

1                   BEFORE THE WASHINGTON UTILITIES AND  
2                   TRANSPORTATION COMMISSION

3 In the Matter of the Continued )  
4 Costing and Pricing of           )     Docket No. UT-003013  
5 Unbundled Network Elements and )     Volume X  
6 Transport and Termination.       )     Pages 1328 to 1421  
7 \_\_\_\_\_)

8                   A hearing in the above matter was held on  
9 August 29, 2000, at 1:30 p.m., at 1300 South Evergreen  
10 Park Drive Southwest, Olympia, Washington, before  
11 Administrative Law Judge LAWRENCE BERG, Chairwoman  
12 MARILYN SHOWALTER, Commissioner RICHARD HEMSTAD, and  
13 Commissioner WILLIAM R. GILLIS.

14                   The parties were present as follows:

15                   THE WASHINGTON UTILITIES AND TRANSPORTATION  
16 COMMISSION, by SHANNON E. SMITH, Assistant Attorney  
17 General, 1400 South Evergreen Park Drive Southwest, Post  
18 Office Box 40128, Olympia, Washington, 98504-0128.

19                   TRACER; RHYTHMS LINKS, INC.; TELIGENT  
20 SERVICES, INC.; and BROADBAND OFFICE COMMUNICATIONS,  
21 INC.; by ARTHUR A. BUTLER, Attorney at Law, Ater Wynne,  
22 LLP, 601 Union Street, Suite 5450, Seattle, Washington  
23 98101.

24                   WORLDCOM, INC., by ANN HOPFENBECK, Attorney  
25 at Law, 2885 South Ogden Street, Englewood, Colorado  
80110.

                  COVAD COMMUNICATIONS, by SARAH BRADLEY and  
CLAY DEANHARDT, Attorneys at Law, 4250 Burton Drive,  
Santa Clara, California 95054.

                  QWEST CORPORATION, by LISA ANDERL, Attorney at  
Law, 1600 Seventh Avenue, Suite 3206, Seattle,  
Washington 98191.

24                   Joan E. Kinn, CCR, RPR  
25                   Court Reporter

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1                   NEXTLINK WASHINGTON, INC.; ELECTRIC  
2    LIGHTWAVE, INC.; ADVANCED TELECOM GROUP, INC.; MCLEOD  
3    USA TELECOMMUNICATIONS SERVICES, INC.; FOCAL  
4    COMMUNICATIONS CORPORATION; THE ASSOCIATION OF LOCAL  
5    TELECOMMUNICATIONS SERVICES; GLOBAL CROSSING  
6    TELEMANAGEMENT; GLOBAL CROSSING LOCAL SERVICES; NEW EDGE  
7    NETWORKS; and NORTH POINT COMMUNICATIONS; by GREGORY J.  
8    KOPTA, Attorney at Law, David, Wright, Tremaine, LLP,  
9    1501 Fourth Avenue, Suite 2600, Seattle, Washington  
10   98101.

11  
12                   VERIZON NORTHWEST, INC., by W. JEFFERY  
13    EDWARDS, JENNIFER L. MCCLELLAN, and GREGORY M. ROMANO,  
14    Attorneys at Law, Hunton and Williams, 951 East Byrd  
15    Street, Richmond, Virginia 23219.

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1 P R O C E E D I N G S

2 JUDGE BERG: Today's date is August 29, year  
3 2000. This is continued hearings in Docket Number  
4 UT-003013. For today's session, we will begin with  
5 cross-examination of AT&T, excuse me, WorldCom witness  
6 Roy Lathrop. Before we do, I would ask that the  
7 reporter insert into the transcript references to  
8 exhibits as described and numbered in the exhibit list,  
9 that being T-250 through T-255 and Exhibit T-330 as if  
10 read in their entirety.

11 We will be off the record.  
12 (Discussion off the record.)

13  
14 (The following exhibits were identified in  
15 conjunction with the testimony of Roy  
16 Lathrop.)  
17 Exhibit T-330 is Response Testimony (RL-1-T).

18

19 Whereupon,

20 ROY LATHROP,  
21 having been first duly sworn, was called as a witness  
22 herein and was examined and testified as follows:

23 JUDGE BERG: Ms. Hopfenbeck.

24

25

01333

1                   D I R E C T   E X A M I N A T I O N

2 BY MS. HOPFENBECK:

3       Q.       Mr. Lathrop, state your full name for the  
4 record, please.

5       A.       Roy Christopher Lathrop.

6       Q.       Where are you employed?

7       A.       I am employed by WorldCom in Washington, D.C.

8       Q.       Do you have before you what has been prefiled  
9 and marked for identification as Exhibit T-330, the part  
10 A response testimony of Roy Lathrop?

11      A.       Yes, I do.

12      Q.       Do you have any corrections or changes to  
13 make to that testimony?

14      A.       No.

15      Q.       If I were to ask you today the questions that  
16 are contained in Exhibit T-330, would your answers be  
17 the same?

18      A.       Yes, they would.

19               MS. HOPFENBECK: I move the admission of  
20 Exhibit T-330.

21               JUDGE BERG: Hearing no objection, Exhibit  
22 T-330 is admitted.

23               MS. HOPFENBECK: Mr. Lathrop is available for  
24 cross-examination.

25               JUDGE BERG: Mr. Edwards.

01334

1 C R O S S - E X A M I N A T I O N

2 BY MR. EDWARDS:

3 Q. Good afternoon, Mr. Lathrop.

4 A. Good afternoon.

5 Q. Would you turn to page five of Exhibit T-330.

6 A. (Complies.)

7 Q. Lines 21 and 22.

8 A. (Complies.)

9 Q. Would you agree with me that there you state  
10 that the ILEC has no incentive to minimize the CLEC's  
11 co-location costs and, in fact, has the opposite  
12 incentive?

13 A. Yes.

14 Q. Is that your testimony?

15 A. Yes.

16 Q. And when you say has the opposite incentive,  
17 do you mean that the ILEC has the incentive to maximize  
18 the CLEC's co-location cost?

19 A. Yes, although it may not be that the  
20 incentive is to make the co-location costs absolutely as  
21 great as possible. There was an FCC order that cited  
22 that the ILECs do have an incentive to at least increase  
23 co-locators' cost.

24 Q. Well, if you, for purposes of testifying  
25 today, if I will accept that your premise and statement

01335

1 are true, would you agree with me that the CLEC has the  
2 same incentive to minimize its co-location cost?

3 A. Yes, the problem is that CLECs have  
4 relatively little control over the ability to minimize  
5 their cost, whereas the ILECs have a lot of control over  
6 the cost that the CLECs pay for co-location.

7 Q. And you would agree with me, wouldn't you,  
8 that this Commission in reviewing your testimony should  
9 keep in mind that you're testifying on behalf of a CLEC  
10 attempting to minimize your co-location cost?

11 A. Yes.

12 Q. Let me ask you to look at page four beginning  
13 at about line five.

14 A. (Complies.)

15 Q. Would you agree with me that you're, and I'm  
16 going to summarize here, would you agree with me here  
17 that your testimony basically states that central office  
18 space rental cost should be based upon a central office  
19 that would be built today as opposed to a central office  
20 that actually exists in either Verizon's or Qwest's  
21 network?

22 A. Generally yes, I mean that's what I  
23 understand Verizon's approach to space rental costs  
24 generally.

25 Q. Would you look at page two, line 15.



01336

1 A. (Complies.)

2 Q. I see there that you state that you assisted  
3 in the development of a forward looking co-location  
4 costing model sponsored by WorldCom and AT&T. Are you  
5 with me?

6 A. Yes.

7 Q. Would I be correct that that would be the  
8 co-location cost model of the CCM?

9 A. Yes, as it became known in some  
10 jurisdictions.

11 Q. And you would agree with me, wouldn't you,  
12 that this CCM is based on the kind of central office  
13 that you're referring to on page four that you think  
14 ought to be the basis for determining co-location costs?

15 A. Yes, but there's probably more than one  
16 approach to estimating those costs. In the co-location  
17 cost model, we took one approach beginning with a  
18 particular configuration of a central office and used a  
19 text often used in the construction industry called RS  
20 means as sort of a beginning point to develop our costs.

21 Verizon began with the investment, its  
22 historical investment, and having not built a central  
23 office recently, indexed up to the present what that  
24 cost would be. So in a sense, the dollar value might in  
25 some general way be the same.

01337

1           The difference is that in our co-location  
2 cost model starting from scratch, so to speak, we had a  
3 different type of configuration. Whereas GTE's older  
4 central offices, having been built for analog  
5 technology, we might have the same cost figure, but  
6 there would be much more space available in their  
7 central offices. And there's a distinction here, and  
8 I'm perhaps not articulating well enough, there's a  
9 distinction between the cost and the deployment.

10           So the cost in our cost model began with this  
11 RS means figure, whereas Verizon's cost began with their  
12 initial investments, and then through inflation  
13 essentially tried to inflate it to a current dollar  
14 value. And overlooking some of the details, that is  
15 those approaches to beginning with a dollar figure are  
16 generally the same.

17           Q.     All right, let me see if I can explore that a  
18 little bit. Focusing on the co-location cost model that  
19 you have referenced here, do you agree with me that the  
20 beginning is not really RS means, it is a hypothetical  
21 central office configuration that formed the basis of  
22 the co-location cost model; is that correct?

23           A.     That was the beginning of the cost model in  
24 general, which addresses many different co-location cost  
25 components. The beginning of the space rental cost was

01338

1 RS means, and that also was based on a hypothetical  
2 central office.

3 Q. I think you're at a level of detail that I'm  
4 not, but that's all right. In terms of the type of  
5 central office that is the basis of the co-location cost  
6 model, that's not a very artful term I understand but  
7 let's just use it for a minute, the type of central  
8 office, would you agree with me that that central office  
9 represented in terms -- in the view of the developers of  
10 the CCM, and you claim to be one, a central office that  
11 would be built today?

12 A. Yes.

13 Q. And it is that central office that would be  
14 built today that you reference at page four beginning at  
15 line five that you believe should be the basis for the  
16 cost that this Commission should order for Qwest or  
17 Verizon?

18 A. Yes, but I want to add that there are factors  
19 in developing the costs that would not rely on that  
20 hypothetical central office. For example, the concern  
21 over double counting would -- it would be desirable to  
22 avoid double counting even if one started without a  
23 hypothetical central office.

24 Q. But presumably your employer made the  
25 decision not to offer into this record the co-location

01339

1 cost model that's based on the type of central office  
2 you claim should be the basis for the cost; is that  
3 correct?

4 A. That's correct.

5 Q. And you would agree with me then that since  
6 Verizon's cost study doesn't rest on that kind of model  
7 and Qwest's cost study doesn't rest on that kind of  
8 model, the Commission doesn't have the opportunity here  
9 to see how a model based on the kind of central office  
10 you support would actually support or not support  
11 co-location costs?

12 A. I don't think I can answer that yes or no,  
13 but we did not introduce the cost model. It is  
14 incorrect to say that neither Verizon nor Qwest  
15 introduced a model, because much of Qwest's central  
16 office space is based on to some extent a hypothetical,  
17 a cost model or a model from which costs are developed.  
18 For Verizon, that is not the case. So there is --

19 Q. All right, let's just -- I will limit my  
20 question to Verizon now.

21 A. So I'm sorry if I'm not sure what the  
22 question is.

23 Q. I can understand why it's been lost. I think  
24 you have answered it.

25 Let me ask you to turn to page 4, line 15.

01340

1 A. (Complies.)

2 Q. Do you agree with me there that your  
3 testimony, and you expand on this throughout Exhibit  
4 T-330, is that at least in a co-location study, Verizon  
5 in this instance should not be allowed to recover any  
6 what you call space preparation or conditioning costs,  
7 correct?

8 A. Correct.

9 Q. And is it fair to say that you state that  
10 because based on the central office that you claim would  
11 be built today, it would be built to accommodate various  
12 forms of co-location so that no space modification or  
13 conditioning costs would be necessary to deal with that  
14 co-location?

15 A. No, not entirely. Although I do say that, I  
16 thought of what Verizon was doing and beginning with  
17 their investment and then indexing it to the present.  
18 The initial investment in central offices is to prepare  
19 space for central office equipment. Indexed to the  
20 present, that would result in an investment, let's just  
21 say it's all done correctly, for the present cost of a  
22 central office designed to house equipment.

23 It would be incorrect to also charge  
24 co-locators to come in and tear down walls and remove  
25 equipment and somehow modify the space for which we're

01341

1 paying the full investment as it is for prepared space.  
2 So even outside of a hypothetical model, in Verizon's  
3 non-hypothetical model, they should not be permitted  
4 both to charge for, in their space rental cost, for  
5 prepared telecommunications space and then also charge  
6 for some types of modification and space preparation.

7 Q. You're not saying, are you, that the RS means  
8 factor used to bring those costs forward contemplated or  
9 includes costs to accommodate co-location, are you?

10 A. I can't answer that yes or no, because I  
11 don't know that Verizon relied on the RS means to do the  
12 inflation adjustment from its current costs. What  
13 Verizon did mention and I address in my testimony is  
14 there were some central office that for when Verizon  
15 first invested in them they added investment later. And  
16 it wasn't specific in the testimony, but what that  
17 secondary investment likely included was some  
18 modifications to the central office. So when those two  
19 amounts, if they were indexed separately and brought to  
20 the present, that would include some double counting.

21 Because just as Verizon paid initially for  
22 prepared space, let's say there was a cross bar switch,  
23 and later Verizon came in, removed the cross bar switch,  
24 and inserted an electromechanical switch or a digital  
25 switch, some of the investment no doubt was for

01342

1 demolition and removing that old switch. When all of  
2 that was brought to the present, that's more than  
3 sufficient, all that would have been booked into their  
4 land and building accounts, all of that is more than  
5 sufficient for prepared telecommunications space.  
6 Likely they had to tear out walls and do the sorts of  
7 things that co-locators have had to pay for that's  
8 duplicative of the cost of just prepared  
9 telecommunications space.

10 Q. Well, with respect to modifications that have  
11 been done to the Washington central offices that were  
12 used to bring those costs forward to come up with a  
13 current building investment, some of those dollars that  
14 were spent for modifications would have been to simply  
15 expand the floor space of the central office, correct?

16 A. Yes.

17 Q. In fact, you don't know what was done to any  
18 of those modifications to any central office in  
19 Washington, right?

20 A. That's correct, I don't.

21 Q. And you're just making certain assumptions.  
22 For example, when you say that one switch was being  
23 replaced with another, you don't know that, do you?

24 A. No, and it wasn't explained what would --  
25 what might have been common for a company in rate base

01343

1 rate of return regulation is if you're going to build a  
2 central office, it would not be uncommon to have it be  
3 bigger than you need for growth. There would be either  
4 it's wider or an extra floor. And so the additional  
5 investment later, I assume, was for central office  
6 related activities. It could have been for changing  
7 administrative staff or adding walls for administrative  
8 staff to move in when you replace a much more space  
9 consuming analog switch with a digital switch.

10 Q. Okay, now --

11 A. The problem is none of that is detailed, and  
12 if it were just replacing equipment, it would have been  
13 booked into an equipment account, and it wouldn't have  
14 been an issue for land and building.

15 Q. But you didn't ask any data requests asking  
16 for that kind of detail, did you?

17 A. No, I did not.

18 Q. Now you would agree with me that if there is,  
19 well, let's say hypothetically that there was a central  
20 office that was build in 1950. And in 1960, there was a  
21 modification made to that central office in let's say  
22 1975, a modification in and older switches replaced by a  
23 new technology switch. All right, are you with me?

24 A. Yes.

25 Q. All right. Now let's say in that same



01344

1 central office today, your company wants to co-locate  
2 and puts in a co-location request, and there has to be a  
3 certain modification to the central office to  
4 accommodate that co-location, all right?

5 A. Okay.

6 Q. You would agree with me that whatever the  
7 modification that was done in 1975 could be totally  
8 unrelated to whatever modification has to be done in  
9 response to your co-location request, correct?

10 A. That's correct, because it is often the case  
11 that the ILECs want to put co-locators far away from  
12 their equipment, which is one of the costs that ILECs  
13 control that CLECs do not, by increasing the distance  
14 that CLECs need to connect to power and connect to the  
15 cross connect devices.

16 Q. All right, now I want to go back again to a  
17 comment you made about RS means. Do you know or don't  
18 know whether the RS means factor used by Verizon to  
19 bring forward the initial building investment costs and  
20 modification costs as they were incurred, whether that  
21 factor contemplates co-location?

22 A. I don't know.

23 Q. Now let me take you back again to page 4,  
24 line 15.

25 A. (Complies.)

01345

1 Q. You're an economist, I believe, right?

2 A. Yes.

3 Q. All right, I'm not, but from an economic  
4 point of view, would you agree with me that an ILEC when  
5 it receives a co-location order or when it enters the  
6 market where it has to apply co-location, has an  
7 economic decision to make about whether to tear down an  
8 existing central office and build the kind of central  
9 office that you propose and balance that cost against  
10 the cost of modifying an existing central office to  
11 accommodate co-location?

12 A. I guess one could say that the ILECs consider  
13 that, but I think it's as a straw man, we know that they  
14 don't tear down central offices, and so the ILECs'  
15 choice is really where would we put co-locators in the  
16 central office.

17 Q. Right, and you agree with me that they don't  
18 tear down central offices because from an economic point  
19 of view it's more economically feasible to modify an  
20 existing central office than to incur the cost to tear  
21 down and rebuild?

22 A. I would agree with that, because ILECs as it  
23 stands already moved staff that are not necessary to  
24 operate the central office. They move staff space in  
25 and out and change things within the central office as

01346

1 it is.

2 Q. And then but your position is that even  
3 though those conditioning, space conditioning charges  
4 are actually incurred, that the ILEC ought not be able  
5 to recover for them, because they're incurred in an  
6 office that's not built as one would be built today?

7 A. Not quite. I think that the -- even though  
8 an ILEC incurs space preparation costs, they ought not  
9 be able to collect them, because they are already in  
10 essence collected through the space rental cost, which  
11 is for prepared telecommunications space.

12 Q. Let me ask you to look at pages six and seven  
13 of your testimony, T-330.

14 A. (Complies.)

15 Q. And there over on page 7, you actually quote  
16 I think paragraph 51 of the Advanced Services Order,  
17 correct?

18 A. Yes.

19 Q. And just to put it into some context, the  
20 Advanced Services Order was issued by the FCC at the end  
21 of March of 1999 and addressed certain aspects of  
22 co-location, correct?

23 A. Yes, the concern that it takes too long and  
24 costs too much.

25 Q. And the Advanced Services Order has actually

01347

1 been reviewed by the D.C. Circuit Court of Appeals, and  
2 an opinion has been written with respect to certain  
3 portions of it, and some portions have been vacated and  
4 others have not been, correct?

5 A. Yes.

6 Q. All right. Now to your knowledge, is  
7 paragraph 51 one of the paragraphs of the Advanced  
8 Services Order that has not been vacated?

9 A. I believe that's correct.

10 Q. And as I read what you have quoted from  
11 paragraph 51, the FCC talks about space preparation  
12 costs in approximately six different places in this  
13 paragraph, on lines 3, 6, 9, 11, 14, and 16 of your  
14 testimony; do you see that?

15 A. I will accept that representation.

16 Q. And you would agree with me that the FCC in  
17 this paragraph allows an ILEC to recover space  
18 preparation and conditioning costs and then goes on in  
19 this paragraph to give some guidance regarding how those  
20 costs can be recovered?

21 A. Perhaps, but not enough that -- read in the  
22 context of the order, the FCC's concern was with what I  
23 call the first in pays problem. There are a number of  
24 cases where co-locators applied for co-location, not  
25 necessarily in Washington state, where hundreds of

01348

1 thousands of dollars, perhaps even a million dollars,  
2 was requested of the CLEC. Because the ILEC said, well,  
3 if you're the first co-locator in, what we're going to  
4 do is we're going to make this whole floor for  
5 co-location, and we need to do the space preparation  
6 modifications for the whole floor. And, CLEC, as the  
7 first one in, you have to pay.

8 The CLECs were very concerned about this, and  
9 the FCC in my understanding of this said, well, forget  
10 the first in pays, let's do a prorata approach. The FCC  
11 did not address the issue of whether those costs for  
12 space preparation are already in the per square foot  
13 rental rate.

14 Q. You would agree with me if they were, if the  
15 FCC considered them to be in the per square foot rental  
16 rate, then all of paragraph 51 that you quote here would  
17 be moot?

18 A. Perhaps it would. The problem was the FCC  
19 did not address the per square foot rental rate, which  
20 is why my question was, has the FCC provided a  
21 comprehensive forward looking approach to co-location.  
22 And the answer is no. They took piece parts responding  
23 perhaps to CLEC concerns like first in pays is killing  
24 us and we can't co-locate fast enough.

25 And so they addressed just a part of the

01349

1 issue without addressing whether that is, or the first  
2 in, the prorata approach, is or is not inconsistent with  
3 a space rental cost.

4 Q. Did WorldCom file comments on this order  
5 before it was issued?

6 A. I believe we did.

7 Q. Do you know whether those comments set forth  
8 the same position that you're articulating here in your  
9 testimony here today?

10 A. Well, yes and no in the sense that I don't  
11 believe we addressed those specifics. But the fact that  
12 we agree that the state commission should determine the  
13 proper pricing methodology, as it says at the end of  
14 this quote, is something we agree with.

15 Q. All right. On page 5, lines 19 through 20,  
16 you talk about an ILEC controlling the placement of  
17 co-locators' equipment, which is consistent with, I  
18 think, something you said earlier today in your  
19 testimony about the ILEC. I don't want to misquote you,  
20 but I wrote down, far away from their equipment. I  
21 think what you probably said was that an ILEC can  
22 co-locate far away from the MDF, for example, in a  
23 central office; is that correct?

24 A. If your question is does the ILEC control the  
25 placement, yes.

01350

1 Q. And I asked you earlier if you were aware of  
2 the D.C. Circuit Court decision reviewing the Advanced  
3 Services Order that you quoted, and I believe you said  
4 you are, correct?

5 A. Yes.

6 Q. And you're aware then that the D.C. Circuit  
7 Court did vacate a rule that said that co-location must  
8 take place in any unused space and that the ILEC can  
9 control where the co-location takes place in the central  
10 office, correct?

11 A. Did you say that the ILEC can control?

12 Q. Yes.

13 A. Yes.

14 Q. Meaning, to restate it, the decision of the  
15 D.C. Circuit Court was that under its interpretation of  
16 the Telecom Act, the ILEC can make that determination  
17 about where to place co-location?

18 A. Yes, and there are two important parts. One  
19 is that it's my understanding that that was never an  
20 issue, that who gets to identify where within the  
21 central office the CLEC equipment is located, from my  
22 understanding it's always been the ILEC.

23 The second thing was that when the Circuit  
24 Court as a lay person's interpretation remanded to the  
25 FCC saying they didn't understand why the FCC --

01351

1 understand the equipment location issue, that court  
2 order did not include anything about the extra costs  
3 that it might -- that an ILEC might be able to impose on  
4 CLECs by virtue of control over equipment placement.

5 Q. So would your testimony be that the ILEC, and  
6 let's assume the D.C. Circuit Court interpretation  
7 remains in effect, would your testimony be that the ILEC  
8 can determine where the co-location space is in the  
9 central office, and that's permitted by the Telecom Act,  
10 but the ILEC can only recover costs that would be  
11 incurred if it were placed, if the co-location were  
12 placed, in the most efficient location, wherever that  
13 might be?

14 A. And the question is do I agree with that  
15 statement?

16 Q. Yeah, would that be a -- is that a fair  
17 summary of your position?

18 A. I think it goes too far, that there is --  
19 that the first part I agree with. Let's say that that  
20 opinion remains in effect, that ILECs get to control  
21 equipment placement, but I think you went too far in  
22 saying whether that necessarily requires that the  
23 equipment be placed in the most efficient location.

24 Q. All right, let me try it again. Perhaps I  
25 can state it a little simpler.



01352

1                   Would it be your position that an ILEC should  
2 only recover for co-location costs that would be  
3 incurred if the co-location is placed in the most  
4 efficient location in the central office even if the  
5 co-location is not actually placed there?

6           A.       I don't know how that question differs from  
7 the one before, but let me try the following. Within  
8 co-location cost studies that ILECs and any cost studies  
9 I have seen that address the couple of important points  
10 outside of space preparation, that location impacts.  
11 And that is the distance to -- from the equipment to the  
12 power plant, the distance from the equipment to the  
13 devices it needs to cross connect to like the MDF.

14                   In developing the co-location cost model, we  
15 did not assume that the equipment would be placed as  
16 close as possible. We took some reasonable distance.  
17 It's very important with respect to power, because the  
18 voltage drops off with distance, and the further the  
19 equipment is away, the fatter the copper cables need to  
20 be, and the costlier it is.

21                   The difference between costing and deployment  
22 is it doesn't really matter where you put the equipment,  
23 the ILECs only get to charge what is in the tariffs. So  
24 whether it's closer or further, the importance of  
25 selecting some good distance is that the ILEC generally

01353

1 comes out collecting all the costs that they end up  
2 having to pay to place the equipment and run the cross  
3 connect and the power cables.

4           In my review, well, a couple of years ago in  
5 a co-location case here, I made the comment that U S  
6 West's cabling, that they assumed distances that were  
7 far too great, and U S West went back and modified its  
8 study. And I use that as an example because in this  
9 case, in looking at the distances assumed for power and  
10 connectivity cabling, I didn't find anything worth  
11 writing testimony about; there was no egregiously long  
12 distances. So separate from the space preparation,  
13 which is -- and those costs are impacted by placement,  
14 the other important costs are these distances, and I  
15 didn't have a problem with those filed, the cost studies  
16 in this case.

17       Q.     All right. If you -- would you agree with me  
18 that the comments in your testimony that start on page  
19 12, line 12, through page 14, line 21, are directed at  
20 the co-location cost study filed by Qwest and are not  
21 directed at Verizon's co-location cost study?

22       A.     That's correct. I'm sorry, from page 12,  
23 line 12, to?

24       Q.     Page 14, line 21.

25       A.     Yes.

01354

1 MR. EDWARDS: Thank you, Mr. Lathrop.

2 JUDGE BERG: Ms. Anderl.

3 MS. ANDERL: Thank you, Your Honor.

4

5 C R O S S - E X A M I N A T I O N

6 BY MS. ANDERL:

7 Q. Good afternoon, Mr. Lathrop.

8 A. Afternoon.

9 Q. How long have you worked for WorldCom?

10 A. Since December of 1994 when it was MCI.

11 Q. And was that before or after it acquired MFS?

12 A. Gosh, good question, I don't know. Didn't

13 WorldCom acquire MFS?

14 Q. Oh, right, let's go back. Are the companies  
15 formerly known as MCI, MFS, and WorldCom now a single  
16 company known as WorldCom?

17 A. Yes, and you can throw Brooks in there too.

18 Q. Brooks Fiber?

19 A. Yes.

20 Q. As opposed to Brooks Brothers?

21 A. Couldn't resist.

22 Q. Just so that it's clear, I guess if the  
23 record reflected that MFS had a separate interconnection  
24 agreement with U S West or Qwest in the 1996-1997 time  
25 frame, then would that be consistent with your knowledge

01355

1 about who acquired whom and when, or do you not have an  
2 understanding of the business combinations that resulted  
3 in what is now WorldCom?

4 A. Given the rate of WorldCom acquisitions of  
5 companies, I would rather rely on the record. And not  
6 knowing the dates when they're announced and when they  
7 become final, mergers that don't happen, it's just  
8 easier to, you know, I will rely on your representation  
9 if that makes things easier.

10 Q. When you, during the time that you worked for  
11 MCI, did you have an understanding of whether or not MCI  
12 had obtained co-location in central offices in  
13 Washington?

14 A. I'm trying to remember back when Qwest was U  
15 S West, and I -- I know that there was co-location in  
16 Seattle made. I think we did, but I can't say for  
17 certain.

18 Q. Okay. And then any independent, do you have  
19 any independent knowledge about the extent to which MFS  
20 might have obtained co-location in then U S West central  
21 offices?

22 A. I believe they would have when they were --  
23 prior to state required co-location, there was expanded  
24 interconnection. And companies like MFS, which were  
25 known as competitive access providers, had sought and

01356

1 obtained co-location.

2 Q. And do you have any knowledge of whether or  
3 not WorldCom independent from MCI or MFS acquired  
4 co-locations in Qwest central offices in Washington?

5 A. I don't know.

6 Q. Okay. In preparation for filing testimony in  
7 this docket or appearing here today, did you read the  
8 testimony of Jerry Thompson, Qwest witness Gerald  
9 Thompson?

10 A. I believe so.

11 Q. What about Barbara Brohl?

12 A. Yes.

13 Q. And Terry Million?

14 A. Yes.

15 Q. Mr. Lathrop, have you ever toured a Qwest  
16 central office in the State of Washington?

17 A. I don't think I have in Washington state, no.

18 Q. In other states perhaps?

19 A. Yes.

20 Q. Are you aware of whether or not there are any  
21 Qwest central offices in Washington that meet your  
22 forward looking requirement of being designed and built  
23 to accommodate a multi-provider environment?

24 A. No, but there could have been changes  
25 following a disastrous fire in an Ameritech central

01357

1 office, which is one of the descriptions I have about  
2 exterior corridors and compartments for fire protection.

3 Q. But that would be an Ameritech central office  
4 that you were talking about?

5 A. That was the location of the fire, but I said  
6 that Qwest or U S West may very well have read the  
7 reports and said, gosh, we ought to do something for  
8 protection here.

9 Q. Are you aware of whether or not that did  
10 happen or --

11 A. No, I'm not.

12 Q. -- are you just speculating?

13 A. I'm not aware of whether it did or not.

14 Q. I wanted to ask you some questions  
15 specifically about some references in your testimony, so  
16 why don't you go ahead and turn to page eight.

17 A. (Complies.)

18 Q. Are there any specific Qwest proposals in  
19 this docket for co-location that you have identified as  
20 ICB charges?

21 A. Not explicit, just the one reservation that  
22 Qwest may at some later date want to charge for power  
23 upgrades.

24 Q. You have not identified any costs in Qwest's  
25 costing proposal in this docket to recover for power

01358

1 upgrades, have you?

2 A. No, I have not.

3 Q. And with regard to the space preparation  
4 costs, have you identified any specific charges that  
5 Qwest is attempting to assess through approval of rates  
6 in this docket that constitute in your view space  
7 preparation charges?

8 A. No.

9 Q. Let me ask you about cable racking, and you  
10 begin talking about that on page 12. Do I understand  
11 your testimony correctly that WorldCom does agree that  
12 to the extent that it uses cable racking, it is willing  
13 to pay for that cable racking?

14 A. Yes, and it should be paid for on a capacity  
15 basis, that is the cable racking or overhead, the  
16 ladders that all the cables ride on from the MDF to all  
17 the places that they go. And so because that is a  
18 shared resource and sort of volume sensitive, I mean one  
19 rack can hold hundreds of cables, the appropriate cost  
20 is the prorata share that a co-locator uses.

21 Q. So in that instance, you want to pay -- let  
22 me strike that, and let me start over.

23 Is it correct to characterize your testimony  
24 that as to that rail limit, you want to pay something  
25 along the lines of actual cost?

01359

1           A.       I can't agree with that without knowing what  
2 you mean by actual cost.  What I want to distinguish it  
3 from is rather than saying your cables run 100 feet and  
4 you should pay for 100 feet of cable racking, you should  
5 recognize that on that 100 feet of cable racking, there  
6 might be 50 or 75 cables, so you should pay 1/50th or  
7 1/75th, assuming all of those cables are similarly  
8 sized.

9           Q.       And do you understand Qwest's cost study for  
10 co-location in this docket to assume some shared cable  
11 racking?

12          A.       Yes.

13          Q.       And some dedicated cable racking?

14          A.       Yes.

15          Q.       Let me ask you, Mr. Lathrop, some questions  
16 about your testimony on page 14, and it's the space  
17 rental cost topic, which actually starts on the prior  
18 page.  There you refer to the development of the CLEC  
19 R/U factor or rentable usable space factor; do you see  
20 that?

21          A.       Yes.

22          Q.       And you discuss information that Qwest  
23 provided in response to an MCI or WorldCom data request;  
24 is that correct?

25          A.       Yes.



01360

1 Q. I would like to ask you some questions about  
2 that document specifically. It has previously been  
3 identified and admitted as Exhibit 57 and C-57.

4 MS. ANDERL: Ms. Hopfenbeck, I have an extra  
5 copy if I may provide it to the witness?

6 MS. HOPFENBECK: That's fine.

7 MS. ANDERL: May I approach, Your Honor?

8 JUDGE BERG: You may.

9 BY MS. ANDERL:

10 Q. Let me know when you have had a moment to  
11 familiarize yourself with that, Mr. Lathrop.

12 A. I'm ready.

13 Q. All right. Turn to page 13, please.

14 A. (Complies.)

15 Q. Is it correct that on pages 13 and 14 of that  
16 document is where the development of the CLEC R/U space  
17 factor takes place?

18 A. Yes.

19 Q. Now you discuss in your testimony an example  
20 which produces an R/U factor of 1.96; is that right?

21 A. I explain the example at the top of page 13.

22 Q. Right, that's all I was asking.

23 A. Okay.

24 Q. Now isn't it correct, Mr. Lathrop, that on  
25 the top of page 14 is where the average CLEC R/U factor

01361

1 is calculated, and that number, while confidential, is  
2 somewhat less than 1.96?

3 A. Yes, that's correct.

4 Q. And is it also correct that the R/U factor  
5 was developed through the use of four actual central  
6 office co-locations as well as two examples?

7 A. Yes, and the two hypothetical examples each  
8 exceed the average, thereby pulling the average up.

9 Q. Is it your testimony, Mr. Lathrop, that the  
10 examples provided and identified as example number one  
11 and example number two do not reflect certain actual  
12 co-location arrangements in certain central offices?

13 A. I have a hard time with example number one.

14 Q. Okay.

15 A. And example number two seems possible.

16 Q. And example number one --

17 A. But --

18 Q. It's probably too hard to describe it with  
19 words. I understand from looking at these two examples  
20 that example number two shows three co-location cages up  
21 against a wall. Is that your understanding?

22 A. Yes, not the most space efficient approach.

23 Q. Although the four co-location cages shown in  
24 example number one are not up against any walls, and you  
25 don't think that's the most space efficient approach

01362

1 either; is that correct?

2 A. Well, the problem is it appears to be an  
3 island, so although co-locators can walk around the  
4 cages, they have nowhere to go, nowhere to get out of  
5 the central office or in. And if it were up against the  
6 wall or in a corner, it would use much less space. And  
7 this example, well, it's the second highest R/U  
8 calculation of the ones that were used to develop the  
9 average.

10 Q. Would you accept, Mr. Lathrop, subject to  
11 your check, that if you remove the two examples and  
12 recalculate the average that it reduces the average by  
13 approximately only 12 basis points?

14 A. Yes, and there was no sketch that showed the  
15 other four Metro Denver, oops, the other four central  
16 offices to know whether those were space efficient  
17 approaches.

18 Q. Do you have any reason to believe that the  
19 four actual Metro Denver central offices are not  
20 accurately described in this document, aside from  
21 whether they were efficient or not?

22 A. Well, I believe the extent of the description  
23 are the numbers shown at the top of page 14, and I don't  
24 know whether they were accurately described in the sense  
25 that whether the R/U factors shown for each central

01363

1 office was indeed correctly calculated.

2 Q. You didn't inspect any of those four central  
3 offices?

4 A. No, I did not.

5 Q. And do you have any reason to believe from  
6 any other knowledge that the four identified Denver  
7 central offices do not have an accurate R/U calculation  
8 reflected in this exhibit?

9 A. Not necessarily, but one seems particularly  
10 high and it -- and so I did not request to see the  
11 documents from which those numbers were developed, so I  
12 don't have any basis to think those numbers are not  
13 accurate.

14 Q. Now you present a hypothetical example which  
15 in your calculation produces an R/U factor of 1.375; is  
16 that correct?

17 A. Yes.

18 Q. And that assumes a single aisle separating  
19 four co-location cages with two on each side of the  
20 aisle; is that right?

21 A. Yes.

22 Q. Okay. Now if those two, let's just look at  
23 one side of the aisle for a moment, all right. Do you  
24 have that in mind?

25 A. Yes.

01364

1 Q. The co-location cages have four sides; is  
2 that right?

3 A. Yes.

4 Q. One side of each of the co-location cages  
5 faces the aisle; is that right?

6 A. Yes.

7 Q. One side of each of the co-location cages is  
8 likely a common wall or a chain link separating the two;  
9 is that right?

10 A. Yes.

11 Q. So that leaves two other sides for each  
12 co-location cage; is that also right?

13 A. I think I lost count, but I will agree with  
14 you.

15 Q. All right. I didn't want to have to use the  
16 board, but I could. You would be sorry.

17 A. If it helps, I can draw it.

18 Q. Well, I guess I'm just -- what I'm looking  
19 for is to have you tell me once we have identified  
20 what's on two sides of the co-location cages, what's on  
21 the other two sides?

22 A. So the two sides being the sides facing the  
23 aisle and the sides separating the cages?

24 Q. Correct.

25 A. The other two sides is the end of the

01365

1 co-location cage beyond which the CLEC need not go, and  
2 then the other sides are the same thing. I mean I --  
3 may I draw an illustration?

4 Q. That would be great.

5 MS. ANDERL: Mr. Deanhardt represented that  
6 engineers always have magic markers. I want my  
7 engineer.

8 MR. DEANHARDT: We have those slightly  
9 thicker ones.

10 MS. ANDERL: Your Honor, if this needs to  
11 become an exhibit, we will work with Ms. Hopfenbeck to  
12 reproduce a document for the record.

13 A. There's a common aisle and four separate  
14 cages. Each cage has a door that permits access into  
15 and out of the cage.

16 BY MS. ANDERL:

17 Q. And is that what you have drawn here?

18 A. Yes.

19 Q. I'm going to put a designation here, if I  
20 may.

21 CHAIRWOMAN SHOWALTER: Why don't you  
22 reinforce the lines. We can't really see them.

23 COMMISSIONER HEMSTAD: We can't really see  
24 them.

25 MS. ANDERL: (Complies.)

01366

1 BY MS. ANDERL:

2 Q. Is that accurate, Mr. Lathrop?

3 A. Yes.

4 Q. And if I put an arrow on the page and write  
5 door, have I correctly identified the designation which  
6 is the door?

7 A. Yes.

8 Q. Okay. Now I have also placed on this diagram  
9 a compass like arrow pointing north so that we can talk  
10 about the directions north, south, east, and west. And  
11 I see that we've got four co-location cages here that  
12 I'm going to number, and the common aisle is between  
13 cages one and two and three and four; is that correct?

14 A. Yes.

15 Q. Shall I label that common aisle?

16 A. If you wish.

17 Q. All right. Now what is to the north of  
18 co-location cage number three?

19 A. Either more space in the central office or a  
20 perimeter corridor, so access to this co-location area  
21 is through the common aisle, which because it's common  
22 space that is common to both the co-locators and the  
23 incumbent, there's really no need for a gate or door  
24 there.

25 Q. What's on the east and west sides of the

01367

1 co-location cages? In other words, what's west of cages  
2 one and two, and what is east of cages three and four?

3 A. It can be either more of the central office  
4 or a wall.

5 Q. And would your answer be the same if I were  
6 to ask you what lies to the south of the cages?

7 A. Yes, either more of the central -- this can  
8 be most likely adjacent to a wall or in a corner. And  
9 what it can not be is like example one, floating in the  
10 middle of the central office.

11 Q. Now how do the people who occupy the  
12 co-location cages get to the common aisle?

13 A. By going through the central -- other parts  
14 of the central office. These are the parts that in  
15 Exhibit C-57 or just 57 are addressed through other  
16 factors. That is, in developing the space rental cost,  
17 there is an assumption that there is other common space  
18 in the central office, hallways, for example.

19 Q. Are you aware of whether or not there are any  
20 Qwest central offices in Washington that have  
21 co-location cages configured as shown in the diagram we  
22 just produced?

23 A. No. But one of the documents -- one of the  
24 central offices in an unnamed nearby state has an R/U  
25 calculation that's lower than the one that I propose.



01368

1 So as far as a model of efficiency, that particular  
2 central office is a great model of efficiency.

3 Q. And there's only one R/U calculation in  
4 Exhibit 57 that's lower than the one you propose; isn't  
5 that true?

6 A. Yes.

7 Q. That's all the questions that I have on that  
8 document, Mr. Lathrop.

9 Let me ask you, and let's switch topics now  
10 and talk about line sharing for a couple of minutes.  
11 Now you talk about facilitating line sharing between  
12 CLECs; is that right?

13 A. Yes.

14 Q. Do you also understand that in the context of  
15 this proceeding, that same context has been referred to  
16 as line splitting, or would you accept that we had  
17 referred to it in that way?

18 A. Yes.

19 Q. Since you haven't been here every day.

20 A. Yes.

21 Q. Does WorldCom lease any loops from Qwest in  
22 Washington?

23 A. I don't know.

24 Q. Would you accept, subject to your check, that  
25 it does?

01369

1 A. Yes.

2 Q. Is WorldCom making any recommendation in this  
3 proceeding with regard to the price that Qwest should be  
4 allowed to charge for the high frequency portion of the  
5 loop when it shares a line?

6 A. No.

7 Q. Does WorldCom have a position on the  
8 appropriate price?

9 A. Not --

10 Q. For that element?

11 A. Well, it would be beyond the scope of my  
12 testimony. I'm not aware that we have taken a position  
13 in other jurisdictions.

14 Q. Is it WorldCom's testimony in this docket  
15 that WorldCom would like to have the possibility of  
16 being able to lease the high frequency portion of one of  
17 the loops that it leases from Qwest to a DLEC?

18 A. I don't think that's in my testimony. I  
19 refer to using UNE-P, the unbundled -- a collection of  
20 unbundled network elements, as opposed to leasing an  
21 unbundled loop, which most commonly is then connected to  
22 a co-location cage.

23 Q. But UNE-P involves leasing a loop, doesn't  
24 it?

25 A. Yes.

01370

1 Q. As well as leasing other network elements?

2 A. Yes, that's the distinction.

3 Q. Okay. And on page 17 of your testimony,  
4 lines 22 through 24, is that essentially what you're  
5 talking about there, using the UNE-P and essentially  
6 subleasing the high frequency portion of the loop to a  
7 data LEC?

8 A. Yes, although that's not the only -- well,  
9 yes.

10 Q. Does WorldCom have a position on what it  
11 would like to charge a data LEC to access the high  
12 frequency portion of the loop when and if that type of  
13 arrangement is accomplished?

14 MS. HOPFENBECK: I'm going to object to the  
15 question on the grounds that it's beyond the scope of  
16 the witness's direct testimony and that the question is  
17 really designed to elicit -- WorldCom hasn't taken a  
18 position in this witness's testimony as to the  
19 appropriate price that this Commission should set for  
20 line sharing for either Qwest or Verizon, and this is an  
21 effort on the part of Qwest to elicit support from  
22 WorldCom for their position. There's no testimony in  
23 Mr. Lathrop's prefiled written testimony that really  
24 discusses pricing for line sharing.

25 MS. ANDERL: Your Honor, Ms. Hopfenbeck is

01371

1 correct. However, it does seem to me that one of the  
2 things we have talked about at great length is what  
3 would a competitive market do for pricing this high  
4 frequency portion of the UNE, and I simply believed that  
5 Mr. Lathrop might be in a unique position to be able to  
6 advise on what a non-incumbent was thinking about that.

7 And kind of along the lines of Chairwoman  
8 Showalter's discussion with Dr. Cabe, you know, what if  
9 you didn't know who you were when you were setting these  
10 policies. I thought it would be helpful if we could get  
11 some information from WorldCom on that issue.

12 MS. HOPFENBECK: I would just add that the  
13 question is also objectionable on the grounds that it  
14 calls for speculation, because at this point WorldCom is  
15 not -- it's one thing if WorldCom were, in fact,  
16 providing line sharing over UNE-P, but they're not at  
17 this time.

18 JUDGE BERG: Given the objections,  
19 Ms. Anderl, I think it is the best bet just to stay  
20 within the four corners of this witness's testimony. If  
21 it's appropriate to pose any hypotheticals in order to  
22 clarify his testimony or to make clear the positions  
23 stated in his testimony, then do so. Otherwise, the  
24 objection is sustained.

25 MS. ANDERL: Thank you, Your Honor.

01372

1 BY MS. ANDERL:

2 Q. Mr. Lathrop, is it correct that the way you  
3 described line sharing between CLECs, and let me give  
4 you a reference because I think it's important that you  
5 look at it, it's page 17, lines 2, 3, and 4, the  
6 sentence that starts, an ILEC would insert a splitter.

7 A. Yes.

8 Q. Does that sentence assume that the ILEC owns  
9 the splitter?

10 A. No, the sentence is just conceptually that  
11 the -- what is required of the technology. So I have  
12 assumed nothing about who owns the splitter or where the  
13 splitter is located.

14 Q. And on page 18, you talk about, at lines 2  
15 and 3, you talk about the ILEC potentially being the  
16 only provider capable of providing a full compliment of  
17 services on one line. Do you see that testimony?

18 A. Yes.

19 Q. Is it correct that today WorldCom could, if  
20 it wanted to, co-locate a DSLAM in a Qwest central  
21 office and offer voice data and long distance over one  
22 line?

23 A. Technically yes, but not without co-location.

24 MS. ANDERL: That's all that I have. Thank  
25 you.

01373

1 JUDGE BERG: Dr. Gabel.  
2 E X A M I N A T I O N

3 BY DR. GABEL:

4 Q. Good afternoon, Mr. Lathrop. I would like to  
5 ask you to turn to page 9 of your testimony, lines 12  
6 through 15. Am I correct that at this portion of your  
7 testimony, you're expressing concern regarding how the  
8 cost estimates for HVAC are estimated or developed?

9 A. Yes.

10 Q. And you have a concern here that the cost  
11 estimates do not reflect certain economies of scale; is  
12 that correct, because of the use of 300 square feet  
13 rather than the cost of HVAC for the entire building?

14 A. Yes, both economies of scale and independent  
15 of that, a potential double counting.

16 Q. And the double counting is the issue that you  
17 discussed with Mr. Edwards?

18 A. No. With respect to HVAC, the double  
19 counting is -- it is my understanding that Verizon's  
20 approach to HVAC was to use a figure in RS means that  
21 represented the HVAC of the building. They took those  
22 costs out, and then they developed other ones on their  
23 own as sort of substitutes. And in addition, they had  
24 costs for what they call the shell costs. So they cool  
25 the building for the equipment, and then they cool the

01374

1 shell.

2           And it seems to me that those, that the air  
3 molecules, don't know the difference between the air  
4 heated by equipment and air in a shell and that there  
5 would be no need to cool the building without equipment.  
6 So it's not clear to me that Verizon should be charging  
7 a combination of both the shell cost and their whatever  
8 they call the cooling for the equipment.

9           Q.     On the issue of economies of scale, does RS  
10 means or some other source of data indicate that there  
11 are economies of scale in developing or deploying HVAC?

12          A.     I don't know the answer to that. I tried --  
13 I didn't have time to assemble -- to sort of replicate  
14 what Verizon did using a larger square footage area to  
15 put all the components together to see.

16          Q.     Also you and Mr. Edwards did talk about RS  
17 means. And did I correctly understand one of your  
18 responses to be along the lines that RS means was used  
19 to provide or it was the source for an index that  
20 converted book investment to current investment?

21          A.     There is -- the answer is maybe. I don't  
22 remember specifically what -- whether Verizon used RS  
23 means as a source to do that conversion. I recall  
24 reading they did the conversion, but I did not check the  
25 calculations, so I don't -- I'm not sure of the source.

01375

1 Q. And on the topic of space preparation cost,  
2 this is a concern you have regarding the cost study of  
3 Verizon but not at Qwest?

4 A. That's correct.

5 Q. And your concern is that Verizon's space  
6 preparation costs are reflected in their book building  
7 costs, and therefore it's inappropriate to then add on  
8 to that a new space preparation cost?

9 A. Yes, because their booked investments were  
10 brought up to the present in a way as if they built  
11 those same buildings today.

12 Q. And when they bring up -- well, let me go  
13 back.

14 Did you look at how they brought up the  
15 booked investments to current investments?

16 A. No, I did not.

17 Q. All right. Well, I guess what then is your  
18 -- I'm trying to understand what's the basis for your  
19 concern that when they brought up the book investment to  
20 the current investment that you know that in that  
21 process they're picking up space preparation costs as  
22 opposed to just converting building costs that was just  
23 incurred maybe in 1920 and converting it to year 2000  
24 dollars?

25 A. It's that in 1920 or whenever they built the



01376

1 building, it cost much less than it would today. So  
2 they have applied some sort of inflation factor to bring  
3 it up to what the value of those dollars spent earlier  
4 is today. When they spent those dollars earlier, it's  
5 for prepared telecommunications space. So in my mind,  
6 it's simple double counting to come -- to also be able  
7 to collect for modifying that space, which when it was  
8 originally built was built to house telecommunications  
9 equipment.

10 Q. Well, let me ask you to assume that the  
11 building was built, constructed in 1920, and that  
12 building is sufficiently large to house Verizon's needs  
13 today. Do you understand my assumption?

14 A. Yes.

15 Q. And it's also sufficiently large to house the  
16 co-location space that WorldCom is requesting. Do you  
17 understand that assumption also?

18 A. Yes.

19 Q. All right. Then WorldCom asks that there be  
20 a co-location cage constructed in this building. How  
21 would the cost of the co-location cage be reflected in  
22 the expenditures that were undertaken in 1920?

23 A. It's not the cage itself. It's just the  
24 floor space rental. So the cost to build the building,  
25 it was reflected in 1920. The building is still there

01377

1 today, so it's not -- if I understand your question.

2 Q. Okay, maybe then it would help -- what cost  
3 did it -- what activities are reflected in this space  
4 preparation charge that you think is being recovered a  
5 second time under Verizon's proposal?

6 A. One of them is demolition and site work. One  
7 is dust partition, which Qwest explicitly says is --  
8 well, is so rare they did not include it in their cost  
9 study. And the third one is ventilation ducts which  
10 Verizon also terms minor HVAC. So they specify three  
11 components in the proposed costs that are -- that they  
12 call site modifications, or building modifications,  
13 excuse me.

14 Q. Now Mr. Lathrop, I would like to ask you to  
15 turn to page ten, lines three to eight.

16 A. (Complies.)

17 Q. And again here, you're referring to some data  
18 that Verizon obtained from RS means?

19 A. Yes.

20 Q. And am I correct that you have a concern here  
21 that the data extracted from the RS means publication  
22 includes a profit to the firm that completed the  
23 construction project, and then on top of that, Verizon  
24 wants to apply a profit factor?

25 A. Maybe. The only distinction is when you said

01378

1 profit factor, Verizon applied a factor for general  
2 conditions, engineering fees, and then its overhead cost  
3 factor, which I guess profit is included in that.

4 Q. And it's your concern that there's  
5 effectively a double recovery of overhead costs under  
6 the Verizon submission?

7 A. Yes.

8 Q. And it's your contention that as long as the  
9 contractor has been paid for their overhead, it's not  
10 necessary to reflect an overhead cost factor for  
11 Verizon's overhead costs; is that your position?

12 A. It probably was when I first wrote this. And  
13 in preparing for this testimony, and I believe a Verizon  
14 witness responded saying, well, the overhead and profit  
15 factor is paid to a subcontractor, and that doesn't  
16 affect our, Verizon's, overhead, which I thought is  
17 probably a legitimate point.

18 I went back and could not find the data from  
19 Verizon's cost study for which, well, that provided the  
20 source for the 15% and 9%, and the general conditions  
21 that Verizon claims are not -- it was not specified what  
22 differences those general conditions are from their  
23 overhead. So at the time I wrote this, it just seemed  
24 that there were -- there's layer upon layer of overhead  
25 costs without drawing a distinction of why each one is

01379

1 necessary.

2 Q. And is it your position now that only one is  
3 necessary, or two are appropriate?

4 A. Given the approach of the overhead factor  
5 that Verizon has, I wouldn't object to maintaining their  
6 overhead and even using the overhead and profit column  
7 from RS means. And as I mentioned, I didn't have time  
8 to investigate what Verizon meant by the general  
9 conditions and whether those are necessary if indeed the  
10 contractor is performing the work. And when I wrote  
11 this, I used the word may because at the -- may have  
12 double counted cost factors, because I hadn't been able  
13 to separate out all the different factors and what they  
14 were supposed to be for.

15 Q. You have also in response to some questions  
16 from Mr. Edwards talked about demolition work. Is it  
17 your understanding that when demolition work is  
18 undertaken in a building, that demolition work is  
19 capitalized rather than expensed?

20 A. I don't know. I know it's, from previous  
21 jurisdictions where the issue has come up, it's entered  
22 into the land and building accounts, but I don't know  
23 how it's treated, as a capital or an expense.

24 Q. And if it was expense, then your concern  
25 regarding the Verizon's study, would that address your

01380

1 concern?

2 A. If you're -- depends on which demolition  
3 you're talking about. In the Verizon cost study when  
4 they went back in and added investment, and we don't  
5 know for a particular central office what the investment  
6 was for, I thought, well, we won't object to that. But  
7 when you come to the present and now you add the  
8 building modifications, I object to the building  
9 modification being added to their present stated  
10 equivalent of their investment costs for the buildings.

11 DR. GABEL: Thank you. I have no further  
12 questions.

13 JUDGE BERG: Questions from the Bench?

14 CHAIRWOMAN SHOWALTER: No.

15 COMMISSIONER HEMSTAD: No.

16 JUDGE BERG: All right.

17 Before we do redirect, let's see if the  
18 cross-examining parties have further questions.

19 Mr. Edwards.

20 MR. EDWARDS: I do, just a few.

21

22 R E C R O S S - E X A M I N A T I O N

23 BY MR. EDWARDS:

24 Q. In response to questions from Dr. Gabel, he  
25 had referred you to page ten of your testimony in

01381

1 talking about where you had said that there may be some  
2 double counting. And if I understood your answer, you  
3 had said that you had read some testimony from a Verizon  
4 witness that addressed that point; is that correct?

5 A. Addressed part of the point that I make on  
6 page ten.

7 Q. Right, and would that Verizon witness have  
8 been Mr. Richter in his rebuttal testimony?

9 A. It may have been.

10 Q. Do you know whether Mr. Richter in his  
11 rebuttal testimony also addressed the economies of scale  
12 issue that Dr. Gabel asked you about that you raised on  
13 page nine of your testimony?

14 A. I remember the point being addressed.

15 Q. And do you remember that in addressing that,  
16 he stated that the costs for the HVAC of the 300 square  
17 feet was actually taken from the Feather Sound central  
18 office building in a construction job that included 60  
19 tons of HVAC?

20 A. The Feather Sound is familiar, but I don't  
21 remember the numbers. It doesn't explain why there's a  
22 separate shell HVAC cost and equipment HVAC cost.

23 Q. Doesn't his testimony go on to explain that  
24 the shell HVAC cost is to cool the building in general  
25 and that there is a separate HVAC cost for the heat

01382

1 dissipation specific to CLEC equipment per amp?

2 A. That sounds familiar, but why the separate  
3 HVAC, why the shell cost, why the CL needs to be cooled  
4 without the equipment or why the co-locator should pay  
5 for the cooling of Verizon's equipment isn't clear.

6 Q. Well, you would agree with me that Verizon's  
7 position is not that the CLECs should pay to cool for  
8 the heat created by its own equipment. That second HVAC  
9 cost that you're referring to is specific to amps that  
10 are CLEC specific?

11 A. Yes.

12 Q. And on the RS means that we have had some  
13 testimony about, you would agree with me that RS means  
14 is a publication that's used generally in the  
15 construction industry?

16 A. Yes.

17 Q. And it is, I believe, related to commercial  
18 construction in general, and it is not specific to  
19 telephone central offices, correct?

20 A. That's correct, but it does have telephone  
21 central office specific information that Qwest as well  
22 as other ILECs have relied on to develop co-location  
23 costs.

24 Q. And is there specific central office  
25 information used to determine the factor to bring

01383

1 historic and built-in investment cost forward, or is  
2 that based on building construction in general?

3 A. I don't know.

4 MR. EDWARDS: That's all I have.

5 JUDGE BERG: Ms. Anderl.

6 MS. ANDERL: Nothing, Your Honor.

7 JUDGE BERG: Redirect, Ms. Hopfenbeck?

8 MS. HOPFENBECK: Just a little bit.

9

10 R E D I R E C T E X A M I N A T I O N

11 BY MS. HOPFENBECK:

12 Q. Mr. Lathrop, early in Mr. Edwards' initial  
13 cross-examination of you, you had a discussion with him  
14 about how WorldCom in its co-location cost model goes  
15 about developing forward looking space rental costs. Do  
16 you have that discussion in mind?

17 A. Yes.

18 Q. And I would just like to ask you for purposes  
19 of this proceeding, is WorldCom recommending that this  
20 Commission reject either Verizon's or Qwest's space  
21 rental costs?

22 A. Not reject, but with respect to Qwest, I  
23 propose a change that should be flowed through their  
24 existing calculation which started with an RS means  
25 figure with which I do not disagree.



01384

1 Q. In general, isn't it WorldCom's position that  
2 both Verizon and Qwest have testimony in this proceeding  
3 reflect a forward looking development of space rental  
4 cost?

5 A. Generally, yes.

6 MS. HOPFENBECK: Nothing further.

7 JUDGE BERG: Any addition cross-examination?

8 MR. EDWARDS: None for me, sir.

9 MS. ANDERL: No, thank you.

10 JUDGE BERG: All right, Mr. Lathrop, thank  
11 you very much for being present and testifying this  
12 afternoon.

13 We're going to take a break now until 3:20.

14 We will be off the record.

15 (Recess taken.)

16

17 (The following exhibits were identified in  
18 conjunction with the testimony of Linda  
19 Casey.)

20 Exhibit T-250 is Direct Testimony (LC-1T).

21 Exhibit E-251 is Errata to Direct Testimony.

22 Exhibit C-252 is OSS Cost Study +

23 (LC-2C)(Revised). Exhibit T-253 is

24 Responsive Testimony (LC-3T). Exhibit C-254

25 is Cost Schedules (LC-4C). Exhibit T-255 is

01385

1 Rebuttal Testimony (LC-5T).

2

3 Whereupon,

4

LINDA CASEY,

5 having been first duly sworn, was called as a witness

6 herein and was examined and testified as follows:

7

8 DIRECT EXAMINATION

9 BY MS. MCCLELLAN:

10 Q. Good afternoon, Ms. Casey.

11 A. Good afternoon.

12 Q. Would you please state your name and business  
13 address for the record.

14 A. Linda Casey, 600 Hidden Ridge, Irving, Texas.

15 Q. Did you prepare or cause to be prepared and  
16 filed in this docket Exhibits that have been marked as  
17 T-250 through T-255?

18 A. Yes.

19 Q. Do you have any changes or corrections to  
20 your testimony today?

21 A. Yes, I have corrections to an Exhibit LC-4C,  
22 which is Exhibit C-254, on line 11.

23 Q. Wait, let's let everybody get there first.

24 JUDGE BERG: We need a page number first, if  
25 possible.

01386

1 A. It's Exhibit LC-4C, page one of two.

2 Q. Okay.

3 A. On line 11, the material loading of 19.05% is  
4 an error. It should be 4.205%.

5 MS. MCCLELLAN: And just so the record is  
6 clear, we are aware that we are giving confidential  
7 numbers on the record and recognize the consequences of  
8 doing so.

9 JUDGE BERG: Thank you, Ms. McClellan.

10 BY MS. MCCLELLAN:

11 Q. Okay.

12 A. The description next to that, which says line  
13 11 multiplied by, should say minor material load factor  
14 instead of material load factor.

15 JUDGE BERG: Could you repeat that once more?

16 A. Yes, the description of line 11 that says,  
17 line 7 times the material load factors, should be, times  
18 the minor material load factor. That has the effect of  
19 changing the sum to the right of \$513.25 to \$113.29 and  
20 the sum on line 14, total installation cost changes,  
21 from \$903.966 to \$504.01.

22 JUDGE BERG: And, Ms. Casey, if I could, I  
23 want to go back and confirm that material loading  
24 percentage, the new one is 4.025?

25 THE WITNESS: No, 4.205.

01387

1 JUDGE BERG: 205, all right, thank you.

2 BY MS. MCCLELLAN:

3 Q. Okay, and are those the only corrections you  
4 have?

5 A. Yes.

6 Q. So with those changes, if I were to ask you  
7 the questions contained in these exhibits, your answers  
8 would be the same?

9 A. Yes.

10 MS. MCCLELLAN: Your Honor, at this time, I  
11 would like to move for the admission of Exhibits T-250  
12 to T-255 into the record.

13 JUDGE BERG: Hearing no objection, Exhibits  
14 T-250 through T-255 are admitted.

15 MS. MCCLELLAN: And, Your Honor, I make  
16 Ms. Casey available for cross.

17 JUDGE BERG: Ms. Bradley.

18 MS. BRADLEY: Yes, thank you.

19

20 C R O S S - E X A M I N A T I O N

21 BY MS. BRADLEY:

22 Q. Good afternoon, Ms. Casey.

23 A. Good afternoon.

24 Q. I just want a little clarification on the  
25 changes that you made for Exhibit LC-4C or C-254. The

01388

1 final number that Verizon is now proposing for the total  
2 installation cost is \$504.01 for a virtually co-located  
3 splitter; is that correct?

4 A. Yes.

5 Q. If I could have you turn to page 15 of your  
6 direct testimony.

7 A. (Complies.)

8 Q. The last question on the page, if you are  
9 there yet.

10 JUDGE BERG: I believe that's Exhibit T-250.

11 MS. BRADLEY: Yes, that's correct. Thank  
12 you, Your Honor.

13 A. Yes.

14 BY MS. BRADLEY:

15 Q. On the last question --

16 CHAIRWOMAN SHOWALTER: What page was that?

17 MS. BRADLEY: That is page 15.

18 BY MS. BRADLEY:

19 Q. On the last question on the page, you are  
20 describing the work done by Verizon in ordering  
21 processes. You have two types, the electronically  
22 submitted LSRs and the manual LSRs. For the manual  
23 LSRs, you note that the offline work group enters the  
24 LSR into GTE's secured integrated gateway system.  
25 Essentially you're talking about retyping the order; is

01389

1 that correct?

2 A. Actually, retyping the local service request  
3 form into the ordering system SIGS, which is the  
4 interface into GTE's processing system, yes.

5 Q. And when the electronically submitted LSRs  
6 are sent to one of GTE's NOMCs, N-O-M-C-S, you have that  
7 they're received by one of GTE's NOMCs. At that point,  
8 are the LSR's again retyped into GTE's system?

9 A. Not into SIGS.

10 Q. They are retyped into?

11 A. If they are touched by the NOMC, then they  
12 are completed at the GTE NOCV ordering system.

13 Q. Are they sometimes not touched by the NOMC?

14 A. In the case of simple basic exchange  
15 services, approximately 27% of retail orders flow  
16 through electronically today.

17 Q. But UNE orders for loops and line sharing  
18 orders do not flow through electronically?

19 A. Not today.

20 Q. And when are they expected to?

21 A. Originally the flow through was to be  
22 achieved by the end of this year. As far as I know,  
23 that's still on schedule.

24 Q. On the next page of your direct testimony,  
25 T-250, you discuss the improvements and efficiencies

01390

1 that have occurred as a result of OSS improvements that  
2 GTE has implemented; is that correct?

3 A. Yes.

4 Q. At the top of page 17, your testimony reads:

5 These planned investments in OSS reduce  
6 that time to approximately 33 minutes.

7 Could you tell me what you're referring to in  
8 terms of that time?

9 A. The time for the NOMC representative to  
10 process the basic exchange order that they touch.

11 Q. And is that all the activity that is involved  
12 in processing an order?

13 A. There is also off line activity. And in  
14 addition, if the order is faxed, then there would be  
15 incremental time added to that for the manual  
16 processing.

17 Q. But if it's an electronically submitted  
18 order, it's 33 minutes?

19 A. Plus some time for the off line  
20 representative after it gets processed through for those  
21 orders that are then touched by the off line group.

22 Q. You describe in the cost study that was  
23 attached to your testimony as Exhibit C-252, 22 OSS  
24 projects for which Verizon is proposing to charge CLECs;  
25 is that correct?

01391

1 A. Yes.

2 Q. For how many of those 22 projects were CLECs  
3 consulted about?

4 A. I'm not sure.

5 Q. Isn't it true that, for example, and I'm on  
6 page 5-WA7 of Exhibit C-252.

7 A. Yes.

8 Q. Isn't it true, for example, that for project  
9 number three, which claims to improve CLECs billing and  
10 benefiting the CLEC, CLECs were not consulted about the  
11 design of these OSS improvements?

12 A. I wasn't involved with any contact with the  
13 CLECs involving the carrying out of these projects. It  
14 was identified here that the projects were necessary in  
15 order to facilitate and improve the billing to CLECs.  
16 But I have no personal knowledge of communications that  
17 went back and forth with individual CLECs regarding  
18 these enhancements.

19 Q. Thank you. So isn't it true that for many,  
20 if not all, of these projects, CLECs were not consulted  
21 about the improvements that were allegedly to benefit  
22 CLECs' OSS interfaces with GTE-Verizon?

23 A. I don't know.

24 Q. Do you know the GTE witness that would know,  
25 the Verizon witness that would know?



01392

1           A.       Jerry Holland would probably have more  
2 information in that regard.

3           Q.       On page 19 of your direct testimony T-250, if  
4 you could turn to that, please.

5           A.       Yes.

6           Q.       You testified on lines 16 and 17 that jumper  
7 running studies were completed to develop the time to  
8 run one jumper. Can you tell me what that means,  
9 running one jumper? Is that connecting a jumper or  
10 disconnecting a jumper?

11          A.       There are times associated with both events,  
12 both the break or the disconnect and the connection. So  
13 there are different times for each of those two  
14 activities.

15          Q.       Are you familiar with the work involved in  
16 disconnecting and connecting a splitter bridge jumper?

17          A.       I'm sorry, could you repeat that?

18          Q.       Yes, I'm sorry, that wasn't very clear.

19                    Are you aware of the difference between a  
20 connection and a disconnection of a jumper in an order,  
21 in provisioning an order, of the CO work?

22          A.       Yes.

23          Q.       It is, for provisioning an order, it is  
24 removing one jumper and connecting three; isn't that  
25 correct?

01393

1 A. Are you referring to a specific scenario for  
2 splitter connection?

3 Q. Yes, for line sharing.

4 A. Are you talking about the Verizon owned  
5 splitter?

6 Q. Yes.

7 A. Yes, that's correct.

8 Q. And for disconnection, it is removing three  
9 jumpers and connecting one?

10 A. Yes.

11 Q. Isn't that correct?

12 A. Yes.

13 Q. Now in your testimony, Exhibit T-253, the  
14 responsive direct on page four, you set forth the prices  
15 for a virtually co-located CLEC provided splitter; isn't  
16 that correct?

17 A. I'm sorry, I didn't set forth any prices in  
18 my testimony.

19 Q. Well, you refer to, if I look at line three:  
20 The service ordering and provisioning  
21 activity associated with configuration  
22 one is the same as the service order and  
23 provisioning activity described in my  
24 direct testimony for configuration two.

25 A. Yes.

01394

1 Q. So for these costs, I want to clarify as to  
2 what the costs are set forth for a virtually co-located  
3 splitter option, and I'm looking at Exhibit C-252,  
4 1-WA10 and 1-WA11 that sets forth the prices, the costs  
5 for line sharing orders.

6 A. Okay.

7 Q. Can you tell me which are the costs for a  
8 virtually co-located configuration, configuration number  
9 one?

10 A. That would be the CLEC's CO splitter.

11 Q. And so it is the same as if it were  
12 co-located in the CLEC co-location area?

13 A. Yes.

14 Q. And that is true for ordering, provisioning  
15 CO work?

16 A. Yes.

17 Q. Now the CO work includes for the CLEC  
18 splitters the connecting and disconnecting of jumpers;  
19 is that correct?

20 A. Yes.

21 Q. Is there anything else included in that  
22 price?

23 A. No.

24 Q. Then I'm confused. On page 19 of T-250, I'm  
25 sorry, it's actually the sentence starts at the bottom

01395

1 of page 19 but it really goes on to page 20, it begins:  
2 The CLEC provided splitter configuration  
3 includes the cost of the jumper wire  
4 needed to connect the CLEC splitter to  
5 the GTE frame.

6 A. Yes.

7 Q. But you just said that this cost listed in  
8 your study does not include the jumper wire.

9 A. I didn't realize I was saying that. I  
10 thought you asked me if it included only the jumper  
11 installation, and the wire is part of the costs  
12 associated with installing the jumpers.

13 Q. So it includes the material cost of the  
14 jumper wire?

15 A. Yes.

16 Q. And the installation?

17 A. Yes.

18 Q. But the CO work for the GTE owned splitter,  
19 does that include the cost of the jumper wire as well?

20 A. That would be recovered over the recurring.

21 Q. So can you explain to me as to why that cost  
22 is greater than the cost for the CO work for a CLEC  
23 splitter if one includes the wire and the other does  
24 not?

25 A. The GTE owned splitter is higher because

01396

1 there is an additional jumper that needs to be run.  
2 Q. But it does not include the material cost of  
3 that jumper?

4 A. No.

5 MS. BRADLEY: Okay, that's all, no further  
6 questions.

7 JUDGE BERG: Mr. Butler?

8 MR. BUTLER: No, nothing.

9 JUDGE BERG: Dr. Gabel, do you have any  
10 questions of this witness?

11

12 E X A M I N A T I O N

13 BY DR. GABEL:

14 Q. Good afternoon, Ms. Casey. I would like to  
15 begin by just looking at Exhibit 250, your direct  
16 testimony, page 4.

17 A. (Complies.)

18 Q. Am I correct that at the top of this page,  
19 you're pointing out that the level of OSS transaction  
20 and transition cost that you have identified in this  
21 cost study are a little bit different than what Verizon  
22 had sponsored in UT-960369?

23 A. Yes.

24 Q. Now you discussed here the amount of money.  
25 You haven't mentioned the level of demand. Is the

01397

1 number of transactions any different between the two  
2 cost studies?

3 A. There were a different year of transaction  
4 costs that were included in the revised study. It was a  
5 different year entirely. We pulled actual transactions  
6 from 1999 for the revised study as opposed to 1998 in  
7 the previous study.

8 Q. Well, could you explain the process? You  
9 have identified here on page four the level of cost that  
10 GTE has incurred. The next step is you divide the level  
11 of cost by the number of transactions; is that correct?

12 A. Could you please direct me to what you're  
13 referring to in my testimony?

14 Q. Well --

15 A. Perhaps if we went to the cost study, it  
16 would help too.

17 Q. All right, if we turn to your cost study, I  
18 believe it's WA2.

19 A. It should be 5 for OSS.

20 Q. Yeah, 5-WA3, I guess, is the page I have in  
21 mind.

22 A. Yes.

23 Q. All right. So, for example, here you have at  
24 the top the total GTE OSS transition cost; is that  
25 correct?

01398

1 A. Yes.

2 Q. And then you identify how much of it is  
3 related to Washington?

4 A. Yes.

5 Q. All right. How did you take the company  
6 number and convert it to a Washington specific number?

7 A. That was done using standard state allocation  
8 factors that GTE uses internally for the same purposes.

9 Q. And how are those factors developed?

10 A. I don't have specifics of how the individual  
11 factors are developed. We merely took them from our  
12 accounting department and applied them.

13 Q. So you don't know if they are reflecting the  
14 level of OSS activity in Washington or it's based upon  
15 some other allocator?

16 A. It definitely isn't reflecting specific OSS  
17 activity in Washington. It's using historical  
18 allocation factors that we have used internally within  
19 Verizon.

20 Q. Then once you have this value for the state  
21 of Washington, how is that then converted to a service  
22 order rate?

23 A. That's covered by Mr. Tanimura.

24 Q. Okay. Now am I correct that within the past  
25 year, GTE sold some of its exchanges to other companies,

01399

1 for example, it sold its operations in Arkansas?

2 A. Yes.

3 Q. And it's in the process of selling its  
4 operations in New Mexico?

5 A. Yes.

6 Q. All right. When those transactions take  
7 place, do those firms that are acquiring your exchanges,  
8 do they have the right to use your operational support  
9 systems?

10 A. No.

11 Q. So after these properties are sold, for  
12 example, Arkansas or New Mexico, GTE-Verizon will be  
13 recovering its OSS transition costs from a smaller base  
14 of transactions, because you're no longer going to be  
15 having activity generated out of Arkansas and New  
16 Mexico?

17 A. I can't reply to the exact level of activity  
18 that will or will not occur, because I don't know how  
19 much activity those states generated, but the concept is  
20 correct.

21 Q. So I want to make sure I understand your  
22 response to a prior question. When these properties  
23 were sold, you were not selling the right to use your  
24 operational support systems?

25 A. Not those associated with wholesale, no, nor



01400

1 our retail, no.

2 Q. So these firms, well, do you know how these  
3 firms are going to handle operational support systems,  
4 or have you been involved in any discussions on that  
5 topic?

6 A. No.

7 Q. Returning to Exhibit 250, page 10, I would  
8 like to ask you to look at lines 16 and 17.

9 A. (Complies.)

10 Q. You state at line 17 that:  
11 GTE allocated the shared systems'  
12 ongoing data processing and maintenance  
13 costs to the market segments noted  
14 above.

15 What process was used to allocate these  
16 costs?

17 A. We used the actual 1999 order volumes for  
18 each of the market segments to establish the percent of  
19 market share for the shared system so that we could  
20 allocate a portion of the costs.

21 Q. And were these weighted or unweighted so it  
22 would all -- any service order receive equal weight?

23 A. Yes.

24 Q. I now would like to ask you on this same  
25 exhibit to turn to page 16, line 18.

01401

1 A. (Complies.)

2 Q. Am I correct, actually if you look at line  
3 20, that GTE completed a study and found that it took 53  
4 minutes for placing a line, for completing a line  
5 sharing order?

6 A. It wasn't specifically line sharing. It was  
7 the exchange basic order, which is what GTE utilized as  
8 being representative of what a line sharing order would  
9 take us to process.

10 Q. And exchange order would be a retail service?

11 A. It's not a retail service. It's a POTS  
12 wholesale service.

13 Q. And then you show, am I correct, on page 17  
14 that you made some adjustments to that time estimate,  
15 you actually used in your study a value of 33 minutes?

16 A. Yes.

17 Q. Would you just please explain the steps  
18 involved that would require 53 minutes of time to  
19 complete the order and then how you foresee these steps  
20 changing and how these changes impacted your estimate of  
21 the time?

22 A. When the LSR is entered into SIGS by the  
23 CLEC, then as I stated earlier, a portion of them are  
24 the exchange basic retail orders would automatically  
25 flow through the system because they are very basic in

01402

1 nature and don't require human intervention.

2       The remainder of the orders have different  
3 fields in them that pass the up front Edison SIGS but  
4 require the NOMC to verify certain information to  
5 determine if there is what the reps call a soft error,  
6 which can be fixed easily by verifying handbook  
7 information and making those corrections.

8       It may require additional work on a directory  
9 listing, which is not a straight line listing. That is  
10 more complicated than a basic straight line listing, and  
11 it may require getting additional information to  
12 complete the order that is found in instruction fields  
13 on the order.

14       The work times here also are reflective of  
15 orders that are not produced but require additional  
16 follow up by NOMC reps for the same type of orders. In  
17 other words, a CLEC has the ability to call in and check  
18 on an order, and these same representatives would then  
19 answer those calls. That doesn't generate an order, but  
20 it is part of the business of producing those orders.

21       And after they have then completed all of  
22 that activity, they release the order into our national  
23 order collection vehicle or NOCV for processing. That  
24 was basically representative of the 15 or the 53 minutes  
25 when we took the work time study.

01403

1           The 33 minutes is reflective of those  
2 improvements that are planned for the time beyond when  
3 the study was taken, which was August of 1999 through  
4 the end of the year 2000. And it's an estimation of the  
5 productivity improvements that the NOMC representatives  
6 should realize as a result of some of the enhancements  
7 that are planned for this year. Some of those  
8 enhancements involve things such as additional screens  
9 that alleviate some of the time consuming activities to  
10 get through the various screens and to get to  
11 information. There are also fields that allow the  
12 representative to enter information that previously was  
13 not available to them. So that when they do receive a  
14 call from a CLEC, they have a history of all of the  
15 information that another representative may have already  
16 gathered on that particular order so that it makes  
17 follow up on the orders that are pending easier and more  
18 efficient.

19       Q.     Thank you. When a line sharing order is  
20 placed, is any of this what you would characterize as  
21 semiautomatic, or are all line sharing orders what you  
22 might characterize as manual?

23       A.     The study reflects the efficiencies for line  
24 sharing orders that I just described to you, but  
25 currently that is not the case, and I don't believe that

01404

1 for line sharing orders that will be in place by the end  
2 of the year.

3 Q. So does that mean you're assuming that 100%  
4 or 0% of the orders are semiautomatic?

5 A. They're semiautomatic in terms of the 53  
6 minutes, but they're not going to achieve the  
7 productivity improvements of the flow through. We  
8 assumed 27% of the exchange basic loops would flow  
9 through, so the 27% flow through for line sharing orders  
10 will not be achieved. Therefore we won't get down to  
11 the 33 minutes in terms of a productivity factor  
12 specific to a line sharing order.

13 Q. Thank you. Are you familiar with the Bell  
14 Atlantic-GTE merger conditions?

15 A. Some of them.

16 Q. I'm going to read you one of the conditions.  
17 I believe it's -- I think it's L1. I'm having trouble  
18 reading the type face on my computer, but I think you  
19 will be familiar with this.

20 Bell Atlantic-GTE will create prior to  
21 closing the merger one or more separate  
22 affiliates to provide all advanced  
23 services in the combined Bell  
24 Atlantic-GTE region. These separate  
25 affiliates will use the same processes

01405

1 as competitors and pay an equivalent  
2 price for facilities and services.  
3 Are you familiar with that condition?

4 A. Yes.

5 Q. Did that condition in any way affect the way  
6 in which you prepared your study?

7 A. No.

8 Q. And the existence of the affiliate, does it  
9 affect prospectively the cost which Verizon will be  
10 incurring?

11 A. No.

12 Q. Could you explain why not, please?

13 A. The processes in the non-recurring cost study  
14 will still be the same in terms of a line sharing order  
15 still going through our NOMC, and our central office  
16 will still perform the same cross connects. The  
17 difference will be the splitter installation portion of  
18 it, and the data LEC will be using the same processes  
19 for installing the CLECs as it uses for its own. And  
20 those processes are in place today. It's just being  
21 transferred to a separate subsidiary.

22 Q. Second condition, and this is, again I  
23 apologize for the notation, I think it's Section 2,  
24 Number 6 states:

25 Bell Atlantic-GTE will develop and

01406

1           deploy with CLEC input application to  
2           application interfaces, graphical user  
3           interfaces, and business rules that are  
4           uniform in the Bell Atlantic legacy  
5           areas and separately uniform within the  
6           GTE legacy service areas and uniform  
7           across most of the merged firms service  
8           areas in Pennsylvania and Virginia.  
9           Are you familiar with this condition?

10          A.     I have heard of the condition, but I have  
11 absolutely no knowledge about any of the details  
12 involved.

13          Q.     So do you know if this condition has had any  
14 impact on Verizon's estimate of the OSS transition  
15 clause?

16          A.     I have no knowledge that I could say that  
17 there's any impact in the foreseeable future.

18          Q.     Yesterday, Ms. Casey, I believe you were in  
19 the room when I asked Mr. Behrle about how the  
20 maintenance charge factor was developed for Exhibit  
21 C-234. Do you recall that line of questioning?

22          A.     Yes.

23          Q.     And he suggested that I ask you for an  
24 explanation on how the value was developed. Could you  
25 please provide an explanation?

01407

1           A.       I don't have anything in my cost study that  
2 is associated with a maintenance charge factor. I  
3 thought that he was referring to the minor materials  
4 factor.

5           DR. GABEL: Thank you.

6           JUDGE BERG: Any questions, Commissioners?

7           MS. BRADLEY: Your Honor, I have some further  
8 cross.

9           JUDGE BERG: All right, this is the time.

10          MS. BRADLEY: Thank you.

11

12                   R E C R O S S - E X A M I N A T I O N

13 BY MS. BRADLEY:

14          Q.       I'm following up on some questions by  
15 Mr. Gabel. One is that you answered that the creation  
16 of a separate affiliate that would use the OSS system  
17 created by Verizon was not taken into account in your  
18 cost study; isn't that correct?

19          A.       Yes.

20          Q.       If there is a separate affiliate using the  
21 same OSS systems that are being offered to the CLECs,  
22 wouldn't that increase the projected demand and thereby  
23 increase the denominator for OSS transition costs?

24          A.       I don't know.

25          Q.       If there is another entity placing orders



01408

1 with Verizon, what were previously Verizon retail orders  
2 are now being placed as a CLEC, that wouldn't increase  
3 the demand?

4 A. I don't have any demand forecasts. The  
5 demand forecasts could increase as a result of other  
6 CLECs besides the DLEC, Verizon DLEC, and increasing  
7 orders. All things being equal, I would expect the  
8 demand in all line sharing orders to increase.

9 Q. Isn't it safe to assume that Verizon's  
10 current retail operations could serve as some proxy for  
11 what the separate affiliate would be ordering  
12 considering that that is what will be the separate  
13 affiliate?

14 A. Possibly.

15 Q. Well, it is a fact that Verizon's retail DSL  
16 advance services operations will become a separate  
17 affiliate if Verizon follows the merger conditions;  
18 isn't that correct?

19 A. Yes.

20 Q. So Verizon's current retail operations will  
21 become a separate affiliate ordering through the OSS  
22 systems as a CLEC; isn't that correct?

23 A. Yes.

24 Q. So therefore the number of orders placed will  
25 increase; isn't that correct?

01409

1 A. Through the wholesale environment?

2 Q. Yes.

3 A. Yes.

4 Q. And your cost study did not take that into  
5 account; isn't that correct?

6 A. I don't deal with forecasts in my cost study,  
7 so it doesn't impact my study at all.

8 Q. It wouldn't be a significant impact if  
9 Verizon's current retail operations were now being  
10 placed and ordered through a CLEC?

11 A. Well, they might have to increase staff to  
12 handle the greater demand, but the cost per unit would  
13 still remain the same.

14 Q. The OSS transition cost though would be  
15 divided by a greater denominator; isn't that correct, it  
16 would be spread more evenly throughout?

17 A. I don't do any division in OSS transition or  
18 transaction costs in my study.

19 Q. The projected demand has no -- is not taken  
20 into account in your study at all?

21 A. I have no projected demand in my study at  
22 all.

23 Q. Okay, thank you. I have one other question,  
24 and you referred to the minor materials factors in  
25 responding to Mr. Gabel. In your correction, you

01410

1 reduced the minor materials or you changed the material  
2 loading factor to a minor material loading factor of  
3 4.205%; isn't that correct?

4 A. Yes.

5 Q. And isn't it true that that is to cover the  
6 nuts and bolts, as it were, to install a splitter?

7 A. Yes.

8 Q. And so am I correct in assuming that Verizon  
9 is charging \$113.29 for these minor materials of nuts  
10 and bolts?

11 A. Yes.

12 MS. BRADLEY: Thank you.

13 JUDGE BERG: Ms. McClellan, would you like to  
14 conduct redirect? Do you need additional time to confer  
15 with co-counsel?

16 MS. MCCLELLAN: Yes, I just need one minute,  
17 Your Honor.

18 JUDGE BERG: All right, we will stay on the  
19 record.

20 MR. BUTLER: Excuse me, could I just note  
21 that my notes indicated that Dr. Gabel's question that  
22 was referred to Ms. Casey was whether the factor for  
23 maintenance and support that is on line 8 of Exhibit 234  
24 was the same factor used for jumpers.

25 JUDGE BERG: Thank you, Mr. Butler.

01411

1 MR. EDWARDS: Can we go off the record for a  
2 minute.

3 (Discussion off the record.)

4 JUDGE BERG: We'll be back on the record.

5

6 R E D I R E C T E X A M I N A T I O N

7 BY MS. MCCLELLAN:

8 Q. Ms. Casey, were you in the room yesterday  
9 when Dr. Gabel asked a Bench Request to Mr. Behrle about  
10 the backup data supporting the material loading factor  
11 contained in Exhibit C-254?

12 A. Yes.

13 Q. And that's the same loading factor that you  
14 corrected this morning?

15 A. Yes.

16 Q. Is the backup material for the number as  
17 corrected contained in your study?

18 A. No.

19 Q. But can you provide that to Dr. Gabel?

20 A. Yes.

21 JUDGE BERG: Counsel, I show a Bench Request  
22 5 pending related to C-254 work papers for material  
23 loading factor with a reference to T-1, line 11,  
24 reference to where it appears in the work papers and to  
25 provide a narrative how developed.

01412

1                   So that sounds to me exactly where the point  
2 that you have raised on redirect; is that correct?

3                   MS. MCCLELLAN: That's correct, Your Honor.

4                   JUDGE BERG: All right, so that will remain  
5 as Bench Request Number 5.

6                   MS. MCCLELLAN: Okay.

7 BY MS. MCCLELLAN:

8           Q.       And, Ms. Casey, I just have one question in  
9 response to a line of questioning from Ms. Bradley about  
10 the cost of the jumper wires.

11          A.       Yes.

12          Q.       Is the cost of the jumper wire included in  
13 all three configurations for the service provisioning  
14 costs?

15          A.       No, not as a nonrecurring cost.

16                   MS. MCCLELLAN: Okay, I have no further  
17 questions.

18                   JUDGE BERG: Anything further, Ms. Bradley?

19                   MS. BRADLEY: No, Your Honor.

20                   JUDGE BERG: Any questions from the Bench?

21                   CHAIRWOMAN SHOWALTER: No.

22                   JUDGE BERG: All right, Ms. Casey, thank you  
23 very much for being present and testifying this  
24 afternoon.

25                   At this time, why don't we take Ms. Barbara

01413

1 Ellis.

2 JUDGE BERG: We will be off the record.

3 (Discussion off the record.)

4

5 Whereupon,

6

BARBARA ELLIS,

7 having been first duly sworn, was called as a witness

8 herein and was examined and testified as follows:

9

JUDGE BERG: Before we conduct any  
10 cross-examination of Ms. Ellis, Mr. Deanhardt, I  
11 understand you would like to make a point for the  
12 record.

13

MR. DEANHARDT: Yes, Your Honor, I just  
14 wanted to note for the record that since I have put in  
15 an appearance for Covad that I'm going to now be  
16 departing. Ms. Bradley will still be here for Covad,  
17 but I will no longer be participating in these hearings.

18

JUDGE BERG: All right. Thank you very much,  
19 Mr. Deanhardt, thank you for participating.

20

This may be very quick. You may be giving  
21 Ms. Maria a run for her money.

22

To confirm, Mr. Butler, do you have any  
23 questions on cross-examination?

24

MR. BUTLER: No, I do not.

25

JUDGE BERG: Ms. Bradley, I understand you

01414

1 have no questions on cross.

2 MS. BRADLEY: That is correct, Your Honor.

3 JUDGE BERG: All right. Dr. Gabel, do you  
4 have any questions on cross-examination for Ms. Ellis?

5 DR. GABEL: Yes, two brief questions.

6 MR. ROMANO: Your Honor, I'm sorry, can we do  
7 the direct first?

8 JUDGE BERG: Yes, thank you. I'm sorry, I  
9 was trying to help Ms. Ellis break that record, but this  
10 doesn't count. Mr. Romano, thank you for the heads up.

11 MR. ROMANO: Thank you, Your Honor.

12

13 D I R E C T E X A M I N A T I O N

14 BY MR. ROMANO:

15 Q. Good afternoon, Ms. Ellis.

16 A. Good afternoon.

17 Q. State please your name and business address  
18 for the record.

19 A. Barbara Ellis, and the address is 600 Hidden  
20 Ridge, Irving, Texas.

21 Q. Do you have in front of you documents that  
22 have been marked as Exhibits T-310 through T-313?

23 A. Yes, I do.

24 Q. Did you prepare or cause to be prepared these  
25 exhibits?

01415

1 A. Yes.

2 Q. Do you have any changes or corrections to  
3 these documents?

4 A. I have two sets of changes.

5 JUDGE BERG: And before we take those, I will  
6 just ask that the reporter insert into the record at  
7 this point in time the descriptions of Exhibits T-310  
8 through T-313 as if read into the record in their  
9 entirety.

10 MR. ROMANO: Thank you, Your Honor.

11

12 (The following exhibits were identified in  
13 conjunction with the testimony of Barbara  
14 Ellis.)

15 Exhibit T-310 is Direct Testimony (adopting  
16 Callanan)(BE-1T). Exhibit T-311 is Callanan Direct  
17 Testimony (JJC-1T). Exhibit C-312 is EIS Study -  
18 Summary (JJC-2C) Exhibit T-313 is Rebuttal Testimony  
19 (BE-2T).

20

21 BY MR. ROMANO:

22 Q. Do you want to indicate the first set of  
23 changes?

24 A. The first set of changes is to Exhibit C-312,  
25 and it involves a number of changes to either the



01416

1 descriptions in column B or an explanation of the  
2 methodology in column G, and I can just run through  
3 those very quickly.

4           Line 14 in column G, which currently reads  
5 material and installation needs to be added plus floor  
6 space needs to be added.

7           Line 15 on page 1, power cable pull in column  
8 B. This currently has the word material, which needs to  
9 be deleted at the end of that. And the description in  
10 column G instead of material and installation needs to  
11 read labor rate times hours.

12           JUDGE BERG: All right, one second. Go over  
13 that once more, please.

14           THE WITNESS: The last one, I just --

15           JUDGE BERG: The column G.

16           THE WITNESS: Strike out material and  
17 installation on line 15 and put labor rate times hours  
18 substitute.

19           JUDGE BERG: Thank you.

20 BY MR. ROMANO:

21           Q. Okay.

22           A. Line 18, again column G, strike material and  
23 installation, and replace with cost per kilowatt hour  
24 times kilowatt hours used.

25           Line 21, again column G, currently reads

01417

1 material plus installation, and it should read material  
2 plus installation plus frame space.

3 Lines 22 and 23, in column G again, currently  
4 read material and installation, and to both of those  
5 need to be added plus floor space.

6 And lines 52 through 54, or excuse me, 55  
7 currently contain the word vault in the description in  
8 column B, which should be replaced by cable rack.

9 On page two of that exhibit, there's one  
10 change. Line 32, column G, currently reads labor rate  
11 times hours, and plus materials should be added there.

12 And on page three of that exhibit, line 85,  
13 column G, currently reads labor rate times hours, and it  
14 should read material.

15 JUDGE BERG: So that's a delete and replace?

16 THE WITNESS: A delete and replace, yes.

17 A. And the only other change I have is to  
18 Exhibit T-313, which is my rebuttal testimony. On page  
19 3, line 17, I would like to take out identified an  
20 exhibit EE-4. And that's all.

21 BY MR. ROMANO:

22 Q. With those corrections, if you were asked the  
23 same questions as are in these exhibits today, would  
24 your answers be the same?

25 A. Yes, they would.

01418

1 MR. ROMANO: Your Honor, I ask that the  
2 exhibits be moved into the record.

3 JUDGE BERG: Hearing no objection, Exhibits  
4 T-310 through T-313 are admitted.

5 Counsel, with all the changes that have been  
6 done to methodology descriptors in Exhibit C-312, I  
7 think it would be helpful for the record if Verizon  
8 could produce a revised C-312 incorporating those  
9 changes.

10 MR. ROMANO: Yes, Your Honor, we will take  
11 care of that.

12 JUDGE BERG: All right, and we will just  
13 refer to that as a Bench Request 10.

14 And I believe Dr. Gabel is the only party  
15 present who has indicated that he has questions for  
16 Ms. Ellis.

17

18 EXAMINATION

19 BY DR. GABEL:

20 Q. Ms. Ellis, I would like to ask you to turn to  
21 Exhibit 311. That is the direct testimony of  
22 Mr. Callanan that you have adopted.

23 A. Yes.

24 Q. Page 17.

25 A. (Complies.)

01419

1 Q. You refer at line 15, that's page 17, line  
2 15, to the area modification factors. Are those factors  
3 included in the study? Is there a place you can point  
4 to me in this study that --

5 A. I believe they are, but Mr. Richter would be  
6 more knowledgeable about exactly where those are in the  
7 study.

8 Q. And I guess my general question was what's  
9 the magnitude? You state at line 11 that you started  
10 with data from California and Texas, and then you  
11 applied these modification factors to take the data from  
12 those two states and convert them to Washington. Do you  
13 know the magnitudes?

14 A. I can explain the process that was used.  
15 Basically the costs for California and Texas that were  
16 used were adjusted to a national cost, and Mr. Richter  
17 can give you the specifics on the percentage changes  
18 that were involved. But, for example, the California  
19 cost would have been reduced somewhat to a national cost  
20 average, and the Texas numbers, I believe, increased a  
21 little bit to reflect a national average. Once those  
22 national averages were developed, at that point an area  
23 modification factor was used to convert those to  
24 Washington data, similar to, you know, the cost of  
25 living type indexes you see for various types of parts

01420

1 of the country.

2 DR. GABEL: Thank you, I have no further  
3 questions.

4 JUDGE BERG: Any other questions from any  
5 party?

6 MR. BUTLER: Yes.

7 JUDGE BERG: Yes, sir, Mr. Butler.

8

9 C R O S S - E X A M I N A T I O N

10 BY MR. BUTLER:

11 Q. One brief question with respect to your last  
12 discussion with Dr. Gabel. When you say that Texas and  
13 California numbers were changed to national average  
14 numbers, would you describe what that process is  
15 exactly? Were they simply averaged together, or was  
16 there some other adjustment?

17 A. Generally, like I said, and specifically  
18 Mr. Richter can answer that in terms of the exact  
19 numbers and how it was done, but generally the costs for  
20 the cost estimates or the actual costs in California and  
21 Texas were each brought to their respective to reflect  
22 the national number through the use of these area  
23 modification factors to reflect the fact that certain  
24 costs in California are generally higher than the  
25 national average, and some in Texas are lower than.

01421

1 Q. Could you explain what the source of the  
2 national number is that you're referring to?

3 A. It's the adjustment using, as indicated, you  
4 know, the area modification factors. I believe it's  
5 similar to a CPI type that's relative across different  
6 aspects of the country to reflect a more generic number  
7 at a national level.

8 MR. BUTLER: Thank you. I have been informed  
9 we're going to discuss this with Mr. Richter, so I don't  
10 need to take any more of your time today.

11 JUDGE BERG: All right.

12 Mr. Romano, any redirect?

13 MR. ROMANO: No, Your Honor.

14 JUDGE BERG: All right, Ms. Ellis, thank you  
15 very much for being here and testifying this afternoon.

16 THE WITNESS: Thank you.

17 JUDGE BERG: With that, we will be adjourned  
18 for the day. Off the record.

19 (Hearing adjourned at 4:35 p.m.)

20

21

22

23

24

25