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BEFORE THE ARIZONA CORPORATION COMMISSION

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WILLIAM A. MUNDELL
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COMMISSIONER

SEP 5 2001
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF INVESTIGATION)
INTO U S WEST COMMUNICATION,)
INC.'S COMPLIANCE WITH CERTAIN)
WHOLESALE PRICING REQUIREMENTS)
FOR UNBUNDLED NETWORK ELEMENTS)
AND RESALE DISCOUNTS.)

DOCKET NO. T-00000A-00-0194

NOTICE OF FILING
ERRATA

Arizona Corporation Commission Staff ("Staff") hereby files erratas to pages 5, 8, 12, and 14 of the Public Version of its Post-Hearing Brief to correct typographical and other errors. Another complete copy of the Brief, which contains these erratas is attached. Also attached is Appendix A which Staff inadvertently did not include with its initial filing. Copies of the Proprietary version are being provided to the Hearing Division and those parties who are signatories to the Protective Agreement herein.

RESPECTFULLY SUBMITTED this 5th day of September, 2001.

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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
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6 IN THE MATTER OF INVESTIGATION)
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DOCKET NO. T-00000A-00-0194
(PUBLIC VERSION)

10 **STAFF'S INITIAL POST-HEARING BRIEF**

11 **I. INTRODUCTION**

12 This Docket was opened in the first quarter of the year 2000 to examine a number of issues
13 relating to U S WEST Communications' (nka "Qwest") pricing of its wholesale services and
14 products offered to its competitors. Phase I of this Docket was instituted to comply on an expedited
15 basis with the FCC's geographical deaveraging requirements contained in 47 C.F.R. Section
16 51.507(f). Phase I concluded on July 25, 2000, with an Opinion and Order by the Commission
17 (Decision No. 62753) adopting interim geographically deaveraged unbundled network element
18 ("UNE") rates.

19 Phase II of this Docket was designed to address new and/or modified obligations imposed
20 on Qwest by subsequent FCC Orders and judicial decisions, and to establish permanent geographical
21 deaveraged rates. A subsequent Procedural Order provided that Qwest's existing UNE rates would
22 also be reviewed in Phase II. The Phase II evidentiary hearing concluded on July 31, 2001.

23 There were essentially two alternative costing models put forth by the parties in Phase II for
24 the Commission's consideration. Qwest sponsored its own model referred to as the Integrated Cost
25 Model ("ICM"). The second model, known as the HAI 5.2a Model, formerly known as the Hatfield
26 Model, was sponsored by AT&T/XO/WorldCom (hereinafter collectively referred to as the CLECs).
27 The Model selected by the Commission will have a direct impact upon the level of UNE rates Qwest
28 is ultimately authorized to charge its competitors. Staff endorses the use of the HAI 5.2a Model as

1 a starting point for determining UNE rates. Qwest's ICM Model, and in particular one of its
2 subcomponents known as the LoopMod, is similar to an earlier version of the Model (the "RLCAP")
3 which the Commission rejected in Decision No. 60635.¹ The problems identified with Qwest's
4 Model are legion and would result in inflated UNE rates creating an impenetrable barrier to
5 competition in the local service market in the State of Arizona. Indeed, the rates produced by this
6 Model and proposed by Qwest in this Docket are overall much higher than the existing wholesale
7 rates in Arizona. Presently, Arizona has some of the highest UNE rates in the Qwest region. Staff's
8 expert utilized the HAI 5.2a as a starting point, and recommends that the Commission do so as well
9 as it did in Decision No. 60635, since this Model is a more accurate indicator of forward-looking
10 costs than Qwest's LoopMod.

11 Simply put, the Qwest Models are based upon the embedded network and embedded costs
12 in direct contravention of FCC rules. In addition, as will be discussed at length in Staff's Brief,
13 unlike the TELRIC standard, the Qwest Model does not presume or incorporate the most efficient
14 provision of service. Qwest's Models actually build in significant inefficiencies which result in
15 inflated prices to the CLECs. Interestingly, when Qwest runs the HAI 5.2a Model with what it
16 considers to be "reasonable inputs", it comes up with a statewide average loop rate of \$19.61, which
17 is far below the \$25.95 loop rate which its LoopMod produces. Tr. p. 1024.

18 Equally important as the Model, are the inputs that are utilized in the Model, to determine
19 forward-looking costs. The Commission Staff's expert recommends using the inputs adopted in
20 Decision No. 60635 as a starting point. Staff believes that the current record establishes that by and
21 large these same inputs are as appropriate today as they were when the Commission adopted them
22 in 1998. For those inputs not set by the Commission in Decision No. 60635, Staff's expert, Mr.
23 William Dunkel, recommends that the Commission utilize the FCC inputs. As discussed at length
24 below, Qwest's proposed inputs are greatly in excess of those adopted by the Commission in
25 Decision No. 60635, and do not comply with the Total Element Long Run Incremental Cost
26 ("TELRIC") standard established by the FCC.

27 ...

28 ¹ See, In the Matter of the Petition of American Communications Services, Inc. et al, ACC Docket No. U-3021-96-448 et al, Opinion and Order (January 30, 1998)("First Consolidated Cost Docket").

1 Once the statewide average UNE rate is determined, the Commission must also establish the
2 basis for setting permanent geographically deaveraged UNE rates. All parties to this proceeding,
3 including Staff, proposed the use of three cost zones for Arizona. Beyond that, the proposals of Staff
4 and the CLECs departs dramatically from the most recent proposal by Qwest. Qwest's most recent
5 proposal is patently unreasonable and would result in a substantial wholesale rate increase for over
6 80 percent of all access lines in Arizona, by placing only two small wirecenters (or only
7 approximately 5 percent of all access lines) in Zone 1. The Commission should reject Qwest's most
8 recent geographical deaveraging proposal which is clearly designed to thwart competition in the
9 State of Arizona.

10 In addition to the loop rates, there are many other important rates at issue in this proceeding
11 as well. Qwest's rates for collocation, Line Sharing, Subloop, Dark Fiber, UNE-P, among others,
12 are also being established in this case. However, once again the rates that Qwest is proposing are
13 not TELRIC compliant. They are based upon inflated vendor labor rate percentages, engineering,
14 material and overhead costs. They are the antithesis of a least cost, efficient network, and
15 accordingly, should be rejected.

16 Qwest also treats its own xDSL provider more favorably than it treats unaffiliated xDSL
17 providers. Staff demonstrated in its prefiled testimony and at the hearing that Qwest is assessing
18 charges on unaffiliated xDSL providers which its own xDSL provider does not pay. The only
19 possible explanation for this discriminatory treatment is that Qwest has made available to its xDSL
20 affiliate backdoor arrangements that are not available to the CLECs. This is unfair and gives Qwest
21 license to impose a myriad of charges on unaffiliated providers, which its own affiliated provider
22 does not have to pay, resulting in an unfair advantage to its affiliate.

23 Finally, on July 25, 2001, Staff and Qwest entered into a stipulation in which Qwest
24 specifically adopted the testimony of Staff Witness William Dunkel on the avoided cost discount
25 issue. Under the settlement, the current wholesale discounts would continue in effect. No party has
26 objected to the settlement between Staff and Qwest, and Staff urges the Commission to adopt it.

27 ...

28 ...

1 **II. BACKGROUND**

2 The Telecommunications Act of 1996² ("1996 Act" or "Federal Act") imposes upon the
3 Incumbent Local Exchange Carrier ("ILEC") a myriad of obligations designed to promote the
4 development of competitive markets. Specifically, under 47 U.S.C. Section 251(c) an ILEC must
5 permit any requesting Competitive Local Exchange Carrier ("CLEC") in the ILEC's local market
6 to interconnect with the ILEC's existing local network, and to use that network to compete for local
7 telephone service provision. Second, the ILEC must provide a requesting CLEC with access to the
8 elements making up the ILEC's network on an individual or unbundled basis. Third, the 1996 Act
9 requires an ILEC to make available any of its retail services to a CLEC on a wholesale basis so the
10 CLEC may resell Qwest's finished services to its customers. See 47 U.S.C. Section 251(c)(2)-
11 (4)(1994 ed., Supp. III). Fourth, the ILEC must allow for physical collocation of the equipment
12 necessary for interconnection or access to unbundled network elements at the ILEC's premises, and
13 when that is not practicable, the ILEC must provide for virtual collocation.

14 The pricing standards for interconnection and network element charges are set forth in
15 Section 252(d) of the 1996 Act. That Section provides in relevant part:

- 16 (1) INTERCONNECTION AND NETWORK ELEMENT CHARGES—
17 Determinations by a State commission of the just and reasonable rate for the
18 interconnection of facilities and equipment for purposes of subsection (c)(2) of
19 section 251, and the just and reasonable rate for network elements for purposes of
20 subsection (c)(3) of such section—
21 (A) shall be—
22 (i) based on the cost (determined without reference to a rate-of-
23 return or other rate-based proceeding) of providing the
24 interconnection or network element (whichever is applicable),
25 and
26 (ii) nondiscriminatory, and
27 (B) may include a reasonable profit.

23 The FCC's pricing provisions for interconnection and unbundled network elements are based
24 upon a forward-looking economic cost methodology that is based on TELRIC. The costs are to be
25 based upon an ILEC's existing wire center locations using the most efficient technology available
26 in the industry regardless of the technology actually used by the ILEC and furnished to the
27 competitor. See 47 C.F.R. Section 51.505(b)(1). State commissions must employ TELRIC to

28 ² Telecommunications Act of 1996, Pub.L.No. 104-104, 110 Stat. 56 (codified as amended at Title 47 United States Code).

1 determine the price an ILEC may charge its competitors for the right to interconnect with the ILEC
2 and/or to use the ILEC's network elements to compete with the ILEC in providing telephone service.

3 At the time that Decision No. 60635 was entered, the FCC's rules³ implementing large
4 portions of Section 252 of the 1996 Act, including its pricing provisions, had been vacated by the
5 Eighth Circuit Court of Appeals on jurisdictional grounds. Iowa Utilities Board v. FCC, 120 F.3d
6 753 (8th Cir. 1997). Subsequently, as a result of the United States Supreme Court's Decision in
7 AT&T v. Iowa Utilities Board, 525 U.S. 366 (1999), those rules were reinstated. The Eighth Circuit
8 subsequently vacated 47 C.F.R. Section 51.505. See Iowa Utilities Board v. FCC, 219 F.3d 744 (8th
9 Cir. 2000). The Eighth Circuit's decision has been stayed and is currently pending before the United
10 States Supreme Court.

11 Several appeals of the Commission's original arbitration decisions and Decision No. 60635
12 were also filed with the Federal District Court for the District of Arizona. The Federal District
13 Court's Decision upheld certain of the Commission's determinations and remanded others back to
14 the Commission for further consideration. See U S WEST v. Jennings, 46 F.Supp.2d 1004 (D.Ariz.
15 1999). In addition, several of the District Court's rulings were appealed to the Ninth Circuit Court
16 of Appeals, where they are currently pending (USCTA 99-16247 (Cons.)). Included in the issues
17 remanded back to the Commission for further consideration was the need to establish additional
18 resale discount rates, after considering the range of cost savings for different categories of services.

19 In addition, the FCC has issued several subsequent orders which impose additional
20 unbundling and other obligations on Qwest which require review by this Commission.⁴

21 Phase II of this Docket was designed to address these new obligations imposed on Qwest by
22 subsequent FCC Orders and judicial decisions and to establish permanent geographically deaveraged

23 ...

24
25 ³ See In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC
Docket No. 96-98, First Report and Order (Rel. August 8, 1996) ("Local Competition Order").

26 ⁴ Implementation of the Local competition Provisions of the Telecommunications Act 19 1996, CC Docket No.
27 96-98, Third Report and Order, FCC 99-238, released November 5, 1999, ("UNE Remand Order"); See Deployment
28 of Wireline Services Offering Advanced Telecommunications Capability and Implementation of the Local Competition
Provisions of the Telecommunications Act of 1996. Order on Reconsideration and Second Further Notice of Proposed
Rulemaking in CC Docket No. 98-147 and Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98, FCC
00-297 (rel. Aug. 10, 2000) (Advanced Services "Order"), as amended by Memorandum Opinion and Order, FCC 00-
2528 (rel. Nov. 7, 2000) ("Amended Order").

1 UNE rates. The parties agreed to defer switching costs to a later phase of this case. See Procedural
2 Order of August 7, 2001.

3 **III. DISCUSSION**

4 **A. The Commission Should Adopt the HAI 5.2a Model As The Starting Point for**
5 **Determining Appropriate Loop Rates in This Proceeding.**

6 Qwest proposed the use of the LoopModule ("LoopMod"), a component of the Qwest
7 Integrated Cost Model ("ICM"). The CLECs proposed the use of the HAI 5.2a Model (formerly
8 known as the Hatfield Model). After evaluating both models, Staff believes that use of the HAI 5.2a
9 Model will produce results most consistent with TELRIC. The ACC used the Hatfield Model as the
10 basis for its determinations in the first Consolidated Cost Docket in Decision No. 60635.

11 In that Decision, the ACC rejected the U S WEST Model for the following reasons:

12 The U S West models are based upon embedded costs and technology, and
13 do not consider particular demographics and geology of the State of Arizona.
14 Although the U S WEST models were supposed to represent forward-looking
15 models, the results were similar to its embedded cost studies. This result was
in spite of U S WEST's own acknowledgment that its existing system
embodied different technologies installed over many years and did not
represent the most efficient current technology.

16 Decision No. 60635 p. 7. Qwest Witness Million acknowledged on cross-examination that while
17 there have been modifications to the Qwest Model since Decision 60635, it is essentially the same
18 model that the Commission rejected in Decision 60635. Tr. p. 770. Consistent with the
19 Commission's earlier finding in Decision 60635, Staff's analysis once again indicated that Qwest's
20 Model is simply not consistent with TELRIC principles, or with the way that costs are actually
21 incurred, nor is the Model consistent with future expected costs. While Qwest Witness Fitzsimmons
22 admits that TELRIC is supposed to use the least cost, most efficient currently available technology
23 (Qwest-29, p. 17), the record in this proceeding is clear that Qwest's Model and its inputs assumes
24 much less efficiency than actually exists in the real world.

25 One example of this, as will be discussed later at length, is that in the real world, Qwest
26 buries cable or conduit before the streets are paved, but the Qwest cost model pretends that Qwest
27 buries cable and conduit after the streets are paved, which of course is much more expensive. This
28 creates a large built-in fictional cost which Qwest does not incur in the real world.

1 Besides the Model itself, the inputs used in the Model also have a significant impact upon
2 the rates resulting from the Model. Like the Qwest Model, Qwest's proposed inputs are based upon
3 an embedded network, rather than the TELRIC standard, which requires that the rates Qwest charges
4 to competitors be based upon forward looking costs using the most efficient technology available.

5 **B. The Record Does Not Support Qwest's Proposed Overhead Factor**

6 In its cost studies in this proceeding, Qwest uses a number of overhead factors which result
7 in increasing the cost by 32 percent over direct cost. Staff-32; Schedule WD-23. In Decision
8 60635, the ACC considered information from four different studies pertaining to overhead costs. In
9 that Decision, the ACC adopted an overhead cost factor "including attributed, joint and common
10 costs, of 15 percent".⁵ The ACC's selection of a 15 percent overhead factor was not remanded by
11 the Court. U S WEST v. Jennings, 46 F.Supp.2d 1004, 1011-1012 (D.Ariz 1999).

12 However, in this proceeding, Qwest has alleged that when the ACC adopted the 15 percent
13 factor that was for corporate common overhead costs (Account 6700) only, and did not include
14 "attributed" costs, such as network operations. Tr. pps. 505, 1007 and 1154. However this Qwest
15 contention is simply wrong. The ACC Decision clearly states:

16 Therefore, we will adopt an overhead cost factor, including attributed, joint and
17 common costs, of 15 percent.

18 Decision No. 60635 p. 13.

19 In addition, Qwest's claim that the 15 percent factor was only for common costs, and did not
20 include "attributed" does not make sense. Part of the evidence that the Commission considered in
21 its Order was:

22 U S WEST claimed that only the five percent factor was Overhead, while the 22
23 percent is attributed cost.

24 Decision No. 60635 p. 13.

25 It is highly unlikely that the Commission would have adopted a 15 percent Overhead factor
26 when Qwest itself was urging adoption of only a five percent Overhead factor. Therefore, 15 percent

27 ...

28 ⁵ Decision No. 60635, p. 13.

1 factor adopted by the Commission clearly had to include not only corporate common overhead costs,
2 but “attributed” costs as well, exactly as the ACC Decision specifies.

3 In addition, Staff and other parties also identified many problems with Qwest’s calculation
4 of these overhead expenses, including, but not limited to, the following:

- 5 • Qwest has direct charges for power when a CLEC receives power from Qwest for
6 collocation. In addition, Qwest’s cost studies also include a “power” loading
7 factor that applies to all collocation facilities. Ms. Gude acknowledged that the
8 Qwest cost study improperly applies this power factor to non-powered
9 collocation facilities. However, Ms. Gude claimed that it would “not be efficient
10 from a time or cost perspectives” to calculate a power factor that applied to only
11 the facilities that actually used power.
- 12 • Ms Gude argued that the rent collocators pay only covers their own space, but
13 they use “cable racking” outside of their own space, and therefore they should be
14 charged land and building factors to cover that outside space. However, there are
15 also cable racks that pass through the area for which the CLECs pay the full rent.
16 Cables in those racks may be used by others. Yet, on cross examination, Ms.
17 Gude indicated that she did not know of collocators receiving any credit on their
18 rent for the fact that other cables may be passing through the space for which they
19 pay the full rent. Tr. p.992. This is a one sided adjustment. It is inappropriate
20 for collocators to be charged “rent” for other areas that their cables pass through,
21 but not receive any credit or rent offset for the fact that other companies’ cables
22 pass through the area for which they pay the full rent.
- 23 • It also appears from the rebuttal testimony of Ms. Gude p. 7, that Qwest may have
24 inappropriately included costs associated with its 271 case in certain overhead
25 accounts. In footnote 4 on page 7 of her rebuttal testimony, Ms. Gude refers (for
26 illustration purposes) to the complex activity occurring in the Statement of
27 Generally Available Terms workshops, where she states that “many hours have
28 been undertaken for this category of costs.” Staff believes that it is inappropriate
of Qwest to be including any costs associated with its 271 case, whether that be
for the Third-Party Independent OSS Test or SGAT workshops or any other 271
related costs, in overhead accounts which it then charges back to the CLECs.
Qwest is required to comply with 47 U.S.C. Section 271 in order to obtain the
benefits associated with its entry into the long distance market. Accordingly, to
charge any of these costs back to the CLECs is inappropriate.

23 Finally, Qwest Witness Fleming mischaracterized Staff’s position on overhead costs.
24 Exhibit 5 of Mr. Fleming’s Rebuttal Testimony (Qwest-8) had columns that Mr. Fleming had labeled
25 “Dunkel’s modifications.” However, during cross-examination, Mr. Fleming admitted that he had
26 calculated all of the numbers in those columns, and Mr. Dunkel did not calculate any of the figures
27 in those columns. Tr. p. 469. On that Exhibit, Mr. Fleming alleged that Staff Witness Dunkel’s
28 proposal included “no Power, Land, Building, and IDC factors used.” In addition, it stated that Staff

1 Witness Dunkel included "no HVAC nor Electric inputs", and "does not include Aerial Support,
2 Cable Racking, or Lighting." Qwest-8, Ex. 5. On cross-examination, Mr. Fleming admitted that
3 Staff Witness Dunkel actually did include these costs. Tr. p. 465. Totally excluding all of these
4 costs was not Mr. Dunkel's recommendation, and not what Mr. Dunkel had done in his calculations.
5 Tr. p. 469. Mr. Dunkel stated:

6 I recommend the more reasonable calculation than the company used...but I did not
7 exclude these costs. The recovery of these costs are included in the rates which I
8 propose on Rebuttal Schedule WD-17.

8 Staff-32, p. 4.

9 In summary, the Commission should reject Qwest's proposal to significantly increase its
10 overhead costs.

11 **C. The Commission Should Adopt the Inputs Used By the Staff Which Rely Upon**
12 **the ACC Inputs in Decision 60635 and the FCC Inputs Contained in its Tenth**
13 **Report and Order Since Qwest's Proposed Inputs Are Based Upon Historical**
14 **Data.**

14 Each Model utilizes literally hundreds of inputs. Tr. p. 66. The Staff utilized the inputs
15 adopted by the ACC in Decision 60635 where specified, and the FCC-determined inputs, for those
16 not adopted/specified in the ACC Decision. The FCC inputs were those adopted by that agency in
17 In the Matter of Federal-State Joint Board on Universal Service; CC Docket No. 96-45, FCC 99-304,
18 Tenth Report and Order (Rel. November 2, 1999). The FCC conducted an extensive proceeding, in
19 which various parties presented their positions pertaining to the various inputs. Based upon the
20 extensive record before it, the FCC adopted specific inputs. Staff-30, p. 72. Staff believes that the
21 ACC inputs contained in Decision 60635 are reasonable, and, if ACC inputs are not available, then
22 the FCC inputs provide the most reliable source for inputs in the Model. Both sets of inputs were
23 based upon extensive records developed before both agencies. Qwest has not presented reliable data
24 to support any significant changes to any of the inputs already determined to be appropriate by the
25 ACC in Decision No. 60635 and the FCC in its Tenth Report and Order in CC Docket No. 96-45.
26 An example of the inappropriate assumptions made by Qwest are best illustrated when considering
27 its proposed inputs for structure sharing and placement costs.

28 ...

1 **1. Structure Sharing**

2 Structure sharing refers to the degree to which outside plant structures will be shared by the
3 ILEC, cable operators, electric utilities and others including competitive local exchange carriers and
4 interexchange carriers. Qwest’s model incorporates a ****PROPRIETARY**** structure sharing factor
5 for buried facilities. On cross-examination, Ms. Torrence indicated that what this effectively
6 assumes is that Qwest will pay for ****PROPRIETARY**** of the costs of trenching for distribution
7 cables in new standard residential subdivisions out of its own pocket. Tr. 911-912. This is
8 unrealistic and is very close to the structure sharing factor proposed by Qwest in the First
9 Consolidated Cost Docket which the Commission rejected. Decision No. 60635 p. 20. In standard
10 residential subdivisions, not only are the buried cables and other underground facilities placed prior
11 to the surface obstructions, but the trench is generally provided by the developer at no cost to Qwest
12 during the development of a new residential subdivision. In real world, Qwest would generally be
13 paying nothing for the trench in new standard residential subdivision. Tr. 913.

14 The above discussion focuses on residential subdivisions because they have the highest
15 weighting in Qwest’s study. As shown on Staff-5, the standard residential subdivision (“DG3”)
16 represents ****PROPRIETARY**** of the lines in the Qwest LoopMod cost model. The Qwest
17 LoopMod cost model includes a total of five density groups. None of the other four density groups
18 have a weighting in excess of ****PROPRIETARY**** in the model. Tr. 903-904.

19 Qwest’s proposed structure sharing percentages for aerial and underground facilities are also
20 very similar to those rejected by the Commission in Decision 60635. *Id.* p. 20. Qwest’s proposed
21 structure sharing percentages are based entirely upon historical or embedded cost data and bear no
22 relationship to the least cost forward-looking TELRIC standard, mandated under the Federal Act and
23 FCC rules.

24 **2. Placement Costs**

25 Placement costs refer to the various types of placement activities, such as trenching or
26 boring, and the frequency with which Qwest will encounter particular placement activities. In
27 Decision No. 60635, the Commission adopted the Hatfield Model’s method for calculating
28 placement costs (*Id.* p. 19) and the Staff urges the Commission to adopt the HAI 5.2a once again.

1 The Qwest model greatly exaggerates placement costs in downtown business districts, in
2 feeder, and other areas. As they did in the residential subdivision, Qwest assumed that they would
3 have to place the underground facilities after the surface obstructions were in place. Qwest assumed
4 that a high percent of installation costs would require them to cut and restore concrete, asphalt, or
5 sod, or bore under such surface obstructions. Qwest Witness Torrence admitted that in the Qwest
6 LoopMod, Qwest assumed that ****PROPRIETARY**** of the total length of distribution cables would
7 have to be replaced either by cutting and restoring concrete, cutting and restoring asphalt, cutting and
8 restoring sod, or boring under such surface obstructions in standard residential subdivisions (DG-3
9 in Qwest's LoopMod study). Tr. p. 910.

10 However, in discovery, Qwest acknowledged that Qwest's own practice was to place the
11 buried cables prior to the time that the streets, and other surface obstructions were in place.

12 Yes, in new subdivisions where the developer coordinates with utilities, outside plant
13 facilities are generally placed prior to the placement of streets and landscaping.

14 Staff Ex. 30, p. 70.

15 The Qwest Witness also admitted that in the real world it is generally true that in residential
16 subdivisions,

17you do not cut and restore concrete, you do not cut and restore asphalt, or cut and
18 restore sod and bore under the length because those obstructions are not there are the
time you place the distribution cable.

19 Tr. 914, 915.

20 In addition, on cross-examination, Qwest's Witness Torrence acknowledged that in
21 downtown areas, feeder is generally in "conduit." Tr. p. 919. Conduit is essentially a form of buried
22 pipe that creates what amounts to small tunnels underground. Qwest Witness Torrence also
23 acknowledged that with conduit, they install new cables by pulling them through the conduit, and
24 they do not have to dig up the ground when placing a new cable in conduit. Tr. p. 919. Qwest
25 generally places the conduit before a road or street is paved because that is more economical. Tr.
26 p. 920.

27 In short, in the real world, before roads are paved, Qwest places conduit under where those
28 roads will be. In the future, when Qwest needs to run cables under the downtown streets or under

1 highways, they will pull the cable through the conduit. They do not have to cut through the
2 pavement, nor bore under the pavement, or otherwise dig up the length of the cable in order to install
3 new cable where they have conduit. The buried distribution cables in residential subdivisions are
4 designed to last the life of the subdivision. That is, the Company does not come back later to add
5 additional distribution cables. Tr. pp. 916-918. In fact, Ms. Torrence indicated that Qwest's practice
6 is to install enough distribution facilities to avoid having to come back later and tear up the surface
7 obstructions when residential customers want additional lines.

8 Qwest's LoopMod cost study improperly assumes the highway or downtown street is paved
9 first, and then, at a huge additional expense, Qwest would cut through and patch the existing roads,
10 or bore under the road. These costs are mostly fictional, are not what generally occurs in the real
11 world, nor are they costs that are generally expected to be incurred in the future. The costs of
12 "placement" represents approximately ****PROPRIETARY**** of the total investments in the model.
13 Staff-30, p. 68.

14 Qwest argues that the placement methods it used in its LoopMod analysis, such as using
15 boring for a high percent of the distribution cable length, is based upon the placement methods that
16 Qwest used in a trial in Omaha. As indicated in Staff-8, the Omaha trial involved replacing copper
17 distribution pairs with fiber or coax. As Mr. Buckley admitted on cross-examination, this is not the
18 way the standard telephony network is designed. Tr. 204. Moreover, Qwest found the Omaha
19 experience of replacing twisted copper buried distribution cables with coax or fiber distribution to
20 be prohibitively expensive. These substantial costs resulted from working around or through the
21 surface obstructions that exist in a developed neighborhood. As a result of that experience and the
22 significant expense involved, Qwest has no plans for the widespread replacement of the distribution
23 cables in existing residential neighborhoods. The trial apparently convinced Qwest to not actually
24 perform such installations on a widespread basis in the future, because they are prohibitively
25 expensive. Qwest also claimed that it observed the practices of a cable company in North Dakota and
26 AT&T Broadband. However, the installations Qwest observed did not involve the installation of
27 twisted copper pair cable. Tr. at pps. 203 and 209. The inclusion of these costs in the LoopMod is
28 not reflective of the forward-looking costs that are actually expected to be incurred.

1 Copper twisted pair is the forward looking distribution cable used in both the Qwest
2 LoopMod and HAI cost models. There is no need to go into existing neighborhoods at great
3 expensive to install twisted copper distribution cable after the streets, sidewalks, driveways, lawns,
4 bushes, etc. are laid. It is already there, and was generally installed prior to the time the streets were
5 placed. As previously discussed, at the time a residential subdivision is developed, Qwest puts in
6 two or three distribution pairs per household. However, there are approximately 1.17 lines in service
7 per household in Arizona. Therefore, there is plenty of existing distribution copper cable in place
8 in Arizona to accommodate growth. Tr. 913-918.

9 As a result of criticism by the Staff and others, in their Rebuttal testimony, Qwest made one
10 change in their placement method, but that change was only a token change, and had little impact.

11 On page 2, lines 14-15 of Qwest-21, Mr. Buckley adjusted "DG-5" (very low density group) in the
12 Qwest LoopMod cost model to include more "plowing" for placing facilities. However, as Mr.
13 Buckley admitted on cross-examination, Mr. Buckley's DG-5 adjustment impacted little over one
14 percent of the distribution lines in Arizona. Tr. 187-189. This was a token adjustment that did not
15 impact the major problem. For example, Mr. Buckley did not change the placement methods
16 assumed for standard residential subdivision (DG-3), which represents over ****PROPRIETARY****
17 of Qwest's lines in Arizona Tr. at pps. 903-904.

18 Once again, Qwest proposed inputs assume a large fictional cost which Qwest does not incur
19 in the real world. Qwest's proposal should be rejected.

20 3. FCC Inputs

21 In testimony filed late in the proceeding, Mr. Fitzsimmons attacked the Staff's run of the
22 Model and whether it correctly utilized the FCC inputs. However, Mr. Fitzsimmon's attack was
23 based upon an incorrect understanding of the inputs used in the run contained in the Staff's
24 Supplemental Testimony, and therefore, Mr. Fitzsimmons attempt to discredit the Staff's run should
25 be disregarded.

26 In the HAI 5.2a run that accompanied Mr. Dunkel's Direct Testimony, Mr. Dunkel had used
27 the FCC inputs exactly as shown in the "Input" tab of the actual FCC run that the FCC used to
28 determine universal service fund (USF) eligibility for Qwest in Arizona. Staff-32, p. 1. In Mr.

1 Fitzsimmons' Rebuttal Exhibit WLF-3, he provided values for inputs that he alleged were the correct
2 FCC determined input values, and recommended that the Staff run the values shown in his "FCC
3 Scenario Value" column on that Exhibit WLF-3. Qwest-29, Ex. WLF-3. For example, for "SAI
4 indoor investment 12" (50 lines), the Staff Direct run had used a value of "98", and Mr. Fitzsimmons
5 alleged that the correct FCC value was "220". In response to Mr. Fitzsimmons' Testimony, Mr.
6 Dunkel reran the HAI 5.2a model using the "FCC Scenario Values" shown on Qwest-29, Ex. WLF-
7 3. For example, for the "SAI indoor investment 12" (50 lines), the run utilized in Staff's
8 Supplemental Testimony (Staff-32) used the value of "220," not the "98" value that had been used
9 in the run contained in Staff's Direct Testimony. The overall impact was minor, resulting in a 12
10 cent difference per loop.

11 Staff Witness Dunkel stated:

12 Since this issue has little effect, and to avoid further controversy My Rebuttal
13 Schedule WD-19 utilizes what Qwest identified as the "FCC Scenario Value" in puts
as shown on Exhibit WLF-3.

14 Staff-32, p. 1.

15 Staff's run contained in its Supplemental Testimony used every number from Qwest-29, Ex.
16 WLF-3 that Mr. Fitzsimmons claimed was the correct FCC number.

17 Following Staff's Supplemental Testimony, Mr. Fitzsimmons filed Surrebuttal Testimony
18 (Qwest-36), in which Mr. Fitzsimmons again argued that using the "98" value for the SAI indoor
19 investment 12 (50 lines) was the incorrect value, and that the "220" value should be utilized. Qwest-
20 36, Table 1, p. 6. Mr. Fitzsimmons' Surrebuttal Testimony totally ignored the fact that Staff's
21 Supplemental Testimony clearly stated that Staff was using the "FCC Scenario Value" inputs from
22 Qwest-29, Ex. WLF-3. In addition, Staff had provided Qwest with a disk that showed the input
23 values used in the Staff Supplemental Testimony run. Therefore, it is unclear whether Mr.
24 Fitzsimmons simply did not review Staff Witness Dunkel's Supplemental Testimony or whether he
25 did not understand it.

26 The simple fact is that none of the figures in the column headed "Dunkel run of HAI 5.2a"
27 in Table 1, page 6 of Qwest-36, accurately represent the inputs that are used in Staff's Supplemental
28 Testimony run, which is the one which the Staff is recommending that the Commission adopt. In

1 all cases, Staff's Supplemental run used the same numbers that are shown in the "FCC Tenth Report
2 and Order' column on Mr. Fitzsimmons' Table 1. The changes that Mr. Fitzsimmons recommended
3 on Table 1, page 6 of Qwest-36 are the changes that had been previously made by the Staff, and were
4 already incorporated in Staff's recommendations. On cross-examination, Mr. Fitzsimmons
5 acknowledged that Mr. Dunkel's Surrebuttal run of the cost model used the inputs from the FCC
6 column of his Rebuttal Exhibit WLF-3. Tr. 1875.

7 **D. Staff's Proposal For Permanent Geographical Deaveraging is Reasonable.**

8 Utilization of the HAI 5.2a Model as a starting point, along with the input values
9 recommended by Staff result in a statewide average loop rate of \$12.35. Staff's proposed statewide
10 average loop rate of \$12.35 is almost identical to the proxy rate originally proposed by the FCC for
11 Arizona in its Local Competition Order which was \$12.85. See 47 C.F.R. Section 51.513.

12 Staff is further recommending that the \$12.35 statewide average loop rate be deaveraged into
13 the following zones and rates:

14	Zone 1	\$9.93
15	Zone 2	14.60
16	Zone 3	35.41

17 Staff's proposed deaveraging incorporates the AT&T/XO/WorldCom proposal that would
18 minimize the deviation between the average cost for a zone and the individual wire center costs in
19 those zones. This program groups the wire centers so as to make as small a total difference as
20 possible between the cost of each wire center and the average cost for the zone which includes that
21 wire center. Staff-30, p. 74. This procedure makes sense and is less arbitrary than many other
22 methods of dividing the wire centers between zones. Staff-30, p. 74. Staff's expert used the
23 AT&T/XO/WorldCom program to group the wire centers by minimizing the deviation between the
24 individual wire center costs and the average zone costs. Staff-30, p. 74.

25 Qwest's latest deaveraging proposal was contained in the June 27, 2001 Rebuttal Testimony
26 of Teresa K. Million. Qwest-18. Qwest proposed a statewide average loop rate of \$25.95,
27 deaveraged into the following three zones:

28 ...

<u>Cost</u>	<u>No. of Lines</u>	<u>Percentage of Lines</u>
Zone 1 = \$16.89	145, 780	5.6%
Zone 2 = \$22.57	1,658,501	63.1%
Zone 3 = \$34.34	823,336	31.3%

In addition, a separate grooming charge of \$1.50 would apply in each Zone. Currently, the grooming charge is not a separate charge, but is included in the Company's present statewide average loop rate of \$21.98.

When compared to Qwest's current loop rates⁶, one can quickly see that what Qwest is actually proposing is a substantial rate increase on a significant percentage of its wholesale access lines. According to Staff's calculations over 80 percent of access lines would experience a significant wholesale price increase. This is inappropriate and Staff urges the Commission to reject Qwest's permanent geographical deaveraging proposal.

E. Qwest's Line Sharing Rate Is Unreasonable

Line sharing allows CLECs to place a digital signal, such as for high speed Internet access, on the high frequency portion of the loop ("HFPL") while Qwest places the normal voice telephone service on the low frequency portion of that same loop. Staff-30, p. 19.

Qwest proposes a \$5.00 per line monthly line sharing loop charge. However, it is unclear how Qwest arrived at this specific \$5.00 charge. Staff-30, p. 36. While Qwest Witness Fitzsimmons correctly notes that the loop cost is a common or joint cost, and the recovery should be spread among the services that use that common cost, he does not provide any specific guidance as to how that rate should be calculated. Qwest-36, p. 7.

Qwest's proposed \$5.00 charge for line sharing is equal to approximately 20 percent of the Qwest calculated unbundled loop cost. The zone unbundled loop rates that Staff recommends produce a statewide average loop rate of \$12.35. Twenty percent of the statewide average unbundled loop rate of \$12.35 that Staff proposes is \$2.47, which is Staff's recommendation for the line sharing loop charge.⁷

⁶ Qwest's current statewide average loop rate is \$21.98. Its interim geographically deaveraged loop rates are: Zone 1 - \$18.96 (approximately 90 percent of access lines); Zone 2 - \$34.94 and Zone 3 - \$56.53.
⁷ Staff-32, Schedule WD-17, p. 11; See also Staff-30, p. 75.

1 **F. Qwest Discriminates Against Unaffiliated xDSL Providers Compared to its Own**
2 **xDSL Provider**

3 Qwest treats its affiliated xDSL⁸ provider, Broadband Services Inc. ("BSI"), much differently
4 than it treats unaffiliated xDSL providers. For example, Qwest proposes a \$2.68 recurring per line
5 per month charge for modifying its Operational Support Systems ("OSS")⁹ to implement a "long
6 term" solution to line sharing. This charge would apply to all unaffiliated xDSL providers that
7 utilize line sharing. However, it would not apply to Qwest's affiliate xDSL provider, BSI, in spite
8 of the fact that BSI does utilize line sharing. Such discrimination is not acceptable. Under the
9 FCC's affiliate transaction rules, if there are tariffed rates for goods and services, including
10 published UNE rates, then an affiliate is supposed to pay those tariff rates. Under Qwest's proposal,
11 a published UNE rate applies to all unaffiliated xDSL providers that line share, but would not apply
12 to Qwest's DSL affiliate that line share. If there is no tariff rate, then the affiliates are also supposed
13 to pay that prevailing company price. Under Qwest's proposal, there would clearly be a prevailing
14 company price that would apply to all unaffiliated xDSL providers for line sharing, but would not
15 apply to Qwest's affiliate. In addition, Qwest's current line sharing agreement with xDSL providers
16 states that for any xDSL subsidiary "Qwest will provision line sharing to the separate subsidiary at
17 the same rates Qwest is using to provide line sharing to other telecommunications carriers."¹⁰
18 However, under Qwest's proposal, it would be charging unaffiliated xDSL providers the above-
19 referenced rate, but would not be charging that rate to its affiliated xDSL affiliate that utilizes line
20 sharing.

21 However, if the line sharing OSS cost is collected in a charge¹¹ that applies to all line sharing
22 xDSL providers, including the Qwest affiliate, BSI, a charge of \$0.10 per shared line per month will
23 recover the costs. This is Staff's recommendation.

24 There is another form of discrimination between the unaffiliated and affiliated xDSL
25 providers. Unaffiliated xDSL providers must pay Qwest numerous collocation charges. However,
26 Qwest's xDSL affiliate does not pay the charges on this list, but instead has a very simple charge that

27 ⁸ DSL and xDSL services are generic names for a whole family of high-speed digital services that are provided
28 over copper loops.

⁹ OSS are programs that the Company uses for service ordering, installation, repair and switch activation. Staff-
30, p. 32.

¹⁰ Staff-30, pps. 32-33.

¹¹ Staff-30, Schedule WD-11.

1 it pays for collocation, as shown on page 3 of Schedule WD-10 of Mr. Dunkel's Direct Testimony.
2 Staff-30.

3 Qwest's attempts to explain these discriminatory treatments did not stand up to cross-
4 examination in the hearings. On page 62 of Ms. Million's Rebuttal Testimony (Qwest-18), Ms.
5 Million claimed:

6 It is highly likely that BSI pays as much or more than the CLECs do for the
7 same activities.

8 In discovery, Staff asked for evidence or workpapers in support of this claim. See, Staff-23.
9 On cross-examination, Ms. Million admitted that none of the documents provided by Qwest in
10 response in that request would allow Staff to verify Ms. Million's claim. Tr. pps. 812-813. In
11 addition, BSI line sharing orders can allegedly be processed by Qwest without using the same OSS
12 that the unaffiliated xDSL providers utilize only because of "back door" arrangements between
13 Qwest and its affiliated xDSL provider that are not available to unaffiliated xDSL providers. Tr. pps.
14 1183-1184.

15 Staff recommends that the tariff charges or prevailing charges for a particular service that
16 apply to the unaffiliated xDSL providers should also apply to the Qwest affiliated xDSL provider,¹²
17 or that Qwest make the same arrangements it provides to its affiliate, available to the CLECs.

18 **G. The Loop Cost is Not Caused By Basic Local Exchange Service.**

19 Qwest Witness Fitzsimmons claimed that the loop facility costs are caused by basic exchange
20 service.¹³ Qwest Witness Gude testified that residential basic exchange service is subsidized by other
21 services.¹⁴ These claims are incorrect. It is important to recognize that the loop facility cost is not
22 "caused" by just basic exchange service. Even Mr. Fitzsimmons acknowledged on cross-
23 examination that the cost of the loop facility is jointly caused by the high and low frequency portions
24 of the loop.¹⁵ In addition, Mr. Fleming acknowledged that a CLEC considers the revenues from the

25 ...

26 ...

27 ¹² Staff-30, Schedule WD-11.

28 ¹³ Qwest-29, pps. 66-71.

¹⁴ Qwest-27, p. 55.

¹⁵ Tr. pps. 1870-74, See also Qwest-29, pps. 67-68.

1 full package of services it will be providing to its customers when it makes a decision to provide
2 service.¹⁶

3 A Qwest executive succinctly stated that a telephone company decision to install the loop
4 facility is based on the expectation of receiving all revenues that will be derived over that loop
5 facility:

6 These are annuity businesses and services. Once I have that line, which is a
7 \$12.95 [a month] relationship with you today, I can visualize how I'm going to get
8 that to be a \$60 relationship tomorrow. That's how we think. It's not just that
9 product. It's what the product means for our relationship. In the voice world today
that \$12 to \$14 access line really represents anywhere from \$60 to \$80 a month as we
add those vertical features. The same thing in the data world. That's how many of
us in the business think about it.¹⁷

10 There is no valid reason that just one of the services that shared what is effectively the
11 combined local/toll loop, should support the full cost of that loop facility. The simple fact is that the
12 loop facilities are shared by many services, and it is the entire family of services which is responsible
13 for those costs, not just basic exchange service. When a customer orders service, they are ordering
14 a whole family of services. The loop is not caused just by basic exchange, or by any one member
15 of the family of services that share the loop facility. It is caused by the entire family of services that
16 use the loop and benefit from the loop.¹⁸

17 **H. Qwest's Proposed Collocation, Line Sharing and CLEC-to-CLEC UNE Rates**
18 **Are Based Upon Unsupportable and Inflated Labor Rates, Engineering,**
19 **Material and Overhead Costs Which Results in Inflated Charges to Qwest's**
20 **Competitors.**

21 **1. The Mix of Qwest/Vendor Installations**

22 Qwest performed a study of 41 actual collocation jobs. Many of the rates that Qwest
23 proposes for collocation, line sharing, and CLEC-to-CLEC UNE services were based on the labor,
24 material, and engineering costs for various functions derived from this study of 41 jobs. Qwest-8,
25 pps. 50 and 81. However, the study of 41 collocation jobs was an unrepresentative study that does
26 not reflect the average cost actually incurred for collocation installations. In the real world, the vast
majority of collocation installations are done by Qwest's own personnel. However, Qwest excluded

27 ¹⁶ Qwest-8, p. 6.

28 ¹⁷ Telecommunications Reports, December 13, 1999, "Turning DSL into Dough is the Goal of US West", p.

³⁶

¹⁸ Staff-30, p. 24.

1 all jobs which were done by Qwest personnel from their study of 41 collocation jobs. Excluding
2 these jobs created unrepresentative and inflated collocation costs. The mix of vendor vs. Qwest
3 Technologies Installation ("QTI") installations that was included in the study is nowhere near
4 reflective of the real world mix.

5 Using the proper mix of Qwest installation vs. outside vendor is important, because the cost
6 for vendor installation is much higher than the installation cost using Qwest personnel. In Arizona
7 in the year 2000, Qwest's internal installation organization, QTI installed 79 percent of the
8 collocation jobs, and only 21 percent of the Qwest Arizona collocation jobs were installed by outside
9 vendors, as shown on Staff-11. Tr. 471-475. Data for the year 2001 to date shows that 83 percent
10 of the collocation jobs have been done by QTI, and only 17 percent of the collocation jobs have been
11 done by outside vendors. However, in the study of the 41 "actual" collocation jobs, Qwest excluded
12 all of the collocation jobs that were installed primarily by QTI. All of the 41 jobs studied included
13 the use of contract labor. Qwest-8, p. 58.

14 Qwest's calculations overstate the average collocation cost. The cost for a QTI installation
15 is much lower than a similar installation by an outside installer. Staff-33 shows that if Qwest
16 installers are used, it costs ****PROPRIETARY**** per foot to place a certain size cable. However, if
17 outside vendors are used, the cost is ****PROPRIETARY**** per foot for the same cable placement.
18 This is over ****PROPRIETARY**** as much if an outside vendor is used for installations than if QTI
19 performs the installation. Clearly the mix of Qwest vs. outside vendor installation has a huge impact
20 on the costs that result from the study.

21 Moreover, Qwest acknowledged that the study of 41 vendor jobs was not representative.
22 Therefore, Qwest adjusted their labor costs to assume 50 percent Qwest labor and 50 percent vendor
23 labor. Mr. Fleming testified that his proposed 50/50 split of contract vendor labor and Qwest labor
24 represented a "balancing of vendor and QTI labor." (Tr. p. 476). However, on cross-examination,
25 Mr. Fleming was presented with Staff-11, which demonstrates that in the real world in Arizona, QTI
26 installed 79.3 percent of the collocation jobs in 2000, and 82.8 percent in 2001. Tr. 472-475. On
27 cross-examination, even Mr. Fleming acknowledged that in light of this Arizona data, one could
28 conclude that Qwest's collocation studies should be further adjusted to include "more Qwest labor"

1 relative to contract vendor labor to be more reflective of what is actually being experienced in
2 Arizona. Tr. p. 528.

3 The Staff calculation correctly used 80 percent of the labor as provided by QTI, and 20
4 percent as provided by contract labor, which is consistent with what is actually occurring in Arizona.
5 It makes little sense to assume a 50/50 split for labor, when the actual data demonstrates that the
6 collocation jobs in Arizona use much more Qwest labor than vendor labor.

7 For power labor, Qwest is using 25 percent QTI labor, and 75 percent vendor labor. Staff-32,
8 p. 3. In cross-examination, Mr. Fleming acknowledged that the 75 percent vendor weighting for
9 power was an error. Tr., p. 369. This correction has not been made in the Qwest studies. Tr., p.
10 383. Staff's studies do use 80 percent QTI and 20 percent vendor weighting for all labor. The mix
11 of installation by QTI as compared to outside vendor is summarized by the table below:

12 Mix of Collocation Jobs - Arizona

	<u>Installed by QTI</u>	<u>Installed by Outside Vendor</u>
13		
14 1. Actual 2000	79%	21%
15 Actual 2001	83%	17%
16 2. Staff uses	80%	20%
17 3. Qwest uses labor:		
18 Power Installations	25%	75%
All Other Installations	50%	50%

19 It is clear from the table above that the weighting of QTI vs. outside vendor collocation
20 installations as proposed by Staff is reflective of the real world mix. It is also obvious that the
21 weighting that Qwest uses in its cost calculations does not reflect the real world mix. Failure to
22 reflect the actual installation mix results in many of Qwest's costs and rates being greatly overstated.
23 A large number of Qwest's proposed collocation rates, line sharing rates, and CLEC-to-CLEC rates
24 were based upon the inaccurate QTI vendor mix shown above.

25 The TELRIC methodology assumes the efficient provision of services:

26 Only forward-looking, incremental costs shall be included in a TELRIC study. Costs
27 must be based on the incumbent LEC's existing wire center locations and most
efficient technology available.

28 Local Competition Order at para. 690.

1 Including installation costs that are ****PROPRIETARY**** times the cost that you can actually
2 have the facility installed for is not efficient provision of service, and therefore, violates TELRIC
3 principles. Staff-30, p. 9.

4 2. Engineering Costs

5 Some of Qwest's non-recurring cost studies include engineering costs that Qwest obtained
6 from its study of the 41 collocation jobs. Qwest-8, pps. 40 and 50. As previously discussed, these
7 41 jobs are not representative of all collocation installations, because they exclude QTI installations.
8 Therefore, the engineering costs from the 41 jobs Qwest selected were constructed primarily by
9 vendors, the engineering costs that Qwest uses in its cost studies are based primarily on the costs of
10 outside vendor provided engineering. Tr., p. 475. Of the 41 jobs Qwest included in its study, only
11 ****PROPRIETARY**** of the engineering costs are QTI engineering costs, and the
12 ****PROPRIETARY**** of the engineering costs are vendor engineering costs. However, this is not
13 reflective of the actual situation in Arizona. As discussed above, the actual situation in Arizona is
14 that 79 percent to 83 percent of Qwest's collocations are installed by QTI, and only 21 percent to 17
15 percent are installed by outside vendors. When QTI personnel perform the installations, the
16 engineering is done by Qwest engineers located in Denver. The Qwest engineers have electronic
17 blueprints showing the location of virtually all objects in the central office, which allow them to
18 efficiently engineer the routings and locations for the installation of additional facilities. Staff-30
19 p. 21.

20 Qwest did not adjust the engineering expense derived from their 41 jobs to reflect the actual
21 mix of Qwest vs. outside vendor engineering. The engineering costs from the 41 jobs were directly
22 included in the Qwest cost studies (Qwest-8, p. 51), and therefore the Qwest proposed rates are
23 biased and are not reflective of the actual average engineering cost incurred for collocation.

24 In addition, Qwest's "engineering" cost for "splitter" collocation includes the cost of an
25 engineer conducting a "field survey". However, when the Staff toured the Phoenix Main central
26 office as part of its research for this proceeding, Qwest's Interconnection Manager for Arizona and
27 New Mexico and QTI's installation manager both clearly stated that the engineers do not generally
28 conduct a "field survey." The engineers are actually located in Denver, and generally do not conduct

1 a "field survey." Instead, they have detailed electronic drawings similar to "blueprints", on which
2 they draw in the new facilities. Those documents are then forwarded to the installation personnel
3 in Arizona for installation. Staff-30, p. 21.

4 Another problem is that Qwest proposes a line splitting "Engineering Fee" of \$1,274.63,
5 which includes what Qwest claims are the costs to engineer a bay and the associated cabling, racks,
6 bracing, ground wires, and associated facilities. The engineering costs that the Company has
7 calculated are "per bay" engineering costs. However, Qwest proposes charging the non-recurring
8 charge for every splitter installation, even if it is for only one "shelf." However, the bay will hold
9 eight line splitters. (The bay has eight "shelves"). Once a bay has been installed, there is no need
10 to engineer the installation of that "bay" when a CLEC is just using an additional "shelf" in that bay.
11 Therefore, that full "bay" engineering cost should not be recovered from a project which is using a
12 shelf or shelves in a bay which the CLEC has already paid to have engineered. Staff recommends
13 a non-recurring line splitting engineering charge of \$560 for the order of a CLEC that requires a bay.
14 Tr., pps. 1171-1176. This engineering charge includes the cost of engineering the bay, associated
15 racks, cables, shelves, braces, and other supporting facilities. In addition, in order to allow the CLEC
16 to utilize any or all of the remaining shelves in the bay, the Staff recommends that an engineering
17 charge of \$120 apply to any subsequent "filling the bay" orders placed at a later time that require
18 Qwest to install additional cables or similar activities (but do not require the engineering/installation
19 of a new bay). Staff-30, pps. 20-22.

20 In summary, the engineering costs proposed by Qwest are not representative of all
21 collocation installations and therefore should be adjusted downwards accordingly.

22 3. Material Costs

23 The materials costs that Qwest used in calculating many of its collocation, line sharing and
24 CLEC-to-CLEC rates are the material costs from the same 41 collocation jobs previously discussed.
25 As previously discussed, these jobs are not representative of the average collocation installations,
26 because all of those 41 jobs were outside vendor installation. Tr., p. 475. Staff-22 clearly
27 demonstrates that the outside vendors that were providing the labor are also providing a portion of
28 the installation materials for these projects. Tr., pps. 804-806. This is not the valid basis for

1 materials. Qwest is one of the largest purchasers of telecommunications equipment, and has used
2 that purchasing power to negotiate discounts of telephone equipment. Staff-30, Schedule WD-3, p.
3 3. For example, for one item, Qwest included a material cost of \$85.46 in their collocation and line
4 sharing studies, but Qwest's internal documents show that the Qwest discounted material cost for
5 that same item was \$44 during this same time period. Tr., pps. 1131-1133. The evidence indicates
6 that the materials are available at costs lower than shown in Qwest's collocation studies, even
7 without Qwest's huge telecommunications purchasing power. Staff-22 demonstrates a vendor
8 charged Qwest \$0.98 for each flat washer. Tr. pps. 804-807.

9 Qwest's material costs do not reflect the forward looking most efficient provision of service
10 in all cases and therefore, Qwest's material cost should be adjusted to comply with TELRIC pricing
11 standards.

12 4. Qwest's Proposed Rent Charges for Collocation Are Overstated

13 Qwest's proposed collocation costs also assumed that Qwest would have to run separate air
14 conditioning ducts to each collocation cage. These proposed charges are over and above what Qwest
15 would be charging the CLEC for rental space in the Qwest-owned building. However, in the real
16 world, buildings have air conditioning ducts appropriately placed in the entire equipment room in
17 the Qwest building. Qwest does not run separate air conditioning ducts to each collocation cage.
18 Therefore, the costs of air conditioning ducts and other required equipment are properly included in
19 the rate Qwest charges the CLEC for rent. Due to this fact, Staff recommends that no additional
20 charges apply for air conditioning ducts. Staff's proposed rent charge includes all appropriate
21 charges for air conditioning.¹⁹

22 I. Attachment A – Price List

23 Staff's proposed rates are shown on Attachment A. Three points bear mention with regard
24 to Exhibit A. First, for rates not shown or commented upon by Staff's expert, the rates should be
25 at least 13 percent below the rates proposed by Qwest, just to allow for the difference in overhead
26 factors between those used by Qwest and the 15 percent overhead factor adopted by the ACC in its
27 prior Decision. Any adjustments to direct costs would be in addition to this adjustment. Second,
28

¹⁹ Staff-30, p. 24.

1 Staff believes that some of the non-recurring charges appearing on the Price List may be excessive
2 and may be based more upon perceived "risk" to Qwest than any legitimate reason for requiring such
3 large upfront payments. The non-recurring charges appearing in the table have been proposed by
4 Qwest. While included to reflect what Qwest claims are its costs, Staff is not in any way endorsing
5 the level or magnitude of the non-recurring charges appearing on Attachment A. Third, Qwest is still
6 proposing considerable Individual Case Base ("ICB") Pricing. The Company should be required to
7 eliminate ICB pricing in favor of specific charges where at all possible.

8 **J. Avoided Cost Discount**

9 On July 25, 2001, Staff and Qwest entered into a stipulation in which Qwest agreed to keep
10 the current wholesale discounts in effect. This issue was remanded by the Arizona District Court.

11 In Jennings v. U S WEST, the Court stated:

12The ACC must at least consider the range of cost savings for different categories
13 of services, as well as the potential for abuse through selective ordering tactics, and
14 determine whether additional discount rates are needed. Whether the ACC has, or
15 can even obtain, the information needed to more accurately identify the cost savings
16 attributable to various services will also be a factor in deciding whether to establish
17 additional discount rates.

16 Because the decision does not adequately explain the result reached, or demonstrate
17 that the ACC considered all relevant factors, the issue of resale discounts is remanded
18 for further consideration. The court expresses no opinion regarding the proper result
19 on remand.

18 46 F.Supp.2d at 1006.

19 While Qwest Witness Gude had proposed additional discounts for various services, the
20 overall impact was a significant reduction in the wholesale discounts applicable to residential
21 services. Qwest's proposal would reduce the current average composite discount, which is
22 ****PROPRIETARY**** down to an average discount of ****PROPRIETARY****. Staff-30, p. 55.

23 Qwest's proposal cannot be supported. Under the guise of disaggregating the discounts, Qwest was
24 actually trying to greatly reduce them. Staff-30, p. 44.

25 Further, while Qwest argued that it relied upon the same studies in seven other jurisdictions,
26 Staff would note that the avoided cost discount for residential basic exchange service adopted by the
27 commissions averaged 14.9 percent. The avoided cost study that Ms. Gude has filed in this
28 proceeding, found that a mere 4.19 percent discount for residential basic exchange service was

1 appropriate. Clearly, whatever the other commissions based their avoided cost discount on was very
2 different than the avoided cost study filed in this proceeding by Ms. Gude. Staff-30, p. 56. A case
3 in point is the Washington Order relied upon by Ms. Gude which does not indicate that the
4 Company's judgments were used at all, but instead indicates that the avoided cost discount was
5 based primarily on the Washington Staff proposal:

6 The Commission's review of direct, avoidable cost indicates that Commission Staff's
7 estimates of the ratio of avoidable costs for product management, sales, and product
8 advertising are appropriate. With respect to customer services, the Commission also
9 finds Commission Staff's ratio to be reasonable, except that the customer service
costs related to non-recurring charges in excess of revenue are 100 percent avoidable.
...Otherwise, we adopt Commission Staff's presentation on call completion and
number service.

10 Eighth Supplemental Order Interim Order Establishing Costs for Determining Prices on Phase II;
11 and Notice of Prehearing Conference, Washington Utilities and Transportation Commission, Docket
12 No. UT-960369 et al., May 11, 1998, para. 408.

13 A comparison of the wholesale discounts Qwest proposed for Residential Basic Exchange
14 Service in this proceeding, to the discounts approved for this service in the States in which Qwest
15 claims the Commissions adopted/relied on its data and cost studies in setting the resale discounts is
16 illuminating.

	<u>Residential Basic Wholesale Discount:</u>
Arizona-Qwest Proposed	4.19%
	<u>Discounts in Effect:</u>
Colorado	13.00%
Iowa	10.27%
Nebraska	22.50%
New Mexico	15.05%
South Dakota	15.49%
Utah	12.20%
Washington	16.00%

25 As stated in his testimony, Staff Witness Dunkel found that the Commission does not have
26 the information needed to more accurately identify the cost savings attributable to various services,
27 nor can it obtain it. The USOA records, ARMIS reports, and other standard records as kept by the
28 Company do not show the avoided cost by product line. Qwest had prepared studies in which they

1 proposed costs by product lines, and what portion of those costs would be avoided by product line.
2 However, Staff Witness Dunkel's testimony indicates that the allocation of costs to product lines,
3 and the determination as to what portion of those costs would be avoided was largely based upon
4 "managerial judgment." Considering this and other factors, Mr. Dunkel testified:

5 In short, there is no factual basis on which to establish a more accurate
6 disaggregation of the avoided cost discounts than was established in Decision No.
60635.

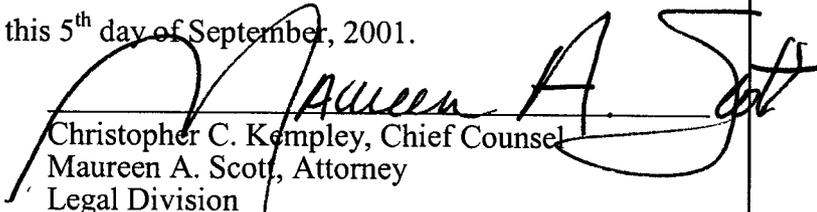
7 Staff-30, p. 55.

8 Accordingly, Staff Witness Dunkel's recommendation was to continue the existing
9 discounts. The existing discounts are 12 percent for residential basic exchange service, and 18
10 percent for all other services to which the discount now applies. Staff recommends that the
11 Commission adopt the stipulation entered into between Qwest and Staff which would maintain the
12 existing wholesale discounts at their current levels.

13 IV. CONCLUSION

14 For all of the reasons discussed above, the Commission should adopt the HAI 5.2a Model
15 as a starting point for determining loop rates in this case. Unlike the Qwest LoopMod, the HAI 5.2a
16 Model reflects forward-looking costs using the most efficient technology available. The
17 Commission should reject Qwest's proposed overhead factor and its LoopMod inputs since they are
18 based upon embedded costs and otherwise assume significant inefficiencies which result in inflated
19 prices to the CLECs which will only act to stifle competition in the Arizona local exchange market.
20 The Commission should also reject Qwest's proposed rates for collocation, line sharing and CLEC-
21 to-CLEC UNE rates because they are based upon unsupportable and inflated labor rate percentages,
22 engineering, material and overhead costs which result in inflated charges to Qwest's competitors.

23 RESPECTFULLY SUBMITTED this 5th day of September, 2001.

24 
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26 Maureen A. Scott, Attorney
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APPENDIX A

ACC STAFF PRICING PROPOSAL

(1)

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U-3021-96-448

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Current Rates

ACC Staff

Pricing Proposal

	Recurring	NRC	Recurring	NRC
INTERCONNECTION				
Entrance Facilities				
DS1	\$89.42	\$256.87	\$52.89	\$134.07
DS3	\$357.16	\$256.87	\$279.64	\$134.07
Direct Trunked Transport				
DS0	\$5.05		..	
DS0 Over 0 to 8 Miles - Fixed			..	
DS0 Over 0 to 8 Miles - per mile			..	
DS0 Over 8 to 25 Miles - Fixed			..	
DS0 Over 8 to 25 Miles - per mile			..	
DS0 Over 25 to 50 Miles - Fixed			..	
DS0 Over 25 to 50 Miles - per mile			..	
DS0 Over 50 Miles - Fixed			..	
DS0 Over 50 Miles - per mile			..	
DS1 Over 0 to 8 Miles - Fixed	\$35.98		..	
DS1 Over 0 to 8 Miles - per mile	\$0.65		..	
DS1 Over 8 to 25 Miles - Fixed	\$35.99		..	
DS1 Over 8 to 25 Miles - per mile	\$0.94		..	
DS1 Over 25 to 50 Miles - Fixed	\$36.00		..	
DS1 Over 25 to 50 Miles - per mile	\$1.75		..	
DS1 Over 50 Miles - Fixed	\$36.00		..	
DS1 Over 50 Miles - per mile	\$1.59		..	
DS3 Over 0 to 8 Miles - Fixed	\$243.17		..	
DS3 Over 0 to 8 Miles - per mile	\$13.32		..	
DS3 Over 8 to 25 Miles - Fixed	\$246.15		..	
DS3 Over 8 to 25 Miles - per mile	\$15.90		..	
DS3 Over 25 to 50 Miles - Fixed	\$250.66		..	
DS3 Over 25 to 50 Miles - per mile	\$22.91		..	
DS3 Over 50 Miles - Fixed	\$249.26		..	
DS3 Over 50 Miles - per mile	\$22.49		..	
Multiplexing				
DS3 to DS1 per system	\$196.85	\$164.00	\$141.61	\$163.86
Local Traffic				
End office call termination, per minute of use			\$0.00149	
Trunk Transmission				
Over 0 to 8 Miles - Fixed, per mou			..	
Over 0 to 8 Miles - per mile			..	
Over 8 to 25 Miles - Fixed, per mou			..	
Over 8 to 25 Miles - per mile			..	
Over 25 to 50 Miles - Fixed, per mou			..	
Over 25 to 50 Miles - per mile			..	
Over 50 Miles - Fixed, per mou			..	
Over 50 Miles - per mile			..	

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Current Rates

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Pricing Proposal

	Recurring	NRC	Recurring	NRC
Trunk Nonrecurring Charges				
DS1 interface, First Trunk				\$216.68 *
DS1 interface, Each Additional Trunk				\$3.62 *
DS1 Disconnect				**
DS3 interface, First Trunk				\$220.84 *
DS3 interface, Each Additional Trunk				\$7.78 *
DS3 Disconnect				**
DS1 Trunk Rearrangement				
First Trunk				**
Each Additional Trunk				**
DS3 Trunk Rearrangement				
First Trunk				**
Each Additional Trunk				**
Miscellaneous Charges				
Expedite Charge (LIS Trunks)			**	**
Cancellation Charge (LIS Trunks)			**	**
Construction Charges			**	**
IntraLATA Toll Traffic				
Transit Traffic				
Exchange Service (EAS/Local) Transit			**	**
Local Transit Assumed Mileage			**	**
IntraLATA Toll			**	**
IntraLATA Toll Assumed Mileage			**	**
Jointly Provided Switched Access			**	**
Category 11 Mechanized Record Charge, per Record			**	**
Local Transit			**	**
LIS EICT (when used for collocation)				
DS1	\$4.28	\$256.87	**	**
DS3	\$14.98	\$269.78	**	**
Interconnection Tie Pairs (ITP) (Optional)				
Per DS1			**	**
Per DS3			**	**
Channel Regeneration (Optional)				
DS1 Regeneration			\$1.20	\$293.12 *
DS3 Regeneration			\$3.71	\$1,108.91 *
COLLOCATION				
ALL COLLOCATION				
Quote Preparation Fee		\$1,381.54		**
Argument QPF				**
Collocation Entrance Facility, per fiber pair				
Standard per Fiber pair			\$9.77	\$383.07 *
Cross Connect per Fiber			\$9.86	\$448.59 *
Excess per Cable			\$168.87	\$5,611.21 *
Element Group 1, per fiber pair	\$1.52	\$1,184.74	**	**
Entrance Facility - Element Group 2				

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Current Rates

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Pricing Proposal

	Recurring	NRC	Recurring	NRC
Manhole, per Month, per Manhole	\$13.81		**	
Handhold, per Month, per Handhold	\$7.61		**	
Conduit Innerduct POI to vault, per foot	\$0.21		**	
Cable, per occurrence		\$181.57	**	**
Riser, vault to equipment, per foot	\$0.24		**	
Fiber Optic cable, per 24, per foot	\$0.03		**	
Fiber placement in conduit & riser, per foot		\$0.83	**	**
Copper 25 pair, per foot	\$0.006		**	
Copper placement conduit & reser, per foot		\$0.83	**	**
Coax placement, per foot	\$0.10		**	
Cable Splicing				
Fiber - Per Set-Up		\$375.40		\$290.86
Per Fiber Spliced		\$15.79		\$23.25
Per Splice - Copper		\$45.64		
-48 Volt DC Power Usage, per Ampere, per Month	\$12.89			
Power Plant, per amp <60 amps			**	
>60 amps			**	
=60 amps			**	
Power Usage Less Than 60 Amps, per Amp			**	
Power Usage More Than 60 Amps, per Amp			**	
AC Power Feed (Backup Power)				
AC Power Feed – per Amp, per Month				
120 V			**	
208 V, Single Phase			**	
208 V, Three Phase			**	
240 V, Single Phase			**	
240 V, Three Phase			**	
480 V, Three Phase			**	
-48 Volt DC Power Cable, per foot Per A & B Feeder				
20 Amp Feed	\$0.21	\$59.14	**	**
40 Amp Feed	\$0.29	\$80.69	**	**
60 Amp Feed	\$0.35	\$95.34	**	**
100 Amp Feed			**	**
200 Amp Feed			**	**
300 Amp Feed			**	**
400 Amp Feed			**	**
AC Power Feed, per Watt, per Month	\$0.03		**	
AC Power Feed, per foot per A&B Feeder				
20 Amp, Single Phase			\$0.00714	\$4.89
20 Amp, Three Phase			\$0.00885	\$6.06
30 Amp, Single Phase			\$0.00769	\$5.27
30 Amp, Three Phase			\$0.01055	\$7.24
40 Amp, Single Phase			\$0.00909	\$6.20
40 Amp, Three Phase			\$0.01244	\$8.53
50 Amp, Single Phase			\$0.01074	\$7.36
50 Amp, Three Phase			\$0.01501	\$10.27
60 Amp, Single Phase			\$0.01214	\$8.31
60 Amp, Three Phase			\$0.01726	\$11.82
100 Amp, Single Phase			\$0.01507	\$10.30

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Current Rates

ACC Staff

Pricing Proposal

	Recurring	NRC	Recurring	NRC
100 Amp. Three Phase			\$0.02349	\$16.08 *
Inspector Labor, per Half Hour				
Regular Hours Rate		\$24.49	**	**
After Hours Rate, minimum 3 hours		\$36.24	**	**
Interconnection Tie Pairs (ITP)				
Per DS1			**	*
Per DS3			**	*
EICT Channel Termination				
2 wire	\$0.44	\$383.30	**	**
4 wire	\$0.86	\$383.30	**	**
DS1 EICT	\$4.28	\$256.87	**	**
DS3 EICT	\$14.98	\$269.78	**	**
Channel Regeneration				
DS1 Regeneration	\$6.30		\$1.20	\$293.12 *
DS3 Regeneration	\$41.32		\$3.71	\$1,108.91 *
Collocation Terminations - DS0				
Block Termination			**	**
Per Termination			**	**
Cable Placement per 100 Pair Block, OR			\$0.29506	\$149.10 *
Cable Placement per Termination			\$0.00555	\$2.80 *
Cable per 100 Pair Block, OR			\$0.37954	\$191.78 *
Cable per Termination			\$0.00519	\$2.63 *
Blocks per 100 Pair Block, OR			\$0.66179	\$334.39 *
Blocks per Termination			\$0.00909	\$4.58 *
Block Placement Per 100 Pair Block, OR			\$0.30604	\$154.64 *
Block Placement per Termination			\$0.00421	\$2.12 *
Collocation Terminations - DS1				
Block Termination			**	**
Per Termination			**	**
Cable Placement per 28 DS1s, OR			\$0.36234	\$247.98 *
Cable Placement per Termination			\$0.03898	\$26.66 *
Cable per 28 DS1s, OR			\$0.32354	\$221.41 *
Cable per Termination			\$0.03477	\$23.81 *
Panel per 28 DS1s, OR			\$0.36917	\$252.64 *
Panel per Termination			\$0.04459	\$30.50 *
Panel Placement per 28 DS1s, OR			\$0.07735	\$52.91 *
Panel Placement per Termination			\$0.00830	\$5.69 *
Collocation Terminations - DS3				
Block Termination			**	**
Per Termination			**	**
Cable Placement per Termination			\$0.14756	\$100.96 *
Cable per Termination			\$0.20893	\$142.97 *
Panel Connector per Termination			\$0.21527	\$147.32 *
Panel Connector Placement per Termination			\$0.02220	\$15.20 *
Security				
Per Employee, per Card			\$0.52	*
Card Access Per employee, per Office			\$4.82	*

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Current Rates

ACC Staff
Pricing Proposal

	Recurring	NRC	Recurring	NRC
Central Office Security Infrastructure			**	**
Central Office Clock Synchronization Synchronization – Composite Clock, per Port			\$3.23	*
Space Availability Report Per Office				\$204.36 *
Space Reservation			**	
Space Option			**	
VIRTUAL				
Quote Preparation Fee		\$1,381.54		\$2,683.90 *
Inspector Labor, per Half Hour				
Regular Hours Rate		\$24.49		**
After Hours Rate		\$36.24		**
Maintenance Labor, per Half Hour				
Regular Hours Rate		\$22.20		**
After Hours Rate		\$31.57		**
Training Labor, per Half Hour				
Regular Hours Rate		\$23.95		**
Equipment Bay -recurring, per Shelf	\$6.41		\$2.20	*
Engineering Labor, per Half Hour				
Regular Hours Rate		\$24.55		**
After Hours Rate		\$35.25		**
Installation Labor, per Half Hour				
Regular Hours Rate		\$23.73		**
After Hours Rate		\$33.20		**
Floor Space Lease, per Square Foot			\$2.25	*
Zone 1				
Zone 2				
Zone 3				
48 Volt DC Power Cables				
20A Power Feed, per feed			\$4.95	\$3,387.12 *
30A Power Feed, per feed			\$5.65	\$3,869.82 *
40A Power Feed, per feed			\$6.90	\$4,721.28 *
60A Power Feed, per feed			\$8.61	\$5,890.14 *
CAGELESS COLLOCATION				
Quote Preparation Fee				\$2,683.90 *
Space Construction				
on-going maintenance			**	

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Current Rates

ACC Staff
Pricing Proposal

		Recurring	NRC	Recurring	NRC
Accent Engineering					
Floor Space Lease, per Square Foot				**	**
Rerz w/maintenance per foot zone 1				\$2.25	
Rerz w/maintenance per foot zone 2					
Rerz w/maintenance per foot zone 3					
Grounding					
2/0 AWG - per Foot				\$0.01129	\$7.72 *
1/0 AWG - per Foot				\$0.01879	\$12.84 *
4/0 AWG - per Foot				\$0.02129	\$14.59 *
350 kcmil - per Foot				\$0.02959	\$20.24 *
500 kcmil - per Foot				\$0.03294	\$22.55 *
750 kcmil - per Foot				\$0.05051	\$34.56 *
Humidification per Leased Physical Space	\$28.03			**	
ICDF Collocation				**	**
Adjacent Collocation				**	**
REMOTE COLLOCATION & REMOTE ADJ. COLLOCATION				**	**
CLEC-to-CLEC Connections					
CLEC to CLEC Quote Preparation Fee					
Design Engineering & Installation - No Cables					\$482.89 *
Cable Racking (Per Foot)					
DS0				\$0.10529	*
DS1				\$0.11157	*
DS3				\$0.09703	*
Virtual Connections (Connections only; No Cables)					
DS0 (Per 100 Connections)					\$136.65 *
DS1 (Per 28 Connections)					\$62.32 *
DS3 (Per 1 Connection)					\$5.39 *
Cable Hole (if Applicable)					\$269.92 *
CLEC to CLEC Cross-Connection					\$156.39 *
UNBUNDLED NETWORK ELEMENTS (UNES)					
Interconnection Tie Pairs (ITP)-Per Termination					
DS0 2-wire				**	*
DS0 4-wire				**	*
DS1 Per each Termination				**	*
DS3 Per each Termination				**	*
Unbundled Loops					
2 Wire Voice Grade					
Zone 1	\$21.98			\$12.35	
Zone 2	\$18.96			\$9.93	
Zone 3	\$34.94			\$14.60	
4 Wire Voice Grade					
Zone 1	\$56.53			\$35.41	
Zone 2	\$22.90			\$24.07	
Zone 3				\$19.25	

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 Current Rates ACC Staff
 Pricing Proposal

		Recurring	NRC	Recurring	NRC
Zone 2				\$28.55	
Zone 3				\$70.13	
Non-loaded Loops					
2 Wire Non-loaded Loop					
Zone 1				\$9.93	
Zone 2				\$14.60	
Zone 3				\$35.41	
4 Wire Non-loaded Loop					
Zone 1				\$19.25	
Zone 2				\$28.55	
Zone 3				\$70.13	
Cable Unloading/Bridge Tap Removal					
Under 18,000 feet, per loop			\$114.80		\$40.00
Above 18,000 feet, per location (for aerial and buried)					\$70.00
Above 18,000 feet, per location (for underground)					\$400.00
Above 18,000 feet, each additional coil or tap at the same time & location & cable					\$2.00
Basic Rate ISDN /XDSL/ADSL Capable Loops					
Zone 1				\$9.93	
Zone 2				\$14.60	
Zone 3				\$35.41	
DS1 Capable Loop					
Zone 1				**	
Zone 2				**	
Zone 3				**	
HDSL 4 Wire (DS1) - Equipped Loop					
				**	
DS3 Capable Loop					
Zone 1				**	
Zone 2				**	
Zone 3				**	
2 Wire Extension Technology					
	\$6.75			\$2.52	
DS3 - Loop Installation Charges					
Basic Installation					
Residence 2-wire			\$40.92		**
Business - 2 wire			\$45.92		**
POTS/ISDN BRI Migration (UNE Loop)					**
POTS/ISDN BRI Installation (UNE Loop)					**
POTS/ISDN BRI Disconnect (UNE Loop)					**
Residence 4-wire			\$41.82		**
Business 4-wire			\$46.92		**
4 Wire Migration (UNE Loop)					**

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Current Rates

ACC Staff
Pricing Proposal

	Recurring	NRC	Recurring	NRC
4 Wire Install (UNE Loop)				**
4 Wire Disconnect (UNE Loop)				**
Each Additional Loop				**
Basic Installation with Performance Testing				
First Loop				\$117.30 *
Each Additional Loop				\$84.16 *
Coordinated Installation with Cooperative Testing				
First Loop				\$141.67 *
Each Additional Loop				\$84.16 *
Coordinated Installation without Cooperative Testing				
First Loop				\$58.18 *
Each Additional Analog Loop				\$50.73 *
Coordinated Installation with Cooperative Testing - No Dispatch				
First Loop				**
Each Additional Loop				**
Basic Installation with Cooperative Testing				
First Loop				\$117.30 *
Each Additional Loop				\$84.16 *
DS: Loop Installation Charges				
Basic Installation				
First Loop				\$87.93 *
Each Additional Loop				\$67.58 *
Migration				**
Disconnect				**
Basic Installation with Performance Testing				
First Loop				\$169.69 *
Each Additional Loop				\$124.27 *
Coordinated Installation with Cooperative Testing				
First Loop				\$194.07 *
Each Additional Analog Loop				\$124.27 *
Coordinated Installation without Cooperative Testing				
First Loop				\$93.49 *
Each Additional Loop				\$73.14 *
Basic Installation with Cooperative Testing				
First Loop				\$169.69 *
Each Additional Loop				\$124.27 *
DSS Loop Installation Charges				
Basic Installation				
First Loop				\$87.93 *
Each Additional Loop				\$67.58 *

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ACC Staff
Pricing Proposal

	Recurring	NRC	Recurring	NRC
Migration				**
Disconnect				**
Basic Installation with Performance Testing or w/cooperative testing				
First Loop				\$169.69 *
Each Additional Loop				\$124.27 *
Coordinated Installation with Cooperative Testing				
First Loop				\$194.07 *
Each Additional Analog Loop				\$124.27 *
Coordinated Installation without Cooperative Testing				
First Loop				\$93.49 *
Each Additional Loop				\$73.14 *
Basic Installation with Cooperative Testing				
First Loop				\$169.69 *
Each Additional Loop				\$124.27 *
Subloop				
2-Wire Non Loaded Distribution Loop				
2-Wire Analog Distribution Loop	\$15.33	BFR		**
Zone 1			\$5.24	
Zone 2			\$9.37	
Zone 3			\$25.79	
Each Additional				**
2 Wire Migration at the FDI				**
2 Wire Disconnect at the FDI				**
4-Wire Non Loaded Distribution Loop				
4-Wire Analog Distribution Loop				
Zone 1			\$10.48	
Zone 2			\$18.74	
Zone 3			\$51.59	
4 Wire Migration at the FDI				**
4 Wire Disconnect at the FDI				**
2-Wire Loop Feeder				
Zone 1			\$1.04	
Zone 2			\$1.41	
Zone 3			\$3.86	
4-Wire Loop Feeder				
Zone 1			\$2.08	
Zone 2			\$2.82	
Zone 3			\$7.73	
2-Wire Loop Concentration				
Zone 1			\$3.04	
Zone 2			\$3.17	
Zone 3			\$5.06	
4-Wire Loop Concentration				
Zone 1			\$6.07	
Zone 2			\$6.35	
Zone 3			\$10.13	
Splicing Cable				

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ACC Staff
Pricing Proposal

	Recurring	NRC	Recurring	NRC	
Intrabuilding Cable Loop, Per Pair			\$0.73		*
On Premises Wire				**	
DS1 Capable Feeder Loop				**	
DS1 Each Additional Capable Feeder Loop				**	
Zone 1			**		
Zone 2			**		
Zone 3			**		
Channelized DS1 Virtual Feeder to RT Install				**	
Channelized DS1 Virtual Feeder to RT Disconnect				**	
CSS			**	**	
Trouble Isolation Charge				**	
FDI Field Connection Point				**	
Field Connection Point					
Feasibility Fee/Quote Preparation Fee				**	
Construction Fee				**	
Line Sharing					
Shared Loop, per Loop			\$2.47	**	
CSS - Per Line - Per Month			\$0.10		
CSS, per Order				**	
Reclassification Charge				**	
Splitter Shelf Charge			**	**	
Splitter TIE Cable Connections					
Option 1A			**	**	
Option 1B			**	**	
Option 2A			**	**	
Option 2B			**	**	
Option 3A			**	**	
Option 3B			**	**	
POTS Splitter Options					
Splitter in the Common Area					
Data to 410 Block			\$3.55	\$1,945.81	*
Data Direct to CLEC			\$3.73	\$2,042.15	*
Splitter on the IDF					
Data to 410 Block			\$1.13	\$619.31	*
Data Direct to CLEC			\$2.12	\$1,159.55	*
Splitter on the MDF					
Data to 410 Block			\$1.17	\$637.07	*
Data Direct to CLEC			\$2.49	\$1,368.14	*
Additional Testing			**	**	
Splitter shelf charge			\$3.91	\$328.11	*
POTS Splitter Charge - Per Splitter			**	**	
Engineering					
New Bay				\$560.00	
Existing Bay				\$120.00	
Trouble Isolation Charge				**	
Network Interface Device (NID)	\$0.58	\$30.00	\$0.63	**	
Zone 1			\$0.62		
Zone 2			\$0.65		
Zone 3			\$0.68		

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	Recurring	NRC	Recurring	NRC
Unbundled Dedicated Interoffice Transport (UDIT)				
DSC UDIT				
DS0 Over 0 to 8 Miles - Fixed	\$5.05		..	..
DS0 Over 0 to 8 Miles - per mile	\$0.00		..	
DS0 Over 8 to 25 Miles - Fixed	\$5.05		..	
DS0 Over 8 to 25 Miles - per mile	\$0.00		..	
DS0 Over 25 to 50 Miles - Fixed	\$5.05		..	
DS0 Over 25 to 50 Miles - per mile	\$0.00		..	
DS0 Over 50 Miles - Fixed	\$5.05		..	
DS0 Over 50 Miles - per mile	\$0.00		..	
DS1 UDIT				
DS1 Over 0 to 8 Miles - Fixed	\$35.98		..	..
DS1 Over 0 to 8 Miles - per mile	\$0.65		..	
DS1 Over 8 to 25 Miles - Fixed	\$35.99		..	
DS1 Over 8 to 25 Miles - per mile	\$0.94		..	
DS1 Over 25 to 50 Miles - Fixed	\$36.00		..	
DS1 Over 25 to 50 Miles - per mile	\$1.75		..	
DS1 Over 50 Miles - Fixed	\$36.00		..	
DS1 Over 50 Miles - per mile	\$1.59		..	
DS1 Interoffice Transport - Disconnect				..
DS3 UDIT				
DS3 Over 0 to 8 Miles - Fixed	\$243.17		..	..
DS3 Over 0 to 8 Miles - per mile	\$13.32		..	
DS3 Over 8 to 25 Miles - Fixed	\$246.15		..	
DS3 Over 8 to 25 Miles - per mile	\$15.90		..	
DS3 Over 25 to 50 Miles - Fixed	\$250.66		..	
DS3 Over 25 to 50 Miles - per mile	\$22.91		..	
DS3 Over 50 Miles - Fixed	\$249.26		..	
DS3 Over 50 Miles - per mile	\$22.49		..	
DS3 Interoffice Transport - Disconnect				..
OCS UDIT				
OC-3 Over 0 to 8 Miles - Fixed			..	..
OC-3 Over 0 to 8 Miles - per mile			..	
OC-3 Over 8 to 25 Miles - Fixed			..	
OC-3 Over 8 to 25 Miles - per mile			..	
OC-3 Over 25 to 50 Miles - Fixed			..	
OC-3 Over 25 to 50 Miles - per mile			..	
OC-3 Over 50 Miles - Fixed			..	
OC-3 Over 50 Miles - per mile			..	
OC-12 UDIT				
OC-12 Over 0 to 8 Miles - Fixed			..	..
OC-12 Over 0 to 8 Miles - per mile			..	
OC-12 Over 8 to 25 Miles - Fixed			..	
OC-12 Over 8 to 25 Miles - per mile			..	
OC-12 Over 25 to 50 Miles - Fixed			..	
OC-12 Over 25 to 50 Miles - per mile			..	
OC-12 Over 50 Miles - Fixed			..	
OC-12 Over 50 Miles - per mile			..	
Above OC-12 UDIT		

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	Recurring	NRC	Recurring	NRC
Extended Unbundled Dedicated Interoffice Transport				
DS1 E-UDIT			**	**
DS3 E-UDIT			**	**
OC-3 E-UDIT			**	**
OC-12 E-UDIT			**	**
Above OC-12 E-UDIT			**	**
DS0 UDIT Low Side Channelization			**	
Low Side Channel Performance			**	
Low Side Channel Performance with Multiplexing			**	
DS1:DS0 Low Side Channelization			**	**
Multiplexing DS3 to DS1	\$196.85	\$164.00	\$141.61	
Multiplexing DS1 to DS0	\$200.08		\$128.51	
UCIT M1-3 Multiplexing				**
UCIT M1-0 Multiplexing High Side				**
UCIT M1-0 Multiplexing Low Side			**	**
UCIT Rearrangement				
Single Office				**
Dual Office				**
High Capacity Single Office				**
High Capacity Dual Office				**
Unbundled Dark Fiber (UDF)				
Single Strand Increments (Available May 31, 2001)			**	**
Initial Records Inquiry (IRI)				
Simple				**
Complex				**
Mid-Point Structure Inquiry (MPSI)				**
Field Verification and Quote Preparation (FVQP)				**
Field Verification				**
UCF-OF Charges				
Order Charge per Pr./Route/Order				**
Order Charge ea Addl. Pr./Same Route				**
Termination, Fixed per Pr./Office			**	
Termination-Wire Center-2 Per Pair			**	
Fiber Transport, per Mile			**	
Fiber Cross-Connect Per Pr.			**	**
Fiber Disconnect				**
UCF-Loop Charges				
Order Charge per Pr./Route/Order				**
Order Charge ea Addl. Pr./Same Route				**
Termination, Fixed Per Pr./Office			**	
Termination Fixed Per Pr./Prem.			**	
Fiber Transport, per Route/Per Pr.			**	
UDF Loop - Per Fiber Loop			**	
Fiber Cross-Connect Per Pr.			**	**
Fiber Disconnect				**
Extended Unbundled Dark Fiber (E-UDF)				

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			Recurring	NRC	Recurring	NRC
Order Charge per Pr./Route/Order					**	**
Order Charge ea Addl. Pr.Same Route					**	**
Termination, Fixed Per Pr./Office					**	**
Termination at Wire Center, 2 per Pair					**	**
Termination Fixed Per Pr./Prem.					**	**
Fiber Transport, per Route/Per Pr.					**	**
E-UDF Fiber (Per pair)					**	**
Fiber Cross-Connect Per Pr.					**	**
Unbundled Customer Controlled Rearrangement Element (UCRE)						
DS1 Port					**	**
DS3 Port					**	**
Dial Up Access					**	**
Attendant Access					**	**
Virtual Ports					**	**
Local Tandem Switching						
DS1 Local Message Trunk Port					**	**
DS1 Local Message Trunk Port - Disconnect					**	**
Trunk Group - First Trunk					**	**
Message Trunk Group - Each Additional Trunk					**	**
DS1 Trunk Group-Each Additional Trunk-Per Order					**	**
Per minute of use			\$0.0014		\$0.00057	
Local Switching						
Local Switching - TELRIC Based Rates						
Analog Line Side Port, First Port			\$1.61	\$42.58	\$1.12	**
Analog Line Side Port, Each Additional					**	**
Analog Line Side Port, Disconnect					**	**
Digital Line Side Port (Supporting BRI ISDN)						
First Port and each additional port					**	**
DSC Analog Trunk Port						
First Port			\$1.61	\$42.58	\$1.12	**
Each Additional						
Digital Trunk Ports						
DS1 Local Message Trunk Port					**	**
DS1 Local Message Trunk Port - Disconnect					**	**
Message Trunk Group, First Trunk					**	**
Message Trunk Group, Each Additional					**	**
DS1 PRI/ISDN Trunk Port					**	**
DS1 DID Trunk Port					**	**
Digital Line Side Port (Supporting BRI ISDN)						
First Port					**	**
Each Additional Port						**
Digital Trunk Ports						

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Current Rates

Pricing Proposal

	Recurring	NRC	Recurring	NRC
DS1 Local Message Trunk Port				**
DS1 Digital Trunk, Install				**
DS1 Digital Trunk, Disconnect				**
Message Trunk Group, First Trunk				**
Message Trunk Group, Each Additional				**
DS1 PRI ISDN Trunk Port				**
Customized Routing				
Development of Custom Line Class Code-DA or OS Routing Only				**
Installation Charge, per Switch-DA or OS Routing Only				**
All Other Custom Routing			**	**
Common Channel Signaling/SS7				
Entrance Facility DS1, Electrical	\$89.42	\$560.88	**	**
Subsequent		\$560.88		**
Entrance Facility DS3, Electrical	\$357.16		**	**
Direct Link Transport				
DS1 - over 0 to 8	\$35.98	\$0.65	**	**
DS1 - over 8 to 25	\$35.99	\$0.94	**	**
DS1 - over 25 to 50	\$36.00	\$1.75	**	**
DS1 - over 50	\$36.00	\$1.59	**	**
DS3 - over 0 to 8	\$243.17	\$13.32	**	**
DS3 - over 8 to 25	\$246.15	\$15.90	**	**
DS3 - over 25 to 50	\$250.66	\$22.91	**	**
DS3 - over 50	\$249.26	\$22.49	**	**
Multiplexing				
DS1 to DS0	\$200.08		**	**
DS3 to DS1	\$196.85		**	**
CCSAC STP Port			**	**
CCSAC Options Activation Charge				
Basic Translations				
First Activation, per order				**
Each Additional Activation, per				**
CCSAC Options Database Translations				
First Activation per order				**
Each additional Activation per order				**
Signal Formulation, ISUP, Per Call Set-Up Request			**	**
Signal Transport, ISUP, Per Call Set-Up Request			**	**
Signal Transport, TCAP, per Data Request			**	**
Signal Switching, ISUP, Per Call Set-Up Request			**	**
Signal Switching, TCAP, Per Data Request			**	**
STP per message	\$0.00005		\$0.00006	
SCP per message	\$0.00100		\$0.00109	
CCS Link - First Link		\$464.94		**
CCS Link - Each Additional Link		\$147.60		**
Signaling Link				
First Link, DSO	\$24.85		\$38.28	**
Additional Link, DSO	\$24.85		**	**

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	Recurring	NRC	Recurring	NRC
SS7 Links (DS0) Disconnect				**
SS7 Links (DS1) Install				**
SS7 Links (DS1) Disconnect				**
SS7 STP global title translations 'A Link' only Install				**
SS7 STP global title translations 'A Link' only Disconnect				**
SS7 STP message transfer part 'A Link' only (port) Install				**
SS7 STP message transfer part 'A Link' only (port) Disconnect				**
Advanced Intelligent Network (AIN)				
AIN Customized Services (ACS)				**
AIN Platform Access (APA)			**	**
AIN Query Processing, per Query			**	
Line Information Database (LIDB)				
LIDB Storage				**
Line Validation Administration System Access (LVAS)				**
LIDB Line Record Initial Load				**
Up to 20,000 Line Records				**
Over 20,000 Line Records				**
Mechanized Service Account Update, per Addition or Update Processed				**
Individual Line Record Audit				**
Account Group Audit				**
Expedited Request Charge for Manual Updates				**
LIDB Query Service, per Query			**	**
Fraud Alert Notification, per Alert			**	
8XX Database Query Service				
Basic Query, per Query			**	**
PCTS Translation			**	
Call Handling & Destination Feature			**	
ICNAM, Per Query				
			**	**
Construction Charges				
			**	**
Miscellaneous Elements				
Additional Engineering - Basic				**
Additional Engineering - Overtime				**
Additional Labor Installation - Overtime				**
Additional Labor Installation - Premium				**
Additional Labor Other - Basic				**
Additional Labor Other - Overtime				**
Additional Labor Other - Premium				**
Testing and Maintenance - Basic				**
Testing and Maintenance - Overtime				**
Testing and Maintenance - Premium				**
Maintenance of Service - Basic				**
Maintenance of Service - Overtime				**
Maintenance of Service - Premium				**
Additional COOP Acceptance Testing - Basic				**
Additional COOP Acceptance Testing - Overtime				**
Additional COOP Acceptance Testing - Premium				**
Non-Scheduled COOP Testing - Basic				**
Non-Scheduled COOP Testing - Overtime				**

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	Recurring	NRC	Recurring	NRC
Non-Scheduled COOP Testing - Premium				**
Non-Scheduled Manual Testing - Basic				**
Non-Scheduled Manual Testing - Overtime				**
Non-Scheduled Manual Testing - Premium				**
Cooperative Scheduled Testing - Loss				**
Cooperative Scheduled Testing - C-Message Noise				**
Cooperative Scheduled Testing - Balance				**
Cooperative Scheduled Testing - Gain Slope				**
Cooperative Scheduled Testing - C-Notched Noise				**
Manual Scheduled Testing - Loss				**
Manual Scheduled Testing - C-Message Noise				**
Manual Scheduled Testing - Balance				**
Manual Scheduled Testing - Gain Slope				**
Manual Scheduled Testing - C-Notched Noise				**
Additional Dispatch				**
Rate Change				**
Design Change				**
Expedite Charge				**
Cancellation Charge				**
Channel Regeneration				
DS1 Regeneration			\$1.20	\$293.12
DS3 Regeneration			\$3.71	\$1,108.91
UNE Platform				
UNE-P Platform Pots New/Existing				
New				
Mechanized, First				**
Mechanized, Each Additional				**
Manual, First				**
Manual, Each Additional				**
Existing				
Mechanized, First				**
Mechanized, Each Additional				**
Manual, First				**
Manual, Each Additional				**
UNE-P New Connection				
UNE-P POTS Mechanized, First				**
UNE-P POTS Mechanized, Each Additional				**
UNE-P POTS Manual, First				**
UNE-P POTS Manual, Each Additional				**
UNE-P Conversion				
UNE-P POTS, CENTREX, PAL, PBX				
Mechanized, First				**
Mechanized, Each Additional				**
Migration				**
Disconnect				**
UNE-P POTS, CENTREX, PAL, PBX				
Manual, First				**
Manual, Each Additional				**
UNE-P PBX DID				

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Pricing Proposal

		Recurring	NRC	Recurring	NRC
First					
Each Additional					**
UNE-P ISDN BRI					
First					**
Each Additional					**
Migration					**
Disconnect					**
UNE-P ISDN PRI, DSS per DS1 Facility					**
UNE-P ISDN PRI, DSS Trunk					**
First					**
Each Additional					**
UNE-Combination Private Line					**
DS0/DS1/DS3/OCN/Integrated T-1 Existing Service					**
Enhanced Extended Loop (EEL)					**
EEL Link					**
DS0 2-Wire					**
DS0, Each Additional					**
Zone 1				\$9.93	
Zone 2				\$14.60	
Zone 3				\$35.41	
DS0 4-Wire					**
Each Additional					**
Zone 1				\$19.25	
Zone 2				\$28.55	
Zone 3				\$70.13	
DS1				**	**
Zone 1				**	
Zone 2				**	
Zone 3				**	
Each Additional					**
DS3				**	**
Zone 1				**	
Zone 2				**	
Zone 3				**	
Each Additional					**
EEL C					**
EEL Transport					**
DS0 EEL Transport					**
DS0 Over 0 to 8 Miles - Fixed				**	
DS0 Over 0 to 8 Miles - per mile				**	
DS0 Over 8 to 25 Miles - Fixed				**	
DS0 Over 8 to 25 Miles - per mile				**	
DS0 Over 25 to 50 Miles - Fixed				**	
DS0 Over 25 to 50 Miles - per mile				**	
DS0 Over 50 Miles - Fixed				**	

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		Recurring	NRC		Recurring	NRC
DS0 Over 50 Miles - per mile				..		
Migration						..
Disconnect						..
DS1 EEL Transport						
DS1 Over 0 to 8 Miles - Fixed				..		
DS1 Over 0 to 8 Miles - per mile				..		
DS1 Over 8 to 25 Miles - Fixed				..		
DS1 Over 8 to 25 Miles - per mile				..		
DS1 Over 25 to 50 Miles - Fixed				..		
DS1 Over 25 to 50 Miles - per mile				..		
DS1 Over 50 Miles - Fixed				..		
DS1 Over 50 Miles - per mile						..
Migration						..
Disconnect						..
DS3 EEL Transport						
DS3 Over 0 to 8 Miles - Fixed				..		
DS3 Over 0 to 8 Miles - per mile				..		
DS3 Over 8 to 25 Miles - Fixed				..		
DS3 Over 8 to 25 Miles - per mile				..		
DS3 Over 25 to 50 Miles - Fixed				..		
DS3 Over 25 to 50 Miles - per mile				..		
DS3 Over 50 Miles - Fixed				..		
DS3 Over 50 Miles - per mile				..		
Multiplexing						
Multiplexing DS1 to DS0				\$128.51		\$163.86
Multiplexing DS3 to DS1				\$141.61		\$163.86
DS1 Transport Mux						\$157.48
DS3 Transport Mux						\$157.48
DS0 Channel Performance						
DS0 Low Side Channelization				..		
DS1/DS0 MUX, Low Side Channelization			
Concentration Capability				..		
Unbundled Packet Switching						
Customer Channel				..		
Customer Channel and Shared Distribution Loop						..
Customer Channel and Unbundled Distribution Loop						..
Customer Channel and CLEC Provided Loop						..
DSLAM			
Virtual Transport			
Unbundled Packet Switch Loop Capability			
Unbundled Packet Switch Interface Port						..
DS3 Interface			
DS1 Interface			
Unbundled Pack Switch DSLAM Functionality			
ANCILLARY SERVICES						
Interim Number Portability						
Number Ported						..
Service Establishment per route, per switch			\$20.65			..

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	Recurring	NRC	Recurring	NRC
Service Establishment, Per Ported Number		\$4.47		**
Service Establishment, additional number ported or changes to existing number, per number ported		\$3.32		**
Coordinated Out of Hours Cut - Non-Sunday/Holiday				**
Coordinated Out of Hours Cut - Sunday/Holiday				**
Local Number Portability				
LNP Queries				**
LNP Managed Cuts				**
Standard Managed Cuts per person per 1/2 hour				**
OverTime Managed Cuts per person per 1/2 hour				**
Premium Managed Cust per person per 1/2 hour				**
911/E911				**
White Pages Directory Listings, Facility Based Providers				
Primary Listing				**
Premium/Privacy Listings				**
Directory Assistance, Facility Based Providers				
Local Directory Assistance, per Call		\$0.28	**	**
National Directory Assistance, per Call			**	**
Call Branding, Set- Up and Recording				**
Loading Brand /Per Switch				**
Call Completion Link, per call			**	
Directory Assistance List Information				
Initial Database Load per Listing			**	
Records of Database, per Listing			**	
Daily Updates, per Listing			**	
One-time Set-Up Fee, per Hour				**
Media Charges for File Delivery				
Electronic Transmission			**	
Tapes (charges only apply if this is selected as the normal delivery medium for daily updates)			**	
Shipping Charges (for tape delivery)			**	
Toll and Assistance Operator Services, Facility Based Providers				
Option A - per message				
Operator Handled Calling Card			**	
Machine Handled Calling Card			**	
Station Call			**	
Person Call			**	
Connect to Directory Assistance			**	
Busy Line Verify, per call	\$0.72		**	
Busy Line Interrupt	\$0.87		**	
Operator Assistance, per call			**	
Option B - per operator work section and computer handled calls				
Operator Handled, per Operator Work Second			**	
Machine Handled, per call			**	
Call Branding, Set-Up & Recording				**
Loading Brand/Per Switch				**

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	Recurring	NRC	Recurring	NRC
Access to Poles, Ducts, Conduits and Rights of Way				
Pole Inquiry Fee, per Mile			**	
Innerduct Inquiry Fee, per Mile			**	
RCW Inquiry Fee			**	
RCW Document Preparation			**	
Fec Verification Fee, pr Pole			**	
Fec Verification Fee, per Manhole			**	
Planner Verification, per Manhole			**	
Manhole Verification Inspector, per Manhole			**	
Manhole Make Ready Inspector, per Manhole			**	
Make-Ready Work, per Foot Innerduct			**	
Pole Attachment Fee, per Foot, per Year			**	
Innerduct Occupancy Fee, per Foot, per Year			**	
 Operational Support Systems				
Development & Enhancements, per Order				**
Ongoing Maintenance, per Order			**	
Daily Usage Record File, per Record			**	
 Trouble Isolation Charge			**	
 Bona Fide Request Process				
Processing Fee			**	**

* Qwest proposed Rates in Qwest Exhibit TKM-01R multiplied by 61%. See Testimony of William Dunkel.

** At this time Staff is not proposing a rate for this item. However, Staff recommends the use of a 15% common overhead markup for all items. Replacing the effective 32% overhead Qwest used, with the Staff's proposed 15% factor results in rates that are 87% of the Qwest proposed rates (i.e. 13% below Qwest's proposed rates), as shown below:

$$\text{Price (Qwest)} = \text{Direct Cost} + (32\% \times \text{Direct Cost})$$

$$\text{Price (Staff)} = \text{Direct Cost} + (15\% \times \text{Direct Cost})$$

Simplifies to:

$$\text{Price (Staff)} = 0.87 \times \text{Price (Qwest)}$$

Sources: Exhibit S-37 Schedule WD-17, Tr. pp. 1005-1106 and Tr. p. 1168.