

#### IV. CONCLUSION

For the reasons expressed above, the Ratepayer Advocate recommends the following:

##### **RECURRING COST OF UNES**

##### **Input Issues Affecting All UNES**

**Cost of Capital:** The Ratepayer Advocate supports an 8.8% cost of capital.

**Cost of Equity:** The Ratepayer Advocate supports a 10% cost of equity.

**Cost of Debt:** The Ratepayer Advocate supports an 8.07% cost of debt.

**Debt/Equity Ratio:** The Ratepayer Advocate supports a ratio of 60.94% debt to 39.06% equity.

**Depreciation Lives:** The Ratepayer Advocate supports the depreciation rates and lives of Verizon-NJ's January 2000 Rate Update.

**Common Costs:** The Ratepayer Advocate supports a common overhead factor that does not exceed 10%.

##### **Loop Input Issues**

**Cable Unit Cost:** The Ratepayer Advocate recommends that the Board reject Verizon-NJ's cost study for cable costs based on its breach of forward-looking price obligations.

**Digital Loop Carrier/GR-303:** The Ratepayer Advocate supports assumptions based on Verizon-NJ's 100% use of GR-303 technology as the most efficient, technically feasible, and forward-looking approach.

**Fill Factors- Distribution:** The Ratepayer Advocate supports the adoption of a distribution fill factor of [Begin Verizon Proprietary] [End Verizon Proprietary].

**Fill Factor- Copper Feeder:** The Ratepayer Advocate supports that fill factors for copper feeder be set at 85%.

**Fill Factor- Fiber Feeder:** The Ratepayer Advocate supports that fill factors for fiber feeder be set at 85%.

**Fill Factor- Loop Electronics:** The Ratepayer Advocate supports that fill factors for loop electronics be set at 85%.

**Support Structure- Structure Sharing:** The Ratepayer Advocate supports an assumption of 50% structure sharing for Verizon-NJ and other utilities.

**Support Structure- Pole Placement Assumptions:** The Ratepayer Advocate supports adopting the forward-looking pole spacing parameters proposed by the FCC.

**Support Structure- Other Issues:** The Ratepayer Advocate supports adopting a unit pole cost of \$733.67, based on the application of the NYNEX-Massachusetts UNE Cost Study matured to the year 2000 and applying Verizon-NJ's Telephone Plant Index Inflation factors.

### **Switching Costs**

**Discount Weighing:** The Ratepayer Advocate supports the recognition of a 100% new/replacement vendor discount applied to the most efficient mix of switching types to determine prices for switching.

**Transport/IOF Costs:** The Ratepayer Advocate supports the use of a 90% utilization factor in calculating interoffice transport rates.

## **NON RECURRING COST MODELS**

### **Summary of Models**

**Relationship of Nonrecurring Cost Model to Recurring Cost Model:** The Ratepayer Advocate recommends that the nonrecurring cost model be based on the same forward-looking network design as the recurring cost model. The Ratepayer Advocate recommends NRCs only include costs that apply to the specific UNE ordered by the specific CLEC.

**Criticism of Competing Models:** The Ratepayer Advocate supports adopting the Ratepayer Advocate's proposed rates and rejecting Verizon-NJ's NRCM for failure to comply with the FCC's forward-looking TELRIC rules.

### **Discussion of Models**

**Forward-Looking Network Assumptions:** The Ratepayer Advocate supports the adoption of nonrecurring rates based on long-run, forward-looking economic cost. Because it is impossible to make all the necessary corrections to the Verizon-NJ NRCM, the Ratepayer Advocate supports the Board's adoption of rates based on either the best comparable nonrecurring rates from neighboring states and adjustments to Verizon-NJ's proposed rates to correct for the flaws identified in this brief.

**Role of OSS:** The Ratepayer Advocate supports the forward-looking assumption that OSS functionalities for multiple loop and complex UNE ordering will be processed by electronic OSS.

**Fallout Rate of OSS:** The Ratepayer Advocate supports a system-wide OSS fallout rate of two percent.

**Study Time Horizon:** The Ratepayer Advocate supports adjusting Verizon-NJ's model inputs to comply with a long-run time horizon in order to be TELRIC compliant.

**Disconnect Charge:** The Ratepayer Advocate recommends that disconnect charges be assessed at the time of disconnect, not installation. Therefore, installation charges should be reduced by at least the amount of the disconnect costs and a separate nonrecurring rate item for disconnect charges should be created.

**Recurring Costs Included in the VZ NRCM:** The Ratepayer Advocate supports removing any recurring costs from the calculation of nonrecurring rates.

**Conversion/Migration:** The Ratepayer Advocate recommends that the Board adopt a \$0.30 conversion rate and rejecting the conversion rate proposed by Verizon-NJ.

**Required Work Functions:** The Ratepayer Advocate recommends that the Board reject Verizon-NJ's work time function survey as not compliant with a forward-looking environment.

**Recommendations of the Ratepayer Advocate Overall:** The Ratepayer Advocate supports adopting the comparable rates ordered by the Pennsylvania Commission charged in the market by Verizon-PA, or, if there are no such comparable rates, the adjustments detailed in this Brief to Verizon-NJ's proposed nonrecurring rates.

## **OTHER ISSUES**

### **DSL**

**Line Conditioning:** The Ratepayer Advocate supports rates based on adopting efficient practices of conditioning multiple lines and conservative work times, and in particular recommends that the Board adopt rates based on a combination of the more conservative assumptions of the Covad and AT&T witnesses.

**Loop Qualification:** The Ratepayer Advocate supports minimal dip charges associated with access to electronic access to loop makeup information.

**Splitter Installation/EF&I Factor:** The Ratepayer Advocate recommends that the Board reject both the Verizon-NJ and the Covad proposed rates.

**Splitter Administration and Support:** The Ratepayer Advocate recommends that the Board reject the splitter administration and support charge for Scenario A CLECs and supports minimal monthly splitter maintenance costs for scenario C CLECs.

**Pot Bay and Cable and Frame Termination:** The Ratepayer Advocate recommends that the Board reduce Verizon-NJ's POT Bay and cable and frame termination charges by 50%.

**Per-Line and Order-Related Charges:** The Ratepayer Advocate recommends that the Board reduce Verizon-NJ's Service Order and Provisioning charges by 50% and adopt reasonable nonrecurring charges for central office wiring, as discussed above.

**Line Splitting:** The Ratepayer Advocate recommends that the Board require Verizon-NJ to provide CLECs with splitters on a per-line basis in order to make line splitting available to New Jersey consumers as soon as possible.

**Wideband Testing:** The Ratepayer Advocate recommends that the Board prohibit Verizon-NJ from imposing the costs of wideband testing on its competitors.

**Cooperative Testing:** The Ratepayer Advocate recommends that the Board prohibit Verizon-NJ from imposing costs for cooperative testing.

**DSL over DLC/PARTS:** The Ratepayer Advocate recommends that the Board actively monitor the DLC/PARTS offering and order Verizon-NJ within 60 days to specify the particulars of its proposed terms, conditions and rates for the DLC/PARTS proposal.

**Line Cards/Access to Remote Terminals:** The Ratepayer Advocate recommends that the Board order Verizon-NJ to add to its tariff a plug and play option and take steps to cooperate with competitors to implement the plug and play offering in New Jersey.

### **House and Riser Cable**

The Ratepayer Advocate recommends that the Board permit Verizon-NJ to assess terminal charges only for the specific number of terminal connections requested by the CLEC (i.e. allowing the CLEC to choose to obtain its own terminal block or share with others) and prohibit Verizon-NJ from imposing charges only for dispatches to perform cross-connections between the ILEC's network and the CLEC's terminal blocks.

### **Dark Fiber**

**Rates:** The Ratepayer Advocate recommends that the Board include investment costs and exclude embedded costs in determining the rate for dark fiber loops, dark fiber interoffice transport, and dark fiber subloops and that the Board adopt dark fiber rates based on the recent Recommended Decision in Pennsylvania.

**Definition:** The Ratepayer Advocate recommends that the Board require Verizon-NJ to define dark fiber broadly to allow carriers to splice dark fiber and to include a dark fiber subloop offering.

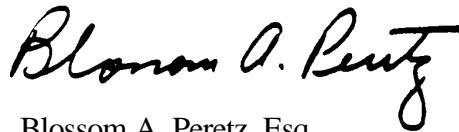
**Maintenance and Spare:** The Ratepayer Advocate recommends that, to prevent discrimination against competitors, the Board limit Verizon-NJ's reservation of dark fiber.

**Subloop Unbundling**

**Subloop Distribution:** The Ratepayer Advocate recommends that the Board adopt recurring rates for subloop distribution no higher than those proposed by Verizon in Pennsylvania, as adjusted to conform to New Jersey's deaveraged zones and as set forth above.

**Remote Terminal Collocation:** The Ratepayer Advocate recommends that the Board adopt recurring and non-recurring rates for 'Collocation at Remote Terminal Equipment Enclosures' at 50% of Verizon-NJ's tariffed rates for central office collocation.

Respectfully submitted,



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RATEPAYER ADVOCATE

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