

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

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

**TESTIMONY OF ROY LATHROP
ON BEHALF OF WORLDCOM**

Exhibit _____ RL T-2

October 19, 2000

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1 **Q. PLEASE STATE YOUR NAME AND TITLE.**

1 A. My name is Roy Lathrop. I am an Economist in the State Regulatory Analysis Section of

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1 WorldCom Inc. (“WorldCom”). My business address is 1133 19th Street, NW,

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1 Washington DC, 20036.

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1 **Q. PLEASE DESCRIBE YOUR BACKGROUND AND PROFESSIONAL**

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1

EXPERIENCE.

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1 **A. I am responsible for developing and promoting WorldCom public policy positions**

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1 **before state and federal regulators. These policy positions generally involve**

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1 **encouraging competition by ensuring that the ILECs are required to provision**

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1 **unbundled network elements in a non-discriminatory manner at prices based on**

1 **TELRIC. Most recently, my efforts have focused on explaining the need for and**

1 **defining the basic requirements for line splitting over the UNE platform. I have**

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1 **filed testimony addressing line splitting in Michigan and Pennsylvania. In addition,**

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1 **for roughly two of the past three years, I have been involved in a number of**

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1 **collocation costing and pricing cases, working to obtain nondiscriminatory terms**

1 **and conditions for collocation. I have examined the cost studies and tariffs of**

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1 **several Incumbent local exchange companies (“ILECs”), assisted in the development**

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1 **of a forward-looking collocation costing model sponsored by WorldCom and**

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1 **AT&T, and I have filed testimony or comments on various collocation issues in**

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1 **California, Michigan, Minnesota, Massachusetts, New Jersey, New York,**

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1 **Pennsylvania, Washington state and the FCC.**

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1 **Prior to joining WorldCom, I was employed in the Telecommunications section of**

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1 **the Washington Utilities and Transportation Commission (“WUTC”), where I**

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1 **analyzed economic and policy issues involved in developing an alternative form of**

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1 **regulation for US West, and costing and pricing issues related to network**

1 **unbundling proposals. Prior to working at the WUTC, I was employed by the**

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1

California Public Utilities Commission (“CPUC”). My assignments at the CPUC

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1 **included three years in the Telecommunications Rate Design Branch of the Division**

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1 **of Ratepayer Advocates where I provided analysis and expert testimony on various**

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1 **rate design, cost and tariffing issues, including cases implementing incentive**

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1 **regulation for California local exchange carriers. Subsequently, I served as an**

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1 **advisor to the Commission responsible for economic and policy analysis for the**

1 **electricity, natural gas and water industries. Prior to working at the CPUC, I was**

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1 **employed as a Research Economist at the Community and Organization Research**

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1 **Institute where I conducted econometric and policy analysis related to water**

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1 **demand. I have a Bachelor of Arts degree in Economics and Environmental**

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1 **Studies, and a Master of Arts degree in Economics from the University of California**

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1 **at Santa Barbara.**

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1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to explain how the establishment of appropriate

1 requirements for line splitting will foster the development of competition in the

1 residential and small business markets in Washington. First I will define line splitting.

1 Then I will show that line splitting is functionally the same product as line sharing and

1 thus should be provisioned in exactly the same way. Lastly, I will recommend that the

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1 Commission adopt specific requirements for line splitting over UNE-P in order to fulfill

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1 the requirements of the Telecommunications Act and further the development of

1 competition in mass markets in the State of Washington.

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1 In this matter, WorldCom is asking the Commission to:

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- 1
- Affirm Qwest and Verizon's obligation to permit line splitting over UNE-P

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1

- Require Qwest and Verizon, in situations where they provide voice service to an

1 end-user and either one of them, their data affiliate or another D-CLEC (data

1 CLEC) provides data service, to allow that end-user to migrate voice service to a

1

V-CLEC (voice CLEC) serving the end-user via UNE-Platform without that end-

1

user losing its data service.

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- 1
- Require Qwest and Verizon to tariff an appropriate UNE-P line splitting offering;

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- 1
- Require Qwest and Verizon provide access to Qwest and Verizon-owned splitters

1 on a line-at-a-time basis;

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1

- Require Qwest and Verizon to perform the cross connects necessary for UNE-P

1 line splitting;

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- 1
- Order Qwest and Verizon not to break apart combinations of unbundled network

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1 elements unnecessarily (to the extent rewiring is required for UNE-P line

1 splitting, Qwest and Verizon must perform the same central office work they

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1 perform for line sharing).

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1 **Q. WHAT IS LINE SPLITTING?**

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- 1 A. Line splitting involves the provision of voice and data service over a single loop by two

1 different CLECs.¹ In contrast, line sharing refers to the situation where the ILEC

¹ In the case of line splitting the data service can also be provided by the ILEC or the ILEC's

data affiliate.

1 provides the voice service and a D-LEC provides the data service on the same line.²

1 Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance,

1

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1 *Memorandum Opinion and Order*, CC Docket No. 00-65, FCC 00-238 (Rel. June 30, 2000), ¶

1

1 324 (“*SWBT Texas 271 Order*”).

1

1 **Q. AS A MATTER OF POLICY, SHOULD THE COMMISSION REQUIRE QWEST**

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1 **AND VERIZON TO PROVIDE LINE SPLITTING IN A UNE-P**

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ENVIRONMENT?

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1 A. Yes. At present, UNE-P is the only vehicle most CLECs have to offer voice services to

1 residential and small business customers on a scale that will provide meaningful

1 competition to the ILECs. However, the CLECs' ability to compete in the mass markets

1 will be severely constrained if they are unable to also provision data services in a timely

1 and cost effectively manner. Line splitting will allow a voice CLEC (V-CLEC) using

1 UNE-P to offer a full suite of features and services to its customers without having to

1 collocate. It thus provides CLECs an efficient means to compete on a near-level playing

1 field with the ILECs on a statewide basis. The purpose of UNE-P would largely be

1 defeated – along with the benefits to Washington consumers -- if that playing field were

1 no longer level and if, instead, V-CLECs could not cost effectively offer its customers the

1 same suite of products that the ILECs offer their retail customers.

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1 In the absence of line splitting, a V-CLEC serving end users via UNE-P would be forced

1 to order, even for an existing UNE-P customer, a new XDSL capable loop, intraoffice

1 cabling, and potentially collocation space in order to support that customer's request for

1 data service. This will have the effect of increasing the CLEC's costs, making its service

1 arrangement less efficient. Furthermore, in situations where a customer who is receiving

1 voice and data service from the ILEC or voice service from the ILEC and data service

1 from another D-CLEC wishes to migrate its voice service to a CLEC (using UNE-

1 Platform), the absence of line splitting could result in the customer losing the data service

1 upon transfer. Alternatively, the D-CLEC in this scenario could be forced to abandon a

1 shared or split line and to serve the customer in some other manner. Again the result

1 would be that the customer would experience an interruption of service. If effective

1 widespread competition is ever to develop in mass markets, customers with both voice

1 and data service must be able to switch carriers without experiencing any unnecessary

1 interruption of service.

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1 **Q. IS LINE SPLITTING TECHNICALLY FEASIBLE?**

- 1 A. Yes. There are no technical or operational impediments that would preclude the use of

1 the UNE-P loop for both voice and data service. From a technical and operational

1 perspective, line splitting over UNE-P would be provisioned in exactly the same way as

1 line sharing.

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1 When WorldCom obtains a loop via UNE-P, it acquires the entire loop, including the

1 high frequency portion. To accomplish line splitting, it is necessary to add electronics

1 consisting of a splitter so that the high frequency portion of the loop can be split off and

1 routed to a DSLAM owned by WorldCom or another D-CLEC. Under this scenario,

1 WorldCom continues to provide the voice service over the UNE-P configuration.

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1 **Q. WHY IS IT SO IMPORTANT FOR THIS COMMISSION TO AFFIRM THE**

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1

ILECS' OBLIGATION TO ALLOW LINE SPLITTING?

1 **A. For the same reasons that Qwest and Verizon want to be able to offer POTS and**

1 **DSL services over their own lines, CLECs intending to serve mass market**

1 **customers need to be able to add xDSL capabilities to their UNE-P loops. To a**

1 **greater and greater extent customers are demanding packages of services that**

1 **includes both voice and data. Provisioning both voice and data on a single line,**

1 **avoids the cost and delay of activating a second line. It also avoids disruption to the**

1 **consumer's existing phone service. Finally, it provides an efficient, cost-effective,**

1 **and reliable means of meeting the consumer's need for increased bandwidth.**

1 **Accordingly, line splitting has become essential in order for CLECs to become**

1 **effective competitors with the ILECs.**

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1 **Q. HAVE EITHER QWEST OR VERIZON AGREED TO ALLOW LINE**

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1

SPLITTING OVER UNE-P?

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1 A. Yes. It is my understanding that during the hearings for Part A of this proceeding,

1 Qwest agreed to provide line splitting pursuant to a BFR process.³ Verizon, however,

1 provisioning line splitting at commercial volumes.

1 continues to refuse to allow UNE-P providers to engage in line splitting (including line

1 splitting with Verizon's data subsidiary), and thereby undermines the ability of CLECs

1 using UNE-P to become effective competitors. In the absence of line splitting, only the

1 ILECs voice customers will be able to enjoy the benefits of a bundled voice and data

1 service with any degree of predictability. As such, Verizon's refusal to allow line

1 splitting flies in the face of pro-competitive policies and the FCC's intent to promote

1 the rapid and ubiquitous deployment of advanced services to rural and urban

1 communities. As the FCC stated in its *UNE Remand Order*:

1

Although we acknowledge that not all competitive LECs will want to

1

provide ubiquitous service across broad geographic areas, those that do

1 will likely be disadvantaged vis-a-vis the incumbent, especially in the early

1

stages of deployment, because the incumbent LECs still enjoy advantages

1

of a ubiquitous network that provide them with economies of scale and the

1

ability to reach all consumers in their service territories. It is reasonable to

1

expect that, in many cases, competitors would want to provide ubiquitous

1

service in order to achieve similar economies of scale that will allow them

1

to spread the costs of construction, equipment, and marketing across as

1

many customers as possible. It is also reasonable to expect that in some

1

cases, the ability to serve ubiquitously will be necessary to meet consumer

1

demand for competitive alternatives in broad geographic areas. It such

1

cases, lack of access to the incumbent's unbundled network elements could

1 significantly thwart the competitor's ability to respond to consumer

1

demand. [FN169] Denying access to the incumbent's unbundled network

1 elements, when use of alternative sources would materially diminish the

1

competitors' ability to serve their intended geographic area, would be

1

inconsistent with the goal of the 1996 Act to bring competition to the

1

greatest number of customers. Indeed, the inability to provide service

1 Telecommunications Act Of 1996, *Third Report and Order and Fourth Further Notice of*

1

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1 *Proposed Rulemaking*, CC Docket No. 96-98, FCC 99-238, (Adopted: September 15, 1999,

1

1 Released: November 5, 1999) ¶ 98 (“*FCC’s UNE Remand Order*”).

1

1 I recommend that the Commission affirm the ILECs' obligation to permit line splitting

1 over UNE-P. As this Commission is aware, UNE-P is a far more efficient vehicle for

1 local entry than unbundled loops. The ILECs should not be able to hinder CLECs that

1 wish to enter local markets using UNE-P through their refusal to allow line splitting.

1 By refusing to allow line splitting, the ILECs are discriminating against purchasers of

1 UNE-P by requiring end user customers who wish to use advanced services to be a voice

1 customer of the ILEC. Such discrimination is not in the public interest. In order to

1 become effective competitors, CLECs need access to the same technical functionalities

1 and operational procedures utilized when ILECs provide both voice and advanced

1 services themselves, share the loop with an 'advanced services affiliate', or share the loop

1 with another D-CLEC. The overall competitiveness of the Washington

1 telecommunications market will be irreparably impaired if the ILECs are to be the only

1 service providers that can offer a complete package of voice and advanced services over a

1 single customer line.

1 **Q. ARE THERE OTHER REQUIREMENTS THE COMMISSION NEEDS TO**

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1 **IMPOSE IN ORDER TO ENSURE LINE SPLITTING IS PROPERLY**

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1

IMPLEMENTED?

- 1 A. Yes. The Commission should also clarify that under no circumstance may the ILECs

1 require voice CLECs to collocate in order to provide UNE-P line splitting. Requiring a

1 UNE-P CLEC to collocate defeats the purpose of UNE-P making it too costly to serve

1 mass market customers. As will be discussed in more depth below, by requiring the

1 ILECs to provision the splitter to UNE-P CLECs who desire it, the Commission will

1 eliminate the need for the UNE-P CLEC to collocate.

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1 Nor should the Commission permit the ILECs to unnecessarily break apart combinations

1 of network elements for migrations from line sharing scenarios (ILEC voice and D-CLEC

1 data or ILEC data) to UNE-P line splitting scenarios (UNE-P V-CLEC voice and D-

1 CLEC data or ILEC data). Only by requiring the ILECs to keep migrations as simple as

1 possible, can the Commission keep the CLECs' cost of providing service at a reasonable

1 level. Where cross connects are required in order to provision UNE-P line splitting (such

1 as adding data to a UNE-P line), the ILEC should be required to perform the central

1 office work -- the same central office work that it performs to provision line sharing.

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1 Finally, as discussed above, the CLECs must be able to order the UNE-P line sharing

1 arrangement as a platform offering and must not be required to order each unbundled

1 network element individually in order for the customer who migrates to the UNE-P

1 CLEC's voice service to retain its data service.

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1 **Q. ARE THERE POLICY REASONS SUPPORTING VERIZON'S REFUSAL TO**

1

PROVIDE LINE SPLITTING?

- 1 **A.** No. As demonstrated above, line splitting over UNE-P is desirable from a public policy

1 perspective. It is also technically feasible. In addition, it is important to note the

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1 following:

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- 1
- The network configuration used by the ILECs to provide retail voice service is

1 the same network configuration they use for CLECs to provide voice service

1

over UNE-P.

- 1
- It is technically feasible to migrate the voice service of a customer served by line

1 sharing (ILEC voice and D-CLEC data or ILEC data) to a UNE-P line-splitting

1 scenario (V-CLEC voice and D-CLEC data or ILEC data).

- 1
- It is technically feasible to migrate the voice service of a customer served by line

1 sharing to a UNE-P V-CLEC while retaining the customer's data service (i.e.

1 moving from line sharing to line splitting), the UNE-P V-CLEC does not have

1

to collocate.

- 1
- There is no physical work or rewiring in the central office required to

1 accomplish the migration of a customer from line sharing to line splitting over

1

the UNE-P.

- 1
- The central-office wiring work required to add D-CLEC data (or ILEC data) to a

1 UNE-P voice loop is no different from the central-office wiring work required to

1

add D-CLEC data (or ILEC data) to an ILEC voice loop.

- 1
- Any central office work required for line splitting is the same work the ILECs

1 do accomplish line sharing, and the line splitting network configuration is

1 identical to a line sharing configuration (i.e. ILEC voice and D-CLEC data (or

1

ILEC data).

- 1
- There is no technical impediment to provisioning line splitting (either via

1 migration from line sharing or by adding D-CLEC data or The ILECs data to a

1

UNE-P loop).

- 1
- Collocation by the V-CLEC is not required for UNE-P line splitting.

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1 **Q. SHOULD THE LINE SPLITTING BE TARIFFED?**

1 A. Yes. As noted above, while Qwest has agreed to allow line splitting over UNE-P, it will

1 only do so pursuant to a BFR process. At commercial volumes, however, the BFR

1 process will be completely unworkable. Tarriffing will allow the line splitting product to

1 be consistently defined. It will enable the ILECs to put into place OSS processes that will

1 facilitate the order of line-splitting at commercial volumes. Tarriffing is therefore

1 essential if CLECs are to be able to order line splitting in a timely and efficient

1 provisioning.

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1 **Q. SHOULD THE COMMISSION REQUIRE THE ILECS TO PROVIDE THE**

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SPLITTER TO CLECS REQUESTING LINE SHARING OR LINE SPLITTING

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ON A LINE-AT-A-TIME-BASIS?

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1 A. Yes. The Telecommunications Act defines “network element” to include the “features,

1 functions and capabilities that are provided by means of such facility or equipment.”⁵ In

⁵ 47 U.S.C. §153(29).

1 its *Line Sharing Order*, the FCC concluded that the high frequency portion of the loop is a

1 capability of the loop. The FCC has also stated that an ILEC must provide a requesting

1 carrier access to UNEs along with all of the UNE's features, functions and capabilities, "in a

1 manner that allow the requesting telecommunications carrier to provide *any*

1 telecommunications service that can be offered by means of that network element.”⁶

⁶ 47 C.F.R. §51

1 However, in order to gain access to the high frequency portion of the UNE loop, line splitting is

1 required. Such line splitting is accomplished by adding passive electronic equipment referred to

1 as “splitters,” a device that splits the low and high frequency portion of the loop and allows the

1 high frequency portion of the loop to be routed to a DSLAM.

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Q. Q. WHY SHOULD THE ILECS BE REQUIRED TO DEPLOY THE SPLITTERS IN LINE

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SPLITTING (NON-ILEC VOICE) SCENARIOS?

- 1 A. First, when WorldCom buys a loop, such as part of UNE-P, the ILECs should provide access to all of the

1 functionalities and capabilities of that loop, including associated electronics (such as the line splitter).

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1 Second, an ILEC furnished line splitter is the only way to allow HFPL access to be delivered in a UNE-P

1 architecture in a manner that is efficient, timely, and minimally disruptive to the retail customer.

1 **When UNE-P is provisioned, the service to the customer (whether voice or data) should**

1 **not require any more work than is necessary. Therefore, for example, if a customer**

1 **has Qwest or Verizon for voice and a D-CLEC for data, then the customer should be**

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1 **entitled to keep its data provider if the customer chooses to have its voice service**

1 **migrate to a V-CLEC who serves via UNE-Platform. Without the option of an ILEC-**

1 **furnished line splitter, a UNE-P provider would have to purchase collocation space (or**

1 **collocate in a common area), deploy its own splitter, and go through a provisioning**

1 **process that is lengthy, cost prohibitive, and unduly disruptive to the customer. Thus,**

1 **failure by the ILECs to deploy line splitters effectively destroys the utility of UNE-P as**

1 **a viable means of competing for residential customers who want advanced services. If**

1 **ILECs are not obligated at the request of a carrier to deploy the line splitters,**

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1 **WorldCom and other CLECs seeking to provide a bundled service of voice and data**

1 **services to their customers stand to forfeit much of the benefit associated with**

1 **providing local service on a broad scaled using UNE-P. There may be circumstances**

1 **in which the ILEC should not provide a splitter. For example, if the ILEC provides**

1 **voice and a D-CLEC provides data service with its own splitter to a customer that**

1 **decides to migrate to a V-CLEC for voice using UNE-P, the most efficient method of**

1 **migrating the voice service would be to leave the splitter with the D-CLEC.**

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1 **Q. HAS THE FCC REQUIRED ILECS TO PROVIDE SPLITTERS?**

1 A. Not yet. However, in the interest of promoting broad-based competitive entry in the State of

1 Washington, WorldCom asks this Commission to exercise its authority to require the ILECs

1 in this proceeding to provide access to ILEC-owned splitters on a line-at-a-time basis. The

1 FCC has clearly stated that its requirements are the minimum necessary, and that state

1 commissions are free to establish additional requirements, beyond those established by the

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1 FCC, where consistent.⁷

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⁷ *UNE Remand Order* at ¶¶ 154-60.

1 **Q. HAVE OTHER STATE COMMISSIONS REQUIRED THE ILECS TO PROVIDE**

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THE SPLITTER?

1 A. Yes. Arbitrators for the Texas Public Utilities Commission recently ruled that

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1 Southwestern Bell Telephone Company (“SWBT”) “is required to provide the splitter in

1 order to allow [the CLEC] to access the full functionality of the loop.”⁸ In rejecting

1 Texas, L.P., TCG Dallas, and Teleport Communications, Inc. Pursuant to Section 252(B)(1) of

1

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1 the Federal Communications Act of 1996, Docket No. 22315, *Arbitration Award*, p. 19

1

1 (September 13, 2000).

1 SWBT's proposal requiring UNE-P CLECs to collocate in order to gain access to the

1 high frequency portion of the loop, the Arbitrators reasoned:

1 SWBT's proposal . . . (1) unnecessarily increases the degree of

1

coordination and manual work and accordingly increases both the

1 unnecessary delays for space application, collocation construction, and

1 splitter installation; and (3) unnecessarily wastes central office and frame

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space.⁹

⁹ *Id.*

1 **Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO SPLITTER**

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DEPLOYMENT?

- 1 A. The ILECs should be made to deploy splitters in a timely and minimally disruptive manner upon receipt of

1 a CLEC's request. Of course, this obligation does not preclude CLECs from choosing to deploy and

1 maintain their own splitters. When the ILEC deploys the splitter, it should be required to provide the

1 splitter functionality on a line-at-a-time basis. The ILEC would, of course, be compensated for the cost of

1 performing the work in an efficient manner. Ideally the splitter should be located as close as possible to the

1 Main Distributing Frame (“MDF”).

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1 **Q. WHY SHOULD SPLITTERS BE PLACED NEAR THE MDF?**

- 1 **A. Splitters should be placed near the MDF to minimize quality of service and costing**

1 **concerns. Locating the line splitters near the MDF allows for the least amount of**

1 **intra-office cabling. Reducing the amount of cabling minimizes the potential for**

1 **service quality degradation. In addition, locating splitters near the MDF prevents**

1 **placement in more remote areas of the ILEC's central offices, a result that would**

1 **artificially (and could dramatically) inflate CLECs' cost of doing business.**

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1 Q.

DOES THIS CONCLUDE YOUR TESTIMONY?

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1 A. Yes.