

Verizon VA Non-Recurring Cost Panel Surrebuttal Testimony

1 **B. Verizon VA's xDSL Loop Conditioning and Loop Qualification Costs are**
2 **Appropriate.**

3
4 ***I. Loop Conditioning***

5
6 **Q. Please summarize this section of the testimony.**

7 A. This section of the testimony responds to AT&T/WorldCom's criticisms of Verizon
8 VA's proposed xDSL related costs.^{86/} AT&T/WorldCom's claims should be rejected for
9 the following reasons:

- 10 • AT&T/WorldCom fail to recognize that the Commission has already ruled that
11 Verizon VA may recover loop conditioning costs, regardless of current
12 engineering standards. Verizon VA removes load coils and bridge taps at the
13 request of the CLEC, so that the CLEC may provide xDSL services to end users.
14 The Act plainly requires that Verizon VA be entitled to recover the costs of
15 performing this work *on behalf of the CLEC*. Permitting Verizon VA to recover
16 these costs from the CLECs is entirely consistent with forward-looking costing
17 principles.
- 18 • Verizon VA's estimates of the work steps and time required to condition a loop
19 are reasonable and supported by the record. AT&T/WorldCom, in stark contrast,
20 ignore much of the steps and time required to condition a loop, and
21 inappropriately assume that Verizon VA will remove load coils and bridge taps on
22 multiple loops at a time. Verizon's time estimates are the only credible evidence
23 of the true forward-looking time it will require to condition a loop.

24

^{86/} These xDSL-related costs include costs associated with: loop conditioning, engineering work order, mechanized loop qualification database, manual loop qualification, engineering query and ISDN electronics.

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1 Q. AT&T/WorldCom contend that Verizon VA should not be permitted to recover the
2 costs of conditioning loops because a forward-looking network would not include
3 load coils or bridged taps. [AT&T/WorldCom NRC Rebuttal Panel at 144.] Are
4 they correct?

5 A. No. As we explained previously, the Commission has repeatedly ruled that ILECs are
6 entitled to recover loop conditioning costs, even where load coil placement would not be
7 called for under current standards.

8
9 For example, in the *Local Competition Order* the Commission held:

10 Our definition of loops will in some instances require the
11 incumbent LEC to take affirmative steps to condition existing loop
12 facilities to enable requesting carriers to provide services not
13 currently provided over such facilities. . . . Some modification of
14 incumbent LEC facilities, such as loop conditioning, is
15 encompassed within the duty imposed by section 251(c)(3). *The*
16 *requesting carrier would, however, bear the cost of compensating*
17 *the incumbent LEC for such conditioning.*^{87/}

18

^{87/} *Local Competition Order* at 15692 ¶ 382 (footnotes omitted) (emphasis added). *See also* Third Report and Order, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, 14 FCC Rcd 20912, 20954 ¶ 87 (1999) (“[W]e conclude that incumbent LECs should be able to charge for conditioning loops when competitors request the high frequency portion of the loop.”); Third Report and Order and Fourth Further Notice of Proposed Rulemaking, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, 15 FCC Rcd 3696, 3784 ¶¶ 192-93 (1999) (“We agree that networks built today normally should not require voice-transmission enhancing devices on loops of 18,000 feet or shorter. Nevertheless, the devices are sometimes present on such loops, and the incumbent LEC may incur costs in removing them. *Thus, under our rules, the incumbent should be able to charge for conditioning such loops.*”) (emphasis added); Reply Brief for Petitioners United States and the Federal Communications Commission at 10 n.7, *Verizon Communications, Inc. v. FCC* (U.S. filed July 2001) (No. 00-511) (noting that the Commission’s “express . . . directions” make clear that ILECs are not required to condition loops for advanced services “for free.”). *See generally* VZ-VA Panel Direct at 138-139; VZ-VA NRC Panel Rebuttal at 60-61.

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1 **Q. Will the forward-looking network continue to contain copper?**

2 A. Yes. The forward-looking network will continue to contain copper plant, and current
3 loop design guidelines permit the continued presence of bridged taps in copper loops,
4 even in redesigned or newly constructed plant. For example, industry practice permits
5 the placement of an end-section bridged tap, which exists when a cable complement is
6 spliced into a particular terminal and then extends to other terminals on the same street or
7 to the end of the street.

8
9 **Q. Do the Carrier Service Area (CSA) guidelines cited by AT&T/WorldCom support
10 their assertion that bridge taps and load coils are inconsistent with forward-looking
11 design principles? [AT&T/WorldCom NRC Rebuttal Panel at 144 n.154.]**

12 A. No. The CSA guidelines do not support AT&T/WorldCom's position. These guidelines
13 are not applied until a "trigger" occurs (*e.g.*, need for additional feeder, extensive
14 maintenance expenses, etc.) that necessitates and economically supports performing the
15 work necessary to convert the plant to the CSA standards. These guidelines have always
16 allowed for the gradual transition of the network as it is expanded, rebuilt and replaced to
17 meet higher transmission standards; they have never contemplated the immediate
18 elimination of bridged taps and load coils.

19
20 Notably, the CSA standards even allow for the presence of bridged tap, stating
21 that loop length beyond the remote terminal should consist of no more than 9000 feet of
22 26-gauge cable or 12,000 feet of mixed gauge, with no more than 2500 feet of bridged
23 tap and no single bridged tap exceeding 2000 feet. We also note that Verizon VA does

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1 not intend to charge CLECs for removal of load coils on loops under 18,000 feet or
2 bridged taps over 6,000 total feet.

3
4 **Q. Please comment on the state commission decisions cited by AT&T/WorldCom**
5 **regarding loop conditioning costs. [AT&T/WorldCom NRC Rebuttal Panel at 145-**
6 **47.]**

7 A. Decisions by other commissions rejecting loop conditioning charges, cited by
8 AT&T/WorldCom, are not applicable here. For example, the Massachusetts DTE
9 disallowed Verizon Massachusetts Inc.'s attempt to introduce a copper network
10 assumption as the basis for its xDSL loop conditioning study because it had previously
11 based non-recurring costs on an all-fiber network. Verizon VA, however, has never
12 assumed an all-fiber network for its recurring or non-recurring costs. In any event, the
13 Massachusetts decision plainly violates the Commission's rulings permitting ILECs to
14 recover loop conditioning costs.

15
16 The Maryland PSC denied recovery for load coil removal because it believed the
17 Commission's rulings were "only relevant to states that have assumed copper feeder for
18 purposes of calculating forward looking costs."^{88/} (Some conditioning, such as bridged
19 tap removal, may still occur, even in a fiber loop construct.) Notably, however, the
20 Maryland PSC *adopted* Verizon Maryland's rates for loop conditioning "with respect to

^{88/} Order No. 76852, at 34-35, *Arbitration of Rhythms Links, Inc. and Covad Communications Co. v. Bell Atlantic-Maryland*, Case No. 8842 (Md. Pub. Serv. Comm'n Apr. 3, 2001). The Utah PSC, on the other hand, wholly failed even to recognize this Commission's rulings. See Report and Order, *Investigation Into Collocation and Expanded Interconnection*, Dkt. No. 94-999-01 (Utah Pub. Serv. Comm'n June 2, 1999).

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1 bridged taps 2,500 feet or less, irrespective of loop length, that a CLEC has requested
2 Verizon to remove in order to facilitate line sharing.^{89/} In other words, the PSC at least
3 recognized that loop conditioning costs are recoverable under some circumstances in a
4 forward-looking network.

5
6 **Q. Have other state commissions approved loop conditioning charges?**

7 A. Yes. Commissions in New York, Pennsylvania, Illinois, Maine, Washington, Minnesota
8 and Missouri have approved the imposition of loop conditioning costs.^{90/}

9

^{89/} Order No. 76852, at 36.

^{90/} Opinion and Order Concerning DSL Charges, *Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements*, Case 98-C-1357, at 41, *reprinted at* 1999 NY PUC LEXIS 759, at *65-*66 (N.Y. Pub. Serv. Comm'n Dec. 17, 1999); Recommended Decision on Module 3 Issues, *Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements*, Case No. 98-C-1357, at 162 (N.Y. State Pub. Serv. Comm'n May 16, 2001); Interim Opinion and Order, *Further Pricing of Verizon Pennsylvania Inc.'s Unbundled Network Elements*, Docket Nos. R-00005261, *et al.*, at 29 (Pa. Pub. Util. Comm'n June 8, 2001); Order, *Illinois Commerce Commission on its Own Motion v. Illinois Bell Telephone Co. Investigation of Construction Charges*, Docket No. 99-0593, 2000 Ill. PUC Lexis 654, at *157 (Ill. Commerce Comm'n 2000)); Order (Part 1 Issues E3 & E7) (Final Order for all Other Issues), *Mid-Maine Telplus Request for Arbitration*, Docket Nos. 98-593 & 98-806, at 27 (Me. Pub. Util. Comm'n Mar. 25, 1999); 17th Supplemental Order, Interim Order Determining Prices; Notice of Pre-hearing Conference, Docket Nos. UT-960370 & UT-960371, at 132 (Wash. Utils. and Transp. Comm'n Sept. 23, 1999); *Consolidated Petitions of AT&T Communications of the Midwest, Inc. et al.*, Docket. Nos. P-442, 421, *et. al.*, 1997 Minn. PUC LEXIS 49, *115 (Minn. Pub. Util. Comm'n Mar. 17, 1997); Arbitration Order, *Petition of Dieca Communications Inc.*, Case No. TO-2000-322, 2000 Mo. PUC LEXIS 260, *17 (Mo. Pub. Serv. Comm'n Mar. 23, 2000). *See generally* Verizon VA NRC Rebuttal at 61-62.

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1 Q. Mr. Riolo claims that Verizon VA should remove load coils on 25 loops at a time
2 and should remove bridged taps from 50 lines at a time. [AT&T/WorldCom NRC
3 Rebuttal Panel at 149.] Are those assumptions realistic?

4 A. No. It is highly unlikely that there would be 25 spare pairs in a single binder group that
5 could be simply disconnected from the load coils in any particular route. Use of load
6 coils is generally restricted to loops longer than 18,000 feet; all pairs working on copper
7 back to the wire center at or beyond 18,000 feet have to be loaded for the circuits to
8 function at standards for voice grade purposes.

9
10 The geographic distribution of working customer distance from the central office
11 results in only small percentages of customers located farther than 18,000 feet from the
12 wire center. As a result of tapering at these extreme distances cable cross-section sizes
13 are substantially smaller than those closer to the office and certainly less likely to have
14 completely spare 25-pair loaded complements that could be unloaded at the same time.

15
16 Similarly, Messrs. Riolo/Donovan's simplistic assumption that large groups of
17 pairs (*e.g.*, 25-pair complements) of significant length are routinely bridged and then left
18 spare is without merit. As discussed previously, instances where bridged tap does exceed
19 a total length of 6,000 feet or even the individual 2,000 foot limit are extremely rare.
20 Where a "long" bridged tap is present, it is because the plant was constructed prior to the
21 implementation of revised resistance and CSA design. In such cases, the binder group
22 would often be split among terminals, side legs, and addresses, so that it would not be

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1 possible to cut off a complete 25-pair complement of bridged tap at a single location
2 without major rearrangement or relief work.

3
4 **Q. Are there other reasons not to condition loops in batches?**

5 A. As explained previously,^{91/} Verizon VA removes load coils and bridge taps only when a
6 *specific* xDSL-compatible loop is requested. Verizon VA rarely, if ever, receives
7 requests that would permit Verizon VA to remove load coils and bridge taps from
8 multiple lines at the same time.

9
10 Thus, the claim that Verizon should condition multiple loops on a single dispatch
11 must be based on the premise that such work should be done *even if it is not requested*.
12 This would amount to preemptive modification of the Outside Plant network to facilitate
13 data services — with no firm grip on the timing and/or location of future demand.
14 Moreover, the random removal of load coils would result in degradation of voice service
15 over the modified facilities and may indeed make them unusable. Random removal of
16 bridged taps would result in massive rearrangements of working services, causing local
17 facility shortages in one segment of the loop plant while reducing utilization of loop plant
18 in another.^{92/}

^{91/} See VZ-VA NRC Panel Rebuttal at 63-64.

^{92/} For that reason, the Connecticut Department of Public Utility Control concluded that:

efficiency would decrease, because customers using Telco service for only voice transmission would experience a decline in the quality of service offered. The Department agrees that the Telco cannot condition a loop for digital service if a customer has not requested it unless it is part of a general upgrading of service. Loop conditioning is necessary because data speeds can be substantially increased over a line without repeaters, load

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2 Therefore, Verizon VA could condition multiple loops only if: (a) multiple pairs
3 bridged at the same location were not in use; (b) multiple pairs loaded were not needed
4 for voice service; or (c) some combination of the above. Such a scenario, however,
5 would be the rare exception, not the rule.
6

7 **Q. AT&T/WorldCom have provided their own estimates of the time required for loop**
8 **conditioning. Are these work times reliable?**

9 A. No. These work times are based on the unsubstantiated opinions of only *two* individuals
10 (Messrs. Riolo and Donovan).^{93/} Indeed, AT&T/WorldCom have conceded that their

coils, and bridge taps. The Department would accept the data CLECs' proposal if it can be guaranteed that multiple loop conditioning would be conducted only on those lines that did not serve any voice communications. In the opinion of the Department, no such guarantee can be made. Therefore, as the data CLECs are the Telco's customers in this instance, the onus is on them to identify the appropriate loops that should be conditioned.

Decision, *DPUC Review of SNET's Studies of UNE Non-recurring Charges*, Dkt. No. 00-03-19, 2000 Conn. PUC LEXIS 187, at *60 (Conn. Dep't Pub. Util. Control June 29, 2000).

^{93/} Although AT&T/WorldCom have submitted these proposed work times as an attachment to their panel rebuttal testimony, entitled "Detailed Critique and Restatement of Verizon's 'Conditioning' and Engineering Work Order Tasks and Task Times," this attachment appears to be more in the nature of additional testimony proffered by Mr. Riolo and Mr. John Donovan, who, as we discuss below, is not even a witness in this proceeding. The attachment also constitutes a late-filed cost study.

AT&T/WorldCom refer to the attachment at Attachment A in the NRC Rebuttal Panel at 150-51, but the document itself is labeled Attachment 1. We refer to it herein at Attachment 1.

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1 work times are based exclusively on “the expert opinion of Messrs. Riolo and
2 Donovan.”^{94/}

3
4 AT&T/WorldCom’s claim that its work times are more reliable than Verizon
5 VA’s work times is simply not credible. Verizon VA’s work time estimates are based
6 upon a survey of experienced personnel — those who actually do the work — who were
7 asked to report on the time that it takes to perform certain tasks. Verizon VA discusses
8 its work time surveys in more detail above.

9
10 In short, AT&T/WorldCom’s contention that Verizon VA’s frontline employees
11 had an incentive to overstate work times on the surveys is baseless and disingenuous,
12 given that AT&T/WorldCom’s own evidence is based solely on work times provided by
13 two consultants who regularly testify against ILECs on behalf of AT&T/WorldCom.

14
15 **Q. What is wrong with the loop conditioning work times proposed by**
16 **AT&T/WorldCom? [AT&T/WorldCom NRC Rebuttal Panel at 150-51 &**
17 **Attachment 1.]**

18 **A.** AT&T/WorldCom grossly understate loop conditioning costs by eliminating necessary
19 work steps and underestimating the time for the work steps they chose to include. They
20 also generally fail to appreciate the conditions under which these activities are performed
21 in the real world.

22

^{94/} See AT&T/WorldCom’s Responses to VZ-VA 13-113 to -114, 13-117 to -120 (attached
hereto at Attachment F).

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1 *First*, for all conditioning activities, Messrs. Riolo and Donovan either fail to
2 include or understate the time to (1) receive orders; (2) process orders in Verizon VA's
3 databases; and (3) close out orders and send them to engineering. We discuss these times
4 below in connection with Messrs. Riolo/Donovan's critique of Verizon VA's
5 Engineering Work Order steps.

6
7 *Second*, Messrs. Riolo/Donovan understate travel time, assuming that no trip will
8 require more than a mere 10 to 20 minutes travel *in total*. For example, they fail to take
9 into account the increases in vehicular traffic and congestion that have been occurring
10 over the last decade. They also ignore the fact that Verizon VA uses commercial trucks,
11 not sedans or vans, and often faces restricted access to certain streets or highways. They
12 conveniently ignore the OSHA-mandated requirements for work area protection and the
13 time it takes to erect and disassemble such protection properly.

14
15 In addition, the technicians who perform these loop conditioning activities are
16 spread out in suburban and rural areas. In these areas, Verizon VA technicians may
17 spend 45 minutes to 1 hour traveling from the garage — which is often located at a site
18 some distance from the serving wire center — to the job site. In addition, the demand for
19 xDSL services is and will continue to be sporadic and scattered, which will increase
20 travel time as technicians travel from one location to another.

21
22 *Third*, for underground work, Messrs. Riolo/Donovan allot just 20 minutes to set
23 up the work area — including the OSHA-mandated work area protection — and pump,

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1 purge and ventilate the manhole to facilitate underground bridged tap removal —
2 activities which can take significantly more than 20 minutes, as Verizon VA's surveys
3 demonstrate. Messrs. Riolo/Donovan do not demonstrate that their times include or
4 account for numerous work area protection setup activities, such as placing a warning
5 flasher and flags in addition to cones; surveying the site, traffic flow, and other conditions
6 to determine proper set-up; notifying customers, in some cases (for instance, when the
7 work will take place on the customer's property); and repositioning the vehicle if
8 necessary.

9
10 Likewise, Messrs. Riolo/Donovan do not demonstrate that they account for the
11 time required to insert a manhole rim, used to seal the edge of the manhole to prevent
12 water and debris from coming in, or to install and secure a guard rail. Finally,
13 Riolo/Donovan also do not appear to account for unpacking and setting up the necessary
14 equipment, including the blower, blower hose, electrical cords, water pump, runoff hoses,
15 and gas testing equipment.

16
17 In short, Messrs. Riolo/Donovan's suggested work times for bridged tap or load
18 coil removal and closing down the work site cannot possibly account for the critical
19 actions associated with these activities. Their work times for aerial and buried bridged
20 taps and load coils are similarly undocumented.

21

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1 **Q.** Please comment on Messrs. Riolo’s and Donovan’s criticisms of Verizon VA’s
2 **Engineering Work Order study.** [AT&T/WorldCom NRC Rebuttal Panel, Att. 1, ¶
3 **23-48.]**

4 **A.** Messrs. Riolo/Donovan’s criticisms of Verizon VA’s Engineering Work Order element^{95/}
5 are unfounded or based on an incorrect understanding of the loop conditioning process.
6 Some of the more obvious errors in their criticisms are as follows:

7
8 **Lines 21 and 22 of Verizon VA’s study:** These lines reflect the time required to
9 design the work requirements for conditioning the loop and to draw a schematic of the
10 work required (87.56 and 84.26 minutes, respectively). In the course of designing a job,
11 the engineer must first retrieve all the applicable cable plats involved in the route of the
12 cable between the Central Office and the Serving Terminal and identify all the locations
13 where load coils and/or bridge taps are present. Next, the engineer must identify the work
14 that must be done and where it will be accomplished. Then the engineer must examine
15 the status (i.e. working, spare, defective, etc.) to prevent the work being done from
16 impacting other services in the cable. Having determined the scope of the work and the
17 locations where the work must be done, the engineer sets about preparing a schematic.
18 The engineer must lay out the entire route of the cable pair(s) and indicate any changes in
19 cable counts for the coil cases and cable sheaths through each and every splice point to
20 facilitate accurate pre and final posting of the cable plats. The single task of looking to
21 determine the presence and quantity of loads on a cable pair could easily take the entire
22 half-hour that Messrs. Riolo/Donovan suggest is adequate.

^{95/} The Engineering Work Order is rate element #67 in Verizon VA’s NRCM.

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Line 23 of Verizon VA’s study: This line reflects the time required to check for and obtain necessary permits (90.31 minutes). The amount of time needed depends on where the work is performed. In order to complete a deloading or bridged tap removal, manhole opening permits, roadside construction permits or access to rights of way may need to be secured. Though Mr. Riolo claims that the need for a permit is “a rare exception,” it is unreasonable to assume that the technician always has unfettered access to every location he or she need to go to. Verizon VA may also be required to obtain customer or property owner contact numbers to place on the work permit.

Line 25 and 26 of Verizon VA’s study: These lines set forth times for the engineer to send the schematic to the Engineering Clerk and the Clerk to receive it and draft a work print (14.81 and 10.50 minutes, respectively). They also reflect the time required for two people to discuss how the work is to be prepared and the posting of the work order associated with the job. Verizon VA estimates that these tasks require approximately 15 minutes per person. (Verizon VA’s NRCM allows 14.81 and 10.5 for Lines 25 and 26, respectively.) Messrs. Riolo/Donovan, however, would dispense with this discussion entirely. Instead of presenting a factual analysis of the time involved, Messrs. Riolo/Donovan hide behind an argument that mechanization would result in the work times involved magically becoming zero.^{96/}

^{96/} This same criticism applies to AT&T/WorldCom’s challenges to lines 30 and 31 of Verizon VA’s study.

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1 **Line 33 of Verizon VA's study:** This line reflects the time required to schedule
2 work with the Construction organization (24.34 minutes). Even assuming that
3 Riolo/Donovan's premise is correct that this type of work is service-order related and
4 therefore done immediately, the construction schedule has to be revised to make room for
5 this work. This often involves negotiation between several engineers and the
6 construction crew regarding how to re-prioritize their already scheduled work. This
7 effort certainly requires some time — time omitted again by AT&T/WorldCom.

8
9 **Line 34 of Verizon VA's study:** This line reflects the time required to send
10 copies of engineering work to the Construction and Accounting organizations (20.02
11 minutes). Verizon VA's Engineering Clerks must make job face sheets and the requisite
12 number of copies for the Verizon's files. Messrs. Riolo/Donovan ignore those tasks and
13 assume that nothing more than a simple fax is required.

14
15 **Q. Please summarize your conclusions regarding AT&T/WorldCom's proposed loop**
16 **conditioning charges.**

17 **A.** AT&T/WorldCom's proposed charges are not based on reality and significantly
18 understate Verizon VA's loop conditioning costs. Verizon VA conditions a loop at the
19 CLEC's request, and is therefore entitled to recover its costs. Verizon VA's work steps
20 and time estimates are based on surveys obtained from experienced Verizon employees,
21 who routinely perform this work. Verizon VA's time estimates are plainly more reliable
22 and should be adopted.

23

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2. *Loop Qualification*

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3 **Q. Please summarize Verizon VA's proposed loop qualification charges?**

4 A. Verizon VA has proposed three separate loop "qualification" elements: (1) Mechanized
5 Loop Qualification, which permits the CLECs access to Verizon's automated loop
6 qualification database (\$0.26 per loop, per month); (2) Manual Loop Qualification, which
7 applies when a CLEC requests that Verizon manually "qualify" a loop (\$114.52 per
8 request); and (3) an Engineering Query, which permits a CLEC to obtain more specific
9 loop make-up information (\$139.42 per request).

10
11 **Q. Please summarize your conclusions regarding AT&T/WorldCom's attacks on**
12 **Verizon VA's proposed loop qualification costs.**

13 A. AT&T/WorldCom's attacks on Verizon VA's loop qualification costs should be rejected
14 for a number of reasons:

- 15 • AT&T/WorldCom essentially ask the Commission to *assume* that all of the
16 relevant loop qualification data is somehow magically in Verizon VA's databases,
17 and that Verizon VA incurs virtually no costs to provide this data.
18 AT&T/WorldCom ignore reality. Verizon VA has created a loop qualification
19 database for the benefit of all xDSL end users — including the end users served
20 by CLECs. Verizon therefore properly spreads these costs among all xDSL lines
21 — wholesale and retail.
22
23 • When a CLEC requests that Verizon VA manually review its records to provide
24 additional loop information requested by the CLEC, the CLEC should bear the
25 costs. AT&T/WorldCom's claim that the CLECs should not bear these costs
26 because this information should already be in Verizon VA's databases is not only
27 factually incorrect, it violates cost causation and forward-looking principles.

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a. Mechanized Loop Qualification Charge

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3 **Q. Please respond to AT&T/WorldCom’s contention that Verizon VA’s Mechanized**
4 **Loop Qualification charge is inappropriate because Verizon VA’s database does not**
5 **provide relevant information and “masks” underlying data. [AT&T/WorldCom**
6 **NRC Rebuttal Panel at 158.]**

7 A. AT&T/WorldCom’s claim that Verizon VA’s loop qualification methods are deficient
8 and that Verizon VA should therefore not be permitted to recover its costs is incorrect.
9 Verizon VA has met its obligations under the *UNE Remand Order* to provide loop
10 qualification information. But the Commission explicitly and unmistakably did *not*
11 require ILECs to compile such information into a database for CLECs if the ILECs have
12 not done so for themselves.

13
14 As Verizon VA explained in the VZ-VA NRC Panel Rebuttal, by providing
15 CLECs access to the information that is contained in the mechanized database, Verizon
16 VA is providing the nondiscriminatory access required by the FCC.^{27/} To the extent that
17 CLECs request more detailed loop information, Verizon VA is required to give CLECs

^{27/} See VZ-VA NRC Panel Rebuttal at 57-58. As we noted previously, the Commission has already determined that Verizon’s loop qualification process satisfies Verizon VA’s obligations under the Commission’s rules. See Memorandum Opinion and Order, *Application of Verizon New England Inc., et al., For Authorization to Provide In-Region, InterLATA Services in Massachusetts*, 16 FCC Rcd 8988, 9016-17, 9021, 9025 ¶¶ 54, 60, 68 (2001); see also Memorandum Opinion and Order, *Application of Verizon Pennsylvania Inc., et al., for Authorization To Provide In-Region, InterLATA Services in Pennsylvania*, FCC 01-269, CC Dkt. No. 01-138, at ¶ 45 (Sept. 19, 2001).

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1 whatever information Verizon VA has for itself, but is *not* required to build a new
2 database with capabilities beyond those it uses for its own purposes.^{98/}

3
4 **Q. Is AT&T/WorldCom correct that Verizon VA’s loop qualification database**
5 **“masks” underlying data?**

6 A. No. Verizon’s database provides the required loop qualification information. It is the
7 same information that is used by VADI. It clearly, without technical jargon, reports to
8 the user if a particular serving terminal is “Qualified.” If a terminal is “Not Qualified,”
9 the database responds with that stipulation and explains why it is not qualified (for
10 example, excessive loop length, DLC-only, etc.). This is all the information that is
11 needed to make an intelligent determination as to whether xDSL will operate at a
12 particular serving terminal. It does not “hide” any information from the CLECs.

13
14 **Q. Does Verizon VA’s mechanized loop qualification charge recover the costs of**
15 **developing Verizon VA’s retail database, as AT&T/WorldCom allege?**
16 **[AT&T/WorldCom NRC Rebuttal Panel at 155.]**

17 A. No. The database was originally created for Verizon VA’s retail offering, but has been,
18 and continues to be, updated for Verizon VA’s CLEC customers in response to their
19 requests for additional information. Mechanized loop qualification costs were divided by
20 total xDSL lines — VADI xDSL lines and other CLEC xDSL lines. The majority of the

^{98/} See *UNE Remand Order* at ¶ 427-29 (an ILEC must “provide requesting carriers the same underlying information that the incumbent LEC has in any of its own databases or other internal records. . . . [W]e do not require the incumbent to conduct a plant inventory and construct a database on behalf of requesting carriers.”); see also *VZ-VA NRC Panel Rebuttal* at 57.

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1 lines included in the denominator were VADI lines — causing VADI to bear the majority
2 of the costs for the database.

3
4 **Q. Is Verizon VA attempting to force new entrants to fund its efforts “to clean-up and
5 update its embedded databases?” [AT&T/WorldCom NRC Rebuttal Panel at 157.]**

6 A. No. First, it must be noted that Verizon VA does not propose any charges for the
7 development or maintenance of LFACS, and did not include those costs in its study.^{99/}
8 Thus, it is not clear why AT&T/WorldCom challenge the mechanized loop qualification
9 database charge by arguing about LFACS.

10
11 Second, with respect to Verizon’s Engineering Query charge, the step of inputting
12 the information into LFACS is appropriate and benefits all users.

13
14 **Q. AT&T/WorldCom contend that necessary loop information should be contained in
15 LFACS, and that if it is not, it is due to Verizon mistakes and failure to follow
16 proper procedure. [AT&T/WorldCom NRC Rebuttal Panel at 164.] Are they
17 correct?**

18 A. Absolutely not. AT&T/WorldCom’s contentions are based on the incorrect premise that
19 the LFACS database exists solely to serve as a repository for loop make-up information.
20 This is not true. The primary purpose of LFACS is to inventory, assign, and administer
21 loop facilities. LFACS was implemented more than 20 years ago — before xDSL was
22 ever conceived — simply to mechanize the paper assignment and inventory records that

^{99/} See VZ-VA Panel Direct at 136.

Verizon VA Non-Recurring Cost Panel Surrebuttal Testimony

1 existed at the time of its implementation. There was no requirement to build all terminal
2 loop make-ups in the database. Indeed, Verizon was advised by Bellcore that it need not
3 do so. And no prescribed schedule was established for including this information in
4 LFACS; terminal loop make-up information was entered as work was performed on
5 specific terminals. After all, loop make-up data was only required for a collection of very
6 low volume “Special Services.” There was simply no need to bear the considerable cost
7 of developing loop make-up data for every loop in every wire center and entering it into
8 LFACS. Indeed, the need for loop make-up data was clearly one of those items that —
9 like other issues discussed in this testimony — was most efficiently done manually (by
10 Engineers and Clerks in the Engineering group) at the time of provisioning. In fact,
11 Verizon continues to believe that the functionality built into its loop qualification
12 database is more than sufficient for the vast majority of xDSL services. The need for
13 loop make-up detail should be confined to very, very few cases.

14
15 **Q. AT&T/WorldCom claim that the costs to develop this database are “competition**
16 **onset costs” and should not be recovered from CLECs. [AT&T/WorldCom NRC**
17 **Rebuttal Panel at 156.] Do you agree?**

18 **A.** No. Verizon VA incurs these costs because CLECs have asked for information that
19 Verizon VA did not maintain for itself and that, in Verizon VA’s opinion, should not be
20 required for a mass-market service offering. Put simply, the CLECs — and VADI —
21 must pay for access to the information they request.

22

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1 Q. Do you agree with AT&T/WorldCom's claim that mechanized loop qualification
2 costs, if recovered at all, should be spread over all loops supplied by Verizon VA?
3 [AT&T/WorldCom NRC Rebuttal Panel at 157.]

4 A. No. Mechanized loop qualification costs should be spread over all forecasted xDSL
5 lines, including VADI's and other CLECs' lines. They should not be spread over all
6 lines in service because the loop qualification is only relevant to provisioning xDSL. As
7 discussed above, voice customers should not be asked to subsidize the costs of providing
8 xDSL services.

9
10 Q. Please respond to AT&T/WorldCom's allegation that Verizon VA's field operations
11 personnel have direct read-only access to LFACS and that CLECs should have the
12 same access. [AT&T/WorldCom NRC Rebuttal Panel at 159.]

13 A. First, Verizon VA's field operations personnel do *not* have direct access to LFACS.
14 Second, Verizon VA does provide CLECs access to the information in LFACS that the
15 CLECs have requested through the use of an interim electronic transaction. Under this
16 process, loop make-up information is "cut and pasted" into the remarks section of the
17 response the CLEC obtains to a query to the mechanized loop qualification database.

18
19 Verizon has enhanced its loop qualification process such that beginning in
20 October 2001, CLECs will have electronic access to loop make-up information (including
21 cable segment lengths and gauges, bridged tap lengths, gauges and locations, load coil
22 locations, and DLC system types) as that information currently exists in the LFACS
23 database. The loop make-up information may be acquired prior to ordering by telephone

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1 number or address. This electronic solution will parse the available loop make-up
2 information into specific fields provided in the electronic response. Announcements
3 regarding the new loop make-up transaction have been made to the CLECs through
4 Verizon's Change Control process.

5
6 AT&T/WorldCom's contention that all the CLECs need is access to the
7 information in LFACS and that they do not need information from the loop qualification
8 database or information obtained through a Manual Qualification or Engineering Query is
9 absolutely false. Verizon has repeatedly stated that LFACS will not have all the
10 information for all loops requested by the CLEC. This has been proven out by the facts.
11 Even though the CLECs may now obtain information from LFACS, as discussed above,
12 the CLECs are still using the loop qualification database much more frequently than they
13 obtain information from LFACS.

14
15 **Q. AT&T/WorldCom claim that Verizon VA has not performed line-by-line tasks that**
16 **correspond with times in its study, and that it is therefore impossible to review**
17 **Verizon's logic or whether its results are reasonable. [AT&T/WorldCom NRC**
18 **Rebuttal Panel at 160.] What is Verizon VA's response?**

19 A. Verizon VA does not understand AT&T/WorldCom's argument. Verizon VA fully
20 explained in its cost study that it utilized a batch process to populate the loop
21 qualification database. Verizon VA further explained that it simply divided the amount
22 of time taken to test a number of terminals by the number of pairs in those terminals.

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1 Having identified a per-line time, Verizon VA multiplied that time by the relevant labor
2 rate. The method could not be simpler or more transparent.

3
4 The Mechanized Loop Qualification (“MLQ”) database cost study is no mystery
5 at all. The cost that makes up the proposed rate consists of four parts: (1) Test
6 Readiness/Execution, (2) Test Analysis, (3) Database Updates, and (4) capital and
7 expense incurred for the addition of MLT ports in those central offices that were added to
8 the original xDSL deployment schedule and expansion of the MLQ database as well as
9 enhancements to the re-qualification process, reasons for lines not qualifying information,
10 and updates to the LiveWire LFACS process. For the first three parts, the study basically
11 takes an estimate of the time per line to perform a task and multiplies by the appropriate
12 labor rate to identify a monthly per line cost (Exhibit, Part B-13, Section 1, Page 8). For
13 the fourth task, monthly per line costs, associated with the capital and expense needed to
14 add test central office test ports and affect various process changes and enhancements,
15 were identified (Exhibit, Part B-13, Section 1, Page 9). The total Mechanized Loop
16 Qualification cost is simply the sum of these four components.

17
18 Moreover, it is reasonable, since testing is more efficiently performed in batches,
19 rather than line-by-line. Thus, it is not at all clear what AT&T/WorldCom contend is
20 “hidden” or “impossible” to analyze.

21

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b. Manual Loop Qualification and Engineering Query

1
2
3 **Q. AT&T/WorldCom contend that, instead of applying a charge for Manual Loop**
4 **Qualification or Engineering Query on a per line basis, CLECs should be charged**
5 **on a per query basis. [AT&T/WorldCom NRC Rebuttal Panel at 161.] How do**
6 **you respond?**

7 **A.** AT&T/WorldCom’s proposal would be impossible to implement and would leave
8 Verizon VA with little recovery of the substantial investment it has been required to
9 make. Verizon VA cannot automatically track how many times any CLEC uses the loop
10 qualification database. In fact, the CLECs themselves benefit from (and requested) such
11 unlimited access. Some CLECs may use it as a “pre-marketing” tool; others may use it
12 after they have a firm order from a potential customer and are preparing to place a
13 customer.

14
15 Finally, Verizon VA has allowed CLECs to order an extract of the entire loop
16 qualification database, thereby taking allowing CLECs to access information without
17 needing to access Verizon VA’s system. Verizon VA has no way of determining how
18 many times those CLECs access loop qualification information if they have availed
19 themselves of this option.
20

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1 **Q. How does Verizon VA respond to AT&T/WorldCom's attacks on its charges for**
2 **manual loop qualification? [AT&T/WorldCom NRC Rebuttal Panel at 162-65.]**

3 A. As we explained in our Rebuttal Testimony,^{100/} AT&T/WorldCom's argument that
4 Verizon VA should have fully mechanized its loop qualification database, and thus
5 should not be permitted to recover for manual loop qualification, is meritless.

6
7 First, contrary to AT&T/WorldCom's claim, Verizon VA will not impose the
8 manual loop qualification charge on CLECs for loops that are not included in the
9 database.^{101/} Instead, Verizon VA will manually review its records and give the CLEC
10 the same information the database would provide, but will charge the CLEC only the
11 same mechanized loop qualification database charge. Of course, this will only be
12 necessary for a miniscule number of loops. As we explained in our Direct Testimony,^{102/}
13 nearly all of the wire centers in Verizon VA's territory that have collocation
14 arrangements have been tested and entered into the database, representing more than 99%
15 of all the loops in wire centers with collocation. A CLEC seeking to prequalify a loop in
16 a wire center where that CLEC is collocated has less than a 1% chance of incurring a
17 manual loop qualification charge because the loop is not yet in the database.

18
19 Moreover, if Verizon VA sought qualification information on that loop, it too
20 would have to perform the manual loop qualification process, and would bear the cost of

^{100/} See VZ-VA NRC Panel Rebuttal at 57-58.

^{101/} See VZ Response to AT&T/WorldCom 10-104, attached hereto at Attachment B.

^{102/} See VZ-VA Panel Direct at 130.

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1 doing so itself. Therefore, Verizon VA provides the same information to CLECs that it
2 provides to itself, and in the same manner, thus complying with the Commission's
3 mandate.

4
5 **Q. AT&T/WorldCom contend that Step 17 of Verizon VA's engineering query study**
6 **should be eliminated because updating the databases with the loop make-up**
7 **information obtained has nothing to do with responding to the CLEC that ordered**
8 **the query. [AT&T/WorldCom NRC Rebuttal Panel at 166-67.] What is Verizon**
9 **VA's response?**

10 A. This step is no different than what Verizon VA would do for itself if it manually
11 reviewed loop make-up information. By updating the databases, Verizon VA ensures
12 that the information will be available if the same CLEC requests loop make-up
13 information for that loop again at a later time.

14 15 3. *ISDN Electronics*

16
17 **Q. Do you agree with AT&T/WorldCom's assertion that the costs of ISDN electronics**
18 **should be recovered on a recurring basis? [AT&T/WorldCom NRC Rebuttal Panel**
19 **at 153.]**

20 A. No. This equipment is dedicated to the CLEC. It is entirely appropriate to recover these
21 one time capital investments as non-recurring charges, just like other non-recurring costs.
22 As noted above, the Commission has held that "[t]o the extent that the equipment needed
23 for expanded interconnection service is dedicated to a particular interconnector, we

Verizon VA Non-Recurring Cost Panel Surrebuttal Testimony

1 believe that requiring the interconnector to pay the full cost of the equipment up front is
2 reasonable . . . regardless of whether the equipment might be reusable.”^{103/}

3
4 In addition, recovering these costs on a non-recurring basis is particularly
5 appropriate because there is considerable customer churn in the market away from ISDN
6 and towards ADSL-based services, as customers opt to switch to and from various
7 services within an increasingly broad array of advanced service offerings. Because
8 demand for ISDN electronics is low, Verizon VA would not be able to recover its costs
9 on a recurring basis.

10
11 Finally, CLECs can avoid this optional cost by purchasing and installing repeaters
12 themselves in their collocation cages and/or at the customers’ premises. Verizon VA
13 should not be required to recover these costs over time so the CLECs may avoid bearing
14 the expense of purchasing this equipment themselves.

15 16 **4. Clarification of Documentation**

17
18 **Q. Has Verizon made any change to its presentation that does not affect costs?**

19 A. Yes. Exhibit Part B-13, Section 1, has been revised to reflect changes to the sources of
20 data used within the analysis. The revised exhibit is attached hereto as Attachment G.
21 The original exhibit headers included both page numbers for the exhibit itself and page
22 numbers for the workpaper sections that are embedded within the exhibit. Many of the
23 source references are to workpaper pages; this may have made it difficult to follow the

^{103/} *Second Report and Order* at ¶ 33.

Verizon VA Non-Recurring Cost Panel Surrebuttal Testimony

1 flow of the study. The revised exhibit uses only the exhibit page numbers to reference
2 data contained within the exhibit. This revision results in absolutely no change to any of
3 the data values or the costs identified. To facilitate identifying the revisions, they have
4 been highlighted in blue in the electronic file (“EX PART B-13
5 VA_ADSL_UNE_Rvsd_092001.xls”) accompanying this testimony.

6

7 **Q. Does this conclude your testimony?**

8 **A. Yes.**

Declaration of Ralph Curbelo

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

Executed this 18th day of September, 2001.



Ralph Curbelo

Declaration of Carlo M. Peduto, II

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

Executed this 18th day of September, 2001.


Carlo M. Peduto, II

Declaration of Louis Minion

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

Executed this 20th day of September, 2001.

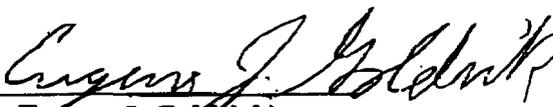


Louis Minion

Declaration of Eugene J. Goldrick

I declare under penalty of perjury that the foregoing is true and correct. Executed this

17 day of September, 2001


Eugene J. Goldrick

Declaration of John White

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

Executed this 19 day of September, 2001.



John White