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June 30, 2003

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

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Re: ACC Docket No. T-000000A-00-0194, Phase IIA (Supplemental)

Dear Docket Control:

Enclosed for filing are the original and thirteen (13) copies of *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 (206) 628-7161.

Sincerely yours,

Davis Wright Tremaine LLP

Larry J. Weathers
Paralegal

Enclosures

cc: Greg Kopta
Rick Wolters
Caroline Butler, ACC
William Dunkel, Dunkel & Associates

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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

DOCKET NO. T-00000A-00-0194
Phase IIA (Supplemental)

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

July 1, 2003

I. INTRODUCTION

AT&T Communications of the Mountain States, Inc. ("AT&T") provides the following post-hearing brief on the unbundled network element ("UNE") local switching rate and related issues raised in this supplemental proceeding. AT&T, in conjunction with WorldCom, Inc. ("MCI"), proposes that the Commission revise its prior 60/40 allocation of Qwest Corporation ("Qwest") switching costs between the switch port and switch usage and establish a single flat-rated UNE local switching rate.

AT&T and MCI do not make this proposal lightly. AT&T realizes that the proposal differs from the legacy view that a portion of switching costs are usage sensitive and should be recovered on a per minute of use basis. Until recently, even AT&T subscribed to that view, as Qwest and Commission Staff ("Staff") have been quick to point out. AT&T, however, re-evaluated that position in light of overwhelming evidence that modern switches have virtually no usage constraints and that Qwest incurs switching costs entirely on a flat-rated basis.¹ Other state commissions, including every commission in the Qwest region to have addressed this issue, similarly have been willing to consider this issue with an open mind and have concluded that UNE local switching rates also should be entirely flat-rated.² Qwest witnesses in other

¹ Indeed, AT&T's prior difficulty establishing the appropriate *allocation* between usage and flat-charges exposes the fallacy of the basic approach. The reason that AT&T's proposed allocation to usage shifted over time (for instance, first sponsoring an allocation of 70%, but then agreeing that 40% would be reasonable), was that AT&T itself was trapped in an effort to answer the unanswerable. When the correct answer is *no* switch investment should be allocated to usage, *any* allocation is arbitrary.

² Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 25-26; Ex. AT&T/MCI 4 (Gillan-Chandler Rebuttal) at 5-6.

proceedings have also conceded that switching costs “can be reasonably recovered entirely as fixed monthly charges.”³

Qwest ignores this concession and the decisions of other state commissions and advocates that the Commission maintain the status quo. Qwest’s evidence, however, fails to support its advocacy. Most of that evidence lacks credibility and falls well wide of the mark, while the remainder actually supports AT&T and MCI’s proposal. When reviewed critically, Qwest’s position has little to do with cost causation and engineering principles but rather is designed to ensure that Qwest maintains its monopoly market share of the residential and small business local exchange markets in Arizona.

Staff also opposes entirely flat-rated UNE local switching for more benign but no less damaging reasons. Staff is a captive of the past, when switches arguably were constrained by usage limitations, and an era when *cost-allocation* was confused with *cost-causation*. Such circumstances no longer exist, but Staff is unwilling to reconsider its view. As a result, Staff unwittingly would have the Commission foreclose the development of effective local exchange competition, particularly for residential customers who, contrary to Staff’s assumption, typically have higher average usage per line than business customers.

The Commission should not be so entrenched or short-sighted. Telecommunications technology changes rapidly, and the Commission should establish UNE rates based on the technological capabilities that exists today, not on preconceptions and whatever technical limitations may have existed yesterday. The evidence is undisputed that Qwest does not obtain

³ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 24 (quoting Qwest witnesses’ testimony in a separate Commission docket and in a Colorado proceeding).

local switching from its vendors on a per minute of use basis, and neither should CLECs when they obtain UNE local switching from Qwest.

II. DISCUSSION

A. Qwest Should Charge CLECs for UNE Local Switching at a Flat Rate, Rather Per Minute of Use.

Charges for local switching provided as an unbundled network element ("UNE") must be based on the cost of providing that element.⁴ These rates, moreover, "must recover costs in a manner that reflects the way they are incurred."⁵ Qwest incurs the costs of local switching on a flat-rated basis, rather than per minute-of-use. Qwest's charges for UNE local switching, therefore, should be entirely flat rated, without any charge per minute of use. AT&T and MCI propose that the Commission recover the switching investment costs estimated by the HAI Model entirely through the switch port charge, which results in a single, flat-rated charge for UNE local switching consistent with federal requirements.

Qwest and Commission Staff, on the other hand, recommend that the Commission retain the current arbitrary allocation of 40% of switching costs to a usage sensitive rate element. Such a recommendation is fundamentally inconsistent with the way in which Qwest incurs switching costs. Staff purports to rely on cost causation principles, but those principles, properly applied, support AT&T and MCI's proposal. Qwest claims that its switches are engineered based on usage but, even if true, Qwest never establishes any link between this "engineering" and how Qwest actually incurs switching costs. Per minute of use pricing for UNE local switching reflects an anachronistic view of how Qwest incurs switching costs, and the Commission should

⁴ 47 U.S.C. § 252(d)(1).

⁵ *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-325, First Report and Order ¶ 743 (August 8, 1996).

rely on record evidence – not unsupported tradition – to establish the appropriate rates for UNE local switching.

1. Cost Causation Principles Require That UNE Local Switching Be Flat Rated.

Staff proposes that the Commission establish UNE local switching rates based on “cost causation.” William Dunkel, on behalf of Staff, explained his view that “cost causation” means that “costs of equipment is [*sic*] recovered based on what the equipment is used for.”⁶ Specifically with respect to local switching, Mr. Dunkel testified that “[c]osts that are incurred for the purpose of switching usage are ‘usage’ related costs, and should be recovered in ‘usage’ rates.”⁷ This argument is nothing more than a meaningless tautology. Every time someone places a call, that person causes “usage” of the network – not just of one or more switches, but of at least two loops and often transport and other facilities. The issue is not the extent to which any particular customer “uses” the switch, but how to recover the costs that Qwest *incurs* to provide switching.

The flat rate that AT&T and MCI propose is called a “port” charge but it includes *all* of the costs that Qwest incurs to provide local switching as a UNE, including costs “incurred for the purpose of switching usage” as Mr. Dunkel uses that term. Indeed, Mr. Dunkel agreed that a flat-rated port charge would recover all switching costs, just as Qwest’s flat retail rates for residential and business local exchange services currently recover Qwest’s switching costs.⁸ Mr. Dunkel also agreed that the recovery of “switching usage costs” through Qwest’s retail flat rates

⁶ Tr. at 28 (Staff Dunkel).

⁷ Ex. S-2 (Staff Dunkel Rebuttal) at 3, lines 17-19. Qwest takes a similar position.

⁸ Tr. at 39-40 (Staff Dunkel).

for local exchange service is consistent with “cost causation” as he uses those terms.⁹ Staff, therefore, cannot reasonably contend that the flat-rated port charge proposed by AT&T and MCI is not consistent with “cost causation” when that charge recovers Qwest’s switching costs in the same manner as Qwest’s retail local exchange rates – and, as discussed below, the same manner in which Qwest incurs those costs.

Staff apparently attempts to distinguish the cost recovery under Qwest’s flat retail local exchange service rates by claiming that those rates were established using usage level assumptions specific to each customer class and type of service.¹⁰ The record evidence does not support such a distinction. Residential customers have *higher* usage than small business customers,¹¹ yet the Commission is well aware that Qwest’s flat residential local service rate is substantially *lower* than Qwest’s flat basic business rate. Even if some empirical basis existed for concluding that one class of customers has higher peak switching usage than another class of customers – which there is not – the appropriate solution under Staff’s own cost causation theory would be to establish different flat UNE local switching rates for each customer class, not per minute of use charges that Qwest end user customers are not required to pay.

AT&T and MCI’s proposal for a single flat rate for UNE local switching is consistent both with Staff’s “cost causation” principles and the record evidence, and Staff and Qwest have failed to demonstrate otherwise.

⁹ *Id.* at 36.

¹⁰ *See* Tr. at 40-41 (Staff Dunkel).

¹¹ Tr. at 166 (AT&T/MCI Gillan). As Mr. Gillan further observed, the combination of UNEs used to provide local service (“UNE-P”) enables CLECs to serve residential and small business services, not large business customers with high calling volumes (such as telemarketers) who use PBX trunks and other high capacity services. *Id.* at 165-66; *see* Tr. at 41-42 (Staff Dunkel) (conceding that UNE-P would not be used to serve business customers with PBX trunks or digital circuits).

2. Switch Engineering Principles Are Consistent With Flat-Rated UNE Local Switching.

AT&T and MCI presented the engineering analysis of Richard Chandler, who has multiple degrees in engineering and extensive experience with Bell Laboratories, AT&T, and HAI on switching and other engineering projects.¹² Mr. Chandler explained that currently available forward-looking switches have no, or virtually no, capacity constraints other than the number of lines served by the switch.¹³ As a result, “there is no technical basis for a usage charge for end office switching.”¹⁴ Qwest witnesses in other proceedings have agreed, testifying, “It is not unreasonable to model switching costs now as depending entirely on the number of line-side ports and the number of trunk-side ports. *Switching costs in such a model can be reasonably recovered entirely as fixed monthly charges.*”¹⁵

Qwest now disagrees. Qwest disregards its own witnesses’ testimony in other proceedings and presents inconsistent “engineering” testimony of Philip Linse, who has no degree or formal training in engineering and who has less than three years of limited experience on switching related issues.¹⁶ According to Mr. Linse, “The size of a switch and the ultimate cost of switching bears a direct relationship to the levels of usage by customers who use the switch; the trunking and processing components of switches are engineered based on usage requirements.”¹⁷ Mr. Linse purports to illustrate this point by citing instances in which Qwest

¹² Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 3-4.

¹³ *Id.* at 9-18; Tr. at 158-163 (AT&T/MCI Chandler).

¹⁴ Tr. at 163 (AT&T/MCI Chandler).

¹⁵ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 24 (quoting Qwest witnesses Paul McDaniel in a Colorado proceeding and Harry M. Shooshan III in a proceeding before this Commission) (emphasis added).

¹⁶ Ex. Qwest 3 (Linse Rebuttal) at 1-2; Tr. at 101 (Qwest Linse).

¹⁷ Ex. Qwest 3 (Linse Rebuttal) at 3.

has been required to increase switch and interoffice trunk capacity to accommodate increases in peak usage.¹⁸ Qwest's other witness, Teresa Million, echoes Mr. Linse's testimony and further observes that Qwest pays its vendors a higher price per line if peak usage exceeds a certain level.¹⁹ Ms. Million, however, does not even purport to be an engineer and has no engineering training or background, nor has she had any involvement in the development or negotiation of Qwest's contracts with its switching vendors.²⁰ Mr. Linse's and Ms. Million's observations, even if grounded in fact as opposed to unsubstantiated opinion, do not support Qwest's position.

AT&T and MCI do not dispute that switches are engineered to have a prescribed level of peak usage capacity or that Qwest may pay an incrementally higher price for switches that have significantly higher peak usage capacity. Those facts, however, are irrelevant to how switching costs are incurred. Qwest engineers its entire network to have sufficient capacity to serve current and anticipated future demand, and overall investment generally increases when greater network capacity must be constructed. Such engineering, however, does not make the entire network "usage sensitive." Qwest constructs outside loop plant, for example, to have sufficient facilities to serve its customers, but UNE loop rates are flat-rated because that is how Qwest incurs the costs of providing those loops.²¹ Switching is no different. Qwest does not pay its vendors for switches on a per minute of use basis.²² Rather, Qwest pays flat rates to its vendors for switches with prescribed levels of capacity.²³ Qwest, therefore, should charge flat rates to CLECs to lease

¹⁸ *Id.* at 7-10.

¹⁹ Ex. Qwest 2 (Million Rebuttal) at 7-16.

²⁰ Tr. at 125 (Qwest Million).

²¹ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 21.

²² *E.g.*, Tr. at 125-26 (Qwest Million).

²³ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 19-20.

a portion of that capacity.

Qwest apparently differentiates loops from switching in this regard by observing that loops are dedicated to a single customer's use, while switching (other than the port) is a shared resource.²⁴ Qwest's own example demonstrates the fallacy of this argument. Digital loop carrier ("DLC") provides a fiber optic link between a remote terminal (where copper wires from customer locations are terminated) and the serving central office.²⁵ This link is not dedicated to any one customer but is *shared* among all end users served within a particular geographic area.²⁶ The amount of electronics and fiber that comprises the link, moreover, is engineered based on the anticipated level of peak *usage* of that link.²⁷ Thus DLC, like switching, is a shared facility engineered based on peak usage. Qwest, however, recovers all of the costs it incurs to provide DLC to competitors through *flat* UNE loop rates.²⁸ Qwest should recover all of its switching costs in the same manner.

Qwest, however, claims that it has been required to increase switch processor and trunk capacity to accommodate the sudden rise in switch usage caused by dial-up Internet traffic, and that unlike loop plant, Qwest does not have additional customers over which to spread those costs. Again this claim does not withstand scrutiny. If increased peak usage requires Qwest to construct additional DLC capacity, Qwest also must recover those costs from existing customers.

²⁴ At least with respect to switch processor capacity, Qwest's argument is factually incorrect and reflects out-dated technology. Modern switches are non-blocking or essentially non-blocking, in contrast to the scenario presented by Ms. Million. *Compare* Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 16-17 *with* Ex. Qwest 2 (Million Rebuttal) at 9. The existence of sufficient talk paths within these switches to accommodate all end users served by the switch is equivalent to providing customers with a dedicated path through the switch.

²⁵ Tr. at 126 (Qwest Million).

²⁶ *Id.* at 126-27.

²⁷ *Id.* at 127.

Nothing in either scenario justifies imposing a per minute of use charge to recover costs that Qwest incurs on a flat basis. The cost models introduced in this docket, moreover, assume a level of anticipated peak usage and estimate the efficient, forward-looking investment required to provide that level of usage.²⁹ The fact that in the past, Qwest may have been required to update and augment its embedded network to accommodate additional peak switch usage is irrelevant, just as Qwest's other embedded network investment is irrelevant under the pricing principles established by Congress, the FCC, and this Commission.³⁰

Evidence presented by the only qualified engineering witness to testify in this proceeding demonstrates that no technical or engineering basis exists for imposing any per minute of use charge for UNE local switching. Qwest's unsupported testimony to the contrary lacks credibility, relevance, and merit.

3. Flat Rated UNE Switching Is Competitively Neutral and Does Not Raise Any Public Policy Concerns.

Flat rated UNE local switching not only reflects the manner in which Qwest incurs local switching costs but it is consistent with Qwest's flat rates for retail local exchange service. A per minute of use charge for UNE local switching, on the other hand, imposes different – and artificial – costs on CLECs that Qwest does not incur, resulting in serious distortions to the local market. As Mr. Gillan and Mr. Chandler explained,

This is no small debate – the rate structure Qwest recommends would impose on CLECs a cash-outlay, for each and every minute, of each and every call, that their customers make, even though

²⁸ *Id.* at 127.

²⁹ *Id.* at 128-29; Tr. at 44 (Staff Dunkel).

³⁰ At least with respect to increasing switch processor and line capacity to accommodate increased peak usage, Qwest's investment was related to modifying older vintage switches. Tr. at 113-114 (Qwest Linse). As Mr. Chandler explained, such modifications are not necessary to current forward-looking switches. Tr. at 163 & 175-76 (AT&T/MCI Chandler).

Qwest would incur no such cost. This would create very different cost-implications for CLECs than Qwest for calls that are identical, introducing a serious distortion to the market. This is particularly critical in a local market where the dominant provider (Qwest) offers flat-rate service and the market is moving towards *more* flat-rate offerings. In such an environment it is absolutely critical that CLECs not be penalized through a contrived usage rate for local switching.³¹

Qwest nevertheless presents economic testimony from its “engineering” witness that with flat rated UNE local switching, “the CLECs would have every incentive to increase usage.”³² Not surprisingly, Mr. Linse was unable to justify or even explain the basis for this statement.³³ End user customers that currently pay Qwest a flat rate for local service, including unlimited local calling, have no incentive to increase the amount of their local calling simply because they obtain local service from a CLEC at a flat rate, including unlimited local calling. Nor would CLECs obtaining flat-rated UNE local switching have any incentive to target high usage customers, as Ms. Million, contends,³⁴ because the CLECs would not realize any cost savings or higher revenues from such customers.³⁵ Local usage under flat rated retail and wholesale switching rates is irrelevant both to end user customers and to the competitors obtaining local switching. Thus, “there is no reason to expect (a priori) that the usage profile – particularly the

³¹ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 19-20 (footnote omitted).

³² Ex. Qwest 3 (Linse Rebuttal) at 11. Nothing in Mr. Linse’s testimony reflects any education, training, or experience in economics.

³³ See Tr. at 118-24 (Qwest Linse).

³⁴ Ex. Qwest 2 (Million Rebuttal) at 17. Ms. Million, like Mr. Linse, has no demonstrable background in economics.

³⁵ Moreover, the prototypical “high volume” user assumed by Mr. Dunkel – the outbound telemarketer – is served via high-capacity digital services, not the analog services at issue in this proceeding. See Tr. at 41-42 (Staff Dunkel); Tr. at 165-66 (AT&T/MCI Gillan). As discussed elsewhere, this docket is entirely about whether CLECs will be able to effectively compete for residential and smaller business customers, not large users. *E.g.*, Tr. at 166 (AT&T/MCI Gillan).

peak usage profile – of a CLEC’s subscribers served using unbundled local switching would systematically differ from the usage profile of Qwest’s customers served by that switch.”³⁶

Staff takes a different tack, contending that CLECs will not be harmed by a per minute of use charge for UNE local switching as long as the local usage of their customers is the same as the local usage of Qwest’s customers. Staff’s contention ignores the fundamental point that Qwest does not incur switching costs on a per minute of use basis. Qwest incurs switching costs on a flat-rated basis and pays its switching vendors for sufficient switch capacity to accommodate “peak” (or “busy hour”) levels of usage, levels that represent approximately ten percent of the total traffic on the switch.³⁷ Qwest, however, would impose a charge on CLECs for 100 percent of their customers’ calls, thus imposing costs on CLECs that Qwest does not incur. The 1,670 minutes of switch usage Mr. Dunkel assumes in his analysis, moreover, is substantially lower than the almost 2,200 minutes of average usage Qwest reported for 2001 in its most recent ARMIS report.³⁸ A CLEC that serves end user customers with the same average usage as Qwest customers thus will incur much higher costs than Qwest incurs to serve its customers.³⁹

The Commission should find the public policy ramifications of this scenario even more

³⁶ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 23. Mr. Gillan, in contrast to Mr. Linse, has extensive education and experience as an economist. *Id.* at 2-3.

³⁷ *E.g.*, Tr. at 164 (AT&T/MCI Gillan); *see* Tr. at 103-06 (Qwest Linse); Tr. at 38-39 (Staff Dunkel).

³⁸ Tr. at 200 (AT&T/MCI Gillan).

³⁹ The fact that 1670 minutes may have been used by the HAI model is irrelevant. The HAI Model does not estimate switching costs using usage, underscoring the fact that usage is not relevant. Rather, the 1670 minutes is only used to translate the fixed cost into a usage rate. To the extent that Qwest’s average usage is greater than that amount – which it currently is – Qwest over-recovers its costs by imposing per minute of use charges for UNE local switching.

problematic. A rational CLEC considering entering the local exchange market in Arizona using UNE-P under these conditions will have every incentive to reduce its costs by targeting customers with lower than average levels of usage. Residential customers have higher usage (and pay lower retail rates) than small business customers.⁴⁰ At a minimum, therefore, the CLEC will attempt to avoid serving large numbers of residential customers and may decline to enter the residential local service market all together. Qwest, of course, would like nothing better than to continue to monopolize that market, but discouraging competition in the residential local exchange market is fundamentally inconsistent with this Commission's goal of bringing effective choice among local service providers to *all* Arizona consumers, not just to business customers.

Staff and Qwest both also observe that in a prior phase of this proceeding, AT&T and MCI proposed that a portion of switching costs be recovered through a per minute of use charge. While that observation is irrelevant to the merits of flat rated UNE local switching, Mr. Gillan and Mr. Chandler explained that AT&T and MCI, like the rest of the industry, have been slow to question the myth that the costs of local switching are usage sensitive.⁴¹ Mr. Chandler further explained during the evidentiary hearing that AT&T struggled to find a supportable allocation of costs between switch port and "usage" until Mr. Chandler undertook his own independent analysis. As a result of that analysis, Mr. Chandler – and AT&T and MCI – realized that everyone effectively had been trying to find a black cat in a dark room when there was no cat. Any allocation of switching costs between "port" and "usage" is entirely arbitrary and has no basis in sound engineering principles. AT&T and MCI's support for flat rated UNE local switching, therefore, reflects acceptance of Mr. Gillan and Mr. Chandler's analysis,

⁴⁰ Tr. at 166 (AT&T/MCI Gillan).

⁴¹ Ex. AT&T/MCI 3 (Gillan-Chandler Direct) at 26.

unencumbered by preconception, rather than a self-serving attempt to find the most economically advantageous pricing, as Qwest suggests.⁴²

Finally, Qwest asserts that adopting flat-rated unbundled switching will have public policy impacts beyond this proceeding, specifically with respect to retail toll rates, which are designed to recover some of Qwest's switching costs and are established on a usage sensitive basis. As Qwest implicitly acknowledges, however, those rates are not at issue in this proceeding. The Commission's obligation is to establish rates for unbundled loops and switching based on the TELRIC of those UNEs, including how Qwest incurs those costs. The evidence overwhelmingly demonstrates that the costs of local switching when provided as a UNE are flat-rated, not usage sensitive. Any imagined impacts this may have on other rates that are designed to recover switching costs – particularly retail rates – should be the subject of a separate proceeding.

Qwest, moreover, conveniently ignores that other rates – specifically residential and business local exchange service – are flat-rated and also recover a portion of Qwest's switching costs. The Commission has not found disparate rate structures for toll and local service to be inconsistent in the past, and flat rating UNE local switching does not change that calculus. To the contrary, UNE switching – particularly in conjunction with UNE-P – most closely resembles retail local service rates, not retail toll rates. Both logic and applicable law, as well as the record evidence, thus support flat-rated switching when provided as a UNE.

B. The Commission Should Use the HAI Model to Properly Assign Expenses to Appropriate UNEs

The parties agree on the numbers that the HAI Model produces for local switching, either

⁴² Tr. at 169-73 (AT&T/MCI Chandler).

as a single flat rate or as a mixture of flat port charge and usage sensitive charge. Using the model outputs for switching, however, increases the level of switching investment the Commission previously established. The model assigns expenses to individual UNEs based on the relative level of investment. The increase in the switching investment means that expenses that the model had assigned to UNE loops are reassigned to UNE local switching, resulting in double recovery of Qwest's expenses if the UNE loop rates that the Commission established remain unchanged. AT&T and MCI, therefore, propose that the Commission apply the model consistently and lower the UNE loop rates to a statewide average of \$11.99.⁴³

Qwest does not disagree with Mr. Denney's model run but opposes this proposal, claiming that UNE loop rates are not at issue in this part of the proceeding.⁴⁴ Qwest effectively seeks to have its cake and eat it too, obtaining higher UNE local switching rates that include additional expenses that the Commission has never authorized.⁴⁵ Qwest's position is also inconsistent with its own advocacy that "if you're going to choose the HAI model as being the best representation of TELRIC, then you need to choose that model for everything it produces."⁴⁶ The HAI model, run with Commission-prescribed inputs and the adjustments to UNE local

⁴³ Ex. AT&T/MCI 2 (Denney Direct) at 5-7 & attached Ex. DKD-1.

⁴⁴ Qwest also claims that under the same principle, any revision to the existing transport rates would also result in reassignment of expenses that should be reflected in the corresponding rates. AT&T and MCI have not taken a position on the transport issues in this part of the proceeding but have stipulated that revised transport rates may have that result. Ex. Qwest 4 (Stipulation).

⁴⁵ Indeed, Qwest initiated this supplemental proceeding because it was concerned that the switch port rate that the Commission established in Phase IIA did not enable Qwest to recover all of the costs that the Commission authorized Qwest to recover. Qwest has no interest in ensuring that it does not recover *more* costs than the Commission authorized.

⁴⁶ Tr. at 66 (Qwest Million).

switching proposed in this part of the proceeding, produces a revised UNE loop rate of \$11.99, and the Commission should revise the rate accordingly.

Staff also opposes adjusting the UNE loop rates in this part of the proceeding but counter-proposes that the Commission reduce the UNE local switching rates produced by the model to eliminate the double recovery of expenses. Staff's counter-proposal certainly is preferable to Qwest's position, although it should be the Commission's second choice. As even Qwest has advocated, the Commission should permit the model to run as designed, without post hoc adjustments, and should establish UNE loop and local switching rates accordingly.

III. CONCLUSION

For the foregoing reasons, as well as the reasons stated in the testimony on behalf of AT&T and MCI, the Commission should establish a flat-rated UNE local switching rate of \$4.06 with a usage rate of \$0.00 and should revise the statewide average UNE loop rate to \$11.99.

Dated this 30th day of June, 2003.

AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC.

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CERTIFICATE OF SERVICE

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

I hereby certify that the original and 13 copies of the ***Post-Hearing Brief of AT&T Communications of the Mountain States, Inc.***, in ACC Docket No. T-00000A-00-0194, Phase IIA (Supplemental) were sent for filing on this 30th day of June 2003 via FedEx overnight to:

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

and a copy of the foregoing was sent via U.S. Mail, postage prepaid, on this 30th day of June 2003, to the following:

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Dated this June 30, 2003

Signed by 