

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
NEW YORK
SAN FRANCISCO
SEATTLE

1501 K STREET, N.W.
WASHINGTON, D.C. 20005
TELEPHONE 202 736 8000
FACSIMILE 202 736 8711
www.sidley.com
FOUNDED 1866

BEIJING
HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

WRITER'S DIRECT NUMBER
(202) 736-8250

WRITER'S E-MAIL ADDRESS
ageolot@sidley.com

May 3, 2002

By Electronic Filing

Marlene H. Dortch

Secretary

Federal Communications Commission

445 12th Street, SW, Room TWB-204

Washington, DC 20554

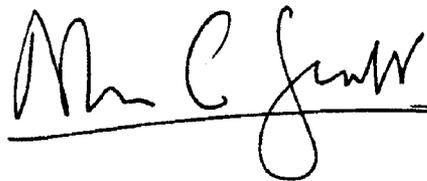
Re: Application by Verizon New England for Authorization to Provide In-Region,
InterLATA Services in Maine, CC Docket No. 02-61

Dear Ms. Dortch:

Pursuant to a Commission staff request, on May 2, 2002, J. Talbot of AT&T and the undersigned had a telephone conversation with V. Schlesinger of the Commission staff regarding issues relating to the Maine UNE rate proceeding (Maine Docket No. 97-505). AT&T's cost model submission, position on switching rate issues, and possible reconsideration or appeal of the Maine UNE rate orders were discussed. In the course of that conversation, AT&T agreed to provide to the Commission a portion of its May 4, 2001 brief to the Maine Public Utilities Commission relating to switching rate issues, a copy of which is attached hereto.

Consistent with Commission rules, we are filing one electronic copy of this notice and request that you place it in the record of the proceeding

Sincerely yours,



Alan C. Geolot

Enc.

cc: C. Newcomb
G. Remondino
A. Berkowitz

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Investigation of Total Element Long-Run Incremental
Cost (TELRIC) Studies and Pricing of Unbundled
Network Elements

Docket No. 97-505

**INITIAL BRIEF OF AT&T COMMUNICATIONS OF NEW ENGLAND, INC.
REGARDING PROPOSED RECURRING AND NON-RECURRING
CHARGES FOR UNBUNDLED NETWORK ELEMENTS,
OPERATIONS SUPPORT SYSTEMS ACCESS, AND COLLOCATION**

Jeffrey F. Jones
Kenneth W. Salinger
Jay E. Gruber
Alexis O. Goltra
PALMER & DODGE LLP
One Beacon Street
Boston, MA 02108-3190
(617) 573-0100

Robert Aurigema
AT&T Communications, Inc.
32 Avenue of the Americas, Room 2700
New York, NY 10013
(212) 387-5627

May 4, 2001

The FCC has recently criticized the fill factors proposed by Verizon and adopted by the DTE in Massachusetts. In comparing the 40 percent fill factor to those used in other jurisdictions, the FCC “question[ed] whether the low fill factor used in Massachusetts is appropriate without a state-specific justification.”¹⁴¹ No state-specific justification has been provided in Maine. Given the paucity of Verizon’s evidence for its excessively low fill factors, the Commission should adopt at the very least the more reasonable fill factors approved by both the New York Public Service Commission and the Vermont Public Service Board, which were: for fiber feeder, 80 percent in New York and 75 percent in Vermont; for copper distribution plant, 50 percent in both states; and, for NIDs, 62.5 percent in Vermont.¹⁴²

E. VERIZON HAS NOT PROVEN THAT ITS SWITCHING COST ASSUMPTIONS ARE REASONABLE.

1. Verizon developed switching prices per minute without accounting for growth in total minutes of use.

Verizon used the Switch Cost Information System (“SCIS”) – a proprietary model owned by Bellcore¹⁴³ – to “replicate the investment required ... to replace every switch in Maine,” which is then converted first into installed investment and then into monthly carrying charges.¹⁴⁴ In this exercise, Verizon used actual current line usage and demand data from current Maine switches, and made no effort to construct a forward-looking model of switch usage.¹⁴⁵ In other

¹⁴¹ *Verizon 271 Order* at ¶ 32.

¹⁴² Ex. ATT-24, Globerson Direct 9/15/97 at 17 (citing NY PSC order); Vermont Public Service Board, Docket 5713, Phase II Order of 2/4/2000, at 20-21, 99.

¹⁴³ Anglin, Tr. 1/22/98 at 51.

¹⁴⁴ *Id.* at 52-53.

¹⁴⁵ *Id.* at 53.

words, Verizon took the existing switches that it currently has in place in Maine, and asked SCIS (in effect) to calculate a current cost for those switches, based on certain assumptions.¹⁴⁶ There is nothing forward-looking about this exercise, because Verizon presented no evidence that this embedded data fairly represents expected switch usage over the life of the TELRIC network being modeled here.

This means that Verizon has overstated the switch usage charge, set forth on a per minute of use basis, even if it had met its burden of proving that all other aspects of its switch cost study were reasonable. Verizon intends to recover the TELRIC costs of switch investment by assessing a fee for each minute that a CLEC uses a switch to route one call.¹⁴⁷ It calculated a per minutes of use fee by spreading the total switch investment, both fixed and variable, across the *current* usage of its existing switches.¹⁴⁸ As the minutes of use continue to increase over the years that these switches will be in place, the fixed cost of the switch will not change, but the revenues collected by Verizon through this charge will continue to grow. That does not comport with the TELRIC methodology, under which per unit costs are to be calculated using a reasonable projection of future demand, not based on current demand levels.¹⁴⁹ What Verizon should have done is assign these fixed getting-started fees to non-traffic sensitive port rate elements, not the traffic sensitive minutes of use element.

¹⁴⁶ *Id.*

¹⁴⁷ See Ex. BA-14, Baker Revised Direct 7/15/98, Exhibit Part B.

¹⁴⁸ Ex. BA-14, Baker Revised Direct 7/15/98 at 13. See also Ex. BA-17, Workpaper Part B, pp. 8-10 (lines 1-2) & 77-78 (dividing switch investment by historic busy hour minutes of use to derive cost per minutes of use).

¹⁴⁹ See 47 C.F.R. § 51.511; FCC's *Local Competition Order* at ¶ 682.