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FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554

In the Matter of)	
)	
Long-Term Number Portability Tariff Filings)	CC Docket No. 99-35
)	
U S WEST Communications, Inc.)	Transmittal Nos. 965, 975

REBUTTAL TO OPPOSITIONS OF U S WEST COMMUNICATIONS, INC.

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SUMMARY

In this Rebuttal, U S WEST responds to the oppositions to its Direct Case and its local number portability tariffs filed by AT&T, Ad Hoc, the Minnesota Department of Public Service, and the cities of Albuquerque and Tucson. While opponents focus on different aspects of U S WEST's LNP costs, as a group, they all argue that a significant portion of U S WEST's LNP costs should be disallowed on the grounds that these costs do not satisfy the Commission's two-part eligibility test. U S WEST strongly disagrees with this position. Opponents' implausibly narrow reading of the Commission's two-part LNP cost eligibility test neither comports with the LNP Cost Classification Order nor the Communications Act and should be rejected by the Commission.

U S WEST's Direct Case and this Rebuttal demonstrate that its LNP rates were developed in accordance with the requirements of the LNP Cost Classification and Cost Recovery Orders. U S WEST excluded over \$300 million of "but for" LNP costs from its LNP rates because these costs did not satisfy the Commission's two-part cost eligibility test.

Among other things in this Rebuttal, U S WEST demonstrates that:

- it has not double recovered LNP costs through intrastate rates or other interstate services;
- its forecast of LNP demand units and the resulting end user rate are reasonable;
- it has correctly calculated tax expense; and

- the network, OSS, and service delivery costs which were included in Transmittal no. 975 were incurred solely “for the provision of” number portability.

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REBUTTAL TO OPPOSITIONS OF U S WEST COMMUNICATIONS, INC.

U S WEST Communications, Inc. ("U S WEST"), through counsel and pursuant to the Federal Communications Commission's ("Commission") Order Designating Issues for Investigation,¹ hereby replies to the oppositions of AT&T Corp. ("AT&T"), Ad Hoc Telecommunications Users Committee ("Ad Hoc"), the Cities of Albuquerque and Tucson ("Cities"), and the Minnesota Department of Public Service ("Minnesota DPS") to U S WEST's Direct Case supporting its local number portability ("LNP") tariff.

I. **OPPONENTS' READING OF THE COMMISSION'S TWO-PART LNP COST ELIGIBILITY TEST IS SELF-SERVING AND IMPLAUSIBLY NARROW**

While opponents focus on different aspects of U S WEST's LNP costs, as a group, they all argue that a significant portion of U S WEST's LNP costs should be disallowed on the grounds that these costs do not satisfy the Commission's two-part

¹ In the Matter of Long-Term Telephone Number Portability Tariff Filings of U S WEST Communications, Inc., CC Docket No. 99-35, Transmittal Nos. 965 and 975, Order Designating Issues for Investigation, DA 99-561, rel. Mar. 25, 1999.

eligibility test.² These arguments ring hollow. Opponents' implausibly narrow reading of the Commission's two-part LNP cost eligibility test would result in the disallowance of many costs which were solely incurred "for the provision of" number portability.³

For example, AT&T contends that U S WEST's costs associated with providing a fifth Service Control Point ("SCP") pair do not satisfy the Commission's cost eligibility test because they are not used "for the provision of" LNP.⁴ That is nonsense. As U S WEST stated in its Direct Case:

U S WEST purchased a fifth SCP pair solely to act as a Message Relay Point ("MRP") for LNP purposes. . . . The use of an MRP comports with the Illinois Commerce Commission LNP standards that were adopted during the Ameritech LNP trial. [Footnote Omitted] These standards require [emphasis added] the MRP to be located in a node (or multiple nodes) on the CCS/SS7 network. . . . The MRP was created for the specific purpose of ensuring that certain previously-existing services continue to be routed properly and to function as designed for end users whose numbers have been ported [emphasis added].⁵

² U S WEST finds it ironic that Opponents want to interpret the Common Carrier Bureau's ("Bureau") two-part LNP cost eligibility test in such a narrow manner to even further limit local exchange carriers' ("LECs") recovery of their LNP costs. U S WEST has excluded over \$300 million (or approximately 40%) of LNP deployment costs from Transmittal No. 975 as a result of the two-part cost eligibility test. It is U S WEST's view that in adopting the two-part cost eligibility test, the Bureau exceeded its delegated authority. U S WEST has challenged the Bureau's two-part test in a pending AFR and fully expects to fully recover all "but for" LNP costs if it is successful. As such, U S WEST does not have an incentive to include questionable items which do not pass the two-part test in its current LNP tariff.

³ In the Matter of Telephone Number Portability Cost Classification Proceeding, Memorandum Opinion and Order, 13 FCC Rcd. 24495, 24500 ¶10 (1998) ("LNP Cost Classification Order").

⁴ AT&T at 13-15.

⁵ See Direct Case at 7-8.

Thus, not only do the LNP technical standards, which the Commission adopted,⁶ require U S WEST to include MRP functionality as part of LNP deployment, but it is essential for routing queries in an LNP environment.⁷ Without MRP functionality, calls may not be completed to or from ported numbers because queries would not be routed to the appropriate locations (*i.e.*, for ported numbers). As such, it is ludicrous for AT&T to assert that the costs of U S WEST's fifth SCP pair were not incurred "for the provision of LNP." This expenditure was solely "for the provision of LNP."

The above discussion of U S WEST's use of a fifth SCP pair is but one example of many instances where opponents attempt to persuade the Commission to disallow *bona fide* LNP costs by artfully (and inartfully) reading the Bureau's LNP Cost Classification Order. In its Order, the Bureau focused on the possibility that LECs might interpret its two-part test broadly, not on the fact that opponents, such as AT&T and Ad Hoc, would parse the language of the Bureau's Order so as to argue that *bona fide* LNP costs should be disallowed. The Commission should not be led down this path and should dismiss all such claims based on an implausibly narrow reading of the Bureau's two-part LNP cost eligibility test. Such an approach

⁶ In the Matter of Telephone Number Portability, Second Report and Order, 12 FCC Rcd. 12281, 12313-328 ¶¶ 51-82 (1997).

⁷ Without MRP functionality (*i.e.*, contained in the fifth SCP pair), alternatively billed calls to ported numbers often would not be completed because the operator switch would not have the proper billing information available due to the failure of the Alternate Billing Service ("ABS") query. Other services, such as calling name, also would be significantly impaired.

is at odds with the LNP Cost Classification Order, the Cost Recovery Order,⁸ and, above all, the language of the 1996 Act.⁹

II. THE FACT THAT U S WEST'S LNP RATES AND COSTS DIFFER FROM THOSE OF OTHER LECS DOES NOT PROVIDE A LAWFUL RATIONALE FOR DISALLOWING COSTS OR PRESCRIBING LNP RATES

AT&T and others assert that U S WEST has failed to explain the differences between U S WEST's LNP rates and those of other Regional Bell Operating Companies ("RBOCs").¹⁰ They assert that U S WEST's surcharge is unreasonably high in comparison to Bell Atlantic's rates.¹¹ U S WEST disagrees with opponents' characterization of its LNP rates. U S WEST believes that its LNP rates are reasonable in light of its costs. Contrary to opponents' assertion, neither the Communications Act nor the Commission's rules require an incumbent LEC to explain why its rates may differ from the rates of another LEC providing service under different circumstances in a different geographic area. Notwithstanding this fact, U S WEST will respond briefly to the question of rate comparability.

A. LNP End User Charge

Rather than being unusually high as opponents contend, U S WEST's LNP end user charge compares favorably to the LNP rates filed by most other large LECs. In reality, it is Bell Atlantic's \$.23 surcharge which is the outlier -- on the

⁸ In the Matter of Telephone Number Portability, Third Report and Order, 13 FCC Rcd. 11701 (1998).

⁹ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996).

¹⁰ See, e.g., AT&T at i, 1-3; Cities at 2.

¹¹ See AT&T at 2; Cities at 2.

low side.¹² SBC filed a surcharge of \$.48 for Southwestern Bell and \$.50 for Pacific Bell. Sprint initially filed a surcharge of \$.59 before revising it to \$.48, whereupon the Commission terminated its investigation. Similarly, Ameritech filed a rate of \$.42 and BellSouth recently filed a \$.39 surcharge. Despite the closeness of many of these rates, it is not possible to determine an appropriate or “proper” level for the LNP surcharge without consideration of individual company circumstances including LNP demand levels and existing network and Operational Support Systems (“OSS”) architecture.

B. LNP Queries

U S WEST acknowledges that its Query Service rates and costs are generally higher than those of other companies.¹³ The main factor responsible for the difference in rates and costs is the disparity in demand between companies. The wide variance in query demand is in part the result of how companies determine whether calls should be queried. For example, Southwestern Bell and PacBell both query all calls to portable NXXs regardless of whether any numbers have been ported out of the NPA/NXXs. On the other hand, U S WEST only queries calls to portable NXXs which have had at least one number ported out to another local provider. Thus, while Southwestern Bell and PacBell have a much lower query rate than U S WEST, this rate is applied to a much larger universe of calls. Conversely, U S WEST has a higher rate but applies it to fewer calls, proportionally.

¹² Bell Atlantic initially filed a surcharge of \$.24. After Bell Atlantic revised its surcharge to \$.23, the Commission terminated its tariff investigation.

¹³ However, U S WEST’s costs for database queries are lower than Ameritech’s costs.

Companies serving more densely populated areas than U S WEST have more NPA/NXXs and more lines per switch (fill factor) which inevitably results in more queries per unit of switch investment. The number of competitors also contributes to the number of NPA/NXXs assigned because each competitor (including wireless providers and competitive local exchange carriers (“CLECs”)) is generally assigned at least one NXX per NPA. Therefore, areas with more competitors and more NPAs have greater query volumes regardless of how many numbers have actually been ported. All of this results in greater query demand in those companies and lower rates compared to U S WEST.¹⁴

In addition, network architecture and equipment procurement decisions and other cost factors have resulted in differences in costs and rates between companies. For example, U S WEST used four SCP pairs to support LNP queries while other carriers deployed the necessary functionality in a single STP. This resulted in U S WEST spending more on SS7 lines (i.e., necessary to tie the four SCPs together) than companies using a single STP.

Lastly, opponents challenge U S WEST’s use of the 1.89 factor in developing its LNP query rates.¹⁵ As U S WEST previously stated, this cost factor does not recover general corporate overheads. This factor recovers costs of shared network infrastructure used to support query service – a new service offering. Contrary to

¹⁴ To date, U S WEST’s default queries are very close to forecasted volumes while database query volumes are significantly less than forecasted amounts.

¹⁵ AT&T at 10-13; Minnesota DPS Affidavit at 4.

the assertions of opponents, this is a real cost.¹⁶ Given the fact that the Commission has determined that LNP query service is subject to price cap regulation, it is only appropriate that LECs be allowed to use the same methodology for developing query charges as they do for any other new service under price cap regulation.¹⁷

It is also important to note that U S WEST is not the only provider of LNP query service -- it is a competitive service. Interexchange Carriers ("IXCs")/CLECs have the option of performing their own queries rather than delivering unqueried calls. They can choose to provide their own database or use another database query vendor. Neither default query service nor database query service is a service for which U S WEST's carrier customers are a captive audience. If these customers are dissatisfied with U S WEST query services or query prices, they have the option of performing their own queries or using another provider.¹⁸

C. Cost Comparisons and Cost Standards

While U S WEST has only recently had the opportunity to review LNP cost support underlying the tariff filings of other RBOCs, this material contains nothing

¹⁶ Clearly, if U S WEST uses existing network infrastructure for the provision of LNP, it cannot use this same infrastructure for other services.

¹⁷ See Direct Case at 30-32 for a further discussion of this issue.

¹⁸ The N-1 carrier should perform the LNP query in order to route the call to a ported number in the most efficient manner. Default queries occur when the call is routed to the donor local service provider rather than the proper local service provider. Such routing adds transport legs and additional switching to the call. Consequently, it would not be unreasonable for the Commission to encourage LECs to establish default query rates at a level high enough to encourage N-1 carriers to perform their own queries. Not only would this enhance query service competition, it would allow incumbent LECs to avoid incurring additional costs associated with routing such calls to the proper local provider and would reduce the amount of network congestion associated with LNP.

that would cause U S WEST to revise Transmittal No. 975. The various RBOC rates and costs clearly demonstrate that these LECs differ -- in terms of their networks, their markets, and their approaches to satisfying LNP requirements. This in no way implies that costs or rates of any given LEC are unreasonable or unlawful. The Commission adopted the standards to determine whether LNP costs will be recoverable in its Cost Recovery and Cost Classification Orders and should adhere to them in evaluating LNP tariffs. One of these standards is the much talked-about two-part LNP cost eligibility test.

Nowhere in these Orders is there a threshold requirement that a LEC assume that all switches are digital or that only Lucent and Nortel switches are to be considered in calculating LNP costs. The point is -- a LEC's LNP costs depend upon its current network architecture, not the architecture that might have existed today if the LEC had made different procurement decisions five or ten years ago.¹⁹ As U S WEST stated in its Direct Case, "the relative technological state of U S WEST's network [is] simply . . . irrelevant to the costs which it is entitled to recover."²⁰ U S WEST is entitled to recover in its LNP tariffs all costs that satisfy the Commission's two-part LNP cost eligibility regardless of whether its network is perceived as more or less "advanced" than other carriers or whether its LNP costs are higher or lower than those of other carriers.

¹⁹ U S WEST would be remiss if it did not note that some of these same parties that are criticizing it for not "modernizing" its network at a faster rate are the same parties that have opposed U S WEST's requests for more realistic depreciation lives. Clearly, a first step in encouraging all LECs to modernize their networks would be for the Commission to adopt more realistic service lives for depreciation purposes.

III. U S WEST HAS INCLUDED IN ITS LNP RATES ONLY THOSE OSS COSTS THAT ARE RECOVERABLE UNDER THE COST CLASSIFICATION ORDER

Attachment 5 in U S WEST's Direct Case highlights the fact that numerous "but for" LNP OSS costs were not included in Transmittal No. 975. The only OSS costs included in Transmittal No. 975 were those that met both the "but for" and "for the provision of" LNP tests. Opponents go to great extremes to assert that many such direct LNP costs are not recoverable under the Cost Classification Order.²¹ For example, AT&T takes issue with one of U S WEST's criteria for determining whether an OSS should be included in calculating LNP costs. The criteria is that -- "[c]all processing for a ported number will not work without this system."²² This criteria does not mean that call processing would not work—just that it would not work for ported numbers.²³ Clearly, all such OSS expenditures are necessary "for the provision of" LNP. They are not incidental!²⁴ Without these OSS expenditures, customers with ported numbers cannot receive calls from the LEC network from which the number was ported or from any other network. Any

²⁰ Direct Case at 21.

²¹ See AT&T at 6-8; Ad Hoc at Section III; Minnesota DPS at 1-3.

²² See Direct Case at 24; AT&T at 7.

²³ U S WEST's very conservative approach to including OSS costs caused by the deployment of LNP clearly meets the Commission's two-part test. It is inconceivable that the Commission would deny recovery for systems which, if not deployed, would prevent call processing on a ported number from working. Certainly, the Commission cannot view the failure of call processing as "incidental" to LNP.

²⁴ U S WEST has already excluded \$39 million of OSS costs from Transmittal No. 975 which were incurred in the deployment of LNP. This represents 26% of U S WEST's total (*i.e.*, \$150 million) LNP-related OSS costs.

reading of the LNP Cost Classification Order which would exclude such OSS costs, as AT&T proposes, is unreasonable and cannot be reconciled with reality. As such, the Commission should avoid the semantic games that AT&T proposes and focus on the Cost Classification Order's two-part test in evaluating OSS costs that are necessary "for the provision of LNP."²⁵

A. Maintenance Expense Is a Necessary and Unavoidable Component of Deploying New OSS Capability

The purchase price of OSS software covers the right-to-use fees for the particular system. Subsequent changes to the system after release of the original software are treated as additional features over and above the original purchase price. A standard part of OSS contracts is a maintenance fee which is in addition to the purchase price for OSS software. A typical maintenance fee covers changes in standards, interfaces, operating systems, database environment and field support from the vendor.

The industry cost standard for OSS maintenance is in the range of 15% to 25% annually of the purchase price of vendor-supplied software. Normally, the same incremental rate also is applied to the cost of significant enhancements, such as the addition of LNP features. Maintenance costs on software that U S WEST has built and maintained for itself fall within the same 15-25% cost range. For LNP rate development purposes, U S WEST has used the lower end of the range (*i.e.*, 15%) for OSS maintenance cost. Rather than including maintenance costs in the

²⁵ After reading a few pages of AT&T's Opposition, one fully expects to be confronted with a discussion of the meaning of the word "is."

total cost of OSS software in Transmittal No. 975, U S WEST separately identified the portion attributable to the actual LNP software feature addition and the portion attributable to maintenance of that addition.

B. Responses on Specific OSSs

In line with its incredibly narrow definition of the Commission's two-part LNP cost eligibility test, AT&T asserts that costs associated with the following OSSs should be disallowed: SOAC Provisioning, Billing and Repair, LFACS Provisioning, SWITCH Provisioning, Provisioning Repair and Maintenance for WFA/C, WFA/DI, WFA/DO, ALOC/CNUM, and RTT, SDTM Provisioning, FAS Repair, FAST Repair, Facility Check-Network Information Applet Provisioning, SONAR Order, APRIL100s Block Mech Provisioning, LOA Imaging and Storage Provisioning, Dial Transfer Software for Bellcore Systems Provisioning, NIA Replacement, Bellcore Systems ALOC/CNUM, SWITCH, SOAC Maintenance and Hardware.

AT&T contends that costs associated with modifying the above OSSs for LNP were incurred to modify an existing process. Consequently, while these costs would not have been incurred "but for" LNP, they have not been made "for the provision of" LNP. AT&T is wrong. Adoption of AT&T's position would result in the disallowance of the costs of modifying almost any provisioning system that existed prior to LNP. Such a position cannot be reconciled with the requirements of the LNP Cost Classification Order and the Commission's two-part test. Changes to all of the above systems were necessary to ensure that ported numbers would work

properly. Simply put, U S WEST had to implement these changes “for the provision of’ LNP.

While providing the network routing information on a newly ported number to the NPAC is essential to the porting of a number, additional provisioning activities are also required. The number must be disconnected in the donor switch and identified in all records as a number ported to another provider. The number must also be connected in the new provider’s switch. Modifications to all of the above OSS systems are required to perform these connection/disconnection activities. Without these system changes, there would be errors in call processing and calls might not route to the proper terminating end point.

As noted above, call routing information must be sent to the NPAC and broadcast to all carriers so the appropriate location routing number can be applied to each telephone number within each provider’s SCP. Close coordination with the NPAC is also essential for the proper timing for setting the unconditional trigger and activation of the port. Calls will not route properly to ported numbers without all of the following activities: provisioning the unconditional trigger on the subscriber’s line within the donor switch; proper disconnect from the donor switch at activation; proper connection in the new provider’s switch; the update of call routing information in the NPAC database; and the update of all records related to the ported number by both the donor and receiver local service providers. In fact, without these changes, calls to ported numbers may not complete at all because calls may attempt to terminate to the original location when the end user customer

is in fact no longer served by that end office. Thus, changes to the above-mentioned systems ensure that all of these activities are completed properly and calls to ported numbers are directed to the new local provider's switch.

With regard to specific systems, the following describes the rationale for defining these systems as "for the provision of" LNP.

SOAC Provisioning: SOAC is the hub of the service order provisioning systems flow and provides service order routing to the various systems involved in provisioning. Specifically, a new interface with the new LSMS was added strictly for the purposes of performing provisioning involved in the porting of numbers. Without this new interface, provisioning, including access to proper subscription and routing information, would not be properly performed and calls to and from ported numbers would often not complete properly. Consequently, this interface was necessary in order to properly port numbers.

LFACS Provisioning: LFACS was modified to recognize NPA/NXXs that are foreign to U S WEST in order to assign facilities to the ported number. If a number is to be ported into U S WEST, the new number must be recognized in U S WEST systems. Without this change, numbers with foreign NPA/NXXs could not be ported into U S WEST switches. Clearly, this capability is "for the provision of ported numbers".

SWITCH Provisioning: SWITCH is a coordination point between U S WEST's internal assignment systems and co-provider's assignment systems. U S WEST NPA/NXXs point to a particular network location. In the case of foreign NPA/NXXs, those assigned by a co-provider, U S WEST had to upgrade this coordination point in order to recognize the co-provider's NPA/NXX and in order to direct calls to such a number, a number ported from the co-provider, but new to U S WEST's network. Without this upgrade, such numbers could not be ported into U S WEST's network from a co-provider. Once again, this upgrade would not have occurred "but for LNP" and had to occur "for the provision of ported numbers".

Provisioning, Repair and Maintenance for WFA/C, WFA/DI, and WFA/DO: These system upgrades were for the purpose of being able to identify ported in and ported out numbers in order to identify a proper location to dispatch installation and repair personnel for each type of number. Without these upgrades, installation and repair personnel would be routed to U S WEST locations in the case of ported out numbers when in

reality the co-provider's personnel should be providing the dispatch function. In the case of ported in numbers, the systems would not recognize the foreign NPA/NXX nor associate the number with a U S WEST location and, consequently, installation and repair would not occur properly and numbers would not port. Once again, this upgrade would not have occurred "but for LNP" and had to occur "for the provision of ported numbers".

ALOC/CNUM: This system provides telephone number administration matching customer address information and telephone numbers. The portion of this system attributable to LNP identifies the correlation between a U S WEST address and a foreign NPA/NXX telephone number. It also identifies when a telephone number associated with a particular address has been ported to another provider. Without this upgrade, U S WEST could not port in numbers because it could not assign a foreign NPA/NXX to a location on U S WEST's network. Without this upgrade, U S WEST also might assign a number that has been ported to another provider to another location in its network. Obviously, either of these scenarios would interfere with the proper routing of the ported number. Thus, this upgrade had to occur "for the provision of ported numbers" and would not have occurred "but for LNP".

RTT: This system tracks held orders, including those orders issued for the purpose of porting numbers. Obviously, upgrades for the purpose of tracking held orders involving the porting of numbers serve to facilitate the porting of those numbers in a timely manner and only occur "for the provision of" ported numbers.

SDTM: The Soft Dial Tone Manager intercepts disconnect orders and places a class of service indicator on the telephone number that provides for instant connectivity to U S WEST's local office. The upgrade to this system removes the ability to give instant connectivity to U S WEST's local office in the case of a number that has been ported out. If this upgrade had not been implemented, the telephone number could be instantly turned up in U S WEST's local office when it was already ported through to another provider. This would result in two telephones being assigned the same number, one by U S WEST and one by the co-provider. Obviously, the assignment of the same telephone number out of two different companies' local offices would result in problems for the ported number. Once again, this upgrade was required in order to properly port a number and continue to properly port that number.

FAS: This system was upgraded to allow foreign NPA/NXX's to be assigned to U S WEST locations. Specifically, this system is used to dispatch technicians to proper locations. The upgrade was solely for the purpose of identifying the U S WEST location serving a ported in number and is

necessary to continue proper porting of the number. This fulfills the requirements of not having been implemented "but for LNP" and also "for the porting of numbers".

FAST: Once again, this is a system that has been upgraded to allow foreign NPA/NXXs to be assigned to U S WEST locations and pass this information to technicians to ensure that ported numbers work properly. This upgrade would not have been done "but for LNP" and is necessary in order to implement and continue the porting of such numbers.

Facility Check, Network Information Applet: This system supports the identification of spare facilities for additional lines and services and provides rate center information to the Service Order negotiator. Once again, this system had to be upgraded in order to handle foreign NPA/NXXs. Without this upgrade, such numbers could not be ported.

SONAR: U S WEST upgraded this service order negotiation and retrieval system to handle new field identifiers (FIDs) that are specific to ported numbers. Without these FIDs, service orders associated with ported numbers would not be identified correctly and likely worked incorrectly. Once again, this is a system upgrade that was implemented only because of LNP and necessary in order to assure proper porting of numbers.

APRIL 100s Block Mechanization: This system automatically activates service requests by making translations to switches to connect or disconnect service. U S WEST upgraded the system to handle foreign NPA/NXXs and to identify requests associated with ported numbers when a problem arises that causes the service request to not be worked automatically. This upgrade identifies such requests quickly so that corrections can be made in order to port numbers expeditiously. Obviously, this is another instance in which the upgrade is needed in order to port the number in a timely manner.

LOA Imaging and Storage: U S WEST implemented this new application for the storage of letters of authorization and for the easy retrieval of such letters. This application is strictly for LOAs for porting numbers. Because a number cannot be ported without such an LOA, this system is integral to the porting of numbers.

Dial Transfer Software for Bellcore Systems Provisioning: Dial transfer is a software package that facilitates the transfer of numbers from one switch to another during a switch conversion. This functionality is essential because the Location Routing Numbers must be managed independently from the NPA/NXX. This system ensures that numbers ported in or out are properly identified in the new switch and will continue to handle

calls correctly. Once again, this is a system that is required in order to properly port and continue porting such numbers.

NIA Replacement: This represents enhancements to ALOC/CNUM to handle the functionality provided by the Network Information Applet (NIA). NIA was a temporary solution which was unable to handle large volumes. This replacement will be able to handle the larger volume of orders that U S WEST expects to handle for porting in the future. Through April U S WEST requests for porting numbers had already exceeded the forecast for the entire 1999 year and a more robust capability is needed for these service requests. Once again, this enhancement is needed to assure timely porting of numbers.

Bellcore Systems (ALOC/CNUM, SWITCH, SOAC): ALOC/CNUM maintains telephone number and address location information; SWITCH inventories and assigns digital central office switching equipment and related facilities; SOAC merges information from various provisioning systems into a complete service order. These systems needed an increase in functionality in order to handle ported numbers and accomplish the porting of numbers properly and in a timely manner. Such capability is obviously for the porting of numbers.

The above descriptions explain why each of these upgrades fulfills not only the “but for” LNP criteria but also the “for the provision of” LNP criteria of the Commission’s two-part test. Depending on the circumstances, without the respective OSS upgrade, it might not be possible to port numbers to other local providers or calls to ported numbers might be misdirected to the wrong location or dropped completely. Simply put, all of the above OSSs are involved in the proper provision of ported numbers in an LNP environment. Costs associated with modifying these systems are not incidental to LNP but are necessary “for the provision of” LNP.

IV. NETWORK COSTS INCLUDED IN TRANSMITTAL NO. 975 WERE INCURRED SOLELY TO PROVIDE LNP

A. AIN Expenses

AT&T asserts that U S WEST is attempting to include 100% of the costs of adding basic AIN software to U S WEST switches in its LNP rates without any off-set for new revenues.²⁶ This is a gross mischaracterization of Transmittal No. 975 which included the cost of AIN software upgrades for a single “lineless” 4ESS switch in Seattle (*i.e.*, an access tandem) and for a limited number of Ericsson switches in less populated areas.

U S WEST admits that it did not include any revenue off-sets for new AIN services in Transmittal No. 975. No such off-sets were included because most of the affected switches, even with the proposed AIN upgrades, will not have the capability to offer any new services. U S WEST does not provide any AIN services out of its access tandems – so there should not be any revenue off-set associated with the 4ESS. The Ericsson switches, referenced in Transmittal No. 975, serve predominately rural locations where there is limited market demand for AIN-based services. U S WEST has determined that there is insufficient demand in these locations to justify expending the additional investment (*i.e.*, beyond that required for LNP) necessary to deploy such services.²⁷ Thus, the only reason, U S WEST is incurring any AIN expense for these switches is as a result of the requirement to

²⁶ AT&T at 3-4.

²⁷ None of the current AIN services are designed to function with an Ericsson switch. Additional investment would be required over and above the amounts included in Transmittal No. 975 in order to provide any of these AIN services. In addition to direct switch investment, additional OSS expense would be incurred to modify existing OSSs to accommodate new AIN services in these switches.

deploy LNP.²⁸

B. Network Maintenance Expense

AT&T asserts that U S WEST has improperly calculated network maintenance expense attributable to LNP.²⁹ AT&T points to U S WEST's claim that it used a 2% factor for network maintenance for LNP-related investment.³⁰ AT&T notes that using data in Charts 2A and 3 in U S WEST's Direct Case would result in a maintenance cost factor significantly in excess of 2%.³¹ Both AT&T and U S WEST are correct. Unfortunately, U S WEST was not consistent in its use of the term "network maintenance" in the Direct Case. U S WEST regrets this error and apologizes for any inconvenience that it may have caused parties to this proceeding.

Rather than using the term "network maintenance" in Chart 3, U S WEST should have used the term "network operating expense." Network maintenance is but one piece of network operating expense. The costs included under the heading "network maintenance" in Chart 3 are network planning, project management, translations, testing, non-job specific implementation coordination, translations of switching and signaling networks, and the network portion of ported number order activity, in addition to network maintenance that is attributable to hardware

²⁸ U S WEST expects to dramatically reduce its AIN costs in its subsequent LNP compliance tariff (*i.e.*, upon the completion of the Commission's investigation) as a result of recent vendor pricing decisions associated with AIN upgrades that are used exclusively to provide LNP capability.

²⁹ AT&T at 9.

³⁰ Id., citing U S WEST's Direct Case at 14.

failures. Attachment 1 disaggregates network operating expense (*i.e.*, the amounts contained in Chart 3 in the line labeled “Maintenance-network”) into its component parts including the three accounts that make-up network maintenance.

This should clear up any misunderstanding that exists due to U S WEST’s lack of consistency in the use of the term “network maintenance.” Attachment __ also demonstrates that U S WEST’s claim that it used a 2% maintenance factor for LNP-related investment, in fact, is correct.

C. U S WEST’s Fifth SCP Pair

At the risk of being redundant, U S WEST will briefly respond to AT&T’s claim that U S WEST should not be allowed to include the costs of a fifth SCP in its LNP rates.³² AT&T contends that, while the expenses associated with U S WEST’s fifth SCP pair would not have been incurred “but for” LNP, these expenses were not incurred “for the provision of” LNP.³³ There is no factual basis for AT&T’s claim.

“U S WEST purchased a fifth SCP pair solely to act as a Message Relay Point (“MRP”) for LNP purposes.”³⁴ MRP functionality is required by the Illinois Commerce Commission LNP standards,³⁵ which serve as the basis of the LRN architecture for providing long-term LNP. The MRP (*i.e.*, the fifth SCP pair) was specifically created to ensure that queries are routed properly in an LNP environment. Without MRP functionality, queries from ported numbers would be

³¹ Id.

³² Id. at 13-15.

³³ Id.

³⁴ Direct Case at 7.

routed to U S WEST locations rather than to those of the local service provider serving the ported number. In most such instances, U S WEST would have no information about the ported number and the call would not be completed. Clearly, U S WEST's fifth SCP pair – which only acts as an MRP -- is necessary “for the provision of” LNP. As such, the Commission should reject AT&T's claim as unfounded.³⁶

D. 1AESS Costs

AT&T objects to U S WEST's inclusion of costs associated with making 1AESS switches LNP capable.³⁷ AT&T asserts that the 1AESS switch represents older technology that could have been previously upgraded.³⁸ While U S WEST agrees that the 1AESS represents older technology, this in no way implies that costs associated with deploying LNP capability in these switches should not be recoverable.³⁹ Also, as U S WEST noted in its Direct Case, the costs of upgrading its 1AESS switches for LNP are less than or equal to the cost of upgrading many of its

³⁵ See Direct Case at Attachment 2.

³⁶ For a more detailed discussion of why U S WEST chose to provide MRP functionality through the use of a fifth SCP rather than some other means, see U S WEST's Direct Case at 7-11.

³⁷ AT&T at 5-6.

³⁸ Id.

³⁹ U S WEST's annual capital budget for telecommunications activities has approached \$3 billion dollars in recent years. A significant part of these expenditures have been devoted to meeting U S WEST's interconnection obligations and regulatory mandates arising out of the 1996 Act. In the absence of these extraordinary funding requirements, U S WEST would have had more funds to devote to upgrading its switches and other aspects of its network. In any event, U S WEST continues to upgrade its existing network. Recently, U S WEST

digital switches.⁴⁰

The only relevant question for purposes of this tariff proceeding is whether the costs of making 1AESS switches LNP capable is “for the provision of” LNP. AT&T never raises this issue -- because the answer is self-evident and would not serve AT&T’s adversarial interests. As such, U S WEST is entitled to recover all costs directly related to providing LNP regardless of whether these costs are associated with a 1AESS switch or a “more modern” digital switch.

AT&T also asserts that, even if U S WEST is permitted to recover costs associated with making 1AESS switches LNP capable, it has failed to off-set the additional revenues that will be generated from new services (*i.e.*, permitted by re-homing lines on to digital switches).⁴¹ Contrary to AT&T’s assertion, U S WEST’s provision of LNP in 1AESS switches by serving ported numbers out of adjacent digital switches will not provide any additional revenue streams. With the exception of ISDN, 1AESS switches already provide CLASS and other services. Consequently, the only possible source of new revenue would be from ISDN on the limited amount of numbers ported-in to U S WEST. U S WEST has no reason to believe that there would be significant demand for ISDN from ported-in numbers.⁴² Therefore, U S WEST has not included any revenue off-sets to its LNP upgrade

announced that it had entered into an agreement with Lucent Technologies to accelerate the replacement and upgrading of many of its existing switches.

⁴⁰ Direct Case at 19.

⁴¹ AT&T at 5-6.

costs for 1AESS switches.

V. AD HOC'S CLAIM THAT U S WEST HAS "DRAMATICALLY" UNDERSTATED LNP DEMAND UNITS IS BASED ON ASSUMPTIONS THAT ARE FACTUALLY INCORRECT

Ad Hoc criticizes U S WEST for not providing more detailed documentation on the LNP demand units used in the calculation of U S WEST's LNP surcharge and asserts that U S WEST has dramatically under-estimated demand and over-estimated the end-user surcharge. While there is some merit to the criticism that U S WEST should have provided additional detail on its demand forecast, there is absolutely no merit to the claim that demand has been "dramatically" under-estimated.

U S WEST's starting point for its demand forecast was 1997 actual data.⁴³ As a result, this data differs slightly, but not significantly, from the overall data that Ad Hoc employed and that was contained in U S WEST's 1999 TRP.⁴⁴ (See Attachment 2, Chart 1.) The key difference between U S WEST's data and Ad Hoc's data is that U S WEST had the benefit of having the actual breakdown of the multi-line business category by type of line (e.g., PBX trunks, payphone access lines, ISDN lines, Centrex lines, etc.) and Ad Hoc did not. This is critical, as Ad Hoc noted,⁴⁵ because PBX trunks are assessed nine LNP charges and primary rate ISDN lines

⁴² ISDN has been surpassed by both other LEC services (e.g., digital subscriber line services) and cable services which are viewed as more economical alternatives than ISDN service.

⁴³ 1998 line counts were not yet available when U S WEST was in the process of preparing its LNP tariff. As a result, forecasts were used for 1998 and beyond.

⁴⁴ The 1999 TRP contains actual data for 1998.

⁴⁵ Ad Hoc at 8.

are assessed five. Ad Hoc developed two demand estimates – first assuming that PBX trunks accounted for 90% of U S WEST's total multi-line business category and a second using 50%.

Ad Hoc's assumptions are not at all representative of U S WEST's multi-line business product mix – where PBX trunks only make-up about 8% of multi-line business lines. If Ad Hoc's data is corrected to reflect the actual number of PBX trunks, the resulting LNP demand during the early years of LNP deployment is much closer to the level used in U S WEST's tariff.⁴⁶ As shown in Attachment 2, Chart 3, Ad Hoc's erroneous assumptions result in an overstatement of 230% in their estimate of U S WEST's initial demand. As such, there is no factual basis for Ad Hoc's claim that U S WEST's demand forecast should be three times higher than the level used in Transmittal No. 975.⁴⁷

U S WEST's forecast of LNP unit demand is based on a number of relatively straight-forward assumptions which were not fully documented in Transmittal No. 975.

--the overall market for telephone lines will grow 3-5% a year during the LNP recovery period.⁴⁸

--access lines associated with previously announced local exchange sales have been removed from the forecast based on an anticipated sales date of July 1, 2000.⁴⁹

⁴⁶ See Attachment 2, Chart 2.

⁴⁷ Ad Hoc at 10.

⁴⁸ These growth rates are representative of the subscriber line growth that U S WEST experienced when it was the primary provider of telephone service in its region.

--U S WEST's share of the overall market for telephone subscriber lines will decline as competitors expand through the use of their own facilities and unbundled network elements (e.g., local loops).

--LNP capability will be phased-in gradually during the forecast period. LNP will be available on 100% of U S WEST's access line starting in 2002. As of the beginning of 1999, 56% of U S WEST's lines were LNP capable. It is estimated that 83% will be LNP capable at the beginning of 2000, and 96% in 2001.

--U S WEST's absolute number of lines by category will remain flat over the LNP implementation period as growth is off-set by competitive losses.⁵⁰

Given the dramatic changes in the telecommunications market in terms of new entrants, the legal and regulatory environment, consolidation of market participants, deployment of new technology and the inevitable merging of cable and telecommunications markets, U S WEST determined that statistical forecasting tools would be of little assistance in forecasting future LNP unit demand.

U S WEST's recent experience with the number of phone numbers that it is porting to other local service providers indicates that its forecasts of flat demand may be overly-optimistic. Lockheed Martin's Active Subscriptions Version report⁵¹ shows that LECs in the Western Region, which is largely U S WEST, are experiencing monthly losses of approximately 50,000 access lines per month to competition as a result of LNP porting. Neither Lockheed Martin's current data nor U S WEST's

⁴⁹ In early 1999, U S WEST announced that it intended to sell local exchanges serving approximately 500,000 access lines.

⁵⁰ This is a relatively conservative assumption given the dramatic growth in recent years of the many new entrants to various telecommunications markets and sub-markets and the attractiveness of U S WEST's large business customers.

⁵¹ See http://www.npac.com/docs/sy_cnt.tx.

forecast of LNP unit demand includes the effect of AT&T's purchase of TCI or anticipated purchase of MediaOne. This further underscores the fact that U S WEST's demand forecast may be over-estimated – rather than under-estimated.

VI. OPPONENTS' CLAIMS THAT U S WEST HAS INCLUDED LNP COSTS IN INTRASTATE RATES ARE BASELESS

Opponents criticize U S WEST for failing to remove LNP costs from separations and assert that the failure to do so results in double recovery of LNP costs.⁵² U S WEST disagrees. In its Direct Case U S WEST admitted that it had not removed LNP costs from separations for prior years.⁵³ However, this in no way implies that any LNP costs have been included in intrastate rates with the possible exception of a very small amount of OSS costs in Washington (*i.e.*, less than \$70,000).⁵⁴ U S WEST's existing rates in most states either took effect before the passage of the 1996 Act which mandated LNP or are based on price cap regulation where the traditional relationship between rates and costs has been severed.⁵⁵ Even if U S WEST had known and previously-removed (*i.e.*, prior to separations) those LNP costs that the Commission ultimately finds to be recoverable through federal

⁵² AT&T at 15-17; Ad Hoc at 13-15; Cities Affidavit.

⁵³ See Direct Case at 35.

⁵⁴ U S WEST indicated in its Direct Case that these costs would be removed from Washington rates if the Commission allows federal recovery.

⁵⁵ Ad Hoc's argument that U S WEST is recovering LNP costs under price cap regulation is illogical. This argument might have some merit if U S WEST had included LNP costs in the initial price cap rates or if subsequent exogenous cost adjustment for LNP allowed U S WEST to increase its price cap rates. Neither situation occurred in U S WEST states subject to price cap regulation.

rates, state rates would not be different from today's rates. Thus, the claim that U S WEST has recovered LNP costs from intrastate rates is baseless – no LNP costs were being incurred or anticipated when the current intrastate rates were established. Opponents want “to have their cake and eat it too” by arguing that the vast majority of U S WEST's LNP costs should be disallowed (*i.e.*, resulting in the reduction of interstate LNP rates) and that LNP costs should be removed from intrastate rates.⁵⁶ The Commission should reject these arguments as both unlawful and inequitable.

AT&T and Ad Hoc also criticize U S WEST's proposed methodology for removing LNP costs from the separations process.⁵⁷ U S WEST continues to believe that booking revenues to uniquely identifiable sub-accounts in Account 5240 is a reasonable means of satisfying the Commission's requirements of removing the costs from the intrastate jurisdiction.⁵⁸ U S WEST's solution addresses the issue of prior recovery of LNP costs from state jurisdictions because the solution is not time bound.⁵⁹ Specifically, U S WEST's proposal provides intrastate ratepayers with revenue credit for all federally-allowed costs, regardless of when those costs were incurred. For example, if an LNP cost was incurred in 1998 and included in

⁵⁶ As U S WEST has stated in its Direct Case, it will remove all LNP costs previously assigned to the intrastate jurisdiction – once the Commission determines which costs are “*bona fide*” LNP costs subject to federal recovery.

⁵⁷ AT&T at 15-16; Ad Hoc at 15.

⁵⁸ Clearly, it is inappropriate to attempt to remove federally designated LNP costs from the separations process until the Commission has determined the extent of allowable LNP costs.

⁵⁹ It is neutral with regard to periodicity.

intrastate costs and federal recovery is allowed during the 1999-2003 period, the intrastate jurisdiction will receive credit for the revenues provided to recover the 1998 cost during the 1999-2003 period. Prior to adopting this approach, U S WEST examined several alternate methods for removing LNP costs from separations. U S WEST's approach produces the same result in terms of the impact on net income as more complicated methods. See Attachment 3 for a comparison between U S WEST's method and the alternative approach of removing LNP costs prior to the separations process. This comparison demonstrates that separating revenues to match costs gives the same ratemaking result for the intrastate jurisdiction and ensures no double recovery of LNP costs. Additionally, U S WEST's proposed method is a less complex approach and, therefore, a more cost-effective method of complying with the intent of the Commission's rules. Contrary to AT&T's assertion, U S WEST's proposed accounting is the best protection for intrastate ratepayers.

VII. U S WEST HAS CORRECTLY CALCULATED TAXES IN TRANS. NO. 975

The Cities question U S WEST's inclusion of gross receipts tax and income tax calculations.⁶⁰ Gross receipts and other state and local taxes vary depending on the exact nature of the tax and by jurisdiction. U S WEST's tax factor is a composite of all of these taxes and was developed at the company level (*i.e.*, region-wide). It includes all applicable gross receipts taxes and other taxes that are assessed throughout the states served by U S WEST.⁶¹ The fact that a given locality

⁶⁰ Cities Affidavit at 4.

⁶¹ Contrary to the assertion of Mr. Ashpaugh, the Cities' consultant, some U S WEST states assess gross receipts taxes on both wholesale and retail services.

or state may not assess a certain type of tax is irrelevant. As a whole, all of these taxes are incremental costs to U S WEST and should be included in developing region-wide LNP tariffs.

The Cities' consultant, Mr. Ashpaugh, also asserts that U S WEST has incorrectly calculated federal income taxes in Chart 2b by failing to recognize deductions for state and local taxes. U S WEST agrees that federal taxes are calculated after deducting state and local taxes and has correctly grossed-up federal income taxes on an after state tax basis. The following verification (*i.e.*, "reverse calculation") of the federal tax gross-up in Chart 2b demonstrates the validity of U S WEST's calculations.

Tax Gross-up Calculation	Source	Pre-2000 \$
1 Federal Return Component	Chart 2b, Line 7	6,824,408
2 Federal Income Tax	Chart 2b, Line 8	3,674,681
3 State and Local Tax	Chart 2b, Line 9	646,441
4 Revenue Requirement	Lines 1 + 2 + 3	11,145,530
Verification of Results		
5 Revenue Requirement	Line 4	11,145,530
6 State and Local Tax	Line 5 * .058	646,441
7 Federal Income Tax Base	Line 5 - Line 6	10,499,089
8 Federal Income Tax	Line 7 * .35	3,674,681
9 Net Income After Tax	Line 7 - Line 8	6,824,408

The state of Washington, for example, has a Business and Occupational tax that applies to all U S WEST revenues including interstate charges to carriers.

Lastly, Mr. Ashpaugh states that U S WEST has miscalculated income taxes in Chart 5b.⁶² Mr. Ashpaugh is correct that there is an error in the calculations in Chart 5b. Fortunately, Chart 5b was not used in developing U S WEST's Query rates. Workpaper 8 demonstrates that income tax expense is not equal to the return (*i.e.*, cost of money), as Mr. Ashpaugh asserts.⁶³ As such, U S WEST believes that it has correctly calculated income tax expense in its Query rates. In order to avoid any confusion, U S WEST has corrected Chart 5b and will submit it with its compliance tariff which will be filed at the completion of the Commission's investigation.⁶⁴

VIII. U S WEST HAS INCURRED SIGNIFICANT SERVICE DELIVERY COSTS IN THE PROVISION OF LNP

Both the Cities and Minnesota DPS assert that U S WEST has included inappropriate service delivery costs in its LNP rates.⁶⁵ This is not true. U S WEST has incurred significant service delivery costs in deploying LNP; many of which were not included in Transmittal No. 975.⁶⁶

⁶² Cities Affidavit at 4.

⁶³ See Workpaper 8, Transmittal No. 975.

⁶⁴ See Attachment 4.

⁶⁵ MN DPS at 3-4; Cities Affidavit at 3-4.

⁶⁶ U S WEST believes that it is essential for end-user customers to have the ability to change local providers without interruption or disruption of service and be assured that all types of calls will complete after their number is ported. This includes: access from ported numbers to 911/E911; the ability to make and receive calling card, third number billed and collect calls; and no disruption in the ability to have all of the features and functionalities for voice messaging services, CLASS (automatic recall/automatic callback) and Calling Name (CNAM) services that their local service provider chooses to make available to them. U S WEST believes that all of the process and system changes that it has implemented are integral to

Contrary to the assertions of Mr. Ashpaugh, the Cities' consultant, U S WEST has not included the costs of training co-carriers in its end user surcharge. While LNP affects the call processing of co-carriers, it also has an impact on the call processing of all telecommunications providers (IXCs, ILECs and Wireless providers). As such, service delivery training is necessary. Thus, while U S WEST believes that LNP training costs required by carriers interconnecting with U S WEST should be eligible for recovery, U S WEST has not included such costs in its end user charge recovery in accordance with the LNP Cost Classification Order. In fact, U S WEST is providing such training (materials, travel, conference facilities) gratis to its co-carriers in the belief that such training is in the public interest and will allow U S WEST to reduce its ongoing service delivery expense.

The Minnesota DPS on the other hand accuses U S WEST of operating inefficiently and claims that a large part of its service delivery costs are the result of inefficiency.⁶⁷ The DPS then goes on to assert that U S WEST's service delivery costs fail to satisfy the Commission's two-part cost eligibility test.⁶⁸ There is no

porting numbers in a way that is acceptable to end users. If an end user chooses to change its local provider through local number portability, it expects that its new service provider will be able to provide trouble free service with no degradation in the additional features and functionalities that it had available through the previous provider (*i.e.*, assuming the new provider makes these services available). Therefore, numbers must be ported in such a way so as not to create problems for the new local service provider. U S WEST has been scrupulous in changing its systems and processes to meet the Commission's performance criteria for number portability.

⁶⁷ Minnesota DPS at 2.

⁶⁸ Id. at 3-4.

basis for these unfounded allegations.⁶⁹ Contrary to the DPS's claims, U S WEST systems are not the problem in the LNP service order process. More than 98% of LNP orders that U S WEST receives arrive via fax rather than through IMA (Interconnect Mediated Access) or EDI. Consequently, these orders must be typed into U S WEST's system – it is not U S WEST's choice or desire to have manual intervention on LNP orders.⁷⁰ By its nature, the LNP order process is labor intensive.⁷¹ Approximately, 20% of the LSRs that U S WEST receives from other local providers cannot be processed due to incorrect and missing data. Few CLECs use IMA, which would mechanically screen for errors at the time a LSR is

⁶⁹ The DPS appears to confuse the requirement to provide nondiscriminatory access to unbundled network elements (including OSSs) under Section 251 with OSSs necessary to provision LNP. The DPS's references to the Minnesota PUC proceeding on unbundled network elements and the findings in that proceeding are not relevant to the question of whether U S WEST has lawfully incurred service delivery costs in the provision of LNP. See U S WEST Ex Parte dated April 7, 1999 for a discussion of the differences between provisioning UNEs and LNP.

⁷⁰ Currently, typists make-up 16% of U S WEST's LNP service order staff. This number is expected to decline as all carriers become more automated in their processing of LNP requests and carrier systems become more compatible. The remainder of the LNP service order staff performs the activities surrounding managed cuts, quality control and other required activities. U S WEST expects its service delivery costs per ported number to decline by over 65% (from today's level) as volume increases and all parties to the LNP process become more mechanized. The service delivery costs contained in Workpaper 6 of Transmittal No. 975 reflect this decline. If U S WEST is unable to achieve these reductions in service delivery costs during between now and 2003, it will absorb any cost over-runs.

⁷¹ U S WEST is constantly striving to upgrade its systems and processes. Even though LNP order typing is a small percentage of Service Delivery activity, plans are under way to automate and streamline the order entry and order typing processes, which will allow U S WEST to maintain staff levels without significant growth even though LNP activity is expected to increase dramatically. In fact, LNP activity is outstripping U S WEST's initial forecast with the 1999 total figures being eclipsed by the end of April.

submitted. Often, CLECs do not activate on the scheduled due date, causing cancellations and the issuance of supplemental orders. Seventy percent of the LNP orders that U S WEST receives require additional coordination because: a) they involve a managed cut of more than 400 lines; b) the order is for a conversion from INP to LNP; or c) the order involves Remote Call Forwarding in a DMS 100 or DID service.

As the MN DPS points out, U S WEST has always had to negotiate service orders with its customers and obtain authorization for any change in service. However, LNP differ significantly from U S WEST previous service order process in that it involves a new local provider. Transfer of local service between providers requires obtaining a letter of authorization (LOA) from the end user customer and providing proof of authorization to the old service provider. This process was put in place within the local service industry to protect against unauthorized changes in service providers -- slamming. This new LOA activity and all other activities associated with porting numbers from the old service provider's switch to the new service provider's switch are incremental to the activities that were formerly necessary to establish or disconnect service. As such, the costs of these activities are in addition to the costs of "traditional" service order activities (i.e., that are included in existing intrastate nonrecurring charges). Consequently, these additional costs are incurred "for the provision of" LNP and are appropriately recovered in the LNP end user charge.

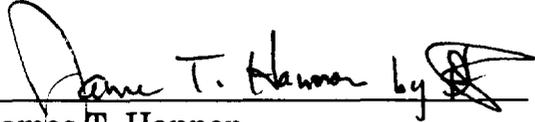
IX. CONCLUSION

As demonstrated above, opponents' arguments lack merit and are based on an unreasonable reading of the LNP Cost Classification Order's two-part test. Accordingly, the Commission should terminate its investigation into Transmittal No. 975 and allow it to take effect as corrected.

Respectfully submitted,

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May 17, 1999

ATTACHMENT 1

REDACTED

ATTACHMENT 1

NETWORK OPERATING EXPENSE ATTRIBUTABLE TO LNP

Item	Acct	1996	1997	1998	1999	2000	2001	2002	2003	2004	TOTAL
76	6212	-	\$452,834	\$997,516	\$524,443	\$614,347	\$329,650	\$119,873	\$119,873	\$9,989	\$3,168,524
78	6534	-	\$361,302	\$909,936	\$459,676	\$538,478	\$288,939	\$105,069	\$105,069	\$8,756	\$2,777,225
79	6534	-	-	\$726,981	\$1,603,898	\$1,477,752	\$1,084,777	\$1,127,123	\$1,171,041	\$91,958	\$7,283,530
80	6212	-	\$4,391	\$477,736	\$174,336	\$204,222	\$109,583	\$39,848	\$39,848	\$3,321	\$1,053,284
83	6212	-	\$190,803	\$99,999	\$67,804	\$79,427	\$42,619	\$15,498	\$15,498	\$1,291	\$512,940
83a	6212	-	\$9,232	\$4,839	\$3,281	\$3,843	\$2,062	\$750	\$750	\$62	\$24,820
84	6534	-	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
85	6533	-	\$200,000	-	\$72,319	\$84,717	\$45,458	\$16,530	\$16,530	\$1,378	\$436,932
87a	6534	-	-	\$86,778	\$1,918,708	\$1,186,889	\$1,186,889	\$1,186,889	\$1,186,889	\$98,907	\$6,851,948
88a	-	-	-	-	-	-	-	-	-	-	-
92b	6211	-	-	-	-	-	-	-	-	-	-
99a	6212	-	-	-	\$507,986	\$1,043,720	\$1,195,015	\$1,256,205	\$983,471	\$81,956	\$5,068,353
100	6534	-	-	-	\$72,460	-	-	-	-	-	\$72,460
total			Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted

NETWORK MAINTENANCE*

1996	1997	1998	1999	2000	2001	2002	2003	2004	TOTAL
-	\$200,036	\$104,838	\$579,070	\$1,126,990	\$1,239,697	\$1,272,453	\$999,719	\$83,310	\$5,606,113

* Items 83, 83a and 99a are the only items that are specifically attributable to network maintenance. That is the repair of hardware failures. In addition, this line item consists of 5% of the capital expenditure in the year the expenditure occurs that is associated with the record keeping and initial testing of the hardware and 2% of that expenditure applied in each subsequent year for anticipated average repair rates.

ATTACHMENT 2

REDACTED

Correction of Ad Hoc's Demand Data Assumptions

ATTACHMENT 2

Chart 1: Comparison of 1998 EUCL Units

	U S WEST 1999 TRP Filing (1998 Av. Monthly Units)	*U S WEST LNP Tariff (Yr end data) (assuming 100% LNP deployment)
ISDN	Redacted	Redacted
PBX	Redacted	Redacted
All Other	Redacted	Redacted
Total	16,672,955	16,724,477

U S WEST's LNP filing is consistent with its TRP filing.

Note: In the U S WEST TRP Filing, ISDN lines are multiplied by 5 to reflect the number of charges per line.

**Chart 2: Correction of Ad Hoc's PBX Trunks
1998 Average Month Base**

	Ad Hoc Assuming 90% PBX	Ad Hoc with PBX Corrected (assumes 100% LNP deployment)
ISDN	4,329	4,329
PBX	3,593,230	Redacted
All Other	13,058,080	Redacted
Total	16,655,639	16,655,639

PBX Trunks were 8% of multiline business, not 90%.

Chart 3: Calculation of LNP Chargeable Units - 1998 Base

	EUCL Units (1998 Av. Monthly Units)	Chargeable LNP Units (Assuming 100% LNP Deployment) [ISDN x 5] [PBX x 9]	Annual LNP Chargeable Units [Av. Month x 12] (Assuming 100% LNP Deployment)
Ad Hoc Data with Correct PBX Trunks			
ISDN	4,329	21,645	259,740
PBX	Redacted	Redacted	Redacted
All Other	Redacted	Redacted	Redacted
Total	16,655,639	19,445,219	233,342,628
Ad Hoc's Scenario 1 Uncorrected Data			
ISDN	4,329	21,645	259,740
PBX	3,593,230	32,339,070	388,068,840
All Other	13,058,080	13,058,080	156,696,960
Total	16,655,639	45,418,795	545,025,540

Ad Hoc's demand forecast was grossly inflated because of their use of incorrect PBX data.

Chart 4: *USWC LNP Chargeable Lines - Full Year

	1999	2000	2001	2002	2003	2004
ISDN	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
PBX	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
All Other	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
Total	123,008,630	184,333,659	218,482,990	226,802,791	226,913,758	18,899,821

*Data provided here is original filed data. U S WEST's LNP capable lines have been updated to correct some MSA dates. The update results in an overall increase of LNP capable lines of approximately 2%. It is likely that U S WEST's estimate of access line growth will be revised downward due to recent announcements by competitors of accelerated deployment.

ATTACHMENT 3

Methods to Remove Impact of LNP from Separations

	Interstate					Total
	1999	2000	2001	2002	2003	
Method 1: Separate Revenues						
Interstate Revenue Excluding LNP	100,000	100,000	100,000	100,000	100,000	500,000
LNP Interstate Revenue Separated (25% of Total)	15	20	28	35	40	138
Total Interstate Revenue	<u>100,015</u>	<u>100,020</u>	<u>100,028</u>	<u>100,035</u>	<u>100,040</u>	<u>500,138</u>
Expense @ 360000 Per Year Including LNP (25% to interstate)	90,000	90,000	90,000	90,000	90,000	450,000
Total Expense	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>450,000</u>
Net Income	10,015	10,020	10,028	10,035	10,040	50,138

Revenues Match Costs in both interstate and intrastate jurisdictions.
 LNP Costs remain in subject to separations
 No Adjustment Necessary for Form 492

Method 2: Removal of Costs from Separations						
Interstate Revenue Excluding LNP	100,000	100,000	100,000	100,000	100,000	500,000
Total LNP Revenue	60	80	110	140	160	550
Total Interstate Revenue	<u>100,060</u>	<u>100,080</u>	<u>100,110</u>	<u>100,140</u>	<u>100,160</u>	<u>500,550</u>
Expense @ 360000 Per Year	90,000	90,000	90,000	90,000	90,000	450,000
Removal of LNP Expense (25% interstate)	15	20	28	35	40	138
Addition to Interstate for 492 Reporting	60	80	110	140	160	550
Total Expense	<u>90,045</u>	<u>90,060</u>	<u>90,082</u>	<u>90,105</u>	<u>90,120</u>	<u>450,412</u>
Net Income	10,015	10,020	10,028	10,035	10,040	50,138

LNP Revenues in Interstate

	Intrastate					Total
	1999	2000	2001	2002	2003	
Method 1: Separate Revenues						
Intrastate Revenue Excluding LNP	300,000	300,000	300,000	300,000	300,000	1,500,000
LNP Interstate Revenue Separated (75% of Total)	45	60	84	105	120	414
Total Interstate Revenue	<u>300,045</u>	<u>300,060</u>	<u>300,084</u>	<u>300,105</u>	<u>300,120</u>	<u>1,500,414</u>
Expense @ 360000 Per Year Including LNP (75% to intrastate)	270,000	270,000	270,000	270,000	270,000	1,350,000
Total Intrastate Expense	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>1,350,000</u>
Intrastate Net Income	30,045	30,060	30,084	30,105	30,120	150,414

Revenues Match Costs in both interstate and intrastate jurisdictions.
 LNP Costs remain in subject to separations
 No Adjustment Necessary for Form 492

Method 2: Remove Costs						
Intrastate Revenue Excluding LNP	300,000	300,000	300,000	300,000	300,000	1,500,000
Total LNP Revenue	-	-	-	-	-	-
Total Intrastate Revenue	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>1,500,000</u>
Expense @ 360000 Per Year	270,000	270,000	270,000	270,000	270,000	1,350,000
Removal of LNP Expense (75% intrastate)	45	60	84	105	120	414
Total Expense	<u>269,955</u>	<u>269,940</u>	<u>269,916</u>	<u>269,895</u>	<u>269,880</u>	<u>1,349,586</u>
Net Income	30,045	30,060	30,084	30,105	30,120	150,414

LNP Revenues in Interstate

ATTACHMENT 4

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify that on this 17th day of May, 1999, I have caused 1) the foregoing **REBUTTAL TO OPPOSITIONS OF U S WEST COMMUNICATIONS, INC.** to be filed with the Office of the Secretary of the Federal Communications Commission (an original and six copies) and the Competitive Pricing Division (two copies), at the following addresses:

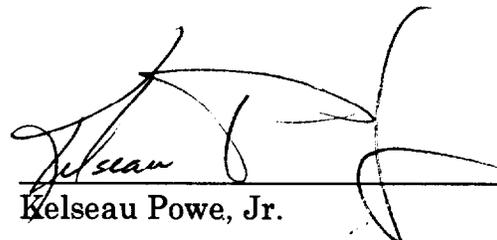
Office of the Secretary
Federal Communications
Commission
445 12th Street, S.W.
Washington, DC 20554

Competitive Pricing Division
Federal Communications
Commission
5th Floor
445 12th Street, S.W.
Washington, DC 20554
(including diskette)

2) one copy of the **REBUTTAL** to be served via hand delivery, upon the Commission's commercial copying firm at the following address:

International Transcription
Services, Inc.
1231 20th Street, N.W.
Washington, DC 20036

3) and one copy of the **REBUTTAL** to be served, via overnight courier or hand delivery and/or U.S. Mail, postage prepaid, upon the persons listed on the attached service list (persons entitled to receive both the redacted and non-redacted versions of the filing, by having previously returned to U S WEST their executed Declarations, are denoted with an asterisk).


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