Ex. ____ (JYR-Responsive)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

SUPPLEMENTAL RESPONSIVE TESTIMONY OF JING Y. ROTH

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

February 7, 2001

Q. PLEASE STATE YOUR NAME, EMPLOYER AND BUSINESS ADDRESS.

A. My name is Jing Y. Roth. I am employed by the Washington Utilities and Transportation Commission. My business address is P.O. Box 47250, Olympia, Washington 98504.

Q. IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed as a Regulatory Consultant in the Telecommunications section.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to review and analyze line splitting proposals and Operations Support Systems (OSS) cost recovery related to line splitting filed by Verizon Northwest Inc. (Verizon), f/k/a/ GTE Northwest Incorporated, and Qwest Corporation (Qwest), f/k/a U S WEST Communications Inc., on January 7, 2001 in Part B of this docket. In addition, I also address the late-filed cost study of Enhanced Extended Links (EELs) by Verizon. Based on my review, Staff recommends that:

- The Commission require Verizon and Qwest to provide competitive Local Exchange Carriers (CLECs) access to line splitting over UNE-P loops;
- Qwest and Verizon (Incumbent LECs) should not be required to

provide the line splitter in a line splitting arrangement;

- The OSS proxy costs proposed by Verizon should be modified;
- The Commission order the parties to start a collaborative discussion on the provisional and operational issues surrounding line splitting and establish a time schedule for both Verizon and Qwest to provide access to line splitting in Washington; and
- Verizon proposed costs for EELs be modified.

POLICY AND COST ISSUES REGARDING LINE SPLITTING

Q. BOTH VERIZON AND QWEST STATE IN THEIR TESTIMONY THAT THEY ARE NOT OBLIGATED TO PROVIDE LINE SPLITTING. DOES STAFF AGREE?

A. No. Verizon's and Qwest's position would undermine the goal of the Telecommunications Act of 1996 (Act) which is to provide a pro-competitive policy framework designed to accelerate deployment of advanced telecommunications services to all Americans by opening all telecommunications markets to competition. Line splitting increases consumer choices by making it possible for carriers to compete effectively with the combined voice and data services that are already available from incumbent LECs and through line sharing arrangements.

Q. BOTH VERIZON AND QWEST MAKE LEGAL AND POLICY ARGUMENTS THAT THEY ARE NOT OBLIGATED TO PROVIDE LINE SPLITTING TO COMPETING LECS. WOULD YOU COMMENT ON THAT?

A. Verizon and Qwest have cited the FCC *Line Sharing Order*[1] numerous times in their prefiled testimony and they question this Commission's authority to require line splitting. In Staff's opinion, the Commission has broad authority to review rules, regulations, and practices of telephone companies to ensure, consistent with federal laws, that they are just, reasonable, and nondiscriminatory. This authority includes requiring Verizon and Qwest to facilitate line splitting for customers served by competing voice carriers using UNE-P to promote competition and avoid discrimination. Washington's express policy is to promote local telephone competition and a diversified supply market. RCW 80.36.300. Staff is concerned that any restriction on line splitting would unreasonably hinder the deployment of

[1] *In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, Third Report and Order in CC Docket No. 98-147, Fourth Report and Order in CC Docket No. 96-98, 14 FCC Rcd 20912 (December 9, 1999) ("*Line Sharing Order*").

advanced services to consumers and would discriminate against competitive carriers' local voice service offerings.

Requiring line splitting is also consistent with federal law and the FCC's recent rulings on line sharing and line splitting. In the *Line Sharing Order*, the FCC designated the high frequency loop spectrum of an ILEC voice loop as an unbundled network element. (¶ 4). The FCC also permitted states to add their own line sharing requirements, recognizing that local markets may develop differently and more quickly than the national market. (*Id.*, ¶¶ 223-225). In its recent order on reconsideration,[2] the FCC further stated that "an incumbent LEC must permit competing carriers providing voice service using the UNE-platform to either self-provision necessary equipment or partner with a competitive data carrier to provide xDSL service on the same line." (*Reconsideration Order,* ¶ 16). The FCC also found that incumbent LECs have an obligation to provide competing carriers with the ability to engage in line splitting arrangements. (*Id.* ¶ 18).

[2] *In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996,* Third Report and Order On Reconsideration in CC Docket No. 98-147, Fourth Report and Order on Reconsideration in CC Docket No. 96-98, Third Further Notice of Proposed Rulemaking in CC Docket No. 98-147, Sixth Further Notice Of Proposed Rulemaking in CC Docket No. 96-98, FCC 01-26 (January 19, 2001) ("*Reconsideration Order*").

Q. WHAT IS THE STAFF'S RECOMMENDATION REGARDING LINE SPLITTING?

A. Staff recommends that the Commission require Verizon and Qwest to provide access to competing LECs the full functionality of the UNE-P loop. Access to the high frequency of the UNE-P loop will facilitate effective and meaningful competition. Lack of access to line splitting would limit the competitors' ability to compete and provide both voice and data services on the same loop to Washington consumers.

Q. WHAT ARE THE COST ISSUES RELATING TO LINE SPLITTING?

A. Staff did not find any difference in the engineering and physical processes of splitting a line between over a UNE-P loop and over an incumbent-owned voice loop. The only difference between line sharing and line splitting concerns the identity of the underlying voice provider. In the line sharing arrangement, the incumbent LEC is the local service (voice) provider, and another data LEC uses the unbundled high frequency portion of the loop to provide xDSL services. Line splitting, on the other hand, involves one or two competing carriers where either one carrier provides both voice and data service over a UNE-platform loop, or one competing LEC provides the underlying voice service while another data LEC provides the high speed service.

However, depending on the underlying voice provider, there may be a difference in the operation of OSS. The OSS needs to be modified to accommodate the business relationships among competing providers. Staff believes that incumbent LECs should be required to make necessary network modifications to facilitate line splitting, including providing nondiscriminatory and timely access to OSS at reasonable rates and charges. In the 13th Supplemental Order in this docket,[3] this Commission determined that a charge of $3.27 per LSR for OSS transition shall apply to line sharing. (¶ 174, n. 173).

Q. WOULD YOU PLEASE COMMENT ON QWEST'S TESTMONY ON THE COST ISSUE?

A. Yes. Qwest witness Ms. Albersheim asserts that because line splitting as a product has not been fully defined, it is impossible for Qwest to estimate the costs associated with OSS changes. Ex. ___ (RA-2T) at 3 (Albersheim Supplemental Response Testimony, Jan. 8, 2001). Qwest did indicate, however, its willingness to work with interested competitive LECs to discuss the operational and provisioning requirements for line splitting. Given there is no new and specific incremental cost for line splitting, Staff does not object to Qwest's proposal to

[3] *In the Matter of the Continued Costing and Pricing of Unbundled Network Elements, Transport,*

rely on already proposed or existing rates, as indicated by Qwest witness Ms. Brohl. See Ex. ___ (BJB-21T) at 3 (Brohl Supplemental Direct Testimony, Jan. 8, 2001).

However, Staff believes that further delay in defining the line splitting product and addressing the operational issues relating OSS will unreasonably stall the development of competition in the UNE-P environment. It is evident from Qwest's own testimony that, as of November 8, 2000, Qwest has provided CLECs with a copy of the draft line splitting product description and scenarios. Although progress may have been made through what Qwest witness Ms. Brohl called the "line sharing sub-team" (*Id.* at 6) to address the issues of line splitting, Staff has concerns about the effectiveness of such discussions in the absence of a Commission-mandated schedule. Therefore, Staff recommends that the Commission establish a time schedule for the parties to complete these tasks. In establishing a time schedule, the Commission may take into consideration the time schedule set for Verizon by the New York Public Service Commission in its recent order[4] and the 180 days requirement set by the FCC for line sharing in the *Line Sharing Order*. (¶ 13)

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and Termination, Docket No. UT-003013, Thirteenth Supplemental Order; Part A Order Determining Prices for Line Sharing, Operations Support Systems, and Collocation (Jan. 31, 2001).

4 New York PSC Case No. 00-C-0127, Opinion No. 00-12, Opinion and Order Concerning Verizon's Wholesale Provision of DSL Capabilities, at 27 (October 31, 2000).

Q. HAS VERIZON FILED COST STUDIES FOR LINE SPLITTING?

A. Yes. Verizon filed its estimated costs for line splitting even though Verizon admits that the process of identifying all necessary steps in facilitating line splitting has not been completed. Verizon has identified four types of costs associated with line splitting: ordering, provisioning, central office activity and OSS costs. These costs are based on existing costs for line sharing and UNE-P costs. As with other cost studies filed by Verizon, the activity time and task probabilities are collected through the discussions with the Subject Matter Experts (SMEs). The nonrecurring costs for line splitting is calculated using the following formula:

Activity Time **x** *Probability* **x** *Labor Rate = Cost*

Q. DOES STAFF HAVE CONCERNS REGARDING THE INTERIM COSTS PROPOSED BY VERIZON?

A. Yes, Staff has concerns about the level of the proposed costs and the timeline for Verizon to develop complete cost studies specific to the line splitting product. First, a competitive LEC would pay, as Verizon has proposed, $** for ordering the initial unit and $** for provisioning. In addition, Verizon has reserved space in its cost studies for unidentified cost amounts to be added to line splitting orders for categories such as arrangement, coordinated conversion, and OSS. There is no way of knowing the exact amount a competitor would have to pay to Verizon for a complete line splitting arrangement, and Verizon did not indicate when it will file a complete cost study for line splitting. Furthermore, in Verizon's incomplete and proposed interim costs, the underlying costs for specific activities are inflated. Staff identified certain flaws in the Verizon cost studies in the testimony filed on October 23, 2000. Ex. ___ (JYR-T1) (Roth Responsive Testimony). In that testimony, Staff recommended that the Commission modify Verizon's nonrecurring cost studies by:

- reducing processing times for "Production Order Entry",
- decreasing time estimates for "Error correction" and "Jeopardies", and
- modifying the time estimate for "Meet Point".

Nonrecurring costs for UNE-P are part of the nonrecurring cost studies for which Staff has recommended these modifications. The same flaws exist because the line splitting costs are generated based on Verizon's proposed UNE-P and Line sharing costs. Staff understand that the costs associated with line sharing have been determined by the Commission in Part A of this proceeding. Since all other nonrecurring costs for UNEs are being considered by the Commission as part of this phase of the proceeding, Staff recommends that the proposed interim line splitting costs be modified accordingly. Because of the incompleteness of the line splitting cost study, Staff also recommends that the Commission require Verizon to file a complete product description and cost study in a timely manner.

Q. DOES STAFF HAVE AN ALTERNATIVE RECOMMENDATION IF THE COMMISSION ELECTS NOT TO MANDATE A TIME SCHEDULE FOR THE DEPLOYMENT OF LINE SPLITTING?

A. Yes. If the Commission finds insufficient evidence in the record to require a date certain deployment for line splitting, Staff, as an alternative, recommends that the Commission require parties to start a collaborative discussion and provide the Commission with operational results and a deployment schedule within a reasonable time frame.

Q. THE TESTIMONY FILED BY VERIZON, QWEST, AND OTHER INTERVENORS CONTAIN DISCUSSIONS REGARDING THE OWNERSHIP OR PROVIDERS OF LINE SPLITTER IN A LINE SPLITTING ARRANGEMENT. WOULD YOU PLEASE COMMENT?

A. The parties disagree significantly regarding the ownership and provider of the splitter. Both the AT&T and WorldCom witnesses maintain that the incumbent LECs must be required to provide the splitter in the event that a competitive carrier requests it. Both Verizon and Qwest have stated that they should not be required to provide the splitter in the line splitting arrangement. Staff notes that this issue has been addressed by other state commissions and by the FCC. In its recent order on reconsideration, the FCC has deferred the ownership issue among others issues relating to line splitting to an upcoming rulemaking proceeding. (*Reconsideration Order*, ¶ 25).

At the present time, Verizon and Qwest should not be required to provide and furnish the line splitter if they do not own or provide the splitter in a line sharing arrangement. It is Staff's understanding that in a line sharing environment, the splitter is located in either the data LEC's collocation cage or a common collocation space. In some instances, the data LEC is the provider and owner of the splitter. A competing voice LEC that has purchased UNE-P or an unbundled loop from an incumbent LEC could negotiate with the data LEC to obtain the capability of line splitting. Staff does not exclude the scenario where the incumbent LEC is the owner of the splitter in a line sharing environment; in that instance, the incumbent LEC should continue to provide the splitter for line splitting if it is technically feasible. Staff views this as an efficient way of using an existing splitter if a competing voice LEC could negotiate with the incumbent LEC to continue to maintain the same splitter it provides on the same loop. Staff believes that incumbent LECs should not be required to purchase and install a splitter just for the use by competitive LECs to provide voice and data services, if they do not do this for themselves or their subsidiaries, as is the case with Verizon.

VERIZON COST STUDY FOR EELS

Q. HAS VERIZON FILED ANY ADDITIONAL NONRECURRING COST STUDY RELATING TO EELS ORDERS?

A. Yes. Verizon filed another category of ordering cost for EELs called "Migration As Is." According to Verizon witness Mr. Richter, this type of order is used when an Interexchange Carrier has an existing Special Access Arrangement and wants the billing be handled on a UNE basis. Ex.___ (LR-3T) at 17 (Richter Phase B Supplemental Direct Testimony, Jan. 8, 2001).

Q. HAS VERIZON PREVIOUSLY FILED NONRECURRING COST STUDIES AND PRICES FOR EELS?

A. Yes, Verizon filed nonrecurring cost studies and proposed prices in its filings submitted on August 4, 2000. The nonrecurring costs for EELs include new and change orders for Advanced Basic, DS0, and DS1 and higher. Staff has recommended modifications to time estimates for ordering activities in testimony filed on October 23, 2000. Ex. ___ (JYR-T1) (Roth Responsive Testimony).

Q. DOES STAFF HAVE ADDITIONAL CONCERNS WITH THESE NEW "MIGRATION AS IS" COST ESTIMATES?

A**.** Yes. The proposed costs and prices for processing this type of order are higher than the ones proposed for EELs in the earlier filing. For instance, in its cost studies filed on August 4, 2000, the price is $** for ordering a basic new EEL, and $** for a change order. In this new filing on January 8, 2001, the ordering cost is $** for a basic "Migration As Is." To understand why the "Migration As Is" ordering cost is higher, Staff has reviewed the previously filed costs and examined the new costs. Staff found that Verizon has added two more categories of costs to this type of order: Mass Order Generator ("MOG") Template and Termination Liability Calculation. This new ordering cost of $** is calculated by adding these two categories of costs to the ordering costs proposed in the previously submitted cost study that included the costs for EELs ordering.

Staff believes that there are two flaws in this calculation of the ordering costs. First is the use of the previously filed ordering cost. Staff has pointed out that the previous ordering cost is inflated, and Staff, therefore, recommended certain modifications and downward adjustments to the underlying costs. Second, Verizon has chosen to use the ordering cost for a new basic order of $**, instead of a change order cost of $**. The same problem exists for "Advanced DS0" and "DS1 or Higher" ordering. A "Migration As Is" order should be no different from a change order. The other problem with this new ordering cost is that Verizon has included the category of cost for "MOG" twice. There is no explanation given by Verizon witness Mr. Richter as to why MOG is included twice in this calculation.

Q. WHAT MODIFICATIONS TO THE COSTS DOES STAFF RECOMMEND FOR EELS MIGRATION ORDERS?

A. Staff recommends the Commission require Verizon to incorporate the modifications recommended by Staff in Ms. Roth's testimony previously filed on October 23, 2000, and to treat this type of order as a change order and include the "MOG" entry cost only once.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.