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August 5, 2002

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 Twelfth St., S.W.  
Washington, D.C. 20554

**Re: Application of Qwest Communications International Inc.  
To Provide In-Region, InterLATA Services in the States  
of Colorado, Idaho, Iowa, Nebraska, and North Dakota;  
WC Docket No. 02-148**

*Ex Parte Filing*

Dear Ms. Dortch:

Qwest Communications International Inc. ("Qwest") made an *ex parte* presentation to the staff of the Wireline Competition Bureau on Friday afternoon, August 2, 2002, regarding the proceeding referred to above. The meeting was conducted by telephone conference call, and included FCC staff members Deena Shetler, Steve Morris, Doug Galbi, and Kathy O'Neill, and Qwest representatives Melissa Newman, Hance Haney, Gary Fleming, Jonathan Nuechterlein, Lynn Charytan, and the undersigned. Qwest responded to the staff members' questions about certain pricing issues, as summarized in the attached document.

Respectfully submitted,



David L. Sieradzki  
Counsel for Qwest Communications  
International Inc.

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Enclosures

cc: Deena Shetler  
Steve Morris  
Doug Galbi  
Kathy O'Neill

## OSS Charges

### 1. *What costs are OSS NRCs intended to recover?*

- OSS charges, imposed on a one-time basis per service order, are designed to recover the development costs of OSS systems and the operating costs associated with responding to CLEC service orders. As we explain below, however, Qwest has not actually imposed or collected any OSS NRCs in *any* of the states covered by the ROC I application and has no plans to assess such charges until the completion of yet-to-be-filed cost dockets in North Dakota and Nebraska. Indeed, the SGATs in those states preclude the imposition of those charges absent state PUC action. In Iowa, however, where the Board has ordered an OSS rate of \$0.36, Qwest does intend to implement such a charge as soon as its systems are modified to enable it to do so.

### 2. *In North Dakota and Nebraska, explain when these rates were first proposed, the process by which they became effective, whether and how CLECs were able to challenge them, and whether they are still being reviewed by the state commissions.*

- In Nebraska, two separate OSS rates (described below) have been in the SGAT since 1999. These OSS rates were not submitted or approved in a cost docket proceeding, and they serve merely as a place holder in Qwest's SGAT, which specifically provides that such OSS charges will not be imposed "unless and until the Commission authorizes Qwest to impose such charges and/or approves applicable rates at the completion of appropriate cost docket proceedings." Nebraska SGAT 12.2.11.
- In North Dakota, the OSS rate was introduced in the May 30, 2002 SGAT, replacing a placeholder that noted that the rate was "Under Development." Despite its introduction into the SGAT, the rate has not been implemented and will not be until or unless the PUC approves it, based on the same language that appears in the Nebraska SGAT. Thus, the OSS rate will not be implemented until a cost docket proceeding is held, in which CLECs will have a full opportunity to be heard.

### 3. *Explain why the SGAT shows two OSS rates in Nebraska - \$14.65 and \$2.52.*

- The \$14.65 OSS charge is designed to recover the development, or start-up costs of developing forward-looking OSS systems to provision CLEC UNE requests, and the \$2.52 charge is designed to recover operating costs associated with responding to CLEC service orders.
- As noted above, however, Qwest does not charge either OSS rate in Nebraska at this time, and will not until it obtains PUC approval to do so. Qwest intends to introduce *new* proposed OSS rates in the upcoming

Nebraska cost docket, but those rates will be based on updated studies, not the old numbers underlying the OSS rates currently included in the SGAT.

4. *Because the Commission is comparing all of Qwest's rates in Idaho, Iowa, Nebraska, and North Dakota to those in Colorado, explain how Qwest can justify such OSS rates in any of these four states if there are no corresponding rates in Colorado.*

- As noted above, Qwest does not impose the OSS rate in Idaho, Iowa, Nebraska, or North Dakota, and does not plan to assess any such charges until they are approved by the relevant state commission.<sup>1</sup> The only difference between Nebraska and North Dakota, on the one hand, and Colorado, on the other, is that the Colorado SGAT provides that there is “No charge at this time” for OSS, while in Nebraska and North Dakota, a rate is listed, but is not charged. In practice, however, there is no difference in the treatment of these charges among these three states. In all three states there were and are no plans to assess OSS charges until after the relevant state commission rules on the issue.
- Because Qwest currently does not collect this charge in Nebraska and North Dakota, Qwest will amend the SGATs in those states so that the OSS rates are listed as “No charge at this time,” just as they are in Colorado. As explained above, this change has no real cost impact, since other language in the Nebraska and North Dakota SGATs already effectively provides that there is no enforceable charge at this time.
- However, there is an existing and approved \$0.36 OSS per-order charge in Iowa, which Qwest believes is appropriate and TELRIC-compliant. There is no way to benchmark it to the Colorado rate, because the rate has not yet been introduced in Colorado. (Qwest does plan, however, to propose OSS charges in the next cost docket in Colorado, as well as Nebraska and North Dakota.) It is not appropriate to treat the OSS NRC in Colorado as “0” for benchmarking purposes, because that assumes that the CPUC has rejected the OSS NRC or that Qwest has agreed not to charge it. In fact, this is purely a question of timing, in that the Iowa Board has passed on this issue before Qwest introduced it in Colorado. Because the Iowa rate is minimal and has been approved by the Iowa Board, it is appropriate to leave it in place.

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<sup>1</sup> As noted, Qwest does intend to collect the \$0.36 OSS NRC in Iowa as soon as its systems are capable of doing so, though that charge is not currently collected.

## Collocation in Idaho

1. *Why is the NRC for collocation entrance facilities in Idaho so much higher than in the other three states in the chart in Reply Ex. JLT-9?*

- Idaho's nonrecurring rates for collocation entrance facilities are higher than the Colorado rates (and the rates in other states) for two reasons. The primary reason for the difference is that the Idaho rate is for a fiber pair. The rates in the other states are on a per fiber basis.<sup>2/</sup> To make the rates in the other states comparable to the Idaho rate, they must be doubled.
  - To simplify comparisons among the benchmarked states and to avoid unnecessary controversy, Qwest will amend its Idaho NRC for entrance facilities so that it is stated on a per-fiber basis rather than a per-fiber-pair basis. This has no cost impact; it merely requires the rate to be divided in half.
- Even after dividing the Idaho collocation entrance facility NRC in half, the rate is higher than corresponding NRCs in other states. However, The collocation entrance facility rate should not be evaluated on a stand alone basis. Collocation rates can be compared between states only as composite rates, because the separate elements of a functioning collocation site are not separately purchased. Thus, while the entrance facility rate of \$3,049.98 per fiber in Idaho is higher than the corresponding rate of \$2,329.90 in Colorado, most of the other nonrecurring collocation charges in Idaho are lower than their Colorado counterparts.
  - For instance, the \$37,613.46 cage construction rate Idaho (which covers all structure supporting the collocated equipment bays, cable racking for all power and termination cables, lighting, power cable, the cage itself and all engineering for the site) is significantly lower than the corresponding Colorado charge of \$48,958.76.
  - Thus, the total NRCs that a CLEC would pay for a typical collocation arrangement in Idaho are lower than the comparable charges in Colorado. As Reply Ex. JLT-9 shows, the total cost of a sample caged collocation would be \$66,019.96 in Colorado compared to \$57,420.18 in Idaho. The total cost of a sample cageless collocation site would be \$42,700.26 in Idaho compared to \$44,216.53 in Colorado.
- It is entirely appropriate to compare collocation rates across Qwest states, because the collocation costs are similar across Qwest's region.

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<sup>2</sup> Of course, the rates in the various states also reflect differences among various commission rulings and the timing of those rulings.

- Qwest files the same collocation model in each state. The inputs into the model -- for labor rates for the use of both vendor and internal personnel, for material prices, and for the quantities of labor and materials required to construct the job -- do not vary by state. Indeed, with the exception of a few state-specific inputs such as state sales tax rates, the base costs are virtually identical from state to state.
- Nor is there any reason to believe that there *would* be significant differences in the collocation costs among Qwest's states. The types of facilities required to be constructed do not vary on the basis of the state in which the collocation is constructed. In addition, Qwest has centralized procurement processes and standard vendor contracts that are applicable across the region. The current Qwest labor contract with the union has only two zones (Seattle and all other states); there are no other state-specific labor rate variations. Qwest has found no basis for significant variances between collocation costs across the region.

2. *Why does Qwest continue to charge \$16.41 for power in Idaho, when it has proposed a much lower rate in the pending cost docket?*

- The rates in the SGAT reflect the rates the Commission approved in the arbitration of the AT&T Interconnection Agreement, Docket No. USW-T-96-15, Commission Order Number 27738. Qwest includes previously-ordered Commission rates in the SGAT until such time as the Commission adopts changes to those rates. However, there is an active cost docket in Idaho in which proposed collocation rates are being adjudicated. In that proceeding, Qwest is proposing reduced power charges that reflect its current rate structure.
- Nonetheless, Qwest agrees that, within the next few days, it will revise the SGAT to reflect the reduced rates that are currently on file in the pending Idaho cost proceeding. Qwest will contact all providers in the state to inform them that this rate is available and that they can amend their interconnection agreement to reflect the new rate at the time the proposed price list becomes effective.