-4C.
17 Supporting the monthly recurring rate is the cost to Verizon NW of maintaining and
18 operating the splitter, the splitter shelf, and the associated jumper connections. Our cost
19 study uses ADSL equipment provisioned by Verizon NW for its own ADSL service as a
20 proxy for the equipment to be used by the CLEC. This approach is used to provide a

1 surrogate measurement of installation, maintenance and operation costs that Verizon NW
2 expects to incur due to the provisioning of line sharing in this particular configuration. The
3 development of costs for a shelf of splitters in this configuration is similar to the process used
4 for developing costs for an individual splitter in the Verizon NW-owned splitter
5 configuration (Configuration #3). The only other difference is that Verizon NW does not
6 own the splitter equipment. Therefore, charges for capital recovery, income tax, or property
7 tax are not applicable to the CLEC-owned splitter.

8
9 Schedule 2 identifies the unit costs of each piece of equipment required to enable line sharing
10 to occur in this configuration. Included in this schedule are unit costs for the splitter shelf,
11 the splitter module/card¹, plus 10% for spare splitters. Engineering and installation costs are
12 also identified. The total investment of material and labor is then expressed, by these two
13 categories, on a per shelf unit of capacity basis.

14
15 Schedule 1 takes the per shelf unit material investment for the bay mounted scenario, applies
16 material loadings, and then adds the engineering and installation cost to obtain total per shelf
17 unit investment. The annual expense factor for maintenance and support, which is developed
18 on a statewide basis using all engineered and installed circuit equipment investment (plant

¹Each splitter bay shelf can hold 24 splitter modules/cards. Each splitter module/card provides for splitter capacity for four lines. Hence, each bay shelf has a maximum capacity of 96 lines.

1 account 2232 – Circuit Equipment), is then applied to this total splitter shelf investment. The
2 expenses are also identified for maintaining the 192 MDF jumpers (equal to 96 splitters times
3 2 jumpers per splitter). Together, these expenses sum to a total annual cost per shelf unit.
4 This annual cost is then divided by 12 to express the cost on a monthly basis. Lastly, the
5 expenses for wholesale sales, marketing, and advertising are added to yield the final cost per
6 month.

7

8 Q. DOES THIS CONCLUDE YOUR PHASE A RESPONSIVE DIRECT TESTIMONY?

9 A. Yes.