

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In the Matter of the Review of:) DOCKET NO. UT-023003
Unbundled Loop and Switching)
Rates; the Deaveraged Zone)
Rate Structure; and Unbundled) RESPONSE OF COMMISSION STAFF
Network Elements, Transport,) TO VERIZON'S MOTION FOR
and Termination) DECLARATORY RULING ON TIME
) AND MOTION STUDIES FOR FIVE
) ELEMENTS
.....)

1 On May 13, 2003, Verizon filed a Motion for a Declaratory Ruling relating to the Commission's requirement that the company perform time and motion studies to support its non-recurring costs for five unbundled network elements. In its motion, Verizon requests confirmation that it need not perform time and motion studies to support non-recurring costs relating to the ordering of five elements: Dark Fiber, SS7, Transport, Dedicated Transit Service (DTS) and Enhanced Extended Links (EELs). Staff has reviewed the motion and the declaration of Mr. Vidyadhar G. Kulkarni. Based on that review, Staff offers these comments:

2 This Commission has repeatedly stated that subject matter expert, or SME testimony is not considered reliable enough to support non-recurring cost studies. The Commission has ordered Qwest and Verizon to perform time and motion studies to support its non-recurring cost studies. Verizon requests relief

from the requirement that it perform time and motion studies, but does not propose or describe what, if any, alternative study method it will use to establish non-recurring costs for the five elements.

3 In Docket No. UT-003013 Part B, the Commission allowed Verizon's proposed non-recurring charges to go into effect on *an interim basis*, with modifications and adjustments, due to a lack of supporting data or studies to validate the costs. In this case, the Company is required to propose non-recurring charges for all UNEs based on data and information that can be validated. If Verizon's motion is granted, what would be the charges for these five elements? How would those charges be validated? In its request for relief, Verizon suggests no alternative way that the charges can be supported.

4 In Part B, Verizon has determined costs for certain UNEs where no ordering, provisioning or installation data were available, by using analogous retail or access services as proxies for the UNEs (*See UT-003013, Exhibit 1160/C-1160 Tab 7; See Also Exhibit T-1163, Supplemental Direct testimony of Larry Richter, page 7*). The Commission has not explicitly rejected this proxy method. To the extent the data is not available or sufficient to conduct a time and motion study, the proxy method may be the second best way to estimate the UNE costs given the data used is reliable and verifiable.

5 Verizon's reason for its motion is not convincing. Verizon states that there is an insufficient volume of orders for each of the five elements "to provide statistically valid sample sizes, as documented in the attached affidavit".

Verizon motion, page 1. If a time and motion study is truly needed to establish non-recurring costs for these UNEs, there are other statistically and econometric methods to estimate the relationship between the standard deviation in actual processing time and average processing time. As Mr. Kulkarni states, "the length of time to gather the required data is directly dependent on the frequency of the orders received at the NACC. Therefore, it is critical to know beforehand the frequencies or "arrival rates" of orders at the NACC for the four UNEs."

6 Unfortunately, Verizon provided only 12 months of Washington-only data for these UNEs to Mr. Kulkarni. Staff believes that adequate "frequency or the arrival rates" can be obtained if Verizon had provided its consultant with the ordering information for a longer period of time. As a matter of fact, Verizon has claimed that the time estimates it submitted in part B of UT-003013 were based on a "large number of observations" of the ordering activities in its NOMC and NACC. *Id.*, *Exhibit 1160/C-1160, Tab 8, page 3 of 7*. According to Verizon's documents in that case, these two centers process all of the CLEC LSRs for local wholesale products. *Id.* Staff is puzzled by why this large number of

observations cannot be used to estimate the frequency or arrival interval for these UNEs.

7 It is also important to point out that in a traditional stopwatch time and motion study, the observation of how much time is spent on an order for each of these UNEs, the number of observations need not be limited to only orders from Washington, given that a Verizon representative is likely to spend the same of time to process an order regardless of the origin of the order. It is doubtful that the method for processing orders placed by CLECs for delivery in Washington differs materially from the processing of orders from CLECs in other states, given that the same staff in the same service center processes them all.

8 In addition, a small sample size collected from recent data can be utilized to produce a simple average. This simple average can then be compared to the mean estimated by using a larger sample collected from data a few years ago. Assuming the coefficient of variation between the standard deviation in processing time and the average time then is equal to one, the mean can be tested within a 90% confidence interval. The reasonableness of the simple average time spent to process an order can be statistically validated this way.

9 The Commission has required Verizon to conduct time and motion studies in support of its non-recurring costs, but has not limited Verizon to a certain type of time and motions study such as the traditional stopwatch time

and motion study that Verizon has proposed. If the CLECs express a need for these studies to be performed in order for them to compete by paying reasonable charges, as staff has demonstrated above, the limited data as claimed by Verizon provides no basis for granting its request.

DATED this 23rd day of May, 2003.

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