Exhibit No. _____ (LR-3T)
Docket No. UT-003013 - Phase B

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION

COMMISSION

In the Matter of the Continued Costing	**)**	
And Pricing for Interconnection,	**)**	**DOCKET NO. UT-003013**
Unbundled Elements, Transport and	**)**	**PHASE B**
Termination and Resale	**)**	

PHASE B SUPPLEMENTAL DIRECT TESTIMONY OF

LARRY RICHTER

ON BEHALF OF

VERIZON NORTHWEST INC.

SUBJECT: LINE SPLITTING COSTS AND PRICES

EELS COSTS AND PRICES

January 8, 2001

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Larry Richter. My business address is 600 Hidden Ridge, Irving, Texas 75038.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A. Yes, I filed testimony in Phase A of this proceeding. I also filed direct testimony in Phase B of this proceeding on December 22, 2000.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe and present Verizon's preliminarily estimated costs and rates associated with line splitting and the proposed costs and rates that support the UNE migration charge for Enhanced Extended Links ("EELs"). Exhibit LR-4C to my testimony contains Verizon's estimated line splitting costs and rates. Exhibit LR-5C to my testimony contains Verizon's cost study and proposed rates that support the UNE migration charge for EELs.

Verizon's costs and rates identified for line splitting are intended to only satisfy the compliance issue for line splitting in this docket. They are not intended to be a final presentation for line splitting in this docket. Verizon's proposed line splitting costs and rates will be determined after a service description has been established and operational and systems analysis has been completed.

II. DESCRIPTION OF SERVICES

Q. PLEASE DESCRIBE LINE SHARING.

A. Line sharing, which was addressed in Phase A of this proceeding, occurs when, as the name implies, a loop from the central office to the customer's premise is shared by Verizon and a Data Local Exchange Carrier ("DLEC"). In a line sharing scenario, Verizon provides voice service to the customer over the low frequency portion of the loop, and the DLEC provides data service to the customer over the high frequency portion of the loop. These two services are joined together electronically with a DLEC owned device called a splitter that is located in the DLEC's collocation area in Verizon's central office.

Q. PLEASE DESCRIBE LINE SPLITTING.

A. Line splitting occurs when both voice and data service are provided by a Competitive Local Exchange Carrier ("CLEC") or a DLEC. Voice and data service may be provided by the same carrier or two different carriers. Thus, the difference between line splitting and line sharing is that a CLEC provides voice service in a line *splitting* situation while Verizon provides voice service in a line *sharing* situation. When line splitting is requested, Verizon will provide the Voice CLEC ("VLEC"), who may already be collocated in Verizon's central office, with the port and loop of the specific end user in the form of UNEs. The high frequency portion of the loop provided to a DLEC (which may be the same or different from the VLEC) requires collocation in the central office. As with

line sharing, a splitter is required to electronically join the voice and data services originating from the respective carriers.

Q. IS VERIZON FILING COSTS AND PRICES FOR LINE SPLITTING EVEN THOUGH IT CANNOT YET PROVISION LINE SPLITTING AND EVEN THOUGH VERIZON HAS NOT DEFINED HOW IT WILL OFFER LINE SPLITTING?

A. Yes. As more fully explained by my colleague Kirk Lee in testimony filed simultaneously herewith, Verizon is participating in collaborative discussions with CLECs and DLECs in New York that are intended to result in a consensus service description for line splitting that Verizon might utilize nationwide. A nationwide offering is necessary due to the multiple changes and enhancements that will need to be made in order for Verizon's systems to handle the unique issues posed by line splitting. However, the actual steps required to provide line splitting once ordered are not total unknowns. Thus, while the operational, or *mechanized*, steps in the line splitting ordering process cannot be identified until a final description is decided upon, Verizon can identify certain steps that will need to be taken to offer line splitting for which costs and prices can be estimated based on the underlying similarities between line sharing and line splitting. It is these costs and prices that are presented and described in my testimony. However, these costs and prices are based on the description of line splitting as it currently

exists in the Collaborative[1] and are provided with the caveat that some costs and prices may need to be changed. Additional costs may need to be added, once Verizon is equipped with a final service description and further operational and systems analysis are complete. The "placeholders" contained on page 5 of Exhibit LR-4C were inserted for just that contingency. As a result, Verizon recommends that costing and pricing decisions be deferred until a clearer picture of line splitting has evolved.

III. LINE SPLITTING COSTS

Q. WHAT TYPES OF COSTS ARE ASSOCIATED WITH LINE SPLITTING?

A. The costs associated with line splitting that Verizon will incur fall into four categories: (1) costs associated with service ordering, (2) costs associated with provisioning, (3) costs associated with central office activity, and (4) costs associated with Operational Support Systems ("OSS"). A summary of these costs can be found on pages 9-11, 14-30, and 44-45 of Exhibit LR-4C.

A. SERVICE ORDERING

Q. PLEASE EXPLAIN THE ORDERING PROCESS.

A. Verizon envisions the ordering process for line splitting to be similar to the ordering process for line sharing. This process involves a Local Service Request

[1] See 2nd Supplemental Direct Testimony of R. Kirk Lee, pages 2-5 and Revised Exhibit RKL-3.

("LSR") that will be sent to Verizon from a VLEC and/or DLEC. The line sharing order process is more fully explained in the Phase A Direct Testimony of Linda Casey.[2] Verizon has used, as a proxy, some of the ordering processes from the line sharing service to develop these costs.

It is possible that Verizon will be receiving separate orders from the VLEC and DLEC, which does not occur in today's ordering environment. Thus, a new ordering process and ordering guidelines will need to be developed for line splitting. This type of work process can not be developed until a workable system can be designed and put in place.

Q. HOW WERE THE COSTS FOR SERVICE ORDERING DEVELOPED?

A. Because the ordering process for line splitting may be similar to the ordering process for line sharing, similar costs may be incurred in accepting, evaluating, and provisioning line splitting requests. The costs for line sharing, as explained in the Phase A Direct Testimony of Linda Casey, were developed by taking into account the work times and costs incurred by Verizon in the provisioning of line sharing services.[3] When the service definition for line splitting is finalized and operational and systems analysis is complete, an order process can be determined that will identify the work activities required in the order flow for line splitting.

[2] Exhibit T-250:15 (Casey).
[3] Exhibit T-250:16 (Casey).

Q. ARE THERE ANY ADDITIONAL COSTS ASSOCIATED WITH SERVICE ORDERING ACTIVITIES THAT YOU HAVE INCLUDED IN YOUR LINE SPLITTING COST STUDY?

A. Yes. Verizon has included Migration costs which is the migration of an existing line sharing arrangement to a line splitting arrangement. In developing these ordering processes that may occur for line splitting, Verizon used as a proxy the UNE-P migration costs and the line sharing records order costs.

B. PROVISIONING

Q. PLEASE EXPLAIN THE PROVISIONING PROCESS.

A. On receipt of an order, personnel at Verizon's Facility Assignment Center (the "FAC") determine what must be done – both physically and with respect to alteration and creation of facility records – in order to provision the line splitting that was ordered. First, the FAC personnel references the order(s) and specifically the information regarding where to effect the connections to the VLEC's and DLEC's respective equipment. Second, the FAC personnel access Verizon's facility inventory system, also known as the Automatic Assignment Inventory System ("AAIS"), and formerly the Mechanized Assignment Record Keeping ("MARK") system, for information regarding Verizon's network and the specific customer information for whom services have been ordered. Third, the FAC personnel utilize this information to determine what tasks must be performed to complete the requested order(s). These tasks invariably include disconnecting, running and connecting jumpers to and from specific locations in the central

office. The FAC personnel record this "jumper list" in the AAIS. In addition, the FAC personnel must establish a link between the AAIS and the VLEC's and DLEC's respective connection information, which is obtained from their order(s). This is done by placing references in the "remarks" section of the customer's permanent record in the AAIS. All of the information entered by the FAC personnel is stored for future reference in the AAIS.

Q. HOW WERE THE COSTS DEVELOPED FOR PROVISIONING?

A. Verizon used costs for provisioning line sharing as proxies for provisioning line splitting. Those costs are based on a "cost per touch," as more fully explained in the Phase A Direct Testimony of Linda Casey.[4] The provisioning costs for line splitting can be found on pages 9-10, 12 and 31-34 of Exhibit LR-4C.

Q. WHAT ARE SOME EXAMPLES OF SPECIFIC PROVISIONING ACTIVITIES THAT CONSTITUTE "TOUCHES" IN THE "COST PER TOUCH" CALCULATION?

A. A "touch" occurs when a Verizon employee in the FAC must actually "touch" the order and perform a task that is not automatically completed. In other words, a touch occurs when there is human intervention in the processing of the service

[4] Exhibit T-250:17-19 (Casey).

request. The following list includes some activities, which may occur individually or in combination, that constitute "touches":

- Access facility records for assignment of equipment;
- Update or change existing records for the current service;
- Create individual records composed of various components;
- Assign circuit identification and link it to the telephone number;
- Link various records via remarks;
- Generate work activity orders for other technicians;
- Update switch information for new services; and/or
- Close out completed orders.

Q. WHAT ACTIVITIES DOES VERIZON ENVISION FAC PERSONNEL PERFORMING SPECIFIC TO LINE SPLITTING THAT WOULD CONSTITUTE "TOUCHES"?

A. Verizon envisions that the following activities, all of which constitute "touches," may or may not be incurred in each ordering arrangement:

1. *Remove Existing Jumper (voice service)*

A line splitting order may require the removal of the existing jumper between Verizon's central office equipment, and the customer's loop by which voice service is being provided to the customer. This "touch" will include accessing the AAIS to obtain the current information for the existing service

arrangement for the customer and performing a “kill” function to remove the existing jumper connection from the system.

2. *Install Jumper for voice service*

A line splitting order may require the installation of a jumper from Verizon’s central office equipment block to the designated Connecting Facility Assignment ("CFA") terminal block in order to establish voice service to the customer by the VLEC. This “touch” will include access to the AAIS in order to perform a “build” function that establishes and records the information regarding the new jumper between Verizon’s office equipment block and the designated CFA terminal block. The CFA terminal block assignment information is provided by the VLEC with its order and is entered into the AAIS as part of the build function. In addition, the FAC personnel must place references in the “remarks” section of the AAIS to record the links between the various pieces of equipment.

3. *Install Jumper that Connects the High Frequency/Voice to the Loop*

A line splitting order may require installation of a jumper from the designated CFA terminal block (combined high frequency and voice signal) to the loop connection. This “touch” will include access to the AAIS in order to perform a “build” function that establishes and records the information regarding the new jumper to the CFA terminal block. The CFA terminal block information for the high frequency/voice pair is provided by the DLEC with its order and

is entered into the AAIS as part of the build function. In addition, the FAC personnel must place references in the "remarks" section of the AAIS to record the links between the various pieces of equipment.

4. *Disconnection of End-User's Service*

A line splitting order will include a "touch" related to the eventual disconnection of the end user's service. When the end user disconnects (i.e. cancels its service in its entirety, as when a person or business moves from one location to another), the VLEC's voice service and the DLEC's high frequency service are both disconnected, and the Verizon voice service originally in place at that location is reconnected. Thus, when the next end user that occupies that location applies for service, there will be switch equipment dedicated to the loop assigned to that location. This "touch" will include accessing the AAIS to remove the previous connections ("kill" functions) and making the connections available for future activity. A "build" function will take place to reestablish the dedicated link between the Verizon office equipment and the dedicated loop to the end user.

Depending on future ordering definitions, additional disconnect order requests may cause a need to increase the number of "touches" for disconnecting service.

Q. ARE THERE ANY ADDITIONAL COSTS ASSOCIATED WITH PROVISIONING ACTIVITIES THAT YOU HAVE INCLUDED IN YOUR

LINE SPLITTING COST STUDY?

A. Yes. Verizon has included Migration costs. The provisioning functions for line splitting Migration are to update the inventory records to reflect the current change to information or arrangement. This cost element is derived in the same manner as the other provisioning elements contained in Exhibit LR-4C.

C. CENTRAL OFFICE ACTIVITIES

Q. PLEASE DESCRIBE THE CENTRAL OFFICE ACTIVITIES ASSOCIATED WITH LINE SPLITTING.

A. Certain central office activities will take place as a result of a line splitting order regardless of what product definition is ultimately adopted. Those activities include physically disconnecting, running and connecting the jumpers listed by the FAC personnel at the provisioning stage. The central office technician will receive the jumper list that was prepared by FAC personnel and distributed automatically to the central office. The jumper list will contain the specific information the technician needs in order to remove and install jumpers to provide the line splitting requested. The information provided may include, among other things, the specific office equipment involved, CFA terminal block assignments, loop cable assignments and due date.

Q. HOW WERE THE COSTS DEVELOPED FOR THE CENTRAL OFFICE ACTIVITIES?

A. To determine jumper costs for line splitting, Verizon used the line sharing costs as a proxy. The costs associated with central office activities can be found on page 9-10, 13 and 35-42 of Exhibit LR-4C.

D. OSS

Q. WHAT TYPES OF OSS COSTS ARE ASSOCIATED WITH LINE SPLITTING?

A. The OSS costs associated with line splitting that Verizon will incur fall into three categories: (1) OSS transition and transaction costs, (2) mechanized loop pre-qualification costs, and (3) “To Be Developed” ("TBD") line splitting OSS costs.

Q. PLEASE DESCRIBE THE OSS TRANSITION AND TRANSACTION COSTS THAT ARE CONTAINED IN VERIZON’S LINE SPLITTING COST STUDY?

A. Consistent with Verizon’s proposed costs for line sharing, the underlying costs for service ordering activities also includes costs associated with recovery of OSS transition and transaction costs. The proposed OSS transition and transaction costs included in Verizon’s line splitting study are the same costs Verizon proposed in Phase A of this proceeding.[5]

[5] The Commission is currently addressing in Phase A of this proceeding the appropriate amount of OSS transition and transaction costs Verizon may recover. If the

Q. PLEASE DESCRIBE THE OSS COSTS ASSOCIATED WITH THE MECHANIZED LOOP PRE-QUALIFICATION PROCESS THAT ARE CONTAINED IN VERIZON'S LINE SPLITTING COST STUDY.

A. These are system development and enhancement costs associated with the establishment of the Mechanized Loop Pre-Qualification process. As noted in the line splitting cost study narrative on page 4 of Exhibit LR-4C, Verizon completed Phase I of the Mechanized Loop Pre-Qualification in May 2000, which is in compliance with the FCC UNE Remand Order. Phase II of the project was finalized and implemented in November 2000. Verizon has incurred $1.0 million in OSS transition costs for this project during 2000.

Q. PLEASE EXPLAIN HOW THE MECHANIZED LOOP PRE-QUALIFICATION PROCESS BENEFITS THE CLECS/DLECS.

A. Mechanized Loop Pre-Qualification provides the VLEC/DLEC the opportunity to request information about the facility that serves a specific address location or telephone number. This facility information provides the VLEC/DLEC sufficient data to determine if the loop is capable of providing advanced services, which is a prerequisite to ordering line sharing or line splitting.

Commission directs Verizon to recover an amount of OSS transition or transaction costs that are different than what Verizon proposed in Phase A of this proceeding, Verizon's line splitting cost study will need to be adjusted to be consistent with that finding.

Q. PLEASE DESCRIBE THE TBD LINE SPLITTING OSS COSTS.

A. At this time, the OSS costs associated with line splitting are unknown because the product service description has not been fully defined and the necessary OSS modifications have yet to be identified or quantified. As indicated in Mr. Lee's 2nd Supplemental Testimony, the New York Collaborative is still in the process of determining the final service definitions and resolving the operational issues associated with line splitting. Until this determination is made, it is impossible to determine the OSS impacts associated with line splitting.

IV. LINE SPLITTING PRICES

Q. WHAT ARE VERIZON'S ESTIMATED PRICES FOR LINE SPLITTING?

A. As indicated earlier in my testimony, Verizon's estimated prices are based on the description of line splitting as it currently exists in the New York Collaborative and may need to be changed once a final service description and further operational and systems analysis are complete. A summary of Verizon's estimated prices for line splitting can be found on pages 5-6 of Exhibit LR-4C.

Q. HOW WERE THE PRICES FOR SERVICE ORDERING ACTIVITIES DETERMINED?

A. The non-recurring charges for service ordering are based on the cost studies contained in Exhibit LR-4C. Consistent with Verizon's pricing of line sharing non-recurring charges, these rates are based on the cost of activities with no

additional mark-up applied for common costs. As with Verizon's proposed line sharing prices, Verizon proposes to establish separate rates for initial and subsequent service orders since there are often significant cost differences between them. In addition, Verizon proposes to establish separate rates for manual and semi-mechanized ordering and for disconnection activities, which is in conformance with the Commission's Phase II Order in Docket UT-960369, et al (See 17th Supplemental Order, ¶453 and ¶471). Finally, consistent with this Commission's prior decision, separate disconnect rates have been developed.

Q. A NEW RATE ELEMENT CONTAINED WITHIN VERIZON'S PROPOSED SERVICE ORDERING RATES IS THE MECHANIZED LOOP PRE-QUALIFICATION CHARGE. HOW WAS THIS CHARGE DEVELOPED?

A. Verizon has incurred approximately $1 million in OSS transition costs for the mechanized loop pre-qualification project during 2000. Verizon's forecast of CLEC line sharing service requests across the United States is approximately 2.0 million for a three-year period. Verizon used these amounts to determine a cost per order. Based on this calculation, Verizon proposes to charge an additional charge per CLEC line sharing / line splitting service order request until Verizon's incurred costs are recovered for establishing the loop pre-qualification functionality. (See Pages 8 and 45 of Exhibit LR-4C). This service is provided solely for the VLEC and DLEC to pre-qualify the loops prior to ordering services. As stated previously, this function is necessary by the VLEC/DLEC prior to

placing a service request with Verizon for Lines Sharing or Line Splitting.

Q. HOW WERE THE PRICES FOR PROVISIONING AND CENTRAL OFFICE WORK DEVELOPED?

A. The non-recurring charges for provisioning and central office work are based on the cost studies contained in Exhibit LR-4C. Consistent with Verizon's pricing of line sharing non-recurring charges, these rates are based on the cost of activities with no additional mark-up applied for common costs. Verizon proposes to establish separate rates for initial and subsequent service orders. Also, consistent with this Commission's prior decision, separate connect and disconnect rates have been developed.

Q. PAGE 5 OF EXHIBIT LR-4C INDICATES THAT THERE ARE ADDITIONAL LINE SPLITTING RATE ELEMENTS THAT STILL NEED "TO BE DEVELOPED" ("TBD"). WHY ISN'T VERIZON SUBMITTING PROPOSED PRICES FOR THESE RATE ELEMENTS AT THIS TIME?

A. These elements are a placeholder for costs that may be required once the line splitting service description is finalized and further operational and systems analysis is completed. Once these items are completed, then the appropriate costs can be calculated for the rate elements.

V. UNE MIGRATION CHARGE FOR EELS

Q. HOW DOES VERIZON CATEROGIZE AN EEL?

A. An EEL is an "Advanced/Special – Complex UNE". These are circuits with combined elements that include unbundled dedicated transport, multiplexing (if required), and unbundled loops.

Q. WHAT COST CATEGORY HAS BEEN ESTABLISHED FOR THE MIGRATION CHARGE FOR EELs?

A. Verizon added a classification to its cost study called "Migration As Is." which occurs when an Interexchange Carrier ("IXC"), certified as a CLEC, has an existing Special Access Arrangement and requests that the billing be handled on a UNE basis. This type of order requires activities to be performed by the ordering and provisioning functions, and no field visit is necessary. "Migration As Is" does not allow for physical changes to the existing special access service.

Q. HOW WERE THE COSTS DEVELOPED FOR "MIGRATION AS IS"?

A. The ordering costs were taken from the previously submitted cost study that included the costs for EEL order creation (pages A9-WA 21 through A9-WA 24) of Exhibit LC-4C. These ordering costs were used along with the following two new ordering activities: 1) Mass Order Generator ("MOG") Template; and 2) Termination Liability Calculation. The MOG Template activity is necessary to accomplish the changing of the orders on a mass basis. The Termination Liability

Calculation activity is required to determine the early termination of the previous special access arrangement. The ordering costs are shown in Section 2 of Exhibit LR-5C on pages 1 – 4.

The provisioning cost development is based on the administrative activities necessary to facilitate the record keeping associated with EELs. The provisioning cost development is contained on page 3 of Section 3 of the same exhibit.

The OSS transition and transaction costs Verizon previously submitted in Phase A of this proceeding are applicable to EEL migration orders. (See page 7 of Section 1 of Exhibit LR-5C).[6]

Q. HOW WAS THE UNE MIGRATION CHARGE FOR EELS DEVELOPED?

A. The non-recurring UNE migration charge for EELs is based on the cost studies contained in Exhibit LR-5C. These rates are based on the cost of activities with no additional mark-up applied for common costs. Consistent with the Commission's prior finding, Verizon proposes to establish separate rates for manual and semi-mechanized ordering.

[6] The Commission is currently addressing in Phase A of this proceeding the appropriate amount of OSS transition and transaction costs Verizon may recover. If the Commission directs Verizon to recover an amount of OSS transition or transaction costs that are different than what Verizon proposed in Phase A of this proceeding, Verizon's line splitting cost study will need to be adjusted to be consistent with that finding.

VI. SUMMARY

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

I have described the concept of line splitting and how it differs from line sharing. I have also described the various functions and activities that may be necessary to provision line splitting based on the service description as it currently exists in the Collaborative. (See Revised Exhibit RKL-3). The line splitting costs and prices contained in Exhibit LR-4C are provided with the caveat that some of these costs and prices may change once a service description is finalized. As a result, Verizon recommends that any costing and pricing issues be deferred until the New York Collaborative efforts has established a final service description for line splitting and further operational and system analysis has been completed. Only at that time, will Verizon be able to determine the activities necessary to perform requests for this service. Operating system enhancements can not be determined until this service description is finalized, and the ordering process between the other parties and Verizon is determined. These actions will determine the costs associated with being able to comply with the rules set to accomplish the activation of this service definition for line splitting.

In addition, I have also explained how Verizon developed its UNE migration charge for EELs, which I recommend the Commission approve.

Q. DOES THIS CONCLUDE YOUR PHASE B SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes