

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)
) **DOCKET NO. UT-033044**
QWEST CORPORATION)
)
To Initiate a Mass-Market Switching)
And Dedicated Transport Case)
Pursuant to the Triennial Review)
Order)

RESPONSE TESTIMONY OF

ARLEEN M. STARR

ON BEHALF OF

**AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST, INC.,
AT&T LOCAL SERVICES ON BEHALF OF TCG SEATTLE, AND TCG
OREGON
(COLLECTIVELY "AT&T")**

**ESTABLISHING THE CROSSOVER POINT BETWEEN THE MASS MARKET
AND THE ENTERPRISE MARKET**

February 2, 2004

1 **Q. HAVE YOU FILED DIRECT TESTIMONY IN THIS PROCEEDING ?**

2 A. Yes. I filed joint direct testimony supporting the DS0 Cost Tool along with
3 Douglas Denney on December 22, 2003. The DS0 Cost Tool testimony will be
4 supported entirely by Douglas Denney. I am adopting the portion of the direct
5 testimony of John F. Finnegan filed on December 22, 2003 related to the DS1
6 crossover point. The direct testimony I am adopting is Exhibit JFF-1T, Section V.
7 Establishing the Crossover Point Between the Mass Market and the Enterprise
8 Market, pages 72 through 98 and Exhibits JFF-5 and JFF-6.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my testimony is to review the factors necessary in establishing the
11 cross over point used to determine when it is economically feasible for a
12 competitive local exchange carrier (“CLEC”) to serve a multi-line plain old
13 telephone service (“POTS”) customer using a DS1 based service. In addition, I
14 will respond to the brief testimony filed by Qwest witnesses on this topic. The
15 cross over point is addressed in the FCC’s Triennial Review Order (“TRO”) in the
16 context of market definition to distinguish the mass market from the enterprise
17 market. The purpose of the cross over point is to determine when it is
18 economically feasible for a competitive carrier to provide voice service to a
19 customer with its own switch using a DS1 or higher capacity loop. The
20 alternative is to provide service to that customer using multiple DS0 loops via the
21 Unbundled Network Element Platform (“UNE-P”).

1 **Q. PLEASE PROVIDE A SUMMARY OF YOUR RECOMMENDATION.**

2 A. The Commission should not rely on the FCC presumption of four lines as
3 recommended by Qwest. As explained later in my testimony, the FCC
4 presumption of four lines is not based on state specific information. The TRO
5 requires states to perform a granular analysis to determine the cross over point
6 where it is economically feasible for a CLEC to serve a multi-line customer via a
7 DS1 loop. AT&T has provided the Commission with an objective, quantitative,
8 state specific analysis to determine the DS1 cross over point for Washington. The
9 result of that analysis indicates twelve lines is the appropriate DS1 cross over for
10 a multi-line customer for the state of Washington. For purposes of this
11 proceeding, the Commission should base its decision on state specific information
12 and establish a DS1 cross over point of twelve lines. Qwest's recommendation to
13 rely on the FCC presumption of four lines should be rejected.

14 **Q. HAS QWEST PROVIDED ANY STATE SPECIFIC INFORMATION FOR**
15 **THE COMMISSION TO EVALUATE IN ESTABLISHING A CROSS**
16 **OVER POINT?**

17 A. No. Although two of Qwest witnesses address the topic, Harry M. Shooshan and
18 Mark Reynolds, they do not provide any state specific information for the
19 Commission to evaluate in establishing a cross over point. Both provide very
20 limited information, a total of five paragraphs, for the Commission to utilize in
21 establishing a cross over point. Qwest witnesses conclude, based solely on the

1 FCC presumption, the Commission should establish a cutoff of three lines and
2 below to determine when a customer should be served via a DS1 loop.

3 **Q. WHAT IS MR. SHOOSHAN'S RECOMMENDATION TO THE**
4 **COMMISSION IN ESTABLISHING A CROSS OVER POINT?**

5 A. Mr. Shooshan's position is that the appropriate cross over point should be four
6 lines. Mr. Shooshan's position is based on the FCC presumption of four lines as
7 established in the UNE Remand Order.¹ Mr. Shooshan states, "I have not seen
8 any evidence leading me to believe that it would be appropriate to challenge the
9 FCC's presumptive cross over point."² Mr. Shooshan also admits there are many
10 instances in which customers purchase more than three lines to a customer
11 location.³

12 **Q. WHAT IS MR. REYNOLD'S RECOMMENDATION TO THE**
13 **COMMISSION IN ESTABLISHING A CROSS OVER POINT?**

14 A. Mr. Reynolds recommends that the Commission not alter from the FCC's
15 presumption of four lines as the DS1 cross over point.⁴ Mr. Reynolds also states

¹ Before the Federal Communications Commission, In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Third Report and Order and Fourth Further Notice of Proposed Rulemaking ("UNE Remand Order"), Decision FCC 99-238, Released November 5, 1999.

² Direct Testimony of Harry M. Shooshan III, Docket No. UT-033044, December 22, 2003, Exhibit HMS-1T at 57.

³ *Id.*

⁴ Direct Testimony of Mark S. Reynolds, Docket No. UT-033044, December 22, 2003, Exhibit MSR-1T at 17.

1 Qwest has not been provided with evidence to establish the appropriate cross over
2 point for Washington.⁵

3 **Q. IS QWEST'S POSITION ON ESTABLISHING A DS1 CROSS OVER**
4 **POINT APPROPRIATE?**

5 A. No. First, the FCC presumption is not based on any state specific market
6 information. Secondly, as provided in the direct testimony provided by AT&T
7 there is substantial evidence indicating the FCC presumption of four lines is
8 inappropriate in the state of Washington.

9 **Q. PLEASE EXPLAIN THE FCC'S FOUR LINE PRESUMPTION.**

10 A. The FCC previously found that if a customer had four or more lines at a single
11 customer location in density zone 1 in one of the top 50 Metropolitan Statistical
12 Area ("MSAs") and the ILEC had provided non-discriminatory, cost-based access
13 to the enhanced extended link ("EEL"), then the ILEC had no obligation to
14 provide unbundled local switching.⁶ However, that conclusion did not apply in
15 other than the top 50 MSAs or in density zones other than zone 1 in the top 50
16 MSAs. This finding has become known as the "three line limit". In Washington,
17 there are only two wire centers in the Qwest serving territory which are included

⁵ *Id.*

⁶ *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, and Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98 & 98-147, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, FCC 03-36 (rel. Aug. 21, 2003) ("*Triennial Review Order*" or "*TRO*") at ¶ 278.

1 in density zone 1 of the top 50 MSAs, both are located in Seattle.⁷ This number is
2 insignificant in the context of the customers being served in Washington and
3 should be given no weight.

4 The TRO relies on the FCC's previous finding. The TRO provides that a
5 customer served by mass market loops is to be considered part of the enterprise
6 market when "it is economically feasible for a competitive carrier to provide
7 voice service with its own switch using a DS1 or above loop. We determine that
8 this includes all customers that are served by the competing carrier using a DS1 or
9 above loop and all customers meeting the DS0 cutoff described in paragraph
10 497."⁸ In describing the cross over point, the FCC stated that it "may be the point
11 where it makes economic sense for a multi-line customer to be served via a DS1
12 loop."⁹

13 **Q. WHAT INFORMATION DID THE FCC RELY ON IN DETERMINING**
14 **THE "THREE LINE LIMIT"?**

15 A. The FCC based its decision on the information it had available to it at the time.
16 The information was minimal and by its own admission, not specific to the
17 specific facts for a particular market. The FCC in its UNE Remand Order stated,
18 "We recognize that a rule that removes unbundling obligations based on line

⁷ The two wire centers are STTLWA06 and STTLWAEL. See Qwest's website at <http://www.qwest.com/wholesale/pcat/unswitch.html>

⁸ TRO ¶ 421, n.1296.

⁹ TRO ¶ 497.

1 count will be marginally overinclusive or underinclusive given individual factual
2 circumstances.”¹⁰ It appears the FCC based much of its finding on the presence
3 of CLEC local switches in density zone 1 in the top 50 MSAs, but this
4 information was not specific to the state of Washington or even the Qwest serving
5 territory. In the UNE Remand Order the FCC stated, “ We recognize that only
6 one commenter, BellSouth, provided detailed data to describe where requesting
7 carriers have deployed switches in density zone 1. The record does not contain
8 similar data for other incumbent LECs.”¹¹ The crucial point in the FCC’s
9 determination of the three line limit is that it was not based on specific factual
10 information for a given state or market. Therefore, in the TRO the FCC directed
11 the state commissions to identify the number of DS0 lines needed at a particular
12 customer location before the customer crosses over from the mass market to the
13 enterprise market. The FCC directed the state Commission to “determine the
14 appropriate cut-off for multi-line DS0 customers as part of its more granular
15 review.”¹² The crucial point in the FCC’s determination of the three line limit is
16 that it was not based on specific factual information for a given state or market.

¹⁰ UNE Remand Order at ¶ 294.

¹¹ UNE Remand Order at ¶ 285.

¹² TRO ¶ 497.

1 **Q. WHAT DID THE FCC DIRECT THE STATES TO DO IN THE TRO**
2 **RELATED TO THE PREVIOUSLY ESTABLISHED FOUR LINE**
3 **CROSSOVER PRESUMPTION?**

4 A. The FCC stated, “We expect that in those areas where the switching carveout was
5 applicable (*i.e.* density zone 1 of the top 50 MSAs), the appropriate cutoff will be
6 four lines absent significant evidence to the contrary. We are not persuaded,
7 based on this record, that we should alter the Commission’s previous
8 determination on this point.”¹³ Additionally, the FCC required states to make a
9 finding if the switching carveout was in effect in a given state. The FCC stated,
10 “Because the previous carve out only applied where “new” EELs were made
11 available and because this Commission allowed state commissions to require
12 switching to be unbundled even in areas where the carve-out test was met, it
13 appears that the four-line carve out was adhered to in very few areas in the
14 country. SBC Reply at 30; BellSouth NERA Reply Decl. At 51-52. As part of
15 their analysis, we expect states to make a finding of whether or not the carve out
16 is in effect.”¹⁴

17 **Q. DID QWEST EVER APPLY THE FOUR LINE LIMIT IN THE TWO**
18 **WIRE CENTERS IN DENSITY ZONE 1 IN THE SEATTLE MSA?**

19 A. Qwest has never implemented the four line limit in Washington or any other state
20 in its serving territory. Qwest’s website provides the following information,

¹³ TRO ¶ 497.

¹⁴ TRO ¶ 497, fn. 1545.

1 “Qwest is currently charging UNE rates for all in service UBS (Unbundled
2 Network Element Switching). However, Qwest reserves the right to charge
3 market-based rates for such UBS as allowed by the FCC. At such time as Qwest
4 determines to begin charging market-based rates, you will be notified of the rate
5 change by the Product Announcement and Change Management Process (CMP)
6 channels.”¹⁵

7 **Q. HAS AT&T PROVIDED THE COMMISSION WITH THE NECESSARY**
8 **GRANULAR INFORMATION NEEDED TO DETERMINE THE**
9 **APPROPRIATE CROSS OVER POINT FOR WASHINGTON?**

10 A. Yes. As provided in my direct testimony I recommend the analysis be based on
11 the economic and operational factors that a CLEC must face in deciding whether
12 to serve a customer using multiple UNE-P lines or lines that are aggregated onto
13 one or more DS1 services. This analysis compares the total costs to provision
14 DS1 services at a customer’s location to the costs needed to serve that same
15 customer via UNE-P. To arrive at the recommended cross over point, I calculate
16 the total monthly cost to sell, install and maintain a DS1 based service at a
17 customer’s location and then divide that result by the monthly UNE-P costs of
18 serving that same customer. This result yields the number of UNE-P lines at
19 which the CLEC should be economically indifferent between using UNE-P or

¹⁵ <http://www.qwest.com/wholesale/pcat/unswitch.html>

1 DS1 lines to serve that location. A complete analysis must also consider the
2 operational issues associated with using UNE-P and DS1 services. These include
3 the loss of service related to a hot-cut and the additional equipment required in
4 providing service via a DS1.¹⁶

5 **Q. WHO IS IT THAT ULTIMATELY SHOULD DETERMINE HOW**
6 **SERVICE IS PROVIDED TO AN END-USER CUSTOMER?**

7 A. The appropriate answer is clearly the customer. Establishing a Commission
8 mandated upper boundary to the mass market is substituting the Commission's
9 judgment of how a customer **should** be served (via a DS-1), for the customer's
10 judgment of how it **has** chosen to be served (multiple POTS lines). There are
11 many factors that a customer considers in determining how it chooses to be
12 served. In that respect, the concept of a Commission determined cross over point
13 is not the way a competitive market works. The reality is that there should not be
14 a Commission determined cross over point and it should be up to the customer to
15 decide when he/she will be served with multiple POTS lines or through a DS1
16 based service.

¹⁶ See Exhibit JFF-1T, pages 96-99 for more information on the operational issues impacting a customer when obtaining a DS1 service.

1 **Q. WHAT ARE YOUR OVERALL CONCLUSIONS FOR THE CROSS OVER**
2 **POINT?**

3 A. When a fact-based, quantitative analysis is performed on a granular basis using
4 cost information for Washington, the point at which it is economically rational for
5 a CLEC to use a DS1 based service is when a customer utilizes twelve or more
6 lines at a single location. The evidence as presented in my direct testimony used
7 to arrive at this conclusion is objective, quantitative, granular, specific to
8 Washington and representative of how a CLEC would view a decision to serve a
9 customer with UNE-P or a DS1 based service. The resulting analysis
10 demonstrates that when a customer is served by twelve or more lines at a single
11 location a CLEC should be economically indifferent between UNE-P or DS1 lines
12 to serve that location. Additionally, the Commission should consider the
13 underlying premise that ultimately it should be the customer who determines how
14 it is served.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.