



0000096761

OPEN MEETING AGENDA ITEM

ORIGINAL

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

2002 DEC -6 P 1:11

WILLIAM A. MUNDELL

Chairman

JIM IRVIN

Commissioner

MARC SPITZER

Commissioner

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF INVESTIGATION  
INTO QWEST CORPORATION'S  
COMPLIANCE WITH CERTAIN  
WHOLESALE PRICING REQUIREMENTS  
FOR UNBUNDLED NETWORK ELEMENTS  
AND RESALE DISCOUNTS.

DOCKET NO. T-00000A-00-0194  
PHASE II-A

**QWEST CORPORATION'S COMBINED RESPONSE TO EXCEPTIONS  
TO THE RECOMMENDED PHASE IIA OPINION AND ORDER FILED  
BY WORLDCOM AND AT&T**

Arizona Corporation Commission

**DOCKETED**

DEC 06 2002

DOCKETED BY	CR
-------------	----

Timothy Berg  
Theresa Dwyer  
FENNEMORE CRAIG  
3003 North Central, Suite 2600  
Phoenix, Arizona 85012

Mark Brown  
QWEST CORPORATION  
Public Policy and Law  
3033 N. Third Street, 10th Floor  
Phoenix, Arizona 85012

John M. Devaney  
Norton Cutler  
PERKINS COIE LLP  
607 Fourteenth Street, N.W.,  
Suite 800  
Washington, D.C. 20005-2011

*Attorneys for Qwest Corporation*

DATED: December 6, 2002

## CONTENTS

I.	INTRODUCTION .....	1
II.	RESPONSE TO EXCEPTIONS.....	2
A.	AT&T's Exceptions Provide No Basis for Modifying the Recommended Opinion and Order. ....	2
1.	The Recommended Opinion and Order's Allowance for Costs Associated with Vertical Features Is Reasonable and Should Be Adopted. ....	2
2.	The ALJs, Like the FCC, Properly Reject AT&T's Proposed IDLC Offset. ....	4
3.	The Commission Should Adopt the Recommended Opinion and Order's Adjustment for Billing Costs Associated with Switch Usage. ....	5
B.	WorldCom's Exceptions Should Be Rejected.....	6
1.	Qwest Need Not Provide "Line Card Collocation and Cost Studies." .....	6
2.	The Recommended Opinion and Order's Remote Collocation Pricing Recommendations Are Reasonable and Should Be Adopted. ....	11
3.	Vendor Costs Included in Qwest's Cost Studies Are Realistic and Well-Supported. ....	12
4.	The Recommended Opinion and Order Properly Concludes that Custom Routing Need Only Be Provided Via Dedicated Trunks. ....	13
5.	The ALJs Properly Reject WorldCom's Unsupported Claim that Qwest's Direct Costs Are Excessive. ....	15
III.	CONCLUSION.....	16

Qwest Corporation ("Qwest") submits the following combined response to the exceptions to the Recommended Phase IIA Opinion and Order, issued by the Administrative Law Judges on November 8, 2002 ("Recommended Opinion and Order"), filed by WorldCom, Inc. ("WorldCom") and AT&T Communications of the Mountain States, Inc. and TCG Phoenix (collectively, "AT&T"). For the reasons set forth below, the Arizona Corporation Commission ("Commission") should reject WorldCom's and AT&T's exceptions.

## I. INTRODUCTION

As Qwest has noted in briefing submitted in this proceeding, the Telecommunications Act of 1996, 47 U.S.C. §§ 151, *et seq.*, (the "Act") requires the Commission to set switching rates "based on the cost . . . of providing [switching]."<sup>1</sup> This cost must be determined by applying the FCC's TELRIC ("total element long run incremental cost") pricing rules. TELRIC requires rates that be based on the "most efficient technology *proven*" to be "*operationally feasible, currently available*,"<sup>2</sup> and "*compatible with the most basic geographical design of the existing network*"<sup>3</sup> – a definition supported by both AT&T and the FCC.

Toward that end, the ALJs in this Phase IIA proceeding make a number of recommendations relating to switching rates and inputs based on a record which includes filed testimony of the parties, their exhibits, transcripts of hearings held in November 2001, and the parties' post-hearing briefs. Other than one issue raised by AT&T based on extra-record materials developed long after the close of the evidentiary record in this case, the AT&T and WorldCom do not raise in their exceptions any new arguments or provide any new insight into or analysis of the record evidence. In each instance, the exceptions of AT&T and WorldCom should be rejected.

---

<sup>1</sup> 47 U.S.C. § 252(d)(1)(A).

<sup>2</sup> Reply Brief of AT&T Corp. at 16-17, *AT&T v. Iowa Utilities Board*, (U.S. July 23, 2001) (Nos. 00-590, 00-511, 00-555, 00-587 & 00-682) (emphasis added).

<sup>3</sup> Brief for the Petitioners FCC and the United States at 9, *Verizon Communications, Inc. v. FCC.*, (U.S., Apr. 9, 2001) (Nos. 00-511, 00-555, 00-587, 00-590 & 00-602) (emphasis added).

## II. RESPONSE TO EXCEPTIONS

### A. AT&T's Exceptions Provide No Basis for Modifying the Recommended Opinion and Order.

#### 1. The Recommended Opinion and Order's Allowance for Costs Associated with Vertical Features Is Reasonable and Should Be Adopted.

Citing recently filed briefing and testimony in a Colorado proceeding relating to Section 271 of the Act and a Utah cost proceeding, AT&T asks the Commission to modify the Recommended Opinion and Order by excluding any adjustment from the HAI switch port recurring cost.<sup>4</sup> There is no basis for this modification.

First, AT&T overstates Qwest's recent advocacy on the need for a features adjustment to the HAI port rate. AT&T claims that Qwest "now concedes that features costs are included in the HAI model input" for the switch port rate.<sup>5</sup> Qwest has not made any such concession. Rather, as set forth in the Colorado briefing attached to AT&T's exceptions, Qwest has merely acknowledged that, because of the complexity of the model and its insufficient explanation of the origin of the maintenance factor used to derive the port rate,<sup>6</sup> Qwest cannot refute *AT&T's assertion* that the factor included vertical features costs.<sup>7</sup> In the same paragraph, however, Qwest notes that, for the same reasons, it also cannot verify that a New England Telephone Company Incremental Cost Study was the origin of this factor or that this cost study actually included applications software in the account at issue.<sup>8</sup> Indeed, neither AT&T nor any other party to this

---

<sup>4</sup> See AT&T Exceptions at 2-4.

<sup>5</sup> AT&T Exceptions at 2.

<sup>6</sup> There is no dispute that the purported back-up for the HAI input is *not* data specific to Qwest or to Arizona; it derives from a "New England Telephone Company Incremental Cost Study."

<sup>7</sup> See AT&T Exceptions, Ex. A at 3.

<sup>8</sup> See *id.*

proceeding has affirmatively demonstrated that all costs for features are included in the recurring port rate produced by HAI.

Second, based on the evidence presented, the recommended "effective adjustment" does not, as AT&T implies, start from the premise that HAI does not include any feature costs. Rather, as the ALJs state, the difference between the HAI port of \$1.10 and the recommended rate of \$1.61 "effectively allow[s] a \$0.51 per month charge for feature *above the features cost that is already included in the HAI model.*"<sup>9</sup> In other words, the question for the ALJs was not whether the HAI model port rate includes *some* features costs, but whether the rate includes *all* features costs.

The ALJs state that the CLECs' proposed 60/40 split between usage and port be adopted for this proceeding. Utilizing this split in the adopted HAI Model results in a HAI port of \$1.42. Therefore, the per line allowance for feature cost above the feature cost already included in the HAI Model is actually \$0.19, rather than \$0.51.

Third, on the evidence in this record, AT&T provides no reason to depart from the ALJs' recommendation. As set forth in the Recommended Opinion and Order, the ALJs base their recommendation on Staff's finding that "there is no valid reason from the evidence in the record to modify" the current recurring port rate of \$1.61 which is a "reasonable charge that falls within the range recommended by the other parties."<sup>10</sup> This figure is less than the adjustment Qwest proposed and represents a "reasonable middle ground approach" to the parties' competing proposals.<sup>11</sup>

Accordingly, the Commission should adopt the switch port recurring rate set forth in the Recommended Opinion and Order and reject AT&T's exception.

---

<sup>9</sup> Recommended Opinion and Order at 15 (emphasis added).

<sup>10</sup> Ex. Staff-8 (Dunkel Rebuttal) at 13; Recommended Opinion and Order at 15-16.

<sup>11</sup> See Ex. Staff-8 (Dunkel Rebuttal) at 13; Recommended Opinion and Order at 16. For a discussion of Qwest's proposed adjustment for features costs, see Ex. Qwest-2 (Brigham Surrebuttal) at 14-16 and Ex. Qwest-5 (Fleming Rebuttal) at 92-95.

**2. The ALJs, Like the FCC, Properly Reject AT&T's Proposed IDLC Offset.**

AT&T asserts that an offset must be applied to the HAI model to account for cost savings associated with increased use of integrated digital line circuit ("IDLC") technology.<sup>12</sup> AT&T and WorldCom witness Richard Chandler claim that "a forward looking network in Arizona would deploy DLC to serve almost 71 percent of the lines," and therefore the model should assume that Qwest serves 71 percent of its lines with digital circuits. The Recommended Opinion and Order rejects this approach, concluding that "the FCC specifically rejected the arguments raised by the CLECs" in its *Inputs Order*<sup>13</sup> and that the "offset for digital lines should be set at zero."<sup>14</sup> The Recommended Opinion and Order should be upheld.

First, even though the HAI switching module supports most FCC inputs, the FCC specifically held that the IDLC offset proposed by AT&T was improper because the depreciation data used to calculate the switch investment already reflected the savings associated with digital lines. In the *Inputs Order*, the FCC stated:

In the *Inputs Further Notice* we tentatively concluded that the "Analog Line Circuit Offset for Digital Lines" input should be set at zero. We now affirm that conclusion.

\* \* \*

The record contains no basis on which to quantify savings beyond those taken into consideration in developing the switch cost. We also note that the depreciation data used to determine the switch costs reflect the use of digital lines. The switch investment value will therefore reflect savings associated with digital lines. AT&T and MCI's proposed analog line offset per line is based on assumptions that are neither supported by the record nor easily verified.<sup>15</sup>

---

<sup>12</sup> AT&T Exceptions at 4.

<sup>13</sup> Tenth Report and Order, *In the Matter of Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, CC Dkt. Nos. 96-45 and 97-160, FCC 99-304 (rel. Nov. 2, 1999) ("*Inputs Order*").

<sup>14</sup> Recommended Opinion and Order at 18.

<sup>15</sup> *Inputs Order* ¶¶ 325 and 327.

Second, AT&T relies on speculative figures to calculate the IDLC offset. During the hearing, Mr. Chandler admitted that he assumed 18.3 percent of the analog ports would be converted to digital to develop the 71 percent offset amount. He claimed that this rate was taken from the depreciation data compiled and used by the FCC in its *Inputs Order*.<sup>16</sup> However, the FCC clearly stated that its data cannot be used to determine the digital line rate:

[I]t is not possible to determine from the depreciation data the percentages of lines that are served by digital connections. It is therefore not possible to verify AT&T and MCI's estimate of the digital line usage in the "historical" data. In the absence of more explicit support of AT&T and MCI's position, we conclude that the Analog Line Circuit Offset for Digital Lines should be set a zero.<sup>17</sup>

In this case, as in the FCC's Universal Service docket, AT&T has not provided any data relating to the percentage of lines included in the FCC's investment calculations that were served by digital connections. Just as the FCC found in that case, there is no evidentiary support in this case for application of an IDLC offset.

Accordingly, the Commission should adopt the ALJs recommendation and reject AT&T's proposed IDLC offset.

**3. The Commission Should Adopt the Recommended Opinion and Order's Adjustment for Billing Costs Associated with Switch Usage.**

The ALJs conclude that the HAI model should be adjusted to account for the costs of billing associated with switch usage.<sup>18</sup> Based on one item, about which the HAI model's sponsoring witness could not testify, AT&T urges the Commission to reject the recommended billing cost adjustment. For the reasons set forth in the Recommended Opinion and Order, AT&T's exception is misplaced.

---

<sup>16</sup> Tr. at 341 (Chandler Recross).

<sup>17</sup> *Inputs Order* ¶ 327.

<sup>18</sup> *Id.* at 19.

The HAI model underestimates switching costs by failing to fully account for the cost of billing for switch usage.<sup>19</sup> Regulators have historically recognized the legitimacy of capturing the costs of billing usage sensitive rate elements in the cost of providing those elements, and AT&T and WorldCom acknowledge that Qwest legitimately incurs such expenses.<sup>20</sup> AT&T identifies a single switch usage billing cost, Carrier to Carrier Customer Service, which it now claims is directly captured by the HAI model.<sup>21</sup> However, AT&T's witness who sponsored the HAI model was unable to identify any billing costs captured by the model.<sup>22</sup> Even if AT&T's present claim were true, however, the HAI model fails to include all legitimate costs, such as expenses related to collecting calling volumes, compiling bills, and documenting charges. Accordingly, the Commission should adopt the ALJs recommended adjustment for billing costs.

**B. WorldCom's Exceptions Should Be Rejected.**

**1. Qwest Need Not Provide "Line Card Collocation and Cost Studies."**

WorldCom bases its exceptions regarding remote terminal ("RT") collocation on at least one faulty premise – the claim that the "greatest disadvantage" with RT collocation "is the potential lack of space at the RT."<sup>23</sup> WorldCom's speculative premise cannot be squared with the plain terms of the Recommended Opinion and Order or the historical evidence regarding RT collocation.

---

<sup>19</sup> Qwest identified these cost in its ICM switching study. In the Qwest ICM study (see filed cost study "5206 Integrated Cost Model Outputs"), billing and collections costs are included in the minute of use costs. The investment and expense associated with billing and collections are input in the "Billing" sheet of the "Arizona ICM Output" Excel workbook in cells F9 and F10. These are the inputs upon which ICM bases its billing and collections cost.

<sup>20</sup> Tr. at 326 (Chandler Cross).

<sup>21</sup> AT&T Exceptions at 5.

<sup>22</sup> Tr. at 327 (Chandler Cross).

<sup>23</sup> WorldCom Exceptions at 3.

While the Recommended Opinion and Order provides that Qwest need not set aside 15 percent of every RT for future CLEC use regardless of the level of interest in such facilities, it also provides that if a CLEC requests service at a remote terminal, "Qwest *must* accommodate the CLEC's request for remote collocation."<sup>24</sup> Thus, WorldCom's speculation regarding a "potential lack of space at the RT" flies in the face of the Recommended Opinion and Order's mandate that Qwest must provide space to requesting collocators. Moreover, WorldCom's witness, Mr. Morrison, concedes that he knows of no instance in Arizona or any other state in Qwest's 14-state region in which a CLEC has applied for and been denied RT collocation based on a lack of available space.<sup>25</sup>

On the merits of its "line card collocation" claim, WorldCom claims that the ALJs did not address the issue and urges the Commission to require Qwest to provide line card collocation and cost studies.<sup>26</sup> Much like WorldCom's general comments on RT collocation, this specific claim is based on a flawed predicate – a supposed requirement that Qwest unbundle network transport elements so that CLECs may virtually collocate line cards in Qwest's RT digital subscriber line access multiplexor ("DSLAM") equipment.<sup>27</sup>

As Qwest noted in its post-hearing brief, this predicate finds no basis in the law. Neither the FCC nor this Commission has mandated that ILECs unbundle network elements to allow collocation of a line card. WorldCom's witness conceded that no party had even asked the FCC to order ILECs to permit line card collocation.<sup>28</sup> Moreover, the FCC has expressly rejected AT&T's claim that RBOCs be found out of compliance with 271 checklist items when they

---

<sup>24</sup> See Recommended Opinion and Order at 11 (emphasis added).

<sup>25</sup> See Tr. at 397 (Morrison Cross).

<sup>26</sup> See WorldCom Exceptions at 4.

<sup>27</sup> See Ex. WorldCom-5 (Morrison Rebuttal) at 5.

<sup>28</sup> See Tr. 394 (Morrison Cross).

refuse to allow access to the entire capabilities of unbundled next generation digital loop carrier loop at the remote terminal through the installation of integrated splitter/DSLAM cards.<sup>29</sup>

At bottom, WorldCom seeks a ruling from this Commission that Qwest must implement WorldCom's preferred network architecture (so-called "Next Generation Digital Loop Carrier" or "NGDLC") in lieu of Qwest's DA Hotel solution. Such a ruling is not only beyond the scope of this proceeding<sup>30</sup> but more importantly is precluded by the Act and repeated pronouncements of the FCC and federal courts implementing and interpreting in the Act.

WorldCom cannot require Qwest to provide services its network does not support or to upgrade its network solely to meet a CLEC's purported demand for different services. The Act does not require an incumbent LEC to build competitors their idealized network at their demand. Rather, Section 251(c)(3) requires only unbundling of Qwest's *existing* network, not a network that the CLECs wish the incumbent had constructed. Section 251(c)(2)(C) requires incumbent LECs to offer interconnection "that is at least equal in quality to that provided by the local exchange carrier<sup>31</sup> to itself" or to other parties.<sup>31</sup> Section 251(c)(3) requires incumbent LECs to offer "nondiscriminatory" access to unbundled network elements on rates, terms and conditions that are just and reasonable.<sup>32</sup> Thus, WorldCom's demand that Qwest provide a network that supports its preferred technology contravenes the Act.

---

<sup>29</sup> See Memorandum Opinion and Order, *Joint Application by BellSouth Corporation, et al., for Provision of In-Region, InterLATA Services in Georgia and Louisiana*, CC Dkt. No. 02-35, FCC 02-147 (rel. May 15, 2002) ("*BellSouth Georgia/Louisiana 271 Order*") ¶ 240.

<sup>30</sup> Issues regard unbundling (i.e., *what* Qwest must unbundle under the Act) are beyond the scope of this cost proceeding which is established to consider Qwest's pricing for already unbundled network elements offered by Qwest in Arizona.

<sup>31</sup> 47 U.S.C. § 251(c)(2)(C).

<sup>32</sup> 47 U.S.C. § 251(c)(3).

Pronouncements of the FCC<sup>33</sup> and holdings of the Eighth Circuit Court of Appeals confirm the error of WorldCom's approach.<sup>34</sup> As the Eighth Circuit held in *Iowa Utilities Board I*, sections 251(c)(2) and 251(c)(3) do not require incumbent LECs to provide "superior" quality interconnection or "superior" access to unbundled network elements on demand.<sup>35</sup> The court explained that the directive that interconnection be "at least equal in quality" "mandates only that the quality be equal – not superior."<sup>36</sup> Interpreting Section 251(c)(3), the court further explained that this section "merely prevents an incumbent LEC from arbitrarily treating some of its competing carriers differently than others."<sup>37</sup> The Act's requirement that incumbent LECs provide interconnection and unbundled elements on rates, terms and conditions that are just, reasonable and nondiscriminatory "does not mandate that incumbent LECs cater to every desire of every requesting carrier."<sup>38</sup> The court further held that it was irrelevant whether the incumbent LEC is compensated for the "superior" access because "the plain meaning of the statute . . . does

---

<sup>33</sup> See, e.g., Third Report and Order and Fourth Further Notice of Proposed Rulemaking, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Dkt. No. 96-98, 15 FCC Rcd 3696 (1999) ("*UNE Remand Order*") ¶ 324 (footnotes omitted).

<sup>34</sup> See, e.g., *Iowa Utils. Bd. v. FCC*, 120 F.3d 753, 813 (8th Cir. 1997), *aff'd in part, rev'd on other grounds, sub nom, AT&T Corp v. Iowa Utils. Bd.*, 525 U.S. 366 (1999), *on remand, Iowa Utils. Bd. v. FCC*, 219 F.3d 744 (8th Cir. 2000), *aff'd in part, rev'd on other grounds, Verizon Communications, Inc. v. FCC*, 535 U.S. 467 (2002). The Eighth Circuit's 1997 decision will be cited as "*Iowa Utils. Bd. I*." The court's decision on remand will be referred to as "*Iowa Utils. Bd. II*."

<sup>35</sup> *Iowa Utils. Bd.*, 120 F.3d at 812.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.* at 813.

<sup>38</sup> *Id.*

not impose such a burden on the incumbent LECs."<sup>39</sup> In its decision on remand from the Supreme Court, the Eighth Circuit reached the same conclusion.<sup>40</sup>

Requiring Qwest to construct for CLECs their preferred network is not only unlawful and inconsistent with the plain meaning of the Act, but also is contrary to the public policy goals of the Act. The FCC has increasingly emphasized the importance of facilities-based competition by CLECs as an important means of bringing true competition to the local telecommunications market.<sup>41</sup> The Act was designed and intended to promote competition for the benefit of consumers, not for the benefit of particular competitors. To further that goal and the interests of Arizona consumers, the Commission should reject WorldCom's demand that Qwest assume WorldCom's costs and risks of providing service.

Similarly, Staff and the ALJ in the Phase II proceeding recommended that Qwest *not* be required to provide line card collocation until the FCC orders such collocation because the feasibility of line card collocation remains undetermined at this time.<sup>42</sup> In Docket No. T-00000A-97-0238, Final Report on Qwest's Compliance with Checklist Item No. 1 – Interconnection and Collocation, dated October 12, 2001, Staff recommended that Qwest not be required to go beyond current FCC rules.<sup>43</sup> The recommended decision concluded that Qwest

---

<sup>39</sup> *Id.* ("Finally, the fact that incumbent LECs may be compensated for the additional cost involved in providing superior quality interconnection and unbundled access *does not alter the plain meaning of the statute, which, as we have shown, does not impose such a burden on incumbent LECs*") (emphasis added).

<sup>40</sup> *Iowa Utils. Bd. II*, 219 F.3d at 758 (noting that "[w]e again conclude the superior quality rules violate the plain language of the Act").

<sup>41</sup> See *UNE Remand Order* ¶¶ 7, 316; see also Fourth Report and Order, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Dkt. No. 98-147, FCC 01-204, ¶ 4 (rel. Aug. 8, 2001).

<sup>42</sup> See Tr. at 272-73 (Hubbard Direct).

<sup>43</sup> Final Report on Qwest's Compliance with Checklist Item 1-Interconnection and Collocation, *Qwest Communication's Section 271 Application*, Dkt. No. T-00000A-97-0238 (Oct. 12, 2001) at 75, ¶¶ 394-95.

should not be required to permit "card-by card" collocation and that the Commission should await direction from the FCC on the issue.<sup>44</sup> The Commission agreed.<sup>45</sup>

Qwest respectfully requests that the Commission, like the ALJs, reject WorldCom's attempt to impose unbundling obligations that exceed what has been ordered by the FCC and this Commission. Qwest need not provide line card collocation, nor must it provide cost studies associated with such collocation.

**2. The Recommended Opinion and Order's Remote Collocation Pricing Recommendations Are Reasonable and Should Be Adopted.**

Claiming that requiring CLECs to pay non-recurring charges associated with RT collocation space presents an "enormous financial barrier" that may be "insurmountable," WorldCom asks the Commission to shift the risk of investment to accommodate CLEC request for RT collocation to Qwest by moving all recovery for such investment to monthly recurring charges.<sup>46</sup> As Mr. Brigham pointed out, because the FCC has concluded that ILECs like Qwest should not be required to underwrite all of the risk of building an interconnector's network, costs for dedicated collocation facilities are properly recovered through non-recurring rates.<sup>47</sup>

WorldCom claims that it is unfair to expose CLECs to the possibility that, after paying the non-recurring charge, the CLEC may lose a customer, leaving the CLEC with RT collocation space that it no longer needs.<sup>48</sup> All telecommunications competitors face comparable risks when adding capacity. Under WorldCom's proposal, Qwest, rather than the CLEC requesting the

---

<sup>44</sup> *Id.* ¶ 395.

<sup>45</sup> See Order, *In the Matter of U S WEST Communications, Inc.'s Compliance with Section 271 of the Telecommunications Act of 1996*, Decision No. 64600, Dkt. No. T-00000A-97-0238 (March 4, 2002) at 21, ¶ 121.

<sup>46</sup> See WorldCom Exceptions at 8-9.

<sup>47</sup> See Ex. Qwest-2 (Brigham Surrebuttal) at 47-48 (citing Second Report and Order, *Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport*, CC Dkt. No. 93-162, FCC 97-208, 12 FCC Rcd 18730 (rel. June 13, 1997) ¶¶ 32-33); see also Ex. Qwest-5 (Fleming Rebuttal) at 39-48.

<sup>48</sup> See, e.g., Ex. WorldCom-5 (Morrison Rebuttal) at 13.

increased capacity, would bear this entire business risk. Although the Act requires ILECs to provide CLEC with access to competitively critical UNEs, it does not impose upon ILECs the "responsibility to finance [and guarantee] a co-provider's entry into the market."<sup>49</sup>

WorldCom attempts to bolster its recurring-rate-only proposal by citing Mr. Brigham's testimony.<sup>50</sup> Contrary to WorldCom's characterization of this testimony, though, Mr. Brigham did *not* "admit[] that Qwest could reuse [RT collocation] space" abandoned by a CLEC. Rather, Mr. Brigham noted that because such space "is not reusable by Qwest," a non-recurring charge is appropriate.<sup>51</sup> Mr. Brigham explained that Qwest may be able to re-lease abandoned space to another CLEC, but that possibility would necessarily require the initial collocating CLEC to disconnect and abandon the space, a contingency on which Qwest cannot and should not be forced to rely.<sup>52</sup>

**3. Vendor Costs Included in Qwest's Cost Studies Are Realistic and Well-Supported.**

WorldCom asserts that Qwest's studies "contain unreasonably high vendor costs."<sup>53</sup> As support for this claim, WorldCom cites a single hearing exhibit purporting to show that the cost of a 40" cabinet from one vendor is "three times higher" than the cost of a different vendor's 23" cabinet.<sup>54</sup> WorldCom's claim rests on a misreading of Qwest's cost studies and bad math.

First, WorldCom misunderstands Qwest's cost studies. In developing the non-recurring space rate for RT collocation, Qwest used costs from the two primary vendors and then weighted them together. Vendor A and Vendor B are the primary architectures deployed for RT

---

<sup>49</sup> See Ex. Qwest-2 (Brigham Surrebuttal) at 48.

<sup>50</sup> See WorldCom Exceptions at 9 (citing Tr. at 128-29 (Brigham Cross)).

<sup>51</sup> Tr. at 129 (Brigham Cross).

<sup>52</sup> See Tr. at 129 (Brigham Cross).

<sup>53</sup> See WorldCom Exceptions at 9.

<sup>54</sup> WorldCom Exceptions at 9.

collocation. Qwest deploys Vendor A in no-growth areas and as an overlay in existing, no-growth areas; and it deploys Vendor B, which represents a more forward-looking and efficient technology, for new builds in growth areas. Although Vendor B is more costly than Vendor A, the expenses attributable to Vendor A are weighted at 88 percent of the total space cost, and Vendor B expenses represent a mere 12 percent of the total space weighting. These weightings reflect Qwest's RT deployment.

Second, the one example to which WorldCom points does not support its claim.

WorldCom says:

One vendor is substantially more expensive than the other (even after one considers that the SMU capacities are different). For instance, vendor B's cost for a 40" cabinet is *more than three times higher* than vendor A's cost for a 23" cabinet."<sup>55</sup>

This statement is incorrect. If one were to modify the RT cost study (#5635 Collocation: Remote Terminal) on the Cost Summary worksheet (cells I34 and I38) by replacing 88 percent and 12 percent, respectively, with 100 percent, Vendor B is actually 75 percent higher in cost per SMU when compared to Vendor A – not 300 percent as stated by WorldCom.

Moreover, even if WorldCom could support its one example, WorldCom does not explain why a cost differential of this magnitude for this one piece of collocation equipment (among the many) is by itself unreasonable, let alone why, based on this one example, the Commission should modify the Recommended Opinion and Order to exclude the "unreasonably high vendor" throughout the entire cost study.<sup>56</sup> WorldCom's citation to the FCC's general pricing rule, 47 C.F.R. § 51.505, without any evidentiary support or analysis that certain costs are in fact "unreasonable" does not warrant the drastic exclusion it advocates.<sup>57</sup>

---

<sup>55</sup> WorldCom Exceptions at 9 (emphasis added).

<sup>56</sup> WorldCom Exceptions at 9-10.

<sup>57</sup> See Recommended Opinion and Order at 13 (noting, in connection with WorldCom's similar custom routing claims, that "[i]t is not sufficient for WorldCom to allege that the proposed direct costs are unreasonable" without more).

The costs included in Qwest's costs studies are reasonable and well-supported in the record. They were and remain available for the Joint Intervenors to review and analyze. WorldCom's sweeping and unsupported exception regarding RT collocation vendor costs should be rejected.

**4. The Recommended Opinion and Order Properly Concludes that Custom Routing Need Only Be Provided Via Dedicated Trunks.**

WorldCom asserts that dedicated trunks are not required to provide custom routing of operator service ("OS") and directory assistance ("DA") to CLECs. Qwest disputes this claim, arguing that WorldCom's proposal is not technically feasible, and the ALJs agreed, concluding that "the evidence presented at the hearing by Qwest indicates that Feature Group D and OS/DA traffic cannot be aggregated on the same trunks because they involve different, non-compatible types of signaling."<sup>58</sup> WorldCom failed to establish that custom routing via shared, rather than dedicated, trunks is technically feasible. Accordingly, the ALJs properly concluded that "WorldCom has [not] presented evidence on the record to warrant rejection of Qwest's proposed direct costs for custom routing."<sup>59</sup> WorldCom's exceptions do not remedy this evidentiary deficiency. The Commission should adopt the ALJs recommendation that custom routing need only be provided via dedicated trunks.

WorldCom seeks to route both DA and OS calls across shared access Feature Group D trunks instead of through separate dedicated trunks to an OS or DA provider.<sup>60</sup> Notwithstanding WorldCom's claims to the contrary, the technical capability for this type of shared access trunk routing is simply unavailable. DA and OS signaling routed by WorldCom across shared access, Feature Group D trunks is not the same as MOS and Feature Group D signaling. Calls that were destined for a DA or OS provider from an end office have different switch signaling

---

<sup>58</sup> Recommended Opinion and Order at 12.

<sup>59</sup> Recommended Opinion and Order at 13.

<sup>60</sup> Tr. at 417 (Caputo Direct)

characteristics than those with standard voice calls. To keep those classes of service separate requires separate trunking. Further, because of the unique signaling the dedicated trunk would only be able to carry DA or OS services, not DA and OS or any combination of those services with Feature Group D or MOS.<sup>61</sup>

WorldCom admits that no provider has commercially deployed technology that will allow OS/DA traffic to be sent across Feature Group D trunks using switch translation.<sup>62</sup> Not only is the technology not currently available, it may never be possible. Customized Routing is done on a per switch basis, with each switch requiring a specific Line Class Code (a code assigned to an OS or DA provider) where multiple USOCs are used. Essentially, each trunk group must be developed or built to incorporate the specific Line Class Code and features chosen by the CLEC.

Thus, Qwest's proposed technical solution provides the only proven one. To follow TELRIC, it should be used as the basis for the costs of custom routing.<sup>63</sup> The Commission should adopt the ALJs' recommendation that Qwest must provide custom routing only by dedicated trunks.

**5. The ALJs Properly Reject WorldCom's Unsupported Claim that Qwest's Direct Costs Are Excessive.**

The ALJs reject WorldCom's unsupported assertion that Qwest's direct costs for custom routing are excessive, concluding that "[i]t is not sufficient to allege that the proposed direct costs are unreasonable 'on their face.'"<sup>64</sup> Ignoring this evidentiary deficiency, WorldCom once

---

<sup>61</sup> Tr. at 210-11 and 221-23 (Craig Cross).

<sup>62</sup> Tr at 422 (Caputo Cross). Mr. Caputo testified that although WorldCom's switch vendor has provided documentation showing that the directory assistance and operator service traffic can be sent over Feature Group D trunks using switch translation, "no one is providing it to us today." Tr. at 422 (Caputo Cross).

<sup>63</sup> See First Report and Order, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98 (rel. August 8, 1996), ¶ 682.

<sup>64</sup> Recommended Opinion and Order at 13.

again claims that "Qwest's direct costs for custom routing are, on their face, excessive and unreasonable."<sup>65</sup>

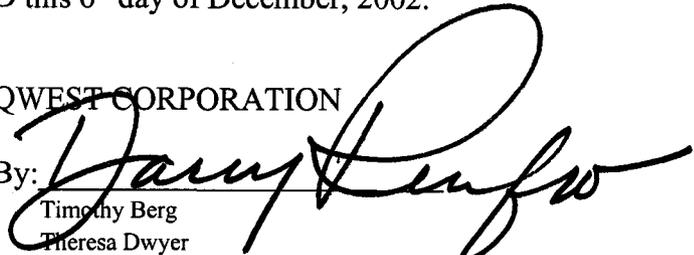
WorldCom singles out two charges that it contends are "excessive and unreasonable." Tellingly, however, WorldCom fails to provide any context for the claimed excessive charges and points to no evidence of comparable costs by which its charge of unreasonableness can be measured. Because, as the ALJs note, WorldCom has provided no evidentiary support for its claim that Qwest's costs are unreasonable, the Commission should reject this exception.

### III. CONCLUSION

For the reasons stated, the Commission should reject all of AT&T's and WorldCom's exceptions to the Recommended Opinion and Order.

RESPECTFULLY SUBMITTED this 6<sup>th</sup> day of December, 2002.

QWEST CORPORATION

By: 

Timothy Berg  
Theresa Dwyer

FENNEMORE CRAIG  
3003 North Central, Suite 2600  
Phoenix, Arizona 85012

Mark Brown  
QWEST CORPORATION  
Public Policy and Law  
3033 N. Third Street  
10th Floor  
Phoenix, Arizona 85012

John M. Devaney  
Norton Cutler  
PERKINS COIE LLP  
607 Fourteenth Street, N.W.  
Suite 800  
Washington, D.C. 20005-2011  
(202) 628-6600  
(202) 434-1690 (facsimile)  
*Attorneys for Qwest Corporation*

---

<sup>65</sup> WorldCom Exceptions at 15.

ORIGINAL and 13 copies of the  
foregoing hand-delivered for  
filing this 6<sup>th</sup> day of December, 2002  
to:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered  
this 6<sup>th</sup> day of December, 2000, to:

Maureen Scott  
Legal Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

Lyn Farmer  
Hearing Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

Ernest Johnson  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007

COPY of the foregoing mailed this 6<sup>th</sup> day of  
December, 2002, to:

Steven J. Duffy  
RIDGE & ISAACSON, P.C.  
3101 North Central Avenue, Ste. 1090  
Phoenix, Arizona 85012-2638

Richard S. Wolters  
M. Singer-Nelson  
AT&T  
1875 Lawrence Street, Room 1575  
Denver, CO 80202-1847

Michael W. Patten  
ROSHKA HEYMAN & DEWULF  
400 East Van Buren, #800  
Phoenix, AZ 85004-2262

Michael Grant  
Todd C. Wiley  
GALLAGHER & KENNEDY  
2575 E. Camelback Rd.  
Phoenix, AZ 85016-9225

Thomas H. Campbell  
LEWIS & ROCA  
40 N. Central Avenue  
Phoenix, AZ 85007

Brian S. Thomas  
TIME WARNER TELECOM  
520 SW Sixth Ave., Suite 300  
Portland, OR 97204-1522

Thomas F. Dixon  
WORLD COM  
707 17<sup>th</sup> Street  
Denver, CO 80202

Eric S. Heath  
SPRINT COMMUNICATIONS CO.  
100 Spear Street, Suite 930  
San Francisco, CA 94105

Scott S. Wakefield  
RUCO  
1110 West Washington, Ste. 220  
Phoenix, AZ 85007

Ray Heyman  
ROSHKA HEYMAN & DeWULF  
400 East Van Buren, #800  
Phoenix, AZ 85004-2262

Rex M. Knowles  
XO Communications, Inc.  
111 E. Broadway, Suite 1000  
Salt Lake City, UT 84111

Megan Doberneck  
COVAD COMMUNICATIONS COMPANY  
7901 Lowry Boulevard  
Denver, Colorado 80230

Lisa Crowley  
COVAD COMMUNICATIONS COMPANY  
4250 Burton Drive  
Santa Clara, CA 95054

Greg Kopta  
DAVIS WRIGHT TREMAINE LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101-1688

Mary S. Steele  
DAVIS WRIGHT TREMAINE, LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101-1688

Dennis Ahlers  
Senior Attorney  
ESCHELON TELECOM, INC.  
730 Second Avenue South, Suite 1200  
Minneapolis, MN 55402

Steve Sager, Esq.  
MCLEODUSA TELECOMMUNICATIONS SERVICE, INC.  
215 South State Street, 10<sup>th</sup> Floor  
Salt Lake City, Utah 84111

Marti Allbright, Esq.,  
MPOWER COMMUNICATIONS CORPORATION  
5711 South Benton Circle  
Littleton, CO 80123

Penny Bewick  
NEW EDGE NETWORKS  
PO Box 5159  
3000 Columbia House Blvd.  
Vancouver, Washington 98668

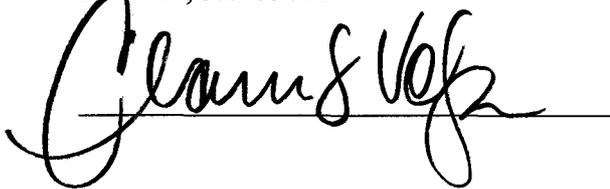
Michael B. Hazzard  
KELLEY DRYE AND WARREN  
1200 19<sup>th</sup> Street, NW  
Washington, DC 20036

Janet Livengood  
Z-TEL COMMUNICATIONS, INC.  
601 South Harbour Island  
Suite 220  
Tampa, Florida 33602

Andrea Harris  
ALLEGIANCE TELECOM  
2101 Webster  
Suite 1580  
Oakland, CA 94612

Traci Grundon  
DAVIS, WRIGHT TREMAINE, LLP  
1300 S. W. Fifth Avenue  
Portland, OR 97201

Joan Burke  
OSBORN MALEDON  
2929 N. Central Avenue  
Phoenix, AZ 85012

A handwritten signature in black ink, appearing to read "Glenn S. Vofsi", is written over a horizontal line.