VI. AT&T/WORLDCOM NCRM MAKES REASONABLE MODELING ASSUMPTIONS REGARDING CENTRAL OFFICE WIRING COSTS.

A. AT&T/WORLDCOM'S 100% DEDICATED INSIDE PLANT ("DIP") AND DEDICATED OUTSIDE PLANT ("DOP") ASSUMPTIONS ARE REASONABLE

Q. VERIZON ARGUES THAT AT&T/WORLDCOM'S DIP AND DOP ASSUMPTIONS ARE WRONG AND WOULD NECESSITATE THE ADDITION OF SIGNIFICANT LOOP AND SWITCHING EQUIPMENT SO THAT EVERY FEEDER PAIR IN THE CENTRAL OFFICE COULD BE PRE-CONNECTED TO A PIECE OF SWITCHING LINE EQUIPMENT.[45] DO YOU AGREE WITH THIS ASSESSMENT?

A. No. Verizon's extensive critique of AT&T/WorldCom's supposed application of DIP and DOP misses the point. AT&T/WorldCom relied on DIP and DOP as modeling conventions to avoid double-counting of costs already reflected in the recurring cost model. At page 45, Verizon's NRC Panel acknowledges in passing that "some feeder to distribution cross-connection work may be performed at the time facilities such as FDIs are constructed." What Verizon fails to mention is that the "some" instances covered by that admission include 100 percent of the cases included in the recurring UNE loop cost calculation. In other words, such connection costs are already included in the recurring loop cost for 100 percent of the UNE loops in a TELRIC studied. Because the recurring TELRIC costs include the entire cost of constructing a new, connected loop, competitors will be

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45 Verizon NRC Panel Rebuttal at 26.

paying for each of the necessary connections (plus a share of spare faculties) every month as part of the recurring loop price. Thus, the DIP and DOP assumptions have no effect on the sizing and utilization of central office equipment, including the size and number of switch ports.

Q. IS VERIZON'S DISCUSSION OF DIP INCORRECT FOR OTHER REASONS AS WELL?

A. Yes. The only time this assumption is applied in the AT&T/WorldCom NRCM is in the context of the resale and UNE-P elements. The reason for the assumption is that Verizon has an opportunity to reuse existing (*e.g.,* left-in-place) cross-wires to complete the CLEC provisioning request of a UNE-P. This assumption is validated by the disconnect costs associated with "Two Wire Analog-Digital Conversion UNE-P Initial" element where Verizon shows no CO wiring disconnect cost. Therefore, when a CLEC cancels this service, the main distribution frame ("MDF") cross-wires remain left in place. Thus, Verizon provides the proof that it does, in fact, have opportunities to provision new service requests without the need of cross-wire placement with no CO Frame activities.

Q. DOES VERIZON'S STUDY REFLECT THE WRONG CO FRAME WIRING ACTIVITIES FOR UNE-P?

A. Yes. AT&T/WorldCom submitted discovery requests as to the Two Wire Analog-Digital UNE-P element because on the inward activity Verizon showed the wrong CO Frame cross-wiring task. AT&T/WCOM 10-150-a asked why the Verizon non-recurring cost model reflected the wrong CO Wiring task for UNE-P

requests. CO Frame Task 11 suggests the cable pair is wired to the CLEC's equipment. This is an incorrect assumption for the UNE-P element because the ILEC's cable pair is wired to the ILEC's office equipment, which is reflected by CO Frame task #12. Verizon replied,

> Central office activity #11 and activity #12 are identical with respect to work times and costs. Verizon therefore used activity #11 as a proxy for activity #12 in this circumstance **because its survey responses did not capture a time estimate for Central Office activity #12.** (emphasis added.)

Again this leads to questions concerning the validity of Verizon's survey responses, because it is impossible to provision an UNE-P without connecting the ILEC's cable pair to the ILEC's office equipment. This response suggests that when survey respondents were queried regarding the UNE-P they replied that they did not need to place a cross-wire, because it may have existed as a DIP.

AT&T/WCOM 10-150-a-i asked Verizon to consider the correct task for the UNE-P cross-wiring activity and to provide the frequency of occurrence in which (cross-wire) jumpers would need to be placed. We asked this question because we wanted to understand the frequency in which Verizon would have an opportunity to provision a UNE-P request without the need for cross-wire placement or CO Frame non-recurring cost. Verizon responded that Verizon MD possessed no such material (this answer was later modified to reflect Verizon VA in place of Verizon MD). Again this suggests that the survey respondents did not

recognize the frequency in which cross-wires needed to be placed for UNE-P requests, thus supporting AT&T/WorldCom's claim.

AT&T/WCOM 10-150-a-ii asked Verizon to identify all UNE-P elements that do not reflect connecting Verizon office equipment to cable and pair location on the MDF. We asked this question because we wanted Verizon to identify each UNE-P that did not reflect the proper CO frame cross-wiring activity. Verizon's response had nothing to do with our question, nor did Verizon provide a list of elements.

AT&T/WCOM 10-150-a-iii, asked Verizon to use the list created in subpart (ii) of this inquiry and provide frequency of occurrence in which jumpers needed to be in place. In other words, Verizon was asked to provide data for all UNE-P elements showing the frequency of occurrence in which jumpers needed to be placed between the ILEC's cable pair and office equipment. Verizon provided no such information, and objected instead. Verizon stated: "the only UNE-P Element that would not require a cross-connect would be a 'UNE-P conversion,'" thus taking the position that in every instance the cross-wire would have to be place. That is highly unlikely because the disconnect activities of the UNE-P conversion show no CO Frame cross-wiring removal. This again supports the idea that Verizon utilizes the DIP concept.

Verizon has the option to reuse existing DIP-jumpers. The non-recurring cost model should reflect that reality. If the jumpers are in fact left in place, then

it is inappropriate to reflect a non-recurring cost for the cross-wire placement because it would amount to a double recovery.

Q. IS IT POSSIBLE FOR VERIZON TO DEDICATE THE CROSS-WIRE RELATIONSHIPS REFLECTING VERIZON'S CABLE PAIRS BEING CROSS-CONNECTED TO A CLEC'S PORTS?

A. Yes, it is possible. Indeed, in doing so Verizon would eliminate CO Frame Disconnect activity cost. However, there is an associated risk that on future inward activity Verizon may have to remove the left-in-place cross-wire jumper. This would occur if the end user of the inward service request is not the same CLEC or if Verizon makes the service request.

B. AT&T AND WORLDCOM HAVE MADE APPROPRIATE ASSUMPTIONS REGARDING MDF FRAME TYPES AND CO WIRING WORK TIMES.

Q. VERIZON ASSERTS "THAT [IT] IS DIFFICULT TO KNOW" WHAT TYPE OF MDF AT&T/WORLDCOM ASSUMED FOR THE AT&T/WORLDCOM NRCM DEVELOPMENT OF COSTS FOR CROSS-CONNECTS IN THE CO.[46] PLEASE COMMENT.

A. AT&T/WorldCom's NRCM assumes forward-looking, least cost, and most efficient MDF functionality not a specific make, model, or vendor of this equipment. The AT&T/WorldCom NRCM developers assumed a forward-looking MDF would be COSMIC-type frame, which is managed by the OSS in the same ways the COSMIC frames are managed today. Forward-looking frames

1 such as the COSMIC-type suggests that the OSS manages the relationships of all
2 the equipment placed of the frame to allow for short jumpers. Short jumper
3 management has proven in the past to *reduce* CO frame wiring cost, thus
4 supporting forward-looking least cost efficient concepts. Such frames would be
5 the forward-looking placement choice and are, as opposed to Verizon's embedded
6 analysis, therefore the appropriate assumption in a TELRIC study.

7 **Q. WHAT DID VERIZON ASSUME REGARDING MDF FRAME TYPES**
8 **AND AVERAGE JUMPER LENGTH?**

9 A. Verizon's non-recurring cost model simply reflects the conditions of whatever
10 existing plant its employees might have assumed based on their past experience
11 instead of the plant that would be created as a result of a reconstructed network.
12 Verizon made no effort to identify the most efficient frame types in a forward -
13 looking context.

14 **Q. IS IT CORRECT THAT MR. BISSEL PREVIOUSLY SUGGESTED THAT**
15 **COSMIC-TYPE FRAMES WERE NOT FORWARD LOOKING?**

16 A. As we recall the context of that testimony Mr. Bissel was not addressing COSMIC-
17 type frames as assumed in the NRCM. Verizon is merely attempting to capitalize
18 on a loose use of terminology in its own collocation studies, which Mr. Bissel was
19 responding to. What caused substantial (unnecessary and unreasonable) costs in

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46 Verizon NRC Panel Rebuttal at 33.

Verizon's old collocation studies was its presumption that a high percentage of collocation would require collocators to use an additional intermediate frame arrangement, which Verizon loosely identified as COSMIC frames. If was actually the use of intermediate frames (with extra cross connections requirements that even Verizon is no longer proposing in its current non-recurring cost study) that concerned Mr. Bissel—not the use of efficient, low profile frames as assumed in the AT&T/WorldCom NRCM.

VII. THE AT&T/WORLDCOM NCRM DOES NOT EXCLUDE FIELD INSTALLATION COSTS THAT SHOULD HAVE BEEN INCLUDED IN NON-RECURRING COSTS.

Q. IS VERIZON CORRECT THAT THE AT&T/WORLDCOM NRCM EXCLUDES INSTALLATION COSTS[47] THAT SHOULD HAVE BEEN INCLUDED IN NON-RECURRING COSTS?

A. No. Ms. Murray explains in both her direct testimony and her concurrently filed surrebuttal testimony that the capital costs of plant and the labor costs of installing it are *investments* in the network that should be recovered through recurring charges.

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47 Verizon NRC Panel Rebuttal at 72.

Q. NOTWITHSTANDING YOUR COMMENTS ON THE COST OF FIELD INSTALLATION ACTIVITIES BEING PROPERLY RECOVERED BY RECURRING RATES, HOW CAN YOU BE SURE VERIZON INCLUDED FIELD INSTALLATION ACTIVITIES IN ITS RECURRING COSTS?

A. The facts are simple. The activities expressed by the Field Installation work group within Verizon's wholesale non-recurring cost model do not support the "temporary" interconnection of CLEC's equipment to the Verizon's network. They (the Field Installation activities) are not "un-done" when the CLEC ceases to need the UNE. Thus, they are classified as recurring. To verify this point, we asked Verizon a series of discovery questions to determine what costs Verizon considered in its recurring cost model.

We, like Verizon, identified three necessary components that needed to be assembled in order for the loop to be a functional telecommunication path between the end user's location (i.e., the NID) and the central office. The components included the NID placement, the drop wire that connects the NID to the distribution cable (e.g., at the distribution terminal), and the cross-connect at the FDI, which connects the distribution cables to the feeder facilities. If Verizon had included the cost for these activities in its recurring cost model, its classification would demonstrates that the activities are recurring cost activities.

With discovery question AT&T/WorldCom 10-151, we were able to establish the NID and Drop wire as being recovered in the recurring rates. AT&T/WCOM 10-151 asked Verizon to "identify the percentage of facilities from the total 2 and 4 wire loop facilities assumed in the recurring rates where

1 new loops would not reflect drop wire from the serving terminal to the premises."
2 Verizon's reply stated the "placement of drop wire is picked up in the recurring
3 cost model and is therefore 'zeroed out' of the Verizon VA [non-recurring cost
4 model]." This classifies the activities associated with the installation of both the
5 drop wire and the NID as recurring cost activities. It also established the fact that
6 all end user locations are connected to the ILEC's network. Therefore, within the
7 forward-looking network construct, it would be unnecessary to dispatch a
8 technician to install the NID or the drop. In the "real-life telephony" there may be
9 an instance to install a NID or a drop wire, but any associated costs are properly
10 captured in the monthly recurring charge.

11 Associated with the loop rate are maintenance expenses that account for
12 the re-arrangement and or repair of these components in the normal course of
13 maintaining the ILEC's network. This also establishes the fact that placement of
14 these components are not temporarily needed for the CLEC's use of the UNE.
15 Once placed, they remain as part of the ILEC's network. They are not removed
16 when customers cease the UNEs.

17 Verizon's response to AT&T/WorldCom 9-31establishes that these costs
18 are assumed to be recurring: "Costs for placing drop wire and NIDs are included
19 in the recurring cost model to the extent that they are placed in conjunction with
20 the distribution cable construction. The cost is included in the copper cable cost
21 in accounts 2421.1, 2422.1 and 2423.1."

1 The FDI cross-connect is the remaining component to be ascertained
2 because it is necessary to make the loop element a functional telecommunications
3 path between the NID and the central office. AT&T/WorldCom 10-151-c
4 established that the recurring loop charges included the costs for its placement.
5 Thus, the Field Installation activity is a recurring cost activity. Like the Drop and
6 NID, the placement of the cross-connect at the FDI is not temporarily needed for
7 the CLEC's use of the UNE. Once placed, it remains as part of the ILEC's
8 network, it is not removed when customers cease the UNEs, all of which
9 establishes the fact the activities are recurring cost activities.

10 VIII. IT IS APPROPRIATE TO UNBUNDLE CONNECT AND DISCONNECT 11 CHARGES, AS THE AT&T/WORLDCOM NCRM DOES.

12 **Q. IS IT APPROPRIATE TO "DISAGGREGATE" DISCONNECT COSTS?[48]**

13 A. Yes. Verizon's non-recurring cost studies inappropriately include disconnect
14 costs in the connect charges. As Ms. Murray and Mr. Walsh explained in their
15 direct testimonies and the AT&T/WorldCom Panel on Non-Recurring Costs and
16 Advanced Data Services discussed in its rebuttal testimony,[49] it is not appropriate
17 to bundle disconnect costs into connect charges. Verizon does not incur the costs

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48 Verizon NRC Panel Rebuttal at 74.

49 Murray Direct at 37; AT&T/WorldCom Panel Reply on Non-Recurring Costs and Advanced Data Services at 69-74.

1 of disconnection until or unless a facility is disconnected.[50] Requiring a new
2 entrant to pay for disconnection at the time it orders a connection, therefore,
3 violates cost causation principles, and, because the time until disconnection is
4 uncertain, raises needless "time value of money" issues. In addition, bundling
5 connection and disconnection costs for unbundled network elements unnecessarily
6 aggravates the barrier to entry that up-front charges create. Moreover, bundling
7 non-recurring charges for installation and disconnection based on an average
8 retention period, as Verizon proposes, penalizes superior service providers who
9 have lower customer churn and longer customer retention intervals, while
10 rewarding providers with higher customer churn.

11 IX. AT&T/WORLDCOM'S NRCM IS A MORE FLEXIBLE TOOL THAN 12 VERIZON'S NON-RECURRING COST MODEL.

13 **Q. CAN THE AT&T/WORLDCOM NRCM BE MODIFIED TO REFLECT**
14 **CHANGES THAT THIS COMMISSION MAY RECOMMEND?**

15 A. Yes. Although it is AT&T/WorldCom's position that the model already supports
16 the TELRIC principals of a forward-looking network, the AT&T/WorldCom
17 NRCM can be modified with little difficulty to reflect changes if this Commission
18 so chooses. The non-recurring element types that were initially selected for

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50 A disconnect does not *always* occur when a new entrant ceases to use facilities. *See* AT&T/WorldCom Panel Reply on Non-Recurring Costs and Advanced Data Services at 72-73. See also, Verizon's Responses to AT&T/WCOM 7-57,7-58, 7-63, 7-64, 10-113.

calculation by the model were developed based on a review of the charges proposed by ILECs during negotiation and arbitration proceedings. The AT&T/WorldCom NRCM is better equipped to portray actual workflow processes because it already shows most of the functionality inherent in a forward-looking OSS. The model has the capacity to be expanded for additional elements if the Commission deems necessary. Within the process and calculations section of the model, additional tasks can be added to reflect additional OSS functionality or manual work task.

The basic structure of Verizon's non-recurring cost model does not allow work tasks (steps) to be added, modified or removed easily. In order for changes to be applied, one has to modify every worksheet within the model where that labor group appears. As an example, our testimony pointed out the work tasks reflected by the TISOC did not reflect fallout resolution activity whereas the task reflected the order being returned to the CLEC. In order to correct this situation every worksheet will have to be manually updated and recalculated.

Another example is product of migration activities. Migration requests are single events, to create the interconnection of the CLEC to the requested UNE. There is no such activity to disconnect a CLEC's order that was originally migrated, yet Verizon displays a cost for the "disconnect," and the cost is not the same as for the UNE that is disconnecting. As an example the 2 Wire Hotcut Initial "disconnect" reflects more non-recurring cost than the 2 wire loop Initial, yet the element produced by the hotcut is the 2 wire Loop. There is nothing that

explains why these two disconnect costs should be different. To correct Verizon's non-recurring cost model, each spreadsheet will need manual modifications. Verizon's non-recurring cost model also lacks the mathematical means to apply variables consistently across all elements that need them. For instance, the amount of analog loop facilities that require travel of a CO Frame technician to a non-staffed central office is not available as an input option within the Verizon non-recurring cost model. Every worksheet that applies a cost for travel will require modification.

Conversely the AT&T/WorldCom NRCM uses input variables where the mathematics are applied consistently to all elements that require them. For these reasons we recommend the Commission use the AT&T/WorldCom NRCM.

Q. VERIZON ASSERTS THAT THE AT&T/WORLDCOM NRCM IS INADEQUATE BECAUSE IT ONLY SUPPORTS THE NON-RECURRING COSTS FOR 49 UNES AS OPPOSED TO VERIZON'S MODEL, WHICH SUPPORTS MORE THAN 100 UNES.[51] PLEASE RESPOND.

A. Verizon's criticism misses the point. The elements within the AT&T/WorldCom NRCM do, in fact, cover most, if not all, of the major elements that CLECs will require as UNEs. Verizon points out four elements: "#80 - Customer Specified Signaling (CSS) Two Wire New Initial," "#81 - Customer Specified Signaling (CSS) Two Wire New Additional," "#82 - Customer Specified Signaling (CSS)

Four Wire New Initial," and "#83 - Customer Specified Signaling (CSS) Four Wire New Additional," all of which derive from the same recurring cost, (i.e. the 2 & 4 wire loop). The additional components and their costs that make these elements functional are recovered in the recurring rates. Therefore, it is unnecessary to distinguish additional non-recurring cost activities otherwise.

The costs which Verizon attributes to elements such as "#65 - Manual Loop Qualification, #66 - Engineering Query, #67 - Engineering Work Order" are either unnecessary or included in the recurring cost of the forward-looking network. Once again, the AT&T/WorldCom NRCM can be modified to include additional elements if this Commission deems it necessary.

X. THE COMMISSION SHOULD NOT ADOPT VERIZON'S PROPOSED DSL PRICES.

Q. SHOULD VERIZON'S PROPOSED COSTS FOR DSL ELEMENTS BE ADOPTED WITHOUT MODIFICATION?

A. No. Verizon urges the Commission to adopt its proposed prices for DSL-related elements because "Verizon VA's model is the only record evidence concerning those costs."[52] That is misleading. In direct testimony, AT&T/WorldCom proposed to address DSL-related pricing issues "after the results of the New York

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51 Verizon NRC Panel Rebuttal at 64.

52 Verizon NRC Panel Rebuttal at 53.

1 collaborative become available and there is greater certainty concerning the
2 options for which prices are required."[53] Furthermore, Verizon's proposed DSL
3 prices do not stand unchallenged. The AT&T/WorldCom Panel on Non-
4 Recurring Costs and Advanced Data Services also presented extensive rebuttal to
5 Verizon's line sharing prices and adjustments to Verizon's calculations.[54] To the
6 extent that the Commission adopts any DSL prices at this time, it should not
7 merely "accept"[55] Verizon's proposed costs, but should instead rely on the
8 recommendations of AT&T/WorldCom's Panel at this time but should also
9 establish that those results will be revisited after the results of the New York
10 collaborative become available.

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53 Murray Direct at 58.

54 *See* AT&T/WorldCom Panel Reply on Non-Recurring Costs and Advanced Data Services at 103-147.

55 Verizon NRC Panel Rebuttal at 5.

XI. AT&T/WORLDCOM'S PROPOSAL FOR "CONDITIONING" CHARGES WOULD COMPENSATE VERIZON FOR "CONDITIONED" LOOPS.

Q. VERIZON'S NRC PANEL SUGGESTS THAT, WITHOUT NON-RECURRING "CONDITIONING" CHARGES, IT WOULD "HAVE TO ABSORB THE COST OF MODIFYING ITS NETWORK COMPONENTS THAT RELY ON COPPER."[56] DO YOU AGREE WITH THE PANEL'S REPRESENTATION?

A. No. Verizon would have the Commission believe that denying it the ability to impose non-recurring "conditioning" charges on data competitors would somehow leave Verizon with unrecovered "conditioning" costs. But Verizon's recurring prices for an unbundled loop already compensate Verizon for the costs of providing loops free of DSL inhibitors (*i.e.*, "conditioned" loops). Thus contrary to Verizon's claim that it would be left with unrecovered costs, the truth is that Verizon *recovers the full amount any such costs through recurring charges*.

We agree that a competitor should have to pay for the facilities it uses. However, we do not agree that a competitor should have to pay *twice* for the same functionality. Verizon's suggested imposition of non-recurring charges for providing a loop that works with DSL, even though competitors are already paying for just such an operational loop through recurring prices, would constitute double-recovery of costs.

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56 Verizon NRC Panel Rebuttal at 61.

Q. IS THE NETWORK ARCHITECTURE THAT VERIZON ASSUMED FOR ITS RECURRING COST STUDIES IN THIS CASE RELEVANT TO THE DISCUSSION OF "CONDITIONING" CHARGES?

A. Yes. As Ms. Murray explained in her direct, rebuttal and surrebuttal testimonies, it is important to base the calculation of non-recurring costs on the same network that is assumed for the estimation of recurring costs. To do otherwise violates the Commission's requirement for total cost minimization and creates a significant risk of double-counting. Such is the case with non-recurring "conditioning" charges in this proceeding. Verizon's recurring cost studies assume a forward-looking network that would not require the removal of load coils or excessive bridged tap; therefore, Verizon's recurring costs completely capture the forward-looking costs for providing loops free of load coils, excessive bridged tap and other devices that would impede the provision of DSL-based services.

Q. IN DEFENSE OF ITS PROPOSED "CONDITIONING" CHARGES, VERIZON NOTES THAT "THE COMMISSION HAS RULED AT LEAST THREE TIMES THAT ILECS ARE ENTITLED TO RECOVER CONDITIONING COSTS."[57] DO THE COMMISSION'S PREVIOUS RULINGS REQUIRE IT TO ADOPT VERIZON'S PROPOSED CHARGES?

A. No. We acknowledge, as Ms. Murray did in her direct testimony, that this Commission has held open the possibility of allowing incumbents such as Verizon Virginia to recover the costs of "conditioning" through non-recurring

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57 Verizon NRC Panel Rebuttal at 60.

1 charges. This does not necessarily mean that the Commission should now adopt
2 Verizon's proposed, or any, non-recurring "conditioning" charges. As Ms.
3 Murray also noted, this arbitration presents the Commission with an opportunity
4 to determine the appropriate level of non-recurring "conditioning" charges in the
5 context of actual forward-looking recurring and non-recurring cost studies for a
6 specific incumbent local exchange carrier.[58] In our opinion, adoption of any
7 positive non-recurring charge for "conditioning" would be inconsistent with this
8 Commission's prior determinations concerning the application of forward-looking
9 cost principles to both recurring and non-recurring costs.[59]

10 Further, as we explained in our rebuttal testimony, Verizon's proposed
11 "conditioning" charges are excessively high. Verizon's proposed "conditioning"
12 charges do not reflect the tasks and task times that an *efficient* carrier would
13 experience for removing load coils and excessive bridged tap. Thus, even if it

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58 The Commission's *UNE Remand Order* language does not explicitly consider the possibility that the incumbent's *recurring* costs and charges for unbundled loops will completely capture the forward-looking costs for providing loops free of load coils, excessive bridged tap and other devices that would impede the provision of DSL-based services. The pricing rules do stipulate that the incumbent may not recover more than the total forward-looking cost of providing the applicable element (in this case, a DSL-capable loop that is free of load coils and other DSL-impeding devices). Therefore, if the recurring cost study reflects all of the forward-looking cost of providing such a loop, the pricing rules that the Commission adopted for "conditioning" in the *UNE Remand Order* would prohibit any additional non-recurring charge for such "conditioning." Third Report and Order and Fourth Further Notice of Proposed Rulemaking, CC Docket No. 96-98 (rel. Nov. 24, 1999) ("*UNE Remand Order*") at ¶¶193-194.

59 47 C.F.R. § 51.505(b); §§ 51.319(a)(3)(B) and (C) of the modified pricing rules; § 51.507(e).

1 were appropriate to levy a non-recurring "conditioning" charge, it would not be
2 appropriate to allow Verizon to impose the high charges that it has proposed here.
3 If the Commission chose to adopt any "conditioning" non-recurring charges, it
4 should establish such charges based on the efficient tasks and work-times
5 presented in Attachment 1 to the AT&T/WorldCom Panel Rebuttal on Non-
6 Recurring Costs and Advanced Data Services.[60]

7 XII. VERIZON HAS MISCHARACTERIZED AT&T/WORLDCOM'S 8 POSITION ON LOOP QUALIFICATION.

9 Q. HAVE AT&T AND WORLDCOM SUGGESTED THAT VERIZON 10 SHOULD CREATE A LOOP QUALIFICATION DATABASE?

11 A. No. Verizon's NRC Panel asserts that "AT&T/WorldCom omit non-recurring
12 charges based on their unreasonable assumption that Verizon VA should create a
13 massive and costly database, despite the enormous inefficiency of doing so."[61]
14 Verizon is incorrect. To the contrary, Ms. Murray suggested that competitors
15 require direct read-only access to Verizon's existing databases, as required by the
16 Commission in the *UNE Remand Order*.[62] Verizon itself has acknowledged the
17 feasibility of such access—indeed, Verizon will apparently begin to provide

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60 This Attachment was inadvertently referred to as Attachment A in the text of the rebuttal testimony.

61 Verizon NRC Panel Rebuttal at 54.

62 Murray Direct at 39-40.

electronic access to LFACS in October.[63] Until it does so, Verizon cannot be seen to have complied with the Commission's requirement that "to the extent [its] employees have access to the information in an electronic format, that same format should be made available to new entrants via an electronic interface.[64]

Furthermore, as we noted in our rebuttal testimony, it should be possible to access data regarding the majority of loops from existing legacy systems such as LFACS; there should be no need to develop new loop makeup databases or to update existing databases. Verizon testimony discovery responses seem to confirm this position. When asked for what percentage of loops it believed its LFACS database to contain complete and accurate information, Verizon responded that "for the orders processed during the report period 90% of the orders found complete and accurate data in LFACS."[65] Verizon went on to say that it had "assumed an improvement to a 4% fall out rate." In addition, in its rebuttal testimony, Verizon's NRC Panel claimed:

> AT&T/WorldCom greatly exaggerate the level of incorrect data included in the databases. With respect to database maintenance, Verizon VA takes all the appropriate steps to avoid information mismatch or other errors. For example, Verizon VA periodically scans its provisioning databases for inconsistent data. Cross audits are performed among the systems, for instance, between LFACS and SWITCH, and between LFACS and Work Force

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63 *See* Verizon's Responses to AT&T/WCOM 8-2, 10-102 and 10-105.

64 *UNE Remand Order* at ¶ 429.

65 Verizon's Response to AT&T/WCOM 10-112.

> Administration (WFA) to ensure that the information residing in the systems is synchronous. Database cross audits generate error listings that allow Verizon VA employees to correct the database inconsistencies on a regular basis.[66]

A forward-looking study should assume that the databases are appropriately populated with the relevant data.[67]

Q. IS VERIZON'S PROPOSED RECOVERY OF MECHANIZED LOOP QUALIFICATION COSTS REASONABLE?

A. No. In regards to the database maintenance we discussed above, Verizon's NRC Panel also noted that "[t]he costs of these routine maintenance efforts are generally recovered on a recurring basis through a combination of the common overhead and other support factors."[68] It seems likely, then, that the costs of populating LFACS and other databases with the relevant loop makeup information are already captured in Verizon's factors. Moreover, the costs for mechanized access to LFACS would fall within the scope of the competition-onset costs that the AT&T Recurring Cost Panel discussed in its rebuttal testimony with respect to Verizon's access to OSS charges.

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66 Verizon NRC Panel Rebuttal at 69.

67 The Maryland Commission recently agreed: "The Commission finds Verizon's arguments difficult to accept. By its own admission, this LFACS has been around for 'a long time' and it adds loop makeup information to the LFACS as loops are upgraded or replaced but, in all that time Verizon has supposedly only upgraded or replaced 16% of its loops." Maryland Public Service Commission Case 8842, Phase II, Order 76852 at 30.

68 Verizon NRC Panel Rebuttal at fn 40.

1 Finally, even if a loop qualification charge were appropriate, from a cost-
2 causation perspective it makes more sense to charge for loop qualification on a
3 per-query basis, just as Verizon charges for other database queries.[69] Verizon has
4 provided no explanation of why loop qualification should not be charged on a per-
5 query basis.[70] Verizon's monthly charge presents many problems. For example,
6 Verizon would apparently impose its recurring mechanized charge on *each* DSL-
7 capable loop, even if the purchaser of a particular loop had paid Verizon's
8 excessive manual loop qualification charges.

9 **Q. DOES THAT CONCLUDE YOUR TESTIMONY AT THIS TIME?**

10 A. Yes.

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69 The Verizon NRC Panel notes: "The primary means by which CLECs obtain loop qualification information is by *submitting queries* to Verizon VA's automated loop qualification database." Verizon NRC Panel Rebuttal at 54, emphasis added.

70 *See* Verizon's Response to AT&T/WCOM 8-5, in which Verizon asserts: "Verizon VA has proposed this charge because it believes it is the appropriate cost recovery mechanism. Verizon VA will address its reasons for concluding that a monthly recurring charge is the appropriate method of cost recovery in its surrebuttal testimony."

I, Terry L. Murray, hereby certify under penalty of perjury that the foregoing surrebuttal testimony is true and accurate to the best of my knowledge and belief.

September 19, 2001

Terry L. Murray

[Name]

I, RICHARD J. WALSH , hereby certify under penalty of perjury that the foregoing surrebuttal testimony is true and accurate to the best of my knowledge and belief.

September 19, 2001

[Name]

PROPRIETARY
SURREBUTTAL EXHIBIT NRC-1