

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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| In the Matter of the pricing Proceeding for |) | DOCKET NO. UT-960369 |
| Interconnection, Unbundled Elements, |) | |
| Transport and Termination, and Resale |) | |
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| In the Matter of the pricing Proceeding for |) | DOCKET NO. UT-960370 |
| Interconnection, Unbundled Elements, |) | |
| Transport and Termination, and Resale |) | |
| for U S WEST Communications, Inc. |) | |
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| In the Matter of the pricing Proceeding for |) | DOCKET NO. UT-960371 |
| Interconnection, Unbundled Elements, |) | |
| Transport and Termination, and Resale |) | TENTH SUPPLEMENTAL |
| for GTE Northwest Incorporated |) | ORDER ON CLARIFICATION |
| |) | AND RECONSIDERATION; |
| |) | NOTICE OF TECHNICAL |
| |) | CONFERENCE; NOTICE OF |
| |) | PREHEARING CONFERENCE |
| |) | (9:00 A.M. , August 6, 1998) |

BACKGROUND

On April 16, 1998, the Commission entered the Eighth Supplemental Order, an interim Order resolving costing issues. On June 5, 1998, the Commission entered the Ninth Supplemental Order, an Order upon requests for clarification. The instant Order follows the same convention with regard to findings of fact, conclusions of law, and Commission orders as the two prior Orders in this proceeding.

NOTICE OF TECHNICAL and PREHEARING CONFERENCE

NOTICE IS GIVEN That the Commission will convene a Technical Conference to address various issues arising from the application of the parties' cost models to specific components of interconnection and unbundled elements. NOTICE IS FURTHER GIVEN That the Commission will convene a Prehearing Conference to address procedural aspects of the pricing phase of this proceeding. The Technical/Prehearing Conference will be held at the Commission's office in Olympia at 9:00 a.m., (PDST), Thursday, August 6, 1998; attendance will be permitted via the Commission's teleconference bridge (which consists of twelve ports), one port per party, *IF parties have reserved a port not later than Friday, July 31, 1998, by contacting Terrence Stapleton at 360-664-1141.*

MEMORANDUM

I. DEFERRED TAXES

1. In the Eighth Supplemental Order, we did not address the treatment of deferred taxes. TRACER subsequently requested that the Commission clarify that Order to 1) include specific directions that all future models must properly account for the effect of deferred taxes, and 2) make a downward adjustment to the capital components of the BCPM and Hatfield models' loop costs to be used in this proceeding.
2. In the Ninth Supplemental Order (Order), we accepted that it is appropriate to take deferred taxes into account when estimating the economic cost of providing a service. We directed the parties to re-run the loop cost studies with this new input value within two weeks of the date of the Order. We also ordered that they submit revised studies and explicitly identify and describe the modifications to the model algorithms to account for the investment tax credit. Furthermore, the Commission encouraged parties who did not sponsor the proxy models to submit their recommended changes to the model algorithms. ¶71.
3. As a consequence, Sprint notified the Commission that the version of the BCPM model it filed in this proceeding already had been modified to correctly account for deferred taxes. Sprint's June 18, 1998 Letter to Commission (Sprint Letter).
4. Sprint stated that the corrected formula could be found in a file labeled WACapcost.xls. Sprint Letter. We did find the corrected formula in the file. The files with the U S WEST and GTE specific inputs do not contain the corrected formula.
5. We have re-run BCPM after correcting the U S WEST and GTE capital cost files. The modifications result in loop cost estimates of \$15.72 and \$21.81, respectively, for U S WEST and GTE.
6. Prior to making the correction for deferred taxes, BCPM estimated a monthly loop cost of \$17.23 and \$24.18 for U S WEST and GTE, respectively. Hence, the reduction in the estimated cost of the loop is approximately ten percent for both firms. The ten percent change is consistent with the testimony of AT&T witness Klick. TRACER Brief at 31.
7. GTE submitted that "while BCPM may not capture and reflect completely the effect of deferred taxes, this understatement does not materially affect capital costs derived from BCPM." GTE Comments in Compliance with Ninth Supplemental Order on

Clarification at 5.

8. U S WEST, AT&T, and MCI did not address whether the version of BCPM considered in this proceeding correctly took into account deferred taxes. Comments of AT&T and MCI at 4-5; U S WEST Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 8-10.
9. With respect to the impact of deferred taxes on the Hatfield Model cost estimates, AT&T and MCI point out that TRACER submitted testimony on this issue during the Universal Service proceeding. TRACER witness Zepp concluded that when the impact of the deferred taxes is recognized in version 5.0(a) of the Hatfield Model, statewide exchange costs decrease by 8.69% for U S WEST and 9.32% for GTE. MCI and AT&T assert that “[t]he reductions estimated should be the same for the earlier versions of the [Hatfield] Model,” including version 3.1, which was used in this docket. Comments of AT&T and MCI at 4-5.
10. MCI and AT&T’s submission is inconsistent with our Ninth Supplemental Order:

We direct the parties to re-run the loop cost studies with this input value within two weeks of the date of the instant Order. The parties must submit the revised studies, and explicitly identify and describe the modifications to the model algorithms to account for the investment tax credit. Ninth Supplemental Order at ¶71.
11. MCI and AT&T have relied on testimony submitted in a different docket and for a version of the Hatfield Model that was not considered in this proceeding.
12. On the other hand, we do note that the reductions reported by MCI and AT&T are consistent with Mr. Klick’s testimony. Ninth Supplemental Order at ¶68.
13. U S WEST claims that when deferred taxes are taken into account, the income tax component of the capital cost factor is reduced by approximately seven percent. U S WEST’s Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 9.
14. U S WEST did not comply with our requirement that parties "explicitly identify and describe the modifications to the model algorithms to account for the investment tax credit." Ninth Supplemental Order at ¶71.
15. U S WEST adds that the Hatfield Model includes neither ELG depreciation nor a deferred tax calculation. U S WEST asserts that “the ELG depreciation method [has been] adopted by the Commission.” It states that, if the Hatfield Model were modified to reflect ELG depreciation and deferred income taxes, the loop cost estimates would increase slightly. U S WEST’s Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 8-9.

16. U S WEST did not provide a citation to its assertion that the Commission has adopted ELG depreciation methods for use in economic cost studies.
17. In our Ninth Supplemental Order, in response to Commission Staff's request for clarification on depreciation issues, we stated: "The [Eighth Supplemental] Order makes no ruling on ELG weightings or survivor curves and we choose not to do so at this time. Rather, for these items, we have used the models' default values." Ninth Supplemental Order at ¶64.
18. We find that none of the modifications to the Hatfield Model version 3.1 submitted by the parties are consistent with Paragraph 71 of the Ninth Supplemental Order. Therefore, as in Paragraph 71 of the Ninth Supplemental Order, we direct the parties to re-run the loop cost studies with this input value within two weeks of the date of the instant Order. They must then submit the revised studies, and explicitly identify and describe the modifications which were made to the model algorithms in order to account for the investment tax credit.

II. FOUR-WIRE LOOP

19. In the Ninth Supplemental Order, we reconsidered our estimate of the cost of a four-wire loop relative to the cost estimate of a two-wire loop. In Paragraph 20, we ordered U S WEST to re-run its four-wire study with a modification of the 257C investment. We noted that, while U S WEST's cost study asserted that the 257C investment was twice as high for a four-wire as for a two-wire loop, GTE said the difference was only 30 percent. Ninth Supplemental Order at 19.
20. In response to our Order, U S WEST provided the results of a study in which they assumed that the 257C investment was the same for both a two-wire and a four-wire loop. It submitted the results from a second study in which it assumed that the 257C investments were 30 percent higher for four-wire than for two-wire loops. This second study indicated that the investment for a four-wire loop was 187 percent of the level associated with a two-wire loop. U S WEST's Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 2-3.
21. In its June 19, 1998 comments, U S WEST reported only the difference in investment levels; it did not report the difference in the cost levels. In its initial submissions in this proceeding, U S WEST assumed that the investment for a four-wire loop was twice that of a two-wire loop, but it did not assert that the cost was twice as high. Rather, it reported a cost difference of 182 percent, a value lower than U S WEST is now advocating. Exh. C-115, Local Interconnection Service - Link - 4-Wire, 1996 Recurring Cost Study, November 1996, Section 7, at 1b; and C-115, Appendix 1, Table 2 (\$23.98 and \$43.81 cost for a two and four-wire loop, respectively). U S WEST's Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 3-4.

22. U S WEST also disagreed with the Commission's conclusion, in Paragraph 20 of the Ninth Supplemental Order, that it is an unreasonable assumption that the four-wire 257C investment is twice as expensive as the capital required for a two-wire loop. U S WEST's Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 3
23. U S WEST argued that the four-wire 257C investment is at least twice as expensive as the capital required for a two-wire loop. The Company did not reconcile its position with GTE's conclusion that the difference was only 30 percent. Ninth Supplemental Order at ¶19.
24. U S WEST is ordered to provide a comparison of the cost of a two and four-wire loop using inputs to RLCAP and EWINPC3 that are consistent with the Commission's findings in the Eighth Supplemental Order. When making these calculations, the Company should assume that the 257C investment for a four-wire loop is 30% more expensive than the investment in a two-wire loop. The study shall be filed within two weeks of the date the instant Order. If the cost difference is greater than the 182% difference discussed at Paragraph 21 of the instant order, U S WEST is ordered to demonstrate and provide an explanation for the outcome.
25. TRACER claims that the Commission has erred by not accepting TRACER'S argument that placement costs for the four-wire loop is substantially the same as placement costs for a two-wire loop. TRACER's Comments Re 9th Supplemental Order at 1-2.
26. In our Ninth Supplemental Order, we pointed out that structure costs are recovered based on the number of working pairs in the cable sheath. ¶¶14-18. TRACER disparagingly refers to this procedure as "no more than a cost allocation study." TRACER's Comments Re 9th Supplemental Order at 1-2. TRACER provides no argument that is contrary to the Commission's finding that this procedure is utilized in all of the loop cost models. Nor did TRACER address our finding that "[t]he assignment of structure (placement) costs to these additional lines resulted in a reduction in the cost estimate for the primary loop." Ninth Supplemental Order at ¶18. Therefore, the Commission denies TRACER's request that the Commission rely upon its original observation in the Eighth Supplemental Order regarding the cost difference between a four-wire and two-wire loop.

III. TRANSPORT COST STRUCTURES

27. In the Ninth Supplemental Order, we noted that U S WEST reports transport costs in a format different from that used by the Hatfield Model. For transport termination,

the Hatfield Model estimates the monthly cost per DS-0 equivalent. The Hatfield Model reports the cost of dedicated, common, and direct transport. We stated that U S WEST's cost studies do not make this distinction. U S WEST estimates the cost per minute. The parties were directed to submit comments in which they addressed ways in which the Hatfield and U S WEST transport cost structures could be reconciled. At a minimum, they were asked to discuss 1) the need to separately identify dedicated, common, and direct transport costs, and 2) if they support the need to make this distinction, how the U S WEST cost data could be used to estimate these different types of transport costs. Ninth Supplemental Order at ¶38.

28. Commission Staff notes that in Docket No. UT-950200, the Commission accepted U S WEST's LTR, or Local Transport Restructure, which was developed in Docket No. UT-941464, and directed U S WEST to file rates according to this structure in its dedicated access tariffs. Fifteenth Supplemental Order, Commission Decision and Order Rejecting Tariff Filing; Requiring Refiling (April 11, 1996), at 115. Staff believes that the transport cost structure for local interconnection should be the same as that included in the access tariff previously accepted by the Commission. Commission Staff's Comments in Response to Ninth Supplemental Order on Clarification at 2.
29. Commission Staff adds that the transport cost elements in U S WEST's access tariff -- entrance facilities, direct trunk transport, and tandem switched transport -- are similar in structure to the Hatfield cost elements: "U S WEST's 'entrance facilities' correspond to 'dedicated transport' in the Hatfield Model. Likewise, U S WEST's 'direct trunk transport' and 'tandem switched transport' correspond to 'direct transport' and 'common transport' in the Hatfield Model." *Id.*

| Transport Element Tariff Terms | |
|---------------------------------------|---------------------|
| <i>U S WEST</i> | <i>Hatfield</i> |
| Entrance facilities | Dedicated Transport |
| Direct Trunk Transport | Direct Transport |
| Tandem Switched Transport | Common Transport |

30. AT&T and MCI state that common transport as estimated by the Hatfield Model is equivalent to the Transport for Tandem Switching network element in the U S WEST cost studies. They also equate dedicated transport from the Hatfield Model with direct trunk transport in the U S WEST model. Finally, they state that direct transport from the Hatfield Model is the inter-office facilities between end offices. Comments of AT&T and MCI at 3.
31. U S WEST offers the following descriptions of these different network elements:

Entrance facilities provide for dedicated connection between CLEC switches and U S WEST wire centers. Tandem switched transport provides for tandem switching to or from CLEC entrance facilities and common transport between U S WEST's tandem switch and the subtending end offices. Finally, direct trunk transport provides for direct, dedicated trunking between U S WEST's end offices and tandem switches. (Emphasis in original.) U S WEST's Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 4.

32. Based upon the clarification provided by U S WEST, AT&T, MCI, and Commission Staff, we find that the U S WEST cost data can be used to estimate the same transport elements as the Hatfield Model.
33. The Hatfield Model reports transport network element costs on both a per minute and DS-0 equivalent basis. In Paragraph 440 of the Eighth Supplemental Order, we stated that "[d]ue to our concern regarding the calculation of [the route-to-air mile ratio] value in the [Hatfield] model, we do not believe that the Hatfield Model should be used to calculate inter-office costs."
34. Each of the above three elements identified by the Hatfield Model -- dedicated, common, and direct transport -- have distance-sensitive elements. In light of our finding in Paragraph 440 of the Eighth Supplemental Order, we will not use the Hatfield Model's estimates for these distance-related network elements. Rather, we will rely only on the U S WEST and GTE cost estimates where consistent with our findings in the Eighth Supplemental Order.
35. The Hatfield Model dedicated transport component is comparable to U S WEST's entrance facilities elements in that it applies to the dedicated connection between a CLEC's network and a U S WEST wire-center. In the Hatfield Model, the dedicated transport component is costed on a DS-0 equivalent basis, while U S WEST reports the cost of DS-1 and DS-3 entrance facility options. U S WEST's Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 5-6.
36. The Commission will convene a technical conference at 9:00 a.m. (PDST), Thursday, August 6, 1998, at which the parties will discuss how the Hatfield Model dedicated transport cost estimates can be reconciled with the U S WEST and GTE cost estimates.

The parties are directed to be prepared to discuss the procedure that should be used for comparing the Hatfield Model DS-0 estimates with the U S WEST DS1 and DS3 values. In addition, the parties are directed to address whether there is a need to establish the cost of all three transmission speeds, or if only DS1 and DS3 facilities should be calculated.

37. At the technical conference, the parties also are directed to address which procedure should be used to reconcile the Hatfield Model direct transport transmission terminal estimates with the U S WEST direct trunk transport estimates. The parties also will be asked to address how to reconcile the Hatfield Model common transport transmission terminal estimate with the U S WEST tandem switched transport estimates.
38. The GTE cost studies make reference to entrance facilities, direct trunk transport, transport termination, and tandem switching. GTE Ninth Supplemental Order Compliance Filing, June 23, 1998, UNESum Tab. At the technical conference, the Commission and parties will discuss how the Hatfield Model estimates can be reconciled with the GTE estimates.

IV. PUBLIC TELEPHONES

39. In Paragraph 42 of the Ninth Supplemental Order, the parties were directed to submit comments regarding the need to set a UNE price for public telephones, and, if such a need exists, how the Hatfield Model cost data should be used to fulfill this objective.
40. AT&T, MCI, U S WEST, and Commission Staff state that this item is not a network element and no cost estimate is required. Comments of AT&T and MCI at 3; U S WEST's Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 7; Commission Staff's Comments in Response to Ninth Supplemental Order on Clarification at 3.
41. Based on the comments submitted by these parties, the Commission finds that there is no need to set a UNE price for public telephones.

V. COMMON CHANNEL SIGNALING

42. In Paragraph 43 of the Ninth Supplemental Order the parties were directed to address how the different cost structures and estimates for common channel signaling could be reconciled. The Hatfield Model reports the cost of links, STP per signaling message, and SCP per query. U S WEST reports the fixed and per-mile costs for direct link transport, as well as the STP monthly cost per port.

43. U S WEST responds that it is “impossible to reconcile the two models” because of the different assumptions regarding STP vendors. U S WEST also states that the Hatfield Model uses average costs for the transport links between service switching points, or SSPs and STPs, whereas the U S WEST Model uses distance-sensitive transport links through the direct link transport element. U S WEST’s Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 7-8.
44. GTE states that only company-specific cost models, which produce costs consistent with existing rate structures, should be used for common channel signaling and SS7. Ninth Supplemental Order Compliance Filing, June 23, 1998, at 4.
45. AT&T and MCI point out that the Hatfield Model link costs are based on the costs for direct trunk transport. Comments of AT&T and MCI at 4. We have previously expressed our unwillingness to use the Hatfield Model to estimate the cost of distance- related interoffice facilities. Ninth Supplemental Order at ¶37.
46. The Hatfield Model estimates the STP cost on a per message basis. U S WEST uses a port charge. AT&T and MCI propose that the two values be equated by dividing the Hatfield annual cost by the number of trunks (ports). This would provide the STP cost per port. Comments of AT&T and MCI at 4. The Commission and the parties will address this proposal at the technical conference.
47. For the SCP, the Hatfield Model estimates the cost per query. According to MCI and AT&T, U S WEST has not provided an estimate for the SCP. Comments of AT&T and MCI at 4. Neither has GTE estimated the cost of the SCP. Ninth Supplemental Order Compliance Filing, June 23, 1998, UNESum Tab. At the technical conference, the Commission and the parties will address the need to establish the cost for the SCP.

VI. OTHER UNES

48. In Paragraph 42 of the Ninth Supplemental Order the parties were directed to submit comments in which they address whether only U S WEST's cost estimates for DS1, DS3, EICT, regeneration, and central office multiplexing are part of the record, or if other parties have placed cost estimates into the record during Phase 1.
49. U S WEST responded that it had evaluated the cost estimates submitted by the other parties and has concluded that no other party proposed cost estimates for DS1, DS3, EICT, regeneration, or central office multiplexing. U S WEST’s Comments--Pursuant to the Requirements of the Ninth Supplemental Order at 8.
50. MCI and AT&T respond that these items are not network elements and no costs need be set. Comments of AT&T and MCI at 4.

51. Commission Staff stated that it is not aware whether any party other than U S WEST has provided estimates for these items. Commission Staff's Comments in Response to Ninth Supplemental Order on Clarification at 3.
52. GTE states that multiplexing and DS1/DS3 transport are specific UNEs which are within GTE's dedicated transport rate structure. Ninth Supplemental Order Compliance Filing, June 23, 1998, at 4.
53. Whereas multiplexing and DS1/DS3 transport costing issues will be discussed at the technical conference, we make no finding regarding their cost levels at this time.
54. GTE also notes that costs for EICT, also referred to as physical collocation, will be refiled in Phase II.
55. Because EICT, or physical collocation, will be addressed in Phase II, we make no finding regarding the cost of this item in this Order.

VII. GTE'S MOTION TO ESTABLISH SEPARATE SCHEDULE FOR TRANSITION COSTS AND NON-RECURRING COSTS

56. On May 27, 1998, GTE filed a motion to sever from this docket consideration of the company's transition costs and non-recurring costs. GTE states that working in conjunction with Arthur Anderson it has developed a comprehensive NRC study. In order to tailor the study to Washington, GTE requests that transitional and non-recurring costs be addressed in a subsequent, separate docket.
57. GTE's motion is denied in so far as it seeks to sever transition and non-recurring costs from this proceeding. **GTE is ordered to file its cost study not later than August 21, 1998.** The Commission and the parties will discuss scheduling on the issues of transition and non-recurring costs at the prehearing conference scheduled in the instant Order.

VIII. TERMS AND CONDITIONS

58. U S WEST asks the Commission to stay that portion of the Ninth Supplemental Order requiring the Company and GTE to file terms and conditions for the tariffs required by the Eighth Supplemental Order. The Commission denies the request for a stay. Nonetheless, the Commission acknowledges the competing and conflicting interests on this matter, dating back to its final Order in the Interconnection proceeding,

Docket No. UT-941464, *et al.*, and continuing into the present circumstance of Commission approved interconnection agreements pursuant to the federal Telecommunications Act of 1996. At the Prehearing Conference we schedule in this Order, the Commission and the parties will address the utility of segregating the issue of tariff terms and conditions from the pricing phase of this proceeding.

IX. U S WEST'S PETITION FOR FURTHER CLARIFICATION AND RECONSIDERATION OF THE EIGHTH SUPPLEMENTAL ORDER

59. On June 23, 1998, U S WEST petitioned the Commission for further clarification and reconsideration of the Eight Supplemental Order. The request was prompted by the Commission's decision in the Ninth Supplemental Order regarding the cost of tandem switching.
60. In the Commission's Ninth Supplemental Order, the cost for tandem switching was established based upon the average of the cost estimates from the Hatfield Model and U S WEST's SCM Model. In the Eighth Supplemental Order the Commission found that neither model should be used to determine the cost of switching.
61. U S WEST claims that there is an "irreconcilable inconsistency between the Eight Supplemental Order's determination for end-office switching and the Ninth Supplemental Order's determination for tandem switching. In order to reach the cost determination for tandem switching, the Commission relies on, and averages, the results from the SCM and Hatfield Models." U S WEST Petition for Further Clarification and Reconsideration of the Eight Supplemental Order at 2.
62. We disagree. U S WEST has failed to distinguish the Hatfield Model, from a component in the Hatfield Model that is used to calculate the cost of end-office switching. The four data points described at Paragraphs 283 and 285 of the Eighth Supplemental Order clearly have nothing to do with tandem switching. A tandem switch is typically not used to terminate lines, it is used to connect interoffice trunks.
63. Furthermore, the Hatfield Model documentation clearly distinguishes the inputs for end-office and tandem switching (compare Ex. 40, sections 4.1 and 4.6 (end-office and tandem switching, respectively)). The Hatfield Model Inputs for end-office switching were challenged during the Phase 1 hearings. The Model's inputs for tandem switching were not questioned by other parties (see, for example, Briefs of GTE and U S WEST).
64. U S WEST recognizes that the Commission did not reject the use of the Hatfield Model when it determined the cost of the loop. ("This method also appears to be consistent with the method employed to calculate the loop cost, *i.e.*, the use of several models and the application of judgment to determine reasonableness." U S WEST Petition for Further

Clarification and Reconsideration of the Eight Supplemental Order at 3.)

Therefore, just as we have used the Hatfield Model to estimate the cost of the loop, we have used it to estimate the cost of tandem switching.

65. Neither did parties comment on the merits of the SCM estimates for tandem switching. See, for example, Brief of AT&T/MCI.
66. In the Eighth Supplemental Order the SCM was not accepted by the Commission because the model is closed and the cost estimates were unreasonable. ¶¶304-306.
67. The SCM tandem switching module is not in the public domain. In the Eighth Supplemental Order we maintained our preference for open models. ¶297. The FCC Staff has only provided an estimate of the end-office investment function. Whereas there are available no public estimates for tandem switching, we are willing, with some reluctance, to use the SCM for estimating this cost. We further note that since the FCC Staff has not provided an estimate for tandem investment, we are unable to validate the reasonableness of the SCM cost estimate in the same fashion as we did for end-office switching in the Eighth Supplemental Order. ¶305.
68. Contrary to U S WEST's claim, there is no "irreconcilable inconsistency between the Eighth Supplemental Order's determination for end office switching and the Ninth Supplemental Order's determination for tandem switching."
69. U S WEST expresses its concern that our estimated per minute usage cost, \$.00115 per minute (Eighth Supplemental Order at ¶320), does not take into account billing and collection. U S WEST Petition for Further Clarification and Reconsideration of the Eighth Supplemental Order at 2. U S WEST does not provide any support for this assertion.
70. Finally, U S WEST asserts that our finding that end-office switching is less expensive than tandem switching "is contrary to every party's calculation, and industry knowledge." U S WEST provides no support for this contention.
71. The switching cost estimates are a function of a number of inputs, including, but not limited to, the percentage of end-office costs that is port related; the number of lines on an end-office switch; the number of trunks on a tandem switch; and the percentage of traffic that occurs during the end-office busy-hour. In light of these factors, we are unwilling to base our cost estimates on the unsubstantiated claim that industry knowledge requires a rate for end-office switching that is more than the cost of tandem switching.

X. SUB-LOOP UNBUNDLING

72. AT&T and MCI note that the Commission has not established a cost estimate for the network interface device. This cost is estimated by the Hatfield Model. Comments of

AT&T and MCI at 4.

73. At the technical conference, the Commission and the parties will discuss the need for establishing the cost of the network interface device, as well as the estimates that are part of the record in this proceeding.

DATED at Olympia, Washington, and effective this 23rd day of
July 1998.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner