BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

PHASE B SUPPLEMENTAL REBUTTAL TESTIMONY OF

LARRY RICHTER

ON BEHALF OF

VERIZON NORTHWEST INC.

SUBJECT: COSTS & PRICES FOR LINE SPLITTING & UNE MIGRATION CHARGE FOR ENHANCED EXTENDED LINKS ("EELs")

FEBRUARY 28, 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. ARE YOU THE SAME LARRY RICHTER WHO FILED DIRECT, SUPPLEMENTAL DIRECT, AND REBUTTAL TESTIMONY IN PHASE B OF THIS PROCEEDING?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL REBUTTAL TESTIMONY?

A. My testimony responds to statements made by Mr. Knowles (representing XO Washington, Inc.), Mr. Lathrop (representing Worldcom) and Staff witness Ms. Roth concerning Verizon's proposed costs and prices for line splitting and UNE migration charge for Enhanced Extended Links ("EELs"). Specifically, I will describe how Verizon's company-specific costs and prices are appropriate and reasonable and address the incorrect assumptions and conclusions those witnesses present in their testimonies.

II. LINE SPLITTING

Q. DO YOU AGREE WITH MS. ROTH THAT LINE SPLITTING WILL REQUIRE OPERATIONAL SUPPORT SYSTEMS ("OSS") THAT ARE DIFFERENT FROM WHAT IS REQUIRED FOR LINE SHARING? (REF. ROTH AT PAGE 6, LINES 2-5)

A. Yes. I agree with Ms. Roth that the OSS requirements for line splitting will be different than those for line sharing. Although there may be some modifications made for line sharing that will assist in the provisioning of line splitting, the major difference, as pointed out by Ms. Roth, is accommodating the business relationship among competing providers. Verizon's OSS are not currently set up to handle this type of relationship. The service description developed for line splitting by the New York Collaborative will provide a basis for the processes and system changes required for Verizon to provide line splitting.

Q. PLEASE RESPOND TO MS. ROTH'S RECOMMENDATION THAT THE COMMISSION REQUIRE ILECS TO MAKE THE NECESSARY MODIFICATIONS TO THEIR OSS TO FACILITATE LINE SPLITTING. (REF. ROTH AT PAGE 6, LINES 4-9)

A. Within the timeline outlined in Verizon witness Kirk Lee's Phase B Supplemental Rebuttal Testimony, Verizon intends to implement line splitting OSS enhancements in Washington consistent with the schedule set forth by the New York Commission (October 2001).

Q. PLEASE RESPOND TO MS. ROTH'S STATEMENT THAT THE COMMISSION DETERMINED THAT AN OSS TRANSITION CHARGE OF $3.27 PER LSR IS APPLICABLE TO LINE SHARING ORDERS. (REF. ROTH AT PAGE 6, LINES 7-9)

A. It appears that Ms. Roth incorrectly assumes that the $3.27 OSS transition charge will recover all OSS enhancements necessary for implementing line sharing and line splitting. This is not the case. The OSS transition charge of $3.27, proposed by Verizon and adopted by the Commission in its 13th Supplemental Order, recovers OSS costs incurred to receive and process generic CLEC orders. That is, the OSS enhancements made to Verizon's pre-ordering, ordering, provisioning, repair/maintenance, and billing functionalities that are recovered from this charge benefit all UNE orders that use those OSS, including line sharing and future line splitting orders, and therefore should be recovered from the CLEC when such orders are processed by Verizon. Verizon demonstrated in its Phase A testimony and post-hearing briefs that the $3.27 OSS transition charge does not include any quantification of OSS costs specific to line sharing or line splitting. Ms. Roth has even acknowledged that additional OSS enhancements are necessary to facilitate line splitting in order to accommodate the business relationship among competing providers.[1] Moreover, Verizon noted in its Phase A testimony and post-hearing briefs

[1]Supplemental Responsive Testimony of Jing Y. Roth dated February 7, 2001, Page 6, Lines

that it reserved the right to seek recovery of OSS costs specific to line sharing or line splitting once these costs were incurred and quantified. As a result, I presented in my Phase B Supplemental Direct Testimony an additional OSS transition charge of $.51 associated with Verizon's Mechanized Loop Pre-Qualification process, which is applicable only to line sharing and line splitting orders.

Before any further OSS enhancements can be identified and implemented to specifically accommodate line splitting, the operational and systems analysis based on the finalized service description for this product must be completed. Once this occurs and Verizon is billed for these OSS enhancements by Verizon Data Services Inc.,[2] Verizon's cost study will be revised to reflect those additional OSS costs and the Company will seek recovery of those costs. The recovery of these costs will be in addition to the $3.27 rate already established by the Commission and the $.51 proposed by Verizon for its Mechanized Pre-Loop Qualification process.

Q. DO YOU AGREE WITH MS. ROTH'S STATEMENT THAT VERIZON'S LINE SPLITTING COSTS ARE INFLATED BECAUSE THEY ARE BASED UPON THE COMPANY'S PROPOSED UNE-P AND LINE SHARING COSTS

3-4.

[2]As indicated in Linda Casey's Phase A Direct Testimony (Exhibit T-250), an accounting change occurred in 1999 that resulted in software development costs being capitalized and amortized by Verizon Data Services Inc. (formerly GTE Data Services). Once the project is completed, Verizon Data Services Inc. bills back the amortized amount of the software development costs to the appropriate Verizon (former GTE) companies.

PREVIOUSLY SUBMITTED IN THIS PROCEEDING? (REF. ROTH AT PAGE 8, LINE 5-7)

A. No. Ms. Roth refers back to her responsive testimony filed on October 23, 2000, which addressed several claimed flaws in Verizon's NRC study. As I noted in my February 7, 2001 Phase B Rebuttal Testimony (Exhibit LR-6T, Pages 6-7), Ms. Roth's recommended adjustments to Verizon's NRC study should be rejected because they are based on incorrect assumptions and conclusions. Since Ms. Roth is proposing that the same erroneous adjustments be made to Verizon's line splitting costs, Ms. Roth's recommended adjustments should be rejected.

Q. PLEASE RESPOND TO MS. ROTH'S RECOMMENDATION THAT THE COMMISSION REQUIRE VERIZON TO FILE A COMPLETE LINE SPLITTING COST STUDY IN A TIMELY MANNER. (REF. ROTH AT PAGE 9, LINES 17-18)

A. As indicated in my Phase B Supplemental Direct Testimony and in Verizon witness Kirk Lee's Phase B Second Supplemental Direct Testimony, Verizon is proposing to use the service description for line splitting resulting from the New York Collaborative as the basis of the Company's nationwide line splitting offering. Only when it has completed the operational and systems analysis, including line splitting processes and procedures, based on the finalized service description for line splitting, can Verizon complete the proper line splitting cost study.

III. EELs "MIGRATION AS IS"

Q. DO YOU AGREE WITH MS. ROTH'S STATEMENT THAT THE ACTIVITIES ASSOCIATED WITH A "MIGRATION AS IS" ORDER SHOULD BE NO DIFFERENT THAN A CHANGE ORDER. (REF. ROTH AT PAGE 13, LINES 15-16)

A. No. The ordering process for Verizon's National Access Contact Center ("NACC") includes the processing of a disconnect[3] and a new order. These orders are required to change from an access Billing Account Number ("BAN") to a wholesale BAN. Since activities for a new and disconnect order are required for the migration of a special access circuit to an EEL, it is appropriate to include them in the "Migration As Is" cost category rather than the activities for a change order.

In responding to Ms. Roth's claim, Verizon discovered that its EEL Migration Charge Cost Study filed on January 8, 2001 included the appropriate new ordering costs but erroneously excluded disconnect costs. I have provided a revised Exhibit LR-5C that incorporates the appropriate disconnect costs. The basis of the "Migration As Is" disconnect cost is the EEL disconnect cost found on page 8-WA 76 of Exhibit LC-2C. Verizon's revised proposed rates can be found at Section 1, Page 4 of Revised Exhibit LR-5C.

[3] A disconnect order is required from a billing and records perspective. However, there is no

Q. MR. KNOWLES CLAIMS THAT VERIZON'S UNE MIGRATION COST STUDY FOR EELS INCLUDES WORK TIMES FOR ACTIVITIES BASED ON THE RECEIVING, PROCESSING AND PROVISIONING OF AN INITIAL ORDER FOR CIRCUITS. (REF. KNOWLES AT PAGE 6-7) IS HE CORRECT?

A. No. The costs included in Verizon's cost study cover all activities required for a disconnect from a billing and records perspective and creation of a new order. Provisioning costs are incurred to process the disconnect and new orders to reflect the new information, such as the circuit identification number. However, no actual fieldwork is performed.

Q. MR. KNOWLES CLAIMS THAT INCLUDING JEOPARDIES, ESCALATIONS AND MEET POINT ACTIVITIES IN VERIZON'S UNE MIGRATION COST STUDY IS INAPPROPRIATE. (REF. KNOWLES AT PAGE 7, LINES 11–19) IS HE CORRECT?

A. No. As indicated above, these new order activities are still necessary to complete a "Migration As Is" order. Even though the requested order is for a migration, Verizon may not be able to meet the CLEC's requested due date. For example, a jeopardy and escalation situation may occur if several Access Service Requests ("ASRs") or Mass Order Generator ("MOG") orders are submitted that request the same due date for

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actual physical disconnection of the circuit.

changing the circuit number. If that is the case, then a jeopardy and escalation situation -- or delay -- could exist and would need to be relayed to the CLEC.

Although no physical work is performed, the "Meet Point" cost activity is necessary because changes that are made to the circuit number must be conveyed to the other ILECs who are involved in the provisioning of the circuit. This information is required by other ILECs for future ordering and repair purposes. The circuit number is conveyed to the appropriate ILECs by providing them with the appropriate paperwork. This meet point activity, however, does not occur with each migration request. As a result, Verizon is in the process of determining the appropriate adjustment and will modify its UNE Migration Cost Study for EELs to reflect the frequency the meet point activity occurs as soon as possible. This adjustment will decrease the costs slightly.

Q. MR. KNOWLES ALSO CLAIMS THAT THE RECORD ORDER COSTS SHOULD BE DISALLOWED BECAUSE THEY APPEAR TO DUPLICATE THE ORDER ENTRY AND QUALITY CHECK ACTIVITIES ALREADY INCLUDED IN THE "MIGRATION AS IS" COSTS. (REF. KNOWLES AT PAGE 8, LINES 12-16) IS HE CORRECT?

A. No. The record order costs contained on page 8 of section A2 of Revised Exhibit LR-5C are incurred when a request is made to update or correct a customer's account information, such as an address. The costs incurred for updating such information are not contained in any of the other activities included in the “Migration As Is” cost element. Verizon has proposed to recover record order costs by weighting these costs across all orders. This is the same rate structure proposed for other UNEs in Phase B.

Q. MS. ROTH AND MR. KNOWLES BOTH INDICATE THAT THE COSTS CONTAINED IN VERIZON’S UNE MIGRATION STUDY ARE DEFICIENT FOR MANY OF THE SAME REASONS ADDRESSED IN THEIR PHASE B RESPONSE TESTIMONY CONCERNING VERIZON’S NRC STUDY FOR EELS. (REF. ROTH AT PAGE 13, LINES 10–11 AND KNOWLES AT PAGE 6, LINES 14-19) ARE THEY CORRECT?

A. No. As I noted in my February 7, 2001 Phase B Rebuttal Testimony (Exhibit LR-6T, Pages 2-6), the recommendations of Ms. Roth and Mr. Knowles concerning Verizon’s costs associated with EEL order creation should be rejected because they are based on incorrect assumptions and conclusions. Since both witnesses are proposing that the same erroneous adjustments be made to Verizon’s UNE Migration Cost Study for EELs, the recommended adjustments proposed by Ms. Roth and Mr. Knowles should be rejected.

Q. MS. ROTH CLAIMS THAT VERIZON'S COST STUDY INCLUDES THE COST CATEGORY FOR "MOG" TWICE. (REF. ROTH AT PAGE 13, LINES 4-6) IS SHE CORRECT?

A. No. The two separate cost elements associated with MOG activity in Verizon's cost study accomplish separate functions. The "MOG Template" activity reflects the amount of time it takes for the Verizon service representative to create a new and disconnect MOG template to allow the processing of multiple orders received from one CLEC. The second cost element, "MOG Order Entry", reflects the time it takes the Verizon service representative to place the information regarding the individual orders into the MOG template. However, both of the MOG activities are required only when orders for fifty or more circuits are received. If orders for less than fifty circuits are received, then the orders are processed through the normal ASR process. As a result, Verizon is in the process of determining the appropriate adjustment and will modify its UNE Migration Cost Study for EELs to accommodate the frequency of occurrences that require orders to be processed through the normal ASR process versus the MOG process.

Q. DO YOU AGREE WITH MR. KNOWLES' PROPOSAL TO ELIMINATE THE "TERMINATION LIABILITY CALCULATION" COST ELEMENT CONTAINED IN VERIZON'S COST STUDY? (REF. KNOWLES AT PAGE 8, LINES 3-11)

A. No. When a special access service is changed to an EEL billing arrangement, the primary characteristics of the circuit change, which results in a termination of the original request and order. Under the terms of the Special Access Tariff, Verizon is entitled to a termination liability when a carrier that has previously committed to a term and volume agreement terminates the agreement early. The "termination liability calculation" cost element contained in Verizon's cost study includes the worktimes and associated costs for determining whether a termination liability calculation is necessary, and if required, the manual calculation of the termination liability for the access service being terminated. Since these activities are a direct result of a carrier terminating its agreement early and migrating to an EEL arrangement, the costs associated with these activities are appropriate and should be included in Verizon's cost study.

Q. DO YOU AGREE WITH MR. KNOWLES' CLAIM THAT CLECS ARE CURRENTLY PAYING FOR OSS ENHANCEMENTS THAT THEY ARE NOT ABLE TO USE? (REF. KNOWLES AT PAGE 8, LINES 17–20, AND PAGE 9, LINES 1 – 3)

A. No. The CLECs are not paying for OSS enhancements that have not been implemented. As I indicated in my Phase B Rebuttal Testimony, Verizon's OSS study, which supports the $3.27 transition rate recently adopted by the Commission, is based on a level of OSS mechanization that is available today, not a final full flow-through capability. Thus, there is no inconsistency between the level of OSS enhancements implemented by Verizon for CLECs and the amount currently being recovered by the $3.27 OSS transition charge. As new OSS enhancements are implemented, Verizon will incorporate those costs into its study and at that time request appropriate cost recovery.

IV. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. The estimated line splitting costs and the revised proposed costs for UNE Migration Charge for EELs submitted by Verizon are appropriate and reasonable and should be adopted by the Commission. Until Verizon completes the operational and systems analysis that is based on the finalized line splitting service description in the New York Collaborative and Verizon is billed for these OSS enhancements by Verizon Data Services Inc., the Company will be unable to submit a final line splitting cost study. The OSS costs for line splitting will be presented in a future cost study when the enhancements are implemented and the costs have been finalized. The OSS rates currently charged CLECs recover only the cost of OSS enhancements through 1999, which are available to CLECs today.

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

A. Yes.