

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Numbering Resource Optimization)	CC Docket No. 99-200
)	
Implementation of the Local Competition)	
Provisions of the Telecommunications Act)	CC Docket No. 96-98
of 1996)	

**QWEST CORPORATION REQUEST FOR CLARIFICATION OR
DECLARATION REGARDING THE RESPONSIBILITY OF STATE COMMISSIONS
ENGAGING IN NUMBER POOLING “TRIALS” FOR TOTAL COST RECOVERY,
INCLUDING COMMON COSTS**

Qwest Corporation (“Qwest”) requests the Federal Communications Commission (“Commission” or “FCC”) to issue a “clarification” as to the scope of the Number Resource Optimization Order,¹ and subsequent various State Delegation Orders,² regarding carriers’ cost recovery entitlements and the costs that states must include in state-mandated thousand-block number pooling trials. Qwest is becoming increasingly concerned, as we face multiple state mandates for numbering pooling trials and begin to proceed with actual deployment of those trials, that states may seek to delay cost recovery until after the time their mandated number pooling trials begin and that they will be reluctant to assume as part of the state “costs” that need to be recovered under Commission

¹ See In the Matter of Numbering Resource Optimization, Report and Order and Further Notice of Proposed Rule Making, 15 FCC Rcd. 7574 (2000) (“Numbering Resource Optimization Order”).

² See In the Matter of Numbering Resource Optimization, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996 . . . Washington Utilities and Transportation Commission’s Amended Petition for Additional Delegated Authority to Implement Number Conservation Measures, CC Docket Nos. 99-200 and 96-98, NSD File Nos. L-99-102, *et al.*,

rulings a reasonable and fair portion of dedicated costs, joint costs and incremental overheads³ that are “common” costs of deploying thousands-block number pooling. Qwest now estimates these common costs amount to 75% of Qwest’s total recoverable costs for thousands-block number pooling. Qwest is of the position that such costs must be included in the cost-recovery mechanism fashioned by the states, and that the complete cost recovery mechanism must be in place **before** states can proceed with a state thousand-block-number pooling trial. Alternatively, a Declaratory Ruling (pursuant to 47 C.F.R. Section 1.2) is appropriate to remove uncertainty or terminate any controversy surrounding the scope of the cost recovery obligation imposed upon the states concomitantly with their delegated authority to proceed with number pooling trials.

The Commission first outlined its cost recovery framework with respect to thousands-block number pooling in its Numbering Resource Optimization Order.⁴ Within that framework, the Commission established -- as it had done with respect to cost recovery for Local Number Portability (“LNP”) -- three categories of costs: (a) shared industry costs; (b) carrier-specific costs directly related to thousands-block number pooling; and (c) carrier-specific costs not directly related to thousands-block number pooling. Qwest understands the first two categories of costs are to be recoverable and the third is not.⁵ The incremental shared industry costs are to become carrier-specific costs once they are allocated among carriers (based on carriers’ end-user revenues); and the North

Order, DA 00-1616, rel. July 20, 2000; Order, DA 01-386, rel. Feb. 14, 2001; Order, DA 01-656, rel. Mar. 14, 2001 (collectively “State Delegation Orders”).

³ Numbering Resource Optimization Order, 15 FCC Rcd. at 7673-75 ¶¶ 220-26.

⁴ Id. at 7662-63 ¶¶ 193-94.

⁵ Id. at 7667 ¶¶ 204-5.

American Numbering Plan Administrator (“NANPA”) is to use its fund formula for allocating shared industry costs.⁶

Subsequent to the outline of the cost recovery mechanism, the Commission determined to allow states to proceed with state number pooling trials. With respect to those trials, the Commission declared “[c]osts incurred by carriers to implement state-mandated thousands-block number pooling are intrastate costs and should be attributed solely to the state jurisdiction.”⁷ Taking its lead from this Commission mandate, the Common Carrier Bureau (“Bureau”) has clearly and consistently maintained that states conducting their own pooling trials must develop their own cost recovery mechanisms for the joint and carrier-specific costs of implementing and administering pooling within their states.⁸

Recent signals from state commissions cause Qwest to be concerned that state commissions will fail to institute appropriate cost recovery mechanisms for state-mandated thousands-block number pooling trials on a timely basis (i.e., concurrent with the beginning of a trial) or may fail to include all the appropriate costs in that cost recovery mechanism. For example, a state may take a “wait and see” approach to a cost recovery mechanism⁹ or determine that certain carriers are not entitled to cost

⁶ Id. at 7668-69 ¶ 207.

⁷ Id. at 7664 ¶ 197.

⁸ State Delegation Orders, Order, DA 00-1616 ¶ 21; Order, DA 01-386 ¶ 19; Order, DA 01-656 ¶ 20.

⁹ In a recent Order from the Iowa Department of Commerce Utilities Board, in Docket No. NOI-00-3, In Re: Efficient Use of Telephone Numbering Resources, issued Apr. 3, 2001, the Board first acknowledges that “the Board is responsible for the allocation and recovery of industry costs incurred in the trials” (page 2), but then only pages later observes that “the FCC is in the process of developing a cost recovery mechanism for the national number pooling program” and that “the Board believes it is most prudent to review the FCC’s actions before establishing a state mechanism” for cost recovery (page 4). And, the staff of one state commission has suggested verbally that the staff may recommend to its state commission that the commission not provide for recovery of common costs until after this Commission implements its own cost recovery mechanism.

recovery for state-mandated number pooling trials because they are subject to a particular regulatory scheme such as price caps.¹⁰ Qwest believes such positions are unsustainable based on current federal requirements and that without more specific guidance from the Commission, states conducting their own pooling trials will not provide for timely and full cost recovery for carriers involved in those trials.

A substantial portion of the dedicated costs, joint costs and incremental overhead costs of deploying thousands-block number pooling are costs that are not specific to any particular Metropolitan Statistical Area (“MSA”) or state deployment of pooling but are, rather, “common” costs of deploying such pooling.¹¹ These are costs that are clearly eligible for recovery because they satisfy the FCC’s

¹² Specifically, these are costs that would not have been incurred by the carrier “but for” the implementation of thousands-block number pooling. And, these costs were incurred for the provision of thousands-block number pooling currently being deployed *seriatim* in the states where the trials are occurring and will be deployed as ordered in the Numbering Resource Optimization Order. Still, while these costs satisfy the “but for” test they are not costs that can be identified as specific to any

¹⁰ See, e.g., Order, No. 01-208, Public Utility Commission of Oregon (“Oregon PUC”), Docket UM 953, adopting the Staff’s Report (at 4-5) dated Jan. 30, 2000, where the Commission states, “While staff supports the opening of a cost recovery docket, *having one is not absolutely necessary*. . . . Staff believes that number pooling is just another cost of doing business for the four large telecommunications utilities. . . . Qwest must address the cost of number pooling within its price cap regulation structure.” (Emphasis added.) Since the issuance of this Order, Qwest has been successful in convincing the Oregon PUC to open a cost recovery docket. However, the outcome of that proceeding will certainly be contentious absent further Commission clarification and direction.

¹¹ Such costs include, for example, allocable shared industry costs; Signaling Control Point (“SCP”); Tandem Switches; Operating Support System (“OSS”) modifications for support of Commission-defined number pooling implementation functions; and OSS modifications supporting other functions that are for the implementation and administration of thousands-block number pooling. See Cost Study attached to Qwest Corporation’s Comments to the Second Further Notice of Proposed Rulemaking, filed Feb. 14, 2001 in CC Docket Nos. 99-200 and 96-98.

¹² Numbering Resource Optimization Order, 15 FCC Rcd. at 7673 ¶ 218.

particular location or any particular number pooling deployment.

In the various State Delegation Orders issued by the Bureau since the Commission's Numbering Resource Optimization Order, the Bureau has made clear that the individual state cost-recovery schemes must transition to the national cost-recovery plan when the latter becomes effective.¹³ It follows that eligible common joint and carrier-specific costs of state pooling trials must be recoverable under the state cost recovery mechanisms to the same extent as, and in substantially the same way that, they will be recoverable under the federal cost recovery mechanism.

Accordingly, Qwest asks the Commission to provide guidance indicating that a participating carrier should allocate its eligible common joint and carrier-specific costs among the various thousands-block number pooling deployments ordered by the Commission in the context of national number pooling (federal deployments) and state trials being permitted under delegated authority from the Commission (state deployments). Such guidance should provide that carriers may allocate their common costs through the consistent application of a single allocation methodology, employing factors determined by the carrier that are rationally related to the cost of thousands-block number pooling deployment. The guidance should also provide that state commissions may not, in determining the portion of common costs allocated to their trials, select other allocation methods or factors than those the carrier consistently employs.

Under the extensive cost recovery guidance the Commission and Bureau have already

¹³ State Delegation Orders, Order, DA 00-1616 ¶ 21; Order, DA 01-386 ¶ 19; Order, DA 01-656 ¶ 20. See also Numbering Resource Optimization Order, 15 FCC Rcd. at 7652-53 ¶ 171.

provided,¹⁴ carriers can make reasonable estimates of the amount of such common costs now.¹⁵

Similarly, factors for allocating such common costs can be measured. Prior to deployment, these estimates and measurements can be readily adjusted to arrive at a final number pooling trial surcharge. Consequently, such estimates can and should be the basis for states to make an initial determination of recoverable costs and to begin cost recovery concurrent with the beginning of state trials. Were states allowed to delay recovery until all of the costs have been incurred, all of the deployments known and all the allocation factors finally determined, common cost recovery from state trials could be delayed for years.¹⁶

Qwest also asks the Commission to clarify that a state conducting its own pooling trial must develop a cost recovery mechanism for the costs of the trial and implement that cost recovery mechanism concurrent with the beginning of the trial and not at some later date. And the Commission should clarify that a state conducting its own number pooling trial must, in developing its cost recovery mechanisms for a carrier's joint and carrier-specific cost of implementing and administering the trial,

¹⁴ See Numbering Resource Optimization Order, 15 FCC Rcd. at 7662-75 ¶¶ 192-226; In the Matter of Numbering Resource Optimization, Second Report and Order, Order on Reconsideration in CC Docket No. 96-98 and CC Docket No. 99-200, and Second Further Notice of Proposed Rulemaking in CC Docket No. 99-200, rel. Dec. 29, 2000, FCC 00-429 ¶¶ 179-182; State Delegation Orders: Order, DA 00-1616 ¶¶ 19-22; Order, DA 01-386 ¶¶ 19-21; Order, DA 01-656 ¶¶ 19-21.

¹⁵ For example, approximately \$118 million of the costs included in the cost estimate Qwest filed with the Commission on Feb. 14, 2001, are common costs. Some of these common costs -- such as SCP and OSS costs -- have already been incurred and, therefore, can be precisely measured.

¹⁶ States can argue that the final allocation of common costs will not be known until the states and Commission have completed rollout of all state and federal deployments. In the Numbering Resource Optimization Order, 15 FCC Rcd. at 7645 ¶ 158, the Commission stated that rollout of thousands-block number pooling should first occur in NPAs that are located in the largest 100 MSA's. However, the FCC did not say that thousands-block number pooling would occur only in the largest 100 MSA's. Consequently, without further guidance, a state commission could deny recovery of common costs

provide for recovery of the carrier's costs of the trial that are specific to the trial's particular deployment of thousands-block number pooling and that trial's aliquot share of the carrier's eligible common joint and carrier-specific costs of the thousands-block number pooling.

CONCLUSION

For all the above reasons, we request this Commission "clarify" -- or, if more appropriate, to "declare" -- that its various number optimization and number pooling Orders require states proceeding to deploy a thousand-block-number pooling trial to establish a cost recovery mechanism and implement it when the trial begins, not at some later date; and that in fashioning that cost recovery mechanism, states provide for recovery of a reasonable portion of common costs. Said portion should be determined by a consistently applied allocation methodology that employs an allocation factor or factors, determined by the affected carriers, that are rationally related to the cost of thousands-block number pooling deployment. Absent the willingness to provide cost recovery that is concurrent with the beginning of the number pooling trial and that provides for recovery of a state's fair share of common costs, the Commission should make clear

indefinitely by arguing that it need not provide recovery until the last of the federal deployments has occurred and, therefore, the precise and final amount of common costs allocable to that state is known.

that states may not mandate carriers to participate in a state numbering pooling trial, although carriers willing to participate voluntarily can certainly do so.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that on this 23rd day of April, 2001, I have caused a copy of the foregoing **QWEST CORPORATION REQUEST FOR CLARIFICATION OR DECLARATION REGARDING THE RESPONSIBILITY OF STATE COMMISSIONS ENGAGING IN NUMBER POOLING "TRIALS" FOR TOTAL COST RECOVERY, INCLUDING COMMON COSTS** to be filed electronically via the FCC's ECFS, a copy served, via hand delivery on the party/entity marked with an asterisk (*), and the remaining party, listed on the attached service list, to be served via first class United States Mail, postage prepaid.

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