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**USWEST**

March 8, 1995

William F. Caton, Acting Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, NW  
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

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MAR - 8 1995  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: U S WEST Communications, Inc., Open Network Architecture Tariffs,  
CC Docket No. 94-128, Request for Confidential Treatment of Documents

Dear Mr. Caton:

Pursuant to Section 0.459 of the Federal Communications Commission's ("Commission") Rules,<sup>1</sup> confidential treatment is hereby requested for the attached documents. These documents, comprising Appendix B of the Direct Case in the above-captioned docket, provide information on the U S WEST Switching Cost Model software and proprietary vendor data used by the cost model in allocating switch investment. The confidential nature of this information has been routinely recognized in the past.<sup>2</sup> Release of the Switching Cost Model information to the public would compromise a U S WEST trade secret, and release of the vendor information would cause competitive injury by releasing the sensitive and

<sup>1</sup> 47 CFR § 0.459.

<sup>2</sup> Allnet Communications Services, Inc. v. FCC, 800 F. Supp. 984 (D.D.C. 1992)

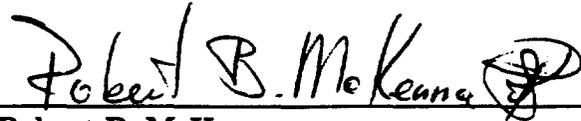
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confidential pricing information of U S WEST's switch vendors. Accordingly, the information is entitled to confidential treatment under the rules of the Commission.<sup>3</sup> The remainder of the Direct Case is being submitted for the public record.

Please contact the undersigned with questions, or if there is any difficulty occasioned by this request.

Sincerely,

A handwritten signature in black ink that reads "Robert B. McKenna" followed by a stylized flourish or initial.

---

Robert B. McKenna  
Corporate Counsel for  
U S WEST COMMUNICATIONS, INC.

RBM:cab

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<sup>3</sup> 47 CFR 0.457(d).

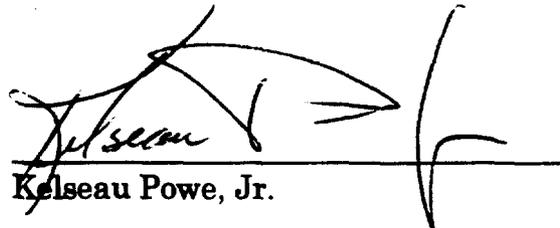
## CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr. , do hereby certify on this 8th day of March, 1995, as follows:

1) That I have caused the foregoing **REQUEST TO WITHHOLD MATERIALS FROM PUBLIC INSPECTION (and Attachment B from the Direct Case of U S WEST Communications, Inc.)** to be filed with the Office of the Secretary of the FCC, with a copy hand-delivered to the following person:

Steven Spaeth  
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Room 518  
1919 M Street, N.W.  
Washington, DC 20554;

2) That I have caused a copy of the foregoing **REQUEST TO WITHHOLD MATERIALS FROM PUBLIC INSPECTION (without Attachment B)** to be served via first-class U.S. Mail, postage pre-paid, upon the persons listed on the attached service list.

  
Kelseau Powe, Jr.

**\*Via Hand-Delivery**

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MAR - 8 1995

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, DC 20554

In the Matter of )  
)  
Open Network Architecture Tariffs )  
of U S WEST Communications, Inc. )

CC Docket No. 94-128

DOCKET FILE COPY ORIGINAL

U S WEST COMMUNICATIONS, INC.'S DIRECT CASE

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Its Attorney

Of Counsel,  
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March 8, 1995

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## SUMMARY

In the Direct Case U S WEST Communications, Inc., provides the support for its Open Network Architecture tariff (Transmittal No. 446) as directed by the Federal Communications Commission in its Order Designating Issues for Investigation, released November 8, 1994. Specifically, this Direct Case provides the following:

- A single set of workpapers supporting the tariff;
- Region-wide model office analysis;
- Current vendor data in computer model analysis;
- SCM software analysis;
- Forward-looking investment analysis;
- Reasonable overhead loadings;
- Amended cost support and rates; and
- Further access by intervenors to U S WEST's switching cost model.

The Direct Case demonstrates that the rates in Transmittal No. 446 are reasonable (with several minor exceptions which will be corrected in a conforming filing at the conclusion of this proceeding).

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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In the Matter of )  
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Open Network Architecture Tariffs ) CC Docket No. 94-128  
of U S WEST Communications, Inc. )

**U S WEST COMMUNICATIONS, INC.'S DIRECT CASE**

U S WEST Communications, Inc. ("U S WEST") herein responds to the Common Carrier Bureau's ("Bureau") questions as posed in its Investigation Order, released November 8, 1994.<sup>1</sup> U S WEST follows herein the format set forth in the Investigation Order. This Direct Case demonstrates that the rates set forth in Transmittal No. 446, filed January 26, 1994, are just and reasonable.<sup>2</sup>

I. **HAS U S WEST CORRECTED THE RATEMAKING DEFICIENCIES IDENTIFIED IN THE ONA FINAL ORDER WITH RESPECT TO DEVELOPING UNIT INVESTMENT FIGURES?**

A. **Model Office Development**

The Federal Communications Commission ("Commission") concluded in the ONA Final Order<sup>4</sup> that U S WEST, in its original ONA tariff filing (Transmittal

<sup>1</sup>See In the Matter of Open Network Architecture Tariffs of U S WEST Communications, Inc., Order Designating Issues For Investigation, 9 FCC Rcd. 6710 (1994) ("Investigation Order").

<sup>2</sup>As described, several methodological errors in the development or rates in Transmittal No. 446 were found.

<sup>3</sup>Investigation Order, 9 FCC Rcd. at 6712 Issue A.

No. 206) used only central offices from its central region in the development of the model office for “Make Busy Key” and “Message Delivery” basic service elements (or “BSE”).<sup>5</sup> The Commission also concluded that such a limited subset of offices might not accurately reflect actual costs of providing these BSEs, thus the Commission subsequently ruled the rates for these BSEs unreasonable on the basis that they were “based on an unexplained methodology which could distort rates.”<sup>6</sup> The Commission further found that U S WEST did not demonstrate in the cost support material included with its January 26, 1994 filing (Transmittal No. 446) that this deficiency had been corrected. U S WEST actually had corrected this deficiency in its January 26, 1994, Transmittal No. 446 filing.

The following mix of central offices was used to develop the model office in Transmittal No. 446: Central offices from all U S WEST states were included in the Switching Cost Model (or “SCM”) runs used to develop investments that were the basis for the investment related direct costs. Only digital switches were modeled. The offices modeled include: 5ESS (Accounting for 69% of the total lines in U S WEST), DMS 100 (13%), and DMS10 (3%). These three switch types represent 85% of all lines in U S WEST.<sup>7</sup>

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<sup>4</sup>In the Matter of Open Network Architecture Tariffs of Bell Operating Companies, Order, 9 FCC Rcd. 440 (1993) (“ONA Final Order”).

<sup>5</sup>Id. at 448 ¶ 18.

<sup>6</sup>Id.

<sup>7</sup>The weightings of the three switch types used in Transmittal No. 446 reflect the percentages of the modeled numbers of lines, rather than the total number of lines. Thus, the 5ESS weighting is 80.95% (69%/85%).

Offices not included in SCM Features development are 5ESS Remote Switches (5%), DMS100 Remote Switches (3%), Ericsson AXE (3%), and Ericsson AXE Remote Switches (3%). The 5ESS and DMS Remote Switches are not modeled because there are no significant cost differences pertinent to BSEs between stand-alone switches and remote switches. In the DMS100 remotes, most of the processing actually takes place in the host switch. In both the DMS100 and 5ESS, the feature hardware (e.g., three port conference circuits and recorded announcements) resides in the host switch rather than in the remote. In addition, the percentage of lines served by these switches is low (less than 11%). The Ericsson AXE features were not modeled because not all features were available on these switches and because the percentage of lines served by these switches is also very low (6%).

B. Outdated Traffic Studies, Vendor Operating Software,  
and Vendor Data

Several questions were raised pertinent to U S WEST's traffic studies and vendor data. Based on concern that traffic studies were outdated, the Investigation Order required:

US West should specify the scope and date of traffic studies relied on by Transmittal No. 446 that supersede older traffic information, as well as the procedure used to conduct the studies.<sup>8</sup>

Over half of the traffic data used by SCM Core comes from the Demand and Facilities (D&F) data base. This data facility stores central office traffic data. It is used primarily by network planners and switching design and equipment engineers.

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<sup>8</sup>Investigation Order, 9 FCC Rcd. at 6712 ¶ 10.

The data is updated twice each year, after new forecasts are issued (in March and August). Data in the version of SCM software used in Transmittal No. 446 utilized data from the D&F data base which was dated September 22, 1993.

The Trunk Forecasting System ("TFS") provides approximately one-third of the traffic data for SCM. Data gathering for this system is mechanized and the data is updated weekly. The data that was used in SCM for Transmittal No. 446 was extracted on August 17, 1993.

Integrated Services Digital Networks ("ISDN") line and analog trunk forecasts used in SCM for Transmittal No. 446 were taken from special studies completed in 1993.

Concerning a similar question about the timeliness of vendor data, the Investigation Order directs:

US West should also describe the more recent vendor data and software incorporated within the updated SCM software, itemized for each switch technology.<sup>9</sup>

The 5ESS switch reflect 5E9 software, technology, and prices as of December 31, 1993. The DMS100 switch reflects BCS 35 software, technology, and prices in effect as of December 31, 1993. The DMS10 switch reflects series 400 software, technology, and prices effective as of December 31, 1993.

Concerned about the cumulative impact of changes occasioned by compliance with the Investigation Order, the Investigation Order further requires:

For each deficiency identified in the ONA Final Order that US West asserts it has corrected, US West should

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<sup>9</sup>Id. (emphasis added).

show the effect of the correction on the unit investment figures developed using the updated SCM software. US West should also describe the cumulative effect of all corrections US West made in response to the ONA Final Order for each basic service element.<sup>10</sup>

In its January 26, 1994, filing (Transmittal No. 446), the following corrections were made to comply with the ONA Final Order:

- (a) Model office representative of entire service area;<sup>11</sup>
- (b) Forward-looking technology;<sup>12</sup>
- (c) Current traffic studies, vendor operating software, and vendor data;<sup>13</sup>
- (d) Apparently unreasonable direct costs;<sup>14</sup> and
- (e) Uniform overhead loadings.<sup>15</sup>

This Direct Case provides additional explanation and clarification for corrections made. The first three items/corrections above ((a) - (c)) are directly related and incorporated into the activities associated with the updated SCM software. Therefore, the effect to unit investment figures directly attributable to these corrections are presented in detail in the analysis in Appendix B of this response.<sup>16</sup>

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<sup>10</sup>Id.

<sup>11</sup>ONA Final Order, 9 FCC Rcd. at 447-48 ¶¶ 15, 18.

<sup>12</sup>Id. at 456 ¶ 42.

<sup>13</sup>Id. at 461-62 ¶ 58.

<sup>14</sup>Id. at 458 ¶ 49.

<sup>15</sup>Id. at 459 ¶¶ 51, 52.

<sup>16</sup>Appendix B is being filed under separate cover with a request for confidential treatment.

The last two items above ((d) and (e)) are reflected in Appendix A, which demonstrates the cumulative effect of all changes (unit investment, direct costs, and overhead loadings), for each BSE. This analysis judges the effect of change in each individual rate component on a stand-alone basis. For example: for each BSE, the effect of the change in unit investment is calculated relative to the associated impact on the BSE rate. The same process is used to calculate the effect of change in direct cost relative to the BSE rate and Appendix A demonstrates the associated change in overhead loading and how these changes impacted the BSE rates. By stepping through the change in individual ratemaking components for each basic service element, the cumulative effect of all corrections is shown as the difference in rates between Transmittal No. 206 and those reflected in Transmittal No. 446. As a final question in this section of the Investigation Order, U S WEST is required to:

[E]xplain its statement in the Transmittal No. 446 Description and Justification that 1993 rate levels have been included in SCM.<sup>17</sup>

This statement was intended merely to convey that the vendor prices in SCM reflected prices in effect in 1993. Hence, it was not meant to imply any rate consequences beyond this simple fact.

## II. IS IT POSSIBLE TO DEVELOP REASONABLE RATES USING REVISED SCM SOFTWARE?<sup>18</sup>

[W]e direct US West to show the effect of any SCM software revisions on unit investments, and to demonstrate the reasonableness of the revisions. Second, the equa-

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<sup>17</sup>Investigation Order, 9 FCC Rcd. at 6712 ¶ 10.

<sup>18</sup>Id. at 6712 Issue B.

tions within the SCM model include variables that enable US West to adjust the model to fit assumptions it makes concerning its network. US West must quantify the effects of changes in any such assumptions not specified in the original ONA Designation Order on SCM unit investments. US West should demonstrate, by giving examples, what effect changes in these factors have upon unit investment studies. Finally, US West must show all sources of rate variation between the originally filed rates and those filed under Transmittal No. 446, and isolate rate differences attributable to SCM software changes from those arising from other sources.<sup>19</sup>

The analysis in Appendix B reflects the comparison of unit investment outputs between Transmittal No. 206 and Transmittal No. 446 for applicable BSEs. The analysis demonstrates the impact to unit investments resulting from changes in: Usage (feature inputs), vendor pricing and discounts, model algorithm changes, switch weightings, vendor hardware and software, and traffic data. This analysis of unit investment outputs is valuable to the extent that the comparison considers differences in unit investment outputs for those BSEs that were studied using SCM in both Transmittals. Only 7 of the 22 BSEs were studied using SCM in both U S WEST filings. Even though the use of SCM to determine unit investment was common to 7 BSEs in Transmittal No. 206 and in Transmittal No. 446, the analysis in Appendix B demonstrates the impact of changes in SCM outputs for only 6 BSEs.<sup>20</sup> A comparison of "Called Directory Number Delivery Per Trunk" (or

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<sup>19</sup>Id. at 6712-13 ¶ 12.

<sup>20</sup>See Arthur Andersen & Co. SC Independent Review of SCIS/SCM, dated July 1992, Section 2.3, Table 2B, for confirmation of the list of seven BSEs that were studied by SCM in both Transmittals ("1992 Andersen Review").

“CDND”) was not performed because CDND in Transmittal No. 206 inadvertently reflected unit investment data for the feature “DID Trunk Termination.” Accordingly, the numbers were not meaningful. In Transmittal No. 446, the CDND feature was run correctly.

The basic service elements included in the analysis are:

1. Call Transfer;
2. Automatic Number Identification (or “ANI”);
3. Hunt Group Arrangement;
4. Three-Way Calling;
5. Call Forwarding Variable; and
6. Caller ID-Number.

In the companion Investigation Order the Commission ruled that SCM and Switching Cost Information System (“SCIS”) outputs constitute confidential materials that are exempt from disclosure under Section 552(b)(4) of the Freedom of Information Act, 5 USC § 552(b)(4), and the Commission’s implementing regulations, 47 CFR §§ 0.457(d), 0.459.<sup>21</sup> Similarly, Appendix B of this Direct Case uses competitively sensitive data from U S WEST and switch vendors, therefore the analysis is proprietary and exempt from disclosure under the same rules and regulations mentioned above. A copy of Appendix B has been reviewed by Arthur Andersen per

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<sup>21</sup>See In the Matter of Commission Requirements for Cost Support Material To Be Filed with Open Network Architecture Access Tariffs, Memorandum Opinion and Order, 7 FCC Rcd. 1526, 1538 ¶¶ 64-65 (1992).

the Investigation Order<sup>22</sup> and is provided to the Commission under separate cover.

Appendix B is omitted from the public version of this Direct Case response.

III. HAS U S WEST COMPLIED WITH THE INSTRUCTIONS OF THE ONA FINAL ORDER WITH RESPECT TO INCLUDING ANALOG SWITCHING EQUIPMENT IN ITS SWITCH TECHNOLOGY MIX?<sup>23</sup>

A. Inclusion of Analog Switching Equipment

The Investigation Order concludes that:

It is therefore unclear whether US West includes analog switches in the mix of switches used to support basic service elements. Accordingly, we direct US West to describe any analog equipment included in its mix of switches used to develop its model for ratemaking purposes. If analog equipment is included, then US West must explain the procedure it used to develop analog unit investment data for basic service elements, and justify its inclusion of analog technology in the forward-looking mix of switch technologies.<sup>24</sup>

The Commission concluded in the ONA Final Order that a proper forward-looking investment mix may include analog investment whenever the carrier plans to use analog switches in the future.<sup>25</sup> U S WEST switch technology plans for the future include upgrading analog switching equipment to digital equipment, but no new analog equipment. Therefore, SCM has only digital switches modeled in the version used for ratemaking purposes in Transmittal No. 446. There is no analog

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<sup>22</sup>Investigation Order, 9 FCC Rcd. at 6714 ¶ 19.

<sup>23</sup>Id. at 6713 Issue C.

<sup>24</sup>Id. ¶ 15.

<sup>25</sup>ONA Final Order, 9 FCC Rcd. at 456 ¶ 42.

equipment included in the mix of switches used to develop the model for ratemaking purposes.

#### IV. EXCESSIVE DIRECT COSTS AND OVERHEAD COSTS

The Commission asserts that U S WEST did not provide cost support to adequately justify direct costs and overhead costs. Accordingly, the Investigation Order requires U S WEST to:

[E]ither justify in detail its reliance on this approach [use of ARMIS-based direct cost and overhead loading factors], or use traditional cost methods to calculate direct costs. We also require US West to provide an explanation for any direct costs that exceed the ARMIS-based upper limit.<sup>26</sup>

In the ONA Final Order, the Commission found that U S WEST had failed to provide a reasonable explanation for direct costs and overhead loadings, which in turn has lead to the conclusion by the Commission that the rates themselves were excessive.<sup>27</sup> In the words of the Commission:

[W]e believe that the use of the ARMIS database to calculate an upper limit for both direct costs and overheads would be reasonable, using the ARMIS data the company itself provides to the Commission.<sup>28</sup>

The ARMIS information was used to calculate upper limit ratios for direct costs, overhead loadings and rates. U S WEST used the ARMIS direct cost/unit in-

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<sup>26</sup>Investigation Order, 9 FCC Rcd. at 6713 ¶ 17.

<sup>27</sup>ONA Final Order, 9 FCC Rcd. at 458 ¶ 49.

<sup>28</sup>Id. at 458-59 ¶ 50 (footnote ommitted).

vestment upper limit factor (0.2501) to calculate the direct cost. Accordingly, no direct costs exceed the ARMIS-based upper limit. By using the ARMIS data to calculate a factor which is applied to the specific unit investment for a BSE, a direct cost is calculated. See Workpaper 2 of Appendix C for a full description of the development of ARMIS unit cost and overhead loading factors. These overhead loading factors are consistently applied and are reasonable.

## V. RATEMAKING PROCESS/JUSTIFICATION

### A. Amended Cost Support Material for Transmittal No. 446

Workpapers 1, 2, and 3 in Appendix C describe how U S WEST derived the proposed rates in Transmittal No. 446. While formatting modifications have been made to the Workpapers, they reflect the same ratemaking process and proposed rates as were presented in Transmittal No. 446.

Rate development methodology shown on Workpaper 1 for BSEs with recurring costs is described as follows:

1. Unit Investment (Column A) is derived from outputs of SCM.
2. Annual Cost (Column B) is a direct cost factor derived by multiplying Column A by 0.2501. The factor 0.2501 is derived from ARMIS data taken from reports 43-01 and 43-04. The direct cost factor is represented by the following formula:  $\text{ARMIS Direct Cost} / \text{Direct Investment Upper Limit}$ .<sup>29</sup>
3. Monthly Direct Cost (Column C), (except for ANI), is derived by dividing the Annual Cost for each BSE by 12 (Column B/12).

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<sup>29</sup>The ARMIS values used to calculate the cost ratios are depicted in Workpaper 2, Appendix C.

4. Rate (Column D) is computed by multiplying the Monthly Direct Cost (Column C) by the ARMIS overhead loading upper limit factor (1.9425). The overhead loading upper limit factor is represented by the following formula:  
ARMIS Total Cost/Direct Cost Upper Limit.<sup>30</sup>

Rate development methodology shown on Workpaper 1, for BSEs with nonrecurring costs, is described as follows:

Nonrecurring rates are calculated by multiplying Direct Cost (Column C) by the ARMIS overhead loading upper limit factor (1.9425). Direct costs include one-time expense components using inward and outward service order activity for the cost elements as depicted on Workpaper 3 in Appendix C. The rate is reflected in the nonrecurring section of Workpaper 1 (Column D).

**B. Revised Cost Support and Amended Rates**

In certain situations herein, rates reflected in Transmittal No. 446 are different than the rates which appear in the Workpapers submitted at Appendix C herein. These differences were caused by computational error in Transmittal No. 446. Workpaper 4 in Appendix C sets forth the revised rate calculations. These corrections are reflected in the cost support material presented in Workpapers 5 and 6, also in Appendix C. U S WEST will modify these rates to conform to the Workpaper calculations. The rates will be modified in a single filing, including changes directed by the Commission as a result of this proceeding.

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<sup>30</sup>The ARMIS values used to calculate the overhead loading upper limit factor are depicted on Workpaper 2, Appendix C.

Below is a narrative describing the nature of the change for each affected BSE depicted on Workpaper 4:

**Recurring BSEs**

There are seven recurring BSEs that required adjustments to the Unit Investment values which were submitted in Transmittal No. 446. These investment numbers needed to be changed because they were reported with unloaded investment numbers, incorrect weightings or typographical errors. BSEs with changes due to revised unit investment data include:

<u>BSE NAME</u>	<u>T446</u>	<u>Direct Case</u>	<u>Variance</u>
Automatic Number Identification Per Call CST1, CST2, CST3	0.000143	0.000175	0.000032
Call Forwarding-Variable Per Line	0.52	1.70	1.18
Call Transfer Per line	8.09	15.47	7.38
Call Directory Number Delivery	13.08	13.98	0.90
Caller ID-BULK/MLHG I/O CO	188.25	239.25	51.00
Caller ID-Number Per line	2.33	2.85	0.52
Three-Way Calling Per line	3.57	4.37	0.80

In addition, the BSE "TDRS Study Per Facility Ongoing Per Week" has a rate change because a unit investment was used to determine the rate. However, there are no unit investment costs associated with provisioning of this service. Consequently, the rate is calculated using the same methodology that is used for non-recurring BSEs (see Workpaper 5 for the basis of unit costs). The ARMIS-based upper

limit overhead loading factor is used to determine the rate which is reflected as a weekly rate.

There are adjustments to overhead loading factors for some of the BSEs, however. U S WEST maintained overhead loadings in a range falling within the boundaries of the ARMIS-based lower limit (1.6567), and the upper limit (1.9425), for all BSEs.<sup>31</sup> Workpaper 4 reflects the overhead loadings used for the BSEs that have rate changes due to other revisions mentioned above. All data and, subsequently, all rates for BSEs not shown on Workpaper 4, are the same as those submitted in Transmittal No. 446 and, therefore, are not reflected on the Workpaper.

Nonrecurring BSEs

Errors have been discovered in the direct costs for six nonrecurring BSE rate elements. Workpaper 4 reflects revisions which in each case were nominal. Revised cost support material is provided on Workpaper 6. BSEs with rate changes due to revised direct cost data include:

<u>BSE NAME</u>	<u>T446</u>	<u>Direct Case</u>	<u>Variance</u>
BSE Order Charge Per Sub	64.48	64.47	-0.01
Alternate Traffic Routing CST1, CST2, CST3, Mult Cst/Trk	78.77	78.78	0.01
Alternate Traffic Routing CST1, CST2, CST3, EO AR/TRK	78.77	78.78	0.01
ANI Per Trunk Group with CST1, CST2	147.45	147.47	0.02

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<sup>31</sup> See Workpaper 2, Appendix C, for reference of ARMIS-based upper and lower limits.

Called Directory Number Delivery Per Trunk	19.39	19.07	-0.32
MDS Arrangement I/O CO	73.36	73.20	-0.16

VI. INTERVENOR ACCESS TO SCM

Intervenor access to the SCM will be in accordance with the terms and conditions set forth in Appendix D.

VII. VITALITY OF THE SWITCHING COST MODEL

In its July, 1992 review, Arthur Andersen concluded that “SCM provides reasonable estimates of switching system investments attributable to services and features.”<sup>32</sup> In its 1995 review, Arthur Andersen confirms this conclusion, summarizing that the “SCM model provides a logical methodology for estimating the total cost or total investment of a switching system and apportioning this cost

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<sup>32</sup>1992 Andersen Review at 7.

among the functions performed by the switching system."<sup>33</sup> Further questions as to the validity of SCM are not necessary or productive.

Respectfully submitted,

U S WEST COMMUNICATIONS, INC.

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303/672-2861

Its Attorney

Of Counsel,  
Laurie J. Bennett

March 8, 1995

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<sup>33</sup> Arthur Andersen LLP Review of U S WEST's Switching Cost Model, dated Mar. 6, 1995 at 13.

**Narative Description Of  
Corrections Analysis  
Between Transmittal 206 and Transmittal 446**

The analysis of the cummulative effect of all corrections U S WEST made in response to the ONA Final Order is described in Appendix A, by comparing the change in the components used to calculate the rates. The components are: unit investment, annual cost factor (ACF), annual unit cost, overhead loading factor (OLF) and monthly rate. This analysis judges the effect on rates, resulting from change in each individual rate component. For example: for each BSE, the effect of the change in unit investment, on the rate, is calculated by holding the values of the other components constant and inserting the new unit investment value. A similar process is used to calculate the effect on the rate resulting from a change in annual cost finally, the third variable is the change in overhead loading factor. The sum of the incremental impacts is equal to the difference in rates between the two Transmittals. The process of analysis is used for all recurring rates. A similar analysis is used for nonrecurring rates excluding the unit investment component.

Appendix A is textually described as follows:

The first line of each BSE analysis shows the type of BSE (recurring or nonrecurring). The name of the BSE appears on the second line and on the third line is the rates filed in Transmittal 206 and in Transmittal 446, the difference between the two rates, and the percent change.

The next section of the analysis shows a matrix that provides the names of the ratemaking components on the left side. The values used for each ratemaking component is derived accordingly:

<u>Ratemaking Component</u>	<u>Source</u>
Unit Investment	From SCM
Annual Cost Factor (ACF)	Annual cost/unit investment for T206 & ARMIS upper limit for T446
Annual Unit Cost	From USW cost studies for T206 & unit investment*ARMIS upper limit (.2501) for T446
Overhead Loading Factor (OLF)	ARMIS data
Monthly Rate	(Annual unit cost*OLF)/12

To the right of the components are columns A, B, C, D, & E. These columns contain numbers from the two Transmittals. The contents of the columns is described as follows:

<u>Column</u>	<u>Description</u>
A	This column provides values for each ratemaking component as they were filed in T206
B	This column provides the investment number from T446 and ACF & OLF from T206.
C	This column provides the Investment & ACF from T446 and the OLF from T206.
D	This column provides values from T446 for each ratemaking component .
E	This column provides the difference between T206 and T446 for each component. The sum of the differences in this column is equal to the cummulative change in rate which is reflected on the third line.

The last four lines of each BSE section shows the relative impact, on the monthly rate of the change for each individual ratemaking component. The values on these lines are computed as follows:

<u>Relative Impact</u>	<u>Method of Calculation</u>
Investment related change	Monthly Rate column A minus Monthly Rate column B (A-B).
Annual Cost Factor Related Change	Monthly Rate column B minus Monthly Rate column C (B-C).
Overhead Loading Related Change	Monthly Rate column C minus Monthly Rate column D (C-D).
Total Difference From T206	Sum of Relative Impacts