

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION

In the Matter of the Pricing Proceeding for Interconnection, Unbundled Element, Transport and Termination, and Resale .....	)	DOCKET NO. UT-960369 ) ) )
In the Matter of the Pricing Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and Resale for	)	DOCKET NO. UT-960370 ) )
U S WEST COMMUNICATIONS, INC. .....	) )	DOCKET NO. UT-960371 )
In the Matter of the Pricing Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and Resale for	) ) ) ) ) )	TWENTY-FIFTH SUPPLEMENTAL ORDER ORDER ACCEPTING, REJECTING AND AUTHORIZING REILING OF COMPLIANCE FILINGS
GTE NORTHWEST INCORPORATED .....	) )	

**Synopsis:** The Commission’s Seventeenth Supplemental Order in these consolidated dockets required U S WEST Communications, Inc. (U S WEST) and General Telephone Company of the Northwest, Inc. (GTE) to calculate and present certain rates pursuant to instructions in the order, to become effective after the Commission adopts deaveraged rates for the unbundled loop. The Commission in the Twenty-fourth Supplemental Order has approved the rate for the unbundled loop. The Commission now reviews the remaining compliance filings in this order, finds some of them acceptable; finds some unacceptable and to require refileing, and finds others to require further explanation. The Commission sets the deadline for filing tariffs to effect the rates.

**TABLE OF CONTENTS**

I. Phase II Compliance Filings .....	3
A. U S WEST Rate Sheet Language .....	3
1. <i>Issues</i> .....	3
2. <i>Commission Decision</i> .....	4
B. GTE Rate Sheet Language .....	4
1. <i>Issues</i> .....	4
2. <i>Commission Decision</i> .....	4
C. Cost of Money Used in U S WEST’s Operational Support System (OSS) Study ....	4
1. <i>Issues</i> .....	5
2. <i>Commission Decision</i> .....	5

- D. Supporting Documentation for U S WEST and GTE OSS Cost Studies . . . . . 5
  - 1. *Issues* . . . . . 5
  - 2. *Commission Decision* . . . . . 6
- E. U S WEST’s Methodology to Determine Separate Rates for Electronic and Manual Orders . . . . . 7
  - 1. *Issues* . . . . . 7
  - 2. *Commission Decision* . . . . . 7
- F. U S WEST’s Connection and Disconnection Cost Estimates . . . . . 8
  - 1. *Issues* . . . . . 8
  - 2. *Commission Decision* . . . . . 9
- G. GTE’s Nonrecurring Charges for Connection and Disconnection . . . . . 10
  - 1. *Issues* . . . . . 10
  - 2. *Commission Decision* . . . . . 11
- H. U S WEST’s Interim Number Portability Nonrecurring Charges . . . . . 12
  - 1. *Issues* . . . . . 12
  - 2. *Commission Decision* . . . . . 13
- I. GTE’s Interim Local Number Portability Nonrecurring Charges . . . . . 14
  - 1. *Issues* . . . . . 14
  - 2. *Commission Decision* . . . . . 14
- J. U S WEST’s and GTE’s Interim Local Number Portability Recurring Rate . . . . . 14
  - 1. *Issues* . . . . . 14
  - 2. *Commission Decision* . . . . . 15
- K. U S WEST’s Recovery of OSS Costs . . . . . 15
  - 1. *Issues* . . . . . 15
  - 2. *Commission Decision* . . . . . 16
- L. U S WEST’s Customer Transfer Charge . . . . . 17
  - 1. *Issues* . . . . . 17
  - 2. *Commission Decision* . . . . . 18
- M. Line Conditioning . . . . . 18
  - 1. *Issues* . . . . . 18
  - 2. *Commission Decision* . . . . . 19
- N. U S WEST’s Tandem Switched Local Transport Rate . . . . . 19
  - 1. *Issues* . . . . . 19
  - 2. *Commission Decision* . . . . . 20
- O. U S WEST’s Per-Port Common Channel Signaling . . . . . 20
  - 1. *Issues* . . . . . 20
  - 2. *Commission Decision* . . . . . 20
- P. U S WEST’s Physical Collocation Rates . . . . . 21
  - 1. *Issues* . . . . . 21
  - 2. *Commission Decision* . . . . . 22
- Q. Inclusion of Administrative, Product Management and Business Fees in U S WEST Cost Studies . . . . . 22
  - 1. *Issues* . . . . . 22

2. *Commission Decision* ..... 22

R. GTE’s Methodology to Determine Separate Rates for Electronic and Manual Orders 23

    1. *Issues* ..... 23

    2. *Commission Decision* ..... 23

S. GTE Order Processing Time ..... 24

    1. *Issues* ..... 24

    2. *Commission Decision* ..... 24

T. GTE’s Collocation Building Modification Charge ..... 24

    1. *Issues* ..... 24

    2. *Commission Decision* ..... 25

U. GTE’s Switching Rates ..... 26

    1. *Issues* ..... 26

    2. *Commission Decision* ..... 26

## I. Phase II Compliance Filings

- 1 On November 15, 1999, pursuant to instructions in the Seventeenth Supplemental Order in these dockets, GTE and U S WEST (Incumbent Local Exchange Companies, or ILECs) submitted compliance filings (“Compliance Filings”) to the Commission. On December 15, 1999, the other parties submitted comments on the compliance filings (“Comments”). The ILECs filed replies (“Reply Comments”) on January 11, 2000.
  
- 2 After reviewing the filings, the Commission found that there was a need for clarification on some of the issues. On March 13, 2000 the Commission issued requests for clarification. The responses to our questions were filed on March 24, 2000 (“Clarification Request Responses”).

### A. U S WEST Rate Sheet Language

#### *1. Issues*

- 3 In its Comments, AT&T asked that the Commission require USWC’s compliance rate sheet to refer to certain conditions that the Commission had ordered. (*AT&T Comments at pp. 10-13*). Specifically, AT&T asked that U S WEST be required to:
  - a. Add a note to its compliance rate table to indicate that the cable unloading rate of \$304.12 is for a 25-pair binder group.
  - b. Add a note to its compliance rate table which states that the interim local number portability charges are to be eliminated in those areas equipped with long-term

number portability and in an area as soon as long-term number portability is established.

- c. Add a note referencing the specific language of Para. 232 of the Seventeenth Supplemental Order stating that the rate of \$147.37 for a bridged tap removal. is at a single location.
- d. AT&T also asked that U S WEST's compliance rate table include a note indicating that parties have the option of purchasing shared transport on a per-trunk or per-minute basis.

4 U S WEST responded that it had no objection to including the conditions referenced by AT&T on its compliance rate sheet.

## ***2. Commission Decision***

5 The Commission directs U S WEST to include in its rate sheets the conditions identified in this section.

## **B. GTE Rate Sheet Language**

### ***1. Issues***

6 AT&T seeks clarification in GTE's compliance filing that the recurring cost for the network interface device (NID) only applies when the NID is purchased separately from the loop, since the price of the loop already includes the cost of the NID.

7 GTE does not object to this clarification.

### ***2. Commission Decision***

8 The Commission orders GTE to include in its rate sheets the condition identified in this section.

## **C. Cost of Money Used in U S WEST's Operational Support System (OSS) Study<sup>1</sup>**

### ***1. Issues***

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<sup>1</sup>Longer-term OSS cost studies are at issue in Commission Docket No. UT-003013. This order addresses only interim rates to be effective as a result of this Order.

- 9 U S WEST filed an OSS study on November 15, 1999. AT&T and Staff asserted that one of the flaws in the study was the use of the incorrect cost of capital. In Phase 1 of this proceeding, the Commission ordered the use of a 9.63% cost of money in cost studies. 8<sup>th</sup> *Supplemental Order at para. 211*. U S WEST's November 15, 1999 filing employed an 11.4% cost of money.
- 10 U S WEST states that it understands that it is required to use Commission-prescribed cost of money in its studies, but “[h]owever, in this one particular study, the use of Commission-prescribed cost of money results in a higher non-recurring charge than does the use of U S WEST's proposed cost of money.” *U S WEST Reply Comments at p. 2*.
- 11 AT&T's response to Bench Request No. 2 states that “AT&T will not object to the lower charges” that result from the use of the 11.4% cost of money. It adds that “[t]he Commission needs to make a decision whether it is appropriate to change its ruling on the appropriate cost of capital for this particular study.” *AT&T Response to Bench Request Question 2*.
- 12 In response to Bench Request No. 18 the Commission Staff notes that the Commission has historically required parties to use the Commission authorized rate-of-return as an input to their cost studies. Because the 11.4% results in a lower rate, Staff does not object to the use of the higher rate of return for the OSS compliance filing. It asks the Commission to clarify that the use of the 11.4% cost of money only applies to the OSS study. *Staff Response to Bench Request No. 18*.

## **2. Commission Decision**

- 13 The OSS differs from the type of cost studies that the Commission normally reviews. The Commission typically reviews recurring cost studies and require parties to apply the authorized rate of return to the up-front investment. The OSS study is unusual in that the cost of money is being used to discount future expenditures. We accept the use of 11.4% for the limited purpose of the OSS compliance cost filing and caution parties to continue to employ the authorized rate of return to recurring cost studies.

## **D. Supporting Documentation for U S WEST and GTE OSS Cost Studies**

### **1. Issues**

- 14 AT&T asserts that U S WEST's OSS Development and Enhancement compliance cost studies do not provide sufficient documentation to allow a thorough review of the amounts proposed by the Company. AT&T contends that the Company “should be required to provide detailed supporting documentation to justify the significant amounts it is requesting to recover.” *AT&T Comments at 2*.

- 15 Rhythms points out that at para. 107 of the Seventeenth Supplemental Order the Commission concluded that the ILECs had provided inadequate documentation for its OSS cost studies. Rhythms states that the GTE and U S WEST compliance cost studies are similar to the previously rejected cost studies and therefore should not be used as a basis for setting interim rates. *Rhythm's Comments, December 15, 1999, pp. 1-2.*<sup>2</sup>
- 16 The Joint CLECs echo AT&T's and Rhythms' concern that U S WEST's OSS compliance filing is based on the cost study which the Commission found to be inadequate. They express a similar concern about GTE's OSS filing. *Comments of Joint CLECs, December 15, 1999, p. 5-6.*
- 17 AT&T states that U S WEST provided inadequate documentation for the removal of certain customer transfer charge expenses and capital expenditures (p.4) from its OSS study. It points out that the Company provided no documentation for these numbers, "and thus, there can be no assurance that all the resale-related OSS costs have been properly removed." *AT&T Comments, December 15, 1999, p. 4.*
- 18 In response to question 24 of the Commission's Requests for Clarification, U S WEST identified and described the customer transfer costs that were removed from its OSS study. *U S WEST's Responses to Commission Questions Regarding Compliance Filing, March 24, 2000.*
- 19 GTE responds that the Commission ruled that ILECs are entitled to recover OSS costs from CLECs. It adds, "The Commission did not order GTE to remove these costs from its NRC study, but required GTE to provide further documentation of its OSS and transition costs." *GTE's Reply Comments, January 11, 2000, p. 7.*

## **2. Commission Decision**

- 20 AT&T's, the Joint CLECs', and Rhythms's filings highlight an issue that the Commission addressed in the Seventeenth Supplemental Order. In that Order the Commission found that U S WEST and GTE had failed to provide adequate documentation of its transition costs and therefore authorized the Company's to establish interim rates. The Commission required U S WEST and GTE to file new OSS cost studies and supporting documentation in UT-003013. *Seventeenth Supplemental Order at para. 108-111.*
- 21 In our Seventeenth Supplemental Order the Commission authorized the ILECs to establish interim rates. The Commission concluded that interim rates should be put into place at the close of this proceeding so that the ILECs can begin collecting charges for the costs incurred in modifying their operational support systems. The OSS rates established

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<sup>2</sup>Rhythms's concern about the new OSS cost studies applies equally to GTE.

in this proceeding are interim and subject to a true-up (see para. 87 below) and therefore the CLECs concerns of overcharges can be addressed in subsequent proceedings.

## **E. U S WEST's Methodology to Determine Separate Rates for Electronic and Manual Orders**

### ***1. Issues***

- 22 Para. 112 of the Seventeenth Supplemental Order directed U S WEST and GTE to make compliance filings supporting interim rates for IMA, or manual ordering, and EDI, or electronic ordering.
- 23 In its compliance filing, U S WEST explained that in order to develop costs supporting separate manual and electronic rate elements, the Company assigned costs to each element based on whether the costs were related to the IMA or EDI processes. Costs that could not be directly attributed to either category were designated as shared and recovered proportionally from both categories. *U S WEST Compliance Filing, p. 3.*
- 24 AT&T criticized U S WEST's compliance filing on two grounds. First, it states that U S WEST did not provide supporting documentation. AT&T finds "unusual" the large proportion of shared costs. It argues that a properly conducted TELRIC study should assign costs directly to the element, with little cost allocated between two elements. *AT&T Comments, pp. 4-5.*
- 25 In response to Request for Clarification Number 25, U S WEST stated that the work papers filed on November 15, 1999 only provided summary results. The actual allocations of expenses and capital dollars "were calculated outside the study." *U S WEST Response to Request for Clarification Number 25, 2000.*

### ***2. Commission Decision***

- 26 In the future we expect U S WEST to provide more informative documentation than it provided in its November 15, 1999 filing. U S WEST should have provided sufficiently complete documentation to explain the derivation of the results.
- 27 The Commission also agrees with AT&T that a properly conducted TELRIC study should directly assign as many costs to elements as possible. We order U S WEST to revisit this issue in Docket UT-003013 and directly assign costs that were classified as shared in the November 15, 1999 compliance filing to the extent that the assignment may be reasonably and sensibly done. While the Commission recognizes that there are some shared costs that can not be directly assigned to an element, we share AT&T's concern that the current study reports a very large proportion of shared costs.

28 For the limited purpose of this proceeding the Commission approves the assignment of costs to the manual and electronic cost categories. As a separate matter, the Commission addresses below the recovery of these costs. At para. 43 below, however, the Commission determines that due to our concern about double recovery of costs, we do not approve the OSS rates at this time.

## **F. U S WEST's Connection and Disconnection Cost Estimates**

### *I. Issues*

29 The Seventeenth Supplemental Order required U S WEST to file separate nonrecurring charges for connection and disconnection. *Para. 436, 471.*

30 In its December 15, 1999 Comments, Staff expressed its concern that U S WEST's nonrecurring cost elements for connection and disconnection were higher than the costs the Commission ordered in its Eighth Supplemental Order. *Staff Comments at 3.*

31 In reply to Staff's concerns U S WEST explained that the filed rates reflected the Commission authorized mark-up for attributed and common costs. *U S WEST Reply Comments, January 11, 2000 at p. 7.*

32 In response to Bench Request No. 20 Staff stated that it "now accepts U S WEST's cost estimates for connection and disconnection."

33 U S WEST's November 15, 1999 compliance filing states that the Company has not yet developed different rates for connection and disconnection for the various categories because it is still evaluating the underlying demand for the various types of orders. It promised to address this demand issue in the next proceeding, now designated UT-003013. *p. 3.*

34 AT&T faulted the compliance filing for proposing identical rates for connections and disconnections. AT&T states that U S WEST "has the data needed to determine separate connection and disconnect rates and should comply with the Commission order." *AT&T Comments, December 15, 1999, p. 6.*

35 AT&T also expressed its concern that the proposed rates would lead to a double recovery of costs because the compliance rates are identical for connections and disconnections. *AT&T Comments, December 15, 1999, p. 6.*

36 The Commission asked AT&T to explain why it believed the compliance filings could result in a double recovery of costs. In support of its belief AT&T provided a chart indicating that the compliance filings could generate revenues that are 74% to 101% more



than U S WEST's original proposal. AT&T's Response to the Commission's Requests for Clarification, number 3, March 23, 2000.

37 U S WEST responds that the rates are identical because it has assumed a total number of connect and disconnect activities and has used that number as the denominator in calculating its OSS order processing cost for connect and disconnect activities. *U S WEST Reply Comments, January 11, 2000, p. 6.*

## ***2. Commission Decision***

38 U S WEST's compliance filing fails to comply with the Commission's Seventeenth Supplemental Order. While U S WEST asserts that the demand data were not available, we find it hard to believe that no useful data were available. If the data were available, by not using them the Company effectively circumvented our Order.

39 We are also disappointed with the process U S WEST used for informing the Commission about this matter. The Company should have brought this issue to our attention prior to its filing. Merely making the filing represents that the filing complies with the Order, which the Company knew to be untrue.

40 AT&T's concern about "double recovery" merits further investigation. As the Commission pointed out in the Seventeenth Supplemental Order, the Commission is concerned that NRCs can act as a barrier to entry. Par. 471. However, we do not understand the price comparison provided by AT&T in response to Bench Request No. 3.

41 At para. 471 of the Seventeenth Supplemental Order the Commission directed U S WEST and GTE to demonstrate in their compliance filings that the charges from the bifurcated NRC are no greater, with one exception, than the charges for a combined connect/disconnect NRC. The sole exception is the bifurcated connect-disconnect charge: the ILEC's are entitled to include in their cost study two billing charges — one for the connection and a second for the disconnection.

42 U S WEST's compliance filing notes that the the Commission "expecte[d] that the combined charges for connection and disconnection would be no greater than the previously filed nonrecurring charges, with the exception of a possible increase due to additional billing costs for the disconnection element." U S WEST Compliance filing, November 15, 1999, p. 4-5. U S WEST did not provide a table or other information to demonstrate that the Company fulfilled the Commission's expectations.<sup>3</sup> Support for the new filing described in the following paragraphs should contain such a table or exhibit.

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<sup>3</sup>GTE's November 15, 1999 "filing is GTE's demonstration that its compliance filing rates for bifurcated NRCs are no greater than the charges for a combined connect/disconnect NRC."

- 43 We do not approve U S WEST's OSS compliance filing. We require the Company to provide a full explanation of why the sum of the rates for a connection and disconnection greatly exceed the Company's initial prices, charges that the Commission understood would only apply when service was requested.<sup>4</sup> We also requires U S WEST to demonstrate that its compliance filing rates for bifurcated NRCs and OSS are no greater than the previously filed nonrecurring charges.
- 44 U S WEST must make this filing within two weeks of the service of this order. Interested parties may submit comments no later than two weeks after U S WEST makes its filing.

## **G. GTE's Nonrecurring Charges for Connection and Disconnection**

### *1. Issues*

- 45 On November 15, 1999 GTE filed nonrecurring charges for connection and disconnection. The lengthy file contained printed work papers but no electronic copy of the underlying study.
- 46 AT&T and Staff filed comments stating that they did not know why the filed rates were in error, but the filed rates exceeded the costs staff proposed and the Commission accepted in Phase II of this proceeding. *Comments of Commission Staff, December 15, 1999, p. 5; Comments of AT&T, December 15, 1999, p. 13.*
- 47 GTE responded that it did make one error in its November 15, 1999 filing. It added that the parties had not specified which modifications GTE may have failed to make to its study. *GTE's Reply Comments, January 11, 2000, p. 2.*
- 48 GTE contends that Staff's December 15, 1999 analysis does not reflect the Commission-ordered modifications that are reflected in GTE's compliance filing. *Id. at 3.*
- 49 Staff and AT&T were asked if GTE's January 11, 2000 filing added any clarity to the matter. AT&T responded that due to the poor documentation provided by GTE, it is still unable to determine whether GTE complied with the Commission's Seventeenth Supplemental Order. *AT&T Responses to Requests for Clarification, March 23, 2000, No. 7.*
- 50 Staff echos AT&T's comment that it is unable to understand the filing fully because of the poor documentation GTE provided and because Staff "has no access to GTE's cost

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<sup>4</sup>The Commission pointed out at para. 467 of the Seventeenth Supplemental Order that U S WEST "advocates the continued bundling of disconnection and connection charges into a single non-recurring charge."

model.” Staff faults GTE for not providing “any explanation as to what has changed from the cost study filed by GTE during the proceeding.” It adds that it continues to believe that the NRC’s in GTE’s compliance filings are too high and do not comply with the Commission’s Seventeenth Supplemental Order. Staff continues to recommend that the Commission require GTE to comply with paras. 453-55 of the Seventeenth Supplemental Order and make the modifications proposed by Staff in Exhibit C-661 and C-663 and Staff’s response to Bench Request No. 128 (Exhibit C-730). *Staff’s Responses to Requests for Clarification, March 22, 2000, No. 22.*

- 51 In response to Request for Clarification No. 15, GTE provided Tables that identify the pages and values in cost estimates that reflect the Commission-ordered changes.
- 52 In the Seventeenth Supplemental Order the Commission Ordered GTE to bifurcate the service order charge into a connection and disconnection rate. GTE’s cost estimate for a disconnect is \$13.19 per disconnect order. The rate is the same for every type of order. This rate structure differs considerably from U S WEST’s filing. *Compare U S WEST Compliance Filing, November 15, 1999, Attachment A with GTE’s Compliance Filing, November 15, 1999, Tab 8.*
- 53 AT&T objects that the single rate does not meet the Commission’s requirement to set disconnect rates that reflect the cost of the activity. AT&T comments. “It seems very unlikely that every type of order disconnect processed by GTE would be processed in exactly the same way and would take the exact amount of time, resulting in the same NRC.” *AT&T Comments, pp. 14-15.*
- 54 GTE responded that it adopted this simplified tariff structure for administrative ease. *GTE’s Reply Comments.* In response to a Bench Request for Clarification, the Company adds that by “combining the disconnect cost elements into one rate element, GTE was able to maintain a simplified, less burdensome rate structure.” *GTE Response to Request for Clarification, question 16.*

## **2. Commission Decision**

- 55 In order to fully address our concern about the documentation provided by GTE, the Commission does not approve GTE’s NRCs at this time.
- 56 GTE is ordered to make a new compliance filing that includes, at a minimum, the following items:
- a. An electronic version of the NRC cost model that was used to generate the cost estimates submitted in Phase II.
  - b. An electronic version of the NRC cost model that was used to generate the cost

estimates that were contained in the Company's compliance filing. The filing should reflect the correction identified at page 2 of its January 11, 2000 filing.

- c. A mapping of the cost elements generated by the model provided in (b) to the compliance rates. The mapping should identify how each of the compliance rates are generated from the cost information provided in response to b.
- d. A description of how the file provided in response to (a) was modified to generate the cost estimates provided at (b).

57 GTE's NRC rates must be adjusted so that the Company can begin recovery of OSS and transition costs. Stated differently, due to our approval of interim rates for OSS recovery, the rates supported by Staff must be increased in order to recover the OSS costs.<sup>5</sup>

58 Interested parties are asked to file comments to the Commission no later than two weeks after GTE provides this additional information,. The comments should indicate whether the commenting party believes that the NRC rates contained in GTE's new compliance filing comply with the Commission's Orders in this docket.

59 GTE is encouraged to meet with interested parties to explain the operations of its NRC cost model.

60 GTE is also ordered to file separate disconnection rates simultaneously with the filing required in para. 56. Given the large variance in disconnection costs exhibited in U S WEST's compliance filing, we conclude that despite the administrative ease of a single rate, the disconnection rate should be established to recover the non-recurring costs associated with disconnecting the type of service. The filing should contain both an electronic and paper copy of the revised cost study, as well as a narrative that explains, very clearly and in detail, step by step, how the cost estimates were derived.

## **H. U S WEST's Interim Number Portability Nonrecurring Charges**

### ***1. Issues***

61 "Local number portability" refers to the arrangements provided to a CLEC that permits local exchange customers to change service providers yet retain their existing telephone numbers.

62 At para. 533 of the Eighth Supplemental Order, the Commission ordered U S WEST and

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<sup>5</sup>This issue was raised in GTE's Response to the Bench's Request for Clarification, March 24, 2000, question 11.

GTE to file new NRC studies. Until those avoided cost studies were approved, the Commission ordered that a 50% avoided cost discount apply to retail nonrecurring activities.

63 Staff objected to U S WEST's interim number portability NRC study. Staff pointed out that U S WEST's proposed nonrecurring charge to port a number using remote call forwarding is significantly higher than its tariffed rate for call forwarding service. *See Ex. 504, Testimony of David E. Griffith, at 4.* Given the Commission's skepticism expressed at para. 429 of the Eighth Supplemental Order about the "anomaly" between retail and wholesale service cost estimates, Staff did not believe U S WEST's proposed nonrecurring charge was supportable. Staff recommended in its Phase II testimony that the Commission not approve U S WEST's avoided cost study for nonrecurring charges for ILNP. *Staff Phase II Brief at 37.*

64 During the Phase II hearings, Staff advocated that U S WEST be authorized to charge 50% of its current retail nonrecurring call forwarding tariff rate as the interim wholesale nonrecurring charge for Interim Local Number Portability (ILNP). *Id.* However, given the Supreme Court's decision that UNE rates must be based on the TELRIC floor, Staff recommended in its brief that nonrecurring charges for ILNP be based on an evaluation of the Company's Phase II cost study. *Staff Brief at 37.* Staff did not propose any adjustments to the study.

65 In Staff's Motion for Reconsideration, Staff pointed out that in the Seventeenth Supplemental Order the Commission summarized Staff's concern with US WEST's ILNP nonrecurring cost estimates but that the Order did not state that U S WEST's nonrecurring costs for ILNP were acceptable. *Staff's Comments at p. 3.*

66 U S WEST disagrees with Staff and points out that at para. 435 of the Seventeenth Supplemental Order the Commission accepted U S WEST's nonrecurring cost compliance filing. *U S WEST's Reply Comments, January 11, 2000, p. 8.*

## **2. Commission Decision**

67 Paragraph 435 of the Seventeenth Supplemental Order states that the Commission accepted U S WEST's NRC cost study based on the evidence presented in this docket. Staff's Phase II Brief did not identify any flaws in the ILNP cost study and we therefore approve the filing. Staff's brief also suggested that the rates could not be based on a discount off the retail rate because such a rate would not be TELRIC based. Our approval of the ILNP NRC cost study does not preclude Staff, or any other party, from addressing flaws in the Company's NRC studies in Docket UT-003013.

## **I. GTE's Interim Local Number Portability Nonrecurring Charges**

### ***1. Issues***

- 68 At para. 379 of the Seventeenth Supplemental Order, the Commission established that GTE's nonrecurring charges for ILNP new orders and change orders should be \$14.44 and \$7.64 respectively.
- 69 GTE filed its NRCs rates on November 15, 1999. Staff and AT&T objected on the grounds that the rates did not comply with para. 379 of the Seventeenth Supplemental Order. *Staff Comments, p. 6; AT&T Comments, p. 16.*
- 70 In its reply comments GTE stated that it had inadvertently modified its cost study to reflect the Commission's findings. GTE added that it "recognizes that it must comply with the Commission's order and adopt the rates mandated by the Seventeenth Supplemental Order." *Reply Comments at 9.*
- 71 AT&T had also asked that GTE be required to add a note to its compliance table that states ILNP charges are to be eliminated in those areas equipped with long-term number portability and in an area as soon as long-term number portability is established as provided in para. 380 of the Seventeenth Supplemental Order. *AT&T Comments, pp. 16-17.* GTE did not object to this requirement. *GTE Reply Comments, p. 9.*

### ***2. Commission Decision***

- 72 The Commission orders GTE to modify its rate sheets to reflect the Commission's findings at paras. 379 and 380 of the Seventeenth Supplemental Order.

## **J. U S WEST's and GTE's Interim Local Number Portability Recurring Rate**

### ***1. Issues***

- 73 US WEST and GTE filed recurring compliance rates for interim local number portability. The Joint CLECs assert that a compliance filing on this issue is not feasible at this time. They point out that para. 372 of the Seventeenth Supplemental Order required that "the total costs of implementing interim local number portability [be] allocated to each carrier based upon the ratio of working lines serviced by each carrier to total working lines." *Joint CLEC Comments, p. 7.*
- 74 GTE responds that the Commission "expressly adopted a temporary recurring ILNP price of \$1.73" at paras. 377-79 of the Seventeenth Supplemental Order. *GTE Reply Comments, p. 10.*

## ***2. Commission Decision***

- 75 We do not agree with GTE that the price for ILNP is temporary. There is nothing at para. 378 of our Seventeenth Supplemental Order that suggests that the price of \$1.73 is interim.
- 76 In the Seventeenth Supplemental Order the Commission adopted the methodology, called the “New York method” for recovering the costs of interim local number portability. *Para. 372.* This method was recommended by AT&T, NEXTLINK, and ELI. It is paradoxical that having had their recommendation adopted, ELI and NEXTLINK now contend that “[t]he record does not include the data necessary to make this calculation” and therefore recommend that the Companies’ compliance filings be rejected. *Joint CLEC Comments, p. 7.*
- 77 We expect ELI, NEXTLINK, and the other CLECs to cooperate with the ILECs and provide the necessary data. As the Commission stated at para. 376 of the Seventeenth Supplemental Order, “if the CLECs are unwilling to provide this information, other proxies may be substituted, such as revenue.” If the parties are unable to resolve this, they must address the issue again in Docket No. UT-003013.

## **K. U S WEST’s Recovery of OSS Costs**

### ***1. Issues***

- 78 Paragraph 112 of the Seventeenth Supplemental Order directed U S WEST to make compliance filings of interim rates for interconnection mediated access (IMA), or manual ordering, and Electronic Data Interexchange (EDI), or electronic ordering. Furthermore, at para. 436 of the Order, the Commission required that these OSS elements be split in accordance with the nonrecurring charge directive requiring the bifurcation of nonrecurring elements between connection and disconnection. Finally, para. 465 of the Order required that U S WEST remove resale OSS system costs from its OSS cost studies to prevent double recovery in conjunction with their recovery in the Customer Transfer Charge.
- 79 In its December 15 ,1999 filing, Staff expressed some concerns about U S WEST’s OSS compliance filing. Staff questioned the appropriateness of the rate categories start-up and ongoing maintenance. Staff also questioned if it was appropriate to include non-IMA related expenses in its IMA category.
- 80 In Staff’s response to Request No. 19, Staff said that it had no objection to the recovery of two types of OSS costs on an interim basis. It maintains the concern expressed during Phase II that the start-up costs may be over-inflated and “wonders whether it would be

appropriate to order a true up following a decision on permanent rates for OSS in Docket No. UT-003013.” Commission Staff Response to Request for Clarification No. 19.

81 U S WEST responded that it did not improperly add additional categories of rates for start-up and ongoing maintenance. U S WEST pointed out that these rate categories had been part of its Phase II proposal and pointed to sections of the Seventeenth Supplemental Order where the Commission recognized and discussed the two types of costs associated with OSS. *U S WEST Reply Comments*, p. 3.

82 U S WEST had previously addressed the issue of a true-up. In its closing brief in Phase II of this proceeding, U S WEST stated that it is “willing to accept a true-up to actual costs incurred if such modifications to its cost recovery proposal make them more acceptable.” *U S WEST Phase II Brief, February 18, 1999*, p. 59.

83 Rhythms expressed its concern that the IMA rate may permit U S WEST to “double recover . . . manual costs by charging CLECs to process both IMA and facsimile orders if the CLEC only uses one of these processes.” Rhythms advocates that the Commission require U S WEST to “break out the charges under its non-electronic category for both IMA and facsimile ordering and implement a pricing structure that avoids the potential for charging CLECs for the costs of an interface they do not use.” *Rhythms Links Response to Requests for Clarification*, p. 2.

## ***2. Commission Decision***

84 U S WEST is correct that the Seventeenth Supplemental authorized it to file an interim rate structure that includes separate charges for start-up and ongoing maintenance costs. *See, Seventeenth Supplemental Order, paras. 89, 102 and 106.*

85 We also reaffirm our earlier finding that the IMA, or manual, rate classification includes the placement of orders by facsimile. At para. 437 of the Seventeenth Supplemental Order the Commission stated that the manual category included placing of order by facsimile or IMA.

86 With respect to Staff’s concern about the level of expenses being recovered through the interim OSS rates, we reaffirm that the “permanent” level of expenses to be recovered through the charges will be resolved in Docket UT-003013.

87 We agree with Staff that a true-up of the OSS rates should be implemented. Therefore we order U S WEST and GTE to file tariffs stating this condition and to track the revenues collected through their OSS rates as well as all other information needed to implement a true-up. We also order these parties to submit a description of their tracking mechanisms as a work paper with their filings and also in Docket UT-003013 to allow interested



parties to comment and the Commission to review the mechanisms and establish a true-up period.

88 In the Seventeenth Supplemental Order, the Commission ordered separate rates for electronic and non-electronic OSS functions. Rhythms's proposal to further break out the charges for different manual activities is a natural extension of this concept. We do not adopt Rhythms's proposal at this time because it should be further explored and costs determined before a decision can be made to implement it. Rhythms may submit its proposal in Docket No. UT-0003013.

## **L. U S WEST's Customer Transfer Charge**

### ***1. Issues***

89 Staff contends that U S WEST's Customer Transfer Charge (CTC) compliance filing did not comply with the Commission's Seventeenth Supplemental Order. In paras. 464 and 465 of that Order, the Commission required U S WEST to revise its CTC to include all of staff's proposed adjustments. Staff points out that the compliance filing rates are, with the exception of two rate elements, "inexplicably higher" than the rates set forth in (Staff) Exhibit C-664 (JYR-2)." Staff recommends that the Commission reject U S WEST's CTC compliance filing until the company adjusts its CTC rates to conform with the changes recommended in Exhibit C-664. *Staff Comments, p. 4.*

90 AT&T also expressed its concern that the filed compliance rates do not correspond with the rates supported through Exhibit C-664. *AT&T Comments, p. 11.*

91 U S WEST responds that the Seventeenth Supplemental Order did not require the Company to mirror the rates in Exhibit C-664. It explains that, while the Company used the rate structure proposed by Staff, it added back the OSS systems costs to its customer transfer charge in order to comply with the Commission's requirement, at para. 465, that it remove those wholesale OSS costs from its OSS cost study. Because these costs had been removed by Staff from Exhibit C-664, U S WEST added the systems costs back in to the customer transfer charge. The Company contends that if these costs were excluded from the customer transfer charge, they would need to be added back into the OSS costs. *U S WEST Reply Comments, pp. 9-10.*

### ***2. Commission Decision***

92 Question 29 of our March 17, 2000 request for clarification asked U S WEST to document how its customer transfer charge compliance filing complies with the requirements of our Seventeenth Supplemental Order. U S WEST responded that it believes the CTC study is in compliance with the Commission Order, but it did not provide any supporting documentation. *U S WEST Response to Question 29.*

- 93 In light of the concerns raised by Staff and AT&T, U S WEST is ordered to file within two weeks of the date of this order documentation that clearly illustrates how it modified its study to comply with the Seventeenth Supplemental Order. Two weeks after the submission is made, other parties may comment on whether they believe the documentation demonstrates that the Company has complied with our Order.
- 94 The documentation should start with the original study and then show, step by step, in detail, how the calculations were modified to comply with Exhibit C-664 and the sources in the record of all information used in the calculations.
- 95 We do find that it was appropriate to transfer the OSS costs to the customer transfer charge. However, we require the Company to provide clearer documentation on how the transfer was implemented. The documentation should identify to which customer transfer charge rate elements the OSS system costs were added to, as well as the dollars involved.
- 96 We will allow U S WEST's November 15, 1999 customer transfer charges to become effective, on condition. If the supplementary documentation discussed in this section demonstrates that those rates are in error, U S WEST will be required to refile at the rate the Commission determines proper, and to refund any overcharges. U S WEST must maintain records sufficient to make any needed refunds.

## **M. Line Conditioning**

### *1. Issues*

- 97 GTE and U S WEST filed compliance rates for line conditioning, *i.e.*, cable unloading and bridged tap removal. The Joint CLECs point out that in our Nineteenth Supplemental Order, the Commission did not include line conditioning in the list of items that require compliance filings. They add that the Seventeenth Supplemental Order expressly required further proceedings to determine the appropriate rate structure for the recovery of these costs. The Joint CLECs contend that, since the Commission did not authorize any such prices to be included among the compliance filings, the proposed rates should be rejected.
- 98 GTE agrees that the Commission did not expressly request GTE to file line conditioning rates. But they add that para. 235 of the Seventeenth Supplemental Order set GTE's interim line conditioning rates equal to the interim rates adopted for U S WEST at para. 232. *GTE Reply Comments, p. 10.*
- 99 U S WEST asserts that the Joint CLECs are incorrect. U S WEST states that in the Nineteenth Supplemental Order, in Section II.A.7, the Commission permitted compliance filings in order to reflect the addition of common costs to previously establishing

recurring and nonrecurring rates. It adds that the Commission had previously established U S WEST's loop conditioning costs in the Eighth Supplemental Order, and had previously established these prices at page 3 of the Seventeenth Supplemental Order.

## **2. Commission Decision**

- 100 The Commission approved U S WEST's conditioning cost study in the Seventeenth Supplemental Order and deferred consideration of GTE's new outside facility connect charge study. The Commission also asked parties to address in a subsequent proceeding the rate structure that should be used to recover the cost of load coil and bridge tap removal. *Paras. 232, 235-36, and 238.*
- 101 Our statements in the Seventeenth Supplemental Order concerning the need to discuss the appropriate rate structure in a subsequent proceeding has caused some confusion about the ability of ILECs to charge for loop conditioning costs.
- 102 As GTE pointed out, at para. 235 of the Seventeenth Supplemental Order, the Commission stated that since the Commission lacks cost information for GTE, "and an interim price of \$0.00 would not be appropriate, the Commission will use U S WEST's costs as a proxy and set GTE's interim rate equal to the interim rate for U S WEST."
- 103 Therefore we agree with GTE and U S WEST that the Seventeenth Supplemental Order authorizes them to charge for loop conditioning at the rates submitted in the parties' compliance filings.

## **N. U S WEST's Tandem Switched Local Transport Rate**

### **1. Issues**

- 104 U S WEST's compliance filing contains two sets of costs for tandem transport, non-distance sensitive and distance sensitive. *U S WEST compliance filing, Attachment A, p. 2.*
- 105 AT&T contends that the distance sensitive portion is "duplicative." AT&T adds that the Fourteenth Supplemental Order did not mandate the establishment of any additional distance sensitive charges. *Id.*
- 106 U S WEST responded to AT&T's objection by citing para. 30 of the Fourteenth Supplemental Order as support for the filing of the distance sensitive rates. In that order, the Commission stated that as to the distance sensitive elements the Commission would "rely only upon the U S WEST and GTE cost estimates . . ." *U S WEST Reply Comments, p. 10.*

107 AT&T disagrees with U S WEST's interpretation of para. 30. AT&T notes that para. 30 of the Fourteenth Supplemental Order discusses dedicated, direct and common transport, but not tandem switched local transport. *AT&T Response to Commission Requests for Clarification*.

## **2. Commission Decision**

108 AT&T's use of the term duplicative suggests that the cost of transport is already included in the non-distance sensitive rate. The distance sensitive tandem switch costs are not included in the non-distance sensitive rate. The Commission pointed out at para. 45 of the Fourteenth Supplemental Order that U S WEST's tandem switch transport is similar to the common transport cost element in the Hatfield Model 5.0a. The Hatfield Model's common transport cost element is composed of a transport and the transmission terminal component. At para. 47 of the Fourteenth Supplemental Order the Commission used the Hatfield Model's estimate for the transmission terminal. For the distance sensitive component the Commission did not rely on the model's transport cost estimate.

109 We find that it was appropriate for U S WEST to include in its compliance filing distance sensitive rate elements for tandem switched local transport.

## **O. U S WEST's Per-Port Common Channel Signaling**

### **1. Issues**

110 AT&T contends that the per-port common channel signaling cost should be removed from the compliance filing since the "Commission has not ruled on this cost." *AT&T Comments, p.12*.

111 U S WEST did not address AT&T's contention in its reply comments.

### **2. Commission Decision**

112 On March 13, 2000, the Commission asked AT&T to explain why AT&T believes the Commission did not rule on this cost estimate for per port common channel signaling. Question no. 5 asked AT&T to address U S WEST's representation in its compliance filing that para. 60 of the Fourteenth Supplemental Order authorized the establishment of the rate.

113 AT&T responded that para. 60 of the Fourteenth Supplemental Order does not address common channel signaling.

- 114 U S WEST's filing cited para. 58, not para. 60, as support for approval of this rate element. We erred in asking AT&T to explain why it believed para. 60 did not authorize the filing of the per-port common channel signaling price.
- 115 Therefore, within two weeks after this Order is entered, U S WEST must explain in greater detail exactly why it believes that para. 58 of the Fourteenth Supplemental Order authorizes the filing of a per-port common channel signaling rate. The filing should include an attachment that shows in detail and explains in narrative form, step by step, in detail, exactly how the per-port cost of \$148.80 was developed.
- 116 Two weeks after U S WEST provides this information, other interested parties may comment on the U S WEST filing.

## **P. U S WEST's Physical Collocation Rates**

### *1. Issues*

- 117 In the Seventeenth Supplemental Order, the Commission generally established that the collocation rates in GTE's interstate tariff should be used as interim rates for both U S WEST and GTE, pending development of rates that comply with the pricing requirements of the Act and FCC orders and rules. *Paras. 302, 321, and 530.*
- 118 Subsequently, U S WEST requested that the Commission reconsider its requirement at para. 530 of the Seventeenth Supplemental Order that U S WEST's interim collocation prices shall equal GTE's prices. In the Eighteenth Supplemental Order, the Commission determined that "the rates adopted in the arbitration proceedings will remain in effect until we make a final determination regarding collocation prices. As we describe below, this will be done in a new docket." *II.E.2 at p. 11.*
- 119 U S WEST did not include rates for collocation in its compliance filing. The Company contended that the Eighteenth Supplemental Order established that the rates set in arbitration proceedings will remain in effect until the Commission makes a final determination regarding collocation prices. *U S WEST Compliance Filing, p. 2.*
- 120 The Joint CLECs contend that the Nineteenth Supplemental Order established a different process. The Joint CLECs state that the Nineteenth Supplemental Order established that final collocation rates would be established in a new proceeding and therefore the "Commission necessarily contemplates that...interim collocation prices...will become effective" at the close of this proceeding. *Joint CLEC Comments, pp. 2-3.*
- 121 U S WEST disagrees with the Joint CLECs' reading of the Nineteenth Supplemental Order. The Company states "there is no language whatsoever in the Nineteenth

Supplemental Order which supports their suggestion that U S WEST be required to file a tariff with interim collocation rates.” U S WEST Reply Comments, p. 7.

## ***2. Commission Decision***

122 We reaffirm the position the Commission adopted in the Eighteenth Supplemental Order. The Interim rates adopted in the arbitration proceedings will remain in effect until the Commission makes a final determination regarding collocation prices.

## **Q. Inclusion of Administrative, Product Management and Business Fees in U S WEST Cost Studies**

### ***1. Issues***

123 AT&T objects to the inclusion of administrative, product management, and business fee expenses as part of the U S WEST’s estimate of its costs. AT&T states that it is improper to add these loaders onto the Company’s direct cost estimates of different elements. *AT&T Comments, p. 4 (OSS); p. 8 (UNE NRC); p. 10 (ILNP NRC); p. 12 (customer transfer charge).*

124 U S WEST responded that these items have been included as part of the Company’s direct costs (*p. 5*).

### ***2. Commission Decision***

125 In order to add clarity to this matter, the Commission asked U S WEST to provide copies of cost studies previously filed in this docket that demonstrate that administrative, product management, and business fee expenses were previously treated as direct costs in the Company’s TELRIC studies. The Company’s submission is consistent with our own running of the Company’s loop model, RLCAP. Both the studies filed in response to Request for Clarification, Q. 23, as well as the version of RLCAP that was used in Phase 1, show that U S WEST has previously treated administrative, product management, and business fee expenses as direct expenses.

126 Therefore, we approve the use of the administrative, product management, and business fee expense loaders in U S WEST’s TELRIC studies.

## **R. GTE's Methodology to Determine Separate Rates for Electronic and Manual Orders**

### ***1. Issues***

127 Paragraphs 112 and 453 of the Seventeenth Supplemental Order directed U S WEST and GTE to make compliance filings supporting interim rates for IMA, or manual ordering, and EDI, or electronic ordering.

128 AT&T argues that GTE did not comply with the Commission order to file separate NRCs for electronic and manual processing. At para. 453 the Commission ordered GTE to develop separately the cost of manual and an electronic ordering. AT&T states that GTE's compliance filing reports the incremental cost of a manual order, relative to an electronic order. AT&T speculates that the incremental cost "appears to be based on the weighting of the service order volumes determined to be manual." *AT&T Comments*, p. 14.

129 GTE responded that

[t]o develop the manual non-recurring rate, GTE subtracted the cost of processing an electronic order from the cost of processing a manual order. GTE then weighted the incremental cost by the service order volumes for each type of service to develop on manual charge to be added to the electronic charge for all manual costs.

GTE cited its Compliance Filing, Tab 8, page 1 of 8, footnote 3. *GTE Reply Comments*, pp. 4-5.

### ***2. Commission Decision***

130 As with GTE's NRC study, we find the compliance filing to be unclear and therefore we do not approve it. We do not agree with the logic of the calculations described in the prior paragraph. We read the statement to say that the cost of a manual order equals the cost of a manual order minus the cost of an electronic order. This would only be true if the cost of an electronic order is zero and the cost of manual order is already known.

131 Neither do we find the documentation in Compliance Filing Tab 8 to be clear enough to explain how the electronic and manual NRCs were determined.

132 Therefore, as part of the Company's response to para. 56, GTE is ordered to provide sufficient detailed, step-by-step documentation to explain clearly why it believes its compliance rates do comply with the requirements of paras. 112 and 453 of the Seventeenth Supplemental Order.

## **S. GTE Order Processing Time**

### ***1. Issues***

- 133 Paragraph 468 of the Eighth Supplemental Order established that the order processing time “for the first link ordered” was six minutes.
- 134 GTE’s compliance filing indicates that it used a higher value than six minutes in its NRC study. AT&T questioned how the Commission-ordered processing time of six minutes was translated by GTE into a higher value. *AT&T Comments, p. 15.*
- 135 GTE responded that the U S WEST NRC study reflects a per-loop activity while GTE’s times reflect per-order activity. GTE adjusted the work time adopted for U S WEST to account for the differences in costing methodologies between the companies. *GTE Reply Comments, pp. 5-6.*

### ***2. Commission Decision***

- 136 GTE’s method for order processing time is approved. The Commission Eighth Supplemental Order stated that six minutes would be used for each link, not for each order.

## **T. GTE’s Collocation Building Modification Charge**

### ***1. Issues***

- 137 At para. 304 of the Seventeenth Supplemental Order the Commission stated
- that GTE’s practice of requiring the construction of separate entrance facilities in its central offices for the use of collocating CLEC personnel is not allowable under current FCC regulations. See, para. 42 of Order No. FCC 99-048. GTE is, therefore, directed to remove all costs related to the construction of separate personnel entrance facilities from its proposed Building Modification Charge.
- 138 Staff contends that GTE’s compliance collocation filing does not comply with the Seventeenth Supplemental Order because it includes costs for a chain link wall to cordon off GTE equipment from CLEC personnel, and costs for card access. Staff recommends that the Commission reject GTE’s Building Modification Charge compliance filing until GTE includes Staff’s recommended changes. *Staff Comments, pp. 6-7.*
- 139 Similarly, the Joint CLECs argue that because GTE offered no evidence that it partitions its central offices with fences as security measures to protect GTE’s equipment, it cannot



justify recovery of chain link fencing costs from CLECs. The Joint CLECs, citing to paras. 283-84 of the Seventeenth Supplemental Order, also criticize GTE's compliance filing for imposing the entire cost of collocation on the first collocator. *Joint CLEC Comments*, pp. 3-4.

- 140 The Joint CLECs ask the Commission to require GTE to further modify its Building Modification charge to remove all fencing costs and to develop a rate that proportionately distributes remaining costs according to the total space available for collocation. *Id.* at 4.
- 141 GTE responds that Staff and the Joint CLECs "attempt to re-litigate and elicit from the Commission decisions on issues the Commission has expressly deferred to another proceeding." *GTE Reply Comments*, p. 11.
- 142 GTE notes that paras. 302 and 304 of the Seventeenth Supplemental Order make no finding regarding security costs. Rather, the Commission deferred "permanent resolution of collocation pricing issues" to a subsequent proceeding.
- 143 GTE adds that the Commission has yet to make a definitive ruling on whether ILECs can recover their total start-up collocation costs from the first collocator. *Id.*, p. 11-12, citing to para. 284 of the Seventeenth Supplemental Order.

## **2. Commission Decision**

- 144 On March 17, 2000 the United States Court of Appeals for the District of Columbia issued its decision in *GTE Service Corporation et al. v. FCC*, No. 99-1176, Consolidated with 99-1201. 2000 U.S. App. LEXIS 4111. In that proceeding, the Court reviewed the FCC's collocation rules that the FCC had established in FCC Docket 99-048.
- 145 The Court upheld the FCC rule, which requires incumbent LECs to bear the initial costs of preparing collocation space for their competitors, as opposed to requiring the first collocator to bear the entire cost of preparing new collocation space. The Court stated, "The approach adopted by the [FCC] is fully justified as a reasonable way to ensure that LECs do not impose prohibitive requirements on new competitors and thus kill competition before it ever gets started." *Id.* at II. D.
- 146 The Court also upheld the FCC's rules regarding cageless collocation: "We find that the agency's interpretation in support of cageless collocation is reasonable and consistent with the statutory purpose of promoting competition, without raising the threat of unnecessary takings of LEC property. Indeed, on the record at hand, it is hardly surprising that the FCC opted to prohibit LECs from forcing competitors to build cages, particularly given the alternative means available to LECs to ensure the security of their premises." *Id.* at II.C, (footnote ommitted).

147 GTE appears to be correctly interpreting the Commission's Seventeenth Supplemental Order. In light of the FCC's rules and the ruling of the United States Court of Appeals, however, GTE is ordered to modify its Building Modification charge to remove all fencing costs and to develop a rate proportionately distributing the remaining costs according to the total space available for collocation.

## U. GTE's Switching Rates

### 1. Issues

148 GTE's switching cost compliance filing included a 24.75% common cost markup.

149 AT&T contends that because the switching per-minute and per-port rates are not derived from GTE cost studies, it is inappropriate to increase these cost estimates by the mark-up authorized for direct cost studies submitted by GTE. *AT&T Comments*, p. 17.

150 GTE disagrees. GTE states that the Commission ordered a 24.75% common cost markup for GTE's costs, citing the Commission's Seventeenth Supplemental Order at paras. 206 and 208.

151 AT&T did not advocate the use of an alternative mark-up.

### 2. Commission Decision

152 At para. 319 of the Eighth Supplemental Order, the Commission describes the method used to convert the switching investment to an annual cost. The Commission explained that it used an annual charge factor of 22.95% that was obtained from a U S WEST cost study. This value was applied to both the GTE and U S WEST values that were derived at paras. 315 and 318 of the Eighth Supplemental Order.

153 U S WEST's compliance filing recognized that, based on the use of the 22.95% annual charge factor, only common costs should be added the cost estimates developed in the Eighth Supplemental Order. *U S WEST Compliance Filing, Attachment A*, p. 2.

154 We therefore conclude that GTE's switching compliance filing is not in compliance with the Commission Orders in this proceeding. GTE is Ordered to make a compliance filing that uses the same loading factor, 4.05%, that U S WEST applied to its port and local switching elements.

## ORDER

155 The Commission hereby orders as follows:

- 156 1. As to each item that is not addressed in this Order, and each item that is approved without change in this Order, U S WEST and GTE may file tariffs no later than five days after the service date of this Order with a stated effective date of three business days after the date of filing. The tariff filings must be limited to the elements specifically authorized in this Order.
- 157 2. As to each item that is not approved in this Order, and as to all additional requirements within this order that U S WEST or GTE file further information, other materials, or a revised rate, all of those filings must be made no later than two weeks after the service date of this Order. Responses may be made to those items by other parties no later than four weeks after the service date of this Order. The Commission will enter an order approving or disapproving the subsequent filings or giving further instructions.
- 158 3. A copy of each filing with the Commission must be served on counsel for other parties so that it is received on the date filed with the Commission.

Dated at Olympia, Washington and effective this            day of May, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner