

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of QWEST)	<u>DOCKET NO. 00-049-105</u>
CORPORATION for Commission)	
Determination of Prices for Wholesale)	<u>ORDER</u>
Facilities and Services)	

ISSUED: June 6, 2002

By the Commission:

PROCEDURAL HISTORY

On December 22, 2000, Qwest Corporation ("Qwest") filed an Application for Initiation of a Proceeding and Convening of Scheduling and Technical Conference. The Application requested that the Commission initiate a proceeding to set prices for facilities and services that Qwest provides to other local exchange carriers for which prices have not previously been set. The application requested that the Commission convene a combination scheduling and technical conference to identify facilities and services on which prices need to be set, to discuss procedures to be followed in setting those prices and to schedule the proceeding. On January 22, 2001, Qwest petitioned for a general Protective Order for the Docket. On January 30, 2001, the Commission granted the petition for a Protective Order. On January 31, 2001, the Commission held a scheduling and technical conference in this matter.

From February 14, 2001 to February 23, 2001, the following parties submitted petitions to intervene in this Docket: McLeodUSA Telecommunications Services, Inc., MCI-Worldcom, Inc. and its regulated affiliates, Eschelon Telecom, Inc., Beehive Telephone Company, Inc., AT&T Communications of the Mountain States, Inc. ("AT&T") and TCG Utah, XO Utah, Inc., and Electric Lightwave, Inc. On February 27, 2001, the Commission granted all of the petitions to intervene.

The parties attended numerous technical conferences, and testimony was prepared and submitted in accordance with the Procedural Orders in this Docket.

Hearings in this matters were held October 17, 2001 through October 19, 2001. Qwest appeared through counsel, Gregory Monson, and offered expert testimony. AT&T and XO appeared jointly through counsel, Gregory Kopta, and sponsored expert testimony. The Division of Public Utilities also appeared through counsel, Douglas Tingey, and offered expert testimony. No other parties participated in the hearings. Parties filed briefs on December 3 and December 5, 2001.

DISCUSSION

The subject of this Docket requires the Commission to set prices for a wide array of unbundled network elements (UNE). We approach this task by first deciding issues of general application and then turning to the specific issues the parties brought forth.

As in Docket No. 00-049-106, we direct Qwest to incorporate the Commission's directions and findings in this Order into their models and file prices for unbundled elements that incorporate the directions found in this Order.

General Issues

Qwest and AT&T/XO each present expert testimony in this matter. The Division of Public Utilities also offers testimony. Both Qwest and AT&T/XO complain that the opposing witnesses are unqualified. Qwest criticizes the AT&T/XO witness for not having worked in an unbundled network element environment. AT&T/XO protest that

Qwest relies on unnamed subject matter experts that they could not cross-examine. Unfortunately both parties are correct. Both parties present people to defend estimates that others had made. While defending these estimates, witnesses could only provide second (or third) hand information at best, or their own professional opinion as to the reasonableness of the estimate. In addition, AT&T/XO's witness provides a number of independent estimates. The professional opinions vary dramatically in most cases. The Division of Public Utilities' witness accepts Qwest's rationale but upon examination testifies that the Division had not undertaken an independent analysis. Therefore, the Commission will evaluate the validity of Qwest's and AT&T/XO's data and estimates primarily on the information brought forward by those parties.

The Commission has the task then of trying to balance these opinions. For those cases where the arguments presented by one party clearly outweigh the other, the Commission has found for that party; in all other instances the Commission attempts to find a reasonable middle ground designed to protect the public interest in this developing telecommunications market.

Factors

The Commission set rates for Qwest's general factors in Docket No. 00-049-106. We order that Qwest use these same rates for the relevant factors in this Docket. This results in a general overhead factor of 26.7%.

Labor Time Estimates

Qwest has provided estimates of the time required to do the numerous tasks identified in its model. AT&T/XO provide extensive testimony contesting many of these estimates. In addition to extensive discussion in the confidential portion of the record, the parties present their views on a few of the more notable estimates in the hearings. Since both parties present their own models and testify that in general the other party's approach is incorrect, no estimate of either party is unchallenged. However, the estimates that receive detailed challenges and responses in testimony or at the hearings are a small subset of the models' inputs and estimates. The Commission will address three specific items and then establish general rules that apply across the models broadly.

The first such specific estimate we review is the time required by Qwest employees to verify that a CLEC has a certificate in Utah, that it has a valid interconnection agreement, and the proper UNE rates. The current proposed SGAT requires that CLEC information of this type be entered into a database that should have the capacity to supply the information to Qwest's wholesale agents in real-time while the agent is in the process of entering the transaction. The Commission finds that AT&T/XO's position on this issue is reasonable. Qwest must reduce this estimate in their model to match AT&T/XO's estimate of no extra marginal time for this activity.

The next set of estimates that AT&T/XO challenge are Qwest's estimates of the costs of the activities associated with field and structure verifications. These include activities such as pole, conduit, duct, and manhole occupancy/use information. As an example, AT&T/XO presented evidence that independent firms will provide pole verification for much less money than the \$36.99 per pole that Qwest estimates. According to AT&T/XO's witness, the fees per pole typically range from \$2.50 to \$6.00. The Commission finds that AT&T/XO's time and total cost estimates for field and structure verifications are reasonable and directs Qwest to use them. Table 1 contains the prices.

Table 1

Pole Inquiry Fee, per Mile	\$0.00
Innerduct Inquiry Fee, per Mile	\$0.00
ROW Inquiry Fee	\$18.50
ROW Document Preparation	\$36.99
Field Verification Fee, per Pole	\$6.00
Field Verification Fee, per Manhole	\$73.99
Planner Verification, Per Manhole	\$0.00
Manhole Verification Inspector per Manhole	\$73.99
Manhole Make-Ready Inspector per Manhole	\$73.99

Regarding other labor/time estimates in Qwest's models the Commission finds upon review of the written testimony submitted by the AT&T witness that Qwest's estimated times are generally excessive. In the confidential testimony and during the hearing AT&T/XO presented evidence of significant overestimates of time. Qwest's replies do not convince the Commission. Usually AT&T/XO advocates 75 to 85 percent reductions in labor hour estimates. After reviewing the record and examining the actual estimates, the Commission finds that selecting the midpoint between the experts' positions is a reasonable estimate of the time inputs for the models. The Commission did not find either party's complete set of recommendations persuasive. As a result, the only position we felt was appropriate in this case is the midpoint between the parties' positions. This requires a 40% across-the-board reduction to Qwest's estimates. The Commission directs Qwest to incorporate this across-the-board reduction in its compliance filing.

Another issue that has Docket-wide impact is determining the correct flow-through percentages of an efficient forward-looking firm. Flow through is the percentage of orders that can be processed without manual intervention. The ideal is for all standard type orders to simply flow through the ordering systems. In actuality many orders do not flow through, these orders require manual intervention and hence increase costs. AT&T/XO advocate a 98% flow-through pointing to the experience of NYNEX with the EASE system. Qwest points out that the EASE system deals with resale only, not UNEs, and therefore will have a much higher flow-through rate than a system designed to treat UNEs separately or to treat UNEs and resale jointly. The Commission agrees. However, this does not resolve the central issue of what constitutes reasonable expectations for flow-through rates in a forward-looking environment. Qwest argues that since the ROC OSS test participants accepted an 85 percent flow through rate (for many measures) then by default an 85 percent rate is sufficient. This argument, however, fails to address the central point. The designers of the ROC OSS test examined whether CLECs received parity, not whether Qwest functioned in an efficient forwarding-looking manner. Achieving parity is a necessary condition to show efficiency, but not a sufficient one.

The Commission rejects the 85 percent flow-through level as too low to represent a reasonable going-forward expectation. We note that even in the ROC OSS test setting parties anticipate that they will significantly increase the flow through standards over time. Qwest also points out that they could reasonably expect different areas of their operations to have different flow-through rates. Qwest did in fact propose different rates for different inputs of their models. The Commission finds this practice to be reasonable. Qwest also points out that some fall out (reduction in flow through) may be due to CLEC errors in submitted orders. While this may be true, Qwest has considerable control over the design of the ordering process. To the extent Qwest does not allow CLECs to verify information by accessing records, flow through will decrease. To the extent Qwest allows direct (or mediated but real-time) access to records, flow through will increase. We reject the idea that Qwest should be allowed to charge higher prices that are partially the result of having lower rates of flow-through than some other RBOCs are achieving. We do not direct the business decisions of Qwest with respect to how it designs the ordering process, but we do set prices on the assumption that the results produced by the ordering process will be the equivalent to the best practices achieved by Qwest's contemporaries.

We find that the question is not what is reasonable to expect Qwest to do right now, but what an efficient forward-looking firm would do, given the same general constraints and objectives. While NYNEX achieves a 98 percent flow through rate for resale, the Regional Oversight Committee has set long-term targets at 95 percent for all of the OSS test flow through measures except for unbundled loops. This is an indication that relatively high rates are both possible and expected. The long term OSS Test measure for loops has been set at 85 percent. The Commission views these long term rate benchmarks as additional evidence that very high flow through rates are the expected forward looking result. Recognizing the variation across measures, we direct Qwest to calculate the average between the specific flow-through rate estimates in their models and a 98 percent standard, for all but unbundled loops, and use the resulting average flow-through rates. For unbundled loops the Commission directs Qwest to use 90 percent flow through level.

AT&T/XO assert that Qwest generally overstates the prices it uses in its models since they depend on bids from relatively small contractors with short time horizons. AT&T/XO argue that the more relevant price that is consistent with a TELRIC approach is to assume long time horizons and the largest possible scope (i.e., what would it take to "build" the network from scratch). AT&T/XO provide the analogy of pricing the component pieces of a car to establish its cost rather than looking at the costs a major manufacturer would actually incur in producing it. We think this argument has merit, but lack any specific evidence to justify a general reduction of equipment and other bid type costs.

We encourage the parties to develop such evidence in future Dockets that will address UNE pricing.

AT&T/XO point out that Qwest proposes to charge what they consider to be an excessively large total installation factor (TIF). While Qwest has estimates of its TIF at greater than 200 percent, AT&T/XO advocate a 45 to 50 percent factor. Testimony suggests that the industry-wide practice commonly uses a factor much lower than 200 percent. While the evidence consists of expert opinion on this point, the Commission finds that as in other cases both parties overstate their case. Therefore, we direct Qwest to use a midpoint estimate of 125 percent for the total installation factor.

AT&T advocates a specific overhead factor in this Docket. The Commission has decided this issue with our decision to use the factors set in Docket No. 00-049-106 in all of the models used in this Docket. We direct Qwest to use an overhead factor that is consistent with factors ordered in Docket No. 00-049-106.

Non-Recurring Cost Model

Qwest and AT&T each presented their own non-recurring cost models. The Commission finds that AT&T's model is incomplete or inadequate in two respects. First, it does not calculate UNE prices for all of the elements that are the subject of this Docket, and second it does not allow the timely recovery of many costs that are incurred up-front by Qwest. The Commission finds that, generally, a CLEC should compensate Qwest for all non-recurring type costs when they occur. Therefore, the Commission accepts Qwest's non-recurring cost model. However, Qwest must reduce the inputs to that model as detailed in this Order. Qwest must reduce labor estimates by the general 40 percent correction explained above, Qwest must also reduce all factors (including the total installation and overhead factors) to match the factors and assumptions from Docket No. 00-049-105, and Qwest must adjust the flow-through percentages as explained above.

An additional area of disagreement regards the need for many of the proposed non-recurring charges themselves. Qwest submitted an exhibit that purported to show all of the non-recurring costs that were uncontested. However, a review of the record shows that the CLECs participating in this Docket actually advocated a price of zero for some of these elements. To the extent that CLECs cannot self-provision these UNEs once they control the line cards and other equipment involved, then Qwest is entitled to recover reasonable one-time setup charges in the form of non-recurring charges when CLECs order these UNEs. The Commission accepts the general categories of charges proposed by Qwest, but subjects these charges to the same labor, installation, and factor reductions ordered elsewhere.

Qwest includes in the non-recurring model costs associated with checking, verifying, logging, and similar activities. AT&T/XO suggest that in a forward-looking network these costs would not be necessary. We find that the quality of information is a critical factor in Qwest's ability to provide efficient service to CLECs; therefore, we find this category of costs to be reasonable. We note, that as is the case for all aspects of this model, the labor and factor reductions apply here also.

The parties significantly disagree regarding the proper non-recurring charges associated with installation of a loop. Qwest proposes several options combining various levels of coordination and testing. AT&T/XO argue that the extra options are unnecessary. The Commission agrees with Qwest that allowing CLECs to choose from various options is useful. Qwest must reduce the non-recurring charges (for each category) to reflect the Commission's findings regarding labor, factor, installation, overhead and flow through estimates.

Qwest shall also reduce the proposed non-recurring costs for installation by the amount Qwest included for disconnection charges. The Commission finds that it is poor policy to charge up-front for these costs that they may not incur until much later. Further, Qwest has factors in place to deal with bad debt by wholesale customers. Currently these factors are at a very low level (two-tenths of one percent), showing that Qwest's concern that CLECs will not pay them is unlikely to occur. Further, the record is insufficient to set a proper charge for these costs in any event. To do so the Commission would need information regarding a reasonable discount rate to impute to Qwest while it holds the prepayment, and information regarding the average term of service by UNE type. Neither class of information is on this record. Therefore, the Commission directs Qwest to reduce the non-recurring charge associated with any UNE installation by whatever amount is compensating Qwest for later disconnection of that UNE. The Commission also directs Qwest to submit specific disconnect charges as part of the compliance filing for this Docket.

Loop Conditioning Charges

While not a part of the non-recurring model, the charges Qwest proposes for loop conditioning are a one-time charge. Qwest proposes a \$673.00 one-time charge for any loop that needs conditioning. AT&T/XO criticize this amount for two primary reasons. First, they assert that Qwest significantly overstates the actual estimates of the time and materials involved, and second, AT&T/XO argue that Qwest should spread the actual cost over more than one loop and one company. With respect to the first point, the Commission's general labor and factor reductions will apply to this activity. With respect to the second point, we find that Qwest should condition the maximum possible number of loops at a given time. This will increase the likelihood that more Utah customers will have broadband options available to them. It is consistent with the policies suggested by Qwest and adopted by this Commission in Docket No. 99-049-41 that require Qwest to make a good faith effort to extend broadband capability to the maximum number of Qwest's Utah customers possible. Much debate in this Docket focused on how many loops the Commission could reasonably expect Qwest to condition at one time. Qwest argued that the proper number is one, while AT&T/XO argued that the proper number (at a minimum) is 50 loops. The Commission directs that Qwest reduce the conditioning charge by the general 40 percent labor reduction and all associated factor reductions and then spread the cost over 50 loops to establish the per loop price for conditioning.⁽¹⁾ Qwest is free to choose whether to charge such a per loop conditioning price to its own DSL services, and whether to retain the necessary financial and engineering records that would allow it to charge other CLECs and its own affiliate for a conditioned loop ordered at a later date. We note that an initial reading of Section 271 parity requirements suggests that an equal treatment of Qwest's own DSL provider may require that Qwest charge their affiliate the same price.

Loop Grooming Charges

The parties disagree on a proper method to solve the problem that arises when a CLEC orders a DS0 loop for a customer served by an Integrated Digital Loop Carrier (IDLC). The problem arises out of the technical reality that the analog DS0 signal only "exists" as a modified sub-component of a digital DS1 bundle. Qwest argues that since the CLEC has only ordered an analog signal the proper response is to install new equipment that would strip the appropriate DS0 signal out of the DS1 bundle, transform it back into an analog DS0 signal, and then deliver the DS0 analog signal to the CLEC's collocation space. Qwest proposes to charge the CLEC for the full cost of the required equipment and activities. AT&T/XO point out that it would be simpler, cleaner and much less costly to hand off a DS1 signal to the CLEC directly, even though the content of DS1 signal would contain only the one DS0 piece. Unfortunately this approach has the potential to degrade the capacity of Qwest to serve the remaining customers served by the IDLC in question.

We note that we did not allow Qwest to disassemble a working loop into its component pieces before delivering that loop to a CLEC in Docket No. 94-999-01. Likewise here we will not allow Qwest to impose a more costly, hardware-based solution in all instances. We find that it is likely that Qwest could provide the DSO in question through a DS1 connection usually. This solution entails little if any marginal non-recurring costs. However, Qwest will on occasion undoubtedly incur non-recurring costs. Unfortunately the record is silent on the likelihood of each scenario. We do know that Qwest uses AT&T/XO's approach for "large" IDLC systems. As Qwest's witness said:

In the larger carrier systems, his solution is exactly what we're doing. We're using the technical capability of the GR-303 to provision all of those CLEC unbundled loops into specific DS-1s. That's why that portion of the deMUX solution is cheaper than that which would be used in the smaller DLC systems. So we are taking advantage of that. Tr. 364 (Buckley)

So the issue can only arise on a subset of the IDLC systems, and then only in areas where the CLEC has a small customer base. We find that the expected occurrence and cost for this activity will be minimal. We also know that other Qwest states have found the average cost of grooming to be very low.⁽²⁾ Therefore we allow Qwest to charge a minimal amount for grooming only on lines they must actually groom, reflecting our understanding from reviewing the testimony that in most of the cases additional marginal investment will not occur. We set this price at \$2.00 per line actually groomed.

We do not specify what method Qwest will use to groom loops or deliver DS0/DS1 signals to CLECs. Qwest is free to implement whatever technical solutions they choose to implement, so long as the solutions fulfill their interconnection

obligations and all other relevant legal obligations.

Recurring Costs

All parties used Qwest's recurring cost model for the recurring UNE prices with the exception of DS1 and DS3 capable loops and intra-building cable. The Commission adopts Qwest's recurring cost model for the uncontested areas. The model's inputs are to be subject to the general 40 percent labor adjustment, factor adjustment from Docket No. 00-049-106 (including total installation and overhead factors), and the flow-through adjustments detailed in this Order.

A specific area of disagreement among the parties within the recurring cost model is the proper calculation to apply to shared transport when the costs associated with different trunk types are weighted. Qwest proposes to use the number of different types of trunks, while AT&T proposes to use a "per minutes of traffic carried" measure. The record demonstrates that while AT&T's method has some theoretical advantages, the data required to accurately estimate the proposed measure is not available. Further, since Qwest provisions trunks in response to capacity needs and guidelines, the number of trunks by type will, over time, be an unbiased measure of the relative importance of the different types of traffic carried. The Commission finds that Qwest's approach is acceptable.

Line Sharing

Qwest asked the Commission to set a recurring price for line sharing. Qwest argues that the price should reflect the value of the UNE on the market rather than having any relation to the UNE's actual cost. This argument is inconsistent with the FCC's interpretation of the 1996 Act. Specifically in speaking of how to price UNEs in a TELRIC environment the FCC stated:

We reject US West's value-based pricing methodology. As we stated in the Local Competition First Report and Order, the price for unbundled network elements should be based on forward looking costs. Setting the price for an unbundled network element based upon the competitive value that the facility confers upon another party does not conform with the TELRIC principles set forth both in this Order and in the Local Competition First Report and Order.⁽³⁾

Since the all of the costs of a loop are fully covered by the recurring charges already set in Docket No. 94-999-01 there are no recurring costs associated with providing line sharing.⁽⁴⁾ Accordingly the recurring line sharing price shall be \$0.00. Qwest may charge a reasonable non-recurring charge for set-up, and reasonable recurring charges for all other equipment (besides the high frequency portion of the loop) that a CLEC elects to purchase from Qwest.

Related to the provisioning of DSL there are a number of other issues raised by the various parties. Specifically, should Qwest be required to provide line splitters, what is a reasonable estimate of the amount of time required to engineer line splitting collocation, and should the recurring charge associated with a loop be adjusted to reflect any charges collected for line sharing (now moot given the Commission's zero price for line sharing).

It is the Commission's understanding that the FCC has specifically ruled that RBOCs are not required to provide line splitters.⁽⁵⁾

Therefore, we do not order Qwest to do so.

Qwest's estimate of the time to engineer line sharing collocation shall be reduced by the Commission's 40 percent factor (from 20 to 12 hours), and any costs associated with factors will be reduced to match the factors set by the Commission in Docket No. 00-049-105.

The Division proposed a positive line sharing charge and coupled that idea with requiring an adjustment to the existing rates for unbundled loops. The idea behind that proposal is to, on average, provide that Qwest is only able to collect its TELRIC costs for loops. The problem is that the process would require frequent adjustment to ensure that under- or over-collection did not occur, and for specific loops under and over collection is guaranteed. Specifically, on all loops on which line sharing did not occur Qwest would under-collect, and on all loops that line sharing did occur on, Qwest

would over-collect. By setting a zero price, and allowing Qwest to charge only the correct amount to cover the loop's costs, the Commission avoids the necessity to constantly readjust the allocation of TELRIC costs between these two activities. Therefore the Commission rejects the proposed TELRIC cost allocation and leaves the UNE loop rates at the amounts set in Docket No. 94-999-01, and sets the UNE price for line sharing at \$0.00.

Unbundled Transport

Qwest asserts that the typical connections a CLEC uses to transport traffic from Qwest's central offices to the CLEC's point-of-presence (POP) are of relatively low capacity and hence more expensive. CLECs point out that logically this may not be the case since the traffic on Qwest's network (between Qwest's central offices) is not concentrated like the traffic to one or a small number of CLEC POPs. Unfortunately the record is silent on the actual characteristics of the traffic in question. The record is relatively clear that digital signal (DS-N) facilities are more expensive (on an equivalent per usage basis) than are optical carrier type (OC-N) facilities. Therefore, the Commission directs Qwest to provide two prices for transport. One, an OC-N grade, which will always apply to interoffice traffic between Qwest's central offices, and that might apply to traffic from a Qwest central office and the CLEC's POP. The second, a DS-N rate, will apply whenever a CLEC orders transport to their POP for a traffic volume that requires only a DS-N facility. For CLEC orders that involve a volume of traffic that supports an OC-N facility, the first price shall apply. It is the Commission's understanding, from the record, that Qwest's current model in effect already calculates these prices and then weights them to obtain Qwest's proposed extended unbundled dedicated interoffice transport (E-UDIT) rate. The Commission directs that the same labor, factor and installation reductions detailed earlier in this Order shall be applied to the component pieces of Qwest's current unbundled dedicated interoffice transport (UDIT) and E-UDIT rates to develop the two prices for transport--based on the type of facility ordered, not on the type of traffic carried.

Intrabuilding Subloop/On Premises Wire

Both AT&T and Qwest agree on how to label the UNE involved. However, Qwest models two types of Multi-Tenant Environment (MTE) configurations (high and low density), while AT&T only models very high density. The record is clear that the costs and methods involved for the two types of MTEs are quite different. An average price that would cover both cases would cause CLECs to overpay for high-density subloops, and underpay for low-density subloops. Therefore, given the clear cost differences that exist, the Commission accepts Qwest's general approach, but directs that two prices be developed, one for each of Qwest's configurations. The low density group includes all units with eight or fewer occupants, and the high density group includes everything else. The same general adjustments detailed elsewhere in this Order shall apply to these calculations. We further note that Qwest is to charge for this UNE only in cases where the CLEC must access Qwest's facilities. For MTEs where the CLEC is able to access customers without using Qwest's facilities, no charge for any subloop elements will be allowed.

DS1 and DS3 Loops

The Commission set loop rates in the 94-999-01 Docket and the parties all state that they agree to use these rates in the models presented in this Docket. However, Qwest interprets that to mean they can use the two-wire rate exclusively (ignoring the four-wire loop rate of 1.635 times the two wire rate) when they calculate the cost of services that require a four-wire loop. The CLECs protest this use of the previous rates. Qwest's same logic was rejected by the Commission in its 94-999-01 Order. That is why the 1.635 factor exists. However, we note that the Commission has opened a Docket to reexamine loop (and related) rates. That is the appropriate forum to argue this issue. For this Docket, we direct the parties to use both the two and four-wire loop rates set in Docket No. 94-999-01 in their models. For UNEs that require a two-wire loop, the 94-999-01 two-wire loop rate will be used, for UNEs that require a four-wire loop the 94-999-01 four-wire loop rate will be used.

We accept Qwest's basic DS1 and DS3 methodology, but require additional adjustments. In addition to the standard labor, factor and installation reductions these rates require the following specific adjustments as well. First, a fill factor or capacity adjustment is necessary. The record shows that Qwest's model assumes only a 37 percent fill factor. Standard industry practice commonly uses an 80 percent utilization factor as a trigger to construct or order new facilities. Therefore at a minimum 40% would be the lowest rate usually observed. More often a midpoint rate between the 40 and 80 percent threshold rates is expected. Therefore the proposed factor is unacceptably low. The Commission

directs that a mid point factor of 60 percent be used. Second, the record shows that even though Qwest assumed a 37 percent fill factor they assumed that 100 percent of the capacity was outfitted with the necessary electronics and related equipment. We direct that the percentage fill factor and the percentage of equipped lines need to match. Therefore, we direct Qwest to reduce the 100 percent factor to 60 percent.

DS3 Entrance Facilities

Qwest proposes a significantly different price for DS3 entrance facilities than for the equivalent interoffice transport or loop. AT&T/XO point out that the physical equipment differences do not justify the proposed cost differences. We find the CLECs' logic compelling on this point. As stated above, the UNE price must be based on cost, not on a market value, or on the type of use the UNE is eventually put to by the CLEC. Therefore we accept AT&T/XO's point on this issue and direct Qwest to either remove this UNE from the list to be submitted in a compliance filing and allow CLECs to simply order interoffice transport, or price DS3 entrance facilities the same as interoffice transport facilities.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. Qwest's versions of the non-recurring and recurring cost models be used, subject to both the general labor, factor and installation adjustments characterized in this report, and the UNE specific adjustments detailed in the Discussion.
2. The general labor adjustment shall be a 40 percent reduction in the Qwest estimates, except for the specific cases noted in the Discussion.
3. The general factor adjustments adopted in Docket No. 00-049-106 shall apply.
4. The equipment total installation factor shall be 125 percent of the equipment cost.
5. Flow-through rates for all measures except unbundled loops shall be calculated by averaging Qwest's initially proposed rate with a 98 percent benchmark rate. For unbundled loops Qwest shall use a 90 percent flow through rate.
6. Qwest may include reasonable charges for checking, verifying, and logging information in its models. The time and general cost estimates for these activities shall be subject to the general reductions herein ordered.
7. Qwest must charge for disconnects separately at the time of disconnect.
8. The charge for conditioning a loop must be reduced by all of the general reductions detailed above. Following those reductions the remaining charge must be spread over 50 loops. Qwest may only apply the conditioning charge to loops that require conditioning. Qwest may elect whether to institute a record keeping system that would allow them to charge for loops conditioned after this Order issues, but ordered (by a CLEC or Qwest's affiliate) after the initial conditioning occurred.
9. The Commission adopts a charge of \$2.00 for each groomed loop. The Commission does not direct which method Qwest will use to groom the loop.
10. Qwest may use its weighted trunk methodology when it calculates shared transport costs.
11. The recurring rate for line sharing shall be \$0.00.
12. Qwest shall not be required to provide line splitters.
13. Qwest shall provide two unbundled transport prices based on the type of facility ordered, not the use to which the facility will be put. The types shall be OC-N grade and DS-N grade facilities. All interoffice transport shall be priced at the OC-N facility price.
14. Qwest shall calculate and submit two prices for Intra-building sub-loop (on premises wire), one for high density

MTEs, and one for low density MTEs. These prices shall be subject to all of the general adjustments detailed above.

15. The four-wire loop rate established in Docket No. 00-049-105 shall be used whenever the adopted models call for a four-wire loop input.

16. Qwest shall use the AT&T/XO methodology for calculating prices of DS3 entrance facilities.

17. Pursuant to Utah Code Annotated §63-46b-13, an aggrieved party may file, within 20 days after the date of this Report and Order, a written request for rehearing/reconsideration by the Commission. Pursuant to Utah Code Annotated §54-7-15, failure to file such a request precludes judicial review of the Report and Order. If the Commission fails to issue an order within 20 days after the filing of such request, the request shall be considered denied. Judicial review of this Report and Order may be sought pursuant to the Utah Administrative Procedures Act (Utah Code Annotated §§63-46b-1 et seq.).

DATED at Salt Lake City, Utah this 6th day of June, 2002.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard,

Commission Secretary

G#29723

1. The Commission notes that testimony shows that the vast majority of the costs associated with conditioning are either labor charges or charges associated with factors. Therefore given the size of the labor and factor adjustments we expect that the proposed \$673.00 charge would be reduced by approximately 40 to 50 percent. Spreading this reduced cost over 50 loops would yield a cost of approximately \$6.00 to \$8.00 per conditioned loop.

2. For instance Colorado has recently set grooming rates to be \$2.06. It is the Utah Commission's understanding Qwest has indicated to the Colorado Commission that it will accept this amount.

3. FCC 99-355 Paragraph 157 .

4. Unrefuted testimony established that the direct attributable cost of line sharing was: ". . . about a cent. . . . It's very small." (Tr. 497) As noted above the Commission believes that the one cent cost is already accounted for in the price of the loop.

5. Qwest quotes the FCC as follows: "We do not identify any circumstances in which the splitter would be treated as part of the loop." *In the Matter of Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance*, CC Docket No. 00-65, 15 FCC Rcd. 18,354 (2000) at ¶ 327. That order also stated: ". . . we have not imposed any obligation on incumbent LECs to provide access to their splitters." *Id.* at ¶ 329.