COMMONWEALTH OF PENNSYLVANIA

PUBLIC UTILITY COMMISSION

MEMO

February 13, 2004

Subject: **DEVELOPMENT OF AN EFFICIENT LOOP MIGRATION PROCESS**
Docket No. M-00031754
Periodic Progress Report

To: Chairman Terrance J. Fitzpatrick
Vice Chairman Robert K. Bloom
Commissioner Glen R. Thomas
Commissioner Kim Pizzingrilli
Commissioner Wendell F. Holland
Executive Director Veronica Smith

From: Robert Rosenthal, Director
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Background

In accordance with ordering paragraph 10 of the Commission's Procedural Order of the *Triennial Review Order*, the Bureau of Fixed Utility Services (FUS) is directed to provide periodic reports on the topic of development of an efficient loop migration process.

In the *Triennial Review Order*, the FCC found that "a seamless, low-cost batch cut process for switching mass market customers from one carrier to another is necessary, at a minimum, for carriers to compete effectively in the mass market." Para. 487. State commissions are asked to "judge whether the incumbent LEC has indeed developed an efficient loop migration process." Para. 488. See also paras. 489 - 493.

Batch cut is defined as a process by which the incumbent LEC simultaneously migrates two or more loops from one carrier's local circuit switch to another carrier's local circuit switch, giving rise to operational and economic efficiencies not available when migrating loops on a line-by-line basis.

The FCC requires that state commissions adopt specific processes to be employed when performing a batch cut, taking into account the incumbent LEC's

particular network design and cut over practices. A state commission is also required to evaluate whether the incumbent LEC is capable of migrating multiple lines using unbundled local circuit switching to switches operated by a carrier other than the incumbent LEC for any requesting telecommunications carrier in a timely manner, and may require that incumbent LECs comply with an average completion interval metric for provision of high volume of loops.

Furthermore, a state commission is required to adopt rates for the batch cut activities it approves in accordance with the Commission's pricing rules for unbundled network elements. These rates shall reflect the efficiencies associated with batched migration of loops to a requesting telecommunications carrier's switch, either through a reduced per-line rate or through volume discounts as appropriate.

If a state commission concludes that the absence of a batch cut migration process does not impair the ability of telecommunications carriers to serve mass market using DS0 loops without access to local circuit switching, that conclusion will render the creation of such a process unnecessary. In that case, the state commission must issue detailed findings regarding the volume of unbundled loop migrations that could be expected if requesting telecommunications carriers were no longer entitled to local circuit switching on an unbundled basis, the ability of the incumbent LEC to meet that demand in a timely and efficient manner using its existing hot cut process, and the non-recurring costs associated with that hot cut process. The state commission must further explain why the absence of a batch cut process does not give rise to impairment in the market at issue.

Activities

A service list consisting of all the parties in the technical proceeding for the TRO *Re: Development of an Efficient Loop Migration Process* is posted on Commission's website. Staff obtained affidavits in compliance with the protective order from all parties. Following is a complete list of parties participating in the loop migration proceeding:

1) ARC Network Inc., d/b/a Infohighway Communications, Corp.
2) AT&T Communications of Pennsylvania, LLC
3) ATX Licensing, Inc.
4) Broadview Networks, Inc.
5) Bullseye Telecom Inc.
6) Cavalier Telephone Mid-Atlantic
7) Covad Communications
8) Full Service Network
9) McGraw Communications, Inc.
10) MCI
11) Metropolitan Telecommunications Corporation of PA

12) Office of Consumer Advocate
13) Office of Small Business Advocate
14) Office of Trial Staff
15) Penn Telecom, Inc.
16) REMI Communications
17) Talk America, Inc.
18) Verizon Pennsylvania Inc.

Responses received from the parties to Appendix B of the Commission's PA-TRO Order are also posted on the Commission's website. Upon Staff's request, Verizon agreed to an additional on-site demonstration, this time of the back-office process for hot cut, set for February 13, 2004. The back-office process is a web-based system used by CLECs and Verizon to handle hot cut orders, schedules, and customer migration. This process is usually handled out of Verizon's regional center in Maryland. However for everyone's convenience Verizon graciously made arrangements to bring in a technician to the Harrisburg center for the demonstration. Since this process is web-based, it could be done from anywhere with a web access. Staff hopes to get familiarized with the various aspects of the process through the on-site demonstration and has extended the invitation to all Commissioners' Assistants.

Verizon proposed Batch Cut Process

On January 28, 2004, Verizon submitted declarations in this proceeding mandated by the FCC's Triennial Review Order in which it presents a proposed Pennsylvania-specific Batch Cut process and has served copies to parties, as well. Staff has requested parties to comment on Verizon's proposal including the need for Electronic Loop Provisioning by February 20, 2004. Staff intends to conduct a face-to-face conference of parties in Harrisburg during the second week of March.

The following is derived from Verizon's opening comments:

- Verizon states that currently it uses two separate, though closely related "hot cut"[1] processes: a "Basic" process and a "Project" or "Large Job" process, and that both already provide CLECs efficient and effective mechanisms of transferring customers from a Verizon switch to a CLEC switch. Verizon states that it has developed a new "Batch" hot cut process that optimizes the efficiencies of the Project process for all CLECs regardless of the CLECs' ability to aggregate orders on a central office-by-central office basis. Verizon also states

[1] Generic term to describe the near-simultaneous discussion of a working loop from a port on one carrier's switch, and reconnection of that loop to a port on a different carrier's switch, without any significant out-of-service period.

that the new Batch process incorporates its new Wholesale Provisioning Tracing System, a system that helps to ensure that all key steps of the Batch cut process are properly completed and that all necessary communications between the CLEC and Verizon work teams occur effectively and at minimum cost, resulting in a virtually seamless migration.

- Verizon claims that its proposed rates associated with the new Batch cut process are TELRIC[2]- compliant. Verizon also states that its existing hot cut processes are fully scalable and thus capable of meeting the increased demand that would result from the elimination of UNE-P in Pennsylvania. Verizon's forecast assumes that UNE-P will eventually be eliminated throughout Pennsylvania.

- Verizon proposes Basic (2-wire, 4-wire), large job, Batch Hot Cut, Expedited Order and IDLC Surcharge. Verizon states that its hot cut Process is the same process used throughout its footprint, which has been evaluated in numerous Section 271[3] cases. Verizon considers a "Large Job" process as one that is initiated by CLEC in which they are willing to aggregate their orders by central office and due date. The due date for Large Job is negotiated with the CLEC rather than the five-business day standard interval.

- Verizon claims that the process would result in virtually seamless migrations and lower CLEC costs. In the new process Verizon's central office would hold CLEC orders until a "critical mass" of such orders is reached. Verizon limits the amount of time that the order will be held which is set at a minimum six business days and a maximum of twenty-six days after CLECs order submission. Verizon's internal guidelines allow up to 150 cut-over lines per central office per due date.

Areas of Contention

Two CLECs (Cavalier & MCI) informed staff that they have raised serious objections in the New York proceeding because Verizon's new Batch Hot Cut process would allow for a maximum lag time of thirty-five days and a minimum of ten business days. Verizon admits in its proposal here, that based on its own review of the proposal, and in response to CLEC concerns that the thirty-five day period is too long it has agreed to modify the maximum and minimum dates to twenty-six

[2] Total Element Long Run Incremental Cost according to Newton's Telecom Dictionary-19th edition, A method of figuring out what phone service should cost based on the incremental cost of new equipment and labor, not counting the embedded cost of old equipment and the labor to install that old equipment.)
[3] Application of Bell operating company (Verizon Pennsylvania) for FCC authorization to provide In-region InterLATA service.

business days and six business days respectively. Accordingly, in Pennsylvania Verizon has filed for a maximum lag time of twenty-six business days and a minimum of six business days. Currently, in Pennsylvania Verizon's Hot Cut process can have only a maximum lag time of five business days for individual lines.

The second contention, raised by AT&T, is Verizon's proposed rates in this proceeding. Verizon proposes new rates for different categories (Basic, Large Jobs and Batch Hot Cut). Verizon has also provided documents of certain cost studies for these various hot cuts. The summary sheet of the cost study shows that the rates are developed using a new methodology. There would be a Service Order charge for each batch and separate costs for CO wiring and Provisioning. In addition, a field installation charge will apply when there is a need to dispatch a technician. There is also an expedite charge and a surcharge for IDLC[4] loop. Following are the various rates proposed by Verizon in this proceeding:

	Service Order (per Order)	C.O. Wiring Per Line)	Provisioning Per Line)	Total cost	Field Installations[5]
2-wire Initial	$22.23	$30.11	$15.64	$67.98	Addl. Charge
Addl. Line	-	$17.66	$15.69	$33.35	Addl. Charge
4-wire Initial	$29.06	$51.70	$16.41	$97.17	Addl. Charge
Addl. Line	-	$30.55	$16.46	$47.01	Addl. Charge
Large Job (Project)	$22.26	$29.33	$6.61	$58.20	Addl. Charge
Addl. Line	-	$26.77	$6.65	$33.42	Addl. Charge
Batch Hot Cut	$21.60	$22.43	$6.21	$50.24	Addl. Charge
Addl. Line	-	$22.43	$6.26	$28.69	Addl. Charge
Full-Mechanized Expedite (In addition to all other charges)				$42.98	Addl. Charge
IDLC Surcharge (Applies per line served via IDLC)				$98.56	Addl. Charge

The current approved rates in Verizon's UNE Tariff No. 216 for an individual Hot Cut, whether it is a 2-wire, 4-wire or "Large Jobs" are as follows:

	Service Order (per Order)	Coordinated Cutover, (no premise visit)	Total Cost	Coordinated Cutover, (with premises visit)
Initial Line	$1.06	$3.28	$4.34	$12.25
Addl. Lines	-	$3.28	$3.28	$12.25

[4] Integrated Digital Loop Carrier which access equipment to central office and connects to a SONET ring on the network side while providing telephone service on the subscriber side mostly using fiber technology.
[5] Field installation cost is charged to the CLEC based on applicable PA rates when necessary to complete the service order or when requested by the CLEC.

Verizon has also filed individual hot cut rates on January 27, 2004, in response to Commission's recent Order *In Generic Investigation of Verizon's UNEs*.at Docket No. R-00016833. These rates are currently under review by Staff for compliance. The proposed rates of January 28, 2004, in the instant TRO proceeding are substantially higher than the current approved rates for individual hot cuts as well as those under review.

Verizon Section 271 Requirement

In the Consultative Report on Verizon Pennsylvania's Section 271 Application CC Docket No. 01-138, the Commission found Verizon's current Hot Cut provisioning adequate under Checklist item 4-Unbundled Local Loop. At that time Verizon submitted documents that it executes the Hot-cut within a defined time known as the "Hot Cut Window." The Hot Cut Window is one hour (1-9 lines), two hours (10-49 lines), three hours ("50-99 lines), four hours (100-199 lines), eight hours (greater than 200 lines) and four hours for a Hot Cut requiring a conversion from Integrated Digital Loop Carrier ("IDLC") to copper facilities. The Hot Cut Window begins on the Frame Due Date at the Frame Due Time and ends when Verizon PA's regional CLEC Coordination Center ("RCC") calls the CLEC with a completion notification. (Foot note 295 Commission's Verizon Pa. Section 271 Application Report)

In the Verizon Section 271 Report, the Commission included a table containing the field observation results of coordinated loop migration prepared by KPMG Consulting firm, hired for this purpose, of loop migration and UNE-P migration (13 hot cut orders with a total of 40 lines) CLEC commercial provisioning. KPMG Consulting found Verizon had 100% completion on time in its Provisioning Activation Timeliness assessment.

Electronic Loop Provisioning

With respect to an electronic loop provisioning trial, after reviewing the responses to Appendix B to Commission's TRO Order staff notes that none of the parties appear interested. We believe this is a reflection of the FCC's *Triennial Review Order*[6] wherein the FCC disposed of electronic loop provisioning, as follows:

> 487. We have found that a seamless, low-cost batch cut process for switching mass market customers from one carrier to another is necessary, at a minimum, for carriers to compete effectively in the mass market. We conclude that the loop access barriers contained in the record may be mitigated through the creation of a batch cut process by spreading loop migration costs among a large number of lines, decreasing per-line cut over costs.[1517] [footnote 1516 omitted]
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> [1517]In theory, electronic loop provisioning might one day obviate the need for a hot cut when migrating a loop from one carrier's switch to another's. *See, e.g.*, AT&T Comments, Attach. C, Declaration of Irwin Gerzberg, at paras. 6, 18-19, 25-28; Z-Tel Reply at 53. As discussed below, however, **the record in this proceeding does not support a determination that electronic provisioning is currently feasible.** [emphasis added]
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> 491. *Other Issues*. We note that AT&T and WorldCom propose other mechanisms intended to mitigate the disruptions and other practical difficulties inherent in the current loop infrastructure. First, AT&T argues that unbundled switching for voice-grade loops is essential until incumbent LECs offer an electronic loop provisioning (ELP) method of transferring large volumes of local customers in the mass market from one carrier to another that it describes as being analogous to the existing process used to change a customer's long distance provider and as eliminating the need for physical hot cuts. We agree with AT&T that it is easier for a competitive LEC to manage the hot cut process when migrating large numbers of lines served by unbundled loops combined with unbundled local circuit switching to stand-alone loops than in individual hot cut situations, because the conversions can be project-managed by both the incumbent LEC and the requesting carrier. However, **the evidence in the record suggests that an ELP process, to be effective, would require significant and costly upgrades to the existing local network at both the remote terminal and central office. AT&T's ELP proposal proposes to "packetize" the entire public switched telephone network for both voice and data traffic, at a cost one party estimates to be more than $100 billion.** Incumbent LECs state that AT&T's proposal would entail a fundamental change in the manner in which local

[6] CC Docket No. 01-338, 96-98 & 98-147

switches are provided and would require dramatic and extensive alterations to the overall architecture of every incumbent LEC local telephone network. **Given our conclusions above, we decline to require ELP at this time, although we may reexamine AT&T's proposal if hot cut processes are not, in fact, sufficient to handle necessary volumes.** [footnotes omitted, emphasis added]

Activities in Other States

The National Association of Regulatory Utility Commissioners ("NARUC") Telecommunications Committee reports that Qwest is now leading the charge for temporary delays in numerous state TRO proceedings after opposing requests in at least two states for stipulations to delay the TRO proceedings. Trade press indicates the VA commission has already taken such an action.

The Utah Public Service Commission has scheduled a telephonic hearing to address a joint request submitted by Qwest Corp. and the Division of Public Utilities for a suspension of its "triennial review" schedule for a period of up to 60 days, including a temporary stay of testimony and discovery. Similar requests are pending in Washington, Colorado, and Nebraska. The New Mexico Public Regulation Commission is considering a suspension on its own motion, and a similar letter has been filed with the Oregon Public Utility Commission. No decisions have been made, to date.

NARUC also feels that if the DC circuit court eliminates state delegation the FCC will have to make final decisions provided there is no stay of the DC circuit decision. Some FCC Commissioners have strongly suggested that, if the delegation is vacated, the state's TRO proceeding records should be forwarded to the FCC as a basis for going forward on the "national" determinations. Staff notes that the Technical Conference here is not an on-the-record proceeding. Nonetheless, staff will strive to work with the parties towards a consensus while our state proceeding continues to move forward.

A matrix containing the key dates of state TRO proceedings on batch cut is attached.

Planned Action

Responses to Verizon's "batch hot cut" proposal from parties are due February 20, 2004. Further, Staff intends to conduct a face-to-face conference of parties during the second week of March in Harrisburg where parties will have additional opportunity to present their views. Staff will be monitoring the discussions as well as fielding questions to clarify positions in an effort to achieve consensus.

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BATCH CUT PROCEEDINGS – OTHER STATES

State	Batch Cut hearings
California	Evidentiary hearings, if needed, to be held at the at the close of the transport/enterprise loop proceedings
Colorado	April 28-30 on Qwest Corp.'s batch "hot-cut" process.
Connecticut	March 1-4
Indiana	Testimony March 1, Rebuttal March 15, Surrebuttal March 29 Hearings April 12-15, Briefs May 14 Proposed order May 27
Kansas	Mass-market switching, including unresolved batch hot-cut Testimony January 30 Prehearing conference April 13 Hearings April 19-23
Massachusetts	Testimony Jan. 22 for CLECs, Feb. 6 for Verizon Hearings: March 22-April 2
Michigan	First filing: January 23 Second filing: February 20 Third filing: March 12 Hearings: March 23-24
Missouri	Mass-market switching, including batch hot-cut process Testimony Feb. 23, Rebuttal March 23, Surrebuttal April 19 Hearings April 26-30
North Dakota	Direct testimony on impasse issues Jan. 20 Rebuttal testimony Feb. 17
New Jersey	Decision due by March 5
Ohio	Testimony due (SBC and others): Jan. 27 Testimony due (Cincinnati Bell): Feb. 3 Testimony due (Intervenors): Feb. 26 Hearings (SBC): March 8
Wisconsin	Initial testimony Feb. 2, Rebuttal March 8 Hearings: March 15 Initial briefs April 2, Reply briefs April 12

Compiled by PA PUC FUS Telco Staff
02-13-2004