

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Review of:	)	DOCKET NO. UT-023003
Unbundled Loop and Switching)	
Rates; the Deaveraged Zone	)	SEVENTEENTH SUPPLEMENTAL
Rate Structure; and Unbundled	)	ORDER
Network Elements, Transport,)	
and Termination (Recurring)	
Costs)	)	DOCKET NO. UT-033034
)	
	)	ORDER NO. 02
)	
	)	GRANTING MOTION TO REMOVE
	)	QWEST ISSUES FROM COST
	)	DOCKETS, WITH QUALIFICATION;
	)	APPROVING REVISED SCHEDULE
.....	)	OF PROCEEDINGS

I. INTRODUCTION

- 1 **Synopsis:** *The Commission grants a joint motion to remove Qwest cost issues from the recurring and nonrecurring cost dockets, with the qualification that Staff may present a deaveraging proposal related to Qwest’s loop rates, as long as that proposal only affects Qwest’s existing rates. The Commission approves a revised schedule for the cost dockets.*

- 2 **Proceedings.** Docket No. UT-023003 – also referred to as the “new generic cost case” – is a generic proceeding initiated by the Commission to review Qwest’s and Verizon’s recurring and nonrecurring costs for unbundled network element (“UNE”) loop and switch rates, including the deaveraged loop zone rate structure, previously established by the Commission in other proceedings. On August 5, 2003, in the Twelfth Supplemental Order in this case, the Commission bifurcated the recurring from the nonrecurring cost portions of Docket No. UT-023003. The Commission will consider nonrecurring costs in Docket No. UT-033034.

- 3 **Appearances.** Qwest Corporation (“Qwest”), by Lisa Anderl, attorney, Seattle, Washington; Verizon Northwest Inc. (“Verizon”), by Catherine Ronis, attorney, Washington, D.C.; Covad Communications Company (“Covad”), by Brooks Harlow, attorney, Denver, Colorado; AT&T of the Pacific Northwest, Inc. (“AT&T”), Pac-West, Inc. (“Pac-West”), and XO Washington, Inc. (“XO”), by Mary Steele, attorney, Seattle, Washington; MCI/WorldCom (“WorldCom”) by Michel Singer-Nelson, attorney, Denver, Colorado; WeBTEC, by Arthur Butler, attorney, Seattle, Washington; Eschelon Telecom, Inc. (“Eschelon”), by Dennis Ahlers, Minneapolis, Minnesota; and Commission Staff, by Shannon Smith, Senior Assistant Attorney General.
- 4 **Motion.** On October 24, 2003, AT&T, Covad, WeBTEC, MCI and XO Washington (moving parties) filed a joint motion to exclude Qwest rate issues from consideration in these proceedings. The motion states that elimination of Qwest’s rates would better conserve the Commission’s and the parties’ limited resources in light of Qwest’s reduction in rates pursuant to its application to provide originating interLATA services in Washington (section 271 proceeding), the Commission’s pending Triennial Review Order proceedings, and the Federal Communications Commission’s (FCC’s) newly initiated rulemaking to re-evaluate the total element long-run incremental cost (TELRIC) standard.
- 5 Initially, Staff did not join in the motion but responded that it did not object to removing Qwest’s rate issues from these dockets, as long as Staff would still be permitted to present its proposal for geographic deaveraging. Subsequently, at a prehearing conference on November 18, 2003, Staff stated that its geographic deaveraging proposal related only to Qwest’s loop rates. Verizon’s rates would not be affected by the deaveraging proposal. Staff stated that it was not certain how it would approach the deaveraging proposal. For example, Staff might work from cost estimates filed in the direct case or from costs Qwest currently has in place in recommending deaveraged rates.
- 6 On November 3, 2003, Verizon filed a response to the motion. Verizon argues that it, too, is affected by the newly initiated FCC TELRIC rulemaking. Verizon also contends that Qwest’s voluntary rate reduction in the context of its 271 proceeding is of no legal consequence in this case. Verizon states that its current TELRIC rates were established in Docket No. UT-960369 after extensive hearing and therefore must be presumed to be valid. Moreover, the Commission recently concluded in the Fourth Supplemental Order in Docket No. UT-023003 that it

was beneficial to consider Qwest's and Verizon's rates together for purposes of comparison. In conclusion, Verizon suggests that the Commission's cost proceedings be deferred until after the conclusion of the FCC's TELRIC proceedings.

- 7 Public Counsel responded that it had no objection to deferring consideration of Qwest's and Verizon's rates until the conclusion of the FCC's TELRIC proceedings.
- 8 Commission Staff and AT&T filed objections to excluding Verizon from the cost dockets and from deferral of the proceeding. They contend that examination of both Qwest's and Verizon's rates remains important but that, on balance, considering how stretched the Commission's and parties' resources are in view of the TRO proceeding, elimination of Qwest issues is appropriate at this time. Furthermore, they contend that elimination of Verizon's cost issues is not appropriate because Verizon continues to charge rates that are high compared with Qwest, using the model Verizon used in the last cost docket. Moreover, Verizon is not involved in the TRO proceeding, and thus has available the resources to engage in these cost dockets.
- 9 AT&T also suggests that the FCC's TELRIC inquiry might be pending for some time, so postponing a state inquiry into Verizon's costs is not justified on that basis. Also, the Commission approved Qwest's UNE rate reductions without requiring a review of Verizon's and reviewed Verizon's rates alone in Docket No. UT-020406 without requiring an examination of Qwest's rates.

Schedule. In light of the need for additional time to process assess the impact of this Order on their respective cases and to address a newly filed Verizon motion to strike the AT&T and MCI cost model, the parties agreed to the following revised schedule of proceedings:

Recurring cost case:

January 23, 2004	Supplemental direct filing
February 9, 2004	Staff deaveraging filing
March 26, 2004	Response filing (to direct filings)

April 16, 2004	Response filing (to Staff deaveraging filing)
May 7, 2004	Rebuttal filing
May 19, 2004	Prehearing conference
May 24-June 6, 2004	Evidentiary hearing

Nonrecurring cost case:

June 8, 2004	Prehearing conference to set schedule
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Discussion and decision. The Commission is persuaded that granting the joint motion with respect to Qwest's issues is reasonable in order to best allocate resources to the current overall schedule of pending proceedings before it. However, it would be beneficial to consider the Commission Staff's deaveraging proposal for Qwest in the current recurring cost docket, since it pertains to Qwest's loop rates that would properly have been before the Commission in that docket. Staff must confine its proposal to affect only Qwest's existing rates. Should Staff's proposal involve deaveraging of "new" rates for Qwest (that have been or will be filed for the first time in this proceeding), Staff must first file a motion seeking permission to do so.

10 Also, it is reasonable to consider Verizon's costs now, based on the length of time since those costs were last subjected to Commission scrutiny. Postponing consideration of Verizon's costs until the conclusion of the FCC TELRIC rulemaking is not warranted, given how long it may take to move such FCC proceedings to completion. It is within the discretion of the Commission to consider Verizon's costs alone in these proceedings.

ORDER

11 The Commission grants the motion to eliminate Qwest issues from these proceedings with the qualification that Staff may present its geographic deaveraging proposal for Qwest's loop rates, provided that the proposal affects only Qwest's existing loop rates. The Commission denies Verizon's request to

12 postpone the cost proceedings in their entirety until after the FCC completes its
TELRIC rulemaking. The Commission approves the revised schedule of
proceedings.

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Dated at Olympia, Washington, and effective this 25th day of November, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner