1 permitting a single RDT to connect to multiple
2 switches.[12]

3 **Q. HOW DOES VERIZON'S APPROACH OVERSTATE COSTS?**

4 A. The bypass method chosen by Verizon requires central office and outside plant
5 rewiring to complete the new circuit from the MDF to the customer. This is truly
6 inefficient, costly and not forward-looking. The migration process should involve
7 merely an electronic cross-connect instruction to effectively move the customer's
8 IDLC channel to the CLEC's digital facilities. It does not require any manual
9 activities by the CO Frame technicians.

10 All other CO Frame tasks would be eliminated if Verizon adopted an
11 efficient hot-cut process. These include Task #15, "Load WFA tickets, check
12 status of order activity, and report completion of order/frame work for WFA
13 tickets (NDSUP and NDSUT) to the RCCC." Verizon has also included, with
14 Tasks #17 & #18, a total of ***BEGIN VERIZON PROPRIETARY *****
15 ******* END VERIZON PROPRIETARY*** of labor for field installation
16 technicians when in fact no Field Installation work is necessary. For the "2 Wire
17 Hotcut Initial," the existing loop will be reused. Any Field Installation cost is
18 sheer fantasy.

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[12] Telcordia Technologies Special Report, SR-2275, Issue 4, October 2000, Section 12.13.2.1 Whole Loop Unbundling Configurations.

1 **B. VERIZON'S INAPPROPRIATE INCLUSION OF RECURRING**
2 **COSTS IN ITS PROPOSED NON-RECURRING CHARGES**
3 **ERECTS SIGNIFICANT BARRIERS TO ENTRY.**

4 **Q. HOW SHOULD THE COMMISSION DETERMINE WHICH FORWARD-**
5 **LOOKING COSTS SHOULD BE RECOVERED IN NON-RECURRING**
6 **PRICES RATHER THAN THOSE THAT SHOULD BE RECOVERED IN**
7 **RECURRING PRICES?**

8 A. As Ms. Murray explained in her direct testimony,[13] the key distinguishing
9 characteristic between the costs that should be recovered in recurring charges and
10 those that can be—but do not have to be—recovered in non-recurring charges is
11 whether the cost, once incurred, is for facilities that can be reused to provide
12 service to a subsequent customer without change. If so, Verizon should recover
13 the cost through recurring charges, not non-recurring charges. This test excludes
14 any capital costs from non-recurring charges, because all capital items could be
15 used to supply service to another customer, and excludes as well all of the labor
16 costs of installing that plant, for the same reason. Once plant has been installed to
17 serve one customer, another customer at the same customer premises could reuse
18 that plant at no additional cost for that plant.

19 This leaves the costs of performing the transaction as the costs that can be
20 recovered in non-recurring charges for unbundled network elements. These are
21 the costs of actually performing the tasks of preordering, ordering and
22 provisioning.

Q. IS THERE ANY OTHER GUIDE THAT THE COMMISSION CAN USE TO DETERMINE THE RECURRING VS. NON-RECURRING NATURE OF THE COSTS INCLUDED IN VERIZON'S NON-RECURRING COST STUDIES?

A. Yes. The Commission can distinguish between "temporary" changes to the network that Verizon implements for the sole use of the requesting CLEC and "permanent" changes to the network that Verizon keeps in place to benefit future users, including its own retail operations. The process of interconnection is a temporary condition that is bound by the life of the service or UNE. The activities used to produce this interconnection, such as the "temporary" connections at interconnection points within the network, are the one-time non-recurring costs. This "temporary" vs. "permanent" distinction provides a good rule of thumb for determining the proper cost causer. To comport with cost causation principles, a non-recurring cost study must exclude all costs of constructing and maintaining the elements of the forward-looking network, which are recurring costs, and capture only the cost of temporary connections to the CLEC (*i.e.*, the transaction costs).

Q. DO VERIZON'S NON-RECURRING COST STUDIES REFLECT THE RECOVERY OF CAPITAL COSTS ON A NON-RECURRING BASIS?

A. Yes. Our review of Verizon's non-recurring studies reveals that Verizon has included capital equipment costs in some of its non-recurring costs. For example,

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[13] Murray Direct at 28-31.

1 a substantial portion of Verizon's proposed non-recurring "Add Electronics
2 (Repeater)" charge consists of the capital cost for the repeater (ISDN loop
3 extension equipment) itself.[14]

4 Furthermore, it is clear that Verizon has included in its non-recurring cost
5 study many costs that are usually capitalized, such as the labor cost to install plant
6 that is reusable, which we discuss in the next answer.

7 **Q. DO VERIZON'S NON-RECURRING COST STUDIES REFLECT THE**
8 **RECOVERY OF COSTS FOR FACILITIES THAT ARE REUSABLE?**

9 A. Yes. The reusability test that Ms. Murray advocated in her direct testimony
10 excludes from non-recurring costs the cost of the labor used to install facilities
11 that can be reused to provide service to a subsequent customer, because once the
12 plant has been installed to serve one customer, another customer at the premises
13 could reuse that plant at no additional cost for that plant. Verizon should have
14 included (and perhaps did include) these field-work costs in its recurring cost

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[14] Verizon's Cost Panel acknowledges that the electronics are investments, but contends that their costs should nonetheless be recovered through a non-recurring charge. Verizon Cost Panel Direct at 163. Verizon's cost panel claims that its proposed recovery of ISDN extension equipment investment through a non-recurring charge "addresses the fact that there is likely to be considerable customer churn in the market for advanced data services" and therefore the possibility that this churn would lead to "under-recovery of these costs." This argument has any merit. Apart from the fact that the cost of investment in copper extension electronics has no place in a forward-looking cost study at all, Verizon's proposed charge of $1,758.58 would effectively close off all competition for ISDN over longer loops entirely.

1 study.[15] However, Verizon has included in its non-recurring cost studies the labor
2 costs to install plant that is reusable.
3 For example, Verizon has included the labor costs to place a cross-connect
4 at the service area interface in its non-recurring loop costs. The connection
5 remains in place when a service disconnects; Verizon can reuse that connection.
6 Another example is the labor cost included in Verizon's proposed non-
7 recurring charge for loop conditioning. The facilities that become available as the
8 result of DSL loop conditioning are not returned to their prior state once the
9 competitor ceases their use. They become available to Verizon for assignment to
10 another competitor or to its own (or its affiliate's) retail customers.[16]

11 **Q. IS THE CROSS CONNECT AT THE SERVICE AREA INTERFACE A**
12 **TEMPORARY CONNECTION?**
13
14 **A.** No. The cross-wire that are placed at the service area interface (or Field
15 Distribution Interface (FDI) between the feeder and the distribution cables
16 supports the management of network. They are "left-in-place" when services
17 disconnect, to support new incoming request. In addition, these FDI cross-wires
18 are placed and rearranged during plant construction, the cost of which would be
19 reflected through the EF&I expenses of the recurring rates. In addition these cross-

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[15] The recurring cost analysis presented by Mr. Pitkin captures capital costs and the labor costs to install them.

[16] As we explain later in this testimony, Verizon has also inappropriately included costs directly related to operation and upkeep of its network, such as repair or maintenance of its outside plant, in its non-recurring cost studies.

1 wires may be rearranged as the result of customer reported troubles, and the cost
2 of which is reflected as maintenance expense, and thus classified as a recurring
3 cost. This is a clear indication that the non-recurring rates should not include any
4 activates that are necessary for this cross-wire placement.

5 **Q. SHOULD THE COMMISSION ALLOW VERIZON TO RECOVER**
6 **CAPITAL AND OTHER RELATED COSTS THROUGH NON-**
7 **RECURRING CHARGES?**

8 A. Absolutely not. As Ms. Murray explained in her direct testimony, allowing
9 Verizon to recover capital and other related costs in non-recurring charges would
10 increase the barrier to entry that non-recurring charges inherently create.
11 Transforming these costs into non-recurring charges also would lessen the
12 likelihood that a new entrant could fully recover these costs from its end users.

13 **Q. VERIZON HAS ELIMINATED CERTAIN ALLEGEDLY NON-**
14 **RECURRING EXPENSES FROM EXPENSES USED TO DEVELOP**
15 **FACTORS FOR ITS RECURRING COST STUDY. DOES THIS**
16 **APPROACH ENSURE THAT ALL OF THE COSTS INCLUDED IN**
17 **VERIZON'S NON-RECURRING COST STUDY ARE PROPERLY**
18 **CATEGORIZED AS NON-RECURRING COSTS?**

19 A. No. We understand that Verizon has identified and removed from its expense
20 factor calculations for its recurring cost studies certain expenses associated with
21 the plant accounts that it claims represent non-recurring costs (using certain
22 revenues from non-recurring charges as a proxy for these non-recurring costs). In
23 theory, the activities performed by Verizon's technicians who booked expenses to
24 these accounts were the traditional one-time expenses associated with a
25 customer's service order request that Verizon claims are now non-recurring.

1 Verizon seems to believe that by removing these costs from its recurring cost
2 studies, it has transformed the costs into non-recurring costs. Verizon is incorrect.
3 The activities necessary to produce the elements that Verizon intends to lease to
4 competitors are in fact recurring cost activities. These activities support Verizon's
5 network in the long run; therefore, Verizon must recover the cost of these
6 activities in recurring rates to comply with this Commission's rate design mandate
7 and with the principle of cost causation.

8 **C. FIELD INSTALLATION COSTS ARE MORE APPROPRIATELY**
9 **RECOVERED THROUGH RECURRING CHARGES.**

10 **Q. PLEASE DESCRIBE AND IDENTIFY THE PROBLEMS ASSOCIATED**
11 **WITH THE FIELD INSTALLATION WORK GROUP.**

12 A. The Field Installation costs Verizon included in its NRCM are a good example of
13 how Verizon has included recurring costs in its non-recurring charges. We have
14 identified the following problems with the activities indicated in Verizon's
15 NRCM regarding the Field Installation work group:

16 • The Verizon Field Installation activities are necessary to produce
17 the loop element. As such, their cost is properly recovered as
18 recurring cost activities.[17]
19

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[17] *Local Competition Order* at ¶ 675, "The incremental cost of connecting a new residence to its end office, however, is the cost of the loop." *Id.* at ¶ 682, "We conclude that, under a TELRIC methodology, incumbent LECs' prices for interconnection and unbundled network elements shall recover the forward-looking costs *directly attributable to the specified element*, as well as a reasonable allocation of forward-looking common costs" and "The forward-looking costs directly attributable to local loops, for example, shall include not only the cost of the installed copper wire and telephone poles but also the
(continued)

- The work effort completed by Field Installation will not be undone when the UNEs are disconnected, but will continue to benefit Verizon's network.[18]

- Verizon improperly requires existing customers who are on IDLC facilities to be moved onto UDLC or copper facilities for CLEC migration requests.
- The modeling conventions representing the activities associated with Field Installation technician are not consistent.

- Field Installation activities are not properly reflected in the field installation rate design.

- Verizon's NRCM includes Field Installation tasks that are not required on every request, and are not consistent with the way Field Installation technicians are dispatched for retail services.

Q. DO YOU HAVE AN EXAMPLE THAT DEMONSTRATES THESE FLAWS?

A. Yes. AT&T/WCOM NRCM-5, page 4, is a process workflow diagram that displays the Field Installation activities that Verizon claims are necessary if it must dispatch a technician on a "Two Wire New Initial" UNE loop request. This workflow diagram demonstrates that the tasks incorporated in Verizon's claimed non-recurring cost study will benefit Verizon when it reuses the network once the CLEC has paid for the construction thereof.

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cost of payroll and other back office operations relating to the line technicians, in addition to other attributable costs."

[18] Unlike for loop elements, Field Installation is required on the Sub-Loop elements, because the technician must connect the CLEC's equipment to the ILEC's sub-loop. Nonetheless, Verizon has not modeled these tasks correctly, which we discuss below.

As this process flow diagram shows, the Field Installation technician begins the process by retrieving the order with Task #1. Then, Verizon applies a travel additive to move the technician to the job site with Task #2. At some point, the Field Installation technician must analyze the order to determine to what work locations are necessary to complete the loop element. We have mapped out three possible locations: the FDI or cross-box, the drop wire terminal location, and the NID or Premises location.

Task #4 is another travel additive (on top of task #2), which applies an additional 16.36 minutes to locate the terminal or cross-box near the end user. This amount of additional time seems unreasonable, because the technician usually spots the cross-box as he or she approaches the customer's location. This amount of time seems to reflect the worst-case scenario, possibly reflecting when the technician was walking. If you consider the technician driving at 25 MPH, this time would equate to almost 8 miles of driving, and that is well beyond any average CSA boundaries. Once again, Verizon's model is unreasonable.

Once this additional travel is applied, Verizon claims it will need an additional 20.76 minutes to "Verify that TC dial tone is present on assigned facility." This activity is nothing more than opening up the FDI or Terminal, placing alligator clips from a telephone headset on the assigned facilities and verifying that the CLEC's dial tone is present. Even if one assumes that this task also includes some site set-up time, it should take no more than 10-12 minutes. This would be sufficient time even if Verizon's technicians needed to raise a

1 ladder or hoist themselves in a bucket truck. Again, Verizon's model includes
2 unreasonable, "worst-case" task times that conflict with Mr. Walsh's own
3 observations of real-world fieldwork.

4 Once the terminal is opened and dial tone verified, Verizon's non-
5 recurring cost study assumes that the technician will require another 21.81
6 minutes time to place a cross-wire 3-5 feet in length between the feeder and
7 distribution cable pairs. This is a truly absurd estimate for a task that is normally
8 completed in less than two minutes by a technician using a punch-down tool.

9 There may be a situation where the assignment is defective and the
10 technician places a call directly to the MLAC (Field Installation Task 6) and not
11 the RCCC as Verizon would have you believe. The MLAC receives the call and
12 works with the technician to effect a change in assignment. When Mr. Walsh
13 managed the MLAC Field Assistance position at NYNEX, his technicians did *not*
14 spend on average 49.90 minutes per call. Again, Verizon is modeling not an
15 efficient process, but a worst-case scenario. The average MLAC time that Mr.
16 Walsh recalls for a Cross-Box Field Assistance call is closer to 10-15 minutes,
17 including hold time. Usually, the technician knows ahead of time what facilities
18 he/she wants to use. The Field Assistance technicians Mr. Walsh managed
19 averaged between 20-30 calls a day. Based on the task times in Verizon's cost
20 study, the same technicians would have been only able to handle 7-8 calls a day.
21 At that pace, the Field Assistance work force that Mr. Walsh managed would have
22 to have been increased by a factor of 4.

1 Moreover, a pair swap away from defective plant should be considered a
2 recurring maintenance cost of Verizon's outside plant. The CLEC did not cause
3 the plant to become defective. The tasks necessary to produce the UNE element
4 now includes a correction to Verizon's OSS to reflect actual plant conditions.
5 This too is an ongoing recurring cost.[19]
6 Continuing with this assignment error, Verizon claims for task #7 that the
7 Field Installation technicians will spend another 43.32 minutes contacting the CO
8 Frame and/or the RCCC to accomplish the change of assignment. Given that
9 Verizon's own task time for CO FRAME task #18 is only 23.43 minutes, the time
10 reflected for Task #7 must mean that, in addition to calling the CO, the Field
11 Installation technician also contacts the RCCC for assistance. This makes no
12 sense. If Verizon's task times are not merely the artifacts of an erroneous survey
13 technique, then the task times incorporated in Verizon's NRCM likely include
14 "wait time," *i.e.*, non-productive "hanging around doing nothing" time, which is
15 neither efficient nor forward-looking.
16 Moreover, the assignment change reflects the re-arrangement of plant, a
17 recurring maintenance cost. While these Field Installation activities may be
18 necessary to ensure that Verizon is delivering the requested UNE, they are not

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[19] Verizon must agree because its model is devoid of any MLAC activity reflecting this change of assignment.

appropriately classified as non-recurring costs. We therefore recommend that the Commission eliminate the field installation rate element from Verizon's non-recurring charges for unbundled loop elements.

In addition, the Commission should require Verizon to remove all costs for the Field Installation administrative support provided by the RCCC before making any use of Verizon's non-recurring cost studies. These activities and their cost do not belong in a non-recurring cost study. If a CLEC requires the assistance of the Field Installation workforce to perform activities on the customer side of the NID, the appropriate recovery may be arranged through time & material charges.

Q. ARE THERE TYPES OF RECURRING COSTS THAT VERIZON HAS INCLUDED IN ITS NON-RECURRING STUDIES?

A. Yes. Verizon has also inappropriately included costs directly related to operation and upkeep of its network, such as repair or maintenance of its outside plant and updating of its databases, in its non-recurring cost studies.

For example, Verizon has included interaction with the MLAC group in the Field Installation's work activity (Task #6), although there is no matching activity indicated for the MLAC. Based on Mr. Walsh's experience as a MLAC manager, the MLAC workgroup does work with Field Installation technicians to correct service order assignments. The work, however, is directly related with the

updating of the OSS databases to reflect actual conditions of the plant. When the systems recognize the assigned facilities are no longer available, the system automatically updates the service request with new assignments. Because this is an ongoing cost to provide the elements, it should be categorized as a *recurring cost,* which may be the reason Verizon has not included it its NRCM. Having identified this *real world* MLAC activity as a recurring cost, then the associated activity performed in the field, by the Field Installation technicians and the administrative support organizations (such as the RCCC), would also be an ongoing cost to provide the element, and should not be reflected in the presentation of non-recurring cost.

D. VERIZON'S NON-RECURRING COSTS FOR SERVICE ORDERING INCLUDE EXCESSIVE LEVELS OF FALLOUT THAT DO NOT REFLECT EFFICIENT, FORWARD-LOOKING OSS AND IMPROPERLY INCLUDE COSTS THAT CLECS DO NOT CAUSE.

Q. HAS VERIZON CORRECTLY MODELED THE USE OF ITS OSS FOR PROCESSING UNE SERVICE ORDERS?

A. No. A forward-looking cost study should reflect the greatest feasible electronic exchange of information between companies. Verizon's non-recurring cost studies fail to do so, in several ways.

First, Verizon assumes too high a level of manual intervention in the service ordering process. A TELRIC study must recognize that CLECs will interact with Verizon electronically when placing UNE orders. In an efficient network, orders for UNEs flow through the OSS (preordering, ordering,

provisioning, repair, maintenance and billing) with little or no manual intervention. Essentially, once the customer and desired services have been accurately identified and transmitted into the system, the integrated software and databases of the OSS perform the remaining functions necessary to align and activate the necessary elements.

Verizon has needlessly introduced manual steps where automated processes are readily available, more efficient, and less costly.

Q. ARE THE LEVELS OF SERVICE ORDERING FALLOUT THAT VERIZON HAS IDENTIFIED APPROPRIATE FOR A FORWARD-LOOKING COST MODEL?

A. No. Verizon has not made it easy for reviewers of its cost studies to determine precisely how much fallout Verizon has assumed or to assess the "cost causer" for that fallout;[20] nonetheless, it is evident that the levels of manual intervention incorporated in Verizon's non-recurring cost studies are excessive and that Verizon has included in its non-recurring costs the cost to resolve fallout that CLECs do not cause.

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[20] There are two problems with analyzing the levels of manual intervention in Verizon's cost studies. First, the TISOC work activity task descriptions provided in Verizon's NRCM are insufficient to enable the identification of the cost causer. Second, the overall level of fallout and its causes are not obvious.

Q. HOW SHOULD THE FALLOUT LEVEL IN A FORWARD-LOOKING COST STUDY OF "SERVICE ORDERING" FOR UNES BE DETERMINED?

A. The determination of forward-looking fallout should proceed from the assumption, with which Verizon apparently agrees, that CLECs will communicate their orders to Verizon in an electronic format. Given this assumption, the appropriate level of fallout can be determined via an analysis of the activities performed by the TISOC workgroup based on the capabilities of OSS, its software, and the reason for the manual work. AT&T/WCOM NRCM-5, page-6, presents a process workflow diagram developed by Mr. Walsh that aids in this analysis.

Electronic order processing does not necessarily eliminate all manual intervention. But the cost of manual intervention should only be included in a non-recurring cost study for UNE ordering if either (1) even a forward-looking OSS designed to process orders efficiently would require manual intervention in that particular circumstance or (2) a CLEC error or request causes Verizon to incur costs for manual intervention when, absent that CLEC error or request, Verizon could have processed the order without such intervention. Therefore, as the process flow diagram shows, one must ask "Are there conditions that prevent the electronic order creation, and if so, are these conditions the result of CLEC- or Verizon-caused errors?" The answer to this question helps to establish cost causation.

In theory, limitations in the OSS that recognize error-processing conditions may prevent the order from being automatically established. If these error-processing conditions were not errors in content or format, but limitations of the software to process the information automatically, a non-recurring cost might be appropriate. However, Verizon has not identified the level of fallout from this condition. In any case, forward-looking OSS capability for processing UNE orders should be at parity with similar retail operations; given this parity assumption, no fallout for this condition would occur.

Errors could also result from the CLEC supplying incorrect data, thus necessitating return of the service order to the CLEC for resolution. This can either take place electronically or manually based on the limitations of the OSS. If the ILEC has to perform manual identification and return of the errors, then a non-recurring cost might apply. The cost causer for this type of condition would be the CLEC. Here too, Verizon has not identified this level of fallout. However, forward-looking OSS should be able to recognize the CLEC-caused errors and automatically return those errors back to the CLEC for correction. Again, this assumption is based on parity with similar retail processing.

If the error processing condition was the result of Verizon's incorrectly stored information, then obviously Verizon is the cost causer. In this case, a non-recurring cost to the CLEC would not be appropriate. Again, the level of fallout for this condition is not obvious in Verizon's presentation of non-recurring cost.

The net result from this overall analysis would have been a flow-through rate for each UNE representing the ILEC's opinion of the amount of order processing that could be completed by the OSS automatically, and the level of manual processing required to address only those situations when *CLEC-caused* fallout occurred and needed manual resolution that would appropriately be reflected as a non-recurring cost.

Q. WHAT LEVEL OF FALLOUT DOES VERIZON'S NRCM MODEL ASSUME FOR SERVICE ORDERING COSTS?

A. AT&T/WCOM NRCM-5, page 5, is a process workflow diagram based upon the TISOC work activity tasks presented in the Verizon NRCM. As this diagram illustrates, Verizon's claimed non-recurring cost is not based on the cost causation principle, but rather on the type of *service order* that Verizon receives. Moreover, Verizon's task descriptions do not reflect an appropriate forward-looking workflow.

Verizon's non-recurring cost studies generally identify an overall fallout rate of 66% (52% from requests for new accounts, 5% from changes to existing accounts, and 9% from changes on pending orders). Verizon's forward-looking adjustments reduce this rate to 38.9% (66% times 59%). This representation of claimed non-recurring cost casts serious doubts on what it represents or whether it is based on valid assumptions.

What is obvious from the workflow diagram is that Verizon has modeled *all manual intervention costs, regardless of the cost causer*. This is a violation of

fundamental cost-causation principles and results in an overstatement of the costs attributable to CLEC orders.

Q. PLEASE PROVIDE EXAMPLES OF INAPPROPRIATE FALLOUT RATES AND MANUAL INTERVENTION INCLUDED IN THE VERIZON NON-RECURRING COST STUDIES.

A. While Verizon has identified the types of fallout encountered by the TISOC workgroup, such fallout is inconsistent with the task descriptions provided. Verizon claims that it should be able to recover from CLECs all of the time necessary for the TISOC workgroup to receive the request, print and resolve the error, and then type it manually into Verizon's OSS.[21] As we described above, these types of error conditions should result simply in the action necessary to return the order to the originator, *i.e.*, the CLEC, for correction. The TISOC workgroup does not correct the errors, but needs only to return the order with the appropriate error condition routed back to the CLEC.

The OSS that detected the error in the first place should be automatically programmed to re-direct the order back to the CLEC. Examples of errors in this category included:

1. An invalid LSR field has been populated.

2. An LSR field contains invalid data.

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[21] Verizon's NRCM TISOC Task # 1, Receive Local Service Request (LSR) from the CLEC and print, review, type and confirm the order request for new installation and/or account.

3. The address populated on the LSR does not match the address in "LiveWire."

4. A required field has not been populated.

5. The FEATURE Field contains invalid data.

6. A required form has not been submitted.

7. A supplemental service order has been sent on an LSR when the service order has already been completed.

8. The LOOP is not qualified as requested (*e.g.*, loop length too long, loaded facilities, no copper facilities available, spectrum incompatibility issues).[22]

9. The retail service or line cannot be migrated (*e.g.*, BOSS/CRISS account is not live).

10. A problem with the telephone number provided (*e.g.*, incorrect Area Code, incorrect Wire Center, no account found, no match to end-user name, no match to end user address, status is non-working, status is disconnected).

11. Due date is in jeopardy due to facilities (*e.g.*, facility problems, no spare facilities, no copper facilities available).[23]

12. Duplicate Purchase Order Number (*i.e.*, a new PON has been received and the identical work being requested on the new PON is pending or completed by another PON).

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[22] Here, Verizon is attempting to recover costs associated with its embedded network architecture. As we explain below, even the marginally "forward-looking" network architecture assumed in Verizon's recurring cost studies reflects a network that is capable of provisioning DSL-based services without any loop "conditioning." Hence, it is inconsistent with TELRIC principles for Verizon to impose non-recurring charges for discovering and then notifying a competitor that a supposedly DSL-capable loop is actually not capable of providing DSL-based services without loop "conditioning."

[23] This is an error condition detected by the MLAC Assignment OSS (LFACS). The TISOC doesn't detect this type of error. It results from no available inventory.

13. A pending order exists on the same account in which the LSR is requesting activity.

In all of these examples provided, Verizon would have to have returned service order to the CLEC for resolution. Therefore, the task descriptions are an inaccurate reflection of the work required. Forward-looking non-recurring costs should reflect only those instances for which the ILEC can demonstrate the limitations of the OSS to process the request automatically, and conditions when the CLEC was the reason for the Request for Manual Assistance ("RMA"). In addition, when the data on the request is incorrect, the party responsible for the resolution is the CLEC; therefore, orders must be returned to the CLEC for resolution.

As we discuss below in greater detail, Verizon NRCM only reflects this Service Ordering manual intervention on the "initial" element being ordered. If there were conditions in which multiple elements were ordered under a single request, and thus cause the TISOC manual intervention to occur, then the non-recurring costs would be overstated.

Verizon's approach to modeling costs in the other cost categories (Provisioning, CO wiring, and Field Installation) differs from the modeling approach it assumed for service ordering. For these other cost categories, Verizon singles out the costs associated with just the UNE ordered. In theory, Verizon can assess a non-recurring costs based on the number of elements being ordered. To eliminate the over-statement of costs directly related to service

ordering of multiple elements, Verizon should have taken the same approach for service ordering costs.

E. THE "COORDINATION" ACTIVITIES OF THE RCCC WORLDGROUP DEMONSTRATE THE INEFFICIENCY OF VERIZON'S USE OF MANUAL LABOR INSTEAD OF MECHANIZED PROCESSES.

Q. PLEASE COMMENT ON THE APPROPRIATENESS OF VERIZON'S ASSUMPTIONS CONCERNING THE INVOLVEMENT OF THE RCCC WORKGROUP.

A. One of the major flaws in Verizon's non-recurring cost studies is the inclusion of excessive times for the RCCC workgroup. The degree to which the RCC involvement exceeds any rational or efficient use of that workgroup is evident in the same example discussed in our previous response—the non-recurring cost for a CLEC's request for a Two Wire New Initial UNE Loop with no field dispatch. The first six RCCC tasks represented in Verizon's non-recurring cost study for this element are reflected in another process flow diagram (AT&T/WCOM NRCM-5, page 2).

The workflow begins with RCCC task #1, which accounts for the time to access a system to begin the coordination process. This task supposedly occurs 100% of the time. That is, Verizon allegedly examines every CLEC request to begin manual intervention—even simple requests involving reuse of existing facilities with no dispatch is required.

In the retail model, the OSS takes care of the coordination. The OSS identifies work to be done, and assigns technicians to that work *automatically*.

But Verizon has chosen to disregard the ability of its OSS, and reflects a manual, inefficient costly process. Verizon does attempt to make this manual process forward-looking by applying a forward-looking adjustment that reduces the time stated by 80%.

The RCCC Task #2 is another example of how Verizon has included costs that are not applicable to situations when a CLEC places a service order for a single UNE. In Massachusetts testimony, Verizon described RCCC task 2 as follows:

> For example, RCCC Activity 2 in the Verizon MA model represents the time needed *to compare the due date and time for a new order with similar information for existing orders* so that the orders can be appropriately prioritized, and every order meets the due date requested by the CLEC.[24]

This testimony demonstrates that Verizon assumes each service order will include requests for multiple UNEs.

Verizon's non-recurring cost model has one worksheet reflecting the non-recurring cost for the "Initial" element ordered and another worksheet representing the "additional" element(s) ordered. Yet, Verizon has incorrectly reflected this cost for work associated with multiple UNE requests on the "initial" request worksheet.

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[24] Commonwealth of Massachusetts Department of Telecommunications and Energy D.T.E. 01-20, Testimony of Carlo Michael Peduto II and Bruce F. Meacham, on behalf of Verizon New England, Inc. D/B/A Verizon Massachusetts, July 18, 2001, (emphasis added).

1 Task #2 also suggests that "some other work activity" will have to be done
2 once the order becomes analyzed. Verizon does not specifically state what the
3 screener does with this information; however, task #14 appears to be the outcome
4 once task #2 is completed. Because it does not specifically identify the screener,
5 like the other tasks do, the workflow diagrams leave this task unattached.
6 Task #3 suggests there is some roadblock that the screener eliminates, yet
7 Verizon never identifies the specific roadblock explains why it exists. This task
8 definition is too vague for parties to conduct a proper evaluation, much less
9 identify the cost causer.
10 Task #4 again suggests work associated with related orders. As we have
11 previously pointed out, such costs are only appropriate when multiple elements or
12 multiple orders are related.
13 What Verizon hasn't stated is what happens when related orders are
14 encountered. Does the screener perform some other task? As this example has
15 just demonstrated, the work activities performed by the RCCC screener are highly
16 ambiguous as to when they would be encountered when a CLEC orders a single
17 "initial" 2 Wire UNE, and reflect cost for work that is unnecessary for this
18 condition.
19 The process workflow diagram continues with AT&T/WCOM NRCM-5,
20 page 3, and the picture becomes even clearer as to the additional non-recurring
21 cost that is applied to every CLEC's request even though Field Installation
22 dispatch may not be necessary.

The focus of Verizon's RCCC involvement centers on the catchall RCCC Task #10 "[r]emove any facility roadblocks or problems." Verizon has described the purpose of the RCCC as follows: "It serves as the central organization for coordinating the provisioning activities of various Verizon groups" and [the] "Verizon point of contact with CLECs for obtaining all needed assistance." As the process flow demonstrates, the points of contacts addressed by task #10 are the CLEC, Field Installation or the CO Frame. However, Verizon neglects to classify the cost causer and to identify what is necessary to remove those facility roadblocks or problems, making meaningful cost analysis impossible.

The workflow diagram includes a decision point to help clarify what activities Verizon might assume. The first decision centers on an apparent defective assignment condition in the CO Frame's work tasks. A defective assignment means the technicians cannot continue working on the request until a change occurs; thus, it is a roadblock. The defect may be caused by either CLEC errors or Verizon errors. When the CLEC has supplied incorrect data, the request must be referred back to the CLEC to obtain a correction. The process AT&T/WorldCom chose to model for this situation was an electronic message entered into the OSS by the person who discovered the service order was in error (*i.e.*, CO Frame technician), which is the most efficient way of doing business. However, because Verizon has not "decoded" task 10, we have included additional steps in the workflow diagram to help explain what is necessary.

1 An example of a CLEC-caused error may be when the CLEC's original
2 request had been for facilities reflecting the reuse of a CLEC's CFA. When the
3 CO Frame technician discovered the error, instead of electronically notifying the
4 CLEC, he or she in turn contacts the RCCC, conveys his/her findings, and has the
5 RCCC contact the CLEC to inform the CLEC that Verizon cannot complete the
6 request as ordered. This is not the most efficient way of doing business, but it
7 does appear to be what Verizon has modeled. The RCCC conveys to the CLEC
8 the conditions for not completing the request, and the CLEC must issue a
9 corrected request. Thus, the entire process begins again.
10 When the CLEC issues the correction, the appropriate facilities will be re-
11 assigned. As the correction order passes through the OSS, the OSS will undo the
12 previous assignments, make the appropriate changes, and automatically notify
13 only those workgroups involved. Under this scenario, the cost causer is the
14 CLEC, and a non-recurring cost is appropriate.
15 Another source of an assignment defect may be when the facilities
16 assigned have become unusable, as in the case of when the plant becomes
17 defective. Sometimes when the plant sits idle for long periods, defects will go
18 unnoticed until a service order uses the facilities. This is a Verizon network
19 defect. The CLEC did not cause the plant to become defective; thus, the work to
20 correct the condition should be reflected as a recurring maintenance cost of
21 Verizon's network.

1 The most efficient way to resolve this condition is to have Verizon's
2 technicians who discovered the defective plant contact the MLAC directly to
3 effect the change in assignment, using the jeopardy process. Therefore, this
4 RCCC task is unnecessary. As we discussed in the previous scenario, once the
5 changes are entered into the OSS by the MLAC, the OSS will undo the previous
6 assignments and make the appropriate changes, notifying only those workgroups
7 involved. Again, this happens automatically, yet Verizon insists that it is more
8 effective to manually contact the various workgroups and inform them to check
9 the OSS because there is now a change in the system. Verizon's approach is
10 purely unnecessary.
11 This "change of assignment for defective reasons" is a recurring cost
12 activity because changing the OSS databases to reflect the defective plant
13 condition is an ongoing network cost that should be included in the network
14 maintenance expenses. As with the Field Installation technician's time to fix
15 defects, so would any administrative support person's time be a recurring cost.[25]
16 A CLEC should never be assessed a non-recurring charge when Verizon's plant is
17 not functional. The CLEC's service order did not cause the plant to become

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[25] Id. at ¶ 682 ("The forward-looking costs directly attributable to local loops, for example, shall include not only the cost of the installed copper wire and telephone poles but also the cost of payroll and other back office operations relating to the line technicians, in addition to other attributable costs.")

1 defective; Verizon simply first discovered the defective plant in the course of
2 fulfilling the service request.
3 Keep in mind that the example at issue is a re-use of outside plant
4 situation, in which Verizon must dispatch a technician to fix or change the
5 defected assignment because its plant was defective. In Verizon's view, the
6 CLEC will now be responsible for a field Installation non-recurring cost, further
7 aggravating the improper cost assignment.
8 Verizon claims the RCCC is there to assist CLECs in assuring services are
9 delivered when ordered. This may be true, and the CLEC would contact Verizon
10 to say the services the CLEC ordered do not work. The possibility of this activity
11 is again reflected by work task #10. The condition may not be caused by a
12 defective assignment, but instead be caused when the CO FRAME has not
13 completed its assigned workload. In other words, the CO FRAME activity for the
14 CLEC's order is not complete. Here, as Verizon claims, the RCCC "serves as the
15 central organization for coordinating the provisioning activities of various
16 Verizon groups and as Verizon point of contact with CLECs for obtaining all
17 needed assistance." But, under this scenario, Verizon is attempting to impose
18 non-recurring charges to recover the cost for the RCCC to tell another workgroup
19 that it missed the due-date or due-time reflecting the work it was supposed to do.
20 Again, this is neither an efficient process, nor an activity that is attributable to the
21 CLEC. The CLEC did not cause Verizon to miss the appointment or scheduled
22 due-date.