BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF:	Docket No. UT-003013 *Part A*

REPLY BRIEF OF QWEST CORPORATION

OCTOBER 23, 2000

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I.INTRODUCTION

1. Qwest Corporation ("Qwest") hereby files its Reply Brief in this matter. Qwest responds to the Briefs of Commission Staff ("Staff"), Public Counsel, TRACER, Teligent Services, Inc. ("Teligent"), Covad Communications Co. and Rhythms Links, Inc. ("Covad"), and the Joint CLECs (Advanced Telcom Group, Inc., AT&T Communications of the Pacific Northwest, Inc., Electric Lightwave, Inc., McLeod USA Telecommunications, Inc., New Edge Networks, Inc., XO Washington, Inc., f/k/a NEXTLINK Washington, Inc., and WorldCom, Inc.).

2. All of the parties to this docket filed simultaneous Opening Briefs on October 9, 2000. As a result of this simultaneous filing, there are issues raised in the Briefs of the other parties that Qwest has already anticipated and addressed in its October 9 Brief. In this Reply Brief, Qwest will endeavor not to repeat the arguments it has already made in its Opening Brief. As a result, the absence of a specific reply in this Brief should not be considered agreement with or acquiescence in the position taken by any of the other parties' arguments, if those arguments were already addressed in the earlier filing.

3. In their Opening Briefs, the parties followed an agreed-upon outline. In order to facilitate the parties' and the Commission's ability to cross-reference the briefs, Qwest will use the same roman numerals and subheadings as used in the Opening Brief, even though Qwest may not

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necessarily be addressing issues under each of those subheadings.

III.LINE SHARING

A. HUNE Price

4. Four parties filed Opening Briefs addressing the issue of the appropriate price for the high-frequency portion of the unbundled loop ("HUNE"). Qwest responds to the Briefs filed by TRACER, Staff, Covad, and Public Counsel.

5. There are essentially four issues that the parties raise in addressing the main question of the appropriate price for the high-frequency portion of the loop. First, there is simply the question of whether, considering all of the legal, economic, and policy arguments, a price greater than zero dollars should be established for this unbundled network element. Second, there is the question of whether establishing a positive price for this unbundled network element would result in a "price squeeze" for competitors, or otherwise discriminate against competitors. Third, there is the question of whether a positive price would result in "double recovery" of the loop for Qwest. Finally, there is the question of whether a non-zero price for the HUNE should result in a credit to the consumers of local service.

6. The Commission should establish a positive price for the HUNE equal to one-half of the deaveraged loop cost. Several parties contend that the cost of line sharing or the cost of the HUNE is zero. (Staff Brief at ¶ 27, Covad Brief at ¶ 35). However, it is highly misleading to suggest that Qwest incurs no cost when it provisions the high-frequency portion of the loop. Qwest has established that when line sharing is ordered on an existing loop, the loop costs become joint costs to the provision of the unbundled loop and the HUNE. (Ex. T-1 at 10). Thus, in Qwest's case, Qwest incurs an average of $18.16 in joint and common costs when it provisions the HUNE. The only real question is how those joint and common costs should be allocated to the

HUNE. Qwest's proposal is supported by economic theory and rational pricing policy, which establishes that 50% of those costs is a reasonable allocation.

7. Staff states that it is not proper to charge 50% of the unbundled loop for line sharing because many services are provided over the loop and contribute to the cost recovery of the loop. (Staff Brief at ¶ 24). However, Staff confuses the practice of allocating the loop for purposes of pricing retail services with the requirement to allocate a reasonable portion of joint and common costs to an unbundled network element for purposes of establishing the cost and the price of that unbundled network element. This confusion has resulted in Staff proposing an unreasonably low ($0.96) allocation of the joint and common loop costs to the HUNE.

8. Nor is it relevant that Qwest included no loop costs in the cost support when it filed its MegaBit tariff with the Washington Commission or the FCC. MegaBit is a service which is tariffed at the interstate level. Under the FCC rules, Qwest was permitted to only include direct costs when it filed its cost support for MegaBit. It is undisputed that the loop is not a direct cost of MegaBit and Qwest did not, therefore, include any costs in that tariff filing. This is entirely irrelevant to the price that should be established for the HUNE. As Mr. Thompson pointed out in his testimony, the FCC knew that none of the ILECs had included any loop costs in the support of their xDSL services. Nevertheless, the FCC allowed the state commissions to set a price which would reflect an allocation of the joint and common loop costs to that service.

9. A positive price for the HUNE will not be discriminatory. Many of the parties contend that any price greater than zero will be discriminatory to CLECs. This claim is not well founded. Qwest's commitment to price its MegaBit services in order that it can withstand an imputation of whatever the amount of HUNE is, is sufficient assurance to the Commission and the CLECs that such pricing will not be discriminatory and that such pricing will not result in a price squeeze to

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the CLECs.

10. Parties also variously contend that a pricing in excess of zero for the HUNE will result in either double recovery to Qwest or result in consumer paying twice for the loop (Staff Brief at ¶ 30, Covad Brief at ¶ 46). Qwest believes that the double recovery claim is incorrect. First, it is undisputed on this record that the basic price for Qwest's local service, coupled with the subscriber line charge, is $16.86. This is less than the $18.16 price for the unbundled loop. As such, it is difficult to imagine that a retail customer who pays $16.86 to Qwest for the provision of local service, which includes more than just the unbundled loop, is somehow fully compensating Qwest for the costs it incurs in the provision of that service. Thus, it follows that a positive price for the HUNE will not necessarily result in double recovery or in a consumer paying "twice" for the same loop.

11. Finally, the parties contend that it may be appropriate to provide consumers with a credit if a positive price for the loop is established. Such a result will be tantamount to ordering a zero price for the HUNE and should be rejected for the same reasons that a direct zero price for the HUNE should be rejected. Furthermore, the suggestion that a credit is appropriate is premised on the theory that there will be somehow double recovery. As discussed in Qwest's Opening Brief, there is no evidence on the record which suggests that such double recovery would take place. In fact, the available evidence suggests that the contrary result may well prevail. Qwest could in fact experience a net loss in revenues as a result of line sharing if consumers give up second lines and purchase xDSL services over a line sharing arrangement instead. Staff's proposal, set forth at paragraph 32 of Staff's Brief, states that the Commission should require Qwest to "make a corresponding reduction in the retail price of the UNE loop." Qwest is, of course, unable to do so because Qwest does not sell UNE loops at retail and does not have a retail price for the UNE loop.

Qwest only has retail prices for its business and residential services.

12. In conclusion, the Commission should adopt a positive price for the HUNE in accordance with Qwest's recommendations. The evidence simply does not establish that the consumer will be required to pay twice for a single loop, or that competitors will be placed in a price squeeze by such a pricing determination. As parties have agreed in this matter, the Commission should be seeking to replicate the pricing decisions that would result in a competitive market. There is simply no demonstration that any competitive market would price a productive asset which is in limited supply at zero. The Commission's determination to establish a positive price for the HUNE will allow the competitive market to work and will ultimately result in furtherance of competition for xDSL services in Washington.

B. Collocation for Line Sharing

13. Covad and Rhythms are the only parties who filed a brief addressing the issue of collocation for line sharing. This topic is addressed in that brief at paragraphs 56 through 80. In essence, the issues between the parties with regard to collocation for line sharing are the cable lengths, the engineering costs, and the fill factors. Qwest's proposals with regard to all three of these elements are based on Qwest's actual experience in provisioning collocation for line sharing. Covad's proposal is based on the construction of a hypothetically configured central office and assumes unrealistically high levels of demand for line sharing in its assumption with regard to fill factor.

1. Cable Lengths

14. The dispute between Covad and Qwest is the appropriate cable length to be assumed for the distance between the splitter and the frame. (Covad Brief at ¶¶ 64-67). Covad claims that the

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appropriate distance is 25 feet, based on Covad's unrealistic and unverified assumptions about an ILEC's ability to place the splitter within 25 feet of the distribution frame. Qwest's estimate of 100 feet is in fact based on its actual experience in the provisioning of splitter collocation when the splitter is located in the common area. No party presented any evidence that the actual distance was less than 100 feet. Indeed, Mr. Zulevic, Covad's witness, agreed that in the only two offices that he viewed in Washington, the distance was well in excess of 100 feet. Tr. 971. Thus, the Commission should adopt Qwest's estimate as both realistic and sound.

2.

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Engineering Costs

15. Qwest and Covad next disagree on the appropriate charge for planning and engineering work required for splitter collocation. Qwest has proposed using 20 hours, which is based on Qwest's actual experience in provisioning splitter collocation. This actual experience produced an average engineering time for that collocation of 22 hours. In order to be conservative, Qwest reduced that estimate to 20 hours and has proposed using 20 hours in its cost study. Covad's assumptions are significantly lower, but are not based on any actual experience that Covad has in provisioning or engineering splitter collocation as Qwest does.

16. Although Covad claims that Qwest's engineering time estimates contain contradictory requirements (Brief at ¶ 73), this is simply not the case. All of the functions that Qwest performs in engineering splitter collocation, including reviewing the plans at a central office, verifying the accuracy of the plans, performing a field visit, and updating the data base with new plans are necessary functions that are actually performed. A review of the plans, by itself, is an important step that the engineer must take before physically visiting the central office. However, neither function is a substitute for the other.

17. Because Qwest's engineering time estimates are based on Qwest's actual experience in the provisioning of splitter collocation, those estimates should be adopted by the Commission for use in the cost study proposed in this case.

3. Qwest Shelf Allocations (Fill Rate)

18. It is undisputed on this record that a relay rack can hold up to 14 shelves of equipment. Qwest has assumed that eight of those shelves will be in use. Covad has assumed that 12 of those shelves will be in use for purposes of costing and pricing. Qwest's assumption is a reasonable assumption based on the very small amount of line sharing it has experience to date and on the

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very low fill rate it has experienced in the actual provisioning of line sharing. Qwest's actual experience shows that in general, only three shelves are being used on each relay rack. (Ex. T-83 at 12). Qwest assumes that the usage of those relay racks will increase over time to the point where an assumption that eight shelves are in use is a reasonable one. However, Covad would premise Qwest's cost recovery on an assumption that 12 shelves are in use at all times. Given Qwest's actual experience in the provisioning of these relay racks for splitter collocation, such an assumption would effectively deny Qwest adequate cost recovery. Thus, the Commission should adopt Qwest's assumption of eight shelves in use on a relay rack.

4. Efficient Configuration

19. Covad's discussion in this portion of its Opening Brief clearly illustrates that Covad is indeed contemplating the construction of a new, hypothetical, forward-looking central office. Qwest believes that such an assumption is prohibited by the Act in accordance with the rationale set forth in the 8th Circuit Court's decision of July 18, 2000. Notwithstanding the fact that the 8th Circuit has determined to stay its vacature of the FCC's pricing rules on that issue, Qwest believes that the analysis in that decision is sound, and ought to convince the Commission to reject Covad's assumptions with regard to an "efficient configuration."

20. Covad contends that it appropriately excluded the use of an intermediate distribution frame from its costing based on the FCC's order in the Advanced Services case (Covad Brief at ¶ 79). Covad's reliance on this order is misplaced. Indeed, Covad's own witness admitted that there are certain central office configurations in which the use of an IDF is the most efficient configuration (Ex. T-172 at 7). Further, because the issue at hand is line sharing, and not advanced services, the appropriate guidance at the FCC is actually found in the FCC's line sharing order. There, the FCC expressly discussed the use of an IDF in a line sharing scenario, establishing that such a

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configuration is expressly contemplated (and therefore not prohibited) by the FCC. (Ex. T-16 at 12, quoting the FCC Line Sharing Order at ¶¶ 104 and 105).

C. Non-Recurring Charges

21. The issue of non-recurring charges is addressed in Qwest's Opening Brief at paragraphs 88 through 90. Qwest will not reiterate those arguments here. However, Qwest will address the issue of whether or not it is appropriate to use Qwest's existing rates for installation and disconnection of the loop in a line sharing situation. In the unnumbered paragraph following paragraph 83 in Covad's Brief, Covad contends that Qwest's installation and disconnection rates for line sharing are taken from Qwest's collocation non-recurring cost model. This is incorrect. Mr. Thompson's testimony clearly indicated that the rates are taken from Qwest's non-recurring cost model, not its collocation cost model. Tr. 465. Mr. Thompson agreed that there are differences between provisioning line sharing and provisioning an unbundled loop. However, what is determinative in this case is that the differences in provisioning would, in fact, drive installation and disconnect costs for line sharing higher than the existing rates that Qwest has proposed. Exhibit 49 establishes that installation and disconnection of a shared line are greater than those costs associated with installation and disconnection of an unbundled loop. No party challenged that assertion or presented a credible cost study establishing different rates. Thus, if Qwest is willing to accept the previously established rates, those rates should be adopted by the Commission.

IV. OSS COST RECOVERY

22. OSS Cost Recovery issues have been pending before the Washington Commission since January 1997, when Qwest (then U S WEST) filed a request with the Commission to recover OSS

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transition costs through an interconnection cost adjustment mechanism ("ICAM"). The Commission moved consideration of OSS Cost Recovery issues to Docket Nos. UT-960369, *et al*. In that proceeding, the Commission made two critical determinations: that Qwest could recover its OSS transition costs, and that Qwest could recover those costs from the cost-causers, the CLECs.

23. The only parties who addressed the issue of OSS Cost Recovery are the Joint CLECs and Commission Staff. Staff focuses in some detail on what it considers to be problems with Qwest's method for calculating the OSS Costs it seeks to recover and with Qwest's desire to recover those costs through a CLEC surcharge when Staff believes those costs are already recovered through retail rates. Joint CLECs, on the other hand, continue to dispute the fundamental earlier rulings of this Commission, without providing any basis or rationale as to why the Commission should change its earlier rulings, and without offering specific dispute as to Qwest's methodology for calculating the OSS Cost Recovery amount. Although the Joint CLECs do dispute Qwest's recovery mechanism, they do not pose any sort of a detailed or well founded alternative plan for cost recovery.

A. Sufficiency and Accuracy of OSS Cost Estimates *(should there be an audit?)*

24. In paragraphs 34 and 35 of Commission Staff Brief, Staff correctly identifies that OSS is an unbundled network element that Qwest must provide the CLECs. Staff further correctly identifies that Commission has determined that Qwest is entitled to recover its OSS start-up costs from CLECs. This is consistent with Qwest's position and with the Commission's prior rulings on this issue. The only parties who continue to dispute these fundamental points are the Joint CLECs.

25. In the Joint CLECs' brief at paragraph 8, those parties attempt to argue that while the

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ILECs are entitled to recover the costs "of providing" interconnection or unbundled network elements, the ILECs are not entitled to recover the costs incurred "to be able to provide" those unbundled network elements. Joint CLECs imply that the Telecom Act itself states that the ILECs are not entitled to recover the costs incurred in order "to be able to provide" unbundled network elements. However, that argument is without basis in law or in fact. Indeed, it is difficult to imagine that the costs Qwest incurred in order to be able to provide an unbundled network element are not part of the costs associated with actually providing that element.
Qwest has cited, and the Commission is aware of, Federal District Court decisions that support cost recovery of OSS start-up costs from the CLECs. Those arguments will not be reiterated here. However, Qwest would note that in addition to the legal support for cost recovery and the Commission's prior rulings, the OSS Cost Recovery issue is supported by an analogy to the recovery of costs for loop conditioning. This Commission, as well as the FCC, have held that the ILEC may appropriately recover costs it incurs to condition loops. These costs are a cost of "being able to provide" the unbundled network element that is the loop. However, in a forward looking network, no loop needs conditioning. Thus, the cost recovery for loop conditioning is similar to the cost recovery allowed for start-up OSS costs. Both are costs that the ILEC actually incurs in order to comply with the legal mandate to offer an unbundled network element, either the unbundled loop or access to OSS. In both cases, those costs are appropriately associated with the unbundled network element and appropriately recoverable from the CLECs.

26. The question of the sufficiency and accuracy of OSS cost estimates raises the issue of whether or not an audit is required. Both the Joint CLECs (Brief at ¶ 36) and Staff (Brief at ¶ 44) now claim that an audit should be required. Such a claim is unfounded. As noted above, Qwest's OSS Cost Recovery has been under consideration at the Commission in one form or another for

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almost four years. No party to date has recommended that an audit need be conducted in order to verify the sufficiency and accuracy of the OSS cost estimates. Qwest provided sworn testimony and evidence through Ms. Million and Ms. Brohl which established the work that Qwest has done to modify Qwest's OSS for the benefits of the CLECs and which established the costs of those modifications. Exhibits 121 and C-121 establish the costs for the OSS projects that are described in detail in Exhibits C-102 through C-108. Both Exhibit 122 and Ms. Brohl's testimony (Ex. T-100) establish that the costs as detailed in Ms. Million's and Ms. Brohl's testimony have indeed been incurred by Qwest to modify its OSS for the benefit of the CLECs. For parties to now suggest that an audit is required, adding additional cost and delay to Qwest's cost recovery, is nothing short of outrageous. The Commission should recognize the audit recommendation for what it is, a delay tactic. The Commission should reject this tactic as an unwarranted attempt to further postpone resolution of the issues in this case.

27. Staff raises a number of additional issues in its brief as follows: 1999 estimated versus actual expenses (¶ 37); the SOP 98-1 accounting change (¶ 37); Qwest's use of factors in its cost calculation (¶ 38); Qwest's capital recovery rate (¶ 40); and, the appropriate forecast regarding the number of service orders (¶ 41). Qwest responds to each of those issues as follows.

28. Staff claims that Qwest improperly used 1999 estimates instead of 1999 actual expenses. However, Qwest produced a response to a Staff request that included the 1999 actual expenses (Ex. 803). Staff recognizes that Qwest produced this revised cost study which included actual expenses, however, Staff incorrectly identifies the new proposed charges in its footnote 3, using the old rates instead. Qwest's actual proposed service order charges are $8.57 for electronic ordering and $13.04 for manual ordering. (See Ex. 803). Thus, the issue of estimated versus actuals should not be a concern.

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29. Staff next complains that Qwest's 1999 ARMIS report does not reflect the same expenses that Qwest claims it incurred. (Staff Brief at ¶ 37). Ms. Million addressed this issue in her rebuttal testimony. She explained that even though Qwest only reported $632M in account 6724 in 1999, the total actual expenditures in 1999 were $950M. (Ex. T-95 at 4). Due to the implementation of the Software SOP 98-1, only $632M of the $950M were reported in account 6724. The remaining $318M of expenditures were reclassified to capital accounts. If 1999 dollars had been booked on the same basis as in prior years, Qwest would have reported the entire $950M in account 6724. (Ex. T-95 at 5).

30. Staff also claims that Qwest's cost studies should not have included costs for business fees, project management costs, administrative costs, and attributed costs. (Staff Brief at ¶ 38). Qwest believes that it did properly include those additional costs on the basis of the Commission's prior ruling in Docket Nos. 960369, *et al.* In the 25th Supplemental Order in that docket, the Commission ruled, at paragraph 126, that it is appropriate to use "administrative, project management, and business fees loaders" in Qwest's TELRIC studies. The Commission has also previously held that Qwest is permitted to add attributed costs to its direct costs.

31. Staff next claims that Qwest has overstated its investment related expense calculations by using a capital recovery factor in its cost study rather than the depreciation rate. (Staff Brief at ¶ 40). Qwest is frankly puzzled by this allegation. The capital recovery factor is nothing more than a factor that accounts for capital costs, income taxes, and the time value of money. In its response to a Staff record requisition No. 17 (admitted as Ex. 804), Qwest explained how it has calculated the capital recovery factor. (See, Ex. 804, attachment B, pg. 18). Qwest agrees with Staff that the appropriate depreciation rate is 16.5% and used that rate in its calculation. Qwest is not aware of, nor does Staff cite, any Commission order or other requirement that a capital recovery factor is

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not appropriate to use, or that the depreciation rate is what is required to be used instead of a capital recovery rate.

32. Staff also claims that Qwest relied on an unverifiable forecast of the number of service orders it expects to process. (Staff Brief at ¶ 41). Staff's criticism in this regard seems to be that the forecast appears to be too low relative to Qwest's 14,000,000 access lines. However, a review of the documents referenced by Staff shows that Qwest has estimated that it will process in excess of 16,000,000 orders over a six year period. If one assumes that there will be two, or even three, service orders generated for each access line switched to a CLEC, one can see that Qwest estimates that it could lose significant market share over the next six years. Thus, Qwest disputes that the claim in Staff's Brief that "either the company does not expect to lose market share over the next six years or it has seriously underestimated the number of service orders." (Staff Brief at ¶ 41). Qwest does not know why Staff believes the estimates to be seriously underestimated. Nor has Staff proposed any other estimate as an alternative for the appropriate calculation. Staff suggests that the Commission could look to the market share experience of AT&T from 1984 to 1990, but does not disclose what the market share experience was in order to provide guidance to the Commission if that is indeed what Staff is proposing in this docket.

33. Staff also objects to Qwest's proposal to establish a maintenance and operations charge on a per service order basis. (Staff Brief at ¶ 42). Qwest made this proposal because it believed that a per service order basis was reflective of those CLECs who would be accessing Qwest's OSS. It is those CLECs who access Qwest's OSS who are in turn responsible for causing the costs of maintaining the OSS. As such, Qwest believed that such a charge bore a rational relationship to the use of the OSS and the cost causation.

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B. Appropriate Cost Recovery Mechanism

34. Staff argues that Qwest is already recovering its OSS start-up costs in its retail rates and that if Qwest is permitted to recover those start-up costs from the CLECs, Qwest should be required to provide a credit to its retail customers. (Staff Brief at ¶¶ 42-50). Qwest addressed this issue in its Opening Brief. Qwest would point out, once again, that Staff was unable to identify a single retail rate in which it could identify any OSS Cost Recovery. Tr. 1611. The testimonies of both Mr. Reynolds (Ex. T-140) and Mr. Inouye (Ex. T-130) established that an analysis of Qwest's earnings relative to its previously authorized rate of return is, in the first instance, not an appropriate analysis, and in the second instance, not properly conducted by Staff. Finally, Staff does not even acknowledge, much less address, the significant adjustment (a reduction of more than $15 million per year) that Qwest made to its OSS costs in order to ensure that those costs were not previously recovered by Qwest in any other way. (Ex. T-90 at 12-13).

35. Additionally, Staff's claim that a credit for these OSS recovery charges should be granted to retail customers is not well founded. (Staff Brief at ¶ 50). Staff claims that such a credit would be revenue neutral rate rebalancing. However, revenue neutral rate rebalancing can only be accomplished when existing rates are changed, not in the establishment of a new rate and forced imposition of a credit. Further, the conclusion that such an exercise would indeed be revenue neutral is premised on facts that are not established in this record. In the same way that no party has been able to establish that a positive price for the HUNE would result in double recovery to Qwest for loop costs, no party has been able to establish that establishing a cost recovery rate mechanism for OSS start-up costs would result in double recovery for Qwest of those costs. In order to conclude that a credit to retail rates would indeed be revenue neutral to Qwest, one would have to know that as a result of these rate changes, Qwest's other revenues would be unchanged.

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Again, as competition increases in this state, Qwest's future revenues are anything but certain. (See also the discussion in § IIIA above).

36. Staff next claims that Qwest should be permitted to recover only the OSS start-up costs that are attributable to Washington state. (Staff Brief at ¶ 51). Qwest has previously explained in Ms. Million's testimony that it is not possible to calculate an amount of OSS start-up costs that is directly attributable to Washington state. The costs are incurred on a system-wide basis and are thus not Washington specific in that sense. However, as also explained by Ms. Million, it is possible to allocate a certain portion of the OSS start-up costs for recovery in Washington. That amount is a total of $21.2M for the years 1997, 1998, and 1999. (Ex. T-95 at 10). It is not possible to calculate a Washington specific OSS rate for recovery of those costs because there are no Washington specific demand figures. However, the Commission could accept the rates that Qwest has developed on a company-wide basis and set a limit on the amount of start-up costs to be recovered in Washington. Qwest is willing to agree to such a proposal. Such a proposal would eliminate the need to develop Washington specific OSS rates and at that same time ensure that CLECs competing in Washington do not pay for OSS start-up costs that are appropriately allocated to other states.

37. The Joint CLECs have an entirely different proposal for the appropriate cost recovery mechanism. They propose that OSS transition costs should be spread among all end-users of Qwest's service in Washington. (Joint CLECs Brief at ¶¶ 39-47). Perhaps even more outrageous than their audit recommendation is the Joint CLECs' suggestion that the Commission open yet another docket (Brief at ¶ 47) to consider a different cost recovery mechanism all together. This proposal, made at this point in the proceeding, again makes clear that the Joint CLECs' only goal in this proceeding is to delay Qwest's costs recovery until the delay eventually results in a denial

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of such cost recovery. The Joint CLECs were successful in this tactic in the prior docket by delaying Qwest's recovery of interim local number portability costs until the point of time when interim local number portability is no longer even offered or provided in the state of Washington. As such, Qwest's ability to recovery those costs has essentially evaporated. The Commission should not permit that tactic to prevail on this issue in this case.

38. Essentially, Joint CLECs argument in this entire section of their brief is that the Joint CLECs should not have to pay for the OSS transition costs which they caused Qwest to incur. This issue has been discussed and decided before. The Joint CLECs offer no new reasons for the Commission to change its prior decision. The California decision is not an appropriate analogy here, because the California decision was a result of a settlement agreement where all parties agreed to a cost recovery mechanism such as that proposed by the Joint CLECs. Clearly that is not the case here; the Joint CLECs have not in fact obtained any party's agreement to their proposal, other than their own. Further, the Joint CLECs' references to the local number portability cost recovery mechanism imposed by the FCC (Brief at ¶¶ 42-44) is also not on point. Indeed, the local number portability order highlights the difference between that situation and this one. With local number portability, the FCC has ordered a cost recovery mechanism where those costs are recovered from all consumers. Clearly, the FCC could have done the same with OSS transition costs. Just as clearly, the FCC did not. The Joint CLECs' attempts to analogize to that cost recovery mechanism and use it in this case are misplaced.

C. CLEC Surcharge Rate Design *(LSR or per activity?)*

39. The Joint CLECs next challenge Qwest's proposed cost recovery mechanism on the basis that it is allegedly not appropriate to impose these charges on a "per service order" method. Qwest will repeat again the position that it has held all along in this docket, and that is that Qwest

is willing to look at other mechanisms for cost recovery. No such mechanism has been presented. Qwest's witnesses in this case identified that service orders are reasonably reflective of the use that a CLEC makes of Qwest's OSS and that it is therefore appropriate to recover costs for the modification which enables such use from those CLECs in proportion to the number of service orders that those CLECs generate.

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D. Allocation Issues and Line Sharing

40. Qwest has incurred approximately $11.9 million in costs to modify its OSS for line sharing. Qwest has separately identified these OSS costs, and seeks to recover them from those CLECs who order line sharing. Qwest is authorized to recover those costs from the CLECs who will order line sharing under the same principles which support cost recovery of other OSS costs. Additionally, cost recovery is directly authorized by the FCC in the Line Sharing Order, at paragraph 144. Thus, Staff's proposal to spread recovery of these specific OSS costs over all CLECs is without support. (Staff Brief at ¶ 33).

41. Covad challenges the sufficiency of the proof of Qwest's line sharing OSS costs. (Brief at ¶¶ 89-90). Covad's suggestion that Qwest did not incur the OSS costs, or failed to provide sufficient proof of those costs, is not well founded.[1] Qwest provided sworn testimony by Ms. Brohl that established that Qwest indeed did incur the OSS costs for line sharing (Ex. T-109 at 32) and that Qwest relied on the estimate of its vendor, who was actually performing the work, to determine the correct portion of the costs to allocate to line sharing. (Exs. 118 and C-118).

42. Finally, Covad asserts that all of Qwest's customers benefit from the OSS expenditures necessary for line sharing. (Brief at ¶ 98). This is most certainly not the case, but even if it were, it would be irrelevant. First, the determinative question for purposes of cost recovery is not who benefits from the expenditure, but who caused it. Here, the CLECs who order line sharing undeniably demand OSS modifications, and they are thus the entities who cause the costs. Qwest's retail customers do not cause those costs, because OSS modifications are not necessary in order for Qwest to provide xDSL service to its own retail customers. (Ex. 118). Covad's witness,

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[1] Covad suggests that because Qwest provided an unsigned version of the statement of work, Qwest has failed to prove the work was done. That is simply incorrect. The data request which resulted in production of that document did not ask for an executed contract, and Qwest did not produce one. Nevertheless, Ms. Brohl's testimony establishes that Qwest did incur the cost.

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Dr. Cabe, acknowledged as much in the hearing. Tr. 1175-9. Second, Qwest's customers not only do not cause any costs, they do not benefit from the expenditures. (Ex. T-109 at 31). Thus, under either theory, it is not appropriate to recover the costs of modifying Qwest's OSS to provide line sharing from Qwest's end users.

E. Other Issues

43. Finally, the Joint CLECs continue to claim that they have some entitlement to recover the costs that they have incurred to construct their own OSS. (Brief at ¶¶ 53 and 54). The Commission has already addressed this argument in the 26th Supplemental Order in Docket Nos. UT-960369, *et al.* At paragraphs 51 through 53 of that order, the Commission held that because the CLECs had not submitted a cost study or rate proposal in which they asked for compensation for the costs associated with developing their own electronic interfaces, such cost recovery was not appropriate. The CLECs had told the Commission in that case that they were considering filing such a proposal in this docket. (26th Order at ¶ 52). The CLECs never did so. As such, the Commission's holding in paragraph 53 of that order ought to be the same holding in this case. The Commission stated:

> Because the CLEC's made no request for compensation during the evidentiary hearings we deny their repeated post-hearing requests for recovery of some unspecified costs.

Id. at ¶ 53.

V.COLLOCATION

A. Qwest's Cost and Pricing Proposal

44. In Docket Nos. UT-960369, this Commission criticized U S WEST's (now Qwest) collocation model as lacking adequate documentation. In an effort to eliminate this shortcoming

Qwest undertook a time consuming analysis of the actual costs incurred on 41 cageless collocation jobs. Every invoice for those jobs was analyzed and categorized into specific types of equipment down to the actual nuts and bolts used to combine the facilities. (Exs. T-10 at 7; C-15 at 123). These invoices were made available to the parties to the proceeding. These same costs were then used to develop the caged collocation costs sponsored by the company in this proceeding. A few assumptions were changed to reflect the differences between caged and cageless collocation and those changed assumptions are detailed in the study. No one can credibly argue that Qwest's collocation model is not sufficiently detailed or supported.

45. The only briefs that address the issue of Qwest's collocation proposal are those of Staff and the Joint CLECs. Staff raises two main issues – the issue of Washington specific inputs, and the issue of costs and prices for DC power. Both of these were thoroughly developed on the record, and are discussed below.

46. Joint CLECs, on the other hand, respond to Qwest's new study by reiterating their same claim from the prior docket that the study is not adequately documented.[2] They also raise a myriad of new issues, many of them for the first time on brief. The Joint CLECs' brief reveals that the only time these parties carefully reviewed Qwest's cost study was after the hearings were over. The perfunctory nature of their review prior to the hearing is evidenced in the fairly cursory testimony filed in response to the study. (Ex. T-151 at 13-22, a mere 9 pages of testimony). Yet they now raise a number of issues that were not addressed either in direct testimony or on cross

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[2] Qwest is troubled by the Joint CLECs' mischaracterization, throughout their brief, of the back up data that Qwest made available. In discovery, Staff requested all of the vendor invoices and purchase orders used in the study. (Staff data request # 12). Qwest responded with an invitation (to all parties) to inspect those documents on site. Staff reviewed the material provided (T-360 at 5). The Joint CLECs did not. While it is correct that Qwest objected to providing its actual cost data for all collocation jobs in Washington for the past 2 1/2 years, (Joint Brief at ¶ 55, citing exs. 24 and 25), that objection is not evidence that Qwest failed to provide back up for its study. Additionally, exhibit 28 contains a direct statement that Nextlink would be permitted to review the invoices. Thus, it is unclear why the Joint CLECs would misrepresent the data made available during discovery.

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examination. Thus, the Joint CLECs appear to have a strategy to make their case on brief, where any chance for Qwest to conduct cross examination is lost. By deferring the substance of their attack on the study to the filing of briefs, they avoid the potential of having to defend their claims. Nevertheless, and in spite of this attempted "ambush" on brief, a close review of their claims reveals them to be misleading or incorrect, as will be shown below.

1. Entrance Facilities

47. The Joint CLECs challenge Qwest's rates for entrance facilities on various grounds. In connection with this rate element, the Joint CLECs raise their often repeated argument that Qwest's rates should be no higher than Verizon's (except, of course, where Verizon's rates are higher than Qwest's). This recommendation should be rejected. First, Qwest and Verizon have structured their rates differently, making a direct comparison difficult. This is evidenced by the Joint CLECs' claim (Joint Brief at ¶ 56) that Qwest's rates are as much as *12 times* higher than Verizon's. In support of this argument, Joint CLECs cite Mr. Knowles's responsive testimony at page 14. However, in his testimony, Mr. Knowles claimed that the nonrecurring charge of $7,589.47 for Express Fiber was *7 times* higher than the "equivalent element" proposed by Verizon, a number Mr. Knowles could only estimate. Not only that, but the brief fails to even acknowledge the existence of Qwest's rate for the Shared Express Fiber entrance facility, which is $1,201.16, apparently quite comparable to what Mr. Knowles found to be Verizon's (acceptable) rate.

48. Qwest's cost study supports the development of the costs for entrance facilities. (Ex. C-15 at 81-101). There is no evidence whatsoever that Qwest's costs are the same as Verizon's; thus, rates based on Verizon's costs would not be "cost-based" as to Qwest. The Joint CLECs' recommendation is therefore unlawful, as it is counter to Sections 251(c)(6) and 252 (d)(1) of the

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Act (just and reasonable rates for collocation; cost-based rates for interconnection and access to UNEs).

49. The Joint CLECs next claim that there is no basis for the differences in the prices between the Standard Shared and the Express Shared entrance facilities. (Joint Brief at ¶ 57). This is simply untrue. The Standard Shared entrance facility requires Qwest to perform a number of functions and to provide a number of different elements. (Ex. T-70 at 9-10). The Express Shared is relatively less complex (Id. at 10).

50. The Joint CLECs also criticize Qwest's assumptions with regard to the use of a separate manhole for the CLECs. (Joint Brief at ¶ 58). They complain that they have no way to verify whether the original manhole is congested. Qwest's response on this issue is simply that it has estimated its costs for entrance facilities in accordance with the Commission's directive at paragraph 319 of the 17th Supplemental Order in Docket Nos. UT-960369. In any situation where Qwest would seek to impose the "CLEC POI" charge instead of the "Shared" charge, Qwest stands ready to support the requirement for a second manhole, and will demonstrate, if required, that capacity was indeed exhausted and that Qwest complied with the Commission's order.

51. Joint CLECs next complain about the assumptions Qwest used with regard to the capacity of the innerduct, and the need for more than one core drill. (Joint Brief at ¶ 60). Joint CLECs claim that Qwest has assumed 12 fibers per innerduct. This is incorrect, and is not supported by the Joint CLECs' own record citations. Qwest has in fact assumed 18 fibers per innerduct. (Ex. C-15 at 81, line 2 under the heading "assumptions"). See also, Tr. 351. Further, while an innerduct may indeed hold 144 fibers, Qwest's assumption of 18 fibers per CLEC is based on Qwest's actual experience, and is thus a reasonable assumption in the absence of any evidence of

higher utilization.[3] The Joint CLECs are also incorrect in their discussion of the issue of core drills. The Joint CLECs claim that Qwest assumes two core drills, thereby inflating the cost. Qwest does not. In the collocation cost study (ex. C-15), at page 84, line 6 under the heading "Core Drill", it clearly shows that Qwest has assumed only one core drill for manhole 1. Thus, the entrance to the manhole is a separate core drill, the exit is through a shared core drill already assumed to be in place. It is only where Qwest has built a second manhole (ex. C-15 at page 84, line 2) that Qwest assumes two core drills – one into the manhole and one out of the manhole for each CLEC.

2. Space Construction

52. Staff's primary concern with Qwest's collocation study is that Qwest used data from offices throughout its region as opposed to Washington-specific data. (Staff Brief at ¶ 54). While it is correct that Qwest used data from other states, it also included Washington data as well. The use of region-wide data should not be a cause to reject the analysis, as Qwest believed that using a larger set of data was the better way to perform the study. Tr. 526-7. Additionally, use of a region-wide study is more efficient in that Qwest is able to perform a single study as opposed to 14 individual ones. Finally, Qwest did use Washington-specific inputs in its factors (i.e., cost of money, depreciation, etc.) so the study is Washington-specific in that sense.

53. In this section of their brief, the Joint CLECs begin to raise issues heretofore non-existent in this docket. For example, at paragraph 63 of the Joint Brief, the CLECs claim that Qwest is double recovering motor vehicle costs, "miscellaneous" costs, and cable hole costs. Joint CLECs claim the double counting on motor vehicle costs because there is a "motor vehicle" factor in

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[3] This is consistent with the FCC's TELRIC pricing directive, which requires cost estimates to be based on a "reasonable projection of the actual total usage" of an element. First Report and Order, ¶ 682.

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Qwest's cost study, as well as some motor vehicle costs which are included in the direct space construction charge.

54. Each of these criticisms is completely without merit and are focused on relatively minor inputs into the study. The total cost contained in the study for motor vehicle expense, miscellaneous items and the cable holes is $228, $456 and $322 respectively, or approximately $1000. The criticism regarding motor vehicle expense is without merit. The expense factors that are applied to the study include the actual carrying costs of maintaining the fleet and motor vehicle operating costs that are expensed on the company's books and records. The motor vehicle costs captured in the study are those motor vehicle operating costs that were specifically charged to the jobs being studied. They would not include the capital costs, including depreciation, of maintaining the fleet that is included in the factors. In addition the factors are developed based on the actual operating expenses of the company forecasted into the future. Capitalized motor vehicle operating costs, such as those included in the study, are never expensed into the operating expense accounts used to derive the motor vehicle factors. Thus, there can be no double counting.

55. Qwest included costs for the cable hole in its space construction charge. Joint CLECs state "[t]hese costs, however, should already be included in the cost to install DC power, Bay Construction, Aerial Support, Cable Racking, or other facilities, again resulting in double recovery." (Joint Brief at ¶ 63). Unfortunately for the Joint CLECs, a review of all the record citations provided shows no instance of double counting. Essentially, what the Joint CLECs are saying is that if they had conducted the study, the costs for the cable hole would have been included in the other costs. However, in Qwest's study, they were not. This does not establish "double counting."

56. The Joint CLECs express concern that there are some "largely unidentified" miscellaneous

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costs included in the cageless but not the caged study. These "largely unidentified" costs were taken directly from the invoices from the jobs. These invoices show each item or set of similar items purchased, such as washer-flat, lockwasher, electrical tape, gray fiber paper, tape olive, forms, staples, scrap wire palate etc. In all, there are over 40 items that comprise this miscellaneous category, each of which can be traced directly to invoices to which the Joint CLECs had access. Had this, and other, issues been appropriately raised in testimony, Qwest could have responded – as it is, the Joint CLECs have structured their presentation to attempt to prevent an effective response. The Commission should not permit this tactic to be successful.

a. Cage Enclosure

57. The Joint CLECs criticize Qwest's cage enclosure costs, suggesting that no study of these costs was ever conducted. (Joint Brief at ¶¶ 65-67). It is true that the cageless jobs that were studied did not include any costs for the construction of the cage. A separate study was conducted to determine the cost of cages, HVAC additions (primarily new ductwork), and AC electrical power required to build an average cage enclosure, the associated power outlets and environmental conditioning. (Ex T-10 at 7). Joint CLECs instead argue for the adoption of a "Washington specific" quote from a contractor, when that quote was previously rejected as a basis for a cost finding.

58. Based on this one "quote", Joint CLECs propose a cage cost of "no more than $5,000 for a 100 square foot cage, including fencing, gate, lighting, AC outlets and HVAC." At no point do the Joint CLECs even itemize how costs are associated with each one of these components. They simply claim that $5,000 is enough money to cover them all. Joint CLECs continuously criticize the significant documentation, often down to individual receipts, used in compiling the Qwest collocation model. All invoices were made available for review by the Joint CLECs. (Ex. 28,

subpart b). Yet all of Qwest's evidence is dismissed by the Joint CLECs and supplanted with the recommendation that the Commission adopt an undocumented lump sum estimate that fails to identify the costs of the individual components that supposedly are included in the estimate. The Joint CLECs set an evidentiary bar for ILEC cost study filings that can never be reasonably attained, and then suggest that a better approach is to adopt a high level undocumented gross estimate supplied by the CLECs in a post hearing brief.

59. The Joint CLECs' lack of careful analysis, and their willingness to raise new, but wholly incorrect, arguments for the first time on brief is illustrated in paragraph 66 of the Joint Brief. There, Joint CLECs make the claim that Qwest's costs for electrical outlets are almost 10 times higher for caged collocation than cageless collocation. In support of this claim, the Joint CLECs direct us to the collocation cost study, exhibit C-15, and invite comparison between page 65 (lines 19-22) and page 113 (line 29). A review of those two pages discloses, even to the non-engineer, that the elements being compared are not the same. Page 65 shows a cost of over $4,000 for "electrical distribution". If the Joint CLECs had raised this issue at the hearing, they would have learned that this element includes things such as fuses, wire to the fuse box, fuse panel, conduit, support, and the electrical outlet. Page 113 shows the cost for an "AC outlet" as $481. This cost covers only the cost to run a wire to the nearest AC source and provide 2.25 outlets. It is clearly not valid to compare these elements and suggest they cover the same costs. Perhaps the Joint CLECs did not know this, but that does not excuse a failure to ask, or a mischaracterization in brief based on insufficient information.

b. DC Power

60. Staff has two concerns about Qwest's DC power supply costs. The first is that they are not Washington-specific. (Brief at ¶ 55). This issue is addressed above in paragraph 36. The second

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concern is that Qwest's study assumes higher costs for power for caged collocation than for cageless. (Brief at ¶ 57).

61. Qwest agrees with Staff that it has assumed a shorter power cable for cageless collocation than for caged. This is reasonable, because cageless collocation, which uses less room, is more likely to be closer to the power supply (e.g., in an existing line up, rather in a separate area of the central office). Conversely, caged collocation, which requires more room, is more likely to be further away from the power supply. Additionally, as Qwest has explained, there is a difference in assumptions necessary, depending upon whether the power feed is greater or less than 60 amps.

62. In paragraph 58 of its Brief, Staff recommends that Qwest should always assume the use of a battery distribution fuse board (BDFB) instead of assuming that certain higher amperage power feeds extend all the way to the main power board. Qwest explained in its opening brief (¶ 151) that it cannot assume the use of a BDFB with power designs of more than 60 amps. This is because there are no standard BDFBs with the higher capacity. Thus, the reasonable assumption to use in the study is that the power cable runs all the way to the main power board. This results in a longer cable, but is reflective of both actual and efficient provisioning.

63. It is clear that the Joint CLECs did not take the time to reasonably analyze the information that was provided in connection with DC power costs. Joint CLECs' brief implies that the Qwest study uses five jobs to develop the cost for DC Power Cable installation. They further argue that only two of these jobs were in Washington. Again, this position is a gross simplification of the depth of the actual Qwest analysis. The basis for the Qwest power cable cost study was the 41 jobs that were analyzed back to the vendor invoices. All the material costs, vendor labor costs and average job characteristics (i.e. such as distances to the battery fuse distribution bay) were derived directly from the invoices, labor contracts and underlying job specifications for the 41

jobs that were studied in depth. (Ex. T-10 at 10). This detailed analysis of the receipts for these jobs had one drawback. The results did not provide a means for the user of the information to adjust the study inputs to reflect the various power supply options requested by the CLECs. For instance, although the costs for a 40 amp power cable could easily be derived from the analysis of the 41 jobs, the study did not provide a reasonable means to adjust the inputs to reflect the cost of a 100 amp power supply. In order to construct a study that accommodated these other options, Qwest needed to build a study that allowed the user to revise inputs to reflect different configurations. To accomplish this Qwest selected 5 offices in which it had recent experience provisioning different power amperage. (Ex. T-20 at 6). The base cost inputs derived from the 41 jobs was then used to develop a cost for a 40 amp cable using the 5 representative jobs. The results of this cost study were then compared to the total actual costs of power cable for the 41 jobs to assure their reasonableness. Once this analysis was completed and verified, Qwest has a platform in which the inputs could be revised to reflect the various power supply configurations and options being requested by the CLECs.

64. Joint CLECs next claim that "Qwest also refused to provide any data on the cost it has incurred to provide DC power cable to collocating CLECs or itself in Washington." (Joint Brief at ¶ 69). Yet they did not even review the invoices for the 41 jobs studied, many of which were located in Washington. In paragraph 70 of the Joint Brief, Joint CLECs state "Qwest also provides no explanation, or evidentiary support for, why those per foot costs are *five times or more* higher than the combined per foot cost of 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 cost of 350 kcmil, the cable used to provide 40 amps of power)." This analysis in inherently flawed. A review of the individual

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cable cost inputs Joint CLECs cite (ex. C-15 at 126, line 51) clearly identifies these costs as being associated with <u>each</u> cable. A 40 amp power supply consists of two power feeds each comprised of two cables. Joint CLECs acknowledges this fact in paragraph 102 of their post hearing brief when they state "DC Power is provided to collocating CLECs through two "feeds," i.e. pairs of power cables." Two feeds of two pairs of power cables equates to four individual cables. Their analysis, therefore, compares the total cost of a four cable power supply to the cost of an individual power cable and concludes that four cables cost much more than one. They then claim that this "unexplained" discrepancy is a reasonable basis for rejecting the Qwest analysis. Qwest agrees that four power cables cost much more than one. Qwest does not agree that this obvious fact has any relevance to the validity of Qwest's collocation study.

c. Grounding/Backup AC Power

65. Joint CLECs criticize Qwest's grounding and backup AC power costs on the same basis that they criticize Qwest's DC power costs. (Joint Brief at ¶ 73). Rebuttal to those points need not be repeated here. However, Joint CLECs go on to allege that Qwest did not justify the distinction between its calculation of grounding costs for cageless collocation (done on a per job basis) and its calculation of grounding costs for caged collocation (done on a per foot basis). This allegation is unfounded. Joint CLECs need only consult the cost study to obtain the justification for that distinction. As set forth in exhibit C-15, on the bottom of page 13, continuing onto page 14:

> In caged collocation the grounding cable is offered as a separate element so the cost of the ground cable is not included in the standard price. As discussed below, a CLEC has the option of ordering large power feeds for their caged collocation area. The larger power feed the greater the size of the facilities required to ground the equipment. To accommodate these variations in the size of the ground wire that is required, a separate grounding element has been developed for caged collocation builds.

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The collocation study details that power for cageless collocation is available only in 20, 30, 40, or 60 amp feeds, while power for caged collocation is available in much larger feeds, up to 400 amps. If this explanation were not sufficient for the Joint CLECs, Qwest suggests that it was incumbent upon them to ask for more details. However, to allege that Qwest "failed to justify the distinction" between the calculations is simply false.

66. Finally, Joint CLECs state that Qwest's per-foot pricing violates the FCC's collocation orders (although it is unclear which ones), and that the Commission should allow Qwest to charge no more for Backup AC Power cable than it charges for AC outlets. (Joint Brief at ¶ 75). Qwest disagrees that per-foot pricing is "not sufficiently definite". Indeed, Qwest's FCC tariff contains some per-foot rate elements (ex. 14), suggesting that such a rate design is not prohibited. Further, the cost of Backup AC Power is different from the cost of AC outlets because the elements are not the same. Backup AC Power is an optional element, and the provision of that cable in 20, 30, 40, 50, 60, or 100 amp increments, in either "single phase" or "three phase" (ex. C-15 at 8) is not the same as providing access to an AC power source along with several electrical outlets.

d. Engineering/Quote Preparation Fee

67. Joint CLECs complain that Qwest's proposed engineering costs are unsupported. (Joint Brief at ¶ 76). This is another example of the Joint CLECs' waiting to address an issue in the brief that they had never previously raised. The only party who questioned Qwest's engineering costs was Staff. Staff's witness, Mr. Griffith, reviewed the invoices for the engineering costs, and proposed some adjustments (ex. T-360 at 5), which Qwest accepted (ex. T-20 at 8-9). Had the Joint CLECs raised this issue sooner, Qwest could have responded in testimony, but they did not. Their claims on this element should be rejected.

68. Joint CLECs compare the total engineering costs included in the Qwest collocation model with the quote preparation fee in the Verizon model as further evidence that these costs should be rejected. (Joint Brief at ¶ 76). This is not a valid comparison, and leads to an incorrect conclusion. The engineering costs in the Qwest study reflects all engineering costs incurred on the jobs studied. Verizon's quote preparation fee only includes those preliminary engineering costs incurred to ascertain the amount of the initial quote. The remainder of the engineering costs are spread throughout the individual costs for the various components of their collocation study. Joint CLECs recognize this fact in paragraph 89 of their brief when they state "Verizon then subtracts this factor from the "national average" to estimate vendor engineering and other overhead costs, which is then converted into a square foot cost and added to the fencing costs of $5.66. The result is a contractor mark-up that approaches-and in some cases exceeds-the underlying cost to construct the cage." Joint CLECs knew that many of the engineering costs included in the Verizon study were spread through factors to the individual elements in the study. They also thought these costs were excessive. However, in comparing the Verizon study to the Qwest study, Joint CLECs ignore these engineering costs in order to make the comparison seem extreme. The total of Qwest's engineering costs are compared to the preliminary engineering costs Verizon incurs in making a quote to determine that the first is significantly greater. Qwest agrees that these two costs would be different. The fact that preliminary engineering is lower than the total cost to engineer a job has no relevance to the reasonableness of the Qwest analysis.

69. Finally, the Joint CLECs propose that the Commission disallow Qwest's quote preparation fee. (Joint Brief at ¶ 77). The proposal to disallow the fee did not appear in any testimony filed by the Joint CLECs. Mr. Brotherson described the activities that form the basis for this fee. (Ex. T-70 at 8). Qwest deducts the fee from the space construction charge if the CLEC proceeds with

the collocation request. Thus, the only time it would be assessed and retained as a separate rate element is if the CLEC requested a quote and then decided against the collocation. It is undeniable that Qwest will have incurred costs in the preparation of the quote, and retention of the fee is designed to recover those costs.

3. Floor Space Rental

70. No party other than Qwest addressed this issue in opening briefs

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

71. The Joint CLECs raise the issue of the proper rate for terminations, claiming that until terms and conditions are established for self-provisioning, Qwest's prices should be no higher than Verizon's. (Brief at ¶¶ 79-80). Qwest's response to this issue is two-fold. First, Qwest is willing to negotiate terms and conditions for these elements with any CLEC who asks. Second, Qwest's cost study provides detailed support for the development of this rate element. (Ex. C-15 at 7, 11, 16-21, and 78-80). There is no evidence whatsoever that Qwest's costs are the same as Verizon's; thus, rates based on Verizon's costs would not be "cost-based" as to Qwest. The Joint CLECs' recommendation is therefore unlawful and should be rejected.

5. Cable Splicing

72. The issue of cable splicing is one of several where the Joint CLECs oppose both Qwest's prices and Verizon's. (Brief at ¶¶ 81 and 107). Of course, the Joint CLECs only propose Verizon's prices for Qwest when those prices are lower than Qwest's, disclosing the true cornerstone of the Joint CLEC costing and pricing methodology – pick the lowest number.

73. Although the Joint CLECs continue to dispute Qwest's price for this element, the parties

are simply not that far apart.[4] Further, Qwest has no idea, and the Joint CLECs offered no proof, of whether XO's contractor actually recovers all of its costs in the pricing it offers to XO. Further, Qwest has certain labor rates that it must pay in accordance with collective bargaining agreements. The Joint CLECs do not establish that their proposed price of $28 per splice will allow Qwest to recover its costs, or that Qwest could reduce its costs in any way.

6. Microwave Collocation

74. Teligent's Brief addresses only the issue of microwave collocation. Teligent asks the Commission to order Qwest to develop a microwave collocation tariff offering on standard, non-ICB terms, conditions, and rates to the maximum extent possible (Teligent's Brief at ¶ 20). Teligent claims that such a tariff would address the needs of microwave collocation by eliminating the "uncertainty, opportunity for denial, and recipe for mischief "inherent in the bona fide request process and ICB pricing. *Id.*

75. Qwest is frankly puzzled by Teligent's proposal that the Commission order Qwest to develop a standardized tariff to address concerns that Teligent has not established to exist on this record. Teligent did not participate in the hearings through presentation of a witness or any direct testimony. Teligent's attorney cross-examined Qwest and Verizon witnesses but otherwise offered absolutely no evidence detailing Teligent's experience in Washington or in any other state that would lend support to Teligent's claim that there has been either denial, uncertainty or mischief associated with Qwest's provisioning of microwave collocation.

76. In fact, the opportunities for such denials, uncertainty, or mischief have been few indeed.

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[4] For example, if Qwest were to perform 288 splices (i.e., 2 cables with 144 fibers each), plus two setups, the cost to the CLEC would be $11,998.62 (288 x $38.08 plus $1,031.58). This total compares fairly closely with the contractor invoice supplied by XO, (ex. C-157).

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As Qwest testified, Qwest has had only 12 requests for microwave collocation in four years, in 14 states. Tr. 740-741. Under these circumstances, it is difficult to understand that Qwest would even have enough experience with microwave collocation to develop a standardized offering, much less that there is a need to do so. Nevertheless, it is Qwest's undisputed testimony on this record that, to the extent that microwave collocation involves any of the same elements as a standard physical collocation, Qwest will use the standard physical collocation rate elements to calculate that portion of the individual case basis price that it will calculate for the collocation as a whole. Tr. 650.

77. Teligent goes on to claim that Qwest has an obligation to develop standard prices for microwave configurations. (Teligent Brief at ¶ 16). However, Teligent provides no authority for that claim. Incumbents should be permitted to use individual case basis pricing in circumstances such as the limited number of requests for microwave collocation.

78. Teligent claims that the bona fide request/ICB process is lengthy and unpredictable. (Teligent Brief at ¶ 16). Teligent also claims that these processes are unduly burdensome and time consuming. (Id. at ¶ 17). These claims are interesting, to say the least, when presented by a party who offered no direct testimony as to its experience with microwave collocation, either with Qwest or with any other incumbent.

79. In conclusion, Qwest has no objection to using the standard collocation costs and prices that are developed in this docket for microwave collocation, when those elements are the same. However, when microwave collocation presents truly unique situations, such as those presented by the need to bore a hole through the roof of a building, Qwest believes that ICB pricing is entirely appropriate and that the Commission should not order Qwest, or any other incumbent, to undertake the task of developing standardized tariff rates for provisioning elements that are not

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standardized.

7. Other Issues

80. Joint CLECs claim that the Commission should limit Qwest's markup for "TELRIC" and common costs to recurring charges, claiming that Verizon has adopted such a proposal, and if the Commission were to order Qwest to do so as well, consistency would be assured and collocation costs would be minimized. (Joint Brief at ¶ 83). Conspicuously absent from the argument is any claim that this proposal would allow Qwest to recover its costs. Quite simply, it would not. Qwest's attributed and common cost factors were developed with the assumption that all of its direct costs would be marked up. If some costs are not going to be marked up for attributed and common cost recovery, the attributed and common cost factors which would be applied to the recurring costs would have to be higher. Qwest's attributed and common cost factors were approved by this Commission in Docket Nos. UT-960369 et al., and no party proposed a change in this proceeding. The issue of whether to apply those factors to nonrecurring costs was not raised by the Joint CLECs in testimony, and they have shown no rational reason for their desired result.

81. Joint CLECs claim that the Commission must order Qwest to provide CLEC to CLEC cross connections. (Brief at ¶ 84). Joint CLECs claim that Qwest has yet to allow those cross connections, or to establish terms, conditions, and rates. Qwest disagrees that an order is necessary. Qwest pointed out in its testimony that it is not required to allow CLEC to CLEC cross connections, but is willing to do so. Under these circumstances, it is difficult to understand why the Joint CLECs think they need the Commission to order Qwest to do so. As with the issue of DS-0, DS-1 and DS-3 terminations, discussed above, Qwest is willing to negotiate this issue with the Joint CLECs. However, this is a cost docket, not a "terms and conditions" docket, and the

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Joint CLECs' complaints are misplaced.

VI.

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CONCLUSION

82. For the reasons set forth herein, and in Qwest's Opening Brief, the Commission should enter an order:

(1) approving Qwest's proposed price for the HUNE of 50% of the devaveraged loop price, not to exceed $10;

(2) approving Qwest's proposal to recover OSS start-up and maintenance costs through per-service-order charges, as well as OSS for line sharing from CLECs who order line sharing; and

approving Qwest's collocation costs and prices.

Dated this 23rd day of October, 2000.

Qwest Corporation

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Lisa A. Anderl
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