BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL Chairman
JIM IRVIN Commissioner
MARC SPITZER Commissioner

Arizona Corporation Commission
DOCKETED JAN 23 2002

IN THE MATTER OF INVESTIGATION INTO QWEST CORPORATIONS' COMPLIANCE WITH CERTAIN WHOLESALE PRICING REQUIREMENTS FOR UNBUNDLED NETWORK ELEMENTS AND RESALE DISCOUNTS.

DOCKET NO. T-00000A-00-0194

STAFF'S LIST OF ADDITIONAL UNRESOLVED ISSUES

I. Introduction

By Procedural Order dated January 15, 2002, the Commission asked the parties to file a Joint List which “addresses issues that the parties believe were not addressed in the November 8, 2001 Recommended Opinion and Order or were not clear from the text of that Order.” In response, the parties have prepared a “Joint List of Unresolved Rates.” AT&T has agreed to file this List on behalf of the parties.

Staff believes that by resolving and/or clarifying a few underlying “issues,” many of the rates identified may be addressed as well. For example, the Recommended Opinion and Order (“ROO”) does not address the material costs to be used as inputs to the models (other than the HAI model), and resolving this issue alone will allow parties to calculate the costs and rates for several services.

Finally, it was also decided that each party would file its own list of additional rates or issues where agreement could not be reached to include the issue[s] on the Joint List. Following is Staff's list of additional issues which Staff believes also needs resolution and/or clarification.

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II. **Staff's List of Additional Unresolved Issues**

Staff's list of additional issues is the same as previously presented in the Staff's Exceptions to the Administrative Law Judge's ("ALJ's") December 12, 2001 ROO. (Staff's Dec. 12 Exceptions). A short discussion of each issue follows:

1. **Terminal and Splice Inputs for the HAI Model.**

   The "terminal and splice" investment default inputs in the HAI model are $42.50 for buried, and $32.00 for aerial. In the prior proceeding, Docket No. U-3021,96-448 et al., the ACC had determined that the investment for these items should be $70.00 per line. The ROO in this proceeding does not specifically address this issue. See page 1 of Staff's December 12 Exceptions for the details, citations and Staff's recommendation on this issue.

2. **Calculation of the Four-Wire Costs.**

   Another issue not addressed in the ROO is how to calculate the four-wire costs once the two-wire costs have been determined by the HAI. See page 2 of Staff's December 12 Exceptions for the details, citations and Staff's recommendation on this issue.

3. **The Rates for Loops that Are not Calculated in the HAI Model.**

   The HAI model calculates the cost for two-wire loops. However, it does not calculate the cost for "DS1 Capable" or "DS3 Capable" loops. See page 2 of Staff's Dec. 12 Exceptions for the details, citations and Staff's recommendation on this issue.

4. **Material Costs.**

   Material costs were used as inputs in the cost studies for collocation rates, line sharing rates, and CLEC-to-CLEC rates. These material costs were disputed. However, the ROO does not address the material costs to be used in these cost studies. Qwest generally based its material cost inputs on the material costs of 41 "actual" collocation jobs. (Exhibit Qwest-8, pages 50 and 81). In this proceeding, Staff and some other parties contended that the material costs based on those 41 collocation jobs were unrepresentative, since all of those 41 jobs were performed by outside vendors (Exhibit Qwest-8, page 58), whereas the vast majority (approximately 80%) of the actual Qwest collocation jobs are done by Qwest (QTI) personnel. (Exhibit Staff-11, Tr. 471-475). See page 3 of Staff's December 12 Exceptions for the details,
citations and Staff's recommendation on this issue.

5. **Engineering Costs.**

Many of Qwest's cost studies include Qwest estimates of engineering costs. On pages 39-40, the ROO discusses Qwest's proposed charge for "engineering." It is not clear whether the discussion on pages 39 and 40 applies to only one specific engineering charge. If so, what "engineering" costs should be used in the numerous other locations in which Qwest has included engineering costs. See page 2 of Staff's Dec. 12 Exceptions for the details, citations and Staff's recommendation on this issue.

6. **Engineering on Line Sharing.**

Qwest proposed a charge which includes the cost of engineering a "bay". Qwest would apply this charge each time a CLEC required even one "shelf." However, there are eight "shelves" in a "bay". Therefore, Staff proposed that a lower engineering fee apply when an additional shelf is added in an existing bay, since that bay would already exist. The ROO did not address this issue. See pages 5 and 6 of Staff's December 12 Exceptions for the details, citations and Staff's recommendation on this issue.

7. **Power Cables.**

As indicated in the ROO, WorldCom argued that Qwest's cost studies overstate the length of power cable. (ROO, p. 43) While the ROO recognizes cable lengths were at issue, the ROO does not resolve the proper cable length to be used in the cost models in this proceeding. See page 6 of Staff's Dec. 12 Exceptions for the details, citations and Staff's recommendation on this issue.

8. **Further Clarification of the Non-Recurring Charges.**

Page 32 of the ROO states:

We believe that the CLEC sponsored NRC model properly recognizes the efficiency that will occur in a forward-looking network, and we, therefore, adopt the CLEC model in this proceeding.
Qwest is utilizing a narrow interpretation of this statement. Qwest is proposing that the Qwest proposed NRCs apply, except for the NRCs that specifically appear on intervenors' Exhibit RL-2 of Mr. Lathrop. Staff proposes that for those NRCs not specifically addressed on Exhibit RL-2 of Mr. Lathrop, non-recurring charges should be consistent with the ROO's adoption of the CLEC NRC model. See pages 6 and 7 of Staff's Dec. 12 Exceptions for the details, citations and Staff's recommendation on this issue.

9. **Related NRC Issue.**

The ROO adopts Mr. Lathrop's NRCs for connecting DS1 and DS3 interoffice, but is silent on similar charges for DSO, OC-3 and OC-12. Qwest contends that the charges for these connections should be in excess of $300.00. To prevent anomalous charges, Staff recommends that the $7.60 installation and $0.53 disconnection fee that the ROO already adopts apply consistently by all of these connections. See page 7 of Staff's December 12 Exceptions for the details, citations and Staff's recommendation on this issue.

10. **Common Overhead Factors in Cost Studies other than the HAI Model.**

For the HAI model, the ROO adopted the HAI model's default 10.4 percent overhead factor. (ROO, p. 21) However, no direction is given as to what overhead factors should be used in the models other than the HAI model (such as the collocation, line sharing, and CLEC-TO-CLEC models). The ROO needs to specify what markup over direct costs should be included in the models other than the HAI model. See page 8 of Staff's Dec. 12 Exceptions for the details, citations and Staff's recommendation on this issue.

11. **Miscellaneous and Minor Charges.**

After the above items are discussed, there are still several miscellaneous items or specific rates that are not addressed in the ROO. Please see pages 9 and 10 of Staff's December 12 Exceptions for the details, citations and Staff's recommendation on this issue. On page 10 of those Staff Exceptions, Staff proposes a general solution for the miscellaneous rates.

**III. Conclusion**

The above issues must be resolved before any affected rates can be calculated. For example, the material cost issue must be resolved before we will know what material costs to
utilize in the collocation, line sharing, and CLEC-to-CLEC cost studies.

The above issues impact a large number of rates. On December 19, 2001, Staff filed its “Compliance Pricing Proposal.” The last column of that document contains footnotes that identify those issues that need to be resolved before each specific rate could be properly calculated.

In summary, there are a large number of rates that cannot be properly calculated until the above issues are addressed. Once those issues are addressed, the specific rates can be properly determined.

RESPECTFULLY SUBMITTED this 23rd day of January, 2001

[Signature]

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