# COVAD™

Hamilton Square     600 14th Street NW     Suite 750     Washington DC 20005
T> 202-220-0400     F > 202-220-0401

September 13, 2002

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re:     Revisions by the Verizon Telephone Companies to F.C.C. Nos. 1 and 11,
Transmittal No. 232

Dear Ms. Dortch:

On September 12, 2002, the undersigned, together with Anthony Hansel and
Antony Petrilla of Covad Communications Company, made an *ex parte* presentation in
the above-referenced proceeding to Commission staff.  The following Commission staff
members were present:  Judith Nitsche, Jay Atkinson, Christopher Barnekov, James
Lichford, Vienna Jordan, Margaret Dailey, Deena Shetler and Eugene Gold.

The purpose of the presentation was to provide Commission staff with an
overview of the issues Covad believes should be designated for investigation in the above
referenced proceeding.  The attached presentation was distributed at the meeting.

Respectfully submitted,

   /s/ Praveen Goyal

Praveen Goyal
Senior Counsel for Government &
Regulatory Affairs
Covad Communications Company
600 14th Street, N.W., Suite 750
Washington, D.C. 20005
202-220-0400
202-220-0401 (fax)
pgoyal@covad.com

# PARTS Tariff Investigation:
# Issues the FCC Should Designate for Investigation

I.   PARTS Costs

> A.  The Commission should ask Verizon to produce the following information about its claimed PARTS costs:

>> 1.  *The underlying investment costs for all of the <u>equipment</u> and <u>plant categories</u> assumed in the PARTS cost model.* These analyses should include, but not be limited to, the derivation of unit investments (showing total investments, assumed fill/utilization factors, and application of annual charge factors).

>>> a)  In particular, parties need documentation for each input value traced back to the original Verizon source data (vendor contracts and/or invoices for equipment and out-sourced labor), especially for the OCD, building, "Digital Circuit SPG" and "digital switch" accounts, which are the largest investments.

>>> b)  Parties also need an explanation and justification for each fill/utilization factor.

>> 2.  *An explanation why the investment costs differed between the former Bell Atlantic and GTE territories.*

>> 3.  *A description of*:

>>> a)  the equipment that Verizon assumed in the cost study;

>>> b)  the configuration in which that equipment is assumed to be deployed; and

>>> c)  how this equipment is needed for PARTS service.

>> 4.  *Detailed work papers showing the development of each annual cost factor, including but not limited to*:

>>> a)  the cost of capital study;

>>> b)  the specific depreciation lives assumed and the justification for each;

>>> c)  the common and shared costs used in the cost model; and

       d)  the marketing costs are assigned to PARTS.

5. *The annual cost factors for the former GTE territories, which were substantially omitted in the cost support.*

6. *A detailed explanation of how Verizon applies the combined cost of capital/depreciation factor for the former GTE territories.*

7. *Detailed work papers demonstrating how Verizon came up with its assumed level of demand for each component and configuration of PARTS.*

8. *An explanation, and detailed work papers demonstrating, how Verizon avoided double counting loop costs already recovered from the retail voice customer.*

       a)  In particular, parties need an explanation, and detailed work papers demonstrating, how Verizon avoided double counting such infrastructure costs as conduit and poles.

9. *An explanation why Verizon multiplies the product of the annual cost factors by twelve, which on its face would overstate the results by twelve.*

10. *An explanation of the methodology that Verizon used to mark up the costs to arrive at its proposed rates.*

11. *Detailed work papers and backup data for the nonrecurring costs, including identification of tasks, task times and percentage occurrence factors as well as the job category and assumed hourly labor rates for the people performing each task.*

       a)  Parties also need a breakdown showing the development of "loaded" labor rates used to calculate non-recurring charges.

12. *The underlying cost detail for the $32 rate for the distribution sub-loop, including detailed work papers that set forth the investment costs for each category of outside plant (e.g., underground, buried, and aerial cable) that Verizon relied upon and explain how Verizon calculated the associated per-unit investments.*

13. *All work papers concerning, and an explanation, how Verizon developed its OSS costs assumed in the cost model.*

14. *A full, executable electronic version of the cost study, including all backup analyses.* Verizon's answer to this request should enable parties to see all of the formulas, inputs and assumptions in the cost model and to be able to recalculate the results using different inputs, assumptions, and formulas.

15. *Information about the distribution of loops in Verizon's territory, not just the distribution of loops that are DSL-compatible under an all-copper architecture (which is limited to loops under 18,000 feet in length).*

II. **Collocation** Requirement

    A. VZ only offers PARTS to collocated CLECs.

    B. This limits CLECs to offering services over PARTS-loops in high enough volumes to justify the costs of collocating ATM equipment to provide services to PARTS customers.

    C. VZ should make ATM switch interconnection an option under its PARTS tariff so that CLECs can reach low volumes of customers over PARTS loops as well as via collocation.

    D. VZ's Infospeed service for ISPs is not an adequate alternative.

        1. Infospeed is a Layer 3 service that includes IP addressing.

        2. UNE-based CLECs need access to Layer 1 and 2 to provide UNE-based services.

III. **Cross-Connect/Interface** Requirement

    A. **Term** commitments.

        1. ATM port provided for 12-month term

        2. Collocation tariff cross-connects are also sold for 12-month term

        3. VZ has not explained why a CLEC term commitment is necessary for VZ to provide PARTS service over the same facilities VZ uses for its end user customers.

        4. VZ should make PARTS available on a monthly basis.

        • In fact, VZ is deploying where it sees fit without sufficient notice to competitors, and then expects to pass of its capital risks to CLECs

through term commitments, and an implicit volume commitment via the excessive DS-3/OC-3 interface requirement.

B. **Excessive Interface** Requirement**.** VZ has not explained why interfaces are limited to DS3 or OC3, when DS1 interfaces would be much more economical for reaching low volumes of customers.

1. VZ should be required to make a DS1 interface option available as well.

2. DS1 ports in OCD could be substituted for DS3 ports, and vice versa – matter of substituting line cards.

IV. **Service** Classes

A. Only UBR, rather than CBR products offered

B. Mostly ADSL products offered – only SDSL offering is at 384 kbps.

C. In NY technical session, VZ stated that introduction of different service classes and rates did not entail additional facilities costs – yet VZ limits the menu of services CLECs can offer through PARTS

- VZ should make CBR versions of its PARTS PVCs available. VZ should also develop a process that requires CLEC input in the development of additional line speeds and service offerings.

V. **Notice** about PARTS deployment

A. Verizon has not provided sufficient notice to CLECs about its PARTS deployment. CLECs need more information about PARTS in order to make it a usable service, and in order to make efficient investments in their own facilities interconnecting with PARTS.

B. **Where.**

1. Where are RTs currently deployed?

2. Where does VZ plan to deploy RTs going forward?

3. Which RTs are being pre-positioned for PARTS?

C. **When** are pre-positioned RTs scheduled to come on-line?

D. **Loop Information.** Verizon maintains address-specific information about PARTS-loops, that it fails to make available to competitors

1. Verizon fails to make address-specific info about PARTS-loops available to competitors, as required under the terms of the UNE Remand Order

2. VZ only makes address-specific information about PARTS-loops available as a tariffed offering (for example, $275 per 10 COs in VZ West).

3. Covad has recently discovered that VADI gets more detailed information about loop makeup than CLECs get.

    a) Covad recently obtained a VADI loop info extract showing six more fields than the loop info extract Covad receives, along with a value for "NOT_VZ_CUST," indicating the presence of third-party voice, which Covad does not normally receive. This shows that VZ is making more loop makeup information available to VADI than it makes available to competitors, in violation of the UNE Remand Order.

- Covad needs to know where it's going to have to access loops served over PARTS in order to make PARTS a usable service. VZ certainly maintains much more information about its existing PARTS deployment and future deployment plans than it has made available to CLECs.