

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE CONTINUED)
COSTING AND PRICING OF UNBUNDLED)
NETWORKING ELEMENTS, TRANSPORT,)
TERMINATION AND RESALE)

DOCKET NO. UT-003013
PART B

PART B SUPPLEMENTAL
RESPONSE TESTIMONY OF
JOHN C. KLICK
AND
BRIAN F. PITKIN
ON BEHALF OF
JOINT INTERVENORS

NON-PROPRIETARY VERSION

October 31, 2000

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESS.**

3 A. We are John C. Klick and Brian F. Pitkin. We are, respectively, Senior Managing
4 Director and Director in the Financial Services Division of FTI Consulting, Inc.
5 (“FTI”). Our offices are located at 66 Canal Center Plaza, Suite 670, Alexandria,
6 VA 22314.

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8 **Q. DID YOU FILE RESPONSE TESTIMONY IN THIS PROCEEDING ON**
9 **OCTOBER 23, 2000?**

10 A. Yes.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTARY RESPONSE**
13 **TESTIMONY?**

14 A. The purpose of our supplementary testimony is to address Qwest’s recurring costs
15 studies for its DS-1 loop charge and dedicated interoffice transport cost.

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17 **Q. WHY WERE THESE ELEMENTS NOT ADDRESSED IN YOUR**
18 **ORIGINAL RESPONSE TESTIMONY?**

19 A. As discussed in Mr. Weiss’s testimony, there are two reasons for the
20 supplementary testimony. First, Qwest filed supplemental testimony revising its
21 interoffice dedicated transport analysis on September 12, 2000, more than one
22 month after the original testimony was filed on August 4, 2000. Second, the
23 underlying electronic files supporting Qwest’s DS-1 loop analysis were not

1 provided to the joint intervenors until October 17th. Thus, due to the late receipt
2 we were unable to fully evaluate Qwest's recurring cost analysis for these
3 elements to incorporate in our testimony filed on October 23, 2000. To that end,
4 we have restated Qwest's recurring costs for its DS-1 loop charge and the
5 dedicated interoffice transport costs of OC-3 and OC-12.

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7 II. QWEST'S RECURRING DS-1 LOOP COST

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9 **Q. DID QWEST PRESENT A COST STUDY ON DS-1 LOOPS?**

10 A. Yes, Qwest presented a recurring cost study for the DS-1 loop. Additionally,
11 Qwest presented a DS-1 feeder sub-loop rate which is closely related to the DS-1
12 loop charge because many of the investment categories of the DS-1 loop comprise
13 the DS-1 feeder sub-loop.¹

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15 **Q. HAVE YOU IDENTIFIED PROBLEMS IN THE DS-1 LOOP STUDIES**
16 **SUBMITTED BY QWEST?**

17 A. Mr. Weiss undertook a detailed analysis of Qwest's recurring DS-1 study and
18 concluded that it is flawed for two basic reasons. First, he concluded that the
19 utilization levels assumed in Qwest's study were too low. Second, the total in-
20 plant factors for plug-ins and hardware were overstated. Mr. Weiss provided
21 revised inputs that we used to modify Qwest's study.

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¹ See Perry Hooks Direct Testimony at PWH-2.

1 **Q. HAVE YOU RESTATED THE COSTS BASED ON MR. WEISS’ REVISED**
2 **INPUTS?**

3 A. Yes. However, as we discussed in our original testimony we recommend
4 disregarding the ILEC’s cost studies because they do not comport with the
5 Commission’s prior decisions. As we elaborated in our response testimony, we
6 recommend using the methodologies adopted in the General cost Docket (“GCD”)
7 as the basis for DS-1 loop costs. However, in the alternative, our revision to
8 Qwest’s DS-1 cost study is presented below in Table 1.²

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Table 1³
Summary of Qwest’s Recurring Costs
For DS-1 Loops
Based on Mr. Weiss’s Modifications

	As Submitted By ILEC	As Modified By Mr. Weiss
DS-1 Capable Loop	\$75.59	\$46.69
DS-1 Feeder Sub-loop	\$66.98 ⁴	\$45.52

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16 **III. DEDICATED INTEROFFICE TRANSPORT**

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18 **Q. DID QWEST PRESENT A COST STUDY ON UNBUNDLED DEDICATED**
19 **INTEROFFICE TRANSPORT (“UDIT”)?**

²Qwest did not de-average its DS-1 loop cost. The Commission should require Qwest to file de-averaged costs for this UNE.

³ Our re-calculation of DS-1 loop costs is part of Exhibit JCK/BFP – 11C.

⁴ Ms. Million’s Exhibit TKM-10 reports \$66.98 for the DS-1 feeder capable loop, while Mr. Hooks’ Exhibit PWH-2 reports \$66.89 for the DS-1 feeder capable sub-loop.

1 A. Yes. Qwest submitted cost studies for Optical Carrier, Level 3 (“OC-3”) and
2 Optical Carrier, Level 12 (“OC-12”) only. On September 12, 2000, Ms. Million
3 filed revised cost estimates for these elements in her supplementary testimony.
4 Through these cost studies, Qwest developed a recurring fixed charge and a
5 mileage sensitive rate based on the distance from the originating and terminating
6 central office for UDIT.

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8 **Q. ARE THERE PROBLEMS WITH QWEST’S UDIT MODEL?**

9 A. Yes. As Mr. Weiss discusses, Qwest’s OC-3 and OC-12 engineering studies
10 exhibit numerous flaws. Similar to Qwest’s DS-1 and DS-3 models, Mr. Weiss
11 finds Qwest’s Utilization factors to be too low and its total-in-plant factors for
12 hardware and plug-ins to be overstated.

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14 **Q. HAVE YOU PREPARED A TABLE SUMMARIZING YOUR**
15 **MODIFICATIONS TO QWEST’S COST-BASED PRICES FOR OC-3 AND**
16 **OC-12 UDIT?**

17 A. Yes.

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Table 2⁵
Summary of Qwest's Recurring Costs
For OC-3 and OC-12 UDIT
Based on Mr. Weiss's Modifications

Band	As Submitted By Qwest		As Modified By Mr. Weiss	
	OC - 3	OC - 12	OC - 3	OC - 12
0 to 8 Band - Fixed	[]	[]	\$588.4	\$1,683.53
0 to 8 Band - Variable	[]	[]	\$162.5	\$49.48
8 to 25 Band - Fixed	[]	[]	\$592.73	\$1,683.53
8 to 25 Band - Variable	[]	[]	\$43.98	\$51.77
25 to 50 Band - Fixed	[]	[]	\$569.22	\$1,683.53
25 to 50 Band - Variable	[]	[]	\$58.48	\$56.55
Over 50 Band - Fixed	[]	[]	\$587.83	\$1,683.53
Over 50 Band - Variable	[]	[]	\$35.47	\$67.82

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**Q. DOES THIS CONCLUDE YOUR SUPPLMENTAL RESPONSE
TESTIMONY?**
A. Yes.

⁵ Our re-calculation of Qwest's OC-3 and OC-12 UDITs costs is part of Exhibit JCK/BFP - 11C.