BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the	)	
	)	Docket No. UT-003013
Continued Costing and Pricing of	)	
Unbundled Network Elements, Transport,	)	
Termination, and Resale	)	
	)	

PART A POST-HEARING BRIEF OF

ADVANCED TELCOM GROUP, INC.

AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST, INC.

ELECTRIC LIGHTWAVE, INC.

MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.

NEW EDGE NETWORKS, INC.

XO WASHINGTON, INC., f/k/a NEXTLINK WASHINGTON, INC.

and

WORLDCOM, INC.

October 9, 2000

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I. INTRODUCTION

1. Almost five years have passed since this Commission's first order on local competition issues and since enactment of the federal Telecommunications Act of 1996 ("Act"), but effective local exchange competition has yet to develop or even approach development in Washington. Certainly no one in the telecommunications industry itself truly believed that such competition would develop swiftly following passage of the Act. Opening the incumbent local exchange carriers' ("ILECs") *de facto* monopoly markets takes time, persistence, and a daunting amount of individual company and Commission resources. As the Commission should be beginning to realize, however, effective local competition also requires resolution of a variety of interrelated costing, pricing, and policy issues, and the resolution of each issue will have a direct and material impact on the ability of alternative providers to offer local exchange services at competitive rates, terms, and conditions. Indeed, the development of local exchange competition is comparable to a car engine: a wide array of parts must work together for the engine to function properly, and the failure of any one part, however insignificant that part may seem, can seriously impair the engine's ability to function or bring the entire machine to a halt.

2. Part A of this new cost docket brings three more "parts" before the Commission – line sharing, cost recovery for ILEC Operations Support System ("OSS") modification and development, and collocation. Commission resolution of each of these issues, as with other issues that have been, and will be, brought before the Commission, will significantly impact whether, and the extent to which, effective local exchange competition will develop in Washington. Advanced TelCom Group, Inc., AT&T Communications of the Pacific Northwest, Inc. ("AT&T"), Electric Lightwave, Inc., McLeodUSA Telecommunications Services, Inc., New

Edge Networks, Inc., XO Washington, Inc., f/k/a NEXTLINK Washington, Inc. ("XO"), and WorldCom, Inc. (collectively "Joint CLECs") provide this Part A Post-Hearing Brief to assist the Commission to resolve these issues in a manner that will maximize competitors' ability to provide effective choices of telecommunications services and the attendant benefit to all Washington consumers.

II. LEGAL AND POLICY ISSUES

A. Policy Issues

3. The primary policy issue presented in Part A of this docket is the same issue that underscores both the prior and current costing and pricing proceedings – whether the Commission's resolution of disputed issues will foster or inhibit the development of local exchange competition. Washington public policy is to "[m]aintain and advance the efficiency and availability of telecommunications service," to "[e]nsure that customers pay only reasonable charges for telecommunications service," and to "[p]romote diversity in the supply of telecommunications services and products in telecommunications markets throughout the state." RCW 80.36.300(2), (3) & (5). Rates for ILECs' bottleneck services and facilities that exceed forward-looking cost are unreasonable, increase competitors' costs and limit the potential customers they can serve. Similarly, Commission decisions authorizing ILECs to recover costs from competing local exchange companies ("CLECs") in addition to the forward-looking cost recovery expressly authorized in the Act will create barriers to entry and further slow or limit competitive options for Washington consumers.

4. These principles are well-established, but their application to the issues presented for Commission resolution in Part A are controversial. Qwest Corporation, f/k/a U S WEST Communications, Inc. ("Qwest") and Verizon Northwest Inc., f/k/a GTE Northwest Incorporated

("Verizon") propose to recover far more than their forward-looking costs to provide many collocation elements, and the ILECs propose to recover solely from CLECs the costs they have incurred to transition to a competitive environment. Not only does the Act provide no basis for such cost recovery, but imposing such costs on CLECs would increase CLECs' costs to provide service in Washington and correspondingly limit competitive offerings to those services and customers that could afford to absorb those additional costs. A Commission decision authorizing such cost recovery, therefore, effectively would penalize the very competitive choice the Commission and the Washington legislature have tried to promote and would undermine the availability of competitive options.

5. Additional policy issues no doubt arise with respect to line sharing, but the Joint CLECs urge the Commission not to ignore the very real impact its decisions on collocation and transition cost recovery will have in the Washington telecommunications marketplace. The Commission should ensure not only the accuracy of the ILECs' cost estimates but the reasonableness of their proposed rates and means of recovering those costs. Rates and cost recovery mechanisms cannot be reasonable if they hinder the development of effective local exchange competition.

B. Legal Issues

6. The Act provides the primary legal framework in which the Commission must establish costing and pricing of new entrants' access to, and interconnection with, the networks of Qwest and Verizon. The Act includes substantive provisions and directions to the FCC to implement those provisions, and it preserves states' ability to enforce regulations and policies that are consistent with the letter and spirit of the Act. The Commission, therefore, must comply with the costing and pricing standards of the Act itself, the FCC's interpretation of those

standards as reviewed by the federal courts, and the Commission's own policies, which preceded – and contributed to – the development of the Act and FCC orders.

1. Telecom Act

7. The Act requires that Qwest and Verizon provide interconnection and unbundled network elements at "rates, terms, and conditions that are just, reasonable, and nondiscriminatory." 47 U.S.C. § 251(c)(2) & (3). The prices must be "based on the cost (determined without reference to a rate of return or other rate-based proceeding) of providing the interconnection or network element," "nondiscriminatory," and "may include a reasonable profit." *Id*. § 252(d)(1). In addition, the Act obligates Qwest and Verizon "to provide, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, for physical collocation of equipment necessary for interconnection or access to unbundled network elements," or under defined circumstances, for virtual collocation. *Id*. § 251(c)(6).

8. Nothing in the Act authorizes ILECs to recover the costs they incur to modify their existing systems to function in a competitive environment. To the contrary, the Act requires that ILECs' prices be based on the cost "of *providing*" interconnection or unbundled network elements, not the costs incurred "*to be able to provide*" those services and facilities. *Id*. § 252(d)(1) (emphasis added). The FCC has defined OSS as an unbundled network element, 47 C.F.R. § 51.319, triggering the Act's requirement to price access to this element based on forward-looking cost. Accordingly, the ILECs' proposals to recover costs they have incurred to modify their OSS to function in a multiple carrier, rather than monopoly, environment are inconsistent with the requirements of the Act.

2. Federal Court Decisions

9. The Supreme Court recently affirmed the FCC's authority to promulgate its

costing and pricing standards, reversing the initial decision of the Eighth Circuit Court of Appeals that had vacated these portions of the *Local Competition Order* and Rules. *AT&T Corp. v. Iowa Utils. Bd.*, 119 S. Ct. 721 (1999). The Eighth Circuit once again vacated the FCC's pricing rules based on its disagreement with the FCC's substantive interpretation of the Act, but the court has stayed the effect of that decision pending appeal to the Supreme Court. *Iowa Utils. Bd. v. FCC*, 219 F.3d 744 (8th Cir. 2000); *Id.*, Order Granting Motion for Stay (8th Cir. Sept. 22, 2000). The FCC's pricing rules for unbundled network elements and collocation thus remain in full force and effect.

3. FCC Orders

Local Competition Order

10. The FCC promulgated rules implementing the Act, including the pricing standards in Section 252(d), in *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-325, First Report and Order (Aug. 8, 1996) ("*Local Competition Order*") and accompanying rules, 47 C.F.R. §§ 51.1, *et seq.* The FCC interpreted the Act to require that prices for interconnection, unbundled network elements, and collocation be based on forward-looking total service (or element) long run incremental costs ("TSLRIC" or "TELRIC"). *Id.* ¶¶ 618-740; 47 C.F.R. § 51.505. Such costs, according to the FCC, must be measured "based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers," and may not include embedded costs, retail costs, opportunity costs, or revenues to subsidize other services. 47 C.F.R. § 51.505(b)(1) & (d). Specifically with respect to pricing, "[e]lement rates shall be structured consistently with the manner in which the costs of providing the elements are incurred." *Id.*

§ 51.507(a). The FCC has required that, in addition to TELRIC, a "reasonable measure" of "forward-looking common costs" must be included in the prices for interconnection and access to network elements. *Local Competition Order* ¶ 694. The FCC found, however, "that the TELRIC pricing methodology we are adopting provides for . . . a reasonable profit and thus no additional profit is justified under the statutory language." *Id*. ¶ 699.

11. The *Local Competition Order* remains the touchstone for pricing the services and facilities at issue in this proceeding. Costs the ILECs incur to modify their OSS to convert them to "the most efficient telecommunications technology currently available" are not included among the costs the FCC has authorized ILECs to recover under the Act. Thus, neither the Act nor the FCC permits ILECs to recover such costs from CLECs. The *Local Competition Order* similarly precludes ILEC proposals to recover collocation costs that exceed reasonable estimates of forward-looking costs, as many of Qwest's and Verizon's proposals do.

Advanced Services Orders

12. The FCC issued additional orders and rules addressing competitive issues in the wake of the *Local Competition Order*. Two of those additional orders provide additional requirements and guidance on collocation. *In re Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, FCC 99-48, First Report and Order (March 31, 1999) ("*Advanced Services Order*"); *Id*., FCC-00-297, Order on Reconsideration (Aug. 10, 2000) ("*Advanced Services Reconsideration Order*"). These orders primarily establish collocation ordering and provisioning standards and requirements, rather than cost issues, but some of those requirements impact the costs ILECs may recover from CLECs for collocation.

13. The primary example of the impact of the *Advanced Services Order* on

collocation cost recovery is the requirement that ILECs provide not only caged physical and virtual collocation, but also offer cageless physical collocation, shared physical collocation, and adjacent physical collocation. *Advanced Services Order* ¶¶ 41-44. More specifically, the FCC has limited the costs ILECs may recover from CLECs for central office security. The FCC concluded that ILECs may impose on CLECs no more stringent security measures than the ILECs adopt for use by their own personnel and third party contractors. *Id*. ¶¶ 46-49. As discussed more fully in Section V below, however, Verizon seeks to recover costs for security that exceed the measures used for its own personnel and contractors in direct contravention of the FCC's mandate.

Physical Collocation Order

14. The FCC has not established specific pricing of collocation elements pursuant to Section 251(c)(6), but has included collocation in its requirement that prices be established consistent with TELRIC principles. 47 C.F.R. § 51.501(a). The FCC has also required that such prices adhere to the principles established in the FCC's *Expanded Interconnection* proceeding, including the order following review of the rates, terms, and conditions for physical collocation contained in tariffs that ILECs were required to file prior to passage of the Act. *Id*. § 51.509(g); *See In re Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport*, CC Docket No. 93-162, FCC 97-208, Second Report and Order (June 13, 1997) ("*Physical Collocation Order*").

15. The FCC established a general two-step inquiry under which it evaluated the ILECs' direct costs of collocation in the *Physical Collocation Order*: "First we examine all the LECs' direct cost justifications on a case-by-case basis . . . [and make] disallowances where we find that LECs miscalculate their direct costs or use improper methodologies for calculating their

direct costs"; "Second, we compare all the LECs' direct costs on a function-by-function basis." *Id*. ¶¶ 67-68. The FCC specifically precluded an ILEC from charging a CLEC for dedicated facilities that are actually shared with other CLECs and the ILEC itself. *Id*. ¶¶ 121-23. The FCC also prohibited an ILEC from pricing collocation elements on an individual case basis ("ICB"). *Id*. ¶ 36.

16. Most of the collocation element prices Qwest has proposed, and some of Verizon's proposed prices, fail to survive scrutiny under this standard. As discussed in more depth in Section V, the ILECs repeatedly "miscalculate their direct costs or use improper methodologies for calculating their direct costs," to the extent that they even identify how they calculate those costs. A comparison of Qwest's and Verizon's proposed costs on a function-by-function basis, moreover, demonstrates that many of Qwest's proposals are as much as, or more than, an order of magnitude greater than Verizon's proposals. Qwest's, and to a lesser extent Verizon's, collocation prices, therefore, continue to fail to comply with federal legal requirements.

4. WUTC Orders

17. The provisions of the Act and FCC orders are the principal legal requirements governing this proceeding. The Act, however, preserves the ability of the states to enforce their own regulations and policies to the extent that such enforcement is consistent with the requirements of the Act and does not substantially prevent implementation of those requirements and the purposes of the Act. 47 U.S.C. § 251(d)(3). In the past, the Commission has been at the forefront of efforts to bring the benefits of effective local exchange competition to Washington consumers, and its orders and policies promulgated prior to the passage of the Act helped to shape the Act and the *Local Competition Order*.

18. The Commission has recognized that access to, and interconnection with, the networks of Qwest and Verizon are essential to the development of effective local exchange competition, and made some attempts prior to passage of the Act to hold Qwest and Verizon to their representations to provide such services and facilities at reasonable rates, terms and conditions. *See WUTC v. U S WEST*, Consolidated Docket Nos. UT-941464, *et al*., ("Interconnection Docket"), Fourth Supp. Order at 51-53 and Eighteenth Supp. Order. More specifically, the Commission determined that "the appropriate measurement of costs is TSLRIC." *Id*. Fourth Supp. Order at 89; *accord, e.g., WUTC v. U S WEST*, Docket No. UT-950200 ("U S WEST Rate Case"), Fifteenth Supp. Order at 80 ("costs should be measured from the ground up, i.e., on a long-run, incremental, going-forward basis and without consideration of the actual costs incurred in the past by USWC"). The Commission also has required that Qwest submit proper "imputation studies which support price ceilings for the services offered for interconnection," while recognizing that "the simple passing of an imputation study is not sufficient evidence to support the fairness of proposed rates." Interconnection Docket, Fourth Supp. Order at 92. These requirements are consistent with the Act, as well as with the FCC's interpretation of the Act, and thus should guide this Commission in determining the proper prices for access to, and interconnection with, the ILECs' networks.

19. The Commission should also recall that neither Qwest nor Verizon has ever had a legal monopoly to provide local exchange service in Washington. *In re Consolidated Cases*, 123 Wn.2d 530, 536-42, 869 P.2d 1045 (1994). Indeed, Qwest has consistently conceded that it had no exclusive franchise rights under state law. The Act thus did not open local exchange markets to competition in Washington because those markets were never legally closed, and competitors requested interconnection with, and access to, Qwest's and Verizon's networks under state law

long before federal law required such interconnection and access. *See, e.g.*, Interconnection Docket, Fourth Supp. Order. Qwest and Verizon assumed the risk that other carriers would not seek to provide local service in their service territories when they constructed their OSS to function solely in a single provider environment. Qwest and Verizon thus should not be entitled to recover from CLECs alone the costs they incurred to modify monopoly systems for use in a multiple carrier environment when the ILECs had no legal basis for limiting those systems to monopoly service provisioning.

III. LINE SHARING

A. HUNE Price

20. The Joint CLECs do not address this issue. New Edge joins in the discussion of this issue contained in the brief filed by Covad and Rhythms.

B. Collocation

21. The Joint CLECs do not address this issue. New Edge joins in the discussion of this issue contained in the brief filed by Covad and Rhythms.

C. Non-Recurring Charges

22. The Joint CLECs do not address this issue. New Edge joins in the discussion of this issue contained in the brief filed by Covad and Rhythms.

D. Line Splitting Over UNE-P

23. Local exchange competition has developed far more slowly than Congress envisioned when enacting the Act, but such competition has developed most slowly in areas served by Qwest, including Washington. Ex. T-340 (AT&T Gillan Direct) at 4-7. Indeed, mass market local exchange competition has yet to begin in this state and is unlikely to begin until Qwest and Verizon make the platform of unbundled network elements ("UNE-P") used to

provide local exchange service readily available at reasonable rates, terms and conditions. *Id*. at 12-13. UNE-P, however, cannot be fully successful in this age of Internet access unless customers can obtain both voice and data services over the same line when the voice provider is a competitor using UNE-P rather than the ILEC. *Id*. at 14-17. The Commission cannot reasonably expect consumers to obtain voice service from a CLEC if the cost of that service includes forgoing high-speed Internet access.

24. The Commission, therefore, should require Qwest and Verizon to make line-splitting available to UNE-P providers. Ex. T-341 (AT&T Gillan Rebuttal) at 7-9. Qwest recognizes the need to provide line splitting to UNE-P providers and has represented that it will provide that service, although on a bona fide request basis. Tr. at 393-94 (Qwest Response to Record Request No. 5). The Commission has implicitly agreed that line-splitting is an issue critical to the success of broad-based local exchange competition by establishing a procedural schedule in this Docket that will enable parties to address both the nature of a line splitting product and the costs the ILECs will incur to provide that product. Seventh Supp. Order at 3-4. Verizon, however, refuses to offer line splitting. Verizon's sole justification for this position is that the FCC did not require line splitting, as opposed to line sharing. The Commission should reject Verizon's position.

25. The legal case supporting line splitting is straightforward. When a CLEC purchases the UNE-Platform from Verizon to serve a customer, it purchases, among other network elements, that customer's loop. The CLEC is paying for and is therefore entitled to receive access to the full features, functions and capabilities of that unbundled loop so that it has a meaningful opportunity to compete with Verizon and provide the customer with data as well as voice services.

26. Both the Act and the FCC's unbundling rules require Verizon to provide this access to requesting CLECs. The Act itself defines the term "network element" to include all "features, functions, and capabilities that are provided by means of such [network element]." 47 U.S.C. § 153 (29). The Act also requires Verizon to provide "nondiscriminatory access" to its network elements so that CLECs can provide the "telecommunications service" they seek to offer. *Id*. § 251(c)(3); *see also*, *id*. § 251(d)(2). Synthesizing these statutory requirements, the FCC's unbundling rules state:

> An incumbent LEC shall provide a requesting telecommunications carrier access to an unbundled network element, along with all of the unbundled network element's features, functions, and capabilities, in a manner that allows the requesting telecommunications carrier to provide any telecommunications service that can be offered by means of that network element.

47 C.F.R. § 51.307.

27. Beginning with the Local Competition Order, moreover, the FCC has held that an ILEC "must also provide access to any functionality of the loop requested by a competing carrier unless it is not technically feasible to condition the loop facility to support the particular functionality requested."[1] In doing this, the ILEC may not impose "limitations, restrictions, or requirements on requests for, or the use of, unbundled network elements that would impair the ability of a requesting telecommunications carrier to offer a telecommunications service in the manner the requesting telecommunications carrier intends."[2]

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[1] *Memorandum Opinion and Order, Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State Of New York*, FCC CC Docket No. 99-295, FCC 99-404, 15 FCC Rcd 3953 (rel. Dec. 22, 1999) at ¶ 271.

[2] *Third Report and Order, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, FCC CC Docket No. 96-98, FCC 99-238, 15 FCC Rcd 3696, ¶ 167 (rel. Nov. 5, 1999) ("UNE Remand Order"); 47 C.F.R. § 51.309(a).

28. Based on these legal requirements, Verizon must take all steps necessary to provide a CLEC with reasonable and nondiscriminatory functionalities and processes it needs to access the high frequency spectrum ("HFS") portion of the loop so that it may provide both voice and data services over the loop facilities it purchases a part of the UNE-Platform. Otherwise, Verizon denies the CLEC the full use of the unbundled loop facilities that the CLEC has obtained as part of UNE-P and denied it non-discriminatory access to the loop's full capabilities. In addition, the FCC, in fact, has made it clear that ILECs "have an obligation to permit competing carriers to engage in line splitting over the UNE-P."[3] Several state commissions have since followed the FCC's decision on this issue.[4]

29. In addition, the Act expressly preserves state authority to establish access and interconnection obligations that are consistent with Section 251 and do not substantially prevent the implementation or the purposes of the Act. 47 U.S.C. § 251(d)(3). The Commission has more than ample authority under state law to adopt such access and interconnection obligations, including line splitting requirements, under Washington law. *See* RCW 80.36.080, 090, 140, 186 & 260; Interconnection Docket, Fourth Supp. Order.

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[3] *Memorandum and Order, In the Matter of Application by SBC Communications Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Service, Inc. d/b/a/ Southwestern Bell Long Distance; Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Texas*, FCC CC Dkt. No. 00-65, 2000 WL 870853, ¶325 (rel. June 30, 2000).

[4] Arbitration Award, *Petition of Southwestern Bell Telephone Company for Arbitration with AT&T Communications of Texas,* Texas PUC Docket No. 22315 (Sept. 13, 2000); *Proceeding on Motion of the Commission to Examine Issues Concerning the Provision of Digital Subscriber Line Services*, N.Y. PSC Case No. 00-C-0127, Oral Order (Sept. 20, 2000); *Application to Explore Southwestern Bell Telephone Company's Compliance with Section 271(C)*, Oklahoma Corp. Comm'n Cause No. PUD 970000560, Order Regarding Recommendation on 271 Application (Sept. 18-22, 2000).

30. Verizon does not dispute the importance of line splitting to the development of effective local exchange competition or the benefit to Washington consumers from implementation of line splitting arrangements. Nor does Verizon contend that line splitting is not technically feasible. Verizon merely seeks to maintain its current *de facto* monopoly in the provision of local exchange service in its exchanges by providing competitors with no more than the minimum level of interconnection with, and access to, its network. The Commission has a much broader focus to safeguard and promote the public interest, including to "[m]aintain and advance the efficiency and availability of telecommunications service" and to "[p]romote diversity in the supply of telecommunications services and products in telecommunications markets throughout the state." RCW 80.36.300(2) & (5). Line splitting furthers both goals, and the Commission should require both Qwest and Verizon to provide it.

IV. OSS COST RECOVERY

31. This cost docket, like the initial costing and pricing proceeding, was established to determine the costs and prices for services and facilities Qwest and Verizon provide to competitors under the Act and FCC orders and rules. At the outset, therefore, Qwest and Verizon must demonstrate that (1) the Act and FCC orders and rules authorize the ILECs to recover the costs incurred to provide a particular service or facility; (2) the ILECs have provided cost estimates that comply with federal, as well as state, costing requirements; and (3) the ILECs' proposed rates are structured consistently with the manner in which the costs of providing the service or facility are incurred. 47 U.S.C. § 252(d); 47 C.F.R. § 51.507. The ILECs have failed to make the requisite demonstration with respect to their proposals to recover OSS costs.

32. As this Commission previously recognized, there are two types of costs associated with OSS. *See* 17th Supplemental Order at ¶ 89. First are those costs associated with modifying

the ILEC's OSS to enable them to operate in a multiple provider environment. The second type of OSS costs is transaction specific costs incurred at the time a CLEC uses the ILEC's OSS. The costs that Qwest and Verizon seek to recover through OSS surcharges fall predominantly, if not exclusively, in the first cost category. Federal law, however, requires that only appropriately calculated, forward-looking, transaction-specific costs may be recovered in UNE rates for OSS, precluding any recovery under the provisions of the Act for the costs Qwest and Verizon have identified.

33. Both Qwest and Verizon seek recovery of costs they have incurred to modify their OSS to function in a market with multiple local exchange carriers, rather than in a monopoly environment. The FCC has interpreted the Act to require that the ILECs provide OSS as a UNE, 47 C.F.R. § 51.319(g), and has further concluded that UNE prices be based on TELRIC plus a reasonable share of forward-looking common costs, rather than on embedded costs.[5] As the FCC stated in paragraphs 683 and 685 of the *Local Competition Order*, "Forward-looking cost methodologies, like TELRIC, are intended to consider the costs that a carrier would incur in the future," and TELRIC is "based upon the least cost, most efficient network configuration and technology currently available." Thus, TELRIC, by definition, does not include the ILECs' costs of modifying their existing networks to accommodate a multi-provider environment. TELRIC already assumes a multi-provider environment. Accordingly, Qwest's and Verizon's OSS cost estimates fail to satisfy the forward-looking cost requirements adopted by Congress, the FCC, and this Commission, and neither Qwest nor Verizon should be permitted to recover their one-

[5] As discussed above, the Eighth Circuit vacated portions of the FCC's TELRIC rules but has stayed that order pending the outcome of Supreme Court review. Accordingly, the relevant FCC rules remain in effect and are binding upon the Commission.

time start-up costs in the UNE rate for OSS.

34. The ILECs purport to comply with these requirements of federal law by incorrectly characterizing their OSS transition costs as forward-looking. Forward-looking costs simulate the conditions of a competitive market place. The costs Qwest and Verizon have identified, however, do not occur in a competitive environment. Rather the ILECs seek to recover start-up costs incurred to adapt ILEC legacy monopoly OSS systems to a multi-provider environment – a one-time transformative occurrence. *See, e.g.,* Ex. T-152 (XO Knowles Reply) at 2. As noted previously, these costs are not costs *of providing* access to OSS as required by the Act, but rather they are the costs incurred *to be able to provide* interconnection and unbundled network elements. Indeed, neither Qwest nor Verizon should have incurred those costs at all in Washington because they had no basis for assuming that they enjoyed a legal monopoly on the provision of local exchange service. Accordingly the OSS costs Qwest and Verizon have estimated are not "forward-looking" costs as those costs were conceived by the Act, the FCC, or this Commission and cannot properly be recovered through UNE rates for OSS.

35. The ILECs having failed to demonstrate any legal entitlement to recovery of OSS transition costs from CLECs under federal law, the Commission's inquiry should be at an end. If the Commission nevertheless addresses the sufficiency and accuracy of the ILECs' cost estimates and the reasonableness of Qwest's and Verizon's proposed recovery mechanisms, the Commission will find that the ILECs similarly have failed to substantiate their cost estimates or to propose a reasonable method for recovering their OSS transition costs.

A. Sufficiency and Accuracy of OSS Cost Estimates

36. The record compiled in this proceeding fails to demonstrate that either Qwest or Verizon has accurately identified and estimated its costs to provide competitors with access to

the ILECs' respective OSS. In its 17th Supplemental Order, the Commission set forth a number of conditions for recovery of OSS costs. First, both ILECs were directed to make an affirmative showing that OSS costs were not already being recovered through annual charge factors. Specifically, Qwest and Verizon were required to provide workpapers demonstrating how OSS expenses were "backed out" prior to calculating the annual charge factors used in the companies' non-recurring and recurring cost studies. *Id.* at ¶ 108. Next, the Commission recognized the ILEC's burden to prove that the OSS costs for which they seek recovery "would not have been incurred but for the provisioning of the OSS UNE." The Commission stated,

> This will require the ILECs to do more than simply classify expenditures as OSS related. The ILECs must show that the expenditures are or were incurred in order to provide OSS to CLECs.

Id. at ¶ 109. Finally, the ILECs were directed to address the extent to which OSS transition costs have already been recovered through retail rates and provide a recommendation whether any revenues should be rebated to retail customers. Unfortunately, only through the performance of an independent audit is it possible to verify the evidence presented here in response to the Commission's directives in its 17th Supplemental Order.

37. Both Qwest and Verizon seek recovery of costs they have incurred in the past, rather than costs that will be incurred on an on-going basis in the future. To the extent that the ILECs may recover any such costs, they must verify that their expenditures were incurred solely to enable the ILECs to provide competitors with access to OSS, and the ILECs must demonstrate that those expenditures were reasonably and prudently incurred, particularly here, where the ILECs have every incentive to raise their rivals costs to provide competing service. Ex. T-151 (XO Knowles Response) at 6. Qwest and Verizon, however, ask the Commission to accept at

face value their claims that they incurred certain costs to develop competitor access to their OSS and that such costs were prudently incurred. Neither Qwest's nor Verizon's OSS costs have been independently audited. Qwest and Verizon have implied that parties had the opportunity to conduct discovery if they disputed the ILECs' expenditures, but neither the parties nor the Commission has the resources to conduct the type of audit necessary to ensure the accuracy of the ILECs' data. The Commission, as a participant in the Regional Oversight Committee ("ROC") activities to measure Qwest's compliance with the Act, has already recognized the importance of auditing data compiled by Qwest. Such an audit is equally important when the ILECs are compiling expenditures for which they seek recovery from competitors.

38. Accordingly, at this time it is not possible to assess the accuracy or sufficiency of the ILECs' OSS costs estimates. The lack of verified and verifiable cost data not only undermines Qwest's and Verizon's cost recovery proposals but underscores the need to base OSS prices on forward-looking cost estimates, rather than costs allegedly incurred in the past. To the extent the Commission permits any manner of recovery of OSS transition costs, the Commission should condition such cost recovery on the performance of a detailed audit and review to ensure the expenses were prudently made.

B. Appropriate Cost Recovery Mechanism

39. The appropriate cost recovery mechanism for OSS transition costs is to spread those costs among all end users of telecommunications service in Qwest's and Verizon's service territories in Washington. Not only Congress but the Washington legislature has determined that consumers benefit from a competitive environment, and the FCC has found that development of effective competition depends on the ability of competitors to access ILEC OSS. While the ILECs never enjoyed a legal monopoly on the provision of local service in Washington, the Act

reinforced the Commission's determination to foster the development of local exchange competition. To the extent this reinforcement expands ILECs' obligations to competitors, the costs incurred to modify legacy monopoly systems represent the costs of a change in regulatory paradigm for the public good, not costs incurred to benefit CLECs. Accordingly, those costs should be recovered from telecommunications consumers as a whole, not by CLECs and their customers alone. *See* Ex. T-150 (XO Knowles Direct) at 5-6.

40. Imposing OSS transition costs solely on CLECs not only conflicts with the Act and FCC rules, but with sound public policy and fundamental fairness. The California Public Utilities Commission has agreed, concluding that because OSS implementation costs are necessary to the development of local competition and therefore benefit all consumers, they should be recovered broadly from all end use customers, not only from the CLEC's customers:

> We reject the proposal that the ILECs be permitted to charge each [CLEC] for the costs of implementation. Such an approach would place a disproportionate burden on the [CLECs] and their limited customer base while relieving the ILEC and its customers from any sharing of such costs. Similarly, a "Limited Exogenous" factor adjustment applicable exclusively to the ILECs customers would place the burden disproportionately on those customers. We believe that a more equitable approach is for the cost to be recovered through a [*sic*] end user surcharge to be applied to all customers irrespective of which carrier provides them service. This approach equitably spreads the cost burden among all customers in a competitively neutral manner. We shall thus authorize a cost recovery allowance in the form of a uniform surcharge on uniform cents per line basis to each carrier's end use customers.

Ex. 153 (CPUC Order) at 21.

41. The California Commission's reasoning applies with equal force to the situation presented here. The Joint CLECs' proposal that the ILECs be required to recover their OSS transition costs from all end user customers appropriately recognizes that the process of opening

local markets to competition benefits all consumers. Access to OSS is essential if consumers are to have an effective choice among providers. The development of competition in the local exchange market will, therefore, benefit all customers, including those that choose to remain with the ILEC. Regardless of which provider a customer chooses, an effectively competitive market will compel all carriers, including the ILECs, to improve service quality, to deploy new technologies more quickly, to offer innovative products, and to control prices. Alternatively, to the extent that the development of competition is hindered because CLECs are required to bear a disproportionate share of the costs to open local markets, all consumers will be harmed.

42. In this regard, OSS development costs are analogous to the costs incurred to implement local number portability ("LNP"). LNP, like access to OSS, is essential to the development of competition and required substantial start-up or transition costs to adapt the network to a multi-provider environment. Just as all carriers were required to incur software installation costs and costs to construct and upgrade databases to be able to provide and obtain access to the ILECs' OSS, all carriers incurred similar types of costs to implement LNP.

43. In its *First Report and Order* on telephone number portability, the FCC set forth principles with which any competitively neutral cost recovery mechanism for interim LNP must comply:

> Specifically, we required that (1) a competitively neutral cost recovery mechanism should not give one service provider an appreciable, incremental cost advantage over another service provider, when competing for a specific subscriber; and (2) a competitively neutral cost recovery mechanism should not have a disparate effect on the ability of competing service providers to earn a normal return.[6]

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[6] *In the Matter of Telephone Number Portability,* CC Docket 95-116, First Report and Order and Further Notice of Proposed Rulemaking, FCC 96-286, Released July 2, 1996 ("*FCC Number*

Subsequently, the FCC reaffirmed the applicability of these principles to recovery of interim number portability costs, reasoning:

> Pricing number portability on a cost-causative basis could defeat Congress' purpose of removing barriers to local competition because the nature of the costs involved with some number portability solutions make it economically infeasible for some carriers to compete for a customer serviced by another carrier. If it is assumed that the customer who ports his or her number is the cost-causer, and all of the costs associated with forwarding a call are placed on the customer who switches carriers, customers who want to retain their telephone numbers could be deterred from switching carriers due to increased costs. This result is wholly contrary to the pro-competitive intent of section 251(b)(2) and 252(e)(2) regarding the provision of number portability.
>
> Additional economic and policy considerations also support our decision not to follow strict principles of cost causation in this specific context by imposing all interim number portability costs on new entrants. First, all customers benefit from number portability because number portability promotes competition, lower prices, increased choices and greater innovation . . . we agree with MCI that the costs of number portability should not be viewed narrowly as simply costs of entry, but more broadly as costs of creating a competitive environment that will benefit all consumers.[7]

44. The FCC's reasoning in its number portability orders should control with respect to OSS transition cost recovery as well. Prior to passage of the Act, many states had made the policy determination that telecommunications consumers were best served by a single provider. That single provider was virtually guaranteed the ability to recover from its customers the costs it reasonably and prudently incurred to construct a network, including OSS, to serve those customers in a monopoly environment. The Act changed the policy of monopoly provisioning by

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Portability Order"), ¶ 210; *see id*. at ¶¶ 131-135.

[7] *In the Matter of Telephone Number Portability,* CC Docket 95-116, Fourth Memorandum Opinion and Order on Reconsideration, FCC 99-151, Released July 16, 1999, ¶¶ 35-37.

authorizing a multiple provider market for local service and requiring the ILECs to make their networks available for use by competing carriers.

45. Congress, however, did not make this policy shift to benefit CLECs, any more than states previously adopted monopoly provisioning as a means to benefit the ILECs. Both Congress and the states have consistently sought to foster the type of market that would provide *consumers* with telecommunications services at fair, just, and reasonable rates, terms, and conditions. Consumers reimbursed the ILECs for developing systems to operate as a single provider, and consumers should reimburse the ILECs for modifying those systems to operate in the newly mandated multiple provider arena. In both cases, the ultimate beneficiaries - telecommunications consumers - should be responsible for systemic network costs.

46. The alternative of imposing all OSS modification costs on CLECs would undermine the very competitive marketplace that Congress, the FCC, the Washington legislature, and the Commission have attempted to foster. Providing local exchange services is a business, and CLECs must recover their costs from their customers, including whatever charges the CLECs pay to the ILECs. Levying an OSS modification recovery charge - particularly at the levels proposed by Qwest - increases CLECs' costs to provide service and correspondingly limits the customers CLECs can profitably serve. The Commission should minimize the number and level of the ILECs' charges to CLECs if it is truly interested in encouraging competitive alternatives for the greatest number of Washington consumers.

47. In sum, because neither Qwest's nor Verizon's proposals are competitively neutral, the Commission should reject the ILECs' proposals and should open a separate docket to develop a competitively neutral cost recovery mechanism that will spread those costs across all Washington ratepayers. This is consistent with the competitive neutrality principles adopted with

respect to analogous LNP implementation cost recovery and will promote, rather the hinder, the development of local competition in Washington.

C. CLEC Surcharge Rate Design

48. Even if the Commission were to authorize the ILECs to recover their OSS development costs solely from CLECs, it should reject both Qwest's and Verizon's proposed rate designs because they fail to recover their OSS costs from CLECs in proportion to the use they make of the ILECs' OSS. Both Qwest and Verizon simply total the amounts they have expended allegedly to modify their OSS and divide that total by the anticipated number of orders they will receive for services and facilities from competitors. Neither Qwest nor Verizon presented any evidence to demonstrate that such a calculation accurately reflects the costs they incur to provide OSS access on a per service order (Qwest) or per element/service (in the case of Verizon) basis.

49. Qwest's proposed cost recovery mechanism is particularly egregious and suffers from the further defect that CLECs are unable to predict the exact circumstances under which they will incur charges for OSS cost recovery. Qwest proposes per "service order" charges of $14.19 (manual) and $9.58 (electronic) for "start-up" costs, and per "service order" charges of $1.76 (manual) and $2.02 (electronic) for costs associated with "ongoing maintenance."

50. Qwest's proposal to charge CLECs on a per "service order" basis is identical to the interim OSS cost recovery proposal the Commission rejected in the prior costing and pricing proceeding.[8] Qwest continues to fail to demonstrate "that the method used to estimate the prospective number of service orders in the development of the OSS proposed charges is

[8] Docket No. UT-960369, et al., Twenty-Sixth Supplemental Order at ¶¶ 25-29.

consistent with the method by which [Qwest] intends to bill its customers."[9] Qwest's OSS witness in this docket, as in the prior proceeding, was unable to state when the charges would apply. *See* Tr. at 854 & 884-87 (Qwest Brohl cross). Contrary to Qwest's claim that service orders are a predictable basis for assessing OSS surcharges, Qwest's own witness testified that it would be impossible for a CLEC to predict the number of service orders – and corresponding OSS surcharges – that would be associated with a given service request. *Id.* at 854. Indeed, Qwest would add insult to injury by assessing additional OSS charges when a CLEC's orders are "held" – in other words, when orders are delayed because *Qwest* is unable to provision them when they are due.

51. Qwest's inability to specify the exact activities to which OSS surcharges will apply is fatal to its proposal. A fundamental principal of ratemaking is that customers must know when they will be charged. Because a "service order" is a Qwest convention, not an industry standard, it is subject to applicability and change at Qwest's discretion. For the same reasons that the Commission previously rejected Qwest's interim OSS cost recovery mechanism, the Commission should reject Qwest's proposal in this docket.

D. Allocation Issues and Line Sharing

52. The Joint CLECs do not address this issue. New Edge joins in the discussion of this issue contained in the brief filed by Covad and Rhythms.

E. Other Issues

53. If the Commission continues to allow the ILECs to impose 100% of their non-TELRIC OSS costs on the CLECs, it should permit the CLECs to recover from the ILECs the

[9] *Id.* at ¶ 25.

cost the CLECs incur to modify their OSS to the extent those modifications mirror the modifications the ILECs make. Both CLECs and ILECs, for example, are responsible for ensuring the ordering, provisioning, maintenance and repair, and billing of interconnection facilities, and thus both carriers should be mutually responsible for the requisite OSS modifications, just as they are jointly responsible for other costs associated with interconnection. Both CLECs and ILECs also must construct and maintain gateways to enable their OSS to interface, and a CLEC, therefore, should be entitled to recover the costs to construct and maintain its gateway at the same level the ILEC is entitled to recover its costs. Ex. T-150 (XO Knowles Direct) at 7-9; Ex. T-151 (XO Knowles Response) at 4-5; Ex. T-152 (XO Knowles Reply) at 8.

54. At a minimum, the Commission should disallow Qwest's proposal to recover costs it allegedly incurred to develop OSS processes for ordering and provisioning interconnection facilities. ILECs and CLECs have reciprocal obligations to interconnect their networks for the exchange of telecommunications traffic. Nevertheless, in practice, the ILECs have required CLECs to bear the responsibility for ordering sufficient interconnection facilities to carry traffic exchanged between the two networks. Indeed, this has been the case despite the fact that, in many cases, more than 50 % of the traffic carried on those facilities originates on the ILEC's, as opposed to the CLEC's, network. Thus, when the ILEC provisions interconnection facilities at the request of a CLEC, it receives an equal or greater benefit than the CLEC. Verizon effectively agrees and does not propose to recover OSS costs associated with ordering and provisioning interconnection facilities. The Commission should reject Qwest's proposal to recover such costs from CLECs.

V. COLLOCATION

A. Qwest Cost and Pricing Proposal

55. Qwest's collocation costing and pricing proposals in this docket fail to improve on the proposals the Commission rejected in the prior costing and pricing proceeding. Qwest has completed over 450 caged and cageless collocation jobs in Washington, Ex. 23 (Qwest Response to XO, et al. Data Request No. 01-002), but Qwest estimates costs and proposes prices largely based on unsupported cost data from central offices outside this state. Qwest has not even adequately documented the cost estimates on which it relies, despite requests to do so and to provide Washington specific cost data. Ex. T-151 (XO Knowles Response) at 12-22; Ex. 24-25 (Qwest Responses to XO, et al. Data Requests Nos. 01-003 & 4). Not only has Qwest failed to justify its proposed collocation rates with the scant cost data it provided, but a comparison with Verizon's proposed prices for the same elements demonstrates beyond doubt that Qwest's cost estimates are vastly overstated. Qwest's proposed collocation cost and pricing proposals thus does not even approach compliance with the Act, the FCC's rules and collocation orders, or this Commission's requirements.

1. Entrance Facilities

56. "Entrance Facilities" is the collocation element that provides fiber from the CLEC network into the Qwest central office and to the CLEC's collocated equipment. Qwest proposes several options for this element, including "Express," where Qwest pulls fiber provided by the CLEC through either a dedicated ("POI") or common ("Shared") manhole and the central office to the collocation space, and "Standard," where Qwest provides the fiber. Qwest proposes the following rates for these options:[10]

[10] Qwest proposes rates for "Standard" Entrance Facilities per individual *fiber* and for "Express" per *cable*, which includes multiple fibers. Based on Qwest's assumptions that each CLEC will use 12 fibers, Qwest's proposed rates for Standard Entrance Facilities are multiplied by 12 to be comparable to the Express rates.

Element	Nonrecurring	Recurring
Standard Shared	$11,302.44	$78.48
CLEC POI	$16,589.52	$32.64
Express Shared	$ 1,201.16	$69.94
Express POI	$ 7,589.47	$ 7.47

Ex. 911/C-911 (Qwest Response to Bench Req. No. 13). These rates are as much as *12 times* higher than the rates Verizon proposes for the same element *See* Ex. T-151 (XO Knowles Response) at 14. On their face, Qwest's proposed rates are not conscionable, much less reasonable.

57. Qwest fails to explain, much less provide any evidentiary support for, the disparity between its proposed rates and Verizon's. The only significant difference between "Standard Shared" and "Express Shared," for example, should be that Qwest, rather than the CLEC, provides the fiber. Fiber cable costs are minimal, *see, e.g.*, Ex. C-15 (Qwest Collocation Model Results) at 47, line 17, yet Qwest proposes to charge almost *10 times* more when it provides the fiber. Qwest produced no testimony or other evidence that even addressed this issue, despite the fact that the Joint CLECs raised this same issue in the prior costing proceeding.[11] Indeed, Qwest provided no evidentiary basis for its cost estimates for Entrance Facilities. Qwest claims that it developed its collocation cost estimates based on a study of 41 cageless collocation jobs, but none of those jobs included Entrance Facilities. Ex. T-10 (Qwest Thompson Direct) at 7-8; Tr. at

[11] Qwest, for example, assumes the use of a fiber patch panel when providing Shared, as opposed to Express, Entrance Facilities, but provided no testimony justifying the inclusion of a fiber patch panel. Indeed, Qwest provided no testimony supporting the engineering assumptions underlying its cost estimates, and Mr. Thompson, the sole witness whose testimony supported those estimates, has no engineering expertise and did not even know that Qwest does not use attenuators, which were initially included in Qwest's cost study. Tr. at 354 & 391-92 (Qwest Thompson cross and Response to Record Request No. 2).

349 (Qwest Thompson cross). Qwest refused to provide any documentation of the costs Qwest has incurred to provide Entrance Facilities or related facilities in Washington. Exs. 24 & 25 (Qwest Response to XO, et al. Data Requests 01-003 & 4). Qwest's cost estimates for Entrance Facilities thus have no factual support in the record and have no demonstrable relationship to the costs Qwest incurs to provide this element in its Washington central offices.

58. Qwest's manipulation of the unsupported data it did provide demonstrates other, more specific, flaws in Qwest's cost estimates for Entrance Facilities. Qwest assumes excessive dedicated facilities, particularly with respect to manholes and conduit outside the central office. "CLEC POI" and "Express - POI" Entrance Facilities, for example, assume that an entire manhole is dedicated to CLECs because Qwest lacks additional capacity to share space in its existing manholes. Not only do CLECs have no means of verifying that Qwest has exhausted the capacity in its existing manholes, but if those existing manholes truly lack additional capacity, Qwest would need to create additional capacity for itself to accommodate growth, either by expanding the existing manhole or constructing an additional manhole. Rather than construct a dedicated manhole for CLECs, therefore, Qwest should be required either to construct an additional manhole that is shared by both Qwest and CLECs or to permit CLECs to bypass the congested manholes and construct their own routes into the central office. Ex. T-151 (XO Knowles Response) at 15-16.

59. Even when a facility is properly dedicated to the exclusive use of CLECs, Qwest's assumptions serve only to inflate the cost of collocation. Qwest assumes that facilities dedicated to CLECs will be used by only three CLECs, but Qwest's own data demonstrates that an average of over seven CLECs collocate in each central office in Washington in which at least one CLEC is collocated. *Id*. at 14-15. Qwest attempts to justify this discrepancy with the further

assumption that CLECs using cageless collocation do not use Entrance Facilities, but Qwest performed no study of cageless collocation in Washington to support that assumption.[12] Tr. at 349-51 (Qwest Thompson cross). Indeed, even Qwest does not believe that Entrance Facilities are specific to caged collocation and includes this element among its Standard Collocation elements, rather than as a Caged Collocation element. Ex. 15 (Qwest Collocation Model Results) at 2 & 5. Verizon, which has fewer CLECs collocating in its central offices in Washington, assumes that four collocators will share the costs of facilities dedicated to CLECs. Ex. T-320 (Verizon Tanimura Revised Direct) at 15. Qwest's assumption of only three collocators to share costs is unreasonable and is not supported by the record.

60. Qwest also ignores the capacity of the facilities it dedicated to CLECs, assuming that a single CLEC will use (and pay for) facilities that can accommodate multiple users, including Qwest. For example, Qwest assumes that each collocating CLEC will use an entire innerduct in the conduit between manholes used to route the fiber from the CLEC's network into the Qwest central office. An innerduct, however, can carry up to 144 fibers, while Qwest assumes that each CLEC will use only 12 fibers. *Id*. at 351-52; Ex. C-15 (Qwest Collocation Model Results) at 82. In other words, Qwest effectively assumes a fill factor of 8%, even though other CLECs and Qwest itself could use some or all of the remaining 92% of the innerduct's capacity. Similarly, Qwest assumes two "core drills" (*i.e.*, the holes through which conduit enters or exits) per manhole – one into, and one out of, the manhole. Again, Qwest ignores the

[12] The basis of Qwest's assumption was its study of 41 cageless collocation jobs on which many of its cost estimates were based, but Mr. Thompson testified that those jobs were chosen based on the completeness of the cost data available, not on whether those jobs accurately reflect the needs of every CLEC that requests cageless collocation. Ex. T-10 (Qwest Thompson Direct) at 7-8.

function of the manhole to aggregate fiber coming from several locations to more efficiently route the fiber into the central office. Each company may need its own entrance into the manhole, but multiple CLECs and Qwest can and should share the conduit going out of the manhole to maximize the capacity of both the conduit and the manhole. Assuming two core drills, rather than slightly more than one, assumes inefficiency and inflates Qwest's cost estimates and, correspondingly, the price CLECs must pay for collocation. *See* Tr. at 351-53 (Qwest Thompson cross); Ex. C-15 (Qwest Collocation Model Results) at 84-85.

61. The Commission, therefore, should permit Qwest to charge no more than the amount Verizon proposes to charge for Entrance Facilities – approximately the nonrecurring charge Qwest proposes for "Express Shared" and the recurring charge for "Express - POI." If the Commission authorizes Qwest to offer one or more additional options when Qwest provides the fiber, the Commission should require Qwest to calculate the rates for those options on these modified "Express" nonrecurring and recurring rates by adding only the cost of the fiber. In no event, however, should the Commission authorize Qwest to charge for an option that dedicates a manhole to CLECs unless Qwest recalculates that rate as described above and permits CLECs the option to bypass that manhole and route their fiber directly into Manhole 0 or the cable vault in the Qwest central office.

2. Space Construction

62. Qwest proposes to include multiple collocation elements for both caged and cageless collocation into a single element called "Space Construction." This omnibus element, however, serves only to provide Qwest with additional opportunities to inflate its cost estimates and the amount CLECs must pay for collocation. Qwest proposes a rate for this element and provides individual cost calculations for various activities allegedly associated with providing

this element, but Qwest fails to demonstrate how those cost calculations are used to develop the proposed rate. *See* Ex. 15/C-15 (Qwest Collocation Model Results) at 4-5, 113-41 & 144-45. Neither the Commission nor the parties should be left to guess how Qwest came up with its rates.

63. In addition, the cost calculations Qwest provides lack sufficient specificity, as well as any demonstration of reasonableness. Qwest, for example, apparently includes costs for "Motor Vehicle" in its rate for Space Construction for cageless collocation, without any attempt to identify any such costs incurred to provide collocation. Ex. C-15 at 125. Qwest also seeks to double recover these costs by including them as a direct cost when Qwest already recovers such costs through application of a "Motor Vehicle" factor among the investment factors Qwest uses to increase all collocation cost estimates. *Id*. at 159. Similarly, Qwest identifies costs (apparently included in the rate for cageless but not for caged collocation) for largely unidentified "Miscellaneous," items, *id*. at 123-24, and for "Cable Hole" – essentially costs incurred to open and close holes through which cables pass between floors and walls when installing new cables. *Id*. at 116-17. These costs, however, should already be included in the costs to install DC power, Bay Construction, Aerial Support, Cable Racking, or other facilities, again resulting in double recovery. *See id*. at 113-14, 127, line 73, 130, lines 100-01, 133, lines 50-51 & 139, lines 72-73; Ex. 32/C32 (Qwest Response to XO, et al. Data Request No. 01-020) at 11th, 21st, 24th & 29th pages.

64. Additional deficiencies in Qwest's cost estimates for Space Construction are discussed below. The Joint CLECs recommend that the Commission require Qwest to segregate the subelements of Engineering, Cage/Bay Construction, Cable Racking, and DC Power into separate elements and establish prices that are no higher than the rates Verizon has proposed, or in the case of the Cage Enclosure, lower than Verizon's proposed rates as further described

below.

a. Cage Enclosure

65. The "Cage Enclosure" includes construction of the chain-link fencing around the collocation space, the installation of standard electrical outlets within the caged area and lighting above it, and provision of heating, ventilation, and air conditioning ("HVAC") to ensure proper temperature levels for the equipment the CLEC installs in the caged area. Qwest identifies "default" values for these items, but provides explanation of, much less evidentiary support for, how these values were developed. Ex. C-15 (Qwest Collocation Model Results) at 65. The Joint CLECs specifically requested such information, which Qwest stated it would provide "'when the information is available.'" Ex. T-151 (XO Knowles Response) at 16 (quoting Qwest data request response). Apparently, it never was available because Qwest never provided it.

66. The Joint CLECs also requested cage construction cost data from collocation jobs in Washington, but Qwest refused to provide any such data. Ex. 24 (Qwest Response to XO, et al. Data Request 01-003). Qwest claimed that "unit prices for much of the caged collocation study are derived from the invoices for cageless collocation cost jobs," Ex. 30 (Qwest Response to XO, et al. Data Request 01-011-1), but cageless collocation does not include cage construction. Nor did Qwest rely on these invoices to establish costs for comparable elements, such as electrical outlets, which are almost *10 times* higher for caged collocation than cageless collocation. *Compare* Ex. C-15 (Qwest Collocation Model Results) at 65, lines 19-22, *with id*. at 113, line 29.

67. As a result, the only evidence of the amounts Qwest has paid for Cage Enclosure construction is the contractor invoice from a collocation job in Utah. Ex. C-159. The only Washington-specific data is a contractor quote of less than $7,000 for construction of 310 linear

feet of fencing and 10 gates – enough to build ten 100 square foot cages at a price that is not even 50% more than Qwest proposes to charge for a single 100 square foot cage. Ex. 161; Ex. T-151 (XO Knowles Response) at 9. Based on the available record evidence, the Joint CLECs recommend that Qwest be permitted to charge no more than $5,000 for a 100 square foot cage, including fencing, gate, lighting, AC outlets, and HVAC. Costs for dedicated cable racking, to the extent required, would be recovered through a separate rate for Cable Racking, as Verizon has proposed and at a rate no higher than Verizon's proposed rate. Rates for construction of 200, 300, and 400 square foot cages should be based on the 100 square foot cage rate and should not exceed that rate by more than $1,000 for each additional 100 square feet. The reasonableness of this proposal is further supported by the fact that these rates are only moderately less than the unsupported costs that Qwest has proposed if the costs to provide an AC outlet for cageless collocation were to be used instead of the electrical distribution costs assumed for caged collocation. *See* Ex. C-15 (Qwest Collocation Model Results) at 65 & 113.

b. DC Power

68. "DC Power Cable Installation" represents the cost to install the power cables necessary to bring DC power from Qwest's battery plant to the collocation space to provide electricity for the CLEC's collocated equipment. Qwest proposes DC Power Cable Installation adjustments to the Space Construction element rate for various amperages of DC Power, but those adjustments are more than double the rate Verizon has proposed for the same element and over 4 times higher than Verizon's rates on a per foot basis. *Compare* Ex. C-15 (Qwest Collocation Model Results) at 144 *with* Ex. 323 (Verizon Pricing Summary) at 2. Again, Qwest provides insufficient explanation or supporting evidence to demonstrate how it calculated its proposed prices, and the information Qwest does provide only highlights the flaws in Qwest's

calculations and illustrates Qwest's attempts to inflate its collocation costs.

69. Qwest apparently calculates DC Power Cable Installation costs based on an average of the alleged costs incurred in five central offices in different states, only two of which are in Washington. Ex. C-15 (Qwest Collocation Model Results) at 126-27 & 144-45. Qwest provided no evidence to demonstrate that these five central offices are representative of the dozens of its central offices with collocation in Washington, and refused to provide even an explanation of why these five central offices were chosen. Ex. T-151 (XO Knowles Response) at 18-19. Qwest also refused to provide any data on the costs it has incurred to provide DC Power cable to collocating CLECs or to its own equipment in Washington. Ex. 24-25 (Qwest Responses to XO, et al. Data Requests Nos. 01-003 & 4). Qwest even ignored its own data on the length of power cables it provides in its Washington central offices and assumes cable lengths that are almost 50% longer than the average lengths in this state. Ex. T-151 (XO Knowles Response) at 19; Docket No. UT-960369, et al., Ex. C-613 (U S WEST Response to XO Data Request No. 34). Qwest's proposed costs for DC Power Cable Installation thus bear no relationship to the costs Qwest incurs on a forward-looking basis to provide DC power cabling in Washington.

70. Even if these five central offices could have been shown to be representative of Qwest's central offices in Washington, Qwest's calculations do not withstand scrutiny. Qwest, without explanation, uses different total per foot costs for caged and cageless collocation, even though the amperage, the size of the cable, and all other underlying assumptions are identical. Ex. C-15 (Qwest Collocation Model Results) at 126-27 & 144-45. Qwest also provides no explanation, or evidentiary support for, why those total per foot costs are *five times or more* higher than the combined cost per foot of the cable and installation, which should represent the

vast majority of the costs of this element. *Compare, e.g., id*. at 126, line 14, column D (total per foot costs for 40 amps of power) *with id*. at 126, line 51 (per foot costs of 350 kcmil, the cable used to provide 40 amps of power).

71. The additional back-up data Qwest provided for its power cable cost calculations fails to illuminate this black box. Qwest apparently calculated the total cost of DC power cabling jobs of different amperage in a particular central office and divided those totals by an assumed distance to obtain a total per foot cost. *See, e.g.*, Ex. 32/C-32 (Qwest Response to XO, et al. Data Request No. 01-020) at 21st & 24th pages (Costs for A & B DC Feeds to equipment in Bellevue Sherwood and Seattle Duwamish central offices). Again, Qwest does not explain how these totals were calculated or why there are different totals for caged and cageless collocation. *Id*.; *see* Tr. at 361-64 (Qwest Thompson cross).

72. Qwest has completely failed to justify the rates it proposes for DC Power Cable Installation. Accordingly, the Commission should authorize Qwest to charge rates for this element that are no higher than Verizon's rates for DC Power installation and DC Power Cable.

c. Grounding/Backup AC Power

73. Qwest proposes rates, either individually or included in Space Construction, for "Grounding" – which provides for installation of cable to electrically ground collocated equipment – and "Backup AC Power Cable," which provides for installation of cable used to bring AC power to the collocation space. Qwest's cost estimates for these elements apparently are developed similarly to Qwest's cost estimates for DC Power Cable Installation and suffer from the same deficiencies.

74. Again, Qwest uses costs allegedly incurred in five central offices, only one of which (Seattle Main) is in Washington and in which Qwest does not permit collocation. Ex. C-

15 (Qwest Collocation Model Results) at 107 & 146; Tr. at 357-60 (Qwest Thompson cross); Ex. 32/C32 (Qwest Response to XO, et al. Data Request No. 01-020) at 8th & 29th pages. Again, Qwest provides no explanation of, or evidentiary support for, its cost calculations or why Qwest refused to use data from the hundreds of collocation jobs it has undertaken, rather than data from other states and central offices where collocation is not even permitted. Nor does Qwest justify the distinction between its calculations of Grounding costs for cageless collocation on a per job basis while calculating Grounding costs (and prices) for caged collocation on a per foot basis.

75. The Commission should reject Qwest's proposed prices for Grounding and Backup AC Power Cable as lacking any demonstrable relationship to the costs Qwest incurs on a forward-looking basis to provide those elements in Washington. Qwest's proposed per foot pricing for Grounding and Backup AC Power Cable also violates the FCC's collocation orders by failing to provide a sufficiently definite price for that element. The Commission should authorize Qwest to charge no more for Grounding for caged collocation than its grounding costs for cageless collocation. *See* Ex. C-15 (Qwest Collocation Model Results) at 118-21. Alternatively, the Commission should permit Qwest to charge no more for Grounding for caged collocation than Verizon has proposed to charge (as part of its Cage Enclosure element). Ex. 323 (Verizon Pricing Summary) at 7-10. With respect to Backup AC Power Cable, the Commission should authorize Qwest to charge no more than Qwest's costs to provide AC outlets for cageless collocation. *See* Ex. C-15 (Qwest Collocation Model Results) at 113, line 29.

d. Engineering/Quote Preparation Fee

76. Qwest proposes to recover costs in its Space Construction elements for caged and cageless collocation allegedly attributable to "Engineering." Qwest, however, simply averages costs identified as "Engineering" allegedly incurred in various unidentified jobs without

presenting any evidence of the nature of these costs, how they were incurred, or why the Commission should consider the resulting average to represent a reasonable level of engineering costs when that average is over *10 times* higher than Verizon's proposed rate for Engineering. *Id*. at 136-37; *see* Ex. 323 (Verizon Pricing Summary) at 1. The Joint CLECs agree that Qwest will incur engineering costs, but propose that the Commission authorize Qwest to impose a charge for Engineering that is no higher than Verizon's proposed rate for that element.

77. Similarly, Qwest proposes a Quote Preparation Fee for both caged and cageless collocation, but states, "If contract has provisions to collect and retain a Quote Preparation fee, that fee would be deducted from the space construction charge." Ex. 15/C-15 (Qwest Collocation Model Results) at 4 & 5. The only support Qwest provides for the level of this proposed charge is a single cost figure, without any explanation of how that figure was calculated, much less a justification for the level of that figure. *Id*. at 143. Because Verizon proposes no such fee and Qwest proposes to deduct this fee from the Space Construction charge, the Joint CLECs recommend that the Commission disallow this fee. If the Commission permits Qwest to impose a Quote Preparation Fee, that fee should not exceed the fee for Engineering discussed above, and no Engineering fee should be charged if the requesting CLEC accepts Qwest's quote or otherwise authorizes Qwest to proceed with collocation construction and provisioning.

3. Floor Space Rental

78. The Joint CLECs are concerned with respect to the methodology Qwest has used to calculate its proposed Floor Space Rental charge and the potential for double recovery of certain costs, *see* Ex. T-330 (WorldCom Lathrop) at 8, but the Joint CLECs do not propose to modify Qwest's proposed charge for this element. Rather, the Joint CLECs recommend that the

Commission address these issues in connection with Qwest's Space Construction element.

4. DS-0, DS-1 & DS-3 Terminations

79. Qwest proposes both per block and per termination prices for DS-0, DS-1, and DS-3 Terminations, which provide the point at which collocating CLECs can access Qwest unbundled network elements, particularly unbundled loops. Qwest clarified that these terminations are priced either on a per block or per termination basis, but Qwest never explained why it proposes to charge two to three times the rates Verizon proposes for the same elements. Ex. T-151 (XO Knowles Response) at 20-21. Qwest has represented that it will permit CLECs to self-provision these facilities using an approved contractor, Tr. at 392-93 (Qwest Response to Record Request No. 3), but such a representation is not enforceable, particularly when Qwest has yet to establish terms and conditions for such self-provisioning.

80. Accordingly, the Commission should limit Qwest's rates for DS-0, DS-1, and DS-3 Terminations to the levels proposed by Verizon. Alternatively, the Commission should condition any approval of Qwest's proposed rates on an order that Qwest permit CLECs to self-provision this element and on development of satisfactory terms and conditions for such self-provisioning in Qwest's SGAT, currently under review in Consolidated Docket Nos. UT-003022 & UT-003040.

5. Cable Splicing

81. Qwest proposes two nonrecurring charges for Cable Splicing: $515.79 per set-up (essentially preparing the cable for splicing) and $38.08 per fiber spliced. XO's outside contractor charges only $28 per fiber spliced, without any set up charge. Ex. T-151 (XO Knowles Response) at 21-22. Even Verizon's proposed rate of $65.29 per fiber spliced is lower than Qwest's combined rates for Cable Splicing if 18 or fewer fibers are spliced on a single

occasion. Qwest should not be permitted to impose rates significantly in excess of the amount a third party charges to provide the same service. Accordingly, the Commission should authorize Qwest to charge no more than $28 per fiber for Cable Splicing. Alternatively, the Commission should require Qwest to permit CLECs to provide their own cable splicing, at least when such splicing occurs outside of the Qwest central office.

6. Microwave Collocation

82. The Joint CLECs do not address this issue.

7. Other Issues

83. The Commission should resolve two additional issues with respect to Qwest's collocation pricing proposal. First, the Commission should limit Qwest's mark-up for "TELRIC" and common costs to recurring charges. Verizon has adopted just such a pricing policy and does not add any additional mark-up to its nonrecurring cost estimates. Ex. T-320 (Verizon Tanimura Revised Direct) at 12. Application of this policy to both Verizon and Qwest would ensure consistency and minimize collocation costs.

84. Second, the Commission should require Qwest to provide, or authorize collocating CLECs to self-provision, CLEC to CLEC cross-connections in the Qwest central office. Qwest does not dispute the importance of such cross-connections, and has testified that it will permit them. Ex. T-151 (XO Knowles Response) at 22-24; Tr. at 648-49 (Qwest Brotherson cross). XO is filing testimony in Docket No. UT-003022, however, demonstrating that Qwest has yet to allow CLEC to CLEC cross-connections, much less to establish reasonable rates, terms, and conditions for such cross-connections. Qwest's sworn representation thus is insufficient, and only an order from this Commission will ensure that CLECs are able to connect their facilities with other collocating CLECs to provide the maximum competitive benefits to

Washington consumers.

B. Verizon Cost and Pricing Proposals

85. Most of Verizon's cost estimates and pricing proposals compare very favorably to the inflated costs and prices Qwest has proposed and do not appear to be unreasonable. With the exception of the elements addressed below, therefore, the Joint CLECs do not object to, or propose to modify, the collocation rates that Verizon has proposed in this proceeding.

1. Cage Enclosure

86. Verizon proposes a nonrecurring charge for Cage Enclosure, which includes the costs of Cage Fencing, Cage Gate, and Cage Grounding Bar. Ex. C-323 (Verizon Pricing Summary) at 6-10. Verizon's costs estimates on which this charge is based, however, are fundamentally flawed and cannot form the basis for a reasonable rate for this element.

87. First, Verizon fails to use Washington-specific costs, despite the fact that Verizon has constructed 45 collocation cages in Washington. Tr. at 1432-33 (Verizon Richter Cross). Instead, Verizon relies on cage construction costs from various central offices in California and Texas. *Id*. at 1433. Verizon provided no evidence to demonstrate that costs in California and Texas, either individually or averaged, reflect appropriate forward-looking costs in Washington. Verizon's proposed collocation cost estimates thus stand in stark contrast to its criticisms (albeit unjustified criticisms) of the non-ILEC cost models introduced to estimate loop costs in Docket Nos. UT-960369, *et al*., for allegedly failing to use Washington-specific cost data. On this basis alone, the Commission should reject Verizon's Cage Enclosure cost estimates.

88. The second deficiency of Verizon's cost estimates arises from how Verizon used the cost data from other states to calculate costs that are alleged applicable to Washington. Verizon averaged costs from each state and used a formula to convert those averaged costs to an

alleged national average using area modification factors from the National Construction Estimator. Tr. at 1433 (Verizon Richter Cross). The National Construction Estimator, however, cautioned that its area modification factors "will not necessarily be accurate when estimating the cost of any particular *part* of a building." Ex. RC-294 at 81 (emphasis added). Verizon's use of those factors illustrates such inaccuracy. If Verizon's methodology were accurate, the cage construction costs in California and Texas would be at least roughly the same once they were adjusted to create a national average. Tr. at 1435 (Verizon Richter Cross). Those adjusted costs, however, vary by approximately 75%, resulting in two starkly different "national averages." *Id*. Averaging those disparate national averages to create a third national average that is then adjusted to create a "Washington" cost using the same area modification factors only compounds the inaccuracy.

89. Yet another flaw in Verizon's methodology is that it uses the alleged "national average" cost primarily to determine the amount to add in mark-ups above material and labor costs. Verizon calculates its average cost per square foot of fencing as $5.66, which it multiples by an average cage fencing area. Ex. 291 (Verizon Cost Study) at 8-WA10. Verizon then subtracts this factor from the "national average" to estimate vendor engineering and overhead cost, which is then converted into a per square foot cost and added to the fencing cost of $5.66. *Id*.; Tr. at 1439-41 (Verizon Richter Cross). The result is a contractor mark-up that approaches – and in some cases exceeds – the underlying costs to construct the cage. Not only is this unreasonable on its face, but it is inconsistent with the methodology Verizon uses to calculate contractor mark-up for other collocation construction elements. *See*, *e.g.*, Ex. 291 (Verizon Cost Study) at 8-WA60 (using factors of 15% and 9%); *id*. at 63-67 (using 1998 National Construction Estimator to develop a figure that is approximately 25% of underlying costs).

90. Finally, Verizon makes assumptions in its calculations that are unsupported by, or conflict with, record evidence. Verizon spreads the contractor (and an additional Verizon) mark-up evenly over all jobs reflected in the contractor invoices for California and Texas, without any evidence that cage construction generates the same engineering and vendor activities as other central office construction activities. Tr. at 1447-48 (Verizon Richter cross). Verizon also assumes without record support that the same level of engineering and vendor activity will be required regardless of the size of the cage, significantly increasing the cost of 100 square foot and smaller caged areas. Verizon then uses an average of the higher per square foot costs for 100, 75, 50, and 25 square feet cages ($12.92) to price cages that are 25-100 square feet, rather than use the 100 square foot cost ($10.43), even though no cage in Washington is less than 100 square feet. Tr. at 1443 (Verizon Richter Cross); Tr. at (Verizon Tanimura Cross); Ex. 291 (Verizon Cost Study) at 8-WA10; Ex. C323 (Verizon Pricing Summary) at 6. All of these assumptions only further inflate Verizon's cost estimates beyond reasonable levels.

91. In the absence of reliable, Washington-specific data on Verizon's Cage Enclosure costs, the Commission should authorize Verizon to charge its proposed Cage Enclosure charges only if those charges include Fencing, Gate, Site Modification, and Electrical (the latter two elements are currently included as part of Building Modification, as discussed in Subsection 3 below). Such rates are reasonable and would be similar to the rates the Joint CLECs have proposed for Qwest based on the limited record evidence available. *See* Ex. T-151 (XO Knowles Response) at 9-11. The Grounding costs that are currently included in this element either should be segregated into a separate element at the cost Verizon has estimated, or included in Verizon's Cage Enclosure rates with a corresponding increase in the proposed rates to reflect this additional element.

2. Floor Space Rental

92. The Joint CLECs are concerned with respect to the methodology Verizon has used to calculate its proposed Floor Space Rental charge and the potential for double recovery of certain costs, *see* Ex. T-330 (WorldCom Lathrop Response) at 9-10, but the Joint CLECs do not propose to modify Verizon's proposed charge for this element. Rather, the Joint CLECs recommend that the Commission address these issues in connection with Verizon's Building Modification and Environmental Conditioning elements.

3. Building Modification

93. Verizon proposes a monthly recurring charge of $157.94 for "Building Modification," which includes costs in three categories: (1) Security, (2) Site Modification, and (3) Electrical. Ex. C-323 (Verizon Pricing Summary) at 38; Ex. C-909 (Response to Bench Request No. 11). All of these cost categories are overstated or unsupported, and this proposed element should be reduced and reorganized.

a. Security

94. Verizon includes two cost categories under Security: (a) Card Reader and Controller, and (b) Storage Security. The FCC allows ILECs to "impose security arrangements that are as stringent as the security arrangements that incumbent LECs maintain at their own premises either for their own employees or for authorized contractors," *Advanced Services Order* ¶ 47, and cost recovery for implementing such arrangements must be "reasonable." *Id*. ¶ 48. Verizon proposes to split the costs of the Card Reader and Controller, *i.e.*, building security system equally among itself and four collocating carriers. Ex. C-323 (Verizon Pricing Summary) at 38. Verizon, however, makes far greater use of its central office than a collocating CLEC, *see* Tr. at 1515-17 (Verizon Tanimura Cross), but Verizon refuses to allocate building security costs

that is proportional to that use. Qwest, on the other hand, proposes charges on a per security card or per employee basis, which more accurately reflects the extent to which each carrier uses the security system. Verizon's cost recovery proposal for Card Reader and Controller is inconsistent with the security system usage and accordingly is unreasonable in violation of 47 C.F.R. § 51.507 and the *Advanced Services Order*. *See* Ex. T-151 (XO Knowles Response) at 11-12.

95. The second Security cost category is Storage Security, which includes the costs Verizon incurs to modify existing equipment cabinets so that they can be locked, which Verizon proposes to impose solely on collocating CLECs. Tr. at 1518 (Verizon Tanimura cross). Verizon does not impose these security measures for its own employees or for authorized contractors but only in those central offices in which CLECs are collocated. Tr. at 1450 (Verizon Richter cross). Unlike the other building security costs Verizon includes in this element, moreover, Verizon does not propose to pay any portion of the Storage Security costs or the costs CLECs incur to be able to lock their equipment cabinet. Tr. at 1518 (Verizon Tanimura cross). Verizon's proposal to impose these costs on CLECs alone, therefore, is discriminatory and a violation of the *Advanced Services Order*. *See* Ex. T151 (XO Knowles Response) at 11-12.

96. Verizon has also failed to substantiate its proposed costs. None of the proposed costs are Washington-specific. Verizon's cost estimates for Storage Security, moreover, are nothing more than rough guesses based on cost information that even Verizon candidly admits comes from an unidentified source. Tr. at 1451 (Verizon Richter cross); Ex. RC-294 at 62. The Commission, therefore, should disallow Verizon's proposed Security charges. If the Commission permits Verizon to assess any charge for security costs, however, the Commission should require Verizon to establish a separate element for Security that is structured in the same or similar manner to the Security element that Qwest has proposed.

b. Site Modification

97. Verizon proposes to recover three types of site modification costs: (a) Demolition and Site Work, (b) Ventilation Ducts, and (c) Dust Partition. *Id*. Verizon fails to provide Washington-specific costs for any of these activities. Rather, Verizon uses collocation costs in California and Texas as surrogates, which is unreliable and inconsistent with Verizon's own prior costing advocacy, as discussed above with respect to Cage Enclosure costs. Even if the use of such proxies were appropriate, Verizon has grossly overstated its proposed site modification costs.

98. Only a small percentage of the California and Texas central offices on which Verizon based its Demolition and Dust Partition cost estimates actually required such work. Ex. RC-294 at 86. Verizon, however, estimates costs for these activities based on an averaged of only those central offices in which such costs were incurred. Tr. at 1454-56 (Verizon Richter Cross). In other words, Verizon assumes that all central offices in Washington will require Demolition and Dust Partitions, even though only a small proportion of California and Texas central offices required those activities. No record evidence support such an assumption, which is inconsistent even with Verizon's own reliance on California and Texas data and unreasonably inflates Verizon's cost estimates.

99. With respect to Ventilation Ducts or "Minor HVAC," Verizon has similarly estimated costs by averaging only the costs incurred in central offices in which those activities were required rather than all central offices in the sample, improperly inflating those cost estimates. Ex. RC294 at 87-88. Verizon has also revised its proposed prices to be more consistent with the supporting documentation, but inconsistency continues to exist. Ex. C-909 (Response to Bench Request No. 11). Verizon adjusted its calculation for California Minor

HVAC costs to reflect the figures in the supporting documentation, but failed to adjust the Texas costs. *Compare id*. at 8-WA57 *with* Ex. RC-294 at 84. This error is particularly egregious in light of the fact that California costs were used as a proxy for Texas costs because no minor HVAC costs were available for Texas. Ex. RC294 at 84. Even using Verizon's own cost material, therefore, Verizon's proposed cost estimates for Minor HVAC are overstated.

100. The Commission, therefore, should disallow any charge based on Verizon's cost estimates for Site Modification for failure to use Washington-specific cost estimates. Even if the Commission permits Verizon to rely on California and Texas cost estimates to develop Washington rates, the Commission should require Verizon to recalculate its cost estimates to average the Demolition, Minor HVAC and Dust Partition costs across *all* central offices in the sample, not just those where such costs were incurred, as well as to ensure that Verizon's cost estimates are consistent with its own supporting documentation. Rather than being structured as a recurring charge, moreover, these costs should be part of the nonrecurring charge for the Cage Enclosure or cageless site preparation. *See* Ex. T-151 (XO Knowles Response) at 10-11.

c. Electrical

101. The final Building Modification cost category is Electrical, which includes costs for Lighting, Electrical Outlets, and Floor Grounding Bar. Lighting and Electrical Outlets should be included in the Cage Enclosure or cageless site preparation charges, as discussed above. Ex. T-151 (XO Knowles Response) at 10-11. The cost estimates for the Floor Grounding Bar are based on construction of a bar dedicated to CLECs, rather than used by all equipment in the central office. Verizon failed to identify any legitimate purpose, much less need, to dedicate such a facility to CLECs rather than use a shared facility – the equipment collocators use must meet the same safety standards as Verizon's equipment and often is exactly the same equipment that

Verizon has deployed. Tr. at 1456-60 & 1503-04 (Verizon Richter Cross). The assumption of a dedicated facility inflates Verizon's costs estimates and the collocation rates CLECs must pay. Accordingly, the Commission should refuse to approve a rate to recover Floor Grounding Bar costs until Verizon recalculates those costs to reflect a facility that is shared with Verizon, as well as collocating CLECs. Any such costs should then be included as part of a separate nonrecurring charge for Grounding or with the Cage Enclosure charge, as discussed in Subsection 1 above.

4. DC Power

102. Verizon appears to propose a monthly recurring charge of $513 for 40 amps of DC power provided to collocating CLECs. In reality, however, Verizon proposes to charge double that amount. DC Power is provided to collocated CLECs through two "feeds," *i.e.*, pairs of power cables, from the power plant in the central office to the collocation space, one of which provides a back-up or redundant pathway to ensure continuous power should the other feed fail. Verizon developed its proposed rate by estimating the total costs associated with obtaining AC power from the power company, converting that power to DC power batteries, and delivering that power to points within the central office. Verizon divided those costs by the facilities' amperage capacity and then multiplied the per amp price by 40 amps. Qwest also uses this basic methodology and charges on a per amp basis. Unlike Qwest, however, Verizon proposes to charge not only per amp but per feed, effectively charging a CLEC for 80 amps of power when the CLEC has ordered – and Verizon is providing – only 40 amps. Ex. T-152 (XO Knowles Reply) at 10-12.

103. Verizon did not cross examine Mr. Knowles on this issue and provided no evidence to rebut this testimony or to justify its proposal to double recover its DC power costs. Accordingly, the Commission should authorize Verizon to charge no more than $513 for 40

amps of DC power, including both A and B feeds.

5. Environmental Conditioning

104. Verizon proposes a monthly recurring charge of $73.35 per 40 amps for Environmental Conditioning or the HVAC necessary to keep collocated equipment at optimal temperatures. Verizon developed its cost estimates for this element based on construction of a stand-alone HVAC system that is dedicated to collocated CLECs. Tr. at 1461-63 (Verizon Richter Cross). Verizon concedes that it does not always construct such a system, *id*. at 1463-64, and that at least some of the costs of using an existing HVAC system would be different than constructing an entire stand-alone system. *Id*. at 1466-70. Verizon, however, produced no evidence of how often it dedicates HVAC systems to collocating CLECs in Washington or the forward-looking costs of constructing an HVAC system that is used by both Verizon and collocating CLECs.

105. As discussed in conjunction with Building Modification above, Verizon has assumed, without any evidentiary support, that all Washington central offices will need the most expensive HVAC system, thereby inflating Verizon's cost estimates and collocation rates. Indeed, Verizon's assumptions are internally inconsistent. Verizon assumes an HVAC system dedicated solely to CLECs in connection with the Environmental Conditioning element, but as part of Building Modification, assumes that the existing HVAC system must be modified for each collocating CLEC. Verizon cannot have it both ways and should not be permitted to manipulate assumptions to artificially increase collocation prices.

106. The Commission should refuse to authorize Verizon to impose a charge for Environmental Conditioning until Verizon provides (a) Washington-specific cost support (b) detailing the costs of constructing both a dedicated HVAC system and a shared HVAC system,

and (c) evidence of the extent to which each type of system is used in Verizon's Washington central offices that is sufficient to calculate a reasonable rate that properly blends those costs.

6. Cable Splicing

107. Verizon proposes a nonrecurring charge for Fiber Cable Splice of $65.29 per fiber to splice fiberoptic cable used by the CLEC to connect the equipment in its collocation space with the rest of its network. XO, however, pays its outside contractor $28 per splice, which is less than half of Verizon's proposed Fiber Cable Splice charge. Ex. T-151 (XO Knowles Response) at 12. Verizon cannot legitimately charge CLECs more than twice the amount a third party would charge for the same service. Accordingly, the Commission should authorize Verizon to charge no more than $28 per fiber spliced. Alternatively, the Commission should require Verizon to permit CLECs to undertake their own fiber splicing, at least when such splicing occurs outside of the central office.

7. Microwave Collocation

108. The Joint CLECs do not address this issue.

8. 45 Day Interval

109. Verizon opposes Staff's proposal to provision collocation within 45 days from the date the CLEC accepts Verizon's price quote and/or pays half of the anticipated nonrecurring charges for the requested collocation space. This issue, however, is being addressed in the collocation rulemaking, Docket No. UT-990582. The Commission's determination of the appropriate time frame for provisioning collocation in that docket should apply to the costing issues presented in this docket. Even if the Commission were to address this issue in this proceeding, Staff's proposal is consistent with the FCC's requirement that ILECs provision collocation within 90 days from the date the CLEC initially requests collocation. *Advanced*

Services Reconsideration Order ¶¶ 27-29. Staff's proposal, therefore, is reasonable and should be adopted.

9. Other Issues

110. The Joint CLECs have no other issues with respect to Verizon's collocation cost and pricing proposals.

VII. CONCLUSION

111. For the reasons and as discussed above, the Joint CLECs recommend that the Commission (1) require Verizon to provide line splitting with UNE-P; (2) disallow any OSS cost recovery from CLECs alone, and in no event pursuant to charges per service order as Qwest has proposed or for OSS access used to obtain interconnection facilities; and (3) significantly reduce, and in some cases restructure, the collocation element rates that Qwest, and to a lesser extent Verizon, have proposed.

RESPECTFULLY SUBMITTED this 9th day of October, 2000.

DAVIS WRIGHT TREMAINE LLP
Attorneys for Advanced TelCom Group, Inc., AT&T Communications of the Pacific Northwest, Inc., Electric Lightwave, Inc., McLeodUSA Telecommunications Services, Inc., New Edge Networks, Inc., and XO Washington, Inc.

By _____
Gregory J. Kopta

WORLDCOM, INC.

By _____
Ann E. Hopfenbeck