

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

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)

- 1 • The work effort completed by Field Installation will not be undone
2 when the UNEs are disconnected, but will continue to benefit
3 Verizon's network.¹⁸
4
5 • Verizon improperly requires existing customers who are on IDLC
6 facilities to be moved onto UDLC or copper facilities for CLEC
7 migration requests.
8 • The modeling conventions representing the activities associated
9 with Field Installation technician are not consistent.
10
11 • Field Installation activities are not properly reflected in the field
12 installation rate design.
13
14 • Verizon's NRCM includes Field Installation tasks that are not
15 required on every request, and are not consistent with the way Field
16 Installation technicians are dispatched for retail services.
17

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

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

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.

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

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

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

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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

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

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

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

11
12 **Q. ARE THERE TYPES OF RECURRING COSTS THAT VERIZON HAS**
13 **INCLUDED IN ITS NON-RECURRING STUDIES?**

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

17
18 For example, Verizon has included interaction with the MLAC group in
19 the Field Installation's work activity (Task #6), although there is no matching
20 activity indicated for the MLAC. Based on Mr. Walsh's experience as a MLAC
21 manager, the MLAC workgroup does work with Field Installation technicians to
22 correct service order assignments. The work, however, is directly related with the

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

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

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

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

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

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

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

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

11 A. No. Verizon has not made it easy for reviewers of its cost studies to determine
12 precisely how much fallout Verizon has assumed or to assess the “cost causer” for
13 that fallout;²⁰ nonetheless, it is evident that the levels of manual intervention
14 incorporated in Verizon’s non-recurring cost studies are excessive and that
15 Verizon has included in its non-recurring costs the cost to resolve fallout that
16 CLECs do not cause.

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.

1 **Q. HOW SHOULD THE FALLOUT LEVEL IN A FORWARD-LOOKING**
2 **COST STUDY OF “SERVICE ORDERING” FOR UNES BE**
3 **DETERMINED?**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 18 1. An invalid LSR field has been populated.
19
20 2. An LSR field contains invalid data.
21

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.

- 1 3. The address populated on the LSR does not match the address in
2 "LiveWire."
- 3
- 4 4. A required field has not been populated.
- 5
- 6 5. The FEATURE Field contains invalid data.
- 7
- 8 6. A required form has not been submitted.
- 9 7. A supplemental service order has been sent on an LSR when the
10 service order has already been completed.
- 11
- 12 8. The LOOP is not qualified as requested (*e.g.*, loop length too long,
13 loaded facilities, no copper facilities available, spectrum
14 incompatibility issues).²²
- 15
- 16 9. The retail service or line cannot be migrated (*e.g.*, BOSS/CRISS
17 account is not live).
- 18
- 19 10. A problem with the telephone number provided (*e.g.*, incorrect
20 Area Code, incorrect Wire Center, no account found, no match to
21 end-user name, no match to end user address, status is non-
22 working, status is disconnected).
- 23
- 24 11. Due date is in jeopardy due to facilities (*e.g.*, facility problems, no
25 spare facilities, no copper facilities available).²³
- 26
- 27 12. Duplicate Purchase Order Number (*i.e.*, a new PON has been
28 received and the identical work being requested on the new PON is
29 pending or completed by another PON).
- 30

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.

1 13. A pending order exists on the same account in which the LSR is
2 requesting activity.
3

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

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

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

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

3 **E. THE “COORDINATION” ACTIVITIES OF THE RCCC**
4 **WORLDGROUP DEMONSTRATE THE INEFFICIENCY OF**
5 **VERIZON’S USE OF MANUAL LABOR INSTEAD OF**
6 **MECHANIZED PROCESSES.**

7 **Q. PLEASE COMMENT ON THE APPROPRIATENESS OF VERIZON’S**
8 **ASSUMPTIONS CONCERNING THE INVOLVEMENT OF THE RCCC**
9 **WORKGROUP.**

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

18 The workflow begins with RCCC task #1, which accounts for the time to
19 access a system to begin the coordination process. This task supposedly occurs
20 100% of the time. That is, Verizon allegedly examines every CLEC request to
21 begin manual intervention—even simple requests involving reuse of existing
22 facilities with no dispatch is required.

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

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

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

9 For example, RCCC Activity 2 in the Verizon MA model represents the
10 time needed *to compare the due date and time for a new order with*
11 *similar information for existing orders* so that the orders can be
12 appropriately prioritized, and every order meets the due date requested by
13 the CLEC.²⁴
14

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

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

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.

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

10 The workflow diagram includes a decision point to help clarify what
11 activities Verizon might assume. The first decision centers on an apparent
12 defective assignment condition in the CO Frame’s work tasks. A defective
13 assignment means the technicians cannot continue working on the request until a
14 change occurs; thus, it is a roadblock. The defect may be caused by either CLEC
15 errors or Verizon errors. When the CLEC has supplied incorrect data, the request
16 must be referred back to the CLEC to obtain a correction. The process
17 AT&T/WorldCom chose to model for this situation was an electronic message
18 entered into the OSS by the person who discovered the service order was in error
19 (*i.e.*, CO Frame technician), which is the most efficient way of doing business.
20 However, because Verizon has not “decoded” task 10, we have included
21 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

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.

1 At the beginning of this example, we explained how Verizon’s model
2 includes work tasks and non-recurring cost that will not be performed if Verizon
3 doesn’t dispatch a field installation technician. It is with the remaining RCCC
4 tasks displayed on process flow diagram that you can clearly see the involvement
5 of the Field Installation technician.

6 RCCC task #35 directly relates to the Field Installation technician’s being
7 unable to gain access to an end user’s premises and/or demarcation point to access
8 the NID (which is reflected by Field Installation Task #3). Here, Verizon assumes
9 a non-recurring cost of *****VERIZON PROPRIETARY *******. **END**
10 **VERIZON PROPRIETARY*****

11 RCCC task #11 reflects another situation where checks are made on
12 Verizon’s work forces to see if work has been completed. The OSS checked is
13 the WFA/DO, which is used by the Field Installation technicians. Verizon is
14 assessing another RCCC non-recurring cost of *****VERIZON PROPRIETARY**
15 ******* ***** END VERIZON PROPRIETARY***** for work that would not
16 be performed if Verizon reused existing facilities.

17 RCCC task #17 is required to update Verizon’s OSS *only after* the Field
18 Installation technician reports the testing results or DEMARC (NID) information.
19 Here too is another *****VERIZON PROPRIETARY ***** ***** END**
20 **VERIZON PROPRIETARY***** of non-recurring cost for work that not be
21 performed in a reuse facilities situation.

1 As this extended example shows, the RCCC's role in the UNE
2 provisioning process is, or at least should be, largely superfluous. The
3 Commission should eliminate Verizon's RCCC task times before making any use
4 of the Verizon non-recurring cost studies.

5 The coordination efforts attributed to the RCCC prove only that Verizon
6 can transform what should be a seamless process into a highly manual process
7 incurring outlandish non-recurring costs. The tasks of the RCCC seem to mimic
8 the inherent capabilities of OSS, or reflect responsibilities of management,
9 ensuring that technicians do as they are instructed to do as requested by the
10 service order produced by the OSS. These tasks would be redundant and
11 unnecessary tasks in the efficient end-to-end process flow, which should be the
12 basis for setting non-recurring costs.

13 For those reasons, we recommend RCCC costs not be recovered as non-
14 recurring costs.

15 **F. VERIZON'S NON-RECURRING COSTS IN THE PROVISIONING**
16 **STAGE ALSO INCLUDE EXCESSIVE COSTS FOR MANUAL**
17 **INTERVENTION THAT DO NOT REFLECT FORWARD-**
18 **LOOKING ASSUMPTIONS AND IMPROPERLY ATTRIBUTE**
19 **COSTS TO CLECS.**

20 **Q. WHEN SHOULD FALLOUT OCCUR IN THE PROVISIONING**
21 **PROCESS?**

22 A. The provisioning process includes the assignment of network inventory and the
23 fulfillment of the service order request. It is the inherent function and design of
24 the OSS to perform this task. The OSS has a set of specific rules to assign the

1 appropriate facilities (*i.e.*, network inventory) to the request and in all cases
2 electronic provisioning is the preferred method.²⁶ During Mr. Walsh's tenure at
3 NYNEX, this methodology was conveyed to management and craft technicians
4 over and over again, because the OSS is programmed to pick *the most appropriate*
5 *facilities at the least cost*; humans tend to make different, most costly choices,
6 which means that manual facility assignment ultimately increases the ILEC's cost
7 of provisioning facilities.

8 Non-recurring fallout in the provisioning process should be minimal and
9 should occur only when the CLEC has supplied incorrect information. If the
10 CLEC-supplied information (data) is not correct, the order needs to be returned to
11 the CLEC for correction. The process reflected by Verizon's NRCM does not
12 demonstrate that this is happening.

13 The CLEC should be assessed a manual non-recurring charge only if
14 Verizon can demonstrate that the manual process is needed each and every time a
15 particular condition is encountered and exactly why Verizon is unable to process
16 the request automatically. Verizon has made no such demonstration. Instead,
17 Verizon assumes all fallout is related to the CLEC's service order, and thus the
18 cause for manual work, for which the CLEC should compensate Verizon. As we
19 stated previously, this approach in modeling non-recurring cost does not meet the

²⁶ Verizon's NRCM reflects manual assignment.

1 requirements of their definition of non-recurring costs, nor the requirements of a
2 TELRIC methodology.

3 **Q. HAS VERIZON CORRECTLY MODELED THE FORWARD-LOOKING**
4 **COST OF FACILITIES ASSIGNMENTS?**

5 A. No. There are two workgroups responsible for the assignment of network
6 inventory (provisioning): the MLAC for POTS-type elements (*i.e.*, exchange
7 loops and ports) and the CPC for complex or interoffice special circuits.
8 Verizon's NRCM reveals some disturbing particulars about each workgroup and
9 the work Verizon improperly claims is necessary due to service order fallout.

10 The Assignment function is an inherent function in the OSS processing,
11 representing the network inventory, and the work required. This automatic
12 function is the preferred method of operation, because the assignment section is
13 an array of complex information that triggers other downstream systems as to the
14 work content that needs to be provided and the OSS is better equipped to perform
15 this function than Verizon employees.

16 The MLAC workgroup has only one task identified in Verizon's NRCM;
17 "Assign outside plant and central office facilities for non-flow through service
18 orders." This task suggests a manual process that contradicts the preferred
19 method of operation, and reflects an inefficient and inappropriate use of the
20 MLAC work force.

21 Verizon has neither identified nor supplied evidence that warrants a
22 conclusion that this manual processing is required. Instead, Verizon claims that

1 the fallout percentage is *a reflection of fallout studies* (reports) indicating present
2 experience and that this is enough to warrant the recovery of cost.²⁷ This
3 approach violates the principle of cost causation, and does not address the issue of
4 why the fallout exists. Moreover, any fallout associated with database or system
5 maintenance should properly be recovered in the recurring rates.

6 Mr. Walsh was directly involved in fallout studies at NYNEX. The goal
7 to reduce corporate overhead, and deliver the assigned orders as efficiently as
8 possible, by enhancing the OSS, correcting mismatched databases, maintaining
9 the links between the systems, or by instructing the technical workforce on the
10 proper methods necessary to meet that goal. The mere fact that the corporation
11 has a fallout report is not a basis for recovering the cost of that fallout through a
12 non-recurring charge imposed on competitors. In order for fallout to be
13 appropriately assessed to the CLEC, Verizon must demonstrate that the resolution
14 of the fallout will only benefit the CLEC. If the fallout resolution is a correction
15 of the databases, a cost that is normally reflected in OSS recurring maintenance
16 expense and should not be assessed to the CLEC as a non-recurring charge.

17 There are two major concerns with the only task identified for the MLAC.
18 First, the MLAC task itself is ambiguous as to the cause of the fallout. Second,
19 the application of MLAC fallout within the NRCM is exactly the same for every

²⁷ Verizon Cost Panel Direct at 315.

1 UNE. This does not reflect actual conditions one would expect to occur and calls
2 into question the validity of the claimed cost for every UNE. As an example,
3 Verizon has assumed the same MLAC manual intervention involvement on the
4 “Two Wire Analog-Digital Conversion UNE-P.” This service order reflects a
5 condition where the network inventory is already established and there is no
6 plausible chance of a 4% fallout.²⁸ Verizon’s presentation of non-recurring cost
7 again fails to identify actual reasons for this MLAC manual assignment. In the
8 absence of evidence that all such manual intervention was due to CLEC-caused
9 errors, such as incorrect data that could only be fixed by a *correction service*
10 *order*,²⁹ there is no basis to recover all this expense in non-recurring charges.

11 For these reasons, we recommend that this Commission reduce the
12 percentage of fallout for the MLAC to 2% based on the limited fallout directly
13 related to the CLEC supplying incorrect information, for which the CLEC is
14 responsible.

²⁸ UNE-P conversion order would not affect the inventory in the ILEC’s OSS. In some respects, the processing is akin to billing changes only. Verizon supports this assumption by not reflecting a CO wiring cost for the UNE-P Conversion element. Therefore, it is unlikely that orders would fallout to the MLAC and need manual assignment of cable and pairs.

²⁹ When the order is corrected because of a CLEC error, it will begin a new provisioning process.

1 **Q. HAS VERIZON ASSUMED MANUAL INTERVENTION FOR OTHER**
2 **WORKGROUPS?**

3 A Yes. Verizon's flawed methodology becomes even more alarming when you
4 examine the provisioning³⁰ tasks for the CPC, RCMAC and RCCC workgroups.
5 Here again, the Verizon NRCM suggests that manual assignment and processing
6 is necessary. Presumably, this would be the result of service order fallout or the
7 inability of the OSS to make the appropriate network assignments. Verizon has
8 claimed the fallout rate for some complex services to be as high as 100%,
9 indicating that no orders will be able to flow through. This is an unreasonable
10 assumption.

11 The fallout percentages identified by the Verizon fail to recognize the
12 inherent capabilities of OSS or the similar services Verizon processes efficiently
13 for itself or retail customers. Therefore, we recommend that the level of fallout be
14 reduced to the level set forth in the AT&T NRCM, which reflects the inherent
15 capabilities of automatic assignment of the OSS.

16 For the CPC-Message workgroup, the Verizon NRCM reflects manual
17 assignment with fallout rates as high as 100% for processing CLEC orders today.
18 Verizon's forward-looking adjustment reflected absolutely no difference (still
19 100% occurrence). For the same reasons we have just identified, we recommend

³⁰ Verizon's NRCM accumulates labor cost for CPC & RCMAC workgroups, among others, under the rate element called "Provisioning."

1 the reduction of this fallout to reflect the existing capabilities of automatic
2 assignment and circuit design processing by the OSS.

3 While Mr. Walsh was at Bellcore and responsible for OSS integration
4 testing, he had many test cases that demonstrated this OSS flow-through
5 functionality. These test cases represented many services that are similar to the
6 elements Verizon offering to CLECs today. Assuming unnecessary manual
7 functions is not cost-effective, nor is it forward-looking. The tasks indicated in
8 the Verizon NRCM for the CPC work groups do not reflect verifiable fallout data
9 that points to the CLEC as the cost causer, or the software programs functionality
10 that warrant a manual assignment.

11 The provisioning process that we have described thus far has an ongoing
12 opportunity for mechanization and the reduction of repetitive manual tasks that
13 allows corporations to reduce delivery cycles, and improve bottom line. Verizon
14 should be well aware of the capabilities inherent within the OSS.

15 **Q. WHAT ARE YOUR CONCERNS REGARDING VERIZON'S CLAIMED**
16 **NON-RECURRING COSTS FOR THE RCMAC WORKGROUP?**

17 **A.** The RCMAC workgroup ensures that switch translations are correctly transmitted
18 to the various local digital switches to affect the services Verizon provides. Here,
19 the opportunity for mechanization of manual tasks with the installation of OSS
20 also exists. The MARCH system is largely responsible for the format and
21 validation of the necessary instructions to activate, change, or terminate a service
22 within the switch. Information on the service request is received, formatted and

1 transmitted to the various LDSs by the OSS. Fallout occurs because of data error
2 conditions that are rejected by the switch, or when the OSS recognizes the
3 necessity for manual intervention. Here too, the fallout should conform to the
4 same characteristics we have identified throughout this testimony.

5 Verizon has also failed to identify the level of fallout specific to various
6 elements, as one would expect to find in an efficient end-to-end process
7 workflow. The manual activities Verizon has associated with the RCMAC
8 workgroup fall largely into the category of coordination directed by another group,
9 the RCCC, and/or the fixing of service related problems that are not caused by the
10 CLEC request but are caused by incorrectly transmitting the wrong instructions,
11 which does not constitute a valid basis for imposing a non-recurring cost on
12 CLECs. Verizon has failed to identify the cause and to justify the levels of fallout
13 claimed in its non-recurring cost studies.

14 **Q. IF VERIZON IS EXPERIENCING THIS LEVEL OF MANUAL**
15 **INTERVENTION TODAY IN PROCESSING CLEC SERVICE**
16 **REQUESTS, WHY SHOULDN'T IT ASSUME THE SAME LEVEL OF**
17 **MANUAL INTERVENTION IN ITS NON-RECURRING COST MODEL?**

18 **A.** There is no real-world basis for Verizon to assume all of this manual intervention.
19 Verizon has not credibly demonstrated that the CLEC is the cost causer. CLECs
20 are sophisticated telecommunications carriers that have every commercial interest
21 in presenting service order information to Verizon electronically, on a schedule, in
22 a format and with accuracy sufficient to achieve the highest possible level of flow-
23 through. The mere fact that the Verizon NRCM developers created a manual

1 process is not a valid reason to impose such costs on the provisioning of UNEs. A
2 forward-looking cost study must represent processes that are efficient, and
3 embrace forward-looking methodologies for interconnection.

4 As an example, the TISOC workgroup task #1³¹ for a new initial two-wire
5 loop has a Connect Typical Occurrence of 52%, which indicates a 52% fallout
6 rate. However, the forward-looking adjustment is set to 59%. When these
7 percentages are multiplied together, the result is a 30.68% fallout rate. Or, simply
8 put, in Verizon's model, almost three out of every ten orders (for a two-wire loop)
9 will have errors on them which Verizon claims that it will elect to correct and
10 process manually without returning the orders back to the CLEC for correction.

11 Verizon's assumed fallout is excessive, and its failure to return orders to
12 the CLEC for correction will produce a perpetual string of similar, fallout-causing
13 errors. If the CLEC made a mistake, the CLEC needs to know the error to correct
14 its own databases and procedures. If Verizon were returning 30% of the orders to
15 the CLEC for correction, then the CLEC would take action to eliminate the
16 inefficiency on its side and reduce its internal costs. Like Verizon, CLECs have
17 every interest in delivering services to their customers in the most cost-effective
18 manner. CLECs should not be forced to pay for Verizon's inefficiencies through
19 inflated non-recurring charges.

³¹ TISOC Task #1: "Receive Local Service Request (LSR) from the CLEC and print, review, type and confirm the order requests for new installation and/or account."

1 **Q. IS THERE ANY KIND OF JEOPARDY PROCESS REFLECTED IN THE**
2 **VERIZON NRCM?**

3 A. No. What is evident in Verizon's non-recurring cost studies is that Verizon
4 technicians are manually contacting other departments (possibly by phone) and
5 referring problems to the RCCC. It appears that once this happens, the RCCC
6 contacts yet another department to have the problem fixed. Such tasks as the
7 RCCC "contact CPC to resolve design problems" are an example of unnecessary
8 work activities. It is extremely unlikely that the RCCC technician would know
9 that a design problem existed on the order, because that training is presumed to
10 exist for the CPC. Therefore, the cost study does not reflect the most accurate or
11 efficient method of error resolution.

12 **G. VERIZON'S PROPOSAL TO CHARGE FOR ADDITIONAL**
13 **MANUAL PROCESSING WHEN A COMPETITOR ORDERS**
14 **MULTIPLE ELEMENTS ON A SINGLE SERVICE ORDER IS**
15 **NOT FORWARD-LOOKING.**

16 **Q. HOW DOES VERIZON PROPOSE TO RECOVER THE NON-**
17 **RECURRING COSTS FOR MULTIPLE ELEMENTS ORDERED IN A**
18 **SINGLE REQUEST?**

19 A. Verizon's non-recurring cost studies do not show any additional labor cost for the
20 service ordering process of additional elements ordered on a single request.
21 Verizon has asserted in other cost cases that its OSS must detect requests for more
22 than a specific number of facilities so that Verizon can alert various departments
23 of the pending request, and contends that its non-recurring costs appropriately

1 reflect the frequency and time of that activity.³² The non-recurring cost study
2 format and content that Verizon is presenting in this arbitration is virtually
3 identical to the presentation it made in other state proceedings. Therefore, we
4 believe that Verizon continues to include the costs for the activity it claims to be
5 necessary when processing a single service order with requests for multiple
6 elements. Verizon apparently proposes to recover all such costs in the charge for
7 the initial request.

8 **Q. DOES THE VERIZON PROPOSAL PROPERLY RECOVER THE**
9 **FORWARD-LOOKING COST ATTRIBUTABLE TO PROCESSING A**
10 **SINGLE SERVICE ORDER THAT REQUESTS MULTIPLE ELEMENTS?**

11 A. No. Even if one assumes that Verizon has correctly identified a forward-looking
12 cost attributable to processing a single order requesting multiple elements,
13 Verizon should not recover this cost entirely through a non-recurring charge for
14 the initial request. That approach would improperly force any CLEC that places
15 an order for one element to pay for the resolution of fallout that might occur as the
16 result of multiple elements being ordered in a single request. This rate design

³² Rebuttal Testimony of Bruce Meacham, New Jersey BPU Docket No. TO00060356, at 6, which states “A service order for five or more new POTS loops requires manual intervention. To process such an order, Verizon NJ’s TISOC representatives must request a field facility check to verify that there are enough facilities at that particular location. Verizon NJ performs this same check for retail orders. AT&T incorrectly assumes that this work is unnecessary.” Clearly, this is an indication that the TISOC manual activity was necessary when multiple elements were ordered under a single request. To book the activity against the initial element being ordered is the wrong approach to modeling costs. If a CLEC only orders one element it would be paying more than its fair share.

1 issue is, however, largely an academic concern because the cost that Verizon
2 seeks to recover is not a forward-looking cost at all and should not be included in
3 any manner in the prices that Verizon is permitted to charge its competitors for
4 unbundled network elements.

5 **Q. PLEASE EXPLAIN WHY THE COST IN QUESTION IS NOT A**
6 **FORWARD-LOOKING COST.**

7 A. Assume that the CLEC orders five loops on one service order. Verizon contends
8 that the TISOC work group must forward this request manually so that Verizon
9 can perform field checks to ensure that it has sufficient facilities to meet the
10 request. The underlying premise that Verizon might not have sufficient facilities
11 could never be true for a network constructed to meet the TELRIC requirement of
12 having enough facilities to meet all current and reasonably foreseeable demand
13 (*i.e.*, to supply total demand). Both AT&T/WorldCom and Verizon have
14 proposed recurring charges for unbundled loops that include in the price of each
15 working loop the cost of enough spare capacity to ensure that facilities will always
16 be available. (Indeed, as the AT&T/WorldCom Recurring Cost Panel shows in
17 their concurrently filed reply testimony, Verizon's proposed recurring charges for
18 unbundled loops include in the price of each working loop the cost of *far more*
19 spare capacity than is necessary to ensure facilities are available in spite of
20 customer churn and/or growth.) Therefore, the portion of Verizon's proposed
21 non-recurring charge that is designed to recover the supposed cost of ensuring that
22 a request can be fulfilled represents a recovery of costs that simply would not exist