and loop conditioning are not recoverable non-recurring costs are incorrect and have been directly contradicted by the Commission.

A. The AT&T/WorldCom NRCM Improperly Omits Loop Qualification Costs.

Q. Ms. Murray appears to suggest that loop qualification can be completely mechanized by populating existing OSS with all information that CLECs may ever need to request. (*See* Murray Direct at 41.) Do you agree?

A. No. AT&T/WorldCom omit non-recurring charges based on their unreasonable assumption that Verizon VA should create a massive and costly database, despite the enormous inefficiency of doing so. As explained below, that mechanization effort is unjustifiable under a cost-benefit analysis and departs from the rational policy of imposing costs on the cost causer.

Q. Please explain how loop qualification charges are incurred.

A. The primary means by which CLECs obtain loop qualification information is by submitting queries to Verizon VA's automated loop qualification database (the "Database"). This Database supports the provision of unbundled ADSL/HDSL-compatible loops. As we explained in the Direct Panel Testimony, information for loops in 102 of the 105 Verizon VA wire centers in which CLECs are collocated, representing more than 99% of all the loops to wire centers with collocation, are included in the Database. The costs associated with the mechanized loop qualification database process

are recovered on a *recurring* basis per xDSL loop or line sharing arrangement.[21/] A requesting CLEC also can request and receive certain qualification information contained in the LFACS electronically (no costs are provided in this study in connection with that database).

Although Verizon VA's Database is significantly developed, a CLEC may nonetheless want additional information. For example, if the Database shows that the loop does not qualify, the CLEC may wish to obtain a more complete explanation as to why it is not qualified (*e.g.*, the location of load coil or excessive loop length). Alternatively, a CLEC offering xDSL or related services that differ technically from Verizon retail services or that use different terminating electronics may want additional particular information to determine if the loop is appropriately qualified. In such cases, CLECs may obtain more detailed information, such as cable gauges and the location of load coils through the Engineering Query process. If a CLEC requests either or both of these processes, Verizon VA will impose the associated non-recurring charges, which recover costs for, among other things, checking other databases, performing tests on the loop, and checking paper records.

[21/] Although most loops in Virginia are included in the Database, if loop qualification information for the customer's central office has not been included in the Database, a CLEC can request a manual loop qualification when it submits its LSR for an xDSL-compatible loop by entering an indicator in the appropriate field that manual loop qualification is needed. Manual loop qualification provides CLECs with the same type of information they would receive using the Database.

Q. Ms. Murray contends that because different CLECs employ different technologies and equipment, with differing technical requirements, to provide xDSL-based services, Verizon VA cannot meaningfully assess a loop's suitability for provisioning a CLEC's xDSL-based services, and instead must provide CLECs with access to loop characteristic information to make their own determination. (*See* Murray Direct at 38-39.) What is Verizon VA's response?

A. Though xDSL technologies and equipment vary, all xDSL technologies rely on the high frequency portion of the loop (HFPL). Therefore, they all are affected by distance, presence of load coils and bridged taps, and interference from T-1 and other disturbances. Verizon VA has compiled a substantial amount of information in its Database that allows it to identify whether loops can or cannot support xDSL service in the HFPL — basic information that is necessary for any kind of xDSL technology. Moreover, Verizon VA's Database provides information that a CLEC would not be able to ascertain for itself based on information about a particular loop's characteristics, such as whether T-1 or other disturbances are present in that loop's binder group, or whether the loop is served over DLC. To the extent CLECs require additional information, they can, as discussed below, obtain that information in the same way as Verizon VA would obtain the information for itself.

Q. Does Verizon VA's loop qualification process comply with the Commission's rules?

A. Yes. As required by the Commission, Verizon VA "provide[s] requesting carriers the same underlying information that the incumbent LEC has in any of its own databases or other internal records."[22/]

Q. Ms. Murray asserts that incumbent LECs must provide requesting carriers automated access to all available information regarding loop qualification. (Murray Direct at 39.) Is that consistent with the Commission's rulings?

A. No. It is our understanding that the Commission has rejected a CLEC's "unqualified request that the Commission require incumbent LECs to catalogue, inventory, and make available to competitors loop qualification information through automated OSS even when it has no such information available to itself."[23/] The Commission explained:

> If an incumbent LEC has not compiled such information for itself, *we do not require the incumbent to conduct a plant inventory and construct a database on behalf of requesting carriers.* We find, however, that an incumbent LEC that has manual access to this sort of information for itself, or any affiliate, must also provide access to it to a requesting competitor on a non-discriminatory basis. In addition, we expect that incumbent LECs will be updating their electronic database for their own xDSL deployment and, to the extent their employees have access to the information in an electronic format, that same format should be made available to new entrants via an electronic interface.[24/]

22/ Third Report and Order and Fourth Further Notice of Proposed Rulemaking, *In The Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, 15 FCC Rcd 3696, 3885 ¶ 427 (1999) ("*UNE Remand Order*").

23/ *Id.*

24/ *Id.* at 3886 ¶ 429 (footnotes omitted) (emphasis added).

Verizon VA does precisely what the Commission described. Indeed, the Commission has already determined that Verizon's loop qualification process complies with its legal obligations.[25/]

Q. AT&T and WorldCom assert that "Verizon should make loop makeup information available directly to new entrants in an electronic format." (Murray Direct at 41.) Is their assumption of "fully mechanized" loop qualification reasonable?

A. No. Assembling a database with full loop make-up information for all of Verizon VA's loops would be a massive and cost-prohibitive effort. It is far more cost-efficient to simply have a CLEC interested in specific information pay for the costs of obtaining that information.

As we explained in the Direct Panel Testimony, to mechanize the loop qualification process completely would require enormous effort, including a necessary review of detailed information for each of millions of loops, and would result in much higher database costs for all carriers.[26/] In contrast, Verizon VA's approach imposes the costs of paper-record-review in a cost-causative manner only on those CLECs whose services actually require the additional information.

[25/] *See* Memorandum Opinion and Order, *Application of Verizon New England Inc., et al., For Authorization to Provide In-Region, InterLATA Services in Massachusetts*, 16 FCC Rcd 9899, 9016-17, 9021, 9025 ¶¶ 54, 60, 68 (2001) (considering same loop qualification process used by Verizon New England).

[26/] *See* Direct Panel Testimony § V.C.2.b.

Q. Ms. Murray cites decisions by the Texas Public Utility Commission and the California Public Utilities Commission that purportedly support her position that there should be no charge or an "insignificant" charge for loop qualification. (Murray Direct at 41-42.) What is Verizon VA's response?

A. First, the decisions cited are *interim* arbitration decisions. In the Texas proceeding, the arbitrators established the rates to which Ms. Murray refers only until the relevant incumbent LEC, SBC, could submit a cost study demonstrating all the costs associated with loop qualification.[27/] Likewise, the California commission's decision was only an interim determination. Second, as Ms. Murray acknowledges, the Texas arbitration panel *agreed* that the incumbent LEC was permitted to impose a charge for loop qualification. Even if it were a final decision, then, it still in no way would support their arguments that no cost recovery for qualification is appropriate.

By contrast, in at least two proceedings where ILECs actually had presented cost studies supporting their non-recurring charges for loop qualification, those charges were approved. The Pennsylvania Public Utility Commission recently approved Verizon's proposed loop qualification rates on an interim basis.[28/] In another case, a Missouri

---

27/ *See* Arbitration Award, *Petition of Rhythms Links Inc. for Arbitration to Establish an Interconnection Agreement with Southwestern Bell Telephone Co.* at 102, Docket No. 20272 (Pub. Util. Comm'n of Tex. Nov. 30, 1999).

28/ *See* Interim Opinion and Order, *Further Pricing of Verizon Pennsylvania Inc.'s Unbundled Network Elements*, Docket Nos. R-00005261, *et al.*, at 32 (Pa. Pub. Util. Comm'n June 8, 2001). *See also* Opinion and Order Concerning DSL Charges at 41, *Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements*, Case 98-C-1357, 1999 NY PUC LEXIS 759, at *65-*67 (N.Y. Pub. Serv. Comm'n Dec. 17, 1999) (ruling that Bell Atlantic-New York was entitled to recover the real costs of loop qualification; adopting "placeholder" rates pending additional cost presentations).

arbitrator set SWBT's non-recurring loop qualification rate at $15.00, as proposed by SWBT, because he deemed SWBT's partially mechanized process "to be the most efficient telecommunications technology available at this time."[29/]

B. The AT&T/WorldCom NRCM Improperly Omits Line Conditioning Costs

Q. Both Mr. Walsh and Ms. Murray contend that non-recurring charges for loop conditioning are inconsistent with forward-looking economic cost principles because such charges would not reflect an efficient, forward-looking network architecture. (Walsh Direct at 26; Murray Direct at 44.) What is Verizon VA's response?

A. The Commission has ruled at least three times that ILECs are entitled to recover conditioning costs. Indeed, we understand that in the *UNE Remand Order*, the Commission not only upheld the recoverability of loop conditioning charges but also went even further and ruled that load coil removal costs would be recoverable even where load coil placement would not be called for under current standards:

> In the *Local Competition First Report and Order*, the [Commission] also stated that requesting carriers would compensate the incumbent LECs for the cost of conditioning the loop. Covad and Rhythms argue that, because loops under 18,000 feet generally should not require devices to enhance voice transmission, the requesting party should not be required to compensate the incumbent for removing such devices on lines of that length or shorter.
>
> We agree that networks built today normally should not require voice-transmission enhancing devices on loops of 18,000 feet or shorter. *Nevertheless, the devices are sometimes present on such loops, and the*

[29/] Arbitration Order, *Re BroadSpan Communications, Inc.*, Case No., TO-99-370, 1999 WL 719501, at *3 (Mo. Pub. Serv. Comm'n June 15, 1999). Furthermore, the arbitrator recognized that "it may never be economical to transfer all of the information necessary to do a loop qualification into an electronic database." *Id.*

incumbent LEC may incur costs in removing them. Thus, under our rules, the incumbent should be able to charge for conditioning such loops.[30/]

Bridged taps and load coils are a permissible and necessary network component for existing POTS service, and the need to deal with them is a part of the normal cost of doing business for all carriers — ILECs and CLECs alike. Verizon VA should not have to absorb the cost of modifying its network components that rely on copper as a transmission medium to support a CLEC's provision of xDSL services. This suggestion flies in the face of the principle that the cost causer is responsible for cost recovery.

Indeed, the Commission just recently reaffirmed to the Supreme Court that its "express . . . directions" make clear that, contrary to AT&T/WorldCom's position here, ILECs are not required to condition loops for advanced services "for free."[31/]

Q. To your knowledge, have any other state commissions rejected CLECs' claims that ILECs are not entitled to recover loop conditioning costs?

A. Yes. We understand that numerous state commissions have ruled that ILECs are entitled to recover loop conditioning costs. For example, the New York Public Service Commission stated that:

[30/] *UNE Remand Order* at ¶¶ 192-93 (emphasis added). *See also* Third Report and Order, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, 14 FCC Rcd 20912, 20954 ¶ 87 (1999) ("[W]e conclude that incumbent LECs should be able to charge for conditioning loops when competitors request the high frequency portion of the loop.").

[31/] *See* Reply Brief for Petitioners United States and the Federal Communications Commission at 10 n.7, *Verizon Communications, Inc. v. FCC* (U.S. filed July 2001) (No. 00-511).

> rejecting the charges would be tantamount to setting them at zero, a result that would be clearly wrong as a matter of substance. There is no doubt whatsoever that loop qualifications and conditioning entail real costs that Bell Atlantic-New York will incur; and denying it the opportunity to recover those costs would skew the market unfairly in the CLEC's favor.
> . . .
> To do so is not to grant an undeserved boon to Bell Atlantic-New York; rather, it is to promote the public interest in a fair, competitive market by setting a price that is likely to approximate actual costs more closely than would a price set at zero.[32/]

Similarly, Maine's Public Utility Commission stated that "Bell Atlantic should . . . be able to [condition] the lines and charge an appropriate amount for that [conditioning]."[33/] The Illinois Commerce Commission concluded that the "FCC sanctions Ameritech's collection of TELRIC based charges for loop conditioning — charges which are in addition to the standard TELRIC rates for UNEs."[34/] Indeed, commissions in Washington, Minnesota, Missouri, and Pennsylvania have also approved the imposition of loop conditioning costs.[35/]

[32/] Opinion and Order Concerning DSL Charges at 41, 1999 NY PUC LEXIS 759, at *65-*66. *See also* Recommended Decision on Module 3 Issues, *Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements*, Case No. 98-C-1357, at 162 (N.Y. State Pub. Serv. Comm'n May 16, 2001) ("The FCC seems clearly to have contemplated recovery of reasonable loop conditioning charges, including in situations where load coils would not have been installed under current design guidelines.").

[33/] The Maine PUC included what Verizon VA here refers to as "conditioning" in its discussion of "qualification." Order (Part 1 Issues E3 & E7) (Final Order for all Other Issues), *Mid-Maine Telplus Request for Arbitration*, Docket Nos. 98-593 & 98-806, at 27 (Me. Pub. Util. Comm'n Mar. 25, 1999).

[34/] Order, *Illinois Commerce Commission on its Own Motion v. Illinois Bell Telephone Co. Investigation of Construction Charges*, Docket No. 99-0593, 2000 Ill. PUC Lexis 654, at *157 (Ill. Commerce Comm'n 2000).

[35/] 17th Supplemental Order, Interim Order Determining Prices; Notice of Pre-hearing Conference, Docket Nos. UT-960370 & UT-960371, at 132 (Wash. Utils. and Transp. Comm'n Sept. 23, 1999); *Consolidated Petitions of AT&T Communications of the Midwest, Inc. et al.*,

Q. Mr. Walsh claims that even if loop conditioning charges were appropriate in a forward-looking network, they should be deemed a recurring, not a non-recurring, cost, because facilities, "once conditioned, become available to all users of [the] network, including the ILEC." (Walsh Direct at 26.) What is Verizon's response?

A. We disagree, for the reasons given by Dr. Shelanski and consistent with the Commission's own statement.[36/] In the *UNE Remand Order*, just after making clear that it believed loop conditioning costs could be recovered, the Commission stated that it would "defer to the states to ensure that the costs incumbents impose on competitors for line conditioning are in compliance with [the Commission's] pricing rules *for non-recurring costs*."[37/]

Q. Should loop conditioning costs be recovered in Verizon VA's recurring costs for network maintenance, as Mr. Walsh suggests (Walsh Direct at 27)?

A. No. Verizon VA does not remove bridge taps and load coils as part of routine maintenance, but only as a result of specific CLEC customer requests for xDSL services beyond the limits of standard UNE xDSL products. That is why such requests constitute orders for Digital Designed Loops. Removing load coils randomly could degrade voice

---

Docket. Nos. P-442, 421, *et. al.*, 1997 Minn. PUC LEXIS 49, *115 (Minn. Pub. Util. Comm'n Mar. 17, 1997); Arbitration Order, *Petition of Dieca Communications Inc.*, Case No. TO-2000-322, 2000 Mo. PUC LEXIS 260, *17 (Mo. Pub. Serv. Comm'n Mar. 23, 2000); Interim Opinion and Order, *Further Pricing of Verizon Pennsylvania Inc.'s Unbundled Network Elements*, Docket Nos. R-00005261, *et al.*, at 29 (Pa.. Pub. Util. Comm'n June 8, 2001).

36/ *See* Rebuttal Testimony of Dr. Howard Shelanski § II.C.

37/ *UNE Remand Order* at ¶ 193 (emphasis added).

services and removing bridged taps randomly could result in service disconnection and reduced utilization of loop plant.

VIII. GENERAL FLAWS (JDPL Issues II-1 to II-1-d; II-2 to II-2-d; IV-36)

A. AT&T/WorldCom's Model Fails to Account for the Non-Recurring Costs of Numerous Elements.

Q. Does the AT&T/WorldCom NRCM develop costs for all UNEs properly the subject of this proceeding?

A. No. The AT&T/WorldCom NRCM does not produce costs for all of the unbundled network elements that are properly included in this proceeding and for which Verizon VA has submitted cost studies. As a result, the only record evidence as to the costs for the many elements excluded by AT&T/WorldCom are the costs contained in the Verizon VA NRCM, and the Commission should accept those costs.

Q. What are some of the UNEs for which the AT&T/WorldCom NRCM fails to develop non-recurring costs?

A. The AT&T/WorldCom NRCM boasts that it develops the NRCs for 49 required UNEs. However, of these 49 UNEs, two are associated with TSR (Total Services Resale), which should properly be determined by applying the resale discount — also a matter being considered by this Commission — to applicable tariffed non-recurring charges. Furthermore, the remaining 47 UNEs are not unique. AT&T/WorldCom show connection and disconnection of the same UNE as separate elements, in effect counting them twice. Once the list is pared down by eliminating the corresponding "disconnects," AT&T/WorldCom are only presenting 28 elements.

By contrast, Verizon VA's NRCM includes non-recurring costs for more than 100 UNEs (and related services) provided by Verizon VA. Among the elements included in Verizon VA's NRCM but not in AT&T/WorldCom's study include the following:

#21 - End Office Trunk Port Initial

#22 - End Office Trunk Port Additional

#49 - Multiplexing DS-3 to DS-1

#50 - Multiplexing DS-1 to Voice Grade

#53 - STP Port Termination

#65 - Manual Loop Qualification

#66 - Engineering Query

#67 - Engineering Work Order

#80 - Customer Specified Signaling (CSS) Two Wire New Initial

#81 - Customer Specified Signaling (CSS) Two Wire New Additional

#82 - Customer Specified Signaling (CSS) Four Wire New Initial

#83 - Customer Specified Signaling (CSS) Four Wire New Additional

#123 - Line Sharing Initial

#124 - Line Sharing Additional

Adoption of the AT&T/WorldCom NRCM would result in an inability to develop costs for all the necessary UNEs included in Verizon VA's model but not in the AT&T/WorldCom NRCM.

Q. Does the AT&T/WorldCom NRCM include any UNEs that are not in Verizon VA's NRCM?

A. The AT&T/WorldCom NRCM includes four elements that are not in Verizon VA's NRCM, but Verizon VA does not offer any of these elements. Two of these (Channelized DS1 Virtual Feeder to RT (Nos. 18-19) and Channelized DS1 Line Port (Nos. 38-39)) are related to AT&T/WorldCom's fantasy form of electronic provisioning of loops discussed above.

The remaining two are for a DS1 or DS3 hot cut or migration. But Verizon VA does not offer a DS1 or DS3 hot cut or migration because it would be impractical to do so. For example, a DS3 loop is a facility capable of handling the equivalent of 672 voice grade channels. The individual channels in the DS3 facility and associated interface are interconnected to facilities in support of a myriad of applications, including switched access, data, voice, and signaling transport. In the extreme case, 672 discrete destinations could be associated with the circuits within the DS3 facility. Verizon VA is not aware of any carrier that would risk the re-termination of such a large working facility, given the huge logistical and coordination effort that would be required to avoid interruption of service on each and every working channel. For example, not only would the carrier need to "migrate" the DS3, but simultaneously the carrier would also need to migrate the 672 associated terminations. Instead of this perilous approach, carriers install a new DS3 facility and roll the channels from the old to the new, one channel at a time. The AT&T/WorldCom NRCM does not capture these costs.

B. AT&T/WorldCom's Procedures for Estimating Activity Times Are Unexplained and Flawed, and Result in Unrealistic Times and Costs.

Q. How does the AT&T/WorldCom NRCM estimate activity time?

A. The AT&T/WorldCom NRCM relies not on actual data, but rather solely on the opinion of so-called "subject matter experts." It is not clear how AT&T/WorldCom developed any of its estimates. AT&T/WorldCom's Technical Assumptions Binder states for each UNE only that the "activity times are based on estimates by a panel of Subject Matter Experts" (SMEs). Nowhere is there an explanation of the study process, the underlying assumptions, or any indication of how these estimates were developed. There is no indication whether the SMEs actually perform the work function currently and are thus in a position to provide accurate time estimates or of how many SMEs were consulted for each estimate. In addition, in contrast to Verizon VA's model, there is no indication that AT&T/WorldCom relied on actual data from personnel who actually perform these activities today or will perform these activities in the forward-looking environment. As far as is evident, the "estimates" in AT&T/WorldCom's model amount to nothing more than the speculation of a group of people sitting in a room or on a phone call coming up with time periods without any underlying data.[38/] Such blind judgments are not an appropriate or valid way to set costs for UNEs.

[38/] Although the AT&T/WorldCom NRCM Model Description referenced "other sources" supporting its estimates (p. 15), AT&T/WorldCom has admitted, in response to Verizon VA's discovery request, that the only "other sources" were the SMEs' own "observations and discussion." *See* Response to VZ-VA IV-16.

Q. Are the resulting time estimates trustworthy?

A. No. To take only one of many examples, AT&T/WorldCom estimate one minute for activity #74, "Install Cross-connect from MDF to CFA Appearance." (AT&T/WorldCom NRCM 2.2, Activity Step No. 74.) The only way this time could be even close to realistic would be if AT&T/WorldCom have assumed that all work leading up to the installation of the cross-connect, such as walking to the MDF location of the CLEC equipment, locating the CLEC's termination point, pulling out the jumper wire, and laying it along the trough/shelf while walking to the frame location of the cable pair, is already completed. These additional activities can take on average about seven minutes, yet they do not appear to be anywhere in the AT&T/WorldCom NRCM. In fact, AT&T/WorldCom have essentially confirmed that they do not account for any of these activities. When asked to "[i]dentify all work activities" included in Activities #74 and #75, AT&T/WorldCom responded that "[t]he work activity would involve a technician connecting one end of a cross wire to the copper feeder Cable Pair, and the other end of the same cross wire to the CFA appearance."[39/] AT&T/WorldCom then vaguely assert that "[r]elated tasks are accounted for elsewhere in the NRCM." *Id.* Thus, in order to present the lowest possible time and cost, the AT&T/WorldCom NRCM assumes that whenever manual work is required, the technician is already in place where the work activity is to be performed with all necessary tools and materials with a hand already on the connection. But in the real world, it takes time for all of that to happen. AT&T/WorldCom's model nowhere takes account of that time.

[39/] Response to VZ-VA IV-22.

C. The AT&T/WorldCom NRCM Wrongly Assumes That Verizon VA Should Bear All Costs of So-Called "Inefficient" Databases.

Q. Do you agree with AT&T/WorldCom's position that some manual activity required to provision UNEs is caused by inefficiently maintained databases and that the ILECs should therefore bear these costs? (NTAB at 22-23.)

A. No. It is important to emphasize that most of the manual activity reflected in Verizon VA's cost study has nothing to do with incorrect or mismatched information in Verizon VA's databases. AT&T/WorldCom greatly exaggerate the level of incorrect data included in the databases. With respect to database maintenance, Verizon VA takes all the appropriate steps to avoid information mismatch or other errors. For example, Verizon VA periodically scans its provisioning databases for inconsistent data. Cross audits are performed among the systems, for instance, between LFACS and SWITCH, and between LFACS and Work Force Administration (WFA) to ensure that the information residing in the systems is synchronous. Database cross audits generate error listings that allow Verizon VA employees to correct the database inconsistencies on a regular basis. In addition, to avoid problems that may occur with table updates or system maintenance, Verizon VA requires that test orders pass through the systems before live service orders are entered into the Service Order Processor (SOP).[40/] Despite these efforts, some amount of mismatched information is inevitable and is part of doing business.

[40/] The costs of these routine maintenance efforts are generally recovered on a recurring basis through a combination of the common overhead and other support factors.

Q. Can CLEC errors be the cause of "database errors"?

A. Yes. One example concerns connecting facility assignments. CLECs have to maintain a database of the facilities that are available for connection to their collocation areas and must keep track of when those connecting facilities are assigned and/or disconnected. Sometimes the CLEC will attempt to assign to a new order a connecting facility that is in fact already in use. Because the connecting facility appears valid as a matter of syntax and format, it will pass through the ordering stage but then fall out at the assignment step of the provisioning process. The TISOC must then manually handle the order to resolve the conflict, usually by asking the CLEC to provide an alternative connecting facility assignment.

CLECs, including AT&T, often seek Verizon VA's assistance in connection with resolving issues within their databases. For example, Verizon has helped AT&T to locate UNE circuit IDs associated with telephone numbers that they have had in place for a year or more.

Simply put, CLEC database errors are not uncommon, as Mr. Walsh's testimony suggests.

Q. Will the Verizon OSS catch database errors in the CLEC orders?

A. In some cases, yes. As discussed above in Section II, Verizon VA's ordering systems include a front-end editor that checks for formatting and syntax errors, but not content. Errors found by these front-end edits will be returned immediately (within seconds) to the

CLEC for correction. But if data is entered in the correct format, the order will continue to be processed despite content errors. For example, if the CLEC issues an LSR with an address or telephone number that has transposed numerals due to an error in its database (*e.g.*, 74 Main St instead of 47 Main St), this erroneous information will not be rejected by the front-end editor. Once the order passes the front-end editor, Verizon VA's Ordering OSS attempt to create a service order from the LSR. Some of the more common errors identified during this process will cause the flowthrough order creation process to halt and generate an OSS-generated query (usually within an hour of CLEC submittal) back to the CLEC, rejecting the LSR until corrections are made. Other errors may contain complexities beyond the scope of the OSS to reject or explain to the CLEC and fall out to the TISOC for manual assessment and "correction" (through the manual query process) with the CLEC. Still others may actually flow through and be used to create a service order for processing. However, this error will require human intervention at some point later during processing when the substance of the error is discovered. The resulting cost rightfully should be identified and recovered in the non-recurring cost of provisioning UNEs.

Q. Are there other examples of errors that the front-end editor is unable to detect?

A. Yes. An incorrect frame due time (FDT) requires a representative's attention. This occurs when the CLEC inputs an FDT that is outside the standard interval. The Central Office technician assigned to the order will query the TISOC to re-negotiate our company-offered interval. Still other potential CLEC database errors that require correction, but will nonetheless flow at least partially through the OSS, include non-

working telephone numbers on an account; an incorrect collocation identifier; a duplicate request requiring one request to be cancelled; and the customer telephone number and the collocation being in different central offices. All of these errors are technically correct in format and thus will flow through the system but cannot result in a completed order because of inaccuracies in the content.

IX. RATE STRUCTURE (JDPL Issues II-1 to II-1-d; II-2 to II-2-d; IV-36)

A. The AT&T/WorldCom NRCM Omits Costs That Are Non-Recurring.

Q. Does AT&T/WorldCom's NRCM properly account for all non-recurring costs?

A. No. AT&T/WorldCom have deliberately omitted many costs that should properly be included as non-recurring costs because they contend that any activity that could possibly benefit any other CLEC, or Verizon VA itself, at some future point in time should be allocated to recurring costs or should not be recoverable at all. (*See* Walsh Direct at 9-11; Murray Direct at 29-31.) As Dr. Shelanski explains in detail, AT&T/WorldCom's contention is incorrect.[41/]

Q. Does the AT&T/WorldCom NRCM assume that many non-recurring costs will be recovered in recurring rates, or "elsewhere"?

A. Yes. It therefore omits costs for activities that AT&T/WorldCom admit are necessary for provisioning UNEs. The batch outputs[42/] for each AT&T/WorldCom NRCM element list

---

41// *See* Rebuttal Testimony of Dr. Howard Shelanski at § II.

42/ *See, e.g.*, NTAB, Att. B (providing examples of batch outputs from another jurisdiction).

the various activities considered by the developers of the AT&T/WorldCom NRCM to be necessary for pre-ordering, ordering, or provisioning each UNE. Yet all of the ordering activities and a large number of the provisioning activities, while listed as necessary activities, are omitted from non-recurring costs. Instead, AT&T/WorldCom assume that the costs for these activities are recovered in the recurring rates (or "elsewhere").

Q. Does AT&T/WorldCom's Modified Synthesis Model itself provide for the recovery of many of the costs it claims should be recovered through recurring rates?

A. No. AT&T/WorldCom assume that a variety of new systems will be developed to permit all orders to flow through electronically and to automate many provisioning tasks. AT&T/WorldCom also assume 100% dedicated plant, which would require significant additional investment for laying new feeder cables and expanding switch capacity. Yet we understand from Mr. Murphy's testimony that AT&T/WorldCom nowhere provide for the recovery of these extremely substantial costs.[43/]

Q. Would these costs go unrecovered if they were not included in non-recurring costs?

A. Yes. AT&T/WorldCom assume that most of the provisioning of UNEs will be handled electronically and that the costs of doing so are recovered in the investments for this equipment, which are reflected in the recurring rates. This assumption is fundamentally flawed for the reasons discussed above. Some manual work activity will always be required to provision UNEs, and these work activities are not and should not be included in Verizon VA's recurring rates. They are one-time costs caused directly by the CLEC

43/ *See* Rebuttal Testimony of Mr. Frank Murphy § 5.

ordering the element and are therefore appropriately charged to the CLEC as a non-recurring cost.

The only costs reflected in Verizon's NRC studies are the one-time costs that are incurred as a direct result of receiving and filling a CLEC request for service. These costs are not part of the costs associated with the initial investment costs of providing network facilities and are not costs that are incurred in generally maintaining those facilities. Thus, these costs do not find their way into either the investment or expense portion of recurring rates.

B. The NRCM Inappropriately Disaggregates the Disconnect Costs.

Q. Mr. Walsh claims that requiring a new entrant to pay the cost of a disconnect in the rate for a new connect violates cost causation. (NTAB at 46-47.) Do you agree?

A. No. There is no violation of cost-causation principles because the CLEC would eventually pay for these costs in any event. Disaggregating these costs therefore is unnecessary. In addition, in Verizon VA's NRCM, the cost of the disconnect is discounted by present worth of money factors that take into account the fact that the cost of the disconnect is recovered when the new connect is issued.

Q. Why should disconnection non-recurring costs be included with the installation non-recurring costs?

A. Consistent with long-standing practice, Verizon VA has calculated in its studies the non-recurring costs associated with the disconnection of service, and has included this cost

with the installation non-recurring costs. The up-front recovery of non-recurring disconnect costs is standard practice in the telecommunications industry because customers inherently object to charges for *disconnecting* service.

Q. Why is AT&T/WorldCom's disaggregation of disconnect costs inappropriate?

A. Because it would give Verizon VA no assurance of recovering those costs. AT&T/WorldCom suggest that CLECs' need to remain in good standing with the ILEC is sufficient to assure recovery (*see* NTAB at 47), but not all CLECs are as large or financially stable as AT&T and WorldCom, or do business with Verizon VA as regularly. Under "pick-and-choose" rules, any CLECs would be able to take advantage of disaggregated disconnect costs. Therefore, even if AT&T and WorldCom could be expected to pay disconnect costs at the time service is terminated, Verizon VA would face the risk of nonrecovery from other CLECs that may declare bankruptcy or discontinue service, or simply fail to pay. Obviously, in such a situation Verizon VA would have difficulty recovering any disconnection costs it may not have recovered up-front at the time of installation. Verizon VA should not and need not be left with this substantial exposure.

C. AT&T/WorldCom Fail to Account for the Additional Costs of Expediting Orders.

Q. Do AT&T/WorldCom account for the additional non-recurring costs resulting from expedited orders?

A. No. Verizon VA has published installation intervals for many of its UNEs. Frequently, CLECs request installation intervals that are shorter than the standard interval. To

accommodate these requests, Verizon VA must juggle work schedules and arrange for overtime, and perform otherwise mechanized tasks manually, all of which result in additional costs. The Verizon VA cost study recovers these additional costs through "expedite" charges. The AT&T/WorldCom NRCM makes no allowances for these additional costs.

Q. Does this conclude your testimony?

A. Yes.

Declaration of Carlo M. Peduto, II

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 23rd day of August, 2001.

Carlo M. Peduto II

Carlo M. Peduto, II

Declaration of Ralph Curbelo

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 23rd day of August , 2001.

Ralph Curbelo

Ralph Curbelo

Declaration of John White

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 24th day of August, 2001.

John White