



revisions will need to be clearly indicated and the underlying cost studies will need to be submitted. Further, such filings should clearly indicate the rates that the respective ILEC believes to be accepted by the CLPs and those that it believes to be in dispute. Each ILEC also needs to include supporting arguments<sup>2</sup> for each of its proposals with sufficient detail to enable the Public Staff and other interested parties to file initial comments, to be followed up with reply comments.

... 8. That BellSouth, Carolina/Central, and Verizon shall each resubmit their proposed rates for cross-connects and cable installation for physical collocation and their proposed rates for cross-connects and cable installation for adjacent collocation arrangements. If any such proposed rates have been revised since they were last filed in this proceeding, then the ILEC shall provide its underlying cost studies in support of such rates. Such filings shall clearly indicate the rates that the respective ILEC believes to be accepted by the CLPs and those that it believes to be in dispute; and the ILEC shall provide supporting arguments for each of its proposals. Such filings shall be provided by the ILECs on or before Tuesday, September 23, 2003. Thereafter, on or before Monday, October 13, 2003, the Public Staff and other interested parties shall file initial comments. Thereafter, on or before Monday, November 3, 2003, reply comments by the interested parties shall be filed.

On September 22, 2003, BellSouth Telecommunications, Inc. (BellSouth) provided its filing concerning rates for cross-connects and cable installation for physical and virtual collocation arrangements, as required by the September 3, 2003 Order and, likewise, on September 23, 2003, Carolina Telephone and Telegraph Company and Central Telephone Company (collectively referenced as Carolina and Central) and Verizon South, Inc. (Verizon) made their respective filings in this regard.

On October 13, 2003, the Public Staff filed its initial comments concerning BellSouth's, Carolina and Central's, and Verizon's proposed rates for cross-connects and cable installation. No other party filed initial comments.

On November 3, 2003, Carolina and Central filed reply comments. No other party filed reply comments.

#### **DISCUSSION – BELLSOUTH**

In its September 22, 2003 filing, BellSouth stated that it had not revised any of its previously submitted rates for cross-connects or cable installation for physical or adjacent collocation arrangements and noted that these rates are still in dispute.

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<sup>2</sup> To the extent the ILEC does not find the need to provide any further supporting arguments for particular rates which the ILEC has already addressed in a prior filing, then if the ILEC believes such prior discussion to be sufficient, such prior filings should be referenced by an abbreviated description, including date and pertinent page numbers such that the information can be readily retrieved.

Additionally, BellSouth commented that it had identified two more elements for which final rates have not been ordered and do not appear to be under Commission consideration (the recurring rate for Element H.1.11, DS1 Cross-Connect and the recurring rate for Element H.4.2, Electrical Facility Cost per Linear Foot). BellSouth provided a listing of its unresolved proposed collocation rates pertaining to cross-connects and cable installation as follows:

Rate Element	Proposed Recurring	Proposed Nonrecurring	Proposed Nonrecurring First	Proposed Nonrecurring Additional
<b>PHYSICAL COLLOCATION:</b>				
H.1.5 Cable Installation		\$1,701.00		
H.1.9 2-Wire Cross-Connect			\$33.53	\$31.65
H.1.10 4-Wire Cross-Connect			\$33.67	\$31.70
H.1.11 DS1 Cross-Connect	\$1.38		\$52.87	\$39.86
H.1.12 DS3 Cross-Connect			\$51.97	\$38.59
H.1.31 2-Fiber Cross-Connect			\$51.97	\$38.59
H.1.32 4-Fiber Cross-Connect			\$64.53	\$51.15
<b>ADJACENT COLLOCATION:</b>				
H.4.2 Electrical Facility Cost per Linear Foot	\$5.78			
H.4.3 2-Wire Cross-Connect			\$33.53	\$31.65
H.4.4 4-Wire Cross-Connect			\$33.67	\$31.70
H.4.5 DS1 Cross-Connect			\$52.87	\$39.86
H.4.6 DS3 Cross-Connect			\$51.97	\$38.59
H.4.7 2-Fiber Cross-Connect			\$51.97	\$38.59
H.4.8 4-Fiber Cross-Connect			\$64.53	\$51.15

The Public Staff was the only party who filed initial comments on BellSouth's September 22, 2003 filing. In its initial comments filed on October 13, 2003, the Public Staff made several recommendations and noted that in its earlier reply comments filed on August 18, 2003, in this docket, the Public Staff had made recommendations concerning the appropriate nonrecurring rates for BellSouth's Element H.1.9, Physical Collocation - 2-Wire Cross-Connect, First and Additional. In that prior filing, the Public Staff provided an explanation for adjusting BellSouth's proposed rates for Element H.1.9 and recommended nonrecurring rates of \$19.77 for the first 2-wire cross-connect and \$14.95 for each additional 2-wire cross-connect. The Public Staff asserted in its October 13, 2003 comments that those previously recommended rates for Element H.1.9, First and Additional, 2-Wire Cross-Connects are still the rates it is recommending for adoption by the Commission.

In this regard, the Commission notes that the Public Staff's August 18, 2003 comments were filed in Docket Nos. P-100, Sub 133d and Sub 133j, along with various other parties' comments provided by BellSouth, DIECA Communications, Inc., d/b/a Covad Communications Company (Covad), AT&T Communications of the Southern

States, LLC (AT&T), and MCImetro Access Transmission Services, LLC and MCI WorldCom Communications, Inc. (MCI) concerning matters relating to a July 3, 2003 Letter filed by Covad in Docket Nos. P-100, Sub 133d and Sub 133j. In said Letter, Covad contended that there were certain inconsistencies in the nonrecurring charges in BellSouth's Statement of Generally Available Terms and Conditions (SGAT) concerning cross-connections in the central office.

On July 10, 2003, the Commission issued an Order requesting that interested parties file comments concerning Covad's Letter. By Order issued July 31, 2003, the Commission required the filing of initial comments on or before August 4, 2003, and reply comments on or before August 18, 2003.

On July 29, 2003, Covad, AT&T, and MCI, hereinafter, collectively referenced as the Competitive Carriers, filed their initial comments. On August 4, 2003, BellSouth filed its initial comments and, likewise, the Public Staff filed its initial comments.

On August 18, 2003, BellSouth filed its reply comments; the Competitive Carriers filed their jointly prepared reply comments; and the Public Staff filed both a confidential version and a nonconfidential version of its reply comments.

The issues raised in Covad's Letter and the related comments have not been previously addressed by the Commission. These matters involve BellSouth's nonrecurring rates for Element J.4.3, Line Sharing - per Line Activation in the Central Office with BellSouth-Owned Splitter; Element J.4.13, Line Sharing - per Line Activation in the Central Office with CLP-Owned Splitter; Element J.4.22, Line Splitting - per Line Activation in the Central Office with BellSouth-Owned Splitter; Element J.4.14, Line Splitting - per Line Activation in the Central Office with CLP-Owned Splitter; and Element H.1.9, Physical Collocation - 2-Wire Cross-Connect. In this regard, the Commission believes it is appropriate to address the nonrecurring rates for Element H.1.9, in this docket, Docket No. P-100, Sub 133j; and the Commission will address the nonrecurring rates for the various J.4 Elements noted above by further order to be issued in Docket No. P-100, Sub 133d.

#### **Covad's Letter**

In its Letter, Covad stated that in reviewing the expected costs to provision line splitting in North Carolina, Covad discovered that BellSouth intends to charge two nonrecurring charges from its SGAT<sup>3</sup> for cross-connections to the central office. Covad observed that each of these charges is almost double the total cost to provision line sharing, which includes a cross-connection.

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<sup>3</sup> Covad noted that in Docket No. P-100, Sub 133d the Public Staff had recommended that the nonrecurring charges in BellSouth's SGAT be adopted as the permanent nonrecurring UNE rates for North Carolina.

Covad noted that BellSouth's nonrecurring rate for Element J.4.3, Line Sharing - per Line Activation in the Central Office, is \$17.97. According to Covad, this element represents the combination of a 2-wire cross-connect in the central office and several administrative activities. Covad noted that BellSouth's SGAT nonrecurring rate for Element H.1.9, Physical Collocation – 2-Wire Cross-Connect, is \$33.53 alone, which is nearly double the \$17.97 nonrecurring rate for Element J.4.3, which includes both a cross-connect and administrative services for line sharing.

Covad alleged that it is inconsistent for the 2-wire cross-connect alone, Element H.1.9, to be almost twice as expensive as a 2-wire cross-connect combined with other services, Element J.4.3. Covad observed that when combined with operations support systems (OSS) charges, the resulting nonrecurring charges for line splitting is \$70.56, which is nearly triple the cost of provisioning line sharing and an unbundled network element platform combined.

Covad argued that a nonrecurring charge of \$33.53 for a 2-wire cross-connect in the central office is a barrier to line splitting, which is also particularly disturbing if the Federal Communications Commission (FCC) begins a phase-out of line sharing as an unbundled network element (UNE). According to Covad, the provisioning of line splitting normally involves two cross-connects in the central office, which is one more than required for line sharing. Consequently, Covad contended that two nonrecurring charges of \$33.53, for 2-wire cross-connects could preclude Covad from provisioning line splitting. Covad asserted that a rational cost for cross-connection would ameliorate this barrier to line splitting.

Covad recommended that the nonrecurring charge for a 2-wire cross-connect in the central office (Element H.1.9) should be \$2.34, which would be consistent with the percentage of the SGAT rate for Element J.4.3 (line sharing) that is attributable to the cross-connection. In support of its recommendation, Covad observed that BellSouth's supporting documentation in Docket No. P-100, Sub 133d, for Element J.4.3, revealed that out of a total of 2.8915 hours to provision a line shared loop, 0.3833 hours are spent performing the cross-connection, which represents 13% ( $0.3833 \div 2.8915$ ) of the total provisioning time.<sup>4</sup> Accordingly, Covad asserted that it would be a fair estimate that \$2.34, which is 13% of the total \$17.97 nonrecurring charge for Element J.4.3, is attributable to cross-connection. Covad argued that a nonrecurring charge of \$2.34 for a 2-wire cross-connect in the central office is reasonable and is supported by the record. Covad also noted that on March 18, 2003, the Georgia Public Service Commission (Georgia Commission) had ordered a \$0.00 nonrecurring charge for this element. Covad requested that the Commission specifically address the nonrecurring charge for Element H.1.9, Physical Collocation – 2-Wire Cross-Connect and set the nonrecurring charge at a level consistent with the cost attributable to a central office cross-connect when a line shared loop is provisioned.

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<sup>4</sup> Covad referenced Exhibit DDC-1, Revision 1, filed in Docket No. P-100, 133d, on October 1, 2003, at Data/NCGen/State Avg./Invest/NCLineSh.xls, and attached a copy of this worksheet to its Letter.

## Initial Comments Regarding Covad's Letter

**BellSouth:** BellSouth requested that the Commission deny Covad's request for a reduced nonrecurring rate for the collocation 2-wire cross-connect. BellSouth contended that Covad's argument was premised on several flawed contentions. BellSouth asserted that Covad made an invalid comparison of rates while ignoring the pertinent procedural history and the manner in which these rates were developed. BellSouth observed that Covad's proposed collocation cross-connection nonrecurring rate of \$2.34 is significantly lower than the rate for the subject element in any state in BellSouth's region except Georgia.<sup>5</sup> BellSouth contended that Covad's calculation is flawed by incorrect assumptions and mathematical error, and would result in a nonrecurring charge that would be far below cost.

BellSouth noted that it had filed its Revised North Carolina SGAT Price List with the Commission on May 7, 2002, in Docket Nos. P-100, Sub 133d and P-55, Sub 1022. BellSouth pointed out that its May 7, 2002 Letter, filed with its Revised SGAT, stated that the nonrecurring UNE rates the Commission ordered in North Carolina were different in some instances than the UNE rates ordered in other BellSouth states. In said Letter, BellSouth stated that it compared "the North Carolina nonrecurring UNE rates to the ordered rates in Louisiana. If an ordered nonrecurring UNE in Louisiana was lower than the North Carolina rate, BellSouth submitted the Louisiana rate in its North Carolina SGAT price list." BellSouth commented that the Louisiana Public Service Commission (Louisiana Commission) had approved a rate of \$17.97 for Element J.4.3, thus, BellSouth lowered the nonrecurring charge for Element J.4.3 in its SGAT to equal the Louisiana rate.<sup>6</sup> Further, BellSouth observed that, as noted in its May 7, 2002 Letter, BellSouth's voluntary lowering of certain nonrecurring rates was done with the knowledge that this Commission had initiated a new phase in Docket No. P-100, Sub 133d to reexamine all UNE rates except those for collocation.

In addition, BellSouth commented that it did not adjust the nonrecurring rate for any collocation elements, including Element H.1.9, in the Revised SGAT Price List for the following reasons as set forth in its May 7, 2002 Letter:

Because the Commission is currently in the process of establishing, for the first time, permanent UNE rates for collocation and because the Commission has determined that it will not re-examine collocation in the upcoming generic UNE proceeding, BellSouth is not modifying its North Carolina Collocation Rates. The collocation rates in the SGAT price list attached herein remain the rates that BellSouth has proposed in Docket No. P-100, Sub 133j and in Docket No. P-55, Sub 1022. When the

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<sup>5</sup> BellSouth stated that in Georgia, in Docket 14361-U, BellSouth proposed a nonrecurring rate of \$0.00 for Element H.1.9, because all the necessary nonrecurring cross-connection work time was included in BellSouth's proposed nonrecurring rates for unbundled loops and for line sharing and line splitting activations.

<sup>6</sup> BellSouth noted that the Louisiana Commission had ordered a nonrecurring rate of \$11.94 for Element H.1.9.

Commission issues its Final Orders in those Dockets, the SGAT price list should be updated to reflect the permanent collocation rates ordered by the Commission.

Therefore, BellSouth's nonrecurring rate for Element H.1.9, First, 2-Wire Cross-Connect, as filed in its Revised SGAT Price List dated May 7, 2002, remained \$33.53, as supported by BellSouth's cost study filed in Docket No. P-100, Sub 133j. In addition, BellSouth noted that on June 10, 2002, BellSouth filed its direct case in the current phase of the generic UNE proceeding, Docket No. P-100, Sub 133d; BellSouth's proposed rate list (Exhibits JAR-1 and JAR-3) included a cost-based nonrecurring rate of \$43.99 for Element J.4.3.

In response to Covad's assertion that the rate of \$33.53 for collocation 2-wire cross-connection is a barrier to entry, BellSouth stated that Covad's Letter included no support for such contention. Instead, BellSouth noted that Covad seems to merely assert that a lower rate for collocation cross-connection would make entry into the local market easier. BellSouth observed that the appropriate issue is not whether Covad considers the rate low enough to guarantee easier entry into the market, but rather the question is whether the rate is appropriate, based upon the prescribed pricing methodology and the evidence presented in the collocation proceeding. BellSouth contended that Covad presented nothing to legitimately challenge this rate based on those determinative factors.

BellSouth commented that Covad has ignored the historical development of the \$17.97 nonrecurring rate for Element J.4.3 and by doing so, Covad has attempted to create the appearance of an inconsistency to make its argument that the rate for Element H.1.9, 2-Wire Cross-Connect, should be slashed to \$2.34, which is 13% of the rate currently in effect for Element J.4.3. BellSouth argued that the first problem with this approach is that Covad has inappropriately stripped Element J.4.3 of a great deal of necessary labor. BellSouth pointed out that it appears that Covad has only included in its work time estimate, the necessary work time<sup>7</sup> to physically run the jumper to make the cross-connection. Contrary to Covad's flawed assumption, BellSouth pointed out that the nonrecurring rate for Element J.4.3 also reflects other activity that is necessary to complete the line sharing cross-connection, for example, functions such as print order, pre-test, test circuit, and update dispatch system.<sup>8</sup> Furthermore, BellSouth explained that these are only some of the functions necessary to complete the line sharing cross-connection. BellSouth asserted that Covad has simply ignored all of the tasks that must be done to perform a cross-connection by incorrectly dismissing them as administrative services. BellSouth noted that even if one were to accept Covad's flawed assumption that only a small amount of the labor associated with Element J.4.3

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<sup>7</sup> BellSouth noted that this work time appears on Line 83 (Wire/Removal) of the cost detail page attached to Covad's Letter.

<sup>8</sup> BellSouth noted that the work times for these functions appear on the cost detail page attached to Covad's Letter on Line 81 (Print Order), Line 82 (Pre-Test), Line 84 (Test Circuit), and Line 85 (Update Dispatch System).

is attributable to the cross-connection, Covad's 13% figure is mathematically incorrect. BellSouth explained that for Element J.4.3, the total work time for the cross-connection is not 2.8915 hours, but rather it is 1.062 hours.

Further, BellSouth stated that Covad had closed its Letter by requesting that the Commission set the nonrecurring charge for Element H.1.9 at a level consistent with the cost attributable to a central office cross-connection. BellSouth agreed that the Commission should set a cost-based rate. However, BellSouth asserted that Covad's suggestion of how a cost-based rate should be developed was unsustainable and, as discussed above, it would be impossible to view the \$2.34 as a cost-based rate for Element H.1.9, especially when one considers that would be only 4.3% ( $\$2.34 \div \$54.71^8$ ) of the rate that the Commission previously ordered for Element J.4.3.

BellSouth contended that its proposed rate for a collocation 2-wire cross-connect is supported by its cost studies and is otherwise supported by the evidence adduced in the collocation proceeding. Again, BellSouth observed that the rate for Element H.1.9 included in BellSouth's Revised SGAT is the same as the rate BellSouth proposed in the collocation docket, and it should be approved in the context of the collocation docket.

In addition to the foregoing, in its initial comments at Footnote No. 7, BellSouth stated that:

BellSouth stands by its proposed cost-based rate of \$33.53 for Element H.1.9 as filed in Docket P-100, Sub 133j. However, due to the difference in timing of the collocation cost study filed in Docket P-100, Sub 133j and the cost study for all of the remaining UNE elements filed in Docket P-100, Sub 133d, it is necessary to explain that, if the NCUC approves BellSouth's nonrecurring rates as filed in Docket P-100, Sub 133d, then BellSouth will take the nonrecurring rate for Element H.1.9 to \$0.00 because the nonrecurring work time associated with provisioning the central office collocation cross-connection will be covered by the NRCs for other elements being addressed in Docket P-100, Sub 133d. That is, in its current UNE cost study filed in Docket P-100, Sub 133d, BellSouth included the work time for the collocation cross-connection (Element H.1.9) in the nonrecurring costs for the various unbundled loops and for the applicable line sharing and line splitting activation elements, such as Element J.4.3. BellSouth's rationale for including the work times for the collocation cross-connection in with the nonrecurring work times for unbundled loops and line sharing and line splitting activations is that each of these elements always requires either one or two collocation cross-connections.

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<sup>8</sup> This is the rate which had been in effect for Element J.4.3 prior to BellSouth's filing of its May 7, 2002 Letter, wherein BellSouth voluntarily reduced many of its nonrecurring UNE rates in North Carolina, including the lowering of its nonrecurring rate for Element J.4.3 from \$54.71 to \$17.97.

**Covad/AT&T/MCI:** The Competitive Carriers noted that in the Commission's December 28, 2001 *Order Addressing Collocation Issues*, the Commission found that there was not adequate evidence presented on the appropriate rates for cross-connects and instructed the parties to attempt to negotiate rates for cross-connects. The Competitive Carriers stated that, subsequently, the parties agreed on the recurring rate for a 2-wire cross-connect, but did not agree on a nonrecurring rate.<sup>10</sup> Thus, the Competitive Carriers commented that the \$33.53 nonrecurring charge for a 2-wire cross-connect is neither a permanent rate ordered by the Commission nor a rate negotiated by the parties in the collocation docket.

The Competitive Carriers pointed out that 2-wire cross-connects are part of the combined rate (Element J.4.3) currently in BellSouth's SGAT, which was recommended by the Public Staff as a permanent rate in the UNE cost docket, Docket No. P-100, Sub 133d. The Competitive Carriers noted that the Public Staff had recommended that the Commission adopt \$17.97 as the nonrecurring charge for Element J.4.3. The Competitive Carriers observed that because a 2-wire cross-connect is part of the provisioning process for a line shared loop, some portion of the \$17.97 recovers the cost of providing a 2-wire cross-connect.

The Competitive Carriers noted that in Covad's Letter, Covad had recommended that \$2.34 was a fair cost estimate for the cross-connection. The Competitive Carriers stated that if, however, all of the other work listed with wire/removal including print order, pre-test, test circuit, and update dispatch system are included, the total time increases to 0.5832 hours or 20% of the total 2.8915 hours of work time which results in an estimate of \$3.60 (\$17.97 x 20%). Irrespective of the portion of the \$17.97 that the Commission uses to determine the proper rate for a 2-wire cross-connect, the Competitive Carriers asserted that the \$33.53 rate in BellSouth's SGAT and its proposal in the collocation docket are excessive and inconsistent with the costs for a 2-wire cross-connect included in the provisioning of a line shared loop (Element J.4.3). Accordingly, the Competitive Carriers requested that the Commission address the nonrecurring charge for a 2-wire cross-connect (Element H.1.9) and set the nonrecurring charge at a level that is consistent with the cost attributable to a central office cross-connect when a line shared loop is provisioned.

In the interim, the Competitive Carriers requested that the Commission order an interim rate of \$11.94, the Louisiana nonrecurring rate for a 2-wire cross-connect, for all 2-wire cross-connect rates in North Carolina pending an order setting a permanent nonrecurring rate. The Competitive Carriers also requested that, in the order establishing a permanent rate for a 2-wire cross-connect, the Commission provide that the parties "true-up" any billed interim rate to the ordered permanent rate.

**Public Staff:** The Public Staff's initial comments predominantly addressed the matter of determining the appropriate nonrecurring rates for line activations in line sharing and

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<sup>10</sup> Per *Order Addressing Unresolved Collocation Rate Issues* issued September 24, 2002, in Docket No. P-100, Sub 133j, Pages 2 and 3. The CLPs agreed with BellSouth's recurring rate of \$0.0309 for Element H.1.9.

line splitting arrangements. The Public Staff noted that in the hearings held in November 2002, in Docket No. P-100, Sub 133d, BellSouth proposed that the line activation Element J.4.3 should have a nonrecurring rate of \$43.99 for activating a line plus an additional charge of \$25.58 when the line is disconnected. The Public Staff stated that the cost studies filed by BellSouth supported these proposed rates. However, the Public Staff remarked that as fully explained in its Proposed Order filed on February 14, 2003, in Docket No. P-100, Sub 133d, the Public Staff recommended that the Commission adopt the rates in the Revised SGAT as the appropriate rates for nonrecurring charges. That would result in maintaining the nonrecurring charge of \$17.97 currently being charged for line activation Element J.4.3. **[Commission Note:** The matters concerning nonrecurring rates for line activations in line sharing and line splitting arrangements, the J.4 Elements, will be addressed by further order in Docket No. P-100, Sub 133d. However, the Commission notes that on December 30, 2003, the Commission issued its *Order Adopting Permanent Unbundled Network Elements Rates for BellSouth* and, therein, the Commission found, as provided in the Evidence and Conclusions for Finding of Fact No. 14, that BellSouth's then approved SGAT nonrecurring rates were appropriate. Thus, the nonrecurring rate of \$17.97 for Element J.4.3 was upheld. Furthermore, the Commission observes that in Docket No. P-100, Sub 133d, on February 25, 2004, BellSouth filed a request for reconsideration of certain issues decided in the *December 30, 2003 Order*, but BellSouth did not seek reconsideration of the Commission's decision concerning nonrecurring rates (Finding of Fact No. 14). Therefore, BellSouth did not request reconsideration on the Commission-approved rate of \$17.97 for Element J.4.3.]

Further, the Public Staff observed that the appropriateness of Element H.1.9, Physical Collocation – 2-Wire Cross-Connect, is being addressed in the collocation docket and, thus, no parties proposed changes to the current rate in the November 2002 hearings held in Docket No. P-100, Sub 133d.

The Public Staff stated that the nonrecurring rate for Element H.1.9 of \$33.53 was filed by BellSouth in the collocation docket on September 15, 2000, and pointed out that, although the rate is contained in BellSouth's SGAT, the nonrecurring charge for Element H.1.9 has not yet been approved by the Commission. The Public Staff stated that it expected to provide the results of its review of the nonrecurring charge for Element H.1.9 in its reply comments.

#### **Reply Comments Regarding Covad's Letter**

**BellSouth:** In its reply comments, BellSouth argued that the Commission should reject the Competitive Carriers' request for a lower permanent rate for Element H.1.9 and should also reject their request for an interim rate. In regard to the Competitive Carriers' comments on the historical development of the subject rates, BellSouth asserted that those comments were generally correct, but had important omissions. BellSouth noted that the CLPs were correct that the cross-connection activity that comprises Element H.1.9 is also included in Element J.4.3, line sharing activation. However, BellSouth explained that the line sharing activation element is not a combination as

stated by the CLPs; instead it is simply a line sharing element that is comprised of all the activities necessary to provide that element. BellSouth stated that what the Competitive Carriers failed to mention is that the Commission had originally ordered a rate of \$54.71 for the line sharing Element J.4.3. Also, BellSouth explained that it had proposed a cost-based, nonrecurring rate of \$43.99 for this Element J.4.3 in its direct case in the UNE proceeding, Docket No. P-100, Sub 133d. Thus, BellSouth noted that there is a logical relationship between the proposed rate of \$33.53 for a collocation cross-connection and the higher above-described rates for the line sharing activation element that is comprised, in part, of this same cross-connection activity.

In regard to the rate of \$17.97 for Element J.4.3, BellSouth argued that this should not be used as the starting point to develop the rate for Element H.1.9. BellSouth noted that it had not provided a cost study that is specific to North Carolina for Element J.4.3. BellSouth observed that this is the rate the Louisiana Commission found to be cost based, and it was subsequently included in BellSouth's North Carolina SGAT "as a compromise." BellSouth stated that it had proposed to lower this rate and other rates in its SGAT knowing that these rates would be revisited in Docket No. P-100, Sub 133d.

Further, BellSouth contended that although the Competitive Carriers argued that the rate for Element H.1.9 should be considerably lower than the rate of \$33.53 advocated by BellSouth, they have offered little or nothing as to what the permanent rate should be. In regard to the Competitive Carriers' revised suggestion that the cost of the collocation cross-connection is \$3.60, BellSouth pointed out that this number is wrong because the Competitive Carriers have made the same mathematical mistake that Covad made in its July 3, 2003 Letter when it suggested a nonrecurring charge of \$2.34 for a cross-connection in the central office. BellSouth explained that the Competitive Carriers erroneously still contend that Element J.4.3 has a total work time of 2.8915 hours, rather than 1.062 hours, as was previously discussed in BellSouth's initial comments. BellSouth asserted that had the Competitive Carriers performed the calculation properly, this would have revealed that the cross-connection activity entails a much higher percentage of the work in the nonrecurring rate for line sharing activation charge than 20%.

BellSouth contended that it would be inappropriate for the Commission to now act based upon nothing more than a flawed calculation that was never submitted into evidence. BellSouth recommended that one of two approaches should be taken for setting a permanent rate for Element H.1.9. One approach would be to approve BellSouth's proposed rate of \$33.53, based on the evidence presented by BellSouth. The other approach, according to BellSouth, would be to approve BellSouth's nonrecurring rates, which are supported by BellSouth's cost study filed in June 2002 in Docket No. P-100, Sub 133d. BellSouth observed that in that cost study it included the collocation cross-connect work times in the appropriate J.4 elements. BellSouth explained that if this approach is taken then there would not be a need to establish a separate nonrecurring rate for Element H.1.9, i.e., it would be \$0.00; because if the Commission adopted all of BellSouth's proposed nonrecurring rates as filed in Docket

No. P-100, Sub 133d, then all activity necessary to make the collocation cross-connection would be included in the rates for the various unbundled loops, and line sharing and line splitting activation elements. Even though BellSouth disputed the Competitive Carriers' claim that a rate of \$33.53 for Element H.1.9 is so high that it "creates a barrier to facilities-based line splitting", BellSouth noted that the Competitive Carriers cannot make this claim under the approach proposed by BellSouth in Docket No. P-100, Sub 133d.

Furthermore, BellSouth stated that the Commission should reject the Competitive Carriers' request for an interim rate of \$11.94 for Element H.1.9, subject to true-up. BellSouth contended that the CLPs provided nothing to support a decision that \$11.94 would be an appropriate cost-based rate in North Carolina. BellSouth stated that it agrees with the Competitive Carriers that the rate of \$33.53 is neither a permanent rate ordered by the Commission nor a rate negotiated by the parties in the collocation docket. Further, in regard to the Competitive Carriers' contention that \$33.53 is such an outrageously high rate for Element H.1.9, BellSouth noted that the rates negotiated by these CLPs for physical collocation — 2-wire cross-connect are considerably higher. BellSouth reported that AT&T, Covad, and MCI each entered into interconnection agreements in 2001 that provided a rate for this element of \$41.78 for the first cross-connection and \$39.23 for additional cross-connections. Further, BellSouth observed that Covad and MCI availed themselves of the lower collocation cross-connection rate of \$33.53 in the North Carolina SGAT by amending their agreements to incorporate this rate effective, respectively, on September 23, 2002 (Covad) and April 16, 2003 (MCI). However, BellSouth noted that AT&T did not amend its agreement with BellSouth. Thus, BellSouth asserted that the Competitive Carriers' request for an interim rate of \$11.94 is nothing more than an attempt to avoid payment of either the rate which they voluntarily agreed to or the lower rate in the SGAT. Furthermore, BellSouth asserted that even if an interim rate were set, the Competitive Carriers' request for a true-up should be rejected because it would serve little purpose and would carry the potential to place a substantial administrative burden on BellSouth.

**Covad/AT&T/MCI:** The Competitive Carriers asserted that BellSouth's initial comments clearly reveal that BellSouth's proposed rate for a 2-wire cross-connect of \$33.53 is excessive, and that the rate should be significantly lower. The Competitive Carriers noted that BellSouth contended that the supporting documentation in Docket No. P-100, Sub 133d for Element J.4.3 reveals that out of a total of 1.062 hours to provision a line shared loop all of the cross-connect work listed with wire removal including print order, pre-test, test circuit, and update dispatch system, should be included for a total time of .5832, or 55% of the total 1.062 hours of work time. Accordingly, the Competitive Carriers argued that 55% of \$17.97 is \$9.88, not \$33.53. The Competitive Carriers also pointed out that while BellSouth asserts that the factual inconsistency could be resolved if only the current rate of \$17.97 is nearly tripled to \$43.99, then such an astronomical increase in rates would only yield a rate of \$24.19 (55% of \$43.99) for the 2-wire cross-connect, not \$33.53. The Competitive Carriers requested that the Commission set a rate that is consistent with the line sharing and the line splitting rates proposed by the Competitive Carriers and the Public Staff.

**Public Staff:** The Public Staff commented that it still questions the accuracy of the cost studies BellSouth filed in support of its proposed nonrecurring rates in the pending proceeding in Docket No. P-100, Sub 133d including those for Element J.4.3. The Public Staff also noted that BellSouth had commented that because of differences in timing when the studies for Elements H.1.9 and J.4.3 were performed, some costs are recovered from both elements. The Public Staff stated that such comments by BellSouth merely bolster the Public Staff's concerns about inaccuracies in the cost studies, as outlined in its Proposed Order filed on February 14, 2003 in Docket No. P-100, Sub 133d.

However, despite the Public Staff's concerns over the accuracy of BellSouth's nonrecurring cost studies, the Public Staff commented that an evaluation of the work times for similar work functions of Element H.1.9 would be useful for comparison purposes. Based upon its review of the nonrecurring costs for BellSouth's Element H.1.9, the Public Staff found an area in which BellSouth appears to have overstated costs involving the actual installation of the cross-connect. In particular, in BellSouth's comments it contended that the cross-connect functions are all performed within Element J.4.3, as provided in BellSouth's Footnote No. 7<sup>11</sup> included in its August 4, 2003 initial comments. Based upon BellSouth's explanation of the cross-connections required for line sharing or line splitting, the Public Staff noted that either two or three cross-connections are performed depending upon who owns the splitter. Thus, the Public Staff stated that the time for installing three cross-connections is reflected in the cost for Element J.4.3, Line Sharing - per Line Activation in the Central Office with BellSouth-Owned Splitter and BellSouth has included the time for two cross-connections in Element J.4.13, Line Sharing - per Line Activation in the Central Office with CLP-Owned Splitter.

Furthermore, based upon its review of BellSouth's cost studies for Elements H.1.9 and J.4.3, the Public Staff observed that the time included for installing a single cross-connect in Element H.1.9 comprises over 70% of the time BellSouth requires to install three cross-connects in Element J.4.3. The Public Staff calculated the average time to install a single cross-connect for Elements J.4.3 and J.4.13 and recommended that the Commission use this average time for installing a cross-connect in Element H.1.9. In addition, the Public Staff suggested that the disconnect time for the cross-connect install function should be adjusted to maintain the same relationship between the time for installing a cross-connect and the time for disconnecting a cross-connect that BellSouth filed in its cost study for Element H.1.9. Consequently, the Public Staff recommended modifying BellSouth's cost study by incorporating these proposed adjustments and proposed that the Commission approve the resulting rates of \$19.77 for Element H.1.9, First, 2-Wire Cross-Connect and \$14.95 for Element H.1.9, Additional, 2-Wire Cross-Connect.<sup>12</sup>

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<sup>11</sup> The major content of BellSouth's Footnote No. 7 is provided, hereinbefore, at Page 8.

<sup>12</sup> The calculations underlying the Public Staff's rate proposals are considered by BellSouth to be confidential and proprietary.

## **Discussion Continues Including Other Cross-Connect and Cable Installation Rates - BellSouth**

As previously noted, the Public Staff was the only party who filed initial comments on BellSouth's September 22, 2003 filing concerning unresolved cross-connect and cable installation rates. In those initial comments, the Public Staff made other recommendations in addition to those discussed above concerning its proposed nonrecurring rates for BellSouth's Element H.1.9, 2-Wire Cross-Connect, First and Additional. In particular, the Public Staff's other recommendations included the following:

(1) The Public Staff stated that BellSouth's nonrecurring rates for its physical collocation cross-connect Elements H.1.10, H.1.11, H.1.12, H.1.31, and H.1.32<sup>13</sup> suffer from the same deficiencies as identified by the Public Staff for Element H.1.9. Therefore, the Public Staff contended that similar adjustments to those proposed to the cost study associated with Element H.1.9 are warranted for these rate elements as well.

(2) The Public Staff observed that BellSouth's nonrecurring rates for adjacent collocation cross-connects, Elements H.4.3, H.4.4, H.4.5, H.4.6, H.4.7 and H.4.8 have the same rates as their comparable physical collocation rate Elements H.1.9, H.1.10, H.1.11, H.1.12, H.1.31, and H.1.32. Consequently, the Public Staff recommended that the adjacent collocation rates should be adjusted in the same manner as the nonrecurring charges for physical collocation cross-connects.

(3) In regard to BellSouth's proposed nonrecurring cable installation rate, Element H.1.5, the Public Staff asserted that it believes that the cost includes an excessive number of labor hours. Specifically, the Public Staff recommended that the engineering time for common systems capacity management and the connect time and test labor for outside plant construction should be reduced by 50%. In support of its position, the Public Staff explained for instance, some of the labor should already be covered in BellSouth's application fee costs.

The Commission notes that the parties were provided with an opportunity to file reply comments, but neither BellSouth nor any other party filed reply comments concerning the Public Staff's initial comments concerning BellSouth's rates in this regard.

The Commission understands that in regard to rates for 2-wire cross-connects, Element H.1.9, the Competitive Carriers provided various rate suggestions for Element H.1.9, including rates of \$2.34, \$3.60, \$9.88, and \$11.94, but they ultimately proposed a rate of \$9.88, which is 55% of \$17.97, the rate for Element J.4.3. BellSouth recommended that one of two approaches could be taken for setting a permanent rate

<sup>13</sup> Refer to BellSouth's rate table, hereinbefore, at Page 3 for the element descriptions.

for Element H.1.9. One approach would be to approve BellSouth's proposed rate of \$33.53. The other approach, preferred by BellSouth, would be to approve BellSouth's nonrecurring rates, which are supported by BellSouth's cost study filed in June 2002 in Docket No. P-100, Sub 133d. BellSouth explained that if this latter approach is taken then there would not be a need to establish a separate nonrecurring rate for Element H.1.9, i.e., it would be \$0.00, because if the Commission adopted all of BellSouth's proposed nonrecurring rates as filed in Docket No. P-100, Sub 133d, then all activity necessary to make the collocation cross-connections would be included in the rates for the various unbundled loops, and the line sharing and line splitting activation elements, which would be consistent, for example, with its proposal that the rate for Element J.4.3 should be \$43.99. The Public Staff proposed that the 2-wire cross-connect rates should be \$19.77 and \$14.95 for the first and additional 2-wire cross-connects, respectively. The Commission notes that the Public Staff and the Competitive Carriers both recommended that the rate for Element J.4.3 should be \$17.97. Furthermore, on December 30, 2003, the Commission issued its *Order Adopting Permanent Unbundled Network Element Rates for BellSouth Telecommunications, Inc.* In that *Order*, the Commission found that the nonrecurring rates filed and approved by the Commission in BellSouth's SGAT were reasonable and appropriate for BellSouth to recover its nonrecurring costs associated with providing UNEs and interconnection. Consequently, the nonrecurring rate for Element J.4.3 approved by the Commission on December 30, 2003, is \$17.97, i.e., BellSouth's proposed rate of \$43.99 was rejected by the Commission. Further, the Commission notes that in Docket No. P-100, Sub 133d, on February 25, 2004, BellSouth filed a request for reconsideration of certain issues decided in the *December 30, 2003 Order*, however, BellSouth did not seek reconsideration of the Commission's decision concerning nonrecurring rates (Finding of Fact No. 14). Thus, BellSouth did not request reconsideration on the Commission-approved rate of \$17.97 for Element J.4.3.

Based upon the foregoing, the Commission agrees with the Public Staff's observation that by comparison of BellSouth's cost studies for Elements H.1.9 and J.4.3, the time included for installing a single cross-connect in Element H.1.9 comprises over 70% of the time BellSouth requires to install three cross-connects in Element J.4.3. Furthermore, after reviewing the Public Staff's confidential calculations supporting its proposed nonrecurring rates for cross-connects, the Commission concludes that the Public Staff's adjustments reflecting (1) an average time to install a cross-connect developed from BellSouth's cost studies for Elements J.4.3 and J.4.13 and (2) the maintenance of the same relationship between the installation time and disconnection time for a cross-connect as was reflected in BellSouth's cost study for Element H.1.9, are reasonable assumptions to apply as modifications in BellSouth's cost study for Element H.1.9. Accordingly, the Commission agrees with the Public Staff that the appropriate nonrecurring rates for BellSouth's collocation cross-connects should be \$19.77 for Element H.1.9, First, 2-Wire Cross-Connect and \$14.95 for Element H.1.9, Additional, 2-Wire Cross-Connect.

In addition, including the fact that BellSouth chose not to file reply comments in opposition to the Public Staff's initial comments filed on October 13, 2003, concerning

cross-connect and cable installation rates and based upon our acceptance of the Public Staff's recommendations concerning Element H.1.9, the Commission believes that the Public Staff's recommendations concerning input changes to BellSouth's cost studies for other proposed nonrecurring rates for Elements H.1.5, H.1.10, H.1.11, H.1.12, H.1.31, H.1.32, H.4.3, H.4.4, H.4.5, H.4.6, H.4.7, and H.4.8 are reasonable and appropriate. Accordingly, the Commission concludes that BellSouth should be required to adjust the inputs to its cost studies for those particular nonrecurring rate elements. Therefore, BellSouth's cost studies for Elements H.1.10, H.1.11, H.1.12, H.1.31, H.1.32, H.4.3, H.4.4, H.4.5, H.4.6, H.4.7, and H.4.8 should reflect an average time to install a cross-connect and the maintenance of the same relationship between the installation time and disconnection time for a cross-connect, similar to the Public Staff's proposed adjustments in the cost study for Element H.1.9. And the Commission concludes that the cost study for Element H.1.5, Cable Installation, should reflect a 50% reduction in the times initially reflected by BellSouth for the engineering time for common systems capacity management and the connect time and test labor for outside plant construction, as recommended by the Public Staff since it appears that the labor hours are excessive as some of the labor costs should already be covered in BellSouth's application fee.<sup>14</sup> The Commission also considers it appropriate to require BellSouth to resubmit its corrected cost studies and the resulting rates for review by the Public Staff.

Further, as noted in BellSouth's filing, it identified two more collocation rate elements for which final rates have not been approved. They are the recurring rate for Element H.1.11, DS1 Cross-Connect of \$1.38 and the recurring rate for Element H.4.2, Electrical Facility Cost per linear foot of \$5.78. The Public Staff's reply comments did not include any explicit discussion on these proposed recurring rates; the Public Staff's concerns only involved BellSouth's nonrecurring rates, therefore, the Commission believes it is reasonable to assume that the Public Staff believed these rates were acceptable.

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<sup>14</sup> According to the North Carolina Collocation Standard Offering filed in this docket on October 3, 2003, for the CLP's initial equipment placement at an ILEC's premises, the CLP shall submit to the ILEC an application document reflecting the CLP's space requirements, a detailed description and schematic of equipment to be placed in the requested space, and power, HVAC, and other infrastructure needs for the collocation space along with any applicable application fee. Thus, the Commission understands that an application fee may be assessed to cover the ILEC's cost for adequately evaluating all the necessary information which requires input from various design and service groups to properly respond to the CLP's collocation application. As stated in the *Order Addressing Collocation Issues* issued on December 28, 2001, in this docket, the Commission concluded that the ILECs should revise their cost studies for application fees to reflect no more than 24 labor hours. Thus, the Commission's cap of 24 labor hours meant that over 50% of the labor hours included in BellSouth's cost study was considered excessive, i.e., BellSouth had to remove approximately 27 labor hours (53%) from its application fee cost study, as it had included more than 51 hours of labor costs in its August 2000 cost study underlying its proposed application fee. Consequently, BellSouth's initial application fee, which was based on approximately 51 labor hours relating to various design and service groups such as Account Team Collocation Coordinator, Power and Circuit Capacity Management, Common Systems Capacity Management, and Outside Plant Engineering plus an additional nonrecurring rate additive, had to be reduced from \$3,741 to \$2,322. BellSouth's August 2000 cost study underlying its proposed cable installation rate of \$1,701 was developed based upon labor hours relating to Common Systems Capacity Management and Outside Plant Engineering/Construction plus an additional nonrecurring rate additive.

The Commission has reviewed its September 24, 2002 *Order Addressing Unresolved Collocation Rate Issues*, and found therein that several recurring rates had been agreed upon by BellSouth and the competing local providers (CLPs) as follows:

<u>Rate Element</u>	<u>Recurring Rate</u>
H.1.9 2-Wire Cross-Connect	\$ 0.0309
H.1.10 4-Wire Cross-Connect	\$ 0.0618
H.1.12 DS3 Cross-Connect	\$17.62
H.1.31 2-Fiber Cross-Connect	\$ 3.50
H.1.32 4-Fiber Cross-Connect	\$ 6.20
H.1.48 Co-Carrier Cross-Connect	
Fiber Cable Support Structure	\$ 0.0028
H.1.49 Co-Carrier Cross-Connect	
Copper/Coaxial Cable Support Structure	\$ 0.0041

Furthermore, the Commission notes that in the Commission's *September 24, 2002 Order*, the CLPs' comments, at that time, expressed concern that BellSouth's proposed recurring rates for elements, H.1.11, DS1 Cross-Connect, and H.4.2, Electrical Facility Cost per Linear Foot, were inappropriate. In particular, in regard to BellSouth's proposed recurring rate of \$1.38 for Element H.1.11, the CLPs argued that the recurring rate should be no greater than \$0.629. The CLPs maintained that this figure was derived by assuming that the monthly recurring rate for H.1.12, DS3 Cross-Connect, is correctly determined and would take into account that the capacity of a DS3 cable is equivalent to the capacity of 28 DS1s (hence the monthly recurring rate for H.1.12 divided by 28 equals \$0.629). In regard to BellSouth's proposed recurring rate of \$5.78 for Element H.4.2, the CLPs merely stated that for Rate Element H.4.2, BellSouth's proposed rates in Georgia for these elements are lower, (\$5.23 and \$4.01, respectively, depending on which methodology is used) than proposed in North Carolina. However, as provided in the *September 24, 2002 Order*, the Commission stated that "the Supplemental Briefs indicate that the CLPs do not entirely understand the rates proposed by the ILECs, and the ILECs do not entirely understand why the CLPs disagree with certain proposed rates."

The Commission is not convinced that those past arguments of the CLPs, as presented back in the *September 24, 2002 Order*, are necessarily sufficient at this juncture to warrant any revisions in BellSouth's proposed rates for Elements H.1.11 and H.4.2. Furthermore, the Commission notes that the CLPs chose not to file any additional comments on October 13, 2003 (initial comments) or November 3, 2003 (reply comments) regarding BellSouth's unresolved rates for cross-connects and cable installation. Based upon BellSouth's and the Public Staff's apparent agreement on these rates and our belief that the evidence provided by the CLPs is insufficient to do otherwise, the Commission accepts BellSouth's proposed recurring rates for Elements H.1.11, DS1 Cross-Connect of \$1.38 and H.4.2, Electrical Facility Cost per Linear Foot of \$5.78, as being reasonable and appropriate.

## CONCLUSIONS – BELLSOUTH

As discussed hereinabove, the Commission concludes that the following nonrecurring rates are appropriate for BellSouth to charge for physical collocation 2-wire cross-connects:

H.1.9, First, 2-Wire Cross-Connect	\$19.77
H.1.9, Additional, 2-Wire Cross-Connect	\$14.95

Further, the Commission concludes that BellSouth's cost studies for its nonrecurring rate Elements H.1.10 (Physical Collocation 4-Wire Cross-Connect), H.1.11 (Physical Collocation DS1 Cross-Connect), H.1.12 (Physical Collocation DS3 Cross-Connect), H.1.31 (Physical Collocation 2-Fiber Cross-Connect), H.1.32 (Physical Collocation 4-Fiber Cross-Connect), H.4.3 (Adjacent Collocation 2-Wire Cross-Connect), H.4.4 (Adjacent Collocation 4-Wire Cross-Connect), H.4.5 (Adjacent Collocation DS1 Cross-Connect), H.4.6 (Adjacent Collocation DS3 Cross-Connect), H.4.7 (Adjacent Collocation 2-Fiber Cross-Connect), and H.4.8 (Adjacent Collocation 4-Fiber Cross-Connect) should be revised to reflect an average time to install a cross-connect and the maintenance of the same relationship between the installation time and disconnection time for a cross-connect, consistent with the Public Staff's recommendations and our findings for Rate Element H.1.9. In addition, the Commission concludes that the cost study for the nonrecurring rate for Element H.1.5, Cable Installation, should be modified to reflect a 50% reduction in the times initially reflected by BellSouth for common systems capacity management and the connect time and test labor for outside plant construction to eliminate labor hours already reflected in BellSouth's application fee. Furthermore, the Commission finds that BellSouth should be required to resubmit its revised cost studies and the resulting rates for Elements H.1.5, H.1.10, H.1.11, H.1.12, H.1.31, H.1.32, H.4.3, H.4.4, H.4.5, H.4.6, H.4.7, and H.4.8 for review by the Public Staff.

Also, the Commission concludes that the following other recurring rates are appropriate for BellSouth:

Element H.1.11 DS1 Cross-Connect	\$1.38
Element H.4.2 Electrical Facility Cost per Linear Foot	\$5.78

## DISCUSSION – CAROLINA AND CENTRAL

In their September 23, 2003 filing, Carolina and Central stated that pursuant to the Commission's December 28, 2001 *Order Addressing Collocation Issues*, Carolina and Central provided rates for physical collocation cross-connects together with appropriate support for these rates as part of its April 22, 2002 *Supplemental Brief Addressing Negotiated Rates*. Further, Carolina and Central commented that pursuant to the Commission's September 24, 2002 *Order Addressing Unresolved Collocation Issues*, Carolina and Central provided rates for adjacent collocation cross-connects together with appropriate support for these rates as part of its October 24, 2002 filing.

In their September 23, 2003 filing, Carolina and Central resubmitted the same rates for both physical collocation cross-connects and adjacent collocation cross-connects which had been previously submitted in their respective filings on April 22, 2002 and October 24, 2002. In addition, as initially provided in its April 22, 2002 *Supplemental Brief Addressing Negotiated Rates*, Carolina and Central noted that they continue to believe that costs for cross-connects and cable installation are the same and, therefore, Carolina and Central did not propose additional cable installation rates for cross-connects.

Further, Carolina and Central observed that the CLPs had not made a filing related to their proposed rates in this regard and, thus, Carolina and Central surmised that it does not appear that any party is contesting these rates. Carolina and Central requested that the Commission approve their proposed rates for physical and adjacent cross-connect collocation elements as follows:

Element	<u>Carolina</u> Proposed Recurring	<u>Carolina</u> Proposed Nonrecurring	<u>Central</u> Proposed Recurring	<u>Central</u> Proposed Nonrecurring
<b>PHYSICAL COLLOCATION:</b>				
DS0 100-Pair Switchboard Cable	\$9.09	\$638.53	\$7.47	\$656.12
DS0 100-Pair MDF Cross-Connect Hardware	\$8.70	\$373.64	\$7.46	\$385.43
28 DS1 High-Frequency Cable	\$10.50	\$592.47	\$8.82	\$601.96
28 DS1 DSX Panel Connection	\$19.76	\$280.91	\$17.60	\$294.20
6 DS3 High-Frequency Cable	\$63.76	\$1,973.02	\$56.13	\$1,982.55
6 DS3 DSX Panel Connection	\$51.70	\$286.12	\$46.42	\$300.51
12 Fiber High-Frequency Cable	\$14.37	\$1,243.47	\$11.53	\$1,290.35
12 Fiber Patch Panel Connection	\$12.33	\$387.21	\$10.74	\$404.92
Common Cable Rack, Per Linear Foot Per Cable (CCXC)	\$0.01		\$0.01	
<b>ADJACENT COLLOCATION:</b>				
DS0 – Per 100 DS0 Switchboard Cable	\$19.24	\$1,141.88	\$16.10	\$1,177.31
DS0 – Per 100 DS0 Co-Carrier Switchboard Cable	\$9.95	\$721.73	\$8.15	\$742.40
DS1 – Per 28 DS1	\$29.91	\$1,055.84	\$25.77	\$1,080.93
DS1 – Per 28 DS1 Co-Carrier Cable	\$12.40	\$774.93	\$10.28	\$786.74
DS3 – Per 6 DS3	\$84.80	\$2,973.87	\$72.54	\$3,001.55
DS3 – Per 6 DS3 Co-Carrier Cable	\$36.02	\$2,687.75	\$28.78	\$2,687.75
Optical – Per 12 Fibers	\$27.23	\$1,774.48	\$22.55	\$1,845.34
Optical – Per 12 Fibers Co-Carrier Cable	\$15.15	\$1,387.27	\$11.63	\$1,387.27
Dedicated Cable Racking Per Site	\$13.70	\$1,515.61	\$10.80	\$1,573.33

The Public Staff was the only party who filed initial comments on Carolina and Central's filing.

The Public Staff observed that the cross-connect rates proposed by Carolina and Central for physical collocation and adjacent collocation are not in per circuit units. Instead, as noted by the Public Staff, Carolina and Central have calculated rates assuming that cross-connects will be performed in multiples depending on the type of circuit. The Public Staff explained that, for example, the rates for DSO cross-connects are based on cross-connects for 100 DSO circuits. The Public Staff noted that, likewise, Carolina and Central's DS1 cross-connect rates assume cross-connections for 28 DS1 circuits, their DS3 cross-connect rates assume 6 DS3 cross-connections, and their fiber cross-connect rates assume 12 cross-connections.

It is the Public Staff's opinion that the CLPs should only be required to pay for the cross-connects they desire. The Public Staff pointed out that under Carolina and Central's proposal this will occur only if the CLPs desire to cross-connect DSO circuits in multiples of 100, DS1 circuits in multiples of 28, DS3 circuits in multiples of 6, and fiber circuits in multiples of 12. The Public Staff recommended that Carolina and Central be required to adjust their proposed rates to reflect per circuit rates. Specifically, the Public Staff contended that the DSO rates should be divided by 100, the DS1 rates should be divided by 28, the DS3 rates should be divided by 6, and the fiber rates should be divided by 12.

Carolina and Central were the only parties who filed reply comments. Their comments were limited to responding to the Public Staff's initial comments concerning Carolina and Central's proposals.

Carolina and Central requested that the Commission deny the Public Staff's recommendation that Carolina and Central be required to develop rates on a per circuit basis. Carolina and Central requested that the Commission adopt their proposed rates.

In support of their position, Carolina and Central provided several reasons as to why they believed it would be both inequitable and inefficient from a cost standpoint to price cross-connects as proposed by the Public Staff.

Carolina and Central explained that the cross-connects provide the central office cabling necessary for the provision of services, but not the services themselves, by the CLP. According to Carolina and Central, the cross-connect cables run from the CLP's bay or cage to the main distribution frame (MDF) electrical cross-connect panels for DS1 or DS3 services (DSX panels), or fiber patch panels to create a path from the UNE loop to the CLP's collocation space. Further, Carolina and Central commented that their cross-connect elements do not include costs for running jumper wires at the MDF or between the DSX or fiber patch panel and Carolina and Central's transmission equipment, since they are recovered in Carolina and Central's loop installation nonrecurring charges.

**In regard to DS0 and DS1 cross-connects**, Carolina and Central contended that, for incumbent local exchange companies (ILECs) who furnish and install cross-connect cables, the industry norm for such provisioning and pricing is on the basis of 100 pairs for DS0 cross-connects and 28 pairs for DS1 cross-connects. Carolina and Central pointed out that, for example, Verizon has filed using these same increments in this docket. Carolina and Central also noted another example where AT&T filed cost studies as a CLP in which DS0 cross-connects were priced in increments of 100 and DS1 cross-connects were priced in increments of 28 in a *Proceeding to Establish Permanent Rates for Southwestern Bell Telephone Company's Revised Physical and Virtual Collocation Tariff* before the Texas Public Utility Commission in Docket No. 21333. Carolina and Central argued that the pricing of DS0 and DS1 cross-connect cabling in one-at-a-time increments does not match up to the efficient upfront investment Carolina and Central must make to install DS0 and DS1 cross-connect cabling.

Carolina and Central explained that DS0 cross-connects are provided by running a 100-pair cable in cable racking from the CLP's bay to a dedicated block attached to the MDF, as the industry standard of 100 pairs is the smallest efficient increment of provisioning. In the case of co-carrier cross-connects, Carolina and Central remarked that the same type of 100-pair cable is used even though the cable is run in cable racking from one CLP's bay directly to another CLP's bay. In either case, Carolina and Central stated that they incur capital investment for the installation of a 100-pair cable, regardless of how many pairs the CLP plans to immediately place in service. Furthermore, Carolina and Central asserted that these cables are by nature dedicated to the use of the CLP that ordered the service and usage of a DS0 cable cannot be shared by two or more CLPs.

Carolina and Central stated that cables are made in smaller than 100-pair quantities, but in those circumstances the cost of installing a smaller cable is not significantly less than the cost of installing a 100-pair cable resulting in much higher unit costs per DS0 circuit due to the relatively fixed installation labor costs. In addition, Carolina and Central observed that each time a CLP wants to include additional small capacity cables, augment fees will be incurred which will further increase the cost to the CLP. Furthermore, Carolina and Central commented that their experience has shown that the CLPs have ordered DS0s in quantities greater than 100.

To illustrate the cost increases involved in provisioning small quantity cables, Carolina and Central calculated the nonrecurring cost of installing 25-pair DS0 cables versus the cost of installing 100-pair cables. In order to make a meaningful comparison, Carolina and Central assumed that a CLP would eventually want at least four groups of 25 DS0s. Carolina and Central explained that, of course, each time the CLP wants additional 25-pair cabling, a minor augment fee will also be incurred. Carolina and Central stated that Carolina's cost of provisioning 100 DS0s 25 at a time would be

\$4,567.55,<sup>15</sup> which is 4½ times the cost of provisioning 100 DS0s all at once which is \$1,012.17.<sup>16</sup> Accordingly, Carolina and Central asserted that provisioning in such small quantities is not cost efficient for the ILEC or the CLP, and the cost of one-at-a-time provisioning cannot be obtained by dividing the cost of provisioning 100 pairs by 100, as suggested by the Public Staff.

Similarly, Carolina and Central stated that DS1 cross-connects are provisioned using industry standard cables and the same reasoning applies to DS1 cable installations as applies to DS0 cable installations. Carolina and Central asserted that installing DS1 cross-connects in quantities of 28 is the best practice, from both a provisioning and a costing/pricing standpoint. Carolina and Central stated that Carolina's cost of provisioning 28 DS1s four at a time would be \$8,503.55,<sup>17</sup> which is 10 times the cost of provisioning 28 DS1s all at once which is \$873.38.<sup>18</sup>

Consequently, Carolina and Central contended that they will not recover their capital investments if they are required to develop rates for DS0s and DS1s by simply dividing their costs by 100 DS0s or 28 DS1s. Carolina and Central stated that to fully recover investment in an environment where CLPs could order one DS0 or one DS1 at a time, Carolina and Central would have to assume a reasonable level of cable fill in their costing for DS0 and DS1 cross-connects and the usage of a cable fill factor in such costing would have the effect of increasing DS0 and DS1 cross-connect rates.

Further, Carolina and Central argued that by allowing a CLP to order a single DS0 or DS1 when Carolina and Central have by necessity incurred costs for 100 DS0s or 28 DS1s places Carolina and Central in jeopardy of never recovering their investments in the cable, cable racking, MDF blocks, and DS1 panels. Furthermore, Carolina and Central noted that, in contrast, BellSouth places the responsibility for furnishing and installing cross-connect cables on the CLPs. Thus, Carolina and Central observed that since BellSouth would have no investment in such cables, BellSouth can price cross-connects on a one-at-a-time basis and not be at risk of underrecovering any investment. Additionally, Carolina and Central commented that BellSouth's

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<sup>15</sup> **100 DS0s 25 at a time:**

Nonrecurring cost for switchboard cable of \$537.82, plus nonrecurring cost for cross-connect hardware of \$256.48, totals \$794.30, and four times that is \$3,177.20, and then add minor augment fees of \$463.45 times three equals \$1,390.35, resulting in a total cost of \$4,567.55 (\$3,177.20 + \$1,390.35).

<sup>16</sup> **100 DS0s 100 at a time:**

Nonrecurring cost for switchboard cable of \$638.53, plus nonrecurring cost for cross-connect hardware of \$373.64, totals \$1,012.17.

<sup>17</sup> **28 DS1s 4 at a time:**

Nonrecurring cost for high-frequency cable of \$544.33, plus nonrecurring cost for panel connect of \$273.22, totals \$817.55, and seven times that is \$5,722.85, and then add minor augment fees of \$463.45 times six equals \$2,780.70, resulting in a total cost of \$8,503.55 (\$5,722.85 + \$2,780.70).

<sup>18</sup> **28 DS1s 28 at a time:**

Nonrecurring cost for high-frequency cable of \$592.47, plus nonrecurring cost for panel connect of \$280.91, totals \$873.38.

nonrecurring rates recover labor to run jumper wires to connect the CLP's termination on the MDF or DS1 panel to UNEs. Further, Carolina and Central commented that they provide and charge for jumpers on a one-at-a-time basis, however, these jumper charges are included in UNE nonrecurring charges, not in the collocation nonrecurring charges. Accordingly, Carolina and Central asserted that it would not be appropriate to compare BellSouth's methodology with Carolina and Central's.

For the above stated reasons, Carolina and Central argued that it is in the best interest of all parties to continue pricing DS0 and DS1 cross-connects in groups of 100 and 28, respectively.

**In regard to DS3 cross-connects**, Carolina and Central stated that unlike DS0s and DS1s, DS3s can be provisioned one-at-a-time. However, Carolina and Central asserted that they presented costing for 6 DS3s because provisioning in quantities reduces unit cost, and their experience has shown that CLPs order DS3 cross-connects in average quantities of approximately 6 at a time. Therefore, according to Carolina and Central, their existing cost studies assume provisioning DS3s in bulk, thereby reducing cost and more closely matching the reality of how DS3s are ordered by CLPs.

Carolina and Central contended that if they had to comply with the Public Staff's recommendation to price DS3s one-at-a-time, they would have to change cable material and labor inputs in their cost studies to reflect provisioning on a one-at-a-time basis. Carolina and Central stated that changing their costing assumptions to match one-at-a-time provisioning assumptions would result in a higher unit cost to Carolina and Central and a higher price to the CLP. Carolina and Central noted that each time a CLP wanted to include additional small capacity cables, augment fees would be incurred as previously demonstrated, further increasing the cost to the CLP. Carolina and Central stated that Carolina's cost of provisioning 6 DS3s one-at-a-time would be \$8,633.27,<sup>19</sup> which is four times the cost of provisioning 6 DS3s all-at-once which is \$2,259.14.<sup>20</sup>

**In regard to fiber cross-connects**, Carolina and Central stated that the Public Staff misinterpreted Carolina and Central's price list in concluding that 12 fiber circuits must be purchased in bulk. Instead, Carolina and Central remarked that the price list actually shows pricing for 12 fibers at a time. Carolina and Central explained that a single fiber transmission path requires two fibers, one to send and the other to receive, therefore, two would be the minimum number of fibers that would be provisioned at one time. Additionally, Carolina and Central noted that the CLPs desire redundant connections to ensure uninterrupted transmission of critical high-capacity traffic in case

<sup>19</sup> **6 DS3s one at a time:**

Nonrecurring cost for high-frequency cable of \$790.88, plus nonrecurring cost for panel connection of \$261.79, totals \$1,052.67, and six times that is \$6,316.02, and then add minor augment fees of \$483.45 times five equals \$2,317.25, resulting in a total cost of \$8,633.27 (\$6,316.02 + \$2,317.25).

<sup>20</sup> **6 DS1s six at a time:**

Nonrecurring cost for high-frequency cable of \$1,973.02, plus nonrecurring cost for panel connection of \$286.12, totals \$2,259.14.

one pair of fibers is cut. Thus, Carolina and Central asserted that, practically speaking, four fibers will be required for one transmission path, one pair of fibers for the primary path, and one pair of fibers for the redundant path.

Further, Carolina and Central contended that their existing cost studies assumed provisioning fiber cross-connects in bulk to reduce costs and more closely match the reality of how fiber cross-connects are ordered by CLPs. Carolina and Central contended that if they had to comply with the Public Staff's recommendation by pricing fiber cross-connects two at a time or four at a time, they would have to change cable materials and labor inputs in their cost studies to reflect provisioning on those bases. Carolina and Central stated that changing their costing assumptions to match two-at-a-time or four-at-a-time provisioning assumptions would result in a higher unit cost to Carolina and Central and a higher price to the CLP. Carolina and Central noted that each time a CLP wanted to add additional fibers, intermediate augment fees would be incurred as well, further increasing the cost to the CLP. Carolina and Central stated that Carolina's cost of provisioning 12 fibers four-at-a-time would be \$5,673.68,<sup>21</sup> which is 3½ times the cost of provisioning 12 fibers all-at-once which is \$1,630.68.<sup>22</sup>

Thus, for the foregoing reasons, Carolina and Central requested that the Commission deny the Public Staff's proposal for single circuit rates and recommended that the Commission adopt Carolina and Central's proposed rates for cross-connects.

The Commission notes that the CLPs chose not to file any additional comments on October 13, 2003 (initial comments) or November 3, 2003 (reply comments) regarding Carolina and Central's unresolved rates for cross-connects and cable installation. And the Commission observes that in our *September 24, 2002 Order Addressing Unresolved Collocation Rate Issues*, the CLPs' comments relating to Carolina and Central's rates which are at issue in this current proceeding simply stated that the rate for 12 Fiber High-Frequency Cable is more difficult to provision than 6 DS3 High-Frequency Cable, yet the proposed cost of the latter is higher than the proposed cost of the former. Furthermore, as provided in the *September 24, 2002 Order*, the Commission stated that "the Supplemental Briefs indicate that the CLPs do not entirely understand the rates proposed by the ILECs, and the ILECs do not entirely understand why the CLPs disagree with certain proposed rates." At this point, the Commission considers this past observation by the CLPs, as presented back in the *September 24, 2002 Order*, to be insufficient to justify revisions in Carolina and Central's proposed rates elements for 6 DS3 High-Frequency Cable and 12 Fiber High-Frequency Cable.

<sup>21</sup> **12 Fibers four at a time:**

Nonrecurring cost for high-frequency cable of \$975.34, plus nonrecurring cost for patch panel connection of \$204.86, totals \$1,180.20. and three times that is \$3,540.60, and then add intermediate augment fees of \$1,066.54 times two equals \$2,133.08, resulting in a total cost of \$5,673.68 (\$3,540.60 + \$2,133.08).

<sup>22</sup> **12 Fibers 12 at a time:**

Nonrecurring cost for high-frequency cable of \$1,243.47, plus nonrecurring cost for patch panel connection of \$387.21, totals \$1,630.68.

The Commission believes that Carolina and Central have provided valid and convincing arguments as to why the Public Staff's recommendations should not be adopted. Such convincing arguments include the following: (1) pricing in bulk for DS0s and DS1s reflects the industry norm for such provisioning and, thus, pricing is on the basis of 100 pairs for DS0 cross-connects and 28 pairs for DS1 cross-connects; (2) the cost of installing a smaller cable is not significantly less than the cost of installing a DS0 100-pair cable resulting in a much higher unit cost per DS0 circuit due to relatively fixed installation labor costs; (3) each time the additional smaller increments of cables or fibers are installed, augment fees will be incurred; (4) capital investments will not be recovered if rates are developed for DS0s and DS1s by simply dividing their costs by 100 for DS0s or by 28 for DS1s, a reasonable level of cable fill would have to be reflected in the costing for DS0 and DS1 cross-connects and the usage of a cable fill factor in such costing would increase the DS0 and DS1 cross-connect rates; (5) similarly, changing the costing assumptions for DS3s or fibers would, likewise, require a change in the costing of cable material and labor inputs to reflect one-at-a-time provisioning and would result in a higher unit cost to Carolina and Central and a higher price to the CLP; (6) the provisioning of DS3s in quantities of six reduces cost and Carolina and Central's experience is that CLPs order DS3 cross-connects in average quantities of six-at-a-time; (7) a single fiber transmission path requires two fibers, one to send and one to receive, thus, a minimum of two fibers would be provisioned, and in order to ensure uninterrupted transmission of critical high-capacity traffic in the event of a cut would require an additional pair of fibers, resulting in a minimum need of four fibers, instead of just one; and (8) the fiber cost studies assumed the provisioning of fiber cross-connects in bulk to reduce costs and to more closely match the reality of how fiber cross-connects are ordered by the CLPs. Furthermore, as pointed out by Carolina and Central they are furnishing and installing cross-connect cables for the CLPs, whereas, in contrast, BellSouth places the responsibility for furnishing and installing cross-connect cables on the CLPs. Thus, as Carolina and Central observed, since BellSouth would have no investment in such cables, BellSouth can price cross-connects on a one-at-a-time basis and not be at risk of under-recovering any investment. Thus, Carolina and Central asserted that it would be inappropriate to compare BellSouth's methodology with Carolina and Central's.

Based upon the foregoing, the Commission believes it would be inappropriate to require Carolina and Central to modify their rates, as proposed by the Public Staff to reflect per circuit rates for DS0s, DS1s, DS3s, and fibers, i.e., under the Public Staff's proposal, the DS0 rates would have been simply divided by 100, DS1 rates divided by 28, DS3 rates divided by six, and the fiber rates divided by 12. The Commission is not convinced that a mere division of Carolina and Central's proposed rates to develop per circuit rates as proposed by the Public Staff would result in rates that would appropriately or adequately allow Carolina and Central to recover their costs. Furthermore, in this regard, the Commission observes that the CLPs did not file any initial or reply comments nor did the CLPs, otherwise, file a request that Carolina and Central's rates be developed to reflect such provisioning on a one-at-a-time basis. Accordingly, the Commission believes it is reasonable to accept Carolina and Central's proposed rates for physical and adjacent collocation cross-connects.

Thus, the Commission has now finalized all the outstanding collocation rate issues for Carolina and Central. Consequently, Carolina and Central should be required to file their respective Standard Offering Rate Schedule, Section 7 - Rates and Charges, of Commission-approved collocation rates. Further, in order to facilitate a review of these rate schedules, Carolina and Central should also be required to provide a separate attachment providing the dates of the Commission Orders, whereby, each of the various rates were approved.

### **CONCLUSIONS – CAROLINA AND CENTRAL**

The Commission concludes that Carolina and Central have provided convincing and compelling arguments which support their proposed rates. The Commission accepts Carolina and Central's assertion that the cost of one-at-a-time provisioning in regard to these rates would not be properly obtained by just dividing the cost of bulk provisioning by the number of pairs or fibers. The Commission approves Carolina and Central's proposed rates for physical and adjacent collocation cross-connect elements as provided, hereinbefore, at Page 19.

The Commission concludes that all of Carolina and Central's collocation rate issues have been finalized. Accordingly, Carolina and Central should be required to file their respective Standard Offering Rate Schedule, Section 7 - Rates and Charges, reflecting Commission-approved collocation rates; and the Public Staff should be requested to review such filings.

### **DISCUSSION – VERIZON**

In its September 23, 2003 filing, Verizon provided its rate schedule for cross-connects, cable installation, and other related collocation elements for physical and adjacent collocation arrangements. Verizon asserted that it had not received notification from the CLPs of any collocation rates in dispute and, thus, believed that all the rates listed in its filing had been accepted by the CLPs.

The Public Staff was the only party who filed initial comments on Verizon's filing. The Public Staff presented several pertinent observations as follows:

The Public Staff has several concerns regarding Verizon's filing. Verizon indicates that no CLPs have notified it of any disputed rates. On that basis, Verizon believes that CLPs have accepted all of the proposed rates. The Public Staff notes the Commission, in its September 3 Order, repeated comments made in a September 24, 2002, Order concerning its disappointment in the lack of negotiation that occurred on the cross-connect and cable installation issues. As noted, the CLPs do not entirely understand the rates proposed by the ILECs, nor do the ILECs entirely understand why the CLPs disagree with the proposed rates.

The Commission's September 24 Order identifies numerous cross-connect and cable installation rates to which Verizon and the CLPs have not agreed. Verizon's claim in its recent filing in this docket alleging the CLPs' agreement with the proposed cross-connect and cable installation rates is unsupported. Verizon appears to contend that since the CLPs have not objected recently, the rates are no longer in dispute.

Second, the list of rates includes collocation rates other than those for cross-connections for physical and adjacent collocations. The Commission's September 3 Order clearly specifies that the ILECs were to submit **their proposed rates for cross-connects and cable installation for physical and adjacent collocation.** [Emphasis added.] Verizon's filing goes far beyond what the Commission requested. Verizon has also included the dates the proposed rates were filed and their "approval dates." The Public Staff strongly disagrees with Verizon's claims that the Commission has approved all of its collocation rates.

Further, Verizon's claim that the Commission has approved these rates is nonsensical. Had the rates already been approved, there would be no need for the Commission to address Verizon's cross-connect and cable installation rates as it did in the September 3 Order. The Public Staff also notes that Verizon claims that almost all of these rates were approved by the Commission in its June 5, 2003 Order in this docket. A review of that Order shows the Commission approved only the following rates for Verizon: Virtual Engineering – New, Virtual Equipment Maintenance, Virtual Equipment Engineering and Installation, Physical Collocation in a Remote Terminal, and Virtual Collocation in a Remote Terminal.

The Public Staff notes that the rates Verizon quotes as having been approved by the Commission contradict Commission orders in this docket. For example, Verizon's filing claims the Commission has approved a rate of \$1,387.08 for Cage Grounding Bar. However, the Commission's August 20, 2002, Order in this docket specifically requires Verizon to apply a rate of \$821.47 per cage as a nonrecurring charge for a grounding bar.<sup>23</sup> Likewise, the Commission also required Verizon to apply a nonrecurring rate of \$559.81 per cage and \$25.37 per linear foot for construction of a cage. In contrast Verizon's filing shows an "approved" rate that ranges from \$1,574.61 to \$2,828.90 for cages based upon, not linear feet, but the square footage of the proposed cage in increments from 101-200 [25-101] square feet up to 400 [401]-500 square feet.

Based upon the foregoing concerns, the Public Staff asserted that Verizon should be required to resubmit its proposed rates for both cross-connects and cable

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<sup>23</sup>Order Addressing Motions for Reconsideration and Clarification, Docket No. P-100, Sub 133j, Page 117.

installation for physical collocation and cross-connects and cable installation for adjacent collocation arrangements as set forth in the Commission's September 3, 2003 *Order*. The Public Staff suggested that such further filing should clearly indicate the rates that the CLPs have affirmatively accepted and those to which the CLPs have not agreed and Verizon should provide support for each of its proposed rates. Furthermore, the Public Staff recommended that the interested parties should be given further opportunity to file comments and reply comments once Verizon submits this suggested further filing.

Neither Verizon nor any other party filed reply comments concerning Verizon's rates in this regard.

The Commission is confused by Verizon's filing as it provides a listing of rates titled "Standard Offering Rate Schedule", which includes not only the rates for cross-connects and cable installation, but other related collocation elements for physical collocation and adjacent collocation arrangements; the listing includes 121 rate elements (lines 1-121) where Verizon states that all those rates were approved on either June 5, 2003 (lines 1-114 and 117) or September 3, 2003 (lines 115, 116, and 118-121), and on lines 27a-27d, Verizon included an additional four optional components of its nonrecurring DC Power rate element (line 27) where it did not explicitly indicate when or if those rates were approved. Consequently, the Commission has reviewed its June 5, 2003 *Order Establishing Rates for Virtual Collocation, Assembly Points, Physical Collocation in a Remote Terminal, Collocation Cable Records, and Virtual Collocation in a Remote Terminal for BellSouth and Verizon*, and finds that in that *Order*, the Commission specifically indicated that it only approved the following rates for Verizon:

<u>Virtual Collocation in the Central Office or in the Remote Terminal:</u>	<u>Rate</u>
Virtual Engineering-New (nonrecurring)	\$ 734.06
Virtual Equipment Maintenance (recurring)	\$ 50.06
Virtual Equipment Engineering and Installation (nonrecurring)	\$3,928.23

Where sufficient space exists in the remote terminal, Verizon should be allowed to use its cageless collocation rates for Physical Collocation in a Remote Terminal and where no space exists in the remote terminal, Verizon should be allowed to use individual case basis (ICB) pricing.

Thus, as indicated in the June 5, 2003 *Order*, the Commission only approved the foregoing rate elements for Verizon relating to virtual collocation in the central office and both virtual and physical collocation rates in a remote terminal; and in regard to rates for assembly points and collocation cable records, Verizon stated that it was not offering those types of services, so no such rates were established for Verizon. Based upon the foregoing, the Commission disagrees with Verizon's assertion that 115 rate elements were approved on June 5, 2003; that simply is incorrect.

In addition, in the *June 5, 2003 Order*, the Commission required Verizon to modify certain work time inputs in its cost studies for Virtual Card Installation and Virtual Software Upgrades and, thus, the Commission required Verizon to file revised cost studies for those elements. Those studies and resulting rates were resubmitted; and on September 3, 2003, the Commission approved those rates as modified.

The Commission has reviewed its *September 3, 2003 Order Addressing Various Issues on Disputed Language and Rates for Augments, Adjacent, Physical, and Virtual Collocation* and finds that in that *Order*, the Commission specifically indicated that it approved the following rates for Verizon:

**Nonrecurring Rates for Augments – Physical Collocation:**

Simple	\$ 199.42
Minor	\$ 496.79
Intermediate	\$ 846.48
Major	\$1,071.73

Nonrecurring Rate - Virtual Software Upgrades	\$ 70.28
Nonrecurring Rate – Virtual Card Installation	\$100.32

Accordingly, the Commission agrees with Verizon that it approved the foregoing six rate elements which are provided on Verizon's rate schedule listing at lines 115, 116, and 118-121.

However, in its *September 3, 2003 Order*, the Commission stated that "it is now time to proceed with establishing a process whereby the outstanding issues relating to rates for cross-connects and cable installation for physical collocation and rates for cross-connects and cable installation for adjacent collocation arrangements can be addressed by the parties." The Commission understands that, based upon our *September 24, 2002 Order Addressing Unresolved Collocation Rate Issues*, most of Verizon's cross-connect rates were in dispute and they now remain unapproved; there were only five cross-connect rates, at that time for Verizon, that were considered agreed upon which are as follows:

<u>Rate Element</u>	<u>Nonrecurring Rates</u>
Facility Pull/Termination – Engineering (Metallic & Fiber)	\$ 78.19
Facility Pull – Labor (Metallic)	\$224.22
Fiber Optic Patch Cord Pull (Facility Pull-Facility Labor)	\$172.05
DS0 Cable Termination (Preconnectorized)	\$ 4.44
DS1 Cable Termination (Preconnectorized)	\$ 1.11

Further, as stated in the *September 24, 2002 Order*, all of Verizon's proposed rates for cable installation were also in dispute and they remain unapproved at this time. Based upon our review of Verizon's *September 23, 2003 rate schedule*, the Commission finds the filing to be inadequate for identifying exactly which specific

proposed rates for cross-connects and cable installation for physical collocation and adjacent collocation arrangements remain in dispute and need to be ruled upon with the benefit of comments from the Public Staff and other interested parties. Accordingly, the Commission agrees with the Public Staff that Verizon should be required to resubmit its listing of proposed rates for both cross-connects and cable installation for physical collocation and adjacent collocation arrangements. Such further filing should clearly indicate the rates that the CLPs have affirmatively accepted and those to which the CLPs have not agreed. Verizon should provide detailed support for each of its proposed rates for both cross-connects and cable installation, including explicit references (dates and pertinent page numbers) to the specific cost studies on file with the Commission which are being used to support its proposed rates and written narrative which generally and succinctly explains the terminology and activities underlying its proposed rates including its rate element descriptions such as cable and facility terminations, preconnectorized, unconnectorized, connectorized, innerduct, and subduct. Furthermore, the Commission believes that all interested parties should be given the opportunity to file comments and reply comments once Verizon submits this required filing.

Finally, as observed by the Public Staff, Verizon has reflected some incorrect rates in the rate schedule attached to its September 23, 2003 filing. Thus, the Commission concludes that Verizon needs to carefully review prior Commission Orders, in this docket, where rates have been explicitly approved for Verizon; and Verizon needs to accurately reflect those approved rates in its Standard Offering Rate Schedule. For example, Verizon's filing claims that the Commission has approved a rate of \$1,387.08 per cage for the Cage Grounding Bar (line 8). However, the Commission's August 20, 2002, *Order* in this docket specifically requires Verizon to apply a rate of \$821.47 per cage as a nonrecurring charge for a grounding bar. Likewise, the Commission also required Verizon to apply a nonrecurring rate of \$559.81 per cage and \$25.37 per linear foot for construction of a cage, yet Verizon's filing mistakenly indicates that its approved rates range from \$1,574.61 to \$2,828.90 for cage enclosures based upon the square footage of the cage in increments ranging from 25-101 square feet up to 401-500 square feet (lines 3-7), respectively. Verizon needs to correct these rates, as it will be required at a later time, by further order, to file its Standard Offering Rate Schedule, Section 7 - Rates and Charges, of Commission-approved collocation rates.

### **CONCLUSIONS – VERIZON**

The Commission concludes that Verizon should be required to resubmit its listing of proposed rates for both cross-connects and cable installation for physical collocation and adjacent collocation arrangements. Such further filing should clearly indicate the cross-connect and cable installation rates that the CLPs have affirmatively accepted and those to which the CLPs have not agreed. Verizon should provide detailed support for each of its proposed rates for both cross-connects and cable installation, including explicit references (dates and pertinent page numbers) to the specific cost studies on file with the Commission which are being used to support its proposed rates and written narrative which generally and succinctly explains the terminology and activities

underlying its proposed rates including explanations of its rate element descriptions such as cable and facility terminations, preconnectorized, unconnectorized, connectorized, innerduct, and subduct. Furthermore, the Commission believes that all interested parties should be given the opportunity to file comments and reply comments once Verizon submits this required filing.

IT IS, THEREFORE, ORDERED as follows:

1. That the following rates for BellSouth's physical collocation 2-wire cross-connects as proposed by the Public Staff are hereby adopted:

H.1.9 First, 2-Wire Cross-Connect	\$19.77
H.1.9 Additional, 2-Wire Cross-Connect	\$14.95

2. That the following recurring rates for Rate Elements H.1.11 and H.4.2, as filed by BellSouth, are hereby approved:

Element H.1.11 DS1 Cross-Connect	\$1.38
Element H.4.2 Electrical Facility Cost per Linear Foot	\$5.78

3. That BellSouth shall modify its cost studies for its nonrecurring Rate Elements H.1.10, H.1.11, H.1.12, H.1.31, H.1.32, H.4.3, H.4.4, H.4.5, H.4.6, H.4.7, and H.4.8 to reflect an average time to install a cross-connect and the maintenance of the same relationship between the installation time and disconnection time for a cross-connect, similar to the adjustments used in determining the rates the Commission approved for BellSouth's Rate Element H.1.9.

4. That BellSouth shall modify its cost study for the nonrecurring rate for Element H.1.5 to reflect a 50% reduction in the times initially reflected by BellSouth for common systems capacity management and the connect time and test labor for outside plant construction.

5. That BellSouth shall resubmit its cost studies for Rate Elements H.1.5, H.1.10, H.1.11, H.1.12, H.1.31, H.1.32, H.4.3, H.4.4, H.4.5, H.4.6, H.4.7, and H.4.8 and supporting documentation and the resulting rate schedules on or before May 24, 2004. Thereafter, on or before June 8, 2004, the Public Staff is requested to file comments as to whether such cost studies are in compliance with Commission orders in this proceeding.

6. That the recurring rates and nonrecurring rates, as filed by Carolina and Central, for physical and adjacent collocation cross-connect elements, as presented in the schedule on Page 19 of this Order, are hereby approved.

7. That Carolina and Central shall each file their respective Standard Offering Rate Schedule, Section 7 - Rates and Charges, of Commission-approved collocation rates and a separate attachment indicating the approval dates for each rate,

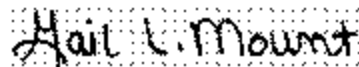
on or before May 24, 2004. Thereafter, no later than June 8, 2004, the Public Staff shall file comments on whether Carolina and Central's respective Standard Offering Rate Schedules are in compliance with this Order and all prior Commission Orders finalizing various collocation rates for Carolina and Central.

8. That Verizon shall resubmit its listing and supporting information of its proposed rates for both cross-connects and cable installation for physical collocation and adjacent collocation arrangements in accordance with this Order. Such filing shall be provided by Verizon on or before May 24, 2004. Thereafter, on or before June 18, 2004, the Public Staff and other interested parties are requested to file initial comments. Thereafter, on or before July 8, 2004, reply comments by the interested parties shall be filed.

ISSUED BY ORDER OF THE COMMISSION.

This the 30<sup>th</sup> day of April, 2004.

NORTH CAROLINA UTILITIES COMMISSION

A handwritten signature in black ink that reads "Gail L. Mount". The signature is written over a grid of small dots.

Gail L. Mount, Deputy Clerk

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