

ORIGINAL



RECEIVED

2001 DEC 19 A 11:52

# Davis Wright Tremaine LLP

ANCHORAGE      BELLEVUE      CHARLOTTE      HONOLULU      LOS ANGELES      NEW YORK  
PORTLAND      SAN FRANCISCO      SEATTLE      WASHINGTON, D.C.      SHANGHAI

AT&T CORP COMMISSION  
DOCUMENT CONTROL

LARRY J. WEATHERS  
DIRECT (206) 628-7161  
larryweathers@dwt.com

2600 CENTURY SQUARE  
1501 FOURTH AVENUE  
SEATTLE, WA 98101-1688

TEL (206) 622-3150  
FAX (206) 628-7699  
www.dwt.com

December 18, 2001

Arizona Corporation Commission  
Docket Control – Utilities Division  
1200 West Washington Street  
Phoenix, AZ 85007

Arizona Corporation Commission

**DOCKETED**

DEC 19 2001

Re: ACC Docket No. T-00000A-00-0194

DOCKETED BY	
-------------	--

Dear docket Control:

Enclosed for filing are the original and ten (10) copies of the *Phase IIA Post-Hearing Brief of AT&T Communications of the Mountain States, Inc.*, in the above-referenced matter. If you have any questions, please contact me at the phone number, or e-mail address, above.

Very truly yours,

Davis Wright Tremaine LLP

Larry J. Weathers  
Paralegal

Enclosures

cc: Mary Steele  
Rick Wolters  
Caroline Butler, ACC

RECEIVED

2001 DEC 19 A 11:52

**BEFORE THE ARIZONA CORPORATION COMMISSION**

AZ CORP COMMISSION  
DOCUMENT CONTROL

**WILLIAM A. MUNDELL**  
Chairman  
**JAMES M. IRVIN**  
Commissioner  
**MARC SPITZER**  
Commissioner

**IN THE MATTER OF INVESTIGATION )**  
**INTO U S WEST COMMUNICATIONS, )**  
**INC.'S COMPLIANCE WITH CERTAIN )**  
**WHOLESALE PRICING REQUIREMENTS )**  
**FOR UNBUNDLED NETWORK )**  
**ELEMENTS AND RESALE DISCOUNTS )**     **DOCKET NO. T-00000A-00-0194**

**PHASE IIA POST-HEARING BRIEF  
OF AT&T COMMUNICATIONS OF THE  
MOUNTAIN STATES, INC.**

## TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. DISCUSSION.....	1
A. TELRIC Principles.....	1
B. Unbundled Local Switching and Local Traffic Rates.....	2
1. The Cost Models In General.....	3
a. Qwest's SCM.....	3
b. The HAI Model.....	5
2. Specific Inputs.....	7
a. Growth and Utilization.....	7
b. Upgrade Costs.....	10
c. Analog Line Circuit Offset.....	11
3. Issues Regarding Specific Rate Elements.....	12
a. Analog Lineside Port and Usage.....	12
b. Features.....	13
c. Tandem Switching.....	14
d. Shared Transport.....	14
C. Packet Switching.....	15
III. CONCLUSION.....	15

## I. INTRODUCTION

This Phase IIA Docket continues the process of establishing rates for unbundled network elements begun in Phase II. The costs at issue in this phase of the docket, including the analog port rate, local usage, end-office call termination, tandem switching, and shared transport<sup>1</sup> will determine along with the rates established in Phase II whether local exchange competition can emerge in this state. AT&T of the Mountain States, Inc. ("AT&T"), and WorldCom, Inc. (collectively the "Joint Intervenors") have proposed switching rates based upon the HAI Model 5.2a already accepted in the Recommended Opinion and Order ("RO&O") issued in Phase II. Qwest, in contrast, relies upon the Switching Cost Module ("SCM") of its Integrated Cost Model ("ICM") which, as determined in the RO&O, "is based primarily upon [Qwest's] embedded network and costs and . . . fails to adequately incorporate efficiencies that should be recognized in a TELRIC environment." RO&O at 10.

The Commission should reject Qwest's proposed costs here on the same basis as in the prior phase of this Docket. The Qwest proposal does not comply with the FCC's TELRIC requirements. In contrast, the rates were proposed by the Joint Intervenors are designed to comply with the FCC's rules and the rules of this Commission. AT&T requests that these rates be adopted by the Commission.

## II. DISCUSSION

### A. TELRIC Principles

As AT&T pointed out in Phase II of this proceeding, TELRIC costs may not be modeled based upon a company's "existing network design and technology that are currently in operation." *See In Re Implementation of the Local Competition Provisions of the*

*Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-325, First Report and Order (Rel. Aug. 8, 1996) ("*Local Competition Order*") at ¶ 684. Rather, the FCC's TELRIC pricing methodology requires modeling of efficient practices and procedures in order to replicate the conditions of a competitive market. *Id.* at ¶ 679. Qwest's proposals in this proceeding do not meet this requirement. Rather, the Qwest proposals are based upon Qwest's existing network and do not replicate the conditions of a competitive market as required by the FCC.

**B. Unbundled Local Switching and Local Traffic Rates**

As described by the FCC,

The central office switch provides the connection between a subscriber's local loop and the outside world. Modern digital switches connect telephones, fax machines, and computers to other subscribers on the public switched network. In order accomplish this, a telephone network must connect customer premises equipment to a switching facility, ensure that adequate capacity exists in that switching facility to process calls, and interconnect the switching facility with other switching facilities to route calls to their destination.

*In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Tenth Report and Order, FCC 99-304 (rel. Nov. 2, 1999) ("*Inputs Order*") at ¶ 286. The unbundled switching-related elements that the Commission must price in this Phase IIA are the recurring rates for an analog lineside port (including features), local usage per minute, and shared transport. In addition, the Commission must determine end office call termination rates per minute of use for interconnection and tandem switching rates.

For determining these rates, Quest has proposed the Switching Cost Module ("SCM") of its ICM.<sup>2</sup> The Joint Intervenors developed its proposals through the use of the HAI Model 5.2a.

---

<sup>1</sup> This memorandum will address switching and packet switching rates. AT&T joins in the brief filed by WorldCom, Inc. on remote collocation and customized routing.

<sup>2</sup> As discussed in more detail below, shared transport also relies upon the transport model considered in Phase II.

As in the prior phase of this proceeding, the Joint Intervenors presented evidence that the Qwest model fails to comply with TELRIC. Perhaps more damning, Qwest's own witness sponsoring the model could not explain many of the bases for the assumptions made by the SCM.

In contrast, the HAI Model relies upon the FCC's extensive evaluation of the switching costs incurred by incumbent local exchange carriers. The FCC has already determined that the switching values used within the model comply with forward-looking costing principles. For these reasons, AT&T requests that the rates produced by the HAI Model for switching elements be adopted in this proceeding.

**1. The Cost Models In General**

**a. Qwest's SCM**

Qwest relies upon its SCM to develop the switching investment that is then converted to unbundled element prices through application of the Qwest expense and capital cost modules reviewed in the last phase of this proceeding. Qwest's SCM is riddled with problems and errors. For the most part, the model cannot even be analyzed because Qwest has failed to provide any adequate explanation of the calculations performed by the model. See Ex. AT&T/WorldCom 7 (Chandler Direct) at 19-21; Ex. AT&T/WorldCom 8 (Chandler Rebuttal) at 6-9. Even where the inputs, assumptions, and calculations to the model can be analyzed, those inputs, assumptions, and calculations fail to comply with the FCC's TELRIC requirements that costs must be based upon forward-looking, least-cost technology. See 47 C.F.R. § 51.505(b)(1); (d).

As Qwest admits, its SCM is a complex model. Tr., p. 30. Qwest considers many aspects of the model proprietary, including all of the model's default inputs and critical model assumptions. Tr., p. 29; *see also* Ex. AT&T/WorldCom at 29-30. Even such mundane information as the names of the switches used in the model are proprietary to Qwest. Tr., p. 36.

The documentation provided by Qwest with the model does not describe the way the model calculates switch investment. Tr., pp. 33-35. Nevertheless, one thing is clear from the information provided by Qwest. The model is clearly based upon Qwest's existing embedded network rather than any least-cost analysis of the network that would be placed in a forward-looking environment. Qwest admits that the switch types modeled are the switch types that exist today in the network. Tr., p. 44-45. Qwest further admits that the model assumes that these switches would be placed in the same central offices in the same proportion that the switches are present in Qwest's existing network. *Id.* Rather than conducting a least-cost analysis, Qwest has simply assumed "that we would go put those same switches in." *Id.* at 45. This fails to comply with the FCC's TELRIC rules and is reason enough to reject the Qwest model.

Even if SCM appeared to be TELRIC compliant on its face, the lack of information and documentation provided by Qwest also provides a basis for rejecting Qwest's proposals. None of the information that Qwest provided to the parties with its testimony or the model itself allowed any party to understand or audit the model. See Exs. AT&T/WorldCom 7 at 19-21; AT&T/WorldCom 8 at 6-9. Perhaps recognizing the insufficiency of the documentation it provided to explain its model, Qwest relied heavily during the course of the hearing in this matter upon a data request response that it contended provided an explanation of how the calculations used in the model could be audited and understood. *See, e.g.,* Tr., pp. 33-34; 46-48. Although Qwest contended that this information would explain how the algorithms used in the model worked, Qwest did not provide this information to the parties until the day before the hearing. Tr., p. 50. Qwest failed, therefore, to meet its burden to "prove to the state commission that the rates for each element it offers do not exceed the forward-looking economic cost per unit

of providing the element, using a cost study that complies with the methodology set forth in [the FCC's rules]." 47 C.F.R.51.505(c).

The difficulties presented by any attempt to audit Qwest's inputs and assumptions became apparent during the course of the hearing in this matter. As an example, Qwest admits that equipment prices are among key drivers of cost for switching. Tr., p. 53. Qwest provided its contracts with switching manufacturers to support the equipment investment assumed by the model. See Tr., p. 40; Ex. AT&T/WorldCom 4. Unfortunately, Qwest stripped from these contracts the model and part numbers of the equipment at issue as well as the name of the vendor. As Qwest admits, this substantially increased the difficulty of matching any of the prices from the contracts with the cost model. Tr., p. 56. Nevertheless, to the extent that some limited equipment prices set forth in Qwest's contract could be traced to any of the equipment pricing used in the model, the contracts invariably showed lower pricing than that used by Qwest. Tr., pp. 57-60. Compare Ex. AT&T/WorldCom 4 to SCM filed with Qwest Ex. 4 (Million Rebuttal); Ex. TKM 07R (Qwest SCM program file, price information included in files ISW101A1 and ISW 201A1. For the most part, the pricing used in the SCM could not be matched to anything in the contracts. Even Qwest's own cost witness admitted that he has made no attempt to match up the pricing and that he could not trace equipment prices listed in the costs model to any of the contractual support provided by Qwest. Tr., pp. 59-60; 71.

**b. The HAI Model**

The HAI Model, in contrast, relies upon switching investment costs developed by the FCC after intensive investigation. The FCC used publicly available data on the purchasing and installing switches compiled by the Commission and other parties. See *Inputs Order*, ¶ 290. The cost data included information reflecting the costs of purchasing and installing new switches gathered from 20 states. *Id.* at ¶ 299. Additional information was gathered regarding costs of

installing small switches with fewer than 1000 lines. *Id.* The sample included purchases of both host and remote switches, with information on 490 host switches and 595 remote switches installed during the time period 1989 through 1996. *Id.* As the FCC determined, this

set of data represents the most complete public information available to the Commission on the costs of purchasing and installing new switches.

*Id.* To account for changes in costs over time, the FCC modified the data to adjust for the effects of inflation, using a regression analysis capturing “cost changes unique to the purchase and installation of digital switches.” *Id.* at ¶ 311.

Qwest has criticized the HAI’s reliance upon the FCC values, contending that those values are nationwide and not specific to the state of Arizona. In fact, the HAI Model as filed does contain substantial Arizona specific information. *See, e.g., Tr.*, p. 438. Moreover, Qwest’s own model is no more specific to the state of Arizona than the HAI Model. Qwest’s switch contracts that provide the basis for the investment assumptions are region-wide contracts. The default inputs to the Qwest cost model are also region-wide rather than Arizona-specific. *Tr.*, pp. 202; 317. Moreover, Qwest failed to provide the parties with any state-specific information sufficient to allow adjustment of the HAI Model to incorporate switch investment unique to Arizona. *Tr.*, p. 355.

The FCC switching costs were developed in the course of an extensive contested proceeding in which U S WEST, along with other ILECs, participated. Qwest had every opportunity in the course of that proceeding to provide information to the FCC for use in developing the switching cost analysis. Unlike the Qwest model proposed here, therefore, the HAI Model is based upon information that can be audited and verified from publicly available documentation. The Commission should take advantage of this extensive investigation by adopting the HAI Model for use in calculating switching costs in this proceeding.

## 2. Specific Inputs

### a. Growth and Utilization

Qwest has recommended a number of changes to the assumptions made in the HAI Model 5.2a, apparently with the purpose of bringing those assumptions into line with those used in the Qwest SCM.<sup>3</sup> Among the most significant are two changes that Qwest has proposed to add investment for “growth.” First, Qwest contends that the cost per line in the HAI Model should be increased to account for purchasing additional growth lines. In addition, Qwest contends that the utilization rate assumed by the model must be decreased, also to allow for additional growth investment.

Qwest essentially makes two arguments in support of these proposed adjustments. First, Qwest contends that once it is invested in and given a vendor switch, it is required to purchase additional lines from the same vendor. According to Qwest, these additional lines are more costly than lines installed with a switch. *See* Ex. Qwest 5 (Fleming Rebuttal) at 85-88. While arguing that additional costs must be added to account for the increased cost of lines that are added later, Qwest also argues duplicatively that it is prudent for a carrier to purchase lines sufficient to serve anticipated growth at the time a switch is installed, leading to lower utilization. *Id.* Qwest then both increases the cost per line to account for purchasing additional growth lines and decreases the utilization assumed by the model, effectively double counting its proposal that additional investment must be added for growth. *See* Ex. Qwest 5 at Ex. 9.

Qwest’s arguments must be rejected. In the first place, the factual predicate of its argument, the growth lines are more expensive than “getting started” lines installed with a switch, is false, as indicated by its own cost model. Moreover, the very concept of TELRIC is to

provide an estimate of the cost of serving the current level of demand. *See Ex.*

AT&T/WorldCom 10 (Kelley Rebuttal) at 7-8. Qwest's proposal, in contrast, installs investment required to serve demand in the future, requiring today's customers to pay for tomorrow's demand. The FCC has rejected Qwest's contention that investment for growth should be included in determining switching costs. This Commission should do so as well.

The basis for Qwest's argument that additional investment must be added for growth is that growth lines cost more than lines purchased with the switch. Qwest's own SCM lists the discounts that Qwest receives for growth lines compared with the discounts for "getting started" lines installed with the switch. For the two switch types predominantly used in the model, growth lines are not more expensive than lines installed with the switch. Tr. Pp. 78-80; Qwest 4 (Million Rebuttal) Ex. TKM-07R (Qwest ICM program file at files OSW 101A1 and OSW 201A1) In fact, for one of those two switch types, the discounts available for growth lines substantially exceed the discounts available for "getting started" lines. *Id.*

Even if Qwest did receive greater discounts for "getting started" lines, this would not provide any basis for increasing the switch investment required to serve current demand. The FCC determined in its universal service proceeding that the appropriate switch investment for a forward-looking cost model was the cost of installing new switches to handle current demand. *See Inputs Order*, ¶¶ 319, 330-32. The court in *Bell Atlantic-Delaware, Inc. v. McMahon*, 80 F. Supp. 2d 218 (D. Del. 2000) supported this view, rejecting an argument by an incumbent provider that additional costs for growth lines should be considered in determining switch investment. *Id.* at 236-37. In fact, the court in *Bell Atlantic* quoted William E. Taylor, a witness who filed testimony for Qwest in this proceeding, as stating that the FCC's TELRIC rules for

---

<sup>3</sup> It is difficult to determine the extent to which Qwest's proposed changes accomplish this result

estimating costs “say rip every switch out. All of them . . . every switch in the network, rip them out. Leave the . . . wire center locations where they are. And build the network that you would build today to serve the demand.” *Id.* at 238. This accurate explanation of the FCC’s TELRIC requirements underscores that the appropriate modeling assumption in a TELRIC analysis is to assume that new switches are installed with the appropriate capacity to serve the demand that exists today.

Qwest accounts for growth lines in its own SCM by adopting a utilization rate based on anticipated growth of approximately 5% per year.<sup>4</sup> Qwest could not state for the record the precise overall utilization rate used in the model. *Tr.*, p. 85. Mr. Brigham estimated that the SCM utilization rate is approximately 80%, substantially less than the 94% utilization rate adopted by the HAI Model and approved by the FCC in its *Inputs Order*. *Id.* Qwest proposed a 78% utilization rate to the FCC during the course of the universal service proceeding, close to the utilization rate that is apparently used in its model here. The FCC explicitly rejected Qwest’s proposal. *Inputs Order* at ¶ 332.

As Dr. Kelley testified, such a low utilization rate for the purposes of accounting for growth does not comply with TELRIC. The effect of adopting the fill factors proposed by Qwest would be to force current customers to bear the costs of capacity designed to serve future customers. *See Ex. AT&T/WorldCom 10 (Kelley Rebuttal)* at 8. Because TELRIC is intended

---

since Qwest fails to reveal any of its own modeling assumptions.

<sup>4</sup> Qwest’s assumption that line growth will continue into the future at almost 5% per year is itself questionable. As Qwest witness Mr. Brigham admits, this projection was made in 1999, before the growth of DSL and cable modem services began to reduce line growth by reducing the demand for second lines. *Tr.*, p. 86-88. Qwest has, in fact, seen negative line growth in more recent time periods. Qwest also agrees that its model improperly inflates the effect of growth by using a 12.7% cost of money in place of the 9.61% adopted by the Commission. *Tr.*, pp. 85-86.

to address the necessary capacity to serve current demand, Qwest's proposal to incorporate lower fill factors into the HAI Model to account for growth must be rejected.

Even if the Commission determined that Qwest's proposals had some merit, the methodology used by Qwest in adjusting the HAI Model results in double counting the costs of the counting for growth and must be rejected. In performing its proposed adjustment, Qwest both replaced the 94% fill factor used in the HAI Model with an 80% fill and added what it terms a "growth price additive per line." Each of these adjustments purportedly captures the cost of adding lines at a growth rate of 5% per year. See Qwest Ex. 5 (Fleming Rebuttal) at Exs. 9, 10. Qwest itself accounts for growth solely through the use of a fill factor, without any "additive." These adjustments are simply two different ways of calculating the same adjustment and must be rejected.

**b. Upgrade Costs**

Qwest has also proposed that the HAI Model must be adjusted to include anticipated costs of upgrading the switches assumed by the model. This proposal is contrary to TELRIC and has been rejected by the FCC. As the FCC explained,

We reject the suggestions of [ILECs] that the costs associated with purchasing and installing switching equipment upgrade should be included in our cost estimates. The model platform we adopted is intended to use the most cost effective, forward looking technology available at a particular period of time. The installation costs of switches estimated above reflect the most cost effective forward looking technology for meeting industry performance requirements. Switches, augmented by upgrades, may provide carriers the ability to provide supported services, but do so at greater costs. Therefore, such augmented switches do not constitute cost effective forward looking technology. In addition, as industry performance requirements change over time, so will the costs of purchasing and installing new switches. The historical cost data employed in this analysis reflect such changes over time, as do the time-trended cost estimates.

*Inputs Order*, ¶ 317.

This fully complies with the FCC's TELRIC methodology. TELRIC is based on currently available technology. The future costs of switch upgrades that have not yet been released are properly excluded from the charges that current customers must pay. *See* Ex. AT&T/WorldCom 10 (Kelley Rebuttal) at 4. The proper costs under a TELRIC analogy are those used in the HAI Model—cost estimates based on technology, equipment, and architectures that are presently being deployed in the public switch telephone network. *Id.* at 5. The costs of hypothetical future upgrades is not appropriate.<sup>5</sup>

**c. Analog Line Circuit Offset**

Qwest also contends that the HAI Model should not be adjusted to take into account the cost savings associated with increased use of Digital Loop Carrier ("DLC") technology. Qwest admits that this technology creates savings and cost. Tr., p. 93. Nevertheless, Qwest contends that this cost saving should not be reflected in the model. Qwest's argument ignores reality and should be rejected.

The analog line circuit offset is appropriate because the switch information used by the FCC in developing its analysis reflected substantially lower percentages of DLC technology than would be present in a forward looking network. For example, Qwest's current deployment of DLC is considerably lower than the DLC assumed by either the Qwest ICM or the HAI Model. The analog line circuit offset simply recognizes that costs will be lower in a forward looking network with higher levels of DLC deployment. Given that Qwest admits the basic premise of this position, Qwest's contention that the offset should be eliminated has no basis in the record.

---

<sup>5</sup> Qwest's own cost witness had no knowledge of any presently planned upgrades for switches in Arizona. Tr., p. 92.

### 3. Issues Regarding Specific Rate Elements

#### a. Analog Lineside Port and Usage

The switching cost models at issue in this proceeding calculate the total switch investment required to serve existing demand in Arizona.<sup>6</sup> Once the total cost for local switching has been calculated, the models must then assign switch costs between the analog line port and the switching usage per minute unbundled elements. The HAI Model as filed in this proceeding splits the cost by assigning 70% to the usage element and 30% to the port element. It is unclear how Qwest's model develops the same numbers. Nevertheless, Qwest has criticized the HAI Model on the basis that the Joint Intervenors have used a calculation in other states that assigns 60% of the cost to the port element and 40% to usage.

As explained by Joint Intervenor witness Mr. Chandler, the cost split does not change the total cost recovered, but simply the percent of the total cost recovered from each element. Tr., p. 308, 338. The change in the port/usage split referenced by Qwest was made in testimony filed after the HAI Model was filed in this proceeding in April 2001. The basis for this change, among other things, was a recommended order issued in the New York Public Service Commission regarding unbundled network element rates. *See Proceeding on Motion for the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements*, Case No. 98-C-1357, Recommended Decision by Administrative Law Judge (May 16, 2001). In this recommended decision, the Administrative Law Judge, after substantial analysis, determined that an appropriate rate structure would assign no more than 40% of switching cost to usage. *Id.* at 145. If filed today, the Joint Intervenors would propose a version of the HAI Model meeting the terms of this recommended order. If the intent of Qwest's criticism is to

propose that the model should be adjusted to change the investment split between the port rate and the usage rate, AT&T does not object to this proposal.

**b. Features**

The switching costs developed by the FCC and used in the HAI Model include costs associated with features. *See Inputs Order*, ¶ 402; Ex. AT&T/WorldCom 9 (Chandler Cross-Answer). Nevertheless, Qwest proposes adding \$.38 per month to the port cost developed by the HAI Model to cover what it contends is the cost of certain applications software required to provide features. *See Ex. Qwest 5 (Fleming Rebuttal)*, Ex. 9. Staff witness Mr. Dunkel, although admitting that the FCC algorithm “has a lot of the feature cost in it,” suggests adding \$.51 per line for features. *See Ex. Staff 8 (Dunkel Direct)* at 13. Mr. Dunkel’s proposal is not based on any analysis, but rather on simply subtracting his port cost proposal from the present \$1.61 rate approved by the Commission in the prior cost docket. *Id.*

There is no need to include any additional features cost in the HAI analog port calculation. As Mr. Dunkel explained, the calculation performed by the FCC includes expenses associated with the applications software that Qwest contends is not considered by the analysis. *Tr.*, p. 446-448. Although Qwest may have chosen a different accounting treatment for this software, the FCC analysis is based on cost information obtained from all carriers. *Inputs Order* at ¶¶ 378, 402. Expenses associated with the application software purchased by other carriers, therefore, are included in the FCC calculation in an amount sufficient to cover the added features cost proposed by Qwest.

---

<sup>6</sup> As discussed above, the Qwest model’s use of low utilization factors inflates investment to serve future demand as well.

**c. Tandem Switching**

One of the interconnection rate elements developed by the parties' switching cost models is the tandem switching rate element. Qwest has questioned the tandem switching rate developed by the HAI Model, contending that the Model assumes too few tandem trunks in determining the total investment required. Qwest's analysis is flawed in every respect, demonstrating a lack of understanding of how the HAI Model develops tandem costs.

In the rebuttal testimony of Mr. Fleming, Qwest contends that the HAI Model assumes only 31,125 tandem trunks and should assume approximately three times that amount. *See* Ex. Qwest 5 (Fleming Rebuttal) at Ex. 10. In forming this analysis, however, Mr. Fleming misinterpreted the way in which the Model computes the number of tandem and direct trunks required to carry intraLATA toll and access traffic. *See* Exhibit AT&T/WorldCom 9 (Chandler Rebuttal) at 4. Mr. Fleming also included special access facilities in his calculation. Correcting these errors alone shows that the HAI Model, in fact, is conservative in its tandem trunk estimates. *Id.* The tandem switching cost produced by the HAI Model is reasonable and should be adopted by the Commission.

**d. Shared Transport**

The facilities used to provide shared transport include tandem switching and the same facilities that are used to provide transport elements. The cost of shared transport, therefore, is developed directly from the costs that apply to the switching and transport elements as determined by the Commission.

Because tandem switching costs are a minor portion of the cost proposed for switched transport, the Joint Intervenors requested that switched transport be determined in the prior phase of this docket consistent with the transport costs recommended by the parties. *See* Phase II Post Hearing Brief of AT&T Communications of the Mountain States, Inc. and XO Arizona, Inc.

at 28. Because those charges have not yet been determined, AT&T recommends those charges be the subject of calculation based upon the Commission's determinations regarding the tandem switching and transport elements.

### C. Packet Switching

The Joint Intervenors have not proposed their own cost study for use in developing packet switching costs. Rather, the concern of the Joint Intervenors is that the rate elements proposed by Qwest would not allow a CLEC to provide advanced services through the use of packet switching provided by Qwest. *See* Exhibit AT&T/WorldCom 9 (Chandler Rebuttal) at 12. While Qwest is free to offer higher level services, the rate elements proposed by Qwest would allow a CLEC to provide only the most basic level of advanced services. *Id.* at 13.

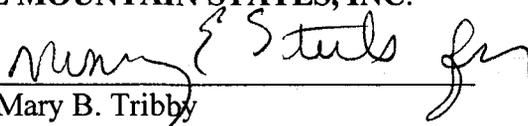
The cost study proposed by Qwest for packet switching does not comply with TELRIC. The study assumes a copper-based digital loop carrier system which is not forward looking, most efficient technology. *Id.* at 13-14. By using this assumption, Qwest's increased the costs it proposes beyond those charges that would be developed by using forward-looking assumptions.

### III. CONCLUSION

On this basis, AT&T requests that the Commission adopt switching costs based upon the proposals made by the Joint Intervenors in this proceeding.

Dated this 17th day of December, 2001.

**AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC.**

By: 

Mary B. Tribby

Richard S. Wolters

1875 Lawrence Street, #1500

Denver, Colorado 80202

303-298-6741 Phone

303-298-6301 Facsimile

rwolters@att.com E-mail

Mary E. Steele  
DAVIS WRIGHT TREMAINE LLP  
1501 Fourth Avenue  
2600 Century Square  
Seattle, WA 98101-1688  
206-628-7772  
206-628-7699 (Facsimile)

## CERTIFICATE OF SERVICE

ACC Docket No. T-00000A-00-0194

I hereby certify that on the 18<sup>th</sup> day of December 2001, the original and ten (10) copies of the *Phase IIA Post-Hearing Brief of AT&T Communications of the Mountain States, Inc.*, in the above-referenced docket, were sent for filing via FedEx, next business morning delivery, to:

Arizona Corporation Commission  
Docket Control – Utilities Division  
1200 West Washington Street  
Phoenix, AZ 85007

And, I further certify that on the 18<sup>th</sup> day of December 2001, a true and correct copy of the above was sent via FedEx, next business morning, to:

Lynn Farmer Chief Hearing Officer Hearing Division Arizona Corporation Commission 1200 West Washington Street Phoenix, AZ 85007	Dwight D. Nodes Administrative Law Judge Hearing Division Arizona Corporation Commission 1200 West Washington Street Phoenix, AZ 85007
--	---

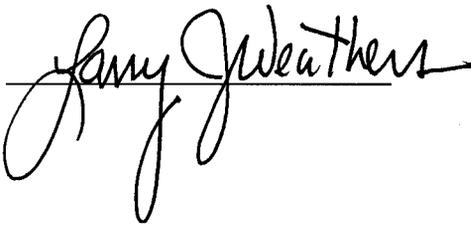
And, I further certify that on the 18<sup>th</sup> day of December 2001, a true and correct copy of the above was sent via U S Mail, postage prepaid, to:

Maureen Scott Legal Division Arizona Corporation Commission 1200 W. Washington Street Phoenix, AZ 85007	William Dunkel Dunkel and Associates 8625 Farmington Cemetery Road Pleasant Plains, IL 62677
John M. Devaney Perkins Coie LLP 607 Fourteenth Street, NW, Suite 800 Washington, DC 20005-2011	Timothy Berg Theresa Dwyer Fennemore Craig, P.C. 3003 North Central Avenue, Suite 2600 Phoenix, AZ 85012-2913
Ernest G. Johnson Director – Utilities Division Arizona Corporation Commission 1200 West Washington Street Phoenix, AZ 85007	Thomas F. Dixon, Jr. WorldCom 707 17 <sup>th</sup> Street Denver, CO 80202

<p>Penny Bewick  New Edge Networks, Inc.  P.O. Box 5159  3000 Columbia House Blvd., Suite 106  Vancouver, WA 98668</p>	<p>Thomas H. Campbell  Lewis &amp; Roca  40 N. Central Avenue  Phoenix, AZ 85007</p>
<p>Michael W. Patten  Roshka Heyman &amp; DeWulf, PLC  Two Arizona Center  400 North 5<sup>th</sup> Street, Suite 1000  Phoenix, AZ 85004-3906</p>	<p>Eric S. Heath  Sprint Communications Company L.P.  100 Spear Street, Suite 930  San Francisco, CA 94105</p>
<p>Joan S. Burke  Osborn Maledon, P.A.  2929 North Central Avenue, 21<sup>st</sup> Floor  Phoenix, AZ 85012-2794</p>	<p>Steven J. Duffy  Ridge &amp; Isaacson, P.C.  3101 North Central Avenue, Ste. 1090  Phoenix, AZ 85012-2638</p>
<p>K. Megan Doberneck  Covad Communications, Inc.  7901 Lowry Boulevard  Denver, CO 80230</p>	<p>Andrea Harris, Senior Manager  Allegiance Telecom Inc. of Arizona  2101 Webster, Suite 1580  Oakland, CA 94612</p>
<p>Scott S. Wakefield  Residential Utility Consumer Office  2828 N. Central Avenue, Suite 1200  Phoenix, AZ 85004</p>	<p>Jeffrey W. Crockett  Snell &amp; Wilmer LLP  One Arizona Center  Phoenix, AZ 85004-2202</p>
<p>Kath Thomas  Advance TelCom Group, Inc.  110 Stony Point Rd., Suite 130  Santa Rosa, CA 95401</p>	<p>Darren S. Weingard  Stephen H. Kukta  Sprint Communications Co.  1850 Gateway Drive, 7<sup>th</sup> Floor  San Mateo, CA 94404-2467</p>
<p>Steve Sager  McLeodUSA Telecommunications Services  215 South State Street, 10<sup>th</sup> Floor  Salt Lake City, Utah 84111</p>	<p>Jon Poston  Arizonans for Competition  in Telephone Service  6733 E. Dale Lane  Cave Creek, AZ 85331-6561</p>
<p>Carrington Phillip  Cox Arizona Telecom, Inc  1400 Lake Hearn Drive,  Atlanta , GA 30319</p>	<p>Diane Bacon  Communications Workers of America  5818 N. 7<sup>th</sup> Street, Suite 206  Phoenix, AZ 85014-5811</p>

Raymond S. Heyman Roshka Heyman & DeWulf, PLC Two Arizona Center, Suite 1000 400 North 5 <sup>th</sup> Street Phoenix, AZ 85004	Dennis D. Ahlers Eschelon Telecom, Inc. 730 Second Avenue South, Suite 1200 Minneapolis, MN 55402
Michael B. Hazzard Kelley, Drye & Warren 1200 19 <sup>th</sup> Street, NW, 5 <sup>th</sup> Floor Washington, DC 20036	

Dated this December 18, 2001,

by 

# EXCEPTION

ORIGINAL  
RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2001 DEC 12 P 4:19

1  
2 WILLIAM A. MUNDELL  
3 CHAIRMAN  
4 JIM IRVIN  
5 COMMISSIONER  
6 MARC SPITZER  
7 COMMISSIONER

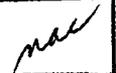
AZ CORP COMMISSION  
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

DEC 12 2001

DOCKETED BY



8 IN THE MATTER OF INVESTIGATION  
9 INTO U S WEST COMMUNICATIONS,  
10 INC.'S COMPLIANCE WITH CERTAIN  
11 WHOLESALE PRICING REQUIREMENTS  
12 FOR UNBUNDLED NETWORK ELEMENTS  
13 AND RESALE DISCOUNTS.

Docket No. T-00000A-00-0194

## EXCEPTIONS OF COX ARIZONA TELCOM

14 Cox Arizona Telcom, L.L.C. ("Cox") does not have any exceptions *per se* to the  
15 Recommended Opinion and Order ("ROO"). Cox's only concern is that the schedule of  
16 prices to be submitted by the parties contains a price for "on-premises wire," as provided  
17 by the ROO (at page 58, lines 8-9). Because the ROO adopts the HAI Model, Cox believes  
18 that the "on-premises wire" price set forth in Mr. Hydock's Revised Exhibit MH1 (attached  
19 as part of AT&T/WorldCom Ex. 15) should be adopted (as potentially modified pursuant  
20 to the ROO). That price is the HAI Model equivalent to the Qwest LoopMod's  
21 "Intrabuilding Cable" price and is consistent with the position that Cox took in this  
22 proceeding and recommended to the Commission for adoption. Alternatively, the  
23 Commission should adopt Staff's pricing proposal for intrabuilding cable set forth in  
Appendix A to Staff's Initial Post-Hearing Brief (again, as potentially modified pursuant to  
the ROO). Given that the parties have not yet submitted a schedule of prices to the  
Commission, Cox reserves the right to comment on the proposed schedule (or schedules)  
once it is filed.